

RESOURCES & ENERGY GROUP (ASX:REZ)

Equity Research Report – 19 September 2024

Capital Structure

Current price per share	A\$0.024
Intrinsic value per share	A\$0.051
Potential upside	113%
Ordinary shares on issue	646,639,122
Market capitalisation	A\$15.5m
Options outstanding*	155,500,001
Total shares and options	802,139,123

*Includes 6,000,000 2.5c options held by Canary Capital Pty Ltd expiring 25/06/2027

Major Shareholders

Citicorp Nominees Pty Limited	14.8%
Richard Poole	8.0%
Arthur Phillip Nominees Pty Ltd	7.1%
Gavin Rezos	3.0%
BNP Paribas Nominees Pty Ltd	1.9%

Board of Directors

- Gavin Rezos – Non-Executive Chairman
- Daniel Moore – Chief Executive Officer
- Richard Poole – Non-Executive Director

Key Achievements To Date

- Has a clear roadmap to generate A\$25.9m in cash flow from a vat leaching program at the Maranoa and Goodenough prospects
- Awaiting approval for the Maranoa mining proposal submitted to the Western Australian Department of Energy, Mines and Industry Regulation and Safety
- Previously mined 8,700 ounces in FY22 to generate ~A\$23m in revenue and A\$7.5m in gross profit

Research Team

Nathan Oyet – Head of Research
Stuart Craigie – Associate Director

Introduction. Resources & Energy Group (REZ) is a mineral resources company with projects in Western Australia and Queensland. The company's flagship project, East Menzies, has existing JORC 2012 resources and is highly prospective for gold. REZ's other projects are prospective for nickel and silver.

East Menzies Hosts a Pipeline of Near-Term Gold Production Opportunities. The East Menzies project in Western Australia hosts a pipeline of gold projects that are near production. At the forefront is the Maranoa prospect, with an indicated and inferred resource of 46kt grading 5.7 g/t Au for 8,000 oz. The company plans to construct a trial vat leaching pit as part of the company's near-term gold production strategy. The second project slated for production is the Goodenough deposit, which holds a combined 43,000 oz resource across indicated and inferred categories at grades over 2.1. g/t Au.

Vat Leach Trial Program to Kickstart Cash Flow Generation. In the near term, REZ is expected to commence a vat leach trial campaign treating 5,000 tonnes of ore from Maranoa grading 4.6g/t Au. This trial program is projected to yield 821 oz of gold worth A\$2.7m in revenue at a conservative gold price of A\$3,250/oz. This initial cash flow is planned to fund an expanded vat leach program at the Maranoa and Goodenough deposits, where an additional nine leach dams are anticipated to generate a further A\$23.2m in sales. We estimate that adding another 20 dams could increase gold revenue by A\$51.7m.

Gigante Grande - A Company-Defining Deposit. Despite the attractive cash-generative potential of the Maranoa and Goodenough prospects, the Gigante Grande prospect is at the core of REZ's strategy to become a substantial gold producer. We believe that the prospect hosts more than a million ounces of gold. Exceptional drill results, such as 27m @ 3.7g/t Au from 67m, including 14m @ 6.34g/t Au from 65m, underscore this prospect's substantial scale and scope.

