

# Pluton Resources (PLV)

## *Re initiation of Coverage*

27 July 2010

### Opinion Data

<b>Recommendation</b>	<b>Spec. Buy</b>
<b>Current share price</b>	<b>\$0.42</b>
<b>12 month target price</b>	<b>\$0.76</b>
<b>DCF Valuation</b> (risked)	<b>\$0.76</b>
<b>Market capitalisation</b>	<b>\$65m</b>

Following the recent resource upgrade and positive beneficiation test results we have reinitiated coverage of Pluton Resources (PLV). We rate PLV a Speculative Buy with a target of \$0.76/share - based on our risked DCF valuation.

### Positives

PLV is an emerging iron ore story that is unbridled with any offtake deals, therefore potentially an attractive acquisition for an Asian steel mill.

The recent announcement that the overlying low grade iron mineralisation can be successfully processed to a high grade concentrate is a key step forward for the project.

- The project location is a key positive, as there is no need for the development of rail infrastructure.
- The near term catalysts for PLV will be; the defining of a Direct Shipping Ore (DSO) deposit at the Isthmus prospect and cementing a development/offtake deal with a third party.
- A second drill rig is due to commence exploration in late July; which will help accelerate the rate of exploration and also assist with resource definition.
- We have assumed production of 2.6mtpa DSO and 2.5mtpa concentrate commencing mid to late 2013.

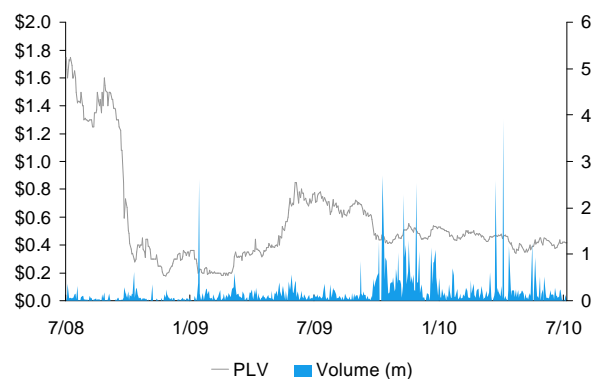
### Risks

- Given the early stage of resource development requires that an investment into PLV should be viewed as speculative in nature.
- We have some concerns at the grade of the deposit, the strip ratio and the pace at which exploration is being undertaken to date.
- As this is still an early stage project we await the results of the PFS currently in progress to gain a better appreciation of the project parameters.

### Earnings Forecasts

Y/e (\$m)	FY'12F	FY'13F	FY'14F	FY'15F
Revenue	0.0	0.0	403.5	483.5
EBITDA	-6.5	-5.0	258.0	274.7
EBIT	-6.7	-5.0	229.9	238.0
NPAT	-8.5	-7.8	155.7	160.5
EPS (cps)	-3.6	-2.1	42.6	44.0
EPS Growth (%)	1%	na	37%	+>100.0
DPS (c)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%
PE adj. (x)	na	na	1.0	0.9
EV / EBIT (x)	0.0	-83.3	1.2	0.4
Gearing (%)	30%	79%	63%	-10%
EBIT Margin (%)	na	na	57%	49%
Interest Cover (x)	na	na	27.6	25.0

### PLV Share Price / Volume



### Contact Details

Andrew Shearer  
 ashearer@austock.com  
 613 8601 2624

## OVERVIEW

PLV announced in June 2010 an upgrade to their 100% owned iron ore resource on Irvine Island (WA). The resource upgrade was based on results from the current drilling program.

**Resource increase**

The resource is currently reported as 90Mt @ 46% Fe and 204Mt @ 23% Fe for a total of 108Mt @ 66% iron equivalent. Up from 54Mt @ 49% Fe.

We have used the term iron equivalent to represent the fact that the 66% iron content does not relate to an in ground resource grade but a concentrate grade.

**More resource upgrades expected.**

As drilling continues we expect that the resource will be upgraded in both size and classification.

The project is located on Irvine Island which is situated off the NW coast of WA and is adjacent to Cockatoo Island and Koolan Island. Both of these islands have an extensive iron ore mining history with production of high grade DSO dating back to the 1950's.

Mount Gibson (MGX) is currently mining ~3mtpa from Koolan Island and Cliffs is currently building a sea wall at Cockatoo Island to resume mining activities there.

