

Analyst

David Coates 612 8224 2887

Authorisation

Peter Arden 613 9235 1833

Aeon Metals Ltd (AML)

Resource firms up project credentials

Recommendation

Buy (unchanged)

Price

\$0.17

Valuation

\$0.64 (previously \$0.60)

Risk

Speculative

GICS Sector

Materials

Expected Return

Capital growth	276.5%
Dividend yield	0.0%
Total expected return	276.5%

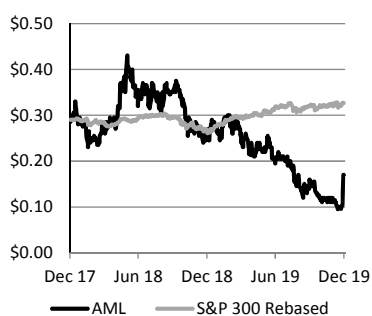
Company Data & Ratios

Enterprise value	\$123.5m
Market cap	\$114.6m
Issued capital	674.1m
Free float	58%
Avg. daily val. (52wk)	\$81,000
12 month price range	\$0.086-\$0.30

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.12	0.14	0.26
Absolute (%)	41.7	21.4	-33.3
Rel market (%)	41.1	19.0	-55.5

Absolute Price



SOURCE: IRESS

Updated Walford Creek Resource

AML released an updated Mineral Resource for its 100%-owned Walford Creek copper-cobalt project in Queensland. The new Resource incorporates all drilling completed during the 2019 drilling season and will form the basis of the Walford Creek Pre-Feasibility Study (PFS), which is due for completion in 1H20. Three separate Resources plus an updated Exploration Target have been reported as follows: **Copper Mineral Resource** of 18.4Mt @ 1.05%Cu + 0.14%Co + 29g/tAg + 0.90%Pb + 0.72%Zn (2.46% copper equivalent (Cueq)); **Cobalt Peripheral Mineral Resource** of 17.4Mt @ 0.26%Cu + 0.09%Co + 20g/tAg + 0.80%Pb + 1.01%Zn (1.39% Cueq); and **Amy Copper Mineral Resource** of 5.1Mt @ 1.25%Cu + 0.14%Co + 37g/tAg + 1.35%Pb + 0.63%Zn (2.63% Cueq). The updated Exploration Target for the Amy Zone copper mineralisation is now reported at 2-4 Mt @ 2.3%-2.8% CuEq.

Underpins PFS Reserves and mine life

The compilation of this new Resource represents a major positive milestone for AML. On a consolidated basis, it has grown to +300kt of contained copper, 50kt of contained cobalt plus lead, zinc and silver. On a copper equivalent basis this is +700kt contained Cu at 1.9%Cueq, making this a significant project in its own right. In addition to this, 95% of the Copper Mineral Resource and 85% of the total consolidated Resource is in the Measured and Indicated categories, available for conversion to Ore Reserves and required for the PFS evaluation. We expect Reserves alone to underpin a +10 year life-of-mine (lom) at Walford. Further upside remains from the Amy Zone's 5Mt of Inferred Resources and 2-4Mt Exploration Target, full realisation of which would imply a 15yr lom from a deposit that is still open along strike.

Investment thesis – Speculative Buy, valuation \$0.64/sh

AML is continuing to advance and de-risk a viable, large scale copper-cobalt project with a clear path to development. We revise our valuation upwards 7% to \$0.64/sh, primarily on mine life extension. We retain our Speculative Buy recommendation.

Earnings Forecast

Year end 30 June	2019a	2020e	2021e	2022e
Sales (A\$m)	-	-	-	214
EBITDA (A\$m)	(4)	(2)	(2)	90
NPAT (reported) (A\$m)	(4)	(3)	(2)	38
NPAT (adjusted) (A\$m)	(4)	(3)	(2)	38
EPS (adjusted) (cps)	(1)	(0)	(0)	5
EPS growth (%)	na	na	na	na
PER (x)	(25.9)	(35.9)	(63.1)	3.3
FCF Yield (%)	-13%	-4%	-56%	-135%
EV/EBITDA (x)	(30.0)	(65.0)	(82.3)	1.4
Dividend (cps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-6%	-5%	-3%	42%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Resource firms up project credentials

Updated Walford Creek Resource

AML released an updated Mineral Resource for its 100%-owned Walford Creek copper-cobalt project in Queensland. The new Resource incorporates all drilling completed during the 2019 drilling season and will form the basis of the Walford Creek Pre-Feasibility Study (PFS), which is due for completion in 1H CY20.

