

## ASTUTE MOVE: SELLING MONTY INTEREST TO SANDFIRE FOR \$72.3M (CASH)

### Investment Highlights

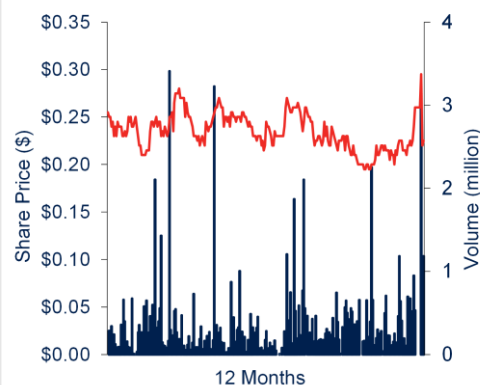
- As we have previously highlighted in our “potential acquisition/ takeover targets” report released on 29 March 2018 it makes logical and practical sense for Sandfire Resources (SFR) to own 100% of the Springfield JV (SFR 70%; TLM 30%) through acquiring Talisman Mining’s (TLM) share. The acquisition proposal by SFR for TLM’s 30% share is a cash consideration of \$72.3m in cash. This is slightly below our estimate of \$74m (\$54m for Monty + \$20m in tax loss benefit). SFR will assume the Taurus 2.25% gross revenue royalty (c\$3-5m) suggesting a total consideration of \$75.3-\$77.3m for the deal. We note that the Taurus debt facility of US\$11.5m (\$15.3m) will be repaid prior to the completion of the transaction whereby we estimate TLM will take \$60-62m clear of which we calculate tax payable of \$3-5m. Therefore, the deal is worth net \$55-59m or \$0.29-\$0.32/sh. Our overall valuation on TLM reduces slightly to \$0.40/sh (previously \$0.43/sh). We see further value in the Company’s Sinclair plant/project, TLM’s new Lachlan Fold Belt exploration project and upside at Springfield (TLM retains a 1% Net Smelter Return (NSR) royalty).**
- Proposed Sale of TLM’s 30% Interest in the Springfield JV In-Line with our Expectations:** The offer was broadly in-line with our expectations as explained above. This is not an overly complex deal given the transparency of the Springfield JV and the economics of the Monty mine (April 2017 Feasibility Study) which is expected to reach production by the end of the year. We estimate the deal could be completed 1-2 months after the preparation of a Share Sale Agreement (due by 30 June 2018). For TLM the deal makes sense as they receive their cash up front (rather than over Monty’s 30-month mine life), it repays the debt facility and TLM should not need to raise further capital to explore its Lachlan Fold Belt project or Sinclair. TLM will retain some upside in the Springfield project where we estimate a second Monty sized orebody would bring in around \$6m to TLM through the 1% NSR royalty.
- Several Options Available to Return Value to Shareholders:** With c.\$55-59m of net cash injected into TLM through the deal we understand the Company is examining a number of options to return a substantial proportion of these funds to shareholders. The options include: a special dividend, capital return or share buy back. TLM has limited franking credits so a special dividend may only be partially franked and may not be the optimal method for shareholders.

Year End June 30	2017A	2018F	2019F	2020F
Reported NPAT (\$m)	(8.7)	(6.5)	65.4	(3.1)
Recurrent NPAT (\$m)	(8.7)	(6.5)	65.4	(3.1)
Recurrent EPS (cents)	(4.7)	(3.5)	35.2	(1.7)
EPS Growth (%)	na	na	na	na
PER (x)	(6.3)	(8.5)	0.8	(17.7)
EBITDA (\$m)	(8.8)	(6.0)	68.2	(4.2)
EV/EBITDA (x)	(4.9)	(10.8)	(0.0)	(0.7)
Capex (\$m)	1.5	14.3	0.0	0.0
Free Cashflow	(8.6)	(21.9)	65.4	(3.1)
FCFPS (cents)	(4.7)	(11.8)	35.2	(1.7)
PFCF (x)	(6.3)	(2.5)	0.8	(17.7)
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	100.0	100.0	100.0	100.0

11 June 2018		
12mth Rating	SPECULATIVE BUY	
Price	A\$	0.295
Target Price	A\$	0.40
12mth Total Return	%	35.6
RIC: TLM.AX		BBG: TLM AU
Shares o/s	m	185.7
Free Float	%	88.5
Market Cap.	A\$m	54.8
Net Debt (Cash)	A\$m	4.0
Net Debt/Equity	%	1.4
3mth Av. D. T'over	A\$m	0.07
52wk High/Low	A\$	0.30/0.20
2yr adj. beta		1.12
<b>Valuation:</b>		
Methodology		DCF
Value per share	A\$	0.40

