



PRICE TARGET REVISION | COMMENT

AUGUST 25, 2009

Extract Resources Limited (ASX: EXT; TSX: EXT)
Extract Tops Up the Till; Increasing Target to \$12

Outperform
Speculative Risk

Price:	9.73	Price Target:	12.00 ↑ 11.50
Shares O/S (MM):	240.8	Implied All-In Return:	23%
Dividend:	0.00	Market Cap (MM):	2,343
NAVPS:	9.48	Yield:	0.0%
BVPS:	0.69	P/NAVPS:	1.0x
Float (MM):	87.1	P/BVPS:	14.1x
Institutional Ownership:	65%		

Priced at market close August 25, 2009 Australian Eastern Standard Time.

Event

Extract raising \$91M. We are increasing our target price to \$12.

Investment Opinion

On August 25, 2009, Extract Resources announced it is raising \$91 million by way of a two-part equity issue comprising a non-renounceable pro-rata offer to certain eligible shareholders and a private placement to accredited institutional investors.

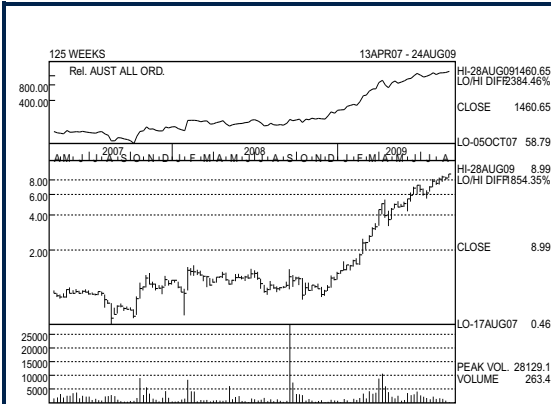
The equity raising consists of:

- Entitlement Offer (\$50.7 mm)** – A 1:35, non-renounceable, pro-rata offer of Extract ordinary shares (New Shares) at an issue price of \$7.75 per share; and
 - Placement (\$40.3 mm)** – A private placement of 5.2 million special warrants at an issue price of \$7.75 per special warrant. The placement will be made outside of Australia (mainly in Canada and the United States).
- The company has stated that the proceeds from the two issues will be used to accelerate exploration activities at the Rössing South project, to complete the Definitive Feasibility Study (DFS) and for other general corporate purposes.
 - We expect this issue, although not large relative to Extract's market capitalization, to improve trading liquidity on the TSX.
 - The three major shareholders of Extract (Kalahari Minerals, Rio Tinto and Polo Resources) have agreed to take their pro rata share of the Entitlement offer.**
 - After this equity issue is closed, we believe Extract will have sufficient funds to carry out its exploration activities as well as its DFS. We estimate the company will have \$105 million of cash at the end of December 2009.
 - Our valuation includes a future equity issue of \$650 million in 2011 to fund the construction of Rössing South. We are now assuming that these funds are raised at \$10.00 per share compared to \$8.00 per share, previously.

We are increasing our target for Extract to \$12.00 per share, up from \$11.50, previously. We continue to believe that the Rössing South project is among the best uranium development projects in the world and that, because of its size, high grade, exploration potential and location in Namibia (where uranium mine permitting is efficient), **it will be highly sought after by every major current or prospective uranium producer.** Our rating remains Outperform, Speculative Risk.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 7.



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FY Jun	2008A	2009E	2010E	2011E
Adj EPS - FD	(0.07)	(0.11)	(0.09)	(0.15)
P/AEPS	NM	NM	NM	NM
Adj CFPS - FD	(0.06)	(0.10)	(0.09)	(0.15)
P/ACFPS	NM	NM	NM	NM
Adj EPS - FD		H1		H2
2008		(0.03)A		(0.04)A
2009		(0.06)A		(0.05)E
2010		(0.05)E		(0.05)E
2011		(0.06)E		(0.08)E
Adj CFPS - FD				
2008		(0.03)A		(0.03)A
2009		(0.06)A		(0.05)E
2010		(0.04)E		(0.04)E
2011		(0.06)E		(0.08)E

All values in AUD unless otherwise noted.

