

## One of Australia's highest-quality gold projects

We initiate coverage on Magnetic Resources with a current fair valuation of \$2.77, representing a 115% expected upside from the current share price of \$1.29. The company is a Western Australia-based gold explorer with deposits located mainly within the world-class Laverton goldfields region, including the high quality, large gold resource base Lady Julie Gold Project (LJGP), whose further exploration and preproduction development is Magnetic's current focus. The company's total JORC-compliant defined Mineral Resource Estimate (MRE) across all of its assets is 1.875 M ounces at a grade of 1.79 g/t, which includes LJGP's MRE of 1.49 M ounces at 2.01 g/t. The LJGP showcases top-tier economic metrics for open pit gold opportunities in Australia, a position that keeps solidifying because its mineralisation is still currently open at depth, leading to strong recent upward revisions in resources and the real prospect for further resource increases.

### Lady Julie Gold Project – Compelling Economic Potential & Growth Prospects

LJGP's strong economic attractiveness stems from the impressive geology of the project, such as multiple, wide-stacked mineralised structures that extend from close to the surface to below 400m. LJGP's main deposit, the LJN4, has rapidly increased in size from 0.11Moz in June 2022 to 1.49 Moz in July 2024. The more recent upgrades, including a 0.54 M oz resource upgrade from just March to July this year, have mostly arisen due to new prospective zones discovered at depth. The LJGP underwent a PFS in March, confirming its strong viability. A revised economic study is currently underway which will strengthen its merits because the March study was based off low gold price assumptions and lower resource estimates prior to the material July 2024 resource upgrade. The LJGP is attractively located, well-connected by infrastructure, and close to other gold mines, providing MAU with attractive toll treatment options and making it a strong candidate for a value-accretive M&A transaction.

### Favourable Gold Outlook and Strategic Positioning for Magnetic Resources

We support the consensus view that gold will remain at elevated levels from now on. This is due to several macroeconomic and geopolitical factors. Additionally, an expected easing in interest rates will only provide further momentum to gold prices. The discovery of new high-quality gold deposits is increasingly rare. Hence, Magnetic is set to benefit from several factors.

### Valuation range of A\$2.18-\$3.35 per share

We value MAU at A\$2.18 per share in a base-case scenario and A\$3.35 per share in a bull-case scenario. We undertake a multi-step sum-of-parts approach to value MAU, incorporating a high degree of conservativeness to each pivotal assumption, leading us to confidently formulate an attractive investment thesis for MAU.

MAU Valuation (A\$ m)	Base Case	Bull Case
<b>Enterprise Value</b>	<b>682.7</b>	<b>1,024.6</b>
Cash ^	9.2	9.2
Debt*	59.2	61.5
<b>Total Market Value of Equity</b>	<b>632.7</b>	<b>972.3</b>
Number of shares on Issue^^ (m)	293.2	293.2
<b>Implied price (A\$)</b>	<b>2.182</b>	<b>3.353</b>
Current price (A\$)	1.29	1.29
Upside (%)	69.1%	159.9%
<b>Mid-point Target Price (A\$)</b>	<b>2.77</b>	

## Metals and Mining

Date	31 July 2024
Current Price (A\$)	1.29
Target Price (A\$)	2.18-3.35
Price / NAV (x)	0.46x
Market Cap (A\$m)	332.8
52-week L/H (A\$)	0.7 / 1.35
Free Float (%)	29.0%
Bloomberg	MAU.AU
Reuters	MAU.AX

### Price Performance (in A\$)



### Business description

Magnetic Resources NL (ASX: MAU) is a Western Australia gold explorer with assets in the Laverton to Leonora region. It has a 100% interest in its flagship Lady Julie Gold Project which includes 3 open pit gold deposits including one with an UG component. The company was listed on the ASX in 2007. The Lady Julie Gold Project has already been the subject of a PFS, with an updated study based on revised assumptions underway. The Co. also has 100% interest in 2 other early stage projects the Leonora Project, and the Julimar (Ni-Cu-PGE) Project.

### Analyst

Rahul Tiwari

rahul.tiwari@shares  
invalue.com.au

## Table of Contents

<b>INVESTMENT RATIONALE .....</b>	<b>3</b>
<b>MAGNETIC HAS A HIGH QUALITY PORTFOLIO .....</b>	<b>5</b>
<b>SOME OF THE BEST LOCATIONS IN AUSTRALIA .....</b>	<b>6</b>
<b>MAGNETIC'S RESOURCE ESTIMATE CONTINUES TO GO UP .....</b>	<b>7</b>
<b>MAIN DEPOSITS INCLUDING LOCATION AND GEOLOGY .....</b>	<b>10</b>
SHALLOWNESS OF THE MINERALISATION AND THE SCOPE FOR FURTHER MRE INCREASES.....	12
LADY JULY NORTH 4.....	13
OTHER DEPOSITS COMPRISING THE LADY JULIE PROJECT.....	16
<b>BALANCE SHEET LIQUIDITY AND FUNDING POSITION .....</b>	<b>17</b>
<b>MACROECONOMIC FACTORS AND INDUSTRY ANALYSIS.....</b>	<b>17</b>
AMIDST A GOLD INDUSTRY M&A CYCLE.....	19
MAGNETIC'S LJGP'S LOCATION AND M&A LIKELIHOOD.....	20
<b>MAGNETIC'S VALUATION.....</b>	<b>21</b>
SUMMARY OF RESULTS FROM THE ORIGINAL MARCH 2024 PFS.....	22
STEP 1 -ADJUSTMENTS TO THE LJGP NPV FROM MARCH.....	24
STEP 2 M&A PREMIUM BENEFIT TO LJGP'S CORE VALUATION.....	29
STEP 3 VALUATION OF MAGNETIC'S RESIDUAL RESOURCES.....	30
MAGNETIC'S EQUITY VALUATION .....	33
<b>RE-RATING OF MAGNETIC .....</b>	<b>35</b>
<b>RISKS.....</b>	<b>36</b>
<b>APPENDIX I: MAU'S SWOT ANALYSIS .....</b>	<b>37</b>
<b>APPENDIX II: MANAGEMENT TEAM .....</b>	<b>38</b>
<b>APPENDIX III: ANALYST'S QUALIFICATIONS .....</b>	<b>39</b>
<b>GENERAL ADVICE WARNING, DISCLAIMER &amp; DISCLOSURES .....</b>	<b>40</b>

## Investment Rationale

*Magnetic also has a well credentialed Management Team with a successful track record of discovery, utilising ground magnetics, soil geochemistry, shallow seismic and drilling methods, and prior experience with successfully taking projects to the development stage.*

Magnetic Resources (ASX: MAU) is a Western Australian-based predevelopment gold explorer focused on expanding its defined gold resources at its flagship Lady Julie Gold Project located in the renowned Laverton goldfields of WA. The company's total JORC-compliant defined Mineral Resource Estimate (MRE) is 1.875 M ounces at a grade of 1.79 g/t. The Company's MRE is spread across a number of different deposits; 3 of which contain open pitable reserves and collectively constitute the Lady Julie Gold Project (the Lady Julie North 4 (LJN4), Lady Julie Central (LJC) and Hawks Nest 9 (HN9) ). Outside of the scope of the Lady Julie Gold Project, Magnetic also possesses other deposits within Laverton and Leonora. Magnetic's main deposit is the LJN4, which has a current MRE of 1.49 M ounces at 2.01 g/t, with 74% of this resource being within the Indicated category. The MRE at LJN4 has shown impressive growth, going from 0.2 M ounces in February 2023's MRE update to the current figure. LJN4's MRE growth includes a remarkable MRE growth of 0.54 M ounces between March and July of this year. Extension drilling at LJN4 is continuing and is expected to result in a further resource increase as the northern strongly pervasively altered zones are thick and are still open at depth. Consequently, we are of the view that Magnetic's stock is due for a well-deserved upward rerate, especially given the current structural forces that will likely see gold remain at elevated levels, increasing the LJGP's already attractive economic viability.

### The attractive economics of the Lady Julie Gold Project

Even absent the boost in investment return metrics associated with factoring in the higher MRE within LJN4, discovered since March and the rise in gold prices, LJGP's March 2024 pre-feasibility study (PFS) established the LJGP as one of the best gold deposits in Australia. The March PFS numbers, which incorporated cost estimation error buffers and a low gold price of only A \$2,800 per oz, still resulted in the LJGP as being well within the bottom half of the cost curve in terms of \$ AISC per oz and initial \$ capex per oz amongst many other benchmarked peer group pre-development gold projects in Australia. The March PFS estimates also indicated the LJGP as one of the largest, highest-grade open pit projects in Australia, with an associated top of its comparable project peer group pre-tax IRR of 85%. **As outlined in our report, this is based on LJN4's superior mineralisation, with multiple stacked lodes extending from close to the surface to distances below 400m.**

Even after incorporating many additional estimation error buffers, our calculations for how the March PFS would evolve based on the current situation lead to a credible investment thesis. Our thesis strengthens further because Magnetic continues to intersect mineralisation at depth at LJN4, within previously unexplored areas, and therefore, it's highly likely that we will witness further upward revisions in the LJGP's overall MRE. Magnetic has demonstrated four upward MRE revisions since June 2022, an indication of the effectiveness of its strategy and planning and the prospectivity of its assets.

### Location-based M&A prospects and other benefits

The Laverton to Leonora gold belt is a world-class gold belt home to some well-known deposits and operating mines. There is good connecting infrastructure associated with Magnetic's deposits, but especially its LJGP since those Laverton-based assets are all within 10-35km of existing well-known large operators, such as Gold Fields, AngloGold Ashanti, and Genesis / Dacian. This has 2 main benefits: firstly, it endows Magnetic with a valuable toll-treating option for the LJGP should Magnetic decide not to construct its own processing plant to minimise near-term cash outflow in the current high-rate environment. Given that these larger players have some underutilised processing infrastructure in very close vicinity to LJGP, the cost of toll treating for Magnetic would likely be at attractive rates.

Secondly, it makes Magnetic a high chance target of an M&A bid from one or more of those larger players. There is already an existing data room and due diligence activities are being conducted on Magnetic's assets. Given that cost consolidation is often the main objective of an M&A, it makes sense for these larger players to seriously consider acquiring Magnetic's LJGP at a decent premium, which would accrue to Magnetic's shareholders.

### **Alignment of strategic levers – Magnetic is executing well**

Magnetic is making several strategically sound moves that provide assurance that our bullish investment thesis will materialise. For example, Magnetic is proactively engaging with potential M&A suitors, leading to additional avenues for shareholder value creation. Magnetic has taken on a debt capital financing advisor with the aim of structuring the most optimal capital structure for the funds needed to commercialise the LJGP. The Company is also revising its economic study to reflect new assumptions, which will provide valuable information to investors; it is also continuing a well-planned exploration program at depth at LJN4 that continues to give results, with the future plan of continuing exploration works across both LJGP and its other deposits, including assets at Leonora. There are plans for an infill diamond drilling program at depth that will likely see a portion of the Inferred resource base at depth at LJN4 convert to Indicated, and Magnetic is making sure that given the stacked lodes at depth at LJN4, it is leaving no stone unturned. In accordance with this, Magnetic recently announced the purchase of a new tenement, enabling it to explore all further down dip extensions of the promising LJN4 deposit - this is associated with the impressive northern zone whose dimensions extend to at least 650m down dip and up to 200m in length. Magnetic currently holds ~\$9m of cash, and given the nature of its assets, its equity capital raises have always been oversubscribed and can generally be seen as becoming value accretive given that they have funded successful exploration works.

### **Gold's bullish thesis is supported by many factors**

Because gold's price is affected by global economic events and sentiment, we support the consensus view that gold will continue to trade at elevated levels, leading to an increase in Magnetic's intrinsic valuation. Gold's attribute as a safe haven asset that delivers superior returns during times of economic uncertainty is well backed by many years of data. Since real interest rates are currently high, they are set to fall, providing positive short to medium-term support for gold. Global economic uncertainty is also high, which is another support factor for gold. In terms of physical supply, the discovery of new attractive deposits is becoming increasingly rarer, adding to not only gold's prospects but also Magnetic's.

### **Our structured valuation indicates MAU is superbly undervalued**

As discussed in detail in the valuation section, we have adopted a 3-step sum of-parts valuation approach to value Magnetic. 1. We have conservatively defined new scenarios and factors to gauge how the current LJGP MRE and rising gold prices would impact LJGP's NPV. 2. We have factored in the impact on MAU's valuation from it being a likely M&A target. 3. We have used an asset-based comparable valuation methodology based on peers to value the residual gold reserves that Magnetic owns outside of its LJGP. As shown later, we have been careful to incorporate reasonableness into all aspects of our assumptions. We have arrived at a fair current valuation of A\$2.18 per share in the Base Case and A\$3.35 per share in the Upside Case. Our mid-point target price of A\$2.77 represents a 115% upside potential to the current share price of A\$1.29.

**The key risks to our investment thesis include gold price risk, MRE over-estimation and cost underestimation (although material buffers have been included) and funding risks, as MAU does not generate cash flows currently and is reliant on capital raisings to fund its operations.**

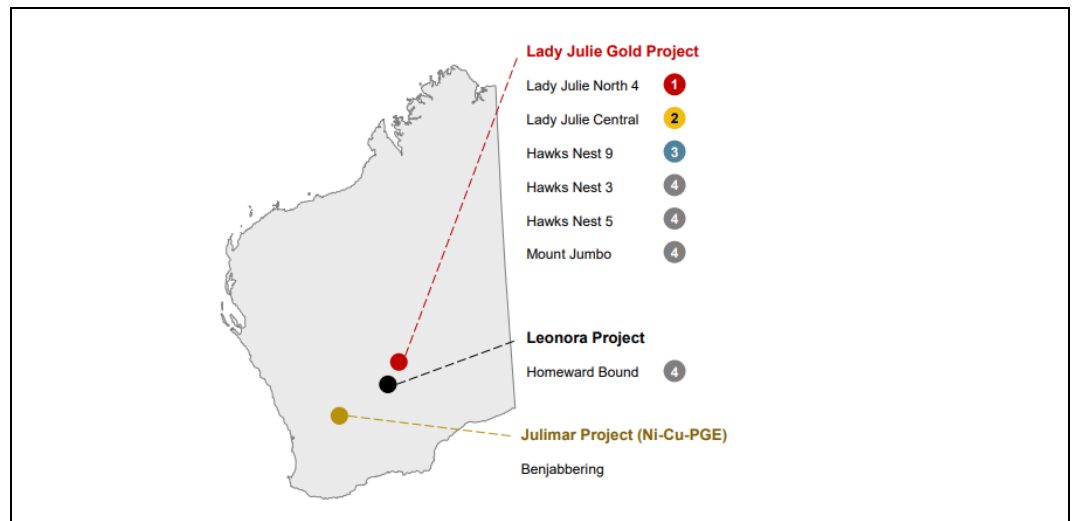
*Amidst times of economic uncertainty, gold is a very effective portfolio diversifier and hedger. This is due to gold's low to negative correlation with all major asset classes, which itself is based on gold being viewed as a secure storage of value.*

## Magnetic has a high quality portfolio

*The mineralisation found at Lady Julie North 4 is amongst the best in any project in Australia, with certain mineralisation structures found that are over 100m in thickness.*

Magnetic’s high quality portfolio of gold and other mineral assets covers 3 separate projects. The Lady Julie Gold Project, the Leonora Project, and the Julimar (Ni-Cu-PGE) Project. Magnetic possesses 100% ownership across all 3, with its flagship project being the Lady Julie Gold Project. Figure 1 below shows their respective locations within WA.

**Figure 1: MAU’s Projects’ Locations**



Sources: Company

**In terms of a brief history of Magnetic’s operations,** Magnetic has conducted exploration in the area west of Laverton since 2017. The Company was granted the Hawk’s Nest tenement in 2017. Shortly afterwards, Magnetic commenced a soil sampling and RC drilling program at Hawk’s Nest, which indicated a near-surface shallow dipping deposit over 2.5km x 200m. Thereafter, in 2020, the Company acquired the Lady Julie Central and Homeward Bound Tenements. Strong, shallow drilling results almost immediately followed, e.g. Lady Julie Central’s early results included a 25m @ 4.4 g/t from 0 m intersection. In 2021, the flagship Lady Julie North 4’s tenements were acquired, and shortly afterwards, the deposit started to show signs of large mineralisation with intersections such as 180m @ 2.01g/t from 92m. By 2022, Magnetic had drilled 1898 RC and diamond drill holes for a combined depth of up to 147,943m. Due to the successes encountered at depth, drilling down to 300-500m was done at Lady Julie North 4. Since 2023, given the impressive drilling results that Magnetic has found at Lady Julie North 4 across both open pit and underground, Magnetic has mostly focussed its exploration efforts on drilling and quantifying the thick gold intercepts at Lady Julie North 4. The mineralisation found at Lady Julie North 4 is amongst the best in any project in Australia, with certain mineralisation structures found that are over 100m in thickness. Although there are material quantified gold mineral resources in Magnetic’s other deposits that constitute the Lady Julie Gold Project, Lady Julie North 4 is the main deposit asset and even as recently as July 2024, Magnetic continues to upwardly revise its JORC 2012 compliant Mineral Resources Estimates consequent to the deposit continuing to produce very favourable drilling results.

