

3 November 2020

## Stavelly Minerals Limited (SVY)

**BUY**      **Share Price: A\$0.78**

### Gold-rich hit in the Cayley Lode

**Target Price: A\$1.15**

Stavelly Minerals 'Stavelly Copper-Gold Project' is shaping up to be a major new copper-gold discovery 200km west of Melbourne, Victoria. The latest thick intersection of high-grade and shallow mineralisation in the Cayley Lode supports our view that the structure offers a relatively quick and low-cost Phase-1 open pit development pathway; we see potential for a 7-year, 30-40ktpa Cu operation defined and delivered within four years. Infill & step-out drilling is continuing, with a Maiden Resource at Cayley Lode targeted for Mar. Q'21. Depth extension, plus a likely porphyry, offer upside as the high grade underground potential is better defined. Maintain BUY and PT of A\$1.15/sh.

#### Latest intercept reinforces Cayley Lode potential

- Drill hole SMD106 (Figure 1) reinforces the scale, continuity, and shallow nature of the copper-gold-silver mineralisation within the Cayley Lode:
  - 48m @ 1.39% Cu, 6.33g/t Au, 12g/t Ag from 85m downhole including,
  - 16.7m @ 3.13% Cu, 17.93g/t Au, 29g/t Ag from 115m including,
  - 2m @ 0.74% Cu, 132g/t Au, 38g/t Ag from 116m.
- Located ~80m north-west along strike from the September 2019 discovery intercept of 32m @ 5.88% Cu, 1g/t Au, and 58g/t Ag in SMD050 (Figure 2).

#### Intensive resource drill-out well underway

- SVY is in the process of delineating a high-grade, near-surface Cu-Au-Ag body over a significant strike length (+1km) in the Cayley Lode (Figure 3).
- High grade lode mineralisation to complement the existing Inferred Resource of 110kt Cu (0.4% Cu grade) contained within a shallow chalcocite-enriched blanket.
- Four diamond drill rigs are carrying out tightly spaced (40mx40m) in-fill and step-out drilling, targeting along strike to the northwest, followed by a progressive drill-out along strike to the southeast.
- In November, two additional large-capacity diamond drill rigs will commence two 1,500m long holes to test for a blind porphyry system likely driving the system.

#### Key Dates and Timeline

- Ongoing – Drill results from Cayley Lode.
- Mar. Q'21 – Maiden Mineral Resource (Cayley Lode).
- 2021 – Drilling programs to test parallel lodes at depth.
- 2021 – Commencement of mining studies to feed into Feasibility Study for Phase-1 (open pit) development.

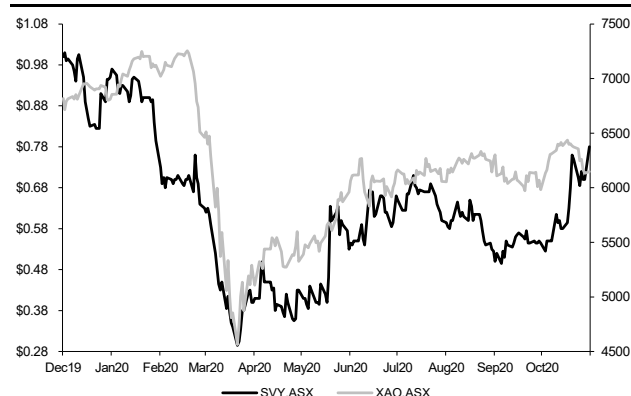
#### Company Data

Shares – ordinary (M)	261
Dilution (M)	2.7
Total (fully diluted) (M)	264
Market capitalisation (\$M)	203.5
12 month low/high (\$)	0.26/ 1.39
Average monthly turnover (\$M)	19.7
GICS Industry	Metals & Mining

