

**Ticker:** RSG AU / LN    **SCPe net cash 4Q22:** (US\$43m)    **Project:** Syama / Mako  
**Market cap:** A\$543m    **Price:** A\$0.255/sh    **Country:** Mali / Senegal  
**REC. (unc):** BUY    **TARGET (+2c):** A\$0.47/sh    **RISK RATING (unc):** HIGH

*So what? We think 18m @ >2opt shows is that early near-surface ‘fingers’ that grew into a 2Moz @ 3.0g/t fist appears to have turned into arm, and a gorilla-sized one at that. Of most interest, the resource has grown >50% with most ounces still <150m below surface. This talks to even more growth ahead – at these thicknesses, even a 250m pit could sit at <5:1 strip, with pro-forma potential >5Moz. We previously saw Syama North as a ‘fill the mill’ (a converted oxide mill, the sulphide mill, and the roaster), but today's drilling and MRE has left that scenario in the rear-view, and a potential expansion ahead (either throughput, or eg oxygen to add roaster capacity), to be incorporated into upcoming feasibility studies. Also, the 236koz oxide included assuages our concerns about short oxide life, which likely grows from here. Combined with recent equity de-leveraging the balance sheet, production rates of c. 350koz pa @ US\$1,400-1,450/oz, we would tender that Resolute, which previously moved from a high-cost leveraged play to mid-cost de-leveraged play, has the potential to transform into a premium name. The key delta (other than >3x the size) to prior satellite Tabakorini, is that Syama north is next to the existing mill, has the same metallurgy as the Syama UG, and is pitable. In fact, not only does this appear potentially geologically better than the Syama UG, the company (as probably should have been done at Syama) can mine this from an open pit.*

*Valuation impact:* Our prior US\$650m NAV / 45c 0.5xNAV PT to (i) drops to 23c net of dilution, (ii) lifts to 38c after lifting our NAV multiple to 0.8x to reflect the lazy balance sheet, (ii) lifts to 45c rolling the model forward and updating for gold price. With Syama North likely to offer more than ‘fill the mill’, potentially with higher-grades in early years, but support an expansion, for a full DCF valuation we await the upcoming FS. In the meantime, we maintain our US\$50/oz valuation (for comparison, our Syama NPV equates to US\$114/oz at US\$1,700/oz gold price), lifting our Syama North valuation from US\$100m to US\$159m or 5c to 9c/sh. As such, we **maintain our BUY rating and lift our PT from 45c to 47c/sh** based on 0.8xNAV<sub>5%-1700</sub> (equates to 59c at spot US\$1,910/oz) plus Syama North at US\$50/oz.

*What next? Under previous management and mining methods Resolute was a high-cost geared producer. Post raise, new management and ‘de-automation’ of the UG the company’s ~350koz pa @ US\$1,400-1,450/oz leaves it a mid-cost ungeared producer. With cost savings from Syama North (early-years likely sees higher-grade low-cost pit material), and a few years ago we never thought we would say this, Resolute could become a premium mid-tier producer. In due course. The valuation jump is substantial – for example Centamin 4Q22 production rates reported today are some 22% above RSG at similar AISC, but Centamin’s EV is 3x that of Resolute at ~US\$1.4bn vs. ~US\$417m; while Centamin puts in place debt, Resolute appears to have material reserve growth ahead. However, the proof only comes with delivery; upcoming catalysts are thus 4Q production (SCPe 348koz @ US\$1,400/oz vs. 345koz @ US\$1,425/oz mid-point guidance), delivery of the Syama North FS / mining inventory, and bringing that into production thereafter.*

**Table 1. Updated Syama North reserve and delta to prior**

Rock type	Tonnes	Δ to old	Grade	Δ to old	Ounces	Δ to old	Classification	Tonnes	Δ to old	Grade	Δ to old	Ounces	Δ to old
	(kt)	(%)	(g/t Au)	(%)	(000oz)	(%)		(kt)	(%)	(g/t Au)	(%)	(000oz)	(%)
Oxide	2,724	33%	2.69	-7%	236	26%	Measured	717	2%	3.51	0%	81	0%
Transitional	1,470	14%	2.90	-6%	137	8%	Indicated	18,457	111%	2.99	0%	1,774	112%
Sub-Total	4,194	25%	2.77	-8%	373	18%	Total M&I	19,174	103%	3.01	0%	1,855	102%
Primary (Sulphide)	29,843	79%	2.92	-9%	2,802	65%	Inferred	14,863	41%	2.76	-14%	1,319	21%
<b>Total</b>	<b>34,037</b>	<b>70%</b>	<b>2.90</b>	<b>-6%</b>	<b>3,175</b>	<b>58%</b>	<b>Total</b>	<b>34,037</b>	<b>70%</b>	<b>2.90</b>	<b>-6%</b>	<b>3,174</b>	<b>58%</b>

