

10 Nov 2011

## CERRO RESOURCES NL

### Re-rating as capital markets for gold stocks re-open?

Along with many gold developers, the Cerro Resources NL ("Cerro", "CJO", "Company") share price retraced significantly as risk appetite decreased during recent months, in part due to increased uncertainty around developers obtaining funding (either debt or equity). However, the rising gold price, rally in share prices of many producer gold equities and recent capital injections (both equity and debt) suggest a turn around for unfunded developers may be near, particularly as, for Companies like CJO, valuations are attractive even allowing for discounted equity raisings in future (and very cheap in the case of debt funding).

The Company released an internal feasibility study on its 1<sup>st</sup> stage Heap Leach in April this year, with a bankable version (BFS) due 1Q2012. The first stage is a 4.5Mtpa heap leach operation and the second stage is a combined 3Mtpa CIL + continued heap leach operation. Including stage 2, the mine life is expected to be ~15 years. The grade is low (0.69g/t Au and 14.8g/t Ag), however, because the ore body is a hill, and mineralisation extends to the surface, the strip ratio is very low at less than 1 for life of mine. Consequently, in an economic sense, there are similarities with Newcrest/Evolution's [Mt Rawdon in Queensland](#) (low grade and low strip ratio). Because of the heap leach operation, location in Mexico and low strip ratio, C1 costs are expected to be ~\$500/Au equivalent (the May technical report estimated operating costs per tonne ore of \$9.18 for life of mine). Cash costs in the early years should be lower (we have FY13 of ~\$400/Au eq oz). Goldcorp owns 34% of the project but we assume they will be diluted upon a decision to mine. We expect a decision to mine will be made in the next four months, with construction beginning in 1HCY12 and production around a year later (ie by 2Q2013). Recent test work has indicated improved recoveries and we have updated our model accordingly.

### Namiquipa silver exploration project

CJO acquired the Namiquipa project (also located in Mexico) in March 2011. The project consists of concessions totalling 4,400ha. It includes the La Venturosa silver mine site, a former small underground mining silver, lead and zinc mine. Recent drill results included 16m @ 921g/t AgEq from 202m, including 1m @ 12,136g/t Ag, 26.97% Pb and 6.06% Zn (note there was 30-50% core loss). We attribute ~\$59m of value for exploration (Namiquipa & Mt Philp) given the early stage and overshadowed by Cerro del Gallo.

### Maintain Accumulate

We have a base case valuation for CJO of 24cps. We assume that Goldcorp is diluted to a zero shareholding in the Cerro del Gallo project in exchange for a 10% profit share. In our view, the economics for CJO are better in this circumstance despite the higher equity capital requirement for CJO shareholders. We assume a fifteen year mine life, ~92koz pa gold equivalent and total capex of \$185m in two stages (Stage 1 capital requirement ~\$100m) and life of mine C2 cash costs of ~\$550/oz. We use a 12% discount rate. We maintain our Accumulate recommendation, with the main near term risk being funding certainty for Cerro del Gallo. We have a \$0.30 twelve month price target. Note that with \$15m of cash (and no debt), CJO remains well funded for continued exploration and study work.

Share Price	\$0.140
Valuation	\$0.24
Price Target (12 month)	\$0.30

#### Brief Business Description:

Gold & Silver developer/explorer in Mexico.

#### Hartleys Brief Investment Conclusion

Undervalued but yet to determine funding for Cerro del Gallo project. There is potential exploration upside at Namiquipa and Mt Philp.

#### Chairman & MD

Norman Seckold (Chairman)  
 Anthony (Tony) McDonald (MD)