Overview

On August 25, 2009, Extract Resources announced it is raising \$91 million by way of a two-part equity issue comprising a non-renounceable pro-rata offer to certain eligible shareholders and a private placement to accredited institutional investors.

Equity Raising Details

The equity raising consists of:

1. **Entitlement Offer (\$50.7 million)** – A 1:35, non-renounceable, pro-rata offer of Extract ordinary shares (New Shares) at an issue price of \$7.75 per share, representing a 19.9% discount to Extract's closing price on August 25, 2009; and
2. **Placement (\$40.3 million)** – A private placement of 5.2 million special warrants at an issue price of \$7.75 per special warrant.

The placement will be made outside of Australia, and is expected to be made mainly in Canada and the United States.

The company has stated that the proceeds from the two issues will be used to accelerate exploration activities at the Rössing South uranium project in Namibia, including the drilling programs for Zones 1 and 2 and extending the exploration program to include areas of identified mineralization south of Zone 2. Extract also expects to use the proceeds to complete the Definitive Feasibility Study (DFS) and for other general corporate purposes.

Liquidity to Increase

The special warrant placement is to settle on the TSX, which should significantly enhance the liquidity of trading on that exchange (but increasing from a very low base). We believe this will be positive for Extract's share price, but the relatively small TSX-based float is not as much as we had hoped for.

Entitlement Offer

The Entitlement Offer is made available to certain eligible shareholders that will be entitled to apply for one New Share for every 35 Extract shares at an issue price of \$7.75 per each New Share. A maximum of 6.54 million New Shares will be issued under the offer. The New Shares will rank equally with the Company's existing shares on issue. We believe the 19.9% is in line with common practice for rights issues.

Extract's three largest shareholders, Kalahari Minerals (40%), Rio Tinto International Holdings Australia Pty Limited (15%), and Polo Resources Limited (10%), have each provided irrevocable commitments to apply for their full entitlements in the Entitlement Offer and to subscribe for any shortfall from the Entitlement Offer.

Existing Holders - Opportunity to Ante Up

The Entitlement Offer will allow the three major shareholders to maintain or increase their respective ownership of Extract. Kalahari has announced its intention to raise funds to ensure that it is able to maintain its pro-rata ownership. We expect Rio Tinto and Polo Resources to also fully participate in Extract's placements.

Placement

Extract will issue, by way of private placement, 5.2 million special warrants at an issue price of \$7.75 per special warrant. Each special warrant will be automatically exercised for no additional consideration into one ordinary share shares and will settle only on the TSX. The special warrants will be automatically exercised at 5:00 p.m. (ET) on the earlier of the following dates:

- (i) the third business day after the clearance date; or
- (ii) the date which is four months and a day after the closing date of the placement.

The closing date for the placement is expected to be on or about September 15, 2009. **The special warrants and ordinary shares issuable on exercise of the special warrants are subject to resale restrictions in Canada for a period of four months from the closing date.** In the event the clearance date has not occurred by 75 days after the closing date, each unexercised special warrant will thereafter entitle the holder to acquire 1.05 ordinary shares. The closing is subject to receipt of certain regulatory approvals, including the approval of the TSX.

Cash Position

Taking into account this issue, we estimate Extract's December 31, 2009 cash balance will be \$105 million, which should be sufficient to complete its drill programs and advance the Rössing South project through its DFS.

Future Equity and Debt Issues

We had assumed that Extract would issue equity in its F2010 – we had expected 10 million shares at \$8.00 (compared to the 11.7 million at \$7.75). Looking to the future, we have assumed that Extract will raise another \$650 million in equity (65 million shares at \$10.00 per share) and \$650 million in debt to fund project development, working capital and pre-development expenses).

