



TRICOM

10 October 2007

# BUY | \$0.24

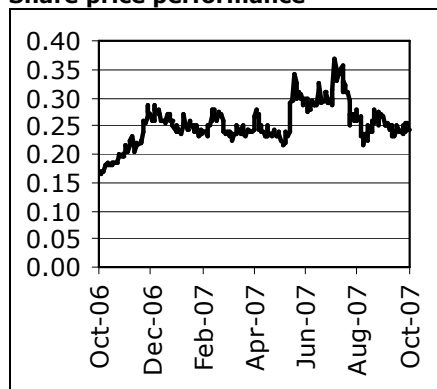
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Fully diluted shares  
on issue | 126.6M  
Market cap | A\$30.4M

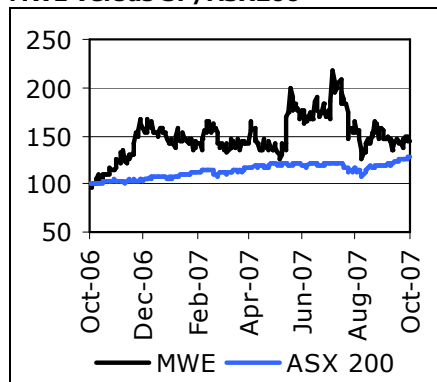
## Performance & Valuation

Last Price | \$0.24  
52 wk hi/low | \$0.38 / \$0.16  
12 mth price target<sup>1</sup> | \$0.33  
Valuation | \$0.33  
Valuation methodology | DCF @ 8.0%

## Share price performance



## MWE versus SP/ASX200



# Mawson West Limited | MWE

## Impressive first up drilling results at Kapulo

### Key points

- MWE has released its first significant batch of drilling results from the Kapulo copper project in the Democratic Republic of Congo.
- Better results included 10m @ 3.2% Cu from 85m and 7m @ 4.1% Cu from 108m.
- A total of 14 holes have been drilled at Kapulo and we note that assay results from the last six holes are still outstanding.
- MWE is expecting to release an initial JORC compliant resource statement for Kapulo in mid 2008.

### Comment

The Kapulo copper project is a joint venture with Anvil Mining Limited (AVM). MWE is earning a 65% interest in the project by spending US\$4.0M over a four year period. The project is located 130km north east of AVM's Dikulushi mine and straddles the border between the Democratic Republic of Congo and Zambia.

MWE acquired its interest in the Kapulo project in April 2006 and since that time the company has completed a major surface sampling and mapping program and has commenced drilling. A total of 14 holes have been completed to date with a further 20-30 expected to be drilled prior to the initial JORC resource being defined in 4QFY08.

### Investment View

MWE is focused on exploring and developing the Kapulo copper project in the Democratic Republic of Congo (DRC) in Africa. The company is earning a 65% interest in the project from AVM by spending US\$4.0M over a four year period.

Previous exploration at Kapulo defined a non-JORC compliant resource of 750-850kt @ 4.7-5.8% Cu (35-40kt contained Cu) to a depth of 50m. Much of the oxide portion of these resources has been extracted and MWE's drilling program is aiming at extending the sulphide resource to a depth of at least 150m.

We are retaining our BUY recommendation on MWE ahead of an initial JORC resource being defined at Kapulo. Our \$0.33/share valuation is based on a production scenario that assumes a reserve of 1.0Mt @ 4.5% Cu mined via an open pit over a four year period with production commencing in mid 2009.

### Earnings Summary

Year end June	2007A	2008F	2009F	2010F
Revenue - A\$M	0.0	0.0	12.9	50.5
EBITDA - A\$M	(2.3)	(1.5)	8.6	38.3
NPAT - A\$M	(2.4)	(1.5)	6.5	27.4
Free Cash Flow - A\$M	(2.2)	(9.8)	(14.5)	29.0
EPS - cents	(1.9)	(1.0)	3.5	14.7
EPS - % chg	na	na	na	320.6
PER - x	na	na	6.9	1.6
DPS - cents	0.0	0.0	0.0	0.0
Dividend Yield - %	0.0	0.0	0.0	0.0
Franking - %	0.0	0.0	0.0	0.0