#### Top Shareholders

Norman Seckold (Chairman)	8.4%
OCJ Investments	6.3%

#### Company Address

Suite 1, 895 Ann St,  
 Fortitude Valley, QLD, 4006

Issued Capital	748.2m
- fully diluted	796.7m

Market Cap	A\$104.7m
- fully diluted	A\$111.5m

Cash (30 Sep 11a)	A\$15.2m
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Debt (30 Sep 11a)	A\$0.0m
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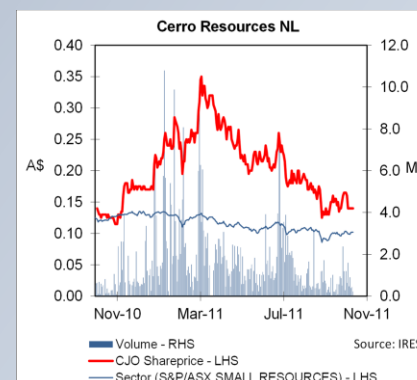
EV	A\$89.5m
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EV/Resource Au eq oz	A\$39/oz
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EV/Reserve Au eq oz	A\$92/oz
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	Prelim. (A\$m)	FY12e	FY13e	FY13e
Prod (koz Au)	0.0	37.4	76.0	
Op Cash Flw	-4.1	58.4	109.8	
Norm NPAT	-11.3	49.3	97.8	
CF/Share (cps)	-1.1	3.5	6.8	
EPS (cps)	-1.1	3.6	7.3	
P/E	-12.4	3.9	2.1	

	Au	Ag
Resources (Moz)	1.7	35.4
Reserves (Moz)	0.7	15.3



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Hartleys has assisted in the completion of a capital raising in the past 12 months for Cerro Resources Limited for which it has earned fees. See back page for details.

