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Authorisation

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Nickel Mines Ltd (NIC)

Profitability proven

Recommendation

Buy (unchanged)

Price

\$0.425

Target (12 months)

\$1.14 (previously \$1.20)

GICS Sector

Materials

Expected Return

Capital growth	168.2%
Dividend yield	0.0%
Total expected return	168.2%

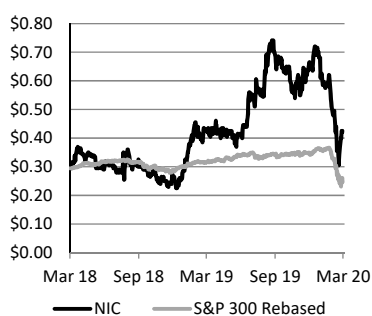
Company Data & Ratios

Enterprise value	\$732.5
Market cap	\$707.8m
Issued capital	1,665.5m
Free float	59%
Avg. daily val. (52wk)	\$2.8m
12 month price range	\$0.295-\$0.75

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.56	0.62	0.43
Absolute (%)	-23.4	-31.5	-1.2
Rel market (%)	7.4	-2.6	19.9

Absolute Price



SOURCE: IRESS

2HCY19 financial result – change of financial year end

NIC reported a set of transitional financial results for the six months to 31 December 2019. This changes its financial year-end to December, to align reporting across the various NIC Group entities. NIC announced revenues of US\$236.1m (vs BPe \$258.3m), EBITDA of US\$97.1m (vs BPe \$100.1m), consolidated NPAT of US\$91.3m (vs BPe \$89m) and attributable NPAT of US\$56.5m (vs BPe US\$49.6m). This flows to attributable EPS of US3.5cps (A5.0cps) and a current P/E of 4.2x (annualised). NIC ended CY19 with cash of US\$49.8m and gross debt of US\$65.0m for net debt of US\$15.2m (from net cash of \$44.8m at end June). During the period NIC drew down US\$80m of debt as partial consideration to lift its interest in the Ranger NPI lines from 17% to 60%. US\$15m of this was also repaid. No dividend was declared.

Strong ramp-up profitability sets direction for 2020

This is an excellent result demonstrating the profitability of NIC's business, achieved during ramp-up phase and before full production rates have contributed to a full reporting period. For 2HCY19 we measure an EBITDA margin of 41% and ROE of 49%. With all lines running at full capacity since October 2019, NIC is now commencing its first full year of production and 60% ownership, for which we are forecasting strong earnings and free cash flow growth.

Investment thesis –Buy retained, TP \$1.14/sh (from \$1.20/sh)

We have made a number of changes to our NIC valuation to reflect current market conditions. This includes incorporating a lower AUD:USD and lower nickel price for 1HCY20. Furthermore, in line with the rest of our Resources sector coverage, reflecting higher market risk premiums, we have increased the discount rate applied to our NPV-based valuation of NIC from 12% to 14% (nominal). The lower Ni price reduces our forecast CY20 attributable earnings by 22% in US\$ terms. The lower exchange rate slightly offsets this for a 20% cut in A\$ EPS. CY21 and CY22 earnings estimates are effectively unchanged. Our NPV-based target price is lowered 5%, from our previous target price of \$1.20, to \$1.14/sh. We retain our Buy recommendation.

Earnings Forecast

Year ending 31 December	2019a*	2020e	2021e	2022e
Sales (US\$m)	236	585	699	658
EBITDA (US\$m)	97	246	358	340
Attributable NPAT (reported) (US\$m)	57	131	202	201
Attributable NPAT (reported) (A\$m)	83	193	285	275
EPS (adjusted) (Acps)	4.4	12.0	17.1	16.5
EPS growth (%)	46%	74%	42%	-3%
PER (x) ¹	4.2	3.5	2.5	2.6
FCF Yield (%) ¹	6%	67%	68%	66%
EV/EBITDA (x) ¹	4.6	1.8	1.3	1.3
Dividend (Acps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%) ¹	49%	51%	51%	38%

