

Fidelity Minerals Corp. (TSXV:FMN) **Becoming Peru's Premier Project Generator**

Initiating Coverage
March 9, 2021

(Currency is CAD\$ unless noted otherwise)

Closing Price (\$/sh)	\$0.14	
Rating	BUY (S)	
Target (\$/sh)	NA	
Return to Target	NA	
52 Week Low / High	\$0.02 / \$0.17	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	49.1	80.1
Market Capitalization (\$MM)	\$6.6	
Enterprise Value (\$MM)	\$6.2	
Cash and Cash Equivalents (\$MM)	\$0.4	
Total Debt (\$MM)	\$0.0	



Relative Valuation	EV (\$MM)
Fidelity Minerals Corp.	\$6
Peers*	\$26

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (13.7%), Lions Bay Capital Inc. (42.6%)
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DISCLOSURE CODE: 3,4

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

Company Description

Fidelity Minerals Corp. engages in the exploration and development of mineral properties, primarily in Peru. It explores for gold, copper, silver, lead, and zinc ores. The company is advancing its 7,400 ha Greater Las Huaquillas project in the Cajamarca province; its 1,900 ha Las Brujas project in the Cajamarca province; the 500 ha Cerro El Bronce project in the Ancash province; and the 1,200 ha Porphyritic Copper project in the La Libertad province. The company was formerly known as Montan Mining Corp. and changed its name to Fidelity Minerals Corp. in January 2019. Fidelity Minerals Corp. is headquartered in Vancouver, Canada.

We are initiating coverage on Fidelity Minerals Corp. (TSXV:FMN) with a BUY (Speculative) rating and no target price. This project generator has a unique model that aims to delineate major deposits that could attract the interest of mid-tier and major mining companies. Fidelity has a portfolio of four key assets in Peru, and is currently focused on progressing its two most advanced projects – Greater Las Huaquillas (GLH) and Las Brujas. Fidelity is also looking to opportunistically expand its project portfolio with accretive acquisitions. **With a stable of high-quality projects to advance and in-house expertise in Peru, we believe Fidelity has strategically positioned itself to benefit from a growing appetite for new, prospective projects in the North Andean Copper Belt.**

- **Project generator model produces favourable risk profile.** Fidelity is taking a different approach when it comes to generating returns for its shareholders. It aims to avoid diluting equity holders by advancing its projects by completing low-cost, high-impact studies intended to support project evaluation. Fidelity targets projects that have historical mineralization, material scale, attractive valuation, and the ability to become drill-ready.
- **Four high-quality projects to explore.** The company has acquired interests in four key projects in the North Andean Mineral Belt in Northern Peru, including: GLH, Las Brujas, Porphyritic Copper and Cerro El Bronce. Latin America has historically been prolific for gold discoveries and the region hosts many of the world's largest copper mines. Fidelity aims to tap into the gold and copper potential in Peru, a jurisdiction that is familiar to major miners.
- **Positioned to benefit from growing regional interest.** As we outlined in Appendix A, it is taking increasingly more money, time and effort to make a new major discovery. Latin America has historically been very prolific for gold discoveries and the region hosts many of the world's largest copper mines. Thus, Fidelity offers a way for majors to pick up a highly prospective project, in a familiar jurisdiction, that features a large amount of early stage work that is ready to advance with the drill bit.

Exploration success at one of Fidelity's portfolio projects could attract a buyer and drive its share price higher. Given the potential for a significant discovery that could attract interest from potential buyers, the current share price offers a compelling entry point for investors. At an EV of \$6M versus peers at \$26M, we believe Fidelity could re-rate 5-10x on the first hint that it may have uncovered a new deposit. Given the early stage projects, we do not currently provide a target price for the BUY (Speculative) rated stock. **Upcoming Catalysts:** 1) Exploration/indicative technical studies and community work (ongoing), 2) Asset monetization, 3) Accretive acquisitions and 4) Closing of Cerro Dorado sale (2021). **Mining/exploration is inherently risky** and Fidelity Minerals is subject to various geopolitical, technical, corporate, or financial risks.

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Prospect generator model should provide low equity dilution risk

Investment Thesis

Fidelity Minerals is a project generator focused on enhancing its portfolio of high quality copper and gold projects in Peru, with the ultimate goal of cost-effectively defining a 1M+ oz AuEq deposit within three years. Over the last two years, the company has acquired interests in four key projects in Northern Peru, including: Greater Las Huaquillas (GLH), Las Brujas, Porphyritic Copper, and Cerro El Bronce. The company is also looking to opportunistically expand the project portfolio with accretive acquisitions. In addition, the company is currently undergoing a staged sale of its Cerro Dorado project, a small toll-milling operation which includes the Rey Salomon mine in Southern Peru. In 2019, the company underwent a transformation from being an emerging gold producer to becoming a strategic project generator. Most recently, the company announced key management changes that provides us with added comfort that Fidelity can execute on its plan, including the appointment of a new President & CEO, Dean Pekeski, who has extensive experience in the industry. **With four high-quality projects to advance and in-house expertise in Peru, we believe Fidelity has tactically positioned itself to benefit from a growing appetite for new prospective projects in the North Andean Copper Belt.**

Prospect generator model offers key benefits. Fidelity is not your typical explorer, nor does it plan to be. Rather than raising money through equity and drilling, Fidelity employs a strategic project generator model. The company targets projects with historical mineralization, material scale, attractive valuation and importantly the ability of becoming drill-ready with low-cost, high-impact exploration. Exploration activities usually involve desktop work (research, data compilation, geological interpretation and property consolidation) along with mapping, geophysics and sampling – eventually leading to target generation. Rather than enduring the high cost of drilling and/or development, Fidelity seeks to farm out its projects to other mining companies through M&A, while maintaining an NSR royalty to capture future upside. In our view, this strategy reduces the risk of high-cost exploration and retains potential for organic cash flow generation through royalties and project monetization, which can then fund the company's future activities. **In other words, we expect low equity dilution risk for investors.** We also note that Fidelity is off to a great start with incoming cash payments totalling \$980,000 from its sale of Cerro Dorado by August 2021. We also note that the company could bring in ~\$0.8M in proceeds from the exercise of in the money (ITM) warrants by December 2021, of which ~90% are held by insiders (Figure 1).

Figure 1: Proceeds from ITM warrants

Expiration Date	Approx. # ITM (M)	Price (C\$)	Value (C\$M)
Dec-2021	9.4	\$0.05	\$0.5
Dec-2021	5.0	\$0.06	\$0.3
Aug-2022	7.5	\$0.07	\$0.5
Total			\$1.3

Source: Company Reports

A top-ranked mining jurisdiction with vast mineral endowment. All of Fidelity's key projects are located in the North Andean Mineral Belt of Peru – a world-class mining jurisdiction. Peru is Latin America's largest gold producer and the second largest copper and silver producers, representing 3.9%, ~11.5%, and ~15.7% of global output, respectively. In the Fraser Institute's 2019 Annual Survey of Mining Companies, Peru ranked top 12 globally and first in Latin America in Best Practices Mineral Potential Index, which ranks jurisdictions based on perceived mineral potential, as well as top 24 globally and second in Latin America in the overall Investment Attractiveness Index.

Figure 2: Location of Fidelity's projects in Peru

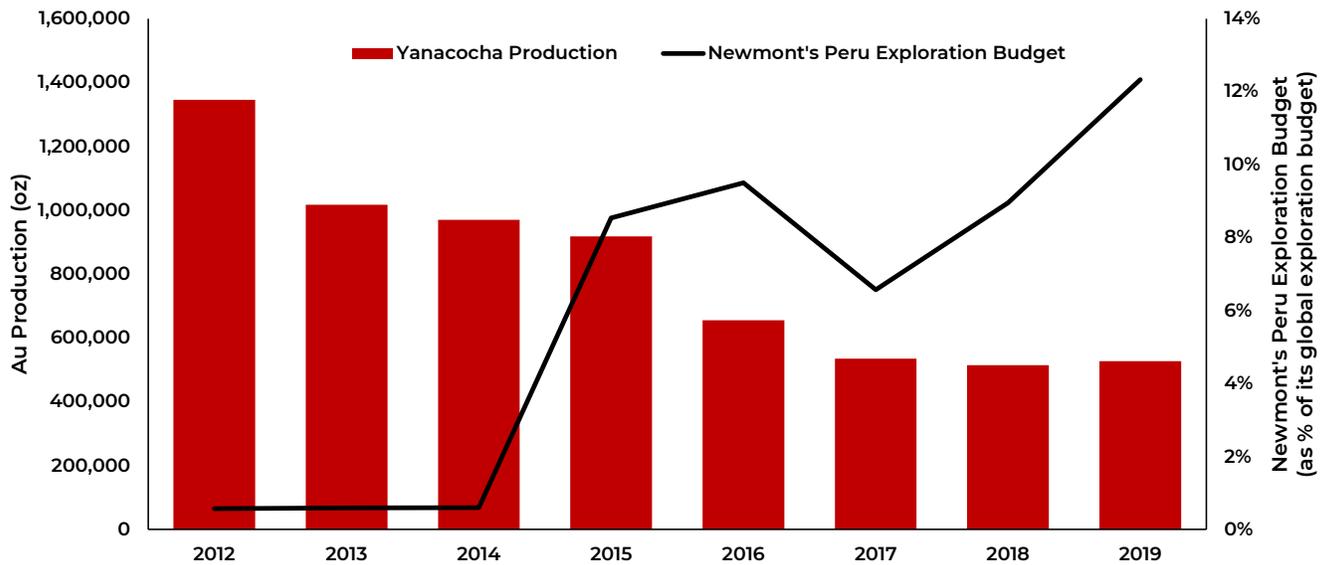


Source: Company Reports

All of Fidelity's projects are located in Peru – a top mining jurisdiction

Interest in the North Andes is picking up. In recent years, major mining companies have been expanding exploration budgets in Peru and investing in juniors operating in the region. Newmont Corporation (TSX:NGT, Not Covered) presents a compelling case study: the world's largest gold producer has one operating mine in Peru – Yanacocha. Although Yanacocha continues to be continent's largest gold operation, production has been sinking over recent years; meanwhile, Newmont has been allocating a higher proportion of its global exploration budget to Peru (Figure 3). This trend is also present with other majors, and to us, suggests that the big players are on the hunt for new sources of ore to feed their mills.

