

SIRIUS RESOURCES NL

Maiden Bollinger Resource Expected Soon

Sirius Resources NL ("Sirius", "SIR", "Company") continues to report significant nickel and copper mineralisation within the Bollinger deposit. The latest assay results from recent infill drilling confirm more continuous, thick, high-grade mineralisation, with nickel grades over 5% and copper grades over 2%. The resource drill-out is now nearing completion and is expected to be finished in the coming weeks. Once all drill assays have been received Sirius will estimate the maiden resource for the deposit, which could be released as early as July 2013.

Bollinger comprises a central core of massive sulphides overlain by a thick zone of lower grade disseminated sulphides, with the drill coverage over the deposit expected to provide a robust, high confidence resource estimate, which like Nova will have a high proportion of the resource in the Indicated resource category. Our latest view on the potential size for Bollinger, from the currently available drill information, remains unchanged, that being the deposit contains ~5Mt @ 1.8-2.1% Ni and 0.7-0.8 % Cu (ie half the size of Nova at a slightly lower resource grade), which assumes a nickel to copper ratio of ~2.5:1. It should be noted, however, that the deposit remains open to the northeast and to the south and drilling is ongoing.

Our modelling assumes that ~5Mt will come from Bollinger for a combined Nova-Bollinger mining inventory of ~15Mt. Bollinger adds increased scale and/or mine life additions, which will have a positive impact on the overall economics of the project.

Reconnaissance Drilling in the Eye- 50% Remains to be Tested

The Company continues exploring the large gravity anomaly and other targets within the Eye Intrusion. Systematic reconnaissance drilling has now tested ~50% of the prospective area, with drilling continuing to investigate the remaining area over the coming months. Though no significant high-grade (nickel and copper) mineralisation outside Nova and Bollinger has been reported to date, the completed holes provide additional positions for downhole electromagnetic (DHEM) surveying. The DHEM surveys could uncover new conductive anomalies and lead to the next discovery. The area east of Bollinger remains highly prospective and is believed to be the focus of current exploration within the Eye. Two recently completed DHEM holes in this area are awaiting survey results.

Yardilla Drilling to Commence Soon

Heritage clearance has now been completed over the Yardilla electromagnetic (EM) target, which is located ~20km west of Nova. Yardilla has a conductive response as strong as Nova, but is twice as long as Nova (conductive response over 3.3km). Drilling of this anomaly can commence once the Mines Department approves the program of work (POW), which is expected to take a few weeks. Following approval, the target is likely to be tested in the coming months (potentially late June).

Valuation \$3.93/s ; Maintain Buy Recommendation

Nova represents a robust project development with low technical risk, with Bollinger adding a new dimension for increased scale. Our sum of parts valuation for Sirius is \$3.93/share. We maintain our Buy recommendation on the Company, with a Price Target of \$4.35/s.

23 May 2013

Share Price	\$2.600
Valuation	\$3.93
Price Target - 12 months	\$4.35

Brief Business Description:

Nickel, copper and gold explorer/developer.

Hartleys Brief Investment Conclusion

New major nickel-copper discoveries (Nova and Bollinger). Drilling continues to extend mineralisation with more targets to be tested. Province scale. Robust maiden resource delivered for Nova.

Chairman & MD

Jeff Dowling (Non-Exec Chairman)

Mark Bennett (Managing Director)

Top Shareholders

Yandal Investments (Mark Creasy) 20.3%

Company Address

Unit 5, 5 Mumford Place

Balcatta, WA, 6021

Issued Capital 224.6m

- fully diluted 263.7m

Market Cap A\$584.0m

- fully diluted A\$685.6m

Cash (est) A\$50.0m

Debt (est) A\$0.0m

EV A\$534.0m

	FY15e	FY16e	FY17e
Payable NiEq (Kt)	12.7	25.2	25.0
Cash Costs (\$/lb)	1.7	1.7	1.7
Op Cash Flw	105.7	231.7	251.7
NPAT	80.5	201.0	226.5
CF/Share (cps)	40.1	85.6	96.6
EPS (cps)	30.9	72.2	80.6
P/E	8.4	3.6	3.2
	Ni	Cu	NiEq
Resources (Kt) -100%	242	100	275
Resources (Kt) -70%	169	70	193



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Hartleys has assisted in capital raisings in the past 12 months for Sirius for which it has earned fees.

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Sirius, for which it earns fees. The analyst has a beneficial interest in SIR shares.