**Investors should note, however, that Magnetic still conducts exploration work on its other deposits, including on its Leonora Project, with plans in place for this to continue.**

## Some of the best locations in Australia

Magnetic's main Project (encompasses ~90% of the overall MRE) The Lady Julie Gold Project is a part of the 'Laverton Gold Fields'. Magnetic possesses 247 km<sup>2</sup> of tenements in the Laverton region and 76 km<sup>2</sup> in the Leonora Region.

**The Laverton- Leonora district is one of Australia's best mining regions, endowed with large world-class gold deposits having over 40Moz (mined plus resources), making it second to only the Kalgoorlie region in WA in terms of gold prospectivity.**

Lady Julie Gold Project (LJGP) tenements are in the vicinity of other world-class deposits and existing underutilised processing infrastructure, providing Magnetic with valuable toll treatment options in case it does not develop LJGP. Magnetic's 100% owned LJGP tenements are within 10-35km of existing well-known operators, including:

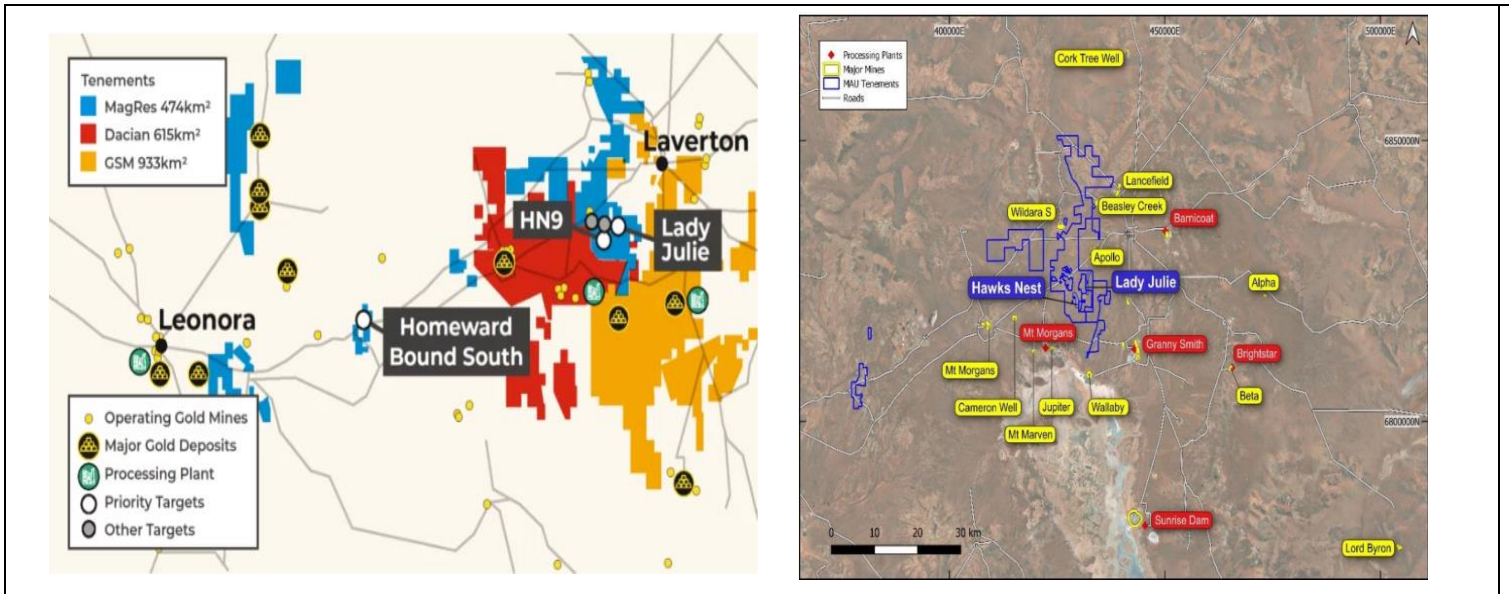
- Gold Fields
- AngloGold Ashanti
- Genesis

Roads and underutilised processing assets provide supporting infrastructure surrounding the Laverton goldfields area and, hence, are a significant competitive advantage to Magnetic's LJGP and its long-term viability. Trucking mined gold from Magnetic's Lady Julie Gold Project is a credible option. This proximity to supportive infrastructure de-risks both Magnetic's operations and, ultimately, production at the Lady Julie Gold Project. Refer below to Figure 2 for a perspective on the Lady Julie Project's attractive location.

Both Mt Morgans (Genesis Minerals, ASX: GMD) and Granny Smith (Gold Fields, NYSE: GFI) gold projects are currently running at less than 50% capacity, providing an economic incentive for both Magnetic and these other players to cooperate via either a toll treatment arrangement or even a financially attractive M&A arrangement.

*The Laverton – Leonora gold region is a standout gold producing region. Some of the large, well-known deposits /mines include Wallaby, Sunrise Dam, Granny Smith, Gwalia, Westralia and Jupiter*

**Figure 2: LJGP's Attractive Location**



Sources: Company

Amongst the deposits constituting the Lady Julie Gold Project, the Lady Julie Central and the Hawks Nest 9 deposits are pure open pit deposits. The resource-rich Lady Julie North 4 Project encompasses both an open pit and an underground component.

In reference to Lady Julie North 4's ore body, in recent times, Magnetic keeps on intersecting strong drilling results at depth, resulting in continued upward revisions to its MRE.

Apart from the attractive mineralisation across its deposits, which are part of a world-class gold belt, another key reason for Magnetic's attractive MRE and upward revisions has been its well-planned drilling programs. As of July 2024, the Company had spent A\$20M on exploration, with more than 165,000m of drilling completed to date, with a discovery cost of only \$11/oz.

### **With the benefit of being in WA**

Magnetic also benefits from being based in Western Australia. Western Australia is one of the best mining jurisdictions globally and was rated fourth in the Fraser Institute 2023 World Mining Investment Attractiveness Index for significant support for mining and development. The Investment Attractiveness Index itself is calculated as a composite metric weighted across a Policy Perception Index and a Mineral Potential Index, with weights of 40% on policy and 60% on mineral potential. The Policy Perception Index itself is also a composite index across policy factors that support investment decisions, such as environmental regulations, legal system efficacy, taxation regime, and infrastructure quality.

**It should be noted that purely based on Mineral Potential, Western Australia was ranked as the number one jurisdiction amongst 58 in 2023.**

### **Magnetic's Resource Estimate continues to go up**

Magnetic recently (2 July 2024) released an upwardly revised Mineral Resource Estimate relating to its main Lady Julie North 4 (LJN4) deposit. This update reflects a materially sized upward revision in gold resources and comes only 4 months after the previous upward revision. This result is indicative of Magnetic's management's strong execution of its espoused strategy of continuing to drill its main targets, particularly LJN4, and the strong gold mineralisation that is endowed in Magnetic's assets.

The latest MRE results in:

- LJN4 MRE increasing to 1.49M oz from 0.95M oz, a material increase of almost 60% since the last update. This takes the LJN4 to 23.2 Mt at 2.01g/t for 1.49 Moz. **LJN4's new resource grade of 2.01 g/t strengthens the LJGP( Lady Julie North 4, Lady Julie Central, and Hawks Nest ) existing position as the second most attractive open pit gold resource in Australia in terms of gold grade.**
- The combined MRE for the whole project increasing by ~ 40% from March 2024's 1.33M oz to the current 1.87M oz.

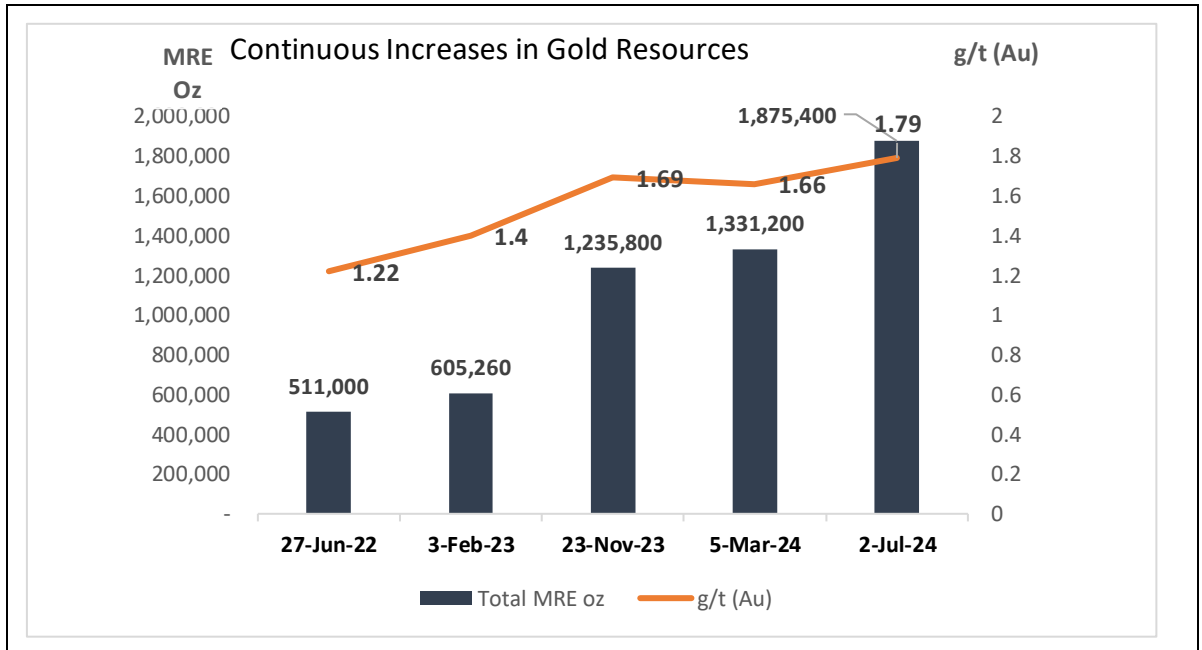
As shown below in Figure 3, over the 2 years since its Maiden MRE released on 27 June 2022, Magnetic has steadily shown an increase in its overall MRE. Magnetic expects further increases in the resources at LJN4. Magnetic notes that extensional drilling at depth on LJN4 is continuing and is expected to result in further mineralisation discoveries because the northern strongly pervasively altered zones are thick and are still open at depth.

*Western Australia was ranked 4<sup>th</sup> overall in a 2023 global survey for best mining jurisdictions but first in the world in terms of mineral potential alone.*

There is also potential from drilling beneath the footwall of the stacked lode sequence, an area with limited previous evaluation.

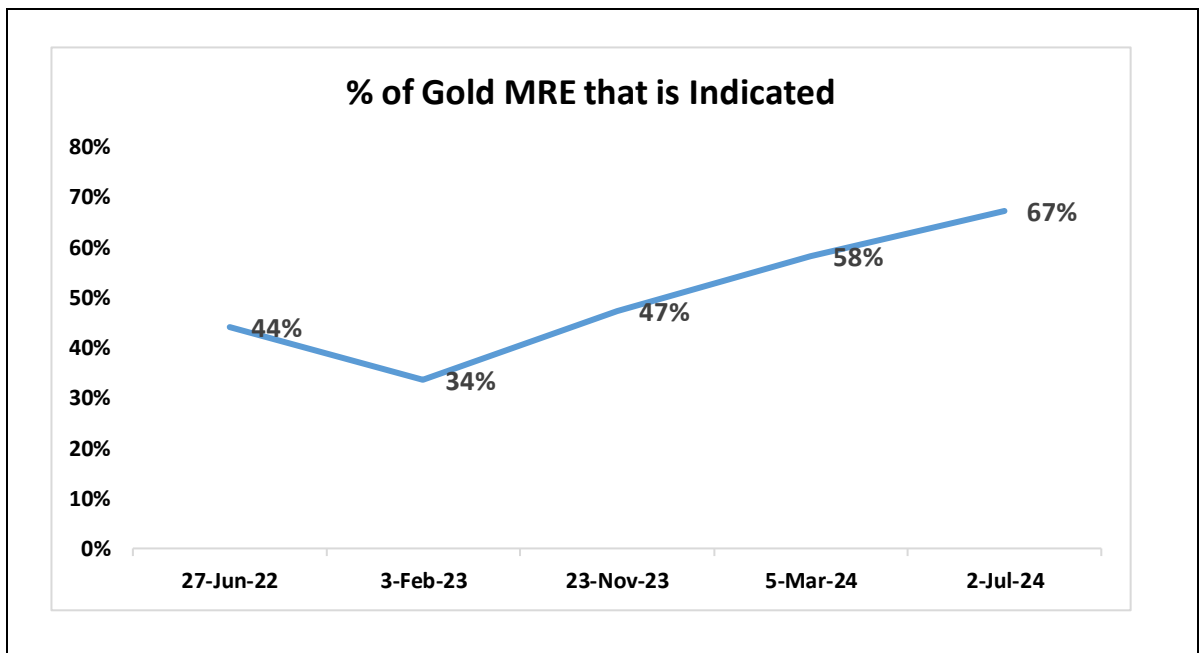
Additionally, as shown below in Figure 4, the success of Magnetic’s exploration results can be confirmed by gauging that the periodic increases in both MRE and average gold grades coincide with a growing % of the total MRE being in the Indicated category. **Increases across all key gold MRE metrics, in addition to the strong likelihood of further MRE increases, support our undervaluation investment thesis on Magnetic.**

**Figure 3: Magnetic’s Record of Strong Growth in Defined Gold Resources**



Sources: Company, East Coast Research

**Figure 4: Growing % of Defined Gold Reserves are within the Indicated Category**



Sources: Company, East Coast Research



Refer to Figure 5 below for a detailed break out of Magnetic’s gold resources across all its main deposits.

**Figure 5: Magnetic’s Gold Reserves across its Main Deposits**

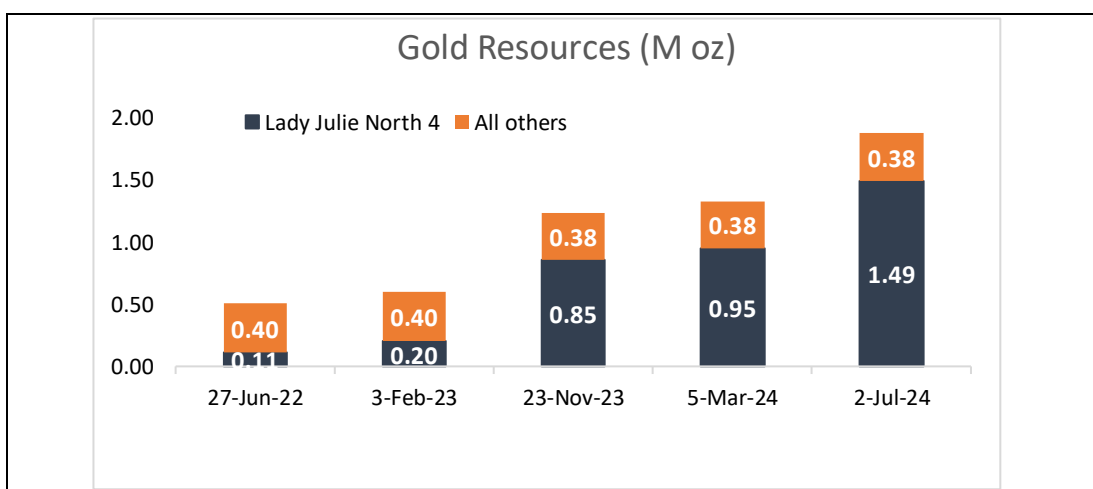
Deposit	Tonnage	Grade Au g/t	Ounces
Lady Julie North 4			
<b>Indicated</b>	16,089,000	2.13	1,101,000
<b>Inferred</b>	6,970,000	1.78	391,400
<b>Total</b>	23,059,000	<b>2.01</b>	1,492,400
Lady Julie Central			
<b>Indicated</b>	792,000	1.97	50,200
<b>Inferred</b>	541,600	1.26	22,000
<b>Total</b>	1,333,600	1.68	72,200
Hawks Nest 9			
<b>Indicated</b>	1,995,000	1.29	82,800
<b>Inferred</b>	1,182,000	1.25	47,600
<b>Total</b>	3,177,000	1.28	130,400
Other Deposits			
<b>Indicated</b>	837,400	0.94	25,230
<b>Inferred</b>	4,193,700	1.15	155,160
<b>Total</b>	5,031,100	1.12	180,390
<b>Total</b>	<b>32,600,700</b>	<b>1.79</b>	<b>1,875,400</b>

Sources: Company, East Coast Research

*Lady Julie North 4’s contained gold has increased through drilling works by 13.5x over the last two years. Further increases are also expected.*

For the majority of the last year, Magnetic’s drilling program focused on the LJN4 deposit. As shown below in Figure 6 this has been an effective strategy given the strong sequential increase in MRE for this deposit. Since the Company’s Maiden MRE announcement on 27 June 2022, Magnetic has occasionally conducted drilling works at the Lady Julie Central Deposit, but most of the drilling and all of the MRE revisions are associated with the LJN4.

