BELL POTTER

Speculative
See key risks on Page 6
Speculative securities may not be suitable for retail clients

2 May 2019

Analyst
David Coates 612 8224 2887

Authorisation
Peter Arden 613 9235 1833

Nickel Mines Ltd (NIC)

Maiden production quarter impresses

Recommendation
Buy (unchanged)
Price
$0.425
Valuation
$0.95 (unchanged)
Risk
Speculative

GICS Sector

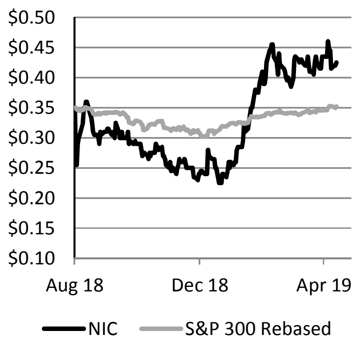
Materials

Expected Return	
Capital growth	**123.5%**
Dividend yield	**0.0%**
Total expected return	**123.5%**
Company Data & Ratios	
Enterprise value	**$569.1m**
Market cap	**$589.9m**
Issued capital	**1,388.0m**
Free float	**64%**
Avg. daily val. (52wk)	**$631,000**
12 month price range	**$0.22-$0.465**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.43	0.28	
Absolute (%)	-1.2	51.8	
Rel market (%)	-4.5	42.9	

Absolute Price



SOURCE: IRESS

March quarter 2019

NIC has reported an impressive maiden quarter of production from its 60%-owned Hengjaya Nickel project. We had not incorporated initial ramp-up tonnages into our forecasts as these are often not reported. This has not been the case in this instance, with Nickel Pig Iron (NPI) grades and production costs being reported in-line or ahead of key commercial stage assumptions. NPI production was 8,372t at 13.0% Ni for 1,090t Ni contained. All-In-Costs (AIC) were US$8,246/t. Meanwhile, the Hengjaya Mine (NIC 80%) produced 127.2kt ore and sold 142.9kt at 1.92% Ni for 1,729 contained Ni tonnes (ahead of our forecast 150kt @ 1.80% for 1,701 Ni tonnes sold).

Key metrics off to a good start

Apart from reporting its maiden commercial production one quarter ahead of our expectations, we also note that the 13.0% Ni in NPI grade achieved was 18% higher than our steady-state assumption of 11.0% Ni. It remains to be seen what grades will be sustained, but this shows clear potential upside to our current production forecasts. AIC of US$8,246/t are also below our forecast costs for the June quarter (when we had assumed first commercial production to be reported). That this has been achieved on fewer Ni tonnes is also very encouraging. Construction and commissioning is continuing in-line with the updated schedule (~6 months ahead of the original plan) and full nameplate production looks likely to be achieved around the start of the December 2019 quarter.

Investment thesis – Speculative Buy, valuation $0.95/sh

It has been our perception that possible overhangs on the NIC share price include the means of funding NIC's expansion and the market wanting to see production and cash flow. Clear progress is being made on both these fronts, which we expect to continue driving a material re-rating of the stock over the coming quarters. We still forecast a minor loss for FY19 (US$1m) from US$7m previously but FY19 EBITDA is up 122%. FY20 and FY21 earnings are unchanged, as is our $0.95/sh valuation.

Earnings Forecast

Year ending 30 June	2018a	2019e	2020e	2021e
Sales (US$m)	14	39	516	576
EBITDA (US$m)	(2)	11	254	288
Attributable NPAT (reported) (US$m)	(3)	(1)	137	157
Attributable NPAT (adjusted) (US$m)	(3)	(1)	137	157
EPS (adjusted) (A¢ps)	(0.9)	(0.2)	11.7	11.8
EPS growth (%)	nm	nm	nm	1%
PER (x)	nm	nm	3.6	3.6
FCF Yield (%)	-40%	-34%	27%	49%
EV/EBITDA (x)	(257.9)	36.0	1.6	1.4
Dividend (A¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-8%	0%	67%	54%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Maiden production quarter impresses

Key metrics off to a good start

NIC has reported an impressive maiden quarter of production from its 60%-owned Hengjaya Nickel project. We had not incorporated initial ramp-up tonnages into our forecasts as these are often not reported. Typically there may be significant slippage in ramp-up schedules and production and cost metrics may not be representative of commercial operations.

