

Austral Resources Australia Limited (ASX:AR1)

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PELTON
CAPITAL

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Recommendation

Initiating Coverage

Buy

Price Target: **\$0.59** (Fully Diluted)

Company Statistics

Share Price	\$0.175
12 Month Range	\$0.15 -0.22
Market Cap (undiluted)	\$77.94m
Enterprise Value	\$91.94m
Listed Shares	445.38m
Options	54.54m
Cash Balance (est.)	\$14.0m
Debt	\$28.0m

Major Shareholders

Yellow Gear Pty Ltd (Dan Jauncey)	52.8%
Sparta AG	3.6%
G Harvey Nominees Pty Ltd	3.4%
HSBC Custody Nominees (Aust) Ltd –A/C2	3.4%
2 Invest AG	2.4%
Directors & Management (*est)	60%*

Directors & Management

Mr Phillip Thomas	Non Exec Chairman
Mr Dan Jauncey	Exec Director
Mr Jeffrey Innes	Non Exec Director
Mr Steven Tambanis	Chief Executive Officer

*Share Price Performance



Key Investment Highlights

- > **Established domestic copper company producing high purity LME A-Grade Copper Cathode at its wholly owned Mt Kelly SX-EW Queensland operations. (NB) Mt Kelly plant replacement capital cost of \$160m is twice the current market cap of the company**
- > **Revenue drive underway from a planned Cathode production increase to 10ktpa by mid 2022 from new ore production sourced from the fully permitted Anthill open cut mine (Reserves: 5.06Mt grading 0.94% Cu for 47,500 tonnes of contained copper)**
- > **Existing large oxide and sulphide global resource base totalling 432kt contained copper (60Mt grading 0.7% Cu) demonstrates long life asset growth potential and provides an excellent robust base to build an even larger reserve and resource inventory**
- > **Aggressive, major exploration focus across 1,900km² tenement portfolio located in some of the most prospective parts of the world class Mt Isa-Cloncurry copper district prospective for in-mine, near mine and regional additional copper resources and new discoveries**
- > **Strong, experienced management team with strengths in mining, exploration and copper production**

A Rare Addition to the Lucrative Listed Domestic Copper Miners Club

Australia's Newest Listed Copper Producer, Centrally Located in a World Class Copper Producing District

Increased production expansion of LME A Grade copper cathode underway, complimented by a new aggressive oxide and sulphide exploration drive across a large, highly prospective, tenement holding, aiming at expanding on an already substantial resource base

Investment Overview

Peloton Capital has recently acted as IPO Lead Manager to Austral Resources Australia Limited (ASX:AR1) ("Austral"). We view Austral as a rare, standout opportunity to invest in a recently listed, recapitalised and established domestic copper company with a bright future. AR1 produces and sells high purity (99.99% metal) copper cathode from its Mt Kelly Heap Leach Solvent Extraction Electrowinning (SX-EW) operations located 120km north on the bitumen from Glencore's tier 1 Mt Isa copper mining, processing and smelter operations in northwest Queensland.

Mt Kelly, currently Australia's only commercially operating SX-EW plant, has been producing LME A-Grade copper cathode since 2007 and after total production of in excess of 125kt between that time and now, has gained a strong reputation with leading copper offtakers for producing some of the world's highest quality copper cathode. That quality recognition is reflected in sales in that AR1 is not only able to immediately sell all of the cathode it can produce, but also realises a premium on top of the LME market price it receives for its cathode.

The largest issue the Company faced in recent years was its inability to increase production to address the strong market appetite for its cathode. This was due to a lack of available capital and past management's debatable decision making and deployment of what capital was available at the time, resulting in bottlenecking progressive growth. This however is going through the motions of change, with AR1 recently listing on the ASX as a dynamic recapitalised copper company bolstered with a new focussed experienced management team aiming to immediately increase copper production commencing Q1 CY 2022 by bringing on line new open cut mine production from the shovel ready, fully permitted, Anthill open cut mine. Anthill will provide oxide ore feed to the Mt Kelly operations for the next 4-6 years immediately increasing cathode production in 2022 to at least 10ktpa. We note Mt Kelly's nameplate cathode production capacity is 30ktpa, leaving plenty of room for anticipated, additional substantial production growth.

With funds sourced from proceeds of the IPO, scheduled increased revenue from increased cathode sales and a newly appointed experienced exploration team, AR1 has launched an aggressive exploration drive across its recently expanded tenement holdings viewed as having excellent in-mine, near-mine and greenfields exploration potential for both oxide and sulphide copper resources. Advantageously, investors even at this point, are able to gain an insight into the excellent exploration potential of the company's leases to host substantial resources by the fact that the Company is already sitting on a substantial JORC global resource base of 423kt of contained copper (60Mt grading 0.7% Cu), it intends to grow further and commercialise.

