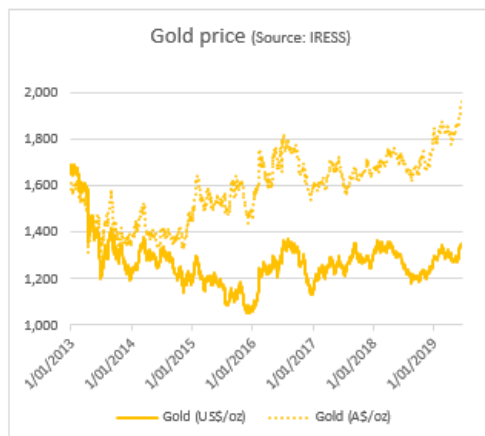
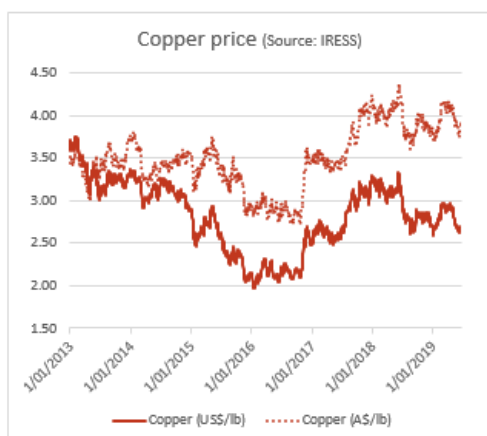


Havilah Resources (ASX:HAV)

Kalkaroo Project PFS: NPV₁₀ A\$258m

21 June 2019

On 18 June 2019, HAV released the PFS project economics for its Kalkaroo Cu-Au Project in NE South Australia. Employing a copper price of A\$3.85/lb (US\$2.89/lb @ US\$0.75) and a gold price of A\$1,600/oz (US\$1,200/oz @ US\$0.75), the NPV of the 15-year LOM Project is estimated by independent mining consultants RPMGlobal Asia Limited, at A\$258m (post-tax, 10% discount rate). Note: while the PFS assumed Cu price of A\$3.85/lb pretty much matches the current spot price, the current spot price of gold at A\$2,017/oz is some 26% above the PFS's assumed gold price. **Thus, the PFS NPV estimate has, we suggest, significant upside potential.**



Share Price: A\$0.135

Target Price: A\$0.21

Target upside: 56%

Recommendation
Speculative Buy

Risk Assessment
Higher

Resources: Cu, Au, Co, Iron Ore

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In early May 2019, HAV entered into a Share Subscription Agreement (SSA) with SIMEC Mining (part of the Gupta Family Group (GFG)) consisting of A\$50m in committed equity investments over three years and a further A\$50m in conditional or discretionary funding. The funds are specifically to be allocated to developing the group's iron ore projects (Maldorky/Grants/GIOB) and the copper prospects in the Mutooroo Cu-Co District to DFS status. After a proposed A\$5m rights issue to existing HAV shareholders, we calculate that the committed funds portion of the SSA will give GFG a 51% equity interest in HAV. **Thus, the SSA, if approved at an upcoming EGM (most likely to be held by end-July 2019), effectively gives GFG, for free, 51% of the Kalkaroo Project** - which has a PFS post-tax NPV₁₀ estimate of A\$258m. Nevertheless, in the absence of a superior proposal, we believe that the SSA still represents a reasonable outcome for HAV shareholders.

- With pre-production capex estimated at A\$332m, and a post-production sulphide plant requiring an additional A\$246m, we believe that the Kalkaroo Project, at this juncture, is unlikely to progress beyond its current PFS stage.
- We suspect that existing HAV shareholders are effectively "tapped out", and that without the funding provided by the SSA, advancing HAV's other projects (iron ore, Mutooroo) will become increasingly problematic.
- Although forming part of the conditional additional Project funding, we note with interest that GFG can purchase a direct equity interest in HAV's iron ore assets at A\$1.2m for each 1% ownership interest; this values HAV's current iron ore Resource at A\$120m or A\$1.03/t of contained Fe metal. In comparison, we value the Fe assets at (only) US\$0.15/t of contained metal. The implication, we suggest, is that HAV/GFG believe the iron ore Resource base has the potential to significantly expand (we estimate by 5x or more).