Exhibit 1. Future Sources and Uses of Funds (millions)

Sources:

Cash (12/31/09)	\$105.3
Equity	\$650.0
Debt	\$650.0
Total Sources:	\$1,405.0

Uses:

Operating Activities	\$121.8
Financing Cost	\$35.8
Capital	\$1,159.2
Working Capital	\$90.0
Total Uses:	\$1,405.0

Note: Capital is US\$800 million at \$0.69 US:AUD exchange rate

Source: Company reports, RBC Capital Markets estimates

Valuation

We are maintaining our Outperform, Speculative Risk rating and raising our 12-month target price to \$12 per share from \$11.50 per share. Our target price is calculated by applying a 1.25x NAV multiple. We believe our target multiple is warranted by: the very high quality of the project, its location in Namibia (arguably the best country in which to permit a uranium project), and our belief that the Rössing South project will be highly sought after by all major uranium players and that it will become a key strategic uranium producing asset. The use of an NAV multiple to value an exploration and/or development stage company is in line with how we have valued similar uranium companies.

Appendix: Extract Resources



RBC Capital Markets®

Global Mining Research

Extract Resources

(ASX - EXT)

Valuation	2008A	2009E	2010E	2011E	2012E
EPS, adjusted	(\$0.07)	(\$0.11)	(\$0.09)	(\$0.15)	(\$0.16)
EPS Growth		nm	nm	nm	nm
P/E	nm	nm	nm	nm	nm
CFPS	(\$0.06)	(\$0.10)	(\$0.09)	(\$0.15)	(\$0.15)
P/CFPS	nm	nm	nm	nm	nm
EV/EBITDA	-16.7x	-89.2x	-102.2x	-118.1x	-146.4x
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Franking (%)	-	-	-	-	-
Weighted Average Share Outstanding, F.D. (million)	205.3	223.3	237.3	275.7	308.2
Average Share Price	\$1.28	\$9.73	\$9.73	\$9.73	\$9.73
P&L (millions)	2008A	2009E	2010E	2011E	2012E
Total Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Operating Costs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
SG&A	\$6.1	\$7.3	\$7.0	\$7.0	\$7.0
Exploration	\$8.2	\$17.4	\$15.0	\$15.0	\$15.0
Other Expenses	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
EBITDA	(\$14.3)	(\$24.7)	(\$22.0)	(\$22.0)	(\$22.0)
DD&A	\$0.4	\$0.7	\$0.7	\$0.7	\$0.7
EBIT	(\$14.8)	(\$25.4)	(\$22.7)	(\$22.7)	(\$22.7)
Net Interest Expense	\$1.1	\$0.9	\$0.5	(\$18.9)	(\$25.1)
Others	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Provision for Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Equity & Associate Interests	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Minority Interests	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Earnings	(\$13.7)	(\$24.5)	(\$22.2)	(\$41.6)	(\$47.8)
Preferred Dividends & Other	(\$0.5)	\$0.0	\$0.0	\$0.0	\$0.0
Net Earnings to Common	(\$14.1)	(\$24.5)	(\$22.2)	(\$41.6)	(\$47.8)
Adjustments	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Adjusted Net Earnings	(\$14.1)	(\$24.5)	(\$22.2)	(\$41.6)	(\$47.8)
Cash Flow (millions)	2008A	2009E	2010E	2011E	2012E
Receipts	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Payments	(\$11.8)	(\$23.7)	(\$21.0)	(\$21.0)	(\$21.0)
Net Interest Paid/Received	\$0.5	\$0.8	\$0.5	\$9.6	\$20.4
Tax Paid	\$0.0	\$0.0	\$0.0	(\$28.4)	(\$45.5)
Operating Cash Flow	(\$11.3)	(\$22.9)	(\$20.5)	(\$39.9)	(\$46.1)
CAPEX	(\$0.1)	(\$1.0)	(\$1.0)	(\$292.6)	(\$576.8)
Repayment of Long-term Debt & Investment	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Preferred Dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Free Cash Flow	(\$11.4)	(\$23.9)	(\$21.5)	(\$332.4)	(\$622.9)
Common Dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Dividends Paid to Minority Interests	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Issuance/Buyback of Common Shares	\$31.7	\$16.1	\$91.0	\$650.0	\$0.0
Other Financing Activities	(\$0.3)	(\$0.5)	(\$3.5)	(\$35.8)	\$0.0
Acquisition/Disposal of Assets	\$2.7	\$3.0	\$0.0	\$0.0	\$0.0
Other Investing Activities	(\$1.1)	\$1.4	\$0.0	\$0.0	\$0.0
Net Change in Cash	\$21.5	(\$3.7)	\$66.0	\$281.8	(\$622.9)
Balance Sheet (millions)	2008A	2009E	2010E	2011E	2012E
Cash & Short-term Investments	\$32.4	\$28.7	\$94.7	\$1,026.5	\$403.6
Total Current Assets	\$34.1	\$30.6	\$96.6	\$1,028.4	\$405.5
Property, Plant & Equipment	\$100.2	\$97.5	\$97.8	\$389.7	\$965.7
Total Assets	\$137.9	\$130.0	\$196.2	\$1,419.9	\$1,373.1
Short-term Borrowing & Debt Due in One Year	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Current Liabilities	\$1.9	\$2.1	\$2.1	\$2.1	\$2.1
Long-term Debt	\$0.0	\$0.0	\$0.0	\$650.0	\$650.0
Total liabilities	\$39.4	\$39.6	\$39.6	\$689.6	\$689.6
Minority Interests	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Common Shareholders' Equity	\$98.6	\$90.4	\$156.6	\$730.3	\$683.5
Exchangeable debentures	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Liabilities & Shareholders' Equity	\$137.9	\$130.0	\$196.2	\$1,419.9	\$1,373.1

