Hartleys

RNU.asx
Speculative Buy

Graphite: Explorer / Developer

RENASCOR RESOURCES LIMITED (RNU)

Charging up Siviour for the EV market

Last week, we visited Renascor Resources' (RNU) Siviour Graphite Project on South Australia's Eyre Peninsula. RNU is planning to produce flake graphite from the mine and uncoated spherical graphite from a downstream processing plant potentially located at Port Adelaide.

The favourable ore geometry at Siviour allows for a low strip ratio and very low opex; one of the lowest among the global graphite developers, at US$333/t over the 30-year LOM. When fully ramped up and operational, the mine will produce ~130ktpa (Stage 2), ~95% TCG flake graphite with ~62ktpa sent downstream to produce ~30ktpa of 99.95% TCG uncoated spherical graphite per annum. The remaining product (~65ktpa) will be sold as flake concentrate. Initial Stage 1 capital could be less than US$30M as per the March 2018 PFS, with a total pre-production capital requirement of US$222M for the mine and spherical plant as per the recent Spherical PFS.

The project is located on marginal farming land close to the town of Arno Bay, with one landowner (the Siviour family) to be impacted by the project. Relationships are seemingly strong and discussions regarding compensation and relocation of the farm would appear to be well advanced. RNU has entered into an agreement, ensuring it will maintain access rights to the Siviour deposit and has appointed a member of the family to an advisory board that will assist in the sustainable development of the deposit.

Spherical PFS improves on Scoping Study

Last month, RNU released its Prefeasibility Study (PFS) for downstream spherical graphite production. The PFS comes after a scoping study (SS) was released 12 months ago. The latest study evaluates a downstream scenario with feedstock from the Siviour mine. Total start-up capital for both mine and downstream is expected be ~A$222M (same as in the SS). The PFS sees similar spherical production as before; 29ktpa over a 30-year project life. Operating costs have decreased 14% from the SS and are now expected to be A$1,883/t net of by-product credits. RNU is now predicting spherical graphite sale prices of US$3,600/t, a 350/t increase from the SS but expects to sell by-product for US$550/t (A$776/t) as opposed to US$755/t in the SS, but overall, there is a net increase in pricing.

Busy year ahead; maintain Speculative Buy

The Siviour project has appeal in the sense that it is low cost and in a favourable jurisdiction compared to many of the global graphite developers located in East Africa. Legislative changes to Tanzanian mining law in 2017 cast doubt over future development, impacting the share price of many juniors. A resolution would appear to be on the horizon but not without consequence.

RNU is currently progressing offtake and financing discussions and recently appointed BurnVoir to assist in the debt funding component. The Siviour DFS is underway and due by the SepQ 2019. The granting of the mining lease is expected very soon and construction could commence towards the end of this CY, with first production in mid-2020.

Our updated NAV is 11.9cps (from 10.9cps) and very much dependant on project financing. Our 12-month price target is therefore 4.1cps (from 3.7cps).

	14 Mar 2019
Share Price	$0.017
Prelim. Valuation	$0.119
Price Target (12 month)	$0.041

Brief Business Description:
An advanced stage mineral exploration and development company focussed on the Siviour Graphite Project in South Australia. RNU aims to produce flake graphite concentrate and uncoated spherical graphite for use in Evs

Hartleys Brief Investment Conclusion
Low cost graphite developer in South Australia. A low start up cost, which should be fundable through debt and equity, will pave the way for a large Stage 2 and downstream processing.

