

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

May 11, 2018

Mammoth Resources Corp. (TSXV: MTH) – Encouraging Drill Results

Sector/Industry: Junior Resource

www.mammothresources.ca

Market Data (as of May 11, 2018)

Current Price	C\$0.065
Fair Value	C\$0.35
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.05 - C\$0.16
Shares O/S	28,824,205
Market Cap	C\$1.87 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.5x
YoY Return	-18.8%
YoY TSXV	1.0%

*see back of report for rating and risk definitions.

* All figures in C\$ unless otherwise specified.



Highlights

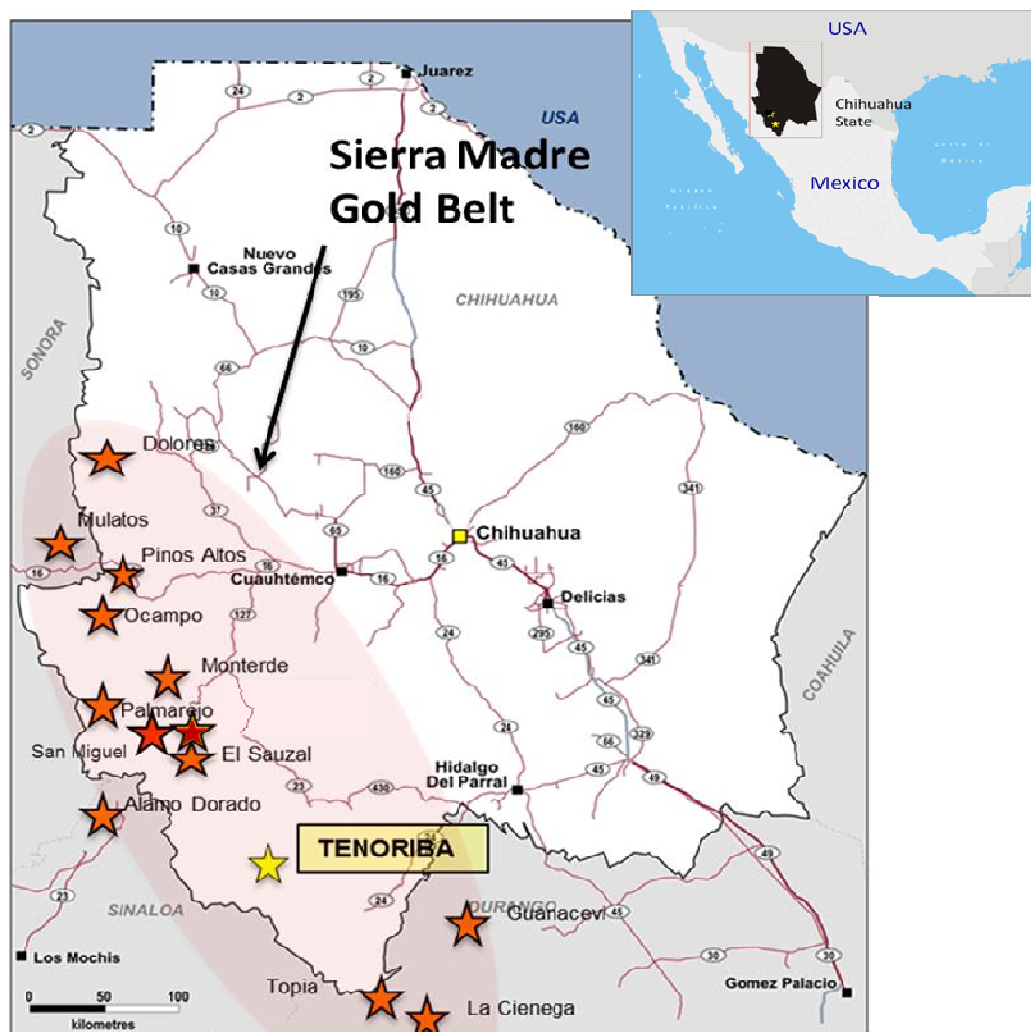
- Mammoth Resources Corp. (“company”, “Mammoth”, “MTH”) announced results of eight of the 11 holes drilled on the Tenoriba property in Chihuahua State, Mexico.
- Six of the eight holes were drilled on areas that were never drilled before.
- **One hole returned 0.52 gpt (gold equivalent) over a very long intersection of approximately 127 m, including a higher-grade intersection of 1.21 gpt (gold equivalent) over 25 m.**
- We believe these results enhance Tenoriba’s potential for an open-pit heap leachable deposit.
- Another encouraging aspect of the recent results was that one hole intersected very high-grade copper (3.59%) across 7.2 m.
- **The project is estimated to hold a high sulphidation precious metal system over a large 15 sq. km area.**
- Since our initiating report in November 2017, MTH’s share price doubled to \$0.16 per share, and has since then dropped to the current price of \$0.065 per share.
- In December 2017, the company completed a private placement of 8 million units at a unit price of \$0.09 for gross proceeds of \$0.72 million.
- **Results of three more holes are expected shortly.** The company is also planning to conduct additional geophysics as the survey information used for the initial round of drilling only covered 40% of the property. Management estimates that an extended survey will identify targets for follow-up drilling, in addition to the potential to step out from those holes drilled in the recent campaign.

