SUNDANCE RESOURCES

Research Note

LOOKING TO BUILD THE BEAST

Investment Highlights

- **Sundance Resources Ltd (SDL) has majority ownership of a world class iron ore project, and is steadily progressing to financial close. The capital expenditure requirement is substantial at c$5bn and this represents a major hurdle for SDL to clear without creating major dilution to existing shareholders. We rate the management of the Company highly and believe that they can get the Mbalam-Nabeba Iron Ore Project (Mbalam-Nabeba) into production in a timely and capital efficient manner, thereby unlocking significant value. Accordingly, we rate the stock a BUY.**
- **Mota-Engil Africa awarded infrastructure EPC:** During early June 2014, SDL announced that it appointed Mota-Engil Africa as the contractor to build the port and rail infrastructure for Mbalam-Nabeba. We highlight that the US$3.5bn contract value is in-line with the initial US$3.1bn (real December 2010) estimated in the Definitive Feasibility Study (DFS), after accounting for inflation. The support of an internationally renowned company such as Mota-Engil is a strong sign of the confidence that stakeholders within the market have in the Project.
- Valuation: Our current valuation is $0.21 per share, based on our assumptions that 1) the rail and port infrastructure is sold to a third party; and 2) the funding of the c$1bn of capital expenditure to build the mines, processing plants and associated infrastructure is via 65% debt, around $200m of pre-sales and around $300m of new equity.
- We anticipate that SDL will soon have to source additional funds so that it can continue to reach financial close on the Mbalam-Nabeba Iron Ore Project by mid-CY2015. In our opinion the share price of SDL is held back by this expected new share issue and we anticipate that finalisation of a fund raising in the near-term will be a positive. The Company has previously sourced money from strategic investors through Convertible Notes and we expect share dilution to be kept at a manageable level.
- Catalysts: 1) FY15: Ore processing plants, associated infrastructure and mining contracts awarded 2) June 2015: Financial close for the Project which will provide funding certainty; 3) 2H CY15: Commencement of construction.

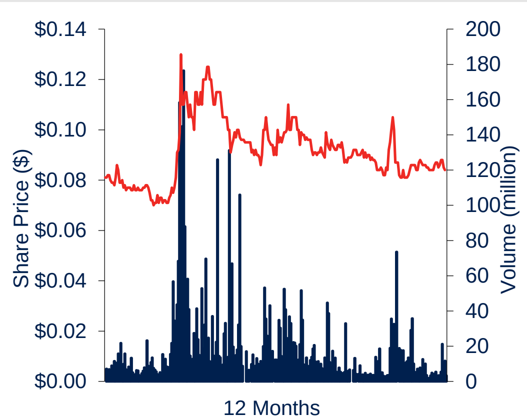
Year End Jun 30	2013A	2014F	2015F	2016F
Reported NPAT (A$m)	(30.8)	(37.6)	(14.9)	(10.0)
Recurrent NPAT (A$m)	(30.8)	(37.6)	(14.9)	(10.0)
Recurrent EPS (cents)	(1.0)	(1.2)	(0.4)	(0.1)
EPS Growth (%)	na	na	na	na
PER (x)	(8.4)	(6.9)	(21.2)	(64.0)
EBITDA (A$m)	(28.5)	(41.3)	(20.1)	(14.3)
EV/EBITDA (x)	(9.2)	(6.4)	(16.0)	(45.3)
Capex (A$m)	25.4	12.5	36.7	373.2
Free Cashflow	(44.3)	(45.9)	(58.5)	(394.7)
FCFPS (cents)	(1.4)	(1.5)	(1.6)	(5.2)
PFCF (x)	(5.8)	(5.6)	(5.4)	(1.6)
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0

31 July 2014

12mth Rating		BUY
Price	A$	0.08
Target Price	A$	0.21
12m Total Return	%	145.2
RIC: **SDL.AX**		BBG: **SDL AU**
Shares o/s	m	3073.1
Free Float	%	85.9
Market Cap.	A$m	258.1
Net Debt (Cash)	A$m	31.1
Net Debt/Equity	%	12.8
3m Av. D. T'over	A$m	0.02
52wk High/Low	A$	0.13/0.07
2yr adj. beta		1.42
Valuation:		
Methodology		DCF
Value per share	A$	0.21

Analyst: Rob Brierley
Phone: (+61 8) 9263 1611
Email: rbrierley@psl.com.au

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	0.0	-6.7	3.7
Rel. S&P/ASX 300	-7.6	-9.7	-8.3

Recent victories and future plans

Clearing milestones one by one

Sundance Resources has continued to commercialise its Mbalam-Nabeba Iron Ore Project by rapidly clearing a number of milestones over the last six months. Each cleared milestone de-risks the Project and strengthens SDL's position as it seeks to secure financing and commence construction.

