

Australian Resources

Half Time! What can we expect in the 2nd half?

Equities

Australasia
Mining

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

James Brennan-Chong

Analyst

james.brennan-chong@ubs.com

+61-2-9324 3623

Half time and sector has performed in line despite commodity price pressures

As we approach the mid-point of 2015, the year has seen continued pressure on the sector from on the whole lower than expected commodity prices. Yet, the ASX 200 Materials index has performed in line with the ASX 200, due principally to the selloff in the financials and retail sectors, than from absolute performance by the mining sector.

Iron ore raised, while coal, aluminium, manganese and uranium lowered

Coal, alumina, manganese and uranium continue to feel the effects of oversupply, while iron ore has done better than expected in Q2 due to under delivery on the supply side, namely by Rio Tinto and Vale who have suffered weather and technical challenges. However, we expect new iron ore supply to continue to weigh on the price into H2 15. Mark to market for Q2 15 sees iron ore price raised marginally to US\$52/dmt cfr for 2015 to reflect better than expected prices in Q2, while coal, manganese, uranium and mineral sands prices are lowered for 2015 by 5% to 12%.

Self-preservation through cost cutting to continue

With commodity prices continuing to decline, the mining sector continues to focus on what it can control, namely costs. The iron ore sector has been at the forefront of cost reduction, with companies lowering their unit costs by up to 30+%. As an example, AGO has lowered its all in cash breakeven price to US\$50/dmt cfr from US\$62/dmt cfr through a profit share arrangement with its contractors, while FMG is aiming to lower unit costs by 30% to US\$18/wmt fob. We expect cost out to remain the focus into H2.

Earnings raised for iron ore names, yet we retain underweight call

The lift in the iron ore price due to a better Q2 has seen earnings for BHP, RIO and the pure play iron ore names raised materially off low bases. We retain our Sell rating on FMG, on concerns that additional supply from RIO and Roy Hill in H2 and from Vale in 2016 will weigh on the iron ore price. BHP and RIO remain preferred exposures with dividend yields of 6% and 5.3%, respectively. While cash flow is tight, we are comfortable that both can maintain their progressive dividends, albeit flat.

Commodity	2015	2016	2017	2018	2019	LT real
Copper (US\$/lb)	270(nc)	280(nc)	300(nc)	320(nc)	330(nc)	295(nc)
Alum. (US\$/lb)	78(nc)	82(nc)	90(nc)	98(nc)	105(nc)	95(nc)
Alumina (US\$/t)	329(334)	334(350)	360(360)	370(370)	380(380)	350(nc)
Mn Ore (US\$/dmt cfr)	3.3(3.7)	3.6(3.9)	4.3(4.5)	4.5(nc)	4.5(nc)	4(nc)
IO (fines; US\$/t cfr)	56(50)	50(48)	53(53)	55(nc)	58(nc)	55(nc)
HCC (US\$/t fob)	104(106)	104(104)	118(nc)	143(nc)	148(nc)	132(nc)
Thermal (US\$/t fob)	59(56)	59(58)	67(nc)	80(nc)	93(93)	82(nc)
Uranium (US\$/lb)	37(42)	51(52)	60(60)	60(60)	60(61)	62(nc)
Rutile (US\$/t)	800(820)	862(900)	1162(1150)	1400(1400)	1439(1448)	1300(nc)
Zircon (US\$/t)	1050(1100)	1087(1150)	1238(1250)	1450(1450)	1550(1559)	1400(nc)
AUD (US\$)	78(77)	77(76)	77(76)	76(75)	75(75)	75(nc)

Source: UBS estimates, LT is real from 2020

www.ubs.com/investmentresearch

This report has been prepared by UBS Securities Australia Ltd. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 34.** UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

June Q commodity price review

The UBS commodity team has marked to market for Q2 15, as well as some minor changes to future commodity prices.

The principal changes made by our commodity team are:

Iron ore

We have increased our estimates for short term iron ore pricing from 2015 Q3-Q4, however our thesis for rising supply and peak steel remains unchanged. Iron ore forecasts (cfr China) are lifted 11% for 2015e on 1H15 supply disruption, which has boosted spot short term. This disruption is not likely to be a sustainable driver; supply growth is set to resume in 2H15 and place downward pressure on spot. Perhaps controversially, despite the correcting spot price we have not cut our Ni-price outlook. Here signals suggest the long-awaited pinch point may be unfolding. Yes, exchange inventory is large, but further strength of China nickel imports could really tighten this trade.

Manganese ore

Manganese ore prices (44% Mn, cfr Tianjin) are cut 12% in 2015e, 9% in 2016e and 3% in 2017e reflecting mark to market, high Chinese inventory, and expectations for ongoing surplus thanks to muted demand and resilient supply as miners cut costs and benefit from competitive currency devaluations.

Uranium

We have cut our uranium price forecasts by 11% for 2015e reflecting mark to market as demand has been anaemic while Japan's nuclear fleet has remained offline. But this may be about to change with the first of two reactors looking to commence re-commissioning procedures in coming weeks.

Alumina

Alumina prices are cut 1% in 2015e and 4% in 2016e. Headwinds have emerged to the Alumina story. Bauxite supply has lifted domestically in China, and exports are surging from Malaysia, India & Australia. The emergence of Asian-based bauxite alternatives could threaten investment in Indonesia & undermine the government imposed bauxite export ban there. Nevertheless, robust aluminium production growth underpins solid demand growth for alumina & emerging tightness in our model from 2017e.

Mineral sands

Both zircon (ceramics) & TiO₂ (paint) are favourably exposed to a fit-out cycle in China from lifting property sales. We see this as a catalyst for growth in sales volumes, but the mineral sands industry remains saddled with excess mine supply capacity, so see stability in prices for the next 12 months. Thankfully much of the surplus capacity sits within the majors of Iluka & Rio Tinto who continue to manage production to match demand. Spot rutile prices continued to trade around US\$800/t fob in 2015Q2, from 2012's peaks of US\$3,000/t. Lower prices may prompt a pullback in supply from some of the marginal producers that have recently entered the trade. Zircon prices have tracked a tad lower to around US\$1,050/t in 2014H1. We expect prices flat & steady for 2015, with volume lifting.

Investment view

We maintain our preference for companies with strong balance sheets, given their more advantageous position in weathering ongoing commodity and currency volatility. We anticipate that price volatility experienced in recent months is likely to continue at least in the short term, particularly for iron ore. Looking across our coverage our preferred exposures are BHP Billiton, Rio Tinto, Iluka, Whitehaven and Alumina Ltd. We see Alumina Ltd being supported by strong cash flow generation over the second half, while our positive stance on Iluka is driven by a housing fit out cycle in China that we expect will drive increased volumes in zircon and titanium feedstock.

Across the pure play iron ore exposures, we maintain a Neutral rating for Grange Resources, and Mount Gibson Iron, and upgrade our BCI recommendation to Neutral (from Sell). Grange, BCI and Mount Gibson have strong cash backing (estimated at A\$0.13cps, A\$0.37ps and A\$0.29cps respectively at 30 Jun 15), which we believe will offer support to their share prices at current levels even under a lower iron ore price scenario, which we forecast in 2H CY 15.

We maintain our Sell rating on Fortescue, however note that its strengthening balance sheet position and consistent improvement in operating cash costs; lowering its C1 guidance to US\$18/wmt fob or US\$40/dmt CFR (Platts 62% equivalent) breakeven are positive developments. If Fortescue continues its cost out path and achieves its stated cost reduction targets, we believe it will be better positioned to generate cash flows over H2 CY 15 and continue to repay debt. We await further clarity on its cost reduction success.

We retain our Sell recommendation for ERA, following recent changes to its growth outlook, refer to our downgrade report [End of an era](#), dated 15 June 2015. We continue to recommend a Neutral rating for investors in Paladin, however lower our target price, reflecting our reduced outlook for uranium pricing.

A summary of the impact estimates of these commodity price changes are outlined in figure 1 on the next page.

Figure 1: Impact of changes to commodity price forecasts on earnings

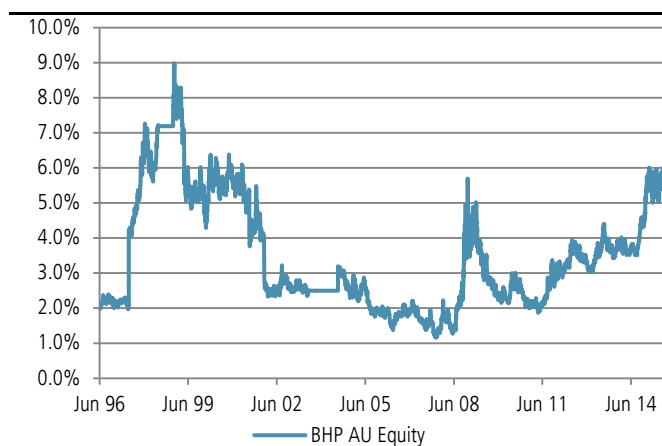
	Share	Rating		Price Target		NPV		EPS - Old		EPS - New		% EPS change	
Code	price	Old	New	Old	New	Old	New	2015E	2016E	2015E	2016E	2015	2016
Diversifieds													
BHP	27.05	Buy	Buy	35.00	32.00	35.16	31.97	143	105	152	104	6%	-1%
RIO	53.75	Neutral	Neutral	61.00	61.00	60.63	60.60	257	245	283	255	10%	4%
Iron ore													
FMG	1.91	Sell	Sell	1.70	1.70	1.72	1.72	2.0	-23.6	13.3	-5.4	572%	77%
BCI	0.29	Sell	Neutral	0.26	0.30	0.26	0.30	-12.0	-11.8	-8.4	-5.4	30%	54%
MGX	0.20	Neutral	Neutral	0.21	0.22	0.21	0.22	-3.2	-4.6	-3.0	-3.8	7%	18%
GRR	0.12	Neutral	Neutral	0.13	0.13	0.09	0.06	-2.0	-2.0	-1.0	-1.0	49%	12%
Coal													
WHC	1.32	Neutral	Neutral	1.75	1.75	3.81	3.80	-2	-9	-1	-7	27%	30%
Uranium													
ERA	0.39	Sell	Sell	0.16	0.09	0.16	0.09	-21	-14	-24	-16	-16%	-19%
PDN	0.25	Neutral	Neutral	0.43	0.30	1.21	0.43	-8	-2	-8	-3	-1%	-63%
Other													
AWC	1.53	Buy	Buy	2.00	1.90	2.18	2.12	8	10	7	8	-8%	-21%
ILU	7.68	Buy	Buy	10.00	9.30	10.88	10.36	30	75	20	46	-34%	-38%

Source: UBS estimates. GRR has a CBE for its TP and Neutral rating.

Diversifieds – prefer BHP over RIO

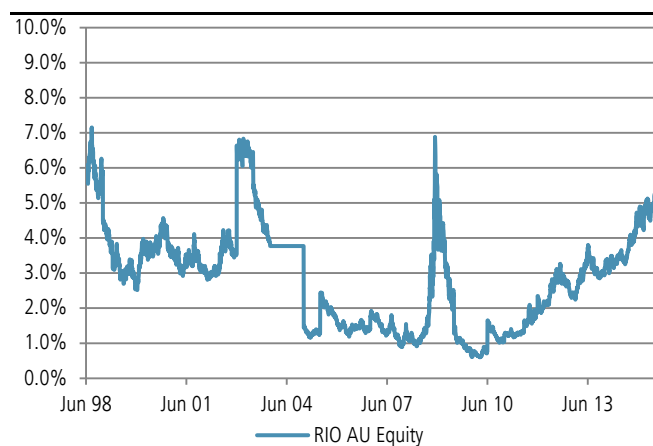
While we are attracted by Rio Tinto's low-cost assets; strong balance sheet; and credible management/ strategy, we expect the stock could be relatively range-bound until the outlook for iron ore stabilises and aluminium improves. Under spot pricing, RIO's free cash flow is an upgrade at spot prices in CY 15/16 (+20% & +64%, respectively) compared to our base case estimates, whereas BHP's free cash flow is +14% in FY16 & +5% in FY17 due to iron ore being above forecasts. Despite this, we retain a preference for BHP over RIO, as we expect oil will rebalance sooner (vs iron ore risk to the downside). We also note that BHP is currently trading at a dividend yield of ~6%, vs RIO at 5.3%.

Figure 2: BHP Historical dividend yield – last seen Apr '01



Source: UBS Research, Bloomberg

Figure 3: RIO Historical dividend yield – last seen Dec '08



Source: UBS Research, Bloomberg

We remain confident at spot pricing that RIO and BHP will generate sufficient cash flow to comfortably cover sustaining capex and their progressive dividend. From there, remaining free cash available for growth capital and exploration varies, however we note that RIO's growth capex and exploration is fully covered at spot; while for BHP, at spot its FY 17 growth and exploration spend is fully covered, while for FY16 the growth and exploration spend exceeds available cash flows (US\$785m). On this basis, we are confident that BHP's balance sheet (~27% gearing, ND:ND+E) has sufficient headroom to cover this growth capex spend. Alternatively, we believe it would be conceivable for BHP to lower its FY 16 planned growth capex and exploration spend, in light of commodity price movements.

The opportunity for further cost out (earnings increase); capital compression (spend less to get same); and stronger US\$ (cash flow improves, compresses non US\$ capex and improves margins) all contribute to potential for the estimated deficit of free cash for BHP and RIO to be reduced.

Assumptions for our analysis are outlined in the figure below.

Figure 4: UBS annual sustaining capex estimates for BHP and RIO

BHP		RIO	
FeO	US\$0.9b	US\$1.6b	FeO
Cu	US\$1.2b	US\$0.7b	Cu
Coal	US\$0.3b	US\$1.1b	Al
Oil	US\$3.0b	US\$0.4b	Diamond/Min
Other	US\$0.5b	US\$0.2b	Energy
Total	US\$5.9b	US\$4.0b	

Source: Company data, UBS estimates. Note: UBS assumes capital for replacement iron ore mines is included in sustaining capital. FY 16 and CY 15 used as base years for BHP and RIO respectively.

Figure 5: BHP commodity and FX assumptions

BHP		Spot		UBSe	
		FY16	FY17	FY16	FY17
FeO	US\$/ltu	94.5	97.3	74.4	71.3
Cu	US\$/lb	266.2	274.0	272.5	292.5
Met Coal	US\$/t	90	93	98	110
Thermal Coal	US\$/t	61	62	67	66
WTI	US\$/bbl	61	63	62	70
A\$		0.77	0.77	0.77	0.77

Source: UBS estimates, Bloomberg. A\$ assumption held constant for this analysis.

Figure 6: RIO commodity assumptions

RIO		Spot		UBSe	
		CY15	CY16	CY15	CY16
FeO	US\$/ltu	90.9	94.6	82.3	70.6
Cu	US\$/lb	267.1	270.6	269.9	280.0
Al	US\$/lb	78.9	78.6	78.5	81.8
Rutile	US\$/t	815	831	800	863
Zircon	US\$/t	1081	1090	1050	1088
Thermal Coal	US\$/t	67	62	71	66
Met Coal	US\$/t	101	92	104	104

Source: UBS estimates, Bloomberg. A\$ assumption held constant for this analysis.

Figure 7: UBS Base case - BHP FCF/Dividend scenario

BHP Jun year end	2016E	2017E
Dividend (US\$ps)	1.24	1.26
EPS [adjusted, diluted] (US\$ps)	1.02	1.31
Op CF (US\$m)	14,352	16,609
Sustaining capex (US\$m)	5,900	5,900
FCF (Sust only)	8,452	10,709
Dividends paid [Common] (US\$m)	6,598	6,704
FCF (Avail. for growth/exploration)	1,854	4,005
Growth Capex & Exploration (US\$m)	2,599	2,561
Surplus/(Deficit)	(1,607)	560

Source: UBS estimates, Company data

Figure 8: UBS Base case - RIO FCF/Dividend scenario

Rio Dec year end	2015E	2016E
Dividend (US\$ps)	2.15	2.20
EPS [adjusted, diluted] (US\$ps)	2.86	2.57
Op CF (US\$m)	10,795	10,354
Sustaining capex (US\$m)	4,000	4,000
FCF (Sust only)	6,795	6,354
Dividends paid [Common] (US\$m)	4,163	3,877
FCF (Avail. for growth)	2,631	2,477
Growth Capex	3,303	2,937
Surplus/(Deficit)	(672)	(460)

Source: UBS estimates, Company data

Figure 9: Spot price – BHP FCF/Dividend scenario

BHP Jun year end	2016E	2017E
Dividend (US\$ps)	1.24	1.26
EPS [adjusted, diluted] (US\$ps)	1.20	1.37
Op CF (US\$m)	15,197	17,032
Sustaining capex (US\$m)	5,900	5,900
FCF (Sust only)	9,297	11,132
Dividends paid [Common] (US\$m)	6,598	6,704
FCF (Avail. for growth/exploration)	2,699	4,428
Growth Capex & Exploration	2,619	2,584
Surplus/(Deficit)	(785)	957

Source: UBS estimates, Company data, spot as at 26th June.

