

Widgie Nickel Ltd

(WIN \$0.22) Speculative Buy - Initiation of Coverage

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	1 st November 2021	\$0.36/sh

Developer with significant leverage to nickel prices

Investment case

WIN offers a large nickel endowment close to the Kambalda concentrator with low restart capex. If infill drilling can demonstrate a high grade mining inventory, even a small one, the stock will re-rate quickly. It is also an excellent call option on rising nickel prices given it already has a large resource. It is very well funded (\$23m) for the infill and extensional drilling program. Speculative Buy.

The Mt Edwards nickel projects are located south of Kambalda. Some projects have previously been mined, with the most recent mining finishing around the GFC. The BHP Kambalda concentrator is located approximately 40km to the north east of the Mt Edwards Project.

Realistic combined recovery and payability assumption at the global resource head grade are likely too low (after dilution) to make the project viable on our base case nickel prices. There are strong indications the deposit can be high-graded using higher cut-offs (there are some high grade intercepts and almost all of the global resource cutoff is 1% Ni). We believe WIN needs to demonstrate a mineable inventory with a head grade 1.7 - 2.5% Ni. The inventory can be small given the location and current infrastructure, but the grade needs to cover the concentrator offtake the terms.

We run a speculative model assuming a 1.75% Ni grade and -56% payability & recovery and a mining inventory of 4mt. This is enough to be viable at our base nickel prices, and at spot nickel prices the economics (on our speculative assumptions) are very strong. At higher nickel prices, the project has potential to generate very meaningful cash flow. Our model assumptions are highly speculative, and the Company needs to demonstrate a higher grade mining inventory through study work and drilling.

For example, recent high grade results at Munda (24m @ 3.2% Ni from 52m) remind of the potential.

Our modelling does not include the PGE potential or copper credits. Demonstrable PGE's and copper credits in the mineable deposits could lower our cost assumptions and increase our NPV and viability of the projects in lower nickel price scenarios;

We initiate with a Speculative Buy recommendation. We see substantial potential and the large endowment suggest WIN could be a meaningful nickel producer if it can de-risk and demonstrate a high grade reserve within the current large resource base.

Catalysts

- Nickel price
- Infill drilling of Widgie South
- Potential high grade results (e.g. Munda)
- Mine plan and approvals for Widgie South including modelling cut-off grades
- Negotiate new pricing terms with BHP for concentrator
- Restart Armstrong, Munda & 123N (in a high nickel price)

Widgie Nickel Ltd	Year End 30 June	
Share Price	0.22	A\$/sh
Price Target	0.36	A\$/sh
Valuation	0.24	A\$/sh
	npv (14.0%)	

Shares on issue	261m, diluted *	
Market Capitalisation	58	A\$m
Enterprise Value	35	A\$m
Debt (30 Sep 21a)	0	A\$m
Cash (30 Sep 21a)	23	A\$m
Largest Shareholder	David Reed	

Production F/Cast	2023F	2024F	2025F
mtpa conc.	0.00	0.20	0.40
Ktpa payable nickel	0.0	2.0	3.9
Cash Cost (A\$/t ore)	0	176	176
Cash Cost (US\$/lb)	0.00	6.04	6.03

Assumptions	2023F	2024F	2025F
Nickel Price	8.50	8.30	8.00
AUDUSD	0.74	0.74	0.74

Key Financials	2023F	2024F	2025F
Revenue (A\$m)	0	48	93
EBITDA (A\$m)	-3	13	23
NPAT (A\$m)	-2	8	13
Cashflow (A\$m)	-3	7	15

CFPS (Ac)	-1	2	4
P/CFPS (x)	-23	11	5

EPS (Ac)	-1	2	4
EPS growth (%)		-294%	73%
PER (x)	-20	10	6

EV:EBITDA (x)	-16.1	3.4	1.7
EV:EBIT (x)	-13.9	4.1	2.1

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	nm	nm	nm
Interest Cover (x)	nm	nm	nm

Disclaimer

Euroz Hartleys declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to WIN during the last year. Euroz Hartleys has received a fee for these services.

This analyst declares that he has a beneficial interest in WIN.

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Key Variables

Val/ Sh		US\$ Nickel (Payability = 56%)								
\$0.24		-20%	-15%	-10%	-5%	0%	5%	10%	20%	30%
AUDUSD	15%	\$0.00	\$0.02	\$0.06	\$0.11	\$0.14	\$0.18	\$0.21	\$0.27	\$0.33
	10%	\$0.01	\$0.05	\$0.10	\$0.14	\$0.17	\$0.21	\$0.24	\$0.30	\$0.37
	5%	\$0.04	\$0.09	\$0.13	\$0.17	\$0.21	\$0.24	\$0.27	\$0.34	\$0.41
	0%	\$0.08	\$0.13	\$0.17	\$0.20	\$0.24	\$0.27	\$0.31	\$0.38	\$0.45
	-5%	\$0.12	\$0.16	\$0.20	\$0.24	\$0.27	\$0.31	\$0.35	\$0.42	\$0.50
	-10%	\$0.16	\$0.20	\$0.24	\$0.28	\$0.32	\$0.36	\$0.39	\$0.47	\$0.55
	-15%	\$0.20	\$0.24	\$0.28	\$0.32	\$0.36	\$0.40	\$0.45	\$0.53	\$0.61

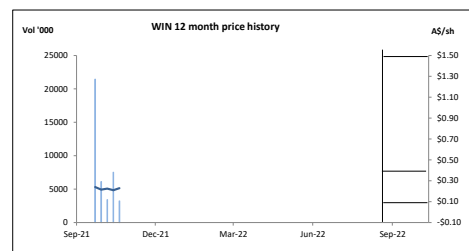
Val/ Sh		US\$/lb Nickel								
\$0.24		5.0	7.5	10.0	12.5	15.0	17.5	20.0	22.5	25.0
Payability= 56%		\$0.00	\$0.19	\$0.41	\$0.63	\$0.86	\$1.08	\$1.30	\$1.53	\$1.75

