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## SPEC BUY

Current Price	\$0.08
Valuation	\$0.23
TSR (%)	161%

Wednesday, 17 April 2024

## WIA Gold (WIA)

### Kokoseb MRE Update

Analyst | Patrick Streater

#### Quick Read

WIA Gold reported a MRE update for its Kokoseb discovery that totalled 2.12Moz at 1.0g/t Au (0.5g/t Au cut-off). The updated MRE is constrained within a US\$1,800/oz optimised pit shell that extends over 4.8km of strike with no waste cover. A good outcome for WIA with a large resource reporting into an optimised pit shell that provides the foundation of new standalone development. We maintain our Speculative Buy rating with our price target unchanged at \$0.23.

#### Key points

**MRE meets our expectations:** The 2.12Moz MRE aligned well with Argonaut's prior inventory estimates of 2.15-2.20Moz from our recent note '[Kokoseb MRE Imminent](#)'. Importantly the MRE has been constrained within an optimised pit shell that includes no waste overburden and wide continuous lodes favourable for open pit mining. In our view, the MRE demonstrates the critical mass of mineable inventory required to support a new standalone development.

**MRE growth potential:** We see clear opportunities for incremental growth of the MRE with some potential shallow ounces to be added at the Eastern Zone and depth extensions to the high-grade shoot. The Southern Thrust Target offers the biggest MRE upside if WIA can locate offset position of Kokoseb at a depth still amenable to open pit mining.

**Argonaut Kokoseb Mining Inventory:** Given close alignment of the Kokoseb MRE with our inventory estimates we keep our mining scenario unchanged which considers a 154koz/pa operation over 10-year mine life through a 5Mtpa mill. The Kokoseb MRE includes a higher-grade component of 1.53Moz at 1.4g/t Au which gives optionality for a smaller scaled mill, but we consider ~5Mtpa sized mill as the better fit for the project given further the further MRE growth expected.

**US\$3/oz discovery cost:** WIA has an achieved US\$3/oz discovery cost for the 2.12Moz MRE reported. Roughly 46km of drilling was completed to deliver the inferred MRE which has been drilled at 50m drill hole intervals on 100m line spacings. WIA have stated that drill spacings of 50m x 50m will need to be achieved to convert the inferred resource into indicated status. Given that lode geometries are now well defined WIA could move fairly quickly on drilling out the MRE to indicated status with additional rigs. A balance would need to be struck between infill drilling and MRE growth / exploration drilling as other areas of Kokoseb are still in their infancy from an exploration perspective.

#### Valuation & recommendation

Well timed MRE reporting a +2Moz resource into a running gold price. Given our inventory estimates are similar we keep our mining scenario unchanged for now and maintain our \$0.23 Price Target with a Speculative Buy recommendation. With three rigs onsite we expect a steady flow of infill and extensional results from Kokoseb. Drill results at the Southern Thrust Target and Eastern Zone are the next big catalysts in the pipeline.

Code: **WIA**  
Sector: **Materials**

\* All figures in AUD unless stated otherwise

Shares on Issue (M):	<b>922</b>
Market Cap (\$M):	<b>81</b>
- fully diluted (\$M)	<b>87</b>
Net cash (\$M Dec 2023)	<b>7</b>
Enterprise value (\$M):	<b>74</b>

52 wk High/Low (ps):	<b>\$0.09</b>	<b>\$0.02</b>
12m av. daily vol. (Mshs):		<b>1.46</b>

#### Key Metrics

	FY27E	FY28E	FY29E
P/E (x)	-7.6	-4.1	5.0
EV/EBITDA (x)	-0.8	3.4	0.2

#### Financials:

	FY27E	FY28E	FY29E
Revenue (\$M)	0	182	422
EBIT (\$M)	-7	-13	42
NPAT (A\$M)	-11	-20	16
Net assets (\$M)	294	268	265
Op CF (\$M)	8	25	160
Prod (koz Au)	0	80	186

#### Projects

Damaran Belt, Namibia - Kokoseb Project  
Bouafle, Cote d'Ivoire  
Mankono, Cote d'Ivoire  
Bocanda, Cote d'Ivoire  
Issia, Cote d'Ivoire

#### Share Price Graph and trading volumes (msh)





## Kokoseb MRE Delivers

### 2.12Moz in an optimised pit shell

The updated Kokoseb MRE totalled 66Mt at 1.0g/t Au for 2.12Moz contained within a US\$1,800/oz pit shell. This represents an 63% increase of contained gold from the initial maiden MRE. With a higher 0.8g/t Au cut-off applied, the MRE includes a higher-grade component of 34Mt at 1.4g/t Au for 1.53Moz. The Kokoseb MRE has been reported within a single US\$1,800/oz optimised pit shell that measure 4.8km in strike with a maximum depth of 370m.

