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### Authorisation

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# Talisman Mining Ltd (TLM)

Funded and focused on NSW copper-gold  
and WA nickel

### Recommendation

**Buy** (unchanged)

### Price

**\$0.073**

### Target (12 months)

**\$0.21** (previously \$0.45)

### Risk

**Speculative**

### GICS Sector

Materials

### Expected Return

Capital growth	188%
Dividend yield	0%
Total expected return	188%

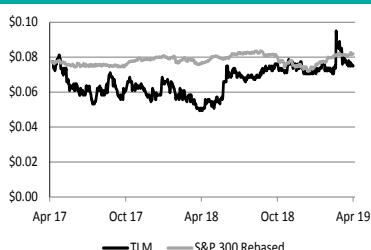
### Company Data & Ratios

Enterprise value	\$1m
Market cap	\$14m
Issued capital	185.7m
Free float	81%
Avg. daily val. (52wk)	\$111,000
12 month price range	\$0.05-\$0.099

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.09	0.07	0.05
Absolute (%)	-16.1	3.5	47.6
Rel market (%)	-15.8	-8.5	39.8

### Absolute Price



## Showing there is a bigger system at Blind Calf Prospect

Recent drilling at TLM's leading Blind Calf Prospect in its Lachlan Copper-Gold Project in Central NSW has shown that the interpreted high grade core zone is open down plunge while the high grade copper mineralisation generally remains open in all directions. Other prospects such as Cumby with gold mineralisation in quartz breccia on the flank of a felsic volcanic sequence and broad zones of lead-zinc mineralisation at Noisy Ned demonstrate the widespread nature of the base metals and gold potential amongst the 44 exploration targets identified in the company's large tenement area.

## Building on Sinclair Maiden Resource at Skye East Prospect

Positive shallow RC drilling results at the company's Skye East Prospect, namely intersections of 4m at 1.28% nickel from 16m down hole in hole SNRC045 and 7m at 3.54% nickel from 51m down hole including **2m at 7.47% nickel from 55m down hole** in hole SNRC048, came from a recent shallow RC drilling program that intersected massive sulphides in a number of the holes. This represents scope for TLM to build a larger nickel sulphide mineralisation inventory in and around its currently mothballed Sinclair nickel mine. The company recently announced a Maiden Mineral Resource estimate for Sinclair of a total of 710kt at 2.3% nickel for 16.2kt of contained nickel.

## Nickel, copper and gold prices rebound from 2018 lows

The prices for nickel, copper and gold have all rebounded from their lows at the end of 2018 and are consolidating at higher levels, notwithstanding growing signs of lower global growth and a continued simmering in USA - China trade tensions. Recent weakness in the US dollar is likely to be supportive for most commodity prices. Nickel prices have been stabilising around US\$13,000/t as the positive electric vehicle thematic remains in place. The copper supply balance continues to look constrained as softer industrial activity in China could be boosted by Government stimulus, enabling copper prices to lift from their current range. Gold prices have been range bound for some months amid concern over the state of the global economy.

## Investment thesis – Spec. Buy, Valn. \$0.21/sh (prev. \$0.45/sh)

After recently completing the payment of \$0.22/share (~\$40.9m) to its shareholders by way of franked dividend and capital return following the sale of its 30% interest in the Springfield JV, TLM now has about \$12m of cash and no debt to fund exploration of its two projects – the Lachlan Copper-Gold Project and the Sinclair Nickel Project. The company has identified multiple exploration targets in its extensive Lachlan tenements that are considered to have the potential to host significant base metals and gold mineralisation of which the Blind Calf Prospect is getting most attention as it is showing that it has significant high grade copper mineralisation. The Maiden Resource at TLM's Sinclair Project is confirmation of its near mine potential, which is a good base to support Resource growth from nearby prospects such as Skye East. We have reduced our valuation of the company by 53% after adjustment for the cash outflow and we continue to regard TLM as an attractive exploration opportunity.

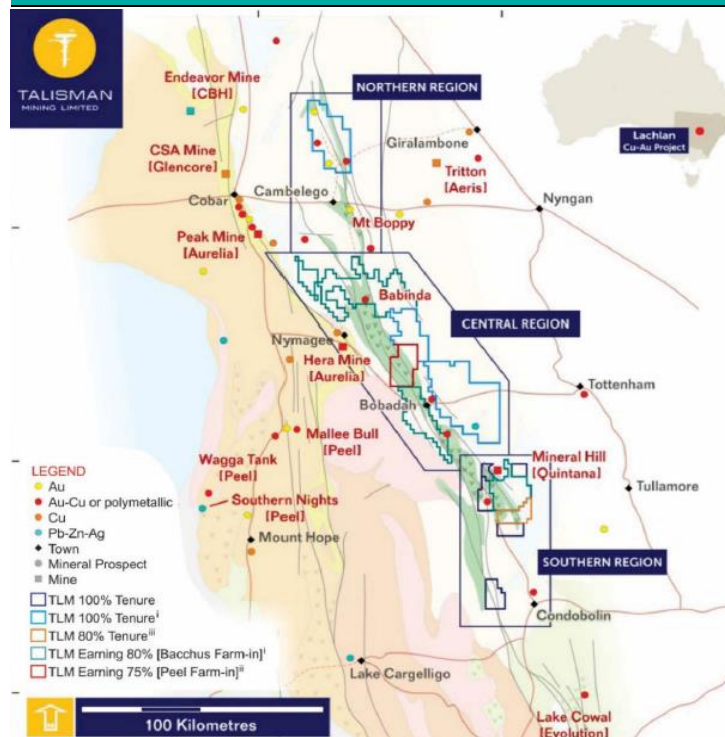
Our Speculative Buy recommendation is retained.