Three separate Resources plus an updated Exploration Target have been reported as follows:

The updated **Copper Mineral Resource** for the Vardy and Marley Zones of 18.4Mt @ 1.05%Cu + 0.14%Co + 29g/tAg + 0.90%Pb + 0.72%Zn (2.46% Cueq).

This Resource combined with the Cobalt peripheral Resource will underpin the mine plan and investment case for Walford Creek. The slight decrease in copper grade and increase in tonnage reflects the inclusion of small portion of the cobalt Resource due to shifting of the boundary between the two. It is offset by a lift in the cobalt and base metal grades.

Importantly, **95% of this Resource** is now in the high confidence Measured and Indicated (M&I) categories and available for conversion to Ore Reserves and inclusion in a PFS. On a copper equivalent basis, we calculate the updated Copper Mineral Resource contains **~421kt Cueq**.

We have made our own Cueq calculations in the following tables, showing minor discrepancies with those reported by AML, due to rounding and recovery assumptions. In order to compare the updated Resource statements with the previous ones, we have applied the same Cueq calculations.

Table 1 – Walford Creek Project –Vardy and Marley Zone Copper Lode Mineral Resource as at December 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	6.2	1.15%	0.89%	0.86%	26.5	0.15%	71,300	55,180	53,320	5,282,367	9,300	2.4%
Indicated	11.3	1.00%	0.90%	0.63%	30.1	0.14%	113,000	101,700	71,190	10,935,432	15,820	2.2%
Inferred	0.9	1.04%	1.06%	0.80%	35.2	0.14%	9,360	9,540	7,200	1,018,536	1,260	2.3%
Total	18.4	1.05%	0.90%	0.72%	29.1	0.14%	193,660	166,420	131,710	17,236,335	26,380	2.3%

SOURCE: COMPANY REPORTS, CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

The previous Copper Mineral Resource for the Vardy and Marley Zones, reported in February 2019, is summarised below. Of this Resource, 76% was in the M&I categories and we calculate ~408kt Cueq contained.

Table 2 – Walford Creek Project –Vardy and Marley Zone Copper Lode Mineral Resource as at February 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	2.9	1.19%	0.93%	0.94%	26	0.15%	34,510	26,970	27,260	2,424,166	4,350	2.5%
Indicated	10.6	1.12%	0.89%	0.76%	28	0.13%	118,720	94,340	80,560	9,542,341	13,780	2.3%
Inferred	4.1	1.16%	0.78%	0.57%	29	0.13%	47,560	31,980	23,370	3,822,723	5,330	2.3%
Total	17.6	1.14%	0.87%	0.75%	28	0.13%	200,790	153,290	131,190	15,789,230	23,460	2.3%

SOURCE: COMPANY REPORTS, CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

The updated **Cobalt Peripheral Mineral Resource** stands at 17.4Mt @ 0.26%Cu + 0.09%Co + 20g/tAg + 0.80%Pb + 1.01%Zn (1.39% Cueq). **96%** of this Resource is now in the high confidence M&I categories and available for conversion to Ore Reserves and inclusion in a PFS. On a copper equivalent basis, we calculate the updated Copper Mineral Resource contains **~218kt Cueq**.

Table 3 – Walford Creek Project –Total Cobalt Peripheral Lode Mineral Resource (Vardy and Marley Zones) as at December 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	5.9	0.24%	0.75%	1.14%	18.9	0.10%	14,160	44,250	67,260	3,585,129	5,900	1.3%
Indicated	10.9	0.27%	0.80%	0.95%	20.9	0.09%	29,430	87,200	103,550	7,324,261	9,810	1.2%
Inferred	0.7	0.25%	1.06%	0.82%	23.1	0.09%	1,750	7,420	5,740	519,878	630	1.2%
Total	17.4	0.26%	0.80%	1.01%	20.3	0.09%	45,340	138,870	176,550	11,429,268	16,340	1.2%

SOURCE: COMPANY REPORTS. CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

The previous Cobalt Peripheral Mineral Resource for the Vardy and Marley Zones, reported in February 2019, is summarised below. Of this Resource, 67% was in the M&I categories and we calculate ~240kt Cueq contained.