This has not been the case in this instance, with Nickel Pig Iron (NPI) grades and production costs being reported in-line or ahead of some of our key commercial stage assumptions. NIC reported NPI production of 8,372t at 13.0% Ni for 1,090t Ni contained. All-In-Costs (AIC) were US$8,246/t. In comparing these numbers with our June 2019 quarter forecast, we note that the NPI grade was higher than our 11% Ni assumption and that even with a lower production rate, AIC was below our US$8,774/t forecast.

The Hengjaya Mine (NIC 80%) produced 127.2kt ore and sold 142.9kt at 1.92% Ni for 1,729 contained Ni tonnes (vs BPe 150kt @ 1.80% for 1,701 Ni tonnes sold). Mining production continues to expand to a targeted 150kt per quarter rate at a grade of 1.8-1.9% Ni. During the quarter the mine expansion continued with the upgrade of the existing haul road to the new Central 21 pit, enabling a shorter haul (cut from 13km to 6km) and the use of larger capacity haul trucks (including 45t ADT's)

Key production metrics are summarised below:

Table 1 - Quarterly production summary

	Sep-18 Actual	Dec-18 Actual	Mar-19 Actual	Mar-19 BP est.	Variance qoq %	Variance vs BPe %
Hengjaya Mine						
Ore sales (t)	105,620	139,707	**142,918**	**150,000**	2%	-5%
grade (% Ni)	2.04%	2.02%	**1.92%**	**1.80%**	-5.0%	6.7%
Contained nickel (t Ni)	1,357	1,778	**1,729**	**1,701**	-3%	2%
Mine OPEX (US$/t)	$22.70	$25.55	**$26.02**	**$19.15**	2%	36%
Avg price received (US$/t)	$32.44	$31.78	**$27.51**	**$23.00**	-13%	20%
RKEF NPI production						
NPI production (t)	0	0	**8,372**	**0**	na	na
NPI grade (% Ni)	0.0%	0.0%	**13.0%**	**0.0%**	na	na
Contained nickel (t)	0	0	**1,090**	**0**	na	na
Costs						na
Cash costs (US$/t Ni)	$0	$0	**$7,610**	**$0**	na	na
AISC (US$/t Ni)	$0	$0	**$8,246**	**$0**	na	na

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Other key takeaways from the quarterly report include:

- The first Hengjaya (Rotary Kiln Electric Furnace) RKEF line is reportedly (post-quarter-end) operating at greater than 80% of nameplate capacity. The second Hengjaya RKEF line commenced production on 18 March 2019;
- The Ranger Nickel lines (NIC 17%) are nearing construction completion and the first RKEF line will commence commissioning in early May 2019. Ranger's second RKEF line will commence commissioning ~45 days later. This is in-line with our most recently updated assumptions;
- During the quarter the Ranger Lines were granted material corporate income tax relief, the terms of which are the same as granted for the Hengjaya Lines. Effectively this results in 0% income tax rate for the first 7 years and 12.5% rate for years 8 and 9; and

- NIC also announced its decision to increase its interest in the Ranger Nickel lines from 17% to 60%. This included a US$160m funding proposal for US$100m debt financing and US$60m equity financing. The equity component will be funded in part by Shanghai Decent Investments (SDI) accepting US$40m in NIC shares in consideration for NIC's increased interest in the Ranger lines.

