MA Moelis Australia

Initiation of coverage – Carnaby Resources Ltd (ASX: CNB)

Initiate with Buy rating and 12-month price target of $0.86/share

Paul Hissey

paul.hissey@moelisaustralia.com

+61 403 417 898

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Moelis Australia

Carnaby Resources Ltd (ASX:CNB)

Commencing coverage at Buy with $0.86 price target

Investment Thesis

We initiate coverage of Carnaby Resources Ltd (ASX: CNB)

- Carnaby Resources is an Australian listed minerals explorer with projects throughout Australia targeting copper, gold and lithium deposits.
- The flagship asset is the Greater Duchess Project, approximately 70km southeast of Mt Isa, hosting an in-situ resource of over 300kt Cu Eq having only been discovered in early 2022.
- The Greater Duchess Project hosts numerous zones of mineralisation with the current mineral resource hosting 21.8mt at 1.3% Cu and 0.2g/t Au. This material was recently the subject of a scoping study (May 2024).
- Modelling suggests low upfront capital (~$45m – MA Est.) could establish an initial open pit mine followed by underground mining, with ore railed directly to Glencore's Mt Isa copper concentrator and processed under a toll treating arrangement for an initial period of 9 years.
- On our estimates, such a project is likely to deliver an annual average output of ~14kt Cu, $80m EBITDA, $40m NPAT and $45m FCF. In aggregate, the project supports an NPV of $181m, with an IRR in excess of 70%.
- In addition to the known resource, the tenements remain highly prospective for further addition, as evidenced by the recent discovery of the Mohawk target approximately 1.5km southeast of the existing resources. This deposit outcrops at surface, with initial sampling returning consistent grab sample results in excess of 30% copper. The geological feature has so far been mapped over 150m of strike length with recent drilling confirming a new discovery of similar tenor to existing mineralisation across the properties.

Copper

- Investment fundamentals for copper remain supportive, with sluggish global copper supply growth (hindered by underinvestment, increasing stakeholder complexities, declining head grades and insufficient new discoveries) up against an increasing pace of demand growth.
- Annual copper demand is projected to grow from 25 million tonnes today to approximately 50 million tonnes by 2035 as energy transition efforts continue to gather steam.

We initiate coverage with a $0.86 target price and a Buy rating

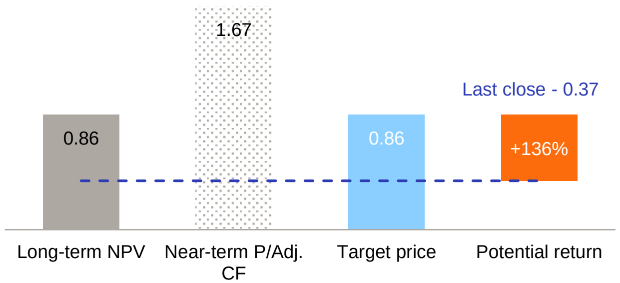
- The Duchess Project represents a low-risk, accelerated start up option given the nearby processing infrastructure in a compelling commodity in a jurisdiction with a long history of support for extractive industries.
- While the current project scope may be relatively small, we expect that CNB will continue to add resources through discovery, while the low up front capital and relative speed to production present a point of difference.

Valuation Snapshot

Share price target		Weighting		
NPV value per share		100%	A$/share	0.86
P/Adj. CF value per share		0%	A$/share	1.67
12-month target price			**A$/share**	**0.86**
CNB-ASX	(last close price)		A$/share	0.37
Potential return				136%

NPV valuation		
Duchess Project	$m	181
Exploration	$m	30
Tax	$m	(54)
Corporate and Admin	$m	(21)
Net cash (debt)	$m	33
Other/listed investments	$m	-
Total	**$m**	**169**
No of shares	m	197
NPV value per share	**$m**	**0.86**
Upside (downside) to last price	%	135%

P/CF Valuation		
FY27 operating cashflow	$m	93
FY27 sustaining capital	$m	(4)
FY27 Adj. CF	$m	89
Target multiple	$m	3.0x
Value	**$m**	**266**
Exploration	$m	30
Net cash (debt)	$m	33
Other/listed investments	$m	-
Total	**$m**	**329**
No of shares	m	197
Valuation per share	**$**	**1.67**



Source: FACTSET, Company announcements, MA Research Estimates

01

Company Introduction

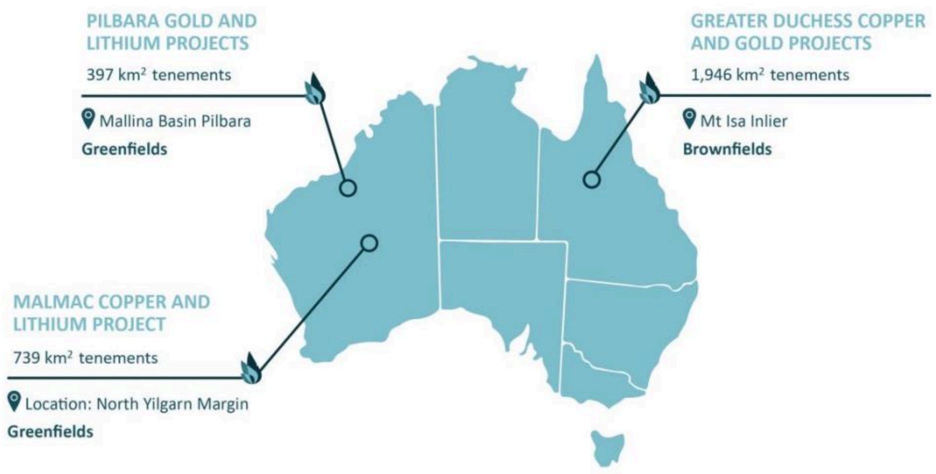
Strategic landholding in a world class copper province

Introduction and Background

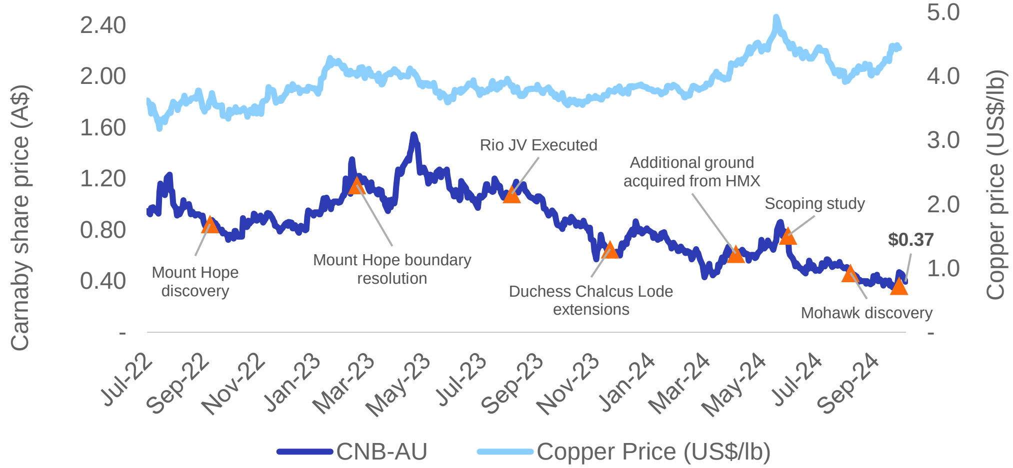
Company Background

- Carnaby Resources (ASX:CNB) is a copper and gold developer, currently focused on developing its flagship Greater Duchess Copper Gold Project located near Mount Isa.
- The Greater Duchess project was acquired in April 2019 as part of the Tick Hill Gold Project transaction, which also included the broader Duchess land package.
- Since acquiring the project, Carnaby has achieved multiple discoveries in a relatively short period, including Mount Hope, Nil Desperandum, Lady Fanny, and most recently, the Mohawk prospect.
- The project is strategically situated 70 kilometers from the Mt Isa Smelter, benefiting from existing rail infrastructure that offers significant opportunities for third-party processing arrangements. This setup has the potential to reduce initial capital costs and accelerate the development timeline.
- Although still in the development phase, the company's immediate focus is on advancing the project to pre-feasibility, along with conducting advanced metallurgical studies in collaboration with Glencore to evaluate the ore potential at Duchess.
- A scoping study was recently published, envisioning a 117kt copper operation over a nine-year mine life, which incorporates third-party processing.
- The wider tenement package remains largely underexplored, with limited modern exploration. Alongside development efforts, the company is looking to unlock further exploration potential in the region using conventional drilling and modern geophysics.

