

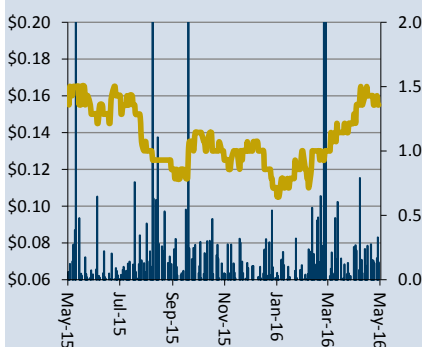
BUY

Current Price **\$0.16**
Target Price **\$0.22**

Ticker:	FND		
Sector:	Materials		
Shares on Issue (m):	657.1		
Market Cap (\$m):	101.8		
Net Cash est (\$m):	-177.8		
Enterprise Value (\$m):	279.6		
52 wk High/Low:	\$0.17	\$0.11	
12m Av Daily Vol (m):	0.28		
Key Metrics			
	15A	16F	17F
P/E (x)	-2.1	79.7	1.0
EV/EBITDA (x)	-7.2	10.2	2.6
Financials:			
Revenue (A\$m)	6.0	96.6	229.0
EBIT (A\$m)	-40.7	12.2	73.7
NPAT (A\$m)	-36.0	0.9	69.8
Net Assets (A\$m)	87.6	319.6	332.5
Op CF (A\$m)	-44.8	6.3	82.5
Per Share Data:			
EPS (cps)	-5.5	0.1	10.6
DPS (cps)	NA	NA	NA
Div Yield	NA	NA	NA
CFPS (cps)	-9.1	1.4	17.9

In A\$ unless otherwise stated

Share Price Graph



Thursday, 26 May 2016

Finders Resources

On the cusp of production

Analysts | Matthew Keane | Patrick Chang

Quick Read

Finders Resources (FND) is anticipating first copper cathode production from the 25ktpa plant at its Wetar Project in Indonesia (72% FND) next week. Wet commissioning of the solvent exchange electro-winning (SX-EW) plant commenced today and nameplate production is forecast for early Q3 CY16. Wetar is set to produce ~28ktpa copper (including a 3ktpa demonstration plant) at an all-in sustaining cost of <US\$1.50/lb. Development capex of US\$132m is fully funded from secured debt and investment by subsidiary company partner Daewoo International (24% equity interest). FND currently has US\$125m drawn debt and ~US\$27m in cash and undrawn facilities.

Event & Impact | Positive

Commissioning underway: Commissioning of the SX plant commenced today with the EW plant coming on line over the weekend. The first copper cathode plate from the 25ktpa plant is expected early next week, and assuming successful ramp up, nameplate should be achieved in July CY16. The key risk to commissioning will be crushing and stacking to maintain sufficient copper in solution (pregnant liquor solution, PLS) ahead of the plant. However, early teething issues with the crushing, agglomeration and staking circuit appear to be resolved and the build-up of heap leach pads is progressing well.

Able to benefit from a rise or fall in the copper price: FND has forward contracts for 41kt copper at an average price of US\$2.69/lb valued at ~\$62m (Argonaut est.). Under a falling copper price scenario, whereby these contracts accrete value, the Company may opt to close out its hedge book and retire a significant amount of debt. Conversely, a rising copper price would obviously benefit revenues. With ~US\$27m cash and undrawn debt, FND's has adequate capacity to fund working capital during project ramp-up.

Exploration: A comprehensive review of historic data is underway and EM surveys are planned in the near term to formulate and prioritise drill targets. The nearby Meron prospect (1km from the 25kt plant) is likely to be drilled first in order to define a prospective perimeter, for which mining and environmental approvals can be submitted. Permitting is expected to take ~2 years. Lerokis, which is scheduled to be mined after Kali Kuning, has a number of untested targets which could significantly increase the deposits inventory (currently 2.6Mt at 2.3% copper). We believe successful exploration of Wetar Island could define a camp of 2-5Mt high grade copper deposits. However, drilling is unlikely to commence until late-2016 as partner Daewoo and financiers will be focussed on a successful ramp-up and proving project cash flow.

