

## UP TO THE CHALLENGE; HIGHLY LEVERAGED GOLD PRODUCER

### Investment Highlights

- WPG Resources Ltd (WPG) is a highly leveraged gold producer with a focus on the Challenger gold mine in South Australia, which receives supplemental feed from the nearby Tarcoola satellite open pit. The Company has had its challenges in December; however, we believe it is on track to deliver its FY2017 production target of 50koz of gold. Based on our estimates, we see the potential for WPG to generate \$17.2m in free cash in FY17, \$28.8m in FY18 and \$34.6m in FY19. Our target price has reduced to \$0.13/sh (from \$0.15) which is predominately driven by our gold price and exchange rate revisions. We retain our Speculative Buy rating.**
- Challenging December; Remains On-Track for 50kozpa in FY17:** In December, development rates at the Challenger gold mine were down due to lower jumbo availability, which has limited access to higher grade ore. Despite the lower production in December, WPG is on track to achieve our estimate of 12koz of production in the December Q. Pybar, WPG's mining contractor at Challenger, has agreed to employ two more maintenance fitters in an effort to improve availability of the two existing jumbos. A third jumbo is expected to be added in January 2017 to catch-up on the development shortfall. We believe WPG remains on track to achieve guidance of 50koz in FY2017.
- Tarcoola Production Underway:** In late November, mining commenced at the Tarcoola open pit. Ore from Tarcoola is trucked some 165km to the Challenger operation for processing. In December 2016 Q, Tarcoola is expected to produce c.1koz of gold. Overall, the operation is expected to contribute 20kozpa of gold over 3 years to the Challenger plant.
- Backing the Team:** The WPG team has a successful track record of delivering for shareholders. Recently Wayne Rossiter has been appointed CEO who is both a mining engineer and a chartered accountant with extensive mining experience. Bob Duffin is Executive Chairman and has 40 years' experience in mining. The most significant return for WPG was in 2011 when the Company sold its South Australian iron ore assets for \$320m. The majority of the sale value was returned to shareholders.
- Valuation \$0.13/sh:** Our valuation has decreased to \$0.13/sh (from \$0.15) as a result of our revised gold price and exchange rate estimates. All-In-Sustaining Costs are estimated at \$1,360/oz for FY17, falling to c.\$1,100/oz by FY19 which is partially due to accessing higher grade areas. There is potential to extend mine life through accessing Challenger Deeps to which WPG has secured 100% of the rights.

Year End June 30	2016A	2017F	2018F	2019F
Reported NPAT (\$m)	(8.2)	25.3	28.3	34.0
Recurrent NPAT (\$m)	(5.2)	25.3	28.3	34.0
Recurrent EPS (cents)	(0.9)	3.3	3.7	4.4
EPS Growth (%)	na	na	11.8	20.1
PER (x)	(5.2)	1.4	1.3	1.0
EBITDA (\$m)	(3.9)	32.0	50.0	58.7
EV/EBITDA (x)	(5.3)	0.7	0.4	0.4
Capex (\$m)	2.7	15.1	8.2	8.4
Free Cashflow	2.0	17.2	28.8	34.6
FCFPS (cents)	0.3	2.2	3.7	4.5
PFCF (x)	13.5	2.1	1.2	1.0
DPS (cents)	0.0	1.0	1.0	1.0
Yield (%)	0.0	21.7	21.7	21.7
Franking (%)	100.0	100.0	100.0	100.0

23 December 2016

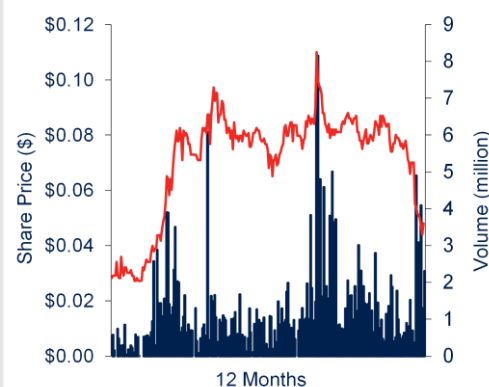
12mth Rating	SPECULATIVE BUY	
Price	A\$	0.046
Target Price	A\$	0.13
12mth Total Return	%	174.1