SOURCE: BELL POTTER SECURITIES ESTIMATES *Transitional 6 month period to Dec-19. Change of Financial Year end from June to December
1: Metrics annualised for 6 month period to Dec-19

Profitability proven

2HCY19 financial result – change of financial year end

NIC reported a set of transitional financial results and Annual Report for the six months to 31 December 2019. NIC has also changed its financial year-end to December, to align reporting across the various NIC Group entities. NIC announced Revenues of US\$236.1m (vs BPe \$258.3m), EBITDA of US\$97.1m (vs BPe \$100.1m), consolidated NPAT of US\$91.3m (vs BPe \$89m) and attributable NPAT of US\$56.5m (vs BPe US\$49.6m).

This translates to attributable EPS of US3.5cps (A5.0cps) and a current P/E of 4.2x (annualised). NIC ended CY19 with cash of US\$49.8m and gross debt of US\$65.0m for net debt of US\$15.2m (from net cash of \$44.8m at end June). During the period NIC drew down US\$80m of debt as partial consideration to lift its interest in the Ranger NPI lines from 17% to 60%. US\$15m of this was also repaid. No dividend was declared.

Table 1 - NIC Financial result summary

Financials (Consolidated basis)	Jun-19 Actual (12-months)	Dec-19 Actual (6 months)	Dec-19 BPe (6 months)	Variance vs BPe	Variance vs pcp
Revenue (US\$m)	64.9	236.1	258.3	-9%	264%
EBITDA (US\$m)	20.4	97.2	100.7	-3%	375%
NPAT reported (US\$m)	71.8	91.3	89.6	2%	27%
NPAT underlying (US\$m)	7.2	49.1	50.0	-2%	581%
NPAT attributable (US\$m)	65.5	56.5	50.0	13%	-14%
EPS attributable (Ac/sh)	7.1	5.1	4.6	11%	-28%
Dividend (Ac/sh)	0.0	0.0	0.0	na	na
Free cash flow (US\$m)	-136.50	14.44	-44.0	-133%	-111%
Cash balance (US\$m)	49.0	49.8	48.4	3%	2%
Debt (US\$m)	4.2	65.0	65.0	0%	1455%
Production, costs, prices					
Ni in NPI (t, Consolidated)	5,788	20,988	20,988	0%	263%
Ni in NPI (t, Attributable)	3,339	11,742	11,742	0%	252%
AIC (US\$/t)	\$8,125	\$7,689	\$7,689	0%	-5%
Nickel price (US\$/t)	\$12,343	\$15,483	\$15,483	0%	25%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key takeaways

The successful production ramp-up, which was ahead of schedule, on budget and delivered below-forecast operating costs was well documented in quarterly production reports. This is the first set of financial statements covering a significant period of both full production and 60% ownership. We view it as a strong positive milestone that excellent profitability and growing cash flows have been demonstrated. For 2HCY19 we measure an EBITDA margin of 41% and ROE of 49%. Operating cash flow of \$38m trailed EBITDA of \$97m as inventories and working capital balances built on long payment terms – but they will stabilise in the coming periods and still grew off low bases, as targeted.

We also point out that this financial performance was generated from attributable production of just 11.7kt Ni in NPI and that production is set to more than double in CY20 (60%-ownership basis). NIC continues to trade on a relatively low CY20 P/E of just 3.5x – in our view an attractive metric for what is in many respects a high growth industrial story.

Changes to our forecasts

Beyond updating our forecasts for the transitional financial resulted for the six months to December 2019, we have made the following changes to our modelled assumptions:

- Updated our nickel price and foreign exchange assumptions, which incorporate a lower AUD:USD and lower nickel price for 1HCY20;
- In line with the rest of our Resources sector coverage, and reflecting higher market risk premiums, we have increased the discount rate applied to our NPV-based valuation of NIC from 12% to 14% (nominal); and
- Rolled our model forward.

