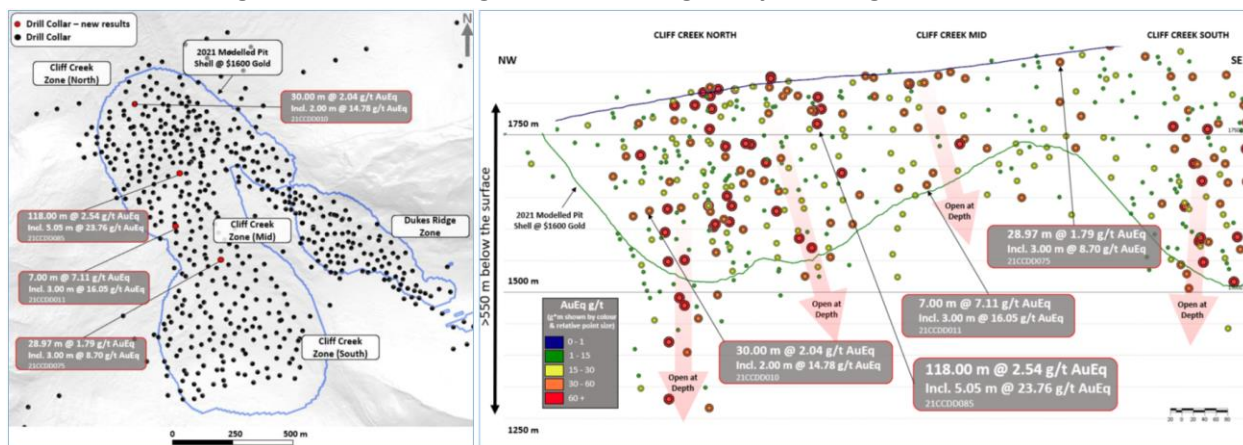


Ticker: BNCH CN **SCPe cash:** C\$45m **Project:** Lawyers
Market cap: C\$217m **Price:** C\$1.08 /sh **Country:** Canada, BC
RECOMMEND. (unc): BUY **TARGET** (unc): C\$2.05/sh **RISK RATING** (unc): HIGH

Today’s infill results from Cliff Creek continue to upgrade the resource classification and add useful pittable ounces. Composites from six intercepts averaged **31.2m @ 2.5g/t AuEq**, well above existing MRE (2.1Moz @ 1.54g/t AuEq at Cliffs). Within this, we note broad thicknesses of mineralization up to 118m near-surface, with mid-point averages for all hits only 98m down-hole, or, 54m down-hole for 4/6 hits. As such, **we maintain our BUY rating and C\$2.05/sh PT** based on 0.3xNAV_{5%-1850-24} for a 2Moz @ 1.7g/t AuEq open-pit averaging >200koz pa in Y1-5 at 4Mtpa, with only a nominal C\$20m for regional targets such as Silver Pond / Marmot. We think last year’s drilling could add anywhere from 500koz-1Moz in a 1H22 MRE before regional discoveries at Marmot and elsewhere. This should be followed by a PEA before more drilling and engineering work to support a FS, all fully funded, hence Benchmark remains a conviction name for us in CY22.

Figure 1. Plan and long section showing today’s drilling at Cliff Creek



Source: Benchmark

Cliff Creek infill hits broad, shallow, high-grade mineralization; 118.0m @ 2.5g/t AuEq

Benchmark reports results from four infill holes at Cliff Creek, along 750m strike from North to Mid Zones with highlights of broad, shallow, mineralization **118m @ 2.5g/t AuEq** from 11m, **30.0m @ 2.0g/t AuEq** from 88m and **29.0m @ 1.8g/t AuEq** from 119m. Two drills are currently turning at Lawyers with over 10,000m completed in 2022 to date. P&E Engineering has commenced block modeling work ahead of the 1H22 MRE update with data cut-off ~March 11th to allow for the inclusion of additional outstanding drill results.

