

Recommendation: Buy
Target Price: \$3.00

◆ Filo Mining Corp. (FIL-TSXV) *Porphyry Giant Potential Exploration Recap*

Current Price	\$1.75	Shares Outstanding (MM)	
52 Wk High	\$3.25	Basic	88.2
52 Wk Low	\$1.00	Diluted	96.5
Target Return	71%	CEO	Jamie Beck

Cash (MM)	US\$4	Market Cap. (MM)	US\$106
WC (MM)	US\$1	EV (MM)	US\$105
LT Debt (MM)	US\$0		

NAV (model)	\$3.53	NAV (spot)	\$3.14
P/NAV (model)	0.5x	P/NAV (spot)	0.6x

FYE Dec. 31		2025E	2026E	2027E
Sales	Q1	21	38	42
(MMlb Cu)	Q2	21	38	42
	Q3	21	38	42
	Q4	21	38	42
	FY	83	154	169

C1 Cu Cash Cost	FY	\$0.40	\$0.40	\$0.40
(US\$/lb)				

		2025E	2026E	2027E
Consolidated EPS	Q1	\$0.01	\$0.06	\$0.07
(US\$)	Q2	\$0.01	\$0.06	\$0.07
	Q3	\$0.01	\$0.06	\$0.07
	Q4	\$0.01	\$0.06	\$0.07
	FY	\$0.03	\$0.23	\$0.30

Consolidated CFPS	Q1	\$0.09	\$0.17	\$0.17
(US\$)	Q2	\$0.09	\$0.15	\$0.17
	Q3	\$0.09	\$0.15	\$0.17
	Q4	\$0.09	\$0.15	\$0.17
	FY	\$0.37	\$0.63	\$0.66

P/CFPS	FY	3.3x	1.9x	1.8x
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Company Description:

Filo is a Lundin Group-related copper-gold explorer and developer. Its portfolio is underpinned by the 100%-owned Filo del Sol project straddling the Chile-Argentina border. A robust 2019 PFS mine plan envisions a ~14-year, open-pit and heap leach operation, producing copper cathode and precious metal doré through SX-EW and Merrill-Crowe processes. Exploration upside remains high in both adjacent oxide resource discoveries and Filo del Sol's sulphide potential at depth.

Unless otherwise denoted, all figures shown in C\$

Investment Thesis:

Filo is a 'Lundin Group' company focused on exploring and developing its 100%-owned Filo del Sol project, which straddles the border of Chile and Argentina. Filo was spun out of NGEx Resources Inc. in 2016—a prudent strategy that has garnered flagship market recognition for Filo del Sol. The project's 2019 PFS details a standalone open-pit oxide-only heap leach operation, producing copper cathode and precious metal doré over a ~14-year mine life. Successful development of Filo del Sol stands to transform Filo into a notable (~150 MMlb) copper producer (with significant gold and silver by-product credit consideration). That said, recent drilling has also revealed the project's significant porphyry sulphide potential at depth, which we believe will be garnering the attention of 'major' producers.

Highlights:

- Exploration Recap Sets The Stage For Porphyry Upside Potential**
Drilling over the past two exploration seasons has transformed Filo's understanding of the size and scale potential of its namesake project—demonstrating the deposit's well-delineated near-surface oxide mineralization only represents the 'tip of an iceberg' that stands to garner 'major' attention, cognizant deep sulphide porphyry delineation will require investor patience.
- Large Porphyry Target Modelled At Depth**
Recent modelling has outlined a conceptual 1.2-1.6 Bt target grading 0.7-1.0% CuEq beneath Filo del Sol's current resource. The telescoped epithermal-porphyry system also remains open to the north and south. Bottom line, drilling over the past two field seasons has prompted a rethink of Filo's ultimate potential—from a near-surface oxide epithermal system to a much larger integrated epithermal-porphyry system extending to depth ...potential that will be tested with additional drilling expected to begin this fall.



Source: BigCharts.com, June 25, 2020

- ◆ During the past twelve months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities for Filo Mining Corp.

Our disclosure statements are located on the second last page of this report

Drilling over the past two exploration seasons at Filo's namesake flagship project straddling the Argentina-Chile border has transformed the company's understanding of the size and scale of the porphyry-epithermal system, demonstrating that the deposit's well-delineated near-surface oxide mineralization, which underpins a 2019 PFS (US\$1.29 B after-tax project NAV8% [23% IRR; 3.4-year payback] at US\$3.00/lb copper, US\$1,300/oz gold, and US\$20.00/oz silver; refer to [February 20, 2019](#), Cormark Research Report), only represents the 'tip of an iceberg' that stands to potentially garner 'major' attention—cognizant deep delineation drilling will likely require investor patience.

