BELL POTTER

Speculative
See key risks on Page 20. Speculative securities may not be suitable for retail clients

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Aeon Metals Limited (AML)

Advanced copper and cobalt project ready to grow

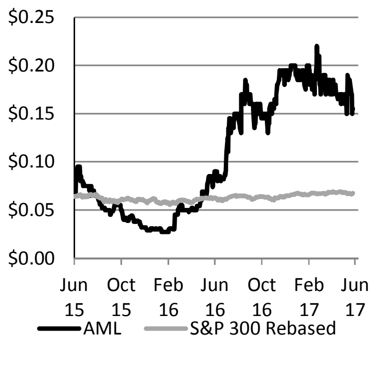
Recommendation
Buy (Initiation)
Price
$0.155
Target (12 months)
$0.21 (unchanged)
Risk
Speculative

Expected Return	
Capital growth	35.5%
Dividend yield	0%
Total expected return	35.5%
Company Data & Ratios	
Enterprise value	$84.3m
Market cap	$53.9m
Issued capital	347.8m
Free float	77%
Avg. daily val. (52wk)	$20,730
12 month price range	$0.074-$0.22
GICS sector	Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.17	0.20	0.09
Absolute (%)	-8.82	-22.50	82.35
Rel market (%)	-6.03	-23.52	75.56

Absolute Price



SOURCE: IRESS

High grade copper-cobalt in QLD a compelling opportunity

AML is a company focused on the exploration and development of its flagship asset, the 100%-owned Walford Creek Copper-Cobalt-Zinc Project, an advanced exploration stage project located approximately 350km north west of Mt Isa, in Queensland. Since acquiring the project in 2014, AML has completed Resource infill and extension drilling, released updated Mineral Resource estimates, progressed permitting activities and completed a Preliminary Economic Assessment. Most recently, efforts have been focussed on a high grade subset of the main Resource, the Vardy Zone. We view this as a potential game-changer for AML, offering the potential for small-scale, high grade, copper-cobalt-zinc production in the near term. Further extension of the Vardy Zone and identification of other high grade zones are compelling opportunities for AML.

Exploration success and Resource extension

AML's 2017 drill program has recently commenced and the first results are expected in coming weeks. The program is designed primarily to infill and extend the current known Vardy Resource, increasing its size and confidence categories. Exploration success has material implications for our un-risked NPV for the project, which increases by 17% with the addition of a further 600kt (one year's) production and our NPV-based price target lifts 14% from $0.21/sh to $0.24/sh. This would also dramatically increase the prospectivity of the entire 25km strike length of the Fish River Fault, the primary structural control of the Walford Creek mineralisation.

Investment thesis – Buy, (Speculative), valuation $0.21/sh

Our investment thesis is predicated on exposure to the Vardy Zone high grade copper-cobalt Resource which has excellent prospectivity and upside. AML offers valuation leverage to further exploration success and exposure to a buoyant cobalt market outlook via an advanced project in a strong jurisdiction. We believe the management team at AML has the right skills to advance the project and we initiate with a Buy (Speculative) recommendation and valuation of $0.21/sh.

Earnings Forecast

Year end 30 June	2016a	2017e	2018e	2019e
Sales (A$m)	-	-	-	59
EBITDA (A$m)	(3)	(1)	(2)	25
NPAT (reported) (A$m)	(2)	(4)	(5)	3
NPAT (adjusted) (A$m)	(2)	(4)	(5)	3
EPS (adjusted) (¢ps)	(1)	(1)	(1)	1
EPS growth (%)	na	na	na	na
PER (x)	(21.3)	(12.4)	(10.8)	21.9
FCF Yield (%)	-6%	-12%	-112%	-38%
EV/EBITDA (x)	(32.1)	(84.3)	(48.2)	3.4
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-8%	-12%	-15%	6%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

Investment thesis and valuation

Investment thesis: Buy (Speculative), Valuation $0.21/sh

Our investment thesis for AML is predicated on:

- High grade cobalt Resource with excellent prospectivity and upside;
- Exposure to a buoyant cobalt market outlook via an advanced project;
- Valuation leverage to further exploration success and Resource growth;
- Strong management team with the requisite skills to advance Walford Creek;

High grade cobalt Resource with large scale potential

One of the key attractions of the Walford Creek project is the high grade of the Vardy Zone, a shallow high grade subset of the global Walford Creek Resource. Our analysis of comparable peer companies has indicated that Resource grade is one of the key factors the market is willing to attribute value to. **The Vardy Zone Resource has a cobalt grade of 0.16% Co, the highest we measure among the peer group and more than double the grade of some key peers.**

Another factor the market appears willing to recognise is the scale of the Resource. While the Vardy Resource is relatively small, the global Walford Creek Resource is the largest sulphide-hosted cobalt Resource in Australia and comparable in size with some of the largest laterite-hosted cobalt Resources in Australia.

Valuation leverage to further exploration success

In our view, one of the immediate, significant opportunities presented by AML is further exploration success. The 2017 drill program has recently commenced, with up to 7,000 metres of RC and diamond drilling designed primarily to infill and extend the current known Vardy Resource, increasing its size and confidence categories. The program will also include some exploration holes to test other newly generated targets that are similar to the high grade Vardy Zone, looking for repeats of it.

Given the Preliminary Economic Assessment (PEA) assumes just 3.6Mt of mill feed from the Vardy Zone, there is scope for significant relative growth with modest exploration success. Our un-risked NPV valuation for the project (in which we assume 3.9Mt of mining inventory) increases by 17% with the addition of a further 600kt (one year's worth) of production and our price target lifts 14% from $0.21/sh to $0.24/sh.

We would make the point that extension of the Vardy Zone and exploration success beyond it would have more significant implications than this alone. It would dramatically increase the prospectivity of the entire 25km strike length of the Fish River Fault, the primary structural control of the Walford Creek mineralisation.

Exposure to the cobalt market via an advanced project

In our view, the supply-demand dynamics of the cobalt market are very attractive. In 2016 approximately 50% of global cobalt demand was for lithium-ion battery applications and we see potential for this to grow by 59% by 2020, putting huge supply pressure on a small market.

This is driven in particular by accelerating market penetration of Electric Vehicles (EV's) and Plug-in Hybrid Electric Vehicles (PHEV's), sales of which grew at double the rate of the global passenger vehicle market over 2015-16. Together with the production targets of major car manufacturers and the EV/PHEV vehicle fleet targets of China specifically, it is very easy to see market deficits emerging in the near-term and becoming significant by 2020. Under what we would view as conservative assumptions, we can easily see a case for an additional 27,000tpa of cobalt demand from EV's and PHEV's alone by 2020. This is in a current market of 46,000tpa of refined cobalt for battery applications and a total refined cobalt market of 94,000tpa.

While there is scope for a supply response, many of the known projects in Australia are either already in production (as primary nickel or copper mines), or locked up in nickel deposits that are currently uneconomic. This means that a supply response will be dependent upon the viability of investment in the primary commodity as well.

This outlook is certainly favourable for pricing and also raises issues of supply security. Considering AML's Walford Creek project in this light, we see a number of factors in its favour:

- It is one of the most advanced, if not the most advanced of the peer projects we have considered. While conceptual, first production in early 2019 is a credible target given the relatively small (initial) scale of the operation and low CAPEX;
- The scale of the global Resource at Walford Creek, with 60kt of contained cobalt, offers attractive long-term production and the opportunity to secure supply; and
- Excellent jurisdiction and security of tenure, located in Queensland, Australia;

Strong management team

Both Hamish Collins (Managing Director) and Dan Johnson (Exploration Manager) have extensive experience in managing exploration and development companies in Queensland and both have previously worked together on the Walford Creek asset. Mr Collins is a Mining Engineer, which brings an operational focus to the development of Walford Creek and experience in managing feasibility studies and project evaluation. He is also experienced in mining finance, having worked in banking roles with a number of high profile investment banking and advisory firms. Mr Johnson is a qualified geologist with extensive exploration experience, particularly in Queensland and with Walford Creek itself. We view Mr Collins and Mr Johnson as having good, complementary skill sets well suited to the advancement and financing of Walford Creek.

