

This is an extract of our full report.  
Please refer to our full report before making any investment decisions.

# KIN Mining NL

Fully funded near-term gold production

December 2017

**Recommendation: BUY**

- **Robust base case mine plan of 55kozpa for 7yrs at AISC of A\$1,018/oz**
- **Rapid, low-cost start-up, 1.5Mtpa plant & mining leases secured, fully funded**
- **Aggressive exploration to build on base case, significant results being generated**

ASX: KIN

Share Price: \$0.315

Target Price: \$0.45

M/Cap.: \$55M

Valuation: \$0.45/share

Valuation: \$103M

Shares: 175.7M

Monthly T/over: \$2.8M



**Brett McKay**

+61 2 9239 9605

BMcKay@petracapital.com.au

**Matthew Schembri**

+61 2 9239 9630

MSchembri@petracapital.com.au

**Petra Capital Pty Ltd**

## Contents

Analysis.....	4
Executive Summary.....	5
Base case mine plan delivers an average 55kozpa for 7 years.....	5
LGP can be fast-tracked into production.....	5
Exploration drilling already starting to demonstrate potential to extend life.....	5
Valuation of A\$0.45/sh at 10% discount rate.....	5
Risks.....	5
The Leonora Gold Project (LGP).....	6
Introduction.....	6
Base case mine plan is conservative.....	7
Processing plant secured.....	9
Production plan focuses on prioritising low-cost oxide ore.....	10
Exploration upside likely to translate into increased mining inventory.....	11
Capital and operating costs.....	15
Valuation.....	16
Sensitivities.....	17
Risks.....	17
The Board & Top Shareholders.....	18
Appendix 1.....	19
Resources and Reserves.....	19

## KIN Mining NL (KIN)

**BUY**

**Share Price: A\$0.315**

**Fully funded near term gold production**

**Target Price: A\$0.45**

After recently completing a Definitive Feasibility Study (DFS), acquiring a quality gold plant & securing debt financing, KIN Mining (KIN) is focused on fast-tracking the 100% owned Leonora Gold Project (LGP) into production during 2H CY18. The project is built around an initial reserve of 373koz underpinning a 7yr mine plan, averaging 55kozpa & A\$1,018/oz AISC. The base case project is well defined, allowing for an open pit mining strategy focused on a number of shallow open pits (50-60m) containing mainly soft, free-digging oxide/transitional ore to be fed into a 1.5Mtpa CIL plant. Exploration upside is significant, with recent drilling returning broad high grade hits in primary mineralisation beneath the open pits; this will drive a longer mine life & higher production, with our valuation significantly leveraged to these outcomes. We initiate coverage on KIN with a BUY & price target of A\$0.45/sh (1xP/NPV).

### DFS outlines a robust base case gold project

- Three mining centres within 30km of a centralised 1.5Mtpa CIL processing plant at Cardinia which is increasingly becoming the nucleus of the LGP
- Shallow (50-60m), low risk, low cost open pits with abundant free dig and high metallurgical recoveries
- Mine plan of 8.6Mt at 1.5g/t for 372koz (92% reserves) underpinning an initial 7yr mine life at 55kozpa average

### Rapid start-up envisaged, first gold by end CY18

- Lawlers processing plant secured; to be dismantled, refurbished & relocated, new leach tanks to be added
- Mining leases granted, construction approvals well advanced; plant work due to start in Q1 CY18
- Low risk start to mining with oxides at surface at Kyte

### Low capex start-up, funding secured

- A\$35m start-up capex covered by Sprott facility on favourable terms; new equity assumed for exploration and working capital (\$15m at 30¢/sh)

### Aggressive exploration campaign for CY18

- 100,000m drilling planned for CY18, incl 20,000m DDH
- Numerous opportunities, including lengthening the oxide profile, defining depth potential and testing new targets

