

Wilton Resources Corporation Limited

Definitive Feasibility Study by End 2015

Wilton Resources Corporation Limited (Wilton) announced its 2Q FY15 results on 9 February 2015. As the mine is still under development, no revenue was recognized for the quarter. However, losses and cash outflows were generally lower than expected. Net loss for 1H FY15 amounted to about US\$1.62m, based on the period average rate of USD1:IDR11,992, compared to losses of US\$54.0m in FY14. We continue to like the Ciemas Gold Project for its high grade and large resources; and low projected costs. A definitive feasibility study is anticipated by 1H FY16 ending December 2015. Given six to twelve months of construction, we may see production commencing in 2H FY16 ending June 2016 or 1H FY17 ending December 2017.

Cash Flow Overview: During 1H FY15, Wilton used IDR33.55bn (US\$2.8m) in operating activities and spent IDR16.1bn (US\$1.3m) in the purchase of exploration and evaluation assets, and plant, property and equipment. General and administrative expenses in 1H FY15 fell to IDR16.6bn (US\$1.4m) from IDR20.2bn (US\$1.8m) in 1H FY14 due to the absence of various professional fees associated with its listing.

Cash of IDR145.2bn (US\$11.7m) as of 31 December 2014 will be sufficient to sustain the company for another 18 months based on the rate of cash outflow (IDR49.6bn or US\$4.1m) in 1H FY15. We believe that the company should be able to tap onto equity or debt sources of funding as it progressively completes the feasibility study.

Site Development to Accelerate: The company is currently nearing the appointment of a suitably qualified project manager to oversee site works, including the definite feasibility study and to bring the project to production. Concurrently, the company is negotiating the purchase of a multi-purpose drill rig to be delivered in 3Q FY15, to partially alleviate process bottlenecks at the site. As negotiations with the locals over surface land use rights have already started, drilling can commence upon delivery of the rig.

Earlier, metallurgical testwork of samples, a critical step in the project development process, was held back due to unforeseen delay in obtaining the relevant export permits. Currently, testwork is underway and the company is pending the receipt of the results.

Increase Exposure

- Intrinsic Value S\$0.208
- Prev Close S\$0.095

Main Activities

Wilton Resources Corporation Limited (formerly known as Hartawan Holdings Limited) is a gold mining company. Its concessions are located in West Java, Indonesia and contain estimated total resources of 1.25m ounces (38,970kg) of gold as of Jun 2014, including proved and probable reserves of 557,300 ounces (17,333kg) of gold as of May 2013.

Financial Highlights

(Y/E Jun) US\$m	FY15F	FY16F	FY17F
Revenue	0.0	33.9	109.9
EBITDA	-1.7	8.0	58.1
EBIT	-10.8	-5.1	41.4
PATMI	-27.5	-17.7	27.6
EPS (US cts)	-1.09	-0.59	1.23

The company presents in IDR. We prefer to present in USD for ease of presentation.

Source: Company

Key ratios (FY17F)

P/E	6.76
P/BV	2.75
Return on Equity	49.8%
Gross Debt/Equity	103.2%
Current Ratio	1.2

Source: Company, Voyage Research

Indexed Price Chart

Green (FSSTI)

Black (Wilton)



Source: Bloomberg

52wks High-Low	S\$0.148 / S\$0.060
Number of Shares	2,181m
Market Capitalization	S\$207.2m