Table 4 – Walford Creek Project –Total Cobalt Peripheral Lode Mineral Resource (Vardy and Marley Zones) as at February 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	2.4	0.14%	0.81%	1.34%	20	0.11%	3,360	19,440	32,160	1,543,236	2,640	1.3%
Indicated	11.0	0.17%	0.80%	1.00%	21	0.10%	18,700	88,000	110,000	7,426,822	11,000	1.2%
Inferred	6.4	0.15%	0.92%	0.83%	24	0.11%	9,600	58,880	53,120	4,938,354	7,040	1.2%
Total	19.8	0.16%	0.84%	0.99%	22	0.10%	31,660	166,320	195,280	13,908,412	20,680	1.2%

SOURCE: COMPANY REPORTS. CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

The updated **Amy Copper Mineral Resource** stands at 5.1Mt @ 1.25%Cu + 0.14%Co + 37g/tAg + 1.35%Pb + 0.63%Zn (2.63% Cueq). This Resource is entirely in the lower confidence Inferred category and will require further drilling to be included in Reserves.

On a copper equivalent basis, we calculate the updated Amy Copper Mineral Resource contains **~130kt Cueq**. The 3.3Mt increase in tonnage and ~81kt increase in contained metal in the Amy Resource more than offsets the reduction in the Cobalt Peripheral Resource.

The Amy Resource has potential to add ~2 years (assuming conversion to Reserves) to Walford Creek's lom. As high grade copper ore feed, it will exclusively be fed to the proposed 2.0Mtpa process plant.

Table 5 – Walford Creek Project –Amy Zone Copper Lode Mineral Resource as at December 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	5.1	1.25%	1.35%	0.63%	36.9	0.14%	63,750	68,850	32,130	6,050,448	7,140	2.6%
Total	5.1	1.25%	1.35%	0.63%	36.9	0.14%	63,750	68,850	32,130	6,050,448	7,140	2.6%

SOURCE: COMPANY REPORTS. CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

The previous Amy Copper Mineral Resource, reported in February 2019, is summarised below. It was also 100% Inferred and we calculate ~49kt Cueq contained.

Table 6 – Walford Creek Project –Amy Zone Copper Lode Mineral Resource as at February 2019

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Measured	-	-	-	-	-	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-	-	-	-	-	-
Inferred	1.8	1.50%	0.75%	0.51%	33	0.15%	27,000	13,500	9,180	1,880,818	2,700	2.7%
Total	1.8	1.50%	0.75%	0.51%	33	0.15%	27,000	13,500	9,180	1,880,818	2,700	2.7%

SOURCE: COMPANY REPORTS. CONTAINED METAL AND CUEQ AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

Consolidated Resource

The mining scenario at Walford Creek contemplates the simultaneous extraction of the Copper Resource and the contiguous Cobalt Peripheral Resource. With this in mind we believe it is important to consider the project in the context of the combined Resource Statements, which we have summarised below.

We point out that these are our calculations and that a consolidated Resource Statement has not been published by AML.

Our updated calculation for the consolidated Walford Creek Resource stands at 41.0Mt @ 0.74%Cu + 0.12%Co + 26g/tAg + 0.91%Pb + 0.83%Zn for an estimated 1.9% Cueq.

Table 7 – Walford Creek Project –Consolidated Mineral Resource as at December 2019 (Bell Potter calculations)

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	%Cueq.	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	Cueq. (t)
Measured	12.1	0.71%	0.82%	1.00%	23	0.13%	1.9%	85,460	99,220	121,000	8,869,747	15,198	227,354
Indicated	22.2	0.64%	0.85%	0.79%	26	0.12%	1.7%	142,430	188,700	175,380	18,271,910	25,641	382,307
Inferred	6.7	1.12%	1.28%	0.68%	35	0.13%	2.4%	74,950	85,760	45,560	7,582,431	9,032	160,202
Total	41.0	0.74%	0.91%	0.83%	26	0.12%	1.9%	302,840	373,680	341,940	34,724,089	49,870	769,863

SOURCE: COMPANY REPORTS. CONTAINED METAL AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

84% of this is in the high confidence M&I categories. On a copper equivalent basis, we calculate a contained contains ~770kt Cueq.

In our view, this illustrates the significance of the Walford Creek project, which now stands at +300kt of contained copper, 50kt of contained cobalt plus lead, zinc and silver. The copper equivalent basis of ~770kt at 1.9%Cueq, makes this a significant project in its own right. It implies the asset could support ~60ktpa Cueq production over +12 yr lom.

