

REMAINING 30% STAKE IN TANZANIA ACQUIRED

Investment Highlights

- WKT has now exercised its option to acquire the remaining 30% of the prospecting licence that contains the Lindi graphite deposit in Tanzania. Consistent with the Vendor Agreement from May 2015, the price paid for the additional 30% was US\$1m. WKT now owns 100% of the licence.**
- Option exercise reflects confidence in Licence award.** While the purchase price for the additional 30% is not particularly onerous for WKT, it does reflect the Company's confidence in having its Tanzanian Mining Licence approved by the Tanzanian government. WKT has previously indicated it expects the Mining Licence to be approved in 2Q 2018, with construction to commence soon thereafter. WKT expects the plant to be operational in nine months, with the first shipment planned for 1Q 2019. This project timing is highly dependent on when the Mining Licence is awarded, however it is now looking increasingly tight in our view.
- Tanzanian mining licences starting to be approved.** The Tanzanian Mining Commission recently announced the issuance of over 5,000 primary mining and prospecting licences to those who had submitted applications before 4 July 2017. It is understood that mining licences have been issued to eight companies, with a further seven companies required to resolve pending disputes before applying for new licences. WKT does not expect Tanzania's mining code to impact its operations as the Lindi project is classified as an industrial mineral project, and it would therefore not be impacted by the countries new royalties scheme.
- Speculative Buy rating maintained.** The Lindi Projects' high percentage of jumbo flake graphite, combined with proven and probable reserves, part funding in place, Heads of Agreement and Memorandum of Understanding for the sale of over 30 ktpa of offtake all add up to an attractive value-add proposition, with share price re-rate potential should it receive its Mining Licence in a timely fashion. Our valuation assumes first production from the Lindi Project occurs in 2020, or 12 months after the Company's current guidance. Our valuation increases by 4 cps if sales commence in 1Q19.
- Valuation: \$0.22/share.** Our WKT valuation is based on discounted cashflow analysis of the Lindi Project proven and probable reserves, risk weighted at 50% to reflect uncertainty around country risk, grade, production, cost and timing of the development. Our valuation assumes the Tanzanian government is free carried for a 16% interest in the Lindi Project.

| Year End Jun 30 | 2017A | 2018F | 2019F | 2020F | 2021F |
|-----------------------|--------|--------|--------|--------|-------|
| Reported NPAT (\$m) | (1.4) | (1.7) | (1.6) | 5.5 | 18.5 |
| Recurrent NPAT (\$m) | (1.4) | (1.7) | (1.6) | 5.5 | 18.5 |
| Recurrent EPS (cents) | (1.2) | (0.6) | (0.6) | 2.0 | 6.9 |
| EPS Growth (%) | na | na | na | na | 235.9 |
| PER (x) | (13.4) | (24.3) | (26.5) | 7.6 | 2.3 |
| EBITDA (\$m) | (1.6) | (1.7) | (1.6) | 9.6 | 27.0 |
| EV/EBITDA (x) | (11.3) | (19.0) | (14.7) | 5.4 | 1.2 |
| Free Cashflow | (3.2) | (3.7) | (15.5) | (28.5) | 18.1 |
| FCFPS (cents) | (2.7) | (1.4) | (5.8) | (10.6) | 6.7 |
| PFCF (x) | (5.8) | (11.3) | (2.7) | (1.5) | 2.3 |
| 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 |

