

## EMG.AU

28 September 2009  
Iron Ore, Base Metals, Gold  
Australia (WA)  
Advanced Exploration  
Exchanges: ASX:EMG

## Emergent Resources Ltd

A\$ 0.68

Since August 2008, EMG has fast-tracked an exploration target at **Beyondie (WA)** into a 127mt magnetite resource with upside to 1 billion tonnes. A resource expansion and confirmation of A\$200m JV with CMIC (China) are expected 4Q09 – current EMG mkt cap ~A\$33m.

## Capital Profile

Share price (A\$)	0.675
52 week range (A\$/share)	0.045 to 0.68
Number of shares (m)	49.0
Options and warrants (m)	26.9
Convertible notes (m)	0.0
Fully diluted (m)	75.9
Market capitalisation (undiluted) (A\$m)	33.1
Debt (A\$m) - Sep 09F	0.0
Enterprise value (A\$m)	33.1
Major shareholders: Pandell Pty Ltd (18.4%), Trimlint Pty Ltd (9.8%)	
G&T McMaster (7.4%), M&G Hemming (6.7%)	
Avg monthly volume (m)	1
Cash (A\$m) - Sep 09F	1.6
Price/Cash (x)	21.3
Price/Book (x)	5.2
Listed company options:	EMGO

## Investment Points

Targeting 1 billion tonnes of iron ore at Beyondie Magnetite Project in mid-west WA.

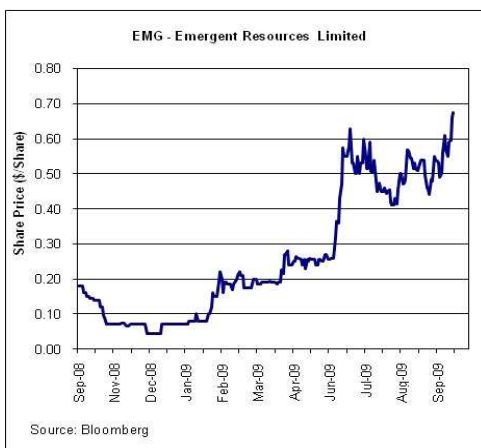
Inferred Resource of 127mt @ 28.15% Fe plus Target Mineralisation of 500mt-600mt @ 25-30% Fe, converted from magnetic target within 10 months of listing.

Exploration upside: drill tested only 25% of 60km strike. Target of 1bt is for 14km of this strike. Infill, expansion drilling is under way, results expected Oct '09.

Beyondie infrastructure includes gas pipeline, major highway. Potential to use existing and planned transport networks, e.g. Oakajee Port and Rail.

MOU with China Metallurgical Investments (CMIC) signed Jul '09. Potential A\$220m funding at project.

Diverse exploration portfolio in WA (base metals, Au).



## Production and Financial Forecasts

YEAR END: June	Jun-09a	Sep-09F	2008a	2009a	2010F
Exploration and evaluation (A\$m)	0.26	1.00	0.14	1.79	3.00
Corporate (A\$m)	0.27	0.25	0.03	0.86	1.00
Exploration/(Expl.+ Corporate) (%)	49	72	80	61	75
Funding duration at EMGrent burn (year)	1.3	1.2	29.1	0.3	1.0
Shares on issue (pr end) (m shares)	42.3	49.0	14.7	42.3	49.3
Drilling - RAB (m)	0	0	0	0	0
Drilling - Other/Diamond (m)	3,441	7,000	0	5,651	22,000
Land holding ('000 ha)*	333	346	333	333	346
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings (A\$m)	0.04	2.52	5.42	1.15	7.52
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	0.7	1.6	4.9	0.7	4.0
Cash backing (A\$/share)	1.7	2.9	33.6	1.5	8.0
Net asset backing (A\$/share)	9.5	11.6	0.8	8.5	21.7

\*Iron Ore prospective tenements only, both held and under application. Quarters refer to calendar year.