Peer comparison

Table 1 – Comparable companies and projects – Australian cobalt

Company	Ticker	Market Cap (A$m)	EV (A$m)	Project	Ownership	Resources (Mt)	Co grade (% Co)	Co contained (kt)	Stage
Clean Teq	CLQ	$369.4	$279.7	Syerston (NSW)	100%	109	0.10%	114.0	PFS completed Oct-16
Aeon Metals	**AML**	**$52.2**	**$82.7**	**Walford Creek (QLD)**	**100%**	**73.3**	**0.08%**	**59.6**	**PEA completed Feb-17**
Aeon Metals	**AML**	**$52.2**	**$82.7**	**Walford Creek, Vardy (QLD)**	**100%**	**6.6**	**0.16%**	**10.8**	**PEA completed Feb-17**
Gindalbie Metals	GBG	$22.4	-$11.6	Mt Gunson (SA)	earning 75% for $8.1m	20.3	0.05%	10.0	PFS by end CY17
Barra Resources	BAR	$21.2	$19.2	Mt Thirsty (WA, BAR)	50%	31.9	0.13%	40.0	Scoping Study JunQ 17
Conico Ltd	CNJ	$13.4	$12.8	Mt Thirsty (WA, CNJ)	50%	31.9	0.13%	40.0	Scoping Study JunQ 17
Ardea Resources	ARL	$31.0	$26.9	Kalgoorlie Nickel (WA)	100%	49.7	0.12%	59.6	PFS due Jan-18
Cobalt Blue	COB	$14.1	$5.9	Thackaringa (NSW)	100%	33.1	0.08%	27.5	Scoping Study JunQ 17
Cobalt One	CO1	$68.3	$61.9	Cobalt Town (Canada)	80%	-	-	-	Pre-Resource

SOURCE: COMPANY REPORTS, IRESS, BELL POTTER ESTIMATES

In our view it is difficult to construct a robust peer comparison valuation for Australian cobalt exploration and development companies. While there are numerous Australian cobalt-bearing deposits being re-evaluated, many of them are housed in companies valued primarily on more advanced assets and other commodities within their portfolio.

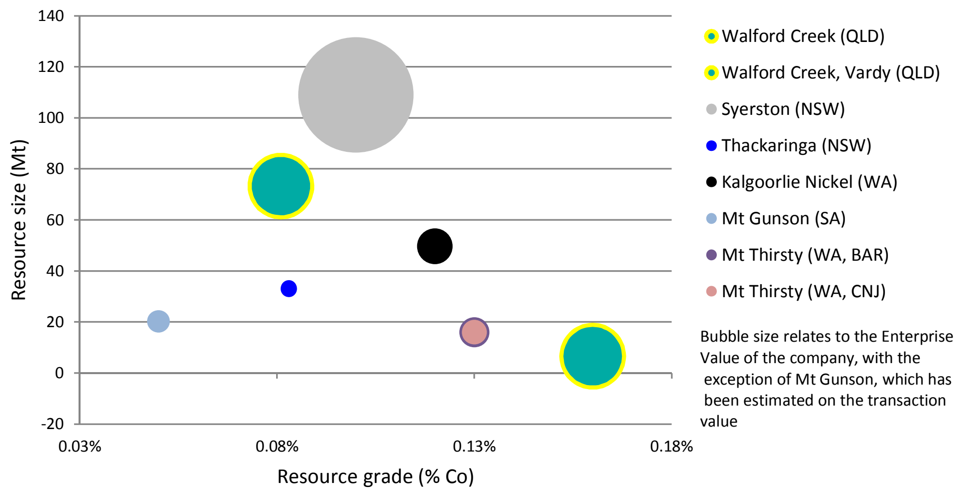
We have however reviewed a number of assets and companies where, in our view, the cobalt exposure of the asset is one of the prime drivers of the company's value. Those companies and assets are summarised in Table 1, above:

The main conclusion we draw from our comparison is that while valuations are too few to derive any meaningful benchmarks, we can see that there is some rationality to the market, which appears to be attributing value for:

- Resource grade;
- Resource size; and
- Stage of advancement of project.

The bubble chart below shows Resource tonnes and Resource cobalt grade vs Enterprise Value (bubble size). The largest EV's have been attributed to Clean Teq (CLQ) and Aeon Metas (AML), owners of the largest and highest grade deposits.

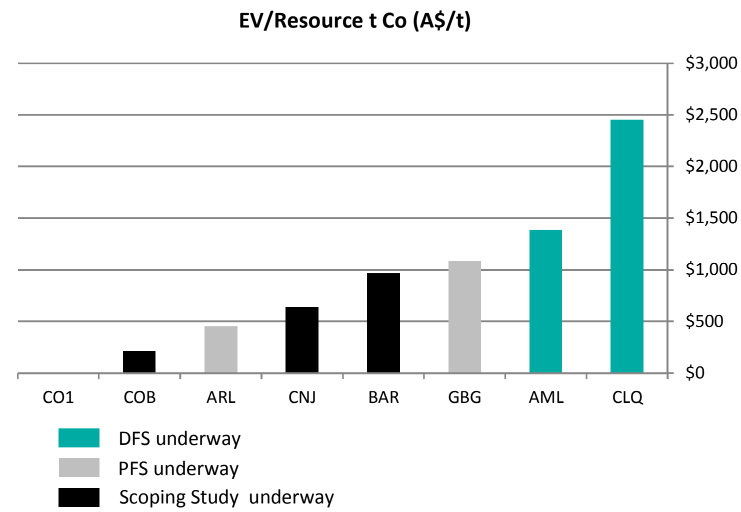
Figure 1 - Enterprise Value vs Resource size and grade



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

These projects are also the most advanced. The chart below measures the Enterprise Value attributed per tonne of cobalt contained in the Resource. The spread of valuations is too broad to derive any meaningful benchmarks from, but we can see that a premium rating is attached to the most advanced projects.

Figure 2 - Peer valuations: EV/Resource t Co (A$/t)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Whilst we don't derive an absolute valuation from the peer comparison we conclude that there is both support and upside for AML's valuation. Walford Creek emerges as one of the most advanced stage assets on the market, with a Bankable Feasibility Study underway and planned for release in the December quarter of 2017. Project construction is set to commence in early CY18 and due to the relatively small scale of the project it is planned to commence commissioning at the end of CY18, enabling first production in the March quarter CY19.

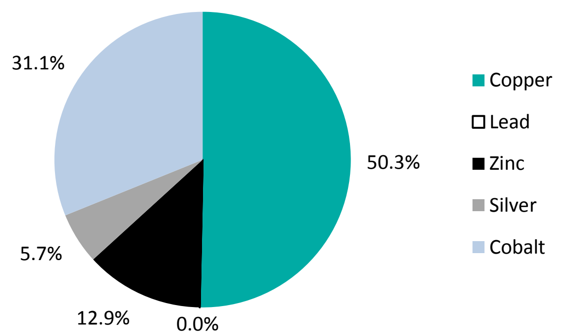
Valuation and recommendation

Our valuation for AML is broadly based on the parameters and assumptions the Vardy Zone PEA, which assumes a Mining Inventory of 3.6Mt @ 1.15% Cu, 1.06% Zn, 26g/t Ag and 1,842ppm (0.18%) Co being mined at a rate of 600ktpa. Over a six year mine-life this is planned to produce a total of 38.2kt copper in concentrate, 28.8kt zinc in concentrate and 3.2kt of cobalt in cobalt hydroxide over a mine life of 6 years. In addition to this our valuation assumes some modest exploration success, modelling a Mining Inventory of 3.9Mt and higher grades being front-ended in the production profile (as with the PEA).

We also model our own commodity price forecasts which includes a long-term copper price of US$3.10/lb, long-term zinc price of US$1.30/lb. For cobalt, in the absence of our own forecasts prior to now, we model the spot price, currently around US$55,000/t (~US$25/lb). In our view the outlook for the cobalt market is very positive and our market review identifies significant demand potential and pressure on the supply side.

Under these assumptions our estimate of the revenue split is copper 50.3%, cobalt 31.1% and zinc 12.9%, the balance being silver.

Figure 3 – Vardy Zone LOM revenue splits – Bell Potter estimates



SOURCE: BELL POTTER SECURITIES ESTIMATES

NPV premium: In the case of AML, we have taken the step of applying a premium of 25% to our base-case valuation which in some circumstances we believe is justified. We believe this is the case for AML, due to a number of factors including:

- The scarcity of cobalt-exposed projects, particularly advanced stage projects, on the ASX;
- The buoyant, positive market outlook for cobalt demand; and
- A premium being paid by the market, over and above the valuations of exploration companies advancing more 'mainstream' commodity projects as a result of these factors.

Our valuation also includes a nominal valuation of $50m for the balance of the exploration portfolio outside the Vardy Zone. This includes the global Walford Creek Resource, highly prospective exploration tenement packages directly north and south along strike from Glencore's Mt Isa operations. We note that this nominal valuation equates to ~A$830/t of contained cobalt, or approximately one-third the valuation of ~A$2,500/t contained cobalt applied by the market to Clean Teq (CLQ), the other advanced stage project on the market.

Our valuation also assumes a small equity raise ($7m at $0.155/sh), which we view as likely within the next 12 months in order to fund the completion of the Bankable Feasibility Study on the Vardy Zone.

