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# Santana Minerals Ltd (SMI)

## Nu Gold: 3-million-ounces and counting

### Recommendation

**Buy** (Initiation)

### Price

**\$0.695/sh**

### Valuation

**\$1.45/sh**

### Risk

**Speculative**

### GICS Sector

Materials

### Expected Return

Capital growth	<b>108.6%</b>
Dividend yield	<b>0.0%</b>
Total expected return	<b>108.6%</b>

### Company Data & Ratios

Enterprise value	<b>\$96.7m</b>
Market cap	<b>\$103.4m</b>
Issued capital	<b>148.8m</b>
Free float	<b>89%</b>
Avg. daily val. (52wk)	<b>\$170k</b>
12 month price range	<b>\$0.46 to \$1.00</b>

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.83	0.72	0.55
Absolute (%)	-15.8	-3.5	26.4
Rel market (%)	-14.3	-4.8	21.9

### Absolute Price



SOURCE: IRESS

### The Bendigo-Ophir Gold Project

SMI's principal asset is its 100% owned Bendigo-Ophir Gold Project (the Project) in the Otago Region of New Zealand. Key points for the Project include: i) SMI has delivered extraordinary exploration success, growing the Project's Resource to 49Mt at 1.9g/t gold grade containing 3.09Moz of gold, since late 2020, at a discovery cost of just A\$3.50/oz, ii) SMI will commence feasibility studies and approvals processes targeting mine development from ~FY27, iii) the current Resource is contained within just 4km of strike of 30km of the prospective regional structural mineralisation control, the Rise-and-Shine Shear-Zone, and, iv) SMI is exploring for further discoveries and extensions to known deposits.

### A future Mid-Tier gold mine, with Tier-1 potential

The Project has excellent potential to support a gold mining operation given: i) we estimate that existing Resources could support ~160kozpa gold production (from ~2.5Mtpa of ore mined) over a mine-life of >10-years, ii) the project compares well to recent comparable development projects due to its relatively high-grade and technical simplicity (open pit mining & free milling gold processing), and, iii) the Project is geologically similar with the Macraes Gold Mine (located 90km to the southeast), from which 5Moz has been mined since 1990.

### Investment view: Speculative Buy, Valuation \$1.45/sh

We initiate with a Speculative Buy rating, given our forecast TSR of 108%. Support for our investment thesis includes: i) our valuation for the Project, for which we estimate an un-risked project NPV of \$785m (DCF analysis, nominal, post-tax, 10% discount rate) and a risked/diluted project value of \$260m, ii) we anticipate that SMI's value will be progressively re-rated as it achieves the Project's development, approvals, and funding milestones, iii) the Project holds significant additional prospectivity for undiscovered gold deposits, and further discovery could highlight Tier-1 gold production potential, and iv) given existing Resources, and the possibility for further discovery, SMI could make an attractive acquisition target for other producers.

### Earnings Forecast

Year end June 30	2022a	2023e	2024e	2025e
Sales (A\$m)	-	-	-	-
EBITDA (A\$m)	(1.0)	(1.4)	(1.5)	(1.6)
NPAT (reported) (A\$m)	(1.0)	(1.3)	(1.4)	(1.5)
NPAT (adjusted) (A\$m)	(1.0)	(1.3)	(1.4)	(1.5)
EPS (adjusted) (¢ps)	(0.8)	(0.9)	(0.8)	(0.7)
EPS growth (%)	nm	nm	nm	nm
PER (x)	(5,886.6)	(80.3)	(91.0)	(99.1)
FCF Yield (%)	(0.1)	(13.3)	(15.8)	(13.9)
EV/EBITDA (x)	(92.9)	(70.2)	(63.7)	(62.1)
Dividend (¢ps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-
ROE (%)	(5.4)	(3.1)	(2.3)	(2.0)

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Contents

<b>Nu Gold: 3-million-ounces and counting .....</b>	<b>3</b>
<b>Company overview and asset summary .....</b>	<b>5</b>
<b>Valuation.....</b>	<b>9</b>
<b>Capital structure and requirements.....</b>	<b>10</b>
<b>Comparable companies.....</b>	<b>11</b>
<b>Board and management .....</b>	<b>12</b>
<b>Resource sector risks.....</b>	<b>14</b>

# Nu Gold: 3-million-ounces and counting

## Investment thesis: Speculative Buy, Valuation \$1.45/sh.

We initiate our coverage of SMI with a Speculative Buy rating. We value SMI at \$1.45/sh, based on its existing 3-million-ounce gold Mineral Resource at its 100% owned Bendigo-Ophir Project (the Project), and our modelled project development scenario. Key points of our investment thesis are:

