SPEC BUY

Current Price	$0.07
Valuation	$0.13

Code:			**BDC**
Sector:			**Metals and Mining**

* All figures in AUD unless stated otherwise

Shares on Issue (M):			**1,735**
Market Cap ($M):			**115**
Net cash ($M Mar 21)			**13**
Enterprise value ($M):			**102**
52 wk High/Low (ps):		**$0.09**	**$0.06**
12m av. daily vol. (Mshs):			**2.30**

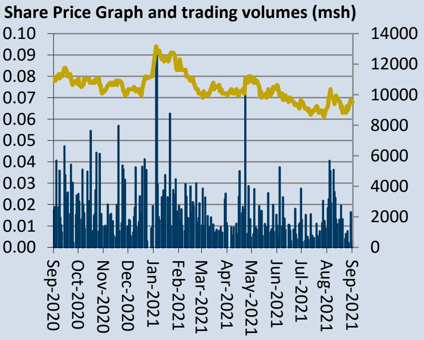
Key Metrics

	FY23e	FY24e	FY25e
P/E (x)	20.6	4.4	3.3
EV/EBITDA (x)	2.9	1.0	0.8

Financials:

	FY23e	FY24e	FY25e
Revenue ($M)	87	224	319
EBIT ($M)	27	80	94
NPAT (A$M)	10	47	63
Net assets ($M)	126	183	234
Op CF ($M)	26	72	102
Per share data:			
EPS (c)	0.3	1.5	2.0
Dividend (cps)	0.0	0.0	0.0
Yield (%)	-	-	-
CF/Share (cps)	0.8	2.3	3.2
Prod (koz Au)	37.5	96.1	136.9

Share Price Graph and trading volumes (msh)



Please refer to important disclosures at end of the report (from page 8)

Friday, 3 September 2021

Bardoc Gold (BDC)

Ironing Out the Plan

Analyst | Royce Haese

Quick Read

We have updated our model to factor in an optimisation study recently completed by Bardoc. The updated plan brings forward gold concentrate production from Aphrodite to the early years of the project and factors in increased project costs due to WA's tight labour market and increased cost of materials. In our model our assumed costs remained higher than Bardoc's updated estimate, we have pared back some of these assumptions. The net-result of these changes has negligible impact on our NAV.

Ironing Out the Plan

Optimisation Study Results: Bardoc has completed a cashflow optimisation study on its namesake project. Mine sequence has been reviewed and estimates have been updated to factor in WA's tight labour market and increase in materials costs.

The Positives: On Bardoc's numbers, bringing Aphrodite development forward in the mine plan increases gold production by 80kozs in the first five years of production. The plan is operationally simpler, with only two development fronts at any one time for life of mine. Producing from Aphrodite underground earlier means that any incremental additions to Aphrodite mine Reserves will fall within the current mine plan.

The Negatives: As has been well covered through the recent reporting season, costs have increased across the board in WA. Tight labour conditions due to demand from iron ore miners and Covid related border restrictions, plus increased cost of materials on the back of a sustained high iron ore prices has compounded to increase costs. For Bardoc, this has resulted in an estimated AISC increase of 9%, and a 30% increase in pre-production capex (also impacted by additional underground capital development + float circuit construction pre-production).

The Outcome: Using the March DFS gold price of $2,250/oz, pre-tax project NPV_6 estimated by Bardoc has reduced from $479M to $374M.

Our Bardoc development scenario had already factored in higher costs than the prior study across the board. We have reviewed these costs and reduced some estimates to align more closely with Bardoc's. Our presumed pre-production capex has increased due to bringing forward development at Zoroastrian which implies a higher than anticipated funding requirement. Overall, our investment thesis remains. We believe this is a conservative plan, with ample potential to out-perform.

Recommendation

We maintain our speculative buy recommendation with an updated valuation of $0.13 per share, prior $0.14 per share.

