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Talisman Mining Ltd (TLM)

Readying Monty to make exceptional returns as copper and gold prices firm

First Monty ore expected in about 12 months' time

Development of the extremely high grade Monty copper-gold deposit in the Springfield Joint Venture (JV) with Sandfire Resources (SFR, 70% and Manager, TLM 30%) in the Murchison of WA has begun. The box cut for access to Monty is being completed with the decline portal due to start very soon. First ore from the underground mine is expected within about 12 months. Even with the conservative timeframe for Monty, it should be an exceptionally rich mine, especially the very high grade copper-gold mineralisation of the Lower Zone. While the decline isn't initially planned to access the shallower but thinner ore of the Upper Zone (in the Ore Reserve at around 120kt of 5% copper and 1g/t gold), we think that might change. The higher copper prices now ruling and their likelihood of being even higher next year could see the Upper Zone being included in the mining schedule, adding considerably to returns and project value.

Fully funded for its share of Monty pre-production

There was strong interest from major banks and resource financiers in providing the debt funding for TLM's share of the Monty pre-production. We see the provision of debt funding by Taurus as a clear positive for TLM as the funding they are providing has flexibility in relation to early repayment and other key terms and avoids any mandatory price hedging or specific equity issuance to accompany project financing.

Rising commodity prices - copper ~US\$3/lb, gold ~US\$1,300/oz

Commodity prices are very supportive for the development of Monty, the copper price has reached US\$3/lb from firmer demand with generally constrained supply and gold is closing in on US\$1,300/oz from a weakening US dollar and North Korean concerns.

Investment thesis – Spec. Buy, Valn. \$0.60/sh (prev. \$0.67)

Development of the Monty deposit is underway and although being done on a longer timeframe than we think is necessary, it will deliver very high grade and highly profitable production as copper and gold prices continue to firm. We have reduced our NPV-based valuation of TLM by 10% to \$0.60/share as a result of the net impact of rolling forward our forecasts and changes to our commodity price and FX forecasts.

Our Speculative Buy recommendation is retained.

Recommendation
Buy (unchanged)

Price
\$0.235
Target (12 months)
\$0.60 (previously \$0.67)

Risk
Speculative
GICS Sector
Materials
Expected Return

Capital growth	155%
Dividend yield	0%
Total expected return	155%

Company Data & Ratios

Enterprise value	\$32m
Market cap	\$44m
Issued capital	185.7m
Free float	81%
Avg. daily val. (52wk)	\$104,000
12 month price range	\$0.205-\$0.46

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.210	0.26	0.425
Absolute (%)	11.9	-9.6	-44.7
Rel market (%)	10.9	-9.2	-48.6

Absolute Price


SOURCE: IRESS

Earnings Forecast

Year end June	2017e	2018e	2019e	2020e
Sales (A\$m)	-	-	36	100
EBITDA (A\$m)	(7)	(8)	6	38
NPAT (reported) (A\$m)	(9)	(8)	(1)	23
NPAT (adjusted) (A\$m)	(7)	(8)	(1)	23
EPS (adjusted) (eps)	(4)	(4)	(0)	12
EPS growth (%)	na	na	na	na
PER (x)	na	(5.7)	(54.7)	1.9
FCF Yield (%)	na	na	na	large
EV/EBITDA (x)	na	na	5.0	0.8
Dividend (eps)	-	-	-	-
Yield (%)	-	-	-	-
Franking (%)	-	-	-	-
ROE (%)	na	na	na	91%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Monty development started as copper firms

First ore production scheduled in about 12 months

Based on what we believe is a very generous development timeframe that is readily capable of being achieved in a considerably shorter time, with the box cut being established and the decline portal about to be cut, first ore production from Monty is scheduled to occur in about 12 months' time. The current development proposal is targeting the deeper Lower Zone ore and plans to by-pass the shallower Upper Zone, (even though the Upper Zone comprises thinner ore zones that are in the Ore Reserve at around 120kt averaging about 5% copper and 1g/t gold). We think this mining sequence might change, especially given the firming copper price. We think the attraction of the Upper Zone ore will see it brought into the mining schedule at an early stage, enabling significant, earlier returns to be generated.

Monty development getting into full swing

TLM was advised that the final regulatory approvals for Monty, being the approval of the Mining Proposal and the Mine Closure plan, had been received from the Western Australian Department of Mines, Industry Regulation and Safety in early July 2017. This enabled the commencement of on-ground earthworks, which has seen the civils and earthworks contractor, Yagahong, complete preliminary earthworks involving stockpiling topsoil from the haul road, clearing the pipeline route from DeGrussa and constructing the additional access ramp for the DeGrussa ROM pad. Yagahong has recently been working on the clearing of the haul-road centreline and stockpiling topsoil and excavating the Monty boxcut (Figure1).