### Price target of A\$0.45/sh (1xP/NPV<sub>10</sub>); BUY

- Our A\$0.45/sh DCF valuation assumes 9yr mine life at average 53kozpa gold output at AISC of A\$1,084/oz
- Extra year of mine life adds 5¢/sh
- Lifting milled grade by 0.5g/t to 1.7-1.8g/t in 2020 & 2021 boosts the NPV by 36% to A\$0.61/sh

### Company Data

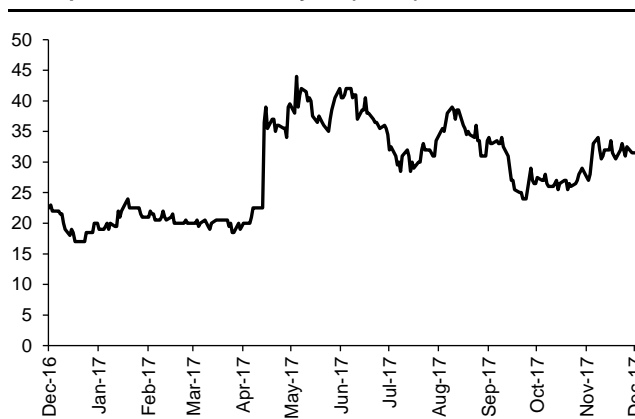
Shares – ordinary (M)	175.7
Market cap. (M)	\$55m
12 month low/high (\$)	\$0.17 / \$0.45
Average monthly turnover (\$M)	\$2.8m
GICS Industry	Diversified metals & mining

### Financial Summary (fully diluted/normalised)

Year end June	2017A	2018F	2019F	2020F	2021F
Revenue (\$M)	0.0	0.0	65.6	95.9	82.1
Costs (\$M)	2.3	2.0	37.3	59.6	58.8
EBITDA (\$M)	-2.3	-2.0	28.3	36.3	23.3
NPAT (\$M)	-2.4	-2.2	16.1	21.3	13.3
EPS (¢ps)	-1.3	-1.0	7.0	9.3	5.8
EPS growth (%)	na	>100	>100	32.0	-37.5
PER (x)	na	na	4.6	3.4	5.5
Cashflow (\$M)	-2.6	-2.1	25.5	27.9	13.8
CFPS (¢ps)	-1.5	-0.9	11.1	12.2	6.0
PCFPS (x)	na	na	2.9	2.6	5.3
Enterprise Value (\$M)	53	92	78	54	45
EV / EBITDA (x)	-22.9	-46.2	2.8	1.5	1.9
Dividends (¢ps)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0

Director	Position	Executive
Trevor Dixon	Chairman	Non-Executive
Don Harper	Managing Director & CEO	Executive
David Sproule	Technical Director	Non-Executive
Joe Graziano	Company Secretary	Non-Executive