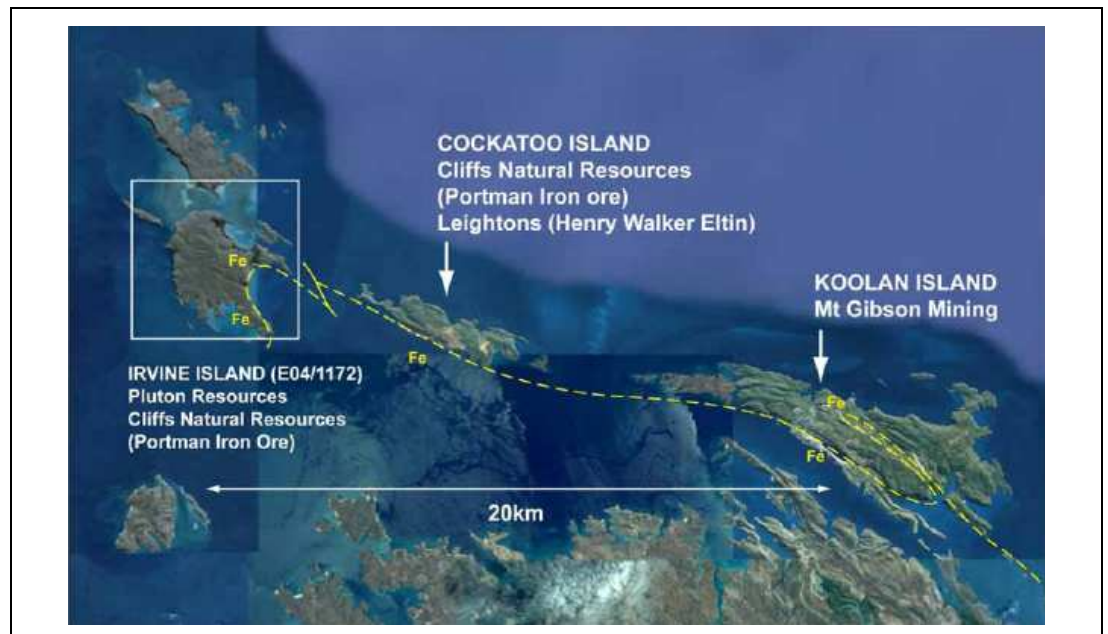
**Key advantage is location to market**

All three islands are strategically close to the Australian iron ore deposits supplying the key Asian markets. All have deep water access adjacent to the deposits, with no rail infrastructure required.

**Strong Asian interest in project**

We understand PLV has entered into a series of non-binding NDA's with Asian interests. This confirms our understanding that Asian steel mills are still interested in shoring up supply outside of the 3 major suppliers.

