

STRONG RESULTS FROM AWAK MAS DFS

DFS results released today very much support earlier numbers, with minimal change to our valuation on NUS as a result of today's release. The project presents as robust with an initial 11 year life producing c. 100k oz au per annum, at AISC of US\$758/oz. Key changes as compared to our earlier forecasts are shorter mine life (we assumed further conversion of resources), and lower milling costs. We retain our Speculative BUY recommendation.

- Project attractive relative to peers.** DFS sees an 11 year project, with AISC of US\$758/oz gold, and C1 operating costs of US\$643/oz. A relatively low strip ratio of 3.5:1, and 91% recovery rates also drive the positive project economics. With the resource of 2.0m ounces (and positive exploration results continuing to be reported), we see excellent scope for a further extension of mine life here. NUS commented that a 3 year mine life extension has the potential to add \$45m to valuation, with a 7% increase in head grade (infill drilling continuing) also adding \$45m... adding some potential upside to an already attractive base case valuation.
- Focus now on securing a strategic partner and funding the project development.** In our valuation, we assume 50/50 debt and equity funding, with very significant dilution relating to the equity component of the project funding. Given the Indonesian location which is not a favoured jurisdiction for all investors, we see gaining the support of a strategic partner as a key catalyst for the stock in the short-medium term.
- Further exploration success reported.** In a separate release today, NUS reported significant near mine mineralisation has been identified from surface and trench samples at both Awak Mas and the nearby Salu Bulu deposit. Exploration focus in the current year is focussed on within a 3km radius of the proposed processing plant with the aim of extending the proposed 11 year mining operation.

Year End June 30	2017A	2018F	2019F	2020F
Reported NPAT (\$m)	(1.3)	(3.7)	(5.9)	(9.7)
Recurrent NPAT (\$m)	(1.3)	(3.7)	(5.9)	(9.7)
Recurrent EPS (cents)	(1.4)	(3.8)	(4.8)	(1.4)
EPS Growth (%)	na	na	na	na
PER (x)	(13.8)	(5.0)	(4.0)	(14.1)
PEG	na	na	na	na
EBITDA (\$m)	(1.4)	(3.7)	(2.2)	(2.4)
EV/EBITDA (x)	(31.2)	(3.4)	(8.8)	(40.7)
Free Cashflow	(1.6)	(8.8)	(6.9)	(76.1)
FCFPS (cents)	(1.6)	(9.1)	(5.6)	(10.6)
PFCF (x)	(11.5)	(2.1)	(3.4)	(1.8)
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

4 October 2018

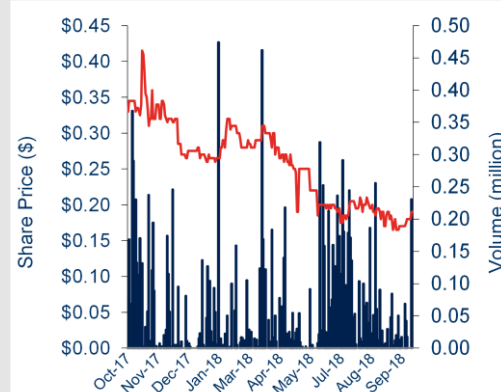
12mth Rating	Spec Buy
Price	A\$ 0.19
Target Price	A\$ 0.49
12mth Total Return	% 157.1

RIC: NUS.AX	BBG: NUS AU
Shares o/s	m 97.8
Free Float	% 100.0
Market Cap.	A\$m 18.6
Net Debt (Cash)	A\$m -3.9
Net Debt/Equity	% na
3mth Av. D. T'over	A\$m 0.010
52wk High/Low	A\$ 0.42/0.17
2yr adj. beta	0.79

Valuation:	
Methodology	DCF
Value per share	A\$ 0.49

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12 Month Share Price Performance



