

# Kalgoorlie-Boulder Resources Ltd

(ASX:KAL)

12mth target: **\$0.37**

23-01-2008

**SPEC BUY**

[www.wise-owl.com](http://www.wise-owl.com) initiates coverage on Kalgoorlie Boulder with a 'spec buy'

Strategy		Market Information		How Many Shares do I buy?	
<b>First Recommendation</b>	20/01/2008	<b>Sector</b>	Mining	Trade	Amount (\$)
<b>Share Price</b>	\$0.18	<b>Index</b>		=	you're prepared to risk
<b>12 mth Price Target</b>	\$0.37	<b>Market Cap</b>	\$26 million	Size	Market Price - \$0.089
<b>Suggested Stop Loss</b>	\$0.09				
<b>Recommendation</b>	Spec Buy				
<b>Risk Rating</b>	High				

**Note.** Amount (\$) you are prepared to risk is typically 2-3% of the TOTAL amount you have to invest

## Recommendation Summary





## Company Background

Kalgoorlie Boulder Resources (KAR) is a gold and nickel exploration company whose main focus is currently on the Norseman Gold Project in Western Australia. The Company also owns the Clinker Hill Nickel project in Western Australia along with numerous others.

## Investment Summary

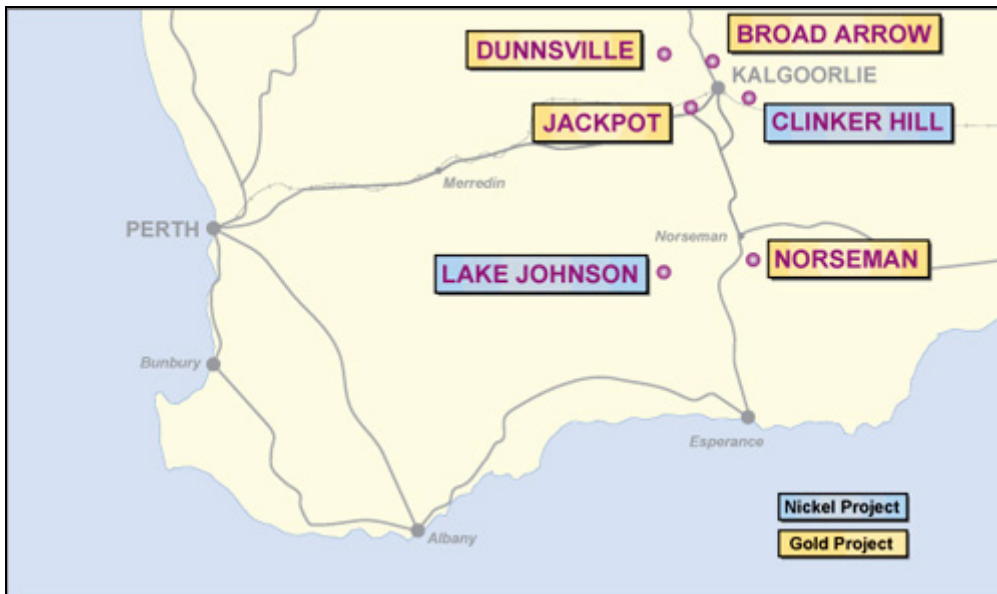
In 2007, KAL had interests in gold, nickel, uranium and, oil and gas. The management team realised that this was not the best way forward for the company as the share price hovered around the six cent mark in September 2007. After selling off its non-core assets, KAL acquired the Norseman Gold project which has so far, proved to be a turning point for the company.

Norseman is considered to be a highly prospective project in a region with a rich history of exploration success. When the project was acquired, it came with a confirmed JORC compliant inferred gold resource of more than 1m ounces at the Mt Henry, Selene, North Scotia and Abbotshall prospects. The project was also close to major infrastructure such as roads, gas and water pipelines, and offers easy access to the airport and railway from Esperance Port.