Outperform
Speculative Risk

\$12.00

12-Month Target

Analyst

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Current Share Price

\$9.73

52-Week High

\$8.69

52-Week Low

\$0.75

Market Capitalization (million)

\$2,342.6

Shares Outstanding (million)

240.8

Float (million)

87.1

Year-end

30-Jun

Reporting Currency

AUD\$

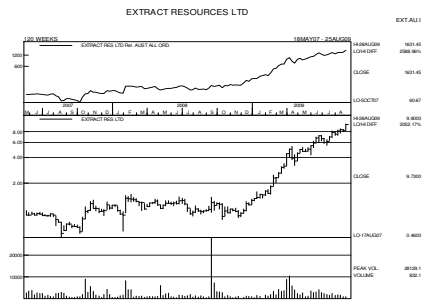
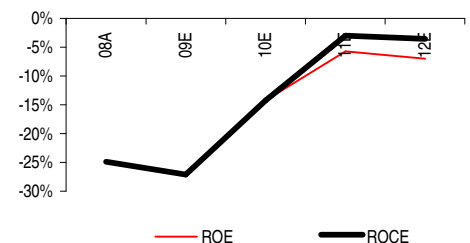
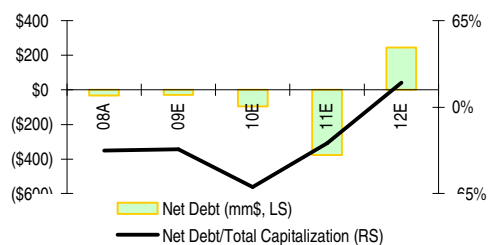
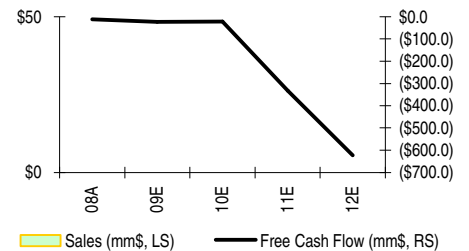


Chart priced as of market close, August 25, 2009



Source: Company reports, RBC Capital Markets estimates



RBC Capital Markets®



Global Mining Research

Extract Resources

(ASX - EXT)

Ratio Analysis	2008A	2009E	2010E	2011E	2012E
Sales Growth (%)	nm	nm	nm	nm	nm
EBITDA/Sales (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT/Sales (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Net Earnings/Sales (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Effective Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Net Interest Coverage (EBIT/Interest Charges)	-13.4x	-29.7x	-47.9x	nm	nm
Net Debt/Equity	-32.9%	-31.8%	-60.4%	-51.6%	36.0%
Net debt/ Total Capitalization	-32.9%	-31.8%	-60.4%	-27.3%	18.5%
Return on Assets (ROA)	-17.8%	-18.9%	-11.3%	-2.9%	-3.5%
Return on Equity (ROE)	-24.9%	-27.1%	-14.2%	-5.7%	-7.0%
Return on Capital Employed (ROCE)	-24.9%	-27.1%	-14.2%	-3.0%	-3.6%