# Lachlan Copper-Gold Project advancing

## Blind Calf is most advanced of multiple base metals - gold targets

TLM has built up a substantial tenement position covering three contiguous zones totalling 3,181km<sup>2</sup> along the Gilmore Suture in the Cobar-Mineral Hill region of Central NSW (Figure 1). The company's tenements have the potential to host a variety of base metals and gold deposits including low sulphidation epithermal gold and base metals (similar to Mineral Hill); structurally controlled gold (similar to Mt Boppy); structurally controlled copper (similar to Blind Calf); Cobar-style base and precious metals; and skarns. Most of TLM's tenements are 100% owned except for the farm-in with Bacchus Resources (in which TLM is earning up to 80%) and with Peel Mining (in which TLM is earning up to 75%). The company has identified 44 exploration targets in its tenements that are considered to have the potential to host significant base metals and gold mineralisation and warrant further exploration work. TLM is progressing its exploration in a staged manner and has identified 25 Stage 2 prospects containing anomalies from surface sampling; 18 are Stage 3 prospects with known base metals or gold mineralisation intersected in bedrock drilling of anomalies defined by surface sampling; and Blind Calf is the most advanced, being a Stage 4 prospect with drilling intersections of economic grades and width mineralisation.

Figure 1 - Map of TLM's Lachlan Project tenements and nearby major base metals and gold mines



SOURCE: TALISMAN MINING LTD

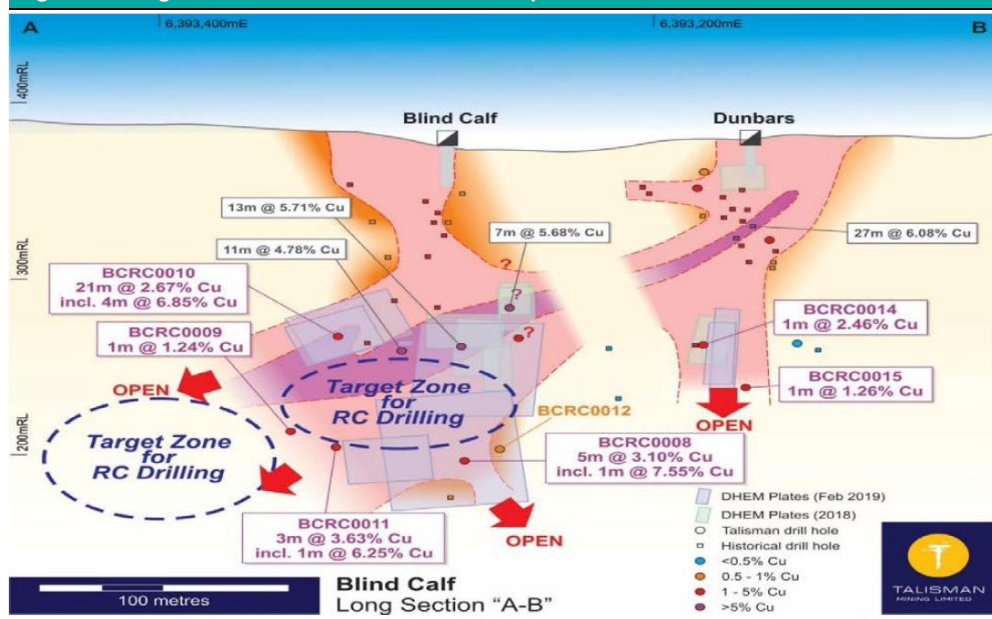
## New anomalies show Blind Calf getting bigger

TLM's recent RC drilling at the Blind Calf Prospect was aimed at further testing down dip from previously reported high grade copper mineralisation. Best results included:

- 7m at 5.68% copper from 98m down hole including 4m at 7.85% copper from 100m;
- 13m at 5.71% copper from 129m down hole including 4m at 11.06% copper from 136m;
- 11m at 4.78% copper from 127m down hole including 4m at 8.40% copper from 127m;
- 5m at 3.10% copper from 199m down hole including 1m at 7.55% copper from 201m;
- 21m at 2.67% copper from 117m down hole including 4m at 6.85% copper from 132m.

These recent intersections consisted of strongly altered volcanic lithologies with quartz veining and they confirm that the interpreted high grade core of the Blind Calf mineralisation remains open down plunge to the north (Figure 2) while the high grade copper mineralisation generally remains open in all directions. The company plans to carry out a campaign of follow-up drilling at Blind Calf and Dunbars to extend the mineralisation.

