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SPEC BUY

Current Price \$0.03
Valuation \$0.13

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

* All figures in AUD unless stated otherwise

Shares on Issue (M): 572
Market Cap (\$M): 19
- fully diluted (\$M) 17
Net cash (\$M May 2023) 4
Enterprise value (\$M): 14

52 wk High/Low (ps): \$0.09 \$0.03
12m av. daily vol. (Mshs): 0.78

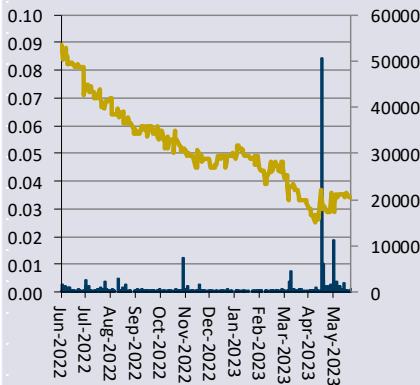
Financials:

	FY21	FY22	FY23E
Payments	-0.7	-0.9	-0.9
Exploration	-1.7	-5.0	-5.2
Equity issue	7.3	4.6	6.6
Cash change	4.6	-0.2	0.2
Cash at end	5.2	5.0	5.2

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)



Please refer to important disclosures at the end of the report (from page 7)

Thursday, 22 June 2023

Wia Gold Limited (WIA)

Kokoseb Update

Patrick Streater

Quick Read

Wia Gold has released the maiden mineral resource estimate (MRE) for its Kokoseb discovery in Namibia. The reported MRE is 41Mt at 1.0 g/t at 0.5 g/t Au cut-off grade for 1.3Moz. Additional drilling outside the MRE returned 37m @ 9.46g/t Au – representing a potential game changer for project economics.

Main points

Maiden MRE: The reported 1.3Moz maiden resource for Kokoseb is contained within a US\$1,800 pit shell and includes a higher-grade portion of 15Mt at 1.5 g/t Au for 0.72Moz, using a 1.0 g/t Au cut-off grade. The resource was completed with a drilling dataset of 12 diamond holes and 90 RC holes for a total of 19,496m of drilling.

Further upside expected: The Kokoseb structure is over 6.5km in length and will likely provide more growth to the existing resource with further drilling along strike and at depth. In May 2023, WIA reported an intercept of 37m at 9.46g/t Au from 291m which sits outside the current MRE. We see a potential short-term catalyst to the share price if follow up drilling indicates further MRE additions from underground resources.

Initial Kokoseb Metallurgical sampling and recent drill results: WIA has released preliminary metallurgical results from two composite RC bulk samples. Gravity recovery and direct cyanidation leaching returned gold extractions of 91% and 91% for each sample. Further metallurgical sampling is planned during the next round of diamond drilling. New RC drill results outside the current MRE include:

- 11m at 5.02 g/t from 125m (KRRC076)
- 30m at 1.45 g/t from 152m (KRRC076)
- 18m at 1.27 g/t from 132m (KRRC081)
- 37m at 9.46 g/t Au from 291m (KRC086)

Path forward: Argonaut maintains its view that with further drilling Kokoseb potentially has the scale required to support a standalone operation. Given the scale of the Kokoseb structure, further extensional and exploration drilling is still warranted to scope out the size of the system.

Recommendation

Argonaut maintains a speculative buy recommendation on WIA with a valuation of 13cps. The inclusion of the entire 1.3Moz MRE into a US\$1,800 pit shell suggests favourable economics for a simple open pit operation. We expect good news flow over the next 6-12 months from Kokoseb as drilling continues targeting extensions to the current resource and exploration drilling to the south under the southern thrust structure. Key risks to the project will be clearing commercial hurdles as drilling progresses and building scale to support a standalone operation. Risks are discussed in more detail from page 5.



