

# Full Q4FY24 Okvau delivers strong free-cashflows; Primed for Growth

EMR.ASX | EMERALD RESOURCES NL | MATERIALS | GOLD

PRICE  
**A\$3.70/sh**

TARGET PRICE  
**A\$4.35/sh**  
(FROM A\$4.05/sh)

RECOMMENDATION  
**BUY**  
(UNCHANGED)

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## Event

Emerald (EMR) releases its full Q4FY24 report, with production previously reported, and costs in-line of forecasts. Company guidance achieved FY24 at the upper end, with cash and bullion up 18% QoQ after debt service and similar exploration expenditure QoQ.

## Impact

- **Okvau delivered JunQ production of ~28.2koz** (-1% QoQ, within guidance range for 25-30koz/Q) with costs also within forecasts with **US\$829/oz AISC** (US\$780-850/oz AISC).
- **JunQ gold sales of 28.6koz** (+0.4% QoQ) @ **US\$2,345/oz** (+13% QoQ) for **~US\$67m revenue** (+13% QoQ), similar gold sold but price up US\$276/oz QoQ. Notional operating margins an impressive ~US\$1,516/oz. EMR remains one of the lowest-cost (AISC basis) gold producers, generating very strong earnings.
- **FY24 provided gold production of 114.1koz (sales of 115.5koz) @ US\$818/oz AISC**, in-line of our forecast for 114.7koz @ US\$817/oz AISC. Company guidance maintained at 25-30koz/Q with AISC range US\$810-880/oz FY25, we model at the upper end, forecasting 120.3koz @ US\$826/oz AISC.
- **Cash and bullion up A\$24.9m** (+18% QoQ) to **A\$162.3m**, with debt now ~A\$30m or US\$19.5m (EMR repaid US\$6.5m or ~A\$10m in the Quarter), for a Net Cash position of ~A\$132m (up from ~A\$98m).
- **EMR completed the acquisition of Bullseye Mining for 100% ownership. Dingo Range (North Laverton)** is the key project within the Bullseye portfolio, with a resource update anticipated in Q3CY24, paving the way for development studies and future production. Resource definition drilling activities are concentrated within granted mining licences with EMR targeting an investment decision late CY24, for construction to commence in CY25 (subject to final permitting).
- **EMR spent ~A\$9m on exploration and feasibility study works in the quarter**, split roughly ~A\$5m on the Cambodian projects and ~\$4m on the Australian Dingo Range project. Memot (Cambodia) continues to report significant results with the latest batch including the highest grade result to date: **6m @ ~349g/t Au** from 125m (incl. 1m @ 2,090g/t Au from 130m); which bodes well for grade upside to the next resource update (due in Q4CY24).

## Action

EMR is progressing its production growth plans with new mines targeted at Memot (Cambodia) and Bullseye North Laverton (Australia) for future Group production levels of well over 300kozpa. The existing Okvau Operations (Cambodia) continues to generate significant cashflows, having now achieved production guidance for FY24 at the upper end of expectations, with costs also within range. The improved Net Cash position, is set to increase QoQ, which implies EMR remains well funded for growth plans.

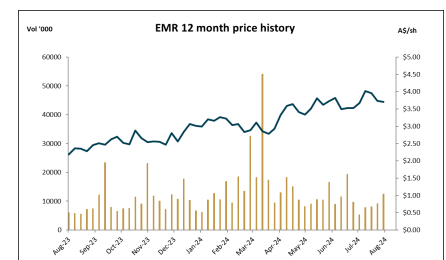
**We maintain our Buy and lift our Price Target to \$4.35/sh.** Our latest EMR NAV is \$3.63/sh, and spot NAV \$5.44/sh. High-quality gold producer, explorer-developer with a premium management team.

## Catalysts

Exploration drilling and results; Resource updates; Development studies; Project developments; Production Growth; Dividends and Gold Price.

