ST BARBARA / ASX: SBM / BUY

15 SEPTEMBER 2026

St Barbara turns Simberi value into cold, hard cash

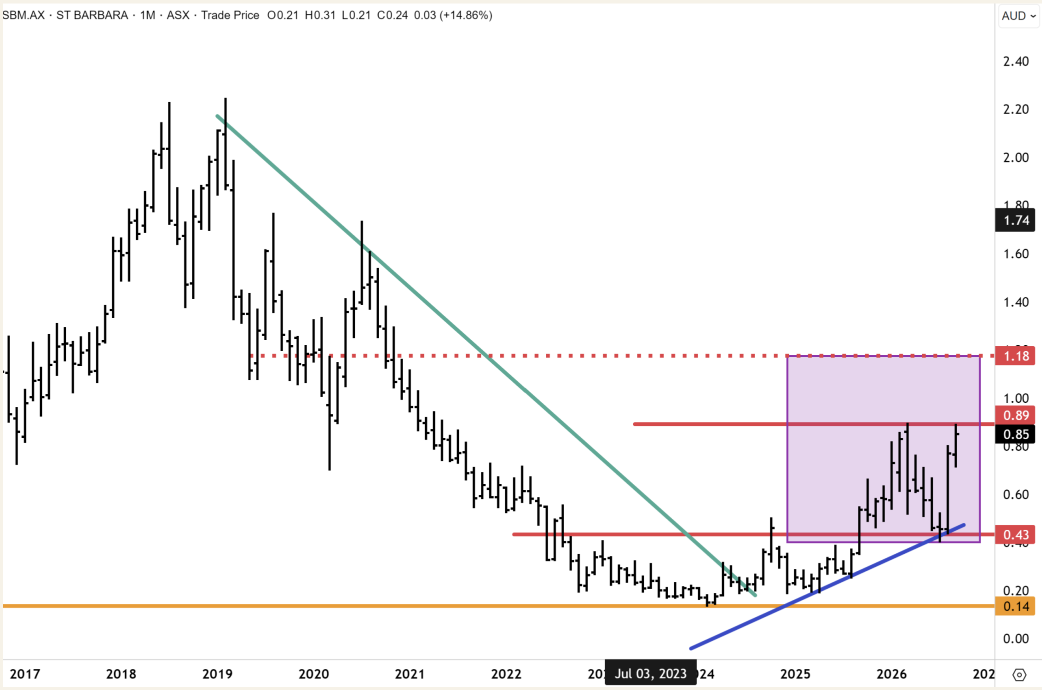
We retain a Buy rating following the agreed sale of St Barbara's remaining Simberi interest to Lingbao Gold. The shares jumped 16.4% to 85 cents on the 10 September announcement, before giving back much of the gain as gold softened modestly since. The shares closed at 79.5 cents on 14 September (Monday), still ~9% above their pre-announcement level.

The **transaction brings forward value, removes St Barbara's future Simberi construction funding obligation on completion and retains meaningful exposure to higher gold prices through royalties.** It also leaves the company as a Canada pure play, which is a tier 1 mining jurisdiction.

St Barbara would receive A$410 million plus approximately A$43 million of construction funding repayments. **Pro-forma cash would reach around A$880 million**, including A$81 million of restricted funds. On the basic share count, unrestricted cash, listed investments and management's pre-tax royalty valuation total 83.5 cents per share, which is above the current share price.

On that headline measure, the market is assigning no value to Canada. **Even under our conservative assumptions and the usual development risks, we view this gap in value to be unsustainable.** The next catalyst is likely the 15-Mile study on the expanded 2.5-million-ounce resource. The board will then consider buying back up to 100 million shares. Our one-to-two-year horizon is for a potential re-rating through these milestones, well before 15-Mile reaches production. **We rate St Barbara (ASX: SBM) a Buy.**

Since our last update (on September 3rd), St Barbara Mines has extended higher to retest this year's highs at 90c after breaking out of a downtrend descending from the February highs. We continue to believe that an inflection has now been fully confirmed and that St Barbara possesses significant scope for a broader recovery. We also anticipate SBM to sustain upward momentum and continue relative outperformance versus the All Ordinaries Gold Index as the underlying fundamental value is recognised by the market. Our immediate price target at the key overhead resistance level at 90c has now been reached. We anticipate a breakout above this level in the coming months and a retest of the higher resistance cluster between $1.10/$1.20.



Gold exposure without the funding burden

St Barbara owns 50% of New Simberi, falling to 40% after the Kumul transaction completes. The Lingbao sale transfers its remaining development funding obligation while preserving exposure to future production. **St Barbara would retain a 2.75% net smelter return royalty** over 100% of Simberi gold and silver production – not merely its former ownership share – plus 1.5% over 100% of minerals from the Tabar Islands exploration licences. Both commence on 1 July 2027, subject to completion.

The attraction is straightforward: St Barbara continues to benefit from production and higher commodity prices without funding the mine's development. Management's published royalty receipts total A$286 million through 2040, using US$4,000 per ounce of gold and AUD/USD of 0.70. Discounted at 5%, those receipts are valued at A$212 million. Applying the 8% discount rate we prefer to the same cash flows gives A$176 million.