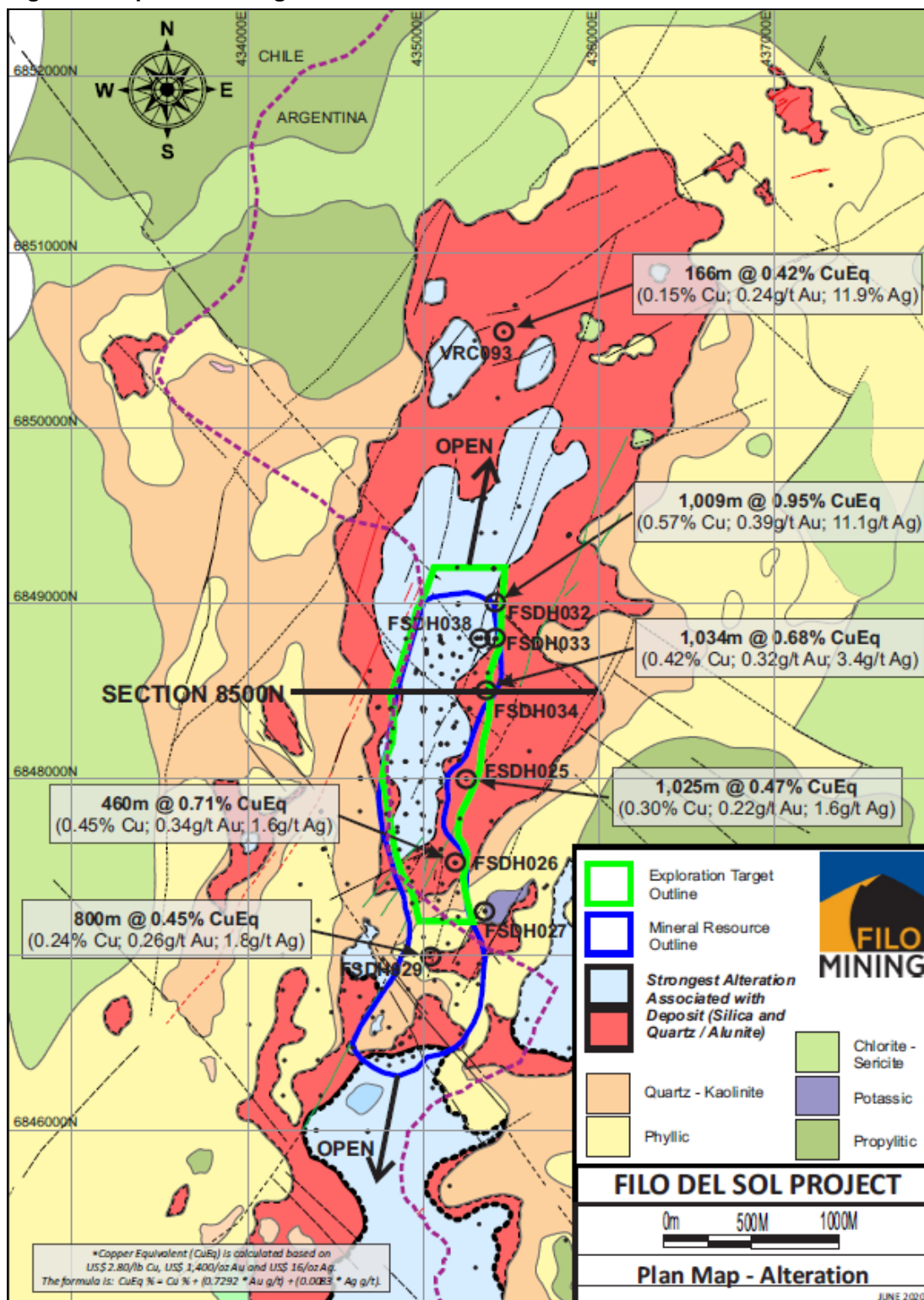
Standout results from the latest (COVID curtailed) exploration campaign included two world-class copper-gold intersections—drill hole FSDH032, which returned 1,009 m grading 0.95% CuEq (including 0.57% copper and 0.39 g/t gold) starting at a down-hole depth of 132 m, and drill hole FSDH034, which returned 1,034 m grading 0.68% CuEq (including 0.42% copper and 0.32 g/t gold) starting at a down-hole depth of 72 m (refer to [April 21, 2020](#), Cormark Morning Note). Importantly, these intercepts demonstrated that (primary) copper-gold-silver mineralization extends at least 700 vertical metres below the bottom of Filo del Sol's current resource envelope (or ~1,200 m below surface). Said deep drilling is interpreted to have penetrated through the epithermal-porphyry environment transition, bottoming in the uppermost part of the porphyry system proper, which suggests that primary mineralization could still continue for a considerable distance at depth (remaining cognizant that extensive internal telescoping and Miocene tectonic uplift complicate the genetic relationships between various parts of the system).

To better understand Filo's resource potential, an exploration target has been developed by modelling predicted volumes based on the approximate dimensions of mineralization determined to date. **Said analysis has generated a target beneath Filo del Sol's current resource measuring ~1,400-2,000 m north-south, ~450 m east-west, and ~700 m vertically—a volume that potentially boasts a 1.2-1.6 Bt 'conceptual' inventory grading 0.7-1.0% CuEq (0.4-0.6% copper, 0.3-0.4 g/t gold, and 6-10 g/t silver; non-National Instrument 43-101 compliant; 'back of the envelope' grades calculated by averaging all drill hole samples within said volume [albeit a large dataset, which included up to 2,561 samples spanning 4,914 m of drilling]).**

In addition to Filo's expansion potential at depth, the system also remains open to the north and south. North of the exploration target, surficial mapping has showed that the same intense hydrothermal alteration blanketing the deposit, extends for an additional 1,700 m to RC hole VRC093—the most northerly hole drilled at the project to date. Recall VRC093 was completed in 2015, returning 166 m grading 0.42% CuEq, including 42.0 m grading 0.57% CuEq at the bottom of the hole. Subsequent step-out hole FSDH039 was drilled to test mineralization encountered in VRC093 (refer to [May 21, 2020](#), Cormark Morning Note). However, the hole was only drilled to a depth of 170 m, and did not reach the depth of the targeted mineralized zone encountered in VRC093. That said, the hole did intersect weakly to moderately altered (low grade) rhyolite typical of the upper parts of the epithermal system. Filo plans to deepen this hole during the next drill campaign (see below). South of the exploration target, shallow drilling has intersected mineralization over 800 m towards VRC111 (102 m grading 1.04% CuEq stating at a downhole depth of 6 m) and VRC143 (118 m grading 1.02% CuEq starting from surface). Holes drilled in this area all ended in mineralization, warranting further drilling at depth.