Commodity & FX Assumptions	2008A	2009E	2010E	2011E	2012E
Uranium(US\$/lb)	\$83	\$52	\$59	\$70	\$75
US\$/A\$	\$0.90	\$0.74	\$0.73	\$0.67	\$0.66

Mine Production	2008A	2009E	2010E	2011E	2012E
Uranium ('000 lb)					
1. Rossing South	-	-	-	-	-
Total	-	-	-	-	-

Cash Costs (Co-Product Method)	2008A	2009E	2010E	2011E	2012E
Uranium (\$/lb)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Operating Profits By Operations (million)	2008A	2009E	2010E	2011E	2012E
1. Rossing South	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0	\$0

Estimated EPS Leverage to	2008A	2009E	2010E	2011E	2012E
US \$5/lb Increase in Uranium Price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
US \$0.05 Increase in US/\$A	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ZAR 1 Increase in the Rand	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Estimated NAV Break-Down	A\$ million	\$/sh	% Assets
1. Rossing South	\$2,228	\$7.23	96%
2. Exploration Properties	\$100	\$0.32	4%

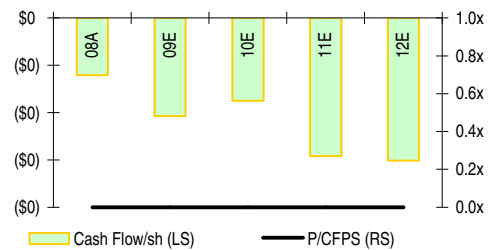
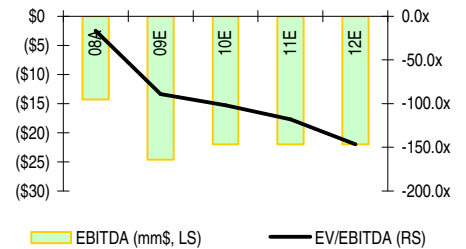
Gross Asset Value	\$2,328	\$7.55	100%
Net Corporate Overheads & Exploration	(\$86)	(\$0.28)	
Net Debt	\$32	\$0.10	
Future Cash Raising	\$650	\$2.11	
Net Asset Value	\$2,923	\$9.48	

Estimated NAV Leverage to LT Prices		Go-Along NAV	
US \$5/lb Increase in Uranium Price	\$1.23		\$9.48
US \$0.05 Increase in US/\$A	(\$0.53)	Multiple	1.25x
ZAR 1 Increase in the Rand	\$0.26	Target Price	\$12.00

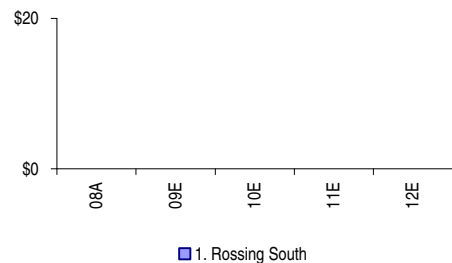
Outperform
Speculative Risk

\$12.00

12-Month Target



Operating Profits by Operations (mm\$)



Source: Company reports, RBC Capital Markets estimates



Valuation

Our target price is based on a 1.25x NAV multiple. We believe our target multiple is warranted by: the very high quality of the project, its location in Namibia (arguably the best country in which to permit a uranium project), and our belief that the Rössing South project will be highly sought after by all major uranium players and that it will become a key strategic uranium producing asset. The use of an NAV multiple to value an exploration and/or development stage company is in line with how we have valued similar uranium companies.

Price Target Impediment

Major risks to our target price include: the uranium price - the share price of Extract is sensitive to changes in the uranium spot price; regulatory milestones - the process of licensing a new uranium project can take longer than expected and we believe this will be a significant focus of shareholders; development milestones - once the regulatory process has been completed, the company will be closely watched as it strives to attain development targets. In addition, our target price for Extract is, in part, based on a NAV multiple that reflects the potential for the acquisition of the company at a premium to the market price.

