

West Side Stories

Monday 25 October

Overnight Market Movement

S&P 500	4,545	-0.1%	Aluminium (US\$/t)	2,854	-1.5%
Dow Jones	35,677	+0.2%	Copper (US\$/t)	9,857	-2.2%
AUD/USD	0.746	+0.2%	Lead (US\$/t)	2,462	+1.4%
Gold (US\$/oz)	1,792	-0.7%	Nickel (US\$/t)	19,857	-0.8%
Brent (US\$/bbl)	85.53	+1.1%	IO Fines 62% (US\$/t)	119.52	+2.2%

From the Analysts

- **NXG** | A Nuclear Renaissance?
- **PRU** | Yaouré's quarter
- **CHN** | Argonaut Site Visit
- **MAH** | GBF earnout
- **POS** | Black Swan
- **ORR** | Drilling Commences at Nyanzaga
- **BOT** | September quarterly
- **MIN** | Wodgina Restart
- **SBM** | September quarter report
- **FFX** | SPP to raise \$25M
- **DCN** | Jupiter drilling
- **NCZ** | Mt Lyell purchase speculation
- **GBR** | Mulga Bill High-Grade Results
- **CZN** | Lynn Lake Resource Update

Overnight Macro News

The Dow Jones Industrial Average rose 74 points, or 0.2%, to 35,677, the S&P 500 lost 5 points, or 0.1%, to 4,545 and the Nasdaq Composite dropped 126 points, or 0.8%, to 15,090.

Morning Snippets

NexGen Energy (NXG) | A Nuclear Renaissance? | SPEC BUY | George Ross

Market Cap \$3.9B | Current Price \$8.25 | Valuation \$9.01 | Target Price \$10.82

- Argonaut has published new research on NexGen Energy
- Last week global uranium producer JSC NAC Kazatomprom announced it would be backing a new physical uranium fund which will compete with existing market participants Sput and Yellowcake
- Meanwhile ongoing global energy shortages continues to spark anxiety in energy related markets against a backdrop of decarbonisation
- Will the push for reliable low emission electricity spark a nuclear energy renaissance?
- The temperature is rising in an already simmering uranium spot market
- We have updated our NXG fundamental valuation and provided a price target to account for increased upward pressure on uranium pricing
- Also read our recent [Uranium Sector Research](#)
- [Link to research](#)

Perseus Mining (PRU) | Yaouré's quarter | BUY | Analyst | John Macdonald

Market Cap \$2.0B | Current Price \$1.63 | Valuation \$1.72

- Argonaut has published new research on Perseus Mining
- Perseus produced 113koz in the September quarter
- Yaouré produced gold near its planned full-steam rate of 65koz
- Edikan in Ghana performed below Company expectations at 32koz
- Cash and bullion at the end of September were US\$196M
- A\$58M cash added in the September quarter equates to 2.9% of PRU's current EV, well above industry average

- The Nkosuo discovery 5km to the west of Edikan could feature in pit plans by late 2022, potentially adding up to 3 years mine life and another exploration avenue
- We add in further value to be realised in the 2024-2030 period, in keeping with better sights on the extension potential coming via Nkosuo (Edikan) and CMA underground/East (Yaouré)
- Our valuation of Perseus is up from \$1.69 to \$1.72/share. We maintain a buy recommendation
- [Link to research](#)

Chalice Mining (CHN) | Argonaut Site Visit | Not Covered / No Rating

Market Cap \$2.4B | Current Price \$6.82 | Royce Haese

- Last week, Argonaut attended a site visit at Chalice's Julimar Project, approximately 70 km north-east of Perth
- Rigs are currently completing in-fill in lower priority areas and at the periphery of Gonneville, awaiting access approvals to drill in the State Forest to the north
- Chalice expects to receive approvals imminently. First cab off the rank will be the Hartog target, which in geophysical imagery appears to be a northern continuation of Gonneville
- Resource consultants are also currently preparing a Resource estimate for Gonneville, Chalice expects to report the result middle of this quarter
- Due to limited metallurgical work reported to date, as well as a lack of comparable peers or suitable precedents, we are unable to determine a realistic valuation and do not assign a recommendation at this time
- [Link to site visit notes](#)