Val/ Sh		Combined Payability & Recovery								
\$0.24		45%	48%	50%	53%	56%	59%	62%	67%	73%
Ni = US\$8.0/lb		\$0.08	\$0.13	\$0.17	\$0.20	\$0.24	\$0.27	\$0.31	\$0.38	\$0.45

Val/ Sh		US\$ Nickel								
/lb		5.0	7.5	10.0	12.5	15.0	17.5	20.0	22.5	25.0
EV/EBITDA	/t	11,020	16,530	22,040	27,550	33,060	38,570	44,080	49,590	55,100
	1	nm	\$0.01	\$0.09	\$0.17	\$0.25	\$0.33	\$0.41	\$0.49	\$0.57
	2	nm	\$0.06	\$0.22	\$0.38	\$0.54	\$0.70	\$0.86	\$1.02	\$1.18
	3	nm	\$0.11	\$0.35	\$0.59	\$0.83	\$1.07	\$1.30	\$1.54	\$1.78
	4	nm	\$0.16	\$0.48	\$0.80	\$1.11	\$1.43	\$1.75	\$2.07	\$2.39
	5	nm	\$0.21	\$0.61	\$1.00	\$1.40	\$1.80	\$2.20	\$2.60	\$3.00
	6	nm	\$0.26	\$0.74	\$1.21	\$1.69	\$2.17	\$2.65	\$3.13	\$3.61
	7	nm	\$0.31	\$0.86	\$1.42	\$1.98	\$2.54	\$3.10	\$3.66	\$4.22

EH Forecast		FY'20	FY'21	FY'22	FY'23	FY'24	FY'25
Nickel Price US\$/lb		8.0	5.7	8.8	8.5	8.3	8.0
AUDUSD		0.74	0.75	0.74	0.74	0.74	0.74

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.24/sh
Target Price - \$0.36/shr

Bull Scenario - \$1.50/sh
 Very high nickel prices

Base Scenario - \$0.36/sh
 Risk weighted scenarios .

Bear Scenario - \$0.09/sh
 Cash backing

Company Summary

The nickel endowment plus low capex (we speculative in order of \$25m) potential production, combined with exploration potential make WIN very attractive, in our view;

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics		Year End 30 June	
Share Price	\$0.223	Directors	
Issued Capital	250.0m	Andrew Parker	NE Chair
Options	10.7m	Steve Norregaard	MD
Issued Capital	260.7m	Felicity Repacholi-Muir	NED
- fully diluted inc. all options		Scott Perry	NED
Issued Capital	349.7m		
- fully diluted inc. all options & new capital		Subs. Shareholders	
Market Capitalisation	A\$56m	David Reed	7.0%
- ordinary		Zero Nominees	5.7%
Market Capitalisation	A\$58m		
- fully diluted			
Enterprise Value	A\$33m		
Debt	A\$0m		
Cash	A\$23m		

Asset Valuation	A\$m	A\$/sh
100% Widgie (pre-tax NAV at disc. rate of 14%)	47	0.13
Other Exploration	44	0.13
Forwards	0	0.00
Corporate Overheads	-36	-0.10
Net Cash (Debt)	24	0.07
Tax (NPV future liability)	-16	-0.05
Options & Other Equity	20	0.06
Hedging	0	0.00
Total	82	0.24

Production Unit		2024F	2025F
Ore Mined	Mt pa	0.20	0.40
Grade	%	1.8%	1.8%
Produced Metal Ni	Kt	3.0	6.0
Payable metal Ni	Kt	2.0	3.9
Combined payability + recovery	%	56%	56%
Cost per milled tonne	\$A/t	176	176
EBITDA / tonne milled ore	\$A/t	66	57
Cash Cost inc Royalty + cred	\$US/lb Ni eq	6.0	6.0
Modelled mining inventory	Mt	3.9	3.5
Modelled mining inventory	%	1.8%	1.8%

Ratio Analysis (A\$m)	2022F	2023F	2024F	2025F
Cashflow Per Share	-1.2	-1.0	2.2	4.5
Cashflow Multiple	-20.9	-23.3	11.1	5.4
Earnings Per Share	-1.2	-1.2	2.3	4.0
Price to Earnings Ratio	-20.0	-20.1	10.3	6.0
Dividends Per Share	-	-	-	-
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Payout Ratio	0.0%	0.0%	0.0%	0.0%
Net Debt / ND + Equity	-191%	-167%	-73%	-64%
Interest Cover	-	-	-	-
Return on Equity	na	na	10%	15%

Profit and Loss (A\$m)	2022F	2023F	2024F	2025F
Net Revenue	0.0	0.0	48.5	93.4
Total Costs	-3.0	-3.0	-35.3	-70.4
EBITDA	-3.0	-3.0	13.2	23.0
- margin	-	-	27%	25%
Depreciation/Amort	0.0	-0.5	-2.1	-3.8
EBIT	-3.0	-3.5	11.1	19.2
Net Interest	0.0	0.0	0.0	0.0
Norm. Pre-Tax Profit	-3.0	-3.5	11.1	19.2
Reported Tax Expense	0.0	0.0	-3.3	-5.8
Normalised NPAT	-2.1	-2.4	7.7	13.5
Abnormal / Exploration	-0.9	-1.0	0.0	0.0
Reported Profit	-3.0	-3.5	7.7	13.5
Minority	0.0	0.0	0.0	0.0
Profit Attrib	-3.0	-3.5	7.7	13.5

Cash Flow (A\$m)	2022F	2023F	2024F	2025F
EBITDA	-3.0	-3.0	13.2	23.0
Chg working cap	0.1	0.0	-2.7	-2.3
Operating Cashflow	-2.9	-3.0	10.5	20.7
Income Tax Paid	0.0	0.0	-3.3	-5.8
Interest & Other	0.0	0.0	0.0	0.0
Operating Activities	-2.9	-3.0	7.2	15.0
Property, Plant & Equip.	0.0	-15.0	-18.0	-12.0
Exploration and Devel.	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Investment Activities	0.0	-15.0	-18.0	-12.0
Borrowings	0.0	19.8	0.0	0.0
Equity	0.0	19.8	0.3	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Financing Activities	0.0	39.6	0.3	0.0
Net Cashflow	-2.9	21.6	-10.5	3.0