Company Description

Extract Resources is an Australia-based uranium exploration company. The company's primary focus is its recently discovered Rössing South project – a project that is rapidly developing into a world-class uranium deposit. Extract has three major shareholders: Rio Tinto, Kalahari Minerals and Polo Resources. We believe that Rössing South is among the best undeveloped uranium resources in the world and that its size, grade and expected ease of permitting will make it a highly sought after project by all large uranium producers and utilities with significant and growing uranium fuel needs.

Required Disclosures

Non-U.S. Analyst Disclosure

Adam Schatzker and Peter Adamek, P. Eng., CA (i) are not registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Capital Markets Corporation and therefore may not be subject to FINRA Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Conflicts Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

An analyst involved in the preparation of this report has visited certain material operations of Extract Resources Limited.

The author is employed by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada.

Explanation of RBC Capital Markets Equity Rating System

An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers (any of the following criteria may be present):

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

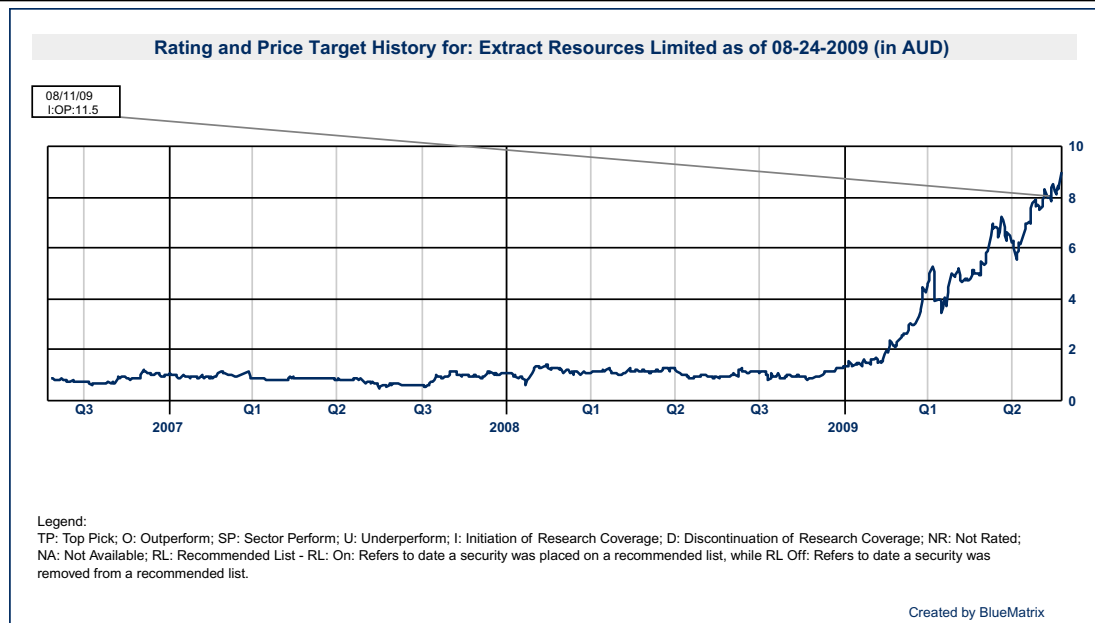
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

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For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Distribution of Ratings RBC Capital Markets, Equity Research				
Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY[TP/O]	533	46.20	124	23.26
HOLD[SP]	536	46.40	96	17.91
SELL[U]	85	7.40	5	5.88



References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a business unit of the Wealth Management Division of RBC Capital Markets Corporation. These Recommended Lists include the Prime Opportunity List (RL 3), a former list called the Private Client Prime Portfolio (RL 4), the Prime Income List (RL 6), the Guided Portfolio: Large Cap (RL 7), and the Guided Portfolio: Dividend Growth (RL 8). The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

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<http://www.rbccm.com/cm/file/0,,63022,00.pdf>

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