## SUMMARY MODEL

Cerro Resources NL		Share Price				10 November 2011	
CJO		\$0.140				Accumulate	
<b>Key Market Information</b>							
Share Price		\$0.14					
Market Capitalisation - ordinary		A\$105m					
Net Debt (cash)		-\$15m					
Market Capitalisation - fully diluted		A\$112m					
EV		A\$86m					
Issued Capital		748.2m					
Issued Capital (fully diluted inc. all options)		796.7m					
Options		48.6					
Valuation		0.24					
12month price target		\$0.30					
<b>P&amp;L</b>							
	Unit	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14		
Net Revenue	A\$m	0.0	0.0	84.0	159.0		
Total Costs	A\$m	-6.4	-4.7	-23.7	-46.1		
EBITDA	A\$m	-6.4	-4.7	60.3	113.0		
- margin				72%	71%		
Depreciation/Amort	A\$m	0.0	-7.4	-12.4	-13.9		
EBIT	A\$m	-6.4	-12.1	47.9	99.0		
Net Interest	A\$m	0.6	0.7	1.4	3.5		
Pre-Tax Profit	A\$m	-5.9	-11.3	49.3	102.6		
Tax Expense	A\$m	0.0	0.0	0.0	-4.8		
Normalised NPAT	A\$m	-5.9	-11.3	49.3	97.8		
Abnormal Items	A\$m	0.0	0.0	0.0	0.0		
Reported Profit	A\$m	-5.9	-11.3	49.3	97.8		
Minority (Goldcorp)	A\$m	0.0	0	-4.4	-11.5		
Profit Attrib to CJO	A\$m	-5.9	-11.3	44.9	86.3		
<b>Balance Sheet</b>							
	Unit	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14		
Cash	A\$m	18.7	43.1	77.1	184.9		
Other Current Assets	A\$m	0.2	0.0	6.9	13.1		
Total Current Assets	A\$m	18.9	43.1	84.0	198.0		
Property, Plant & Equip.	A\$m	0.4	68.1	80.0	67.1		
Exploration	A\$m	36.9	36.9	36.9	37.9		
Investments/other	A\$m	2.6	2.6	2.6	2.6		
Tot Non-Curr. Assets	A\$m	39.8	107.5	119.5	107.6		
Total Assets	A\$m	58.7	150.6	203.5	305.5		
Short Term Borrowings	A\$m	-	-	-	-		
Other	A\$m	1.2	0.9	4.5	8.7		
Total Curr. Liabilities	A\$m	1.2	0.9	4.5	8.7		
Long Term Borrowings	A\$m	-	10.0	10.0	10.0		
Other	A\$m	-	-	-	-		
Total Non-Curr. Liabil.	A\$m	-	10.0	10.0	10.0		
Total Liabilities	A\$m	1.2	10.9	14.5	18.7		
Net Assets	A\$m	57.5	139.7	189.0	286.8		
Net Debt	A\$m	-18.7	-33.1	-67.1	-174.9		
<b>Cashflow</b>							
	Unit	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14		
Operating Cashflow	A\$m	-2.1	-4.9	57.0	111.1		
Income Tax Paid	A\$m	0.0	0.0	0.0	-4.8		
Interest & Other	A\$m	0.4	0.7	1.4	3.5		
Operating Activities	A\$m	-1.7	-4.1	58.4	109.8		
Property, Plant & Equip.	A\$m	-0.1	-75.0	-24.4	-1.0		
Exploration and Devel.	A\$m	-4.8	0.0	0.0	-1.0		
Other	A\$m	0.0	0.0	0.0	0.0		
Investment Activities	A\$m	-4.9	-75.0	-24.4	-2.0		
Borrowings	A\$m	0.0	10.0	0.0	0.0		
Equity or "tbc capital"	A\$m	21.0	93.6	0.0	0.0		
Dividends Paid	A\$m	0.0	0.0	0.0	0.0		
Financing Activities	A\$m	21.0	103.6	0.0	0.0		
Net Cashflow	A\$m	14.4	24.4	34.0	107.8		
<b>Shares</b>							
	Unit	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14		
Ordinary Shares - End	m	748.2	1259.1	1273.3	1279.5		
Ordinary Shares - Weighted	m	631.0	1003.6	1266.2	1276.4		
Diluted Shares - Weighted	m	631.0	1047.9	1303.4	1303.4		
<b>Ratio Analysis</b>							
	Unit	30 Jun 11	30 Jun 12	30 Jun 13	30 Jun 14		
Cashflow Per Share	A\$ cps	-0.3	-0.4	4.6	8.6		
Cashflow Multiple	x	-52.7	-34.0	3.0	1.6		
Earnings Per Share	A\$ cps	-0.9	-1.1	3.5	6.8		
Price to Earnings Ratio	x	-15.1	-12.4	3.9	2.1		
Dividends Per Share	AUD	-	-	-	-		
Dividend Yield	%	0%	0%	0%	0%		
Net Debt / Net Debt + Equity	%	-48%	-31%	-55%	-156%		
Interest Cover	X	11.4	16.5	na	na		
