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Andrew Harrington  
aharrington@ccz.com.au  
+61 2 9238 8235

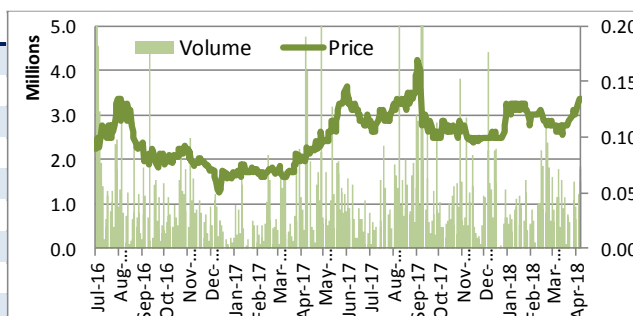
## Explaurum (EXU): New gold in the WA wheatbelt

Recommendation: Buy, Price Target \$0.20/share

Market cap: \$59m

Share price: \$0.125

| Year End Jun   | 2017A  | 2018f  | 2019f  | 2020f | 2021f |
|----------------|--------|--------|--------|-------|-------|
| Sales (\$m)    | 0.0    | 0.0    | 0.0    | 157.8 | 156.3 |
| EBITDA (\$m)   | (1.3)  | (3.2)  | (2.2)  | 82.6  | 80.8  |
| Adj NPAT (\$m) | (1.3)  | (3.2)  | (2.2)  | 56.3  | 39.1  |
| FPOs (#m)      | 348.3  | 472.7  | 790.5  | 790.5 | 790.5 |
| Adj EPS (cps)  | (0.38) | (0.69) | (0.28) | 7.13  | 4.95  |
| EPS Growth (%) |        | -8%    | 59%    | 2637% | -31%  |
| PER (x)        | (33.0) | (18.2) | (44.5) | 1.8   | 2.5   |
| EV/EBITDA (x)  | (42.3) | (16.4) | (23.9) | 0.6   | 0.7   |
| P/Book (x)     | 20.5   | 2.0    | 1.2    | 0.8   | 0.8   |



### Investment Thesis

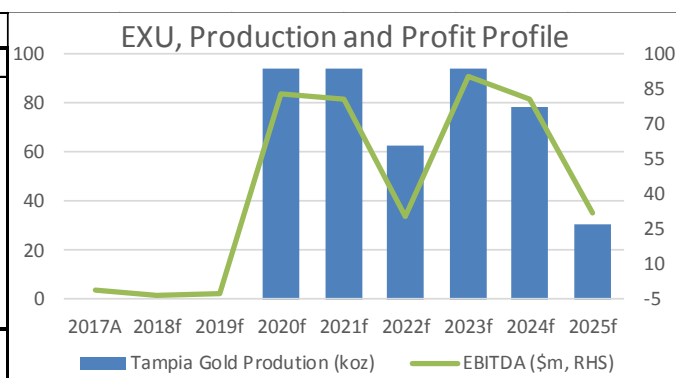
Explaurum (EXU) is on the cusp of its major development decision to build a new \$105m gold mine in the Wheatbelt of Western Australia. Although we are pre-empting the publication of its Feasibility Study for the Tampia Gold Project, we see a lot of valuation upside on the currently available information on Tampia alone. Including dilution, **we calculate that EXU is worth \$0.20 per share (\$156m)** using relatively conservative parameters (see Table 2) and only a 6-year minelife. Further, we believe there is potentially additional upside from the surrounding discoveries which have not yet been completely integrated into the existing mining envelope. The Upside Case we modelled extends the life of Tampia to 11 years, for an additional capex of \$25m and at a lower gold grade, which results in a valuation of \$0.27 per share (\$242m, see Table 6), more than double the current share price.

### Key Highlights

- There is plenty of newsflow to come in the next few months. EXU has announced that it aims to complete all of its **approvals by the middle of 2018, conclude its financing, and subsequently begin construction of a new mine in the second half of CY2018.**
- In the immediate future, and as confirmed by the latest Quarterly, we expect that **the Feasibility Study, an updated resources report, and crucially, a maiden Reserve report will be published shortly.**
- The region around Tampia has traditionally been under-explored because of the existing agriculture and the fame of the Kalgoorlie region farther west. This presents Explaurum with an opportunity to make some substantial discoveries, in addition to Tampia, and it is in the process of **drilling through two large gravity anomalies that are coincident with soil sampling** – the key geological insight to unlocking the gold zones in the region (see Figure 3).
- We view Gascoyne Resources (GCY) as a close peer. After publishing its PFS in March 2016, GCY had a market cap of \$66m, went on to complete its approvals, raise equity and debt (from NAB) totalling \$130m, and is now on the cusp of producing its first gold bar. GCY now sports a market cap of \$235m. EXU is on a very similar track.

*Disclaimer: CCZ Equities was a joint lead manager in the \$8m placement in February 2018*

| Explaurum Ltd                    |              | Share Price \$0.125 |  |
|----------------------------------|--------------|---------------------|--|
| Valuation                        | A\$m         | A\$/sh              |  |
| Tampia Gold Project              | 161.2        | 0.20                |  |
| Other Projects                   | 0.0          | 0.00                |  |
| Other Resources                  | 0.0          | 0.00                |  |
| Hedging/Assets                   | 0.0          | 0.00                |  |
| PV Corporate Overheads           | (13.1)       | (0.02)              |  |
| Unpaid Capital                   | 2.0          | 0.00                |  |
| Cash                             | 6.0          | 0.01                |  |
| Debt                             | 0.0          | 0.00                |  |
| <b>NAV Per Share Value (A\$)</b> | <b>156.2</b> | <b>0.20</b>         |  |
| <b>Price Target</b>              |              | <b>0.20</b>         |  |



