

RESOURCE UPDATE | PUBLISHED ON 27 APRIL 2023

NXM: Crusader-Templar Maiden Resource Underwhelms

NXM.ASX | NEXUS MINERALS LIMITED | MATERIALS | METALS & MINING

PRICE
A\$0.13/sh

TARGET PRICE
A\$0.25/sh
(FROM A\$0.40/sh)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

ANALYST
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Event

Nexus releases MRE for Crusader-Templar of 175koz @ 2.1g/t Au and Exploration Target of 480-790koz (inclusive of MRE).

Impact

The results are far lower than we expected.

Euroz Hartleys internal projections sat between 500koz-750koz (what is coincidentally the exploration target for the company). We note that this exploration target is based on existing exploration drilling, which did not satisfy the drill hole spacing criteria (and confidence therein) to be included in the MRE.

Noting the significant deviation from the numbers used in our previous models, we revise our modelling assumptions.

The Company has spent \$15.4m on the Crusader-Templar project to date, which equates to a cost of \$88/oz. An expensive exercise.

Action

We initiated on NXM in October 2021, believing this could be another Karari (2.4Moz NST) located just 40km away.

Results to date have been encouraging but have not translated into the MRE numbers.

The results have disappointed us and are significantly below our expectations - however further drilling could translate into a mineral resource that is too significant for NST to ignore (particularly if it comes close to the 480-790koz exploration target).

We take a conservative approach to our modelling (as the competent person behind the MRE has) and revise our price target, changing our risk profile and assumptions, maintaining a Speculative Buy but reducing our Price target from \$0.40/sh to \$0.25/sh.

We note that the Companies other assets at Bethanga, and the recently acquired 15,000km² provide upside to the story which has not been captured in this analysis.

Catalyst

Mining studies

Infill drilling and conversion of Exploration Target

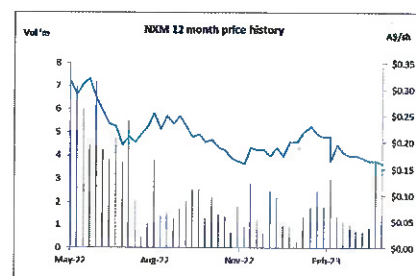
M&A or JV potential.

Gold Price

MARKET STATISTICS

Share Price	0.120 A\$/sh	
Price Target	0.25 A\$/sh	
Valuation	0.13 A\$/sh	
Valuation @ Spot	0.22 A\$/sh	
Issued Capital		
Fully Paid Ord	325.5	m
Options (var. prices)	7.3	m
Total Dil. FPOrd	332.8	m
Market Capitalisation (dil)	40	\$m
Enterprise Value	33	\$m
Cash	7.0	\$m
Debt	0	\$m
Directors		
P. Boyatsis		Chair
A. Tudor		MD
B. Maluish		NED

Performance



Source: Euroz Hartleys

Summary

Figure 1: Nexus Valuation

MARKET STATISTICS			
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Enterprise Value	\$	33	m
Cash	\$	7.0	m
Debt	\$	-	m

Source: Euroz Hartleys

Figure 2: Market Sensitivity

Our Market Sensitivity

Price Target \$0.25/sh
Valuation \$0.13/sh

Bull Scenario \$0.25/sh

Conversion of additional 150koz (total 300koz near surface resource) and gold price holds at A\$3000/oz

Base Scenario \$0.13/sh

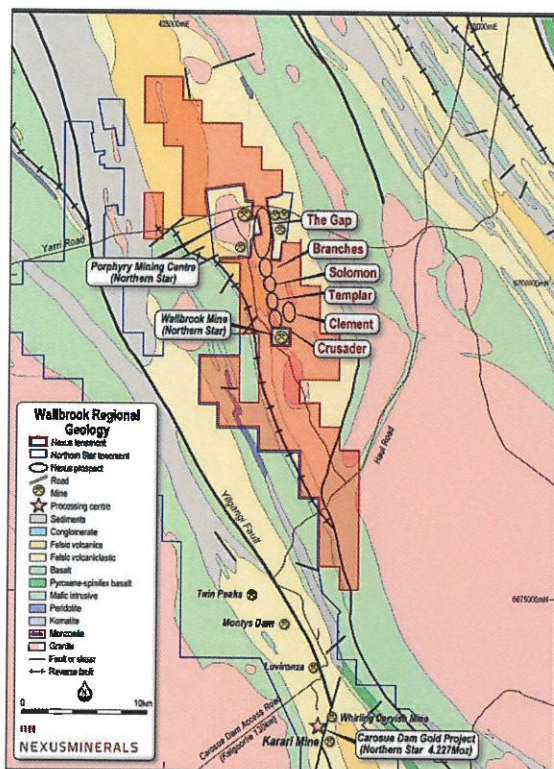
1.5Mtpa mining and processing at NST under a toll-treating arrangement.