AR1 now holds a large (>1,900km²) tenement package covering some of the most prospective parts of the Mt Isa-Cloncurry copper district, a copper belt not only justifiably recognised as being of world class status but also demonstrating current renewed global interest highlighted by Evolution Mining's (ASX EVN Mkt Cap \$7.4B) November 2021 \$1Billion acquisition of Glencore's 50% stake of the Ernest Henry Copper Operations and the highly successful July 2021 ASX listing of 29Metals Limited (ASX: 29M, Mkt Cap \$1.3B) with the Capricorn Copper operations, (located only 20km NE of Mt Kelly), central to that company's copper production base.



Company Overview

An established copper company with production and exploration assets centrally located in the world class Mt Isa—Cloncurry Copper Belt

Substantially de-risked with realistic aspirations of attaining strong share price growth through increased production and exploration success

Highly leveraged to the copper price from production of physical metal whilst also providing strong potential for delineating and discovering additional, substantial resources building on an already large resource base

Unique in the junior domestic copper space having the potential to define new resources capable of being rapidly converted into mining reserves for near or immediate term production

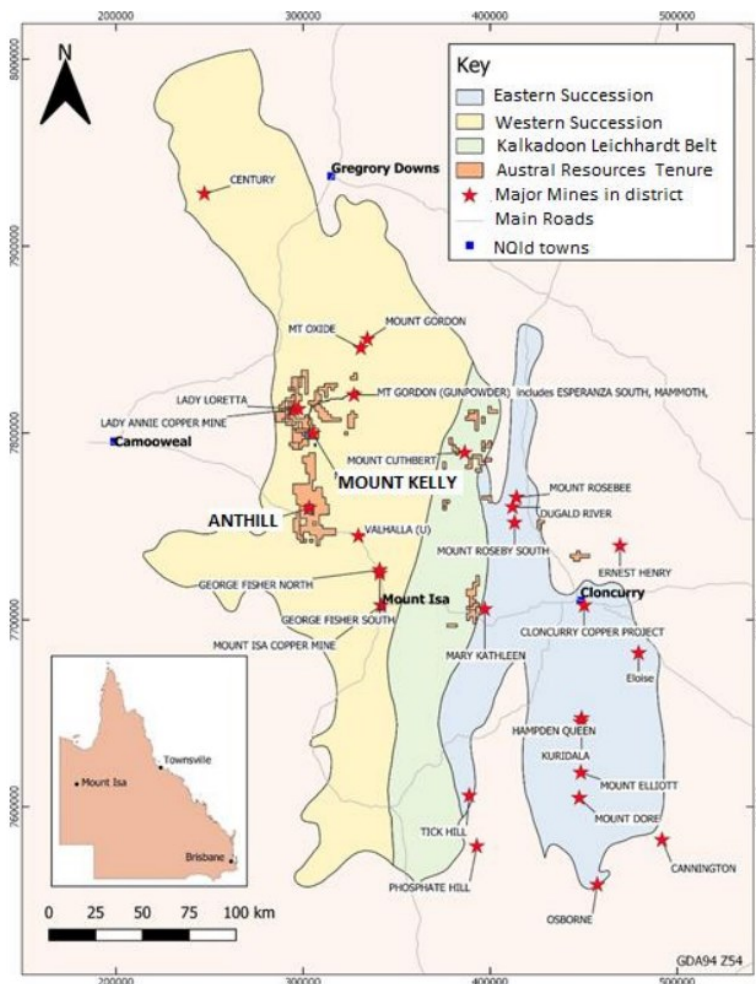
Austral Resources Australia Limited (“ASX: AR1”, “Austral” or “the Company”) is a recently listed, established copper producer located in the world class Mt Isa–Cloncurry Copper Belt of Central Northern Queensland. **Peloton Capital acted as Lead Manager to the Company’s IPO** in early November 2021 taking a strong view that AR1, starting from a low capitalisation base, is poised for a bright future in the near term.

We consider AR1 to be a rare, substantially de-risked opportunity to invest (at a ground floor level) in a newly recapitalised established domestic copper producer with realistic strong aspirations of attaining substantial share price growth through increased revenue from planned scheduled increased production as well as leverage upside from a planned fully funded aggressive exploration drive.

Whilst there are plenty of junior copper companies currently listed on the ASX, only a tiny few are currently able to take advantage and leverage off current and forecasted high copper prices by producing physical metal. Even less of these producing companies have a similar substantial large tenement holding, located in a world class copper district. which hold not only a significant starting global resource base to build on, but have strong potential for delineating and discovering substantial additional oxide and copper resources capable of being rapidly converted to mining reserves for near term production.

With recent key additions to senior management expanding on an already experienced team we view Austral as having that rare, near perfect mix of revenue through a planned increased copper cathode production commencing Q1 2022, comfortably fully funding a large aggressive exploration campaign with drilling commencing Q1 2022. This combination of revenue and anticipated success from fully funded exploration, we believe has the potential to see the Company’s current low capitalisation significantly re-rated in the near term.