The new Walford Creek consolidated Resource shows a 4.6% increase in tonnes, a 5.6% increase in grade and a 10.5% increase in contained copper equivalent tonnes. Our previous calculation for the previous consolidated Walford Creek Resource, from February 2019, is summarised below. Of this Resource, 69% was in the M&I categories. We have applied the updated Cueq calculation, for 697kt Cueq contained.

Table 8 – Walford Creek Project –Consolidated Mineral Resource as at February 2019 (Bell Potter calculations)

Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	%Cueq.	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	Cueq. (t)
Measured	5.3	0.71%	0.88%	1.12%	23	0.13%	2.0%	37,870	46,410	59,420	3,967,402	6,990	104,098
Indicated	21.6	0.64%	0.84%	0.88%	24	0.11%	1.7%	137,420	182,340	190,560	16,969,162	24,780	373,772
Inferred	12.3	0.68%	0.85%	0.70%	27	0.12%	1.8%	84,160	104,360	85,670	10,641,896	15,070	219,418
Total	39.2	0.66%	0.85%	0.86%	25	0.12%	1.8%	259,450	333,110	335,650	31,578,460	46,840	697,289

SOURCE: COMPANY REPORTS. CONTAINED METAL AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

Copper equivalence at spot prices

The copper equivalence calculation is driven by process recoveries and commodity prices. Increased process recoveries derived from the latest metallurgical testwork and process route design from the October 2019 Scoping Study have also contributed to the increase since the last update. Under the previous recovery and price assumptions the February Resource amounted to 39.2Mt @ 1.6%Cueq for 615kt Cueq contained.

The table below shows the updated copper equivalence assumptions plus examples of copper equivalent grades and ore values:

Table 9 – Price and metallurgical recovery assumptions for copper equivalent calculation

Metal	Price (US\$)	Recovery (%)	Grade	Cueq.%	Ore value (US\$/t)
Copper (Cu)	\$6,812/t	95.7	0.74% Cu	0.74%	US\$50/t
Lead (Pb)	\$2,381/t	52.3	0.91% Pb	0.17%	US\$11/t
Zinc (Zn)	\$2,712/t	63.7	0.83% Zn	0.21%	US\$14/t
Silver (Ag)	\$12/oz	66.6	26.3g/t Ag	0.10%	US\$7/t
Cobalt (Co)	\$51,390/t	72.1	0.12% Co	0.65%	US\$44/t
Total Cueq.%				1.9% Cueq.	US\$127/t (A\$187/t)

SOURCE: COMPANY DATA, SECTION 3 OF JORC COMPETENT PERSON STATEMENT, BELL POTTER SECURITIES CALCULATIONS

The prices applied in the table above and used for AML’s copper equivalence calculations are based upon consensus forecasts compiled for AML. Current spot prices are approximately:

- Copper: US\$6,145/t;
- Lead: US\$1,900/t;
- Zinc: US\$2,300/t;
- Silver: US\$17/t; and
- Cobalt: US\$35,000/t

If we apply these we calculate a consolidated Resource of:

- **41.0Mt @ 1.7% Cueq for 714kt** contained copper equivalent; and
- It also implies an ore value of **US\$107/t** (A\$157/t).

Strong margins

To put this into context, our modelling of the Walford Creek project estimates average All-In-Sustaining-Costs (AISC) over the lom of A\$60-65/t. This points to strong operating margins at both current spot prices and AML’s consensus prices. This is supported by our forecast EBITDA margins of 40-42%, reinforcing Walford Creek’s attractiveness as a development proposition and its ability to compete for capital.

Additional upside

We have extended our lom assumption from 10 years to 12 years as a result of this Resource update. Further potential to extend the lom at Walford Creek is demonstrated by the **Amy Zone Copper Lode Exploration Target**. It is now reported at 2-4 Mt @ 2.3%-2.8% CuEq and summarised below with our midpoint calculation:

Table 10 – Walford Creek Project – Amy Zone Copper Lode Exploration Target and midpoint tonnes/grade as at December 2019												
Category	Mt	% Cu	% Pb	% Zn	g/t Ag	% Co	Cu (t)	Pb (t)	Zn (t)	oz Ag	Co (t)	%Cueq.
Inferred range	2	1.0%	1.1 %	0.5%	30	0.11%	20,000	22,000	10,000	1,929,000	2,200	2.30%
	4	1.5%	2.0%	1.6%	60	0.20%	60,000	80,000	64,000	7,716,000	8,000	2.80%
Midpoint	3.0	1.25%	1.55%	1.05%	30	0.15%	40,000	51,000	37,000	4,823,000	5,100	2.45%

