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Enterprise Metals Limited (ENT:AU) Rating Review

This review of Paladin Energy Limited has been prepared in accordance with the **PortfolioDirect** stock rating framework described on pages 2-4.

PortfolioDirect/_{resources} offers strategy and portfolio recommendations for independent investors. The rating framework has been developed to assist investors and their advisers to grade individual stock risk so as to better match stocks in their own portfolios with their personal risk profiles and to take account of the differing risk characteristics of potential investments when structuring their portfolios.

A **PortfolioDirect** stock rating is not intended as a forecast of future share price movements. Share prices will be influenced by a range of factors including, significantly, macroeconomic conditions and the current cyclical positioning of the sector which are not taken into account in determining a stock rating. The **PortfolioDirect** analytical framework separates the view about market direction from the stock risk analysis contained in this review.

The most important driver of a stock rating for a company being reviewed is an assessment whether the company is likely to meet its exploration and development targets within the timeframes sought by investment markets and, when development has occurred, its ability to maintain positive value momentum over future years.

The Investment Decision

Commodity Exposure	<i>What is the mineral to which the company is principally exposed?</i>	Base metals
Location	<i>Is the development or exploration site in or near an established mineral province?</i>	The Doolgunna prospect is adjacent to Sandfire's Degussa tenements
Focus	<i>Is the company involved in single or multiple commodities or projects requiring capital rationing?</i>	Improved focus has come with a farm-out of Fraser Range interests
Time horizon	<i>Do investment returns depend on (i) a reduction in risk over the medium term, (ii) specific near term events or (iii) a future change in cyclical conditions?</i>	Investment returns will hinge on demonstrable exploration outcomes which could arise during drilling programs in 2015
Investment proposition	<i>Can potential investment returns compensate for the amount of capital and time required?</i>	Investment returns will be extremely leveraged to high risk exploration outcomes even after significant dilution from likely capital raising
Portfolio positioning	<i>What roles could the company play in a portfolio? Are other companies able to fulfill these roles more effectively?</i>	Tenements are sufficiently prospective for a portfolio to hold the company as part of a diversified selection of pure exploration interests - too risky as a single holding
Liquidity	<i>How easily can buyers or sellers of the stock be accommodated?</i>	Liquidity is above average for this class of company. Buying may be accommodated through placements

Important Information Regarding the Preparation of this Report

This report is not intended as an offer or solicitation with respect to the purchase or sale of a security. Nothing in this report should be taken as a recommendation. Enterprise Metals has been rated without taking into account the particular objectives, financial circumstances or needs of any particular investor. Before taking any decision based on this communication, an investor should assess his or her own circumstances and seek professional advice.

This report is based on information disclosed publicly by Enterprise Metals at the date of the report, information otherwise available in the public domain at that time and analysis and technical inferences drawn by the staff of E.I.M. Capital Managers Pty Ltd, the publisher of **PortfolioDirect**.

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Enterprise Metals has not had an opportunity to comment on the report or request any amendments prior to its publication.

Trading in PortfolioDirect Rated Stocks by E.I.M. Capital Managers

Stocks rated in accordance with the criteria outlined in this communication may be bought or sold by E.I.M. Capital Managers on behalf of clients or funds whose investments are managed by the firm. Specific investment objectives and individual portfolio considerations may result in transactions by E.I.M. Capital Managers that are not consistent with **PortfolioDirect** ratings for individual stocks.

Stock Rating Criteria

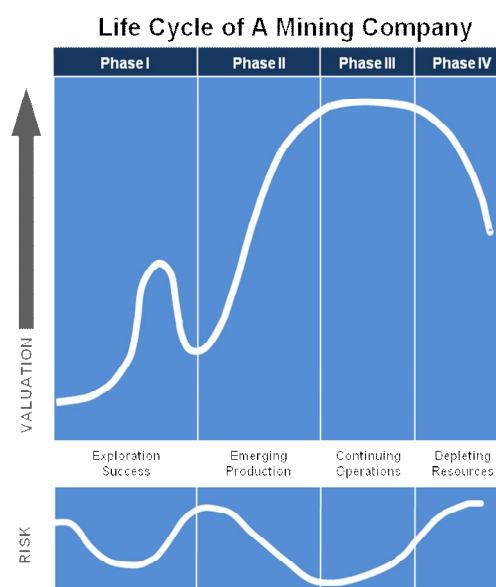
E.I.M. Capital Managers categorises sector investments based on the four phases in the life cycle of mining and oil and gas companies.

Phase I: the exploration phase during which relatively small amounts of capital may be deployed with the prospect of a high return but when investors also risk losing all the funds subscribed prior to the company having an agreed development plan.

Phase II: the emerging production phase in which companies are able to demonstrate access to a commercial resource and add value by meeting key development milestones along an agreed development path.

Phase III: the phase of continuing operations in which organic volume growth is limited and commodity price movements become the dominant driver of earnings and value.

Phase IV: a period typically characterised by falling ore grades and rising costs requiring additional capital to prevent output contracting.



Phase I companies will be scored (on a five point scale) on their potential to confirm a commercially viable development within an acceptable investment market timeframe. The duration of the investment horizon might vary from time to time depending on market conditions but will usually extend to a period of up to 24 months. Judgements will be based on publicly available information, including clarifying conversations with company management, and the resulting geological inferences drawn by E.I.M. Capital Managers analysts.

Phase II companies will be scored on a five point scale on their capacity to deliver positive value momentum (i.e. the ability to generate increasing fundamental value over future years without any reliance on higher commodity prices).

