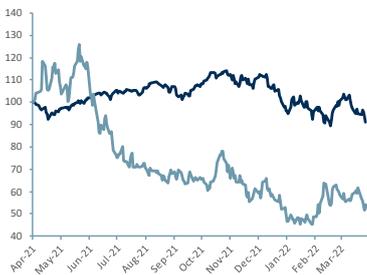


# BRIEFING NOTE

## 52 Wk. Lo/Hi

## 3.25 – 9.42



PPTA (lighter line) Nasdaq market vs price relative

### Tuesday, 26 April 2022

Close Price	3.87
52 wk Range Low	3.25
52 wk Range High	9.42
MCAP (m)	\$256.00
EV (m)	\$208.22
Index: Public	Nasdaq
Financial YE	31-Dec
Currency	USD

#### Business Activity

Mining E&P

#### Key Metrics

Gross debt (m)	\$0.07
Cash (m)	\$47.85
Net Debt (Cash) (m)	-\$47.78
Net Operating Cash (m)	-\$28.65
Revenue (m)	N/A
Net Income (loss) (m)	-\$35.95

#### Key Ratios

(Net Cash) / Shareholder Equity %	-18.66%
-----------------------------------	---------

#### Mining Sector Research

#### Nasdaq Market Index

#### ACF Mining Team

+44 20 7419 7928

mining@acfequityresearch.com

# Perpetua Resources Corp.

## Core Investment Case

Perpetua Resources Corp. (Nasdaq: PPTA; TSX: PPTA) is a gold-antimony-silver deposits developer in the stable mining jurisdiction of Stibnite-Yellow Pine, a mining district in central Idaho. PPTA's flagship, and sole, Stibnite open-pit gold (Au) project is one of the highest-grade US deposits (M + I resource of 6 Moz Au @ 1.42 g/t). The 2020 feasibility study suggests superior economics with an after-tax NPV of \$1.86bn (assumptions: 5% discount rate, gold \$1,850/oz). PPTA's current MCap is ~15% of the NPV implying significant undervaluation. Potentially more interesting is that the Stibnite project also holds large deposits of critical mineral antimony (M+I resource of 206 Mlbs @ 0.07%), making PPTA's Stibnite the only domestically mined source of antimony (Sb).

- Antimony - Stibnite critical mineral deposit M+I 206Mlbs @0.07%;
- Gold - Redeveloping Stibnite Gold Project (M+I 6Moz Au @ 1.42 g/t);
- Au+Sb - after-tax NPV of US\$ 1.86bn at a gold price of \$1,850/oz;
- Cash & CE at U\$47.9m as of December 2021. P&P reserves 4.8 Moz.

USD (m)	MCAP	EV	RoA %	RoE %	NCO	Levered FCF
2022	256.00	208.22	-22.87%	-42.49%	-28.7	-20.5
Multiples	EV/ Revs	P/ S	Trail PE	BV/ Share	P/ B	Current
2022	N/A	N/A	N/A	1.77	2.26x	8.55x

## Investment Case

**Perpetua Resources Corp - Responsible Mining. Critical Resources. Clean Future.** - focused on redeveloping the Stibnite Gold Project (Idaho), abandoned after 100 years. PPTA's project boasts high grade gold @ 2.2 g/t (est. for years 1-4) and is the only domestic source of the critical mineral antimony (M+I 206Mlbs @0.07%).

**Top tier gold mine** –The 2020-feasibility study recorded gold reserves at 4.8 Moz, making Stibnite one of the largest independent gold projects in the US. Stibnite could become one of the two largest US independent gold producing mines with an average annual production of 463 Koz during years 1-4. The project's exceptional grade and low strip ratio place it in the lowest quartile of the industry cost curve (AISC cost at \$438/oz in years 1-4). The low AISC cost plus Stibnite's large mineral reserves make it an attractive development project.

**Gold – PPTA's superior project economics:** PPTA completed a feasibility study on the Stibnite Gold Project in Dec 2020. The study suggests robust project economics of 22% IRR at \$1,600/oz gold and ~28% IRR at \$1,850/oz gold. Assuming a capital markets' median WACC of 10% vs. PPTA's IRRs suggest the project is well worth pursuing. (The current spot price of gold is ~\$1,950/oz).

**Antimony – PPTA could reduce US critical minerals supply chain risk:** Perpetua Resources plans to supply ~35% of the US demand for antimony. *Antimony is a critical mineral used in products including batteries; solar panels; wind turbines and defense (ammunition, nuclear weapons, explosives, etc.).* Currently, China and Russia dominate the global antimony supply controlling more than 75% of production.

**Attractive current valuation with multiple near-term catalysts:** The current market cap of PPTA is ~15% of its estimated gold + antimony project NPV, implying a significant undervaluation. The company is on track for the 2023E permitting decision for the Stibnite project. Once permitted, there is potential for a valuation re-rating. There is further valuation upside potential via an ESG + metrics premium because PPTA is developing a low carbon future project.

## Catalysts

Completion of draft environmental impact statement 3Q22E; final EIS 2Q23E, final permitting decision 4Q23E; rising gold price; rising antimony demand and supply tightening driven by ammunition consumption and innovation (EVs / clean energy).