Significant landholding near Mount Isa



Recent share price performance



Source: Company announcements, FACTSET, MA Research

History

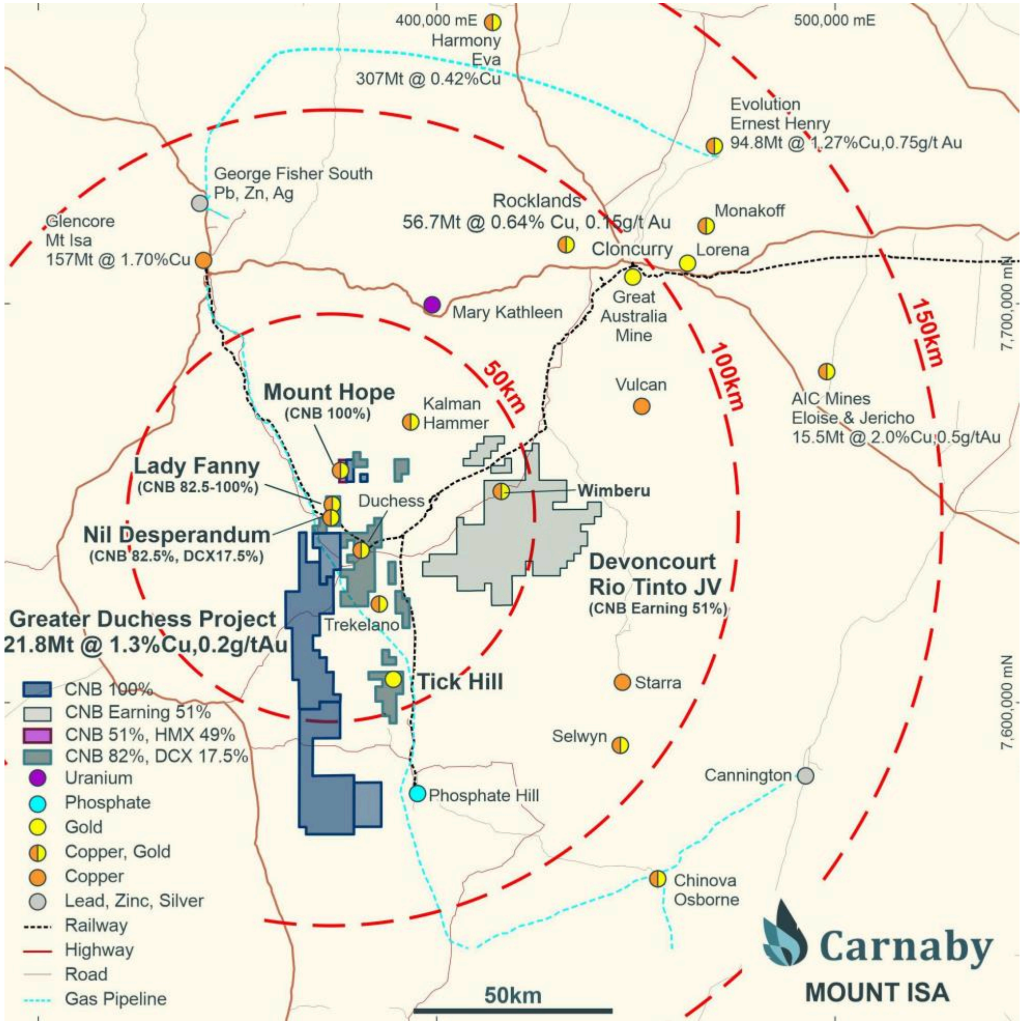
Significant exploration success in short tenure

A brief but successful exploration history…

Project History

- The Greater Duchess Copper Gold Project is located approximately 70km to the south of Mount Isa.
- The project includes the historic Duchess Copper-Gold mine, which operated intermittently between 1900 and 1940, producing 205kt of copper at an average grade of 12.5%. However, large-scale development remained elusive during that time due to fluctuating copper prices.
- Prior to Carnaby's acquisition in 2019, the project changed ownership several times, with smaller operators attempting to develop the asset, the most recent being Syndicated Metals Limited.
- In late 2021, Carnaby received approval to expand its leasehold by adding two previously relinquished mining leases that included the Lady Fanny deposit which, although only mined for a brief period, produced copper grading at 8.9%.
- In December 2021, the company announced a major copper gold discovery at the Nil Desperandum Prospect, highlighted by 41m grading 4.1% Cu and 0.5 g/t gold. Shortly after in January 2022, a significant discovery was made at the Lady Fanny deposit following the first drilling campaign.
- Carnaby further bolstered its holding in the region when it acquired the Mount Hope Mining Lease in 2022, which had historically produced 322kt grading 2.1% Cu.
- In October 2023, the company declared a maiden Mineral Resource totaling 21.8Mt grading 1.3% Cu, translating to 283kt of contained Cu and 315kt CuEq.
- A scoping study was published in May 2024, detailing the financial outcomes of both a standalone processing operation and a third-party processing option, utilising nearby infrastructure.
- The latest discovery at Mohawk has the potential to significantly enhance Carnaby's resource base and drive future production growth, complementing the company's more advanced prospects.

…In a globally significant copper province



Source: Company announcements

Greater Duchess Project

Tenure remains vastly underexplored

Overview of operations

Overview

- The Greater Duchess project is primarily comprised of three major discoveries Iron oxide copper gold (IOCG) deposits which form the cornerstone for the current Mineral Resource, including:
  - Mount Hope (CNB:100%): 10.3Mt grading 1.5% Cu and 0.2 g/t Au for 156kt Cu and 173kt CuEq.
  - Nil Desperandum (CNB 82.5%, DCX 17.5%): 4.3Mt grading 1.3% Cu and 0.2 g/t Au for 53.7 kt Cu and 60.9kt CuEq.
  - Lady Fanny (CNB: 82.5%-100%): 3.1Mt grading 1.3% Cu and 0.2 g/t Au for 40.8kt Cu and 45.8 kt CuEq.
- The mineral assets span 1922 km^2 and includes other IOCG deposits at Mt Birine and Duchess.

Mount Hope

- Mount Hope hosts two distinct areas identified to date – Mount Hope Central and Mount Hope North. Both deposits were historically mined via shallow open pits in the outcrop positions.
- Mineralisation is characterised by semi-massive and disseminated chalcopyrite-pyrite-pyrrhotite sulphides.
- Despite some mining activity, the area has remained largely unexplored by prior owners. IP surveying has identified a large and strong chargeability anomaly, with known mineralisation remaining open.

Nil Desperandum

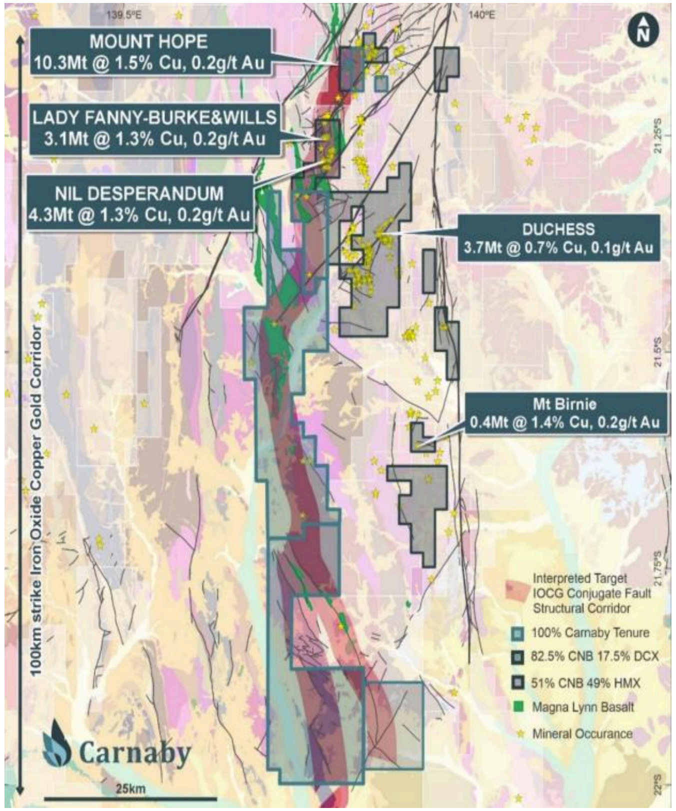
- Mineralisation is characterised by semi-massive disseminated chalcopyrite-pyrite-pyrrhotite sulphides.
- RC and diamond drilling has identified a greater than 500m plunging high-grade mineralisation shoot, open at depth and to the southwest.

Lady Fanny

- Located 3km north of Nil Deperandum and hosts mineralisation localised in a series of sub-parallel, anastomosing and steeply dipping shear zones and is characterised by stringer and disseminated chalcopyrite-pyrite sulphides.
- Deposit was mined in the early 1900s and then again between 1966 and 1974, which saw a small amount of copper produced at a grade of 8.9%.

Three prospects currently underpin development

Map view of Mount Hope, Lady Fanny and Nil Desperandum



Source: Company announcements

Greater Duchess Project – cont.

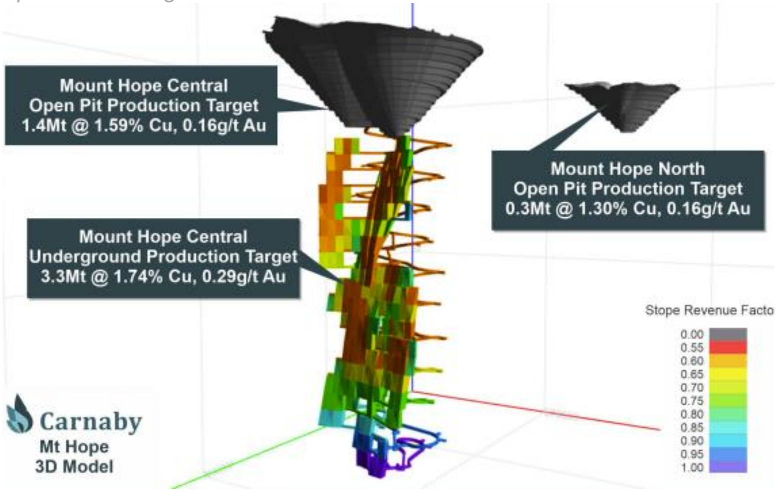
Production areas host both open pit and underground mining potential

Three production areas currently being explored

- Initial scoping study contemplates three main production areas, being Mount Hope, Nil Desperandum and Lady Fanny.
- A total of five open cut pits have been identified based on preliminary scoping studies, with two hosted at Mount Hope, two at Lady Fanny and one at Nil Desperandum.
- Mount Hope and Nil Desperandum have been identified as having mineralisation at depth, which is likely to warrant an underground operation at each.
- Both underground deposits have been initially modeled as long-hole open stoping with cemented backfill support.
- It is currently envisaged that underground operations will be phased in following initial open pits, starting with the smaller Mount Hope deposit, then progressing to the large Mount Hope deposit.
- Scoping study envisages a 9-year operational life, averaging ~13kt annual production, peaking at ~20kt in 2029.

