BELL POTTER

Speculative
See key risks on Page 10.
Speculative securities may not be suitable for retail clients

28 July 2017

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Aeon Metals Limited (AML)

Site visit: Project transformation underway

Recommendation	
Buy (unchanged)	
Price	$0.19
Valuation	$0.29 (previously $0.21)
Risk	Speculative

GICS Sector

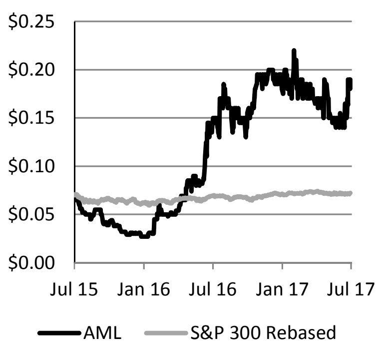
Materials

Expected Return	
Capital growth	52.6%
Dividend yield	0.0%
Total expected return	52.6%
Company Data & Ratios	
Enterprise value	$96.5m
Market cap	$66.1m
Issued capital	347.8m
Free float	77%
Avg. daily val. (52wk)	$23,740
12 month price range	$0.13-$0.22

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.15	0.17	0.14
Absolute (%)	31.03	11.76	40.74
Rel market (%)	29.80	12.90	35.78

Absolute Price



SOURCE: IRESS

Project potential wide open

We recently returned from a site visit to AML's 100%-owned Walford Creek copper-cobalt-zinc project in north-west Queensland where the 2017 drilling program is underway. We had the opportunity to run through the progress of the latest drill program and the evidence surrounding the current thinking on the geological model for the deposit. We were impressed with the progress and hugely encouraged by the upside potential to the current Resource. In our view the project is on the cusp of a game-changing transformation in both scale and scope that may see Walford Creek emerge as the premier cobalt-exposed project on the ASX and a significant base metals project in its own right. In short, with 22km of prospective strike to test and evidence of consistent mineralisation - we haven't seen anything like it for some time.

High grade results vindicate drill targeting

A step change has been realised in the understanding of the geological model for the Walford Creek deposit. Key structural and lithological controls have been identified and are being confirmed with the latest drilling. On a more detailed level, the grade zonation between high grade copper-cobalt zones and high grade lead-zinc zones is now better understood. This not only further validates the geological model but is helping to refine drill hole targeting, resulting in the high grade intersections AML has been reporting with increasing frequency. We expect this to continue and to contribute to a material Resource upgrade in the coming months.

Investment thesis – Buy, (Speculative), valuation $0.29/sh

The latest drilling results continue to be highly encouraging, not only due to the intersection of grades that will almost certainly add to the Resource but, more importantly, are demonstrating the effectiveness of the exploration model. Combined with the weight of evidence from historic drilling across the deposit, the potential upside is beginning to look significant, to say the least. Reflecting this we increase our valuation 39% to $0.29/sh and retain our Buy (Speculative) recommendation.

Earnings Forecast

Year end 30 June	2016a	2017e	2018e	2019e
Sales (A$m)	-	-	-	59
EBITDA (A$m)	(9)	(1)	(2)	25
NPAT (reported) (A$m)	(9)	(4)	(5)	5
NPAT (adjusted) (A$m)	(9)	(4)	(5)	5
EPS (adjusted) (¢ps)	(3)	(1)	(1)	1
EPS growth (%)	na	na	na	na
PER (x)	(6.1)	(15.2)	(13.1)	13.8
FCF Yield (%)	-10%	-10%	-92%	-32%
EV/EBITDA (x)	(10.4)	(96.5)	(55.2)	3.8
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-29%	-12%	-15%	11%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Project transformation underway

Project potential wide open

We recently returned from a site visit to AML's 100%-owned Walford Creek copper-cobalt-zinc project in north-west Queensland where the 2017 drilling program is underway. We had the opportunity to run through the progress of the latest drill program and the evidence surrounding the current thinking on the geological model for the deposit. We were impressed with the progress and hugely encouraged by the upside potential to the current Resource. In our view the project is on the cusp of a game-changing transformation in both scale and scope that may see Walford Creek emerge as the premier cobalt-exposed project on the ASX and a significant base metals project in its own right.

In short, with 22km of prospective strike to test and evidence of consistent structure and mineralisation - we haven't seen anything like it for some time.