### KIN – performance over one year (A¢/sh)



## Analysis

KIN Mining								Share Price	(\$)	0.315						
(KIN)								Iss. Shares (current)	(M)	175.7						
6-Dec-17								Iss. Shares (diluted)	(M)	229.2						
Year End 30 Jun								Unlisted Options	(M)	40.3						
A\$								Mkt Cap.	(\$M)	55.3						
PROFIT & LOSS								RESOURCES INVENTORY		2017A	2018F	2019F	2020F	2021F	2022F	
Sales Revenue	\$M	0.0	0.0	65.6	95.9	82.1	97.7	<b>Mining Inventory</b>								
Other Income	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Tonnes	Mt	8.6	8.6	8.6	7.7	6.3	4.9	
Operating Costs	\$M	2.3	2.0	37.3	59.6	58.8	64.4	Grade	g/t	1.5	1.5	1.5	1.5	1.6	1.7	
Exploration	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Contained Gold	koz	414.7	414.7	374.2	315.2	262.5	199.8	
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	<b>Resources</b>								
<b>EBITDA</b>	<b>\$M</b>	<b>(2.3)</b>	<b>(2.0)</b>	<b>28.3</b>	<b>36.3</b>	<b>23.3</b>	<b>33.3</b>	Tonnes	Mt	22	22	21	20	19	17	
Dep. & Amort.	\$M	0.1	0.0	2.5	4.4	4.0	4.9	Grade	g/t	1.4	1.4	1.4	1.4	1.4	1.4	
<b>EBIT</b>	<b>\$M</b>	<b>(2.4)</b>	<b>(2.0)</b>	<b>25.8</b>	<b>31.9</b>	<b>19.3</b>	<b>28.4</b>	Contained Gold	koz	1004	1004	963	904	852	789	
Net Interest	\$M	0.1	0.2	2.8	1.5	0.3	(0.6)	<b>PRODUCTION</b>								
<b>Pre-Tax Profit</b>	<b>\$M</b>	<b>(2.5)</b>	<b>(2.2)</b>	<b>23.0</b>	<b>30.4</b>	<b>19.0</b>	<b>29.0</b>	Ore Milled	Mt	0.00	0.00	0.90	1.41	1.37	1.50	
Tax	\$M	(0.1)	0.0	6.9	9.1	5.7	8.7	Grade	g/t	0.0	0.0	1.4	1.3	1.2	1.3	
Minorities	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Recovery	%	0%	0%	96%	97%	93%	93%	
<b>Net Profit</b>	<b>\$M</b>	<b>(2.4)</b>	<b>(2.2)</b>	<b>16.1</b>	<b>21.3</b>	<b>13.3</b>	<b>20.3</b>	Gold Produced	oz	0	0	38,890	56,991	48,977	58,305	
Abnormal	\$M	0.0	0.0	0.0	0.0	0.0	0.0	<b>REVENUE</b>								
<b>Reported Profit</b>	<b>\$M</b>	<b>(2.4)</b>	<b>(2.2)</b>	<b>16.1</b>	<b>21.3</b>	<b>13.3</b>	<b>20.3</b>	LGP	\$M	0.0	0.0	65.6	95.9	82.1	97.7	
Dividends Paid	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	
Adjustments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Total	\$M	0.0	0.0	65.6	95.9	82.1	97.7	
<b>Retained Earnings</b>	<b>\$M</b>	<b>(5.4)</b>	<b>(7.6)</b>	<b>8.6</b>	<b>29.8</b>	<b>43.1</b>	<b>63.4</b>	<b>COSTS</b>								
<b>CASH FLOW</b>								Cash costs	A\$/oz	0	0	908	1010	1160	1071	
Revenue	\$M	0.0	0.0	65.6	95.9	82.1	97.7	All in sustaining costs	A\$/oz	0	0	985	1063	1221	1122	
Costs	\$M	(2.4)	(2.0)	(37.3)	(59.6)	(58.8)	(64.4)	Cash costs	US\$/oz	0	0	681	747	858	793	
Net Interest	\$M	(0.3)	(0.2)	(2.8)	(1.5)	(0.3)	0.6	All in sustaining costs	US\$/oz	0	0	739	786	904	831	
Tax Paid	\$M	0.0	0.1	0.0	(6.9)	(9.1)	(5.7)	Cash costs	\$M	0.0	0.0	35.3	57.6	56.8	62.4	
<b>Gross Cash Flow</b>	<b>\$M</b>	<b>(2.6)</b>	<b>(2.1)</b>	<b>25.5</b>	<b>27.9</b>	<b>13.8</b>	<b>28.2</b>	Other/corporate	\$M	2.0	2.0	2.0	2.0	2.0	2.0	
Net Capex	\$M	(0.2)	(30.0)	(6.4)	(1.0)	(1.0)	(1.0)	Total	\$M	2.0	2.0	37.3	59.6	58.8	64.4	
Exploration	\$M	(6.6)	(5.0)	(5.0)	(3.0)	(3.0)	(3.0)	<b>CAPEX</b>								
Dividends	\$M	0.0	0.0	0.0	0.0	0.0	0.0	LGP	\$M	0.0	30.0	6.4	1.0	1.0	1.0	
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Free Cashflow</b>	<b>\$M</b>	<b>(9.4)</b>	<b>(37.1)</b>	<b>14.1</b>	<b>23.9</b>	<b>9.8</b>	<b>24.2</b>	Total	\$M	0.0	30.0	6.4	1.0	1.0	1.0	
Equity Issues	\$M	16.1	15.0	0.0	0.0	0.0	0.0	<b>DEPRECIATION</b>								
