



ERM's Tennant Creek Partner Acquired

ERM.ASX | EMMERSON RESOURCES LIMITED | MATERIALS | GOLD

PRICE	TARGET PRICE	RECOMMENDATION
A\$0.056/sh	A\$0.200/sh	SPECULATIVE BUY
	(UNCHANGED)	(UNCHANGED)

Event

M&A activity is heating up in the Tennant Creek region, NT, with AIM-JSE-listed gold producer Pan African Resources (PAR) acquiring Tennant Consolidated Mining Group (TCMG) for a consideration of ~US\$54m + TCMG debt of ~US\$38m (total ~US\$92m).

Emmerson Resources (ERM), TCMG's JV partner, could also be in the cross-hairs for further consolidation, with an opportunistic bid seen as a pathway to simplify the earn-in terms of the JV, clean-up the overall ownership structure, and future royalty streams, which is set to deliver ERM an uncapped gross 6% royalty on ore sourced from ERM tenements. The potential acquisition of ERM could also provide ASX-listing for PAR.

Impact

- Pan African Resources (PAR) is a well-capitalised gold company**, with a current market capitalisation of ~£615m (~A\$1.2B) producing ~220kozpa @ <US\$1,250/oz AISC from long-life underground mines and tailings retreatments in South Africa. PAR's current reserves are healthy at ~12.8Moz @ 0.9g/t Au, with good liquidity +US\$95m (cash and undrawn facilities) and Net Debt position of ~US\$106m. PAR's acquisition of TCMG is expected to lift Group production levels by over 20%, to well over 250kozpa, while diversifying operations into a low-risk jurisdiction (Australia).
- TCMG is currently constructing a 840ktpa plant at Tennant Creek**, strategically the only processing infrastructure within the field. TCMG plans to process its own and third party (ERM) ore sources. The plant build is over 55% complete and expected to be commissioned in mid-CY25 for targeted first gold Q3CY25.
- On the current schedule, surface material from stockpiles, and waste rock dumps will provide commissioning feed for the plant, with **the first ERM ore sources** - Black Snake and Eldorado OPs in FY26, with Eldorado UG in FY27, and Chariot and Golden Forty UGs in FY28-30 (Figure 6 and Figure 7). There is strong potential for ERM's White Devil and Mauretania deposits to be mined after the 5-year plan.
- Under the Small Mines JV, TCMG sole funds development, mining and production**, in return ERM receives an uncapped 6% gold production royalty. On our preliminary assessment of TCMG's Phase 1 production plans, we see potential for ERM to receive in the order of ~A\$49m (or 9cps, undiscounted) in gold royalties from FY26-30 (see Figure 8), assuming current spot gold prices and exchange rates. Mauretania has a current reserve of ~21koz @ 9.9g/t Au, whereas White Devil is the subject of upcoming drilling and resource assessment.
- Also under the terms of the strategic alliance, ERM is entitled to compensation should TCMG not produce 60koz of gold from the JV tenements by May'26. This could provide a further ~A\$14m compensation to ERM. TCMG is still earning a 75% interest in the project area as well, via A\$10.5m spend (est ~A\$3m left to spend).
- Our latest valuation of ERM incorporates potential royalty streams but also assigns exploration value for other ERM deposits within the field yet to be incorporated into the JV (both under the Small and Major Mines structure).

Action

ERM's Tennant Creek deposits underpins a growing mineral inventory for processing through third-party infrastructure (PAR owned) which in turn is set to deliver a gold royalties, which are growing in value. This royalty value supports a very attractive investment case for ERM as a future streamer and/or takeover target. We maintain our **20cps Price Target and Speculative Buy** recommendation.

Analyst

Mike Millikan
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Share Price	0.056	A\$/sh
Price Target	0.20	A\$/sh
Valuation	0.16	A\$/sh
Shares on issue	544.7	m
Option (@ \$0.14)	41.1	m
Market Cap (fd)	32.8	A\$m
Enterprise Value	29.5	A\$m
Debt	0	A\$m
Cash est	3.3	A\$m
Largest Shareholder	Noon'	21.3%

Directors

Andrew McIlwain	NE	Chair
Mike Dunbar	MD	CEO
Rob Bills		NED
Allan Trench		NED
Alan Tate		NED
Rob Wheatley		Co Sec