**Figure 2 - Long section of Blind Calf-Dunbars Prospects with DHEM anomalies and intersections**

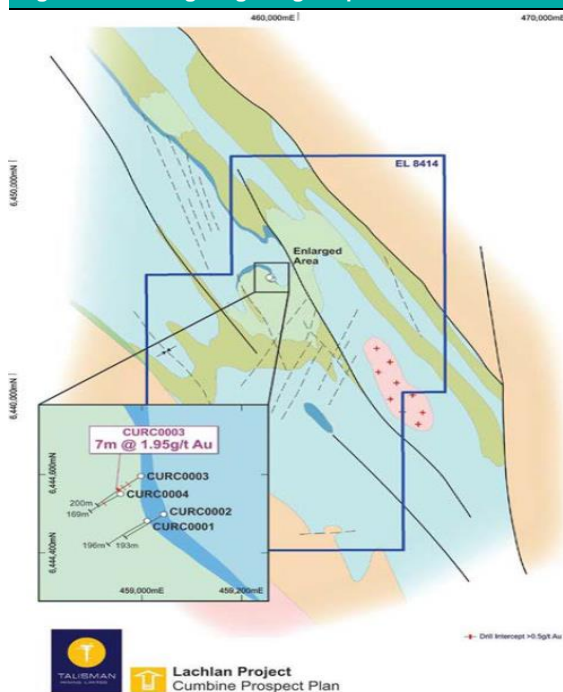


SOURCE: TALISMAN MINING LTD

### Elevated gold intersected in first pass RC drilling at Cumbine Prospect

Elevated gold mineralisation was recently intersected in a four hole first pass RC drilling program at the Cumbine Prospect that was designed to test an historic IP geophysical anomaly associated with anomalous gold-in-soils and rock chip geochemistry on the flanks of an outcropping felsic volcanic sequence (Table 3). Higher gold values were noted in quartz breccia zones such as 7m at 1.95g/t gold including 1m at 5.83g/t gold in CURC003.

**Figure 3 – Drilling on geological plan of Cumbine Prospect**      **Figure 4 – Drill holes on geological plan for Noisy Ned Prospect**



SOURCE: TALISMAN MINING LTD



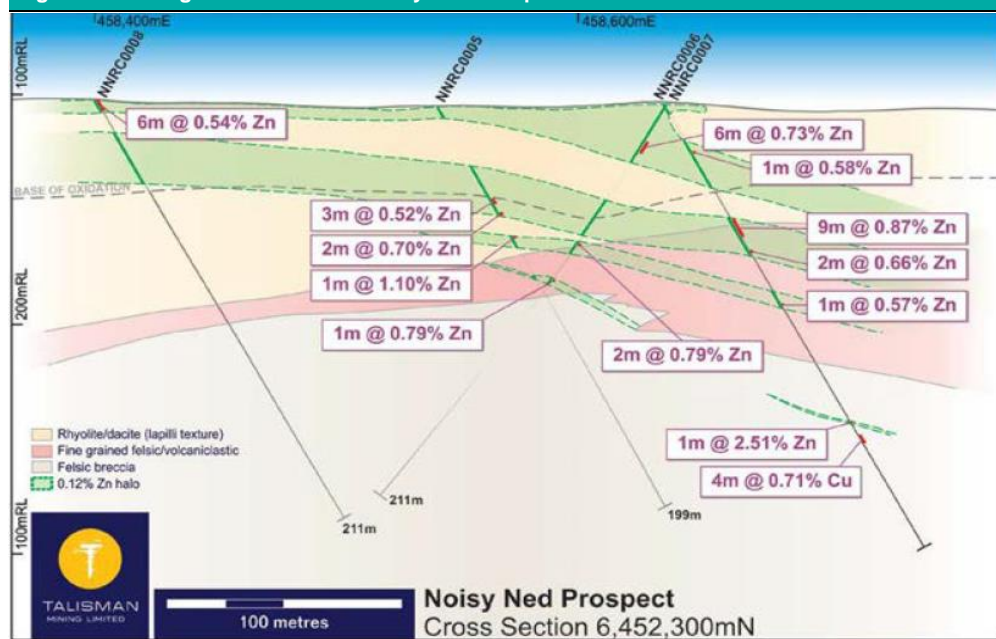
SOURCE: TALISMAN MINING LTD



### Wide zones of Zn-Pb-Cu mineralisation from first pass drilling at Noisy Ned Prospect

A 12 hole first pass RC drilling program at TLM's Noisy Ned Prospect recently intersected broad zones of anomalous zinc and lead mineralisation (Figure 4 on previous page and Figure 5). The drilling targeted a strong multi-element zinc-lead-copper anomaly identified by previous shallow auger geochemical sampling over a strike length of at least 1km. Broad zones of zinc-lead-copper mineralisation were intersected on all drill sections with associated highly altered felsic volcanic rocks. More field work is planned after DHEM surveying to better define stratigraphy prior to the next phase of drill testing in 2H FY19.