- **Opportunity set:**
  1. **Project development:** SMI is to commence feasibility studies and approvals processes for the Project, on existing Resources. We expect that, in the fullness of time, the Project will reposition SMI as a competitive mid-tier gold producer. We expect SMI's market value to re-rate as it progresses through the project development phases.
  2. **Gold discovery:** the Project holds significant additional prospectivity for undiscovered gold deposits. Further discovery success of the kind already achieved could highlight Tier-1 gold production potential.
  3. **Acquisition:** In our view, given existing Resources and development potential, and the possibility for further discovery, SMI could make an attractive acquisition target for other gold producers.
- **Bendigo-Ophir Mineral Resource:** In February 2023, SMI updated its Mineral Resource estimate (MRE) for the Project. The MRE (at 0.25g/t cut-off grade, with top cut applied) is estimated from four deposits. The majority of contained gold is reported from the 'Rise-and-Shine' deposit (RAS).
  1. The total MRE is 49Mt at 1.9g/t Au for 3.09 Moz of gold.
  2. The 'RAS' MRE is 35.4Mt at 2.4g/t for 2.69 Moz of gold, including 2.0Mt at 4.3g/t Au for 279koz in the higher confidence Indicated category.
- **Exceptional discovery success:** Since acquisition SMI have increased gold in Resources by a factor of 15, mainly through exploration of RAS. SMI announced the acquisition of the Project in September 2020. At that time, the Project had a MRE of 10Mt at 0.6g/t Au for 202 koz of contained gold. Historical production from the Project was a significant 177koz at grades of 30g/t-to-180g/t Au in the late 1800's (Bendigo Reefs, 3km from the Project).
- **Macraes Gold Mine:** The Project's geology is comparable to that of OceanaGold's (OGC.TSE, not rated) Macraes Gold Mine (Macraes), which is 90km to the southeast. Macraes has produced over 5Moz of gold since 1990. Geological similarities include the structural setting, deposit-dip, and the gold distributions correlation with arsenic, and host rock deformation intensity. Macraes Resources are reported over ~15 distinct areas developed along a ~25km strike length of the Hyde-Macraes Shear-Zone.
- **Exploration prospectivity:** SMI estimates that the 'Rise-and-Shine Shear-Zone' (RSSZ), a regional structural mineralisation control, could strike for up to 30km within SMI's exploration licences. The existing Resource is reported from deposits with a ~4km strike-length of the RSSZ. Consequently, we consider the remaining strike length of the RSSZ within the Project is prospective for further discoveries (as observed at Macraes). SMI have developed several regional targets from previous geochemical sampling programs.
- **Preliminary metallurgy:** Preliminary metallurgical testwork has demonstrated the potential for good gold recovery via standard gravity-cyanide leach testwork, and that

RAS is free milling (non-refractory, unlike Macraes, which is refractory). Gold recoveries averaged ~90% across six samples, with scope for optimisation.

- **Forward plan:** SMI's forward plan is focused on increasing MRE contained gold, and geological and metallurgical confidence. Regional exploration for new deposits will also continue. The forward plan includes:
  1. Continued expansion and Resource definition with four diamond drill-rigs targeting the four known deposits.
  2. Exploration drilling at regional targets with one reverse-circulation drill rig.
  3. Updating MRE's, with increasing gold inventories and geological confidence (reflected in improving Mineral Resource classifications).
  4. Commencement of feasibility studies and approvals processes necessary to establish a gold mining and processing operation.
- **Valuation:** We value SMI using a Bell Potter assumed project development scenario. The project development scenario considers: a 75% Resource-to-Reserve Conversion and mining and processing of 2.5Mtpa to produce ~160koz per annum of gold, over a ~13-year life at All-in-Sustaining-Costs (AISC) of ~A\$1,600/oz. From this scenario we estimate a project NPV of \$785m, which we discount for risk (given the early stage of development) and dilution (for assumed construction cost capital raisings) to \$260m.
- **Comparable companies:** Relative to the comparable projects we selected, the Project's high gold grade, open pit potential and simple processing flowsheet, should combine to provide both a low initial capital cost intensity per ounce of annual production, and low ongoing AISC (or operating cost) per ounce cost profile. Consequently, the project should support an attractive relative earnings profile. We expect that this will result in a relatively high project NPV when study results are announced, in-turn, providing support for equity value increases and funding activities.
- **Management:** SMI has an experienced Board and Management team with a track record of mine development (including in New Zealand) and shareholder value creation.
- **Near-term catalysts:** In the near-term catalysts relate to:
  1. Exploration result reporting.
  2. Further Mineral Resource estimate growth, including in higher confidence categories.
  3. Scoping study result reporting, expected from mid-CY23.
- **Approvals:** In March 2023, SMI announced details on approvals processes in New Zealand. SMI highlighted examples of recently permitted mines, including a new open pit approved at Macraes in 2020. Approvals processes fall into three categories, outlined below. SMI's project development schedule includes major technical and approval milestones.
  1. **Land access:** SMI has land access agreements (enabling exploration and mining) in place with the three stations covering existing Resources.
  2. **Mineral access:** Minerals Access applications deal with exploration licensing and mining permits. SMI is to apply for a Mining Permit with the completion of its scoping study.
  3. **Resource consenting:** the resource consenting processes cover environment and cultural considerations. Resource consenting involves environmental baseline studies, and stakeholder engagement, that are to proceed concurrently with feasibility studies.

# Company overview and asset summary

## Company overview

SMI is a gold explorer and developer, focusing on the Bendigo-Ophir Project (the Project) in New Zealand (South Island). To date, four gold deposits have been identified at the Project. The most significant deposit is the Rise-and-Shine (RAS) deposit.

SMI acquired the Project in September 2020. The Project covers 251 square kilometres in the Central Otago goldfields, 90 kilometres northwest of OceanaGold's (OGC.TSE, not rated) world-class Macraes Gold Mine, New Zealand's largest active gold producing mine, having produced over five million ounces of gold since 1990.

## The Bendigo-Ophir Project

Since acquiring the project in late 2020 Project, SMI have grown the Mineral Resource Estimate (MRE) from 202 koz to over 3,000 koz of contained gold (reportedly at a discovery cost per ounce of ~A\$3.50/oz), including the addition of 1.0Moz in the six months since the July 2022 MRE, achieving sufficient scale to commence pre-development studies. The Project's geological setting is analogous to that of the Macrae's Gold Mine, which highlights the Project's considerable residual prospectivity, and supports SMI's continuing exploration for additional gold discoveries.

### Mineral Resource Estimates

In February 2023, SMI reported its latest MRE for the Project of 39.7Mt at a grade of 2.3g/t gold, containing 2,909 koz of gold (0.5 g/t Au). The MRE is reported against three grade bins, an underground mining cut-off grade (1.5g/t Au), a typical open-pit mining cut-off grade (0.5 g/t Au), and a processing only cut-off grade (0.25g/t Au).

The majority of the MRE is contained in the RAS deposit, which has been the focus of exploration drilling to date, given its relatively high-grade, noting that two-thirds of the global MRE contained gold reports to the RAS underground mining cut-off grade bin (1.5g/t Au), 2,234 koz with an average grade of 3.8g/t Au.