KAL recently upgraded the resource base at Norseman after promising drill results at the Selene deposit. At Selene, indicated and inferred resources increased by 53% to 720,000oz of gold compared to the previous figure of 470,000 oz. The Norseman Project now has indicated and inferred resources of 25.8m tonnes at 1.7g/t for a total of 1.4m ounces of gold. Mt Henry, which is part of the Norseman project, currently has a resource of 10.6m tonnes 1.9 g/t for 630,000 oz

The other main project that KAL is focusing on is the Clinker Hill nickel project, which lies 40km from the rich Kambalda nickel district. Initial results have identified a number of promising prospects for KAL to follow up and build upon. KAL will perform more rounds of testing before looking at a number of opportunities such as joint ventures for the project.

Even in such volatile market conditions, the potential of KAL's assets are hard to ignore. High metal prices, especially for gold, provide icing on the cake for this junior explorer, which is why we recommend it as a 'spec buy'. However the stock carries a high risk rating and could be subject to volatility along with the broader market.



KAL Project Map

Source: KAL

#### wise-owl Checklist

- Strong management team who have been involved in the resources industry for over 20 years.
- The sale of its uranium assets to Burey Gold has left KAL in a healthy cash position of \$1.2m.
- With a pre-feasibility study to commence in March, there will be a good number of announcements flowing into the market. Positive announcements from the company together with completion of its feasibility study by December 2008 could lead to a re-rating of the company.
- Institutional Shareholders include RASL AU LLC (31.08%).
- After building a long term base, the stock is now beginning to trade in an upward trend.

## Fundamental & Quantitative Analysis

### Management

#### Michael Atkins – Chairman

Since 1987, Michael has acted as Executive Director and been involved in the executive management of several publicly listed resource companies with operations in Australia, USA, South East Asia and Africa.

#### Trevor Matthews - Managing Director

Trevor had previously been appointed Company Secretary on 11 November 2004 and resigned on 11 February 2005. He has worked in the resources industry for 20 years and held executive positions with North Limited, WMC Resources Limited and other listed entities in both operational and corporate roles. Trevor has significant experience in corporate governance, project development and finance.

## Financial Performance

The Company completed the sale of its uranium assets to Burey Gold Limited in September. The total consideration payable by Burey Gold was \$1.75m in cash and 2 million Burey Gold shares. The Company received the cash payment from Burey Gold in the June quarter.

The proceeds received from the sale of the uranium assets, together with the gold produced from the Jackpot stockpiled ore will be used to fund KAL's exploration and development efforts at Norseman and the Clunker Hill nickel project. In the most recent quarter to September 2007, KAL spent \$157,000 on exploration, and cash on hand stood at \$1.2m.

## Growth Story

It is going to be a critical year for KAL in light of its active drilling and exploration program. The company will be accelerating its regional exploration efforts using the V-TEM geophysical technique, which, as demonstrated in Canada, is highly suited to finding gold in Banded Iron Formations. KAL have commenced talks with various geophysical survey providers regarding utilisation of this technology, and an agreement expected in January or February 2007.

KAL is currently updating its Mt Henry resource to incorporate recent drilling and is well advanced towards the completion of a scoping study by the first quarter of 2008. This resource upgrade will allow for the scoping study to be further developed, along with the process test work scheduled for the early part of 2007.

At Norseman, KAL is currently undertaking a scoping study to evaluate its economic potential which includes the freshly updated resources at both Selene and Mt Henry. The Scoping study is due to be completed in the first Quarter of 2008 with the pre-feasibility to commence in March 2008. If it all goes well, a feasibility study will take place in June 2008, with completion targeted for December 2008.

## Revenue & Profitability

### KAL vs. Sector Average

(historical)	FY2007	FY2006	FY2005	(rolling)	KAL	Sector Average
PE Ratio (x)	NA	NA	NA	PE Ratio (x)	NA	30.05
Revenue per Share (\$)	0.02	NA	NA	Revenue per Share (\$)	0.02	0.26
Earnings per Share (\$)	-0.05	-0.02	NA	Earnings per Share (\$)	-0.05	-0.02
Dividend Yield (%)	0.00	NA	NA	Dividend Yield (%)	0.00	0.14
Profit Margin (%)	-261.05	NA	NA	Profit Margin (%)	-261.05	-272.87
Return on Assets (%)	NA	NA	NA	Return on Assets (%)	NA	-15.25
Return on Equity	NA	NA	NA	Return on Equity	NA	-18.12