Congo convention awarded: During late July, SDL signed a convention with the Republic of Congo Government. The convention outlines the fiscal and legal terms and conditions to be satisfied by Congo Iron SA for the development and management of the Nabeba deposit, which is part of Mbalam-Nabeba. Key terms are a 25 year operating licence effective from February 2013, which is renewable for successive terms up to 15 years (depending on remaining reserves), a royalty equal to 3% of the mine gate value of ore extracted, a five year corporate tax holiday following the start of production followed by a corporate tax rate which will be levied at a rate of 7.5% for five years, and then 15% thereafter. Additionally, the Congo government will take a 10% stake in Congo Iron SA, there are to be no fees, levies or taxes to be charged in respect of the export of iron ore and (lastly) plant, equipment and consumables will have exemptions and temporary exemptions from import duties and taxes through the construction and production phase.

Mota-Engil awarded infrastructure EPC: During June, SDL announced that it had appointed Mota-Engil Africa (a subsidiary of Mota-Engil) as the contractor to build the US$3.5bn port and rail infrastructure for Mbalam-Nabeba. We highlight that the US$3.5bn contract value is in-line with the initial US$3.1bn (real December 2010) estimated in the 2010 DFS after accounting for inflation. Mota-Engil is a Portuguese construction company which is operating in nine different African countries and is currently constructing a US$703m railway for Vale SA in Malawi. Key terms of the contract with Mota-Engil include a construction period from financial close of 3.5 years and a performance obligation including throughput guarantees to produce, transport and ship 35Mtpa of iron ore.

Financial adviser and lead debt arranger appointed: During early June, SDL appointed Standard Bank, Africa's largest bank, as its financial adviser and lead debt arranger for the Project. The Company expects to finance the Project with a debt and equity ratio better than 70:30. Discussions are well advanced with a wide variety of potential debt funding partners including export credit agencies, development funds and commercial banks.

Cameroon rail and mineral terminal concessions: Early in June, SDL signed rail and mineral terminal concessions with the Cameroon Government. Key terms include fair and transparent third party access to infrastructure that does not affect the requirements of Cam Iron SA and Congo Iron SA, a pathway to expand infrastructure once built and a mechanism to smoothly facilitate changes in legal ownership of infrastructure in the case of a Build, Own, Operate and Transfer (BOOT) funding structure.

Offtake agreement: In late March, SDL secured an offtake agreement with Noble Group (Noble) whereby Noble will purchase 100% of all product produced by Mbalam-Nabeba for the first ten years of operation outside of material allocated to Project equity participants. Other participants may purchase up to 50% of the total production of the Project. Sales will be based on the Platts IODEX 62% Fe CFR China less freight costs from Cameroon.

Next Steps:

Secure debt financing: A number of parties have indicated they are willing to directly debt fund the Project. SDL is currently in discussions with a number of export credit agencies, development funds and commercial banks to secure funding and expects to complete financial close by mid CY15. Broadly speaking, each group is willing to debt fund the Project for US$1.5bn; US$1.3bn and US$0.7bn respectively (see **Figure 1** below). We highlight that Standard Bank has indicated that it intends to use its balance sheet to support the debt raising that will be required for the Project.

Figure 1: Indicative debt funding structure

Sources	Potential funding structure (US$bn)
Export credit agencies	1.5
Development funds	1.3
Commercial banks	0.7
Total indicative debt funding	**3.5**

Source: Sundance Resources Limited

Project equity: We estimate that SDL needs to raise ~A$1bn in equity to secure funding of the Mbalam-Nabeba Iron Ore Project. The Company has several funding options which may negate the need for an equity raising which include a Build, Own, Operate and Transfer (BOOT) model for the port and rail infrastructure or the sale of Project/asset equity.

Ore processing plants and associated infrastructure tender to be awarded: SDL has received three proposals for the construction of the mine plants and associated infrastructure. Indicative prices from all tenders are in line with 2010 DFS price estimates (US$1,237m). We note, each proposal has come with a different funding structure which has extended the amount of time SDL requires to analyse the tenders. After the selection of a contractor, it is expected that a front-end engineering and design (FEED) study will be completed and generate a fixed-price contract. This process is expected to take approximately six months and could potentially be a catalyst on the share price.