Base Scenario \$0.08/sh

All assumptions maintained, gold price falls to A\$2000/oz

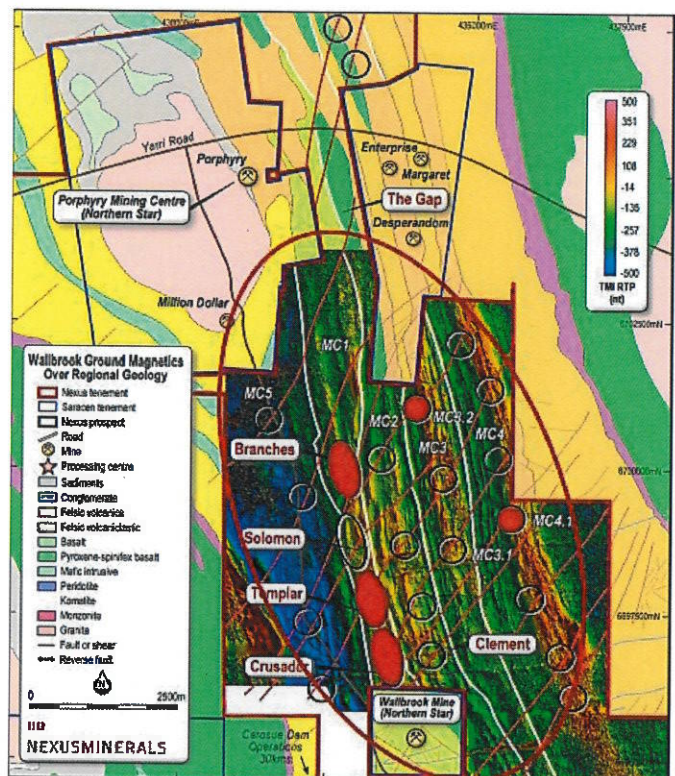
Source: Euroz Hartleys

Figure 3: Location of Wallbrook project. NST Carosue Dam 40km away.



Source: Euroz Hartleys

Figure 4: Wallbrook targets and proximity of Crusader-Templar to Porphyry and Millon dollar (active NST mines).



Source: Euroz Hartleys

Analysis

The MRE has disappointed, and in short, we don't believe the drilling at depth was at a sufficient separation distance to warrant inclusion into the MRE, leaving us with an exploration target at depth instead. A 1g/t cut-off is also conservative and may have affected the results, with most Au companies electing to use a 0.5g/t cut-off for open pit mining.

Valuation

We re-run our DCF model on the MRE using the following assumptions;

- Depth: Assume most of the ore is in oxide in the top 100m (as per company sections). Exclude anything below 100m.
- Strike: 1600m
- Width: Average 6.5m
- Pit wall angle: 55 degrees
- Dilution: 20%
- Total Diluted and Recovered Resource: 2.7Mt @ 1.77g/t for 155koz.
- Mining cost: \$8/BCM
- Strip Ratio: 8-9
- WACC: 12%
- Pre-Production Capital: \$15m (includes pre-strip)
- Toll treatment price: \$52/t
- Risking: 75%

Running this through our model using the EH Deck price, which has a long-term Au price of US\$1700/oz and AUD:USD of 0.74 we land at a Valuation of 0.13c/sh. If we run the same assumptions at spot, we achieve a Val. Spot A\$3000/oz of \$0.22/sh.

We also consider the EV/Rsc metrics of explorers.

Figure 5: Euroz Hartleys Gold Developer and Explorer Comps as at 26/4/2023

Developer/Explorer		Price	M Cap	Net Cash/(Debt)	EV	Resource	Reserve	EV/Rsc	EV/Rsv
Company	Ticker	A\$/sh	A\$m	A\$m	A\$m	koz	koz	A\$/oz	A\$/oz
De Grey Mining	DEG	1.66	2,592	161	####	10,634	5,139	229	473
Bellevue Gold Ltd	BGL	1.41	1,588	34	####	3,100	1,340	501	1,160
Genesis Minerals	GMD	1.34	637	81	556	2,017	0	276	na
Ausgold Limited	AUC	0.05	119	14	106	2,160	1,280	49	83
Predictive Disc Ltd	PDI	0.19	331	32	299	4,181	0	72	na
Musgrave Minerals	MGV	0.22	130	15	115	927	0	125	na
Gascoyne Res Ltd	GCM	0.13	109	51	58	1,546	0	38	na
Santana Minerals Ltd	SMI	0.70	104	4	100	2,909	0	34	na
Dacian Gold Ltd	DCN	0.08	102	40	62	2,204	101	28	618
Meeka Metals Limited	MEK	0.05	48	7	41	1,115	0	37	na
KIN Min NL	KIN	0.04	45	4	41	1,407	283	29	145
Chesser Resources	CHZ	0.08	44	5	38	860	0	44	na
Nexus Minerals Ltd (Current)	NXM	0.13	42	7	35	175	0	202	na
Nexus Minerals Ltd (LOWER TARGET)	NXM	0.13	42	7	35	480	0	74	na
Nexus Minerals Ltd (HIGHER TARGET)	NXM	0.13	42	7	35	780	0	45	na
Saturn Metals	STN	0.17	26	5	21	1,470	0	14	na
Medallion Metals	MMB	0.11	24	-1	25	1,100	0	23	na
Toubaniresourcesinc	TRE	0.18	22	5	17	3,144	0	5	na
Castile Resources	CST	0.09	22	6	16	315	202	49	77
Average								103	426
Average (excluding DEG, BGL and GMD)								54	231