**Figure 6: Growth in LJN4’s Gold Reserves**



Sources: Company, East Coast Research

Figure 7: Drilling Works History

Deposit	Total Metres	Number of Holes
Hawks Nest 9	66,654	1,093
Lady Julie	135,747	1,562
Hawks Nest 3	10,306	249
Hawks Nest 5	6,471	163
Mount Jumbo	28,508	506
Homeward Bound S	11,412	413
<b>Total</b>	<b>259,098</b>	<b>3,986</b>

Sources: Company

The table above in Figure 7 notes the drilling works across Magnetic’s main deposits. The Lady Julie deposits have been subject to the most intense drilling in terms of depth in meters and number of holes. Since the highest mineralisation and all of the sequential increases in MRE since the date of Magnetic’s Maiden MRE have also been associated with the Lady Julie Deposits, Magnetic’s focused drilling programs have been effective.

## Main Deposits including location and geology

### Regional Geology and Deposit Proximity

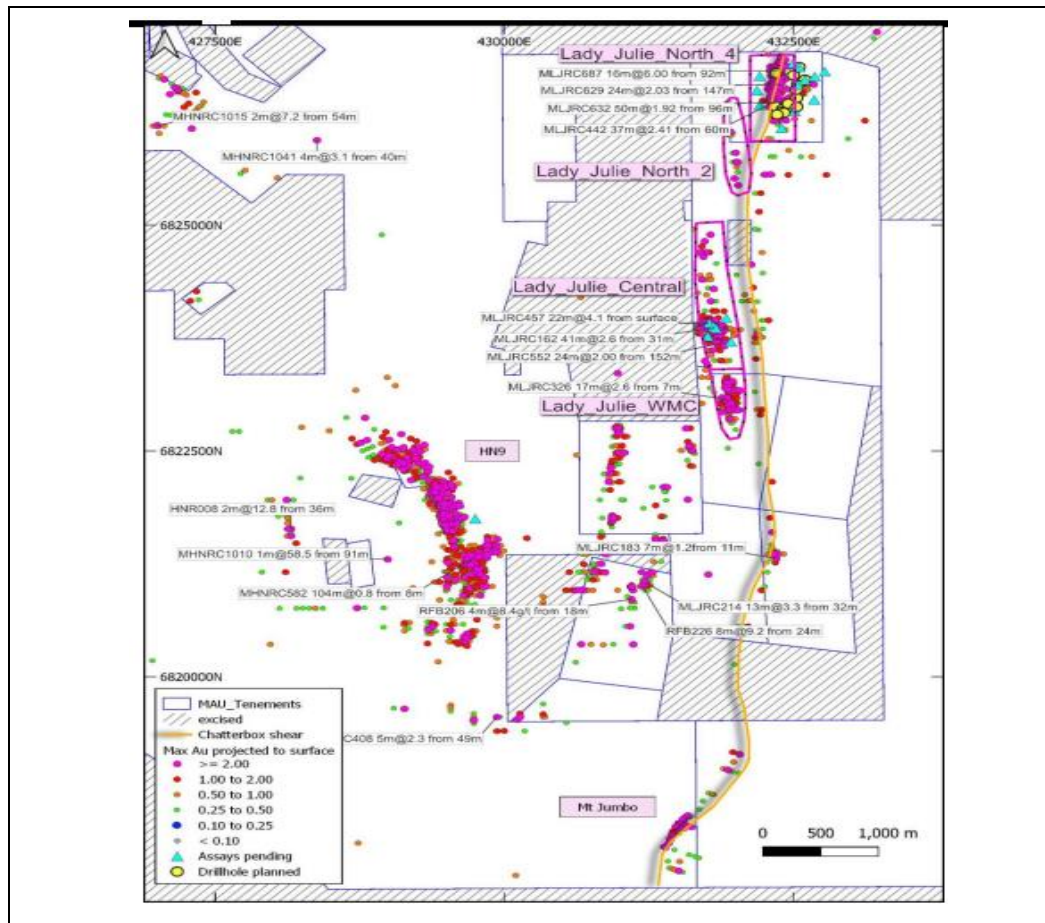
The 3 open pit deposits comprising the Lady Julie Project -Lady Julie North 4, Lady Julie Central and Hawks Nest 9 are located approximately 17 km southwest of the WA town of Laverton, with direct access from Old Laverton Road.

As noted above in Figure 5, Magnetic possesses other deposits apart from the main three that are collectively a part of the Lady Julie Project, such as Hawks Nest 3, Hawks Nest 5, Mount Jumbo and Homeward Bound. But since the combined mineralisation of those other deposits is small and mostly within the Inferred category (other deposits’ total gold resources is 180 390 oz, of which 155,160 is within the inferred category), we have focussed our analysis on the 3 main Lady Julie Project deposits.

**Additionally, the 3 Lady Julie Gold Project deposits were the ones subject to Magnetics’ recent PFS economic study.** The 3 LJGP deposits are near each other, making them effectively a part of the one economically attractive mining centre. The Lady Julie North 4 deposit is only 2.5km North of the Lady Julie Central deposit, which in turn is 2.5km NE of the HN9 deposit.

*The regional geology comprises an extensive sequence of mafic volcanics containing a folded sequence of ultra mafics, chert, shale and sedimentary carbonate overlain by banded iron-formation, which is also folded around the nose of the anticline. These rocks are heavily intruded by felsic porphyry dykes and sills, particularly in the vicinity of HN9, LJC and LJN4.*

Figure 8: Proximity to the Chatterbox Shear Zone



Sources: Company

**Till date, 8 stacked lodes have been clearly identified at LJN4. This geological feature is a key reason for the LJGP's impressive best in class mine economics**

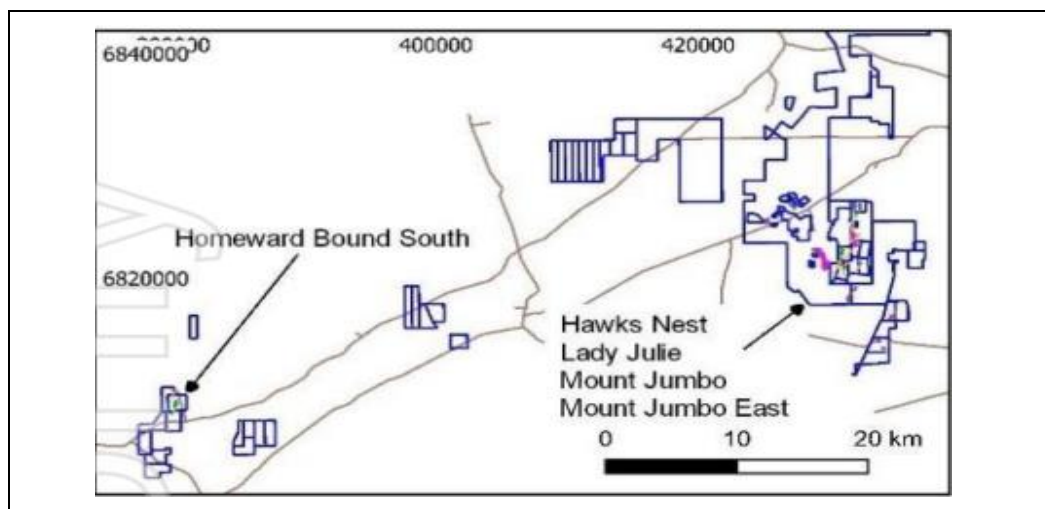
Magnetic's three main deposits are associated with a significant N-S braided shear zone known as the Chatterbox Shear Zone (CSZ). The main deposit, the Lady Julie North 4, sees its mineralisation cut by the CSZ. The CSZ is a complex N to NE dipping corridor that can be traced for around 32km overall, with this zone being associated with many gold deposits, including those of Magnetic and others'. Within Magnetic's tenements, the CSZ can be traced for a distance of up to 12km – please refer above to Figure 8. The CSZ also extends to Magnetic's southern Mt Jumbo deposit and then further south to the world-class Wallaby deposit, which is a part of the Granny Smith gold mine owned by Goldfields (NYSE: GFI). Further north of the LJN4, the CSZ hosts the Beasley Creek Deposit, owned by Focus Minerals (ASX: FML), and the Apollo Deposit. This proximity to other major miners associated with the CSZ is important for investors to note, especially given the likelihood of Magnetic being the target of an M&A from a larger player.

Additionally, these other world class deposits that are associated with the CSW are renowned for significant mineralisation at depth. With 8 stacked lodes having been clearly identified at LJN4, it's likely that Magnetic's Laverton's deposits progress to a similar nature which would result in strong upside for investors.

As seen below in Figure 9, Magnetic’s Leonara / Homeward Bound Project is located in close SE (~45km) proximity to Magnetic’s main deposits near Laverton. The Laverton to Leonara transport link is well connected via a sealed road.

Consequently, Magnetic benefits from its two main Gold Projects being near each other, as well as its main deposits associated with the Lady Julie Project also being in very close proximity in addition to the overarching near proximity to the operations of other gold mines that are associated with the CSZ. This location advantage is associated with efficiencies both during the exploration stage and a potential future development stage because all the main deposits across both the Lady Julie (Lady Julie North 4, Lady Julie Central, Hawks Nest 9) and Leonora Projects (Mount Jumbo, Homeward Bound South) are in an area that is well endowed with regional infrastructure including 3 processing plants.

**Figure 9: Laverton’s close proximity to Leonara**



Sources: Company

### **Shallowness of the Mineralisation and the scope for further MRE increases**

Magnetic’s deposits vary across being pure open pit mines (Lady Julie Central, Hawks Nest 9), the hybrid LjN4 whose mineralisation is both open pit and underground and the non LjGP pure underground mines (Hawks Nest 3, Hawks Nest 5, Mount Jumbo and Homeward Bound).

All of the open cut mines including LjN4 (shallow with at depth extensions) exhibit shallow mineralisation. The mineralisation at Lady Julie Central and Hawks Nest 9 starts from the surface, whilst for LjN4 only from 30m depth.

At the time of releasing the Maiden MRE, 49% of the resources were classified as being within 50m of the surface and 87% within 100m. Figure 10 below details the dimensions of the gold resource deposit for all Magnetic’s main deposits. The depths are shallow including for notably the pure underground non LjGP mines.

The figure for Lady Julie is weighted across both LjN4 and Lady Julie Central. LjN4 exhibits mineralisation that extends below 500m in depth, but since those are within wide, well-formed lode extensions, the economics of a potential future mine that extracts from those depths remains very attractive.

**Figure 10: Dimensions of Magnetic's Deposits**

Deposit	Length	Width	Depth
Hawks Nest 9	2,100	200	130
Lady Julie	6,600	850	190
Hawks Nest 3	650	80	60
Hawks Nest 5	600	50	90
Mount Jumbo	1,600	200	200
Homeward Bound S	2,300	200	120

Sources: Company

As noted earlier, the regional geology is heavily influenced by the characteristics of the CSZ, which as evident by the deeper drilling from other deposits associated with this area such as Wallaby and Beasley Creek and by other seismic surveys done by Magnetic, indicate that the Chatterbox Shear has great depth extent.

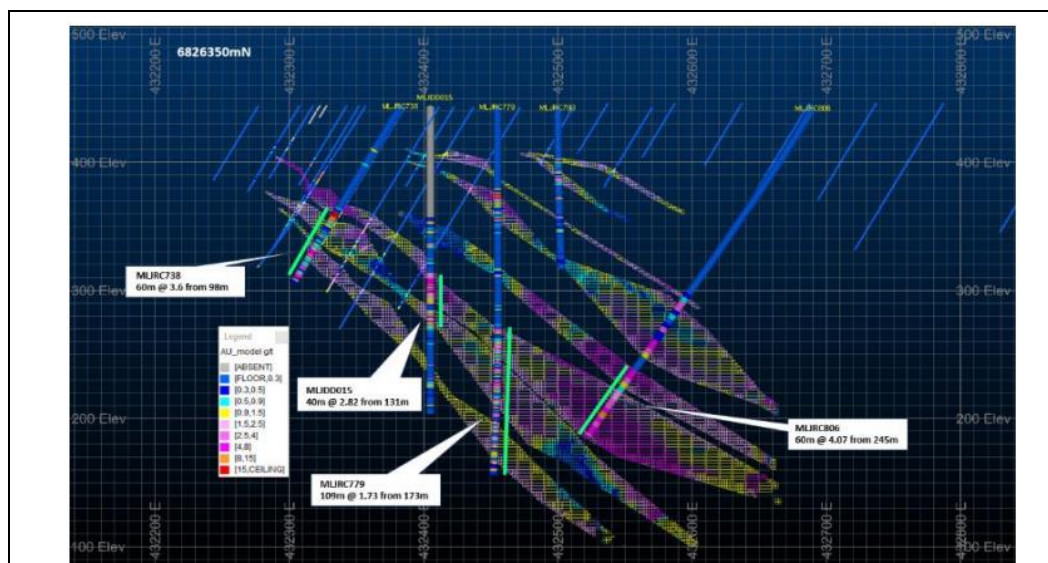
For example, mineralised lodes have been defined down to 1500m depth at the nearby Wallaby deposit. At Sunrise Dam too there are breccia zones which are associated with the deeper vertical deposit. **Therefore, since the average hole depth at Hawks Nest 5, Hawks Nest 9 and at the Lady Julie is only 79m this provides the scope for real upside to the defined MRE which is what we have been seeing of late with extensional drilling at depth.**

### Lady July North 4

This is Magnetic's main gold deposit in terms of size and mineralisation quality. The mineralisation is hosted in a sequence of ultramafics, massive carbonate (marble) and chert intruded by felsic porphyries.

The LJN4 deposit exhibits multiple well defined shallow dipping stacked lodes with several thick intersections that have not yet been closed off at depth, resulting in Magnetic's impressive periodic upward revisions of this deposit's MRE -refer to Figure 11 below for a cross section view of LJN4. A number of these intersections start from close to the surface.

**Figure 11: LJN4 Cross-sectional View**



Sources: Company

The average grade in g/t is a very attractive ~ 2 g/t and the mineralisation foot print is continuous for over 750m along strike and 500m in depth (will likely increase with further drilling, with the current deepest intersection of 26m @ 2.49 g/t from 567m).

It is an open pit site, but the MRE for this deposit also includes material mineralisation found by extensional drilling underneath the open pit. As shown below in Figure 12, the LJN4 deposit contains numerous gold-rich zones, with its southern thick core zone being very prospective and recently, the northern zone increasing in size dramatically. The project has notably high average ounces of resource per vertical metre with a strong average of 3700 ounces per vertical metre (ozpvm) from 30m to 400m depth and a 4700 ozpvm average within an enhanced zone from 100m to 300m.

### LJN4 Open pit and impact on project economics.

At the time of completion of the original Pre Feasibility Study in March 2024, the pit optimised shell extended to 310m in depth with a grade cut off 0.5 g/t. Consequent to further discoveries found deeper in the ore body, since the time of the PFS, the open pit can now extend to 440m, with the pit optimised shell depth increased to ~ 350m and based on the quality of the mineralisation, an open pit cut off grade of 0.5 g/t is still considered to be appropriate. This makes the LJN4 mineralisation suitable for a large-scale open pit operation.

LJN4's stacked lodes and consistent high grades make LJN4 amenable to a deep open pit operation, reducing overall project costs including initial capex. Unlike many other competing projects, which possess a single mineralised structure that leads to the need to mine underground closer to the surface than is the case at LJN4's, increasing their overall mining cost, LJN4's mineralisation is conducive to a large deep open pit mining operation. **A pit expansion at LJN4 has followed each resource upgrade, and most of LJN4's open pit mineralisation is now within the Indicated Category – these are noteworthy, stand-out metrics in support of our investment thesis.**

Mineralisation discovered 440m below the surface shows strong continuity and hence is amenable to underground mining. A cut off grade of 2g/t Au was used to quantify the gold mineralisation below 440m.