Our Sum-of-The-Parts (SOTP) valuation is summarised below:

Table 2 - AML: Sum-Of-The-Parts valuation

Ordinary shares (m)		**347.8**
Options in the money (m)		73.0
Assumed equity raise (m)		45.2
Diluted m		**466.0**
SOTP	**$m**	**$/sh**
Project (unrisked NPV10)	97.2	0.28
Project (risk discount 25%, NPV10)	72.9	0.21
Other exploration	50.0	0.14
Corporate overheads	(9.4)	(0.03)
Net cash (debt)	(30.4)	(0.09)
Total (undiluted)	**83.1**	**0.24**
Cash from options	6.8	0.01
Assumed equity raise	7.0	0.02
Total (fully diluted)	**96.9**	**0.21**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Company background and asset review

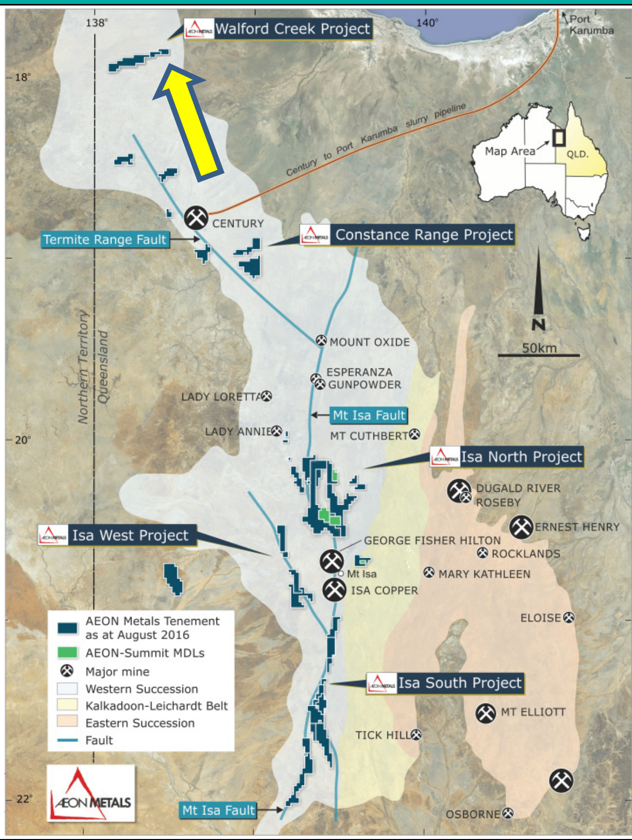
Overview

AML is a Sydney-based company focused on the exploration and development of its flagship asset, the 100%-owned Walford Creek Copper-Cobalt-Zinc Project, an advanced exploration stage project located approximately 350km north-west of Mt Isa, in north west Queensland. Since acquiring the project in 2014, AML has completed Resource infill and extension drilling, released updated Mineral Resource estimates, progressed permitting activities and completed a Preliminary Economic Assessment. Most recently, efforts have been focussed on a high grade subset of the main Resource, the Vardy Zone. We view this as a potential game-changer for AML, offering the potential for small-scale, high grade, copper-cobalt operation in the near term. Further extension of the Vardy Zone and identification of other high grade portions of the existing Resource are compelling opportunities for AML.

Walford Creek Project

The Walford Creek Project is located approximately 350km north-west of Mount Isa in Northwest Queensland, close to the Northern Territory border and approximately 100km north of the Century zinc mine, formerly owned by MMG and placed on care and maintenance in early 2016. Access to Walford Creek is either from Cloncurry, via sealed road which comes to within 50km of site, or by air to a gravel airstrip located on-site. The closest town is Doomadgee, approximately 70km to the East, which has a commercial airstrip. Access can be difficult during the wet-season between November and April, with drilling typically scheduled outside this time.

Figure 4 - Aeon Metals project locations – Walford Creek highlighted at north



SOURCE: COMPANY DATA

The Walford Creek project was discovered by **Western Mining (WMC)** in 1984 and comprises 3 granted exploration permits covering a total area of 173km². The permits are focused on the Fish River Fault, an east-north-east trending mineralised corridor that runs for 25km within the project tenements. WMC held the tenements until 1996 and completed wide-spaced diamond and RC drilling totalling ~12,700m and ~3,700m respectively. No resource was ever estimated by WMC and at the time the discovery of the significant Ernest Henry deposit to the east of Mt Isa is thought to have taken priority over further work at Walford Creek.

Subsequent work was undertaken between 2004 and 2006 by ASX-**listed Copper Strike Resources (CSE AU)**. The company completed a 3,160m drilling program (nearly all RC), culminating in the estimate of an Inferred Resource of 6.5Mt @ 0.6% Cu, 1.6% Pb, 2.1% Zn, 25 g/t Ag and 0.07% Co.

The next significant body of work was completed by **Aston Metals**, a private company owned by Nathan Tinkler. Aston acquired the project in 2010 and between then and 2012 ~15,000m of diamond drilling was completed, focussing on a 5km zone in the eastern half of the project. This supported the estimation of a much larger Indicated and Inferred Resource totalling 48.3Mt @ 0.4% Cu, 0.8% Pb, 0.9% Zn, 20 g/t Ag and 0.07% Co. Aston subsequently went into receivership, with much of the drilling having been funded by debt secured over the tenements.

Acquired by Aeon Metals in April 2014

In 2014 the Walford Creek Project was acquired out of receivership by AML via the acquisition of Nathan Tinkler's private company, Aston Metals. Consideration for the acquisition included:

- $20m non-recourse loan secured over the assets of Aston Metals;
- 48.275m Aeon Metals shares at $0.145/sh; and
- $10.0m worth of unlisted options (63.25m exercisable at 15.81c, expiring 17th June 2017).

In addition to the flagship Walford Creek Project, other assets held by Aston were several tenement packages covering 3,600km² through the Mt Isa inlier in North West Queensland. These included the Isa North and Isa South projects, covering the northern and southern strike extensions of the Mt Isa Fault, contiguous to Glencore's Mt Isa Mines operations. AML still holds most of these tenements (see Figure 1).

AML has since completed over 10,000m of drilling including ~6,000m of diamond drilling which contributed to a significantly increased Resource estimate released in March 2015, totalling **73.3Mt @ 0.40% Cu, 0.85% Pb, 0.85% Zn, 23.5 g/t Ag and 0.08% (813ppm) Co**.

Table 3 – Walford Creek Project global Mineral Resource as at March 2015 (JORC 2012 compliant)

Category	Mt	% Cu	Cu (kt)	% Pb	Pb (kt)	% Zn	Zn (kt)	g/t Ag	Moz Ag	ppm Co	Co (kt)
Indicated	16.2	0.46%	75.0	0.83%	135.0	1.02%	166.0	20.2	10.5	914	14.8
Inferred	57.1	0.39%	221.0	0.86%	491.0	0.80%	457.0	24.5	44.9	785	44.8
Total	**73.3**	**0.40%**	**296.0**	**0.85%**	**626.0**	**0.85%**	**623.0**	**23.5**	**55.4**	**813**	**59.6**

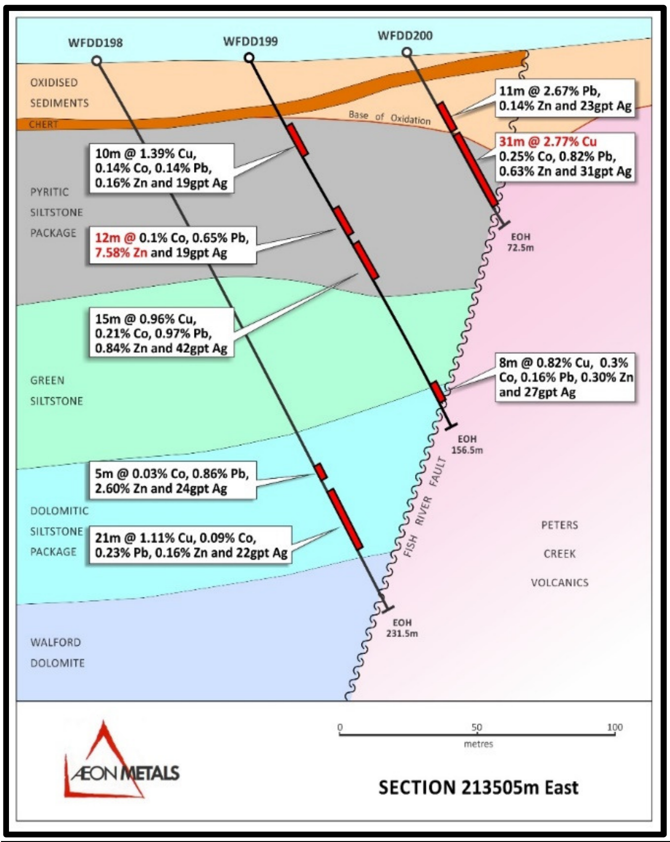
SOURCE: COMPANY REPORTS.