Figure 3: Newmont's Peru exploration budget and Yanacocha production



Source: RCS, S&P Global Market Intelligence

Fidelity seeks projects that are strategically positioned, data-rich, of material scale, and can greatly benefit from low-cost, high-impact exploration

Underpinned by a historic resource and a library of exploration data. As part of its cost-effective strategy, Fidelity aims to acquire projects that are data-rich, and apply modern methods to better interpret this data. We believe the GLH project is a prime example of leveraging historical data. GLH contains a large-scale epithermal Au-Ag system flanked by two copper porphyries. The property had seen extensive exploration since the 1980s, including extensive drilling and a historic resource estimate of **446k oz Au at 2.12 g/t Au and 5.3M oz Ag at 25.2 g/t Ag** at the Los Socavones epithermal zone. Recently, Fidelity reprocessed historical geophysical data to produce a 3D magnetic inversion model. The model demonstrated a strong correlation with historical drill intercepts, thus allowing the company to utilize the model to generate potential targets. **Likewise, the historic resource, while non-compliant by NI 43-101 standards, could provide Fidelity with a solid foundation to build upon as it seeks to define a 1M+ oz AuEq deposit within three years.**

Fidelity's projects could attract the attention of major mining companies

Strategically positioned projects could attract majors. Fidelity is set to take advantage of the anticipated demand for new projects in this region, with four key projects in proximity of existing mining operations. Importantly, all four projects demonstrate exceptional exploration upside. Looking to its Las Brujas project, the company has consolidated a district-scale land package (8,400 ha) with multiple styles of mineralization and promising grab samples returning up to 15.3 g/t Au. This project is located along the 110km-long Yanacocha External Caldera, which contains several mines with depleting reserves that are hungry for more mill feed (Figure 4). Las Brujas is the company's flagship project, and already has four, large, high-sulphidation epithermal Au-Ag targets identified. Furthermore, the company has aggressively expanded the project footprint by >340% since acquiring it in 2019, with the most recent expansion covering potential porphyry-style mineralization. We also note the Porphyritic Copper and Cerro El Bronce projects, while less advanced, are also positioned in active mining areas, with the latter directly bordering active projects currently being explored by Newmont.

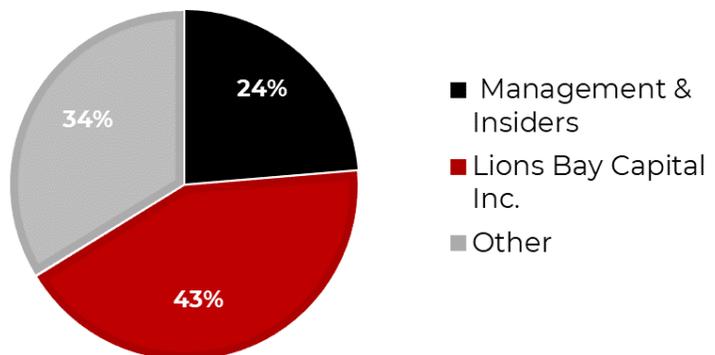
Figure 4: Las Brujas regional setting, strategically positioned in the Yanacocha External Caldera



Source: Company Reports

Leveraging a strong management team with in-country expertise. Fidelity is led by team of seasoned mining executives with expertise in geology and capital markets. The company is headed by President & CEO Dean Pekeski, a seasoned mining executive with over 25 years of international experience in mineral exploration and project development for both major and junior companies. The management team is supported by a board of directors that includes John Byrne as Chairman, the founder of Lions Bay Capital – Fidelity’s largest shareholder, and Ian Graham, a former Chief Geologist with Rio Tinto, with extensive experience advancing projects throughout the globe. **We are also encouraged to see a company with a sizeable level of ownership held by its management team and insiders (~24%) as well as strong support from Lions Bay Capital, which owns +40% (Figure 5).** Given the self-financing nature of the project generator model (i.e. less dilution), we can also expect to see shareholders able to maintain their ownership level for a longer time period compared to the typical junior.

Figure 5: Ownership Structure of Fidelity Minerals



Insiders hold ~66% of Fidelity's share count

Source: S&P Capital IQ, Company Reports

Asset monetization could drive Fidelity's share price higher, and the company has already received third-party interest across its project portfolio

Catalysts

Low-cost indicative technical studies could lead to high-impact exploration success. These studies consist of desktop work along with geophysics, mapping, sampling and stakeholder engagement, and are expected to support project evaluation. Fidelity prefers to have another party bear the high cost of drilling and intends to do this through M&A. We highlight that Fidelity has already received third-party interest in all of its projects, including from major regional mining and exploration companies. We also expect Fidelity could add to its existing project portfolio through accretive transactions.

Upcoming catalysts for Fidelity include:

1. Delivery of indicative technical studies and exploration results across existing projects (ongoing)
2. Asset monetization through M&A
3. Accretive acquisitions to enhance project portfolio
4. Receipt of outstanding payments from Cerro Dorado sale (2021)

Valuation

Exploration success and asset monetization could drive re-rating. We believe exploration success at one of Fidelity's portfolio projects could attract a buyer and drive the share price upwards. Although the company has no 43-101-compliant resources, it is targeting delineation of 1M+ oz AuEq in Peru – a top mining jurisdiction attracting increasing interest from major miners. We note that Fidelity trades at a large discount to other project generators with an enterprise value (EV) of ~ \$6M vs. peers at ~\$26M (Figures 6 and 7), and in our view, the current valuation does not reflect the outsized opportunity that Fidelity presents to investors looking to get in early on a major new discovery. We believe the company could re-rate 5-10x on the first hint that one of its projects supports a significant deposit. **Given this compelling valuation along with the recent announcement of key management changes that we believe ultimately strengthens the company and provides us comfort that Fidelity can execute on its plans, we are launching coverage with a BUY (Speculative) rating with no target price.**

Figure 6: Comparable Companies

Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash* C\$M	Debt C\$M	EV C\$M
Fidelity Minerals Corp.	TSXV:FMN	\$0.14	8%	49	\$6.6	\$0.4	\$0.0	\$6.2
Cornerstone Capital Resources Inc.	TSXV:CGP	\$3.60	-29%	35	\$127.7	\$1.1	\$0.0	\$126.6
Salazar Resources Limited	TSXV:SRL	\$0.29	-23%	153	\$44.2	\$2.4	\$0.0	\$41.9
Outcrop Gold Corp.	TSXV:OCG	\$0.34	-47%	124	\$42.0	\$4.5	\$0.0	\$37.6
Condor Resources Inc.	TSXV:CN	\$0.24	7%	141	\$33.1	\$0.7	\$0.0	\$32.5
Lara Exploration Ltd.	TSXV:LRA	\$0.68	5%	40	\$27.0	\$1.8	\$0.0	\$25.2
Silver Range Resources Ltd.	TSXV:SNG	\$0.25	4%	87	\$21.4	\$0.9	\$0.1	\$20.6
Mirasol Resources Ltd.	TSXV:MRZ	\$0.54	8%	54	\$29.2	\$14.3	\$0.3	\$15.1
Alianza Minerals Ltd.	TSXV:ANZ	\$0.11	-45%	142	\$15.6	\$2.3	\$0.0	\$13.3
Riverside Resources Inc.	TSXV:RRI	\$0.21	-40%	70	\$14.7	\$5.8	\$0.0	\$8.9
Millrock Resources Inc.	TSXV:MRO	\$0.10	-21%	115	\$10.9	\$3.8	\$0.5	\$7.7
Transition Metals Corp.	TSXV:XTM	\$0.21	24%	57	\$12.0	\$5.1	\$0.0	\$6.9
Latin Metals Inc.	TSXV:LMS	\$0.15	-17%	47	\$7.1	\$1.0	\$0.2	\$6.3
Golden Arrow Resources Corporation	TSXV:GRG	\$0.18	-3%	117	\$20.5	\$25.4	\$0.2	-\$4.7

