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Exploration tracker

Exploration investment delivering results

Sector coverage – explorers/developers

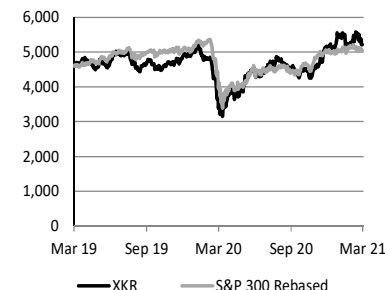
	Price	Valuation	Rating
Base metals			
AML	\$0.11/sh	\$0.56/sh	Buy (Spec)
MCR	\$0.99/sh	\$0.87/sh	Buy (Spec)
S2R	\$0.16/sh	\$0.40/sh	Buy (Spec)
XAM	\$0.05/sh	\$0.14/sh	Buy (Spec)
Precious metals			
BRB	\$0.21/sh	\$0.49/sh	Buy (Spec)
CHN	\$4.33/sh	\$5.60/sh	Buy (Spec)
DEG	\$0.90/sh	\$1.58/sh	Buy (Spec)
Bulk Commodities			
DNK	\$0.52/sh	\$0.36/sh	Hold (Spec)
Specialty metals			
A4N	\$0.48/sh	\$0.56/sh	Buy (Spec)
LTR	\$0.46/sh	\$0.55/sh	Buy (Spec)
Energy, Oil and Gas			
BLU	\$0.07/sh	\$0.17/sh	Buy (Spec)
COI	\$0.07/sh	\$0.17/sh	Buy (Spec)
FAR	\$0.01/sh	\$0.03/sh	Buy (Spec)

Source: IRESS & Bell Potter Securities

Speculative rated securities:

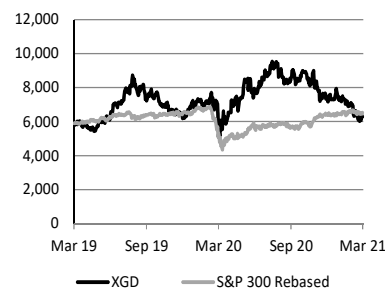
- See risks on Page 15
- May not be suitable for Retail clients.

S&P/ASX Resources (index)



SOURCE: IRESS

S&P/ASX Gold (index)



SOURCE: IRESS

Dollars going into the ground

The latest figures from the Australian Bureau of Statistics (ABS) have confirmed a big ramp-up in exploration expenditure which is translating into a record amount of drilling. This reflects the market being open for exploration companies and record amounts of funding achieved through 2020 and into 2021. Encouragingly, an increased proportion of this appears to be going to the ground via drilling and leading to the discovery of a new generation of assets in Australia – which is great news for the future of the industry. See the story and data on page 2.

- **LTR (3/03/2021 & 13/01/2021):** High grade gold hits from first RC drilling at Moora. One highlight intersection includes: 44m at 1.6g/t gold from 200-544m, including; 20m at 3.2g/t gold from 208-228m and 4m at 10.1g/t from 220-224m. This result validates LTR's Moora exploration program with results delivered within three months from commencement of its first drilling campaign and followed on from a successful AC drilling program which generated multiple targets. These results validate LTR's Moora exploration strategy.
- **XAM (16/02/2021):** High grade gold-rich bornite mineralisation extended at Kharmagtai. A drill result from the latest update features an intersection of 226.2m at 0.62% Cu and 1.43g/t Au (1.51% copper equivalent (CuEq)) from 611.8m. The latest results showcase Kharmagtai's potential as a Tier-1 porphyry copper-gold deposit.
- **CHN (28/01/2021 & 5/01/2021):** CHN has identified four new high grade zones and extensions at the Gonville Prospect and secured access for reconnaissance exploration of strong targets in State Forest areas of the Julimar Project. The approval paves the way for CHN to conduct the first ever Ni-Cu-PGE exploration activities within the Julimar State Forest. This will enable CHN to begin non-ground disturbing exploration of significant AEM anomalies.
- **AIS (21/01/2021):** Further high grade copper assays from Constellation. The latest results features high grade copper sulphides as follows: 27.1m @ 1.61% Cu, 0.43g/t Au from 233.9m; including 6.3m @ 2.30% Cu, 0.47g/t Au from 233.9m; and 10.8m @ 2.37% Cu, 0.66g/t Au, 4.9g/t Ag. The results successfully intersected the targeted EM plate and hit mineralisation consistent with the grade and style of with that returned from TAKD001.
- **LEG (13/01/2021):** Assays confirm best Mawson intersection yet and that it is very much part of a major mineralised system. The latest drill results featured a continuous 31.1m zone of massive sulphides in RKDD034 assayed an average of 2.80% Ni, 2.04% Cu and 0.15% cobalt (Co) from 200.7m.
- **S2R (5/01/2021):** Further high grade gold intersections from broad-spaced drilling at Aarnivalkea in Finland. The latest published assay results feature a new intersection of 20.4m averaging 2.3g/t Au from 193.1m including 8.0m at 4.8g/t Au from 198.0m. These results show potential for a major gold system that extends over 1,200m of strike and up to 250m wide.

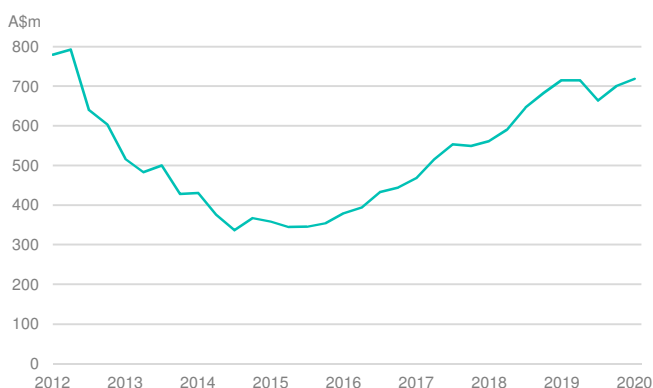
ABS data: Exploration spend and activity

The \$2b exploration boom quietly under way

The Australian Financial Review (11/03/2021)

