



Havilah Resources Limited (HAV)

US\$ copper price momentum boosts portfolio value

31 July 2017

The US dollar copper price at US\$6,298t has gained some 15% from a May 2017 low, and is now up 14% relative to prices at the beginning of the year. China accounts for nearly half of global copper consumption; faster-than-expected economic growth and increased industrial production in China is offsetting concerns over political uncertainty in the US and potential delays to Trump's much-hyped US infrastructure plans.

At current spot prices, we calculate that HAV's total in-situ metal value (excluding molybdenum, cobalt, sulphur) of US\$13.7bn is split approximately 66% copper and 34% gold. Our conclusion, is that while HAV - as a gold producer - is currently viewed as a gold play (with share price direction broadly determined by underlying precious metal momentum), **the company is fundamentally a base-metal (copper) play**. As the group's base-metal projects are advanced - specifically the large pre-development Kalkaroo Cu-Au Project, but also the Mutooroo Cu-Co Project and the North Portia Cu-Au Project- we suggest that the share price will be increasingly driven by the copper price. Predicated on the broadly positive outlook for the copper supply/demand environment heading into 2018/2019, we believe that this is not a negative development.

Share Price: A\$0.38 (28 July 2017)

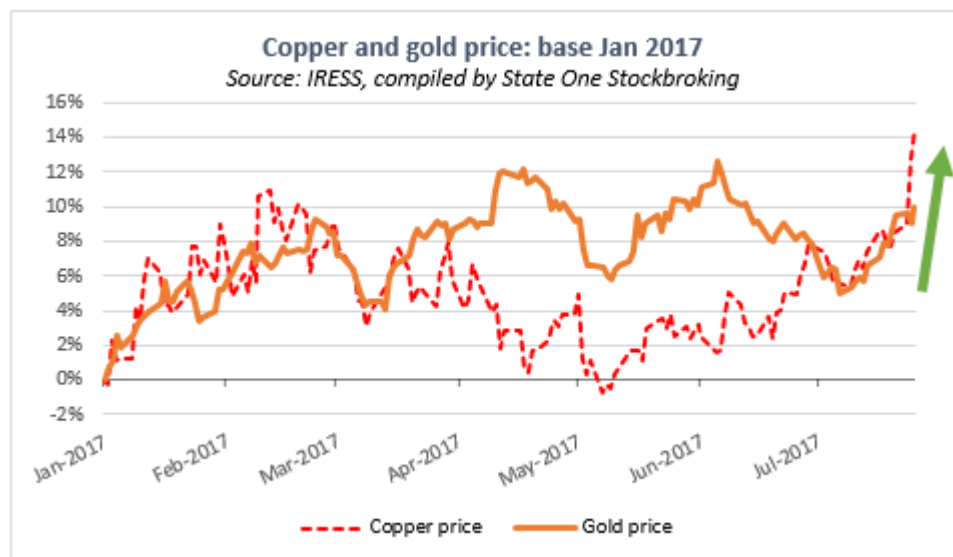
Target Price: A\$0.50

Recommendation
Buy

Risk Assessment
Higher

Resources – Gold, Copper

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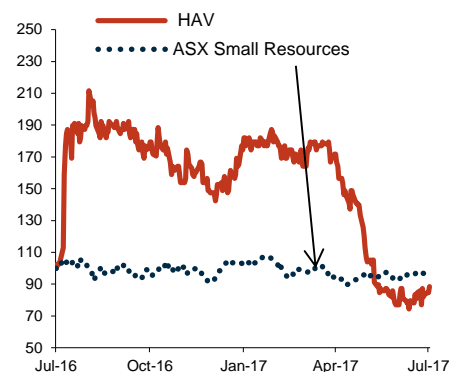
Valuation: A\$0.50ps (unchanged)

Lower than forecast gold production from the Portia Gold Mine in FY17 has been disappointing. However, plant throughput rates are improving and, subject to profitable treatment of lower grade ore, the mine is targeting a two year LOM (note: cash flows from Portia will be used to fund the group's development and exploration programs). Potential JV partner Wanbao Mining is presently carrying out a PFS on the Kalkaroo Cu-Au Project. We suggest that the buoyant copper price supports a positive outcome; this in turn could result in HAV trading project equity for development finance - a significant share price catalyst. Risks to our forecast earnings profile and target price include, but are not limited to: commodity price (copper, gold, cobalt) and exchange rate volatility, production profile at Portia Mine, near-term cash flow (largely dependent on capital and operating costs at Portia), and development outcomes at the North Portia, Mutooroo, and Kakaroo Projects.