#### Financial Summary (fully diluted/normalised)

Year End June	FY20A	FY21F	FY22F	FY23F	FY24F
Revenue (\$M)	0.0	0.0	0.0	0.0	319.5
Costs (\$M)	-15.5	-16.0	-16.1	-22.1	-150.7
EBITDA (\$M)	-15.5	-16.0	-16.1	-22.1	168.8
NPAT (\$M)	-15.3	-15.8	-15.6	-21.9	128.2
EPS (¢ps)	-7.4	-6.2	-4.9	-5.0	25.3
EPS growth (%)	na	na	na	na	na
PER (x)	na	na	na	na	3.1
Op. Cashflow (\$M)	-12.4	-16.0	-16.1	-22.1	133.8
OCFPS (¢ps)	-6.0	-6.2	-5.0	-5.0	26.4
POCFPS (x)	na	na	na	na	3.0
Enterprise Value (\$M)	194.1	182.1	242.8	299.7	172.3
EV / EBITDA (x)	-ve	-ve	-ve	-ve	1.0
Payout ratio (%)	na	na	na	na	na
Dividends (¢ps)	0	0	0	0	0
Yield (%)	na	na	na	na	na
Franking (%)	na	na	na	na	na

#### SVY – performance over one year



#### Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document.

## Analysis

### Stavely Minerals

Year End June

Share price (A\$)	0.78
Issued Shares (m)	261
Market Cap (A\$m)	203.6
Options/Rights/Escrowed (m)	2.7
Dilution (A\$170m at A\$0.70/sh)	243
Fully Diluted no. of Shares (m)	507

P&L Statement (A\$m)	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Revenue	0.0	0.0	0.0	0.0	319.5	321.8
Costs	(15.5)	(16.0)	(16.1)	(22.1)	(150.7)	(153.9)
<b>EBITDA</b>	<b>(15.5)</b>	<b>(16.0)</b>	<b>(16.1)</b>	<b>(22.1)</b>	<b>168.8</b>	<b>167.9</b>
D&A	0.0	0.0	0.0	0.0	(25.0)	(25.0)
<b>Operating profit</b>	<b>(15.5)</b>	<b>(16.0)</b>	<b>(16.1)</b>	<b>(22.1)</b>	<b>143.8</b>	<b>142.9</b>
NOI	0.1	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>(15.4)</b>	<b>(16.0)</b>	<b>(16.1)</b>	<b>(22.1)</b>	<b>143.8</b>	<b>142.9</b>
Interest income	0.1	0.2	0.4	0.2	0.1	1.6
Interest expense	(0.0)	0.0	0.0	0.0	(1.5)	0.0
Tax expense	0.0	0.0	0.0	0.0	(14.2)	(28.9)
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reported NPAT</b>	<b>(15.3)</b>	<b>(15.8)</b>	<b>(15.6)</b>	<b>(21.9)</b>	<b>128.2</b>	<b>115.6</b>
EPS Reported (A\$c)	(7.4)	(6.2)	(4.9)	(5.0)	25.3	22.8
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0
Avg. shares (m)	207	257	321	442	507	507
YE shares (m)	250	264	378	507	507	507

Production	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
<b>Copper price (US\$/lb)</b>	-	2.99	3.00	3.00	3.00	3.00
<b>Gold price (US\$/oz)</b>	-	1,903	1,863	1,813	1,700	1,600
<b>Silver price (US\$/oz)</b>	-	22	18	18	18	17
<b>AUD:USD</b>	-	0.72	0.72	0.71	0.71	0.70
<b>Copper price (A\$/lb)</b>	-	4.16	4.20	4.23	4.26	4.29
<b>Ore processed (Mt)</b>						
Chalcocite gossan	-	0.00	0.00	0.00	1.50	1.50
Cayley Lode (0-200m) - o/p	-	0.00	0.00	0.00	1.50	1.50
Deeper Lodes + Porphyry - u/g	-	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	-	0.00	0.00	0.00	3.00	3.00
<b>Copper (payable t produced)</b>						
Chalcocite gossan	-	0.00	0.00	0.00	4,698	4,698
Cayley Lode (0-200m) - o/p	-	0.00	0.00	0.00	29,363	29,363
Deeper Mineralisation - u/g	-	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	-	0.00	0.00	0.00	34,061	34,061

