

Ticker: PDI AU
Market cap: A\$182m

Pro-forma Cash: A\$28m
Price: A\$0.135/sh

Project: Bankan Ck / NE
Country: Guinea

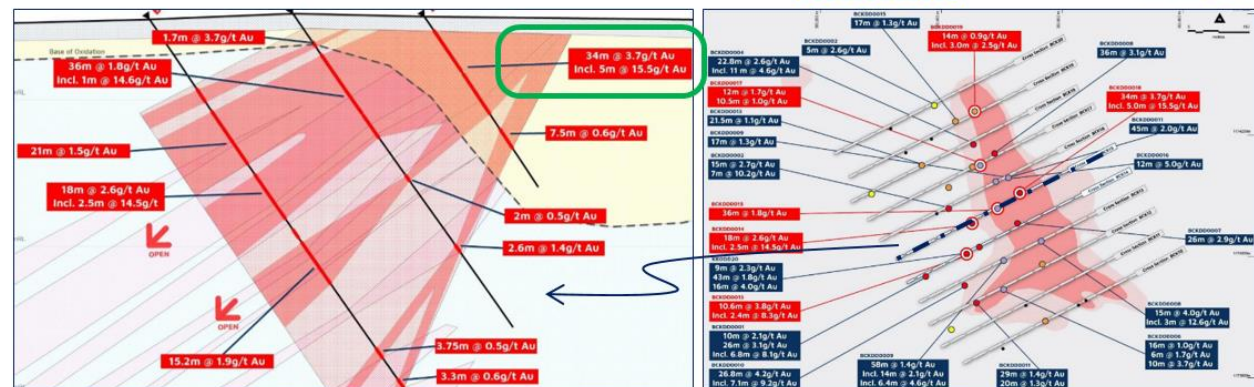
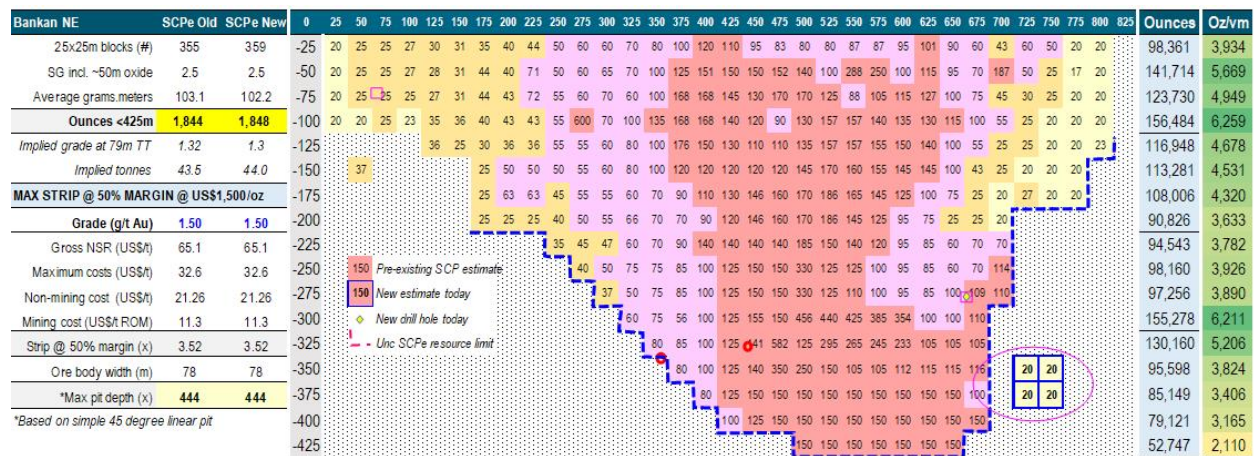
RECOMMENDATION (unc): BUY