### Deposit Geology and Plans for further drilling.

As noted, the mineralisation at LJN4 is still open at depth and is material in size, with undergoing mineralisation remaining open down dip to the east. This is likely to result in an increase in the underground MRE as exploration drilling continues. Magnetic's plans are to drill deeper holes down to 800m in depth to intersect further mineralisation associated with the strong green fuchsite of the ultramafics. As an example of this, Magnetic recently drilled to a depth of 714m to test for further stacked lodes below the 8 separate lodes identified thus far.

The deposit is divided into a northern section and a southern section. Plans for extensional drilling are mainly associated with the northern zones. The northern zone exhibits intensely fuchsite altered ultramafic rock types, whilst the southern zones exhibit breccia silica pyrite altered zones.

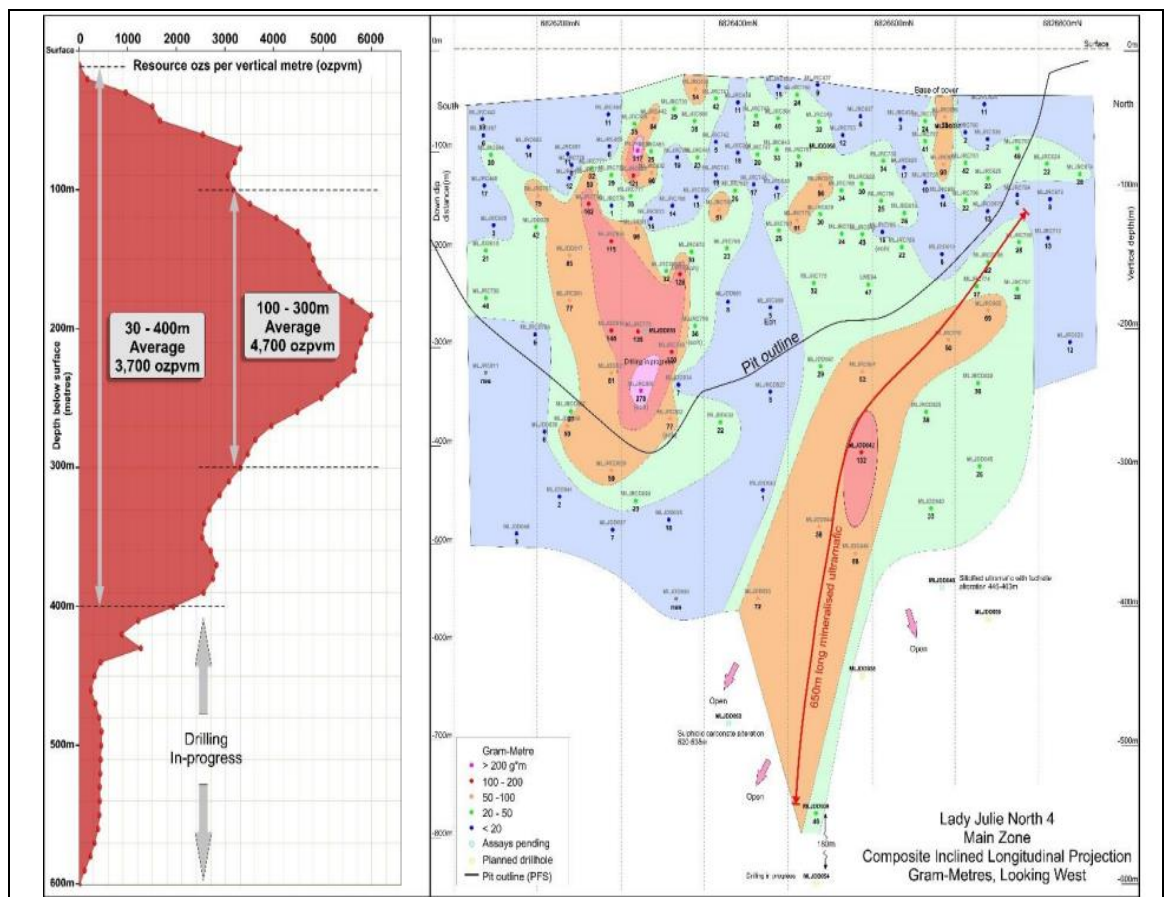
More recently, LJN4's MRE has expanded as a result of Magnetic finding that the mineralised structure expands considerably more than originally expected below depth when drilling encounters fuchsite alteration within the northern ultramafic zones. The mineralisation in the northern zones is now understood to be much larger than in the southern zone. Previously, Magnetic's MRE expansion success at LJN4 was due to the discovery of considerable expansions in the mineralised structure when the drillings intersected southern silica pyrite breccia zones. Therefore, the LJN4's deposit's varied yet prospective geology has been conducive to further mineralisation expansion.

*Although our Upside Case models in a UG resource of 500k oz at LJN4, the eventual UG resource number could well be notably higher in the vicinity of 700k oz, based on a number of geological factors.*

Consequent to the latest MRE update in July, our **Base Case** valuation scenario now assumes an underground LJN4 gold resource of 250k Oz, which is additive to the mineralisation within LJN4's open pit. Due to diamond drilling continuing to discover strong, wide extensions of the lodes at depth on the northern 400m part of the 700m long LJN4 deposit, our **Upside Case** valuation scenario models an underground resource at LJN4 of 500k, **but investors should note that in actuality this could well end up at ~ 700k oz.** The dimensions of this large northern zone is at least 650m down dip, 600m down the SE plunge and is up to 200m long,

Magnetic has been drilling diamond holes at depth, between 50 -150m apart which show strong continuity, width (often within the 10m- 27m range), grades and alteration. Consequently, Magnetic plans on further infill drillings and it's very likely that these will result in additional mineralisation within the Indicated category that is additive to the current MRE estimate.

**Figure 12: LJN4 Open Pit and UG Gold zones**



Sources: Company

Mining Lease. Magnetic has lodged a mining lease application over LJN4, which is currently pending. The application also covers a portion of the Hawks Nest deposits. Magnetic is concurrently working on developing a mining proposal for LJN4 and further mining lease applications over its other key deposits. Hence, investors should be reassured that in the event that Magnetic decides to develop its resources rather than seek a sale via an M&A, requisite steps are being taken to fulfil this.

### Example of recent drilling at depth results at LJN4

As noted, the current drilling strategy involves drilling at depth on the northern part of LJN4. The 400m northern part of the 750m long LJN4 plunges to the SE, with mineralisation that is much larger than previously expected, resulting in the recent upward MRE revision to a level higher than that indicated at the time of the March PFS. Magnetic notes that the dimension of this northern zone is at least 650m down dip.

Recent impressive Diamond Core intersections that have led to the most recent MRE revision include:

- 23m @ 6.29 g/t from 317m, which includes 6m @12.23g/t from 319m and 13m @ 5.08 g/t from 327m.
- 26m @ 2.49 g/t from 567m incl 5m @3.47 g/t from 567m
- 25m @ 3.86 g/t from 386m
- 20m @ 2.76 g/t from 243m
- 17m @ 2.08 g/t from 248m

### **Other Deposits comprising the Lady Julie Project**

Magnetic proposes to develop a gold mining operation incorporating the LJN4, the Lady Julie Central and the Hawks Nest 9 deposits. As noted, all three sites are in close proximity to each other and are essentially a part of a single greenfield mining project.

#### Lady Julie Central

The Lady Julie Central (LJC) is similar but smaller than the LJN4 deposit, with mineralisation found along a strike of length 250m and depth below surface of 150m.

#### Hawks Nest 9

The Hawks Nest 9 (HN9) is generally a single shallow NE dipping structure with a strike length of 1km, width of 10-30m and depth below the surface of 100m.

#### Nickel-Cu-PGE and REE projects and other interests

Magnetic is also in possession of six tenements in the vicinity of the Julimar complex in WA – refer to Figure 1. These tenements have not yet been subject to comprehensive exploration but were selected based on aeromagnetic surveys that showed prospectivity for Ni-Cu-PGE, gold on the western side, and REE on the eastern side.

Additionally, investors may wish to note that Magnetic has an agreement with Northam Resources Pty Ltd regarding the sale of the Company's iron ore assets. The agreement is based on a sliding scale royalty with payments starting at \$0.25/t for a sale price of \$80.00/t or less and, thereafter, for every increase in the sale price of \$10.00/t

*Although comprehensive exploration works are still to be done on the Julimar discovery, prior AC drilling has been completed with very thick high grade REE intersections found.*



## **Balance Sheet Liquidity and Funding Position**

**Magnetic is currently in a secure funding and liquidity position, which sees it funded for continued explorative drilling at LJN4.**

In mid-March 2024, the Company successfully closed a \$12M placement from investors, which was heavily oversubscribed. The funding's aim was to enable Magnetic to ramp up commercialisation work relating to its main Lady Julie Gold Project by way of securing funds for exploration drilling, ongoing feasibility work, and general working capital funds. As of July 6 2024, Magnetic's cash balance was noted to be ~\$9m – this amount is lower than what would have resulted if the cash decrease had been in accordance with the cash burn rate estimated at the end of March 30. However, this should be viewed in the context of Magnetic's recent ramped-up extensive underground drillings at depth, including diamond drilling work on LJN4, which has resulted in a significant upward revision in Magnetic's defined MRE.

Magnetic recently appointed a debt advisor to guide its capital structure strategy as it advances commercialisation activities. The use of debt capital will limit equity dilution, and based on the attractive metrics shown in the PFS, debt capital for the Lady Julie Gold project will likely be able to be raised at good terms, adding to our investment thesis.

## **Macroeconomic Factors and Industry Analysis**

Magnetic's potential revenues from the future development of its gold deposit assets and the associated NPV of those development projects are inextricably linked to the price of gold.

Although it may seem that such an association between the NPV of its flagship gold development project, the LJGP, and the price of gold should also be reflected in a similar positive association between the price of gold and Magnetic's share price, except for the recent time period this has not been the case for Magnetic and has certainly not been the case for the wider junior and mid-cap explorer space on the ASX in recent times. This has been because of adverse investor sentiment towards explorers who, in the current context of high interest rates, would need to access debt financing at elevated interest rates in order to fund their development projects.

However, given that we will likely enter into an interest rate easing cycle both in Australia and in the USA later this year, this adverse investor sentiment is likely set to change, with junior /mid sized explorers likely begin to see their share prices reflect the material increase in the AUD price of gold that we have witnessed in 2024 – refer below to Figure 13.

**Magnetic's share price should see a more pronounced positive impact from this anticipated industry-wide uptick due to the superior quality of its gold deposits in terms of their mineralisation levels and associated cash flow generation capacity, as well as the LJGP's status of already being subject to a PFS, and pit optimised shell studies which indicate the prospects of a highly economically attractive project.**

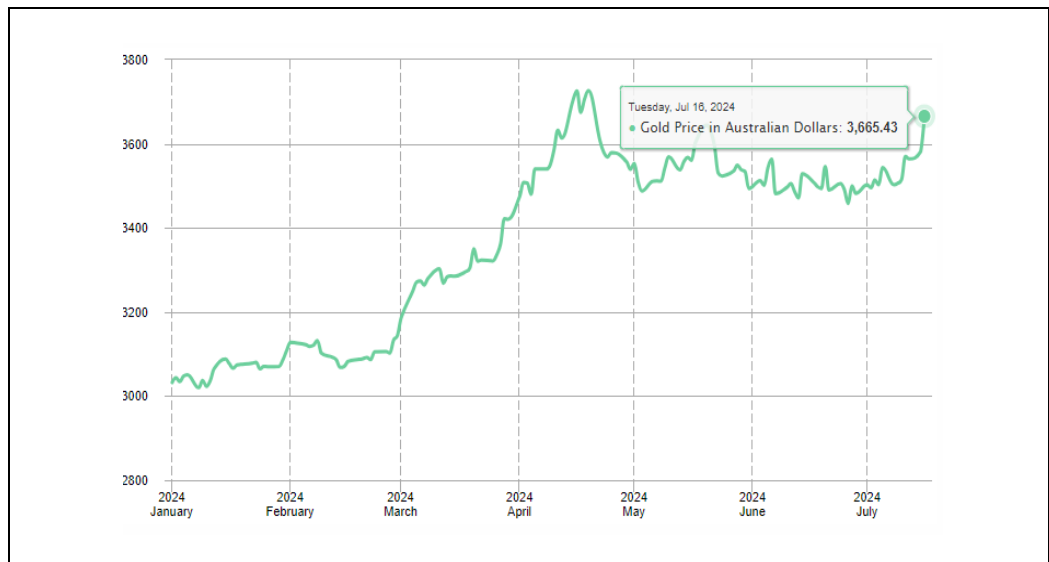
Additionally, the underpinning factors supporting the price of gold are set to remain, leading to the strong likelihood that we are entering into a new normal of high gold prices given the current uncertain global macroeconomic outlook and heightened geopolitical risk situation.

The summary thesis supporting a structurally elevated gold price occurring across the investment horizon and also occurring amidst the current high current US real interest rate environment despite the traditional negative association between those two variables is based on the following:

- Aggressive central bank diversification into gold bullion as a hedge against holding the USD as a reserve asset.

- Geopolitical conflicts and uncertainties leading to gold purchases based on its perception as a safe haven asset.
- Concerns over the US fiscal deficit.
- Anticipation that rates will start to fall (in the US and Aus), increasing the demand for non-income-yielding assets such as gold.

**Figure 13: 2024 Gold Price Dynamics in AUD**



Sources: <https://abcbullion.com.au/products-pricing/gold>

We have conservatively factored this anticipation of higher gold prices in the short to medium term into the anticipated revenues associated with the LJGP and the resultant valuation of Magnetic.

Extending beyond the short and medium terms, the long-term thesis for Gold prices also remains bullish. Over the long term, given the finite supply of gold and the growing annual demand for it across various demand sources, gold prices will continue to trend upwards.

Gold is a non-renewable resource, and between 2011 and 2020, the number of gold discoveries fell by 70% relative to 2001 -2010<sup>1</sup>. Hence not only are defined, and proven gold deposits such as those owned by Magnetic valuable, they are also increasingly rarer, providing a further vector of support for gold's prices over the long term.

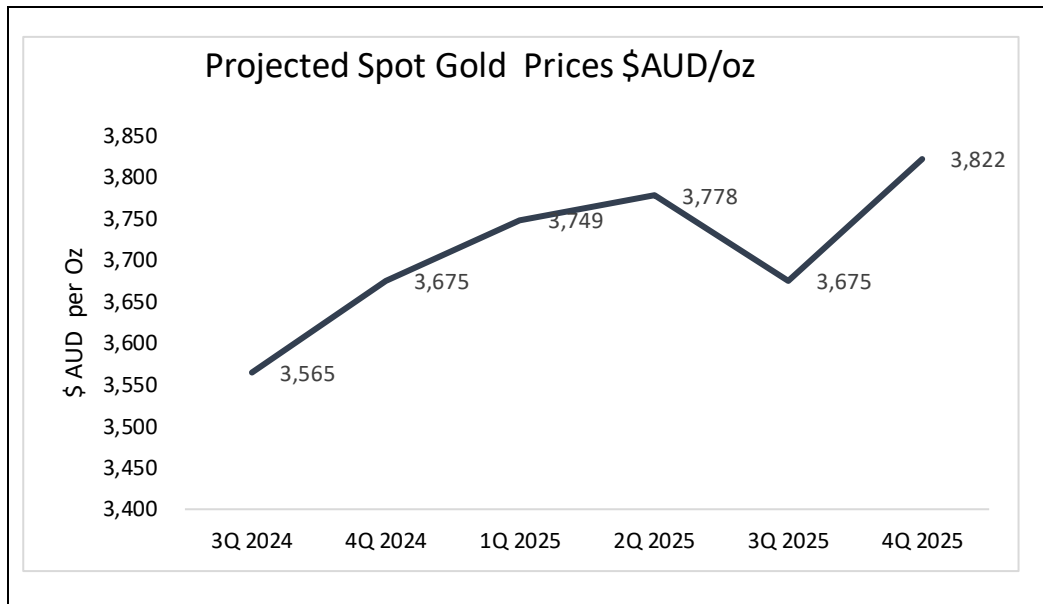
Figure 14 below shows the anticipated evolution of Gold spot prices in \$AUD/oz, if we apply the last 3 year historical average AUD/USD exchange rate to JP Morgan's recent forecast for Gold prices in USD. The current Gold spot price in AUD is ~\$ 3,600, with this price having risen at a CAGR of 10% over the last 18 years when the spot price was AUD ~\$553.

