

31 July 2018

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Explaurum Ltd (EXU)

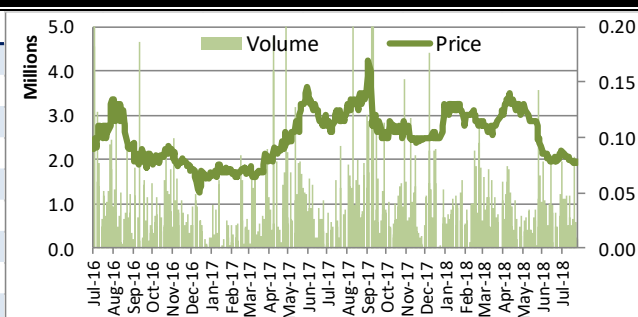
Mace (supergene) resources by September

Recommendation: Buy, Price Target \$0.14/share (no change)

Market cap: \$37m

Share price: **\$0.078**

Year End Jun	2017A	2018f	2019f	2020f	2021f
Sales (\$m)	0.0	0.0	0.0	0.0	145.8
EBITDA (\$m)	(1.3)	(3.2)	(2.2)	(4.8)	61.5
Adj NPAT (\$m)	(1.3)	(3.2)	(2.2)	(4.8)	32.3
FPOs (#m)	348.3	472.7	790.8	790.8	790.8
Adj EPS (cps)	(0.38)	(0.69)	(0.28)	(0.60)	4.08
EPS Growth (%)		-81%	59%	-115%	776%
PER (x)	(20.6)	(11.4)	(27.8)	(12.9)	1.9
EV/EBITDA (x)	(26.8)	(10.3)	(15.1)	(7.0)	0.5
P/Book (x)	12.8	1.3	2.7	1.1	0.7



June Quarter 2018 Report Highlights

- Explaurum (EXU) has reported its Quarterly for June 2018. The key new information is the announcement by the company that the new supergene discovery, named Mace, will have a maiden JORC Resource by the end of this quarter. There is some increased detail on the Mace deposit; now delineated as 650m by 50m, averaging 5m thick from only 8m below surface and grading on average 5g/t (uncut at this stage). Underway is the 3,500m of infill (and extensional) drilling to further define the scale of Mace, with an additional 500m targeted.
- Note that so far this only reflects about 1km out of the 13km of soil anomalies that begin immediately adjacent to Tampia and extend to the west of the planned openpit. On a back-of-envelope estimate, there is about 50koz here, but the crucial point regarding Mace is that this is low strip-ratio, high-grade ore that would supercharge the economics of Tampia in the first year of production.
- We have done a quick scenario running only 2/3 of that ore estimate through the planned mill and it equates to a ~\$20m increase in NPV, from \$114m for EXU's 90% share.
- Regarding the, as yet unnamed, Anomaly 8, EXU reports that recent RC drilling has shown a gold footprint five time larger than Tampia. However the intersections appear lower grade and deeper than Tampia. A further 4,000m RC drill programme is planned and the assays from the recent diamond holes are expected to be completed in the next two months.
- Regarding Tampia, EXU reports that the BFS is due by October 2018 with subsequent funding, approvals, and FID by the Board targeted for December 2018.
- Current cash is \$3.4m and planned spending is \$1.7m. We can foresee that following success at Mace and with FID for Tampia nearing, additional capital is likely needed before the end of 2018.

Investment Thesis

- Tampia alone is still a nice small-scale gold project but with the continuing success of the current drill programme, in particular Mace, the upside from new higher grade resources is increasing in likelihood. This would both improve the upfront economics and potentially add to the minelife of the project, greatly enhancing the valuation. We retain our price Target at \$0.14 per share.

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

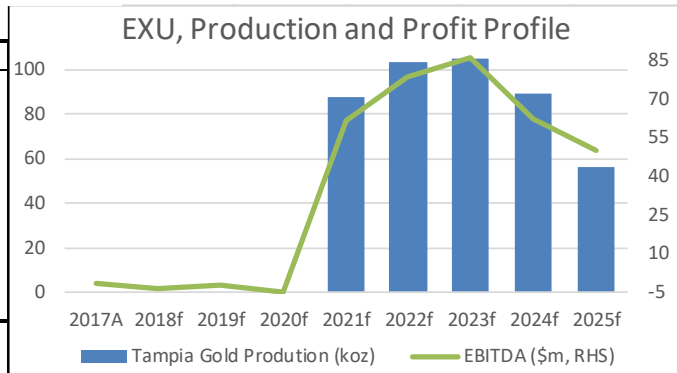
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Explaurum Ltd

