

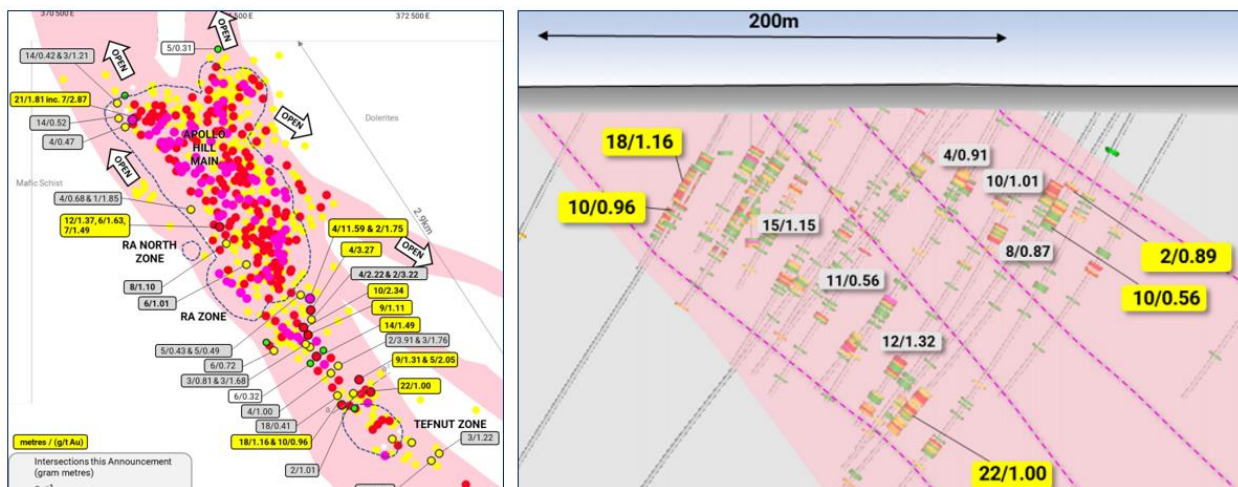
Ticker: STN AU **Cash:** A\$10m **Project:** Apollo Hill
Market cap: A\$51m **Price:** A\$0.45/sh **Country:** Australia, WA
RECC. (unc): BUY **PT (unc):** A\$1.10/sh **RISK RATING:** SPECULATIVE

Today's drilling completes 40,000m 1H21 near-MRE drilling with a shift from southern extension to south / north / fringe, although this remains only one piece of the puzzle here. The 'magic million' seems well behind Saturn now; given the 944koz @ 0.8g/t existing resource, we'd look for perhaps 1.1-1.2Moz with no sign of growth stopping. Digging in, the southern extensions have very good grade and stacked lodes bode well for acceptable strip, while northern extensions are new to us, pointing to future growth. However, this needs more scale, or higher recovery. Column tests scheduled for 2H21 to review potential for this (fresh ore has low sulphide) to address the latter, while RC rigs commence 10,000m regional-target drilling next week for the former. **Success from either could light this valuation up.** The exciting 'flyer' (likely underselling) is maiden West Wyalong drilling scheduled for the current quarter, where bonanza-grade West Wyalong in NSW (439koz @ 36g/t mined <274m pre WWI) gets first rigs in a century. As such, we **maintain our BUY rating and 0.5xNAV_{5%-1850} A\$1.10/sh PT.** With grade-control, near-mine, regional, and NSW drilling in the coming 6M, a MRE update, and A\$10m cash, Saturn offers a lot for a little.

Apollo Hill 10m @ 2.3g/t points to >1Moz; 10km regional plus NSW drilling adds exciting spice

Drill highlights from (a) southern between-pit drilling including 10m @ 2.3g/t, 22m @ 1g/t, and 14m @ 1.5g/t from 58-140m; from (b) northern extensions including 7-12m @ 1.37-1.63g/t from 29-183m, and from (c) fringe drilling around the main lode including 21m @ 1.8g/t and 7m @ 2.9g/t. This concludes reporting of current RC drilling, with step-out exploration RC drilling commencing next week.