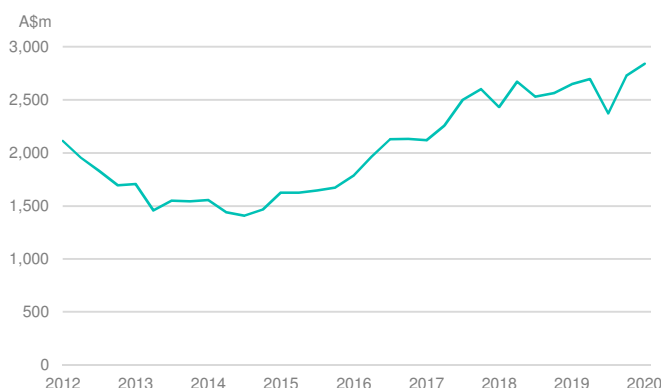
An “unprecedented” flow of cash into the high-risk mineral exploration sector has sparked a drilling boom that is causing huge backlogs at the laboratories whose assays determine success or failure. More than \$2.2 billion flowed into the 656 pre-revenue explorers on the ASX in the final three months of 2020, in a result that was 72 per cent higher than average and was described by advisory firm BDO as “unprecedented”. The \$587 million spent on exploration by those companies was also well above average and 50 per cent higher than the June quarter, echoing the Australian Bureau of Statistics’ finding that metres drilled by mineral explorers had surged to a nine-year high. The statistics fit the mood witnessed on the ground by veteran explorer John Holliday, who was one of the founders of Australia’s most lucrative gold mine at Cadia in New South Wales. “We are in a boom I would say for exploration at present,” he said from his latest drilling project with Kincora Copper near the NSW town of Trundle. Mr Holliday said the boom conditions were manifesting in many ways, including longer waits for drilling results to come back from laboratories. “It is stretching out here to two months and normally you might expect three weeks or so,” he said. The laboratory backlog is even more severe in Western Australia, where the state government was last month forced to extend a deadline for Rio Tinto to submit waste rock samples from its Hope Downs 4 iron ore mine because there was no prospect that laboratories in the state would be able to assay the samples before July. Laboratory giant ALS Limited said this week that the number of samples received had surged by 13 per cent in the three months to December 31. Longer waits for assay results could slow the speed at which explorers spend their cash bounty on drilling, with Mr Holliday saying geologists ideally wanted to know the results of their last hole before choosing where to drill their next hole. “That is a problem if you don’t have the assays fairly quickly. You have got to keep drilling, you can’t just stop and slow down because you might lose your contractor,” he said. WA’s hard border is exacerbating the challenge, with Association of Mining and Exploration Companies (AMEC) chief Warren Pearce saying the drilling sector in WA could use up to 500 extra workers over the next six months.

Figure 1 – Mineral exploration (seasonally adjusted)



SOURCE: ABS - MINERAL AND PETROLEUM EXPLORATION, AUSTRALIA DECEMBER 2020

Figure 2 – Metres drilled (seasonally adjusted)



SOURCE: ABS - MINERAL AND PETROLEUM EXPLORATION, AUSTRALIA DECEMBER 2020

Exploration news

Please note: These are commentaries only. We make no recommendation or valuation on these updates.

Liontown Resources Ltd (LTR)

Current rating Speculative Buy, Valuation \$0.55/sh, last close \$0.455/sh, market cap \$825m

High grade gold hits from first RC assays at Moora (Stuart Howe)

LTR has announced that assays from its first reverse circulation (RC) drill hole (MRRC0001) have intersected a thick zone of bedrock gold mineralisation:

- 44m at 1.6g/t gold from 200-544m, including;
- 20m at 3.2g/t gold from 208-228m and 4m at 10.1g/t from 220-224m

These reported intersections are based on 4m composite samples with true widths approximately 50% of the down-hole widths.

- LTR have interpreted the result to be along strike and down-dip of a previously reported shallow air-core intercept of 12m grading 1.4g/t gold (from surface), located approximately 300m to the north-west.
- MRRC0001 is one of three wide-spaced RC holes drilled to test the "Angepena Zone", where previous auger and shallow air-core drilling has defined a strong gold anomaly. The MRRC0001 gold intersection is coincident with disseminated sulphides. A down-hole geophysical program is planned to gather further data.
- This newly named zone is located in the south-western part of the 7km long by up to 2.5km wide Mt Yule magnetic anomaly, where previously reported drilling has identified mineralised zones including a 2km long by 150m wide zone and a south-eastern zone of anomalous copper-gold identified by a single drill traverse.
- Assays are pending from a further 11 RC holes drilled recently to test beneath the northern copper-gold zone. There are also assays pending for 145 infill and first pass air-core holes.

Commentary:

These are excellent results from initial testing of anomalous near-surface zones at depth. The results have provided validation for LTR's Moora exploration program and have been delivered within three months of the commencement of its first drill campaign. Assay results are pending on an additional 11 RC holes and 145 air-core drill holes, the results from which should significantly lift LTR's understanding of the mineralised system and potential emerging discovery.

The Kathleen Valley lithium project is the key support for our current LTR valuation. However, LTR is leveraged to further exploration success at Moora which could elevate this project beyond an early-stage ranking. The Moora project's location, proximal to Perth and in the same geological terrane as Chalice Mining's world-class Julimar discovery, add further appeal.

Xanadu Mines Ltd (XAM)

Current rating Spec. Buy, V\$0.14, last close \$0.05/sh, mkt cap \$55m

High grade gold-rich bornite mineralisation extended at Kharmagtai (Peter Arden)

A significant intersection of high grade, gold-rich bornite mineralisation has been made in recent drilling at the company's flagship Kharmagtai porphyry copper-gold project in Mongolia. The latest intersection in KHDDH599B occurs south of the Stockwork Hill Resource and extends the significance of the high grade bornite mineralisation there as it is stronger than previously seen at Kharmagtai and is outside the limits of the current Resource. Besides its high grade nature, the bornite association is regarded as particularly significant, being similar to the high grade Hugo Dummett zone at Oyu Tolgoi.