The 2015 Mineral Resource was a 52% increase over the previous estimate and maintained similar grades. The project is now at an advanced exploration stage and has emerged as the largest sulphide hosted cobalt resource in Australia, containing approximately 60kt of cobalt. Yet it is limited to just 4.2km of strike and exploration holes outside the Resource have indicated the continuity along the 25km strike length of the Fish River Fault, validating the potential for further extensions.

Geology and exploration

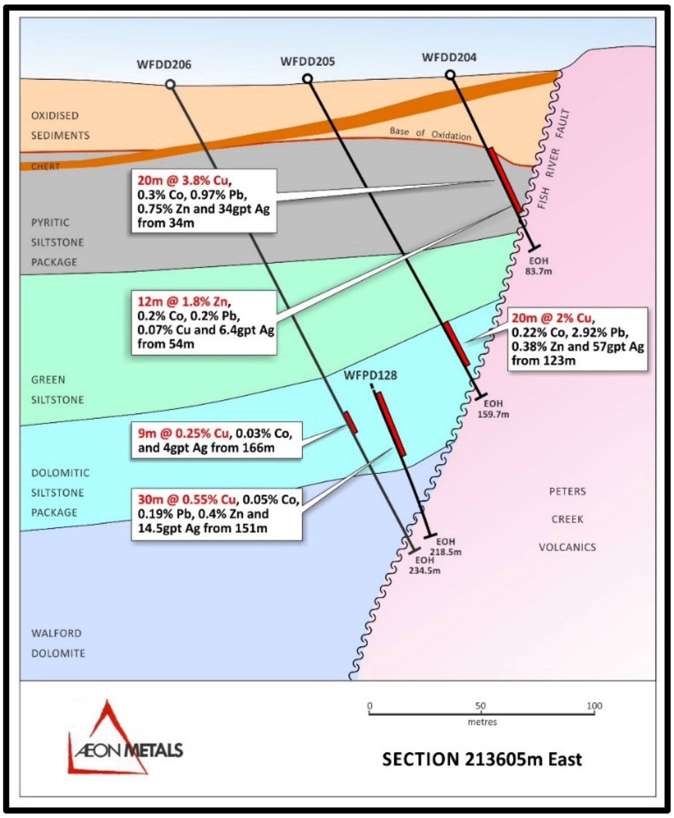
Walford Creek is a structurally controlled sedimentary-exhalative (SEDEX) copper-cobalt deposit with silver-lead-zinc mineralisation. It occurs in three stacked, relatively flat-lying massive pyrite lenses sitting from 20m below surface (mbs) to 200mbs and abutting the hanging wall of the Fish River Fault. The Fish River Fault is an east-north-east trending fault zone that dips steeply towards the south and runs for 25km within the project tenements.

Figure 5 – Walford Creek cross-sections on the Fish River fault



SOURCE: COMPANY DATA

Figure 6 - Walford Creek cross-sections on the Fish River fault



SOURCE: COMPANY DATA

Game-changer – discovery of the high grade Vardy Zone

The Vardy Zone was initially identified during the 2016 drill program which comprised ~3,500m of mostly diamond drilling, including metallurgical drilling. In October 2016 a new high grade Resource was announced and then further upgraded in December 2016. (Table 4, below).

Table 4 – Walford Creek Project – high grade Vardy Zone Mineral Resource as at December 2016 (JORC 2012 compliant)

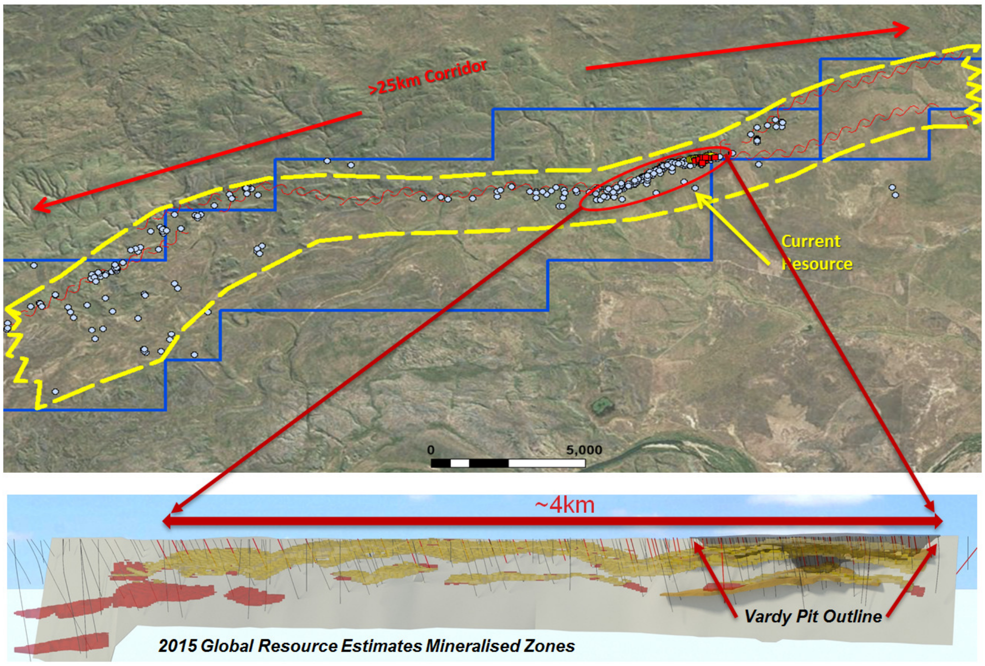
Category	Mt	% Cu	Cu (kt)	% Pb	Pb (kt)	% Zn	Zn (kt)	g/t Ag	Moz Ag	ppm Co	Co (kt)
Measured	1.0	1.14%	11.4	0.84%	8.4	0.83%	8.3	25.9	0.8	1,700	1.7
Indicated	2.2	1.26%	27.7	0.80%	17.6	0.93%	20.5	26.4	1.9	1,800	4.0
Inferred	3.4	1.28%	43.5	0.68%	23.1	0.63%	21.4	25.0	2.7	1,500	5.1
Total	**6.6**	**1.25%**	**82.6**	**0.74%**	**49.1**	**0.76%**	**50.2**	**25.6**	**5.4**	**1630**	**10.8**

SOURCE: COMPANY REPORTS.

The Vardy Zone is a shallow, high grade "subset" of the global Walford Creek Resource. It occurs over a 1km strike length within the main, 4.2km long Resource and exhibits elevated copper and cobalt grades compared to the main Resource. The high grade zone is believed to be related to its shallow depth and close proximity to the Fish River Fault.

AML has since identified several other zones along the 25km mineralised corridor of the Walford Creek Project that are geologically comparable to the Vardy Zone. Furthermore, in reviewing the historical drilling data AML has concluded that most of these zones have not been adequately tested as drilling was not conducted sufficiently close to the Fault, or that there was no drilling at all.

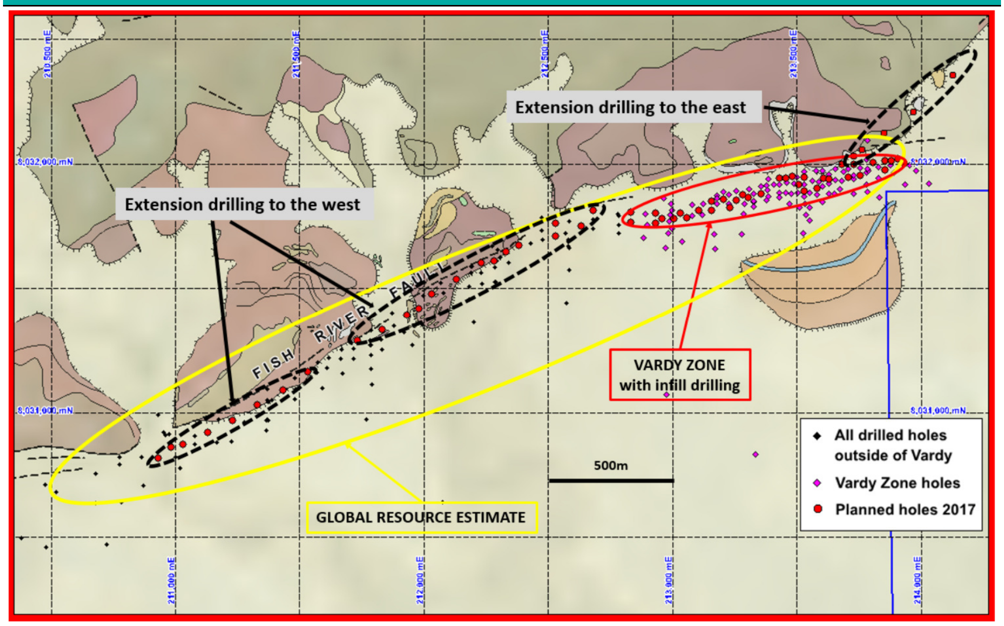
Figure 7 – Walford Creek Project – Resource zones



SOURCE: COMPANY DATA

The 2017 drilling program commenced in early May and contemplates up to 7,000 metres of RC and diamond drilling. It will include extension drilling to both the east/northeast and west of the Vardy Resource as well as infill drilling to move some of the 29% of the Vardy Resource currently in the Inferred Resource into the higher confidence Indicated category.