## Year End June 30

| Commodity Assumptions  | 2017A | 2018f | 2019f | 2020f | 2021f | 2022f | 2023f | 2024f | 2025f |
|------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| A\$/US\$               | 0.75  | 0.78  | 0.77  | 0.76  | 0.75  | 0.75  | 0.75  | 0.75  | 0.75  |
| Gold Price (US\$/oz)   | 1260  | 1290  | 1270  | 1270  | 1250  | 1281  | 1313  | 1346  | 1380  |
| Silver Price (US\$/oz) | 18    | 17    | 17    | 17    | 15    | 15    | 16    | 16    | 17    |

| Production Summary                           | 2017A | 2018f | 2019f | 2020f | 2021f | 2022f | 2023f | 2024f | 2025f |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Attributable Saleable Gold Production</b> |       |       |       |       |       |       |       |       |       |
| Tampia Gold Production (koz)                 | 0     | 0     | 0     | 94.4  | 93.8  | 62.5  | 93.8  | 78.1  | 30.5  |
| Total Costs (A\$/oz)                         |       |       |       | 1,033 | 1,056 | 1,495 | 1,026 | 1,019 | 1,121 |
| Price Received (A\$/oz)                      |       |       |       | 1,671 | 1,667 | 1,708 | 1,751 | 1,795 | 1,840 |

| Profit & Loss (A\$m)    | 2017A        | 2018f        | 2019f        | 2020f       | 2021f       | 2022f       | 2023f       | 2024f       | 2025f       |
|-------------------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Sales Revenue</b>    | 0.0          | 0.0          | 0.0          | 157.8       | 156.3       | 106.8       | 164.2       | 140.2       | 56.1        |
| Other Income            | 0.1          | 0.1          | 0.1          | 0.1         | 2.6         | 4.0         | 5.8         | 7.2         | 7.2         |
| Operating Costs         | 0.0          | 0.0          | 0.0          | 71.2        | 74.0        | 76.4        | 73.6        | 61.6        | 27.5        |
| Exploration Exp.        | 0.0          | 2.0          | 1.0          | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Corporate/Admin         | 1.3          | 1.3          | 1.3          | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         |
| <b>EBITDA</b>           | <b>(1.3)</b> | <b>(3.2)</b> | <b>(2.2)</b> | <b>82.6</b> | <b>80.8</b> | <b>30.3</b> | <b>90.7</b> | <b>80.4</b> | <b>31.7</b> |
| Depn & Amort            | 0.0          | 0.0          | 0.0          | 20.4        | 20.3        | 13.5        | 20.3        | 16.9        | 6.6         |
| <b>EBIT</b>             | <b>(1.3)</b> | <b>(3.2)</b> | <b>(2.2)</b> | <b>62.2</b> | <b>60.5</b> | <b>16.8</b> | <b>70.4</b> | <b>63.5</b> | <b>25.1</b> |
| Net Interest            | 0.1          | 0.1          | 0.1          | (5.7)       | (2.0)       | 0.5         | 1.8         | 4.6         | 7.2         |
| <b>Operating Profit</b> | <b>(1.3)</b> | <b>(3.2)</b> | <b>(2.2)</b> | <b>56.3</b> | <b>55.9</b> | <b>13.3</b> | <b>68.1</b> | <b>62.3</b> | <b>25.1</b> |
| Tax expense             | 0.0          | 0.0          | 0.0          | 0.0         | 16.8        | 4.0         | 20.4        | 18.7        | 7.5         |
| Abnormals + Minorities  | 0.1          | 0.0          | 0.0          | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>NPAT</b>             | <b>(1.3)</b> | <b>(3.2)</b> | <b>(2.2)</b> | <b>56.3</b> | <b>39.1</b> | <b>9.3</b>  | <b>47.7</b> | <b>43.6</b> | <b>17.5</b> |

| Cash Flow (A\$m)           | 2017A        | 2018f         | 2019f         | 2020f        | 2021f        | 2022f        | 2023f        | 2024f        | 2025f       |
|----------------------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Total Revenue              | 0.1          | 0.1           | 0.1           | 157.8        | 158.9        | 110.8        | 168.3        | 146.0        | 63.2        |
| Oper, Corp, Other Expenses | 1.1          | 1.3           | 1.3           | 74.2         | 77.0         | 79.4         | 76.6         | 64.6         | 30.5        |
| Feasibility & Exploration  | 5.8          | 10.0          | 2.0           | 2.0          | 2.0          | 2.0          | 2.0          | 2.0          | 2.0         |
| Tax Expense                | (0.5)        | 0.0           | 0.0           | 0.0          | 16.8         | 4.0          | 20.4         | 18.7         | 7.5         |
| Interest Expense           | (0.1)        | 0.0           | 0.0           | 5.8          | 4.7          | 3.5          | 2.3          | 1.2          | 0.0         |
| <b>Operating Cashflow</b>  | <b>(6.3)</b> | <b>(11.2)</b> | <b>(3.2)</b>  | <b>75.8</b>  | <b>58.4</b>  | <b>21.8</b>  | <b>67.0</b>  | <b>59.6</b>  | <b>23.1</b> |
| Capex (- asset sales)      | (0.5)        | 0.0           | 94.5          | 1.8          | 1.8          | 1.8          | 1.8          | 1.8          | 0.0         |
| Investments, Loans         | 0.1          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| <b>Investing Cashflow</b>  | <b>0.4</b>   | <b>0.0</b>    | <b>(94.5)</b> | <b>(1.8)</b> | <b>(1.8)</b> | <b>(1.8)</b> | <b>(1.8)</b> | <b>(1.8)</b> | <b>0.0</b>  |
| - Dividends (ords & pref)  | 0.0          | 0.0           | 0.0           | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| + Equity raised            | 7.6          | 12.0          | 30.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         |
| + Debt drawdown (repaid)   | 0.0          | 0.0           | 67.5          | 5.4          | (14.6)       | (14.6)       | (14.6)       | (14.6)       | (14.6)      |
| <b>Net Change in Cash</b>  | <b>1.7</b>   | <b>0.8</b>    | <b>(0.2)</b>  | <b>79.4</b>  | <b>42.0</b>  | <b>5.5</b>   | <b>50.6</b>  | <b>43.2</b>  | <b>8.6</b>  |
| Cash at End Period         | 2.4          | 3.1           | 2.9           | 82.3         | 124.3        | 129.8        | 180.4        | 223.5        | 232.1       |
| Net Cash/(Debt)            | 2.4          | 3.1           | (64.6)        | 9.4          | 66.0         | 86.0         | 151.2        | 209.0        | 232.1       |