Since Phase III companies, by definition, no longer have any material organic growth prospects, they will generally fail the 'positive value momentum' test. A Phase III company may still play an important portfolio role depending on its relative financial strength, its capacity to withstand periods of cyclical weakness due to the competitiveness of its cost structure and its potential, arising from a large resource base, to operate through multiple economic cycles. Phase III companies will be scored on a five point scale on their absolute value proposition and how they meet these additional criteria.

No inferences about share price performance should be drawn from the rating of an individual stock. Investment returns will be influenced by a range of factors, some of which are included among the **PortfolioDirect** rating criteria, as well as investment market expectations about a range of macroeconomic variables. The **PortfolioDirect** rating does not take account of macroeconomic or investment market conditions that play a role in setting the price levels of securities.

There may be points in the cycle when stocks assessed by **PortfolioDirect** as being relatively risky and given a relatively low score on the **PortfolioDirect** rating scale are capable of producing relatively strong investment returns. This may arise, for example, because of strong leverage to changes or expected changes in market conditions among stocks with unusually depressed share prices or very small current market values.

Significant Investment Risks

In addition to general equity market risks reflecting unexpected changes in global economic or political conditions, investors in the resources sector may incur further risks specific to investments in the sector.

Commodity market risk: Resources sector investment returns are generally more volatile than returns from other equity market sectors due to the earnings of resources companies being exposed to commodity price and foreign exchange movements. Commodity prices can be influenced by a range of factors including economic events, which might affect the volume of commodities used, monetary policies which might affect levels of speculation and changes in output reflecting levels of industry exploration, investment and production disruptions.

Operational risk: Companies may fail to meet their development goals as a result of unexpected external influences, including political conditions and natural phenomena, as well as the skill base and operational capabilities of company management. Companies engaged in exploration activities may fail to locate or define mineral deposits of a sufficient size to be commercially viable.

Funding risk: Since companies in the resources sector require ongoing funding for development, expansion and maintenance of output, changes in financial market conditions can affect the value of investments adversely through the cost or availability of capital.

Regulatory risk: The value of investments in the sector may be affected adversely by changes in government policies relating to the conditions under which mine developments are permitted, including the need for more stringent environmental controls, higher taxation or royalty rates or requirements for local equity participation.

Small companies risk: Small or early stage companies generally have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties than larger companies. The securities of small companies may also be less liquid than those of larger companies making the purchase or sale of securities more difficult or costly to complete, possibly with an adverse impact on portfolio performance.

How does PortfolioDirect rate a Phase I company?

Phase I companies have yet to confirm a commercially viable development. The **PortfolioDirect** rating system scores Phase I companies on the potential to confirm a commercially viable development within two to three years. A company still seeking to define a resource will be assessed on how its exploration or development properties, as well as the company as a whole, measure up against 10 individual criteria.

1. Consistency with recognised deposit types.
2. Proximity to other discoveries.
3. Adequacy of funding to complete a critical program of drilling or analysis.
4. The track records of key executives driving exploration programs on behalf of the company.
5. The company's possession of unique or innovative insights leading to reinterpretation of previous geological assessments.
6. A strong focus on a specific geographic region.
7. The likelihood of a market surprise arising from a change in view about the quality of a potential mineral resource.
8. The likelihood of a market surprise arising from a change in view about the size of a potential mineral deposit.
9. The potential to resolve outstanding technical parameters within a reasonable investment horizon.
10. Whether the company's share price has already been re-rated by the share market.

A Guide to the PortfolioDirect Rating Report

Each **PortfolioDirect** company rating report addresses questions affecting business outcomes and potential investment standing under five separate headings.

Primary Development Assets

- What are the most important geological or operational attributes of the company?
- Where are the assets located and what is the availability of local infrastructure?
- What potential impact does location have on business outcomes?
- How was ownership achieved - corporate exploration, acquisition or farm-in - and what obligations remain to the vendors or partners?
- Do historical outcomes on or near these exploration properties say anything about likely mineral characteristics on the company's own assets?
- Are there identifiable technical issues that need addressing before further work can be completed?

Regulatory Standing

- What approvals have been received?
- What additional approvals will be necessary to meet business goals?
- Has the company been in breach of any regulatory requirements at this site or elsewhere on any previous occasion?
- Can the company show a commitment to environmental and social needs?

Project Potential

- What scale of development is anticipated or, if judgements about this cannot be made presently, what must happen before such a judgement can be made?
- What operational or market constraints might affect the project potential?
- What is the likely range of project capital needs in the event of development?

Capacity to Meet Targets

- What skills does the company currently have available?
- What additional or alternative skills will be needed for the next stage of activities?
- How does the track record of the existing management impact current judgements about the capacity of the company to meet its targets?
- What financial resources are currently available? Are they adequate for the targets being set?
- Are there unresolved technical, financial or regulatory matters that could impact the achievement of business targets?

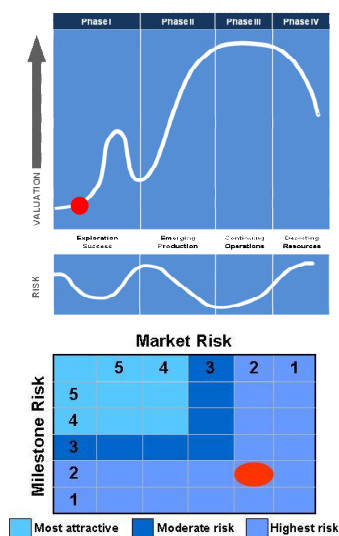
Rating Discussion

- Into which development phase has the company been classified?
- What are the key criteria against which the company is being benchmarked?
- How does the company stand against the rating criteria for a company at this stage of development?
- Are there criteria which have been more or less important in coming to a rating decision?
- Are there matters which might affect the rating in the future?
- Are there any special attributes displayed by the company that might impact on its role in a portfolio?
- How have historic investment returns affected judgements about current and future market risk?