SUMMARY MODEL

Sirius Resources NL							Share Price		23 May 2013		
SIR							\$2.600		Buy		
Key Market Information											
Share Price							\$2.600				
Market Capitalisation - ordinary							A\$584m				
Net Debt (cash)							-\$50m				
Market Capitalisation - fully diluted							A\$686m				
EV							A\$616m				
Issued Capital							224.6m				
Options							39.1				
Issued Capital (fully diluted inc. all options)							263.7m				
Issued Capital (fully diluted inc. all options and new capital)							284.0m				
Valuation							\$3.93				
12month price target							\$4.35				
P&L	Unit	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16					
Net Revenue	A\$m	0.0	0.0	0.0	175.2	361.9					
Total Costs	A\$m	-1.7	-3.0	-3.6	-62.3	-122.7					
EBITDA	A\$m	-1.7	-3.0	-3.6	112.9	239.2					
- margin		-	-	-	64%	66%					
Depreciation/Amort	A\$m	0.0	-2.4	-11.2	-31.2	-44.6					
EBIT	A\$m	-1.7	-5.4	-14.8	81.7	194.6					
Net Interest	A\$m	0.2	1.8	1.4	-1.2	6.4					
Pre-Tax Profit	A\$m	-1.5	-3.7	-13.4	80.5	201.0					
Tax Expense	A\$m	0.0	0.0	0.0	0.0	0.0					
Normalised NPAT	A\$m	-1.5	-3.7	-13.4	80.5	201.0					
Abnormal Items	A\$m	0.0	0.0	0.0	0.0	0.0					
Reported Profit	A\$m	-1.5	-3.7	-13.4	80.5	201.0					
Minority	A\$m	0	0.0	0.0	0.0	0.0					
Profit Attrib	A\$m	-1.5	-3.7	-13.4	80.5	201.0					
Balance Sheet	Unit	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16					
Cash	A\$m	1.7	44.9	45.0	118.8	324.2					
Other Current Assets	A\$m	0.2	0.5	0.6	12.6	25.1					
Total Current Assets	A\$m	1.9	45.4	45.6	131.5	349.3					
Property, Plant & Equip.	A\$m	0.1	-2.3	136.5	315.2	270.7					
Exploration	A\$m	12.9	38.2	51.5	59.9	68.3					
Investments/other	A\$m	0.0	0.0	0.0	0.0	0.0					
Tot Non-Curr. Assets	A\$m	13.0	35.8	188.0	375.1	338.9					
Total Assets	A\$m	14.9	81.2	233.5	506.6	688.3					
Short Term Borrowings	A\$m	-	-	-	-	-					
Other	A\$m	0.2	0.3	0.4	5.2	10.2					
Total Curr. Liabilities	A\$m	0.2	0.3	0.4	5.2	10.2					
Long Term Borrowings	A\$m	-	-	100.0	268.9	243.4					
Other	A\$m	-	-	-	-	-					
Total Non-Curr. Liabil.	A\$m	-	-	100.0	268.9	243.4					
Total Liabilities	A\$m	0.2	0.3	100.4	274.1	253.6					
Net Assets	A\$m	14.7	80.9	133.2	232.5	434.7					
Net Debt	A\$m	-1.7	-44.9	55.0	150.1	-80.8					
Cashflow	Unit	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16					
Operating Cashflow	A\$m	-0.8	-2.8	-3.7	105.7	231.7					
Income Tax Paid	A\$m	0.0	0.0	0.0	0.0	0.0					
Interest & Other	A\$m	0.3	1.8	1.4	-1.2	6.4					
Operating Activities	A\$m	-0.5	-1.1	-2.3	104.5	238.1					
Property, Plant & Equip.	A\$m	0.0	0.0	-150.0	-210.0	0.0					
Exploration and Devel.	A\$m	-3.9	-25.3	-13.3	-8.4	-8.4					
Other	A\$m	0.0	0.0	0.0	0.0	0.0					
Investment Activities	A\$m	-3.9	-25.3	-163.3	-218.4	-8.4					
Borrowings	A\$m	0.0	0.0	100.0	168.9	-25.5					
Equity or "tbc capital"	A\$m	0.0	69.6	65.7	18.8	1.2					
Dividends Paid	A\$m	0.0	0.0	0.0	0.0	0.0					
Financing Activities	A\$m	0.0	69.6	165.7	187.8	-24.3					
Net Cashflow	A\$m	-4.4	43.2	0.1	73.9	205.4					
Shares	Unit	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16					
Ordinary Shares - End	m	175.8	223.4	243.7	277.3	279.3					
Ordinary Shares - Weighted m		163.4	199.6	233.6	260.5	278.3					
Diluted Shares - Weighted m		182.9	238.7	272.6	282.8	282.8					
Ratio Analysis	Unit	30 Jun 12	30 Jun 13	30 Jun 14	30 Jun 15	30 Jun 16					
Cashflow Per Share	A\$ cps	-0.3	-0.5	-1.0	40.1	85.6					
Cashflow Multiple	x	-839.5	-473.6	-264.8	6.5	3.0					
Earnings Per Share	A\$ cps	-0.9	-1.8	-5.7	30.9	72.2					
Price to Earnings Ratio	x	-277.6	-141.3	-45.3	8.4	3.6					
Dividends Per Share	AUD	-	-	-	-	-					
Dividend Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%					
Net Debt / Net Debt + Equity	%	-13%	-125%	29%	39%	-23%					
Interest Cover	X	8.8	3.1	10.7	66.8	na					
Return on Equity	%	na	na	na	35%	46%					
Analyst: Mike Millikan							Last Updated: 23/05/2013				
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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											

