

## CORTONA RESOURCES LIMITED

### Dargues Reef on course for gold production

Cortona Resources Limited ("Cortona", "CRC", "Company") is progressing the underground development of its 100%-owned Dargues Reef Gold Project, located 60km east of Canberra in New South Wales. The Company is currently undertaking a Definitive Feasibility Study ("DFS"), which is on track for completion in November 2010.

### Scoped as commercially robust; DFS near completion

The scoping study for Dargues Reef was based on an assessment of the Main Lode which contains a current resource of 286Koz at a grade of 6.2g/t gold. The study indicated that production of 40-50Koz gold per annum over 4 years would be viable from capital costs in the order of A\$30m. Cortona's estimated cash operating costs of <A\$500/oz were based on underground mining (sub-level open stoping) accessed via a decline. The Company has now progressed to a DFS and regulatory approvals for mine development, while continuing active exploration to further improve the project economics.

### Resource upgrade and maiden reserve expected soon

As part of the DFS, Cortona has completed resource infill and extensional drilling, with a new resource estimate expected before the end of the year. The Company is targeting near term resource growth of ~200Koz gold to yield a resource in the order of 500Koz gold. The vast majority is expected to be in the measured and indicated categories, enabling a maiden reserve to be calculated. The Dargues Reef Main Lode remains open at depth allowing for potential mine life extensions. In addition, there are parallel mineralised lodes (Plums and Hanging Wall), which are only 200m to the east of the Main Lode. However, these have not been included in the current mining plan but highlight potential development options.

### Substantial exploration upside near mine and regionally

The historical goldfield has received minimal modern exploration. However, recent exploration success by Cortona at Dreadnought and Tory Boy, located within 2km of Dargues Reef, has highlighted good potential for additional discoveries, which may lead to resource growth and mine life extensions.

### Initiate Coverage with a Speculative Buy

We see Cortona as a good quality explorer transitioning through to gold producer via the development of Dargues Reef. The Dargues Reef ore body is relatively wide, at an average width of 6-7m allowing for efficient mechanised mining methods with low mining dilutions. In addition, high grades and excellent metallurgical characteristics enabling high recoveries (>95%), bode well for low operating costs, ensuring good margins.

The Company will have steady news flow over the coming months, including a resource upgrade, on-going drill results from exploration and the release of a DFS which is expected to be favourable. We have a preliminary valuation of A\$70m (ignoring funding) which is above the current market capitalisation of A\$28m. We note that that using the current shares on issue this equates to 41cps. We initiate coverage of Cortona Resources Limited with a Speculative Buy recommendation.

#### Brief Business Description:

Gold explorer and developer

#### Hartleys Brief Investment Conclusion

Gold explorer seeking to transition to gold

#### Chairman & MD

Clive Jones (Non Exec Chair)

Peter van der Borgh (MD)

#### Top Shareholders

Baker Steel Capital Managers	13.3%
Moly Mines Limited	7.0%
Management	5.0%

#### Company Address

Ground Floor, 22 Oxford Cl,  
West Leederville, WA, 6007

<b>Issued Capital</b>	170.2m
- fully diluted	216.2m

<b>Market Cap</b>	\$28.1m
- fully diluted	\$35.7m

<b>Cash (30 Jun 10)</b>	\$6.3m
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<b>Debt (30 Jun 10)</b>	\$0.0m
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<b>EV</b>	\$21.8m
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<b>EV/Resource Oz</b>	\$76/oz
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<b>EV/Reserve Oz</b>	\$0/oz
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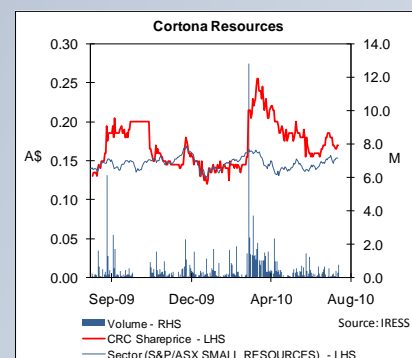
<b>Yearly Turnover/Volume</b>	\$23.5m/125.2m shares
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<b>Liquidity Measure</b>	74%
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	FY11e	FY12e	FY13e
Prod (koz Au)	-	31	57
Op Cash Flw	(1.2)	(0.6)	16.0
NPAT	(1.7)	(1.8)	1.3
CF/Share (cps)	(1.0)	(1.0)	5.1
EPS (cps)	(1.1)	(1.0)	0.7
P/E	(15.7)	7.5	9.3

<b>Resources (Moz Au)</b>	0.29
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<b>Reserves (Moz Au)</b>	0.00
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#### Author:

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Resources Analyst

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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Cortona Resources Limited. See back page for full disclosure.

## SUMMARY MODEL

Cortona Resources Limited		Share Price			
CRC		\$0.165			
<b>Key Market Information</b>					
Share Price		\$0.165			
Market Capitalisation		\$28m			
52 Week High-Low		\$0.28-\$0			
Issued Capital		170.2m			
Issued Capital (fully diluted inc. ITM options)		216.2m			
Options		46.03m @ A\$0.26			
Hedging		-			
Yearly Turnover/Volume		\$23.5m/125.2m shares			
Liquidity Measure (Yearly Turnover/Issued Capital)		74%			
<b>Preliminary Valuation (A\$)</b>		<b>\$70.2m</b>			
<b>Financial Performance</b>					
	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Net Revenue	A\$m	-	-	-	38.8
Total Costs	A\$m	(1.5)	(1.7)	(1.8)	(21.0)
EBITDA	A\$m	(1.5)	(1.7)	(1.8)	17.8
Depreciation/Amort	A\$m	(0.0)	(0.0)	-	(8.2)
EBIT	A\$m	(1.6)	(1.7)	(1.8)	9.6
Net Interest	A\$m	0.1	0.1	0.1	(7.1)
Pre-Tax Profit	A\$m	(1.4)	(1.7)	(1.8)	2.5
Tax Expense	A\$m	-	-	-	(1.2)
NPAT	A\$m	(1.4)	(1.7)	(1.8)	1.3
Abnormal Items	A\$m	-	-	2.7	-
Reported Profit	A\$m	(1.4)	(1.7)	0.9	1.3
<b>Financial Position</b>					
	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Cash	A\$m	2.9	5.7	46.8	10.7
Other Current Assets	A\$m	0.2	0.0	0.0	5.5
Total Current Assets	A\$m	3.1	5.8	46.8	16.2
Property, Plant & Equip.	A\$m	1.9	1.9	6.4	47.4
Exploration & Develop.	A\$m	17.4	19.4	23.4	26.2
Investments/other	A\$m	0.1	0.1	0.1	0.1
Tot Non-Curr. Assets	A\$m	19.4	21.4	29.9	73.6
Total Assets	A\$m	22.4	27.1	76.7	89.9
Short Term Borrowings	A\$m	-	-	-	-
Other	A\$m	(0.6)	(0.6)	(1.8)	(5.4)
Total Curr. Liabilities	A\$m	(0.6)	(0.6)	(1.8)	(5.4)
Long Term Borrowings	A\$m	-	-	(50.0)	(50.0)
Other	A\$m	-	-	-	(1.2)
Total Non-Curr. Liabil.	A\$m	-	-	(50.0)	(51.2)
Total Liabilities	A\$m	(0.6)	(0.6)	(51.8)	(56.6)
Net Assets	A\$m	21.8	26.6	24.9	33.2
<b>Cashflow</b>					
	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Operating Cashflow	A\$m	(1.2)	(1.2)	(0.6)	16.0
Income Tax Paid	A\$m	-	-	-	-
Interest & Other	A\$m	0.2	0.1	0.1	(7.1)
Operating Activities	A\$m	(1.0)	(1.1)	(0.5)	8.9
Prop. Plant, Equip & Devel	A\$m	(0.0)	(0.0)	(4.5)	(46.0)
Exploration & Eval.	A\$m	(2.3)	(2.6)	(4.0)	(6.0)
Investments	A\$m	-	-	-	-
Investment Activities	A\$m	(2.4)	(2.6)	(8.5)	(52.0)
Borrowings	A\$m	-	-	50.0	-
Equity	A\$m	1.8	6.6	0.1	7.0
Dividends Paid	A\$m	-	-	-	-
Financing Activities	A\$m	1.7	6.5	50.1	7.0
Net Cashflow	A\$m	(1.7)	2.9	41.0	(36.1)
<b>Ratio Analysis</b>					
	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Cashflow Per Share	A¢	(1.4)	(1.0)	(1.0)	5.1
Cashflow Multiple	X	(12.2)	(17.1)	(15.9)	3.2
Earnings Per Share	A¢	(1.6)	(1.1)	(1.0)	0.7
Price to Earnings Ratio	X	(10.3)	(15.7)	(15.9)	23.5
Dividends Per Share	A¢	-	-	-	-
Dividend Yield	%	-	-	-	-
Net Debt / Equity	%	(0.1)	na	0.1	1.1
Interest Cover	X	-	29.5	-	-
Return on Equity	%	na	na	na	4%
<b>August 2010</b>					
<b>Speculative Buy</b>					
<b>Directors</b>			<b>Company Information</b>		
Clive Jones (Non Exec Chair)			Ground Floor, 22 Oxford Cl,		
Peter van der Borgh (MD)			West Leederville, WA, 6007		
George Lazarou (Non-Exec Dir)			Tel: +61 8 6380 1093		
Dr Derek Fisher (Non-Exec Dir)			Fax: +61 8 6380 1387		
			Web: w w w .cortonaresources		
<b>Top 10 Shareholders</b>					
		m shares	%		
Baker Steel Capital Managers		22.7	13.34%		
Moly Mines Limited		12.0	7.05%		
Peter van der Borgh		5.3	3.12%		
Kingsreef Pty Ltd <NB & DL Family A/C>		4.6	2.69%		
UBS Wealth Management Australia Nominees		3.7	2.20%		
Lujeta Pty Ltd		3.4	1.97%		
Mark Anthony Munnely		2.5	1.45%		
Widerange Corp		2.5	1.45%		
Bainpro Nominees Pty Limited		2.4	1.43%		
J & G & R & H Darroch		2.0	1.17%		
<b>Reserves &amp; Resources</b>					
		Mt	g/t Au	Koz	Attrib.
Dargues Reef					
Indicated		0.59	5.9	111	111
Inferred		0.86	6.4	175	175
Resource - Total		1.44	6.2	286	286
<b>Production Summary</b>					
	Unit	FY2011F	FY2012F	FY2013F	FY2014F
*Attributable					
Payable Gold Metal	000oz	-	31	57	57
Cash Cost (excl. royalties)	\$/oz	-	607	602	602
<b>Price Assumptions</b>					
	Unit	FY2011F	FY2012F	FY2013F	FY2014F
Gold	US\$/oz	1050	950	900	900
Exchange Rate	A\$/US\$	0.83	0.75	0.75	0.75
\$/A Gold	\$/oz	1273	1267	1200	1200
<b>Hedging</b>					
	Unit	FY2011F	FY2012F	FY2013F	FY2014F
Total Forward Sales - Gold	000oz	-	-	-	-
Forward Gold Price	\$/oz	-	-	-	-
<b>Sensitivity Analysis</b>					
	Valuation (\$/s)	NPAT			
Base Case	70.2	1.3			
Exchange Rate +10%	55.6	1.4			
Exchange Rate -10%	87.3	6.8			
Gold Price +10%	85.6	6.5			
Gold Price -10%	54.0	1.1			
Operating Costs +10%	62.1	2.5			
Operating Costs -10%	78.1	5.2			
<i>*N.B. NPAT, EPS, CFPS forecasts are for FY2012</i>					
<b>Share Price Valuation at Spot</b>					
		Est. \$m			
Gold US\$1239/oz., AUDUSD: 0.8854		90.8			
<b>Preliminary Valuation (NAV)</b>					
		Est. \$m			
Dargues Reef (NPV @ 10%)		33.3			
Exploration		20.0			
Cash		6.3			
Forwards		0.0			
Corporate Overheads		(2.6)			
Total Debt		-			
Tax Losses		2.4			
Options & Other Equity		10.8			
Total		70.2			
<b>Preliminary valuation from assessment of scoping study information</b>					
Analyst: Mike Millikan					
Phone: +61 8 9268 2805					
Sources: IRESS, Company Information, Hartleys Research					
Last Updated: 27/08/2010					