Company Rating Review

Enterprise Metals Ltd (ENT:AU)

NR 1 1+ 2 **2+** 3 3+ 4 4+ 5



Statistical Risk Measures

Deviation from	
• 15 week moving average	-25%
• 25 week moving average	-52%
• 50 week moving average	-70%
Historical return ranking (1-100)	
• Since January 2011	62
• Since previous report	95
Return volatility¹	2.3X
Liquidity²	80%
1. Relative to sector median	
2. Turnover for 12 months as % of current shares	

Recent Events

In February 2015, Enterprise Metals sold a 70% stake in its Fraser Range exploration properties in a farm-out arrangement which carries the company to the completion of a bankable feasibility study on any future discovery (ASX 13 February 2015).

In March 2015, the company reported assay results from a six RC hole drilling program completed in November 2014 at the Plato South prospect in the Fraser Range. All six holes intersected mafic-ultramafic lithologies with minor visible sulphides which the company's consultant has compared with samples from the Nova property of Sirius Resources. The consultant has concluded that the Plato South samples are sourced from the same suite of Fraser Range rocks (ASX 23 March 2015).

The company received a Western Australian government drilling grant to fund up to \$150,000 in costs at Doolgunna in 2015. A program of work detailing an RC drilling program at Borg has been lodged with authorities. The company is awaiting approval and suitable weather.

A less than expected \$344,000 was raised through an issue of new shares in December 2014 (ASX 22 December 2015).

Rating Discussion

The Enterprise Metals investment return since the last **PortfolioDirect** review has been among the lowest 5% of returns available to investors in the sector. The resulting market value of \$5.8M has left the company more highly leveraged to a discovery. However, without a discovery, capital is likely to become more difficult to source, further constraining exploration efforts and raising the possibility of other deals requiring asset divestment. At the end of December 2015, the company had cash resources of \$519,000 with estimated cash outflows of \$400,000 in the first quarter of 2015 (ASX 30 January 2015).

The move to divest the major part of the company's Fraser Range interest is a double edged sword. The company will be able to concentrate its efforts and limited financial resources on its Doolgunna prospect. The Borg prospect retains exploration interest as the company seeks to confirm its analysis of a large geochemical and geophysical anomaly within a potentially large mineralised system.

The cost for investors is the loss of leverage to any Fraser Range discovery. Since the company is no longer required to fund Fraser Range exploration, it will be unable to use success in that area to underpin fresh capital raising efforts. ■

Company Rating Review

Enterprise Metals Limited (ENT)

Development Stage: Phase I

Selection Criteria: Corporate subscriber initiated

Rating: 

Recent Company Events

- In late June, the company reported a strong conductor on the southern margin of the target area at its Plato prospect following a ground electromagnetic.
- The company has defined seven high priority targets at its main Fraser Range tenement with coincident magnetic and weathering profile vectors.
- A new tenement package has been secured by the company (following a ballot) at Kitchener area covering a very prospective gravity ridge.
- A program of drill testing and magnetic "lag" sampling of basin sediments within the Doolgunna project replicating the spacing of a prior electromagnetic survey has been completed with a number of significant and distinct geochemical anomalies associated with host shale and dolomitic rocks being defined.
- In June, the company raised \$1.2M to continue exploration activities.
- In November 2013, the company attracted a funding partner for its Darlot project.

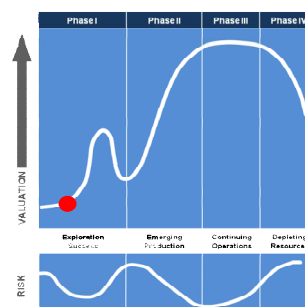
Primary Development Assets

Fraser Range exploration prospect, Western Australia, Enterprise Metals 100%

The Fraser Range project covers 594 square kilometres and is located approximately 100km east of Norseman and 650km east of Perth in Western Australia.

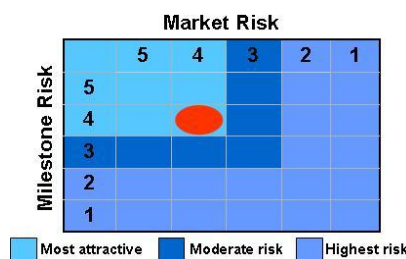
The company's three tenements straddle the Eyre Highway. One tenement, hosting the Plato, Heart and Highway prospects, is located approximately 30km south of the Nova nickel sulphide discovery of Sirius Resources. A second tenement occurs approximately 20km west of the main Plato tenement and is considered prospective for gold. The third tenement, hosting the McPhersons prospect, is located 10km to the northwest of the Plato block and sits within the same package of rocks. This tenement package covers a significant part of the core of the gravity high that has been recognised in this area.

Enterprise Metals has been active in the Fraser Range since 2010 when the tenements were initially granted. This was two years before the exploration success of Sirius Resources triggered a pegging rush in the area. The early mover behaviour of the company has allowed it to secure a very significant position in this block focusing on what was considered at the time to be the most prospective parts of the geology.