The key to this is The Fish River Fault, which runs for 22km across AML's ground, literally sticking out of it as a ridge line for most of the way.

Figure 1 - Fish River Fault from the air – the marked ridge-line is the surface expression of the fault, running for over 20km

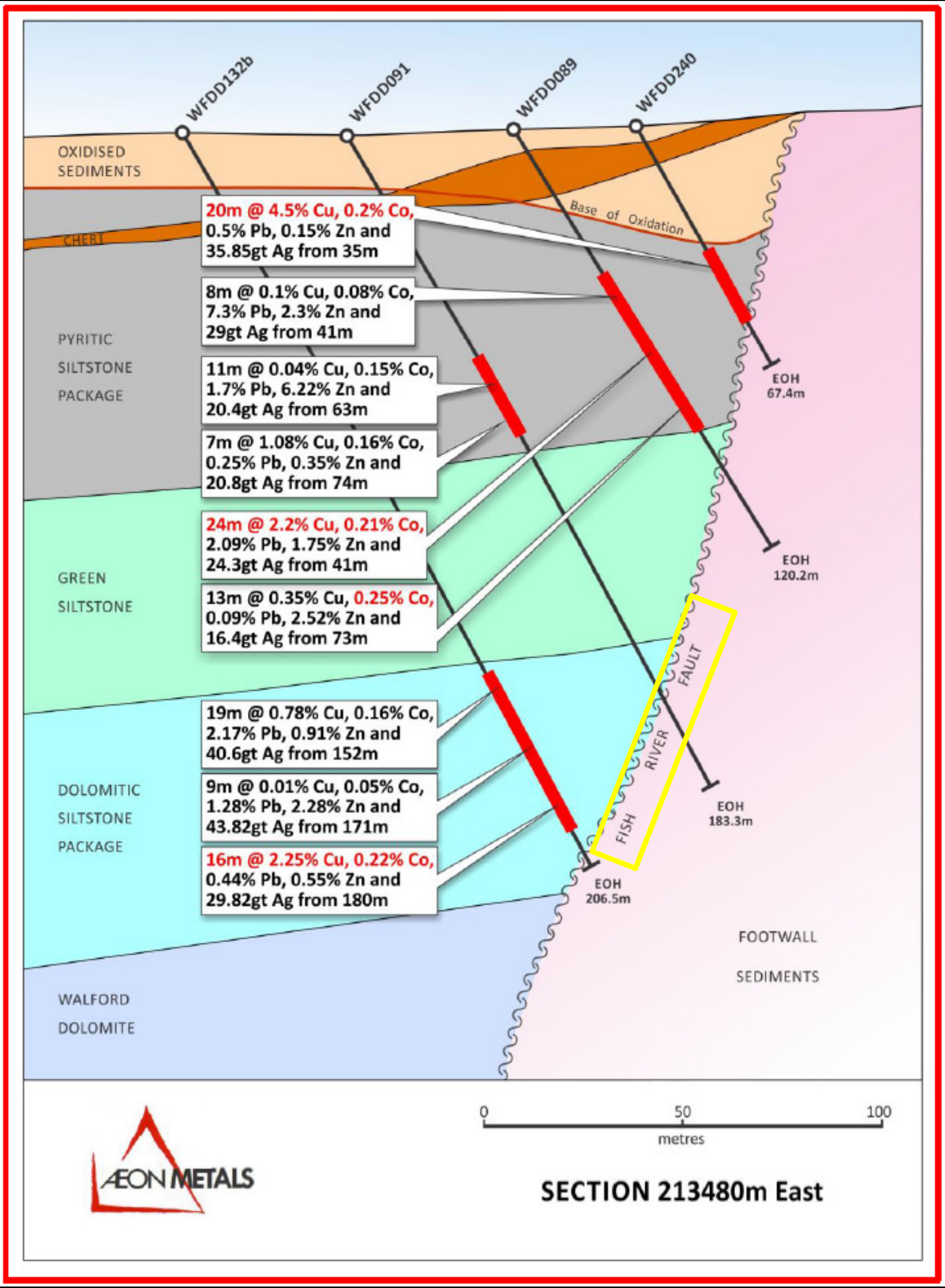
SOURCE: BELL POTTER SECURITIES

This regional fault is recognised as the key controlling geological structure and conduit for the mineralised fluids which came up from deep within the earth's crust. The fluids have come up the fault, then into contact with the adjacent, flat-lying dolomitic siltstone package (Py3) and the shallower, sub-parallel pyritic siltstone package (Py1).