RIC: <b>WPG.AX</b>		BBG: <b>WPG AU</b>	
Shares o/s	m		717.4
Free Float	%		81.8
Market Cap.	A\$m		33.0
Net Debt (Cash)	A\$m		-12.1
Net Debt/Equity	%		na
3mth Av. D. T'over	A\$m		0.14
52wk High/Low	A\$		0.11/0.03
2yr adj. beta			0.27

<b>Valuation:</b>		
Methodology		DCF
Value per share	A\$	0.13

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### 12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	0.0	17.1	165.4
Rel. S&P/ASX 300	-4.9	7.0	126.5

## INVESTMENT SUMMARY

We retain our Speculative Buy rating, however, our target price has decreased to \$0.13 (from \$0.15/sh) due to our revised gold price and exchange rate estimates. Overall, the Company has been rapidly transformed into an emerging gold producer through its recent acquisition of the Challenger gold mine. WPG aims to produce at least 50kozpa of gold from Challenger and is targeting a further 20kozpa from its satellite Tarcoola deposit. Based on the existing Challenger Mineral Resource estimate of 263koz, we see the potential for an initial 3.5 year mine life with a number of growth opportunities close, and lateral, to existing development. WPG has a solid team of mining professionals with a broad range of mining experience with a proven track record of success.

**Building an Emerging Gold Producer:** In July 2016, WPG acquired 100% of the Challenger gold mine by acquiring the remaining 50% from PYBAR for \$9m. Previously, in March 2016, WPG and PYBAR formed a 50/50 JV to acquire the Challenger gold mine from Kingsgate Consolidated (KCN) for \$1m, which included \$2.7m in environmental bonds. Overall, the opportunistic acquisition provides a significant opportunity for WPG to emerge as a mid-tier gold producer. In May 2016, the Company re-hired many of the previous Challenger employees and re-negotiated key mine services contacts with the aim of re-commissioning the mine. The new team achieved its first gold pour under the JV at the end of May and produced 3.4koz in the June 2016 Q. WPG produced 12,138oz of gold for the September Q. The Company has suggested that it expects to produce 12.4koz of gold in the December Q, which is in-line with our estimate of 12koz. However, the month of December was impacted by poor jumbo availability which has impacted development rates and access to higher grade areas.

**Highly Leveraged Gold Producer:** The Company is most sensitive to movements in gold price. A 10% move in the gold price results in a 29% increase to our valuation. The next most sensitive factor for a similar movement is exchange rate (26%), grade (22%) and operating costs (19%).

**Good Potential for a 3 year Mine Life:** In October 2016, WPG released an updated Mineral Resource estimate for Challenger of 838kt at 9.76g/t Au for 263koz gold. The Company has provided FY17 production guidance of c.50koz and aims to develop its 100% owned Tarcoola deposit which could add a further 20kozpa. Therefore, we see the potential for WPG to achieve 60-80kozpa of gold production over the next 2-3 years at an estimated All-In-Sustaining Costs (AISC) of c.\$1,360/oz.

**Exploration Upside:** There appears to be significant potential to extend the mine life at Challenger. Laterally, there are a number of opportunities close to existing development with further drilling required. At Challenger south-southwest (SSW), an intercept of 0.2m at 368g/t Au has been reported, with previous drilling identifying additional intercepts on multiple levels which could suggest an additional structure. WPG plans to do sufficient drilling to systematically define new mining areas in advance of expected mining. Challenger Deeps also represents a significant opportunity with the extension of the rich M1/M2 ore shoots; however, this will depend on the prevailing gold price as the decline is at a depth of more than 1km below surface. WPG recently resolved a dispute with Tyranna Resources Limited (TYX) which allowed the Company to secure 100% of the rights for the Challenger Deeps area.

