Barton Gold

The Rubicon crossed - marching to production

Technical progress update

Metals and mining

1 April 2025

Barton has continued to aggressively pursue its ambition to produce 125–150koz gold pa at Tunkillia via open pit production, completing a 5,064m reverse circulation drilling campaign targeting block model extensions, updating JORC mineral resources to 1.6Moz gold and 3.1Moz silver and identifying material available energy savings. At Tarcoola, it has discovered the new Tolmer gold system, added further pit floor gold mineralisation at the Perseverance mine, and made a surprise high-grade silver discovery alongside Tolmer's gold – the best interval of 6m at 4,747g/t (152.6opt) Ag being exceptionally high by anyone's standards. These will all contribute to an optimised scoping study at Tunkillia in Q2 CY25 and (from Tarcoola) feedstock for 'Stage 1' operations, leveraging its fully licensed Central Gawler mill to 20–30koz pa as early as mid-CY26. Topping it off, Barton announced a A$3.1m net profit for the half year to 31 December, an unusual and impressive feat for a junior.

Year end	Revenue (AUDm)	PBT (AUDm)	EPS (AUD)	DPS (AUD)	P/E (x)	Yield (%)
6/23	2.8	(5.7)	(0.03)	0.00	N/A	N/A
6/24	0.8	(9.4)	(0.05)	0.00	N/A	N/A
6/25e	8.2	(1.4)	(0.01)	0.00	N/A	N/A
6/26e	0.0	(9.2)	(0.03)	0.00	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Continuing to monetise assets to minimise dilution

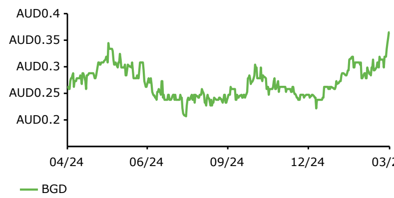
In H125 (H2 CY24), Barton received a final payment of A$775,000 relating to its A $5m June gold sale and confirmed receipt of A$380,000 in grant funding from the South Australian government, along with a cash tax refund of c A$2.4m from the Australian federal government. As such, Barton started CY25 with A$9.2m in cash and, we estimate, will finish FY25 with c A$4.5m level of net cash on its balance sheet.

Valuation: A$0.77–1.11/share risked; maybe A$6.15

As per our initiation report, we value Barton's mill at A$0.46/share on an 'as new' replacement cost basis and at A$0.23/share on an 'as is' indemnity value basis. Hence, this asset alone effectively covers Barton's share price of A$0.335. At updated forex rates (A$1.6019/US$ cf A$1.5000/US$ previously), we estimate that Tunkillia's (published) pre-tax $NPV_{7.5}$ of A$512m translates into a post-tax $NPV_{7.5}$ of c A$417.5m, or A$1.91/share, as a project on an unrisked basis (compared with A$322.6m, or A$1.48/share previously). Adjusting for stage of development (ie scoping study or preliminary economic assessment, PEA), sovereign risk and the overall risk of commerciality of the project (in the form of its internal rate of return, IRR), we calculate a value for Tunkillia in the range A$0.54–0.65/share based on EV/NPV multiples. Similarly, at the current (real) price of gold of US$3,000/oz, we estimate that the project could support a fund-raising of A$54.2m at the current share price (such that the net debt:equity ratio peaks at 2:1) and still return dividends to shareholders with an NPV_{10} of A$1.44/share. However, if Barton is able to extend the lives of its operations indefinitely via exploration success, we calculate that a valuation above A$6.00/share is possible (see Exhibit 15).

Price	**AUD0.335**
Market cap	**AUD73m**
	A$1.6019/US$
Net cash at 31 December 2024	AUD6.8m
Shares in issue	218.9m
Free float	62.3%
Code	BGD
Primary exchange	ASX
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	19.6	34.0	31.4
52-week high/low		AUD0.4	AUD0.2

Business description

Barton Gold is an Australian gold developer with 100% ownership of the only regional gold mill in the renowned central Gawler Craton of South Australia. Currently, it has JORC mineral resources of c 1.7Moz Au and is targeting future gold production of c 125,000–150,000oz annually.

Next events

Optimised Tunkillia study	Q2 CY25

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Edison profile page

Barton Gold is a research client of Edison Investment Research Limited

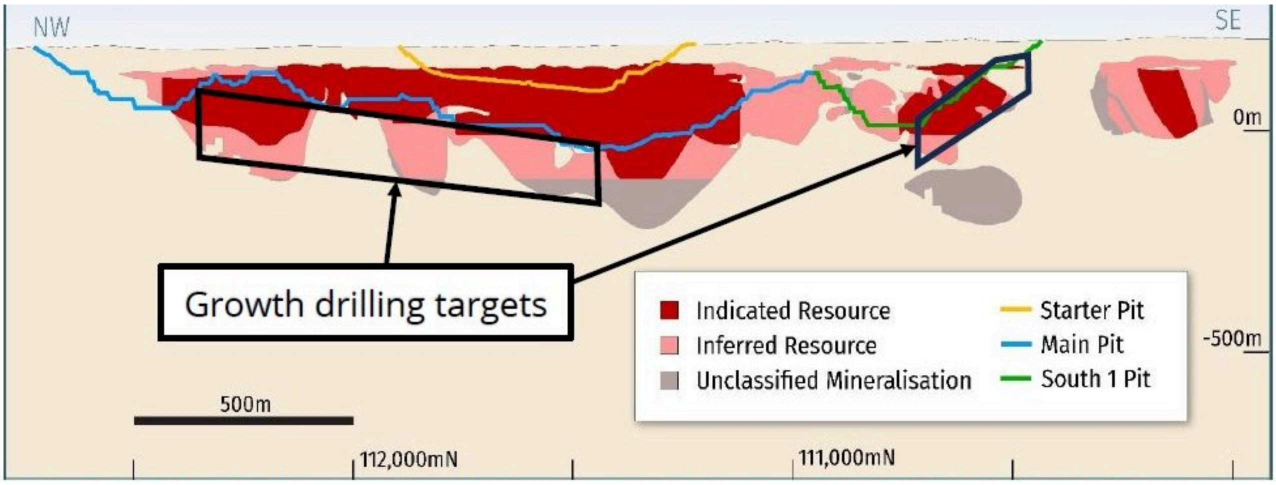
Recent developments

Since our initiation note on 2 September 2024, Barton has made a number of announcements, including:

At Tunkillia:

- the execution of a 5,064m reverse circulation (RC) drilling campaign to target extensions of the block model to support resource growth and (in the future) an optimised scoping study and publication of an updated JORC mineral resource of 1.6Moz Au and 3.1Moz Ag.