Directors		Company Information					
Jeff Dowling (Non-Exec Chairman)		Unit 5, 5 Mumford Place					
Mark Bennett (Managing Director)		Balcatta, WA, 6021					
Jeff Foster (Technical Director)		+61 8 9240 8914					
Terry Grammer (Non-Exec Director)		+61 8 9240 8915					
		www.siriusresources.com.au					
Top Shareholders		m shares	%				
Yandal Investments Pty Ltd (Mark Creasy)		41.23m	20.3%				
Reserves & Resources		Mt	Ni%	Cu%	Co%	N eq %	
Nova	JORC	10.2	2.4%	1.0%	0.08%	2.7%	
Bollinger	Non- JORC	5	1.8-2.1%	0.7%-0.8%	0.0%	2.5%	
Production Summary		Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Mill Throughput	Mt	0.75	1.50	1.50	1.50	1.50	
Strip Ratio	x	0.0	0.0	0.0	0.0	0.0	
Mined grade Ni	%	2.1%	2.1%	2.1%	2.1%	2.1%	
Mined grade Ni eq	%	2.4%	2.4%	2.4%	2.4%	2.4%	
Payable Nickel	kt	10.1	20.3	20.3	20.3	20.3	
Payable Nickel Equiv	kt	12.7	25.2	25.0	24.7	24.4	
- equiv realised grade	%	2.6%	2.6%	2.6%	2.6%	2.5%	
M&I Resource Conversion	%	nm	nm	nm	nm	nm	
Mine Life	yr	9.8	8.8	7.8	6.8	5.8	
Assumed Reserve	Mt	14.6	13.1	11.6	10.1	8.6	
Assumed Reserve - Ni grade	%	2.1%	2.1%	2.1%	2.1%	2.1%	
Assumed Reserve - Cu grade	%	0.9%	0.9%	0.9%	0.9%	0.9%	
Costs		Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Cost per milled tonne	\$/t	91	91	91	91	91	
EBITDA / tonne milled ore	\$/t	151	159	168	168	154	
C1: Operating Cash Cost = (a)	\$/lb Ni eq	1.7	1.7	1.7	1.8	1.8	
(a) + Royalty = (b)	\$/lb Ni eq	2.0	2.0	2.1	2.1	2.1	
C2: (a) + depreciation & amortisation = (c)	\$/lb Ni eq	2.8	2.5	2.6	2.6	2.7	
(a) + actual cash for development = (d)	\$/lb Ni eq	9.5	1.9	1.9	1.9	1.9	
C3: (c) + Royalty	\$/lb Ni eq	3.1	2.8	2.9	3.0	3.0	
(d) + Royalty	\$/lb Ni eq	9.8	2.2	2.2	2.3	2.3	
Price Assumptions		Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
AUD/USD	A\$/US\$	1.02	1.02	1.01	0.95	0.90	
Nickel	US\$/lb	8.8	9.4	9.9	9.6	9.1	
Copper	US\$/lb	3.5	3.4	3.4	3.1	2.7	
Cobalt	US\$/lb	14.8	14.9	15.1	14.1	13.2	
Hedging		Unit					
Sensitivity Analysis							
Base Case		Valuation	FY15 NPAT				
		3.93	80.5				
Spot Prices		2.74 (-30.3%)	54.1 (-32.8%)				
Spot USD/AUD 0.96, Nickel \$6.9/lb, Copper \$3.4/lb, Cobalt \$12.4/lb.							
AUD/USD +/- 3.43 / 4.54 (-12.8% / 15.5%)		64.6 / 99.9 (-19.7% / 24.1%)					
Nickel +/-10.4.38 / 3.48 (11.4% / -11.4%)		94.3 / 66.7 (17.1% / -17.1%)					
Copper +/-14.01 / 3.85 (2.0% / -2.0%)		83.3 / 77.6 (3.5% / -3.5%)					
Cobalt +/-10.3.95 / 3.91 (0.6% / -0.6%)		81.3 / 79.7 (1.0% / -1.0%)					
Production +3.93 / 3.93 (0.0% / 0.0%)		80.5 / 80.5 (0.0% / 0.0%)					
Operating Cc 3.93 / 3.93 (0.0% / 0.0%)		80.5 / 80.5 (0.0% / 0.0%)					
Unpaid Capital		No. (m)	\$m	Avg price	% ord		
Year Expires		0.0	0.0	0.00	0%		
30-Jun-12		0.0	0.0	0.00	0%		
30-Jun-13		0.0	0.0	0.00	0%		
30-Jun-14		0.0	0.0	0.00	0%		
30-Jun-15		33.6	18.8	0.56	15%		
30-Jun-16		2.0	1.2	0.60	1%		
TOTAL		35.6	20.0	0.56	16%		
Valuation							
70% Nova+Bollinger (pre-tax NAV at disc. rate of 12%)						1110.3	3.91
Other Assets/Exploration						100.0	0.35
Forwards						0.0	0.00
Corporate Overheads						-54.1	-0.19
Net Cash (Debt)						50.0	0.18
Tax (NPV / future liability)						-120.3	-0.42
Options & Other Equity						30.5	0.11
Total						1116.4	3.93

Directors	Company Information
Jeff Dowling (Non-Exec Chairman)	Unit 5, 5 Mumford Place
Mark Bennett (Managing Director)	Balcatta, WA, 6021
Jeff Foster (Technical Director)	+61 8 9240 8914
Terry Grammer (Non-Exec Director)	+61 8 9240 8915

www.siriusresources.com.au

Top Shareholders	m shares	%
Yandal Investments Pty Ltd (Mark Creasy)	41.23m	20.3%

Reserves & Resources	Mt	N%	Cu%	Co%	Neq %
Nova JORC	10.2	2.4%	1.0%	0.08%	2.7%
Bollinger Non- JORC	5	1.8-2.1%	0.7%-0.8%	0.0%	2.5%

Production Summary	Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Mill Throughput	Mt	0.75	1.50	1.50	1.50	1.50
Strip Ratio	x	0.0	0.0	0.0	0.0	0.0
Mined grade Ni	%	2.1%	2.1%	2.1%	2.1%	2.1%
Mined grade Ni eq	%	2.4%	2.4%	2.4%	2.4%	2.4%
Payable Nickel	kt	10.1	20.3	20.3	20.3	20.3
Payable Nickel Equiv	kt	12.7	25.2	25.0	24.7	24.4
- equiv realised grade	%	2.6%	2.6%	2.6%	2.6%	2.5%
M&I Resource Conversion	%	nm	nm	nm	nm	nm
Mne Life	yr	9.8	8.8	7.8	6.8	5.8
Assumed Reserve	Mt	14.6	13.1	11.6	10.1	8.6
Assumed Reserve - Ni grade	%	2.1%	2.1%	2.1%	2.1%	2.1%
Assumed Reserve - Cu grade	%	0.9%	0.9%	0.9%	0.9%	0.9%

Costs	Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
Cost per milled tonne	\$A/t	91	91	91	91	91
EBITDA / tonne milled ore	\$A/t	151	159	168	168	154

