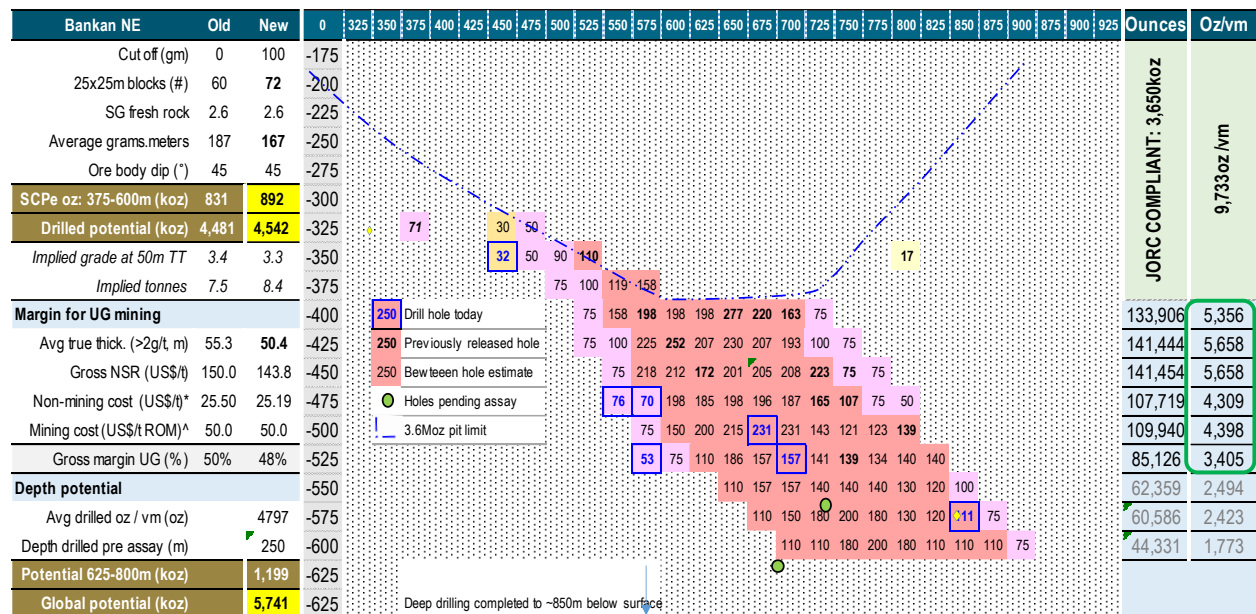


**Ticker:** PDI AU      **Pro-forma cash:** A\$17m      **Project:** Bankan Ck / NE  
**Market cap:** A\$279m      **Price:** A\$0.205/sh      **Country:** Guinea  
**REC. (unc):** BUY      **TARGET (unc):** A\$0.45/sh      **RISK RATING (unc):** SPECULATIVE

The key investment thesis for Predictive is that the core 'red tongue' continues at >100gm and/or at 3-5koz/vm. With a mixture of step-down and step-out (finding the limits) drilling, today's two central holes' composite **56m @ 4.1g/t** and **56m @ 2.8g/t** for 157 and 231gm leaves the above thesis wholly intact. As a reminder of the quality of the core of the system, these holes could add ~60koz and ~35koz alone on 25m radius (227koz on 50m radius for headline hole). A step-out to the east hit 111gm on edge of system, and four holes east of main shoot (targeted pre new management digitizing geometries) saw 50-70gm, defining the limits of the system. Our prior 831koz @ 3.4g/t SCP additions drilled post 3.6Moz MRE was done on a zero cut off (as all holes >100gm), we adjust this to a 100gm cut-off, taking our drilled-estimate to **+892koz @ 3.3g/t for 4.5Moz 'drill de-risked' ounces already**. The drilling pending/planned now goes to ~825m below surface, at the ~5koz / vm from 625 > 850m, this could add +1-1.3moz for global >5.5Moz, So if these holes come in, we would expect a 5-6Moz 3Q21 MRE. For now, **we maintain our BUY rating and 0.4xNAV<sub>5%-1850</sub> A\$0.45/sh PT**. With the stock at just 0.23xNAV<sub>5%-1850</sub> (on A\$1.7bn NAV), the upside comes not just from closing the gap on 1xNAV with infill and engineering, but ounce addition from (i) putting drilled 375-600m below-surface, including a composite 60m @ 4.2g/t, into JORC, (ii) near mine drilling with 6m @ 13g/t today, (iii) 1.5km further SE after 28m @ 12.1g/t, (iv) drilling to the north following 12m @ 9.8g/t at AG1, and (iv) drilling on discrete Koundian project after 6m @ 32g/t to EOH.

