

Cora Gold Limited (AIM: CORA)

Low CAPEX Gold Project in Mali with Funding Commitment - Introductory Note

N/A

Current Price: £0.095

Fair Value: N/A

Risk: 5

Sector / Industry: Junior Mining

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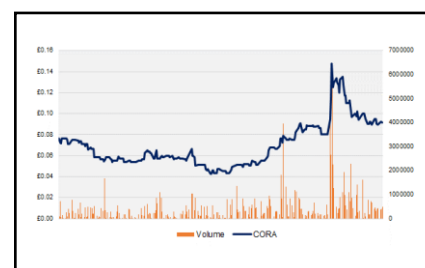
Highlights

- Cora Gold Limited (“company”, “Cora”) holds gold exploration and development projects in Mali and Senegal in West Africa.
- Its flagship Sanankoro project is in Mali. **Mali is among the top five largest gold producers in Africa.**
- Sanankoro has a **shallow open-pit** maiden inferred resource estimate of 265 Koz at 1.6 gpt, with an exploration target of 1 to 2 Moz as per independent consultants who prepared the resource estimate.
- In early 2020, the company **completed a scoping study / Preliminary Economic Assessment**, which showed an After Tax – Net Present Value (“AT-NPV”) at 8% of \$23.5M at \$1,400 per oz gold, increasing to \$32.2M at \$1,500 gold.
- The initial CAPEX estimate is \$20.6M. Cora has **already received commitment to fund the CAPEX** from a group related to Cora’s independent director and largest shareholder. The funding is subject to completion of a Definitive Feasibility Study (“DFS”) with a mine life of at least six years, annual production of at least 40 Koz, and 60% IRR at \$1,400 gold. The scoping study meets all the required criteria except the six-year mine life. **The company is currently focused on resource expansion to extend the mine life.** Note that the current resource is based on just 25% of an identified strike length of 40 km, implying potential room for resource expansion.
- Cora has a **healthy balance sheet**, with \$5 million in cash.
- We will initiate coverage on the company in the coming weeks.

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Price Performance (1-year)



	YTD	12M
Ret. FTSE AIM	68%	24%
	1%	13%

Company Data (as of September 30, 2020)

52 Week Range	£0.04 - £0.15
Shares O/S	204,667,874
Market Cap.	£19.44 million
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.4x

Key Financial Data (FYE - Dec 31)

US\$000 except EPS

	FY2019	FY2020 (6M)
Cash	\$2,058	\$3,631
Working Capital	\$1,794	\$3,547
Mineral Assets	\$11,374	\$12,577
Total Assets	\$13,618	\$16,280
Net Income (Loss)	-\$1,475	-\$623
EPS	-\$0.015	-\$0.004

*See last page for important disclosures, rating and risk definitions. All figures in US\$ unless otherwise specified.

Company Overview

Based out of the U.K., Cora Gold is focused on gold exploration and development in Mali and Senegal. Shares of Cora are tightly held; as shown below, a small group of investors own 64% of the outstanding shares. Cora's management team has been involved with multi million ounce gold discoveries in Africa.

Key investors own 64% of the outstanding shares

Management / Directors	% of Total
Edward Bowie, Chairman & Director	0.2%
Robert Monro, CEO & Director	0.6%
Paul Quirk, Director	5.8%
Total	6.6%

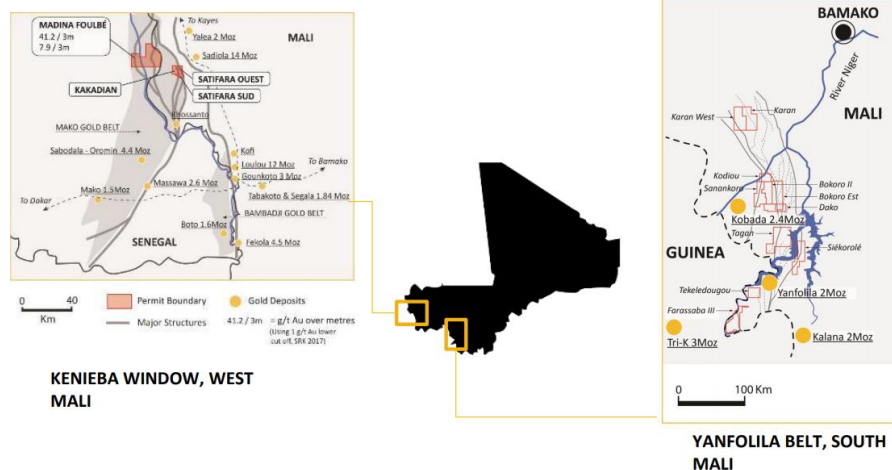
Key Investors	% of Total
Total Directors and Management (excluding Paul Quirk and family)	1%
Brookstone Business Inc. and Key Ventures (Family of Director, Paul Quirk)	34%
Lord Farmer (founder of Red Kite Mine Finance)	13%
Hummingbird Resources plc	12%
Capital Drilling Company	4%
Total	64.1%

Source: Company

The company holds a total of **12 properties covering over 1,100 sq km** in two areas – namely the Yanfolila gold belt in south Mali, and the Kedougou-Kenieba Inlier gold belt (also known as the Kenieba Window) in west Mali / east Senegal. Cora's flagship, and most advanced asset, is its 95% owned Sanankoro project in the Yanfolila belt. Mali is among the top five largest gold producers in Africa.

