

Hastings Tech Metals (HAS AU)

Germany's rare earth solution

We initiate research coverage on HAS with a Speculative BUY and A\$0.30/sh target price. HAS is our top pick among rare earth developers due to its high value orebody and the low technical risk path to production. Similar to Japan Inc's backing of LYC in the 2000's, we see Germany backing HAS for its future RE needs, with offtake partners (Thyssenkrupp/Schaeffler) helping to secure low cost German G'ovt loans. Key risks include project financing, ramp up and NdPr prices. We value HAS on a sum of the parts DCF using a 9.5% WACC (real) and LT NdPr Price of US\$68/kg & 0.70 AUD.

Investment Thesis: Our top project pick

- **High Value Orebody:** high NdPr endowment of 35% enables a US\$20/kg basket price (key project economic determinate) almost double its peers/existing world producers.
- **German Backed:** Similar to Japan inc backing of Lynas in the 2000's, we see Germany supporting HAS for its future RE needs. Signed 2x 10 year offtake MOU's with German industrial stalwarts Thyssenkrupp and Schaeffler AG (auto manufacturer). Their support helped secure US\$140m (A\$200m) of low cost German G'ovt Debt.
- **Shortcut to market:** aims to produce a mixed carbonate and not fully separate RE's, significantly reducing project technical risk and capex.
- **Skin in the game:** added certainty of seeing project through to completion is Exec Chairman Charles Lew, who owns 11.5% and has self-funded most development to date.

Company Overview

- Hastings Technology Metals ('HAS') is a rare earth development company that owns 100% of the Yangibana project in the Gascoyne Region of WA.
- The ~A\$450m project is expects commercial production to commence by mid-2021 and quickly ramp-up to a nameplate of 15kt of Mixed Rare Earth Carbonate ('MREC') containing ~3.5kt of 'NdPr' (some 90% of revenue).
- Key risks for developing projects apply (permitting, funding, project execution/construction) as well as our NdPr, AUD forecasts.

Key Financials					
Year-end June (A\$)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (\$m)	-	-	-	-	-
EBITDA (\$m)	(1.7)	(3.2)	(3.2)	(3.0)	(3.0)
EBIT (\$m)	(1.7)	(3.2)	(3.2)	(3.0)	(3.0)
Reported NPAT (\$m)	(1.5)	(2.9)	(2.9)	(7.6)	(13.8)
Reported EPS (c)	(0.3)	(0.4)	(0.3)	(0.6)	(1.0)
Normalised NPAT (\$m)	(1.4)	(2.5)	(2.9)	(7.6)	(13.8)
Normalised EPS (c)	(0.3)	(0.4)	(0.3)	(0.7)	(1.1)
Dividend (c)	-	-	-	-	-
Net Yield (%)	-	-	-	-	-
Normalised ROE (%)	-	-	-	-	-

Source: OML, Iress, Hastings Technology Metals Limited

Last Price

A\$0.13

Target Price

A\$0.30

Recommendation

Speculative Buy

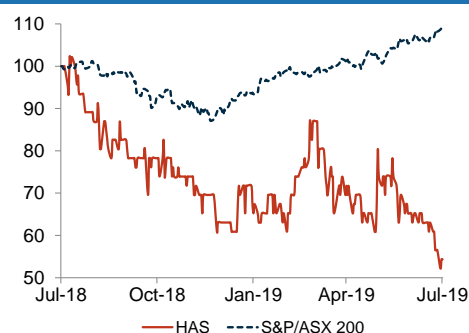
Risk

Higher

Metals and Mining

ASX Code	HAS
52 Week Range (A\$)	0.12 - 0.24
Market Cap (\$m)	114.6
Shares Outstanding (m)	916.9
Av Daily Turnover (\$m)	0.0
3 Month Total Return (%)	-24.2
12 Month Total Return (%)	-45.7
Benchmark 12 Month Return (%)	9.0
Net Cash FY19E (A\$m)	18.0

Relative Price Performance



Source: FactSet

Consensus Earnings

	FY19E	FY20E
NPAT (C) (\$m)	-	-
NPAT (OM) (\$m)	(2.9)	(7.6)
EPS (C) (c)	-	-
EPS (OM) (c)	(0.3)	(0.7)