Macmahon (MAH) | GBF earnout | BUY | Analyst | Ian Christie

Market Cap \$442M | Current Price \$0.205 | Valuation \$0.36

- MAH acquired underground mining contractor GBF in June 2019
- Under the acquisition agreement GBF's vendors were entitled to an earnout payment of 3x any EBITDA in FY21 above an agreed hurdle
- An earnout of \$23.5M has been determined, with \$12M payable in October 2021 and the balance split between cash payable in FY23 and MAH shares
- An amount of \$22.0M will be recorded as a one-off M&A cost in the 1H22 results
- It reflects the performance of the Underground business, which has grown significantly from 2019 and generated revenue of ~\$300M in FY21
- We expect added scale has improved the underground margin; at acquisition GBF was expected to generate revenue of ~\$180M and EBITDA ~\$20M in FY20 (11% EBITDA margin)
- [Link to recent research](#)

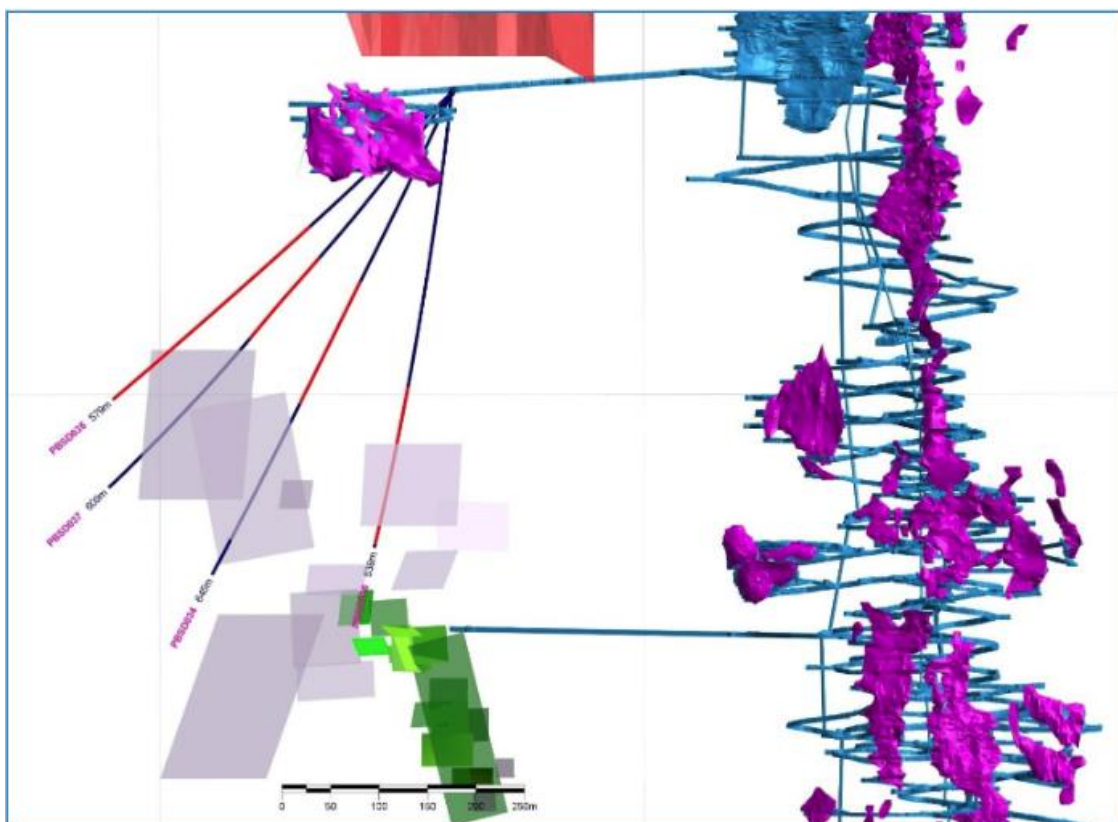
Poseidon Nickel (POS) | Black Swan | SPEC BUY | Analyst | John Macdonald

