

Ticker: PDI AU	Pro-forma Cash: A\$28m	Project: Bankan Ck / NE
Market cap: A\$175m	Price: A\$0.13/sh	Country: Guinea
<i>RECOMMENDATION (unc): BUY</i>	<i>TARGET (unc): A\$0.21/sh</i>	<i>RISK RATING: VENTURE</i>

As always, the devil is in the details, and we can attest that the details look good. The key sample is a fresh-rock (oxides always leach well) of 0.92g/t from 200-230m down hole and 2.01g/t from 148-175m down hole, returning an impressive 98% recovery. It's also good to see 96% recovery from the Bankan Creek satellite. From here, we can keep it simple – this is a free milling deposit. Cyanide consumption of 0.8kg/t equates to just US\$2/t or 0.003g/t AuEq, a great result. The rock is hard with 21-25 BWI in the unaltered intrusive, hence requirement for a three-stage crush or SAG, but key here is the early enemy – oxides – the ~50-80m of oxides should provide ample blending, such that any increase in milling capacity, if needed, would be later in the mine-life. Similar high recoveries after just 24 hours open the door to an even coarser grind while maintaining >90% recovery, which would offset energy consumption also. As such, **we maintain our BUY rating and 0.4xNAV_{5%-1850} A\$0.21/sh PT.** With the upcoming MRE, we think we may have to make two key changes to our DCF model; (i) lift recovery, currently sitting at 90%, and (ii) lift our throughput. This currently sits at 2.25Mtpa, meaning our 1.5Moz inventory (ie well under forecast 1.8Moz estimate for Bankan NE core, excluding up to +40% from shallow dip, and excluding Bankan Ck) already extends over a 'too long' 17yrs at 100koz pa, with clear potential support something closer to the magic 150koz pa that mid-tiers like. Even ahead of the MRE, we see the metallurgical work as the starting gun on M&A as it removes the last potential flaw. The country's politics is volatile like much of West Africa, but under the watchful eyes of ECOWAS, West Africa retains a triple-prize unparalleled elsewhere in Africa or internationally: (i) consistent quick permitting, and (ii) a lack of resource nationalisation, or political or security situations impacting operations, and (iii) apparently quite important – a track record of discovery in this under explored terrane.

Figure 1. (A) recoveries from (B) selected samples at Bankan and Bankan Creek

Sample	Lithology	Assay Head (g/t)	Leach Extraction (%)		Cyanide consumption (kg/t)	Lime consumption (kg/t)	Sample ID	Metallurgical Drill Hole ID	Meters From/To	Domain/Orebody	Total Sample Mass (kg)	Gold Grade (g/t) (Fire Assay)	Lithology
			12 hr	24 hr									
Comp A	Altered tonalite HG	2.79	96.7%	98.5%	1.13	0.00	PDG-MT001	BNERD002	148.85/175	NE Bankan Deposit	26.35	2.00	Altered tonalite
							PDG-MT002	BNERD007	150/164	NE Bankan Deposit	13.9	1.89	Mafic volcanics
MT001 and MT010	Altered tonalite LG	1.20	91.4%	98.4%	1.05	0.00	PDG-MT003	BNERD007	178/196	NE Bankan Deposit	20.52	5.47	Altered tonalite
							PDG-MT004	KKODD013	33/60	NE Bankan Deposit	27.6	0.833*	Saprolite
MT007 and MT008	Skarn, marble, tonalite, vein quartz	1.71	89.0%	95.8%	0.88	0.00	PDG-MT005	KKODD015	8/35	NE Bankan Deposit	27.2	1.33	Saprolite
							PDG-MT006	BNERC058	30/47	NE Bankan Deposit	25.7	0.833*	Saprolite
MT011	Mafic volcanics	2.04	95.7%	98%	1.19	0.00	PDG-MT007	KKODD020	82/112	Bankan Creek Deposit	33.68	1.712*	Skarn, marble, tonalite, vein quartz
							PDG-MT008	KKODD020	112/143	Bankan Creek Deposit	33.37	1.712*	Skarn, marble, tonalite, vein quartz
Comp B	Weathered Saprolite	1.00	88.9%	94.2%	1.57	0.30	PDG-MT009	KKODD011	97/127	NE Bankan Deposit	31.92	2.73	Altered tonalite
							PDG-MT010	BNERD003	200/230	NE Bankan Deposit	31.36	0.90	Altered tonalite
							PDG-MT011	BNERD014	188/218	NE Bankan Deposit	33.1	2.04	Mafic volcanics

Source: Predictive Discover, *MT004/005 and 007/008 combined for head assay

Metallurgy shows free milling ore, maiden MRE in weeks with SCPe ±2Moz

A comprehensive set of metallurgical test work released by Predictive today shows that ore at the Bankan deposit is free milling with >95% recovery. An average 94% recovered in 24hours was completed at 'optimum leach conditions' including 0.7-0.9kg/t cyanide consumption and 75um grind size. Eleven samples ranging from 0.9g/t to 2.73g/t (with single 5.5g/t sample) returned 94-98% recovery after 24hours (89-97% after 12hrs). The ore is considered hard with a bond work index of 21-25 in fresh rock (≤2 in oxide), but non abrasive, meaning a 3 stage crush or SAG mill will be required. Gravity recovery ranged from 20-33%. The maiden MRE is scheduled for later this month.

Catalysts

- 3Q21: 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\$0.13/sh, A\$175m	Project PNAV today: 0.25x	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	Resource / Reserve	Tonnes	Grade	Ounces
Gold price	1,850	1,850	1,850	1,850	1,850	SCPe resource	50Mt	1.32g/t	2124koz
SOTP project valuation*						SCP mining inventory	38Mt	1.41g/t	1700koz

	A\$m	O/ ship	NAVx	A\$/ sh
Ungear'd @ 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

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
Ungear'd 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

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

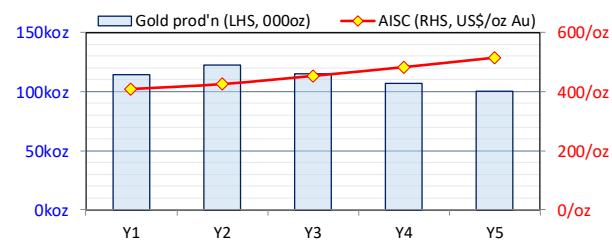
Geared NAV at first pour, diluted for build, net G&A and fin. costs^					
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	639	708	783	850	925
Discount rate: 7%	672	746	827	900	980
Discount rate: 5%	709	790	877	957	1,043
Geared project IRR:	46%	50%	54%	58%	62%
NAV 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

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

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

Production					
	Y1	Y2	Y3	Y4	Y5
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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 + WCover 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)	161.7	162.4	174.8	132.3	339.2
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)	CY20E	CY21E	CY22E	CY23E	CY24E
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 September 2021	
BUY:	46
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	46

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