**Location of the Irvine Island project in relation to other producing iron ore mines.**



Source: Pluton Resources Company Report

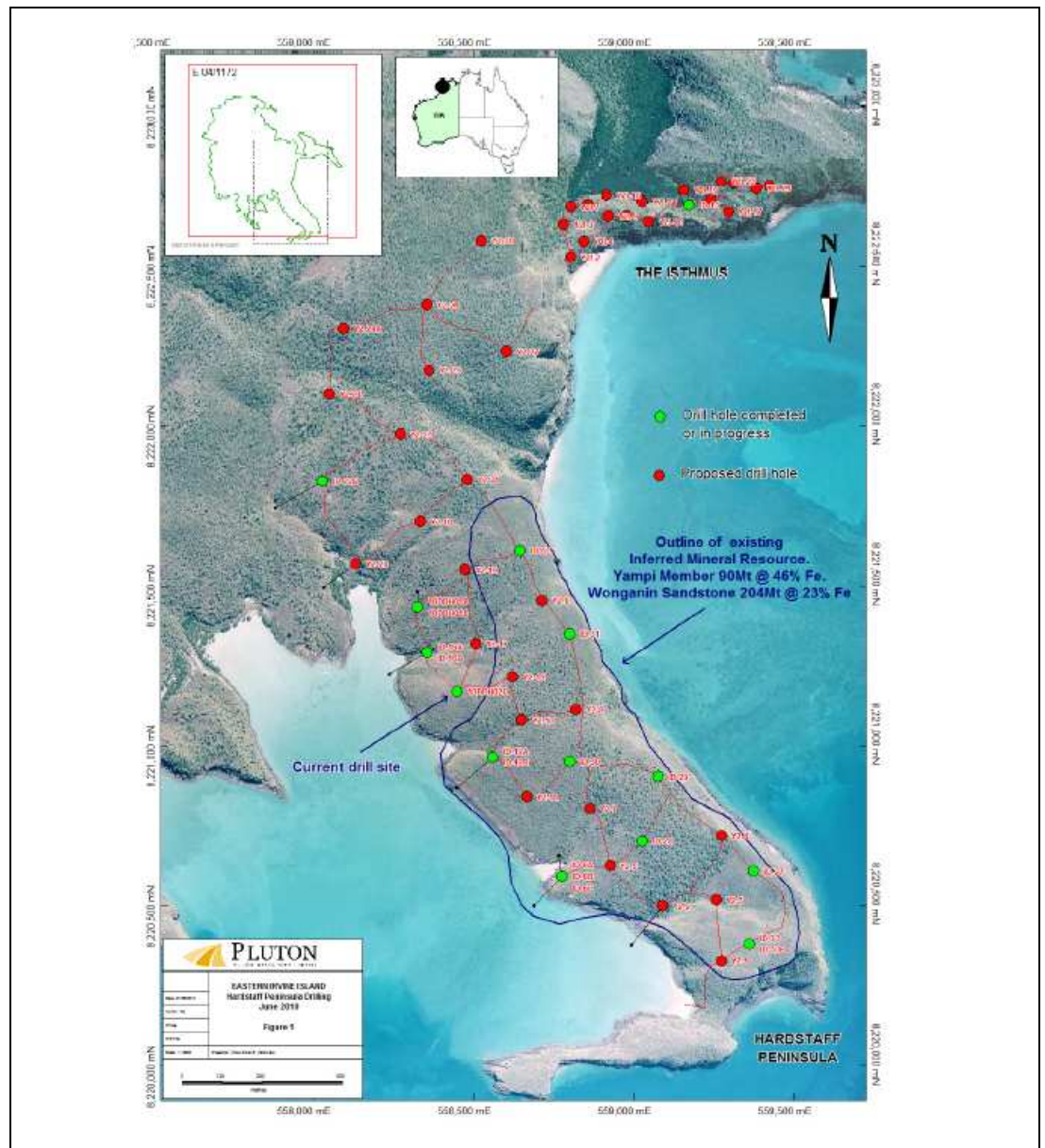
## IRVINE ISLAND PROJECT

The exploration at Irvine Island is focussed in two locations; Hardstaff Peninsula and the Isthmus prospect, with the resource located at Hardstaff Peninsula.

At the Hardstaff Peninsula deposit the iron ore mineralisation is situated in two stratigraphic layers. The higher grade Yampi Member and the overlying lower grade Wonganin Sandstone.

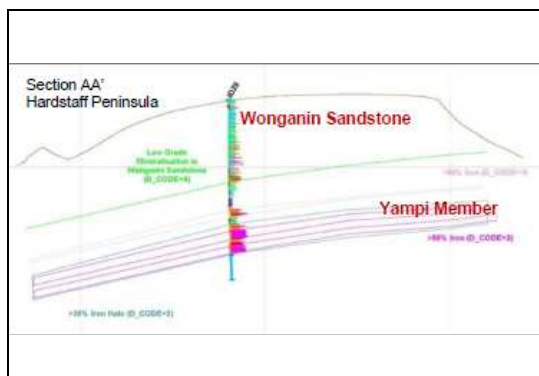
The Yampi member is the high grade target with DSO grade material being intersected. Production at the nearby Koolan and Cockatoo Islands is sourced from the Yampi Member. The project economics are heavily influenced by the cost and practicality associated with processing the lower grade mineralisation in the Wonganin Sandstone.

### Location of Hardstaff and Isthmus projects on Irvine Island (WA)



Source: Pluton Resources Company Report.

### Cross Section though Hardstaff Peninsula



Source: Pluton Resources Company Report

### Drilling on Hardstaff Peninsula



Source: Pluton Resources Company Report

## HARDSTAFF PENINSULA

**Drilling continuous through 2010 field season.**

The majority of the drilling to date has been focussed on Hardstaff Peninsula. To date some 3,000m of an 8,000m drilling program has been completed, with drilling to continue throughout the wet season.

**Deep water access is advantageous**

As part of the environmental conditions placed on the exploration the drilling is being undertaken using specifically designed helicopter transported drilling rigs. The drilling leaves little disturbance as no access roads or drilling sites need to be bulldozed.

One of the key advantages of the project is the location of the iron ore relative to deep water and potential ship loading facilities.

### HARSTAFF RESOURCE

The resource figure at Hardstaff was recently revised to include the lower grade Yampi Member mineralisation.

#### Hardstaff Peninsula Resource

**Low impurities which is a positive**

	Tonnage (Mt)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	S (%)	P (%)
Yampi Member (Inferred)	90	46	32.4	0.68	0.12	0.02
Wonganin Sandstone (Inferred)	204	23	59	3.94	0.1	0.03

Concentrate study results show that a high grade concentrate can be extracted from both the Yampi Member and Wonganin Sandstone.

Based on these results PLV equate the above resource to 108Mt @ 66% Fe equivalent.

## MINING AND PROCESSING

At this early stage the proposal is to construct an open pit operation on Hardstaff Peninsula and source DSO material from the Yampi Member and process the overlying low grade Wonganin Sandstone to produce a ~65% Fe concentrate.

By including the low grade Wonganin Sandstone in the resource the overall waste to ore strip ratio will be lowered.

Determination of the actual strip ratio will be undertaken as part of the feasibility study in progress. This figure will be a critical input into determining the project viability. For the purposes of our modelling we have assumed that the ratio of Wonganin Sandstone to Yampi Member is 3:1.

One conceptual pit design would see the removal of the existing cliff face on the eastern side of the peninsula. This is a project development risk, with timing of the approval process unknown at this stage.

***Different processing options available***

The processing options for the low grade material include a mix of magnetic separation and either flotation or heavy media separation.

Flotation testing were undertaken on the Wonganin Sandstone material and also the low grade iron units of the Yampi Member. A concentrate of ~66% Fe was recovered with average recoveries of ~70% by weight and ~80% by Fe content.

