

## Kibaran Resources (KNL)

### RECOMMENDATIONS

Rating	<b>BUY ▲</b>
Risk	Speculative
Price Target	<b>\$0.23</b>
Share Price	\$0.15

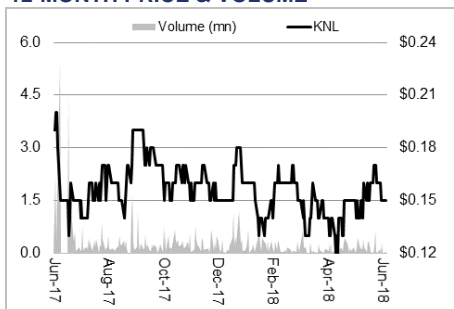
### SNAPSHOT

Monthly Turnover	\$0.5mn
Market Cap	\$35mn
Shares Issued	244.4mn
52-Week High	\$0.21
52-Week Low	\$0.11
Sector	Materials

### BUSINESS DESCRIPTION

Kibaran is proposing to develop a graphite mine and processing facility in Tanzania, it has completed a Bankable Feasibility Study which highlights the economics of the project. To proceed with the development, it requires the government to establish the regulatory framework and KNL finalising debt and equity financing. Once the mine is up and running the company plans to convert a portion of mine production into Battery Grade Graphite.

### 12-MONTH PRICE & VOLUME



### RESEARCH ANALYST

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### Disclosure

The author owns no shares in KNL.

### COMPANY REPORT

#### Topping up the bank account

- Cash to continue:** At the end of March 2018, KNL had \$1.15m in cash left in the bank and was facing commitments to fund studies on spherical graphite, detailed engineering design works and early procurement activity. While KNL had negotiated to pay GR Engineering 30% of its costs via the issue of shares, it would still require funds to keep the project development ticking along while the Tanzanian Government sorted out mining regulations. Last week's equity raising of \$2.8m removes some of the cash flow issues which are arising from government delays.
- Capital requirements:** We believe KNL will need to initially fund a US\$750,000 pilot plant at Epanko as part of the design work, the spherical graphite pilot plant in Germany at a cost of <US\$4m (some of which may be JV funded) and eventually the Epanko project pre-production capex itself. The latter is currently sitting at US\$89m (prior to FEED) of which KNL had previously indicated would be funded 40% equity and 60% debt (implying a future equity raise of A\$45-50m).
- Changes at the margin:** We have pushed the equity funding of the Epanko project out to FY19, along with the commencement of plant construction. Given the delays in the government clarifying the mining regulations, there is some risk that the early works may also be delayed. The positive is that the placement is at least giving the company the cash to continue the FEED while the Tanzanian Government officials are making up their minds. Our combined project valuations have moved from \$253m to \$254m.
- Investment view:** The development of Epanko and eventually a spherical graphite look set to reward shareholders. However, the government's delay in sorting out the fiscal regime and clarifying its equity position is delaying the financing of the project development. The Tanzanian Government may be making all the right sounds with positive meetings, but it needs to let KNL, BKT, GPX and VRC know if they need to fund the government's equity and exactly what taxes and royalties will be charged. Our target price is unchanged at 23cps and we have retained our BUY recommendation.

### INVESTMENT SUMMARY

Year End: 30 June		2016 (A)	2017 (A)	2018 (E)	2019 (E)	2020 (E)
Revenue	\$mn	1	0	0	3	40
EBITDA	\$mn	-4.5	-4.2	-3.8	-3.0	16.0
EBIT	\$mn	-4.5	-4.2	-3.8	-3.2	7.6
Reported Profit	\$mn	-4.3	-4.1	-3.7	-3.7	-0.8
Adjusted Profit	\$mn	-4.3	-4.1	-3.7	-3.7	-0.8
EPS (Reported)	¢	-2.3	-1.7	-1.4	-0.6	-0.1
EPS (Adjusted)	¢	-2.3	-1.7	-1.4	-0.6	-0.1
EPS Growth	%		N/A	N/A	N/A	N/A
PER (Reported)	x	N/A	N/A	N/A	N/A	N/A
PER (Adjusted)	x	N/A	N/A	N/A	N/A	N/A
Dividend	¢	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

