

Ticker: BNCH CN
Market cap: C\$212m

Net cash: C\$43m
Price: C\$1.35/sh

Project: Lawyers
Country: Canada, BC

RECOMMEND. (unc): BUY

TARGET (up): C\$2.55/sh

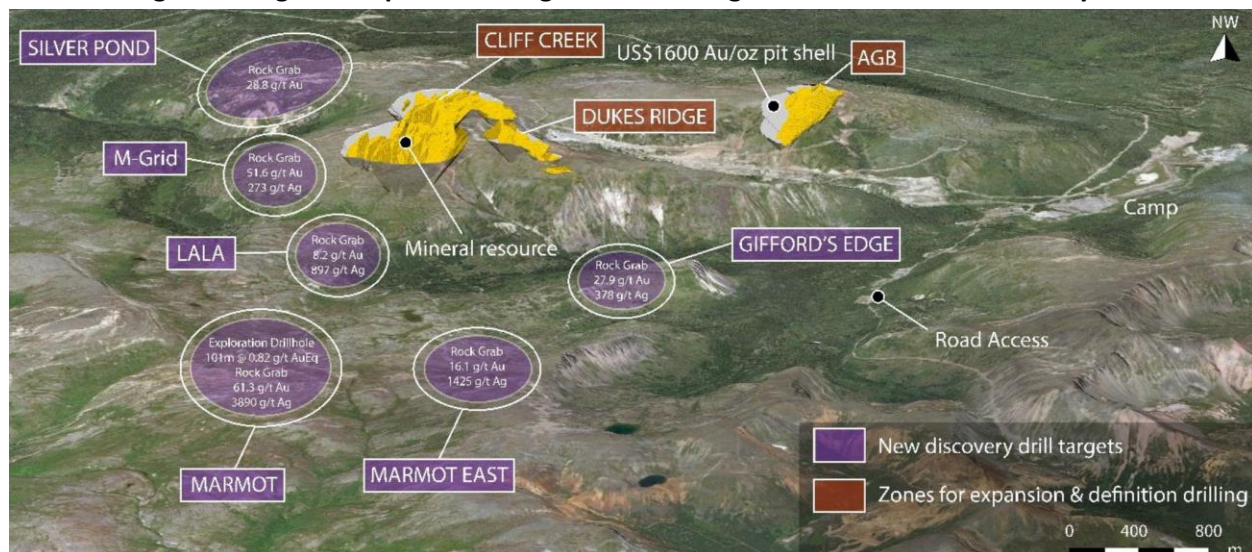
RISK RATING (down): HIGH

Ordinarily drill-start isn't that material a catalyst, but we see it as timely as the recent drop in share price since the MRE release does not, in our view, reflect the upside, so is a great opportunity for investors willing to ignore the lemmings and have self-conviction. We think the maiden MRE was stellar; a beat on our estimate, able to underpin a +200koz pa story deserved of a valuation approaching or topping a billion once production, not the least given the 25% silver. After a site visit and detail reviews, the post MRE profit-taking should be seen as an opportunity for conviction investors able to get involved early before the inevitable increase from current two covering analysts to more with 100,000m of drilling upcoming. Today's update should remind people that the 3Moz @ 1.7g/t AuEq still remains the tip of the iceberg from the 50,000m of drilling to date on no less than six near-mine targets, all of which have seen 15-82g/t rock chips, with only five regional holes already hitting 101m @ 0.8g/t AuEq at Marmot. The 3-5Moz potential, if realized, would make this more like a \$1.5bn asset valuation than \$1bn, hence a recent drop in market cap from ~C\$250m to ~C\$210m offers substantial upside. **We maintain our BUY rating and C\$2.55/sh PT based on 0.6xNAV5%¹⁸⁵⁰⁻²⁴ for a 2Moz @ 1.7g/t AuEq open-pit averaging >200koz pa in Y1-5 at 4Mtpa, with only a nominal C\$20m for regional targets such as Silver Pond / Marmot.**

3Moz @ 1.7g/t not enough? PEA plus C\$32m cash for 100,000m planned drilling will fix that

Benchmark's exploration update today sees crews head to site ahead of the fully-funded 50,000m of CY21 expansion and definition drilling alongside another 50,000m of discovery-drilling at Marmot, Marmot East, Lala, Gifford Edge, M-Grid and Silver Pond (Figure 1).

