

Ticker: RSG AU / LN **SCPe net cash 4Q22:** (US\$45m) **Project:** Syama / Mako
Market cap: A\$585m **Price:** A\$0.275/sh **Country:** Mali / Senegal
REC. (unc): BUY **TARGET (unc):** A\$0.51/sh **RISK RATING (unc):** HIGH

- Syama 4.6Moz reserves gives 16Y at current 175koz sulphide, hence mid year expansion PFS
- Expanded Syama can see SCPe production of 250-280koz from sulphides for >10Y, AISC to drop on pitable sulphides
- Perseus' and Endeavour's A\$600m/100koz values Syama alone at A\$1.5bn, ex 150koz pa Mako

Global resources of 11Moz @ 2.5g/t benefitted from an impressive +2.0Moz @ 2.9g/t net of depletion. Syama North's maiden reserve today of 987koz @ 2.4g/t comes a touch over our ~850koz estimate, taking **global reserves to 4.6Moz @ 2.5g/t**, with +945koz @ 2.3g/t net of depletion vs. CY21 mainly from Syama North, but also including +126koz of resource conversion from Syama UG. The 'so what' here is that this supports a long-life high-production asset, and is still growing given we have 'only' 945koz reserve at Syama North vs. 3.2Moz @ 2.9g/t resource. While a fair amount of the 'long tail' (think pregnant snake geometry) won't convert, with drilling only down to 150m in most areas, we expect the core to pull closer to 250m with more drilling, ongoing now.

Production impact: will be led by the mid-year PFS. A 1.5Moz worst-case pitable reserves at Syama North, plus the 2.1Moz Syama reserve, gives the current 175koz pa sulphide-run rate (240koz including oxides) at 16Y, precisely why the mid-year expansion PFS is underway. The sulphide circuit is doing ~2.2Mtpa; we see +1Mtpa as 'sweatable' on additional crushing capacity and ultimately mill feed. The ~1.5Mtpa oxide circuit could be converted to batch sulphides with simple float cell and milling addition for 1-1.2Mtpa. That ~3.4Mtpa supports 250-280koz pa at 2.5-2.8g/t for >10Y. This excludes Syama North >150m, Syama at depth, and regional oxides where recent geophysics has highlighted new structures.

Valuation impact: at current 367koz pa Resolute trades at just A\$171m/100koz pa, vs A\$440m/100koz pa for Centamin, and ~US\$600m/100koz pa for Endeavour and Perseus. In fact, just 270koz pa (Syama LT sulphide) would be valued at A\$1.2-1.6bn on CEY – EDV/PRU multiples. As such, we see both upside in Resolute share price on 'stabilised' multiple, and M&A optionality. However, for now we don't model the Syama expansion given the interplay between oxides / sulphides / batching. As such, maintaining US\$50/oz for Syama North (vs. US\$280/oz at 1xNPV_{5%-1850} for Syama inventory in our DCF), **we maintain our BUY rating and 51c/sh PT based on 0.8xNAV_{5%-1850}**. The key price driver will be the mid-year PFS for Syama North expansion, which has the potential to materially improve our valuation.

Table 1. Resolute ore reserves and mineral resource statement as of December 31, 2022

