

Volt Resources

Fully funded to complete pre-development goals

Fund-raise

Metals & mining

3 November 2017

Price **A\$0.024**

Market cap **A\$23m**

A\$1.28/US\$

Net cash* (A\$m) at end June 2017 0.1

*Excludes November 2017 fund-raise

Shares in issue 977.4m

Free float 71%

Code VRC

Primary exchange ASX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 4.0 (3.7) (67.1)

Rel (local) 0.3 (7.0) (70.9)

52-week high/low A\$0.08 A\$0.02

Business description

Volt Resources is a graphite development company. Its main asset is the currently 100%-owned Bunyu graphite project located in Tanzania. The company has completed a PFS, is now undertaking an FS on a revised modular project design and intends to initiate first graphite production by end 2018.

Next events

Revised FS Q118

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Volt has secured A\$3.2m via two share issues to existing and new shareholders. The two raises (A\$2.3m on 1 November and A\$0.9m on 3 November 2017) will allow Volt to complete the critical path revised feasibility study (FS) on its Bunyu graphite project and for working capital purposes. These fund-raises will go towards completing management's revised FS to better tailor its Bunyu graphite project to more closely match the opportunity in the battery-anode and fire-retardant end-markets, both of which provide the highest growth end-markets for future Bunyu graphite products. We also consider the success of these fund-raises, with the first heavily oversubscribed (56% above the original A\$1.5m value), as a vote of confidence in Tanzania and its ability to treat graphite as an industrial mineral and separate from the ongoing negotiations regarding producers of precious metals and diamonds in country.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/15	0.0	(0.7)	(0.3)	0.0	N/A	N/A
06/16	0.0	(3.3)	(0.7)	0.0	N/A	N/A
06/17	0.0	(2.4)	(0.3)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Phase 1 small enough to keep CY18 as start-up

Pending a successful completion of its Phase 1 financing (see our 25 October [update note](#)), Volt targets end CY18 for first graphite production from the Bunyu graphite project. This is also dependant on project execution milestones such as completion of a revised FS, all permit approvals being received and conversion of its pre-commercial MOU-type agreements into binding commercial offtake agreements.

A\$4.8m available from options expiring end CY17

Volt has a total of 240.1m options exercisable at 2c expiring before end CY17. Given the current share price of 2.4c, if exercised these options would raise a further potential A\$4.8m in funds to Volt.

Valuation: Cheap on EV/t basis, DCF on hold for FS

Our previous Namangale pre-feasibility study valuation of A\$0.27/share is on hold while Volt completes a revised project scope and phasing for Namangale. This will involve a staged modular design to allow a ramp-up in production as the graphite market moves away from demand tied to traditional uses such as foundry products and towards growth in the markets for expandable graphite and battery anode material. However, in terms of its enterprise value per tonne of graphite resource (US\$0.05/t), we calculate that it trades at a very high 99% discount to the wider market average of US\$6.42/t. This is likely due to both its very large resource base and its early stage of project development.

Exhibit 1: Financial summary

Accounts: IFRS, Year-end: June, A\$000s		2015	2016	2017
Profit & loss account				
Total revenues		0	0	0
Cost of sales		0	0	0
Gross profit		0	0	0
SG&A (expenses)		(668)	(3,351)	(3,307)
Other income/(expense)		0	0	0
Exceptionals and adjustments	Exceptionals	0	0	0
Depreciation and amortisation		(3)	0	0
Reported EBIT		(670)	(3,351)	(3,307)
Finance income/(expense)		5	24	52
Other income/(expense)		0	0	0
Exceptionals and adjustments	Exceptionals	0	0	0
Reported PBT		(666)	(3,327)	(3,255)
Normalised PBT		(666)	(3,327)	(2,368)
Income tax expense (includes exceptionals)		0	0	153
Profit from discontinued operations (net of tax)		0	(480)	0
Reported net income		(666)	(3,807)	(3,102)
Basic average number of shares, m		244	583	968
Basic EPS (cents)		(0.3)	(0.7)	(0.3)
Normalised EPS (cents)		(0.2)	(0.4)	(0.3)
Balance sheet				
Property, plant and equipment		0	0	124
Goodwill		0	0	0
Intangible assets		0	0	0
Other non-current assets		703	10,773	16,614
Total non-current assets		703	10,773	16,738
Cash and equivalents		554	7,618	102
Inventories		0	0	0
Trade and other receivables		17	104	148
Other current assets		0	104	52
Total current assets		571	7,826	303
Non-current loans and borrowings		0	0	0
Other non-current liabilities		0	0	0
Total non-current liabilities		0	0	0
Trade and other payables		160	1,108	667
Current loans and borrowings		0	0	0
Other current liabilities		0	0	22
Total current liabilities		160	1,108	689
Equity attributable to company		1,336	17,707	16,570
Non-controlling interest		(222)	(216)	(218)
Cash flow statement				
Profit for the year		(666)	(3,807)	(1,965)
Depreciation and amortisation		3	0	0
Share based payments		216	1,774	0
Other adjustments		3	554	0
Movements in working capital		91	117	0
Cash from operations (CFO)		(353)	(1,362)	(1,965)
Capex		(24)	(3,039)	(6,400)
Acquisitions & disposals net		(178)	(364)	(10)
Other investing activities		0	0	0
Cash used in investing activities (CFIA)		(202)	(3,403)	(6,410)
Net proceeds from issue of shares		590	11,829	866
Movements in debt		0	0	0
Other financing activities		0	0	0
Cash from financing activities (CFF)		590	11,829	866
Currency translation differences and other		0	0	0
Increase/(decrease) in cash and equivalents		36	7,064	(7,509)
Cash and equivalents at end of period		554	7,618	102
Net (debt) cash		554	7,618	102
Movement in net (debt) cash over period		554	7,064	(7,516)

Source: Company accounts, Edison Investment Research

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