Statistical Risk Measures

Deviation from	
• 15 week moving average	-20%
• 25 week moving average	-2%
• 50 week moving average	+8%
Historical return ranking (1-100)	
• 2011-2014	34
• 12 months	35
Return volatility¹	1.6X
Liquidity²	69%
1. Relative to sector median	
2. Turnover for 12 months as % of current shares	



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The Albany Fraser complex extends along the southern and southwest margin of the Archaean age Yilgarn Craton. The complex is Proterozoic in age and consists of various gneiss and granitic rocks with large sheets of metamorphosed gabbro (such as the Fraser Complex), remnants of mafic intrusives and widespread metasedimentary rocks. The block is now considered to be broadly similar in geological setting, identified rock types and age to the Meso-Proterozoic Nain Plutonic Suite of Canada which is host to the significant Voisey's Bay nickel-copper-cobalt deposit. Sirius Resources was using a Raglan deposit analogue (another Canadian nickel copper deposit type) in its exploration efforts that led to the discovery of the Nova-Bollinger system.

The Fraser Range has been subject to previous exploration activity by Newmont and parties associated with prospector Mark Creasy before the significant discovery of the Nova-Bollinger system by Sirius Resources in 2012. The Newmont work, dating from 1965-1972, correctly recognised the similarities with Canadian mafic sequences working with an analogy to the Thompson Fold Belt, which hosts the Thompson Mine of Inco (now Xstrata). Work by Newmont in the area eased following the discovery of the Telfer gold deposit (ASX 17 September 2012).

The company has followed a systematic approach to exploration in the Fraser Range with the following work program after exploration tenements were granted in 2010.

Early 2011	Detailed 100m line spacing airborne magnetic and radiometric survey to map basement geology and structure
Late 2011/early 2012	Regional multi-element soil sampling program on 800m x 400m grids
Late 2012/ early 2013	Infill soil sampling on five prospects at 200m x 100m spacing
2013	Airborne EM using helicopter owing to thick vegetation
May 2014	Drill testing RC and some deeper diamond tails
June 2014	Down hole electromagnetic surveys Ground based fixed loop survey over immediate Plato area Reappraisal of coincident magnetic lows and paleochannels

The soil sampling program was comprehensive with regional sampling on each of the three Fraser Range tenements. Nickel and copper anomalism was identified in each tenement giving rise to targets. Within the Plato prospect, some 387 infill samples were collected defining copper, nickel and cobalt anomalism over a coincident magnetic low initially thought to be a possible intrusive body (ASX 21 June 2013). The helicopter borne survey highlighted the possibility of deep conductors at Plato consistent with the magnetic data (ASX 21 November 2013). The Plato targets were tested with a six hole program.

The results of the Plato drilling program are summarised below (ASX 19 May 2014).

PLRCD 001	to 250m depth RC in gabbro-norite rock - no mineralisation to 480m EOH diamond tail - minor sulphides Subject to subsequent down hole EM survey
PLRCD 002	to 252m depth RC in gabbro-norite - disseminated sulphides -0-76m depth, 76m at 799ppm Ni -108-252m depth, 144m at 149ppm Ni
PLRCD 003	to 270m depth RC in olivine gabbro-norite - sulphides -208-270m depth, 62m at 2100ppm Ni inc 230-251m at 297-ppm Ni to 450m EOH diamond tail -271-334m, 63m at 1360ppm Ni -334m-341m, 7m at 1490 ppm Ni Subject to subsequent down hole EM survey
PLRCD 004	to 300m depth RC - no mineralisation

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PLRCD 005 to 300m depth RC in gabbronorite - no mineralisation
to 450.1m EOH diamond tail

PLRCD 006 to 300m depth RC in gabbronorite - no mineralisation
to 448.1m EOH diamond tail

The initial results from the drill testing of Plato were encouraging with hole PLRCD 003 reporting the presence of sulphide minerals from a depth of 208m including a 3m interval grading 0.4% Ni (ASX 19 May 2014). Large blebs of nickel sulphide were recorded in the deeper diamond parts of the hole and assays of these sections are awaited.

Although massive sulphide was not intersected in the holes, the presence of sulphides, the observed rock types and setting was consistent with a nearby sulphide body that could be detected by a down hole electromagnetic survey. Final assays and an interpreted cross section (of the single east-west drill section) was released in late June showing units of peridotite and altered peridotite within a gabbronorite sequence (ASX 27 June 2014). The drilling intersected the mineralised peridotite in hole PLRCD 003 as well as a leached variant close to the surface in hole PLRCD 002. In the same release, the company noted that microscopic analysis of nine samples determined the presence of primary sulphides derived from cumulate mafic rocks in a layered mafic complex.

Down hole EM at Plato

On 10 June, the company reported the results of a down hole electromagnetic (EM) survey of two of the six recently drilled RC holes. The surveyed holes were PLRCD 001 and PLRCD 003. Other holes from this program were not sampled as the holes were blocked due to "crimping" of a PVC sleeve. The holes were spaced 392m apart on the same east-west line over the Plato prospect (ASX 10 June 2014).

The down hole electromagnetic survey failed to identify "off hole" conductors which would indicate the presence of massive sulphide material within a typical 200m radius dashing hopes from the initial RC drilling program that the contained nickel sulphide intercepts would be translated into the discovery of massive sulphide bodies. The release also contained the results of a petrographic analysis of the RC chips which found that the various identified mafic rocks derived from a layered cumulate complex and that the sulphide assemblage, though pyrrhotite dominant, was derived from a magnesium and nickel enriched parent magma. This is not the same geological host as seen in the immediate vicinity of the Nova-Bollinger discovery to the north.