Figure 5 - Drilling cross section at Noisy Ned Prospect

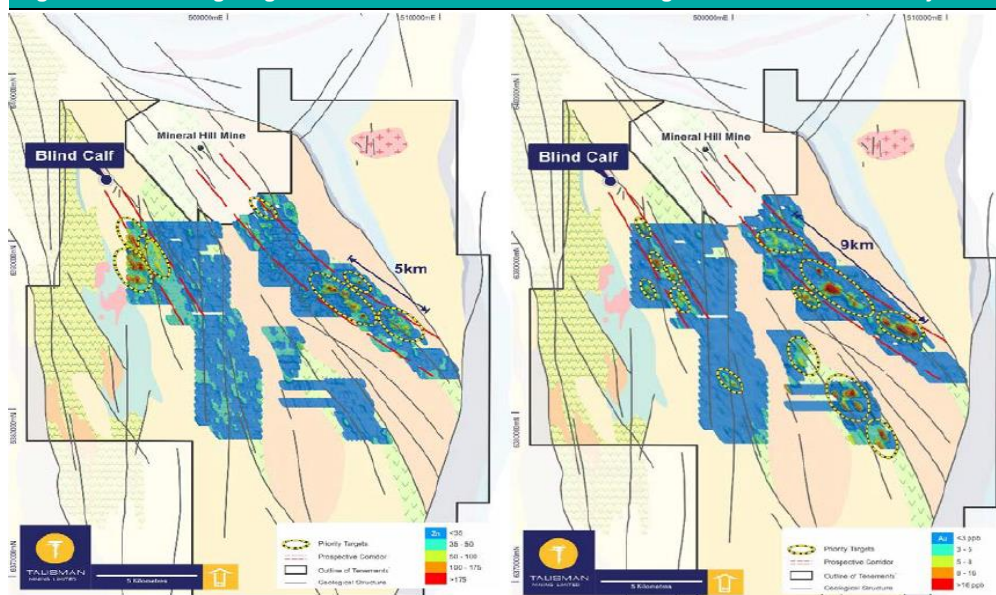


SOURCE: TALISMAN MINING LTD

### Anomalous Zn and Au zones to SE of Blind Calf in first pass geochemical sampling

Extensive campaigns of first pass geochemical sampling by auger and soil methods have been carried out over various Stage 1 to Stage 3 prospects to the southeast of the Blind Calf Prospect in 1H FY19. Results from these campaigns have defined strong zinc-lead and copper anomalism with coincident gold (Figure 6) along interpreted NW-SE structures.

Figure 6 - Zinc and gold geochemical anomalies in Southern Region of TLM's Lachlan Project



SOURCE: TALISMAN MINING LTD

# Sinclair Resource is a basis for growth

## Maiden Resource based on remnant and extensional nickel sulphide mineralisation

TLM announced a Maiden Mineral Resource Estimate for its Sinclair Nickel Project in 1H FY19, which was based on historic RC and diamond drilling by the previous owner (Xstrata) and incorporates remnant nickel sulphide mineralisation adjacent to existing mine development and extensional mineralisation continuing immediately down plunge of existing mine workings (Table 1). Based on a nickel cut-off grade of 1.5%, the Total Resource is estimated at 710kt averaging 2.3% nickel for 16.2 kt of contained nickel. The Mineral Resource Estimate was completed by an independent consultant in conjunction with TLM. The Resource Estimate is based on a recently completed re-interpretation of the massive and disseminated/stringer mineralisation at the Sinclair deposit by TLM's geological team. Nickel mineralisation at the Sinclair deposit continues down-plunge beyond the current mine infrastructure and has been identified by drilling for a further 1,200m down-plunge from the end of previous mining development. The first 500m of this continuation mineralisation has been drilled to a sufficient density to enable a JORC Inferred Resource classification.

**Table 1 - Mineral Resource Estimate for Sinclair Nickel project as at 31 December 2018**

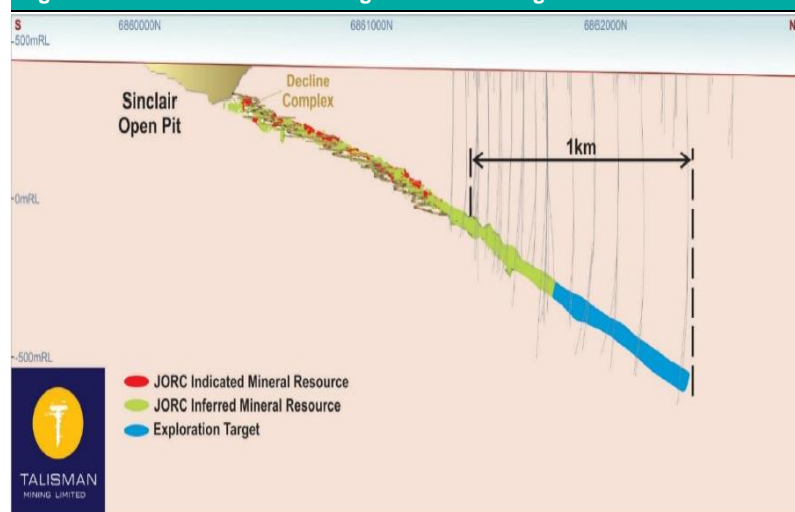
Cut-off grade (Ni%)	Indicated			Inferred			Total		
	Tonnage (kt)	Average Ni %	Contained Ni (kt)	Tonnage (kt)	Average Ni %	Contained Ni (kt)	Tonnage (kt)	Average Ni %	Contained Ni (kt)
0.5	370	2.0	7.4	1,080	1.6	17.2	1,450	1.7	24.6
1.0	350	2.1	7.3	910	1.7	15.9	1,260	1.8	23.2
1.5	250	2.4	6.0	460	2.2	10.2	710	2.3	16.2
2.0	140	2.9	4.1	180	2.9	5.4	320	2.9	9.5