Chairman & Executives
Richard Keevers (Non-Exec Chairman)
David Christensen (MD)

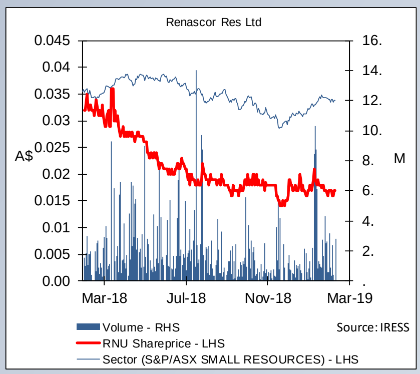
Major Shareholders	
Mr Richard Edward Keevers (Chairman)	3.4%
Directors & Management	1.9%

Company Address
36 North Terrace
Kent Town, SA 5067

Issued Capital	1153.4m
- fully diluted	1301.2m
Market Cap	A$19.6m
- fully diluted	A$22.1m
Cash (31 December 2018)	A$5.2m
Debt (31 December 2018)	A$0.0m
EV	A$14.4m
EV/Resource	A$2.3/t
EV/Reserve	A$4.0/t

Prelim. (A$m)	**FY19e**	**FY20e**	**FY21e**
Prod. 95.5% Flake (kt)	0.0	9.5	22.3
Op Cash Flw	-0.7	1.3	6.5
Norm NPAT	-2.4	-2.5	1.2
CF/Share (cps)	0.0	0.1	0.2
EPS (cps)	-0.1	-0.1	0.0
P/E	-11.4	-17.7	35.9

	Mt	**TGC**	**nt. Graph.**
Resources	80.6	7.90%	6.4 Mt
Reserve	45.2	7.90%	3.6 Mt



Paul Howard
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Hartleys has completed capital raisings in the past 12 months for Renascor Resources Limited ("RNU"), for which it has earned fees. Hartleys has provided corporate advice to RNU within the past 12 months for which it has earned fees and continues to earn fees. Hartleys has a beneficial interest in 8 million listed options in RNU. The analyst visited site at the expense of RNU, with all associated costs covered by RNU.

SUMMARY MODEL

Renascor Res Ltd
RNU

Share Price
$0.017

14 March 2019
Speculative Buy

Key Market Information	
Share Price	**$0.017**
Market Capitalisation - ordinary	A$20m
Net Cash (Debt)	$5.2m
Market Capitalisation - fully diluted	A$22m
EV	A$14m
Issued Capital	1153.4m
Options	147.8
Issued Capital (diluted for options)	1301.2m
Issued Capital (diluted inc. options and new capital)	4574.3m
Valuation	**$0.119**
12month price target	**$0.041**

P&L	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Net Revenue	**A$m**	**0.0**	**0.0**	**9.9**	**25.8**	**29.2**	**179.8**
Total Costs	**A$m**	**-3.5**	**-0.4**	**-8.0**	**-18.1**	**-20.2**	**-101.7**
EBITDA	A$m	-3.5	-0.4	1.9	7.7	9.0	78.1
- margin		-	-	19%	30%	31%	43%
Depreciation/Amort	A$m	0.0	-2.3	-4.7	-6.1	-10.5	-20.9
EBIT	**A$m**	**-3.5**	**-2.7**	**-2.8**	**1.5**	**-1.6**	**57.2**
Net Interest	A$m	0.0	0.3	0.3	0.1	1.0	2.0
Pre-Tax Profit	**A$m**	**-3.4**	**-2.4**	**-2.5**	**1.7**	**-0.5**	**59.2**
Tax Expense	A$m	0.0	0.0	0.0	-0.4	0.0	-14.8
Normalised NPAT	**A$m**	**-3.4**	**-2.4**	**-2.5**	**1.2**	**-0.5**	**44.4**
Abnormal Items	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Reported Profit	A$m	-3.4	-2.4	-2.5	1.2	-0.5	44.4
Minority	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Profit Attrib	**A$m**	**-3.4**	**-2.4**	**-2.5**	**1.2**	**-0.5**	**44.4**