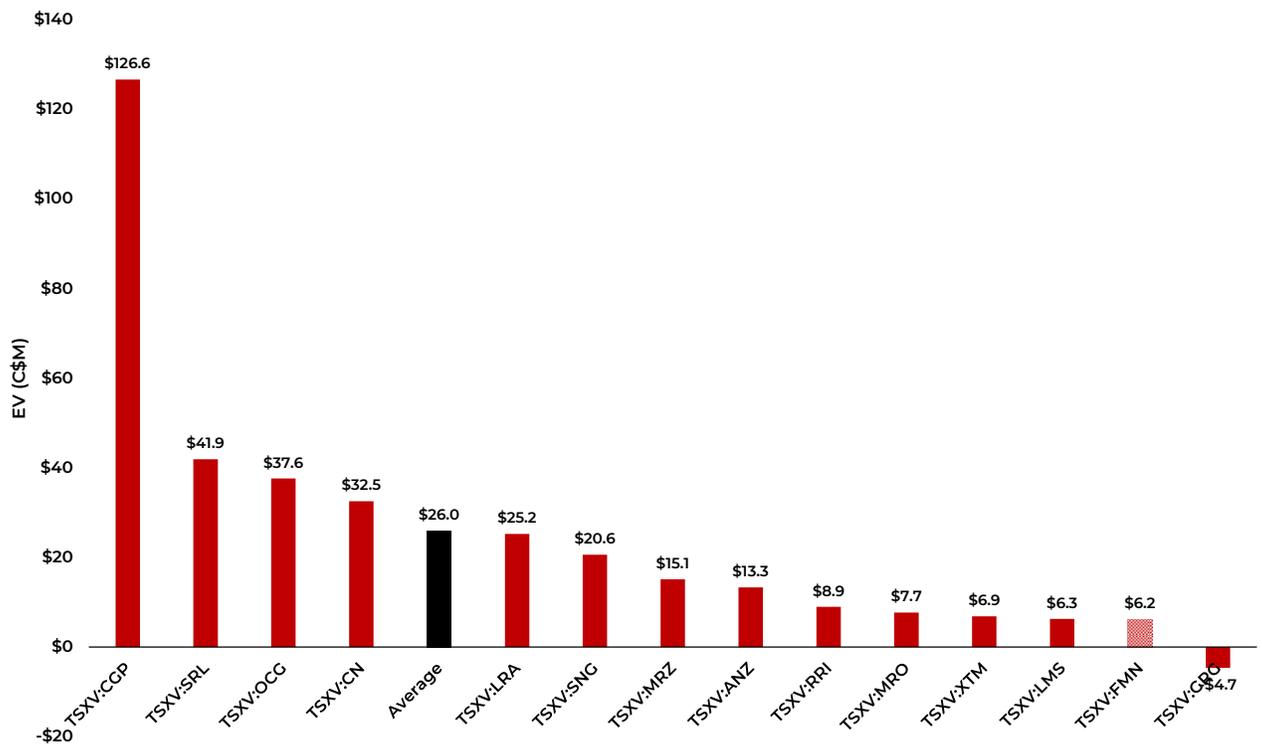
Median	\$15.1
Average	\$26.0

Note:

*Cash balance reflects most recent financing for Fidelity Minerals; cash for all other companies is as of the latest financial statements.

Source: RCS Estimates, S&P Capital IQ

Figure 7: EV (C\$M) of Comparable Companies



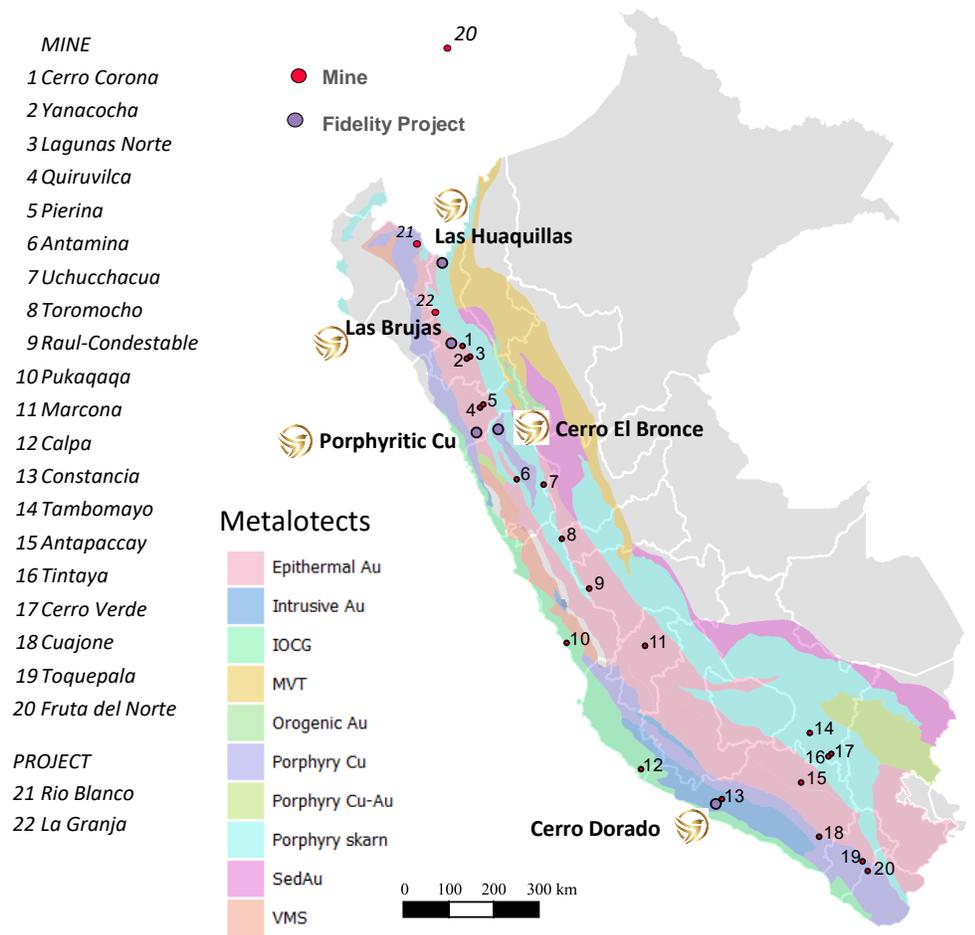
Source: RCS Estimates, S&P Capital IQ

Assets

Fidelity Minerals is a project generator focused on enhancing its portfolio of copper and gold projects in Northern Peru (Figure 8). The company's current portfolio consists of four projects in Peru's Andean Mineral Belt, including: 1) Greater Las Huaquillas, an epithermal Au-Ag deposit flanked by two Cu porphyries, in Cajamarca; 2) Las Brujas, an epithermal Au-Ag project also in Cajamarca, within the Yanacocha External Caldera region; 3) Porphyritic Copper, a potential Cu-Mo porphyry system in La Libertad; and 4) Cerro El Bronce, a property in Ancash containing mesothermal Au veins with high-grade Cu mineralization. Additionally, Fidelity Minerals is in the process of completing a staged sale of its Cerro Dorado project – a small toll-milling project in Arequipa, Southern Peru. In the event that the buyer defaults on the outstanding scheduled payments, Fidelity may repossess the project, including all capital improvements and on-site materials.

Fidelity Minerals is a project generator with four key projects in Northern Peru

Figure 8: Fidelity's projects in Peru



Source: Company Reports

Greater Las Huaquillas (44.5% to 100%-owned)

The Greater Las Huaquillas (GLH) project contains a large-scale epithermal Au-Ag system flanked by two copper porphyries. GLH includes a historical set of claims, referred to as Core Las Huaquillas (CLH), which contains a historical resource of ~0.5M oz AuEq at ~2.44 g/t AuEq (using Au:Ag price ratio of 80:1).

GLH contains a large-scale epithermal Au-Ag system, flanked by two copper porphyries

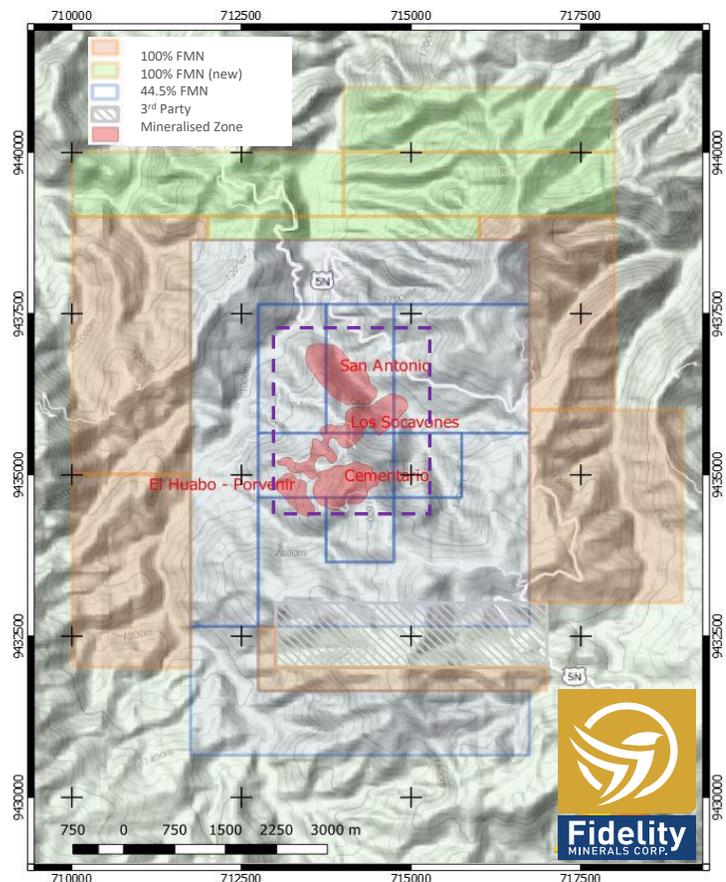
Location and Infrastructure

The GLH project is situated in Cajamarca, Peru, immediately south of the Peru-Ecuador border, and comprises 18 mineral concessions covering 7,400 ha. The project is located immediately west of the municipality of San Ignacio (population ~130,000), where it is accessible via Highway 5N which bisects the property. The nearest airport, Jaén Airport, is approximately a two-hour drive south of the project, and offers daily, ~1.5 hour flights to and from Lima.