# COMPANY BACKGROUND

*NSW gold explorer,  
transitioning through  
to producer*

Cortona Resources Limited is an emerging ASX-listed [Ticker: CRC] gold company focused on the exploration and development of its 100%-owned Majors Creek Project in New South Wales. The Company is currently undertaking a DFS on the high-grade Dargues Reef gold deposit.

## KEY MILESTONES

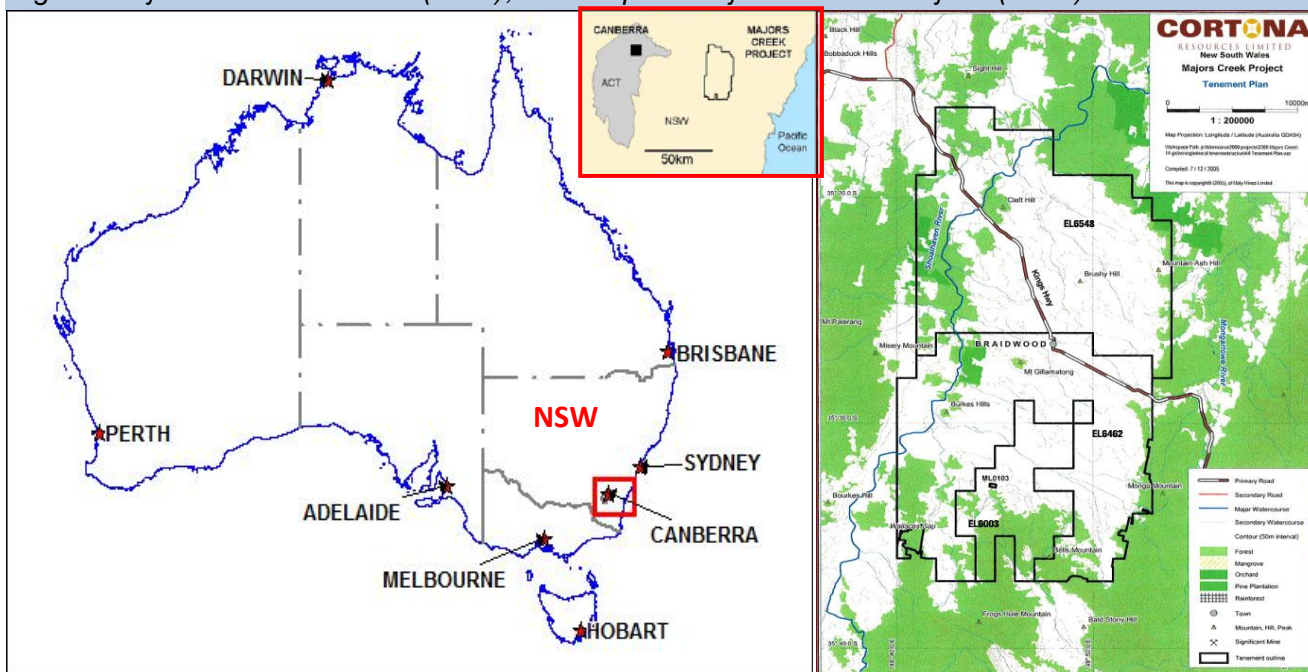
*Listed on the ASX in  
2006*

- **March 2006:** Officially listed on the ASX raising A\$3.5m
- **July 2007:** Acquired NSW gold assets, including Majors Creek from Moly Mines Limited paying cash (\$5m), shares (12m) and options.
- **January 2008:** Discovers Tory Boy gold deposit 2kms NNE of Dargues Reef.
- **March 2008:** Scoping study into the development and mining of Dargues Reef gold deposit commences.
- **September 2009:** Scoping study completed; reporting the project to be “robust and viable.”
- **November 2009:** Commenced DFS targeted for completion by end of 2010.
- **July 2010:** Completes the sale of its 90% interest in the North Monger Project in WA to Silver Lake Resources Limited for \$2.7m cash.
- Targeting annualised production of +50Koz gold
- Current Mineral Resource of 1.44mt @ 6.2g/t for 286,000oz gold

*DFS expected to be  
completed before the  
end of 2010*

*Targeting +50koz gold  
per annum*

**Fig. 1: Project Location NSW (LHS); Blow-up of Majors Creek Project (RHS)**



Source: Hartleys Research; Cortona Resources Limited

# MAJORS CREEK

## BACKGROUND & HISTORY

*Gold first discovered in 1851*

The Majors Creek Project is located ~63km east of Canberra, near the small community of Majors Creek, ~12kms south of the town of Braidwood in New South Wales.

*Historical field producing over 1.2Moz of gold*

Gold was first discovered in Majors Creek in 1851. Gold mining started with alluvial operations and became hard rock operations (reef mining) after the discovery of surface gold-quartz veins and subsequent gold-associated disseminated sulphide mineralisation. The historical goldfield has produced over 1.2Moz of gold. Most of this gold appears to have been derived from mineralised alteration zones within the Braidwood Granodiorite. Historical operations of note included Dargues Reef and Snob's Mine, both high-grade underground gold mines within 2kms of one another.