Figure 10: Spot price – RIO FCF/Dividend scenario

Rio Dec year end	2015E	2016E
Dividend (US\$ps)	2.15	2.20
EPS [adjusted, diluted] (US\$ps)	3.32	3.76
Op CF (US\$m)	11,507	12,565
Sustaining capex (US\$m)	4,000	4,000
FCF (Sust only)	7,507	8,565
Dividends paid [Common] (US\$m)	4,163	3,877
FCF (Avail. for growth)	3,344	4,688
Growth Capex	3,317	2,948
Surplus/(Deficit)	26	1,740

Source: UBS estimates, Company data, spot as at 26th June.

BHP Billiton Limited

Shedding excess baggage

South32 demerger completed successfully

After a number of years of indicating the assets were non-core, BHP Billiton finally completed the disposal of said assets through a demerger process that saw the creation of South32 (S32) during the quarter. In essence, BHP has disposed of all its South African assets as well as all downstream processing businesses, save for Nickel West, which remains on the block.

Earnings down on demerger, offset by higher iron ore price

BHP shareholders formally approved the demerger of a number of BHP assets into the South32 vehicle on 6 May 2015. Subsequent to this the formal demerger has been completed, with the listing of South32 on 26 May 2015. As a result, we have removed a number of non-core assets from our BHP valuation as at 26 May 2015. This has had mixed impact on our valuation, however has reduced earnings across divisions such as Met coal, base metals, manganese and alumina.

Cost out to continue with potential for upside surprise

BHP has a US\$4bn cost out program targeted for completion by end FY 17. We expect US\$3bn of the target to have been achieved by end FY 15, suggesting in our view that the target should easily be achieved. Cost out is expected to come through further productivity initiatives and management structure rationalisation given the 4 layer management structure that exists today. Already we see iron ore delivering further gains in the quarter, with unit costs down to US\$16/wmt fob, a saving of US\$1bn.

Valuation: A\$31.97ps (DCF, 10% d.r)

Our NPV drops to A\$31.97ps with the demerger of S32, however, BHP remains committed to its progressive dividend policy, which at US\$1.24ps pa, implies a div yield of 6%. While this represents a pay-out ratio of 121% in FY 16, and is likely to require debt to cover all FY 16 cash outgoings (inc. growth capex and exploration), we believe BHP is committed to the progressive dividend. We retain our Buy rating and our TP is reduced to A\$32ps in line with NPV, reflecting the demerger and earnings changes.

Equities

Australia
Mining

12-month rating

Buy

12m price target

A\$32.00
Prior: A\$35.00

Price

A\$27.05
RIC: BHP.AX **BBG:** BHP AU

Trading data and key metrics

52-wk range	A\$39.68-26.90
Market cap.	A\$144bn/US\$111bn
Shares o/s	5,317m (ORD)
Free float	100%
Avg. daily volume ('000)	7,603
Avg. daily value (m)	A\$227.5
Common s/h equity (06/15E)	US\$68.2bn
P/BV (06/15E)	1.6x
Net debt / EBITDA (06/15E)	1.1x

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
06/15E	1.43	1.51	5.71	1.48
06/16E	1.05	1.03	-1.20	1.10
06/17E	1.56	1.32	-15.16	1.45

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Myles Allsop

Analyst

myles.allsop@ubs.com

+44-20-7568 1693

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Highlights (US\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	72,226	65,953	67,206	52,569	39,811	43,316	47,860	52,295
EBIT (UBS)	27,238	22,930	22,861	14,368	10,382	13,050	17,019	20,082
Net earnings (UBS)	17,117	12,171	13,447	8,068	5,519	7,051	9,100	11,299
EPS (UBS, diluted) (US\$)	3.20	2.28	2.52	1.51	1.03	1.32	1.70	2.12
DPS (US\$)	1.12	1.16	1.21	1.24	1.24	1.26	1.30	1.34
Net (debt) / cash	(23,549)	(27,510)	(25,786)	(26,009)	(26,627)	(25,058)	(20,933)	(13,927)
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	37.7	34.8	34.0	27.3	26.1	30.1	35.6	38.4
ROIC (EBIT) %	36.1	24.2	21.8	13.8	10.4	13.1	17.2	20.5
EV/EBITDA (core) x	6.6	7.2	6.5	5.9	7.8	6.8	5.7	5.1
P/E (UBS, diluted) x	11.7	15.3	13.3	13.8	20.1	15.7	12.2	9.8
Equity FCF (UBS) yield %	2.6	(1.8)	4.7	4.0	5.4	7.5	10.0	12.8
Net dividend yield %	3.0	3.3	3.6	6.0	6.0	6.1	6.3	6.4

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$27.05 on 30 Jun 2015 22:34 EST

BHP Billiton Limited (BHP.AX)

Analyst/s: Glyn Lawcock / Amber MacKinnon
Email: glyn.lawcock@ubs.com / amber.mackinnon@ubs.com
30/06/2015

MARKET INFORMATION

Rating:	Buy
Price (as of 01-Jul-15):	A\$27.05
Price Target (12 months):	\$ 32.00
Issued Capital:	5,321.0
Market Capitalisation [US\$m]:	110,713
Avg. daily turnover (US\$m)	200.8
Year end:	June
Website:	www.bhpbilliton.com
Major Shareholders:	-
Exchange rate AUDUSD	0.77

INVESTMENT SUMMARY

(US\$m)	2014	2015E	2016E	2017E
Net profit [reported] (\$m)	13,832	6,981	5,519	7,051
Net profit [adjusted] (\$m)	13,447	8,068	5,519	7,051
EPS [reported] (\$)	2.60	1.31	1.04	1.33
EPS [adjusted, diluted] (\$)	2.52	1.51	1.03	1.32
EPS Growth (%)	11%	-40%	-32%	28%
PER [adjusted] (x)	8.3	13.8	20.1	15.8
Dividend (\$)	1.21	1.24	1.24	1.26
Payout ratio (%)	48%	82%	120%	95%
Dividend Yield (%)	5.8%	6.0%	6.0%	6.1%
FCF Yield (%)	8%	4%	5%	7%
Shares [period-average, diluted] (m)	5,322	5,321	5,321	5,321

VALUATION

Valuation per share [NAV @10%] (\$)	31.13
Price/NAV [10% disc rate] (x)	0.87x

Operating Assets [JH 15]	US\$m	A\$m	€	€
Petroleum	41,463	54,868	1031	1077
Aluminium	397	507	10	0
Base Metals	40,795	54,078	1016	1052
Stainless steel material	1,014	1,347	25	26
Iron Ore	54,387	72,018	1353	1372
Manganese	(174)	(222)	-4	0
Metallurgical Coal	13,511	17,917	337	348
Energy Coal	8,306	11,010	207	211

Gross Assets	159,699	211,523	3975	4086
Group & Unallocated	(77)	(102)	-2	-2
Net Debt	(24,939)	(31,880)	-599	-618
Minority interests	(10,864)	(13,888)	-261	-268
Net Asset Value @ 10% discount rate	123,819	165,653	3113	3197

ENTERPRISE VALUE

(US\$m)	2014	2015E	2016E	2017E
Enterprise Value	142,738	143,524	145,018	144,575
EV/EBITDA (x)	4.4	5.9	7.9	6.8
EV/Operating Free Cash Flow (x)	4.3	6.1	8.1	7.0

EPS SENSITIVITIES

Commodity	Base Change	2015E EPS Change	2016E	2017E
Currency - A\$/US\$	5¢	6.2%	9.1%	7.1%
Iron Ore price - US\$/t	10	17.4%	26.9%	20.7%
Oil price - US\$/bbl	10	6.2%	8.9%	7.3%
Met Coal price - US\$/t	10	3.7%	4.3%	4.3%
Thermal coal price - US\$/t	10	2.5%	2.2%	2.8%
Copper Price US\$/lb	10	3.7%	5.4%	4.3%
US gas price US\$/Mmbtu	1	3.1%	4.5%	3.5%

CASH FLOW

(US\$m)	2014	2015E	2016E	2017E
Operating income [EBIT, UBS]	22,861	14,368	10,382	13,050
Depreciation & Amortisation	9,316	9,887	7,996	8,074
Net change in working capital	151	(1,565)	(1,031)	(1,002)
Other (operating)	1,158	987	631	663
Pre-tax op cash flow	33,486	23,677	17,978	20,785
Interest (paid) / received	(839)	(546)	(541)	(672)
Tax paid	(7,317)	(5,681)	(3,007)	(3,427)
Other	34	8	0	0
Operating cash flow	25,364	17,458	14,430	16,686
Capital expenditure	(15,993)	(12,169)	(7,592)	(7,533)
Exploration expenditure	(1,010)	(844)	(857)	(879)
Free cash flow	8,361	4,445	5,980	8,274
Net (acquisitions) / disposals	(1,385)	(95)	0	0
Dividends paid (Common)	(6,387)	(6,508)	(6,598)	(6,704)
Shares issued/(repurchased)	(368)	(338)	0	0

COMPANY DESCRIPTION

BHP Billiton is the world's largest diversified resources company. Key businesses are coal (coking and thermal), base metals, iron ore, aluminium, stainless steel and petroleum. Petroleum's major assets are Bass Strait and NW Shelf in Australia. BHP Billiton has a number of projects in the pipeline that should aid its growth, in our view. These include continued iron ore expansions and the ramp-up of the Mount Arthur North steam coal project and the Ohanet gas project in Algeria. Going forward, BHP's main growth area will likely be petroleum in the Gulf of Mexico and further iron ore and coking coal expansions.

OPERATIONAL ASSUMPTIONS

June Fiscal Years	1H 15	2H 15E	2014	2015E	2016E	2017E
Prices						
Aluminium (US\$/lb)	89.7	81.0	80.1	85.3	77.8	86.3
Copper (US\$/lb)	309	270	318	289	273	293
Gold (US\$/Oz)	1,241	1,205	1,295	1,223	1,216	1,250
Iron Ore Fines - (US\$/t) - FOB	76	57	114	66	46	44
Hard Coking Coal - (US\$/t)	110	110	128	110	98	110
NEWC Steam Coal - (US\$/t)	66	61	77	63	58	62
WTI (US\$/bbl)	85.3	53.2	101	69	62	70
A\$/US\$	0.89	0.78	0.92	0.84	0.77	0.77

Production (Equity basis)

Iron Ore (Mt)	113.4	119.0	204	232	247	257
Coking Coal (Mt)	26.3	22.1	45.1	48.4	38.3	38.9
Total Petroleum product (mboe)	131.5	126.5	247	258	253	262
Copper (kt)	813	891	1727	1704	1702	1715
Thermal Coal (Mt)	36	34	73	71	42	42
Alumina (Kt)	2,637	1,786	5,112	4,423	0	0
Aluminium (Kt)	517	372	1,174	889	0	0

DIVISIONAL BREAKDOWN [EBIT]

(US\$m)	1H 15	2H 15E	2014	2015E	2016E	2017E
Petroleum	2,144	319	5,287	2,463	3,357	4,889
Aluminium	461	467	66	928	0	0
Base Metals	2,249	1,832	5,080	3,988	3,206	4,161
Stainless steel materials	50	8	-235	58	25	18
Iron Ore	4,200	2,839	12,102	7,039	3,817	3,533
Manganese	205	(509)	476	-304	0	0
Metallurgical Coal	113	153	228	266	41	419
Energy Coal	65	226	158	291	216	310
Other	(220)	(140)	(301)	(360)	(280)	(280)

PROFIT & LOSS

(US\$m)	1H 15	2H 15E	2014	2015E	2016E	2017E
Sales Revenue	29,900	22,669	67,206	52,569	39,811	43,316
Operating Cash Profit	14,618	9,998	32,478	24,616	18,658	21,404
Depn & Amortisation	(5,172)	(4,715)	(9,316)	(9,887)	(7,996)	(8,074)
Operating Profit	9,446	5,282	23,162	14,728	10,662	13,330
SGA	(220)	(140)	(301)	(360)	(280)	(280)
EBIT	9,226	5,142	22,861	14,368	10,382	13,050
Net interest	(232)	(221)	(1,176)	(453)	(541)	(672)
Profit before tax	8,994	4,921	21,685	13,915	9,841	12,378
Tax expense	(3,102)	(1,809)	(6,846)	(4,911)	(3,445)	(4,200)
Minority Interests	(540)	(396)	(1,392)	(936)	(877)	(1,127)
Net Profit [adjusted]	5,352	2,716	13,447	8,068	5,519	7,051
Abnormal Gain/(Loss) after Tax	(1,087)	0	385	(1,087)	0	0
Net Profit [reported]	4,265	2,716	13,832	6,981	5,519	7,051

EBITDA margin (%)	48.2%	43.5%	47.9%	46.1%	46.2%	48.8%
Net Interest Cover [EBIT] (x)	39.8	23.2	19.4	31.7	19.2	19.4
Tax Rate (%)	34.5%	36.8%	31.6%	35.3%	35.0%	33.9%
EBIT/Total Assets (%)	7.3%	4.1%	15.1%	11.4%	8.2%	10.2%
NPAT/Equity (%)	6.2%	3.6%	15.7%	10.8%	7.4%	9.2%
EBIT/Avg Cap Employed (%)			21.4%	13.5%	10.3%	12.9%

BALANCE SHEET [Selected Items]

(US\$m)	1H 15	2H 15E	2014	2015E	2016E	2017E
Net Working capital	1,880	1,322	(309)	1,322	2,392	3,402
Fixed Assets	114,060	102,278	114,228	102,278	102,062	101,730
Net Other	(1,485)	(2,749)	(2,749)	(2,617)	(3,055)	(3,828)
Capital Employed	111,189	100,984	111,168	100,984	101,400	101,304
Net Cash / (Debt)	(24,939)	(26,009)	(25,786)	(26,009)	(26,627)	(25,058)
Total Equity [incl. minorities]	86,250	74,974	85,382	74,974	74,772	76,246
Minorities	(6,405)	(6,801)	(6,239)	(6,801)	(7,678)	(8,805)
Gearing (ND/ND+E)	22.4%	25.8%	23.2%	25.8%	26.3%	24.7%
Book Value per Share(\$)	16.21	16.04	16.04	14.09	14.05	14.33

Source: BHP Billiton, UBS estimates

Rio Tinto Limited

Returning cash to shareholders

US\$1bn returned to shareholders in the first half

In Feb 15 Rio Tinto announced plans to return US\$2bn to shareholders over the course of 2015 through a buy-back program. Half way through the year, Rio is on track with US\$431m returned via an off-market buyback in Ltd stock in Apr 15, and US\$575m bought back on market in plc stock, consistent with management guidance for US\$1.0bn total of the US\$2.0bn to be completed during 1H CY 15. The rate of on-market purchases needs to lift slightly for Rio to achieve US\$2bn by end 15.

Earnings raised on better than expected iron ore price in Q2

The iron ore price after falling to US\$47/dmt cfr in early April 2015, bounced 30% to a high of US\$65/dmt cfr in the quarter, confounding us and other market commentators who thought it would remain depressed through the remainder of 2015 from consistent new supply entering the market. However, weather and technical issues with Autohaul has seen Rio under deliver on tonnes in the first half. This plus other supply side disappointments from Vale has seen less iron ore available to the market and hence the rise in price. But with Pilbara 360 nearing completion and Roy Hill due to start up in Sep 15, we see downside to spot in H2 15. Earnings are raised by 10% to reflect the higher 2015 iron ore price, offset by lower coal, uranium & mineral sands.

Cost out to provide cash for dividend, but growth

Rio Tinto like BHP Billiton is on a cost out drive, with a target to reduce operating costs by a further US\$750m (pre-tax) over CY 2015, which would bring the total since the cost out program commenced (base year 2012) to US\$5.6bn. RIO also remains committed to its progressive dividend policy, which at US\$2.15ps for 2015, implies a div yield of ~5.25%. This represents a pay-out ratio of 75% and implies a cash shortfall if all cash requirements are fulfilled over 2015 (inc. growth capex), however we believe this could be debt funded given Rio's conservative balance sheet (gearing 21.7% ND:ND+E).

Valuation: A\$60.60ps (DCF, 10% d.r)

Our price target is unchanged at A\$61.00ps, in line with NPV.