SOURCE: TALISMAN MINING LTD

## Further north and down-plunge mineralisation forms basis of Exploration Target

Further to the north of the Sinclair deposit, the down-plunge mineralisation has only had limited drilling for a further 700m on 100 – 200m spaced drill pattern. This mineralisation forms the basis for an Exploration Target ranging between 670kt averaging 2.0% nickel for 13.7kt of contained nickel to 790kt averaging 2.5% nickel for 19.9kt of contained nickel (Figure 7 and Table 2).

**Figure 7 - Sinclair Nickel Mine long section showing Resource classifications**



SOURCE: TALISMAN MINING LTD

**Table 2 – Sinclair Nickel Project Exploration Target**

	Exploration Target		
	Tonnage (kt)	Average Ni %	Contained Ni (kt)
Lower - 10%	670	2.0	13.7
Upper + 10%	790	2.5	19.9

SOURCE: TALISMAN MINING LTD

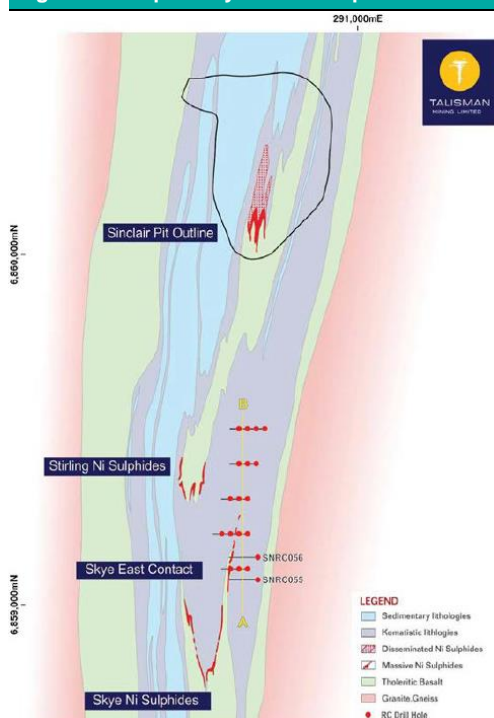
## Skye East is the leading regional nickel exploration Prospect

Although a recent program of 72 aircore drilling at the Skye East and Delphi Prospects and at multiple areas along the eastern Antioch ultramafic trend during 1H FY19 intersected the interpreted ultramafic sequence, no significant assays were returned. An additional RC drilling program of 25 holes was also completed in 1H FY19 of which 17 shallow holes were completed at the eastern extent of previous historic drilling at the Skye East Prospect, which intersected massive sulphides in a number of the holes, the most significant results of which were as follows:

- 4m at 1.28% nickel from 16m down hole in hole SNRC045; and
- 7m at 3.54% nickel from 51m down hole including **2m at 7.47% nickel from 55m down hole** in hole SNRC048.

Two additional deeper holes were completed to the north and south of these shallow intersections. Both holes intersected the ultramafic contact at the interpreted depths where there was trace disseminated nickel sulphides after having gone through a significant sulphide-rich sedimentary unit in the immediate hanging wall but without returning any significant nickel mineralisation.

Figure 8 – Map of Skye East Prospect



SOURCE: TALISMAN MINING LTD

Figure 9 – Long section of Skye East Prospect showing EM plates



SOURCE: TALISMAN MINING LTD

## Nickel, copper, gold prices rebound from late 2018 lows

**Nickel** prices have been stabilising around US\$13,000 per tonne over the past few months since rebounding from their recent low of around US\$10,500 per tonne in early January 2019 (Figure 10). According to consensus estimates, the recent uptick in the nickel price could continue, driven by the outlook for strong growth in electric vehicle (EV) demand although the current doubts about the strength of global growth over the balance of 2019 may act as a limiting factor in the short to medium term.