C1: Operating Cash Cost = (a)	\$A/lb Ni eq	1.7	1.7	1.7	1.8	1.8
(a) + Royalty = (b)	\$A/lb Ni eq	2.0	2.0	2.1	2.1	2.1
C2: (a) + depreciation & amortisation = (c)	\$A/lb Ni eq	2.8	2.5	2.6	2.6	2.7
(a) + actual cash for development = (d)	\$A/lb Ni eq	9.5	1.9	1.9	1.9	1.9
C3: (c) + Royalty	\$A/lb Ni eq	3.1	2.8	2.9	3.0	3.0
(d) + Royalty	\$A/lb Ni eq	9.8	2.2	2.2	2.3	2.3

Price Assumptions	Unit	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19
AUD/USD	A\$/US\$	1.02	1.02	1.01	0.95	0.90
Nickel	US\$/lb	8.8	9.4	9.9	9.6	9.1
Copper	US\$/lb	3.5	3.4	3.4	3.1	2.7
Cobalt	US\$/lb	14.8	14.9	15.1	14.1	13.2

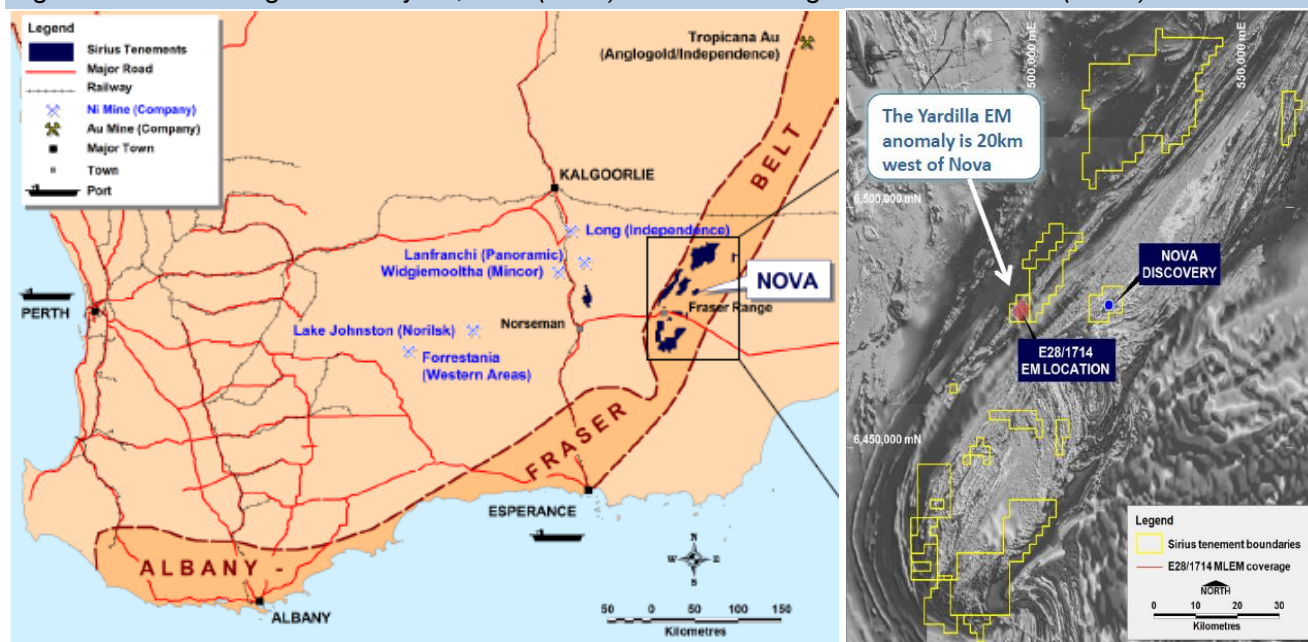
Hedging	Unit
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Sensitivity Analysis	Valuation	FY15 NPAT
Base Case	3.93	80.5
Spot Prices: 2.74 (-30.3%)		54.1 (-32.8%)
Spot USD/AUD 0.96, Nickel \$6.9/lb, Copper \$3.4/lb, Cobalt \$12.4/lb.		
AUD/USD +/- 3.43 / 4.54 (-12.8% / 15.5%)		64.6 / 99.9 (-19.7% / 24.1%)
Nickel +/- 10.438 / 3.48 (11.4% / -11.4%)		94.3 / 66.7 (17.1% / -17.1%)
Copper +/- 1.401 / 3.85 (2.0% / -2.0%)		83.3 / 77.6 (3.5% / -3.5%)
Cobalt +/- 10.395 / 3.91 (0.6% / -0.6%)		81.3 / 79.7 (1.0% / -1.0%)
Production +/- 3.93 / 3.93 (0.0% / 0.0%)		80.5 / 80.5 (0.0% / 0.0%)
Operating Cc 3.93 / 3.93 (0.0% / 0.0%)		80.5 / 80.5 (0.0% / 0.0%)

Unpaid Capital	No. (m)	\$m	Avg price	% ord
Year Expires				
30-Jun-12	0.0	0.0	0.00	0%
30-Jun-13	0.0	0.0	0.00	0%
30-Jun-14	0.0	0.0	0.00	0%
30-Jun-15	33.6	18.8	0.56	15%
30-Jun-16	2.0	1.2	0.60	1%
TOTAL	35.6	20.0	0.56	16%

Valuation		
70% Nova+Bollinger (pre-tax NAV at disc. rate of 12%)	1110.3	3.91
Other Assets/Exploration	100.0	0.35
Forwards	0.0	0.00
Corporate Overheads	-54.1	-0.19
Net Cash (Debt)	50.0	0.18
Tax (NPV future liability)	-120.3	-0.42
Options & Other Equity	30.5	0.11
Total	1116.4	3.93