Equities

Australia
Mining

12-month rating **Neutral**

12m price target **A\$61.00**

Price **A\$53.75**

RIC: RIO.AX **BBG:** RIO AU

Trading data and key metrics

52-wk range	A\$67.82-52.65
Market cap.	A\$99.4bn/US\$76.4bn
Shares o/s	1,850m (ORD)
Free float	62%
Avg. daily volume ('000)	2,040
Avg. daily value (m)	A\$115.8
Common s/h equity (12/15E)	US\$45.7bn
P/BV (12/15E)	1.7x
Net debt / EBITDA (12/15E)	1.2x

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
12/15E	2.57	2.83	10.08	2.81
12/16E	2.45	2.55	3.88	3.05
12/17E	3.08	3.06	-0.75	3.46

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Myles Allsop

Analyst

myles.allsop@ubs.com

+44-20-7568 1693

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	50,967	51,171	47,664	35,966	36,296	37,660	41,122	43,996
EBIT (UBS)	13,298	15,315	12,981	7,125	6,637	7,426	10,213	12,361
Net earnings (UBS)	9,303	10,217	9,305	5,222	4,704	5,627	7,318	9,044
EPS (UBS, diluted) (US\$)	5.06	5.53	5.04	2.83	2.55	3.06	3.98	4.92
DPS (US\$)	1.67	1.92	2.15	2.15	2.20	2.28	2.37	2.48
Net (debt) / cash	(19,737)	(17,625)	(12,379)	(14,979)	(15,320)	(14,650)	(11,665)	(6,838)
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	26.1	29.9	27.2	19.8	18.3	19.7	24.8	28.1
ROIC (EBIT) %	20.3	22.3	20.4	11.4	10.4	11.4	15.5	18.6
EV/EBITDA (core) x	7.7	6.7	6.9	8.0	8.3	7.8	6.3	5.6
P/E (UBS, diluted) x	12.2	10.6	11.1	14.6	16.2	13.5	10.4	8.4
Equity FCF (UBS) yield %	(7.0)	1.9	5.9	4.7	4.6	6.1	9.4	12.4
Net dividend yield %	2.7	3.3	3.8	5.2	5.3	5.5	5.7	6.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$53.75 on 30 Jun 2015 22:34 EST

Rio Tinto (RIO.AX)

Analyst/s: Glyn Lawcock / Amber MacKinnon
Email: glyn.lawcock@ubs.com / amber.mackinnon@ubs.com

1/7/2015

MARKET INFORMATION

Rating:	Neutral
Price (as of 01-Jul-15):	A\$53.06
Price Target (12 months):	\$ 61.00
Issued Capital:	1,849.9
Market Capitalisation [US\$m]:	75,384
Avg. daily turnover (US\$m)	297.4
Year end:	December
Website:	www.riotinto.com
Major Shareholders:	Tinto Holdings 37.6%
Exchange rate AUDUSD	0.77

INVESTMENT SUMMARY

(US\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	3,665	6,527	5,222	4,704
Net profit [adjusted] (\$m)	10,217	9,305	5,222	4,704
EPS [reported] (\$)	5.53	3.53	2.88	2.61
EPS [adjusted, diluted] (\$)	5.53	5.04	2.88	2.61
EPS Growth (%)		-9%	-43%	-9%
PER [adjusted] (x)	7.4	8.1	14.1	15.6
Dividend (\$)	1.92	2.15	2.15	2.20
Payout ratio (%)	35%	61%	75%	84%
Dividend Yield (%)	4.7%	5.3%	5.3%	5.4%
FCF Yield (%)	3%	8%	5%	5%

Shares [period-average, diluted] (m)	1847.5	1849.75	1814.215	1803.23
--------------------------------------	--------	---------	----------	---------

VALUATION

Valuation per share [NAV @10%] (\$)	60.60
Price/NAV [10% disc rate] (x)	0.88x

Operating Assets [DH 14]

	US\$m	A\$m	€
Iron Ore	57,864	76,763	4206
Aluminium	16,333	21,629	1185
Copper	8,193	10,944	600
Energy	7,923	10,538	577
Diamonds & Minerals	12,111	16,060	880
Other	(7,435)	(9,505)	-521

Gross Assets	94,988	126,429	6927
Net Debt	(12,379)	(15,824)	-867
Net Asset Value @ 10% discount rate	82,609	110,604	6060

ENTERPRISE VALUE

(US\$m)	2013	2014	2015E	2016E
Enterprise Value	79,777	87,518	95,121	93,009
EV/EBITDA (x)	6.1	4.9	7.3	7.4
EV/Operating Free Cash Flow (x)	38.4	14.3	26.7	26.3

EPS SENSITIVITIES

Commodity	Base Change	2014 EPS Change	2015E	2016E
Currency	5¢		-9.9%	-11.0%
Aluminium	10%		10.0%	11.6%
Copper	10%		3.6%	4.1%
Gold	10%		0.5%	0.6%
Coal	10%		2.2%	2.5%
Iron Ore	10%		30.3%	33.7%

CASH FLOW

(US\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	7,912	12,560	7,606	7,121
Depreciation & Amortisation	5,086	5,250	5,386	5,379
Net change in working capital	7,133	1,384	620	534
Other (operating)	0	0	0	0
Pre-tax op cash flow	20,131	19,194	13,613	13,034
Interest (paid) / received	(1,164)	(981)	(867)	(955)
Tax paid	(3,698)	(3,618)	(1,617)	(1,353)
Other	(191)	(309)	(296)	(296)
Operating cash flow	15,078	14,286	10,833	10,430
Capital expenditure	(13,001)	(8,162)	(7,270)	(6,895)
Exploration expenditure	0	0	0	0
Free cash flow	2,077	6,124	3,564	3,536
Net (acquisitions) / disposals	2,049	1,035	0	0
Dividends paid (Common)	(3,322)	(3,710)	(4,163)	(3,877)
Shares issued/(repurchased)	159	1,291	(2,000)	0

COMPANY DESCRIPTION

Rio Tinto is one of the world's largest diversified mining companies with major interests in copper, iron ore, coal, aluminium, mineral sands and borax, and with lesser exposure to diamonds and gold. Major operations are world-class, mostly lowest-cost quartile and located in North and South America, Australia, Indonesia, Europe and Southern Africa. Key operations include Hamersley Iron, QIT/RBM TiO2 feedstock, US Borax, 30% of Escondido copper, 40% of the Freeport/Grasberg expansion and Australian coal. Rio is a major shareholder in Turquoise Hill of Canada which owns the Oyu Tolgoi copper-gold deposit in Mongolia. A zero hedging policy for commodities is maintained.

OPERATIONAL ASSUMPTIONS

	H1 15E	H2 15E	2013	2014	2015E	2016E
Prices						
Aluminium (US\$/lb)	81.0	76.0	83.8	84.6	78.5	81.8
Copper (US\$/lb)	269.8	270.0	332.7	311.4	269.9	280.0
Gold (US\$/oz)	1,205.3	1,182.5	1,411.8	1,266.0	1,193.9	1,250.0
Iron Ore Fines (US\$/t)	55.7	46.3	127.8	88.8	51.0	43.8
Steam Coal -JFY (US\$)	74.8	67.8	115.0	95.0	81.8	67.8
A\$:US\$	0.78	0.77	0.97	0.90	0.78	0.77

Production (Equity Basis)

	H1 15E	H2 15E	2013	2014	2015E	2016E
Copper Mined - equity	288	261	618	603	549	642
Copper Refined - equity	115	94	300	295	209	283
Iron Ore - Hamersley	118	142	188	217	260	277
Iron Ore - Robe River	32	33	62	64	65	69
Thermal Coal (Mt)	9.4	9.5	22.3	21.9	18.9	16.0
Semi-soft Coking Coal	1.7	1.6	3.9	3.2	3.3	3.9
Coking Coal (Mt)	3.9	3.8	7.7	7.5	7.7	8.9
Alumina (Mt)	3.9	4.2	7.0	7.5	8.1	8.3
Aluminium (Mt)	1.6	1.7	3.6	3.4	3.3	3.6

DIVISIONAL BREAKDOWN [EBIT]

(US\$m)	H1 15E	H2 15E	2013	2014	2015E	2016E
Iron Ore	3,119	2,889	15,815	12,291	6,008	4,860
Aluminium	1,057	1,079	743	1,750	2,135	2,437
Copper	346	243	788	1,285	589	881
Energy	(134)	(194)	140	(297)	(327)	(222)
Diamonds & Minerals	411	450	572	660	861	753
Other	(20)	(19)	(468)	(325)	(39)	0

PROFIT & LOSS

(US\$m)	H1 15E	H2 15E	2013	2014	2015E	2016E
Sales Revenue	17,866	18,100	51,171	47,664	35,966	36,296
Operating Cash Pro	6,617	9,396	12,998	17,810	12,993	12,500
Depn & Amortisation	(2,661)	(2,726)	(5,086)	(5,250)	(5,386)	(5,379)
EBIT	3,956	6,671	7,912	12,560	7,606	7,121
Other	0	(3,020)	(3,982)	(2,423)	(0)	0

Net interest	(280)	(312)	(425)	(585)	(592)	(955)
Profit before tax	3,676	3,339	3,505	9,552	7,015	6,166
Tax expense	(860)	(756)	(2,426)	(3,053)	(1,617)	(1,353)
Equity Associated N	2,816	2,582	1,079	6,499	5,398	4,813
Minority Interests	(83)	(93)	2,586	28	(176)	(108)
Net Profit [reported]	2,733	2,490	3,665	6,527	5,222	4,704
Abnormal Gain/(Loss)	0	0	(6,552)	(2,778)	0	0

Net Profit [adjusted]	2,733	2,490	10,217	9,305	5,222	4,704
EBITDA margin (%)	37.0%	51.9%	25.4%	37.4%	36.1%	34.4%
Net Interest Cover [E]	14.1	21.4	18.6	21.5	12.9	7.5
Tax Rate (%)	23.4%	22.7%	69.2%	32.0%	23.0%	21.9%
EBIT/Total Assets (%)			6.7%	11.3%	7.1%	6.9%
NPAT/Equity (%)			6.9%	12.0%	9.7%	8.5%
EBIT/Avg Cap Employed (%)			11.1%	18.8%	11.0%	10.1%

BALANCE SHEET [Selected Items]

(US\$m)	H1 15E	H2 15E	2013	2014	2015E	2016E
Net Working capital	3,456	3,390	7,092	8,905	3,390	1,399
Fixed Assets	69,881	70,771	70,827	68,693	70,771	72,206
Net Other	(5,202)	(5,202)	(6,792)	(10,625)	(5,202)	(3,202)
Capital Employed	68,135	68,959	71,127	66,973	68,959	70,404
Net Cash / (Debt)	(13,860)	(14,979)	(17,625)	(12,379)	(14,979)	(15,320)
Total Equity [incl. m	54,274	53,980	53,502	54,594	53,980	55,084
Minorities	(8,309)	(8,309)	(7,616)	(8,309)	(8,309)	(8,309)
Net Debt / Net Debt +	20.3%	21.7%	24.8%	18.5%	21.7%	21.8%
Book Value per Share	29.34	29.18	28.92	29.51	29.18	29.78

Source: Rio Tinto, UBS estimates

Alumina Limited

Margin Still Strong in JQ

Margins dropping as alumina price weakens

AWAC reported an EBITDA/t margin of US\$102/t in MQ 15, slightly above our expectations at the time. With the alumina price weakness seen in JQ 15, down to an average of US\$340/t from US\$349/t in MQ 15, we forecast the margin to drop to US\$94/t in JQ 15. The spot alumina price has weakened further to US\$333/t, which if maintained would result in a margin of ~US\$89/t for SQ 15. Despite the decline in margin, AWC should still generate substantial free cash flow with a US\$90/t EBITDA margin generating FCF (after all outgoings including capex, interest and SG&A) net to AWC of US10cps.

Earnings lowered as alumina price forecast trimmed

Earnings for 2015/16 are down by 10% and 23%, respectively. The lower earnings reflect our lower aluminium/alumina prices and slight increase in the A\$ forecast. We have also reduced our dividend forecasts for 2015/16 to US6cps and US7cps, respectively, which at current FX rates implies a 6+ % dividend yield.

Cash returns may surprise despite one off cash outlays

The market in our view has sold down AWC on the back of concerns around FCF generation in 2015 arising from the US\$500m gas prepayment and closure/restructuring costs, and the adverse impact they may have on potential dividend announcements. We believe that AWC management are intent on maintaining shareholders dividend expectations despite the one-off cash outflows. Also we note that AWAC has been withholding cash since H2 14 with a view to being able to fund these one-off charges. Also the gas prepayment is exactly that, and does not reduce future cash outflows, thus AWC we believe may be happy to retain dividend expectations.

Valuation: A\$2.12ps (DCF, 10% d.r)

We lower our price target to A\$1.90ps, applying a 10% discount to NPV to account for market risk, we maintain our Buy rating.

Equities

Australia
Aluminum

12-month rating **Buy**

12m price target **A\$1.90**
Prior: A\$2.00

Price **A\$1.53**

RIC: AWC.AX **BBG:** AWC AU

Trading data and key metrics

52-wk range	A\$2.06-1.34
Market cap.	A\$4.29bn/US\$3.30bn
Shares o/s	2,806m (ORD)
Free float	100%
Avg. daily volume ('000)	13,554
Avg. daily value (m)	A\$22.1
Common s/h equity (12/15E)	US\$2.48bn
P/BV (12/15E)	1.3x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
12/15E	0.08	0.07	-8.31	0.07
12/16E	0.10	0.08	-21.16	0.10
12/17E	0.14	0.14	-0.20	0.12

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	0	0	0	0	0	0	0	0
EBIT (UBS)	(19)	(17)	(13)	(14)	(14)	(13)	(12)	(12)
Net earnings (UBS)	(53)	(3)	91	194	226	348	386	420
EPS (UBS, diluted) (US\$)	(0.02)	(.00)	0.03	0.07	0.08	0.14	0.16	0.17
DPS (A\$)	0.00	0.00	0.02	0.06	0.07	0.12	0.12	0.14
Net (debt) / cash	(664)	(135)	(87)	(127)	(97)	(29)	(21)	(10)
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	-	-	-	-	-	-	-	-
ROIC (EBIT) %	>500	(26.7)	(21.3)	427.3	>500	>500	497.8	495.0
EV/EBITDA (core) x	13.7	-13.9	-96.2	-59.3	-55.3	-58.9	-59.6	-57.4
P/E (UBS, diluted) x	(46.9)	NM	40.6	17.0	14.6	8.2	7.4	6.8
Equity FCF (UBS) yield %	2.0	2.6	(0.2)	3.5	5.2	10.5	10.6	11.5
Net dividend yield %	0.0	0.0	1.1	3.9	4.6	7.8	7.8	9.2

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$1.53 on 30 Jun 2015 22:34 EST

Alumina Ltd (AWC.AX)

Analyst/s: Glyn Lawcock; Amber MacKinnon
Email: glyn.lawcock@ubs.com / amber.mackinnon@ubs.com
1/07/2015

MARKET INFORMATION

Rating:	Buy
Price (as of 01-Jul-15):	1.51
Price Target (12 months):	1.90
Issued Capital:	2,806.2
Market Capitalisation:	4,237.4
Avg. daily turnover (US\$m)	16.8
Year end:	December
Website:	http://www.aluminalimited.com
Major Shareholders:	-
AUDUSD	0.79

INVESTMENT SUMMARY

(US\$m)	2014	2015E	2016E	2017E
Net profit [reported] (\$m)	(98)	214	205	280
Net profit [adjusted] (\$m)	91	194	226	304
EPS [reported] (cps)	(3.5)	7.6	7.3	10.0
EPS [adjusted, diluted] (\$)	3.2	6.9	8.1	10.8
EPS Growth (%)	-3276%	113%	16%	34%
PER [adjusted] (x)	36.7	17.2	14.8	11.0
Dividend (cps)	1.6	6.0	7.0	10.0
Payout ratio (%)	50%	49%	49%	49%
Dividend Yield (%)	1.3	5.0	5.9	8.4
FCF Yield (%)	1.2	2.7	4.0	8.2
Franking (%)	50.0	100.0	100.0	100.0
Shares [period-average, diluted] (m)	2806.2	2806.2	2806.2	2806.2

VALUATION

Valuation		
Valuation per share [NAV @10%] (\$)	2.12	
Share Price Target [12 months] (\$)	2.00	
Price/NAV [10% disc rate] (x)	0.71	
Operating Assets [DH10]	A\$m	¢
AWAC (40%)	6172	220
Gross Assets	6172	220
Net Borrowings	(97)	(3)
Corporate Costs	(117)	(4)
Net Asset Value @ 10% discount rate	5958	212

ENTERPRISE VALUE

(A\$m)	2014	2015E	2016E	2017E
Enterprise Value	4379	4349	4421	4282
EV/EBITDA (x)	33.3	8.0	6.8	5.4
EV/Operating Free Cash Flow (x)	87.9	37.4	25.9	12.3

EPS SENSITIVITIES

Commodity	Base	2015E	2016E	2017E
	Change	%	EPS Change	
AUDUSD	1US¢	-4%	-3%	-4%
Aluminium	5 US¢/lb	3%	2%	3%
Alumina Spot	US\$10/t	13%	14%	17%

CASH FLOW

(US\$m)	2014	2015E	2016E	2017E
Operating income [EBIT, UBS]	(13)	(14)	(14)	(13)
Depreciation & Amortisation	0	0	0	0
Net change in working capital	(2)	(0)	0	0
Other (operating)	20	130	184	359
Pre-tax op cash flow	5	116	170	347
Interest (paid) / received	(12)	0	0	2
Tax paid	0	0	0	0
Other	0	0	0	0
Operating cash flow	(8)	116	170	348
Capital expenditure	57	0	0	0
Free cash flow	50	116	170	348
Net (acquisitions) / disposals	0	0	0	1
Dividends paid (Common)	0	(157)	(140)	(281)
Shares issued/(repurchased)	0	1	0	0

COMPANY DESCRIPTION

AWC has a 40% interest in Alcoa Worldwide Alumina (AWAC), which has interests in bauxite, mining, alumina refining, alumina chemicals and two aluminium smelters, and is the world's largest producer and third-party seller of alumina.