**Fig. 2: Snob's Mine workers (LHS) & Majors Creek dredging (RHS)**



Source: NSW DPI

## PROJECT SUMMARY

**Fig. 3: Majors Creek Gold Project Snap Shot**

### Majors Creek

*100% owned*

- Interest: 100%
- Location: 63kms east of Canberra
- Project stage: Development
- Mineral Resources: 286Koz Au (JORC)
- Production Target: ~50Koz pa from late 2011
- Key Deposits: Dargues Reef, Tory Boy

*Located within the largest historical alluvial goldfield in NSW*

The 100% owned project contains the Dargues Reef (Main, Bonanza, Plums and HW Lodes) and Tory Boy gold deposits; as well as exploration prospects. The combined tenement holdings comprise 700km<sup>2</sup>, over the largest historical alluvial gold field within the Lachlan Fold Belt, NSW.

*Acquired from Moly Mines in 2007*

The Majors Creek project was acquired from Moly Mines in mid 2007 through a payment of cash and shares. Stage 1 payment upon settlement, involved the payment of A\$5m cash, the issue of 12m CRC shares and 8m options exercisable at 35c within a 2 year term. Stage 2 royalty payment upon the delineation of 1Moz resource or a decision to mine involves a payment of A\$4m cash and another 8m options exercisable at 50c within a 5 year term.

## Dargues Reef

*Historical gold mine*

The historical Dargues Reef underground mine was operated between 1870-91 and 1914-16 by numerous shafts to a maximum depth of 70m with initial mining of oxidised ore by open cut methods to depths of up to 10m.

*Granted mining lease over freehold title owned by Cortona*

The Dargues Reef gold project consists of a granted mining lease and two exploration licences within freehold farmland which is owned by Cortona, acquired in early 2008. The freehold title allows the Company to accelerate the development of Dargues Reef, while providing unfettered access to drill sites and a greater flexibility for infrastructure planning during development.

*Resource set for growth, targeting a total resource of +500Koz*

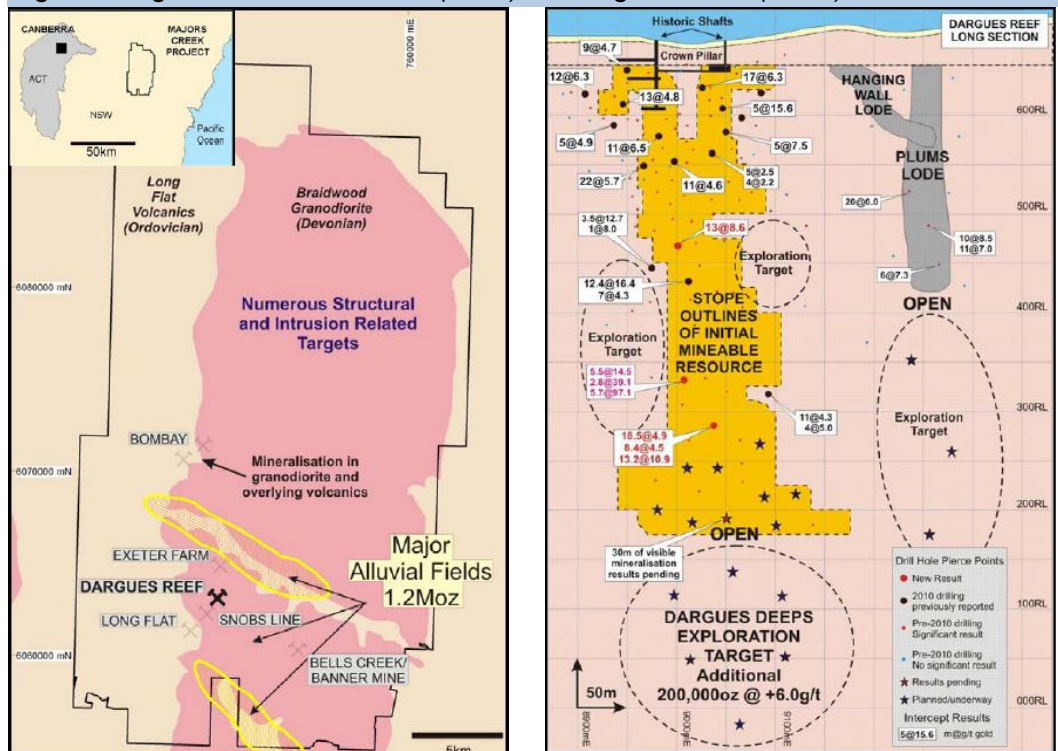
The Main Lode of the Dargues Reef deposit makes up the current Majors Creek gold inventory. However, the project is set for considerable resource growth following completed infill and resource extensional drilling, with a resource of over 500Koz being targeted. The drilling has confirmed the remarkable continuity of the mineralisation, which starts just 30m below surface to over 450m depth, remaining open at depth, with numerous intercepts below 300m vertical depth giving confidence of resource growth and potential mine life extensions. The Company is aiming to upgrade the current resource to the measured category to support the first two years of production, with most of the remainder expected to be included as indicated resources.

*High grade deposit within excellent ground conditions*

*Good mining width = low dilution, mechanised mining for efficient mining practices*

The deposit is high grade (~6g/t) with little or no nugget-effect. The gold is associated with disseminated sulphide ore as opposed to quartz veining, allowing for a coarse grind and favourable metallurgy for recovery in the range of 98%. The mineralisation is hosted by granite (granodiorite) and provides excellent underground mining conditions. The ore body is relatively wide, at an average width of 6-7m allowing for low mining dilution. Virtually all of the underground development is planned within ore zones which enables efficient mechanised mining and translates to low operating costs.

**Fig. 4: Dargues Reef Location (LHS) & Long Section (RHS)**



Source: Cortona Resources Limited

## SCOPING STUDY & DEFINITIVE FEASIBILITY STUDY

The scoping study for Dargues Reef was completed in late 2009 and was based only on an assessment of the Main Lode which contains a current resource of 286Koz at a grade of 6.2g/t gold. The study indicated that production of 40-50Koz gold per annum for over 4 years would be viable from capital development costs in the order of A\$30m. Estimated cash operating costs of below A\$500/oz were based on underground mining (sub-level open stoping) accessed via a decline.

*Robust project economics based on scoping study*

*Upside in model from better recoveries, higher gold and silver prices*

**Fig. 5: Dargues Reef - Scoping economics**

<b>Economic Results</b>	NPV (pre-tax)	A\$55m
	Internal Rate of Return	68%
	Payback Period	~2 years
	Breakeven Gold Price	A\$776/oz
<b>Key Assumptions</b>	Gold Price	A\$1,150/oz
	Silver Price	A\$19/oz
	Dilution Factor	20%
	Operating Cost	A\$75/t
	Capital Cost	~A\$30m
	Mining Recovery	97%
	Milling Recovery	95%
	Gold Royalty	4%

Source: Cortona Resources Limited

*DFS well underway and expected to be delivered in November 2010*

*Focused on commencing production in late 2011*

*Paste-fill allows maximum ore-body extraction and will reduce tailings*

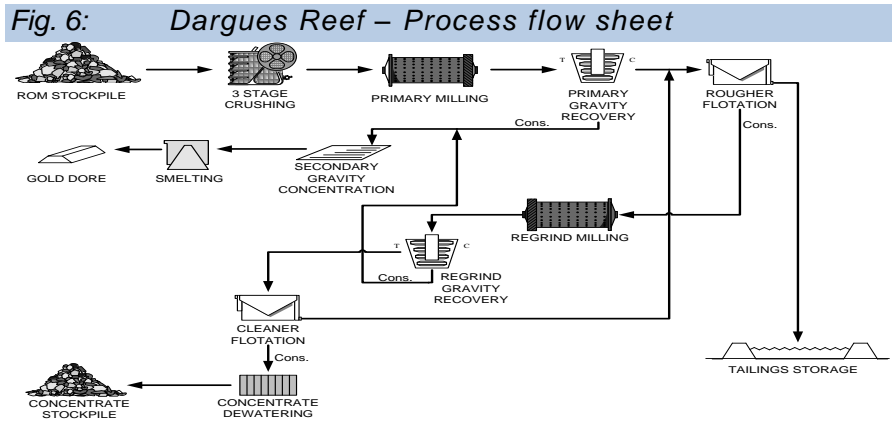
*Ongoing metallurgical test work has confirmed that ~50% of the gold can be recovered via a gravity circuit and a further ~48% by froth flotation*

The Company has now progressed to a Definitive Feasibility Study (DFS), which is proceeding on track and on budget, and scheduled for completion in November 2010. The site infrastructure designs including plant, portal, storage facilities and ancillary services have been completed and capital cost estimates are being compiled. The Environmental Assessment has also been completed and lodged with the NSW Department of Planning. The final mine design is in progress with several underground mining contractors invited to submit quotes. Cortona remains focused on commencing production at Dargues in late 2011.