Consequently, as shown in the Valuation section, we view our **Base Case** gold price assumption of AUD \$3,200 and **Upside Case** assumption of \$3,400 as being reasonable given the solid structural trends supporting gold prices.

*The discovery of new gold deposits with proven mineral resources is becoming rarer with time. This results in a stronger investment case for Magnetic.*

<sup>1</sup> <https://www.visualcapitalist.com/sp/visualizing-the-new-era-of-gold-mining/>

Figure 14: Forecasted Gold Prices in AUD



JP Morgan Research, East Coast Research

### Amidst a Gold Industry M&A Cycle

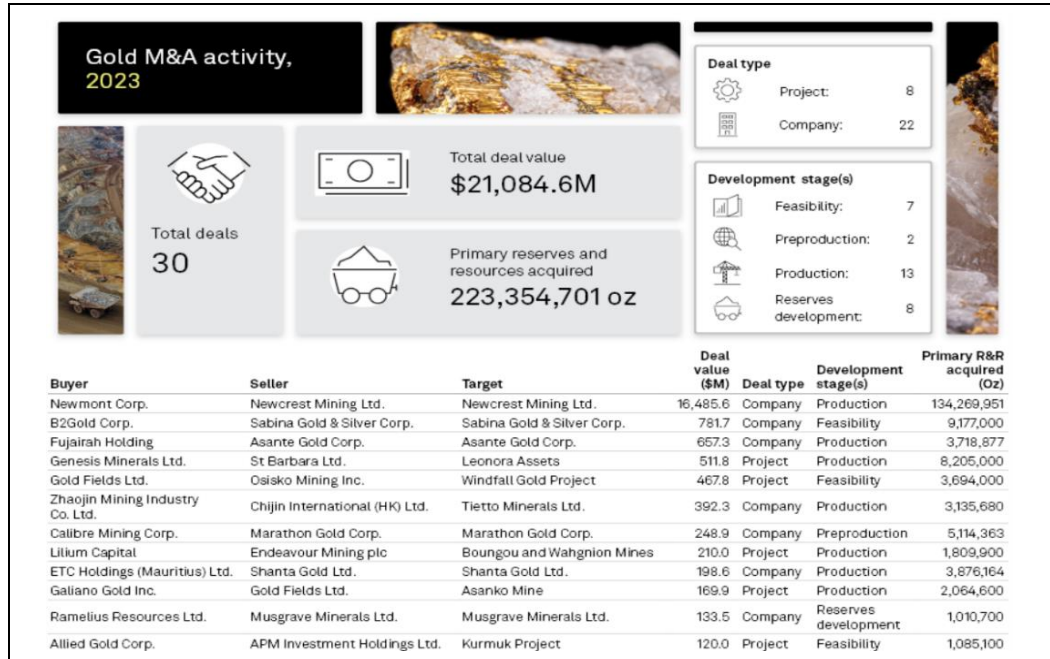
The mining sector, particularly the gold segment, has witnessed an uptick in M&A activity over the last 18 months. There have been a number of supportive structural factors for this, such as :

- Due to the higher inflationary environment, the start up costs for commencing a new mining operation are often too exorbitant. It's often just cheaper and quicker for a larger mining operator to acquire assets it desires rather than expend funds to explore and develop a new mine.
- This inflationary environment has coincided with a period of high interest rates. Therefore, despite the elevated gold prices, smaller and mid-size gold explorers are unable to readily access growth and development stage capital, leading to their share prices stagnating and hence making them more attractive targets for consolidation/acquisition from larger players.
- These consolidations provide for mutual win-win benefits to both the target and the acquirer. Apart from the equity purchase premium, which is normally in the range of between 30-50%, the target benefits from the acquirer's provision of capital, allowing its projects to be commercialised. Similarly, the acquirer has in recent times benefited from the lower valuations of these predevelopment gold players who due to the high interest rate environment do not generally possess very leveraged balance sheets, leading to the acquirers being able to configure attractive M&A deal structures.
- Amidst the inflationary environment, consolidation-led scale leads to cost rationalisation and efficiency benefits to both the target and the acquirer.
- This dynamic of depressed predevelopment gold company valuation has in recent times also occurred whilst gold prices have been steadily rising, adding to the attractiveness of these M&A deals.

Given the above factors, gold mining-related M&A activity has been buoyant in recent times, both globally and in Australia. Figure 15 below highlights some of the recent, more well-known global M&A deals (amounts in USD).

Similarly, in Australia, the gold sector has been one of the more intense sectors in recent times in terms of M&A activity. In 2023, the energy and resources sector was the most active sector in Australia in terms of deal activity, and within this sector itself gold, related deals witnessed the most takeover activity. Gold-focused M&A accounted for 58%, by deal number, of metals and mining transactions, 43% by number of energy and resources transactions and 71% by value.<sup>2</sup>

**Figure 15: Recent Notable Global Gold M&A Deals**



*Corrs Chambers Westgarth*

Some of the relevant recent examples of gold sector M&A deals in Australia include:

- **Ramelius Resources’ 2023 acquisition of Musgrave Minerals Ltd** for ~ \$227m. This transaction is relevant for our valuation of Magnetic Resources because Musgrave Mineral’s tenements were also situated within the Murchison region of WA, and the transaction was a consolidation play, which would also be the rationale supporting Magnetic becoming an acquisition target from one of its larger nearby neighbours.
  - **In term of m&a transaction valuation premium, Ramelius’ offer represented a 39% premium to Musgrave’s 5 day volume weighted average price of \$0.245 at the time of the offer.**
- **Genesis Minerals’ 2023 acquisition of Dacian Gold, which, at the time of the deal’s closure, resulted in an implied valuation of Dacian of ~\$300m and an approximate deal premium of ~ 100% based on Dacian’s share price in the days leading up to the deal’s finalisation.**

**Magnetic’s LJGP’s location and M&A likelihood**

Magnetic has already held extensive discussions with a few of the larger gold developers who operate gold mines in the Laverton region, in close vicinity to the LJGP’s assets.

<sup>2</sup> M&A 2024 Outlook Report. Corrs Chambers Westgarth

*Investors should note that as recently as the quarter ending June 30<sup>th</sup>, Quarterly Report, MAU noted that several interested parties are completing due diligence work in its data room, indicating the likelihood of becoming an acquisition target*

As noted earlier, these larger players and their gold mine assets are

- Gold Fields (NYSE: GSI). Gold Field's Granny Smith mine is situated just 15km south east of the LJGP's core area. Additionally, Gold Field's Wallaby mine is situated just 10km west of Granny Smith.
- AngloGold Ashanti (ASX: AGG). AGG's Sunrise Dam gold mine is situated ~ 35km south of LJGP's core area in Laverton.
- Genesis (Genesis Minerals -ASX: GMD). Genesis' Mount Morgan Gold mine is located ~ 10km southwest of LJGP's core area in Laverton.

Achieving consolidation-related cost efficiencies is often a key driver of M&A transactions. This beneficially applies to Magnetic's LJGP, making it a viable M&A target for all three of the above-listed players, but especially from Genesis Minerals and Gold Fields.

Genesis' Mount Morgan mine is currently not actively processing gold. The Mount Morgan's mine was placed on care and maintenance by its previous owner, Dacian Gold, due to reasons that included input and operational cost inflation, and therefore, despite possessing a processing plant and milling facilities, the assets are not being economically utilised. Hence, there would be a strong economic benefit to Genesis from further regional consolidation by way of acquiring nearby gold deposits, such as LJGP's, so that its mining assets at Mount Morgan are effectively deployed.

Similarly, Gold Field's Granny Smith processing plant is currently only operating at around 50% capacity utilisation. This processing plant is situated approximately 10km away from the main underground deposit at Wallaby. Given that the LJGP's main assets at Laverton are only situated 15km away from the Granny Smith's processing assets, there is a strong economic case for Gold Fields acquiring LJGP's deposits. Given the closeness of the assets in terms of distance, by acquiring LJGP's assets, Gold Fields would effectively still be operating the one mining project, leading to an avoidance of a need to expend funds on similar infrastructure within the LJGP's main area. Hence, Gold Fields has been undertaking serious M&A due diligence work on the LJGP.

**Consequently, given that the M&A premiums in the gold industry are generally within the 30-50% range, and the two contemporary and relevant deals in terms of location highlighted above occurred at premiums within and above this range, our probability based expected value equity premium of 12.5% (10% Base Case, 15% Upside) is conservatively estimated. If, as is likely, an official M&A take-over bid is announced, and executed on Magnetic its share appreciation is expected to be in the 30 - 50% range.**

## **Magnetic's Valuation**

We have valued Magnetic across 2 cases, a **Base Case** and an **Upside Case**.

As a **first step**, both cases begin with Magnetic's Lady Julie Gold Project's pretax NPV calculated as part of the recently completed PFS in March 2024.

Then, both cases absorb additions and subtractions based on both being subject to several similar qualitatively defined factors that have arisen due to changes in circumstances since the time of the initial PFS in March (such as additional MRE on LJN4 leading to incremental mineable production revenue) or a different perspective that we hold on issues such as the risk-adjusted discount rate that should be used to calculate LJGP's NPV based on our own view of the LJGP's exposure to systematic risk.

The quantitative impact that each case experiences, because of a particular factor, is usually different hence the definition of the Base and Upside Cases.

This then results in separate Base Case and Upside Case unlevered after tax NPV valuations for the LJGP that are an input to the computation of the final equity valuation. To make these NPVs additive to Enterprise Value, they are calculated net of tax but assuming no leverage, with the interest tax shield benefit from debt and debt amount that is assumed to be taken on for the project being accounted for in the project's assumed discount rate and EV calculations.

Then, as a **second step** in the valuation process, given the likelihood of Magnetic's LJGP becoming the target of an acquisition bid from any one or more of the 3 larger gold developers who have underutilized assets in close proximity to Magnetic's at Laverton, we add a conservatively quantified M&A valuation premium based off of the premiums of other recent gold mining transactions, and other LJGP specific factors.

The **third step** accounts for the fact that Magnetic's total MRE for the 3 LJGP deposits (Lady Julie North 4, Lady Julie Central, and Hawks Nest 9) contains mineralisation that is outside of both the pit optimized mineralisation zones and outside of LJN4's underground zones that together contribute to the mineable gold production resource of the LJGP.

Therefore, this residual gold resource (A) within the 3 LJGP deposits that will not actually be mined in the LJGP is then added to the gold resources associated with Magnetic's other deposits that are completely not a part of the LJGP, such as Mount Jumbo and Homeward Bound (B). This non LJGP gold resource (A+B) is then subjected to a resource based (EV/weighted average resources) multiple based valuation using current peer group data.

**Consequently, there are then 3 main components to the valuation of Magnetic: (1) the NPV from the LJGP, (2) an M&A premium adjusted valuation for the LJGP, and (3) the resource and peer set-based valuation of the residual gold reserves that Magnetic has, which will not be mined as a part of the LJGP. Therefore effectively this is a sum of parts valuation.**

### **Summary of Results from the original March 2024 PFS**

Before we discuss in detail each of the 3 main valuation steps, since both the Base Case and Upside case start off with the pretax NPV that was calculated in the March 2024 pre-feasibility study (PFS), the key assumptions supporting that March PFS NPV are listed here.

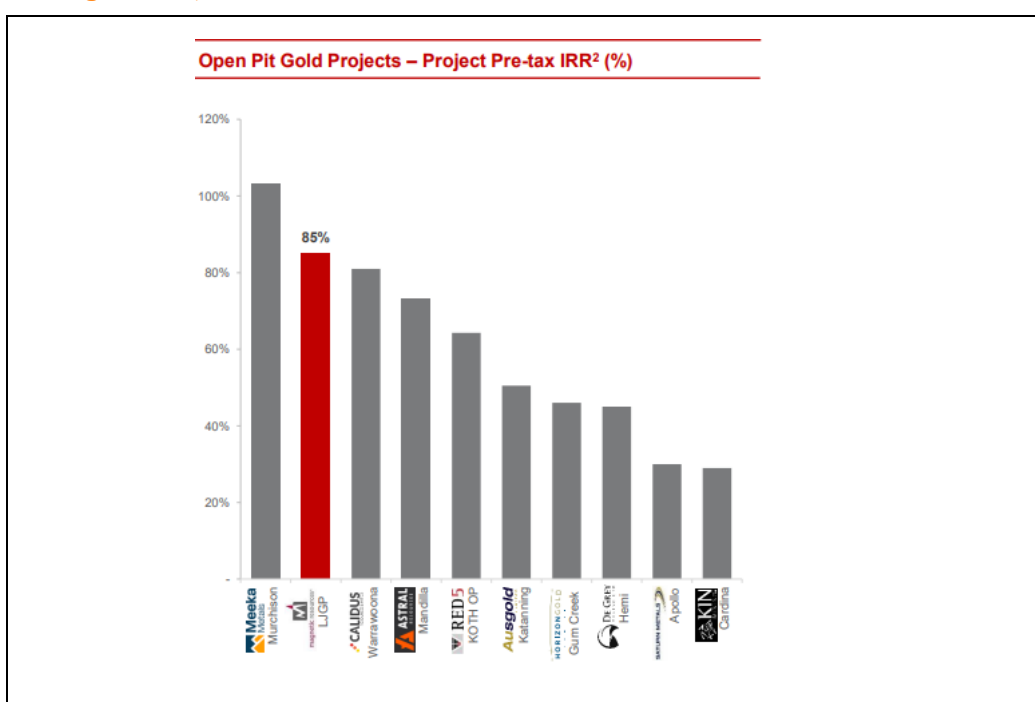
- 9-year life of mine, with an expected cumulative net recovered gold amount of ~ 720,000 Oz
- Average recovery rate of ~ 93%, leading to an initial open pit mining inventory containing 773,000 oz of gold. **The original March PFS did not include any underground mineralisation at LJN4.**
- Total life of mine production included approximately 77% Indicated and 23% of Inferred Mineral Resource, with the initial 5 years of production from the Indicated Resource.
- Life of mine average C1 (operating) cost of A\$1,434/oz and AISC of A\$1,445/oz, including sustaining capital of \$8M.
- Development capital of A\$93.4M (including 15% contingency provision for the plant cost estimate), assuming a standalone 1.8 Mtpa processing plant (on site processing was assumed, toll treating option was assumed to be not used).
- Pre-tax NPV8 of \$547M at A\$2,800/oz, increasing to A\$690M at the March 2024 period spot price of ~A\$3,100/oz.

*Based on factors such as the open pits' design, plan and high probability nature of resources, at the time of the March 2024 PFS, LJGP was noted as having a 15 month cash payback period.*

- We have anchored both of our Base Case and Upside cases to the \$547m, A\$2,800 /oz as a starting point.
- This PFS NPV and also our new Base Case and Upside cases ignore the impact to their NPV from inflation per se due to the neutralising impact from input cost inflation and related gold price increments.

Investors should note that both our new cases show material valuation uplift since the time of the March PFS. However, even under the assumptions contained in the March PFS, such as the A\$2,800 oz gold price, the LJGP show cases outstanding performance metrics. Such as having the second highest pretax project IRR of all active open pit gold projects in Australia – refer below to Figure 16.