Balance Sheet	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Cash	**A$m**	**8.2**	**28.8**	**5.7**	**10.7**	**124.7**	**141.9**
Other Current Assets	A$m	0.3	0.0	1.2	3.2	3.6	22.2
Total Current Assets	**A$m**	**8.5**	**28.8**	**7.0**	**13.9**	**128.3**	**164.1**
Property, Plant & Equip.	A$m	0.0	21.2	40.5	35.4	130.4	215.2
Exploration	A$m	7.4	8.4	9.0	9.2	9.4	9.6
Investments/other	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Tot Non-Curr. Assets	**A$m**	**7.4**	**29.6**	**49.5**	**44.6**	**139.7**	**224.8**
Total Assets	**A$m**	**15.9**	**58.4**	**56.4**	**58.5**	**268.1**	**388.9**
Short Term Borrowings	A$m	-	-	-	-	-	-
Other	A$m	0.8	0.3	0.9	1.6	1.8	8.2
Total Curr. Liabilities	**A$m**	0.8	0.3	0.9	1.6	1.8	8.2
Long Term Borrowings	A$m	-	-	-	-	105.0	70.0
Other	A$m	-	-	-	-	-	-
Total Non-Curr. Liabil.	**A$m**	**-**	**-**	**-**	**-**	**105.0**	**70.0**
Total Liabilities	**A$m**	**0.8**	**0.3**	**0.9**	**1.6**	**106.8**	**78.2**
Net Assets	**A$m**	**15.1**	**58.1**	**55.6**	**56.8**	**161.3**	**310.7**
Net Debt	A$m	-8.2	-28.8	-5.7	-10.7	-19.7	-71.9

Cashflow	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Operating Cashflow	A$m	-0.5	-0.7	1.3	6.5	8.7	65.9
Income Tax Paid	A$m	0.0	0.0	0.0	-0.4	0.0	-14.8
Interest & Other	A$m	0.0	0.3	0.3	0.1	1.0	2.0
Operating Activities	**A$m**	-0.5	-0.4	1.5	6.2	9.7	53.1
Property, Plant & Equip.	A$m	0.0	-23.5	-24.0	-1.0	-105.5	-105.7
Exploration and Devel.	A$m	-2.5	-1.0	-0.6	-0.2	-0.2	-0.2
Other	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Investment Activities	**A$m**	**-2.5**	**-24.5**	**-24.6**	**-1.2**	**-105.7**	**-105.9**
Borrowings	A$m	0.0	0.0	0.0	0.0	105.0	-35.0
Equity or "tbc capital"	A$m	10.0	45.5	0.0	0.0	105.0	105.0
Dividends Paid	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Financing Activities	**A$m**	**10.0**	**45.5**	**0.0**	**0.0**	**210.0**	**70.0**
Net Cashflow	**A$m**	**7.0**	**20.6**	**-23.1**	**5.0**	**114.0**	**17.2**

Shares	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Ordinary Shares - End	m	666.4	2627.0	2627.1	2627.1	3939.6	3939.6
Ordinary Shares - W'ted	m	546.0	1646.7	2627.0	2627.1	3283.3	3939.6
Diluted Shares - W'ted	m	546.1	1646.8	2627.1	2627.1	3283.4	3939.6

Ratio Analysis	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Cashflow Per Share	A$ cp	-0.1	0.0	0.1	0.2	0.3	1.3
Cashflow Multiple	x	-18.7	-66.6	28.9	7.2	5.7	1.3
Earnings Per Share	A$ cp	-0.6	-0.1	-0.1	0.0	0.0	1.1
Price to Earnings Ratio	x	-2.7	-11.4	-17.7	35.9	-102.4	1.5
Dividends Per Share	AUD	-	-	-	-	-	-
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt / Net Debt + Equity	%	-119%	-98%	-11%	-23%	-14%	-30%
Interest Cover	X	94.1	9.9	10.8	na	1.5	na
Return on Equity	%	na	na	na	2%	na	14%