Cortona intends to utilise paste-fill for the stoped out areas. This will enable maximum ore body extraction and will result in a number of other economic efficiencies in terms of material and waste movement from underground. The use of paste-fill will also provide environmental benefits by reducing the amount of tailings material required to be stored on the surface. A paste-fill plant will add ~A\$5M to the capex requirements and was not included in the scoping study.

Ongoing metallurgical test work has confirmed that ~50% of the gold can be recovered via a gravity circuit and a further ~48% by froth flotation. The resultant saleable pyrite concentrate is readily treated with high gold recoveries by Carbon in Leach (CIL). The use of CIL processing on site for final gold recovery has been avoided to waylay local community concerns over cyanide use.

Concentrate transport costs are expected to be manageable and not add considerably to costs. Final payable gold-in-concentrate is likely to be 90% of the 48% gold in concentrate which equates to ~43%, implying total gold recoveries of ~93%. The Company is exploring several options in regards to potential concentrate buyers. A process flow sheet has been finalised to optimise gravity recovery of the gold, concentrate grade and recycling of process water. The plant throughput capacity is expected to be 330ktpa.



*Course grind, good recoveries and modular plant to accommodate capacity increases*

Source: Cortona Resources Limited

The updated process flow sheet indicates the ore only needs a course grind which will save on power consumption costs. Mains power at the site will also provide reliable power and reduce exposure to potential diesel fuel cost increases. The Company is proposing a modular plant that can accommodate capacity upgrades, enabling production growth beyond the initial 50Kozpa proposed.

*Focused on commencing production in late 2011*

Work is underway on a revised resource estimate which will include the latest drilling. This new model will be utilised by Cortona’s consulting mining engineers, Mining Plus Pty Ltd, to produce a life-of-mine production schedule and financial model.

**Fig. 7: Dargues Reef – Key Project Milestone**

DARGUES REEF TO PRODUCTION	2009	2010	2011
Resource/Reserve Drilling		★	
Scoping Studies	★		
DFS and Approvals		★ ★ ★	
Financing			★
Construction & Development			★ ★
GOLD PRODUCTION			→
REGIONAL EXPLORATION	→		

Source: Cortona Resources Limited

### NEAR MINE EXPLORATION

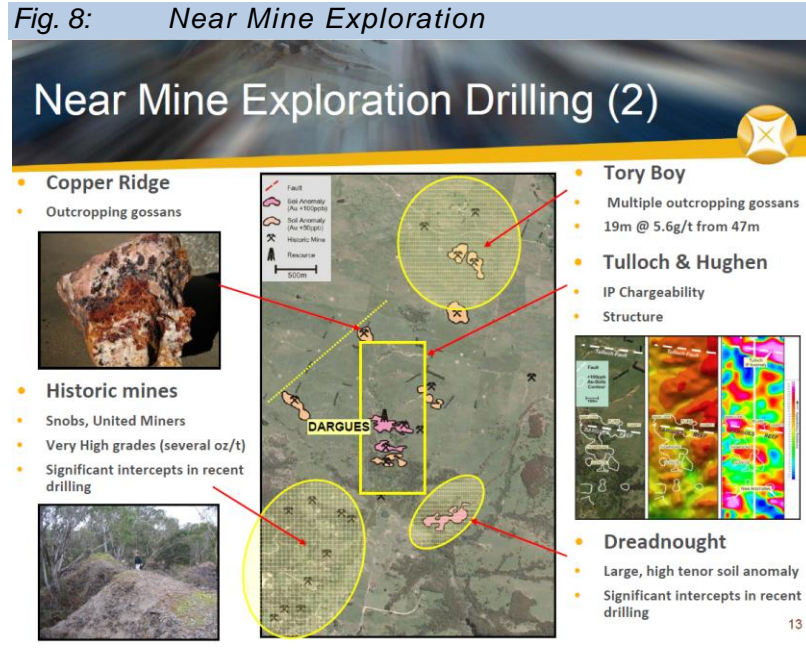
Near mine exploration has been concentrated within a 5km radius of Dargues Reef. Cortona is targeting an upgrade to the current resource, with an exploration target of over 500Koz at an average grade of over 6g/t. If the Company can achieve this then the mine life of Dargues Reef would be extended by several years, improving project economics and financial return.

*Two drills currently on site targeting depth extensions to the Main and Bonanza lodes*

Drilling at Dargues Reef is on-going, although some inclement weather and a few technical issues has hampered drill positioning and reduced production rates. Two drilling rigs are currently on site targeting depth extensions to the Main and Bonanza lodes. The rigs are drilling from the north for the first time, which has the potential to discover additional parallel lodes within development range of the proposed mine. Following resource and exploration drilling at the Dargues Reef, the rigs are expected to be relocated to follow-up some of the regional exploration targets within the greater Majors Creek project area.

Cortona has also been evaluating the results of near-mine exploration drilling that took place during the latter half of 2009, where primary mineralisation was discovered at the Tory Boy, Dreadnought, Hughen and Copper Ridge prospects. These prospects correspond to outcropping gossans and gold-in-soil anomalies in which follow up exploration drilling is being proposed in the coming months.

*Near mine targets offering potential resource growth and additional ore feed for the Dargues processing facility*



Source: Cortona Resources Limited

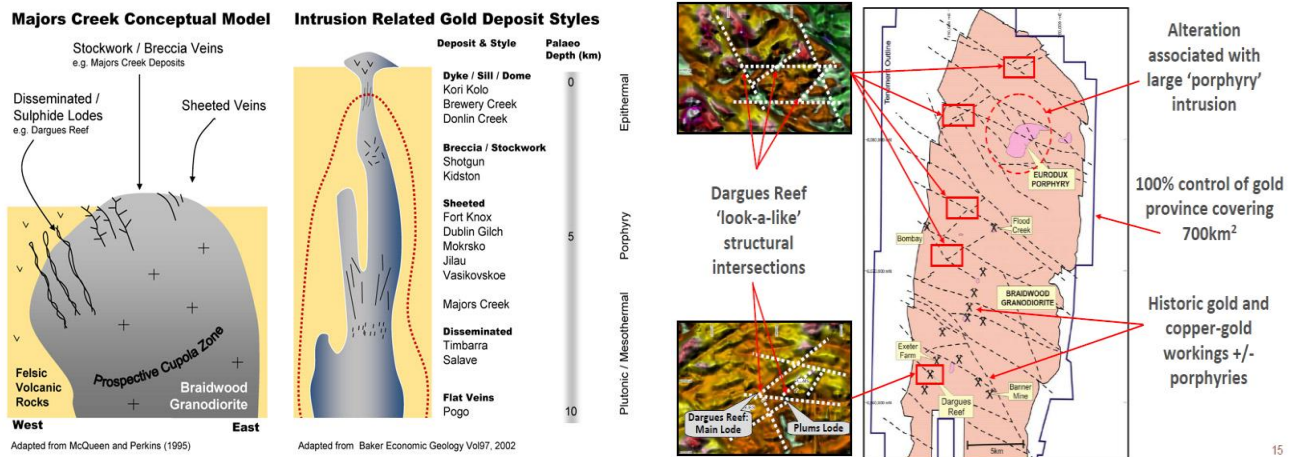
## REGIONAL EXPLORATION

The Majors Creek project covers an area of ~700km<sup>2</sup> and is considered highly prospective given the abundance of secondary alluvial gold and minimal modern exploration. Several Dargues Reef 'look-a-like' structures have been identified and additional targets based on alteration assemblages within a large porphyry intrusion continues to generate interest.

*There remains considerable upside within the goldfield for new significant discoveries*

Regional exploration involving ground reconnaissance, mapping and rock chip sampling is continuing and is expected to generate drill targets. There remains considerable upside within the under explored goldfield.

**Fig. 9: Regional Exploration: Conceptual Model Applications**



Source: Cortona Resources Limited

## RESERVES & RESOURCES

**Fig. 10: Mineral Resource Statement Oct'08**

Majors Creek	Category	Tonnes	Au g/t	Au (oz)
Dargues Reef	Indicated	586,000	5.9	110,800
	Inferred	858,000	6.4	175,200
	<b>Total</b>	<b>1,444,000</b>	<b>6.2</b>	<b>286,000</b>
<b>Total</b>		<b>1,44Mt</b>	<b>6.2</b>	<b>286Koz</b>

Source: Cortona Resources Limited

*Current Resource of  
286Koz @ 6.2g/t gold*

*Both near mine and  
region resource  
growth opportunities*

*Resource upgrade  
expected in Q4  
CY2010*

*100% exposed to gold*

*NSW focused*

*Key contractors  
include RW Corkery &  
Co, Runge Limited,  
IMO, Responsible  
Resources and Mining  
Plus*

The current resource is based on the Main Lode of Dargues Reef. There is significant potential to increase the gold inventory at depth and along strike of the Main Lode, which remains below 450m. The resource, does not include the mineralised lodes of Plums or Hangingwall, which are both in range of development from the proposed Main Lode.

