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<b>Ticker:</b> NCAU CN	<b>1Q21 cash:</b> C\$9m	<b>Project:</b> Enchi
<b>Market cap:</b> C\$61m	<b>Price:</b> C\$0.62/sh	<b>Country:</b> Ghana

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RECOMMEND. (unc): BUY    TARGET (up): C\$1.70/sh    RISK RATING: SPECULATIVE

Today's metallurgical results give a read through to the potential recovery of a heap leach. At 95%, column test recoveries are extremely high, aided by RC chips with ~85% of material being <2mm, albeit this heavily weathered ore body should have a finer grain size naturally, supporting high heap-leach recoveries. Bottle roll recoveries on coarser material of 85% after 5D offer similar insight into heap-leach size fractions. While ultimately heap leach recovery will be based on coarse column tests with natural fines, the 79% recovery modelled in the 2Q21 PEA seems very achievable to us, in part because the natural fines will introduce an element of improved recovery from <1-2" crush size more common on heap leach pads, with fines themselves dealt with via cement agglomeration. For reference, at ~US\$125/t, US\$2,220/t and ~US\$125/t cement, cyanide and lime, PEA consumption of 15kg/t, 0.3kg/t and 2kg/t equates to US\$1.90/t, US\$0.70/t and US\$0.25/t (~US\$2.80/t), which is captured in the US\$5.28/t PEA leaching opex. With recoveries and consumption in line with the PEA, **we maintain our BUY rating and C\$1.70/sh PT**. We estimate Newcore sits at just 0.22xNAV. Key catalysts should come from the >46,000m of drilling completed since PEA cut off, and progressive improvement of engineering designs through to PFS and DFS.

### Column tests show >92% recovery with 85% recover from coarse-fraction bottle rolls

Newcore has reported 92-98% recovery from column tests at Sewum and Boin (~90% of MRE), with ~0.8kg/t cyanide consumption; further test work is underway for the new Kawkyekrom deposit. Samples tested included oxide and transition, and ranged from 1.02-1.51g/t, with highest recoveries coming from lowest grade samples, and with most samples achieving >80% recovery after 40 days. Testing was undertaken with 3kg/t lime (vs. 2kg/t PEA), 20kg/t cement (vs. 15kg/t PEA), and ~0.8kg/t cyanide (PEA 0.3kg/t). As the sample came from RC chips, ~20-30% fell into the -75um, with ~85% <2mm. As a proxy for a heap leach, a coarse sub-sample returned 81-88% recovery after 5D bottle roll tests, with improvements expected from that with additional lime.

### Why we like Newcore

1. Existing 1.4Moz @ 0.62g/t oxide resource underpins low-cost heap leach
2. Large position in one of the most prolific orogenic gold belts globally
3. Ounce growth from strike, depth and greenfield targets
4. Management team with track-record of value creation (Calibre, Integra, Newmarket, Terrane)

### Catalysts

1. 3Q21: SCPe completion of 66,000m Stage 1 and 2 drilling
2. 2H21: Five rigs drilling throughout 2021
3. 3Q22 / 3Q23: SCP modelled build start / first gold

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<b>Ticker:</b> NCAU CN	<b>Price / mkt cap:</b> C\$0.62/sh, C\$61m	<b>Project PNAV today:</b> 0.22x	<b>Asset:</b> Enchi
<b>Author:</b> B Salier / B Gaspar	<b>Rec / 0.6xNAV PT:</b> BUY, C\$1.7/sh	<b>1xNAV<sub>1021</sub> FF FD:</b> C\$2.51/sh	<b>Country:</b> Ghana

Commodity price	CY20A	CY21E	CY22E	CY23E	CY24E
Gold price	1,779	1,894	1,873	1,854	1,850

SOTP project valuation*					
	C\$m	O/ship	NAVx	C\$/sh	
Ungeared proj. @ build start (3Q22)	313	90%	1.00x	2.55	
Cash	8.6	100%	1.00x	0.08	
Cash from options	4.1	100%	1.00x	0.04	
Exploration 170koz @ US\$100/oz	20	100%	1.00x	0.18	
Asset NAV5% US\$1850/oz	314			2.85	