We have also re-stated our “previous” forecasts to reflect NIC’s transition to a December year-end. As such our “previous” valuations and price target do not match our last published numbers due to the DCF model periods now capturing different levels of CAPEX, production and cash flow. The net impact of these changes are summarised in the re-stated comparable table below:

Table 2 - Changes to our CY forecasts									
Year end 30 September	Previous			New			Change		
	Dec-20	Dec-21	Dec-22	Dec-20	Dec-21	Dec-22	Dec-20	Dec-21	Dec-22
Prices & currency									
Nickel price (US\$/t)	16,204	16,865	17,416	14,550	16,865	17,416	-10%	0%	0%
US\$/A\$	0.70	0.71	0.73	0.68	0.71	0.73	-3%	0%	0%
Production & costs									
Ore mined (t)	1,380,000	1,560,000	1,560,000	1,380,000	1,560,000	1,560,000	0%	0%	0%
Nickel in ore (t)	24,840	28,080	28,080	24,840	28,080	28,080	0%	0%	0%
RKEF NPI production (t)	304,615	304,615	304,615	304,615	304,615	304,615	0%	0%	0%
Contained nickel (t)	40,362	39,600	36,554	40,362	39,600	36,554	0%	0%	0%
Contained nickel (t, attributable)	24,217	23,760	21,932	24,217	23,760	21,932	0%	0%	0%
Cash costs (US\$/t Ni)	7,706	7,873	8,066	7,706	7,873	8,066	0%	0%	0%
Earnings & valuation									
Revenue (consolidated, US\$m)	648	699	658	585	699	658	-10%	0%	0%
Revenue (attributable, US\$m)	392	419	398	354	419	398	-10%	0%	0%
EBITDA (attributable, US\$m)	186	214	205	148	214	205	-21%	0%	0%
NPAT (reported, attributable, US\$m)	168	203	202	131	202	201	-22%	0%	0%
EPS (reported) (Acps)	15	17	17	12	17	17	-20%	1%	0%
PER (x)	2.8	2.5	2.6	3.5	2.5	2.6	0.7	(0.0)	0.0
EPS growth (%)	112%	13%	-2%	74%	42%	-3%	-38%	29%	-1%
DPS (Acps)	-	-	-	-	-	-	na	na	na
Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
NPV (A\$/sh)	1.35	1.48	1.59	1.14	1.29	1.41	-15%	-12%	-12%
Price Target (A\$/sh)	1.35			1.14			-16%		

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

After re-stating our previous forecasts on a December year-end basis, the lower Ni price reduces our forecast CY20 attributable earnings by 22% in US\$ terms. The lower exchange rate slightly offsets this for a 20% cut in A\$ EPS. CY21 and CY22 earnings estimates are unchanged. Due to the long-life nature of the asset, CY20 changes have a minimal impact on our valuation (~-A5cps).

The bulk of our like-for-like valuation reduction comes from the application of the higher discount rate. Our NPV-based target price is lowered 16%, to \$1.14/sh, from our re-stated FY20 (December year-end) valuation of \$1.35/sh. Compared to our previous price target of \$1.20/sh (based on FY20 ending June), it is a 5% reduction.

NIC continues to trade on a relatively low FY20 P/E of just 3.5x – in our view good value for what is in many respects a high growth industrial story.

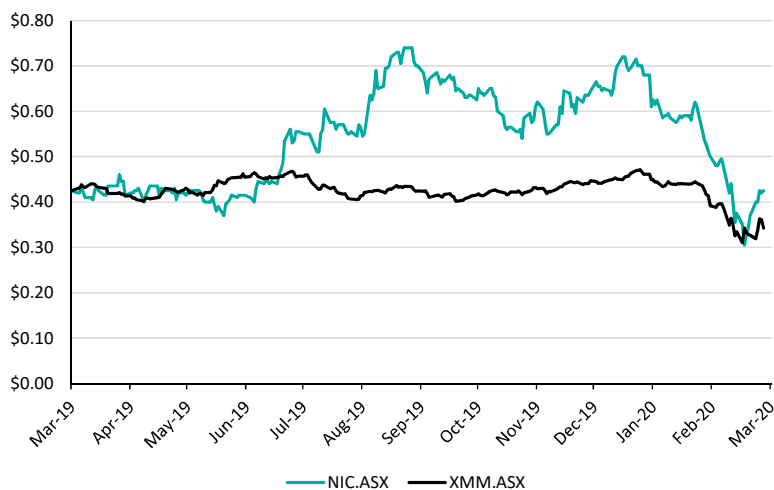
Upcoming catalysts

Upcoming catalysts for NIC include:

- Ongoing production updates from the Hengjaya and Ranger Nickel RKEF lines. Both projects have now achieved full production above nameplate and ongoing updates will reinforce the sustainability of these production levels;
- Updates on Ni in NPI pricing and payabilities, following the reporting of lower than expected rates in the December 2019 quarter;
- The release of NIC's March 2020 quarterly production and cost report, expected in late April 2020;
- Indications on the timing of the acquisition of a further 20% interest (to lift ownership to 80%) in the Hengjaya and Ranger projects;
- Progress on the potential mining and sale of limonite ore from the Hengjaya Mine to the proposed High Pressure Acid Leach (HPAL) project at the IMIP; and
- Updates on the ownership levels of the 80%-owned Hengjaya Mine, which is subject to Indonesia's compulsory divestment laws.

NIC vs the ASX Metals and Mining Index

Figure 1 - NIC relative share price performance vs ASX Metals and Mining Index (XMM)



SOURCE: IRESS

Nickel Mines Limited (NIC)

Company description: fully integrated NPI producer

Nickel Mines Limited ('Nickel Mines' or 'NIC') is a newly listed ASX company, formed in 2007. Its operations are focused in Central Sulawesi, Indonesia, where it holds a 60% interest two Rotary Kiln Electric Furnace (RKEF) lines (the Hengjaya lines) and a 17% interest in a further two RKEF lines (the Ranger lines) with Shanghai Decent Investments (SDI) a subsidiary of Tsingshan Group, the world's largest stainless steel producer. The RKEF lines are located in an existing, fully integrated stainless steel production facility, the Indonesian Morowali Industrial Park (IMIP), in Central Sulawesi, Indonesia. First production from the Hengjaya Lines was achieved on 31 January 2019 and these exceeded their nameplate production run-rate of 16ktpa nickel in NPI (100% basis) during the September quarter 2019. The Ranger Lines commenced production during the September quarter 2019.

NIC also holds an 80% interest in Hengjaya Mine ('HM'), a high-grade, long-life nickel laterite deposit, also in Central Sulawesi in close proximity to the IMIP. The balance of the asset is owned by NIC's local Indonesian partner. The HM produces Direct Shipping Ore (DSO), the bulk of which is sold into the IMIP facility for the production of Nickel Pig Iron (NPI), a key input into stainless steel production.

Investment thesis –Buy retained, TP \$1.14/sh (from \$1.20/sh)

We have made a number of changes to our NIC valuation to reflect current market conditions. This includes incorporating a lower AUD:USD and lower nickel price for 1HCY20. Furthermore, in line with the rest of our Resources sector coverage, reflecting higher market risk premiums, we have increased the discount rate applied to our NPV-based valuation of NIC from 12% to 14% (nominal). The lower Ni price reduces our forecast CY20 attributable earnings by 22% in US\$ terms. The lower exchange rate slightly offsets this for a 20% cut in A\$ EPS. CY21 and CY22 earnings estimates are effectively unchanged. Our NPV-based target price is lowered 5%, from our previous target price of \$1.20, to \$1.14/sh. We retain our Buy recommendation.

Valuation: \$1.14/sh

Our 12-month forward NIC valuation incorporates DCF models of its attributable interests in the Hengjaya laterite nickel ore mine (HM), a 60% interest in the two Hengjaya Nickel RKEF lines and a 60% interest in the two Ranger Nickel RKEF lines.

We have constructed a discounted cash flow (DCF) model for NIC's attributable interest in these RKEF lines that are in production at Tsingshan's IMIP facility and a DCF calculation for NIC's current 80% interest (declining to 49% from FY2023) in the Hengjaya laterite nickel ore mine.

