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Authorisation

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Nickel Mines Ltd (NIC)

Delivery track record continues

Recommendation

Buy (unchanged)

Price

\$0.37

Valuation

\$0.95 (previously \$0.93)

Risk

Speculative

GICS Sector

Materials

Expected Return

Capital growth	156.8%
Dividend yield	0.0%
Total expected return	156.8%

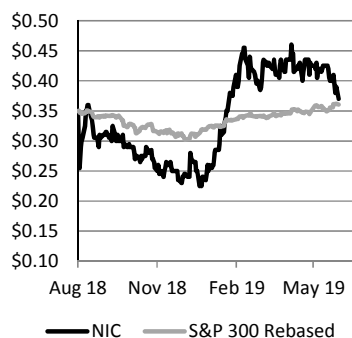
Company Data & Ratios

Enterprise value	\$433.6m
Market cap	\$513.6m
Issued capital	1,388.0m
Free float	51%
Avg. daily val. (52wk)	\$648,000
12 month price range	\$0.22-\$0.465

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.41	0.41	
Absolute (%)	-9.8	-9.8	
Rel market (%)	-14.4	-15.6	

Absolute Price



SOURCE: IRESS

NIC raises \$55m to lift Ranger stake to 60%

NIC recently completed an A\$55m equity placement to new and existing investors. The proceeds from the raise comprise part of a multi-component financing package that will enable NIC to increase its stake in the Ranger Nickel Project from 17% to 60%. The placement issued 137.5m new shares at a price of A\$0.40 per share. The US\$121.4m acquisition cost to lift NIC's ownership of Ranger Nickel from 17% to 60% will be funded by the proceeds from the recently completed placement, the US\$80m debt facility with SDI and the US\$40m in scrip issued to SDI. We expect the acquisition to be completed in the second half of June 2019.

Production ramp-up humming – nameplate exceeded in May

In conjunction with the recently completed placement, NIC released a production update which showed that the ramp-up of nickel in NPI production is running comfortably ahead of our forecasts. This is not only being driven by higher NPI production, but, importantly, by higher Ni in NPI grades. The benefit of this is that it has greater impact in lowering unit operating costs. The most important takeaway however, in our view, is the success of the ramp-up and the strong track-record of delivery from a new operation. In this market that is likely to earn a tangible premium to peers and allow the market to attribute greater value to NIC's ongoing growth plans.

Investment thesis – Speculative Buy, valuation \$0.95/sh

Higher contained nickel production is driving lower costs and a shift to profitability for FY19. The increased revenues and earnings more than offset the dilution of the recent equity raise and are P/E and valuation accretive. NIC is now trading on a CY20 P/E of only 2.9x – very cheap for what is in many respects a high growth industrial story. Our NPV-based, 12-month forward valuation is up 2%, from \$0.93/sh to \$0.95/sh. We retain our Speculative Buy recommendation and continue to rate NIC as our top pick in the sector.

Earnings Forecast

Year ending 30 June	2018a	2019e	2020e	2021e
Sales (US\$m)	14	47	556	576
EBITDA (US\$m)	(2)	16	273	288
Attributable NPAT (reported) (US\$m)	(3)	2	150	160
Attributable NPAT (adjusted) (US\$m)	(3)	2	150	160
EPS (adjusted) (Aeps)	(0.9)	0.3	13.3	12.8
EPS growth (%)	nm	nm	4846%	-4%
PER (x)	nm	137.3	2.8	2.9
FCF Yield (%)	-46%	-38%	38%	61%
EV/EBITDA (x)	(192.3)	18.9	1.1	1.0
Dividend (Aeps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-8%	1%	67%	50%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Delivery track record continues

NIC raises \$55m to lift Ranger stake to 60%

NIC recently completed an A\$55m equity placement to new and existing investors. The proceeds from the raise comprise part of a multi-component financing package that will enable NIC to increase its stake in the Ranger Nickel Project from 17% to 60%. The Placement issued 137.5m new shares at a price of A\$0.40 per share.

This Placement comes ahead of the scrip component of the acquisition consideration, which will see US\$40m of new shares issued to Shanghai Decent Investments (SDI) at a price of A\$0.41 per share. This is expected to be completed the second half of June 2019, at which time SDI's ownership in NIC will increase to approximately 18.1%.