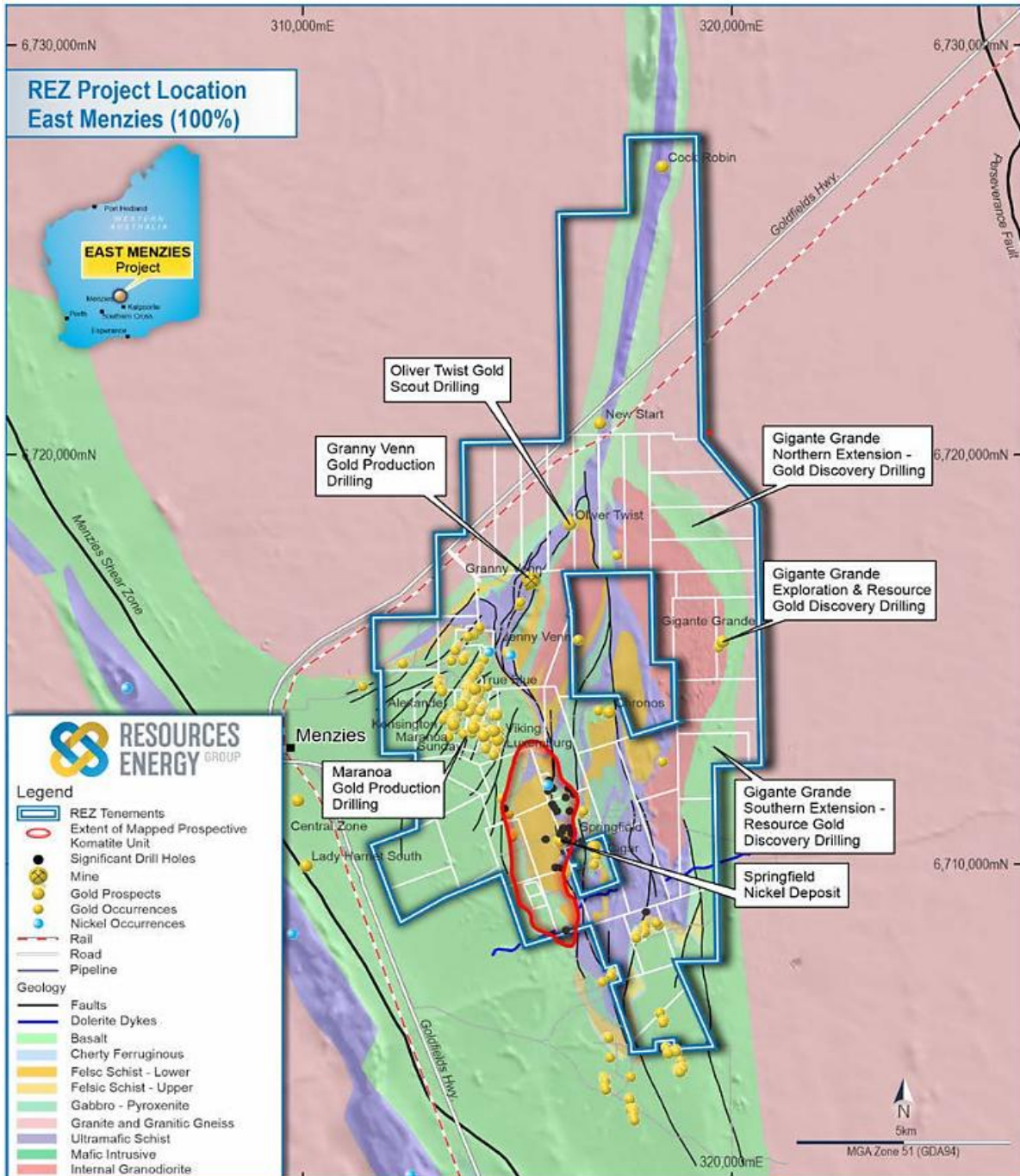
Upside Geared to Growth in Gold Production. With its self-funded, staged production strategy, REZ is set to transition from an explorer to a gold producer, generating substantial cash flow. Although REZ is still early-stage, its A\$15.5m market cap seems to undervalue its defined gold resources and near-term production potential, not to mention the upside at Gigante Grande.

EAST MENZIES GOLD PROJECT

Project Overview

REZ's flagship project is the East Menzies Project (EMP), situated 130km north of Kalgoorlie. The EMP is a 108km² package of contiguous mining, exploration, and prospecting licenses, which are prospective for precious metals and nickel. The EMP encompasses seven operational areas, including the Maranoa prospect, the Goodenough prospect, the Gigante Grande Gold prospect, the Granny Venn prospect, and the Springfield prospect.

East Menzies Project Map



Maranoa Prospect

The Maranoa prospect has a granted Mining License (M29/427) and is being investigated as part of the Company's strategy to identify near-term low-capital-cost production opportunities along the western side of the East Menzies Project area. The Maranoa prospect has an inferred mineral resource of 46kt @ 5.7g/t au for 8k oz Au. Notable drilling results from Maranoa include:

- 5m @ 7.95g/t Au from 3m, including 1m @ 32.1g/t Au from 6m
- 7m @ 3.20g/t Au from 19m, including 1m @ 9.15g/t Au from 19m
- 3m @ 5.06g/t Au from 22m, including 1m @ 14.65g/t Au from 22m

Goodenough Prospect

Similar to Maranoa, the Goodenough gold resource is being investigated for near-term production. The Goodnough deposit has previously been worked on as an underground resource, with historical production of approximately 21,532t @ 15.9g/t. Since acquiring Goodenough, the Company has reviewed historic work and mineralisation at the prospect. These studies have generated the following mineral resource estimate, which comprises 42.7k oz of gold at a cut-off grade of 1g/t Au, represented by:

- Total Indicated: 633.8kt @ 1.84g/t au for 37.5k oz au.
- Total Inferred: 81.9kt @ 1.99g/t au for 5.2k oz au.

