



Vault Minerals Limited (VAU.XA)

Upgrade to Buy - Upside Growth Opportunity

Vault Minerals (VAU.ASX) is involved in gold-copper mining explorations and production with three large mining centres located in Western Australia (Leonora, Deflector and Mount Monger) and an advanced gold production restart project in Ontario (Sugar Zone). Formerly known as Red 5 Limited, shareholder approval in September 2024 has led to a change in name to Vault Minerals to more accurately reflects its high-priority and high-return operations.

Investment Thesis:

We are initiating coverage on VAU with a BUY recommendation. Company valuation via a DCF indicates VAU is undervalued with a fair value of \$1.10, demonstrating a significant upside of 150% as VAU currently trades at \$0.44.

Investment Highlights:

VAU ended FY24 strong and aims to continue to be a valuable producer and supplier of gold focusing on high returns for its stakeholders.

Strong Revenue Growth - Exceeded Sales Requirement:

A 47% YOY revenue growth and a decreasing COGS margin since FY23. Revenue driven predominantly by KOTH (Leonora) with 400% more gold mined and 30% increase in gold sold (Oz). Realised gold prices increased by 6%. We have evaluated forecasted revenue projection to be flat-lined at 50% for FY25-FY29 as VAU approaches Stage 2 of KOTH upgrade.

Balance Sheet Expansion - Large Asset and Equity Expansion:

Contributed equity increased to AUD\$2bil, a 250% increase from FY23 providing growth potential. Total assets stands at AUD\$2.17bil with cash and cash equivalents increasing 20x to negate needs of immediate liquidation. Net investment into PPE and exploration increased by AUD\$0.88bil VAU operates a very low gearing with no long-term debt in FY24 providing stability and safety for investors and lenders.

ESG Objectives Set - More Sustainable Mining Centres:

VAU puts environmental conservation at the forefront of their decision making during and existing operations. They aim to minimise biodiversity threats by conserving resources, reducing contamination and waste. Recruitment plans and leadership workshops were implemented as the primary focus in FY24 to drive employee engagement.

Implied Share Price:

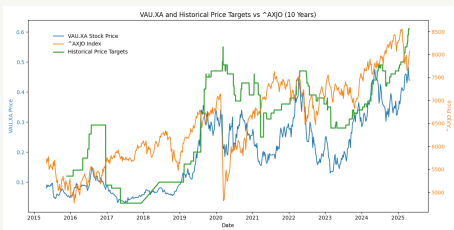
The 2-stage DCF derived an intrinsic share value of \$1.10 for VAU. Assumptions included a WACC of 7.9% and a TGR of 1.87% to give a 5-year projection FCF. Historical P&L data since FY2020 has been annualised and averaged to project future margins and growth. CAPEX projections used only historical averages without large operational developments to best reflect VAUs capital usage. Currently \$0.44 per share, we believe it is trading at a discount with large upside potential.

	FY2025	FY2026	FY2027	FY2028	FY2029
Sales Revenue	\$0.93M	\$1.40M	\$2.10M	\$3.16M	\$4.74M
Gross Profit	\$0.23M	\$0.34M	\$0.51M	\$0.76M	\$1.15M
EBT	\$0.15M	\$0.23M	\$0.34M	\$0.52M	\$0.79M
EBIT	\$0.16M	\$0.23M	\$0.35M	\$0.53M	\$0.80M
NPAT	\$0.11M	\$0.17M	\$0.25M	\$0.37M	\$0.56M
CAPEX	\$0.06M	\$0.09M	\$0.13M	\$0.20M	\$0.30M

Metric	Value
Stage 1 Enterprise Value	\$1,020,906.13
Stage 2 (Terminal) Value	\$6,149,457.25
Total Enterprise Value	\$7,170,363.38
Equity Value	\$7,506,475.38
Shares Issued	\$6,800,000.00
Latest Share Price	\$0.44
Implied Share Price	\$1.10

Metric	Value
P/E Ratio	44.00
P/B Ratio	1.59
ROE	0.08
ROA	0.05
Profit Margin	0.08
Operating Margin	0.15
P/S Ratio	2.95
Debt-to-Equity	5.74
Current Ratio	3.37
Gross Margin	0.17
Revenue Growth	1.39
EV/EBITDA	18.78
EV/Sales	4.04
Asset Turnover	0.29
Interest Coverage Ratio	-0.52
Net Margin	-0.01
Net Margin Growth	0.01

Figure 1 - VAU.XA vs ASX200



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