### **BELL POTTER**

### **Analyst**

David Coates 612 8224 2887

### Authorisation

Stuart Howe 613 9235 1856

## **Nickel Mines Ltd** (NIC)

### Fast forward to growth

### Recommendation

Buy (unchanged) **Price** \$1.155 Target (12 months) \$1.42 (previously \$1.39)

### **GICS Sector**

#### **Materials**

<b>Expected Return</b>	
Capital growth	22.9%
Dividend yield	3.5%
Total expected return	26.4%
Company Data & Ratios	
Enterprise value	\$3,230m
Market cap	\$2,905m
Issued capital	2,515m
Free float	76%
Avg. daily val. (52wk)	\$13.5m
12 month price range	\$0.885-\$1.54

Price Performance						
-	(1m)	(3m)	(12m)			
Price (A\$)	0.98	1.10	0.89			
Absolute (%)	16.9	4.1	28.0			
Rel market (%)	16.0	6.7	12.4			



Angel ahead of schedule

NIC has announced that first Nickel Pig Iron (NPI) production from its 80% owned Angel Nickel Project within the Indonesia Weda Bay Industrial Park (IWIP) is now expected in 1QCY22. This is well ahead of the October CY22 contractual delivery date for the commencement of commissioning. The updated ramp-up schedule now has all four Angel RKEF lines operational by June CY22. Reaching full nameplate production of 36ktpa Ni in NPI remains contingent upon commissioning of the dedicated ANI power plant, which is scheduled for commissioning by end September CY22. Full NPI production is expected around one month after its commissioning.

### Earnings and production growth starts now

The latest update reports construction and development progress that is well ahead of our previous forecasts. We had modelled first production in 3QCY22 with ramp-up to full nameplate production around mid CY23. This has been brought forward by ~6-9 months and we now model full year production of 22.2kt Ni in NPI from Angel in CY22 (up from 8.4kt). On an attributable basis, this lifts our forecast for NIC's total CY22 production by 28% to 50.4kt (from 39.3kt), implying production growth of 55% vs CY21 (previously 21%). This flows directly through to our forecast annual earnings growth, which increases to 55% (previously 25%). It effectively fast forwards to CY22 the earnings growth profile that we had been looking for in CY23. With margins currently expanding and first production now less than two quarters away, NIC's aggressive growth profile to double nameplate production effectively starts now.

### Investment thesis – Buy, TP\$1.42/sh (from \$1.39/sh)

Our accelerated production start and ramp-up assumptions are the key drivers of earnings and valuation upgrades of CY21: 0%, CY22: +24% and CY23: +4%. In our view, this reinforces the compelling valuation metrics NIC is trading on for an industrial style stock with an aggressive growth profile. P/E's are: CY21: 13.9x; CY22: 8.6x; and CY23: 5.2x. Dividend yields (unfranked) are also competitive and rising, at 3.5%, 5.2% and 7.0% for CY21, CY22 and CY23 respectively. We retain our Buy recommendation.

Earnings Forecast								
Year ending 31 December	2020a	2021e	2022e	2023e				
Sales (US\$m)	523	624	1,028	1,319				
EBITDA (US\$m)	194	253	435	657				
Attributable NPAT (reported) (US\$m)	111	157	243	408				
Attributable NPAT (reported) (A\$m)	160	208	333	558				
EPS (adjusted) (A¢ps)	8.2	8.3	13.3	22.2				
EPS growth (%)	62%	1%	60%	68%				
PER (x) 1	14.1	14.0	8.7	5.2				
FCF Yield (%) 1	-2%	-9%	19%	28%				
EV/EBITDA (x) 1	12.1	9.3	5.4	3.6				
Dividend (A¢ps)	3	4	6	8				
Yield (%)	3%	3%	5%	7%				
Franking (%)	0%	0%	0%	0%				
ROE (%) 1	27%	20%	29%	40%				

SOURCE: BELL POTTER SECURITIES ESTIMATES

### Changes to our forecasts

In reflecting this update we have made the following changes to our modelled assumptions:

- Brought forward our forecast for first production and NPI sales from the Angel Nickel Project to the June quarter of CY22, previously modelled to commence from the September quarter of CY22;
- Accelerated our production ramp-up forecast, now modelling full nameplate production from the December quarter of CY22, previously modelled to commence from the September quarter of CY23;
- Increased our forecast cash costs for the Angel Nickel RKEF lines, reflecting the market-driven input cost increases that have been experienced at the Ranger and Hengjaya RKEF lines; and
- Lift our forecast dividend distributions for CY22 and CY23 to A6cps (from A4cps) and A8cps (from A7cps) respectively. This increases our forecast (unfranked) yields to 5.2% and 6.9% respectively.

