

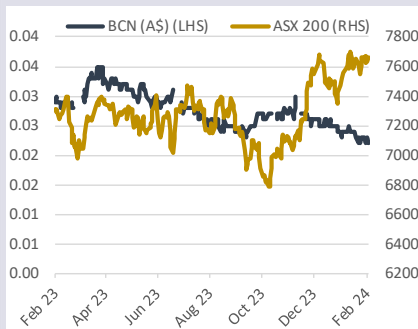


SPEC BUY

Current Price	A\$0.022
Price Target	A\$0.035
TSR	57%

Ticker	BCN ASX		
Sector:	Metals & Mining		
Shares on issue (m)	3,756		
Market Cap (A\$m)	86		
Net cash (debt) (A\$m)	11		
Enterprise Value (A\$m)	75		
52 Week High	0.04		
52 Week Low	0.02		
ADTO (A\$m)	1.43		
Key Metrics	FY24E	FY25E	FY26E
P/E (x)	3.6	3.3	4.4
EV/Ebit (x)	2.0	1.6	1.7
EV/Ebitda (x)	1.5	1.2	1.1
FCF yield (%)	23.7%	14.3%	18.4%
Dividend yield (%)	4.3%	0.0%	0.0%
Financial Summary	FY24E	FY25E	FY26E
Revenue (A\$m)	93	118	109
Ebitda (A\$m)	49	52	41
Ebit (A\$m)	24	26	20
Earnings (A\$m)	93	118	109
Op cash flow (A\$m)	50	31	35
Capex (A\$m)	(27)	(17)	(17)
Free CF (A\$m)	37	39	28
Debt (cash) (A\$m)	(12)	(24)	(40)
Gearing (%)	(19%)	(38%)	(57%)
Gold production (koz)			
Jaurdi (koz)	26.1	35.0	33.3
AISC			
Jaurdi (A\$/oz)	1,879	2,075	2,267

Share price performance vs ASX 200



Source: Factset, Argonaut February 2024

Please refer to important disclosures from page 8

Tuesday, 5 March 2024

Beacon Minerals (BCN)

Proven Performer

Analyst | Patrick Streater

Quick Read

Beacon Minerals (ASX:BCN) is a small WA based gold producer that's been a quiet achiever since bringing its Jaurdi Operation into production in late 2019. Since 2019, BCN has achieved a 28kozpa production profile combined with steady positive operating cash flows. From the generated cash build, BCN has paid out a total of ~A\$41.6M in dividends and reinvested into project acquisitions that will extend the Jaurdi mine life out to at least FY31. With 7-year mine life in place, we look for a production profile increase as BCN brings on higher grade ore sources into its mine plan. Argonaut initiates coverage with a Speculative Buy recommendation and a \$0.035 price target.

Key points

Track record of operational performance: BCN's Jaurdi commissioning commenced in late 2019 with the ramp phase occurring during the worst part of the COVID lockdowns. Despite this hurdle, in the four years of production at Jaurdi BCN generated over A\$99m of operating cash flows with only two quarters of negative operating cashflow.

7-year mine life in place: After dividends, BCN has invested the balance of its cash build into five strategic project acquisitions for a total cost of around A\$31.3M. Once the Lady Ida Acquisition B is finalised, BCN will have reserve/production multiple of 9.5, ahead of many large-scale producers such as RMS, RRL, SLR and WGX.

Higher Grade Feed Options to lift Ounce Profiles: BCN's Jaurdi mill has a current operating capacity of around ~800ktpa with a +5year TSF capacity. Utilising the existing Jaurdi Mill, we see BCN bringing forward recently acquired higher grade projects Mt Dimer and Lady Ida as the pathway towards an increased ounce profile.

Infrastructure advantage with a M&A niche: We like the competitive advantage that BCN holds in the Coolgardie/Kalgoorlie region. Competing mills in the area - Northern Star (KCGM), Gold Fields (St Ives) and Evolution (Mungari) all require deposits with scale and high margins to fit their portfolio. Of the assets left over, BCN has next to no competition and has been able to acquire projects at its own pace and without acquisition premiums.

1HFY2025 Results: BCN's 1HFY2025 results delivered a NPAT of A\$11.17M with gold sales totalling 16koz at an average realised price of A\$2,969/oz. Total cash and cash equivalents totalled A\$14.3M as of December 31. A fully franked dividend of A3.7M was paid out in December 2023.

Valuation & recommendation

Recent acquisitions have built out a 7-year mine life which gives BCN solid platform for further growth. We like the operational track record of the BCN team's that's delivered returns on small-scale assets which can be difficult to operate. We initiate coverage of BCN with a Speculative Buy recommendation with a \$0.035 price target.