Net Borrowings	\$M	(1.4)	31.3	(15.0)	(10.0)	(10.0)	0.0	LGP	\$M	0.0	0.0	2.5	4.4	4.0	4.9	
Net Investments	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Surplus Cash Flow</b>	<b>\$M</b>	<b>5.4</b>	<b>9.3</b>	<b>(0.9)</b>	<b>13.9</b>	<b>(0.2)</b>	<b>24.2</b>	Total	\$M	0.0	0.0	2.5	4.4	4.0	4.9	
<b>BALANCE SHEET</b>								<b>EBITDA</b>								
Cash	\$M	6.7	15.9	15.0	28.9	28.8	52.9	LGP	\$M	-2.0	-2.0	28.3	36.3	23.3	33.3	
Other Current	\$M	0.5	0.5	0.5	0.5	0.5	0.5	Other (incl. writedowns)	\$M	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Total Current</b>	<b>\$M</b>	<b>7.2</b>	<b>16.4</b>	<b>15.5</b>	<b>29.5</b>	<b>29.3</b>	<b>53.5</b>	Total	\$M	-2.0	-2.0	28.3	36.3	23.3	33.3	
Fixed Assets	\$M	2.8	32.8	36.7	33.3	30.3	26.5	<b>HEDGING</b>								
Exploration	\$M	17.6	22.6	27.6	30.6	33.6	36.6	Gold hedged	oz	0	0	0	0	0	0	
Intangibles	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Hedged price	US\$/oz	0	0	0	0	0	0	
Other	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Hedged price	A\$/oz	0	0	0	0	0	0	
<b>Total NC Assets</b>	<b>\$M</b>	<b>20.4</b>	<b>55.4</b>	<b>64.3</b>	<b>63.9</b>	<b>63.9</b>	<b>63.0</b>	Sales hedged	%	0%	0%	0%	0%	0%	0%	
<b>TOTAL ASSETS</b>	<b>\$M</b>	<b>27.6</b>	<b>71.8</b>	<b>79.8</b>	<b>93.3</b>	<b>93.2</b>	<b>116.5</b>	Ave. deliverable price	US\$/oz	1257	1285	1265	1245	1240	1240	
Total Debt	\$M	3.7	35.0	20.0	10.0	0.0	0.0	Ave. deliverable price	A\$/oz	1,667	1,669	1,687	1,682	1,676	1,676	
Current Liab	\$M	2.4	2.5	9.4	11.6	8.2	11.2	<b>ASSUMPTIONS</b>								
Non Current Liab	\$M	0.0	0.0	0.0	0.0	0.0	0.0	Exchange Rate	A\$/US\$	0.75	0.77	0.75	0.74	0.74	0.74	
<b>TOTAL LIAB</b>	<b>\$M</b>	<b>6.1</b>	<b>37.5</b>	<b>29.4</b>	<b>21.6</b>	<b>8.2</b>	<b>11.2</b>	Gold Price	US\$/oz	1257	1285	1265	1245	1240	1240	
<b>NET ASSETS</b>	<b>\$M</b>	<b>21.5</b>	<b>34.3</b>	<b>50.4</b>	<b>71.7</b>	<b>85.0</b>	<b>105.3</b>	Gold Price	A\$/oz	1667	1669	1687	1682	1676	1676	
<b>SH/HLDRS FUNDS</b>	<b>\$M</b>	<b>21.5</b>	<b>34.3</b>	<b>50.4</b>	<b>71.7</b>	<b>85.0</b>	<b>105.3</b>	Silver price	US\$/oz	17.83	19.75	20.00	20.00	20.00	20.00	
<b>RATIO ANALYSIS</b>								90 day Bank Bills	%	2.26	2.14	2.09	2.09	2.09	2.09	
EPS	¢	(1.3)	(1.0)	7.0	9.3	5.8	8.8	10 Yr Bond rate	%	2.71	2.38	2.78	2.78	2.78	2.78	
PER	x	na	na	4.5	3.4	5.4	3.6	Interest Rate Charged	%	9.00	9.00	9.00	9.00	9.00	9.00	
EPS Growth	%	na	>100	>100	32.0	(37.5)	52.5	<b>VALUATION (fully diluted) at 10% discount rate</b>								
EBITDA per share	¢	-1.3	-0.9	12.3	15.8	10.1	14.5	Leonora Gold Project					114.4	\$	0.50	
EBITDA Multiple	x	-23.8	-36.1	2.6	2.0	3.1	2.2	Exploration					20.0	\$	0.09	
EV/EBITDA	x	-22.5	-45.6	2.7	1.5	1.9	0.6	Corporate / Other					(12)	\$	(0.05)	
CFPS	¢	(1.5)	(0.9)	11.1	12.2	6.0	12.3	Net Cash (Debt)					(19)	\$	(0.08)	
PCFR	x	na	na	2.8	2.6	5.2	2.6	<b>Total</b>					<b>103.0</b>	<b>\$</b>	<b>0.45</b>	
DPS	¢	0.0	0.0	0.0	0.0	0.0	0.0									
Yield	%	0.0	0.0	0.0	0.0	0.0	0.0									
Franking	%	0	0	0	0	0	0									
Payout Ratio	%	0%	0%	0%	0%	0%	0%									
Gearing D/E	%	na	55.6	9.9	na	na	na									
Interest Cover	x	na	na	9.2	21.4	65.2	na									
EBITDA Margin	%	na	na	43.1	37.9	28.3	34.0									
EBIT Margin	%	na	na	39.4	33.2	23.5	29.0									
Return On Assets	%	(8.6)	(2.8)	32.4	34.2	20.7	24.4									
Return On Equity	%	(11.0)	(6.4)	32.0	29.7	15.7	19.3									
Eff Tax rate	%	0	30	30	30	30	30									

