20 February 2025

Meeka Metals (MEK, $0.13, mkt cap $324M)

Price-Target $0.20

Just months away from first gold

Emerging producer

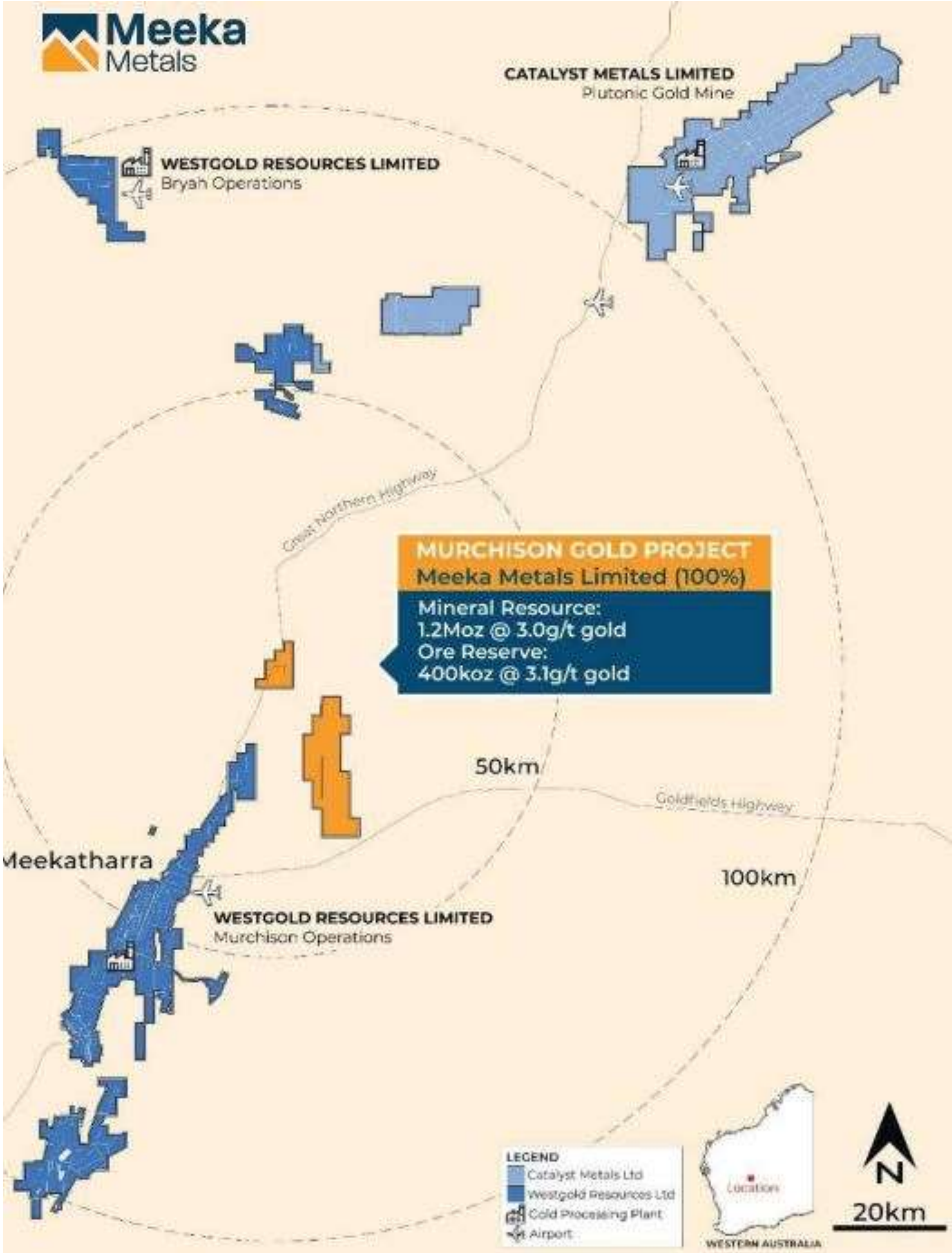
- We caught up last week with Tim Davidson MD of MEK, which is just months away from joining the desirable club of Australian gold producers, all of which are basking in a high gold price/low A$ environment.

Murchison gold project - in majors' playground

- **Murchison near Meekatharra producers.** MEK owns the Murchison Gold project located in the Meekatharra region of WA, close to the great Northern Highway and 90km from Meekatharra airport. It is also proximate to major gold mines including Westgold's (WGX) Murchison (ca.50km away) and Catalyst Metals (CYL) Plutonic (about 150km by road).

- **Potential to be drawn into Australia's gold M&A.** We think the progress of Murchison – both in production and exploration - will be watched intently by a number of miners, given the slew of M&A and investment activity over the past couple of years: Northern Star Resources (NST) and De Grey Mining (DEG), Genesis Minerals (GMD) and Dacian Gold, Ramelius Resources (RMS) and Spartan Resources (SPR); and Red 5 and Silver Lake Resources forming Vault Minerals (VAU).