**Tarcoola Satellite Operation to Add c.20kozpa:** WPG has commenced mining at its Tarcoola satellite open pit operation, which is located some 100km to the southeast of Challenger. The operation is expected to contribute 20kozpa of gold over 3 years to Challenger. The Company plans to mine the 710kt at 3.1g/t Au for 71koz of gold via open pit over two years and then process the ore at Challenger over three and a half years.

**Other Opportunities:** Once WPG has generated sufficient cash from Challenger/Tarcoola it could look to use the capital to develop the Tunkillia project, which has a significant Mineral Resource estimate of 12.32Mt at 1.41g/t Au for 558koz. Furthermore, WPG has a joint venture with Tyranna Resources (TYX) whereby the Company has returned some interesting gold results. Any discovery could potentially be processed through the Challenger plant.

**Backing the Team:** The WPG team has a broad range of mining experience and has a proven track record of success. Wayne Rossiter was appointed CEO on 22 December 2016 and is both a mining engineer and a chartered accountant with extensive mining experience. He is working with the WPG team to devise new strategies to lift the Company's production profile and improve its cashflow. Bob Duffin (Executive Chairman) has 40 years' experience in mining and has held senior positions within the exploration divisions of Peko Wallsend Ltd and MIM Holdings. Cornel Parshotam was recently appointed Chief Operating Officer and is a mining professional with over 36 years of leadership and operational experience in the minerals industry, including as Head of Operations at BHP Billiton's Olympic Dam mine in South Australia. He was also Acting Operations Manager at Emperor Mines in Fiji and General Manager Operations at Metallon Gold in Zimbabwe, which at the time was the largest gold producer in Zimbabwe. Gary Jones (Technical Director) is a geologist with over 45 years professional experience in mineral exploration and resource and reserve estimation for various types of mineral deposits including porphyry copper-gold and epithermal gold.

## VALUATION

Our Net Asset Value (NAV) for WPG has decreased to \$0.13/sh (from \$0.15/sh) due to our revised gold price and exchange rate estimates. Our valuation is based on a discounted cashflow model for the Challenger gold mine and Tarcoola satellite open pit. For Challenger, we have assumed a three year mine life processing 1.4Mt at 4.7g/t Au for 210koz, which is based on an 80% conversion of contained gold from Mineral Resources (838kt at 9.76g/t Au for 263koz gold) to Ore Reserves. The grade used equates to the average achieved over the past 5 years. Following our recent site visit, we believe this is feasible given that there are a number of lateral development opportunities within the mine. We expect lower grades in FY17, as WPG is processing some stockpiled ore from the ROM pad (c.1.3g/t Au) and previous owner KCN has already exploited some of the higher grade areas within the immediate stopes. As WPG continues to mine, it will look to develop into higher grade ore, which, in turn, will increase production and lower the overall cost per ounce. We estimate production of 45.5koz of gold from Challenger in FY17, which increases to 60.4koz in FY18 and 64.1koz in FY19. All-In-Sustaining costs are expected to drop from \$1,360/oz in FY17 to \$1,100/oz in FY19 as WPG develops into higher grade areas.

At Tarcoola, which is expected to average 20kozpa of gold production, we have based our model on the information provided in the updated feasibility study which was released on 1 September 2016. The Tarcoola project has an Ore Reserve estimate of 710kt at 3.1g/t Au for 71koz. WPG is trucking ore mined from the Tarcoola open pit to the Challenger processing plant, which is located some 165km away by road. Mining has commenced and is expected to occur over a two year period with processing at Challenger over a three and a half year period. The estimated average All-In-Sustaining cost is \$916/oz. We have assumed that 8koz of gold will be produced from Tarcoola in FY17.

We have assumed the value of exploration assets at \$4.2m, which is based on 5% of our value for Challenger and Tarcoola. We believe this is reasonable given that WPG has been able to secure 100% of Challenger Deeps and there are further mine opportunities identified.