Return on Equity	%	na	na	26%	34%		
<b>Directors</b>							
Norman Seckold (Chairman)				Suite 1, 895 Ann St,			
Anthony (Tony) McDonald (MD)				Fortitude Valley, QLD, 4006			
James Crombie (Executive Vice Chairman)				+61 7 3252 0122			
Craig McPherson				+61 7 3252 0166			
Richard Keevers				www.cerroresources.com			
Robert Bell							
John Cook							
Nicholas Tintor							
<b>Company Information</b>							
<b>Top Shareholders</b>							
		m shares	%				
Norman Seckold (Chairman)		62.5	8.4%				
OCJ Investments		47.0	6.3%				
<b>Reserves &amp; Resources</b>							
	Mt	g/t Au	Koz	g/t Ag	Moz	Cu% Moz Au eq	
Cerro Del Gallo (attrib 66%)	77	0.67	1,663	14.24	35.4	0.10	2,342
Measured	39.9	0.66	850	14.32	18.4	0.11	1,202
Indicated	5.1	0.61	100	10.07	1.7	0.11	132
Inferred							
Reserve	32.2	0.69	712	14.82	15.3		1,007
							* Gold & Silver only
<b>Production Summary</b>							
	Unit	Jun 11	Jun 12	Jun 13	Jun 14		
Mill Throughput	Mt	0.0	0.0	2.3	4.5		
Gold	(koz)	0.0	0.0	37.4	76.0		
Silver	(koz)	0.0	0.0	536.1	987.6		
Gold Equiv (at 52x ratio)	(koz)	0.0	0.0	47.7	95.0		
Gold Equiv (at 58x ratio)	(koz)	0.0	0.0	46.6	92.9		
<b>Costs</b>							
	Unit	Jun 11	Jun 12	Jun 13	Jun 14		
C1 Gold equiv. Cash Cost	\$US/oz			328.3	352.2		
C2 Gold equiv. Cash Cost	\$US/oz			398.9	416.2		
C3 Gold equiv. Cash Cost	\$US/oz			599.5	525.6		
C1 Silv. equiv. Cash Cost	\$US/oz			6.5	6.7		
C2 Silv. equiv. Cash Cost	\$US/oz			7.9	7.9		
C3 Silv. equiv. Cash Cost	\$US/oz			11.9	9.9		
<b>Price Assumptions</b>							
	Unit	Jun 11	Jun 12	Jun 13	Jun 14		
AUDUSD	US\$/A\$	1.00	1.02	0.98	0.93		
Gold	A\$/oz	1398	1791	1803	1511		
Silver	A\$/oz	31	36	37	30		
Gold/Silver ratio	x	45	50	49	51		
<b>Hedging</b>							
	Unit	Jun 11	Jun 12	Jun 13	Jun 14		
none							
<b>Sensitivity Analysis</b>							
	Valuation	FY14 NPAT					
	0.239	97.8					
Base Case							
Operating Costs +/-10%	0.22 / 0.26 (-6.9% / 6.9%)	95.7 / 99.9 (-2.1% / 2.1%)					
Spot Prices	0.37 (54.6%)	105.5 (7.9%)					
AUDUSD +/-10%	0.18 / 0.32 (-23.3% / 32.7%)	88.0 / 107.7 (-10.0% / 10.0%)					
Gold +/-10%	0.27 / 0.20 (14.9% / -14.9%)	104.9 / 90.0 (7.2% / -8.0%)					
Silver +/-10%	0.25 / 0.23 (3.4% / -3.4%)	99.6 / 96.1 (1.8% / -1.8%)					
Grade +/-10%	0.30 / 0.18 (26.0% / -24.7%)	118.6 / 72.9 (21.2% / -25.4%)					
Spot USD/AUD 1.01, Gold \$1761/oz, Silver \$34/oz (ratio 52x)							
<b>Unpaid Capital</b>							
	No. (m)	\$m	Avg price	% ord			
Year Expires							
30-Jun-12	4.3	1.4	0.33	1%			
30-Jun-13	14.2	3.6	0.25	2%			
30-Jun-14	6.3	1.2	0.18	1%			
30-Jun-15	3.9	0.6	0.16	1%			
30-Jun-16	20.0	3.7	0.19	3%			
TOTAL	48.6	10.5	0.22	6%			
<b>Share Price Valuation (NAV)</b>							
		Risked Est. A\$m	Est. A\$/share				
100% Cerro del Gallo (pre-tax NAV at disc. rate of 12%)		268	0.27				
Other Exploration		60	0.05				
Forwards		0	0.00				
Corporate Overheads		-59	-0.05				
Net Cash (Debt)		15	0.01				
Tax (NPV future liability in credits)		-70	-0.05				
Options & Other Equity		10	0.01				
Total		223	0.24				
Analyst: Trent Barnett							
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"tbc capital" could be equity or debt. Our valuation is risk-adjusted for how this may be obtained.							
Sources: IRESS, Company Information, Hartleys Research							
Last Updated: 10/11/2011							