The net impact of these changes are summarised in the forecast changes table below:

Table 1 - Changes to our CY	forecasts								
	Previous		l	New			Change		
Year end 31 December	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23	Dec-21	Dec-22	Dec-23
Prices & currency									
Nickel price (US\$/t)	18,323	18,519	18,629	18,323	18,519	18,629	0%	0%	0%
US\$/A\$	0.75	0.73	0.73	0.75	0.73	0.73	0%	0%	0%
Production & costs									
Ore mined (t)	2,035,486	2,000,000	2,000,000	2,035,486	2,000,000	2,000,000	0%	0%	0%
Nickel in ore (t)	36,062	36,000	36,000	36,062	36,000	36,000	0%	0%	0%
RKEF NPI production (t)	295,081	372,004	579,615	295,081	487,004	604,615	0%	31%	4%
Contained nickel (t)	40,516	49,171	75,646	40,516	62,971	78,646	0%	28%	4%
Contained nickel (t, attributable)	32,413	39,336	60,517	32,413	50,376	62,917	0%	28%	4%
Cash costs (US\$/t Ni)	9,521	9,796	8,738	9,521	9,825	8,723	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US\$m)	624	801	1,269	624	1,028	1,319	0%	28%	4%
EBITDA (consolidated, US\$m)	253	345	632	253	435	657	0%	26%	4%
EBITDA (attributable, US\$m)	202	275	504	202	347	524	0%	26%	4%
NPAT (reported, attributable, US\$m)	157	196	392	157	243	408	0%	24%	4%
EPS (reported) (Acps)	8.3	10.7	21.4	8.3	13.3	22.2	0%	24%	4%
PER (x)	14.0	10.8	5.4	14.0	8.7	5.2	-	(2.1)	(0.2)
EPS growth (%)	1%	29%	100%	1%	60%	68%	0%	31%	-33%
DPS (Acps)	4	4	7	4	6	8	0%	50%	14%
Yield	3.5%	3.5%	6.1%	3.5%	5.2%	6.9%	0%	2%	1%
NPV (A\$/sh)	1.14	1.39	1.80	1.16	1.42	1.86	2%	2%	3%
Price Target (A\$/sh)		1.39			1.42			2%	

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

These changes drive material earnings increases for CY22 and bring forward the earnings growth profile that had previously been weighted to CY23. Our accelerated production start and ramp-up assumptions result in the following changes to our earnings forecasts: CY21: unchanged, CY22: up 24%, CY23: up 4%. While these updates bring forward positive free cash flows, they have relatively minor impact on our NPV-based valuation due to the long-life nature of the assets. Our target price increases incrementally, to \$1.42/sh.

In our view, the accelerated ramp-up reinforces the compelling valuation metrics NIC is trading on for an industrial style growth stock: CY21 P/E of 14.0x and forward P/E's of 8.7x and 5.2x for CY22 and CY23 respectively. NIC's CY21 dividend yield is also competitive, at 3.5%, rising to 5.2% and 7.0% in CY22 and CY23 respectively (all unfranked).

### **Upcoming catalysts**

Upcoming catalysts for NIC include:

- Updates on NPI pricing and the effective Ni payability, which we believe the market will continue to consider as a measure of NIC's nickel price exposure;
- Further updates on the construction of the Angel Nickel project, comprising 4 nextgeneration rotary-kiln-electric-furnace (RKEF) lines being developed within the Indonesia Weda Bay Industrial Park (IWIP), in which NIC now holds an 80% interest;
- Progress updates for the Hengjaya Mine, where a major production expansion is complete and the sustainability of production of +150kt ore per month and costs of ~US\$20/t are targeted;
- Exploration and development updates on the Siduarsi Nickel-Cobalt project in Papua province, Indonesia, in which NIC has recently acquired a 100% interest;
- The release of NIC's December 2021 quarterly production and cost report, expected in late January 2022; and
- Updates on the ownership levels of the 80%-owned Hengjaya Mine, which is subject to Indonesia's compulsory divestment laws.

