

3 Nov 2016

## BIRIMIAN LTD (BGS)

### Good maiden resource...likely to grow

Birimian Ltd recently released a maiden JORC compliant resource of 15.5Mt at 1.48% Li<sub>2</sub>O for its Bougouni spodumene project in Mali. The resource was slightly less than we expected but was within the Company's exploration target of 15-18Mt. We see potential for this project to grow in size over time as the deposit is open along strike and at depth, especially in the West Zone. As a rule of thumb, every 50m is ~1Mt of potential resource extension.

We also believe there is upside to the overall grade of the project as the West Zone has a 6.1Mt inferred resource with grade of 1.67% Li<sub>2</sub>O. The next phase of exploration will include infill and extensional drilling. Rigs will mobilise this month and focus on the West Zone which has wide, high grade intercepts open along strike, including **82m @ 1.64% Li<sub>2</sub>O from 18m, and 51m @ 1.93% Li<sub>2</sub>O from 127m (with 22m @ 2.23% Li<sub>2</sub>O).**

The resource itself is already likely to be economic (provided metallurgy is as expected), but we see the potential for a larger deposit at good mineable grades (1.4-1.8% Li<sub>2</sub>O). If the deposit grows as anticipated, there is potential it could be developed into a 285-430ktpa (40-60ktpa LCE) operation over time, subject to lithium demand growing enough such that it could be absorbed into the market (the earliest we see potential for Bougouni product sales is CY19).

### MoU announced...good for marketing, but not material

BGS has secured a MoU with Tongdow Group (Chinese trading house). Although we do not see this as material it does open the door for the project to now be marketed to potential off-take partners. Further discussions are ongoing with additional Chinese MoU offtake partners are ongoing as the company has reserved the right to secure additional agreements.

### Scoping study underway

The Company expects a Scoping study to be released by the end of the year and has already appointed Como Engineers (Como). Como have experience in the process design and engineering of spodumene concentration plants including the recently undertaken Pilbara Minerals Pilgangoora Projects DFS. Digby Wells Environmental (Digby Wells) has recently undertaken field work to enable it to complete an Environmental Social Impact Assessment which will need to be submitted for the formal Project mine permitting.

### Maintaining a Speculative Buy

We view the maiden resource as an excellent milestone towards development. Although we stress that the project still has substantial risk involved, some of which can be attributed to the location in Mali.

We have a twelve month price target of 59cps, which is a slight discount to our speculative and highly diluted preliminary valuation (68cps) that assumes a 24Mt mining inventory at ~1.45% Li<sub>2</sub>O and diluted for ~700m new shares. BGS is high risk, but for those that have bullish view on the next several years for spodumene demand, it could have significant upside.

Share Price	\$0.335
Prelim. Valuation	\$0.68
Price Target (12 month)	\$0.60

#### Brief Business Description:

Excellent, but early stage, spodumene project in Mali (Bougouni) plus a good advanced gold exploration portfolio, also in Mali.

#### Hartleys Brief Investment Conclusion

Appears to have a large undeveloped and good grade spodumene project. Under valued if the project can be developed.

#### Chairman & MD

Winton Willesee (Chairman)  
Kevin Joyce (Managing Director)

#### Major Shareholders

The Gas Super Fund 9.1%

#### Company Address

Suite 9, 5 Centro Avenue  
West Perth, WA 6008

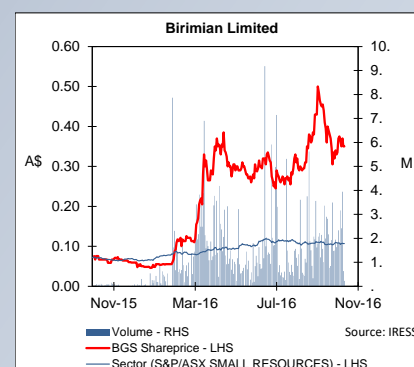
Issued Capital	181.6m
- fully diluted	215.8m
Market Cap	A\$60.8m
- fully diluted	A\$72.3m
Cash (30 Sept 16a)	A\$7.8m
Debt (30 Sept 16a)	A\$0.0m
EV	A\$53.0m