TARGET (unc): A\$0.21/sh

RISK RATING: VENTURE

On endowment, the single hole reported at Bankan NE falls outside our resource estimate, so we make no changes to our 1,844koz estimate. The big news today is Bankan Creek – as its smaller than Bankan NE we’re not maintaining a resource estimate; however, we did see good potential for a few hundred thousand ounces. Today’s drilling at Bankan Creek changes two things – size, and oxide-enrichment driving a high-grade starter pit on the property. Bankan Creek differs from NE in being entirely hosted within granitoid (NE is on boundary in classic pressure shadow locale). Where the deep weathering common to Guinea impacts on surface the headline hit of **34m @ 3.7g/t** sits entirely in this enrichment zone – this will fly through the mill, and at this grade should see a great starter pit, improving the IRR / NPV above our flat-forward 1.25g/t estimate. In fact, it would appear that the deposit remains open for more oxide to the east. We think the lowering TOFR (top of fresh rock) could point to the main zone being outside the drilling footprint (Figure 1B). On size, individual hits of ~20m composite up to a remarkable **61m @ 1.81g/t** composite hit to only ~120m below surface. Again it would appear a NE-SW structure is cutting the main NNW-SSE trend driving blow outs. **We maintain our BUY rating and 0.4xNAV_{5%-1850} A\$0.21/sh PT.** Even at 2.25Mtpa our inventory estimate supports a 14-year life at ~100koz pa, hence the next ‘step change’ to the upside would logically come from upsizing the operation, which we will consider post MRE, including metallurgical results expected ahead of that. We see the recent sell off as a buying opportunity for a single reason – unlike most peers, we have complete confidence that Predictive will have more gold next than this year, rinse, repeat. Simple.

Figure 1. (A) Bankan NE SCPe old vs new (blue squares); (B) section & (C) plan of Bankan Creek drilling



Source: SCP estimates, Predictive

Bankan Ck hits remarkable 61m @ 1.81g/t composite, and separate 34m @ 3.7g/t from surface

Shallow holes from Bankan Creek return 34m @ 3.7g/t from 6m, and 36m @ 1.8g/t from 17m. Deeper holes there returned 17m @ 1.6g/t and 11m @ 3.8g/t in the same hole, and 21m @ 1.5g/t, 18m @ 2.6g/t, also in the same hole. A single hole at Bankan NE tested for plunge outside the core, returned 26m @ 0.8g/t (*outside area of SCP MRE*).

Catalysts

- 3Q21: SCPe maiden resource
- 2H21: Regional aircore drilling
- CY23: SCPe final investment decision
- CY25: SCPe first gold

Research

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Ticker: PDI AU	Price / mkt cap: A\$0.135/sh, A\$182m	Project PNAV today: 0.26x	Asset: Bankan Ck / NE
Author: B Salier B Gaspar	Rec/0.4xNAV PT: BUY, A\$0.21/sh	1xNAV_{3Q24} FF FD: C\$0.48/sh	Country: Guinea

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)	703	100%	1.00x	0.47	
Cash	27.4	100%	1.00x	0.02	
Cash from options	7.8	100%	1.00x	0.01	
Resources ex inventory @ \$100/oz	29.1	100%	1.00x	0.02	
Explor'n (SCPe 250koz @ \$75/oz)	25.7	100%	1.00x	0.02	
Asset NAV5% US\$1850/oz	793			0.53	

*Shares diluted for options mine build Market P/NAV5% 3Q23 0.26x

Asset value: 1xNPV project @ build start (A\$m, ungeared)*					
Project NPV (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	529	587	649	706	768
Discount rate: 7%	581	646	716	779	848
Discount rate: 5%	642	715	793	864	942
Ungeared project IRR:	50%	54%	58%	62%	66%
Project NPV (A\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	0.35	0.39	0.44	0.47	0.51
Discount rate: 7%	0.39	0.43	0.48	0.52	0.57
Discount rate: 5%	0.43	0.48	0.53	0.58	0.63

*Project NPV, ex fin. costs and cent G&A, discounted to build start

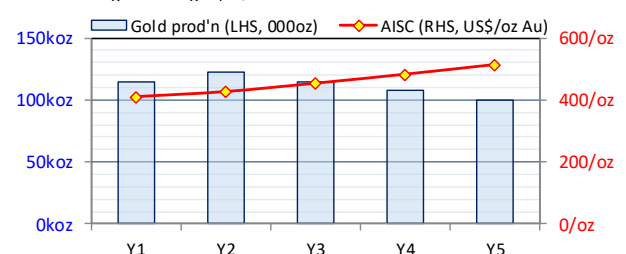
Group NAV over time^	3Q21	3Q22	3Q23	3Q24	3Q25
Bankan NPV (A\$m)	634.6	666.4	702.8	862.9	967.9
G&A and finance costs (A\$m)	(80.3)	(72.5)	(71.7)	(70.3)	(56.3)
Net cash prior qtr (A\$m)	27.4	22.8	18.6	(15.7)	(97.0)
Cash from options (A\$m)	7.8	7.8	7.8	7.8	7.8
Resource / exlo nom. (A\$m)	54.8	54.8	54.8	54.8	54.8
NAV FF FD (A\$m)	644	679	712	839	877
Shares in issue (m)	1,349	1,493	1,493	1,769	1,769
1xNAV/sh FF FD (A\$/sh)*	0.48	0.46	0.48	0.47	0.50

