



12-July-2018

Morningnote

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Overseas Market Report

Foreign Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Dow Jones (US)	24700	7:02am 12/07/2018	-219	-0.88
▼ S&P 500	2774	7:02am 12/07/2018	-20	-0.71
▼ NASDAQ	7717	7:31am 12/07/2018	-43	-0.55
▼ FTSE 100 Index	7592	1:50am 12/07/2018	-100	-1.30
▼ DAX 30	12417	2:00am 12/07/2018	-193	-1.53
▼ CAC 40	5354	2:15am 12/07/2018	-80	-1.48
▼ Nikkei 225 (Japan)	21932	4:20pm 11/07/2018	-265	-1.19
▼ HKSE	28312	6:23pm 11/07/2018	-371	-1.29
▼ SSE Composite Index	2778	5:16pm 11/07/2018	-50	-1.76
▼ NZ 50	9001	3:20pm 11/07/2018	-22	-0.24

International Markets Roundup

NEW YORK [Morningstar with AAP]: US stocks have fallen, breaking a four-session streak of gains after Washington's threat to impose tariffs on an additional \$US200 billion (\$A270 billion) worth of Chinese goods fanned trade war fears, while a sharp drop in oil prices hit energy shares.

China responded to US President Donald Trump's threats by accusing the US of bullying and warned that it would hit back.

Industrial names including Boeing, 3M and Caterpillar, which have been among the hardest hit by the recent trade dispute, were among the Dow's biggest drags.

Materials, down 1.7 per cent, was another big negative influence on the market, with Freeport-McMoRan down 3.9 per cent as copper prices hit their lowest in about a year.

Investors said trade war worries may slip to the background as investors begin to focus more closely on second-quarter earnings over the coming weeks. Results from JPMorgan Chase and other big banks are due on Friday.

"The trade situation is worrisome but nothing more is going to happen right away. This story may recede in people's consciousness while current stories capture people's interests, particularly earnings," said John Carey, portfolio manager at Amundi Pioneer Asset Management in Boston.

"People are looking for some fairly strong earnings, and there's certainly potential for disappointment."

Analysts are forecasting S&P 500 companies' earnings grew about 21 per cent in the second quarter from a year earlier, according to Thomson Reuters data.

Also pressuring the market on Wednesday, the S&P 500 energy index fell 2.2 per cent, leading sector declines. US

National Veterinary Care Ltd (NVL)

-National Veterinary Care Provides FY 2018 Results Update

Dacian Gold Limited (DCN) -Dacian Gold Announces Institutional Placement to Accelerate Exploration Programs

Dacian Gold Limited (DCN) -Dacian Gold Provides Equity Raising Investor Presentation

MGC Pharmaceuticals Ltd (MXC) -MGC Pharmaceuticals Trading Halted, Pending Company Announcement

Animoca Brands Corporation Limited (AB1) -Animoca Brands Suspends from Official Quotation

crude oil futures settled down 5 per cent on the trade dispute escalation and as expectations of growing supplies increased on news that Libya would reopen ports.

The Dow Jones Industrial Average fell 219.21 points, or 0.88 per cent, to 24,700.45, the S&P 500 lost 19.82 points, or 0.71 per cent, to 2,774.02 and the Nasdaq Composite dropped 42.59 points, or 0.55 per cent, to 7,716.61.

Chipmakers, which largely depend on China for their revenue, fell, with the Philadelphia semiconductor index down 2.6 per cent.

The market's drop was not as steep as what was seen in late March and early April when the escalating trade rhetoric between China and the US led to the S&P falling more than 2 per cent on four occasions.

The market slide may have been contained in part by speculation the Trump administration could change its mind by the end of August, when the tariffs are due to come into effect, some strategists said.

The utilities sector was the only one in positive territory, with a 0.9 per cent gain.

Twenty-First Century Fox fell 4 per cent after the media company raised its offer for Britain's Sky, seeing off rival bidder Comcast for now. Comcast shares were up 1.3 per cent.

Declining issues outnumbered advancing ones on the NYSE by a 2.74-to-1 ratio; on Nasdaq, a 1.87-to-1 ratio favoured decliners.

The S&P 500 posted 13 new 52-week highs and one new low; the Nasdaq Composite recorded 63 new highs and 51 new lows.

About 6.0 billion shares changed hands on US exchanges. That compares with the 6.9 billion daily average for the past 20 trading days, according to Thomson Reuters data.

