

Greatland Gold PLC

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Numis's coverage of Greatland Gold is a harbinger of greater things to come

It's a significant development in the life of a company like Greatland Gold PLC (LON:GGP) when it graduates to a level that merits a 30 page analyst's report from a broker of the calibre of Numis.

Most junior mining companies - especially ones like Greatland, which could still be years away from production - are lucky if they can garner any kind of analyst research at all.

And yet Greatland gets the full attention from Numis, and from an analyst of the calibre of Jonathan Guy no less, a man with long and deep experience in the industry, who learned his craft from the late Charles Kernot, who was himself widely acknowledged as the best mining analyst in London for the better part of a decade.

So what is it about Greatland that merits this special treatment?

The answer is simple, and comes in two parts. It's the asset, and the partner.

At the Havieron project in the Paterson region of Western Australia, Greatland has managed to serve up mineralised gold intercepts of a quality that's hard to come by.

A highlight in February, at a time when Greatland was still going it alone, was an intercept that measured 367 metres at 1.15 grams per tonne gold and 0.44% copper, with some cobalt thrown in.

The one potential problem was the depth, which runs at greater than 450 metres, but that's where the partner comes in.

Greatland used its stellar drill hits to attract the attention and a serious amount of cash from Newcrest Mining Ltd (ASX:NCM), Australia's local gold mining champion, and it's Newcrest now that will do the heavy lifting in terms of further exploration and, potentially, development.

As it stands, Newcrest can spend up to US\$65mln to gain a 70% interest in Havieron, providing it also meets certain development milestones, including the production of a feasibility study.

Where Greatland will go after that as far as financing an actual mine is concerned is an open question. But in part that's where Numis comes in.

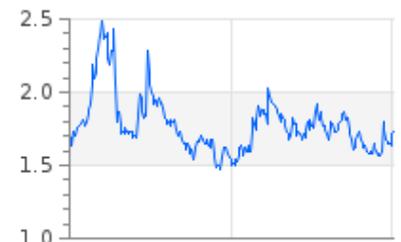
Numis has a long-standing history in the middle ranks of London's brokers of supporting mid-tier mining companies in their efforts to grow larger. It's not a bucket shop or the kind of broker that raises small tranches of cash in blocks of hundreds of thousands for juniors that are running on fumes.

As an example, it was Numis that brokered the £25mln placing that allowed Yellow Cake PLC (LON:YCA) to purchase

Price: 1.725

Market Cap: £61.71 m

1 Year Share Price Graph



December 2018 June 2019 December 20

Share Information

Code: GGP

Listing: AIM

52 week	High	Low
	2.52	1.47

Sector: Gold & silver

Website: www.greatlandgold.com

Company Synopsis:

The principal activity of Greatland Gold plc is to explore for and develop natural resources, with a focus on gold. The company was established in London during 2005 and admitted to AIM in July 2006.

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a significant stockpile of uranium from Kazatomprom (LON:KAP) back in April.

But prior to that, Numis had acted as co-manager for the London listing of Kazatomprom itself, a process which included a US\$451m placing.

In short, in the world of junior and mid-tier mining companies, this is a broker which is able to muster some serious firepower.

And Greatland has attracted its interest because Havieron could conceivably become a very large gold mine.

Quite how big remains as yet an open question.

But analyst Jonathan Guy doesn't mind having a stab at answering it, based on his discussions with the management at Greatland.

"The drill data and geophysical results suggest the presence of a large sub vertical irregular ellipsoidal body that stretches from a depth of 400 metres to at least 1,200 metres that is 300 metres across," writes Guy.

"In very rough terms, this body could host approximately 60m tonnes of material. On this basis, and at a gold equivalent grade of two grams per tonne, it would generate the more than three million ounces that would probably be required by NCM, which is presumably the reason why the major entered into the farm-in."

So, the potential size of Havieron is key. But there's also the location, just 45 kilometres away from Newcrest's Telfer mine. And both parties to the transaction make no bones about their intentions: ore from Havieron is earmarked for the Telfer plant.

And the good news about that is that the costs of developing Havieron will be significantly mitigated. Mining at depth isn't cheap, and once the ore reaches the surface, there'll be trucking costs, but on the plus side there'll be no need for any of the high-end capital items normally associated with a new gold mine and the transformation of ore into metal.

Not surprising then that Numis argues that the farm-in deal transforms Havieron into an "oven-ready project".

The broker also highlights the mitigation of financing risk to Greatland, in what continue to be tough equity markets. Dilution is likely to be kept to a minimum, although the company will need to raise more cash to proceed with its other exploration interests.

But with the Greatland share price now more than 70% higher than where it was a year ago and around ten times higher than it was three years ago the equity markets are likely to be far kinder than they would be to another explorer without the grade or the financial heft of Newcrest behind it.

Will Numis assist in those small equity raises, if and when required? Maybe. But you have to reckon that the real reason Numis is getting involved is because it foresees a big financing for Havieron down the line.

The target price for now is 4p per share. But it will be interesting to see where we go from here, as Newcrest's exploration gathers pace and newsflow and drill intercepts start to come thick and fast.

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