REZ has also conducted drilling programs at the Goodenough prospect, which have produced the following significant results:

- 3m @ 2.27g/t au from 14m
- 2m @ 17.63g/t au from 37m
- 4m @ 9.10g/t au from 35m
- 1m @ 11.6g/t au from 21m
- 6m @ 1.89g/t au from 38m
- 1m @ 4.23g/t au from 11m
- 6m @ 1.89g/t au from 38m
- 3m @ 6.24g/t au from 9m

Gigante Grande

This previously unexplored (virgin) prospect lies on the eastern side of the East Menzies Project. REZ first recognised the bulk tonnage potential of Gigante Grande following RC drilling operations at the prospect in September 2020. Since then, 10,000m of RC drilling has been conducted over 100 mostly shallow holes ranging from 30-130m in depth. Notable drilling results from Gigante Grande include:

- 20m @ 5.06g/t Au from 116m, including 1m @ 76.4g/t Au from 134m
- 27m @ 3.7g/t Au from 67m, including 14m @ 6.34g/t Au from 65m and 1m @ 32.33g/tAu from 67m
- 65m @ 1.72g/t Au from 71m
- 21m @ 1.4g/t Au from 31m
- 93m @ 1.47g/t Au from 28m
- 115m @ 1.33g/t Au from 18m

Because of pre-consolidation restrictions, drilling was mostly focused on a narrow central corridor, where 700m of gram-plus-level gold intercepts were made, with an average grade of 1.56g/t Au. The REZ technical team is currently applying 3D GIS and expects to have sufficient information to resolve the deposit's shape, inform the drill-out of this target, and use this new information to lead to a Maiden Resource Estimate. However, based on previous drilling activities, REZ believes the Gigante Grande prospect has the potential to host a multi-million-ounce gold resource.

Springfield Prospect

Outside of its gold prospects, REZ has carried out nickel exploration at its Springfield prospect. On 28 November 2023, REZ announced that multi-element assays for three of the four RC holes completed at Springfield during late July 2023 had intersected shallow zones of mineralisation enriched in Nickel and Cobalt. One drill hole, SFRC022, provided a peak result of 29m @ 0.37% Ni and 0.030% Co from 71m down the hole, including 10 m @ 0.54% Ni and 0.033% Co from 77m.

NEAR-TERM GOLD PRODUCTION OPPORTUNITY

Optimisation Study

On 17 October 2023, REZ announced that optimisation studies at the Goodenough and Maranoa prospects confirmed the opportunity for a mining development exploiting shallow resources at the two gold projects. For the Goodenough gold prospect, REZ engaged Mining Plus to conduct open pit optimisations using a contract mining and toll processing cost model. The key assumptions used in the optimisation are a gold price of approximately A\$2,511, mining and processing costs of A\$83.80 per tonne, and a 95% gold recovery.

Two mining options were assessed under the optimisation study. The first option investigated a pit constrained to a maximum depth of 30m, while the second option looked at incrementally increasing pit depth to 42m. The latter case delivered significantly improved resource recovery and produced the best outcome of 179k tonnes of ore for 9.8k oz/au. Of this estimate, 169kt is in the higher-confidence Indicated category, and 10kt is Inferred. The table below shows the mining metrics of the two options.

Option	Max Depth (m)	Total Tonnes	Ore Tonnes	Diluted Head Grade (g/t)	Ounces (au)	Waste Tonnes	Strip Ratio
1	30	517,039	49,364	1.79	2,836	467,675	10
2	42	2,166,780	179,180	1.71	9,876	1,987,600	11

Scoping Study

The company is planning to commence a scoping study, including mine design, production schedules, and waste dump design. REZ has also stated that some additional drilling will be necessary to confirm gold recoveries, assist with ore and waste material characterisation, and further inform the resource model.

VAT LEACH PROGRAM

Overview

REZ's gold resource at Maranoa has been identified as the ideal shallow, higher-grade ore to support a vat leach gold production campaign at the East Menzies Project. The vat leach method is a low-cost alternative to toll processing and is ideal for REZ's East Menzies Project because it can be applied on-site, avoiding transport costs.