Havilah Resources Limited

ASX Code	HAV
52 week range	A\$0.29-A\$0.87
Market Cap (A\$m)	68
Shares Outstanding (m)	183
Av Daily Turnover (shares)	131k
ASX All Ordinaries	5,747
FY17E BV per share (A\$)	0.23
EPS FY17E (A\$)	0.04
Net Cash/ (Debt) FY17E (A\$m)	1.8

Relative price performance



Source: IRESS

Financial Statements

Havilah Resources Limited

Year ending July

Profit & Loss Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Revenue (Portia Project only)	2.7	19.4	19.7	18.3	0.0
Mining/Hauling	0.0	0.0	0.0	0.0	0.0
Processing	(1.4)	(5.0)	(5.7)	(5.0)	0.0
Corporate/Royalty/Other	(2.3)	(4.0)	(4.0)	(6.0)	(2.0)
EBITDA	(0.9)	10.4	10.0	7.2	(2.0)
Depreciation & Amortisation	(0.2)	(0.2)	(1.0)	(1.0)	(0.5)
Operating profit	(1.1)	10.2	9.0	6.2	(2.5)
NOI	0.0	0.0	0.0	0.0	0.0
EBIT	(1.1)	10.2	9.0	6.2	(2.5)
Interest income	0.0	0.0	0.1	0.1	0.2
Interest expense	(0.3)	(0.3)	0.0	0.0	0.0
Tax expense	2.6	(1.5)	(2.7)	(1.9)	0.0
Reported NPAT	1.2	8.5	6.3	4.5	(2.3)
Normalised NPAT	1.2	8.5	6.3	4.5	(2.3)
EBITDA Margin (%)	-33%	54%	51%	40%	na
Operating profit margin (%)	-39%	53%	46%	34%	na
EPS Reported (A\$)	0.01	0.04	0.03	0.02	(0.01)
EPS Normalised (A\$)	0.01	0.04	0.03	0.02	(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)	210	214	214	214	214
YE no. of fully-diluted shares (m)	214	214	214	214	214

Cash Flow Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
EBITDA	(0.9)	10.4	10.0	7.2	(2.0)
Investment in working capital	2.4	(0.6)	(1.0)	0.0	0.0
Tax expense	2.6	(1.5)	(2.7)	(1.9)	0.0
Operating Cash Flow	4.1	8.3	6.3	5.3	(2.0)
Capex	(7.1)	(3.5)	(4.0)	(3.5)	(2.0)
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	(7.1)	(3.5)	(4.0)	(3.5)	(2.0)
Net interest received / (paid)	(0.3)	(0.2)	0.1	0.1	0.2
Debt draw down / (repayment)	3.2	(3.3)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	0.5	0.0	0.0	0.0	0.0
Financing Cash Flow	3.4	(3.6)	0.1	0.1	0.2
Non-operating & Other	(1.8)	(0.1)	0.0	0.0	0.0
Inc/(Dec) in Cash	(1.5)	1.2	2.4	2.0	(3.8)

Balance Sheet (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Cash & Equivalents	0.7	1.8	4.2	6.2	2.4
Receivables	0.0	1.0	1.0	0.9	0.0
Inventories	1.3	1.0	1.0	0.9	0.0
Other Current Assets	0.8	0.8	0.8	0.8	0.8
PPE and Exploration & Development	43.6	46.9	49.9	52.4	53.9
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	5.1	5.1	5.1	5.1	5.1
Total Assets	51.5	56.6	62.0	66.3	62.1
Payables and other current Liabilities	5.3	5.3	4.4	4.2	2.4
Short Term Debt	3.3	0.0	0.0	0.0	0.0
Long Term Debt	0.0	0.0	0.0	0.0	0.0
Other Non Current Liabilities	3.1	3.0	3.0	3.0	3.0
Total Liabilities	11.7	8.3	7.4	7.2	5.4
Total Equity	39.8	48.3	54.6	59.1	56.7
Net Debt (Cash)	2.6	(1.8)	(4.2)	(6.2)	(2.4)