Share Price	3.70	A\$/sh	
Price Target	4.35	A\$/sh	
Valuation	3.63	A\$/sh	
Shares on issue (curr)	656	m	
Market Capitalisation	2428	A\$m	
Enterprise Value	2295	A\$m	
Debt est	30	A\$m	
Cash and bullion est	162	A\$m	
Largest Shareholder	VanEck	9.0%	
Production F'cast	2024f	2025f	2026f
Group (koz)	114	120	171
AISC (US\$/oz)	818	836	996
Assumptions	2024f	2025f	2026f
Gold US\$/oz	2080	2225	2050
AUDUSD	0.69	0.66	0.66
Key Financials	2024f	2025f	2026f
Revenue (A\$m)	347	372	479
EBITDA (A\$m)	199	215	236
NPAT (A\$m)	85	117	134
Cashflow (A\$m)	80	70	-26
CFPS (Ac)	19.0	18.8	-1.6
P/CFPS (x)	19.5	19.6	na
EPS (Ac)	12.7	17.5	20.0
EPS growth (%)	28%	38%	14%
PER (x)	29.1	21.2	18.5
EV:EBITDA (x)	11.5	10.7	9.7
EV:EBIT (x)	18.0	14.0	12.4
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%
ND:Net Debt+Equity	na	na	na
Interest Cover (x)	9.8	na	na

## Performance



Source: IRESS

Market Statistics	Year End	30-Jun	Directors
<b>Share Price</b>	<b>\$3.70 A\$/sh</b>		
Issued Capital	J Hughes	Chair	
FP Ord (current)	656.1 m	M Hart	MD
Opt @ var	12.8 m	M Evans	ED
		Clements	CoSec
<b>Total Dil.</b>	<b>668.9 m</b>	R Stanley	NED
		B Slott	NED
Mkt Capital'n	\$2,428 m	M Bowen	NED
Enterprise Value	\$2,295 m	S Lee	NED
Debt est	\$30 m	SCampbell	CFO
Cash and Bullion est	\$162 m	Dunnachie	EBD
Hedging/GPP ~13koz	<b>Holders</b>	Van Eck	9.0%
		T Rowe Pr	6.4%
		BlackRock	7.0%
		M. Hart	6.0%
<b>Asset Valuation</b>	<b>A\$m</b>	<b>A\$/sh</b>	<b>Base</b>
Okvau NPV10 (100%)	1,328	1.98	
Memot NPV12 (100%) -risky	386	0.58	
Dingo Range NPV12 (100%) -ri...	486	0.73	
Exploration	172	0.26	
Hedging/GPP	(14)	(0.02)	
Corporate	(74)	(0.11)	
Debt est	(30)	(0.04)	
Cash and Bullion	162	0.24	
Unpaid Capital (12.8m @ \$1.12)	14	0.02	
<b>Total</b>	<b>2,431</b>	<b>3.63</b>	
SPT US\$2,418/oz 0.65A\$US\$	<b>3,641</b>	<b>5.44</b>	
<b>Price Target</b>		<b>4.35</b>	

Forecast Prod 100%	2024f	2025f	2026f
<b>Okvau (koz)</b>	<b>114.1</b>	<b>120.3</b>	<b>123.3</b>
Okvau AISC (US\$/oz)	818	836	837
<b>Memot (koz)</b>	-	-	<b>21</b>
Memot AISC (US\$/oz)	-	-	<b>1,052</b>
<b>Dingo Range (koz)</b>	-	-	<b>27</b>
Dingo Range AISC (US\$/oz)	-	-	<b>1,667</b>
<b>Group (koz)</b>	<b>114</b>	<b>120</b>	<b>171</b>
AISC (US\$/oz)	818	836	996
<b>Ave Gold Price US\$/oz</b>	<b>2,080</b>	<b>2,225</b>	<b>2,050</b>
AUD:USD	0.66	0.69	0.72