RESERVES	Tonnes	Δ CY21	Grade	Δ CY21	Ounces	Δ CY21	RESOURCES	Tonnes	Δ old	Grade	Δ old	Ounces	Δ old
Syama	(Mt)	(%)	(g/t Au)	(%)	(000oz)	(%)	Syama	(Mt)	(%)	(g/t Au)	(%)	(000oz)	(%)
Syama UG	25,500	-1%	2.6	0%	2,094	-3%	Syama UG	48,514	-4%	3.2	3%	4,957	0%
Syama sulphide stockpile	2,523	-2%	1.5	0%	124	2%	Syama sulphide stockpile	2,478	-4%	1.5	0%	120	-2%
Total Syama sulphides	28,023	-1%	2.5	-2%	2,218	-3%	Total Syama sulphides	50,992	-4%	3.1	3%	5,077	-1%
Taba UG	5,028	0%	4.7	0%	766	0%	Taba UG	6,829	0%	4.4	0%	976	0%
Total Mali sulphides	33,051	-1%	2.8	-1%	2,984	-2%	Syama / Taba total:	57,821	-3%	3.3	3%	6,053	-1%
Syama satellites	12,530	464%	2.4	26%	987	631%	Syama satellites	45,006	123%	2.7	13%	3,880	147%
Syama satellite stockpiles	2,284	5%	1.1	-8%	81	1%	Syama ox stock. + tails	19,442	1%	0.7	1%	456	2%
Taba pit	270	-66%	1.7	-15%	15	-71%	Taba pit	239	-91%	4.9	11%	38	-90%
Taba satellites	0	-100%	0.0	-100%	0	-100%	Taba satellites	190	-93%	2.0	18%	12	-92%
Taba stockpiles	1,080	22%	1.4	-7%	50	16%	Taba stockpiles	945	6%	1.4	-7%	42	-2%
Total Mali oxides	16,164	129%	2.2	38%	1,133	216%	Syama satellite total:	65,822	44%	2.1	19%	4,428	71%
Total Mali	49,106	22%	2.6	-1%	4,112	21%	Total Mali	123,644	17%	2.6	3%	10,481	21%
Mako	5,645	-38%	2.2	16%	392	-30%	Mako	10,243	-24%	1.7	0%	561	-22%
Mako stockpiles	3,851	26%	1.0	-9%	128	24%	Mako stockpiles	3,852	26%	1.0	-9%	121	17%
Total Mako	9,506	-22%	1.7	1%	520	-21%	Total Mako	14,095	-14%	1.5	-3%	683	-17%
GROUP	58,613	12%	2.5	2%	4,633	14%	GROUP	137,739	13%	2.5	4%	11,164	18%
Mined	6,846		2.0		431		Mined	6,846		2.0		431	
Δ to old net of mined	12,959		2.5		1,004		Δ to old net of mined	22,585		3.0		2,095	

Source: Resolute, SCP Estimates

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Syama North takes resources >11Moz with 4.6Moz reserve, trading at 60-70% discount to peers

Factoring in the previously released Syama North resource, in today's annual resources and reserve update, resources grew from 9.5Moz @ 2.4g/t to **11.2Moz @ 2.5g/t**, Syama North also saw a **maiden reserve of 987koz @ 2.4g/t**. This lifted group reserves from 4.1Moz @ 2.4g/t to the current **4.6Moz @ 2.5g/t**. The Syama North PFS remains on track for mid year release, with drilling ongoing targeting further lifts in the resource at Syama North later this year.

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. Stock trades at just 2.1xCY23 EV/EBITDA / 0.43xNAV, 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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Ticker: RSG AU	Price / mkt cap: A27.5c/sh, A\$585m	Group P/NAV today: 0.44x	Asset: Syama / Mako
Author: B Salier / E Magd Rec	0.8xNAV PT: BUY, A\$0.51/sh	1xNAV: A\$0.63/sh	Country: Mali / Senegal

Share data					
Basic shares (m):	2,129.0	FD with options (m):		2,139.9	

Commodity price	CY21A	CY22A	CY23E	CY24E	CY25E
SCP gold price	1,800	1,805	1,911	1,873	1,850
RSG selling px incl. hedge	1,733	1,798	1,902	1,872	1,850

Group-level SOTP valuation					
	US\$m	O/ship	NAVx	A\$/sh	
NPV Syama 1Q23	668	90%	0.80x	0.35	
NPV Mako 1Q23	229	90%	0.80x	0.12	
Central, fin. & aq'n cost	(89)	-	0.80x	(0.05)	
SCPe net cash 4Q22	(44)	-	0.80x	(0.02)	
Pending asset sales	40.6		0.80x	0.02	
Invmt in Oklo (sold) / Loncor * 0.5	9.6		0.80x	0.00	
Syama N sulphide (US\$50/oz)	158.7	90%	0.80x	0.08	
1xNAV5% US\$1850/oz	973			PT:	0.51