## EQUITY ISSUANCE

Our model and valuation are diluted for the potential of a future capital raising.

**Fig. 1: Funding valuation scenarios**

*Our base case valuation implies \$95m is raised at ~18.5cps and CJO moves to 100% ownership of Cerro del Gallo*

Funding risk valuation scenarios	CJO 66%	CJO 100%
Pre-tax NPV (A\$m) - 100%, unfunded	305.3	271.4
Cost of Equity	12%	12%
Startup Capital Requirement (A\$m) + cont.	67.3	102.0
Capital spending begins	Mar-12	Mar-12
<b>100% funded with debt</b>		
- assumed interest rate	8%	8%
- NAV (A\$m) project	197.7	268.5
- NAV (A\$m) all CJO assets	153.6	224.4
- new shares	-	-
- NAV / share (A\$)	0.25	0.34
- NAV / share (A\$) 1yr fwd	0.28	0.38
<b>50% funded with debt &amp; 50% equity</b>		
- Assumed capital raising price (A\$)	0.140	0.140
- NAV	229.4	315.4
- NAV (A\$m) all CJO assets	185.4	271.3
- new shares	237.0	359.1
- NAV / share (A\$)	0.22	0.27
- NAV / share (A\$) 1yr fwd	0.25	0.31
<b>100% funded equity at current prices</b>		
- Assumed capital raising price (A\$)	0.140	0.140
- NAV (A\$m)	261.2	362.3
- NAV (A\$m) all CJO assets	217.1	318.2
- new shares	474.0	718.2
- NAV / share	0.21	0.24
- NAV / share (A\$) 1yr fwd	0.23	0.27
<b>100% funded equity at 20% discount to 1yr ahead NAV</b>		
- Assumed capital raising price (A\$)	0.193	0.274
- NAV (A\$m)	261.2	362.3
- NAV (A\$m) all CJO assets	217.1	318.2
- new shares	348.4	372.2
- NAV / share	0.23	0.31
- NAV / share (A\$) 1yr fwd	0.26	0.35
<b>Assumed probabilities</b>		
100% funded with debt	90%	10%
50% funded with debt & 50% equity	10%	10%
100% funded equity at current prices	0%	50%
100% funded equity at 20% discount to 1yr ahead NAV	0%	30%

Source: Hartleys Research

## VALUATION CONSIDERATIONS AND PRICE TARGET METHODOLOGY

We assume a 15 year mine life and 1.1Moz gold and 13.4Moz silver sold based on life of mine gold recoveries at 77% and silver recoveries of 39%.

We assume a life of mine strip ratio of 0.9x and C1 cash costs of US\$490/oz Au eq.

Over the 15 years, we expect average annual net cash flow of US\$61m pa based on an average selling price of US\$1280/oz

**Fig. 2: Valuation assumptions**

	<b>Life of mine (heap leach + CIL)</b>
Capex - Total	185
- Stage 1	100
- Stage 2	85
Pit Mined Ore + Waste (mt pa)	9.0mt pa
Pit Waste (mt pa)	4.1mt pa
Pit Strip Ratio (x)	0.9x
Pit Mill Feed (mt pa)	4.8mt pa
Total Gold Mined	1.4Moz
Total Silver Mined	34.0Moz
Total Gold Mined g/t	0.6g/t
Total Silver Mined g/t	14.6g/t
Total Gold Recoveries	77%
Total Silver Recoveries	39%
Total Gold Sold	1.1Moz
Total Silver Sold	13.4Moz
Total Gold eq Sold	1.4Moz
Total Gold eq Sold pa	92.2k oz pa
Current Assumed Mine Life (yrs)	15.0yrs
Re-Commencement Date	Feb-13
Life of mine avg selling price (USD/gold eq oz)	US\$ 1279 /oz
Life of mine avg C1 cash costs (USD/t ore)	US\$ 9.4 /oz
Life of mine avg C1 cash costs (USD/gold eq oz)	US\$ 493 /oz
Life of mine avg C2 cash costs (USD/gold eq oz)	US\$ 544 /oz
Life of mine avg C3 cash costs (USD/gold eq oz)	US\$ 702 /oz
Life of mine annual net cash flow (US\$m pa)	US\$ 61.1m pa

Source: Hartleys Research

**Fig. 3: Base Case Valuation**

	Spot			12 Month Target		
	Unrisked	Risked	Risked	Unrisked	Risked	Risked A\$
<b>Corporate Valuation</b>						
100% Cerro del Gallo (pre-tax NAV at disc. rate of 12%)	267.6	267.6	0.27	379.7	379.7	0.31
Other Exploration	205.5	59.6	0.05	246.6	71.5	0.05
Forwards	0.0	0.0	0.00	0.0	0.0	0.00
Corporate Overheads	-59.0	-59.0	-0.05	-59.0	-59.0	-0.05
Net Cash (Debt)	15.2	15.2	0.01	33.1	33.1	0.03
Tax (NPV future liability in credits)	-70.1	-70.1	-0.05	-78.6	-78.6	-0.06
Options & Other Equity	9.6	9.6	0.01	9.6	9.6	0.01
<b>Total</b>	<b>368.8</b>	<b>222.8</b>	<b>0.24</b>	<b>531.5</b>	<b>356.4</b>	<b>0.29</b>