Figure 1 – Box cut for the Monty decline under construction recently



SOURCE: TALISMAN RESOURCES LTD

TLM fully funded for its share of Monty pre-production costs

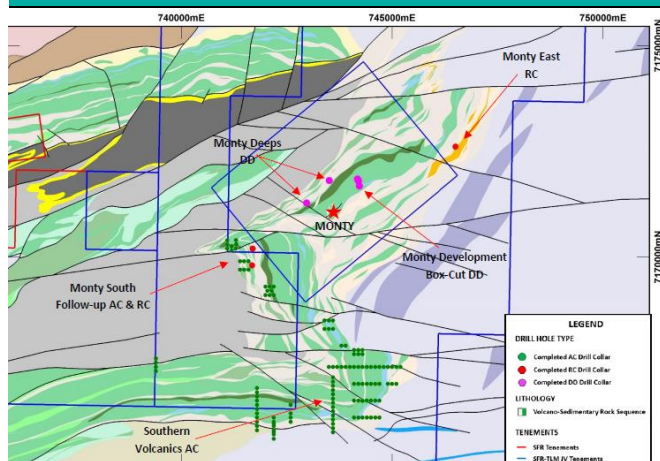
Final agreements for the provision of debt finance facilities that fully cover TLM's share of the pre-production costs for Monty are expected to be executed very soon. The company has mandated Taurus Mining Finance Fund (Taurus) to provide debt finance facilities of approximately \$23m after a competitive process that involved a shortlist that included major Australian banks and other typical resource project lenders. Besides providing a competitive funding solution, the Taurus arrangement avoids any mandatory price hedging or specific equity issuance to accompany the project financing and has flexibility in relation to early repayment and other key terms. We regard the Taurus funding as a key positive.

Considerable exploration upside still exists at Monty

Limited recent drilling results but TLM review of data highlights multiple targets

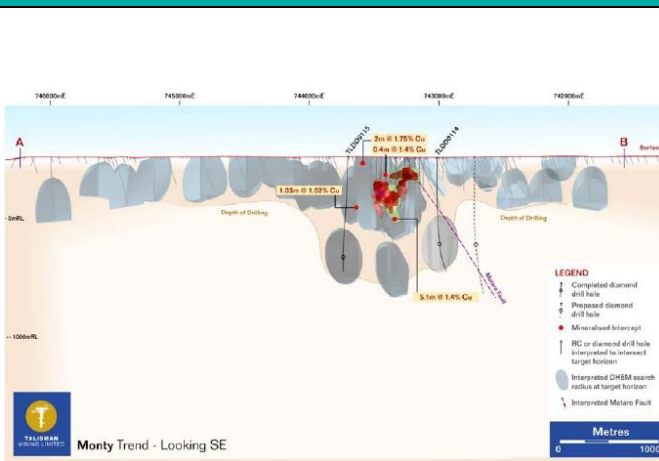
Recent exploration in the Springfield JV included two deep diamond holes and downhole electromagnetic (DHEM) surveys testing some areas below the existing Monty Mineral Resource; completion of a detailed ground-based Induced Polarisation orientation survey over the Monty deposit; completion of aircore drilling at the eastern end of the Southern Volcanics Trend; and RC drilling to test a number of isolated geochemical anomalies (Figure 2). Only two (TLDD00114 and TLDD00115) of three planned deep diamond drill holes, which were designed to test a position about 500m below the assumed range of existing DHEM surveys, were drilled and completed recently (Figure 3), and they did not find any significant mineralisation. The results of those two deep holes have, however, led to an updated geological interpretation of the fault off-set host stratigraphy to the west of Monty, showing there is considerable potential for it, off-set by the Mataro Fault. A number of RC drill holes (Figure 4) will be completed and subjected to DHEM surveys in advance of finalising the position for the third deep diamond drill hole and DHEM platform.

Figure 2 - Map of recent drillholes in the Springfield JV area



SOURCE: TALISMAN MINING LTD

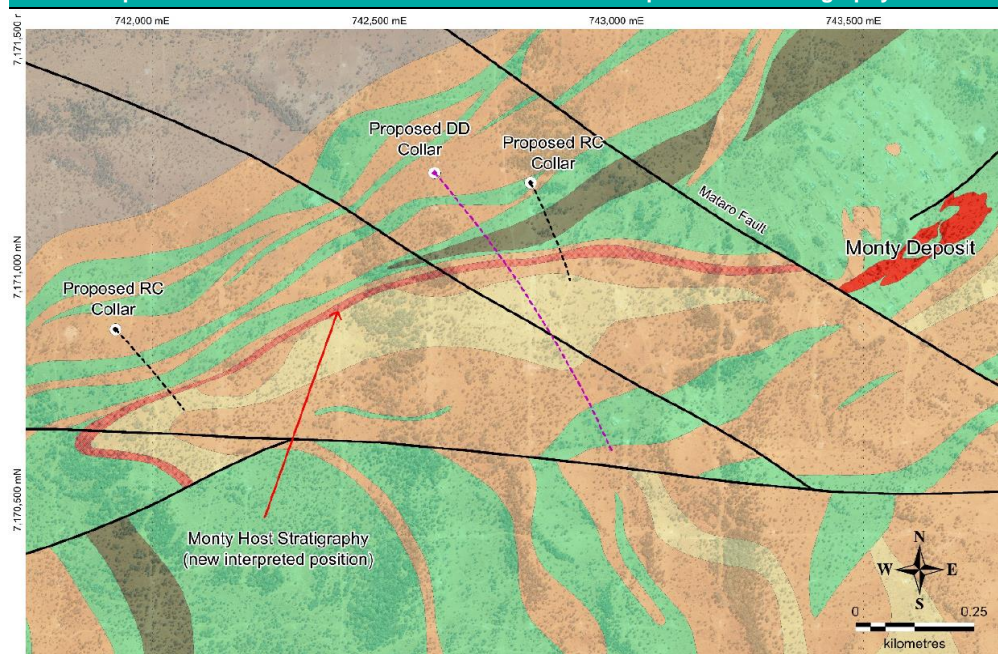
Figure 3 – Long section of recent and proposed Monty drilling