What 79.5c buys here

COMPONENT	A$M	CENTS PER SHARE
Pro-forma cash, including sale proceeds	880	71.8
Less restricted rehabilitation cash	(81)	(6.6)
Unrestricted cash before distributions	799	65.2
Simberi royalty at company pre-tax valuation	212	17.3
Listed investment	13	1.1
Combined pre-tax value before other adjustments	**1,024**	**83.5**
Market value at 79.5 cents	**975**	**79.5**
Market value less financial assets	**(49)**	**(4.0)**

Fat Prophets notes: A snapshot at the 14 September close, not a fixed measure: the share price, listed investment and royalty all move with markets and gold prices. The listed investment uses the transaction presentation's mark at the 9 September close and, ***at 1.1 cents per share, is too small to alter the conclusion materially****. Figures are before dividends, intervening cash movements, transaction costs, royalty tax and other liabilities.* ***Canada is deliberately excluded.***

ROYALTY AND SHARE-COUNT SENSITIVITY	FINANCIAL ASSETS PER SHARE	IMPLIED VALUE FOR CANADA AT 79.5¢
Company pre-tax royalty; basic shares	83.5¢	(4.0)¢
8% pre-tax royalty; basic shares	80.6¢	(1.1)¢
8% royalty less illustrative 30% tax; all rights issued	72.2¢	7.3¢

Fat Prophets notes: The rights have no exercise price but vest conditionally. The 30% tax haircut is deliberately conservative, applying the full Australian company tax rate without assuming any shelter from carried-forward losses.

On the headline case, St Barbara's market value sits A$49 million below these financial assets alone. That discount disappears when the royalty is valued more conservatively, tax is allowed for, and the rights are counted. **At the toughest end of our sensitivity table, the market is assigning about A$95 million to Canada. That still looks far too light in our view.**

The expanded 15-Mile resource contains 2.5 million ounces, with a permitted restart at Touquoy and an 11-year mine plan in a tier-one jurisdiction. **The A$95 million implied valuation is less than 5% of the company's own post-tax valuation of 15-Mile at US$4,000 gold.** We (and the market) do not value a pre-FID (final investment decision) project anywhere near the study NPV. Feasibility work, permits, financing and construction all remain ahead. **But even at one-tenth of January's study value, Canada would be worth about 19 cents per share, close to a quarter of the current share price.**

Gold provides further leverage. The study's post-tax NPV rises from A$1.402 billion at US$3,000 an ounce to A$2.302 billion at US$4,000. No sensitivity above US$4,000 was published.

The looming Fed decision

A rate increase on Wednesday (US time) is widely expected, as are further increases over the coming year. **The more important issue for gold is whether the Fed signals a more aggressive path than investors already expect.**

We think the greater risk is in the other direction, which supports our gold view. A weaker US dollar and a gold-price correction that appears to have run much of its course would favour renewed strength in bullion.

St Barbara retains direct exposure to that outcome through the Simberi royalty. Management values it at A$267 million at US$5,000 gold, compared with A$212 million at US$4,000. Applying the same uplift to our 8% discount-rate valuation increases it from A$176 million to about A$222 million. The important point is not that gold must reach US$5,000. It is that the royalty retains meaningful upside if it does.

Cash returns without starving Canada

The five-cent fully franked dividend goes ex on 23 September and is payable on 16 October. After completion, the board will consider another approximately 13 cents, also fully franked. Together they would distribute around A$221 million. Unrestricted cash would fall to A$578 million before other movements, and the financial-asset value to 65.5 cents per share. The share price would ordinarily adjust for the distributions, so returning existing cash does not itself create additional value.

The more important question is how much **cash St Barbara can return while still funding Canada comfortably.** January's study estimated initial 15-Mile capital at A$308 million. **The end-September update may change that figure materially**. A 25% overrun would leave about A$193 million after both dividends, while completing the full proposed buy-back would reduce liquidity by a further A$80 million.

Canada carries the next leg

The study announced on 21 January 2026 estimated annual production of 103,000 ounces over 11.4 years at life-of-mine **all-in sustaining costs of US$1,188 an ounce**, against spot gold of around US$4,300 on 14 September. Those economics are attractive, but permitting, engineering, financing and construction still lie ahead.

Touquoy provides the near-term bridge. Its planned restart by December would process stockpiles for about thirteen months and produce 38,000 ounces. Management forecasts C$118 million of operating cash flow at US$4,000 gold, rather than free cash flow. It does not bridge St Barbara all the way to 15-Mile, which is targeted for FY2030. Touquoy's stockpiles are expected to be exhausted in early calendar 2028, leaving roughly two years in which development spending continues without directly operated mine production. Royalty receipts and interest income should partly offset that gap. Even so, the balance sheet remains working capital for the strategy, not simply surplus cash awaiting distribution.

On the risks side, deal completion is targeted for the March quarter of 2027 and remains subject to conditions. Interim Lingbao funding becomes repayable if the transaction fails. The PNG tax dispute remains in the background. St Barbara has given Lingbao an indemnity for the existing reassessment and retains carriage of discussions.

Our view

The Simberi sale materially improves the investment case for St Barbara, which is exchanging a capital-intensive development interest for cash while retaining meaningful exposure to production and higher gold prices through royalties. At Monday's closing share price, the balance sheet and royalty account for most – and under some assumptions more than all – of the market value. **Canada therefore carries much of the upside and is a tier 1 mining jurisdiction.**

We do not need the market to adopt management's study valuations to justify a Buy. **Valuing the royalty at an 8% discount rate, assigning no value to the rehabilitation bond (restricted cash) and putting Canada at only one-tenth of its January study value still leaves material upside.** We retain a Buy rating on St Barbara (ASX: SBM) for patient investors.

IMPORTANT INFORMATION

Disclosure: Interests associated with Fat Prophets hold shares in St Barbara.

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