

Aeris Resources Ltd

(AIS \$0.25) Buy



Analyst	Date	Price Target
Andrew Clayton	21 st August 2018	\$0.33/sh

Aeris Resources Ltd	Year End 30 June	
Share Price	0.25	A\$/sh
Price Target	0.33	A\$/sh
Valuation	0.33	A\$/sh
	(npv 10%)	

Further high grade results from Kurrajong

Investment case

Drilling at Kurrajong continues to impress with the deepest hole to date intersecting 17m @ 2.59% Cu including a high grade zone of 5m @ 6% Cu. The high grade mineralised system has now been intersected over 800m down dip. We see potential for Kurrajong to develop into a >2mt resource adding mine life and leveraging off the current infrastructure. Our valuation has increased to \$0.33/sh and we maintain our Buy.

Key points

- Kurrajong drilling continues to intersect good widths of high grade mineralisation extending the massive sulphide system - 800m down plunge.

Shares on issue	467	m, diluted *
Mkt Cap'n	117	A\$m
Enterprise Value	152	A\$m
Debt	-64	A\$m
Cash	29	A\$m
Largest Shareholder	SPOV - 30%	

Production F/Cast	2017a	2018f	2019f
Tritton Cu (kt)	24	27	24
C1 Cash Costs (A\$/lb)	2.67	2.46	2.89
AISC (A\$/lb)	3.26	3.96	4.11

Assumptions	2017a	2018f	2019f
Copper US\$/lb	2.45	3.07	3.13
AUDUSD	0.75	0.78	0.76
Copper A\$/lb	3.25	3.95	4.11

Key Financials	2017a	2018f	2019f
Revenue (A\$m)	166	230	213
EBITDA (A\$m)	13	63	45
NPAT (A\$m)	-33	11	10
Cashflow (A\$m)	-11	19	18

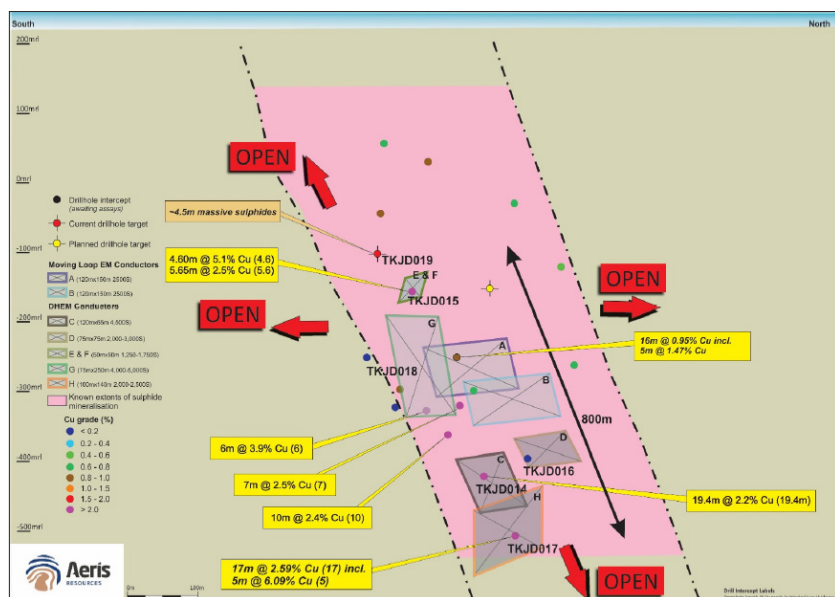
CFPS (Ac)	-1	4	4
P/CFPS (x)	na	4	6

EPS (Ac)	-3	2	2
EPS growth (%)	na	na	0
PER (x)	na	6.6	12.1

EV:EBITDA (x)	9.5	1.6	2.9
EV:EBIT (x)	na	2.5	6.8

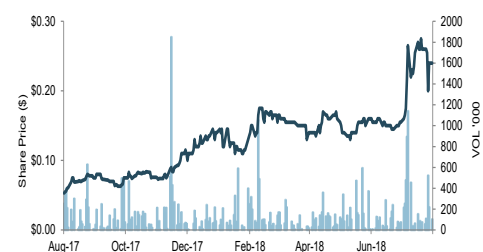
DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	99%	26%	13%
Interest Cover (x)	na	0.6	1.5



- The deepest hole to date, TKJD017 intersected 17m @ 2.59% Cu and 0.3 g/t Au from 753m including a 5m @ 6% Cu and 0.83 g/t Au.
- TKJD019 which was targeting the up dip extensions, intersected ~4m of massive sulphides with visible chalcopyrite (assays pending) ~ 150m up plunge from hole TKJD015 which intersected 4.6m @ 5.08% Cu and 5.65m @ 2.25% Cu.
- The two deepest drillholes to date (14 and 17) have intersected the thickest high grade mineralisation to date - this suggests the system remains strong at depth and potentially increasing.
- Several modelled EM conductors are yet to be fully tested
- AIS will now progress to a second phase of drilling up to 12 additional holes. The first target will be to define the up plunge extent of the high grade copper sulphide mineralisation and then focus on targeting EM plates and further down plunge extensions.

