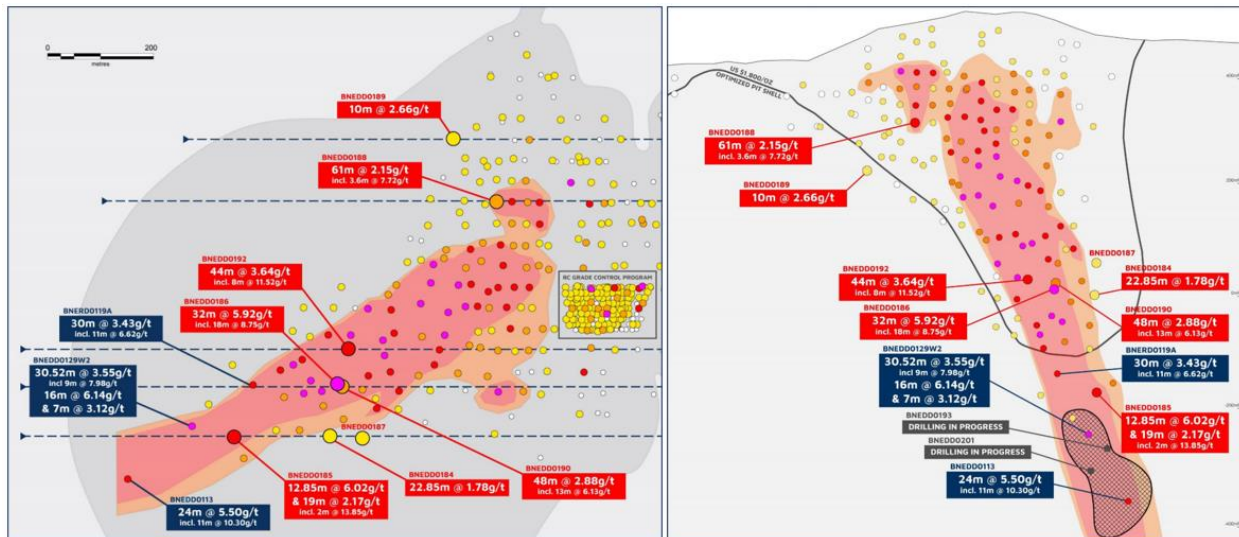


**Ticker:** PDI AU      **4Q22 cash:** A\$32m      **Project:** Bankan Ck / NE  
**Market cap:** A\$303m      **Price:** A\$0.17/sh      **Country:** Guinea  
**REC. (unc):** BUY      **TARGET (unc):** A\$0.55/sh      **RISK RATING (unc):** SPECULATIVE

And the gap is closed – one of the ‘knocks’ on the recent MRE (other than that infill didn’t lift headline) was that the newly minted 335koz @ 4.7g/t was patchy given the gap between that and the pit. In reality, not only was the MRE constrained by only three holes (pointing to good continuity), there was only a single hole in the gap zone, thus today’s holes support a link up. Eyeballing the size of the gap points to perhaps a third-again, ie +100kz. That this is approaching our modelled 500koz, at a grade well over our modelled 3.5g/t, from just five holes points to the likely LT upside here. BUT – deep-roots-upside doesn’t get a DFS and a mining permit, while boring infill does, making boring infill ironically more material. And THIS is our investment thesis – the stock is down on ~\$10m warrant overhang that expired in December deeply ITM, and on ‘boring infill’ not lifting the headline, ie a) the asset quality is strong and getting stronger today, while b) the price is weak on non-material (in the long term) news – a simple buy-the-dip thesis. For now, **we maintain our BUY rating and 0.5xNAV<sub>5%-1850</sub> A\$0.55/sh PT.** Given the P/NAV (undiluted for G&A/build) sits at just 0.16xNAV<sub>5%-spot</sub>, a key uptick in value for us should be the scoping study, which could allow us to lift our NAV multiple. Fully diluted for G&A and mine-build equity, our 1xNAV sits somewhere around A\$1.05/sh at our LT US\$1,850/oz (>115c/sh at US\$1,950/oz), pointing to upside with permits and DFS also. Perhaps our only gripe on Predictive from last year was not seeing more regional drilling. However, with a newly strengthened geology team including a dedicated regional lead, and C\$50m at September 30, we expect the regional drilling to pick up ahead of the 3Q23 wet season.

**Figure 1 (A) Plan map and (B) cross section showing infill and step down drilling released today**



Source: Predictive

## 13m @ 6g/t plugs the gap between open pit and UG, on track for SCPe 500koz UG (for starters)

Drilling at Bankan NE in Guinea today included **12.8m @ 6.0g/t** drilled under the prior constraining pit shell, but above the existing UG 335koz @ 4.7g/t. Infill holes in the upper indicated portion of the pit returned **61m @ 2.1g/t**, while drilling to convert inferred in the deeper portions of the pit shell returned **32m @ 5.9g/t**, **44m @ 3.6g/t** and **48m @ 2.9g/t** in the core, and **22.9m @ 1.8g/t** in the fringe.