Balance Sheet (A\$m)	2022F	2023F	2024F	2025F
Cash	20.8	42.4	31.9	34.9
Other Current Assets	0.1	0.1	5.4	10.6
Total Current Assets	21.0	42.6	37.4	45.5
Property, Plant & Equip.	0.0	14.5	30.4	38.7
Exploration	0.0	0.0	0.0	0.0
Investments/other	11.1	11.1	11.1	11.1
Tot Non-Curr. Assets	11.0	25.6	41.5	49.7
Total Assets	32.0	68.1	78.8	95.2
Short Term Borrowings	0.0	0.0	0.0	0.0
Other	0.2	0.2	2.9	5.8
Total Curr. Liabilities	0.2	0.2	2.9	5.8
Long Term Borrowings	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total Non-Curr. Liabil.	0.0	0.0	0.0	0.0
Total Liabilities	0.2	0.2	2.9	5.8
Net Assets	31.8	67.9	75.9	89.4
Net Debt	-20.8	-42.4	-31.9	-34.9

Reserves & Resources	Mt	Ni	Cu	PGE	Ni kt
Resources					
Mt Edwards	10.2	1.6%	nm	n/a	162.6
- Widgie South	4.4	1.6%	nm	n/a	68.7
Widgie 3	0.6	1.5%	nm	n/a	9.4
Gillett	1.3	1.7%	nm	n/a	22.2
Widgie Townsite	2.5	1.5%	nm	n/a	37.1
- Widgie North	5.8	1.6%	nm	n/a	93.8
Reserves	none				

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Deposit	Indicated		Inferred		Total Mineral Resources		
	Tonnes (kt)	Grade (% Ni)	Tonnes (kt)	Grade (% Ni)	Tonnes (kt)	Grade (% Ni)	Contained (t Ni)
Widgie 3 ³ , 12	-	-	626	1.5	626	1.5	9,160
Gillett ⁶	-	-	1,306	1.7	1,306	1.7	22,500
Widgie Townsite ¹⁰	1,183	1.7	1,293	1.5	2,476	1.6	39,300
Munda ⁴	-	-	320	2.2	320	2.2	7,140
Mt Edwards 26N ¹¹	-	-	871	1.4	871	1.4	12,400
132N ⁷	34	2.9	426	1.9	460	2.0	9,050
Cooke ² , 12	-	-	154	1.3	154	1.3	2,000
Armstrong ⁵	526	2.1	107	2.0	633	2.1	13,200
McEwen ⁹	-	-	1,133	1.4	1,133	1.4	15,340
McEwen Hangingwall ⁹	-	-	1,916	1.4	1,916	1.4	26,110
Zabel ⁸ , 9	272	1.9	53	2.0	325	2.0	6,360
Total	2,015	1.9	8,205	1.5	10,220	1.6	162,560

Notes:

1. Mineral Resources quoted using a 1% Ni block cut-off grade, except Munda at 1.5% Ni. Small discrepancies may occur due to rounding.
2. Refer to Neometals' ASX announcement dated 19 April 2018 titled 'Mt Edwards JORC Code (2012 Edition) Mineral Resource 48,200 Nickel Tonnes'.
3. Refer to Neometals' ASX announcement dated 25 June 2018 titled 'Mt Edwards Project Mineral Resource Over 120,000 Nickel Tonnes'.
4. Refer to Neometals' ASX announcement dated 13 November 2019 titled 'Additional Nickel Mineral Resource at Mt Edwards'.
5. Refer to Neometals' ASX announcement dated 16 April 2020 titled '60% Increase in Armstrong Mineral Resource'.
6. Refer to Neometals' ASX announcement dated 26 May 2020 titled 'Increase in Mt Edwards Nickel Mineral Resource'.
7. Refer to Neometals' ASX announcement dated 6 October 2020 titled '132 Nickel Mineral Resource and Exploration Update at Mt Edwards'.
8. Refer to Neometals' ASX announcement dated 23 December 2020 titled 'Zabel Nickel Mineral Resource Update at Mt Edwards'.
9. Refer to Neometals' ASX announcement dated 29 June 2021 titled 'McEwen Resources at Mt Edwards Increase 45% to 41.5kt Contained Nickel'.
10. Refer to Neometals' ASX announcement dated 29 June 2021 titled 'Updated Widgie Townsite Nickel Mineral Resources at Mt Edwards'.
11. Refer to Neometals' ASX announcement dated 30 June 2021 titled 'Updated 26 North Resources at Mt Edwards Increase by 51%'.
12. Refer to Neometals' ASX announcement dated 7 July 2021 titled 'Review of Nickel Mineral Resources as Mt Edwards Complete'.