Commodities	Latest Price	Time/Date (AEST)	Change	% Change
▼ Aluminium	2098	4:14am 12/07/2018	-19	-0.90
▼ Copper	6130	4:14am 12/07/2018	-191	-3.02
▼ Nickel	13785	4:14am 12/07/2018	-272	-1.93
▼ Gold	1242	7:00am 12/07/2018	-8	-0.67
▼ Silver	15.8	7:01am 12/07/2018	-0.2	-1.23
▼ Oil - West Texas crude	70.4	7:09am 12/07/2018	-3.7	-5.03
▼ Lead	2180	4:14am 12/07/2018	-123	-5.33
▼ Zinc	2586	4:14am 12/07/2018	-69	-2.60
▼ Ore	63	7:10am 12/07/2018	0	-0.02

Currency	Latest Price	Time/Date (AEST)	Change	% Change
▼ \$A vs \$US	0.7363	7:54am 12/07/2018	-0.0051	-0.69
▼ \$A vs GBP	0.5574	7:54am 12/07/2018	-0.0017	-0.30
▲ \$A vs YEN	82.41	7:54am 12/07/2018	0.25	0.31
▼ \$A vs EUR	0.6307	7:54am 12/07/2018	-0.0015	-0.24
▲ \$A vs \$NZ	1.0904	7:54am 12/07/2018	0.0032	0.29
▲ \$US vs Euro	0.8566	7:54am 12/07/2018	0.0041	0.48
▲ \$US vs UK	0.7571	7:54am 12/07/2018	0.0030	0.39
▲ \$US vs CHF	0.9955	7:54am 12/07/2018	0.0031	0.31
▼ \$A vs \$CA	0.9730	7:54am 12/07/2018	-0.0016	-0.16

Australian Market Report

Australian Equities	Latest Price	Time/Date (AEST)	Change	% Change
▼ All Ordinaries	6300	4:30pm 11/07/2018	-43	-0.67
▼ S&P/ASX 200	6216	4:30pm 11/07/2018	-42	-0.68
10-year Bond Rate	2.62	7:09am 12/07/2018	--	--
▲ 90 Day Bank Accepted Bills SFE-Day	2.02	12:18am 12/07/2018	0.01	0.50
3-yr Bond Rate	2.06	7:09am 12/07/2018	--	--

Local Markets Are Expected to Open Lower

Ahead of the local open SPI futures were 8 points lower at 6,166.

Wednesday 11 July - close [Morningstar with AAP]: The Australian share market and the Aussie dollar have both come under pressure after the US ramped up its trade war with China.

The benchmark S&P/ASX200 index was down 42.5 points, or 0.68 per cent, at 6,215.6 points, extending Tuesday's 0.44 per cent drop, while the broader All Ordinaries fell 42.6 points, or 0.67 per cent, at 6,300.2 points.

The US announced plans to impose a further \$US200 billion worth of tariffs on Chinese products after the close of trade on Wall Street on Tuesday, with investors anxiously awaiting China's response.

The latest move comes just days after the two nations imposed tariffs of \$US34 billion on each other's goods.

CMC Markets chief market strategist Michael McCarthy says the latest tariff announcement by the Trump administration has "really scared investors."

"We're seeing anti-growth movement across the markets, all of the Asia-Pacific exchanges are under pressure, every single one of them in the red," Mr McCarthy said.

Fears about the global economic outlook due to the escalating trade war triggered big falls across the energy, materials, industrials and financial sectors.

Rio Tinto dropped 1.8 per cent to \$80.16, BHP Billiton fell 1.3 per cent to \$33.78 and Wesfarmers lost one per cent to \$48.88.

The nation's big four banks all finished in the red, with Commonwealth Bank falling 0.5 per cent to \$74.05 and National Australia Bank losing 0.7 per cent to \$27.65, ANZ slipping 0.8 per cent to \$28.57 and Westpac falling 0.7 per cent to \$29.29.

Bucking the broader market were some consumer-exposed stocks, including supermarket giant Woolworths and travel operator Flight Centre.

Woolworth rose 1.4 per cent to \$31.28 and Flight Centre gained 3.8 per cent to \$64.61.

The Australian dollar lost ground due to concerns about the global economic growth and lower commodity prices.

"Iron ore is an important export, copper is an important export, oil and gas are important exports so with all of those prices down there's less demand for Australian dollars," Mr McCarthy said.