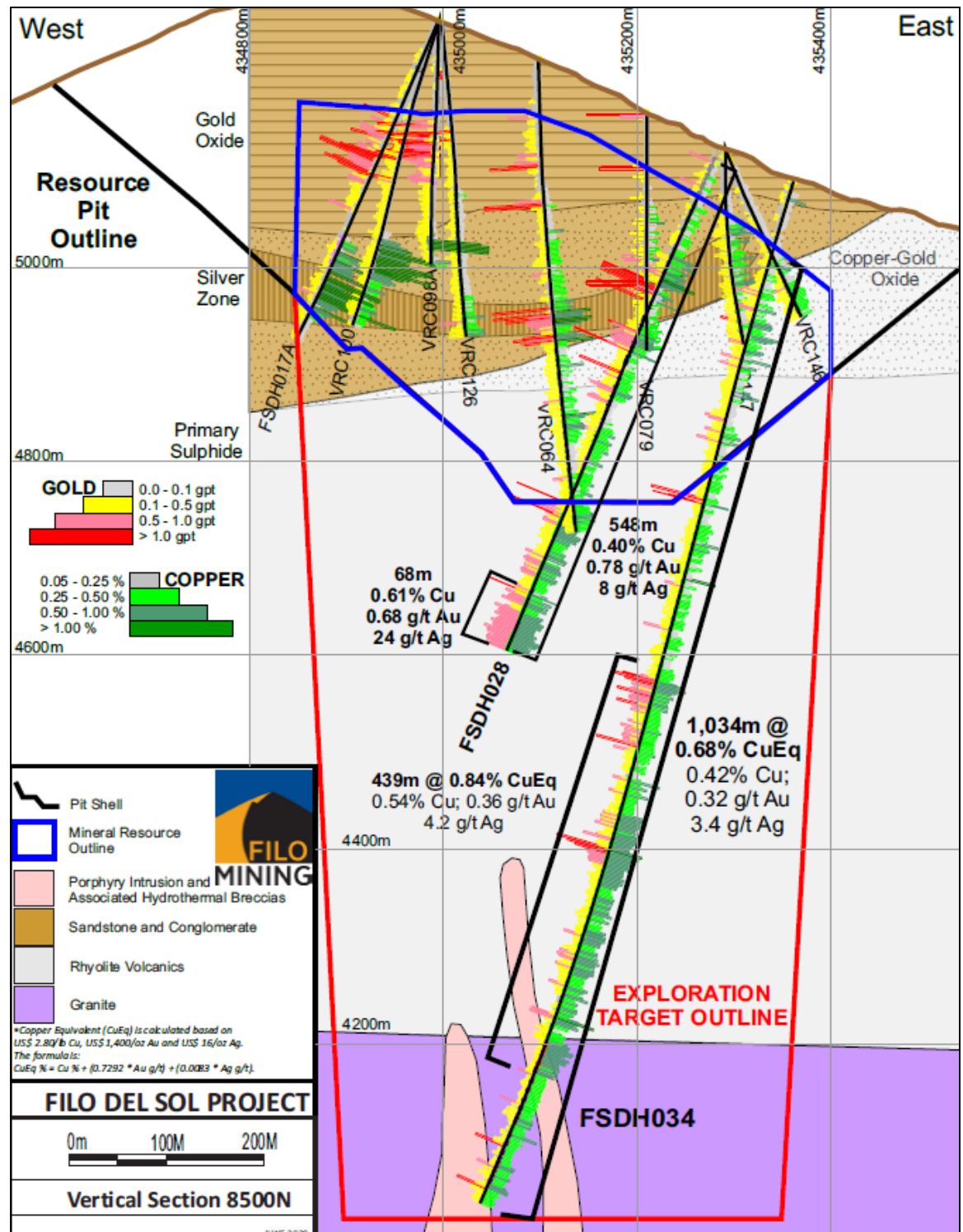
Filo's is currently focused on processing and interpreting geophysical data collected during the 2019/2020 program, which ended early in late March in the wake of the COVID-19 pandemic. Said data will be integrated with the updated geological data, including input from deep drilling, to produce a 3D geology-based geophysical model to guide future drilling north and south of the resource area. The company plans to initiate its next drill campaign this fall, provided that the program can be safely and effectively carried to protect the health and safety of employees/contractors and local communities.

Figure 1: Exploration Target At Filo del Sol



Source: Filo Mining Corp.

Figure 2: Filo del Sol Cross Sections (looking north)



Source: Filo Mining Corp.

Filo del Sol Project Recap

- Filo del Sol is located in the high Andes straddling the Chile-Argentina boarder. The +17,000 ha property is made up of mineral titles in Chile (referred to as Tamberias) and Argentina (referred to as Filo del Sol), with certain concessions subject to royalty payments. Current resources lie within the Caballo I claim in Argentina, and the Tronco 1 1/41 and 2 1/76 claims in Chile. The latter two are a part of a 17 exploitation mining concession group that Filo can acquire for US\$20 MM by June 30, 2023 (US\$16.3 MM remaining as of March 31, 2020; next US\$1.0 MM installment payable in June 2020). Chilean optioned mining concessions are also subject to a 1.5% net-smelter-return (NSR) royalty, while Filo's Argentinian mine production entails a 3.0% royalty on net revenue (less processing, infrastructure, and G&A costs). Life-of-mine royalty expenses amount to ~US\$0.07/lb CuEq (payable) in our model.

Figure 3: Filo del Sol Location Map



Source: Filo Mining Corp.

- The project area is covered under the Mining Integration and Complementation Treaty (signed in 1997), which has been established around the trans-border project. The protocol essentially allows the free flow of workers, equipment, and supplies into/out of the project area (across the Chile-Argentina border; double taxation avoided). However, the protocol will likely require (significant) modification in the context of a bilateral/cross-border producing mine, which could take time to establish (noting Filo del Sol's 2019 PFS garners ~83% of its value from Argentina and the remaining ~17% from Chile).
- Filo del Sol's current National Instrument 43-101 compliant resource (updated in August 2018; based on 44,600 m of drilling in 188 holes) is underpinned by 425 MMt in the indicated category grading 0.33% copper, 0.32 g/t gold, and 10.7 g/t silver. Said inventory includes 76 MMt of hypogene sulphide (averaging 0.27% copper, 0.34 g/t gold, and 2.2 g/t silver), which is not considered in the project's PFS mine plan (see below). Filo del Sol's inferred inventory contains an additional 175 MMt grading 0.27% copper, 0.33 g/t gold, and 6.2 g/t silver, which stands to be upgraded through additional delineation drilling.
- Porphyry-epithermal style mineralization at Filo Del Sol is hosted in two domains separated by the northeast trending Flamenco fault. To the north, the Filo del Sol area (FDS; mostly in Argentina) contains the bulk of the deposit's 'in-situ' metal resource. Mineralization is hosted by a high-sulphidation lithocap developed within conglomeratic rocks above a regional Paleocene unconformity, and occurs in distinct zones identified by alteration and weathering characteristics, and metal content. The zones include (from top to bottom):
 - A leached cap containing gold-rich oxide.
 - An oxide horizon hosting the deposit's soluble copper-gold mineralization (hydrated sulphates).
 - A copper +/- silver M zone that tapers towards the Flamenco fault.
- Beneath the epithermal system and within the felsic igneous basement, a hypogene zone (i.e., deeper 'blind' porphyry) hosts Filo del Sol's sulphide resource. South of the fault in the Tamberías area (TMB; mostly in Chile), epithermal alteration and mineralization is juxtaposed with (or directly overlies) deeply eroded porphyry intrusives (interpreted as the fault-offset portion of the same hydrothermal system). The TMB only hosts a small portion of the deposit's resource (~12% of the project's 2017 PEA 'minable inventory'), although the 'telescoped' system has yet to be fully delineated.
- **Following a 24-month construction period, Filo del Sol's 2019 PFS (headed by Ausenco) envisions a ~14-year mine plan (including prestripping), conventional open-pit (shovel and autonomous haul truck) operation (1.5:1 strip ratio including pre-strip). Two-stage crushing feeding a 60 ktpd heap leach facility coupled with associated solvent-extraction/electrowinning (SX-EW) and Merrill-Crowe processing is designed to produce copper cathode and gold-silver doré from the deposit's non-sulphide reserves pegged at 259 MMt grading 0.39% copper, 0.33 g/t gold, and 15.1 g/t silver (i.e., leached cap, oxide horizon, and M zone; see above).**
- Mining will initially target high-value materials via a (smaller) starter pit. Given the deposit's diverse mineralization styles (and therefore different metallurgical characteristics), Filo del Sol's PFS proposes a sequential two-heap leaching strategy to recover copper and precious metals:
 - An on/off acid leach pad designed to extract copper.
 - A permanent cyanide leach pad designed to extract gold and silver.