SOURCE: COMPANY REPORTS. CONTAINED METAL AMOUNTS ARE BELL POTTER CALCULATIONS AND HAVE NOT BEEN ADJUSTED FOR ROUNDING

This high grade copper lode ore would also be fed exclusively to the proposed 2.0Mtpa process plant and add a further 1-2 years lom, should it be fully realised.

Changes to our valuation

With the release of the updated Mineral Resource for Walford Creek, the main change we have made to our modelled assumption is the extension of our assumed lom from 10 years to 12 years.

We point out that we can see potential for the PFS to deliver a higher overall head grade for the project, given the increase to our calculated copper and copper equivalent grades for the consolidated Resource base as compared to the February estimate. However, we will wait for the release of the PFS to confirm this.

In addition, we update our standard assumption for exploration companies of an equity raise within the next 12 months, in this case \$7m at \$0.17/sh (last closing price) and roll our model forward.

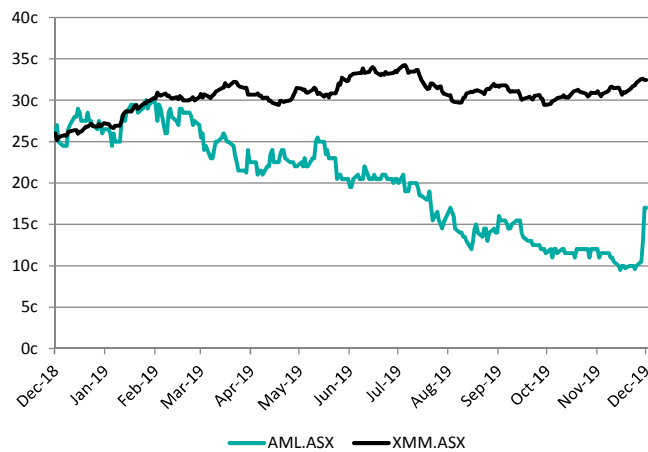
This results in a 7% increase to our valuation, which lifts from \$0.60/sh to \$0.64/sh. This implies a 276.5% return from the last closing price of \$0.17 and we retain our Speculative Buy recommendation.

Upcoming catalysts

With the recent release of the Walford Creek Scoping Study and now the updated Resource, upcoming catalysts for AML include:

- Further updates from the ongoing workstreams (including environmental baseline studies) that will form the basis of a PFS, targeted for completion in Q2CY20; and
- Updates on potential funding options being considered by AML, including debt and equity finance, metal streaming deals and strategic equity deals at the project and company levels.

Figure 1 - AML share-price performance vs ASX Metals and Mining (re-based)



SOURCE: IRESS AND BELL POTTER SECURITIES ESTIMATES

Aeon Metals Ltd (AML)

Company description

AML is focused on the exploration and development of its flagship asset, the 100%-owned Walford Creek Copper-Cobalt Project, an advanced exploration stage project located approximately 350km north west of Mt Isa, in Queensland. Since acquiring the project in 2014, AML has completed Resource infill and extension drilling, released updated Mineral Resource estimates, progressed permitting activities and completed initial project evaluations. In mid-2017 a new understanding of the deposit resulted in the development of a geological model which was subsequently used to target high grade extensions of the Vardy Zone. Drilling programs over the course of 2018 and 2019 have now defined a Copper Lode Resource of 18.4Mt @ 1.05%Cu + 0.14%Co + 29g/tAg + 0.90%Pb + 0.72%Zn, containing 194kt copper and 26kt cobalt, plus lead, zinc and silver. It also defined a Cobalt Peripheral Resource of 17.4Mt @ 0.26%Cu + 0.09%Co + 20g/tAg + 0.80%Pb + 1.01%Zn, containing 45kt copper and 16kt cobalt, plus lead, zinc and silver. The updated Amy Copper Mineral Resource stands at 5.1Mt @ 1.25%Cu + 0.14%Co + 37g/tAg + 1.35%Pb + 0.63%Zn, containing 32kt copper and 21kt cobalt, plus lead, zinc and silver. These Resources will form the basis of a PFS to be released in 1HCY20.