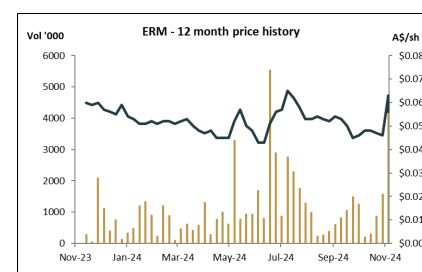
Company Details

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emmersonresources

Shareholders (est)

Noontide Investments	21.3%
Evolution Mining	9.0%
Transasia Private	5.0%
Directors	2.0%

Performance



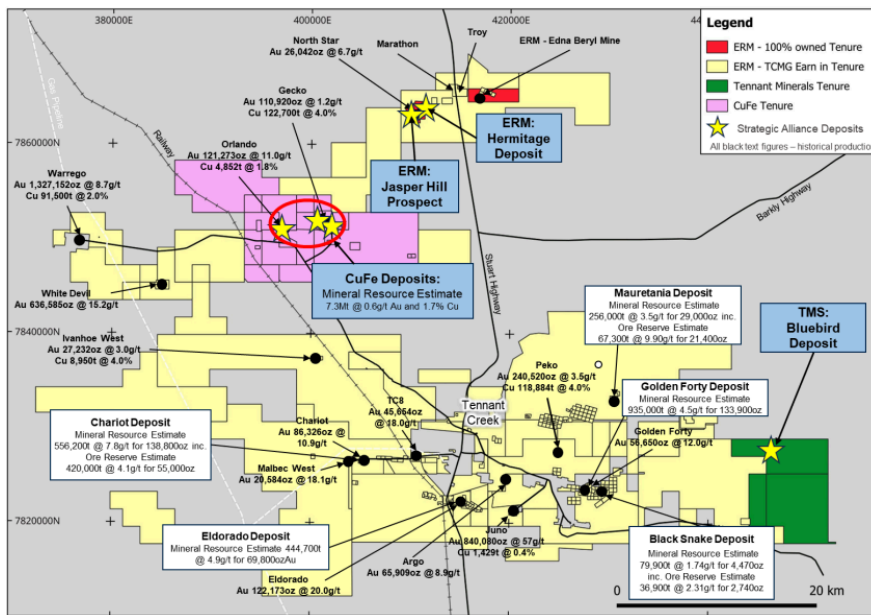
Source: IRESS

TCGF one of the Highest Grade Goldfields in Australia

The Tennant Creek Mineral Field (TCMF) remains one of the highest grade goldfields in Australia. Mineralisation with the TCMF occurs in small-to-medium sized lenses within sheared ironstones (some of which are non-magnetic). The high-grade nature of the field is highlighted by some of the historic deposits averaging LOM grades of 15-20g/t gold and 2-4% copper in parts.

ERM continues to apply new innovative exploration techniques and technologies to make new discoveries within the field. The Company also has a sensible self-funding exploration model, whereby its portfolio of small mining opportunities can be commercialised under a profit share/gold royalty stream.

Figure 1: ERM's Tennant Creek Tenure



Source: Emmeron Resources

TCMG earn-in agreements

ERM has agreements in place with Tennant Consolidated Mining Group (TCMG) focused on the discovery and mining of gold deposits which can be processed through the Noble's CIL facility currently under-construction some 15km SE of Tennant Creek.

ERM and TCMG has 2 earn-in Exploration Joint Ventures (EJV) over the Northern Project Area-NPA (established Nov'20) and the Southern Project Area-SPA (established May'21), whereby TCMG has the right to earn a 75% interest in both areas, through a total spend of \$10.5m on exploration over a 5 year period. ERM is the manager of the JV. We estimate that TCMG still has ~A\$3m left to spend to earn its 75% interest. ERM retains a number of prospects 100%-owned, notably Hermitage, Jasper Hill and Edna Beryl.

Upon exploration success, any economic deposit delineated can be transferred from the EJV to a Mining Joint Venture (MJV) in return ERM can receive an uncapped 6% royalty from future production. A number of projects have already progressed into Small Mine Joint Ventures (SMJVs), Mauretania (NPA) which commenced 15 March'21; and Chariot & Black Snake deposits (SPA) commenced 24 May'21. The SMJVs are 100% TCMG controlled, funded, managed and operated, whereas, ERM is free-carried for all development, mining and production costs for a 6% production royalty (gold price exposure but largely risk-free in regards to development/production).