Key features of the bornite intersection are as follows:

- KHDDH599B intersected a broad zone of high grade bornite mineralisation south of the Stockwork Hill Resource. The overall intersection was 226.2m at 0.62% copper and 1.43g/t gold (1.51% copper equivalent (CuEq)) from 611.8m down hole (approximately 400m vertically below surface), which included 175m at 0.84% gold and 1.83g/t gold (1.89 CuEq) from 615m and 61m at 1.43% copper and 3.76g/t gold (3.62% CuEq) from 651m;
- The intersection has the highest concentration of bornite seen at Kharmagtai to date and the bornite-rich mineralisation is regarded as particularly significant as it is similar to the mineralisation seen in the high grade Hugo Dummett zone at the giant Oyu Tolgoi mine of Rio Tinto (ASX – RIO, not rated);
- The bornite-rich mineralisation in KHDDH599B represents a lower zone of mineralisation that occurs beneath an upper zone of mineralisation in tourmaline breccia containing a broad intersection of 280m at 0.46% copper and 0.36g/t gold (0.67% CuEq) from 284m down hole including 14m at 2.36% copper and 1.23g/t gold (3.08% CuEq) from 384m and 22m at 0.73% copper and 0.74g/t gold (1.16% CuEq) from 392m;
- The relatively shallow, high grade nature of the lower zone of mineralisation in the latest drilling points to the potential for a material upgrade to the existing Mineral Resource Estimate for Kharmagtai, showing that it is very much a potential Tier-1 porphyry copper-gold deposit; and
- Important structural information from this latest hole and the surrounding drilling has aided in a new structural interpretation, identifying the potential repeat of high-grade bornite mineralisation south of the current drilling, towards the base of White Hill and has advanced the understanding of the relationship between grade and geology. The highest grades appear to be located on the margins of the tourmaline breccia, defining a clear drilling target to the south and below White Hill, which the XAM team is currently designing a follow-up drilling program to test.

Commentary:

The intersection of a major zone of gold-rich, high grade bornite mineralisation is a very significant development for the Kharmagtai Project, showing it does have key attributes of a Tier-1 porphyry copper-gold deposit. The intersection has aided the company's understanding of the high grade mineralisation and will be followed-up by further drilling ahead of a likely upgrade to the Resource as the new mineralisation extends beyond the current boundary.

Chalice Mining (CHN)

Speculative Buy, Valuation \$5.60, last close \$4.33/sh, mkt cap \$1,480m

Four new high grade zones and extensions to existing Pd-rich mineralised zones identified at Gonneville Prospect of the Julimar Project (Peter Arden)

CHN has released new drilling results from its Gonneville Ni-Cu-PGE deposit located 70km north-east of Perth in WA. The company currently has six drilling rigs carrying out resource definition and reconnaissance drilling at Gonneville with two more expected to be added shortly. Assay results are pending for a further 45 holes. CHN has commenced reconnaissance soil sampling and moving loop EM programs in the Julimar State Forest to the north, focused on the large Hartog anomaly. The company is well funded to continue its exploration programs and metallurgical test work with over \$130m cash (29/1/21).

Key points in relation to the latest drilling results are as follows:

- Four new high grade zones of PGE ± Ni-Cu-Co-Au mineralisation (Zones G8 – G11) have been identified from recent drilling. Extensional and infill drilling has identified two additional high-grade zones (G8 and G9). These zones are narrow and generally lower grade than the G1-G3 zones but remain open along strike and down dip;
- Zone G8 is estimated to occur over at least 350m of strike length; has up to 250m of dip extent; and is wide open. Zone G9 is estimated to occur over at least 350m of strike length; has up to 200m of dip extent; and is wide open;
- Zone G10 is estimated to occur over at least 400m of strike length; up to 300m along dip and is open to the north along strike and down-dip. Significant intersections include 18m at 4.6g/t Pd, 0.5g/t Pt, 0.02g/t Au, 0.4% Ni, 0.1% Cu, 0.03% Co from 121m;
- Zone G11 is estimated to occur over at least 1,000m of strike length; has up to 300m of dip extent; and is open to the north along strike and down-dip. Several significant intersections of this zone include:
 - 11m at 13.0g/t Pd, 1.3g/t Pt, 0.3g/t Au, 0.1% Ni, 0.1% Cu, 0.01% Co from 78m;
 - 20m at 2.9g/t Pd, 1.5g/t Pt, 0.8g/t Au, 0.1% Ni, 0.8% Cu, 0.01% Co from 97m;
 - 17m at 4.1g/t Pd, 0.8g/t Pt, 0.4g/t Au, 0.5% Ni, 0.3% Cu, 0.03% Co from 91m; and
 - 27m at 1.6g/t Pd, 1.7g/t Pt, 0.1g/t Au, 0.1% Ni, 0.04% Cu, 0.01% Co from 91m.
- Multiple extensions to existing zones have also been identified, specifically the G4 and G6 Zones, and the G1-G2 Zones which were extended about 55m down dip. Further drilling then demonstrated that the G2 Zone (and the Gonneville Intrusion itself) remain open down-dip.

Commentary:

The latest drilling infills and extends the mineralisation at Julimar, confirming is a very significant global scale PGE-Ni-Cu-Co deposit with extremely favourable logistics and important shallow oxide zones. It increasingly appears that Gonneville is a very large Pd-rich deposit comprised of very extensive lower grade disseminated mineralisation containing multiple higher grade zones of higher sulphide content, which overall is likely to have very attractive economics. CHN's ongoing work will continue to extend and better define the mineralisation and the on-ground exploration in the State Forest to the immediate north of Gonneville that is now underway advances this process.

Aeris Resources (AIS)

Current rating Buy, TP\$0.155/sh last close \$0.11/sh, mkt cap \$211m

Further high grade copper assays from Constellation (David Coates)

AIS has reported further assays from the Constellation deposit, located within its 100%-owned Tritton copper project in NSW. Assay results have been received from the third drill hole (TAKD003) completed at Constellation, which intersected high grade copper mineralisation approximately 80 metres down dip from TAKD001. The hole targeted the larger ~250m x ~250m EM plate, 80m down dip from where TAKD001 had previously intersected the plate (reporting 19.95m @ 2.41% Cu, 0.64g/t Au and 4.6g/t Ag).

TAKD003 intersected high grade copper sulphides as follows:

- 27.1m @ 1.61% Cu, 0.43g/t Au and 3.4g/t Ag from 233.9m; including
- 6.3m @ 2.30% Cu, 0.47g/t Au, 4.8g/t Ag from 233.9m;
- 10.0m @ 0.37% Cu, 0.14g/t Au, 1.0g/t Ag; and
- 10.8m @ 2.37% Cu, 0.66g/t Au, 4.9g/t Ag.