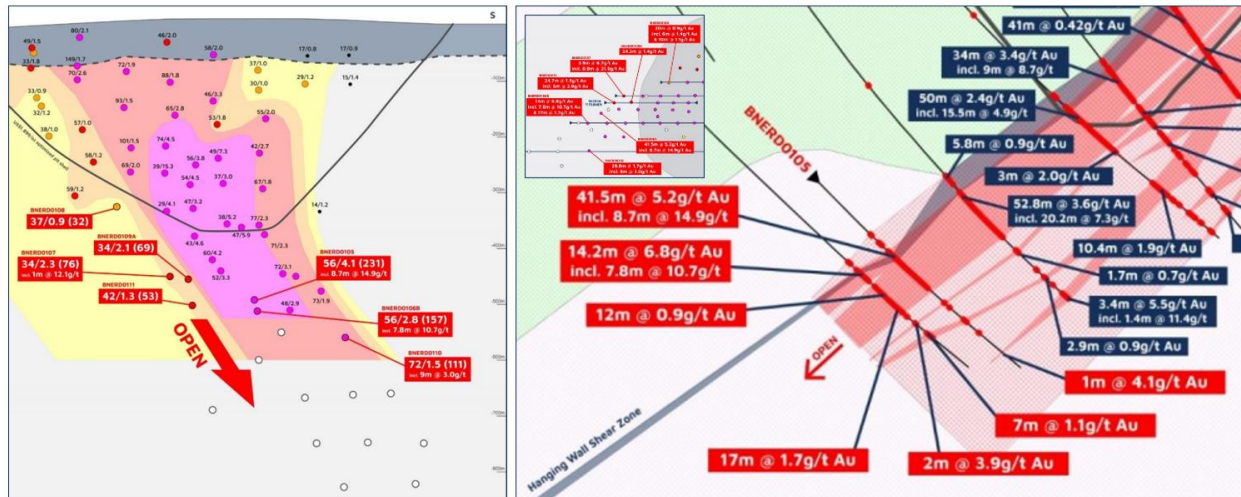


Source: SCP estimates

## Composite 56m @ 4.1g/t from ~500m below surface: SCPe 4.5Moz drilled with >5Moz potential

Seven holes released from Bankan NE hits 41m @ 5.2g/t (composite down hole **56m @ 4.1g/t** from ~478m bs), and **14m @ 6.8g/t** (composite 56m @ 2.8g/t from ~506m bs), with narrower hits on 'out wide' footprint drilling, eg 5m @ 3.4g/t (in composite **34m @ 2.3g/t**). Four rigs are being mobilised to site from new contractor Capital in coming weeks, with 3Q22 MRE targeted. Baseline technical studies have also commenced to feed FS and reserves, and have initiated a detailed Rapid Ecological Assessment to understand mining impacts.