## ISTHMUS TARGET – THE POTENTIAL VALUE ADD

***Promising but limited drilling to date***

The results from the one drill hole completed at Isthmus included 8m @ 62.5% Fe from 10m. The drilling finished in mineralisation so the total thickness of this potential DSO material is unknown at this stage.

In June this year the company announced that a second drill rig would be mobilised to the island and would concentrate on the Isthmus region. The exploration target for Isthmus is 30Mt of DSO grade material.

***Isthmus a key for project valuations.***

We are keenly awaiting the drilling at Isthmus to commence as we see the possible definition of a DSO resource as a significant value adding proposition for PLV.

## VALUATION AND ASSUMPTIONS

***Mining rates to total 10mtpa***

Our valuation of \$0.76/share is based on risk weighted DCF valuation of the combined DSO production at Isthmus and concentrate production from Hardstaff Peninsula.

We have assumed DSO production from Isthmus of up to 2mtpa will commence in mid 2013, with production of concentrate from Hardstaff to commence late in 2013.

The material produced from Isthmus will be 30% lump and 70% fines and the concentrate grade 66% Fe.

Mining rate at Hardstaff to be 8mtpa to produce 2.5mtpa of concentrate and 0.6mtpa of lump ore.

Total un-risked iron ore sales at peak production estimated to be 5.0mtpa.

Changes from our previous model are the inclusion of the Isthmus DSO production and higher long term iron ore prices. Also a value is now ascribed to the Wonganin Sandstone, previously it was assumed to be waste material.

***Infrastructure costs to be low relative to***

We have also increased the capital costs to A\$350m from previously A\$300m, to reflect a two stage mining process.

**mainland operators.**

Ship loader costs are assumed at A\$40-80m for a similar type of facility to those used at Koolan and Cockatoo Islands.

Our estimate of operating costs have also increased to reflect industry trends and also the processing of lower grade material. Our assumed operational costs are A\$23.50/t for DSO from Isthmus and A\$36/t for concentrate production from Hardstaff, including A\$16/t beneficiation costs.

Our assumed timeline is based on our best estimates at this point, given the potential environmental sensitivities we could see our expected start time extended.

**Long term assumptions**

Our long term pricing assumptions for iron ore is US\$57/t for Hamersley fines (62%) and a long term USD:AUD exchange rate of 0.80 is also assumed.

Based on the iron grade in the concentrate we have assumed that the concentrate will attract a premium to the benchmark fines.

**Royalty rate set with Cliffs but not Native Title Holders**

A royalty of 1% FOB is payable to Cliffs and the royalties to be paid to the Native Title holders are still to be set, we have assumed a commercially competitive rate.

**MRRT modelling results**

Our modelling shows that under the current proposed MRRT format there is an impact on the Irvine Island operations.

At peak production the maximum MRRT cost is \$24m or 6.7% of EBITDA.

Despite there being some discussion on the applicability of MRRT to value added products, such as iron ore concentrate, we have modelled the full MRRT.

## DCF VALUATION

### Pluton Resources Valuation

	Risk Weighting	Risked NPV (A\$m)	Un-Risked NPV A\$m
Hardstaff Peninsula	50%	127	254
Isthmus	90%	19	185
Exploration		2	2
Corporate O/H		-29	-29
Cash		13	13
Options		8	8
NPV (A\$m)		139	433
<b>NPV/share (A\$)</b>		<b>\$0.76</b>	<b>\$2.38</b>

**Risk weighting to reflect the early stage of development**

We have applied a risk weighting of 50% for Hardstaff Peninsula and 90% for Isthmus.

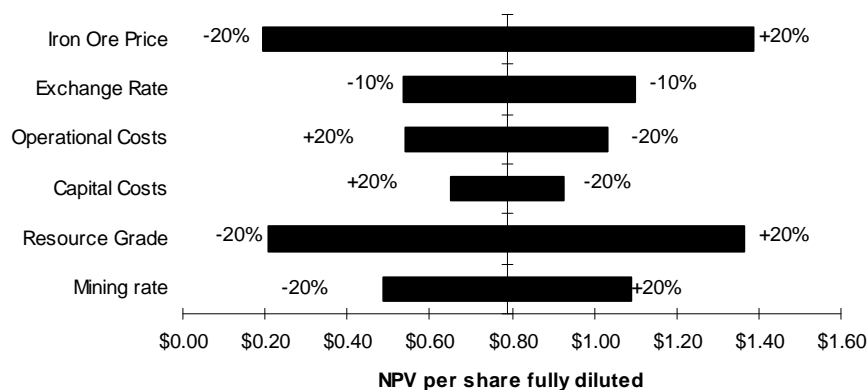
As more drilling results are release we will review the risk weightings applied. At this stage the 50% weighting for Hardstaff Peninsula is subject to change pending the feasibility study results.

The very high risk weighting for Isthmus reflects that only one drill hole has been completed to date and that until the planned drilling is completed we view this prospect as speculative.