Drilling has recommenced at Constellation following the Christmas–New Year break, with a fifth hole currently being drilled and down-hole EM surveys to follow up. Applications for up to 25 additional drill holes at Constellation have been approved and will form a second phase drill program.

Commentary:

This is a great result for AIS. This is the second hole into the first of three EM plate targets that have been identified so far at Constellation. It is very positive that i) the plate has been successfully intersected, and ii) that the grades and style of mineralisation are consistent with those returned from TAKD001. These grades are also consistent with / higher than the ore grades currently being mined at both the Tritton and Murrawombie underground operations at Tritton.

The successful application for up to a further 25 holes at Constellation illustrates the significance of these results for AIS. A 25 hole diamond drill program would be the largest into a single exploration target at Tritton for many years. In our estimation it would also likely go a long way towards the definition of a maiden Inferred Resource for Constellation and put it on the fast-track for Feasibility Studies and potential development. The advancement of Constellation is likely to drive further positive news flow for AIS through 2021.

Liontown Resources Ltd (LTR)

Current rating Speculative Buy, Valuation \$0.55/sh, last close \$0.455/sh, market cap \$825m

First drill results from Moora define copper-gold anomaly (Stuart Howe)

LTR has announced initial assay results from a maiden air-core drilling program at its 100% owned Moora project in Western Australia. Moora is located 150km north-northeast of Perth and is in the same geological terrane as Chalice Mining Ltd's (CHN) Julimar PGE-nickel-copper-gold discovery.

Shallow, wide-spaced air-core drilling at Moora has returned intersections including:

- 10m at 1.9% copper from 32m (to end of hole), including 4m at 2.5% copper from 36m (MRAC00012); and
- 12m at 0.5g/t gold from 12m including 4m at 1.1g/t from 20m (MRAC00012).

Assays received so far have defined an extensive copper-gold zone extending over 1km in length and up to 200m in width. The copper-gold mineralisation is associated with elevated nickel (>250ppm) and platinum (up to 80ppb), indicating possible magmatic sulphides at depth.

These results are from the first 38 holes from an initial 119 hole program (i.e. assays pending from an additional 81 air-core holes). Upcoming exploration at Moora will include a further 80-90 air-core holes and a 12-15 hole (1,500-2,000m) reverse circulation (RC) drill program to test beneath the air-core results. LTR will also undertake additional first pass sampling via augur drilling to prioritise exploration targets.

Commentary:

These are very encouraging early-stage results from LTR's initial drill program at Moora and we look forward to the release of further assays as they become available over the following weeks and months.

Importantly, the initial results have given LTR the confidence to commence a 1,500-2,000m RC dill program to test beneath the air-core intersections, and also to continue air-core drilling to upgrade augur sampling work completed last year. Further, the coincident nickel and platinum geochemistry, together with the project's location, will no-doubt see some analogies drawn to CHN's Julimar discovery.

The Kathleen Valley lithium project is the key support for our current LTR valuation. However, LTR is leveraged to further exploration success at Moora which could elevate this project beyond its current early-stage ranking.

Legend Mining Ltd. (LEG)

Not rated, last close \$0.125/sh, mkt cap \$344m

Assays confirm best Mawson intersection yet and that it is very much part of a major mineralised system (Peter Arden)

Assays confirm a highly significant thick zone of homogeneous massive sulphides intersected late last year in diamond drill hole RKDD034 at the Mawson Prospect within the Rockford Project in the Fraser Range of WA. RKDD034 intersected multiple zones of nickel (Ni) and copper (Cu) sulphide mineralisation over a down hole thickness of 149.35m (from 105.1m to 254.45m) and contained a total of 43.1m of massive Ni-Cu sulphide mineralisation, including one continuous and homogeneous zone of 31.1m of massive sulphides from 200.7m down hole. Key points from the latest drilling at Mawson are as follows:

- The continuous 31.1m zone of massive sulphides in RKDD034 assayed an average of 2.80% Ni, 2.04% Cu and 0.15% Co from 200.7m. As reported previously, this was the main one of several zones of massive sulphides in this hole, which aggregated to 43.1m. These zones were overall much thicker than those intersected in nearby hole RKDD008 (three zones of 5.6m, 6.9m and 12.8m totalling 25.3m). This intersection in RKDD034 is believed to rank amongst the top intersections in the Fraser Range;
- Phase 1 metallurgical test work on the massive sulphide zones in RKDD034 is now underway, testing for the following three important features:
 - Whether the sulphides float;
 - Whether the Ni and Cu sulphides can be made into concentrates; and
 - Whether there are significant deleterious elements in any of the concentrates.
- We see no obvious evidence that initial test work will do other than validate that the massive sulphide mineralisation has excellent metallurgical characteristics. This is a prudent step for such a potentially significant new Ni-Cu deposit;
- The company is continuing to get assay results back from the laboratory but, like the rest of the exploration industry, there is still a considerable backlog of results to be received and then they need to be reviewed and interpreted; and
- The forward exploration plan at Mawson involves completion of DHEM program on the remaining diamond and RC drill holes; the Phase 1 preliminary metallurgical test work (expected to take several months); integration of all drilling, geochemical and geophysical datasets to update the 3D emplacement model of Mawson (including new gravity and magnetic inversions underway); and comprehensive planning and design of the diamond and RC drilling program for the 2021 field season. The excellent results from RKDD034 are likely to result in an expansion of the 2021 drilling program as LEG looks to not only extend drilling at Mawson but at highly prospective targets such as Hurley, Crean and Worsely to the south.

Commentary:

These latest assay results for the thick zone of massive sulphide at Mawson confirm the significance of the Prospect and the overall Rocklands Project, showing there is already a large and growing metal endowment. Further assays will continue to come through over the next few months as LEG plans and gears up for a very active and exciting period of exploration and evaluation in 2021.

Chalice Mining (CHN)

Speculative Buy, Valuation \$5.60, last close \$4.33/sh, mkt cap \$1,480m

Secures access for reconnaissance exploration in State Forest areas of Julimar Project (Peter Arden)

CHN has received approval to conduct non-ground disturbing exploration in the Julimar State Forest. The company has identified three significant airborne electromagnetic (AEM) anomalies in its 100% owned tenements, largely occurring within State Forest immediately to the north of its Gonnevillle Ni-Cu-PGE deposit. Ground electromagnetic (EM) surveying and soil sampling programs are planned for the Hartog, Baudin and Jansz anomalies which comprise major parts of the ~26km long Julimar Complex.