#### EV/Resource Spod.

#### EV/Reserve Spod.

	Prelim. (A\$m)	FY19e
Prod (spod Mt)	nm	
Op Cash Flw	nm	
Norm NPAT	loss	
CF/Share (cps)	nm	
EPS (cps)	nm	
P/E	nm	

	Mt	Li <sub>2</sub> O	Spod.
Resources (Li <sub>2</sub> O)	15.5	1.48%	3.8
Reserve (Li <sub>2</sub> O)	none		

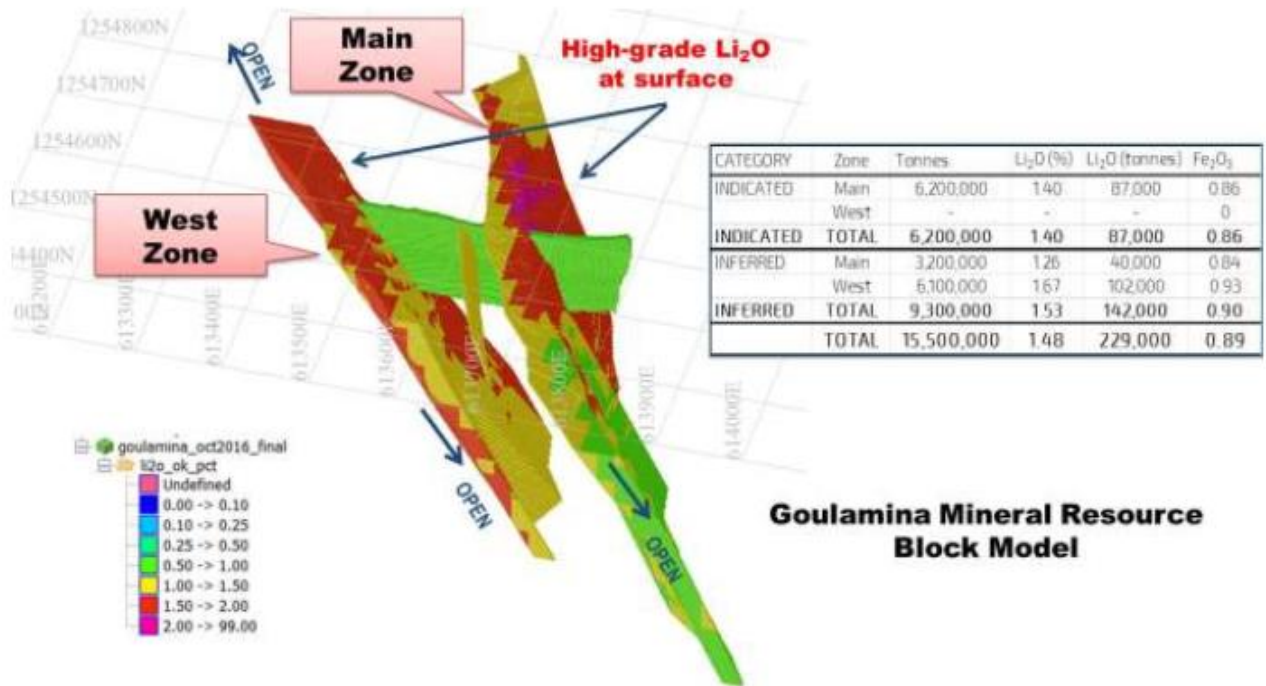


Trent Barnett  
Head of Research  
Ph: +61 8 9268 3052  
E: trent\_barnett@hartleys.com.au

Hartleys has completed a capital raising in the past 12 months for Birimian Gold Limited ("Birimian") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Birimian for which it expects to earn fees. See back page for details.