## Financial summary

### KIBARAN RESOURCES

<b>Analyst:</b>	Warren Edney
<b>Date:</b>	25-Jun-18
<b>Share Price (\$A):</b>	\$0.15
<b>Market Cap (A\$m):</b>	\$36
<b>EV (A\$m)</b>	\$35
<b>Year End:</b>	30 June

<b>Rating:</b>	<b>BUY</b>
<b>Price Target:</b>	\$0.23
<b>Upside/(Downside):</b>	58%
<b>Valuation:</b>	\$0.92
<b>Risk:</b>	Speculative

KEY RATIOS	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
<b>NPAT - Reported</b>	-4.3	-4.1	-3.7	-3.7	-0.8	16.5
<b>NPAT - Attributable</b>	-4.3	-4.1	-3.7	-3.7	-0.8	16.5
EPS	-2.3	-1.7	-1.4	-0.6	-0.1	2.8
EPS Growth (%)		n/m	n/m	n/m	n/m	n/m
P/E (x)	n/m	n/m	n/m	n/m	n/m	5.1
CFPS (A Cents)	-1.4	-1.6	-1.9	-22.0	-3.2	-2.1
P/CF (x)	n/m	n/m	n/m	n/m	n/m	n/m
DPS (A Cents)	0.0	0.0	0.0	0.0	0.0	0.0
Franking (%)	0%	0%	0%	0%	0%	0%
Dividend Yield (%)	0%	0%	0%	0%	0%	0%
Payout Ratio (%)	0%	0%	0%	0%	0%	0%
FCF Yield (%)	n/m	n/m	n/m	n/m	n/m	n/m
EV/EBIT (x)	(7.6)	(8.2)	(9.0)	(10.9)	4.5	1.0
EV/EBITDA (x)	(7.6)	(8.3)	(9.1)	(11.4)	2.2	0.8

ASSUMPTIONS	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Australian Dollar (AUD/USD)	0.728	0.755	0.776	0.745	0.750	0.750
Graphite basket price (US\$/t)	0	0	0	1,169	1,169	1,169
Spherical graphite (US\$/t)	0	0	0	3,250	3,250	3,250
Unpurified fines	0	0	0	600	600	600

PRODUCTION & COSTS	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Graphite concentrate			0	0	30,000	65,000
Spherical graphite			0	600	600	2,500
Unpurified fines			0	600	600	2,500

PROFIT & LOSS (A\$m)	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Operating Revenue	0.0	0.0	0.0	3.1	40.3	93.6
Other Revenue	0.5	0.3	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>0.5</b>	<b>0.3</b>	<b>0.0</b>	<b>3.1</b>	<b>40.3</b>	<b>93.6</b>
Operating Expenses	0.0	0.0	0.0	-2.3	-20.5	-44.4
Corporate/Other Expenses	-5.0	-4.0	-3.8	-3.8	-3.8	-3.8
<b>EBITDA</b>	<b>-4.5</b>	<b>-4.2</b>	<b>-3.8</b>	<b>-3.0</b>	<b>16.0</b>	<b>44.9</b>
Depreciation & Amortisation	0.0	-0.1	-0.1	-0.1	-8.4	-9.2
Exploration/write-offs	0.0	-0.2	0.0	-0.1	-0.1	-0.5
<b>EBIT</b>	<b>-4.5</b>	<b>-4.2</b>	<b>-3.8</b>	<b>-3.2</b>	<b>7.6</b>	<b>35.7</b>
Net Interest / (Expense)	0.1	0.1	0.1	-2.1	-8.7	-12.1
<b>NPBT</b>	<b>-4.4</b>	<b>-4.1</b>	<b>-3.7</b>	<b>-5.3</b>	<b>-1.1</b>	<b>23.6</b>
Income Tax Expense	0.0	0.0	0.0	1.6	0.3	-7.1
<b>NPAT - Adjusted</b>	<b>-4.4</b>	<b>-4.1</b>	<b>-3.7</b>	<b>-3.7</b>	<b>-0.8</b>	<b>16.5</b>
<b>Significant Items</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>NPAT - Reported</b>	<b>-4.4</b>	<b>-4.1</b>	<b>-3.7</b>	<b>-3.7</b>	<b>-0.8</b>	<b>16.5</b>

