

Analyst

Name: Roger Bade
Tel: 020 7510 8664
roger.bade@hoodlessbrennan.com

Finders Resources Ltd
47.50p
Speculative Buy

Finders Resources is making encouraging progress at its Wetar copper project and at its Ojoali gold project both in Indonesia. It has farmed into Wetar and has so far earned up to 72% of the project. They are on track to earn 95% by production start up.

Finders Resources is attractively priced at 6.5% of Wetar adjusted in-situ value. The pilot plant will accelerate progress whilst exploration success at Ojoali could provide newsflow in the short term.

Key Data

AIM Ticker FND
Sector Mining
Broker..... Hanson Westhouse
www.findersresources.com

Year High 58.00p
Year Low 23.00p
No. of Shares 65.62m
Market Cap £31.17m
Results... Interims March 2008

NMS 3,000
Bid..... 45.00p
Offer..... 50.00p
Bid/offer %..... 11.11%
Screen Size 10,000
No. of Market Makers..... 4

Year End	Revenue	Loss before tax	Loss before minorities	Minorities	Net loss	EPS	P/E
June	A\$m	A\$m	A\$m	A\$m	A\$m	(p)	(x)
2006A	0.1	(1.9)	(1.9)	0.5	(1.4)	NM	NM
2007A	0.2	(8.0)	(8.0)	1.9	(6.2)	NM	NM
2008E	2.0	(8.3)	(8.3)	3.0	(5.3)	NM	NM

Source: Company reports and Hoodless Brennan forecasts. Note the company reports in Australian Dollars. Where necessary £1=A\$2.35.

- Finders Resources has just raised £6.8m in equity and debt to progress a 5 tonne per day pilot plant at Wetar. Tennant Metals Pty is providing £2.5m of this amount in the form of a secured loan facility, in return for an offtake agreement covering the whole pilot plant production, as well as 10% of full production if a mine develops.

- At Wetar, JORC compliant Measured, Indicated and Inferred Resources of 9.8 million tonnes (Mt) grading 2.5% copper and 0.38% zinc have been outlined. The company is looking to produce 20-25,000 tonnes per annum of copper cathode from mid 2009. At a copper price of £3,000 per tonne, this represents potential annual turnover of over £60m.

- Wetar resources are metallurgically difficult with high pyrite levels and deleterious arsenic and mercury values. Following extensive test work, the company will be constructing a pilot plant to help develop a heap leach solvent extraction process. The company has turned the high pyrite levels to its advantage in that during leaching the pyrite generates heat and the necessary sulphuric acid for the process. The leaching process works better at higher temperatures: mercury and arsenic are not affected by leaching and remain in-situ. The company has developed a staged encapsulation process whereby residual material does not pollute the environment.

- At Ojoali, Finders Resources is working to firm up non-JORC resources of 3.2 Mt grading 1 gramme per tonne (g/t) gold and 7.9 Mt grading 167 g/t silver and 0.67 g/t gold at Tambang. At £300/ounce (oz) gold and £6/oz silver this has a potential in-situ value of over £300m. Following poor recoveries with diamond drilling, the company has just started a 10,000m Reverse Circulation drill program using a brand new rig.

Strengths	Weaknesses
<ul style="list-style-type: none"> High in-situ Wetar copper resource value which may result in high turnover and profits. Heap leach testing has shown that copper cathodes can be produced. This is important as Indonesian Mining law changes may prevent the export of concentrates. Exciting drill program at Ojoali underway. 	<ul style="list-style-type: none"> Indonesian political situation may deteriorate. The pilot plant may encounter unforeseen metallurgical problems. If the pilot is successful they will then have to raise over £30m to achieve full production. Drilling at Ojoali may disappoint.

Income Statement

Year to June A\$m	2006A	2007A	2008E
Revenue	0.1	0.2	2.0
Employee benefits	(0.4)	(1.0)	(1.2)
Exploration write offs	(1.0)	(5.3)	(6.0)
Operating expenses	(0.6)	(1.9)	(3.5)
Net loss before minorities	(1.9)	(8.0)	(8.7)
Minorities	0.5	1.9	3.0
Net loss	(1.4)	6.2	(5.7)

Balance Sheet

Year to June £m	2006A	2007A	2008E
Cash	5.8	5.2	6.0
Receivables	0.4	0.4	1.0
Financial assets	0.8	2.3	2.3
Plant & equipment	0.0	0.1	7.0
Exploration	0.2	0.0	0.0
Total Assets	7.2	8.0	16.3
Payables	(0.1)	(0.5)	(0.8)
Borrowings	0.0	0.0	(5.5)
Net assets	7.1	7.5	10.0

Cash Flow

Year to June £m	2006A	2007A	2008E
Payments to suppliers & employees	(2.2)	(7.2)	(7.5)
Interest received	0.1	0.1	0.0
Plant purchases	0.0	(0.1)	(7.0)
Purchases of investments	(0.5)	0.0	0.0
Exploration expenditure capitalised	(0.2)	0.0	0.0
Share issues	8.0	7.0	9.8
Movement in loans	(0.1)	0.0	5.5
Net increase in cash	5.1	(0.7)	0.8
Opening cash	0.6	5.8	5.2
Currency movements	0.1	0.1	0.0
Closing cash	5.8	5.2	6.0

Source: Company reports and Hoodless Brennan estimates.

Activities

The company is developing the Wetar copper project in Indonesia, and has just started a drill program at the Ojoali gold project also in Indonesia.

Previous Recommendation

Speculative Buy 7th September 2007

Key Events

Date	Event
12th December 2007	Pilot plant financing comprising a secured loan of £2.5m and 9.1 shares issued at 48p.
26th July 2007	Confirmed intention to heap leach Wetar.
22nd June 2007	Secondary listing in Australia, 11m shares issued at 22p

Financial Calendar

Date	Event
June 30th	Year end
Mar-08	Interims
Sep-08	Finals

Major Shareholders

Shareholder	%
Directors and Officers	28.49
Craton Capital Precious Metal Fund	6.79
Trafigura Beheer	4.12

Note: Before recent placing.

Board of Directors

Name	Position held
Dr Russell Fountain	Executive Chairman
Dr Chris Farmer	Managing Director
Stephen de Belle	Non-executive Director
Steve Lonergan	Non-executive Director

Share Price Chart