Key points in relation to this long-awaited approval for access to start non-invasive testing of the three significant AEM anomalies are as follows:

- The Minister for Environment in WA has provided agreement (concurrence) to consent to initial non-ground disturbing activities within the Julimar State Forest on granted Exploration Licence E70/5119, under the approved Stage 1 Conservation Management Plan (CMP). This approval paves the way for CHN to conduct the first ever Ni-Cu-PGE exploration activities within the Julimar State Forest;
- Exploration activities will be governed by the approved CMP and are initially planned to comprise prospect-scale soil geochemical sampling (200m x 100m) in conjunction with 200m-spaced Moving Loop EM (MLEM) and ground gravity surveys (200m x 50m) centred over the Hartog, Baudin and Jansz AEM anomalies. This will be followed by infill soil geochemical sampling and MLEM to define targets for drill testing. This initial exploration activity is anticipated to be completed in Q1 2021;
- The Hartog anomaly, which extends for ~6.5km and is immediately north and along strike of the Gonnevillle Intrusion, is the highest priority target as it is the largest anomaly of the three. The Hartog anomaly occurs totally within State Forest and the peak AEM response is significantly stronger than the highest EM response for the Gonnevillle deposit. Interestingly, the Hartog AEM anomaly lies to the west of the magnetic response from the Julimar complex in an area with no outcrop but, as has been seen at Gonnevillle, very significant Ni-Cu-PGE mineralisation can occur outside magnetic signatures. The strength and scale of the EM target at Hartog has drawn significant interest and CHN believes it could be prospective for new styles of nickel-copper-PGE mineralisation;
- The Baudin EM Anomaly is located within State Forest approximately 10km north-east of Gonnevillle. This area was previously soil sampled, with strongly anomalous Ni-Cu-Pd identified. The Jansz EM Anomaly is located approximately 18km north-east of Gonnevillle, partly within State Forest and partly on private land; and
- Any targets generated from the initial phase of activities would be drill tested, subject to a second stage of CMP approval.

Commentary:

The long-awaited approval to access the Julimar State Forest area enables CHN to begin non-ground disturbing exploration of the three significant AEM anomalies. The exploration has scope to confirm that Julimar is a significant global scale nickel-copper-PGE province with extremely favourable logistics. It is important to remember that CHN has identified very significant Ni-Cu-PGE mineralisation in drilling that is not obviously associated with magnetic or EM anomalism at Gonnevillle, so it is likely that the company could eventually see a repeat of that situation away from the three AEM anomalies it is about to start testing.

S2 Resources (S2R)

Speculative Buy, V \$0.40/sh, last close \$0.16/sh, mkt cap \$50m

Further high grade gold intersection from broad-spaced drilling at Aarnivalkea in Finland (Peter Arden)

Further assay results from S2R's recent broad-spaced drilling to test the dip and plunge extensions to shallow gold mineralisation at its Aarnivalkea Gold Prospect in Finland have included another significant high grade intersection. The company has one of the largest tenement positions in the Central Lapland Greenstone Belt, which hosts some very significant gold and base metals mines and deposits including the nearby large Kittilä gold mine (current Resource is 7.4Moz at 3.8g/t). S2R was recently granted an exploration permit over the 40km² Palvanen project area, which has a highly prospective structural setting along the Pahaslethto and Kiistala shear zones with anomalous gold and arsenic in historic base of till (BOT) drilling and is located just 5km south of the Kittilä mine

The key points of this latest result are as follows:

- Assays from the last of the four diamond core holes drilled at Aarnivalkea in October 2020 have been reported. They include a new intersection of 20.4m averaging 2.3g/t gold from 193.1m down hole including 8.0m at 4.8g/t gold from 198.0m in FAVD0064. This intersection is located 575 metres north along strike from the previous high grade intersection of 6.85 metres at 11.8g/t gold in FAVD0062, and 75 metres down dip of nearest hole on section;
- These two holes are the only ones testing the depth potential beneath the main zone at Aarnivalkea previously discovered in shallow reconnaissance drilling;
- The nearest diamond drill lines to the FAVD0064 hole are 320 metres north and 120 metres south, with the former including hole FAVD0030, which intersected 3.0 metres at 1.3 g/t gold from 47.9 metres followed by 3m of core loss in heavily weathered bedrock;
- The mineralisation remains open down dip and along strike to north and south with no other drilling at depth;
- Planning is underway to follow up these significant results; and
- The company remains well-funded with ~\$12m in cash plus investments to enable it to continue to sensibly carry out its exploration programs, which are currently more focused on its enlarged Australian projects but still includes its highly prospective gold and nickel projects in Finland.

Commentary:

S2R's latest results at Aarnivalkea show the prospect contains a potentially major gold system that extends over 1,200m of strike and is up to 250m wide. Mineralisation is interpreted to occur within a series of stacked north-northwest trending shear zones, with a southerly plunge to higher grade shoots. It is characterised by sericite-albite-arsenopyrite alteration and quartz-dolomite veining, best developed within basalt and on the margins of felsic porphyry intrusions, although it does extend into the porphyry units. While the company's understanding of the controls on mineralisation at Aarnivalkea are still only at a very early stage, at least two higher grade lodes have been recognised. S2R will be undertaking a detailed geochemical and structural study of the mineralised system at Aarnivalkea and is planning follow-up drilling to test along strike and down-dip of the recent intersections.

Performance heat map – explorers/developers

The following heat map of a list of selected ASX mineral explorers and developers which graphically portrays the quarterly and running 12-month share price performance of the companies (Table 1).