\*Shares diluted for options not mine build Market P/NAV<sub>5%</sub> 3Q20 0.22x

Asset value: 1xNPV project @ build start (C\$m, ungeared)*					
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	144	187	230	273	316
7.5% discount	177	225	272	320	367
5.0% discount	216	269	323	376	429
Ungeared project IRR:	28%	33%	38%	42%	47%

1xNAV5% (C\$/sh)					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	1.42	1.77	2.12	2.47	2.81
7.5% discount	1.68	2.07	2.46	2.84	3.23
5.0% discount	2.00	2.43	2.87	3.30	3.73

NPV5 vs mining cost (C\$m)\* \$1650oz \$1750oz \$1850oz \$1950oz \$2050oz

Mining (US\$/t): 3.50	47	105	158	212	265
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Mining (US\$/t): 2.20	216	269	323	376	429
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Mining (US\$/t): 1.99	243	296	349	402	455
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\*Project level NPV, excl finance costs and central SGA, discounted to build start

Group val'n over time^					
	2Q21	2Q22	2Q23	2Q24	2Q25
Enchi NPV (C\$m)	280.1	299.1	410.6	452.6	422.8
G&A and finance costs (C\$m)	(33.7)	(23.7)	(22.0)	(14.8)	(6.1)
Net cash prior qtr (C\$m)	1.6	63.8	(37.4)	(64.2)	(29.1)
Cash from options (C\$m)	4.1	4.1	4.1	4.1	4.1
Expl'n 310koz @ US\$50/oz	20.0	20.0	20.0	20.0	20.0
NAV FF FD (C\$m)	24.7	336	336	354	370
Shares in issue (m)	98.7	99.0	163.0	163.0	163.0
1xNAV5%/sh FF FD (C\$/sh)	2.51	3.39	2.06	2.17	2.27
Equity ROI from spot (% pa)		447%	82%	52%	38%

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

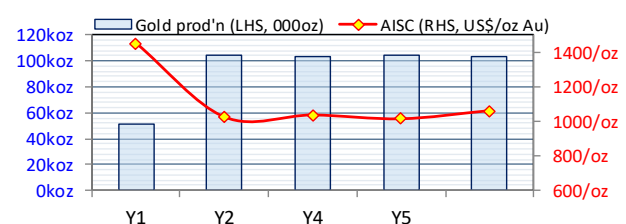
2Q22 1xNAV FF FD (C\$/sh)^					
	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	0.92	1.23	1.56	1.89	2.24
7.5% discount	1.12	1.48	1.85	2.22	2.61
5.0% discount	1.38	1.79	2.20	2.63	3.06
Geared project IRR:	23%	28%	33%	37%	41%

2Q22 1xNAV FF FD (\$/sh)^					
	0Mt	1Mt	3Mt	5Mt	7Mt
Grade: 0.00g/t	2.20	2.11	1.99	1.90	1.81
Grade: 0.80g/t	2.20	2.40	2.66	2.87	3.05
Grade: 1.33g/t	2.20	2.60	3.11	3.53	3.90
Grade: 2.00g/t	2.20	2.85	3.68	4.38	4.99

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

Production					
	Y1	Y2	Y4	Y5	Y6
Gold production (000oz)	51	104	103	105	104
AISC cost (US\$/oz)	1,451	1,023	1,035	1,012	1,060

AISC = C1 + ug sustaining capex, Y1 = 12M to Jun 2023



Source: SCP estimates

Resources and resevs		
	Tons (Mt)	Au (koz)
2Q21 Inferred resource:	70Mt	1415koz
SCP & 2Q21 PEA Inventory	69Mt	1245koz

Funding: uses		Funding: sources	
PEA including cont. capex	C\$114m	SCPe cash + options	C\$13m
SCPe G&A + fin. cost to 1st Au	C\$22m	Mine debt @ 60% gearing	C\$68m
SCPe working capital	C\$13m	Build equity @ 0.5xNAV	C\$75m
<b>Total uses</b>	<b>C\$149m</b>	<b>Total proceeds</b>	<b>C\$156m</b>