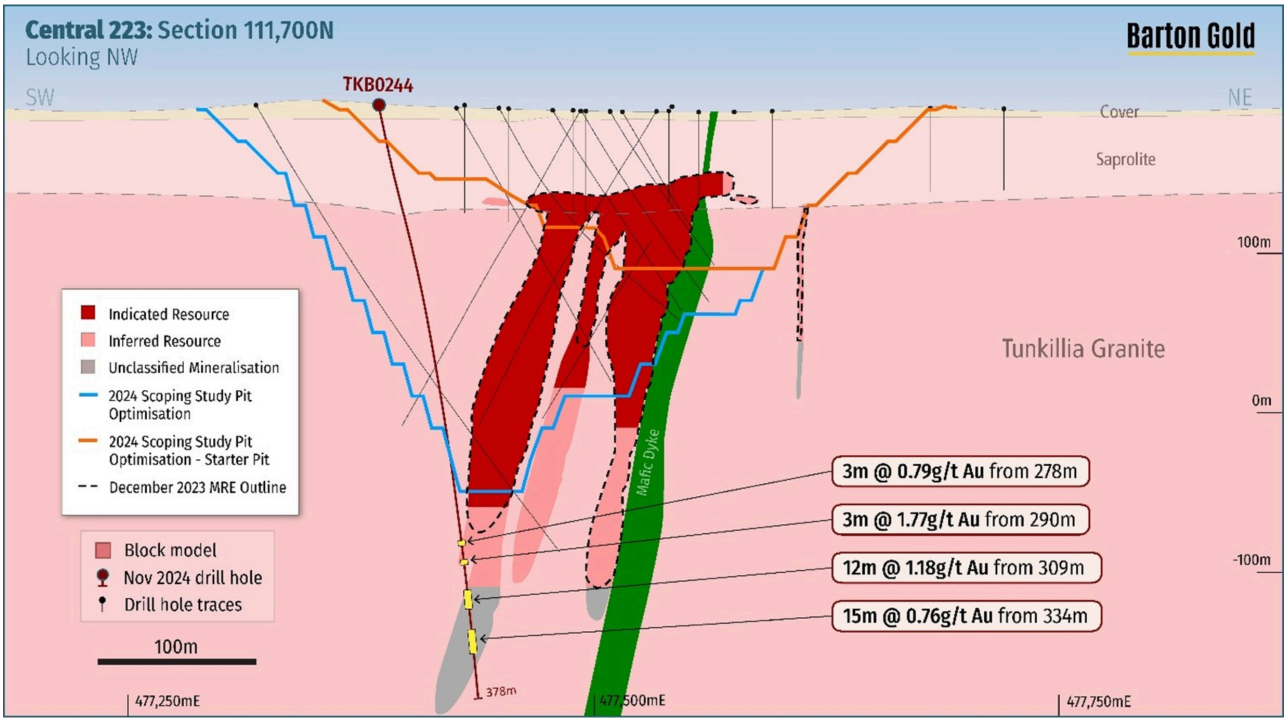
Exhibit 1: Tunkillia Area 223 long section showing pit, resources and target areas



Source: Barton Gold

- The results of the campaign (announced on 10 February) confirmed the depth extension of Tunkillia's 223 deposit, c 50–100m below the currently modelled open pit floor, including 10m at 2.72g/t gold (including 2m at 8.3g/t Au) from 144m and 20m at 0.93g/t Au (including 1m at 2.31g/t Au) from 339m depth. Exhibit 2, below, shows the 2024 open pit outline from Tunkillia's scoping study in addition to significant intersections from November and December's drilling campaign and the consequent expansion of the Area 223 block model below the optimised open pit shell.

Exhibit 2: Tunkillia Area 223 cross section showing significant drill intersections from the November-December drilling campaign and extension of the block model beyond the optimised pit shell



Source: Barton Gold

- In the wake of its November/December drilling campaign results, on 4 March, Barton announced an upgraded Tunkillia mineral resource estimate, adding 120koz gold and 3.1Moz silver formally classified as the basis for its optimised scoping study (expected in H225). The revised mineral resource has increased in both Area 223 and Area 51 but, in particular, in the main 223 Area where drilling extended the block model beyond Barton's July 2024 initial scoping study optimised pit floor, below the higher-grade 'Starter Pit'. Taken together, mineralisation at both deposits grew by c 11.6Mt (or slightly more than two years' mine life at the anticipated 5Mtpa processing rate). Significantly however, the maiden silver resource of 3.1Moz is greater than the inventory anticipated to be mined in the scoping study by 24.5% at a life of mine grade that is 11.1% higher. An analysis of the change in the resource relative to that at end-FY24 is provided in Exhibit 3, below. In the meantime, next steps on the pathway to commercialising Tunkillia include 1) the optimised scoping study targeting lower energy costs and working capital requirements and thereby improving project economics, 2) the start of Mining Lease Application (MLA) studies (water, flora and fauna etc), 3) the tender and award of a pre-feasibility study (PFS) contract and technical partnership agreements and 4) reserve conversion drilling and comprehensive geochemical and metallurgical modelling.

Exhibit 3: Tunkillia upgraded mineral resources analysis (March 2025 compared to July 2024)

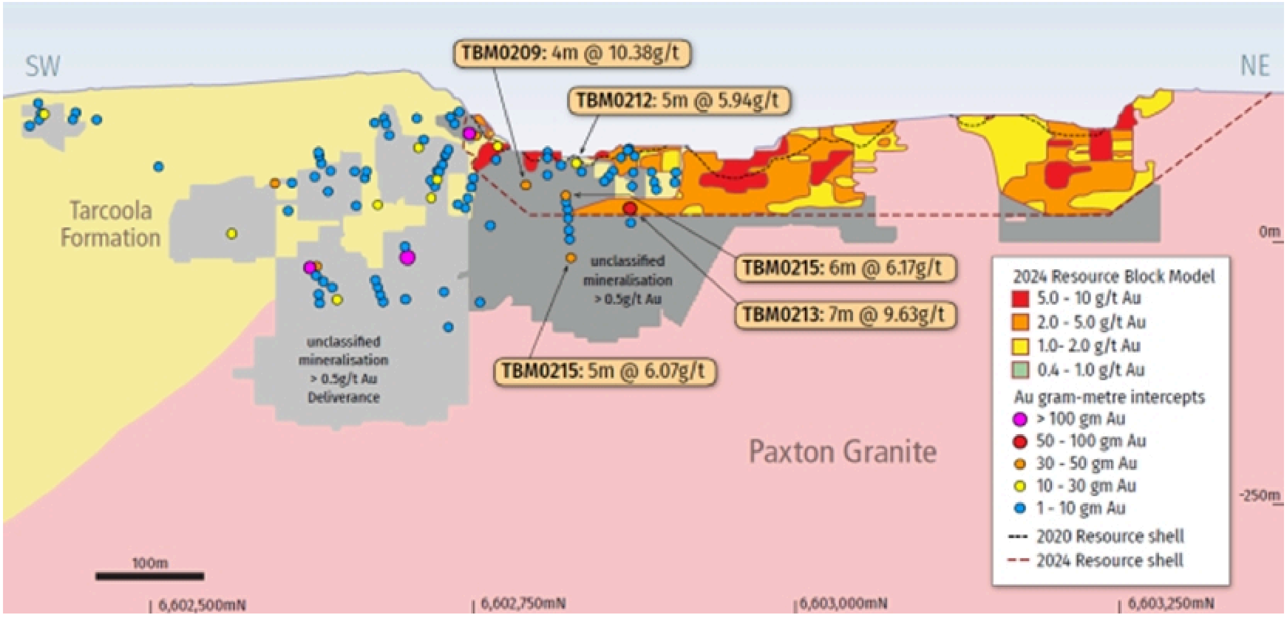
Deposit/category	Tonnes (Mt)	Grade (g/t)	Contained gold (koz)
Tunkillia (updated*)			
Measured	0.00	0.00	0.0
Indicated	30.57	0.91	896.0
Inferred	32.38	0.69	717.0
Total	**62.95**	**0.80**	**1,613.0**
Tunkillia (previous)**			
Measured	0.00	0.00	0.0
Indicated	26.70	0.96	820.0
Inferred	24.55	0.85	672.0
Total	**51.25**	**0.91**	**1,493.0**
Change (units)			
Measured	0.00	0.00	0.0
Indicated	3.87	(0.04)	76.0
Inferred	7.83	(0.16)	45.0
Total	**11.60**	**(0.11)**	**120.0**
Change (%)			
Measured	N/A	N/A	N/A
Indicated	14.49	(4.56)	9.3
Inferred	31.89	(19.10)	6.7
Total	**22.83**	**(12.05)**	**8.0**

Source: Barton Gold, Edison Investment Research. Note: *Cut-off grades are 0.3g/t Au (Tunkillia Area 223), 0.4g/t Au (Tunkillia Area 51). **Cut-off grades are 0.4g/t Au (Tunkillia Area 223), 0.5g/t Au (Tunkillia Area 51). Totals may not add up owing to rounding.