## Company Comment

**Overview:** Emergent Resources is a diversified minerals explorer, with a current focus on iron ore and base metals projects in Western Australia. It listed on the ASX in August, 2008.

**Beyondie Magnetite Project (WA):** 1500km<sup>2</sup>, located in the northern region of the mid-west Iron Province in WA. The project has an Inferred JORC resource (Jul '09) of **127mt @ 28.15% Fe**, after two drilling programs totalling 5,651m for 46 holes (resource defined to 200m-300m depth). These programs tested 11km of the currently known 60km strike length of shallow-dipping magnetite schist, with thickness of +100m. It also confirmed a Target Mineralisation of an additional 500mt-600mt @ 25-30% Fe at the project. Phase 3 of drilling (+7,000m, on 7km strike, commenced Aug '09) is focused on adding the current Target Mineralisation to the resource and upgrading some resource to Indicated, as well as outlining additional Target Mineralisation, for a **total of ~1 billion tonnes iron ore**. EMG aims to beneficiate the ore to produce a low-impurity magnetite concentrate of +68% Fe, mining 2-3mtpa with potential for 20-30mtpa. Preliminary metallurgical test work has produced flotation concentrates averaging 0.01% phosphorus and sulphur, which is a low value, with <5% silica and recovery of >90% magnetite. The project is adjacent to the Great Northern Highway and Goldfields Gas Pipeline. Negotiations to share transport infrastructure are in progress: e.g. the proposed +35mtpa **Oakajee Port and Rail** system, focused on Geraldton; or existing iron ore railways to the north (Pilbara). It is possible the project will require construction of a branch line on one of these networks. EMG has a non-binding MOU (Jul '09) with Chinese state-owned China Metallurgical Investment Co Ltd (CMIC) for the development of Beyondie, which includes a 50:50 development JV, A\$200m funding at project and an A\$4.9m placement, subject to three months' due diligence (ending Oct '09). An A\$2.5m placement at A\$0.40/share (Jul '09) should fund ongoing drilling, and metallurgical and engineering studies, which should contribute to Pre-Scoping and Feasibility studies. Early Phase 3 drill results are encouraging and an expanded resource could be reported in Oct '09. Mining is possible in 2013, depending on transport infrastructure.

**Glengarry Project (base and precious metals, uranium; WA):** 2,500km<sup>2</sup>, 65km WNW to 30km NE of Wiluna. Focus is on the Capricorn Orogenic Belt, located between the Yilgarn and Pilbara cratons. Historic work includes 4,000m drilling at Mt Bartle (2004), which returned 92ppb Au, 1.8g/t Ag, and Copper 670ppm Cu as well as anomalous base metals and PGE. Additional Glengarry targets were defined in 2Q09 using surface sampling (Mobile Metal Ion, MMI) and airborne geophysics. Also, EMG is testing spectral mapping techniques, in collaboration with CSIRO and Resource Potentials, which could be applied to the broader Capricorn Orogen.

**Investment Comment:** The in-ground value of the deposit at contract fines price (Pilbara blend haematite, US\$0.97/dmtu Fe) is ~US\$2.2bn, plus potential premiums for magnetite concentrate (higher grades) and low impurities (Al,P,S) that could add 30% or more. In recent transactions, Australian magnetite projects (sales to, or investments by, Chinese interests) have been valued, per tonne of contained Fe, at US\$0.60/t (Centrex/WISCO, SA) to US\$2.20/t (Gindalbie/AnSteel, WA), with higher values assigned to bigger resources and/or more advanced projects. CMIC's proposed A\$200m purchase of half of EMG's 80% of Beyondie values the ~1bt exploration target well within this indicative range, at US\$1.43/t Fe (after due diligence, ending Oct '09). If a resource expansion is achieved and the CMIC deal goes ahead in 4Q09 then EMG, with a fully diluted capitalisation of ~A\$30m (US\$25m), could be considerably re-rated by the market.

## Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Iron (Fe)	Classification	Project	Ore	Fe	Cut Off	Fe	Fe Equity
		Equity	mt	%	%	mt	mt
<b>Reserves</b>			0.0	0.0		0.0	0.0
<b>Resources</b>							
Beyondie*	Inferred	80%	127	28.2	21	35.8	28.6
* Other elements pre-beneficiation: Si 49.42%, Al 3.96%, P 1164ppm (0.12%), S 0.02%, LOI 2.63%							
<b>Mineralised Material</b> (est., non compliant with JORC)			0.0	0.0		0.0	0.0

## Contact

Mr Garry R Hemming  
(Managing Director)  
Tel: 61 (0) 8 9481 6600  
West Perth, WA, Australia  
[www.emergentresources.com.au](http://www.emergentresources.com.au)

Analyst: Dr Trent Allen  
trentallen@rcresearch.com.au

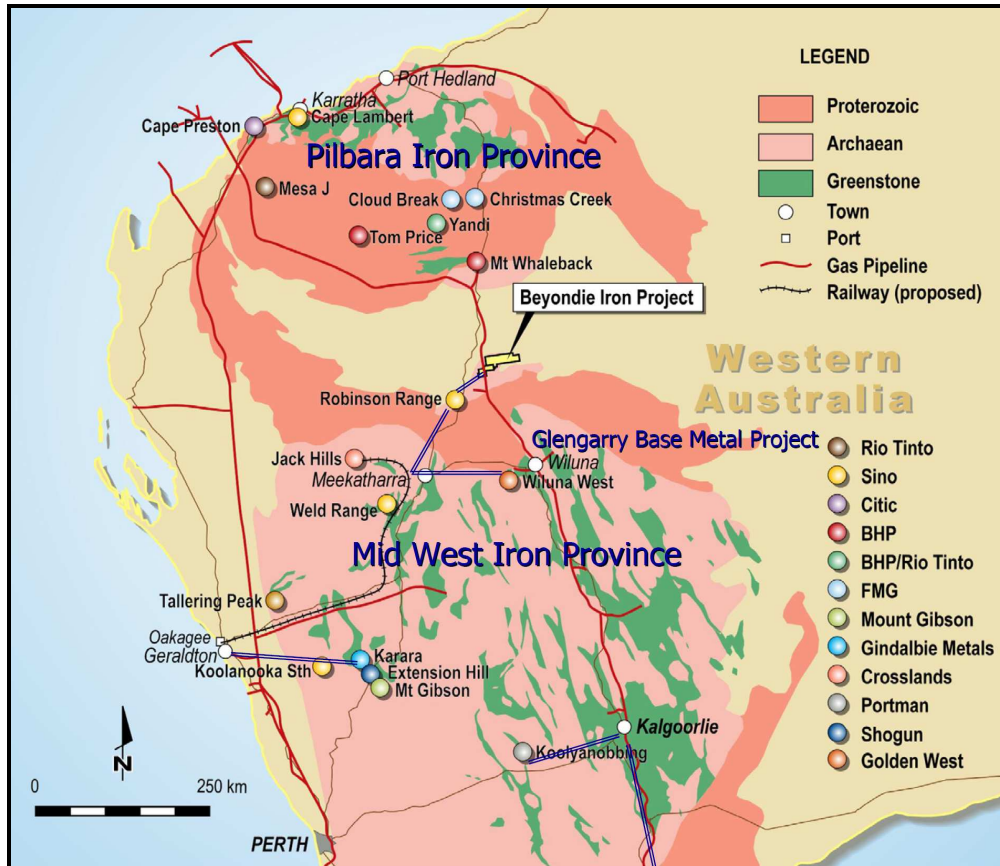
## Directors

GJ McMaster (Non Ex Chair)  
GR Hemming (MD)  
KE Judge (Non Exec)