We also include a notional value for exploration and development projects, an estimate of corporate overhead costs and NIC's last reported net debt position. Our valuation is calculated on a fully diluted basis. Following the latest update, our valuation stands at \$1.14/sh.

Risks

Key risks to our investment case include (but are not limited to):

- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies. NIC's assets are located in Sulawesi, Indonesia, which has in the past implemented regulatory changes related to mining project ownership, fiscal terms and mineral export requirements.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating. NIC's assets are in Indonesia, a G20 country with one of the largest economies in SE Asia. Its sovereign debt is rated investment grade by the major ratings agencies.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions. NIC is the junior partner co-investing in production assets with a large, privately owned Chinese company. The strength and cohesiveness of this relationship over the long term has the potential to both add and reduce value to the partnership. One of the key mitigating factors in this respect has been the investment of a combined US\$50m by SDI and Wanlu Investments (US\$26m and US\$24m respectively) into NIC equity.

Table 3 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e	Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
Revenue	US\$m	64.9	236.1	584.6	699.2	658.1	VALUATION						
Expense	US\$m	(44.5)	(138.9)	(338.5)	(341.5)	(317.9)	Attributable NPAT	US\$m	65.5	56.5	130.6	202.5	201.1
EBITDA	US\$m	20.4	97.2	246.1	357.7	340.2	Attributable NPAT	A\$m	91.6	82.5	193.4	285.2	275.5
Depreciation	US\$m	(6.8)	(16.4)	(18.6)	(18.6)	(16.8)	Reported EPS	Ac/sh	6.9	5.1	12.0	17.1	16.5
EBIT	US\$m	13.6	80.8	227.5	339.1	323.4	Adjusted EPS	Ac/sh	0.9	4.4	12.0	17.1	16.5
Net interest expense	US\$m	0.2	(2.1)	(4.3)	1.9	8.5	EPS growth	%	nm	46%	74%	42%	-3%
Unrealised gains (Impairments)	US\$m	57.3	7.4	-	-	-	PER ¹	x	6.1x	4.2x	3.5x	2.5x	2.6x
Other	US\$m	0.7	5.4	-	-	-	DPS	Ac/sh	-	-	-	-	-
PBT	US\$m	71.9	91.5	223.2	341.0	332.0	Franking	%	0%	0%	0%	0%	0%
Tax expense	US\$m	(0.1)	(0.2)	(2.1)	(3.5)	(2.7)	Yield	%	0%	0%	0%	0%	0%
Consolidated profit (loss) for the year	US\$m	71.8	91.3	221.1	337.5	329.2	FCF/share ¹	Ac/sh	(14.4)	2.6	28.5	29.1	28.0
Non-Controlling Interest	US\$m	6.3	34.8	90.6	135.0	128.1	FCF yield ¹	%	-34%	6%	67%	68%	68%
Attributable NPAT (reported)	US\$m	65.5	56.5	130.6	202.5	201.1	P/FCFPS ¹	x	-2.9x	16.4x	1.5x	1.5x	1.5x
NPAT (underlying)	US\$m	8.2	49.1	130.6	202.5	201.1	EV/EBITDA ¹	x	22.1x	4.6x	1.8x	1.3x	1.3x
							EBITDA margin	%	31%	41%	42%	51%	52%
							EBIT margin	%	21%	34%	39%	48%	49%
							Return on assets ¹	%	23%	26%	27%	29%	25%
							Return on equity ¹	%	37%	49%	51%	51%	38%
							LIQUIDITY & LEVERAGE						
							Net debt (cash)	\$m	(45)	15	(202)	(414)	(629)
							ND / E	%	-14%	4%	-36%	-54%	-65%
							ND / (ND + E)	%	-17%	3%	-57%	-120%	-189%
							EBITDA / Interest	x	nm	46.1x	57.2x	nm	nm
							ATTRIBUTABLE DATA - NICKEL MINES LTD						
							Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