Recommendation

Argonaut maintains a BUY recommendation with a \$0.22 target price.

Finders Resources

Recommendation	BUY
Current Price	\$0.16
Valuation	\$0.22

Profit & Loss (A\$m) 31 December	2015A	2016E	2017E	2018E
Sales revenue	6.0	96.6	229.0	233.6
+Other income	0.0	2.6	2.6	3.8
-Operating costs	45.2	65.0	113.2	111.9
-Exploration and evaluation	0.2	1.3	1.8	1.5
-Corporate and Social Development	1.0	5.5	7.7	7.6
-Other	-1.5	0.0	0.0	0.0
EBITDA	-38.9	27.3	108.9	116.4
-D&A	1.9	15.2	35.2	38.5
EBIT	-40.7	12.2	73.7	77.9
-Impairments	0.0	0.0	0.0	1.0
-Finance costs	3.2	10.8	10.2	6.4
Operating profit	-43.9	1.4	63.5	71.5
-Tax expense	-14.9	-2.6	-20.1	-20.8
+Other	0.0	0.0	0.0	0.0
+FX Gain/Loss	-0.5	0.0	0.0	1.0
NPAT	-29.5	4.0	83.7	93.3
-Non-controlling interests	6.5	3.1	13.8	10.8
Attributable NPAT	-36.0	0.9	69.8	82.5
Underlying NPAT	-36.0	0.9	69.8	83.2

Cash Flow (A\$m) 31 December	2015A	2016E	2017E	2018E
Operating Cashflow	-44.8	6.3	82.5	89.2
- Capex	83.6	37.8	14.4	5.1
- Exploration & evaluation	0.0	0.2	0.0	0.0
- Asset purchases (+ asset sales)	0.0	0.0	0.0	0.0
+ Other	-1.1	0.0	21.4	0.0
Free Cashflow	-129.4	-31.7	89.6	84.1
- Dividends	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	0.0	0.0
+ Debt drawdown (- repaid)	124.6	31.6	-76.0	-52.4
- Finance Costs	9.4	-10.8	-10.2	-6.4
Net Change in Cash	-14.2	10.7	23.8	38.1
+Effects of exchange rate	0.0	0.0	0.0	1.0
Cash at end	33.7	44.4	68.2	107.3

Balance Sheet (A\$m) 31 December	2015A	2016E	2017E	2018E
Cash and Cash Equivalents	33.7	44.4	68.2	107.3
Total assets	296.0	536.8	473.9	381.7
Current Debt	19.4	76.0	53.2	51.7
Non Current Debt	147.1	119.6	66.4	12.9
Total liabilities	208.4	217.2	141.4	86.4
Shareholders funds	87.6	319.6	332.5	295.2

Production and Assumptions	2015A	2016E	2017E	2018E
Assumptions				
Copper Price (US\$/lb)	2.50	2.26	2.60	2.80
AUD/USD FX	0.75	0.71	0.70	0.71

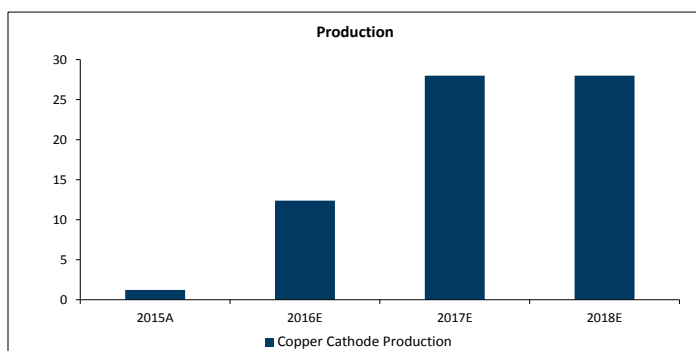
Wetar Production	2015A	2016E	2017E	2018E
Copper Cathod (kt)	1.2	12.4	28.0	28.0