Market Cap \$322M | Current Price \$0.105 | Valuation \$0.09

- Poseidon nickel reports on activities at Black Swan nickel project
- Four drill holes have tested up plunge of Golden Swan. No visible mineralisation was recorded and no significant EM anomalism was detected
- Poseidon still believes the Southern Terrace has potential to host more massive sulphide mineralisation. Drilling is on hold to reassess the opportunities
- The Golden Swan resource estimate has been delayed to Late October by factors outside Company control

- More drilling of the Black Swan disseminated material is planned. Black Swan forms part of the base load to the 1.1Mtpa concentrator restart study
- Assays from Silver Swan extension drilling include 1.5m at 13.0% Ni
- Poseidon's current resource estimate for Silver Swan's deep extensions contains 16kt nickel indicated and inferred
- Assays from 3 mineralised holes were reported, 11 holes have assays pending and 9 holes contained no mineralisation
- Comment. The story has moved on from Golden Swan's discovery to a multi pronged restart of the concentrator, consistent with Poseidon's swing nickel production capacity
- [Link to recent research](#)

Figure 1: View to the west of drilling up plunge from Golden Swan. Hole length surveyed by DHEM is shown in red. Source: POS



OreCorp (ORR) | Drilling Commences at Nyanzaga | SPEC BUY | Royce Haese

Market Cap \$278M | Current Price \$0.70 | Valuation \$1.25

- OreCorp reports that drilling has commenced at Nyanzaga, Tanzania
- The programme is multi-purpose, and aims to:
 - Infill the current Kilimani prospect (5.6Mt @ 1.2 g/t Au for 220koz) and test for extensions
 - Complete geotechnical and hydrogeological testwork for Kilimani
 - Test key exploration targets within the boundary of the Special Mining Licence application
 - Complete sterilisation drilling at locations of planned infrastructure
- A total of 22 km of drilling is planned, the bulk being aircore and RC, with 4 km of diamond drilling
- This work will inform the Nyanzaga project DFS, ORR says the DFS remains on track for Q2 2022 completion
- Comment: Understandably, the bulk of past work has focussed on the 4 g/t Au, 3.1Moz Nyanzaga deposit, potentially to the detriment of satellite opportunities. Plenty of potential remains in the shadow of Nyanzaga
- [Link to recent research](#)

Botanix (BOT) | September quarterly | SPEC BUY | Analyst | Ian Christie

Market Cap \$60M | Current Price \$0.062 | Valuation \$0.225

- BOT ended the September quarter with cash of \$19.6M, having spent \$2.0M during the quarter (largely on ongoing R&D efforts)
- BTX 1204 update:
 - Following the pilot study earlier in the year the proof-of-concept study in canines with atopic dermatitis is now underway
 - Results from up to 45 canines will be evaluated against two formulations of BTX 1204A (high dose and low dose) and a vehicle arm

- Atopic dermatitis in canines and humans is clinically and immunologically similar, so a successful outcome here would encourage progression to a Phase 2b clinical study in humans
- BTX 1702 update:
 - Recruitment for the BTX 1702 Phase 1b/2a rosacea study is reported to be progressing well and the study is expected to complete in mid-2022
 - This is a randomised, double blind, vehicle-controlled study in patients with moderate to severe papulopustular rosacea, investigating safety and tolerability of two different concentrations
- BTX 1801 update:
 - Preparations for the next clinical study are advancing and BOT is currently completing formulation work and undertaking animal studies to complete the data package for ethics approval
 - Commencement of the Phase 2 study will follow completion of this work in early 2022
 - The program is designed to kill Staph aureus and MRSA in the noses of haemodialysis patients to help prevent bloodstream infections

