Aspire Mining Ltd (AKM)

Ovoot PFS imminent

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Recommendation
Buy (unchanged)
Price
$0.22
Target (12 months)
$0.55 (previously $1.10)
Risk
Speculative

Expected Return	
Capital growth	**150%**
Dividend yield	**0%**
Total expected return	**150%**

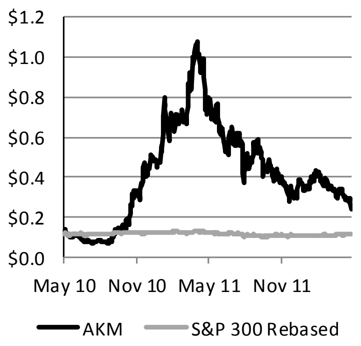
Company Data & Ratios	
Enterprise value	**$102m**
Market cap	**$137m**
Issued capital	**621m**
Free float	**31%**
Avg. daily vol. (52wk)	**1.3m**
12 month price range	**$0.22 - $0.81**
GICS sector	**Materials**

Disclosure: Bell Potter Securities acted as co-manager in a $33m placement in October 2011 and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.33	0.38	0.84
Absolute (%)	-27.27	-36.84	-71.43
Rel market (%)	-28.62	-39.69	-62.26

Absolute Price



SOURCE: IRESS

Release of Ovoot Project PFS imminent

We expect AKM to release the Ovoot Project PFS in the next week or two. The PFS was originally due for completion at the end of the March 2012 quarter, however, was delayed to allow for the inclusion of quality data for resource and reserve modelling. Detailed engineering and capital expenditure estimates are now largely completed. The PFS will also include a resource and reserve update. We maintain our Buy (Speculative) recommendation.

Infrastructure solutions progressing

AKM's infrastructure subsidiary, Northern Railways, has completed the rail prefeasibility study for Stage 2 identifying: a 211 km rail path to connect the Ovoot Project to Moron, the provincial capital, with an expected construction cost of around US$400m; and a 411km rail path connecting Moron to existing rail infrastructure at Erdenet, expected to cost US$1.1Bn. AKM has also commenced a feasibility study on the 170km haulage road connecting Ovoot to Moron, required for Stage 1.

Earnings and Target Price downgrades

We now have the Ovoot Project Stage 1 (0.5-1.0Mtpa) ramping up in late-2013 (previously late-2012). This change has all but removed earnings from our forecast period. However, we don't expect AKM to generate significant earnings until Stage 2 commences (12Mtpa, late-2016). We have also now risked our Ovoot project NPV by a factor of 50%, reflecting the risk and uncertainties with the project and the company's future capital requirments. This has resulted in a 52% downgrade to our Target Price. Our risked NPV is $0.53/sh (previously $1.10/sh unrisked). Our Target Price is now $0.55/sh (previously $1.10/sh).

Investment view – Buy (Speculative), Target Price $0.55/sh

We see significant value and strategic appeal in AKM's 100% owned, 330Mt resource, Ovoot coking coal project. Ovoot is one of the largest known undeveloped high quality coking coal projects globally. The strategic appeal is evidenced by the AKM and Noble Group alliance. AKM is Speculative as it carries significant infrastructure risks.

Earnings Forecast

Year end 30 June	2011a	2012e	2013e	2014e
Sales (A$m)	0	1	0	126
EBITDA (A$m)	-5	-9	-6	11
NPAT (reported) (A$m)	-4	-6	0	-4
NPAT (adjusted) (A$m)	-5	-7	0	-4
EPS (adjusted) (cps)	-0.9	-0.8	0.0	-0.4
EPS growth (%)	na	na	na	na
PER (x)	-23.7x	-26.2x	-1,036.3x	-53.9x
FCF Yield (%)	-3.6%	-6.4%	-42.9%	-116.3%
EV/EBITDA (x)	-20.5x	-11.6x	-18.2x	8.9x
Dividend (¢ps)	0.0	0.0	0.0	0.0
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-25%	-9%	0%	-2%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Investment thesis and valuation

Investment thesis: Strategic value in Hard Coking Coal deposit

We believe there is strategic value in AKM through its:

- large scale (330Mt), high quality Ovoot coking coal resource;
- potential to partner with major off-take customers (steel producer) to assist with financing the Ovoot Project;
- proximity to other potential minerals deposits, including the Burenhaan Phosphate project (a Mongolian Mineral Deposit of Strategic Importance); and
- implicit relationships/ties with major mining/minerals houses including Ivanhoe Mines/SouthGobi Resources (19.9% shareholder) and Noble Group (5% shareholder).