At Tarcoola:

- follow-up drilling confirming more shallow gold in the Perseverance Mine, with high-grade assays including 4m at 10.38g/t Au, 7m at 9.63g/t Au and 6m at 6.17g/t Au.

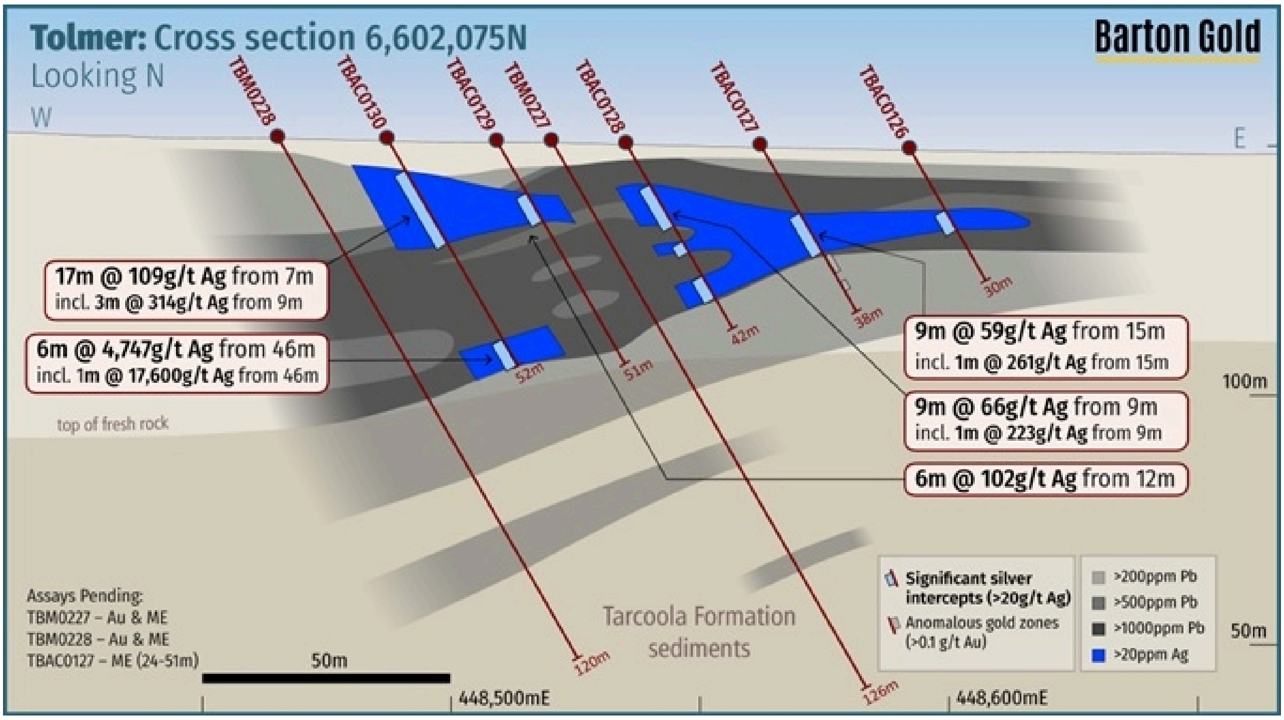
Exhibit 4: Perseverance section showing new intersections and unclassified mineralisation



Source: Barton Gold

- A high-grade silver discovery next to its Tolmer high-grade gold discovery including, most recently, an extraordinarily high-grade intersection of 6m at 4,747g/t (152.6opt) silver.

Exhibit 5: Tolmer silver discovery cross section



Source: Barton Gold

The company has now completed its A$5m sale of gold from its mill clean-out in June, including an augmented final payment of US$495,000 (A$775,000) after confirmation assays showed a higher gold content than was originally, provisionally estimated. It has also confirmed that it has received a A$380,000 grant funding disbursement for research and development (R&D) work programmes recently undertaken at Tarcoola from the South Australian government under its Accelerated Discovery Initiative (ADI) for an approved programme of works, including ground penetrating radar (GPR), seismic surveys and validation drilling of theorised models (especially concerning the identification of the new Tolmer gold system). It then announced a A$2.4m cash disbursement from the Australian federal government pursuant to its own R&D tax programmes.

The significance of these developments is as follows:

- Having established Tunkillia as its 'Stage 2' development platform via its July 2024 initial scoping study (in the same way that Capricorn established Karlawinda as its long-term platform), Barton is now proceeding into an optimisation process to crystallise Tunkillia's core role within the group as the 'anchor' of the company's large-scale production ambitions.
- Simultaneously, work at the smaller, historical mines and stockpiles is designed to identify feedstock for its fully licensed Central Gawler mill prior to initiating its plan for low-cost, low-risk and low-dilution Stage 1 production of c 20–30koz pa from as early as mid-CY26 (note that Barton's mill treated high-grade material from Tarcoola as recently as 2018).
- Any feedstock that is then superfluous to (or suboptimal for) the Central Gawler mill will be redirected to augment future production at Tunkillia to expand the latter's production.

Tunkillia

Barton's Tunkillia initial scoping study results (announced on 16 July 2024) are summarised below, all of which are based on A$3,500/oz gold (cf circa A$5,000/oz at the time of writing):

- A 5Mtpa mining rate over an initial 6.4-year life-of-mine and a total project life of around eight years (including construction) to produce a total of 30.7Mt of material processed at an average grade of 0.93g/t Au and 2.52g/t Ag.
- The project would commence with a higher-grade 'Starter' pit that would feed an initial 4.9Mt ore to the plant at elevated grades of c 1.26g/t Au and c 3.32g/t Ag. Total production from the Starter pit would be c 181koz Au and c 420koz Ag at a very low cash cost of c A$1,235/oz (US$787/oz at current forex rates) to generate average operating cash flow of c A$2,265/oz Au or c A$396m net of silver credits from that initial pit alone (Barton Gold estimates).

- Total life of mine payable metal of c 833koz Au and c 1,993koz Ag, produced at an average rate of c 130koz Au and c 311koz Ag per annum, at an average all-in sustaining cost (AISC) of c A$1,917/oz Au net of by-product credits (c US$1,200/oz at current forex rates), which would rank Tunkillia in the bottom cost quartile of global gold mining operations on the basis of AISC.
- Average operating cash flow of c A$1,626/oz Au (net of by-product credits).
- Initial infrastructure capex of A$374m, including A$70m for EPC services, before owner costs, pre-strip and contingencies.
- An unlevered pre-tax $NPV_{7.5}$ of c A$512m (A$2.34/share), IRR of 40% and 1.9-year payback.

Barton's management has been careful to emphasise that these results are 'initial' in nature and it is now in the process of optimising them. In the first instance, this has involved the completion of a 5,064m RC drilling campaign to target extensions to the block model to support resource and pit design growth. In the second, in its initial scoping study, Barton conservatively assumed an ore hardness 25–50% harder than it has, to date, proved to be and further assumed only single-stage crushing, rather than the more cost-efficient three-stage crushing approach. Consequently, power consumption was over-estimated and the mill size. Adjusting for these factors (see 'Comminution' below) has the potential to reallocate capex to more efficient uses and reduce processing opex (in the form of energy costs), thereby extending mine life, augmenting production and financial returns and improving the operation's 'Starter' pit.