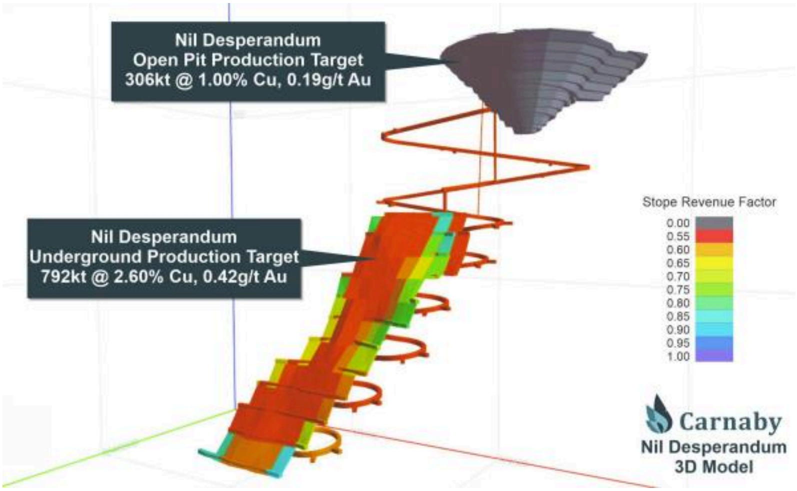
Mount Hope central can potentially host an open pit and underground mine

Mount Hope production target model



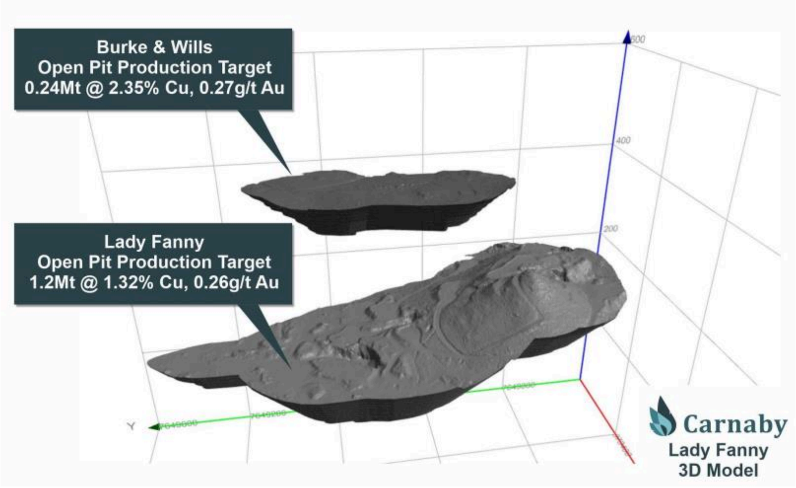
Nil Desperandum will likely host an open pit and underground mine

Nil Desperandum production target model



Lady Fanny could host two satellite pits

Lady Fanny production target model



Source: Company announcements

Development Scenarios

Third-party processing option the most attractive at present

Region affords multiple development pathways…

Processing pathway

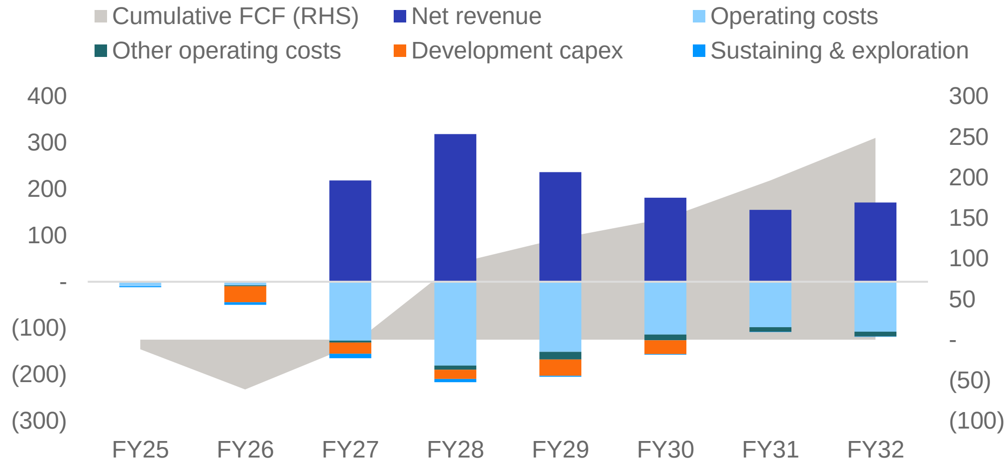
- The recent scoping study envisages both third party and standalone processing operations.
- Currently, third party processing screens as the most attractive option, given the potential to unlock low-capex haulage options given extant rail infrastructure.
- The logical third-party processing option is via the Mt Isa Copper Mill and Concentrator, located ~70km northwest of the project and accessible directly by rail (main railway passes within 1km of the deposits).
- Under third party processing, pre-production capital is estimated at $35m (we model $45m), comprising:
  - $15m in start-up project infrastructure costs (incl. rail siding and road works).
  - $13m in mine infrastructure workings (incl. workshops, camp and admin).
  - $7m in contingencies.
- An agreement to process ore at Glencore's facilities clearly provide capital and time savings in contrast to the stand-alone route.
- Given the favourable financial outcomes, our model assumes the company follows the third-party processing route which delivers an NPV (13%) of $180m.

Next steps

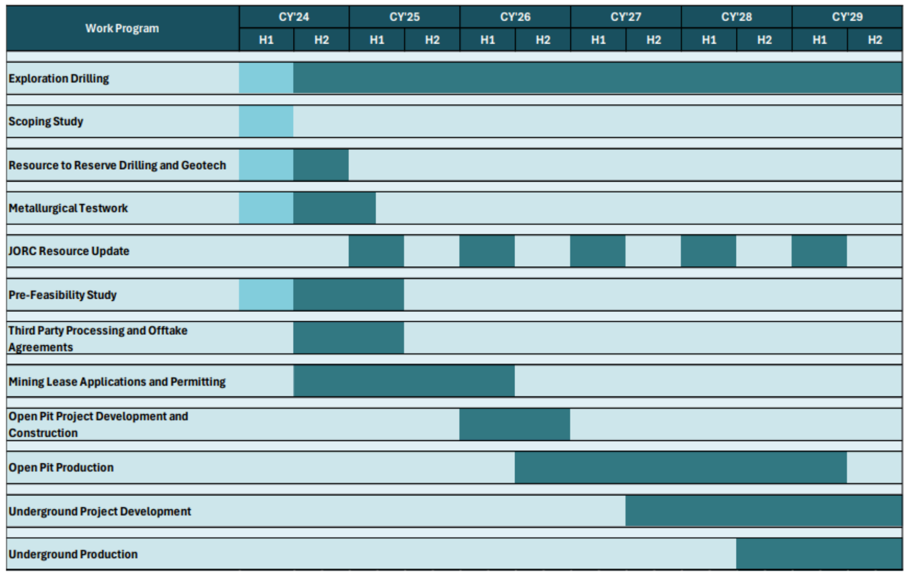
- Currently, the focus remains on growing mineral inventory through extension and upgrade drilling, given the Greater Duchess MRE remains open at all three deposits.
- A metallurgical study is currently underway (with Glencore) to verify processing solutions. The PFS is expected to be completed mid CY25.
- Negotiation of third-party processing and offtake agreements alongside mining lease applications and environmental permitting.
- Followed by a comprehensive mining and civil engineering studies.

…Third-party processing option the most financially compelling

Profitability under third party processing (A$m) (MA Estimates)



…With a relatively compressed development timeline



Source: Company announcements, MA Research Estimates

Operating assumptions

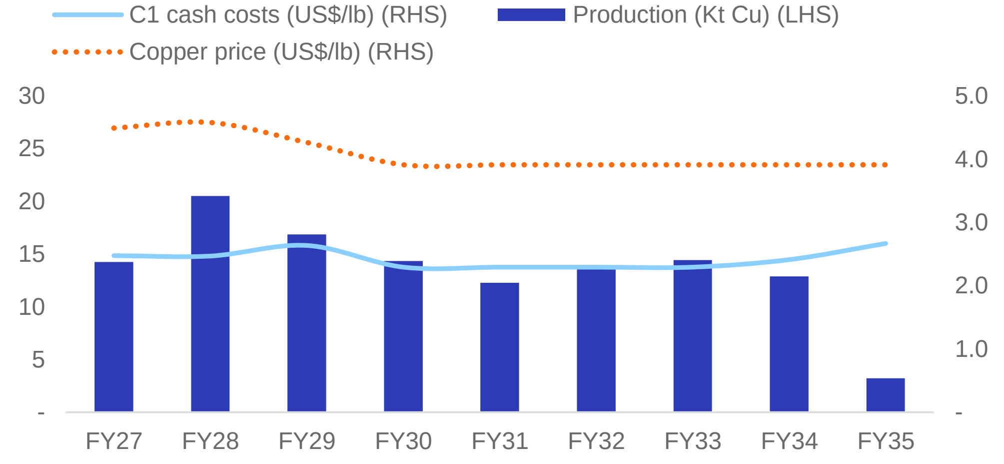
Simple, capital efficient development pathway

Key production and financial assumptions

- We model a 9-year mine life, aligning our physical assumptions with those detailed in the most recent scoping study.
- Production is anticipated to peak at 19.5kt in Year 2, coinciding with the full ramp-up of the Lady Fanny and Mt. Hope Central open pits.
- The back-end mill feed will be supplemented by operations at Nil Desperandum and the Mount Hope underground site.
- We assume capital expenditure primarily comprises ~$45m of pre-production open pit capex, as well as $109m towards underground development (spread over four years). Given our assumption of a toll-treating arrangement, we project that sustaining capital expenditures will be minimal (other than underground development).
- We do not make any assumptions beyond the 9-year notional life, but highlight that near-mine exploration success presents upside skewed risk in respect to mine life and production profile.