**Figure 16: LJGP's March 2024 PFS Pre-Tax IRR**

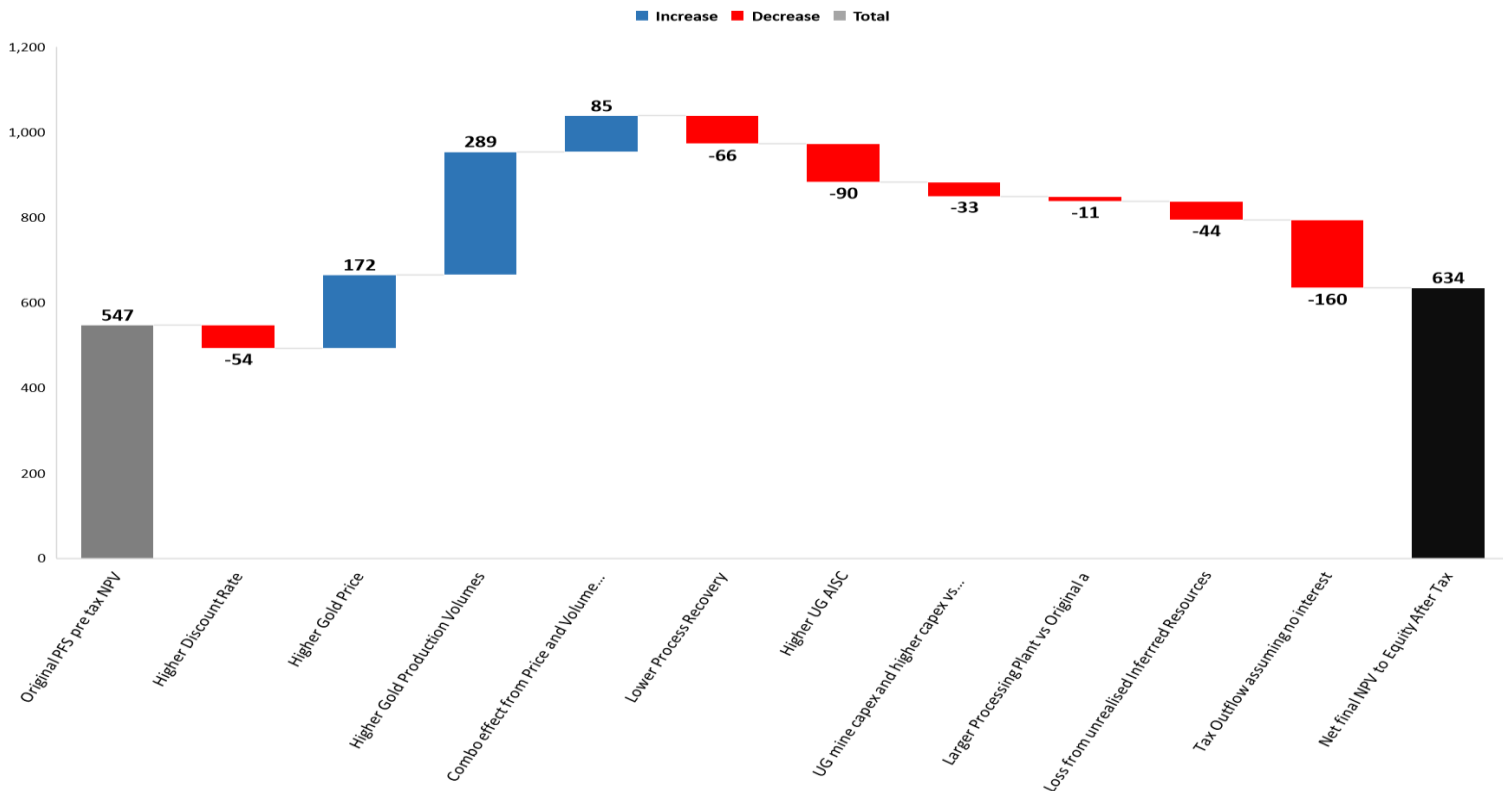


*LJGP March 2024 PFS*

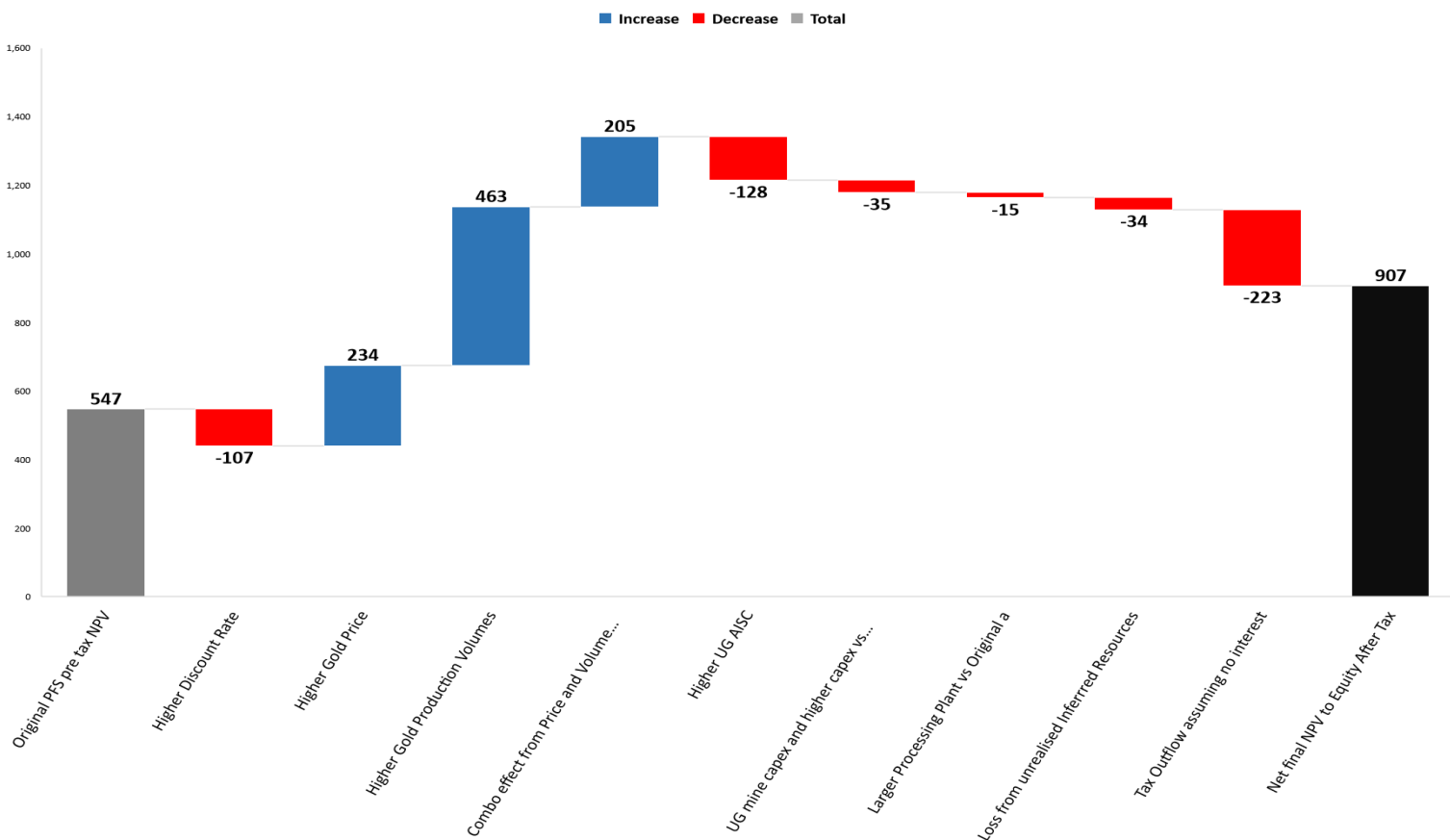
**Step 1 - Adjustments to the LJGP NPV from March**

Figure 17 and Figure 18 – Source: East Coast Research

Base Case Valuation Bridge from March 2024 PFS to new LJGP NPV (\$ M)



Upside Case Valuation Bridge from March 2024 PFS to new LJGP NPV (\$ M)





Discussion of Factors

As discussed in detail below, across both the constructed Base and Upsides we have reflected the valuation impact from several factors which adjust the original March 2024 PFS pretax/pre-interest NPV, leading to the derivation of new Base Case and Upside Case NPVs. The rationale for these adjustments is to add an additional layer of assurance buffer to the final valuation, because PFS estimates for costs and revenues are normally accurate within a 20% +/- range, and to reflect the newly discovered gold reserves within the LJN4 deposit, particularly the increased MRE due to the underground discoveries. Additionally, we have also reflected the impact of higher gold prices.

The consequential net impact to the final valuation vs the original PFS NPV, across both the Base and Upside cases is materially positive. **However, as discussed below, investors should be assured that we have been careful to discount this upside with many risk adjustment measures which add conservativeness and defensibility to our investment thesis for Magnetic Resources.**

Higher Discount Rate

March 2024's PFS had assumed a discount rate of 8% for the LJGP. If we base LJGP's discount rate to what Magnetic's discount rate would be at the company level assuming its: company Beta, the current overall equity market risk premium, capex which we assume will be funded 50:50 across Debt and Equity, with a debt interest rate of 12%, then in fact we'd end up deriving a lower after tax WACC that could be used of ~ 6%.

**However, to add conservativeness to our valuation. Our Base Case has assumed a discount rate of 10%, and our upside case an even higher discount rate of 12%.** As seen above in the valuation bridge charts, under both cases there is a material deduction effect to the LJGP's NPV from these assumptions. Both of these discount rates can be assumed to reflect the after tax cost of debt that Magnetic will need to take on for the LJGP.

- The valuation deduction effect in the Base Case is \$54m, whilst it is \$107m in the Upside case.

Higher Gold Price Assumption

The current spot gold price is around AUD \$3,650. In a prior section, we discussed the market's consensus thesis that supports gold staying at least at these levels in the foreseeable future due to many supportive factors both from the demand and supply sides.

As a result, our Base Case has assumed an average spot price for gold of \$3,200 over an expected 9 year production stage for the LJGP, whilst our Upside Case has assumed \$3,400.

March's PFS NPV was based off an assumed gold price of \$2,800 when the spot price at the time was \$3,100. **Hence, since across both our Base and Upside Cases our assumed gold price to current spot ratio is similar to the ratio assumed in March and the overall thesis for gold remaining at these levels is well backed, investors should be reassured with our assumptions.**

Additionally, there is a connection between the higher discount rates we have used vs the original PFS's 8%. For instance, reflecting the additional exposure to systematic risk that emanates from higher assumed gold prices in our Upside Case, our Upside Case discounts those higher revenues due to higher gold prices with a higher 12 % discount rate (~2x what Magnetic's WACC is based off its current Beta). **Therefore, reasonableness and conservativeness have been reflected in our key assumptions.**

*We have not assumed any gold price growth in our financial forecasts for the LJGP. Over the last 20 years, gold prices have gone up over 6.5 times in AUD terms.*

Higher mining production volumes at LJGP, and the combined impact from higher prices and higher volumes coinciding

The March 2024 PFS had assumed a cumulative total production volume at LJGP of 720,000 over 9 years. Our Base Case assumes a higher value of ~1.1m oz, and the Upside Case assumes 1.4m, both also over 9 years (gross values prior to estimation / process recovery losses). The approximate break out assumed across the different deposits that comprise the LJGP is shown below in Figure 19.

**Figure 19: LJGP's Base Case and Upside Case Gold Resource Assumptions**

<b>MRE (oz)</b>	<b>Base Case</b>	<b>Upside Case</b>
LJN4 OP	750,000	800,000
LJN4 UG	250,000	500,000
LJC OP	42,620	42,620
HN9 OP	48,547	48,547
<b>Total Oz</b>	<b>1,091,168</b>	<b>1,391,168</b>

*Company, East Coast Research*

The Base Case reflects the current actual situation with the LJN4 project post its record of strong regular increases in the gold resource estimate for the LJN4, which in recent times has almost entirely been due to successful extensional underground drillings at LJN4 that continue to encounter wide stacked lodes at depth with widths between 20m to 30m. As a result, the Base Case reflects an UG MRE at LJN4 of ~ 250,000. The original March 2024 PFS did not have any UG mineralisation at LJN4.

**Given the nature of the upward mineralisation updates that has seen Magnetic's MRE increase 52% from November 2023 to July 2024, including a 544,000 oz increase between just March and July 2024, and given the recent drilling results at depth in the northern zone of LJN4, we are of the view that it is likely LJN4's underground deposit will increase from the current 250,000 oz to a minimum of 500,000 and potentially even ~ 700,000 oz. Consequently, the Upside Case's assumption of LJN4's underground gold resource estimate of 500,000z can be taken as being probable/ reasonable.**

The current UG resource at LJN4 of ~ 250,000 is noted to be at an average grade level of 3 g/t and currently is 40% Indicated. Magnetic's exploratory drillings at depth that have led to this current estimate will be followed by an infill diamond drilling program. The continuation of the lodes found at depth, their width, and alteration all point to the high likelihood of the conversion of Inferred resources into Indicated in addition to an expansion of the UG resource to a minimum of 500,000 oz. This view is also supported by geotechnical surveys conducted in those areas.

- In order to isolate the impact to the unlevered after tax NPV from an increase in production volumes, production volumes are increased across both the Base and Upside cases whilst gold prices are assumed to be the same as those in the PFS from March = \$2,800. A similar isolation approach was used to calculate the incremental benefit from an increase in gold prices – production volumes in that instance were assumed to be the same as the March PFS'.

- **Changes in the assumed production volumes alone have the highest positive impact amongst all the other relevant factors in terms of increasing the project's NPV. The pre tax benefit in the Base Case was seen to be \$289 M, whilst in the Upside Case it was seen to be \$463 M.**
- Combination effect from when higher gold prices and higher production volumes are assumed to coincide. Since we are forecasting higher gold prices to occur at the same time as an expansion in the LJGP's gold resource base, it's best to gauge the combined effect from both higher gold prices and higher production volumes coinciding. In our Base Case, this combined impact is estimated to bring a \$546 M pretax positive addition to the project's NPV as compared to the equivalent from March's PFS, whilst the Upside Case has this combined benefit as being \$903 M pretax.

#### Process Recovery

The March 2024 PFS had assumed a Process Recovery of 93% which is considered to be reasonable given the free milling nature of gold mineralisation at the LJGP sites. In the Upside Case we have maintained this assumption, however to add an additional degree of conservativeness/ estimation error buffer to our estimates, in our Base Case we have assumed an average Process Recovery of 90%.

Given the absence of refractory characteristics in the ore across the LJGP sites, and the wider region across WA's Eastern and Northern Goldfields, an assumed process recovery rate that averages 90% can reasonably be viewed as a worst-case scenario. In our Base Case, this assumption leads to a \$66m pretax decrement to the LJGP's NPV.

The March PFS had already accounted for mining dilution of 15% across all of the LJGP's deposits. Given LJGP's ore configuration, this was deemed to be a reasonable metric to maintain across our new Base and Upside cases, especially since many other gold mine economic studies have been noted to assume a 5-10% dilution assumption which is acceptable as per industry practice.

#### Higher AISC assumptions for the Underground mining stage

Although the Base and Upside cases, assume different UG resource estimates at LjN4, both cases assume that production from the underground mining segment of the project occurs in the last few years of the 9 year project life (~ last 3 years).

Under both our Base and Upside cases, for the underground segment, we have assumed an AISC of \$2,150 per oz. This contrasts to the assumption of an AISC of \$1,445 during the open pit operating period of the mine. Based off these assumptions, the Base Case reflects a volume weighted AISC of \$1614 for the duration of the project, whilst the Upside Case reflects \$1684.

Adding assurance to our estimates is the fact that based on the numbers given in Aurum Analytics' 2024 Q1 Gold Operations Report, the average AISC for underground mines which possess similar characteristics to LjN4 is ~ \$2,063.

In the Base Case, the new higher average AISC is applied to gold production volumes prior to applying the assumed higher Process Recovery loss to those volumes. Hence the Base Case's operating cash outflows are resultantly higher due to higher per oz AISC costs being applied to the production volumes prior to those volumes being lowered due to higher process recovery loss being factored in.

*Free milling gold ore deposits are more economically attractive to extract than vs refractory gold ore deposits. Refractory gold ore deposits wrapped in minerals such as pyrite, arsenopyrite or telluride. When these ores are processed, specialised processes such as roasting, pressure oxidation, or bioleaching are required to release the gold from these ores.*

The AISC per oz assumptions are not escalated with inflation because the assumed gold prices also do not reflect inflationary led increases. Hence the net impact to the NPV estimates is nullified.

#### Higher Capex assumptions

**Both the Base and Upside Cases assume materially higher capex than what was assumed in the original March PFS.** This adds another degree of credibility to our bullish investment thesis for Magnetic.

The March PFS' overall capex estimate was for \$93.4 m, which included an allocation of \$ 54 m estimate for Process Plant EPC work, and a 15% variance contingency on the cost of the Process Plant of \$6.7m. Hence the original capex number, which both our new cases are based on, already included a reasonable buffer for cost underestimation.

In the Base Case, this preproduction capex increases to \$114.5m as a result of adding an additional estimation buffer of 10% on the original March PFS number with an assumed additional 12.5% increase in the EPC cost of the Processing Plant to enable it to manage the larger overall gold production schedule assumed in the Base Case vs the original estimate from March. A similar methodology results in the Upside Case's preproduction capex rising to \$120m, with an assumed 17.5% increase in the EPC cost of the Upside Case's Processing Plant vs the original March estimate in order to enable it to manage the larger expected production volumes assumed in the Upside Case. A reasonable scale related benefit due to a larger operation size has been reflected across both cases.

Unlike the original March PFS, the Base and Upside Cases involve an underground mining component, resulting in a year 6 of 9 underground capex assumption of \$40m in the Base Case, and \$50m in the Upside Case, with the Upside Case's number rising as a result of the assumed larger underground reserve that the Upside Case assumes. These underground mining related capex estimates are reasonable and reflect industry standards for the anticipated scale of operations specific to the LJN4.

