

21 July 2008

## Buy a Nickel, Get a Dime

Stock prices of nickel sulphide miners have been hit particularly hard recently. Higher costs and lower nickel prices mean lower profits are expected this year, after last year's records, and even lower in FY10. However, industry-wide cost increases have affected the larger scale laterite producers more and the sulphide miners have moved down the cost curve as a result. Sentiment around nickel has deteriorated as a maturing of the Chinese nickel pig iron production has lowered the cost of incremental production, however over the same period the cost of key inputs for laterite production have increased dramatically. Increases in the price sulphur, diesel, power/gas have increased the cost of laterite production markedly even before taking into account recapturing the ever increasing cost of capital for such projects. Laterites account for 50% of the world's nickel production and such a large lift in the cost curve reminds us why there was a spate of consolidation of nickel sulphide miners over the past two years. With their strong balance sheets and high margin production our nickel sulphide miners continue to operate at high margins and the whole sector is cheap.

### Analyst

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### Panoramic Resources Ltd (\$2.40) – BUY

Panoramic Resources (PAN) (formerly Sally Malay Mining (SMY)) is adding new production from Copernicus and increased mining rates at Lanfranchi in FY09. Drilling of Deacon, the Northern side of the Tramways Dome and the Sally Malay Deeps all have the potential to add significant value to PAN in FY09. Strong production growth underpins our \$5.49/sh price target but further exploration success seems certain along the way.

### Mincor Resources NL (\$2.13) – BUY

MCR has the dominant land holding in the rich Kambalda region and an active exploration program means we have confidence of further discoveries. FY09 production should near 20kt of nickel in concentrate in FY09 making it the largest Australian nickel producer ex BHP and MRE. Our price target is \$3.59/sh.

### Independence Group NL (\$3.31) – BUY

IGO continues to deliver strong returns from its high-grade, low-cost Long Shaft operation despite a widening spread of working areas and increasing mine depth capping the production rate. Its 30% equity in the Tropicana Gold JV accounts for ~50% of its ex-cash share price. Given the pullback in the IGO share price AngloGold Ashanti must surely be running the ruler over IGO again. Our price target is \$4.86/sh.

### Albidon Ltd (\$2.68) – BUY

With ALB finalising the commissioning of its Munali mine, takeover talk is never far away. With its low cost production, ALB represents an attractive bolt-on acquisition for any miner and OZ Minerals (OXR), any remaining North American or possibly a Russian company seem the most likely acquirers. ALB's management team has performed very strongly to date and a smooth ramp up should see the stock re-rated toward our price target of \$4.58/sh.

### Mirabela Nickel Ltd (\$5.02) – BUY

MBN holds the most strategic long life nickel sulphide asset under our coverage and is the most leveraged to higher nickel prices in the longer term. Deeper drilling has confirmed Santa Rita is indeed a 'Tier One' asset and its natural owner is a major (Vale already holds 9.2%). A 1Mt nickel resource is on the horizon and value continues to be added to the project as it moves through construction. As production nears we see large upside from the current share price and expect it to move upward toward our \$8.35/sh price target.

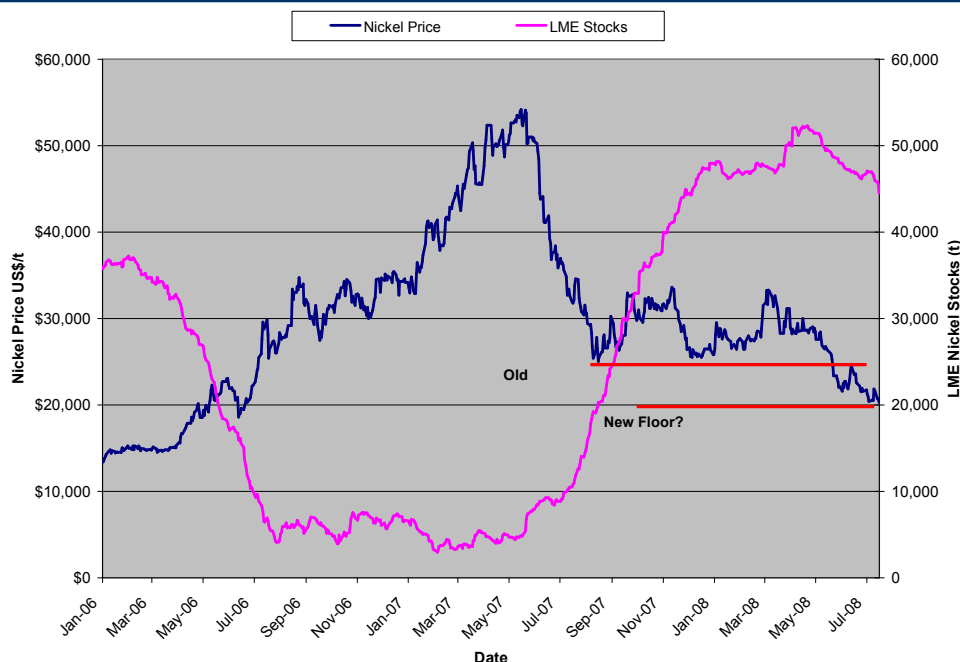
### Western Areas NL (\$7.54) – BUY

No one in the world is adding high grade nickel metal to its inventory as quickly as WSA. The recent discovery of the readily mineable Spotted Quoll was responsible for its recent outperformance. It will be a major nickel producer at high margins by FY11. With its exploration model solved, further additions are certain and the recent pullback below our \$10.82/sh price target represents an opportunity.

## Broke through the US\$25,000/t floor

- We believed the US\$25,000/t (US\$11.30/lb) floor was set by the cost of incremental production coming from Chinese nickel pig iron production.
- The nickel price weakened at the end of May falling through the perceived floor of US\$25,000/t. This was due to a combination of decreased demand in the short term, following a trend away from higher grade stainless steels (300 series) toward lower grade (200 manganese series) (this is unsustainable), and decreased input costs for **some** of the Chinese nickel pig iron.

Figure 1: Nickel Price (US\$/t) and LME Stocks (t)



Source: Patersons Estimates, IRESS

## Reduced cost of Chinese Nickel Pig Iron

- Nickel Pig Iron producers have become smarter.
- Increasing nickel ore stockpiles has meant greater availability of higher grade ores.
- Increasing proportion of production coming from electric arc furnaces rather than blast furnaces using electricity as the power source not coking coal as the Government clamps down on small high pollutant smelters and as the stainless steel producers themselves produced the pig iron in house, removing profit margins for middlemen and utilising more efficient technology.
- The main by product of nickel pig iron is iron and with scrap steel prices more than doubling over the past 2 years, in house nickel pig iron facilities are seeing a iron credit that may reduce the cost of production by as much as US\$6/lb from US\$13/lb to US\$7/lb for the most efficient plants.

## New floor at US\$20,000/t

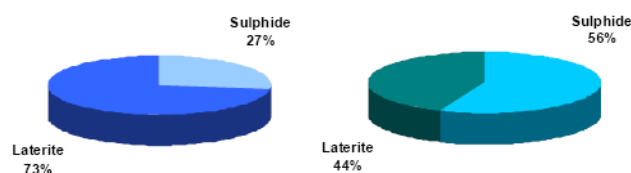
- We believe the new floor is provided by laterite production.
- Increased cost of inputs has significantly increased the cost of laterite production changing the shape of the cost curve.
- This will be a much stronger floor as it is not provided by the incremental (swing) production of pig iron but laterite production which provides almost half (and growing) of the world's nickel production.

## More High Cost Production

- **Nickel sulphides historically dominate world production.** Currently 56% of world supply comes from sulphides however by 2009 laterites will contribute more than half with the incremental production from nickel pig iron contributing less than 5%.

**Figure 2: World known resources and world production**

1. Global nickel resources, %                      2. Global nickel production, %



Source: CRU 2006

## Our preference for nickel sulphide miners over laterites

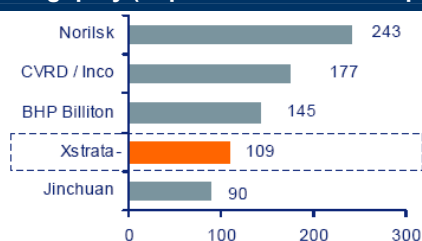
- **Higher quality nickel sulphides are scarce and becoming scarcer:** Laterite deposits form +70% of the world's known nickel resources and are the future of nickel production. As the more profitable sulphides are depleted and become scarcer, the industry continues to trend to higher cost and lower quality sources, laterites (and nickel pig iron and leach production) which push up the average cost of production.
- **Sulphides are simpler and cheaper:** Sulphides use standard (simple) flotation and smelting, resulting in much lower production costs while laterites (Minara, Ravensthorpe, Goro) rely on the much more complex HPAL method which is still prone to technical production hiccups (MRE is still not at its rated production capacity). Sulphides are comparatively low technical risk while laterites rely on a relatively new technology whose efficiency is increasing and economies of scale, which is coming under pressure with the increased cost of inputs which are used on a large scale, to make them viable.
- **Sulphides have lower capital requirements:** Laterites have significant barriers to entry with the recent HPAL operations having capex price tags of US\$2.2bn Ravensthorpe, US\$3.2bn Goro and Ambatovy US\$3.3bn. We believe this increases the price required to make a project viable by more than US\$2/lb relative to sulphides to get and adequate return on capital. This means that laterites including the newer generation projects like Ravensthorpe require US\$10/lb to make them viable.