The Vat Leaching Process

Crushing and Grinding. The gold-bearing ore is first crushed and ground into fine particles to increase the surface area exposed to the leaching solution.

Preparing the Leaching Solution A leaching solution, typically a dilute solution of sodium cyanide (NaCN), is prepared. The cyanide solution acts as a lixiviant, dissolving and leaching the gold from the ore.

Leaching. The ground ore is mixed with the cyanide solution in large, reinforced tanks or vats lined with plastic. The mixture is agitated and aerated to facilitate the dissolution of gold. The leaching process can take several days, depending on the characteristics of the ore and the desired extraction efficiency.

Separation. After the leaching process is complete, the slurry (the mixture of ore and leaching solution) is separated using counter-current decantation or filtration. The solid residue, known as tailings, is left behind, while the pregnant leach solution containing the dissolved gold is collected for further processing.

Adsorption. The pregnant leach solution is transported through pipes from the vat to columns or tanks containing activated carbon. The gold cyanide complex in the solution is adsorbed onto the surface of the activated carbon, effectively concentrating the gold.

Desorption and Recovery. The loaded activated carbon is then subjected to a desorption process, typically using a hot caustic solution (e.g., sodium hydroxide and cyanide) or an acid solution (e.g., hydrochloric acid). This process strips the gold from the carbon or resin and produces a concentrated gold solution.

Electrowinning or Zinc Precipitation. The concentrated gold solution is then processed through electrowinning or zinc precipitation to recover the metallic gold. An electric current is applied to the solution in electrowinning, causing the gold to plate out onto steel wool cathodes. In zinc precipitation, zinc dust is added to the solution, causing the gold to precipitate out as a solid.

Smelting. The recovered metallic gold is typically smelted into doré bars and then sent to a refinery for further purification and processing.

Advantages of Vat Leaching

Low Capital and Operating Costs. Vat leaching requires a relatively low capital investment compared to other extraction methods like milling. Due to its simplicity, it also has lower operating costs.

Suitable for Low-Grade Ores. Vat leaching is particularly advantageous for processing low-grade ores that would be uneconomical to process using other methods.

Simple Process. The vat leaching process is relatively simple and involves stacking crushed ore on a leach pad and irrigating it with a leaching solution.

Environmentally Friendly. Vat leaching generates less waste and has a lower environmental impact compared to conventional milling processes.

Scalability. The scale of vat leaching operations can be easily adjusted based on the available ore and processing requirements.

Disadvantages of Vat Leaching

Slow Leaching Kinetics. The leaching process can take several months to years, depending on the ore characteristics and environmental conditions.

Metal Recovery Limitations. Vat leaching typically has lower metal recovery rates compared to other methods, especially for ores with complex mineralogy.

Environmental Concerns. Due to its toxicity, using cyanide solutions in the leaching process raises environmental concerns. Proper management and disposal of cyanide solutions are crucial.

Climate Dependence. Vat leaching operations are heavily influenced by climatic conditions, such as temperature and precipitation, which can affect the leaching efficiency.

Ore Preparation Requirements. The ore needs to be crushed and agglomerated to ensure adequate permeability and leaching solution flow through the heap.

Trial Vat Leach Program

At Maranoa, the company plans to run a trial campaign to treat 5,000 tonnes of ore with a diluted grade of ~4.6g/t. The trial campaign is expected to produce 821 ounces of gold, which would generate revenue of A\$2.7m at a conservative gold price of A\$3,250/oz. On 24 October 2023, REZ appointed Lamington Minerals Pty Ltd as the preferred contractor for the proposed vat leaching campaign at the East Menzies Gold Project. Lamington Minerals specialises in providing cost-effective logistics, management, processing and recovery options to the gold mining industry. Lamington Minerals will receive 20% of the profits after costs have been recovered for managing the mining and production process.

Pending Approval of Mining Proposal

On 4 July 2024, REZ lodged its mining proposal and mine closure plan with the Western Australian Department of Energy, Mines, Industry Regulation and Safety. The mining proposal covers the company's vat leaching program with gold sourced from the Maranoa deposit. The approval of the mining proposal will mark a critical step forward in REZ's plans to launch the vat leaching program at Maranoa, with the first gold pour anticipated before the end of 2024.

