COMPANY Finders Resources| FND | $0.47/share

RECOMMENDATION Buy | High Risk | $0.71/share target

EVENT Initiation & Site Visit Report | Finders keepers; well positioned to be a leaper...

KEY POINTS

- We recently visited FND's first cashflow generating asset, Wetar high grade VMS copper deposit in Indonesia. Cathode production, attracting LME copper premium, will be ramped up in 2 stages over CY12/3 to 25ktpa.
- Our conservative $0.71/share price target is based on 80% of Wetar copper project's cashflows and gold portion of Ojolali epithermal gold/silver deposit, valued on EV/Mineral Resource.
- Wetar copper is largely derisked. The demonstration plant has successfully produced and shipped 2.5kt cathode, with expansion BFS & mine permitting recently completed.
- Near term derisking milestones are securing project funding, and final stage of forestry re-zoning by 3Q'CY11.

CY11F METRICS P/NAV = 0.66x

LINK TO AUSTOCK INITIATION + SITE VISIT REPORT [FND Finders keeps; well positioned to be a leaper 270711]

SENT TO CLIENTS Yes

Derisking high grade copper cashflow + untapped gold upside

…First leap to expanded production expected low risk

- Copper cathode production from existing open pit/mining areas, and other ore sources expected relatively risk free, with prior Billiton gold operation and infrastructure.
- 205kt contained copper Ore Reserve (well defined at 93% of Mineral Resource) grading 2.5% Cu. Orebody is near surface, with low strip ratio and US$1.09/lb C1 cash cost.
- Management are highly capable and experienced in running Indonesian ops. Chairman & MD worked on Wetar Island for former employers; involved in CSR deposit discovery & Billiton mining, respectively. Site GM been running and troubleshooting demonstration plant since inception.
- By CY12 we expect cashflow positive with expanded demonstration plant (EDP), with $138mpa EBITDA in CY13.

…More leap potential once +ve cashflow (not in our estimates)

- Expanded copper production with definition drilling & metallurgical testwork; 2 (of 3) deposits incl. in mine schedule.
- Gold and silver production potential, based on unmined gold cap at Meron and remanant

mineralisation at Lerokis.

- Sulphuric acid by-product potential, which is in high demand from Asian customers.
- Depth potential of bulk tonnage mineralised feeder system; Billiton drilled to 200m, FND planning to drill to 600m depth.

Brief overview of Finders Resources and reasons why we like the investment proposition

- FND has an established Indonesian competitive advantage, well ahead of its peers.
- It is commercialising copper cathode production to 25ktpa (95% ownership), and has a gold silver advanced exploration project (71.7% ownership), both not in current share price.
- With spot copper at highs and multiple organic growth projects, we see it could attract further peer interest; SRL maintains 10.8% strategic equity stake.

Conservative Investment View – Buy, $0.71/share target

- For development risk, we value 80% of Wetar copper project cashflows, and exclude lucrative silver (43Moz) portion of Ojialii Mineral Resource.
- Along with financing & forestry re-zoning, construction and production from both EDP and Stage 2 remain.
- As milestones are achieved, we expect re-rate toward unrisked valuation of $0.85/share.
- At spot copper and FX, FND valued at $0.99/share; an additional 39% upside to our price target.

Should you have any queries, please do not hesitate to contact me on +612 9233 9603.

Anna Kassianos
Resources Analyst

Austock Securities Limited
Level 9, 56 Pitt St, Sydney 2000
Phone: +612 9233 9603 Fax: +61 3 9200 2283
Mobile: +61 434 411 016
www.austock.com

Recommendation Criteria

Investment View
Austock Securities Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
> [illegible]	[illegible] – [illegible]	< [illegible]

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating
Austock Securities Limited has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests
The views expressed in this research report accurately reflect the personal views of Anna Kassianos about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report.
The following person(s) do not hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report:
-the author of this report
-a member of the immediate family of the author of this report

advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. Austock and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. Austock believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by Austock or any of its directors, employees or agents. This publication must not be distributed to retail investors outside of Australia.

Disclosure of Corporate Involvement
Austock Securities Limited has not in the previous 12 months been involved in a publicly-announced transaction involving the payment of a fee to Austock Securities Limited by the corporate issuer described in this report. Austock Securities does and seeks to do business with companies covered in its research.

Austock Securities reports are available on Bloomberg, Reuters, FactSet, Capital IQ and www.austock.com

Anna Kassianos
Resources Analyst

Austock Securities Limited
Level 9, 56 Pitt Street Sydney NSW 2000
Phone: +61 2 9233 9603 Fax: +61 2 9251 0914
Mobile: +61 434 411 016
www.austock.com

Please consider the environment before printing this email.

In this disclaimer: "we", "us" and "our" includes Austock Group Limited, its related corporations and their respective officers, employees and authorised representatives; a reference to this email includes all attachments.

The information contained in this e-mail is confidential and is intended solely for the addressee. If you are not the named addressee, you must not disclose or use in any way the information in the e-mail. If you have received this e-mail by mistake, please notify the sender immediately by reply e-mail and delete this e-mail and destroy any printed copy. There is no warranty that this email is error or virus free. This email may be a private communication, and if so, the views expressed are the views of the sender only and not those of the rest of us.

If you wish to opt out from future messages, send a reply email with the subject UNSUBSCRIBE.