OPERATIONAL ASSUMPTIONS

	1H 15E	2H 15E	2014	2015E	2016E	2017E
Aluminium Price (US¢/lb)	81.0	76.0	84.6	78.5	81.8	86.3
Internal Sales Alumina Contract Pri	271.1	249.7	274.6	260.4	254.1	269.3
Alumina Spot Price (US\$/t)	343.3	319.0	328.0	331.2	334.8	351.3
A\$:US\$	0.78	0.77	0.90	0.78	0.77	0.77
Production (AWAC 100%)						
Alumina Prodn incl. Ma'aden (Mt)	7.7	7.8	15.9	15.5	15.6	15.7
Aluminium Prodn (kt)	82.5	82.5	269.0	165.0	165.0	165.0
AWAC Financials						
Total Revenue (US\$m)	2,794	2,636	5,862	5,431	5,638	5,973
EBITDA (US\$m)	579	481	297	1,060	1,250	1,519
EBIT (US\$m)	397	302	-107	699	897	1,169
Net Income (US\$m)	284	215	-243	498	639	831
Capital Expenditure (US\$m)	127	127	238	254	277	270

DIVISIONAL BREAKDOWN [EBIT]

PROFIT & LOSS

(US\$m)	1H 15E	2H 15E	2014	2015E	2016E	2017E
Sales Revenue	0	0	0	0	0	0
Operating Cash Profit	0	0	0	0	0	0
Depn & Amortisation	0	0	0	0	0	0
Operating Profit	0	0	0	0	0	0
Exploration	0	1	0	0	0	1
SGA	(7)	(7)	(10)	(14)	(14)	(7)
EBIT	(7)	(6)	(10)	(14)	(14)	(6)
Net interest	(5)	(6)	(14)	(11)	(15)	(7)
Profit before tax	(12)	(12)	(24)	(25)	(29)	(13)
Tax expense	0	0	(1)	0	0	0
Equity Associated NPAT	139	99	(74)	238	234	177
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit (reported)	127	87	(98)	214	205	164
Normalisation adjustments	(10)	(9)	189	(19)	22	12
Net Profit (underlying)	118	78	91	194	226	176
EBITDA margin (%)			5%	20%	22%	25%
Net Interest Cover [EBIT] (x)			(3.5)	33.2	31.5	88.1
Tax Rate (%)			NM	NM	NM	NM
EBIT/Total Assets (%)			-2%	14%	18%	23%
NPAT/Equity (%)			4%	8%	9%	7%

BALANCE SHEET [Selected Items]

(US\$m)	2014	2015E	2016E	2017E
Net Working capital	1	(2)	(2)	(2)
Fixed Assets	0	0	0	1
Net Other	2515	2610	2645	2623
Capital Employed	2511	2608	2642	2621
Net Cash / (Debt)	(87)	(127)	(97)	(29)
Total Equity [incl. minorities]	2424	2481	2546	2592
Minorities	0	0	0	1
Net Debt / Equity (%)	4%	5%	4%	1%
Book Value per Share(\$)	0.86	0.88	0.91	0.92

Source: AWC, UBS estimates

Iluka Resources Limited

Tough first half, but market improving

First half to be impacted by closures and restarts

Iluka announced earlier this year that it would cease mining operations at WRP in the Murray Basin due to reserve exhaustion and that the replacement mine Balranald was not expected to start development this year due to a build in intermediate product (HMC) that would be processed through the Hamilton MSP over the coming 1-2 years. To offset the need to ration customers on rutile supply, Iluka restarted SR 2 (220ktpa) in West Australia. These two events should see capex front end loaded and with sales volume also generally skewed to the back half of the year, we expect FCF to be back half weighted also.

Prices remain under pressure but stable, while volume lifts

We understand zircon and feedstock prices have remained relatively unchanged against 2014 averages which for Z/R/SR were US\$1,033/t, US\$777/t and US\$750/t, respectively. Sulphate ilmenite has fallen below US\$100/t, pressured by supply from marginal producers looking to generate cash, although Iluka is predominantly a chloride feedstock producer and with the SR kiln re-activated, will be upgrading its ilmenite. Iluka has guided to a 27% lift in Z/R/SR production for 2015 versus 2014, and we believe a commensurate lift in sales is also expected. The continued drawdown in finished product, especially once WRP shuts, should support FCF in H2 15.

Prices lowered and Virginia shut sees 30-40% hit to earnings

We have lowered prices slightly for 2015 to ensure they are flat on 2014 and given the 2 year inventory overhang we have flattened prices into H1 16. We have also removed Virginia from 2016 and beyond as Iluka has said that it will shut Virginia at the end of 2015 unless a deal can be made with its customers that would ensure adequate returns on the investments needed to ensure mining continues. As a result, earnings are down 30-40% over the next 3 years, and our NPV drops 5% to \$10.36ps. Despite the hit to earnings we see value and FCF should see dividends continue. Buy maintained.

Valuation: A\$10.35ps (DCF, 10% d.r)

Our price target is lowered to \$9.30ps (prev. \$10), maintaining 0.9x NPV basis.

Equities

Australia
Mining

12-month rating

Buy

12m price target

A\$9.30
Prior: A\$10.00

Price

A\$7.68
RIC: ILU.AX **BBG:** ILU AU

Trading data and key metrics

52-wk range	A\$9.05-5.63
Market cap.	A\$3.22bn/US\$2.47bn
Shares o/s	419m (ORD)
Free float	100%
Avg. daily volume ('000)	1,922
Avg. daily value (m)	A\$16.0
Common s/h equity (12/15E)	A\$1.45bn
P/BV (12/15E)	2.2x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
12/15E	0.30	0.20	-33.76	0.29
12/16E	0.75	0.46	-37.92	0.54
12/17E	1.47	1.04	-29.70	0.60

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	1,146	852	792	961	1,158	1,582	2,124	2,253
EBIT (UBS)	570	180	105	188	321	636	1,133	1,215
Net earnings (UBS)	363	59	20	84	194	434	797	871
EPS (UBS, diluted) (A\$)	0.87	0.14	0.05	0.20	0.46	1.04	1.90	2.08
DPS (A\$)	0.35	0.09	0.19	0.17	0.14	0.39	0.99	1.04
Net (debt) / cash	(96)	(207)	(59)	17	66	394	912	1,373
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	49.8	21.2	13.2	19.5	27.7	40.2	53.4	53.9
ROIC (EBIT) %	24.4	7.0	4.2	8.0	13.2	25.8	46.2	50.1
EV/EBITDA (core) x	6.7	12.1	12.3	10.5	7.2	4.2	2.6	2.4
P/E (UBS, diluted) x	14.4	72.4	NM	38.4	16.6	7.4	4.0	3.7
Equity FCF (UBS) yield %	1.6	(0.5)	5.7	4.6	4.0	12.9	26.0	27.4
Net dividend yield %	2.8	0.9	2.3	2.2	1.8	5.1	12.9	13.5

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$7.68 on 30 Jun 2015 22:34 EST

Iluka Resources (ILU.AX)

Analyst/s: Glyn Lawcock
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Buy
Price (as of 30-Jun-15):	7.91
Price Target (12 months):	9.30
Issued Capital:	418.7
Market Capitalisation:	3,215.6
Avg. daily turnover (US\$m)	12.2
Year end:	Dec 2015
Website:	http://www.iluka.com.au
Major Shareholders:	-

INVESTMENT SUMMARY

(A\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	58.7	19.5	83.7	193.9
Net profit [adjusted] (\$m)	58.7	(62.5)	83.7	193.9
EPS [reported] (\$)	0.05	(0.15)	0.20	0.46
EPS [adjusted, diluted] (\$)	0.14	(0.15)	0.20	0.46
EPS Growth (%)	(83.8)	(66.8)	329.2	131.7
PER [adjusted] (x)	172.9	<0.0	39.6	17.1
Dividend (\$)	0.09	0.19	0.17	0.14
Payout ratio (%)	196.7	(127.3)	85.0	30.2
Dividend Yield (%)	1.1	2.4	2.1	1.8
FCF Yield (%)	(0.7)	6.1	4.5	3.9
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	418.7	418.7	418.7	418.7

VALUATION

Valuation per share [NAV @ 10%] (\$)	10.36
Share Price Target [12 months] (\$)	10.00
Price/NAV [10% disc rate] (x)	0.76

Operating Assets [DH09]

	A\$m	€
WA Assets	882	211
USA - Virginia	-3	-1
Murray Basin	1729	413
Eucla Basin	1303	311
Mining Area C Royalty	974	233
Other	-328	-78
Gross Assets	4556	1088
Net Debt / Cash	-79	-19
Corporate costs	0	0

Net Asset Value @ 10% discount rate	4477	1036
--	-------------	-------------

ENTERPRISE VALUE

(A\$m)	2013	2014	2015E	2016E
Enterprise Value	4396	3636	3357	3357
EV/EBITDA (x)	12.1	12.3	10.6	7.2
EV/Operating Free Cash Flow (x)	22.2	10.2	29.1	24.1

EPS SENSITIVITIES

Commodity	Base	2014	2015E	2016E
	Change		EPS Change	
Synthetic Rutile kt	US\$100/t		134%	101%
Zircon kt	US\$100/t		343%	161%
Rutile kt	US\$100/t		134%	57%
Ilmenite (External) kt	US\$10/t		12%	0%

CASH FLOW

(A\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	180	105	188	321
Depreciation & Amortisation	182	191	130	147
Net change in working capital	(61)	170	(25)	57
Other (operating)	(118)	(158)	(0)	0
Pre-tax op cash flow	184	308	292	524
Interest (paid) / received	(14)	(13)	(8)	(44)
Tax paid	(140)	(28)	(16)	(63)
Other	0	0	0	0
Operating cash flow	30	268	268	417
Capital expenditure	(53)	(67)	(121)	(289)
Free cash flow	(23)	201	147	129
Net (acquisitions) / disposals	(3)	0	0	0
Dividends paid (Common)	(63)	(42)	(71)	(80)
Shares issued/(repurchased)	(2)	(5)	0	0

COMPANY DESCRIPTION

Iluka Resources (ILU) is one of the world's largest producers of mineral sands products, with operations in Western Australia, Queensland and the US. ILU is the world's largest producer of zircon and second largest titanium minerals producer. ILU also has a royalty stream over BHP Billiton's Mining Area C iron ore project in Western Australia. □

□
□

OPERATIONAL ASSUMPTIONS

	1H15E	2H15E	2013	2014	2015E	2016E
Commodity Prices						
Synthetic Rutile Price US\$/t	775	775	1,149	750	775	800
Zircon Price US\$/t	1,050	1,050	1,139	1,035	1,050	1,088
Rutile Price US\$/t	800	800	1,136	778	800	863
Ilmenite Price US\$/t	90	100	243	150	95	141
A\$:US\$	0.78	0.77	0.97	0.90	0.78	0.77
Production						
Synthetic Rutile kt	57	81	59	0	140	280
Zircon kt	162	230	285	358	392	445
Rutile kt	74	86	127	177	138	157
Ilmenite (External) kt	95	45	481	365	140	0
Sales						
Synthetic Rutile kt	60	100	46	82	160	280
Zircon kt	172	238	370	352	410	445
Rutile kt	74	86	168	182	160	157
Ilmenite (External) kt	95	45	337	317	140	0

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15E	2H15E	2013	2014	2015E	2016E
WA Assets	(35)	(32)	(115)	(121)	(67)	23
USA - Virginia	(1)	(1)	9	(3)	(2)	0
Murray Basin	21	81	31	52	102	114
Eucla Basin	76	87	173	200	163	194

PROFIT & LOSS

(A\$m)	1H15E	2H15E	2013	2014	2015E	2016E
Sales Revenue	410	551	852	792	961	1158
Operating Cash Profit	205	280	490	425	485	650
Depn & Amortisation	(67)	(63)	(182)	(191)	(130)	(147)
Operating Profit	139	217	309	234	356	503
Exploration	(9)	(10)	(15)	(19)	(30)	(45)
SGA	(70)	(78)	(114)	(110)	(138)	(138)
EBIT	60	128	180	105	188	321
Net interest	(34)	(34)	(98)	(71)	(68)	(44)
Profit before tax	26	94	82	34	120	277
Tax expense	(8)	(28)	(23)	(14)	(36)	(83)
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [underlying]	18	66	59	20	84	194
Abnormal Gain/(Loss) after Tax	0	0	0	(82)	0	0
Net Profit [reported]	18	66	59	(63)	84	194
EBITDA margin (%)			42.5	37.3	33.0	40.4
Net Interest Cover [EBIT] (x)			(1.8)	(1.5)	(2.8)	(7.3)
Tax Rate (%)			28.5	41.8	30.0	30.0
EBIT/Total Assets (%)			7.6	4.8	8.3	13.4
NPAT/Equity (%)			3.8	(4.4)	5.8	12.4

BALANCE SHEET [Selected Items]

(A\$m)	2013	2014	2015E	2016E
Net Working capital & ST Liabilities	584	404	409	333
Fixed Assets	1315	1117	1108	1250
Net Other	734	810	870	870
Capital Employed	2632	2331	2388	2453
Net Cash / (Debt)	(207)	(59)	17	66
Total Equity [incl. minorities]	1538	1435	1447	1561
Minorities	0	0	0	0
Net Debt / Equity (%)	13.4	4.1	(1.2)	(4.2)
Book Value per Share(\$)	3.67	3.43	3.46	3.73

Source: ILU, UBS Resources

Whitehaven Coal Limited

Keeping one's head above water

A solid second quarter expected

We forecast WHC sales of produced coal (100%) of 4.8Mt during the June Q, up from 4.1Mt in the MQ. This uplift is driven primarily by increased production from Maules Creek. WHC has guided to a semi-soft realised price in the June quarter of ~US\$77/t FOB, down from the ~US\$87.15/t FOB selling price achieved in the March 2015 Q.

Coal price outlook weighs on earnings, modest uptick to near term forecasts

Over the next 2 years (FY 15/16E), we have increased coal price forecasts by 2% and 5% respectively for thermal coal. This has led to a modest uplift to our WHC earnings forecasts, with FY 15E increased to an after-tax loss of \$79m (from \$84m), while FY 16E is lifted 43% to a net loss of \$67m. Our NPV remains stable though at \$3.80ps, reflecting an increase to the A\$:US\$ exchange rate to US77 cents (from US76 cents) in FY16/17.

Margin maintained despite weaker coal prices

We expect WHC will continued to hold the cash margin in positive territory at ~A\$10/t, in part supported by the 6% uplift to the NEWC thermal coal price from US\$55.90/t fob at the start of the quarter to US\$59.25/t fob now. We forecast average C1 costs (excl. significant items, royalty and take or pay) for the group of A\$61/t in the June half 2015 (vs A\$63/t in the DH 14) as scale benefits from the ramp up of Maules Creek (expected to be deemed commercial and contribute to earnings from 1 July 2015, start FY 16) comes into play. However, we expect coal prices to continue to fall further as Chinese demand wanes and off-spec shipments are turned away from China and thus look for a home in an already oversupplied market. We expect WHC to be able to weather the storm despite its high debt load, with operations forecast to be FCF positive from FY16 at spot prices and FX.

Valuation: A\$3.80ps (DCF, 10% d.r)

We retain our A\$1.75 target price, reflecting a 50% discount to NPV for market risk.