Expanded Vat Leach Program

After establishing the economics of the vat leaching process, REZ will develop a larger-scale vat leach campaign to treat additional shallow resources identified at the Maranoa (8,000 Oz) and Goodenough (43,000 Oz) gold deposits. The expanded program would consist of nine more vat-leaching dams, each capable of processing 5,000 tonnes of ore. At a gold price of A\$3,250/oz, these 9 dams would generate an additional A\$23.2m in gross sales revenue.

CIL Plant

Whilst the vat leaching program is cost-effective for processing small to medium-sized parcels of gold ore, REZ plans to construct a carbon-in-leach (CIL) plant in the future. This plant will give REZ the capability to process up to 120kt of gold ore per annum. The CIL plant will primarily process ore from the Gigante Grande prospect. REZ plans to fund the CIL plant's A\$10m construction cost using cash generated from the expanded vat leaching program.

MOUNT MACKENZIE GOLD AND SILVER PROJECT

Overview

The Mount Mackenzie mine site is located 150 km northwest of Rockhampton, Queensland. The granted tenements encompass four areas that have been subject to several successful exploration campaigns targeting shallow-depth gold mineralisation. REZ owns two parcels of land within the granted mining development licence (MDL2008). Currently, drilling results indicate a total JORC resource (2012) of 129,000 ounces of gold and 862,000 ounces of silver. These resources have been calculated from a small portion of the granted mining development licence.

Sale of the Mount Mackenzie Project

During 2023, the REZ board evaluated the Mackenzie Gold and Silver Project and at the time determined that the company would obtain the greatest value from its interests in the project by either entering a joint venture or selling the project outright. In late 2023, REZ executed binding heads of agreement to sell the tenements and land associated with its Mackenzie Gold and Silver Project to Aureus Mining. The purchase amount of A\$750k was originally due on 8 December 2023.

Following the recent capital raises in April and August 2024, the REZ Board reassessed the advantages of retaining the Mount Mackenzie prospect. The assessment determined that, given the company's current financial standing, it is now capable of holding the Mount Mackenzie tenement package and will continue to pursue its full value.

PREVIOUS MINING OPERATIONS

In the company's FY2021/22 Granny Venn mining campaign, 8,700 Oz of gold was produced from 130,000 tonnes of ore grading around 2.4g/t, which was trucked to the Lakewood and Gwalia mills for processing (ASX Release 29th June 2022). The campaign generated ~A\$23m in revenue and A\$7.5m in gross profit. REZ utilised the cash generated from the Granny Venn campaign to fund drilling programs at the Maranoa and Goodenough prospects.

FINANCIAL OVERVIEW

Cash Position

In the most recent quarter, REZ had a cash balance of A\$1.06m. On 19 August 2024 following the close of FY24, the company announced the completion of a A\$500k share placement to add to its cash balance. Based on the most recent quarter's operational cash burn of A\$49k and a post-share placement estimated cash balance of ~A\$1.5m, REZ should have enough capital to fund corporate overhead and the initial stages of the vat leaching program.

Working Capital Facility

On 22 November 2023, REZ announced that it had received a A\$600k standby working capital facility from entities related to Gavin Rezos, the company chairman, and Richard Poole, one of the company's executive directors. The facility has a term of 12 months and an interest rate of 10% per annum. The facility has a conversion option where the loan may be converted into shares by the lenders at the placement price in the event REZ completes a placement or equity issue. Additionally, subject to any required shareholder approval, REZ shall issue to the lenders 10 million options to acquire a fully paid ordinary share exercisable at 1.2c per share on or before 1 November 2027 and an additional 100 options for every dollar drawn over A\$50k.

It's important to note that REZ has not drawn on this facility, and management does not plan to draw on this facility for the foreseeable future.

Capital Structure

REZ has 646.6 million ordinary shares and 155.5 million options outstanding, or 802.1 million shares, on a diluted basis. The top 20 shareholders hold 50.1% of the shares outstanding. Richard Poole, one of the company's directors, is the largest individual shareholder, with 15.1% of the shares outstanding. The table below details the company's capital structure.

Type of Equity Interest	Number of Securities
Ordinary shares on issue	646,639,122
Options and performance rights	155,500,001
Diluted shares outstanding	802,139,123

VALUATION

Overview

To derive a valuation for REZ, we focused on the vat leaching program the company plans to implement at its Maranoa and Goodenough prospects. In line with this, we utilised a 2-year discounted cash flow valuation model, FY25-26, during which we expect the vat leaching program to exploit the gold deposits at Maranoa and Goodenough fully.