Source: CJO

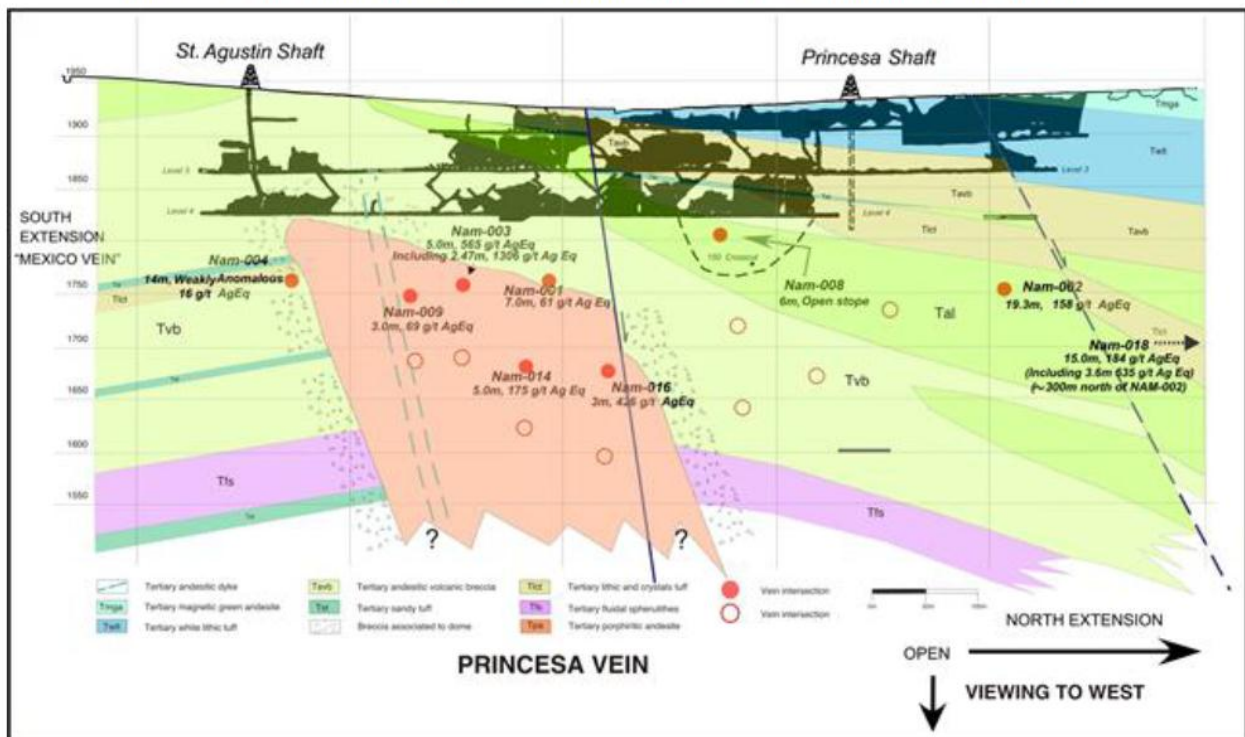
Fig. 4: Feasibility Study Cost Estimates for Cerro del Galo

	Feasibility Study P&P Reserves	PA Case
Area	US\$/t	US\$/t
Mining – Total Material Mined	1.56	1.51
Mining – Ore	2.98	2.64
Processing – Heap Leach	4.48	4.48
Processing - CIL	-	8.20
General & Administration	0.64	0.52
Operating Cost Per Tonne Ore (including refining costs)	8.17	9.18

Source: CJO. See [Technical Report](#) pages 140-157

Fig. 5: Namiqiipa

Figure 1: Long Section of Princesa Vein with geology interpretation from current core program



Source: CJO

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## PRICE TARGET

We have a twelve month price target of \$0.30 (down from \$0.36 previously).