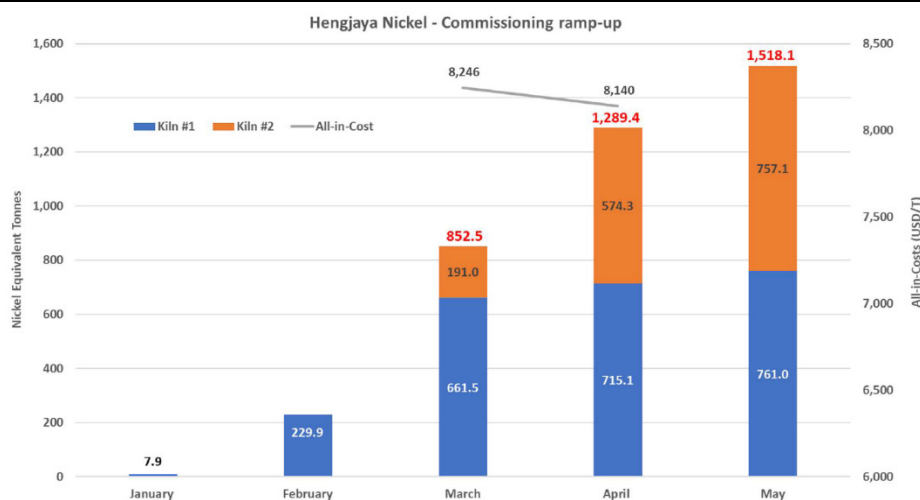
NIC also recently signed a binding debt Term Sheet with Decent Investment International (Decent) an associate of SDI, for a secured debt facility of US\$80m maturing in May 2024 and carrying an interest rate of 6% plus the greater of (i) 3-Month US\$ LIBOR or (ii) 2.5%pa. This is the debt component of the financing package.

The US\$121.4m acquisition cost to lift NIC's ownership of Ranger Nickel from 17% to 60% will therefore be funded by the US\$80m debt facility, US\$40m in scrip issued to SDI and US\$1.4m from the completed placement. The funds raised beyond the US\$121.4m will be used to fast-track a number of development initiatives at NIC's 80% owned Hengjaya Mine and for general working capital purposes.

Production ramp-up humming – nameplate exceeded in May

In conjunction with the recently completed \$55m placement, NIC released a production update which showed that the ramp-up of nickel in NPI production is running comfortably ahead of our forecasts. This is not only being driven by higher NPI production, but, importantly, by higher Ni in NPI grades. The benefit of this is that it has greater impact in lowering unit operating costs. It means that, in terms of contained nickel, the Hengjaya lines produced 1,518t Ni equivalent in May, exceeding their nameplate capacity of 1,375t Ni by 10%. Back-calculating from the higher Ni grades indicates that actual NPI production was still ramping up to nameplate in May, but ahead of our forecasts.

Figure 1 – Hengjaya Nickel ramp-up – RKEF lines 1&2 production and costs



SOURCE: COMPANY DATA

Since commencing production, the Hengjaya RKEF lines have achieved average Ni in NPI grades in excess of 13.5% Ni, compared with our base case assumption of 11% Ni. We have now allowed for higher Ni in NPI grades in our modelled assumptions (average 12.8% to end CY19, inclusive of grades reported to date), though we do not extrapolate the higher grades far beyond CY2019. Together with the other production data our analysis indicates:

- CY2019 production is tracking ~40% ahead of our forecast ramp-up rates – an excellent start to an already ahead-of-schedule ramp-up;
- All-In-Costs have potential to drop below US\$8,000/t in the June quarter (vs our previous ~US\$8,100/t forecast);
- NIC looks likely to swing into a net profit (from a small net loss) in CY2019 – a great result for a company with its main asset in production ramp-up; and
- Should the high Ni in NPI grade continue, it will have a material positive benefit on our longer-term forecasts and valuation.

The increased revenues and earnings more than offset the dilution of the recent equity raise and are P/E and valuation accretive. NIC is now trading on a CY20 P/E of only 2.8x – very cheap for what is in many respects a high growth industrial story.

The most important takeaway however, in our view, is the success of the ramp-up and the strong track-record of delivery from a new operation. In this market that is likely to earn a tangible premium to peers and allow the market to attribute greater value to NIC's ongoing growth plans.