SOURCE: TALISMAN MINING LTD

NOTE: GREY ELLIPSES ARE DHEM COVERAGE AREAS

Figure 4 - Map showing new interpretation of Monty host stratigraphy off-set by Mataro Fault with planned RC and diamond drill holes to test the interpreted host stratigraphy



SOURCE: TALISMAN MINING LTD

Results of small test orientation IP survey over Monty, Monty NE awaited

A small but detailed orientation IP survey was carried out over the Monty deposit and the Monty North-East anomaly to test the ability of this geophysical technique to detect Monty-style mineralisation. The results of the survey are awaited and, if successful, IP surveying will be applied to other areas in the Springfield Project.

Aircore drilling on eastern end of Southern Volcanics gets lots of dolerite

Aircore drilling was focussed on the eastern end of the Southern Volcanics was designed to “box out” isolated single point anomalies identified by previous drilling and to provide bottom-of-hole (BOH) samples for litho-geochem analysis. Results from this drilling are still being assessed but TLM's initial review of available results indicated that a significant proportion of the holes ended in dolerite, which may have preferentially intruded along structural and/or mineralised channels and severely limited the effectiveness of the BOH litho-geochem sampling, which is widely used by the JV Manager (SFR) and proven to be an effective initial vectoring tool. This indicates the need for an alternative targeting methodology to be developed to enable successful targeting along the 16km long corridor.

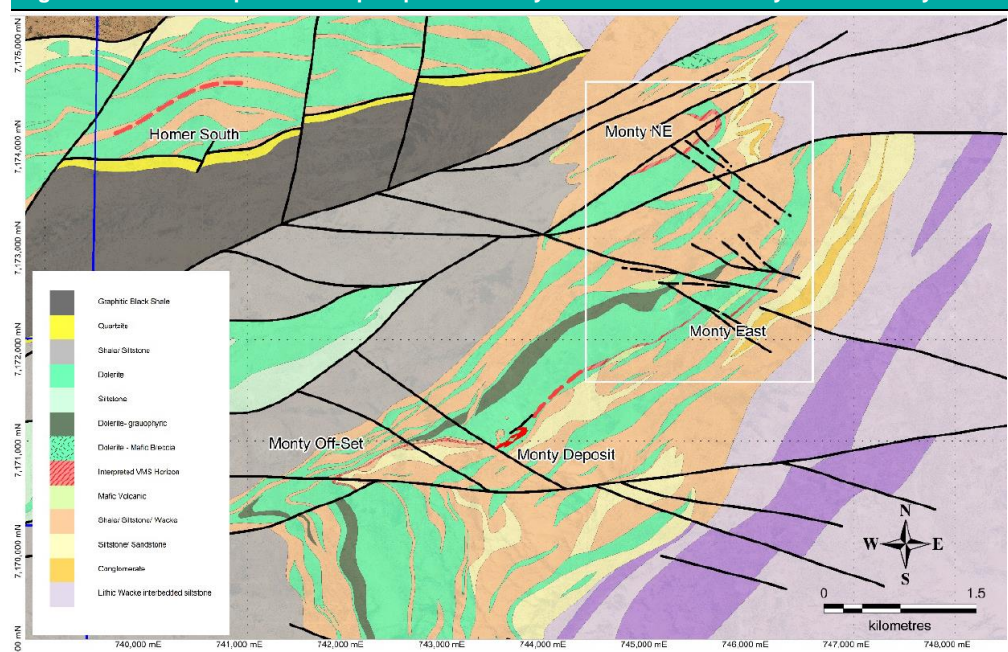
Limited RC drilling did not return any significant results

Only limited RC drilling was undertaken recently with three RC holes completed. These holes selectively targeted litho-geochemical anomalies defined by BOH sampling from aircore drilling in the Monty South and Monty East areas. The RC drilling did not return any significant indications of copper mineralisation. DHEM data was also collected from the RC holes but no bedrock anomalism was identified. Final reporting of the results is in progress.

TLM presents new interpretations around Monty for consideration by JV Manager

TLM has built considerable in-house and consultant geological expertise on volcanogenic massive sulphide (VMS) systems so it recently carried out a detailed review of all existing data for Monty and the Springfield Project, which generated a number of alternative geological interpretations and potential drill targets, particularly at Monty North-East and Monty East (Figure 5). These new and alternative interpretations and drill targets are currently under review by the JV Manager.