Figure 1: WPG Net Asset Valuation (NAV)

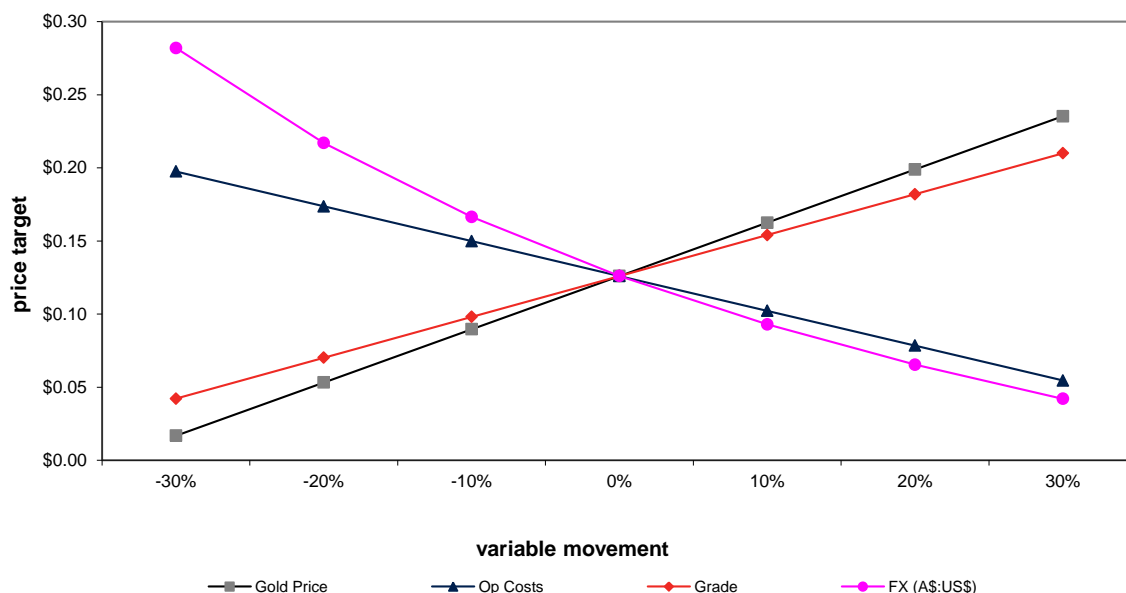
Valuation	A \$ m	A \$/sh
Challenger	54.2	0.07
Tarcoola	29.1	0.04
Exploration	4.2	0.01
Unpaid capital	2.5	0.00
Corporate	(4.2)	(0.01)
Forwards	0.0	0.00
Investments	0.0	0.00
Cash (est.)	12.1	0.02
Debt	0.0	0.00
<b>NAV @0%</b>	<b>97.7</b>	<b>0.13</b>
(@ 0% discount rate)		
<b>Price Target (1.0x NAV)</b>		<b>0.13</b>

Source: Patersons Securities Ltd

## SENSITIVITIES

In Figure 2, we have conducted a sensitivity analysis on WPG. The Company is most sensitive to movements in gold price. A 10% favourable move in the gold price results in a 29% increase to our valuation. The next most sensitive factor for a similar movement is exchange rate (26%), grade (22%) and operating costs (19%).

Figure 2: Sensitivity Analysis



Source: Patersons Securities Limited

## CORPORATE

WPG has 717.4m shares on issue with 38.513m listed options (WPGO) at an exercise price of \$0.038/sh expiring on 31 December 2016. There are a further 25m unlisted options issued to DMPL, a related party of PYBAR, and 12.5m options issued to Veritas, both with an exercise price of \$0.11/sh with an expiry date of September 2018. The unlisted options issued to DMPL were part of the acquisition of the remainder of the Challenger gold mine. The unlisted options issued to Veritas were part of the consideration for acting as Underwriter to the July 2016 successful Entitlement Offer. There are a further 21.9m incentive rights which are made up of 4.9m vesting 1 July 2017, 6.6m vesting 1 July 2018 and 10.4m vesting 1 July 2019.