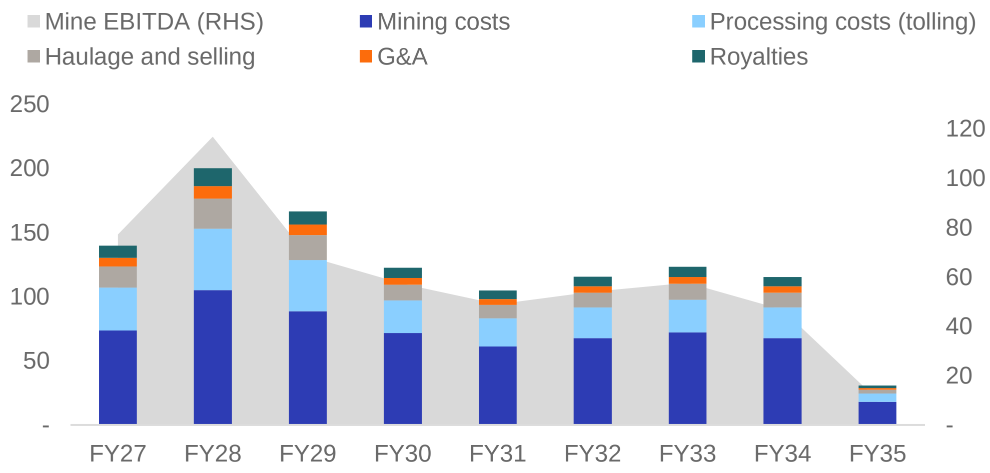
Low-cost operation affords healthy margins

Production, cash cost and copper price



Operating cost and profitability assumptions

Operating costs and EBITDA (A$m)



Asset level cost and valuation assumptions

Near-term assumptions

Item		FY29	FY30	FY31	FY32	FY33
Production	Kt Cu	14.3	20.5	16.9	14.3	12.3
Revenue	A$m	220.8	324.8	238.5	180.3	154.2
C1 Cash costs	A$/lb	3.72	3.71	3.84	3.24	3.24
EBITDA	A$m	80.9	124.6	72.0	57.9	49.5
Capex	A$m	36.0	29.0	39.0	32.0	1.0
Net mine cash flow	A$m	44.9	95.6	33.0	25.9	48.5
$NPV^{13\%}$	A$m	181.2				
	A$/share	0.92				

Source: Company announcements, MA Research Estimates

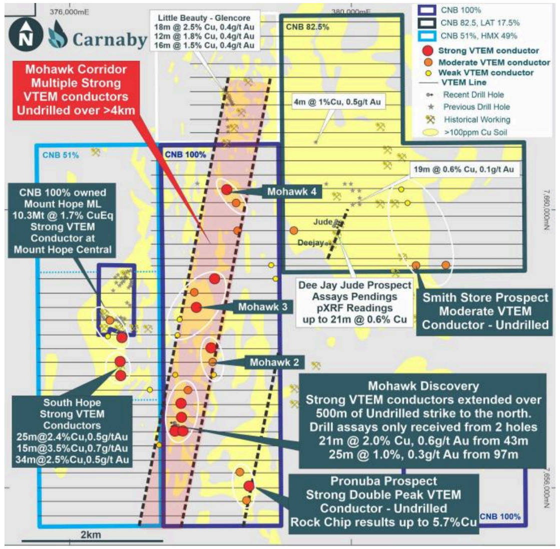
Mohawk Prospect (CNB 100%)

New nearby copper-gold discovery

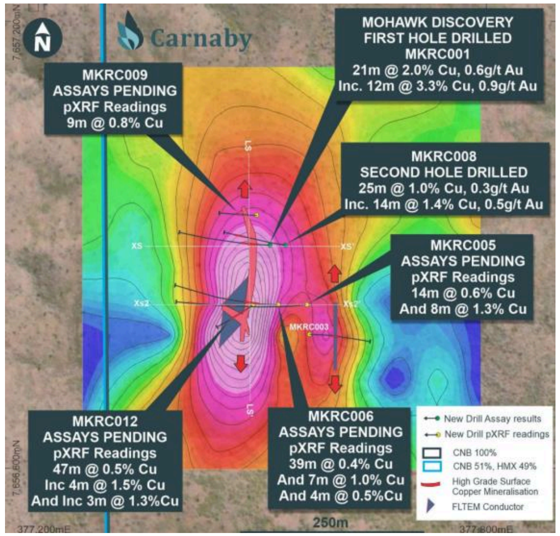
New discovery with significant potential

- The Mohawk discovery is located 1.5km southeast of Mount Hope and is characterised by a 2km long strike of anomalous surface geochemistry.
- Significant portions of the 2 km strike length remain undrilled, offering potential for further discoveries along the Mohawk corridor. The lack of historical exploration makes this largely untouched ground ripe for modern exploration methods.
- Reconnaissance mapping, rock chip and soil sampling has discovered widespread outcropping copper mineralisation.
- The discovery was subsequently drilled, and assays from the first two drill holes confirmed copper sulphide mineralisation, including:
  - 21m grading 2.0% Cu and 0.6 g/t Au (incl. 12m grading 3.3% Cu and 0.9 g/t Au).
  - 25m grading 1.0% Cu and 0.3 g/t Au.
- Beyond the initial drilling results, which revealed high-grade copper and gold, all six drill holes to date at Mohawk have intersected broad zones of strong copper sulphide mineralisation.
- In the near-term the company plans to continue aggressively exploring the region, with further drilling planned to test the undrilled EM anomalies, as well as follow-up on the already identified high-grade zones.
- The growing footprint of mineralisation at Mohawk suggest that the prospect could become a large-scale copper-gold deposit, potentially on par with, or exceeding the nearby Mount Hope and Nil Desperandum deposits in terms of both scale and grade.
- Proximity to nearby deposits and infrastructure also affords the opportunity for rapid integration into the existing mine plan.

…Mohawk is very close to the existing discoveries



…With initial XRF and drilling results promising



Source: Company announcements

Additional Projects

While not the primary objective, CNB has other assets which are showing potential

Other projects in early stages but promising

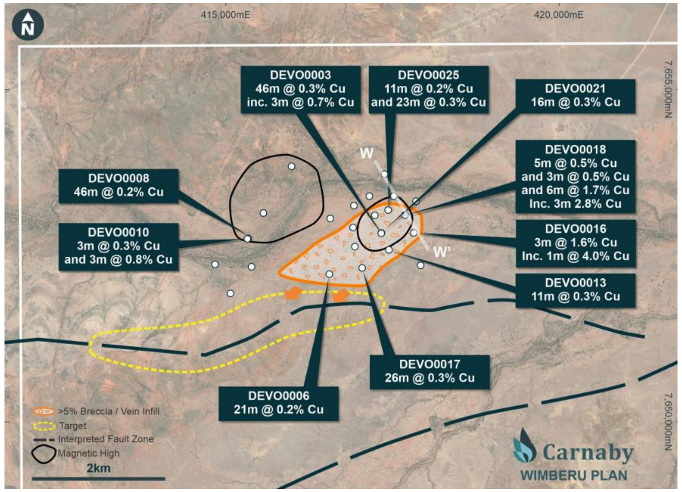
Devoncourt Project (CNB earning 51%)

- Farm-in and JV agreement with Rio Tinto Exploration Pty Ltd, executed in August 2023.
- The Devoncourt Project encompasses 838km^2 of exploration tenure covering the Wimberu prospect, which was discovered by Rio Tinto in 2019, and demonstrates indications of high grade hydrothermal breccia mineralisation with individual meter grades up to 4.3% Cu.
- Favourable minimum spend requirements - $0.5m spend in 2 years and $5m over 5 years to earn 51%.
- Represents an opportunity to expand the footprint of the Greater Duchess Project to 1,921km^2 (77% increase).

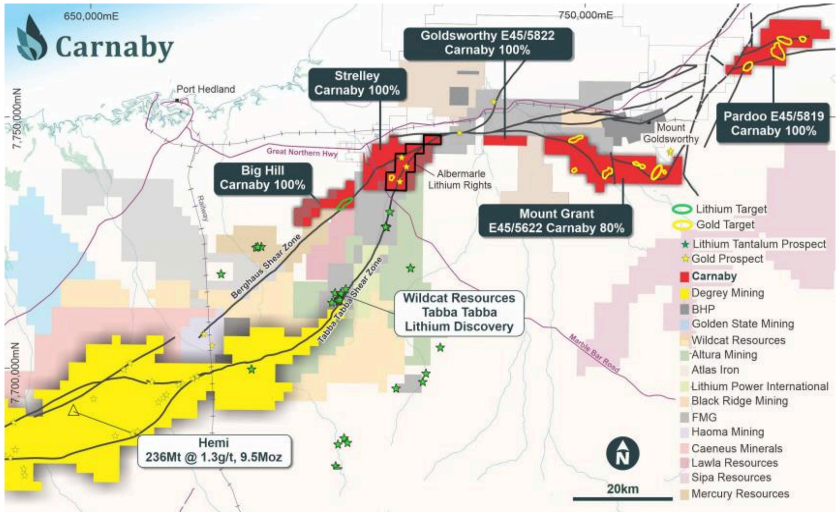
Pilbara Gold and Lithium Projects (CNB: 80-100%)

- Comprise 397km^2 of tenure located along the Berghaus and Tabba Tabba Shear Zones in the Mallina Basin.
- To date, exploration activities to date have been primarily centred on the Strelley Gold Project, located 70km Northeast of De Grey's flagship Hemi Gold Deposit.
- Intersections hosted by a wide intrusion and mineralisation remains open to the south and to the north.
- Although Greater Duchess remains a priority at this stage, exploration to date continues to warrant follow-up exploration. A drilling program has recently commenced at Mount Grant, pursuant to a 50% government funded exploration program.

