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Aeris Resources Ltd (AIS)

Don't say we didn't tell you

Recommendation

Buy (unchanged)

Price

\$0.13

Target (12 months)

\$0.21 (previously \$0.22)

GICS Sector

Materials

Expected Return

Capital growth	61.5%
Dividend yield	0.0%
Total expected return	61.5%

Company Data & Ratios

Enterprise value	\$224m
Market cap	\$293m
Issued capital	2,254.6m
Free float	82%
Avg. daily val. (52wk)	\$2.1m
12 month price range	\$0.09-\$0.245

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.14	0.16	0.10
Absolute (%)	-7.1	-18.8	30.0
Rel market (%)	-9.4	-19.8	19.7

Absolute Price



SOURCE: IRESS

Copper exploration success could see production +30ktpa

AIS has announced drilling and exploration results from its Avoca Tank underground mine, within its 100%-owned Tritton Copper Operations. Avoca Tank has a Reserve of 700kt at 2.5% Cu for 18kt contained Cu and is currently the highest grade (but also the smallest) known deposit on the Tritton tenement package. Preliminary results from the current drill program, designed to test for depth extensions, have returned positive visual results, intersecting mineralised sulphide lenses 75m below the current known Resource. Should the Resource at Avoca Tank continue to grow, we can see that in combination with the sulphide portion of the newly discovered Constellation deposit, head grades of 2.0% Cu or higher could be achieved through FY25. At the current mill throughput rate this would imply peak copper production from Tritton of +30ktpa.

+10 year mine life potential being overlooked

The exploration success and development of new production sources at Tritton is driving a widening gap between the mine life as it is being valued by the market and the mine life extension potential we see emerging. In our view, it is reasonable to consider the current combined Ore Reserves and Mineral Resources of 11.0Mt as a conservative representation of the Mining Inventory at Tritton. Moreover, allowing for the low end of the Exploration Target at Constellation (+6Mt) and for modest (20%) growth at the Tritton, Budgerygar and Avoca Tank deposits (+1Mt combined) implies a Mining Inventory of 18Mt, which would support a mine life of +11 years.

Investment thesis – Buy, TP \$0.21/sh (from Buy, \$0.22/sh)

In our view, AIS' 3.0-4.0x P/E multiples signal that the market is pricing in a 4-5 year mine life. This significantly discounts what we view as a conservative ~7 year mine life outlook and in excess of 10 years when allowing for likely exploration success. That discount looks even greater in the context of what we expect to be a production profile rising towards ~25ktpa and potentially peaking above 30ktpa. AIS appears overlooked by the market and extremely good value at these levels. We trim our FY23 earnings forecast 16% on a lower production contribution from the Tritton underground. Buy.

Earnings Forecast

Year end 30 June	2021a	2022e	2023e	2024e
Sales (A\$m)	431	411	448	494
EBITDA (A\$m)	159	137	173	213
NPAT (reported) (A\$m)	61	66	97	93
NPAT (adjusted) (A\$m)	61	66	97	93
EPS (adjusted) (cps)	3.2	3.0	4.4	4.2
EPS growth (%)	nm	-7%	47%	-4%
PER (x)	4.1	4.4	3.0	3.1
FCF Yield (%)	7%	nm	33%	45%
EV/EBITDA (x)	1.4	1.6	1.3	1.1
Dividend (cps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	40%	29%	30%	22%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Don't say we didn't tell you

More copper sulphide exploration success

AIS has announced drilling and exploration results from its Avoca Tank underground mine, within its 100%-owned Tritton Copper Operations. Avoca Tank has a Probable Reserve of 700kt at 2.5% Cu for 18kt contained copper and is currently the highest grade (but also the smallest) known deposit on the Tritton tenement package. The mine is currently under development, with 567m of decline development completed to the end of the December 2021 quarter. First production is targeted for the June quarter of 2023.

Preliminary results from the current drill program, designed to test for depth extensions to the known Resource, have returned positive visual results, intersecting three mineralised sulphide lenses, in drill hole TATD046, discussed below. Assays remain pending.