## 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 deepest hole ~1.2km below surface against most gold within ~550m pit shell
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

- 4Q23: Scoping Study
- CY23: Bankan NE UG drilling (*deepest 24m @ 5.5g/t*)
- CY23: Regional drilling north of Bankan (*following 12m @ 9.8g/t at AG1*)
- CY23: Bankan Creek step-out / deeper drilling (*deepest 6.8m @ 8.1g/t within 26m @ 3.1g/t*)
- CY23: 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
- CY24: Near-mine drilling with <2km of Bankan (*following 28m @ 12.1g/t*)

## Research

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<b>Ticker:</b> PDI AU	<b>Price / mkt cap:</b> A\$0.17/sh, A\$303m	<b>Project PNAV today:</b> 0.16x	<b>Asset:</b> Bankan Ck / NE
<b>Author:</b> B Salier/E Magdzinski	<b>Rec/0.5xNAV PT:</b> BUY, A\$0.55/sh	<b>1xNAV<sub>3Q24</sub> FF FD:</b> A\$0.97/sh	<b>Country:</b> Guinea

Commodity price	CY21E	CY22E	CY23E	CY24E	CY25E
Gold price	1,892	1,857	1,850	1,850	1,850

**SOTP project valuation\***

	A\$m	O/ship	NAVx	A\$/sh
Ungeared @ build start (3Q23)	1,695	100%	1.00x	0.92
Cash 4Q22	32.4	100%	1.00x	0.02
Cash from options	5.3	100%	1.00x	0.00
Resources ex inventory @ US\$50/oz	231.4	100%	1.00x	0.12
Explor'n (SCPe 500koz @ \$50/oz)	21.2	100%	1.00x	0.01
Asset NAV5% US\$1850/oz	<b>1,985</b>			<b>1.07</b>

\*Shares diluted for options mine build Market P/NAV5<sub>3Q23</sub> 0.16x

**Asset value: 1xNPV project @ build start (A\$m, ungeared)\***

Project NPV (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	1,277	1,439	1,599	1,769	1,926
Discount rate: 7%	1,425	1,603	1,778	1,963	2,136
Discount rate: 5%	1,597	1,793	<b>1,985</b>	2,189	2,380
Ungeared project IRR:	39%	43%	48%	52%	57%

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

**Group NAV over time^**

	Mar-23	Mar-24	Mar-25	Mar-26	Mar-27
Bankan NPV (A\$m)	1,651.5	1,786.2	2,525.2	2,334.1	2,043.1
G&A and fin. costs (A\$m)	(158.7)	(140.3)	(132.9)	(89.2)	(54.7)
Net cash prior qtr (A\$m)	26.0	162.0	(436.9)	(97.2)	230.8
Cash from options (A\$m)	5.3	5.3	5.3	5.3	5.3
Exploration (A\$m)	252.6	252.6	252.6	252.6	252.6
NAV FF FD (A\$m)	1,777	2,066	2,213	<b>2,406</b>	2,477
Shares in issue (m)	1,783	1,852	2,281	2,281	2,281
1xNAV/sh FF FD (A\$/sh)*	<b>1.00</b>	<b>1.12</b>	<b>0.97</b>	<b>1.05</b>	<b>1.09</b>

**Geared NAV at first pour, diluted for build, net G&A and fin. costs^**

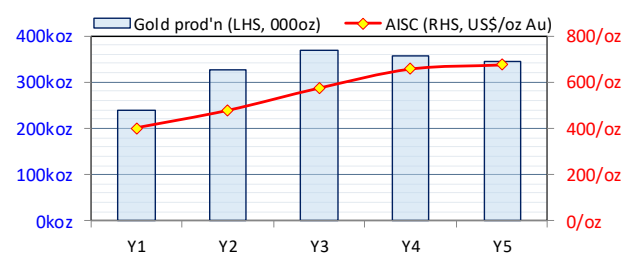
NAV at first gold (C\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
Discount rate: 9%	1,753	1,957	2,158	2,372	2,571
Discount rate: 7%	1,848	2,063	2,274	2,499	2,707
Discount rate: 5%	1,956	2,182	<b>2,406</b>	2,642	2,862
Geared project IRR:	36%	40%	45%	49%	53%

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

**Production**

	Y1	Y2	Y3	Y4	Y5
Gold production (000oz)	239	325	367	356	344
C1 cost (US\$/oz)	337	351	396	409	422
AISC cost (US\$/oz)	401	477	574	657	675