Source: OML, Iress, Hastings Technology Metals Limited

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Production & Valuation Summary							
Key financial metrics		18A	19A	20F	21F	22F	23F
P&L							
Revenue	A\$m					164	274
EBITDA	A\$m	(3)	(3)	(3)	(3)	49	128
NPAT	A\$m	(3)	(3)	(8)	(14)	(8)	53
EPS - (Diluted)	A¢/sh	(0.4)	(0.3)	(0.7)	(1.0)	(0.6)	4.1
Ebitda Margin	%					30	47
Cash flow							
Operating CF	A\$m	(3)	(3)	(12)	(25)	22	119
Capex	A\$m	(14)	(38)	(74)	(252)	(108)	(1)
Free CF	A\$m	(15)	(41)	(86)	(227)	(86)	117
Financing CF	A\$m						
Balance Sheet							
Cash Balance	A\$m	21	18	48	35	30	48
Net Debt / (Cash)	A\$m	(21)	(18)	43	243	320	202
Gearing (ND/E)	%	(30)	(20)	41	209	295	125
Interest Cover	x						0.11
Debt Facility Draw							
German Govt (US\$140m)	US\$m			60	100	140	140
German C'mrcl (US\$35m)	US\$m				35	35	35
NAIF (A\$150mn)	A\$m				53	70	
Total Debt Drawn	A\$m			91	278	350	250
Debt Repayments	A\$m			5	11	14	14
Capital Structure							
Shares on issue	m	532	712	917	1,117	1,317	1,317
Options	m	18		69	69	69	69
Performance Rights	m	18	15	20	20	20	20
New Equity	m	58	179	116	200	200	
Fully Diluted Shares	m	568	727	1,006	1,206	1,406	1,406
Assumptions (Real)							
AUD			0.70	0.70	0.70	0.70	0.70
NdPr	US\$/kg		61	68	68	68	68
Basket Value	US\$/kg		22.6	27.6	27.1	26.3	26.9
Mining							
Ore Mined	Mt	0.01	0.9	1.6	0.7	0.8	0.9
NdPr Grade	%		0.41	0.35	0.39	0.52	0.45
Other REO Grade	%		0.77	0.66	0.73	0.96	0.84
Total Grade	%		1.18	1.01	1.12	1.48	1.29
Processing							
Ore Milled	Mt		0.6	1.0	1.0	1.0	1.0
NdPr Recovery	%		75.6	75.6	75.6	75.6	75.6
Total REO Recovery	%		75.7	75.7	75.7	75.7	75.7
Concentrate Produced (MREC)	kt		9.3	13.2	14.6	19.2	16.8
Production/Sales							
NdPr	kt		1.9	2.7	3.0	3.9	3.4
Other REO	kt		3.5	5.0	5.5	7.3	6.3
REO In Concentrate	kt		5.4	7.7	8.5	11.2	9.7
NdPr % of Production	%		35	35	35	35	38
Revenue							
NdPr	US\$m		114	182	202	265	231
Other REO	US\$m		14	29	28	29	31
Separation Fee \$2.5/kg	US\$m		(13)	(19)	(21)	(28)	(22)
Total Revenue	A\$m		164	274	298	380	305
Cash COGS							
Fixed Costs	A\$m		42	42	42	42	42
Variable Costs	A\$m		64	92	102	134	117
Royalties (3.2%)	A\$m		5	9	10	12	11
Total Cash COGS	A\$m		112	143	153	188	170
Unit Margin (REO)							
Unit Costs	US\$/kg		17	16	15	14	15
Average Sale Price	US\$/kg		23	28	27	26	27
REO Margin	US\$/kg		5.5	12.0	12	12	11.6
Production by product type							
Revenue Split by product (LOM)							
Valuation							
		A\$m		A\$/sh		Base Case	
NPV (FY20)							
Yangibana		492		0.49			
Corporate		(16)		(0.02)			
Net Debt		(43)		(0.04)			
Tax		(137)		(0.14)			
Total		296		0.29			
Target Price A\$/sh				0.30			
TSR (%)				140%			
Recommendation				Speculative Buy			
WACC							
Cost Of Equity				12.8%			
Cost Of Debt (pre tax)				5.0%			
WACC (Real)				9.3%			
Share Register							
		mn		% Dilltuion			
Shares on issue		916.9					
Options		69.2		7%			
Performance Rights		19.5		2%			
Fully Diluted Share Count		1,006					
NPV Summary							
Sensitivity ±1%							
		NPV					
NdPr		5.7					
AUDUSD		5.7					
Opex		3.3					
Recovery		5.7					
Headgrade		5.7					
NPV A\$/sh Valuation Sensitivity							
		AUDUSD		NdPr US\$/kg (Ex VAT)			
				60 70 80 90			
0.675		0.19		0.41		0.64	
0.700		0.15		0.36		0.57	
0.725		0.10		0.31		0.51	
						0.72	
Mineral Inventory							
		Volume		REO		NdPr	
		(mt)		%		%	
Resource		21.7		1.10		0.39	
Reserve		10.4		1.22		0.43	
Mine Life		+11 years					
Key Events							
WA Government Approval				Aug 19			
NAIF - Debt Funding				Oct 19			
German Debt Facility Financial Clos				Nov 19			
Product Mix (LOM)							
Average Sales Price & Cost (REO)							

Investment Thesis

We initiate research coverage on Hastings Technology Metals ('HAS') with a SPECULATIVE BUY recommendation and a A\$0.30/sh target price. We value HAS on a sum of the parts DCF using a 9.5% WACC (real) and LT NdPr Price of US\$68/kg & 0.70 AUD. We view HAS as having the most attractive rare earth project in development with the following key attributes to be successfully developed:

1. **High value orebody:** project hosts highest NdPr concentrations, which enables sector leading basket price (highest value material).
2. **Shortcut to market:** aims to produce a mixed carbonate and not fully separate rare earths, significantly reducing project technical risk and costs.
3. **German Backed:** Similar to Japan's backing of Lynas, we see Germany backing HAS for its future Automotive/Industrial needs.
4. **Skin in the game:** added certainty of seeing project through to completion is Exec Chairman Charles Lew, who owns 11.5% and has self-funded most development to date.