Equities

Australia
Coal

12-month rating **Neutral**

12m price target **A\$1.75**

Price **A\$1.32**

RIC: WHC.AX BBG: WHC AU

Trading data and key metrics

52-wk range	A\$2.00-1.11
Market cap.	A\$1.35bn/US\$1.04bn
Shares o/s	1,026m (ORD)
Free float	24%
Avg. daily volume ('000)	2,445
Avg. daily value (m)	A\$3.6
Common s/h equity (06/15E)	A\$3.14bn
P/BV (06/15E)	0.4x
Net debt / EBITDA (06/15E)	7.6x

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
06/15E	(0.02)	(0.01)	26.79	(0.04)
06/16E	(0.09)	(0.06)	29.86	0.02
06/17E	0.03	0.02	-24.31	0.11

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	618	622	755	760	1,086	1,439	1,768	2,149
EBIT (UBS)	110	(49)	10	30	2	98	327	547
Net earnings (UBS)	58	(67)	(28)	(14)	(67)	22	207	363
EPS (UBS, diluted) (A\$)	0.10	(0.06)	(0.03)	(0.01)	(0.06)	0.02	0.21	0.36
DPS (A\$)	0.53	0.00	0.00	0.00	0.00	0.00	0.09	0.17
Net (debt) / cash	24	(472)	(685)	(946)	(929)	(911)	(814)	(639)
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	17.7	-7.9	1.3	3.9	0.2	6.8	18.5	25.4
ROIC (EBIT) %	5.0	(1.4)	0.3	0.8	0.0	2.4	7.9	12.9
EV/EBITDA (core) x	22.0	>100	27.0	17.5	16.1	8.6	4.6	3.1
P/E (UBS, diluted) x	52.9	(45.2)	(65.3)	(99.8)	(20.5)	59.2	6.3	3.6
Equity FCF (UBS) yield %	(10.7)	(10.0)	(11.6)	(18.2)	3.9	2.7	19.4	40.9
Net dividend yield %	9.7	0.0	0.0	0.0	0.0	0.0	6.8	12.9

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$1.32 on 30 Jun 2015 22:34 EST

Whitehaven Coal (WHC.AX)

Analyst/s: Glyn Lawcock; Amber MacKinnon
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Neutral
Price (as of 30-Jun-15):	1.32
Price Target (12 months):	1.75
Issued Capital:	1,025.7
Market Capitalisation:	1,354
Avg. daily turnover (US\$m)	2.83
Year end:	Jun 2015
Website:	http://www.whitehaven.net.au
Major Shareholders:	-

INVESTMENT SUMMARY

(A\$m)	2014	2015E	2016E	2017E
Net profit [reported] (\$m)	(38.4)	(13.8)	(67.3)	22.2
Net profit [adjusted] (\$m)	(28.4)	(13.8)	(67.3)	22.2
EPS [reported] (\$)	(0.04)	(0.01)	(0.07)	0.02
EPS [adjusted, diluted] (\$)	0.19	(0.01)	(0.06)	0.02
EPS Growth (%)	58.1	51.5	(388.0)	NM
PER [adjusted] (x)	7.0	<0.0	<0.0	59.4
Dividend (\$)	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	0.0	0.0
FCF Yield (%)	(15.1)	(17.8)	3.8	2.8
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	1045.4	1046.9	1046.9	997.0

VALUATION

Valuation per share (NAV @ 10%) (\$)	3.80
Share Price Target [12 months] (\$)	1.75
Price/NAV [10% disc rate] (x)	0.35

Operating Assets [DH09]	A\$m	¢
Operating Coal Assets	4790	467

Gross Assets	4790	467
---------------------	-------------	------------

Exploration and development	200	19
Net Cash / (Debt)	(887)	(87)
Corporate costs	(204)	(20)

Net Asset Value @ 10% discount rate	3899	380
--	-------------	------------

ENTERPRISE VALUE

(A\$m)	2014	2015E	2016E	2017E
Enterprise Value	2,424	2,164	2,286	2,269
EV/EBITDA (x)	27.0	17.5	16.1	8.6
EV/Operating Free Cash Flow (x)	<0	<0	26.8	51.4

EPS SENSITIVITIES

Commodity	Base Change	2015E	2016E	2017E
		EPS Change		
Thermal Coal Price	+\$10/t		110%	345%
SSCC price	+\$10/t		24%	136%
A\$:US\$:+10¢		-12%	-38%

CASH FLOW

(A\$m)	2014	2015E	2016E	2017E
Operating income [EBIT, UBS]	10	30	2	98
Depreciation & Amortisation	79	94	140	164
Net change in working capital	36	5	54	16
Other (operating)	0	0	0	0
Pre-tax op cash flow	125	129	195	278
Interest (paid) / received	(38)	(29)	(33)	(32)
Tax paid	21	67	1	(5)
Other	0	0	0	0
Operating cash flow	109	167	163	242
Capital expenditure	(317)	(413)	(110)	(205)
Free cash flow	(209)	(246)	53	37
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	0	0	0	0
Shares issued/(repurchased)	(0)	0	0	0

COMPANY DESCRIPTION

Whitehaven Coal (WHC) is a coal producer with operations based in the Gunnedah Basin of New South Wales. It has four mines in operation: the Tarrawonga, Rocglen and Werris Creek mines, and Narrabri. WHC is developing a fifth mine, Maules Creek, which will double its production from ~11Mt in FY14 to ~22Mt in FY17. The Maules Creek development remains on schedule, with first coal railed in December 2014 and first coal sales in January 2015.

OPERATIONAL ASSUMPTIONS

	1H15	2H15E	2014	2015E	2016E	2017E
Commodity Prices						
JBM thermal coal (US\$/t)	82	75	92	78	67	66
JBM semi-soft coking coal (US\$/t)	88	82	100	85	75	83
JBM PCI coal (US\$/t)	100	96	113	98	80	94
A\$:US\$	0.89	0.78	0.92	0.84	0.77	0.77
Total coal sold (equity)						
Whitehaven Mining Precinct (mt)	1.2	1.0	2.7	2.2	2.3	2.3
Werris Creek (mt)	1.2	1.2	2.3	2.4	2.5	2.5
Narrabri (mt)	2.2	2.6	3.6	4.8	4.9	4.9
Vickery (mt)	0.0	0.0	0.0	0.0	0.0	0.0
Maules Creek (mt)	0.0	1.9	0.0	1.9	4.3	6.8
Total coal sold	4.7	6.6	8.7	11.4	14.0	16.4
Costs						
Unit cash cost (A\$/t)	63.0	60.7	69.7	61.9	60.9	62.7

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15	2H15E	2014	2015E	2016E	2017E
--------	------	-------	------	-------	-------	-------

PROFIT & LOSS

(A\$m)	1H15	2H15E	2014	2015E	2016E	2017E
Sales Revenue	372	389	755	760	1086	1439
Operating Cash Profit	156	183	302	339	466	649
Depn & Amortisation	(46)	(48)	(79)	(94)	(140)	(164)
Operating Profit	110	135	223	245	326	485
Exploration	0	0	0	0	0	0
SGA	(112)	(113)	(221)	(225)	(328)	(391)
EBIT	6	24	10	30	2	98
Net interest	(23)	(26)	(52)	(50)	(69)	(67)
Profit before tax	(18)	(2)	(42)	(20)	(67)	32
Tax expense	5	1	14	6	0	(9)
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(12)	(1)	(38)	(14)	(67)	22
Abnormal Gain/(Loss) after Tax	0	0	(10)	0	0	0
Net Profit [adjusted]	(12)	(1)	(28)	(14)	(67)	22
EBITDA margin (%)			11.9	16.3	13.1	18.3
Net Interest Cover [EBIT] (x)			(0.2)	NM	(0.0)	(1.5)
Tax Rate (%)			NM	NM	NM	30.0
EBIT/Total Assets (%)			0.2	0.7	0.0	2.1
NPAT/Equity (%)			(0.9)	(0.4)	(2.2)	0.7

BALANCE SHEET [Selected Items]

(A\$m)	2014	2015E	2016E	2017E
Net Working capital	(67)	(72)	(86)	(81)
Fixed Assets	3385	3646	3616	3656
Net Other	574	508	508	508
Capital Employed	3892	4082	4038	4083
Net Cash / (Debt)	(685)	(946)	(929)	(911)
Total Equity [incl. minorities]	3207	3137	3109	3172
Minorities	0	0	0	0
Net Debt / Equity (%)	21.4	30.1	29.9	28.7
Book Value per Share(\$)	3.13	3.06	3.03	3.24

Source: WHC, UBS estimates

Key Call: Fortescue Metals Group Ltd

Iron ore headwinds to persist

Forecasting a stronger June quarter following wet weather in MQ

We forecast FMG will ship 42.3Mt iron ore (including 1.17Mt third party ore) during the June Q, up from 40.4Mt in the MQ. From the June quarter onwards, we expect FMG will have reached steady state production, a run rate of approximately 165-170Mtpa shipped (100%). We estimate a realised price of ~US\$51/dmt CFR (Platts 62%) in the June Q, up from the ~US\$48/t CFR selling price achieved in the March 2015, as we expect FMG to benefit from positive provisional price impacts (QP adjustment) and a narrowing of the impurity discount over the period.

Earnings raised on better than expected iron ore price

Incorporating our new forward iron ore price assumptions (+4% in FY 15 to US\$71/dmt and +11% in FY 16 to US\$51/dmt CFR Platts 62%) has led to increases in our earnings estimates for FMG. Our forecast for FMG's FY 15 Underlying NPAT has increased to US\$415m (from US\$62m), while FY 16 earnings have improved 77% to an underlying NLAT of -US\$5.4m, (from -US\$23.6m previously). These revisions have had no impact on our valuation of FMG (DCF, d.r. 10%) of A\$1.72ps, as they have been offset by revisions to longer term costs and capex.

Costs lowered to achieve US\$40/dmt cfr all in delivered cost in FY 16

Using management's latest C1 cash cost guidance for FY 16 of US\$18/wmt, we estimate that FMG requires a Platts 62% price of ~US\$40/dmt cfr to breakeven (excluding interest) in 2H FY 15E. Management have commented that it remains very comfortable with progress against cost guidance, with US\$20/wmt fob a likely by end of the June quarter. Cost savings are being derived from a combination of consolidation of contractor at Christmas Creek; recent roster change; procurement gains; and from mining productivity initiatives such as autonomous trucks, gas pipeline and improved OPF performance.

Valuation: A\$1.72ps (DCF, 10% d.r)

We retain our Sell rating and price target of A\$1.70ps, in line with NPV.

Equities

Australia
Mining

12-month rating **Sell**

12m price target **A\$1.70**

Price **A\$1.91**

RIC: FMG.AX **BBG:** FMG AU

Trading data and key metrics

52-wk range	A\$4.96-1.78
Market cap.	A\$5.95bn/US\$4.57bn
Shares o/s	3,114m (ORD)
Free float	40%
Avg. daily volume ('000)	22,879
Avg. daily value (m)	A\$50.3
Common s/h equity (06/15E)	US\$7.60bn
P/BV (06/15E)	0.6x
Net debt / EBITDA (06/15E)	3.3x

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
06/15E	0.02	0.13	571.54	0.09
06/16E	(0.24)	(0.05)	76.93	(.00)
06/17E	(0.20)	(0.13)	32.92	0.08

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (US\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	6,681	8,120	11,667	8,452	6,106	6,095	6,776	6,988
EBIT (UBS)	2,562	2,728	4,547	999	289	(55)	139	229
Net earnings (UBS)	1,403	1,746	2,730	415	(170)	(412)	(275)	(202)
EPS (UBS, diluted) (US\$)	0.45	0.56	0.88	0.13	(0.05)	(0.13)	(0.09)	(0.06)
DPS (A\$)	0.08	0.10	0.20	0.03	0.00	0.00	0.00	0.00
Net (debt) / cash	(6,158)	(10,533)	(7,173)	(7,547)	(7,389)	(7,473)	(7,119)	(6,540)
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	38.3	33.6	39.0	11.8	4.7	-0.9	2.1	3.3
ROIC (EBIT) %	35.7	21.2	29.8	6.7	2.0	(0.4)	1.0	1.8
EV/EBITDA (core) x	7.5	6.7	4.0	5.5	8.0	10.2	8.3	7.9
P/E (UBS, diluted) x	12.2	7.4	5.1	11.0	(27.0)	(11.1)	(16.6)	(22.7)
Equity FCF (UBS) yield %	(22.0)	(31.0)	20.5	(2.1)	7.5	1.7	8.6	12.0
Net dividend yield %	1.5	2.5	4.1	1.6	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$1.91 on 30 Jun 2015 22:34 EST

Fortescue Metals

Analyst/s: Glyn Lawcock / Amber MacKinnon
Email: Glyn.Lawcock@ubs.com
30-Jun-15

MARKET INFORMATION

Rating:	Sell
Price (as of 30-Jun-15):	1.91
Price Target (12 months):	1.70
Issued Capital:	3,113.8
Market Capitalisation:	5,947.4
Avg. daily turnover (US\$m)	39.9
Year end:	June
Website:	http://www.fmg.com.au
Major Shareholders:	The Metal Group (32%); Valin (17%)
Exchange rate (AUDUSD)	0.77

INVESTMENT SUMMARY

(US\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	1817	2730	415	(170)
Net profit [adjusted] (\$m)	1746	2730	415	(170)
EPS [reported] (cps)	58.4	87.7	13.3	(5.4)
EPS [adjusted, diluted] (\$)	56.1	87.7	13.3	(5.4)
EPS Growth (%)		56%	-85%	-141%
PER [adjusted] (x)	2.6	1.7	11.0	(26.9)
Dividend (Acps)	10.0	20.0	3.0	0.0
Payout ratio (%)	12%	22%	25%	30%
Dividend Yield (%)	5.2	10.5	1.6	0.0
FCF Yield (%)	(81.5)	65.0	1.2	10.3
Franking (%)	100.0	100.0	100.0	100.0
Shares [period-average, diluted] (m)	3,114	3,114	3,114	3,114

VALUATION

Valuation per share [NAV @10%] (\$)	1.72
Share Price Target [12 months] (\$)	1.70
Price/NAV [10% disc rate] (x)	1.11

Operating Assets [JH15]	US\$m	A\$m	€
Cloud Break/ Christmas Creek	11902	15743	506

Gross Assets	11,902	15,743	506
Net Debt (excluding Leucadia note)	(7477)	(9558)	(307)
Leucadia note	0	0	0
Corporate Costs	(448)	(819)	(26)
Net Asset Value @ 10% discount rate	3977	5366	172

ENTERPRISE VALUE

(A\$m)	2013	2014	2015E	2016E
Enterprise Value	16480	13120.36	13494	13336
EV/EBITDA (x)	3.7	1.8	4.2	6.1
EV/Operating Free Cash Flow (x)	4.8	2.0	11.7	12.5

EPS SENSITIVITIES

Commodity	Base	2014	2015E	2016E
	Change		% EPS Change	
Iron ore fines	+/-US\$10/t		252%	-618%
AUDUSD	+/-US\$0.10		-87%	214%

CASH FLOW

(US\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	3019	4633	1127	362
Depreciation & Amortisation	437	965	1342	1310
Net change in working capital	737	345	(263)	(266)
Other (operating)	0	0	0	0
Pre-tax op cash flow	4193	5943	2206	1406
Interest (paid) / received	(862)	(832)	(550)	(550)
Tax paid	(695)	(150)	(773)	(36)
Other	0	0	0	0
Operating cash flow	2636	4961	883	820
Capital expenditure	(6355)	(1995)	(830)	(349)
Free cash flow	(3719)	2966	53	471
Net (acquisitions) / disposals	155	262	3	0
Dividends paid (Common)	(131)	(581)	(359)	0
Shares issued/(repurchased)	0	(4)	0	0

COMPANY DESCRIPTION

Fortescue Metals Group (FMG), headquartered in Perth, is an iron ore mining company with significant iron ore assets in the Pilbara region of Western Australia. It has an estimated 10bt of iron ore resources, with 2.2bt as reserves. It has built an integrated mine rail and port system, and is in the process of ramping up capacity to 155Mtpa by the end-March 2014 quarter. Its operations are centered on two hubs, Chichester at 90Mtpa and Solomon at 60Mtpa with 6Mtpa from NJV.

OPERATIONAL ASSUMPTIONS

	H1 15	H2 15E	2013	2014	2015E	2016E
Commodity prices						
Iron ore lump (US\$/dltu) - fob	137.5	110.4	208.2	202.9	123.9	93.2
Iron ore fines (US\$/dltu) - fob	120.5	89.9	195.0	181.6	105.2	73.2
FeO fines - 62% Fe (US\$/dmt) - cf	82.3	60.4	126.9	122.1	71.4	50.8
FMG realised (US\$/dmt) - cfr	74.0	54.2	114.0	106.0	64.1	45.7
A\$:US\$	0.89	0.78	1.03	0.92	0.84	0.77
Production						
Fines - Mt	80.8	80.5	77.8	119.8	161.3	162.0
Cash costs						
Real cash cost FOB (A\$/t)*	33.9	30.6	41.9	36.4	32.3	23.8
Real cash cost FOB (US\$/t)*	30.1	23.9	43.0	33.4	27.0	18.3

*excludes royalties & SG&A

PROFIT & LOSS

(US\$m)	H1 15	H2 15E	2013	2014	2015E	2016E
Sales Revenue	4764	3688	8120	11667	8452	6106
Operating Cash Profit	1300	1066	3417	5589	2366	1670
Depn & Amortisation	(658)	(684)	(437)	(965)	(1342)	(1310)
Operating Profit	642	382	2980	4624	1024	360
Exploration	0	0	0	0	0	0
SGA	104	(1)	39	9	103	2
EBIT	746	381	3019	4633	1127	362
Net interest	(306)	(260)	(553)	(720)	(566)	(605)
Profit before tax	440	120	2466	3913	560	(242)
Tax expense	(109)	(36)	(720)	(1183)	(145)	73
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit (underlying)	331	84	1746	2730	415	(170)
Reval. of Leucadia Note	0	0	71	0	0	0
Net Profit (reported)	331	84	1817	2730	415	(170)

EBITDA margin (%)	29%	29%	43%	48%	29%	27%
Net Interest Cover [EBIT] (x)	2.4	1.5	5.5	6.4	2.0	0.6
Tax Rate (%)	24.8	30.0	29.2	30.2	25.9	30.0
EBIT/Total Assets (%)			19%	31%	7%	2%
NPAT/Equity (%)			34%	36%	5%	-2%
Net Debt / (Net Debt + Equity) (%)			67%	49%	50%	50%

BALANCE SHEET [Selected Items]

(US\$m)	2013	2014	2015E	2016E
Net Working capital	295	(1037)	122	146
Fixed Assets	14469	18068	17707	16746
Net Other	1058	(2289)	(2677)	(2141)
Capital Employed	15822	14742	15152	14751
Net Cash / (Debt)	(10533)	(7173)	(7547)	(7389)
Total Equity [incl. minorities]	5289	7569	7605	7362
Minorities	0	0	0	0
Net Debt / (Net Debt + Equity) (%)	67%	49%	50%	50%
Book Value per Share(\$)	1.70	2.43	2.44	2.36

Source: FMG, UBS estimates

BC Iron Limited

Running hard to stand still

Forecasting a slightly improved June quarter

We forecast BCI will ship 1.65Mt of Bonnie Fines iron ore during the June Q, up from 1.46Mt in the MQ. We expect BCI will continue to mine the Warrigal pits during the FY 16 as it transitioned away from Outcamp 2 and 3 deposits earlier this calendar year. We estimate a realised price of ~US\$52/dmt CFR (Platts 62%) in the June Q, down from the ~US\$54/dmt CFR selling price achieved in the March 2015 Q. Management comments indicate that they have seen their received impurity discount narrow in recent months, however given that sales are priced on month of sale, we are unlikely to see a material QP adjustment.

