NATURAL RESOURCES INVESTOR™

1st August 2024

Highlights:

- AUD gold remains strong, continuing to support development outcome at Black Cat.
- Centrex experiences delays, but remains attractive given current valuation vs projections.
- Kingsrose maintains healthy cash balance, inks deal with BHP and progresses Penikat.
- Rex Minerals gets knock-out takeover offer, with spur in copper M&A commencing.
- South Harz removed due to unexpectedly poor feasibility results.
- Assessing opportunities, particularly in the rare earths space, which is at cyclical lows.

Black Cat Syndicate Limited (ASX:BC8):

1 year AUD gold prices have been very strong, but gold developers have remained under pressure.

Black Cat conducted a $36m placement at $0.27/share placement at the beginning of the Q2 quarter. Upon raising, the Company has stated that, it is now 'fully-funded' assuming completion of its debt requirements. As of 30th July, the Company has stated it is targeting the completion of $20-$30m of debt funding during the August-September 2024 period. On the surface, this level of debt funding appears attainable given the positive net cash position of the Company, the continued strength in AUD gold prices and the underlying asset base of the Company, which is comprised of several advanced assets with significant replacement value.

Black Cat is now targeting production from two of its projects (Paulsens and Kal East) during the December 2024 quarter, and 100koz p.a. production by the end of 2025. At a A$3500/oz gold price, the cumulative undiscounted cashflow net of capital costs across its three projects is A$897m. These figures compare favourably to the current market capitalisation of ~A$155m and current gold price of ~A$3700/oz.

The Company is leveraging off existing infrastructure, which has meant required pre-production capital expenditure has been reduced. Continued strength in the AUD gold price (~A$3700/oz) compares favourably to stated all-in-sustaining costs between A$1600-A$1800/oz across each of its three projects.

There is potential for Black Cat to strongly re-rate upon conclusion of its debt funding requirements, continued AUD gold strength, and its transition towards becoming a producer over the next 12-18 months, assuming milestones are met. A successful development outcome appears increasingly likely. The Company has taken a rather systematic approach to advancing its assets in order to reach this point. As a result, although there is always execution risk, ramp up risk, commissioning risk, financing risk, etc with every mining operation, it appears to have been minimised in this instance.

Centrex Limited (ASX:CXM)

In Centrex's recent Quarterly results, the Company demonstrated record increases for the quarter across several categories (mined ore, crushed ore, yields, concentrate produced, etc), which it has attributed to its ongoing Stage 1.5 Expansion. This is encouraging and shows that the Company has made significant operational progress over the past 12 months.

Picture 1: Ardmore Overview, taken on 23rd May 2024

Picture 2: Ardmore Overview, taken on 23rd May 2024

However, the Company has also flagged that its planned Stage 1.5 Expansion will be delayed from its previously stated December 2024 target. Currently, no updated revision has been provided, but the Company says it is expected to provide a further update in the "coming weeks" which may provide further clarity.

The Company has also revised its sales trajectory down from the previous quarterly report, from 108kt and 133kt for Q3 and Q4 respectively, down to an estimated range of 70-80kt and 90-100kt for Q3 and Q4. This downgrade was attributed to "extended equipment delivery and installation times associated with Stage 1.5 Expansion plant upgrades." Although this is a downgrade on the previous forecast, it still represents sharp sales growth if achieved (Q2: ~30kt actual < Q3: 70-80kt forecast < Q4: 90-100kt forecast). Further, the Company has also commented that it anticipates shifting towards an operating cashflow neutral position in the second half of 2024.

Despite the delay, the Company has maintained that its projected operating costs upon completion are expected to be A$160-A$180/t (FOB Townsville). The Company sold its phosphate concentrate this quarter for ~A$200/t, which was significantly weaker than usual. However, this was flagged as a 'seasonal' event which is not expected to persist based on market data available to the Company.

Assuming a return to previous sales prices of A$263/t (as per Q1 CY2024 results which were not 'seasonal') and given the suggested end of 'seasonality' looking ahead implies a highly profitable operation upon conclusion of the Stage 1.5 Expansion, even when taking the upper end of targeted operating costs.

For example: *625ktpa production run-rate (stated target of Stage 1.5) x A$263/t (assumed sales price) – A$180/t (upper end of projected operating costs) = >A$50m EBITDA per annum*.

Given a 10yr+ mine life, this outcome would compare favourably to the current market capitalisation of ~A$32m (enterprise value of ~A$42m assuming full draw down of NAB funding facility). World bank pink sheet commodity data also continues to suggest benchmark pricing of US$152.50/t (Morrocco FOB) has also remained unchanged since the beginning of the year.

Consequently, Centrex remains attractive on the basis of a return to previously realised sales prices for its rock phosphate and assuming the Company can complete its Stage 1.5 Expansion at projected operating costs of A$160-A$180/t. Several risks remain for the Company until the Stage 1.5 Expansion is completed and reaches steady-state production, however it appears that these risks have already largely been factored into the share price given the potential annual EBITDA (as illustrated above) vs the current implied enterprise value of $42m (with full drawdown).

Kingsrose Mining Limited (ASX:KRM)

Kingsrose Mining Ltd has continued to maintain a strong cash balance of ~A$26m as of the end of the June Quarter, with the market cap remaining around A$32m.

Significantly during the quarter, the Company announced an alliance with BHP with regards to potential earn in on its exploration ground. BHP has the option to spend US$20m at Phase 1 (over 4 years), and US$36m at Phase 2 (over 7 years from commencement), to earn up to a 75% interest.