Key Financial Data (FYE - Jan 31)

(C\$)	2017 (9M)
Cash	\$14,540
Working Capital	-\$390,071
Mineral Assets	\$1,457,362
Total Assets	\$1,579,422
Net Income (Loss)	-\$189,064
EPS	-\$0.01

Background

At the time of our initiating report in November 2017, the company was preparing for a diamond drill program on the Tenoriba property located in the Sierra Madre of southwestern Chihuahua State, Mexico. The Sierra Madre Occidental has been mined for hundreds of years. The region is host to several well-known mines / advanced stage deposits, as shown in the map below.



Source: Company

The property was previously drilled in 2008 (Masuparia area – see page 4 for location). Of the 15 holes drilled, 10 holes reported potentially economical gold intersections, with the best results being 45.9 gpt over 1.9 m, 2.26 gpt over 11.5 m, 1.03 gpt over 34.4 m, including 2.82 gpt over 7.4 m, and the longest intersection grading 0.5 gpt over 66 m.

Based on historical work, Tenoriba is considered to have key characteristics associated with high sulphidation epithermal precious metal systems, covering a large 15 sq. km area. (5 km by 3km). Well known high sulphidation deposits in the Sierra Madre belt include Goldcorp's (TSX: G) El Sauzal mine and Alamos Gold's (TSX: AGI) Mulatos mine.

Drill Results

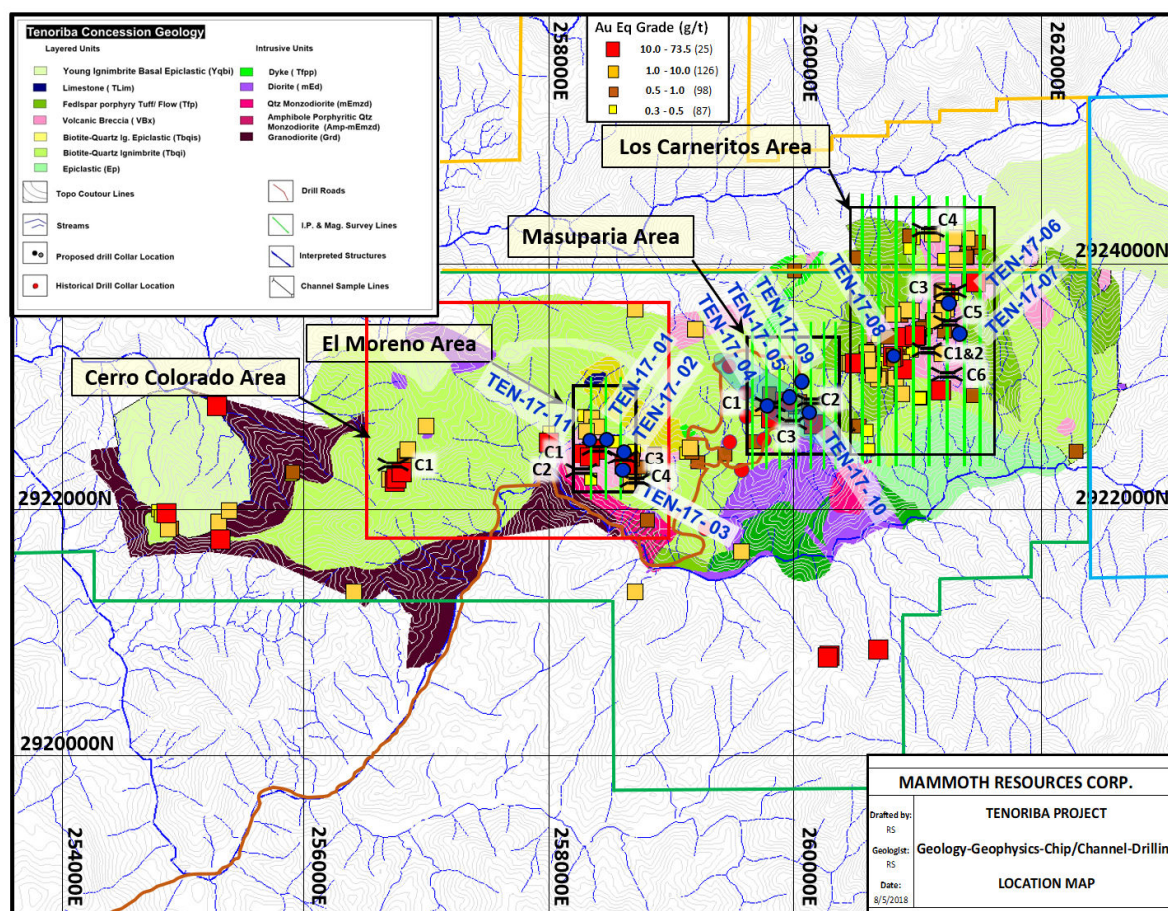
Over the past few months, the company announced results of eight of the 11 holes drilled at Tenoriba. The following table presents key highlights, followed by a map with drill locations. **We have bolded what we believe were the most encouraging results.**