Figure 1 - Earnings and valuation summary

Beacon Minerals Limited

ASX: BCN	Share price (A\$)	A\$0.023
	Market Cap (A\$m)	86
Analyst: Patrick Streater www.argonaut.com	Shares (m)	3,756

Key metrics	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
EPS (Ac)	0.00	0.64	0.69	0.52	0.42	0.51
DPS (Ac)	0.00	0.00	0.00	0.00	0.00	0.00
P/E (x)	26.4	3.6	3.3	4.4	5.4	4.5
EV/Ebit (x)	17.2	2.0	1.6	1.7	1.6	0.9
EV/Ebitda (x)	11.1	1.5	1.2	1.1	1.1	0.7
EV/Production (x)	2,849	2,852	1,774	1,387	1,410	896
Free cash flow yield (%)	10.0%	23.7%	14.3%	18.4%	11.1%	13.6%
Dividend yield (%)	4.3%	4.3%	0.0%	0.0%	0.0%	0.0%
Net debt (cash) (A\$m)	(3.6)	(11.9)	(24.3)	(40.2)	(49.8)	(61.5)
Gearing (%)	(6.1%)	(19.3%)	(38.3%)	(56.7%)	(65.5%)	(77%)

Profit & Loss	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Sales revenue (A\$m)	72.3	93.5	117.9	109.1	82.9	89.2
Operating costs (A\$m)	(61.7)	(41.3)	(62.3)	(65.3)	(46.9)	(47.8)
Exploraton expense (A\$m)	(1.1)	(1.0)	(1.0)	(1.0)	(1.1)	(1.1)
Corporate overhead (A\$m)	(2.0)	(2.3)	(2.2)	(2.3)	(2.3)	(2.4)
Ebitda (A\$m)	7.5	48.7	52.4	40.5	32.5	37.8
Depreciation (A\$m)	(2.7)	(11.5)	(12.9)	(12.6)	(10.3)	(11.3)
Ebit (A\$m)	4.8	37.3	39.5	27.9	22.3	26.5
Net interest (A\$m)	0.8	(0.2)	(0.0)	0.3	0.5	0.7
Pre-tax profit (A\$m)	5.6	37.0	39.5	28.1	22.8	27.2
Tax (A\$m)	(2.3)	(13.2)	(13.6)	(8.4)	(6.8)	(8.2)
Underlying earnings (A\$m)	3.3	23.9	25.9	19.7	15.9	19.0
Exceptional items (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Reported Earnings (A\$m)	3.3	23.9	25.9	19.7	15.9	19.0

Cash flow statement	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Net profit (A\$m)	3.3	23.9	25.9	19.7	15.9	19.0
Depreciation (A\$m)	2.7	11.5	12.9	12.6	10.3	11.3
Exploration, interest and tax (A\$m)	8.5	6.1	1.9	(5.9)	(0.5)	0.4
Working Capital (A\$m)	22.0	8.1	(9.3)	8.2	0.5	(1.6)
Other (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Operating cash flow (A\$m)	36.4	49.6	31.4	34.6	26.2	29.1
Capital expenditure (A\$m)	(22.7)	(27.0)	(17.0)	(16.7)	(14.6)	(15.4)
Exploration expenditure (A\$m)	(1.1)	(2.1)	(2.0)	(2.0)	(2.0)	(2.0)
Other (A\$m)	(4.0)	0.0	0.0	0.0	0.0	0.0
Free cash flow (A\$m)	8.7	20.5	12.4	15.9	9.6	11.7
Dividends (A\$m)	(3.8)	(3.8)	0.0	0.0	0.0	0.0
Equity (A\$m)	2.9	0.0	0.0	0.0	0.0	0.0
Debt draw / (repay) (A\$m)	0.8	(0.5)	0.0	0.0	0.0	0.0
Net cash flow (A\$m)	8.6	16.2	12.4	15.9	9.6	11.7

Balance sheet	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Current assets	29.2	14.7	29.1	43.2	52.7	64.8
Cash at bank (A\$m)	4.4	11.9	24.3	40.2	49.8	61.5
Receivables (A\$m)	0.6	0.9	1.6	1.0	1.0	1.1
Inventories (A\$m)	22.2	1.9	3.2	2.0	2.0	2.2
Other (A\$m)	2.0	0.0	0.0	0.0	0.0	0.0
Non-current assets	58.6	75.1	80.2	85.3	90.7	95.8
PP&E and Development (A\$m)	24.6	40.1	44.2	48.3	52.6	56.7
Exploration & evaluation (A\$m)	32.1	33.2	34.2	35.2	36.2	37.2
Other (A\$m)	1.9	1.9	1.9	1.9	1.9	1.9
Total assets (A\$m)	87.8	89.8	109.3	128.5	143.4	160.5
Current liabilities	6.2	8.7	14.0	9.5	9.3	10.3
Payables (A\$m)	4.8	7.2	12.5	7.9	7.6	8.5
Short-term debt (A\$m)	0.3	0.1	0.1	0.1	0.1	0.1
Other (A\$m)	1.1	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	19.3	7.2	7.6	7.9	8.3	8.7
Long-term debt (A\$m)	0.48	0.0	0.0	0.0	0.0	0.0
Lease liabilities (A\$m)	0.0	0.1	0.1	0.1	0.1	0.1
Provisions (A\$m)	18.46	7.2	7.5	7.9	8.3	8.7
Employee provisions (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Other (A\$m)	0.389	0.0	0.0	0.0	0.0	0.0
Total liabilities (A\$m)	25.6	15.9	21.6	17.4	17.6	19.0
Net assets (A\$m)	62.3	73.9	87.7	111.1	125.7	141.5
Equity	62.3	73.9	87.7	111.1	125.7	141.5
Contributed equity (A\$m)	73.6	73.6	73.6	73.6	73.6	73.6
Accumulated earnings (losses)	(11.3)	0.3	14.1	37.5	52.1	67.9
Minorities (A\$m)	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity (A\$m)	62.3	73.9	87.7	111.1	125.7	141.5