Bardoc Gold

Equities Research

Analyst: Royce Haese

Recommendation	**Speculative Buy**
Current Price	**$0.07**
Valuation	**$0.13**

Sector	**Metals & Mining**
Issued Capital (Mshs)	**1,735**
Market Cap (M)	**$115**

Friday, 3 September 2021

Profit & loss ($M) 30 June	2022E	2023E	2024E	2025E
Sales Revenue	**0**	**87**	**224**	**319**
+ Other income/forwards	0	0	0	0
- Operating costs	0	-44	-110	-175
- Royalties	0	-2	-6	-13
- Corporate & administration	-6	-6	-6	-6
Total Costs	**-6**	**-53**	**-122**	**-193**
EBITDA	**-6**	**35**	**102**	**126**
- margin	0%	40%	46%	39%
- D&A	0	-7	-22	-32
EBIT	**-6**	**27**	**80**	**94**
+ Finance Income/Expense	-4	-8	-7	-5
PBT	**-10**	**20**	**73**	**89**
- Tax expense	0	-6	-22	-27
- Impairments and other				
NPAT	**-10**	**10**	**47**	**63**

Cash flow ($M)	2022E	2023E	2024E	2025E
+ Revenue	0	87	224	319
- Cash costs	-6	-53	-122	-193
- Forwards	0	0	0	0
-Tax payments	0	-1	-23	-19
+ Interest & other	-4	-8	-7	-5
Operating activities	**-10**	**26**	**72**	**102**
- Property, plant, mine devel.	-233	-23	-25	-22
- Exploration	-2	-2	-2	-2
- Deffered Consideration	0	0	0	0
Investment activities	**-235**	**-25**	**-27**	**-24**
+ Borrowings	150	0	-30	-40
- Dividends	0	0	0	0
+ Equity	100	0	0	0
Financing activities	**250**	**0**	**-30**	**-40**
Cash change	**5**	**1**	**16**	**38**

Balance sheet	2022E	2023E	2024E	2025E
Cash & bullion	**21**	**22**	**38**	**76**
Other Current Assets	0	0	0	0
Total current assets	**21**	**22**	**38**	**76**
Property, plant & equip.	235	251	253	244
Investments/other	0	0	0	0
Total non-curr. assets	**235**	**251**	**253**	**244**
Total assets	**256**	**273**	**291**	**319**
Trade payables	52	7	10	14
Short term borrowings	0	30	40	40
Other	14	20	18	31
Total curr. liabilities	**66**	**27**	**28**	**45**
Long term borrowings	150	120	80	40
Other	0	0	0	0
Total non-curr. liabil.	**150**	**120**	**80**	**40**
Total liabilities	**216**	**147**	**108**	**85**
Net assets	**40**	**126**	**183**	**234**

Shares	2022E	2023E	2024E	2025E
New shs issued/exerciseable	1391	24	3	0
Average issue price	0.07	0.00	0.00	0.00
Ordinary shares - end	3126	3150	3153	3153
Diluted shares - end	3126	3150	3153	3153

*See Argonaut Mining Scenario and Valuation section for Equity assumptions

Financial ratios		2023E	2024E	2025E	2026E
GCFPS	A¢	0.8	2.3	3.2	3.7
CFR	X	8.1	2.9	2.0	1.8
EPS	A¢	0.3	1.5	2.0	2.8
PER	X	20.6	4.4	3.3	2.4
DPS	A¢	0.0	0.0	0.0	0.0
Yield	%	0.0%	0.0%	0.0%	0.0%
Interest cover	x	0.0	0.0	0.0	0.0
ROCE	%	11%	32%	39%	57%
ROE	%	16%	40%	38%	38%
Gearing	%	95%	44%	17%	0%

Operations summary	2023E	2024E	2025E	2026E
Bardoc Project				
Ore processed (Mt)	0.5	1.4	1.8	1.9
Head grade (g/t)	2.60	2.39	2.57	2.85
Met. recovery	0.91	0.92	0.91	0.90
Gold prodn (kozs)	37	96	137	161
Cost per milled tonne (A$/t)	91	81	96	100
Cash costs pre royalty (A$/oz)	1175	1115	1239	1121
All in sustaining costs (A$/oz)	1246	1208	1368	1300
Growth capital ($M)	23	25	22	13
CAIC (A$/oz)	2310	1857	1765	1701