Valuation: Risked DCF of $0.53/sh

Our base case valuation of AKM assumes:

- that AKM achieves production/sales rates of 12Mtpa product coal in the December 2017 quarter;
- that AKM pays for around two thirds (US$1.1bn) of the total capex (US$1.7bn) required to build the rail infrastructure for the project (i.e. a proportion of this rail is multi-user); and
- Bell Potter Securities coal price and currency forecasts.

We add a further level of conservatism through:

- applying a risk factor of 50% to the Ovoot Project to reflect the relative uncertainties with respect to project sovereignty and development timelines; and
- assuming AKM raise A$75m at $0.20/sh before end-2012 to fund the development of Stage 1 of the Ovoot Project.

Table 1 - AKM valuation

Issued capital	**m**
Shares on issue	620.6
Options	247.2
New issue at $0.20/sh	375.0
Total	**1,242.8**

	Present		**+ 12 months**		**+ 24 months**	
	A$m	**$/sh**	**A$m**	**$/sh**	**A$m**	**$/sh**
Projects						
Ovoot - Stage 1	-17	-0.01	-1	0.00	30	0.02
Ovoot - Stage 2	1,476	1.19	1,623	1.31	1,785	1.44
Infrastructure (50%)	-352	-0.28	-387	-0.31	-425	-0.34
Total Ovoot Project	**1,108**	**0.89**	**1,235**	**0.99**	**1,390**	**1.12**
Risk weighting	50%		50%		50%	
Total Ovoot Project (risked)	**554**	**0.45**	**618**	**0.50**	**695**	**0.56**
Other assets	20	0.02	22	0.02	24	0.02
Corporate overheads	-30	-0.02	-33	-0.03	-36	-0.03
EV	**544**	**0.44**	**607**	**0.49**	**683**	**0.55**
Net cash + A$75m issue	109	0.09	88	0.07	58	0.05
Equity value	**653**	**0.53**	**695**	**0.56**	**740**	**0.60**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Noble Strategic Alliance

Noble to assist with AKM's key challenges

In December 2011, AKM announced that it had entered into an Alliance Agreement with Noble Group to assist with the development of the Ovoot Coking Coal Project. Importantly, the Alliance covers a number of key challenges the Ovoot project will face, namely:

- investigating supply chain logistics to transport Ovoot coking coal to customers in China, north Asia and seaborne markets;
- marketing of Ovoot coking coal and identifying opportunities to develop value added coal products;
- identifying strategic partners to assist with access to rail and port infrastructure;
- identifying strategic partners to assist with funding the Ovoot coking coal project; and
- support the development of AKM's proposed rail link between the Ovoot project and rail infrastructure at Erdenet.

Marketing and logistics: Noble markets 50% of AKM's first 5Mt

For separate marketing and logistics management fees, Noble will:

- market at least 50% of the first 5Mt of saleable coking coal produced from Ovoot; and
- manage the logistics chains between Erdenet and end customers in respect of these sales.

Noble is also entitled to purchase up to 33% of this marketing allocation as principal.

Boost for Ovoot project de-risking

The Noble alliance is a significant positive for the Ovoot project. Noble is a major global commodities trading house with strong trading relationships with logistics providers and commodities end users. These relationships help to mitigate project funding, development and commercial risks.

Ovoot Project summary

Resource supports 15Mtpa ROM open pit development

The following resource characteristics support an open pit development:

- Around 75% of the 330Mt Ovoot resource is located at a relative depth of above 250m;
- Over 83% of the Ovoot resource is classified as measured and indicated;
- 95% of the resource tonnes are located in two seams: an upper seam (thicknesses of 1.6-46.5m, averaging 12.6m) and three plies of the lower seam (thicknesses of 4.7-33.7m, averaging 13.1m); and
- The seams are shallow dipping (<6^{o}).

Table 2: Ovoot Project JORC resource

	Above 250m	Below 250m	Total
Measured	70.4	22.9	93.3
Indicated	135	47.4	182.4
Inferred	41.9	13.1	55
	247.3	83.4	330.7

SOURCE: AKM

Proof of concept, infrastructure, haulage and customers

Stage 1 of the Ovoot Project is to highlight to markets that a larger-scale (Stage 2) development is feasible by:

- Identifying multiple potential routes to market – AKM have identified four;
- Showcasing the coal product to a potential customer base – to secure coal off-take;
- Building relationships with infrastructure and other service providers for construction and ongoing project operation; and
- Managing sovereign issues (coal crossing country borders, etc.).