## Corporate Activity

- The pull back in resource equities has increased the probability of corporate activity and in no sector is it more likely than the nickel sulphide sector, where more consolidation seems inevitable.
- Recent corporate action in the nickel sector supports our preference for sulphides over laterites. The spate of consolidation in the past 18 months has been entirely in the sulphide sector and included Inco US\$19bn, Falconbridge US\$21bn, LionOre (LIM) US\$4.9bn, Jubilee (JBM) US\$3.1bn and Allegiance Mining Ltd (AGM) US\$1bn and was preceded by BHP taking over WMC.
- The big five (Norilsk, Vale, BHPB, Xstrata and Jinchuan) now dominate the world market with 80% market share of nickel metal production and the market is quickly becoming an oligopoly not unlike the iron ore industry with miners gaining growing pricing power.

**Figure 5: World nickel producer oligopoly (Top 5 do +80% of 1.3Mtpa world market)**



Source: Xstrata (consolidation has been mostly post chart)

## Takeover targets

- **MBN:** MBN is developing the 100% owned Santa Rita deposit in Brazil. Santa Rita is the largest Greenfield nickel sulphide discovery in the last 12 years and will be the 3<sup>rd</sup> largest open cut nickel sulphide deposit in the world making it undoubtedly a 'Tier 1' asset and its natural owner a large miner. It is in Vale's backyard and they are already on the register with 9% and cashed up after their recent US\$13bn raising. MBN is the most logical takeover target in our space and we believe it is just a matter of time.
- **WSA:** Nickel is being added to the inventory at Forrestannia quicker than anywhere in the world. Norilsk has already shown it is keen to diversify outside of Russia and increase its presence in Australia. With its ore being processed nearby by Norilsk by its underutilised Lake Johnson plant, it is a logical step for Norilsk to take out WSA.
- **ALB:** We have long held the view that ALB, with its low cash costs and exploration upside, is a valuable bolt on acquisition for any miner much like AGM was.

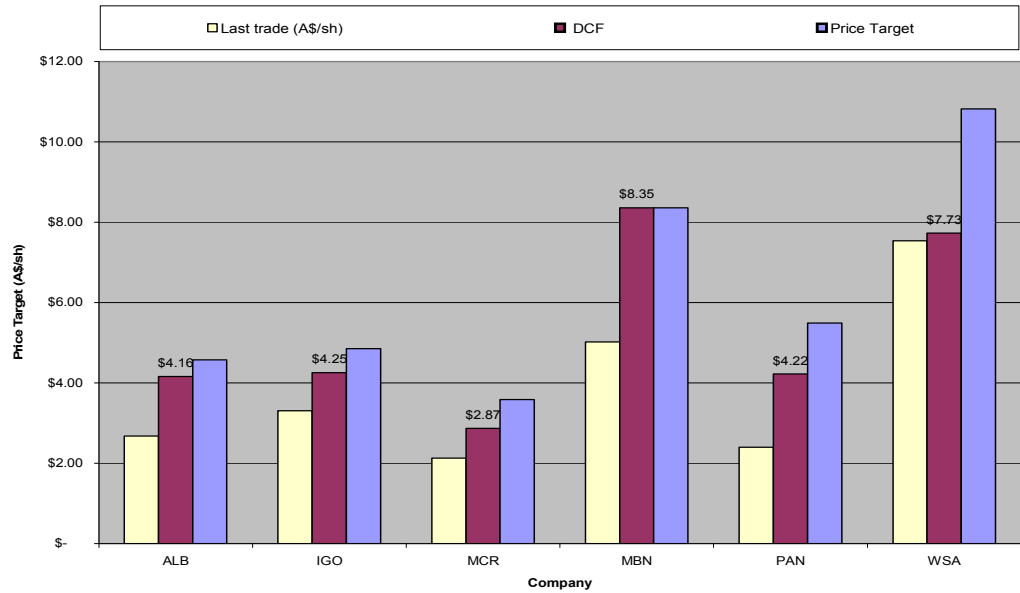
## Other Action

- Corporate action for the cashed-up, debt free Kambalda producers (IGO, MCR & PAN) now seems inevitable. While we continue to maintain there is limited impetus to merge and reform the (failed) WMC operations, other than production scale (improving market capitalisation and investment grade), the strong balance sheets are a great opportunity to **diversify the commodity exposure and/or commence a share buy back.**

## Share Price, DCF and Price Target

- All stocks are trading below our DCF based valuations (Based on mine reserves and forward nickel prices returning to a long term average of US\$7/lb).

**Figure 6: Share Price, DCF, Price Target**

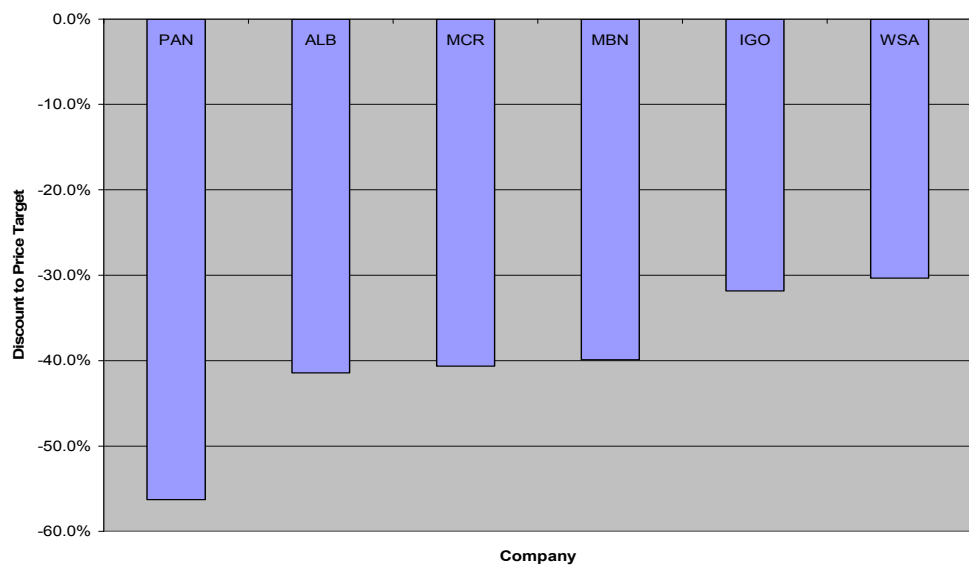


Source: Patersons Estimate

## Discount to Price Target

- All nickel stocks are trading a significant discount to our price targets with PAN being the standout.

**Figure 7: Discount to Price Target**

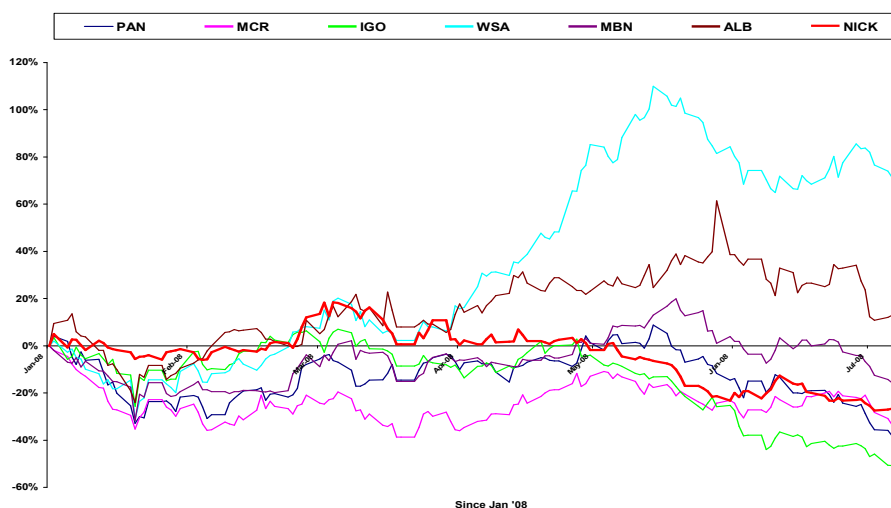


Source: Patersons Estimate

## Share Price Performance versus Nickel Price

- The relative performance since January '08 show the hardest hit have been the cashed up nickel miners from Kambalda, IGO, MCR, PAN.

Figure 8: Relative Performance



Source: Patersons Estimate, IRESS

## Leverage to nickel price

- As the longest life project MBN has the best leverage to higher prices for the long term while IGO, with its gold exposure, and MCR with the shortest mine life and highest costs have the least.