Source: Petra Capital

## Executive Summary

### Base case mine plan delivers an average 55kozpa for 7 years

KIN plan to develop the LGP as a simple, low risk open pit operation, initially supplying predominantly oxide and transitional ore into a 1.5Mtpa CIL processing plant. KIN has ensured a low capex start-up by securing a quality second-hand plant and has drilled out sufficient ore within shallow, low risk open pits to underpin a modest production profile of 55kozpa over 7 years at AISC of A\$1,018/oz. Exploration upside is already being demonstrated, which has the potential to drive an improved production profile and/or longer mine life. Our A\$0.45/sh valuation assumes a 9 year mine life, with each extra year of production adding 5¢/sh to the valuation. Increasing the head grade has a more material impact, with 0.5g/t increased head grade in 2020 and 2021 lifting the valuation by 36%.

### LGP can be fast-tracked into production

A number of key features of the LGP will allow it to be fast-tracked into production for low capex and with minimal risk.

- Mining and infrastructure areas are on granted mining leases, with a two-phased approval process initially allowing start of the processing plant, followed by mining approvals in mid-CY18.
- A high quality second hand plant has already be purchased and is ready for dismantling, refurbishment and transport to site. A larger ball mill has also be sourced, allowing mill throughput to lift to 1.5Mtpa on oxide ore.
- Oxide ore starts at surface, with little pre-strip or site preparation work required to access ore.
- Confidence in mining and processing performance as a result of trial mining undertaken at Bruno and Lewis in 2010 and 2016 respectively.
- Some open pits are already grade control drilled to the base of the pit design, ready for mining.
- Owners team in place, ready for project execution.
- Funding for the entire build is secured on favourable terms, with a decision to mine imminent.