Devoncourt has significant potential to expand regional footprint



Pilbara gold and lithium projects located in a prolific mineral belt



Source: Company announcements, FACTSET, MA Research Estimates

Valuation

Capital-lite development aides timing and returns potential

Base case

- In determining the valuation for CNB, we have built out production to March 2035, in line with disclosure from the recent scoping study. We have funded the project using a base case of both debt and equity (the latter issued at a potential 20% discount to the prevailing price).
- We use our commodity price assumptions (which represent consensus and are typically more constructive compared to the A$12,000/t Cu considered in the scoping study).
- Given a perceived urgency from Glencore to source additional concentrate in the region, we expect a treatment/participation deal to be struck which sends ore directly to the main concentrator in Mt Isa.
- Given the variable ownership of the individual properties, we have made assumptions that CNB will consolidate the properties resulting in 100% ownership.

Upside

- The base case alone generates significant upside to the current share price.
- Beyond this, however, we see significant further optionality in both the geology (exploration) as well as the potential exploitation of resources already discovered, but not yet modelled in the 9-year mine plan.
  - In building out our SOTP valuation, we include $30m to capture the exploration potential within the region (for example Mohawk which does not yet have quantified resource), as well as the broader domestic exploration package.
- Additional funding assistance from potential offtake partners and the government is likely to contribute to ancillary items such as the railway siding and environmental bonding.

NPV SOTP

NPV valuation		
Duchess Project	$m	181
Exploration	$m	30
Tax	$m	(54)
Corporate and Admin	$m	(21)
Net cash (debt)	$m	33
Other/listed investments	$m	-
Total	**$m**	**169**
No of shares	m	196
NPV value per share	**$m**	**0.86**
Upside (downside) to last price	%	130%

Source: MA Research Estimates

02

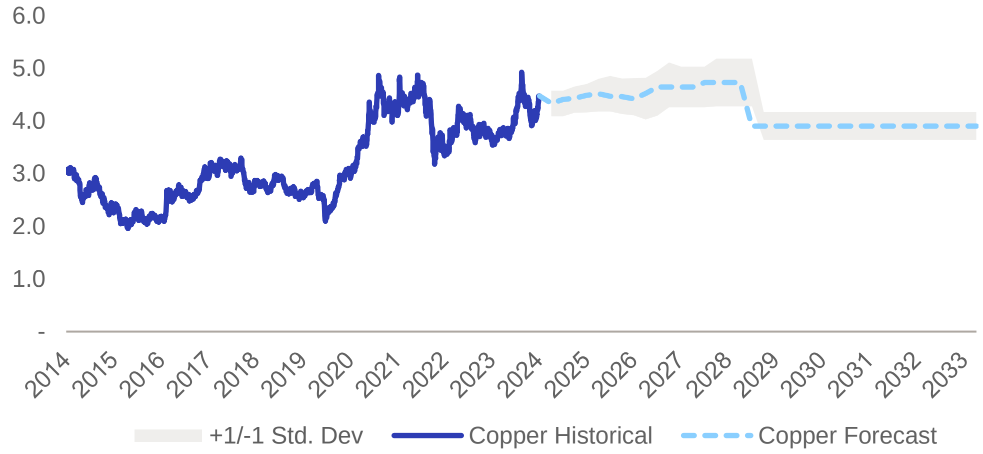
MA commodity price assumptions

MA

We take a consensus approach to commodity prices

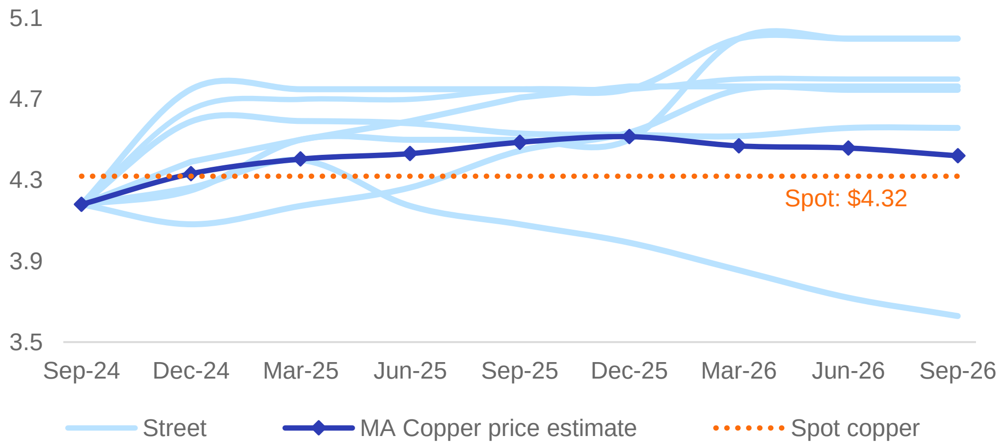
Historical and forecast copper price

$US/lb



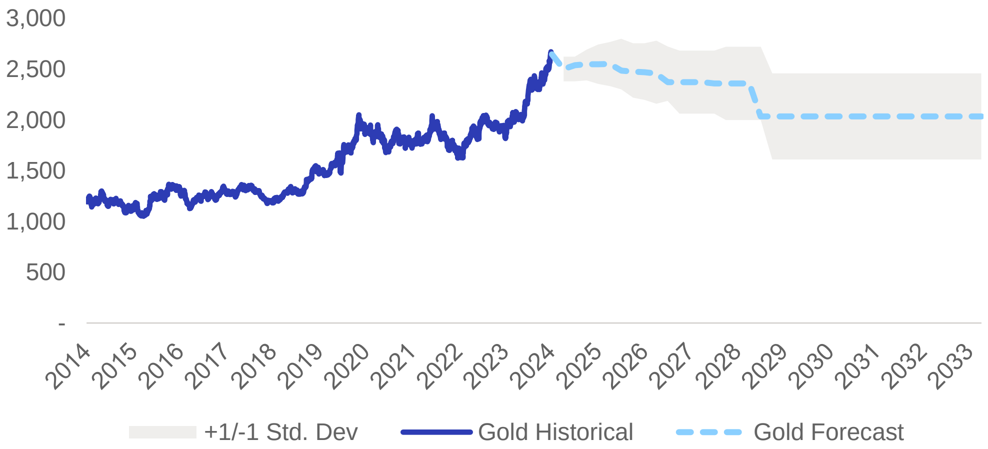
MA copper forecast vs the street

$US/lb



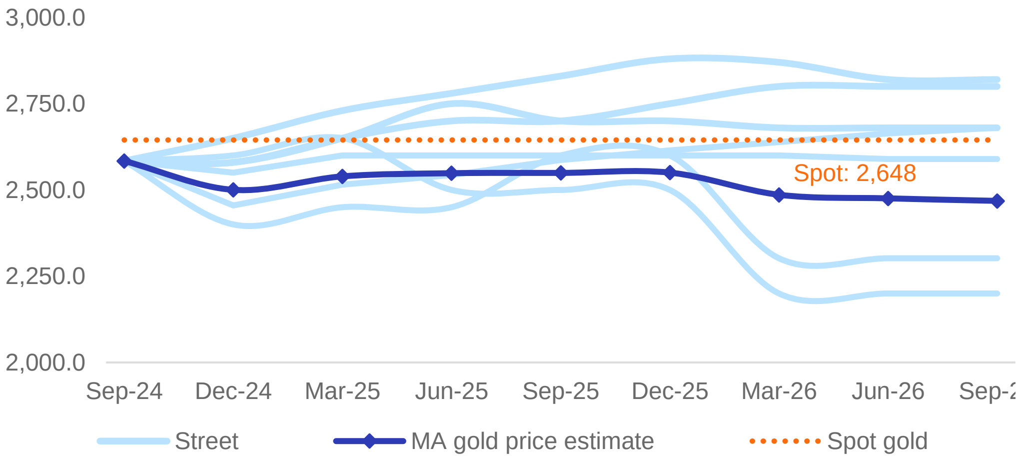
Historical and forecast silver price

$US/oz



MA Gold forecast vs the street

$US/oz



Source: FACTSET, MA Research Estimates

Copper the consensus metal

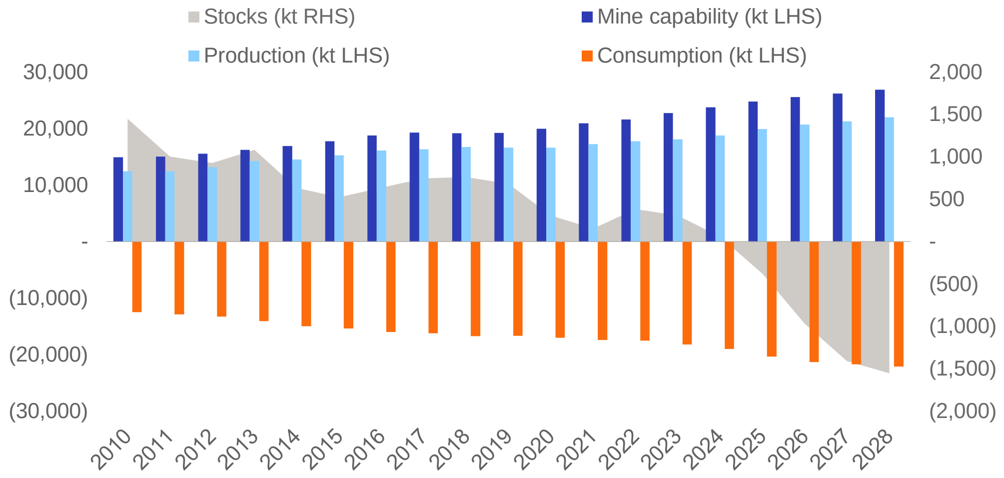
Everybody's favourite commodity short on supply with growing demand

