

30 November 2020

Stavelly Minerals Limited (SVY)

BUY Share Price: **A\$0.90**

Dr Copper shines for copper developer

Target Price: **A\$1.15**

At current LME spot prices of US\$7,239/t (US\$3.28/lb), copper is approaching price levels last seen in early 2014. The strength in the metal price comes at an opportune time for SVY, with infill and step-out drilling programs progressively delineating high-grade and shallow Cu-Au mineralisation at the Cayley Lode structure in SVY's "Stavelly Copper-Gold Project", 200km west of Melbourne (Vic). A Maiden Resource is scheduled for release in Mar. Q'21 with a Scoping Study following soon after. We believe the Cayley Lode offers a relatively quick and low-cost Phase-1 open pit development pathway, while parallel lodes at depth plus a likely porphyry offer longer term u/g potential. **Maintain BUY and PT of A\$1.15/sh (unchanged).**

Copper benefiting from metal specific factors

- Base metal prices have bounced back strongly after a COVID-19 induced sell-off in March. YTD price gains: Zn +19%, Cu +18%, Ni +14%, Sn +12%, Pb +6%.
- While base metal prices across the board are benefitting from expectations of an increase in global infrastructure spending (partly to kick-start economies impacted by the COVID-19 pandemic), recent copper price moves have also benefited from:
 - Political unrest in Peru – the world's no.2 producer behind Chile. With the 17 November swearing in of Francisco Sagasti, Peru has had its third head of state in two weeks.
 - China banning Australian imports of concentrate.
 - Shanghai International Energy Exchange (SHFE-linked) opening copper futures trading to overseas investors in mid-November for the first time.

Copper relative to gold, oil, equities

- Cu cheap vs gold: 1t of Cu currently buys 3.8oz Au (vs L/T average of 4.9oz Au) – Figures 1 & 2.
- Oil price depressed on travel constraints: 1t of Cu buys 170bbls oil (vs L/T average of 103bbls) – Figures 3 & 4.
- Cu cheap vs equities: 1t of Cu buys 2.0 units of the S&P500 Index (vs L/T average of 3.8x) – Figures 5 & 6.

TP up 15% in spot price environment

- Our base case TP of A\$1.15/sh is predicated on a flat Cu price of US\$3.00/lb. At spot prices (US\$3.28/lb), our TP increases by 15% to A\$1.32/sh.

Key Dates and Timeline

- Ongoing – Drill results from Cayley Lode.
- Mar. Q'21 – Maiden Mineral Resource (Cayley Lode).
- Mar. Q'21 – drill results from 1,500m porphyry holes.
- Jun. Q'21 – Scoping Study (Cayley Lode).

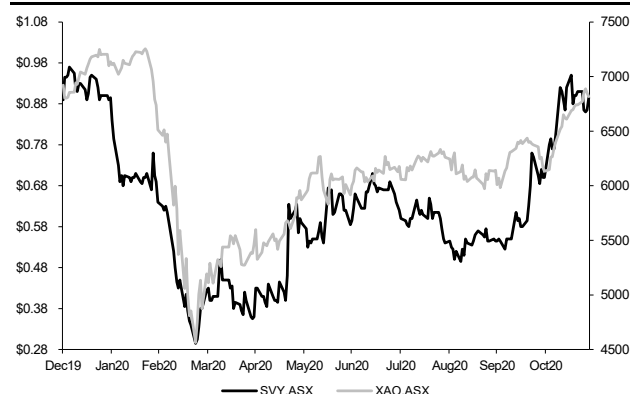
Company Data

Shares – ordinary (M)	261
Dilution (M)	6.8
Total (fully diluted) (M)	267.8
Market capitalisation (\$M)	233.6
12 month low/high (\$)	0.26/ 1.05
Average monthly turnover (\$M)	22.1
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	-6.1	-4.8	-4.9	25.1
EPS growth (%)	na	na	na	na	na
PER (x)	na	na	na	na	3.6
Op. Cashflow (\$M)	-12.4	-16.0	-16.1	-22.1	133.8
OCFPS (¢ps)	-6.0	-6.1	-4.9	-5.0	26.2
POCFPS (x)	na	na	na	na	3.4
Enterprise Value (\$M)	224.1	212.1	272.8	329.7	202.3
EV / EBITDA (x)	-ve	-ve	-ve	-ve	1.2
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

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Analysis

Stavely Minerals

Year End June

Share price (A\$)	0.90
Issued Shares (m)	261
Market Cap (A\$m)	233.6
Options/Rights/Escrowed (m)	6.8
Dilution (A\$170m at A\$0.70/sh)	243
Fully Diluted no. of Shares (m)	511

