

STRATEGIC LOCAL INVESTOR A POSITIVE

Nusantara Resources Limited (NUS) have secured a strategic Indonesian cornerstone investor to help advance the Awak Mas Gold Project. On completion of an A\$10.25m capital raising, PT Indika Energy Tbk (Indika), through its wholly owned subsidiary PT Indika Minerals Investindo, will obtain a 19.9% interest in Nusantara.

- **Raising sees NUS well-funded to FID.** NUS is raising A\$10.25m through a new strategic partner, and also a further investment by existing shareholder AustralianSuper Pty Ltd, who are committing to subscribe for 11.2m shares at \$0.23 per share, which will lift their shareholding to 14%
- **Premium raising.** We see it as significant that this raising represents a 43.75% to today's share price of \$0.16. Pleasingly, the raising is also at a premium to the company's most recent raising which was completed at \$0.20. Indika and AustralianSuper will also be issued options on a 1 for 2 basis pre-rata to their share subscriptions. The options will be exercisable at A\$0.35 on or before 30 November 2020. Indika's subscription will be in two tranches, the final \$0.64m tranche will be subject to the approval of Nusantara shareholders at a General meeting to be called late January 2019
- **Entry of a strategic local party is a major positive.** NUS has stated for some time, it is seeking a strategic local partner. This is likely to help with the development funding which is expected to occur late in 2019. Indika and NUS have entered into agreements that define an ongoing strategic relationship, which is focussed on exploring avenues for completing the financing and development of the Awak Mas Gold Project, and makes provision for Indika to potentially acquire an interest in the project at either project or corporate level at fair market price.
- **Value apparent.** We cover a number of companies due to pursue development funding in the short term. NUS has outstanding value at the project level, its current year low share price of \$0.16 significantly reduces the valuation at a company level due to the perceived equity dilution. With the entry of a strategic investor, NUS may be able to reduce the public equity raise and limit the resultant dilution.

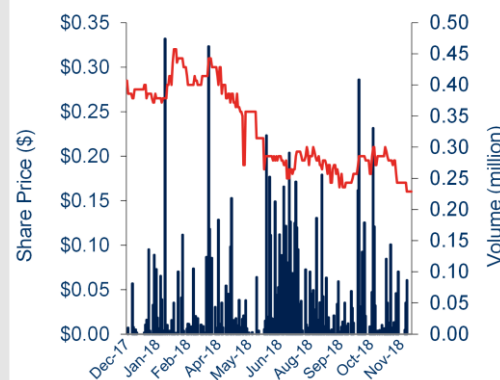
Year End June 30	2017A	2018A	2019F	2020F	2021F
Reported NPAT (\$m)	(1.3)	(3.7)	(5.7)	(9.5)	75.7
Recurrent NPAT (\$m)	(1.3)	(3.7)	(5.7)	(9.5)	75.7
Recurrent EPS (cents)	(1.4)	(3.8)	(3.4)	(1.1)	8.7
EPS Growth (%)	na	na	na	na	na
PER (x)	(11.6)	(4.2)	(4.7)	(14.7)	1.8
PEG	na	na	na	na	na
EBITDA (\$m)	(1.4)	(3.7)	(2.1)	(2.2)	112.5
EV/EBITDA (x)	(29.0)	(2.6)	(6.2)	(40.4)	2.0
Free Cashflow	(1.6)	(8.8)	(6.8)	(75.8)	(38.4)
FCFPS (cents)	(1.6)	(9.1)	(4.0)	(8.7)	(4.4)
PFCF (x)	(9.7)	(1.8)	(4.0)	(1.8)	(3.6)
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0.0	0.0	0.0	0.0	0.0

11 December 2018		
12mth Rating	Spec Buy	
Price	A\$	0.16
Target Price	A\$	0.43
12mth Total Return	%	169.2
RIC: NUS.AX		BBG: NUS AU
Shares o/s	m	97.8
Free Float	%	100.0
Market Cap.	A\$m	19.7
Net Debt (Cash)	A\$m	-14.1
Net Debt/Equity	%	na
3mth Av. D. T'over	A\$m	0.008
52wk High/Low	A\$	0.32/0.16
2yr adj. beta		0.80
Valuation:		
Methodology		DCF
Value per share	A\$	0.43

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Disclaimer:

12 Month Share Price Performance



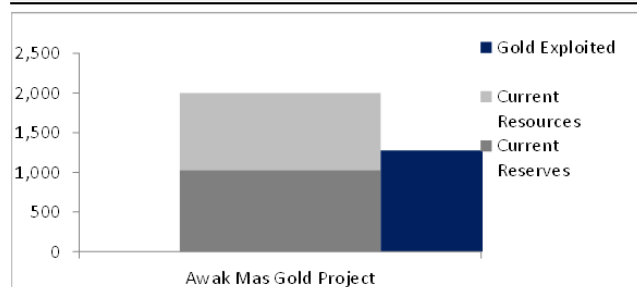
Performance %	1mth	3mth	12mth
Absolute	(17.9)	(11.1)	(43.9)
Rel. S&P/ASX 300	(11.4)	(1.0)	(36.4)

Valuation	A\$m	\$0.16 A\$/sh
Awak Mas risked at 80%	248.7	0.29
Exploration	0.0	0.00
Sub Total	248.7	0.29
Investments	0.0	0.00
Financial		
Forward sales	0.0	0.00
Cash + receivables and inventory	14.4	0.02
Total Borrowings + creditors	(0.2)	(0.00)
Proceeds from equity raising and options conversi	127.9	0.15
Corporate/Other	(15.7)	(0.02)
Total	126.3	0.15
NPV (@ 10% discount rate)	375.1	0.43
Price Target		0.43

