

DRILL RESULTS | PUBLISHED ON 05 APRIL 2023

SMI: High Grade Results and NZ Permitting Explained

SMI.ASX | SANTANA MINERALS LIMITED | MATERIALS | METALS & MINING

PRICE
A\$0.84/sh

TARGET PRICE
A\$1.75/sh
(UNCHANGED)

RECOMMENDATION
SPECULATIVE BUY
(UNCHANGED)

ANALYST
KYLE DE SOUZA
KDESOUZA@EUROZHARTLEYS.COM

Event

Strong infill results at keystone asset: Rise and Shine (RAS).

Santana (SMI) explains pathway for minerals permitting process in New Zealand.

Impact

Results released on the for the Company's 3Moz Bendigo-Ophir-Gold-Project (BOGP) continue to build on the strong results we have seen to date.

Regional work will continue, recent regional exploration failed to identify minable mineralisation - but some require additional investigation. The project area remains under-explored, and as such the Company will continue regional exploration. Rigs will mobilise to test the other known deposits along strike of RAS.

We initiated on SMI comfortable with the NZ minerals permitting process. The Company has demonstrated the logical process of receiving a resource consent (also known as a mining permit in Australia) in NZ and lists the mines which have been granted consent in the last 3 years. This includes coal mines. We believe SMI receives a discount for the perceived risk of permitting - and herein lies the potential opportunity for investors.

Action

The management team at SMI has a track record of taking assets in various jurisdictions into production and generating strong returns for shareholders. We believe they will do the same at the Bendigo Ophir Gold Project.

The BOGP demonstrates all the hallmarks of a world class deposit (high grade and bulk tonnage potential) and is located in the mining friendly District of Otago (Oceana Gold's Macraes mine just 90km away) on the South Island of New Zealand. Located on remote and sparsely vegetated, freehold land with access agreements secured to mining - we see a lower risk opportunity in Santana. The asset is analogues to Capricorns Karlawinda mine, except with 3x the grade and thicker. Our last [note](#) explains this.

We maintain our **Speculative Buy** recommendation and **Price Target of \$1.75/sh**.

Catalyst

M&A

Updated MRE

Metallurgical results

Exploration and infill results

MARKET STATISTICS

Share Price	0.84 A\$/sh
Valuation	1.46 A\$/sh
Price Target	1.75 A\$/sh
Spt. Val A\$2992/oz	2.16 A\$/sh

Fully Paid Ord	148.8	m
Options (var. prices)	2.2	m
Total Dil. FPOrd	151.0	m
Market Capitalisation (dil)	\$127	m
Enterprise Value	\$120	m
Cash	\$6.7	m
Debt	\$-	m

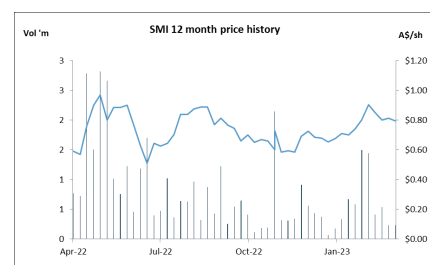
Directors

Norman A Seckold	Chair
Tony McDonald	NED
Richard E Keevers	NED
Frederick Bunting	NED
Warren Batt	NED

Shareholders

Depot Corp.	9.1%
Mustang Resources	5.2%
Calm Holdings	2.4%

Performance



Source: Euroz Hartleys

Figure 1: 12 Month Price History

ASSET VALUATION		
	A\$m	A\$/sh
(+) Bendigo-Ophir Project	370	1.24
(+) Other	-	-
(-) Corporate	(3)	(0.01)
(+/-) Hedging	-	-
(+) Exploration	62	0.21
(+) Unpaid Capital	-	-
(+) Cash	7	0.02
(-) Debt	-	-
EH Deck Prices (US\$1700/oz and AUD:USD 1:0.74)	436	1.46
Valuation at Spot A\$2992/oz	646	2.16

Source: Euroz Hartleys

Figure 2: Market Sensitivity

Our Market Sensitivity	
Price Target \$1.75/sh	
Valuation \$1.46/sh	
Bull Scenario \$2.61/sh	Gold price maintained to A\$2992/oz. Mining costs reduce as company enters full production and inflationary pressure dissipates. Ore-body mining recovery increases.
Base Scenario \$1.46/sh	EH Gold Price Deck. Maintain inflated costs, and risked appropriately for this stage of the Companies life.
Bear Scenario \$0.74/sh	Company is not allowed to mine open-pit. Underground mining only, costs escalation continues.