Earnings raised on better than expected iron ore price

Incorporating our new forward iron ore price assumptions has led to increases in our earnings estimates for BCI. Our forecast for BCI's FY 15 Underlying NLAT has improved 30% to -A\$17m (from -A\$24m), while FY 16 earnings have improved 54% to an underlying NLAT of -A\$11m, (from -A\$23m previously). The revisions to our iron ore price assumptions has also led to a 12% uplift to our valuation of BCI (DCF, d.r. 10%) to A\$0.30ps, from A\$0.26ps. Based on our estimate for BCI to have a cash balance of A\$72m at 31 June 2015, we estimate BCI's share price is currently A\$0.37ps cash backed.

Cost out program continues to bear fruit

BCI closed the end of the MQ, with C1 costs of A\$43/wmt, well below company guidance for A\$47-51/t in the June half FY 15. The appointment of the Viento group for the NJV's mining, crushing and screening activities earlier this year, should lead to another A\$2-3/t C1 cost reduction (from that achieved in the month of March) over the course of 1H FY 16, as the contractor familiarises itself with the operations and looks for additional savings.

Valuation: A\$0.30ps (DCF, 10% d.r)

We increase our target price to A\$0.30ps in line with NPV and upgrade our rating to Neutral (from Sell), also reflecting BCI's recently announced debt repayment.

Equities

Australia
Mining

12-month rating **Neutral**
Prior: Sell

12m price target **A\$0.30**
Prior: A\$0.26

Price **A\$0.29**

RIC: BCI.AX **BBG:** BCI AU

Trading data and key metrics

52-wk range	A\$3.52-0.26
Market cap.	A\$0.04bn/US\$0.03bn
Shares o/s	124m (ORD)
Free float	46%
Avg. daily volume ('000)	2,213
Avg. daily value (m)	A\$0.9
Common s/h equity (06/15E)	A\$0.22bn
P/BV (06/15E)	0.3x
Net debt / EBITDA (06/15E)	NM

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
06/15E	(0.12)	(0.08)	29.52	(0.14)
06/16E	(0.12)	(0.05)	53.95	(0.07)
06/17E	(0.10)	(0.12)	-21.89	(0.07)

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	204	325	469	277	237	235	251	0
EBIT (UBS)	62	70	120	(24)	(18)	(34)	(31)	(2)
Net earnings (UBS)	51	59	74	(17)	(11)	(23)	(21)	0
EPS (UBS, diluted) (A\$)	0.51	0.49	0.59	(0.08)	(0.05)	(0.12)	(0.11)	(.00)
DPS (A\$)	0.15	0.35	0.32	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	76	35	107	72	71	54	40	40
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	30.1	21.6	25.6	-8.6	-7.4	-14.6	-12.4	-
ROIC (EBIT) %	99.0	59.1	77.2	(17.1)	(12.1)	(25.0)	(23.8)	(1.3)
EV/EBITDA (core) x	2.6	3.4	2.7	-7.5	-76.0	1.1	0.3	2.4
P/E (UBS, diluted) x	5.2	6.3	7.5	(3.4)	(5.4)	(2.5)	(2.7)	NM
Equity FCF (UBS) yield %	28.5	(15.4)	27.8	(73.6)	0.5	(43.9)	(36.0)	(1.6)
Net dividend yield %	5.7	11.4	7.2	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$0.29 on 30 Jun 2015 22:34 EST

BC Iron Limited (BCI.AX)

Analyst: Glyn Lawcock / Amber MacKinnon
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Neutral
Price (as of 01-Jul-15):	0.29
Price Target (12 months):	0.30
Issued Capital:	123.9
Market Capitalisation:	35.9
Avg. daily turnover (US\$m)	0.7
Year end:	Jun 2015
Website:	http://www.bcion.com.au/
Major Shareholders:	Henghou 4.83%

INVESTMENT SUMMARY

(A\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	71.4	79.2	(94.5)	(10.6)
Net profit [adjusted] (\$m)	48.8	73.6	(16.6)	(10.6)
EPS [reported] (\$)	0.59	0.64	(0.48)	(0.05)
EPS [adjusted, diluted] (\$)	0.40	0.59	(0.08)	(0.05)
EPS Growth (%)	(3.7)	21.6	NM	35.9
PER [adjusted] (x)	0.5	0.5	<0.0	<0.0
Dividend (\$)	0.35	0.32	0.00	0.00
Payout ratio (%)	59.5	50.1	0.0	0.0
Dividend Yield (%)	120.7	110.3	0.0	0.0
FCF Yield (%)	(152.4)	402.7	(46.5)	0.3
Franking (%)	100.0	100.0	0.0	0.0
Shares [period-average, diluted] (m)	121.4	124.0	196.2	196.2

VALUATION

Valuation per share [NAV @ 10%] (\$)	\$0.30
Share Price Target [12 months] (\$)	\$0.26
Price/NAV (x)	0.98

Assets	A\$m	A\$/sh
Nullagine	3.9	0.02
Iron Valley Royalty	17.4	0.09
Less Corporate Costs	-30.5	(0.16)
Less Net Debt/(Cash)	(67)	(0.34)
DCF valuation	58.1	0.30

ENTERPRISE VALUE

(A\$m)	2013	2014	2015E	2016E
Enterprise Value	313	414	(36)	(35)
EV/EBITDA (x)	3.4	2.7	<0	<0
EV/Operating Free Cash Flow (x)	<0	4.1	<0	4.1

EPS SENSITIVITIES

Commodity	Base Change	2014	2015E	2016E
			EPS Change	
Iron Ore Fines (Fe 62.0%)	+/-US\$10/t		156%	268%
A\$	+/-US\$0.05		53%	71%
Opex	+/-US\$5/t		86%	148%

CASH FLOW

(A\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	70	120	(24)	(18)
Depreciation & Amortisation	22	34	29	18
Net change in working capital	(5)	(12)	8	(8)
Other (operating)	5	41	(31)	7
Pre-tax op cash flow	92	183	(19)	(1)
Interest (paid) / received	2	2	1	2
Tax paid	(10)	(42)	(5)	0
Other	3	3	0	0
Operating cash flow	87	146	(23)	1
Capital expenditure	(141)	(1)	(4)	(1)
Free cash flow	(54)	145	(26)	0
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	(22)	(58)	(19)	0
Shares issued/(repurchased)	56	2	0	0

COMPANY DESCRIPTION

BC Iron Limited is a DSO iron ore producer with operations in the Pilbara in Western Australia. The company has a 75% stake in the Nullagine project, with Fortescue being the other owner. Nullagine produces ~6mtpa of DSO utilising Fortescue's rail and port facilities. .

OPERATIONAL ASSUMPTIONS

	1H15	2H15E	2013	2014	2015E	2016E
Commodity Prices						
Iron ore fines (US\$/dmu FOB)	120.5	89.7	193.4	181.6	105.1	73.2
Iron ore fines - 62% Fe (US/t FO)	74.7	55.6	119.9	112.6	65.1	45.4
A\$/US\$	0.89	0.78	1.03	0.92	0.84	0.77
Cost inflator	1.00	1.00	1.00	1.00	1.00	1.02
Product Shipped (mt)						
Nullagine (BCI equity)	1.7	2.3	3.2	4.2	4.1	4.5
Total Volume (mt)	1.7	2.3	3.2	4.2	4.1	4.5
Operating costs (A\$/t)						
Nullagine	61.0	46.0	47.0	52.4	53.5	41.6

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15	2H15E	2013	2014	2015E	2016E
Nullagine	(19.9)	6.5	115.5	125.4	(13.4)	(8.0)
Total EBIT	(19.9)	6.5	115.5	125.4	(13.4)	(8.0)

PROFIT & LOSS

(A\$m)	1H15	2H15E	2013	2014	2015E	2016E
Sales Revenue	132	145	325	469	277	237
Operating Cash Profit	16	34	141	190	49	42
Depn & Amortisation	(18)	(10)	(22)	(34)	(29)	(18)
Operating Profit	(3)	23	119	156	21	24
Others	(13)	(17)	(41)	(30)	(30)	(34)
SGA	(11)	(4)	(8)	(7)	(14)	(7)
EBIT	(27)	3	70	120	(24)	(18)
Net interest	(0)	(0)	(2)	0	(0)	2
Profit before tax	(27)	3	69	110	(24)	(16)
Tax expense	8	(1)	(20)	(36)	8	5
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(96)	2	71	79	(94)	(11)
Abnormal Gain/(Loss) after Tax	(78)	0	23	6	(78)	0
Net Profit [adjusted]	(18)	2	49	74	(17)	(11)
EBITDA margin (%)			28.3	32.8	1.7	0.2
Net Interest Cover [EBIT] (x)			(46.4)	1,933.0	58.8	(9.2)
Tax Rate (%)			29%	33%	NM	NM
EBIT/Total Assets (%)			16.7	31.0	(7.3)	(5.5)
NPAT/Equity (%)			22.5	31.3	(7.4)	(5.0)

BALANCE SHEET [Selected Items]

(A\$m)	2013	2014	2015E	2016E
Net Working capital	(34)	(46)	(38)	(45)
Fixed Assets	74	189	128	120
Net Other	142	(15)	61	66
Capital Employed	182	128	151	140
Net Cash / (Debt)	35	107	72	71
Total Equity [incl. minorities]	217	235	223	211
Minorities	0	0	0	0
Net Debt / Equity (%)	(16.2)	(45.4)	(32.4)	(33.8)
Book Value per Share(\$)	1.82	1.90	1.14	1.08

Source: BCI, UBS estimates

Mount Gibson Iron Limited

Flush with cash, but few options

Forecasting slightly higher volumes in JQ, but likely to be short lived

We forecast MGX will ship 1.17Mt of iron ore during the June Q, up from 1.07Mt in the MQ. We expect the June quarter will be the last quarter in which MGX is able to sell lower grade stockpiled ore from the now closed Koolan Island mine. Therefore, looking ahead to SQ 15, we expect sales to decline to 875kt, as only the Extension Hill mine remains in operation. We estimate a realised price of ~US\$42/dmt FOB in the June Q, down from the ~US\$47/dmt FOB selling price achieved in the March 2015 Q. During the June quarter, management announced that the company was exploring the option of converting the fixed assets at Koolan Island to operate as an LNG logistics hub for O&G players in the adjacent Browse basin. The company has signed a Framework agreement with Qube Holdings (QUB) for a potential JV.

Earnings raised on better than expected iron ore price

Incorporating our new forward iron ore price assumptions has led to increases in our earnings estimates for MGX. Our forecast for MGX's FY 15 Underlying NLAT has improved to -A\$31m (from -A\$33m), while FY 16 earnings have increased 18% to an underlying NLAT of -A\$41m, (from -A\$51m previously). The revisions to our iron ore price assumptions has also led to a modest 4% uplift to our valuation of MGX (DCF, d.r. 10%) to A\$0.22ps, from A\$0.21ps. Based on our estimate for MGX to have a cash balance of A\$320m at 31 June 2015, we estimate MGX's share price is currently A\$0.29ps cash backed.

Breakeven iron ore price sitting at US\$53/dmt CFR (inc interest)

Using the midpoint of MGX's latest C1 cash cost guidance for Extension Hill in 2H 15 of A\$45-47/wmt, we estimate that the Extension Hill mine requires a Platts 62 price of ~US\$52/dmt cfr (vs US\$54/wmt cfr previously) to breakeven (excluding interest) in 2H FY 15E.

Valuation: A\$0.22ps (DCF, 10% d.r)

We increase our target price to A\$0.22ps (from A\$0.21ps) in line with NPV and retain our Neutral rating.

Equities

Australia
Mining

12-month rating **Neutral**

12m price target **A\$0.22**
Prior: A\$0.21

Price **A\$0.20**

RIC: MGX.AX BBG: MGX AU

Trading data and key metrics

52-wk range	A\$0.77-0.18
Market cap.	A\$0.22bn/US\$0.17bn
Shares o/s	1,091m (ORD)
Free float	92%
Avg. daily volume ('000)	4,102
Avg. daily value (m)	A\$0.9
Common s/h equity (06/15E)	A\$0.32bn
P/BV (06/15E)	0.6x
Net debt / EBITDA (06/15E)	NM

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
06/15E	(0.03)	(0.03)	7.32	(0.13)
06/16E	(0.05)	(0.04)	17.97	(0.03)
06/17E	(0.03)	(0.03)	-0.54	(0.02)

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	648	853	898	296	155	146	153	0
EBIT (UBS)	226	124	154	(55)	(68)	(61)	(53)	(17)
Net earnings (UBS)	172	93	96	(31)	(41)	(37)	(32)	(9)
EPS (UBS, diluted) (A\$)	0.16	0.09	0.09	(0.03)	(0.04)	(0.03)	(0.03)	(0.01)
DPS (A\$)	0.04	0.04	0.04	0.00	0.00	0.00	0.04	0.04
Net (debt) / cash	(6)	348	520	320	300	260	202	124
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	34.9	14.5	17.1	-18.5	-44.1	-42.1	-34.6	-
ROIC (EBIT) %	19.0	11.7	19.5	(14.7)	>500	330.8	350.2	<-500
EV/EBITDA (core) x	2.7	1.9	2.1	2.3	-1.1	1.7	1.8	3.7
P/E (UBS, diluted) x	8.2	8.4	9.4	(6.7)	(5.3)	(5.9)	(6.8)	(25.4)
Equity FCF (UBS) yield %	(0.7)	19.4	22.5	(70.8)	(18.3)	(18.2)	(16.6)	(15.9)
Net dividend yield %	3.0	5.6	4.8	0.0	0.0	0.0	20.0	20.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$0.20 on 30 Jun 2015 22:34 EST

Mt Gibson Iron Ltd (MGX.AX)

Analyst/s: Glyn Lawcock; Amber MacKinnon
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Neutral
Price (as of 01-Jul-15):	0.20
Price Target (12 months):	0.22
Issued Capital:	1,091
Market Capitalisation:	218
Avg. daily turnover (US\$m)	0.69
Year end:	Jun 2015
Website:	http://www.mtgibsoniron.com.au
Major Shareholders:	3r Holdings 19.77%; APAC 19.05%

INVESTMENT SUMMARY

(A\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	157.3	96.4	(890.0)	(41.4)
Net profit [adjusted] (\$m)	92.9	96.4	(30.7)	(41.4)
EPS [reported] (\$)	0.14	0.09	(0.86)	(0.0)
EPS [adjusted, diluted] (\$)	0.09	0.09	(0.03)	(0.04)
EPS Growth (%)	(47.1)	3.8	NM	(27.9)
PER [adjusted] (x)	2.3	2.2	<0.0	<0.0
Dividend (\$)	0.04	0.04	0.00	0.00
Payout ratio (%)	47.0	45.2	0	0
Dividend Yield (%)	20.3	20.3	0.0	0.0
FCF Yield (%)	69.8	94.5	(75.5)	(18.5)
Franking (%)	100.0	100.0	100.0	100.0
Shares [period-average, diluted] (m)	1090.6	1090.6	1034.6	1090.8

VALUATION

Valuation per share [NAV @ 10%] (\$)	0.22
Share Price Target [12 months] (\$)	0.22
Price/NAV [10% disc rate] (x)	0.91

Operating Assets [DH09]

Project	A\$m	¢
---------	------	---

Gross Assets	-57	-5
---------------------	------------	-----------

Net Cash	346	32
Corporate costs	(52)	(5)

Net Asset Value @ 10% discount rate	237	22
--	------------	-----------

ENTERPRISE VALUE

(A\$m)	2013	2014	2015E	2016E
Enterprise Value	604	734	47	47
EV/EBITDA (x)	1.9	2.1	2.3	<0
EV/Operating Free Cash Flow (x)	3.8	4.0	<0	<0

EPS SENSITIVITIES

Commodity	Base Change	2014	2015E	2016E
			EPS Change	
Iron ore prices	US\$10/t		-146%	-77%
AUDUSD	US\$0.10		-2%	-26%

CASH FLOW

(A\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	124	154	(55)	(68)
Depreciation & Amortisation	194	197	75	24
Net change in working capital	(81)	(55)	(137)	14
Other (operating)	0	0	0	0
Pre-tax op cash flow	237	296	(117)	(30)
Interest (paid) / received	10	13	13	9
Tax paid	(54)	(56)	8	0
Other	0	0	0	0
Operating cash flow	193	253	(96)	(21)
Capital expenditure	(42)	(49)	(58)	(19)
Free cash flow	150	203	(154)	(40)
Net (acquisitions) / disposals	0	1	16	20
Dividends paid (Common)	(40)	(22)	(44)	0
Shares issued/repurchased	0	0	0	0

COMPANY DESCRIPTION

Mount Gibson Iron Limited (MGX) has two main iron ore assets: Extension Hill, in the mid-west; and Koolan Island in north-west Western Australia. Following the seawall failure at Koolan Island in November 2014 and its subsequent placement on care & maintenance, production capacity is 3Mtpa at Extension Hill. MGX mine life is short with Extension Hill to 2018, while Koolan Island if reopened has mine life to 2021. With net cash MGX is expected to look to make acquisitions to grow the business as well as make modest returns to shareholders.