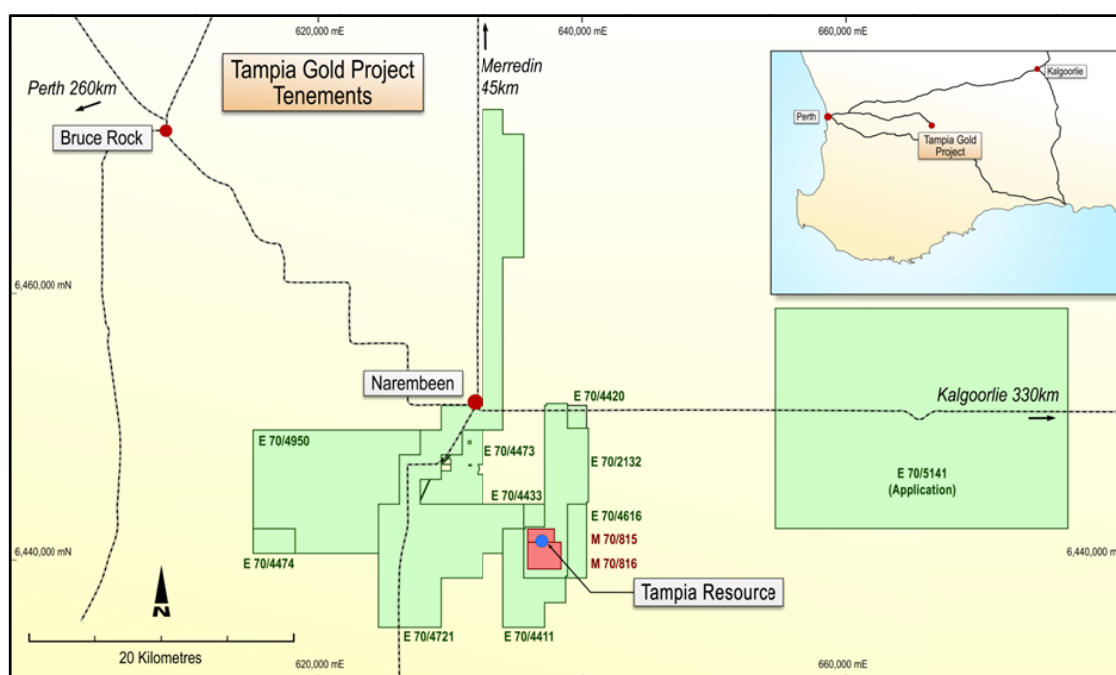
| Balance Sheet (A\$m) | 2017A | 2018f | 2019f | 2020f | 2021f | 2022f | 2023f | 2024f | 2025f |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Cash                 | 2.4   | 3.1   | 2.9   | 82.3  | 124.3 | 129.8 | 180.4 | 223.5 | 232.1 |
| Total Assets         | 13.3  | 21.7  | 117.0 | 210.3 | 235.1 | 220.2 | 264.7 | 289.3 | 275.8 |
| Total Debt           | 0.0   | 0.0   | 67.5  | 72.9  | 58.3  | 43.7  | 29.2  | 14.6  | 0.0   |
| Total Liabilities    | 1.4   | 1.1   | 68.6  | 105.5 | 91.2  | 67.0  | 63.9  | 44.8  | 13.7  |
| Shareholders Funds   | 11.9  | 20.7  | 48.4  | 104.8 | 143.9 | 153.2 | 200.9 | 244.5 | 262.1 |

## The Tampia Gold project

Explaurum Ltd (EXU) is developing the Tampia Gold Project (Tampia) in the southwest corner of Western Australia. Tampia is located 240km east of Perth in the wheatbelt of the state. EXU owns 90% of Tampia, which has existing gold resources of 695koz and a mining licence in place covering that current resource. The company has already completed a positive Scoping Study for a \$105m mine to produce a total of 500koz over 6 years and plans to begin construction in the second half of 2018. We discuss the project in more detail in sections below.

We recently conducted a site visit to Tampia (see photos in Figure 4) and were impressed by the level of activity at the project and the speed and quality of new information being accumulated. **EXU also owns 100% of a further seven exploration licences that surround Tampia**, (see Figure 1 below). EXU is currently drilling across its tenement package around the Tampia resource and, from the latest announcements, we believe that there is the potential for much more gold to be discovered. Even though our current valuation is already strong, additional resources would help to extend the life of the mine beyond 6 years, as originally proposed by the Scoping Study, generating much more value. Interestingly, EXU published an exciting announcement in mid-April highlighting that it has identified a supergene zone (an area of gold concentrated by rainfall) along the creekbed to the northwest of the planned Tampia mine.

Figure 1 : Tampia locality and tenement map in Western Australia



Source: EXU

## Base Case Valuation and Modelling

We have built a financial model of the Tampia Gold Project. The majority of the data for the model came from the published Scoping Study. However, some changes and adjustments based on our own experience were used where we have deemed appropriate.

The bottom line result is a project Net Present Value for Tampia (on EXU's 90% ownership basis) of \$161m. As set out in the Tables below (Table 1 and Table 2) the full Net Asset Value of the whole of EXU, including dilution for a forecast share issue in order to fund the gold mine construction is \$0.20 per share.

Table 1 : EXU Net Asset Value Per Share (fully diluted for Capex funding)

| Valuation                        | A\$m         | A\$/sh      |
|----------------------------------|--------------|-------------|
| Tampia Gold Project              | 161.2        | 0.20        |
| Other Projects                   | 0.0          | 0.00        |
| Other Resources                  | 0.0          | 0.00        |
| Hedging/Assets                   | 0.0          | 0.00        |
| PV Corporate Overheads           | (13.1)       | (0.02)      |
| Unpaid Capital                   | 2.0          | 0.00        |
| Cash                             | 6.0          | 0.01        |
| Debt                             | 0.0          | 0.00        |
| <b>NAV Per Share Value (A\$)</b> | <b>156.2</b> | <b>0.20</b> |
| <b>Price Target</b>              |              | <b>0.20</b> |

Source: CCZ

The key modelling parameters that we used for the valuation of Tampia are shown below. They are largely based on the published numbers from EXU with some important differences. Namely, we have used a discount rate of 10%, AUD equivalent gold price of \$1,667/oz, and 90% recoveries compared to EXU's published inputs of 8%, \$1,650, and 92% respectively. On our modelling the NPV of the mine (100% basis) is \$179m compared to \$181m as done by EXU.