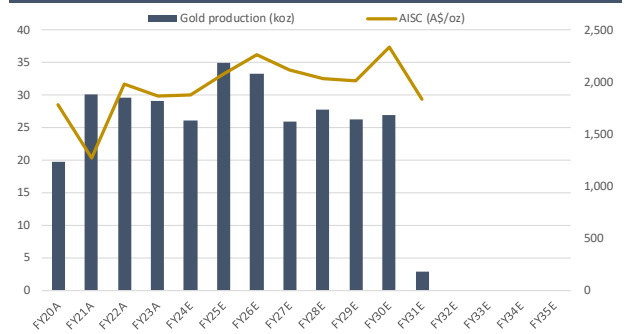
Source: Argonaut Research, March 2024

Recommendation	SPEC BUY
Price Target (A\$)	A\$0.035
TSR (%)	57%



Commodity price assumption	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Gold price (US\$/oz)	1,832	2,014	2,188	2,125	2,075	2,089
A\$/US\$ exchange rate (x)	0.673	0.652	0.650	0.650	0.650	0.650
Gold price (A\$/oz)	2,722	3,091	3,365	3,269	3,192	3,213
Mine production details	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Gold production						
Jaurdi (koz)	29	26	35	33	26	28
Total (koz)	29	26	35	33	26	28
AISC	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E
Jaurdi (A\$/oz)	1,864	1,879	2,075	2,267	2,120	2,038
Group (A\$/oz)	1,864	1,879	2,075	2,267	2,120	2,038

Production Outlook



Reserves and Resources

Ore reserves	Ore (kt)	(g/t)	(koz)
Lost Dog	109	1.68	6
Black Cat South	217	1.48	10
Jaurdi Stockpiles	301	1.35	13
MacPhersons Reward / A-Cap	871	1.43	40
Tycho	578	1.23	23
Geko	998	1.23	40
Geko Stockpiles	326	0.94	10
Lady Ida* (BCN JV %)	1,102	1.74	62
Total	4,502	1.41	203
EV/Reserve (A\$/oz)			366

Mineral Resources

Project	Ore (mt)	(g/t)	(koz)
Jaurdi (Lost Dog)	1.8	1.21	71
MacPhersons	4.8	1.14	176
Geko	1.7	1.22	67
Lady Ida* (BCN JV %)	5.0	1.98	318
Total	13.3	1.47	632
EV/Resource (A\$/oz)			131

Board and Management

Geoffrey Greenhill	Non-Executive Director
Graham McGarry	Executive Chairman / Managing Director
Sarah Shipway	Non-Executive Director
Darren Gaby	General Manager

Substantial shareholders

Substantial shareholders	Shares (m)	Stake (%)
Graham McGarry	405	10.8%
Oceanic Capital	281	7.5%
Geoffrey Greenhill	238	6.3%
Colin Petroulas	230	6.1%

Valuation

Asset	Spot Prices		Argonaut forecasts	
	A\$m	A\$sh	A\$m	A\$sh
Jaurdi	91.1	0.024	92.5	0.025
Resources	38.9	0.010	36.6	0.010
Hedge book	0.9	0.000	(0.5)	(0.000)
Corporate overhead	(8.4)	(0.002)	(8.4)	(0.002)
Unpaid capital	0.0	0.000	0.0	0.000
Listed Investments	0.0	0.000	0.0	0.000
Cash	14.4	0.004	14.4	0.004
Debt	(3.3)	(0.001)	(3.3)	(0.001)
Total	133.6	0.036	131.3	0.035
Price Target (50/50 spot/base case)				0.035