- The most significant intersection is a 2.2m thick massive to semi-massive sulphide lens from 514.5m down hole, including pyrite with lesser chalcopyrite. It is interpreted to be down plunge extension of the main sulphide lenses at Avoca Tank and occurs 75m below the limit of the current known Resource.
- A second, disseminated sulphide package (pyrite with minor chalcopyrite) was intersected from 559m down hole; and
- Finally, a thin (0.4m) banded sulphide lens was intersected in the footwall to the known Avoca Tank mineralised system. This intersection was unexpected and requires further interpretation.

Combined with Constellation – potential production growth to +30ktpa

The current Avoca Tank Mineral Resource has to date been defined over a down-plunge extent of 350m and remains open. The intersection of mineralised massive sulphides a further 75m below the known Resource by the first drilling to adequately test for depth extensions since 2013 is highly encouraging.

Also encouraging are the results of a down hole electromagnetic (DHEM) survey completed from hole TATD046, which has detected a large (~75m x 150m), conductive EM plate immediately along strike from the significant sulphide intersection. DHEM surveys have proven an effective exploration tool for bedrock sulphide mineralisation at Tritton, having been key to the recent discovery of the Constellation deposit, which has a maiden Resource of 3.3Mt at 1.4% Cu and is showing potential for significant growth.

Resource growth at Avoca Tank has the potential to add material value to the operations at Tritton. Due to its role of providing high grade supplementary feed, an increase in the Resource may increase its production contribution and / or extend the duration of its contribution. Should an expanded production rate from Avoca Tank be supported by an increased Resource base, we estimate that in combination with the high grade (1.7%-2.2% Cu) sulphide portion of the Constellation deposit (likely developed late FY24), head grades of 2.0% Cu or higher could be achieved through FY25. At current milling rates of 1.6Mtpa, this would imply copper production in excess of 30ktpa and represent +60% production growth from the relative low point of 18.7kt we currently forecast for FY22.

Table 1 - Conceptual production outlook - Tritton Copper Operations

	Ore milled (Mt)	Head grade (% Cu)	Copper produced (kt)	growth (yoy)
FY22 (BPe)	1.455	1.36%	18.732	-19%
FY23 (conceptual)	1.600	1.41%	21.375	14%
FY24 (conceptual)	1.600	1.71%	25.935	21%
FY25 (conceptual)	1.650	2.03%	31.778	23%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

+10 year mine life potential being overlooked

The exploration success emerging at Tritton and the development of new production sources is also driving a widening gap between the mine life as it is being valued by the market and the mine life extension potential we can see emerging at Tritton. This potential is primarily being driven by exploration success at Constellation. It is currently the third largest Resource at Tritton and likely to grow significantly (Resource update June 2022 quarter). We anticipate both a larger Resource and a high rate of Resource to Reserve conversion.

The table below summarises the current Ore Reserves at the key production and development deposits at Tritton – with the exception of Budgerygar and Constellation, where Reserves have not yet been calculated.

Table 2 – Mine life outlook - Tritton Copper Operations

Classification	Deposit	Mt	% Cu	kt Cu
Ore Reserve	Tritton u/g	1.8	1.2%	21.6
<i>Mineral Resource</i>	Budgerygar	2.5	1.5%	37.5
Ore Reserve	Avoca Tank	0.7	2.5%	17.5
Ore Reserve	Murrawombie u/g	1.1	1.4%	15.4
Ore Reserve	Murrawombie o/p	1.6	0.9%	14.4
<i>Mineral Resource</i>	Constellation	3.3	1.4%	46.2
		11.000	1.39%	152.600
Mine life @ 1.6Mtpa		6.9 years		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

In our view, it is reasonable to consider the Ore Reserves and Mineral Resources of 11.0Mt aggregated above as a conservative representation of the likely Mining Inventory (i.e. actual life-of-mine ore and mill feed) at Tritton. Assuming a 1.6Mtpa mill throughput, this equates to a ~7 year mine life at Tritton.

In considering the mine life extension potential at Tritton we make the following observations:

- While grades at the Tritton underground are now relatively low, the total Resource stands at 6.8Mt, and higher copper prices may well see further conversion to Reserves, providing additional supplementary feed and extending mine life;
- First development ore has been mined at Budgerygar. With access now established, we anticipate new, better, drilling positions will provide the opportunity to more effectively test for Resource extensions – with high chances of success;
- The promising results from Avoca Tank depth extension drilling and their implications are discussed above. In our view, they point to growth of the existing 0.9Mt Resource and 0.7Mt Reserve;
- Mining of the Murrawombie underground is improving the geological understanding of the deposit. While we view incremental growth as highly likely, we make no allowance for a significant additional discovery here; and
- As a new discovery, Constellation is already material and showing significant potential for growth. This is most clearly represented by the JORC-compliant Exploration Target of 6.0-8.0Mt at 1.7-2.2% Cu for 100-180kt Cu contained. This is over and above the maiden Mineral Resource estimate included in the table above.