Drill Results

Location	Hole Number	From (m)	To (m)	Total (m)	Au Grade (g/t)	Ag Grade (g/t)	Cu Grade (%)	Au Eq. Grade (g/t)
El Moreno	TEN 17-01	169.0	209.0	30.0	0.77	2.00		0.79
	(including)	198.5	204.5	5.9	3.41	7.20		3.51
	TEN 17-02	180.5	260.5	80.0	0.17	0.30		0.18
	(including)	187.0	196.0	9.0	0.51	5.30		0.52
	(including)	180.5	196.0	15.5	0.35	8.60		0.36
	TEN 17-03	85.0	92.2	7.2	0.23	36.30	3.59	4.34
Masuparia	TEN 17-04	0.0	10.0	10.0	1.12	0.10		1.13
		45.1	90.5	45.4	0.53	0.10		0.63
	(including)	45.1	59.8	14.7	0.61	0.20		0.86
	(including)	72.5	90.5	18.0	0.78	0.10		0.83
	TEN 17-05	28.0	55.0	27.0	0.51	0.10		0.63
	(including)	46.6	55.0	8.4	1.30	0.10		1.39
		70.0	93.5	23.5	1.30	1.30		1.32
	(including)	83.5	93.5	10.0	2.89	3.17		2.93
	(including)	86.5	92.0	5.5	4.92	5.15		4.99
Carneritos	TEN 17-06	43.7	170.5	126.8	0.47	7.20		0.52
	(including)	70.7	129.0	58.2	0.73	3.90		0.80
	(including)	70.7	95.7	25.0	1.10	2.70		1.21
	(including)	95.7	111.0	15.0	0.51	0.40		0.54
	TEN 17-07	11.5	53.5	42.0	0.21	5.00		0.28
		65.5	78.0	12.5	0.33	2.40		0.36
	TEN 17-08	52.5	67.4	14.9	0.58	3.10		0.62

Source: Company

Drill Locations



Source: Company

Of the eight holes announced, three were drilled on El Moreno, two in Masuparia, and three in Carneritos. El Moreno and Carneritos have never been drilled.

We believe the best results were from Carneritos, which is located on the eastern edge of a 4 km trend (primary gold with minor silver) identified at Tenoriba. The three holes in Carneritos (17-06, 17-07, 17-08) tested different targets separated by 180 to 750 m from one another. Drill Hole 17-06 returned 0.52 gpt (gold equivalent) over a very long intersection of approximately 127 m, including a higher-grade intersection of 1.21 gpt (gold equivalent) over 25 m. **These are good results as, we estimate, the average grade of deposits in Nevada (known for its open-pit heap leach operations) lies between 0.4 to 0.8 gpt.**

Another encouraging aspect was the intersection of very high grade copper (3.59%) across 7.2 m by hole 17-03 in El Moreno (western edge of the trend).

Results of another three more holes (17-09, 17-10, and 17-11) are remaining. These holes were drilled on Masuparia and El Moreno.

The company is planning to conduct additional geophysics to identify targets (infill and step-

Speculative Resource Estimate

out) for follow-up drilling. **Note that only 60% of the 4km trend has been surveyed to date.** A 1.2 km area between El Moreno and Masupari has never been tested or drilled. In addition, the trend is considered to extend to the west of El Moreno, as well as to the east of Carneritos.