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

Table 2 – Indicative RKEF ramp-up schedule as per Bell Potter assumptions

RKEF Line ramp-up	Line 1	Line 2	Line 3	Line 4
First production	01-Feb-19	15-Mar-19	26-Apr-19	07-Jun-19
+8 weeks 80%	29-Mar-19	10-May-19	21-Jun-19	02-Aug-19
+8 weeks 100%	24-May-19	05-Jul-19	16-Aug-19	27-Sep-19

SOURCE: BELL POTTER SECURITIES ESTIMATES

Changes to our forecasts

Beyond incorporating the updates from the March 2019 production and cost report, we make the following changes to our modelled assumptions:

- Accelerate our production ramp-up assumptions, now forecasting NPI production of 25kt for the June quarter (up from 12.5kt); and
- Lower our AIC assumptions for the June quarter from ~US$8,800/t to US$8,400/t, retaining margin of conservatism to reflect the current ramp-up stage of the project.

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

Table 3 - Changes to our FY forecasts

	Previous			New			Change		
Year end 30 June	**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)	610,516	1,460,242	1,564,545	668,624	1,460,242	1,564,545	10%	0%	0%
Nickel in ore	7,277	16,559	17,742	8,044	16,559	17,742	11%	0%	0%
Nickel in ore (attributable)	5,821	11,591	11,177	6,435	11,591	11,177	11%	0%	0%
RKEF NPI production	12,500	280,000	300,000	33,372	280,000	300,000	167%	0%	0%
Contained nickel	1,375	30,800	33,000	3,840	30,800	33,000	179%	0%	0%
Contained nickel (attributable)	529	18,480	19,800	1,478	18,480	19,800	179%	0%	0%
Cash costs (US$/t Ni)	-	7,805	7,974	-	7,805	7,974	na	0%	0%
AISC (US$/t Ni)	-	7,856	8,023	-	7,856	8,023	na	0%	0%
Earnings									
Revenue (attributable, US$m)	21	314	347	35	314	347	71%	0%	0%
EBITDA (attributable, US$m)	5	153	173	10	153	173	122%	0%	0%
NPAT (reported, attributable, US$m)	(7)	136	157	(1)	137	157	na	0%	0%
EPS (reported) (Acps)	(1)	12	12	(0)	12	12	na	0%	0%
PER (x)	(51.2)	3.6	3.6	(263.0)	3.6	3.6	(211.8)	(0.0)	(0.0)
EPS growth (%)	nm	nm	1%	nm	nm	1%	nm	nm	0%
DPS (Acps)	-	-	-	-	-	-	na	na	na
Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (A$/sh)	0.81	0.95	1.20	0.81	0.95	1.20	0%	0%	0%
Price Target (A$/sh)		0.95			0.95			0%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Incorporating our accelerated ramp-up assumptions lifts our forecast FY19 Revenues and EBITDA by 71% and 122% respectively. We still forecast a minor loss for FY19 (US$1m), from US$7m previously. FY20 and FY21 earnings are unchanged.

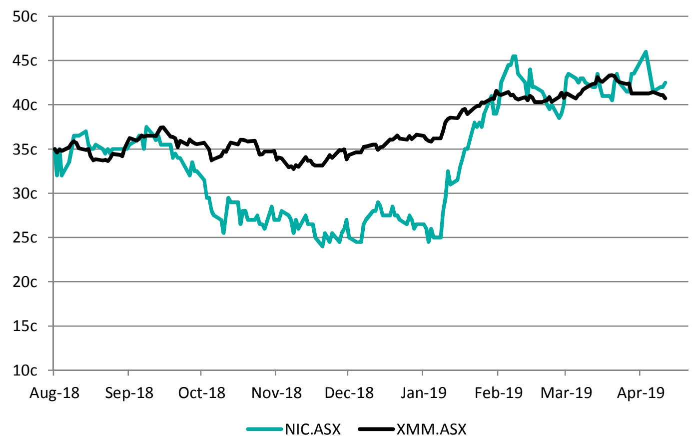
Our NPV-based, 12-month forward valuation is also unchanged at $0.95/sh. This reflects that while the ahead-of-schedule ramp-up is a significant positive development, the early start to production relatively small in the context of the ~20ktpa Ni in NPI steady state that NIC is targeting, on the assumption of NIC increasing its ownership to 60% for both the Hengjaya and Ranger projects.