Share Price Chart



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The logo for EUROZ, featuring the word "EUROZ" in a white, sans-serif font with a stylized circular symbol around the letter 'O', set against a dark teal rectangular background.

Analysis

Kurrajong continues to shape up nicely with high grade mineralisation extended over 800m down dip. The grade compares favourably with the current Tritton reserve grade of 1.5% Cu.

The key for AIS is to extend mine life and leverage of its current infrastructure. Kurrajong certainly looks to have this potential and a potential resource of 2-4mt @ 1.5-2.0% Cu remains possible. Clearly, shallower mineralisation is preferable, reducing capital development etc and hence the current focus on chasing this up dip.

We have increased our nominal exploration valuation from \$20m to \$30m to incorporate the continued exploration success which has seen our total valuation increasing to \$0.33/sh and we maintain our Buy.

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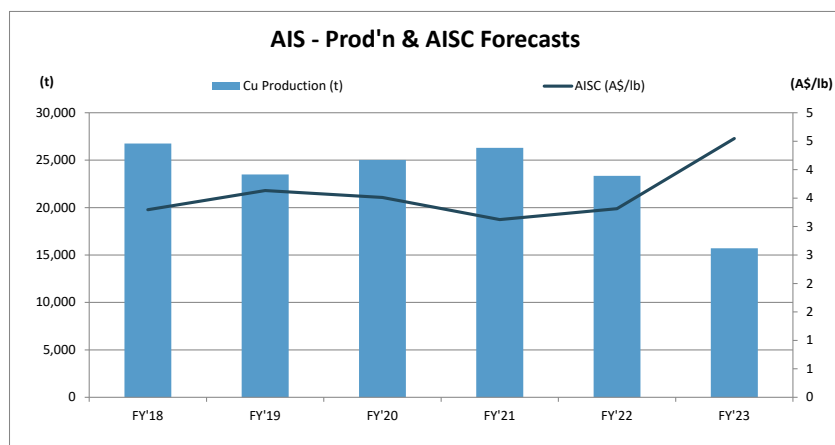
(AIS \$0.25) Buy



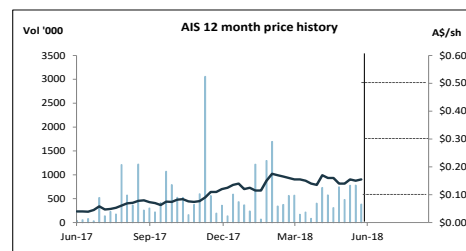
Key Variables

Val/ Sh	Copper \$								
AUDUSD	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
\$0.33									
20%	-0.02	0.02	0.07	0.11	0.16	0.20	0.24	0.29	0.33
15%	0.01	0.06	0.10	0.15	0.19	0.24	0.29	0.33	0.38
10%	0.05	0.09	0.14	0.19	0.24	0.28	0.33	0.38	0.43
5%	0.08	0.13	0.18	0.23	0.28	0.33	0.38	0.43	0.48
0%	0.12	0.18	0.23	0.28	0.33	0.39	0.44	0.49	0.55
-5%	0.17	0.23	0.28	0.34	0.39	0.45	0.50	0.56	0.61
-10%	0.22	0.28	0.34	0.40	0.45	0.51	0.57	0.63	0.69
-15%	0.28	0.34	0.40	0.46	0.52	0.59	0.65	0.71	0.77
-20%	0.34	0.41	0.47	0.54	0.60	0.67	0.73	0.80	0.87

Euroz F'cas	FY'18	FY'19	FY'20	FY'21	FY'22	FY'23
Copper \$	\$3.07	\$3.13	\$3.25	\$3.25	\$3.33	\$3.40
AUDUSD	\$0.78	\$0.76	\$0.76	\$0.78	\$0.78	\$0.78



Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.33/sh

Price Target - \$0.33/sh

Bull Scenario - \$0.50/sh

Kurrajong prospect develops into a mineable project and adds 2-3yrs additional life to operations and Cu price tracks higher than our forecast.

Base Scenario - \$0.33/sh

Tritton continues to operate for the next five years in line with its current reserve estimate.

Bear Scenario - \$0.10/sh

Copper price falls and Tritton ceases to generate any free cash net of debt repayments.

Company Summary

Aeris Resources Ltd (AIS) is an Australian copper production company. Tritton Copper Mine remains its flagship asset and has been operating continuously since 2005. Production has varied at between 22kt to 30kt pa. We forecast average annual production of approximately 24,000 t of Cu for the remaining 5 yrs. Current Mineral Reserve Estimate of 10.5Mt at 1.5% Cu and a minimum LOM of 5 years.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz.