Right: Location map of the Mt Isa - Cloncurry Copper Belt with Austral’s centrally located tenement holdings marked. The map also has plotted the current major mines of the district, several of which have global significance status





Centrally Positioned Nextdoor to Glencore in a World Class Copper District, Currently Experiencing Global Attention Demonstrated by Recent \$Billion M&A & IPO Transactions

Centrally located in a truly world class copper belt which is currently receiving considerable global attention in the form of \$Billion M&A and IPO transactions as the copper market continues to strengthen

It is important to highlight that AR1's tenements are flanked to the north, south and west by Glencore and to the east by 29Metals Limited. Also, highly topical at this time is the current global attention that the Mt Isa-Cloncurry Copper Belt is receiving, which has recently culminated in increased large M&A and IPO transactions. The two most notable ones within close proximity to AR1's operations is the M&A transaction of Glencore's stake in the Ernest Henry Copper operations and the recent IPO of 29Metals Limited.

November 2021 Ernest Henry Copper Operations M&A Transaction

On 17th November 2021 Evolution Mining Limited (ASX:EVN Mkt Cap \$7.4B) announced that it had completed a transaction with Glencore to acquire Glencore's 50% stake in the Ernest Henry Copper Operations and associated tenements for a total consideration of \$1Billion. Ernest Henry has remaining resources of 865kt of contained Cu and 1.47Moz Au including reserves of 366kt of Cu and 618koz Au (at a cut off of 0.9%). AR1 (Current Mkt Cap ~\$78m) currently has resources of 423kt of contained Cu including 47,500t of Cu in reserves. Highlighting how sought after copper from copper production is in the district, we note Glencore retained its offtake rights of all of the production from Ernest Henry.

Successful July 2021 IPO of 29Metals Limited with Capricorn Copper Operations at the Forefront of the Float

On 2nd July 2021 high profile 29Metals Limited (ASX: 29M Mkt Cap \$1.3B) was successfully listed on the ASX. The Owen Hegarty chaired company which has seen substantial share price appreciation since listing, has central to its 3 asset portfolio, the operating Capricorn Copper Mine which is located only 20km to the NE of AR1's Mt Kelly operations. Capricorn which has 1.1Mt contained Cu resources including 250kt contained Cu reserves and resources is one of Australia's larger copper producing assets currently.

We see no reason why Austral will not follow a similar path to Capricorn of continuing on with heap leach SX-EW copper cathode production from oxide ores before switching to sulphide ore production in the future

Importantly, we note Capricorn's operations started off its early life under Renison Goldfields in the late 1970's as an SX-EW operation like Mt Kelly before moving towards sulphide ore mining and conventional concentrate production as sulphide resources expanded following exploration success. We view Capricorn with strong interest in that we currently see no reason why Austral will not follow a similar path to Capricorn in continuing on with heap leach SX-EW copper cathode production from oxide ores before switching to sulphide ore production in the future as oxide resources eventually become exhausted.

With the above two recent \$Billion M&A & IPO transactions located within 150km and 20km respectively from AR1's tenements and operations, it is clear that there is certainly renewed increased global interest in the Mt Isa-Cloncurry district whose prolific copper endowment has been proven on numerous occasions to be capable of supporting large valuations and transactions.

Mt Kelly: A Premium Copper Cathode Producer About to Experience Strong Production Growth in Q1 2022

A producer of high purity (99.99%) LME A Grade copper cathode 120km north of Glencore's mining, processing and smelting operations at Mt Isa in northwest Queensland.

Austral produces high purity (99.99%) LME A Grade copper cathode at its Mt Kelly Heap Leach Solvent Extraction Electrowinning (SX-EW) operations located only 120km north on the bitumen from Glencore's mining, processing and smelting operations at Mt Isa in northwest Queensland.

The current Mt Kelly (previously referred to as Lady Annie) plant has been in operation since 2007 and between then and now has produced in excess of 125kt of LME A grade copper cathode, with copper oxide ore sourced from several open cut operations within a few km radius.

The plant currently producing circa 7tpd of copper cathode from remnant heap leach irrigation on ore production from July 2021 will in Q1 CY 2022 see new oxide ore received on its heap leach pads sourced from the fully permitted, shovel ready, Anthill open pit. Anthill on line will see production of copper cathode strongly increase to a planned 30tpd by the end of 1H 2022, which in turn will significantly boost revenue.