AISC = C1 + ug sustaining capex, Y1 = CY25



Source: SCP estimates

Resource / Reserve	Tonnes	Grade	Ounces
3Q21 MRE	77Mt	1.69g/t	4181koz
SCP pit inventory	58Mt	1.62g/t	3006koz
SCP UG inventory	4Mt	3.00g/t	500koz

**Project: USES**

Project: USES	Funding: SOURCES
Pre-DFS exploration / G&A: A\$13m	Cash 3Q22+pre-Au ITM op.: A\$38m
Build capex: A\$665m	Build equity @ 0.5xNAV: A\$230m
Fin. cost + WC over DFS: A\$23m	65% geared debt @ 8%: A\$432m
TOTAL USES: A\$701m	TOTAL SOURCES: A\$700m
Buffer / drill budget: -A\$1m	

**Share data**

Share data	Basic	FD with options	FD for build
Basic shares (m)	1,782.5	1,852.2	2,281

**Ratio analysis**

	CY20A	CY21E	CY22E	CY23E	CY24E
Average shares out (m)	1,726.6	2,219.0	2,281.4	2,281.4	2,281.4
EPS (A\$/sh)	-	-	-	-	-
CFPS (A\$/sh)	-	-	-	-	-
EV (A\$m)	279.8	359.8	355.5	189.8	827.4
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	3.1	5.7	4.8	4.0
Finance cost (A\$m)	2.5	19.0	35.7	20.0	8.4
Taxes (A\$m)	-	-	-	-	-
<b>Net income (A\$m)</b>	(4.8)	(22.1)	(41.4)	(24.8)	(12.4)

**Cash flow, attrib.**

	CY20A	CY21E	CY22E	CY23E	CY24E
EBIT (A\$m)	(2.2)	(3.1)	(5.7)	(4.8)	(4.0)
Add back D&A (A\$m)	0.0	-	-	-	-
Less tax + fin. costs (A\$m)	2.5	19.0	35.7	20.0	8.4
Change in work. cap. (A\$m)	(0.9)	0.9	4.4	0.4	-
Other non-work (A\$m)	(7.0)	(37.6)	(72.0)	(40.0)	(16.8)
<b>Cash flow ops (A\$m)</b>	<b>(7.5)</b>	<b>(20.8)</b>	<b>(37.7)</b>	<b>(24.4)</b>	<b>(12.4)</b>
PP&E - build + sust. (A\$m)	2.1	0.4	1.1	40.0	625.1
PP&E - expl'n (A\$m)	-	0.0	-	-	-
<b>Cash flow inv. (A\$m)</b>	<b>(2.1)</b>	<b>(0.4)</b>	<b>(1.1)</b>	<b>(40.0)</b>	<b>(625.1)</b>
Share issue (A\$m)	21.3	25.4	57.4	230.0	-
Debt draw (repay) (A\$m)	-	-	-	-	432.3
<b>Cash flow fin. (A\$m)</b>	<b>21.3</b>	<b>25.4</b>	<b>57.4</b>	<b>230.0</b>	<b>432.3</b>
Net change in cash (A\$m)	11.7	4.2	18.6	165.6	(205.2)
<b>EBITDA (A\$m)</b>	<b>(4.7)</b>	<b>(22.1)</b>	<b>(41.4)</b>	<b>(24.8)</b>	<b>(4.0)</b>

**Balance sheet**

	CY20A	CY21E	CY22E	CY23E	CY24E
Cash (A\$m)	13.7	17.5	32.4	198.0	(7.2)
Acc rec., inv, prepaid (A\$m)	0.1	0.2	0.4	-	-
PP&E + other (A\$m)	7.6	25.2	39.1	79.1	704.2
<b>Total assets (A\$m)</b>	<b>21.5</b>	<b>42.8</b>	<b>71.9</b>	<b>277.1</b>	<b>697.0</b>
Debt (A\$m)	-	-	-	-	432.3
Accounts payable (A\$m)	1.0	2.0	6.5	6.5	6.5
Total liabilities (A\$m)	1.0	2.0	6.5	6.5	438.9
Issued capital (A\$m)	52.9	79.9	141.3	371.3	371.3
Retained earnings (A\$m)	(32.4)	(39.0)	(76.0)	(100.8)	(113.2)
<b>Liabilities + equity (A\$m)</b>	<b>21.5</b>	<b>42.8</b>	<b>71.9</b>	<b>277.1</b>	<b>697.0</b>

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Summary of Recommendations as of February 2023	
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HOLD:	1
SELL:	0
UNDER REVIEW:	1
TENDER:	1
NOT RATED:	0
TOTAL	55

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