Although our forecasts assume that Magnetic will invest into constructing its own Processing Plant, investors should be aware that given the proximity of the LJGP's deposits to nearby, well connected larger gold developers who have their own processing facilities, Magnetic's LJGP could also very viably use a toll milling option.

Additionally, we have factored into the valuation a reasonable amount of start-up pre-production working capital investment across both cases, factoring in a buffer for uncertainty and Magnetic's strategy of staging the pit design in a manner that maximises earlier ore recovery (minimises working capital needs).

#### Inferred Resources Estimation

Although based on historical trends seen within the LJGP itself and what has occurred with other regional deposits associated with the CSW, an infill drilling program at LJGP would likely be quite effective in converting Inferred resources into Indicated, the current underground mineralisation at the LJN4 is estimated to comprise of 40% Indicated resources and 60% Inferred.

Consequently, based on the current estimates there is the risk that a certain amount of the underground Inferred gold reserve estimate at LJN4 does not actually materialise into a mineable gold resource. However, investors should note that this current UG Inferred portion of 60 % is very likely more a function of the wide spaced out diamond drillings that have occurred at depth at LJN4 rather than the innate nature of the mineralisation, and this is based on several supportive geological factors such as the continuity and width of the

*Location. Location. Location. LJGP's location allows it to have a valuable toll milling option that, given the underutilised processing assets in the Laverton region, will likely be at financially attractive rates, allowing MAU to avoid immediate cash outflows for capex if so desired.*

lodes found between the drilling. Despite this, with the aim of ensuring that our investment thesis is based off conservative, defensible assumptions, both our Base and Upside Cases model for a non realisation of a portion of the current UG resource at LJN4 that is currently classified as Inferred.

Accordingly, our Base Case assumes that 25% of the 250,000 oz LJN4 UG resource does not materialise into production (loss in revenues), whilst the Upside Case assumes a more sanguine but still decremental percentage of 15% of 500,000 oz.

Investors should note that since Magnetic plans to only mine the Inferred /UG resource component of the gold resource base in the last 3 (likely) to max 4 years of the mine's 9 year expected operating life, any likely non materialisation of resources currently categorized as Inferred will not impact the LJGP's cash payback period.

Additionally, since the grade of the Inferred resources is similar to the Indicated resources, the risk of cost underestimation is also very low.

- The Base Case has the pre tax loss from unrealised inferred resources as being \$44m, whilst the Upside Case has this loss at \$34m.

#### Unlevered Tax Outflow

Taking into account Magnetic's current reserve of accumulated tax losses, and other relevant deductions, the Base Case reflects an unlevered NPV loss from tax outflows of \$160m, whilst the Upside Case has this tax related outflow at \$223m. The effective tax rate used to estimate these tax related outflows is in line with the mining industry's average rate in Australia.

#### Other adjustments, and step 1 final EV result

Even amidst the development and operational stage of the 9 year LJGP, Magnetic plans to conduct exploratory works on other areas within the LJGP that are likely to be prospective for gold and also on its other Leonara area based gold deposits and tenements such as Homeward Bound.

The decremental impact to the overall NPV from these expenditures, working capital needs and corporate level SG&A has been estimated differently across both the Base and Upside Cases and deducted from the unlevered after tax NPV estimates from the LJGP – please refer to Figure 20 below. For example, in the Base Case, we have assumed that in addition to the \$1.5m p.a of exploration related expenses that are already incorporated into LJGP's AISC, Magnetic will expend \$4.5 m more p.a on other exploration related works.

**Figure 20: Step 1 Magnetic's EV taking into account LJGP and non LJGP activities**

\$ M	Base Case	Upside Case
LJGP Unlevered After Tax NPV	634	907
Less After Tax NPV of exploration exp, SG&A outside of LJGP & work capital	-25	-28
<b>Magnetic's Net Step 1 Enterprise Value</b>	<b>609</b>	<b>879</b>

*Company, East Coast Research*

### **Step 2 M&A Premium benefit to LJGP's core valuation**

As noted in the industry analysis section, the M&A equity premiums seen in actual completed deals in the gold segment in Australia generally hover between 30 -50%.

Magnetic is a strong candidate to become a target of an M&A due to many reasons as explained earlier. Some of these potential acquirers are already engaged with Magnetic in their M&A due diligence.

Taking these factors into account, including Magnetic's likely future gearing, we deem our Base Case's use of a 9% M&A premium (to EV) and the Upside Case's 14% as being reasonable. These premiums are applied only to the core unlevered after tax NPV (proxy for EV) for the LJGP.

### **Step 3 Valuation of Magnetic's residual resources**

The gold mineralisation that is assumed to be used up in the course of a 9 year long mine production life at the LJGP is less than both:

- the actual sum total gold resource mineralisation in the deposits that constitute the LJGP (Lady Julie North 4, Lady Julie Central, and Hawks Nest 9). This is because the LJGP's gold mine's output is defined by pit optimizations, across three open pits, that would naturally leave out some of the gold resources which are still of good grades and classified across both Indicated and Inferred categories.
- And Magnetic's total co. wide gold MRE, due to the reason noted above and because Magnetic has other deposits that are totally excluded from the LJGP, both within Laverton and Leonara (Hawks Nest 3, Hawks Nest 5, Mount Jumbo, and Homeward Bound).

This residual gold resource between Magnetic's total gold MRE across all of its deposits and the resources estimated to be exhausted by the LJGP mine is still of a material quantum both in terms of its absolute amount and estimated proportion classified within the Indicated category – refer below to Figure 21. The numbers have been estimated assuming that 40% of LJN4's UG resource is within Indicated.

**As can be seen in Figure 22, this residual MRE is higher than that of many junior WA based gold explorers in terms of both total gold resources and the proportion within Indicated.**

Our estimated residual resource amount should be viewed as a high confidence estimate of the current situation as reflected in our Base Case. **The Upside Case's anticipated additional LJN4's UG MRE increases from 250,000z to a min of 500,000oz and since this additional MRE is not currently a part of Magnetic's total defined MRE, the gold reserve quantity that is subject to residual valuation is assumed to be the same across the Base and Upside Cases.** The only difference in impact across both cases is an assumed 10% higher (EV/adjusted gold resource) \$/ oz valuation ratio that we have reflected in the Upside case vs the Base Case.

- Currently approximately 40% of the UG resource at LJN4 is classified as being Indicated. Investors should note that as Magnetic furthers its infill drilling program at LJN4, the proportion of the UG resource classified as Indicated will very likely increase as will the total UG resource base (Upside Case).
- **As a result of this anticipated increase in the % of LJN4's UG resource base becoming more Indicated, there will be a net overall sum of parts valuation increment to Magnetic, even though the valuation of the residual component will consequently fall.**

*Magnetic plans to conduct further exploration works on its other non LJGP gold deposits even during a LJGP mine operation stage and we have factored the costs associated with this prudent strategy.*

- For example, as 1 oz of gold that is currently categorized as Inferred within LJN4's UG resource base becomes Indicated due to infill drilling, it leads to a lower expected loss to LJGP's NPV from Inferred resources that potentially do not materialize – because this 1 oz is now Indicated. This lower expected loss (gain to valuation) is higher than the loss in the residual gold resources' valuation based off (EV / Weighted Average Resource) multiples as a result of that valuation now being lowered because the residual gold resource base now has 1 more Inferred oz of gold resource at the expense of losing 1 Indicated oz of Resource. **Hence investors should keep this dynamic in mind as an additional lever for share price value creation that we have conservatively not factored into the valuation.** Figure 22 below indicates what the approximate net positive effect to Magnetic's final EV would be if we assume that eventually due to infill drilling the LJN4's UG resource base tends toward being approximately 80% Indicated from the current 40%.

**Figure 21: Estimated quantum of Magnetic's Residual Gold Resources**

Oz	Residual MRE
Indicated	486,296
Inferred	297,926
<b>Total Resource</b>	<b>784,222</b>
% Indicated (approximation)	62%

*Company, East Coast Research*

**Figure 22: What Magnetic's Base Case Final EV could be post further infill drilling**

Waterfall impact from LJN4 UG resource becoming more Indicated	\$ M
Magnetic's Original Sum of Parts Net EV (post the 3 steps)	683
Increase to LJGP EV due to lower estimation losses from Inferred Resources	29
Decrease to Residual Resources' Valuation	-4
<b>Adjusted Magnetic Base Case Final Net EV</b>	<b>707</b>

*Company, East Coast Research*

Figure 23 below lists out the current peer set relevant to value Magnetic's residual resources. Shown here are 11 pre-development gold companies with defined gold resources located in Australia and mainly in the state of Western Australia. Of this peer list, 5 of them have their flagship gold projects in the same Murchison region in Western Australia - same as Magnetic's (highlighted in Green). To enhance the comparability of the peers' defined resources, we have adjusted for the confidence levels of each

company's resources by assigning a weight of 1 to Measured and Indicated resources and a weight of 0.5 to Inferred resources.

Despite this normalisation, there is notable variation in the EV / Weighted Average Resource ratio. This is because there are other factors outside of the level of mineralisation and the proportion within Indicated that affect the economics of eventual gold mine development and hence a pre developer's valuation.

These other factors include the mineralisation's grade, the average depth of the ore bodies, the metallurgy, and the deposits' proximity to infrastructure including options for toll milling. **All Magnetic's deposits perform well across these metrics including grade level and shallowness of the mineralisation.**

Therefore, our assumed EV / Weighted Average Resource ratio that we have used to value Magnetic's residual gold resources (\$25/oz in the Base Case, \$27.5/oz in the Upside Case) should be seen as being conservatively defined given that the peer set average is \$42/oz.

*Many qualitative factors impact the valuation of a gold company's resource, including access to ready infrastructure, grades of the deposits and closeness to the surface, amongst others.*

**Figure 23: Magnetic's Peer Company Set used to value its Residual Resources**

Company	ASX Code	Market Cap^ (A\$m)	EV^ (A\$m)	Total Resources (Moz)	Grade (g/t)	Inferred Resources (Moz)	Weighted Average Comparable Total Resources (Moz)	EV / Weighted Average Comparable Total Resources (A\$m/Moz)
Antipa Minerals Ltd	AZY	52.0	46.1	3.273	1.75	1.925	2.311	19.95
Prodigy Gold	PRX	6.3	3.7	0.852	1.70	0.599	0.553	6.70
Rox Resources Ltd	RXL	60.0	57.6	2.300	4.40	0.740	1.930	29.84
Alto Metals Ltd	AME	25.2	22.4	1.046	1.40	0.819	0.637	35.24
Ausgold Ltd	AUC	104.0	68.0	3.040	1.06	0.620	2.730	24.91
Horizon Gold Ltd	HRN	40.5	40.3	2.137	1.50	0.791	1.742	23.14
Gateway Mining Ltd	GML	10.3	9.3	0.526	1.60	0.384	0.334	27.84
Odyssey Gold Ltd	ODY	16.2	13.2	0.407	2.5	0.345	0.2345	56.3
Great Boulder Resources Ltd	GBR	35.2	31.2	0.668	2.80	0.327	0.505	61.80
Yandal Resources Ltd	YRL	40.2	33.2	0.470	1.40	0.379	0.281	118.25
Astral Resources NL	AAR	75.0	68.0	1.381	1.10	0.591	1.086	62.64

*Company, East Coast Research*

### Final Enterprise Valuation

Figure 24 below lists Magnetic's final Enterprise Valuation as a result of our sum of parts 3 step EV valuation process. Across both the Base and Upside Case's, LJGP's unlevered after tax NPV, excluding an expected M&A premium, accounts for ~90% of Magnetic's final total EV.



**Figure 24: Magnetic's Final Net EV post completion of the 3 Step Valuation Process**

\$ M	Base Case	Upside Case
LJGP Unlevered After Tax NPV	634	907
Add M&A premium	58	128
<b>Magnetic's LJGP Final EV</b>	<b>692</b>	<b>1035</b>
Less After Tax NPV of exploration and SG&A outside of LJGP & working capital	-25	-28
Add Valuation of Residual Resources	16	17
<b>Magnetic's Final Net Enterprise Value</b>	<b>683</b>	<b>1025</b>

Company, East Coast Research

### Magnetic's Equity Valuation

Our transition from Enterprise Valuation to Equity Valuation leads to a Base Case share price valuation of \$2.18, and an Upside Case of \$3.35, leading to a blended midpoint valuation of \$2.77 which represents investors with an expected upside of 115% from the current share price of \$1.29 -refer below to Figure 25.

Although Magnetic currently does not hold any debt on its capital structure, we have assumed debt levels across the Base and Upside Cases which will be used partially (50%) to fund the anticipated preproduction capital works and start up working capital needed to develop the LJGP gold mine. The residual amount is expected to be sourced from an additional equity raise.

In terms of share dilution, the current ordinary number of shares outstanding is ~ 258m. We have used a higher figure for the number of shares on issue as a conservative measure that lowers the eventual equity valuation as a result of assuming that all the currently outstanding options get exercised and that the current ~20.4m partly paid up shares transition to fully paid up shares and become included in the ordinary share count.

Proceeds from these additional equity dilutions can also be assumed to provide capital for any future capex that is not able to be covered from debt and free cash flows.

**Figure 25: Magnetic's Equity Valuation**

Magnetic's Equity Valuation (A\$ m)	Base Case	Upside Case
<b>Magnetic's Final Net Enterprise Value</b>	<b>682.7</b>	<b>1,024.6</b>
Cash ^	9.2	9.2
Debt*	59.2	61.5
<b>Total Market Value of Equity</b>	<b>632.7</b>	<b>972.3</b>
Number of shares on Issue^^ (m)	293.2	293.2
<b>Implied price (A\$)</b>	<b>2.182</b>	<b>3.353</b>
Current price (A\$)	1.29	1.29
Upside (%)	69.1%	159.9%
<b>Mid-point Target Price (A\$)</b>	<b>2.77</b>	
Price / NAV (X)	<b>0.45x</b>	

Company, East Coast Research

Robust Valuation Sensitivity Analysis adds confidence to thesis

As stated earlier, in support of our investment thesis, we have been careful in ensuring that our assumptions are defensible. For example, the current UG gold resource of 250,000 at LjN4 assumed in the Base Case will very likely be revised upward given Magnetic's recent drilling results which have not yet been reflected in a new MRE; hence the Upside Case's estimate of 500,000 UG can also in certain scenarios be underestimating LjN4's true UG potential.

However, even if we assume the Base Case's assumptions for now, across all theoretical scenarios, Magnetic is currently undervalued – refer below to Figure 26.

**Figure 26: Base Case's Sensitivity Analysis**

		Gold Prices (\$)						
		2900	3000	3100	3200	3300	3400	3500
WACC (%)	2.18							
	6.0%	2.05	2.27	2.49	2.71	2.93	3.15	3.37
	7.0%	1.94	2.15	2.36	2.57	2.78	2.98	3.19
	8.0%	1.83	2.03	2.23	2.43	2.63	2.83	3.03
	10.0%	1.63	1.82	2.00	2.18	2.36	2.55	2.73
	11.0%	1.55	1.72	1.89	2.07	2.24	2.42	2.59
	11.5%	1.50	1.67	1.84	2.01	2.19	2.36	2.53
	12.0%	1.46	1.63	1.80	1.96	2.13	2.30	2.46

Company, East Coast Research

The table below in Figure 27 shows Magnetic's share price evolution across scenarios under the Upside Case. Again, our bullish thesis remains. Gold prices, discount rate and LJGP mineable ore volumes are the key drivers for Magnetic's share price. Changes in capex assumptions have a very small impact. For example, even if we adopt further conservativeness and discount Magnetic's preproduction and UG growth capex cash outflows at 9%, whilst discounting the other net free cash flows at 12%, because we view the latter as being innately more subject to risk than the former, the actual net impact to Magnetic's Upside Case share price is only a decrement of \$0.02.