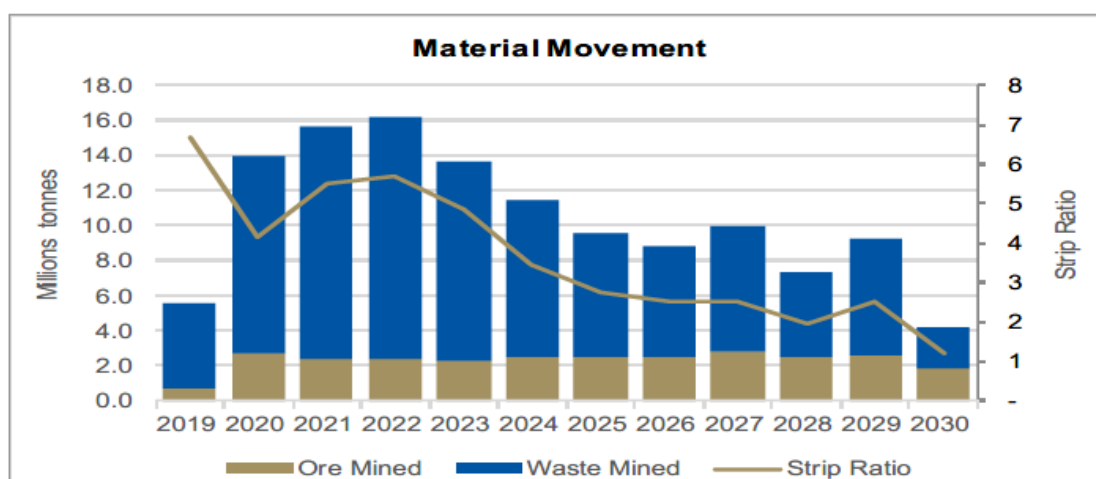
Performance %	1mth	3mth	12mth
Absolute	-	8.6	(42.4)
Rel. S&P/ASX 300	2.3	10.6	(51.2)

Figure 1: Life of Mine Operational forecasts – note there is a capital adjustment at the group cash flow to reflect the strip ratio variations

AWAK MAS															
Source: Patersons Research Estimate															
AWAK MAS		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PRODUCTION															
Ore Milled	(k t)	0	0	0	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Head Grade - Au	(g/t)	0.0	0.0	0.0	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Recovery - Au	(%)	0.0%	0.0%	0.0%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%	90.9%
Production - Au	(k Oz)	0	0	0	103	103	103	103	103	103	103	103	103	103	103
Cash Cost	(\$/t)	0	0	0	27	27	27	27	27	27	27	27	27	27	27
Cash Cost	(\$US/Oz)	0	0	0	658	658	658	658	659	659	659	660	660	660	660
AISC	(\$US/Oz)	0	0	0	776	778	784	785	786	787	787	788	788	788	789
PROFIT AND LOSS															
Revenue	(US\$ M)	0	0	0	134	138	152	155	159	160	160	160	160	160	160
Operating Costs	(US\$ M)	0	0	0	68	68	68	68	68	68	68	68	68	68	68
Royalty	(US\$ M)	0	0	0	7	7	8	8	8	8	8	8	8	8	8
Operating Profit	(US\$ M)	0	0	0	59	63	77	80	83	84	84	84	84	84	84
Net Profit	(US\$ M)	0	0	0	31	34	44	46	48	49	49	49	49	49	49
Sustaining Capital	(US\$ M)	0	0	0	5	5	5	5	5	5	5	5	5	5	5
Development Capital	(US\$ M)	0	75	138	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	(US\$ M)	0	-75	-138	44	47	57	59	61	62	62	62	62	62	62

Source: Patersons Securities Limited

Figure 2: Project material movement schedule



Source: NUS

Figure 3: Upfront Capital cost Estimates

Area	\$M
Mining Facilities and Contractor Mobilisation	16.8
Processing Plant and Earthworks	49.6
Tailing Storage Facilities	13.0
Infrastructure and Services	13.9
Establishment of Site Support Functions	10.7
Project Execution	17.2
Owner's Cost	11.7
Subtotal Project Capital (excluding contingency)	132.9
Contingency	12.6
Upfront Capital Cost Estimate	145.5

Note: excluding pre-production, value added tax (VAT) and environmental and closure bonds.

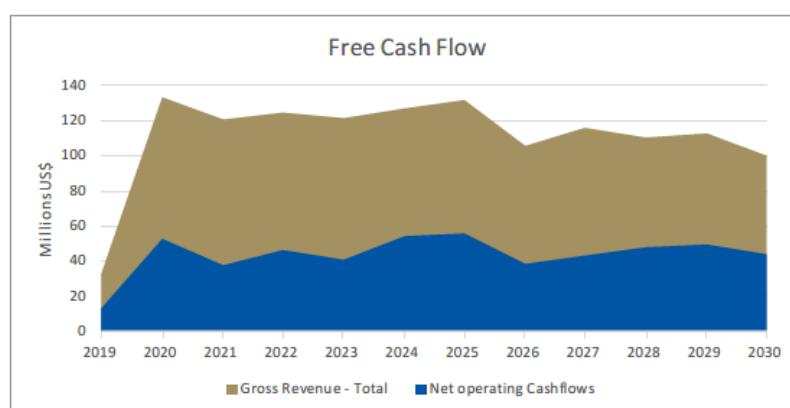
Source: NUS

Figure 4: Life Of Mine costs

Description	\$/oz
Mining Cost	315
Processing Costs	237
General & Administration	87
Total Cash Cost at Mine Site	639
Refining and Transport	4
C1 Cost	643
Royalties	72
Sustaining Capex	27
Jakarta Corporate, Community Social responsibility, and Land Tax (gross profit Based)	16
Total All in Sustaining Cash Cost	758