**Kokoseb MRE meets our expectations with +2Moz resource**

**Kokoseb MRE includes a higher-grade competent using a 0.8g/t Au cut-off**

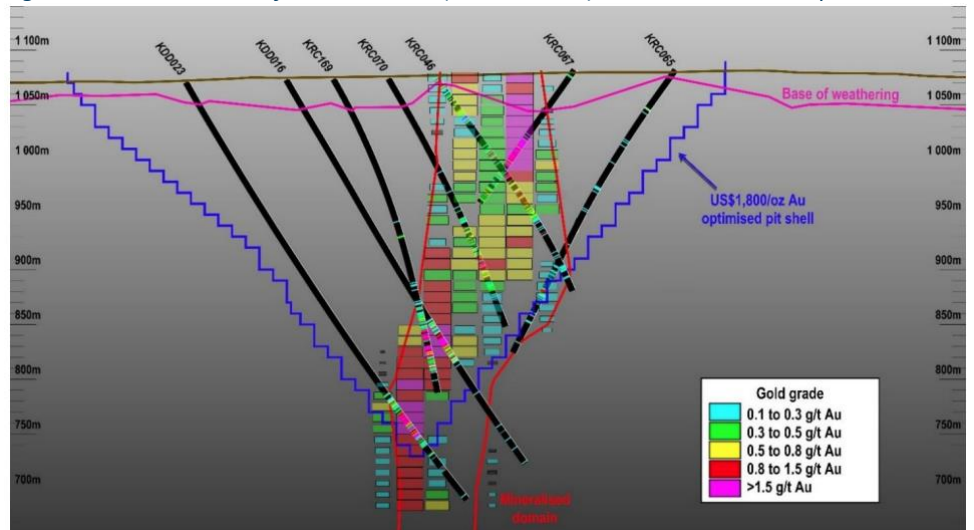
Figure 2 – Kokoseb updated MRE at various cut-off grades.

Cut-off Au g/t	Tonnes (Mt)	Au g/t	Au Moz
0.20	130	0.69	2.88
0.25	115	0.75	2.77
0.30	100	0.80	2.57
0.40	83	0.91	2.43
0.50	66	1.0	2.12
0.60	53	1.2	2.04
0.80	34	1.4	1.53
1.00	23	1.7	1.26

Source: WIA

The MRE has been informed by 46km of drilling consisting of 180 RC, 23 diamond and 6 RCDD drillholes. Drilling for the inferred MRE was completed on 50mx100m drill spacings with Multiple Indicator Kriging used for the resource estimate. Drilling at a 50mx50m spacing will be required to convert from inferred to indicated status.

Figure 3 – Cross section of Kokoseb MRE (Central Zone) with a US\$1,800/oz pit shell.