A new resource estimate is currently being prepared with an upgrade expected in the December Quarter 2010.

## COMMODITY EXPOSURE

Cortona is currently 100% exposed to gold, and also has potential future exposure to copper and base metals through regional exploration.

## GEOGRAPHIC EXPOSURE

Upon the sale of exploration assets in Western Australia to Silver Lake Resources Limited (SLR), Cortona is now solely focused on operations within NSW.

## KEY CONTRACTORS

Cortona's key contractors include:

- RW Corkery & Co Pty Ltd, a NSW based geological and environmental consulting firm being used for the preparation of environmental impact assessment.
- Runge Limited, a global consulting firm, provides services for the mining industry from exploration through to production and mine closure. Runge have extensive underground operational and evaluation experience and have been involved on the Dargues Reef Gold Project from the beginning. Runge is currently completing resource estimation work.
- Independent Metallurgical Operations Pty Ltd (IMO), a WA based consultancy has been employed to carry out all metallurgical processing testwork. IMO has particular expertise in gold processing from both underground and open cut mines for free milling and complex ores.
- Government advisory services for permitting and approvals to construct and operate a new in NSW is being provided by David Tucker of Responsible Resources Pty Ltd.
- Mining Plus Pty Ltd, mining consultants used to produce a life of mine production schedule and financial model for the DFS.

# COMPARATIVES

## GOLD COMPARATIVES

*Transitioning from explorer to developer*

*Production is targeted from late 2011*

ASX listed peers compared are gold developers Adamus Resources Limited (ADU), Ampella Mining Limited (AMX), Andean Resources Limited (AND), Azumah Resources Limited (AZM), Beadell Resources Limited (BDR), Castle Minerals Limited (CDT), Chalice Gold Mines Limited (CHN), Conquest Mining Limited (CQT), Carrick Gold Limited (CRK), Integra Mining Limited (IGR), Kingsrose Mining Limited (KRM), Matsa Resources Limited (MAT), Orion Gold NL (ORN), Perseus Mining Limited (PRU), Red 5 Limited (RED), Regis Resources Limited (RRL) and YTC Resources Limited (YTC).

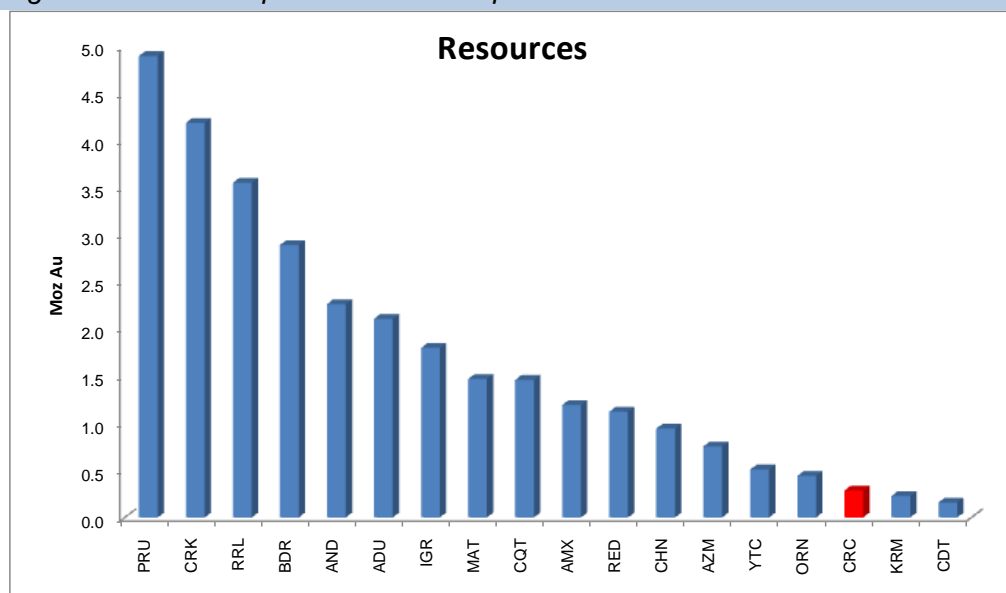
**Fig. 11: ASX Peer Market Capitalisation: Developers (A\$m)**



Source: IRESS; Prices at close of 25 August 2010

Cortona (CRC) has a market capitalisation around A\$28m (on a share price of 16.5cps) and current resource base of ~286Koz.

**Fig. 12: Developers JORC Compliant Resources**

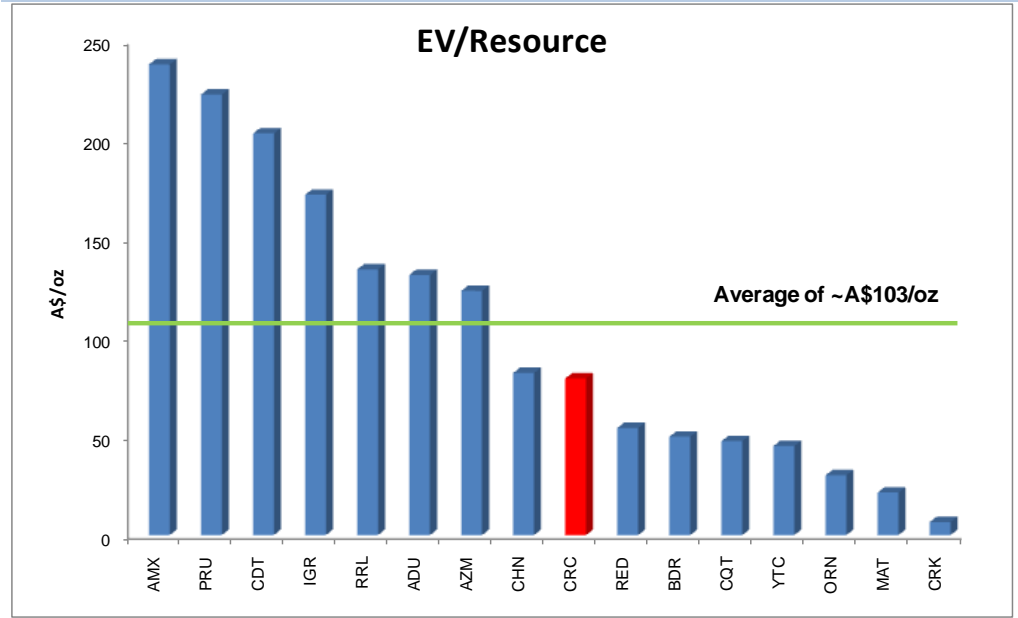


Source: Company Reports

*Cortona is below the developer average on a EV/Resource position*

On an EV to resource position Cortona is below the developer average of ~A\$103/oz, with a current EV/Resource oz of ~A\$76/oz. We the Company will look even more attractive after a resource upgrade expected in the coming months. At this point in time, the Company does not have any JORC compliant reserves.

**Fig. 13: Developers EV/ Resource Oz**



Source: Hartleys Estimates

## DIRECTORS, SENIOR PERSONNEL AND MAJOR SHAREHOLDERS

The following information has been taken directly from the Cortona website and ASX market releases.

### DIRECTORS

#### **Mr Clive Jones – Non Executive Chairman**

Mr. Jones has been involved in mineral exploration for over 23 years and has worked on the exploration for a range of commodities including gold, base metals, mineral sands, diamonds and industrial minerals both in Australia and overseas. Mr Jones was previously a director of Mount Burgess Mining Ltd, where he oversaw the discovery of the high grade Red October gold deposit situated in the Eastern Goldfields of Western Australia.

*Highly experienced management team in all aspects of mineral exploration and mine development; as well as financing*

He was a founding Director of Hamill Resources Ltd. where he had further exploration success with the discovery of the Baldock gold deposit. Mr. Jones also co-founded Cazaly Resources Ltd, of which he is currently Joint Managing Director, and is also currently a director of Bannerman Resources Limited and Chairman of Corazon Ltd.

#### **Mr Peter van der Borgh – Managing Director**

Mr van der Borgh has worked in the Australian exploration and mining sectors for over 20 years, initially as a prospector in Victoria and Western Australia (gold), and Queensland (precious gemstones). Mr van der Borgh gained a First Class Honours Degree at Kingston University, London, before joining a research team at the University of Western Australia studying the geological controls on the formation and settings of Giant Ore Deposits (the 'GODS' project).