Fig. 1: Fraser Range JV Project, WA (LHS): Yardilla Target West of Nova (RHS)

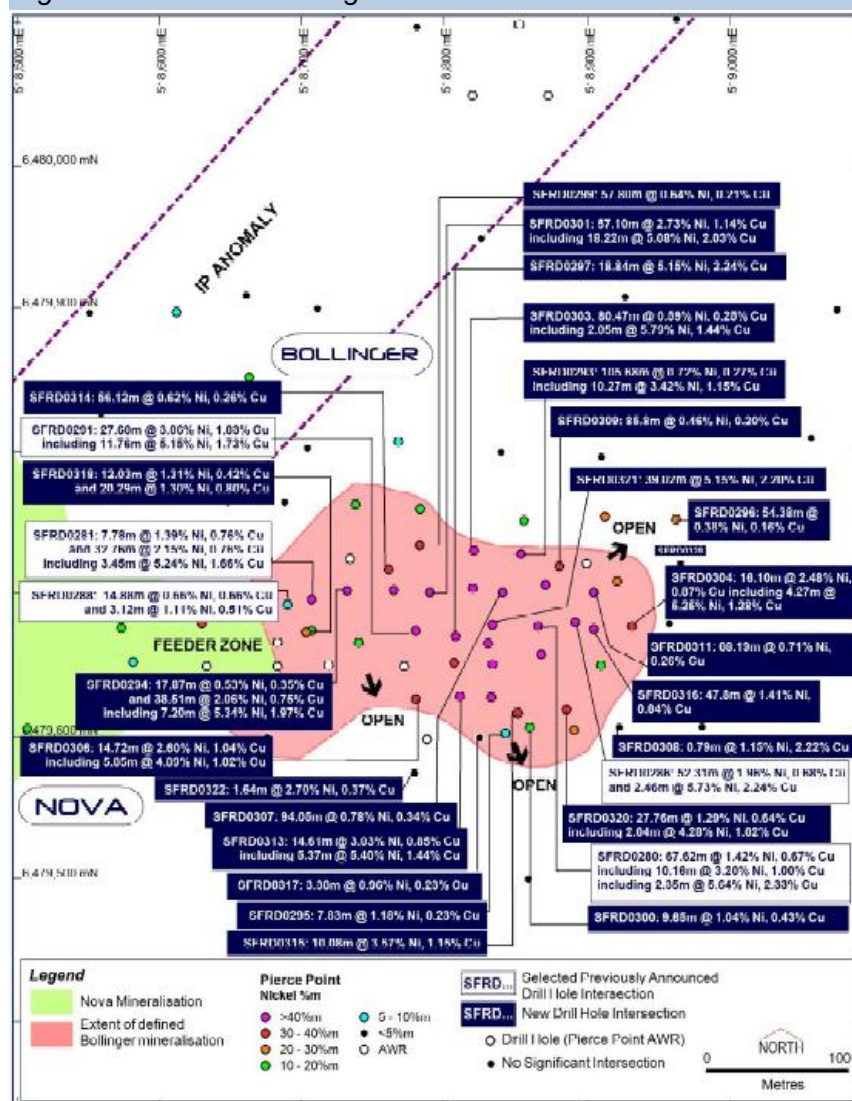


Source: Sirius Resources NL

Fig. 2: Nova- Bollinger with Latest Drill Results

Mineralisation at Nova and Bollinger spans over 1km

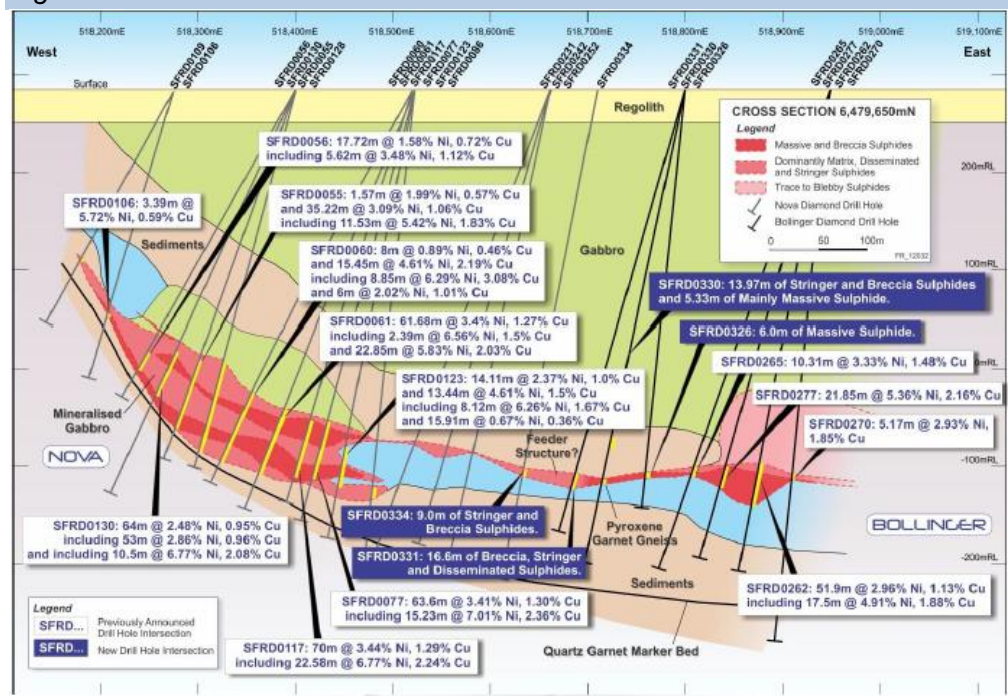
Bollinger footprint over 250m x 250m, but remains open to the northeast and south