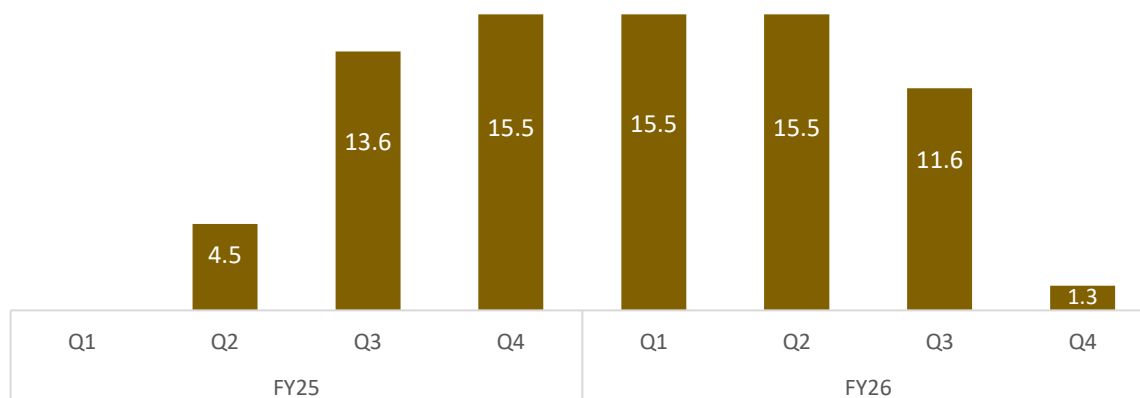
Revenue

Scaled Vat Leaching Program. Once REZ completes its 10-dam vat leaching program, we expect the company to scale the program further to exploit the shallow resources at Maranoa and Goodenough. Given that Maranoa and Goodenough host ~762kt of inferred and indicated gold ore, we conservatively estimate that REZ will add 20 more vat leaching dams, bringing the total to 30. This scaled program is expected to process 150,000 tonnes of gold ore, with each dam processing ~5,000 tonnes.

Gold Grade, Recovery and Price. Given REZ’s focus on the shallower, high-grade gold deposits at Maranoa and Goodenough, we expect a consistent grade of 5.5g/t across the 30 vat leaching dams. Drill results support our assumption that these shallow deposits contain relatively higher gold grades. We estimate gold recovery rates to be ~90% across the scaled vat program, slightly lower than the 92% recovery rate achieved in metallurgical studies and bottle roll tests. Conservatively, we estimate REZ will achieve an average gold price of A\$3,250 during the scaled vat leaching program, providing a A\$550 buffer against the current price of A\$3,800.

Gold Production and Revenue. REZ is projected to process 150,000 tonnes of ore during the 30-dam vat leaching program, yielding approximately 23,872 ounces of gold. With gold priced at A\$3,250 per ounce, the program's gross gold sales are estimated at A\$77.6m over the two-year duration of the scaled vat leaching program.

Cumulative gold revenue is expected to reach A\$77.6m



Operating Income

Project Expenses. Project expenses for the vat leaching program include variable costs such as dam earthworks, cyanide, mining, crushing, and cartage, as well as fixed costs like salaries and wages for project managers and other employees. Analysing comparable gold-producing projects with similar unit economics, we estimate that these expenses will account for approximately 30% of net gold sales during the forecast period, totalling A\$25m.

Project Income. Project income of A\$52.4m is calculated by deducting project expenses from net gold sales. On 17 September 2024, REZ announced it would share 20% of the vat leaching program's profits with Lamington Minerals after covering initial project costs. Consequently, we estimate that REZ will receive approximately 80% of the profits from the scaled 30-dam vat leaching project, amounting to A\$41.8m.

Operating Income. Based on REZ’s historical quarterly cash flow reports, we expect the company’s corporate overhead, e.g. administrative salaries, legal and accounting fees, to average ~A\$160k per quarter, totalling A\$1.3m over the forecast period. Netting out these overhead expenses from REZ’s profit share yields a cumulative operating income of A\$40.6m.

Discounted Cash Flow Valuation

Net Income. Based on the company's latest financial statements, we estimate net operating tax losses at A\$26m. We anticipate REZ will utilise these tax losses within the first five quarters of the forecast period. Starting in Q1 FY26, REZ is expected to be subject to a 25% corporate tax rate. The resulting net income is estimated at A\$36.9m during the forecast period.