Cathode production to increase from 7tpd to 30tpd commencing 1H 2022



Even with Anthill pit at full production Mt Kelly will only be at 1/3 of its nameplate production capacity of 30ktpa providing opportunity for AR1 to delineate and bring on line additional production in the near term



Above: Aerial view of the Mt Kelly Heap Leach SX-EW Operations which are serviced by sealed highway from Mt Isa 120km to the south

The photo shows the heap leach pads in the background, the pregnant leach solution ponds in the foreground to the right with the electrowinning tank house also in the foreground to the left



Above: Photo of the fully serviced Mt Kelly 150 person Camp

Whilst Mt Kelly is currently the only commercially operating plant in Australia using SX-EW technology, the technology is a low risk tried and proven process which eliminates the need for smelter treatment and processing cost costs as 99.99% pure copper cathode is produced on site

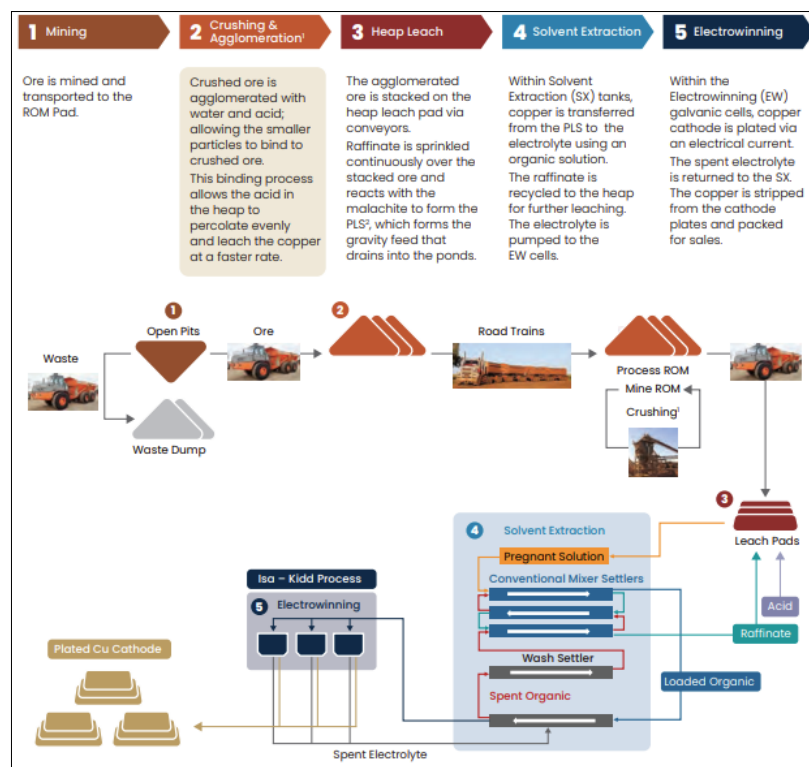
Replacement value of the Mt Kelly plant and infrastructure have been recently estimated at around \$160 million, which we are keen to point out is twice the Company's current market capitalisation providing further compelling evidence of an undervalued share price

We note that even with Anthill open cut at full planned production (at circa 10ktpa cathode) there still remains a substantial amount of underutilised capacity at Mt Kelly with the plant's official nameplate capacity actually rated at 30ktpa. We view this positively in that it provides AR1 with a opportunity to identify and delineate and bring on line additional ore feed sources to further increase revenue. With a plethora of in-mine, near-mine and regional targets across the Company's large 1,900km² tenement holdings, AR1 is not short of highly prospective targets to test.

Mt Kelly: Australia's Only Current Commercially Operating Fully Integrated Heap Leach SX-EW Copper Operation

Mt Kelly is a fully integrated oxide ore processing operation comprising of a crushing, agglomeration, conveying and stacking circuit, heap leach pads, a full heap leaching circuit and solvent extraction electrowinning plant. Supporting infrastructure also includes acid and diesel storage as well as offices and workshops. The site also boasts a modern fully equipped 150 person camp.

Whilst there are a great number of operating SX-EW copper operations globally, Mt Kelly currently claims the title for being the only commercial SX-EW plant currently operating in Australia. Importantly, to reassure investors not familiar the technology, SX-EW is a proven incredibly simple and reliable process which advantageously produces 99.99% pure copper on site. Unlike conventional copper sulphide operations which rely on a flotation circuit to produce a copper concentrate which is then negotiated and sold via offtake to smelters who then apply penalty charges such as Treatment Costs (TC) & Processing Costs (PC), the SXEW process effectively eliminates that penalty charging stage.



Since commissioning in 2007 the plant has not "missed a beat" in terms of reliability and has only really suffered downturns historically due to a function of being starved of oxide ore feed availability for the heap leach pads and not from many technical failures.

Most recent estimations have concluded that if the operation was needed to be replaced, the replacement cost would be in the region of \$160 million. We reiterate that that figure is twice the Company's current market capitalisation, highlighting AR1's undervaluation.