Figure 4: Filo del Sol Project Summary (2019 PFS versus 2017 PEA)

	Filo del Sol 2017 PEA	Filo del Sol 2019 PFS	Cormark Model	Cormark Model vs. 2019 PFS Δ Parameter
Proven & Probable Reserve				
Oxide Reserve, MMt	-	259	259	-
Oxide Reserve Copper Grade, %	-	0.39%	0.39%	-
Oxide Reserve Gold Grade, g/t	-	0.33	0.33	-
Oxide Reserve Silver Grade, g/t	-	15.1	15.1	-
Measured & Indicated Resource (reserve inclusive)				
Oxide Resource, MMt	350	350	350	-
Oxide Resource Copper Grade, %	0.34%	0.34%	0.34%	-
Oxide Resource Gold Grade, g/t	0.32	0.32	0.32	-
Oxide Resource Silver Grade, g/t	12.6	12.6	12.6	-
Sulphide Resource, MMt	76	76	76	-
Sulphide Resource Copper Grade, %	0.27%	0.27%	0.27%	-
Sulphide Resource Gold Grade, g/t	0.34	0.34	0.34	-
Sulphide Resource Silver Grade, g/t	2.2	2.2	2.2	-
Timing				
Metal Production Start-Up, year	-	-	2025	-
Mine Life (including prestripping), years	14	14	14	-
Mine Type	Open Pit	Open Pit	Open Pit	-
Mill Type	Three-Stage Heap Leach With SX-EW + Merrill-Crowe Processing	Two-Stage Heap Leach With SX-EW + Merrill- Crowe + SART Processing	Two-Stage Heap Leach With SX-EW + Merrill- Crowe + SART Processing	-
Production (100% Basis)				
Mineable Resource, MMt	215	259	259	-
LOM Avg. Strip Ratio (incl. prestripping)	1.0	1.5	1.5	-
Nominal Processing Capacity, tpd	50,000	60,000	60,000	-
LOM Average Copper Head Grade, %	0.42%	0.39%	0.39%	-
LOM Average Gold Head Grade, g/t	0.35	0.33	0.33	-
LOM Average Silver Head Grade, g/t	16.6	15.1	15.1	-
LOM Average Global Copper Recovery, %	74%	80%	80%	-
LOM Average Global Gold Recovery, %	75%	70%	70%	-
LOM Average Global Silver Recovery, %	62%	82%	82%	-
LOM Avg. Ann. Cu Prod. (cathode + precipitate), kt	50	67	67	-
LOM Average Annual Gold Production (doré), koz	115	159	159	-
LOM Average Annual Silver Prod. (doré), MMoz	5.1	8.7	8.7	-
Total Contained Copper Prod. (cathode), MMlb	1,422	1,750	1,750	-
Total Contained Copper Prod. (precipitate), MMlb	-	~30	28	(7)%
Total Contained Gold Production (doré), MMoz	1.5	1.9	1.9	-
Total Contained Silver Production (doré), MMoz	67	104	104	-
Operating Costs				
LOM Avg. On-Site Operating Cost, US\$/t processed	\$16.12	\$14.19	\$16.00	13%
LOM Avg. Total Cu Cash Cost (IR, NoC), US\$/lb	-	-	\$(0.25)	-
LOM Average C1 Cash Cost, US\$/lb CuEq	\$1.42	\$1.23	\$1.35	10%
Capital Costs (100% basis)				
Initial Capital Cost, US\$ MM	\$792	\$1,266	\$1,500	18%
LOM Ttl. Cap. Cost (initial, sust. & clos.), US\$MM	\$960	\$1,534	\$1,769	15%
Project Valuation (100% basis)				
Long-term Forecast Copper Price, US\$/lb	\$3.00	\$3.00	\$3.00	-
Long-term Forecast Gold Price, US\$/oz	\$1,300	\$1,300	\$1,600	23%
Long-term Forecast Silver Price, US\$/oz	\$20.00	\$20.00	\$17.00	(15)%
Project NAV Discount Rate, %	8%	8%	8%	-
Pre-Tax Project NAV, US\$ MM	\$1,163	\$1,860	\$1,236	(34)%
Pre-Tax Project IRR, %	29%	27%	22%	(20)%
After-Tax Project NAV, US\$ MM	\$705	\$1,280	\$975	(24)%
After-Tax Project IRR, %	23%	23%	20%	(14)%

Source: Filo Mining Corp. and Cormark Securities Inc.

- All of Filo del Sol's mined ore will be crushed (two-stage) and initially placed on the on/off diluted sulfuric acid leach pad for copper extraction. The pregnant solution will be processed via solvent extraction and electrowinning (SX-EW) to produce LME grade cathode (80% life-of-mine average copper recovery; 1.75 Blb over the project's PFS mine life). The remnant ore will be rinsed/neutralized, moved from the on/off pad by bucket wheel reclaimer, agglomerated, and subsequently stacked on the permanent cyanide leach pad for gold and silver extraction (Merrill-Crowe zinc precipitation process; 70% and 82% life-of-mine average gold and silver recoveries respectively to doré; 1.92 MMoz and 104 MMoz respectively over Filo del Sol's PFS mine life).
- A portion of the barren leach solution, following zinc precipitation, will be treated to avoid a build-up of recirculating copper and cyanide through the precious metals circuit. This treatment is based on the SART process, which produces copper sulphide precipitate (grading ~65% copper; i.e., saleable; included in the project's 67 ktpa life-of-mine average production profile noted above) and recovers cyanide for reuse in the heap leach. **This set-up is significantly simpler than the three-facility heap leaching flow sheet proposed in Filo del Sol's 2017 PEA (on/off acid leach pad, permanent cyanide leach pad, and permanent acid leach pad, each treating specific subsets of the deposit's mineable resource).**
- **Filo del Sol's PFS production profile is underpinned by an average total (C1) CuEq cash cost of US\$1.23/lb (US\$14.19/t life-of-mine average onsite operating cost, in part reflecting savings through the utilization of an autonomous haul truck fleet, noting said onsite cost includes a US\$3.86/t milled mining cost versus a figure of US\$4.80/t in Filo de Sol's 2017 PEA).** The study includes a US\$1.27 B initial capital cost estimate (including a US\$59 MM pre-strip and US\$194 MM contingency), which is notably higher than a 2017 PEA estimate of US\$792 MM. However, the earlier study was based in part on a smaller (50 ktpd) operation and onsite diesel generated power. **PFS economics are headlined by a US\$1.28 B after-tax project NAV8% (23% IRR; 3.4-year payback) at US\$3.00/lb copper, US\$1,300/oz gold, and US\$20.00/oz silver.**
- Based on project parameters outlined in Filo del Sol's 2019 PFS Technical Report, our base case modelled mine plan is centred on a conventional ~60 ktpd open-pit (~1.5:1 strip ratio, including pre-production waste stripping) feeding a sequential heap leaching operation underpinned by the deposit's 259 MMt oxide reserve grading 0.39% copper, 0.33 g/t gold, and 15.1 g/t silver.
- The heap leaching strategy, coupled with SX-EW, Merrill-Crowe, and SART facilities, stands to produce ~1.8 Blb of copper, 1.9 MMoz of gold, and 104 MMoz of silver over Filo del Sol's ~14-year PFS-based mine life (averaging ~147 MMlb, 159 koz, and 8.7 MMoz of copper, gold, and silver per annum respectively over the project's 13-year leach feed schedule), at an average total copper cash cost of US\$(0.25)/lb (sold) net of credits (including royalties)—positioning Filo del Sol well within the first quartile of the copper cost curve. Life-of-mine copper (to cathode), gold, and silver recoveries average 83%, 70%, and 82%, respectively, in our model, which stand to improve further on the back of additional metallurgical studies. The modelled production profile, which includes a conservative US\$1.5 B initial capital cost estimate, generates an after-tax project NAV8% of US\$975 MM (20% IRR), at US\$3.00/lb copper, US\$1,600/oz gold, and US\$17.00/oz silver (2021 forward basis; 2025 modelled production start-up).