The most fundamental metal

- Copper's unique properties of high electrical and heat conductivity set it apart from the other common elements on the periodic table.
- Long the hallmark consumable of developed economies (as opposed to steel and coal for developing economies), copper is expected to continue its demand growth trajectory with additional metal a fundamental requirement for decarbonisation given the expected reliance on energy storage and transmission as a replacement for traditional fossil fuels:
  - Of the current estimated demand of 26.6mt (2023), Wood Mackenzie expect demand for copper directly used in electric vehicles (EV) and energy storage to more than treble from its current ~2.2mt to 6.7mt within 10 years.
  - Following published guidance for 2024 from a range of significant international producers (Anglo American, First Quantum), the copper market is expected to at best remain balanced in 2024, before trending to a sustained (*at least theoretically*) deficit for 2025 and beyond.
- Obviously while the market can remain in surplus (resulting in ever lower prices), the inverse is impossible with necessary reductions to demand (either through a slower rate of growth and/or substitution) or increases in supply required. In the case of copper, a reduction in demand would likely arise if the pace of decarbonisation and/or global growth slows, while an increase in supply will require higher prices to incentivise investment in new projects or greater margin on existing brownfield options.
- The underlying demand growth for copper (ex EV/storage) is expected to grow as a function of global industrial production (IP), which remains reliant on growth in China as a primary mechanism of consumption. Copper, like many other commodities, is therefore also exposed to ongoing efforts to maintain economic momentum in the middle kingdom.
- Copper discoveries continue to disappoint, forcing a reliance on mature assets to provide metal, which in turn require higher prices to remain profitable. As a result, operating costs have continued to trend higher over the last 20 years as a function of declining grades.
- Meaningful new supply likely from:
  - Chile and Peru: major incumbent producers; and
  - Democratic Republic of Congo, Mongolia, Indonesia.

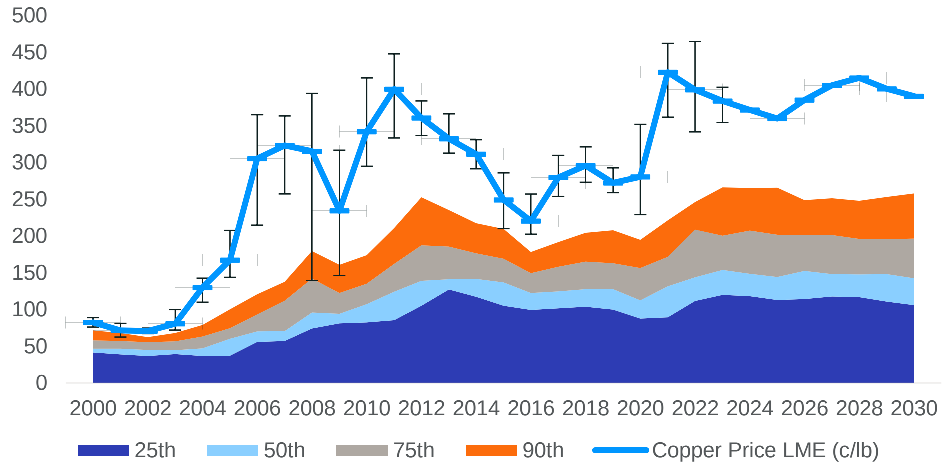
Without new mines, supply is set to decline, while demand continues to grow

Copper supply and demand balance



Declining grades lead to increasing costs

C1 Direct Cash Costs (c/lb Paid Cu)



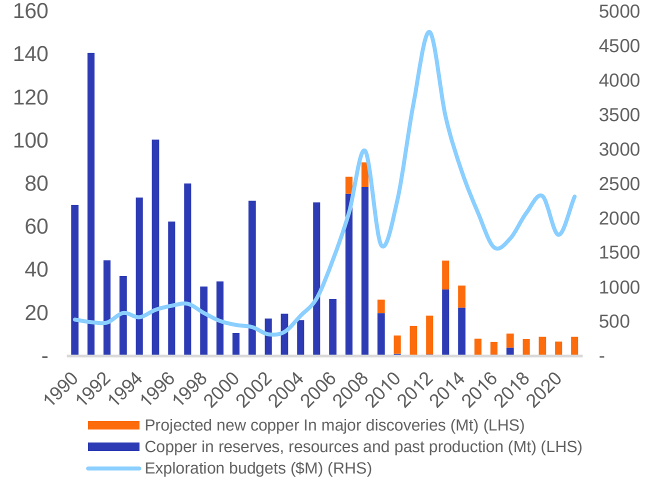
Source: S&P Global (top), Wood Mackenzie (bottom)

Near-term surpluses give way to long term deficits

Aging legacy deposits + lack of exploration success x growing demand = future deficit + higher prices

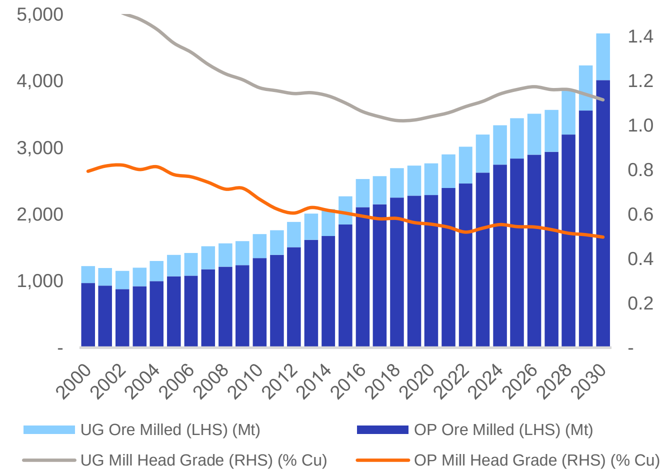
We're not finding enough new copper deposits…

Contained metal in major copper discoveries (Mt)



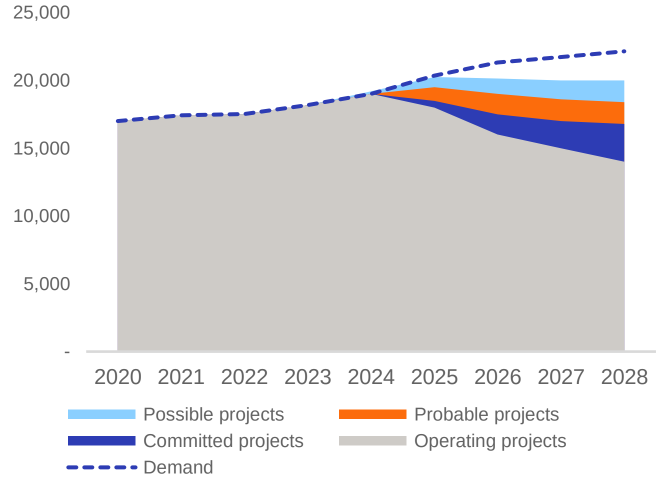
…leading to a heavier reliance on existing assets…

Average grades and throughput offsetting lack of new projects



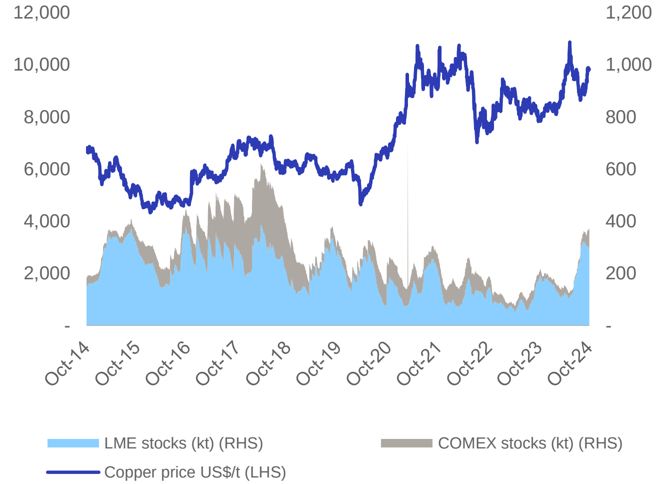
...resulting in a structural deficit in the medium term

Global copper market balance (Mt)



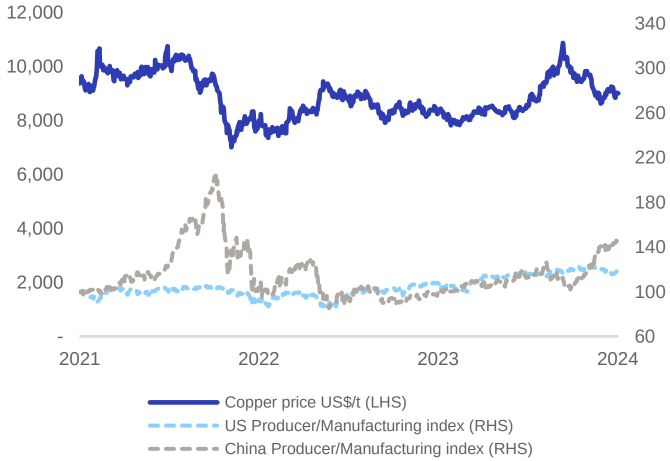
Copper warehouse stocks have been in decline…

Copper price (US$/t) and LME, COMEX stock levels



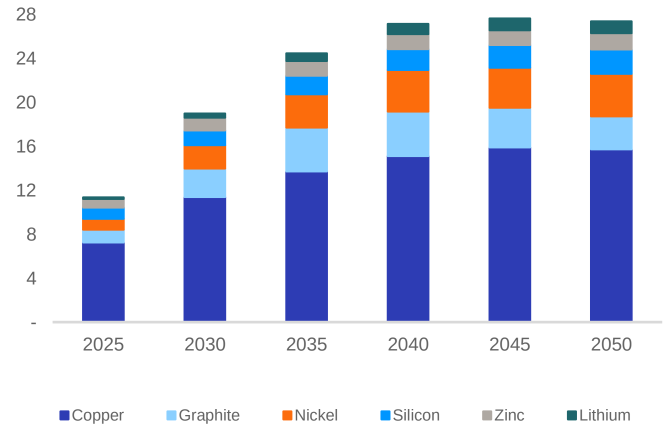
… still, copper remains essential in the short-term...