**Analyst:** Simon Tonkin  
**Phone:** (+61 8) 9225 2816  
**Email:** stonkin@psl.com.au

### 12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	23.8	15.6	8.3
Rel. S&P/ASX 300	21.9	7.4	-14.3

## Proposed Sale of TLM's 30% Interest in the Springfield JV

On Friday 8 June, TLM announced it had reached in-principle agreement with SFR to acquire Talisman A Pty. Ltd, the subsidiary that holds TLM's 30% interest in the Springfield JV. The key terms are:

- \$72.3m cash consideration;
- TLM's debt of US\$11.5m (\$15.3m) to be repaid to Taurus prior to the transaction completion.
- SFR assumes the 2.25% Taurus royalty
- TLM retains a 1% NSR royalty
- No further capital contributions from TLM to the Springfield JV as of 5 June 2018.

This is not an overly complex deal given the transparency of the Springfield JV and the economics of the Monty mine (April 2017 Feasibility Study) which is expected to reach production by the end of the year. We believe it should not take too long to be completed (we estimate around 1-2 months). The deal is subject to the following conditions:

- Satisfaction of confirmatory due diligence by SFR;
- The preparation and execution of a Share Sale Agreement and NSR Royalty Agreement in a form satisfactory to both parties by 30 June 2018;
- The unanimous recommendation of the TLM Board and statement of intention to vote shares held or controlled by the Board in favour of the sale at a TLM shareholder meeting to approve the sale;
- An irrevocable statement of intention from TLM's largest shareholder Kerry Harmanis (18.9%) to vote shares held or controlled by him (or his Associates) in favour of the sale at a TLM shareholder meeting to approve the sale;
- Taurus providing consent to SFR's acquisition of the shares in Talisman A, the grant to TLM of the NSR Royalty and the Taurus royalty remaining on foot on appropriate commercial terms satisfactory to SFR and otherwise with such modifications as SFR and certain Taurus parties agree;
- Any other conditions arising out of SFR's confirmatory accounting, tax, legal, corporate and human resources due diligence; and
- TLM shareholder approval at a TLM shareholder meeting to approve the sale (including for the purpose of ASX Listing Rule 11.2).
- TLM will work constructively with SFR with the objective of satisfying due diligence requirements and entering into a formal Share Sale Agreement acceptable to both parties. It is anticipated that this can be achieved within the next three weeks.
- TLM considers that shareholders' approval is required under Listing Rule 11.2 on the basis that the sale of Talisman A would likely constitute a disposal of TLM's main asset. It is expected that a General Meeting will be convened to be held approximately one month to six weeks after entering into a binding Share Sale Agreement and NSR Royalty Agreement in relation to the proposed transaction.
- Subject to successful execution of all formal agreements, satisfaction of all conditions, receipt of TLM shareholder approval and completion of the sale of Talisman A, TLM intends to return a substantial proportion of the cash consideration to shareholders after accounting for anticipated retirement of the prevailing TMFF debt facility balance.

## VALUATION

The proposed sale of TLM's 30% interest in the Springfield JV is in-line with our expectations. In our 16 May 2018 report we valued TLM's 30% share in Monty at \$54m with an additional \$20m in tax losses (Figure 1). Therefore, we valued the Springfield JV at \$74m in total which is slightly above the cash consideration of \$72.3m. SFR will assume the Taurus 2.25% gross revenue royalty (c\$3-5m) suggesting a total consideration of \$75.3-\$77.3m for the deal. We note that the Taurus debt facility of US\$11.5m (\$15.3m), which is slightly above our estimate of \$14m in May, will be repaid whereby we estimate TLM will take \$60-62m clear post-transaction. For TLM, we estimate a cost base of \$15-18m for Monty together with it \$44m in tax losses suggests that c\$10m of the cash component or \$3-5m (estimate) should be the tax payable. Therefore, the deal is worth net \$55-59m or \$0.29-\$0.32/sh to TLM. We also note that we had assumed a \$5m capital raising in our 16 May report which the Company will no longer need to complete.