Appointment of mining contractor: The Company has not formally awarded a mining contract but has tested the market in respect to potential cost per tonne of ore mined at both sites. The scope of work will include the provision of all capital equipment including trucks, front end loaders and associated field-based facilities. The Company is currently reviewing responses from potential mining contractors.

High grade hematite Exploration Target: SDL currently has an additional Exploration Target of 90 - 150Mt of 55-65% Fe high grade hematite iron ore on existing tenements. Detailed geological and structural mapping has identified potential construction materials within the tenements which may prove to be beneficial during the construction phase by providing suitable material within close proximity.

Hanlong (Africa) Mining Investment Limited (Hanlong) convertible note extension: SDL has an outstanding $5m convertible note with Hanlong which was extended from 30 June 2014 to 31 December 2014. This extension will allow SDL additional time to repay the note in cash or shares.

Cash constraint: SDL reported a cash balance as at 30 June 2014 of $14m and a net operating cash outflow of $11.9m for the June quarter. Assuming that SDL's future quarterly cash outflows will be similar to the $11.9m cash outflow of the June Q, the Company's cash balance will be unable to sustain SDL into the year end. We understand that SDL is currently in multiple advanced negotiations with strategic and financial investors to raise sufficient working capital to enable the Company to continue its current activities and achieve financial close on the debt and project equity funding in 2015. We understand that SDL anticipates this to be completed before the end of August 2014.

Figure 2: Mbalam-Nabeba Iron Ore Project achievements and indicative timeline

	FY14	FY15	FY16	FY17	FY18	FY19
Milestones cleared						
SDL raises $40m via convertible notes	✓					
Agreement offtake with Noble Group	✓					
Mota-Engil Africa appointed EPC	✓					
Standard Bank appointed as financial advisor/lead debt arranger	✓					
SDL and Cameroon government sign rail and mineral concessions	✓					
Congo convention awarded		✓				
Objectives to be complete						
Mine plants and associated infrastructure contractor appointed						
Mining contractor appointed						
Financial close						
Construction of the Project						
Production						

Source: Sundance Resources Limited, Patersons Securities Limited

Valuation

We have run a scenario that assumes that the port and rail infrastructure is built, owned and operated by a consortium independent of SDL, whereby SDL signs up as a foundation customer. We have assumed that SDL pays a tariff to access the infrastructure, which is above and beyond the assumed operating costs for the port and rail, of US$22/t. This tariff should be sufficient to derive a return to the consortium of c10-15%.

This leaves SDL with capex to fund of around $1bn, which we have assumed is sourced from bank debt (c$650m), iron ore pre-sales (c$200m) and equity, including the exercise of unlisted options, (c$300m).

Based on this scenario, and at full production, the Project derives free cash flow of around $562m p.a., which is substantially more than the current market capitalisation of SDL.

Other assumptions made in the calculation of our discounted cash flow based valuation of SDL are:

1. We have only modelled the cash flow of the DSO hematite project, assuming detailed design commences in September quarter CY2014, construction starts in mid-CY15 and production initiates in December 2018.

2. We have escalated capex from the DFS by c10%, while operating costs have been inflated by CPI from the DFS, which used December 2010 dollars.

3. We have applied a nominal valuation of US$0.20 per Fe unit in-situ for 76.5% of the Itabirite resource.

Figure 3: Sundance Resources – DCF Valuation

Valuation	A$m	A$/sh
Mbalam-Nabeba Stage 1	983.0	0.13
Corporate	(85.9)	(0.01)
Unpaid Capital	466.1	0.06
Stage 2 Itabirite Project	240.9	0.03
Cash	14.3	0.00
Debt	(45.3)	(0.01)
Total @ 10% Discount Rate	**1,573.1**	**0.21**
Price Target	**1,573.1**	**0.21**

Source: Patersons Securities Limited

Our analysis indicates that there is significant value in SDL based solely on the hematite Project, without the need to factor in the potential of additional mine life from converting hematite resources to ore reserves or the potential cash flows of the itabirite Project, both of which could be significantly value accretive.

We believe that the short-term catalyst for the stock lies in SDL's ability to successfully finance the Project using the balance sheets of significant engineering, procurement and construction companies and product offtake groups.