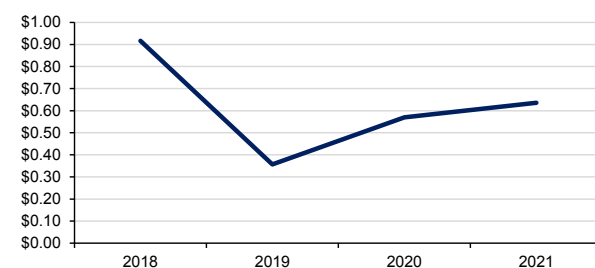
CASH FLOW (A\$m)	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Cash Flow from Ops	-2.6	-3.4	-3.8	-3.0	16.1	45.4
Capex - Development & Sustaining	0.0	-0.3	-1.3	-124.7	-34.9	-57.6
Cash Flow From Investing	-2.2	-7.8	-2.5	-130.2	-49.6	-76.9
Cash Flow From Financing	2.1	11.1	2.6	155.1	46.7	54.7
Net Cash Flow	-2.6	-0.1	-3.6	22.0	13.2	23.2

BALANCE SHEET (A\$m)	FY16A	FY17A	FY18E	FY19E	FY20E	FY21E
Cash	2.1	2.0	-1.7	20.3	33.5	56.7
PP&E/Development/Exploration	0.0	0.3	1.5	126.1	152.6	201.0
<b>Assets</b>	<b>12.5</b>	<b>20.5</b>	<b>19.3</b>	<b>168.5</b>	<b>210.7</b>	<b>283.9</b>
Debts	0.0	0.0	0.0	80.0	117.0	158.0
<b>Liabilities</b>	<b>0.8</b>	<b>1.2</b>	<b>1.2</b>	<b>81.2</b>	<b>118.2</b>	<b>159.2</b>
Equity	11.7	19.3	18.2	62.2	61.4	78.0
<b>Net Debt (Cash)</b>	<b>-2.1</b>	<b>-2.0</b>	<b>1.7</b>	<b>59.7</b>	<b>83.5</b>	<b>101.3</b>
Gearing (%) - ND / (ND + Eq)	-21%	-11%	8%	49%	58%	57%

### VALUATION SUMMARY

	WACC	8.3%	A\$m	A\$ps
Epanko			182	0.69
SG plant			73	0.28
<b>Projects</b>			<b>254</b>	<b>0.97</b>
Corporate			(24)	(0.09)
Exploration			12	0.05
Net Cash / (Debt)			(2)	(0.01)
<b>Total Valuation</b>			<b>241</b>	<b>0.92</b>

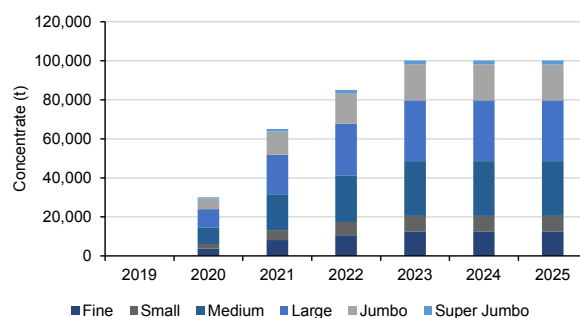
### VALUATION OVER TIME (adjusted for equity issue)