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)
EBITDA	(15.5)	(16.0)	(16.1)	(22.1)	168.8	167.9
D&A	0.0	0.0	0.0	0.0	(25.0)	(25.0)
Operating profit	(15.5)	(16.0)	(16.1)	(22.1)	143.8	142.9
NOI	0.1	0.0	0.0	0.0	0.0	0.0
EBIT	(15.4)	(16.0)	(16.1)	(22.1)	143.8	142.9
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
Reported NPAT	(15.3)	(15.8)	(15.6)	(21.9)	128.2	115.6
EPS Reported (A\$c)	(7.4)	(6.1)	(4.8)	(4.9)	25.1	22.6
DPS - Declared (A\$c)	0.0	0.0	0.0	0.0	0.0	0.0
Avg. shares (m)	207	261	325	446	511	511
YE shares (m)	250	268	382	511	511	511

Production	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
<i>Copper price (US\$/lb)</i>	-	2.99	3.00	3.00	3.00	3.00
<i>Gold price (US\$/oz)</i>	-	1,903	1,863	1,813	1,700	1,600
<i>Silver price (US\$/oz)</i>	-	22	18	18	18	17
<i>AUD:USD</i>	-	0.72	0.72	0.71	0.71	0.70
<i>Copper price (A\$/lb)</i>	-	4.16	4.20	4.23	4.26	4.29
Ore processed (Mt)						
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
Total	-	0.00	0.00	0.00	3.00	3.00
Copper (payable t produced)						
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
Total	-	0.00	0.00	0.00	34,061	34,061

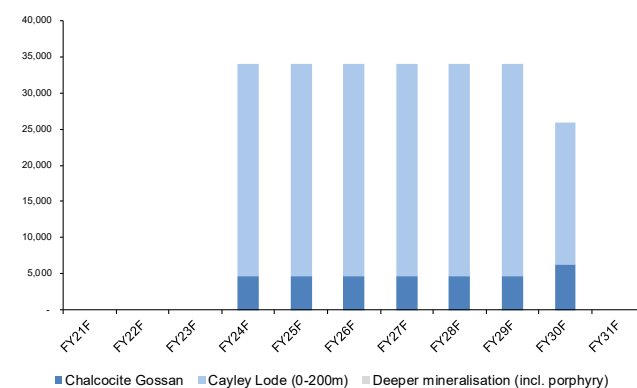
Cash Flow (A\$m)	FY20A	FY21F	FY22F	FY23F	FY24F	FY25F
EBITDA	(15.5)	(16.0)	(16.1)	(22.1)	168.8	167.9
Invest. In WC	3.1	0.0	0.0	0.0	(20.8)	(0.1)
Tax expense	0.0	0.0	0.0	0.0	(14.2)	(28.9)
Operating Cash Flow	(12.4)	(16.0)	(16.1)	(22.1)	133.8	138.9
Capex	0.0	0.0	(125.0)	(125.0)	(5.0)	(5.0)
Exploration	(1.2)	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(1.2)	0.0	(125.0)	(125.0)	(5.0)	(5.0)
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
Financing Cash Flow	20.1	28.0	130.4	140.2	(51.4)	(48.4)
Non-operating/Other	(0.8)	0.0	0.0	0.0	0.0	0.0
Inc/(Dec) in Cash	6.5	12.0	(10.6)	(6.9)	77.4	85.5

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)
Cash	-	-	-	-	1.63	1.67
Royalties & sustaining capital	-	-	-	-	0.17	0.17
AISC	-	-	-	-	1.80	1.84

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

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

Forecast production profile : Stavely Project Payable Cu (t)



Valuation	(A\$m)	(A\$/ps)
Stavely Project NPV	521	1.02
Exploration upside (u/g incl. porphyry) (nominal)	50	0.10
Stavely Project (total)	571	1.12
Other Projects (nominal)	15	0.03
Investments (TSX-V:NBR)	2.4	0.00
Corporate costs	(24)	(0.05)
Enterprise value	564	1.10
Net cash (debt) (FY21F)	21	0.04
Equity value	585	1.15

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
Total Assets	14.5	26.5	140.9	259.0	367.0	432.9
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
Total Liabilities & Equity	14.5	26.5	140.9	259.0	367.0	432.9

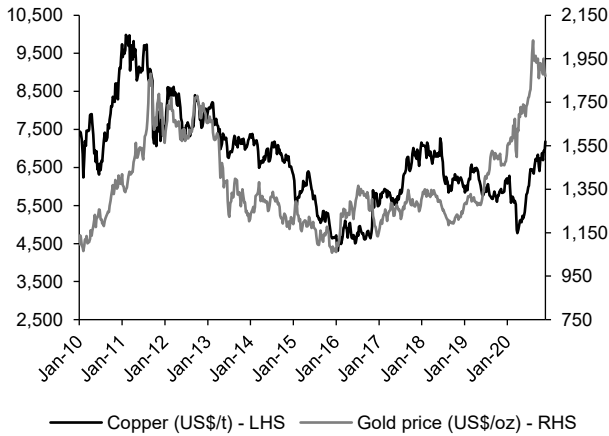
Major Shareholders -October 2020 (Source: Iress)

Greenstone Property Pty Ltd	4.2%	Savannah Jackson	1.2%
Roslyn Cairns	1.7%	Merian Global (UK)	1.0%
Julie Cairns	1.3%	Harle Mossman	0.9%