Wia Gold Limited

Equities Research

Analyst: Patrick Streater

Recommendation
Current Price
Valuation

Speculative buy
\$0.03
\$0.13

Sector
Issued Capital (Mshs)
Market Cap (M)

Metals & Mining
572
\$19
Thursday, 22 June 2023

Year to June 30	2019	2020	2021	2022	2023(6mths)
P'ments to supp's & empl's	-1.1	-0.8	-0.7	-0.7	-0.3
Interest received	0.0	0.0			
Finance costs					
Sundry income			0.0	0.0	0.0
Cash from ops	-1.1	-0.8	-0.7	-0.7	-0.8
Plant, prop., equipment	0.0	0.0	0.0	-0.2	-0.2
Exploration	-0.8	-1.3	-1.7	-3.7	-5.2
Asset sale/purchase					
GST					
Cash from Investing	-0.8	-1.3	-1.7	-3.9	-5.4
Equity	2.2	2.1	7.3	4.6	6.6
Borrowings					
Interest/transaction	-0.2	0.0	-0.3	-0.3	-0.2
Cash from financing	2.0	2.1	7.0	4.3	6.4
Cash at start	0.7	0.6	0.6	5.2	5.0
Change	0.1	0.0	4.6	-0.2	0.2
Currency translation	-0.1	0.0	0.0	0.0	0.0
Cash at end	0.6	0.6	5.2	5.0	5.2

Kokoseb drilling reported to date	2023
Reported holes (DD)	109
Total metres	21323
Average hole length (m)	196
Number of intercepts reported	282
Total intercept metres	2529
Proportion intercept	12%
Ave intercept length (m)	9.0
Ave intercept grade g/t	1.52
Ave intercept g/t*m	14
Intercepts/hole	2.6
Ave agg intercept length/hole (m)	23
Ave agg. intercept g/t*m/hole	35
Intercept metres* average intercept grade	3854
Average total hole grade g/t/m	0.18
Max g/t*m single intercept	350
Weighted depth from surface	107

Valuation summary	ASM	A\$/sh
80% Kokoseb after tax 10% DR unrisks	212	0.37
Risk discount 40%	-85	-0.15
Exploration, all sites	1	0.00
Corporate overheads	-21	-0.04
Cash	4	0.01
Debt	0	0.00
Tax benefit	0	0.00
Hedging	0	0.00
Option/equity dilution	-35	-0.06
NAV	76	0.13

Directors, management	Mshs
Andrew Pardey	2.5
Mark Arnesen	0.5
Steven Michael	0.3
Pierrick Couderc	-

Top shareholders	M shs	%
Capital Drilling	55.5	9.7
BPM Capital	54.0	9.4
Montana & ELK	43.0	7.5
JP Morgan Nominees	30.0	5.2

Capital raising history	shares	price	\$M
Sep-22	Placement	110.0	0.060
Nov-21	Placement	92.0	0.050
Sep-20	Placement	233.0	0.030
May-20	Placement	43.0	0.015

Shares	2022	2023	2024E	2025E
New shs issued/exerciseable	0	110	150	58
Average issue price	0.00	0.06	0.10	0.06
Ordinary shares - end	462	572	722	780
Diluted shares - end	520	630	780	780

Key Projects
Damaran Belt, Namibia - Kokoseb Gold Project (80%WIA)
Bouafle, Cote d'Ivoire - (JV earn-in with WAVI)
Mankono, Cote d'Ivoire - (JV-earn in with PDI&WAVI)
Bocanda, Cote d'Ivoire - (JV-earn in with PDI&WAVI)
Issia, Cote d'Ivoire - (JV earn-in PDI)

Improved geological understanding

Wia has made good progress building the geological understanding of the deposit aided by updated field mapping and tighter-spaced drilling over the last 6 months. Mineralisation is hosted within a biotite schist package wrapped around a 2.5km x 2.5km leucogranite granitic pluton. Narrow thin mafic dykes concordant with stratigraphy have been intersected in the hanging wall along with coarse grained sandstone packages. The geometry of the deposit varies from west dipping to north dipping, controlled by the margins on the granitic pluton. Mineralisation generally outcrops at surface or is covered by 1-2m of barren alluvium. The average downhole width of mineralisation from all reported significant intercepts is 9.3m with an average grade of 1.4g/t (reported with a 0.5 g/t weighted average cut off). Reported cross sections from WIA suggest mineralisation has undergone minor amounts of folding, particularly at the northern end of the deposit where the western and northern mineralisation zones merge into a north dipping antiformal structure.