The Aussie was trading at 74.10 US cents at 1700 AEST on Wednesday, down from 74.64 US cents on Tuesday.

ON THE ASX

The benchmark S&P/ASX 200 index was down 42.5 points, or 0.68 per cent, at 6,215.6 points

The broader All Ordinaries index was down 42.6 points, or 0.67 per cent, at 6,300.2 points

Companies Reporting Today (ASX 300):

ASX Code	Company Name	Report
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* Estimated based on release date of previous report

Market Sensitive Announcements

08:28 AM

Dacian Gold Limited (DCN) -Dacian Gold Trading Halted, Pending Company Announcement

The securities of Dacian Gold will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 July 2018 or when the announcement is released to the market.

08:32 AM

Ruralco Holdings Limited (RHL) -Ruralco Holdings Provides Market Update

Ruralco Holdings provided market update. It expects to deliver a full year underlying net profit after tax (uNPAT) of between \$26-29m (FY 2017: \$26.2m). The mid-point of this range is consistent with current market consensus uNPAT of \$27.8m. This uNPAT range has been confirmed following the finalisation of its third quarter results as well as its fourth quarter forecasting process.

08:37 AM

Resolute Mining Limited (RSG) -Resolute Mining Provides Ravenswood Expansion Project Update

Resolute Mining announced improvements to the Ravenswood Expansion Project (REP). The successful receipt of all required government approvals has allowed the adoption of an optimised mining and processing schedule, a revised processing and tailings management strategy, and the incorporation of new technologies to improve efficiency. The updated REP (REP Update) is expected to deliver 1.5 Moz of gold production over 13 years. Mine life has been extended by three years to 2031 from the original REP study (REP Study). The Life of Mine (LOM) All-In Sustaining Cost (AISC) has reduced to A\$1,097/oz (US\$823/oz), from A\$1,166/oz (US\$880/oz), with associated LOM project capital of A\$327m.

08:44 AM

Neometals Limited (NMT) -Neometals Provides Positive Test Work Results

Neometals announced results from its initial metallurgical test work program at The Institute of Multipurpose Utilisation of Mineral Resources - Chinese Academy of Geological Sciences (IMUMR) based in Chengdu in Sichuan Province. IMUMR is rated as one of the top metallurgical institutes in China and has extensive experience in the mineral processing and smelting of Vanadium Titano-Magnetite (VTM) deposits including extensive work on the Panzihua and Chengde VTM deposits in China. IMUMR have concluded first stage beneficiation and metallurgical test work on a 20 kg diamond core sample of Barrambie project mineralisation which was taken from the high titanium grade eastern zone of the deposit.

08:49 AM

Xanadu Mines Limited (XAM) -Xanadu Mines Provides Drilling Update

Xanadu Mines provided a drilling update for the new Zarea Discovery at its flagship Kharmagtai copper and gold project located in the South Gobi region of Mongolia. Drilling continues to bring the new Zarea discovery closer to open pit range. Drill hole KHDDH469 was designed to test the shallower up dip projection of Zarea mineralisation. Sporadic porphyry mineralisation was encountered from 100m in depth (80m vertically) with 52m @ 0.26% eCu from 100m. Top of basement drilling has defined a 300m by 300m zone of shallow gold and copper anomalism at the basement surface which is interpreted to be the surface expression of the Zarea discovery.

08:52 AM

Corporate Travel Management Limited (CTD) -Corporate Travel Management Trading Halted, Pending Company Announcement

The securities of Corporate Travel Management will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 July 2018 or when the announcement is released to the market.