Mali is among the top five gold producers in Africa

Key Focus Areas



Source: Company

Cora acquired Sanankoro from Hummingbird Resources (AIM: HUM) in 2017. The project was previously operated by Randgold Resources Ltd (subsequently acquired by Barrick / TSX: ABX) in the mid 2000s, and Gold Fields Limited (JSE: GFI) from 2008 and 2012.

The property is approximately 110 km south west of Bamako, close to the Niger river. There are rivers three to six km from the project, offering good access to water. Power is expected to be supplied by diesel generators or solar.

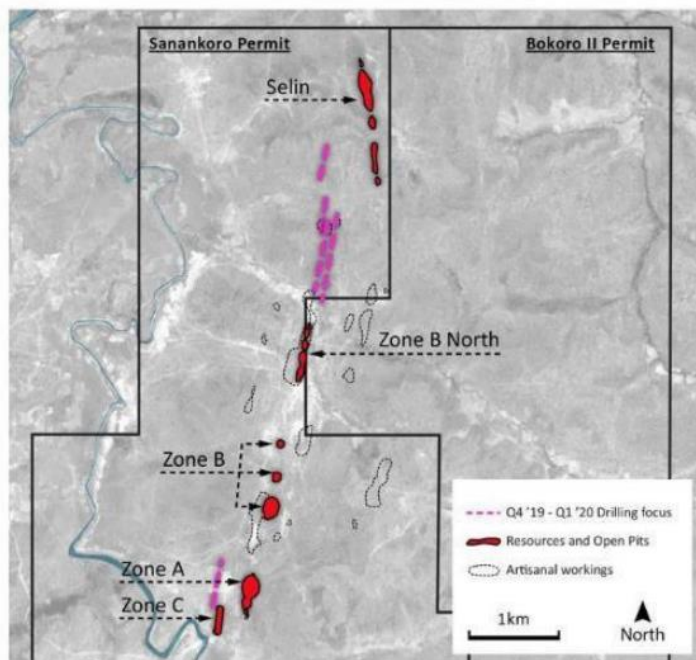
The project has been subject to extensive artisanal gold mining activity across a 4.5 x 7.5 km area. In late 2019, the company completed a **maiden resource estimate of 265 Koz inferred at 1.6 gpt** (235 Koz oxide and 32 Koz sulphide), across four zones, namely the A, B, Zone B North and Selin. **A key advantage is that most of the mineralization is shallow, and within 100 m depth.**

2019 Maiden Resource Estimate

Mineral Resources by Zone			
Zone	Tonnes (Mt)	Au g/t	Contained Au (Oz)
Selin	1.9	1.8	108,000
Zone A	1.9	1.5	91,000
Zone B	0.7	2.0	47,000
Zone B North	0.5	1.1	19,000
TOTAL	5.0	1.6	265,000

Mineral Resources by Weathering Profile Domain			
Zone	Tonnes (Mt)	Au g/t	Contained Au (Oz)
Hardcap	0.4	1.3	16,000
Saprolite	3.7	1.6	191,000
Saprock	0.4	1.9	27,000
Fresh	0.5	1.8	32,000
TOTAL	5.0	1.6	265,000

Shallow oxide deposit of 235 Koz inferred



Source: Company

Exploration target of 1 – 2 Moz gold

The resource report also identified an exploration target of 30 to 50 Mt at 1 – 3 gpt, implying 1 to 2 Moz contained.

Shortly after the resource estimate, in early 2020, the company completed a scoping study / PEA. Based on a 1.5 Mtpa throughput, the study showed a four year open-pit operation, followed by crushing, grinding, and heap leaching, with a net recovery of 70%. **At \$1,400 per oz gold, the study returned an AT-NPV at 8% of \$23.5M, increasing to \$32.2M at \$1,500 per oz gold.**

2020 Scoping Study

Throughput	1.5 Mtpa		
Minfe Life (years)	4		
Total Ore (Mt)	4.25		
Avg Grade (gpt)	1.45		
Recovery	70%		
Recovered Gold (oz)	138,427		
Avg. Annual Production (oz)	45,632		
AISC (US\$ per oz)	\$942	\$945	\$939
Initial CAPEX - US\$M	\$20.60		
Sustaining CAPEX (US\$M)	\$2.12		
Gold Price (US\$ per oz)	\$1,400	\$1,500	\$1,300
AT- NPV @ 8% - US\$M	\$23.50	\$32.20	\$14.70
AT- IRR	73%	91%	53%
Cora's EV as a % of AT-NPV	87%	63%	139%

