

BUYING TIME – LINDI EARLY START COMMENCES FOLLOWING PLACEMENT

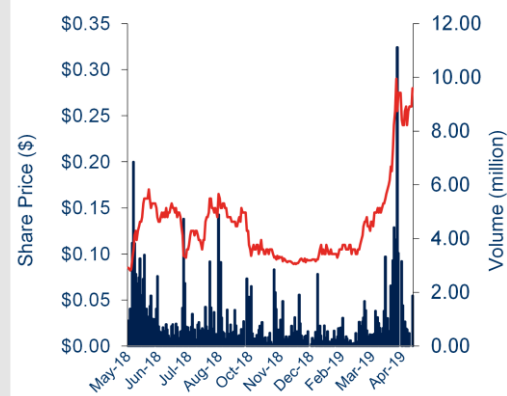
Investment Highlights

- Following a \$3.1m placement at \$0.23/share, WKT has announced an “early-start” to the Lindi Graphite Project. The objective of the early-start is to advance the project construction process while funding is being negotiated and finalised, thereby reducing the construction timeline due to the manufacture of equipment in China. WKT estimates the Early Start Program will save around two to three months through early procurement and manufacturing of long lead items under the Jinpeng EPC.**
- Use of funds.** The placement allows WKT to execute an agreement with Jinpeng to commence manufacture of the milling and float plant which is the key driver in reducing the Project’s timing. WKT has also now made payments to a select group of land-owners, thus attaining access to areas of the site for commencement of early start works. Remaining payments under the Resettlement Action Plan are required to be finalised by mid-July 2019 in order to not breach the legislated payment window of six months.
- Lindi funding strategy still to be determined.** WKT is tossing up between quasi-debt (high yield notes) and high-yield short term debt. WKT is unable to announce times or funding terms at this stage, however it states that both options “are currently in advanced stages of preparation and negotiation”. It is still unclear what the debt-equity split of the Lindi Project will be, however for the purposes of our valuation, we apply a 40/60 debt/equity split to our funding assumption.
- Hold rating maintained.** With a relatively modest capex estimate of US\$27.8m, 12-month construction time, a project payback period of two years, and an NPV of US\$197m, the Lindi Project stacks up as a very real contender to be the next graphite project in production globally. Today’s announcement of early start works is positive as it suggests the Project is inching closer to being sanctioned. We estimate construction commences in 2H 2019, with production start-up in 2H 2020. We will review our 50% risk weighting on the Lindi Project valuation once WKT has financing in place and the Project begins in earnest.
- Valuation: \$0.23/share.** Our WKT valuation is based on a discounted cash flow analysis of the Lindi Project Proven and Probable Reserves, risk weighted at 50%. Our unrisks valuation is \$0.49/share.

Year End Jun 30	2017A	2018A	2019F	2020F	2021F
Reported NPAT (\$m)	(1.4)	(2.0)	(3.2)	(4.6)	17.8
Recurrent NPAT (\$m)	(1.4)	(2.0)	(3.2)	(4.6)	17.8
Recurrent EPS (cents)	(1.2)	(0.8)	(1.0)	(1.5)	5.8
EPS Growth (%)	na	na	na	na	na
PER (x)	(23.8)	(36.3)	(26.6)	(18.3)	4.7
EBITDA (\$m)	(1.6)	(2.2)	(3.2)	(3.2)	25.8
EV/EBITDA (x)	(20.3)	(30.3)	(25.1)	(30.3)	3.0
Free Cashflow	(3.2)	(6.2)	(5.5)	(47.9)	20.1
FCFPS (cents)	(2.7)	(2.3)	(1.8)	(15.8)	6.6
PFCF (x)	(10.3)	(11.8)	(15.1)	(1.7)	4.2
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

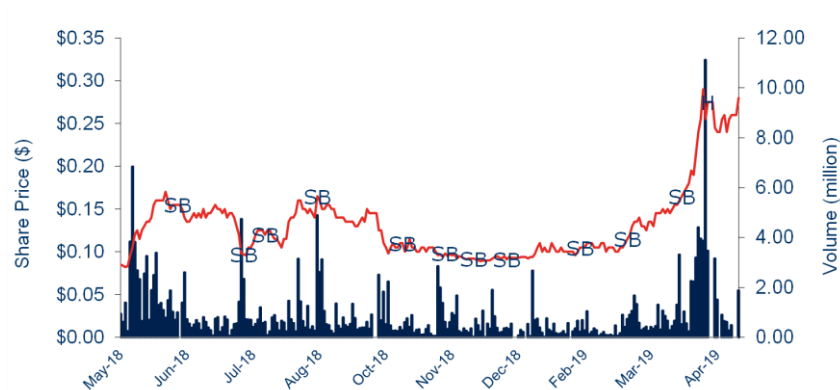
7 May 2019		
12mth Rating	HOLD	
Price	A\$	0.28
Target Price	A\$	0.23
12mth Total Return	%	-15.5
RIC: WKT.AX		BBG: WKT AU
Shares o/s	m	304.2
Free Float	%	91.8
Market Cap.	A\$m	83.7
Net Debt (Cash)	A\$m	-6.4
Net Debt/Equity	%	na
3mth Av. D. T'over	A\$m	0.224
52wk High/Low	A\$	0.29/0.08
2yr adj. beta		0.88
Valuation:		
Methodology		DCF
Value per share	A\$	0.23
Analyst:		Cam Hardie
Phone:		(+61) 3 9242 4153
Email:		chardie@psl.com.au