08:53 AM	<p>Village Roadshow Limited (VRL) -Village Roadshow Trading Halted, Pending Company Announcement</p> <p>The securities of Village Roadshow will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 12 July 2018 or when the announcement is released to the market.</p>
08:57 AM	<p>Energy Resources of Australia Limited (ERA) -Energy Resources of Australia Provides June 2018 Quarter Operations Review</p> <p>Energy Resources of Australia provided June 2018 quarter operations review. It produced 400t of uranium oxide in the June 2018 quarter. The production was impacted by the annual plant maintenance shut down and the completion of laterite ore processing early in the June 2018 quarter. Mill head grade dropped during the quarter but is expected to return to March 2018 quarter levels in quarter 3. In accordance with the Company's mine plan, continued uranium production is based on the processing of primary ore stockpiles. The production guidance remains unchanged for 2018 of between 1,600 to 2,000t of uranium oxide. No evaluation or exploration expenditure was incurred for the June 2018 quarter, in line with the March 2018 quarter.</p>
09:00 AM	<p>AdAlta Limited (1AD) -AdAlta Trading Halted, Pending Company Announcement</p> <p>The securities of AdAlta will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 July 2018 or when the announcement is released to the market.</p>
09:16 AM	<p>National Veterinary Care Ltd (NVL) -National Veterinary Care Provides FY 2018 Results Update</p> <p>National Veterinary Care provided an update on its expected results for the year ended 30 June 2018. It has experienced revenue growth in FY 2018 and expects underlying revenue for the year to be in the range of \$81.5m to \$82.3m. The revenue across the general practice clinics was below expectations in May 2018 and June 2018, which in turn impacted underlying EBITDA margin.</p>
09:20 AM	<p>Dacian Gold Limited (DCN) -Dacian Gold Announces Institutional Placement to Accelerate Exploration Programs</p> <p>Dacian Gold announced the launch of a A\$37m Institutional Placement, with the ability to take oversubscriptions to raise up to an additional A\$3m, to fund an accelerated exploration program and extinguish a royalty at its 100% owned Mt Morgans Gold Operation (MMGO), located 20 km south-west of Laverton in WA. The Institutional Placement will raise A\$37m through the issuance of 13.7m shares at A\$2.70 per share (Institutional Placement). At the completion of the Institutional Placement, the Company will have 219.5m shares on issue and a pro forma cash position of A\$92m. The Institutional Placement will be accompanied by a Share Purchase Plan (SPP) of up to A\$5m at the same issue price, the proceeds of which will be applied to fund exploration activities at Westralia and Cameron Well.</p>
09:25 AM	<p>Dacian Gold Limited (DCN) -Dacian Gold Provides Equity Raising Investor Presentation</p> <p>Dacian Gold provided equity raising investor presentation. The Institutional placement to raise A\$37m (Institutional Placement) via the issue of 13.7m new Company's shares (New Shares) (6.7% of existing issued capital), with the ability to take oversubscriptions to raise up to an additional A\$3m and an accompanying Share Purchase Plan (SPP) to raise up to A\$5m (together, the Equity Raising or the Offer). The Offer is not underwritten. The proceeds from the Equity Raising will be used to fund accelerated exploration programs at Westralia and Cameron Well and extinguishment of the Jupiter mine royalty obligation.</p>
09:30 AM	<p>MGC Pharmaceuticals Ltd (MXC) -MGC Pharmaceuticals Trading Halted, Pending Company Announcement</p> <p>The securities of MGC Pharmaceuticals will be placed in trading halt session state at the request of the Company, until the earlier of the commencement of normal trading on 13 July 2018 or when the announcement is released to the market.</p>

09:31 AM

Animoca Brands Corporation Limited (AB1) - Animoca Brands Suspends from Official Quotation

The securities of Animoca Brands will be suspended from quotation immediately under Listing Rule 17.2, at the request of the Company, pending the release of an announcement regarding a proposed capital raising.

Research Report Summaries**Morningstar Rating**

★★★★

Share Price

1.545

Mesoblast Limited (MSB) - Raising FVE for Mesoblast after Adjusting for AUD as we Await 180 Day Survival Data in aGvHD

Analyst Note-We are raising our fair value estimate for no-moat Mesoblast to AUD 2.90 from AUD 2.60 previously, after adjusting for the recent weakness in the Australian dollar/U.S. dollar exchange rate, which currently stands at 0.74. This is ahead of an expected readout of day 180 safety data from the ongoing phase 3 pediatric patients with steroid-refractory Acute Graft Versus Host Disease, or aGVHD, study of MSC-100-IV, in first-quarter fiscal 2019. However, our forecasts, which are denominated in U.S. dollars, remain unchanged. As a result, shares in Mesoblast are screening as significantly undervalued, albeit with a very high fair value uncertainty rating.

Despite ongoing multiple late stage programs, we continue to view MSC-100-IV, or Remestemcel-L as the next most likely product candidate to be advanced, given the approval of Temcell in Japan in 2015 by licensee partner JCR Pharmaceuticals. Data rendered to date has been encouraging with the top line 100 day from the 55 children cohort demonstrating an overall survival rate of 75% and significantly higher than 30% observed in patients who typically fail to respond to initial steroid therapy. As such, the day 180 data if positive, along with existing Phase 3 data, could support a filing for accelerated approval in pediatric patients and clear the way for a potential U.S. launch in late 2018. Our modelling of MSC-100-IV generates a net present value of around USD 210 million for the product based on the addressable market in the U.S. alone, and using a 90% probability of success, comprises 16% of our fair value estimate for the stock.