Share Price \$0.078

Valuation	A\$m	A\$/sh
Tampia Gold Project	114.3	0.14
Other Projects	0.0	0.00
Other Resources	0.0	0.00
Hedging/Assets	0.0	0.00
PV Corporate Overheads	(14.2)	(0.02)
Unpaid Capital	1.2	0.00
Cash	3.4	0.00
Debt	0.0	0.00
NAV Per Share Value (A\$)	104.7	0.13
Price Target		0.14



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
Attributable Saleable Gold Production									
Tampia Gold Production (koz)	0	0	0	0	88	103	105	89	56
Total Costs (A\$/oz)				1,138.65	1,250.74	1,229.40	1,219.88	1,383.56	1,246.13
Price Received (A\$/oz)				1,671.05	1,666.67	1,708.33	1,751.04	1,794.82	1,839.69

Profit & Loss (A\$m)	2017A	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Sales Revenue	0.0	0.0	0.0	0.0	145.8	176.2	184.7	159.9	103.5
Other Income	0.1	0.1	0.1	(0.8)	(0.1)	1.7	2.8	4.3	5.2
Operating Costs	0.0	0.0	0.0	0.0	80.2	95.0	97.6	97.8	54.4
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
EBITDA	(1.3)	(3.2)	(2.2)	(4.8)	61.5	78.9	85.9	62.4	50.3
Depn & Amort	0.0	0.0	0.0	0.0	22.2	26.2	26.8	22.6	14.3
EBIT	(1.3)	(3.2)	(2.2)	(4.8)	39.3	52.7	59.1	39.7	36.0
Net Interest	0.1	0.1	0.1	(0.8)	(7.1)	(3.9)	(1.4)	1.5	3.8
Operating Profit	(1.3)	(3.2)	(2.2)	(4.8)	32.3	47.1	54.9	36.9	34.6
Tax expense	0.0	0.0	0.0	0.0	0.0	14.1	16.5	11.1	10.4
Abnormals + Minorities	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT	(1.3)	(3.2)	(2.2)	(4.8)	32.3	33.0	38.4	25.8	24.2

Cash Flow (A\$m)	2017A	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Total Revenue	0.1	0.1	0.1	(0.8)	145.7	177.9	187.5	164.2	108.7
Oper, Corp, Other Expenses	1.1	1.3	1.3	3.0	83.2	98.0	100.6	100.8	57.4
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	0.0	14.1	16.5	11.1	10.4
Interest Expense	(0.1)	0.0	0.0	0.0	7.0	5.6	4.2	2.8	1.4
Operating Cashflow	(6.3)	(11.2)	(3.2)	(5.8)	53.5	58.2	64.2	47.5	37.5
Capex (- asset sales)	(0.5)	0.0	54.0	54.9	3.3	4.7	1.3	0.9	0.0
Investments, Loans	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investing Cashflow	0.4	0.0	(54.0)	(54.9)	(3.3)	(4.7)	(1.3)	(0.9)	0.0
- 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	0.0	81.0	6.5	(17.5)	(17.5)	(17.5)	(17.5)
Net Change in Cash	1.7	0.8	(27.2)	20.3	56.7	36.0	45.5	29.1	20.0
Cash at End Period	2.4	3.1	(24.1)	(3.8)	52.9	88.9	134.4	163.5	183.5
Net Cash/(Debt)	2.4	3.1	(24.1)	(84.8)	(34.6)	18.9	81.9	128.5	166.0

Balance Sheet (A\$m)	2017A	2018f	2019f	2020f	2021f	2022f	2023f	2024f	2025f
Cash	2.4	3.1	-24.1	-3.8	52.9	88.9	134.4	163.5	183.5
Total Assets	13.3	217	49.5	125.6	193.6	215.5	238.4	242.0	237.7
Total Debt	0.0	0.0	0.0	81.0	87.5	70.0	52.5	35.0	17.5
Total Liabilities	14	11	11	819	117.7	106.6	91.1	68.9	40.3
Shareholders Funds	119	20.7	48.4	43.7	75.9	108.9	147.3	173.2	197.4

Disclosures and Disclaimers:

Disclosures (Yes/No)	Personal Holdings	Family Holdings	Investment Banking	Other Conflicts
Analyst: Andrew Harrington	Yes/No	Yes/No		
Head of Research: John Zemek	Yes/No	Yes/No		
Company: CCZ Equities	Yes/No		Yes/No	Yes/No

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To the best of my knowledge, I am not in receipt of inside information and the research does not contain inside information.

Signed:



Name of Analyst: Andrew Harrington

The views and opinions expressed in this report are those of the research analyst and have not been influenced by the corporate advisory team, the subject company(s) or their other advisors.

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