

Cathy Moises

Thursday, 15 March 2018 10:55 AM

**Nusantara Resources Limited - Awak Mas Long-term Tenure and Ownership secured**



**Nusantara Resources Limited**

**\$0.28**

**Recommendation: Spec Buy**

**Analyst: Cathy Moises**

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## Event

- Nusantara Resources Limited (NUS) has reached agreement with the Government of Indonesia (GoI) on several amendments to the Awak Mas Gold Project Contract of Work (CoW).
- The amendments are seen as highly positive for the project the key changes being:
  - Awak Mas Gold Project tenure confirmed until 2050
  - After this period, the operations under the CoW may be extended in the form of a special mining business license (IUPK) in accordance with the prevailing laws and regulations, which currently allows for an extension of 10 years and a further extension of 10 years
  - Divestment of at least a 51% share in the CoW to Indonesian participants at fair market value according to internationally accepted practice by the 10<sup>th</sup> year of commercial production.

## Impact

- NUS holds its 100% ownership of the Awak Mas Gold Project via a 7<sup>th</sup> generation CoW signed with the GoI in 1998. CoW are widely viewed as the most secure form of ownership in Indonesia, with foreign companies allowed direct project ownership. However in 2009, the GoI introduced a new mining law that required existing CoWs to be adjusted consistent with the provisions of the 2009 mining law. A key concern over this requested adjustment was the potential requirement for a partial sell down to a local partner, and the terms relating to this sell down.
- The revised agreement as released this morning goes a long way into increasing the confidence that NUS will retain secure tenure of the project over the bulk of the project life, with any sell down agreed on commercial terms late in the mine life. We view today's announcement as highly positive for NUS, showing the GoI to be working hard to improve foreign relationships and increasing the clarity of the mining code going forward. There is no change to our \$0.59 valuation based on today's announcement and we retain our Spec Buy recommendation on the company.

***Patersons Securities Limited have acted for Nusantara Resources Limited and received fees for their services.***



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