The small mines are deposits in size <250koz gold equivalent, whereas deposits >250koz gold equivalent can fall into the Major Mines JV, whereby ERM retains up to a 40% direct equity contributing interest in the project (TCMG 60%).

TCMG is undertaking additional development studies on the Golden Forty and Eldorado deposits where updated resource estimates of ~134koz and ~70koz respectively, but both systems open with further work anticipated. Golden Forty has an impressive high-grade zone containing 77koz @ 9.3g/t Au, whereas Eldorado has two zones below existing workings for ~35koz @ 67g/t Au, highlighting upside to mining.

Figure 2: ERM Tennant Creek - Resources

Deposit	Indicated Resources			Inferred Resources			Total Resources		
	Tonnes (Kt)	Gold Grade (g/t)	Ounces	Tonnes (Kt)	Gold Grade (g/t)	Ounces	Tonnes (Kt)	Gold Grade (g/t)	Ounces
Mauretania (OP)	159.3	4.8	25,000	97.0	1.4	4,000	256.0	3.5	29,000
Chariot (OP)	64.5	18.1	37,600	8.2	14.4	3,800	72.7	17.7	41,400
Chariot (UG)	344.6	7.0	77,000	138.9	4.6	20,400	483.5	6.3	97,400
Black Snake (OP)	50.9	2.1	3,500	29.0	1.1	1,000	79.9	1.7	4,500
Golden Forty	706.0	5.0	113,200	228.7	2.8	20,700	935.0	4.5	133,900
Eldorado	277.5	6.2	55,600	167.2	2.6	14,200	444.7	4.9	69,800
Total	1,602.8	6.1	312,000	669.2	3.0	64,600	2,272.0	5.2	376,600

Source: Emmerson Resources

Figure 3: ERM Tennant Creek - Reserves

Deposit	Proved Ore Reserves			Probable Ore Reserves			Total Ore Reserves		
	Tonnes	Grade g/t	Gold Ounces	Tonnes	Grade g/t	Gold Ounces	Tonnes	Grade g/t	Gold Ounces
Chariot	-	-	-	420,000	4.1	55,000	420,000	4.1	55,000
Mauretania	-	-	-	67,300	9.9	21,400	67,300	9.9	21,400
Black Snake	-	-	-	36,900	2.31	2,740	36,900	2.31	2,740
TOTAL	-	-	-	524,000	4.7	79,140	524,000	4.7	79,140

Source: Emmerson Resources

New Copper Alliance

ERM has also entered into a Strategic Collaboration Alliance with CuFe Limited and Tennant Minerals to assess the development options for Copper and Gold deposits via a single multi-user processing facility within the district.

The main aims of the alliance include:

- Optimal processing plant configuration and location
- Mine scheduling
- Final products to be produced
- Other infrastructure requirements including workforce, travel, power, water, accommodation, transportation, logistics, services and supply of reagents
- Environmental requirements, permits and approvals
- General logistics

On the copper front the Companies collectively have have +127kt of copper in resources to unlock value, with a Scoping Study commenced which is expected to progress through to a Pre-Feasibility Study (PFS).

Takeover of ERM's TC Partner

Pan African Resources (PAR, PAF.AIM or PAN.JSE) is in the process of acquiring Tennant Consolidated Mining Group (TCMG), Emmerson Resources' (ERM) Tennant Creek partner. The total acquisition cost of US\$54m, settled through issue Pan African shares, having acquired an initial 8% stake back in March'24 for US\$3.4m in cash. The transaction is expected to complete in Dec'24. TCMG also has debt which fully-funds the construction of the Nobles CIL processing plant, which currently stands at ~US\$38m (inclusive of a NT government loan for US\$6.7m, and Keyview Investment loan for US\$31.5m).

PAR has an initial forecast for TC production mostly from surface stockpiles and TSFs for ~50kozpa at an AISC of ~US\$1,300/oz, this production levels lifts through the introduction of high-grade ore sources (notably from the ERM-TCMG SMJV areas) for a targeted +100kozpa and +10 mine life.

TCMG has already commenced with the construction of processing infrastructure, having relocated a CIL gold plant from Cloncurry (QLD) to its Noble's plant site in Tennant Creek in early CY24. The plant (840ktpa) is currently over 50% complete, with commissioning in Q2CY25 for first targeted gold production in Q3CY25 (July). The estimated capital cost for commissioning is ~US\$35.7m.