Valuation

Given Filo's developer status, our \$3.00 target price is based on a 0.8x multiple to the company's fully financed after-tax corporate NAV8% of US\$1.4 B or \$3.53 per fully diluted share (noting peers trade at 0.7-1.0x). Our model is underpinned by Cormark's formal commodity price forecast, which includes long-term copper, gold, and silver prices of US\$3.00/lb, US\$1,600/oz, and US\$17.00/oz, respectively. Our valuation is based on Filo del Sol's open-pit oxide-only heap leach development parameters detailed in a 2019 PFS, conceptual company guidance, and peer-group comparables. As final development plans could differ materially, we look to refine our model with the release of subsequent technical updates.

We typically utilize a 10% discount rate when valuing base metal developers backed by National Instrument 43-101 compliant mine plans. However, Filo del Sol boasts a precious metal-rich production profile, noting gold and silver (combined) account for ~47% of the project's life-of-mine revenue in our model. Hence, our formal Filo valuation is based on an 8% discount rate (in part noting Cormark's general practice of using a 5% discount rate to value 'pure play' precious metal [gold] projects).

Figure 5: NAV Breakdown and Sensitivity

	Cormark Model	\$2.00	\$2.50	\$3.00	\$3.50	\$4.00	Spot Price
Long-term Copper Price Forecast, US\$/lb		\$800	\$1,000	\$1,200	\$1,400	\$1,600	
Long-term Gold Price Forecast, US\$/oz		\$5.00	\$10.00	\$15.00	\$20.00	\$25.00	
Long-term Silver Price Forecast, US\$/oz		\$1.50	\$1.40	\$1.30	\$1.20	\$1.10	
Long-term C\$/US\$ FX Rate		562	562	562	562	562	562
Fully Financed F/D Shares, MM							
Corporate Adjustments							
Corporate Adjustments, US\$ MM	\$342	-	\$342	\$342	\$342	\$342	\$342
Corporate Adjustments, C\$ per F/D Share	\$0.88	-	\$0.85	\$0.79	\$0.73	\$0.67	\$0.83
Projects							
Filo del Sol After-Tax Project NAV8%, US\$ MM	\$975	-	\$36	\$653	\$1,235	\$1,811	\$904
Filo del Sol After-Tax Project NAV8%, C\$ per F/D Share	\$2.52	-	\$0.09	\$1.51	\$2.64	\$3.55	\$2.19
Total After-Tax Projects NAV8%, US\$ MM	\$975	-	\$36	\$653	\$1,235	\$1,811	\$904
Total After-Tax Projects NAV8%, C\$ per F/D Share	\$2.52	-	\$0.09	\$1.51	\$2.64	\$3.55	\$2.19
Subtotal Valuation (Corporate Adjustments + Projects)							
Subtotal After-Tax Corporate NAV8%, US\$ MM	\$1,317	-	\$378	\$995	\$1,577	\$2,153	\$1,246
Subtotal After-Tax Corporate NAV8%, C\$ per F/D Share	\$3.40	-	\$0.94	\$2.30	\$3.37	\$4.22	\$3.02
Resource + Exploration Upside Credit							
Attributable Resource Credit, US\$ MM	-	-	-	-	-	-	-
Attributable Resource Credit, C\$ per F/D Share	-	-	-	-	-	-	-
Regional Exploration Upside Credit, US\$ MM	\$50	-	\$50	\$50	\$50	\$50	\$50
Regional Exploration Upside Credit, C\$ per F/D Share	\$0.13	-	\$0.12	\$0.12	\$0.11	\$0.10	\$0.12
Total Resource + Exploration Upside Credit, US\$ MM	\$50	-	\$50	\$50	\$50	\$50	\$50
Total Resource + Explor. Upside Credit, C\$ per F/D Share	\$0.13	-	\$0.12	\$0.12	\$0.11	\$0.10	\$0.12
Total Valuation							
Total After-Tax Corporate NAV8%, US\$ MM	\$1,367	-	\$428	\$1,045	\$1,627	\$2,203	\$1,296
Total After-Tax Corporate NAV8%, C\$ per F/D share	\$3.53	-	\$1.07	\$2.42	\$3.48	\$4.32	\$3.14
Implied Target Price @ 0.8x After-Tax Corp. NAV8%, C\$	\$3.00	-	\$1.00	\$2.00	\$3.00	\$3.50	\$2.50
2025E Model CFPS, US\$	\$0.37	\$(0.03)	\$0.12	\$0.29	\$0.47	\$0.66	\$0.38
2026E Model CFPS, US\$	\$0.63	\$0.13	\$0.36	\$0.62	\$0.80	\$1.05	\$0.63

Cormark model NAV is calculated on a January 1, 2021 forward basis.

Cormark model is based on a forecast copper price of US\$3.00/lb.

Cormark model is based on a forecast gold price of US\$1,600/oz.

Cormark model is based on a forecast silver price of US\$17.00/oz.

Cormark model is based on a forecast C\$/US\$ FX rate of 1.45.

Spot pricing is based on metals prices of US\$2.66/lb copper, US\$17.78/oz silver, US\$1,763/oz gold, and a C\$/US\$ FX rate of 1.36.

Source: Cormark Securities Inc.