Price assumptions	2023E	2024E	2025E	2026E
AUDUSD	0.75	0.75	0.75	0.75
Gold	1750	1750	1750	1750

Valuation summary	A$M	A$/sh
Bardoc project 7% real after tax DR	255	0.15
Exploration	77	0.04
Corporate overheads	-56	-0.03
Cash and bullion	13	0.01
Debt	0	0.00
Tax benefit	35	0.02
Hedging	0	0.00
Option/equity dilution	-95	-0.05
NAV	**229**	**0.13**

Directors, management	
Tony Leibowitz	Director, Non-Executive Chairman
Robert Ryan	Chief Executive Officer
John Young	Non-Executive Director
Rowan Johnston	Non-Executive Director
Neil Biddle	Non-Executive Director
Peter Buttigieg	Non-Executive Director

Top shareholders	M shs	%
Peter Buttigieg	78.0	4.5
FIL Investment Management (Singapore)	64.1	3.7
Neil Biddle	38.3	2.2

Resources Mar '21	Mt	g/t Au	Kozs	Mkt cap/oz
Bardoc Gold Project	**54.6**	**1.80**	**3,073**	**37**
Measured & indicated	36.5	1.70	2,055	
Inferred	18.1	1.80	1,018	

Bardoc Mining Inventory Mar '21	Mt	g/t Au	Kozs	
TOTAL INVENTORY	**17.6**	**2.02**	**1,149**	**100**
Underground	4.8	3.58	556	
Open Pits	12.8	1.44	593	

Bardoc: Ironing Out the Plan

Study Review – The Positives

Bardoc has completed its cash-flow optimisation study, centred on bringing planned production of concentrate from Aphrodite forward in the mine plan

Bardoc has completed a cashflow optimisation study on its namesake project. The study was centred on bringing forward Aphrodite development, relocating the proposed processing facility to Aphrodite, and building the floatation circuit during the main processing facility build.

Bardoc indicates that the new study:

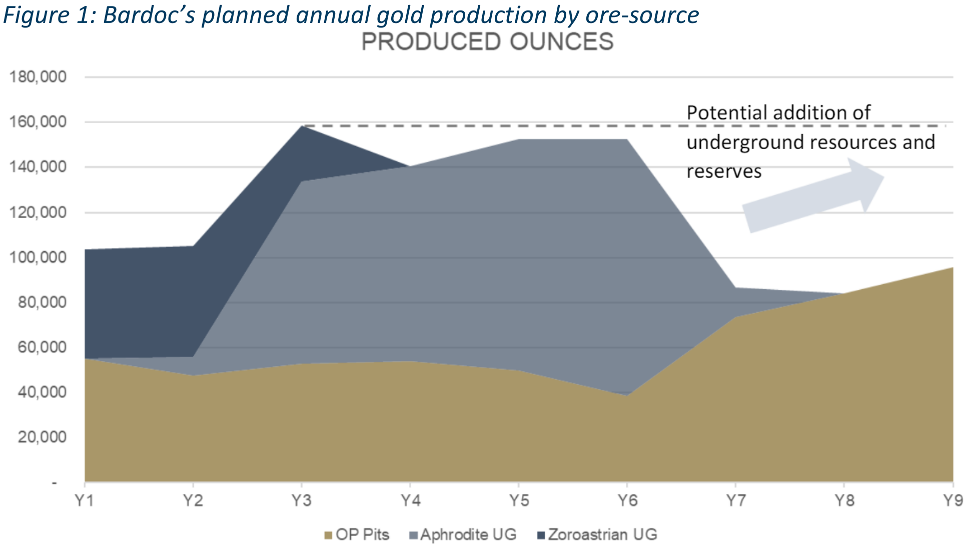
- Increases gold production by 80kozs within the first five years of production, with throughput of +150kozpa achieved in year 3
- Allows mining of the higher-grade Aphrodite ore earlier in the mine plan
- Allows for optionality in extending Aphrodite through discovery success (previously Aphrodite underground was mined towards the end of proposed mine-life)
- Improves early cash-flows, potentially delivering earlier repayment of debt

The key outcome from this study is the earlier ramp-up of both underground mines. Extensions to either of these mines has the potential to contribute significantly to project economics

A key outcome here is the earlier ramp-up of both underground mines, with average production of 151kozpa forecast through years three to six in the new plan. We've previously discussed the potential for additions to Zoroastrian Reserves through exploration. In our view, both underground mines have substantial exploration upside.