Free Cash Flow. Apart from the capital expenditure required for the vat leaching project, we anticipate REZ's spending on other activities, such as drilling, to be minimal. As a result, REZ's free cash flow for the forecast period is expected to match its net income of A\$36.9m.

Equity Value. To accurately reflect the risks associated with REZ, a microcap gold company nearing production, we applied a 12.5% discount rate to calculate the present value of its forecasted free cash flows. This resulted in discounted cash flows totalling A\$32m. With REZ carrying no debt and holding a Q4 FY24 cash balance of approximately A\$1.06m, we estimate the company's equity value to be A\$33.1m. This equity value is then divided by the company's total shares outstanding of 646.6 million to arrive at an intrinsic value per share of A\$0.051. This valuation indicates that REZ has substantial upside of 113% from the current share price of A\$0.024. It's important to note that this valuation does not consider the large-scale gold production opportunity at Gigante Grande, which is estimated to host a ~1 million-ounce gold resource.

INVESTMENT THESIS

Clear Business Strategy

REZ plans to run a 5,000-tonne trial VAT leach pit, which will generate ~A\$2.7m in revenue by recovering ~821 ounces of gold at Maranoa. The company then plans to utilise cash generated from the trial vat program to develop a larger-scale vat leach campaign to treat additional shallow resources identified at the Maranoa and Goodenough gold deposits. REZ plans to invest in a 120ktpa Carbon In Leach (CIL) gold production plant to treat fresh ore from Gigante Grande and further resources at Maranoa and Goodenough. This approach to methodically developing small projects and reinvesting in larger projects enables REZ to stage its development path whilst maximising the cash flow generated from its projects and minimising shareholder dilution.

Significant Investment Upside

With the planned vat leaching trial program at Maranoa, REZ is anticipated to generate approximately A\$2.7m in gross sales revenue, based on a conservative gold price of A\$3,250 per ounce, compared to the current market price of around A\$3,800 per ounce. Expanding the program to include the Goodenough prospect could significantly boost revenue potential to A\$25.9m with 10 dams and A\$77.6m with 30 dams. Despite its attractive prospects to generate significant cash flow from its Maranoa, Goodenough and Gigante Grande gold prospects, REZ trades at a modest market capitalisation of A\$15.5m. We believe the current market valuation fails to fully acknowledge the substantial cash-flow potential of the company's gold projects.

Successful Management

REZ's CEO, Dan Moore, has extensive experience in the resources industry. Since the company's listing in 2013, Dan has been a pivotal figure in REZ's journey. Under his leadership, REZ successfully initiated gold production at the Granny Venn project, showcasing his ability to transform mineral resources into cash-generating projects.

The company's chairman, Gavin Rezos, has investment banking experience, including various regional executive roles at HSBC Group. Gavin has leveraged his expertise to provide valuable guidance on corporate strategy and capital allocation, assisting REZ in everything from capital raising to project acquisition and investment.

MANAGEMENT OVERVIEW

Gavin Rezos (Executive Chairman). Gavin has Australian and international investment banking experience and is a former HSBC Group investment banking Director. Gavin has held chief executive officer positions and executive directorships of companies in the technology sector in Australia, the United Kingdom, the US and Singapore. He is a principal of Viaticus Capital and Chairman of Vulcan Energy Resources Limited. Gavin was previously a Non-Executive Director of Iluka Resources (ASX:ILU) from 2006 to 2016 and the former Chairman of Alexium (ASX:AJX).

Daniel Moore (CEO). Daniel has extensive experience working with emerging companies in natural resources. He has been involved with REZ's East Menzies Goldfields since 2013 when it was first listed on the ASX. Daniel is currently a Director of Marquee Resources (ASX: MQR) and a founder of Koch Metals and Centenario Lithium. Previously he held Non-Executive Director roles at iCollege (ASX: ICT), Coronado Resources, now Race Oncology (ASX: RAC), and Stratum Metals, now Locality Planning Energy (ASX: LPE).

Richard Poole (Non-Executive Director). Richard commenced his career as a lawyer specialising in mergers and acquisitions. He left law in 1990 to build a research and development operation with operations in Japan, USA and Australia and added a manufacturing company in China in 1994. He built the R&D company from its early stages to a publicly listed vehicle raising the necessary capital up to his departure in 1999. Since 1999 he has continued his involvement in fundraising and the development of companies. He is a principal of Arthur Phillip Pty Limited, a corporate advisory firm providing investment services.