Figure 6: Corporate NAV Sensitivity To Discount Rate And Copper Price (C\$ per share)

		Discount Rate (%)					
		12%	10%	8%	5%	3%	0%
Copper Price (US\$/lb)	\$1.50	\$0.62	\$0.83	\$1.12	\$1.75	\$2.36	\$3.69
	\$2.00	\$1.24	\$1.55	\$1.96	\$2.83	\$3.64	\$5.38
	\$2.50	\$1.82	\$2.23	\$2.76	\$3.86	\$4.87	\$7.01
	\$3.00	\$2.37	\$2.88	\$3.53	\$4.86	\$6.08	\$8.65
	\$3.50	\$2.91	\$3.52	\$4.29	\$5.86	\$7.29	\$10.28
	\$4.00	\$3.45	\$4.15	\$5.04	\$6.86	\$8.50	\$11.91

Source: Cormark Securities Inc.

Filo generates annualized CFPS of +US\$0.60 per share in our model (+2026). Looking ahead, we note that established junior- to mid-tier base metal producers normally trade at ~4.0x 2021E CFPS and ~6.0x EV/2021E operating cash flow (i.e., pre-pandemic), suggesting the company stands to garner a premium valuation once steady-state producer status is achieved. Cognizant the project straddles two countries in the high Andes, our valuation employs royalty and taxation assumptions similar to the ones made in Filo del Sol's 2019 PFS (including a 3.0% provincial mining royalty and 25.0% corporate tax rate in Argentina; 1.5% net smelter return [NSR] royalty, federal mining tax, and 27.0% corporate tax rate in Chile; combined effective corporate tax rate of 26.4%).

The ongoing COVID-19 pandemic has fueled general investor concern, prompting major indices to plummet from record highs achieved in February. Commodities (base metals) remain one of the hardest hit sectors, with the copper price falling over 25% in late March (recently recovered to US\$2.66/lb) YTD on the back of demand concern. Recall base metals started the year on a positive note with the signing of a 'Phase 1' trade agreement between the US and China, which drove the copper spot price to an eight-month high (briefly testing the ~US\$2.90/lb level in early February). However, efforts to curb the spread of COVID-19 have crippled the global economy through travel restrictions, supply chain disruptions, and government mandated temporary closures. That said, we anticipate the resultant supply disruption, for which recovery likely stands to trail that of demand, bodes well for medium- to longer-term pricing considerations. We also remain cognizant that near-term market uncertainty/volatility will continue to prompt investor caution across the commodity space. Hence, while we see potential opportunity emerging, a base metal investment thesis requires patience and risk tolerance.

Looking further ahead, we continue to expect the industry's lack of timely new large-scale project advancement over the last ~5 years will culminate in a supply deficit—near-term supply growth is dominated by brownfield expansion (as opposed to new discoveries) and the industry's inventory of available development opportunities is low (and now further delayed by COVID-19 induced disruption; refer to [April 20, 2020](#), Cormark Research Report). We also remain cognizant that an eventual supply response will likely entail the development of lower grade mines located in areas of higher political risk and/or infrastructural hurdles, redefining the industry's cost curve (increased minimum threshold / incentive pricing for investment).

Figure 7: Filo Mining Corp. – Summary

Filo Mining Corp. (FIL-V)	Target Price, C\$	\$3.00	Shares OS, MM	88.2
Rating: BUY	Current Price, C\$	\$1.75	Shares FD, MM	96.5
Target Price: C\$3.00	Return, %	71%	Market Cap, US\$ MM	\$106
Metric: 0.8x fully financed AT Corp. NAV8%	52-Week High / Low, C\$	\$3.25 / \$1.00	Company CEO	Jamie Beck
	Volume (100-day average)	32,127	Web Site	www.filo-mining.com

Balance Sheet and Capitalization

	US\$ MM	US\$/Sh.	C\$MM	C\$/Sh.
Market Capitalization	\$106	\$1.21	\$154	\$1.75
Current Cash	\$4	\$0.05	\$6	\$0.07
F/D Cash Adds	\$13	\$0.15	\$20	\$0.22
Working Capital	\$1	\$0.01	\$1	\$0.02
Long-term Debt	-	-	-	-
Book Value	\$6	\$0.07	\$9	\$0.10
Enterprise Value (EV)	\$105	\$1.20	\$153	\$1.73

EV = Market Capitalization - Working Capital + Long-term Debt

Share Capital Dilution

	Number	Price	Proceeds	Expiry
Warrants	-	-	-	-
Options	8.2 MM	C\$2.37	C\$20 MM	2021-2024
Share Units	-	-	-	-
Total Dilution	8.2 MM	C\$2.37	C\$20 MM	-

Recent Financings

August 2019 - \$40.0 MM BD / PP (14.55 MM shares @ \$2.75/share)
February 2018 - \$25.5 MM PP (9.82 MM shares @ \$2.60/share)

Major Shareholders

	Basic (MM)	Basic (%)	FD (MM)	FD (%)
Zebra Holding & Investments	24.2	27%	24.2	25%
Lorito Holding	7.5	9%	7.5	8%
JP Morgan Asset Management (UK)	3.0	3%	3.0	3%
Management & Directors	3.7	4%	11.9	12%
Total	88.2	44%	96.5	48%

Corporate NAV Summary and Sensitivity

	Cormark Model	\$2.00	\$2.50	\$3.00	\$3.50	Spot
Forecast Copper Price, US\$/lb		\$800	\$1,000	\$1,200	\$1,400	\$1,763
Forecast Gold Price, US\$/oz		1.50	1.40	1.30	1.20	1.36
Forecast C\$/US\$ FX Rate						
Filo del Sol AT NAV8%, US\$ MM	\$975	-	\$36	\$653	\$1,235	\$904
Corporate Adjustments, US\$ MM	\$342	-	\$342	\$342	\$342	\$342
Additional Exploration Credit, US\$ MM	\$50	-	\$50	\$50	\$50	\$50
Corporate NAV, US\$ MM	\$1,367	-	\$428	\$1,045	\$1,627	\$1,296
Corporate NAV, C\$/FD Share	\$3.53	-	\$1.07	\$2.42	\$3.48	\$3.14
Current Price / Corporate NAV	0.5x	-	1.6x	0.7x	0.5x	0.6x
Target Price / Corporate NAV	0.8x	-	2.8x	1.2x	0.9x	1.0x
2025E CFPS, US\$	\$0.37	\$(0.03)	\$0.12	\$0.29	\$0.47	\$0.38
2026E CFPS, US\$	\$0.63	\$0.13	\$0.36	\$0.62	\$0.80	\$0.63