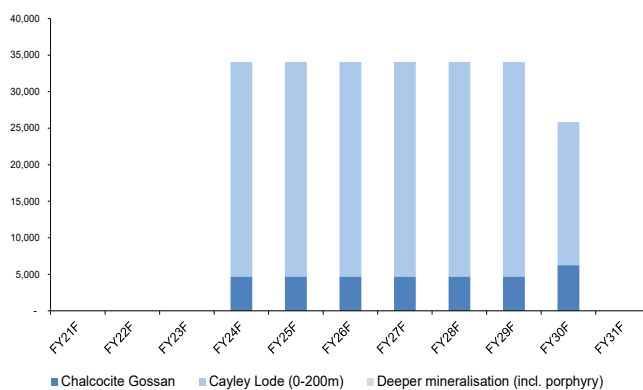
Cash Flow (A\$m)	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
EBITDA	(15.5)	(16.0)	(16.1)	(22.1)	168.8	167.9
Invest. In WC	3.1	0.0	0.0	0.0	(20.8)	(0.1)
Tax expense	0.0	0.0	0.0	0.0	(14.2)	(28.9)
<b>Operating Cash Flow</b>	<b>(12.4)</b>	<b>(16.0)</b>	<b>(16.1)</b>	<b>(22.1)</b>	<b>133.8</b>	<b>138.9</b>
Capex	0.0	0.0	(125.0)	(125.0)	(5.0)	(5.0)
Exploration	(1.2)	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(1.2)</b>	<b>0.0</b>	<b>(125.0)</b>	<b>(125.0)</b>	<b>(5.0)</b>	<b>(5.0)</b>
Net interest	0.1	0.2	0.4	0.2	(1.4)	1.6
Debt	0.0	0.0	50.0	50.0	(50.0)	(50.0)
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	20.0	27.8	80.0	90.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>20.1</b>	<b>28.0</b>	<b>130.4</b>	<b>140.2</b>	<b>(51.4)</b>	<b>(48.4)</b>
Non-operating/Other	(0.8)	0.0	0.0	0.0	0.0	0.0
<b>Inc/(Dec) in Cash</b>	<b>6.5</b>	<b>12.0</b>	<b>(10.6)</b>	<b>(6.9)</b>	<b>77.4</b>	<b>85.5</b>

Costs (A\$/lb payable Cu)	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Mining	-	-	-	-	0.46	0.46
Processing	-	-	-	-	2.00	2.00
Other (incl. Au/Ag credits)	-	-	-	-	(0.77)	(0.73)
<b>Cash</b>	-	-	-	-	<b>1.63</b>	<b>1.67</b>
Royalties & sustaining capital	-	-	-	-	0.17	0.17
<b>AISC</b>	-	-	-	-	<b>1.80</b>	<b>1.84</b>

Copper Resource	Category	Mt	% Cu	Cu (Kt)
Stavely Project	Inferred	28.0	0.4%	110
Ararat Project	Ind. & Inf.	1.3	2.0%	26
<b>Total</b>		<b>29.3</b>	<b>0.5%</b>	<b>136</b>

Note: Ararat Resource excludes 21koz Au, 242koz Ag, and 5.3kt Zn

F'cast production profile : Stavely Project Payable Cu (t)



Balance Sheet (A\$m)	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
Cash & Equivalents	9.4	21.4	10.8	3.9	81.2	166.7
Receivables	0.5	0.5	0.5	0.5	32.0	32.2
Inventories	0.0	0.0	0.0	0.0	19.2	19.3
Other Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
PPE and Exploration	4.6	4.6	129.6	254.6	234.6	214.6
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>14.5</b>	<b>26.5</b>	<b>140.9</b>	<b>259.0</b>	<b>367.0</b>	<b>432.9</b>
Payables & Other	2.3	2.3	2.3	2.3	32.2	32.4
Short Term Debt	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	50.0	100.0	50.0	0.0
Other Liabilities	0.2	0.2	0.2	0.2	0.2	0.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities incl NCI	2.5	2.5	52.5	102.5	82.4	32.6
Equity	12.0	24.0	88.4	156.5	284.6	400.2
<b>Total Liabilities &amp; Equity</b>	<b>14.5</b>	<b>26.5</b>	<b>140.9</b>	<b>259.0</b>	<b>367.0</b>	<b>432.9</b>