We note that in Bardoc's study, peak production in year 3 of 159kozs is the only period in the schedule where both underground mines are in operation simultaneously, with Zoroastrian only contributing ~22kozs for the period, despite peak production of up to 60kozspa from that mine.

Figure 1: Bardoc's planned annual gold production by ore-source



Source: BDC

The impact that exploration success at Zoroastrian and Aphrodite would have on Bardoc's longer term production profile is clear. Higher grade underground ore would displace lower grade ore, and Bardoc's improved production profile would be maintained longer term. A surface exploration programme is ongoing at Zoroastrian. We expect exploration activity at both deposits to ramp up once underground drill platforms have been

Surface exploration at Zoroastrian is underway, we expect this to ramp up once more cost-effective exploration can be completed from underground

established and more cost-effective exploration can be completed. If Zoroastrian were able to maintain a steady state 40kozpa and Aphrodite able to maintain 80kozpa longer term, supplemented by open pits the Bardoc project should be able to sustain annual production of close to 160kozpa.

Study Review – The Negatives

An increase in labour costs and material costs has resulted in an increase in estimated operating and capital costs for Bardoc

As has been well covered through the recent reporting season, costs for miners have increased across the board in WA. Tight labour conditions due to demand from iron ore miners and Covid related border restrictions, plus increased cost of materials on the back of a sustained high iron ore prices has compounded to increase costs. For Bardoc, this has resulted in an estimated AISC increase of 9%, and a 30% increase in pre-production capital expenditure.

Bardoc's pre-production capital expenditure is now estimated at $232M, up from $177M in the DFS estimate. An increase in processing plant contingency, the bringing forward of flotation plant construction and more capital works at Zoroastrian underground have each contributed ~$20M on top of the DFS figure. This has been slightly offset by deferment of road and rail realignment required prior to mining Excelsior.

The 9% increase in estimated AISC from $1188/oz to $1301/oz across LOM is a result of small cost increases across the board. Estimated costs for open-pit mining, underground mining, haulage, processing and sustaining capex have all increased.

Mining contract tenders have not been completed so these estimates are subject to review

We note that mining contract tenders have not been completed so these estimates are subject to review. The surface haulage unit-cost increase will mostly impact open-pit ores mined later in the schedule due to the re-location of the processing facility.

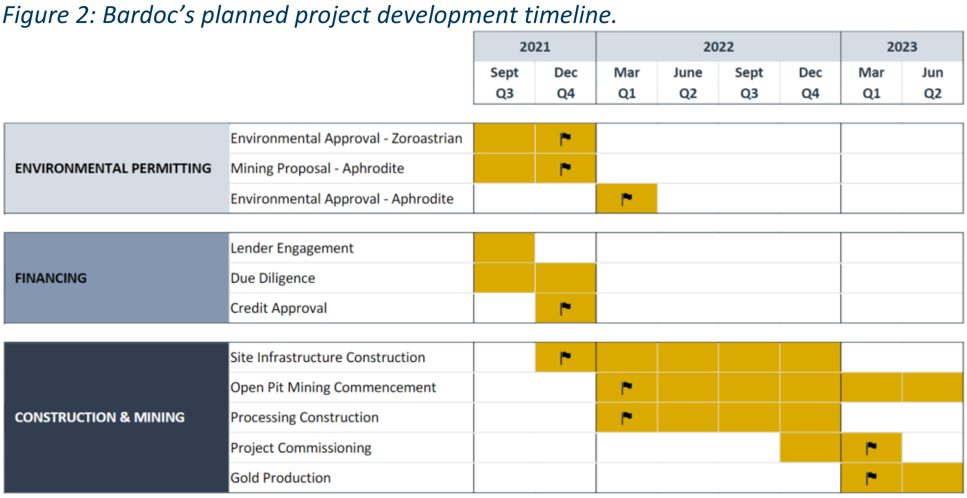
Study Review – The Outcome

Overall, using the same assumed gold price, Bardoc's estimated pre-tax NPV$_6$ for the project has reduced by ~$100M