Source: Sirius Resources NL

SIR continues to define the limits of mineralisation at Bollinger

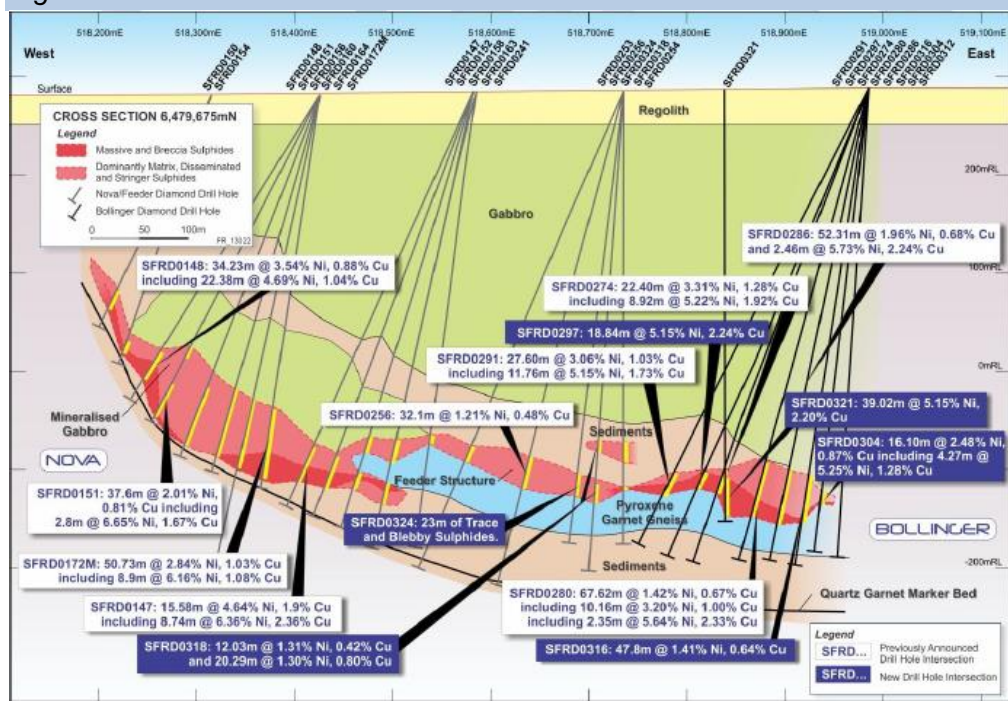
Fig. 3: Cross Section for the 650N Line



Source: Sirius Resources NL

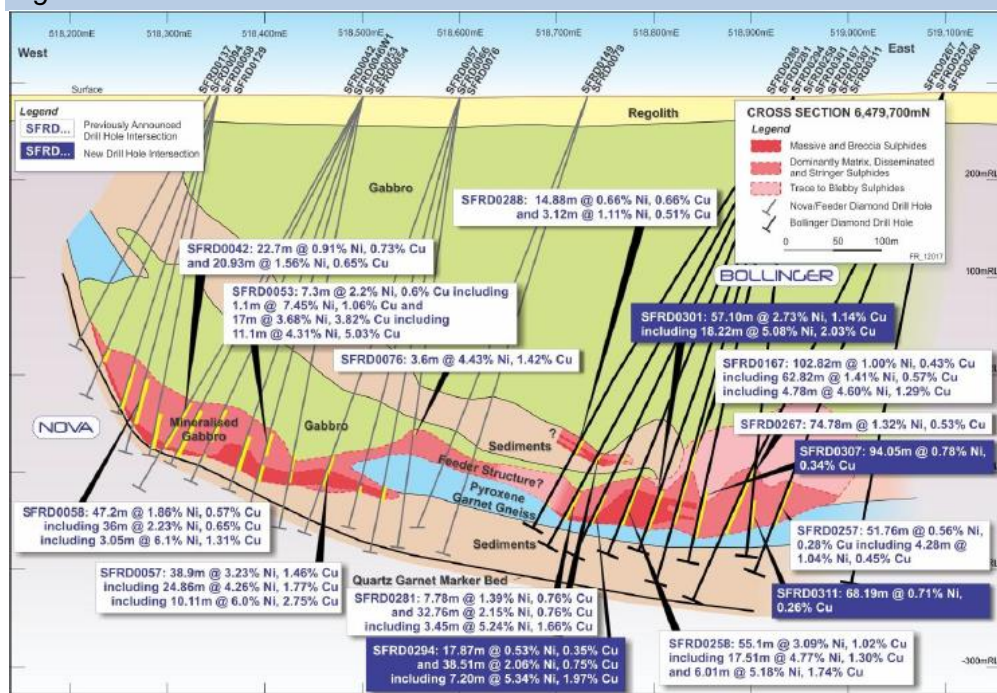
Zones of higher grade are being in-filled at a ~25m x ~25m spacing to enable a new resource estimation and inclusion in the Feasibility Study (FS) into the project development