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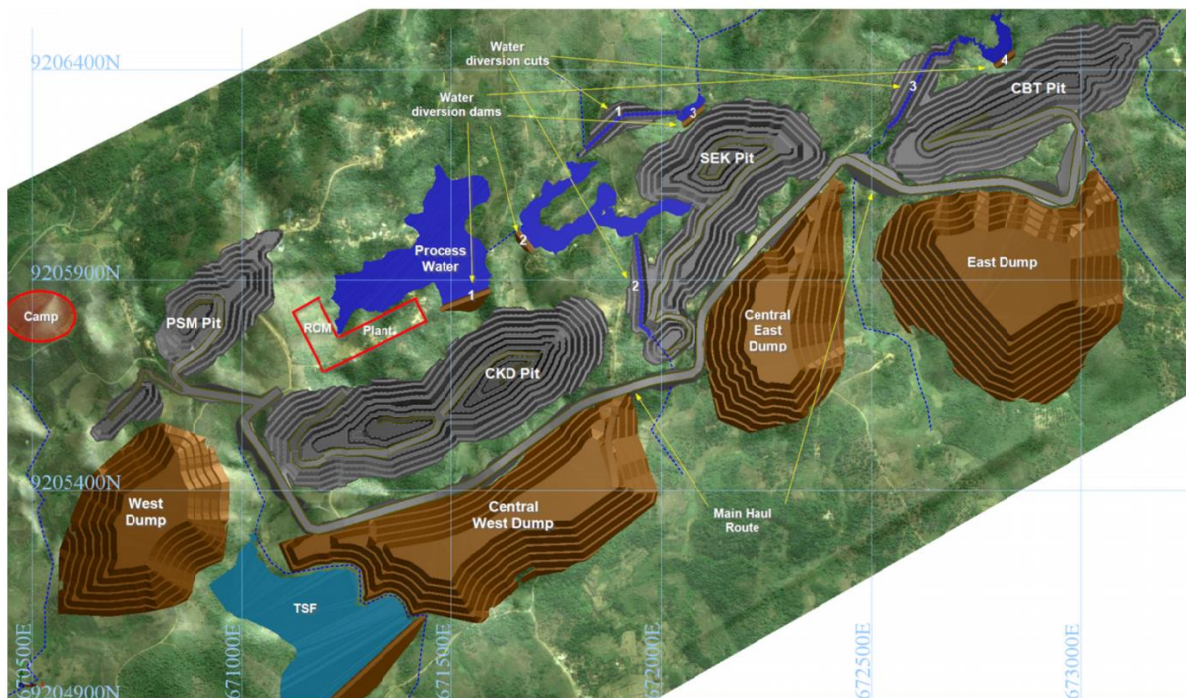
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What's Next? – Detailed Design of Plant: The metallurgical testwork results will allow the company to confirm and finalize the engineering design of its plant, i.e. the ore processing route to extract gold dore, as well as the sizing of its equipment for profitable production. Under the previous scoping study, an open pit mining concept was outlined, including the layout of the mine, estimated stripping ratios and other mining variables. However, the scoping study did not extend to the detailed design of the plant and ore process flow.

Site Plans – Sterilization Drilling: As for the site layout and design of the entire site (outside of the plant), the company has completed the planning of sterilization testing, where the planned locations of infrastructure such as the waste dump will be drilled to ensure the absence of high grade ore at these locations. The multi-purpose drill rig to be delivered in 3Q FY15 will be deployed towards sterilization drilling. Having its own drill rig onsite will also allow the company to plan and manage its pace of drilling work. Previously, the company has to fit the schedule of its contractors, leading to periods of inactivity with regards to drilling.

The cost of the drill rig has been budgeted for under capital spending for 3Q FY15. Capex budget for 3Q FY15 is about US\$0.4m or IDR4.6bn. Capital spending was minimal in 2Q FY15, amounting to only IDR104m.

Figure 1: Open Cut Mine Concept as per Scoping Study



Source: Company

Acquisition of Surface Rights: The company's concessions grant it the right to conduct gold and other mineral mining activities over a 30.8km² area. However, the company will still have to obtain the surface rights over land that it intends to use for the construction of structures or for the conduct of open pit mining. Currently, the company has the right to conduct surface operations over 28.3 hectares or 283,000m² of land.

We understand that the company has sufficient land access rights for initial operations at Pasir Manggu West and Cibuluh, and is in the midst of negotiating compensation payments to permit the commencement of work, e.g. sterilization drilling, at areas where required. As payment is contingent on the completion and timing of negotiations, the company did not use its budget for land use rights during 2Q FY15 and has rolled over the budget of IDR5.0bn (US\$0.4m) to 3Q FY15.

Parallel Programme at Cibuluh: While the above three activities are ongoing, the company has also commenced initial work at the Cibuluh deposit. Cibuluh is located about 1.5km to 2km northeast of Pasir Manggu West. A historical hydraulic mining operation existed at the site, which is landmarked by a large well weathered pit, of about 30m deep, 20m wide and 100m in length based on visual inspection from the top of the pit.