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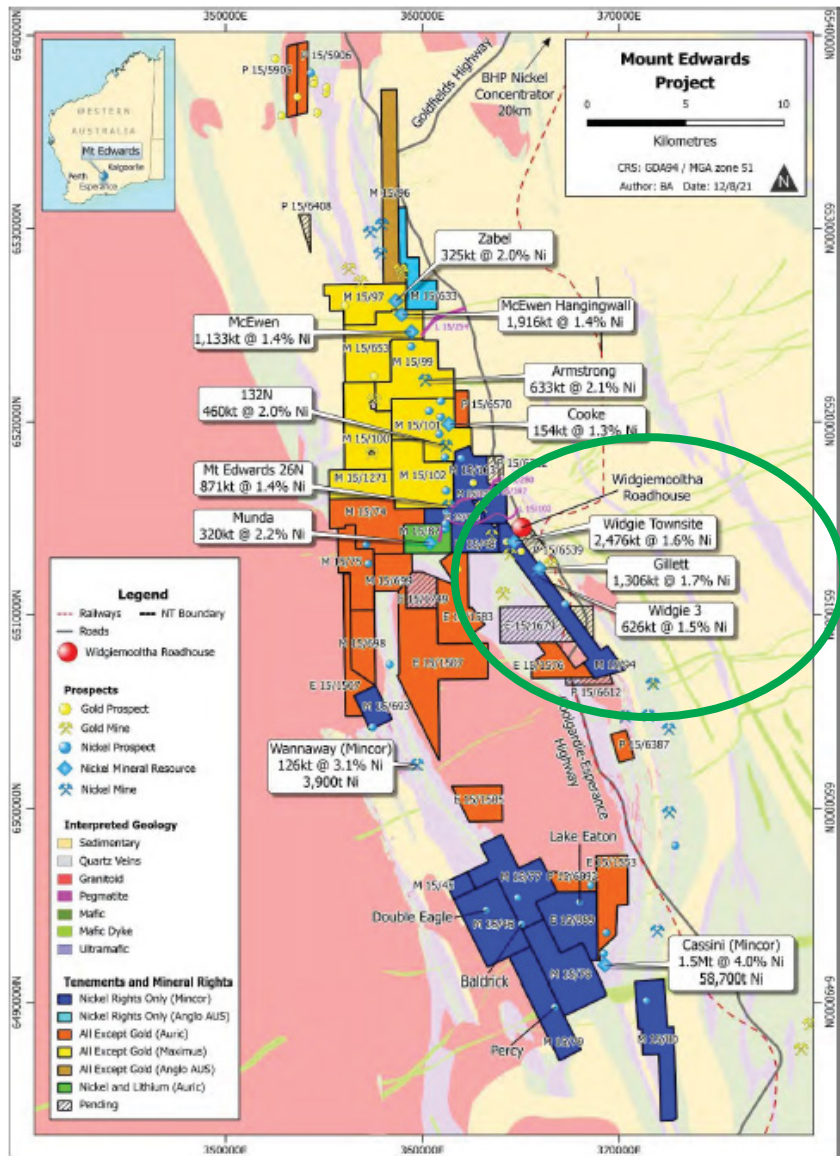
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Analysis

The Mt Edwards nickel projects are located south of Kambalda. We divide the project area into two - the South Widgie area (in green circle) which we view as more likely to be developed first, and the north widgie area that is likely to require higher nickel prices or some exploration success.



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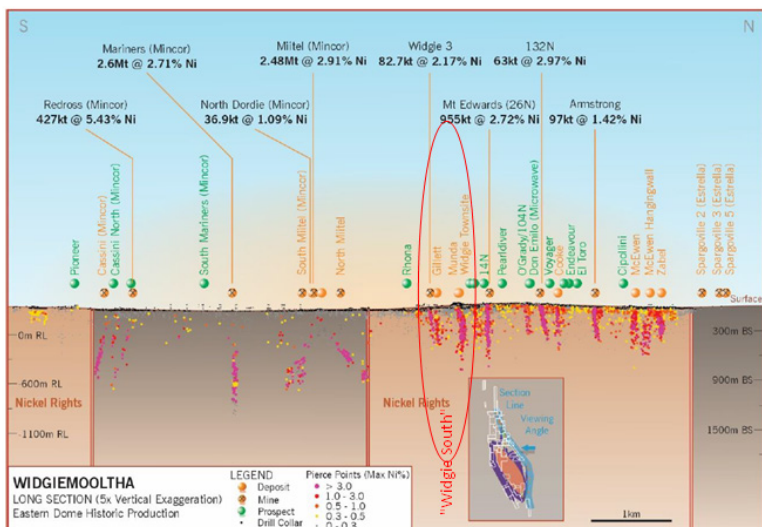
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WIDGIE SOUTH

Two of the three south widgie deposits (Widgie Townsite & Gillet) are greenfield deposits. The third deposit, Widgie 3, has been mined before as an open pit and shaft. We see potential to re-enter Widgie 3 and mine across to Gillet (Widgie Nickel retains nickel rights on the Gillet mining tenement which is held by MCR) and Townsite. In a good nickel price environment, potentially 400-500ktpa could be mined from this region. The current resource for the three deposits is already 4.4Mt @ 1.6% Ni. We hope to see the Company demonstrate the deposits can be extended and high graded.

Long Section showing location of Widgie South



Source: WIN

Widgie South



Source: WIN

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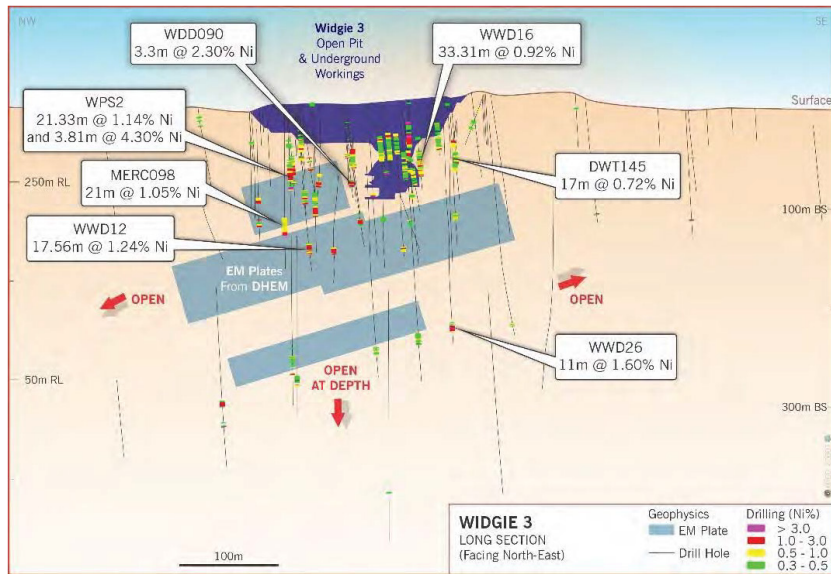
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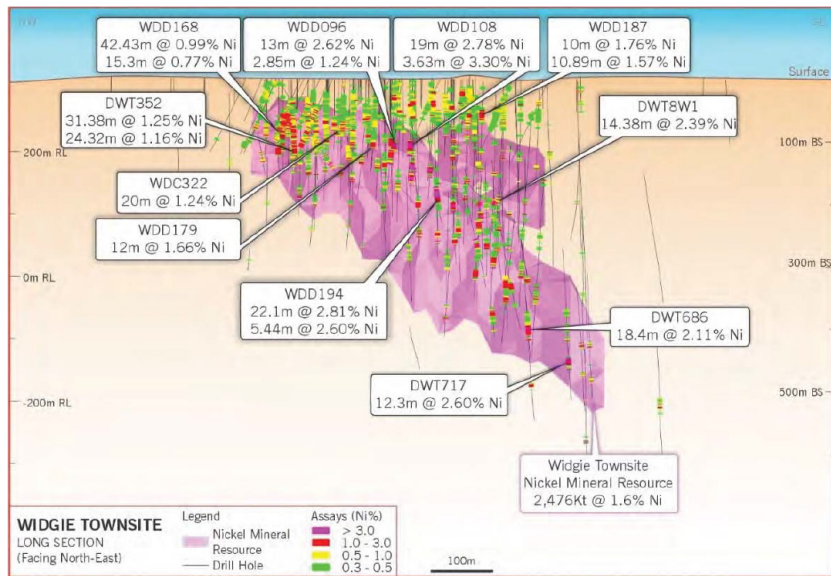