Mineral Resources (MIN) | Wodgina Restart | Not Covered / No Rating

Market Cap \$7.4 B | Current Price \$39.38 | George Ross

- MIN has announced the Wodgina Lithium Mine will be restarted
- Wodgina is owned under a Joint Venture arrangement between Mineral Resources (40%) and Albermarle Corporation (60%)
- The mine was placed in care and maintenance during 2019 due to weak spodumene prices
- The JV partners expect Wodgina to produce spodumene concentrate during the third quarter of 2022
- The restart will focus upon restarting one of three 250ktpa processing lines

- The project has capacity to produce up to 750ktpa of spodumene concentrate

St Barbara (SBM) | September quarter report | Not covered / No rating

Market Cap \$1.1B | Current Price \$1.54 | John Macdonald, Royce Haese

- St Barbara produced 67koz in the September quarter, down from 82koz in the previous
- Implied costs rose sharply, on our estimate SBM cash from operations went backwards A\$34M in the quarter, not including the A\$25M purchase of 19.8% of Kin Mining in July or A\$13M in dividend payments
- Guidance is maintained at 305-355koz at this stage, to achieve lower end of guidance SBM will need to average 80koz/q for the next three
- Simberi's restart is pending remediation of the undersea tailings disposal line, expected by December 2021, although we note SBM's midpoint AISC guidance for Simbieri of A\$2560/oz, if achieved, will not assist with cash build
- Leonora will need to continue to do the heavy lifting, 51.7 koz production in the quarter has it on track to beat guidance of 180-200koz for the year, AISC for Leonora was A\$1,488/oz, vs guidance of A\$1,605 – A\$1,720/oz, on the back of higher-grade stope tonnes
- Atlantic output fell 43% quarter on quarter, to 15koz production. SBM says this was due to treating lower grade stockpiles while higher-grade mining fronts are established, expected to be completed by the middle of this quarter

Figure 2: St Barbara Mining quarterly cash flow summary. Source: Argonaut

		FY20				FY21				FY22
		SQ	DQ	MQ	JQ	SQ	DQ	MQ	JQ	SQ
Gold price	A\$/oz	2153	2170	2403	2603	2654	2563	2327	2357	2435
	US\$/oz	1475	1480	1581	1712	1903	1876	1799	1815	1790
Exch rate		0.685	0.682	0.658	0.658	0.717	0.732	0.773	0.770	0.735
St Barbara										
Gold production	kozs	87.6	94.2	91.5	108.6	73.0	89.7	82.3	82.7	67.0
Reported AISC	A\$/oz	1421	1364	1405	1301	1711	1517	1649	1623	1492
Net cash & bullion (EOP)	\$M	-35	-33	4	90	-12	16	-2	35	-38
Net -raise+div+new project	\$M	910		18	0	83		23		39
Hedge cost	\$M	16	21	25	21	33	39	4	2	2
Total costs before hedging	\$M	187	181	140	176	180	163	183	156	195
Total costs	\$M	204	202	165	197	213	202	187	158	197
CAIC	A\$/oz	2325	2148	1802	1811	2914	2251	2267	1910	2940
S/holder cash build	\$M	-15	2	55	86	-19	28	5	37	-34
AISC/CAIC		61%	64%	78%	72%	59%	67%	73%	85%	51%
Market Capitalisation	\$M	1895	1909	1821	2355	1869	1559	1306	1253	1078
EV	\$M	1930	1942	1817	2265	1881	1543	1308	1218	1116
Cash banked/EV		-0.8%	0.1%	3.0%	3.8%	-1.0%	1.8%	0.4%	3.0%	-3.0%
Margin		-7.4%	1.0%	33.4%	43.7%	-8.9%	13.9%	2.7%	23.4%	-17.2%