Figure 9: Long Term Nickel Price and Price target Matrix

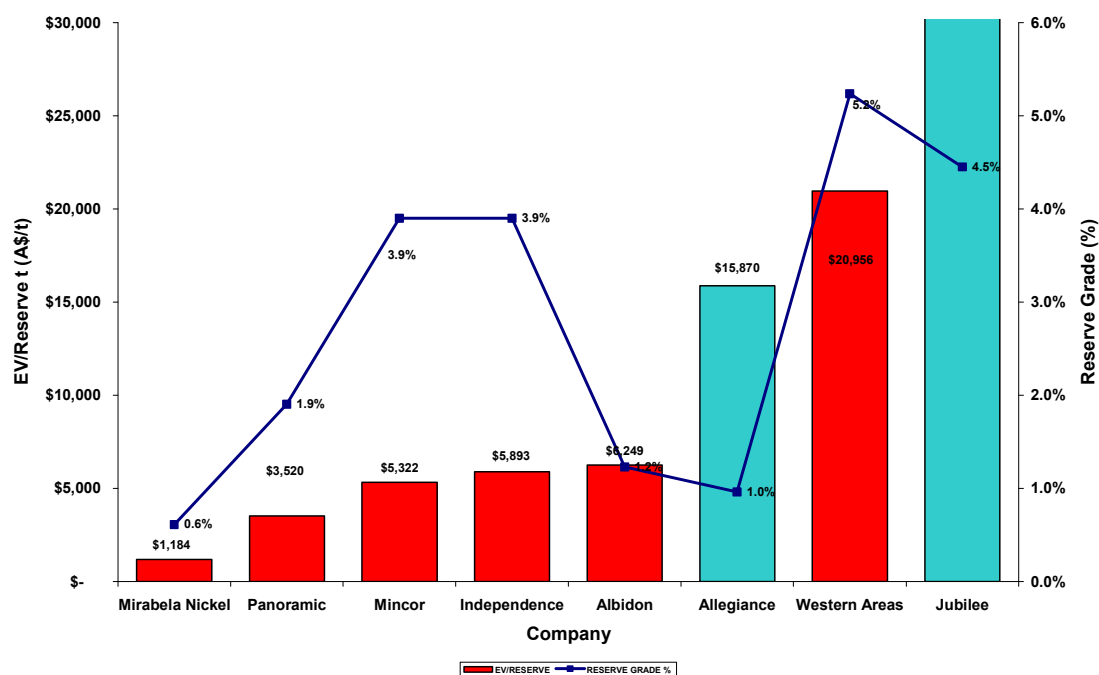
		Last trade (A\$/sh) July '08	Price Target @ Long Term Nickel Price of								
			US\$4/lb	US\$5/lb	US\$6/lb	US\$7/lb	US\$8/lb	US\$9/lb	US\$10/lb	US\$11/lb	US\$12/lb
4	MBN	\$ 5.02	\$ 1.10	\$ 3.52	\$ 5.94	\$ 8.35	\$ 10.77	\$ 13.19	\$ 15.60	\$ 18.02	\$ 20.44
7	WSA	\$ 7.54	\$ 7.45	\$ 8.58	\$ 9.70	\$ 10.82	\$ 11.95	\$ 13.07	\$ 14.19	\$ 15.32	\$ 16.44
1	ALB	\$ 2.68	\$ 3.37	\$ 3.77	\$ 4.18	\$ 4.58	\$ 4.98	\$ 5.38	\$ 5.78	\$ 6.18	\$ 6.58
6	PAN	\$ 2.40	\$ 4.07	\$ 4.62	\$ 5.08	\$ 5.49	\$ 5.90	\$ 6.31	\$ 6.72	\$ 7.13	\$ 7.54
3	MCR	\$ 2.13	\$ 3.11	\$ 3.28	\$ 3.44	\$ 3.59	\$ 3.74	\$ 3.89	\$ 4.04	\$ 4.19	\$ 4.34
2	IGO	\$ 3.31	\$ 4.42	\$ 4.57	\$ 4.71	\$ 4.86	\$ 5.00	\$ 5.15	\$ 5.29	\$ 5.43	\$ 5.58

Source: Patersons Estimate

## EV per Reserve tonne

- **Recent takeover multiples:**
  - JBM was taken over by Xstrata for \$51,185/Reserve t
  - AGM by ZFX for \$15,870/Reserve t
- **Cheapest on this metric:** Being the lowest grade (0.61%) and the furthest from production (September '09 commissioning), MBN is by far the cheapest on this metric. IGO is distorted on this metric as on our modelling 50% of its EV is attributed to its 30% of the Tropicana Gold JV.
- Given they are in production PAN, MCR, IGO and ALB are all cheap on this metric and have significant upside from current levels.
- **Reserves update:** Annual reserve updates will see increases across the board with most companies announcing incremental increases through out the year.

**Figure 10: EV/Reserve t (A\$/t) and reserve grade (% Ni)**



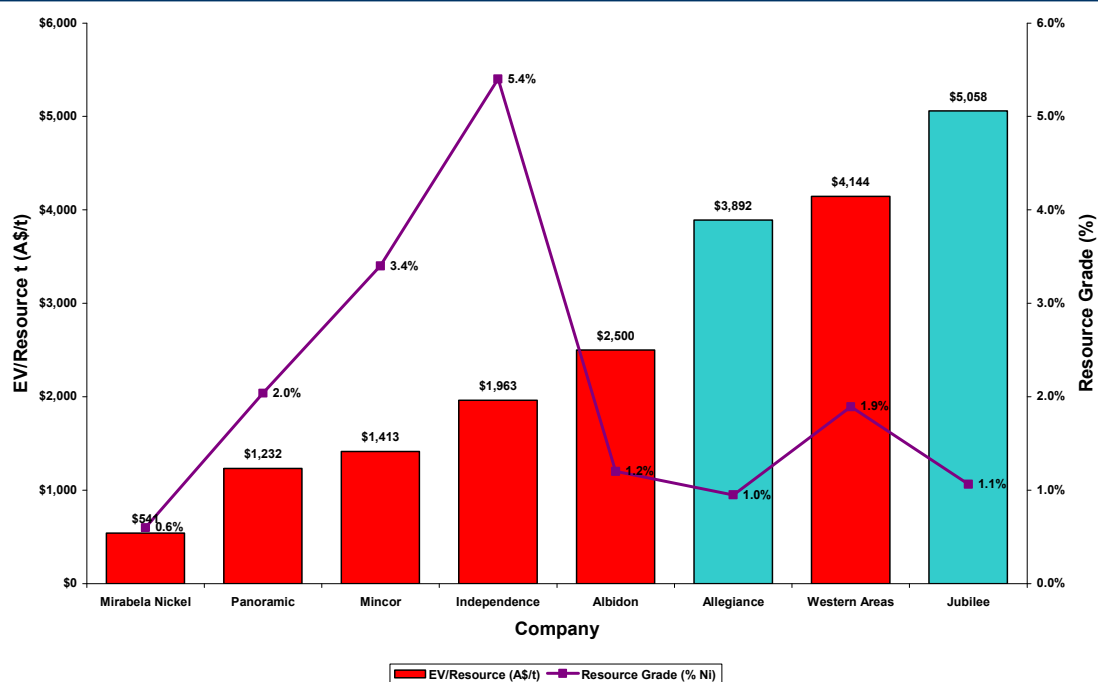
Source: Patersons Estimate



## EV per Resource tonne

- **Recent takeover multiples:**
  - JBM was taken over by Xstrata for \$5,058/ Resource t
  - AGM by ZFX for \$3,892/Resource t
- **Cheapest on this metric:** While this metric can be misleading if it incorporates a large amount of low grade (uneconomic mineralisation). In the case of nickel sulphide miners, as opposed to laterites, resources are a very good representation of reserves with sulphide miners all having a very high conversion rate.
- Again MBN is the cheapest and only 15 months from production while PAN, MCR, IGO and ALB are all cheap and in production.
- **Resources update:** Annual resources updates will also increase across the board with most companies announcing incremental increases throughout the year. MBN however have the largest resource increase pending as results from the ongoing drilling are analysed. 1Mt of contained nickel metal is ultimately expected which is a 66% increase from current levels.

Figure 11: EV/Resource t (A\$/t) and resource grade (% Ni)

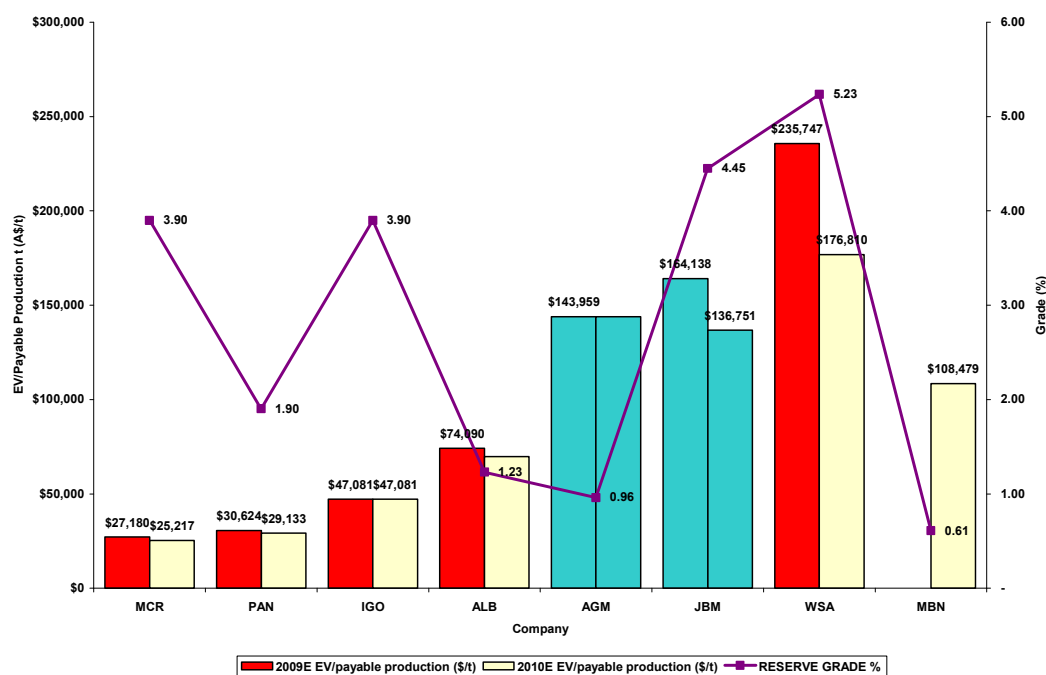


Source: Patersons Estimate

## EV per FY09 and FY10 payable production

- This metric reinforces how cheap MCR, PAN, IGO and ALB are especially when compared to the takeover metrics that were paid for full production from AGM and JBM.
- With commissioning beginning late in CY09, we have modelled a conservative ramp up for MBN which is not reaching its design capacity of 25ktpa nickel production until September '11. The value of its long life Santa Rita asset is not fairly valued by this metric.
- Likewise WSA is still ramping up to its stated target capacity of 35ktpa this metric also undervalues WSA.