In our view the company appears undervalued relative to its fundamentals and we expect the valuation to rerate following a series of upcoming catalysts (debt financing, Key risks for HAS span across three key categories of project development, commodity price/exchange rate and operational.

Company Overview

Hastings Technology Metals ('HAS') is a rare earth development company that owns 100% of the Yangibana project, located in the Upper Gascoyne Region of Western Australia. Yangibana hosts the one of the world's highest concentrations of the highly strategic rare earth 'NdPr' and is the worlds most advanced project (studies, permitting, offtake, EPC).

The A\$450m project is expects commercial production to commence by mid-2021 and quickly ramp-up to a nameplate of 15kt of Mixed Rare Earth Carbonate ('MREC') containing c.3.5kt of 'NdPr' oxide that generates c.90% of its revenue.

Valuation

We value HAS on a sum of the parts one year forward DCF of ~A\$298m (A\$0.30/sh), which is based on a WACC of 9.5% real assuming a Cost of Equity of 12.8%, based on a risk free rate of 4.5%, Equity Beta of 1.5 and Equity Risk Premium of 10% and a Cost of Debt of 4.8% (pre tax).

Figure 1: HAS Valuation

Valuation	A\$m	A\$/sh
NPV (FY20)		
Yangibana	492	0.49
Corporate	(16)	(0.02)
Net Debt	(43)	(0.04)
Tax	(137)	(0.14)
Total	296	0.29
Target Price A\$/sh		0.30
TSR (%)		140%
Recommendation		Speculative Buy

Source: Ord Minnett Limited estimates

We value Yangibana on a pre tax basis of A\$492mn (A\$0.49/sh). The key forecast assumptions are our long term NdPr Price of US\$68/kg (ex VAT) and AUDUSD of 0.70. We forecast a mine life of 11 years commencing FY22 ending in FY32 which is based on the existing reserves at Yangibana of 10.4mt at 1.2% TREO containing 0.43% NdPr. With a resource of 21.7mt we expect the mine life can be substantially extended, which is highly value accretive to the valuation. We do not ascribe any value to their Brockman resource.

We include a provision for corporate items including overheads, admin, closure/rehab costs at A\$16m (A\$0.02/sh). We also include a forward Net Debt position of A\$43m (A\$0.04/sh). Tax we model as a separate DCF line item worth - A\$135mn (-A\$0.13/sh).

Figure 2: HAS NPV Valuation Sensitivity (A\$/sh)

AUDUSD	NdPr US\$/kg (Ex VAT)			
	60	70	80	90
0.675	0.19	0.41	0.64	0.86
0.700	0.15	0.36	0.57	0.79
0.725	0.10	0.31	0.51	0.72

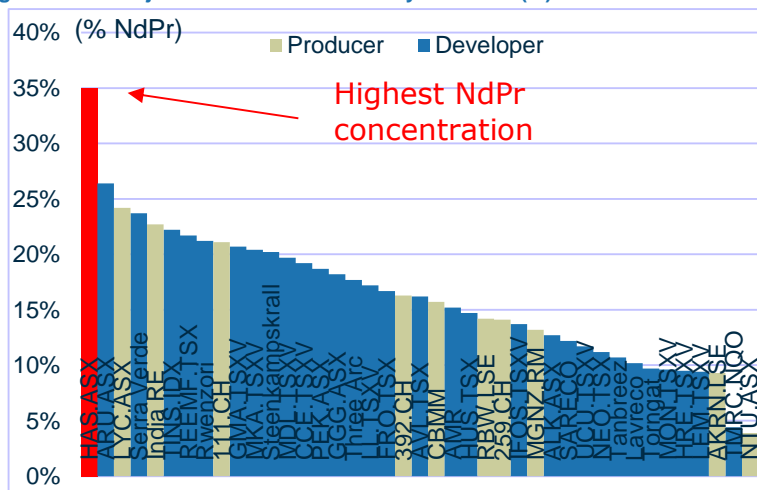
Source: Ord Minnett Limited estimates

Thesis Key Point 1: High value orebody

Yangibana hosts a resource of 21.7mt at 1.1% REO and Reserve of 1.4mt at 1.2% REO. On a grade basis, this doesn't compare favourably to the other rare earth deposits in the world which typically average c.1% TREO. However, what sets this project apart is that it contains one of the highest value rare earth product mixes.