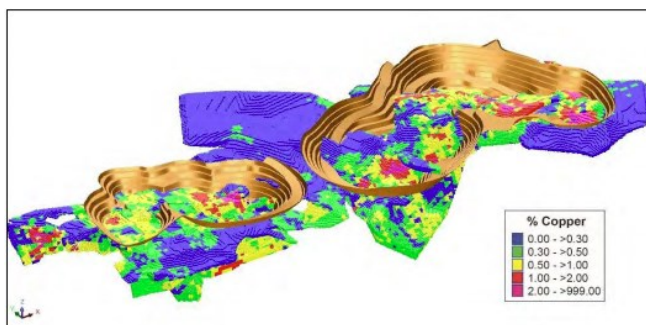


Anthill Open Cut Operation to Supply New Oxide Ore Feed in Q1 2022

Anthill: JORC Oxide Reserves 5.06Mt grading 0.94% Cu will be mined commencing January 2022 to provide Mt Kelly with sufficient ore to produce 10ktpa of copper cathode for the next 4 years

Historical open pit mining on AR1's tenements supplying oxide feed to the Mt Kelly operations over the last 14 years has occurred on four deposits: Lady Annie, Lady Brenda, Mount Clarke and Flying Horse. Mining activities on these deposits essentially extracted oxide ore down to the *transitional zone* of these pits prior to operations being suspended as oxide reserves and resources were depleted.

Commencing early in 2022, AR1 will bring on line the Anthill deposit. Anthill is a completely unmined, copper oxide deposit located 45km on the bitumen to the south of the Mt Kelly plant. The project with JORC reserves of 5.06Mt grading 0.94% Cu for 47,500 tonnes of contained copper is scheduled to be mined over a period of 4 years commencing January 2022. This will be sufficient to allow Mt Kelly to produce circa 10ktpa copper cathode over that period.



Left Isometric view of the Anthill project with block model grades plotted and the current designed pit shells (in brown). Source: CSA Global Independent Experts Report

We have little doubt that mine life at Anthill will be extended well beyond the official scheduled 4 years as current reserves are contained within a much larger resource of 13.8Mt grading 0.7% Cu for 96,600 tonnes of contained

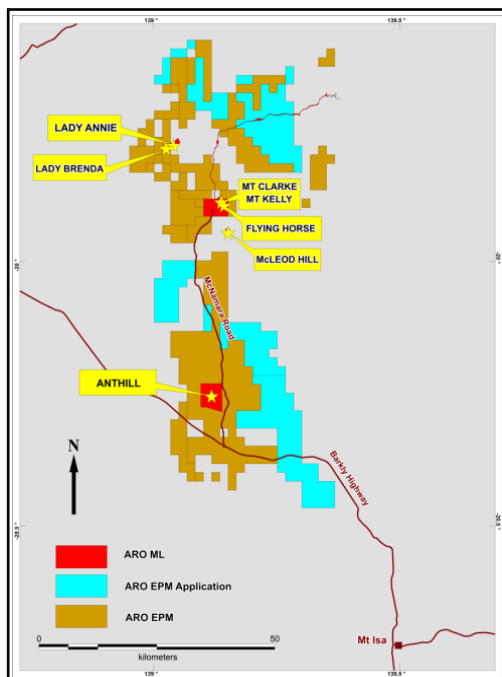
We view Anthill, which has been subject to robust feasibility studies, as a significantly de-risked project. Whilst 4 years is the official mine life for the open cut, we have little doubt that mine life will be extended well beyond that as we note Anthill's mining reserve is contained within a much larger global resource estimate of 13.8Mt grading 0.7% Cu for tonnes of 96,600 tonnes contained copper. From this sizeable remaining portion of the resource base, we anticipate additional conversion of resources to reserves will occur, particularly if copper prices remain buoyant.

AR1 is also confident that near-mine drilling targeting known projected deposit extensions has strong potential for the discovery and delineation of further high grade oxide mineralisation located outside of the current resource and pit boundary. Drilling, considered a high ranked priority is planned for Q1 2022.

Priority near-mine drilling of known extensions outside of the current pit shell to commence Q1 2022

Outstanding Exploration Potential to Build on an Already Significantly Large Global Oxide & Sulphide Resource Base

Right: Tenement holding map with newly applied for ground highlighted in blue.



AR1 is holding a large highly prospective exploration tenement portfolio over what we believe to be some of the most prospective under explored parts of the Mt Isa Cloncurry copper district. Having recently applied for additional ground the Company is looking to increase its granted exploration tenure from 1,340km² to over 1,900km².

We recognise that AR1's ground is highly prospective for the discovery and delineation of several types of copper mineralisation ranging from sediment hosted through to fault breccia related iron oxide copper gold (IOCG) types.

Remarkably, it is little known that AR1 is already sitting on a substantial global resource base of **60Mt grading 0.7% Cu of 423,000t of copper**. Even more remarkable is that fact that the majority of these are copper sulphide resources that remain open in several directions.

AR1's ground is prospective for several types of copper deposit from sedimentary hosted to IOCG types

AR1 already holds an overlooked substantial global resource base of 60Mt grading 0.7% Cu for 423kt Cu that rivals most ASX listed junior copper explorers



A Fully Funded Two Pronged Exploration Strategy Will Provide For a Busy 2022

A fully funded two pronged sulphide and oxide exploration strategy with a recently expanded experienced exploration team should provide a strong flow of exploration news into the market in 2022

Fully funded from the proceeds the recent IPO and from increased revenue from cathode production commencing Q1 2022 and currently in the final throws of a recruitment drive to significantly expand its exploration team, Austral is gearing up for a very busy field season commencing January 2022.

