

Duketon Mining Limited

(DKM \$0.43) Speculative Buy

Analyst
Mike Millikan

Date
March 2022

Price Target
\$0.70/sh

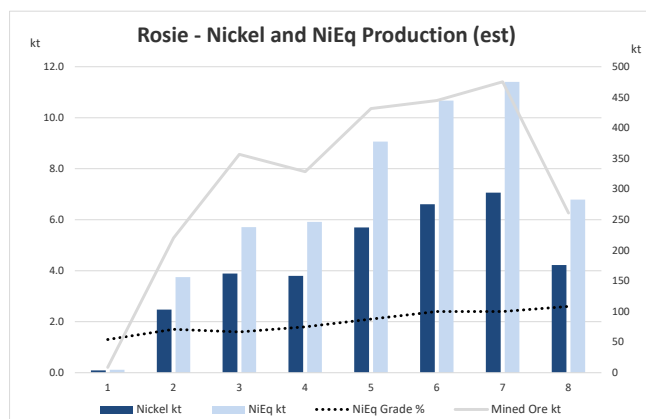
Investment Case

Rosie nickel drilling completed late CY21 had the aim of upgrading resources to improve/optimize the proposed mine plan. The resource update is expected soon, with the nearby shallow C2 deposit also being assessed as a potential addition to the development plans. The Scoping Study for Rosie detailed a highly feasible underground mining opportunity which can only be enhanced by extensions and potential open pit mining options to generate early cashflows. The project development using toll-treatment options is expected to be capital light, whereas additional capital would be required should the mining inventory justify a standalone operation. DKM retains strong cash and liquids position of +A\$23m (backing of ~20cps). We see significant exploration potential in the nickel ground within the Duketon Belt, which remains largely un-explored. **Speculative Buy** retained.

Key Catalysts:

- Rosie resource update (Q1CY22)
- C2 metallurgical update (Q1CY22)
- Exploration drilling and results
- Rosie mining study update (Q1/Q2CY22)
- Nickel price

ASSET VALUATION	A\$m	A\$/sh
Rosie NPV10 -risked 80%	80	0.61
Exploration (nom)	10	0.08
Cash est	18	0.14
Investments est	7	0.05
Corp OH	(22)	(0.17)
Unpaid Capital	1	0.01
Debt	-	-
A\$	94	0.72

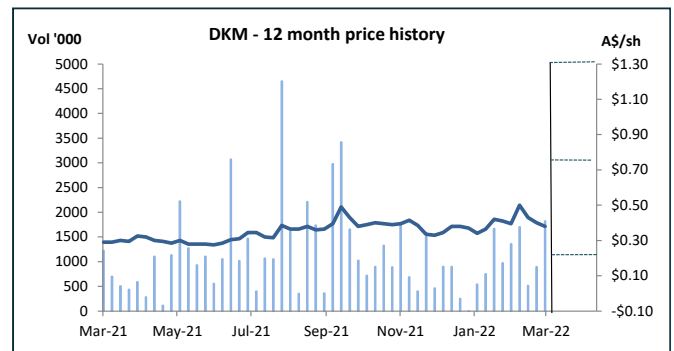


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Share Price Performance



Market Statistics

Share Price	0.430	A\$/sh
Price Target	0.70	A\$/sh
Valuation	0.73	A\$/sh
Shares on issue	122	m
Option (@ \$0.30)	9	m
Market Cap (fd)	56	A\$m
Enterprise Value	32	A\$m
Debt	0	A\$m
Cash and liquids	25	A\$m

Year End 30 June

Directors	
Seamus Cornelius	NE Chair
Stuart Fogarty	MD
Heath Hellewell	NE Dir
Dennis Wilkins	Comp
Secretary	
Shareholders	
Harmanis Holdings	18.4%
McCusker Holdings	5.0%
Directors	8.0%

Our Market Sensitivity

Valuation - \$0.72/sh
Price Target - \$0.70/sh

Bull Scenario - \$1.20/sh

We see good value in Rosie when using spot nickel, copper and PGE prices. In addition, higher payable terms for the metals produced could be realised. If Rosie and C2 are commercialised then our bull scenario will likely to be significantly higher.