Source: NUS

Figure 5: Project Cashflows

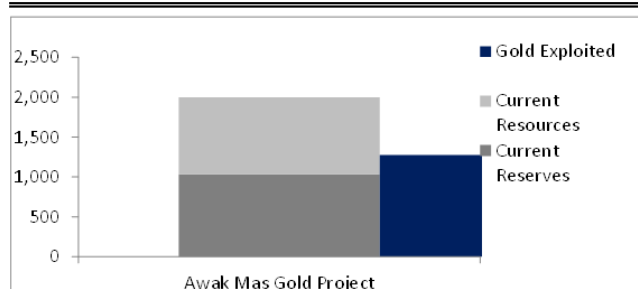


Source: NUS

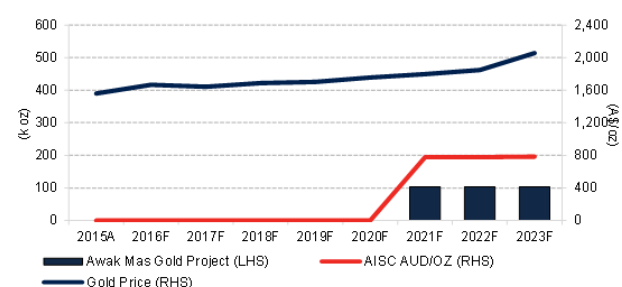
Valuation	A\$m	\$0.29 A\$/sh
Awak Mas risked at 80%	243.6	0.34
Exploration	0.0	0.00
Sub Total	243.6	0.34
Investments	0.0	0.00
Financial		
Forward sales	0.0	0.00
Cash + receivables and inventory	4.1	0.01
Total Borrowings + creditors	(0.2)	(0.00)
Proceeds from equity raising and options conversi	117.6	0.16
Corporate/Other	(15.7)	(0.02)
Total	105.8	0.15
NPV (@ 10% discount rate)	349.4	0.49
Price Target		0.49
NPV Sensitivity		
Spot Gold		0.56
Spot Gold +20%		1.07
Spot Gold -20%		0.44
Hedging	koz	1-Year 3-years % Reserve

Committed Production

Gold exploited as a subset of reserves/resources (k oz)



Gold Production Summary



	Mt	Au g/t	Au koz
Reserves			
Awak Mas	21.0	1.3	891
Salu Bulu	2.7	1.6	139
Total	23.7	1.4	1,030
Resources			
Awak Mas	39.0	1.4	1,720
Salu Bulu	3.7	1.5	180
Tarra	2.3	1.3	100
Total	45.0	1.4	2,000

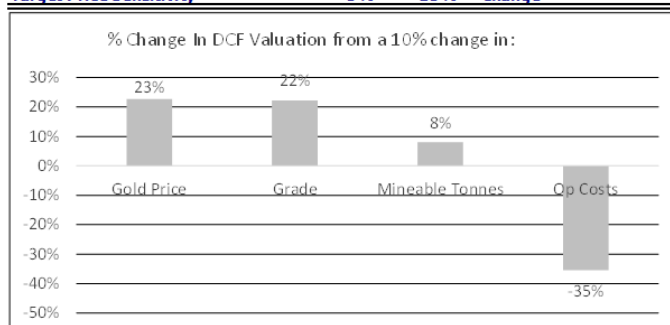
Directors

Name	Position
Greg Foulis	Chairman
Mike Spreadborough	Managing Director
Boyd Abidin	Non-Executive Director
Rob Hoqarth	Non-Executive Director
Robin Widdup	Non-Executive Director
Derek Humphry	CFO

Substantial Shareholders

	shares (m)	%
Lion Selection	31.2	32.0%
AustralianSuper	9.8	10.0%
Macquarie	3.9	4.0%
Zhaojin Mining	2.9	3.0%

Commodity Assumptions	2017A	2018E	2019E	2020E	2021E
A\$/US\$	0.77	0.74	0.72	0.72	0.73
Gold (US\$/oz)	1,248	1,259	1,255	1,221	1,264
Silver (US\$/oz)	10.35	17.08	15.47	14.38	14.90
Gold (A\$/oz)	1,667	1,642	1,687	1,701	1,756
Target Price Sensitivity	0%	+10%	Change		



Production Summary	2017A	2018E	2019E	2020E	2021E
Awak Mas					
Ore Milled (kt)	0	0	0	0	2,500
Head Grade (g/t Au)	0.0	0.0	0.0	0.0	1.4
Recovery (%)	0%	0%	0%	0%	91%
Production (k oz Au)	0	0	0	0	103
Cash Cost (\$/t)	0	0	0	0	27
Cash Cost (\$/oz)	0	0	0	0	658
AISC (\$/oz)	0	0	0	0	776
Realised Price (A\$/oz)		0	0	0	1,798
Cash Cost (US\$/oz)	0	0	0	0	658
AISC (US\$/oz)	0	0	0	0	776