Allowing for the low end of the Exploration Target at Constellation (+6Mt) and for modest (20%) Resource growth / Reserve conversion at the Tritton, Budgerygar and Avoca Tank deposits (+1Mt combined) implies an increased Mining Inventory of 18Mt at a copper grade of 1.6-1.7%. This would support a mine life of +11 years and an average annual production rate of ~25ktpa.

The table below summarises what we believe to be achievable Resource / Reserve growth over the next 12-18 months.

Table 3 – Mine life outlook – Conceptual Mining Inventory				
Classification	Deposit	Mt	% Cu	kt Cu
Ore Reserve	Tritton u/g	2.2	1.2%	25.92
<i>Mineral Resource</i>	Budgerygar	3.0	1.5%	45
Ore Reserve	Avoca Tank	0.8	2.5%	21
Ore Reserve	Murrawombie u/g	1.1	1.4%	15.4
Ore Reserve	Murrawombie o/p	1.6	0.9%	14.4
<i>Mineral Resource</i>	Constellation	9.3	1.95%	181.35
		18.000	1.68%	303.070
Mine life @ 1.6Mtpa		11.3 years		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Valuation disconnect

While we typically don't rely on earnings multiples to value the production companies we cover, we believe they can provide a guide as to the market's perception of mine life and earnings growth outlook.

AIS has been trading in a range of ~3.0-4.0x forward earnings over the last several months. This is a relatively low multiple and in part a reflection of the weaker-than-forecast production and cost performance of 1HFY22. Fair enough.

However, in the context of healthy operating cash flows (\$38m for 1HFY22) effectively funding expenditure on growth (\$36m for 1HFY22) and maintaining a strong balance sheet (\$68m cash at end December and \$20m undrawn debt), we believe it is justifiable to look ahead to mine life extension and production growth being delivered by the key development projects at Tritton over the next 1-3 years.

In our view, 3.0-4.0x P/E multiples signal that the market is pricing in a 4-5 year mine life and minimal production and earnings growth. This significantly discounts what we view as a conservative ~7 year mine life outlook based on a reasonable Mining Inventory assumption. That discount looks even greater in the context of what we expect to be a production profile growing towards +25ktpa and potentially peaking above 30ktpa. Allowing for the ongoing exploration success at Tritton, which we see as likely to deliver a mine life in excess of 10 years, then AIS appears overlooked by the market and extremely good value at these levels.

Changes to our forecasts

With this report we have made the following changes to our modelled assumptions:

- Lowered our forecast contribution from the Tritton underground mine in FY22 and FY23, reflecting a declining Reserve grade driving lower production; and
- Rolled our model forward and updated for the latest capital structure.

The net impacts of these changes are summarised in the table below:

Table 4 - Changes to earnings estimates									
Year ending 30 June	Previous			New			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Prices & currency									
Copper (US\$/lb)	4.39	4.18	4.05	4.39	4.18	4.05	0%	0%	0%
Gold (US\$/oz)	1,822	1,850	1,900	1,822	1,850	1,900	0%	0%	0%
US\$/A\$	0.73	0.73	0.73	0.73	0.73	0.73	0%	0%	0%
Production & costs									
Copper produced (kt)	18.732	24.149	27.265	18.732	21.812	26.486	0%	-10%	-3%
Cash costs (A\$/lb)	3.78	3.06	2.78	3.78	3.39	2.86	0%	11%	3%
AISC (A\$/lb)	4.69	3.78	3.43	4.69	4.17	3.53	0%	10%	3%
Gold produced (koz)	64.351	63.890	62.293	64.351	63.890	62.293	0%	0%	0%
Cash costs (A\$/oz)	1,141	946	994	1,141	946	994	0%	0%	0%
AISC (A\$/oz)	1,678	1,643	1,613	1,678	1,648	1,613	0%	0%	0%
Earnings									
Revenue (A\$m)	410	474	503	411	448	494	0%	-6%	-2%
EBITDA (A\$m)	136	200	222	137	173	213	1%	-13%	-4%
EBIT (A\$m)	70	125	140	71	99	131	1%	-21%	-6%
NPAT (adjusted) (A\$m)	66	115	99	66	97	93	1%	-16%	-7%
EPS (reported) (cps)	2.9	5.2	4.5	3.0	4.4	4.2	1%	-16%	-7%
PER (x)	4.6	5.3	6.3	4.4	3.0	3.1	(0.2)	(2.4)	(3.2)
EPS growth (%)	-8%	77%	-14%	-7%	47%	-4%	1%	-30%	10%
DPS (reported) (cps)	-	-	-	-	-	-	na	na	na
Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (\$/sh)	0.220	0.217	0.289	0.210	0.214	0.259	-4%	-1%	-10%
Price Target (\$/sh)		0.220			0.210			-5%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Our FY22 and FY23 earnings forecasts are up 1% and down 16% respectively. The key driver being the trimming of our assumed head grade at Tritton from 1.45% Cu to 1.40% Cu in FY23. This is due to making more conservative assumptions around the production contribution of the Tritton underground mine. Our NPV-based valuation is lowered 5% to \$0.21/sh.

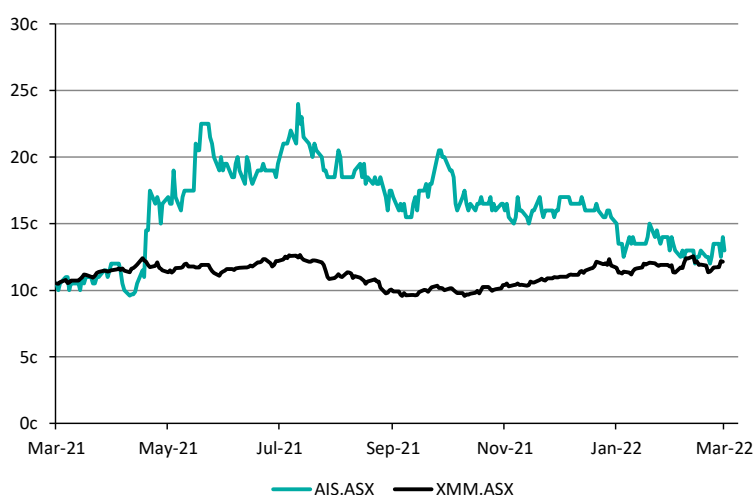
Upcoming catalysts

Upcoming catalysts for AIS include:

- Metallurgical test work and other project development studies are underway with respect to the Constellation deposit. Initial results indicate good recoveries will be achieved from the high value supergene mineralisation through the Tritton processing plant. Confirmation of this will be a key positive milestone and de-risking event, expected in the March 2022 quarter;
- Ongoing exploration results at Tritton and Cracow. At Tritton, a major drill program is underway at the Constellation discovery – a high priority target for mine life extension that has been returning excellent drilling results. AIS completed the maiden Resource as planned is working towards a Resource update in the June 2022 quarter;
- Development progress updates for the planned, three new production sources at Tritton, being the Budgerygar underground, the Avoca Tank underground and the Murrawombie open-pit cutback;
- The March 2022 quarter production and cost report, due in late April 2022;
- Underground Resource definition drilling is also underway at Murrawombie and Budgerygar, where access has been established from the Tritton underground. Budgerygar has a current Resource of 2.3Mt @ 1.5% Cu for 34kt Cu contained. Mine life extensions at either of these projects could have material valuation implications for the Tritton Operations;
- At Cracow, an accelerated exploration program is underway, testing the depth extents of the Roses Pride and a range of other deposits targeted to brought into production. Good results here could have material life-of-mine and valuation implications; and
- Any further M&A activity, outlined in AIS' presentation as an active focus.