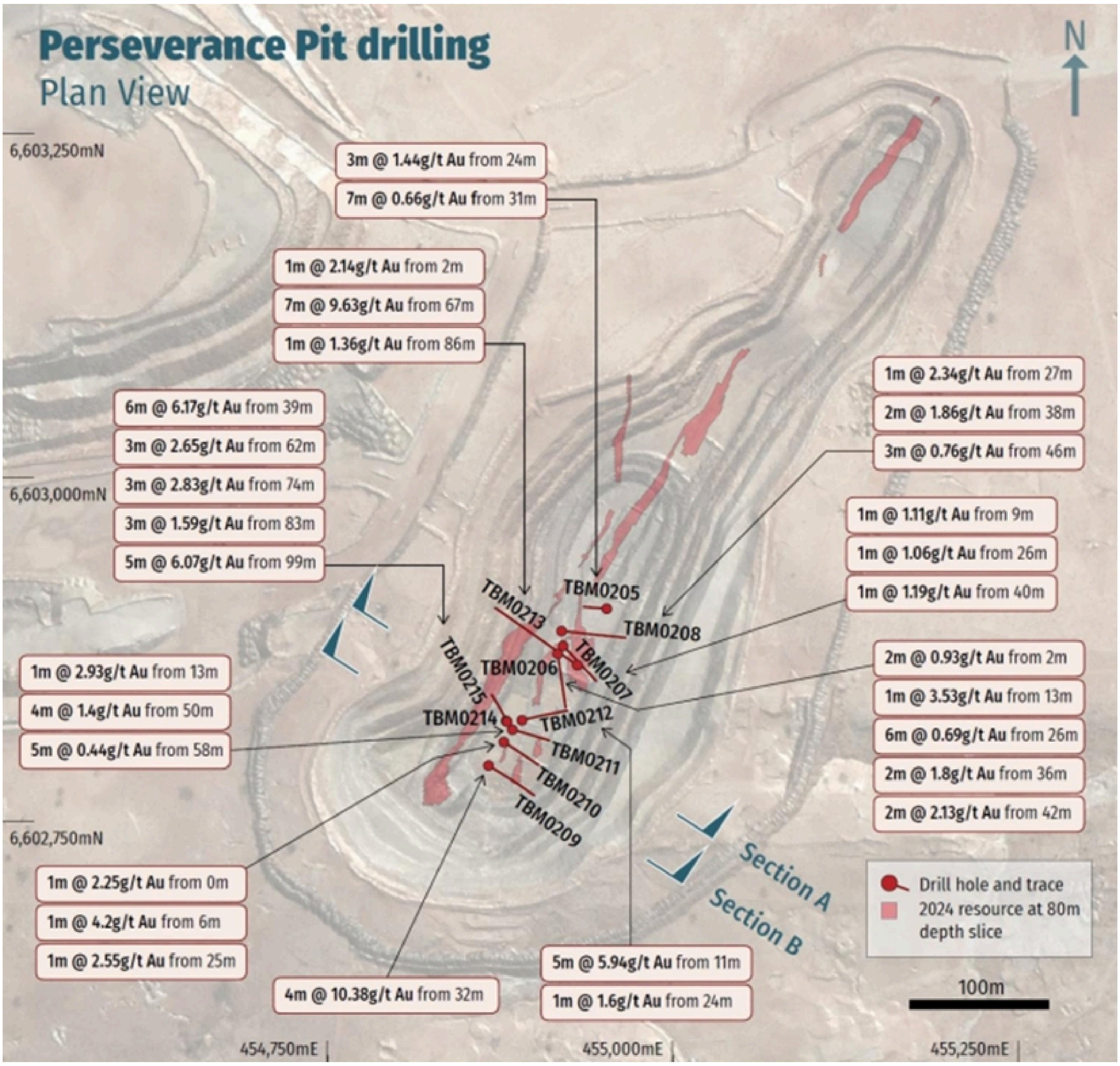
Even so, current drilling has covered only c 10% of the shear margins contained within Barton's licences with more than 20km of strike remaining to be tested along the same trend. Regional exploration is therefore targeting potential repeats of the >1Moz Au mineralisation over 20–25km of untested shear zone on strike from the existing resources in Area 223. In the future, it will test whether the six domains of mineralisation so far identified extend further at depth. It will also consider testing for iron oxide, copper and gold (IOCG) type mineralisation further to the east of its exploration licences on the other side of the prominent shear hosting Tunkillia's gold deposits.

Tarcoola

Since 2019, Barton has used new technology to remodel the geology under the existing Perseverance pit and across the c 15km of ground hosting the high-grade historical Tarcoola goldfield. In conjunction with a drilling plan both along strike and through the pit floor, this has allowed it to identify additional shallow mineralisation in the Perseverance pit, at 'Perseverance West' (a new extension to the south/south-west of the open pit), as well as to posit the existence of deeper mineralisation in the 'Perseverance Deeps' zone below the main open pit.

Following the delineation of a shallow new JORC mineral resource estimate of c 20koz at c 2g/t Au in the Perseverance Mine's open pit floor in July, Barton completed another 10 holes (882m) of follow-up drilling in July. In October, it announced that this follow-up drilling had confirmed new adjacent zones of shallow pit floor gold mineralisation, with high-grade assays including 4m at 10.38g/t Au, 7m at 9.63g/t Au and 6m at 6.17g/t Au. These are expected to support the definition of additional JORC mineral resources, as a consequence of which management plans to review potential extensions to the pit as it positions itself for 'Stage 1' production from CY26.

Exhibit 6: Perseverance pit showing resource outline (red) and material new intersections