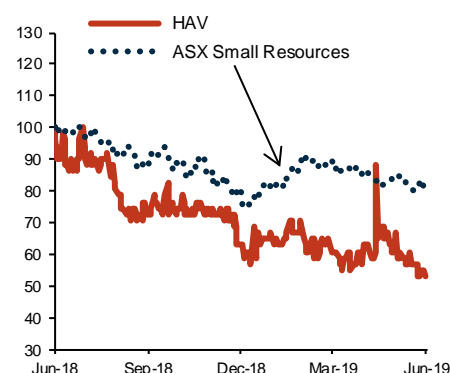
The SSA implied value of HAV (A\$98m) divided by the indicative number of post SSA-shares (539m) is A\$0.18ps; in addition, the share price - at least in the near-term - is most likely capped at A\$0.21, the SSA reference share price of A\$0.154 escalated by 35% (as per the committed funding terms). We adopt this as our target price.

With some 55% upside potential from current share price levels, we maintain a Speculative Buy (higher Risk) recommendation.

Havilah Resources Limited

ASX Code	HAV
52 week range (A\$cps)	A\$0.13-A\$0.26
Market Cap (A\$m)	29
Fully diluted no. of shares (m)	229
Av Daily Turnover (shares)	146k
ASX All Ordinaries	6,753
FY19E BV per share (A\$)	0.20
FY19E EPS (A\$)	0.01
FY19E Net (Debt)/Cash (A\$m)	2.2

Relative price performance



Havilah Resources Limited

Year ending July

Profit & Loss Statement (A\$M)	FY18A	FY19E	FY20E	FY21E	FY22E
Revenue (Portia Project only)	0.0	0.1	0.0	0.0	0.0
Mining/Hauling	0.0	0.0	0.0	0.0	0.0
Processing	0.0	0.0	0.0	0.0	0.0
Corporate/Royalty/Other	(2.5)	(2.5)	(2.3)	(2.3)	(2.3)
EBITDA	(2.5)	(2.4)	(2.3)	(2.3)	(2.3)
Depreciation & Amortisation	(0.2)	(2.7)	(0.2)	(0.2)	(0.2)
Operating profit	(2.7)	(5.1)	(2.5)	(2.5)	(2.5)
NOI (divestment & royalties)	5.6	7.0	0.0	0.0	5.3
EBIT	3.0	1.9	(2.5)	(2.5)	2.8
Interest income	0.0	0.1	0.1	0.0	0.0
Interest expense	(0.2)	(0.5)	(0.3)	(0.4)	(0.5)
Tax expense	(1.0)	0.0	0.0	0.0	0.0
Reported NPAT	1.8	1.5	(2.6)	(2.9)	2.3
Normalised NPAT	1.8	1.5	(2.6)	(2.9)	2.3
EBITDA Margin (%)	na	na	na	na	na
Operating profit margin (%)	na	na	na	na	na
EPS Reported (A\$)	0.01	0.01	(0.01)	(0.01)	0.01
EPS Underlying (A\$)	0.01	0.01	(0.01)	(0.01)	0.01
EPS growth (%)	nm	nm	nm	nm	nm
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.00
Avg. no. of fully-diluted shares (m)	229	229	229	229	229
YE no. of fully-diluted shares (m)	237	229	229	229	229

Cash Flow Statement (A\$M)	FY18A	FY19E	FY20E	FY21E	FY22E
EBITDA	(2.5)	(2.4)	(2.3)	(2.3)	(2.3)
Investment in working capital	(2.1)	(0.7)	(0.8)	0.0	0.0
Tax expense	(1.0)	0.0	0.0	0.0	0.0
Operating Cash Flow	(5.5)	(3.0)	(3.0)	(2.3)	(2.3)
Capex	(2.6)	(3.0)	(1.5)	(1.0)	(1.0)
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(2.6)	(3.0)	(1.5)	(1.0)	(1.0)
Net interest received / (paid)	(0.2)	(0.5)	(0.1)	(0.4)	(0.5)
Debt draw down / (repayment)	0.0	2.5	1.0	2.5	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	1.9	0.0	0.0	0.0	0.0
Financing Cash Flow	1.7	2.0	0.9	2.1	(0.5)
Non-operating & Other	7.3	7.0	0.0	0.0	5.3
Inc/(Dec) in Cash	1.0	3.0	(3.6)	(1.2)	1.5