**Table 1 - Bendigo Ophir February 2023 Mineral Resource Estimate**

Item	Resource Category	Cut-off Grade	Tonnes	Grade	Gold
		(g/t Au)	(Mt)	(g/t Au)	(koz Au)
Rise and Shine (RAS)	Indicated and Inferred	1.50	18.4	3.8	2,234
Rise and Shine (RAS)	Indicated and Inferred	0.50	33.5	2.5	2,662
Rise and Shine (RAS)	Indicated and Inferred	0.25	35.4	2.4	2,687
Come in Time (CIT)	Inferred	1.50	0.5	2.4	36
Come in Time (CIT)	Inferred	0.50	1.2	1.5	59
Come in Time (CIT)	Inferred	0.25	3.2	0.8	84
Shreks (SHR)	Inferred	1.50	0.8	2.00	52
Shreks (SHR)	Inferred	0.50	4.7	1.10	174
Shreks (SHR)	Inferred	0.25	9.7	0.70	230
Shreks Easte (SRE)	Inferred	1.50	-	2.10	2.0
Shreks Easte (SRE)	Inferred	0.50	0.3	1.30	11
Shreks Easte (SRE)	Inferred	0.25	0.7	0.10	15
<b>Total</b>	<b>Inferred</b>	<b>1.50</b>	<b>19.7</b>	<b>3.70</b>	<b>2,327</b>
<b>Total</b>	<b>Inferred</b>	<b>0.50</b>	<b>39.7</b>	<b>2.30</b>	<b>2,909</b>
<b>Total</b>	<b>Inferred</b>	<b>0.25</b>	<b>49.0</b>	<b>1.90</b>	<b>3,009</b>

SOURCE: COMPANY DATA

The latest MRE also included a maiden Indicated Resource of 280koz at 4.3g/t Au, demonstrating the potential for continuous high-grade zones within the deposits. We view higher grades being defined within the higher confidence Resource categories as a positive characteristic of a deposit.

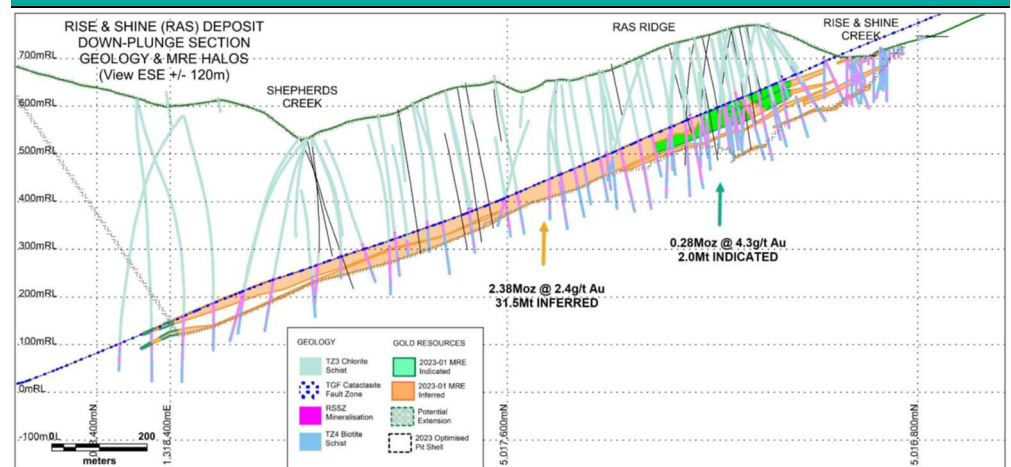
### Project development

SMI has started to indicate a shift towards development of the Project. In late 2022, SMI appointed a New Zealand based General Manager (Mr Damian Spring, a highly experienced Mining Engineer) to advance exploration and development activities at the Project. With the release of the February 2023 MRE, SMI indicated that it would commence an initial scoping study, considering the economic and technical feasibility of a future gold mining and processing operation at the Project. Additionally, in early March 2023, SMI announced an indicative project development timeline, with a Final Investment Decision targeted for late FY26. We estimate that the scoping study should be completed in around six-to-nine-months and will likely demonstrate a compelling case for continued mining and environment studies and community engagement. SMI has also indicated that it will upgrade the geological confidence of the RAS MRE to a higher proportion of Indicated Mineral Resources, we expect, to enable the reporting of Ore Reserves and study outcomes, from mid-FY25 with pre-feasibility study results.

The figure below illustrates a down-plunge section (or longitudinal section) of the Rise-and-Shine (RAS) deposit published with the February 2023 MRE. The figure includes a long-section of a pit-shell generated on the new Resource model. Notwithstanding that the parameters used to generate the pit-shell were not reported, the figure illustrates:

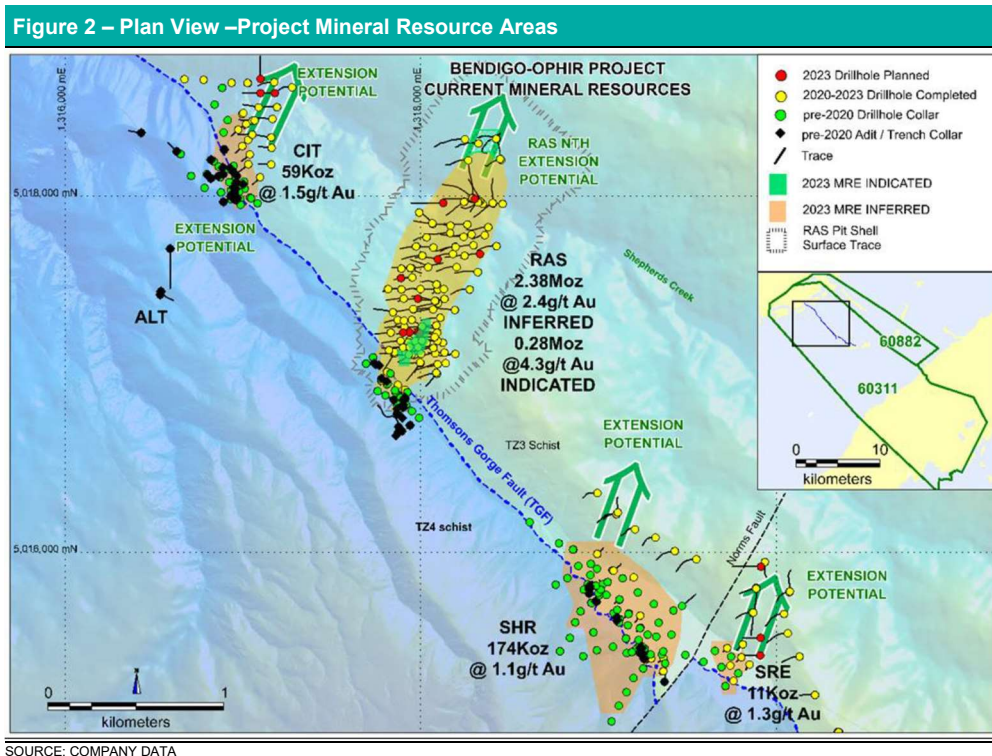
- high conversion of the MRE to the pit-shell, and
- a strip-ratio (we estimate) in the order of ~10:1-to-14:1, with the strip-ratio in the upper two-thirds of the deposit significantly reduced by the slope of the natural surface, which should enhance early project economics.