Table 2 : Tampia Key Modelling Assumptions

| Model Parameter                            | CCZ Values | EXU Scoping Study Values |
|--|------------|--------------------------|
| Discount Rate (%)                          | 10%        | 8%                       |
| Long Term Gold Price (US\$/oz)             | 1,250      |                          |
| Long Term Gold Price (A\$/oz)              | 1,667      | 1,650                    |
| AUD/USD                                    | 0.75       |                          |
| Equity Raised (A\$m)                       | 30         |                          |
| Debt Raised (A\$m)                         | 75         |                          |
| Fully Diluted Shares (m)                   | 790.5      |                          |
| Life of Mine (years)                       | 6          | 6                        |
| Full Mill Feed Rate (Mtpa)                 | 1.5        | 1.5                      |
| Average Head Grade (g/t)                   | 2.1        | 2.1                      |
| Full Production Rate (kozpa)               | 104        | 104                      |
| Full Production begins (AFY)               | 2020       |                          |
| Total Capex (A\$m)                         | 105        | 105                      |
| Operating Costs (A\$/oz)                   | 850        | 870                      |
| Gold Recovery (%)                          | 90%        | 92%                      |
| <b>Net Present Value 100% basis (A\$m)</b> | <b>179</b> | <b>181</b>               |

Source: EXU, CCZ

As a crosscheck, if we run our model at 8% and \$1,650/oz as per the Scoping Study, our NPV rises to \$189m. All in all, there is a close correlation across the valuations conducted.

It is important to note that in order to fund the capital cost of the Tampia mine we have assumed the total sum of \$105m, which includes contingencies as per the EXU Scoping Study. This is paid for by a combination of debt and equity. The proportion is \$75m debt at 8% interest and \$30m in equity at say \$0.11 per share. For shareholders, the value created by the construction of the mine is partly offset by the dilution of the 268m new shares required to fund that development. Therefore, in our calculations on a per-share basis, the denominator is 790m shares. This includes the current EXU FPOs, exercised options, performance rights, and the forecast share issue required to fund capex.

## Base Case Sensitivities

We have tested the robustness of the project against the variables that are the most likely to have the biggest impact on the value of the mine. As can be seen below (see Table 3) the highest risk elements are the gold price and the head grade into the mill. Every 10 percentage point move in gold price in USD equates to over A\$40m in change in the project value, or a 26% change.

Table 3 : Tampia Valuation Sensitivities (90% ownership basis)

| Gold Price (US\$/oz) | Sens. | NPV   | Gold Grade (g/t) | Sens. | NPV   |
|----------------------|-------|-------|------------------|-------|-------|
| 875                  | 70%   | 35.7  | 1.5              | 70%   | 21.6  |
| 1000                 | 80%   | 77.5  | 1.7              | 80%   | 68.2  |
| 1125                 | 90%   | 119.4 | 1.9              | 90%   | 114.7 |
| 1250                 | 100%  | 161.2 | 2.1              | 100%  | 161.2 |
| 1375                 | 110%  | 203.1 | 2.3              | 110%  | 207.7 |
| 1500                 | 120%  | 244.9 | 2.5              | 120%  | 254.3 |
| 1625                 | 130%  | 286.7 | 2.7              | 130%  | 300.8 |

| O/C Mining Cost (A\$/t) | Sens. | NPV   | Discount Rate | Sens. | NPV   |
|-------------------------|-------|-------|---------------|-------|-------|
| 1.75                    | 70%   | 189.2 | 7%            | 70%   | 182.2 |
| 2.00                    | 80%   | 179.9 | 8%            | 80%   | 174.8 |
| 2.25                    | 90%   | 170.5 | 9%            | 90%   | 167.8 |
| 2.50                    | 100%  | 161.2 | 10%           | 100%  | 161.2 |
| 2.75                    | 110%  | 151.9 | 11%           | 110%  | 154.9 |
| 3.00                    | 120%  | 142.6 | 12%           | 120%  | 149.0 |
| 3.25                    | 130%  | 133.2 | 13%           | 130%  | 143.3 |

Source: CCZ

The stated Indicated Resource grade at Tampia is 1.94g/t but the Scoped head grade for processing is 2.1g/t and the valuation is even more sensitive to this variable. A 10 percentage point move equates to a change of over \$46m in valuation, or 29%.

Table 4 : EXU EBITDA Sensitivities to Gold Prices (\$m)

| FY        | 2020f | 2021f | 2022f | 2023f | 2024f | 2025f | Average |
|-----------|-------|-------|-------|-------|-------|-------|---------|
| Gold +10% | 90.2  | 96.3  | 41.3  | 107.6 | 95.3  | 38.7  | 78.2    |
| Base Case | 82.6  | 80.8  | 30.3  | 90.7  | 80.4  | 31.7  | 66.1    |
| Gold -10% | 75.1  | 65.4  | 19.3  | 73.9  | 65.5  | 24.7  | 54.0    |

Source: CCZ

In general, lower gold prices cause tighter margins, which means much higher sensitivities to movements in gold prices: each extra dollar has a stronger impact. High debt levels also magnify the leverage effect of additional profitability/loss of each extra dollar in gold revenue. Explaurum has good margins, even under our relatively conservative gold price forecast, with about 50% EBITDA margins. Though it currently carries no debt we have modelled that \$75m will be borrowed to fund the development of Tampia.

In terms of forecast NPAT, EXU is expected to report its first profits in FY20 at \$56m. Even though EBITDA peaks in 2023 there is a heavy Depreciation schedule, since the current mine plan only lasts 6 years, which limits the after tax profitability of EXU. In terms of sensitivity, a 10% move in gold prices is expected to cause a change of about \$9m in the average bottom line.

### Pathway to Production

Explaurum has already secured Mining Licences M 70/815 and M 70/816 over the ground that will contain the process plant, equipment, and the initial mining zone. The company has exploration permits covering a large surrounding area, which allows it to take a regional approach in its exploration programme and adds the potential for satellite operations to feed into the initial Tampia plant. As can be seen in Figure 3, EXU has a number of targets generated from the high correlation of gravity signatures with soil samples and the very recent discovery of the supergene zone running northwest from the Tampia resource.

The current gold resources owned by Explaurum are listed in Table 5. Out of the 695koz in total resources the Scoping Study Mine plan is only exploiting 503koz. Given the ongoing level of sampling and drilling activity by EXU, we expect that further gold increases and upgrades are on their way. Extending the life of the plant and equipment through additional gold discoveries is the key potential upside to our valuation.