Directors	Company Information
Richard Keevers (Non-Exec Chairman)	36 North Terrace
David Christensen (MD)	Kent Town, SA 5067
Geoff McConachy (Exec Director)	Australia
Stephen Bizzell (Non-Exec Director)	+61 8 8363 6989
Pierrw van der Merwe (Co. Sec. & CFO)	www.renascor.com.au

Top Shareholders	Ordinary	m sh.	%
Mr Richard Edward Keevers (Chairman)		39.5	3.4%
Directors & Management		94.6	8.2%

Reserves & Resources	Mt	TGC (%)	t. Graphite (Mt)
TOTAL SIVIOUR RESOURCE (3% TGC cut-off)	80.6	7.9%	6.4
Indicated	51.8	8.1%	4.2
Inferred	28.8	7.6%	2.2
TOTAL SIVIOUR RESERVE (3% TGC cut-off)	45.2	7.9%	3.6
Proven	0	0.0%	0
Probable	45.2	7.9%	3.6

Production Summary	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Processed Mill Throughput	kt	-	-	90	190	200	853
Mined TGC Grade	%	-	-	11.0%	13.5%	12.6%	9.9%
Produced 95.5% TGC Flake (Total)	kt	-	-	9.5	22.3	24.9	83.2
Produced 99.95% TGC Spherical	kt	-	-	-	-	-	15.9
Prodcued 95% Recarburised by-product	kt	-	-	-	-	-	17.0
Mine Life	yr	-	-	29.75	28.75	27.75	26.75
Capex (Mine Stage 1, 2 & Downstream)	A$M	0.0	-23.5	-24.0	-1.0	-105.5	-105.7

Mine Costs (100% attributed)	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
Cost per milled tonne	A$/t	-	-	81.1	89.0	94.3	47.0
EBITDA (Mine) / tonne milled ore	A$/t	-	-	26.1	42.7	47.2	64.0
Total mine cost per milled tonne	A$/t	-	-	0.1	0.1	0.1	0.1
Total Cash Costs (Mine)	A$/t	-	-	0.8	0.8	0.8	0.5
C1: Operating Cash Cost = (a)	$A/t	-	-	0.8	0.8	0.8	0.5
	$US/t	-	-	0.6	0.6	0.6	0.4
(a) + Royalty = (b)	A$/t	-	-	0.8	0.8	0.8	0.5
C2: (a) + depreciation & amortisation = (c)	A$/t	-	-	1.1	0.9	1.0	0.6
(a) + actual cash for development = (d)	A$/t	-	-	2.4	0.8	3.4	1.3
C3: (c) + Royalty	A$/t	-	-	1.1	1.0	1.1	0.7
(d) + Royalty	A$/t	-	-	2.4	0.8	3.4	1.3
All in Sustaining Costs (AISC)	A$/t	-	-	-	944.6	899.9	874.1
	US$/t	-	-	-	703.7	684.0	664.3

Downstream Spherical Costs (100%)	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
EBITDA (Spherical) / tonne	A$/t	-	-	-	-	-	707.6
Total plant cost per speronised tonne	A$/t	-	-	-	-	-	1,716.3
Total Cash Costs (Spherical)	A$/t Eq	-	-	-	-	-	3,112.6
	US$/t Eq	-	-	-	-	-	2,365.6

Price Assumptions	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
AUDUSD	US$/A$	0.77	0.72	0.73	0.75	0.76	0.76
Graphite 96% TGC Flake (Small-Jumbo)	US$/t	-	704	971	1033	1042	1039
Graphite 95% TGC Spherical Feedstock	US$/t	-	328	500	670	723	738
Graphite 99.95% TGC Uncoated Spherical	US$/t	-	3099	3317	3467	3442	3376
Graphite 95% TGC Recarb. by-product	US$/t	-	411	453	531	547	548