OPERATIONAL ASSUMPTIONS

	1H15A	2H15E	2013	2014	2015E	2016E
Commodity Prices						
Iron ore lump [US\$/dltu]	137	110	205	203	124	93
Iron ore fines [US\$/dltu]	120	90	196	182	105	73
Realised lump price (US\$/t) - FOI	62	40	114	101	51	40
Realised fines price (US\$/t) - FOI	52	41	105	88	47	27
A\$:US\$	0.89	0.78	1.03	0.92	0.84	0.77
Sales (incl. mineralised waste & low grade)						
Tallering Peak sales [Mt]	0.3	0.0	2.5	3.0	0.3	0.0
Tallering Peak sales [Mt]	1.3	0.7	3.5	3.7	2.0	0.0
Extension Hill sales [Mt]	1.6	1.5	2.8	3.0	3.1	3.5
Total	3.1	2.2	8.8	9.7	5.3	3.5

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15A	2H15E	2013	2014	2015E	2016E
--------	-------	-------	------	------	-------	-------

PROFIT & LOSS

(A\$m)	1H15A	2H15E	2013	2014	2015E	2016E
Sales Revenue	189	107	853	898	296	155
Operating Cash Profit	56	(2)	349	371	54	(24)
Depn & Amortisation	(60)	(15)	(194)	(197)	(75)	(24)
Operating Profit	(5)	(17)	155	174	(21)	(48)
Exploration	0	0	0	0	0	0
SGA	(16)	(17)	(31)	(28)	(33)	(20)
EBIT	(21)	(34)	124	154	(55)	(68)
Net interest	6	5	5	10	11	9
Profit before tax	(15)	(29)	128	164	(44)	(59)
Tax expense	5	9	(36)	(67)	13	18
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(870)	(20)	157	96	(890)	(41)
Abnormal Gain/(Loss) after Tax	(859)	0	64	0	(859)	0
Net Profit [adjusted]	(11)	(20)	93	96	(31)	(41)
EBITDA margin (%)			37.3	39.1	7.0	(28.7)
Net Interest Cover [EBIT] (x)			26.7	15.6	(5.1)	(7.4)
Tax Rate (%)			27.7	41.1	NM	NM
EBIT/Total Assets (%)			8.0	9.6	(12.7)	(18.0)
NPAT/Equity (%)			7.9	7.6	(9.5)	(14.8)

BALANCE SHEET [Selected Items]

(A\$m)	2013	2014	2015E	2016E
Net Working capital	53	(14)	(14)	(28)
Fixed Assets	248	223	38	16
Net Other	533	533	(23)	(8)
Capital Employed	834	742	2	(20)
Net Cash / (Debt)	348	520	320	300
Total Equity [incl. minorities]	1182	1262	322	280
Minorities	0	0	0	0
Net Debt / Equity (%)	(29.4)	(41.2)	(99.5)	(107.1)
Book Value per Share(\$)	1.08	1.16	0.31	0.26

Source: MGX, UBS estimates

Grange Resources Limited

Improved performance offset by price headwind

Uneventful quarter expected for GRR

We forecast Grange will ship 0.65Mt of pellet form iron ore during the June Q, up from 0.55Mt in the MQ. We estimate a realised price of ~US\$73/dmt FOB in the June Q, down from the ~US\$79/dmt FOB selling price achieved in the March 2015 Q. Grange continues to strategically place cargoes to premium customers which allows them to realise a superior pellet premium, which in our view, should have been close to ~US\$30/t in the quarter. We understand that it costs GRR ~US\$20/t to convert concentrate to pellets.

Earnings raised on better than expected iron ore price

Incorporating our more favourable forward iron ore price assumptions has led to an increase in our forward earnings estimates for GRR. Our forecast for GRR's 2015 Underlying NLAT has lifted by 49% to -A\$12m (from -A\$23m), while 2016 earnings have increased 12% to an underlying NLAT of -A\$24m, from -A\$28m previously. A higher forecast iron ore price (+12% to US\$51/dmt fob, from US\$46/dmt fob previously) has led to an increase in our forecast 2015 revenues, up 7% to A\$233m.

Cash balance provides buffer against expected weak iron ore price

GRR is not like its West Australian counterparts, in that it sells a premium product, with Fe of 65.5% versus the 57-58% Fe product from FMG and the juniors. It also receives a premium price for the fact that its product is agglomerated. Despite this, we highlight that the pellet premium is volatile and that our GRR NPV is highly sensitive to the assumed long run pellet premium. Our 8cps NPV assumes a US\$30/t pellet premium long term from 2016. Each US\$1/t change in the assumed pellet premium impacts our GRR NPV by ~1.3cps.

Valuation: A\$0.08ps (DCF, 10% d.r)

Our TP of A13cps represents cash backing (A\$144.2m or A13cps) as at 31 Mar 15.

Equities

Australia
Mining

12-month rating **Neutral ***

12m price target **A\$0.13**

Price **A\$0.12**

RIC: GRR.AX BBG: GRR AU

Trading data and key metrics

52-wk range	A\$0.18-0.09
Market cap.	A\$0.14bn/US\$0.11bn
Shares o/s	1,157m (ORD)
Free float	34%
Avg. daily volume ('000)	1,058
Avg. daily value (m)	A\$0.1
Common s/h equity (12/15E)	A\$0.51bn
P/BV (12/15E)	0.3x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
12/15E	(0.02)	(0.01)	48.96	0.00
12/16E	(0.02)	(0.02)	12.25	0.00
12/17E	(0.02)	(0.02)	-3.30	0.01

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	348	282	297	233	212	216	222	230
EBIT (UBS)	46	31	77	(19)	(37)	(38)	(38)	(35)
Net earnings (UBS)	36	26	76	(12)	(24)	(26)	(25)	(24)
EPS (UBS, diluted) (A\$)	0.03	0.02	0.07	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
DPS (A\$)	0.02	0.03	0.01	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	152	156	153	150	136	107	87	69
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	13.3	10.9	25.8	-8.2	-17.4	-17.8	-17.0	-15.1
ROIC (EBIT) %	7.5	5.2	15.7	(5.1)	(10.3)	(10.9)	(10.7)	(10.0)
EV/EBITDA (core) x	4.1	1.4	0.6	-0.5	2.1	<-100	28.7	16.9
P/E (UBS, diluted) x	14.0	10.0	2.8	(11.8)	(5.7)	(5.4)	(5.4)	(5.9)
Equity FCF (UBS) yield %	12.2	6.1	19.6	6.4	(9.9)	(20.7)	(13.8)	(13.1)
Net dividend yield %	4.6	13.6	5.4	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$0.12 on 30 Jun 2015 22:34 EST

* Exception to core rating bands; See page 34.

Grange Resources (GRR.AX)

Analyst: Glyn Lawcock / Amber MacKinnon
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Neutral (CBE)
Price (as of 30-Jun-15):	0.13
Price Target (12 months):	0.13
Issued Capital:	1,157.1
Market Capitalisation:	138.9
Avg. daily turnover (US\$m)	0.1
Year end:	Dec 2015
Website:	http://www.grangeresources.com.au
Major Shareholders:	Shagang 46.8%;RGL 11.5%; PML 7.8%

INVESTMENT SUMMARY

(A\$m)	2013A	2014A	2015E	2016E
Net profit [reported] (\$m)	25.6	(110.2)	(11.8)	(24.3)
Net profit [adjusted] (\$m)	25.6	76.4	(11.8)	(24.3)
EPS [reported] (\$)	0.02	(0.10)	(0.01)	(0.02)
EPS [adjusted, diluted] (\$)	0.02	0.07	(0.01)	(0.0)
EPS Growth (%)	(28.7)	198.1	(0.0)	(106.5)
PER [adjusted] (x)	5.7	<0.0	<0.0	<0.0
Dividend (\$)	0.03	0.01	0.00	0.00
Payout ratio (%)	135.3	(10.5)	0.0	0.0
Dividend Yield (%)	23.5	7.8	0.0	0.0
FCF Yield (%)	10.6	28.5	6.0	(9.3)
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	1154.9	1154.9	1154.9	1154.9

VALUATION

Valuation per share [NAV @ 10%] (\$)	\$0.08
Share Price Target [12 months] (\$)	\$0.13
Price/NAV (x)	1.66

Assets	A\$m	A\$/sh	Weight	PT A\$/sh
Savage River	(19.7)	(0.02)		
Less Corporate Costs	-43.1	(0.04)		
Less Net Debt	153	0.13		
Base Case DCF valuation	90.2	0.08	100%	\$0.08
Southdown	0	0.00	0%	\$0.00
Adjusted DCF valuation	90.2	0.08		\$0.08

ENTERPRISE VALUE

(A\$m)	2013A	2014A	2015E	2016E
Enterprise Value	99	62	(11)	3
EV/EBITDA (x)	1.4	0.6	<0	<0
EV/Operating Free Cash Flow (x)	<0	<0	1.0	<0

EPS SENSITIVITIES

Commodity	Base Change	2014A	2015E	2016E
			EPS Change	
Pellets (Fe 65.5%)	+/-US\$10/t		24%	77%
A\$	+/-US\$0.05		23%	75%
Opex	+/-US\$5/t		11%	11%

CASH FLOW

(A\$m)	2013A	2014A	2015E	2016E
Operating income [EBIT, UBS]	31	77	(19)	(37)
Depreciation & Amortisation	38	30	40	38
Net change in working capital	1	(9)	(5)	(1)
Other (operating)	41	77	14	4
Pre-tax op cash flow	112	174	30	4
Interest (paid) / received	4	3	2	2
Tax paid	0	0	5	10
Other	0	0	(1)	(1)
Operating cash flow	116	177	36	16
Capital expenditure	(100)	(135)	(27)	(30)
Free cash flow	16	42	9	(14)
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	(23)	(23)	(12)	0
Shares issued/(repurchased)	0	0	0	0

COMPANY DESCRIPTION

Grange Resources is a magnetite producer with operations in north west Tasmania. Its flagship asset, the Savage River project, is an integrated iron ore mining and pellet producer, with current pellet production of around 2.3 - 2.4mtpa and a maximum theoretical capacity of 2.9Mtpa, however, this has never been produced. The company is looking for an equity partner to develop its Southdown magnetite project located near Albany in Western Australia. The initial stage of the project is aimed at delivering 10mtpa concentrate at a cost of around A\$2.9bn. Grange owns a 70% stake in Southdown.

OPERATIONAL ASSUMPTIONS

	1H15E	2H15E	2013A	2014A	2015E	2016E
Commodity Prices						
Iron ore lump (US\$/dmu FOB)	110.4	94.6	219.8	161.9	102.5	90.6
Iron ore fines (US\$/dmu FOB)	89.9	74.6	202.9	143.2	82.2	70.6
Pellets (US\$/dmu FOB)	119.1	100.7	242.9	179.9	109.9	95.3
A\$:US\$	0.78	0.77	0.97	0.90	0.78	0.77
Product Shipped (mt)						
Savage River	1.2	1.2	1.9	2.4	2.4	2.4
Southdown	0.0	0.0	0.0	0.0	0.0	0.0
Total Volume (mt)	1.2	1.2	1.9	2.4	2.4	2.4
Operating costs (A\$/t)						
Savage River	81.0	80.7	107.5	93.8	80.9	82.3
Southdown	0.0	0.0	0.0	0.0	0.0	0.0
Operating costs (A\$/t)	81.0	80.7	107.5	93.8	80.9	82.3

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15E	2H15E	2013A	2014A	2015E	2016E
Savage River	(5.8)	(7.0)	7.9	18.4	(12.8)	(30.5)
Southdown	0.0	(1.9)	0.0	0.0	(1.9)	(88.8)
Total EBIT	(5.8)	(9.0)	7.9	18.4	(14.7)	(119.3)

PROFIT & LOSS

(A\$m)	1H15E	2H15E	2013A	2014A	2015E	2016E
Sales Revenue	120	113	282	297	233	212
Operating Cash Profit	19	16	47	70	35	15
Depn & Amortisation	(21)	(19)	(38)	(30)	(40)	(38)
Operating Profit	(2)	(3)	9	40	(5)	(24)
Others	(5)	(4)	27	41	(9)	(8)
SGA	(2)	(2)	(5)	(5)	(5)	(5)
EBIT	(9)	(10)	31	77	(19)	(37)
Net interest	1	1	5	4	2	2
Profit before tax	(8)	(9)	36	81	(17)	(35)
Tax expense	2	3	(10)	(5)	5	10
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(5)	(6)	26	(110)	(12)	(24)
Abnormal Gain/(Loss) after Tax	0	0	0	(187)	0	0
Net Profit [adjusted]	(5)	(6)	26	76	(12)	(24)
EBITDA margin (%)			24.5	35.9	9.0	0.7
Net Interest Cover [EBIT] (x)			6.3	17.1	(8.6)	(16.9)
Tax Rate (%)			28%	6%	NM	NM
EBIT/Total Assets (%)			3.4	12.2	(3.2)	(6.4)
NPAT/Equity (%)			3.4	14.3	(2.3)	(5.0)

BALANCE SHEET [Selected Items]

(A\$m)	2013A	2014A	2015E	2016E
Net Working capital	40	31	26	24
Fixed Assets	164	106	86	67
Net Other	389	245	250	260
Capital Employed	593	382	362	352
Net Cash / (Debt)	156	153	150	136
Total Equity [incl. minorities]	749	535	512	488
Minorities	0	0	0	0
Net Debt / Equity (%)	(20.9)	(28.6)	(29.3)	(27.9)
Book Value per Share(\$)	0.65	0.46	0.44	0.42

Source: GRR, UBS estimates

Paladin Energy Limited

Slow cash burn until market price recovers

Raising completed in the quarter with 2015 CB repaid

During the quarter, PDN received net proceeds of US\$146.2m from the issue of its new US\$150m convertible bond. The new facility, which was approved by shareholders on 30 Mar 15, has a coupon rate of 7.00%, with maturity of 31 Mar 20 and a conversion price of US\$0.356 for PDN shares (or A\$0.44cps vs last close price of A\$0.27ps).

Earnings lowered as uranium price fails to lift as expected

We have been expecting a lift in the uranium price for the last 6 months, but it continues to evade us. We had thought that the restart of the Japanese reactor fleet would act as a catalyst for price recovery, but as yet the restart continues to be delayed. As such we have yet again lowered our uranium price forecast for the near term, with our 2015 average lowered by 11% to US\$38/b from US\$42/lb. This has resulted in a 63% reduction to FY 16 earnings to a loss of US\$48m.

Uranium price north of US\$46/lb needed to cover cash outgoings

OpCF was negative in MQ 15, in part driven by cash draw from KM and LHM (-US\$20.5M). We estimate PDN's all in cash breakeven price at ~US\$46/lb based on LHM C1 of US\$26/lb, which is where we look for LHM costs to drop out by end FY 15. Looking forward, PDN is aiming to lower LHM costs to US\$25/lb over the next 2 years. PDN management have said that feasibility works for restart of the Kayelekera mine (which was placed on care and maintenance from 6 May 14) are well advanced, with the evaluation expected to be complete in June 15, so we look for an update in Jul 15.

Valuation: A\$0.43ps (DCF, 10% d.r)

We lower our TP to A\$0.30ps, applying a 30% discount to NPV for market risk.