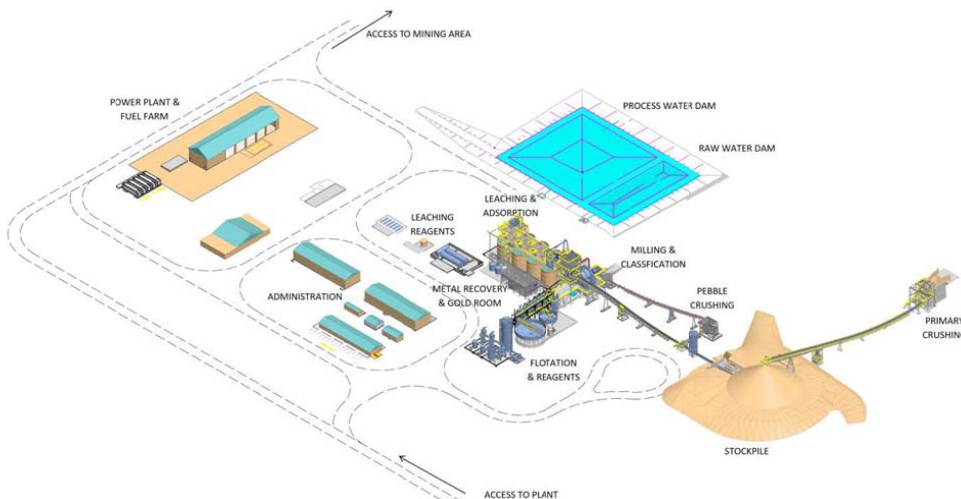
Table 5 : EXU Resources and Reserves Table (Tampia 100% basis)

| Project           | Meas.       | Indic.        | Inf.         | Total Resources | Prov.       | Prob.       | Total Reserves |
|-------------------|-------------|---------------|--------------|-----------------|-------------|-------------|----------------|
| Tampia            |             |               |              |                 |             |             |                |
| Mass (Mt)         | 0.000       | 9.948         | 1.370        | 11.318          | 0.000       | 0.000       | 0.000          |
| Grade (g/t)       | 0           | 1.94          | 1.70         | 1.91            |             |             |                |
| <b>Gold (koz)</b> | <b>0.00</b> | <b>620.48</b> | <b>74.88</b> | <b>695.36</b>   | <b>0.00</b> | <b>0.00</b> | <b>0.00</b>    |

Source: EXU

The process flowsheet from the Scoping Study is fairly standard for a gold mine (see Figure 2). There will be a single stage crushing, SAG grinding, gravity separation, flotation, ultra-fine grinding, and lastly, leaching through carbon-in-pulp (CIP).

Figure 2 : Tampia Process Design and Plant Layout (1.5Mtpa)

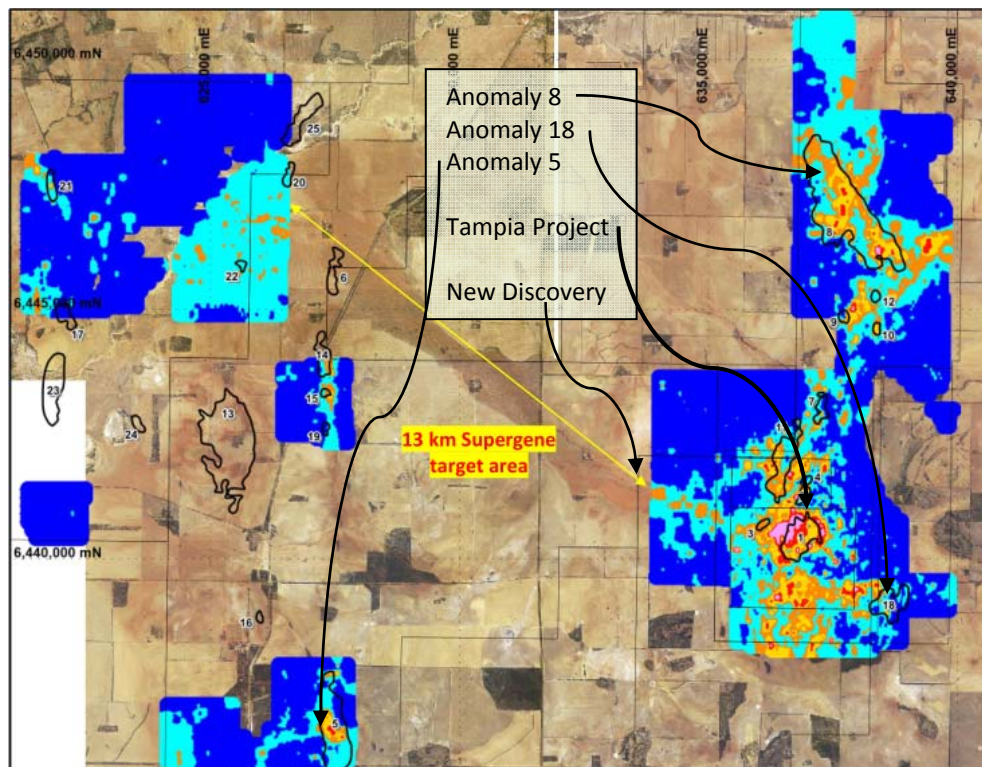


Source: EXU

A substantial input cost for the gold process plant is electricity. This is likely to become a focus for operating cost reductions in the upcoming Feasibility Study as onsite diesel generation is generally understood to be around \$200-250/MWh, while long term grid connections can be achieved for \$160-180/MWh. Emerging remote solar+diesel systems are now also understood to be competitive with grid connections in some circumstances.

The West Australian wheatbelt is an area that has been traditionally under-explored because of the broadacre agriculture in the region and the fame of the Kalgoorlie region farther west. This presents Explaurum with an opportunity to make some substantial discoveries but also means that land-holder negotiations are much more important than in the far less fertile regions of Western Australia. Also important and valuable for EXU is the fact that there is no Native Title in this region and all land is private freehold real estate. We believe that the company has secured land access agreements with more than three quarters of the local landholders encompassing the Tampia mine plan.

Figure 3 : EXU Gold Soil Anomalies and Coincident Gravity Anomalies (black outlines)



Source: EXU, CCZ

Using modern technologies and much more comprehensive sampling of the region, EXU has identified some very large targets. EXU's principle geological insight is the strong correlation between gold in soil samples and the gravity anomalies in this region (see Figure 3). The existing Tampia resource is located in the bright pink region in the southeast quadrant of Figure 3. The company is currently undertaking a substantial sample and drill programme on two attractive spots, Anomaly 8 and Anomaly 18. It has also recently announced the discovery of shallow gold zone that has been concentrated by rainfall (known as a supergene) along the creekbed running to the northwest of Tampia (the yellow line in Figure 3). To quote the company, this zone "is expected to provide additional gold resources to the project with early production potential."