Why we like Benchmark Metals

- 3Moz @ 1.68g/t AuEq with vanilla metallurgy and open-pit mining
- Potential 150-200koz pa base-case production before near-mine ounce growth
- Expected MRE growth from 3Moz AuEq now toward 4Moz AuEq in 1H22
- Regional exploration almost untouched; 100m @ 0.8g/t points to large ounce upside
- High grade UG potential at Cliffs Creek; 4m @ >1opt results 425m below surface

Catalysts

- 1H22: Updated MRE
- Mid 2022: Maiden PEA

Research

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Ticker: BNCH CN		Price / mkt cap: C\$1.08/sh, C\$217m		Project PNAV today: 0.2x		Asset: Lawyers										
Author: Brock Salier		Rec / 0.3xNAV PT: BUY, C\$2.05/sh		1xNAV _{1Q21} FF FD: C\$4.80/sh		Country: Canada: BC										
Commodity price	FY19A	FY20A	FY21E	FY22E	FY23E	SCPe Mining inventory	Tonnes	1uEq (g/t)	AuEq (koz)	Ag (%)	M&I (%)					
Gold price	1,850	1,850	1,850	1,850	1,850	OP: M&I plus inferred	54.94Mt	1.57g/t	2,766koz	29%	78%					
Share data	Basic	FD	FF	FD with build		UG M&I plus inferred	1.57Mt	5.72g/t	288koz	32%	17%					
Basic shares (m)	200.7	263.0	312.6			SCP inventory	51.37Mt	1.43g/t	2,355koz	29%	-					
SOTP project valuation*						Funding: uses				Funding: sources						
		C\$m	O/ship	NAVx	C\$/sh	Mine build capex	C\$360m	NovQ21 cash + options cash	C\$123m	SCPe G&A to 1st Au	C\$3m	Mine debt @ 60% gearing	C\$218m			
Ungeared proj. @ build start		1,266	100%	0.30x	1.44	iCPe pre-production expl'n	C\$28m	Mine build equity at 0.6xNAV	C\$160m	SCPe fin costs + wkg cap	C\$30m	Total proceeds	C\$501m			
Cash 3Q21 + 4Q raise		45	100%	1.00x	0.17	Total uses C\$421m		Buffer	C\$80m							
Cash from options		78	100%	1.00x	0.30	Ratio analysis (yr to Feb)										
UG ore @ US\$100/oz		22	100%	1.00x	0.09	Average shares out (m)	71.9	FY19A	130.0	FY20A	166.7	FY21E	300.4	FY23E		
Nom. explo @ peer mkt cap		20	100%	1.00x	0.08	EPS (C\$/sh)	-	-	-	-	-	-	-	-		
Asset NAV5% C\$1850/oz		1,432			2.07	CFPS (C\$/sh)	-	-	-	-	-	-	-	-		
*Diluted for options but not build		Market P/NAV5% ₋₁₈₅₀		0.20x		EV (C\$m)	67.7	106.5	139.3	308.3	517.4	FCF yield (%)	-	-		
Asset value: 1xNPV project @ build start (C\$m, ungeared)*						P/CF (x)	-	-	-	-	-	EV/EBITDA (x)	-	-		
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Income statement (yr to)										
10.0% discount	942	1,017	1,092	1,167	1,242	Net revenue (C\$m)	-	-	-	-	-	COGS (C\$m)	-	-		
7.5% discount	1,075	1,160	1,245	1,330	1,415	Gross profit (C\$m)	-	-	-	-	-	D&A, attrib (C\$m)	-	-		
5.0% discount	1,236	1,334	1,432	1,529	1,627	Admin (C\$m)	2.3	5.5	5.5	4.1	4.1	Expensed expl'n (C\$m)	1.8	0.0		
Ungeared project IRR:	37%	42%	46%	51%	55%	Finance cost (C\$m)	-	(0.3)	(0.1)	0.6	13.3	Royalty (C\$m)	-	-		
Project NPV (C\$m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Forex, other (C\$m)	(0.3)	(3.8)	(2.1)	-	-	Taxes (C\$m)	-	-		
10.0% discount	1.52	1.60	1.69	1.77	1.86	Net income (C\$m)	(3.8)	(4.8)	(3.2)	(4.7)	(17.4)	Cash flow (yr to Feb)				
7.5% discount	1.67	1.76	1.86	1.96	2.05	EBIT (C\$m)	(3.8)	(1.7)	(3.3)	(4.1)	(4.1)	Add back D&A (C\$m)	-	-		