**Figure 1 - RAS Deposit - Down Plunge Section – February 2023 MRE**



SOURCE: COMPANY DATA





### **Geology**

The Project covers ~30km of the RSSZ. The RSSZ occurs at the contact with two schist units separated by a regional fault, the Thomsons Gorge Fault-(TGF). Four mineralized shoots have been discovered to date in the footwall of the TGF, including: Come-in-Time (CIT), Rise-and-Shine (RAS), Shreks (SHR) and Shreks East (SRE). All four shoots plunge about -25° towards an azimuth of 25°.

Gold mineralisation at RAS occurs in the footwall of the Thomson Gully Fault (TGF), a late, brittle, re-activation of part of the RSSZ. Gold mineralisation occurs in silicified, segregated schist and quartz vein stockworks developed sub-parallel to the TGF. The best gold grades occur in the most segregated schist. Arsenopyrite and pyrite are associated with the mineralized quartz veins. Gold mineralisation occurs as free gold with a minor (<10%) component associated with high arsenic zones.

### **The Macraes Gold Mine**

The geological setting of the Project and its deposits closely resemble those of the Macraes Gold Mine (Macraes) including the structural setting, deposit dip and the gold distributions correlation with arsenic and host rock deformation intensity.

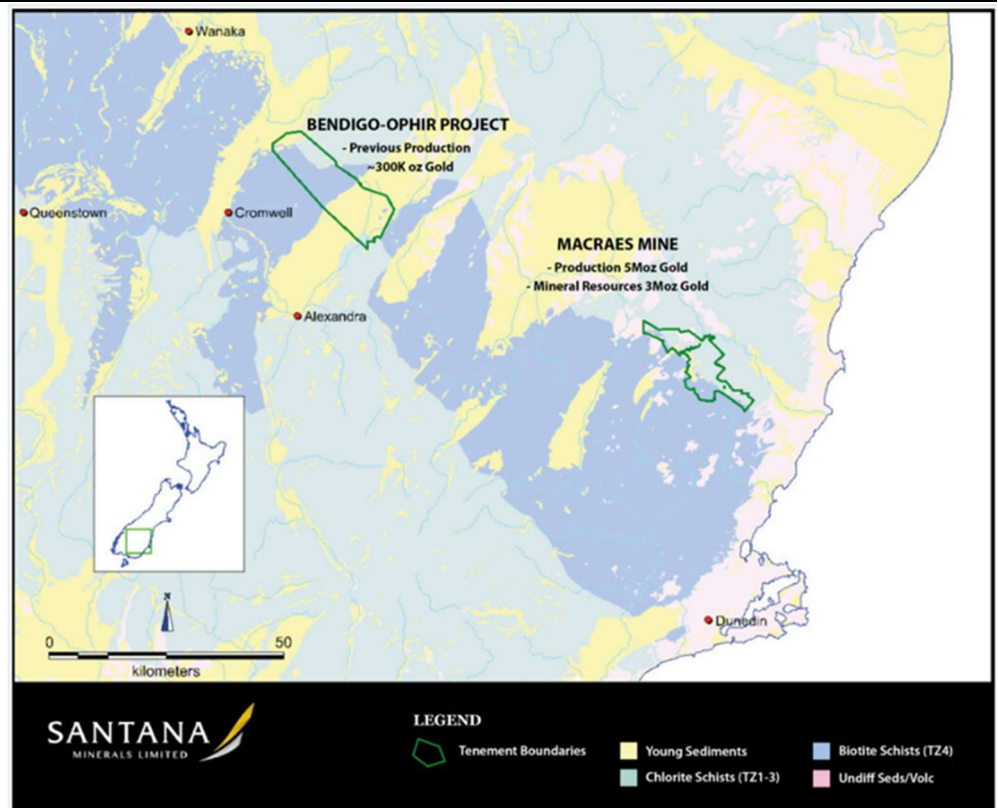
The Macraes gold deposits are located within a low-angle (~15-20°) shear zone, the Hyde Macraes Shear Zone (HMSZ). Mining has centred on mineralisation developed along this regionally continuous structure that has been traced for over 30km along strike. There is a strong correlation between gold, arsenic, silicification and deformation intensity within the HMSZ.

Macraes ore differs in two respects from Bendigo-Ophir: the ore is refractory and is high in preg-robbing carbon. Consequently, the Macraes process includes flotation and pressure oxidation, prior to gold recovery by a Carbon-in-Leach plant. Gold recovery is reportedly in the low 80% range.