Model FD Shares (fully financed): 562MM

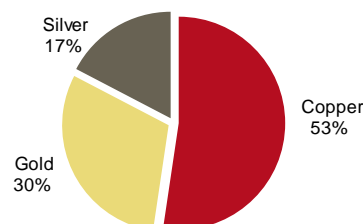
Metal Inventory

	Tonnes (MM)	Copper (%)	CuEq (%)	Copper (MMlb)	CuEq (MMlb)	EV/lb CuEq (US\$/lb)
Filo del Sol Reserve	259	0.39%	0.77%	2,228 Cu	4,407	\$0.024
Additional Filo del Sol M&I Resource	166	0.23%	0.51%	842 Cu	1,854	-
Filo del Sol Inferred Resource	175	0.27%	0.58%	1,055 Cu	2,232	-
Total Resource	600	0.31%	0.60%	4,125 Cu	7,766	\$0.013

Filo Mining Corp. Consensus Estimate Summary (Thompson Reuters)

C\$	Analysts	Buy	Hold	Sell	Mean TP	High / Low CSI vs. Cons.
Consensus Valuation	5	4	1	-	\$3.09	\$4.60 / \$2.25 (3%)

LOM Revenue By Metals



Financial Forecast

	2025	2026	2027
Forecast Copper Price, US\$/lb	\$3.00	\$3.00	\$3.00
Forecast Gold Price, US\$/oz	\$1,600	\$1,600	\$1,600
C\$/US\$ FX Rate	1.45	1.45	1.45
Average Shares (basic), MM	553	553	553
Cash, US\$ MM	\$74	\$290	\$529
Working Capital, US\$ MM	\$70	\$287	\$525
Long-term Debt, US\$ MM	\$840	\$780	\$720
Sales, US\$ MM	\$516	\$775	\$818
Operating Costs, US\$ MM	\$(297)	\$(372)	\$(372)
Depreciation, US\$ MM	\$(100)	\$(135)	\$(135)
Corporate G&A, US\$ MM	\$(15)	\$(15)	\$(15)
Exploration, US\$ MM	-	-	-
Earnings, US\$ MM	\$16	\$129	\$165
EPS, US\$	\$0.03	\$0.23	\$0.30
Operating CF, US\$ MM	\$204	\$348	\$366
CFPS, US\$	\$0.37	\$0.63	\$0.66
Current Price / CFPS	3.3x	1.9x	1.8x
Target Price / CFPS	5.6x	3.3x	3.1x
Current EV / OCF	0.5x	0.3x	0.3x
Target Implied EV/OCF	7.1x	4.2x	3.9x
CAPEX, US\$ MM	\$(14)	\$(18)	\$(18)
Investing CF, US\$ MM	\$(14)	\$(18)	\$(18)
Interest Payment, US\$ MM	\$(57)	\$(53)	\$(49)
Principal Repayment, US\$ MM	\$(60)	\$(60)	\$(60)
Financing CF, US\$ MM	\$(117)	\$(113)	\$(109)
Free Cash Flow, US\$ MM	\$74	\$216	\$238
FCFPS, US\$	\$0.13	\$0.39	\$0.43

Filo del Sol Production Forecast (100% owned)

	2025	2026	LOM
Ore Mined, MMt	16	22	259
Strip Ratio	2.8	2.0	1.4
Copper Grade (on/off leach), %	0.28%	0.38%	0.37%
Gold Grade (cyanide leach), g/t	0.39	0.34	0.33
Silver Grade (cyanide leach), g/t	6.2	5.6	15.1
Copper Recovery, %	80%	80%	80%
Gold Recovery, %	70%	70%	70%
Silver Recovery, %	82%	82%	82%
Copper Sales, MMlb	83	154	1,775
Gold Sales, koz	142	167	1,926
Silver Sales, MMoz	3	3	104
Onsite Op. Cost, US\$/t processed	\$17.50	\$16.00	\$16.00
Total Cu Cash Cost, US\$/lb (NoC, IR)	\$0.40	\$0.40	\$(0.25)
Total Cash Cost, US\$/lb CuEq (IR)	\$1.75	\$1.50	\$1.35

Source: Cormark Securities Inc.