Figure 1: Patersons Valuation (16 May 2018)

Valuation	A\$m	A\$/sh
Monty (post tax)	54	0.26
Sinclair	12	0.06
Exploration	13	0.07
Forward Sales	0	0.00
Equity Investment	0	0.00
Corporate	(9)	(0.05)
Unpaid Capital	5	0.03
Tax Losses	20	0.10
Debt	(14)	(0.09)
Cash	11	0.05
<b>NAV @ 8% Discount Rate</b>	<b>91</b>	<b>0.43</b>
<b>Price Target</b>	<b>91</b>	<b>0.43</b>
	<i>(1x NAV)</i>	

Source: Patersons Research Report (16 May 2018)

Overall, our valuation reduces slightly to \$0.40/sh (from \$0.43/sh). Whilst there was a positive impact of \$0.01/sh from removing the assumed \$5m capital raising and the subsequent issue of shares we have reduced our valuation on exploration from \$13 to \$10m and we calculate there is some tax payable on the \$72.3m cash consideration price. The exploration number of \$13m included the potential to add further material from Monty and whilst TLM retains some upside through the proposed 1% NSR royalty we did not feel it was sufficient to justify this number. We feel that TLM has the opportunity to add further value to the Company through a successful exploration program at its new Lachlan Fold belt project or from the divestiture of its Sinclair plant and infrastructure whereby TLM paid \$8m in cash in 2014 to acquire the project and has been paying on-going holding costs. We believe TLM could look to sell the project for at least \$12m. That said, with the new injection of capital and the market looking for new nickel stories it may look to do some further exploration to add value to the project. Lastly, TLM has upside from the proposed 1% NSR royalty from SFR. We estimate that if SFR was to discovery a new Monty sided orebody this could be worth around \$6m to TLM.

Figure 2: Updated Valuation

Valuation	A\$m	A\$/sh
Sandfire Acquisition Springfield JV	72.3	0.39
Taurus Debt Payment	(15.3)	(0.10)
Tax	(3.7)	(0.02)
Sinclair	12.0	0.06
Exploration (1% NSR, Lachlan Fold Belt/Sinclair)	10.0	0.05
Forward Sales	0.0	0.00
Equity Investment	0.0	0.00
Corporate	(9.3)	(0.05)
Unpaid Capital	0.0	0.00
Cash (end March 2018)	11.3	0.06
<b>NAV @ 8% Discount Rate</b>	<b>77.2</b>	<b>0.40</b>
<b>Price Target</b>	<b>77.2</b>	<b>0.40</b>
	<i>(1x NAV)</i>	

Source: Patersons

## EXPANDING INTO THE LACHLAN FOLD BELT

With sufficient capital to become available TLM can focus on its exploration assets. Since late 2017, TLM has expanded its landholding in the Lachlan Fold Belt through a combination of farm-in's, acquisitions and pegging vacant land. In total the Company has control over 3,092km<sup>2</sup> assuming it can fund its expenditure commitments to earn-in. Figure 3, shows the various tenements and the ownerships. TLM has some 100% ground, the Bacchus JV (earning up to 80% through spending \$2.3m over four years) and Peel JV (earning up to 75% through spending \$0.7m over five years). The first year commitments total approximately \$0.7m. The main areas include:

- Boona Project (various):** This is one of the main focus areas for TLM as it contains the Blind Calf prospect with previous high grade copper in RC and diamond drilling, areas of anomalous historic soil and rock chip geochemistry and geological extensions of known mineralised bearing stratigraphy (Mineral Hill mine).
- Bobadah Project (various):** The project area straddles the highly prospective Cambelego-Mineral Hill Rift sequence. Historic exploration (1970's) included mapping, rock chip sampling, auger sampling and an IP survey. Low level Cu-Zn anomalism identified in historic auger drilling and rock chip sample. Cumbine Prospect identified as the first priority area for testing.
- Sussex Project (100%):** This is a gold project located along the Large Crustal scale Gilmore Suture zone north of the Mt Boppy mine. There are known historical occurrences at Cobra Shaft, Earl of Sussex and Big Reef. Limited modern day exploration has been undertaken.