Figure 12: FY09 and FY10 EV per payable production (A\$/t) and grade (% Ni)



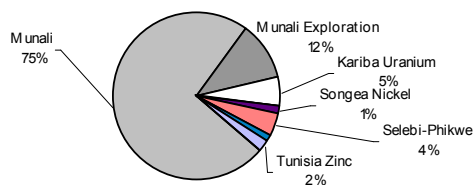
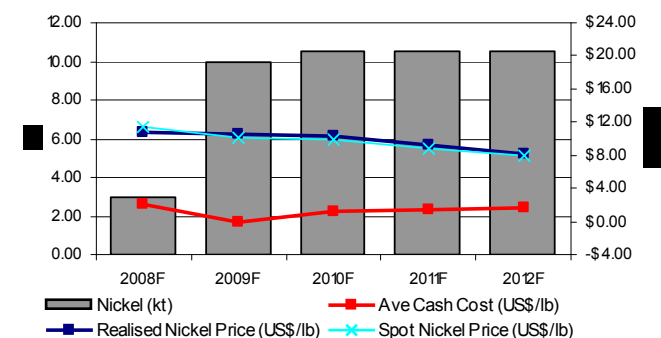
Source: Patersons Estimate

**Albidon Ltd (ALB)****\$2.68**

Valuation	US\$m	US\$/sh
Munali	544.9	3.17
Forwards	25.1	0.15
Corporate	(40.6)	-0.24
Investments	0.0	0.00
Cash	14.7	0.09
Debt	(66.9)	-0.39
Exploration		
<i>Munali Exploration</i>	817	0.48
<i>Kariba Uranium</i>	40.0	0.23
<i>Luwumbu PGE</i>	2.0	0.01
<i>Songea Nickel</i>	10.0	0.06
<i>Selebi-Phikwe</i>	30.0	0.17
<i>Malawi Nickel-Platinum</i>	10.0	0.06
<i>Tunisia Zinc</i>	15.0	0.09
Unpaid capital	12.4	0.07
<b>US\$ NPV</b>	<b>678</b>	<b>3.95</b>
<i>@ 8% Discount Rate</i>		
<b>US\$ Price Target</b>	<b>746</b>	<b>4.35</b>
<b>AU\$USD\$ exchange rate</b>	<b>\$0.95</b>	
<b>Price Target</b>	<b>785</b>	<b>\$4.58</b>

**Price Target Sensitivities**

	+10%	0	-10%
Nickel Price	\$5.04	\$4.58	\$4.11
A\$ : US\$	\$4.58	\$4.58	\$4.58

**Valuation Summary of Assets****Nickel Production Summary****Reserves & Resources**

Munali - Reserves	M t	Ni %	Cu %	Ni kt
Probable	6.7	123	0.17	82.4
<b>Munali - Resources</b>				
Indicated & Inferred	10.3	120	0.17	123.6

**Directors**

Name	Position
Richard Potts	Chairman
Dale Rogers	Managing Director
Alasdair Cooke	Executive Director
Paul Chapman	Executive Director
Chris De Guigand	Non Executive Director
Valentine Chitalu	Non Executive Director

**Substantial Shareholders**

Substantial Shareholders	Shares (m)	%
African Lion (1&2)	33.8	20.5
Jinchuan	9.3	5.6
Commonwealth Bank	9.1	5.5
Directors and Management	6.4	3.9
Universal Investment Gesellschaft	5.7	3.6
Emerging Markets management LLC	4.9	3.1
Blackrock	4.9	3.1
Fidelity Investment	4.5	2.8
AXA	4.4	2.8

**Year End Dec 31**

Commodity Assumptions	2007A	2008F	2009F	2010F
<b>A\$ : US\$</b>	<b>\$0.84</b>	<b>\$0.93</b>	<b>\$0.85</b>	<b>\$0.79</b>
<b>Nickel (US\$/lb)</b>	<b>\$16.89</b>	<b>\$11.31</b>	<b>\$10.10</b>	<b>\$9.79</b>
Cobalt (US\$/lb)	\$36.01	\$43.00	\$39.83	\$56.64
Copper (US\$/lb)	\$3.23	\$3.64	\$3.50	\$3.36
Platinum (US\$/oz)	\$13B	\$2,042	\$2,124	\$2,124
Palladium (US\$/oz)	\$202	\$287	\$353	\$416
Uranium (US\$/lb)	\$70	\$87	\$93	\$90

**Production Summary**

Munali	2007A	2008F	2009F	2010F
<b>Nickel (kt)</b>		<b>2.99</b>	<b>9.93</b>	<b>10.55</b>
Copper (kt)		0.60	1.99	2.11
Cobalt (kt)		0.17	0.57	0.60
Platinum (koz)		1.41	4.67	4.96
Palladium (koz)		5.85	19.40	20.62

<b>Ave Cash Cost (US\$/lb)</b>	<b>\$2.01</b>	<b>(\$0.07)</b>	<b>\$1.18</b>
<b>Ave Total Cost (US\$/lb)</b>	<b>\$3.12</b>	<b>\$0.95</b>	<b>\$2.19</b>
<b>Realised Nickel Price (US\$/lb)</b>	<b>\$10.70</b>	<b>\$10.60</b>	<b>\$10.27</b>

**Profit & Loss (US\$m)**

	2007A	2008F	2009F	2010F
<b>Sales Revenue</b>	<b>0.3</b>	<b>47.6</b>	<b>154.7</b>	<b>159.4</b>
Other Income	3.3	0.6	0.7	3.3
Operating Costs	0.0	20.8	50.2	52.5
Exploration Exp.	3.5	4.9	6.1	6.2
Corporate/Admin	5.3	7.8	8.1	8.3
<b>EBITDA</b>	<b>(5.3)</b>	<b>14.6</b>	<b>90.9</b>	<b>95.6</b>
Depn & Amort	0.1	4.9	15.6	16.6
<b>EBIT</b>	<b>(5.4)</b>	<b>9.7</b>	<b>75.3</b>	<b>79.0</b>
Interest	0.7	4.8	4.6	3.2
Provisions	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>(6.1)</b>	<b>4.9</b>	<b>70.8</b>	<b>75.9</b>
Tax expense	0.2	2.9	17.7	19.0
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>(6.3)</b>	<b>2.0</b>	<b>53.1</b>	<b>56.9</b>
<b>Normalised NPAT</b>	<b>(4.3)</b>	<b>3.4</b>	<b>49.5</b>	<b>53.1</b>

**Cash Flow (US\$m)**

	2007A	2008F	2009F	2010F
<b>Adjusted Net Profit</b>	<b>(6.3)</b>	<b>2.0</b>	<b>53.1</b>	<b>56.9</b>
+ Interest/Tax/Expl Exp	4.5	12.6	28.4	28.4
- Interest/Tax/Expl Inc	2.4	9.6	10.7	9.4
+ Depn/Amort	0.1	4.9	15.6	16.6
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>(4.1)</b>	<b>9.9</b>	<b>86.3</b>	<b>92.4</b>
- Capex (+asset sales)	65.8	53.2	36.5	4.2
- Working Capital Increase	4.7	(0.3)	0.0	0.0
<b>Free Cashflow</b>	<b>(74.6)</b>	<b>(42.9)</b>	<b>49.9</b>	<b>88.3</b>
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	119	20.0	0.0	0.0
+ Debt drawdown (repaid)	40.2	14.6	(8.8)	(8.8)
<b>Net Change in Cash</b>	<b>(27.8)</b>	<b>(13.2)</b>	<b>34.9</b>	<b>73.2</b>
Cash at End Period	16.6	2.6	37.5	110.7
Net Cash/(LT Debt)	(9.4)	(47.0)	(3.2)	78.8

**Balance Sheet (US\$m)**

	2007A	2008F	2009F	2010F
Cash	16.6	2.6	37.5	110.7
Total Assets	84.1	18.4	174.2	235.0
Total Debt	26.0	49.6	40.7	38.5
Total Liabilities	26.0	49.6	40.7	38.5
Shareholders Funds	58.1	68.8	133.5	196.5

**Ratios**

<b>Net Debt/Equity (%)</b>	<b>16.15</b>	<b>68.29</b>	<b>2.41</b>	<b>na</b>
<b>Interest Cover (x)</b>	<b>-7.2</b>	<b>2.0</b>	<b>16.5</b>	<b>25.0</b>
<b>Return on Equity (%)</b>	<b>na</b>	<b>2.9</b>	<b>39.8</b>	<b>29.0</b>

## Independence Group NL

\$3.31

Year End June 30

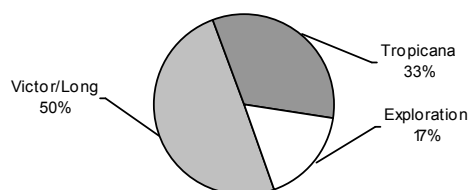
Valuation	A\$m	A\$/sh
Victor/Long	177	149
Tropicana	16	0.98
Forward Sales	(1)	(0.09)
Corporate	(12)	(0.10)
Exploration	60	0.51
Unpaid Capital	6	0.05
Equity Stake in MRX	7	0.06
Equity Stake in BMY	1	0.01
Cash	161	1.35
Debt	(1)	(0.01)
<b>DCF</b>	<b>505</b>	<b>4.25</b>
<i>@ 8% Discount Rate</i>		
<b>Price Target</b>	<b>576</b>	<b>4.86</b>
<i>30% Premium to NPV for Ni ONLY</i>		