### NIC vs the ASX Metals and Mining Index



SOURCE: IRESS

# **Nickel Mines Limited (NIC)**

### Company description: fully integrated NPI producer

Nickel Mines Limited ('Nickel Mines' or 'NIC') was formed in 2007 and listed on the ASX in 2018. Its operations are focused in Central Sulawesi, Indonesia, where it holds an 80% interest four Rotary Kiln Electric Furnace (RKEF) NPI production lines (the two Hengjaya lines and the two 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).

First production from the Hengjaya Lines was achieved on 31 January 2019 and the Ranger Lines commenced production during the December quarter 2019. Both projects have since achieved steady state production of ~20ktpa contained Ni in NPI, exceeding nameplate production of ~16ktpa each at lower than planned operating costs.

In November 2020 NIC executed a binding agreement to acquire a 70% interest (since increased to 80%) in the Angel Nickel Project comprising four new generation RKEF NPI production lines and a captive 380MW power station. Angel Nickel is currently under construction within the Indonesia Weda Bay Industrial Park ('IWIP') on Halmahera Island in Indonesia.

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 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 – Buy, TP\$1.42/sh (from \$1.39/sh)

Our accelerated production start and ramp-up assumptions are the key drivers of earnings and valuation upgrades of CY21: 0%, CY22: +24% and CY23: +4%. In our view, this reinforces the compelling valuation metrics NIC is trading on for an industrial style stock with an aggressive growth profile. P/E's are: CY21: 13.9x; CY22: 8.6x; and CY23: 5.2x. Dividend yields (unfranked) are also competitive and rising, at 3.5%, 5.2% and 7.0% for CY21, CY22 and CY23 respectively. We retain our Buy recommendation.

### Valuation: \$1.42/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), an 80% interest in the two Hengjaya Nickel RKEF lines and an 80% interest in the two Ranger Nickel RKEF lines.

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% in 2028) in the Hengjaya laterite nickel ore mine.

We also include a risk-adjusted, NPV-based valuation for NIC's prospective 80% interest in the Angel Nickel Industry (ANI) project, a notional value for other exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net cash position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at \$1.42/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.
- COVID-19 risks: Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- 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 17 November 2021

