

# EXT.AU

## Extract Resources Limited

A\$ 6.75

15 June 2009  
 Uranium  
 Namibia  
 Advanced exploration  
 Exchanges: ASX:EXT, TSX:EXT

**EXT shares are up >400% in 9 months, going from a mid-sized explorer to a seat with the majors in the ASX200 index. With a resource potential at Rossing South (Namibia) of 300mlb plus, the shares still look undervalued. Our medium term target is A\$7.50-A\$8.00.**

### Capital Profile

Share price (A\$)	6.75
52 week range (A\$/share)	0.75 to 6.99
Number of shares (m)	229
Options and warrants (m)	3
Convertible notes (m)	0
Fully diluted (m)	232
Market capitalisation (undiluted) (A\$m)	1544.1
Debt (A\$m) - Jun 09F	0.0
Enterprise value (A\$m)	1544.1
Major shareholders: Kalahari Uranium Ltd (37.0%), Rio Tinto plc (15.2%), Polo Resources Ltd (10.2%), Acorn Capital Ltd (3.5%)	
Avg monthly volume (m)	11
Cash (A\$m) - Jun 09F	25.6
Price/Cash (x)	60.3
Price/Book (x)	13.6
ASX/TSX listed options:	No

### Production and Financial Forecasts

YEAR END: June	Mar-09a	Jun-09F	2008a	2009a	2010F
Exploration and evaluation (A\$m)	3.75	6.60	10.17	21.40	21.00
Corporate (A\$m)	1.31	1.10	2.91	4.69	4.15
Exploration/(Expl.+ Corporate) (%)	74	86	78	82	83
Funding duration at current burn (years)			2.5	1.0	0.7
Shares on issue (pr end) (m shares)	223.3	228.6	212.7	228.6	231.6
Drilling - RAB (m)	0	0	0	0	0
Drilling - RC/Diamond (m)	30,000	35,000	67,956	130,000	140,000
Land holding ('000 ha)*	270	270	270	270	270
Tenement costs (\$k per year)	-	-	-	-	-
Capital raisings, net (A\$m)	10.35	5.00	31.44	15.35	15.00
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	27.9	25.6	32.4	25.6	16.5
Cash backing (Ac/share)	12.5	11.2	15.2	11.2	7.1
Net asset backing (Ac/share)	48.9	49.7	46.3	49.7	54.2

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

### Investment Points

100% uranium focus in Namibia. Exploration budget ~A\$22m pa, cash A\$30m. production potential 2012.

Rossing South ("RS") confirmed as a major world class uranium discovery of interest to neighbour RIO (15.2%).

RS Zone1 resource 108mlb @ 430ppm, upgrade 3Q09

RS Zone 2 initial JORC statement 3Q09 - target 106mlb likely to be exceeded, excellent grades.

PFS underway - scoping study due Jul '09.

Total resources expected in 3Q09 ~250mlb. Gross value A\$19bn (@US\$60/lb U<sub>3</sub>O<sub>8</sub>).

Zones 1 & 2 are only ~40% of total 15km potential mineralised trend. Zone extensions being drilled.

Still looks undervalued - 300mlb potential resource gives US\$3.50/lb. Med. term target A\$7.50-8.00/share.

### Company Comment

**Overview:** EXT's exploration for uranium in Namibia is exceeding expectations as the world class potential of the major Rössing South discovery (located immediately South of the RIO's Rössing uranium mine) becomes more evident. Exploration is advancing rapidly towards 250mlb U<sub>3</sub>O<sub>8</sub> and beyond.

**Rossing South Project - Resource Status:** EXT has identified extensive strongly mineralised high grade alaskite which is undoubtedly a major southern extension of the Rössing Mine (RIO 69%) orebody (previously concealed beneath Namib desert cover). EXT has identified two initial mineralised zones (Zones 1 and 2) covering a combined 6km strike length out of a total target zone of 15km. Both zones are open along strike and at depth (and are over 500m wide).

**Zone 1 (2.4km):** After ~65,000m of 100m x 100m resource drilling EXT has confirmed the initial inferred Zone 1 resource estimate of 115mt @ 430ppm U<sub>3</sub>O<sub>8</sub> containing 108.3mlb of U<sub>3</sub>O<sub>8</sub>, well in excess of the original 57-92 mlb target for the 2.4km length of Zone 1. 3 Rigs (1 RC and 2 core) are currently engaged in resource definition drilling on 50 x 50 m spacings - we expect an upgraded JORC resource for Zone 1 in Aug '09. Further drilling to the S of Zone 1 is proceeding to determine possible resource extensions.

**Zone 2 (2.0km):** EXT has completed ~45,000m of an on going intensive resource definition drilling program, using 3 RC rigs drilling on 100m x 100m centres. As with Zone 1, the initial resource target of 69 - 106mlb U<sub>3</sub>O<sub>8</sub> is likely to be exceeded with spectacular drilling results (e.g. 73m @ 1,060ppm, 103m @ 560ppm). The maiden Zone 2 JORC statement is expected in Aug '09.