Source: Euroz Hartleys

Figure 3: Location of Project



Source: SMI

Figure 4: Location of Project



Source: SMI

New Zealand Mine Permitting Process

New Zealand has a structured minerals processing system.

The mining permitting process however is conflated with politics and pre-existing biased views of the Country.

The end goal of any minerals producer in New Zealand is the Resources Consent. The Resources Consent is the equivalent of a Mining Permit in Australia and reflects

The New Zealand flow-sheet also refers to a Mining Permit. **In the case of New Zealand, a Mining Permit grants the permit holder the exclusive rights to the minerals - but is not permission to mine. Only a Resources Consent allows mining to occur.**

The Company released the process for getting Minerals Consent at the Euroz Hartleys Rottneat Institutional Conference. You can find the diagram in the Appendices to this note.

What is more important than a process on paper? Proof that it works. Here are the Resource Consents that have been granted recently.

Figure 5: List of Resources Consents recently Granted in New Zealand.

OceanaGold Corporation (TSX-OGC) Macraes:

- ❖ Golden Point underground project 2020
- ❖ Deepdell North stage three open pit 2020
- ❖ Frasers West open pit 2020

Bathurst Resources Limited (ASX-BRL) Rotowaro:

- ❖ Waipuna West open pit 2018
- ❖ Waipuna West Extension open pit 2022

Westland Mineral Sands:

- ❖ Nine Mile open pit 2022

Federation Mining:

- ❖ Snowy River underground 2022

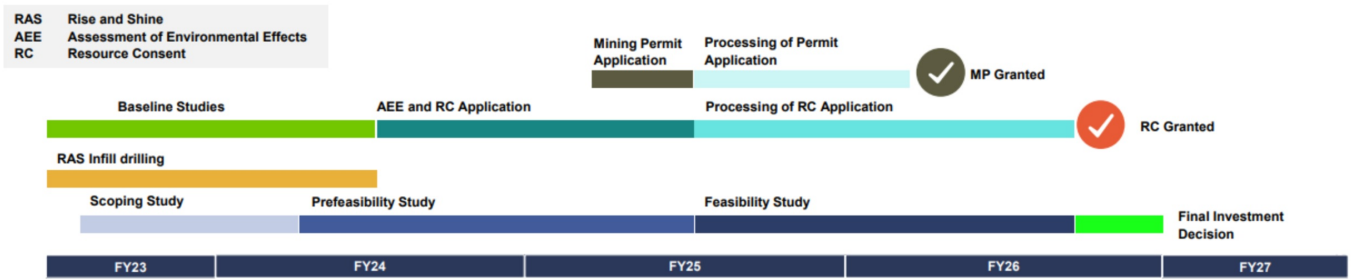


Source: SMI

Importantly recently appointed GM for New Zealand operations - Damian Spring has a track record of navigating and successfully attaining the Resources Consents for some of the operations mentioned above - namely Bathurst Resources (a Coal miner).

The Company has also released a timeline for permitting which comes within 6-12 months of the timeline published by Euroz Hartleys on the 10th February 2023.

Figure 6: Timeline to Final Investment Decision (FID) 7th March 2023



Source: SMI

Figure 7: Euroz Hartleys 10th February 2023 Assumptions on Permitting Timelines for the Bendigo-Ophir-Project

	CY23				CY24				CY25				CY26			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Technical Studies	Scoping		Pre Feasibility				Feasibility Study				DFS	Funding				
RMA & Consent	Baseline Studies				Preparation		Application			Consent						
Minerals Permits				Mining Permit application												
Activity	Exploration									Grade Control		Pre-Production	Mill Build Starts	Mining		Mill Commission

Source: SMI

Resource Consents are expected at the end of FY26. A 3 year process to a mining decision.