RecommendationBuyPrice\$1.155Target (12 months)\$1.42

Table 2 - Financial sum	mary												
PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e	Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
Revenue Expense	US\$m US\$m	236.1 (138.9)	523.5 (329.0)	624.4 (371.3)	1,028.1 (593.3)	1,318.6 (661.9)	VALUATION Attributable NPAT	US\$m	56.5	110.6	156.8	243.3	407.6
EBITDA	US\$m	97.2	194.5	253.1	434.8	656.7	Attributable NPAT	A\$m	82.5	160.1	207.8	333.3	558.4
Depreciation	US\$m	(16.4)	(36.8)	(36.7)	(64.7)	(70.5)	Reported EPS	Ac/sh	5.1	8.2	8.3	13.3	22.2
EBIT	US\$m	80.8	157.7	216.4	370.0	586.2	Adjusted EPS	Ac/sh	4.4	8.2	8.3	13.3	22.2
Net interest expense	US\$m	(2.1)	(4.7)	(10.8)	(20.4)	(4.5)	EPS growth	%	46%	62%	1%	60%	68%
Unrealised gains (Impairments) Other	US\$m	7.4 5.4	1.6	-	-	-	PER <sup>1</sup> DPS	x Ac/sh	11.4x	14.1x 3.0	14.0x 4.0	8.7x 6.0	5.2x 8.0
PBT	US\$m US\$m	91.5	1.6 <b>154.6</b>	205.6	349.7	581.7	Franking	%	0%	0%	0%	0%	0%
Tax expense	US\$m	(0.2)	(0.9)	(5.7)	(39.3)	(69.8)	Yield	%	0.0%	2.6%	3.5%	5.2%	6.9%
Consolidated profit (loss) for the year	US\$m	91.3	153.7	199.9	310.4	511.9	FCF/share 1	Ac/sh	2.6	(2.6)	(10.9)	22.4	32.1
Non-Controlling Interest	US\$m	34.8	43.1	43.1	67.2	104.3	FCF yield <sup>1</sup>	%	2%	-2%	-9%	19%	28%
Attributable NPAT (reported)	US\$m	56.5	110.6	156.8	243.3	407.6	P/FCFPS 1	х	44.7x	-45.1x	-10.6x	5.1x	3.6x
NPAT (underlying)	US\$m	49.1	110.6	156.8	243.3	407.6	EV/EBITDA 1	х %	24.2x 41%	12.1x 37%	9.3x 41%	5.4x	3.6x 50%
CASH FLOW							EBITDA margin EBIT margin	%	34%	30%	35%	42% 36%	44%
Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e	Return on assets 1	%	26%	17%	14%	17%	25%
OPERATING CASHFLOW							Return on equity 1	%	49%	27%	20%	29%	40%
Receipts	US\$m	212.7	517.6	679.7	987.7	1,289.5	LIQUIDITY & LEVERAGE						
Payments	US\$m	(169.9)	(358.9)	(318.8)	(537.8)	(644.8)	Net debt (cash)	\$m	15	(306)	29	(229)	(609)
Tax	US\$m	(4.7)	(9.1)	0.9	(5.7)	(39.3)	ND / E	%	4%	-33%	3%	-20%	-43%
Net interest Other	US\$m US\$m	0.1	0.3	(10.8)	(20.4)	(4.5)	ND / (ND + E) EBITDA / Interest	% X	3% 46.1x	-48% 40.9x	3% 23.4x	-25% 21.4x	-76% 145.7x
Operating cash flow	US\$m	38.2	150.0	351.0	423.8	601.0				.5.54		£1.7A	5.7 X
INVESTING CASHFLOW	1100	(00.0)	(7 A)	(EE7.0)	(44.0)	(44.7)	ATTRIBUTABLE DATA - NICKEL MI		20100*	2020-	2021-	2022-	2022-
Property, plant and equipment Mine development	US\$m US\$m	(29.6)	(7.4) (147.0)	(557.9)	(11.3)	(11.7)	Year ending 31 Dec. (from 2020) Revenues	Unit US\$m	<b>2019a*</b> 95.7	<b>2020a</b> 391.3	<b>2021e</b> 559.6	<b>2022e</b> 885.6	2023e 1,118.0
Exploration & evaluation	US\$m	-	-	(0.2)	(0.4)	(0.4)	EBITDA	US\$m	35.6	139.7	201.5	346.8	524.3
Other	US\$m	5.8	(30.0)	(EEO O)	(11 7)	(40.4)	NPAT	US\$m	56.5	110.6	156.8	243.3	407.6
Investing cash flow Free Cash Flow	US\$m US\$m	(23.8) 14.4	(184.4) (34.5)	( <b>558.0)</b> (207.0)	<b>(11.7)</b> 412.1	(12.1) 588.9	Net distributable cash flow EV/EBITDA	US\$m x	1.0 62.0	269.3 16.0	(38.3) 12.1	232.5 6.8	206.6 4.5
	- ****	1	/	/			PER	x	22.8	14.1	14.0	8.7	5.2
FINANCING CASHFLOW Share issues/(buy-backs)	US\$m		430.0				P/FCF	Х	nm	nm	nm	9.1	10.3
Debt proceeds	US\$m		430.0	325.0	-	-	ORE RESERVE AND MINERAL RES	OURCE					
Debt repayments	US\$m	(29.9)	(25.3)	(45.0)	-	(150.0)					Mdmt	% Ni	t Ni
Distributions to non-controlling interests Dividends	US\$m US\$m	17.0	(43.3) (15.4)	(39.7)	(43.6) (110.2)	(62.4) (146.9)	Mineral Resources Measured				0.700	1.80%	12,600
Other	US\$m	(0.4)	(12.4)	(75.9)	(110.2)	(146.9)	Indicated				15.000	1.90%	285,000
Financing cash flow	US\$m	(13.3)	333.6	164.4	(153.8)	(359.3)	Inferred				22.000	1.80%	396,000
Change in cash	US\$m	1.1	299.2	(42.6)	258.4	229.6	Total				38.000	1.80%	678,000
DALANCE CUEET							ACCUMENTIONS Delega						
BALANCE SHEET Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e	ASSUMPTIONS - Prices Year ending 31 Dec. (from 2020) av	g Unit	2019a*	2020a	2021e	2022e	2023e
ASSETS	- Onn	20100			LULLU	20200	Total Cilding Of Dec. (IIOIII 2020) av	y	20150	20200			-0200