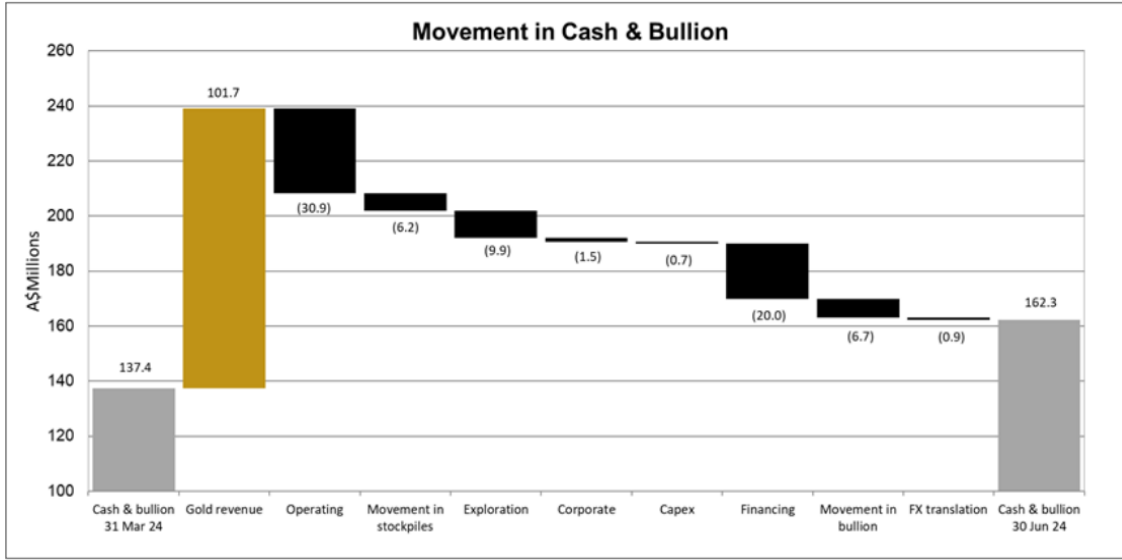
Ratio Analysis (A\$m)	2024a	2025f	2026f
CF (A\$m)	192	183	(15)
CF / Sh (Ac/sh)	19	19	(2)
CF Ratio (x)	19	20	na
Earnings (A\$m)	56	81	96
EPS (Ac/sh)	12.7	17.5	20.0
EPS Growth (%)	28%	38%	14%
Earnings Ratio (x)	29.1	21.2	18.5
E'prise Val. (A\$m)	2,349	2,247	2,273
EV : EBITDA (x)	11.5	10.7	9.7
EV : EBIT (x)	18.0	14.0	12.4
Net Debt / ND+Eq (%)	na	na	na
Interest Cover (x)	10	na	na
EBIT Margin (%)	37%	45%	39%
ROE (%)	19%	24%	34%
ROA (%)	21%	26%	35%
Div. (Ac/sh)	-	-	-
Div. payout ratio (x)	-	-	-
Div. Yield (%)	0%	0%	0%
Div. Franking (%)	0%	0%	0%
<b>Reserves</b>	<b>Mt</b>	<b>g/t</b>	<b>koz</b>
Okvau (100%)	12.0	1.8	698
North Laverton (100%)	-	-	-
Memot (100%)	-	-	-
<b>Total</b>	<b>13.5</b>	<b>1.9</b>	<b>698</b>
<b>EV per oz</b>			<b>3288</b>

Profit and Loss (A\$m)	2024a	2025f	2026f
Gold Revenue	364	389	473
Gold Price Participation	(26)	(21)	-
Interest Revenue	4	5	6
Other Revenue	1	-	-
<b>TOTAL REVENUE</b>	<b>347</b>	<b>372</b>	<b>479</b>
Operating Costs	130	140	225
Dep/Amort	44	51	52
W/O & Provisions	28	-	-
Corp O/H	14	12	12
EBITDA	199	215	236
EBIT	128	164	185
Interest Expense	17	2	-
NPBT	115	167	191
Tax	34	50	57
Minorities	-	-	-
<b>NET PROFIT</b>	<b>85</b>	<b>117</b>	<b>134</b>
Net Abnormal Gain/(Loss)	-	-	-
<b>NET PROFIT After Abn'l</b>	<b>85</b>	<b>117</b>	<b>134</b>