Substantial Shareholders	%	Date
Trindal Pty Ltd	15.6	
Selvie Tjow asi	8.4	Oct-16
First names (Jersey) Ltd	7.1	

Source: Company, IRESS, State One Stockbroking forecasts

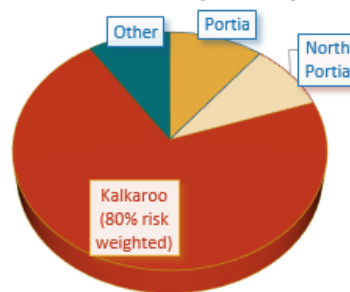
Assumptions	FY16A	FY17E	FY18E	FY19E	FY20E
Spot Gold (US\$/oz)	1,250	1,250	1,275	1,301	1,327
AUD:USD	0.75	0.75	0.75	0.75	0.75
Spot Gold (A\$/oz)	1,667	1,667	1,700	1,734	1,769
Mill throughput (Mt)	0.03	0.29	0.30	0.26	0.00
Grade (g/t Au)	2.4	2.7	2.6	2.6	0.0

Gold production profile (koz)	FY16A	FY17E	FY18E	FY19E	FY20E
Portia Gold Mine (100%)	4.9	24	25	21	0
Portia (HAV share)	2.5	12	12	11	0
Hedged sales	0.0	10	0	0	0
Hedged sales as % total	0%	83%	0%	0%	na

Gold Resources	Status	Mt	Grade (g/t)	(koz)
Portia (100%)	Inferred	0.64	2.9	54
North Portia	Ind. & Inf	11.4	0.6	235
Kalkaroo	M, I, & Inf.	254.1	0.4	3,284
Mutooro	M, I, & Inf.	13.1	0.2	90
Total	M, I, & Inf.	279.3	0.41	3,663

Copper Resources	Status	Mt	Grade (%)	(Cu tonnes)
Portia	Inferred	0.64	0.0%	0
North Portia	Ind. & Inf	11.4	0.89%	100,685
Kalkaroo	Meas & Ind.	254.1	0.45%	1,140,120
Mutooro	M, I, & Inf.	13.1	1.48%	194,455
Total	M, I, & Inf.	279.3	0.51%	1,435,260

EQUITY VALUE (A\$107m)



The Kalkaroo Cu-Au Project accounts for 71% of our estimated A\$107m (risk-weighted) SOTP equity value for HAV.

HAV's current operating mine - Portia - accounts for A\$11m (a relatively modest 11%) of our group valuation.

Valuation	(A\$m)	(A\$/share)	Comment
Portia mine inventory	11	0.05	As per NPV valuation
Portia non-mine inventory	0	0.00	
Portia exploration upside	0	0.00	Nominal
Portia Gold Project (Total)	11	0.05	
Kalkaroo mine inventory (unrisked)	379	1.77	As per NPV valuation
Risk weighting	80%		
Kalkaroo mine inventory (risked)	76	0.35	
Kalkaroo non-mine inventory	0	0.00	
Kalkaroo Resource (Total)	76	0.35	
Kalkaroo exploration upside	0	0.00	10% of total Resource value
Kalkaroo CuAu Project (risked)	76	0.35	
North Portia	10	0.05	A\$3m from "gold cap"
Mutooro	5	0.02	Nominal
Maldorky Iron Ore Project	1	0.00	Nominal
Land (Kalkaroo Station)	2	0.01	Purchase price in Sept. 2014
Group Enterprise value	105	0.49	
Net (debt)/cash (FY17E)	1.8	0.01	
Group Equity value	107	0.50	

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