Company Overview

SDL is an international iron ore exploration and development company focused on building a global iron ore business through the development of its flagship Mbalam-Nabeba Iron Ore Project. The Project is based around a group of iron ore deposits straddling the border of Cameroon and the Republic of Congo in central West Africa. The Mbalam-Nabeba Iron Ore Project is an integrated Mine, Port and Rail Project with target production capacity of 35Mtpa for a minimum of 30 years. Stage one (the first 10-13 years) will be focused on producing DSO-quality high grade hematite. The second stage of the mine life will be the continued production at 35Mtpa of Itabirite Hematite for at least a further 15+ years. SDL's headquarters are based in Perth, Western Australia home to world class iron ore deposits of the Pilbara region. This allows SDL to frequently draw on the expertise of some of the world's most experienced iron ore specialists. SDL currently employs approximately 200 people across its operations in Australia & Central West Africa.

SDL has a 90% interest in its subsidiary company Cam Iron SA in Cameroon. The Cameroon Government has the right to a 10% free carried interest in the Project companies pursuant to the Cameroon Mining Code and an additional 5% interest where the equity requirements can be loaned to the State and then repaid with interest out of dividends.

SDL also has an 85% interest in Congo Iron SA, its subsidiary in the Republic of Congo. The Congo Government has announced its intention to acquire a 10% interest in Congo Iron SA which will be non-dilutionary during the term of the convention that SDL and the Congo Government signed on 25 July 2014.

Background

The Mbalam-Nabeba Iron Ore Project is located on the border of Cameroon and the Republic of Congo in Central West Africa. The Project will aim to mine 35Mt of iron ore per annum. In addition, SDL will need to construct 510km of rail line dedicated to transport the iron ore from the Mbarga mine in Cameroon, as well as a 70km rail spur line which will connect the Nabeba mine in Congo to the main railway to the Cameroon coast. SDL will also need to construct a new deep water iron ore export terminal at Kribi on the West coast of Cameroon. The terminal is designed to be capable of facilitating bulk iron ore carriers up to the size of 300,000 DWT.

The Mbalam-Nabeba Project life span is defined by two stages. Stage One of the Project will be primarily focused on Direct Shipping Ore, this is anticipated to last for at least the first ten years of the Project's life. The second stage of the Project is expected to last at least a further 15+ years and will be focused on the production of high-grade Itabirite hematite concentrate. In April 2011, SDL released the results of the Definitive Feasibility Study for Stage One and the Pre-Feasibility Study for Stage Two which was a catalyst to the negotiation and finalisation of Government approvals and accords.

Figure 4: Location of the flagship Mbalam-Nabeba Iron Ore Project

Source: Sundance Resources Limited

Geological Setting

SDL's ore reserve is currently 436.3Mt at 62.6% Fe for Stage One of the Project. The ore reserve contains low impurities of 4.43% Silica, 2.55% Alumina and 0.09% Phosphorus.

The current reserve is based on a resource inventory of 775.4Mt at a grade of 57.2% Fe. This represents a conversion of only 58% of the Company's total Indicated Mineral Resources. It is a 24% increase on the previously reported Reserves figure (announced in November 2012) and enables the DSO Stage One mine life to exceed ten years.

Figure 3 is the global summary of all high grade ore reserves for the Mbalam-Nabeba Iron Ore Project. The updated global ore reserves consist of the high grade ore reserves from the Mbarga, Mbarga South, Nabeba, Nabeba South and Nabeba North West deposits.

High Grade Hematite Resources

High grade hematite resources currently total 775.4Mt at 57.2% Fe. The Indicated category of the high grade resource represents 96.5% of the total which further reinforces the assurance in drilling information and subsequent mineralogical and metallurgical studies. All resources were estimated in accordance with the JORC Code.

Figure 5: Mbalam-Nabeba Iron Ore Project resource and reserve table

	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
Resources						
Indicated	748.0	57.2	9.2	4.4	0.098	3.8
Inferred	27.4	57.4	15.1	3.0	0.090	1.5
Total Resource	**775.4**	**57.2**	**9.4**	**4.3**	**0.098**	**3.8**
Reserves						
Probable	436.3	62.6	4.43	2.55	0.087	2.78
Total Reserve	**436.3**	**62.6**	**4.43**	**2.55**	**0.087**	**2.78**

Source: Sundance Resources Limited

Itabirite Resource

The total Project Itabirite Resource base now stands at 4bn tonnes at 36.3% Fe. This massive resource underpins Stage Two of the Project, which will commence around 10 years after the first DSO materials are mined and exported. Stage Two is expected to operate for a further minimum of 15 years as defined in the Prefeasibility Study that was completed in March 2011.