Figure 3: Talisman Ground in the Lachlan Fold Belt



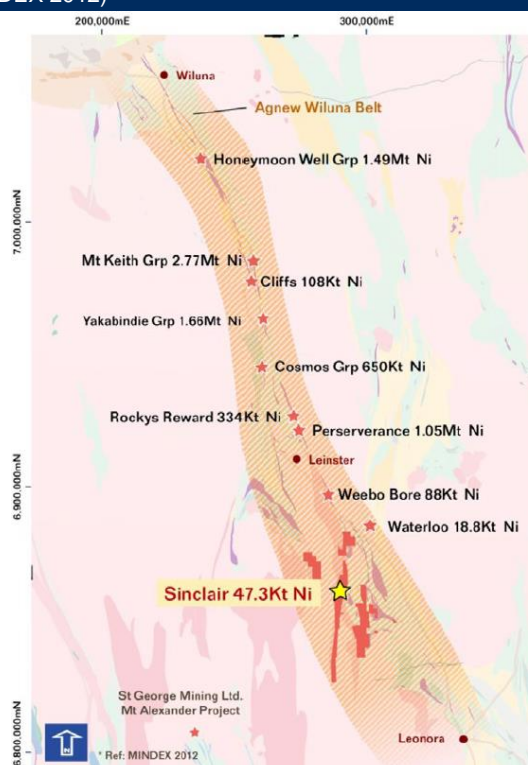
Source: Talisman Mining Limited

## Sinclair Nickel Project (TLM 100%)

In November 2014, TLM acquired the Sinclair Nickel project from Xstrata for \$8m in cash. The project has extensive infrastructure and includes a substantial 290km<sup>2</sup> tenement package covering more than 80km strike of prospective ultramafic contact within a 35km radius of an existing processing plant and infrastructure. The plant has been on care and maintenance since August 2013 and produced c.38,500 tonnes of nickel at an average life-of-mine head grade of 2.44% Ni since the project was commissioned in 2008. The project is located in the world-class Agnew-Wiluna Greenstone Belt in WA's north-eastern Goldfields which has a significant nickel endowment (Figure 4).

At the present time Sinclair isn't a key focus for the Company and we believe it may look to deal the asset. However, the alternative is that the nickel price has improved and the Company may decide to do some further exploration work on the project.

Figure 4: The Sinclair Nickel Project showing regional geology nickel production centres and reported contained nickel\* of the Agnew-Wiluna Belt (\*MINDEX 2012)



Source: Talisman Mining Limited

## Risks

Below we have identified a number of risks which may impact TLM. These are by no means a complete list of risks and there may be others beyond those identified:

**Deal Risk:** SFR is conducting a rigorous due diligence process with a view to establishing that there is no material, onerous or unusual agreements or liabilities in relation to Talisman A including a review of the TMFF facility agreement and TMFF royalty agreement. The Share Sale Agreement is expected by 30 June 2018.

**Currency Risk:** TLM has US\$ debt with Taurus and with adverse movements in the exchange rate (weaker Australian Dollar) it could take more A\$ to repay the US\$ amount.

**Exploration Risk:** With the expected sale of TLM's 30% interest in Monty TLM will be solely exploration focused. Exploration is inherently risky and there is no guarantee that an economic deposit will be delineated. Further drilling is needed to follow-up targets which may or may not result in further discoveries.



## DIRECTORS AND MANAGEMENT

### Jeremy Kirkwood Bcom ANU

#### Non-Executive Chairman (Appointed 1 April 2016)

Jeremy Kirkwood joined Talisman in April 2016 and has solid experience in corporate strategy, investment banking and global capital markets and provides invaluable strategic input and guidance to the Company's board and management team.

Jeremy is a principal of Pilot Advisory Group and was previously a Managing Director at Credit Suisse, Morgan Stanley and Austock. He has primarily worked in public markets, undertaking merger and acquisitions and capital raisings for companies principally in the metals and mining, energy and infrastructure sectors.

In the three years immediately before the end of the financial year, Jeremy also served as a Director of ASX listed Zenitas Ltd (formerly BGD Corporation). He is also the Chair of Geelong Grammar School and a Director of Independent Schools Victoria.

Jeremy serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience, Jeremy is considered qualified to hold these responsibilities.

### Dan Madden BComAcc, ACA, Governance Institute Australia

#### Managing Director (Appointed 1 July 2016)

Dan Madden was appointed as Managing Director on 1 July 2016 and has been with Talisman since 2009 in his previous roles as acting CEO and Chief Financial Officer and Company Secretary. Dan has more than 16 years' experience in the resource sector, including Xstrata Nickel Australasia, Jubilee Mines NL and Perilya Ltd.

He graduated from the University of Birmingham with a degree in Commerce and Accounting before joining Deloitte in the UK and Australia. He is an Associate Member of the Institute of Chartered Accountants of England and Wales and a member of the Governance Institute of Australia.