Eight Key Charts

Figure 2: Jaurdi production and AISC

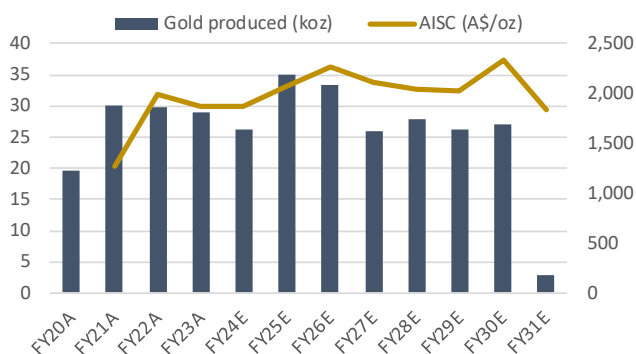


Figure 3: Jaurdi quarterly production and AISC

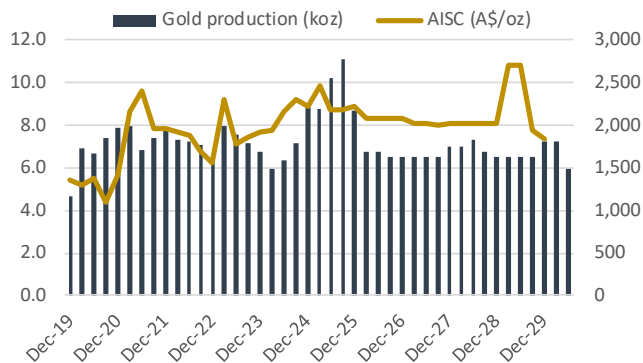


Figure 4: Jaurdi throughput and grade

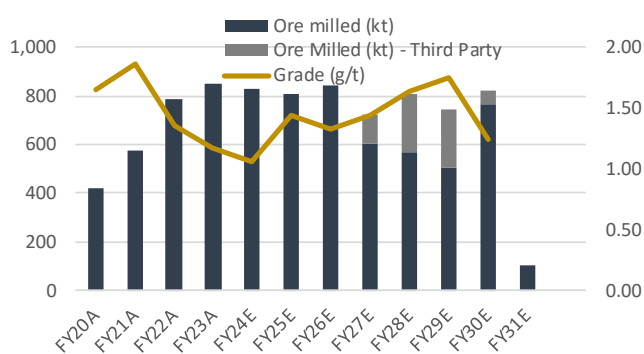


Figure 5: Jaurdi quarterly throughput and grade

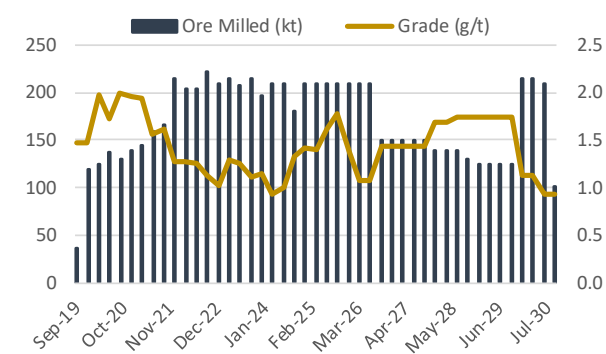


Figure 6: Reserves by deposit

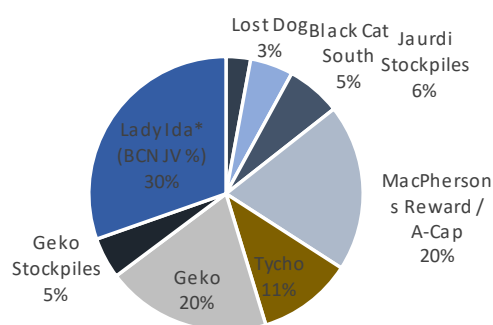


Figure 7: Resources by deposit

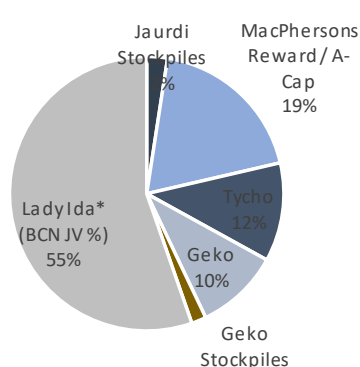


Figure 8: Net cash build vs market cap

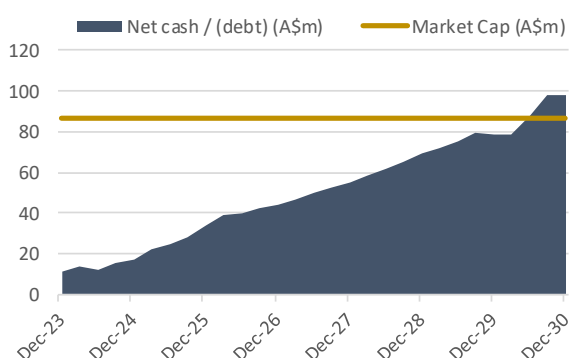
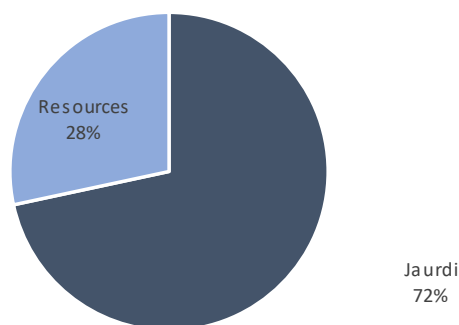