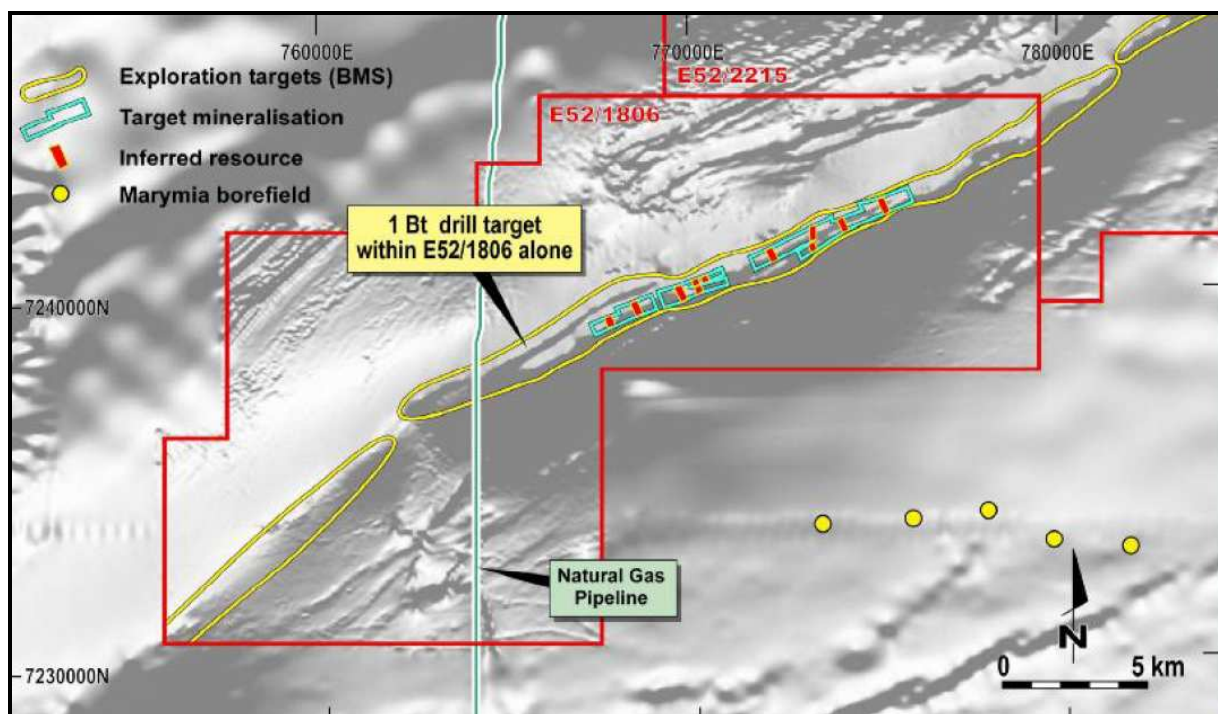
## Key Projects

Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Beyondie	80%	Fe	ASX/DEG	Magnetite	na	Adv Expl	Aust (WA)
Glengarry	80-100%	Base,Au,U	Pandell	Sedex/VMS	na	Early Expl	Aust (WA)
Mt Narryer	100%	Au,Cu,U	na	Multiple	na	Early Expl	Aust (WA)
Marble Bar	100%	Cu,Au	na	VMS	na	Early Expl	Aust (WA)
Paterson	100%	U,Cu,Au	na	Multiple	na	Early Expl	Aust (WA)

**Emergent Resources, iron ore project location map:** Beyondie is in the mid-west iron province of Western Australia. A gas pipeline and major highway adjoin the project. For transport, EMG could connect to the proposed Oakajee Port and Rail network, which would extend 550km from Geraldton to Jack Hills.



**Beyondie Project map (south-western portion):** Beyondie has a JORC resource of 126mt @ 28.2% Fe after drilling 11km of a known 60km strike. Target Mineralisation on E52/1806 is additional 500-600mt @ 25-30% Fe and there are plans of a ~1bt resource in 4Q09. The project's water could come from Marymia Borefield.



## Disclosure and Disclaimer

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