### Alan Senior Asscshp Mech Eng, FIEAUST, FAusIMM

#### Non-Executive Director (Appointed November 2007 as Non-Exec. Chairman)

Alan graduated from the West Australian Institute of Technology (Curtin University) with an Associateship in Mechanical Engineering in 1968. He is an engineer with extensive experience in design and project development, mainly associated with the mining and mineral processing industry in Australia.

Prior to joining Talisman, Alan operated as an independent consultant servicing the mineral processing industry. Before joining the Board of Jubilee in 2003, he led the team which completed the feasibility study for the Cosmos Nickel Project and its successful implementation, followed three years later by the transition from open cut to underground mining. Alan was a non-executive Director of Jubilee Mines NL up until its purchase by Xstrata.

In the three years immediately before the end of the financial year, Alan also served as a Director at Amex Resources Ltd; he resigned in May 2015.

Alan was the Chairman of Talisman for over eight years. He serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Alan is considered qualified to hold these responsibilities.

### Brian Dawes B.Sc. Mining, MAusIMM

#### Non-Executive Director (Appointed 17 June 2009)

Brian is a mining engineer with extensive international mining industry experience. He holds a BSc in Mining from the University of Leeds UK, and is Member of the Australasian Institute of Mining and Metallurgy.

He has worked in the UK, Africa, the Middle East and across Australia and holds several First Class Mine Managers' Certificates of Competency. Brian's diverse expertise covers all key industry aspects from exploration through the discovery, feasibility, funding, approvals, project construction, commissioning, operations, optimisation, logistics, marketing, and closure phases. This includes site management and corporate responsibilities in a diversity of challenging and successful underground and open pit operations across many commodities and geographies; mainly in copper, nickel, gold, zinc and lead, with iron ore,

graphite, and coal. Prior to joining Talisman, Brian held senior positions with Jubilee Mines NL, Western Areas, LionOre Australia, WMC, Normandy Mining, and Aberfoyle.

In the 3 years immediately before the end of the financial year, Brian did not hold any other directorships. Brian serves on the Company's Audit, Nomination and Remuneration Committees. With extensive industry experience and being financially literate, Brian is considered qualified to hold these responsibilities.

### **Karen Gadsby B.Comm, FCA, MAICD**

#### **Non-Executive Director (Appointed 3 April 2008)**

Karen is a professional Non-Executive Director with over 30 years' finance and commercial experience across several sectors.

She worked as an Executive for North Ltd throughout Australia for 13 years including at Robe River Iron Associates and Energy Resources of Australia Ltd.

In the three years immediately before the end of the financial year, Karen also served as Chair of Strategen Environmental Consulting Pty Ltd and Community First International Ltd, and as a director of Landgate.

Karen is the Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. With her extensive experience in finance and having chaired a number of Audit Committees, Karen is considered qualified to hold these responsibilities.

### **Shaun Vokes BBus CPA**

#### **Chief Financial Officer and Co-Company Secretary (Appointed May 2016)**

Shaun joined Talisman in February 2016. He is a finance professional with over 25 years' experience in the metalliferous resources industry gained predominantly in senior operational and management roles within Australia and Africa.

Prior to joining Talisman, Shaun spent five years as Manager, Business Services/CFO for Kabanga Nickel Company Ltd in Tanzania. Shaun's experience includes project evaluation and financing, business development, contract negotiation, metals marketing, risk management and corporate and financial governance for both private and ASX-listed entities across a range of base and precious metals. Shaun is a graduate of Curtin University and holds a Bachelor of Business degree and is a member of the Australian Society of Certified Practising Accountants.

### **Alex Neuling BSc, FCA (ICAEW) ACIS**

#### **Co-Company Secretary (Appointed May 2016)**

Alex Neuling is a Chartered Accountant and Chartered Secretary with extensive corporate and financial experience including as Director, Chief Financial Officer and / or Company Secretary of various ASX-listed companies in the mining, mineral exploration, oil & gas and other sectors.

Prior to those roles, Alex worked at Deloitte in London and Perth. Alex also holds an honours degree in chemistry from the University of Leeds in the United Kingdom and is principal of Erasmus Consulting which provides company secretarial and financial management consultancy services to a variety of ASX-listed and other companies.