## SENSITIVITY ANALYSIS

**Very sensitive to price and grade**

Our modelling has looked at the sensitivity of the valuation to key variables and the results show that the project is very sensitive to changes to the iron ore price, operational costs, and the exchange rate. The following graph indicates the range of values for our risk weighted valuation.



## PROJECT TIMELINE

### Project Timeline

Resource definition drilling at Isthmus and Hardstaff to conclude	Mid 2011
DFS studies to commence in 2011	Early 2012
Approvals process to take at least 12 months	Late CY12
Decision to mine	Late CY12
Construction of ship loader and associated mine infrastructure	Early 2013
First DSO product	Mid CY13
First Concentrate in late CY13	Late CY13

Source: Company financials & Austock Securities estimates

## FINANCIALS

**Current cash position will see PLV through Pre-feasibility**

Cash \$12.7m as of 30/03/10.

We would expect the company to have sufficient funds to complete the current drilling program and feasibility study.

The last capital raising was completed in October 2009 raised \$18.3m at \$0.40/share

## PEER COMPARISON

**Similar explorers of low grade iron ore.**

Of the number of ASX listed iron ore plays we feel that Western Desert Resources (WDR) and Brockman Resources (BRM) are both similar to PLV in that all need to beneficiate the majority of their ore to make a saleable product.

Whilst a useful comparison it is important to bear in mind that whilst both BRM and WDR have large infrastructure considerations, BRM has a larger resource defined.

Relative to peers PLV has underperformed and we feel that the identification of a DSO resource will give the stock the boost that it needs.

### Peer Comparison

Company	Market Cap (A\$m)	Resource	12 Mth Return (%)	Locality
Western Desert Resources (WDR)	53	116mt @ 39% Fe	222%	Roper Bar (NT)
Brockman Resources (BRM)	430	1,528mt @ 43% Fe (&102mt @ 55.6mt)	152%	Pilbara (WA)
Pluton Resources (PLV)	66	90mt @ 46% Fe & 204mt @ 23% Fe	-45%	Irvine Island (WA)

Source: Austock Securities

## OTHER PROJECTS

<b>Dove River (TAS)</b> 100%	PLV has a 100% interest in the Dove River EL in the Mt Read Volcanic Belt in Northern Tasmania, targeting porphyry style copper and gold.
<b>Cethana (Tas)</b> 60%	Pluton is targeting porphyry-style copper/gold mineralisation and recently completed one of two drills holes to test a geophysical anomaly. The first hole intersected minor copper sulphide mineralisation at depth which explained the geophysical anomaly.
<b>Collier Bay (WA)</b> 50%	This grass roots project is targeting iron ore mineralisation on the coast north of Derby (WA). The target is the mainland extension of the mineralisation on Koolan Island.

## RISKS

RISK	AUSTOCK VIEW	LEVEL
<b>Environmental approval impacts on project economics</b>	<p>On Hardstaff Peninsula there will be certain environmental hurdles to overcome before the existing cliff face can be mined. If the cliff face and associated exposed ore can be removed the mining costs will be reduced and the overall ore recovery will be higher.</p> <p>On the western edge of the Isthmus region there is a region of mangroves, typically these are environmentally sensitive regions.</p> <p>The approach to exploration adopted by PLV to date will assist in the gaining of environmental approval for mining.</p>	<b>High</b>
<b>Native Title access agreement</b>	The project had been held by Portman (now Cliffs) for sometime but had not progressed due to an impasse on native title. PLV appear to have an improved relationship with the native title holders but a mining access agreement is still to be negotiated.	<b>High</b>
<b>Iron Ore Price</b>	As shown in our sensitivity analysis the project valuation is highly sensitive to iron ore prices	<b>High</b>
<b>Operational costs</b>	The strip ratio of waste to ore and cost associated with processing low grade ore will have a significant impact on the project valuation.	<b>High</b>
<b>Access to transport infrastructure</b>	One key strategic advantage that the project has over several emerging projects on the mainland is that there is no requirement to source rail infrastructure.	<b>Low</b>
<b>Resource not meeting economic minimum requirement</b>	As we are predicating our valuation and investment attractiveness on the definition of DSO ore at Isthmus there is a high level of risk that this target will not meet those expectations as there is only one drill hole completed to date.	<b>High</b>
<b>Sourcing Project Financing</b>	To complete the BFS and then undertake construction the company will need to source capital.	<b>Moderate - High</b>



## BOARD OF DIRECTORS

***Experience but  
could do with  
more skills***

The Board of directors to date have done a good job in gaining access to the Island and conducting the exploration to the highest possible standards.

We would like to see the depth of experience on the board improved to assist as the company moves from explorer to developer. Most of the board have experience in large companies and some additional experience in small companies could also be advantageous.

Mr Malcolm Macpherson – Non-executive Chairman

Ex MD of Iluka, currently director at Manara Resources, Range River Gold and Titanium Corporation.