Ownership

Fidelity entered into an agreement in 2018 to acquire Lida Resources' (CSE:LIDA, Not Covered) 44.5% interest in the CLH project, consisting of nine concessions totaling 3,600 ha. Fidelity issued 25M shares and 12.5M warrants (exercisable at \$0.08/sh over five years) to Lida as consideration. In conjunction, Fidelity staked nine concessions (3,800 ha) surrounding the original CLH claims, more than doubling the overall GLH property's footprint to 7,400 ha. These latter claims are 100%-owned by Fidelity, while the former, CLH claims, are owned on a partial (44.5%) basis. The remaining 55.5% of CLH is owned by private company, Rial Minera SAC.

Figure 9: Map showing ownership areas at GLH



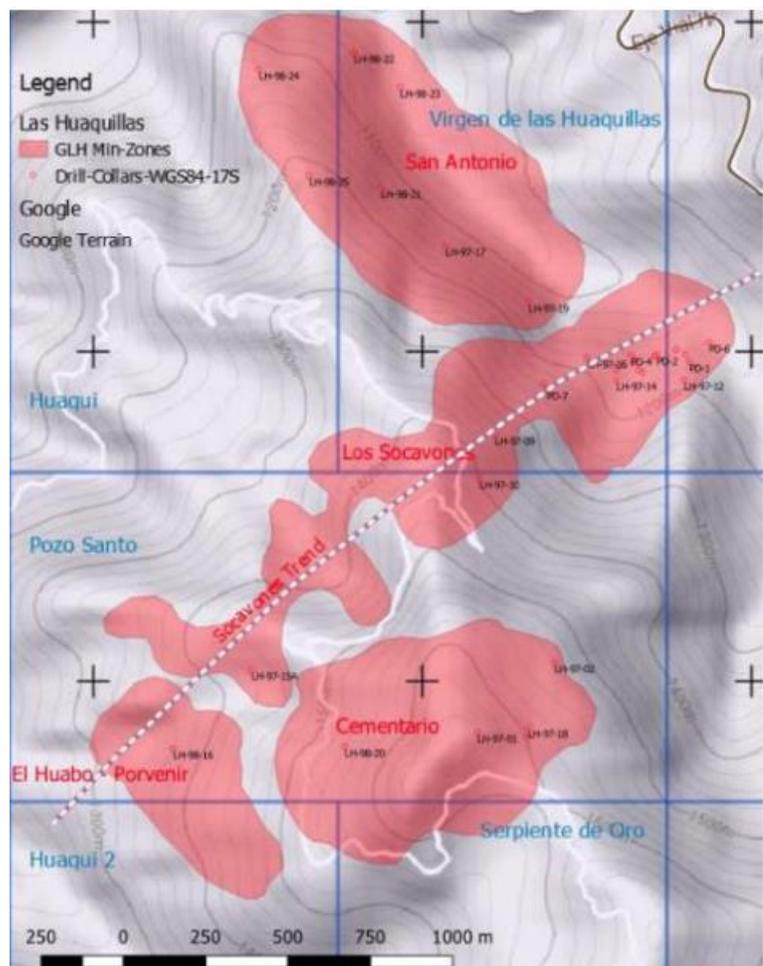
Source: Company Reports

The GLH project is located in the heart of Northern Peru's Miocene Metallogenic Belt – a segment of the continental Andean Copper Belt that extends over 900km through Peru and Ecuador. The project is situated over a large caldera structure and displays extensive evidence of large-scale mineralizing fluid pathways. The core CLH area comprises the western flank of the caldera, and contains both epithermal and copper porphyry systems. Five significant mineralized zones have been identified, including Los Socavones, El Huabo, Las Huaquillas, Cementerio and San Antonio.

GLH contains five main zones, with varying types of mineralization

Los Socavones traces a NE-SW trending mineralized trend, 100m wide and at least 2.5km long (Figure 10). The Los Socavones zone represents a geochemical anomaly with two distinct Au-enriched pyrite-sphalerite-galena quartz stock-work zones surrounded by a low-grade Au zone consisting of pyrite stringers with minor sphalerite and chalcopyrite. El Huabo is located near the Los Socavones structure within altered plagioclase porphyritic rocks and represents an Au-Ag anomaly. Geological similarities between Las Huaquillas and El Huabo indicate that both anomalies could be part of the same low-sulphidation epithermal Au-Ag system developed along the Los Socavones structure. Cementerio and San Antonio are located 1km south and 1km NW of Los Socavones, respectively, and represent two Cu-Mo-Au porphyry systems. Cementario is more Cu-rich, while San Antonio is more Au-rich.

Figure 10: Map showing mineralized zones at GLH



GLH has been extensively explored by past operators, and contains a historic resource of ~0.5M oz AuEq

Source: Company Reports

Exploration

Modern exploration at GLH dates back to the late 1980s when Cooperacion Minera Preuano-Alemana (CMPA) conducted surface sampling, geological mapping, and diamond drilling consisting of seven holes, before commencing underground development at the Los Socavones zone. By 1993, Vegsa CG and AndesCorp SA had acquired the project with the intention of developing Los Socavones as an operational mine. Sulliden Exploration optioned the project from Vegsa in 1997 and carried out an extensive, multi-phase exploration program that included line cutting, geophysics, soil, stream, and rock sampling, geological surveys, and diamond drilling of 26 holes (5,671m). The soil sampling program, together with geophysics allowed Sulliden to trace Au-Ag epithermal mineralization for ~2.2km along the Los Socavones corridor, and discover the Cementerio and San Antonio porphyry targets as well as the El Huabo and Las Huaquillas epithermal prospects. To date, approximately 50% of the Los Socavones' strike length has been drill tested, with mineralization intersected as deep as ~200m.

Figure 11: Significant intercepts from historical drilling at GLH

Hole ID	Zone	Interval Results
LH97-08	Los Socavones	2.71 g/t Au and 19 g/t Ag over 78m, from surface
PD-2	Los Socavones	8.41 g/t Au and 105.9 g/t Ag over 14m
LH97-04	Cementerio	0.47% Cu and 0.11 g/t Au over 99.5m, including 0.61% Cu and 0.14 g/t Au over 13.5m
LH97-17	San Antonio	0.28% Cu and 0.38 g/t Au over 100.7m, including 0.46% Cu and 0.74 g/t Au over 21m