Our last indicative commissioning and production schedule for the Hengjaya RKEF lines is summarised below:

Table 1 – Indicative RKEF ramp-up schedule as per Bell Potter assumptions

Hengjaya Nickel RKEF Line ramp-up	Line 1	Line 2
First production	01-Feb-19	15-Mar-19
+8 weeks 80%	29-Mar-19	10-May-19
+8 weeks 100%	24-May-19	05-Jul-19

SOURCE: BELL POTTER SECURITIES ESTIMATES

First production from the Ranger RKEF lines was also reported to have been achieved on 30 May 2019. This was ~3 weeks behind our accelerated schedule, but is still ~5 months ahead of our original schedule. We can also see from the ramp-up progress at the Hengjaya lines that some of this ground may be made up.

Sulawesi floods – no material disruption

We note reports late last week of flooding on the island of Sulawesi in Indonesia, where NIC's operations are located. We have spoken with the company, which has indicated there has been no material disruption resulting from the flooding.

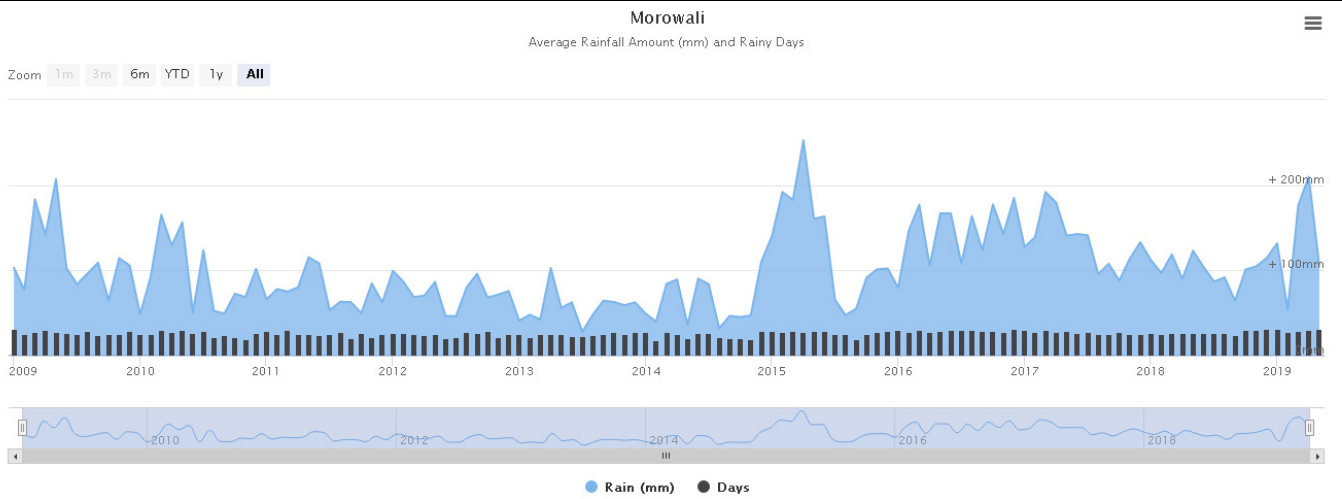
It is important to understand that there are two separate entities that make up NIC's operations in Indonesia:

- 1) The IMIP industrial park where the RKEF (NPI production) operations are located. Operations here have continued essentially without disruption. The IMIP maintains large stockpiles of key inputs (laterite ore for NPI and coal for power) which come from multiple sources. The IMIP operations make up 94% of our valuation.
- 2) The Hengjaya Mine (HM) where laterite nickel ore is mined and shipped to the IMIP. The HM makes up 4% of our valuation. Production in the month of June has been impacted, but the rest of the quarter has gone to plan. We have modelled lower production for the June quarter as a result and incorporated it into our forecasts.

Given our knowledge of the operations, this is very much in line with our expectations of such an event and should not have a material impact on NPI production – the key value driver for NIC.

Copied below is a rainfall chart for the Morowali locality – you can see that while the latest rainfall event is significant, it is far from being a major outlier.

Figure 2 – Rainfall and rain days chart (monthly) – Morowali Regency, Central Sulawesi



SOURCE: WORLDWEATHERONLINE.COM

Changes to our forecasts

In reflecting the updated funding proposal, we make the following changes to our modelled assumptions:

- Updated NIC's capital structure for the recently completed A\$55m placement and adjust our pricing for the planned scrip component of the Ranger Nickel acquisition;
- Updated our production forecasts to reflect the ahead-of-schedule performance at Hengjaya Nickel RKEF lines, including making an allowance for higher Ni in NPI grades through CY19; and
- We lower our June quarter laterite nickel ore production assumption from NIC's Hengjaya Mine.

