

# Talisman Mining Ltd

## (TLM \$0.23) Speculative Buy

EUROZ

Analyst	Date	Price Target
Greg Chessell	1 <sup>st</sup> August 2017	\$0.42/sh

### June 2017 Quarterly Report

#### Investment case

Talisman Mining's stake in the Monty Cu-Au Project underpins its value. Monty is modest size but very robust due to its exceptionally high grade, demonstrated by its capacity to carry 100% debt funding. Exploration around Monty has been disappointing of late however in the long we expect further incremental discovery as mining progresses. Ultimately we believe Sandfire would prefer to own 100% of Monty. TLM's recent share price weakness enhances the opportunity in this possibility. Meanwhile the Sinclair Ni project is latent Ni price optionality. We have reduced our valuation to \$0.42/sh, to more accurately reflect the Monty feasibility study and more conservative exploration potential value.

#### Key points

Development of the Monty Cu-Au Project on the Springfield JV (TLM 30%, SFR 70%) is underway with.

- Regulatory approval granted in July 2017;
- Decline box-cut commenced in July 2017;
- Underground mining contract has been awarded to Byrnes (also at DeGrussa);

Taurus has been mandated to provide \$23m debt to fund 100% of TLM's pre-production capex in May, subject to due-diligence. Completion is expected in "the coming weeks". Meanwhile TLM is funding its share of capex from its own balance sheet comprising \$11m cash, and no debt.

Monty remains on target for commencement of decline development in Dec Q'17, and first ore production in Dec Q'18.

The Monty feasibility study completed in April 2017 concluded that:

- Mining 800kt of ore grading 9.4% Cu and 1.5g/t Au, containing 74kt Cu and 38koz Au over 7 months, with ore delivered to the DeGrussa ROM pad (at cost \$126/t);
- An Ore Sales & Purchase Agreement (OSPA) with Sandfire Resources includes a \$211/t treatment fee (for processing, G&A, downstream and capital recovery) and \$1/t JV management fee.
- Talisman will receive A\$513/t in net revenue per tonne, indexed to assumed commodity price, basis US\$2.78/lb Cu price & A\$1=US\$0.723.
- Pretax cashflow of \$92m (TLM share, ungeared), before preproduction capex of \$23m and \$5m sustaining capex (TLM share);

TLM Valuation		
	A\$m	A\$/sh
Monty	43	0.23
Doolgunna	7	0.04
Sinclair	15	0.08
Other expln	1	0.01
Cash	11	0.06
Other	0	0.00
Unpaid Capital	0	0.00
<b>Total</b>	<b>77</b>	<b>0.42</b>

Talisman Mining Ltd	Year End 30 June	
Share Price	0.23	\$/sh
Issued Capital		
Ordinary	185.7	m
Options (@ avg \$0.57/sh)	11.2	m
Total Diluted	186	m
Mkt Capital'n	43	\$m
Enterprise Value	32	\$m
Debt	0	\$m
Cash	11	\$m

#### Directors

J Kirkwood	Chair
D Madden	MD
B Dawes	NE Dir
K Gadsby	NE Dir
A Senior	NE Dir

#### Shareholders

Kerry Harmanis	18.1%
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#### Company Details

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#### Share Price Chart



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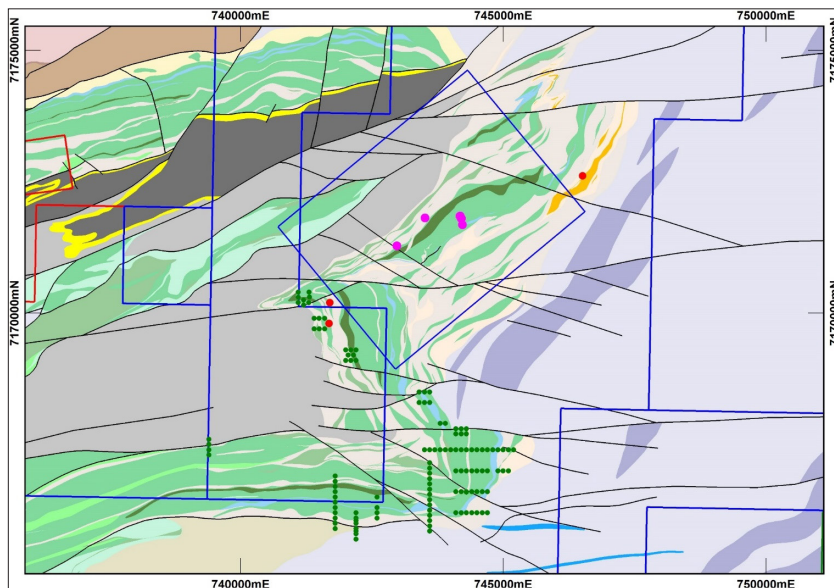
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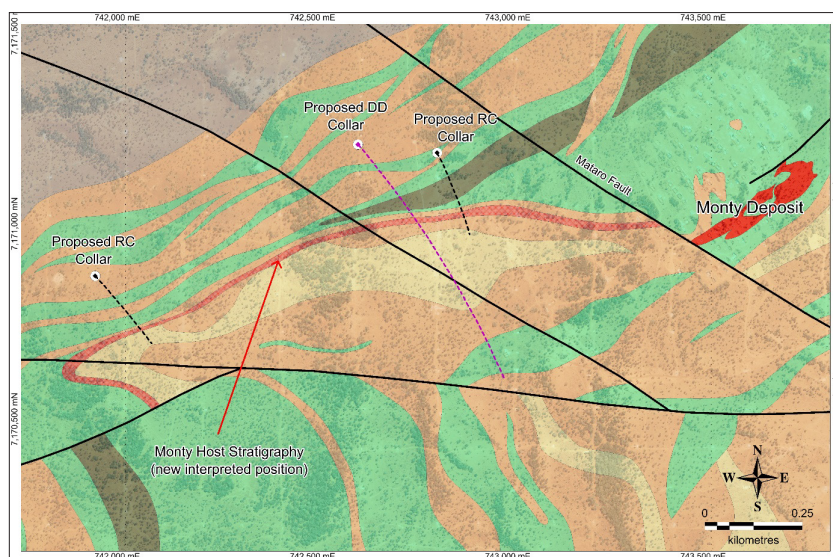
Deep drilling underneath Monty in 2 holes failed to intersect Cu mineralisation, but has led to a revised geological interpretation. RC drilling is underway to test positions that may be an extension of the Monty host stratigraphy to the west of the Mataro Fault. A 3<sup>rd</sup> deep hole in a nearby position is also planned in the current quarter.

The Springfield JV has a \$1m exploration budget approved for the Sep Q'17.

Low level air-core drilling is underway at several prospects within the Sinclair Ni Project (TLM 100%).



Source: Talisman Mining Ltd



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