Mr van der Borgh achieved exploration success in Western Australia and Turkey prior to becoming an Exploration Manager with Legend Mining Ltd, where his geological modeling and targeting produced near-mine and regional discoveries. In July 2005 Mr van der Borgh targeted and acquired the North Monger Project, which led to the formation of Cortona Resources and its successful listing on the ASX in March 2006. He is also a former director of Globe Metals and Mining Limited.

#### **Mr George Lazarou – Non-Executive Director**

Mr. Lazarou is a qualified Chartered Accountant who has over 13 years experience, including the last 5 as a Partner with a West Perth accounting firm, specialising in the areas of Audit, Advisory and Corporate Services. Mr. Lazarou has extensive skills in the areas of audit, corporate services, due diligence, independent expert reports, merger & acquisitions and valuations. Mr. Lazarou also brings with him a high level of commercial skills having worked closely with publicly listed companies in the mining, building, engineering, environmental and construction industries.

#### **Dr Derek Fisher – Non-Executive Director**

Dr Fisher is a geologist with over 37 years world wide experience in the resource industry. He has been the principal in a number of companies listed both on the Canadian ("TSX") and Australian ("ASX") stock exchanges and has over 20 years experience as the manager of publicly listed companies.

Dr Fisher began his career with the NSW Geological Survey in 1966 as a student geologist and following graduation in 1969 from the University of New England, Armidale NSW, he moved into the mineral exploration industry with the Canadian nickel company, INCO.

Following exploration work in the Solomon Islands and Australia he moved to Canada where he completed his doctorate at the University of Toronto. On return to Australia in the early 80's, he moved into junior mining companies and since then, companies in which he has been a principle have developed mines or mineral processing operations in Australia, Mongolia, Africa and America. Dr Fisher is an honorary life member of the Australian mining industry organisation, the Association of Mining and Exploration Companies (AMEC).

#### **Mr Ajanth ('AJ') Saverimutto – Operations Manager**

Mr Saverimutto is a Mining Engineer with over 15 years experience in surface and underground mining operations. Prior to joining Cortona, Mr Saverimutto was a Mining Manager with BHP Billiton and has held Senior Mine Management and Project Development roles with Freeport MacMoran and Newmont Australia.

Mr Saverimutto has extensive underground gold mining experience on both Australian and International Mining Projects. Mr Saverimutto is responsible for the overall management of the Dargues Reef DFS.

**Fig. 14: Economic Exposure of Key Management**

Name	Position	Options (m)	Shares (m)	Total Exposure (m)
C Jones	Non Executive Chairman	0.4	2.5	3.9
P van der Borgh	Managing Director	0.2	5.3	6.5
G Lazarou	Non-Executive Director	0.0	0.6	1.1
D Fisher	Non-Executive Director			
A Saverimutto	Operations Manager	1.0		
<b>Total</b>		<b>1.6</b>	<b>8.4</b>	<b>10</b>
<b>% of Total Shares on Issue (approx)</b>		<b>3.5%</b>	<b>4.9%</b>	<b>4.6%</b>

Source: Cortona Resources Limited; all numbers in millions

## MAJOR SHAREHOLDERS

Twenty largest shareholders for Cortona Resources Limited as of 30<sup>th</sup> July 2010.

**Fig. 15: Top 20 Shareholders**

	Holder	Units Held (m)	% Units Issued
1	Baker Steel Capital Managers	22.70	13.34%
2	Moly Mines Limited	12.00	7.05%
3	Peter van der Borgh	5.30	3.12%
4	Kingsreef Pty Ltd <NB & DL Family A/C>	4.58	2.69%
5	UBS Wealth Management Australia Nominees	3.75	2.20%
6	Lujeta Pty Ltd	3.35	1.97%
7	Mark Anthony Munnelly	2.48	1.45%
8	Widerange Corp	2.46	1.45%
9	Bainpro Nominees Pty Limited	2.43	1.43%
10	J & G & R & H Darroch	2.00	1.17%
11	Peter Bowman	1.77	1.04%
12	Citylight Asset Pty Ltd <Graham Superfund A/C>	1.56	0.92%
13	Citicorp Nominees Pty Ltd	1.37	0.81%
14	ANZ Nominees Limited	1.34	0.79%
15	Millers of Manuka Pty Ltd	1.26	0.74%
16	Furnace Technologies Pty Ltd	1.06	0.62%
17	Isaiah Sixty Pty Ltd	1.04	0.61%
18	Starlet Court Pty Ltd <Musgrave Superfund A/C>	1.00	0.59%
19	Allan Wayne Henry <HenrySuperfund A/C>	1.00	0.59%
20	Willoughby Charmaine M <Empire A/C>	0.97	0.57%
		<b>73.41</b>	<b>43.13%</b>

Source: Cortona Resources Limited; all numbers in millions

## FINANCIALS

### PROFIT & LOSS

1H FY10 reported loss  
of A\$0.74m

Given that Cortona is a junior gold explorer transitioning to developer, previous years financial performance is not reflective of the Company going forward.

Cortona posted a net loss of \$1.4m for FY2009, which compares to a net loss of A\$1.1m in FY2008. Interim results for 1H FY2010 include a reported loss of A\$0.7m.

### FINANCIAL PERFORMANCE

Fig. 16: Financial Performance

Financial Performance	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Net Revenue	A\$m	-	-	-	38.8
Total Costs	A\$m	(1.5)	(1.7)	(1.8)	(21.0)
EBITDA	A\$m	(1.5)	(1.7)	(1.8)	17.8
Depreciation/Amort	A\$m	(0.0)	(0.0)	-	(8.2)
EBIT	A\$m	(1.6)	(1.7)	(1.8)	9.6
Net Interest	A\$m	0.1	0.1	0.1	(7.1)
Pre-Tax Profit	A\$m	(1.4)	(1.7)	(1.8)	2.5
Tax Expense	A\$m	-	-	-	(1.2)
NPAT	A\$m	(1.4)	(1.7)	(1.8)	1.3
Abnormal Items	A\$m	-	-	2.7	-
Reported Profit	A\$m	(1.4)	(1.7)	0.9	1.3

Preliminary forecast  
financials

Source: Cortona Resources Limited; Hartleys Research Estimates

### BALANCE SHEET

Fig. 17: Financial Position

Financial Position	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Cash	A\$m	2.9	5.7	46.8	10.7
Other Current Assets	A\$m	0.2	0.0	0.0	5.5
Total Current Assets	A\$m	3.1	5.8	46.8	16.2
PP&E + Development	A\$m	1.9	1.9	6.4	47.4
Exploration	A\$m	17.4	19.4	23.4	26.2
Investments/other	A\$m	0.1	0.1	0.1	0.1
Tot Non-Curr. Assets	A\$m	19.4	21.4	29.9	73.6
Total Assets	A\$m	22.4	27.1	76.7	89.9
Short Term Borrowings	A\$m	-	-	-	-
Other	A\$m	(0.6)	(0.6)	(1.8)	(5.4)
Total Curr. Liabilities	A\$m	(0.6)	(0.6)	(1.8)	(5.4)
Long Term Borrowings	A\$m	-	-	(50.0)	(50.0)
Other	A\$m	-	-	-	(1.2)
Total Non-Curr. Liabil.	A\$m	-	-	(50.0)	(51.2)
Total Liabilities	A\$m	(0.6)	(0.6)	(51.8)	(56.6)
Net Assets	A\$m	21.8	26.6	24.9	33.2

Source: Cortona Resources Limited; Hartleys Research Estimates

## CASH FLOW

**Fig. 18: Cash Flow Statement**

Cashflow	Unit	FY2009A	FY2010F	FY2011F	FY2012F
Operating Cashflow	A\$m	(1.2)	(1.2)	(0.6)	16.0
Income Tax Paid	A\$m	-	-	-	-
Interest & Other	A\$m	0.2	0.1	0.1	(7.1)
<b>Operating Activities</b>	<b>A\$m</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>(0.5)</b>	<b>8.9</b>
PP&E + Development	A\$m	(0.0)	(0.0)	(4.5)	(46.0)
Exploration	A\$m	(2.3)	(2.6)	(4.0)	(6.0)
Investments	A\$m	-	-	-	-
<b>Investment Activities</b>	<b>A\$m</b>	<b>(2.4)</b>	<b>(2.6)</b>	<b>(8.5)</b>	<b>(52.0)</b>
Borrowings	A\$m	-	-	50.0	-
Equity	A\$m	1.8	6.6	0.1	7.0
Dividends Paid	A\$m	-	-	-	-
<b>Financing Activities</b>	<b>A\$m</b>	<b>1.7</b>	<b>6.5</b>	<b>50.1</b>	<b>7.0</b>
<b>Net Cashflow</b>	<b>A\$m</b>	<b>(1.7)</b>	<b>2.9</b>	<b>41.0</b>	<b>(36.1)</b>

Source: Cortona Resources Limited; Hartleys Research Estimates

## EQUITY ISSUANCE

As at 24th August 2010 Cortona had 170m shares on issue and 46m options outstanding exercisable at various dates and times. Unpaid capital, if fully converted, equates to A\$11.85m at an average price of 25.7c.