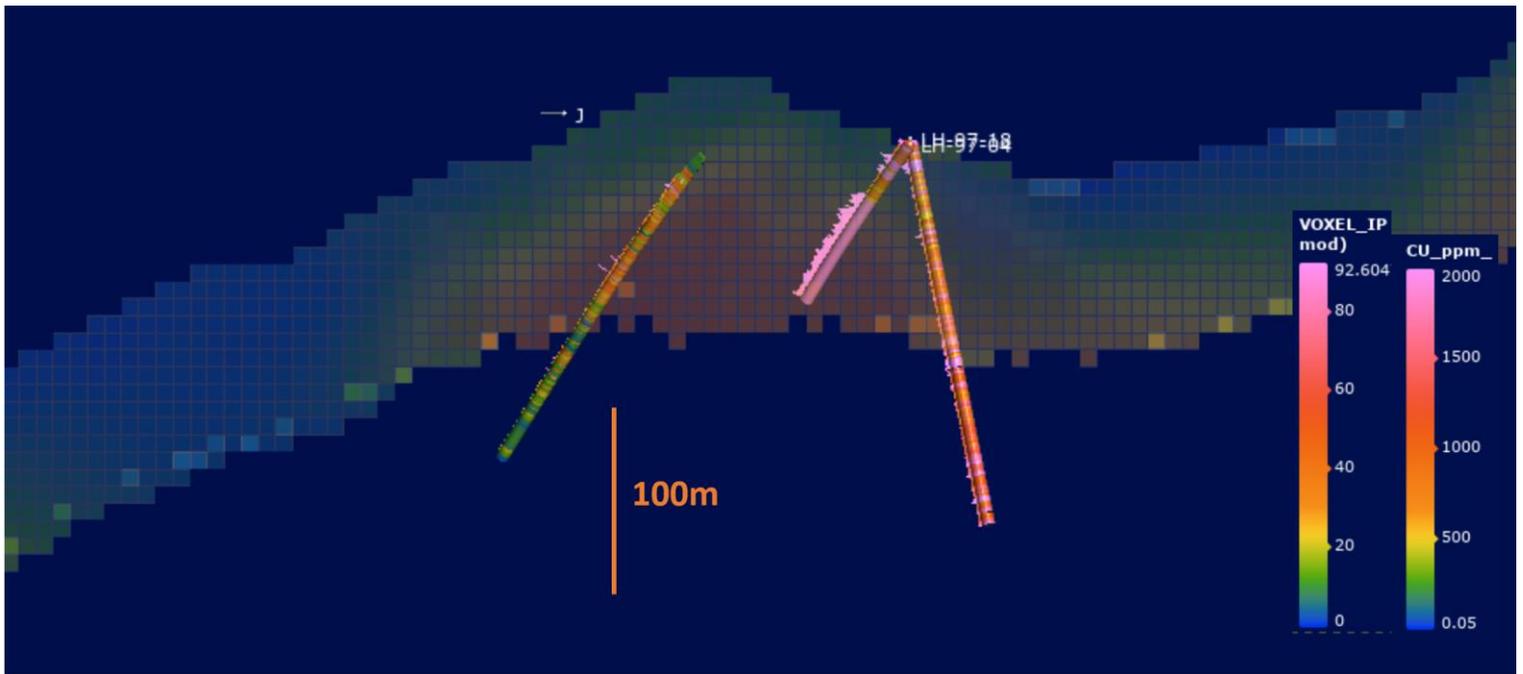
Source: Company Reports

Historical mineral resource estimates are a good starting point for Fidelity

Sulliden's drill program concluded in 1998 with a historical, non-NI 43-101 compliant resource estimate for a 500m section of the Los Socavones zone, which delineated **6.57 Mt at 2.12 g/t Au and 25.2 g/t Ag, for 446k oz Au and 5.3M oz Ag** at a 1 g/t Au cut-off grade. The resource was reported to remain open at depth and along strike and was calculated using ten holes and 20 mineralized intercepts. While this is considered an insufficient amount of drilling to support a modern resource estimate, we believe it provides Fidelity with a solid foundation to build upon.

By 2001, the original concessions were reverted to Minero Peru SA, and in 2011 the concessions were consolidated by a private company in which Lida Resources acquired a 44.5% interest. Technical work remained mostly stagnant until 2020 when Fidelity commissioned a contractor to reprocess historical induced polarization and ground magnetic data. The initial interpretation appears positive, demonstrating a strong correlation between modelled chargeability and known copper mineralization from historic drilling. Importantly, the re-processed data suggests structural controls at San Antonio and Cementerio, which in conjunction with additional deep IP surveys, could be utilized for future drill targeting.

Figure 12: Historic copper mineralization vs. chargeability at Camenterio, GLH



Source: Company Reports

Near-term exploration plans at GLH is focused on the 100%-owned portion of the property

Next Steps

While reprocessing of historical geophysics continues, Fidelity is completing community engagement activities in country. Future fieldwork is planned to better understand the mineralizing systems at GLH. This fieldwork is planned to consist of a property-wide geochemistry program, which is expected to include additional channel sampling, adit sampling, as well as more extensive geophysics, including drone-based magnetic surveys and potentially 3D IP surveys. These activities could define drill targets which could form part of a future drill campaign – potentially in late 2021. We also expect Fidelity could work towards consolidating the remaining land package by acquiring the outstanding 55.5% interest of the core CLH concessions, which we believe should make the project more attractive from a potential acquirer’s standpoint. The initial focus of these programs are planned for the 100%-owned concessions and could eventually shift to the CLH property.

Las Brujas is situated along the same belt that hosts world-class deposits

Las Brujas (100%-owned)

The Las Brujas project is located in the Yanacocha External Caldera mining district in Northern Peru, which hosts Newmont's (TSX:NGT, Not Covered) Yanacocha mine. Yanacocha is a world-class epithermal deposit (>60M oz Au) and holds records for the largest epithermal gold deposit in the world and the largest gold mine in South America.

Location and Infrastructure

The Las Brujas property comprises 12 mineral concessions spanning 8,400 ha in Cajamarca, Peru. The project is located ~620km from Lima and ~60km from the city of Cajamarca where it is accessible via a network of public roads. The city of Cajamarca has a population of >200,000 and is served by the Armando Revoredo Airport, which offers daily flights between Cajamarca and Lima. Mining in the region dates back to pre-colonial times and has played an important part of the region's economy since the 1990's, when large-scale mining commenced at the nearby Yanacocha mine (Figures 4 and 13).

Figure 13: Las Brujas is ~45km NW of the Yanacocha mine



Source: Company Reports

Ownership

In June 2019, Fidelity announced the acquisition of a 100% interest in Las Brujas, which at the time consisted of four concessions covering 1,900 ha. Should Fidelity make a positive production decision for the project, the company is to establish a joint venture partnership with the original vendors, with Fidelity to hold a 75% majority interest. The vendor's right to participate in a joint venture is to expire should Fidelity opt to sell the property. However, in the event that Fidelity sells the project to an unrelated third party, the original vendors are to receive 10% of the cash profits

Las Brujas' property footprint has increased >340% since Fidelity's initial acquisition

generated from the sale. The determination of cash profits consists of the sale proceeds minus total expenditures made by Fidelity on the project up to the time of sale, including related transactions costs, taxes, and duties. Fidelity has since registered an additional eight concessions surrounding Las Brujas, expanding the project footprint by 6,500 ha.

Geology

Las Brujas is hosted in the Calipuy Formation, which also hosts the world-class Yanacocha and Pierina gold deposits. The project is situated along a 110km NW-SE trending corridor known as Yanacocha External Caldera (Figures 4 and 13). This belt contains significant resources including >100M oz Au and >5B tonnes Cu and a number of operating mines including: Yanacocha; the La Zanja Au mine; the Tantahuatay Au-Ag mine; and, the Cerro Corona Cu-Au mines, which are 10km, 20km, and 23km from Las Brujas, respectively.

The project features extensive argillic, advanced argillic, and quartz-sericite alteration over a 3 x 6 km area, where gold mineralization occurs in silicified volcanic rocks and hydrothermal breccias. Previous operators identified a geochemical signature that appears typical of a high-sulphidation epithermal (HSE) system, and recently identified prospects at Las Brujas share similarities to the aforementioned La Zanja and Tantahuatay mines, which are classified as HSE deposits. The company has also recently expanded the project footprint to include potential porphyry-style Cu-Au mineralization, analogous to Cerro Corona. The four largest identified HSE prospects at Las Brujas are described in Figures 14 and 15 below.

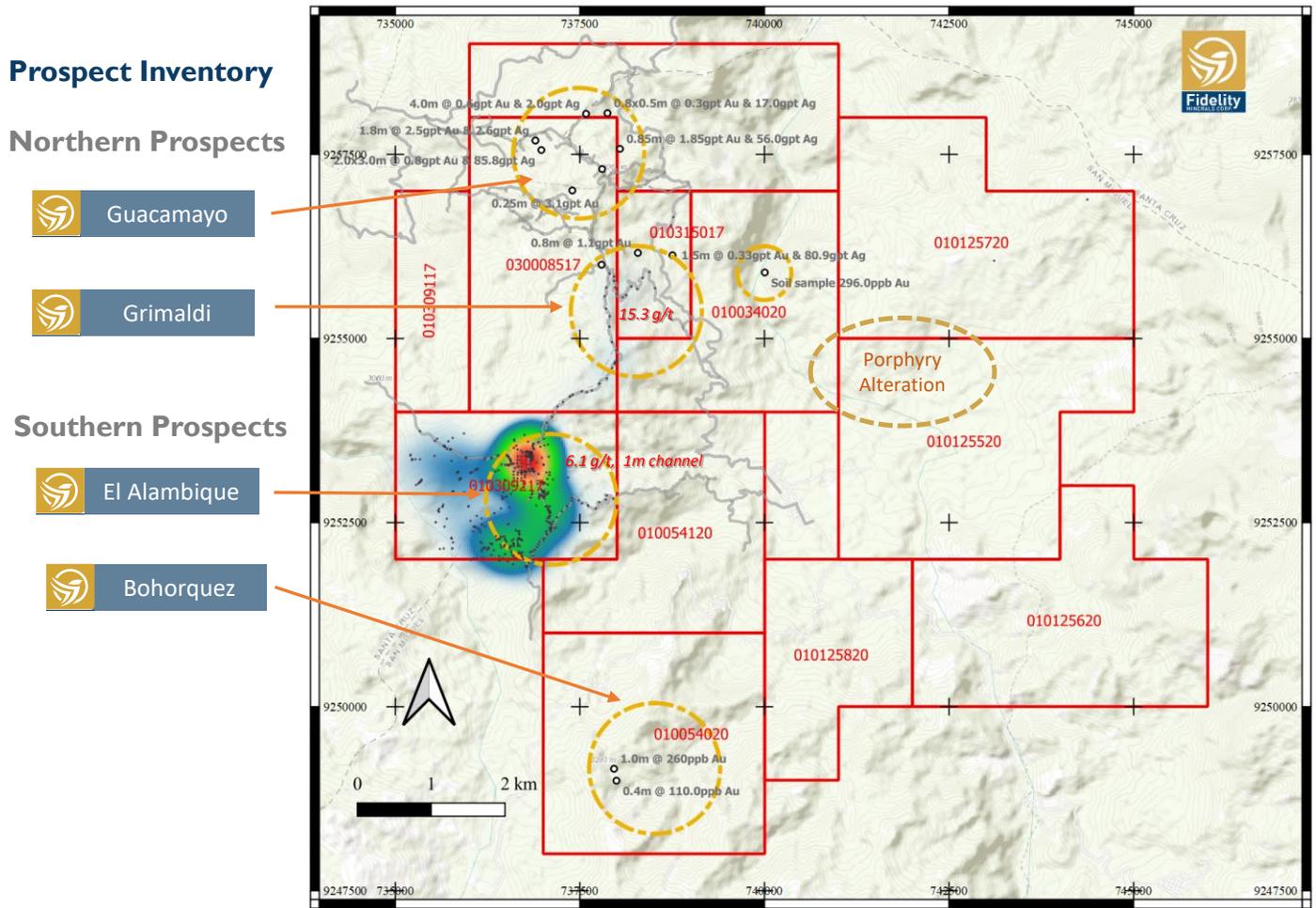
Four HSE prospect have been identified at Las Brujas thus far