12 Month Share Price Performance



Performance %	1mth	3mth	12mth
Absolute	55.6	154.5	229.4
Rel. S&P/ASX 300	54.6	150.3	226.1

Recommendation History



Date	Type	Target Price	Share Price	Recommendation	Return
04 Apr 18	Resources Review Book	0.24	0.09	SB	
04 Apr 18	Research Note	0.24	0.16	SB	77.8%
08 Jun 18	Research Note	0.22	0.16	SB	0.0%
18 Jul 18	Research Note	0.22	0.10	SB	-37.5%
31 Jul 18	Hot off the Press	0.22	0.12	SB	20.0%
30 Aug 18	Research Note	0.22	0.14	SB	16.7%
14 Nov 18	Research Note	0.22	0.10	SB	-28.6%
19 Oct 18	Resources Review Book	0.22	0.11	SB	10.0%
30 Nov 18	Research Note	0.22	0.09	SB	-18.2%
20 Dec 18	Research Note	0.20	0.10	SB	5.6%
01 Feb 19	Research Note	0.20	0.10	SB	0.0%
01 Mar 19	Research Note	0.20	0.10	SB	0.0%
03 Apr 19	Research Note	0.21	0.16	SB	68.4%
18 Apr 19	Research Note	0.23	0.28	H	75.0%
	Current Share Price		0.28		0.0%

Stock recommendations: Investment ratings are a function of Patersons expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalisation, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside of these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed on to any third party without our prior written consent.



1300 582 256
 patersons@psl.com.au
 www.psl.com.au

Patersons Securities Limited Disclosure of Interest

Patersons Securities and its respective officers and associates may have an interest in the securities or derivatives of any entities referred to in this material

Patersons Securities does, and seeks to do, business with companies that are the subjects of its research reports.

Patersons Securities Corporate Relationship Disclosure

88E	Patersons Securities have acted for 88 Energy Limited (88E) within the past two years and have received fees for these services.
AKM	Patersons Securities have acted for Aspire Nmining Limited (AKM) within the past two years and have received fees for these services.
AXL	Patersons Securities have acted for Axesstoday Limited (AXL) within the past two years and have received fees for these services.
BOE	Patersons Securities have acted for Boss Resources Limited (BOE) within the past two years and have received fees for these services.
BRB	Patersons Securities have acted for Breaker Resources NL (BRB) within the past two years and have received fees for these services.
BSX	Patersons Securities have acted for Blackstone Minerals Limited (BSX) within the past two years and have received fees for these services.
BUX	Patersons Securities have acted for Buxton Resources Limited (BUX) within the past two years and have received fees for these services.
CSS	Patersons Securities have acted for Clean Seas Seafood Limited (CSS) within the past two years and have received fees for these services.
GLL	Patersons Securities have acted for Galilee Energy Limited (GLL) within the past two years and have received fees for these services.
IBG	Patersons Securities have acted for Ironbark Zinc Limited (IBG) within the past two years and have received fees for these services.
NUS	Patersons Securities have acted for Nusantara Resources (NUS) within the past two years and have received fees for these services.
PEX	Patersons Securities have acted for Peel Mining Limited (PEX) within the past two years and have received fees for these services.
RCL	Patersons Securities have acted for ReadCloud Limited (RCL) within the past two years and have received fees for these services.
STN	Patersons Securities have acted for Saturn Metals Limited (STN) within the past two years and have received fees for these services.
SYA	Patersons Securities have acted for Sayona Mining Limited (SYA) within the past two years and have received fees for these services.
VMY	Patersons Securities have acted for Vimy Resources Limited (VMY) within the past two years and have received fees for these services.
WKT	Patersons Securities have acted for Walkabout Resources Ltd (WKT) within the past two years and have received fees for these services.
XTE	Patersons Securities have acted for Xtek Limited (XTE) within the past two years and have received fees for these services.

