

2022 could be the start of something big...at Briggs

Canterbury Resources Limited (ASX:CBY) is a junior minerals explorer established in 2011, listed in 2019 and assessing large-scale copper-gold plays in the south-west Pacific region. The company has a number of active projects in PNG and Queensland. Drilling at the Briggs Project is now completed with assay results expected in February. The aim of the campaign was to evaluate three distinct porphyry targets and with follow-up work, to support the progress of Briggs to a scoping study stage. Initial results are encouraging. We see the commencement of a scoping study as a critical path item to deliver potentially material value accretion. Notwithstanding weather and COVID-related delays, the remainder of 2022 could see tangible progress on resource definition and partnering across the portfolio, particularly in PNG. Through high working interests, the company has strong leverage to success. The increasing global demand for metals, particularly copper, should provide ready financing options, in a post-COVID, growth economy.

Business model

Canterbury is a junior minerals explorer established with the aim of generating early-stage opportunities for Cu-Au in the south-west Pacific region including northern Australia. The strategy is to identify Tier-1 exploration opportunities, define the commercial opportunity, and seek partnerships to provide funding at the project level. Through partnering, the company is aiming to finance evaluation activity with the Briggs and Bismarck projects funded. Working assets is the critical path to value accretion, particularly in the current bullish copper market.

Drilling completed and Briggs evaluation continues

With the drilling of a 12-hole campaign completed, the evaluation work at Briggs is under way across three mapped porphyry targets. Initial results have been encouraging with sulphide mineralisation evident and consistent with data from the Central Porphyry. The data points to potentially extensive prospectivity across a strike length of up to 2,000m. Assay data, expected to be to hand in February, will form the basis of an updated mineral resource assessment with a likely material expansion to the ascribed 142.8Mt @ 0.29% copper in the Central Porphyry target. Follow-up drilling across the entire strike length could be undertaken post the wet season (Q2 '22). CBY will be carried by Alma Metals through a farm-in arrangement of up to \$16mn.

Valuation is \$0.42/share at the mid-point

We model a risked NAV of A\$52mn (A\$0.42/share at the mid-point) to the portfolio against a **reference share price of A\$0.08/share**. It's worth highlighting that our valuation benchmarks and weightings are subject to significant change through exploration and evaluation activity. Further positive results at Briggs could materially enhance and upgrade the economic potential of the project and support the commencement of a Scoping Study, providing a mechanism to close the current discount and reset the share price base. We suggest that CBY represents an undervalued play, with significantly strong upside as a copper opportunity given the leverage of the portfolio to the metal, particularly via the Briggs asset in Queensland. The next 12-24 months could deliver transformational upside based on material increases and upgrades to existing resources across the portfolio, with a likely return to the field in PNG and initial activity at Peenam.

Metals Exploration

3rd February 2022

Share Details

ASX code	CBY
Share price (2-Feb)	\$0.08
Market capitalisation	\$9.9M
Shares on issue	123M
Cash (as at 31-Dec)	\$0.74M
Free float	~53.7%

Share Performance (12 months)



Upside Case

- Partnering options can be secured more rapidly and on better terms than expected
- Drilling results at Briggs support a significant upgrade in resource tonnages
- Successful outcomes catalyse accelerated pre-development options

Downside Case

- Delays in securing partners also defers next-phase evaluation and growth options
- Assay results in particular fail to meet expectations
- COVID issues continue to negatively impact the timing and resumption of in-field activities

Board of Directors

Grant Craighead	Managing Director
John Anderson	Chairman
Michael Erceg	Executive Director
Ross Moller	Non-Executive Director
Robin Watts	Non-Executive Director

Company Contact

Grant Craighead +61 2 9392 8015
gocraighead@canterburyresources.com.au

RaaS Contacts

Andrew Williams	+61 417 880 680 andrew.williams@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

Set For A Big Start To 2022

Due to continuing COVID-related impacts and administrative requirements, field activity was limited to the Briggs Copper Project in Queensland and funded by Alma Metals (ASX:ALM) -formerly Africa Energy Resources - under the terms of its partnering agreement. Financing an initial work programme to \$0.75mn secures Alma Metals the option to acquire up to 70% of the Briggs Project for the staged expenditure (out to Jul-2031) of up to an additional \$15.25mn.

The company ended the quarter with a positive cash position (~\$0.74mn) to complement its financial carries at Briggs and Bismarck.