8 June 2018

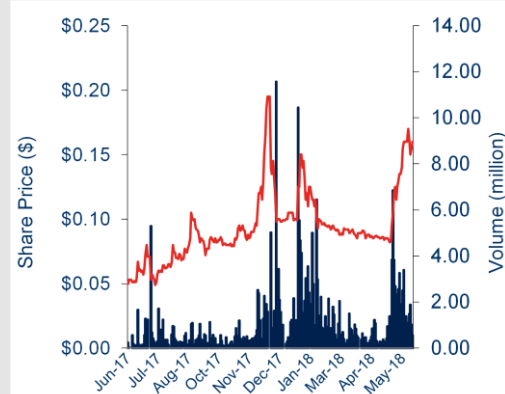
| 12mth Rating | SPECULATIVE BUY | |
|--------------------|-----------------|------|
| Price | A\$ | 0.16 |
| Target Price | A\$ | 0.22 |
| 12mth Total Return | % | 40.3 |

| RIC: WKT.AX | | BBG: WKT AU | |
|--------------------|------|-------------|--|
| Shares o/s | m | 268.4 | |
| Free Float | % | 90.2 | |
| Market Cap. | A\$m | 41.6 | |
| Net Debt (Cash) | A\$m | -9.1 | |
| Net Debt/Equity | % | na | |
| 3mth Av. D. T'over | A\$m | 0.119 | |
| 52wk High/Low | A\$ | 0.20/0.05 | |
| 2yr adj. beta | | 0.61 | |

| Valuation: | | |
|-----------------|-----|------|
| Methodology | | DCF |
| Value per share | A\$ | 0.22 |

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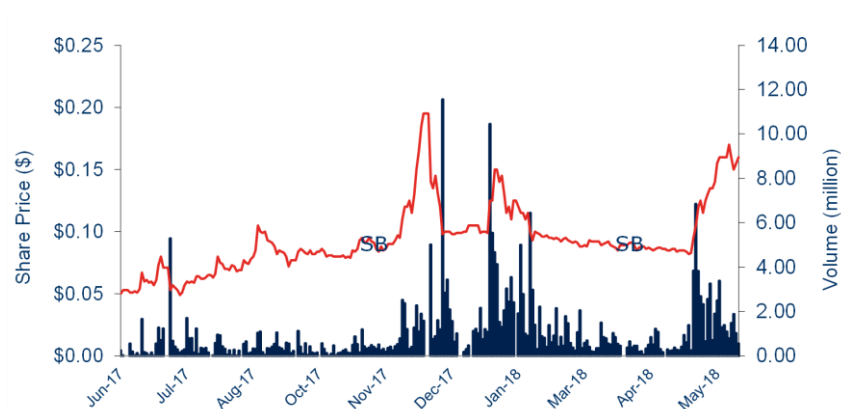
12 Month Share Price Performance



| Performance % | 1mth | 3mth | 12mth |
|------------------|------|------|-------|
| Absolute | 90.5 | 81.8 | 220.0 |
| Rel. S&P/ASX 300 | 91.6 | 80.8 | 213.7 |