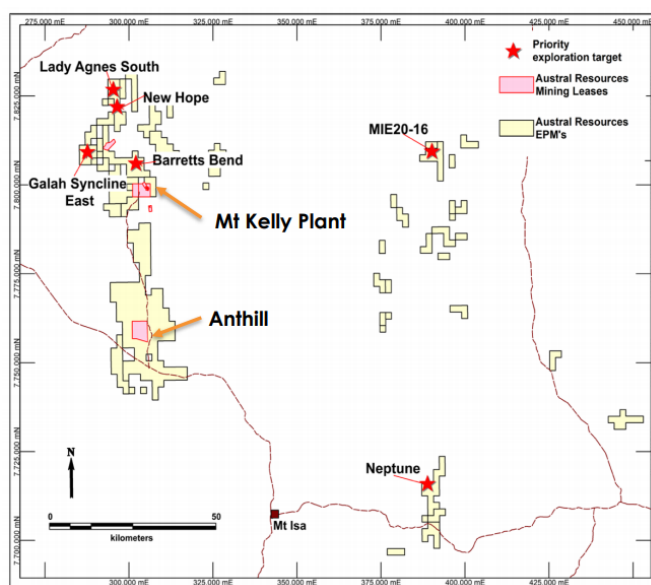
The Company has formulated a two pronged strategy to undertake a series of aggressive drilling campaigns over its extensive tenement holdings. The first strategy is to drill test a series of high priority in-mine, near-mine and regional targets prospective for additional oxide resources. Priority targets are those which have potential to not only provide additional oxide resources but

also have the potential to be converted into mining reserves in the near term to provide additional production feed for Mt Kelly. We acknowledge the Company is not short of targets with seven of 31 oxide targets currently slated for drilling in 1H2022.

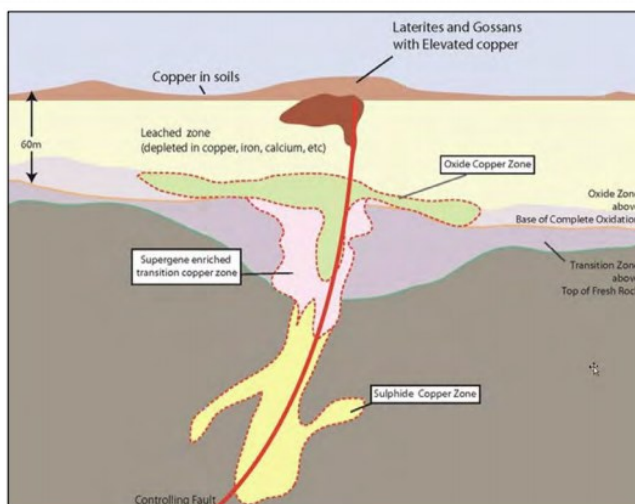
In addition and running parallel with exploration for oxide resources the Company plans to also undertake an aggressive series of campaigns drilling known and new sulphide targets which are often located immediately beneath oxide resources. Several of these targets have historically been tested with significant success whilst others remain completely untested.

Importantly for investors, with adequate funding and personnel available we anticipate drilling will be continuous from January 2022 which should provide for a steady stream of news flow into the market.

Right: Priority oxide targets plotted on AR1's tenements
Not marked on the map as a star but of prime importance will be the drilling of known extensions to the Anthill deposit



Right: A schematic cross section of a typical copper occurrence over Austral's ground. NB) Copper iron sulphides (chalcopyrite) are usually found beneath an oxide copper zone also known as a "blanket". It is also important to note the importance of a controlling fault which often has served as a conduit pathway to copper bearing fluids but has also provided a structural depositional environment e.g. brecciation or dilation for the fluids to deposit sulphides



The concept of treating copper sulphide ores on traditional heap leach SX-EW plants such as Mt Kelly using new US patented technology to be looked at in 2022

If successful this could be a game changer for the Company eliminating the need to build a new float circuit plant to produce traditional copper concentrates

Studies Into The Potential of Heap Leaching Copper Sulphides

Worthy of brief mention and something the Company will look into in 2022, is the concept of mining sulphide ore and treating it on a heap leach pad, similar to traditional oxide ores. Traditionally it has been widely accepted that SX-EW will only work on oxide ores. However, recent technological developments in the USA on similar chalcopyrite ores from Arizona, have demonstrated that by applying new patented techniques, sulphide ores can be successfully treated at a heap leach SX-EW plant. We acknowledge that this is a conceptual idea at the moment for AR1, but if it did work it would be a game changing opportunity for the Company. We understand AR1 plans to commence studies into this concept in 2022 as soon as drilling can provide fresh sulphide core samples for laboratory testing. We look forward to potential news on preliminary studies in H2 2022.