These iron rich sulphides react very favourably with the mineralised fluids – acting like sponges to suck up the copper and cobalt first and then the other metals in a halo around the copper and cobalt.

The cross-section below shows the typical structural set-up of the Walford Creek deposit.

Figure 2 - Walford Creek deposit - typical cross-section, looking West



SOURCE: COMPANY DATA

The strike extent of the Fish River Fault is clear, not only from the preceding photo, but historic drilling and mapping of the project. However, there is also strong evidence, from AML's ongoing drilling and other historic drilling on the tenements, of the extensive, flat-lying nature of the siltstone packages and that they have seemingly been mineralised in the same way along the strike extent of the fault. This includes hits several kilometres away from the current area of drilling.

In other words, the geological conditions shown in the above cross section are prospective for continuity or repetition for many kilometres of strike. This is particularly so for the lower dolomitic siltstone package, which is unaffected by the weathering processes that have variously affected the shallower pyritic siltstone package.

This model clearly needs to be tested but the upside potential is significant, to say the least.

High grade results vindicate drill targeting

As described above, a step change has been realised in the understanding of the geological model for the Walford Creek deposit. Key structural controls have been identified and are being confirmed with the latest drilling.

On a more detailed level, the grade zonation between high grade copper-cobalt zones and high grade lead-zinc zones is now better understood. This not only further validates the geological model but is helping to refine drill hole targeting, resulting in the high grade intersections AML has been reporting with increasing frequency. This is evidenced by the fact that the five highest grade copper intersections reported from the 2017 drill program to date have come from the last six holes drilled.

This includes the following results:

- WFDD238: **27m @ 3.13% Cu, 0.25% Co and 0.18% Zn** from 126m, including:

  9m @ 6.85% Cu, 0.18% Co, and 0.27% Zn from 135m.

- WFDD236: 16m @ 2.10% Cu, 0.11% Co and 0.86% Zn from 120m, including:

  5m @ 5.12% Cu, 0.14% Co, and 0.86% Zn from 121m.

- WFDD240: **20m @ 4.45% Cu, 0.20% Co and 0.15% Zn** from 35m;
- WFDD239: **4m @ 2.79% Cu, 0.17% Co and 0.02% Zn** from 30m;

Significant Resource upgrade likely

With the improved understanding of the deposit and refined drill hole targeting we expect the return of high grade results to continue. We therefore also expect the 2017 drill program to contribute to a material Resource upgrade in the coming months. The program has included both infill and extension holes to the current Vardy Resource. As such, we anticipate increases in both the confidence and size of the Resource, allowing both the calculation of Reserves and the extension of mine life.