Cash & short term investments	US\$m	49.8	351.4	308.9	567.2	796.8	Nickel	US\$/lb	\$7.02	\$6.25	\$8.31	\$8.40	\$8.45
Accounts receivable	US\$m	97.2	117.8	62.4	102.8	131.9	Nickel	US\$/t	\$15,483	\$13,775	\$18,323	\$18,519	\$18,629
Property, plant & equipment	US\$m	628.5	600.8	1,130.2	1,076.7	1,018.0	Currency						
Mine development expenditure	US\$m	-	-		-		AUD:USD	<u> </u>	0.68	0.69	0.75	0.73	0.73
Exploration & evaluation	US\$m	-	-	0.2	0.6	1.0	ACCUMPTIONS D. I. II. A.						
Other Total assets	US\$m US\$m	122.0 <b>897.5</b>	164.7 <b>1,234.7</b>	164.7 <b>1,666.3</b>	164.7 <b>1,912.1</b>	164.7 <b>2,112.3</b>	ASSUMPTIONS - Production & cost Year ending 31 Dec. (from 2020)	Unit	2019a*	2020a	2021e	2022e	2023e
LIABILITIES	ОЗфііі	097.5	1,234.7	1,000.3	1,912.1	2,112.3	Hengjaya Mine	OIIII	2019a	2020a	20216	20226	20236
Accounts payable	US\$m	52.5	40.3	92.8	148.3	165.5	Ore mined	wmt	428,382	795,650	2,035,486	2,000,000	2.000.000
Income tax payable	US\$m	0.7	3.8	5.7	39.3	69.8	Ore grade	% Ni	1.9%	1.8%	1.8%	1.8%	1.8%
Borrowings	US\$m	65.0	45.0	337.9	337.9	187.9	Nickel in ore	t Ni	8,178	14,479	36,062	36,000	36,000
Other	US\$m	57.2	59.4	59.4	59.4	59.4	Nickel in ore (attributable)	t Ni	6,542	11,583	28,849	28,800	28,800
Total liabilities	US\$m	175.4	148.4	495.8	584.9	482.5	RKEF (IMIP)						
SHAREHOLDER'S EQUITY	1100	045.5	700.0	700.0	700.0	700.0	NPI production	t	152,408	295,897	295,081	487,004	604,615
Share capital Reserves	US\$m US\$m	315.5 19.2	732.9 19.2	732.9 19.2	732.9 19.2	732.9 19.2	Contained nickel Contained nickel (attributable)	t Ni t Ni	20,988 11,742	43,622 30,619	40,516 32,413	62,971 50,376	78,646 62,917
Retained earnings	US\$m	92.8	187.9	268.8	401.9	662.7	Costs		11,742	00,013	02,410	30,070	02,317
Total equity to NIC holders	US\$m	427.5	940.1	1,020.9	1,154.1	1,414.8	Cash costs	US\$/t Ni	\$7,689	\$7,330	\$9,521	\$9,825	\$8,723
Non controlling interest	US\$m	294.7	146.2	149.6	173.1	215.0	All-in-Costs (AIC)	US\$/t Ni	\$7,804	\$7,414	\$9,627	\$9,956	\$8,847
-			4 000 0	1,170.5	1,327.2	1,629.8							
Non-controlling interest  Total equity	US\$m	722.1	1,086.2										
-	US\$m m	722.1 1,631.2	1,948.7	2,515.3	2,515.0	2,515.0	VALUATION						0.545.0
Total equity Weighted average shares							Ordinary shares (m)						2,515.0
Total equity							Ordinary shares (m) Options in the money (m)						-
Total equity Weighted average shares CAPITAL STRUCTURE	m					2,515.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m)	Nov	v	+12 m	onths	+24 m	2,515.0
Total equity Weighted average shares			1,948.7	2,515.3			Ordinary shares (m) Options in the money (m)	Nov A\$m	v A\$/sh	+12 m	onths A\$/sh	+24 m A\$m	2,515.0
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue	m m	1,631.2	1,948.7	2,515.3		2,515.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation						2,515.0 nths
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation	m m m A\$/sh A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12)	<b>A\$m</b> 2,182.9 1,023.4	<b>A\$/sh</b> 0.87 0.41	<b>A\$m</b> 2,370.6 1,185.2	<b>A\$/sh</b> 0.94 0.47	<b>A\$m</b> 2,440.1 1,937.1	2,515.0 nths A\$/sh 0.97 0.77
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash	m m m A\$/sh A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12)	A\$m 2,182.9 1,023.4 37.3	<b>A\$/sh</b> 0.87 0.41 0.01	2,370.6 1,185.2 42.2	A\$/sh 0.94 0.47 0.02	2,440.1 1,937.1 66.3	2,515.0 nths A\$/sh 0.97 0.77 0.03
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted)	m m A\$/sh A\$m A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration	2,182.9 1,023.4 37.3 42.0	0.87 0.41 0.01 0.02	2,370.6 1,185.2 42.2 42.0	0.94 0.47 0.02 0.02	2,440.1 1,937.1 66.3 42.0	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m)	m m A\$/sh A\$m A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2 0.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Cother exploration Corporate overheads	2,182.9 1,023.4 37.3 42.0 (44.2)	0.87 0.41 0.01 0.02 (0.02)	2,370.6 1,185.2 42.2 42.0 (44.6)	A\$/sh 0.94 0.47 0.02 0.02 (0.02)	A\$m 2,440.1 1,937.1 66.3 42.0 (45.1)	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02)