The exploration goal is to locate these more "primitive" nickel enriched rocks in the project area. The petrographic analysis suggests that magnetic lows at the Plato prospect are not intrusive cumulates as first envisaged but rather part of a much more extensive layered mafic complex.

The insights from the petrologic work and down hole electromagnetic surveys are painting a much larger domain of prospective rock at the Plato and related company prospects in the Fraser Range. The positive attributes of a much larger prospective host rock is offset by disappointment in being unable to identify a clear vector to mineralisation at this time thus widening what was previously an attractively focused exploration program.

Ground EM survey

The company had been encouraged by initial RC results to commission a detailed ground electromagnetic survey (GEM) over most of the Plato and the Plato West target areas (covering eight square kilometres). The ground electromagnetic survey commenced in May and was expected to be particularly insightful with an expected penetrative depth of 650 metres (ASX 30 May 2014). In late June, the company reported the results of the survey which highlighted seven targets at Plato and Plato West with a pronounced response reported on the southern margin of Plato which has been postulated by the company as being a possible feeder sill or conduit for mineralisation (ASX 27 June 2014). The eastern Plato target was not tested in this survey due to access issues.

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Target Reappraisal; focus on coincident paleochannels and magnetic lows

The drilling of the Plato magnetic low allowed the company to ascertain that the olivine rich sulphide bearing units are presenting as magnetic lows within a strongly magnetic gabbro-norite rock (confirming the usefulness of magnetic survey work) and that these olivine rich rocks are subject to acid leaching and formation of deeper weathered profiles. This deep weathering means that surface geochemical surveys will not necessarily detect buried target rocks or will, at best, give weak anomalies.

This insight allowed the company to review its magnetic data identifying seven new targets all on the same exploration permit as Plato. The company overlaid the magnetic targets with the mapped paleochannel patterns on the permit. Many followed clear geological controls. This allowed targets with coincident magnetic low and paleochannel development to be identified.

A company release in late June shows a map of the defined paleochannels and magnetic lows of the project area (Figure 5, ASX 27 June 2014). Some of the targets are very large, particularly the Oceanus trend on the far east of the tenement which has a strike of over 5km. The West Plato target shows no development of a weathering profile while the East Plato area shows a good overlap of both vectors. A pronounced east-northeast trend is observed in many of the paleochannels on the prospect which is of a different orientation to many of the magnetic anomalies.

Kitchener Area northeast of Fraser Range

In early July, the company was awarded a new tenement (E 28/2403) covering 203 square kilometres approximately 120km northeast of the Nova Bollinger discovery adjacent to the Kitchener siding on the Trans Australia Railway (ASX 3 July 2014). The tenements were awarded by a ballot against 10 other applicants.

The tenement area covers the southern and southeast margin of a significant gravity ridge within the Fraser Range Orogen ostensibly on what appears to be a repetition of the same belt of rocks which occurs to the south which hosts the Nova-Bollinger system. A stark similarity is obvious in the gravity map contained in the company release as is a noticeable gap in the gravity ridge approximately 80km northeast of the Nova discovery. This comparison warrants the Kitchener prospect being shown as a separate greenfield opportunity. The company holds 100% of the large tenement.

The tenement, previously held by Pointon Minerals, was subject to a 5 year compulsory partial surrender in 2013. Due to thick cover, Pointon completed calcrete (1234 samples) and soil sampling programs as well as infill testing with a mechanised auger. These results show a distinct and significant nickel and cobalt soil anomaly in the southeast of the tenement. The coincident nickel and cobalt anomalies are approximately 2.5km wide.

Doolgunna Prospect, Western Australia, Enterprise Metals 100%

The Doolgunna Prospect of Enterprise Metals covers some 1,100 square kilometres and abuts the southern tenement boundary of much of the Sandfire Resources holdings in the area. The tenements are 10km southwest of the operating Degruessa copper mine. The project is located approximately 110km northeast of Meekatharra and cover the Doolgunna Homestead.

The company has been active in this region since 2008 when the project was called the Greater Revere Area and Enterprise Metals was called Revere Mining. The 2008 annual report of the company shows an exploration effort focussed on gold within two tenements. In 2009, the company expanded its Doolgunna tenement holdings. Sandfire Resources announced a base metal discovery at Degruessa in May 2009 with Enterprise Metals having a first mover advantage in a regional discovery.

Since that time, considerable work has been undertaken by the company as well as exploration work by other companies in adjacent tenements. The area is considered prospective for volcanic-hosted gold and massive sulphides, mesothermal gold stock works and a range of sediment hosted base metal deposits. The company has recently focused on sediment hosted base metal targets for parts of the tenement recognising new insights relating to the structure and trough

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sediments of the area.

The company has focused on two parallel northeast trending structures, the Goodin and Southern Boundary Faults, which define the Doolgunna Graben. The Degrusa mine occurs to the north of the Goodin Fault and the Doolgunna Graben along with the Vulcan prospect of Enterprise Metals which was subject to drill testing in 2013. The company has focused on northwest trending cross cutting faults which have been seen as possible fluid pathways within the graben and on the margins of it. In the case of the African copperbelt, copper occurs within carbonaceous rich sediments.

Previous multi-element geochemical sampling of the tenement had defined six targets within the Doolgunna Graben. Some of these targets have coincident copper and tellurium signatures. Others have bismuth and antimony or copper-zinc anomalism. In January, the company reported that it had completed gravity surveys over previously defined ground electromagnetic conductors with seven targets within the graben prioritised for drill testing.