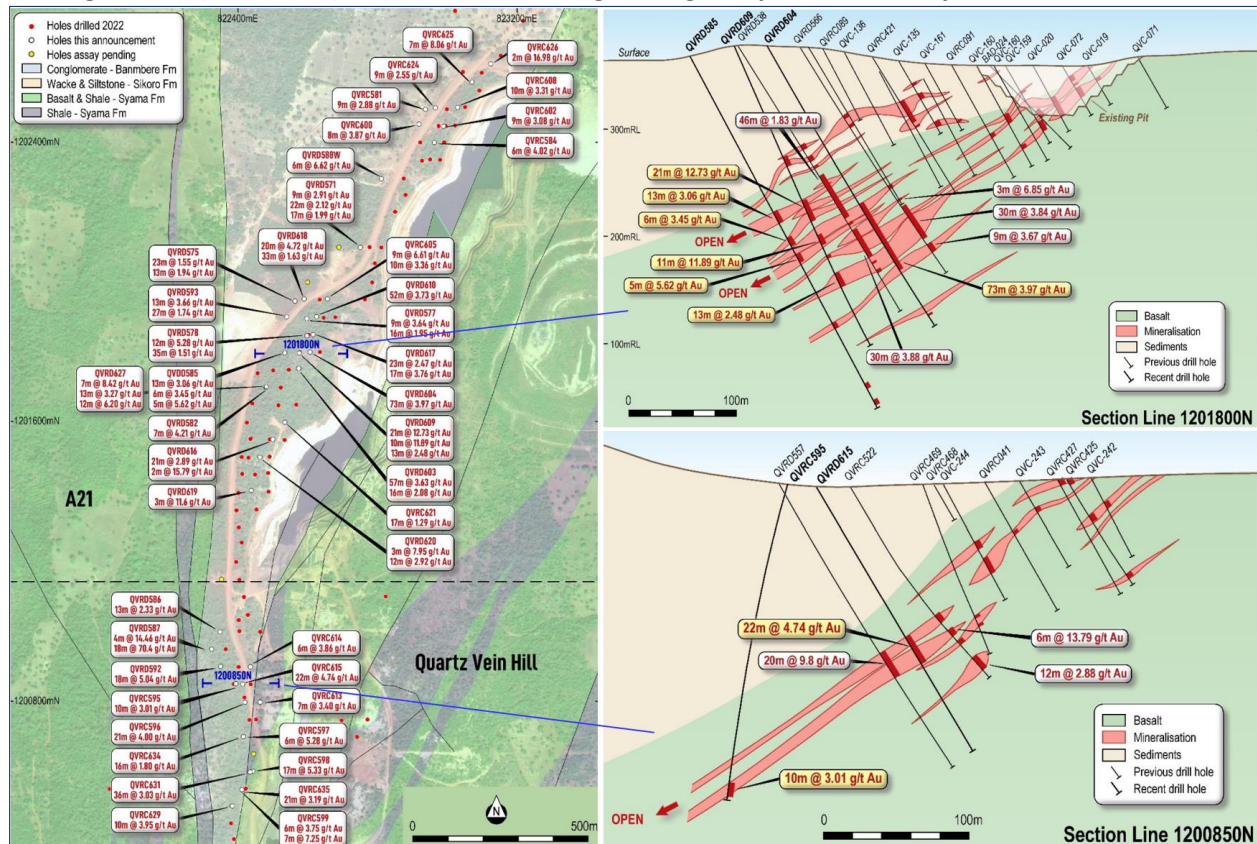
Source: Resolute, modelling assumptions remain unchanged with 1g/t cut-off, Ordinary Kriging on 5x10x5 and 0.3x0.6x0.3 parent and sub-blocks, 150m vertical depth for most mineralization

**18m@70g/t as Syama North grows from 2.0Moz to 3.2Moz, PT lifted as ‘premium’ enters lexicon**

**Syama north drilling:** Drill highlights reported today include 18m @ 70g/t, 73m @ 4.0g/t, 21m @ 12.7g/t, and 57m @ 3.6g/t, with intervals starting at 50-190m below surface, with an average of highlights

provided being 31.2m @ 8.2g/t (33m @ 4.8g/t excluding headline). **Resource update:** the company has lifted the global resource by 58% from 2.0Moz @ 3.1g/t to 3.2Moz @ 2.9g/t. This includes 236koz @ 2.7g/t in oxides suitable for the oxide mill, with 2.8Moz sulphides suitable for the sulphide mill and roaster, and 137koz of transition material. Of the total, 1.9Moz or 58% sits in M&I category, with 1.3Moz inferred. **Raise:** Resolute completed its \$A164m 16c equity raise in December, including A\$46m from its retail entitlement. **Bibiani:** final payment for sale of Bibiani (total \$30m Q3-Q4) was received in late November, with ongoing discussions on final environmental bond/interest payment of ~£3m.

**Figure 2. (A) Plan and (B/C) sections showing drilling on updated 3Moz Syama North resource**



Source: Resolute

## Why we like Resolute

1. Syama now 'fixed' with roaster repaired, automation scrapped, exploration restarted,
2. 3.2Moz @ 2.9g/t Syama N enables extension well over 12Y existing, and likely expansion
3. Strong FCF generation: US\$70m pa in 3Q22 ex asset sales / debt, SCPe ~US\$160m EBITDA
4. Stock trades at just 2.1x CY23 EV/EBITDA / 0.42x NAV, stability and growth to close gap to peers

## Catalysts

1. 1Q23: Syama north PFS
2. CY23: Increased regional exploration
3. CY25 onward: Potential Syama sulphide expansion to include Syama North sulphides

## Research

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HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	0
NOT RATED:	0
TOTAL	54

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