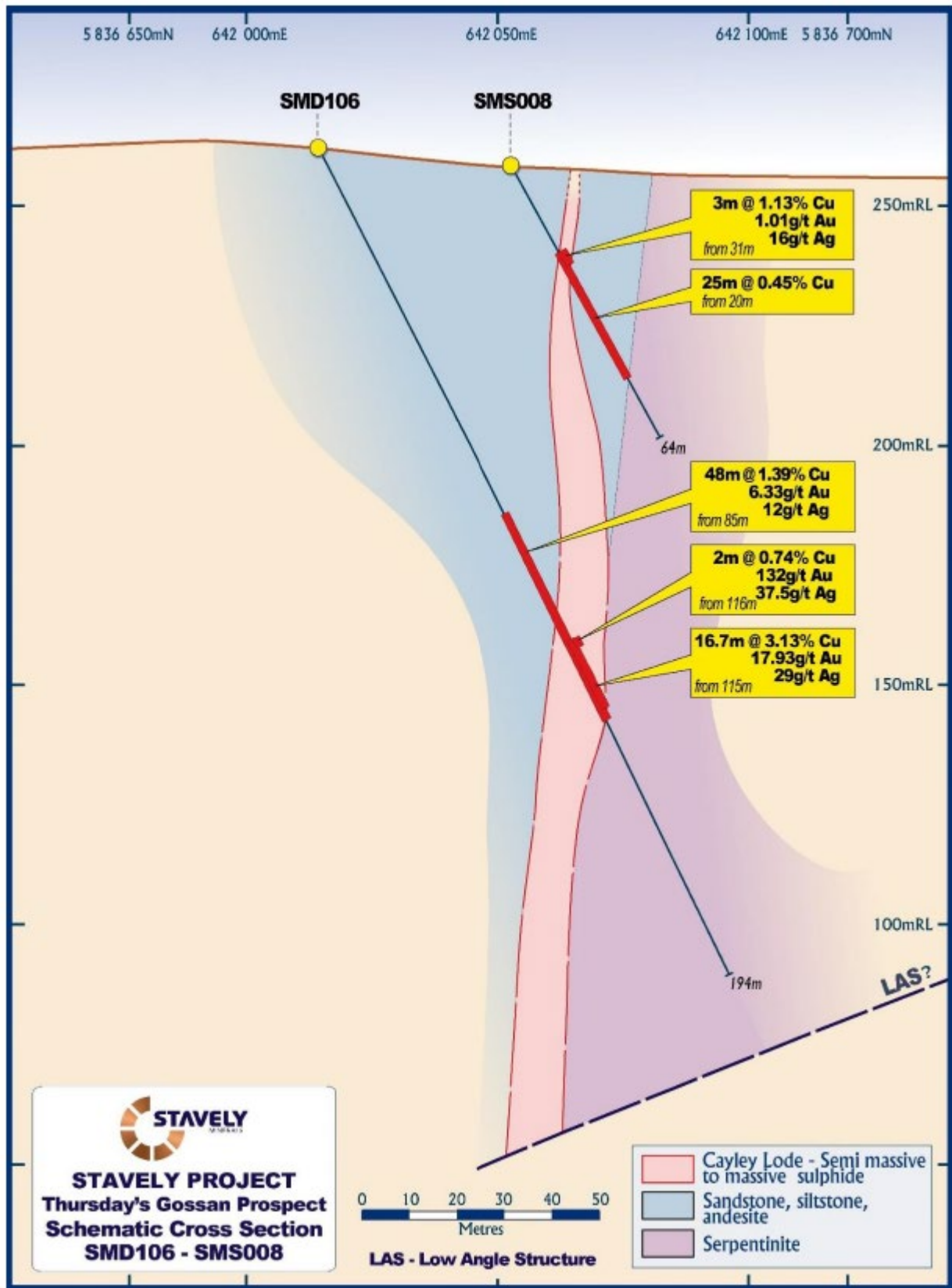
#### Major Shareholders -September 2020 (Source: Iress)

Peter Ironside	12.2%	Jennifer Murphy	2.0%
Greenstone Property Pty Ltd	4.2%	Roslyn Cairns	1.7%
Christopher Cairns	3.1%	Julie Cairns	1.3%

Valuation	(A\$m)	(A\$/ps)
Stavely Project NPV	521	1.03
Exploration upside (u/g incl. porphyry) (nominal)	50	0.10
<b>Stavely Project (total)</b>	<b>571</b>	<b>1.13</b>
Other Projects (nominal)	15	0.03
Investments (TSX-V:NBR)	2.4	0.00
Corporate costs	(24)	(0.05)
Enterprise value	564	1.11
Net cash (debt) (FY21F)	21	0.04
Equity value	585	1.15