**Trend Extensions:** EXT recently announced that initial scout drilling ~2.4km S of Zone 2 intersected uraniumiferous alaskite with handheld spectrometer results indicating better results than Zone 1 discovery holes. This looks very encouraging for resource extensions beyond Zone 2.

**Rossing South PFS:** Preliminary metallurgical tests have indicated recoveries ~90% with conventional acid leach. PFS (GRD Minproc) is now underway with initial scoping study to be completed in July 2009.

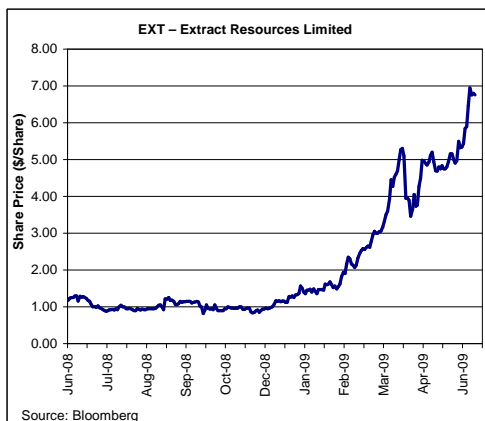
**Ida Dome Project:** The Ida Dome resource is ~20km south of the Rössing S. A JORC resource of 25.1mlb U<sub>3</sub>O<sub>8</sub> was defined before Zone 1. This is now low priority, additional resource potential is high.

**Corporate:** Rothschild has been engaged by EXT as a corporate advisor, with project financing in mind. Boardroom stoushes between EXT and major shareholder KAH over Board composition are continuing (KAH now seeks to appoint a new M.D.) and other major shareholders Rio Tinto and Polo have indicated desire for Board representation. This is an interesting side issue that may intensify takeover speculation, but is unlikely to have any impact on EXT's surging resource definition and development momentum.

**Investment Comment:** Nine months ago EXT's market capitalisation was ~A\$220m. Currently it is >A\$1.3bn. (with EXT recently upgraded to the S&P ASX 200 index). The share price has surpassed the A\$5.00-A\$5.50 target we set in our last Review. The market is now starting to understand that Rossing S is shaping up to be one of the world's largest uranium deposits, with major exploration upside beyond 250mlb U<sub>3</sub>O<sub>8</sub>. Current EXT price values the potential resource at US\$5.22/lb (200mlb) or US\$3.48/lb (on a more likely min. 300mlb). With a huge 3Q09 positive newsflow looming (Zone 2 JORC resource, Zone 1 resource upgrade, exploration results south of Zone 1, and scoping study results) our previous end of year target of A\$7.00/share is likely to be exceeded. A\$7.50 - A\$8.00 is more likely (which is still a modest ~US\$4.50/lb valuation on a potential 300mlb resource).

### Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)									
Uranium	Classification	Project	Ore	U <sub>3</sub> O <sub>8</sub>	Cut Off	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	Eqty
U <sub>3</sub> O <sub>8</sub>		Equity	Mt	%	ppm	Kt	Mlb	Mlb	Mlb
<b>Reserves</b>									
<b>Resources</b>									
Rossing South Zone 1	Inferred	100%	115.0	0.043	100	49.5	108.3		108.3
Ida Dome	Indicated & Inferred.	100%	53.3	0.021	100	11.4	25.1		25.1
<b>Total Resources</b>			<b>168.3</b>	<b>0.036</b>	<b>100</b>	<b>60.8</b>	<b>133.4</b>		<b>133.4</b>
<b>Mineralised Material (est., non compliant with JORC)</b>							<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



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 I Zaamwani-Kamwi (Non Exec)

Analyst: Dr Tony Parry  
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### Key Projects

Project	Ownership/Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Rössing South	100%	U	none	Alaskite	Acid leach	Adv. Expl, PFS	Namibia
Ida Dome	100%	U	none	Alaskite	Acid leach	Adv. Expl, PFS	Namibia
Hildenhof	100%	U	none	Alaskite	na	Early Expl.	Namibia
Uis	100%	U	none	Calcrete	na	Early Expl.	Namibia

**Extract Resources valuation - estimates derived from resource projections for Rossing South and modelling of 4Q07 Ida Dome scoping study parameters (GRD Minproc). Base case uses US\$60/lb long term uranium price and A\$/US\$=0.78.**