Macraes is the largest gold producing operation in New Zealand and has been in operation since 1990, producing over 5 Moz of gold (with 2022 Ore Reserves of 1.2 Moz and Mineral

Resources of 3 Moz), from ~15 distinct Mineral Resource areas (deposits) identified over a strike length of ~25km. Over the life of the mine, open pit and underground mining has serviced a gold processing plant, with a current capacity of ~5.9Mtpa. 2022 production guidance was 145-to-155 koz and the mine has Ore Reserves to support mining until 2027.

**Figure 3 – Illustrates the location of the Project relative to Macraes Golf Mine.**



SOURCE: COMPANY DATA

### **Prospectivity and exploration**

We consider that SMI has good potential for further Mineral Resource growth and discovery at the project.

The Project covers the 30km long Bendigo-Ophir mineralised trend, which contains the RSSZ. The current MRE is contained within a ~4km strike of the RSSZ. SMI have developed several regional targets from previous geochemical sampling programs (including soil sampling and portable XRF data collection) that have highlighted a strong relationship between arsenic anomalism and gold mineralisation.

Regional geochemical targets include Orkney, Dans, and Matakanui (concealed below cover) in the south of the project area, which display anomalous arsenic results and warrant further exploration.



# Valuation

Our valuation for SMI is based upon our risked project development scenario for the Bendigo-Ophir Project. This is included in a sum-of-the-parts valuation for SMI which includes a notional estimate for exploration value (for assets not valued in our project development scenario). We also include a discounted cash flow estimate of corporate costs, adjust for SMI's net cash position, and dilute our valuation for in-the-money options, and our allowances for future capital raisings. The table below summarises our valuation.

**Table 2 - SMI sum-of-the-parts valuation summary**

Ordinary shares (m)		197.4
Options in the money (m)		2.3
Diluted (m)		199.7
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<b>Sum-of-the-parts</b>	<b>\$m</b>	<b>\$/sh</b>
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Project (risked NPV10, nominal 2023 dollars, post-tax, where the unrisks value = \$840m)	259	1.31
Corporate overheads and exploration expenses	-21	(0.11)
Exploration assets	50	0.25
<b>Subtotal</b>	<b>288</b>	<b>1.46</b>
Net Cash (debt)	5	(0.02)
<b>Total (undiluted)</b>	<b>292</b>	<b>1.48</b>
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Add options in the money (m)	2.3	-
Add cash	1	0.00
<b>Total (diluted)</b>	<b>293</b>	<b>1.47</b>

Feasibility studies are yet to be commenced for the Project. For the purposes of valuation we estimate a project development scenario, considering the Resource, and parameters from comparable projects. For the Bendigo-Ophir Project, we estimate an un-risked/undiluted project value of \$785m (DCF analysis, nominal, post-tax, 10% discount rate) and a risked/diluted project value of \$260m. Key assumptions adopted for our valuation include:

- **Resource-to-Reserve conversion:** We assume a gold Resource-to-Reserve conversion ratio of 75%, and grade dilution factor of 5%. Applying these factors, we assume a mining inventory of 31Mt at 2.2g/t Au containing 2.1Moz of gold, from the Resource of 39.7Mt at 2.3g/t Au containing 2.9Moz of gold.
- **Ore mining rate:** We estimate an ore production rate of 2.5Mtpa, based on the current ~540m vertical extent of the Resource and an annual vertical advance rate of 40m.
- **Metallurgical recovery:** 90%, per metallurgical test work completed to date.
- **Capital costs:** \$20m Resource definition and feasibility study costs, preceding, construction costs of \$240m.
- **Operating costs:** Average life-of-mine AISC of ~A\$1,600/oz. Costs are estimated using: i) mining costs of \$3.5/t and an average strip ratio of 9:1, ii) a processing costs of \$25/t, iii) \$5/t for general and administration costs, iv) a Government royalty of 10% of accounting profit (per New Zealand legislation), v) a 1.5% net-smelter-return owned by the previous project owners.
- **Project schedule:** We allow four years for feasibility studies and project approvals, followed by a one-year construction period. We assume production commencement in late 1QCY28, with ramp-up to full production in 1QCY29.
- **Revenue and EBITDA:** using our gold price forecasts, we estimate total project revenue of \$7 billion, and total project EBITDA of \$3.8 billion (annual rate: \$270m, FY30).
- **Early-stage project risk discount:** We discount our project value by 45%, allowing for the early stage of development. We further discount our valuation by 40% to allow for the equity dilution of a project construction capital raising (assuming a 50:50 debt:equity split for project financing).

# Capital structure and requirements

## Capital structure & available funds

SMI's market capitalisation is \$103.4m and the company had last reported available funds of \$6.7m. SMI have been spending ~\$3m per quarter, principally on exploration of the Bendigo-Ophir Project. SMI is an exploration and development company that is exclusively reliant on the support of shareholders and the equity capital markets for funding. The company currently has no source of its own cash generation or income. As such, SMI is classified as a Speculative Investment.

SMI's latest capital structure is listed in the table below.

**Table 3 - SMI capital structure summary**

Shares on issue	m	148.8
Share price	\$/sh	0.70
<b>Market capitalisation</b>	<b>\$m</b>	<b>103.4</b>
Net cash	\$m	6.7
<b>Enterprise value (undiluted)</b>	<b>\$m</b>	<b>96.7</b>
Options outstanding (and performance rights)	m	2.8
Options (in the money)	m	2.3
Issued shares (diluted for options)	m	151.1
<b>Market capitalisation (diluted)</b>	<b>\$m</b>	<b>105.0</b>
Net cash + options	\$m	7.3
<b>Enterprise value (diluted)</b>	<b>\$m</b>	<b>97.7</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Capital requirements

SMI will require additional funds to continue its ongoing exploration programme, and the development of the Bendigo-Ophir Project. We forecast SMI will require capital for:

- Corporate and exploration costs: We assume ~\$3m per quarter, in line with current levels.
- Resource definition and feasibility study costs: We estimate Resource definition drilling and feasibility study costs of \$20m to progress the Bendigo-Ophir Project to a final investment decision.
- Project construction capital costs: We estimate, for the purposes of valuation, a project construction capital cost of \$225m (real 2023 Australian Dollars), commencing in FY27.