### **Tony Greenaway**

#### **General Manager - Geology**

Mr Greenaway has over 25 years' experience in the resource industry, having conducted and managed exploration from grass roots evaluation and project generation through to advanced feasibility studies for copper, gold, platinum group metals and iron ore across a broad range of geographical settings and mineralisation styles.

Prior to joining TLM, he held senior management positions with small and mid-tier ASX listed and private exploration and mining companies, exploring throughout the West Australia goldfields and Pilbara regions, South East Asia, South and West Africa and South America.

Tony is a current member of the Australasian Institute of Mining and Metallurgy (AUSIMM), having a BSc (Geology) from Curtin University and Grad DipEd from the University of Western Australia.

## **Graham Leaver**

### **Exploration Manager**

Mr Leaver has 20 years' experience in the Western Australian nickel industry during which time he has worked in all aspects of resource projects covering exploration and targeting, discovery, development and production.

Prior to joining TLM Graham spent ten years with Jubilee Mines and later Xstrata Nickel, most recently as Exploration Manager. He was a senior geologist with the team that discovered and developed the Sinclair Nickel Project and Geology Manager during open pit operations. Positions with WMC at Mt Keith and Black Swan Nickel provide experience across Western Australia's prolific Norseman – Wiluna greenstone belt.

Mr Leaver is a graduate of the Western Australian School of Mines and a member of the Australian Institute of Geoscientists.



Talisman Mining Limited		\$0.295	
Valuation	A\$m	A\$/sh	
Sandfire Acquisition Springfield JV	72.3	0.39	
Taurus Debt Payment	(15.3)	(0.10)	
Tax	(3.7)	(0.02)	
Sinclair	12.0	0.06	
Exploration (1% NSR, Lachlan Fold Belt/Sinclair)	10.0	0.05	
Forward Sales	0.0	0.00	
Equity Investment	0.0	0.00	
Corporate	(9.3)	(0.05)	
Unpaid Capital	0.0	0.00	
Cash (end March 2018)	11.3	0.06	
<b>NAV @ 8% Discount Rate</b>	<b>77.2</b>	<b>0.40</b>	
<b>Price Target</b>	<b>77.2</b>	<b>0.40</b>	
	<i>(1x NAV)</i>		

#### Directors

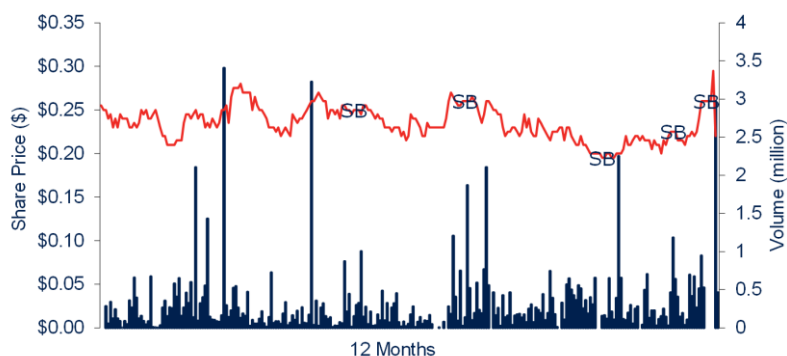
Name	Position
Jeremy Kirkwood	Chairman
Dan Madden	Managing Director
Alan Senior	Non Executive Director
Brian Dawes	Non Executive Director
Karen Gadsby	Non Executive Director