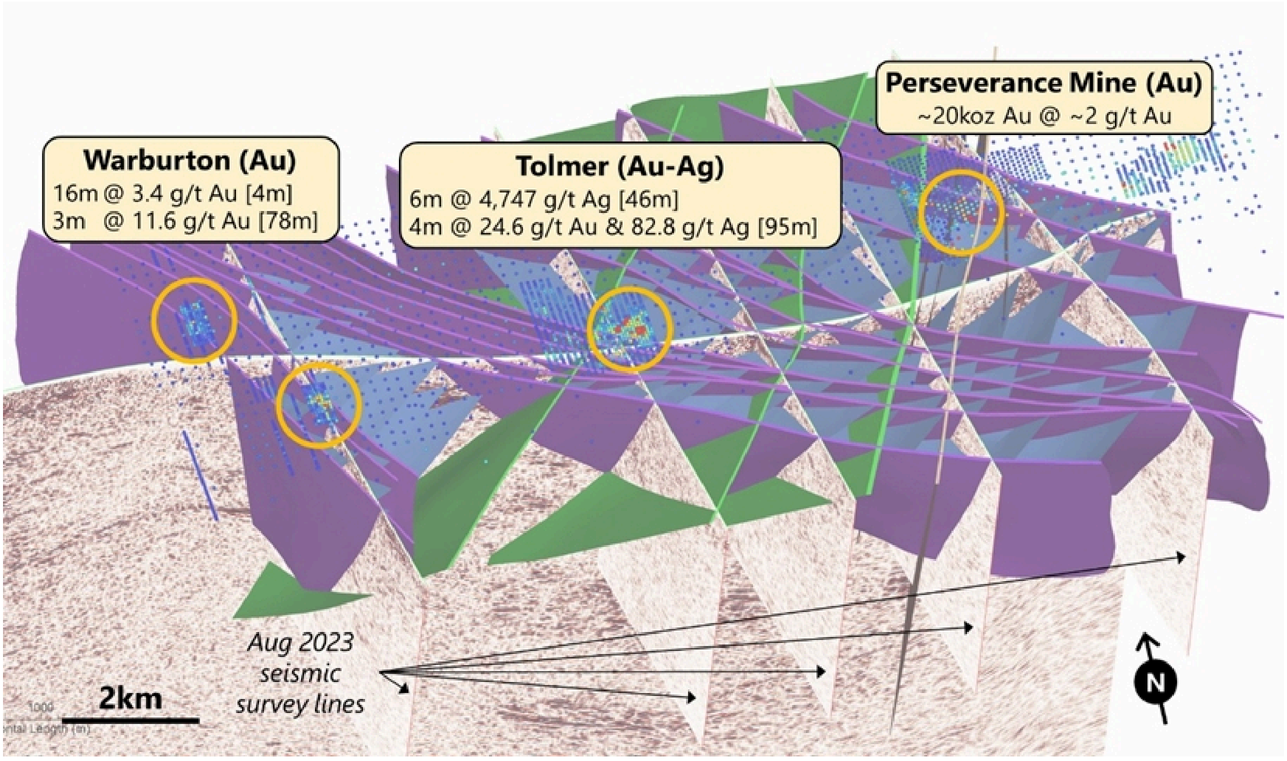


Source: Barton Gold

Regionally, Barton has spent three years mapping approximately 10–15km of structures below historical, high-grade workings and developing a new three-dimensional architectural model for the area – the first time that all of the known gold occurrences in the area have been put into a consistent structural framework. To date, it has identified four areas with known, significant footprints, albeit under cover. Its next step is to identify the controls on mineralisation, to target untested areas under cover and to confirm new zones of mineralisation with a view to eventual high-grade development. Within this context, Barton announced a discovery success at Tolmer (see Exhibits 8 and 10) earlier this year, confirming a new gold mineralised system of quartz veining within a broader zone of alteration. Among several others, individual intersections of 9m at 3.92g/t Au, 4m at 24.6g/t Au, 14m at 1.41g/t Au and 5m at 3.15g/t Au were recorded, while other high-grade results were reported at neighbouring targets including School, Old Flame and Warburton.

Adding to the picture, follow-up drilling at Tolmer has now confirmed both (a) high-grade silver mineralisation coincident with high-grade gold, with grades of up to 312g/t Ag associated with gold grades up to 83.6g/t Au and (b) a separate new zone of 'silver dominant' mineralisation with grades up to 17,600g/t (565.9opt) Ag contained within an intersection of 6m at 4,747g/t (152.6opt) Ag. This is an unusually high grade for Australia, which is not traditionally known for high-grade silver assets. Additional gold and silver assays for 2,230m of deeper, follow-up RC drilling are pending and it will be interesting if the high-grade silver in fact extends into the fresh rock below.

Exhibit 7: Tarcoola goldfield interpreted 3D architecture with recent drilling results



Source: Barton Gold

As the new Tolmer discovery also contains silver, it would very likely be well suited to use as a high-grade blending material at either the Central Gawler mill and/or for a future Tunkillia operation, which has an average annual silver:gold production ratio of c 2.4:1 (311koz pa Ag cf 130koz pa Au).

Towards achieving its goal of identifying feedstock for its Central Gawler mill prior to initiating low-cost, low-risk Stage 1 production, Barton will, in addition to the materials in Tarcoola's open pit Perseverance Mine, evaluate potential remnant materials on historical open pits, stockpiles and underground workings at the Challenger project site.

Collins Street and a maturing share register

A successful placing to notable specialist institutional investors in March/April saw Collins Street Asset Management emerge with a 6.9% stake in Barton Gold, which it subsequently grew to c 9% via further on-market purchases. In Q4 CY24, it purchased a further c 8m shares in a block trade to a) remove a market overhang of stock and b) take its stake to 12.87%. With further on-market purchases, Collins Street Asset Management has recently moved to 14.07% ownership.

Collins Street is a well-known, contrarian value investor in Australia. Having pre-empted last year's uranium boom by positioning several years prior, it is now building a position in the gold sector via its new gold fund, pursuing unloved, high-quality stocks as cornerstone assets. Apart from the buying pressure that it exerts in the marketplace, its position in Barton could also be interpreted as an implicit endorsement of the latter's management team, as well as a recognition of its value as an investment. More explicitly, Collins Street's latest substantial shareholder notice (19 March 2025) stated: 'Barton Gold is one of the high-quality, well-run gold companies in which we are delighted to have increased our stake.'

Financials

Barton had net cash of A$10.2m on its balance sheet at end June 2024. In Q125, it burnt through A$1.4m to leave it with cash of A$8.8m at end September, but then turned an impressive A$3.1m profit in the half-year to 31 December 2024, starting the 2025 calendar year with A$9.2m.

To date, in Q225, as stated above, it has received an augmented final payment of US$495,000 (A$775,000) relating to the sale of gold from its mill cleanout in June and has confirmed that it has received a A$380,000 grant funding disbursement for R&D work programmes recently undertaken at Tarcoola from the South Australian government, under its ADI. It has also submitted its FY24 tax filing, including a claim for a c A$2.4m tax refund on its A$9.4m loss during the year (at a corporate tax rate of 25% payable by Australian base rate entities (those with turnover less than A$50m and 80% or less of their assessable income is base rate entity passive income). Having received that refund shortly after the new year, Barton started 2025 with A$9.2m net cash and will probably finish Q325 with c A$6–7m in net cash on its balance sheet after its extensive technical works, demonstrating its continuing programme of asset monetisation as a valuable means of funding to protect shareholders from unnecessary and superfluous equity dilution. In its sights now for potential monetisation are:

- scrap steel and copper from superfluous infrastructure; and
- mill scats, which are mill screen oversize material that has been rejected from the grinding circuit for additional crushing because it contributes to higher (and inefficient) energy consumption within the mill. Whereas the impression of previous management was that the mill scats were hard and low grade, on account of the operating environment, Barton believes that the intrinsically low-grade material has been coated with high-grade slurry and is therefore reviewing options to recover an estimated 1–2koz Au (c A$4.8–9.6m contained value).

In the meantime, at prevailing quarterly net burn rates, its cash position should be sufficient to fund Barton through one to two years of operations before any additional fund-raising is required. Alternatively, it could be used to substantially fund the refurbishment of the Central Gawler mill.

Developmental timelines and milestones

Barton's ambition is to achieve production of 125–150koz pa via bulk, lower-grade production from Tunkillia blended with complementary high-grade ore from Tarcoola. Subject to the usual caveats regarding timelines, Barton's ambition for achieving its targets remains as follows:

- To validate high-grade 'Stage 1' feed and 'Stage 2' blending mineralisation at Tarcoola in 2024–25.
- To return the existing Central Gawler mill to production in 2026.
- To ramp up the Central Gawler mill to an annual production rate of 20koz pa in the six to 12 months following the mill's recommissioning.
- To ramp up Central Gawler mill production to an annual production rate of 30–50koz pa via the addition of higher-grade regional blending materials.
- To accelerate Tunkillia development as soon as possible thereafter, aiming to bring it into production in c 2029–30 at a rate of 125koz pa or greater, to bring total group production to, or above, its target of 150koz pa.

Tunkillia valuation considerations

Unrisked project valuation

Barton's scoping study calculated a pre-tax IRR on the Tunkillia project of 40% and a pre-tax $NPV_{7.5\%}$ of A$512m. Originally, we estimated that the equivalent post-tax $NPV_{7.5\%}$ was A$322.6m, which would equate to A$1.47 per share. However, at an updated forex rate of A$1.6019/US$, this valuation rises to A$417.5m, or A$1.91 per share.