SDL drilled its first exploration hole for the Mbalam Project in June 2007. The current Resource estimate now incorporates assay results from 1,192 drill holes totaling more than 167,300 metres of drilling.

The resource definition and development drilling undertaken by the Company has primarily focused on the two principal deposits at Mbarga (in the Republic of Cameroon) and Nabeba (in the Republic of Congo). However, the potential to grow total resources even further remains significant with numerous exploration targets identified for future drilling.

Figure 6: Global Itabirite Hematite Resources

	Tonnes (Mt)	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LIO (%)
Resources						
Mbarga deposit	2,325.0	38.0	44.4	0.5	0.040	0.4
Nabeba deposit	1,722.0	33.9	42.5	2.7	0.050	2.6
Total Itabirite Hematite Resources	4,047.0	36.3	43.6	1.4	0.040	1.3

Source: Sundance Resources Limited

Feasibility Studies

In April 2011, SDL announced delivery of feasibility studies for the Mbalam-Nabeba Iron Ore Project which consisted of a DFS for Stage One and a Pre-Feasibility Study for Stage Two of the Project.

Stage One involved the production of 35Mtpa of high quality sinter fines iron ore material from two high-grade hematite deposits, Mbarga in the Republic of Cameroon and Nabeba in the Republic of Congo. Being a greenfields project in a relatively undeveloped location, capital expenditure was estimated at US$4.69bn due to the requirement to construct a 510km long heavy haulage railway system with a 70km rail spur to Nabeba and a deep water port facility capable of accommodating bulk iron ore carriers of up to 300,000 metric tonnes. A summary of the capital cost estimate is outlined in Figure 7:

Figure 7: DFS study capital expenditure

	US$m
Mining, processing and associated infrastructure	1,237
Rail	2,417
Port	700
Subtotal	**4,354**
Project management costs	332
Total (US$m) Real 2010 pricing	**4,686**

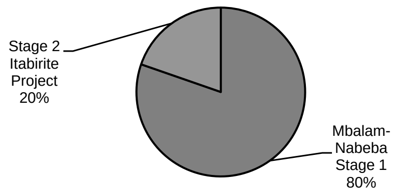
Source: Sundance Resources Limited

Because of the low waste to ore ratio of 0.9:1 and the relatively easy processing route due to the DSO nature of the hematite component of the resource/ore reserve, operating cost estimates are globally competitive at US$21.20/t.

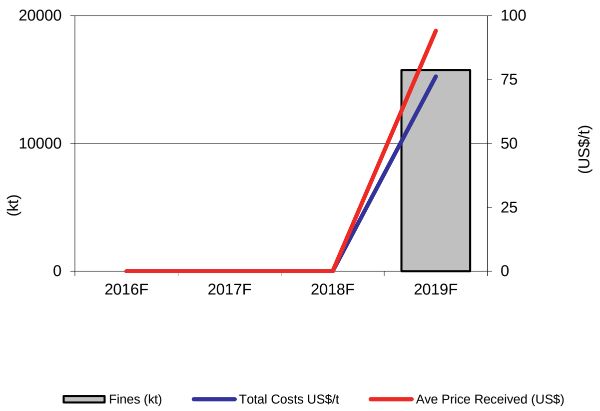
The Stage Two PFS proposed development of a larger scale mining operation that exploited the underlying itabirite resource that will employ standard grinding and flotation to beneficiate the ore into a premium concentrate product with around 47% weight recovery to deliver 66% Fe. Stage Two was estimated to require an additional US$3.1bn of capex, produce final product for US$40/t and commence production once Stage One is completed.

