

13th October 2021

Canterbury Resources Limited

A step forward at Briggs

Canterbury Resources Limited (ASX:CBY) is a junior minerals explorer established in 2011, listed in 2019 and assessing large-scale copper-gold plays in the south-west Pacific region. The company has a number of active projects in PNG and Queensland. As highlighted in our note of 23-Aug, with financing secured for the Briggs Project a return to drilling is now imminent with Africa Energy Resources (ASX:AFR) to fund a 3,000m RC drilling campaign focusing on the higher-grade central porphyry zone. A return-to-field activity is important, particularly across the Briggs tenements; working assets is the critical path forward to value accretion, particularly in the current bullish copper market.

Business model

Canterbury is a junior minerals explorer established with the aim of generating early-stage opportunities for Cu-Au in the south-west Pacific region, including northern Australia. The strategy is to identify Tier 1 exploration opportunities, define the commercial opportunity and seek partnerships to provide funding at the project level. The recently announced Briggs funding and partnering agreement is a prime example of implementing this strategy and catalysing evaluation activity.

Back to the drill bit at Briggs

We anticipate the imminent commencement of the 3,000m, 'option phase' drilling programme to be solely funded by Africa Energy Resources (ASX:AFR) at an anticipated cost of \$0.75mn. The aim of the drilling activity is to progress Briggs to a scoping study stage by perhaps mid-2022. A 'success case' should deliver a material expansion and high-grading of the current resource attribution of 142.8Mt @ 0.29%. A soil sampling programme is planned to be conducted over the northern, central and southern porphyry zones in parallel with the drilling campaign. We note that the return to the field also represents a significantly positive operational outcome against the backdrop of COVID restrictions. Any further COVID-related issues may impact the timing and completion of work programmes as planned. Under the full terms of the farm-in, AFR will fund Briggs' work programmes for up to \$16mn to earn a 70% interest, on a staged basis out to Jul-2031.

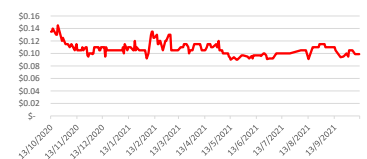
Valuation

We model a risked NAV of A\$52mn (A\$0.43/share at the mid-point) to the portfolio against a **reference share price of A\$0.099/share**. It's worth highlighting that our valuation benchmarks and weightings are subject to significant change through exploration and evaluation activity. Positive drilling results at Briggs could materially enhance and upgrade the economic potential of the project, providing a mechanism to close the current discount and reset the share price base. We suggest that CBY represents an undervalued play, with significantly strong upside as a copper opportunity given the leverage of the portfolio to the metal via the Briggs asset in Queensland. The next 12-24 months could deliver transformational upside based on material increases and upgrades to existing resources.

Share details

ASX Code	CBY
Share Price (intraday)	\$0.099
Market Capitalisation	\$11.9M
Shares on issue	120M
Cash as at 30 Sep (est)	~\$1.2M
Free float	~38%

Share price performance (12-months)



Upside Case

- Partnering options can be secured more rapidly and on better terms than expected
- Drilling results exceed expectations, particularly with respect to increasing the resource tonnages and grades
- Successful outcomes catalyse accelerated pre-development options

Downside Case

- Delays in securing partners also defers next phase evaluation and growth options
- Drilling results in particular fail to meet expectations
- COVID issues continue to negatively impact the timing and resumption of in-field activities

Catalysts

- Positive drilling results underpinning increased grades and tonnages
- Potential return-to-field activity at Bismarck (Manus Island) – a clay sampling programme

Company contact

Grant Craighead +61 2 9392 8015
gcraighead@canterburyresources.com.au

RaaS Advisory contact

Andrew Williams +61 417 880 680
andrew.williams@raasgroup.com

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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