The two stages of the Ovoot Project can be summarised as follows.

Table 3: Project summary

		Stage 1	Stage 2
Ramp-up from		2013	2016
ROM production	Mtpa	0.5-1.0	15
Yield	%	100%	80%
Product	Mtpa	0.5-1.0	12
		ROM coking coal	**Premium coking coal**
Closest rail load-out		Erdenet 560km from Ovoot	Ovoot

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Stage 1 development: 0.5-1.0Mtpa ROM coking coal from 2013

Stage 1 is a low capital intensity, higher operating cost trial operation. Stage 1 will mine around 0.5-1.0Mtpa ROM coking coal. This coking coal will then be trucked to the nearest rail siding (570km to Erdenet) for freight forwarding to Russian east coast ports, or to customers in Russia or China.

Stage 2 development: 12Mtpa hard coking coal from 2016

The pre-feasibility study for the Stage 2 development is expected to commence in the September 2011 quarter and be completed by the end of 2011. AKM then plans to complete a bankable feasibility study by mid-2012.

Stage 2 involves a significant infrastructure build (wash plant and 570km rail line) and will mine 15Mtpa ROM coal for 12Mtpa of washed high quality coking coal. Product coal will be railed from the Ovoot Project to Russian east coast ports, or to customers in Russia or China.

Four potential routes to market for Ovoot coal

Through discussions with Russian rail providers and Mongolian infrastructure providers, AKM has identified four potential routes to market.

1. East coast Russian ports: Railing coal north along the trans-Mongolian railway, then across the trans-Siberian railway to east coast Russian ports;
2. South to the Chinese border: Railing coal south along the trans-Mongolian railway for sale at the Mongolian-Chinese border;
3. China via Manzhouli: Railing coal north along the trans-Mongolian railway then east to the Mongolian-Chinese border at Manzhouli (Inner Mongolia); and
4. West to Europe: Depending on freight agreements, it may be viable to rail coal north along the trans-Mongolian railway then west along the trans-Siberian railway to markets in Europe.

Figure 1 – Ovoot Project: distances to markets

SOURCE: AKM

Transport to port a key hurdle

The example in Table 4 calculates the freight distances to Vostochny Port (east coast Russia), one of the four routes to market identified by AKM. This route is likely to be the most direct point of access to the seaborne market (and therefore seaborne prices).

The analysis highlights the significant distances that Ovoot Project coal will have to travel, and the leverage of costs to rail tariffs. In Australia, Bowen Basin hard coking coal is railed

300-400km to port. In Canada, Peace River hard coking coal is railed around 1,000km to port. The rail distance from the Ovoot Project to Vostochny port is around 4,600km.

Table 4: Transport

		Stage 1	Stage 2
Transport parameters			
Distances			
Road Ovoot -> Moron	km	170	
Road Moron -> Erdenet	km	390	
Road total Ovoot -> Erdenet	km	560	
Rail Ovoot -> Moron	km		211
Rail Moron -> Erdenet	km		411
Rail total Ovoot -> Erdenet	km		622
Example: Seaborne sales through Russia			
Rail Erdenet -> Naushki (Mongolia-Russia border)	km	420	420
Rail Naushki -> Vostochny	km	3,500-3,800	3,500-3,800
Rail total Erdenet -> Vostochny	km	4,070	4,070
Total Ovoot Project -> Vostochny	**km**	**4,630**	**4,692**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Ovoot Project transport costs

The example in Table 5 examines FOB transport costs to Vostochny Port, the most direct point of access to the seaborne market. The construction of the Ovoot Project to Erdenet rail line lowers transport costs by around US$30/t.

We have used a conservative Russian freight tariff of USc1.5/tkm. However, we understand that rates of less than USc1.0/tkm have been negotiated by other users.

Lowering Russian rail tariff assumptions to USc1.0/tkm (from USc1.5/tkm) reduces transport costs by around US$20/t and increases our NPV base case NPV from $1.11/sh to around $2/sh.