Figure 1. (A) Plan and (B) Long section showing drilling in gap zone south of existing MRE



Source: Saturn

Why we like Saturn

1. Base load SCPE ~650koz high-margin pittable around existing 944koz @ 0.8g/t M&I&Inf
2. Extremely high recoveries support potential for heap-leach
3. Southern / northern strike extensions near-pit have potential to lift >1Moz
4. A\$10m cash and lean team to target 1,000km² license in Leonora-Laverton
5. West Wyalong JV to see first drilling: 439koz mined at 36g/t to only 275m

Catalysts

1. 2H21: West Wyalong maiden drill results
2. 3Q21: 6,000m grade control drilling on 15m spaced lines ahead of year end MRE
3. 4Q21: metallurgical test work on heap leach
4. 2H21: Regional exploration to drill 5-6 greenfield targets

5. Year end 2021/2022: Updated MRE

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Ticker: STN AU	Price / mkt cap: A\$0.45/sh, A\$51m	Project PNAV today: 0.21x	Asset: Apollo Hill
Author: Brock Salier	Rec / 0.5xNAV PT BUY, A\$1.1/sh	1xNAV_{3Q24} FF FD: C\$1.27/sh	Country: Australia (WA)

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price	1,850	1,850	1,850	1,850	1,850

SOTP project valuation*					
	A\$m	O/ship	NAVx	A\$/sh	
Ungeared @ build start (3Q23)	233	100%	1.00x	1.97	
Cash 1Q21	10.3	100%	1.00x	0.09	
Cash from options	1.7	100%	1.00x	0.01	
West Wyalong (nominal)	10.0	100%	1.00x	0.08	
Asset NAV5% US\$1850/oz	255			2.15	

*Shares diluted for options but not mine build Market P/NAV_{5%} 3Q20 0.22x

Asset value: 1xNPV project @ build start (A\$m, ungeared, 35Mt ROM)*

Project NPV (A\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9.0% discount	77	124	171	217	264
7.0% discount	99	149	200	250	301
5.0% discount	124	178	233	287	342
Ungeared project IRR:	17%	21%	26%	30%	35%
	0.90Moz	0.95Moz	1.00Moz	1.05Moz	1.10Moz
	0.9g/t	1.0g/t	1.0g/t	1.1g/t	1.1g/t
Mining cost: A\$2.43/t^	473	536	600	663	723
Mining cost: A\$3.25/t	386	449	512	575	635
Mining cost: A\$3.50/t	359	422	485	548	608

*Project NPV, ex fin. costs and cent G&A, d'cnt to build start; ^CMM DFS figure

Group valuation over time^					
	2Q21	2Q22	2Q23	2Q24	2Q25
Apollo Hill NPV (A\$m)	205.8	216.1	228.6	322.1	443.9
G&A and finance costs (A\$m)	(47.8)	(48.4)	(49.1)	(47.8)	(40.9)
Net cash prior qtr (A\$m)	10.3	11.0	4.3	26.5	(84.0)
Cash from options (A\$m)	1.7	1.7	1.7	1.7	1.7
West Wyalong nom. (A\$m)	10.0	10.0	10.0	10.0	10.0
NAV FF FD (A\$m)	180	190	196	313	331
Shares in issue (m)	109	141	141	261	261
1xNAV5%/sh FF FD (A\$/sh)	1.66	1.35	1.39	1.20	1.27

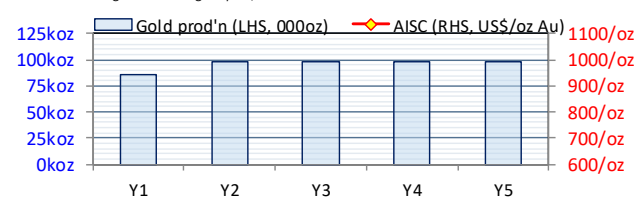
Geared build-start NAV diluted for mine build, net G&A and finance cost

3Q23 1xNAV FF FD (A\$/sh)^	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9.0% discount	0.34	0.58	0.85	1.14	1.44
7.0% discount	0.43	0.71	1.01	1.32	1.65
5.0% discount	0.55	0.85	1.18	1.53	1.88
Geared project IRR:	15%	20%	24%	29%	33%
	0.90Moz	0.95Moz	1.00Moz	1.05Moz	1.10Moz
	0.9g/t	1.0g/t	1.0g/t	1.1g/t	1.1g/t
Mining cost: A\$2.43/t	2.76	3.19	3.63	4.07	4.49
Mining cost: A\$3.25/t	2.17	2.59	3.02	3.46	3.88
Mining cost: A\$3.50/t	1.99	2.41	2.84	3.27	3.69