Figure 4: Nobles Plant Under Construction



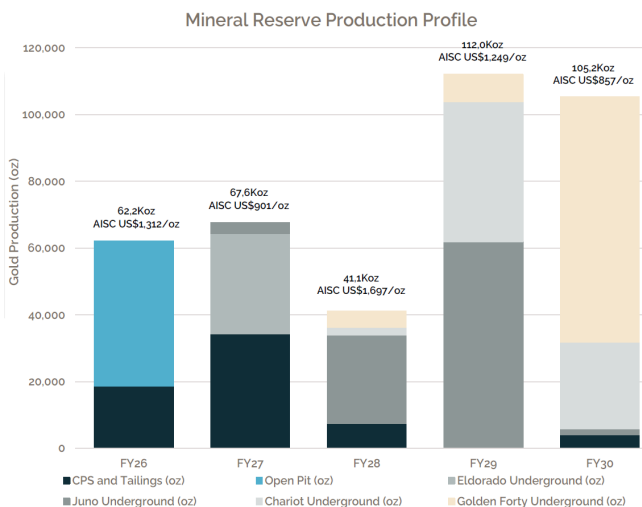
Source: Emmerson Resources

Figure 5: Nobles Plant Under Construction



Source: Pan African Resources

Figure 6: PAR Stage 1 Plan



Excludes additional open pit potential currently being permitted or optimised which extends the LOM to 8 years

