

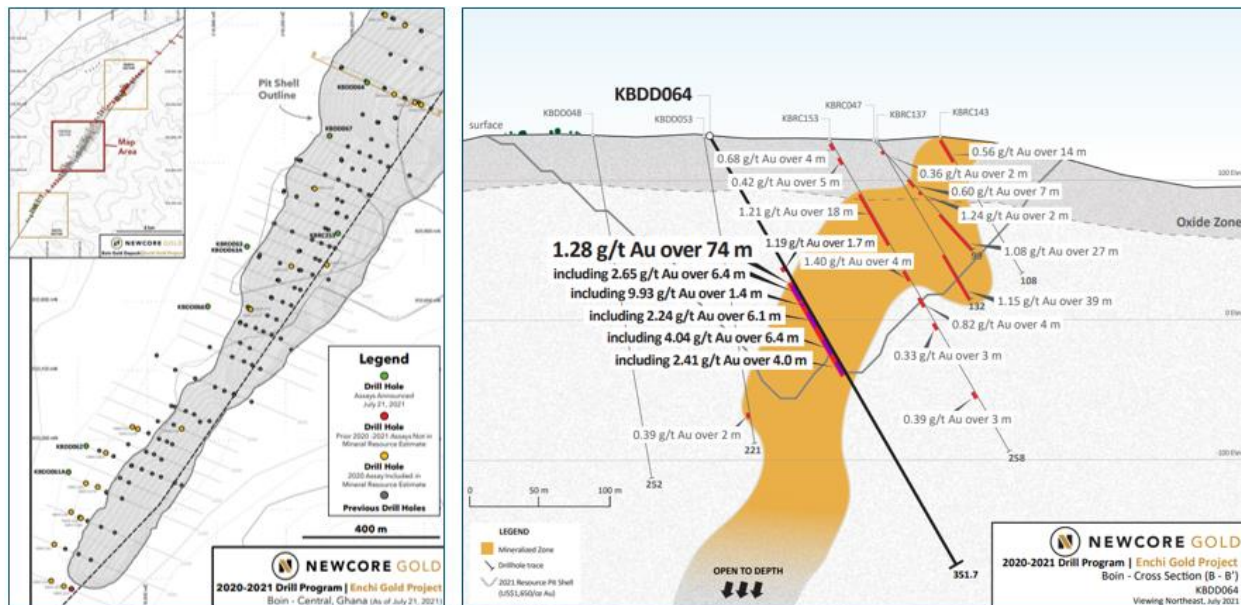
Ticker: NCAU CN 1Q21 cash: C\$9m Project: Enchi
 Market cap: C\$63m Price: C\$0.63/sh Country: Ghana
 RECOMMEND. (unc): BUY TARGET (unc): C\$1.70/sh RISK RATING: SPECULATIVE

We see two highlights from today’s drilling release. First, bulk grade thickness in sulphides incl **74m @ 1.28g/t**, following on 69m @ 0.90g/t Au released in June, highlights significant potential for inferred resource growth in the year-end MRE. Second, high grade veins, **2m @ 95.2g/t** and **1m @ 13.2g/t**, were intersected outside the existing resource footprint. This style of high grade vein mineralization has not been extensively drilled at Enchi to date. As much as 50% of the surface anomaly remains un-drilled, thus we see significant potential to delineate additional high grade sulphide shoots to supplement oxide mineralisation. **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.

Boin drilling hits 74m @ 1.28g/t, and 2m @ 95g/t in new vein

Highlights of 11 holes from 34 released at Boin, Ghana, focussed on areas outside the existing resource (533koz @ 0.84g/t) hit oxides (**10m @ 0.4g/t**) and sulphides (**1.8m @ 6.1g/t** from 296m DH outside the current resource) with the largest grade-thickness intercept to date in sulphides (**74m @ 1.28g/t** from 121m DH) at Boin North. Two high grade veins, 2m @ 95.2g/t from 109m DH and 1m @ 13.2g/t from 120m were intercepted in sulphides at Boin Central. At Boin South, drilling similarly hit oxides (**29m @ 0.50g/t, 13m @ 0.78g/t**) with deeper intervals of sulphides including **53m @ 0.51g/t** from 177m and **9m @ 1.17g/t** from 187m. 32 of 34 holes intercepted gold mineralization. 25,648m have been completed targeting Boin of the total 58,861m completed to date (of the planned 65,000m this year at Enchi).