Figure 14: Four largest HSE prospects at Las Brujas

Name	Footprint (sq.km)	Type	Sampling Results	Description
Guacamayo	2-4	HSE	2.6 g/t Au and 85.8 g/t Ag (historical)	Argillic assemblage with coherent anomaly coincident with alteration anomaly
Grimaldi	2-4	HSE	130.6 g/t Ag (historical), 15.3 g/t Au (2020)	Advanced argillic assemblage, geochemical anomaly with strong alteration profile
El Alambique	2-4	HSE	1.6 g/t Au (2020)	Strong Hem-Si alteration defines prospect extensive geochemical anomaly
Bohorquez	1-4	HSE	260 ppb Au in soil (historical)	Located in prospective setting and defined by complex alteration

Source: Company Reports

Figure 15: Las Brujas project map, showing HSE prospect locations and generalized alteration zones



Source: Company Reports

Exploration

Gold mineralization was first discovered at Las Brujas in September 2000 by Candente Resource Corp. through sampling efforts, which had delineated anomalous gold values covering a 1.3 x 1 km core area. The top rock chip sample from this program returned 0.955 g/t Au over 20m, including 1.575 g/t Au over 10m. Additional sampling from past operators had returned grades up to 3.1 g/t Au and 130 g/t Ag and had expanded the known mineralized zone to 3 x 6 km prior to Fidelity's acquisition in June 2019.

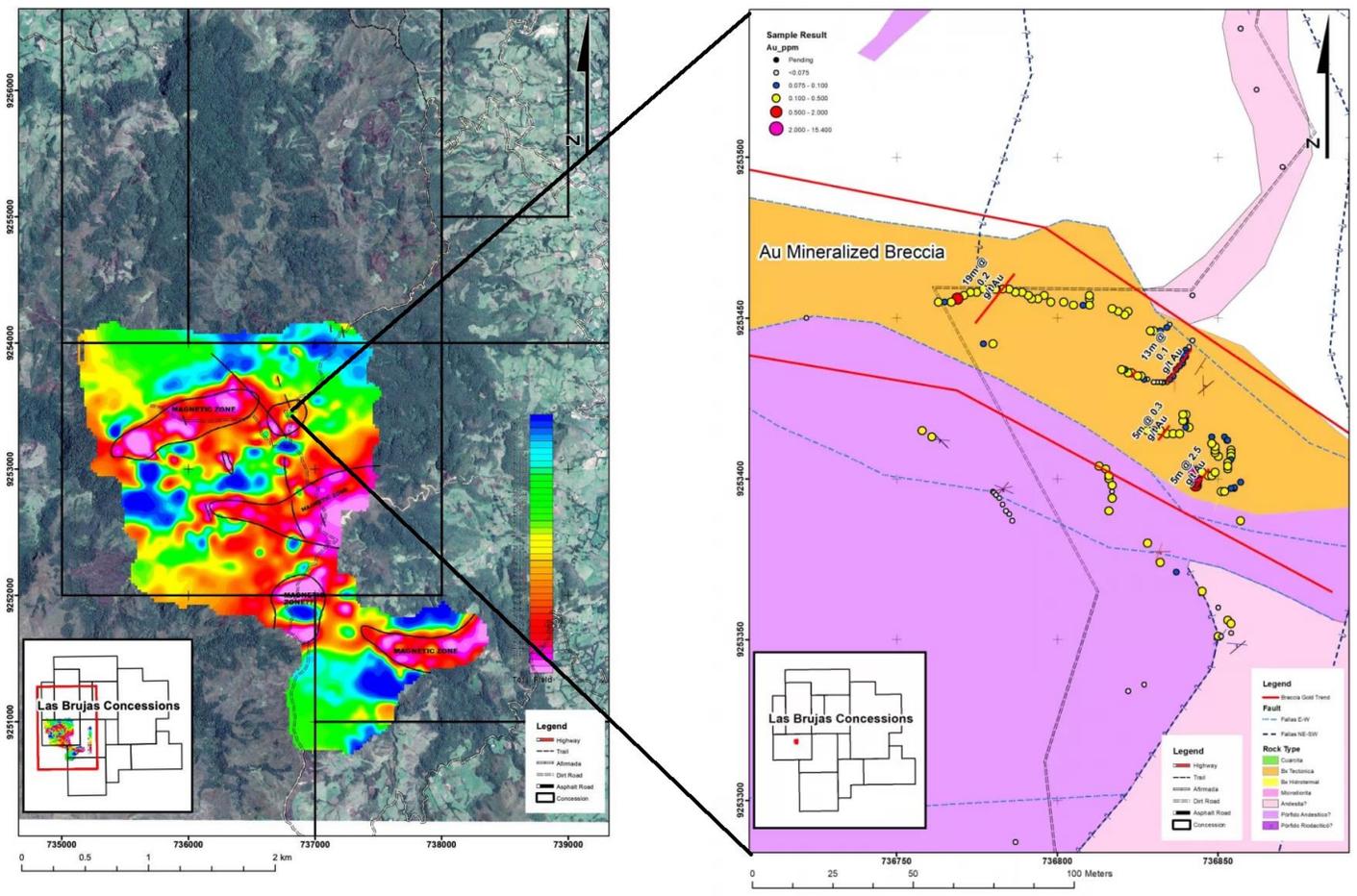
Recent sampling at Las Brujas confirmed gold mineralization at three distinct zones, with the top sample returning 15.3 g/t Au

In early 2020, Fidelity conducted an initial field program to assess the project as well as prospective alteration profiles that had been recently exposed by new road access development. The program was guided by remote sensing technologies and available geological information and resulted in the identification of several new targets that prompted the company to increase its land package by an additional 1,500 ha. A reconnaissance sampling program was subsequently completed by the company, involving 85 grab samples targeting fresh road cuts. The assay results confirmed the presence of gold mineralization at three distinct structures visible along these road cuts, with peak grades of 15.3 g/t Au, 1.59

g/t Au, and 1.16 g/t Au. Importantly, the newly exposed alteration zones and geochemical anomalies coincide with the previously mapped spectral anomalies and remain open in all directions. Based on the encouraging sampling results, an additional 1,600 ha was registered, bringing the project footprint to 5,000 ha by August 2020.

Fidelity commenced a more comprehensive field program consisting of additional sampling in September 2020. The field team has since demobilised, and the company has received all results from 459 channel, 118 rock chip and 24 saprolite samples, primarily at the El Alambique prospect area. Approximately 23% of the results received returned anomalous gold concentrations ranging from 0.1 to 6.14 g/t Au. The samples also returned copper concentrations ranging from 19 to 411 ppm Cu. The surface sampling isolated a 50 x 100m area comprising a tectonic breccia with anomalous gold, wherein 105 channel samples were collected and 24 returned gold concentrations above 0.2 g/t Au. Notably, a 5m true width channel sample returned 2.8 g/t Au near the southern contact with a porphyritic andesite unit. Twelve contiguous 2m channel samples returned a weighted average 0.22 g/t Au over 24m across the NW-trending breccia, with further sampling along strike suggesting continuous mineralization of at least 100m (Figure 16, right).

Figure 16: Ground magnetic (left) and sampling results (right) at the El Alambique prospect



Source: Company Reports

As part of the comprehensive field program, Fidelity also initiated a ground magnetic survey in October 2020, covering ~1,000 ha of the prospect area, in order to define structural and lithologic zones. The results thus far indicate the presence of at least three magnetic bodies (Figure 16, left) proximal to confirmed gold mineralization and correlates with mapped andesitic volcanic and subvolcanic rocks. Meanwhile, further modelling of the geological relationships between regional epithermal gold systems (e.g. Tantauatay) and their adjacent and related porphyry gold-copper systems (e.g. Cerro Corona) prompted the company to secure an additional 3,400 ha, bringing the total project footprint to 8,400 ha. Importantly, the recent project expansion is believed to cover porphyry potential in the SE portion of the project.

Next Steps

As results from the initial ground magnetic survey and sampling are being interpreted, the company has mobilized community initiatives so as to determine a permitting track for further fieldwork ahead of drilling. Future fieldwork is planned to consist of a property-wide geochemistry program, which is expected to include additional channel sampling as well as more extensive geophysics, consisting of drone-based magnetic surveys and potentially 3D induced polarization surveys.