							Revenues	US\$m	52.0	156.1	353.6	419.3	398.5
							EBITDA	US\$m	13.5	57.1	147.6	213.9	204.8
							NPAT	US\$m	65.5	56.5	130.6	202.5	201.1
							Net distributable cash flow	US\$m	44.4	1.0	199.0	172.4	173.7
							EV/EBITDA	x	38.8	8.8	3.4	2.4	2.6
							PER	x	6.1	8.4	3.5	2.5	2.6
							P/FCF	x	nm	nm	nm	2.9	3.0
							ORE RESERVE AND MINERAL RESOURCE						
							Hengjaya Nickel Mine (HM)				Mdmt	% Ni	t Ni
							Mineral Resources						
							Measured				0.700	1.80%	12,600
							Indicated				15,000	1.90%	285,000
							Inferred				22,000	1.80%	396,000
							Total				38,000	1.80%	678,000
							ASSUMPTIONS - Prices						
							Year ending 31 Dec. (from 2020) avg	Unit	2019a	2019a*	2020e	2021e	2022e
							Nickel	US\$/lb	\$5.60	\$7.02	\$6.60	\$7.65	\$7.90
							Nickel	US\$/t	\$12,343	\$15,483	\$14,550	\$16,865	\$17,416
							Currency						
							AUD:USD		0.72	0.68	0.68	0.71	0.73
							ASSUMPTIONS - Production & costs						
							Year ending 31 Dec. (from 2020)	Unit	2019a	2019a*	2020e	2021e	2022e
							Hengjaya Mine						
							Ore mined	wmt	484,268	428,382	1,380,000	1,560,000	1,560,000
							Ore grade	% Ni	2.0%	1.9%	1.8%	1.8%	1.8%
							Nickel in ore	t Ni	5,977	8,178	24,840	28,080	28,080
							Nickel in ore (attributable)	t Ni	4,782	6,542	16,909	16,708	14,742
							RKEF (IMIP)						
							NPI production	t	42,106	152,408	304,615	304,615	304,615
							Contained nickel	t Ni	5,788	20,988	40,362	39,600	36,554
							Contained nickel (attributable)	t Ni	3,339	11,742	24,217	23,760	21,932
							Costs						
							Cash costs	US\$/t Ni	\$7,710	\$7,689	\$7,706	\$7,873	\$8,066
							All-in-Costs (AIC)	US\$/t Ni	\$8,125	\$7,804	\$7,826	\$7,998	\$8,205
							VALUATION						
							Ordinary shares (m)						1,665.5
							Options in the money (m)						-
							Total shares diluted (m)						1,665.5
							Valuation						
							Sum-of-the-parts	Now	+12 months	+24 mths			
							RKEF (NPV12)	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
							Hengjaya Mine (NPV12)	1,408.9	0.85	1,631.9	0.98	1,673.9	1.01
							Other exploration	51.2	0.03	59.0	0.04	61.6	0.04
							Corporate overheads	25.0	0.02	25.0	0.02	25.0	0.02
							Subtotal (EV)	(17.6)	(0.01)	(18.6)	(0.01)	(18.8)	(0.01)
							Net cash (debt)	1,467.5	0.88	1,697.3	1.02	1,741.7	1.05
							Total (undiluted)	(24.7)	(0.01)	201.6	0.12	414.5	0.25
							Dilutive effect of options	1,442.9	0.87	1,898.9	1.14	2,156.2	1.29
							Add cash from options	-	-	-	-	-	-
							Total (diluted)	-	-	-	-	-	-
								1,442.9	0.87	1,898.9	1.14	2,156.2	1.29
							MAJOR SHAREHOLDERS						
							Shareholder				%	m	
							Shanghai Decent (SDI)				18.1%	301.7	
							Shanghai Wanlu				7.3%	121.3	
							BlackRock Investment Management				8.3%	138.6	
							Directors and Management				8.3%	137.9	
							Regal FM				7.1%	118.0	

*Transitional 6 month period to Dec-19. Change of Financial Year end from June to December
¹ Metrics annualised for 6 month period to Dec-19

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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