Source: Petra Capital

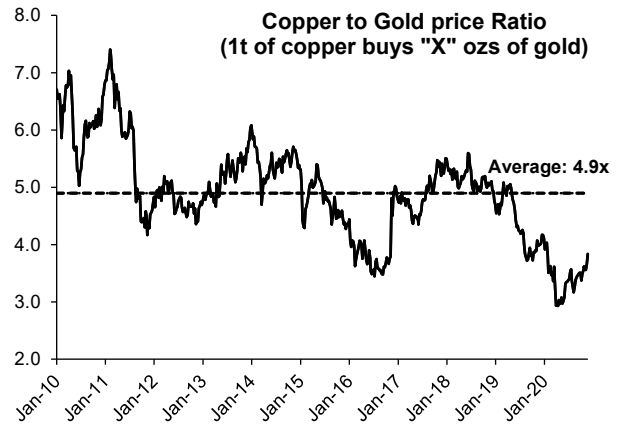


Figure 1: Copper vs Gold (Jan'10-Present)



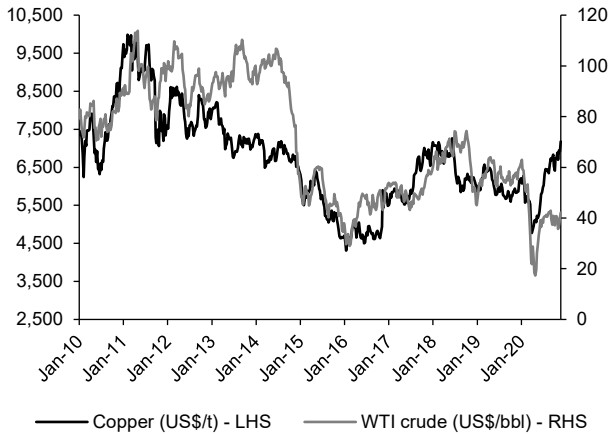
Source: Iress. Petra Capital

Figure 2: Copper / Gold ratio



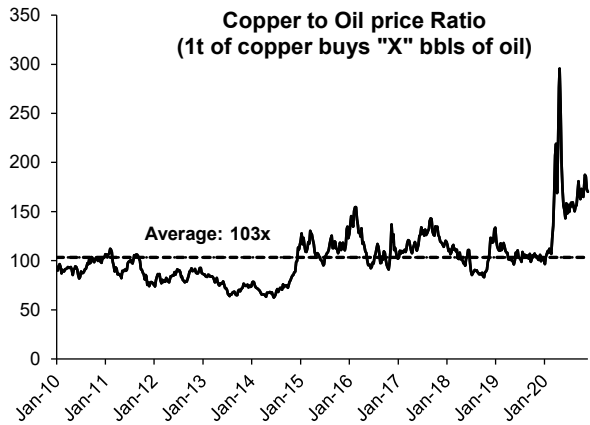
Source: Iress. Petra Capital

Figure 3: Copper vs Oil (Jan'10-Present)



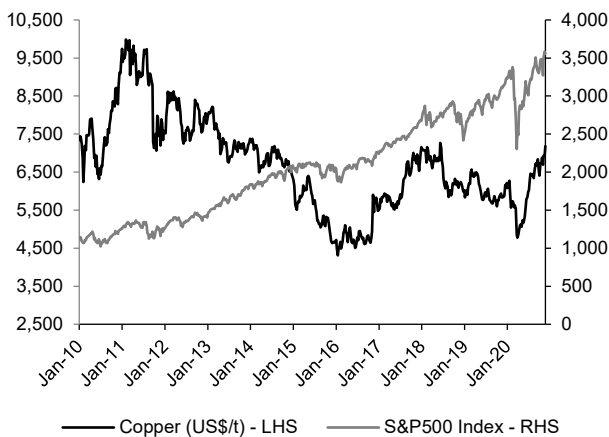
Source: Iress. Petra Capital

Figure 4: Copper / Oil ratio



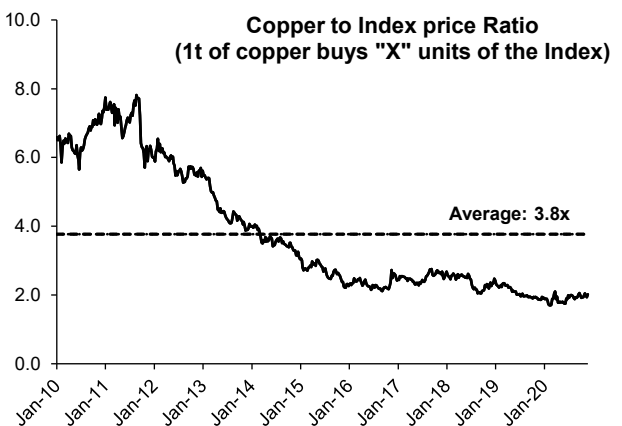
Source: Iress. Petra Capital

Figure 5: Copper vs S&P500 Index (Jan'10-Present)



Source: Iress. Petra Capital

Figure 6: Copper / S&P500 Index ratio



Source: Iress. Petra Capital



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