Figure 1: Regional exploration targets and existing resources to be drilled this year



Source: Benchmark

Why we like Benchmark Metals

- 3Moz @ 1.68g/t AuEq with vanilla metallurgy and open-pit mining
- Potential 150-200koz pa base-case production before near-mine ounce growth
- Limited sell-side coverage on this 'overlooked' name with only two brokers on Bloomberg
- Regional exploration almost untouched; 100m @ 0.8g/t points to large ounce upside
- High grade UG potential at Cliffs Creek; 4m @ >1opt results 425m below surface

Catalysts

- 2Q21: Assays from 100,000m drilling, split 50/50 infill / extension and discovery
- 3Q21: Maiden PEA
- CY22: SCPe PFS

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Ticker: BNCH CN		Price / mkt cap: C\$1.35/sh, C\$212n					Project PNAV today: 0.35x		Asset: Lawyers				
Author: Brock Salier		Rec / 0.6xNAV P1 BUY, C\$2.55/sh					1xNAV _{1Q21} FF FD: C\$3.09/sh		Country: Canada: BC				
Commodity price		FY19A	FY20E	FY21E	FY22E	FY23E	SCPe Mining inventory		Tonnes	AuEq (g/t)	AuEq (koz)	Ag (%)	M&I (%)
Gold price		1,850	1,850	1,850	1,850	1,850	OP: M&I plus inferred		54.94Mt	1.57g/t	2,766koz	29%	78%
Share data		Basic	FD	FF FD with build			UG M&I plus inferred		1.57Mt	5.72g/t	288koz	32%	17%
Basic shares (m)		156.8	202.8	264.4			SCP inventory		51.37Mt	1.43g/t	2,355koz	29%	-
SOTP project valuation*							Funding: uses		Funding: sources				
		C\$m	O/ship	NAVx	C\$/sh		Mine build capex		C\$360m	NovQ20 cash + options cash		C\$51m	
Ungeared proj. @ build start		707	100%	0.60x	2.09		SCPe G&A to 1st Au		C\$12m	Mine debt @ 60% gearing		C\$223m	
NovQ 20 cash		41	100%	1.00x	0.20		SCPe pre-production expl'n		C\$20m	Mine build equity at 0.6xNAV		C\$142m	
Cash from options		10	100%	1.00x	0.05		SCPe fin costs + wkg cap		C\$21m	Total proceeds		C\$416m	
UG ore @ US\$100/oz		22	100%	1.00x	0.11		Total uses		C\$413m	Buffer		C\$3m	
Nom. explo @ peer mkt cap		20	100%	1.00x	0.10		Ratio analysis (yr to Feb)		FY19A	FY20E	FY21E	FY22E	FY23E
Asset NAV5% C\$1850/oz		800				2.55	Average shares out (m)		71.9	129.7	156.2	227.0	237.1
*Diluted for options but not build		Market P/NAV5% ₁₈₅₀ : 0.35x					EPS (C\$/sh)		-	-	-	-	-
Asset value: 1xNPV project @ build start (C\$m, ungeared)*							CFPS (C\$/sh)		-	-	-	-	-
Project NPV (C\$m)*		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	EV (C\$m)		87.1	139.8	193.3	331.5	546.9
10.0% discount		471	530	588	646	705	FCF yield (%)		-	-	-	-	-
7.5% discount		551	617	684	750	816	P/CF (x)		-	-	-	-	-
5.0% discount		648	724	800	876	952	EV/EBITDA (x)		-	-	-	-	-
Ungeared project IRR:		23%	29%	29%	33%	37%	Income statement (yr to Feb)		FY19A	FY20E	FY21E	FY22E	FY23E
Project NPV (C\$m)*		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Net revenue (C\$m)		-	-	-	-	-
10.0% discount		1.58	1.75	1.92	2.10	2.27	COGS (C\$m)		-	-	-	-	-
7.5% discount		1.81	2.01	2.21	2.40	2.60	Gross profit (C\$m)		-	-	-	-	-
5.0% discount		2.10	2.33	2.55	2.77	3.00	D&A, attrib (C\$m)		-	-	-	-	-
*Project ex fin. costs and central SGA, discn't to build start							Admin (C\$m)		2.3	4.7	4.4	5.6	5.6