Cashflow (A\$m)	2024a	2025f	2026f
Net Profit	85	117	134
+ Working Capital Adj.	-	-	-
+ Dep/Amort	44	51	52
+ Provisions	-	-	-
+ Tax Expense	34	50	57
- Tax Paid	24	40	46
- Deferred Revenue	-	-	-
<b>Operating Cashflow</b>	<b>139</b>	<b>178</b>	<b>197</b>
-Capex + Development	12	52	208
-Exploration	28	24	15
-Assets Purchased	-	-	-
+Asset Sales	-	-	-
+ Other	0	-	-
<b>Investing Cashflow</b>	<b>(43)</b>	<b>(76)</b>	<b>(223)</b>
+Equity Issues	2	-	-
+Loan D'down/Receivable	-	-	-
-Other	(23)	-	-
-Loan Repayment	28	32	-
-Dividends	-	-	-
<b>Financing Cashflow</b>	<b>(49)</b>	<b>(32)</b>	<b>-</b>
<b>Period Sur (Def)</b>	<b>80</b>	<b>70</b>	<b>(26)</b>
<b>Cash Balance</b>	<b>144</b>	<b>214</b>	<b>188</b>

Balance Sheet (A\$m)	2024a	2025f	2026f
<b>Assets</b>			
Cash	144	214	188
Current Receivables	16	16	16
Other Current Assets	42	42	42
Non-Current Assets	381	319	253
<b>Total Assets</b>	<b>611</b>	<b>623</b>	<b>533</b>
<b>Liabilities</b>			
Borrowings (Sprott Loan)	32	-	-
Current Accounts Payable	33	33	33
Other Liabilities	102	102	102
<b>Total Liabilities</b>	<b>167</b>	<b>135</b>	<b>135</b>
<b>Net Assets</b>	<b>444</b>	<b>488</b>	<b>398</b>
<b>Resources</b>	<b>Mt</b>	<b>g/t</b>	<b>koz</b>
Okvau OP (100%)	11.2	1.9	685
Okvau UG (100%)	1.5	6.3	305
North Laverton (100%)	3.4	2.5	276
Memot (100%)	8.0	1.8	470
<b>Total</b>	<b>24.2</b>	<b>2.2</b>	<b>1,736</b>
<b>EV per oz</b>			<b>1322</b>

Figure 1: JunQ'24 Cash and Bullion Movement



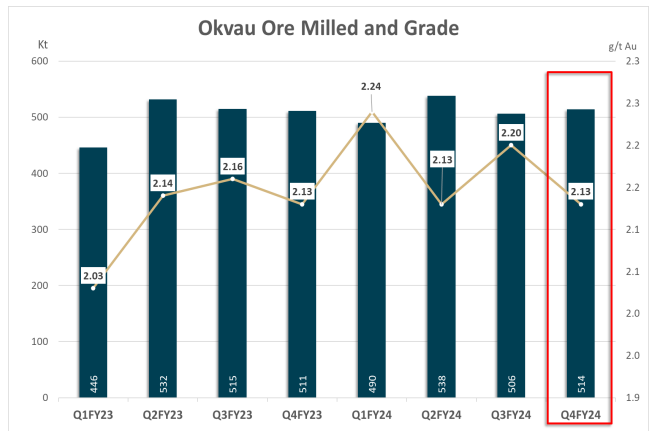
Source: Emerald Resources

Figure 2: Okvau Operations Metrics

Okvau	FY23	SepQa	DecQa	MarQa	JunQa	qoq	FY24
Ore mined ('000 BCM)	971	187	253	218	255	17%	913
Waste mined ('000 BCM)	4,743	1350	1352	1379	1466	6%	5,547
Stripping ratio (w.o)	4.88	6.98	5.35	6.32	5.76	-9%	6.08
Ore mined ('000 t)	3,019	565	714	588	721	23%	2,588
Ore milled ('000 t)	2,004	490	538	506	514	2%	2,048
Head grade (g/t)	2.12	2.24	2.13	2.20	2.13	-3%	2.18
Recovery (%)	79.5%	80.0%	79.0%	80.0%	80.0%	0%	79.7%
<b>Gold production (oz)</b>	<b>108,866</b>	28,109	29,184	28,539	28,245	-1%	<b>114,077</b>
<b>Gold sales (oz)</b>	<b>108,902</b>	27,903	30,447	28,494	28,606	0%	<b>115,450</b>
<b>AISC US\$/oz</b>	<b>799</b>	823	799	821	829	1%	<b>818</b>