Further drilling advances geological model to support maiden MRE

Figure 1 – Kokoseb deposit with all drilling as of 29th May 2023. Source: WIA

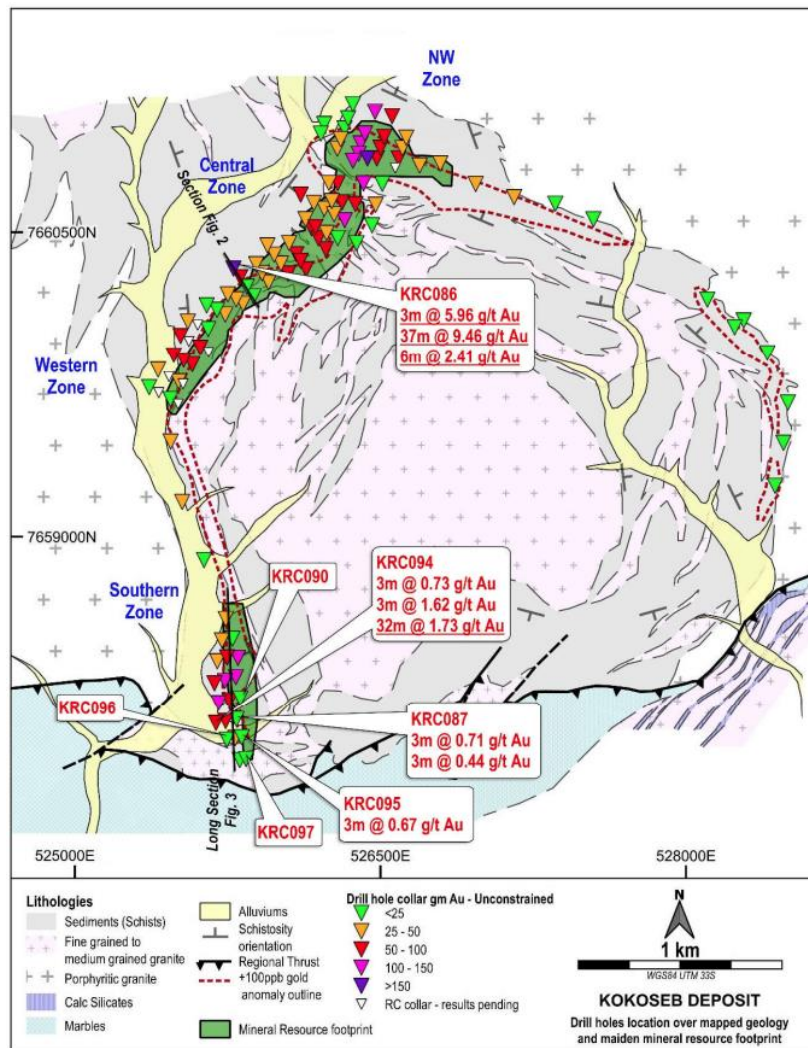
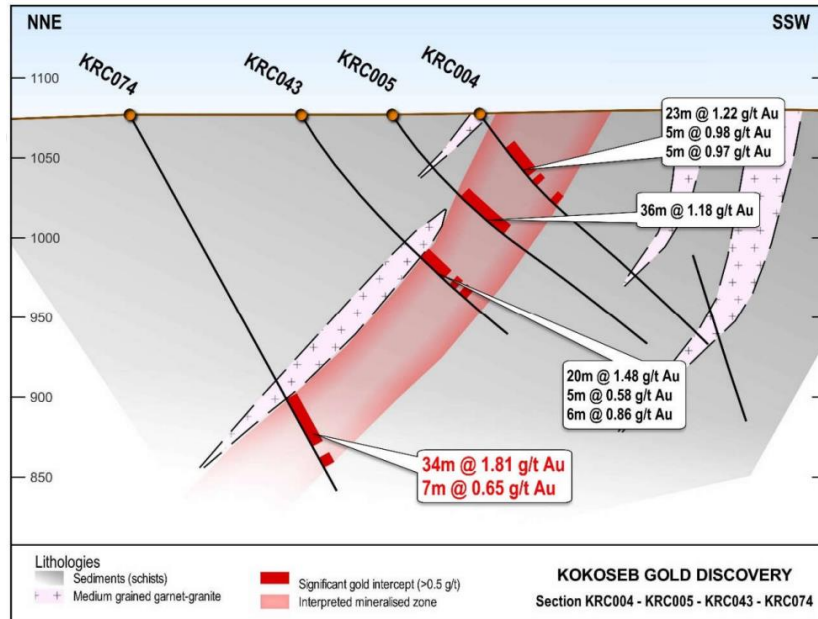