Figure 9: NPV Breakdown



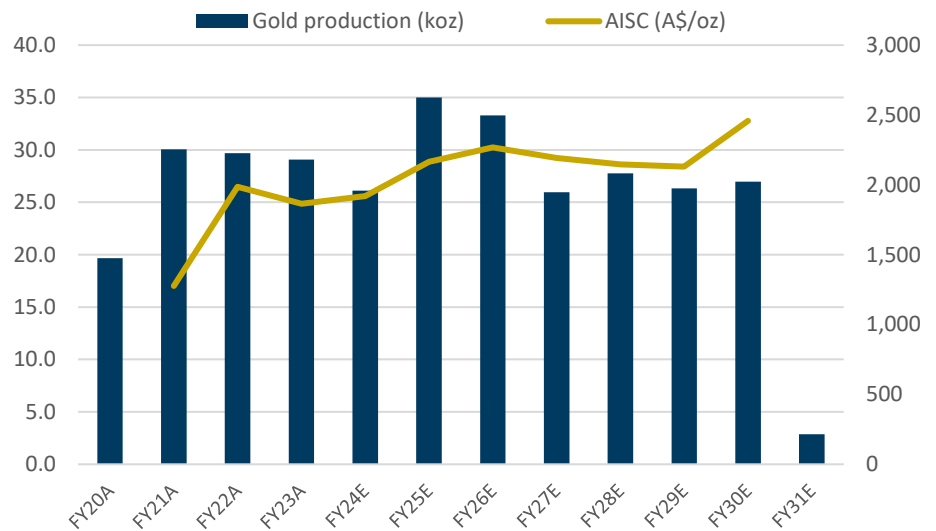
Sources Fig 2-9: Bloomberg, Argonaut Research, March 2024

Initiating Coverage

Track Record of Performance

In late 2019 Beacon Minerals (BCN) commenced production at its Jaurdi operation, located 50km west of Kalgoorlie. Production at Jaurdi consisted of three open pit sources – Lost Dog, Panther and Black Cat. Ore was processed at BCN’s newly constructed 500ktpa CIP Mill which performed well beyond nameplate capacity and averaged ~700ktpa over the three-year period. From 2QFY20 to 2QFY24 BCN produced around 115koz (~27kozpa) from its Jaurdi Operation at an average AISC of \$1,730/oz. Since 2019 BCN has acquired several additional projects including MacPhersons (\$14M), Panther (\$0.13M), Geko (\$9.1M), Mt Dimer (\$3M) and Lady Ida (Acquisition-A, \$2.5M). All these acquisitions will be processed through existing the Jaurdi mill.

Figure 10: Jaurdi Operation production and AISC performance since commissioning.



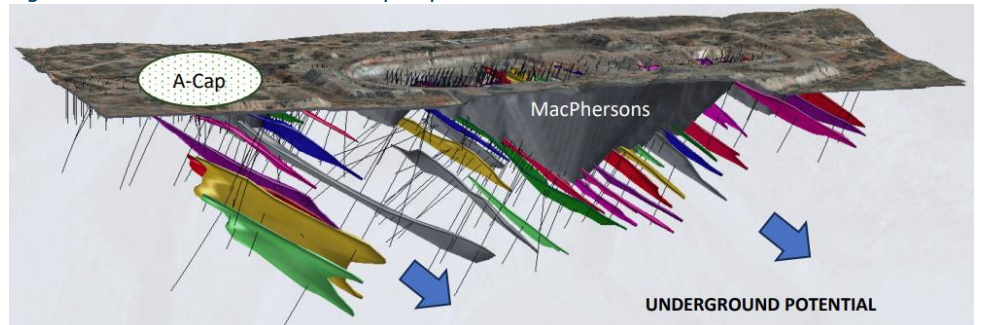
Argonaut models the Jaurdi Operation extending beyond FY30 based on current reserves

Source: Argonaut Research, BCN, March 2024

Open pit mining moves to MacPhersons

In October 2023 BCN mobilised its mining fleet to the MacPhersons Project and commenced pre-stripping. Open pit production at MacPhersons will be sourced from the MacPhersons/A-Cap and Tyco deposits which have a total reserve base of 63Koz at 1.35g/t Au. BCN’s current mine plan schedules open pit production at MacPhersons continuing until the Q1FY2026 after which open pit production will shift to the Geko deposit.

Figure 11 – MacPhersons and A-Cap deposits.



Current Ore Reserves at the MacPhersons Project total 63Koz at 1.35g/t Au

Source: BCN, March 2024

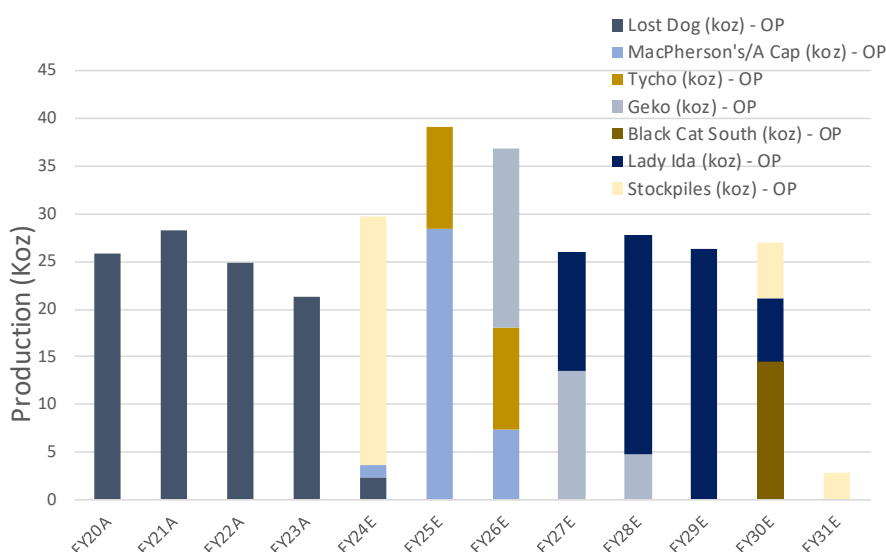
Growing mine life with plenty of reserve upside