Table 1 - ASX explorers/developers heat map of rolling share price performance							
Stock	3 months to Mar-2020	3 months to Jun-2020	3 months to Sep-2020	3 months to Dec-2020	3 months to Mar-2021	12 months to Mar-2021	
XGD	-5%	34%	7%	-12%	-14%	8%	
DEG	388%	244%	114%	-28%	-13%	362%	
BGL	-27%	156%	6%	33%	-43%	105%	
CHN	-11%	441%	57%	201%	0%	2447%	
ALK	8%	58%	21%	-14%	-27%	19%	
CMM	-20%	66%	32%	-21%	-11%	55%	
LTR	0%	22%	48%	110%	40%	429%	
ADT	-38%	29%	82%	-8%	3%	120%	
MCR	-12%	26%	32%	22%	-12%	79%	
LEG	-29%	124%	19%	-29%	14%	116%	
SPX	38%	-4%	84%	211%	11%	511%	
A4N	-30%	7%	53%	30%	58%	239%	
DGO	89%	40%	57%	-19%	-6%	67%	
SVL	-30%	51%	126%	-5%	0%	225%	
MGV	-17%	468%	45%	-30%	-21%	353%	
BDC	-32%	75%	-5%	-7%	0%	54%	
AZY	18%	92%	76%	2%	-31%	138%	
DNK	-36%	16%	5%	-30%	63%	37%	
RXL	-10%	32%	148%	-21%	-24%	95%	
BCN	-24%	29%	3%	5%	3%	43%	
AML	-13%	-5%	75%	-14%	-16%	21%	
S2R	-33%	41%	153%	-34%	-3%	129%	
AOP	-30%	72%	18%	-2%	8%	116%	
SGQ	-38%	41%	-9%	15%	-20%	18%	
PEX	-47%	23%	74%	-2%	0%	110%	
MEI	-79%	90%	111%	58%	-2%	520%	
NTM	-28%	84%	-4%	42%	12%	180%	
KSN	-14%	21%	69%	12%	-16%	92%	
BRB	-55%	81%	2%	-21%	8%	58%	
XAM	-18%	70%	7%	-27%	39%	85%	
MDI	60%	88%	13%	-35%	-2%	36%	
AHQ	-44%	-17%	0%	-29%	60%	-5%	
A1M	-31%	30%	46%	-7%	-20%	42%	
BSR	0%	-13%	0%	0%	0%	-13%	
DKM	-31%	46%	37%	29%	-10%	133%	
PRX	-52%	22%	36%	-23%	-9%	17%	
AUN	na	na	na	75%	-31%	na	
A1M	-31%	30%	46%	-7%	-20%	42%	
TLM	-30%	69%	0%	-10%	-8%	40%	
EQE	-58%	180%	7%	-13%	-15%	120%	
Average	-9%	77%	44%	11%	-1%	190%	

SOURCE: IRESS, BELL POTTER SECURITIES ESTIMATES

Financial status: explorers/developers

- Data in the following table has been collated from company quarterly reports. We have noted where additional lines of credit are in place or if a company has raised capital since the latest quarterly report and have incorporated those additional funds where confirmatory information is available.
- This data was sourced from quarterly reports that were released in late January 2021.

Table 2 – Cash levels and burn rates for selected resource explorers and developers

	Mkt cap A\$m	Quarterly date	Cash A\$m	Debt A\$m	Net cash A\$m	Available funding A\$m	Next qtr spend A\$m	Net cash/ Next qtr spend	Notes:
FAR (FAR)	109.8	Dec-20	33.7	0.0	33.7	33.7	41.5	0.8	
St George Mining (SGO)	45.3	Dec-20	3.4	0.0	3.4	3.4	2.9	1.2	
Atrum Coal (ATU)	145.4	Dec-20	8.1	0.0	8.1	8.1	6.6	1.2	
NTM Gold (NTM)	96.0	Dec-20	3.1	0.0	3.1	3.1	2.1	1.5	
Allegiance Coal (AHQ)	87.5	Dec-20	6.7	5.7	1.0	6.7	4.4	1.5	Raised A\$2m through a convertible notes issue in January
Core Lithium (CXO)	252.3	Dec-20	4.5	0.0	4.5	4.5	2.6	1.7	
Aeon Metals (AML)	71.1	Dec-20	3.1	0.0	3.1	3.1	1.3	2.4	
Comet Ridge (CO)	56.2	Dec-20	3.1	0.0	3.1	3.1	1.3	2.4	
Nasadu Mines (NAM)	55.7	Dec-20	7.7	0.0	7.7	7.7	2.8	2.8	
Capricorn Metals (CMM)	522.8	Dec-20	18.9	2.5	16.4	103.9	32.8	3.2	Available funding includes \$18.9m cash and \$85.0m undrawn debt
Jameson Resources (JAL)	30.3	Dec-20	5.2	0.0	5.2	5.2	1.6	3.3	
Mayur Resources Ltd (MRL)	54.6	Dec-20	5.5	0.0	5.5	5.5	1.4	3.8	
Saturm Metals (STN)	38.0	Dec-20	12.5	0.0	12.5	12.5	3.2	3.9	
Bardoc Gold (BDC)	128.4	Dec-20	22.9	0.0	22.9	22.9	5.7	4.0	
Blue Energy (BLU)	94.4	Dec-20	3.3	0.0	3.3	3.3	0.6	5.4	
Stavelly Minerals (SVY)	186.6	Dec-20	26.5	0.0	26.5	26.5	4.8	5.6	
Breaker Resources (BRB)	66.8	Dec-20	18.4	0.0	18.4	18.4	3.3	5.6	
De Grey Mining (DEG)	1,144.1	Dec-20	103.9	0.0	103.9	103.9	16.8	6.2	
S2 Resources (S2R)	52.0	Dec-20	10.6	0.0	10.6	10.6	1.7	6.3	
Legend Mining (LEG)	344.4	Dec-20	25.2	0.0	25.2	25.2	3.8	6.6	
Blackstone Minerals (BSX)	148.7	Dec-20	22.1	0.0	22.1	22.1	3.3	6.6	
Castile Resources (CST)	35.9	Dec-20	14.0	0.0	14.0	14.0	2.0	7.1	
Liontown Resources (LTR)	843.6	Dec-20	16.4	0.0	16.4	16.4	2.2	7.5	
Danakali (DNK)	166.2	Dec-20	9.7	0.0	9.7	9.7	1.3	7.7	
Chalice Gold (CHN)	1,459.6	Dec-20	118.7	0.0	118.7	118.7	15.3	7.7	Raised \$15m and \$100m from SPP and institutional placement
Horizon (HRZ)	59.6	Dec-20	15.9	4.0	11.9	15.9	1.6	10.0	HRZ paid down Sparta AG debt and is now debt free in January
DGO Gold (DGO)	203.0	Dec-20	15.9	0.0	15.9	15.9	1.6	10.0	
Talisman Mining (TLM)	17.0	Dec-20	10.1	0.0	10.1	10.1	1.0	10.4	
Mincor Resources (MCR)	431.9	Dec-20	92.8	0.3	92.5	92.8	3.7	24.9	
Catalyst Metals (CYL)	204.5	Dec-20	33.1	0.0	33.1	33.1	1.3	26.0	