In the centre of the graben at the Borg target, two coincident gravity and EM targets were identified along with three other gravity targets. At Azan, located approximately 15km to the northeast of Borg, another coincident gravity and EM target was identified. To the southwest of Borg, targets were identified at four prospect areas called Dax, Forge, Elim and Chekov (ASX 23 January 2014).

In April, the company reported on the results of a 36 hole RC program (for 4,166 metres) at Doolgunna testing the six identified targets on drill lines matching the earlier electromagnetic survey. The program identified shale sequences with disseminated mineralisation and alteration consistent with the company hypothesis of a sediment hosted system. At Borg, 13 shallow and 4 deeper angled RC holes were drilled along a strike of 5km testing each of the observed anomalies. While identifying weakly mineralised sediments, no intersections were of high grade. Similar results were reported at the other prospects. The mineralised corridor at Borg is close to 2km wide (ASX 17 April 2014).

The prospect has taken a leap forward in terms of geological understanding and target generation following the reporting of an infill magnetic lag geochemical survey. In July, the company reported a series of discrete geochemical anomalies in the basin sediments which, when placed in the context of observed geology and alteration, proximity to structure and gravity and magnetic geophysical response, have been placed in the context of a shale-dolomite hosted sedimentary exhalative base metal system (ASX 8 July 2014).

At the Borg prospect in the north of the tenement, the sampling program suggests that the drill program clipped the margin of the main anomaly with zinc anomalism reported at depths ranging from 14m to 115m. Within these holes, laminated sulphides were reported in sediments and sulphides were reported in a siliceous breccia rock. Enterprise Metals noted that CRA Exploration had tested the opposite side of the Borg anomaly in 1991 reporting base metal anomalism in the sediments but, in all cases, the 2.5km wide anomaly was untested. As with the work by the company on the regolith at Fraser Range, there appears to be base metal depletion in the soils (not magnetic fraction) above base metal accumulations reflecting some acid leaching and mobilisation of the more active metals.

While the Borg prospect is best developed as an exploration target at this stage, the tenement has other discrete anomalies (Azan, Chekov, Dax) in the central part of the Doolgunna Trough. Each could be a repetition of a common mineralising event.

Darlot Prospect, Enterprise Metals 80% with option to Independence Group to earn 51% interest
In November 2013, the company announced that it has signed an earn-in agreement with Independence Group under which that company would fund \$0.49M exploration over a 12 month period after which it may commit to further expenditure of \$1.2M over two years to earn a 51% interest (ASX 25 November 2013). At the end of the two year period, Independence Group can elect to increase its equity to 80% (with Enterprise diluting to 20%) through the funding of a pre-feasibility study. On nearby tenements where Enterprise currently holds an 80% interest, the

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agreement would see the company interest decline to 10%. This transaction has allowed the company to maintain exploration activity at this prospect but focus company efforts (and resources) at Doolgunna and the Fraser Range.

Regulatory Standing

The recent work in the Fraser Range has been undertaken on E63/1281, a 100% held Western Australian Exploration Licence. Other Fraser Range tenements are E63/1282, E63/1283 and E63/1448. The company tenements at Doolgunna are E51/1079, E51/1168, E51/1301, E51/1303, E51/1304, E52/2049, E52/2404(80%), E52/2406(80%), P51/2624-2627.

Western Australian exploration licences are issued for eight year periods with set requirements on expenditure and progressive tenement reduction. Tenements can be renewed after the eight year period has passed provided conditions have been met.

Project Potential

Few junior exploration companies are so well positioned with large, 100% held holdings in the recognised Fraser Range and Doolgunna areas. The Enterprise Metals properties are characterised by the prospective nature of the geology, the proximity to known significant mineral discoveries and the inventory of leads that has been established by the company.

Despite the attributes of these attractive tenement holdings, the geology is complex requiring a systematic and flexible exploration program. Such programs may encounter some disappointment along the way. This was recently the case at the Fraser Range when encouraging signs of potential massive sulphide mineralisation did not translate into clear sulphide targets.

Fraser Range

The most attractive tenements of the Fraser Range have been secured by Sirius Resources and Enterprise Minerals. Each has secured considerable holdings over the key gravity feature which defines the play. Later entrants have found it difficult to match the prospectivity of the tenements held by these two companies.

While the recent down hole electromagnetic surveys of two holes were unable to identify "off-hole" conductors, the technology has an approximate search radius of 200 metres and both holes (as well as all the holes drilled at Plato) were drilled on a single line representing a fraction of the currently defined Plato anomaly.

The company has subsequently completed a ground EM survey at the prospect which identified a very strong conductor on the southern margin of Plato well away from previous drilling. This work was accompanied by a review of the drill information which points to weakly magnetised immediate olivine-rich host rocks to mineralisation with the attendant development of deep weathering profiles above sulphide-bearing rocks.

This insight implies less emphasis should be placed on soil sampling as the metals are leached and will report lower than initially expected values (an observation which has wide application for all Fraser Range exploration companies) and that mapped paleochannels and zones of deep weathering appear to be an excellent vector to identify the sulphide-bearing rocks. This interpretation has allowed the definition of seven high priority targets on the company tenement, some representing sizable plays.

The new Kitchener area appears to be well positioned with respect to the underlying gravity signature of the Fraser Range. The previous holder of the tenement had completed a body of work which allows Enterprise Metals to rapidly proceed to drill testing. It is no surprise that the tenement was the subject of interest from a large number of exploration companies.