The drill hits in the new supergene area are exciting. The grades range from 0.71-7.62g/t at depths of only 5-14m below surface. The two richest hits are 5m @ 7.62 g/t Au from 13m and 3m @ 4.71 g/t Au from 14m. These results are only within 500m from the Tampia resource and the new zone is expected to be up to 13km long and 50-100m wide. Not only is there the potential of the gravity anomalies, there is now potential for much more gold at shallow depths to be identified from this supergene zone.

The likelihood of additional resources has forced us to look at the total project value if the minelife of Tampia is extended. We discuss this in more detail as the Upside Case below.

Figure 4 : Diamond Drilling at Tampia

Arsenopyrite in Core



Source: CCZ

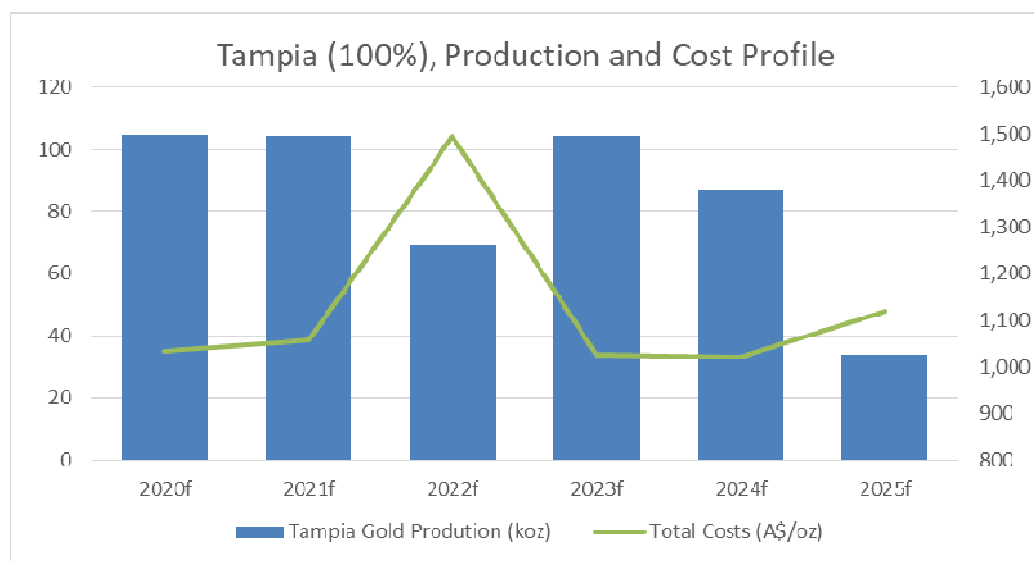
West Australia is widely recognised to be one of the best mining jurisdictions in the world, not just for its natural endowment but for the clarity and speed of the approval process in the State. The sequence of events for WA government approvals required by EXU is: a) the completion of the Feasibility Study, b) submitting a Mine Plan, c) a Mine Closure Plan, and d) a Water Licence. During this process EXU also needs to complete its Heritage Survey. The company has announced that it aims to complete all of these approvals by the middle of 2018. That is only a few months away.

EXU then plans to quickly finalise a debt financing package. In order to accelerate the process the company has already opened a data room for financiers, and some of the current resource definition drilling is for the satisfaction of bankability status. EXU is hoping to secure debt funding for up to 80% of the capital cost. **Note, we have assumed in our modelling only 70% debt funding.**

The aim is to begin construction in the second half of 2018 and achieve first production 12 months later. Mintrex has completed a Scoping Study for EXU outlining a small project at Tampia near the town of Narembeen in West Australia. The Study shows that with only a 1.5Mtpa Mill, a 6yr LoM, and a Capex of \$105m, Tampia will produce about 90kozpa for a total of 500koz at a AISC cost of A\$890/oz resulting in an NPV \$180m (pre-tax and at 8%). We have used the published Mintrex Study inputs as the foundation of our modelling and we have timed first production for FY2020, i.e., approximately 12 months after construction begins. CCZ's production and total cost forecast is shown in Figure 5. The large spike in costs in 2022 is due to the mining of lower grade ore, which is expected to bottom out at 1.5g/t head grade into the mill and then quickly improve in the following 2 years of mining.



Figure 5 : Tampia Gold Production and Total Costs



Source: CCZ

### The Upside Case: Longer Minelife from Additional Resources

Even though the valuation based on the current mine plan provides plenty of uplift from the present market cap of EXU of \$66m to \$158m, we believe that the biggest potential upside will be from the addition of more gold ounces to the resource inventory. This will flow into the existing plant and equipment at little additional cost but provide for a much longer minelife.

Table 6 : Tampia Upside Scenario: 5yr longer minelife

| Model Parameter                    | CCZ Base Case | CCZ Upside Scenario |
|------------------------------------|---------------|---------------------|
| Discount Rate (%)                  | 10%           | 10%                 |
| Long Term Gold Price (US\$/oz)     | 1,250         | 1,250               |
| Long Term Gold Price (A\$/oz)      | 1,667         | 1,667               |
| AUD/USD                            | 0.75          | 0.75                |
| Equity Raised (A\$m)               | 30            | 0                   |
| Debt Raised (A\$m)                 | 75            | 0                   |
| Fully Diluted Shares (m)           | 790.5         | 790.5               |
| Life of Mine (years)               | 6             | 5 (add.)            |
| Full Mill Feed Rate (Mtpa)         | 1.5           | 1.5                 |
| Average Head Grade (g/t)           | 2.1           | 1.9                 |
| Full Production Rate (kozpa)       | 104           | 78                  |
| Full Production begins (AFY)       | 2020          | 2026                |
| Total Capex (A\$m)                 | 105           | 25 (add.)           |
| Total Ounces (koz)                 | 503           | 390 (add.)          |
| Operating Costs (A\$/oz)           | 850           | 940 (yrs 7-11)      |
| Gold Recovery (%)                  | 90%           | 90%                 |
| <b>Total NPV 100% basis (A\$m)</b> | <b>179</b>    | <b>242</b>          |
| <b>Per share NAV (\$)</b>          | <b>0.20</b>   | <b>0.27</b>         |

Source: CCZ

We have run a scenario with an additional 7.5Mt (at 7:1 strip ratio) running through the Tampia mill at 1.9g/t for a capital cost of \$25m. This is in effect adding 3/4 to the existing indicated resources and producing 390koz over a further 5 years. All other parameters are held constant. The net effect is to

increase the NPV of Tampia (100% basis) \$179m to \$242m. This increase is also proportionally reflected in the per share valuation as the additional capital cost will come from accumulated funds, not from more issued equity. In this scenario, NAV per share grows from \$0.20 to \$0.27, or over 100% upside from the current share price.