FY24 guidance and MacPhersons ramp up

BCN's FY24 production guidance is 24,000 – 27,000oz with a FY24 total production of 13.9koz already achieved. We see BCN on track to meet guidance given its current stockpile inventory of 13koz which it can process should the ore tonnes mined at MacPhersons fall behind schedule. The MacPhersons Project will be the dominant ore feed for the Jaurdi Mill until at least Q1FY26 after which BCN plans to bring the Geko Project into production (40koz reserve at 1.2g/t Au).

Figure 12: Argonaut's BCN Jaurdi LOM plan out to FY31.

BCN's production open pit production sources will all be treated its Jaurdi Mill

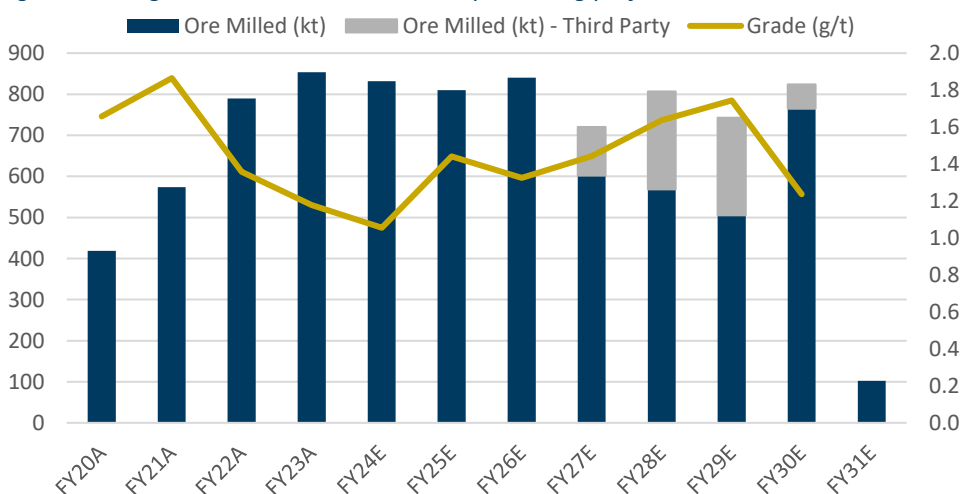


Source: Argonaut Research, BCN, March 2024

Argonaut models the Jaurdi Mill running at capacity with 840ktpa run rate which with the current reserve base will extend production out until Q1FY31. Our base case mine plan only includes reported reserves and does not include potential reserve additions at Mt Dimer, Geko and MacPhersons. Current TSF capacity as reported by BCN is +5 years.

Figure 13 – Argonaut's modelled Jaurdi Mill processing profile.

BCN has built up a base load feed of 1.4g/t material for the next 7-years



Source: Argonaut Research, BCN, March 2024



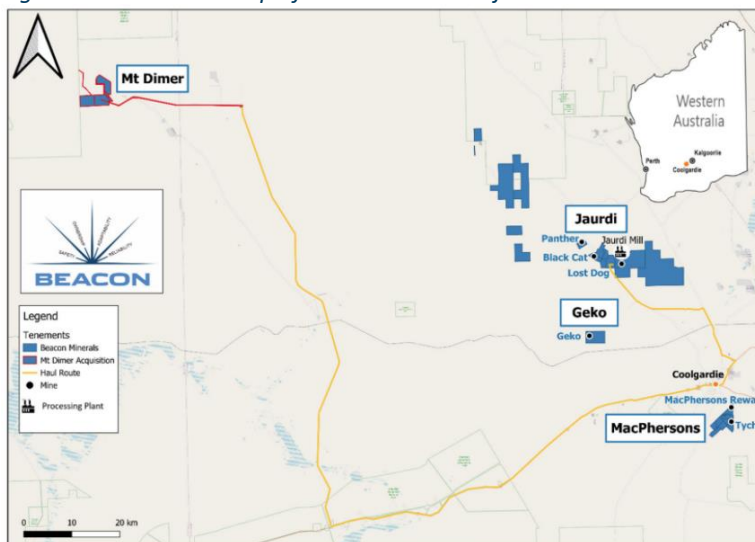
Higher grade deposits expected to lift ounce profile

We model the Jaurdi Mill running at full capacity for the next 7-years with an average head grade of ~1.4g/t Au. With no ore feed shortages in the short to medium term, we expect BCN to target an increased ounce profile by incorporating higher-grade feed rather than an expansion of the Jaurdi mill.