# Technical Analysis

## Trend Horizon

- Daily
- Weekly
- Monthly

## Trend Technical Overview

- ☑ KAL is a relatively new addition to the market. After inception
- ☑ at around 10 cents the stock traded in a downtrend for the first
- ☑ year reaching a low of 4.5 cents. The stock then moved into a channel forming its first resistance at \$0.125. A fall to the \$0.05 level caused a bullish pennant break which caused a rapid rise to a new high of \$0.155. The stock attempted a 2nd break outside the channel but failed again at the \$0.155 level. This double top caused a steady grind back around the \$0.05 level and a formation of a triangle. A break of this triangle in November last year was very bullish and caused a sharp rally out of the channel and to a new all-time high of \$0.26. This is now the major resistance level with near support at \$0.15.



## Disclaimer

This report was produced by wise-owl.com Pty Ltd (ACN 097 446 369), which is an Australian financial services licensee (Licence no. 246670). Wise-owl.com Pty Ltd has made every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, no representation is made about the accuracy or completeness of the information and material and it should not be relied upon as a substitute for the exercise of independent judgment. Except to the extent required by law, wise-owl.com Pty Ltd does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report. This report is for information purposes only and is not intended as an offer or solicitation with respect to the sale or purchase of any securities. The securities recommended by wise-owl.com carry no guarantee with respect to return of capital or the market value of those securities. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested. Neither wise-owl.com nor any of its associates guarantees the repayment of capital. **WARNING:** This report is intended to provide general financial product advice only. It has been prepared without having regard to or taking into account any particular investor's objectives, financial situation and/or needs. All investors should therefore consider the appropriateness of the advice, in light of their own objectives, financial situation and/or needs, before acting on the advice. Where applicable, investors should obtain a copy of and consider the product disclosure statement for that product (if any) before making any decision.

**DISCLOSURE:** Wise-owl.com Pty Ltd and/or its directors, associates, employees or representatives may not effect a transaction upon its or their own account in the investments referred to in this report or any related investment until the expiry of 24 hours after the report has been published. Additionally, wise-owl.com Pty Ltd may have, within the previous twelve months, provided advice or financial services to the companies mentioned in this report. As at the date of this report wise-owl.com Pty Ltd and/or its directors, associates, employees or representatives currently hold interests in the following companies: AZA, CCP, DES, EVZ, GOP, HYO, IDL, MLB, TFC, MGX, GBG, BDG, BDL, EQN, PNA, ANG, VCN, LYC, ESS, NWS, MBL, RIO, ORI, CMV, TGR, PDN, CBH, ZGL. This report may not be reproduced, distributed or published for any purpose, unless the person or entity seeking to do so is expressly authorised in writing by wise-owl.com Pty Ltd.

**NOTES:** AUG recommendation replaced by ABX as a result of the merger (05-02-03). UEL shareholders received \$3.15 from Alinta Limited takeover (25-07-03). MGI completed an off-market takeover for AIP (07-10-03). HRT stock code changed to LRX (30-10-03). FAN 11:10 Share Split (28-10-03). DOW 1:4 Reconstruction (20-11-03). ARL stock exchange code changed to NLX (11-12-03). RBK converted 1-for-3 basis to RBI listed on Toronto Stock Exchange (05-05-04). FLX 1:10 Reconstruction (11-11-04). MPM spun-off Leviathan Resources - LVR shares (18-11-04). GDP exchange code changed to LFE (01-12-04). MPM taken over by LIM. \$1.00 cash and 0.1675 LIM for every MPM share held (05-01-05). Each MGI converted to 0.57 MGQ (01-02-05). AUO taken over by CEY, 10 CEY shares for every 37 AUO shares held (24-03-2005). NVE 1:5 Consolidation (16-05-05). CRD shareholders receive 1 PDL share for every 8 CRD shares from merger (03-06-2005).