Fig. 4: Cross Section for the 675N Line



Source: Sirius Resources NL

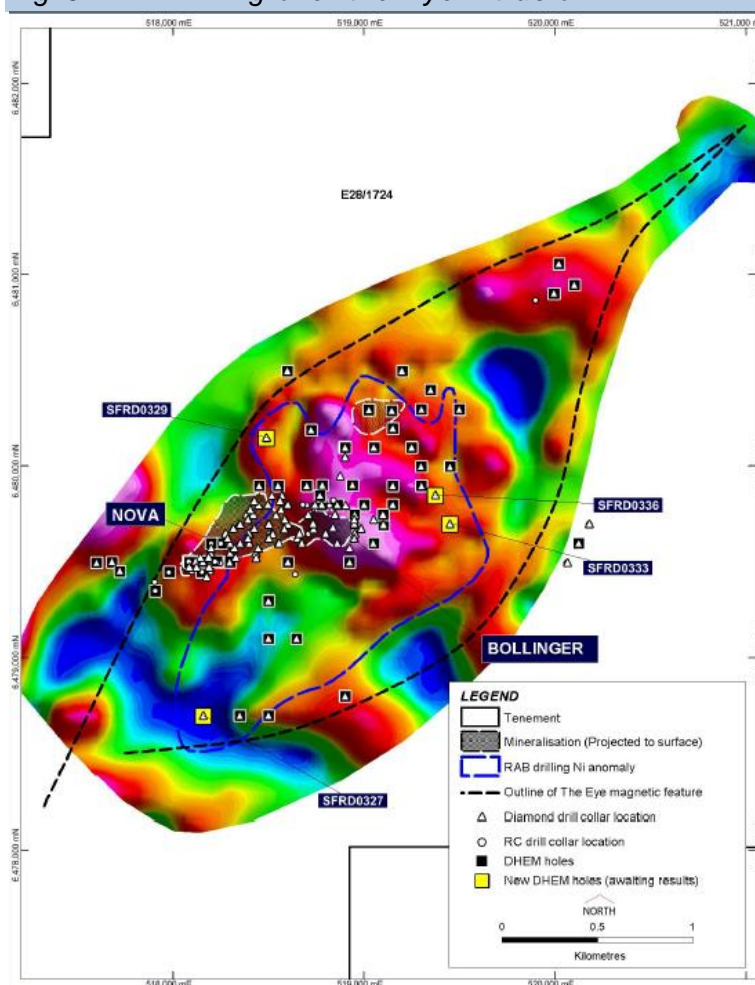
Fig. 5: Cross Section for the 700N Line



Source: Sirius Resources NL

SIR has completed downhole electromagnetic (DHEM) surveys on some reconnaissance holes drilled within the Eye intrusion but many holes remain to be surveyed

Fig. 6: Drilling over the Eye Intrusion



Source: Sirius Resources NL

Systematic reconnaissance drilling has now tested ~50% of the prospective area, with drilling continuing to investigate the remaining area

The area to the east of Bollinger remains highly prospective and will be tested in the coming months

Valuation

Nova represents a robust project development with low technical risk. Our modelling incorporates some additional tonnes to come in from Bollinger and we have adjusted our mining inventory to be ~15Mt at estimated mined nickel grades of 2.0-2.3% Ni and 0.8-1.0% Cu, for contained nickel tonnes ~345Kt and contained copper tonnes ~150Kt. With the increase in tonnes we have increased our estimated mine scale to 1.5Mtpa (up from 1.0Mtpa).

We use recoveries of 92% for the nickel and copper as separate saleable concentrates with strong copper payabilities (Fig.7). Nova and Bollinger have the dimensions to support sub-level open stoping underground mining with paste fill used to fill voids to enable close to full ore body extraction. The scale of mining (up to 90m high open stopes in parts) and high recoveries (conventional flotation with expected low reagent use) bodes well for low operating costs, which we forecast to be around \$90/t, which implies cash costs in the order of \$1.7/lb of NiEq. We estimate capital costs (yet to be scoped) in the order of A\$500m, but note that Sandfire's De Grussa Copper Project (which cost just below A\$400m for a similar size operation). A summary of cash costs are provided in Fig.8.

Assumed project scale of 1.5Mtpa, still yet to be scoped

Fig. 7: Nova- Bollinger Key Assumptions

Assumptions Used in Modelling		~15.0Mt
Mining Method	Type	UG, sub-level open stope
Mining Inventory	Mt	15
Nickel Grade	%	2.0-2.3
Copper Grade	%	0.8-1.0
Mine Scale	Mtpa	1.5
Mine Life	Years	10
Recoveries – Ni & Cu	%	92
Payabilities - Ni	%	70
Payabilities- Cu	%	90
Payable Nickel (ave)-100%	Ktpa	~20
Payable Copper (ave)-100%	Ktpa	~11
Capex (est)- 100%	\$m	520
Capex (est)- 70%	\$m	360
Opex per tonne (est)	\$/t	91
Opex per pound (NiEq)	\$/lb	1.7

Source: Hartleys Research Estimates

We use a discount rate of 12%. At this stage we have not added cobalt credits, or other metal credits which are possible. Our nickel and copper price assumptions are summarised in Fig 9.

Fig. 8: Nova-Bollinger – Cash Cost Summary

Costs	Unit	Jun 15	Jun 16	Jun 17	Jun 18
Cost per milled tonne	\$/t	91	91	91	91
EBITDA / tonne milled ore	\$/t	153	162	172	163
C1: Operating Cash Cost = (a)	\$/lb NiEq	1.7	1.7	1.8	1.8
(a) + Royalty = (b)	\$/lb NiEq	2.0	2.0	2.1	2.1
C2: (a) + D&A = (c)	\$/lb NiEq	2.8	2.5	2.6	2.6
(a) + development = (d)	\$/lb NiEq	9.5	1.9	1.9	1.9
C3: (c) + Royalty	\$/lb NiEq	3.1	2.8	2.9	3.0
(d) + Royalty	\$/lb NiEq	9.8	2.2	2.2	2.3