Figure 1. (A) Long section and (B) cross section with (inset) plan of today's drilling



Source: Predictive

## Why we like Predictive Discovery

1. Free-milling Bankan 3.65Moz MRE already above critical mass so 'will be a mine'
2. Bankan Creek satellite offers high-grade starter pit
3. UG potential likely with 56m @ 2.8g/t deepest hole on 'tongue' open at depth
4. Multiple discoveries near mine / along strike / country wide over 5000km<sup>2</sup> to be followed up
5. Strong management and board representing ECM, mine building and geology

## Catalysts

- CY22: Bankan Creek step-out / deeper drilling (*deepest 6.8m @ 8.1g/t within 26m @ 3.1g/t*)
- CY22: Bankan NE UG drilling (*deepest 48m @ 2.9g/t composite*)
- CY22: Regional drilling north of Bankan (*following 12m @ 9.8g/t at AG1*)
- CY22: Near-mine drilling with <2km of Bankan (*following 28m @ 12.1g/t*)
- CY22: Drilling on discrete Koundian project (*following 6m @ 32g/t to EOH, and 4m @ 45g/t*)
- CY23: SCPe mining licence, incl. excise from national park buffer zone

## Research

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<b>Ticker:</b> PDI AU	<b>Price / mkt cap:</b> A\$0.205/sh, A\$279m	<b>Project PNAV today:</b> 0.19x	<b>Asset:</b> Bankan Ck / NE
<b>Author:</b> B Salier B Gaspar	<b>Rec/0.4xNAV PT:</b> BUY, A\$0.45/sh	<b>1xNAV<sub>3Q24</sub> FF FD:</b> A\$1.20/sh	<b>Country:</b> 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	3Q21 MRE	73Mt	1.56g/t	3646koz

SOTP project valuation*	A\$m	O/ship	NAVx	A\$/sh
Ungeared @ build start (3Q23)	1,615	100%	1.00x	1.06
Cash 3Q21	23.9	100%	1.00x	0.02
Cash from options	9.9	100%	1.00x	0.01
Resources ex inventory @ US\$30/oz	32.8	100%	1.00x	0.02
Explor'n (SCPe 500koz @ \$50/oz)	20.1	100%	1.00x	0.01
Asset NAV5% US\$1850/oz	<b>1,702</b>			<b>1.12</b>

Project: USES	Funding: SOURCES
Pre-DFS exploration / G&A: A\$22m	ash 3Q21 + pre-Au ITM op.: A\$34m
Build capex: A\$632m	Build equity @ 0.5xNAV: A\$230m
Fin. cost + WC over DFS: A\$22m	65% geared debt @ 8%: A\$411m
TOTAL USES: A\$677m	TOTAL SOURCES: A\$675m
Buffer / drill budget: -A\$2m	

Share data	Basic	FD with options	FD for build
Basic shares (m)	1,360.6	1,522.2	1,942

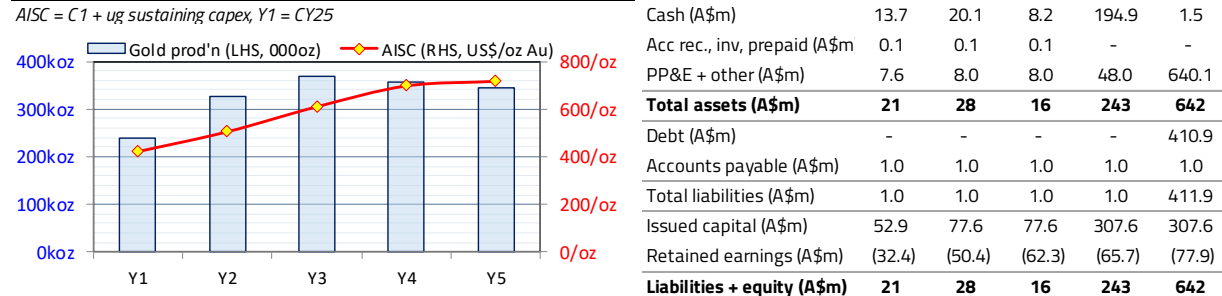
Ratio analysis	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	1,360.6	1,502.0	1,522.2	1,522.2	1,522.2
EPS (A\$/sh)	-	-	-	-	-
CFPS (A\$/sh)	-	-	-	-	-
EV (A\$m)	265.2	287.8	303.8	117.2	721.4
FCF yield (%)	-	-	-	-	-
PER (x)	-	-	-	-	-
P/CF (x)	-	-	-	-	-
EV/EBITDA (x)	-	-	-	-	-