#### Substantial Shareholders

	Shares (m)	%
Kerry Harmanis	33.6	18.1

Commodity Assumptions	2017A	2018F	2019F	2020F	2021F
<b>A\$:US\$</b>	<b>\$0.75</b>	<b>\$0.77</b>	<b>\$0.76</b>	<b>\$0.75</b>	<b>\$0.74</b>
<b>Copper (US\$/lb)</b>	<b>\$2.45</b>	<b>\$3.06</b>	<b>\$3.16</b>	<b>\$3.19</b>	<b>\$3.21</b>
Lead (US\$/lb)	\$0.96	\$1.10	\$1.11	\$1.10	\$1.10
Zinc (US\$/lb)	\$1.15	\$1.44	\$1.39	\$1.37	\$1.36
Silver (US\$/oz)	\$17.86	\$16.66	\$16.83	\$17.30	\$17.90
Gold (US\$/oz)	\$1,258	\$1,298	\$1,324	\$1,355	\$1,400
<b>Profit &amp; Loss (A\$m)</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
<b>Sales Revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Other Income	0.0	0.0	72.3	0.0	0.0
Operating Costs	(0.6)	0.0	0.0	0.0	0.0
Exploration Exp.	(5.1)	(4.1)	(2.0)	(2.1)	(2.1)
Corporate/Admin	(3.0)	(1.9)	(2.1)	(2.1)	(2.1)
<b>EBITDA</b>	<b>(8.8)</b>	<b>(6.0)</b>	<b>68.2</b>	<b>(4.2)</b>	<b>(4.3)</b>
Depn & Amort	(0.3)	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>(9.1)</b>	<b>(6.0)</b>	<b>68.2</b>	<b>(4.2)</b>	<b>(4.3)</b>
Net Interest	0.4	(0.4)	0.9	1.1	1.0
<b>Operating Profit</b>	<b>(8.7)</b>	<b>(6.5)</b>	<b>69.1</b>	<b>(3.1)</b>	<b>(3.3)</b>
Tax expense	0.0	0.0	(3.7)	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Abnormals	0.0	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>(8.7)</b>	<b>(6.5)</b>	<b>65.4</b>	<b>(3.1)</b>	<b>(3.3)</b>
<b>Normalised NPAT</b>	<b>(8.7)</b>	<b>(6.5)</b>	<b>65.4</b>	<b>(3.1)</b>	<b>(3.3)</b>
<b>Cash Flow (A\$m)</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Receipts from Customers	0.0	0.0	72.3	0.0	0.0
Payments to Suppliers	2.7	1.9	2.1	2.1	2.1
Net Interest	5.0	(0.4)	0.9	1.1	1.0
Payment for Exploration	0.5	4.1	2.0	2.1	2.1
Tax	0.0	0.0	3.7	0.0	0.0
-Working Capital Increase/(Decrease)	0.0	1.2	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>(7.2)</b>	<b>(7.6)</b>	<b>65.4</b>	<b>(3.1)</b>	<b>(3.3)</b>
- Capex (+asset sales)	1.5	14.3	0.0	0.0	1.1
- Other investing cashflow	0.0	0.0	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>(8.6)</b>	<b>(21.9)</b>	<b>65.4</b>	<b>(3.1)</b>	<b>(4.3)</b>
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	0.0	0.0	0.0
+ Debt drawdown (repaid)	0.0	15.3	(15.3)	0.0	0.0
<b>Net Change in Cash</b>	<b>(8.6)</b>	<b>(6.6)</b>	<b>50.1</b>	<b>(3.1)</b>	<b>(4.3)</b>
Cash at End Period	11.6	5.0	55.1	52.0	47.6
Net Cash/(Debt)	11.6	(10.3)	55.1	52.0	47.6
<b>Balance Sheet (A\$m)</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>	<b>2021F</b>
Cash/Bullion	11.6	5.0	55.1	52.0	47.6
Total Assets	31.0	39.8	89.1	86.0	82.7
Total Debt	0.0	15.3	0.0	0.0	0.0
Total Liabilities	9.4	24.7	8.5	8.5	8.5
Shareholders Funds	21.6	15.2	80.5	77.4	74.2
<b>Ratios</b>					
Net Debt/Equity (%)	na	68.1	na	na	na
Interest Cover (x)	22.8	na	na	3.9	4.2
Return on Equity (%)	na	na	81.2	na	na

## Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
08 Nov 17	Research Note	0.50	0.25	SB	
12 Jan 18	Hot off the Press	0.50	0.26	SB	6.1%
04 Apr 18	Resources Review Book	0.44	0.20	SB	-23.1%
16 May 18	Research Note	0.43	0.23	SB	12.5%
05 Jun 18	Hot off the Press	0.43	0.26	SB	15.6%
	Current Share Price		0.30		13.5%

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.

---

## Patersons Securities Limited Disclosure of Interest

Patersons Securities and its respective officers and associates may have an interest in the securities or derivatives of any entities referred to in this material

Patersons Securities does, and seeks to do, business with companies that are the subjects of its research reports.