In our valuation, we model a number of equity capital raisings to fund SMI's pre project construction activities.

## Share register

SMI's largest shareholder is Mr Bunting, who is also a Non-Executive Director of the company. Mr Seckold, Chairman, is also included in the top seven shareholders.

**Table 4 – Major shareholders**

Shareholder	Percentage of listed securities (%)	Millions of shares (m)
Frederick James Bunting	9.0	13.4
Regal Partners Limited	6.0	9.0
Mustang Resources Limited	5.1	7.7
Merrill Lynch & Co. Inc., Banking Investments	4.9	7.2
Timothy Clifton	2.4	3.6
Goldstream Finance Limited	2.3	3.4
Norman Seckold	2.0	2.9

SOURCE: IRESS, COMPANY REPORTS

# Comparable companies

The tables below illustrate key metrics for a selection of ASX listed gold developers and published feasibility study metrics (recently completed or various stages of pre-production). In our opinion, and based on our valuation scenario, the Bendigo-Ophir Project compares favourably with the group of comparable projects and companies.

Relative to the comparable projects we selected, the Project's high gold grade, and open pit potential should combine to provide both a low initial capital cost intensity per ounce of annual production, and competitive ongoing All-In-Sustaining-Capital (AISC) per ounce cost profile. Consequently, the project should support an attractive relative earnings profile. We expect that this will result in an attractive project net present value (NPV) when study results are announced, in-turn, providing support for equity value increases and funding activities.

**Table 5 - Comparable Projects - Feasibility Studies**

Code	Project	Location	Study	Date	OP? UG?	Reserve / Prod Target			Production		Study Financial Metrics				
						Tonnes	Grade	Gold	Plant Capacity	Gold Production	Capex	AISC	Discount Rate	Gold Price	Post Tax NPV
						Mt	g/t	koz	Mtpa	kozpa	A\$m	A\$/oz	%	A\$/oz	\$m
<b>Post-finance</b>															
CMM	Karlawinda	Australia	DFS	Oct-17	OP	21	1.06	713	3.0	100	146	1,025	8	1,650	144*
BGL	Bellevue	Australia	DFS	Sep-21	UG	8	6.0	1,516	1.0	180	267	1,014	5	2,400	943
TIE	Abujar	Africa	DFS	Oct-21	OP	34	1.3	1,450	4.0	200	286	1,189	5	2,429	722
RED	KoH	Australia	DFS	Sep-20	OP/UG	65	1.2	2,384	4.0	146	226	1,415	8	2,500	726
PNR	Norseman	Australia	DFS	Oct-20	OP/UG	5.9	3.2	610	1.0	108	89	1,292	5	2,600	260
CAI	Warrawoona	Australia	DFS	Jun-20	OP	17	1.2	663	2.2	90	120	1,290	8	2,500	303
<b>Pre-finance</b>															
DEG	Hemi	Australia	PFS	Sep-22	OP	136	1.6	6,996	10.0	540	1,053	1,280	5	2,400	2,700
RRL	McPhillamys	Australia	DFS	Sep-17	OP	60	1.1	2,034	7.0	192	215	990	5	1,600	525*
ORR	Nyanzaga	Africa	DFS	Aug-22	OP/UG	43	2.1	2,830	3.0	240	677	1,363	5	2,500	883
AUC	Katanning	Australia	PFS	Aug-22	OP/UG	32	1.3	1,280	3.0	105	225	1,480	5	2,300	364
<b>Bell Potter estimate (real 2023 Australian Dollars)</b>															
SMI	BO	NZ	n/a	n/a	OP	31	2.2	2,187	2.5	160	225	1,200	5	2,500	1,100

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES \*PRE-TAX.

**Table 6 - Comparable Projects – Project capital intensity, Unit Total Cost, Enterprise value to Resource/ Reserve ounce**

Code	Project	Market Capitalisation (15 March 2023)	Study Metrics				Mineral Resource			Reserve / Prod Target			Valuation Metrics	
			Capital Intensity (gold production)	Capital Intensity (plant throughput)	Unit Total Cost	Tonnes	Grade	Gold	Tonnes	Grade	Gold	EV / Resource Ounce	EV / Reserve Ounce	
		A\$m	A\$ / ozpa	A\$ / tpa	A\$/oz	Mt	g/t	koz	Mt	g/t	koz	A\$/oz	A\$/oz	
<b>Post-finance</b>														
CMM	Karlawinda	1,691	1,464	49	1,230	204.1	0.8	5,046	53	0.8	1,344	336	1,261	
BGL	Bellevue	1,298	1,483	267	1,190	9.8	9.9	3,100	8.1	6.0	1,516	381	780	
TIE	Abujar	653	1,429	71	1,386	98.7	1.1	3,450	34	1.3	1,450	177	421	
RED	KoH	434	1,548	57	1,510	122.6	1.7	6,540	65.9	1.2	2,493	88	230	
PNR	Norseman	102	824	89	1,438	24,527	3.4	2,678	7,833	2.4	597	40	179	
CAI	Warrawoona	103	1,333	55	1,471	43.5	1.2	1,691	14	1.2	517	114	372	
<b>Pre-finance</b>														
DEG	Hemi	2,209	1,950	105	1,431	213.3	1.2	8,470	136	1.6	6,996	253	307	
ORR	Nyanzaga	132	2,821	226	1,602	30.0	3.4	3,285	43	2.1	2,830	30	35	
AUC	Katanning	99	2,143	75	1,656	56.0	1.2	2,160	32	1.3	1,280	43	73	
<b>Bell Potter estimate (real 2023 Australian Dollars)</b>														
SMI	BO	103	1,550	90	1,310	39.7	2.3	2,909	31	2.2	2,187	33	44	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Board and management

## **Norman A Seckold (Chairman)**

Mr Seckold graduated with a Bachelor of Economics from the University of Sydney in 1970. He has spent more than 30 years in the full-time management of natural resource companies, both in Australia and overseas. Of relevance is his particularly successful involvement in management of Mexican based projects.