Project valuation risked for two factors

Risk associated with Tunkillia may be assumed to comprise sovereign risk, execution risk, geological risk, metallurgical risk, engineering risk, management risk (possibly also including funding risk) and an overall risk of 'commerciality'. Three of these risks – sovereign risk, execution risk (in the form of 'stage of development' risk, ie scoping study or PEA) and overall 'commerciality risk' – may immediately be adjusted for.

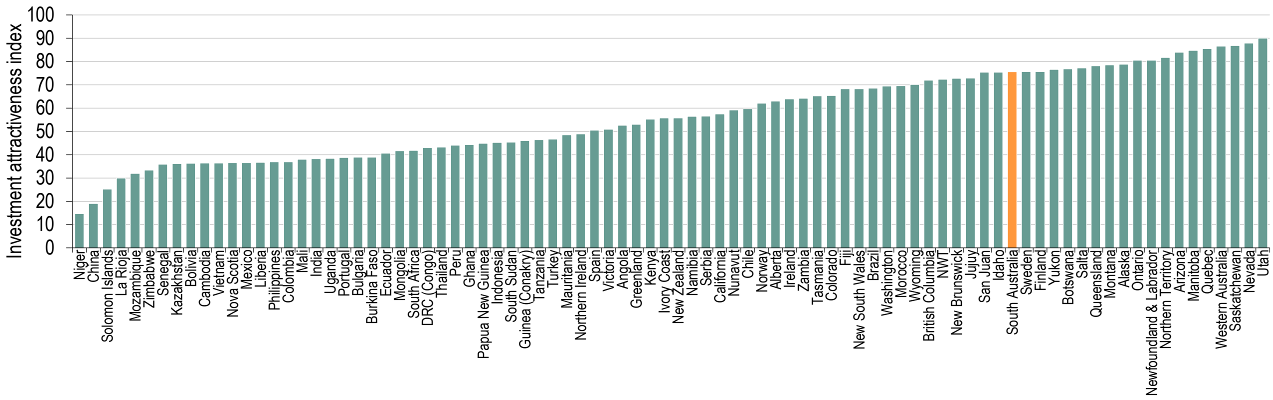
Sovereign risk

In our report Gold stars and black holes, published in January 2019, we calculated that companies with completed scoping studies commanded valuations between -4.8% and 50.7% of attributable project NPV, with an average of 11.7%

(see Exhibit 166 on page 82 of the report).

According to the Fraser Institute, South Australia ranks in the top quartile of jurisdictions most attractive to mining investment, on a par with Finland and Idaho and above British Columbia and the Northwest Territories:

Exhibit 8: Fraser Institute survey of mining investment attractiveness, by jurisdiction (2023)



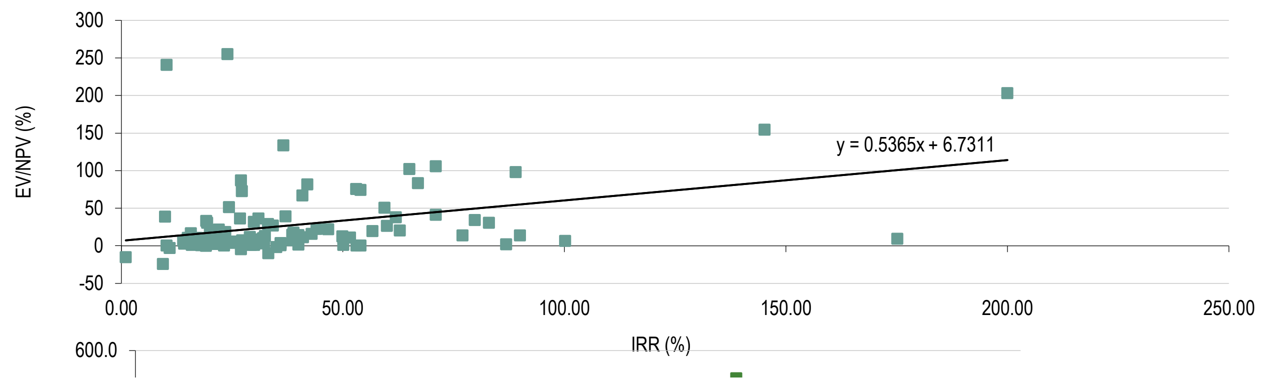
Source: Fraser Institute

The mean Fraser Institute investment attractiveness score for all jurisdictions is 56.56, which is between the scores for Serbia and California. If this is deemed to attract an average valuation of 11.7% of attributable NPV, and the top and bottom halves of the sample are presumed to attract valuations with respect to the average and pro rata to their scores, then a company with an average project in South Australia may be expected to attract a valuation of 33.9% of attributable project NPV. For Barton, this would imply an updated valuation of A$0.65/share for Tunkillia alone, excluding any contribution from its other assets (eg Tarcoola – see 'Valuation modifying factors', below).

Project valuation risked for overall commerciality

In Gold stars and black holes, we calculated a statistically significant relationship between the valuation of a company and its IRR, which is demonstrated in the graph below.

Exhibit 9: Company enterprise value as percent of attributable project NPV (%) versus project IRR (%)



Source: Edison Investment Research

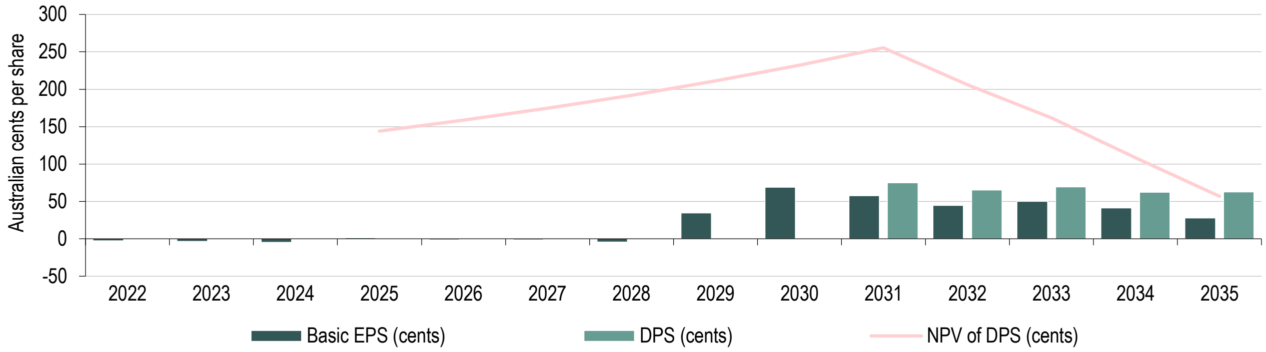
On the basis of the Tunkillia project's scoping study pre-tax IRR of 40%, therefore, Barton could be expected to command an updated valuation equivalent to 28.2% of its NPV, or A$0.54/share.

Alternatively, if a multiple regression analysis between IRR and Fraser Institute Investment Attractiveness scores and a company's enterprise value/NPV ratio is performed and the resulting equation applied to Tunkillia, a 33.2% enterprise value/NPV ratio is predicted. This implies an updated valuation of A$0.63/share.

Company valuation based on Edison assumptions

Edison's long-term, real gold price forecast currently remains at US$1,794/oz – largely based on the assumption that, at some point, positive real interest rates must return to western economies in general and the US economy in particular. Over the period in which we would expect Tunkillia to be in production (FY29–35), we estimate the gold price will average US$1,780/oz in real US dollar terms, in which case – at the costs indicated in its scoping study – the project is somewhat marginal in terms of returns to shareholders. However, at the current price of gold (US$3,000/oz at the time of writing), we estimate that it could support a fund-raising of A$54.2m in FY26 (cf A$102.9m previously on account of interim asset monetisation as well as forex changes) at the current share price (such that the net debt:equity ratio peaks at 2:1 in FY29 when all capex has been expended) and return dividends to shareholders with an NPV_{10} of A$1.44/share (cf A$0.51/share previously) in 1 July 2024 money terms.