SOURCE: COMPANY DATA, IRESS AND BELL POTTER SECURITIES CALCULATIONS

TABLE 3 - GOLD EXPLORERS COMPARISON TABLE

Company	ASX Code	Price (A\$/sh)	Market Cap (A\$m)	Net cash (debt) (A\$m)	Available funding (A\$m)	EV (A\$m)	Resources (Moz)	Grade (g/t Au)	EV/Res oz (A\$/oz)	Reserves (Moz)	Grade (g/t Au)	EV/Rsv oz (A\$/oz)	Funded qtrs remaining	Net cash (debt) / Mkt Cap
De Grey Mining Limited	DEG	\$0.89	\$1,140.9	\$103.9	\$103.9	\$1,037.0	2.165	1.80	\$479	-	-	-	na	9.1%
Belleve Gold Limited	BGL	\$0.77	\$651.2	\$127.6	\$127.6	\$523.6	2.410	10.00	\$217	-	-	-	na	19.6%
Capricorn Metals Ltd	MMM	\$1.55	\$533.2	\$6.4	\$106.4	\$526.8	2.145	0.80	\$246	1.2	0.90	\$439	3.9	1.2%
Magnetic Resources NL	MAU	\$1.58	\$341.6	\$8.0	\$333.5	\$333.5	0.000	0.00	na	-	-	-	na	2.3%
Ora Banda Mining Ltd	OBM	\$0.26	\$219.0	\$32.6	\$47.6	\$186.4	2.173	2.80	\$86	0.5	2.40	\$405	6.8	14.9%
DGO Gold Limited	DGO	\$2.72	\$200.1	\$15.8	\$15.8	\$184.3	0.493	1.70	\$374	-	-	-	na	7.9%
Catalyst Metals Limited	CYL	\$2.00	\$196.6	\$33.1	\$33.1	\$163.5	0.334	4.30	\$489	-	-	-	na	16.8%
Musgrave Minerals Limited	MGV	\$0.31	\$165.3	\$24.0	\$24.0	\$141.3	0.659	3.20	\$214	-	-	-	na	14.5%
Calidus Resources Limited	CAI	\$0.41	\$140.4	\$41.8	\$151.8	\$98.6	1.714	1.20	\$6	0.5	1.20	\$180	15.2	29.8%
Genesis Minerals Limited	GMD	\$0.07	\$126.3	\$18.3	\$18.3	\$108.0	1.280	2.34	\$84	-	-	-	na	14.5%
Bardoc Gold Limited	BDC	\$0.07	\$124.9	\$22.9	\$22.9	\$102.1	3.031	1.90	\$34	0.8	2.36	\$129	4.0	18.3%
KIN Mining NL	KIN	\$0.13	\$103.9	\$14.0	\$14.0	\$89.9	1.154	1.27	\$78	0.3	1.10	\$318	3.9	13.5%
Apollo Consolidated Limited	AOP	\$0.35	\$101.0	\$18.7	\$18.7	\$82.3	1.035	1.20	\$80	-	-	-	na	18.5%
NTM Gold Limited	NTM	\$0.14	\$96.0	\$3.1	\$3.1	\$92.9	0.679	1.60	\$137	-	-	-	na	3.2%
Tanami Gold NL	TAM	\$0.08	\$95.2	\$28.8	\$28.8	\$66.4	1.646	2.80	\$40	-	-	-	na	30.2%
Rox Resources Limited	RXL	\$0.04	\$73.8	\$5.2	\$5.2	\$68.5	0.922	2.94	\$74	-	-	-	na	7.1%
Vango Mining Limited	VAN	\$0.07	\$70.3	\$5.5	\$5.5	\$64.8	1.002	3.00	\$65	-	-	-	na	7.8%
Ausgold Limited	AUC	\$0.05	\$63.7	\$2.8	\$2.8	\$60.9	1.201	1.10	\$51	-	-	-	na	4.4%
Breaker Resources NL	BRB	\$0.19	\$61.9	\$18.4	\$18.4	\$43.5	0.981	1.30	\$44	-	-	-	na	29.7%
Horizon Minerals Limited	HRZ	\$0.10	\$56.8	\$10.0	\$10.0	\$46.8	1.175	1.55	\$40	-	-	-	na	17.6%
Kalamazoo Resources Limited	KZR	\$0.43	\$56.3	\$7.7	\$7.7	\$48.6	1.650	2.50	\$29	-	-	-	na	13.7%
Encounter Resources Limited	ENR	\$0.15	\$47.3	\$7.6	\$7.6	\$39.8	0.000	0.00	na	-	-	-	na	16.0%
Yandal Resources Limited	YRL	\$0.49	\$45.9	\$5.1	\$5.1	\$40.8	0.268	1.13	\$152	-	-	-	na	11.1%
Saturn Metals Limited	STN	\$0.37	\$40.1	\$12.5	\$12.5	\$27.6	0.944	0.80	\$29	-	-	-	na	31.1%
Alto Metals Limited	AME	\$0.08	\$33.8	\$6.5	\$8.5	\$27.3	0.331	1.70	\$82	-	-	-	na	19.2%
Prodigy Gold NL	PRX	\$0.04	\$23.2	\$8.6	\$8.6	\$14.7	1.010	2.00	\$15	-	-	-	na	36.8%
Aurumin Limited	AUN	\$0.24	\$11.5	\$6.4	\$6.4	\$5.1	0.000	0.00	na	-	-	-	na	55.8%
Total / average			\$4,981	\$6.4	\$6.4	\$122	33.2	2.4	\$122	3.3	1.5	\$294		