## Sensitivity Price Target

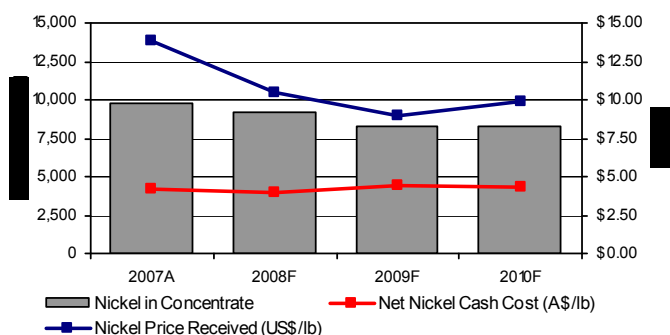
+10% 0% -10%

	+10%	0%	-10%
Nickel Price	\$5.23	\$4.86	\$4.48
Gold Price	\$5.51	\$4.86	\$4.20
A\$ : \$US	\$3.91	\$4.86	\$6.01

## Valuation Summary of Operating Assets



## Nickel Production Summary



## Reserves &amp; Resources

Reserves	M t	Ni %	Ni kt
Long	0.47	3.4	16.0
Victor South	0.29	3.5	10.2
McLay	0.34	3.9	13.4
<b>Total</b>	<b>1.09</b>	<b>4.20</b>	<b>39.6</b>

Resources	M t	Ni %	Ni kt
Long	0.62	4.8	35.7
Victor South	0.40	3.7	14.7
McLay	0.53	5.4	28.9
<b>Total</b>	<b>1.55</b>	<b>5.60</b>	<b>79.3</b>

Resources	M t	Au g/t	Au moz
Tropicana	62.8	2.01	4.06
IGO 30%			1.2

## Directors

Name	Position
Rodney Marston	Non Executive Chairman
Christopher Bonwick	Managing Director
Kelly Ross	Executive Director
John Christie	Non Executive Director
Oscar Aamodt	Non Executive Director

Substantial Shareholders	Shares (m)	%
Barclays Global Investors Australia	12.03	9.56%
JP Morgan	10.1	8.68%

Commodity Assumptions	2007A	2008F	2009F	2010F
<b>A\$ : US\$</b>	<b>\$0.79</b>	<b>\$0.90</b>	<b>\$0.91</b>	<b>\$0.81</b>
Gold (US\$/oz)	\$639	\$824	\$916	\$935
Copper (US\$/lb)	\$3.21	\$3.53	\$3.57	\$3.44
<b>Nickel (US\$/lb)</b>	<b>\$17.21</b>	<b>\$12.93</b>	<b>\$10.21</b>	<b>\$9.94</b>

Production Summary	2007A	2008F	2009F	2010F
<b>Nickel Production (t)</b>				
Nickel in Concentrate	9825	9183	8260	8260
Copper in Concentrate	72	700	646	646
<b>Per Pound of Payable Nickel</b>				
Net Nickel Cash Cost (A\$/lb)	\$4.15	\$3.99	\$4.36	\$4.26
Nickel Total Cost (A\$/lb)	\$4.91	\$4.73	\$5.14	\$5.01
<b>Net Nickel Cash Cost (US\$/lb)</b>	<b>\$3.27</b>	<b>\$3.58</b>	<b>\$3.95</b>	<b>\$3.43</b>
<b>Nickel Price Received (US\$/lb)</b>	<b>\$13.81</b>	<b>\$10.45</b>	<b>\$8.94</b>	<b>\$9.94</b>

Gold Production (oz)	2007A	2008F	2009F	2010F
Tropicana Gold Production (IGO)	0	0	0	0
<b>Gold Cash Costs (US\$/oz)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Gold Price Received (US\$/oz)	\$639	\$824	\$916	\$935

Profit & Loss (A\$m)	2007A	2008F	2009F	2010F
<b>Sales Revenue</b>	<b>222.9</b>	<b>138.8</b>	<b>110.2</b>	<b>143.1</b>
Other Income	10.2	114	8.4	8.8
Operating Costs	56.3	53.3	49.9	50.9
Exploration Exp.	114	9.5	5.2	5.3
Corporate/Admin	4.1	3.4	4.0	4.1
<b>EBITDA</b>	<b>161.3</b>	<b>84.1</b>	<b>59.4</b>	<b>91.4</b>
Deprn & Amort	10.0	8.8	8.5	8.5
<b>EBIT</b>	<b>151.3</b>	<b>75.3</b>	<b>51.0</b>	<b>82.9</b>
Interest	0.2	0.1	0.1	0.1
<b>Operating Profit</b>	<b>151.1</b>	<b>75.2</b>	<b>50.9</b>	<b>82.9</b>
Tax expense	45.8	22.5	15.3	24.9
Abnormal Losses / Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>105.3</b>	<b>52.7</b>	<b>35.6</b>	<b>58.0</b>
<b>Normalised NPAT</b>	<b>105.8</b>	<b>52.6</b>	<b>35.6</b>	<b>58.0</b>

Cash Flow (A\$m)	2007A	2008F	2009F	2010F
Adjusted Net Profit	105.3	52.7	35.6	58.0
+Interest/Tax/Expl Exp	57.4	32.1	20.6	30.3
-Interest/Tax/Expl Inc	38.1	56.0	28.3	37.9
+Deprn/Amort	10.0	8.8	8.5	8.5
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>134.6</b>	<b>37.5</b>	<b>36.3</b>	<b>58.8</b>
- Capex (asset sales)	12.4	15.0	12.6	88.6
- Working Capital Increase	(14.6)	(5.9)	0.0	0.0
<b>Free Cashflow</b>	<b>136.8</b>	<b>28.3</b>	<b>23.7</b>	<b>(29.8)</b>
- Dividends (ords)	14.8	19.6	5.8	1.5
+Equity raised	2.6	0.8	0.0	0.0
+Debt drawdown (repaid)	13	(0.9)	0.0	0.0
<b>Net Change in Cash</b>	<b>125.9</b>	<b>8.6</b>	<b>17.9</b>	<b>(40.3)</b>
Cash at End Period	152.0	160.6	178.5	138.2
Net Cash/(LT Debt)	147.5	169.6	177.5	137.2

Balance Sheet (A\$m)	2007A	2008F	2009F	2010F
Cash/Bullion	152.0	160.6	178.5	138.2
Total Assets	275.6	308.5	338.3	385.8
Total Debt	19	10	10	10
Total Liabilities	172.7	171.8	171.8	171.8
Shareholders Funds	102.9	136.7	166.5	214.0

Ratios	2007A	2008F	2009F	2010F
Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	669.7	648.7	na	na
Return on Equity (%)	102.4	38.5	214	27.1

## Mirabela Nickel Ltd (MBN)

\$5.02

Valuation	A\$m	A\$/sh
Santa Rita	1003.6	7.45
Peri-Peri Prospect	10.0	0.07
Serra Azul Saprolite	5.0	0.04
Exploration	160.0	1.11
Forwards	0.0	0.00
Corporate	(80.0)	(0.59)
Cash	35.5	0.26
Debt	0.0	0.00
Unpaid capital	16	0.01
<b>NPV</b>	<b>1,126</b>	<b>8.35</b>

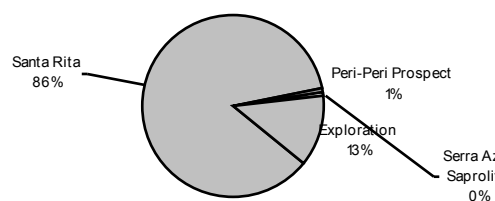
@ 8% Discount Rate

Price Target	1,126	8.35
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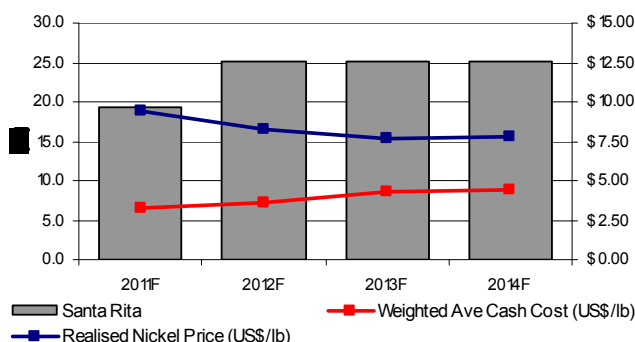
## Sensitivity Price Target

	+10%	0	-10%
Nickel Price	\$10.34	\$8.35	\$6.37
A\$ : \$US	\$7.60	\$8.35	\$9.29

## Valuation Summary of Operating Assets



## Nickel Production Summary



## Reserves &amp; Resources

Santa Rita - Reserves	M t	Ni %	Cu %	Ni kt
Proven & Probable	84.0	0.61	0.14	508
<b>Total</b>	<b>84.0</b>	<b>0.61</b>	<b>0.14</b>	<b>508</b>

Santa Rita - Resources	M t	Ni %	Cu %	Ni kt
Indicated	90.0	0.6	0.14	540
Inferred	10.7	0.6	0.14	64
<b>Total</b>	<b>100.7</b>	<b>0.60</b>	<b>0.14</b>	<b>604</b>