Exhibit 10: Barton Gold EPS, maximum potential DPS and NPV of DPS, FY22-35 (Ac/share)



Source: Edison Investment Research. Note: Based on the execution of Tunkillia project to the parameters set out in its initial scoping study only, using a spot gold price of US$3,000/oz and a 10% discount rate.

From this level of A$1.44/share on 1 July 2024, we would expect the valuation of Barton to increase and to peak at A $2.55/share (also on 1 July 2024 in money terms) on the cusp of the company's first potential dividend to shareholders in FY31.

Tunkillia valuation summary

Exhibit 11 below summarises our valuation of Tunkillia on the basis of the five scenarios set out above:

Exhibit 11: Tunkillia valuation summary

Scenario	Valuation (A$/share)
Unrisked estimated post-tax $NPV_{7.5\%}$	1.91
Unrisked estimated post-tax $NPV_{7.5\%}$ adjusted for:	
– Sovereign risk	0.65
– IRR	0.54
– Sovereign risk and IRR	0.63
Discounted dividend valuation*	1.44

Source: Edison Investment Research. Note: *Using spot gold price of US$3,000/oz and a 10% discount rate.

While each of these valuation methods has merits, we believe that the most appropriate of the five considered above is the discounted dividend valuation (applying a 10% discount rate) as this puts a present value on estimated potential future dividends derived from the project, as opposed to a calculated or observed EV/NPV ratio.

Valuation modifying factors

Rather than being an end in itself, the scoping study at Tunkillia is an exercise that allows Barton to conservatively state a baseline valuation, as well as providing it with a basis for subsequent optimisation exercises. At this stage, the scoping study places Tunkillia approximately at the top of the bottom tercile in terms of costs, which is an attractive result given the number of conservative assumptions adopted. It has also allowed management to identify capital and operational requirements with respect to the specific geometry of the project. Within this context, three areas of potential optimisation are especially prominent: namely, comminution (ie crushing and grinding), exploration grade and life of operations.

Comminution

The Tunkillia scoping study assumed a bond ball mill work index of 25.5kWh/t and a bond rod mill work index of 26.7kWh/t. This was derived from the hardest rock encountered by Barton at the project, sourced from a mafic dyke, but representing only 1–2% of the ore likely to require crushing in the mine plan. Energy accounts for c 50% of Tunkillia's assumed costs. If the bond mill indices are c 20kWh/t, rather than c 25kWh/t, it would allow for a c 20% reduction in energy costs and a c 10% reduction in opex costs overall, worth c A$2.50/t or c A$100/oz Au produced. In addition, the scoping study assumed single-stage crushing to 150mm. However, reduced grinding energy holds out the possibility for three-stage crushing, thereby reducing residence times in the carbon-in-leach circuit and/or requiring fewer consumables, fewer grinding media and/or less high-specification media (eg chrome alloy, rather than steel). As a result, in the follow-up optimisation studies, either equipment sizes could be reduced or throughputs could be increased. As an example, Barton's scoping study assumed A$15m in annual expenditure on mill linings and balls. However, a follow-up optimisation study is likely to consider both softer ore and longer-lasting grinding media, where the relationship between the input assumption and the potential cost saving is non-linear. Similarly, within the context of capital expenditure, Barton has assumed an initial A$40m for mill drums and a 14MW motor, neither of which would be required if the work indices are 20% lower than originally assumed in the scoping study.

Exploration – grade

In addition to its financial and economic results, Tunkillia's scoping study demonstrated the operation's significant gearing to grade, most obviously demonstrated in the operating cash margins earned at each of the four pits:

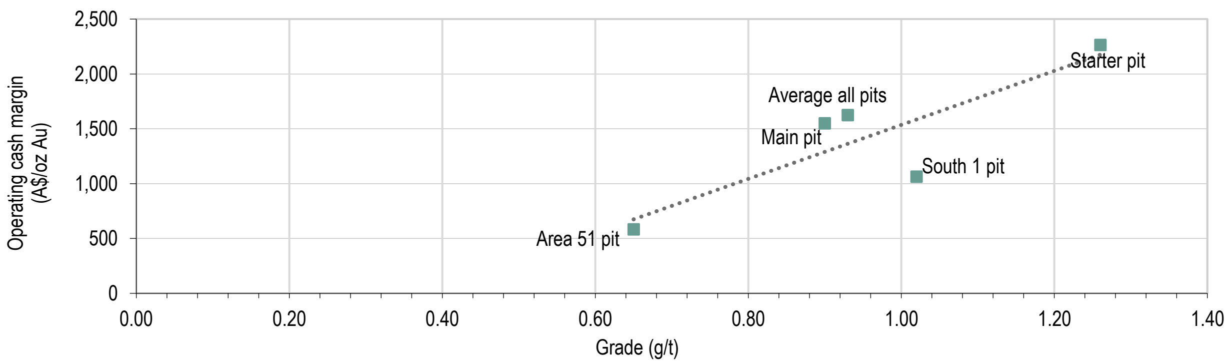
Exhibit 12: Grade (g/t) and operating cash flow margin (A$/oz Au) by pit

Operating metric	Units	Starter pit	Main pit	South 1 pit	Area 51 pit	All pits
Grade	(g/t)	1.26	0.90	1.02	0.65	**0.93**
Operating cash margin	A$/oz Au	2,265	1,551	1,062	584	**1,626**

Source: Barton Gold

The same data may be expressed graphically, as follows:

Exhibit 13: Grade (g/t) compared to operating cash flow margin (A$/oz Au)



Source: Edison Investment Research

This is where Barton's other assets may prove significant multipliers of value. Although small in terms of ounces, Tarcoola boasts a low-grade oxide stockpile with a grade of 1.20g/t, a low-grade sulphide stockpile with a grade of 1.40g/t and the Perseverance pit with a grade of 1.99g/t – all of which are significantly to the right-hand side of Exhibit 13. In addition, Barton is targeting an additional c 40–50koz gold in higher-grade zones to be fed into the mill in the first two years of operation and potentially as much as 100koz to be fed into the mill over the operation's full seven-year processing life. Early examples of this include potentially extending the Starter pit and deepening and smoothing the eventual Main pit floor (as described previously). However, whether early or late in the life of the operation, we estimate that future exploration success and/or future optimisation studies have the potential to add materially to Tunkillia's $NPV_{7.5\%}$.

Exploration – tonnes and life of operations

In addition to grade, our valuation is also sensitive to the extent to which Barton is able to extend its life of operations from those set out in its initial Tunkillia scoping study. According to our analysis, the company will raise equity in FY26, will begin development in FY27 (until FY29) and will begin commercial production from Tunkillia in FY29. In our base case discounted dividend scenario (ie raising A$54.2m in new equity in FY26), we estimate that it would pay off outstanding net debt in early FY31 and that it would then generate an average of A$246.9m pa for the remaining four years of its life, which it would pay out as dividends at a rate of c A$0.65/share. If it is able to extend this performance into the future, our valuation of the company varies as shown in Exhibit 14, below.