Figure 1. (A) Boin plan- and (B) cross-section showing today’s 74m @ 1.28g/t



Source: Newcore

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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Ticker: NCAU CN	Price / mkt cap: C\$0.63/sh, C\$62m	Project PNAV today: 0.22x	Asset: Enchi
Author: B Salier / B Gaspar	Rec / 0.6xNAV PT: BUY, C\$1.7/sh	1xNAV₁₀₂₁, FF FD: C\$2.51/sh	Country: Ghana

Commodity price	CY20A	CY21E	CY22E	CY23E	CY24E	Resources and resevs	Tons (Mt)	Au (koz)	Au (g/t)
Gold price	1,779	1,894	1,873	1,854	1,850	2Q21 Inferred resource:	70Mt	1415koz	0.62g/t
SOTP project valuation*						SCP & 2Q21 PEA Inventory	69Mt	1245koz	0.57g/t

	C\$m	O/ship	NAVx	C\$/sh	Funding: uses	Funding: sources
Ungeared proj. @ build start (3Q22)	313	90%	1.00x	2.55	PEA including cont. capex C\$114m	SCPe cash + options C\$13m
Cash	8.6	100%	1.00x	0.08	SCPe G&A + fin. cost to 1st Au C\$22m	Mine debt @ 60% gearing C\$68m
Cash from options	4.1	100%	1.00x	0.04	SCPe working capital C\$13m	Build equity @ 0.5xNAV C\$75m
Exploration 170koz @ US\$100/oz	20	100%	1.00x	0.18	Total uses C\$149m	Total proceeds C\$156m
Asset NAV5% US\$1850/oz	314			2.85	<i>*Cash from options expiring pre first pour</i>	

*Shares diluted for options not mine build Market P/NAV₅ 3Q20 0.22x

Share data

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

Asset value: 1xNPV project @ build start (C\$m, ungeared)*	CY20A	CY21E	CY22E	CY23E	CY24E
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
10.0% discount	139	181	223	265	307
7.5% discount	171	217	264	310	357
5.0% discount	209	261	313	365	417
Ungeared project IRR:	27%	32%	37%	42%	47%

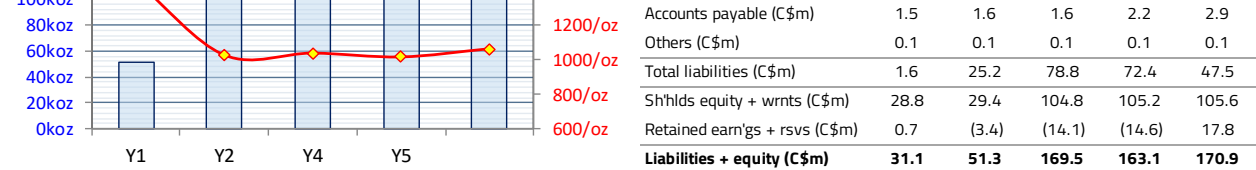
Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	80.4	99.0	163.0	163.0	163.0
EPS (C\$/sh)	-	-	-	-	0.20
CFPS (C\$/sh)	-	-	-	-	0.17
EV (C\$m)	49.4	71.5	107.2	174.9	146.7
FCF yield (%)	-	-	-	-	27%
PER (x)	-	-	-	-	3.2x
P/CF (x)	-	-	-	-	3.6x
EV/EBITDA (x)	-	-	-	15.5x	2.3x

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)	-	-	-	13.5	66.2
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
Net income (C\$m)	(3.1)	(4.4)	(10.7)	(0.4)	32.4

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
W/kg 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)	(2.0)	(3.9)	(2.4)	(7.9)	30.5
PP&E - build + sust. (C\$m)	-	-	(60.0)	(55.1)	(2.4)
PP&E - expl'n (C\$m)	(2.8)	(10.8)	-	-	-
Cash flow inv. (C\$m)	(2.8)	(10.8)	(60.0)	(55.1)	(2.4)
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)
Cash flow fin. (C\$m)	20.9	22.8	120.6	(11.7)	(25.6)
Net change in cash (C\$m)	16.1	8.1	58.2	(74.7)	2.6
EBITDA (C\$m)	(3.9)	(2.8)	11.4	64.8	102.7

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
Total assets (C\$m)	31.1	51.3	169.5	163.1	170.9
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
Liabilities + equity (C\$m)	31.1	51.3	169.5	163.1	170.9

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



Source: SCP estimates

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BUY:	44
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	44

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