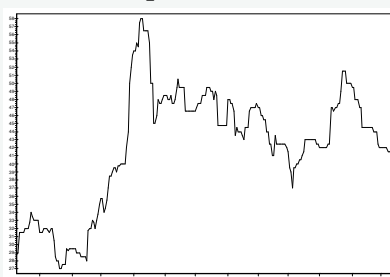


11 July 2008

<b>Code</b>	FND.L
<b>Price</b>	40.5p
<b>Market Cap</b>	£31 million
<b>Year End</b>	30 June
<b>Net cash</b>	approximately A\$3.5 million
<b>Shares in Issue</b>	74.7 million

## 1 Year Share price Performance



Source: Thompson

## Company Description

Near term copper producer. Gold explorer

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## Wetar Island - project progress report

**BUY**

**As a result of events beyond its control, Finders Resources has announced a 6 week delay in commissioning its semi commercial pilot plant for the Wetar Island copper project in Indonesia. Production is now expected to begin at the end of September.**

► **Story remains intact.** The delay was caused by the failure of a South African based supplier to honour its delivery schedule. But the company still expects full scale production to start at the end of next year. Although annoying, it is increasingly becoming par for the course for mining construction projects to be delayed due to bottlenecks in the supply chain. The good news is that Finders Resources has acquired a second-hand full scale primary crusher and a new stacking plant for US\$1.4m. This shaves US\$2m off the final capex bill, which we estimate will be around US\$65m. We note, however, that rising oil prices will lift the final cost of building the pilot plant by US\$950,000 to US\$7.2m.

► **Feasibility study remains on track.** The company believes it can still meet its target of completing the feasibility study by the end of the year, but we caution that it may end up being the beginning of next year. Much depends on the success of the heap leach trials. Ausenco, a reputable firm of mining consultants, has been retained to guide the feasibility study to completion. We believe that the feasibility study will be bankable.

► **Valuation.** This 6 week delay means that revenue from the pilot plant will now start in October. Assuming a conservative copper price of US\$5,000/t for 2008Q4, we expect this revenue will be in the region of US\$850,000 per month. In our opinion, the key question the market is likely to ask is how much of the remaining cash will be used as deposit money to order long lead time items. However, despite the delay, we do not believe that the implications are sufficiently serious to warrant a change in our share price target of 81p by the time full production is reached at the end of next year.

## Forecasts (A\$000s)

Year end	2008e	2009e	2010e	2011e
<b>Data</b>				
Revenue	2,333	3,819	122,569	124,028
EBITDA	(7,741)	(6,344)	82,375	88,189
PTP	(9,934)	(14,616)	65,139	74,322
Tax Rate	0	0	30%	30%
EPS (cents)	(26.6)	(39.1)	149.9	170.0
DPS	0	0	0	0
<b>Ratios</b>				
EV/sales	25.8	15.8	0.5	0.5
EV/EBITDA	(7.7)	(9.5)	0.7	0.7
P/e	(3.1)	(2.1)	0.5	0.5
Yield	0	0	0	0
EPS growth	0	0	0	13%

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*The recommendation system used for this research is as follows. We expect the indicated target price relative to the FT All Share Index to be achieved within 12 months of the date of this publication. A 'Hold' indicates expected performance relative to this index of +/-10%, a 'Buy' indicates expected outperformance >10% and a 'Sell' indicates expected underperformance of >10%.*

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