Share price performance vs ASX Metals and Mining Index

Figure 1 - AIS relative share price performance vs XMM



SOURCE: BLOOMBERG AND BELL POTTER SECURITIES ESTIMATES

Aeris Resources Ltd (AIS)

Company description

AIS is an ASX-listed copper production and exploration company whose primary assets are its 100% owned Tritton Copper Operations and 100% owned Cracow Gold Operations in Queensland. Tritton is located approximately 60km by road north-west of the town of Nyngan in the central west of NSW. Copper concentrate production commenced at Tritton in 2005 and has since averaged 20-25ktpa. Cracow was acquired by AIS from Evolution Mining (EVN, not rated) effective 1 July 2020. The transaction establishes AIS as a multi-mine, mid-tier copper-gold producer, achieving a major strategic objective. AIS remains committed to further growth, either organically or via M&A.

The Tritton Copper Operations currently produce 20ktpa of copper in concentrate from two active underground mines and the ~1.6Mtpa Tritton concentrator. Tritton currently has Reserves of 5.3Mt @ 1.3% Cu, supporting a 3-4 year life-of-mine. The Cracow Gold Mine is targeting production of 64-66koz in FY22 and 60-65koz in FY23. Cracow currently has Reserves of 690kt @ 4.1g/t Au for 90koz contained.

Investment thesis – Buy, TP \$0.21/sh (from Buy, \$0.22/sh)

In our view, AIS' 3.0-4.0x P/E multiples signal that the market is pricing in a 4-5 year mine life. This significantly discounts what we view as a conservative ~7 year mine life outlook and in excess of 10 years when allowing for likely exploration success. That discount looks even greater in the context of what we expect to be a production profile rising towards ~25ktpa and potentially peaking above 30ktpa. AIS appears overlooked by the market and extremely good value at these levels. We trim our FY23 earnings forecast 16% on a lower production contribution from the Tritton underground and retain our Buy recommendation.

Valuation methodology

Our valuation for AIS is based upon the 12-month forward NPV of our forecast free cash flows from the Tritton Copper Operations and the Cracow Gold Operations, net of corporate administration costs. This is included in a sum-of-the-parts valuation for the company which also includes a notional estimate for the value of the exploration potential of the balance of the Tritton tenements and the Cracow project.

Table 5 – AIS sum-of-the-parts valuation

Sum-of-the-parts (+12 month Target Price)	\$m	\$/sh
Tritton (un-risked NPV)	188.8	0.08
Cracow (un-risked NPV)	122.3	0.05
Other exploration	110.0	0.05
Subtotal	421.2	0.19
Net cash (debt)	61.7	0.03
Total (undiluted)	482.9	0.21
Dilutive effect of options	-	-
Add cash	-	-
Total (diluted)	482.9	0.21

SOURCE: BELL POTTER ESTIMATES

We round our NPV-based valuation to the nearest cent for an updated Target Price of \$0.21/sh. With upside of 61.5% from the last closing share price to our valuation, we retain our Buy recommendation.

Resource sector risks

Risks to AIS include, but are not limited to:

- **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.
- **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.
- **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.
- **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 6 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	\$m	227.3	431.3	411.1	447.8	493.8	VALUATION						
Expense	\$m	(194.0)	(272.5)	(273.9)	(274.4)	(281.3)	NPAT	\$m	(38.4)	61.2	66.5	96.9	92.9
EBITDA	\$m	33.3	158.8	137.2	173.4	212.5	Reported EPS	c/sh	(7.4)	3.2	3.0	4.4	4.2
Depreciation	\$m	(35.3)	(85.9)	(66.3)	(74.3)	(81.7)	Adjusted EPS	c/sh	(3.0)	3.2	3.0	4.4	4.2
EBIT	\$m	(2.0)	72.9	70.9	99.2	130.8	EPS growth	%	nm	nm	-7%	47%	-4%
Net finance costs	\$m	(8.4)	(11.6)	(4.4)	(2.3)	(1.8)	PER	x	nm	4.1x	4.4x	3.0x	3.1x
Unrealised gains (Impairments)	\$m	(23.1)	-	-	-	-	DPS	c/sh	-	-	-	-	-
Other	\$m	(4.5)	-	-	-	-	Franking	%	0%	0%	0%	0%	0%
PBT	\$m	(38.0)	61.2	66.5	96.9	129.0	Yield	%	0%	0%	0%	0%	0%
Tax expense	\$m	0.3	-	-	-	-	FCF/share	c/sh	0.8	0.8	(1.1)	4.3	5.8
NPAT (reported)	\$m	(38.4)	61.2	66.5	96.9	92.9	P/FCFPS	x	15.4x	15.3x	nm	3.0x	2.2x
NPAT (underlying)	\$m	(15.2)	61.2	66.5	96.9	92.9	EV/EBITDA	x	6.7x	1.4x	1.6x	1.3x	1.1x
							EBITDA margin	%	15%	37%	33%	39%	43%
							EBIT margin	%	nm	17%	17%	22%	26%
							Return on assets	%	nm	18%	18%	21%	16%
							Return on equity	%	nm	40%	29%	30%	22%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	1.9	(70.0)	(41.4)	(136.6)	(264.6)
							ND / E	%	3%	-38%	-16%	-39%	-60%
							ND / (ND + E)	%	2%	-61%	-20%	-64%	-150%
							EBITDA / Interest	x	4.0x	13.7x	30.9x	75.3x	118.3x
							ORE RESERVES AND MINERAL RESOURCES						
							TRITTON COPPER OPERATIONS						
							Mineral Resource			Mt	% Cu	kt Cu	
							Ore Reserve			19.8	1.4%	276	
							CRACOW GOLD MINE			5.2	1.3%	68	
							Mineral Resource			Mt	g/t Au	koz Au	
							Ore Reserve			3.9	3.1	390	
										0.7	4.1	90	
							ASSUMPTIONS - Prices						
							Year ending 30 June (avg)	Unit	2020a	2021a	2022e	2023e	2024e
							Copper	US\$/lb	\$2.57	\$3.62	\$4.39	\$4.18	\$4.05
							Gold	US\$/oz	\$1,570	\$1,852	\$1,822	\$1,850	\$1,900
							Copper	A\$/lb	\$3.83	\$4.82	\$6.00	\$5.72	\$5.55
							Gold	A\$/oz	\$2,342	\$2,483	\$2,493	\$2,534	\$2,603
							Currency						
							AUD:USD	A\$/US\$	0.67	0.75	0.73	0.73	0.73
							ASSUMPTIONS - Production & costs						
							Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
							Tritton						
							Ore tonnes processed	kt	1,641	1,558	1,455	1,640	1,640
							Head grade	% Cu	1.63%	1.56%	1.36%	1.40%	1.70%
							Copper produced	kt	25,042	22,987	18,732	21,812	26,486
							Costs						
							Cash costs	A\$/lb	\$2.85	\$2.65	\$3.78	\$3.39	\$2.86
							All-in-Sustaining-Costs (AISC)	A\$/lb	\$3.49	\$3.70	\$4.69	\$4.17	\$3.53
							Cracow						
							Ore tonnes processed	kt	-	603	673	540	540
							Head grade	g/t Au	-	4.1	3.3	4.0	3.9
							Gold produced	koz	-	73,885	64.4	63.9	62.3
							Costs						
							Cash costs	A\$/oz	-	\$983	\$1,141	\$946	\$994
							All-in-Sustaining-Costs (AISC)	A\$/oz	-	\$1,483	\$1,678	\$1,648	\$1,613
							VALUATION						
							Ordinary shares (m)						2,254.6
							Options in the money (m)						-
							Total shares diluted (m)						2,254.6
								Now	+12 mths	+24 mths			
							Sum-of-the-parts	\$m	\$/sh	\$m	\$/sh	\$m	\$/sh
							Tritton (unrisked NPV10)	189.1	0.08	188.8	0.08	236.2	0.10
							Cracow (unrisked NPV10)	106.1	0.05	122.3	0.05	114.0	0.05
							Other exploration	110.0	0.05	110.0	0.05	110.0	0.05
							Subtotal	405.2	0.18	421.2	0.19	460.2	0.20
							Net cash (debt)	68.9	0.03	61.7	0.03	124.1	0.06
							Total (undiluted)	474.1	0.21	482.9	0.21	584.4	0.26
							Dilutive effect of options	-	-	-	-	-	-
							Add cash from options	-	-	-	-	-	-
							Total (diluted)	474.1	0.21	482.9	0.21	584.4	0.259
							MAJOR SHAREHOLDERS						
							Shareholder	%	m				
							Tudor Court	16.6%	374.5				
							Paradise IM	7.8%	176.1				
							First Sentier Investors	5.5%	124.9				

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

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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