## Directors

Name	Position
Bill Clough	Non-Executive Chairman
Nick Poll	Managing Director
Craig Burton	Executive Director

Substantial Shareholders	Shares (m)	%
Dundee Corporation	26.0	19.9
Directors	16.9	13.0
CVRD/Inco	13.0	9.9
JP Morgan	7.0	5.9

Year End June 30

Commodity Assumptions	2009F	2010F	2011F	2012F
A\$:US\$	\$0.91	\$0.81	\$0.79	\$0.80
Nickel (US\$/lb)	\$10.21	\$9.94	\$9.39	\$8.31
Copper (US\$/lb)	\$3.57	\$3.44	\$3.09	\$2.37
Cobalt (US\$/lb)	\$40.36	\$27.57	\$5.80	\$6.12
Platinum (US\$/oz)	\$2,124	\$2,124	\$2,124	\$2,124

## Production Summary

	2009F	2010F	2011F	2012F
<b>Concentrate (kt)</b>				
Santa Rita		70.4	146.1	189.5
<b>Contained Nickel (kt)</b>				
Santa Rita		7.9	19.3	25.2
Weighted Ave Cash Cost (US\$/lb)		\$3.08	\$3.30	\$3.65
Weighted Ave Total Cost (US\$/lb)		\$3.65	\$3.77	\$4.12
Realised Nickel Price (US\$/lb)		\$9.94	\$9.39	\$8.31

## Profit &amp; Loss (A\$m)

	2009F	2010F	2011F	2012F
<b>Sales Revenue</b>	<b>0.0</b>	<b>151.9</b>	<b>354.3</b>	<b>406.6</b>
Other Income	8.1	1.7	2.0	3.8
Operating Costs	0.0	45.2	124.4	178.4
Exploration Exp.	0.0	0.0	0.0	0.0
Corporate/Admin	12.1	12.3	12.6	12.8
<b>EBITDA</b>	<b>(4.0)</b>	<b>96.0</b>	<b>219.2</b>	<b>219.2</b>
Depn & Amort	0.0	7.7	17.7	23.1
<b>EBIT</b>	<b>(4.0)</b>	<b>88.3</b>	<b>201.5</b>	<b>196.1</b>
Interest	17.1	22.4	17.0	10.4
Provisions	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>(21.1)</b>	<b>65.9</b>	<b>184.5</b>	<b>185.6</b>
Tax expense	0.0	14.1	36.9	37.1
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>(21.1)</b>	<b>51.8</b>	<b>147.6</b>	<b>148.5</b>
<b>Normalised NPAT</b>	<b>(14.8)</b>	<b>46.2</b>	<b>129.1</b>	<b>129.9</b>

## Cash Flow (A\$m)

	2009F	2010F	2011F	2012F
Adjusted Net Profit	(21.1)	51.8	147.6	148.5
+ Interest/Tax/Expl Exp	17.1	36.5	53.9	47.6
- Interest/Tax/Expl Inc	17.1	36.5	53.9	47.6
+ Depn/Amort	0.0	7.7	17.7	23.1
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>(21.1)</b>	<b>59.5</b>	<b>165.3</b>	<b>171.6</b>
- Capex (+asset sales)	194.9	60.7	61.5	8.6
- Working Capital Increase	0.0	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>(216.0)</b>	<b>(1.2)</b>	<b>103.8</b>	<b>163.1</b>
- Dividends (ords & pref)	0.0	0.0	0.0	0.0
+ Equity raised	0.0	0.0	0.0	0.0
+ Debt drawdown (repaid)	276.6	(40.0)	(80.0)	(80.0)
<b>Net Change in Cash</b>	<b>46.5</b>	<b>(52.5)</b>	<b>15.4</b>	<b>74.5</b>
Cash at End Period	82.0	29.5	44.9	119.5
Net Cash/(LT Debt)	(194.6)	(207.1)	(111.6)	42.9

## Balance Sheet (A\$m)

	2009F	2010F	2011F	2012F
Cash	82.0	29.5	44.9	119.5
Total Assets	517.2	521.2	565.0	637.6
Total Debt	276.6	216.6	96.6	16.6
Total Liabilities	276.6	228.7	124.9	49.1
Shareholders Funds	240.6	292.5	440.0	588.5

Ratios	2009F	2010F	2011F	2012F
Net Debt/Equity (%)	80.86	70.81	25.37	na
Interest Cover (x)	-0.2	3.9	118	18.8
Return on Equity (%)	na	17.7	33.5	25.2

## Mincor Resources NL

\$2.13

Valuation	A\$m	A\$/sh
Miitel	62	0.31
Wannaway	0	0.00
Redross	9	0.05
Mariners	46	0.23
Carnilya Hill	79	0.39
Otter-Juan	107	0.53
McMahon/Ken	42	0.21
Durkin	52	0.26
Bluebush line	30	0.15
Forward Sales	16	0.08
Corporate	(58)	(0.28)
Exploration & Development Opportunities	88	0.43
Unpaid Capital	8	0.04
Cash	100	0.49
Debt	0	0.00

## NPV

@ 8% Discount Rate

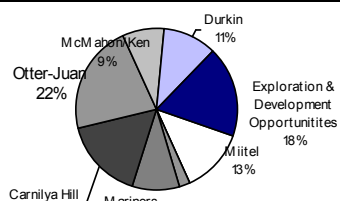
Price Target 727 3.59

## Sensitivity Price Target

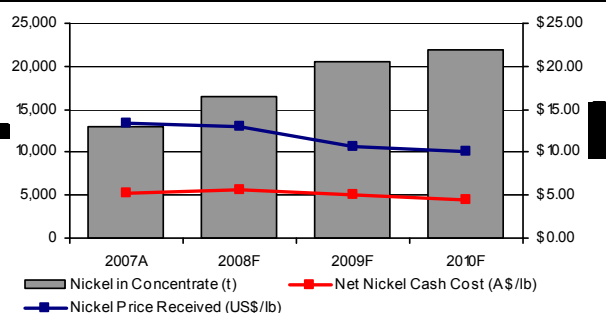
+10% 0 -10%

Nickel Price	\$4.15	\$3.59	\$3.03
A\$ : \$US	\$3.07	\$3.59	\$4.23

## Valuation Summary of Operating Assets



## Nickel Production Summary



## Reserves &amp; Resources

Reserves	Mt	Ni %	Ni kt
Miitel	0.97	2.5	24.4
North Dordie	0.04	12	0.5
Wannaway	0.03	2.3	0.8
Redross	0.18	2.9	5.3
Mariners	0.39	2.7	10.5
Carnilya Hill	0.34	2.9	9.8
Otter-Juan	0.29	3.9	11.2
<b>Total</b>	<b>2.24</b>	<b>2.28</b>	<b>62.4</b>

Resources	Mt	Ni %	Ni kt
Mariners	0.78	4.0	31.4
Redross	0.28	3.7	10.2
North Dordie	0.15	15	2.3
Miitel	1.0	3.6	39.5
Wannaway	0.07	2.6	1.9
Carnilya Hill JV	0.23	4.9	11.3
Otter-Juan	0.40	4.9	19.8
McMahon/Ken	0.39	4.0	15.7
Durkin	0.37	5.0	18.7
Gellatly	0.03	3.4	1.0
Bluebush	0.63	3.3	20.8
<b>Total</b>	<b>4.44</b>	<b>3.88</b>	<b>172.4</b>

## Directors

Name	Position
David Humann	Non Executive Chairman
David Moore	Managing Director
Jack Gardener	Non Executive Director
Ian Burston	Non Executive Director

## Substantial Shareholders

Shareholder	Shares (m)	%
Barclays Global Investors	2130	10.30
reserve	10.20	5.19

## Year End June 30

Commodity Assumptions	2007A	2008F	2009F	2010F
A\$ : US\$	\$ 0.79	\$ 0.90	\$ 0.91	\$ 0.81
Copper (US\$/lb)	\$3.21	\$3.53	\$3.57	\$3.44
Lead (US\$/lb)	\$0.77	\$1.31	\$0.86	\$0.77
Zinc (US\$/lb)	\$1.67	\$1.18	\$0.90	\$0.92
<b>Nickel (US\$/lb)</b>	<b>\$17.21</b>	<b>\$12.93</b>	<b>\$10.21</b>	<b>\$9.94</b>
Cobalt (US\$/lb)	\$21.92	\$45.41	\$40.36	\$27.57

## Production Summary

	2007A	2008F	2009F	2010F
Miitel	4,901	4,271	5,194	4,794
Wannaway	519	271	0	0
Redross	3,891	3,120	1,658	765
Mariners	3,616	3,704	4,250	4,250
Carnilya Hill	0	49	3,308	3,308
North Dordie	0	326	0	0
Otter-Juan	0	4,755	4,328	4,328
McMahon/Ken	0	0	1,422	2,188
Durkin	0	0	306	2,297

Nickel in Concentrate (t)	12,927	16,496	20,464	21,929
Copper in Concentrate (t)	1,175	1,380	1,576	1,633
Cobalt in Concentrate (t)	256	313	338	352

## Per Pound of Payable Metal

Net Nickel Cash Cost (A\$/lb)	\$6.57	\$6.19	\$5.59	\$5.55
Net Nickel Cash Cost (US\$/lb)	\$5.17	\$5.56	\$5.06	\$4.46
Nickel Price Received (US\$/lb)	\$13.45	\$12.97	\$10.68	\$10.17
Spot Nickel Price (US\$/lb)	\$17.21	\$12.93	\$10.21	\$9.94