MEK Murchison project location:



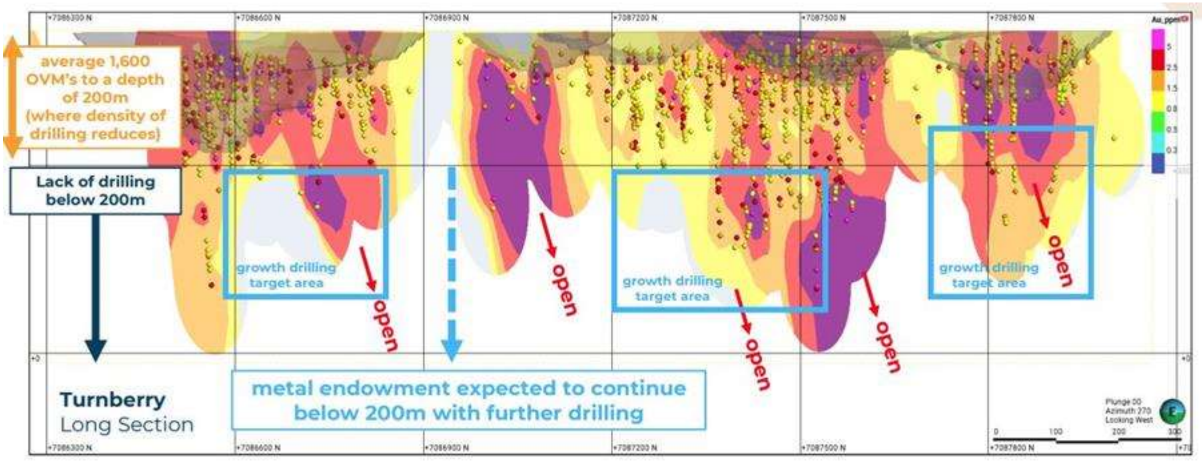
Source: Company.

Underground high-grade has scope for growth

- **10-year LOM with enviable recovery.** The December 2024 updated DFS shows a 10-year life of mine for Murchison, based on 72% Measured and Indicated Resources, with a 0.6Mtpa mill producing an average of 65kozpa over the first seven years and 54kozpa LOM, peaking at 76koz in year five. Recovery is highly attractive at 97%, supported from historical production, with a high ratio of coarse gold translating to a high recoverable gravity component.

- **Mostly underground with scope for growth.** The Murchison Resource is 1.2Moz @ 3.0g/t Au and the Reserves 400koz @ 3.1g/t of which the majority (80%) are underground - 320koz @ 3.6g/t vs 75koz @ 2.3g/t open pit. This leads to about 86% of the LOM production deriving from underground ore. While the Resource/Reserve ratio is low, it's because of a lack of deep drilling, especially below 200m, and not for lack of prospectivity. MEK has been focused on entering production, but once the underground is established we expect drilling at depth to increase. Examples of the underground potential is shown from intercepted mineralisation below the Turnberry Stage 1 pit, indicating the resource is open at depth.

Turnberry long-section:



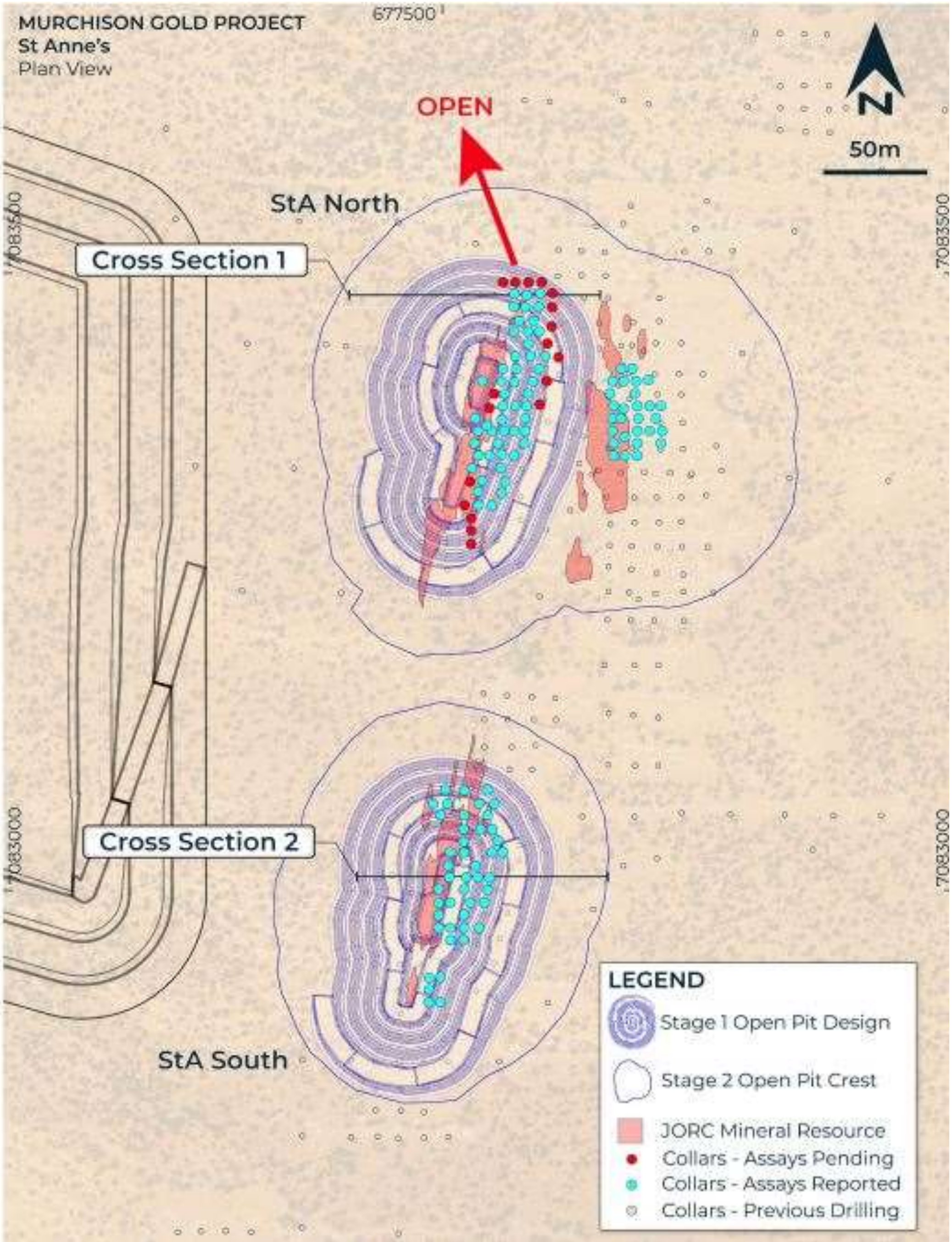
Source: Company.

Recent drilling points to enhanced production outlook

- **Grade-control drilling reveals upside.** MEK has been undertaking RC grade control drilling at its open pits with a 15,000m program completed in December. Results coming to hand have been impressive and should support and improve the production outlook, given the high-grade mineralisation intercepted both outside resource and pit designs.

- **Extending pits at St Anne's and Turnberry.** Grade-control results highlights include indication of a new western zone outside the Turnberry south pit, with 12m @ 2.66g/t Au; and at St Anne's where intercepts of 10m @ 52.8g/t and 23m @ 26.7g/t Au show extensions to the north of the pit.

Recent drill results at St Anne's pits:



Source: Company.

Attractive metrics from DFS

- **Ample margin with AISC <$2,000/oz.** The updated DFS metrics showed an NPV8 post-tax of $304M at $3,500/oz gold price, increasing to $444M at the then (December 2024) spot price of $4,100/oz. However spot gold today is $4,642/oz. The DFS shows a hefty margin is there for the taking given AISC are $1,982/oz and AIC $2,247/oz. Forecast average EBITDA LOM is $106M pa at $3,500/oz and $136M pa at $4,100/oz.

First gold due by end June 2025

- **Site activity is ramping up,** including open pit mining scheduled to commence next month, with the expanded plant due to be commissioned June 2025 for first gold pour. Mining will initially target five shallow oxide open-pits at Turnberry and St Anne's to commence in the March 2025 quarter. This will be followed by underground - first at Andy Well commencing mid-2025 and then at Turnberry. The existing decline can be utilised at Andy well to access virgin orebody.

Murchison mine layouts:

Source: Company.

Fully funded

- The company had $55M cash pro-forma end December 2024 which should fully fund it into production. About $40M will be for capex (comprising $30M for civils and other infrastructure, and $10M for pre-strip), while $15M is for working capital.

Commissioning de-risked

- **Metallurgy and resource provide confidence.** The historic metallurgical track record of Murchison and the recent grade-control drilling derisk two factors - plant performance and resource integrity - that often plague emerging producers upon commissioning, providing us confidence in a successful first gold pour.

12-month price target $0.20

- With no hedging, production just months away, fully funded, and the potential of exploration – particularly underground – to extend mine life, we believe MEK should be firmly on the radar of gold investors.

- **$0.20 PT based on becoming producer.** ASX-listed domestic gold producers are currently trading at an average of PE of 8.6x FY27e earnings while MEK is at 4.6x (FY27e being the first year of fully-ramped up production), and almost 50% discount. Based on becoming a producer and applying the average peer multiple, we derive a 12-month price target of $0.20 for MEK.

Foster Stockbroking, staff, and Cranport own <1% of MEK's shares on issue.

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