Upcoming catalysts

Upcoming catalysts for NIC include:

- Further updates on the progress of construction and commissioning of the Hengjaya and Ranger RKEF lines, likely reporting first production from the Ranger lines in early May 2019 and the Hengjaya Lines reaching 80% of nameplate around mid-May 2019;
- Updates on securing the funding to acquire the remaining optioned interests in the Hengjaya and Ranger RKEF lines;
- The June quarter production and cost report in July 2019; and
- The targeted ramp-up to 80% of nameplate production for both the Ranger lines around August 2019.

Figure 1 - 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 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. Construction of the NIC's two RKEF lines is advanced and commissioning on track for the end of the June quarter 2019, after which production is planned to ramp up to a targeted run-rate of 16ktpa nickel in NPI (100% basis).

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

It has been our perception that possible overhangs on the NIC share price include the means of funding NIC's expansion and the market wanting to see production and cash flow. Clear progress is being made on both these fronts, which we expect to continue driving a material re-rating of the stock over the coming quarters. We still forecast a minor loss for FY19 (US$1m) from US$7m previously but FY19 EBITDA is up 122%. FY20 and FY21 earnings are unchanged, as is our $0.95/sh valuation.

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$160m package of US$100m debt and US$60m 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.

Nickel Mines Ltd
as at 2 May 2019

Recommendation	Buy, Speculative
Price	$0.425
Valuation	$0.95

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	US$m	8.6	13.6	39.1	516.3	575.6
Expense	US$m	(11.9)	(15.1)	(27.9)	(262.7)	(287.8)
EBITDA	**US$m**	**(3.3)**	**(1.6)**	**11.1**	**253.7**	**287.8**
Depreciation	US$m	(0.1)	(0.1)	(1.7)	(14.9)	(15.9)
EBIT	US$m	(3.4)	(1.6)	9.4	238.8	271.9
Net interest expense	US$m	(0.5)	(0.7)	0.0	(5.1)	(3.4)
Unrealised gains (Impairments)	US$m	-	-	-	-	-
Other	US$m	-	-	(10.3)	-	-
PBT	**US$m**	**(3.9)**	**(2.3)**	**(0.9)**	**233.8**	**268.5**
Tax expense	US$m	0.2	(0.7)	-	(3.2)	(3.5)
Comprehensive loss for the year	US$m	(3.7)	(2.9)	(0.9)	230.6	265.0
Non-Controlling Interest	US$m	0.1	0.4	(0.4)	(94.0)	(107.7)
Attributable NPAT (reported)	**US$m**	**(3.8)**	**(3.3)**	**(1.3)**	**136.6**	**157.3**
NPAT (underlying)	US$m	(3.8)	(3.3)	(1.3)	136.6	157.3

CASH FLOW

Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
OPERATING CASHFLOW						
Receipts	US$m	9.1	13.5	35.6	468.6	569.7
Payments	US$m	(8.8)	(21.5)	(23.8)	(204.0)	(281.5)
Tax	US$m	-	-	-	-	(3.2)
Net interest	US$m	0.0	0.1	0.0	(5.1)	(3.4)
Other	US$m	(0.2)	(0.3)	-	-	-
Operating cash flow	**US$m**	**0.1**	**(8.2)**	**11.8**	**259.6**	**281.7**
INVESTING CASHFLOW						
Property, plant and equipment	US$m	(0.1)	(0.7)	(118.3)	(121.8)	(2.5)
Mine development	US$m	-	-	(7.6)	(2.5)	(0.4)
Exploration & evaluation	US$m	-	-	(0.2)	(0.4)	(0.4)
Other	US$m	-	(50.0)	-	-	-
Investing cash flow	**US$m**	**(0.1)**	**(50.7)**	**(126.1)**	**(124.7)**	**(3.3)**
Free Cash Flow	*US$m*	*(0.0)*	*(58.9)*	*(114.4)*	*134.9*	*278.4*
FINANCING CASHFLOW						
Share issues/(buy-backs)	US$m	0.1	73.9	206.3	-	-
Debt proceeds	US$m	-	-	-	100.0	-
Debt repayments	US$m	-	(13.2)	-	-	(20.0)
Distributions to non-controlling interests	US$m	-	-	-	(91.2)	(103.8)
Dividends	US$m	-	-	-	-	-
Other	US$m	-	(1.8)	(10.3)	-	-
Financing cash flow	**US$m**	**0.1**	**59.0**	**196.0**	**8.8**	**(123.8)**
Change in cash	*US$m*	*0.1*	*0.0*	*81.6*	*143.7*	*154.6*