Firefinch (FFX) | SPP to raise \$25M | Not Covered / No Rating

Market Cap \$600M | Current Price \$0.65 | George Ross, Jonas Dorling

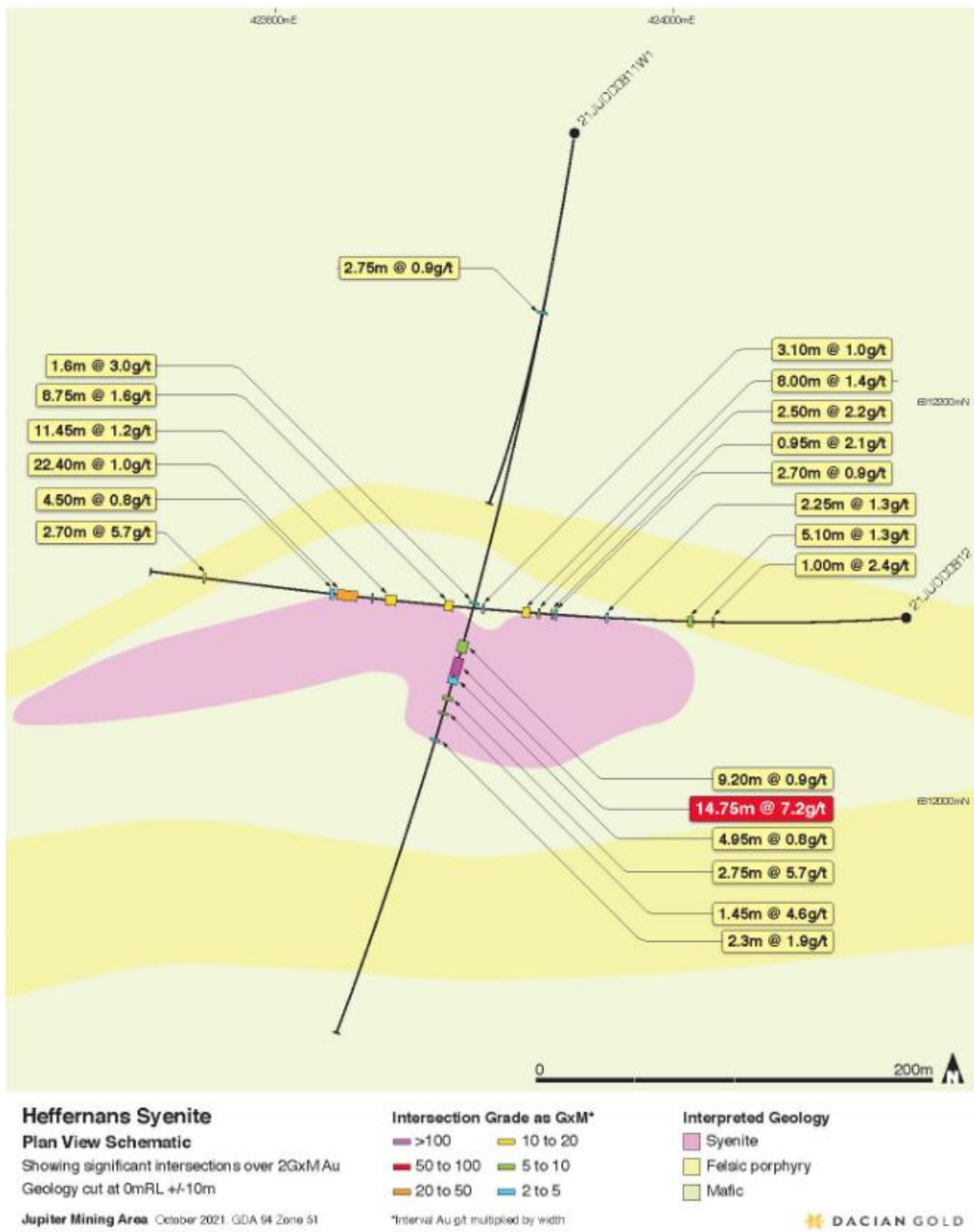
- Firefinch has announced a share purchase plan (SPP) to raise up to \$25M at \$0.58 (11% discount to 5-day VWAP)
- The funds raised will be used to:
 - Drive ramp-up activities at the Morila Super Pit, including dewatering and tailing repatriation, as well as pre-strip and mining at satellites Viper and N'Tiola
 - Continue drilling at Morila to further enhance the Life of Mine Plan
 - Recommence exploration and resource development at Goulamina
- The Company continues to target debt funding of approximately US\$50M and stated that it remains in advanced discussions with potential financiers

