

Santana Minerals Limited

Reviving the gold rush of Bendigo in Otago

Santana Minerals Limited (ASX:SMI) is developing the Bendigo-Ophir (BOP) gold project located in the Otago region of New Zealand (NZ). The project has a combined mineral resource estimate of 37Mt at 2.1gpt for 2.5Moz of gold using a cut-off grade of 0.5gpt. The majority of the resource is within the Rise and Shine (RAS) deposit which contains 31Mt at 2.2gpt for 2.2Moz with the indicated component of 17Mt at 2.4gpt for 1.3Moz. The size of this resource provides the scale required to assess a mine development with SMI releasing a Scoping Study in April 2024 which demonstrated the potential for an economic mining operation producing 110koz p.a. for 10 years. The new government in NZ is pro-mining and is pushing ahead to enact a fast-track bill which would streamline the permitting process for mining projects across the country.

Portfolio description

SMI has a single focus on accelerating the development of the BOP project which is indicated in the refresh of management in late CY23 and a change in government that is more supportive of mining as demonstrated by its proposal to introduce a fast-track bill to streamline mining permits. The BOP project comprises four ore bodies with ~88% of the defined resource within the RAS deposit, which was discovered in 2021. The project sits within a prolific historical gold mining area of NZ and is ~90km north-west of OceanaGold's (TSX:OGC) Macraes Gold Mine which produces ~120-130koz p.a. and has ~3Moz of remaining resources. The RAS ore body has several favourable characteristics which lend itself to economic mining potential such as: a fairly consistent shallow plunge; a thick and discrete ore horizon; general continuity in mineralisation and grade; and coarse free milling metallurgy which has high recoveries using a conventional flow sheet.

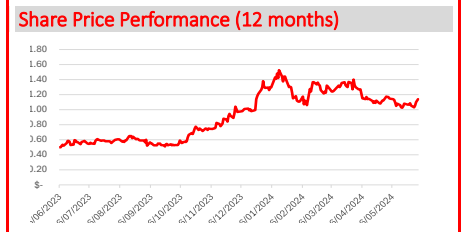
Scoping Study confirms 1.12Moz project over 10 years

In April 2024, SMI released the inaugural Scoping Study on the BOP which proposes an open pit and underground mining operation to mine 14.4Mt of ore (12.1Mt from the open pit and 2.3Mt from the underground) which would produce a total of 1.12Moz over 10 years. This represents a mining operation with annualised production of ~1.5Mtpa for ~110koz p.a. The company estimated upfront capex at NZ\$256m which comprises NZ\$143m for the plant and site infrastructure, and NZ\$113m in working capital for mine set-up and pre-strip. Life on mine sustaining capex was another NZ\$297m and covers the staged open pit cutback and underground mining operations in years seven to ten. Operating costs were estimated as NZ\$841/oz and a total production cost of NZ\$1,336/oz. Using a base-case gold price of NZ\$2,705/oz at the current exchange rate of NZ\$1/US\$0.61, the project delivers a post-tax NPV10 of NZ\$486m with an IRR of 49% and a payback of 1.4 years. Using the spot price at the time of this report of ~NZ\$3,900/oz, the NPV, IRR and payback increase to NZ\$937m, 75% and one year respectively. Post the release of the Scoping Study, SMI says it is rapidly progressing a Pre-Feasibility Study (PFS) which is being targeted for completion in September 2024.

ASX-listed peers

The ASX is host to many gold companies from junior exploration hopefuls through to major producers and everything else in between. Whilst very few are focused on projects in New Zealand, with a notable exception being explorer Siren Gold (ASX:SNG), there are several peers at a similar development stage and project scope as SMI. These peers include Austral Resources NL (ASX:AAR) which proposes to produce 100Koz p.a. from its Mandila project, AusGold Ltd (ASX:AUC) which proposes to produce 136Koz p.a. from its Katanning project and Saturn Metals Ltd (ASX:STN) which proposes to produce 123Koz p.a. from its Apollo Hill project. All three peers say they aim to deliver these production rates over eight years or greater and are at a similar development stage of working towards more detailed PFS/DFS reports.

Share Details	
ASX code	SMI
Share price (24-Jun)	\$1.13
Market capitalisation	\$232.7M
Number of shares	205.9M
Unlisted options @ \$0.30-1.08	39.5M
Performance rights	0.4M
Net cash at 26 Apr 2024	~\$38M



- ### Upside Case
- Upgrade of size/quality of mineral resource at BOP
 - Upsizing of the proposed mining operation
 - NZ Government passes the new fast-track bill

- ### Downside Case
- A material decline in the gold price
 - Watered down or inability of the fast-track legislation to pass increasing permitting risk
 - Weakness in capital markets creating funding risks

- ### Catalysts
- Ongoing exploration improving resource quality and/or increasing the mineable resource base
 - Release of the PFS in September 2024
 - Passing of the fast-track legislation

Comparative Companies (Australia & NZ)

SNG, AAR, AUC, STN, MEK, BC8

Company Contact

Damian Spring (CEO) +64 21 333943
 dspring@santanaminerals.com

RaaS Contacts

Joshua Baker +61 405 784 516
 joshua.baker@raasgroup.com

Finola Burke +61 414 354 712
 finola.burke@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Research Group 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

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Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

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