

Early Briggs results highlight the upside potential

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. Initial assay results from drilling at the Briggs project are to hand and point to extensive mineralisation well outside the current 'resource envelope'. Follow-up work is about to commence to support the progress of Briggs to a scoping study stage. The commencement of a scoping study is a critical path item to deliver material value accretion on a success case. 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.

Briggs evaluation is continuing with supportive early results

The evaluation work at Briggs is continuing with the company releasing first assay results confirming widespread mineralisation across more than 1,500m with copper grades >0.1% and selected values ranging up to 0.5%. The drilling results correlate well with the surface geochemical anomaly supporting the geochem as an indicator of prospectivity at depth. It is worth highlighting that a number of holes ended in mineralisation indicating additional potential below the extent of the drilling data, which already extends beyond the limits of the current resource envelope. It's likely an updated mineral resource assessment could deliver a material expansion to the ascribed 142.8Mt @ 0.29% copper in the Central Porphyry target. The company plans to conduct further soil sampling to better define the extent of the geochemical anomaly ahead of follow-up drilling across the entire strike length anticipated to commence in May. CBY will be carried by Alma Metals (ASX:ALM) through a farm-in arrangement of up to \$16mn (to earn 70%).

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

Our valuation remains unchanged with a risk NAV of A\$52mn (A\$0.42/share at the mid-point) to the portfolio against a **reference share price of A\$0.085/share**. It's worth highlighting that our valuation benchmarks and weightings are subject to significant change through exploration and evaluation activity. Building on the initial 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 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.

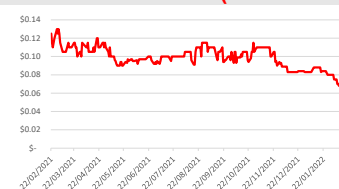
Metals Exploration

22nd February 2022

Share Details

ASX code	CBY
Share price (22-Feb)	\$0.085
Market capitalisation	\$10.5M
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
- Next phase drilling results at Briggs support a material upgrade in resource tonnages presaging the commencement of an initial scoping study
- 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

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Briggs Data Points To Upside Potential...And Bigger Is Better

As noted in our previous update note (3-Feb), the initial drilling results from the Briggs copper project in Queensland have been very encouraging.

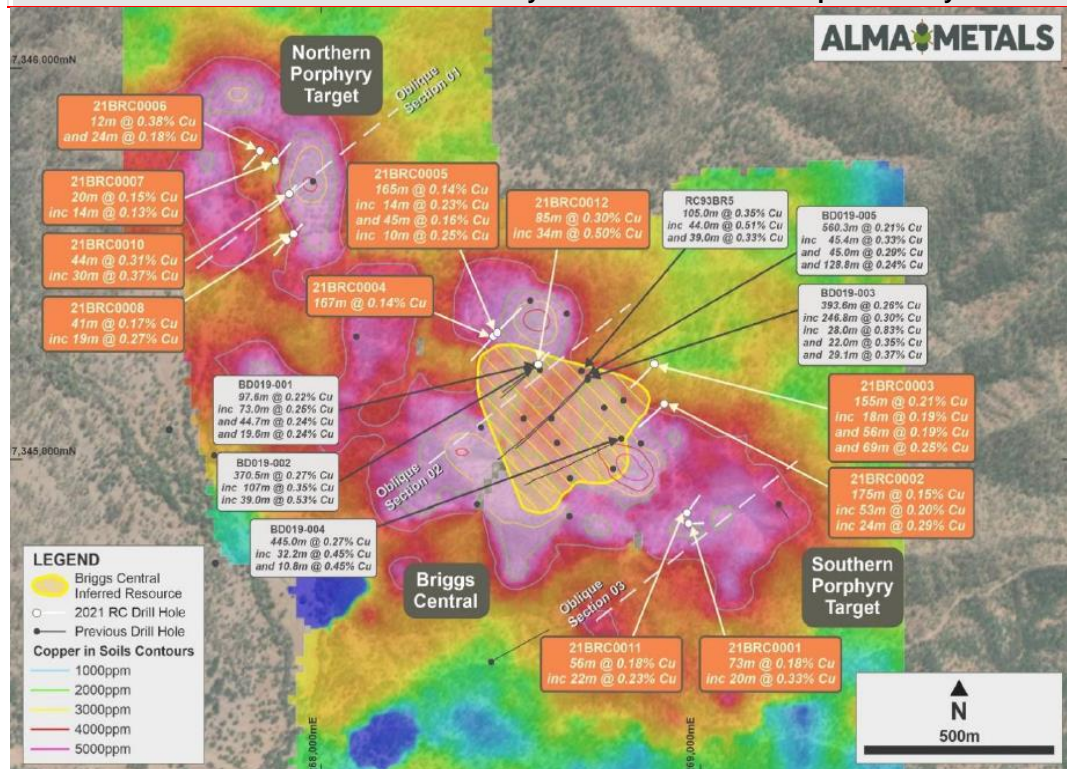
The company has released the first assay data with results confirming mineralisation over greater than 1,500m along a surface geochemical anomaly mapped at over 2,000 x 750m, at copper grades >0.1% with selected values ranging up to 0.5%.