Figure 8 – Walford Creek Project – planned drilling 2017



SOURCE: COMPANY DATA

The other key program objective is to identify strike extensions of the high-grade copper and cobalt close to surface. This offers the potential of significant mine life extension of the 600 ktpa Project outlined in the recently completed PEA and/or the ability to expand the production capacity of the Project.

Walford Creek PEA – Vardy Zone

In March 2017, AML released the results of an updated PEA (Preliminary Economic Assessment) for the development of the high grade Vardy Zone within the Walford Creek Project. The PEA investigated a low CAPEX, early start-up, high grade copper-zinc-cobalt project aimed at fast-tracking development and potentially supporting the development of a larger scale operation in the medium term. The PEA was completed in conjunction with AMEC Foster Wheeler and demonstrated the technical and economic viability of the project. This is now being advanced to a Bankable Feasibility Study and results are planned for release by end CY17. The broad parameters of this PEA also form the base case of our NPV-based valuation of AML.

Figure 9 – Vardy Zone project timeline as outlined in the March 2017 PEA

SOURCE: COMPANY DATA

The PEA was based on the development of an open pit mine mining operation feeding an onsite processing facility with nameplate capacity of 600ktpa. The process plant is designed to produce a copper concentrate, a zinc concentrate and a cobalt hydroxide product via a conventional flotation circuit (for the concentrates) and a leaching circuit to recover the cobalt from cobalt-rich pyrite. Key parameters are summarised below:

Resources: 6.6Mt @ 1.25% Cu, 0.76% Zn, 25.6g/t Ag and 1,640ppm (0.16%) Co for contained metal of 82kt Cu, 50kt Zn, 5.4Moz Ag and 10.8kt Co.

Mining Inventory: 3.6Mt @ 1.15% Cu, 1.06% Zn, 26g/t Ag and 1,842ppm (0.18%) Co.

Mining: Open-pit mining utilising standard truck and backhoe excavator, drill-blast-load haul mining techniques. The life-of-mine (LOM) average strip-ratio is 6.4:1, with annual material movement peaking at 5.4Mt in year 2.

Processing: 600ktpa processing plant utilising a conventional crushing, grinding and flotation circuit to produce zinc and copper concentrates. Cobalt is recovered via a pre-flotation circuit and a pyrite concentrate flotation, re-grind and leaching circuit.

Recoveries (average LOM): Copper: 92.2%, Zinc: 72.3%, Cobalt: 48.4%

Production rates (average LOM): Copper: 6,400tpa (incl 10.1kt in year 1), Zinc: 4,800tpa, and Cobalt: 530tpa.

LOM: 6 years, based on a 600ktpa plant capacity.

CAPEX: A$97m capital expenditure to first production, including contingency ofA$6.6m.

OPEX: Operating costs inclusive of mining, processing, site administration, concentrate transport and royalties average A$97/t of ROM feed over the life-of-mine (LOM).

Indicative timeline: Subject to funding and receipt of necessary Government approvals, construction could commence in the March quarter of 2018 and concentrate production could commence in the March quarter of 2019.

Cobalt Roasting Scoping Study

In April 2017 AML released a Scoping Study which investigated the opportunity to exploit the broader Walford Creek Resource to produce copper, zinc, lead and pyrite concentrates. The pyrite concentrate would then be processed through an onsite roaster to produce nearly 18kt of cobalt metal over a 15 year LOM. An acid plant would also be built producing sulphuric acid. The Study shows the potential to expand the Project beyond the initial Vardy Zone and, importantly, highlights both the issue and opportunity of acid sales which needs to be resolved to tap the full potential of Walford Creek.

Key parameters of the Cobalt Roasting Study are summarised below:

Mining Inventory: 34.6Mt @ 0.43% Cu, 0.89% Pb, 0.75% Zn, 26g/t Ag and 810ppm (0.08%) Co.

Mining: Open-pit mining utilising standard truck and backhoe excavator, drill-blast-load haul mining techniques. The life-of-mine (LOM) average strip-ratio is 6.4:1, with annual material movement peaking at 27.2Mt.

Processing: 2.5Mtpa processing plant utilising a conventional crushing, grinding and flotation circuit to produce copper, zinc, lead and pyrite concentrates. The pyrite concentrate is treated through a roasting and arsenic stabilisation circuit, solvent extraction of zinc and cobalt and electrowinning to produce cobalt metal. Sulphuric acid is also produced at 1.3Mtpa over the LOM, requiring regular and reliable offtake arrangements.

Recoveries (average LOM): Copper: 73%, Zinc: 85%, Cobalt: 68%, Lead: 55%

Production rates (average LOM): Copper: 8ktpa, Cobalt: 1.2ktpa, Zinc: 15ktpa, Lead: 13ktpa and.1.3Mtpa sulphuric acid.

LOM: 15 years, based on 2.5Mtpa throughput.

CAPEX: A$668m capital expenditure to first production, including contingency of A$55m.

OPEX: Operating costs inclusive of mining, processing, site administration, concentrate transport and royalties average A$74/t of ROM feed over the life-of-mine (LOM).

Acid offtake: Currently, there is no market for this quantity of sulphuric acid but there are a number of proximate phosphate resources held by third parties which are potential offtakers of this acid. Current prices for sulphuric acid in northwest Queensland are in the order of A$150/t.

Capital structure and financials

Financials

AML is an exploration and development company that is primarily reliant on the support of shareholders and the equity capital markets for funding. The company currently has no source of its own cash generation or income. As such, AML is classified as a Speculative Investment. Due to the Walford Creek project currently being the subject of a Feasibility Study and development having not yet been approved, our modelled cash flows and earnings remain contingent on successful permitting, approval, financing and construction.

AML last reported available cash of A$3m as at March 31st 2017 in its Quarterly cash flow report. It estimated expenditure on administration, exploration and evaluation for the June Quarter 2017 to be A$1.9m. The current rates of expenditure imply additional funds will need to be raised in early FY18. Our forward modelling assumes a non-dilutive equity raise of A$7.0m during the next 12 months.

The company's current cash resources should be sufficient to fund ongoing exploration and evaluation work at the Walford Creek project, key of which is the current infill and extension program on the high grade Vardy Resource. While we do not expect the next major study to be completed within this timeframe we anticipate the progressive release of drilling results to provide positive newsflow around the stock in the interim.

Equity outstanding

AML currently has 347.8m shares outstanding and two series of unlisted equity options which are currently in-the-money. They comprise 63.25m options expiring 17th June 2017 with an exercise price of 15.79c and a second series of 73.0m options expiring 17th December 2017 with an exercise price of 9.35c. These options are held by OCP Asia Group (AML's major shareholder). AML last raised equity via a fully underwritten 1 for 7 non-renounceable pro rata Rights Offer in July 2015. A total of 43.5m shares were issued at 7.5c/sh, raising approximately $3.26m before costs.

Table 5 – AML capital structure summary

Shares on issue	m		347.8
Performance shares / other	m		0.0
Total shares on issue	**m**		**347.8**
Share price	**$/sh**		**0.16**
Market capitalisation	$m		53.9
Net cash	$m		-30.4
Enterprise value (undiluted)	**$m**		**84.3**
Options outstanding (m)	m	(wtd avg ex. price $0.09 per share)	73.0
Options (in the money)	m		73.0
Issued shares (diluted for options)	m		420.8
Market capitalisation (diluted)	m		65.2
Net cash + options	$m		-23.6
Enterprise value (diluted)	**$m**		**88.8**

SOURCE: COMPANY REPORTS

Share Register

We consider the AML share register to be quite tightly held, with the Top 5 shareholders owning approximately 47% of the company. This includes top shareholder OCP Asia Group, who also provided the non-recourse vendor finance upon AML's acquisition of Walford Creek. WH Soul Pattinson underwrote the Rights Issue in 2015.

