

Ticker: BNCH CN	Net cash: C\$6m	Project: Lawyers
Market cap: C\$146m	Price: C\$1.23/sh	Country: Canada, BC
RECOMMENDATION (unc): BUY	TARGET PRICE(up): C\$2.20/sh	RISK RATING: SPECULATIVE

Metallurgical results from Lawyers averaged a remarkable 95% gold and 82% for silver, well ahead of our modelled 90% and 77%, respectively. This comes from a vanilla grind and float-leach circuit, benefitting from some gravity pre-treatment. In general this is no surprise given the ore body was mined historically with good recoveries reported at the time. However, with the new model being lower grade pit ore vs. historic mining of high-grade, there was some risk that a high 'fixed tail' (unrecoverable metal in tail) could lower recovery on a lower grade operation, hence our conservative forecasting. Thus the key take-home today is that the very low tail-grade supports excellent recoveries not just for medium grades, but all the way down to <1g/t material, a great result and strong beat of our forecast. With commercial recoveries typically lagging lab-scale results, we lift our estimates from 90% and 77% to 92% and 80% for gold and silver, respectively. This takes our 1xNAV_{5%-1850-24} from C\$729m to C\$779 or C\$5.28/sh. We maintain our BUY rating and lift our 0.4xNAV_{5%-1850-24} PT from C\$2.10/sh to C\$2.20/sh. With the stock trading at just 0.2xNAV_{spot}, we expect the 1H21 maiden resource, and drilling this summer ahead of that, to drive continued momentum for Benchmark.

Early Benchmark metallurgy data beats SCP estimates

Leach and flotation recoveries for the Lawyers project averaged 95% for gold and 82% for silver (86% for 6/8 samples). Results are from Cliff Creek (five), AGB (two) and Duke's Ridge (one sample), and result from combined float and leach, with a variety of grades analysed. Leach reagent consumption was 0.7kg/t lime for a pH of ~10.5 while cyanide consumption was <2.6g/t across sample with 32-48 hours retention and P₈₀ of 74-106µm. Finer grind and longer retention benefitted high grade samples. Flotation without a regrind was undertaken with a P₈₀ of 74µm. Duke's Ridge and AGB showed lower more variable results given their lower sulphide contents. The company also flagged that higher grade samples benefitted from gravity pre-treatment and could require a regrind.

Table 1: (A) Leaching test results and (B) flotation test results

Leaching	Feed		Recovery		Flotation	Feed		Recovery	
	Au (g/t)	Ag (g/t)	Au	Ag		Au (g/t)	Ag (g/t)	Au	Ag
Cliff Creek 1	2.13	86.6	94.7%	82.6%	Cliff Creek 1	2.31	90.1	96.6%	91.9%
Cliff Creek 2	0.73	38.4	90.5%	84.4%	Cliff Creek 2	0.77	40.9	92.2%	89.6%
Cliff Creek 3	0.6	51.6	93.4%	92.2%	Cliff Creek 3	0.58	51.8	98.9%	97.2%
Cliff Creek 4	0.89	14.4	94.7%	77.1%	Cliff Creek 4	1.03	17.6	96.3%	88.6%
Cliff Creek 5	3.04	132	97.8%	93.2%	Cliff Creek 5	Testing in progress			
AGB 1	2.48	165	96.2%	80.6%	AGB 1	2.53	168	85.6%	73.7%
AGB 2	1.35	44.1	98.0%	59.2%	AGB 2	0.97	42	85.4%	38.9%
Duke's Ridge 1	1.11	34.7	94.3%	85.6%	Duke's Ridge 1	1.07	37.4	86.9%	81.6%

Source: Benchmark

Our view

Today's results are the first step in de-risking what was perhaps the biggest unknown at Lawyers, metallurgy, and show that there is **no fixed-tail grade** with good recoveries of high- and low-grade samples. Overall the results are well ahead of our modelled 90% gold recovery and 77% silver recovery. In more detail, (i) Cliff Creek, the biggest resource, trumps our estimates across the board whether leaching or flotation is used; (ii) Duke's Ridge was well ahead of our forecast, while (iii) AGB was variable, but even low end figures of 38% flotation plus 59% from tailings leach gives a combined 75% silver

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recovery (59% leach recovery x 62% tailings + 38% recovered from float = 75%) in line with our model. While more testing across the deposits is still necessary, we feel that today's results are sufficient to justify a small increase in our estimated recoveries from 90% to 92% for gold and 77% to 80% for silver. Table 2 considers silver recovery at a fixed 87% of gold-equivalent recovery.

Table 2: Lawyers NPV sensitivity to recovery

NPV5 (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Au recovery: 85%	542	612	682	752	822
Au recovery: 90%	639	713	787	861	936
Au recovery: 92%	678	754	829	905	981
Au recovery: 95%	736	814	893	971	1,049

*Project level NPV, excl finance costs and central SGA, discounted to build start

Source: SCP estimates

Recommendation: maintain BUY rating, lift PT from C\$2.10 to C\$2.20/sh

We model Benchmark on a DCF basis with 1.8Moz produced over ten years at a head grade of ~1.5g/t AuEq, and forecast C\$360m capex. We lift our gold recovery from 90% to 92% and silver recovery from 77% to 80% takes our Lawyers NPV_{5%-1850} from C\$703m to C\$754m. As such, we maintain our BUY rating and lift our 0.4xNAV_{5%-1850-24} PT from C\$2.10/sh to C\$2.20/sh. At the current C\$1.23/sh, we estimate Benchmark is trading at just 0.2xNAV_{5%-1950-26}.