**Figure 27: Upside Case's Sensitivity Analysis**

		Gold Prices (\$)						
		2900	3000	3200	3400	3450	3500	3600
WACC (%)	3.35							
	9.0%	2.70	2.93	3.39	3.85	3.97	4.09	4.32
	10.0%	2.57	2.79	3.24	3.68	3.79	3.90	4.12
	11.0%	2.46	2.67	3.09	3.51	3.61	3.72	3.93
	12.0%	2.35	2.55	2.95	3.35	3.45	3.55	3.75
	12.5%	2.30	2.50	2.89	3.28	3.38	3.47	3.67
	13.5%	2.20	2.39	2.76	3.14	3.23	3.32	3.51
	14.0%	2.15	2.34	2.70	3.07	3.16	3.25	3.43

Company, East Coast Research

**March 2024 PFS release and the latest MRE update from 2 July have been key catalysts**

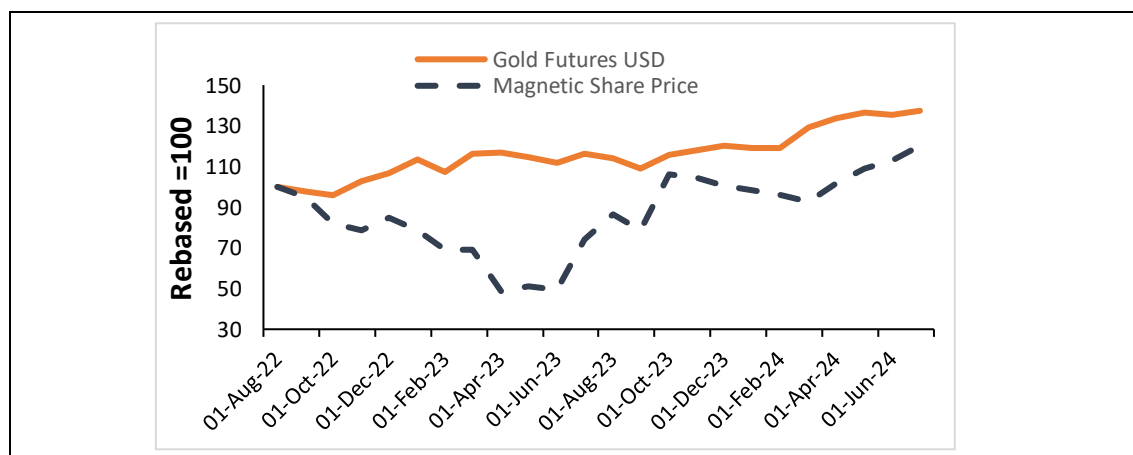
Magnetic’s share price has increased healthily since the lows of April 2023 when the RBA’s interest rate tightening cycle was in full swing. The lows during that time were mainly attributable to investor sentiment turning bearish on the pre development resources sector which is reliant on raising funds to develop and commercialise their prospects.

Although gold prices have steadily been rising over the last few years, only in the last few months has Magnetic’s share price trend begun to correlate with positive macro factor led rise in gold prices. In fact, specifically over the last two months, Magnetic’s share price trend has supplanted that of even the gold price’s. Refer below to Figure 28.

We believe that this is mainly due to the string of positive announcements that Magnetic has made since the March 2024 release of its LJGP PFS. Announcements such as additional MRE increases, positive drilling results at depth in a part of the LJN4 that was previously relatively unexplored, and an announcement relating to the appointment of a debt capital advisor have all likely helped instil confidence and raise investor sentiment.

**As per our bullish thesis, we are of the view that as Magnetic furthers its commercialisation works for the LJGP such as releasing an updated PFS, or announcing further MRE at depth at LJN4 this upward trend in Magnetic’s share price towards our target price will continue.** This gradual alignment between Magnetic’s share price and its intrinsic value will be helped if we enter into an interest rate easing cycle later in 2024 which will most likely be the case.

**Figure 28: Magnetic’s Share Price Trend vs Gold**



*Yahoo Finance, East Coast Research*

**Re-rating of Magnetic**

Magnetic is currently trading well below our midpoint intrinsic valuation estimate. Achieving the following milestones could lead to a re-rating of the stock, moving the share price closer to our target valuation range:

- **Further excellent exploration results** following the multitude of positive sequential MRE upgrades announced by MAU since the time of the maiden MRE announcement, if further increases in MRE are announced, particularly within the LJN4 UG area, then this would validate our investment thesis on MAU. Investors should note that a number of the positive diamond drilling results at depth have not been reflected in the current MRE. Additionally, MAU also plans to conduct exploration works in other deposits

outside of both the LJN4, and the LJGP, and given the overall region's prospectivity these could also result in favourable results.

- **Announcing an upgraded Mineral Resource Estimate (MRE)** will directly impact the stock's valuation. An increase in Indicated and Inferred reserves, as well as a conversion of Inferred resources to Indicated in further studies will enhance Magnetic's valuation. As noted, given the nature of the intersections that the diamond drills have uncovered, planned infill drilling will likely lead to an Inferred to Indicated conversion.
- **Completing a revised PFS, or a DFS, which includes revised pit-optimization studies across all deposits** at the LJGP would very likely validate our net valuation increase thesis on the LJGP NPV if the inputs are revised to reflect the current mineralisation, grade cut offs, and forecasted gold prices. A revised PFS would demonstrate the potential for eventual economic extraction of the defined gold resources, increasing investor confidence in the LJGP's attractive economic viability.
- **An announcement of a takeover offer** at a significant premium to the current market price would quickly re-rate the stock's price.
- **Any further rise in gold prices** will directly impact the project's expected cash flows and return profile.
- **Improvement in the macroeconomic environment** and subsequent relaxation of financial markets would positively impact Magnetic's ability to raise funds at more attractive prices, supporting its value-accretive operations and enhancing its valuation. With inflation rates currently below cash rates in most developed nations, interest rates are likely to decline in the mid to long term, easing credit markets and improving sentiment towards pre-development resource companies such as Magnetic Resources.

## Risks

Although we are confident that our bullish thesis on MAU is based on reasonable and conservatively defined assumptions, leading to an attractive investment opportunity, particularly with the potential for mean divergence in the stock's price due to an expected official update to the March PFS and relaxation of credit markets in the mid to long term, we identify the following key risks to our investment thesis:

- **Underlying commodity price risk:** Magnetic's valuation is highly sensitive to fluctuations in gold prices, which are influenced by macroeconomic and geopolitical factors and global demand and supply dynamics of the commodity. An unexpected and prolonged decrease in gold prices would adversely affect our investment thesis.
- **Funding / Equity Dilution risk:** MAU's current cash balance as per the quarter ended 30<sup>th</sup> June is ~\$ 9.2 M. Its cash balance at the end of the quarter prior on March 30 was 13.4 M. Although the cash used up between those 2 quarters can largely be viewed as being accretive to MAU's overall valuation since it funded exploration drilling programs that resulted in a material increase in MAU's MRE, this recent decline in cash if extrapolated would mean that MAU has just over 2 quarters of cash funding left. Therefore, since MAU does not currently generate cash flows, it depends on capital raisings to finance its operations. The company's management may face challenges in securing funds on favourable terms due to the tight financial markets at present, and this may become even more of a challenge if the LJGP does not progress as expected.
- **Geological risk:** For an exploration stage company such as Magnetic, there would always be the risk of downward estimates of resource figures as more drillings, test work and feasibility studies are conducted. Similarly, there also exists a risk of re-categorisation of the Indicated resources to Inferred resources in further studies.
- **Execution and Supply Chain risks and delays:** Although we expect MAU to receive all the requisite regulatory approvals given that no risk of non-approvals was flagged in the original PFS, a successful mining operation at the LJGP is still subject to Magnetic being able to adeptly manage a complex global mining supply chain. This risk is partly offset due to Magnetic's management team possessing prior experience in taking mineral resources projects to the production stage.

## Appendix I: MAU's SWOT Analysis



Figure 29: SWOT analysis

Strengths	Weaknesses
<p>(1) MAU possesses proven gold mineral resources that are currently 67% classified as Indicated. The deposits are mainly comprised of shallow, oxidised ore, and continuous extensions at depth. The UG mineralisation is at good grade levels, often with well formed continuous, wide multi stacked lodes that lead to LJN4 being amenable to a large, deep open pit operation, reducing LJGP's capital costs vs alternative gold projects.</p> <p>(2) MAU's deposits associated with the LJGP have already been subject to a PFS and related pit optimisation studies which result in an attractive NPV even when based off lower, dated assumptions relating to gold prices and mineable resource estimates.</p> <p>(3) All of MAU's deposits, but particularly its Laverton LJGP deposits are accessible by infrastructure to each other and close to other larger developed mines in the area which is known for producing quality high grade gold.</p> <p>(4) MAU LJGP has consistently shown improvements in its MRE since its maiden MRE in June 2022, including a 544,000 oz increase between March and May this year (89% of the increase was indicated). The LJGP displays outstanding financial metrics. The March 2024 PFS indicated it as one of the largest, highest grade open pit projects in Australia whilst also being well in the bottom half of the cost curve amongst producers in Australia.</p>	<p>(1) MAU is not currently generating any cash revenue from core operations and therefore is reliant on capital raisings to continue its exploration operations.</p> <p>(2) MAU's overall valuation which is mostly composed of the NPV estimate from the LJGP is very dependent on the amount of mineable gold resource actually generated at the LJGP, which is subject to both estimation risk and mining execution risk.</p>
Opportunities	Threats
<p>(1) MAU's resources at LJGP are currently open at depth, and hence is regularly expanding with additional drilling. Even though a material part of the UG resource at LJGP is currently within the Inferred category, given the results of seismic surveys and the length and width of intersected mineralisation discovered, infill drilling will likely bring a material part of this into the Indicated category.</p> <p>(2) MAU's proximity to other large gold mines in the area owned by larger gold companies such as Gold Fields makes it not only a high chance of being an M&amp;A target (DD already in play) but also de-risks the LJGP because it gives MAU a highly economical option for toll milling should it not wish to develop its own processing assets.</p> <p>(3) Pit wall geometry. MAU may have the option to change some of pit wall angles at LJN4 both steepen and flatten, depending on the area, leading to a lowering of capital costs and the potential for an expandable open pit resource.</p> <p>(4) Process Recovery rate assumption of 90% that we used in our Base Case valuation can be seen to be on the lower end given the soft nature of the ore and other metallurgical aspects found both across test works done on the LJGP and the wider CSW region. Consequently it's likely that the recovery rate in actuality is more within the 93-94% range. Similarly, we have included a reasonable contingency buffer for our cost estimates, which MAU can readily beat with a well managed mining operation.</p>	<p>(1) MAU's overall valuation is very dependent on our estimates for gold price. Although we have used gold price estimates that are in line with the consensus market view and are safely lower than the current spot price, any unforeseen changes here due to macroeconomic changes will lower MAU's valuation.</p> <p>(2) MAU is also exposed to other uncertain macroeconomic factors, including a strengthening AUD/USD, and tight credit markets that could lead to challenges for MAU to raise capital on favourable terms.</p> <p>(3) Although we have been diligent in stress testing and increasing many of the cost and capex assumptions from March's PFS estimates. Our valuation's step by step approach does begin with the March PFS' NPV and hence is exposed to underestimation error in so far as our additional cost and capex increases beyond the buffer estimates already incorporated in the March's PFS do not capture the range of outcomes possible at LJGP.</p> <p>(4) Magnetic's LJGP is still only at the PFS stage. The mining lease applications are still under review, and there are a range of other regulatory approvals and milestones that still need to be achieved prior to the LJGP progressing to the mining stage. Although the risk of non approvals is estimated as low and has been factored into our valuation, investors are advised to keep this in mind.</p>

Source: East Coast Research

## Appendix II: Management Team

Figure 30 Magnetic's Management Team

Name and Designation	Profile
<p>George Sakalidis <b>Managing Director</b></p> 	<ul style="list-style-type: none"> <li>George Sakalidis is a founding director and shareholder of the Company since its incorporation in 2006. Mr Sakalidis is an exploration geophysicist with over 30 years' industry experience. He is a mining entrepreneur and director with a successful track record in developing early-stage natural resource projects and delivering substantial value to shareholders and stakeholders by bringing the projects to production.</li> <li>At Magnetic Resources, Mr. Sakalidis is responsible for discovery and development of the gold deposits, driving the engineering studies and relevant approvals processes, bringing the assets to production.</li> <li>Mr Sakalidis has been involved in several significant mineral discoveries in Western Australia, including the Three Rivers and Rose gold deposits, the Blackmans gold deposit, the Dongara Mineral Sands Deposits, the Boonanarring, Gingin South, Hyperion Mineral Sands Deposits.</li> <li>Mr. Sakalidis holds the Honours Degree in Geology and Geophysics of University of Sydney.</li> </ul>
<p>Eric Lim <b>Non-Executive Chairman</b></p> 	<ul style="list-style-type: none"> <li>Eric Lim is an international investment banker, who built his career in leading financial institutions in South East Asia. Mr. Lim brings to the board his extensive corporate financing and audit experience through a variety of engagements in different industries. Mr. Lim currently serves as Chairperson of UOB's Group Environmental, Social and Governance (ESG) Committee, previously holding the position of Managing Director Head of Finance at UOB, one of South-East Asia's largest banks.</li> <li>Mr. Lim holds MBA degree from the Kellogg School of Management and a Bachelor of Accounting from the Nanyang Technological University of Singapore.</li> </ul>
<p>Chan Hian Siang <b>Non-Executive Director</b></p>	<ul style="list-style-type: none"> <li>Mr Chan is the founder, Executive Director and CEO of SP Chemicals Pte Ltd based in Singapore. Mr Chan is also an Executive Officer of SP Chemicals' parent company, Asiawide Holdings Pte Ltd (AWH), and a few other companies within the parent group. From 1985 to 1987, Mr Chan was a Loans and Syndication Officer at Asian-American Merchant Bank Limited. In 1988, he joined AWH as a General Manager and was appointed as an Executive Director of AWH in 1990.</li> <li>Mr Chan holds a Bachelor of Arts (Economics) degree from York University, Toronto, Canada and a Master of Business Administration from McGill University.</li> </ul>
<p>Ben Donovan <b>Non-executive Director</b></p>	<ul style="list-style-type: none"> <li>Mr Donovan has been the Company secretary since 2013 and brings in-depth experience in the areas of compliance, corporate governance, regulations and capital markets.</li> <li>Mr Donovan is currently a Director and Company Secretary of several ASX listed and public unlisted companies involved in the resources and technology industries, including Helix Resources Ltd (HLX:AX), Legacy Iron Ore Ltd (LCY:AX), Westar Resources Ltd in Australia (WSR:AX), technology and media companies, SRJ Technologies Group PLC (SRJ: AX) and The Market Herald Ltd (TMH:AX). Mr. Donovan brings his extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth for nearly 3 years, including as a member of the ASX JORC Committee.</li> </ul>

Source: Company

## **Appendix III: Analyst's Qualifications**

Rahul Tiwari, the analyst on this report, is an equity research analyst at Shares in Value (East Coast Research).

- Rahul has a bachelor's and master's degree in Applied Finance from Macquarie University, a master's in Accounting from UNSW, and an MBA from Cornell University in the USA.
- Rahul has several years of experience across wealth management and investments, infrastructure project finance, private equity and high tech.

---

## **General advice warning, Disclaimer & Disclosures**

### **Terms & Conditions**

The information contained herein ("Content") has been prepared by Shares in Value Pty Ltd (East Coast Research). Shares in Value Pty Ltd (ACN: 643 558 436) is a Corporate Authorised Representative of One Mile Investment Group (ACN: 664624846), which holds an Australian Financial Services Licence (AFSL no. 547945). All intellectual property relating to the Content vests with East Coast Research unless otherwise noted.

### **Disclaimer**

The Content is provided on an as is basis, without warranty (express or implied). Whilst the Content has been prepared with all reasonable care from sources we believe to be reliable, no responsibility or liability shall be accepted by East Coast Research for any errors or omissions or misstatements howsoever caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication and may change without notice. East Coast Research will not accept any responsibility for updating any advice, views, opinions or recommendations contained in this document.

No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by East Coast Research, and under no circumstances will any of East Coast Research officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the Content.

### **General Advice Warning**

The Content has been prepared for general information purposes only and is not (and cannot be construed or relied upon as) personal advice nor as an offer to buy/sell/subscribe to any of the financial products mentioned herein. No investment objectives, financial circumstances or needs of any individual have been taken into consideration in the preparation of the Content.

Financial products are complex, entail risk of loss, may rise and fall, and are impacted by a range of market and economic factors, and you should always obtain professional advice to ensure trading or investing in such products is suitable for your circumstances, and ensure you obtain, read and understand any applicable offer document.

### **Disclosures**

East Coast Research has been commissioned to prepare the Content. From time to time, East Coast Research representatives or associates may hold interests, transact or hold directorships in, or perform paid services for, companies mentioned herein. East Coast Research and its associates, officers, directors and employees, may, from time to time hold securities in the companies referred to herein and may trade in those securities as principal, and in a manner which may be contrary to recommendations mentioned in this document.

East Coast Research receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company. The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where East Coast Research has been commissioned to prepare Content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the Content provided.

### **FINANCIAL SERVICES GUIDE**

Shares In Value Pty Ltd (East Coast Research)

ABN: 56 643 558 436

Corporate Authorised Representative (AFSR No: 001283429) of One Mile Investment Group (ACN: 664624846) which holds an Australian Financial Services Licence (AFSL no.: 547945)