Geological model – guided by the Zambian Copper Belt

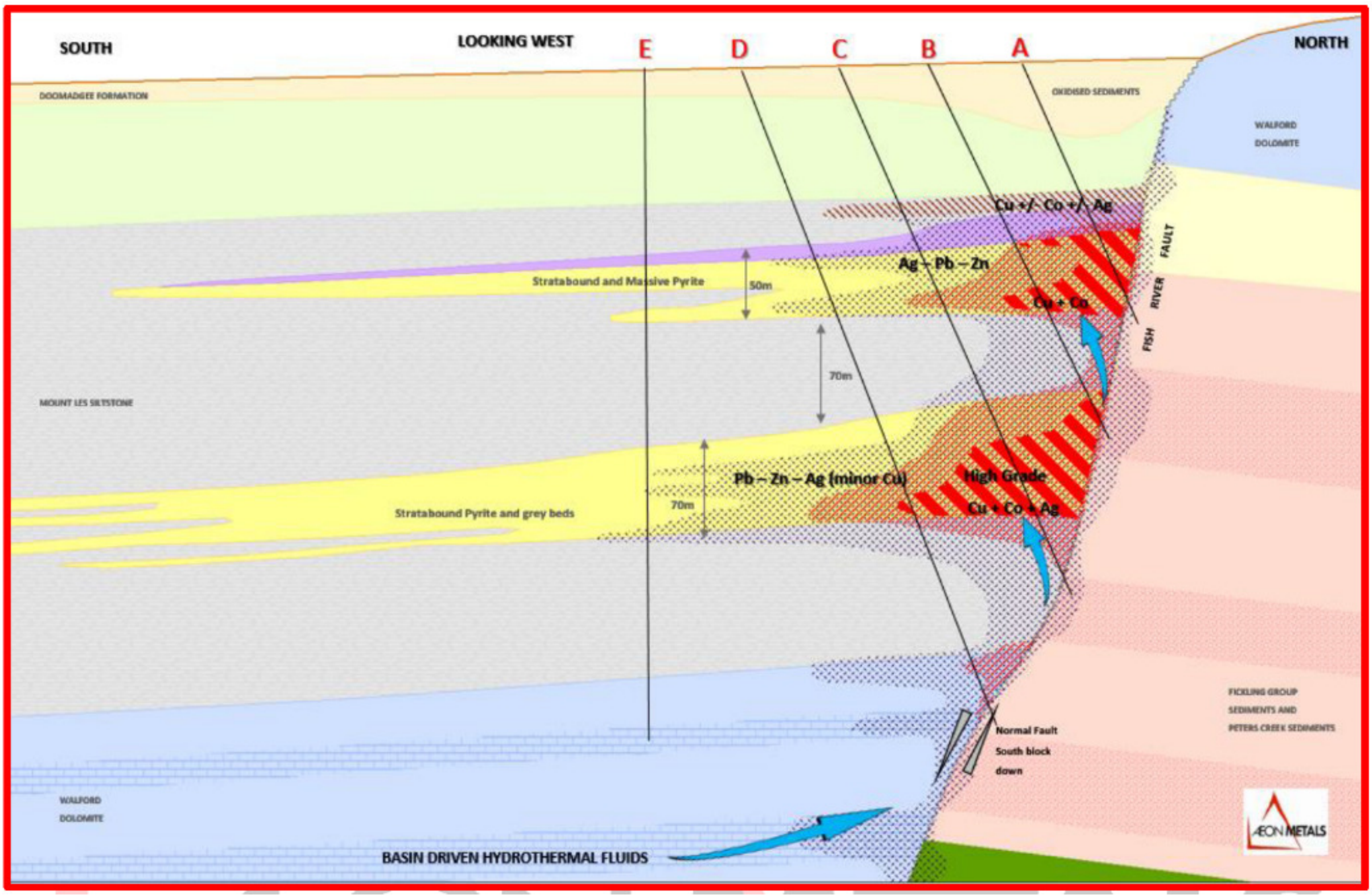
STOP PRESS: AML has today formally outlined a revised geological model for the Walford Creek deposit, in line with that discussed above. It describes a depositional model for Walford Creek which draws on similarities between it and the mode of deposition for the world class Zambian Copper Belt, which has been developed over many decades of study.

The main points of this are:

- As described in our site visit notes, it refines the understanding of the deposit and is generating stronger drill targets, with a particular focus on grade zonation – as evidenced by the recent high grade results;
- This zonation is also useful in understanding the position of historic holes (which may not have hit high grades) relative to the deposit and thus targeting higher grade mineralisation;
- The sediment hosted nature of the deposit is favourable for continuity and scale;
- The lower siltstone package (Py3), is likely to have the highest and most continuous grades. It will be an increased focus for the remainder of the drill program; and
- AML has for the first time published an interpreted long-section of the Walford Creek deposit, as well as a schematic cross section of the deposition model and drill hole targeting (see overleaf).

The cross-section below illustrates the interpreted mode of deposition for the Walford Creek deposit, showing the Fish River Fault as the main conduit for mineralised hydrothermal fluids and the observed grade zonation of high grade copper-cobalt vs high grade lead-zinc. The diagram also shows the relative positioning of different drilling locations, which can both explain grade variations in the drilling results and also help refine drill hole targeting.