Priced as at cob 11/03/2021

SOURCE: IRESS, COMPANY REPORTS, BELL POTTER ESTIMATES

Bell Potter Securities coverage

Table 3 - Coverage of producers				Table 4 - Coverage of developers and explorers			
	Price	Target	Rating		Price	Valuation	Rating
Bulk Commodities				Base metals			
BRL	\$0.04/sh	\$0.06/sh	Hold (Spec)	AML	\$0.11/sh	\$0.56/sh	Buy (Spec)
CRN	\$1.09/sh	\$1.50/sh	Buy	MCR	\$0.99/sh	\$0.87/sh	Buy (Spec)
FMG	\$20.78/sh	\$20.05/sh	Hold	S2R	\$0.16/sh	\$0.40/sh	Buy (Spec)
SMR	\$0.78/sh	\$0.50/sh	Sell	XAM	\$0.05/sh	\$0.14/sh	Buy (Spec)
WHC	\$1.69/sh	\$2.29/sh	Buy	Precious metals			
Base metals				BRB	\$0.21/sh	\$0.49/sh	Buy (Spec)
AIS	\$0.11/sh	\$0.16/sh	Buy	CHN	\$4.33/sh	\$5.60/sh	Buy (Spec)
IGO	\$6.16/sh	\$5.35/sh	Buy	DEG	\$0.90/sh	\$1.58/sh	Buy (Spec)
MLX	\$0.22/sh	\$0.20/sh	Buy (Spec)	Bulk Commodities			
NIC	\$1.38/sh	\$1.67/sh	Buy	DNK	\$0.52/sh	\$0.36/sh	Hold (Spec)
OZL	\$21.45/sh	\$15.60/sh	Hold	Specialty metals			
SFR	\$6.00/sh	\$4.60/sh	Hold	A4N	\$0.48/sh	\$0.56/sh	Buy (Spec)
WSA	\$2.03/sh	\$2.52/sh	Hold	LTR	\$0.46/sh	\$0.55/sh	Buy (Spec)
Precious metals				Energy, Oil and Gas			
GOR	\$1.15/sh	\$2.00/sh	Buy	BLU	\$0.07/sh	\$0.17/sh	Buy (Spec)
PNR	\$0.22/sh	\$0.28/sh	Buy	COI	\$0.07/sh	\$0.17/sh	Buy (Spec)
RRL	\$3.13/sh	\$4.71/sh	Buy	FAR	\$0.01/sh	\$0.03/sh	Buy (Spec)
WGX	\$2.12/sh	\$3.20/sh	Buy				
Energy, Oil & Gas							
BPT	\$1.73/sh	\$2.16/sh	Buy				
BYE	\$0.16/sh	\$0.42/sh	Buy				
COE	\$0.30/sh	\$0.46/sh	Buy				
SXY	\$0.38/sh	\$0.46/sh	Buy				
Specialty Metals							
GXY	\$2.31/sh	\$1.45/sh	Sell				
ORE	\$4.45/sh	\$4.20/sh	Sell				

SOURCE: IRESS & BELL POTTER SECURITIES ESTIMATES

SOURCE: IRESS & BELL POTTER SECURITIES ESTIMATES

Resources sector risks

Risks to resources sector equities include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration and development projects of resource companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Lack of exploration success:** By its nature, the uncertainty of exploration, particularly in the early stages, is related to the fact that many of the areas now being explored often contain little or no outcrop and further exploration complexity comes from the variability of weathering, which can often be extensive. Other geological complexities may arise from multiple mineralising and alteration overprints that may require extensive drilling programs to resolve and may inhibit or delay the definition of adequate resources and reserves.
- **Sovereign risks.** Exploration and development companies are subject to the sovereign risks of the countries they operate in, which can be affected by sudden and unforeseen changes that can have significantly adverse impacts on the potential operational and economic outcomes of possible mining operations.
- **Regulatory and social licence risks:** Exploration and development projects are subject to various and often changing regulatory and related social licence approvals processes that can sometimes suffer unforeseen delays related to changes in regulatory authority personnel involved or from the need to resolve differences in interpretations.
- **Weather risks:** Exploration and development projects are often located in areas that may experience extreme weather events, particularly in winter, when most early stage exploration activities are curtailed. Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to severe snow storms and the unsealed nature of most of the roads in the regions in which the companies operate. Extreme heat in summer can also restrict or cause the curtailment or suspension of operations for extended periods.
- **Occupational health and safety risks.** Resource companies are particularly exposed to OH&S risks given the physical nature and human resource intensity, particularly as they often operate in very remote locations subject to extreme weather events.
- **Funding risks:** Exploration companies generally do not have a source of revenue and so they require access to funding to enable them to carry out adequate exploration and related development activities in order to continue to develop their operations until they reach the stage where they are self-funding.
- **Acquisition risks.** The acquisition of other assets can divert management effort from the current exploration and development focus and may yield inadequate returns.
- **Global pandemic risks:** Global pandemics such as COVID-19 may have a major adverse impact on the availability, cost and movement of equipment, products and personnel related to exploration and development projects.

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

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet. Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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Disclosure: Bell Potter Securities acted as Joint Lead Manager to NIC's \$231m May 2020 placement and \$364m entitlement issue in December 2020 and received fees for that service. Bell Potter Securities acted as Lead Manager/Joint Lead Manager to \$31.2m DEG placements in Apr. 2020 and Co-Manager to \$100m placement in Sep. 2020 and received fees for that service. Bell Potter Securities acted as Lead Manager to \$10m DGO placement in Apr. 2020 and received fees for that service; Bell Potter Securities acted as Joint Lead Manager to CHN placement of \$30m in May 2020 and \$100m placement in December 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager to the \$5.5m placement in CXO in May 2020 and received fees for that service; Bell Potter Securities acted as Lead Manager to \$4m placement in MDI in May 2020 and received fees for that service; Bell Potter Securities acted as Manager to \$1.1m XAM placement in May 2020 and participated in \$12.5m placement in Aug. and Oct. 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager for the \$40m placement in AIS in June 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager for the \$2m placement in HRZ in Mar. 2020 and as Joint Lead Manager for the \$16.1m placement in HRZ in Aug. and Sep. 2020 and received fees for that service. Bell Potter Securities acted as a Participant in the PNR \$55m Equity Raise of Aug. 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager for the \$14.3m first tranche placement in SIH in Aug. 2020 and received fees for that service. Bell Potter Securities participated in \$5.5m placement by AME in Sep. 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager for S2R's \$7.5m placement in Jul 2020 and received fees for that service. Bell Potter Securities acted as Joint Lead Manager to \$12.5m placement in LTR in October 2020 and received fees for that service.

Analyst, David Coates holds a long position in RRL. Analyst, Peter Arden has long positions in AME, BSX, CHN, DEG, FAR, GXY, LEG, MLX, NIC, PNR, S2R, WGX and XAM. Associate analyst, Joseph House, has a long position in COI.

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