---

## Patersons Securities Corporate Relationship Disclosure

88E	Patersons Securities have acted for 88 Energy Ltd (88E) within the past year and have received fees for these services.
AGR	Patersons Securities have acted for Agua Resources Ltd (AGR) within the past year and have received fees for these services.
AGY	Patersons Securities have acted for Argosy Minerals Ltd (AGY) within the past year and have received fees for these services.
AJL	Patersons Securities have acted for AJ Lucas Group Ltd (AJL) within the past year and have received fees for these services.
AKM	Patersons Securities have acted for Aspire Mining Ltd (AKM) within the past year and have received fees for these services.
AXL	Patersons Securities have acted for Axesstoday Ltd (AXL) within the past year and have received fees for these services.
BOE	Patersons Securities have acted for Boss Resources Ltd (BOE) within the past year and have received fees for these services.
BRB	Patersons Securities have acted for Breaker Resources NL (BRB) within the past year and have received fees for these services.
BUX	Patersons Securities have acted for Buxton Resources Ltd (BUX) within the past year and have received fees for these services.
CSS	Patersons Securities have acted for Clean Seas Seafood Ltd (CSS) within the past year and have received fees for these services.
CTL	Patersons Securities have acted for Centennial Mining Ltd (CTL) within the past year and have received fees for these services.
DRG	Patersons Securities have acted for Draig Resources Ltd (DRG) within the past year and have received fees for these services.
DRO	Patersons Securities have acted for DroneShield Ltd (DRO) within the past year and have received fees for these services.
GLL	Patersons Securities have acted for Galilee Energy Ltd (GLL) within the past year and have received fees for these services.
IBG	Patersons Securities have acted for Ironbark Zinc Ltd (IBG) within the past year and have received fees for these services.
IPT	Patersons Securities have acted for Impact Minerals Ltd (IPT) within the past year and have received fees for these services.
NUS	Patersons Securities have acted for Nusantara Resources (NUS) within the past year and have received fees for these services.
PEX	Patersons Securities have acted for Peel Mining Ltd (PEX) within the past year and have received fees for these services.
PGO	Patersons Securities have acted for Primary Gold Ltd (PGO) within the past year and have received fees for these services.
RCL	Patersons Securities have acted for Readcloud Limited (RCL) within the past year and have received fees for these services.
SYA	Patersons Securities have acted for Sayona Mining Ltd (SYA) within the past year and have received fees for these services.
UUV	Patersons Securities have acted for UUV Aquabotix Ltd (UUV) within the past year and have received fees for these services.
VMY	Patersons Securities have acted for Vimy Resources Ltd (VMY) within the past year and have received fees for these services.
WKT	Patersons Securities have acted for Walkabout Resources Ltd (WKT) within the past year and have received fees for these services.
XAM	Patersons Securities have received corporate advisory fees from Xanadu Mines Ltd (XAM) within the past year.
XTE	Patersons Securities have acted for Xtek Ltd (XTE) within the past year and have received fees for these services.

## Research

Cathy Moises - Head of Research	Phone: (+61 3) 9242 4030	Email: cmoises@psl.com.au
Hira Sakrani - Associate Analyst	Phone: (+61 3) 9242 4052	Email: hsakrani@psl.com.au
James Farr - Research Assistant	Phone: (+61 8) 9263 1215	Email: jfarr@psl.com.au
Daniel Veasey - Research Assistant	Phone: (+61 8) 9225 2818	Email: dveasey@psl.com.au

## Strategy & Economics

Tony Farnham - Economic Strategist / Analyst	Phone: (+61 2) 9258 8973	Email: tfarnham@psl.com.au
Greg Galton - Private Wealth, Analyst	Phone: (+61 8) 9263 1612	Email: ggalton@psl.com.au

## Commodities

Cam Hardie - Analyst	Phone: (+61 3) 9242 4153	Email: chardie@psl.com.au
Simon Tonkin - Senior Analyst	Phone: (+61 8) 9225 2816	Email: stonkin@psl.com.au
Xavier Braud - Analyst	Phone: (+61 8) 9225 2813	Email: xbraud@psl.com.au

## Industrials

Martyn Jacobs - Analyst	Phone: (+61 3) 9242 4153	Email: mjacobs@psl.com.au
Jon Scholtz - Analyst	Phone: (+61 8) 9225 2836	Email: jscholtz@psl.com.au

## Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@psl.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherly@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

*Disclosure: This report was prepared solely by Patersons Securities Limited. ASX did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation, by Patersons Securities Limited, in accordance with the ASX Equity Research Scheme.*

*ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports.*

**Important Notice:** Copyright 2017. The Contents contained in this report are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

**Disclaimer:** Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

**Warning:** This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your financial circumstances and investment objectives.

**Disclosure:** Patersons, its directors and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests do not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

**Stock recommendations:** Investment ratings are a function of Patersons' expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed to any third party without prior written consent.