### Exploration drilling already starting to demonstrate potential to extend life

Drilling has recently returned a number of impressive intersections from the primary zone beneath the planned open pits, including 16m at 37.6g/t Au from 47m at Lewis and 21m at 3.1g/t Au from 29m at Helens. Whilst further drilling and structural interpretation is required, we believe there is good potential to push open pits deeper to increase the mining inventory which may underpin a longer mine life and/or increased annual gold production as high grade primary ore is blended into the mill feed.

### A cost-conscious approach to building a quality mid-cap gold miner

KIN has demonstrated it is a frugal operator, focussing on maximising shareholder returns. KIN acquired the LGP in 2014 for \$2.7m and the processing plant in mid-2017 for \$2.5m; a total of \$17m has been spent on the project by KIN, following around \$20m by the previous owner. Through exploration, KIN has built a credible resource of 1Moz which is likely to grow. With the Board owning 14% of issued equity (some purchased on market), we expect continued growth focussed on shareholder returns.

### Valuation of A\$0.45/sh at 10% discount rate

Our valuation of A\$0.45/sh is set in-line with our NPV<sub>10</sub> which assumes a 9 year mine life and 53kozpa average annual production at AISC of A\$1,084/oz. We include a nominal \$20m (A\$0.09/sh) of exploration value to account for potential mine life extensions and/or increased annual production.

### Risks

A comprehensive risk assessment is included in the main section of the report (see page 17). Key areas of risk relate to (i) gold price and currency exposure (ii) significant variations in capital or operating costs relative to the company's or Petra assumptions (iii) mining risk particularly relating to ore body performance (reconciliation & dilution, proportion of free dig, pit wall stability etc) (iv) unforeseen issues relating to dismantling, refurbishment, relocating and/or reassembly of the processing plant.

**Petra Capital**  
 Level 17, 14 Martin Place, Sydney NSW 2000

ABN 95 110 952 782  
 ACN 110 952 782  
 AFSL 317 944

Director:	George Marias	+61 (0)2 9239 9601	gmarias@petracapital.com.au
Research (Resources):	Brett McKay	+61 (0)2 9239 9605	bmckay@petracapital.com.au
Research (Resources):	Matthew Schembri	+61 (0)2 9239 9630	mschembri@petracapital.com.au
Research (Industrials):	Killian Murphy	+61 (0)2 9239 9607	kmurphy@petracapital.com.au
Research (Industrials):	Daniel Porter	+61 (0)2 9239 9625	dporter@petracapital.com.au
Research (Industrials):	James Lennon	+61 (0)2 9239 9618	jlennon@petracapital.com.au
Research (Property):	Jonathan Kriska	+61 (0)2 9239 9633	jkriska@petracapital.com.au
Sales:	Frank Barila	+61 (0)2 9239 9603	fbarila@petracapital.com.au
Sales:	Richard Macphillamy	+61 (0)2 9239 9604	rmacphillamy@petracapital.com.au
Sales:	Vincent Pisani	+61 (0)2 9239 9617	vpisani@petracapital.com.au
Sales:	Colin Redmond	+61 (0)2 9239 9613	credmond@petracapital.com.au
Sales:	Iain Gow	+61 (0)2 9239 9608	igow@petracapital.com.au
Sales:	Peter Veldhuizen	+61 (0)2 9239 9609	pveldhuizen@petracapital.com.au
Sales:	Vince Barila	+61 (0)2 9239 9627	vbarila@petracapital.com.au
Corporate (ECM):	Conrad Anderson	+61 (0)2 9239 9610	canderson@petracapital.com.au
Administration:	Krystle Garven	+61 (0)2 9239 9635	kgarven@petracapital.com.au
Administration:	Samantha Tingley	+61 (0)2 9239 9636	stingley@petracapital.com.au
Administration:	Silvia Fratta Pasini	+61 (0)2 9239 9621	spasini@petracapital.com.au
Administration:	Larissa Falvo	+61 (0)2 9239 9611	lfalvo@petracapital.com.au
Legal & Compliance:	Stephen Newton	+61 (0)2 9239 9612	snewton@petracapital.com.au
Financials:	Tony Christelis	+61 (0)2 9239 9615	tchristelis@petracapital.com.au

#### Disclosure

This document has been prepared in Australia by Petra Capital Pty Ltd which holds an Australian Financial Services License AFSL 317 944. Petra Capital Pty Ltd is an ASX Market Participant. Petra Capital Pty Ltd and its associates, officers, directors, employees and agents, from time to time, may receive brokerage, commissions, fees or other benefits or advantages, hold securities in companies researched by Petra Capital Pty Ltd and may trade in these securities either as principal or agent.