Table 5: Transport

		Stage 1	Stage 2
Transport tariffs			
Mongolia road haulage rates	USc/tkm	8.0	
Mongolia rail haulage rates	USc/tkm	3.0	3.0
Russia rail haulage rates	USc/tkm	1.5	1.5
Transport costs			
Mongolia road	US$/t	44.80	
Mongolia rail	US$/t	12.60	29.40
Russia rail	US$/t	54.75	54.75
Total transport	**US$/t**	**112.15**	**84.15**
Border charges	US$/t	1.50	1.50
Total transport + border charges	**US$/t**	**113.65**	**85.65**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Mining costs: Low strip ratio an offset to rail distance

To AKM's advantage, the Ovoot Project has a low strip ratio when compared with Australian hard coking coal mines. AKM estimate that Stage 1 will have a strip ratio of around 3 (BCM:t). We estimate that some Australian hard coking coal operations in the Bowen Basin (E.g. BMA) are operating at strip ratios of 15-17:1 (BCM:t).

Table 6: Mining

		Stage 1	Stage 2
Mining parameters			
Strip ratio	bcm:t	3.0	5.5
Coal SG	t/bcm	1.35	1.35
Mining cost	US$/bcm	4.00	3.00
Mining and processing costs			
Mining cost	US$/t	14.96	23.40
Process/handling (screen)	US$/t	2.00	
Process/handling (wash)	US$/t		3.00
Admin	US$/t	2.00	2.00
Mine gate cost	**US$/t**	**18.96**	**28.40**
Transport cost	US$/t	113.65	85.65
Port charges	US$/t	10.00	10.00
Total FOB cost excl royalties	**US$/t**	**142.61**	**124.05**
Royalties & charges	US$/t	7.20	9.36
Total FOB cost	**US$/t**	**149.81**	**133.41**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Project capital costs

We estimate modest capital costs of around US$52m for Stage 1. For Stage 2, we estimate that site infrastructure (including coal wash plant) will have a capital cost of around US$450m. The Stage 2 rail capital cost assumption in Table 7 is for the 180km rail link between the Ovoot Project and Moron. The assumptions follow consultation with AKM and reviews of similar projects under development (E.g. Mongolia Mining Corporation Ukhaa Khudag coking coal project).

Table 7: Capital costs

		Stage 1	Stage 2
Pre-strip	US$m	6	
Road upgrade	US$m	36	
Rail	US$m		510
Wash plant	US$m		300
Site infrastructure & mine development	US$m	10	150
Total	**US$m**	**52**	**960**
	US$/tpa	69	80

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

AKM partner in 50% of the Moron to Erdenet rail link

The Moron to Erdenet rail link will likely be used by other minerals projects and be of regional development importance. Therefore, we think it is likely that AKM will likely partner with the Mongolian Government and/or other potential users in the construction of the Moron to Erdenet rail link. This component accounts for around 390km of the total required rail infrastructure of 570km. We factor in AKM funding and owning 50% of this infrastructure and estimate the total capital cost (100%) US$1.2bn. This infrastructure ownership appears as a negative ($0.31/sh) in our NPV calculation.

Wood Mackenzie confirms Ovoot coal's high value properties

In late August 2011, AKM published the results from consultants Wood Mackenzie's analysis of the Ovoot coal. The analysis confirmed that the Ovoot coal:

- would easily meet global seaborne market requirements;
- had strong caking, hard coking and blend carrying capacity; and
- pricing would be hard coking coal benchmark.

Figure 2 - Ovoot coal quality comparison

SOURCE: WOOD MACKENZIE, * SUPPLIED BY AKM

Aspire Mining Ltd (AKM)

Company description

AKM's key asset is the 100% owned Ovoot coking coal project in northern Mongolia. Ovoot has a resource of 330Mt high quality coking coal. AKM is in the process of completing studies to support the project's development. The company currently expects to develop the project in two stages. Stage 1 is expect to ramp-up from late-2013, mine at rates of 0.5-1.0Mtpa and then truck the ROM coal to the nearest rail infrastructure at Erdenet (560km). Stage 2 includes a much larger mine and rail infrastructure development. The company expects Stage 2 to produce 12Mtpa product coal (from 15Mtpa product coal).

Investment strategy: Buy (Speculative)

We believe there is strategic value in AKM through its:

- large scale (330Mt), high quality Ovoot coking coal resource;
- potential to partner with major off-take customers (steel producers) to assist with financing the Ovoot Project;
- proximity to other potential minerals deposits, including the Burenhaan Phosphate project (a Mongolian Mineral Deposit of Strategic Importance); and
- implicit relationships/ties with major mining/minerals houses including Ivanhoe Mines/SouthGobi Resources (19.9% shareholder) and Noble Group (5% shareholder).