**Copper** prices have been generally trading in a narrow range around US\$6,400 to just under US\$6,600 per tonne since March 2019, which represents a consolidation following the rebound from around US\$5,800 that began in January 2019 (Figure 11). The pause in the US Federal Reserve's tightening cycle in 2019 and the weaker US dollar recently have been supportive factors while the revelation by the International Copper Study Group that the market deficit widened in 2018 has fuelled concerns of a supply squeeze that underpins consensus estimates for rising copper prices. Softer industrial activity in China along with doubts over the Chinese property market, however, could temper any near term price firmness unless China's stimulus is able to significantly bolster its economy over the rest of 2019.

**Gold** prices have been trading in a relatively narrow range between US\$1,280 to US\$1,340 per ounce over the past few months after making a strong rebound from their lows in September/October 2018 (Figure 12). Prices have encountered resistance above US\$1,300 per ounce with growing uncertainty over the US-China trade talks and the resilience of the US economy had been lifting the value of the US Dollar. Fears of more troubled times in the global economy, however, have lifted the appetite for safe-haven assets like gold, aided by the more recent pull-back in the value of the US dollar. Meanwhile Russian and Chinese central banks seem intent on continuing their gold purchases to diversify their holdings of international reserves.

Figure 10 - Chart of nickel (US\$/t) spot price Figure 11 – Chart of copper (US\$/t) spot price Figure 12 – Chart of gold (US\$/oz) spot price



SOURCE: IRESS



SOURCE: IRESS



SOURCE: IRESS

# Valuation down 53%, reflecting cash returns

Our risk weighted per share valuation for TLM has decreased by 53% to \$0.21 (Table 3) as a result of the following changes:

- Cash payments to TLM shareholders of 22 cents per share (made up of a fully franked dividend of 6.375 cents per share paid on 21 December 2018 and a capital return of 15.625 cents per share paid on 8 March 2019) totalling \$40.9m from the proceeds of the sale of TLM's Springfield Joint Venture (JV) interest, (which contained the very high grade Monty copper-gold deposit), to Sandfire Resources;
- A reduction to all but the 1% net smelter royalty in the Springfield Project following completion of the sale of the 30% participating JV interest to Sandfire Resources;
- A 154% increase in the valuation of the Lachlan Copper-Gold Project reflecting estimated expenditure of approximately \$4m and significant exploration results;
- An increase of 14% in the Sinclair Nickel Project reflecting the net effect of rolling forward the model; a slight reduction in the forecast grade to be processed relating to the slightly lower than assumed grade of the recently announced Maiden Resource; a slight increase in capex and opex for the potential operation; and some changes to our nickel price forecasts. We continue to see significant strategic value in the very well preserved Sinclair processing infrastructure given potential developments in the surrounding district, which underpin its value; and
- The company's financial position has improved by about a net \$23.3m since our previous valuation with no debt now and cash estimated at \$12.3m at 31 March 2019 after allowance for TLM's forecast exploration and corporate expenditure in 3Q FY19.

Our valuations have not been diluted by any additional equity or from the potential conversion of what is now a relatively small number of employee share options as the share options are all out-of-the-money (on basis of our valuation) (Table 3).

**Table 3 – Summary valuation for TLM**

	\$m	\$ per share <sup>1,2</sup>
Exploration Assets – Lachlan Copper-Gold Project	13	0.07
- Sinclair Nickel Project	22	0.12
- Other	1	0.01
- Total Mineral Assets	<u>36</u>	<u>0.19</u>
Corporate	(9)	(0.05)
Enterprise Value	<u>27</u>	<u>0.15</u>
Net Cash <sup>3</sup>	<u>12</u>	<u>0.07</u>
<b>Total Valuation</b>	<b>40</b>	<b>0.21</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD BECAUSE OF ROUNDING AND DILUTION EFFECTS.  
2. BASED ON SHARE CAPITAL OF 185.7M SHARES  
3. ESTIMATED NET CASH BALANCE AT 31 MARCH 2019. DOES NOT INCLUDE ANY CASH FROM OPTIONS (ALL OUT-OF-THE-MONEY)



# Talisman Mining Ltd (TLM)

## Company description

TLM has 100% of the Sinclair Nickel Project in the Murchison of Western Australia, 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 as a potential processing option for regional nickel and other minerals discoveries. TLM continues targeted exploration including drilling near Sinclair that has discovered nickel sulphide mineralisation at the Skye East and Delphi Prospects and oxidised nickel sulphides at the Schmitz Well South Prospect. The company has progressively built its Lachlan Project into a significant copper-gold exploration play comprising several mostly 100% owned large Exploration Licences and it is also earning an interest in a JV with Peel Mining in and around the Gilmore Suture in the Cobar-Mineral Hill region of NSW in a move to leverage its extensive VMS and epithermal exploration expertise. Drilling over the past year has demonstrated that there is significant copper-gold mineralisation below some of the shallow old mines in the district and geochemical sampling has defined zones of strong zinc-lead and copper anomalies with coincident gold along strike of the old mines that is being progressively evaluated by methodical exploration.