| WALKABOUT RESOURCES (WKT.AX) | | | | Price | \$0.16 | Year End 30 June | | | | |
|---|--|------------|--------------|---------------------------------|---------------|-----------------------------|--------------|--------------|--------------|-------------|
| Valuation | | \$m | \$/sh | Commodity Assumptions | | 2017A | 2018F | 2019F | 2020F | |
| Lindi Jumbo Graphite Project, risked at 50% | | 130 | 0.26 | US\$/A\$ | | 0.75 | 0.78 | 0.77 | 0.77 | |
| Exploration | | 0 | 0.00 | TGC (US\$/t) | | - | 1,222 | 1,222 | 1,222 | |
| Net Cash (Debt) | | (16) | (0.03) | Production Summary | | | | | | |
| Corporate Costs | | (7) | (0.01) | 2017A | 2018F | 2019F | 2020F | | | |
| Total Valuation | | 107 | 0.22 | Ore milled (kt) | | 0 | 0 | 0 | 90 | |
| Reserves & Resources | | | | Head Grade (% TGC) | | 0% | 0% | 0% | 16% | |
| | | | | Recovery (%) | | 0% | 0% | 0% | 95% | |
| | | | | Production (kt TGC) | | 0 | 0 | 0 | 14 | |
| | | | | Profit & Loss (A\$m) | | 2017A | 2018F | 2019F | 2020F | |
| | | | | Total revenue | | 0.0 | 0.0 | 0.0 | 16.8 | |
| | | | | Operating costs | | 0.0 | 0.0 | 0.0 | (5.6) | |
| | | | | Exploration expensed | | (0.5) | (0.4) | (0.5) | (0.5) | |
| | | | | Corporate & admin | | (0.8) | (1.1) | (0.9) | (0.9) | |
| | | | | Other expenses | | (0.3) | (0.2) | (0.2) | (0.2) | |
| | | | | EBITDA | | (1.6) | (1.7) | (1.6) | 9.6 | |
| | | | | DD&A | | (0.0) | (0.0) | (0.0) | 0.7 | |
| | | | | EBIT | | (1.6) | (1.7) | (1.6) | 10.3 | |
| | | | | Net interest income (expense) | | 0.0 | 0.0 | 0.0 | (1.8) | |
| | | | | NPAT (underlying) | | (1.4) | (1.7) | (1.6) | 5.5 | |
| | | | | Diluted EPS (cps) | | (1.2) | (0.6) | (0.6) | 2.0 | |
| | | | | DPS (cps) | | 0.0 | 0.0 | 0.0 | 0.0 | |
| Ratios | | | | 2017A | 2018F | 2019F | 2020F | | | |
| P/E (x) | | -13.4 | -24.3 | -26.5 | 7.6 | | | | | |
| Enterprise Value | | 18.3 | 32.6 | 23.3 | 51.8 | | | | | |
| EV/EBITDA (x) | | -11.3 | -19.0 | -14.7 | 5.4 | | | | | |
| EV/Free Cash Flow | | (5.7) | (8.9) | (1.5) | (1.8) | | | | | |
| PFCF (x) | | (5.8) | (11.3) | (2.7) | (1.5) | | | | | |
| DPS (cents) | | 0 | 0 | 0 | 0 | | | | | |
| Div. Yield (%) | | na | na | na | na | | | | | |
| Franking (%) | | na | na | na | na | | | | | |
| Directors & Management | | | | | | | | | | |
| Name | | | | Position | | | | | | |
| Trevor Benson | | | | Executive Chairman | | | | | | |
| Allan Mulligan | | | | Executive Director | | | | | | |
| Andrew Cunningham | | | | Non-executive Director | | | | | | |
| Tom Murrell | | | | Non-executive Director | | | | | | |
| Top Shareholders | | | | Shares (m) | % | Balance Sheet (A\$m) | | | | |
| Hong Kong Tiande Baorun Trade Co Ltd | | | | 17.3 | 6.4 | Cash | 0.3 | 9.1 | 18.3 | 14.6 |
| John Turner | | | | 6.0 | 2.2 | Total Assets | 4.8 | 16.1 | 39.3 | 74.4 |
| Allan Mulligan | | | | 5.4 | 2.0 | Creditors | 0.4 | 0.4 | 0.4 | 0.4 |
| Mohammed Mbarak | | | | 4.2 | 1.6 | Current Borrowings | 0.0 | 0.0 | 0.0 | 0.0 |
| Claudio Marcolongo | | | | 3.9 | 1.5 | Non-current Borrowings | 0.0 | 0.0 | 0.0 | 24.8 |
| Top 5 Shareholders | | | | 36.9 | 13.7 | Provisions | 0.1 | 0.1 | 0.1 | 4.9 |
| | | | | | | Total Liabilities | 0.4 | 0.5 | 0.5 | 30.1 |
| | | | | | | Shareholders Funds | 4.4 | 15.6 | 38.8 | 44.3 |

Recommendation History



| Date | Type | Target Price | Share Price | Recommendation | Return |
|-----------|-----------------------|--------------|-------------|----------------|--------|
| 03 Nov 17 | Research Note | 0.24 | 0.09 | SB | |
| 04 Apr 18 | Resources Review Book | 0.24 | 0.09 | SB | 0.0% |
| | Current Share Price | | 0.16 | | 77.8% |

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