**Wide zones of mineralisation with no waste cover supported a large resource tonnage reporting an optimised pit shell**

Source: WIA

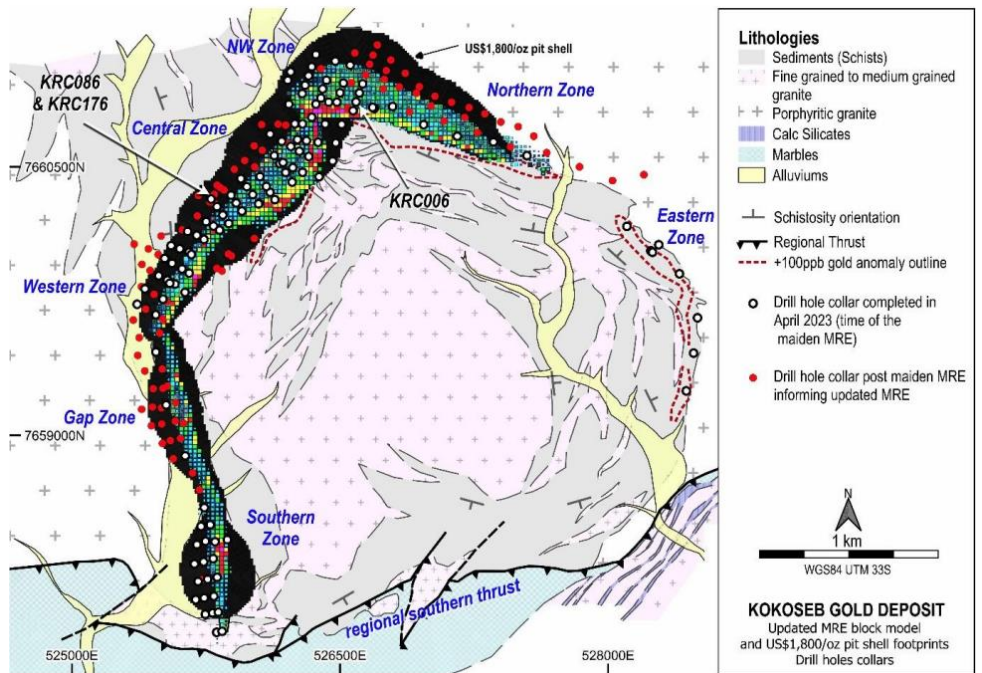
**MRE potential growth areas**

Mineralisation at Kokoseb remains open at depth and along strike over the 6.5km long MRE area. To provide significant growth to the MRE from this point WIA highlights four key target areas:

- Depth extensions to a southerly plunging shoot where prior hits included 37m at 9.46g/t Au, 12m at 5.15g/t Au and 10m at 5.1g/t Au
- Sub parallel zones in the footwall stratigraphy where unconstrained anomalous intercepts have not been followed up
- Extensional drilling along strike at the Eastern Zone where initial hits (8.8m at 1.6g/t from 18m) on broad 200m drill spacings are yet to be followed up.
- Regional Southern Thrust Target where it’s interpreted that the Kokoseb deposit has been thrust below a marble package

We see clear opportunities for incremental growth of the MRE with some potential shallow ounces to be added at the Eastern Zone and depth extensions to the high-grade shoot. The Southern Thrust Target offers the biggest MRE upside if WIA can locate the position of thrust mineralisation at a depth which is still amenable to open pit mining.

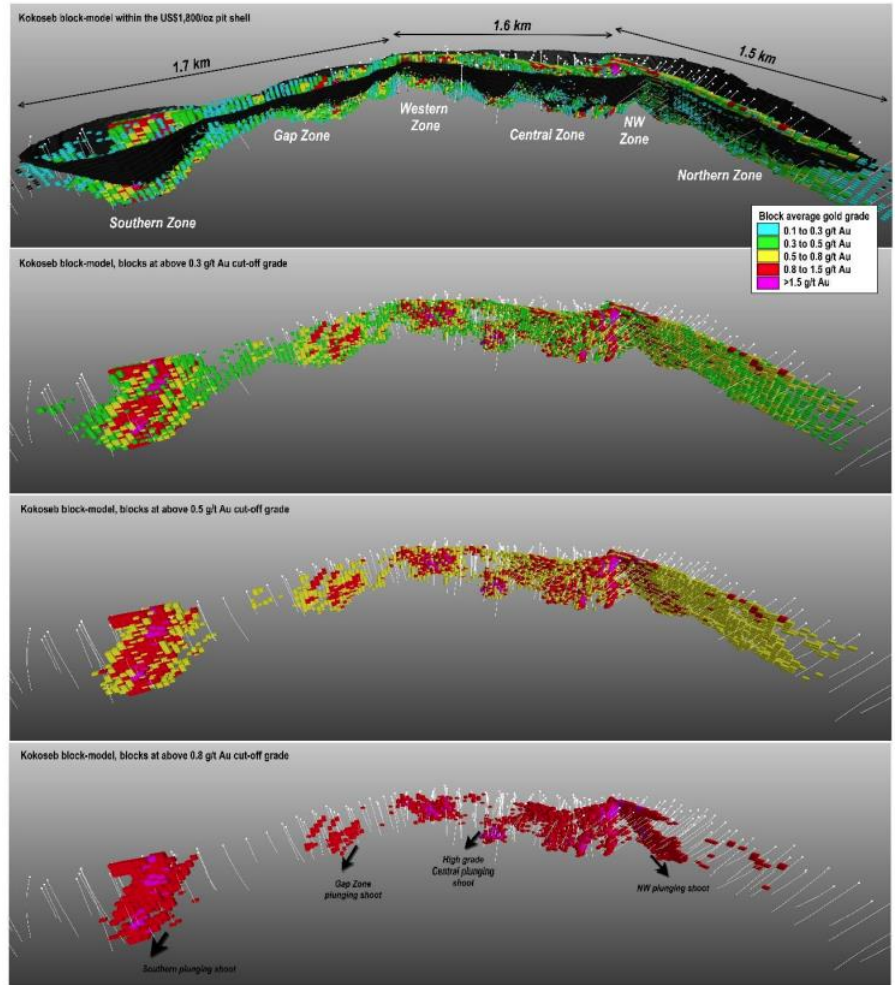
Figure 4 – Plan view of the Kokoseb MRE with a US\$1,800/oz pit shell



**Initial Eastern Zone intercepts still to be followed up. Southern Thrust Target represents the largest MRE growth potential**

Source: WIA

Figure 5 – Isometric view of the Kokoseb MRE at various cut-off grades. US\$/1,800/oz pit shell displayed.