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

Production					
	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	86	98	98	98	98
C1 cost (US\$/oz)	1,136	1,136	1,136	1,136	1,136
AISC cost (US\$/oz)	1,241	1,233	1,233	1,233	1,233

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
Resource	25Mt	0.99g/t	781koz
SCP mining inventory	31Mt	0.80g/t	800koz

Project: USES		Funding: SOURCES	
Pre-DFS exploration / G&A:	A\$26m	Pre-build equity:	A\$26m
Build capex:	A\$170m	Build equity @ 0.4xNAV:	A\$100m
Finace costs and working cap:	A\$32m	Build debt @ 8%:	A\$102m
TOTAL USES:	A\$228m	TOTAL SOURCES:	A\$228m

Share data			
Basic	FD with option	#D for build	
Basic shares (m)	112.5	118.3	296

Ratio analysis

	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	140.7	246.4	261.5	261.5	261.5
EPS (A\$/sh)	-	-	-	-	-
CFPS (A\$/sh)	-	-	-	-	-
EV (A\$m)	50.8	107.4	111.1	60.2	191.7
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/C (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement

	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (A\$m)	-	-	-	-	-
COGS (A\$m)	-	-	-	-	-

Gross profit (A\$m)

	CY20E	CY21E	CY22E	CY23E	CY24E
D&A, attrib (A\$m)	-	-	-	-	-
G&A + sh based costs (A\$m)	3.1	1.6	1.6	2.8	4.0
Finance cost (A\$m)	0.5	(0.0)	(0.0)	(0.1)	2.5
Taxes (A\$m)	-	-	-	-	-
Net income (A\$m)	(3.6)	(1.6)	(1.6)	(2.8)	(6.5)

Cash flow, attrib.

	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (A\$m)	(3.1)	(1.6)	(1.6)	(2.8)	(4.0)
Add back D&A (A\$m)	-	-	-	-	-
Less tax + net interest (A\$m)	0.5	(0.0)	(0.0)	(0.1)	2.5
Net change in wkg cap (A\$m)	-	-	-	(0.5)	-
Other non-cash (A\$m)	0.9	(0.0)	0.0	1.1	(4.9)
Cash flow ops (A\$m)	(1.7)	(1.7)	(1.6)	(2.3)	(6.5)
PP&E - build + sust. (A\$m)	0.0	0.0	-	45.0	125.0
PP&E - expl'n (A\$m)	7.5	7.3	7.3	1.8	-
Cash flow inv. (A\$m)	(7.6)	(7.4)	(7.3)	(46.8)	(125.0)

Cash flow inv. (A\$m)

	CY20E	CY21E	CY22E	CY23E	CY24E
Share issue (A\$m)	18.3	0.1	12.0	100.0	-
Debt draw (repay) (A\$m)	-	-	-	-	102.0
Cash flow fin. (A\$m)	18.3	0.1	12.0	100.0	102.0
Net change in cash (A\$m)	9.0	(8.9)	3.0	50.9	(29.5)
EBITDA (A\$m)	(2.8)	(1.6)	(1.6)	(2.8)	(3.9)

Balance sheet

	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	12.5	3.5	6.5	57.4	28.0
Acc rec., inv, prepaid (A\$m)	0.2	0.2	0.2	-	-
PP&E + other (A\$m)	17.6	25.0	32.3	79.2	204.2
Total assets (A\$m)	30	29	39	137	232
Debt (A\$m)	-	-	-	-	102.0
Accounts payable (A\$m)	0.8	0.8	0.8	1.1	1.1
Others (A\$m)	-	-	-	-	-
Total liabilities (A\$m)	0.8	0.8	0.8	1.1	103.1
Issued capital (A\$m)	36.6	36.7	48.7	148.7	148.7
Retained earnings (A\$m)	(6.8)	(8.4)	(10.1)	(12.8)	(19.3)
Liabilities + equity (A\$m)	31	29	39	137	232

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BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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