Doolgunna

The recent work at Doolgunna has focused on validating a hypothesis that sediments within the Doolgunna Graben could be mineralised and can be identified from a program of multi element geochemical sampling and geophysics. The program completed earlier this year successfully proved this hypothesis. While samples of fresh rock yielded disseminated sulphides, intercepts

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were low grade. While much higher grades would have clearly been preferred, this was an initial test drilling program and a much more extensive program with deeper holes will be needed to test the Borg and related targets. The exploration model is a fresh approach to this region.

The recent "maglag" results have upgraded the prospectivity of the block. The Borg anomaly is both large and displays many of the broad geological features (structure, host rock, geochemistry) of a sediment hosted exhalative base metal systems. These types of deposit comprise a significant proportion of current global zinc and lead production. Examples include those mines hosted in the similar age Proterozoic rocks of the Mount Isa Group (Mount Isa, Hilton) and the McArthur Group (McArthur River) of Queensland and the Northern Territory.

Capacity to Meet Targets

The management of the company has a demonstrated capability in managing the permitting of exploration tenements at its Western Australian prospects. The company has been able to identify prospective mineral provinces to capture the benefits of an "early mover" with large, 100% held holdings. The key focus areas of the company, both highly prospective regions with significant mineral discoveries, were established prior to the major mineral discoveries of Sandfire Resources and Sirius Resources in these regions.

The company has demonstrated a consistency to its exploration approach at Fraser Range and Doolgunna with sequential sampling, geophysical and drill programs, incrementally building the geological knowledge of complex geological systems.

Since the exploration activities at Fraser Range and Doolgunna are still at a relatively early stage, the company has not been in a position to quantify resources or undertake feasibility studies aimed at de-risking the financial and technical parameters of a project.

The company has an appropriately experienced and qualified management team. Managing Director Mr. Dermot Ryan has over 36 years of experience including 20 years with CRA Exploration. He is an experienced executive and company director.

At the end of March, the company held cash of just over \$1.3M (ASX 1 May 2014). The company has been able to fund its directed exploration efforts through a series of small placements. It raised \$1M at 4c last November (ASX 28 November 2013) and, more recently, raised \$1.2M at 5c with an attaching 1 for 2 15 June 2016 option priced at 10c (ASX 23 June 2014).

The largest shareholder of the company is Sinotech (Hong Kong) Corporation which is a subsidiary of Sinotech Minerals Exploration, a Chinese explorer whose major shareholder is the Beijing Institute of Geology for Mineral Resources, a Chinese government owned entity.












Rating Discussion

PortfolioDirect has classified Enterprise Metals as a Phase I company. The **PortfolioDirect** rating system scores companies on the potential to confirm a commercially viable development within a reasonable timeframe acceptable to investment markets. A company still seeking to define a resource and whose investment potential relies primarily on exploration success will be assessed on how its exploration or development properties as well as the company measure up against criteria summarised in the table below. The investment potential of Enterprise Metals relies primarily on a market re-rating resulting from exploration success.

The company is working on two high quality exploration targets with the potential for significant mineral discoveries. The recent work at Doolgunna has enhanced the prospectivity of the tenement defining a series of large and discrete base metal anomalies of which the Borg prospect is best defined. The prospect is 2.5km wide and displays geology (as evidenced from drilling on the western margin of the anomaly) which is consistent with a potentially large sediment hosted base metal system. Drill testing on the target zone will need to confirm this. Such deposits tend to be very large (as defined by metal endowment) and uncommon typically occurring on trends within a basin following key structures. The Borg system appears to be relatively shallow which will work in the company's favour as it pursues further exploration work.

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Enterprise Metals Phase I Rating Scorecard	
Milestone Risks	
Consistency with recognised deposit types.	
Proximity to other discoveries.	
Availability of funding to complete a critical program of drilling or analysis.	
The track records of key executives driving exploration programs on behalf of the company.	
The company's possession of unique or innovative insights leading to reinterpretation of previous geological assessments.	
A strong focus on a specific geographic region.	
The potential to resolve outstanding technical parameters within a reasonable investment horizon.	
Market Risks	
The likelihood of a market surprise arising from a change in view about the quality of a potential mineral resource or oilfield.	
The likelihood of a market surprise arising from a change in view about the size of a potential mineral deposit or oilfield.	
Whether the company's share price has already been re-rated by the share market.	
The likelihood of a near term capital raising	

The company also remains one of the best positioned explorers in the Fraser Range where the new Kitchener tenement builds on this comparative advantage.

While the company has sufficient funds to meet its immediate requirements, they are insufficient for a thorough ongoing program of work to cover all its exposures. The highly prospective nature of the regions in which the company is operating will offer potential investors some reassurance about access to ongoing funding but exploration efforts could be compromised in the event the company's next round of drilling falls short of what is expected or market conditions are not as conducive to capital raising activity as they are at present.

Investors have supported the company relatively well through the cycle. Until the end of April, the company's share price performance put it among the top 15% of sector returns. Since then, investors have taken a 56% loss after expectations of an "off-hole" conductor were not realised in the Fraser Range. Similar risks remain due to the state of exploration knowledge and the complexity of the rocks.

The recent refocus on coincident magnetic lows and paleochannels at Fraser Range based on experience and science has the potential to yield meaningful exploration outcomes. This is illustrative of the learning process behind successful exploration work of the sort needed in the areas in which the company is working. While this process is underway, the Enterprise exploration program lacks specific targets to which investors can look in the near term and against which they are able to make judgements about future prospects. The company is engaged in a longer haul exploration effort with considerable potential but one leaving investors open to opportunity costs before success may be reflected in investment returns.