WPG reported cash at the end of September of \$12.1m which included the July 2016 \$13.5m capital raising, \$9m of which was used to purchase DMPL's 50% interest in the Challenger Gold mine. The equity raising comprised of a \$7.35m Placement, and a \$6.12m fully underwritten 1 for 6 pro rata non-renounceable Entitlement Offer priced at \$0.065/sh.

WPG's major shareholders are Bob Duffin (7.5%), Jalinsons Pty Ltd (6.6%) and Commonwealth Bank (6.0%).

## RISKS

We have identified a number of risks which may impact WPG. These are by no means a complete list of risks and there may be others beyond those identified:

**Resource Conversion:** At Challenger, WPG will need to conduct further drilling to convert Mineral Resources into Ore Reserves. There is a risk that the outcomes of this drilling may not meet our expectations of an 80% conversion from Mineral Resources to Ore Reserves. However, there does appear to be a number of opportunities to convert laterally within the mine.

**Technical:** At Challenger, WPG's approach is to reduce the production rate of the mine and focus on lower cost ounces. The use of smaller equipment is expected to reduce the amount of dilution. If the dilution is higher than expected then there is a risk that processed grades could be lower and subsequently force costs higher. There is also the potential for delays in development rates as we have seen in the month of December.

**Commodity Price:** The project is most sensitive to gold price with a 10% move resulting in a 29% change to our valuation.

**Exchange Rate:** Movements in the AUDUSD exchange rate have an impact on our valuation. A 10% move in exchange rate has a 26% impact to our valuation.

## DIRECTORS AND MANAGEMENT

### Robert (Bob) H Duffin – Executive Chairman

#### BSc (Hons), MSc (Hons), Grad Dip Mgt, FAusIMM

Bob Duffin is a company director with over 45 years' experience in resource exploration, project assessment, mining investment analysis, and company management.

Bob has held senior positions in the exploration divisions of Peko Wallsend and MIM Holdings, then two of Australia's largest mining companies, and is a former Managing Director of Austirex International, an international resource exploration consulting and contracting firm. He has lived and worked in mining communities, including periods in Kalgoorlie in Western Australia and Mount Isa in Queensland, where he worked on exploration programs for a number of commodities, including gold, copper, uranium, base metals and iron ore. He has also worked with three stockbroking firms and was head of research at one of Australia's leading resource sector brokers in the 1980s.

Bob is a former Non-Executive Director of a number of companies, including Centennial Coal, Midwest Corporation, Ferrowest, Burmine, Austmin Gold, Mt Lyell, the UK resources investment company Europa Minerals Group, and Mancala, a mining contractor. Bob has been a Director of WPG since 2004.

### Wayne Rossiter – Chief Executive Officer

#### BE (Mining), ACA, MAppFin, MAusIMM, GMAICD

Wayne Rossiter is both a mining engineer and a chartered accountant. Wayne has held senior finance and management roles in resource and energy companies. Wayne has knowledge and experience in transitioning companies from the exploration stage through to development and into production. His range of experience includes underground coal gasification, coal seam gas, coal, conventional oil and gas, precious metals, gold and iron ore with global experience covering Australia, Africa, China, Indonesia, the USA, the UK, the former Soviet Republic of Georgia and the Middle East.

### Gary Jones – Technical Director

#### BSc, FAusIMM, MSEG

Gary Jones is a geologist with over 45 years professional experience in mineral exploration and resource and reserve estimation for various type of mineral deposits including porphyry copper-gold and epithermal gold. He is Managing Director of Geonz Associates Ltd, a leading New Zealand firm of consulting geologists, and has been an independent consultant to the mining industry for the past 29 years during which time assignments have been completed in many parts of the world including Australia, Indonesia, North and South America, Canada and New Zealand.

Prior to setting up his own consultancy Gary worked as an exploration geologist for Geopeko for 15 years in various parts of Australia including 12 years in central New South Wales where he established and managed a new exploration operation for Geopeko. During this time he supervised numerous base and precious metal projects throughout the Lachlan Fold Belt and parts of the New England region and is credited with the discovery of the Northparkes porphyry copper-gold deposits.