Figure 5 - TLM's interpretation of prospective Monty host horizons at Monty NE and Monty East



SOURCE: TALISMAN MINING LTD

Sinclair exploration potential still alive

Oxidised nickel sulphides in ultramafic at Schmitz Well South in aircore drilling

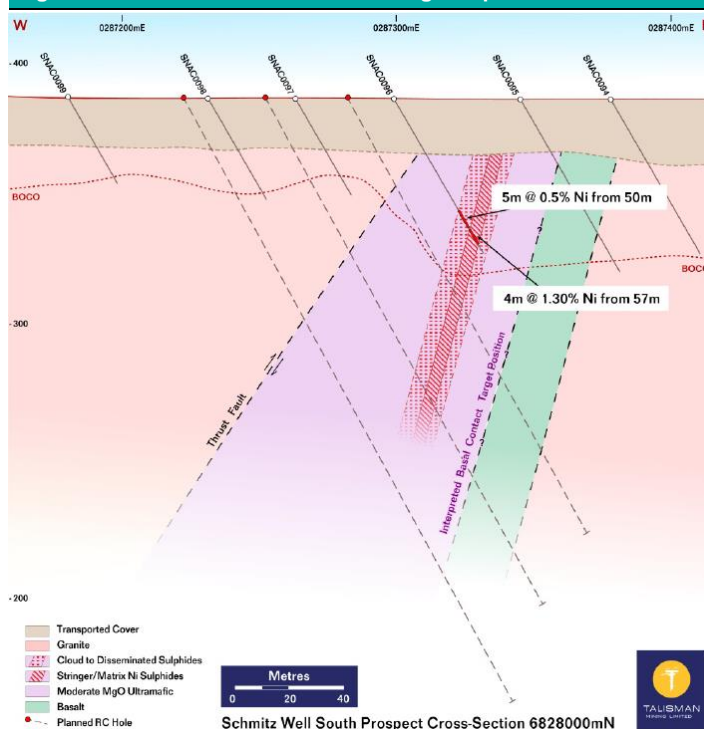
TLM has recently carried out a program of aircore drilling across four early stage exploration targets at its Sinclair Nickel Project. The targets, which were identified following a project-wide review that highlighted them as being prospective and having had very little previous exploration, were at Delphi, Mt Clifford, Schmitz Well South and Sturt Meadows. The first three mentioned targets are regarded as having highly favourable environments for accumulations of massive nickel sulphides. The Sturt Meadows target was a gold-in-regolith anomaly that was identified from historic RAB drilling from the 1990s.

Anomalous nickel intersections were made at the Schmitz Well South Prospect as follows:

- 1m at 0.86% nickel from 27m down hole in hole SNAC0083; and
- 5m at 0.50% nickel from 50m down hole and **4m at 1.30% nickel from 57m** down hole in hole SNAC0096 (which also had elevated copper values to 0.19% and elevated platinum and palladium values, indicative of a komatiitic ultramafic host)

The aircore drilling at Schmitz Well South encountered oxidised material interpreted to be disseminated and stringer nickel sulphides within ultramafic rock sequences in the two above mentioned holes, which occur to the north along strike from previously intersected disseminated sulphides (from a short program of RC drilling in 2016 that intersected anomalous nickel including 1m at 0.97% nickel from 193m down hole). The nickel intersected in the two recent holes is located within the ultramafic host and away from (and likely above) the basal contact with basalt (Figure 6) and it extends the extent of nickel mineralisation to 275m with the mineralisation open to the north. TLM is planning to carry out a follow-up RC drilling program on the nickel mineralisation that is aimed to start in the September 2017 quarter, subject to regulatory approvals.

Figure 6 - Cross section of recent drilling and planned holes at the Schmitz Well South Prospect



SOURCE: TALISMAN MINING LTD

Although no significant assay results were returned from the Delphi and Mt Clifford Prospects, potentially prospective high magnesium ultramafic sequences were defined at both prospects that will provide the basis for future exploration work. No further work is currently planned at the Sturt Meadows Prospect as no significant assays were returned.

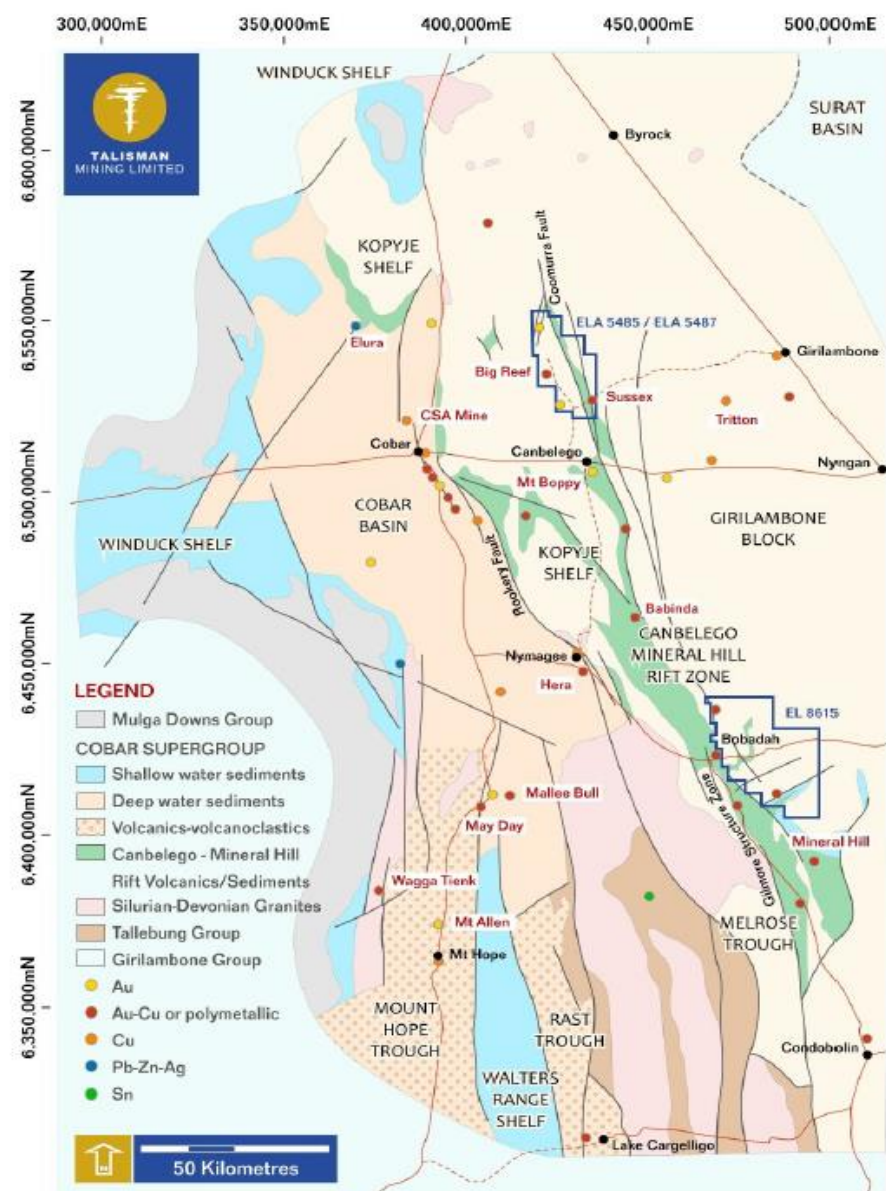
New project generation leverages skills base