Why we like Benchmark Metals

1. Overlooked 'low' grade (~2g/t AuEq) halos around old >10g/t veins
2. Overlooked stock given pre-resource status
3. SCPe >2Moz pitable, with high silver credits for further upside
4. Regional exploration almost untouched
5. Historical and early stage metallurgy shows strong recoveries

Catalysts

- 2H20: Drill results from CY20 drill programme
- 2H20: Completion of 40-50,000m initial drilling
- 4Q20: Potential lift toward 100,000m of drilling, results dependent
- 1H21: Maiden NI 43-101 resource
- 2H21: PEA
- 2Q22: SCPe build start
- 2Q24: SCPe first pour

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Ticker: BNCH CN	Price / mkt cap: C\$1.23/sh, C\$146m	Project PNAV today: 0.23x	Asset: Lawyers
Author: Brock Salier/Chris Tor	Rec / 1xNAV PT: BUY, C\$2.22/sh	1xNAV_{1Q21} FF FD: C\$4.27/sh	Country: Canada: BC

Commodity price	FY19A	FY20E	FY21E	FY22E	FY23E
Gold price	1,850	1,850	1,850	1,850	1,850

SOTP project valuation*

	C\$m	O/ship	NAVx	C\$/sh
Ungearred proj. @ build start (1Q22)	754	100%	0.40x	2.04
SCP cash 1Q20	6	100%	1.00x	0.04
Cash from options	10	100%	1.00x	0.07
Silver Pond and Marmot	10	100%	1.00x	0.07
Asset NAV5% C\$1850/oz	779			2.22

*Shares diluted for options but not mine build Market P/NAV5% 2Q20 0.23x

Asset value: 1xNPV project @ build start (C\$m, ungearred)*

Project NPV (C\$m)*	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
10.0% discount	506	568	630	691	753
7.5% discount	586	654	722	790	858
5.0% discount	678	754	829	905	981
Ungearred project IRR:	23%	29%	34%	39%	43%

Project NPV (C\$m)*

	1.23g/t	1.43g/t	1.63g/t	1.83g/t	2.03g/t
Min Inventory 41Mt	295	524	754	983	1,213
Min Inventory 45Mt	336	585	833	1,081	1,329
Min Inventory 50Mt	384	653	923	1,192	1,461

NPV5 (C\$m)*

	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
Au recovery: 85%	542	612	682	752	822
Au recovery: 90%	639	713	787	861	936
Au recovery: 92%	678	754	829	905	981
Au recovery: 95%	736	814	893	971	1,049

*Project level NPV, excl finance costs and central SGA, discounted to build start

Group valuation over time'

	3Q20	3Q21	3Q22	3Q23	3Q24
Lawyers mine (C\$m)	687	722	811	1,045	1,208
Silver Pond and Marmot (C\$m)	10	10	10	10	10
Group G&A and finance (C\$m)	(87)	(74)	(67)	(66)	(59)
Net cash prior qtr (C\$m)	10	8	94	(92)	(226)
Cash from options (C\$m)	10	10	10	10	10
NAV FF FD (C\$m)	630	677	858	907	942
FD shares in issue (m)	148	148	226	226	226
1xNAV5%/sh FF FD (C\$/sh)	4.27	4.58	3.79	4.01	4.17
Equity ROI from spot (% pa)	273%	112%	81%	63%	

Gearred company NAV diluted for mine build, net G&A and finance costs

2Q24 1xNAV FF FD (C\$/sh)^	\$1750oz	\$1850oz	\$1950oz	\$2050oz	\$2150oz
10.0% discount	2.98	3.41	3.84	4.28	4.72
7.5% discount	3.31	3.77	4.23	4.69	5.16
5.0% discount	3.68	4.17	4.66	5.16	5.66
Gearred project IRR:	19%	25%	30%	35%	39%

2Q24 1xNAV FF FD (C\$/sh)^

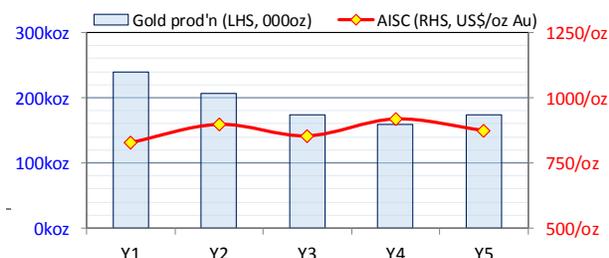
	1.2g/t	1.4g/t	1.6g/t	1.8g/t	2.0g/t
Min Inventory 41Mt	434	688	942	1,197	1,451
Min Inventory 45Mt	479	754	1,029	1,304	1,579
Min Inventory 50Mt	530	828	1,127	1,425	1,723

