

Bulletin Resources (ASX: BNR)

PRODUCTION 3-4 MONTHS AFTER FINANCE AT HIGH GRADE LAMBOO GOLD PROJECT

Capital Structure

ASX	BNR
Shares *	98.1 m.
Options	8.9 m.
Price	\$ 0.085
Market cap	\$ 8.3 m.
Net Cash (est) *	\$ 2.5 m.
Resource	0.294 moz
Reserve	0.110 moz
M cap/oz Resource	\$ 28 /oz
M cap/oz Reserve	\$ 76 /oz
Resource EV/oz	\$ 20 /oz

* Post SPP

Value Matrix	\$m.	\$/sh
Lamboo Project	\$17	\$0.09
Exploration	\$6	\$0.03
Cash & New Equity *	\$11	\$0.06
Corporate + Tax losses	-\$5	-\$0.02
	\$29	\$0.15

* assumes \$8m of development equity

Source: Strachan Corp

Board

Philip Retter	Chairman
Martin Phillips	Managing Director
Mike Fitzgerald	Non-Exec Director
Steve Robinson	Non-Exec Director

Fig 1: Project Location



Source: Bulletin

Investment Drivers

- ◆ Bulletin has raised a net ~\$0.68 million to fund drilling on extensions of high-grade targets and has an SPP in the market for an additional \$1.75 million. The work will follow up intercepts such as 2m @ 12.5g/t and 7m @ 4g/t at Nicolson's South, 1m @ 17.9g/t at Nicolson's as well as 2m @ 10.8g/t, 4m @ 12.9g/t and 4m @ 8.4g/t at the Wagtail deposits. Impressive assay results are likely since drilling will be targeting known high-grade trends.
- ◆ High-grade deposits such as Wattle Dam, Cracow and Paulsens have proven to be the foundation stone for their owners, setting shining examples for Bulletin to follow.
- ◆ Bulletin aims to establish gold production at 27,000 oz pa by mid 2013 at its 100% held Lamboo Project. Once debt finance is in place, probably by year's end, existing processing plant and other facilities will be upgraded to process 200,000 tpa of ore defined from within a 261,000 ounce Resource within 1.4 million tonnes grading 5.6g/t gold.
- ◆ Strachan Corporate estimates cash costs of A\$913 per ounce for mining and processing high grade ore Reserves while total costs after all capital amount to \$1,474 per ounce.
- ◆ Strachan Corporate estimates a target NPV valuation of between \$25 and \$35 million for an initial 5 year project, prior to likely exploration success and mine life extension. On an earnings multiple of 5 times estimated net profit, the company is estimated to trade with a market value of \$51 million or 27 cps, which compares favourably with a current market capitalisation of around \$8.5 million.
- ◆ The Lamboo Project is surrounded by historical gold mines, many of which are likely to be candidates for commercial operation at the current gold price. Bulletin has commenced consolidation of projects in the Halls Creek region acquiring 323 Kt of shallow ore, grading 3.2 g/t at the nearby Golden Crown Project.
- ◆ The Company has a skilled Board and management.

Opinion*

Bulletin Resources holds investment appeal for expected exploration results from its Lamboo Project area and an early move into production. A low cost mining operation should generate over \$11 million pa of pre-tax free cash flow to fund further development and regional exploration.

The company trades on an enterprise value per ounce of current gold in Resource of just \$18/oz and \$48 per ounce of Reserves, indicating potential for a re-rating to at least double these multiples once in production. Strachan Corporate believes that ongoing exploration drilling during Q4 '12 below known mineralisation and along strike from defined Resources will add to total Resources.

Peter Strachan.

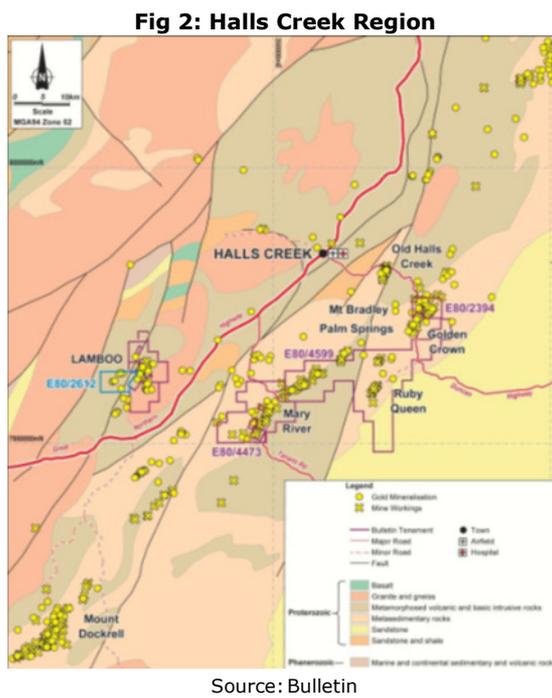
*No recommendation is offered for commissioned research.