Widgie South - Widgie 3



Source: WIN

Widgie South - Widgie Townsite



Source: WIN

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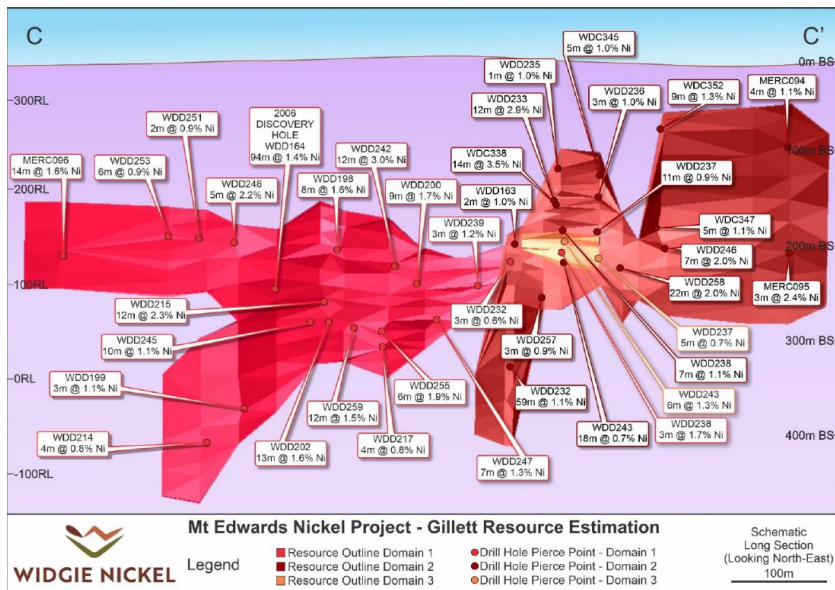
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Widgie South - Gillet

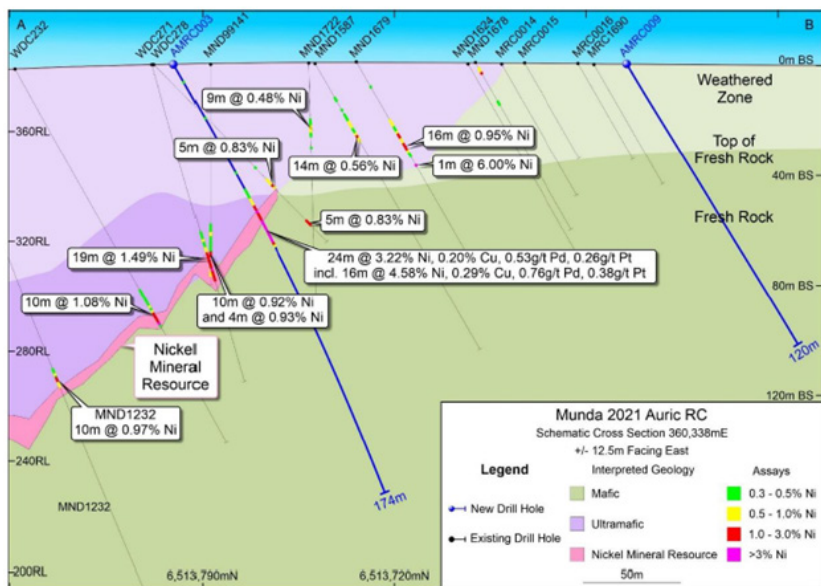


Source: WIN

MUNDA REMINDS THIS IS A HIGH GRADE MINING AREA

The Munda deposit has an inferred resource of 320kt at 2.2% Ni. However, recently intercepted results have highlighted a large (possibly open pit mineable) pod. This is a reminder of the fertile host rocks and potential that infill drilling across the whole land package turns up high grade (ie low cost) mineable inventory outside the known resources. We don't incorporate the potential in our base model, but higher grade inventory would completely de-risk the operation (as well as increasing valuation).