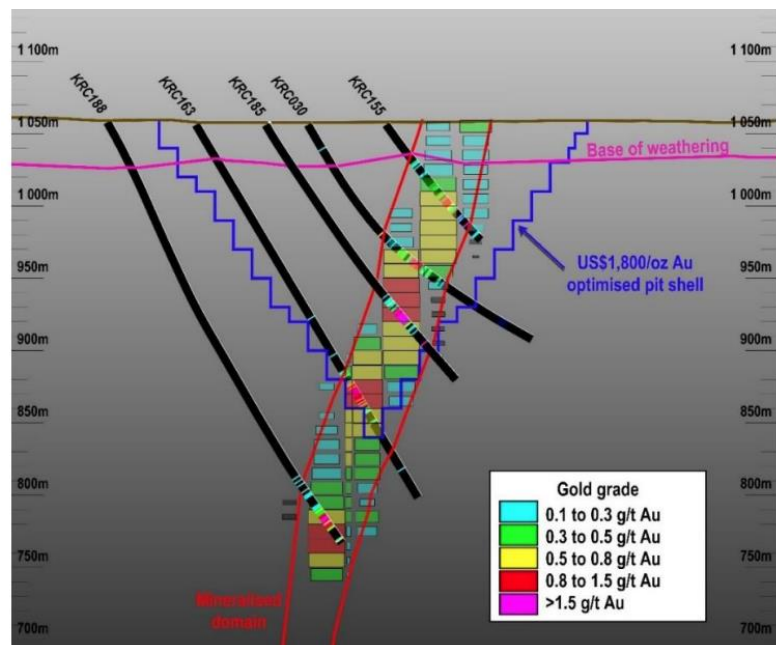


A single continuous pit striking 4.8km captures the updated Kokoseb MRE

Source: WIA

Figure 6 – Cross section of the Kokoseb MRE – Gap Zone

Kokoseb mineralisation is characterised by wide continuous zones of mineralisation outcropping at surface



Source: WIA

## Argonaut's Kokoseb Mining Scenario

Argonaut's updated mining scenario remains unchanged from our prior note in March – '[Kokoseb Update](#)'. Argonaut's mining scenario uses a US\$1700/oz pit optimisation that captures a mining inventory of 45.7Mt for 1.68Moz at a diluted mined grade of 1.14g/t Au with a LOM strip ratio of 6.6. Our mining scenario produces 155kozpa over a ten-year mine life sourcing open pit ore from what's likely to be a single open pit over 4.5km long. LOM diluted head grade averages 1.14g/t Au with the first 3 years of production averaging 1.30g/t Au. Mineralisation captured within Argonaut's open pit scenario, has a median true width of 19m which equates to minimal mining dilution (10%).

Our mining scenario for Kokoseb delivers a pre-tax NPV<sub>6</sub> of A\$799M using a flat A\$2700/oz gold price. Early-stage capex estimates remain unchanged at US\$365M (A\$520M) for a 5Mtpa standalone development. This capex estimate benchmarks conservatively against comparable builds in Namibia – B2 Gold's Otjikoto US\$244M(3Mtpa) and Osino's recent Twin Hills DFS estimate of US\$365M (5Mtpa).

## Valuation

Argonaut's WIA Gold valuation is based on a discounted cash flow valuation of the Kokoseb Project incorporating Argonaut's derived mining physicals that assumes a 10-year mine life producing 155Koz/pa. Argonaut models a post-tax NPV of A\$420m (100% basis) for Kokoseb using our internal gold price assumptions outlined on page 2. Operating costs are inflated at 3% pa. A real, after-tax discount rate of 6% is used. Our valuation model incorporates Namibia's 37.5% corporate tax rate, 3% royalty and 1% export levy. Argonaut's Kokoseb valuation incorporates future equity dilution events which are calculated at the current share price.