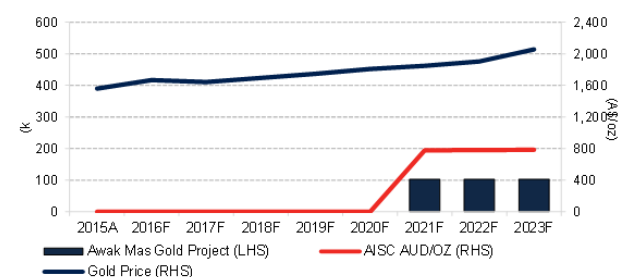
NPV Sensitivity				
Spot Gold				0.52
Spot Gold +20%				1.07
Spot Gold -20%				0.42
Hedging	koz	1-Year	3-years	% Reserve

Committed Production

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



Gold Production Summary



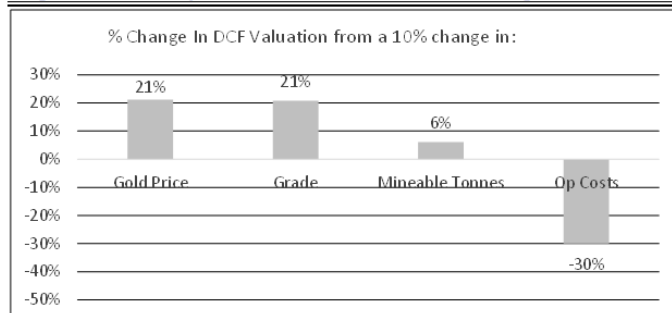
Reserves	Mt	Au q/t	Au koz
Awak Mas	21.0	1.3	891
Salu Bulu	2.7	1.6	139
Total	23.7	1.4	1,030
Resources	Mt	Au q/t	Au koz
Awak Mas	39.0	1.4	1,720
Salu Bulu	3.7	1.5	180
Tarra	2.3	1.3	100
Total	45.0	1.4	2,000

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 (post 12 December raising)	shares (m)	%
PT Indika Energy Tbk	33.4	19.9%
Lion Selection	31.2	18.6%
AustralianSuper	23.5	14.0%

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	1,261	1,256	1,300
Silver (US\$/oz)	10.35	17.08	15.57	15.03	15.60
Gold (A\$/oz)	1,667	1,642	1,693	1,745	1,806
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	778
Realised Price (A\$/oz)		0	0	0	1,848
Cash Cost (US\$/oz)	0	0	0	0	658
AISC (US\$/oz)	0	0	0	0	778

GROUP ATTRIBUTABLE

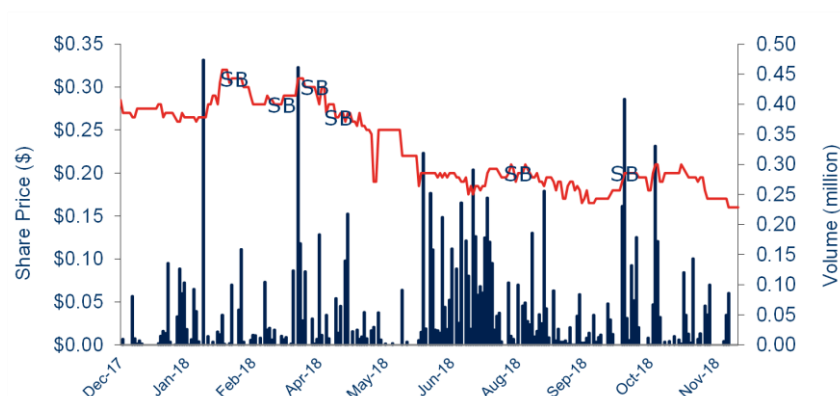
Production (k oz Au)	0	0	0	0	103
Cash Costs (US\$/oz)	0	0	0	0	658
Sustaining All In Costs (US\$/oz)					840
Realised Price (A\$/oz)	1,693	1,693	1,745	1,806	1,848

Profit & Loss (A\$m)	2017A	2018E	2019E	2020E	2021E
Sales Revenue	0.0	0.0	0.0	0.0	190.4
Other Income	0.0	0.0	0.0	0.0	0.0
Operating Costs	0.0	0.0	0.0	0.0	75.0
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)	111.6
Depn & Amort	(0.0)	0.0	0.0	0.0	18.3
EBIT	(1.4)	(3.8)	(3.8)	(3.8)	93.3
Interest	(0.0)	(0.1)	1.9	5.7	6.4
Operating Profit	(1.3)	(3.7)	(5.7)	(9.5)	86.9
Tax expense	0.0	0.0	0.0	0.0	11.2
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)	(5.7)	(9.5)	75.7
Normalised NPAT	(1.3)	(3.7)	(5.7)	(9.5)	75.7

Cash Flow (A\$m)	2017A	2018	2019	2020	2021
Operating Cashflow	-2.0	-2.3	3.0	6.5	88.3
- 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	-76.0	-135.0	79.2
- Dividends (ords & pref)	0.0	0.0	0.0	0.0	0.0
+ Equity raised	38.1	15.4	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	8.3	149.0	-135.0	79.2
Cash at End Period	5.8	14.1	163.1	28.1	107.3
Net Cash/(LT Debt)	5.8	14.1	50.6	-84.4	-5.2

Balance Sheet (A\$m)	2017A	2018	2019	2020	2021
Cash	5.8	14.1	163.1	28.1	107.3
Total Assets	33.9	42.2	191.2	56.2	183.3
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	41.2	77.7	-57.3	69.8

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 Boo	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%
04 Oct 18	Research Note	0.49	0.19	SB	0.0%
	Current Share Price		0.16		-15.8%

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