FYE Jun	2016A	2017A	2018E	2019E
Reported Npat \$m	-132.72	-95.13	-117.05	-74.42
EPS c	-36.79	-24.06	-25.27	-12.54
P/E x	-6.78	-6.80	-6.10	-12.30
EPS Growth %	0.00	0.00	0.00	0.00
DPS c	0.00	0.00	0.00	0.00
Yield %	0.00	0.00	0.00	0.00
Franking %	0.0	0.0	0.0	0.0

Morningstar Rating

★★

Share Price

21.330

SEEK Limited (SEK) - Seek Looks Overvalued Despite Huge Chinese Opportunity

Analyst Note-Narrow-moat-rated Seek has performed well over the past year, with its share price up 27% versus the 10% increase in the S&P/ASX 200 Index. Investors have been encouraged by a stronger-than-expected first-half contribution from the relatively mature Australian business, which comprises 50% of group EBIT, and the massive earnings growth potential of the Chinese business, Zhaopin. We have increased our fair value estimate by 2% to AUD 18.70 to reflect the time value of money on our financial model, but our earnings forecasts are otherwise unchanged as we don't believe the earnings outlook has materially improved in recent months.

The current market price of AUD 21.27 implies a fiscal 2019 price/earnings ratio of 31 versus our fair value implied P/E of 27, and we forecast healthy EPS CAGR of 12% over the next 10 years. Over the past decade, Seek's P/E ratio has rarely exceeded 30 which supports our view that the current share price is expensive. Management expects fiscal 2018 revenue growth of 20% to 25%, versus our forecast of 23%, and EBITDA growth of 14% to 15%, versus our forecast of 17%. However, Seek's financial statements are complicated by a range of factors, such as the portfolio of partly owned international investments. Fiscal 2018 reported revenue growth will be boosted by a change in accounting and increase in ownership of the Online Education Services business and we expect underlying group revenue growth to be closer to 15%. Management expects fiscal 2018 NPAT of between AUD 225 and AUD 230 million, excluding losses from early stage ventures, which is in line with our forecast.

FYE Jun	2016A	2017A	2018E	2019E
Reported Npat \$m	177.22	192.94	220.86	245.36
EPS c	51.44	55.50	63.53	70.58
P/E x	27.88	28.30	33.64	30.28
EPS Growth %	-8.53	7.89	14.47	11.10
DPS c	40.00	44.00	48.00	53.00
Yield %	2.79	2.80	2.25	2.48
Franking %	100.0	100.0	100.0	100.0

Recommendation Updates Over the Last Week

ASX Code	Company Name	Morningstar Rating	Date Changed	Latest Report
▲ FXL	FlexiGroup	★★★	11/07/2018	Upgrade due to price change
▼ MYR	Myer Holdings	★★★★	11/07/2018	Downgrade due to price change
▲ SGM	Sims Metal Management	★★	11/07/2018	Upgrade due to price change
▼ BOQ	Bank of Queensland	★★★	10/07/2018	Downgrading Bank of Queensland Outlook; FVE Lowered to AUD 10.80
▲ PDL	Pendal Group	★★★★	10/07/2018	Upgrade due to price change
▲ POT-NZ	Port of Tauranga	★★	10/07/2018	Upgrade due to price change
▼ AWC	Alumina	★	06/07/2018	Downgrade due to price change
▼ CEN-NZ	Contact Energy	★★★	06/07/2018	Downgrade due to price change
▼ FBU-NZ	Fletcher Building	★★★	06/07/2018	Downgrade due to price change
▼ PDL	Pendal Group	★★★	06/07/2018	Downgrade due to price change
▲ CEN-NZ	Contact Energy	★★★★★	05/07/2018	Upgrade due to price change
▲ FBU-NZ	Fletcher Building	★★★★★	05/07/2018	Upgrade due to price change
▲ MIN	Mineral Resources	★★★	05/07/2018	Upgrade due to price change
▲ MMS	McMillan Shakespeare	★★★	05/07/2018	Upgrade due to price change
▲ IAG	Insurance Aust. Grp.	★★★	04/07/2018	Upgrade due to price change

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