**Price Target maintained at \$0.23 with a Speculative Buy recommendation.**

*Figure 7 - Valuation Summary, April 2024*

Valuation Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$/sh	A\$m	A\$/sh
Kokoseb(80%)6%DR after tax	772.6	0.22	384.1	0.11
Other	0.00	0.00	0.00	0.00
Resources	51	0.02	51	0.02
Hedge book	0.0	0.00	0.0	0.00
Corporate overhead	(24.4)	(0.01)	(30.9)	(0.01)
Unpaid capital	167.6	0.06	167.6	0.06
Cash	6.9	0.00	6.9	0.00
Debt	0.0	0.00	0.0	0.00
<b>Total</b>	<b>974</b>	<b>0.29</b>	<b>579</b>	<b>0.18</b>
<b>Price Target (50/50 spot/base case)</b>				<b>0.23</b>

Source: Argonaut Research

### Key risks to valuation:

**Permitting & Sovereign Risk** – Kokoseb remains an early-stage project with further permitting required to progress further down the development pipeline. Delays or roadblocks in the permitting process would impact the valuation. WIA owns 80% of the Kokoseb Project with the remaining 20% owned by Epangelo Mining which is a private company solely owned by the Namibian government. Epangelo are free carried until the delivery of a DFS.

**Resource Model and Exploration Results** – Argonaut’s valuation utilises an inferred inventory model. Further drilling could negatively impact the valuation of the project if future resource updates downgrade WIA’s Kokoseb resource.

**Commercial Hurdles** – Argonaut’s valuation could be negatively impacted if the company is unable to secure funding (debt and/or equity) for the development and construction phase of the project.

**Cost assumptions** – Argonaut models its valuation using benchmark operating and capex costs. There is a risk to the valuation of the project should actual costs be higher or if there are capex cost over runs during construction.

**Equity dilution** – Future capital raisings to fund exploration and development costs for Kokoseb are likely to dilute existing shareholders. We model future equity dilutions at the current share price.

*Figure 8 – Argonaut’s Kokoseb Project comparison against Twin Hill’s using comparable costs and gold price assumptions. Argonaut’s March 2024 mining inventory used. Osino Resources recently acquired by Yintai Gold for C\$385m.*

	Unit	Twin Hills (Osino) 5Mt/pa Plant	Kokoseb (5Mt/pa Plant)	Kokoseb (3.3Mt/pa Plant)
<b>Mining Physicals</b>				
Ore Tonnes Mined	Mt	65	46	35
Waste Tonnes Mined	Mt	299	308	192
Total Material Movement	Mt	364	353	226
Strip Ratio	waste:ore	4.7	6.3	5.5
Mine Life	Years	13	10	11
<b>Processing</b>				
Head Grade (LOM)	g/t Au	<u>1.04</u>	<u>1.14</u>	1.23
Head Grade (Yrs 1-5)	g/t Au	1.15	1.26	<u>1.51</u>
Au Produced (LOM)	Koz	1979	1544	1266
Annual Gold Production (LOM)	koz pa	162	154	115
Annual Gold Production (Yrs 1-5)	koz pa	<u>176</u>	<u>179</u>	148
<b>Assumptions</b>				
Gold Price Assumption	US\$/oz	\$1,750	\$1,750	\$1,750
Discount Rate <i>real</i>	%	5%	5%	5%
Open Pit Mining Cost (LOM)	US\$/t	\$2.64	\$2.64	\$2.64
Processing Cost (LOM)	US\$/t	\$13.6	\$11.5	\$15.0
<b>Financials</b>				
All-in Sustaining Cost (ASIC)	US\$/oz	<u>\$1,011</u>	<u>\$1,086</u>	<u>\$1,002</u>
Pre-production Capex	US\$M	\$365	\$365	\$300
Sustaining Capital	US\$M	\$41	\$49	\$30
Pre-tax NPV	US\$M	<u>\$742</u>	<u>\$448</u>	<u>\$446</u>
Project Ownership	%	100%	80%	
Enterprise Value	A\$M			<b>\$74</b>
Osino Take Over offer (C\$386M - Yintai Gold)	A\$M	<b>A\$417</b>		

Source: Argonaut Research, Osino Resources Twin Hills DFS

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The publishing analyst owns shares in WIA Gold (WIA)

WIA Gold Ltd. (WIA) Argonaut Securities Pty Ltd acted as Lead Manager & Sales Agent to the pro-rata non-renounceable entitlement offer to raise up to approximately \$11M announced in July 2023 and received fees commensurate with this service. Argonaut owns or controls 7,733,332 WIA shares and 1.5M WIA01 Options exercisable at \$0.05 and 1.5M WIA02 exercisable at \$0.10 on or before 30 September 2024

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