Valuation: Risked DCF of $0.53/sh

Our base case valuation of AKM assumes:

- that AKM achieves production/sales rates of 12Mtpa product coal in the December 2017 quarter;
- that AKM pays for around two thirds (US$1.1bn) of the total capex (US$1.7bn) required to build the rail infrastructure for the project (i.e. a proportion of this rail is multi-user);
- We apply a risk factor of 50% to the Ovoot Project to reflect the relative uncertainties with respect to project sovereignty and development timelines;
- Bell Potter Securities coal price and currency forecasts; and
- AKM raises A$75m at $0.20/sh before end-2012 to fund the development of Stage 1 of the Ovoot Project.

Risks

Risks include, but are not limited to:

- The Ovoot project and AKM's exploration tenements are located in Mongolia. With this location carries sovereign risks specific to the region. The company's head office is in Perth, Australia;
- AKM is aiming to develop a large scale mine and associated infrastructure. Ramping up to steady-state production rates is yet to be proven;
- The Ovoot project is in an extremely remote location, making infrastructure very important. There are risks that obtaining the required permits for infrastructure development will be problematic.

- Commodity price and exchange rate fluctuations: Similar to other commodity producers, AKM's earnings and value are subject to fluctuations in commodity price and exchange rates; and
- Major AKM shareholders include: AKM directors; SouthGobi Resources Ltd, Noble Group and the vendors of the Mongolian projects.

Appendix 1: AKM capital structure

AKM issued capital, market capitalisation & enterprise value

Table 8: Issued Capital, Market Capitalisation & Enterprise Value

Total issued shares m	620.6
Share price A$	0.22
Market cap (undiluted) A$m	136.5
Net cash A$m	34.3
EV (undiluted) A$m	102.2
Options m	247.2
Issued shares (diluted) m	867.8
Market cap (diluted) A$m	190.9
Net cash + options A$m	47.3
EV (diluted) A$m	143.6

SOURCE: IRESS

Aspire Mining Ltd
as at 7 May 2012

Recommendation	Buy, Speculative
Price	$0.22
Target (12 months)	$0.55

Table 9 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Revenue	$m	-	0	1	-	126
Expense	$m	(1)	(5)	(9)	(6)	(115)
EBITDA	$m	**(1)**	**(5)**	**(9)**	**(6)**	**11**
Depreciation	$m	(0)	(0)	-	-	(20)
EBIT	$m	(1)	(5)	(9)	(6)	(9)
Net interest expense	$m	0	1	1	5	3
PBT	$m	**(1)**	**(4)**	**(7)**	**(0)**	**(6)**
Tax expense	$m	-	-	1	0	1
NPAT of associates	$m	-	-	-	-	-
NPAT (reported)	$m	**(1)**	**(4)**	**(6)**	**(0)**	**(4)**
NPAT attributable to MI	$m	-	-	-	-	-
NPAT attributable to AKM	$m	**(1)**	**(4)**	**(6)**	**(0)**	**(4)**
Abnormal items	$m	-	-	-	-	-
NPAT (adjusted)	$m	**(1)**	**(4)**	**(6)**	**(0)**	**(4)**

CASH FLOW

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
OPERATING CASHFLOW						
Receipts	$m	-	-	1	-	111
Payments	$m	(0)	(3)	(5)	(2)	(86)
Royalties	$m	-	-	-	-	(7)
Tax	$m	-	-	1	0	1
Net interest	$m	0	0	1	5	3
Other	$m	-	-	-	-	-
Operating cash flow	$m	**(0)**	**(3)**	**(1)**	**4**	**23**
INVESTING CASHFLOW						
Capex	$m	(0)	(0)	(0)	(53)	(170)
Exploration & evaluation	$m	(1)	(8)	(8)	(4)	(2)
Other	$m	(1)	(3)	0	-	-
Investing cash flow	$m	**(2)**	**(11)**	**(9)**	**(57)**	**(172)**
FINANCING CASHFLOW						
Equity proceeds	$m	7	20	106	-	200
Debt proceeds/(repayments)	$m	-	-	-	-	-
Dividends	$m	-	-	-	-	-
Other	$m	-	-	(4)	-	(9)
Financing cash flow	$m	**7**	**20**	**103**	**-**	**191**
Change in cash	$m	5	7	93	(53)	42

