

The strategy is playing out as funding is secured for 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. The financing deal secured over the Briggs Project will kick-off field activity for FY22 which could also include a return to the field at Bismarck (Manus Island). CBY has declared initial mineral estimates across three project deposits and next stage drilling at Briggs could underpin an expansion and high-grading of current attributable resources. With multiple drill ready opportunities, the period FY22-FY23 could see tangible progress on resource definition and partnering across the portfolio. 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 southwest Pacific region including eastern Australia. The strategy is to identify Tier 1 exploration opportunities, define the commercial opportunity and seek partnerships to provide funding at the project level. The recently announced Briggs funding and partnering agreement is a prime example of implementing this strategy and catalysing evaluation activity...working assets is the critical path forward to value accretion, particularly in the current bullish copper market.

Securing a Briggs partner is a big deal

Canterbury has signed a binding term sheet with Africa Energy Resources (AFR.ASX) as a JV partner for the Briggs Copper Project. Concomitantly, AFR has also made a direct investment in CBY by subscribing for \$1mn in shares (new issue) at 12cps. Under the terms of the farm-in, AFR will fund Briggs work programmes for up to \$16mn to earn a 70% interest, on a staged basis out to Jul-2031. Initial activity is set to commence in September to progress Briggs to a Scoping Study stage by perhaps mid-2022. The Briggs project has a current resource allocation of 142.8Mt @ 0.29% Cu.

Adding more to the portfolio

Canterbury has also signed a binding term sheet for the acquisition of a new application area (EPM 27756, 'Peenam') through Neillkins Pty Ltd. Although a very early-stage opportunity, Peenam is considered to have the potential to host large-scale Cu-Au porphyry style deposits.

Valuation – a small upgrade to range of \$0.34-\$0.60/share

A farm-in benchmark and addition to the exploration portfolio, support an upgrade to the aggregate value of the asset base, however, this is somewhat offset by the increase in issued capital from the placement to AFR. After adjustments we model a risked NAV range of \$41mn-\$72mn with A\$52mn (A\$0.43/share) at the mid-point to the portfolio against a **reference share price of A\$0.11/share**. It's worth highlighting that our valuation benchmarks and weightings are subject to significant change through exploration and evaluation activity. The return to drilling at Briggs could materially enhance and upgrade the economic potential of the project, providing a mechanism to close the current discount and reset the share price base. The next 12-24 months could deliver transformational upside based on material increases and upgrades to existing resources.

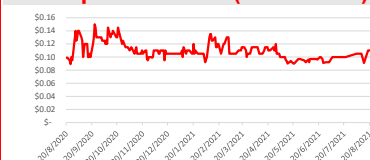
Mining exploration & production

23rd August 2021

Share details

ASX Code	CBY
Share price (20 Aug)	\$0.11
Market Capitalisation	\$13.2M
Shares on issue	120M
Cash (est. at 23-Aug)	\$1.4M
Free Float	~38%

Share performance (12 months)



Upside Case

- Partnering options can be secured more rapidly and on better terms than expected
- Drilling results exceed expectations, particularly with respect to increasing the resource tonnages and grades.
- Successful outcomes catalyse accelerated pre-development options

Downside Case

- Delays in securing partners also defers next phase evaluation and growth options
- Drilling 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

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A very good deal on Briggs sets up for a strong end to the year

Progress, but small steps through the quarter with analytical works being conducted on Briggs samples, geological modelling of Ekuti and Wamum; and planning for a resumption of field works at Bismarck.

The significant outcomes were delivered post 30-Jun with the Briggs partnering deal in particular, setting up a return to drilling from September (as planned).

Exhibit 1: June quarter highlights and comments

Exploration and evaluation

Briggs (post 30-Jun) – CBY 100%

This is simply a very good deal that fully funds exploration and evaluation costs, likely through a Scoping Study to PFS stage (at a minimum).

A binding term sheet with Africa Energy Resources (AFR.ASX) provides financing and impetus to evaluation activities on the project. Through an initial option phase, AFR will sole fund \$0.75mn of exploration capex and have the right to begin the earn-in phase.

Option phase activity will include a 3,000m RC drilling campaign, which is scheduled to commence in September. The campaign will test geological settings at the Central Porphyry where higher grades are indicated, plus the Northern and Southern porphyries which both have similar potential as the Central Porphyry zone (Exh. 2).

A drilling success case should deliver an expansion and high-grading of the current resource attribution of 142.8Mt @ 0.29% Cu.

In parallel with drilling activity, a soil sampling programme will be conducted over the Northern, Central and Southern porphyry zones, to aid ongoing target generation.

