

POTENTIAL LICENCE DELAY ALREADY FACTORED IN

Investment Highlights

- **Despite the Tanzanian Mining Commission recently issuing thousands of artisanal Mining Licences (ML's) and eight company ML's, the Commission has now standardised "Integrity Pledge" and "Local Content" forms for mining companies to complete as part of all ML Applications. This suggests a delay to the Lindi Project where some investors were anticipating an imminent ML award.**
- **Is this the final stages of the ML process?** The forms are expected to be issued to WKT "soon". When WKT returns the completed forms to the Ministry "the contents thereof will be assessed and either the Mining Licence will be awarded or further engagement will be requested." This suggests it could be the final stage of the Lindi Project ML award process, or another 'unknown unknown' lies ahead.
- **Northern portion extension offers upside potential.** A resource upgrade drilling and trenching program has commenced over the northern area of the Lindi Inferred Mineral Resource. The objective is the addition of a shallow "ultra-high grade" portion of the Mineral Resource and conversion from Inferred to Indicated and/or Measured Resource status. We expect an update on this in the coming months.
- **Funding Lindi.** We assume the Lindi Project capex is \$49.5m, funded via 50% debt and 50% equity. Funding any project can be a challenge however we acknowledge that debt funding a Tanzanian project may be a significant challenge. Should the project be funded via 100% equity, and capital was raised at \$0.135/share (ie above today's price), our valuation would reduce to \$0.20/share. We estimate WKT currently has around \$5.5m in cash and no debt.
- **Speculative Buy rating maintained.** Whilst this Mining Licence Application news implies a delay to the Lindi Project, we have already taken a conservative view in our valuation by assuming production ramps up from early 2020, or 12-months after the Company's previous guidance.
- **Valuation: \$0.22/share.** Our WKT valuation is based on a 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. We assume 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	18.4
Recurrent NPAT (\$m)	(1.4)	(1.7)	(1.6)	5.5	18.4
Recurrent EPS (cents)	(1.2)	(0.6)	(0.6)	2.0	6.9
EPS Growth (%)	na	na	na	na	236.3
PER (x)	(8.5)	(15.4)	(16.6)	4.8	1.4
EBITDA (\$m)	(1.6)	(1.7)	(1.6)	9.6	27.0
EV/EBITDA (x)	(7.1)	(12.2)	(7.3)	4.2	0.8
Free Cashflow	(3.2)	(7.3)	(15.5)	(28.5)	18.1
FCFPS (cents)	(2.7)	(2.7)	(5.8)	(10.6)	6.7
PFCF (x)	(3.7)	(3.6)	(1.7)	(0.9)	1.5
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

18 July 2018

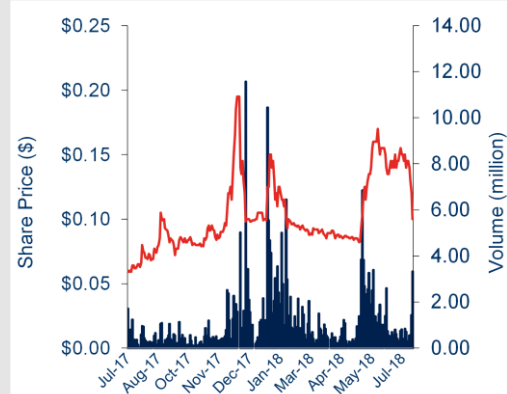
12mth Rating	SPECULATIVE BUY	
Price	A\$	0.10
Target Price	A\$	0.22
12mth Total Return	%	119.6

RIC: WKT.AX		BBG: WKT AU	
Shares o/s	m		268.4
Free Float	%		90.2
Market Cap.	A\$m		26.3
Net Debt (Cash)	A\$m		-5.5
Net Debt/Equity	%		na
3mth Av. D. T'over	A\$m		0.144
52wk High/Low	A\$		0.20/0.06
2yr adj. beta			0.51