The recent acquisition of the Mt Dimer Project looks to be the first step in this strategy. Historical production at Mt Dimer totalled 125Koz at 6.4g/t Au from open pit and underground sources. BCN will commence a 5,600m RC program at Mt Dimer in early 2024 which will involve a combination of infill and extensional drilling required to bring the Golden Slipper and Lightning deposits into a resource and eventually a reserve. Given the 113km distance from Mt Dimer to the Jaurdi Mill, we expect that BCN will be trucking a +2g/t ore feed from Mt Dimer but highlight the upside risk to this grade estimate given the historical production grades of +6g/t Au.

Mt Dimer likely to be a high-grade satellite feed that's trucked to the Jaurdi Mill

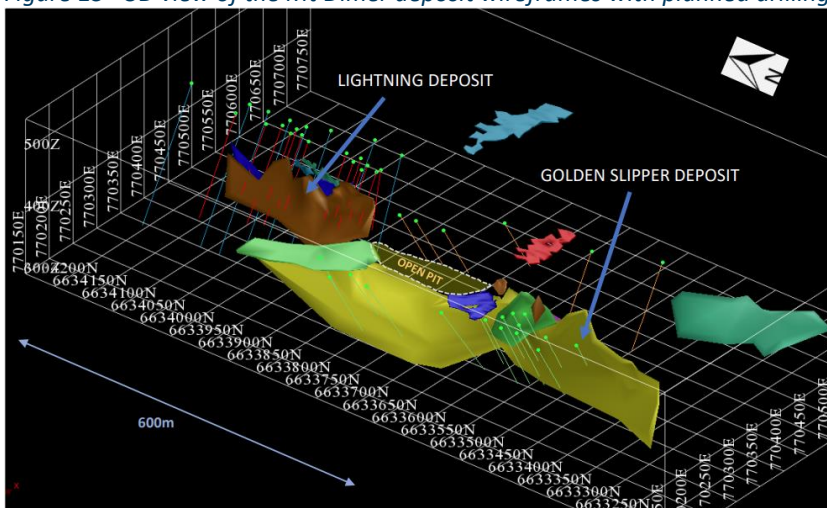
Figure 14 – Location map of the Mt Dimer Project relative to Jaurdi.



A high-grade Reserve at Mt Dimer may allow a significant increase to the ounce profile

Source: BCN, March 2024

Figure 15 - 3D view of the Mt Dimer deposit wireframes with planned drilling.



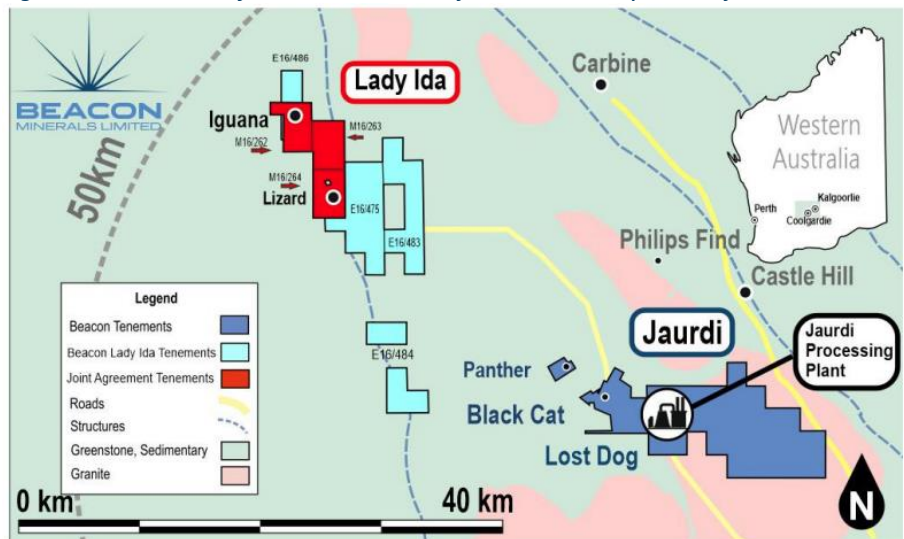
Source: BCN, March 2024

Lady Ida Acquisition B

BCN’s proposed acquisition of the Lady Ida Project will provide a ~1.4g/t ore feed with a 29km trucking distance to the Jaurdi Mill. The Lady Ida Acquisition B is subject to shareholder approval. Under the terms of the acquisition, BCN will assume 100% ownership in Lady Ida once 72.5koz has been produced through the Jaurdi Mill. BCN will hold a staged beneficial interest from 25% to 50% on the first 72.5koz produced. The resource base at the Lady Ida Project totals 318koz at 1.98g/t Au which we would expect BCN to achieve decent resource-reserve conversion rates on with further drilling and studies.