Fig. 1: Goulamina Mineral Resource Block Model



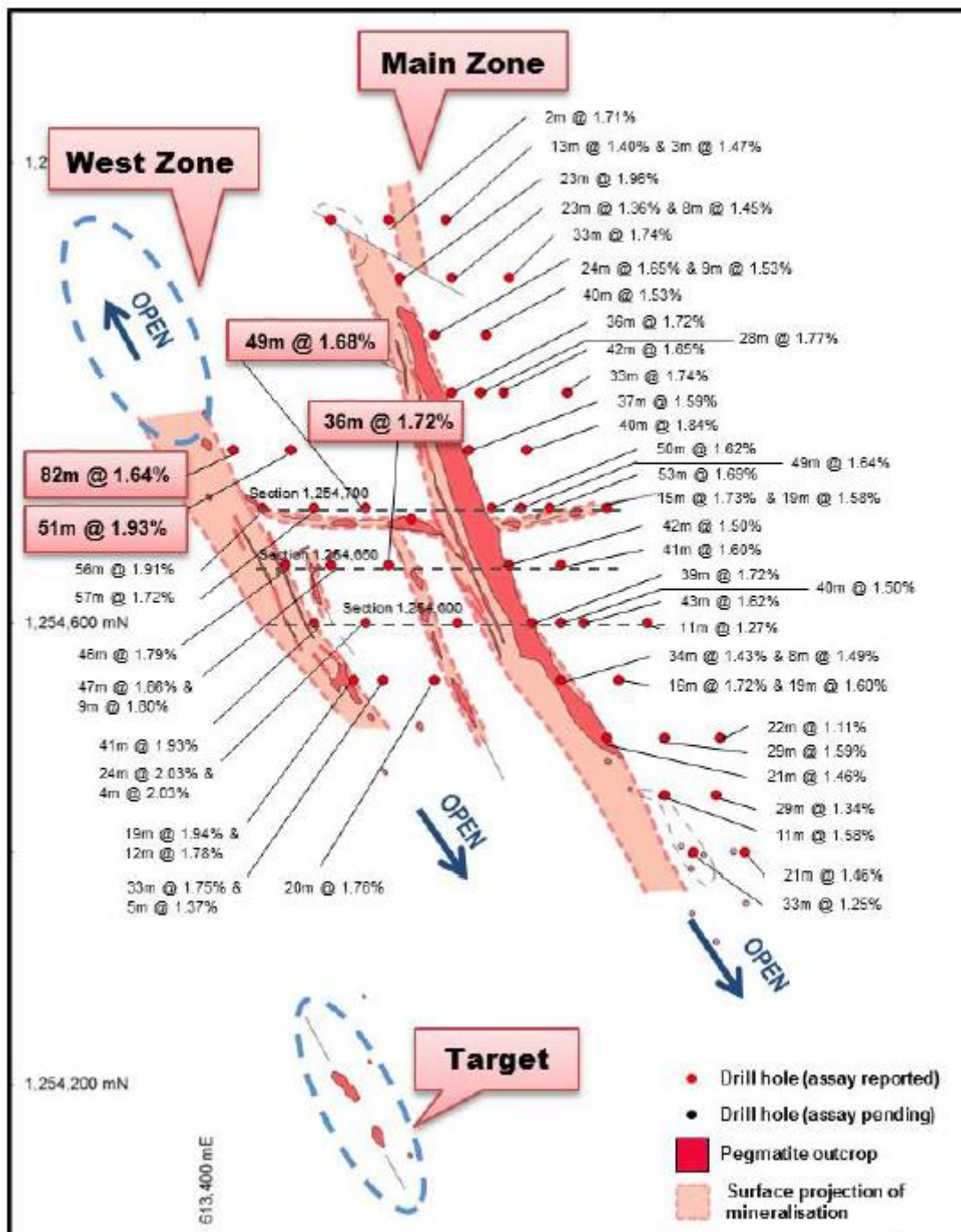
Source: BGS

Fig. 2: Timeline

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Bougouni Project Acquisition	✓							
Maiden drilling programme at Goulamina			✓					
Maiden JORC Resource at Goulamina			✓					
Project Scoping Study				✓				
Exploration Program on broader Project						✓		
Feasibility Study and Mine Permitting								✓

