



NUSANTARA RESOURCES LIMITED

NUS (\$0.25)

SPEC BUY

Emerging Long Life Indonesian Gold Producer

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Our View

Nusantara Resources Limited (NUS) is focused on the development of its 100% owned flagship Awak Mas Gold Project in Sulawesi Indonesia, which currently has a 2.0Moz JORC compliant resource, and production targeted for early 2020. NUS's highly experienced Board and management team is working to increase shareholder value through advancing the Awak Mas Gold project towards development in the near-term. The Company plans to undertake further drilling, which has the potential to significantly increase the resource inventory and complete a Definitive Feasibility Study by mid – 2018 in advance of a final investment decision expected for late 2018.

Investment Highlights

- ▶ Strong exploration upside. NUS has undertaken a high impact exploration program focusing on extensional resource drilling using the funds received through the IPO and is expected to allocate c.\$2m for exploration per year post the DFS. In January 2018, the company announced a 12% increase in the resource to 1.93Moz. This was followed up in February 2018 with a further 70koz increase following the update of the Salu Bulu resource, bringing the project resource to 2Moz. This update has now resulted in a 260koz increase using the US\$1400/oz resource optimization shells since commencement of drilling and includes an increase of 720koz using the US\$1200/oz resource optimisation shells.
- ▶ Strong project fundamentals PFS was completed in 2015, with DFS currently underway, completion expected mid-2018, and targeted gold production in early 2020. Current 2.00 Moz (1.38g/t) gold resource includes 180koz of higher grade (1.53g/t Au material) at Salu Bulu which is expected to be processed early in the mine life to optimise cashflow. The project is under a 7th generation COW (Contract of Work), which allows 100% foreign ownership. There is indication that the Indonesian Government will seek for NUS to divest 51% of the project before year 10 to Indonesian Parties, with NUS commencing a process looking for an Indonesian partner to purchase 25% of the project as part of its long-term funding strategy. The Awak Mas Project has access to grid power, with easy access to the established ports of Palopo and Belopa, daily flights to Palopo from Makassar, and 40km by paved and unpaved road from the project to Belopa. Current project scope envisages a 2-3Mtpa operation Production 100-125koz Au per annum, with AISC of US\$500-700/oz, and project capital of US\$150-175m, with a strip ratio of circa 3.5:1, with higher grade early production from Salu Bulu.
- ▶ Valuation. We have assumed a funding requirement of \$200m, comprised \$100m of debt, \$100m equity, with the equity component completed at a 10% discount to the current share price. We generate a base case valuation of \$0.59/share. We note the project valuation of \$152.4m vs current market capitalization of only \$18.02m. Our valuation is highly sensitive to the impact of the current NUS price on the shares issued for an assumed equity raise. Should we assume the price of \$0.42/sh for the raise, our valuation lifts to \$0.84/sh.

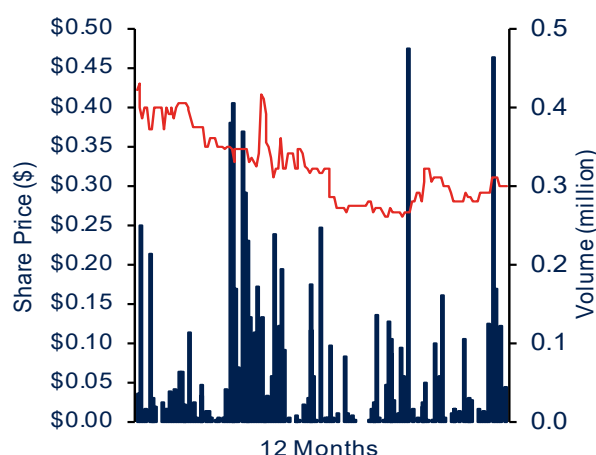
Investment Summary

Year End June 30	2017A	2018F	2019F	2020F
Reported NPAT (\$m)	(1.3)	(3.8)	(7.5)	(9.3)
Recurrent NPAT (\$m)	(1.3)	(3.8)	(7.5)	(9.3)
Recurrent EPS (cents)	(1.4)	(3.9)	(1.6)	(1.9)
EPS Growth (%)	na	na	na	na
PER (x)	(22.5)	(8.0)	(20.0)	(16.1)
PEG	na	na	na	na
EBITDA (\$m)	(1.4)	(3.8)	(1.0)	(2.8)
EV/EBITDA (x)	(39.7)	(6.5)	(53.3)	(44.6)
Free Cashflow	(1.6)	(8.9)	(6.9)	(72.4)
FCFPS (cents)	(1.6)	(9.1)	(1.4)	(15.1)
PFCF (x)	(18.8)	(3.4)	(21.5)	(2.1)
DPS (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0

Disclosure: Patersons Securities have acted for Nusantara Resources (NUS) within the past year and have received fees for these services.