The Cibuluh site is new and was first mentioned in the June 2014 updated resource report by SRK Consulting China Limited. Including Cibuluh, there are now about 11 gold mineralization zones in the Ciemas concession area. During 1Q FY15, tailings were sampled from the site for further testing. A parallel exploration programme for Cibuluh is expected to commence in 3Q FY15 with initial earthworks pending the delivery of a suitable excavator.

Reiterate High Exploration Potential: Wilton has actually compiled preliminary resource estimates for the ten gold mineralization zones in Ciemas, as part of its initial exploration work done between 2009 and 2011. However, only resources at four zones are compliant with JORC reporting requirements to have been reported thus far. As such, the company is likely to announce more resources when more exploration work, such as infill and verification drilling, are completed to ensure compliance with JORC reporting standards.

We visited the Ciemas Project during December 2014. The company has set up a gated base camp at Pasir Manggu West, comprising of several single storey buildings (red circle in Figure 1). One building is used for meetings and briefings; and as living quarters for workers. Another building is used to hold drill core samples. Key activity areas are about a few thousand sq. ft. in size. The area is protected via cement walls topped with barb wires; and is serviced by the local electricity grid.

From Jakarta to the base camp, we travelled by mainly paved tar road and transited to unpaved dirt track only about 15 minutes to half an hour away from the base camp. However, the dirt track which also served the local villages and plantations, was generally smooth, leading us to suspect that some maintenance must have been carried out from time to time. The road only got bumpy a short distance from the base camp.

We noted that the vicinity of the concession area predominantly characterized by vegetation and plantation and is lacking of evidence of previous commercial exploitation of primary ore below ground, except at Cibuluh and Pasir Manggu West. As such, we can infer that the Ciemas Project remains substantially unexploited.

Figure 2: Potential Resources

表 1 根据以前澳大利亚公司的勘探资料,计算矿石量如下						
矿段	矿体数量 (个)	主矿体数量 (个)	矿石量 (吨)	黄金金属量 (吨)	黄金平均品位 (克/吨)	级别
PASIR MANGGU	6	2	275.68×10 ⁴	14.39	5.22	334
MIDDLE AND EAST						
CIGOMBONG	4	2	61.59×10 ⁴	3.38	5.49	333+334
CILEUWEUNG	5	1	27.00×10 ⁴	3.33	11.47	
			398.25×10 ⁴	19.91	5.00	
CIBAK	3	2	118.58×10 ⁴	9.96	8.40	
CIHEULANG	1	1	58.18×10 ⁴	4.78	8.22	334
JAPUDALI	4	4	232.00×10 ⁴	13.92	6.00	334
共计	23	12	≈1171.28 ×10 ⁴	69.67	7.11	
表 2 新发现的斑岩型铜金矿体,计算矿石量如下						
矿段	矿石量 (吨)	黄金		铜		级别
		平均品位	金属量(吨)	平均品位	金属量(吨)	
CILEUWEUNG CIGOMBONG	21600×10 ⁴	1.50 (g/t)	323	0.80%	172.8×10 ⁴	估算
备注	1. Meekatharra Minerals (Australia & Indonesia) 完成 8 个金刚钻钻探(DDH)工程 2. Prof. Dr.Jonathan M.Nassey, 2007 年编制的地质报告.					

Source: http://www.wilton.sg/projects_strength.php

This table is compiled by Wilton's consultant Prof. Zhang Zeng Wei for some of the gold zones in Ciemas, and asserts resources of 69.67 tonnes of gold (2.24m ounces) at an average grade of 7.11 grams per tonne.

The JORC compliant resource estimate for only four gold zones asserts only 859,700 ounces of measured and indicated resources, as well as 393,200 ounces of inferred resources as of 30 June 2014.

The difference suggests that more resources may be reported on further drilling work to meet JORC reporting requirements.

Forecasts and Valuation: In this update, we reduced selling price assumptions to US\$1,200 per ounce, and underground mining capital expenditure to US\$25m in each of FY21 and FY22. The original estimate of close to US\$100m had included infrastructure costs, which most likely would have already been incurred in the open pit mining phase. The lower selling price assumption will increase the robustness of our model.