BALANCE SHEET

Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
ASSETS						
Cash & short term investments	US$m	0.3	0.8	82.4	226.2	380.7
Accounts receivable	US$m	0.3	0.4	3.9	51.6	57.6
Property, plant & equipment	US$m	26.3	76.6	193.5	302.7	291.6
Mine development expenditure	US$m	-	-	7.3	7.7	5.9
Exploration & evaluation	US$m	-	-	0.2	0.5	0.7
Other	US$m	1.1	1.6	1.6	1.6	1.6
Total assets	US$m	**27.9**	**79.4**	**289.0**	**590.3**	**738.1**
LIABILITIES						
Accounts payable	US$m	12.3	2.9	7.0	65.7	72.0
Income tax payable	US$m	0.4	0.7	-	3.2	3.5
Borrowings	US$m	13.5	-	-	100.0	80.0
Other	US$m	0.6	0.8	1.4	1.4	1.4
Total liabilities	US$m	**26.8**	**4.3**	**8.4**	**170.2**	**156.9**
SHAREHOLDER'S EQUITY						
Share capital	US$m	26.2	103.1	309.4	309.4	309.4
Reserves	US$m	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Retained earnings	US$m	(26.0)	(29.3)	(30.5)	106.1	263.3
Total equity	US$m	**(0.4)**	**73.2**	**278.3**	**414.9**	**572.1**
Weighted average shares	m	316.6	461.8	1,094.2	1,577.8	1,775.6

CAPITAL STRUCTURE

Shares on issue	m		1,107.7
Total shares on issue	**m**	(add 474.1m escrow and placement shares)	**1,581.8**
Share price	**A$/sh**		**0.425**
Market capitalisation	A$m		589.9
Net cash	A$m		20.8
Enterprise value (undiluted)	**A$m**		**569.1**
Options outstanding (m)	m	(wtd avg ex. price $0.50 per share)	45.0
Options (in the money)	m		0.0
Issued shares (diluted for options)	m		1,581.8
Market capitalisation (diluted)	A$m		672.3
Net cash + options	A$m		20.8
Enterprise value (diluted)	**A$m**		**651.5**

MAJOR SHAREHOLDERS

Shareholder	%	m
Directors and Management	12.0%	189.8
Shanghai Decent (SDI)	10.2%	161.7
Shanghai Wanlu	9.4%	149.3
BlackRock Investment Management	8.7%	137.9
Regal FM	4.5%	71.0

FINANCIAL RATIOS

Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
VALUATION						
Attributable NPAT	US$m	(3.8)	(3.3)	(1.3)	136.6	157.3
Attributable NPAT	A$m	(5.1)	(4.4)	(1.8)	184.6	209.7
Reported EPS	Ac/sh	(1.6)	(0.9)	(0.2)	11.7	11.8
Adjusted EPS	Ac/sh	(1.6)	(0.9)	(0.2)	11.7	11.8
EPS growth	%	nm	nm	nm	nm	1%
PER	x	nm	nm	nm	3.6x	3.6x
DPS	Ac/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	(0.0)	(16.9)	(14.5)	11.6	20.9
FCF yield	%	0%	-40%	-34%	27%	49%
P/FCFPS	x	-3810.8x	-2.5x	-2.9x	3.7x	2.0x
EV/EBITDA	x	-120.6x	-257.9x	36.0x	1.6x	1.4x
EBITDA margin	%	nm	nm	29%	49%	50%
EBIT margin	%	nm	nm	24%	46%	47%
Return on assets	%	-27%	-5%	0%	52%	40%
Return on equity	%	2029%	-8%	0%	67%	54%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	-	-	(82)	(126)	(301)
ND / E	%	0%	0%	-30%	-30%	-53%
ND / (ND + E)	%	0%	0%	-42%	-44%	-111%
EBITDA / Interest	x	-6.1x	-2.4x	nm	50.1x	85.4x