1300 582 256
patersons@psl.com.au
www.psl.com.au

Research

Cathy Moises - Head of Research	Phone: (+61 3) 9242 4030	Email: cmoises@psl.com.au
James Farr - Associate Analyst	Phone: (+61 8) 9263 1215	Email: jfarr@psl.com.au
Daniel Veasey - Associate Analyst	Phone: (+61 8) 9225 2818	Email: dveasey@psl.com.au

Strategy & Economics

Greg Galton - Director Private Wealth	Phone: (+61 8) 9263 1612	Email: ggalton@psl.com.au
Daniel Veasey - Associate Analyst	Phone: (+61 8) 9225 2818	Email: dveasey@psl.com.au

Commodities

Cathy Moises - Head of Research	Phone: (+61 3) 9242 4030	Email: cmoises@psl.com.au
Cam Hardie - Analyst	Phone: (+61 3) 9242 4153	Email: chardie@psl.com.au
Xavier Braud - Analyst	Phone: (+61 8) 9225 2813	Email: xbraud@psl.com.au
Phil Carter - Analyst	Phone: (+61 8) 9225 2819	Email: Pcarter@psl.com.au
James Farr - Associate Analyst	Phone: (+61 8) 9263 1215	Email: jfarr@psl.com.au

Industrials

Martyn Jacobs - Analyst	Phone: (+61 3) 9242 4153	Email: mjacobs@psl.com.au
Phil Carter - Analyst	Phone: (+61 8) 9225 2819	Email: Pcarter@psl.com.au
Allan Franklin - Analyst	Phone: (+61 3) 9242 4155	Email: afranklin@psl.com.au

Institutional Dealing

Dan Bahen	Phone: (+61 8) 9263 1274	Email: dbahen@psl.com.au
Michael Brindal	Phone: (+61 8) 9263 1186	Email: mbrindal@psl.com.au
Tom Bahen	Phone: (+61 8) 9263 1180	Email: tbahen@psl.com.au
Artie Damaa	Phone: (+61 2) 8238 6215	Email: adamaa@psl.com.au
Paul Doherty	Phone: (+61 3) 8803 0108	Email: pdoherty@psl.com.au
Chris Kelly	Phone: (+61 3) 9242 4078	Email: ckelly@psl.com.au
Jeremy Nugara	Phone: (+61 3) 8803 0166	Email: jnugara@psl.com.au
Phil Schofield	Phone: (+61 2) 8238 6223	Email: pschofield@psl.com.au
Sandy Wylie	Phone: (+61 8) 9263 1232	Email: swylie@psl.com.au

Important Notice: Copyright 2018. The Contents contained in this report are owned by Patersons Securities Limited ('Patersons') and are protected by the Copyright Act 1968 and the copyright laws of other countries. The material contained in this report may not be copied, reproduced, republished, posted, transmitted or distributed in any way without prior written permission from Patersons. Modification of the materials for any other purpose is a violation of the copyrights and other proprietary rights of Patersons.

Disclaimer: Patersons believes that the information or advice (including any financial product advice) contained in this report has been obtained from sources that are accurate at the time of issue, but it has not independently checked or verified that information and as such does not warrant its accuracy or reliability. Except to the extent that liability cannot be excluded, Patersons accepts no liability or responsibility for any indirect loss or damage caused by any error in or omission from this report. You should make and rely on your own independent inquiries. If not specifically disclosed otherwise, investors should assume that Patersons is seeking or will seek corporate finance business from the companies disclosed in this report.

Warning: This report is intended to provide general securities advice, and does not purport to make any recommendation that any securities transaction is appropriate to your particular investment objectives, financial situation or particular needs. Prior to making any investment decision, you should assess, or seek advice from your adviser, on whether any relevant part of this report is appropriate to your financial circumstances and investment objectives.

Disclosure: Patersons, its directors and/or employees may earn brokerage, fees, commissions and other benefits as a result of a transaction arising from any advice mentioned in this report. Patersons as principal, its directors and/or employees and their associates may hold securities in the companies the subject of this report, as at the date of publication. These interests do not influence Patersons in giving the advice contained in this report. Details of any interests may be obtained from your adviser. Patersons as principal, its directors and/or employees and their associates may trade in these securities in a manner which may be contrary to recommendations given by an authorized representative of Patersons to clients. They may sell shares the subject of a general 'Buy' recommendation, or buy shares the subject of a general 'Sell' recommendation.

Stock recommendations: Investment ratings are a function of Patersons' expectation of total return (forecast price appreciation plus dividend yield) within the next 12 months. The investment ratings are Buy (expected total return of 10% or more), Hold (-10% to +10% total return) and Sell (> 10% negative total return). In addition we have a Speculative Buy rating covering higher risk stocks that may not be of investment grade due to low market capitalization, high debt levels, or significant risks in the business model. Investment ratings are determined at the time of initiation of coverage, or a change in target price. At other times the expected total return may fall outside these ranges because of price movements and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. This Document is not to be passed to any third party without prior written consent.