Hedging	Unit	30 Jun 18	30 Jun 19	30 Jun 20	30 Jun 21	30 Jun 22	30 Jun 23
none							

Sensitivity Analysis	Valuation	FY21 NPAT
Base Case	**0.119**	**1.2**
Spot Prices	0.10 (-15.4%)	0.0 (-100.4%)
Spot USD/AUD 0.71, Graphite-Flake Basket $1124/t, Graphite-Spherical Basket $450/t, Uncoated Spher. $3142/t, Recarb. $422/t.		
AUDUSD +/-10%	0.11 / 0.13 (-9.5% / 11.5%)	0.7 / 1.9 (-44.9% / 54.8%)
Graphite Price +/-10%	0.13 / 0.11 (6.9% / -7.1%)	3.1 / -0.9 (152.5% / -170.2%)
Graphite Spherical (uncoated) +/-10%	0.13 / 0.11 (8.9% / -8.9%)	1.2 / 1.2 (0.0% / 0.0%)
Production +/-10%	0.13 / 0.10 (13.4% / -13.3%)	1.8 / 0.7 (41.8% / -41.8%)
Operating Costs +/-10%	0.11 / 0.12 (-4.2% / 4.1%)	-0.1 / 2.5 (-104.2% / 103.2%)

Unpaid Capital				
Year Expires	No. (m)	$m	Avg price	% ord
30-Jun-18	0.0	0.0	0.000	0%
30-Jun-19	0.0	0.0	0.000	0%
30-Jun-20	129.8	4.2	0.032	11%
TOTAL	**129.8**	**4.2**	**0.032**	**11%**

Valuation		$/shr
100% Siviour (pre-tax NAV at disc. rate of 12%)	443.9	0.097
100% Spherical (pre-tax NAV at disc. rate of 12%)	271.3	0.059
Other Assets/Exploration	50.0	0.011
Forwards	0.0	0.000
Corporate Overheads	-5.2	-0.001
Net Cash (Debt)	5.2	0.001
Tax (NPV future liability)	-225.4	-0.049
Options & Other Equity	3.6	0.001
TOTAL	**543.4**	**0.119**

Analyst: Paul Howard
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"tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained.
Sources: IRESS, Company Information, Hartleys Research

Last Updated: 14/03/2019

SIVIOUR SITE VISIT

We visited RNU's Siviour Project last week

Fig. 1: Click below to view our Site Visit video

Source: Hartleys' Research

STRATEGIC PARTNERSHIP WITH EPC CONTRACTOR

RNU has signed a strategic partnership agreement with international EPC contractor Royal IHC Australia

RNU has signed a strategic partnership agreement with international EPC contractor Royal IHC Australia. The partnership, in collaboration with Wave International, will accelerate the development of the Siviour Graphite Project. Royal IHC, best known for its dredging works and wet mining, has committed $1M to undertake early project works including met testing and detailed engineering and design work. Royal IHC will also assist RNU in obtaining project finance and the intention is for Royal IHC to become EPC contractor for the development of the project.

DFS INPUTS – TESTWORK & DRILLING

RNU has undertaken a series of testwork programs as inputs ahead of the DFS, to be released by JunQ CY19

Siviour ore has produced high grade (95% TGC) concentrate in an independent, Chinese pilot plant production program. RNU supplied ~18t of Siviour ore, grading 8.5% TGC for processing through a 200kg/hr plant. Flowsheet parameters were adopted based on previous test work undertaken for the Siviour PFS. Following the positive results, RNU has now replicated initial PFS grade and recovery in increasing scale test programs undertaken by five independent laboratories, including laboratory bench scale tests in Australia, Germany and Canada, lock-cycle tests in Australia, and, with this current program, pilot scale testing in China. The 95% TGC graphite concentrates produced from the pilot production will be used for additional DFS and downstream metallurgical testing and as marketing samples for on-going offtake negotiations.