^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity

Production

	Y1	Y2	Y3	Y4	Y5
Gold eq production (000oz)	239	207	174	159	173
C1 cost (US\$/oz)	785	847	792	853	813
AISC cost (US\$/oz)	827	898	853	920	875

AISC = C1 + ug sustaining capex, Y1 = 12M to Feb 2025



Source: SCP estimates

SCPe Mining inventory	Tonnes	Au (g/t)	Ag (g/t)	UEq (g/t)	Eq (koz)
CC inventory	28.00Mt	1.1g/t	29.3g/t	1.5g/t	1369koz
AGB inventory	4.38Mt	1.8g/t	47.3g/t	2.5g/t	345koz
DR inventory	8.20Mt	0.9g/t	22.8g/t	1.2g/t	312koz

Funding: uses

	C\$m	Funding: sources	C\$m
Mine build capex	C\$360m	Pe 1Q20 cash + options cash*	C\$20m
SCPe G&A to 1st Au	C\$11m	Raise to fund DFS @ spot	C\$15m
SCPe pre-production expl'n	C\$18m	Mine debt @ 60% gearing	C\$231m
SCPe finance costs + wkg cap	C\$21m	Mine build equity at 0.4xNAV	C\$140m
Total uses	C\$409m	Total proceeds	C\$406m

*Cash from options expiring pre first pour

Share data

	Basic	FD	D with build
Basic shares (m)	118.6	147.6	226.1

Ratio analysis (yr to Feb)

	FY19A	FY20E	FY21E	FY22E	FY23E
Average shares out (m)	71.9	122.4	130.8	207.4	218.3

EPS (C\$/sh) - - - - -

CFPS (C\$/sh) - - - - -

EV (C\$m) 78.5 138.3 161.3 300.2 511.5

FCF yield (%) - - - - -

PER (x) - - - - -

P/CF (x) - - - - -

EV/EBITDA (x) - - - - -

Income statement (yr to Feb)

	FY19A	FY20E	FY21E	FY22E	FY23E
Net revenue (C\$m)	-	-	-	-	-
COGS (C\$m)	-	-	-	-	-

Gross profit (C\$m)

D&A, attrib (C\$m)	-	-	-	-	-
Admin (C\$m)	2.3	2.7	2.7	4.5	4.5
Expensed exploration (C\$m)	1.8	-	-	-	-
Finance cost (C\$m)	-	-	-	0.6	14.1
Royalty (C\$m)	-	-	-	-	-
Forex, other (C\$m)	(0.3)	-	-	-	-
Taxes (C\$m)	-	-	-	-	-

Net income (C\$m) (3.8) (2.7) (2.7) (5.1) (18.6)

Cash flow (yr to Feb)

	FY19A	FY20E	FY21E	FY22E	FY23E
EBIT (C\$m)	(3.8)	(2.7)	(2.7)	(4.5)	(4.5)
Add back D&A (C\$m)	-	-	-	-	-
Less tax + net interest (C\$m)	-	-	-	0.6	14.1
Net change in wkg cap (C\$m)	0.5	-	-	-	0.2
Add back other non-cash (C\$m)	1.7	0.5	0.5	1.1	14.6

Cash flow ops (C\$m) (1.7) (2.2) (2.2) (4.0) (3.8)

PP&E - build + sust. (C\$m) (0.5) - - (180.0) (180.0)

PP&E - expl'n (C\$m) (5.1) (10.5) (10.5) - -

Cash flow inv. (C\$m) (5.7) (10.5) (10.5) (180.0) (180.0)

Share issue (C\$m) 14.4 15.0 - 140.0 -

Proceeds from warrants (C\$m) 2.7 - - - -

Debt draw (repay) (C\$m) - - - 29.9 201.3

Cash flow fin. (C\$m) 17.1 15.0 - 169.9 201.3

Net change in cash (C\$m) 9.8 2.3 (12.7) (14.1) 17.4

EBITDA (C\$m) (2.1) (3.8) (2.7) (2.7) (5.1)

Balance sheet (yr to Feb)

	FY19A	FY20E	FY21E	FY22E	FY23E
Cash (C\$m)	10.2	12.5	(0.3)	(14.3)	3.1
Acc rec., inv, prepaid (C\$m)	0.2	0.3	0.3	0.3	0.1
PP&E + other (C\$m)	12.8	23.3	33.8	213.8	393.8

Total assets (C\$m) 23 36 34 200 397

Debt (C\$m) 0.2 0.2 0.2 30.7 246.1

Accounts payable (C\$m) 0.1 0.1 0.1 0.1 -

Others (C\$m) 1.1 1.1 1.1 1.1 1.1

Total liabilities (C\$m) 1.4 1.4 1.4 31.9 247.2

Sh'hlds equity + wrnts (C\$m) 30.4 45.9 46.4 187.0 187.5

Retained earnings + rsvs (C\$m) (8.6) (11.3) (14.0) (19.2) (37.8)

Liabilities + equity (C\$m) 23 36 34 200 397

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BUY:	19
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SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL:	19

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