## Profit &amp; Loss (A\$m)

	2007A	2008F	2009F	2010F
<b>Sales Revenue</b>	<b>334.6</b>	<b>336.3</b>	<b>360.5</b>	<b>410.0</b>
Other Income	0.0	7.0	5.3	8.8
Operating Costs	27.2	149.9	178.0	186.8
Exploration Exp.	10.3	13.1	13.7	14.0
Corporate/Admin	16.6	20.4	20.2	20.6
<b>EBITDA</b>	<b>180.5</b>	<b>159.9</b>	<b>154.1</b>	<b>197.4</b>
Depn & Amort	35.0	62.6	72.7	77.7
<b>EBIT</b>	<b>145.5</b>	<b>97.3</b>	<b>81.3</b>	<b>119.7</b>
Interest	0.4	0.2	0.0	0.0
<b>Operating Profit</b>	<b>145.1</b>	<b>97.1</b>	<b>81.3</b>	<b>119.7</b>
Tax expense	43.7	28.5	24.4	35.9
Abnormal Losses / Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>101.4</b>	<b>68.6</b>	<b>56.9</b>	<b>83.8</b>
<b>Normalised NPAT</b>	<b>101.6</b>	<b>68.0</b>	<b>56.9</b>	<b>83.8</b>

## Cash Flow (A\$m)

	2007A	2008F	2009F	2010F
Adjusted Net Profit	101.4	68.6	56.9	83.8
+Interest/Tax/Expl Exp	54.4	41.8	38.1	49.9
- Interest/Tax/Expl Inc	23.4	69.8	40.4	51.9
+Depn/Amort	35.0	62.6	72.7	77.7
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>167.5</b>	<b>103.2</b>	<b>127.4</b>	<b>159.5</b>
- Capex/(asset sales)	42.9	141.7	50.1	37.8
- Working Capital Increase	(15.5)	8.0	0.0	0.0
<b>Free Cashflow</b>	<b>140.1</b>	<b>(46.5)</b>	<b>77.2</b>	<b>121.6</b>
- Dividends (ords & pref)	17.6	23.7	31.7	33.6
+Equity raised	2.2	0.7	0.0	0.0
+Debt drawdown (repaid)	0.0	(0.5)	0.0	0.0
<b>Net Change in Cash</b>	<b>124.6</b>	<b>(70.1)</b>	<b>45.6</b>	<b>88.0</b>
Cash at End Period	169.7	99.6	145.2	233.2
Net Cash/(LT Debt)	169.7	99.6	145.2	233.2

## Balance Sheet (A\$m)

	2007A	2008F	2009F	2010F
Cash/Bullion	169.7	99.6	145.2	233.2
Total Assets	310.9	328.1	357.8	416.8
Total Debt	3.4	0.0	0.0	0.0
Total Liabilities	160.5	106.7	111.0	119.9
Shareholders Funds	150.4	221.5	246.7	296.9

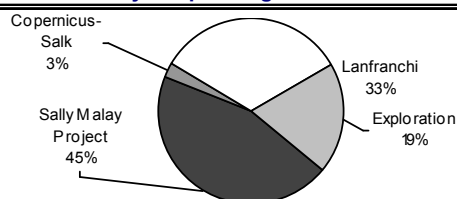
## Ratios

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	349.0	555.8	na	na
Return on Equity (%)	67.5	31.0	23.1	28.2

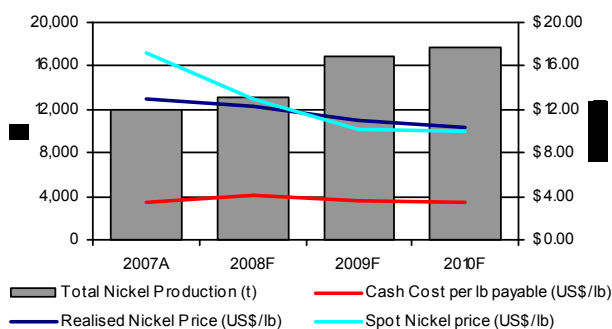
## Panoramic Resources Limited (PAN) \$2.40

Valuation	A\$m	A\$/sh	
Sally Malay Project	325	166	
Copernicus-Salk	20	0.10	
Lanfranchi	238	122	
Forwards	22	0.11	
Corporate	(43)	(0.22)	
Cash	130	0.66	
Debt	(10)	(0.05)	
Exploration	11	0.72	
Unpaid capital	4	0.02	
<b>NPV</b>	<b>828</b>	<b>4.22</b>	
<b>Price Target</b>	<b>1,077</b>	<b>5.49</b>	
<b>Sensitivities</b>	<b>+10%</b>	<b>0</b>	
	<b>-10%</b>		
Nickel Price	\$6.14	\$5.49	\$4.85
A\$ : \$US	\$4.82	\$5.49	\$6.31

## Valuation Summary of Operating Assets



## Nickel Production Summary



## Reserves &amp; Resources

Reserves	Kt	Metal	Grade (%)	Metal (kt)
Sally Malay	2,790	Ni	132	36.8
		Cu	0.61	17.0
		Co	0.07	2.0
Lanfranchi JV	673	Ni	2.72	18.3
Deacon	1,695	Ni	2.54	43.1
<b>Total</b>	<b>5,158</b>	<b>Ni</b>	<b>1.90</b>	<b>98.2</b>
<b>Resources</b>	<b>Kt</b>	<b>Metal</b>	<b>Grade (%)</b>	<b>Metal (kt)</b>
Sally Malay	3,276	Ni	174	57.0
		Cu	0.80	26.2
		Co	0.09	2.9
Copernicus JV	852	Ni	124	10.6
		Cu	0.60	5.1
		Co	0.04	0.3
Lanfranchi JV	2,907	Ni	195	56.6
Deacon	1,910	Ni	3.04	58.1
<b>Total</b>	<b>8,945</b>	<b>Ni</b>	<b>2.04</b>	<b>182.3</b>

## Directors

Name	Position
Christopher de Guingand	Non-Executive Chairman
Peter Harold	Managing Director
Chris Langdon	Non Executive Director
John Rowe	Non Executive Director
Brian Phillips	Non Executive Director
<b>Senior Management</b>	<b>Position</b>
Chris Williams	Chief Operating Officer
Trevor Eton	Chief Financial Officer

## Substantial Shareholders

Shareholder	Shares (m)	%
Barclays	12.2	6.6
BT Funds Management	7.2	3.9
GM O	6.9	3.7
Old Mutual	6.6	3.5
Bank Julius Baer	5.4	2.9
<b>Top 20</b>	<b>92.2</b>	<b>48.6</b>

## Year End June 30

Commodity Assumptions	2007A	2008F	2009F	2010F
A\$ : US\$	\$0.79	\$0.90	\$0.91	\$0.81
Nickel (US\$/lb)	\$17.21	\$12.93	\$10.21	\$9.94
Copper (US\$/lb)	\$3.21	\$3.53	\$3.57	\$3.44
Cobalt (US\$/lb)	\$2192	\$45.41	\$40.36	\$27.57
Zinc (US\$/lb)	\$167	\$118	\$0.90	\$0.92
Lead (US\$/lb)	\$0.77	\$1.31	\$0.86	\$0.77

## Production Summary

	2007A	2008F	2009F	2010F
<b>Nickel (t)</b>				
Sally Malay	8,010	7,790	9,029	9,504
Copernicus	0	0	821	912
Lanfranchi	3,888	5,285	7,055	7,350
<b>Total Nickel Production (t)</b>	<b>11,898</b>	<b>13,075</b>	<b>16,904</b>	<b>17,766</b>
<b>Cobalt (t)</b>				
Sally Malay	431	426	547	576
Copernicus	0	0	48	53
Lanfranchi	0	0	0	0
<b>Copper (t)</b>				
Sally Malay	3,688	4,136	4,188	4,408
Copernicus	0	0	653	725
Lanfranchi	202	282	394	394
Cash Cost per lb payable (US\$/lb)	\$3.50	\$4.06	\$3.65	\$3.43
Total Cost per lb payable (US\$/lb)	\$5.03	\$6.00	\$5.74	\$5.26
Spot Nickel price (US\$/lb)	\$17.21	\$12.93	\$10.21	\$9.94
Realised Nickel Price (US\$/lb)	\$12.87	\$12.27	\$10.95	\$10.38

## Profit &amp; Loss (A\$m)

	2007A	2008F	2009F	2010F
<b>Sales Revenue</b>	<b>299.6</b>	<b>252.2</b>	<b>353.0</b>	<b>386.6</b>
Other Income	3.0	6.6	8.4	6.2
Operating Costs	88.2	125.0	153.4	165.1
Exploration Exp.	2.1	3.7	6.5	6.7
Corporate/Admin	7.8	11.7	12.1	12.3
<b>EBITDA</b>	<b>204.5</b>	<b>118.5</b>	<b>189.4</b>	<b>208.8</b>
Deprn & Amort	41.9	39.4	57.2	59.2
<b>EBIT</b>	<b>162.6</b>	<b>79.1</b>	<b>132.2</b>	<b>149.5</b>
Derivatives adjustment	34.2	-4.1	0.0	0.0
Interest	3.4	1.0	0.6	0.2
<b>Operating Profit</b>	<b>124.9</b>	<b>82.3</b>	<b>131.5</b>	<b>149.4</b>
Tax expense	36.5	22.3	39.5	44.8
<b>NPAT</b>	<b>88.4</b>	<b>60.0</b>	<b>92.1</b>	<b>104.5</b>