5.0% discount	1.85	1.96	2.07	2.18	2.30	EBITDA (C\$m)	(3.8)	(1.7)	(3.3)	(4.1)	(4.1)	Less tax + interest (C\$m)	-	3.0		
*Project ex fin. costs and central SGA, discn't to build start						Change in wkg cap (C\$m)	0.5	1.1	(3.2)	-	3.6	Cash flow ops (C\$m)				
Group valuation over time*	1Q22	1Q23	1Q24	1Q25	1Q26	Add other non-cash (C\$m)	1.7	2.6	2.3	0.7	13.4	PP&E - build + sust. (C\$m)	(0.5)	(0.2)		
Lawyers mine (C\$m)	1,249	1,458	1,714	1,597	1,336	Cash flow inv. (C\$m)	(5.7)	(25.0)	(29.8)	(180.0)	(180.0)	PP&E - expl'n (C\$m)	(5.1)	(24.8)		
Silver Pond / Marmot (C\$m)	10	10	10	10	10	Share issue (C\$m)	14.4	47.0	38.4	160.0	-	Debt draw (repay) (C\$m)	-	-		
Group G&A and finance (C\$m)	(105)	(72)	(71)	(65)	(48)	Warrant proceeds (C\$m)	2.7	3.0	3.8	-	-	Cash flow fin. (C\$m)	17.1	50.0		
Net cash prior qtr (C\$m)	30	156	(27)	(133)	197	Debt draw (repay) (C\$m)	-	-	-	28.2	190.0	Net change in cash (C\$m)	9.8	24.0		
Cash from options (C\$m)	78	78	78	78	78	EBITDA (C\$m)	(2.1)	(3.8)	(1.7)	(4.2)	(4.7)	Balance sheet (yr to Feb)				
NAV FF FD (C\$m)	1,262	1,630	1,704	1,487	1,573	Balance sheet (C\$m)	10.2	34.1	41.5	45.8	55.4	Cash (C\$m)	0.2	0.3		
FD shares in issue (m)	263	263	313	313	313	Acc rec., inv, prepaid (C\$m)	0.2	2.1	9.9	9.9	0.5	Debt (C\$m)	0.2	0.3		
1xNAV5%/sh FF FD (C\$/sh)	4.80	6.20	5.45	4.76	5.03	PP&E + other (C\$m)	12.8	36.1	66.4	246.4	426.4	Accounts payable (C\$m)	0.1	1.2		
Equity ROI from spot (% pa)		474%	194%	110%	85%	Total assets (C\$m)	23	72	118	302	482	Others (C\$m)	1.1	5.4		
Geared company NAV diluted for mine build, net G&A and finance costs						Total liabilities (C\$m)	1.4	6.9	10.0	38.8	236.2	Sh'hlds equity + wrmts (C\$)	30.4	78.7		
2Q25 1xNAV FF FD (C\$/m)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	Retained earn'gs + rsvs (C)	(8.6)	(13.3)	(17.4)	(22.1)	(39.5)	Liabilities + equity (C\$m)	23	72		
10.0% discount	1,206	1,300	1,394	1,488	1,582	Production										
7.5% discount	1,275	1,376	1,476	1,576	1,676	Y1	Y2	Y3	Y4	Y5	Gold eq production (000oz)					
5.0% discount	1,358	1,465	1,573	1,680	1,788	205	213	201	147	146	C1 cost (US\$/oz)					
Geared project IRR:	33%	38%	43%	47%	51%	565	624	670	957	1,005	AISC cost (US\$/oz)					
2Q25 1xNAV FF FD (C\$/sh)*	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz	604	664	714	1,018	1,065	AISC = C1 + ug sustaining capex, Y1 from 3Q25					
10.0% discount	3.56	3.90	4.24	4.59	4.94											
7.5% discount	3.87	4.24	4.61	4.98	5.35	Source: SCP estimates										
5.0% discount	4.24	4.63	5.03	5.43	5.83											
^Project NPV incl grp SG&A & fin. cost, +net cash; *diluted for mine build equity																

Source: SCP estimates

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TENDER: The analyst recommends tendering shares to a formal tender offering

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Summary of Recommendations as of February 2022	
BUY:	51
HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	1
NOT RATED:	0
TOTAL	53

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