Group valuation over time		2Q21	2Q22	2Q23	2Q24	2Q25	Expensed exploration (C\$m)		1.8	0.0	-	-	-
Lawyers mine (C\$m)		668	707	937	1,171	992	Finance cost (C\$m)		-	(0.1)	-	0.6	13.5
Silver Pond and Marmot (C\$m)		10	10	10	10	10	Royalty (C\$m)		-	-	-	-	-
Group G&A and finance (C\$m)		(87)	(72)	(72)	(70)	(52)	Forex, other (C\$m)		(0.3)	(2.8)	-	-	-
Net cash prior qtr (C\$m)		36	18	(25)	(227)	(28)	Taxes (C\$m)		-	-	-	-	-
Cash from options (C\$m)		-	-	-	-	-	Net income (C\$m)		(3.8)	(1.7)	(4.4)	(6.2)	(19.1)
NAV FF FD (C\$m)		627	662	851	884	923	Cash flow (yr to Feb)		FY19A	FY20E	FY21E	FY22E	FY23E
FD shares in issue (m)		203	203	264	264	264	EBIT (C\$m)		(3.8)	(1.9)	(4.4)	(5.6)	(5.6)
1xNAV5%/sh FF FD (C\$/sh)		3.09	3.26	3.22	3.34	3.49	Add back D&A (C\$m)		-	-	-	-	-
Equity ROI from spot (% pa)		142%	78%	57%	46%		Less tax + net interest (C\$m)		-	(0.1)	-	0.6	13.5
Geared company NAV diluted for mine build, net G&A and finance cos							Net change in wkg cap (C\$m)		0.5	3.2	-	-	(4.2)
2Q25 1xNAV FF FD (C\$/m)^		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Add other non-cash (C\$m)		1.7	(0.4)	1.6	2.2	15.1
10.0% discount		653	728	803	878	953	Cash flow ops (C\$m)		(1.7)	1.1	(2.8)	(4.0)	(8.2)
7.5% discount		697	777	858	938	1,018	PP&E - build + sust. (C\$m)		(0.5)	(0.1)	-	(180.0)	(180.0)
5.0% discount		749	836	923	1,009	1,096	PP&E - expl'n (C\$m)		(5.1)	(25.1)	(15.0)	-	-
Geared project IRR:		19%	25%	25%	29%	33%	Cash flow inv. (C\$m)		(5.7)	(25.2)	(15.0)	(180.0)	(180.0)
2Q25 1xNAV FF FD (C\$/sh)^		\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Share issue (C\$m)		14.4	47.4	-	142.0	-
10.0% discount		2.11	2.45	2.79	3.14	3.49	Proceeds from warrants (C\$m)		2.7	2.1	-	-	-
7.5% discount		2.38	2.75	3.12	3.49	3.87	Debt draw (repay) (C\$m)		-	-	-	28.8	193.9
5.0% discount		2.68	3.08	3.49	3.90	4.31	Cash flow fin. (C\$m)		17.1	49.5	-	170.8	193.9
^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity							Net change in cash (C\$m)		9.8	25.4	(17.8)	(13.2)	5.7
Production		Y1	Y2	Y3	Y4	Y5	EBITDA (C\$m)		(2.1)	(3.8)	(1.9)	(4.4)	(6.2)
Gold eq production (000oz)		205	213	201	147	146	Balance sheet (yr to Feb)		FY19A	FY20E	FY21E	FY22E	FY23E
C1 cost (US\$/oz)		570	629	676	966	1,016	Cash (C\$m)		10.2	35.5	17.7	4.5	10.3
AISC cost (US\$/oz)		608	670	720	1,027	1,075	Acc rec., inv, prepaid (C\$m)		0.2	1.1	1.1	1.1	1.1
AISC = C1 + ug sustaining capex, Y1 = 2025							PP&E + other (C\$m)		12.8	38.1	53.1	233.1	413.1
Legend: Gold prod'n (LHS, 000oz) — AISC (RHS, US\$/oz Au)							Total assets (C\$m)		23	75	72	239	424
300koz							Debt (C\$m)		0.2	0.2	0.2	29.6	237.0
200koz							Accounts payable (C\$m)		0.1	4.2	4.2	4.2	-
100koz							Others (C\$m)		1.1	3.2	3.2	3.2	3.2
0koz							Total liabilities (C\$m)		1.4	7.6	7.6	36.9	240.2
Y1							Sh'hlds equity + wrnts (C\$m)		30.4	77.5	79.1	222.7	224.3
Y2							Retained earn'gs + rsvs (C\$m)		(8.6)	(10.3)	(14.7)	(20.9)	(40.0)
Y3							Liabilities + equity (C\$m)		23	75	72	239	424
Y4													
Y5													

Source: SCP estimates

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TENDER:	0
NOT RATED:	0
TOTAL	41

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