Introduction

Bulletin Resources holds 100% interest in a contiguous package of over 400 km² of prospective tenements covering much of the Halls Creek goldfield in the Kimberley Region of Western Australia. The company listed in December 2010, raising \$10 million from an IPO after finalising purchase of the Nicolson's Mine and two additional adjoining Exploration Licences.

The company has gathered a formidable Board and management team. The Chairman has worked on both sides of the financial market as a mining geologist and as a corporate finance executive while the Managing Director is a veteran process engineer, supported on the Board by a long standing operator of a mining contracting services firm with deep knowledge of underground mining operations and processes, as well as a Rhodes Scholar who is a financial economist.

Significant position in Halls Creek Goldfield



Source: Bulletin

Lamboo Project

Bulletin has substantially increased Resources at Nicolson's and adjoining deposits which were subsequently relabelled the Lamboo project. The company has strong credentials. It not only has a Board directed by a veritable brains trust, but it has a functional, 120 Ktpa gold processing plant alongside a gold resource of 1.45 mt grading 5.6 g/t gold, containing 261,000 ounces of gold at the Lamboo project. The company has defined open pit and underground Reserves containing 110,000 ounces of gold at an average grade of 4.6 g/t at Lamboo.

Established, high grade gold deposit

Strachan Corporate considers that open pit and underground operations are likely to extend into areas where there is presently insufficient drilling to establish a firm Reserve estimate. Mineralisation has seen little drilling at below 200 metres depth at the main Nicolson's deposits. Intercepts such as **4m @ 10.9 g/t Au, 2m @ 6.8g/t Au, 7m @ 4g/t Au, 1m @ 17.9 g/t Au** beyond the current Reserve at Nicolson's and Nicolson's South, as well as **4m @ 12.9 g/t Au, 7m @ 7.1 g/t Au and 3m @ 7.6 g/t Au at Wagtail North**, provide encouragement for Strachan Corporate to be confident that at least 145,000 ounces of gold will eventually be accessible from within current Resources. An estimated 110Koz Reserve plus nearby Resources totalling 35Koz will underpin the project's initial 5 year mine life.

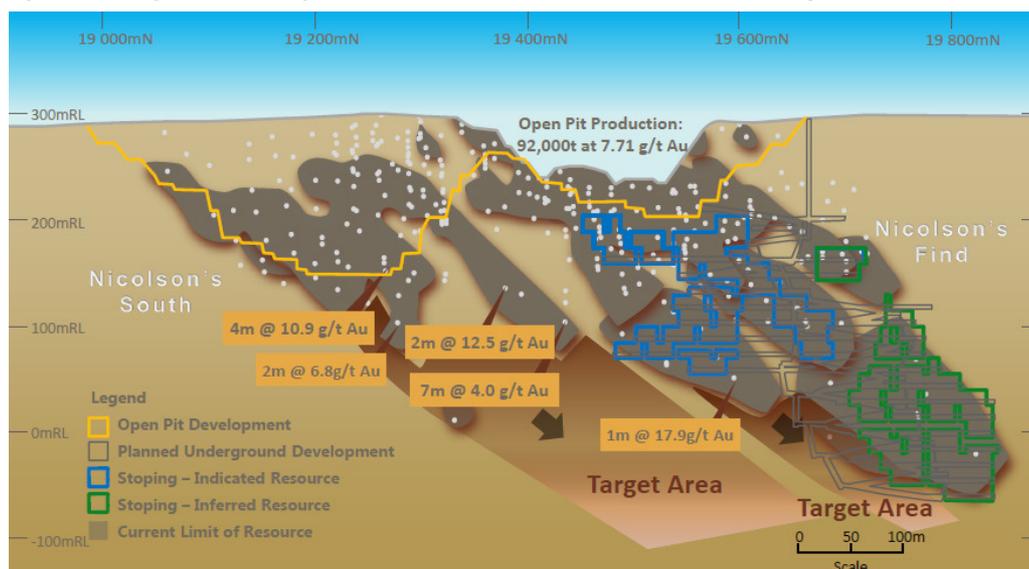
Strong gold price & high grade cancels out small scale operating cost disadvantage

Overall, the project's Resource has an average insitu value of around \$250 per tonne at current gold price. After modest start-up costs and working capital requirements of around \$20 million the project should have adequate financial flexibility and will be strongly leveraged to gold price movement.