For reference;

- The Capricorn Metals Bibra deposit was 1.1Moz in April 2017. A FID was made in Dec 2019. 2.5 years.
- The Tropicana deposit was discovered in 2005, and a decision to mine was made in 2010.
- Gruyere discovered in 2013, Mining Approvals 2017. 4 years.

Exploration Results

We note that the Company has reported aggregate grades. We convert these to average grades over the length of the total core below.

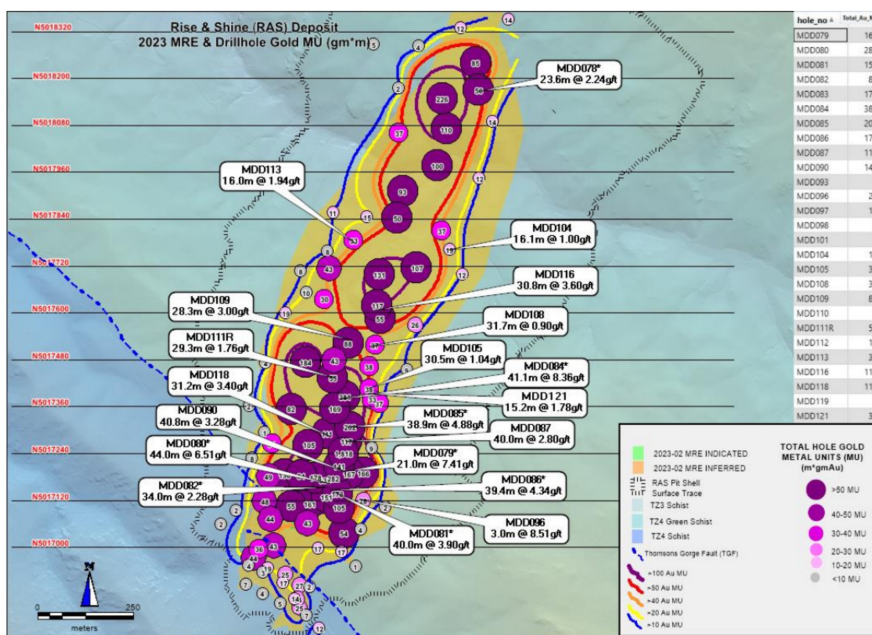
Intercepts (including waste) still demonstrate that almost all the reported intercepts would be considered economic for open pit mining.

Figure 8: Conversion of aggregate grades reported into averages grades. Grades and intercepts are still strongly conducive for Open Pit and/or Underground mining.

	Aggregate Length (m)	Aggregate grade (g/t)	Total Length of Mineralisation (m)	Grade over Total Length (g/t)	Best Intercept
MDD078	23.6	2.24	51	1.0	21.6m @ 1.3g/t
MDD079	21	7.74	35	4.6	8m @ 13.3g/t
MDD080	44	6.51	56	5.1	15m @ 9.1g/t
MDD081	40	3.9	102	1.5	23m @ 6g/t
MDD082	34	2.28	102	0.8	8m @ 3.96g/t
MDD084	41	8.36	106	3.2	17m @ 11g/t
MDD085	38.9	4.88	47.9	4.0	24m @ 3.5g/t
MDD086	39.4	4.34	106.4	1.6	19.4m @ 2.48g/t
MDD087	40	2.8	53	2.1	11m @ 4.69g/t
MDD090	41	3.28	63.8	2.1	18.8m @ 4.93g/t
MDD096	3	8.51	22	1.2	1m @ 15.3g/t
MDD104	16.1	1	34.1	0.5	4m @ 1.33g/t
MDD105	30.5	1.04	64.5	0.5	12m @ 1.32g/t
MDD108	31.7	0.9	46.7	0.6	13.7m @ 0.94g/t
MDD109	28.3	3	37.2	2.3	11.3m @ 3.4g/t
MDD111R	29.3	1.76	74.2	0.7	7.3m @ 3.5g/t
MDD113	16	1.94	50	0.6	14m @ 2.1g/t
MDD116	30.8	3.6	34.8	3.2	26m @ 3.97g/t
MDD118	31.2	3.4	50.2	2.1	10m @ 5.3g/t
MDD121	15.2	1.78	23.2	1.2	7.2m @ 3.2g/t