Income statement	CY20A	CY21E	CY22E	CY23E	CY24E
Net revenue (A\$m)	-	-	-	-	-
COGS (A\$m)	-	-	-	-	-
<b>Gross profit (A\$m)</b>	-	-	-	-	-
D&A, attrib (A\$m)	0.0	-	-	-	-
G&A + sh based costs (A\$m)	2.2	2.7	2.9	3.5	4.0
Finance cost (A\$m)	2.5	16.6	9.0	-	8.1
Taxes (A\$m)	-	-	-	-	-
<b>Net income (A\$m)</b>	(4.8)	(19.3)	(11.9)	(3.5)	(12.1)

Cash flow, attrib.	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (A\$m)	(2.2)	(2.7)	(2.9)	(3.5)	(4.0)
Add back D&A (A\$m)	0.0	-	-	-	-
Less tax + fin. costs (A\$m)	2.5	16.6	9.0	-	8.1
Change in work. cap. (A\$m)	(0.9)	-	-	0.1	-
Other non-cash (A\$m)	(7.0)	(32.6)	(18.0)	-	(16.3)
<b>Cash flow ops (A\$m)</b>	<b>(7.5)</b>	<b>(18.6)</b>	<b>(11.9)</b>	<b>(3.3)</b>	<b>(12.1)</b>
PP&E - build + sust. (A\$m)	2.1	0.3	-	40.0	592.1
PP&E - expl'n (A\$m)	-	0.0	-	-	-
<b>Cash flow inv. (A\$m)</b>	<b>(2.1)</b>	<b>(0.3)</b>	-	<b>(40.0)</b>	<b>(592.1)</b>
Share issue (A\$m)	21.3	24.8	-	230.0	-
Debt draw (repay) (A\$m)	-	-	-	-	410.9
<b>Cash flow fin. (A\$m)</b>	<b>21.3</b>	<b>24.8</b>	-	<b>230.0</b>	<b>410.9</b>
Net change in cash (A\$m)	11.7	5.8	(11.9)	186.7	(193.4)
EBITDA (A\$m)	(4.7)	(19.3)	(11.9)	(3.5)	(4.0)

Balance sheet	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	13.7	20.1	8.2	194.9	1.5
Acc rec., inv, prepaid (A\$m)	0.1	0.1	0.1	-	-
PP&E + other (A\$m)	7.6	8.0	8.0	48.0	640.1
<b>Total assets (A\$m)</b>	<b>21</b>	<b>28</b>	<b>16</b>	<b>243</b>	<b>642</b>
Debt (A\$m)	-	-	-	-	410.9
Accounts payable (A\$m)	1.0	1.0	1.0	1.0	1.0
Total liabilities (A\$m)	1.0	1.0	1.0	1.0	411.9
Issued capital (A\$m)	52.9	77.6	77.6	307.6	307.6
Retained earnings (A\$m)	(32.4)	(50.4)	(62.3)	(65.7)	(77.9)
<b>Liabilities + equity (A\$m)</b>	<b>21</b>	<b>28</b>	<b>16</b>	<b>243</b>	<b>642</b>

Production	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	239	325	367	356	344
C1 cost (US\$/oz)	354	369	417	430	444
AISC cost (US\$/oz)	422	506	611	699	718



Source: SCP estimates

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HOLD:	1
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	56

<sup>1</sup> As at the end of the month immediately preceding the date of issuance of the research report or the end of the second most recent month if the issue date is less than 10 calendar days after the end of the most recent month