The resulting changes to our forecasts and valuation are summarised in the table below:

Table 2 - Changes to our FY forecasts									
Year end 30 June	Previous			New			Change		
	Jun-19	Jun-20	Jun-21	Jun-19	Jun-20	Jun-21	Jun-19	Jun-20	Jun-21
Prices & currency									
Nickel price (US\$/lb)	5.83	7.15	7.45	5.83	7.15	7.45	0%	0%	0%
Nickel price (US\$/t)	12,859	15,763	16,424	12,859	15,763	16,424	0%	0%	0%
US\$/A\$	0.72	0.74	0.75	0.72	0.74	0.75	0%	0%	0%
Production & costs									
Ore mined (Mt, 100%)	668,624	1,460,242	1,564,545	581,380	1,571,656	1,564,545	-13%	8%	0%
Nickel in ore (t, 100%)	8,044	16,559	17,742	7,176	17,823	17,742	-11%	8%	0%
Nickel in ore (attributable)	6,435	11,591	11,177	5,741	12,476	11,177	-11%	8%	0%
RKEF NPI production (t, 100%)	33,372	280,000	300,000	40,224	280,000	300,000	21%	0%	0%
Contained nickel (t, 100%)	3,840	30,800	33,000	5,390	33,150	33,000	40%	8%	0%
Contained nickel (t, attributable)	1,478	18,480	19,800	2,075	19,890	19,800	40%	8%	0%
Cash costs (US\$/t Ni)	-	7,805	7,974	-	7,792	7,974	na	0%	0%
AISC (US\$/t Ni)	-	7,856	8,023	-	7,841	8,023	na	0%	0%
Earnings									
Revenue (attributable, US\$m)	35	314	347	43	338	347	22%	8%	0%
EBITDA (attributable, US\$m)	10	153	173	15	165	173	43%	8%	0%
NPAT (reported, attributable, US\$m)	(2)	139	160	2	150	160	na	8%	0%
EPS (reported) (Acps)	(0)	13	13	0	13	13	na	6%	-3%
PER (x)	(164.4)	3.0	2.8	137.3	2.8	2.9	301.7	(0.2)	0.1
EPS growth (%)	nm	nm	5%	nm	4846%	-4%	nm	nm	-9%
DPS (Acps)	-	-	-	-	-	-	na	na	na
Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (A\$/sh)	0.80	0.93	1.19	0.82	0.95	1.18	2%	2%	-1%
Price Target (A\$/sh)		0.93			0.95			2%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Higher contained nickel production is driving lower costs and a shift to profitability for FY19. The increased revenues and earnings more than offset the dilution of the recent equity raise and are P/E and valuation accretive. NIC is now trading on a CY20 P/E of only 2.9x – very cheap for what is in many respects a high growth industrial story.

Our NPV-based, 12-month forward valuation is up 2%, from \$0.93/sh to \$0.95/sh, with the improved performance more than offsetting the equity dilution. With upside of 156.8% from the last closing price, we retain our Speculative Buy recommendation.

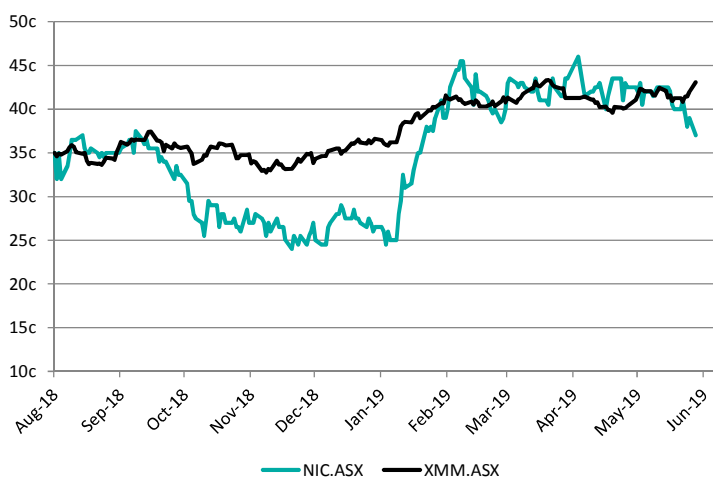
Upcoming catalysts

Upcoming catalysts for NIC include:

- Further production updates on ramp-up of the Hengjaya and Ranger Nickel RKEF lines. We anticipate the Hengjaya Lines reaching 100% of nameplate in the June quarter 2019 and the Ranger Lines reaching 80% of nameplate in the September quarter 2019;
- Execution of the acquisition agreement to lift ownership of the Ranger Nickel lines to 60%; and
- The June quarter production and cost report in July 2019.