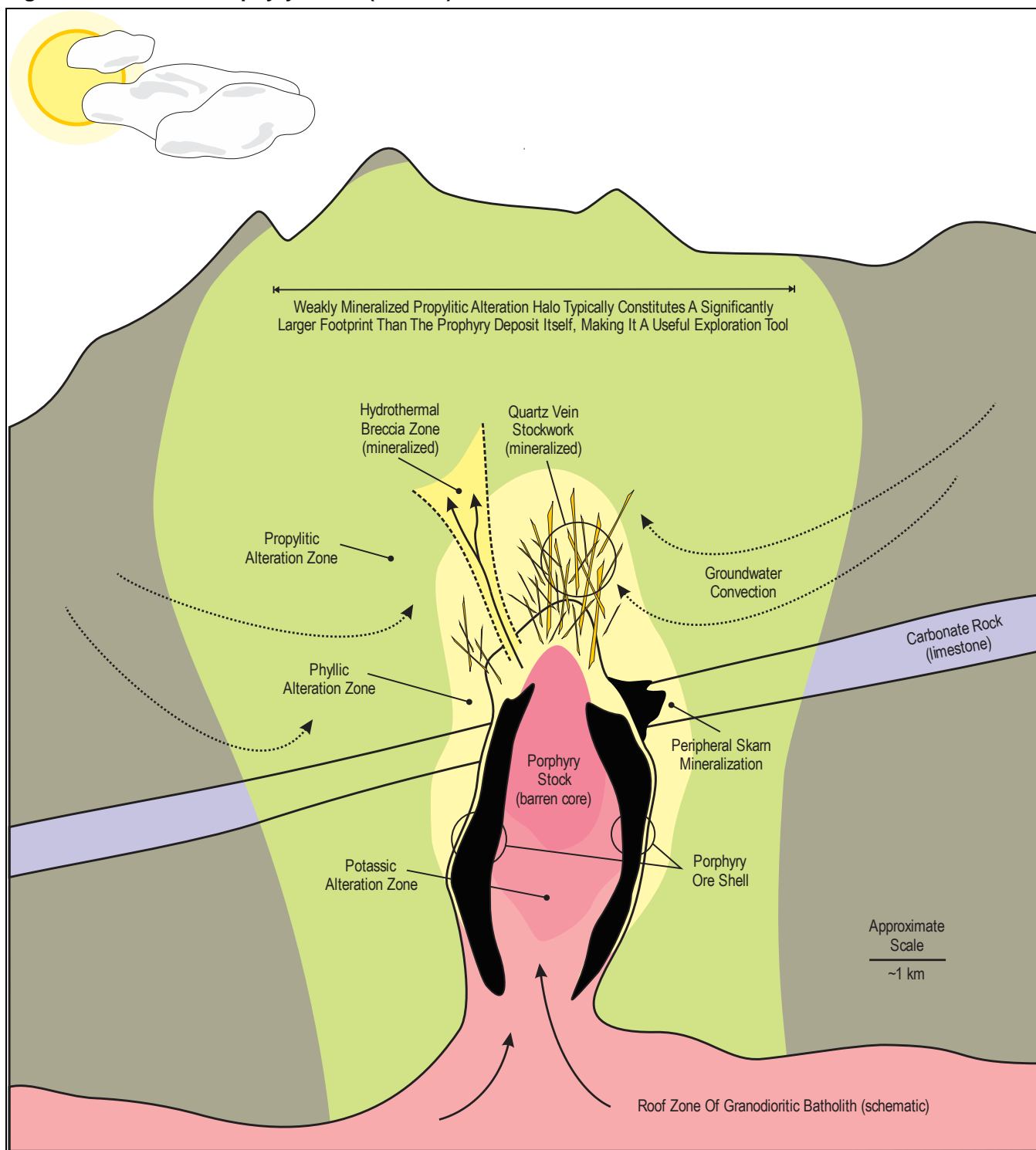
Appendix – Porphyry Primer

Porphyry deposits are associated with large amounts of molten rock generated at depth and emplaced within 2-4 km of the surface (i.e., an intrusion). Heat from this intrusion, which is typically +800 °C at the time of emplacement, subsequently initiates the convection of hydrothermal fluids within surrounding rocks. These hydrothermal fluids are sourced directly from the intrusion and/or heated groundwater, and are channeled along fractures and breccia zones formed around the periphery of the intrusion—a result of overpressure and subsequent explosive release of saline fluid from within the upper parts of the intrusion. The metals transported by these fluid (namely, copper, gold, silver, and/or molybdenum) are primarily sourced directly from the intrusion, but can also be leached from surrounding host rocks by heated groundwater. Subsequent, precipitation of this mineralization is both pervasive and fracture controlled, forming a shell(s) around the porphyry intrusion, which is generally less than 1 km in diameter. The grade within the shell(s) is characteristically very homogeneous, albeit low, typically averaging less than 1% copper, 1 gram per tonne gold, and/or 0.1% molybdenum. Hence, porphyry deposits are most amenable to large-scale bulk (open-pit) mining coupled with low-cost heap-leach processing (oxides). Higher grade veins are found radiating outward from porphyry deposits, but usually contribute marginally to a deposit's total tonnage.

Weathering can result in extensive leaching and oxidation of near-surface metals from a low-grade primary (sulphide) deposit. In the case of copper, leaching of chalcopyrite (copper sulphide) followed by re-precipitation of this mineralization in the form of chalcocite (+/- copper oxides) can form a secondary enriched deposit. This enriched chalcocite blanket can contain significantly higher grades, 'sweetening' an already economic deposit or making an economic deposit out of low-grade primary mineralization that was originally unprofitable. As a porphyry deposit is formed, the convection of hydrothermal fluid also alters the host rock. The alteration footprint is typically much larger than the deposit itself—making this footprint a useful exploration tool, especially since it is typically zoned, with a potassic (biotite-orthoclase) core grading outward through phyllic (quartz-sericite) and propylitic (epidote-chlorite) shells. The term 'porphyry' or 'porphyritic' refers to a rock texture which is characterized by larger mineral grains supported in a matrix of smaller mineral grains. This texture is typically found in granite, diorite, and/or monzonite that compose most porphyry deposits.

A compilation by the U.S. Geological Survey (USGS) of 381 (copper) porphyry deposits suggest that the deposit type is characterized by a median tonnage of 229 MMt (reserve, resource, and past production). Furthermore, we note that the mean deposit tonnage suggested by the USGS database, which averages 633 MMt, is skewed by a handful of 'super large' deposits, including Chuquibambilla (Chile) at 17.0 Bt, El Teniente (Chile) at 11.8 Bt, and Cananea (Mexico) at 7.4 Bt.

Figure 8: Schematic Porphyry Model (section)



Source: Cormark Securities Inc.

Appendix – Epithermal Primer

Epithermal deposits form within ~2 km of the Earth's surface at temperatures ranging from 50-200°C. The heat engine driving hydrothermal convection is typically located at depth and commonly takes the form of a felsic intrusive (i.e., a porphyry system). Epithermal systems are generally classified as either 'high sulphidation' or 'low sulphidation'.

Low-sulphidation systems typically take the form of structurally controlled quartz-carbonate vein-type deposits formed by the circulation of heated near-neutral ground water, but the role of a direct magmatic fluid component remains a topic of academic debate. Although potentially bonanza grade, gold and silver mineralization is usually limited in vertical extent (500-1,500 m) owing to boiling-horizon considerations (temperature and pressure dynamics) associated with precious metal precipitation within the structurally controlled (i.e., fault/fracture) fluid-flow pathway. The paleo surface expression of a low-sulphidation epithermal system can take the form of hot spring sinter mineralization, which although usually barren of economically significant precious metal content, can provide a useful exploration tool for locating higher grades at depth (+500 m).

High-sulphidation systems, as their name would suggest, are relatively sulphur rich—a chemistry that lends itself to precious and base metals (i.e., copper) transport via sulphide complexes (acidic hydrothermal fluids). The sulphur content itself is thought to represent a more direct magmatic fluid input compared with low-sulphidation epithermal counterparts (i.e., more direct porphyry heat-engine association). Furthermore, in addition to structural controls, high-sulphidation epithermal deposition typically takes advantage of favourable stratigraphy (i.e., permeable lithologies), resulting in massive deposit morphologies.

Figure 9: Surficial Hot Springs ...A Sign Of Epithermal Processes At Depth



Source: Live Science

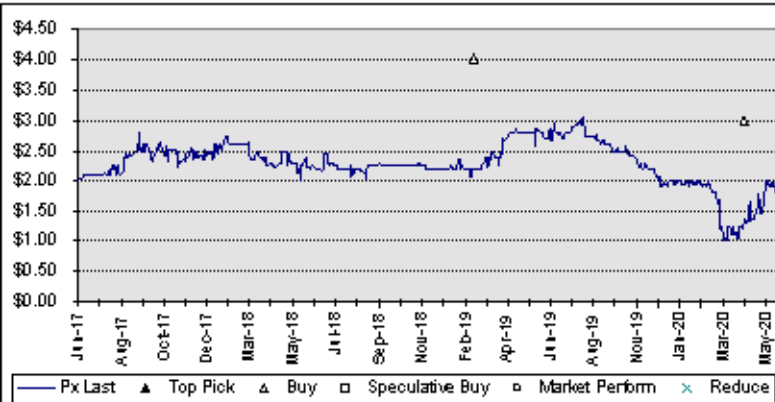
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Filo Mining Corp.

Updated June 25, 2020

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Recommendation / Target Chg	
Date	C\$
20-Apr-20	3.00 (B)
20-Feb-19	4.00 (B)

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