Source: Euroz Hartleys

Figure 9: Plan view of outstanding drill results.



Source: SMI

Figure 11: Three Pillars to Commence Mining

Three pillars to commence mining

	Mineral Access	Land Access	Resource Consenting
Principal Act	CMA 1991	CMA 1991, OIA 2005	RMA 1991
Entity	NZ Petroleum and Minerals (NZPAM)	¹ Private freehold ² Crown leasehold - Land Information NZ (LINZ)	Central Otago District Council (CODC) Otago Regional Council (ORC)
Current	Exploration Permit EP60311	Agreements in place with: Bendigo Station ¹ Ardgour Station ¹ Matakanui Station ² ...that enables mining.	Baseline studies completed or underway: Water flow and quality Weather and air quality Aquatic ecology Archaeology and heritage
Pending	Application for Extension of Duration for EP60311 being processed EP60311 continues until EOD granted		

Source: SMI Investor Presentation 7 March 2023

Figure 12: Steps to Resource Consent

Mineral Access	Land Access	Technical Studies	Resource Consenting
Application for Mining Permit	Agreements in place	Scoping study	Additional baseline studies: Gap analysis AMD Noise Landscape and Visual Lighting Traffic Socio-economic Iwi Cultural Values Assessment
Grant of Mining Permit		Prefeasibility Study	Assessment of Environmental Effects Applications for Resource Consents to CODC and ORC
		Feasibility Study	Public Hearing of applications
		FID	Grant of Resource Consents

Source: SMI Investor Presentation 7 March 2023

Personal disclosures

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities, and we are not in possession of, nor does this Research contain any inside information.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research, nor has any attempt been made to influence this Research.

Company disclosures

The companies and securities mentioned in this report, include:

Santana Minerals Limited (SML.ASX) | Price A\$0.84 | Target price A\$1.75 | Recommendation Speculative Buy;

Price, target price and rating as at 05 April 2023 (not covered)*

Additional disclosures

This report was prepared solely by Euroz Hartleys Limited. ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation, by Euroz Hartleys Limited in accordance with the ASX Equity Research Scheme. ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports for: Santana Minerals Limited (SML.ASX)

Other disclosures, disclaimers and certificates

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Hartleys Limited (ACN 104 195 057) only.

Euroz Hartleys Limited is the holder of an Australian Financial Services Licence (AFSL 230052) and is a participant of the Australian Securities Exchange Group.

The information contained herein is confidential. If you are not the intended recipient no confidentiality is lost by your receipt of it. Please delete and destroy all copies, and contact Euroz Hartleys Limited on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz Hartleys Limited.

Disclaimer & Disclosure

Euroz Hartleys Limited, and their associates declare that they deal in securities as part of their securities business and consequently may have an interest in the securities recommended herein (if any). This may include providing equity capital market services to the issuing company, hold a position in the securities, trading as principal or agent and as such may effect transactions not consistent with the recommendation (if any) in this report.

You should not act on any recommendation issued by Euroz Hartleys Limited without first consulting your investment adviser in order to ascertain whether the recommendation (if any) is appropriate, having regard to your objectives, financial situation and needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz Hartleys Limited believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz Hartleys Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference. The author of this publication, Euroz Hartleys Limited, its directors and their associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Euroz Hartleys Limited, and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of transactions arising from any advice mentioned in publications to clients.