Munda showing signs of high grade



Source: WIN

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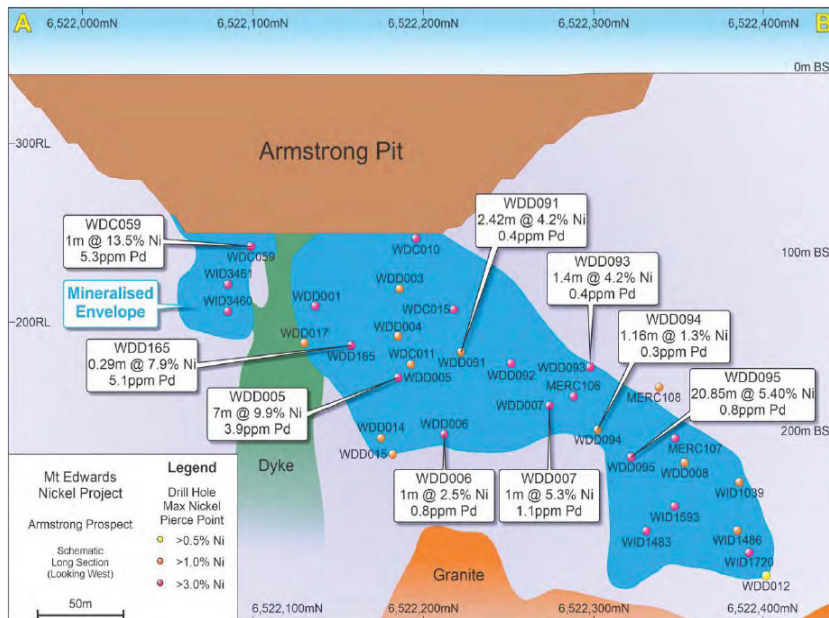
WIDGIE NORTH

The Widgie North deposits have been more extensively mined, and are likely to be higher cost to bring back into production. The Armstrong, Munda & 123N deposits have potential to be higher grade feed once the Widgie South base feed is in production.

The Armstrong deposit (526kt @ 2.1% Ni) is on care and maintenance, and hence could be brought into production very quickly in a high nickel price environment. Volumes would likely be small, but in a high nickel price it could generate in the order of \$5-10m pa.

The Armstrong Project was briefly mined in 2004. The project was placed on care and maintenance in December 2004 but recommenced in 2007 under new ownership, with open pit mining ceasing early in 2008. This, along with the open pit mining at 132 North, was the most recent mining activity at the Mt Edwards Project under the ownership of Consolidated Minerals Limited with mining ending in April 2008.

Widgie North - Armstrong



Source: WIN

INDUSTRY EXPOSURE

Widgie is exposed to the nickel industry. Historically, Kambalda nickel has been used in the stainless steel industry, but more recently BHP is producing nickel sulphate for the lithium battery industry. Today, 85% of BHP's nickel is sold to battery materials suppliers. Consequently, Widgie is indirectly exposed to the EV industry.

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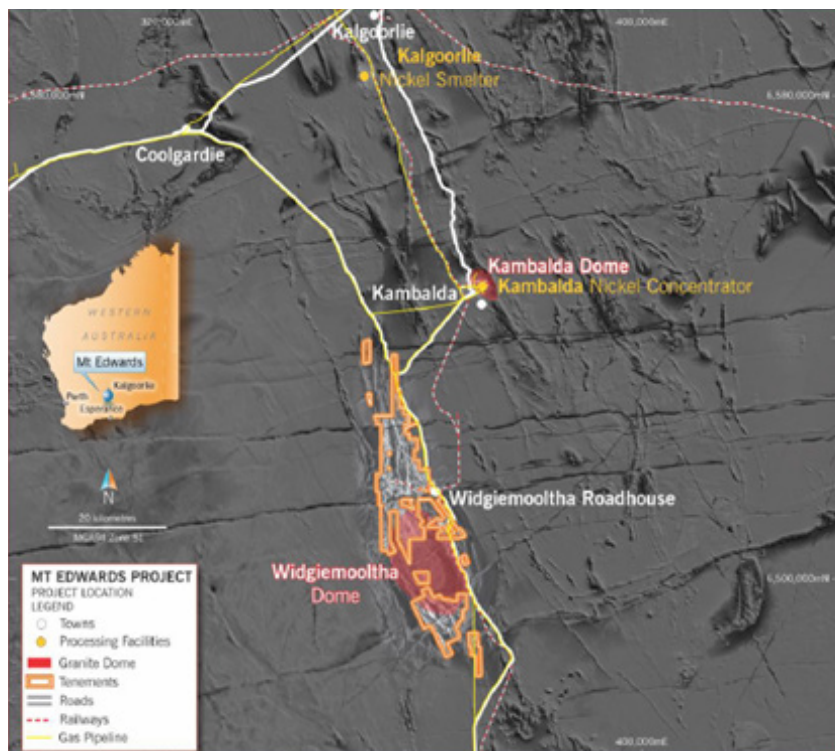
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GEOGRAPHIC EXPOSURE

The Mt Edwards project is located in Western Australia, south of Kalgoorlie.

Project Location



Source: WIN

PEERS AND COMPETITORS

The main current peer is MCR, which is starting the Cassini mine and will be processed through the Kambalda concentrator.

There are several other companies and projects that have used the Kambalda concentrator in the past. These include Lanfranchi (not operating), Long Mine (operating), Korora (gold operating, nickel restart) and MCR's Cassini (commissioning).

Below is a table of ASX listed nickel comparisons.

	Price	M Cap	Net Cash	EV	Resource	Reserve	Prod'n	EV:Rsc	EV:Rsv	EV/prod
	A\$/sh	A\$m	A\$m	A\$m	kt	kt	ktpa (FY22e)	A\$/t	A\$/t	A\$/'000/t
Widgie Nickel Ltd	WIN	\$ 0.22	57	23	34	163	0	209	na	na
Independence Group*	IGO	\$ 9.74	7,376	556	1,966	272	216	32	7,221	9,116
Nickel Mines Limited	NIC	\$ 1.05	2,641	20	2,621	2,212	0	41	1,185	na
Western Areas Ltd	WSA	\$ 3.05	981	151	830	922	249	16	901	3,330
Mincor Resources NL	MCR	\$ 1.38	671	107	564	196	71	4	2,874	7,922
Panoramic Resources	PAN	\$ 0.24	492	25	468	256	125	7	1,829	3,729
Legend Mining	LEG	\$ 0.07	188	31	157	0	0	0	na	na
Centaurus Metals	CTM	\$ 1.05	363	20	344	619	0	0	555	na
Poseidon Nickel Ltd	POS	\$ 0.09	280	30	250	459	42	0	545	5,931
Cannon Resources Ltd	CNR	\$ 0.61	52	4	48	87	0	0	547	na
Auroch Minerals Ltd	AOU	\$ 0.17	61	3	58	21	0	0	2,778	na
Lunnon Metals Ltd	LM8	\$ 0.40	57	12	45	39	0	0	1,157	na
Duketon Mining Ltd	DKM	\$ 0.40	47	26	21	118	0	0	179	na
Median All			322	25	297	226	0	1,157	5,931	63
Median companies with reserves								1,507		
Median companies with no reserves								555		