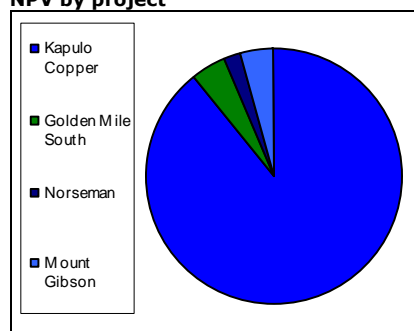
Notes:

1. Price target is equivalent to our DCF derived valuation.

**Valuation**

NPV @ 8% discount rate<sup>1</sup>

NPV by project	(A\$M)	A\$/sh
Kapulo Copper	42.5	0.23
Golden Mile Sth.	2.1	0.01
Norseman	1.0	0.01
Mount Gibson	2.0	0.01
Investments	0.0	0.00
Unpaid capital	2.2	0.01
Forwards	0.0	0.00
Corporate	(5.3)	(0.03)
New Equity	14.3	0.08
Cash	3.7	0.02
Debt	0.0	0.00
<b>NPV @ 8%</b>	<b>62.5</b>	<b>0.33</b>

**NPV by project**

**Ratio analysis**

Year end June	08F	09F	10F
Revenue growth   %	1.8	44.6	2.9
EBITDA growth   %	na	na	344.4
EBITDA margin   %	na	66.8	76.0
EBIT margin   %	na	56.4	65.3
Effective Tax rate   %	na	na	15.1
ROA   %	na	17.5	44.8
ROE   %	na	25.3	50.5
Net debt/equity   %	(42.0)	24.9	(43.6)
Net interest cover   x	na	9.5	52.7

**Multiple analysis**

Year end June	08F	09F	10F
Market cap   A\$M	43	43	44
Net debt (cash)   A\$M	(8)	6	(24)
Options   A\$M	2	2	1
Enterprise value   A\$M	37	51	21
EV/EBITDA   x	na	5.9	0.5
EPS   c	(1.0)	3.5	14.7
P/E   x	na	6.9	1.6
FCF / Share   c	(5.5)	(8.1)	15.9
Price / FCF   x	na	na	1.5

**Shares outstanding**

Year end June	08F	09F	10F
Basic   M	178.4	178.4	182.2
Other   M	8.2	8.2	4.4
Fully diluted   M	186.6	186.6	186.6

**Notes:**

- Discounted cash flow
- Estimates include a \$15M capital raising @ \$0.25/share.

**Year end June**

	2007A	2008F	2009F	2010F
<b>Profit &amp; Loss Summary   A\$M</b>				
<b>Sales revenue</b>	<b>0.0</b>	<b>0.0</b>	<b>12.9</b>	<b>50.5</b>
Other revenue	0.1	0.3	0.3	0.6
Operating Costs	(0.5)	0.0	(2.6)	(10.7)
Exploration Expense	(0.6)	(0.2)	(0.3)	(0.4)
Corporate & Admin	(1.3)	(1.6)	(1.6)	(1.7)
<b>EBITDA</b>	<b>(2.3)</b>	<b>(1.5)</b>	<b>8.6</b>	<b>38.3</b>
Depreciation	(0.0)	(0.0)	(1.3)	(5.4)
<b>EBIT</b>	<b>(2.4)</b>	<b>(1.5)</b>	<b>7.3</b>	<b>32.9</b>
Interest Expense	0.0	0.0	(0.8)	(0.6)
<b>Pre-tax profit</b>	<b>(2.4)</b>	<b>(1.5)</b>	<b>6.5</b>	<b>32.3</b>
Tax expense	0.0	0.0	0.0	(4.9)
<b>Net income</b>	<b>(2.4)</b>	<b>(1.5)</b>	<b>6.5</b>	<b>27.4</b>
Abnormals	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>(2.4)</b>	<b>(1.5)</b>	<b>6.5</b>	<b>27.4</b>