Figure 16 – Location of the Jaurdi Gold Project and the Lady Ida Project

We expect further acquisitions from BCN as it exploits developers with projects that lack critical mass

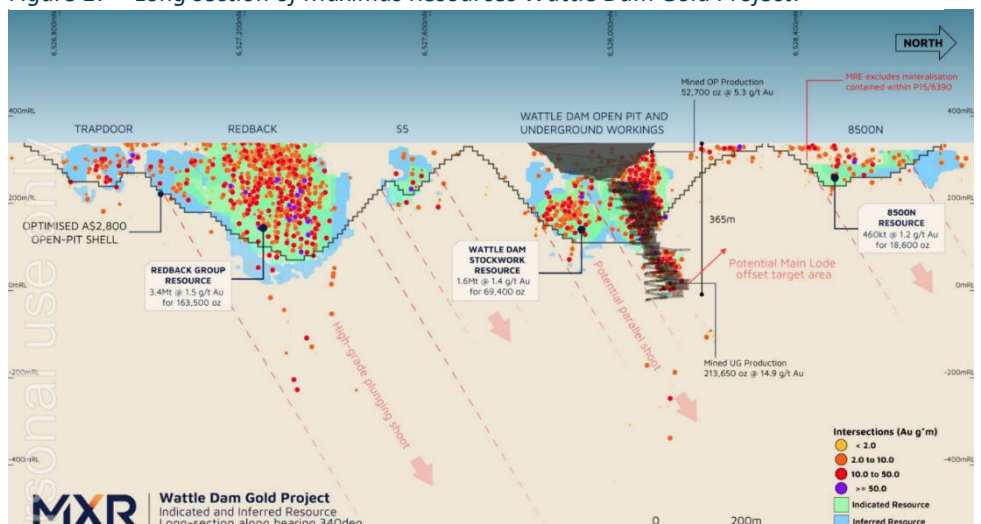


Source: BCN, March 2024

Further upside with stake in Maximus Resources (ASX:MXR)

In January 2023 BCN acquired a 19.8% shareholding Maximus Resources for \$2.6M. Maximus Resources own the Wattle Dam Gold Project with its resources of 251koz at 1.4g/t Au. The haulage distance to the Jaurdi Mill from Wattle Dam is around ~106km, so another potential ore source for Jaurdi if a transaction can be finalised or toll treating agreement arranged. We note that the current BCN managing director - Graham McGarry also sits on the Maximus Resources board as a non-executive director.

Figure 17 – Long section of Maximus Resources Wattle Dam Gold Project.



Source: MXR, February 2024

Iniating coverage with a SPEC BUY

Price target and valuation

Our coverage commences with a Speculative Buy recommendation of BCN and \$0.035 price target. Our price target methodology assumes a 50/50 Blend of our NPV using Argonaut gold price forecasts and at spot prices. Our base case mining scenario utilises only reported BCN ore reserves. We capture resources not incorporated into our production forecasts at 3% of in ground value. Our NPV also factors in current cash and debt balances and corporate overhead costs.

Argonaut initiates with a Speculative Buy recommendation on BCN with \$0.035 price target.

Figure 18: Price target a 50/50 blend of Argonaut and spot NPV

Valuation	Spot Prices		Argonaut forecasts	
	A\$m	A\$sh	A\$m	A\$sh
Asset				
Jaurdi	91.1	0.024	92.5	0.025
Resources	38.9	0.010	36.6	0.010
Hedge book	0.9	0.000	(0.5)	(0.000)
Corporate overhead	(8.4)	(0.002)	(8.4)	(0.002)
Unpaid capital	0.0	0.000	0.0	0.000
Listed Investments	0.0	0.000	0.0	0.000
Cash	14.4	0.004	14.4	0.004
Debt	(3.3)	(0.001)	(3.3)	(0.001)
Total	133.6	0.036	131.3	0.035
Price Target (50/50 spot/base case)				0.035

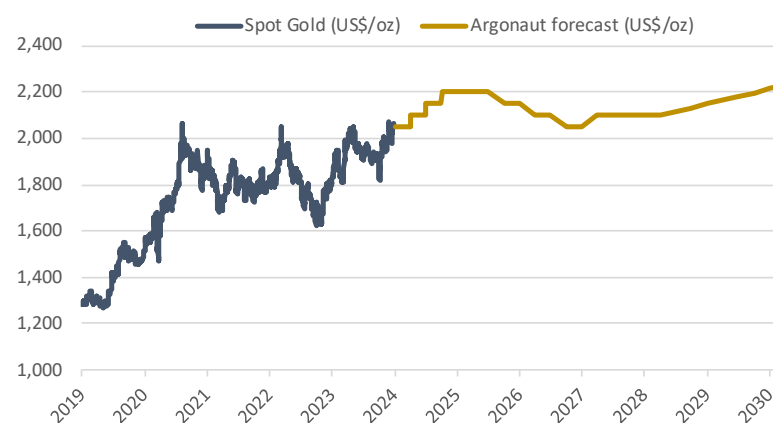
Source: Argonaut Research, March 2024

Argonaut has a bullish outlook on gold.

We expect to see further strength in gold prices in 2024 with our forecasts calling for a further 6-7% rise in the spot price to US\$2,200/oz by the end of the year. Beyond 2024 we assume a more stable outlook, with our long-term price in real terms US\$1,850/oz.

We expect gold prices to peak at US\$2,200/oz in 2024

Figure 19: We forecast further strength in gold prices in 2024



Source: Bloomberg, Argonaut Research, January 2024

Key risks to our base case

We note risks to our base case valuation from the ramp up currently underway at MacPhersons. As is the case with most production ramps ups, grade reconciliation, production rates and OPEX costs may present some downside risks to our valuation during Q1/Q2 FY25.

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