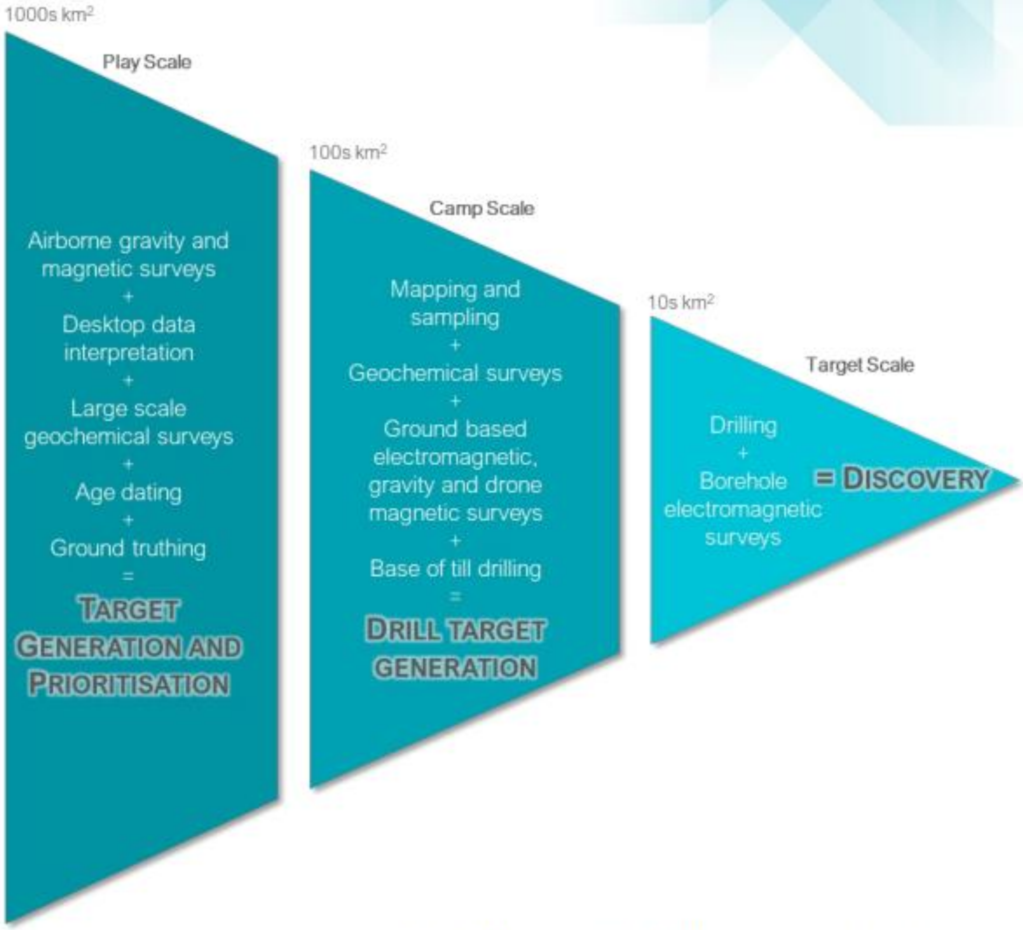

Figure 1: The exploration workflow for the BHP Exploration Alliance programs is designed to identify numerous camps and target areas on a regional scale, and to systematically reduce scale to generate drill targets and potential new discoveries.

Source: Kingrose Mining, June 2024 Quarterly Report, Alliance target generation model

Receiving significant funding from a mining major like BHP should be considered strong validation of the exploration model that Kingsrose is pursuing across Norway and Finland.

Further, the Company was granted permitting with respect to being able to conduct exploration at Penikat, which has evidence of being a richly mineralised intrusion, with indications of high grade PGE's. However, the Company must wait for any potential appeals before proceeding, with more information expected by Q1 CY2025.

Given the enterprise value remains relatively low (A$6m), the Company appears to represent asymmetric risk-reward at these levels, and is consequently attractive.

Rex Minerals Limited (ASX:RXM) – position half closed.

Rex Minerals received a takeover offer of $0.47/share. Although it is not a development outcome, it is a favourable result given market conditions and provides certainty of gain. To crystalise the value of this gain, and to hedge against the takeover potentially not being successful (due to FIRB or other difficulties), it was suggested that half of the position be sold. The other half remains held for the time being, upon the potential for further takeover offers emerging. However, given the bidder (MACH) currently holds more than 15%, further bidders at this stage appear unlikely.

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The takeover price of A$0.47 is in excess of the highest close during 2021 and over 10 years.

<u>South Harz Potash Limited (ASX:SHP) – position closed.</u>

South Harz produced highly disappointing feasibility results from their long-anticipated pre-feasibility study (PFS) at Ohmgebirge, which highlighted a highly unexpected doubling in pre-production CAPEX as compared to its previously published scoping study. Although a development outcome at Ohmgebirge is still technically possible given a positive medium-term outlook in the MOP market, this was overshadowed by near-term funding considerations, significantly higher than expected pre-production CAPEX and current MOP market conditions. The PFS results also resulted in the perceived likelihood of a potential transaction with external groups (such as Danakali) becoming increasingly unlikely. Consequently, it was suggested that this position be closed given the underlying asset at Ohmgebirge had unexpectedly become a marginal asset under neutral MOP market conditions.

<u>New opportunities</u>

Further suggestions to the portfolio are being assessed on an ongoing basis. Currently the focus is on the rare earths sector, which has experienced significant declines as a result of a prolonged downturn in benchmark REE prices. Deposits which show globally significant high-grades, scale, and simple metallurgical processing are strongly favoured, due to a greater likelihood of attracting liquidity and development funding given a potential return to stronger pricing. Other companies and metals are continuously being monitored for entry. Preference is given to companies which have large scale assets for metals which are at cyclical lows, companies which have significant near term cashflow generation potential relative to their market caps, and/or exploration companies with strong balance sheets and asymmetric risk/reward.