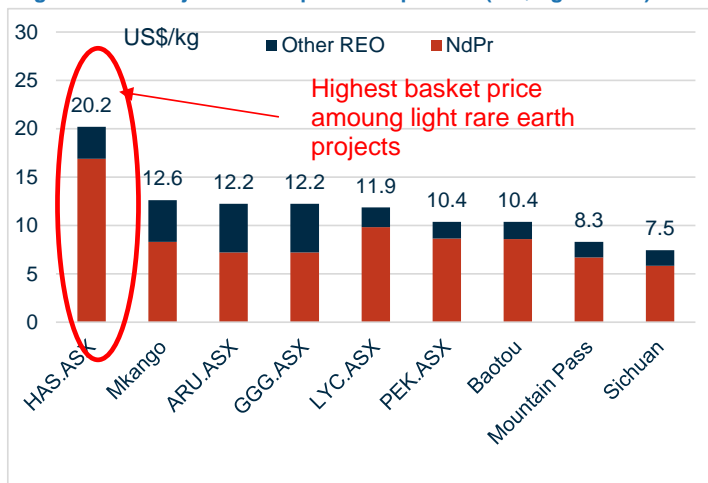
Yangibana contains one of the world's highest concentrations of the highly sought rare earth 'NdPr' which represents around 35% of the resource and ultimately 40% of its future production, generating c.90% of its revenue.

Figure 3: RE Project NdPr concentration by resource (%)



Source: Source: SMM, Asian Metals, Company Resource Statements, Extractive Metallurgy of Rare Earths 2nd Edition, Ord Minnett Limited, Roskill, Argus, Adamas Intelligence

Figure 4: RE Project Basket price comparison (US\$/kg Ex VAT)



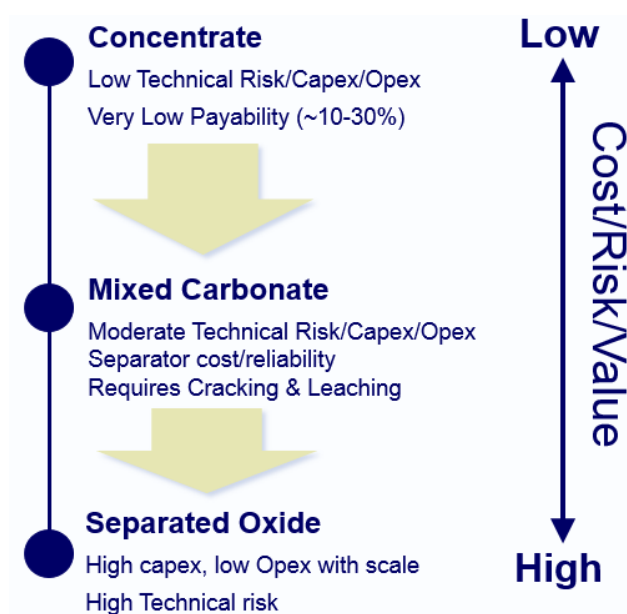
Along with other high value heavy rare earths (Dy/Tb), this enables the project to have an extremely high 'basket price' of some US\$20/kg at spot (21st July 2019), which is almost double existing producers at \$9.5/kg and its developer peers group at \$12/kg. Basket prices are a critical economic consideration for project development.

Thesis Key Point 2: Shortcut to market:

Barriers to entry for new rare earth producers remains very high. Broadly speaking there are three stages of processing in the initial rare earth supply chain of Concentrate, Mixed Carbonate, Separated Oxides. In our view, each stage down the supply chain increases a project technical risk as well as capital cost while also targeting significant value upside.

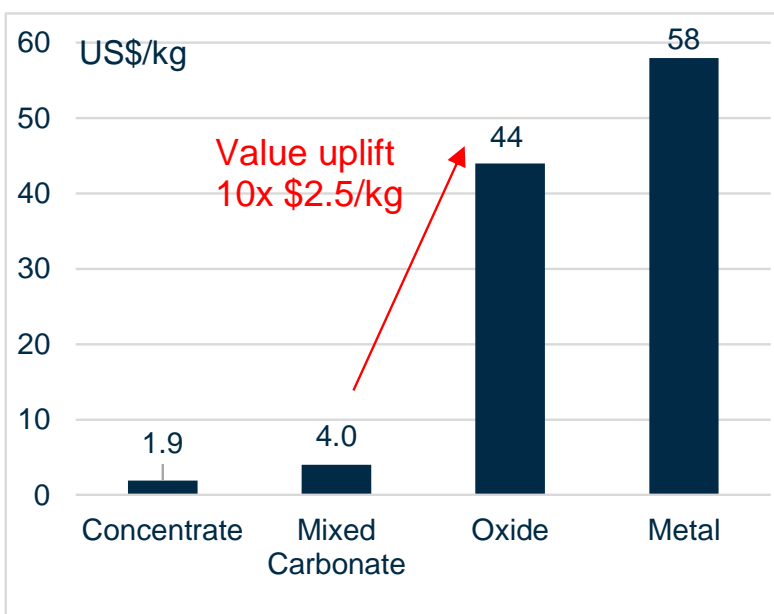
Historically new rare earth projects have had a chequered history, particularly for vertically integrated producers (eg mine to separated RE products). Typically capital costs exceed US\$1bn and take lengthy periods to commission (LYC took 6 years). There have also been spectacular failures when economic design rates are not achieved. Case in point is Molycorp and its redevelopment of Mountain Pass in California, which after a 5 year restart process, failed to achieve design rates and filed for Chapter 11 bankruptcy protection in mid 2015 with debts of US\$1.7bn.