Balance Sheet (A\$M)	FY18A	FY19E	FY20E	FY21E	FY22E
Cash & Equivalents	1.8	4.9	1.2	0.1	1.5
Receivables	0.1	0.0	0.0	0.0	0.0
Inventories	0.6	0.0	0.0	0.0	0.0
Other Current Assets	3.3	3.3	3.3	3.3	3.3
PPE and Exploration & Development	36.0	36.3	37.6	38.4	39.2
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	7.5	7.5	7.5	7.5	7.5
Total Assets	49.4	52.0	49.6	49.3	51.5
Payables and other current Liabilities	3.5	2.1	1.3	1.3	1.3
Short Term Debt	0.2	2.7	3.7	6.2	6.2
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	0.7	0.7	0.7	0.7	0.7
Total Liabilities	4.3	5.4	5.6	8.1	8.1
Total Equity	45.1	46.5	44.0	41.1	43.4
Net cash / (debt)	1.7	2.2	(2.5)	(6.1)	(4.6)

Substantial Shareholders	%	Date
Trindal Pty Ltd	19.2	
First names (Jersey) Ltd	9.1	Oct-18
Glencopper SA Pty Ltd	4.7	

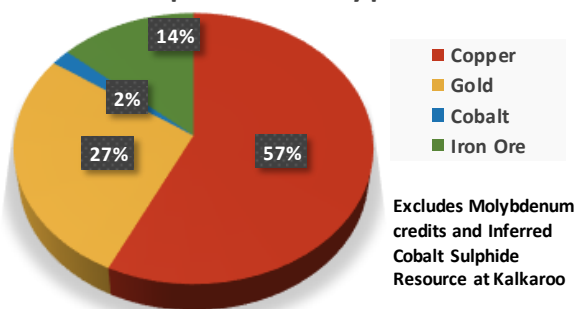
Source: Company, IRESS, State One Stockbroking forecasts

Commodity price assumptions	FY18A	FY19E	FY20E	FY21E	FY22E
Spot Gold (US\$/oz)		1,300	1,326	1,353	1,380
AUD:USD		0.75	0.75	0.75	0.75
Spot Gold (A\$/oz)		1,733	1,768	1,803	1,839
Copper price (US\$/t)		6,500	6,630	6,763	6,898
Cobalt price (US\$/t)		33,000	33,660	34,333	35,020
Iron ore (62% Fe, CFR China) (US\$/t)		95	75	77	78

Cu/Au/Co Resources	Tonnes ore (Mt)	Cu (Kt)	Au (Koz)	Co (t)
Kalkaroo Reserves.....	100.1	474	1,407	n/a
included within Resources below				
Kalkaroo (Mes, Ind, Inf Resources)	245.6	1,292	3,105	0
Mutooroo (Mes, Ind, Inf Resources)	13.1	195	45	8,400
Total	258.7	1,487	3,150	8,400

Fe Resources	Tonnes ore (Mt)	Fe (%)	Fe metal (Mt)
Maldorky (Indicated Resource)	147	30%	44
Grants (Inferred Resource)	304	24%	73
Total	451	26%	117

In-situ value of Resource (US\$14.7bn)
 - based on spot commodity prices



SOTP Valuation	(A\$m)	(A\$/share)	Comment
Kalkaroo mine inventory (unrisked)	379	1.65	State One's NPV valuation
<i>Risk weighting</i>	<i>90%</i>		<i>i.e., 90% discount to NPV</i>
Kalkaroo mine inventory (risked)	38	0.17	
Kalkaroo non-mine inventory	0	0.00	Assume zero
Kalkaroo Resource (Total)	38	0.17	
Kalkaroo exploration upside	0	0.00	Assume zero
Kalkaroo CuAu Project (risked)	38	0.17	
Land (Kalkaroo Station)	1	0.00	Purchase price
Mutooroo	5	0.02	Nominal
Maldorky Iron Ore Project	9	0.04	Assume US\$0.15 per t Fe metal
Grants Iron Ore Project	15	0.06	Assume US\$0.15 per t Fe metal
Group Enterprise value	67	0.29	
Net cash / (debt) (FY19E)	2.2	0.01	
Group Equity value	70	0.30	
Current share price		0.14	

Total Return	Recommendation
One-year capital gain on SOTP TP	125%
One-year dividend yield	0%
Total potential return to SOTP TP	125%
	Speculative Buy

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