#### Disclaimer

The information or advice contained in this report has been obtained from sources that were accurate at the time of issue, however the information has not been independently verified and as such, Petra Capital Pty Ltd cannot warrant its accuracy or reliability. Persons relying on this information do so at their own risk. To the extent permitted by law, Petra Capital Pty Ltd disclaims all liability or responsibility for any direct or indirect loss or damage (including consequential loss or damage) caused by any error or omission within this report, or by persons relying on the contents of this report.

This report is published by Petra Capital Pty Ltd by way of general information or advice only. This report does not take into account specific investment needs or other considerations that may be pertinent to individual investors. Before making any investment decisions based on this report, parties should consider, with or without an investor adviser, whether any relevant part of this report is appropriate to their financial circumstances and investment objectives. Petra Capital Pty Ltd is a licensed institutional/wholesale stockbroking firm. The report is only intended for institutional and sophisticated clients to whom Petra Capital Pty Ltd has issued the report. Petra Capital Pty Ltd is not licensed to advise retail investors – retail investors should contact their own stockbroker or financial adviser/planner for advice.

#### Key Risks – Resources Companies under Coverage

Key risks in relation to the resources sector and the resources companies that are the subject of research by Petra Capital's analysts include commodity price volatility, currency risk, technical/licencing/operational risks, litigation/political risk, development risk and sovereign risk for overseas assets, as well as feasibility, permitting and financing risks related to the development of growth projects.

#### Ratings

Information regarding the scope and expertise of our research services, processes for selection for coverage, and the management of conflicts of interest can be found on Petra Capital's website at [www.petracapital.com.au/research-disclosures](http://www.petracapital.com.au/research-disclosures).

Petra Capital uses the following ratings system and definitions: Buy - Forecast to outperform the Market by more than 5%; Hold - Forecast to perform up to 5% above or below the Market; Sell - Forecast to underperform the Market by more than 5%; Speculative Buy - Speculative Investment; Take Profits - Recommend taking short term profits in a stock we remain fundamentally positive on a medium term view; Accept Offer - For a company under takeover where we see the offer as a fair price with low risk of a competing offer; No Rating - No rating at this time. Market performance is relative to the S&P/ASX Small Ordinaries Index which we assume generates a neutral return on a 12 month basis.

#### US Investors

This material is intended for use by major U.S. institutional investors (as such term is defined in the U.S. Securities Exchange Act of 1934) and "\$100 million investors" only and not the general investing public or retail customers. "\$100 million investors" means any entity, including any investment adviser (whether or not registered under the U.S. Investment Company Act of 1940) that owns or controls (or in the case on an investment adviser has under management) in excess of US\$100 million in aggregate financial assets (i.e. cash, money-market instruments, securities of unaffiliated issues, futures and options on futures and other derivative instruments). Transactions by or on behalf of any US person in any security mentioned in this document may only be effected through Global Alliance Securities, LLC ("Global Alliance"), a U.S. broker dealer. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified. Therefore, its accuracy is not guaranteed. Additional and supporting information is available upon request. This is not an offer or solicitation of an offer to buy or sell any security or to make any investment. Any opinion or estimate constitutes the preparer's best judgement as of the date of preparation and is subject to change without notice. Petra Capital Pty Ltd or Global Alliance and their associates or affiliates, and their respective officers, directors and employees may buy or sell securities mentioned herein as agent or principal for their own account.

#### Other International

International investors are encouraged to contact their local regulatory authorities to determine whether restrictions apply in buying/selling this investment.