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Market Statistics Year End 30 June

Share Price	0.25	A\$/sh	Directors	
Issued Capital			A Labusgcbagne	Ex Charm
FP Ord	280.2	m	A Morrison	Dir
Opts (Mgt)	93.4		M Muscillo	Dir
Preference Share	93.4		M Derwin	Dir
Total Dil. FPOrd	467.0	m		
			Shareholders	
Market Capitalisation	\$117	m	SPOV	30%
Enterprise Value	\$152	m	SCB	20%
Debt	\$64	m	Dir + Mgt	20%
Cash	\$29	m	Glencore	5%
Hedging 12kt @ A\$8,670/t				

Asset Valuation	A\$m	A\$/sh
Tritton (npv 10%)	127	0.27
Corporate	-19	-0.04
Hedging	1	0.00
Tax losses	20	0.04
Exploration	30	0.06
Torrens JV	35	0.07
Debt	-41	-0.09
Working Capital (debt)	-26	-0.06
Cash	29	0.06
Total @ 10%	156	0.33

F/Cast Production (A\$m)	2017a	2018f	2019f	2020f	
Tritton (100%)					
Cu Prod'n	kt	24.0	26.8	23.5	25.0
Cash Cost	A\$/lb	2.67	2.46	2.89	2.81
AISC	A\$/lb	3.51	3.30	3.63	3.51
Price Rec'd	A\$/lb	3.26	3.96	4.11	4.28
Assumptions					
Copper	US\$/lb	2.45	3.07	3.13	3.25
FX	US\$:A\$	0.75	0.78	0.76	0.76

Ratio Analysis (A\$m)	2017a	2018f	2019f	2020f
CF (A\$m)	(11.5)	19.3	18.2	36.3
CF / Sh (Ac/sh)	(1.0)	4.1	3.9	7.8
CF Ratio (x)	na	3.6	6.4	3.2
Earnings (A\$m)	(33.5)	10.7	9.6	21.5
EPS (Ac/sh)	(2.9)	2.3	2.1	4.6
EPS Growth (%)	na	na	-10%	123%
Earnings Ratio (x)	na	6.6	12.1	5.4
E'prise Val. (A\$m)	127	100	132	99
EV : EBITDA (attr)(x)	9.5	1.6	2.9	1.7
EV : EBIT (attr)(x)	na	2.5	6.8	3.1
Net Debt / ND+Eq (%)	99%	26%	13%	na
Net Debt : Equity (%)	14161%	35%	15%	na
Interest Cover (x)	na	0.6	1.5	7.6
EBIT Margin (%)	na	-18%	-9%	-14%
ROE (%)	-4315%	12%	9%	16%
ROA (%)	-20%	5%	5%	11%

Div. (Ac/sh)	-	-	-	-
Div. payout ratio	-	-	-	-
Div. Yield	0%	0%	0%	0%
Div. Franking	0%	0%	0%	0%

Profit and Loss (A\$m)	2017a	2018f	2019f	2020f
Sales Revenue	167	228	209	231
Hedging Revenue	(1)	(0)	3	-
Interest Revenue	-	2	2	2
Other Revenue	-	-	-	-
TOTAL REVENUE	166	230	213	233
Operating Costs	146	159	160	166
Dep/Amort	25	23	22	27
O/H + New Bus Dev	7	6	6	6
Prov&W/O	-	-	4	-
EBITDA	13	63	45	59
EBIT	(12)	40	19	32
Interest Expense	16	22	8	5
Net Profit bef Tax	(27)	20	13	29
Tax	6	10	4	8
Minority Interest	-	-	-	-
NET PROFIT	(33)	11	10	22
Net Adjustment	-	-	-	-
Net Profit After Adjustment	(33)	11	10	22

Cash Flow (A\$m)	2017a	2018f	2019f	2020f
Net Profit	-33	11	10	22
+ Working Capital Adj	21	8	0	0
+ Dep/Amort	25	23	22	27
+ Provisions	0	0	4	0
+ Tax Expense	6	10	4	8
- Tax Paid	0	0	0	0
Operating Cashflow	19	51	39	56
-Capex + Development	30	32	21	20
-Exploration	2	3	4	4
-Assets Purchased	0	0	0	0
+Asset Sales	3	0	0	0
Investing Cashflow	-29	-35	-25	-24
+ Equity Issues	0	0	0	0
+Loan Drawdown	14	0	2	0
+Other	0	0	0	0
-Loan Repayment	5	-6	13	26
-Dividends	0	0	0	0
Financing Cashflow	9	6	-11	-27
Period Sur (Def)	-1	22	3	6
Cash Balance	10	32	35	41

Balance Sheet (A\$m)	2017a	2018f	2019f	2020f
Assets				
Cash	10	32	35	41
Current Receivables	7	7	7	7
Other Current Assets	20	20	20	20
Non-Current Assets	127	137	140	137
Total Assets	163	195	201	204
Liabilities				
Borrowings	120	62	51	23
Current Accounts Payable	25	29	29	29
Other Liabilities	18	18	18	18
Total Liabilities	163	109	98	70
Net Assets	1	86	104	134

	Reserves			Resources		
	mt	grade	kt cont	mt	grade	kt cont
Tritton (100%)Cu	10.5	1.5	150.00	21.0	1.5	320.00

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