Mr Tony Schoer (MD) – Former CFO at Portman, also ex WMC and BHP senior roles.

Mr Ray Schoer – Non-executive Director

Mr Russell Williams - Mechanical Engineer – ex Alcoa for 30 years

Mr Andrew Metcalfe

## MAJOR SHAREHOLDERS

Cliffs Asia Pacific Iron Ore Pty Ltd	19,462,200	13.6%
J P Morgan Nominees Australia Limited	12,723,662	8.9%
HSBC Custody Nominees (Australia) Limited	10,380,544	7.2%
Gujurat NRE Coke Ltd	6,547,828	4.5%
Bond Street Custodians Limited	5,435,998	3.7%

**Pluton Resources**
**NFPOS** 156 m

**Price** \$ 0.42  
**Market Cap** \$65 m

**Date:** 27-Jul-10  
**Model Update** 27-Jul-10

**PROFIT & LOSS (A\$m) (Unrisked)**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F
Sales Revenue	0.0	0.0	0.0	403.5	483.5
Other Revenue (incl hedge)	0.0	0.0	0.0	0.0	0.0
Operating Costs	0.0	0.0	0.0	91.9	147.7
<b>Gross Operating Profit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>311.7</b>	<b>335.8</b>
Depreciation	0.2	0.2	0.0	28.1	36.7
Exploration and Royalties	3.5	2.5	1.0	34.3	39.8
Corporate and Other	4.0	4.0	4.0	19.3	21.3
<b>EBIT</b>	<b>-7.7</b>	<b>-6.7</b>	<b>-5.0</b>	<b>229.9</b>	<b>238.0</b>
Less Net Interest Expense	-0.8	-5.5	-6.2	-7.6	-8.8
<b>Pre-Tax Profits</b>	<b>-8.5</b>	<b>-12.2</b>	<b>-11.2</b>	<b>222.4</b>	<b>229.3</b>
Add Associates less Dividends	0.0	0.0	0.0	0.0	0.0
Less Tax	-2.6	-3.6	-3.4	66.7	68.8
Less Minorities	0.0	0.0	0.0	0.0	0.0
<b>NPAT (pre-Abs)</b>	<b>-6.0</b>	<b>-8.5</b>	<b>-7.8</b>	<b>155.7</b>	<b>160.5</b>
Net Abnormals	0.0	0.0	0.0	0.0	0.0
<b>Reported Profit</b>	<b>-6.0</b>	<b>-8.5</b>	<b>-7.8</b>	<b>155.7</b>	<b>160.5</b>

**BALANCE SHEET (A\$m) (Unrisked)**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F
<b>Current Assets</b>					
Cash and Liquids	30.9	171.3	-57.4	52.8	186.0
Other	0.1	0.1	0.1	0.1	0.1
<b>Non-Current Assets</b>					
Investments	0.0	0.0	0.0	0.0	0.0
Fixed Assets	16.9	161.2	345.2	348.6	318.2
Other	7.9	7.9	7.9	7.9	7.9
<b>Current Liabilities</b>					
Borrowings	0.0	0.0	0.0	0.0	0.0
Creditors	0.0	0.0	0.0	121.1	145.1
Other	0.0	0.0	0.0	0.0	0.0
<b>Non-Current Liabilities</b>					
Borrowings	40.0	200.0	200.0	180.0	150.0
Other	0.4	0.6	0.8	1.0	1.2
<b>SHAREHOLDERS FUNDS</b>	<b>14.5</b>	<b>138.6</b>	<b>93.3</b>	<b>105.2</b>	<b>213.5</b>

**CASHFLOW STATEMENT (A\$m) (Unrisked)**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F
<b>Cash Flows From Operating Activities</b>					
Receipts From Customers	0.0	0.0	0.0	403.5	483.5
Payments To Suppliers	0.0	0.0	0.0	-91.9	-147.7
Net Interest	-1.2	-6.4	-10.5	-24.4	-36.8
Tax and Other	-4.0	-19.0	-34.0	-124.8	-129.6
<b>Cash Flows From Investing Activities</b>					
Acq. of Property, Plant and Eq.	-4.0	-142.0	-183.0	-31.0	-6.0
Exploration Expenditure	-8.0	-2.0	-1.0	-1.0	0.0
Other/Acquisition controlled Er	0.0	0.0	0.0	0.0	0.0
<b>Cash Flows From Financing Activities</b>					
Net Change in Borrowings	40.0	160.0	0.0	-20.0	-30.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other	-0.2	149.8	-0.2	-0.2	-0.2
<b>Net Increase in Cash Held</b>	<b>22.6</b>	<b>140.4</b>	<b>-228.7</b>	<b>110.2</b>	<b>133.2</b>
Cash At End of Year	30.9	171.3	-57.4	52.8	186.0

**PRICE ASSUMPTIONS**

Y/E 30 June	LT	FY'12F	FY'13F	FY'14F	FY'15F
Exchange Rate A\$/US\$	0.80	0.85	0.85	0.80	0.80
Iron Ore (Lump) US\$/t	75.26	138.28	130.18	119.03	100.52
Iron Ore (Fines) US\$/t	57.00	107.50	100.00	91.44	77.22