Dacian Gold (DCN) | Jupiter drilling | Not Covered / No Rating

Market Cap \$218M | Current Price \$0.245 | John Macdonald

- Dacian has drilled 4 deep holes beneath the Heffernans and Ganymede pits at Jupiter
- Best intercept at Heffernans was 103m at 1.4 g/t from 436m down hole
- Best intercept at Ganymede was 45m at 1.1 g/t from 247m down hole
- Mineralisation is associated with stockworks in syenite and basalt
- The Heffernans intercept included 15m at 7.21 g/t from 468m, which is the subject of follow up

Figure 3. Schematic plan view of Heffernans showing interpreted syenite extent at 430m below surface. Source DCN

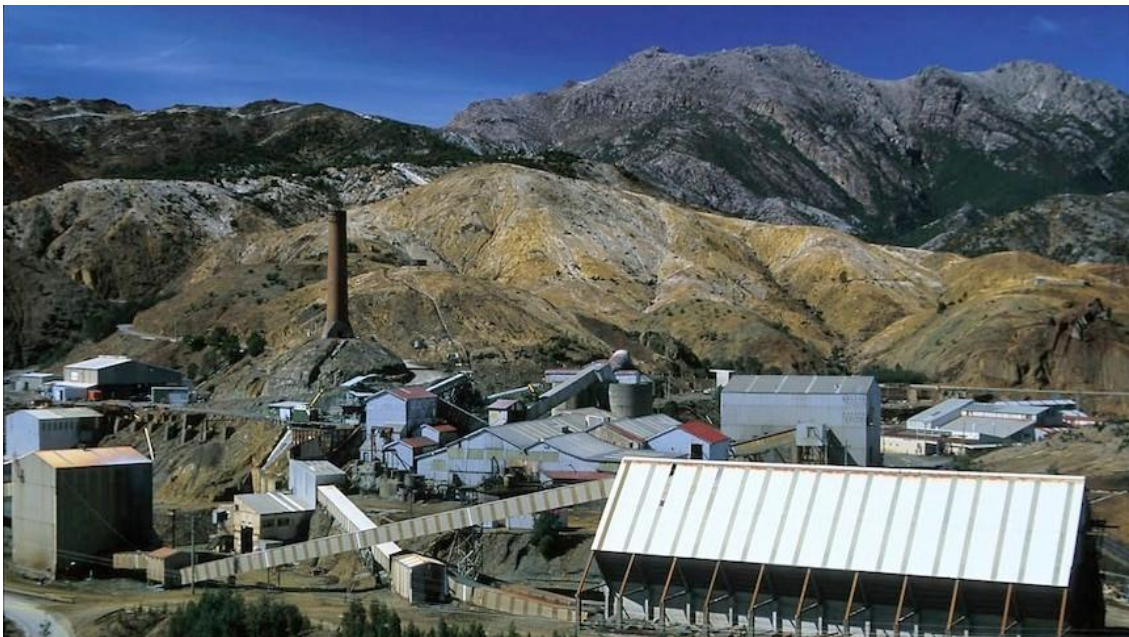


New Century (NCZ) | Mt Lyell purchase speculation | Not Covered / No Rating

Market Cap \$188M | Current Price \$0.155 | George Ross

- The Australian Financial Review (AFR) has reported that NCZ is seeking to acquire the Mt Lyell copper mine (Tasmania) from current owner Vedanta
- In 2013 the mine produced 26kt of copper, 14koz of gold and 131koz of silver in concentrate from sub-level caving underground operations
- Mt Lyell has not operated since 2014 after the deaths of three miners in two separate safety incidents
- The AFR reported the Tasmanian government expected to have a major role in how Mt Lyell is rehabilitated