Independent tests have upgraded RNU's graphite concentrate to 99.96% TGC purity through caustic roasting. This high purity graphite is a key component of lithium ion battery anodes and attracts a price premium. RNU believes the use of caustic roasting over hydrofluoric acid (which was previously used for RNU's test work) will result in a material cost-saving, lowering opex. The use of caustic roasting is more environmentally friendly than traditional hydrofluoric acid purification and sees concentrates combined with a caustic solution and then roasted at low temperature before being leached with hydrochloric acid. The new purification process has contributed to the 14% reduction in spherical opex in the PFS compared to the SS.

RNU has completed a 99-hole RC and 15 diamond hole drilling program at Siviour ahead of the DFS

RNU has completed a 99-hole RC and 15 diamond hole drilling program at Siviour ahead of the DFS. Drilling was carried out a 50m grid spacing, infilling the area earmarked for the commencement of mining operations in the Siviour PFS, over which drilling had previously been completed over a 200m x 100m grid. RNU has reiterated that the results demonstrate potential for improved mining schedule in the upcoming Siviour DFS with multiple wide intersections of near-surface and high-grade graphite recorded in between and at the margins of initial pit designs from Siviour PFS. The thick, high-grade intersections will assist in confirming the indicated resource at Siviour, which will support a reserve in the DFS. The diamond drilling data will be used for metallurgical and geotechnical work, also feeding in to the DFS.

GRAPHITE PEERS & MARKET OUTLOOK

There is commentary to suggest that China is currently a net exporter of fine flake graphite and in order to break into the Chinese market, producers, such as SYR.asx, are required to sell at a discount to entice offtake (qualification shipments). Only then will it demonstrate its superior product and secure longer-term deals. However, by the time RNU is in production (mid-2020), China may have transitioned to a net importer.

China is currently a net exporter of fine flake graphite and in order to break into the Chinese market, producers are required to sell at a discount to entice offtake

In the DecQ 2018 Report, SYR.asx notes that pricing for its first year of production is being impacted by a mixed spec of flake distribution (currently 80% fines (<180µm) and trying to achieve 70% fines through 2019). It has also experienced issues with grades and price discounts on account of the above-mentioned qualification shipment process. It is having to compete with Chinese domestic producers and its price must be competitive with the ex-VAT domestic fines price on a transport parity basis. It will continue to sell at a discount until quality, reliability and performance differentials can be established, showing the quality of East African product, which may shift the market balance. We note the SYR expects MarQ CY19 graphite prices to be US$500-600/t for a 96%+ TGC, 80% (flake distribution) fines product.

The sentiment has been echoed by Madagascan producer, BSM.asx, who is yet to produce a basket which is representative of its flake size distribution as per pre-mining testwork. BSM is aiming to receive US$900/t for its product in CY2019, which is comparable to SYR as BSM has a greater amount of premium jumbo and large flake in its basket makeup.

VALUATION

We have updated our valuation as per the recent Spherical PFS

Since our last note, RNU has completed the 100% acquisition of Ausmin, which held the rights to the Siviour Graphite Project. We had been expecting this acquisition to complete and had already included the 187.6M RNU shares to be issued to Ausmin in our model.

Our sum of parts valuation for RNU is based on discounted cashflows for the Siviour Graphite Project and downstream Spherical Project. We model cashflows for the projects with discount rates appropriate for the stage of development, and based on Company guidance and studies. Given the low pre-production capital for Stage 1

(US$30M), we now assume Siviour will be funded 70% through equity with significant dilution and 30% through a debt provider or strategic partner. Our model now assumes operations (Stage 1) commence in early CY20 with 23ktpa concentrate produced, ramping up to ~130ktpa (Stage 2) over 4 years. We note challenges experienced by recent ASX producers in ramping up newly commissioned African mines, both in terms of achieving recoveries and also on-spec flake distributions.

Our valuation for RNU is 11.9cps

We model Stage 1 pre-production capital at A$47M (US$30M) and add A$18M of additional working capital during the Stage 1 ramp up phase. We model Stage 2 expansion capital at A$130M and assume this is funded through a mix of cashflow, debt and equity, as the downstream spherical plant funding is required at the same time. Funding 100% through cashflow is not achievable in our view.