Since the primary objective of current activities revolves around attempts to more clearly define resource potential at its properties, there are no outstanding technical issues relating to the

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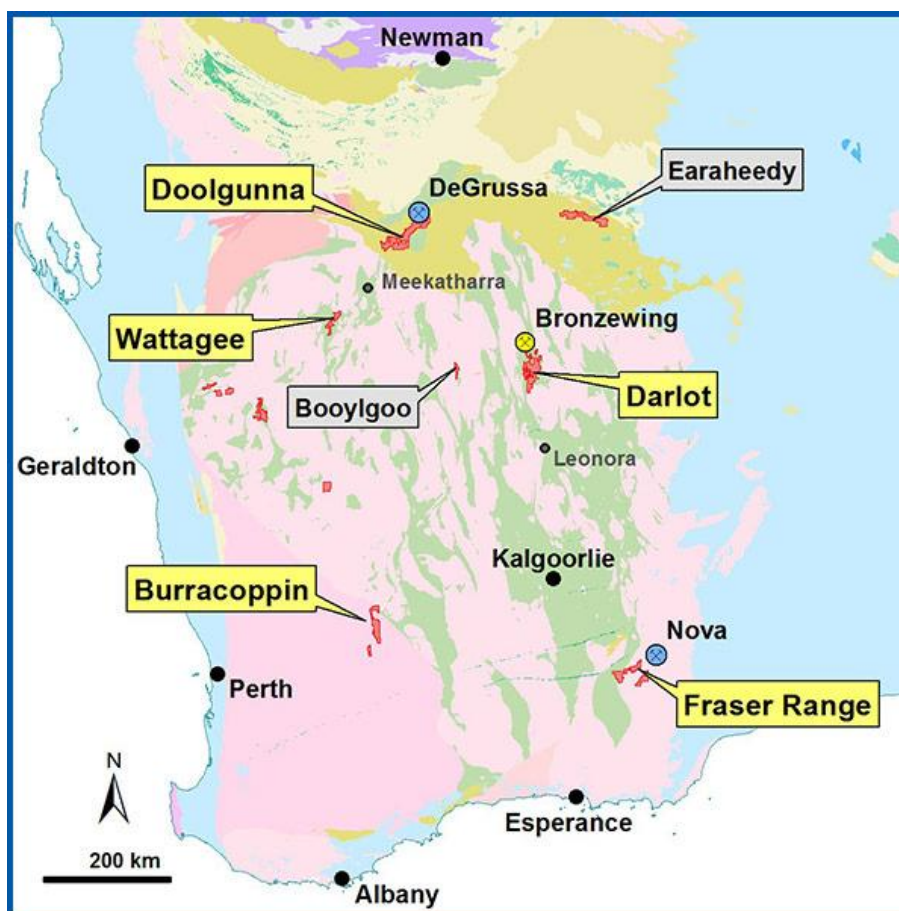
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processing of ore or development of markets that might act as a catalyst for a reappraisal of value in the immediate future. The investment outcome rests almost exclusively on the analysis of planned drilling results.

From a portfolio construction perspective, Enterprise Metals represents an opportunity to gain exposure to highly prospective new mining regions in Western Australia. The Fraser Range opportunity is especially interesting in the light of the ongoing exploration success of Sirius Resources, the relative positioning of the Enterprise tenements to those of Sirius and how few companies have similar exposures.

Sirius Resources has demonstrated the strong value proposition that can arise from exploration success but it is always difficult for another company to fully replicate the investment outcome of the first mover working in the same area. Nonetheless, one consideration for investors contemplating an entry into this region is the relative market and milestone risks faced by Enterprise Metals and Sirius Resources as proxies for exposure in this region.

The market value of Sirius Resources is more than fifty times greater than the market value of Enterprise Metals. Sirius is increasingly being priced as a development opportunity whose further exploration success will have a diminishing effect on investment returns. Enterprise, on the other hand, is better able to offer investors the leverage which normally comes with exploration success and which can compensate for the potential opportunity costs associated with holding an investment. ■



Abbreviations and Symbols

lb	pound	cif	cost, insurance and freight
oz	troy ounce	fob	free on board
Koz	1,000 troy ounces	fot	free on truck
Mlbs	million pounds	g/t	grams per tonne
kg	kilogram	ppm	parts per million
t	tonne	RC	reverse circulation
kt	1,000 tonnes	RAB	rotary air blast
Mt	1,000,000 tonnes	U ₃ O ₈	yellowcake (uranium)
Mtpa	million tonnes per annum	Fe/FeO	iron/iron ore
kL	kilolitre (1,000 litres)	SiO ₂	silica
ML	megalitre (one million litres)	Al ₂ O ₃	alumina
GL	gigalitre (one billion litres)	P	phosphorus
ha	hectare	TiO ₂	titanium dioxide
m	metre	ZrO ₂	zirconium dioxide
m ³	cubic metre	LOI	loss on ignition
km	kilometre	mg/l	milligrams per litre
A\$	Australian dollar	Mj/kg	mega joules per kilogram
\$M	million dollars	EBITDA	earnings before interest, tax, depreciation & amortisation
US\$	United States dollar	EBIT	earnings before interest & tax
MG/GW	megawatt/gigawatt	ROM	run of mine
ct	carat	LOM	life of mine
bbl	barrel	MOU	memorandum of understanding
mbd	million barrels a day	VTEM	Versatile Time Domain Electromagnetic
MBOE	million barrels of oil equivalent		


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