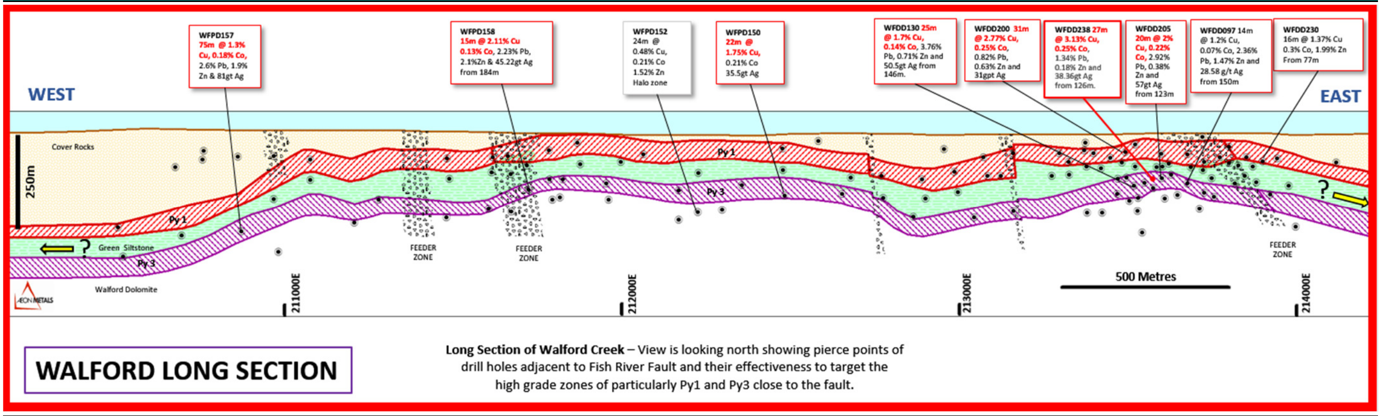
Figure 3 – Walford Creek cross-section illustrating the deposition model, grade zonation and drill hole positioning



SOURCE: COMPANY DATA

Shown below are the first published long-sections of the Walford Creek deposit. Figure 5 shows the entire 4km strike length of the global Resource at Walford Creek. The main points we takeaway from this are that the stratabound pyritic beds are both continuous and mineralised – providing evidence for the strike extension potential of the high grades intercepted in the Vardy Zone.

Figure 4 – Long section of interpreted stratigraphy and drill hole pierce points along 4km of strike

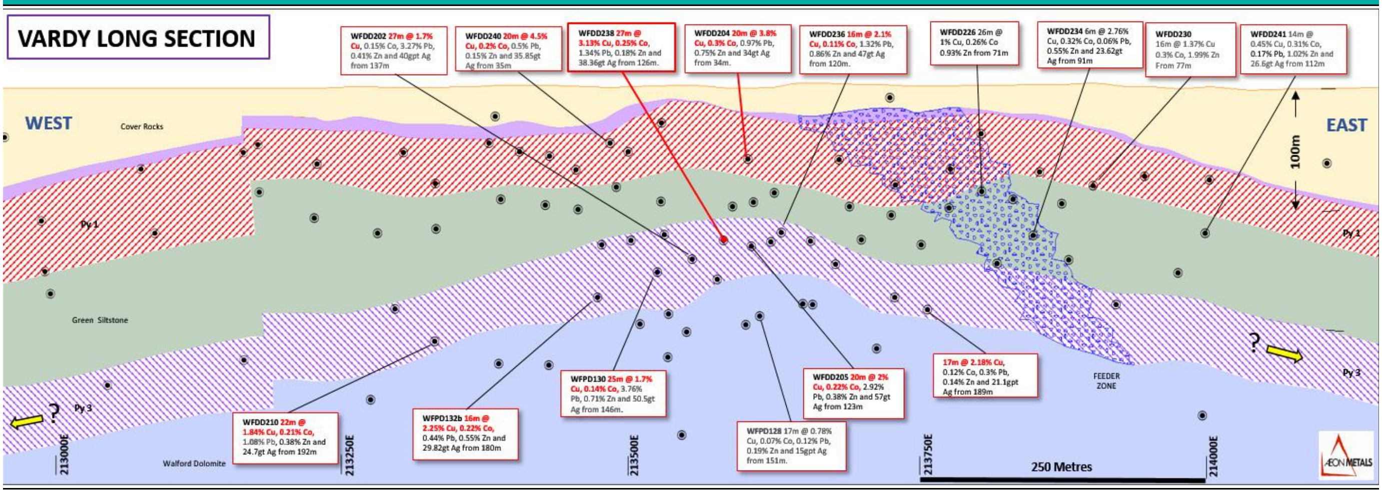


SOURCE: COMPANY DATA

Figure 6 below, shows the high grade Vardy Zone (a subset of the global Resource above) and the numerous high grade intersections that have recently been returned due to effective targeting driven by the revised geological model.