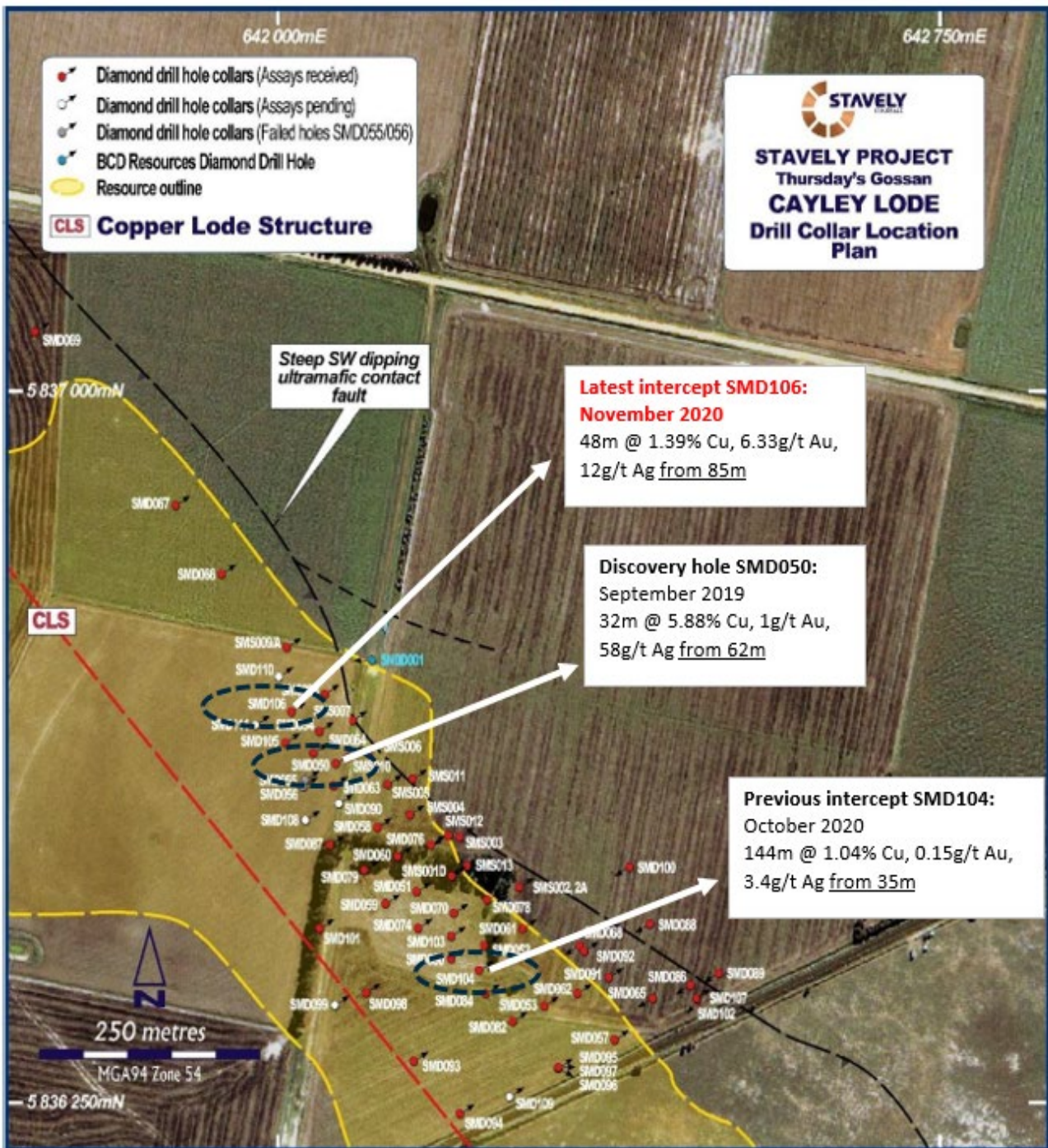
Source: Petra Capital

Figure 1: Drill hole SMD106 cross-section



Source: Company

Figure 2: Location of SMD106 relative to Sept. 2019's discovery hole SMD050, and last week's SMD104



Source: Company, Petra Capital



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