



Carpet Laid For A Re-Rate

Ramping up an underground mine while carrying debt is about the riskiest thing a mining company can do. Disappointment is the norm during this phase and companies should be priced accordingly. That said, we believe Medallion Metals (MM8.AX) will prove an exception.

Under the leadership of the illustrious Paul Bennett, Medallion has gone from a struggling junior effectively written off by the market just two years ago to a fully funded developer on the doorstep of production. Back in mid-2024, with the stock around 4.5c, the market was effectively saying Ravensthorpe would never get financed. The Cosmic Boy acquisition changed that, giving Medallion an existing plant with flotation already in place, exactly what it needed to produce a copper con.

The company now has a fully financed development pathway, key approvals in place and a A\$50m plant conversion contract signed with GR Engineering. Another A\$60m raised in August gives them much more breathing room through the ramp-up and funds additional drilling. The project was funded before the raise, but only just. In our models they were basically running on the edge, while the lender requires a minimum liquidity balance through drawdown and commissioning and the board wanted extra buffer on top. I would much rather see them raise the money before they need it than find themselves short halfway down the decline. We have more notes on why we think ramp here will be manageable but having a good cash buffer is the first step to avoiding a Belluve style fugazi.

On the ground machines are moving and anagement expects to cut the portal in November. The box cut is around 18m deep and from there they estimate roughly 600m of decline before reaching the orebody with first Ravensthorpe ore still targeted for Q2 CY27. Commissioning of the modified Cosmic Boy plant is targeted for June/July 2027. They are also refurbishing old Spotted Quoll infrastructure, including buildings, vent fans, compressors, refuge chambers and underground electrical equipment, which management thinks could save A\$5-10m. They are not banking those savings, neither are we, but every little bit helps. As the norwegian saying goes, every small river becomes one large one

They have also found a way to generate revenue while developing Ravensthorpe. Third-party ore is already being stockpiled, with toll processing expected to begin in October. The signed agreement covers at least 200kt at A\$100/t, equivalent to A\$20m of revenue before operating costs. It should help carry the Forrestania asset while they build it and also test the mill before their own ore starts arriving. Management thinks the interim operation should at least cover Forrestania holding costs and potentially build a useful funding buffer.

Beyond that, we think the market is giving them too little credit for the wider business they could build. Lounge Lizard and other Forrestania deposits can, in time, provide additional feed, reducing reliance on Ravensthorpe alone. Lounge Lizard is particularly interesting because the ore appears softer than Ravensthorpe, around 14-15 Bond Work Index versus 18-20 at Ravensthorpe, so blending the two may allow them to push more tonnes through Cosmic Boy. Management thinks there could be 10-20% latent capacity in the plant, which is how you potentially get from the current ~80kozpa type run rate towards 100kozpa.

The bigger point is where this could end up over the next four years. Paul described the board's longer-term ambition as making Forrestania self-sufficient enough to feed Cosmic Boy independently, then building separate gold-copper processing capacity at Ravensthorpe. If they get there, you are looking at two production centres doing roughly 80-100kozpa each, or 160-200kozpa across the group. For comps, Bellevue Gold is around A\$2.31bn and Alkane around A\$2.5bn. In four years you have two operating centres doing say 80koz each, then something around A\$2bn does not look particularly aggressive. Against today's valuation that is a 4x.

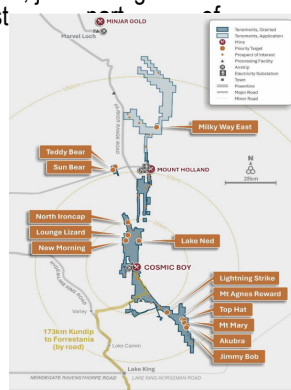
Company Data

Shares - Ordinary (M)	925
Options / Perf. Rights (M)	35
Total (fully diluted) (M)	960
Market capitalisation FD (US \$M)	\$349M
Cash (US \$M)	\$73M
12 month low/high (\$)	A\$0.33/ A\$0.60
Free Float (%)	~65%
P/ NAV	0.27x

Share Price: **A\$0.53**

Target Price:



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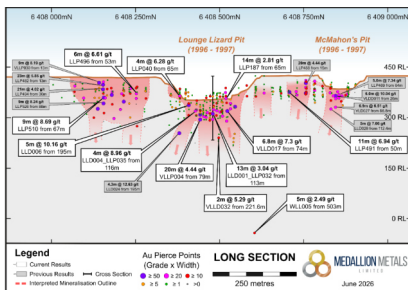


Figure 2: Long Section view of the Lounge Lizard deposit

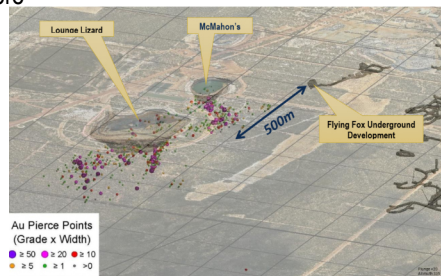


Figure 4: Isometric view (looking ~ WNW) of Lounge Lizard drilling pierce points proximal to Flying Fox mine development and infrastructure.