We are also mindful that production may or may not start within FY16 (and may commence in FY17 instead). Whilst we maintain our forecast by assuming about 28,000 ounces of production in FY16, we raised the cost of equity to 11.9% (previously 10%) to factor in higher uncertainty about the timing of production commencement. The net impact is a revised valuation of about S\$0.208 per share.

Figure 3: Cibuluh



Source: Voyage Research

Figure 3: To reach Cibuluh, we had to backtrack to a forked road about 10 to 15 minutes away from the camp and continue on a separate dirt track. We stopped at the end of the track and trekked up a short slope of about 100 metres to reach this vantage point, where Figure 3 was taken. The pit was apparently the result of years of mining by the locals, some of whom lived in comparatively well-furnished houses.

Figure 4: Valuation

US\$m	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue	0.00	33.86	109.88	122.70	166.15	273.00	283.06	243.32	295.20	294.89	271.53	174.32
EBIT	-10.83	-5.12	41.38	46.09	79.67	146.75	167.73	119.54	135.71	147.58	129.71	78.93
Tax on EBIT	0	0	-10.35	-11.52	-19.92	-36.69	-41.93	-29.88	-33.93	-36.90	-32.43	-19.73
NOPLAT	-10.83	-5.12	31.04	34.57	59.75	110.06	125.80	89.65	101.78	110.69	97.28	59.20
Invested Capital	28.28	90.71	113.00	137.86	152.98	140.24	140.24	165.24	190.24	140.24	96.55	67.81
% of Debt	0%	50%	62%	51%	39%	21%	21%	33%	42%	21%	31%	44%
% of Equity	100%	50%	38%	49%	61%	79%	79%	67%	58%	79%	69%	56%
WACC (%)	11.9%	8.4%	7.5%	8.3%	9.1%	10.4%	10.4%	9.5%	8.9%	10.4%	9.7%	8.8%
Capital Charge	-3.35	-7.62	-8.52	-11.47	-13.97	-14.55	-14.55	-15.77	-16.99	-14.55	-9.37	-5.95
Economic Profit	-14.18	-12.74	22.52	23.09	45.79	95.51	111.25	73.88	84.79	96.13	87.92	53.25
Terminal Value												
Discount Rate	0.95	0.89	0.83	0.76	0.67	0.58	0.53	0.50	0.48	0.39	0.38	0.38
Present Value	-13.4	-11.3	18.8	17.5	30.9	55.5	58.6	37.3	41.0	37.6	33.3	20.2
Book Value	84.05											
Explicit Value	325.87											
Value of Equity	409.92											
Number of Shares	2181.14	(m)										
Add new shares	375.00	@0.208 SGD per share issued to raise US\$60m in FY15 and FY16										
Value per Share	0.160	(US\$)										
Value per Share	0.208	(S\$)										

Source: Voyage Research

Figure 5: Financial Forecasts and Estimates

	FY14	FY15F	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue	0.0	0.0	33.9	109.9	122.7	166.1	273.0
EBITDA	-54.0	-1.7	8.0	58.1	68.6	97.4	165.7
Operating Profit	-54.0	-10.8	-5.1	41.4	46.1	79.7	146.7
Net Profit to Shareholders	-54.0	-27.5	-17.7	27.6	31.4	57.6	108.6
Gold Production (oz)	NA	NA	28,219	91,563	102,250	138,454	227,497
Ore Mined ('000 tonnes)	NA	NA	272	448	608	710	1,283
Total Current Assets	17.4	22.0	18.6	17.7	16.2	13.3	22.9
Total Non-Current Assets	12.6	70.4	97.7	125.5	142.4	132.7	123.3
Total Current Liabilities	1.7	1.7	3.3	15.4	40.6	5.4	5.5
Total Non-Current Liabilities	0.1	45.0	70.0	60.0	25.0	30.0	30.0
Total Equity	28.2	45.7	43.0	67.9	93.0	110.2	110.2
Cash from Operating Activities	-2.5	-18.4	-5.7	40.2	53.1	75.4	126.5
Cash from Investing Activities	18.6	-66.9	-37.6	-38.3	-38.3	-8.3	-8.3
Cash from Financing Activities	0.0	90.0	40.0	-2.8	-16.3	-70.3	-108.6
Net change in cash	16.0	4.7	-3.4	-0.9	-1.6	-3.3	9.6
Inventory Days	NA	30	30	30	30	30	30
Payable Days	NA	30	30	30	30	30	30
Return on Common Equity (%)	NM	NM	NM	49.8%	39.0%	56.6%	98.5%
ROA (%)	NM	NM	NM	21.3%	20.8%	37.8%	74.3%
Gross Debt/Equity (%)	0.0%	98.4%	162.8%	103.2%	64.5%	27.2%	27.2%
Current Ratio	10.5	13.3	5.7	1.2	0.4	2.5	4.1
EPS (US cents)	-2.88	-1.06	-0.68	1.06	1.21	2.21	4.18
BV/Share (US cents)	1.29	1.76	1.65	2.61	3.58	4.24	4.24
PER	NM	NM	NM	6.76	5.95	3.25	1.72
P/BV	5.65	4.09	4.34	2.75	2.01	1.69	1.69