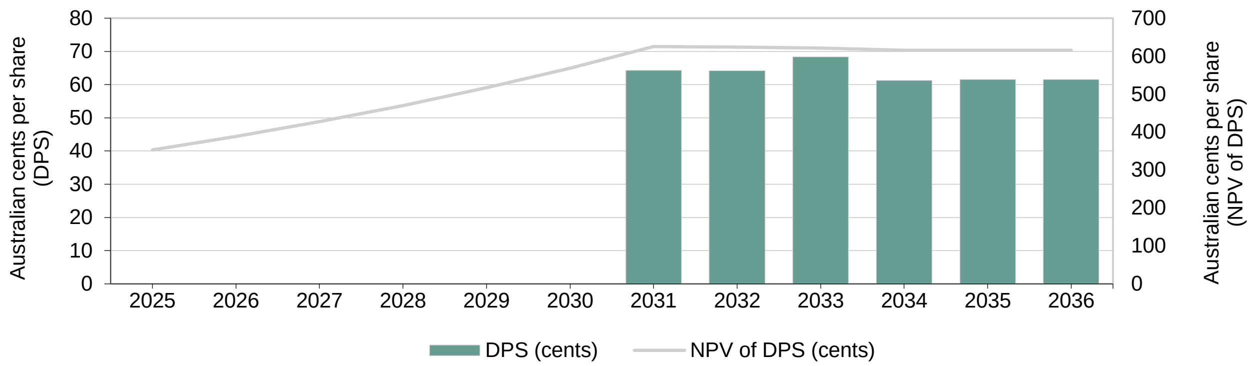
Exhibit 14: Barton Gold life of operations extension sensitivity (A$/share)

Scenario	Valuation (A$/share)	Incremental valuation change (A$/share)
Discounted dividend valuation*	1.44	
Discounted dividend valuation* (including exploration investment**)	1.37	(0.07)
+ five years	2.19	0.82
+10 years	2.70	0.51
+15 years	3.01	0.32
+20 years	3.21	0.20
Ad infinitum	3.53	0.32

Source: Edison Investment Research. Note: *Using spot gold price of US$3,000/oz and a 10% discount rate. **Assumed at a rate of A $5.4m pa.

Moreover, while an extension of Barton's operations' lives ad infinitum would increase our valuation of the company today by A$2.09/share, from A$1.44/share to A$3.53/share, this valuation would continue to rise with time to settle at A $6.16/share from FY34 (cf A$2.55/share in FY31 in the base case discounted dividend valuation – see Exhibit 10), as depicted in Exhibit 15 below:

Exhibit 15: Barton Gold maximum potential DPS and NPV of DPS, ad infinitum (Australian cents per share)



Source: Edison Investment Research. Note: Based on the ad infinitum extension of Barton's operations, with Tunkillia at its core, using a spot gold price of US$3,000/oz and a 10% discount rate.

Accepting the ad infinitum valuation shown in Exhibit 15, we calculate that Barton's P/E ratio in the years FY29–34 (ie those for which we have full financial forecasts, based on the initial Tunkillia scoping study) would range from 8.4x in FY30 to 15.7x in FY29. This compares with Capricorn Metals' current, consensus forecast P/E range of 22.2–9.9x for FY25–27 (ie the same order of magnitude – source: LSEG Data & Analytics).

Exhibit 16: Financial summary

A$'000s	2022	2023	2024	2025e	2026e	2027e	2028e	2029e
Year end 30 June	UK GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS								
Revenue	2,430	2,809	794	8,247	0	0	0	410,081
Cost of Sales	(6,250)	(8,039)	(9,389)	(9,389)	(9,389)	(9,389)	(9,389)	(111,000)
Gross Profit	(3,820)	(5,230)	(8,595)	(1,142)	(9,389)	(9,389)	(9,389)	299,080
EBITDA	(3,820)	(5,230)	(8,595)	(1,142)	(9,389)	(9,389)	(9,389)	273,934
Operating Profit (before amort. and except.)	(3,912)	(5,358)	(8,835)	(1,404)	(9,651)	(9,651)	(9,651)	222,846
Intangible Amortisation	0	0	0	0	0	0	0	0
Exceptionals	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Operating Profit	(3,912)	(5,358)	(8,835)	(1,404)	(9,651)	(9,651)	(9,651)	222,846
Net Interest	(193)	(320)	(568)	34	501	56	(13,917)	(43,595)
Profit Before Tax (norm)	(4,105)	(5,678)	(9,403)	(1,370)	(9,150)	(9,595)	(23,567)	179,251
Profit Before Tax (FRS 3)	(4,105)	(5,678)	(9,403)	(1,370)	(9,150)	(9,595)	(23,567)	179,251
Tax	0	0	0	0	0	0	0	(53,775)
Profit After Tax (norm)	(4,105)	(5,678)	(9,403)	(1,370)	(9,150)	(9,595)	(23,567)	125,476
Profit After Tax (FRS 3)	(4,105)	(5,678)	(9,403)	(1,370)	(9,150)	(9,595)	(23,567)	125,476
Average Number of Shares Outstanding (m)	175.6	176.0	200.5	218.7	299.8	380.8	380.8	380.8
EPS - normalised (c)	(2.3)	(3.2)	(4.7)	(0.6)	(3.1)	(2.5)	(6.2)	33.0
EPS - normalised and fully diluted (c)	(2.3)	(3.2)	(4.7)	(0.6)	(2.9)	(2.4)	(5.9)	31.4
EPS - (IFRS) (c)	(2.3)	(3.2)	(4.7)	(0.6)	(3.1)	(2.5)	(6.2)	33.0
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET								
Fixed Assets	14,151	14,374	14,366	14,335	14,073	178,145	424,383	456,362
Intangible Assets	13,757	13,782	13,814	13,827	13,827	13,827	13,827	13,827
Tangible Assets	394	592	552	508	246	164,318	410,556	442,535
Investments	0	0	0	0	0	0	0	0
Current Assets	11,782	10,719	10,949	5,241	47,886	733	733	67,757
Stocks	0	0	0	0	0	0	0	33,705
Debtors	427	68	387	387	387	387	387	33,705
Cash	11,200	10,451	10,216	4,508	47,153	0	0	0
Other	155	200	346	346	346	346	346	346
Current Liabilities	(573)	(842)	(5,271)	(939)	(939)	(939)	(939)	(8,633)
Creditors	(573)	(789)	(5,213)	(941)	(941)	(941)	(941)	(8,635)
Short-term borrowings	0	(53)	(58)	2	2	2	2	2
Long-Term Liabilities	(15,091)	(15,548)	(13,715)	(13,715)	(13,715)	(140,229)	(410,034)	(375,867)
Long-term borrowings	0	(60)	(2)	(2)	(2)	(126,516)	(396,321)	(362,154)
Other long-term liabilities	(15,091)	(15,488)	(13,713)	(13,713)	(13,713)	(13,713)	(13,713)	(13,713)
Net Assets	10,269	8,703	6,329	4,922	47,305	37,710	14,143	139,619
CASH FLOW								
Operating Cash Flow	(4,174)	(4,540)	(5,950)	(5,414)	(9,389)	(9,389)	(9,389)	214,605
Net Interest	(193)	(320)	(568)	34	501	56	(13,917)	(43,595)
Tax	0	0	0	0	0	0	0	(53,775)
Capex	676	550	(23)	(231)	0	(164,333)	(246,500)	(83,067)
Acquisitions/disposals	0	0	0	0	0	0	0	0
Financing	0	3,609	6,358	(37)	51,533	0	0	0
Dividends	0	0	0	0	0	0	0	0
Net Cash Flow	(3,691)	(701)	(183)	(5,648)	42,645	(173,667)	(269,806)	34,168
Opening net debt/(cash)	(14,891)	(11,200)	(10,338)	(10,156)	(4,508)	(47,153)	126,514	396,319
HP finance leases initiated	0	0	0	0	0	0	0	0
Other	0	(161)	1	0	0	0	0	(0)
Closing net debt/(cash)	(11,200)	(10,338)	(10,156)	(4,508)	(47,153)	126,514	396,319	362,152

Source: Company sources, Edison Investment Research.

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