Figure 5: Rare Earth Value Chain



Source: Ord Minnett Limited, SMM, Rainbow Rare Earth

Figure 6: Rare Earth Value Chain by product price



Aversion to such risk is why we like the Yangibana project and HAS approach to development. HAS plans to only progress partially down the value chain to the second stage of producing a mixed intermediary product. This product is then sent from the mine to the customers designated separation facilities in either China, Thailand and Vietnam which have tremendous surplus separation capacity.

We note that Since 2014, China has curtailed or removed around 70% of its rare earth separation capacity from c.450ktpa to c.250ktpa by 2017. With official production quotas currently running at c.120ktpa and current utilisation rates of c.60% or there is ample outright idle or simply closed capacity due to a complete elimination of upstream raw material feedstocks. Further China separation plants can legal process raw carbonate material as it circumvents their strict production quota system.

The offsetting factor is the separation cost of US\$2.5-3/kg of REO contained which effectively adds a material 20-25% to unit cost of the business (US\$12.5/kg LOM).

Thesis Key Point 3: German backed

Similar to Japan's backing of Lynas in the 2000's, we see Germany backing Hastings for its future rare earth needs. To date, HAS signed two separate MOU's for 10 year offtake with German industrial stalwarts Thyssenkrupp (Raw Materials Division) and Schaeffler AG (auto component manufacturer). Their support has helped secure US\$140m (A\$200m) of low cost German Government Debt facilities (see below). We note that in July 2017 ([here](#)) Schaeffler AG was chosen by Volkswagen Group as one of its EV technology suppliers.

Figure 7: Yangibana Project Offtake announced

Company	Country	Type	MREC (Kt)	Date Ann	Years
Thyssenkrupp	Germany	MOU	5.0	Mar 18'	10
Baotou Sky Rock RE	China	Contract	2.5	Nov 18'	5
Schaeffler AG	Germany	MOU	5.0	Jun 19'	10
Total			12.5		
MREC Capacity			15.0		

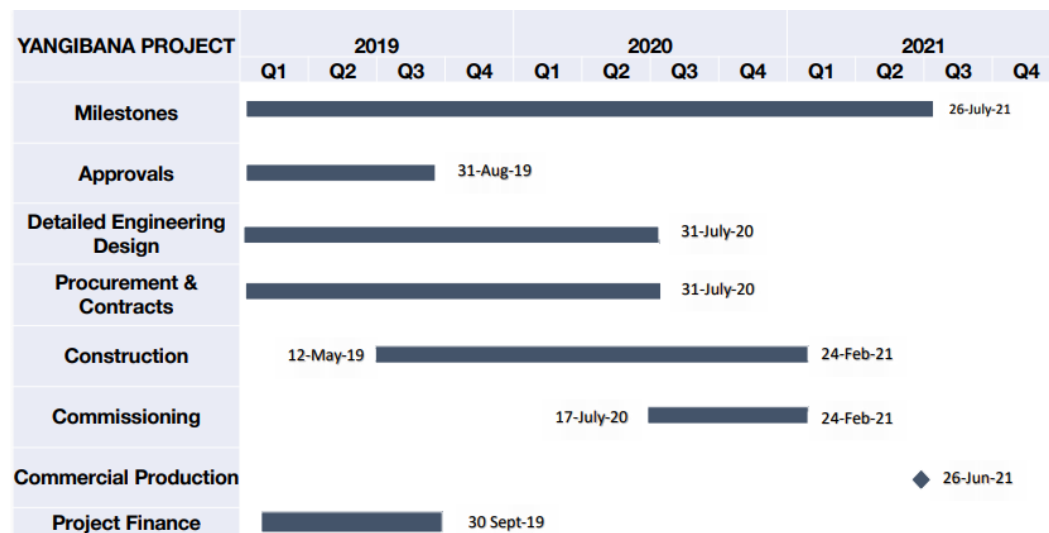
Source: Company, Ord Minnett Limited

Risks

Key risks for HAS span three key categories of project development, commodity price/exchange rate and operational.

- **Project Development Risk:**
 - Project financing hurdle of A\$450m capex,
 - Offtake – 83% of capacity under MOU, need to convert to contract.
 - WA regulatory permitting (no objections, due August 2019)
 - Construction/commissioning execution risk.
- **Commodity/FX Price risk:** The other key risk relates to the prevailing NdPr price and AUD USD. $\pm 10\%$ change in our forecasts impacts our NPV by $\sim 15\text{¢/sh}$ each. We note that the project requires a US\$52/kg NdPr price to generate an IRR of 15%, which is some 20% above spot levels.
- **Operational:** Valuation is highly sensitive to ramp up assumptions as well as metallurgical recovery rates ($\sim 76\%$) and headgrade (1.2% TREO). A $\pm 10\%$ change in either variable of or head grade of moves our NPV by $\sim 14\text{¢/sh}$.