Management is also in discussions with third-parties to potentially joint venture or finance exploration.

The following table shows our estimates (unchanged from our initiating report), based on the assumption that only 10% of the three most prospective areas are mineralized at an average grade of 0.65 gpt. These three areas total approximately 4 sq. km.

FRC Speculative Resource					Total over 15 sq.km
	Los Carneritos	El Moreno	Masuparia	Total	
Strike (km)	1.50	1.50	1.50		
Width (km)	0.70	0.50	1.50		
Area (sq.km)	1.05	0.75	2.25	4.05	
Depth (km)	0.10	0.10	0.10		
Tonnage	273,000,000	195,000,000	585,000,000	1,053,000,000	3,900,000,000
Discount	10%	10%	10%	10%	10%
Net Tonnage	27,300,000	19,500,000	58,500,000	105,300,000	390,000,000
Grade (gpt)	0.65	0.65	0.65	0.65	0.65
Contained Oz	567,840	405,600	1,216,800	2,190,240	8,112,000

Source: FRC

As shown in the table above, we believe, the three areas could hold over 2 Moz of gold.

Financials

At the end of Q3-FY2017 (ended October 31, 2017), the company had cash and working capital of \$0.01 million and -\$0.39 million, respectively. We estimate the company had a burn rate (cash spent on operating and investing activities) of \$21k per month in the first nine months of FY2017.

(in C\$)	2017 (9M)
Cash	\$14,540
Working Capital	-\$390,071
Current Ratio	0.14
LT Debt / Assets	-
Monthly Burn Rate (incl. investing activities)	\$21,437
Cash from Financing Activities	\$264,400

According to management, the company's working capital deficit should be significantly reduced by the audited statements (year-end January 31, 2018), as the current deficit is primarily related to a requirement to advance funds (\$0.19 million) for a previously signed

Stock Options and Warrants

Valuation

option agreement, which has since been cancelled.

Subsequent to the end of Q3-FY2017, the company completed a **private placement of 8 million units at a unit price of \$0.09, for gross proceeds of \$0.72 million**. Each unit consisted of a common share and a share purchase warrant (exercise price of \$0.13 per share for 18 months).

The company's current cash position is \$0.10 million. Management intends to do a financing of up to \$0.60 million.

We estimate the company currently has 1.56 million options (weighted average exercise price of \$0.08 per share) and 15.04 million warrants (weighted average exercise price of \$0.15 per share) outstanding. 60,000 options are currently in the money.

Being a very early stage junior, we believe management's background and their 'skin in the game' are critical elements. Mr. Atkins, the company's CEO, has an excellent track record with over 30 years of experience in the resource sector. He is a geologist, former director of investment banking for CIBC, and former CEO of Castle Gold Corp.; a TSX listed company acquired by Argonaut Gold (TSX: AR) in late 2009. **MTH's management holds 2.94 million shares, or 10.2% of the total outstanding shares.** In addition, Thomas Atkins and VP-Exploration / Director, Richard Simpson, have not taken a salary since the beginning of 2015 – indicating their conviction on Tenoriba.

Management / Directors	Shares	% of Total
Thomas Atkins	1,233,852	4.3%
Richard Simpson	1,705,750	5.9%
Paul O'Brien		
Errol Farr		
Total	2,939,602	10.2%

Source: Management Information Circular

U.S. Global owns 9% of the outstanding shares. In addition, Gold 3000 subscribed for 10% of the recent private placement.

We continue to value MTH at 50% of our speculative resource of 2.19 Moz. We have assumed that the company will need to spend approximately \$15 million on drilling (approximately 80,000 to 100,000m). An average financing price of \$0.15 per share implies the company will have to issue 100 million new shares. The average EV of our list of comparable gold juniors dropped from \$46 to \$41 per oz since our initiating report in November 2017. Therefore, we are adjusting our fair value estimate from \$0.41 to \$0.35 per share.

Mammoth's Resource	1,095,120
Average EV/ Resource Ratio (comparables)	\$41
Fair Value of Assets	\$44,852,683
Working Capital	-\$206,071
Fair Value of MTH's Shares	\$44,646,612
No. of Shares*	128,838,051
Fair Value per Share	\$0.35

*assumes a \$15M financing at \$0.15 per share

Source: FRC

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- Commodity price risks.
- Tenoriba does not have a NI 43-101 compliant resource estimate.
- As with most juniors, the company is exposed to exploration and development risks.
- The company is required to raise capital to continue exploration.
- Share dilution.

As with most junior exploration companies, we continue to rate Mammoth shares a risk of 5 (Highly Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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