Investment thesis – Speculative Buy, valuation \$0.64/sh

AML is continuing to advance and de-risk a viable, large scale copper-cobalt project with a clear path to development. We revise our valuation upwards 7% to \$0.64/sh, primarily on mine life extension. We retain our Speculative Buy recommendation.

Valuation – risked discounted cash flow of key project

Our valuation for AML is based on the October 2019 Scoping Study which outlines a scenario for the open-pit and underground mining of the Walford Creek project. This assumes a Mining Inventory of 35.5Mt @ 0.45% Cu, 0.78% Pb, 0.88% Zn, 24g/t Ag and 852ppm Co being mined and processed at a combined rate of 3.5Mtpa over an 11-year mine-life. Processing via a 2.0Mtpa concentrator and 1.5Mtpa heap leach is planned to produce 145.8kt Cu and 22.5kt Co over the lom, plus zinc, lead nickel and silver. We also include an exploration valuation of \$160m to reflect Resource upside and the prospectivity of the 20km strike length of the Fish River Fault across AML's tenements.

NPV premium: In the case of AML, we had previously taken the step of applying a premium of 10% to our base-case valuation which in some circumstances we believe is justified. We had applied this to AML, due to a number of factors including:

- The scarcity of cobalt-exposed projects, and Walford Creek's particular uniqueness as a copper-cobalt project, on the ASX;
- The positive market outlook for cobalt demand and its concentrated supply source; and
- A premium paid by the market, above the valuations of exploration companies advancing more 'mainstream' commodity projects as a result of these factors.

However, due to a combination of the premium coming out of the market for cobalt-exposed assets in particular and in some measure due to the reduction in AML's debt repayment coverage (AML must now raise all of this in the market) we removed this valuation premium.

Resource sector risks

Risks to AML 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. As an exploration company with no sales revenues, AML is reliant on access to equity markets and debt financing to fund the advancement and development of its projects.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company may relate to geological, mining and metallurgical performance vs design. These can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Construction and development of mining assets may be subject to approvals timelines, receipt of permits, weather events, access to skilled labour and technical personnel, as well as key material inputs and mechanical components which may cause delays to construction, commissioning and commercial production.
- **Operating and capital cost fluctuations.** Markets for 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 operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates. As most metal prices are denominated in US dollars, their translation into Australian dollars are affected by fluctuations in the value of the Australian dollar. Commodity price and foreign exchange rate outcomes may be different from our forecasts.
- **Resource growth and mine life extensions.** The viability of future operations and earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives. Exploration success is dependent upon a wide range of factors and can deliver a wide range of results. Even once Reserves have been calculated, their economic viability remains dependent upon actual commodity prices and inputs to operating costs.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. AML's key assets are located in Australia, in the State of Queensland, a politically and socially stable jurisdiction, however changes to business conditions and government policies can and have occurred, with potential for adverse impacts on the economic and social viability of AML's operations.
- **Corporate/M&A risks.** Risks associated with M&A activity include differences between the entity's and the market's perception of value associated with completed transactions, the actual performance of an acquired asset vs its expected performance as assessed by the acquiror and the timing of an acquisition may all have a material impact on the value attributed by the market to that acquisition.