Warren Kember (CFO and Company Secretary). Warren has significant experience in executive finance, having served as Chief Financial Officer for a number of ASX-listed companies in the construction, mining and technology sectors. More recently, Warren was the CFO and, ultimately, the CEO of Australian Power & Gas Limited, a high-growth, ASX-listed energy retailer. Warren was also the CEO of a number of renewable energy companies. As the CFO and Company Secretary of REZ, Warren is responsible for directing all financial, legal and risk management.

Rick Gordon (Chief Geologist). The company recently appointed Rick Gordon (PhD) as Chief Geologist. Rick is based in Kalgoorlie, in close proximity to the Menzies project. His leadership will play a vital role in advancing the East Menzies Gold Project and unlocking the full potential value of REZ's mining projects. Rick has extensive experience across gold exploration and development projects across Australia having held management positions with Northern Star (ASX: NST). During his time at Northern Star, Rick was a key part of the team that discovered the Pegasus orebody, which led to the re-establishment of the Kundana Mining Centre. He also spent five years with Independence Group (ASX: IGO) in a number of roles, including time as Senior Mine Geologist at the Long Nickel Mine.

RISKS

Underperformance of the Vat Leaching Program

There is a risk that REZ's VAT leaching program fails to yield its expected gold production and revenue targets. This could be due to a higher-than-expected sulphide content or clay in the ore that could make it more difficult to leach the gold out of the ore. This could increase the amount of time required to leach the gold from the ore in addition to increasing the costs of labour. However, REZ has performed extensive lab testing to verify that its gold ore at Maranoa and Goodenough has a low sulphide content and a negligible clay composition. These lab results significantly mitigate the risk of the vat leaching program underperforming. Additionally, REZ has conservatively estimated that it will take 4 months to fully leach the ore versus 3 months, which would be reasonable based on cyanide bottle roll tests and other lab results.

Decline in Gold Price

REZ's intrinsic equity value could be significantly affected if the gold price achieved from the trial vat leaching program falls below the anticipated A\$3,250/oz. A lower gold price would hinder REZ's ability to finance the planned expansion of the vat leaching program, which is critical for fully exploiting the gold deposits at Maranoa and Goodenough.

Resources & Energy Group is a Canary Capital-mandated company. Canary Capital Pty Ltd, its directors and associates own shares and options in Resources & Energy Group.

Contact Details

Paul Hart - Executive Director

Canary Capital

M: 0421 051 474

E: phart@canarycapital.com.au

Arun Sengupta - Executive Director

Canary Capital

M: 0417 617 181

E: asengupta@canarycapital.com.au

General Advice Warning

Please note that any advice given by Canary Capital Pty Ltd (Canary Capital) as a corporate authorised representative (CAR number 1254859) of BR Securities Australia Pty Ltd (ABN 92 168 734 530) which holds AFSL 456663 is GENERAL advice, as the information or advice given does not take into account your particular objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument. Canary Capital Pty Ltd | ABN 18 618 657 640 | www.canarycapital.com.au. Our Financial Services Guide (FSG) is available on the Canary Capital website <https://canarycapital.com.au/financial-services-guide/>

Disclaimers

Canary Capital provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the Canary Capital in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. Canary Capital has no obligation to update the opinion unless Canary Capital is currently contracted to provide such an updated opinion. Canary Capital does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. You acknowledge that you have assessed your own risk profile, with or without assistance from an AFSL holder licensed to provide such an assessment. We aren't licensed to assess your personal risk profile. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. Canary Capital does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, Canary Capital shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, Canary Capital limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.

Disclosures

Paul Hart and Arun Sengupta are directors and authorised representatives of Canary Capital. They certify that any advice given by them or any other authorised representative of Canary Capital reflects their honest view of a company. Directors and authorised representatives of Canary Capital may own securities in companies they recommend, which will be declared if they ever give advice. Authorised representatives receive a share of the brokerage and origination fees earned by Canary Capital in relation to companies they recommend, so they rely on their skills at selecting good investment opportunities for clients of Canary Capital. Canary Capital, its directors and associates and employees receive fees and share options from companies to which Canary Capital is mandated to provide corporate advisory services. The companies currently mandated are NYR, BIO, ReNerve, DekkoSecure, Auric Mining Limited and Tru Recognition.

Confidentiality Notice

This email (and any attachments) is intended only for the addressee and may contain information which is confidential and privileged. If you are not the addressee you may not use, disseminate or copy this information. If you have received this information in error, please notify us immediately and destroy this email and attachments. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.