Base Scenario - \$0.70/sh

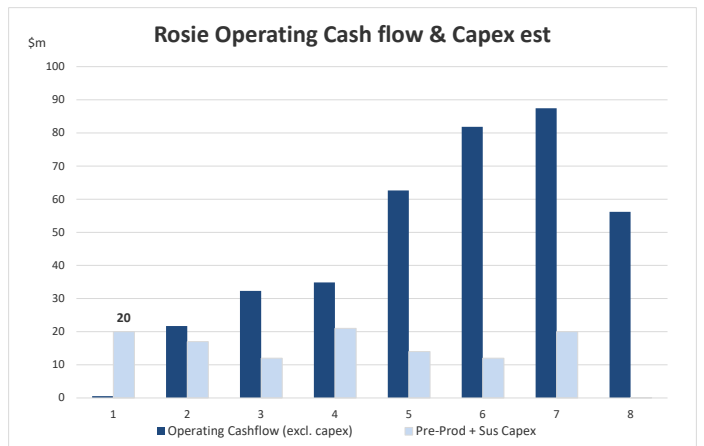
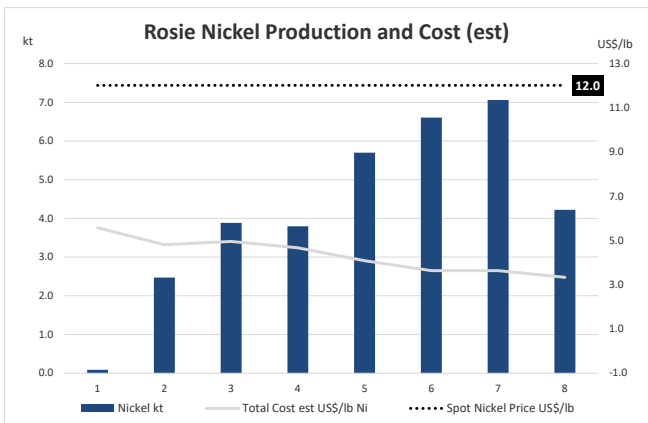
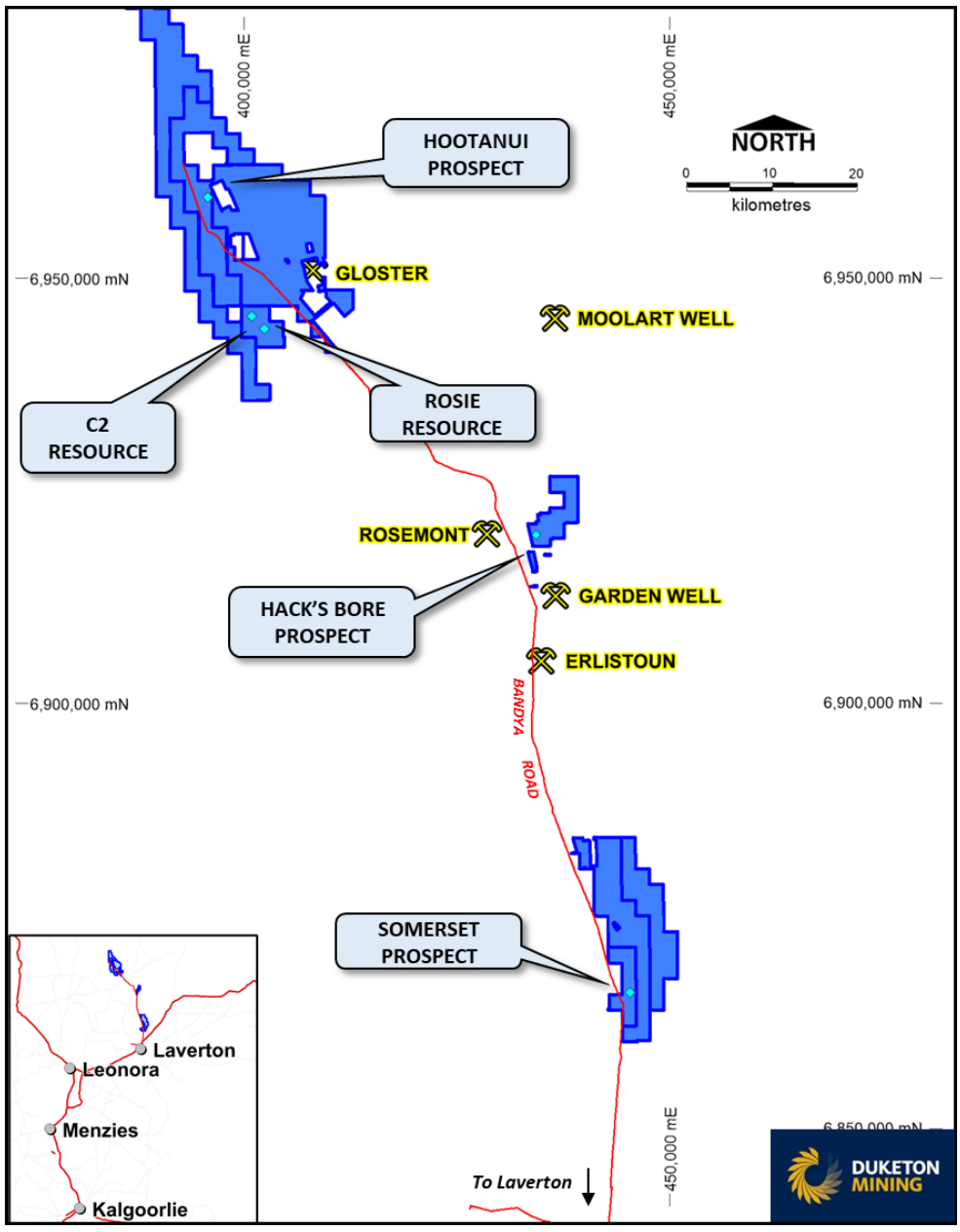
Our risked NPV valuation for a small mining opportunity at Rosie underpins value with cash and liquids providing a good backstop. We currently assume a positive scoping study for Rosie which can progress to more detailed investigations. Nickel price sentiment remains strong with funding options available.

Bear Scenario - \$0.20/sh

With cash and liquid backing of 20cps, DKM's downside risk is somewhat capped. If nickel and copper price sentiment falls to low levels of interest, DKM will likely trade at a discount.

Company Summary

Duketon Mining (DKM) sold its gold tenure in the Duketon Belt to Regis Resources (RRL) in late Aug'19 for A\$20m in cash (plus future contingent payments for additional A\$5m). DKM elected at the time to retain its prospective nickel ground (100% rights) covering the two nickel resources (Rosie and C2) as well key tenure along the Bulge Ultramafic Complex. The Company retains a strong cash and investment position to be well-funded for ongoing exploration activities.



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Contact Details

Euroz Hartleys Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Mike Millikan - Resources Analyst	+61 8 9268 2805
Kyle De Souza - Resources Analyst	+61 8 9488 1427
Michael Scantlebury - Resources Analyst	+61 8 9268 2837
Steven Clark - Resources Analyst	+61 8 9488 1430
Trent Barnett - Senior Analyst	+61 8 9268 3052
Gavin Allen - Senior Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Research Analyst	+61 8 9488 1414

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