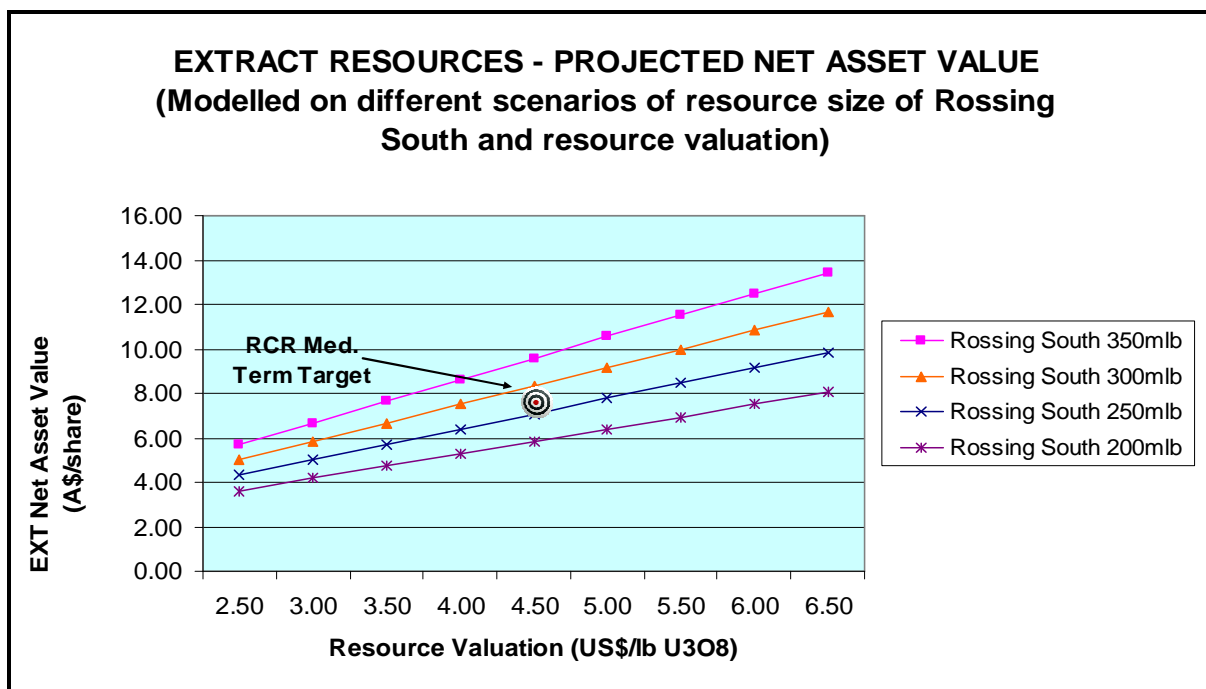
**EXTRACT RESOURCES VALUATION**

	Uranium Resource (mlbs)	Valuation US\$/lb	Target Price	Valuation Sensitivity	
			A\$m	(Low) A\$m	(High) A\$m
<b>Projects</b>					
+ Ida Dome (NPV@5% - Scoping study)	40	2.16	111	52	200
+ Rossing South (potential resource)	300	4.50	1731	1140	2000
+Exploration			50	30	70
<b>Sub Total</b>			<b>1892</b>	<b>1222</b>	<b>2270.0</b>
+ Cash (Jun '09)			25.6	25.6	25.6
+ Tax Losses			25.0	25.0	25.0
- Corporate			15.7	15.7	15.7
<b>Sub Total</b>			<b>35.0</b>	<b>35.0</b>	<b>35.0</b>
<b>EXT NET ASSET VALUE</b>			<b>1927</b>	<b>1257</b>	<b>2305</b>
<b>Capital Structure</b>					
Shares			228.6	228.6	228.6
Fully Diluted Shares			231.7	231.7	231.7
<b>EXT NET ASSET VALUE PER SHARE :A\$/share</b>			<b>8.43</b>	<b>5.50</b>	<b>10.08</b>
<b>EXT NET ASSET VALUE DILUTED :A\$/share fully diluted</b>			<b>8.33</b>	<b>5.44</b>	<b>9.96</b>

**IDA DOME URANIUM PROJECT (based on scoping study, conceptual resource extrapolation to 40mlb)**

		Equity		Sensitivity				
		US\$/lb	AU\$/US\$	35	40	60	90	125
LONG TERM URANIUM PRICE <sup>^</sup>	:US\$/lb			35	40	60	90	125
EXCHANGE RATE	:AU\$/US\$		0.78	0.78	0.78	0.78	0.78	0.78
IDA DOME URANIUM NPV @ 10% NOMINAL*	:A\$m	100%	35	52	111	200	306	
IDA DOME URANIUM NPV @ 10% NOMINAL*	:US\$m	100%	27	41	87	156	239	
<b>NPV/SHARE</b>	<b>:A\$/share</b>		<b>0.15</b>	<b>0.23</b>	<b>0.49</b>	<b>0.88</b>	<b>1.34</b>	
* Includes a pre feasibility study project discount of 30% of the project valuation:			30%					
<sup>^</sup> Uranium price forecasts are long term price indicated.								

The chart below shows Extract Resources RCR valuation based on Rossing South resource size



## Disclosure and Disclaimer

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