Sundance Resources Ltd	$0.08	
Valuation	**A$m**	**A$/sh**
Mbalam-Nabeba Stage 1	983	0.13
Corporate	(86)	(0.01)
Unpaid Capital	466	0.06
Stage 2 Itabirite Project	241	0.03
Cash estimate	14	0.00
Debt inc. Con Notes	(45)	(0.01)
Total @ 10% Discount Rate	**1573**	**0.21**
Price Target	**1573**	**0.21**

Valuation Summary of Assets



Iron Ore Production Summary



Reserves & Resources

Hematite Reserves	Mt	% Fe	% Si
Mbarga and Mbarga South	127	63.4	5.77
Nabeba, Nabeba North West, Nabeba So	309	62.3	3.88
Total	**436**	**62.6**	**4.43**
Hematite Resources	**Mt**	**% Fe**	**% Si**
Indicated	748	57.2	9.2
Inferred	27.4	57.4	15.1
Total	**775.4**	**57.2**	**9.4**
Itabirite Resources			
Indicated	2325	38	44.4
Inferred	1722	33.9	42.5
Total	**4047**	**36.3**	**43.6**

Directors

Name	Position
George Jones	Chairman
Wal King	Non-Executive Deputy Chairman
Giulio Casello	Managing Director
Michael Blakiston	Non-Executive Director
Barry Eldridge	Non-Executive Director
Fiona Harris	Non-Executive Director
Robin Marshall	Non-Executive Director
David Southam	Non-Executive Director

Substantial Shareholders:	Shares (m)	%
Sichuan Hanlong Group	433.8	14.1
Deutsche Bank AG	238.9	7.8
Creddit Suisse AG	201.1	6.5

Year End June 30

Commodity Assumptions	2016F	2017F	2018F	2019F
US$:A$	0.89	0.89	0.88	0.86
Iron Ore Fines (US$/t CFR)	91.88	94.46	94.08	94.14
Iron Ore Lump (US$/t CFR)	98.42	101.18	100.74	100.76

Production Summary	2016F	2017F	2018F	2019F
Mbalam-Nabeba Stage 1				
Fines (kt)	**0**	**0**	**0**	**15,750**
Op Costs (US$/t)	0	0	49	49
Shipping Costs (US$/t)	0	0	12	12
Freight differential (US$/t)	0	0	13	13
Royalties (US$/t)	0.0	0	0	1
Total Costs US$/t	**0**	**0**	**0**	**76**

Price and Forex	2016F	2017F	2018F	2019F
Ave Price Received (US$)	na	na	na	94.11

Profit & Loss (US$m)	2016F	2017F	2018F	2019F
Sales Revenue	**0.0**	**0.0**	**0.0**	**1133.9**
Other Income	7.0	8.4	9.5	2.8
Operating Costs	0.0	0.0	0.0	782.4
Net Forex loss / (gain)	0.0	0.0	0.0	0.0
Net Shipping Costs	0.0	0.0	0.0	137.2
Exploration Exp.	2.1	2.1	2.1	2.2
Corporate/Admin	17.7	18.1	18.4	18.8
Other expenses	0.0	0.0	0.0	0.0
EBITDA	**(12.7)**	**(11.7)**	**(11.0)**	**196.1**
Depn & Amort	0.0	0.0	0.0	45.2
EBIT	**(12.7)**	**(11.7)**	**(11.0)**	**151.0**
Interest	0.0	0.0	17.6	47.8
MRRT	0.0	0.0	0.0	0.0
Sign Items pre-tax Gain / (loss)	0.0	0.0	0.0	0.0
Operating Profit	**(12.8)**	**(11.7)**	**(28.7)**	**103.2**
Tax expense	(3.8)	(3.5)	(8.6)	30.9
Minorities	0.0	0.0	0.0	0.0
Sign Items post-tax Gain / (loss)	0.0	0.0	0.0	0.0
NPAT	**(8.9)**	**(8.2)**	**(20.1)**	**72.2**
Normalised NPAT	**(8.9)**	**(8.2)**	**(20.1)**	**72.2**

Cash Flow (US$m)	2016F	2017F	2018F	2019F
Adjusted Net Profit	(8.9)	(8.2)	(20.1)	72.2
+ Interest/Tax/Expl Exp	(1.7)	(1.4)	11.2	80.9
- Interest/Tax/Expl Inc	8.5	23.5	34.2	50.0
+ Depn/Amort	0.0	0.0	0.0	45.2
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	**(19.1)**	**(33.1)**	**(43.1)**	**148.3**
- Capex (+asset sales)	333.1	194.0	297.3	174.5
- Working Capital Increase	0.0	(190.0)	40.0	160.0
Free Cashflow	**(352.3)**	**(37.1)**	**(380.5)**	**(186.1)**
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	382.6	0.0	0.0	0.0
+ Debt drawdown (repaid)	226.6	129.5	194.3	97.1
Net Change in Cash	**257.0**	**92.4**	**(186.2)**	**(89.0)**
Cash at End Period	269.0	361.5	175.3	86.3
Net Cash/(Debt)	42.4	5.3	(375.1)	(561.2)