Figure 2 – Cross section of reported Kokoseb results – NW Zone. Source: WIA

Simple lode geometries defined from infill drilling

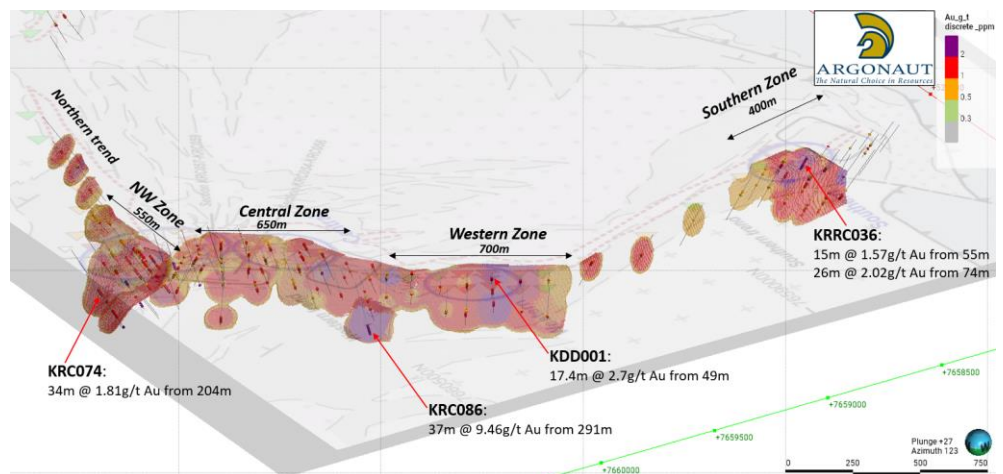


Favourable deposit attributes for large scale open pit mining

Argonaut’s internal estimation of the Kokoseb potential inventory indicates favourable open pit mining attributes with wide zones of mineralisation starting at surface that dip on average 50-60 degrees. Mineralisation shows good continuity down dip and along strike providing geological confidence to the maiden resource from WIA. Continuity of the lodes should also allow WIA to quickly build up its indicated resource with less drilling than a typical orogenic narrow gold system.