Asset value: 1xNPV project today (US\$m, ungeared)*					
Group NAV (US\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	706	796	883	969	1,055
7% discount	734	831	925	1,017	1,109
5% discount	767	871	973	1,072	1,172
Group 1xNAV (A\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	0.37	0.41	0.46	0.50	0.55
7% discount	0.38	0.43	0.48	0.53	0.58
5% discount	0.40	0.45	0.51	0.56	0.61

*Project level NPV, excl finance costs and central SGA, discounted to build start

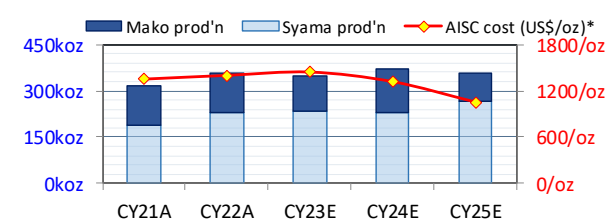
Group NAV over time	Mar 23	Mar 24	Mar 25	Mar 26	Mar 27
Syama (US\$m)	668	609	547	452	365
Mako (US\$m)	229	207	147	58	27
Central, fin. & aq'n cost	(89)	(65)	(56)	(49)	(42)
Net cash (US\$m)	(44)	80	189	346	468
Investments and EV/oz	209	209	209	209	209
1xNAV (US\$m)	973	1,040	1,036	1,016	1,028
1xNAV5%/sh FD (A\$/sh)	0.63	0.68	0.67	0.66	0.67

1.0xNAV/sh @ 1Q25 prod'n (US\$m, geared)^					
NAV (A\$m)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	774	877	977	1,076	1,175
7% discount	792	900	1,005	1,108	1,211
5% discount	813	926	1,036	1,144	1,252
NAV (A\$/sh)	\$1650oz	\$1750oz	\$1850oz	\$1950oz	\$2050oz
9% discount	0.50	0.57	0.63	0.70	0.76
7% discount	0.51	0.58	0.65	0.72	0.79
5% discount	0.53	0.60	0.67	0.74	0.81

^Project NPV less central SGA & finance cost, plus net cash at the time

Production	CY21A	CY22A	CY23E	CY24E	CY25E
Syama prod'n (koz)	188	228	232	231	267
Mako prod'n (koz)	127	129	115	139	91
Total prod'n (000oz)	315	357	347	370	358
AISC cost (US\$/oz)*	1,351	1,401	1,444	1,318	1,049

Guidance CY23: 350koz @ US\$1,480/oz AISC



Source: SCP estimates; *pre non-cash adjustments

Resources:	Au (koz)	Au (g/t)	Reserve:	Au (koz)	Au (g/t)
Syama UG sulphides	5,077koz	3.1g/t	2,218koz	2.5g/t	
Tabakorone	976koz	4.4g/t	766koz	4.7	
Syama satellite	3,880koz	2.7g/t	146koz	1.2	
Syama OP oxides	548koz	0.8g/t	987koz	2.4g/t	
Mako OP	683koz	1.5g/t	661koz	1.7g/t	
Global	11.2Moz	2.5g/t	Total: 4.8Moz	2.4g/t	
EV/oz:	US\$40/oz		US\$92/oz		

Ratio analysis	CY21A	CY22A	CY23E	CY24E	CY25E
Average shares on issue (m)	1,104	1,360	2,129	2,129	2,129
Forward EV (US\$m)	537.3	324.2	374.1	223.5	27.7
EBITDA (US\$m)	130	154	172	229	311
CFPS before w/c (US\$/sh)	(1.12)	7.5	5.0	7.7	9.9
EPS (USc/sh)	(28.9)	(2.5)	1.4	2.9	5.6
Forward EV/EBITDA (x)	1.0x	2.1x	2.2x	1.0x	0.1x
Forward FCF yield (%)	-6%	38%	25%	39%	50%
PER (x)	-	-	27.5x	13.4x	6.9x