Valuation

We have undertaken a share price valuation on AR1. The reader should note that the exercise has been undertaken as much to broadly demonstrate how significantly undervalued we believe the Company's current share price is at this early stage in AR1's listed life, rather than attaining a very specific share price figure based on complex financial modelling.

For ease of valuation we have taken the approach that the Company's assets can be conveniently divided into three main parts, these being:

- 1) Valuing the Anthill open cut mining operations processed through Mt Kelly,
- 2) A valuation assessment of current oxide resources excluding Anthill (in ground) and
- 3) A valuation of the current large transitional and sulphide resource base (in ground)

Copper Cathode Price Assumptions

At the time of the release of this paper we have assessed several currently available copper forecasts and have concluded that despite the potential of a pullback in copper prices in the first half of 2022 before a forecast recovery and steady climb out to 2027 we have decided to use what we believe to be a conservative but fair flat figure of AUD 12,750 (USD 9,100) per tonne for LME A Grade copper cathode for our modelling. At the release of this paper the LME copper price was AUD 13,480 (USD 9,629) per tonne.

Anthill Open Cut Mining Operation Processed through Mt Kelly Model Assumptions

We have modelled Anthill as a 6 year open cut mining operation with the first 4 years at a scheduled oxide ore mining rate of 1.4Mtpa at a grade of 0.94% Cu. However, with a high level of confidence that the Company will undoubtedly extend mine life beyond the 4 years we have simulated the operation extending out a further 2 years, mining at a lower rate of 1Mtpa at a lower adjusted grade of 0.75% Cu. We still believe this to be conservative in nature as it does not assume the Company needs to find additional ore to cover this period but simply converts further existing Anthill resources to reserves at a grade of 0.75% Cu which more so reflects the Anthill global resource grade rather than the reserve grade of 0.94% Cu.

For CAPEX we have used a figure of \$6.6m spend in line with estimates by the Company's independent mining consultants. We acknowledge this capex is notably low as very little infrastructure and pre-stripping spend is required to establish the open cut at Anthill. Furthermore as all of the ore produced is being transported 45km north to the already established Mt Kelly heap leach pads, we also note that only a small amount of CAPEX spend is required on the pads and plant refurbishment prior to production.

Regarding key inputs and assumptions to the model such as mining costs, transport costs expected recoveries, processing costs, royalties, depreciation, tax and copper cathode price expectations etc., we have taken time to discuss these with the Company as well as source our own figures for comparison from publicly available information and from our own recent modelling of peer copper companies in the junior sector.

Anthill Open Cut Mining Operation Processed through Mt Kelly Modelling

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6
	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
ANTHILL OPEN CUT						
Capex (Incl Sustaining) (AUD\$M)	1.80	1.00	1.00	1.00	1.00	1.00
Ore Mined (Incl. 5% Ore Loss) (Mt)	1.33	1.33	1.33	1.33	1.00	1.00
Waste (Mt)	7.3	7.3	7.3	7.3	5.50	5.50
Total Mined (Mt)	8.63	8.65	8.65	8.65	6.50	6.50
Grade	0.94%	0.94%	0.94%	0.94%	0.75%	0.75%
MT KELLY PLANT						
Ore Stacked on Heaps (Mt)	1.33	1.33	1.33	1.33	1.00	1.00
Grade	0.94%	0.94%	0.94%	0.94%	0.75%	0.75%
Contained Copper (Mt)	0.013	0.013	0.013	0.013	0.008	0.008
Recovery	85%	85.2%	85.2%	85.2%	85.2%	85.2%
Saleable Cathode (kt)	10.63	10.65	10.65	10.65	6.39	6.39
Revenue (AUD\$M)	135.49	135.81	135.81	135.81	81.47	81.47
Cash Costs Per Tonne (AUD\$)	7360.79	7350.66	7350.66	7350.66	9212.83	9212.83
EDITDA	52.26	52.49	52.49	52.49	19.59	19.59

Applying a discounted NPV methodology we arrive at an NPV₁₀ on production from Anthill processing through Mt Kelly of \$156.86m. This portion of the valuation equates to 35 cps undiluted or 31cps fully diluted.

Right: Summary table of the key takeaways from our Anthill modelling including forecast revenue over the next 6 years.



Valuation... continued

In-Situ Oxide, Sulphide & Transitional Resource Valuation Assumptions

As previously discussed Austral currently holds a sizeable global resource base outside of the Anthill project across its tenements consisting of oxide, transitional and sulphide resources. We have taken the view that our overall valuation of the Company needed to take into consideration some monetary recognition of these substantial in-ground resources and as such we have calculated and assigned a value to them aligned with observed discounts in the market for ASX listed junior copper focussed peer resources.

We decided to calculate an inground value by initially calculating a contained copper value using our discounted Anthill model copper price of AUD 12,750. We then applied a discount rate to this valuation figure of 97.5%, 95% and 95% for transitional, sulphide and oxide ores respectively.