Through the earn-in phase AFR will have the right to assume up to a 70% JV interest for spending \$15.25mn over 9 years, on a staged basis (to 31/07/31).

Preliminary metallurgical testwork over composite samples indicated copper recoveries in the high 90's percent.

Wamum and Ekuti Range – CBY 100%

Selected drill core from these projects is now located in Brisbane for study and further evaluation.

Samples from the Idzan Creek and Wanum Creek deposits are being prepared for metallurgical testing.

In our Scoping Report (May-2021) we noted the "...company is seeking a partner to fund the next stage of work at Wamum in particular a "Resource Definition Drilling and Scoping Study Proposal" over 15-18 months.

Bismarck – CBY 40%

Rio Tinto Exploration (PNG) Limited holds a 60% JV interest with the option to increase to 80% upon meeting additional funding and technical milestones

The JV is well progressed in planning for a clay sampling programme with the aim to extend "...surface mineral mapping of the lithocap zone".

The mapping of the lithocap in the southeast of the ELs is considered to have major, positive implications for next phase exploration given it is associated with and "...forms above porphyry systems; and may host late-stage metal-rich ore zones", such as the Wafi-Golpu copper-gold deposits.

Corporate

The Briggs deal comes with working capital

AFR has agreed to subscribe for 8.33mn new shares in CBY at 12cps, providing c.\$1mn of working capital to the company. AFR will also be granted 3mn share options exercisable at 24cps, expiring on 31/12/23.

The subscription price represented an ~18% premium to the 15 day VWAP prior to the announcement and a 9% premium to the reference price (11cps – cot 20-Aug).

This is an excellent outcome for CBY, providing a capital buffer at least through to the end of 2021, with major works at Briggs and Bismarck fully funded through financial carries.

Completion of sale of Vanuatu assets

Pending payments to be received in shares in either New Talisman Gold (ASX:NTL) or in the yet to be listed Coromandel Gold Limited. These payments are to be made in two tranches over the next 12 months, totalling NZ\$200k.

Expanding the portfolio in Queensland – chasing large-scale Cu-Au potential at 'Peenam'

CBY has signed a binding term sheet for the acquisition of an application area (EPM 27756) – the Peenam Project – through the purchase of the holding company Neillkins Pty Ltd.

The area has been subject to previous exploration by BHP Gold (in the 1980s), which consisted of stream sediment, rock chip and soil sampling underpinning a 19 hole RC campaign. The results supported the outlining of "...a broad area of low-grade Au mineralisation".

Subsequent limited diamond drilling by D'Aguilar Gold drilled intersected "...moderate intervals of low-grade Cu-Au" as reported.

CBY consider the application area to be prospective for potentially large-scale Cu-Au porphyry deposits based on their evaluation of available physical and geophysical data.

COVID

Management indicates COVID related restrictions are in place and have the capacity to impact the timing of work programmes as planned. The timing and scope of field activity as noted represents a best assumption case at this time..

Cash as at 30-Jun - \$542k

Exploration expenditure for the period - \$93k

Adding the post 30-Jun, AFR share subscription, CBY holds a cash balance of ~\$1.4mn against a 2Q operating cost of \$0.33mn; and a 12 month administrative cost base of ~\$1.15mn.

Source: Company data; RaaS commentary

Detailing Briggs

The assumption of up to a 70% JV interest in Briggs by AFR, will be undertaken across a number of phases –

Exhibit 2: AFR Briggs deal – noting the planned drilling locations

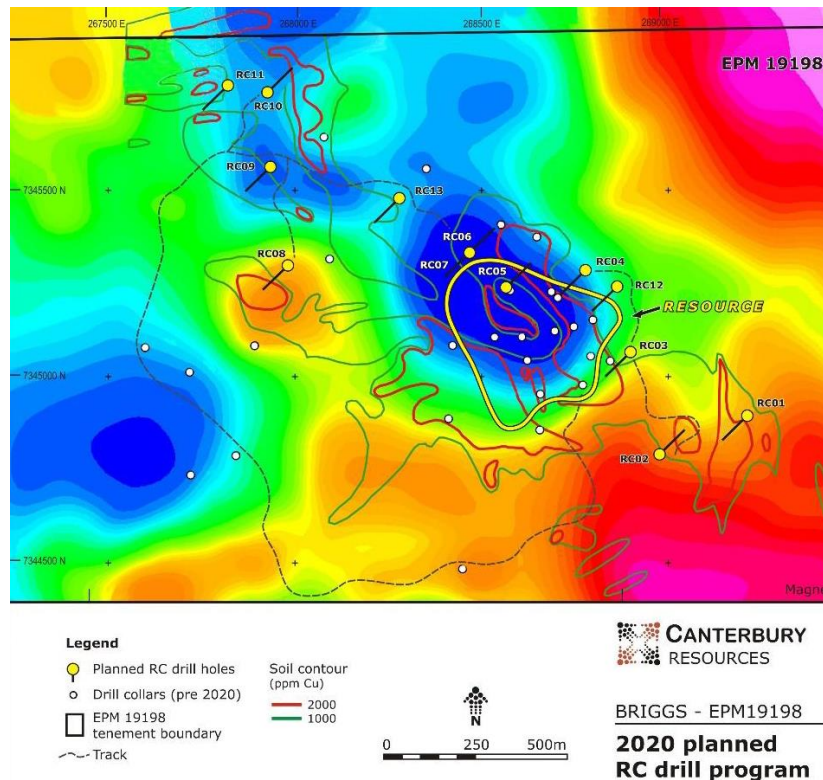
Phase	Expiry date	AFR 'Sole-funded' Commitment
Farm-in option	31/07/22*	Spend \$0.75mn on exploration activities including a 3,000m RC drilling programme