**BOARD**

Tony Schoer (Managing Director)  
Malcolm Macpherson (Non-exec Chairman)  
Raymond Schoer (Non-exec Director)

**KEY RATIOS (Unrisked)**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F	
EBITDA	\$m	-7.5	-6.5	-5.0	258.0	274.7
EBITDA Margin	%	0%	0%	na	64%	57%
EBIT Margin	%	0%	0%	na	57%	49%
NPAT Margin	%	0%	0%	0%	39%	33%
ROE	%	-41%	-6%	-8%	148%	75%
ROA	%	-14%	-2%	-2%	56%	46%
NTA per share	\$	0.09	0.28	0.28	0.31	0.63
Eff Tax Rate	%	30%	30%	30%	30%	30%
Interest Cover	x	-9.4	-0.8	-0.8	30.4	27.2
Net Gearing	%	62%	21%	276%	121%	-17%
Net Debt /Net Debt plus Equity %		38%	17%	73%	55%	-20%

**VALUATION PARAMETERS**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F	
EPS	c	-3.3	-3.6	-2.1	42.6	44.0
P/E	x	-12.7	-11.7	-19.3	1.0	0.9
Enterprise Value	\$m	73.8	398.1	398.1	267.9	104.7
EV / Sales	x	0.0	0.0	0.0	0.7	0.2
EV / EBITDA	x	-7.5	-20.1	-71.8	0.9	0.2
EV / EBIT	x	0.0	0.0	-79.6	1.2	0.4
Price / NTA	x	4.5	1.5	1.5	1.3	0.7
DPS	c	0.0	0.0	0.0	0.0	0.0
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0%	0%	0%	0%	0%
CFPS	\$	0.0	-0.2	-0.3	1.0	1.1
P / CFPS	x	-12.6	-2.5	-1.5	0.4	0.4
NFPOS	m	156	339	339	339	339

**DCF VALUATION**

		NPV A\$m	NPV A\$m
		Risked	Un-risked
Hardstaff Peninsula	50% Risked	127	254
Isthmus Region	90% Risked	19	185
Exploration		2	2
Options		8	8
Corporate & other		-29	-29
Net Cash		13	13
<b>TOTAL NPV (A\$m)</b>		<b>139</b>	<b>433</b>
NPV/share (A\$)		<b>0.76</b>	<b>2.38</b>

**ATTRIBUTABLE PRODUCTION PROFILE**

Y/E 30 June	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F	
Hardstaff Peninsula	Mt	0.00	0.00	0.00	2.43	3.06
Isthmus Region	Mt	0.00	0.00	0.00	1.00	2.00
<b>Total</b>	<b>Mt</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3.43</b>	<b>5.06</b>
		<b>FY'16F</b>	<b>FY'17F</b>	<b>FY'18F</b>	<b>FY'19F</b>	<b>FY'20F</b>
Hardstaff Peninsula	Mt	1.53	1.53	1.53	1.53	1.53
Isthmus Region	Mt	1.00	1.00	1.00	1.00	1.00
<b>Total</b>	<b>Mt</b>	<b>2.53</b>	<b>2.53</b>	<b>2.53</b>	<b>2.53</b>	<b>2.53</b>

**MARGIN ANALYSIS**

Y/E 30 Jun	FY'11F	FY'12F	FY'13F	FY'14F	FY'15F	
<b>Price Received (A\$/t)</b>				<b>90.5</b>	<b>70.8</b>	<b>70.8</b>
Cash costs (A\$/t)				29.2	29.2	29.2
<b>Total costs (A\$/t)</b>				<b>46.3</b>	<b>44.9</b>	<b>39.6</b>
Incl interest (A\$/t)				1.7	0.3	-1.0
Incl Tax (A\$/t)				12.2	6.9	7.0
<b>Net Margin After Tax (A\$/t)</b>				<b>44.1</b>	<b>25.9</b>	<b>31.2</b>

**RESERVES & RESOURCES**

	Total	Ore (Mt)	Fe Grade (%)
Total Reserves	0	0	0

## Directory

### Equities Research Team

#### Melbourne

<b>Craig Stranger</b>	<b>613 8601 2010</b>	<b>Head, Emerging Companies</b>
Paul Jenz	613 8601 2068	Agribusiness & Energy
Heath Andrews	613 8601 2644	Engineers & Contractors
John Burgess	613 8601 2018	Consumer Services
Andrew Chambers	613 8601 2605	Infrastructure
Andrew Cleeland	613 8601 2065	Quantitative/Data
David Grossman	613 8601 2616	Professional Services
Maribel Quiza	613 8601 2085	Emerging Companies
Andrew Shearer	613 8601 2624	Resources