Costs	2015A	2016E	2017E	2018E
C1 Costs (US\$/lb)	0.00	1.47	1.07	1.07
All-in Sustaining Cost (US\$/lb)	0.00	1.86	1.48	1.49

Wetar Reserves & Resources (Attributable)	Mt	Cu %	Cont. Cu (kt)
Reserves			
Wetar (72% FND)	6.3	2.4%	151

Resources	Mt	Cu %	Cont. Cu (kt)
Wetar (72% FND)	6.6	2.4%	156

Ojilali Gold-Silver Resource (Attributable)	Mt	Au (g/t)	Ag (g/t)	Cont. Au (koz)
Ojilali Gold (72% FND)	4.68	0.8	4.8	127



Equities Research

Analyst: Matthew Keane

Sector	Metals & Mining
Issued Capital (m)	657.1
Market Cap (m)	\$101.8
Date	26-May-2016

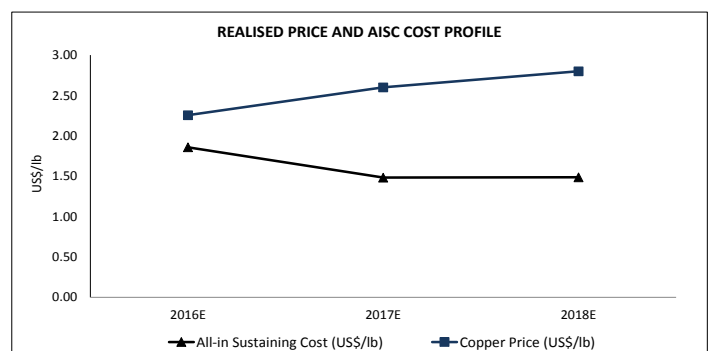
Financial Summary	2015A	2016E	2017E	2018E
Reported earnings				
Net profit (A\$m)	(36.0)	0.9	69.8	82.5
EPS (A\$cps)	(5.5)	0.1	10.6	12.6
PER (x)	(2.1)	79.7	1.0	0.9
Normalised earnings				
Net profit (A\$m)	(36.0)	0.9	69.8	83.2
EPS (A\$cps)	(5.5)	0.1	10.6	12.7
EPS growth (%)	NA	(102.5)	7648.1	19.2
PER (x)	(13.7)	514.2	6.6	5.6
Cashflow				
Operating cashflow (\$m)	(44.8)	6.3	82.5	89.2
GCFPS (A\$cps)	(9.1)	1.4	17.9	19.1
PCF (x)	(1.7)	11.3	0.9	0.8
Dividend				
Dividend (A\$cps)	NA	NA	NA	NA
Yield (%)	NA	NA	NA	NA

Financial Ratios	2015A	2016E	2017E	2018E
Balance Sheet Ratios				
Total Debt / Equity (%)	190	61	36	22
Interest cover (x)	-12.7	1.1	7.2	12.2
Acid test ratio (x)	0.8	0.4	0.6	1.0
Profitability Ratios				
Net profit margin (%)	-595.4	0.9	30.5	35.6
Return on assets (%)	-15.5	2.5	18.2	28.4
Return on equity (%)	-33.7	1.3	25.2	31.6

Valuation Summary (13% Discount Rate)	A\$/sh	A\$/sh
Wetar	259.5	0.39
Corporate Valuation	-24.2	-0.04
Exploration Upside	30.0	0.04
Hedge Book	61.9	0.09
Cash est.	9.7	0.01
Debt est.	-187.5	-0.28
NAV	149.4	0.22

Directors	
Gary Comb	Non-Executive Chairman
Barry Cahill	Managing Director
Gavin Caudle	Non-Executive Director
Gordon Galt	Non-Executive Director

Substantial Shareholders	%
Taurus Resources	13.0%
Provident Minerals	10.6%
Resource Capital Funds	10.9%
Acorn Capital	9.1%
PT Saratoga Investama	4.9%



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