## Peer Comparison with Gascoyne Resources

As a handy comparison to its peers we have tabled the key metrics of Gascoyne Resources (GCY) alongside EXU (see Table 7). As can be seen, they share many attributes and are very close peers in terms of resource, scale, cost, and timing. After publishing its PFS in March 2016, GCY had a market cap of \$66m, went on to complete its approvals, raise equity and debt (from NAB) totalling \$130m, and is now on the cusp of producing its first gold bar. GCY now sports a market cap of \$235m. Interestingly GCY has also hedged 18 months' worth of gold production at a notional value of \$280m. This is a well-trodden pathway to production which EXU will now seek to emulate.

Table 7 : Close Peer Comparison EXU v GCY

| Peer Comparison                    | Explaurum (EXU)                | Gascoyne (GCY)              |
|------------------------------------|--------------------------------|-----------------------------|
| As of                              | 3rd November 2017              | 31st March 2016             |
| Market Cap                         | \$45m (394m @ 11.5c)           | \$66m (206m @ 32c)          |
| Project (ownership)                | Tampia Hill (90%)              | Dalgaranga (80%)            |
| Announcement                       | SCOPING STUDY                  | PRE-FEASIBILITY             |
| Gold price at time of PFS/Scoping  | US\$1265/oz (77c) - A\$1642/oz | US\$1260 (75c) - A\$1680/oz |
| Mining Inventory                   | 502koz (8.1Mt @ 2.1g/t)        | 547koz (12Mt @ 1.4g/t)      |
| Measured & Indicated Resource      | 695koz                         | 707koz                      |
| Mill Capacity                      | 1.5Mtpa                        | 2.5Mtpa                     |
| Capex                              | \$95m                          | \$74m (increased to \$95m)  |
| Recovery                           | 92-95%                         | 95%                         |
| Strip Ratio                        | 6.4:1                          | 7.0:1                       |
| Production Rate                    | 100kozpa (yr 1&2) 94kozpa      | 125kozpa (yr 1) 104kozpa    |
| AISC (A\$/oz)                      | \$888/oz                       | \$913/oz                    |
| NPV8 pre tax (100%)                | \$181                          | \$193m                      |
| IRR                                | 64%                            | 90%                         |
| Equity Raised Post PFS/Scoping     | \$8.3m                         | \$71m (\$21+\$55m)          |
| Debt Raised                        | 0                              | \$60m                       |
| Hedging                            | 0                              | 164koz (~\$280m)            |
| Months to First Gold Pour          | 15                             | 1                           |
| <b>Market Cap as of April 2018</b> | <b>\$64m</b>                   | <b>\$235m</b>               |

Source: EXU, GCY, CCZ

## EXU Capital Structure

Explaurum has 472.7m Fully Paid Ordinary shares and 30.9m options @ 3c, 7c, and 9.7c expiring between August 2018 and November 2020. Note that all of these are In-the-Money and total an additional \$2.0m in potential equity capital. EXU recently completed a A\$8.3m raising @ \$0.105 in Feb-2018. As at the last Quarterly, the company reports \$6.0m in cash and it holds no debt.

EXU has issued 11.4m Performance Rights expiring 10-Nov-20 at three tranches of 10 day VWAP levels of 25c, 35c, and 45c. There are a further 7.6m Performance Rights expiring 16-Mar-21 with the same three tranches of 10 day VWAP levels of 25c, 35c, and 45c.

Table 8 : EXU Capital Structure and Unpaid Capital Available

| Capital Structure         |            |             | Share Price |     | Unpaid Capital |  |
|---------------------------|------------|-------------|-------------|-----|----------------|--|
| Number of Shares          | #m         | 472.7       | > 3c        | \$m | 0.3            |  |
| Options/Rights            | #m         | 49.9        | > 7c        | \$m | 1.3            |  |
| <b>Market Cap @ 0.125</b> | <b>\$m</b> | <b>59.1</b> | > 10c       | \$m | 2.0            |  |
| Cash Est.                 | \$m        | 6.0         | > \$0.15    | \$m | 2.0            |  |
| Debt                      | \$m        | 0.0         |             |     |                |  |
| <b>Enterprise Value</b>   | <b>\$m</b> | <b>53.1</b> |             |     |                |  |

Source: EXU, CCZ

The top shareholders are shown in Table 9 below.

Table 9 : EXU Top 5 Shareholders

| Top Shareholders                          | #m           | %            |
|---|--------------|--------------|
| WEST TRADE ENTERPRISES PTY LTD            | 30.4         | 6.4%         |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 29.1         | 6.2%         |
| MISTY GRANGE PTY LTD                      | 18.3         | 3.9%         |
| MR TERRY GALLAGHER                        | 16.0         | 3.4%         |
| MR KEIRAN JAMES SLEE                      | 15.7         | 3.3%         |
| <b>Top 5</b>                              | <b>109.5</b> | <b>23.2%</b> |
| <b>Top 20</b>                             | <b>202.5</b> | <b>42.8%</b> |

Source: EXU, CCZ

## Board and Management

### Chris Baker (Non-Exec Chairman)

Has a background as a metallurgist and his experience includes technical, operational and managing roles in the mining sector including gold, uranium, tungsten, titanium and coal. Current positions include: CEO of Straterra Inc.; Chairman of the Coal Association of New Zealand; Chairman of MinEx, the New Zealand mineral sector Health and Safety Council; Chairman of RSC Mining and Mineral Exploration Ltd. He was formerly a non-executive Director and then Chairman of ASX listed company Auzex Resources Limited (September 2005 to April 2012). Has a Bachelor of Science (Hons) in Mineral Technology and an MBA, both from Otago University, is a Fellow of the Australasian Institute of Mining and Metallurgy, and is a member of the Institute of Directors (NZ).