## Operational Strategy

**Perpetua Resources: strategy is to advance its Stibnite project to commercial production.** To achieve this, PPTA has planned six key steps over the next five years:

- Issue of a supplemental draft environmental impact statement (SDEIS) 3Q22E;
- Final EIS and draft record of decision – publication 2Q23E;
- Final record of decision (ROD) – publication 4Q23E;
- Ancillary permits and financing expected 1Q24;
- Construction and legacy restoration to begin 2024E;
- Commercial production start scheduled for 2027E.

PPTA's Stibnite Gold Project is designed to source gold responsibly and is the **only potentially domestic mined source of critical / clean tech metal, antimony**, essential for clean energy and defense supply chains.

### **Sustainable approach to increasing US domestic production of antimony:**

PPTA's goal is to develop a modern and sustainable way of mining for a low carbon future.

Through its development of antimony, a critical mineral for clean energy and defense supply chains, Perpetua plans to reduce the US's reliance on imported antimony from China and Russia. Together, China and Russia account for more than 75% of the current global supply.

Perpetua's Stibnite Gold Project forward thinking restoration and mitigation plans will improve water quality, restore fish passage blocked for decades, and clean tailings and waste sites. Perpetua's CEO's credentials lead us to infer this program is likely to exceed requirements and metrics rather than simply meet them.

In August 2021, the company announced an agreement with the Bill Gates-backed startup Ambri Inc. to supply enough antimony to build at least 13 GWh of Ambri's new liquid metal batteries.

**A 2021 feasibility study estimated initial capex of US\$ 1.26bn for a 15-year life of mine (LoM) producing an average annual 297k oz of gold and 115m lbs of antimony.**

## Management Team

### ➤ CEO, Laurel Sayer.



Laurel is the President & CEO of Perpetua Resources since 2016. Prior to this Laurel spent two years on the PPTA board 2014-16. Laurel was President & CEO of Midas Gold Inc (Idaho) between 2016-2021, which became Perpetua Resources in February 2021. She has been an Executive Director of Idaho Coalition of Land Trusts (ICOLT) – promoting private land conservation. Laurel was Natural Resources / INI Director (US House of Representatives)

and as such she has 20+ years of experience in public policy working with Idaho Congressman Mike Simpson and the Idaho United States Senator Mike Crapo, with an emphasis on natural resource issues.

### ➤ CFO, Jessica Largent.



Jessica is Perpetua's Chief Financial Officer. She joined Perpetua in early 2021 and retains responsibility for leading the company's investor relations team alongside her financial role. Prior to PPTA, Jessica was at Newmont Gold (NYSE:NEM), where she was VP of Investor Relations. Jessica has 15+ years' experience in the mining industry with a focus on investor relations, finance, accounting, and planning. Jessica's previous employers include Rio Tinto and

Turquoise Hill Resources.

### ➤ VP, External Affairs, Mckinsey Lyon.



Mckinsey is Perpetua's VP, External Affairs since 2017 and leads the direct advocacy and social license development for the Stibnite Gold Project. Before joining Perpetua Resources, Mckinsey was a partner at Gallatin Public Affairs delivering client counsel on, and execution of, communications, government relations and stakeholder engagement strategies. Clients included Shoshone Bannock Tribe, Midas Gold Corp and the City of Boise. Mckinsey

has a bachelor's degree in History from Santa Clara University.

## Risks

**Funding risk** – The company estimates that the total initial capital cost for the Stibnite Project is approximately \$1,263m. This is a significant capital investment requiring a mixture of funding structures (debt and equity). New equity issuance creates a significant risk of current shareholder dilution, whilst debt will increase interest costs for the company. If the company is unable to raise either equity or debt capital for its exploration and development activities, it will adversely impact the timelines for its projects and may cause abandonment of the projects. Management is of the view that 60-70% of Perpetua's project capital can be raised as debt and engaged Endeavour Financial in Feb 2021 as its financial advisor for project financing.

**Commodity price risk** – PPTA's operational strategy is dependent on the market price of gold, silver and antimony. Commodity prices are by their nature, volatile, and a potential fall in these key commodity prices could lead to its projects becoming uneconomic and so unviable.

**Permits and regulatory risk** – PPTA's mining activities are subject to extensive permitting requirements, which can be costly to comply with and involve extended timelines. Specifically, the company is subject to the National Environmental Policy Act (NEPA) review, which is extensive and involves several actions, including public scoping, coordination with cooperating agencies, the release of environmental impact statements followed by public comment, and the issuance of a final record of decision.

**Personnel** - Small and mid-sized companies are more dependent on their C-suite/executive management teams than large and mega-cap global companies. The loss of key personnel can have a disproportionate impact on valuation and investor perception compared to similar events at larger more mature (often ex-growth) companies.

qui

## Notes [Intentionally Blank]

## INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

## DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

## IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

## LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

#### **IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS**

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe or in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of the investment research. ACF Equity Research Limited is authorised and regulated by the Financial Conduct Authority. However the contents of this research report are produced as if ACF Equity Research Limited is unregulated and consequently this report does not contain investment recommendations or ratings.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2018 ACF Equity Research all rights reserved. Additional information is available upon request.

Copyright 2018 ACF Equity Research Ltd. All rights reserved.

**ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.**

**Tel: +44 (020) 7558 8974**

**Website: [www.acfequityresearch.com](http://www.acfequityresearch.com)**