## Normalised NPAT

2007A	87.4
2008F	53.5
2009F	92.1
2010F	104.5

## Cash Flow (A\$m)

	2007A	2008F	2009F	2010F
Adjusted Net Profit	88.4	60.0	92.1	104.5
+Interest/Tax/Expl Exp	42.0	26.9	46.6	51.6
-Interest/Tax/Expl Inc	48.1	45.5	50.2	55.2
+Deprn/Amort	41.9	39.4	57.2	59.2
+/- Other	44.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>168.3</b>	<b>80.8</b>	<b>145.7</b>	<b>160.2</b>
- Capex (asset sales)	38.4	78.3	5.3	16.0
- Working Capital Increase	7.8	(48.2)	0.0	0.0
<b>Free Cashflow</b>	<b>122.1</b>	<b>50.7</b>	<b>130.4</b>	<b>144.2</b>
- Dividends (ords & pref)	0.0	36.0	27.0	34.9
+Equity raised	3.9	17	4.3	0.0
+Debt drawdown (repaid)	(36.6)	(6.3)	0.0	(10.0)
<b>Net Change in Cash</b>	<b>89.4</b>	<b>10.1</b>	<b>107.7</b>	<b>99.4</b>
Cash at End Period	19.9	130.0	237.7	337.1
Net Cash/(LT Debt)	106.8	120.0	227.7	337.1

## Balance Sheet (A\$m)

	2007A	2008F	2009F	2010F
Cash	19.9	130.0	237.7	337.1
Total Assets	284.0	342.1	488.8	614.3
Total Debt	13.1	10.0	10.0	0.0
Total Liabilities	118.1	137.3	218.5	278.3
Shareholders Funds	121.8	204.9	270.2	336.1

## Ratios

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	47.2	80.0	208.2	942.2
Return on Equity (%)	72.6	29.3	34.1	311

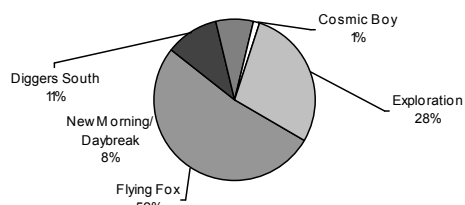
## Western Areas NL

\$7.54

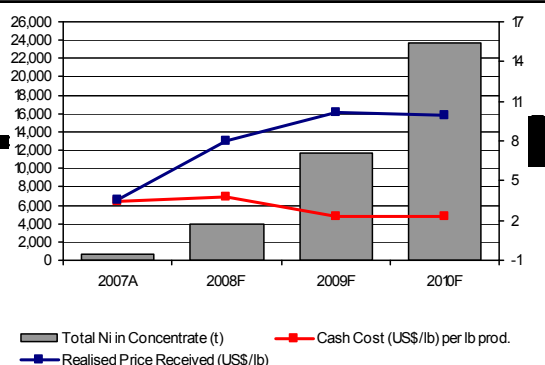
Valuation	A\$m	A\$/sh
Flying Fox	588.6	3.24
Diggers South	115.7	0.67
NewMorning/ Daybreak	80.6	0.47
Cosmic Boy	5.2	0.09
Spotted Quoll	380.7	2.21
Investments	1.7	0.06
Unpaid capital	5.0	0.09
Forwards	0.0	0.00
Corporate	(17.2)	(0.10)
Exploration	300.0	1.74
Cash	140.0	0.81
Debt (incl CN)	(266.0)	(1.54)
<b>Total @ 8% Discount Rate</b>	<b>1333.3</b>	<b>7.73</b>
<b>Price Target</b>	<b>1866.7</b>	<b>10.82</b>

Sensitivity Price Target	+10%	0	-10%
Nickel Price	\$ 12.29	\$ 10.82	\$ 9.36
AS : \$US	\$ 12.45	\$ 10.82	\$ 9.49

## Valuation Summary of Operating Assets



## Nickel Production Summary



## Reserves &amp; Resources

	kt	Ni %	Ni kt
<b>Reserves</b>			
Sub-total Flying Fox	1259	5.2	65.9
<b>Resources</b>			
Sub total - Flying Fox	1790	5.9	105.8
Spotted Quoll	546	6.3	34.5
NewMorning/Daybreak	2,144	14	30.0
Cosmic Boy	181	2.8	5.1
Diggers South	7,800	10	78.8
Diggers Rocks	1668	0.8	13.3
<b>Total</b>	<b>14,129</b>	<b>1.89</b>	<b>267.5</b>

## Directors

Name	Position
Terry Streeter	Chairman
Julian Hanna	Managing Director
Craig Oliver	Finance Director
Dan Lougher	Operations Director
Robin Dunbar	Non Executive Director
David Cooper	Non Executive Director

## Substantial Shareholders

	Shares (m)	%
Jungle Creek Gold Mines	31.9	18.5
G. Santalucia	20.9	12.1
CBA	9.8	5.7
Northmead Holdings	10.5	6.1
<b>Top 20</b>	<b>65.3</b>	<b>54.4</b>

## Year End June 30

Commodity Assumptions	2007A	2008F	2009F	2010F
A\$:US\$	0.79	0.90	0.91	0.81
Copper (US\$/lb)	3.21	3.53	3.57	3.44
Lead (US\$/lb)	0.77	1.31	0.86	0.77
Zinc (US\$/lb)	1.67	1.8	0.90	0.92
Nickel (US\$/lb)	17.21	12.93	10.21	9.94
Tin (US\$/lb)	5.20	8.5	10.10	8.84
Palladium (US\$/oz)	340.00	374.23	434.17	434.17
Iron Ore Fines (US\$/t)	48.12	6175	94.90	10184

## Production Summary

	2007A	2008F	2009F	2010F
<b>Nickel Production (t)</b>				
Flying Fox	646	3,986	8,555	11,407
Spotted Quoll	0	0	3,206	8,140
Diggers South	0	0	0	4,133
NewMorning/ Daybreak	0	0	0	0
Cosmic Boy	0	0	0	0
<b>Total Ni in Concentrate (t)</b>	<b>646</b>	<b>3,986</b>	<b>11,761</b>	<b>23,679</b>
Cash Cost (US\$/lb) per lb prod.	3.42	3.84	2.30	2.28
Total Cost (US\$/lb) per lb prod.	5.48	5.82	3.73	3.43
Realised Price Received (US\$/lb)	3.53	8.05	10.22	9.96

## Profit &amp; Loss (A\$m)

	2007A	2008F	2009F	2010F
<b>Sales Revenue</b>	<b>17.4</b>	<b>65.4</b>	<b>200.5</b>	<b>442.6</b>
Other Income	(2.1)	(2.5)	4.4	3.2
Operating Costs	118	44.4	45.1	1013
Exploration Exp.	3.9	7.7	7.7	7.9
Corporate/Admin	4.0	6.4	7.4	7.6
<b>EBITDA</b>	<b>(14.5)</b>	<b>4.5</b>	<b>144.6</b>	<b>329.0</b>
Depn & Amort	0.6	13.3	28.1	50.9
<b>EBIT</b>	<b>(15.1)</b>	<b>(8.8)</b>	<b>116.6</b>	<b>278.2</b>
Interest	0.3	19.6	20.1	20.1
<b>Operating Profit</b>	<b>(15.4)</b>	<b>(28.4)</b>	<b>96.5</b>	<b>258.1</b>
Tax expense	(3.3)	(5.3)	29.0	77.4
Minorities/Abnormals	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>(12.1)</b>	<b>(13.1)</b>	<b>67.6</b>	<b>180.7</b>
<b>Normalised NPAT</b>	<b>(10.8)</b>	<b>(19.9)</b>	<b>67.6</b>	<b>180.7</b>

## Cash Flow (A\$m)

	2007A	2008F	2009F	2010F
Adjusted Net Profit	(12.1)	(13.1)	67.6	180.7
+Interest/Tax/Expl Exp	0.9	12.0	56.8	105.4
- Interest/Tax/Expl Inc	26.7	22.2	64.5	113.3
+Depn/Amort	0.6	13.3	28.1	50.9
+/- Other	0.0	0.0	0.0	0.0
<b>Operating Cashflow</b>	<b>(37.3)</b>	<b>(10.0)</b>	<b>87.9</b>	<b>223.6</b>
- Capex (+asset sales)	48.6	65.1	167.8	719
- Working Capital Increase	(6.1)	7.0	0.0	0.0
<b>Free Cashflow</b>	<b>(79.9)</b>	<b>(82.1)</b>	<b>(79.9)</b>	<b>151.8</b>
- Dividends (ords & pref)	0.0	0.0	15.1	50.4
+Equity raised	70.2	0.0	19	0.0
+Debt drawdown (repaid)	247.8	(14.8)	0.0	0.0
<b>Net Change in Cash</b>	<b>234.5</b>	<b>(97.0)</b>	<b>(93.1)</b>	<b>101.4</b>
Cash at End Period	237.0	140.0	46.9	148.3
Net Cash/(LT Debt)	(43.9)	(26.0)	(29.1)	(117.7)

## Balance Sheet (A\$m)

	2007A	2008F	2009F	2010F
Cash	237.0	140.0	46.9	148.3
Total Assets	419.6	431.6	483.4	692.8
Total Debt	244.8	266.0	266.0	266.0
Total Liabilities	312.3	337.4	334.8	413.9
Shareholders Funds	107.4	94.3	148.6	278.9

## Ratios

	2007A	2008F	2009F	2010F
Net Debt/Equity (%)	40.8	133.7	147.4	na
Interest Cover (x)	na	na	5.8	13.9
Return on Equity (%)	na	na	0.5	0.6



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