Mr Seckold is currently Chairman of each of Sky Metals Limited and Alpha HPA Limited and is Executive Deputy Chairman of Nickel Industries Limited, all of which are listed on the ASX.

He has been Chairman of Bolnisi Gold NL, Palmarejo Silver and Gold Corporation, Moruya Gold Mines NL, Pangea Resources Limited, Timberline Minerals, Inc., Perseverance Corporation Limited, Valdora Minerals NL, Viking Gold Corporation, Mogul Mining NL, San Anton Resource Corporation Inc., Equus Mining Limited, Cockatoo Coal Limited and Cerro Resources NL

## **Tony McDonald (Non-Executive Director)**

Mr McDonald graduated with a Bachelor of Laws degree from Queensland University of Technology and has extensive experience as a lawyer and a director of listed public companies. Mr McDonald is also a director of ASX listed PPK Group Limited

## **Richard E Keevers**

Mr Keevers graduated with a Bachelor of Science from the University of New England in NSW. He is a qualified and experienced geologist, having held senior positions with BH South Limited and Newmont during his 20 years in the mining industry. Subsequently he was an executive director of Pembroke Josephson Wright Limited, an Australian share brokerage firm, for ten years. Mr Keevers is currently a Chairman of Renascor Resources Limited.

## **Warren Batt**

Mr Batt graduated with a Master of Science (Hons) from Auckland University NZ in 1974. Mr Batt is an experienced geologist and mining professional with over 45 years of experience, including initiating the Company's Bendigo-Ophir project in New Zealand. He has held previous directorships with former ASX-listed Perilya Limited and Redfire Resources Limited. As manager of Homestake NZ Exploration Limited, Mr Batt was responsible for acquiring and managing the Macraes Gold Project prior to the sale of Homestake's NZ interests to BHP in 1987.

## **Frederick James Leslie Bunting**

Mr Bunting is a geologist with 48 years of exploration experience, graduating with BSc (Hons) from Auckland University NZ in 1971 and with MSc (distinction) from Rhodes University South Africa in 1977.

A passionate explorer, Mr Bunting worked in Southern Africa for over a decade with Anglo American Corp identifying new primary and secondary uranium deposits in Namibia, and new zinc, iron ore and manganese deposits in South Africa's Northern Cape. After managing Anglo's New Zealand subsidiary, Gold Mines of NZ in 1984, he moved to private company operations and identified alluvial gold resources in both the West Coast and Otago Provinces of NZ which were subsequently commercially mined.

## **Damian Spring – General Manager New Zealand Operations**

Mr Spring manages the day-to day activities and advancement of the Company's Bendigo-Ophir Gold Project including the further exploration and resource definition, metallurgical,

feasibility and other studies required. He will manage the regulatory and community engagement and ensure high standards are maintained in the workplace and in relation to the

Mr Spring holds a Bachelor of Engineering (Mining) from the University of Auckland and is a member of Australasian Institute of Mining and Metallurgy (AusIMM) as well as holding a First Class Mine Manager certificate in New Zealand. Mr Spring has many years of experience in managing the technical and operational aspects of mining projects in New Zealand, Australia and internationally. Mr Spring's more recent roles have built experience in integrating mining operations with environmental, community, Iwi (NZ first nations) and regulatory compliance and expectations in New Zealand.

# Resource sector risks

Risks include, but are not limited to:

- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.