Valuation:		
Methodology		DCF
Value per share	A\$	0.22

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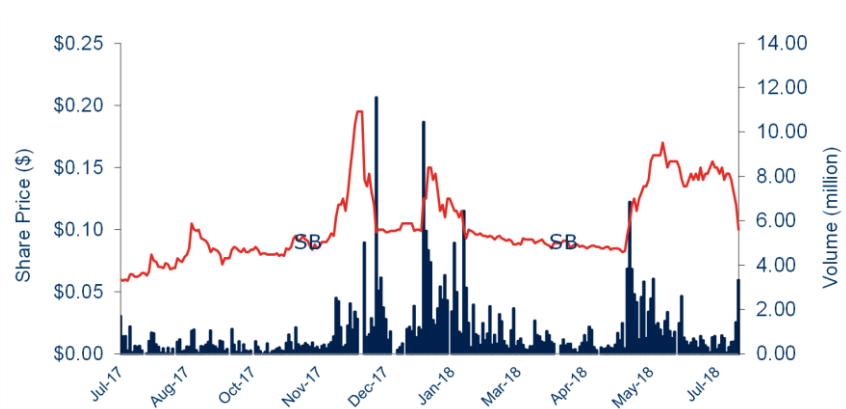
12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	(28.6)	17.6	66.7
Rel. S&P/ASX 300	(30.8)	11.2	58.2

WALKABOUT RESOURCES (WKT.AX)				Price	\$0.10	Year End 30 June			
Valuation		\$m	\$/sh	Commodity Assumptions		2017A	2018F	2019F	2020F
Lindi Jumbo Graphite Project, risked at 50%		132	0.27	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)		5	0.01	Production Summary					
Debt Funding for Lindi		(25)	(0.05)	2017A	2018F	2019F	2020F		
Corporate Costs		(7)	(0.01)	Ore milled (kt)		0	0	0	90
Total Valuation		106	0.22	Head Grade (% TGC)		0%	0%	0%	16%
Reserves & Resources				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
				Cash Flow (A\$m)					
				2017A	2018F	2019F	2020F		
				EBIT (Cash Flow)		(1.6)	(1.7)	(1.6)	10.3
				Depreciation - Cash Flow		(0.0)	(0.0)	(0.0)	0.7
				Net Interest Paid		0.0	0.0	0.0	(1.8)
				Tax Paid		0.0	0.0	0.0	(0.7)
				Other Operating Cash Flows		0.3	0.2	0.2	0.2
				Operating Cash Flow		(1.3)	(1.5)	(1.4)	8.6
				Capital expenditure		(0.0)	(0.4)	(12.0)	(36.2)
				Exploration expenditure		(2.6)	(2.4)	(2.4)	(2.4)
				Free Cash Flow		(4.0)	(4.3)	(15.8)	(30.0)
				Dividends		0.0	0.0	0.0	0.0
				Equity Raised		2.2	12.8	24.8	0.0
				Debt drawn (repaid)		0.0	0.0	0.0	24.8
				Net Change in Cash		(1.7)	8.5	8.9	(5.2)
				Cash at Period End		0.3	5.5	14.7	11.0
				Net Cash (Debt)		0.3	5.5	14.7	(13.8)
				Balance Sheet (A\$m)					
				2017A	2018F	2019F	2020F		
				Cash		0.3	5.5	14.7	11.0
				Total Assets		4.8	12.5	35.7	70.7
				Creditors		0.4	0.4	0.4	0.4
				Current Borrowings		0.0	0.0	0.0	0.0
				Non-current Borrowings		0.0	0.0	0.0	24.8
				Provisions		0.1	(3.5)	(3.5)	1.3
				Total Liabilities		0.4	(3.1)	(3.1)	26.5
				Shareholders Funds		4.4	15.6	38.8	44.3
				Ratios					
				2017A	2018F	2019F	2020F		
				P/E (x)		-8.5	-15.4	-16.6	4.8
				Enterprise Value		11.5	20.9	11.6	40.1
				EV/EBITDA (x)		-7.1	-12.2	-7.3	4.2
				EV/Free Cash Flow		(3.6)	(2.9)	(0.7)	(1.4)
				PFCF (x)		(3.7)	(3.6)	(1.7)	(0.9)
				DPS (cents)		0	0	0	na
				Div. Yield (%)		na	na	na	na
				Franking (%)		na	na	na	na
				Proven & Probable Reserves					
				5.01	16.1%	809,081			
				Resource					
				Measured		6.4	12.2%	780,800	
				Indicated		5.5	11.0%	605,000	
				Inferred		17.6	10.6%	1,865,600	
				Total Resource		29.6	11.0%	3,256,000	
				Reserves & Resources					
				Mt	TGC Grade (%)	Contained Graphite (t)			
				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)	%			
				Hong Kong Tiande Baorun Trade Co Ltd		17.3	6.4		
				John Turner		6.0	2.2		
				Allan Mulligan		5.4	2.0		
				Mohammed Mbarak		4.2	1.6		
				Claudio Marcolongo		3.9	1.5		
				Top 5 Shareholders		36.9	13.7		

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		0.10		11.1%

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