Source: Voyage Research

Currently, the company's functional and presentation currencies are in Indonesian Rupiah. For ease of presentation, we translated to the FY14 numbers into US dollars based on the above exchange rate and present our forecasts in US dollars. Most of our inputs such as selling prices and costs are also in US dollars.

Figure 6: Financial Forecasts and Estimates

	FY21F	FY22F	FY23F	FY24F	FY25F	FY26F
Revenue	283.1	243.3	295.2	294.9	271.5	174.3
EBITDA	192.1	149.9	167.0	182.2	170.5	119.8
Operating Profit	167.7	119.5	135.7	147.6	129.7	78.9
Net Profit to Shareholders	123.7	86.4	99.1	109.2	95.8	58.5
Gold Production (oz)	235,887	202,764	245,999	245,740	226,275	145,271
Ore Mined ('000 tonnes)	1,082	810	1,219	1,219	1,119	459
Total Current Assets	42.0	59.2	31.5	10.5	13.7	8.6
Total Non-Current Assets	128.1	134.3	115.6	89.3	54.9	14.5
Total Current Liabilities	4.4	53.4	7.4	7.4	37.4	4.1
Total Non-Current Liabilities	55.0	30.0	30.0	30.0	0.0	0.0
Total Equity	110.2	110.2	110.2	66.6	37.8	26.1
Cash from Operating Activities	146.2	107.4	130.2	143.8	138.6	104.0
Cash from Investing Activities	-28.3	-28.3	-8.3	-8.3	-8.3	-8.3
Cash from Financing Activities	-98.7	-61.4	-149.1	-152.9	-124.6	-100.2
Net change in cash	19.1	17.7	-27.3	-17.4	5.7	-4.5
Inventory Days	30	30	30	30	30	30
Payable Days	30	30	30	30	30	30
Return on Common Equity (%)	112.2%	78.3%	89.9%	123.6%	183.6%	182.9%
ROA (%)	78.2%	47.5%	58.2%	88.5%	113.7%	127.5%
Gross Debt/Equity (%)	49.9%	72.6%	27.2%	45.1%	79.3%	0.0%
Current Ratio	9.5	1.1	4.3	1.4	0.4	2.1
EPS (US cents)	4.76	3.32	3.81	4.20	3.69	2.25
BV/Share (US cents)	4.24	4.24	4.24	2.56	1.45	1.00
PER	1.51	2.16	1.88	1.71	1.95	3.19
P/BV	1.69	1.69	1.69	2.81	4.94	7.15

Source: Voyage Research

Rating Definition:

Increase Exposure – The current price of the stock is significantly lower than the underlying fundamental value. Readers can consider increasing their exposure in their portfolio to a higher level.

Invest – The current price of the stock is sufficiently lower than the underlying fundamental value of the firm. Readers can consider adding this stock to their portfolio.

Fairly Valued – The current price of the stock is reflective of the underlying fundamental value of the firm. Readers may not need to take actions at current price.

Take Profit – The current price of the stock is sufficiently higher than the underlying fundamental value of the firm. Readers can consider rebalancing their portfolio to take advantage of the profits.

Reduce Exposure - The current price of the stock is significantly higher than the underlying fundamental value of the firm. Readers can consider reducing their holdings in their portfolio.

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