**Fig. 19: Options Table**

Expiry	Exercise Price	No. of shares	Value
Nov-10	\$0.52	50,000	26,000
Jun-11	\$0.41	75,000	30,750
Nov-11	\$0.60	100,000	60,000
Jan-12	\$0.20	34,407,629	6,881,526
Feb-12	\$0.25	400,000	100,000
Jul-12	\$0.50	8,000,000	4,000,000
Aug-13	\$0.25	3,000,000	750,000
	<b>\$0.257 Ave</b>	<b>46.03m</b>	<b>A\$11.85m</b>

Source: Cortona Resources Limited

The most recent equity issue was in January 2010 raising **~A\$10.3m** via a fully underwritten A\$7.8m rights issue and A\$2.5m institutional share placement to international fund manager, Baker Steel. The capital raising involved the issue of ~68.8m shares at \$0.15, with a 1 for 2 attaching 20c option for a total of 34.4m options expiring 31 January 2012.

The Company's cash position at the end of the June 2010 quarter was ~A\$6.3m, with no debt.

## DEBT AND HEDGING

The Company is currently debt free and unhedged.

*170m shares on issue  
with 46m options*

*Debt free and  
unhedged*

# PRELIMINARY VALUATION

## ASSUMPTIONS

### Dargues Reef

We have developed a basic model for Dargues Reef from reference to scoping study information. We expect that our valuation will change following the release of the DFS later in the year. Our preliminary valuation has used the following assumptions:

*Estimated production of 330Ktpa for >50Koz gold by FY2012*

*Conservative mine life of only 4 years*

- The operation commences production in December 2011 (late Q2 FY11), with ramp-up through January and February for full plant throughput of 330Ktpa to be achieved before the end of the March quarter 2012.
- In our model we have assumed that 80% of the current resource of 286Koz will be converted into reserves, for ~230Koz gold. There is considerable upside in our model with resource additions and the release of an ore reserve, expected before the end of the year. We have assumed an initial mine life of just over 4 years, which is likely to be over 5 years once the DFS is released.
- A mill head grade of 6g/t at recoveries of 93%, for a 30g/t gold in concentrate has been used. Metallurgical test work has confirmed that ~50% of the gold can be recovered via a gravity circuit and a further ~48% by froth flotation. We have used total payable gold in the concentrate of 43% (90% payable x 48% gold reporting in the concentrate), providing an overall 93% recovery.
- Estimated cash operating costs (excluding royalties) are based on conventional underground mining via top-down long-hole stoping, with ore development drives accessed via a decline. The Company expects to deploy a small efficient mining fleet with most lateral underground development within ore zones, minimising waste mining and lowering operating costs.
- Our production forecast for FY2011 is ~30koz at cash costs of ~A\$607/oz. FY2012 production is estimated at ~57koz with cash costs decreasing to ~A\$602/oz.

**Fig. 20: Hartleys Production Forecasts**

Production Summary	Unit	FY2010F	FY2011F	FY2012F	FY2013F
Payable Gold Metal	000oz	-	31	57	57
Cash Cost (excl. royalties)- est	\$A/oz	-	607	602	602
Cash Cost (with royalties)-est	\$A/oz		657	653	650

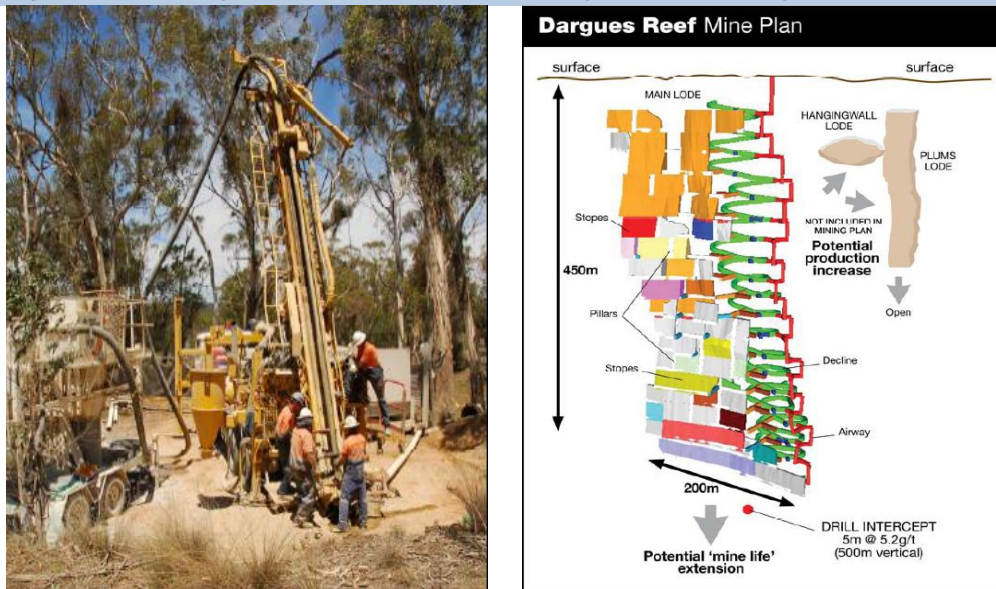
Source: Hartleys Research Estimates

*Estimated capital costs of A\$40m*

- We have not modelled the addition of mine feed from Plums Lode or HW Lode but once a resource estimate for both mineralised zones has been released it will be added to the model, if considered viable.
- The Company is proposing a modular processing facility which should be easily upgradable should more mineable resources be demonstrated.
- Scoping study capital costs were A\$30m. However, we believe that capital costs are likely to be higher following the completion of the DFS, especially if a larger tailings dam is to be constructed and paste-fill is used to allow for full ore-body extraction. Consequently, we have estimated capital costs of **A\$40m**.
- Our model also includes A\$6m per annum for exploration and another A\$6m per annum for on-going development.
- Unfunded capital and working capital of A\$40-\$50m over the next 12 months.

**Fig. 21: Dargues Reef: Surface drilling (LHS); Mining Plan (RHS)**

Potential mine life extensions at depth, along strike and in parallel mineralised lodes



Source: Cortona Resources Limited

## GOLD PRICE AND EXCHANGE ASSUMPTIONS

**Fig. 22: Hartleys Gold Price and Exchange Rate Assumptions**

Conservative gold prices applied

		FY2010E	FY2011E	FY2012E	FY2013E	FY2014
AUDUSD	A\$/US\$	0.89	0.83	0.75	0.75	0.75
Gold	US\$/oz	1100	1050	950	900	900
Gold	A\$/oz	1239	1273	1267	1200	1200

Source: Hartleys Research Estimates

## METHODOLOGY

We have a preliminary sum of parts Valuation for Cortona of A\$70m, of which the Dargues Reef DCF<sub>10</sub> contributes A\$33m. Using the current shares on issue this equates to 41cps or 32cps on a fully diluted basis. We see this valuation increasing over time via resource and reserve additions which should lead to an increase in mine life. We have also applied a value for exploration of A\$20m, which we consider to be conservative. We see considerable upside in our valuation with the addition of new discoveries.

Preliminary Valuation of A\$70m

Dargues Reef adds A\$33m

Historical goldfield with minimal modern exploration = New Discoveries

Exploration upside

**Fig. 23: Hartleys Preliminary Valuation for Cortona**

Preliminary Valuation (NAV)	Est. \$m
Dargues Reef (NPV @ 10%)	33.3
Exploration	20.0
Cash (30 June 2010)	6.3
Forwards	0.0
Corporate Overheads	(2.6)
Total Debt	-
Tax Losses	2.4
Options & Other Equity	10.8
<b>Total</b>	<b>70.2</b>

Source: Hartleys Research Estimates

Our valuation at spot is A\$90m, based on a gold price of US\$1239/oz and exchange rate of AUDUSD of 0.8854. By way of comparison the Company has a current market capitalisation of A\$28m.

## VALUATION SENSITIVITIES

Sensitivity analysis indicates that the operation is highly leveraged to exchange rate and gold price volatility.

**Fig. 24: Valuation Sensitivities**

	+10% (\$m)	Base Case (\$m)	-10% (\$m)	% Variation	
				+10%	-10%
Exchange Rate	56	70	87	-21%	24%
Operating Costs	62	70	78	-12%	11%
Gold Price	86	70	54	22%	-23%

Source: Hartleys Research Estimates

## RISKS & RECOMMENDATION

### RISKS

*Standard development risks apply, along with funding risk*

Key risks to the development of Dargues Reef include commodity price risk, operating and capital cost escalation, geological and ore-body risk, permitting risk as well as funding risk. In the next 12 months, the Company will need to fund ~A\$40m of capex depending on the outcome of the DFS. Upside risks include exploration success and strong gold prices.