Source: BGS

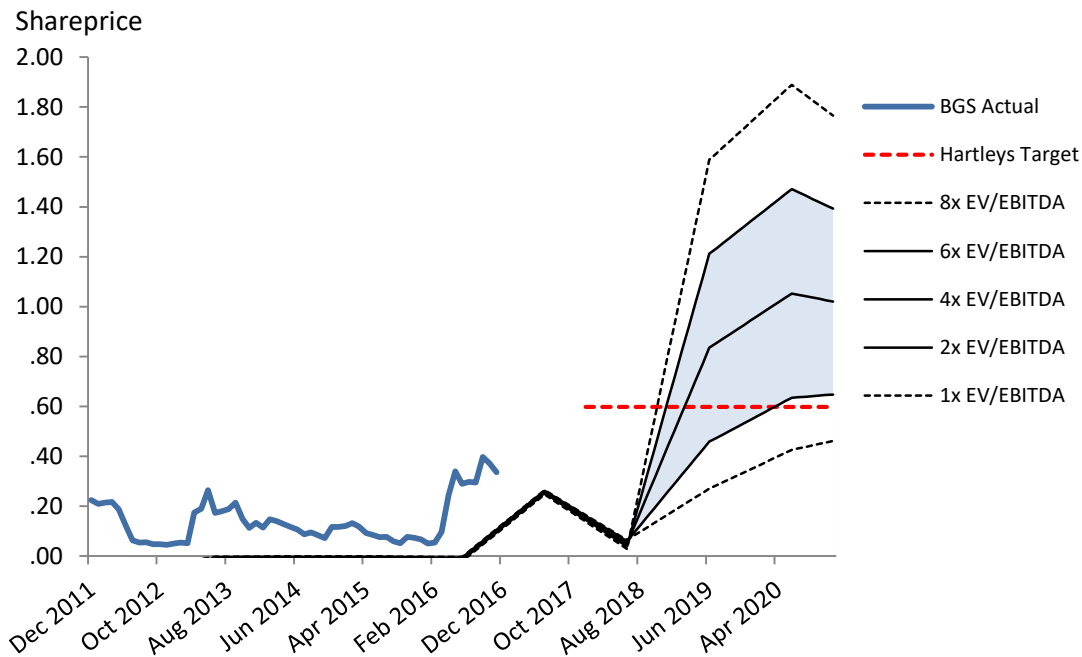
Fig. 3: Significant scope for extension



Source: BGS

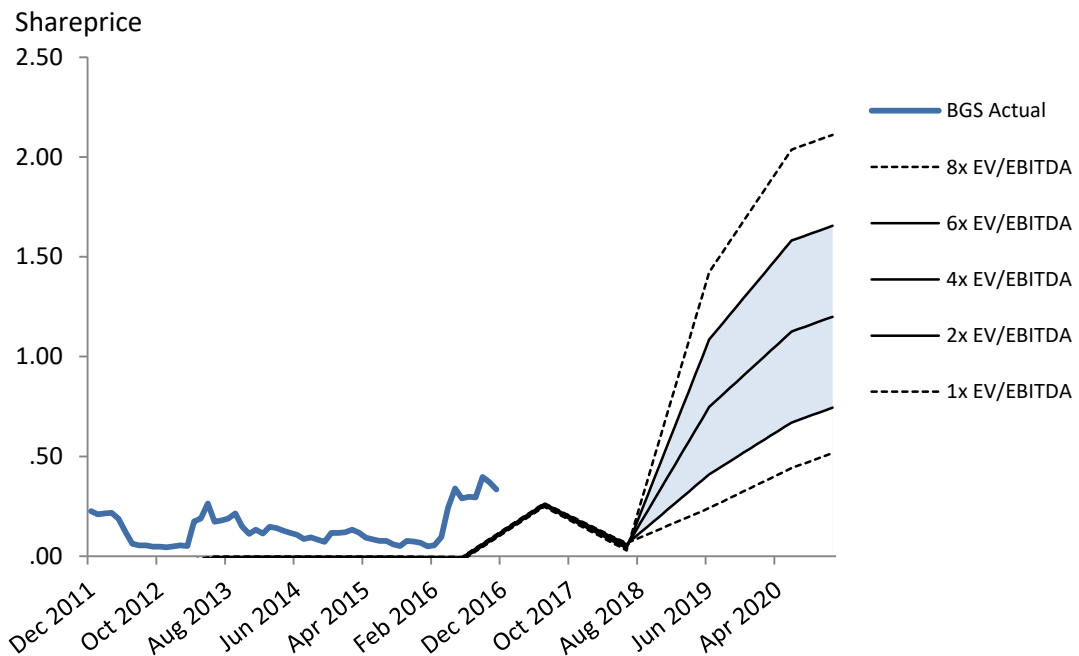
## EV/EBITDA BANDS

**Fig. 4:** Using Hartleys base case commodity forecasts



Source: Hartleys

**Fig. 5:** Using spot commodity prices



Source: Hartleys

**Fig. 6: Key Assumptions and Risks for Valuation**

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
An economic spodumene deposit can be defined.	Moderate	Extreme	This appears reasonable based on drilling to date, but still very speculative
Selling prices remain strong enough for spodumene mines to be viable	High	Extreme	We assume selling prices and demand remain strong enough for new spodumene mines to be developed
Company can obtain capital	Moderate	High	We assume BGS can continue to raise capital for development and exploration
Exploration value	Moderate	Meaningful	We assume modest exploration value.

**Conclusion**

*We have used speculative assumptions to derive a highly speculative valuation. Hence, we view BGS as very high risk*

Source: Hartleys

## PRICE TARGET

We have a price target of 59cps, which has a blend of several speculative scenarios.

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case, assuming significant equity dilution	33%	\$0.68	\$0.78
NPV at spot commodity and fx prices	33%	\$0.83	\$0.96
Net cash	34%	\$0.04	\$0.04
<b>Risk weighted composite</b>		<b>\$0.51</b>	
<b>12 Months Price Target</b>		<b>\$0.59</b>	
Shareprice - Last		\$0.335	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>76%</b>	

Source: Hartleys Estimate

# HARTLEYS CORPORATE DIRECTORY

## Research

Trent Barnett	Head of Research	+61 8 9268 3052
Mike Millikan	Resources Analyst	+61 8 9268 2805
Michael Scantlebury	Junior Analyst	+61 8 9268 3045
Janine Bell	Research Assistant	+61 8 9268 2831