We model the downstream Spherical Project in line with the February 2019 PFS, with an added contingency for capital. We model commencement of production in early CY23, commensurate with Stage 2 at the Siviour Mine.

We ascribe a nominal A$50M for exploration upside across RNU's portfolio and note that its ground holding to heavily underexplored.

We assume in our modelling, new equity funding of ~3,200M new shares issued over two placements; one in CY19 and one in CY22. We consider this assumption to be conservative.

We assume Stage 2 at Siviour occurs. However, given the financing challenges, we view this as high risk. We assume Stage 1 demonstrates the capabilities of Siviour and allows for the financing of Stage 2, which is the key driver of our valuation.

We assume new equity funding of ~3,200M new shares issued over two placements; one in CY19 and one in CY22. We consider this assumption to be conservative

Fig. 2: Hartleys Sum of Parts Valuation for BAT

Valuation		$/shr
100% Siviour (pre-tax NAV at disc. rate of 12%)	443.9	0.097
100% Spherical (pre-tax NAV at disc. rate of 12%)	271.3	0.059
Other Assets/Exploration	50.0	0.011
Forw ards	0.0	0.000
Corporate Overheads	-5.2	-0.001
Net Cash (Debt)	5.2	0.001
Tax (NPV future liability)	-225.4	-0.049
Options & Other Equity	3.6	0.001
TOTAL	**543.4**	**0.119**

Source: Hartleys' estimates

PRICE TARGET

Our 12-month price target is now 4.1cps (up from 3.7cps) and is made up of a blend of possible scenarios. Like other graphite developers, at present we give the project a 60% chance of being funded. We model a number of scenarios including base case, and spot commodity and fx prices, as well as scenarios where either Stage Stage 1 only eventuates, or where Stage 1 and 2 eventuates but no downstream. Given the risk of financing, we have been conservative in our assumptions ahead of the DFS. There is a re-rating potential if financing becomes more certain.

Our 12-month price target for RNU is 4.1cps

Fig. 3: Price Target

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case, assuming significant equity dilution	15%	$0.12	$0.13
NPV at spot commodity and fx prices	5%	$0.10	$0.11
Stage 1 mine only - 30 year LOM (no spherical)	10%	$0.02	$0.02
Stage 1 + 2 Mine only - 30 year LOM (no spherical)	15%	$0.06	$0.07
Exploration Value - no development	15%	$0.01	$0.01
Net cash/failure to secure funding	40%	$0.00	$0.00
Risk weighted composite		**$0.03**	
12 Months Price Target		**$0.041**	
Shareprice - Last		$0.017	
12 mth total return (% to 12mth target + dividend)		**144%**	