\*Cash from options expiring pre first pour Buffer: C\$7m

Share data			
Basic shares (m)	99.0	FD with build equity raise	163.0
FD with options (m)	110.3		

Ratio analysis					
	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	80.4	99.0	163.0	163.0	163.0
EPS (C\$/sh)	-	-	-	-	0.20
CFPS (C\$/sh)	-	-	-	-	0.17
EV (C\$m)	48.6	70.5	105.5	173.2	145.1
FCF yield (%)	-	-	-	-	28%
PER (x)	-	-	-	-	3.1x
P/CF (x)	-	-	-	-	3.6x
EV/EBITDA (x)	-	-	-	-	15.3x

Income statement					
	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (C\$m)	-	-	-	55.6	169.3
COGS (C\$m)	-	-	-	42.1	103.0

Gross profit (C\$m)					
	CY20A	CY21E	CY22E	CY23E	CY24E
D&A, attrib (C\$m)	-	-	-	2.4	7.1
Admin (C\$m)	3.2	3.7	3.0	2.2	1.4
Expensed exploration (C\$m)	-	-	-	-	-
Finance cost (C\$m)	(0.0)	0.7	7.7	9.3	7.3
Taxes (C\$m)	-	-	-	-	18.1
<b>Net income (C\$m)</b>	<b>(3.1)</b>	<b>(4.4)</b>	<b>(10.7)</b>	<b>(0.4)</b>	<b>32.4</b>

Cash flow, attrib.					
	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (C\$m)	(3.2)	(3.7)	(3.0)	8.9	57.7
Add back D&A (C\$m)	-	-	-	2.4	7.1
Less tax + interest (C\$m)	(0.0)	0.0	(0.2)	4.7	25.4
Wkg cap inc (dec) (C\$m)	0.1	1.2	-	14.9	9.3
Add back other (C\$m)	1.2	1.1	0.4	0.4	0.4

Cash flow ops (C\$m)					
	CY20A	CY21E	CY22E	CY23E	CY24E
PP&E - build + sust. (C\$m)	-	-	(60.0)	(55.1)	(2.4)
PP&E - expl'n (C\$m)	(2.8)	(10.8)	-	-	-
<b>Cash flow inv. (C\$m)</b>	<b>(2.8)</b>	<b>(10.8)</b>	<b>(60.0)</b>	<b>(55.1)</b>	<b>(2.4)</b>

Cash flow inv. (C\$m)					
	CY20A	CY21E	CY22E	CY23E	CY24E
Share issue (C\$m)	20.9	-	75.0	-	-
Lease payments (C\$m)	-	-	-	-	-
Debt draw (repay) (C\$m)	-	22.8	45.6	(11.7)	(25.6)
<b>Cash flow fin. (C\$m)</b>	<b>20.9</b>	<b>22.8</b>	<b>120.6</b>	<b>(11.7)</b>	<b>(25.6)</b>

Balance sheet					
	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (C\$m)	1.3	14.4	72.6	(2.1)	0.5
Acc rec., inv, prepaid (C\$m)	12.3	7.1	7.1	22.7	32.7
PP&E + other (C\$m)	17.6	29.8	89.8	142.5	137.8
<b>Total assets (C\$m)</b>	<b>31.1</b>	<b>51.3</b>	<b>169.5</b>	<b>163.1</b>	<b>170.9</b>

Debt (C\$m)	-	23.5	77.1	70.1	44.5
Accounts payable (C\$m)	1.5	1.6	1.6	2.2	2.9
Others (C\$m)	0.1	0.1	0.1	0.1	0.1
Total liabilities (C\$m)	1.6	25.2	78.8	72.4	47.5
Sh'hlds equity + wrnts (C\$m)	28.8	29.4	104.8	105.2	105.6
Retained earn'gs + rsvs (C\$m)	0.7	(3.4)	(14.1)	(14.6)	17.8
<b>Liabilities + equity (C\$m)</b>	<b>31.1</b>	<b>51.3</b>	<b>169.5</b>	<b>163.1</b>	<b>170.9</b>

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TENDER:	0
NOT RATED:	0
TOTAL	44

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