Source: Euroz Hartleys

Figure 6: Euroz Hartleys Gold Producer Comps.

Producer Company	Price AS/sh	M Cap ASm	Net Cash ASm	EV ASm	Resource koz	Reserve koz	EV Rsc AS/oz	EV Rev AS/oz
Northern Star	NST	13.79	15,858	145	15,713	56,392	20,683	279
Evolution Mining Ltd	EVN	3.58	6,533	-1,440	7,973	29,619	10,333	269
Perseus Mining Ltd	PRU	2.29	3,133	712	2,420	11,037	6,111	219
Gold Road Res Ltd	GOR	1.88	2,027	81	1,947	4,790	2,920	406
Capricorn Metals	CNM	4.51	1,695	20	1,675	5,046	1,450	332
Regis Resources	RRL	2.14	1,616	-96	1,712	9,920	4,140	173
Ramelius Resources	RMS	1.34	1,168	154	1,012	6,200	1,100	163
Silver Lake Resource	SLR	1.25	1,162	253	909	6,809	1,594	133
Emerald Res NL	EMR	1.81	1,072	-1	1,073	1,056	816	1,016
West African Res Ltd	WAF	1.02	1,039	192	847	12,573	6,396	67
Resolute Mining	RSG	0.44	937	-48	985	11,164	4,633	88
Westgold Resources	WGX	1.49	705	168	538	7,940	2,131	68
Tietto Minerals	TIE	0.58	631	35	596	3,450	1,450	173
Red 5 Limited	RED	0.16	542	-88	630	5,280	2,860	119
Alkane Resources Ltd	ALK	0.89	533	85	448	5,279	674	85
St Barbara Limited	SBM	0.60	486	-124	610	16,355	6,540	37
Panoro Limited	PNR	0.07	343	28	315	5,071	1,083	62
Ora Banda Mining Ltd	OBM	0.16	250	11	239	1,481	343	161
Aurelia Metals Ltd	AMI	0.14	167	27	140	1,212	348	116
Ten Spdy Four Ltd	XSA	0.57	130	100	31	921	331	33
Beacon Minerals	BCN	0.03	116	7	109	287	125	380
Calidus Resources	CAI	0.21	90	-85	175	1,662	600	105
Average							204	542

Source: Euroz Hartleys

Nexus commands a premium for the 175koz resource of EV:Rsc of \$202/oz. This could be attributable to the high grade, near-surface and highly strategic nature of the resource and the M&A appeal for the asset.

We believe NXM is being valued on developer metrics, which average \$204/oz, noting the Wallbrook project is on granted mining permits, within 40km of a very hungry Northern Star mill, and just 2km from current Northern Star open pit operations.

If we consider the exploration targets proposed by the Company, at the upper end of the target, we achieve EV:Rsc of \$45 is much closer to the average of all the developers.

To this end, under current metrics, the resource is either overvalued or the market believes the exploration target a more accurate representation of the resource in the ground.

For our PT evaluation, we consider the exploration target, and EV:Rsc metrics for developers. Under this scenario we arrive at:

- Lower exploration target 480koz x \$204/oz = EV of \$97m (\$0.29/sh)
- Higher exploration target 790koz x \$204/oz = EV of \$161m (\$0.50/sh)

Price Target

Our PT considers the potential at the asset at depth. We cannot, with any certainty, determine, based on the MRE released today, if the ore body at depth will meet the criteria for underground mining.

To this extent, our Price target is based on the current MRE only.

We take a conservative approach to our evaluation and consider a 50/50 split of our Spot DCF Valuation of \$0.22/sh and EV:Rsc Val of \$0.29/sh and arrive at a Price Target of \$0.25/sh.

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Nexus Minerals Limited (NXM.ASX) | Price A\$0.13 | Target price A\$0.25 | Recommendation Speculative Buy;

Price, target price and rating as at 27 April 2023 (not covered)*

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