### John Lawton (MD and CEO)

Was the founder of the Auzex group of mining companies and is a geologist with 40 years industry experience in mineral exploration, project development, operations and corporate management, including 20 years in management of ASX-listed gold mining and exploration companies. Auzex acquired and developed the Bullabulling gold deposit near Coolgardie in the Eastern Goldfields of Western Australia. Was a co-founder and executive director of gold miner Ross Mining NL from 1986 to merger in 2000, developing and operating seven low grade open-cut gold mines in central Queensland, New South Wales and Solomon Islands. Has a bachelor of Science in Applied Geology and is a member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

**Stephen Stroud (Non-Executive Director)**

Has experience across all aspects of Corporate Finance & Equity Capital Markets. Has advised many clients on a variety of Capital Markets and M&A transactions both in Australia and overseas. Is currently Director, Corporate Finance for CCZ Equities

**Dr Greg Partington (GM Operations)**

Has over 35 years experience in the exploration industry in Australia, Pacific Islands and Melanesia. Worked as the exploration manager for Northern Gold, General Manager, exploration for Ross Mining NL, and Operations Director for Auzex Resources Limited where he has been responsible for the discovery and feasibility studies for the development of more than 10Moz of gold for the three companies. Has 15 years experience in developing earth science GIS databases for use in exploration targeting and resource development.

**Paul Frederiks (CFO and CoSec)**

Held the position of Company Secretary and CFO of Ross Mining NL for over eight years until 2000. Established his own consultancy in 2000 providing company financial and secretarial services to both listed and unlisted public companies. He was Company Secretary of Billabong International Limited from 2000 to 2004. Was formerly CFO and Company Secretary of the listed companies Geodynamics Limited (2002 to 2012), Auzex Resources Limited (2005 to 2012) and Discovery Metals Limited (2012 to 2014). Is a fellow of CPA Australia, the Australian Institute of Company Directors and the Governance Institute of Australia. Was formerly a QLD branch councillor of Chartered Secretaries Australia and Chairman of the QLD Public Company Discussion Group. Is currently also CFO and Company Secretary of Juwi Renewable Energy Pty Ltd, Omni Market Tide Limited, and Director / Company Secretary of Fort Vale Australia Pty Ltd.

**Risks**

We view the main risks for the Tampia project as being the aggressive timeline set by the company to achieve first production. Being located in Western Australia is a big positive to securing fast approvals. Any delays in approvals or financing will likely hurt the share price of the EXU but does not in reality impact on the long term valuation of the project.

As outlined in our sensitivity tables, gold grade is a key risk to achieving profitable operation. An element that is common to unsuccessful mines is reconciling resource grade, head grade into the mill, and final gold production. Lower head grade has an oversize impact on operating cost. This is something that EXU needs to watch closely and unfortunately, is difficult to uncover until operations have begun.

Other risks for miners are commodity prices and currency fluctuations. These can impact greatly on the earnings of exporters but they tend to move in sympathy with each other and offset the impact. Explaurum has no gold or foreign currency hedging but will carry risks from operating in AUD and selling in USD but reporting in AUD.

Estimation Risk: CCZ's DCF valuation is based on assumptions which are primarily driven by the recently concluded Scoping Study, and our best estimates. It is important to note that some of the estimates provided by EXU are yet to be subject of a BFS and are therefore at risk of material change.

|                                     |   |              |                        |
|-------------------------------------|---|--------------|------------------------|
| Contact List                        |   |              |                        |
| CCZ Statton Equities                |   |              |                        |
| <i>Institutional Research</i>       |   |              |                        |
| Raju Ahmed                          | Building Materials, Technology, Emerging Companies, Engineers & Contractors | 02 9238 8237 | rahmed@ccz.com.au      |
| Roger Colman                        | Media & Internet  | 02 9238 8222 | rcolman@ccz.com.au     |
| Andrew Harrington                   | Resources   | 02 9238 8235 | aharrington@ccz.com.au |
| Ian Munro                           | Industrials   | 03 8605 7902 | imunro@ccz.com.au      |
| Sam Ranson                          | Research Assistant  | 03 8605 7903 | sranson@ccz.com.au     |
| <i>Institutional Research Sales</i> |   |              |                        |
| Ian Cameron                         | Research Sales  | 02 9238 8224 | icameron@ccz.com.au    |
| Charles Caskey                      | Research Sales  | 02 9238 8230 | ccaskey@ccz.com.au     |
| David Hofman                        | Director - Research Sales   | 02 9238 8225 | dhofman@ccz.com.au     |
| Michael Pegum                       | Research Sales  | 02 9238 8232 | mpegum@ccz.com.au      |
| John Peisley                        | Senior Stockbroker  | 02 9238 8227 | jpeisley@ccz.com.au    |
| Adrian Scott                        | Institutional Sales Trading   | 02 9238 8231 | ascott@ccz.com.au      |
| John Zemek                          | Research Sales  | 02 9238 8226 | jzemek@ccz.com.au      |
| <i>Administration</i>               |   |              |                        |
| Jo-Anne Elliott                     | Office Manager  | 02 9238 8223 | jelliott@ccz.com.au    |
| <i>Retail</i>                       |   |              |                        |
| Todd Payne                          | Director - Private Client Advisor   | 02 9232 7655 | tpayne@ccz.com.au      |
| Geoff Travers                       | Director - Private Client Advisor   | 02 9232 7655 | gtravers@ccz.com.au    |
| Cameron Williams                    | Private Client Advisor  | 02 9232 7655 | cwilliams@ccz.com.au   |
| Brian Chung                         | Retail DTR  | 02 9232 7655 | bchung@ccz.com.au      |
| Eric Cheung                         | Retail Dealer Assistant   | 02 9232 7655 | echeung@ccz.com.au     |
| <i>CCZ Corporate Finance</i>        |   |              |                        |
| Ian Cameron                         | Head of Corporate Finance - Sydney  | 02 9238 8238 | icameron@ccz.com.au    |
| Stephen Stroud                      | Director, Corporate Finance – Melbourne                                     | 03 8605 7905 | sstroud@ccz.com.au     |
| <i>Address</i>                      |   |              |                        |
| Sydney                              | Level 24, 9 Castlereagh Street  | 02 9238 8238 | ccz@ccz.com.au         |
| Melbourne                           | Level 4, 410 Collins Street   | 03 8605 7901 |                        |

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