Importantly, the drilling data demonstrates a strong correlation with the geochemical signature and as an indicator of prospectivity at depth. The strength of the mineralisation with depth has also been demonstrated during Canterbury's deep diamond drilling completed in 2019.

Equally significantly, several holes confirmed elevated copper grades in volcanic sediments immediately adjacent to the Briggs Granodiorite, as well as in zones of highly intense quartz veining. These settings represent important targets for delineating higher grade components of the deposit that are likely to be key financial drivers of the project.

All the data taken within context supports a significant extension of the mineralisation potential well beyond that included in the current mineral resource envelope which underpins the current Inferred Resource of 142.8Mt @ 0.29% associated with the Central Porphyry.

Exhibit 1: The extension of mineralisation beyond the resource envelope is readily evident



Source: Company data

The next phase of work will commence imminently with an expansion of soil sampling to better define the surface extent of the geochemical anomaly and provide the platform for another round of drilling, expected to commence in early May. Drilling will also evaluate the deeper mineralisation potential likely supporting the commencement of an initial scoping study in the latter half of this year.

We note that metallurgical evaluation is also underway. Preliminary testing by Canterbury in 2021 returned very high copper flotation recoveries across all rock types. Capital works will be funded by Alma Metals (ASX:ALM) under the terms of its partnering agreement, with Alma having the option to acquire up to 70% of the Briggs project for the staged expenditure (out to Jul-2031) of up to \$15.25mn. As at 31-Dec, CBY held a cash position of ~\$0.74mn to complement its financial carries at Briggs and Bismarck.

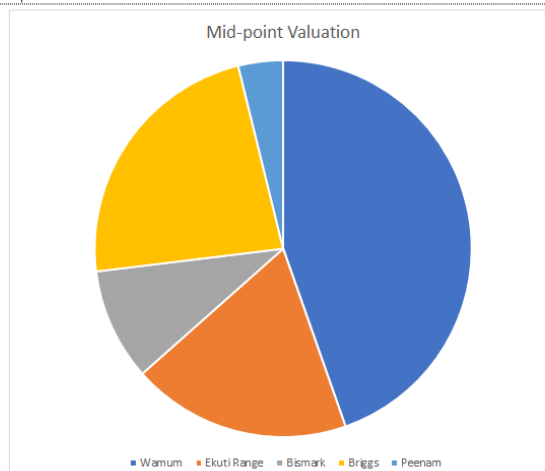
Exhibit 2: Financial Summary

CANTERBURY RESOURCES			CBY				
YEAR END			Jun				
NAV	A\$	\$0.42 at the mid-point					
SHARE PRICE	A\$	\$0.085					
MARKET CAP	A\$M	10.5					
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			0.7474	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	
		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						
Idzan creek					Koz	Kt
					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
Old						
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

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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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- our services
- how we transact with you
- how we are paid, and
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