Source: Hartleys' estimates

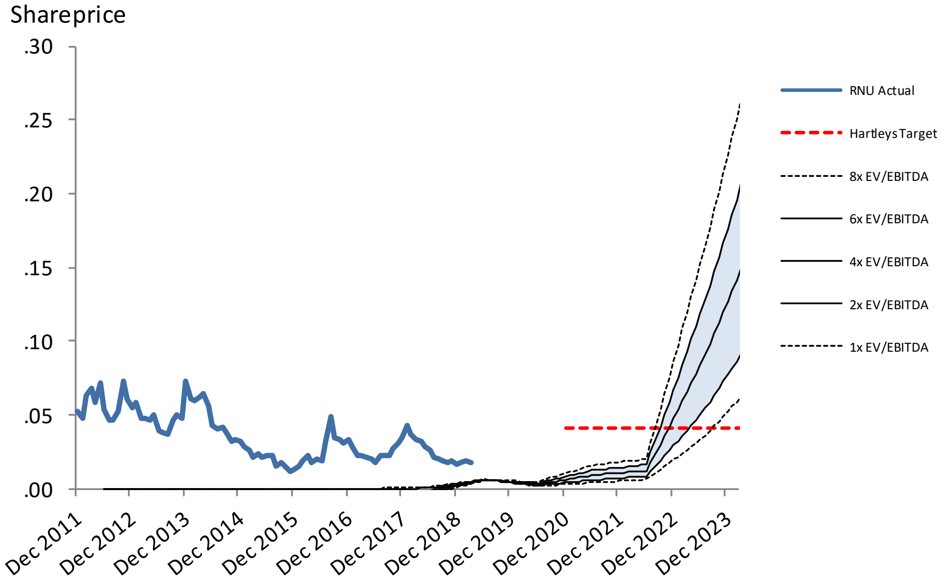
Fig. 4: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Graphite prices are initially lower than RNU's estimates	Med	High	Our valuation is sensitive to commodity price assumptions.
We assume Stage 2 at Siviour occurs	High	Extreme	We assume Stage 1 allows for the financing of Stage 2. Stage 2 is the key driver of our valuation.
Offtake agreements not yet in place but assumed	Med	Extreme	Without binding offtake, the project may not get off the ground.
Economic mine life of 30 years	Low	Med (although also could be upside)	We believe our mine life assumptions are realistic based on current resources. Mine life could be decreased to obtain higher grades.
Debt funding	High	Extreme	We assume Stage 2 of the project can be debt funded. We assume an interest rate of 12%.
Equity funding	High	Extreme	We assume RNU can raise the equity to fund Stage 1.
First production	High	Moderate	We assume Stage 1 production in mid-CY20 and Stage 2 + Spherical in mid-CY23.
Conclusion	*Given the lack of transparency in graphite pricing and financing risk, we view RNU as a high risk. Funding, no binding offtake agreement, transition from Stage 1 to Stage 2 and graphite pricing are the biggest threats to our valuation, in our view.*		

Source: Hartleys Research

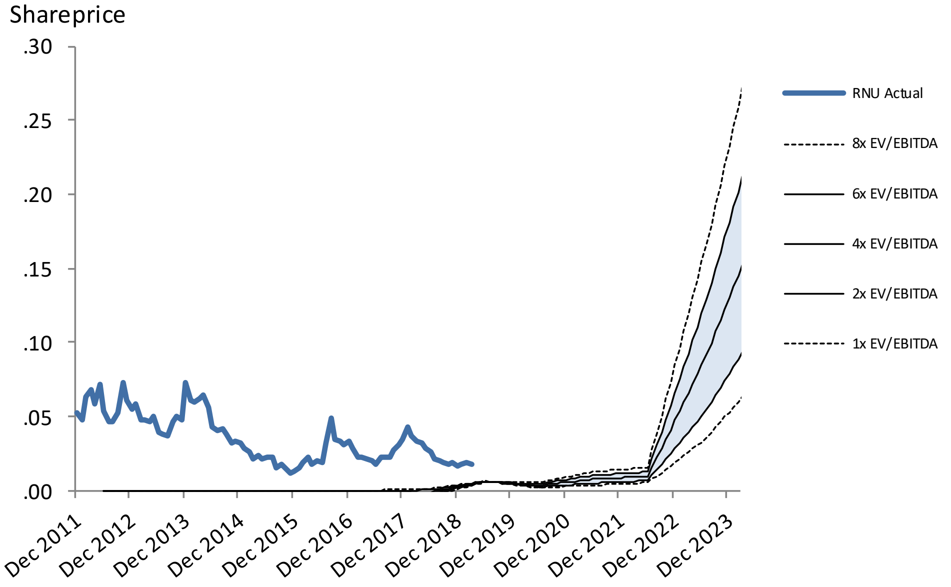
EV/EBITDA BANDS

Fig. 5: Using Hartleys base case commodity forecasts



Source: Hartleys' Estimates, IRESS

Fig. 6: Using spot commodity prices



Source: Hartleys' Estimates, IRESS

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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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