Figure 8: Project Timeline



Source: Company

Key Risk 1: Capital Hurdle ~A\$450mn

The current preproduction capital cost for Yangibana is ~A\$450mn including contingency, with an additional A\$50m for working capital and finance charges over the initial mine life. To date around A\$32mn has been spent, slightly reducing the capex spend profile over the next three years to A\$74m in FY20, A\$252m in FY21 and A\$108m in FY22.

The key risk in any development project is the potential for project delays and capital cost blowouts. We're comfortable with the current capex estimate as it has recently been adjusted by the German debt facility requirements:

1. >90% of the capex has been fixed with EPCM project contractors
2. Higher Contingency of A\$60m (15%)
3. Additional contract cost for OEM's signing equipment performance warranties, adding A\$40m.

Figure 9: Yangibana Project Capex

Capex	A\$m
Mining	10
Process plant	220
Infas/TSF	60
Indirect costs	100
Contingency	60
Pre production Capex	450
Financing/Working Capital	50
Less: capex to date	(32)
Intial Capex Remaining	468

Source: Company, Ord Minnett Limited

Key Risk 2: Project Funding

The project will principally rely on German and Australian government debt to deliver the bulk of the (A\$400m) of the capex required. Impressively their German offtake partners have been actively assisting HAS securing German Federal Government funding, which has a mechanism to fund "eligible projects that contribute supply critical natural resources to; Tier 1 German companies". In our view, this funding arrangement give us considerable confidence in the projects standing as:

1. German funding evaluation process is extremely rigorous.
2. It is typically very difficult to get debt financing for rare earth projects.
3. Highly attractive Low cost debt with interest of c.5% over 7-10 years, the principal facility of US\$140m (A\$200m) boasts rate of US Libor + 2.75%.

Currently technical due diligence is being undertaken, with final documentation and ministerial decision completed by December 2019. Details ([here](#)).

'North Australia Infrastructure Fund' ('NAIF') is also undertaking a feasibility study (due Oct 19') for funding of c. A\$150mn. This is expected to be used for site infrastructure expenditure that will more broadly assist the region (Dampier-Bunbury gas pipeline access, access roads etc).

We expect a further A\$50mn to be funded from new equity raises and \$50mn from customer prepayments.

Figure 10: Debt Facility Summary

	Source	Facility Size A\$m	Status	Due by mmm yy	Interest rate %	Duration Years
Facility 1	German United Loan Guarantee Scheme	200	Technical due diligence	Nov 19'	US Libor + 2.75%	10
Facility 2	KfW IPEX Bank	50	" "	" "	US Libor + 4.25%	7
Facility 3	NAIF	150	Feasability study	Oct 19'	RBA Cash + 2.5%	10
Total Debt		400				
New Equity		50				
Customer Prepayments		50				
Total		450				

Source: Company, UKF, KfW, NAIF, Ord Minnett Limited

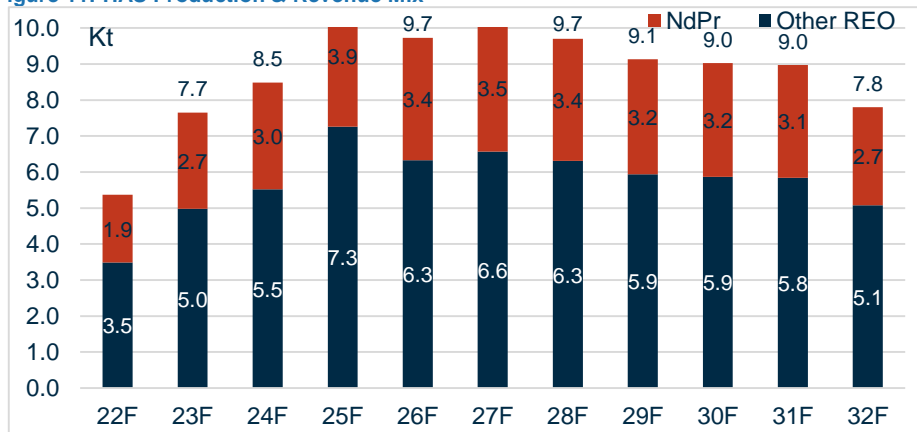
Appendix A: Company Summary & Forecasts

Production Forecast

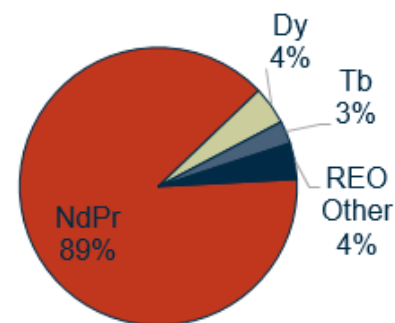
We expect Yangibana’s commercial production to commence FY22 and quickly ramp-up to a nameplate capacity of 15kt of Mixed Rare Earth Carbonate (‘MREC’). This is expected to contain 8.5ktpa of total Rare Earth Oxide (‘REO’) of which 40% or c.3.5kt of ‘NdPr’ oxide, which generates ~90% of its revenue.