**Cashflow Summary | A\$M**

NPAT	(2.4)	(1.5)	6.5	27.4
Interest, Tax, Expl Expensed	0.6	0.2	1.1	5.9
Interest, Tax, Expl Incurred	(1.6)	(2.0)	(2.2)	(6.3)
Depreciation/Amortisation	0.0	0.0	1.3	5.4
Other	1.4	0.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>(1.9)</b>	<b>(3.3)</b>	<b>6.7</b>	<b>32.4</b>
Capex(net of asset sales)	(0.3)	(6.5)	(19.9)	(3.5)
(Disposals)/Acquisitions	(0.0)	0.0	0.0	0.0
Other investing cash flows	0.0	0.0	0.0	0.0
Working Capital Inc/(Dec)	(0.0)	0.0	(1.3)	0.0
<b>Free Cash Flow</b>	<b>(2.2)</b>	<b>(9.8)</b>	<b>(14.5)</b>	<b>29.0</b>
Dividends	0.0	0.0	0.0	0.0
New Equity	5.5	14.3	0.0	1.1
Debt Drawdown/(Repayment)	0.0	0.0	10.9	(9.5)
<b>Net Cash Increase/(Decrease)</b>	<b>3.3</b>	<b>4.4</b>	<b>(3.6)</b>	<b>20.6</b>
FX impact on cash	0.0	0.0	0.0	0.0
Cash at End Period	3.7	8.1	4.5	25.1
Net Cash/(Debt)	3.7	8.1	(6.4)	23.7

**Balance Sheet | A\$M**

Cash	3.7	8.1	4.5	25.1
Receivables	0.0	0.0	0.7	2.6
Inventories	0.0	0.0	1.1	4.1
Other current assets	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>3.7</b>	<b>8.1</b>	<b>6.2</b>	<b>31.8</b>
Plant & equipment	0.3	6.8	25.4	23.5
Expl, eval & development	2.6	4.4	5.5	5.9
Other non-current assets	0.0	2.0	2.0	2.0
<b>Total non-current assets</b>	<b>3.0</b>	<b>13.2</b>	<b>32.9</b>	<b>31.4</b>
<b>Total assets</b>	<b>6.7</b>	<b>21.4</b>	<b>39.2</b>	<b>63.2</b>
Payables	0.1	0.1	0.3	1.0
Short-term debt	0.0	0.0	2.2	0.3
Other current liabilities	0.0	0.0	0.7	2.6
<b>Total current liabilities</b>	<b>0.2</b>	<b>0.1</b>	<b>3.1</b>	<b>3.9</b>
Long-term debt	0.0	0.0	8.7	1.1
Other non-current liabilities	0.0	2.1	1.5	3.8
<b>Total non-current liabilities</b>	<b>0.0</b>	<b>2.1</b>	<b>10.3</b>	<b>5.0</b>
<b>Total liabilities</b>	<b>0.2</b>	<b>2.1</b>	<b>13.4</b>	<b>8.8</b>
<b>NET ASSETS</b>	<b>6.5</b>	<b>19.2</b>	<b>25.8</b>	<b>54.4</b>
Contributed equity	22.0	36.2	36.2	37.4
Retained profits	(15.4)	(17.0)	(10.4)	17.0
Minority interests	0.0	0.0	0.0	0.0
<b>EQUITY</b>	<b>6.5</b>	<b>19.2</b>	<b>25.8</b>	<b>54.4</b>

**Reserves & Resources**

Tricom Mineable Inventory			
Project	Mt	%	kt
Kapulo	1.0	4.5	45.0

**JORC Resources**

Project	Mt	g/t	koz
Maybell	0.4	2.8	40.3
Lord Percy	0.3	3.8	39.0
<b>Total</b>	<b>0.8</b>	<b>3.3</b>	<b>79.3</b>

Year end June	2007A	2008F	2009F	2010F
<b>Divisional Summary  </b>				

**Copper Production (kt)**

Kapulo Copper	0.0	0.0	1.5	6.1
Golden Mile South	0.0	0.0	0.0	0.0
<b>Total Copper Production</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>	<b>6.1</b>

**Gold Production (koz)**

Kapulo Copper	0.0	0.0	0.0	0.0
Golden Mile South	0.0	0.0	0.0	0.0
<b>Total Gold Production</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Cash Costs (US\$/lb)**

Kapulo Copper	0.00	0.00	0.60	0.59
Golden Mile South	0.00	0.00	0.00	0.00
<b>Average Cash Costs (US\$/lb)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.60</b>	<b>0.59</b>

**Commodity price assumptions**

Year end June	2007A	2008F	2009F	2010F	Long-term
Gold (US\$/oz)	638	717	705	700	600
Copper (US\$/lb)	3.21	3.44	3.21	2.99	1.75
US\$/A\$ exchange rate	0.74	0.80	0.78	0.75	0.80

Source: Tricom Equities



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