TLM has considerable in-house exploration expertise for VMS systems

While continuing its active involvement in the development of the Monty deposit and related exploration activities at the Springfield JV Project along with ongoing exploration at the Sinclair Project, TLM has continued to examine opportunities to add new projects to its portfolio that leverage its very considerable in-house exploration expertise in VMS and related epithermal systems.

As part of its new project generation activities, TLM has recently been granted a large Exploration Licence (EL) and has applied for two other ELs within the Cobar-Mineral Hill region of Central NSW (Figure 7). The Cobar-Mineral Hill region is a highly mineralised but under-explored and appreciated mining district containing many very significant base and precious metals mines and deposits including the CSA copper mine, Endeavour (Elura) lead-zinc-silver mine, Peak gold-base metals mine, Tritton copper mine, Hera/Nymagee polymetallic mines, Mineral Hill polymetallic mines and the Mallee Bull copper-zinc deposit.

Figure 7 - Map of location of TLM's new exploration areas in the Cobar-Mineral Hill region



SOURCE: TALISMAN MINING LTD

Copper gets to US\$3, gold nearing US\$1,300

Copper up on stronger demand, generally constrained supply

The copper price has been making new two-year highs in the past week pushing up to around US\$6,690/t (US\$3.03/lb), which was driven by a combination of factors including stronger Chinese and emerging market demand and generally constrained supply along with support from ongoing weakness in the US dollar and Chinese and hedge fund speculation (Figure 8). Commodity analysts generally continue to forecast at least a modest supply deficit for copper for 2017 and over the next few years.

We continue to believe there will be continued supply disruptions and that the medium and longer term supply/demand fundamentals for copper will remain tight from limited new supply in the face of robust and growing copper demand, leading to sustainably higher prices over the next few years.

Gold nears US\$1,300 from dollar weakness, N Korean concerns

The gold price has continued to move towards the US\$1,300 level, having just touched that level briefly in intra-day trading on commodity and futures markets over the past week and it is currently sitting just under that level at US\$1,286 (Figure 9). The price has been supported by weakness in the US dollar and ongoing geopolitical concerns related to the North Korean missile testing situation. The US dollar weakness has been occurring with a general sense that there was a greater likelihood of a softening in the outlook for further interest rate rises by the US Federal Reserve, something that is currently very topical with the imminent meeting of the world's Central Bankers at the annual Jackson Hole conference in Wyoming, which comes amid continuing signs that US inflation and economic growth are still quite modest.

Figure 8 - Chart of spot copper price (US\$/t)



SOURCE: IRESS

Figure 9 – Chart of spot gold price (US\$/oz)



SOURCE: IRESS

Nickel price suffering from oversupply ahead of expected growing new demand for Li-ion batteries and electric vehicles

The nickel price has suffered a prolonged period of weakness from continued high nickel laterite production in the Philippines and Indonesia after relaxations to mining restrictions in those countries. While laterite-derived nickel has been readily absorbed into the stainless steel market, it is generally not suited for the manufacture of lithium-ion batteries, which need a purer form of nickel such as generally results from processing of sulphide ores. With forecasts for strong demand for lithium-ion batteries for electric vehicles and other uses, we are forecasting a recovery in the nickel price over the next few years.

Valuation down 10%, hurt by Ni price weakness

Changes to our forecasts

We have revised our valuations for TLM after incorporating our latest currency and commodity price forecasts (Table 1) and rolling our valuation forward.