Yangibana has an unusual but highly advantageous plans to rapidly ramp up production within 6 months of commissioning. We note that its German lenders have stipulated that equipment providers sign ‘performance warranty’.

Figure 11: HAS Production & Revenue Mix



Revenue Split by product (LOM)



Source: Ord Minnett Limited estimates

Price forecast

Between now and 2022 we forecast the NdPr market deficit to grow and expect prices to rise until a supply response is incentivised in 2023. We forecast NdPr Oxide prices on an FOB China basis excluding 16% VAT to rise from spot of c.US\$40/kg and increase to our long-term real price of US\$68/kg.

As the non NdPr production represents <10% of group revenue we have forecast spot prices for its key products. The combination of the two product prices implies a basket price of c.US\$28/kg over the life of mine.

Figure 12: Commodity Price forecast

Assumptions (Real)		21F	22F	23F	24F	25F	26F	LOM
AUD		0.70	0.70	0.70	0.70	0.70	0.70	0.70
NdPr	US\$/kg	61	68	68	68	68	68	68
Basket Value	US\$/kg	22.6	27.6	27.1	26.3	26.9	26.9	26.6

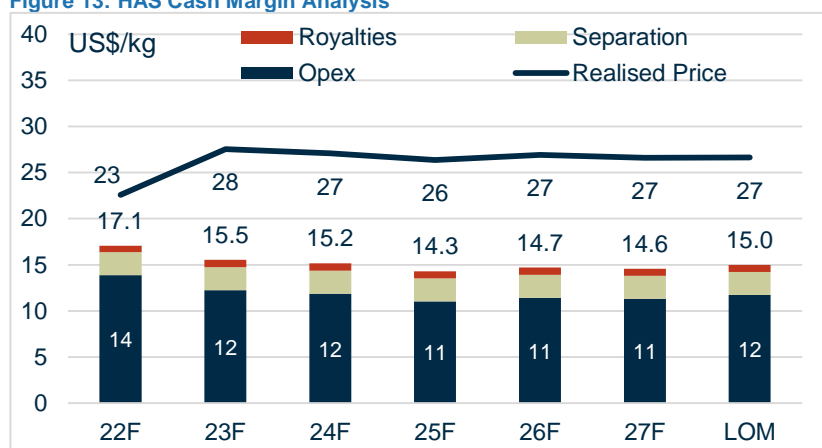
Source: Ord Minnett Limited estimates

Cost Forecast

We forecast an annual operating cost base of c.A\$150m over the life of mine or ~US\$15/kg REO based on the following assumptions:

- Variable Production costs of c.A\$12/kg or some A\$100m pa.
- Fixed cost A\$42mn annually
- Royalty of 3.2% from a State Royalty of 2.5% and 0.7% for a native title royalty (~A\$10m pa)
- Corporate/Admin costs of A\$3m pa
- Separation cost of US\$2.5/kg for REO sold or some A\$20m pa (at AUD of 0.7) we treat this as a treatment cost for accounting purposes which reduces the realised revenue rather than costs.
- Sustaining Capex we assume A\$1.3m annually

Figure 13: HAS Cash Margin Analysis



Source: Ord Minnett Limited estimates

Capital Structure

Currently there are 916.9mn shares on issue and 1,005.6mn on a fully diluted basis, consisting of 69.2mn Options and 19.5mn performance rights. Over the next 2 years we expect two further capital raising for c.A\$50mn which increases the share count by 357mn shares (35%).

Executive Chairman Charles Lew owns 11.5% of the register along with his Singapore/Malaysian business associates Mark Chang at 6.5%.

Figure 14 Capital Structure

Key financial metrics		18A	19A	20F	21F	22F	23F
Shares on issue	m	532	712	917	1,117	1,317	1,317
Options	m	18	69	69	69	69	69
Performance Rights	m	18	15	20	20	20	20
New Equity	m	58	179	116	200	200	
Fully Diluted Shares	m	568	727	1,006	1,206	1,406	1,406

Source: Ord Minnett Limited estimates

Hastings Technology Metals Limited

PROFIT & LOSS (A\$m)	2017A	2018A	2019E	2020E	2021E
Revenue	-	-	-	-	-
Operating EBITDA	(1.7)	(3.2)	(3.2)	(3.0)	(3.0)
EBIT	(1.7)	(3.2)	(3.2)	(3.0)	(3.0)
Net interest	0.2	0.3	0.3	(4.6)	(10.8)
Pre-tax profit	(1.4)	(2.6)	(2.9)	(7.6)	(13.8)
Net tax (expense) / benefit	-	-	-	-	-
Significant items/Adj.	0.2	0.4	-	-	-
Associate NPAT	(1.4)	(2.5)	(2.9)	(7.6)	(13.8)
Normalised NPAT	(1.4)	(2.5)	(2.9)	(7.6)	(13.8)
Reported NPAT	(1.5)	(2.9)	(2.9)	(7.6)	(13.8)
Normalised dil. EPS (cps)	(0.3)	(0.4)	(0.3)	(0.7)	(1.1)
Reported EPS (cps)	(0.3)	(0.4)	(0.3)	(0.6)	(1.0)
Effective tax rate (%)	30.0	30.0	30.0	30.0	30.0
DPS (cps)	-	-	-	-	-
DPS (cps)	-	-	-	-	-
Dividend yield (%)	-	-	-	-	-
Payout ratio (%)	-	-	-	-	-
Diluted # of shares (m)	567.8	727.0	1,005.7	1,184.3	1,362.9