200koz at LZ as an initial resource but this obv needs more drilling.

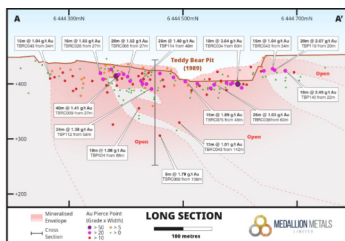


Figure 3: Long sectional view of Teddy Bear Looking west. All intercepts are outside the pit shell

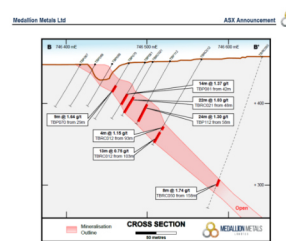


Figure 4: Cross sectional view of Teddy Bear historical drilling outside current pit (Looking North)

following the raise. The aim is to get a maiden resource out before year end.

potential for more at depth.

prices there is real value in the dirt. With todays gold prices the in-situ value is around 8m USD

Ravensthorpe: Where can this go wrong

Management's main concern is whether the orebody delivers the expected widths and tonnes, with greater confidence in the grade. Kundip is a structurally controlled narrow-vein system, with mineralisation generally occurring in discrete 1–5m packages and the underlying veins described as roughly ~2m wide. At Gem and Harbour View, the high-grade gold domains average around 1.5m in the resource model.

That leaves very little room to be wrong on width. The designed stopes average 2.7–4.0m wide depending on the mining area, while the reserve assumes dilution skins of roughly 0.5–0.8m on the hangingwall and footwall. You do not need the geological model to be catastrophically wrong for the realised head grade to disappoint, a 30–50cm miss on either side of a narrow lode can matter a lot once you start blasting tonnes.

The resource is still a little undercooked, but not unusually so for an underground mine. There are no Measured Resources and the fresh sulphide MRE contains 3.15Mt Indicated at 4.8g/t gold and 0.7% copper against 2.56Mt Inferred at 4.3g/t and 0.5% copper.

There is also no modern underground reconciliation history to lean on. The block models have been statistically and visually validated and Gem and Harbour View have been externally reviewed by Snowden Optiro, but the report explicitly notes that there has been no reconciliation comparison with historic mining.

From early discussions with management a year ago they have been very explicit that they intend to "over-develop" the mine and stay ahead on headings through ramp up. Rather than being dependent on one or two stopes behaving perfectly, the idea is to have enough developed inventory to move around problems when they inevitably appear.

Geotechnically the project also looks reasonably benign, which matters a lot for jumbo productivity. Management has communicated a planning rate of around 250m per month per jumbo, which we think is achievable and potentially likely if the ground behaves. The FS describes conditions as predominantly good and suitable for conventional non fill longhole open stoping, although there is a poorer ground domain at Harbour View that has been accounted for in the plan.

So the test over the next 12–18 months is relatively simple. Does development progress on time on budget? Does infill drilling convert the opening Inferred tonnes without materially changing grade or geometry? We expect it will and as such we are bullish.

Valuation

Our base case models Ravensthorpe at 650ktpa, with a partial start in 2027 and approximately 76–82koz GEO annually during the main production years from 2028. Using approximately US\$4,412/oz gold, US\$67/oz silver and US\$14,401/t copper our after-tax NPV7 is US\$354m, or A\$492m. This values the existing production inventory without adding mine-life extensions or a second production centre. Detailed models and sensitivities are available to subscribers on our website.

We apply a 20% buffer to operating and sustaining costs, bringing full-year modeled AISC to approximately US\$2,150–2,300/GEO which we think is a fair assumption for what is a relatively complex underground mine. Initial construction capital remains unchanged. The higher costs flow through cash generation and valuation, giving us a more cautious starting point for assessing the upside.

We see scope for production well beyond the initial mine plan. Extending the existing operation through a ten year production window increases modeled NPV7 to approximately US\$630m, or A\$876m. Our larger growth scenario introduces LZ blending in 2028, alongside development of a second production centre, with a new mill contributing 60koz GEO from 2029. Reaching approximately 160koz GEO would require the existing, blended operation to deliver around 100koz.

At 160koz GEO and a group AISC of US\$1,700/GEO, the potential cash generation becomes substantial. Applying a normalized 30% tax charge at our spot gold assumption gives approximately US\$304m, or A\$422m, of annual post-tax cash generation, before growth capital, working-capital changes and debt service. That is roughly 85% of the company's approximately A\$0.5bn market capitalization.

We back this team to execute, with the initial project funded through commercial production following the placement and project finance package. Successful delivery would establish operating cash flow to support the next stage of growth. We see market caution around restarts as a potential opportunity if Medallion delivers the ramp up and converts its broader resource base into a longer-life, two-centre operation.

Furthermore this is the kind of asset that might be attractive to a larger company as they start delineating the resource potential of the underexplored greenstone belt, very few such opportunities exist in WA.