GROUP ATTRIBUTABLE

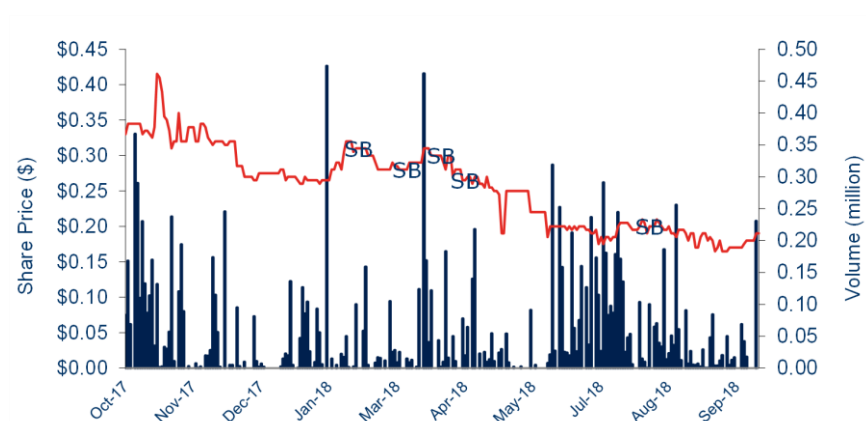
Production (k oz Au)	0	0	0	0	103
Cash Costs (US\$/oz)	0	0	0	0	658
Sustaining All In Costs (US\$/oz)					839
Realised Price (A\$/oz)	1,687	1,687	1,701	1,756	1,798

Profit & Loss (A\$m)	2017A	2018E	2019E	2020E	2021E
Sales Revenue	0.0	0.0	0.0	0.0	185.2
Other Income	0.0	0.0	0.0	0.0	0.0
Operating Costs	0.0	0.0	0.0	0.0	74.8
Exploration Exp.	0.0	1.4	1.4	1.4	1.4
Corporate/Admin/Other	1.4	2.4	2.4	2.4	2.4
EBITDA	(1.4)	(3.8)	(3.8)	(3.8)	106.5
Depn & Amort	(0.0)	0.0	0.0	0.0	18.3
EBIT	(1.4)	(3.8)	(3.8)	(3.8)	88.2
Interest	(0.0)	(0.1)	2.1	5.9	6.6
Operating Profit	(1.3)	(3.7)	(5.9)	(9.7)	81.6
Tax expense	0.0	0.0	0.0	0.0	10.3
FX Adjustment	0.0	0.0	0.0	0.0	0.0
Abnormals	0.0	0.0	0.0	0.0	0.0
NPAT	(1.3)	(3.7)	(5.9)	(9.7)	71.3
Normalised NPAT	(1.3)	(3.7)	(5.9)	(9.7)	71.3

Cash Flow (A\$m)	2017A	2018	2019	2020	2021
Operating Cashflow	-2.0	-2.3	2.8	6.4	83.7
- Capex (+ asset sales)	-5.1	-0.8	-75.0	-137.5	-5.2
- Exploration	0.0	-4.0	-4.0	-4.0	-4.0
Free Cashflow	-7.1	-7.1	-76.2	-135.1	74.6
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	38.1	5.1	112.5	0.0	0.0
+ Debt drawdown (repaid)	-24.3	0.0	112.5	0.0	0.0
+ Other	-1.0	0.0	0.0	-0.0	0.0
Net Change in Cash	5.8	-2.0	148.8	-135.1	74.6
Cash at End Period	5.8	3.8	152.7	17.5	92.1
Net Cash/(LT Debt)	5.8	3.8	40.2	-95.0	-20.4

Balance Sheet (A\$m)	2017A	2018	2019	2020	2021
Cash	5.8	3.8	152.7	17.5	92.1
Total Assets	33.9	32.0	180.8	45.6	168.2
Total Debt	0.0	0.0	112.5	112.5	112.5
Total Liabilities	1.0	1.0	113.5	113.5	113.5
Shareholders Funds	32.9	30.9	67.3	-67.9	54.7

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
15 Feb 18	Research Note	0.59	0.32	SB	
15 Mar 18	Hot off the Press	0.59	0.28	SB	-12.5%
04 Apr 18	Resources Review Book	0.59	0.30	SB	7.1%
18 Apr 18	Hot off the Press	0.59	0.27	SB	-11.7%
02 Aug 18	Research Note	0.52	0.19	SB	-28.3%
	Current Share Price		0.19		0.0%

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