Copper price (US$/t) and manufacturing indices



…while decarbonisation drives long-term demand

Mineral demand for clean technologies (Mt)



Source: Top left: S&P Global, Top Middle: Wood Mackenzie, Top right: S&P Global, Bottom left: FACTSET, Bottom Middle: FactSet, Bottom right: International Energy Agency, MA Research

03

Estimates

Assumptions and cashflow

Assumptions

- We take a consensus approach to macro input assumptions (FX and commodity price), which generally assume higher near-term copper and gold prices, before a mean reversion from 2028-2029 towards long term averages of US$3.97/lb Cu and US$1758/oz Au respectively.
- At the time of writing, spot copper price is trading ahead of our FY24 forecasts, although real-time reports of declining treatment charge rates suggest (*simplistically*) continued tightening in the market.
- The copper price is anticipated to rise over the coming years, as ongoing demand growth is unable to be met by declining global supply.
- Given there is no sanctioned project and start date for production, CNB is likely to trade in line with sentiment for the copper price as opposed to any movement in earnings or cashflow driven by price moves.

KEY ASSUMPTIONS		2024A	2025E	2026E	2027E
FX	A$/U$	0.65	0.66	0.66	0.66
Copper	US$/lb	3.95	4.33	4.48	4.56
Gold	US$/oz	2,078	2,517	2,515	2,417
Duchess					
Payable Production	kt Cu	-	-	-	13.5
Guidance		-	-	-	-
AISC	A$/lb Cu	-	-	-	4.18
Guidance		-	-	-	-

Cashflow

- There is no significant operating cashflow within our near-term forecast window.
- The company is likely to require additional funding prior to the completion of the PFS. We model a pro-forma Sept 30 cash position of ~$7.0m, with a further ~$5m required to deliver the PFS.
- We understand the company will complete additional resource updates in the coming 12 months, while also finalising economic studies sufficient to fund a project start.
- We assume the project capital can be funded through a mixture of both debt and equity sometime in mid-2025.

CASHFLOW	2023A	2024A	2025E	2026E	2027E
EBITDA	(12.8)	(13.4)	(12.5)	(9.5)	93.0
Interest received	0.4	0.9	0.2	0.6	0.4
Interest paid	-	(0.0)	-	(2.2)	(2.8)
Net interest	0.4	0.9	0.2	(1.5)	(2.4)
Tax	-	-	-	-	-
Δ WC	2.1	(1.1)	-	-	-
Other	(1.0)	1.5	2.0	2.0	2.0
CFO	**(11.3)**	**(12.1)**	**(10.3)**	**(9.0)**	**92.6**
Growth	*-*	*7%*	*(15%)*	*(12%)*	*(1125%)*
Capex (incl. Expl'n)	(0.2)	(4.4)	(2.5)	(48.0)	(36.0)
Acquisitions	-	-	-	-	-
Divestments	0.8	-	-	-	-
Other	0.0	-	-	-	-
CFI	**0.6**	**(4.4)**	**(2.5)**	**(48.0)**	**(36.0)**
Equity Raised	20.8	-	36.0	-	-
Dividends Paid	-	-	-	-	-
Net Borrowings	-	(0.0)	-	24.0	(8.0)
Other	(1.1)	(0.1)	(0.6)	-	-
CFF	**19.7**	**(0.2)**	**35.4**	**24.0**	**(8.0)**
FX / Non Cash	-	-	-	-	-
Δ Cash	**9.0**	**(16.7)**	**22.6**	**(33.0)**	**48.6**
FCF	**(11.5)**	**(16.5)**	**(12.8)**	**(57.0)**	**56.6**
Growth	*-*	*44%*	*(22%)*	*346%*	*(199%)*

Source: Company announcements, MA Research estimates

Estimates cont'd

Earnings and Balance Sheet

Earnings

- We see no material earnings within our near-term forecast window given the project is not due to commence shipping ore until ~FY27.
- We model D&A commensurate with a modest asset value, while we also conservatively assume cash tax is likely to be immediately payable with little prior losses able to provide an offset.

Balance Sheet

- Until the eventual funding pathway is better understood, it is difficult to successfully model the balance sheet. Given the initial scale of the resource and approximate development metrics and potential mine life, we believe that funding for this project is highly likely once appropriate studies have been published – especially taking into account the strategic importance of this deposit.
- We therefore assume the following:
  - ~$10m raise in order to fully fund the remainder of PFS and evaluation studies.
  - ~$36m equity contribution to the project funding upon FID.
  - ~$24m in project debt.

PROFIT & LOSS	2023A	2024A	2025E	2026E	2027E
Revenue	**-**	**-**	**-**	**-**	**222.2**
Growth	-	-	-	-	-
EBITDA	**(12.8)**	**(13.4)**	**(12.5)**	**(9.5)**	**93.0**
Growth	-	*5%*	*(7%)*	*(24%)*	*(1079%)*
Dep'n & Amort.	-	-	-	-	(20.0)
EBIT	**(12.8)**	**(13.4)**	**(12.5)**	**(9.5)**	**73.1**
Growth	-	*5%*	*(7%)*	*(24%)*	*(869%)*
Net Interest	0.5	1.0	0.2	(1.5)	(2.4)
PBT	**(12.2)**	**(12.4)**	**(12.3)**	**(11.0)**	**70.7**
Tax	-	-	-	-	(21.2)
Rate (%)	-	-	-	-	*30%*
Minorities	-	-	-	-	-
NPAT (U)	**(12.2)**	**(12.4)**	**(12.3)**	**(11.0)**	**49.5**
Growth	-	*2%*	*(1%)*	*(10%)*	*(548%)*
One-Off Items	-	-	-	-	-
NPAT (R)	**(12.2)**	**(12.4)**	**(12.3)**	**(11.0)**	**49.5**
EPS Diluted (U)	**(8.3)**	**(7.6)**	**(6.2)**	**(5.6)**	**25.1**
Growth	-	*(8%)*	*(18%)*	*(10%)*	*(548%)*

BALANCE SHEET	2023A	2024A	2025E	2026E	2027E
Cash	26.9	10.3	32.9	(0.2)	48.5
Inventory	-	-	-	-	-
Cur. Receivable	1.0	0.5	0.5	0.5	0.5
PPE	6.7	11.3	13.8	61.8	77.8
Intangibles	0.4	0.5	0.5	0.5	0.5
Other	0.0	0.1	0.7	0.7	0.7
Total Assets	**35.0**	**22.7**	**48.4**	**63.3**	**128.0**
Cur. Payable	2.9	1.5	1.5	1.5	1.5
ST Debt	0.0	-	-	8.0	16.0
LT Debt	-	-	-	16.0	-
Provisions	0.4	0.5	0.5	0.5	21.7
Other	0.1	0.2	0.2	0.2	0.2
Total Liabilities	**3.4**	**2.2**	**2.2**	**26.2**	**39.4**
Net Assets	**31.6**	**20.5**	**46.2**	**37.2**	**88.6**
Equity & Reserves	61.2	62.1	100.1	102.1	104.1
Retained Profits	(29.2)	(41.6)	(53.9)	(64.9)	(15.4)
SH Equity	**32.0**	**20.5**	**46.2**	**37.2**	**88.6**

Source: Company announcements, MA Research estimates

04

Key Risks and Opportunities

MA

Exploration success remains key to development optionality

Potential Risks

Near-term

- News flow will continue to be a positive driver for CNB, and as such it is important that the company can generate data and content to keep investors appraised of drilling success and progress of the economic evaluation. This issue is potentially compounded by an anecdotal backlog with assay turnaround.
- Drilling of the newly discovered Mohawk is critical, but as with most new deposits, there is potential that not every hole will contain ore grade intercepts and potentially fall short of growing investor expectations.
- Despite the modest potential capital to establish operations, CNB will likely need capital markets to remain open in order to help in funding ongoing exploration and evaluation. Notably, the company may require additional funds to deliver the PFS and arrive at FID.

Medium-term

- Sentiment towards copper is likely to play a key role in determining CNB's access to capital. A material unwind of current sentiment may make this task more challenging in future.
- Based on our investor interactions, the scale of the proposed development is right on the cusp of scale required to attract mainstream, generalist investor interest. Ideally, in parallel to the commencement of the initial project (which fast tracks organic cash generation), CNB can continue to discover further resources.

Long-term

- While the potential concentrate deficit for the Mt Isa smelter provides an opportunity for CNB to fast track production, it also establishes a longer-term risk in the event that the smelter changes hands (to an owner with different commercia drivers) or Glencore determines that the operation will not continue in its current form. In our view, CNB's assets would require greater scale in order to warrant serious consideration of any standalone processing option.