Porphyritic Copper Project (100%-owned)

The company's third priority prospect is the Porphyritic Copper project located in an active mining and development district in Northern Peru. The project contains multiple high-quality targets that host anomalous copper mineralization.

Location and Infrastructure

The Porphyritic Copper project is located in La Libertad, Peru, and comprises three contiguous concessions covering 1,200 ha; however, the company has recently applied for three additional concessions, which if secured, would bring the total project area to 4,000 ha. It is ~120km southeast of the coastal city of Trujillo (population >960,000), which is serviced by the Trujillo International Airport as well as the Salaverry Port.

Ownership

Fidelity earned a 100% interest in the project in the spring of 2019, by issuing 4M shares and making a US\$7,000 cash payment to the vendors. Further milestone payments of \$0.5M and \$0.25M are payable within five years if a NI 43-101 compliant resource of >5M tonnes of contained copper is published by Fidelity and/or a transaction exceeding \$5M is consummated. We note that both milestone payments are considered unlikely according to company reports.

Geology & Exploration

The project contains near-surface manifestations of visible copper mineralization (Figure 17), as well as small-scale workings developed by artisanal miners for the purposes of producing gold-bearing ore. Two zones of porphyritic mineralization, Upper and Lower, have been identified thus far. Both zones are located immediately adjacent to a major (>60km long) regional fault structure that is associated with known copper projects. At both the Porphyritic Copper project as well as regional copper projects, the mineralization is associated with variably altered monzodiorites displaying copper sulphide and oxide mineralization.

Assays remain pending for 185 samples from the 2020 field program at Las Brujas

The Porphyritic Copper project is located in an active mining district

Figure 17: Historical sampling photos at Porphyritic Copper



Mineralization at Porphyritic Copper is reminiscent of the world-class Magistral deposit

Source: Company Reports

Historical sampling demonstrated encouraging results, with samples returning **0.36%-0.66% Cu at Upper, and >1% Cu at Lower** (Figure 18).

Figure 18: Historical sampling results at Porphyritic Copper

Zone	Sample No.	Ag (ppm)	Au (ppm)	Cu (ppm)	Mo (ppm)
Upper	221	1.49	<0.2	3,640	1,600
Upper	222	8.81	1.3	6,620	17.7
Upper	223	1.42	0.2	4,070	306
Lower	224	>100	3.7	>10,000	270.8

Source: Company Reports

In 2018, the project vendor commissioned a Qualified Person to prepare a geological report. The report highlighted the potential that the two mineralized zones, which are spaced ~4km apart, may represent exposed sections of the same Cu-Mo porphyry system. The report further indicated that the style of mineralogy and host rock, along with skarn-type mineralization at Lower, are characteristic of the Magistral Cu-Mo-Ag porphyry deposit in Ancash, Peru – which hosts resources of 232 Mt at 0.55% Cu, 0.05% Mo, 3.2 g/t Ag.

Next Steps

Exploration at Porphyritic Copper remains in the early stages and details are limited. However, we expect the company to release further information once acquisitions of additional concessions are finalized. As part of an initial prospectivity assessment, Fidelity had mobilized a field crew to conduct a reconnaissance and preliminary sampling program with the goal of better defining the extent of the currently interpreted mineralized zones. However, due to in-country COVID-19 travel restrictions, the company paused all exploration activities. Fidelity has also outlined plans for remote sensing alteration mapping and drone magnetics.

We expect to learn more about Porphyritic Copper once Fidelity finalizes acquiring additional concessions

Cerro El Bronce is situated adjacent to active exploration projects operated by Newmont

Historical sampling at Cerro El Bronce reported up to 6.6% Cu, 20.3 g/t Au, and 41 g/t Ag

Cerro El Bronce (100%-owned)

The Cerro El Bronce project is Fidelity's fourth priority project, and is prospective for high-grade gold and copper. The project is located in Ancash, Peru, within a highly strategic land package that is adjacent to several active exploration projects.

Location and Infrastructure

The Cerro El Bronce project is located in Ancash, Northern Peru, and comprises two mineral concessions covering 600 ha. These concessions are surrounded on three sides by active exploration projects operated by Newmont. The project is situated approximately 40km east of its Porphyritic Copper project and 45km southeast of Barrick Gold's (TSX:ABX, Not Covered) Lagunas Norte mine – one of the largest former gold mines in Peru with past production >10M oz Au.

Ownership

In June 2019, Fidelity announced the acquisition of a 100% interest in Cerro El Bronce. As partial consideration for the acquisition, Fidelity assumed responsibility for maintenance and renewal of the concessions. In the event that Fidelity sells the project to an unrelated third party, the original vendors are to receive 10% of the cash profits generated from the sale. The determination of cash profits consists of the sale proceeds minus total expenditures made by Fidelity on the project up to the time of sale, including related transactions costs, taxes, and duties.

Geology & Exploration

The project is centered upon an area intersecting, gold-rich, mesothermal vein systems. These veins are hosted in granodiorites and tonalites of the Miocene Cordillera Blanca Batholith, which has been mined by artisanal miners both within and outside the property boundary. At least eight mesothermal gold veins have been identified thus far, along with intrusive porphyritic monzonites and diorites from the Mina Bronce and Mina Verde occurrences. Copper minerals identified at the prospect include malachite, pyrite, and chalcopyrite.

Historical sampling reported peak grades of **6.8% Cu, 20.3 g/t Au, and 41.0 g/t Ag**, within 12m of an adit near Mina Bronce. Average gold and silver grades from the seven-sample program returned 8.29 g/t and 7.78 g/t, respectively. While details have not been released, historical reports have outlined the potential for a relatively small, high-grade gold resource near surface at Mina Bronce.

Next Steps

As part of an initial prospectivity assessment, Fidelity is planning a reconnaissance site visit to facilitate development of a detailed geological mapping and systematic surface sampling program. Fidelity has also outlined plans to conduct a drone magnetics survey at the project.

Risks

Exploration, development, and mining projects are inherently risky investments given the large initial expenses that are required in advance of any potential revenue. Our view is based on publicly available information but note that our estimates and views are not without political, technical, geologic or financing risk typical for junior exploration companies. For Fidelity Minerals, these risks may include:

- 1. Geopolitical/jurisdictional risks** – Some of these risks may be out of the control of the company, including royalty and taxation levels, land agreement liabilities, regulatory, environmental and permit requirements and timing, global trade wars and political instability. We note that Fidelity Minerals holds properties in Peru, a top mining jurisdiction.
- 2. Technical risks** – This covers a wide variety of issues that we see associated with the deposit including exploration, development and exploitation strategies and methods. It would cover such issues as accuracy of geological interpretation, resource/reserve estimates and economic studies and inputs such as commodity prices, cost and grade fluctuations, assay reconciliation, metallurgical issues and exploration success. Our positive view relies on using existing technical data, recent exploration results and to a limited extent, expected positive results from future drilling. Future results may differ and negatively impact our assumptions.
- 3. Corporate risks** – These may include project execution by management, investor relations effectiveness, or market sentiment. Management pedigree and performance are paramount. Market sentiment is also an issue. While we expect the current robust gold and copper market to continue to improve throughout 2021, our estimates may be negatively impacted by a change in market sentiment.
- 4. Financial risks** – These may occur at the project or corporate level, including variation in valuation parameters/metrics, commodity price or foreign exchange fluctuations, access to credit including debt, equity financing or potential for shareholder dilution.

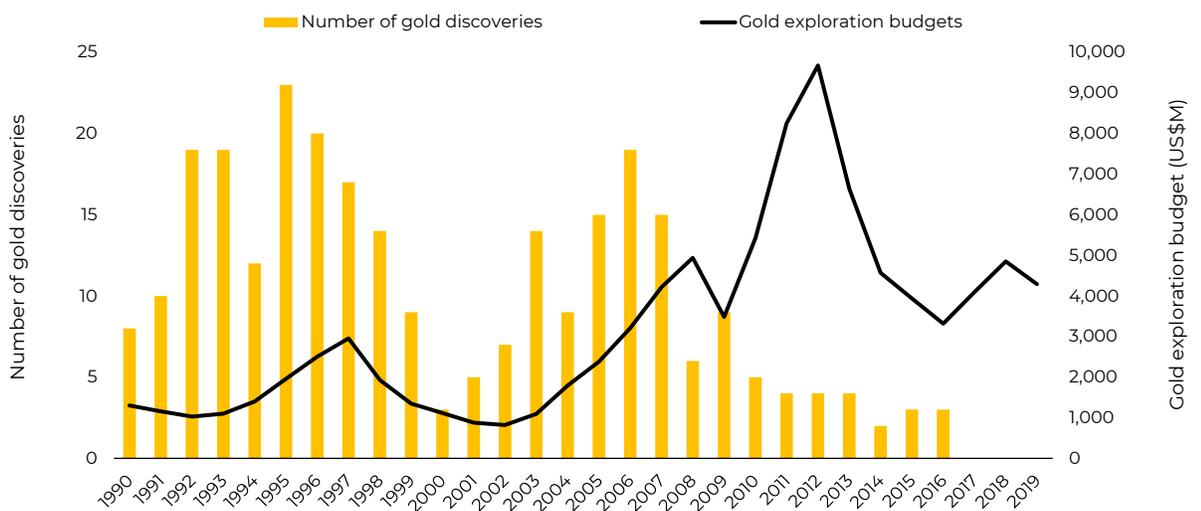
As new information becomes available, we plan to refine our estimates and forecasts.