Table 11 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending June	Unit	2018a	2019a	2020e	2021e	2022e	Year ending June	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	\$m	-	-	-	-	214.1	VALUATION						
Expense	\$m	(14.1)	(4.1)	(1.9)	(1.5)	(124.0)	NPAT	\$m	(14)	(4)	(3)	(2)	38
EBITDA	\$m	(14.1)	(4.1)	(1.9)	(1.5)	90.0	Reported EPS	c/sh	(3)	(1)	(0)	(0)	5
Depreciation	\$m	-	-	(0.0)	(0.0)	(42.9)	EPS growth	%	na	na	na	na	na
EBIT	\$m	(14.1)	(4.1)	(1.9)	(1.5)	47.1	PER	x	-6.0x	-25.9x	-35.9x	-63.1x	3.3x
Net interest expense	\$m	0.2	0.1	(1.4)	(0.4)	(9.1)	DPS	c/sh	-	-	-	-	-
PBT	\$m	(13.9)	(4.0)	(3.3)	(2.0)	38.0	Franking	%	0%	0%	0%	0%	0%
Tax expense	\$m	-	-	-	-	-	Yield	%	0%	0%	0%	0%	0%
NPAT	\$m	(13.9)	(4.0)	(3.3)	(2.0)	38.0	FCF/share	c/sh	(2)	(2)	(1)	(10)	(23)
							P/FCFPS	x	-11.2x	-7.6x	-26.6x	-1.8x	-0.7x
							EV/EBITDA	x	-8.8x	-30.0x	-65.0x	-82.3x	1.4x
							EBITDA margin	%	nm	nm	nm	nm	42%
							EBIT margin	%	nm	nm	nm	nm	22%
							Return on assets	%	-21%	-5%	-4%	-1%	11%
							Return on equity	%	-33%	-6%	-5%	-3%	42%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	2	6	3	72	239
							ND / E	%	3%	9%	4%	102%	220%
							ND / (ND + E)	%	3%	8%	4%	51%	69%
							EBITDA / Interest	x	-	-	-	-	-9.9x
							MINERAL RESOURCES						
							Walford Creek, QLD	Mt	% Cu	Cu (kt)	ppm Co	Co (kt)	
							Copper Lode Resource	23.5	1.10%	257.5	1,426	33.5	
							Measured	6.2	1.15%	71.3	1,500	9.3	
							Indicated	11.3	1.00%	113.0	1,400	15.8	
							Inferred	6.0	1.22%	73.2	1,400	8.4	
							Cobalt Peripheral Resource						
							Total resource	17.5	0.26%	45.3	934	16.3	
							Measured	5.9	0.24%	14.2	1,000	5.9	
							Indicated	10.9	0.27%	29.4	900	9.8	
							Inferred	0.7	0.25%	1.8	900	0.6	
							BALANCE SHEET						
							Year ending June	Unit	2018a	2019a	2020e	2021e	2022e
							ASSETS						
							Cash & short term investments	\$m	12.7	7.0	10.1	182.6	15.9
							Accounts receivable	\$m	0.4	0.1	0.1	0.1	0.4
							Property, plant & equipment	\$m	0.4	0.4	0.4	68.0	286.5
							Exploration & evaluation	\$m	63.0	75.4	75.4	75.4	75.4
							Other	\$m	0.2	0.3	(0.1)	(0.1)	10.3
							Total assets	\$m	76.7	83.2	86.0	326.0	388.5
							LIABILITIES						
							Accounts payable	\$m	1.9	2.1	0.3	0.3	24.8
							Borrowings	\$m	14.6	12.8	12.8	254.8	254.8
							Other	\$m	0.2	0.3	0.3	0.3	0.3
							Total liabilities	\$m	16.8	15.2	13.4	255.4	279.9
							SHAREHOLDER'S EQUITY						
							Share capital	\$m	90.0	108.5	116.5	116.5	116.5
							Reserves	\$m	8.4	2.2	2.1	2.1	2.1
							Retained earnings	\$m	(38.6)	(42.6)	(45.9)	(47.8)	(9.8)
							Total equity	\$m	59.9	68.1	72.6	70.7	108.7
							Weighted average shares	m	492.8	611.5	699.7	726.4	726.4
							CAPITAL STRUCTURE						
							Shares on issue	m				674.1	
							Performance shares / other	m				0.0	
							Total shares on issue	m				674.1	
							Share price	\$/sh				0.170	
							Market capitalisation	\$m				114.6	
							Net cash	\$m				-8.9	
							Enterprise value (undiluted)	\$m				123.5	
							Options outstanding (m)	m				0.0	
							Options (in the money)	m				0.0	
							Issued shares (diluted for options)	m				674.1	
							Market capitalisation (diluted)	m				114.6	
							Net cash + options	\$m				-8.9	
							Enterprise value (diluted)	\$m				123.5	
							MAJOR SHAREHOLDERS						
												%	m
							OCP Holdings					41.6%	280.2
							Phillip Averill					5.2%	35.1
							Top 2					46.8%	315.3

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			
Steven Anastasiou	Industrials	613 9235 1952	sanastasiou
James Filius	Industrials	613 9235 1612	jfilius
Sam Haddad	Industrials	612 8224 2819	shaddad
Alex McLean	Industrials	612 8224 2886	amclean
Hamish Murray	Industrials	613 9235 1813	hmurray
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
Associates			
Joseph House	Associate Analyst	+61 3 9235 1624	jhouse

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
 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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