The other aspect of this section is that it shows relatively sparse drill hole pierce points in the lower pyrite bed. This indicates to us that the high grades recently drilled have not yet been effectively tested along strike, leaving potential for further extensions and grade and tonnage upside.

Figure 5 – Long section of the Vardy Zone showing interpreted stratigraphy and drill hole pierce points along 1km of strike



SOURCE: COMPANY DATA

In our view this presents a compelling opportunity for further drilling to test the consistency and continuity of the Walford Creek deposit and significantly transform its scale and scope.

Recovered value estimation

We have maintained a table of all the reported intercepts from the 2017 drill program to date, in which we have estimated the recoverable value of each intercept. For the purposes of comparison we have left our pricing assumptions unchanged from the start of the program, when we estimated an average recoverable value of A$140/t. The latest results continue to increase our estimate of the average recovered value, which now stands at A$155/t.

This measure is not especially scientific but it does provide some quantification of the progress of the exploration program to date. The increasing value, in our view, is reflective of the improved drill targeting.

We can also compare it to both the recovered value per tonne of the Vardy Resource (which is A$164/t – remembering that this is an average for the Resource tonnage) and the cash operating costs estimated in the Vardy PEA of A$97/t. The implication of this is that a significant proportion of all the drilling in the current program will contribute to upgrading the current Resource.

Our updated table is shown overleaf in Table 1.

Table 1 - Walford Creek drill results 2017 and estimated recovered value (A$/t)