Appendix A: Major Gold & Copper Discoveries

As we outlined in our Investment thesis, major mining companies have been expanding their exploration budgets in Peru and investing in juniors operating in the region. This increase in budget is being driven by a scarcity of new major gold and copper discoveries globally that is forcing miners to expend more money, time and effort to make a new discovery. The lack of new major discoveries is a result of companies focusing on advanced-stage assets and known deposits rather than concentrating on grassroots exploration. As of late, juniors have increasingly focused their exploration spending on expanding known deposits, while producers have spent on exploration at their existing operations. Grassroots exploration is necessary to ensure there are enough high-quality projects in the pipeline to replace aging mines.

Although some new major discoveries have been found at late-stage projects and existing mining camps, the potential to find new major discoveries at such projects is less than at riskier, early-stage prospects. **This is where Fidelity fits in, as it offers a way for companies to pick up highly prospective projects that feature large amounts of early stage work and drill-ready targets.** Fidelity is also focused on generating large-scale projects with multi-million ounce potential that fit the criteria of mid-tier and major mining companies. Fidelity's two major gold assets – Las Brujas and Greater Las Huaguillas – are its two most advanced projects and could potentially be of interest to mid-tier and major miners. Like a true prospect generator, the company continues to conduct early stage work to generate new opportunities. We note that only 25 major gold deposits (+2M oz Au) were discovered over the past decade, containing only 7% (154.3 Moz) of all gold contained in discoveries since 1990. We would highlight that no major gold deposits were discovered between 2017 and 2019.

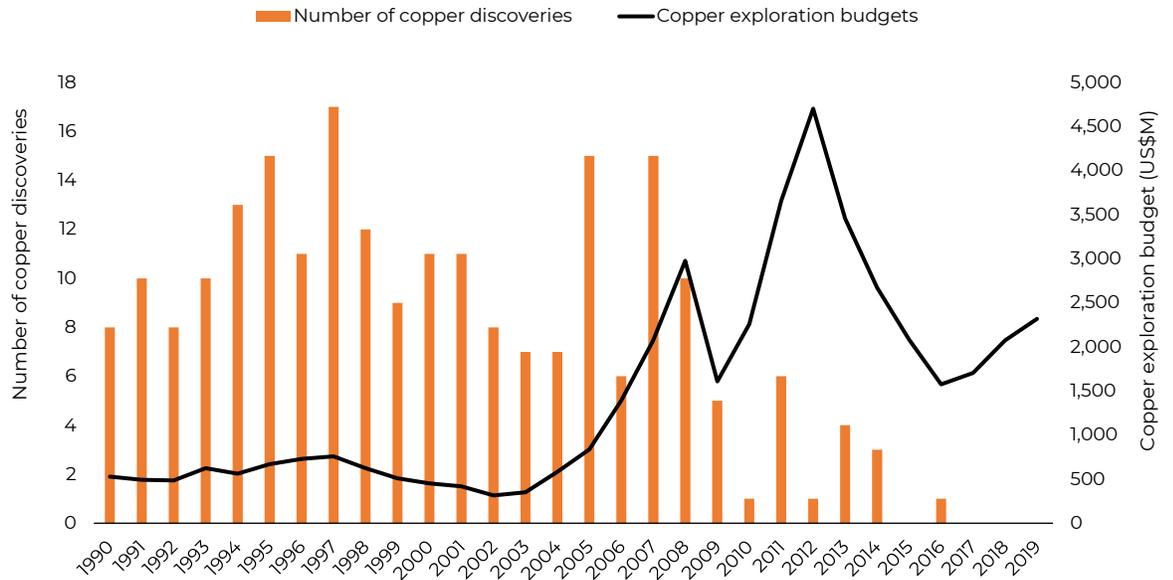
Figure 19: Major gold discoveries (>2M oz) over time



Source: S&P Global Market Intelligence

Additionally, only 16 major copper deposits (+500M tonnes copper) were discovered over the past decade, containing 8% (81.3M tonnes) of all copper contained in discoveries since 1990. In our view, the increased demand for copper as a result of the burgeoning EV and green economy will provide a compelling catalyst for majors to replenish and grow their copper pipeline over the mid to long-term. As such, we believe this should position Fidelity's earlier-stage copper assets – Porphyritic Copper and Cerro El Bronce – to capitalize on this expected future demand. Like gold, we would highlight that no major copper deposits were discovered between 2017 and 2019.

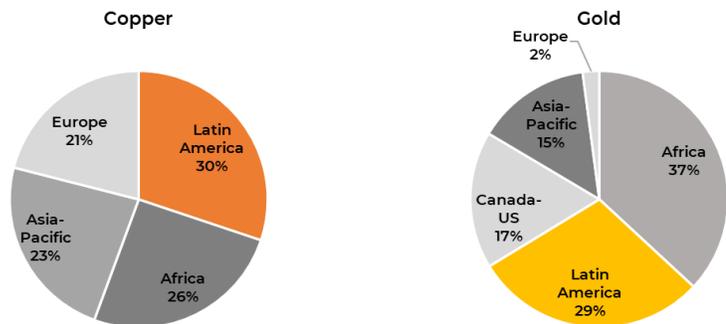
Figure 20: Major copper discoveries (>500k tonnes) over time



Source: S&P Global Market Intelligence

However, of the major gold and copper discoveries that have been made over the past decade, approximately two-thirds have been made in Latin America. Latin America has historically been very prolific for gold discoveries and the region hosts many of the world's largest copper mines. Notably, most exploration effort has been concentrated in Chile and Peru, which has resulted in over half of the global discovered copper being found in those countries. **Fidelity aims to tap into the gold and copper potential in Peru, a jurisdiction that is familiar to other explorers.**

Figure 21: Location of major discoveries since 2010



Source: S&P Global Market Intelligence

Appendix B: Management and Directors

John Byrne, Chairman

Mr. John Byrne has 40 years of experience in the natural resource industry as a financial analyst, investor and mine developer. He formed Cambrian Mining Plc in 2002 and grew the company from £1.4 million to £149 million before being acquired in 2008. Mr. Byrne has been Chairman and CEO of numerous successful resource companies, including Western Coal Corp which was capitalised at less than \$1 million when he joined, and was sold for \$3.3 billion in 2010. He is a founder of Lions Bay Capital, Fidelity's largest shareholder.

Dean Pekeski, President & CEO, Director

Mr. Pekeski is a seasoned mining executive with over 25 years of international experience in mineral exploration and project development for both major and junior companies. From 1996 to 2008, he worked as an exploration geologist and project manager for Rio Tinto (ASX:RIO, Not Covered), where he explored for base metal and diamond deposits across Canada, Southern Africa, and India. Subsequently, he joined Western Potash (TSX:WPX, Not Covered) as Executive Vice President, where he successfully managed the Milestone Potash project from discovery, through feasibility and permitting, to project financing. From 2016 to 2020, he served as Vice President, Project Development for Peak Minerals and was responsible for delivering a feasibility study and permits for the Sevier Playa Potash project. He continues to serve Peak Minerals as President and CEO. Mr. Pekeski holds a degree in Earth Sciences from the University of Western Ontario and is a registered Professional Geologist.

Ian Graham, Director

Mr. Ian Graham is an experienced mining executive with over 20 years in development and exploration of mineral deposits, primarily with major mining companies, including Anglo American and Rio Tinto, serving as Chief Geologist of the latter's Project Generation Group. Mr. Graham is former President & CEO of Discovery Harbour Resources and was involved with evaluation and pre-development work on several projects throughout the globe, including Resolution Copper (Arizona), Diavik (Northwest Territories), Eagle Nickel (Michigan), and Bunder Diamonds (India). Mr. Graham studied geology at the University of Regina and earned a B.Sc. (Hons) in Geology at the University of KwaZulu Natal in South Africa.

Anthony Balic, CFO and Director

Mr. Anthony Balic has worked with Canadian and US publicly listed resource companies in a range of senior roles during the past decade. He currently serves as CFO and Interim CEO of Goldgroup Mining, where he was part of the finance team which brought their Mexican mine into commercial production. Mr. Balic was previously a senior manager at Deloitte Canada where he specialized in assurance and advisory for mining companies, and holds a Bachelor of Commerce from the University of British Columbia.

Manuel Delfin, General Manager (Peru)

Mr. Manuel Delfin is the founder of the Smart-Group, a specialist in providing leading geomatics and territorial management solutions, as well as interoperability management integration platforms. Mr. Delfin was previously the general manager for Cerro Dorado SAC from 2012-2019, and upon the sale of the project, has recently transitioned to a country manager role, where he oversees in-country activities for Fidelity Minerals.

Taylor Combaluzier | Mining Analyst
Paul Kostuik | Research Associate
Koby Kushner | Research Associate
Alina Islam | Research Associate

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Disclosure Statement

Updated March 8, 2021

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Company Name	Ticker Symbol	Disclosures
Fidelity Minerals Corp.	TSXV:FMN	3,4

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