Income statement attrib.	CY21A	CY22A	CY23E	CY24E	CY25E
Revenue, attrib (US\$m)	549.2	651.1	661.3	692.6	662.9
COGS + royalty (US\$m)	387.5	473.5	469.8	455.9	344.4
D&A (US\$m)	118.6	128.3	88.5	97.9	86.4
Gross profit (US\$m)	43.2	49.3	102.9	138.8	232.2
Exploration (US\$m)	18.5	14.6	12.0	-	-
Direct/indirect tax (US\$m)	64.4	42.4	28.5	43.1	67.7
Net finance cost (US\$m)	11.7	15.3	6.0	3.2	0.4
Other + impairment (US\$m)	267.7	11.1	26.9	31.6	45.5
Net income (US\$m)	(319.2)	(34.1)	29.5	60.8	118.6

Cash flow, attrib.	CY21A	CY22A	CY23E	CY24E	CY25E
Receipts from sales (US\$m)	549.0	650.6	661.3	692.6	662.9
Cost paid (US\$m)	(451.6)	(524.7)	(478.6)	(464.6)	(353.1)
Direct/indirect tax (US\$m)	(18.4)	(7.8)	(28.5)	(43.1)	(67.7)
Exploration (US\$m)	13.6	(10.7)	(12.0)	-	-
Net finance cost (US\$m)	(14.9)	(16.4)	(6.0)	(3.2)	(0.4)
Working cap and other (US\$m)	-	-	5.9	13.5	26.2
Cash flow ops (US\$m)	77.8	90.9	142.1	195.0	267.9

Cash flow inv. (US\$m)	CY21A	CY22A	CY23E	CY24E	CY25E
Development capex (US\$m)	(56.2)	(67.8)	(31.6)	(31.6)	(31.6)
Proceeds from sale (US\$m)	25.7	23.0	2.7	13.6	-
Cash flow inv. (US\$m)	(30.5)	(44.8)	(28.9)	(17.9)	(31.6)
Net debt movement (US\$m)	(29.8)	(195.0)	(50.0)	(39.2)	(35.9)
Equity issued (US\$m)	-	105.7	-	-	-
Minority / lease (US\$m)	(19.7)	(8.5)	(21.6)	(26.5)	(40.5)
Cash flow fin. (US\$m)	(49.5)	(97.8)	(71.6)	(65.7)	(76.5)
Net change in cash (US\$m)	96.8	143.9	184.8	242.8	312.8

Balance sheet	CY21A	CY22A	CY23E	CY24E	CY25E
Cash (US\$m)	77.1	80.9	122.5	234.0	393.9
AR + inv + other (US\$m)	238.3	237.7	229.6	208.1	171.3
Assets for sale / rcvbls (US\$m)	133.4	53.7	56.1	45.1	47.8
Develop./PP&E assets (US\$m)	496.6	460.1	400.4	334.0	279.2
Prepayments (US\$m)	38.8	35.1	35.1	35.1	35.1
Total assets (US\$m)	984.2	868.8	845.1	857.7	928.7
Debt (US\$m)	316.7	125.1	75.1	35.9	-
Accnts payable (US\$m)	91.5	63.7	61.5	53.5	42.9
Other (US\$m)	150.4	208.5	208.5	208.5	208.5
Total liabilities (US\$m)	558.6	397.3	345.1	297.9	251.3
S/holders, rsrvs, minor. (US\$m)	703.2	788.8	766.3	738.8	697.2
Retained earnings (US\$m)	(277.7)	(317.3)	(266.2)	(179.0)	(19.9)
Liabilities+equity (US\$m)	984.2	868.8	845.1	857.7	928.7

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