Source: Company / FRC

AT-NPV at 8% of \$24M, and AT-IRR of 73% at \$1,400 per oz gold

The initial CAPEX estimate is \$20.6M. Cora has already received commitment to fund the entire CAPEX from an investment firm, co-founded by an independent director and Cora’s largest shareholder, Paul Quirk, named Lionhead Capital based in Cape Town. Lionhead will act as the lead investor and arrange funds on behalf of a group of investors. The funding, which will likely consist of \$6M in equity financing and \$15M in debt financing (US\$5M convertible at a 30% premium to the equity financing, and US\$10M straight debt), is subject to completion of a DFS before the end of 2021. The DFS should show a mine life of at least six years with 40 Koz per year gold production, and 60% IRR at \$1,400 per oz gold. Note that the scoping study meets all the required criteria except the six-year mine life. **The company is currently focused on resource expansion to extend the mine life.** Note that the current resource is based on just 25% of an identified mineralized strike length of 40 km, implying potential room for resource expansion. Cora has retained a third-party firm to conduct an Environmental and Social Impact Assessment, which is expected to be completed in late 2021.

Funding commitment for CAPEX

Financials

At the end of Q2-2020, the company had \$3.63 million in cash, and working capital of \$3.55 million. We estimate Cora had a burn rate (general and administrative) of \$96k per month in H1-2020. The following table summarizes the company’s liquidity position.

Liquidity Position

US\$000	FY2019	FY2020 (6M)
Cash	\$2,058	\$3,631
Working Capital	\$1,794	\$3,547
Current Ratio	4.99	23.74
LT Debt / Assets	0.00	0.00
Monthly Burn Rate (G&A)	-\$55	-\$96
Exploration and Development	-\$2,356	-\$1,203
Cash from Financing Activities	\$4,069	\$3,532

Data Source: Financial Statements

Healthy balance sheet

Subsequent to the quarter-end, the company has increased its cash position to \$5 million as certain warrants were exercised.

Stock options and warrants - We estimate the company currently has 8.10 million options (weighted average exercise price of £0.10 per share), and 0.32 million warrants (weighted average exercise price of £0.165) outstanding. 6.20 million options are in-the-money, implying a potential to raise up to £527k.

Preliminary Valuation

Cora's shares are trading on the higher end of comparables with advanced stage projects. We believe this is because Sanankoro has a low CAPEX (with funding commitment) and a high IRR.

Trading on the higher end of comparables

Company	EV / Resource	Project Stage
Thor Explorations	\$203.45	DFS
Galiano Gold	\$141.81	Producing
Xtra-Gold Resources Corp.	\$113.80	Resource
Cora Gold	\$76.98	PEA
Newcore Gold Corp.	\$76.02	PEA
Golden Star Resources	\$43.46	Producing
Orca Gold	\$30.72	PFS
Castle Minerals	\$28.82	Resource
Asante Gold	\$24.10	Resource
Loncor Resources	\$23.00	Resource
KEFI Gold and Copper	\$22.99	DFS
East Africa Metals	\$17.02	Resource
Pelangio Exploration Inc.	\$17.01	Resource
Aton Resources	\$16.47	Resource
African Gold Group	\$14.77	DFS
Average	\$34.23	
Average (Resource stage)	\$70.82	
Average (PEA and advanced stage)	\$31.80	

- 100% of M&I + 50% of Inferred

Source: FRC / Various Companies

However, our preliminary Discounted Cash Flow (“DCF”) models based on a 1 Moz resource estimate (lower-end of the exploration target mentioned earlier in this report) shows that Cora’s shares are undervalued. **Cora’s shares are also undervalued based on a 0.5 Moz resource estimate.** We estimate that the fair value of Cora’s shares could be between £0.21 and £0.31 if Sanankoro’s resource lies between 0.5 and 1 Moz. Note that our preliminary models do not account for any upside from the company’s other projects.

Preliminary DCF models

Resource	235 Koz	500 Koz	1 Moz
Throughput (Mtpa)	1.5	1.5	1.5
Operating Life (years)	4	8	14
Total Tonnage (Mt)	4.80	10.88	21.00
Grade (gpt)	1.45	1.45	1.45
Recovered Gold (oz)	155,904	353,220	682,080
Initial CAPEX (US\$M)	\$20.6	\$20.6	\$20.6
OPEX (US\$ per oz)	\$950	\$950	\$950
Gold Price (US\$ per oz)	\$1,400	\$1,400	\$1,400
Discount Rate	11.5%	11.5%	11.5%
After-Tax Net Asset Value (US\$)	\$20.98	\$50.04	\$77.39
Cora's EV as a % of AT-NAV	97.3%	40.8%	26.4%
Fair Value of Cora's Shares (just based on Sanankoro)	£0.10	£0.21	£0.31

Source: FRC

We will be initiating coverage in the coming weeks.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on gold prices.
- Exploration and development risks.
- The company may not be able to expand Sanankoro’s resource.
- Project financing.
- Access to capital and potential share dilution.

As with most junior exploration and development companies, we rate Cora’s shares a risk of 5 (Speculative).

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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