AFR has subscribed for \$1mn of new share in CBY, representing a 6.93% equity interest in the company. The company has also been granted 3mn share options exercisable at 24cps, expiring on 31/12/23.

Earn-in

Phase #1	31/07/24*	\$2.25mn to earn a 30% JV interest
Phase #2	31/07/26*	...an additional \$3.0mn to aggregate a 51% JV interest
Phase #3	31/07/31*	...an additional \$10mn to aggregate a 70% JV interest

Should AFR elect not to enter the Phase #3 commitment, it's aggregate JV interest will reduce to 49%



Source: Company data * These dates represent the expiry timing – later phases dependent on the date of AFR exercising the farm-in option

Tweaking the valuation

We have adjusted our valuation for post 30-Jun events – share issue to AFR and completion of the Peenam acquisition. Our NAV has marginally increased, noting that the underlying drivers of our valuation remain peer group metrics and long run commodity prices assumptions, which are unchanged.

As a dominantly exploration play with assets not yet defined by feasibility studies, we value CBY using peer group EV metrics. We consider the use of EV metrics as the most appropriate valuation methodology at this stage, with EV representing relative ‘asset value’ (adjusted for cash and as ascribed by the market).

As a counter-point to the peer group metrics, we have used the aggregate amount of the AFR farm-in (work carries) at Briggs to reset the valuation base of the asset, as a tangible look-through as to ‘what a third-party buyer is prepared to pay today’, reflecting the early-stage nature of the project.

Exhibit 3: CBY NAV – the share price continues to reflect a steep discount to the look-through metrics.

A\$m	Low	Mid	High	Low	Mid	High
Using Cu(eq) metrics						
Wamum	\$15	\$23	\$31			Benchmarked against HAV.ASX whose metrics reflect ‘completed’ PFS outcome; and CVV with a project in PFS and in WA
Ekuti Range	\$9	\$10	\$12			Benchmarked against XAM which is at a pre-PFS stage using a discount to reflect XAM numbers including Indicated volumes.
Bismarck	\$5	\$5	\$5			Nominal only as an early-stage exploration play pending results of drilling through the ‘lithocap’ and definition of the mineralisation model
Briggs	\$10	\$12	\$23			Using the cash aggregate of the AFR farm-in across the three stages to set the valuation range
Peenam	\$2	\$2	\$2			Nominal only at this stage
Net Cash/(debt)		\$2				Assuming settlement of share issue to AFR
Corporate costs		(\$2)				Assumed running costs higher in post COVID period as activity and on costs increase
TOTAL	\$41	\$52	\$72	\$0.34	\$0.43	\$0.60
Shares on issue (mn)	120					

Source: RaaS analysis

We would highlight the programmes as planned across the portfolio could materially change (accelerate?) the standings of the assets along the development timeline, **with the potential to deliver perhaps significant upside to our current valuation range on success.**

CBY remains an undervalued play, with significantly strong upside as a copper opportunity given the leverage of the portfolio to the metal via the Briggs asset in Queensland.

We highlight that ‘exploration value’ is dynamic and subject to significant change (up and down) on evaluation outcomes. Our ascribed value should be a considered as a base case range dependent on direct (drilling and assay) and indirect (geological and geophysical mapping) results to be delivered over the next 12-18 months.

Ascribing a value to assets at an exploration/pre-development stage is subject to discretionary weightings and assumptions, but that is often the nature of the assessment of small-cap resources stocks.