BALANCE SHEET

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
ASSETS						
Cash & short term investments	$m	6	12	105	52	94
Accounts receivable	$m	0	0	-	-	15
Inventory	$m	-	-	0	0	0
Property, plant & equipment	$m	0	0	1	54	204
Other	$m	12	17	22	22	22
Total assets	$m	**17**	**29**	**128**	**128**	**335**
LIABILITIES						
Accounts payable	$m	0	1	-	-	12
Borrowings	$m	-	-	-	-	-
Other	$m	3	-	-	-	-
Total liabilities	$m	**4**	**1**	**-**	**-**	**12**
SHAREHOLDER'S EQUITY						
Share capital	$m	19	39	145	145	345
Reserves	$m	1	0	(1)	(1)	(1)
Retained earnings	$m	(7)	(11)	(17)	(17)	(22)
Total equity	$m	**14**	**28**	**128**	**128**	**323**
Weighted average shares	m	222	222	768	996	1,096

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
VALUATION						
NPAT	$m	(1)	(4)	(6)	(0)	(4)
Reported EPS	c/sh	(0)	(1)	(1)	(0)	(0)
EPS growth	%	-95%	133%	-10%	-97%	1822%
PER	x	-55.0x	-23.7x	-26.2x	-1036.3x	-53.9x
DPS	c/sh	-	-	-	-	-
Yield	%	-	-	-	-	-
CFPS	c/sh	(1)	(6)	(1)	(5)	(14)
P/CFPS	x	-21.3x	-3.7x	-17.3x	-4.1x	-1.6x
EV/EBITDA	x	-151.3x	-28.9x	-16.4x	-25.6x	12.6x
EBITDA margin	%	0%	-1751%	-1535%	0%	9%
EBIT margin	%	0%	-1759%	-1535%	0%	-7%
Return on assets	%	-9%	-22%	-9%	0%	-2%
Return on equity	%	-11%	-25%	-9%	0%	-2%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(6)	(12)	(105)	(52)	(94)
ND / E	%	-42%	-42%	-82%	-41%	-29%
ND / (ND + E)	%	-71%	-74%	-458%	-68%	-41%

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	LT Real
Coal prices						
Hard coking	US$/t	146	247	260	225	181
Semi-hard coking	US$/t	119	209	214	192	157
LV PCI	US$/t	110	196	194	178	147
Semi-soft coking	US$/t	102	190	178	160	121
Thermal	US$/t	77	106	120	118	91
CURRENCY						
AUD/USD	US$/A$	0.87	0.99	1.04	1.00	0.85

ASSUMPTIONS - Production

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Production						
Ovoot - Stage 1	Mt	-	-	-	-	0.6
Ovoot - Stage 2	Mt	-	-	-	-	-
Total	Mt	-	-	-	-	0.6
Production split						
Hard coking	%	0%	0%	0%	0%	100%
Semi-hard coking	%	0%	0%	0%	0%	0%
LV PCI	%	0%	0%	0%	0%	0%
Semi-soft coking	%	0%	0%	0%	0%	0%
Thermal	%	0%	0%	0%	0%	0%

VALUATION

Issued capital	m
Shares on issue	621
Options	247
New issue at $0.20/sh	375
Total	**1,243**
Discount rate %	13%

	Present		+ 12 months		+ 24 months	
Sum of parts valuation	**A$m**	**$/sh**	**A$m**	**$/sh**	**A$m**	**$/sh**
Ovoot - Stage 1	(17)	(0.01)	(1)	(0.00)	30	0.02
Ovoot - Stage 2	1,476	1.19	1,623	1.31	1,785	1.44
Infrastructure (50%)	(352)	(0.28)	(387)	(0.31)	(425)	(0.34)
Total Ovoot Project	**1,108**	**0.89**	**1,235**	**0.99**	**1,390**	**1.12**
Risk weighting	*50%*		*50%*		*50%*	
Total Ovoot Project (risked)	**554**	**0.45**	**618**	**0.50**	**695**	**0.56**
Other assets	20	0.02	22	0.02	24	0.02
Corporate overheads	(30)	(0.02)	(33)	(0.03)	(36)	(0.03)
EV	**544**	**0.44**	**607**	**0.49**	**683**	**0.55**
Net cash + A$75m issue	109	0.09	88	0.07	58	0.05
Equity value	653	0.53	695	0.56	740	0.60

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.

Accumulate: Expect total return between 5% and 15% on a 12 month view. For stocks regarded as 'Speculative' a return of between 5% and 30% is expected.

Hold: Expect total return between -5% and 5% on a 12 month view

Reduce: Expect total return between -15% and -5% on a 12 month view

Sell: Expect <-15% 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.

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