## Investment Thesis – Speculative Buy, Valuation \$0.21/sh (prev. \$0.45/sh)

After recently completing the payment of \$0.22/share (~\$40.9m) to its shareholders by way of franked dividend and capital return following the sale of its 30% interest in the Springfield, TLM now has about \$12m of cash and no debt to fund exploration of its two projects – the Lachlan Copper-Gold Project and the Sinclair Nickel Project. The company has identified multiple exploration targets in its extensive Lachlan tenements that are considered to have the potential to host significant base metals and gold mineralisation of which the Blind Calf Prospect is getting most attention as it is showing that it has significant high grade copper mineralisation. The Maiden Resource at TLM's Sinclair Project is confirmation of its near mine potential, which is a good base to support Resource growth from nearby prospects such as Skye East. We have reduced our valuation of the company by 53% after adjustment for the cash outflow and we continue to regard TLM as an attractive exploration opportunity.

Our Speculative Buy recommendation is retained.

## Valuation

Our valuation of TLM is based on a risked NPV-related estimate of a modest nickel mining and processing operation at the Sinclair mine plus our estimate of the exploration value of the company's Lachlan and Sinclair Projects, an estimate of corporate costs and the company's current net cash position.

## 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 areas where the company has its current tenements is related to the fact that the areas have variable outcrop and further complexity comes from the geologically disturbed nature of the Archaean and Palaeozoic 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 advance their projects. TLM has a residual net cash balance after the sale of its Springfield JV interest to Sandfire Resources to enable it to conduct meaningful exploration for some time.
- **Mining and metallurgical issues:** 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. Extensive mining and metallurgical testwork needs to be done on the mineralisation in the Lachlan Copper-Gold Project to determine its suitability in the course of pre-development studies. 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:** 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 resumed, 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 9 April 2019

Recommendation Buy, Speculative  
Price \$0.073  
Target (12 months) \$0.21

Table 4 - Financial summary

PROFIT AND LOSS						
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	A\$m					
Expenses	A\$m	(9.0)	(10.5)	48.5	(8.0)	(8.8)
<b>EBITDA</b>	<b>A\$m</b>	<b>(9.0)</b>	<b>(10.5)</b>	<b>48.5</b>	<b>(8.0)</b>	<b>(8.8)</b>
Depreciation and amortisation	A\$m	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>EBIT</b>	<b>A\$m</b>	<b>(9.1)</b>	<b>(10.6)</b>	<b>48.4</b>	<b>(8.1)</b>	<b>(9.0)</b>
Net interest expense	A\$m	0.4	0.1	0.0	0.0	(0.0)
<b>PBT</b>	<b>A\$m</b>	<b>(9.4)</b>	<b>(10.5)</b>	<b>48.4</b>	<b>(8.1)</b>	<b>(9.0)</b>
Tax (Expense)/Benefit	A\$m	0.0	0.0	(0.5)	0.0	0.0
<b>NPAT (reported)</b>	<b>A\$m</b>	<b>(9.4)</b>	<b>(10.5)</b>	<b>47.9</b>	<b>(8.1)</b>	<b>(9.0)</b>
Adjustments (after-tax)	A\$m					
<b>NPAT (adjusted)</b>	<b>A\$m</b>	<b>(8.7)</b>	<b>(10.5)</b>	<b>47.9</b>	<b>(8.1)</b>	<b>(9.0)</b>

CASH FLOW						
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
<b>OPERATING CASH FLOW</b>						
Receipts	A\$m					
Payments	A\$m	(2.0)	(2.5)	(3.0)	(2.5)	(2.1)
Tax	A\$m					
Net interest	A\$m	0.2	(1.6)	(0.1)	0.2	0.1
Other	A\$m					
<b>Operating cash flow</b>	<b>A\$m</b>	<b>(2.2)</b>	<b>(4.0)</b>	<b>(3.1)</b>	<b>(2.4)</b>	<b>(2.1)</b>
<b>INVESTING CASH FLOW</b>						
Cap Ex and exploration	A\$m	(6.5)	(17.2)	(3.2)	(3.3)	(3.4)
Other	A\$m			71.3		
<b>Investing cash flow</b>	<b>A\$m</b>	<b>(6.5)</b>	<b>(17.2)</b>	<b>68.1</b>	<b>(3.3)</b>	<b>(3.4)</b>
Free cash flow	A\$m	(8.6)	(21.2)	(6.4)	(5.7)	(5.5)
<b>FINANCING CASH FLOW</b>						
Net equity proceeds	A\$m			(29.0)		
Debt proceeds (repayments)	A\$m		14.9	2.0	0.0	0.0
Debt repayments	A\$m			(18.6)		
Dividends	A\$m			(11.8)		
Other	A\$m			(0.1)		
<b>Financing cash flow</b>	<b>A\$m</b>	<b>0.0</b>	<b>14.9</b>	<b>(57.5)</b>	<b>0.0</b>	<b>0.0</b>
Change in cash	A\$m	(8.6)	(6.2)	7.4	(5.7)	(5.5)