Table 6 – AML top 5 shareholders	%	m
OCP Holdings	22.9%	79.5
Washington H Soul Pattinson	7.6%	26.6
Bliss Investments	6.8%	23.5
John Goody	5.0%	17.2
SLW Minerals Corporation	4.6%	16.0
Top 5	**46.8%**	**162.8**

SOURCE: COMPANY REPORTS

Debt facilities

AML currently has no formal project finance facility in place or drawn. However, AML does have a non-recourse loan with OCP Asia Group (OCP), the origin of which was in consideration for the acquisition of the Walford Creek Project from secured creditors in April 2014. It has since been restructured in 2015 and a further restructure has recently (May 2017) been agreed with OCP, subject to shareholder approval. The value of the non-recourse loan stood at A$33.5m (including capitalised interest) as at March 2017.

Under the terms of the May 2017 restructure, the repayment date has been extended by a further 2 years until December 2019. The loan was previously due for repayment on 17 December 2017. In consideration for the extension:

- AML has agreed (subject to shareholder approval) to issue OCP 85.0m warrants expiring 17th December 2019 with an exercise price of 16c; and
- upon any repayment of the loan before the first anniversary of the latest amendment, AML will pay interest up to that first anniversary.

In relation to the repayment extension, OCP has also indicated that it does not intend to exercise the 63.25m options it holds, which expire 17th June 2017 with an exercise price of 15.79c. The exercise of these options would have generated proceeds of $10.0m, but this was to have been directed to payback of the loan. On the current capital structure it would also have increased OCP's holding to ~35% of AML.

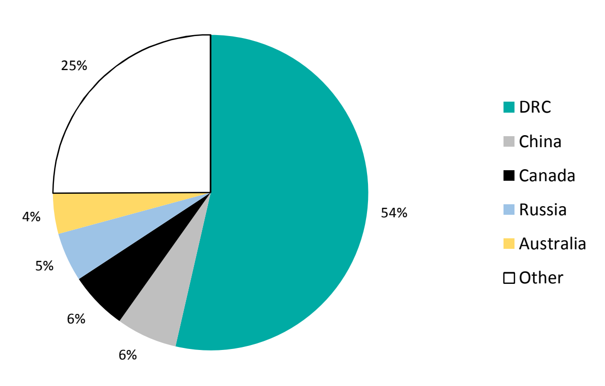
The loan is held in the form of 2,768 limited recourse notes with a face value of $10,000 per note, incurring interest of 12% p.a which is capitalised to the loan repayment.

Cobalt market review

Overview

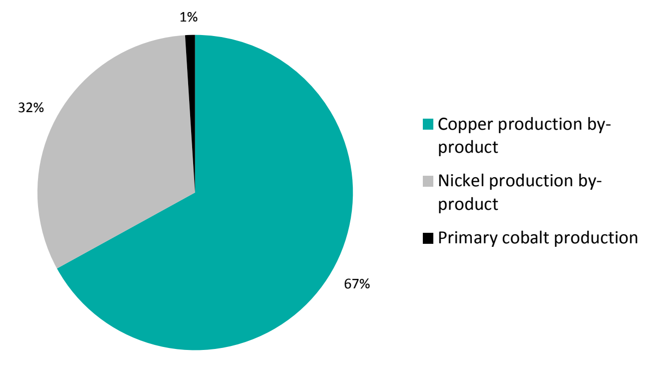
The US Geological Survey (USGS) estimated that global mined production of cobalt totalled 123,000t in 2016. Cobalt is produced almost exclusively as a by-product of copper and nickel mining, with this mode representing ~98-99% of global mined cobalt production and primary cobalt mines accounting for just 1% of mined production. This can mean that supply may be impacted by factors that are not related to the fundamentals of the cobalt market – for example, the low prices experienced in the nickel sector have resulted in the loss of some cobalt production due to the suspension or closure of nickel mines. This also means that cobalt supply may not necessarily respond in the event of high cobalt prices.

Figure 10 - Global mined cobalt production by country - 2016



SOURCE: US GEOLOGICAL SURVEY

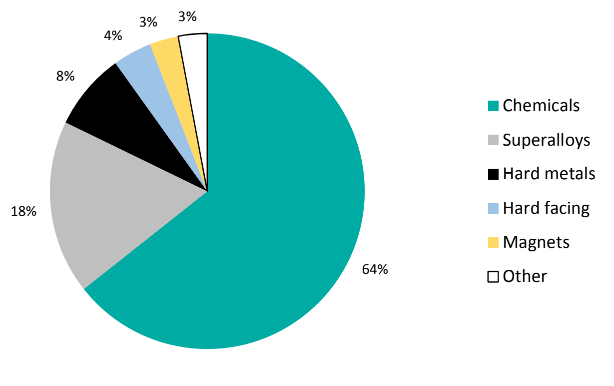
Figure 11 - Global mined cobalt production by mine type - 2016



SOURCE: DARTON COMMODITIES

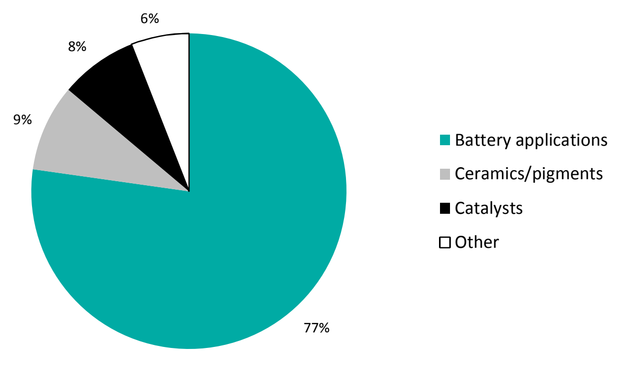
We see elevated supply risk attached to cobalt due to more than half of global supply being sourced from the Democratic Republic of Congo (DRC). While the country's ranking in the Fraser Institute Survey of Mining Companies has improved from #107 out of 112 in 2013 to now be ranked #70 out of 104 in 2016, we still see corruption, asset expropriation and unpredictable changes in mining laws as high risks to production – particularly ethical production. Incumbent President Joseph Kabila has now been in power since 2001 and elections continue to be postponed, leading to rising political tensions and instability.

Figure 12 - Global cobalt demand by sector - 2016



SOURCE: DARTON COMMODITIES

Figure 13 - Global cobalt chemical demand by application- 2016

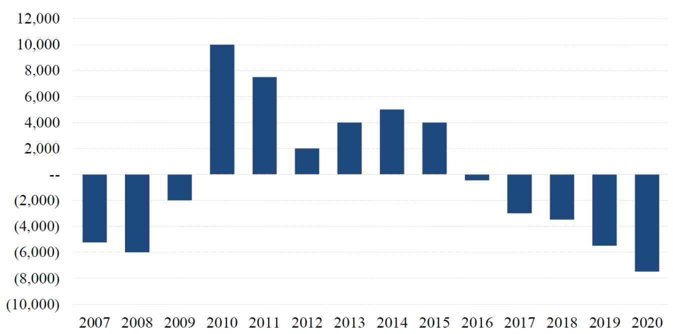


SOURCE: DARTON COMMODITIES

Cobalt applications fall into two broad categories: chemical and metallurgical. Chemical applications of cobalt are dominated by the rechargeable batteries segment, representing approximately 50% of global cobalt demand in 2016. Metallurgical cobalt is mainly used to produce high temperature alloys; in particular, "superalloys", which are high-performance alloys that have superior mechanical strength, heat resistance, and resistance to corrosion. These materials are critical to the aerospace, defence, and power generation sectors.

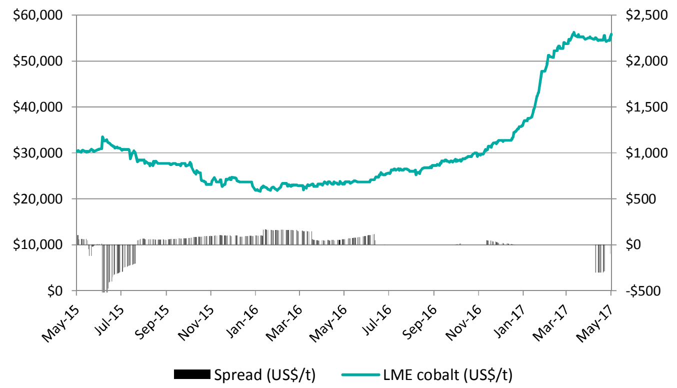
According to Darton Commodities, the global cobalt market was in a deficit in 2016 for the first time since 2009. The consultancy expects growing supply deficits expected through to 2020 and notes that during the last multi-year deficit (2007-2009), the cobalt price exceeded US$110,000/t. The latest rise in the LME cobalt price has been driven partly by increased demand in the lithium-ion battery and aerospace sectors, but also by increased investment demand as investors have begun to stockpile the physical metal in anticipation of rapid growth in cobalt demand. We note some evidence of physical tightness in the market which has recently moved into backwardation.