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options (unt the money)	m m A\$/sh A\$m A\$m m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2 0.0 0.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV)	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m)	m m A\$/sh A\$m A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2 0.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Cother exploration Corporate overheads	2,182.9 1,023.4 37.3 42.0 (44.2)	0.87 0.41 0.01 0.02 (0.02)	2,370.6 1,185.2 42.2 42.0 (44.6)	A\$/sh 0.94 0.47 0.02 0.02 (0.02)	A\$m 2,440.1 1,937.1 66.3 42.0 (45.1)	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77 0.09
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options (in the money) Issued shares (diluted for options)	m m A\$/sh A\$m A\$m m m m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1,155 2,904.9 -325.4 3,230.2 0.0 0.0 2,515.0	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt)	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4)	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13)	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0)	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01)	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77 0.09
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options (in the money) Issued shares (diluted for options) Market capitalisation (diluted)	m m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m m m m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2 0.0 0.0 2,515.0 2,904.9	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12) Hengiaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted)	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4)	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0)	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01)	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77 0.09
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options outstanding (m) Options (in the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (diluted)	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3		2,515.0 2,515.0 2,515.0 1.155 2,904.9 -325.4 3,230.2 0.0 0.0 2,515.0 2,904.9 -325.4	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IWIP RKEF (NPV12) Hengjaya Mine (NPV12) Cher exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4)	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0)	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01)	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4	2,515.0 nths
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options (in the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (diluted) MAJOR SHAREHOLDERS	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0  2,515.0  2,515.0  1,155  2,904.9  -325.4  3,230.2  0.0  2,515.0  2,904.9  -325.4  3,230.2	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options Add cash from options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4) 2,916.0	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0) 3,566.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01) 1.42	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4 4,669.8	2,515.0 nths
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options outstanding (m) Options outstanding (m) State of the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (diluted)  MAJOR SHAREHOLDERS Shareholder	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0 2,515.0 2,515.0 1,155 2,904.9 3,254 3,230.2 0,0 0,0 2,515.0 2,904.9 3,254 3,230.2	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options Add cash from options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4) 2,916.0	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0) 3,566.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01) 1.42	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4 4,669.8	2,515.0 nths