Using the March DFS gold price of $2,250/oz, pre-tax project NPV$_6$ estimated by Bardoc has reduced from $479M to $374M.

Bardoc's planned first gold has also been delayed by one quarter. First gold is now scheduled for Q1 2023.

Figure 2: Bardoc's planned project development timeline.



Source: BDC

In our May initiation, we described Bardoc as a WA gold developer bellwether. The increase in costs outlined in this study is symptomatic of the local industry as a whole, and it is likely that other prospective developers (and current producers) will also be feeling the pinch. From here, with iron ore prices easing, and not much scope for Covid-related border restrictions to worsen, we suggest this study represents a cost ceiling on Bardoc's development scenario.

We believe that Bardoc's conservative approach in planning leaves plenty of room for improvement

It is our view that in outlining these substantial cost increases, Bardoc has taken a conservative approach in its planning. The plan as presented has room for improvement, from a cost of execution point of view, operationally, through more efficient mining, and through mine-life extensions. Should the iron-ore prices remain depressed, there is potential for materials costs to reduce, and it is likely that that labour pressures will also ease.

Argonaut's Mining Scenario and Valuation

We had previously factored in higher costs across the board in our mining scenario, we have pared some of these back to align more closely with Bardoc's current estimate

Our Bardoc development scenario already factored in higher costs across the board, we have reviewed these costs and reduced some estimates to align more closely with Bardoc's. Our estimates remain slightly higher than Bardoc's almost ubiquitously, factoring in our conservatism. Our presumed pre-production capex has increased due to bringing forward development at Zoroastrian which implies a higher than anticipated funding requirement.

Our total pre-production capex estimate now stands at $235M, up slightly on our prior estimate of $204.5M.

Our estimate of total funding requirement has increased to $250M, up from $220M

Our estimate of funding requirements has increased to a total funding requirement of $250M. Retaining our presumed 60:40 debt-equity split results in an assumed $150M debt facility and $100M equity raise at an assumed $0.07 subscription price. This results in equity dilution in present value terms of $95M (inclusive of dilution from options).

Gold production drops off significantly at the conclusion of underground mining at Aphrodite. We expect that once underground access has been established, both the Zoroastrian and Aphrodite mine lives will increase. If achieved this will result in >150kozpa gold production being comfortably achieved for as long as both mines are in operation. We assume Underground production of 4.8Mt @ 3.6 g/t Au for 556koz, and open pit production of 12.8Mt @ 1.4 g/t Au for 593koz. With 456koz sold as dore and 596koz sold as concentrate. We assume a nine-year mine life with first gold in the March quarter 2023.

Our cost estimates remain slightly higher than Bardoc's estimates

For processing, Bardoc previously assumed a treatment cost of $15/t of ore, the current update states this assumption has increased by 7%, implying $16/t of ore. We maintain our assumption of $18/t of ore processed. We have also factored in associated costs of producing and shipping a concentrate from Aphrodite ore. Including these costs brings our estimated processing cost across LOM up to $24/t. We estimate gold recovery of 93% for CIL and 90% for flotation ore (recovery to concentrate * payability). Our CIL recovery is slightly conservative when compared to Bardoc's estimates.

In our model we have allocated some previously categorised growth capital to sustaining capex which has increased our AISC but lowered growth capital. Our estimated LOM AISC is now $1318/oz.

Argonaut has used internal gold price estimates which average to US$1750 across the life of the project, and an AUD to USD currency conversion rate of $0.75.