Exhibit 4: Financial Summary

CANTERBURY RESOURCES CBY

YEAR END		Jun
NAV	A\$	\$0.43 at the mid-point
SHARE PRICE	A\$	\$0.11
MARKET CAP	A\$M	13.2
ORDINARY SHARES	M	120.2
OPTIONS	M	5.4

nm = not meaningful
na = not applicable

priced COT 20-Aug

COMMODITY ASSUMPTIONS	FY19	FY20	FY21f	FY22f	FY23f
Gold			1,877	1,883	1,894
Copper			4.49	4.49	4.46
AUD			0.7452	0.7621	0.7622

PRODUCTION	FY19	FY20	FY21f	FY22f	FY23f
Product					

RATIO ANALYSIS		FY19	FY20	FY21f	FY22f	FY23f
Shares Outstanding	M	82	87	120	123	123
EPS (pre sig items)	A\$ cps	(0.02)	(0.02)	(0.01)	(0.01)	(0.00)
EPS (post sig items)	A\$ cps		(0.01)			
PER (pre sig items)	x					
OCFPS	A\$ cps	(0.02)	(0.01)	(0.01)	(0.01)	0.00
CFR	x					
DPS	A\$ cps					
Dividend Yield	%					
BVPS	A\$ cps					
Price/Book	x					
ROE	%					
ROA	%					
(Trailing) Debt/Cash	x					
Interest Cover	x					
Gross Profit/share	A\$ cps					

TOTAL

Ave Unit Production Cost

Ave Unit Revenue

Operating Margin

EBITDAX	A\$M	36	156	221	450	1,150
EBITDAX Ratio	%					

EARNINGS	A\$000s	FY19	FY20	FY21f	FY22f	FY23f
Revenue		36	6			
Cost of sales		0	0			
Gross Profit		36	6	0	0	0
Other revenue						
Other income		28	161	221	450	1,150

Exploration written off						
Finance costs			(3)	(23)	(15)	(15)
Impairment		(2)	(403)	(569)		
Other expenses		(1,006)	(1,050)	(1,220)	(1,182)	(1,181)

EBIT		(972)	(1,297)	(1,585)	(732)	(31)
Profit before tax		(943)	(1,288)	(1,596)	(747)	(46)

Taxes						
NPAT Reported		(943)	(1,288)	(1,596)	(747)	(46)

Underlying Adjustments		212	406			
NPAT Underlying		(731)	(882)	(1,596)	(747)	(46)

CASHFLOW	A\$000s	FY19	FY20	FY21f	FY22f	FY23f
Operational Cash Flow		(956)	(877)	(921)	(650)	50

Net Interest		28	13	(23)	(15)	(15)
Taxes Paid						
Other						

Net Operating Cashflow		(984)	(864)	(944)	(665)	35
Exploration		(3,201)	(3,069)	(949)	(350)	(150)
PP&E			(36)			

Development						
Net Asset Sales/other			(18)			

Net Investing Cashflow		(3,237)	(3,087)	(949)	(350)	(150)
Dividends Paid						
Net Debt Drawdown			(14)			

Equity Issues/(Buyback)		6,844	1,122	2,372	1,699	0
Other			50			

Net Financing Cashflow		6,844	1,158	2,372	1,699	0
Net Change in Cash		2,623	(2,793)	479	684	(115)

BALANCE SHEET	A\$000s	FY19	FY20	FY21f	FY22f	FY23f
Cash & Equivalents		2,866	68	542	1,226	1,111
PP&E		46	35	31	7	0

Exploration & Development		5,579	8,164	8,543	8,893	9,043
Total Assets		11,328	11,269	11,862	12,873	12,878
Debt		0	22	1	10	10

Total Liabilities		699	699	376	410	460
Total Net Assets/Equity		10,629	10,570	11,486	12,463	12,418

Net Cash/(Debt)		2,866	46	541	1,216	1,101
Gearing (dn/dn+e)		na	na	na	na	na

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%

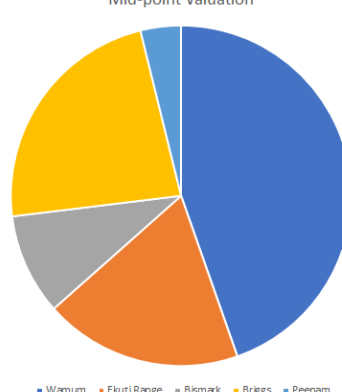
Contained Metal

	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	\$0.26
Ekuti Range	\$9	\$10	\$12	\$0.08	\$0.08	\$0.10
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	\$0.34	\$0.43	\$0.60
Issued capital		120 mn shares				

Mid-point Valuation



Source: RaaS Advisory, Company data

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

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Effective Date: 6th May 2021

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