Ongoing Upside Opportunities

Near-term

- Significant exploration upside in the near-term, given the immediate access to prospects within the tenement package.
- Recent exploration activity has delineated many additional electromagnetic (EM) targets across the region. Importantly, this geophysical method has proven a very strong indicator of mineralisation – suggesting significant additional discoveries are likely.

Medium-term

- The potential to capitalise on the available capacity at the Mt Isa Concentrator (via toll treatment agreement etc.) provides a material benefit to CNB. In addition, the railway infrastructure which traverses the CNB tenements (running to Mt Isa and also eastwards to the coast) can mitigate transport costs and preserve the economic value of the ore even when sending it further distances for processing or sale.
- Implementing modern exploration tools such as downhole geophysics and surface electrical geophysics in previously operated areas has the potential to uncover further copper mineralisation across the landholding.

Long-term

- There is a general paucity of new copper projects as well as discoveries. The accelerated path to production (as opposed to a conventional greenfield project) positions the company favorably to supply copper in a market facing a deficit.
- In our view, the exploration potential of the Greater Duchess tenements remains high. The majority of the effort to date has been in the northern ~10% of the land holdings. Following commencement of mining, we believe there is potential for further discoveries with organic cashflow to provide the funding.

Source: Company announcements, MA Research

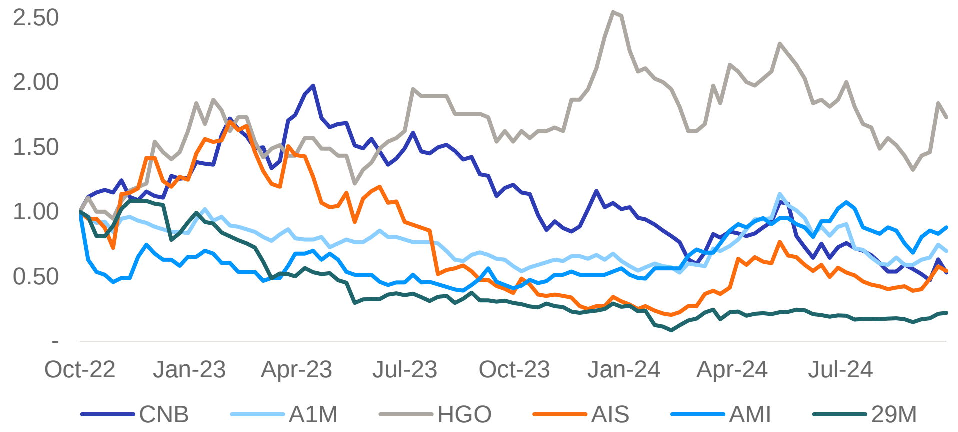
Investment peer group

Small cap base metal plays have been challenging…

- Of the domestic companies we consider peers alongside CNB, all have seen volatility in share price.
- In part, this is the result of modest production with a mostly fixed cost base and insufficient balance sheet strength to weather price fluctuations or operating outcomes. It is also a reflection of limited mine life.
- AIC Mines (A1M - covered – our latest note here) is a relative newcomer to the domestic producer peer group, having purchased its flagship Eloise mine in 2021. The company has since focused shoring up its mineral inventory and expanding its asset base through the development of Jericho.
- Hillgrove (HGO – covered – our latest note here) recently restarted its flagship Kanmantoo mine, acute focus remains on resource additions and, therefore, mine life extension at the asset.
- Aeris (AIS) has a mixed production output with copper from its Tritton asset as well as gold from Cracow. Recent balance sheet stress has seen the stock trade materially lower.
- Aurelia (AMI) has endured a difficult few years following on from a leveraged balance sheet, however, the stock has experienced somewhat of a turnaround driven by improvements in operational performance, cost management and the sanction of Federation.
- 29 Metals (29M) is arguably more exposed to zinc but has also experienced balance sheet strain in conjunction with operational challenges at its Capricorn Copper Mine in Queensland.

…With the last few years proving a difficult operating environment

2 yr. return (October 2022 = 1)



While other juniors have large projects, but significant capital hurdles

- Hot Chili (HCH): own a very large resource in Chile which has been subject of a PEA outlining ~100kt Cu production for 16 years – albeit after US$1b capital commitment to construct the project.
- Caravel Minerals (CVV): If developed, this project in Western Australia will produce +60kt of copper for +25 years, but first needs to fund a capital program of ~A$1.7b.
- Havilah resources (HAV): is currently developing the resource at its 100% owned Mutooroo copper-cobalt-gold deposit in South Australia, with economic studies to come in CY25.
- New World Resources' (NWC) Antler and Javelin VMS deposits in Arizona could support a project yielding at least 16kt Cu (35kt Cu Eq with other metal credits) annually.

Peer Group Comps

Ticker	Company	A$ Mcap	A$ Price	Cu T Production NTM	A$ EV	A$ NTM EBITDA	A$ EV/EBITDA
29M-AU	29metals Ltd.	355	0.51	24.2	484	145	3.3
AMI-AU	Aurelia Metals Limited	304	0.20	3.1	210	96	2.2
AIS-AU	Aeris Resources Limited	223	0.23	30.0	242	141	1.7
A1M-AU	AIC Mines Limited	199	0.33	12.0	121*	63	1.9
HGO-AU	Hillgrove Resources Limited	130	0.06	11.0	125*	64	2.0
CNB-AU	Carnaby Resources Ltd.	64	0.37	0.0	59*	-13	-4.7
HCH-AU	Hot Chili Limited	132	0.85	-	115	-	-
CVV-AU	Caravel Minerals Limited	97	0.19	-	78	-	-
HAV-AU	Havilah Resources Limited	73	0.22	-	69	-	-
NWC-AU	New World Resources Limited	60	0.02	-	43	-	-

Note*: MA Research Estimates
Source: Company reports, ASX Company releases, FACTSET, Prices as at 15 October 2024

Corporate Snapshot

Share Price vs Small Cap Resources

Share Price 2Y (A$/sh)

Capital Structure

As of 15 October 2024

Share price	$/sh	0.37
Market cap	$m	59.4
Cash	$m	6.8
Debt	$m	-
Enterprise value	**$m**	**52.6**

Event Calendar

Date	Event
Dec-2024	Resource to reserve drilling and Geotech
Mar-2025	Metallurgical test work
Jun-2025	Group MROR update
Jun-2025	Pre-feasibility study
Jun-2025	Third-party processing and offtake
Aug-2025	FY25 Financial result
Mar-2026	Open pit construction and development

MA Research vs the Street

Consensus Financial Estimates

	FY25e		**FY26e**	
	Consensus	*MA est.*	*Consensus*	*MA est.*
Production (kt Cu)	-	-	-	-
Revenue ($m)	-	-	-	-
EBITDA ($m)	(24.5)	(11.5)	(6.1)	(9.5)
Net income ($m)	(36.6)	(11.2)	(12.0)	(11.6)

Reserves and Resources

Mineral inventory as of 27 October 2023

Proved	Kt Cu	-
Probable	Kt Cu	-
Total Reserves	**Kt Cu**	**-**
Measured	Kt Cu	**-**
Indicated	Kt Cu	174.5
Inferred	Kt Cu	108.6
Total Resources[1]	**Kt Cu**	**283.1**

Key Shareholders

Top Holders	Ownership	Value
Hammer Metals Ltd	5.3%	$2.3m
Regal Partners Ltd	4.6%	$2.0m
BHP Group Ltd	3.8%	$1.7m
Robert Watkins	3.7%	$1.6m
Peter Bowler	3.5%	$1.5m
Gregory Barrett	3.4%	$1.5m

Source: ASX Company Announcements, FACTSET, MA Research
Note 1: Totals may not add due to rounding in Company reported figures

Board and Management

Name	Role	Background and Experience
Peter Bowler	Non-Executive Chairman	▪ Previously founding Managing Director of Beadell Resources from 2007-2015, and prior to that, founding Managing Director of Agincourt Resources Limited, both of which grew to a peak market capitalisation of $800m and $500m, respectively.
Rob Watkins	Managing Director	▪ Geologist with over 20 years' experience. ▪ Previously founding Executive Director at Beadell Resources Limited and exploration manager at Agincourt Resources Limited.
Greg Barett	Non-Executive Director	▪ Over 30 years' experience as a corporate and financial professional, primarily within the mining industry. ▪ Previously served as CFO at several ASX-listed gold producers.
Paul Payne	Non-Executive Director	▪ Geologist with over 30 years' experience in the mining and commodities industry. ▪ Extensive experience in evaluating mineral deposits from early-stage exploration to DFS and provides consulting services to several Australian and international mining companies.

Source: Company announcements

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Equities

Edward Day	Head of Equities	+612 8288 5424
Elliot Leahey	Business Director	+612 8288 5402
Jacqui Irons	Corporate Broking	+612 8288 5427

Equities Sales & Trading

Aaron Payne	+612 8288 5405
Roger Gamble	+612 8288 5410
Ronan Barratt	+612 8288 5426
David Baker	+612 8288 5428
Sandy Isherwood	+61 2 8288 5412
Jake Rischbieth	+612 8288 5654
Brooke Davis	+612 8288 5417

Real Estate

Edward Day	Head of Equities	+612 8288 5424
Murray Connellan		+612 8288 5421

Industrials

Sarah Mann	+612 8288 5407
Sinclair Currie	+612 8288 5413
Matthew Chen	+612 8074 0872
Tom Tweedie	+612 8288 5430
Lachlan Scott	+612 8288 5403
Naman Bose	+612 8288 5401

Resources

Paul Hissey	+613 8650 8626
Nic McRostie	+613 8650 8674

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Downside risks to the Target Price: 1) Operational risks around underground mining and mineral processing (power interruptions, ground stability); 2) Commodity and currency moves in the opposite direction; 3) Unexpected M&A which could have a dilutive effect on the capital structure.

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