### SIMPLE S.W.O.T. TABLE

*High grade operation*

*Relatively low operating costs*

*No reserves*

*Near mine opportunities and new discoveries*

*Production delays and gold-sector consolidation*

Strengths	<ul style="list-style-type: none"> <li>- <i>High grade operation with favourable mining conditions</i></li> <li>- <i>Exploration upside and production growth</i></li> <li>- <i>Relatively low operating cash costs</i></li> <li>- <i>High gold recoveries expected</i></li> <li>- <i>Very small environmental footprint.</i></li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>- <i>Low resource position</i></li> <li>- <i>No reserves</i></li> <li>- <i>Large production growth could be mill constrained</i></li> <li>- <i>Not funded to development</i></li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>- <i>Attractive near-mine opportunities</i></li> <li>- <i>Relatively cheap mill upgrades to increase production</i></li> <li>- <i>Exposure to gold price as currently unhedged</i></li> </ul>
Threats	<ul style="list-style-type: none"> <li>- <i>Imminent development attractive to predators</i></li> <li>- <i>Exchange rate volatility</i></li> <li>- <i>Development and production delays</i></li> </ul>

Source: Hartleys Research

### CONCLUSION

Cortona's strategy is to develop a gold mining operation at its 100% owned Majors Creek Project in New South Wales. The Dargues Reef is the most advanced prospect with a DFS on the development of +50Kozpa operation expected before the end of the year (likely in November). The project is expected to deliver low operating cash costs and strong cash flows. A resource upgrade due in Q4 CY2010 should also demonstrate mine life extensions.

*We recommend Cortona as a Speculative Buy*

We see Cortona as a good quality explorer transitioning through to gold producer through the development of Dargues Reef. The Company will have steady news flow over the coming months, including resource upgrades, on-going drill results from regional exploration and the release of a DFS which is expected to be favourable.

The Company has a market cap of ~A\$28m with A\$6.3m in cash (EV of ~A\$22m) and is trading at a significant discount to our A\$70m preliminary valuation.

We initiate coverage of Cortona Resources Limited with a Speculative Buy recommendation.

# HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage						
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Hartleys Research Recommendation	Industry
<b>Oil &amp; Gas</b>						
1. Woodside Petroleum Ltd	WPL	40.65	31,713	35,891	Buy	Major
2. Nexus Energy Ltd	NXS	0.350	335	613	Speculative Buy	Developer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.360	247	217	Buy	Producer / Explorer
4. Aurora Oil and Gas Ltd	AUT	0.960	243	205	Buy	Producer / Developer
5. Tap Oil Ltd	TAP	0.900	141	80	Buy	Producer / Explorer
6. Cooper Energy Ltd	COE	0.430	126	30	Buy	Producer / Explorer
7. Otto Energy Ltd	OEL	0.090	96	73	Buy	Explorer / Producer
8. Red Fork Energy Ltd	RFE	0.575	79	51	Buy	Explorer / Producer
9. Adelphi Energy Ltd	ADI	0.410	69	59	Buy	Producer / Developer
10. Amadeus Energy Ltd	AMU	0.225	68	111	Buy	Producer / Explorer
11. Strike Energy Ltd	STX	0.200	66	63	Buy	Explorer / Producer
12. European Gas Ltd	EPG	0.225	45	109	Speculative Buy	Producer / Explorer
13. Entek Energy Ltd	ETE	0.170	38	29	Speculative Buy	Producer / Explorer
14. FAR Ltd	FAR	0.053	35	20	Speculative Buy	Explorer / Producer
15. Oilex Ltd	OEX	0.125	28	11	Speculative Buy	Explorer / Producer
16. Sun Resources NL	SUR	0.055	19	14	Speculative Buy	Explorer / Producer
Sub-Total			33,348	37,578		
<b>Resources</b>						
1. Riversdale Mining Limited	RIV	9.19	1,731	1,464	Speculative Buy	Coal
2. Atlas Iron Limited	AGO	2.140	1,156	976	Buy	Iron Ore
3. Western Areas NL	WSA	4.48	802	981	No Rating	Nickel
4. Silver Lake Resources Limited	SLR	1.955	349	319	Buy	Gold
5. Intrepid Mines Limited	IAU	0.675	289	242	Speculative Buy	Gold
6. Integra Mining Limited	IGR	0.365	276	261	Speculative Buy	Gold
7. Catalpa Resources Limited	CAH	1.500	242	203	Buy	Gold Producer
8. Gold One International Limited	GDO	0.265	214	284	Buy	Gold
9. Dominion Mining Limited	DOM	1.985	205	224	Speculative Buy	Gold
10. Jabiru Metals Limited	JML	0.350	193	162	Buy	Zinc-Copper
11. Tanami Gold NL	TAM	0.580	151	176	Speculative Buy	Gold Producer
12. Focus Minerals Ltd	FML	0.040	115	121	Speculative Buy	Gold Producer
13. Magma Metals Limited	MMW	0.485	79	59	Speculative Buy	PGM-Cu-Ni
14. Peninsula Minerals Ltd	PEN	0.035	57	48	Buy	Uranium Developer / Explorer
15. Centaurus Metals Ltd	CTM	0.078	47	40	Speculative Buy	Iron Ore Developer
16. Hazelwood Resources Ltd	HAZ	0.190	36	31	Speculative Buy	Junior Developer
17. Emmerson Resources Limited	ERM	0.170	35	22	Speculative Buy	Junior Explorer
18. YTC Resources Limited	YTC	0.200	33	24	Buy	Junior Explorer
19. Shaw River Resources Limited	SRR	0.160	32	25	Speculative Buy	Junior Explorer
20. Ausquest Limited	AQD	0.120	27	1	Speculative Buy	Junior Explorer
21. Cortona Resources Limited	CRC	0.160	27	21	Speculative Buy	Developer/Explorer
22. Ferrum Crescent Limited	FCR	0.160	25	23	Speculative Buy	Iron Ore
23. Avalon Minerals Limited	AVI	0.180	24	21	Speculative Buy	Developer/Explorer
24. Geopacific Resources NL	GPR	0.550	21	15	Speculative Buy	Gold Explorer
25. Orion Gold NL	ORN	0.022	16	13	Speculative Buy	Gold
26. Impact Minerals Limited	IPT	0.100	12	8	Speculative Buy	Junior Explorer
27. Southern Gold Limited	SAU	0.075	11	7	Speculative Buy	Junior Explorer
Sub-Total			6,009	5,635		
<b>Industrials</b>						
1. West Australia New s Hdgs Ltd	WAN	6.52	1,511	1,786	Buy	Media
2. Monadelphous Group Limited	MND	14.050	1,209	1,077	Buy	Mining Services
3. Clough Limited	CLO	0.840	571	631	No Rating	Oil & Gas Services
4. Fleetwood Corporation	FWD	9.58	517	511	Neutral	Consumer & Mining Services
5. Mermaid Marine Australia Ltd	MRM	2.640	491	625	Buy	Oil & Gas Services
6. Ausdrill Limited	ASL	1.71	447	565	Buy	Mining Services (Drilling &
7. Austal Limited	ASB	2.31	434	445	Speculative Buy	Capital Goods
8. Macmahon Holdings Limited	MAH	0.575	422	394	Buy	Mining & Civil Construction
9. NRW Holdings Ltd	NWH	1.09	273	336	Buy	Mining & Civil Construction
10. Cash Converters Limited	CCV	0.550	200	157	Buy	Retail & Consumer Finance
11. Decmil Group Limited	DCG	1.62	200	167	Buy	Mining & Civil Construction
12. Index Ltd	IMD	0.835	162	176	Buy	Oil & Gas / Mining Drilling
13. RCR Tomlinson Ltd	RCR	1.045	138	170	Buy	Mining & Industrial Services
14. Lycopodium Limited	LYL	3.420	132	117	Buy	Mining & Industrial Services
15. Neptune Marine Ltd	NMS	0.250	120	153	Speculative Buy	Oil & Gas Services
16. Swick Mining Services Ltd	SWK	0.380	90	139	Speculative Buy	Mining Services (Drilling)
17. VDM Group Limited	VMG	0.360	85	106	Buy	Mining & Civil Construction
18. LogiCamms Limited	LCM	0.850	51	41	Buy	Resource Services
19. Pacific Energy Ltd	PEA	0.270	51	105	Buy	Mining Services / Power
Sub-Total			7,103	7,699		
GRAND TOTAL			46,460	50,912		

Source: IRESS, Hartleys Research. \* 25 Aug 2010

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## Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

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