Geared NAV at first pour, diluted for build, net G&A and fin. costs^					
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	639	708	783	850	925
Discount rate: 7%	672	746	827	900	980
Discount rate: 5%	709	790	877	957	1,043
Geared project IRR:	46%	50%	54%	58%	62%
NAV at first gold (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	0.33	0.38	0.43	0.47	0.52
Discount rate: 7%	0.36	0.41	0.46	0.51	0.56
Discount rate: 5%	0.39	0.44	0.50	0.55	0.61

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

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	114	123	115	107	100
C1 cost (US\$/oz)	338	360	384	411	439
AISC cost (US\$/oz)	410	426	453	482	513

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
SCPe resource	50Mt	1.32g/t	2124koz
SCP mining inventory	38Mt	1.41g/t	1700koz

Project: USES		Funding: SOURCES	
Pre-DFS exploration / G&A:	A\$21m	Cash 2Q21 + pre-Au ITM op.:	A\$34m
Build capex:	A\$238m	Build equity @ 0.6xNAV:	A\$85m
Fin. cost + WC over DFS:	A\$15m	65% geared debt @ 8%:	A\$155m
TOTAL USES:	A\$274m	TOTAL SOURCES:	A\$274m
Buffer / drill budget: A\$0m			

Share data	Basic	FD with options	FD for build
Basic shares (m)	1,349.3	1,492.5	1,769

Ratio analysis	CY20E	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	1,349.3	1,474.6	1,492.5	1,492.5	1,492.5
EPS (A\$/sh)	-	-	-	-	-
CFPS (A\$/sh)	-	-	-	-	-
EV (A\$m)	168.4	169.7	182.3	139.8	346.6
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20E	CY21E	CY22E	CY23E	CY24E
Net revenue (A\$m)	-	-	-	-	-
COGS (A\$m)	-	-	-	-	-
Gross profit (A\$m)	-	-	-	-	-
D&A, attrib (A\$m)	0.0	-	-	-	-
G&A + sh based costs (A\$m)	2.2	1.2	1.2	2.6	4.0
Finance cost (A\$m)	2.5	9.5	8.9	(0.1)	4.9
Taxes (A\$m)	-	-	-	-	-
Net income (A\$m)	(4.8)	(10.7)	(10.1)	(2.5)	(8.9)
Cash flow, attrib.	CY20E	CY21E	CY22E	CY23E	CY24E
EBIT (A\$m)	(2.2)	(1.2)	(1.2)	(2.6)	(4.0)
Add back D&A (A\$m)	0.0	-	-	-	-
Less tax + net interest (A\$m)	2.5	9.5	8.9	(0.1)	4.9
Net change in wkg cap (A\$m)	(0.9)	-	-	0.1	-
Other non-cash (A\$m)	(7.0)	(19.0)	(17.9)	0.1	(9.8)
Cash flow ops (A\$m)	(7.5)	(10.7)	(10.2)	(2.5)	(8.9)
PP&E - build + sust. (A\$m)	2.1	0.2	-	40.0	197.9
PP&E - expl'n (A\$m)	-	-	-	-	-
Cash flow inv. (A\$m)	(2.1)	(0.2)	-	(40.0)	(197.9)
Share issue (A\$m)	21.3	26.5	-	85.0	-
Debt draw (repay) (A\$m)	-	-	-	-	154.7
Cash flow fin. (A\$m)	21.3	26.5	-	85.0	154.7
Net change in cash (A\$m)	11.7	15.7	(10.2)	42.5	(52.2)
EBITDA (A\$m)	(4.7)	(10.7)	(10.1)	(2.5)	(3.9)
Balance sheet	CY20E	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	13.7	29.3	19.2	61.7	9.5
Acc rec., inv, prepaid (A\$m)	0.1	0.1	0.1	-	-
PP&E + other (A\$m)	8.5	8.7	8.7	48.7	246.6
Total assets (A\$m)	22	38	28	110	256
Debt (A\$m)	-	-	-	-	154.7
Accounts payable (A\$m)	1.0	1.0	1.0	1.0	1.0
Others (A\$m)	-	-	-	-	-
Total liabilities (A\$m)	1.0	1.0	1.0	1.0	155.7
Issued capital (A\$m)	52.9	79.4	79.4	164.4	164.4
Retained earnings (A\$m)	(32.4)	(43.0)	(53.1)	(55.6)	(64.4)
Liabilities + equity (A\$m)	21	37	27	110	256

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Summary of Recommendations as of August 2021	
BUY:	45
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	45

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