## Corporate Finance

Dale Bryan	Director & Head of Corp Fin.	+61 8 9268 2829
Richard Simpson	Director	+61 8 9268 2824
Paul Fryer	Director	+61 8 9268 2819
Ben Wale	Associate Director	+61 8 9268 3055
Ben Crossing	Associate Director	+61 8 9268 3047
Stephen Kite	Associate Director	+61 8 9268 3050
Scott Weir	Associate Director	+61 8 9268 2821
Rhys Simpson	Manager	+61 8 9268 2851

## Registered Office

### Level 6, 141 St Georges Tce Postal Address:

PerthWA 6000 GPO Box 2777  
Australia Perth WA 6001  
PH:+61 8 9268 2888 FX: +61 8 9268 2800  
www.hartleys.com.au info@hartleys.com.au

*Note: personal email addresses of company employees are structured in the following manner:firstname\_lastname@hartleys.com.au*

## 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.

## Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Chris Chong	+61 8 9268 2817
Digby Gilmour	+61 8 9268 2814
Cooper Rogers	+61 8 9268 3053

## Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Tim Cottee	+61 8 9268 3064
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
James Gatti	+61 8 9268 3025
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
David Hainsworth	+61 8 9268 3040
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Charlie Ransom	+61 8 9268 2868
Mark Sandford	+61 8 9268 3066
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Samuel Williams	+61 8 9268 3041
Jayne Walsh	+61 8 9268 2828

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Hartleys has completed a capital raising in the past 12 months for Birimian Gold Limited ("Birimian") for which it has earned fees. Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Birimian for which it has earned fees. Hartleys has a beneficial interest in 4 million options in Birimian.

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