NIC vs the ASX Metals and Mining Index

Figure 3 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Nickel Mines Limited (NIC)

Company description: high grade, steady state producer

Nickel Mines Limited ('Nickel Mines' or 'NIC') is a newly listed ASX company, formed in 2007. Its operations are focused in Central Sulawesi, Indonesia, where it holds a 60% interest two Rotary Kiln Electric Furnace (RKEF) lines (the Hengjaya lines) and a 17% interest in a further two RKEF lines (the Ranger lines) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP), in Central Sulawesi, Indonesia. First production from the Hengjaya Lines was achieved on 31 January 2019 and these are on track to reach nameplate production of 16ktpa nickel in NPI (100% basis) during the June quarter 2019. The Ranger Lines are planned to commence production during the June quarter 2019.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, also in Central Sulawesi in close proximity to the IMIP. The balance of the asset is owned by NIC's local Indonesian partner. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility for the production of Nickel Pig Iron (NPI), a key input into stainless steel production.

Investment thesis – Speculative Buy, valuation \$0.95/sh

Higher contained nickel production is driving lower costs and a shift to profitability for FY19. The increased revenues and earnings more than offset the dilution of the recent equity raise and are P/E and valuation accretive. NIC is now trading on a CY20 P/E of only 2.9x – very cheap for what is in many respects a high growth industrial story. Our NPV-based, 12-month forward valuation is up 2%, from \$0.93/sh to \$0.95/sh. We retain our Speculative Buy recommendation and continue to rate NIC as our top pick in the sector.

Valuation: \$0.95/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), a 60% interest in the two Hengjaya Nickel RKEF lines and a 60% interest in the two Ranger Nickel RKEF lines. This includes assumptions around funding of the increased interest via the proposed US\$150m package of US\$80m debt and US\$70m of new equity, with US\$40m of this accepted by SDI in consideration for NIC's acquisition of a further 43% in the Ranger Nickel project.

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are under construction at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% from FY2023) in the Hengjaya laterite nickel ore mine. We also include a notional value for exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net debt position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at \$0.95/sh.

Risks

Key risks to our investment case include (but are not limited to):

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the investment of a combined US\$50m by SDI and Wanlu Investments (US\$26m and US\$24m respectively) into NIC equity.

Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e	Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	US\$m	8.6	13.6	46.7	555.6	575.6	VALUATION						
Expense	US\$m	(11.9)	(15.1)	(30.9)	(282.5)	(287.8)	Attributable NPAT	US\$m	(3.8)	(3.3)	2.1	150.2	160.4
EBITDA	US\$m	(3.3)	(1.6)	15.8	273.1	287.8	Attributable NPAT	A\$m	(5.1)	(4.4)	2.9	202.9	213.8
Depreciation	US\$m	(0.1)	(0.1)	(1.8)	(15.9)	(15.8)	Reported EPS	Ac/sh	(1.6)	(0.9)	0.3	13.3	12.8
EBIT	US\$m	(3.4)	(1.6)	14.0	257.2	272.0	Adjusted EPS	Ac/sh	(1.6)	(0.9)	0.3	13.3	12.8
Net interest expense	US\$m	(0.5)	(0.7)	0.0	(2.4)	(0.3)	EPS growth	%	nm	nm	nm	4846%	-4%
Unrealised gains (Impairments)	US\$m	-	-	-	-	-	PER	x	nm	nm	137.3x	2.8x	2.9x
Other	US\$m	-	-	(11.4)	-	-	DPS	Ac/sh	-	-	-	-	-
PBT	US\$m	(3.9)	(2.3)	2.7	254.7	271.7	Franking	%	0%	0%	0%	0%	0%
Tax expense	US\$m	0.2	(0.7)	-	(3.4)	(3.5)	Yield	%	0%	0%	0%	0%	0%
Consolidated profit (loss) for the year	US\$m	(3.7)	(2.9)	2.7	251.3	268.1	FCF/share	Ac/sh	(0.0)	(16.9)	(13.9)	14.0	22.4
Non-Controlling Interest	US\$m	0.1	0.4	(0.6)	(101.2)	(107.8)	FCF yield	%	0%	-46%	-38%	-38%	61%
Attributable NPAT (reported)	US\$m	(3.8)	(3.3)	2.1	150.2	160.4	P/FCFPS	x	-3317.6x	-2.2x	-2.7x	2.6x	1.6x
NPAT (underlying)	US\$m	(3.8)	(3.3)	2.1	150.2	160.4	EV/EBITDA	x	-90.0x	-192.3x	18.9x	1.1x	1.0x
							EBITDA margin	%	nm	nm	34%	49%	50%
							EBIT margin	%	nm	nm	30%	46%	47%
							Return on assets	%	-27%	-5%	1%	54%	39%
							Return on equity	%	2029%	-8%	1%	67%	50%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	-	-	(107)	(167)	(343)
							ND / E	%	0%	0%	-35%	-37%	-56%
							ND / (ND + E)	%	0%	0%	-55%	-58%	-127%
							EBITDA / Interest	x	-6.1x	-2.4x	nm	112.4x	981.3x
							ATTRIBUTABLE DATA - NICKEL MINES LTD						
							Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
							Revenues	US\$m	6.9	10.8	43.1	337.7	346.7
							EBITDA	US\$m	(2.7)	(1.2)	14.9	164.8	172.5
							NPAT	US\$m	(3.8)	(3.3)	2.1	150.2	160.4
							Net distributable cash flow	US\$m	0.1	0.0	95.4	125.9	144.3
							EV/EBITDA	x	nm	nm	20.1	1.8	1.7
							PER	x	nm	nm	174.1	2.5	2.4
							P/FCF	x	nm	nm	nm	3.0	2.7
							ORE RESERVE AND MINERAL RESOURCE						
							Hengjaya Nickel Mine (HM)				Mdmt	% Ni	kt Ni
							Mineral Resources						
							Measured				0.700	1.80%	12,600
							Indicated				15,000	1.90%	285,000
							Inferred				22,000	1.80%	396,000
							Total				38,000	1.80%	678,000
							ASSUMPTIONS - Prices						
							Year ending 30 June avg	Unit	2017a	2018a	2019e	2020e	2021e
							Nickel	US\$/lb	\$4.60	\$5.65	\$5.83	\$7.15	\$7.45
							Nickel	US\$/t	\$10,141	\$12,456	\$12,859	\$15,763	\$16,424
							Currency						
							AUD:USD		0.75	0.78	0.72	0.74	0.75
							ASSUMPTIONS - Production & costs						
							Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
							Hengjaya Mine						
							Ore mined	wmt	303,597	391,362	581,380	1,571,656	1,564,545
							Ore grade	% Ni	2.1%	2.1%	2.0%	1.8%	1.8%
							Nickel in ore	t Ni	6,254	8,062	7,176	17,823	17,742
							Nickel in ore (attributable)	t Ni	5,003	6,450	5,741	12,476	11,177
							RKEF (IMIP)						
							NPI production	t	-	-	40,224	280,000	300,000
							Contained nickel	t Ni	-	-	5,390	33,150	33,000
							Contained nickel (attributable)	t Ni	-	-	2,075	19,890	19,800
							Costs						
							Cash costs	US\$/t Ni	-	-	-	\$7,792	\$7,974
							All-in-Sustaining-Costs (AISC)	US\$/t Ni	-	-	-	\$7,841	\$8,023
							VALUATION						
							Ordinary shares (m)						1,664.9
							Options in the money (m)						-
							Total shares diluted (m)						1,664.9
							Share price	A\$/sh					0.370
							Market capitalisation	A\$m					513.6
							Net cash	A\$m					80.0
							Enterprise value (undiluted)	A\$m					433.6
							Options outstanding (m)	m					0.0
							Options (in the money)	m					0.0
							Issued shares (diluted for options)	m					1,664.9
							Market capitalisation (diluted)	A\$m					616.0
							Net cash + options	A\$m					80.0
							Enterprise value (diluted)	A\$m					536.0
							MAJOR SHAREHOLDERS						
							Shareholder	%					m
							Directors and Management	18.1%					302.0
							Shanghai Decent (SDI)	9.7%					161.7
							Shanghai Wanlu	9.0%					149.3
							BlackRock Investment Management	8.3%					137.9
							Regal FM	4.3%					71.0

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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