Figure 3 - Internal modelling completed by Argonaut of the Kokoseb deposit inventory using reported data. Isometric view looking down to the southeast. Source: Argonaut

Plenty of strike potential still to be tested along the Kokoseb structure

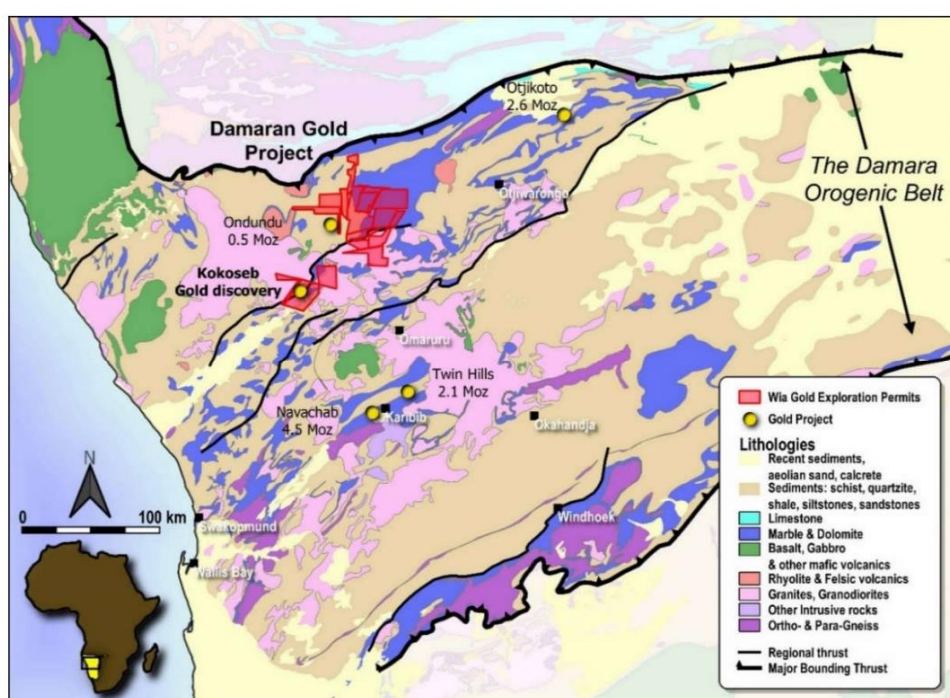


Regional Activity Update

Activity within Damaran Belt of Namibia continues with B2Gold's Otjikoto mine, 250km northeast of Kokoseb, forecasting production of 190-210kOz for 2023.

TSX listed Osino Resources (OSI) has made progress with Twin Hills, releasing a DFS in June that outlines a post-tax NPV of US\$480m using a 5% discount rate and US\$1750/oz gold price. The Twin Hills DFS utilised a total ore reserve of 64.51Mt @ 1.04g/t Au for 2.15Moz. Osino Resources currently has an enterprise value of A\$182m compared to A\$16.5m for WIA.

Figure 4 - Regional map of Kokoseb discovery. Source WIA.



Valuation.

We define commercial, stand alone gold discovery as a project worthy of development by companies like Perseus and B2Gold (circa 200kozspa, 6-10 year open pit life). In the event that Kokoseb is to become a commercial stand alone discovery, it should have a minimum unrisks, undeveloped value of US\$200M, (equivalent to the minimum capital required to develop it). To generate a value for Wia Gold we assume 40% probability of a minimum case, commercial, stand alone discovery. Argonaut models a NPV¹⁰ of A\$212 for WIA's 80% share of potential Kokoseb open pit operation. Argonauts valuation model utilises the current Kokoseb MRE plus a 30% increase through further drilling which, in our view, is a conservative figure.

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.

Gold Price – Argonaut models its valuation on an assumed gold price of US\$1950. There is no guarantee that gold prices will remain at these levels and lower gold prices would negatively impact the valuation.

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 a \$15m raise at \$0.10 in 2024 to fund Kokoseb drilling and study costs.

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Important Disclosure

The analyst owns shares in WIA Gold Limited (WIA)

WIA Gold Limited (WIA) Argonaut acted as Lead Manager to the Placement to raise \$6M in September 2022 and received fees commensurate with this service. Argonaut owns or controls 3,332,332 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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