### EARNINGS SENSITIVITY

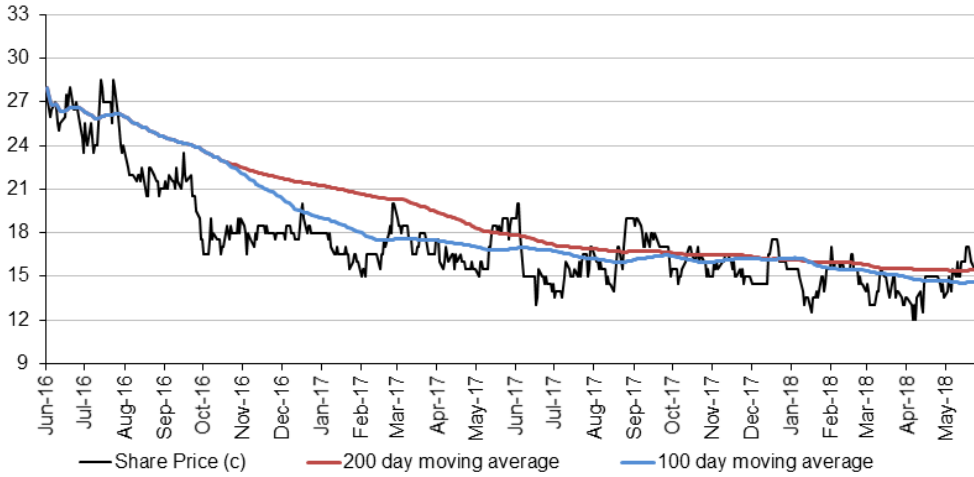
AUD/USD	FY18E	FY19E	FY20E	FY21E
Base NPAT A\$m	-3.7	-3.7	-0.8	16.5
plus 10%	-0.1	-0.3	-2.3	-4.6
+1c	0.0	0.0	-0.3	-0.6
<b>Graphite</b>	<b>FY18E</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
Base NPAT A\$m	-3.7	-3.7	-0.8	16.5
plus 10%		0.0	2.0	5.4
+ US\$100/t		0.0	1.7	4.6

### CONCENTRATE PRODUCTION



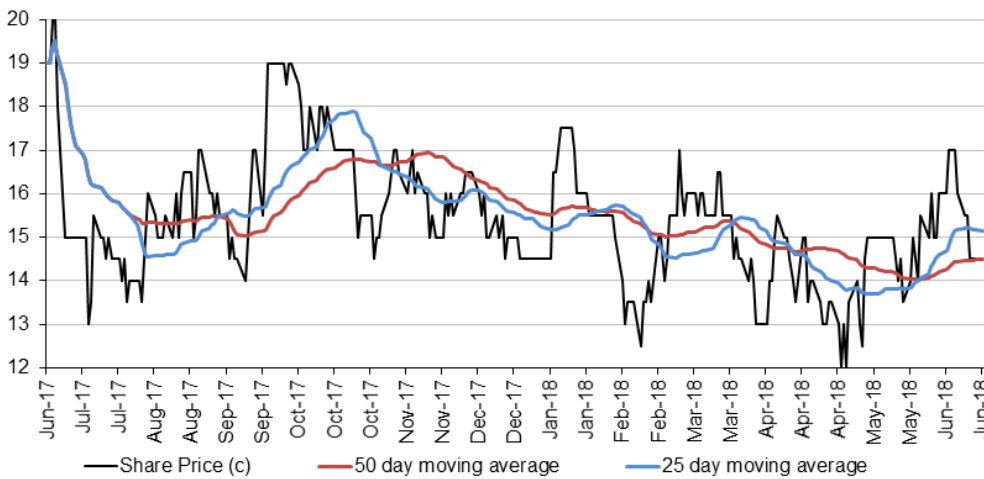
## Appendix

**FIG.1: LONG TERM MOMENTUM INDICATORS**



Source: Iress

**FIG.2: SHORT TERM MOMENTUM INDICATORS**



Source: Iress

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**Hold:** The stock's total return is expected to trade within a range of  $\pm$ 10-15 percent from the current share price over the next 12 months.

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