Resource Type	Tonnes	Grade	Cu (t)	Inground Val (\$)	Discount Applied	Discounted Val (\$)
Transitional	17.25	0.67%	115,575	1,473,581,250	97.5%	36,839,531
Sulphide	26.50	0.80%	212,000	2,703,000,000	95.0%	135,150,000
Oxide Outside of Anthill	7.83	0.43%	33,669	429,279,750	95.0%	21,463,988

We applied a more severe cut to transitional resources in recognition that transitional ores are often more difficult to process than oxide or sulphide ores and therefore lower recoveries would be expected.

The above table highlights the discounted inground calculated values we have arrived at. Whilst we acknowledge this is somewhat a crude methodology of how to value inground resources, it allows us to at least arrive at a valuation that we can attain a sensible defensible price target.

Concluding Valuation & Recommendation

The table below summarises our significantly discounted valuation breakdown of AR1's assets. We believe this valuation to be conservative in nature have provided both an undiluted and a diluted price target.

Asset/Liability	Val (\$m)	Undil Per Share (\$)	Fully Dil Per Share (\$)
Anthill Mine & Mt Kelly Plant Production	156.86	\$0.35	0.31
Oxide Resources Outside of Anthill	21.46	0.05	0.04
Sulphide & Transitional Resources	171.99	0.39	0.34
Cash	14.00	0.03	0.03
Debt	-28.00	-0.06	-0.06
Corporate Costs	-9.58	-0.02	-0.02
TOTAL NAV	326.73	0.73	0.65
PRICE TARGET* (10% discount)		0.73	<u>0.59</u>

Based on the outcome of this valuation exercise we recommend AR1 as a "BUY" with a fully diluted Price Target of \$0.59 per share.



Board & Management

Phillip Thomas – Non Executive Chairman

Mr Thomas is an experienced mining executive who has held several senior management and directorship positions for a number of ASX and TSX listed resources companies. Phillip has a wealth of experience in exploration, mine feasibility & development, operations, minerals trading, corporate strategy and valuation. Complimenting this, he also has significant trading and investment banking experience, having held senior executive roles at Macquarie Bank, ABN AMRO, Watson Wyatt, and McIntosh Securities.

Phillip has substantial Australian domestic and international copper mining experience having worked in Chile, Argentina, Peru, Mexico, USA, Canada, and Malaysia. He has a keen understanding of the skills required for the successful development of mining businesses and the teams that run them. Phillip's commodity experience beyond copper includes gold, iron ore, lithium, and rare earths.

Dan Jauncey – Executive Director

Mr Jauncey is an earthmoving and resource industry experienced executive. Dan founded Matilda Earthmoving in 2000 before recognising an opportunity in 2003 to move into leasing out low hour ancillary mining equipment to the resources industry. Establishing Matilda Equipment he successfully operated that business for 15 years before he sold the company in 2018 to an ASX listed company.

Dan was instrumental in the acquisition of the key mining and processing assets for Austral Resources in 2019. Since acquisition, he has been involved in all facets of Austral Resources, from day-to-day operations through to capital raising. He takes a holistic, hands-on approach to the business, regularly visiting site and being involved with the team on the ground.

Jeffrey Innes – Non Executive Director

Mr Innes is a senior executive who has successfully held several senior management roles at a number of companies, notably including General Manager positions with MIM, Joy Global, HSE Mining, BHP, and Ok Tedi Mining Limited (PNG), as well as COO for Conquest Mining.

Jeffrey has strong experience in operations management, strategic planning in mines, feasibility studies, mine expansion, and HR restructuring. He brings many years of experience in leading and improving mining operations, using both in-house and contractor labour hire models. He is a key member of the company's Safety & Sustainability committee and the Audit & Remuneration committee.

As a graduate of the Australian Institute of Company Directors, Jeff is well versed in the governance and fiduciary requirements of a Non-Executive Director. His commodity experience beyond copper includes zinc, silver, lead, iron ore, gold, uranium, and coal.

Steven Tambanis – Chief Executive Officer

Mr Tambanis has extensive management and operational experience across both small and large global mining companies particularly specialising in copper and gold. He has strong skills and experience in exploration, evaluation, capital raising, investor relationship management and business leadership.

Prior to joining Austral Resources, Steven held the position of CEO of North Stawell Minerals. Earlier roles include Managing Director of ASX listed Black Rock Mining Limited, and Technical Director of Goldminex Resources. Steven has also worked as part of a management consultancy group reviewing operating mines.

As CEO, Steven's role is to lead Austral's mining and processing teams, manage an intensive near-mine exploration initiative to expand the Company's current copper resource base and to oversee value adding opportunities that arise from Austral's assets in the Mount Isa district.



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Potential investors need to be aware that investment in Austral Resources Limited, like all investments in junior resource companies, is of a highly speculative nature. Normal share market risk conditions apply including commodity prices, currency fluctuations, sentiment, supply and demand and general economic outlook. Normal exploration, development and production risks also apply as well as operating, environmental and native title risks.

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