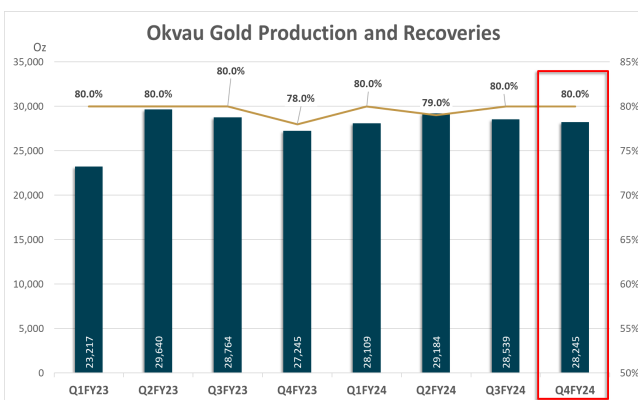
Source: Emerald Resources; Euroz Hartleys

Figure 3: Okvau Ore Milled and Grade



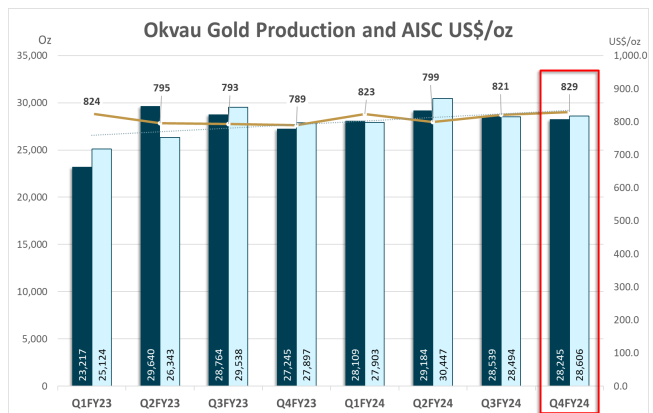
Source: Emerald Resources; Euroz Hartleys

Figure 4: Okvau Production and Recoveries



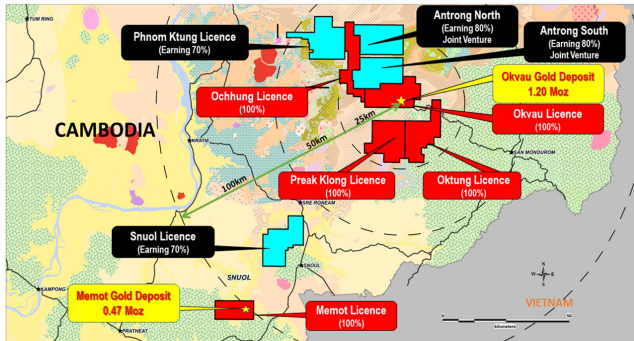
Source: Emerald Resources; Euroz Hartleys

Figure 5: Okvau Production and AISC US\$/oz



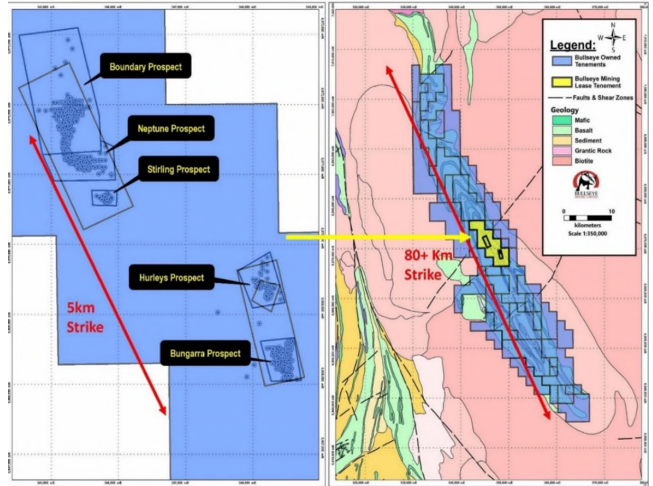
Source: Emerald Resources; Euroz Hartleys