Hole ID	Intercept (m)	Grades					Recovered value (A$/t)					
		%Cu	% Co	% Pb	% Zn	Ag g/t	Cu	Co	Pb	Zn	Ag	Total
238	8	6.85%	0.18%	2.79%	0.27%	50.4	$477	$63	-	$7	-	**$547**
236	5	5.12%	0.14%	3.63%	0.86%	87.3	$356	$49	-	$21	-	**$427**
240	17	4.45%	0.20%	0.50%	0.15%	35.9	$310	$70	-	$4	-	**$384**
230	7	2.72%	0.37%	0.80%	1.72%	21.7	$189	$130	-	$43	-	**$362**
234	6	2.76%	0.32%	0.06%	0.35%	23.6	$192	$113	-	$9	-	**$314**
238	27	3.13%	0.25%	1.34%	0.18%	38.4	$218	$88	-	$4	-	**$310**
229	5	1.12%	0.24%	0.34%	5.27%	47.8	$78	$85	-	$131	-	**$294**
239	4	2.79%	0.17%	0.07%	0.02%	22.3	$194	$60	-	$0	-	**$255**
230	16	1.37%	0.30%	0.53%	1.99%	20.5	$95	$106	-	$50	-	**$251**
225	16	0.86%	0.50%	0.53%	0.56%	40.6	$60	$176	-	$14	-	**$250**
226	14	1.42%	0.31%	0.25%	0.88%	37.0	$99	$109	-	$22	-	**$230**
236	16	2.10%	0.11%	1.31%	0.86%	46.7	$146	$39	-	$21	-	**$206**
226	26	1.02%	0.26%	0.15%	0.93%	37.5	$71	$92	-	$23	-	**$186**
236	5	0.60%	0.36%	0.14%	0.38%	24.2	$42	$127	-	$9	-	**$178**
241	14	0.45%	0.31%	0.17%	1.02%	26.6	$31	$109	-	$25	-	**$166**
225	36	0.36%	0.14%	0.30%	3.50%	14.8	$25	$49	-	$87	-	**$161**
224	11	0.42%	0.14%	0.79%	3.08%	35.0	$29	$49	-	$77	-	**$155**
227	4	0.30%	0.11%	0.41%	3.77%	14.8	$21	$39	-	$94	-	**$153**
235	11	0.66%	0.27%	0.06%	0.29%	25.4	$46	$95	-	$7	-	**$148**
225	67	0.40%	0.20%	0.32%	1.92%	20.3	$28	$70	-	$48	-	**$146**
237	15	0.40%	0.27%	0.42%	0.84%	17.3	$28	$95	-	$21	-	**$144**
237	18	0.01%	0.24%	0.01%	2.20%	1.0	$1	$85	-	$55	-	**$140**
234	4	0.69%	0.16%	0.20%	1.14%	14.7	$48	$56	-	$28	-	**$133**
239	12	0.32%	0.25%	0.28%	0.75%	20.7	$22	$88	-	$19	-	**$129**
234	4	0.12%	0.18%	10.12%	2.12%	41.1	$8	$63	-	$53	-	**$125**
229	2	1.73%	0.00%	0.00%	0.00%	0.0	$120	-	-	-	-	**$120**
235	8	0.14%	0.09%	0.15%	3.14%	10.4	$10	$32	-	$78	-	**$120**
229	26	0.44%	0.13%	0.22%	1.47%	30.2	$31	$46	-	$37	-	**$113**
227	5	0.50%	0.15%	0.15%	0.97%	22.7	$35	$53	-	$24	-	**$112**
239	14	0.00%	0.10%	0.24%	2.94%	17.5	-	$35	-	$73	-	**$108**
231	14	0.54%	0.10%	1.34%	0.92%	20.8	$38	$35	-	$23	-	**$96**
230	2	0.01%	0.07%	0.27%	2.70%	15.0	$1	$25	-	$67	-	**$93**
231	28	0.35%	0.12%	0.79%	0.92%	21.5	$24	$42	-	$23	-	**$90**
231	9	0.05%	0.13%	0.50%	1.50%	9.5	$3	$46	-	$37	-	**$87**
230	10	0.08%	0.03%	0.22%	2.48%	17.7	$6	$11	-	$62	-	**$78**
226	12	0.01%	0.06%	1.19%	2.21%	25.8	$1	$21	-	$55	-	**$77**
224	45	0.40%	0.06%	0.74%	0.95%	28.7	$28	$21	-	$24	-	**$73**
228	5	0.12%	0.02%	0.12%	2.29%	28.9	$8	$7	-	$57	-	**$72**
233	8	0.39%	0.09%	0.04%	0.39%	5.1	$27	$32	-	$10	-	**$69**
235	7	0.69%	0.05%	0.05%	0.04%	7.8	$48	$18	-	$1	-	**$67**
241	9	0.05%	0.09%	0.30%	0.91%	13.0	$3	$32	-	$23	-	**$58**
237	20	0.40%	0.07%	2.53%	0.17%	19.0	$28	$25	-	$4	-	**$57**
238	16	0.03%	0.09%	0.25%	0.87%	10.2	$2	$32	-	$22	-	**$55**
232	12	0.40%	0.05%	0.14%	0.34%	19.9	$28	$18	-	$8	-	**$54**
228	3	0.43%	0.06%	0.15%	0.05%	23.8	$30	$21	-	$1	-	**$52**
233	10	0.03%	0.07%	1.30%	0.94%	37.2	$2	$25	-	$23	-	**$50**
232	7	0.16%	0.04%	0.04%	1.00%	4.6	$11	$14	-	$25	-	**$50**
238	4	0.50%	0.03%	0.05%	0.03%	9.8	$35	$11	-	$1	-	**$46**
239	6	0.02%	0.00%	2.38%	0.01%	33.5	$1	-	-	$0	-	**$2**
Average	**13**	**0.98%**	**0.16%**	**0.79%**	**1.27%**	**24.4**	**$68**	**$55**	**-**	**$32**	**-**	**$155**
Vardy Resource		**1.25%**	**0.16%**	**0.74%**	**0.76%**	**25.6**	**$87**	**$58**	**-**	**$19**	**-**	**$164**

Price assumptions	US$/t	US$/t	US$/t	US$/t	US$/oz
	$5,700	$55,000	$2,150	$2,600	$16.50
AUD/USD	0.755				

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Changes to our valuation

We make changes to our risk adjusted NPV-based valuation for the Walford Creek project, assuming an additional 2 years of production on what we view as likely Resource extension. We point out that this assumes a total Mining Inventory of 5.1Mt, which is still less than the current Vardy Zone Resource. We also increase our notional valuation of the balance of AML's exploration tenements at Walford Creek by 20%, from $50m to $60m, given the success of the 2017 drill program and what we view as the hugely increased prospectivity of the Fish River Fault and the increased likelihood of the definition of high grade strike extensions along it. Our near-term earnings outlook remains unchanged, reflecting the ongoing exploration program in-line with our base-case assumptions. Our target price increases 39% to $0.29/sh and we retain our Buy (Speculative) recommendation, for upside from the current share price of 53%.