Source: Hartleys Research Estimates

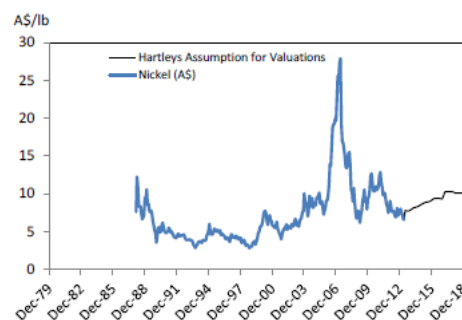
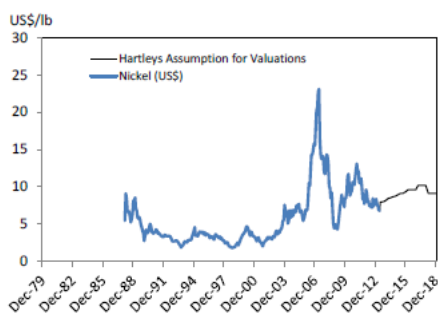
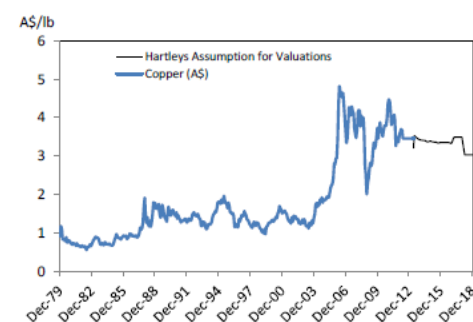
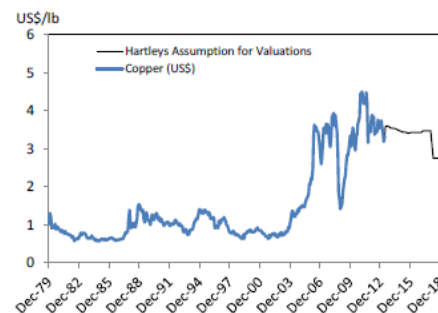
Our C1 cash costs estimates are ~\$1.7/lb for total cash costs (C3) of ~\$2.9/lb

Fig. 9: Sirius Resources Preliminary Valuation

Corporate Valuation	\$m	\$/per shr
70% Nova+Bollinger (pre-tax NAV @ 12%)	1110.3	3.91
Other Assets/Exploration outside N&B	100	0.35
Forwards	0.0	0.00
Corporate Overheads	-54.1	-0.19
Net Cash (Debt)	50.0	0.18
Tax (NPV future liability)	-120.3	-0.42
Options & Other Equity	30.5	0.11
Total	1116.4	3.93

Source: Hartleys Research Estimates

We assume at this stage project interest will be 70% at the mining stage but this may change after the BFS is delivered. Our valuation is based on a fully funded model, which assumes a 70:30 debt to equity split.

Fig. 10: Nickel and Copper Price Assumptions**Nickel****Copper**

Source: Hartleys Research Estimates; IRESS

Fig. 11: Price Target

Price Target Methodology	Weighting	23/05/2013	12 Month
Nova+Bollinger NPV@12% - 15Mt	84%	\$3.91	\$4.11
Nova+Bollinger+Other Targets NPV@14% - 20Mt	10%	\$5.15	\$5.25
Nova+Bollinger+Other Targets NPV@14% - 25Mt	3%	\$6.58	\$6.91
Nova+Bollinger+Other Targets NPV@14% - 30Mt	2%	\$8.02	\$8.42
Cash Backing	1%	\$0.19	\$0.23
Risk weighted composite		\$4.16	
12 Months Price Target		\$4.35	
Shareprice - Last		\$2.600	
12 mth total return (% to 12mth target + dividend)		67%	

Source: Hartleys Research Estimates

Our sum of parts
Sirius valuation is
A\$1,116m or
\$3.93/share which is
based on a fully
funded model at a
70:30 Debt to Equity
mix for the Fraser
Range (Nova-
Bollinger)
development

Our forecast metal
prices tend to be
close to, and move in
the same direction as,
sell-side consensus

We have a 12-month
Price Target of
\$4.35/share which
attributes some risked
value to the other
conductors
surrounding Nova and
Bollinger, which are
still to be drilled/or
are currently being
drilled

Risks

Key risks include defining ore reserve and progressing feasibility studies towards development at Nova-Bollinger

Key risks for Sirius include delineating an initial mineral resource for Bollinger, and converting the resource to ore reserve, progressing feasibility studies towards development of Nova-Bollinger (and the other targets yet to be drilled). At this stage the Company is still in the deposit definition stage for Bollinger, with a maiden resource delivered for Nova. The project's economic viability is still yet to be determined. Assuming a feasible project, funding would be required which adds more risk to the potential development. Nova and Bollinger at this stage appear to be of sufficient size and grade to warrant future development. Key assumptions and risks for our valuation are summarised below.

Fig. 12: Key assumptions and risks for valuation

Assumption	Risk of not realising assumption	Downside risk to valuation if assumption is incorrect	Comment
Resource Size and Grade	Moderate	Moderate - High	The Nova resource has been used in our modelling with additional tonnes at a slightly lower grade expected to come from Bollinger. Moderate-High downside risk exists to our valuation if our assumption for increased tonnes from Bollinger are incorrect.
Project will be Feasible	High	Extreme	With no reserve (yet) but favourable metallurgical testwork, we assume project milestones will be achieved and that the FS will be positive.
Good Recoveries and Payabilities	Low	Moderate	We expect favourable metallurgy, high recoveries and high payabilities (little or no penalties)
Significant capex requirement	High	High	Capital requirements are expected to be between \$450-500m and there is risk that SIR will not be able to fund project development. Though we expect the FS will ultimately be Bankable.
Low operating costs	High	High	Assuming good grade and tonnes, operating costs are likely to be low due to the use of bulk underground mining methods and strong credits.
Commodity prices will meet forecast	Moderate	Moderate - High	We use long-term consensus prices for our commodity price assumptions, we believe these price forecasts are conservative
Conclusion	<i>While the assumptions we have used are reasonable, we consider some assumptions as moderate to high risk and the consequential reduction to our valuation would be significant if they were not achieved.</i>		

Source: Hartleys Research

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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	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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