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options outstanding (m) Options fin the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (diluted)  MAJOR SHAREHOLDERS Shareholder Shanghal Decent (SDI)	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0 2,515.0 1.155 2,904.9 325.4 0.0 0.0 2,515.0 2,904.9 325.4 3,230.2 m 469.7	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options Add cash from options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4) 2,916.0	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0) 3,566.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01) 1.42	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4 4,669.8	2,515.0 nths
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options (in the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (undiluted)  MAJOR SHAREHOLDERS Shareholder Shareholder Shareholder Shareholder Shareholder Shareholder Shareholder Tanito Group (PT Karunia)	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3	2,515.0 % 18.7% 15.0%	2,515.0 2,515.0 2,515.0 1,155 2,904.9 -325.4 3,230.2 0.0 0.0 2,904.9 -325.4 3,230.2	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options Add cash from options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4) 2,916.0	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0) 3,566.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01) 1.42	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4 4,669.8	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77
Total equity Weighted average shares  CAPITAL STRUCTURE  Shares on issue Total shares on issue Share price Market capitalisation Net cash Enterprise value (undiluted) Options outstanding (m) Options outstanding (m) Options (in the money) Issued shares (diluted for options) Market capitalisation (diluted) Net cash + options Enterprise value (diluted)  MAJOR SHAREHOLDERS Shareholder Shanghai Decent (SDI)	m m A\$/sh A\$m A\$m m m A\$m A\$m A\$m A\$m M M A\$m	1,631.2	1,948.7	2,515.3	2,515.0	2,515.0 2,515.0 1.155 2,904.9 325.4 0.0 0.0 2,515.0 2,904.9 325.4 3,230.2 m 469.7	Ordinary shares (m) Options in the money (m) Total shares diluted (m) Valuation Sum-of-the-parts IMIP RKEF (NPV12) IMIP RKEF (NPV12) Hengjaya Mine (NPV12) Other exploration Corporate overheads Subtotal (EV) Net cash (debt) Total (undiluted) Dilutive effect of options Add cash from options	2,182.9 1,023.4 37.3 42.0 (44.2) 3,241.4 (325.4) 2,916.0	A\$/sh 0.87 0.41 0.01 0.02 (0.02) 1.29 (0.13) 1.16 - 1.16	2,370.6 1,185.2 42.2 42.0 (44.6) 3,595.4 (29.0) 3,566.4	A\$/sh 0.94 0.47 0.02 0.02 (0.02) 1.43 (0.01) 1.42	2,440.1 1,937.1 66.3 42.0 (45.1) 4,440.5 229.4 4,669.8	2,515.0 nths A\$/sh 0.97 0.77 0.03 0.02 (0.02) 1.77 0.09

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
Chris Savage	Head of Research/Industrials	612 8224 2835	csavage
Analysts			
TS Lim	Banks	612 8224 2810	tslim
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare	612 8224 2849	tnjain
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
Marcus Barnard	Industrials	618 9326 7673	mbarnard
Sam Brandwood	Industrials	612 8224 2850	sbrandwood
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Hamish Murray	Industrials	613 9235 1813	hmurray
Jonathan Snape	Industrials	613 9235 1601	jsnape
David Coates	Resources	612 8224 2887	dcoates
Stuart Howe	Resources	613 9235 1856	showe
Brad Watson	Resources	618 9326 7672	bwatson
Regan Burrows	Resources	618 9326 7677	rburrows
Joseph House	Resources	613 9235 1624	jhouse
Associates			
Olivia Hagglund	Associate Analyst	612 8224 2813	ohagglund
Michael Ardrey	Associate Analyst	613 9256 8782	mardrey
Daniel Laing	Associate Analyst	612 8224 2886	dlaing

Bell Potter Securities Limited ABN 25 006 390 772 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 Prosperity 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

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Disclosure: Bell Potter Securities acted as Joint Lead Manager and Underwriter to the \$364m Entitlements Issue of December 2020 and received fees for that service.

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