Figure 4: The Mt Lyell copper mine. Source: ABC



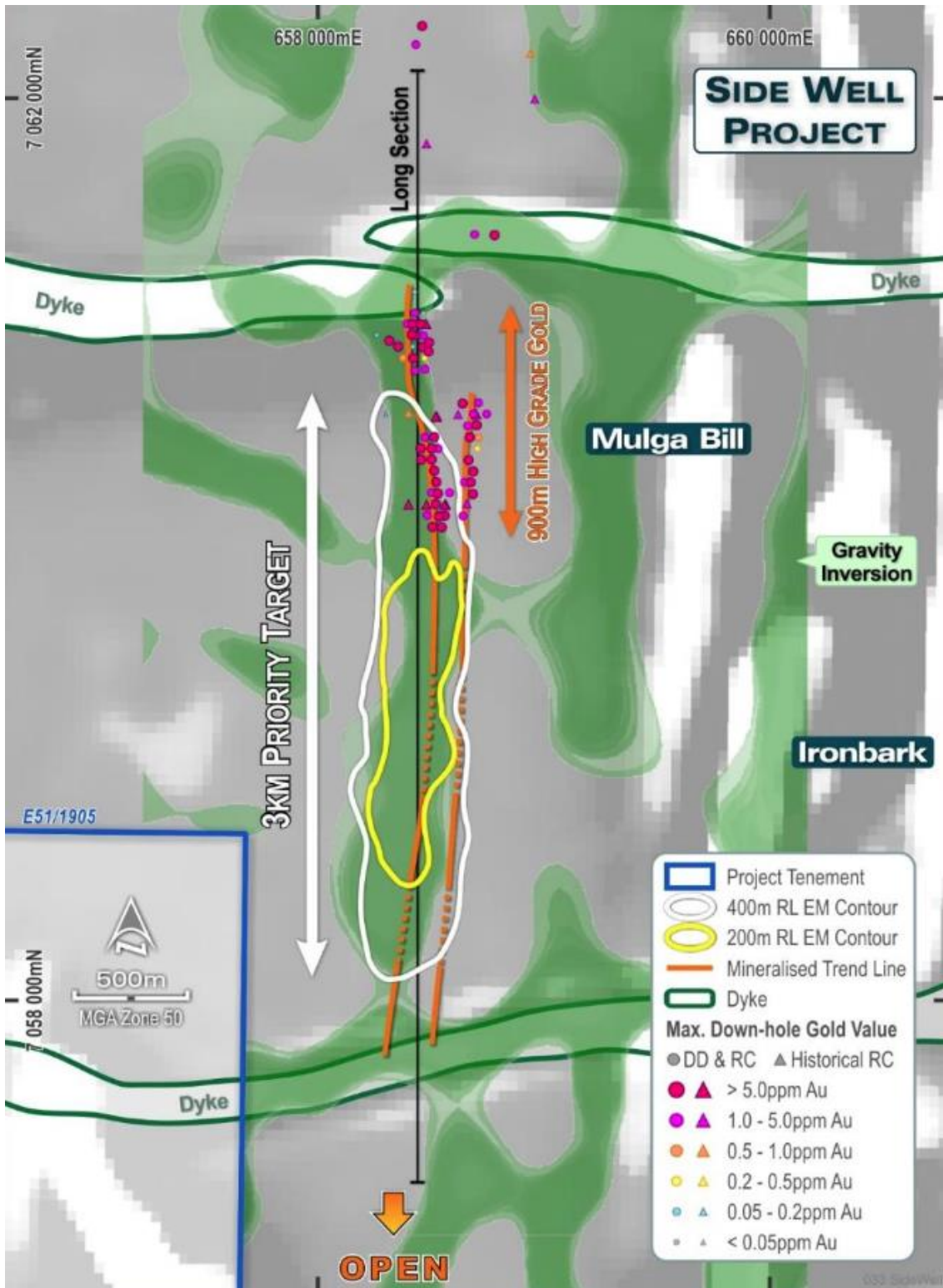
Great Boulder Resources (GBR) | Mulga Bill High-Grade Results | Not Covered / No Rating