Figure 14 – Cobalt supply/demand balance – actual and forecast



SOURCE: DARTON COMMODITIES

Figure 15 - LME cobalt price and 3-month spread



SOURCE: BLOOMBERG

The key forecast driver for growth in demand for lithium-ion batteries is their application in the Electric Vehicle (EV) market. It is estimated that between 4kg and 14kg of cobalt is required for an EV and between 1kg and 4kg is required for a Plug-in Hybrid Electric Vehicle (PHEV). In 2016, approximately 730,000 EV's and PHEV's were sold compared with an estimated 620,000 in 2015 – equating to 13% yoy growth. Combined with other battery applications, this resulted in demand for ~46,000t of refined cobalt, or 48% of the refined cobalt market of 94,000t (Darton Commodities).

Market penetration of EV's and PHEV's is growing, but remains in its infancy. With ~68.5m passenger vehicles sold in 2015 and 72.1m sold in 2016 (from OICA), EV's and PHEV's represented 0.91% and 1.01% of worldwide sales respectively. We also note that the global passenger vehicle market grew by 5.3% yoy in 2015-16, less than half the sales growth observed in the EV market.

Even making fairly modest assumptions around the growth of the passenger vehicle market (of 2% pa) to 78m vehicle sales and market penetration (<4% of the global passenger vehicle fleet by 2020) implies annual EV and PHEV sales of ~3.0m vehicles. Allowing an average 9kg/EV and PHEV this equates to 27,000t of cobalt demand per annum, or 29% of current refined production levels.

This is in the context of the production forecasts of Tesla alone of 1.0m vehicles per year by 2020, Renault-Nissan and Mitsubishi group are targeting 1.5 million EV sales by 2020 and VW are targeting 20-25% of vehicle sales by 2025 (the company sold 10.3m in 2016). Meanwhile, China is targeting 12% of its new car sales to be zero emission vehicles by 2020 (new passenger car sales of 24.4m were reported in 2016, up 15.6% yoy). While these targets are over different time-frames and double-count sales by those manufacturers into China, they tally to 8m vehicle sales per year by 2020-2025 and are just a handful of market snapshots.

Board and management

Board of directors

Paul Harris – Non Executive Chairman (non-independent)

Mr Harris holds a Masters in Mining and Mineral Engineering (M.Eng (Mining)) and a Bachelor of Commerce (B.Comm (Finance)) both from the University of New South Wales. Mr Harris also has a graduate diploma in Applied Finance and Investments from the Securities Institute of Australia and is a graduate of the Australian Institute of Company Directors (GAICD.) He has over 25 years' experience in the financial markets and investment banking, more recently advising mining corporates on strategy, mergers and acquisitions and capital markets. His most recent position was Managing Director, Head of Metals and Mining at Citi, having previously worked for many years at Merrill Lynch and Bankers Trust. He considered a non-independent Director due to his consulting relationship with the OCP Asia Group (OCP), AML's major shareholder.

Hamish Collins – Managing Director (non-independent)

Mr. Collins is a qualified mining engineer (BEng. (Mining) Hons) with a graduate diploma in Applied Finance and Investments from the Securities Institute of Australia. He has a combined 23 years of mining industry and mine finance experience. His recent positions as Managing Director of MM Mining Limited and Chief Executive Officer of Aston Resources Limited were preceded by senior level positions in corporate finance at BNP Paribas, NM Rothschild & Sons (Australia) Ltd, Commonwealth Bank of Australia and SG Hambros (Australia) Ltd.

Ivan Wong – Non-Executive Director (non-independent)

Mr. Wong has a strong IT background and over 20 years' experience in running various businesses in Australia. Mr. Wong is currently an Executive Director of Great Pacific Financial Group which was established in 1992. Via its subsidiary/related companies, it has involved Mr. Wong in many business operations/ventures since establishment. Currently its core business is in mortgage finance, loan management and property management. Previously it had businesses in financial services, IT services, property information, property development and hotel investment and management services.

Stephen Lonergan – Director and Company Secretary (independent)

Mr Lonergan is an Honours graduate in law from the Australian National University and holds a Master's degree in Law from McGill University, Montreal, Canada. He is a commercial lawyer with more than 30 years' experience in the Australian and international mining industry. He was company secretary of KBL Mining Limited until 1 May 2014 and retired as an executive director of that company on 15 May 2014. He was the general counsel and company secretary of CBH Resources Ltd until its takeover in 2010 and was a director and company secretary of Paradigm Metals Ltd until November 2012 and a director of Finders Resources Limited until August 2013. He was also general counsel of Savage Resources and Pancontinential Mining.

Dan Johnson – Exploration Manager

Mr Johnson is a qualified geologist and Member of the AIG and SEG with more than 30 years' experience in exploration management in Australia and overseas. His recent positions with MM Mining Limited and Aston Metals Limited were preceded by senior level exploration roles with MIM, Normandy, and Great Central Mines where he focused on regional exploration in Queensland and Western Australia. He commenced his career with Asarco Australia, where he worked for nearly nine years.

Source: Company website (http://www.aeonmetals.com.au/corporate/)

Aeon Metals Ltd (AML)

Company description

AML is a Sydney-based company focused on the exploration and development of its flagship asset, the 100%-owned Walford Creek Copper-Cobalt Project, an advanced exploration stage project located approximately 350km north west of Mt Isa, in Queensland. Since acquiring the project in 2014, AML has completed Resource infill and extension drilling, released updated Mineral Resource estimates, progressed permitting activities and completed a Preliminary Economic Assessment. The global Resource at Walford Creek comprises 73.3Mt at 0.40% Cu, 0.85% Zn and 813ppm Co for 296kt Cu, 623kt Zn and 60kt Co contained. Most recently, efforts have been focussed on a high grade subset of the main Resource, the Vardy Zone. We view this as a potential game-changer for AML, offering the potential for small-scale, high grade, copper-cobalt operation in the near term. Further extension of the Vardy Zone and identification of other high grade portions of the existing Resource are compelling opportunities for AML.

Investment thesis – Buy, (Speculative), valuation \$0.21/sh

Our investment thesis is predicated on exposure to the Vardy Zone high grade copper-cobalt Resource which has excellent prospectivity and upside. AML offers valuation leverage to further exploration success and exposure to a buoyant cobalt market outlook via an advanced project in a strong jurisdiction. We believe the management team at AML has the right skills to advance the project and we initiate with a Buy (Speculative) recommendation and valuation of \$0.21/sh.

Valuation – risked discounted cash flow of key project

Our valuation for AML is broadly based on the parameters and assumptions the Vardy Zone PEA, which assumes a Mining Inventory of 3.6Mt @ 1.15% Cu, 1.06% Zn, 26g/t Ag and 1,842ppm (0.18%) Co being mined at a rate of 600ktpa. Over a six year mine-life this is planned to produce a total of 38.2kt copper in concentrate, 28.8kt zinc in concentrate and 3.2kt of cobalt in cobalt hydroxide over a mine life of 6 years. In addition to this our valuation assumes some modest exploration success, modelling a Mining Inventory of 3.9Mt and higher grades being front-ended in the production profile (as with the PEA).

NPV premium: In the case of AML, we have taken the step of applying a premium of 25% to our base-case valuation which in some circumstances we believe is justified. We believe this is the case for AML, due to a number of factors including:

- The scarcity of cobalt-exposed projects, particularly advanced stage projects, on the ASX;
- The buoyant, positive market outlook for cobalt demand; and
- A premium being paid by the market, over and above the valuations of exploration companies advancing more 'mainstream' commodity projects as a result of these factors.

Our valuation also includes a nominal valuation of \$50m for the balance of the exploration portfolio outside the Vardy Zone. This includes the global Walford Creek Resource, highly prospective exploration tenement packages directly north and south along strike from Glencore's Mt Isa operations.

Our valuation also assumes a small equity raise (\$7m at \$0.155/sh), which we view as likely within the next 12 months in order to fund the completion of the Bankable Feasibility Study on the Vardy Zone.

Resource sector risks

Risks to AML include, but are not limited to:

- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. As an exploration company with no sales revenues, AML is reliant on access to equity markets and debt financing to fund the advancement and development of its projects.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company may relate to geological, mining and metallurgical performance vs design. These can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Construction and development of mining assets may be subject to approvals timelines, receipt of permits, weather events, access to skilled labour and technical personnel, as well as key material inputs and mechanical components which may cause delays to construction, commissioning and commercial production.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates. As most metal prices are denominated in US dollars, their translation into Australian dollars are affected by fluctuations in the value of the Australian dollar. Commodity price and foreign exchange rate outcomes may be different from our forecasts.
- **Resource growth and mine life extensions.** The viability of future operations and earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives. Exploration success is dependent upon a wide range of factors and can deliver a wide range of results. Even once Reserves have been calculated, their economic viability remains dependent upon actual commodity prices and inputs to operating costs.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. AML's key assets are located in Australia, in the State of Queensland, a politically and socially stable jurisdiction, however changes to business conditions and government policies can and have occurred, with potential for adverse impacts on the economic and social viability of AML's operations.
- **Corporate/M&A risks.** Risks associated with M&A activity include differences between the entity's and the market's perception of value associated with completed transactions, the actual performance of an acquired asset vs its expected performance as assessed by the acquiror and the timing of an acquisition may all have a material impact on the value attributed by the market to that acquisition.