Balance Sheet (US$m)	2016F	2017F	2018F	2019F
Cash	269.0	361.5	175.3	86.3
Total Assets	894.6	1015.9	1190.1	1359.4
Total Debt	226.6	356.1	550.4	647.5
Total Liabilities	274.5	404.0	598.2	695.4
Shareholders Funds	620.1	611.9	591.9	664.1

Ratios	2016F	2017F	2018F	2019F
Net Debt/Equity (%)	na	na	63.4	84.5
Interest Cover (x)	na	na	na	3.2
Return on Equity (%)	na	na	na	10.9

Recommendation History

Date	Type	Target Price	Share Price	Recommendation	Return
31 Oct 13	Research Note	0.25	0.11	B	
19 Dec 13	Event Impact Email	0.25	0.10	B	-9.1%
08 Jan 14	Research Note	0.26	0.09	B	-10.0%
17 Mar 14	Resources Review	0.22	0.09	B	1.1%
06 Jun 14	Event Impact Email	0.22	0.10	B	9.9%
25 Jul 14	Hot off the Press	0.22	0.09	B	-10.0%
	Current Share Price		0.08		-6.7%

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.

PATERSONS
THE AUSTRALIAN STOCKBROKER

1300 582 256
patersons@psl.com.au
www.psl.com.au

Research

Rob Brierley – Head of Research	Phone: (+61 8) 9263 1611	Email: rbrierley@psl.com.au
Tony Farnham – Economist	Phone: (+61 2) 9258 8973	Email: tfarnham@psl.com.au
Andrew Quin – Research Strategy Coordinator	Phone: (+61 8) 9263 1152	Email: aquin@psl.com.au
Kien Trinh – Senior Quantitative Analyst	Phone: (+61 3) 9242 4027	Email: ktrinh@psl.com.au
Max Bong – Associate Analyst	Phone: (+61 8) 9263 1647	Email: mbong@psl.com.au
Lisa Moylan – Associate Analyst	Phone: (+61 2) 9258 8960	Email: lmoylan@psl.com.au
Jon Scholtz – Associate Analyst	Phone: (+61 8) 9225 2836	Email: jscholtz@psl.com.au

Metals and Mining

Jason Chesters – Resources Analyst	Phone: (+61 8) 9263 1144	Email: jchesters@psl.com.au
Simon Tonkin – Senior Resources Analyst	Phone: (+61 8) 9225 2816	Email: stonkin@psl.com.au
Matthew Trivett – Research Analyst	Phone: (+61 7) 3737 8053	Email: mtrivett@psl.com.au

Oil and Gas

Philipp Kin – Oil and Gas Analyst	Phone: (+61 8) 9263 1664	Email: pkin@psl.com.au

Industrials

Martyn Jacobs – Industrial Analyst	Phone: (+61 3) 9242 4172	Email: mjacobs@psl.com.au
Ben Kakoschke – Industrial Analyst	Phone: (+61 3) 9242 4181	Email: bkakoschke@psl.com.au
Conor O'Prey – Industrial Analyst	Phone: (+61 2) 8238 6214	Email: coprey@psl.com.au
Ben Rowe – Industrial Analyst	Phone: (+61 8) 9263 1616	Email: browe@psl.com.au

Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@psl.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherty@psl.com.au
Trent Foxe	Phone: (+61 2) 8238 6265	Email: tfoxe@psl.com.au
Peter Graham	Phone: (+61 3) 9242 4129	Email: pgraham@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Josh Welch	Phone: (+61 8) 9263 1668	Email: jwelch@psl.com.au
Rob Willis	Phone: (+61 7) 3737 8021	Email: rwillis@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any direct or indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your individual financial circumstances and investment objectives.

Disclosure: Patersons, its director and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests did not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorised representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

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.

Patersons Securities Limited ABN 69 008 896 311 AFSL 239 052

The Authorising Licensee, Patersons Securities Limited, is a Participant of ASX Group; Participant of National Stock Exchange (NSX); Participant of Chi-X Australia; Participant of SIM VSE Exchange; Participant of Asia Pacific Exchange; Stockbrokers Association of Australia Principal Member.