Table 1 - Changes to currency and commodity price assumptions

Year to June	FY18e	FY19e	FY20e	LTe
Copper price (US\$/lb)				
Previous	2.88	3.00	3.10	3.10
New	3.00	3.10	3.20	3.30
Change	4%	3%	3%	6%
Gold price (US\$/oz)				
Previous	1,400	1,425	1,500	1,500
New	1,320	1,360	1,420	1,450
Change	-6%	-5%	-5%	-3%
Nickel price (US\$/lb)				
Previous	6.75	7.25	7.55	7.55
New	5.65	6.65	7.10	7.10
Change	-16%	-8%	-6%	-6%
Currency (US\$/A\$)				
Previous	0.75	0.75	0.75	0.75
New	0.77	0.75	0.75	0.75
Change	2%	0%	0%	0%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Our risk weighted per share valuation for TLM has decreased by 10% to \$0.60 as a result of the above-mentioned changes, which has seen our valuation of TLM's interest in the Doolgunna Project increased by 8% to \$90m but our valuation of the Sinclair Nickel Project decrease by 45% to \$17m (Table 2). Although we have reduced our valuation of the company's nickel assets on the basis of lower nickel price forecasts (from the likelihood of more prolonged weakness in the nickel price related to significantly higher nickel production in 2017 than previously expected), we still see significant strategic value in the Sinclair processing infrastructure given recent developments in the surrounding district.

As TLM has now secured full funding for its share of development expenditure to take the Monty deposit into production (including working capital), our valuations have not been further diluted by any additional equity other than from the potential conversion of in-the-money (on basis of valuation) employee share options (Table 2).

Table 2 – Summary of NPV-based valuations of TLM

	\$m	\$ per share ¹
Exploration Assets – Doolgunna Project (TLM 30%)	90	0.47
- Sinclair Nickel Project	19	0.10
- Other	1	0.00
- Total Mineral Assets	<u>109</u>	<u>0.57</u>
Administration	(8)	(0.04)
Enterprise Value	<u>101</u>	<u>0.53</u>
Net Cash and Options ²	<u>15</u>	<u>0.08</u>
Total Valuation	116	0.60

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.
2. INCLUDES EXERCISE OF IN-THE-MONEY OPTIONS (AT VALUATION).

Talisman Mining Ltd (TLM)

Company description

TLM has a 30% contributing interest in the Doolgunna Copper-Gold Project in the Murchison district of Western Australia which comprises three individual project areas collectively covering about 350km² adjacent to SFR's DeGrussa copper-gold operation. The Springfield Project is the principal area of the Doolgunna Project, which contains the very high grade Monty copper-gold deposit and several advanced exploration areas. TLM and SFR are estimated to have now collectively spent over \$55m on the Doolgunna Project over about the past six and a half years, the vast majority of which has been on the Springfield Project. Drilling at the Springfield Project has discovered the very high grade Monty copper-gold deposit comprising massive sulphides in a VMS setting. A Feasibility Study that we believe used quite conservative assumptions for the development of Monty has demonstrated the economic and technical viability of an underground mine, which is planned to deliver first ore to the nearby DeGrussa processing plant of SFR by the fourth quarter of 2018. Exploration drilling in and around the Monty deposit for additional ore and in the surrounding area for further VMS deposits is continuing.

TLM also owns 100% of the Sinclair Nickel Project, which is also in the Murchison of Western Australia and which it purchased in early 2015. The Sinclair Project contains the strategic Sinclair nickel mine and associated treatment plant (currently on high level care and maintenance) with infrastructure and extensive and highly prospective exploration tenements in the surrounding area. Sinclair has enhanced value following regional nickel and other minerals discoveries. TLM continues targeted exploration including drilling near Sinclair that has discovered nickel sulphide mineralisation at the Delphi Prospect and oxidised nickel sulphides at the Schmitz Well South Prospect. The company has recently been awarded a large EL (and applied for two others) in the Cobar-Mineral Hill region of NSW in a move to leverage its extensive VMS and epithermal exploration expertise.

Investment Thesis – Speculative Buy, Valuation \$0.60/sh (prev. \$0.67/sh)

Development of the Monty deposit is underway and although being done on longer timeframe than we think is necessary, it will deliver very high grade and highly profitable production as copper and gold prices continue to firm. We have reduced our NPV-based valuation of TLM by 10% to \$0.60/share as a result of the net impact of rolling forward our forecasts and changes to our commodity price and FX forecasts.

Our Speculative Buy recommendation is retained.

Valuation

Our valuation of TLM is based on risked sum-of-the-parts DCF-based valuations for TLM's interests in the Monty and Sinclair projects (using a discount rate of 10%) and includes assessed valuations for the considerable exploration value in the Doolgunna and Sinclair Projects.

Risks Of Investment

The key risks for resources investments include, but are not limited to:

- **Commodity price and currency volatility:** The relatively liquid nature of metal commodity markets such as for copper, nickel and gold and foreign currency markets such as trading in the value of the Australian dollar, exposes them to potentially wide fluctuations in price, particularly during more difficult economic times or major world events. Associated with commodity price and currency volatility are potentially different commodity prices and foreign exchange rate outcomes to our forecasts.
- **Lack of exploration success:** The difficulty of exploring in the Murchison district is related to the fact that the region has variable outcrop and further complexity comes from the geologically disturbed nature of the Archaean bedrock that hosts various types of mineralisation. The rocks have suffered extensive structural dislocation (faulting, shearing and over-thrusting) and variable alteration and weathering and may contain greater than expected geological complexities that may be difficult to resolve without extensive drilling programs and may inhibit the definition of adequate resources and reserves.
- **Lack of funding:** Exploration and development companies generally do not have a source of revenue and so they require periodic injections of funding to enable them to carry out adequate exploration and related development activities in order to continue to develop their projects. TLM has negotiated full development funding for its share of the Monty development, subject to completion of due diligence and documentation.
- **Mining and metallurgical issues:** The Feasibility Study on the Monty copper-gold deposit has involved extensive mining and metallurgical studies that have shown that its ore is readily amenable to conventional mining and metallurgical processing with relatively high recovery and payability rates. The mining and metallurgy of the Sinclair nickel deposit is well understood from previously successful operations and it is expected that additional nickel mineralisation found in the surrounding district will have similar favourable mining and metallurgical properties. Adequate investigations and testwork needs to be done on these other occurrences of nickel to confirm their suitability for mining and processing. Adverse mining and metallurgical characteristics may result from investigations of new ore discoveries that could lead to a need for more complicated and expensive mining and processing requirements.
- **Regulatory and social licence approvals:** The Springfield JV has all the necessary approvals for the Monty development. While there are currently no plans for resumption of mining activities at or around Sinclair, there are no indications there would be any difficulties obtaining the necessary regulatory and social licence approvals to enable suitable mining operations to be re-established, prolonged delays can result from adverse environmental or other regulatory issues and from the need to progress Native Title negotiations in a very careful and sensitive manner. Regulatory approvals can sometimes suffer unforeseen delays related to changes in personnel involved or from the need to resolve differences in interpretations. There may be some tenements in which TLM has an interest or may acquire an interest in future which may contain areas over which legitimate common law native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of TLM to gain access to such tenements (through obtaining the consent of any relevant landowner) or to progress from exploration to development and mining phases of operations may be affected.
- **Weather impacts:** Cost overruns or operational delays can be caused by severe weather events because site access may be restricted due to the unsealed nature of roads and airstrips in the remote regions in which the company operates.
- **Inappropriate acquisitions:** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.

Talisman Mining Ltd

as at 25 August 2017

Recommendation Buy, Speculative
Price \$0.235
Target (12 months) \$0.60

Table 3 - Financial summary

PROFIT AND LOSS						
Year ending 30 June	Unit	2017e	2018e	2019e	2020e	2021e
Revenue	A\$m			35.6	99.6	68.7
Expenses	A\$m	(7.3)	(7.7)	(29.2)	(61.6)	(42.1)
EBITDA	A\$m	(7.3)	(7.7)	6.4	38.0	26.6
Depreciation and amortisation	A\$m	(0.1)	(0.1)	(5.6)	(13.8)	(8.1)
EBIT	A\$m	(7.4)	(7.8)	0.8	24.2	18.5
Net interest expense	A\$m	0.4	0.2	(1.6)	(1.1)	0.4
PBT	A\$m	(9.4)	(7.6)	(0.8)	23.2	18.9
Tax (Expense) Benefit	A\$m	0.0	0.0	0.0	0.0	(4.8)
NPAT (reported)	A\$m	(9.4)	(7.6)	(0.8)	23.2	14.1
Adjustments (after-tax)	A\$m					
NPAT (adjusted)	A\$m	(7.0)	(7.6)	(0.8)	23.2	14.1

CASH FLOW						
Year ending 30 June	Unit	2017e	2018e	2019e	2020e	2021e
OPERATING CASH FLOW						
Receipts	A\$m			32.1	94.6	76.6
Payments	A\$m	(2.0)	(2.6)	(22.2)	(54.1)	(42.2)
Tax	A\$m					
Net interest	A\$m	0.2	0.2	(1.6)	(1.1)	0.4
Other	A\$m					
Operating cash flow	A\$m	(1.4)	(2.4)	8.3	39.4	34.8
INVESTING CASH FLOW						
Cap Ex and exploration	A\$m	(7.3)	(19.4)	(11.9)	(8.1)	(7.2)
Other	A\$m					
Investing cash flow	A\$m	(7.3)	(19.4)	(11.9)	(8.1)	(7.2)
Free cash flow	A\$m	(8.7)	(21.9)	(3.6)	31.3	27.7
FINANCING CASH FLOW						
Net equity proceeds	A\$m					
Debt proceeds (repayments)	A\$m		14.3	5.5	(9.9)	(9.9)
Debt repayments	A\$m					
Dividends	A\$m					
Other	A\$m					
Financing cash flow	A\$m	0.0	14.3	5.5	(9.9)	(9.9)
Change in cash	A\$m	(8.7)	(7.6)	1.9	21.4	17.8

Balance Sheet (\$M)						
Year ending 30 June	Unit	2017e	2018e	2019e	2020e	2021e
ASSETS						
Cash and deposits	A\$m	11.6	4.0	5.9	27.3	45.1
Accounts receivable	A\$m	0.3	1.5	2.7	3.9	5.1
Inventory	A\$m	0.0	0.4	0.4	0.4	0.4
Property, plant & equipment	A\$m	1.9	7.6	10.2	11.3	11.9
Mine properties & development	A\$m	2.9	11.4	15.3	16.9	17.8
Exploration & evaluation	A\$m	15.3	16.1	16.9	17.7	18.5
Other	A\$m	0.1	0.1	0.1	0.1	0.1
Total assets	A\$m	32.2	41.2	51.6	77.6	98.9
LIABILITIES						
Accounts payable	A\$m	0.4	2.0	3.6	5.2	6.8
Borrowings	A\$m		14.3	19.8	9.9	0.0
Deferred tax liabilities	A\$m			3.5	13.3	26.8
Provisions	A\$m	9.3	9.8	10.3	11.5	12.7
Other	A\$m	0.3	0.5	0.7	0.9	1.1
Total liabilities	A\$m	9.9	26.5	37.8	40.8	47.4
SHAREHOLDERS EQUITY						
Share capital	A\$m	60.9	60.9	60.9	60.9	60.9
Reserves	A\$m	0.4	0.4	0.4	0.4	0.4
Retained earnings	A\$m	(39.0)	(46.7)	(47.5)	(24.3)	(10.2)
Total equity	A\$m	22.2	14.6	13.8	37.0	51.1
Weighted average shares	m	186	186	186	186	186