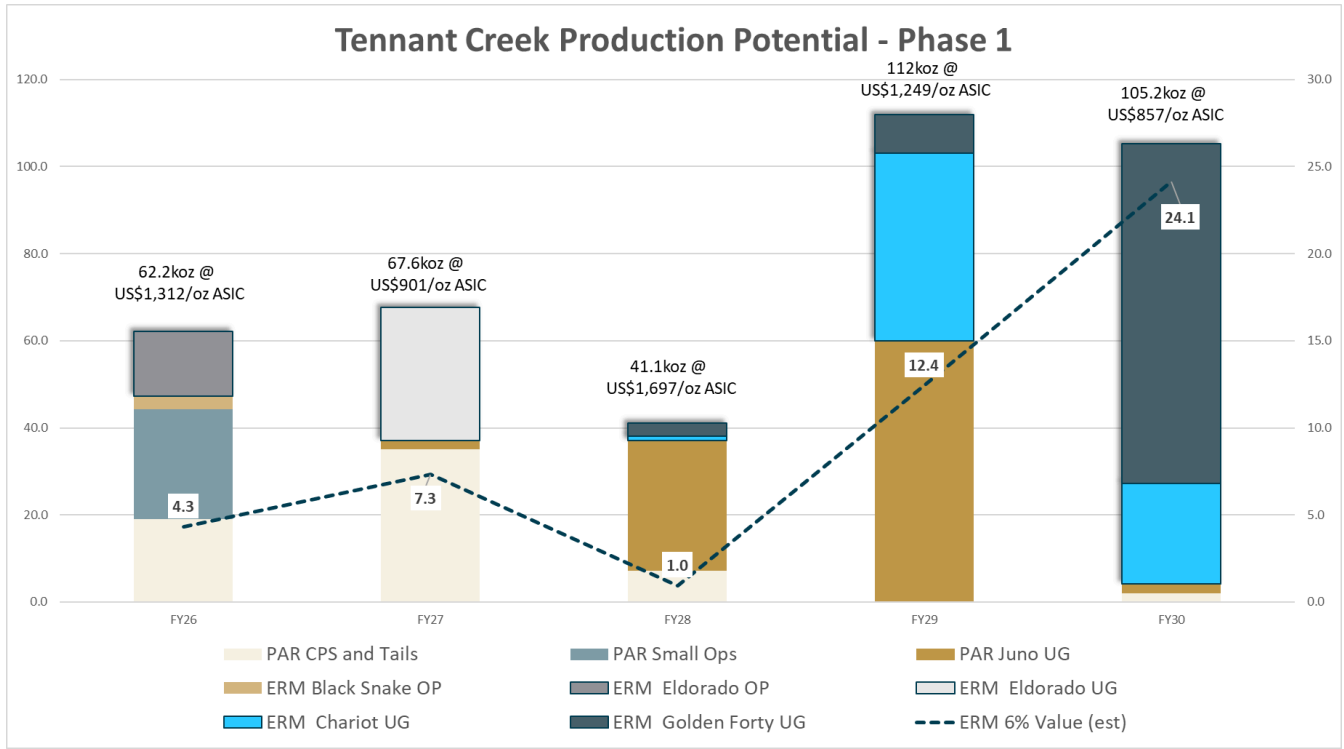
Source: Pan African Resources

Figure 7: PAR Stage 1 Plan Timing

Source	Month (Start)	Month (End)
Crown Pillar Stockpile	1	29
Smaller open pit areas (Rising Sun, Nobles, Weabers Find, Black Snake and Eldorado)	4	13
Eldorado Underground	16	25
Juno Underground	17	53
Golden Forty Underground	30	57
Chariot Underground	39	66
Nobles North Tailings	29	39

Source: Pan African Resources

Figure 8: Phase 1 - Tennant Creek Production Plan



Source: Pan African Resources; Euroz Hartleys Research; subject to change

On our preliminary assessment of value, we assign 12cps to ERM for the initial Phase 1 of the SMJV production plan, and additional un-risked 8cps for the resource tail of opportunities within the JV tenure, outside of the initial mine plan. This 8cps also includes some value for other 100%-owned exploration opportunities within the field (ie Hermitage and Jasper Hills) and not forgetting NSW exploration ground which has large-scale copper porphyry targets. Just over 200kcoz of the current 377kcoz resource is estimated to be in the Phase 1 plan, which provides opportunities to convert another ~180kcoz, and excludes White Devil, which we see as having massive upside, in both remnant resources and extensional near-surface material. Drilling at White Devil is set to commence, and we note historically this TC mine delivered 760kcoz @ 15g/t Au.

Figure 9: Bull, Base, Bear Scenarios

Our Market Sensitivity
 Valuation - \$0.16/sh
 Price Target - \$0.20/sh

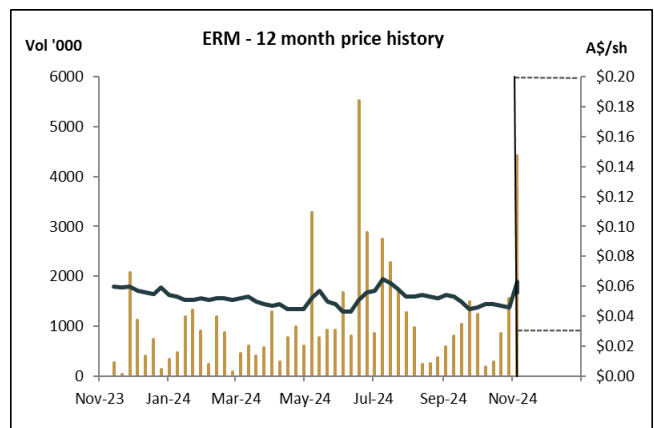
Bull Scenario - \$0.30/sh
 Drilling within TC JV ground leads to a new significant discovery (White Devil is one to watch), and exploration success is delivered within 100%-owned prospects (ie Hermitage and Jasper Hills) which generates market excitement. Potential development opportunities could have significant value over time, and more than double our bull case. Drilling in NSW could also lead to a new discovery.

Base Scenario - \$0.20/sh
 Our base valuation assumes, partner TCMG sole funds exploration in the Tennant Creek Field and further encouraging drill results are reported. ERM deposits progress to commercialisation via the Smalls Mines JV for a free-carried 6% royalty.

Bear Scenario - \$0.03/sh
 Exploration programs stall due to commodity price corrections, and/or JV partner suspends planned activities.

Source: Euroz Hartleys

Figure 10: Base, Bear Scenarios



Source: Euroz Hartleys

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No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring Analyst in this research, nor has there been any adverse or undue influence on the Analyst in the preparation of this report.

Company disclosures

The companies and securities mentioned in this report, include:

Emmerson Resources Limited (ERM.ASX) | Price A\$0.056 | Target price A\$0.200 | Recommendation Speculative Buy;

Price, target price and rating as at 12 November 2024 (not covered)*

Additional disclosures

Euroz Hartleys has received an allocation of shares and/or options as part of our fee for the provision of Corporate services. These holdings are maintained in our Nominee company, and may present a potential benefit to Euroz Hartleys when sold for: Emmerson Resources Limited (ERM.ASX)

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