Following the initial discoveries at Goonumbra, Gary also had a major input into the pegging of a large block of exploration licences in the Lake Cowal region. He planned and supervised the initial regional exploration programs that ultimately led to the discovery of the 4.4 million ounce Cowal porphyry gold deposit. Early in his career Gary worked on iron ore exploration and mining activities in the Northern Territory. Gary has been a Director of WPG since 2004.

### Helen Wiseman – Non-Executive Director

Helen Wiseman is a Chartered Accountant and former partner at accounting firm KPMG. She has over 20 years' experience working in professional services firms advising a broad range of corporate clients in the mining, oil and gas, energy, manufacturing and government sectors. She is a director of, and chairs the audit committee of, Bid Corporation Limited (Bidcorp), a global foodservice group listed on the Johannesburg Stock Exchange. She is also a director of Imalia, a financial services company she co-founded.

She is a member of the Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors, the Institute of Directors Southern Africa, Women on Boards and an associate member of the Association of Certified Fraud Examiners.

Helen was appointed a Director of WPG in October 2016 and is Chair of the Audit & Risk Committee.



**Dennis Mutton – Non-Executive Director****BSc (Hons), Grad Dip Mgt, JP, FAIM, FAICD**

Dennis Mutton is a management consultant specialising in natural resource management, primary industries and resources, regional growth initiatives and business-government relations. From 1997 to 2002 he was Chief Executive of the South Australian Department of Primary Industries and Resources. He has a portfolio of directorships including Chair of Bio Innovation SA and Chair of CRC Pork Ltd. He is a former Director of Mines, former Chair of the Natural Resources Management Council, and a former Director of the Australian Rural Leadership Foundation. Dennis lives in Adelaide. He was a Director of WPG from 2007 – 2008, and re-joined the Board in 2010.

**Lim See Yong – Non-Executive Director****BBA (Singapore)**

Lim See Yong is General Manager and Director of Xin Sheng International Private Limited, a trading company related to Tangshan Xingye Industrial and Trade Group Corporation, an investor in raw materials for the steel industry. He spent 11 years with NatSteel Trade International, a Singapore mill that produces bars and wire rods from scrap. He was NatSteel's chief representative in China for 7 years from 1995. From 2002 to 2006 he was in charge of selling iron ore and steel products to China, and exporting semi and finished steel products to South East Asian markets. See Yong lives in Singapore. He has been a Director of WPG since 2007.

**Larissa Brown – Company Secretary****BA, Dip Ed, Grad Dip ACG, AGIA**

Larissa Brown is a chartered secretary with particular experience in the administration of resource and resource technology companies. Larissa manages corporate and regulatory compliance, share registry and shareholder liaison & communications and annual reporting, as well as work health safety, safety governance and policy development. Larissa was appointed Group Company Secretary on 6 August 2009.

**Cornel Parshotam – Chief Operating Officer****Dip Mining, GCC**

Cornel Parshotam is a mining professional with over 37 years of operational mining experience.

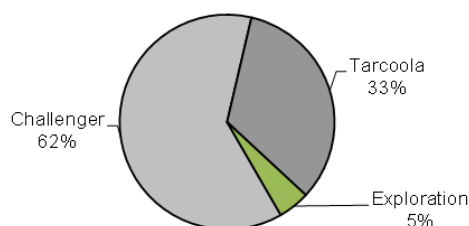
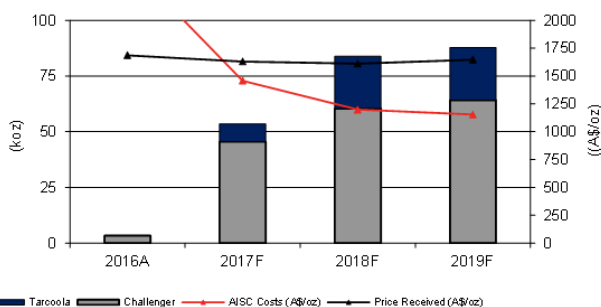
Cornel has held senior mining management positions in Africa and Australasia including General Manager Operations at Metallon Gold Zimbabwe, Acting Operations Manager at Emperor Gold Mines in Fiji and more recently General Manager Mine and then Head of Operations and BHP Billiton's Olympic Dam Mine in South Australia. His range of experience encompasses the management and operation of both surface and underground operations in base metal and precious metal mining.