Company Statistics & Performance

Shares on Issue (m)	82.1	3mth ADT (\$m)	0.011
ITM Options (m)	25.4	EV (\$m)	12.5
Market Cap. (\$m)	18.02	Debt est (\$m)	0.2
52 Week Range	\$0.26 - \$0.43	Cash est (\$m)	10.1

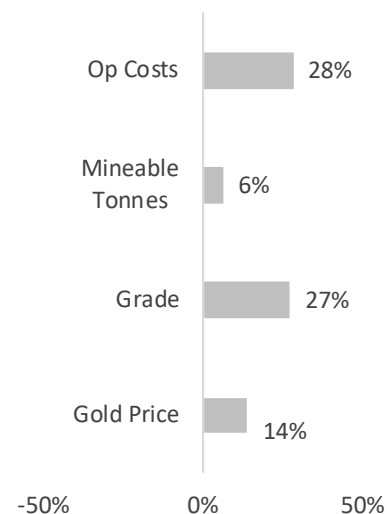




Valuation	A\$m	A\$/sh
Awak Mas Gold Project	154.9	0.32
Exploration	0.0	0.00
Sub Total	154.9	0.32
Forward sales	(0.0)	(0.00)
Cash + receivables and inventory	10.1	0.02
Total Borrowings + creditors	(0.2)	(0.00)
Proceeds from equity raising and options conversion	138.1	0.29
Corporate/Other	(18.1)	(0.04)
Total	129.9	0.27
NPV (@ 10% discount rate)	284.8	0.59
Price Target		0.59

Reserves & Resources			
Resources	Mt	Au g/t	Au koz
Awak Mas	39.0	1.4	1,720
Salu Bulo	3.7	1.5	180
Tarra	2.3	1.3	100
Total	45.0	1.4	2,000
Directors			
Martin Pyle			Chairman
Mike Spreadborough			Managing Director
Boyd Abidin			Non-Executive Director
Rob Hogarth			Non-Executive Director
Robin Widdup			Non-Executive Director
Derek Humphry			CFO

% Change In DCF Valuation from a 10% change in:



Commodity Assumptions	2017A	2018E	2019E	2020E
A\$:US\$	0.77	0.78	0.79	0.79
Gold (US\$/oz)	1,248	1,259	1,326	1,340
Silver (US\$/oz)	10.35	17.08	16.57	17.10
Gold (A\$/oz)	1,667	1,642	1,695	1,696

Profit & Loss (A\$m)	2017A	2018E	2019E	2020E
Sales Revenue	0.0	0.0	0.0	0.0
Other Income	0.0	0.0	0.0	0.0
Operating Costs	0.0	0.0	0.0	0.0
Exploration Exp.	0.0	1.4	1.4	1.4
Corporate/Admin/Other	1.4	2.4	2.4	2.4
EBITDA	(1.4)	(3.8)	(3.8)	(3.8)
Depn & Amort	(0.0)	0.0	0.0	0.0
EBIT	(1.4)	(3.8)	(3.8)	(3.8)
Interest	(0.0)	(0.0)	3.7	5.5
Operating Profit	(1.3)	(3.8)	(7.5)	(9.3)
Tax expense	0.0	0.0	0.0	0.0
FX Adjustment	0.0	0.0	0.0	0.0
Abnormals	0.0	0.0	0.0	0.0
NPAT	(1.3)	(3.8)	(7.5)	(9.3)

Production Summary	2017A	2018E	2019E	2020E
GROUP ATTRIBUTABLE				
Production (k oz Au)	0	0	0	103
Cash Costs (A\$/oz)	0	0	0	742
Sustaining All In Costs (A\$/oz)				925
Realised Price (A\$/oz)	1,695	1,696	1,722	1,875

Cash Flow (A\$m)	2017A	2018E	2019E	2020E
Operating Cashflow	-2.0	-2.4	6.9	5.1
- Capex (+asset sales)	-5.1	-2.0	-75.0	-145.0
- Exploration	0.0	-4.0	-4.0	-4.0
Free Cashflow	-7.1	-8.4	-72.1	-143.9
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	38.1	100.0	0.0	0.0
+ Debt drawdown (repaid)	-24.3	100.0	0.0	0.0
+ Other	-1.0	0.0	0.0	0.0
Net Change in Cash	5.8	191.6	-72.1	-143.9
Cash at End Period	5.8	197.5	125.4	-18.5
Net Cash/(LT Debt)	5.8	97.5	25.4	-118.5

Balance Sheet (A\$m)	2017A	2018E	2019E	2020E
Cash	5.8	197.5	125.4	-18.5
Total Assets	33.9	225.6	153.5	9.6
Total Debt	0.0	100.0	100.0	100.0
Total Liabilities	1.0	101.0	101.0	101.0
Shareholders Funds	32.9	124.6	52.5	-91.4

Gold Exploited