Source: EHL Estimates, Bloomberg Consensus

*EV Based exclusively on Nickel assets

**Production, Resources, & Reserves stated in respective equivalent metals unless stated otherwise

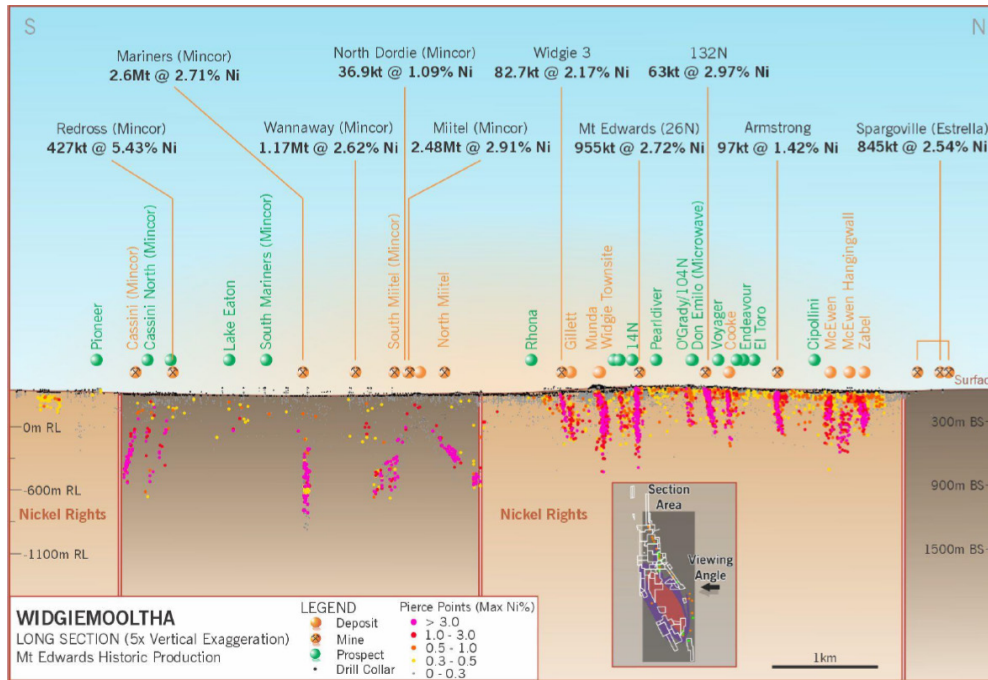
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Widgie Nickel Ltd

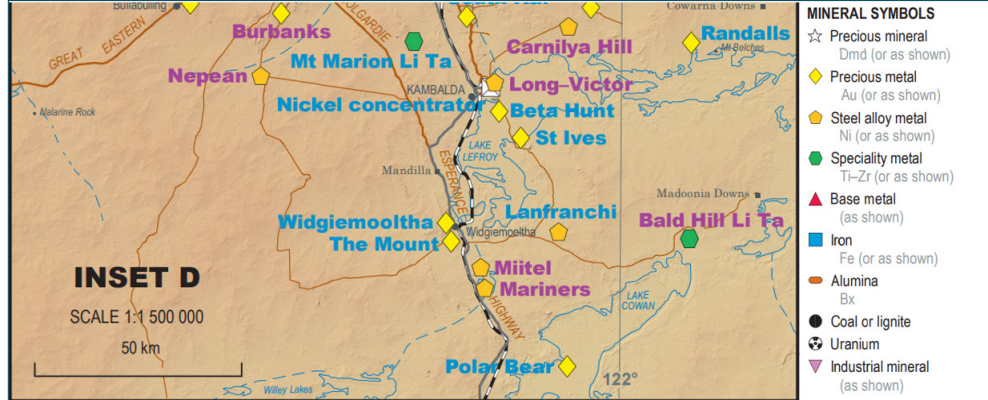
(WIN \$0.22) Speculative Buy - Initiation of Coverage

Chart below shows nearby MCR deposits



Source: MCR

Nearby mines



Source: WIN

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KEY SUPPLIERS & CUSTOMERS

BHP owns the Kambalda concentrator. Widgie will need to refresh an offtake agreement. BHP has first right of refusal for the ore from the Mt Edwards projects.

The Kambalda concentrator has 1.6mtpa capacity, although the first plan of the current restart is to operate at half capacity (800ktpa).

Management, Directors and Major Shareholders

Economic Exposure of Board and key management		Performance Rights & options	Shares	Total Economic Exposure	Rank
Position		#	#	#	
Directors					
Andrew Parker	Non-Exec Chairman	900,000	0	900,000	4
Steve Norregaard	Managing Director	3,900,000	11,711	3,911,711	1
Scott Perry	Non-Exec Director	600,000	0	600,000	7
Felicity Repacholi-Muir	Non-Exec Director	600,000	0	600,000	7

Source: WIN

Andrew Parker: Chairman

Mr Parker holds a Bachelor of Laws (LLB) degree from the University of Western Australia and has significant experience in the exploration and mining industry and a wealth of expertise in corporate advisory, strategic consultancy and capital raisings.

Mr Parker previously held various senior management roles, such as Director of Stadia Capital (AFSL#342716) and co-founder of Trident Capital Pty Ltd (AFSL#292674), a corporate advisory and venture capital firm where he held the position of Managing Director until 2008. In both instances Mr Parker was the Responsible Manager under the relevant AFSL.