**WPG Resources Limited (WPG)****\$0.05**

Valuation	A\$m	A\$/sh
Challenger	54.2	0.07
Tarcoola	29.1	0.04
Exploration	4.2	0.01
Unpaid capital	2.5	0.00
Corporate	(4.2)	(0.01)
Forwards	0.0	0.00
Investments	0.0	0.00
Cash (est.)	12.1	0.02
Debt	0.0	0.00
<b>NAV @0%</b>	<b>97.7</b>	<b>0.13</b>
(@ 0% discount rate)		
<b>Price Target (1.0x NAV)</b>		<b>0.13</b>

**NAV Sensitivity**

NPV (nom) @ 5% disc.	0.122
NPV (nom) @ 8% disc.	0.117

**Valuation Summary of Operating Assets****Gold Production Summary****Resources & Reserves**

Reserves	Mt	Au g/t	Au koz
Challenger (30 June 2016)	0.558	5.0	89
Tarcoola (29 August 2016)	0.710	3.1	71
<b>Total</b>	<b>1.268</b>	<b>3.9</b>	<b>160</b>
Resources	Mt	Au g/t	Au koz
Challenger (30 June 2016)	0.838	9.8	263
Tarcoola (29 August 2016)	0.973	3.1	98
Tunkillia (February 2015)	12.3	1.4	558
<b>Total</b>	<b>14.1</b>	<b>2.0</b>	<b>919</b>

**Directors**

Name	Position
Bob Duffin	Executive Chairman
Gary J Jones	Technical Director
Len Dean	Non-Executive Director
Dennis R Mutton	Non-Executive Director
Lim See Yong	Non-Executive Director

**Substantial Shareholders**

	m	%
Bob Duffin	51.4	7.5
Jalinsons Pty Ltd	38.2	5.6
CBA Australia	34.9	5.1

**Year End June 30**

Commodity Assumptions	2016A	2017F	2018F	2019F
A\$:US\$	0.73	0.75	0.74	0.74
Gold (US\$/oz)	1167	1228	1193	1210
Silver (US\$/oz)	15.33	17.75	17.28	17.55
Gold (A\$/oz)	1602	1643	1611	1646
<b>Target Price Sensitivity</b>	<b>-10%</b>	<b>0%</b>	<b>+10%</b>	<b>Change</b>
FX (A\$:US\$)	0.17	0.13	0.09	-26%
Gold Price	0.09	0.13	0.16	29%
Gold Grade	0.10	0.13	0.15	22%
Operating Costs	0.15	0.13	0.10	-19%

Production Summary	2016A	2017F	2018F	2019F
<b>Production (koz)</b>				
Challenger	3.4	45.5	60.4	64.1
Tarcoola	0.0	8.0	23.4	23.7
<b>Total Gold Production (koz)</b>	<b>3.4</b>	<b>53.5</b>	<b>83.8</b>	<b>87.8</b>