Exhibit 1: December quarter highlights and comments

Exploration and evaluation	
<p>Briggs– CBY 100%</p> <p>A binding term sheet with Alma Metals (ASX:ALM) was executed with ALM now in the position to proceed to the earn-in phase. Through the earn-in phase ALM will have the right to assume up to a 70% JV interest for spending \$15.25mn over nine years, on a staged basis (to 31/07/31).</p>	<p>Drilling of a 1,446m (12 hole) RC campaign has been completed with very encouraging results. The company has noted ‘...significant sulphide mineralisation in the Northern and Southern Porphyries’ and ‘...extensions at the Central Porphyry’ with a broad increase in prospectivity. We speculate that the northern Porphyry may represent a continuation of the Central area along strike.</p> <p>The aim of the drilling was to test additional Porphyry intrusives targets along strike from the Central body and the data has indicated copper mineralisation could extend along 1,500m and associated (historical) soil sampling could support delineation of the prospectivity out to 2,000m.</p> <p>The area of interest has increased materially and in this regard the campaign has ticked the geological box.</p> <p>We note the drilling was planned as a 3,000m programme but was significantly impacted by heavy rains and high groundwater levels.</p> <p>Follow-up soil sampling and drilling programmes will be conducted over the mapped 2km strike length post the end of the wet season (Q2 '22).</p> <p>The sampling work will look to better define the surface extent of the prospective area. The next drilling campaign could be quite extensive, up to 3,000 and grid based. It's likely this will be conducted through H2 '22 subject to final planning and approvals.</p> <p>Assay results should be to hand sometime in February and will underpin a review and update of the current mineral resource estimate of 142.8Mt @ 0.29% associated with the Central Porphyry. The success case should deliver a material expansion and high-grading of the attributable resource.</p> <p>In combination with the follow-up programmes, CBY could progress to an initial Scoping Study stage in the latter half of this year.</p>
<p>Ekuti Range and Wamum – CBY 100%</p>	<p>Ekuti Range - No field activity was undertaken through the review period with planning under way for a soil sampling programme over potential north-west extensions of the Otibanda and Waikanda lodes. The company aims to commence a soil sampling programme in April.</p> <p>Wamum - No field activity was undertaken through the review period with planning under way for a soil sampling programme over potential north-west extensions of the Otibanda and Waikanda lodes.</p> <p>COVID-19 continues to impact the timing and implementation of proposed programmes and may continue to do so through the immediate short-term.</p> <p>Exploration opportunities continue to be considered with the aim to ‘...expand the resource inventory’ including ‘...potential extensions at Idzan Creek and Wamum Creek, where the systems are yet to be closed off’.</p>
<p>Bismarck – CBY 40%</p> <p>Rio Tinto Exploration (PNG) Limited holds a 60% JV interest with the conditional option to increase to 80% and is currently sole-funding work programmes.</p>	<p>The JV completed spectral analysis on 147 samples, the subject of a sampling programme conducted through the September quarter.</p> <p>Interpretation of the results will underpin the planning for the next drilling phase, which could commence sometime in H2 '22.</p> <p>Bismarck remains an opportunity of material significance and drilling is the next logical step to provide definitive evaluation data of mineralisation and prospectivity sitting under the lithocap.</p>
<p>Peenam – CBY 100%</p> <p>The acquisition of Neillkins Pty Ltd was completed and EPM 27756 was granted 18-Nov.</p>	<p>The company is currently completing landowner access agreements ahead of conducting an aircore bedrock sampling programme designed to collect data below the weathering horizon.</p>
Corporate	
<p>Cash position as at 31-December remains comfortable.</p> <p>Major works at Briggs and Bismarck are fully funded through financial carries.</p>	<p>CBY holds a cash balance of ~\$0.74mn against a Q4 operating cost of \$0.27mn. Exploration expenditure for the period was ~\$0.35mn.</p>