Figure 6: Cambodian Tenure - Okvau and Memot



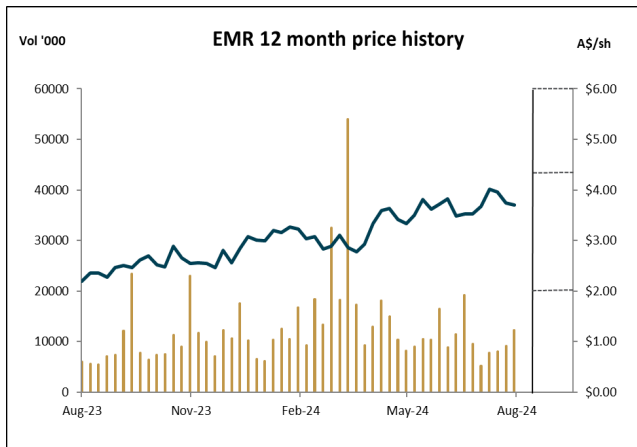
Source: Emerald Resources

Figure 7: Bullseye North Laverton Key Prospects



Source: Emerald Resources

Figure 8: Price History, Bear, Base and Bull



Source: Euroz Hartleys

Figure 9: Bear, Base and Bull Scenarios

**Our Market Sensitivity**  
**Valuation: \$3.63/sh**  
**Price Target: \$4.35/sh**

**Bull Scenario: \$6.00/sh**  
 Mine life additions at Okvau and a new project (ie Memot, North Laverton) for EMR to take advantage of its unique development capabilities. Spot NAV currently +\$5.44/sh, for upside to gold price.

**Base Scenario: \$4.35/sh**  
 Okvau continues to produce in line of expectations and Company Guidance. FY24 in-line of expectations (25-30koz/Q), with potential underground ores to be introduced to extend mine life. Now modelling potential production scenarios for Memot and North Laverton, risked with 12% DR applied.

**Bear Scenario: \$2.00/sh**  
 Political and/or pandemic issues in Cambodia/Australia results in project delays and production problems. Gold price falls 30% from our price assumptions.

Source: Euroz Hartleys

Figure 10: Gold Sensitivities

Val/sh	Gold \$									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
\$3.63										
15%	\$2.39	\$2.60	\$2.82	\$3.03	\$3.25	\$3.46	\$3.68	\$3.89	\$4.11	
10%	\$2.46	\$2.69	\$2.91	\$3.14	\$3.36	\$3.59	\$3.81	\$4.04	\$4.26	
5%	\$2.55	\$2.79	\$3.02	\$3.26	\$3.49	\$3.73	\$3.96	\$4.20	\$4.44	
0%	\$2.64	\$2.89	\$3.14	\$3.39	\$3.63	\$3.88	\$4.13	\$4.38	\$4.62	
-5%	\$2.75	\$3.01	\$3.27	\$3.53	\$3.79	\$4.05	\$4.31	\$4.57	\$4.83	
-10%	\$2.86	\$3.14	\$3.41	\$3.69	\$3.96	\$4.24	\$4.51	\$4.79	\$5.06	
-15%	\$2.99	\$3.28	\$3.57	\$3.87	\$4.16	\$4.45	\$4.74	\$5.03	\$5.32	

Source: Euroz Hartleys

Figure 11: EH Gold Prices Assumptions

Euroz Forecast	FY'24	FY'25	FY'26	FY'27	FY'28	LR
Gold (USD)	\$2,080	\$2,225	\$2,050	\$1,950	\$1,900	\$1,825
AUDUSD	\$0.66	\$0.69	\$0.72	\$0.72	\$0.72	\$0.73

Source: Euroz Hartleys

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Emerald Resources NL (EMR.ASX) | Price A\$3.70 | Target price A\$4.35 | Recommendation Buy;

*Price, target price and rating as at 31 July 2024 (\* not covered)*

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Euroz Hartleys declares that it has provided corporate advice during the last year and has received a fee for these services from: Emerald Resources NL (EMR.ASX)

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