Upcoming catalysts

Upcoming catalysts for AML include:

- An ongoing stream of drilling results, which we expect are likely to continue returning high grades;
- Following the completion of the drilling program, AML plans to calculate an updated Resource estimate, which we expect to deliver a material upgrade to the current Resource, likely in the December quarter;
- This will form the basis of a maiden Reserve estimate, likely in early CY18; and
- The completion of a Bankable Feasibility Study to follow, likely in 1HCY18.

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, which has a Resource of 6.6Mt at 1.25% Cu, 0.76% Zn and 1,630ppm Co for 82.6kt Cu, 50.2kt Zn and 10.8kt Co contained. 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 $0.29/sh

The latest drilling results continue to be highly encouraging, not only due to the intersection of grades that will almost certainly add to the Resource but, more importantly, are demonstrating the effectiveness of the exploration model. Combined with the weight of evidence from historic drilling across the deposit the potential upside is beginning to look significant, to say the least. Reflecting this we increase our valuation 39% to $0.29/sh and retain our Buy (Speculative) recommendation.

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. In addition to this, our valuation assumes some exploration success, modelling a Mining Inventory of 5.1Mt for a mine life of eight years 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 $60m for the balance of the exploration portfolio outside the Vardy Zone. Our valuation also assumes a small equity raise ($7m at $0.19/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 28 July 2017

Recommendation	Buy, Speculative
Price	$0.19
Valuation	$0.29

Table 2 - 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)	(8.1)
EBIT	$m	(9.3)	(2.6)	(1.0)	(1.8)	17.1
Net interest expense	$m	0.1	0.2	(2.7)	(2.8)	(11.8)
PBT	$m	**(9.2)**	**(2.5)**	**(3.7)**	**(4.6)**	**5.3**
Tax expense	$m	-	-	-	-	-
NPAT	**$m**	**(9.2)**	**(2.5)**	**(3.7)**	**(4.6)**	**5.3**

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	85.9
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**	**176.8**
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)	(27.7)
Total equity	$m	**28.6**	**32.5**	**28.8**	**31.2**	**66.5**
Weighted average shares	m	295.6	339.6	297.4	315.8	384.2

CAPITAL STRUCTURE

Shares on issue	m		347.8
Performance shares / other	m		0.0
Total shares on issue	**m**		**347.8**
Share price	**$/sh**		**0.190**
Market capitalisation	$m		66.1
Net cash	$m		-30.4
Enterprise value (undiluted)	**$m**		**96.5**
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		80.0
Net cash + options	$m		-23.6
Enterprise value (diluted)	**$m**		**103.6**

MAJOR SHAREHOLDERS

	%	m
OCP Holdings	22.9%	79.5
Bliss Investments	6.8%	23.5
Washington H Soul Pattinson	6.6%	22.9
John Goody	5.0%	17.2
SLW Minerals Corporation	4.6%	16.0
Top 5	**45.8%**	**159.2**

FINANCIAL RATIOS

Year ending June	Unit	2015a	2016a	2017e	2018e	2019e
VALUATION						
NPAT	$m	(9)	(2)	(4)	(5)	5
Reported EPS	c/sh	(3)	(1)	(1)	(1)	1
EPS growth	%	na	na	na	na	na
PER	x	-6.1x	-26.2x	-15.2x	-13.1x	13.8x
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	-10.5x	-21.4x	-10.3x	-1.1x	-3.1x
EV/EBITDA	x	-10.4x	-36.7x	-96.5x	-55.2x	3.8x
EBITDA margin	%	nm	nm	nm	nm	42%
EBIT margin	%	nm	nm	nm	nm	29%
Return on assets	%	-19%	-5%	-7%	-5%	3%
Return on equity	%	-29%	-8%	-12%	-15%	11%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	14	17	22	71	66
ND / E	%	50%	52%	78%	227%	99%
ND / (ND + E)	%	33%	34%	44%	69%	50%
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)		36.8
Diluted m		**457.7**
SOTP	**$m**	**$/sh**
Project (unrisked NPV10)	131	0.38
Project (risk discount 25%, NPV10)	98	0.28
Other exploration	60	0.17
Corporate overheads	(9)	(0.03)
Net cash (debt)	(30)	(0.09)
Total (undiluted)	**118**	**0.34**
Cash from options	7	0.01
Assumed equity raise	7	0.02
Total (fully diluted)	**132**	**0.29**

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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