

MINING LICENCE AWARDED

Investment Highlights

- **The Mining Licence for the Lindi Jumbo project has been awarded by the Tanzanian Government. Approval of the Mining Licence means the final construction plans at the Lindi Jumbo mine can now be agreed and the Engineering, Procurement and Construction (EPC) Agreement can be finalised.**
- **Tanzania back open for business.** After a long delay in Mining Licence approvals, today's announcement demonstrates that the Tanzanian government is serious about mining in-country. Beyond finalisation of EPC contracts, WKT will now be able to make further progress with its project funding options which have been pending the award of the mining licence.
- **Debt-equity split of the project funding remains uncertain.** We estimate US\$50m for the development of the Lindi Jumbo project and our valuation is based on the project being funded with 50% debt. However a major unknown here is the debt market's appetite for mining projects in Tanzania. If we apply 20% debt to our model, our WKT valuation reduces 2 cps to \$0.20/share.
- **Speculative Buy rating maintained.** The award of the Mining Licence is very positive news for WKT. Given funding and engineering works still need to be finalised, we continue to assume 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 cash flow 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.

30 August 2018

12mth Rating	SPECULATIVE BUY	
Price	A\$	0.14
Target Price	A\$	0.22
12mth Total Return	%	54.2

RIC: WKT.AX		BBG: WKT AU	
Shares o/s	m		270.9
Free Float	%		90.2
Market Cap.	A\$m		37.9
Net Debt (Cash)	A\$m		-5.5
Net Debt/Equity	%		na
3mth Av. D. T'over	A\$m		0.107
52wk High/Low	A\$		0.20/0.07
2yr adj. beta			0.78

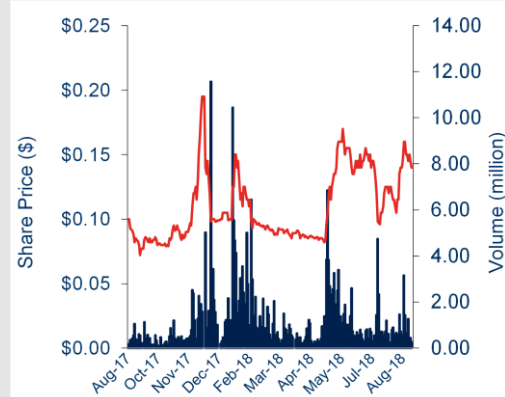
Valuation:

Methodology		DCF
Value per share	A\$	0.22

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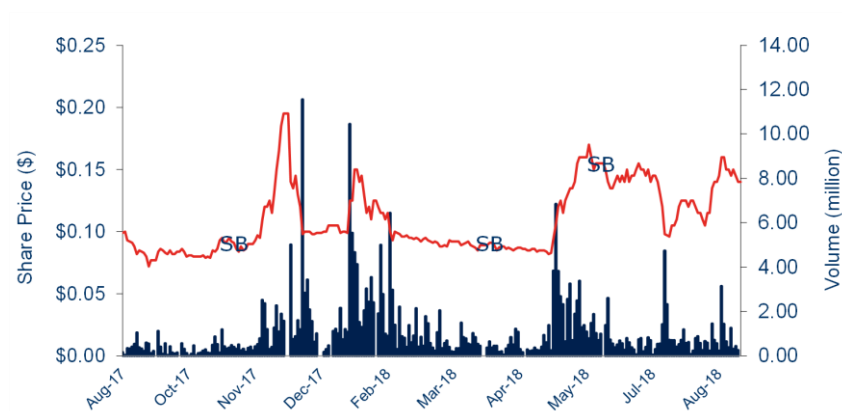
Year End Jun 30	2017A	2018F	2019F	2020F	2021F
Reported NPAT (\$m)	(1.4)	(1.7)	(1.6)	5.5	18.4
Recurrent NPAT (\$m)	(1.4)	(1.7)	(1.6)	5.5	18.4
Recurrent EPS (cents)	(1.2)	(0.6)	(0.6)	2.0	6.9
EPS Growth (%)	na	na	na	na	236.5
PER (x)	(12.1)	(22.0)	(23.8)	6.9	2.0
EBITDA (\$m)	(1.6)	(1.7)	(1.6)	9.6	27.0
EV/EBITDA (x)	(10.2)	(18.7)	(14.8)	5.6	1.3
Free Cashflow	(3.2)	(7.3)	(16.1)	(30.5)	18.1
FCFPS (cents)	(2.7)	(2.7)	(6.0)	(11.4)	6.7
PFCF (x)	(5.2)	(5.2)	(2.3)	(1.2)	2.1
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

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	16.7	(17.6)	41.4
Rel. S&P/ASX 300	15.5	(23.7)	29.4

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 Boo	0.24	0.09	SB	0.0%
04 Apr 18	Research Note	0.24	0.16	SB	77.8%
08 Jun 18	Research Note	0.22	0.16	SB	0.0%
	Current Share Price		0.14		-12.5%

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