Source: Company data; RaaS commentary

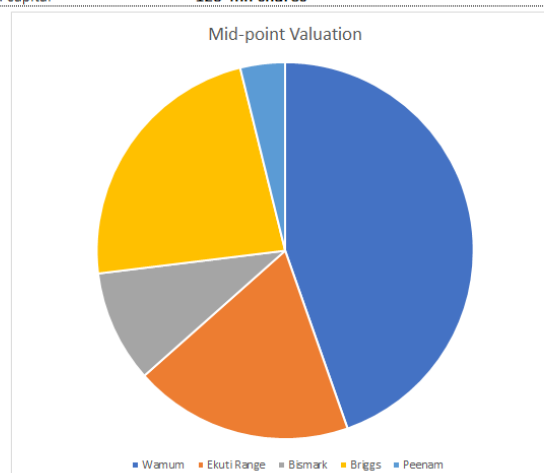
Exhibit 2: Financial Summary

CANTERBURY RESOURCES			CBY				
YEAR END			Jun				
NAV	A\$	\$0.42 at the mid-point					
SHARE PRICE	A\$	\$0.08					
MARKET CAP	A\$M	9.9					
ORDINARY SHARES	M	123.2					
OPTIONS	M	5.4					
COMMODITY ASSUMPTIONS		FY20	FY21	FY22f	FY23f	2024f	
Gold			1,819	1,811	1,843	1,863	
Copper			4.51	4.40	4.41	4.34	
AUD			0.7472	0.7289	0.7273	0.7264	
RATIO ANALYSIS		FY20	FY21	FY22f	FY23f	2024f	
Shares Outstanding	M	87	120	126	126	126	
EPS (pre sig items)	A\$ cps	(0.02)	(0.01)	(0.01)	(0.00)	(0.00)	
EPS (post sig items)	A\$ cps	(0.01)					
PER (pre sig items)	x						
OCFPS	A\$ cps	(0.01)	(0.01)	(0.01)	0.00	(0.00)	
CFR	x						
DPS	A\$ cps						
Dividend Yield	%						
BVPS	A\$ cps					9.3	
Price/Book	x					0.0x	
ROE	%					-3%	
ROA	%					-2%	
(Trailing) Debt/Cash	x						
Interest Cover	x						
Gross Profit/share	A\$ cps						
EBITDAX	A\$M	156	104	450	1,150	54,515	
EBITDAX Ratio	%						
EARNINGS		A\$000s	FY20	FY21	FY22f	FY23f	2024f
Revenue			6				
Cost of sales			0				
Gross Profit			6	0	0	0	0
Other revenue							
Other income			161	104	450	1,150	900
Exploration written off							
Finance costs			(3)	(1)	(15)	(15)	(15)
Impairment			(403)	(569)			
Other expenses			(1,050)	(1,220)	(1,182)	(1,181)	(1,181)
EBIT			(1,297)	(1,310)	(732)	(31)	(280)
Profit before tax			(1,288)	(1,312)	(747)	(46)	(295)
Taxes							
NPAT Reported			(1,288)	(1,312)	(747)	(46)	(295)
Underlying Adjustments			406				
NPAT Underlying			(882)	(1,312)	(747)	(46)	(295)
CASHFLOW		A\$000s	FY20	FY21	FY22f	FY23f	2024f
Operational Cash Flow			(877)	(792)	(715)	50	(200)
Net Interest			13	(23)	(15)	(15)	(15)
Taxes Paid							
Other							
Net Operating Cashflow			(864)	(815)	(730)	35	(215)
Exploration			(3,069)	(1,049)	(300)	(150)	(150)
PP&E							
Development							
Net Asset Sales/other			(18)				
Net Investing Cashflow			(3,087)	(1,049)	(300)	(150)	(150)
Dividends Paid							
Net Debt Drawdown			(14)				
Equity Issues/(Buyback)			1,122	2,372	1,000	0	0
Other			50				
Net Financing Cashflow			1,158	2,358	1,000	0	0
Net Change in Cash			(2,793)	494	(30)	(115)	(365)
BALANCE SHEET		A\$000s	FY20	FY21	FY22f	FY23f	2024f
Cash & Equivalents			68	546	512	397	32
PP&E			35	52	28	0	0
Exploration & Development			8,164	8,171	8,471	8,621	8,771
Total Assets			11,269	11,898	12,248	12,452	12,158
Debt			22	34	10	10	10
Total Liabilities			699	230	210	460	460
Total Net Assets/Equity			10,570	11,668	12,038	11,992	11,698
Net Cash/(Debt)			46	512	502	387	22
Gearing (dn/(dn+e))			na	na	na	na	na

na = not applicable

priced close of trading 2-Feb

PRODUCTION	FY20	FY21	FY22f	FY23f	2024f	
Product						
TOTAL						
Ave Unit Production Cost						
Ave Unit Revenue						
Operating Margin						
RESERVES & RESOURCES						
	Indicated			Inferred		
	Mt	Au	Cu	Mt	Au	Cu
		g/t	%		g/t	%
Idzan creek				137.3	0.53	0.24%
Wamum Creek				141.5	0.18	0.31%
Briggs				142.8		0.29%
	Au			278.8	0.35	
	Cu			421.6		0.28%
Contained Metal				Koz	Kt	
Idzan creek				2,340	330	
Wamum Creek				819	439	
Briggs					414	
	Au			3,158		
	Cu					1,182
EQUITY VALUATION						
	A\$M			Acps		
	Low	Mid	High	Low	Mid	High
PNG						
Wamum	\$15	\$23	\$31	\$0.12	\$0.19	\$0.25
Ekuti Range	\$9	\$10	\$12	\$0.07	\$0.08	\$0.09
Bismark	\$5	\$5	\$5	\$0.04	\$0.04	\$0.04
Qld						
Briggs	\$10	\$12	\$23	\$0.08	\$0.10	\$0.19
Peenam	\$2	\$2	\$2	\$0.02	\$0.02	\$0.02
Net Cash/(debt)	\$2					
Corporate costs	(\$2)					
	\$41	\$52	\$72	\$0.33	\$0.42	\$0.58
Issued capital	123 mn shares					



Source: RaaS estimates, Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

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Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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