Major Shareholders

Shareholder	(%)	Date of change
Kerry Harmanis	18.1%	18/05/17

FINANCIAL RATIOS						
Year ending 30 June	Unit	2017e	2018e	2019e	2020e	2021e
NPAT (adjusted)	A\$m	(7.0)	(7.6)	(0.8)	23.2	14.1
Adjusted EPS (Basic)	A¢/shr	(3.8)	(4.1)	(0.4)	12.5	7.6
EPS growth	%	na	na	na	na	-39%
PER	x	na	(5.7)	(54.7)	1.9	3.1
DPS	A¢/shr	-	-	-	-	-
Franking	%	-	-	-	-	-
Yield	%	-	-	-	-	-
Free Cash Flow (FCF)	A\$m	(8.7)	(21.9)	(3.6)	31.3	27.7
FCF / share	A¢/shr	(4.7)	(11.8)	(1.9)	16.8	14.9
Price / FCF	x	na	na	na	1.4	1.6
FCF yield	%	na	na	na	71.7	63.4
EV / EBITDA	x	na	na	5.0	0.8	1.2
EV / EBIT	x	na	na	na	1.3	1.7
EBITDA margin	%	na	na	18%	38%	39%
EBIT margin	%	na	na	2%	24%	27%
Return on assets	%	na	na	na	36%	16%
Return on equity	%	na	na	na	91%	32%

LIQUIDITY & LEVERAGE						
Net Debt (Cash)	A\$m	(12)	10	14	(17)	(45)
Net Debt / Equity	%	na	70%	101%	na	na
Net Debt / (Net Debt + Equity)	%	na	41%	50%	na	na
Net Debt / Total Assets	%	na	25%	27%	na	na
Net Debt / EBITDA	%	na	na	217%	na	na
EBITDA / Interest	x	na	na	4	35	(61)

ASSUMPTIONS - Prices						
Year ending 30 June	Unit	2017a	2018e	2019e	2020e	LT real
Commodity Prices						
Copper	US\$/lb	2.44	3.00	3.10	3.20	3.30
Nickel	US\$/lb	4.60	5.65	6.65	7.10	7.10
Gold	US\$/oz	1,259	1,320	1,360	1,420	1,450
Exchange Rate						
USD / AUD	US\$/A\$	0.75	0.77	0.75	0.75	0.75

RESOURCE BASE - Equity Share						
Monty	Category	kt	Cu (%)	Au (g/t)	Cu (kt)	Au (koz)
Massive Sulphide	Indicated	226	12.0	2.1	27	15
	Inferred	3	20.7	2.7	1	0
	Total	229	12.1	2.1	28	16
Halo	Indicated	86	2.2	0.3	2	1
	Total	312	9.3	1.6	29	16
Total	Indicated	312	9.3	1.6	29	16
	Inferred	3	20.7	2.7	1	0
	Total	315	9.4	1.6	30	17

CAPITAL STRUCTURE		
Issued Securities	Unit	
Ordinary shares	m	185.7
Unlisted options	m	9.7
Total Securities	m	195.4

VALUATION		
	\$ m	\$ per share ¹
Exploration – Doolgunna Project	90	0.47
- Sinclair Nickel Project	19	0.10
- Other	1	0.00
- Total Mineral Assets	109	0.57
Administration	(8)	(0.04)
Enterprise Value	101	0.53
Net Cash and Options ²	15	0.08
Total Valuation	116	0.60

Notes: 1. On fully diluted basis; may not add because of rounding and dilution effects.
2. Includes cash and funds from exercise of options in the money at valuation.

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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Peter Arden owns 100,000 shares in TLM.

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The stocks of resource companies without revenue streams from product sales should always be regarded as speculative in character. Since most exploration companies fit this description, the speculative designation applies to all exploration stocks. The fact that the intellectual property base of an exploration company lies in science and is generally only accessible to the layman in a limited summary form adds further to the riskiness with which investments in exploration companies ought to be regarded. Stocks with 'Speculative' designation are prone to high volatility in share price movements. Exploration and regulatory risks are inherent in exploration stocks. Exploration companies engage in exploration programs that usually have multiple phases to them where positive results at some stages are not indicative of ultimate exploration success and even after exploration success, there is often insufficient economic justification to warrant development of an extractive operation and there is still significant risk that even a development project with favourable economic parameters and forecast outcomes may fail to achieve those outcomes. Investors are advised to be cognisant of these risks before buying such a stock including **Talisman Mining Ltd Limited** (of which a list of specific risks is highlighted within).

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