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case (moving to 100% of Cerro del Gallo)	78%	\$0.24	\$0.29
NPV base case at spot commodity and fx prices	10%	\$0.37	\$0.46
NPV base case at discount rate of 0.0%	0.5%	\$0.60	\$0.67
NPV retaining 66% interest but funded with project equity	10%	\$0.23	\$0.28
NPV base case and significant Namiquipo exploration success	2%	\$0.35	\$0.39
<b>Risk weighted composite</b>		<b>\$0.25</b>	
<b>12 Months Price Target</b>		<b>\$0.30</b>	
Shareprice - Last		\$0.140	
<b>12 mth total return (% to 12mth target + dividend)</b>		<b>115%</b>	

Source: Hartleys Estimate

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## RISKS

Low grade heap leach operations often have perception of being high risk. Other risks include obtaining funding, construction and commissioning, commodity prices and exploration risk.

Hartleys Research Coverage					Hartleys	
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Research Recommendation	
<b>Resources</b>						
<b>Gold / Precious Metals</b>						
1.	Evolution Mining Limited	EVN	1.72	1,206	Producer	Buy
2.	Silver Lake Resources Limited	SLR	3.59	666	Producer	Buy
3.	Intrepid Mines Limited	IAU	1.20	624	Explorer	Speculative Buy
4.	Beadell Resources Limited	BDR	0.748	492	Developer	Accumulate
5.	Integra Mining Limited	IGR	0.530	446	Producer	Buy
6.	Gold One International Limited	GDO	0.540	436	Producer	No Rating
7.	Tanami Gold NL	TAM	1.03	267	Producer	Accumulate
8.	Focus Minerals Ltd	FML	0.059	255	Producer	Buy
9.	Northern Star Resources Ltd	NST	0.670	235	Producer	Buy
10.	PMI Gold Corporation Limited	PVM	1.100	220	Developer	Speculative Buy
11.	Papillon Resources Limited	PIR	0.700	145	Explorer	Speculative Buy
12.	YTC Resources Limited	YTC	0.505	125	Developer	Buy
13.	Cerro Resources NL	CJO	0.140	105	Developer / Explorer	Accumulate
14.	Emmerson Resources Limited	ERM	0.190	43	Explorer	Speculative Buy
15.	Augur Resources Ltd	AUK	0.185	33	Explorer	Speculative Buy
16.	Canyon Resources Limited	CAY	0.565	26	Explorer	Speculative Buy
17.	Cortona Resources Limited	CRC	0.110	24	Developer	Accumulate
18.	Southern Gold Limited	SAU	0.045	11	Explorer	Speculative Buy
19.	Geopacific Resources NL	GPR	0.250	9	Explorer	Speculative Buy
<b>Diversified Base / Precious Metals</b>						
20.	Independence Group NL	IGO	4.930	998	Gold & Base Prod./Dev.	Buy
21.	Aviva Corporation Limited	AVA	0.150	25	Gold & Base Explorer	Speculative Buy
22.	Ausquest Limited	AQD	0.071	16	Diversified explor	Speculative Buy
23.	Silver Swan Group Ltd	SWN	0.075	10	Base Metal Explorer	Speculative Buy
<b>Iron Ore</b>						
24.	Atlas Iron Limited	AGO	3.17	2,818	Producer	Buy
25.	Centaurus Metals Ltd	CTM	0.625	83	Explorer	Speculative Buy
<b>Uranium</b>						
26.	Peninsula Energy Ltd	PEN	0.039	83	Developer	Accumulate
27.	Impact Minerals Limited	IPT	0.062	7	Explorer	Speculative Buy
<b>Other metals</b>						
28.	Kasbah Resources Limited	KAS	0.175	64	Tin Developer	Buy
29.	Hazelwood Resources Ltd	HAZ	0.140	37	Tungsten Developer	Speculative Buy
30.	Shaw River Resources Limited	SRR	0.140	35	Manganese: Developer	Speculative Buy
			Sub-Total	9,545		