Fig 3. Resource Estimate

Deposit	mt	Au	
		g/t	Koz
Nicolson's			
Indicated	0.74	6.3	144
Inferred	0.39	5.8	70
Total	1.13	6.1	214
Rowdies			
Indicated	0.05	4.3	7
Inferred	0.01	4.9	2
Total	0.07	4.5	9
Wagtail			
Indicated	0.24	4.7	35
Inferred	0.02	3.8	2
Total	0.25	4.7	37
Combined			
Indicated	1.03	5.6	183
Inferred	0.42	5.6	74
Lamboo Total	1.45	5.6	261
Golden Crown			
Inferred	0.14	3.80	16.6
Faugh-a-Ballagh			
Inferred	0.19	2.83	17.0

Source: Bulletin

Fig 4. Drilling Data & Projected Resource Location at Nicolson's Deposit

Source: Bulletin

High leverage to gold price

Bulletin has a market capitalisation of just \$8.5 million but at the current gold price its Lamboo project should generate \$23 million of free cash flow after all costs, tax and capital with an NPV of \$17 million.

Strachan Corporate calculates that about 82 Koz of its Resource could be recovered by open pit mining of about 645,000 tonnes of mineralisation while a further 64 Koz might be targeted from 357 Kt of ore from underground mining. Ongoing drilling is likely to expand both open pit potential along strike and underground Resources at depth below known mineralisation, with positive implications for overall corporate valuation.

Low start-up capex

Bulletin trades with a market capitalisation of around \$28 per ounce of gold in Resources when the price of gold is hovering at around A\$1,670 per ounce. The company estimates that the Lamboo project should be in operation within four months of agreeing a finance package. A smooth upgrade and recommissioning of its plant combined with additional success from deep drilling would re-rate the company as a long life project, offering opportunity for plant expansion.

While Bulletin is a small company with ~\$3 million in the bank (post SPP), it now has sufficient cash on hand to continue high impact exploration work while finalising a financial package by the end of the 2012 year. Assuming that finance is in place by 1 January '13, the company aims to re-start operations at a refurbished and re-commissioned processing plant during April '13.

The processing plant has spare crushing and grinding capacity. A planned plant upgrade to 200,000 tpa, involving the addition of low cost leaching capacity will result in significant operating cost reduction, since much of the proposed operating costs will be fixed labour costs.

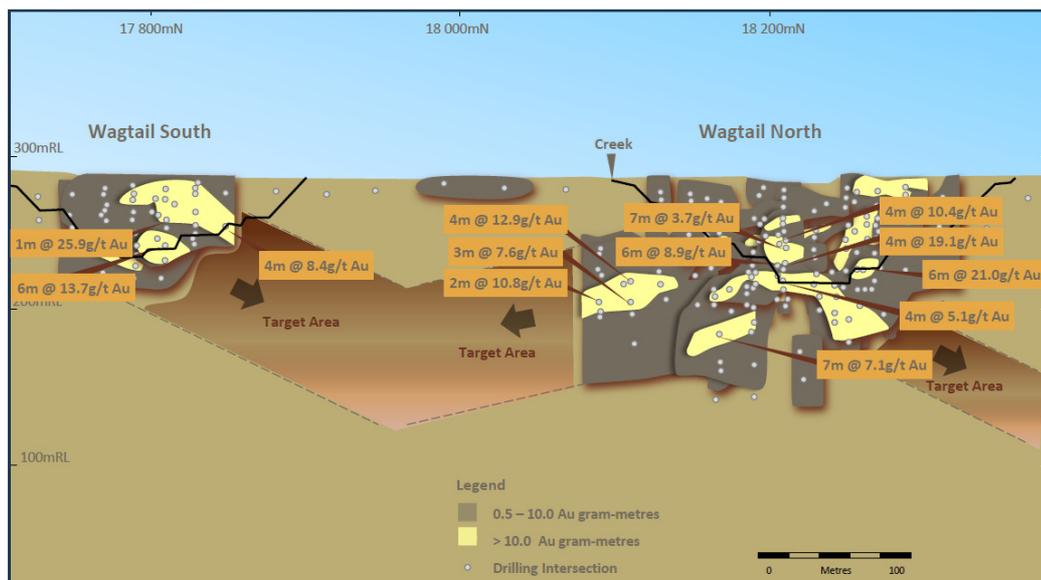
Start-up capital will involve refurbishment and maintenance of the plant, accommodation village, open pit cutback plus initial working capital and tooling up in readiness for commissioning, all of which should be achievable for \$20 million which would largely be repaid within 30 months of operation at an estimated production rate of 25-29,000 oz pa. A further \$8.6 million would be required during year two of project life for establishment of underground mining plus about \$4 million pa of general development capital.