He has also held senior legal roles, such as General Counsel of previously ASX listed B Digital Ltd, Senior Associate of Price Sierakowski and Senior Associate of Summers Partners.

Mr Parker has held board positions with a number of ASX listed companies and is currently a Non-Executive Director of Boab Metals Limited (ASX:BML).

Steve Norregaard : Managing Director & Chief Executive Officer

Steve Norregaard has a successful track record in heading the development of base and precious metals mining projects, including nickel projects, encompassing the early exploration stage through to ensuring sustained commercial production. Mr Norregaard is an experienced resources industry executive, company director, and mining engineer by background with over 25 years of experience. Former roles include MD of ASX listed RED 5 Limited and Tectonic Resources Ltd, Director of Operations with Westgold Resources Ltd and Chief Operating Officer of TSX listed Trelawney Mining and Exploration. Mr Norregaard most recently led Minterra, the specialised underground mining division of ASX-listed Westgold Resources, and he is a member of the Australian Institute of Mining and Metallurgy.

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Scott Perry: Independent Non-Executive Director

Mr Perry has a Bachelor of Engineering from the Western Australian School of Mines and more than 25 years' experience in commercial, mining, and process engineering roles. This includes over 10 years' experience with BHP Nickel West Pty Ltd.

Mr Perry is currently the Director of Process Engineering Australia Pty Ltd, an engineering, commercial and marketing consulting business focused in the mining, industrial chemicals and agricultural sectors. He is also a board member of Pollinators Inc, a member-based social enterprise, which uses a mix of earned revenue and grant funding to achieve a social mission to grow innovative regional communities while remaining financially resilient.

Felicity Repacholi-Muir : Independent Non-Executive Director

Felicity Repacholi-Muir adds a strong geological background to the Board's composition, with 19 years of experience as a geologist, manager and consultant within the field of mineral exploration and resource development. Ms Repacholi-Muir also possesses directorship experience at ASX-listed resources companies, previously serving as the Founding Non-Executive Director of Whitestar Resources and is currently a Non-Executive Director of Indiana Resources Limited.

MAJOR SHAREHOLDERS

There are two substantial shareholders.

Substantial Shareholders	
David Reed	7.0%
Zero Nominees	5.7%

Source: WIN

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OPTIONS, CONVERTIBLES AND UNPAID CAPITAL

The capital structure 250m ordinary shares and 9.5m options (7.5m performance options).

FINANCIALS

Capex requirements

The ore will be sent to the concentrator. Consequently, the only capex is for mine development, camp and haul roads. There has been no study work, and the mine plan still needs to be developed following infill drilling. We speculate capex in the order of \$25-50m for first production.

Free cash flow

Until and unless Widgie enters production, we assume the company will be free cash flow negative.

Dividends

We do not expect any dividends.

FX exposure

Costs are in AUD.

Interest Rate exposure

There is no direct interest rate exposure.

Commodity price exposure

Widgie is exposed to nickel prices. Given the ore will be supplied to BHP, which in turn is supply battery materials supply chain, Widgie is more leveraged to nickel sulphate margins than metal prices.

VALUATION

We have a speculative base valuation of 24cps. This is based on a speculative NPV14 for a 400ktpa operation and long run nickel prices of US\$8/lb. Combined recovery and payability at the global resource head grade (1.6% Ni), is likely too low to make the project viable on our base case nickel prices. However, there is strong indications the resources can be high-graded using higher cut-offs. Combined with potential for more tonnes, we assume in our highly speculative model a 1.75% Ni grade and ~56% payability + recovery and a mining inventory of 4mt.

We assume \$6m pa in overheads once in production. Without the overheads, our speculative valuation would be around 25cps, so we view this as a floor given its potential takeover appeal at that price.

There is significant upside to our valuation using higher commodity prices (or better payability/recovery). Hence, we view Widgie as a cheap call option on nickel prices. Using US\$30k/t our valuation increases to 72cps. Using US\$50k/t our valuation is \$1.52.

Given the low capex, we see potential for the operation to turn on and off if it remains a listed entity. If it were consolidated into a larger operation, it could provide a good base load feed that lowered overall costs for higher grade feed in the concentrator. Consequently, we see Widgie as strategically valuable as the region looks to go through consolidation.

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PRICE TARGET

Our price target is based on weighted scenarios, including spot valuation.

Price Target Methodology	Weighting	Spot	12 mth out
NPV14 Base Case	25%	\$0.24	\$0.25
1.5x NAV	10%	\$0.35	\$0.37
NPV14 Base Case with 10% grade increase	5%	\$0.28	\$0.31
NPV14 at Spot Commodity and FX prices	29%	\$0.31	\$0.33
1.5x spot NAV	5%	\$0.47	\$0.50
NPV14 nickel US\$50k/t	3%	\$1.52	\$1.72
NPV14 nickel US\$30k/t	8%	\$0.72	\$0.80
Net Cash	15%	\$0.09	\$0.09
Risk weighted composite		\$0.34	
12 Months Price Target		\$0.36	
Share price - Last		\$0.223	
12 mth total return (% to 12mth target + dividend)		63%	

RISKS

The key risks for Widgie Nickel (like most mine companies in development) is obtaining the necessary funding to complete the project. Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, plant and mine design mistakes or lower production. Although some earnings disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example metallurgy problems). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company. High financial leverage (if it exists at that time) would add to the problem.

SIMPLE S.W.O.T. TABLE

STRENGTHS	<ul style="list-style-type: none"> Large endowment of nickel tonnes Close to concentrator Nearby infrastructure Located in WA
WEAKNESSES	<ul style="list-style-type: none"> Grade is on the low grade
OPPORTUNITIES	<ul style="list-style-type: none"> High grade potential Nickel prices Increase nickel tonnes PGE/Copper/Byproduct credits Exploration
THREATS	<ul style="list-style-type: none"> Nickel prices M&A Offtakes

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