Hartleys Research Coverage					Hartleys	
Name	Ticker	Last Price*	M. CAP (A\$m)	Status	Research Recommendation	
<b>Oil &amp; Gas</b>						
<b>Conventional Oil &amp; Gas</b>						
1.	Woodside Petroleum Ltd	WPL	35.62	28,255	Major	Buy
2.	Nexus Energy Ltd	NXS	0.28	268	Developer / Explorer	No Rating
3.	Tap Oil Ltd	TAP	0.67	160	Producer / Explorer	Buy
4.	Cooper Energy Ltd	COE	0.38	110	Producer / Explorer	Buy
5.	Otto Energy Ltd	OEL	0.08	93	Explorer / Producer	Buy
6.	Carnarvon Petroleum Ltd	CVN	0.12	82	Producer / Explorer	Accumulate
7.	WHL Energy Ltd	WHN	0.06	76	Explorer	Speculative Buy
8.	Amadeus Energy Ltd	AMU	0.22	65	Producer / Explorer	Neutral
9.	Pancontinental Oil and Gas NL	PCL	0.10	63	Explorer	Speculative Buy
10.	Hawkeye Oil and Gas Ltd	HOG	0.25	48	Producer / Explorer	Buy
11.	FAR Ltd	FAR	0.03	37	Explorer	Speculative Buy
12.	Sun Resources NL	SUR	0.02	14	Explorer / Producer	Speculative Buy
<b>Non Conventional Oil &amp; Gas</b>						
13.	Aurora Oil and Gas Ltd	AUT	3.30	1,357	Producer / Developer	Reduce
14.	Samson Oil & Gas Ltd	SSN	0.11	183	Developer / Producer	Buy
15.	European Gas Ltd	EPG	0.35	70	Producer / Explorer	Speculative Buy
16.	Oilex Ltd	OEX	0.28	70	Explorer / Producer	Speculative Buy
17.	Transerv Energy Ltd	TSV	0.01	39	Developer	Speculative Buy
18.	Austin Exploration Ltd	AKK	0.03	17	Producer / Appraisal	Speculative Buy
			Sub-Total	31,008		
<b>Industrials</b>						
<b>Resource Services - Capital Intensive</b>						
1.	Ausdrill Limited	ASL	2.89	871	Contract Drilling	Buy
2.	Fleetwood Corporation	FWD	12.62	730	Accommodation	Neutral
3.	NRW Holdings Ltd	NWH	2.40	669	Contract mining	Buy
4.	Mermaid Marine Ltd	MRM	3.08	663	Oil & Gas Services	Accumulate
5.	Macmahon Holdings Limited	MAH	0.58	422	Contract mining	Accumulate
6.	Imdex Ltd	IMD	1.94	397	Drilling Supplies	Buy
7.	MACA Ltd	MLD	2.04	306	Contract mining	Buy
8.	Matrix Composites & Engineering	MCE	3.21	247	Oil & Gas Services	Neutral
9.	Pacific Energy Ltd	PEA	0.37	128	Remote Power	Buy
10.	Swick Mining Services Ltd	SWK	0.31	72	Contract Drilling	Buy
<b>Resource Services - Labour Intensive</b>						
11.	Monadelphous Group Limited	MND	18.49	1,619	Construction	Buy
12.	Decmil Group Limited	DCG	2.17	270	Construction	Buy
13.	Lycopodium Limited	LYL	5.92	229	Engineer. & Constr.	Accumulate
14.	RCR Tomlinson Ltd	RCR	1.67	222	Engineer. & Constr.	Buy
15.	LogiCams Limited	LCM	0.81	54	Engineer. & Constr.	Speculative Buy
<b>Other Industrial Companies</b>						
16.	Austal Limited	ASB	2.31	434	Civil and Military Vessels	Buy
17.	iiNet Limited	IIN	2.41	367	Telecommunications	Buy
18.	Amcom Telecommunications	AMM	0.84	202	Telecommunications	Accumulate
19.	Cash Converters Internat. Limited	CCV	0.48	190	Unsecured Finance	Buy
20.	RedHill Education Ltd	RDH	0.11	3	'For profit' education	Neutral
			Sub-Total	8,097		
			68.	GRAND TOTAL	48,649	

Source: IRESS, Hartleys Research. \* 10 Nov 2011

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## Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative Buy	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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Hartleys has assisted in the completion of part of capital raising in the past 12 months for Cerro Resources NL, for which it has earned fees. Hartleys has a beneficial interest in 1 million options in Cerro Resources NL.

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