Market Cap \$70M | Current Price \$0.20 | Royce Haese

- Great Boulder reports results for RC and diamond drilling completed at Mulga Bill, part of the Side Well project, east of Meekatharra
- One RC hole returned 6 m @ 39.2 g/t Au from 101

- One of the Diamond holes returned 0.65 m @ 42.2 g/t Au from 253 m and 0.61 m @ 41.3 g/t Au from 289 m
- Results in the other four holes were more subdued
- GBR interpret Mulga Bill mineralisation to be hosted in a series of stacked, shallowly west-dipping pyrite-rich quartz veins
- Multi-element analysis of previously completed RC holes returned 15m @ 2.5 g/t Au, 1.5% Cu, and 12 g/t Ag. Further holes have been submitted for analysis
- GBR also completed a geophysical data reprocessing and interpretation exercise and note a correlation between EM conductivity and mineralisation, of note, the strongest EM conductor in the prospect is south and at depth, currently untested
- Comment: Four phases of drilling and it appears mineralisation geometry is beginning to be understood. To date repeatability of results down plunge has been an issue, the new understanding of geometry will assist with future targeting
- Only priority samples from RC drilling were submitted and reported, results are pending for the remainder of these holes, results are also pending for one diamond hole
- Aircore and RC drilling is ongoing at Mulga Bill

Figure 5: Plan view of Mulga Bill prospect over gravity inversion (green) and EM conductors (white and yellow), showing high priority target zone south of currently drilled area. Source: GBR



Corazon Mining (CZN) | Lynn Lake Resource Update | Not Covered / No Rating

Market Cap \$10M | Current Price \$0.04 | George Ross

- CZN has reported an updated Resource for the Lynn Lake Nickel-Sulphide-Cobalt Project, Canada
- The Resource includes mineralisation from three separate deposits: EL, N and O
- These three deposits were drilled out and partially mined prior to mine closure in 1976
- At a 0.5% Ni cut off the Lynn Lake global MI&I Resource is now reported to be 16.3 Mt grading 0.72% Ni, 0.33% Cu & 330ppm Co
- The new Resource is 20% larger than the 2019 Resource and contains 116.8t Ni, 54.3kt of Cu and 5.3t of Co
- Exploration drilling continues at Lynn Lake continues to target DHEM conductions

Useful Links

- [Morningstar Morning Note](#)
- [Argonaut Stock Coverage](#)
- [Argonaut Industrial Comparisons](#)
- [WA Developer Comparisons](#)

Important Disclosures

NexGen Energy Ltd: Argonaut holds 6,392 NXG and 15,000 NXE.TSX shares.

Poseidon Nickel Ltd: Argonaut participated in the Placement to raise \$10M in December 2020 and will receive fees commensurate with this service.

OreCorp Limited: Argonaut acted as Joint Lead Manager in respect of the Placement to raise \$56M in June 2021 and will receive fees commensurate with this service.

Botanix Ltd: Argonaut holds or controls 1,400,000 BOT shares.

Argonaut analysts hold shares in the following securities: BAR, BLZ, BWP, CLA, CMM, CRS, DVP, EL8, FZO, GBR, GMD, HJPN, HLX, ILB, IXI, MEI, MHK, MM8, NSB, NUH, PEK, PGD, PMGOLD, PRN, SRI, USD, VEQ, WES, WGX, XAM

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