Using a 7% real after-tax discount rate we now value the Bardoc Gold Project at $255M, or $0.15 per share. Down slightly from $257M/$0.15 per share.

We have also assigned a nominal exploration valuation equal to 20% of the Bardoc Gold Project's current valuation, or $77M. Bardoc has a large Resource base currently not included in the mine plan, and relatively short planned underground mine lives at Zoroastrian and Aphrodite. These short planned lives would be an anomaly in the Kalgoorlie region. We expect mine lives at both Zoroastrian and Aphrodite to be greater than those outlined in Bardoc's DFS and will review our model as more information becomes available.

As a sum of parts Argonaut values Bardoc at $229M, or $0.13 per share

As a sum of parts Argonaut values Bardoc at $229M, or $0.13 per share, down slightly from $236M, or $0.14 per share. This valuation includes Argonaut's mining scenario for the Bardoc project, plus a nominal exploration valuation, current cash and equivalents, and future tax benefit. Corporate overheads and equity dilution are also included.

Table 1: Bardoc Valuation Summary

Valuation summary	A$M	A$/sh
Bardoc project 7% real after tax DR	255	0.15
Exploration	77	0.04
Corporate overheads	-56	-0.03
Cash and bullion	13	0.01
Debt	0	0.00
Tax benefit	35	0.02
Hedging	0	0.00
Option/equity dilution	-95	-0.05
NAV	**229**	**0.13**

Source: Argonaut

Key risks to Valuation

Argonaut's valuation of the Bardoc project is highly sensitive to gold price. A 10% reduction in USD gold price reduces the project NPV by 46%. In reality, a reduction in gold price this great would likely be offset by A$ moves, and be buffered by a reduction in labour and equipment costs that would see both capex and opex decrease. Conversely, a 10% increase in USD gold price would see project NPV increase by 47%.

Table 2: Bardoc and Argonaut Pre-Tax NPV under various AUD gold price assumptions

Item	Unit	Gold Price			
		$2250/oz	$2350/oz	$2450/oz	$2550/oz
Bardoc Pre-Tax NPV_6	A$M	374	449	524	599
Argonaut Pre-tax NPV_7	A$M	324	391	458	525

Source: BDC/Argonaut

For the current valuation Argonaut utilised a conservative CIL processing recovery factor of 93%. If Bardoc were able to achieve recoveries of 95% this would result in the project NPV increasing by 6%. We have assumed gold recovery into concentrate of 95%, reducing this to 93% decreases the project NPV by 5%.

Argonaut has assumed total pre-production capital expenditure of $235M, inclusive of plant, flotation circuit and associated infrastructure construction, and underground/open pit pre-mining capital. We have also assumed the road and rail realignment required to develop Excelsior to cost $24.5M and a further $75M of capex across LOM for plant replacement/improvement.

We have allocated a nominal exploration value to the project of 20% of the Bardoc projects NPV, or $77M. The combined potential of additional satellite deposits and expanded underground mining at Aphrodite and Zoroastrian are positives for Bardoc. We see risk to the upside here.

To fund the pre-production capital expenditure Argonaut has assumed $250M in capital required, funded by a 40:60 equity raise to debt split. If Bardoc were able to secure a higher proportion of debt funding NAV would improve.

Summary

Bardoc has completed a cashflow optimisation study on its namesake project. Mine sequence has been reviewed and estimates have been updated to factor in WA's tight labour market and increase in materials costs. We had previously factored in cost increases beyond those outlined in Bardoc's prior study, and have pared some of these back closer to Bardoc's new estimate. The net result on our valuation is negligible.
As a sum of parts Argonaut values Bardoc at $229M, or $0.13 per share, down slightly from $236M, or $0.14 per share.

It is our view that in outlining these substantial cost increases, Bardoc has taken a conservative approach in its planning. The plan as presented has room for improvement, from a cost of execution point of view, operationally, through more efficient mining, and through mine-life extensions. Should the iron-ore prices remain depressed, there is potential for materials costs to reduce, and it is likely that that labour pressures will also ease. Our investment thesis remains. We believe this is a conservative plan, with ample potential to out-perform.

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