CASH FLOW (A\$m)	2017A	2018A	2019E	2020E	2021E
EBITDA incl. adjustments	(1.7)	(3.2)	(3.2)	(3.0)	(3.0)
Change in working capital	-	-	-	-	-
Net Interest (paid)/received	0.2	0.3	0.3	(9.4)	(22.1)
Income tax paid	-	-	-	-	-
Other operating items	0.4	0.2	-	-	-
Operating Cash Flow	(1.0)	(2.7)	(2.9)	(12.4)	(25.1)
Other investing items	10.8	1.7	-	-	50.0
Investing Cash Flow	(1.3)	(12.5)	(38.0)	(74.0)	(202.0)
Other financing items	(0.1)	(1.5)	-	-	-
Financing Cash Flow	4.6	31.6	22.4	116.3	213.9
FX adjustment	-	-	-	-	-
Net Inc/(Dec) in Cash	2.3	16.4	(18.5)	29.9	(13.2)

BALANCE SHEET (A\$m)	2017A	2018A	2019E	2020E	2021E
Cash	4.3	20.7	18.0	47.9	34.7
Receivables	0.4	0.6	-	-	-
Inventory	-	-	-	-	-
PP & E	37.3	54.5	92.5	166.5	418.5
Other non-current assets	-	-	-	-	-
Total Assets	42.0	75.9	110.5	214.4	453.2
Short term debt	-	-	-	18.3	55.6
Payables	3.3	7.2	-	-	-
Long term debt	-	-	-	73.0	222.2
Other non-current liabilities	-	-	-	(73.0)	(222.2)
Total Liabilities	3.3	7.3	-	18.3	55.6
Total Equity	38.7	68.5	88.0	105.4	116.6
Net debt (cash)	(4.3)	(20.7)	(18.0)	43.4	243.1

Speculative Buy

DIVISIONS	2017A	2018A	2019E	2020E	2021E
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KEY METRICS (%)	2017A	2018A	2019E	2020E	2021E
EBITDA growth	-	-	-	-	-
EBIT growth	-	-	-	-	-

VALUATION RATIOS (x)	2017A	2018A	2019E	2020E	2021E
Reported P/E	-	-	-	-	-
Price To Free Cash Flow	-	-	-	-	-
EV / EBIT	-	-	-	-	-

LEVERAGE	2017A	2018A	2019E	2020E	2021E
ND / (ND + Equity) (%)	(12.5)	(43.3)	(25.7)	29.2	67.6
Net Debt / EBITDA (%)	248.8	646.0	558.5	(1,446.7)	(8,103.8)
EBIT Interest Cover (x)	8.8	11.4	11.1	-	-
EBITDA Interest Cover (x)	8.8	11.4	11.1	-	-

SUBSTANTIAL HOLDERS	m	%
Charles Lew	103.3	11.5%
Mun Kee Chang	60.2	6.6%

VALUATION	
Cost of Equity (%)	12.8
Cost of debt (after tax) (%)	5.0
WACC (%)	9.5
Forecast cash flow (\$m)	298.1
Terminal value (\$m)	1,439.5
Equity NPV (\$m)	298.1
Equity NPV Per Share (\$)	0.30

Target Price Method	NPV
Target Price (\$)	0.30
Valuation disc. / (prem.) to share price (%)	140.0

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SPECULATIVE BUY	We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have a strong capital appreciation but also has high degree of risk and there is a significant risk of capital loss.
BUY	The stock's total return (nominal dividend yield plus capital appreciation) is expected to exceed 15% over the next 12 months.
ACCUMULATE	We expect a total return of between 5% and 15%. Investors should consider adding to holdings or taking a position in the stock on share price weakness.
HOLD	We expect the stock to return between 0% and 5%, and believe the stock is fairly priced.
LIGHTEN	We expect the stock's return to be between 0% and negative 15%. Investors should consider decreasing their holdings.
SELL	We expect the total return to lose 15% or more.
RISK ASSESSMENT	Classified as Lower, Medium or Higher, the risk assessment denotes the relative assessment of an individual stock's risk based on an appraisal of its disclosed financial information, historic volatility of its share price, nature of its operations and other relevant quantitative and qualitative criteria. Risk is assessed by comparison with other Australian stocks, not across other asset classes such as Cash or Fixed Interest.

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