ATTRIBUTABLE DATA - NICKEL MINES LTD

Year ending 30 June	Unit	2017a	2018a	2019e	2020e	2021e
Revenues	US$m	6.9	10.8	35.3	313.8	346.7
EBITDA	US$m	(2.7)	(1.2)	10.4	153.0	172.5
NPAT	US$m	(3.8)	(3.3)	(1.3)	136.6	157.3
Net distributable cash flow	US$m	0.1	0.0	73.5	129.3	139.1
EV/EBITDA	x	nm	nm	38.6	2.6	2.3
PER	x	nm	nm	nm	3.2	2.8
P/FCF	x	nm	nm	nm	3.4	3.2

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	668,624	1,460,242	1,564,545
Ore grade	% Ni	2.1%	2.1%	1.9%	1.8%	1.8%
Nickel in ore	t Ni	6,254	8,062	8,044	16,559	17,742
Nickel in ore (attributable)	t Ni	5,003	6,450	6,435	11,591	11,177
RKEF (IMIP)						
NPI production	t	-	-	33,372	280,000	300,000
Contained nickel	t Ni	-	-	3,840	30,800	33,000
Contained nickel (attributable)	t Ni	-	-	1,478	18,480	19,800
Costs						
Cash costs	US$/t Ni	-	-	-	$7,805	$7,974
All-in-Sustaining-Costs (AISC)	US$/t Ni	-	-	-	$7,856	$8,023

VALUATION

Ordinary shares (m)	**1,581.8**
Options in the money (m)	-
Total shares diluted (m)	**1,581.8**

	Valuation	
Sum-of-the-parts	**A$m**	**A$/sh**
RKEF (NPV12)	1,416.0	0.90
Hengjaya Mine (NPV12)	61.9	0.04
Other exploration	25.0	0.02
Corporate overheads	(18.6)	(0.01)
Subtotal	1,484.2	0.94
Net cash (debt)	20.8	0.01
Total (undiluted)	**1,505.0**	**0.95**
Dilutive effect of options		-
Add cash from options	-	-
Total (diluted)	**1,505.0**	**0.95**

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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research	612 8224 2810	tslim
Industrials			
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	613 8224 2886	amclean
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
Damien Williamson	Industrials	613 9235 1958	dwilliamson
Healthcare/Biotech			
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare/Biotech	612 8224 2849	tnjain
Financials			
TS Lim	Banks/Regionals	612 8224 2810	tslim
Lafitani Sotiriou	Diversified Financials/Fintech	613 9235 1668	lsotiriou
Resources			
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe

Bell Potter Securities Limited
ACN 25 006 390 7721
Level 29, 101 Collins Street
Melbourne, Victoria, 3000
Telephone +61 3 9256 8700
www.bellpotter.com.au

Bell Potter Securities (HK) Limited
Room 1701, 17/F
Posperity Tower, 39 Queens Road
Central, Hong Kong, 0000
Telephone +852 3750 8400

Bell Potter Securities (US) LLC
Floor 39
444 Madison Avenue, New York
NY 10022, U.S.A
Telephone +1 917 819 1410

Bell Potter Securities (UK) Limited
16 Berkeley Street
London, England
W1J 8DZ, United Kingdom
Telephone +44 7734 2929

Research Policies:

For Bell Potter's Research Coverage Decision Making Process and Research Independence Policy, please refer to our company website:

https://www.bellpotter.com.au/topnavigation/private-clients/stockbroking/research

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Disclosure: Bell Potter Securities acted as Lead Manager to the $27m pre-IPO funding round and Lead Manager to the $200m IPO of August 2018 and received fees for that service.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.