Table 7 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending June	Unit	2021a	2022a	2023e	2024e	2025e	Year ending June	Unit	2021a	2022a	2023e	2024e	2025e
<b>PROFIT AND LOSS</b>							<b>VALUATION</b>						
Revenue	\$m	0.0	-	-	-	-	NPAT	\$m	(6.4)	(1.0)	(1.3)	(1.4)	(1.5)
Expense	\$m	(1.3)	(1.0)	(1.4)	(1.5)	(1.6)	Reported EPS	c/sh	(7.2)	(0.8)	(0.9)	(0.8)	(0.7)
<b>EBITDA</b>	<b>\$m</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(1.5)</b>	<b>(1.6)</b>	Adjusted EPS	c/sh	(7.2)	(0.8)	(0.9)	(0.8)	(0.7)
Depreciation	\$m	-	-	-	-	-	EPS growth	%	-9,087.5	-88.6	5.5	-11.7	8.2
<b>EBIT</b>	<b>\$m</b>	<b>(1.2)</b>	<b>(1.0)</b>	<b>(1.4)</b>	<b>(1.5)</b>	<b>(1.6)</b>	PER	x	-747.3x	-5886.6x	-80.3x	-91.0x	-99.1x
Net interest expense	\$m	(0.0)	(0.0)	(0.0)	-	-	DPS	c/sh	-	-	-	-	-
Unrealised gains (Impairments)	\$m	(1.1)	-	-	-	-	Franking	%	-	-	-	-	-
Other	\$m	(4.0)	(0.0)	0.1	0.1	0.1	Yield	%	-	-	-	-	-
<b>PBT</b>	<b>\$m</b>	<b>(6.4)</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>(1.4)</b>	<b>(1.5)</b>	FCF/share	c/sh	-10.2	-4.5	-9.3	-11.0	-9.7
Tax expense	\$m	-	-	-	-	-	P/FCFPS	x	-524.7x	-1060.9x	-7.5x	-6.3x	-7.2x
<b>NPAT (reported)</b>	<b>\$m</b>	<b>(6.4)</b>	<b>(1.0)</b>	<b>(1.3)</b>	<b>(1.4)</b>	<b>(1.5)</b>	EV/EBITDA	x	-15.3x	-92.9x	-70.2x	-63.7x	-62.1x
NPAT (underlying)	\$m	(2.8)	(1.0)	(1.3)	(1.4)	(1.5)	EBITDA margin	%	-	-	-	-	-
<b>CASH FLOW</b>							<b>LIQUIDITY &amp; LEVERAGE</b>						
Return on assets	%	-	-	-	-	-	EBIT margin	%	-	-	-	-	-
Return on equity	%	-	-	-	-	-	Return on assets	%	-37.1	-5.2	-3.1	-2.3	-2.0
<b>OPERATING CASHFLOW</b>							<b>VALUATION</b>						
Receipts	\$m	-	-	0.2	-	-	Ordinary shares (m)		169.6	197.4	218.2	218.2	
Payments	\$m	(1.7)	(1.0)	(2.0)	(1.5)	(1.6)	Options in the money (m)		2.3	2.3	2.3	2.3	
Tax	\$m	-	-	-	-	-	<b>Diluted (m)</b>		<b>171.9</b>	<b>199.7</b>	<b>220.5</b>	<b>220.5</b>	
Net interest	\$m	0.0	0.0	0.1	0.1	0.1	<b>Sum-of-the-parts</b>						
Other	\$m	-	-	-	-	-	Project - Bendigo Orphir	259	1.53	259	1.31	259	1.19
<b>Operating cash flow</b>	<b>\$m</b>	<b>(1.7)</b>	<b>(1.0)</b>	<b>(1.7)</b>	<b>(1.4)</b>	<b>(1.5)</b>	Corporate	(32)	(0.19)	(21)	(0.11)	(9)	(0.04)
<b>INVESTING CASHFLOW</b>							<b>Net Cash (debt)</b>						
Property, plant and equipment	\$m	(0.1)	(0.2)	(0.2)	-	-	Exploration assets	50	0.29	50	0.25	50	0.23
Mine development	\$m	-	-	-	-	-	<b>Subtotal</b>	<b>277</b>	<b>1.63</b>	<b>288</b>	<b>1.46</b>	<b>300</b>	<b>1.37</b>
Exploration & evaluation	\$m	(2.1)	(4.0)	(10.5)	(17.2)	(17.6)	Net Cash (debt)	7	0.04	5	(0.02)	4	0.02
Other	\$m	0.0	-	-	-	-	<b>Total (undiluted)</b>	<b>284</b>	<b>1.67</b>	<b>292</b>	<b>1.48</b>	<b>304</b>	<b>1.39</b>
<b>Investing cash flow</b>	<b>\$m</b>	<b>(2.2)</b>	<b>(4.1)</b>	<b>(10.7)</b>	<b>(17.2)</b>	<b>(17.6)</b>	Add options in the money (m)	2.3	-	2.3	-	2.3	-
<b>Free Cash Flow</b>	<b>\$m</b>	<b>(3.9)</b>	<b>(5.2)</b>	<b>(12.4)</b>	<b>(18.6)</b>	<b>(19.1)</b>	Add cash	0.6	0.00	0.6	0.00	0.6	0.00
<b>FINANCING CASHFLOW</b>							<b>Total (diluted)</b>						
Share issues/(buy-backs)	\$m	7.0	3.7	23.4	19.2	14.4	<b>284</b>	<b>1.65</b>	<b>293</b>	<b>1.47</b>	<b>305</b>	<b>1.38</b>	
Debt proceeds	\$m	-	-	-	-	-	<b>CAPITAL STRUCTURE</b>						
Debt repayments	\$m	-	-	-	-	-	Total shares on issue	m	148.8				
Dividends	\$m	-	-	-	-	-	Share price	\$/sh	0.70				
Other	\$m	-	-	-	-	-	Market capitalisation	\$m	103.4				
<b>Financing cash flow</b>	<b>\$m</b>	<b>7.0</b>	<b>3.7</b>	<b>23.4</b>	<b>19.2</b>	<b>14.4</b>	Net cash	\$m	6.7				
Change in cash	\$m	3.1	(1.5)	11.1	0.6	(4.7)	<b>Enterprise value (undiluted)</b>	<b>\$m</b>	<b>96.7</b>				
<b>BALANCE SHEET</b>							<b>MAJOR SHAREHOLDERS</b>						
ASSETS							<b>Shareholder</b>		<b>%</b>		<b>m</b>		
Cash & short term investments	\$m	3.9	2.5	13.5	14.1	9.4	Frederick James Bunting	9.0	13.4				
Accounts receivable	\$m	0.1	0.2	-	-	-	Regal Partners Limited	6.0	9.0				
Property, plant & equipment	\$m	0.1	0.2	0.3	0.3	0.3	Mustang Resources Limited	5.1	7.7				
Mine development expenditure	\$m	-	-	-	-	-	Merrill Lynch & Co. Inc., Banking Investments	4.9	7.2				
Exploration & evaluation	\$m	12.8	16.8	28.2	45.4	63.0	Timothy Clifton	2.4	3.6				
Other	\$m	0.2	0.2	0.2	0.2	0.2	Goldstream Finance Limited	2.3	3.4				
<b>Total assets</b>	<b>\$m</b>	<b>17.1</b>	<b>19.9</b>	<b>42.2</b>	<b>60.0</b>	<b>72.9</b>	Norman Seckold	2.0	2.9				
LIABILITIES													
Accounts payable	\$m	0.4	0.6	-	-	-							
Income tax payable	\$m	-	-	-	-	-							
Borrowings	\$m	-	-	-	-	-							
Other	\$m	(0.4)	-	0.2	0.2	0.2							
<b>Total liabilities</b>	<b>\$m</b>	<b>(0.0)</b>	<b>0.6</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>							
SHAREHOLDER'S EQUITY													
Share capital	\$m	48.8	52.5	75.9	95.1	109.5							
Reserves	\$m	0.2	(0.4)	0.3	0.3	0.3							
Retained earnings	\$m	(31.8)	(32.8)	(34.2)	(35.6)	(37.0)							
<b>Total equity</b>	<b>\$m</b>	<b>17.2</b>	<b>19.3</b>	<b>42.0</b>	<b>59.8</b>	<b>72.8</b>							
Weighted average shares	m	88.4	126.8	151.6	183.5	207.8							

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

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*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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