Seeking opportunities for expansion

The company offers exploration upside ahead of the 12/13 wet season and it is fast-tracking towards production once final approvals have been received and financing is complete. All mining leases are granted (pre Native Title) and the environmental footprint is small, so no major infrastructure negotiations are required.

Deeper targets will be drilled during November '12 at main ore bodies along the field and further exploration may be undertaken to the newly discovered Nicolson's North deposit.

Fig 5. Long Section over Wagtail deposits showing potential extensions



Source: Bulletin

*Upside for exploration appeal...
... & regional consolidation or JVs*

At Nicolson’s Find, deep intercepts such as **2 metres grading 9 g/t Au** at about 130 metres depth, along with **4 metres grading 18.2 g/t Au** from around 150 metres and **7 metres at 20 g/t** from just on 100 metres depth, will support a small-scale underground operation. The Rowdies deposit shows multiple ore shoots which could support deeper open pit mining on a broad zone, grading over 10 gram-metres of gold. Similarly at the Wagtail deposit, multiple shoots show promise for a deeper open pit operation, while intersections such as **6 metres grading 21 g/t Au** at about 70 metres depth support underground mining potential.

Regional Opportunities

The company sees an opportunity to establish its mill as a regional hub, drawing on Reserves from projects in its surrounding hinterland, which do not support a processing facility on their own merit. Regional joint ventures and acquisitions will deliver more ore from historical Kimberley goldfields areas, with Bulletin providing exploration input to earn its interest in many occasions.

Rock chip sampling and scout drilling on regional targets on the Lamboo tenements such as Paddock Well and Shifty’s, located 4 km to the southeast of Nicolson’s, have produced promising results and intercepts for follow up work including 5m @ 1.5g/t Au, 2m @ 4.3g/t Au and 3m @ 8.3g/t Au at Shifty’s and at Nicolson’s North a spectacular hit of 12m @ 13.6g/t opens up a 3 kilometre northerly extension along the Hyena trend.

The Golden Crown Project sits 20 kilometres southeast of Halls Creek and about 40 kilometres from the Lamboo Project. Bulletin purchased the permits containing an Inferred Resource of 34,000 ounces of gold within 323,000 tonnes grading 3.2 g/t Au. Drilling in 2013 along a 1,500 metre mineralised strike will aim at validating structural interpretation while seeking to extend mineralisation and support a preliminary mining study. Intercepts such as 3m @ 85.3 g/t, 6m @ 13.6 g/t and 2m @ 93.1 g/t at the Faugh-a-Ballagh deposit and 3m @15.2 g/t, 5m @ 23 g/t and 3m @31.2 g/t at the Golden Crown deposit reveal strong potential for a satellite or even a standalone project.

Financial Evaluation

First pass modelling by Strachan Corporate of the Lamboo project, calculates that production of 145.6 Koz of gold over an initial 5 year project life at a processing rate of 200 Kt pa and an average cash cost of \$913/oz, delivers an EBITDA of \$101 million at a gold price of A\$1,700/oz, with net funds for shareholders of \$23 million, after tax and all costs. After allowing for finance and capital expenditure, total costs should be close to A\$1,474/oz.

Sum of parts, NPV valuation at 16 cps

Fig 6: Valuation Matrix

Value Matrix	\$m.	\$/sh
Lamboo Project	\$17	\$0.09
Exploration	\$6	\$0.03
Cash & New Equity *	\$11	\$0.06
Corporate + Tax losses	-\$5	-\$0.02
	\$29	\$0.16

* assumes \$8m of development equity

Source: Strachan Corporate

Fig 7: Estimated Project Feed

Strachan Corp Estimated Mining	Kt	g/t	Rec	Koz	\$/t		Cost	
					Mine	Mill	\$m	\$/oz
O/Pit	645	4.3	92%	82.0	74	32	68.4	\$ 833
U/Ground	357	5.8	95%	63.6	146	35	64.6	\$1,016
Total	1002			145.6			133.0	\$ 913

Source: Bulletin and Strachan Corporate

Assuming that the company must raise \$8 million of additional equity along with project debt to commission the project, Strachan Corporate estimates a project NPV result of around \$17 million or 9 cents per share for Bulletin shareholders.