Balance Sheet (\$M)						
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
<b>ASSETS</b>						
Cash and deposits	A\$m	11.6	0.5	12.8	7.1	1.6
Accounts receivable	A\$m	0.3	0.4	0.5	0.6	0.7
Inventory	A\$m	0.0	0.0	0.0	0.0	0.0
Property, plant & equipment	A\$m	1.2	1.1	1.1	1.1	1.2
Mine properties & development	A\$m	1.7	1.7	1.6	1.7	1.8
Exploration & evaluation	A\$m	16.1	14.0	14.3	14.3	14.3
Other	A\$m	0.2	21.4	0.1	0.2	0.3
<b>Total assets</b>	<b>A\$m</b>	<b>31.0</b>	<b>39.0</b>	<b>30.4</b>	<b>25.0</b>	<b>19.8</b>
<b>LIABILITIES</b>						
Accounts payable	A\$m	0.8	0.8	1.9	2.0	2.1
Borrowings	A\$m		0.0	0.0	0.0	0.0
Deferred tax liabilities	A\$m			9.0	9.1	9.2
Provisions	A\$m	(0.2)	8.8	9.0	9.1	9.2
Other	A\$m	0.3	17.8	1.2	3.7	7.3
<b>Total liabilities</b>	<b>A\$m</b>	<b>9.4</b>	<b>27.4</b>	<b>12.1</b>	<b>14.7</b>	<b>18.5</b>
<b>SHAREHOLDERS EQUITY</b>						
Share capital	A\$m	60.9	60.9	31.9	31.9	31.9
Reserves	A\$m	1.3	1.7	1.4	1.4	1.4
Retained earnings	A\$m	(40.6)	(50.9)	(14.9)	(23.0)	(32.0)
<b>Total equity</b>	<b>A\$m</b>	<b>21.6</b>	<b>11.6</b>	<b>18.4</b>	<b>10.3</b>	<b>1.3</b>
Weighted average shares	m	186	186	186	186	186

FINANCIAL RATIOS						
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
NPAT (adjusted)	A\$m	(8.7)	(10.5)	47.9	(8.1)	(9.0)
Adjusted EPS (Basic)	A¢/shr	(4.7)	(5.7)	25.8	(4.4)	(4.8)
EPS growth	%	na	na	na	na	11%
PER	x	na	(1.3)	0.3	(1.7)	(1.5)
DPS	A¢/shr	-	-	6.4	-	-
Franking	%	-	-	100%	-	-
Yield	%	-	-	87%	-	-
Free Cash Flow (FCF)	A\$m	(8.6)	(21.2)	(6.4)	(5.7)	(5.5)
FCF / share	A¢/shr	(4.7)	(11.4)	(3.4)	(3.1)	(3.0)
Price / FCF	x	na	na	na	na	na
FCF yield	%	na	na	na	na	na
EV / EBITDA	x	na	na	0.0	na	na
EV / EBIT	x	na	na	0.0	na	na
EBITDA margin	%	na	na	na	na	na
EBIT margin	%	na	na	na	na	na
Return on assets	%	na	na	34%	na	na
Return on equity	%	na	na	319%	na	na
<b>LIQUIDITY &amp; LEVERAGE</b>						
Net Debt (Cash)	A\$m	(12)	(0)	(13)	(7)	(2)
Net Debt / Equity	%	na	na	na	na	na
Net Debt / (Net Debt + Equity)	%	na	na	na	na	na
Net Debt / Total Assets	%	na	na	na	na	na
Net Debt / EBITDA	%	na	na	na	na	na
EBITDA / Interest	x	na	na	(6,480)	na	na

ASSUMPTIONS - Prices						
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	LT real
<b>Commodity Prices</b>						
Copper	US\$/lb	2.44	3.15	3.12	3.30	3.35
Nickel	US\$/lb	4.60	5.46	6.08	7.15	8.00
Gold	US\$/oz	1,259	1,285	1,272	1,400	1,450
<b>Exchange Rate</b>						
USD / AUD	US\$/A\$	0.75	0.78	0.73	0.75	0.75

RESOURCE BASE - Equity Share					
Sinclair	Category	kt	Ni (%)	Cont. Ni (kt)	
Remnant and extension	Indicated	250	2.4	6.0	
	Inferred	460	2.2	10.2	
	<b>Total</b>	<b>710</b>	<b>2.3</b>	<b>16.2</b>	

CAPITAL STRUCTURE		
Issued Securities	Unit	
Ordinary shares	m	185.7
Unlisted options	m	6.0
<b>Total Securities</b>	<b>m</b>	<b>191.7</b>

VALUATION		
	\$ m	\$ per share <sup>1</sup>
Exploration – Sinclair Nickel Project	22	0.12
- Lachlan Project	13	0.07
- Other	1	0.01
<b>- Total Mineral Assets</b>	<b>36</b>	<b>0.19</b>
Corporate	(9)	(0.05)
<b>Enterprise Value</b>	<b>27</b>	<b>0.15</b>
Net Cash and Options <sup>2</sup>	12	0.07
<b>Total Valuation</b>	<b>40</b>	<b>0.21</b>

Notes: 1. On fully diluted basis (185.8m shares); 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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