**Cost Summary**

C1 Cash Costs (A\$/oz)	1987	1253	1036	999
AISC Costs (A\$/oz)	2519	1458	1199	1154
Price Received (A\$/oz)	1,687	1,631	1,612	1,646
<b>Profit &amp; Loss (A\$m)</b>	<b>2016A</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
<b>Sales Revenue</b>	<b>1.6</b>	<b>96.7</b>	<b>135.1</b>	<b>144.6</b>
Other Income	0.2	0.6	1.5	2.7
Operating Costs	3.6	62.2	84.3	86.5
Exploration Exp.	0.0	1.0	0.3	0.0
Corporate/Admin	2.0	2.1	2.1	2.1
<b>EBITDA</b>	<b>(3.9)</b>	<b>32.0</b>	<b>50.0</b>	<b>58.7</b>
Depn & Amort	0.0	6.6	9.5	10.0
<b>EBIT</b>	<b>(4.0)</b>	<b>25.3</b>	<b>40.5</b>	<b>48.6</b>
Interest	0.0	0.0	0.0	0.0
Abnormals (pre-tax)	-4.2	0.0	0.0	0.0
<b>Operating Profit</b>	<b>(8.2)</b>	<b>25.3</b>	<b>40.5</b>	<b>48.6</b>
Tax expense	0.0	0.0	12.1	14.6
<b>NPAT</b>	<b>(8.2)</b>	<b>25.3</b>	<b>28.3</b>	<b>34.0</b>
Abnormals (post-tax)	(3.0)	0.0	0.0	0.0
<b>Normalised NPAT</b>	<b>(5.2)</b>	<b>25.3</b>	<b>28.3</b>	<b>34.0</b>

Cash Flow (A\$m)	2016A	2017F	2018F	2019F
Adjusted Net Profit	(4.0)	25.3	28.3	34.0
+ Interest/Tax/Expl Exp	0.0	1.0	12.4	14.6
- Interest/Tax/Expl Inc	0.0	1.0	13.2	15.6
+ Depn/Amort	0.0	6.6	9.5	10.0
+/- Other	2.8	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>(1.1)</b>	<b>32.0</b>	<b>37.1</b>	<b>43.0</b>
- Capex (+ asset sales)	2.7	15.1	8.2	8.4
- Working Capital Increase	(5.8)	(0.3)	0.0	0.0
<b>Free Cashflow</b>	<b>2.0</b>	<b>17.2</b>	<b>28.8</b>	<b>34.6</b>
- Dividends (ords & pref)	0.0	0.0	10.8	7.2
+ Equity raised	0.0	13.8	0.0	0.0
+ Debt drawdown (repaid)	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>2.0</b>	<b>22.0</b>	<b>18.1</b>	<b>27.5</b>
Cash at End Period	4.6	26.7	44.7	72.2
Net Cash/(LT Debt)	4.6	26.7	44.7	72.2

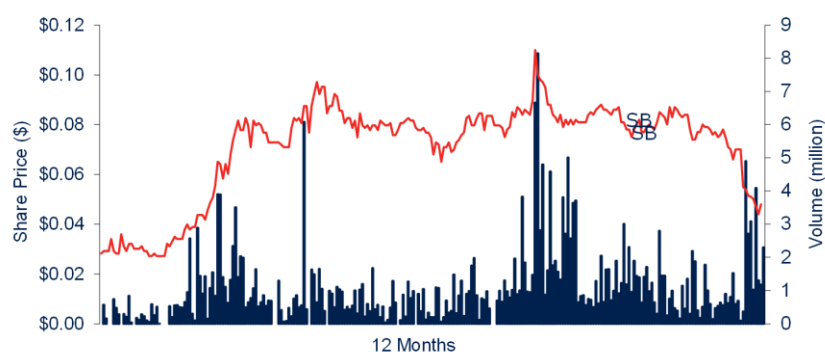
Balance Sheet (A\$m)	2016A	2017F	2018F	2019F
Cash	4.6	26.7	44.7	72.2
Total Assets	18.2	48.7	65.5	91.3
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	11.8	9.5	5.1	4.1
Shareholders Funds	6.4	39.2	60.3	87.2

**Ratios**

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	na	na	na	na
Return on Equity (%)	na	64.7	47.0	39.0



## Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
14 Oct 16	Research Note	0.15	0.080	SB	
18 Oct 16	Hot off the Press	0.15	0.077	SB	-3.8%
	Current Share Price		0.048		-37.7%

**Stock recommendations:** Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.



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