#### Sydney

Lawrence Grech	612 9233 9635	Resources
Stefan Hansen	612 9233 9612	Energy
Anna Kassianos	612 9233 9603	Resources
Rohan Sundram	612 9233 9638	Gaming / Small Property
David Barilla	612 9233 9652	Assistant

### Institutional Sales

#### Melbourne

<b>Tony Smith</b>	<b>613 8601 2041</b>	<b>Co-Head of Institutional Sales</b>
Stuart Low	613 8601 2022	Research Sales
Chris Walker	613 8601 2038	Senior Research Sales
Matthew White	613 8601 2624	Sales Trading
Robert Wood	613 8601 2031	Head of Sales Trading

#### Sydney

Leo Borovilas	612 9233 9606	Sales Trading
Doc Cromme	612 9233 9608	Sales Trading
Gavin Todd	612 9233 9639	Senior Research Sales
James Wilson	612 9233 9607	Senior Research Sales
Bruce Rolin	612 9233 9651	Co-Head of Sydney Sales

#### Asia

Chris Chia	612 9233 9605	Asian Sales
------------	---------------	-------------

### Private Clients

#### Melbourne

<b>Simon Taylor</b>	<b>613 8601 2069</b>	<b>Head of Private Clients &amp; Private Portfolio</b>
Merrick Abraham	613 8601 2077	Client Adviser
John Axsentieff	613 8601 2042	Senior Client Adviser
Ryan Batros	613 8601 2614	Client Adviser
Damien Brown	613 8601 2636	Client Adviser
Richard Endersbee	613 8601 1954	Client Adviser
Nick Fitzsimmons	613 8601 2029	Client Adviser
Thomas Ha	613 8601 2658	Client Adviser
Kate Hanrahan	613 8601 2058	Client Adviser
Melanie Hawgood	613 8601 2055	Client Adviser
Michael Heffernan	613 8601 2053	Senior Client Adviser
Xiaoming Huang	613 8601 2088	Client Adviser
Peter King	613 8601 2002	Client Adviser
Peter Mason	613 8601 2015	Client Adviser
Daniel McFarlane	613 8601 2639	Client Adviser
Luke Pavone	613 8601 2071	Client Adviser
Paul Shen	613 8601 2677	Client Adviser
Stephen Sun	613 8601 2001	Client Adviser
Patrick Trindade	613 8601 2669	Client Adviser

#### Sydney

Owen Beattie	612 9233 9621	Client Adviser
David Dwyer	612 9233 9643	Client Adviser - Options
Josh Graham	612 9233 9645	Client Adviser - Options
Jason Norval	612 9233 9625	Client Adviser
Mark Schwarz	612 9233 9642	Client Adviser - Options
Peter Semaan	612 9233 9649	Client Adviser
Edward Tao	612 9233 9609	Client Adviser

### Corporate Finance

#### Melbourne

<b>Dale Moroney</b>	<b>613 8601 2035</b>	<b>Managing Director</b>
Harry Kingsley	613 8601 2089	Director
Stephen Nossal	613 8601 2017	Director
Jonathan Tooth	613 8601 2006	Director
John So	613 8601 2033	Analyst
Yehuda Gottlieb	613 8601 2618	Analyst

#### Sydney

<b>Andrew Champion</b>	<b>612 9233 9647</b>	Director
<b>Jamie Green</b>	<b>612 9233 9613</b>	Director
Paul Levitt	612 9233 9626	Analyst
Grant Wong	612 9233 9656	Analyst

#### Equity Capital Markets

<b>Robert Thomson</b>	<b>613 8601 2078</b>	<b>Head of ECM</b>
Enzo Salvatore	613 8601 2081	ECM
Brooke Picken	613 8601 2025	ECM

## OFFICE LOCATIONS AND DISCLOSURE

### Melbourne

Level 1, 350 Collins Street  
 Melbourne VIC 3000

Phone: 613 8601 2000

Fax: 613 9200 2272

### Sydney

Level 9, 56 Pitt Street

Sydney NSW 2000

Phone: 612 9233 9600

Fax: 612 9251 9368

### 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
> 20%	20% - 5%	< 5%

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 Andrew Shearer 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.

In addition, Andrew Shearer certifies that none of the following persons holds an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence the report:

- the author of this report;
- a member of the immediate family of the author of this report ;
- Austock Securities Limited;
- an associate of Austock Securities Limited within the meaning of the Corporations Act.

#### Disclaimer/Disclosure

This publication has been prepared solely for the information of the particular person to whom it was supplied by Austock Securities Limited ("Austock") AFSL 244410. This publication contains general securities advice. In preparing the advice, Austock has not taken into account the investment objectives, financial situation and particular needs of any particular person. Before making an investment decision on the basis of this 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 does and seeks to do business with companies covered in its research. The remuneration might reasonably be expected to be capable of influencing Austock in providing the general advice in this publication.

Austock Corporate Finance was lead manager to the October 2009 \$18m placement and received fees for these services.

**Austock Securities reports are available on Bloomberg, Reuters, FactSet, Capital IQ and [www.austock.com](http://www.austock.com)**