Aeon Metals Limited
as at 5 June 2017

Recommendation	Buy, Speculative
Price	$0.155
Target (12 months)	$0.21

Table 5 - Financial summary

PROFIT AND LOSS

Year ending June	Unit	2015a	2016a	2017e	2018e	2019e
Revenue	$m	-	-	-	-	59.4
Expense	$m	(9.3)	(2.6)	(1.0)	(1.8)	(34.2)
EBITDA	$m	**(9.3)**	**(2.6)**	**(1.0)**	**(1.8)**	**25.2**
Depreciation	$m	-	-	(0.0)	(0.0)	(10.6)
EBIT	$m	(9.3)	(2.6)	(1.0)	(1.8)	14.6
Net interest expense	$m	0.1	0.2	(2.7)	(2.8)	(11.8)
PBT	$m	**(9.2)**	**(2.5)**	**(3.7)**	**(4.6)**	**2.8**
Tax expense	$m	-	-	-	-	-
NPAT	$m	**(9.2)**	**(2.5)**	**(3.7)**	**(4.6)**	**2.8**

CASH FLOW

Year ending June	Unit	2015a	2016a	2017e	2018e	2019e
OPERATING CASHFLOW						
Receipts	$m	-	-	0.1	-	56.4
Payments	$m	(1.6)	(1.4)	(2.4)	(2.0)	(27.0)
Exploration payments	$m	-	-	0.6	0.6	0.6
Tax	$m	-	-	-	-	-
Net interest	$m	0.1	0.2	(2.7)	(2.8)	(11.8)
Other	$m	0.4	0.5	-	-	-
Operating cash flow	$m	**(1.1)**	**(0.8)**	**(4.3)**	**(4.1)**	**18.3**
INVESTING CASHFLOW						
Capex	$m	(0.0)	(0.0)	(1.2)	(51.2)	(41.5)
Exploration & evaluation	$m	(4.2)	(2.2)	-	-	-
Other	$m	(0.0)	(0.0)	-	-	-
Investing cash flow	$m	**(4.3)**	**(2.3)**	**(1.2)**	**(51.2)**	**(41.5)**
FINANCING CASHFLOW						
Share issues/(buy-backs)	$m	1.9	3.0	-	6.7	28.5
Debt proceeds/(repayments)	$m	-	4.8	-	80.0	-
Dividends	$m	-	-	-	-	-
Other	$m	-	-	-	-	-
Financing cash flow	$m	**1.9**	**7.8**	**-**	**86.7**	**28.5**
Change in cash	$m	(3.4)	4.8	(5.5)	31.3	5.3

BALANCE SHEET

Year ending June	Unit	2015a	2016a	2017e	2018e	2019e
ASSETS						
Cash & short term investments	$m	1.8	6.6	1.2	32.5	37.8
Accounts receivable	$m	0.1	0.1	0.1	-	-
Property, plant & equipment	$m	0.2	0.1	1.3	52.5	83.4
Exploration & evaluation	$m	43.3	50.1	50.1	50.1	50.1
Other	$m	0.1	0.2	(0.0)	0.0	3.0
Total assets	$m	**45.5**	**57.2**	**52.7**	**135.1**	**174.3**
LIABILITIES						
Accounts payable	$m	0.5	0.9	0.2	0.2	6.5
Borrowings	$m	16.2	23.6	23.6	103.6	103.6
Other	$m	0.2	0.2	0.2	0.2	0.2
Total liabilities	$m	**16.8**	**24.6**	**23.9**	**103.9**	**110.3**
SHAREHOLDER'S EQUITY						
Share capital	$m	45.3	48.4	48.4	55.4	85.4
Reserves	$m	5.5	8.8	8.8	8.8	8.8
Retained earnings	$m	(22.2)	(24.7)	(28.4)	(33.0)	(30.2)
Total equity	$m	**28.6**	**32.5**	**28.8**	**31.2**	**64.0**
Weighted average shares	m	295.6	339.6	297.4	319.9	392.5

CAPITAL STRUCTURE

Shares on issue	m		347.8
Performance shares / other	m		0.0
Total shares on issue	**m**		**347.8**
Share price	**$/sh**		**0.16**
Market capitalisation	$m		53.9
Net cash	$m		-30.4
Enterprise value (undiluted)	**$m**		**84.3**
Options outstanding (m)	m	(wtd avg ex. price $0.09 per share)	73.0
Options (in the money)	m		73.0
Issued shares (diluted for options)	m		420.8
Market capitalisation (diluted)	m		65.2
Net cash + options	$m		-23.6
Enterprise value (diluted)	**$m**		**88.8**

MAJOR SHAREHOLDERS

	%	m
OCP Holdings	22.9%	79.5
Washington H Soul Pattinson	7.6%	26.6
Bliss Investments	6.8%	23.5
John Goody	5.0%	17.2
SLW Minerals Corporation	4.6%	16.0
Top 5	**46.8%**	**162.8**

FINANCIAL RATIOS

Year ending June	Unit	2015a	2016a	2017e	2018e	2019e
VALUATION						
NPAT	$m	(9)	(2)	(4)	(5)	3
Reported EPS	c/sh	(3)	(1)	(1)	(1)	1
EPS growth	%	na	na	na	na	na
PER	x	-5.0x	-21.3x	-12.4x	-10.8x	21.9x
DPS	c/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	c/sh	(0)	(0)	(0)	(0)	(0)
P/FCFPS	x	-8.6x	-17.4x	-8.4x	-0.9x	-2.6x
EV/EBITDA	x	-9.1x	-32.1x	-84.3x	-48.2x	3.4x
EBITDA margin	%	nm	nm	nm	nm	42%
EBIT margin	%	nm	nm	nm	nm	25%
Return on assets	%	-19%	-5%	-7%	-5%	2%
Return on equity	%	-29%	-8%	-12%	-15%	6%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	14	17	22	71	66
ND / E	%	50%	52%	78%	227%	103%
ND / (ND + E)	%	33%	34%	44%	69%	51%
EBITDA / Interest	x	-	-	-	-	-2.1x

MINERAL RESOURCES

Walford Creek, QLD	Mt	% Cu	Cu (kt)	ppm Co	Co (kt)
Total resource	**73**	**0.40%**	**296**	**813**	**60**
Measured	-	-	-	-	-
Indicated	16	0.46%	75	914	15
Inferred	57	0.39%	221	785	45
Vardy Zone					
Total resource	**6.6**	**0.0**	**82.6**	**1,630**	**10.8**
Measured	1.0	1.14%	11.4	1,700	1.7
Indicated	2.2	1.26%	27.7	1,800	4.0
Inferred	3.4	1.28%	43.5	1,500	5.1

PROJECT ASSUMPTIONS - Vardy Zone evaluation

Year ending June 30		FY16	FY17	FY18	FY19	FY20
Currency	US$/A$	0.73	0.75	0.75	0.75	0.75
Copper price	US$/lb	$2.22	$2.45	$2.93	$3.06	$3.19
Cobalt	US$/t	$35,000	$55,000	$55,000	$55,000	$55,000
Zinc	US$/t	$0.80	$1.25	$1.28	$1.31	$1.35
CAPEX - development	A$m	-	-	(49)	(39)	(10)
CAPEX - sustaining	A$m	-	-	(2)	(2)	(2)
Ore milled	Mt	-	-	-	0.30	0.60
Head grade	% Cu	-	-	-	1.25%	1.25%
	ppm Co	-	-	-	1,950	1,950
Production	t Cu	-	-	-	3.6	7.1
	t Co	-	-	-	0.293	0.585

VALUATION

Ordinary shares (m)		**347.8**
Options in the money (m)		73.0
Assumed equity raise (m)		45.2
Diluted m		**466.0**
SOTP	**$m**	**$/sh**
Project (unrisked NPV10)	97.2	0.28
Project (risk discount 25%, NPV10)	72.9	0.21
Other exploration	50.0	0.14
Corporate overheads	(9.4)	(0.03)
Net cash (debt)	(30.4)	(0.09)
Total (undiluted)	**83.1**	**0.24**
Cash from options	6.8	0.01
Assumed equity raise	7.0	0.02
Total (fully diluted)	**96.9**	**0.21**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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