A target value of \$61m or 31 cps based on multiple of 6 times earnings estimate

StockAnalysis estimates that the project could push out \$10 million of net profit per year in its early years or roughly 5 cps, depending on final capital structure, valuing the company at \$51 million or 27 cps on a multiple of 5 times earnings, which provides great leverage on the current market capitalisation of ~\$8.5 million, even after allowing for \$15 million of additional equity.

Over the past 10 years the AUD gold price has risen from A\$500 to A\$1,800 per ounce. Continued devaluation of fiat currencies in the wake of the global financial crisis of 2008/09 and subsequent stimulus spending by governments almost guarantees that the price of gold will continue to rise in real terms. Sensitivity analysis indicates that at an average of A\$1,900 per ounce, the Lamboo project would be worth \$32 million or 16 cps fully diluted on an NPV basis, giving a target for a sum-of-the-parts valuation of over 24 cents per share.

Fig 8: Basic Life of Mine Evaluation

Bench-top Financial Evaluation		
\$m		
Years 5.0		
Revenue @ \$1,700 per oz	\$ 248	\$ 247
Royalty 2.5%	-\$ 6.2	-\$ 43 /oz
Operating cost	-\$ 133	-\$ 913 /oz
Admin	-\$ 8	-\$ 52 /oz
EBITDA	\$ 101	
Debt service	-\$ 3.0	-\$ 21
Taxation 30%	-\$ 10	
Net operating Cash	\$ 88	
Initial Capital	-\$ 17	-\$ 117 /oz
Ongoing Capex	-\$ 48	-\$ 330
total cost /oz		\$ 1,474
Net cash flow	\$ 23	

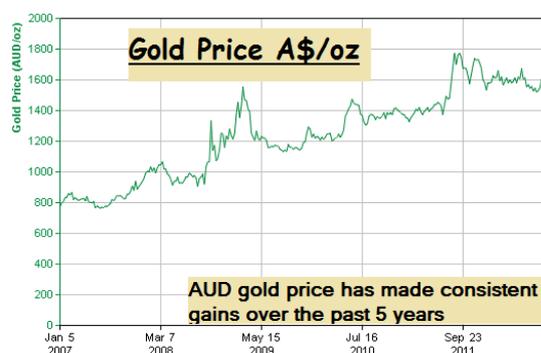
Source: Strachan Corporate

Fig 9: Gold Price Sensitivity

\$1,500	\$1,700	\$1,900	Gold Price A\$/oz
\$3	\$23	\$43	Free Cash Flow
\$2	\$17	\$32	NPV
Per Share (diluted)			
\$0.02	\$0.12	\$0.23	Free Cash Flow
\$0.01	\$0.09	\$0.17	NPV

Source: Strachan Corporate

Fig 10: Gold Price



Board & Management

Philip Retter**Chairman, B App Sc (Hons)**

Phil is an experienced geologist who has worked in the mining, consulting and finance industries. He has held senior positions in gold mining companies, making several discoveries. He has managed the Jakarta office of a large international mining consultancy as well as the Corporate Services division of that consultancy, providing experience in listings and M&A transactions in the Australian, London and Canadian markets.

Martin Phillips**Managing Director, BE (Chem Hons) Grad.Dip, Applied Finance & Investment**

Martin has long experience in the management of mine development and mineral processing operations. Previously he was Manager Business Development for Iluka Resources Limited and has been responsible for a number of large mine developments and minerals processing projects, early stage mine evaluations and feasibility studies through to construction and commissioning. Martin has also previously held roles at Mt Isa Mines and Britannia Refined Metals (UK).

Mick Fitzgerald**Non-Executive Director**

Mick is a contract miner many years of hands-on practical experience in the mining industry. He is a qualified diesel mechanic with a WA Shift Supervisors Certificate and also a Senior Site Executive Certificate of Queensland. He now runs his own mining contracting company.

Steve Robinson**Non-Executive Director, BSc**

Steve is a business strategist and financial economist with 22 years experience across the agribusiness and mining industries. He is a Rhodes Scholar and Director of Lincoln Capital Pty Ltd, a corporate advisory firm providing services predominantly to the mining sector.

Susan Hunter Company Secretary BCom, ACA, F Fin (GDipAFin (SecInst)), MAICD (Dip), ACIS (Dip)

Susan has over 18 years experience in the corporate finance industry. She is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd and is currently Company Secretary for several, Australian Securities Exchange listed companies.

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