Equities

Australia
Mining

12-month rating **Neutral**

12m price target **A\$0.30**
Prior: A\$0.43

Price **A\$0.25**

RIC: PDN.AX BBG: PDN AU

Trading data and key metrics

52-wk range	A\$0.42-0.25
Market cap.	A\$0.41bn/US\$0.31bn
Shares o/s	1,667m (ORD)
Free float	100%
Avg. daily volume ('000)	6,309
Avg. daily value (m)	A\$2.1
Common s/h equity (06/15E)	US\$0.42bn
P/BV (06/15E)	0.7x
Net debt / EBITDA (06/15E)	NM

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
06/15E	(0.08)	(0.08)	-0.61	(0.05)
06/16E	(0.02)	(0.03)	-62.59	(.00)
06/17E	0.01	0.00	-67.98	0.02

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (US\$m)	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
Revenues	369	411	329	204	239	310	476	499
EBIT (UBS)	(23)	(19)	(75)	(61)	(14)	69	86	54
Net earnings (UBS)	(46)	(139)	(61)	(131)	(48)	5	66	(49)
EPS (UBS, diluted) (US\$)	(0.05)	(0.15)	(0.06)	(0.08)	(0.03)	0.00	0.04	(0.03)
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(726)	(600)	(637)	(412)	(454)	(409)	(309)	(213)
Profitability/valuation	06/12	06/13	06/14	06/15E	06/16E	06/17E	06/18E	06/19E
EBIT margin %	-6.1	-4.6	-22.8	-29.8	-5.8	22.2	18.1	10.8
ROIC (EBIT) %	(1.2)	(1.2)	(6.5)	(6.4)	(1.7)	8.5	11.4	7.8
EV/EBITDA (core) x	73.3	40.2	-44.1	-30.4	31.5	7.0	5.3	6.8
P/E (UBS, diluted) x	(32.4)	(6.7)	(7.6)	(2.4)	(6.6)	61.4	4.8	(6.4)
Equity FCF (UBS) yield %	(14.4)	15.9	(3.6)	(26.5)	(9.1)	16.2	39.7	(4.1)
Net dividend yield %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$0.25 on 30 Jun 2015 22:34 EST

Paladin Energy (PDN.AX)

Analyst/s: Glyn Lawcock / Amber MacKinnon
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Neutral
Price (as of 30-Jun-15):	0.27
Price Target (12 months):	0.30
Issued Capital:	1,666.9
Market Capitalisation:	408.4
Avg. daily turnover (US\$m)	1.6
Year end:	30-Jun
Website:	http://www.paladinresources.com.au
Major Shareholders:	
AUDUSD	0.77

INVESTMENT SUMMARY

(US\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	(420.9)	(60.8)	(131.1)	(47.5)
Net profit [adjusted] (\$m)	(138.6)	(60.8)	(131.1)	(47.5)
EPS [reported] (\$)	(0.50)	(0.06)	(0.08)	(0.03)
EPS [adjusted, diluted] (\$)	(0.16)	(0.06)	(0.08)	(0.03)
EPS Growth (%)	(203.5)	61.8	(25.0)	63.8
PER [adjusted] (x)	<0.0	<0.0	<0.0	<0.0
Dividend (\$)	0.00	0.00	0.00	0.00
Payout ratio (%)	0%	0%	0%	0%
Dividend Yield (%)	0%	0%	0%	0%
FCF Yield (%)	65.6	(6.2)	(18.7)	(6.4)
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	840.5	966.4	1667.7	1667.7

VALUATION

Valuation per share [NAV @ 10%] (\$)	0.43
Share Price Target [12 months] (\$)	0.30
Price/NAV [10% disc rate] (x)	0.63

Operating Assets

	US\$m	A\$m	A€
Langer Heinrich	587	1037	62
Kayelekera	199	264	16
Valhalla / Skai	0	0	0
Manyingee	0	0	0
Bigriyi	0	0	0
Angela	0	0	0
Aurora	0	0	0
Takarait	0	0	0
Deep Yellow	2	3	0
Database	0	0	0

Gross Assets

Net Cash / (Debt)	(366)	(468)	(28)
Corporate costs	(159)	(210)	(13)
Tax losses	62	82	5

Net Asset Value @ 10% discount rate	325	709	0.43
--	------------	------------	-------------

ENTERPRISE VALUE

(US\$m)	2013	2014	2015E	2016E
Enterprise Value	1,590	1,063	986	895
EV/EBITDA (x)	40.2	<0	<0	37.7
EV/Operating Free Cash Flow (x)	<0	59.4	<0	113.7

EPS SENSITIVITIES

Commodity	Base Change	2014	2015E	2016E
Uranium price	+/- \$10/lb	NM	27%	NM

CASH FLOW

(US\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	(19)	(75)	(61)	(14)
Depreciation & Amortisation	59	51	33	38
Net change in working capital	(4)	68	(7)	2
Other (operating)	201	(2)	1	(2)
Pre-tax op cash flow	236	42	(34)	23
Interest (paid) / received	(41)	(32)	(31)	(34)
Tax paid	0	0	0	0
Other	0	0	0	0
Operating cash flow	195	10	(65)	(11)
Capital expenditure	(47)	(26)	(18)	(18)
Free cash flow	147	(16)	(83)	(28)
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	0	0	0	0
Shares issued/(repurchased)	0	81	172	0

COMPANY DESCRIPTION

Paladin Energy (PDN), a uranium producer, has projects in Africa, Canada and Australia. It has two producing mines, Langer Heinrich (LH) in Namibia and Kayelekera (KM) in Malawi, but recently it said KM would be under care and maintenance until the uranium price recovers. Production at LH (100%) is about 5.5Mlbs pa at C1 cost of about US\$28/lb. PDN has sold a 25% stake in LH for US\$180m. PDN also has large undeveloped uranium resources in Canada (Michelin project) and Australia (Valhalla project), which it continues to study, but it said no further development would occur until the uranium price exceeds US\$75/lb.

OPERATIONAL ASSUMPTIONS

	1H15	2H15E	2013	2014	2015E	2016E
Assumptions						
Uranium price	31.1	39.0	42.2	34.0	35.0	43.0
A\$:US\$	0.89	0.78	1.03	0.92	0.84	0.77
US\$:ZAR	11.0	11.9	7.9	10.4	11.5	12.0
Production - U₃O₈ (Mlbs)						
Langer Heinrich	2.5	2.6	5.3	5.6	5.0	5.4
Kayelekera	0.0	0.0	3.0	2.4	0.0	0.0
Total	2.5	2.6	8.3	7.9	5.0	5.4

DIVISIONAL BREAKDOWN [Revenue]

(US\$m)	1H15	2H15E	2013	2014	2015E	2016E
Langer Heinrich	102.4	90.2	259.9	248.3	192.7	239.5
Kayelekera	6.2	0.0	148.4	80.6	6.2	0.0

PROFIT & LOSS

(US\$m)	1H15	2H15E	2013	2014	2015E	2016E
Sales Revenue	113	91	411	329	204	239
Operating Cash Profit	2	13	92	20	16	69
Depn & Amortisation	(19)	(14)	(59)	(51)	(33)	(38)
Operating Profit	(17)	(1)	34	(31)	(18)	31
Exploration	(6)	(6)	(13)	(12)	(17)	(3)
SGA	(15)	(16)	(40)	(32)	(26)	(42)
EBIT	(38)	(23)	(19)	(75)	(61)	(14)
Net interest	(29)	(30)	(63)	(59)	(59)	(47)
Profit before tax	(67)	(52)	(82)	(134)	(119)	(61)
Tax expense	(40)	16	(74)	64	(24)	16
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	13	0	17	9	13	(2)
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(95)	(36)	(421)	(61)	(131)	(48)
Abnormal Gain/(Loss) after Tax	0	0	(282)	0	0	0
Net Profit [adjusted]	(95)	(36)	(139)	(61)	(131)	(48)
EBITDA margin (%)			9.6	(7.3)	(13.5)	9.9
Net Interest Cover [EBIT] (x)			0.3	1.3	1.0	0.3
Tax Rate (%)			NM	NM	NM	NM
EBIT/Total Assets (%)			(1.0)	(4.8)	(4.4)	(1.1)
NPAT/Equity (%)			(21.4)	(14.1)	(31.1)	(12.7)

BALANCE SHEET [Selected Items]

(US\$m)	2013	2014	2015E	2016E
Net Working capital	179	239	92	92
Fixed Assets	344	326	316	290
Net Other	726	504	1153	447
Capital Employed	1248	1069	1561	828
Net Cash / (Debt)	(600)	(637)	(412)	(454)
Total Equity [incl. minorities]	648	432	422	374
Minorities	0	0	0	0
Net Debt / Equity (%)	92.5	147.3	97.8	121.2
Book Value per Share(\$)	0.69	0.40	0.25	0.22

Source: PDN, UBS estimates

Energy Resources of Australia Limited

Rio Tinto no longer supportive if Ranger 3 Deeps

Rio says it is no longer supportive of Ranger 3 Deeps

On 11 Jun 15 ERA announced that it would not be taking the Ranger 3 Deeps uranium mining project to Final Feasibility Study, due to the state of the uranium market and limited mining lease duration (2021). Subsequent to that and our note of 12 Jun 15 where we downgraded ERA to Sell and lowered our price target to 70cps (ERA - Ranger 3 Deeps Shelved), Rio Tinto (68.4% shareholder in ERA) has advised that after careful consideration it does not support any further studies or the future development of Ranger 3 Deeps due to its economic challenges.

Director resignations do not bode well for future of ERA

On 20 June 2015, the 3 Independent Directors of ERA announced their resignations. This leaves ERA with 3 Directors who are related parties to Rio Tinto, and looking for replacements. Given the events of the past 2 weeks, we believe the probability of ERA proceeding with Ranger 3 Deeps is now virtually zero. Previously we had thought there was a remote chance of it going ahead.

High risk investment as rehabilitation costs may see need for cash injection

In light of our decision to put a zero probability on Ranger 3 Deeps going ahead, our price target reduced to 16cps (previously 70cps based on 20% probability) in line with our DCF based valuation for ERA, assuming the project does not go ahead. At 31 Dec 14 ERA's provision for rehabilitation was A\$512m (net present cost model), while net cash was A\$293m with a further \$67m held in a Rehabilitation Trust Fund. Without the underground, ERA is expected to process above ground, low-grade stockpiles for the next 2+ years, which dependent upon the uranium price could generate additional cash flow to fund the rehabilitation. A shortfall in cash is possible, dependent upon the uranium price and Rio Tinto has said that it would offer ERA "conditional" funding support should the need arise. This highlights further risk to ERA.

Valuation: A\$0.09cps (DCF, 10% d.r) – without Ranger 3 Deeps

Our lowered uranium price for 2015 (down 11% to US\$38/lb) has cut ERA's 2015 earnings by 16% and lowered our valuation and TP to A\$0.09ps. The continued delay in the uranium price recovery also poses a risk to ERA being able to cover its rehabilitation costs from existing cash reserves and project cash generation from future sales.

Equities

Australia
Mining

12-month rating **Sell**

12m price target **A\$0.09**
Prior: A\$0.16

Price **A\$0.39**

RIC: ERA.AX BBG: ERA AU

Trading data and key metrics

52-wk range	A\$1.40-0.34
Market cap.	A\$0.20bn/US\$0.16bn
Shares o/s	518m (ORD)
Free float	32%
Avg. daily volume ('000)	1,090
Avg. daily value (m)	A\$0.6
Common s/h equity (12/15E)	A\$0.62bn
P/BV (12/15E)	0.3x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (A\$)

	From	To	% ch	Cons.
12/15E	(0.21)	(0.24)	-16.00	(0.26)
12/16E	(0.14)	(0.16)	-18.53	(0.16)
12/17E	0.06	0.04	-31.52	(0.02)

Glyn Lawcock

Analyst

glyn.lawcock@ubs.com

+61-2-9324 3675

Amber MacKinnon

Analyst

amber.mackinnon@ubs.com

+61-2-9324 2410

Jo Battershill

Analyst

jo.battershill@ubs.com

+61-2-9324 2834

Highlights (A\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	423	370	402	266	276	167	10	9
EBIT (UBS)	(185)	(147)	(255)	(163)	(106)	42	(148)	(10)
Net earnings (UBS)	(151)	(121)	(188)	(126)	(85)	20	(152)	(13)
EPS (UBS, diluted) (A\$)	(0.29)	(0.23)	(0.36)	(0.24)	(0.16)	0.04	(0.29)	(0.03)
DPS (A\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	467	357	293	298	321	387	331	272
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	-43.7	-39.8	-63.5	-61.1	-38.3	25.3	<-500	-108.8
ROIC (EBIT) %	(29.4)	(25.0)	(49.6)	(42.0)	(39.6)	22.2	(78.6)	(4.1)
EV/EBITDA (core) x	3.3	3.9	-2.7	-5.6	-2.0	-2.3	1.0	15.9
P/E (UBS, diluted) x	(4.7)	(5.5)	(3.6)	(1.6)	(2.4)	9.9	(1.3)	(15.0)
Equity FCF (UBS) yield %	(23.6)	(7.7)	(9.6)	2.4	11.4	32.8	(66.0)	39.3
Net dividend yield %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of A\$0.39 on 30 Jun 2015 22:34 EST

Energy Resources Aus (ERA.AX)

Analyst/s: Glyn Lawcock
Email: glyn.lawcock@ubs.com
01-Jul-15

MARKET INFORMATION

Rating:	Sell
Price (as of 30-Jun-15):	0.40
Price Target (12 months):	0.09
Issued Capital:	517.7
Market Capitalisation:	201.9
Avg. daily turnover (US\$m)	0.5
Year end:	Dec 2014
Website:	http://www.energyres.com.au
Major Shareholders:	Rio Tinto Investments 68.4%

INVESTMENT SUMMARY

(A\$m)	2013	2014	2015E	2016E
Net profit [reported] (\$m)	(136)	(188)	(126)	(85)
Net profit [adjusted] (\$m)	(121)	(188)	(126)	(85)
EPS [reported] (\$)	(0.26)	(0.36)	(0.24)	(0.16)
EPS [adjusted, diluted] (\$)	(0.23)	(0.36)	(0.24)	(0.16)
EPS Growth (%)	19.8	!	19.8	-
PER [adjusted] (x)	<0.0	<0.0	<0.0	<0.0
Dividend (\$)	0.0	0.0	0.0	0.0
Payout ratio (%)	0%	0%	0%	0%
Dividend Yield (%)	0%	0%	0%	0%
FCF Yield (%)	(24.6)	(31.2)	2.4	11.1
Franking (%)	0.0	0.0	0.0	0.0
Shares [period-average, diluted] (m)	517.7	517.7	517.7	517.7

VALUATION

Valuation per share [NAV @ 10%] (\$)	0.09
Share Price Target [12 months] (\$)	0.08
Price/NAV [10% disc rate] (x)	4.52

Operating Assets [JH09]	A\$m	€
Ranger	130	25
Jabiluka	0	0

Gross Assets	130	25
---------------------	------------	-----------

Closure costs	(303)	(59)
Net Cash	293	57
Corporate costs	(74)	(14)

Net Asset Value @ 10% discount rate	46	9
--	-----------	----------

ENTERPRISE VALUE

(A\$m)	2013	2014	2015E	2016E
Enterprise Value	329	(105)	(95)	(128)
EV/EBITDA (x)	3.9	0.8	<0	<0
EV/Operating Free Cash Flow (x)	<0	1.5	45.5	<0

EPS SENSITIVITIES

Commodity	Base	2014	2015E	2016E
	Change		EPS Change	
Spot uranium price	US\$/lb		-15.4%	-21.5%
AUDUSD	+/- 5c		-9.5%	-14.7%

CASH FLOW

(A\$m)	2013	2014	2015E	2016E
Operating income [EBIT, UBS]	(147)	(255)	(163)	(106)
Depreciation & Amortisation	232	120	180	169
Net change in working capital	(112)	74	(9)	(36)
Other (operating)	0	0	0	0
Pre-tax op cash flow	(28)	(61)	8	27
Interest (paid) / received	10	7	7	7
Tax paid	(0)	0	0	0
Other	0	0	0	0
Operating cash flow	(18)	(54)	15	33
Capital expenditure	(33)	(11)	(10)	(10)
Free cash flow	(51)	(65)	5	23
Net (acquisitions) / disposals	0	0	0	0
Dividends paid (Common)	0	0	0	0
Shares issued/(repurchased)	0	0	0	0

Source: ERA, UBS estimates

COMPANY DESCRIPTION

Energy Resources of Australia (ERA) is a producer of uranium oxide. It is 68.4%-owned by Rio Tinto. Mining of the Ranger 3 orebody is now complete, but milling of low grade stockpiles continues. ERA had developed an exploration decline down to Ranger 3 Deeps (R3D), but has now stated that it will not progress the R3D project to final feasibility stage. ERA will continue to process low grade above ground ore stockpiles over the next two years. Uranium is sold through Rio Tinto's marketing group to European, Asian, African and North American customers.

OPERATIONAL ASSUMPTIONS

	1H15E	2H15E	2013	2014	2015E	2016E
Assumptions						
Uranium price (Spot) US\$/lb	37.5	38.5	38.6	33.5	38.0	51.3
Uranium price (realised) US\$/lb	46.2	46.8	54.9	49.3	46.5	51.3
Production						
Ranger Production (t)	1,027	923	2,960	1,165	1,950	1,828
Ranger Sales (t)	1,027	923	2,815	3,148	1,950	1,828
Ranger Production (Mlbs)	2.3	2.0	6.5	2.6	4.3	4.0
Ranger Sales (Mlbs)	2.3	2.0	6.2	6.9	4.3	4.0

DIVISIONAL BREAKDOWN [EBIT]

(A\$m)	1H15E	2H15E	2013	2014	2015E	2016E
--------	-------	-------	------	------	-------	-------

PROFIT & LOSS

(A\$m)	1H15E	2H15E	2013	2014	2015E	2016E
Sales Revenue	138	128	370	402	266	276
Operating Cash Profit	19	8	101	(120)	27	73
Depn & Amortisation	(94)	(85)	(232)	(120)	(180)	(169)
Operating Profit	(75)	(77)	(131)	(240)	(153)	(96)
Exploration	0	0	0	0	0	0
SGA	(5)	(5)	(17)	(15)	(10)	(10)
EBIT	(80)	(82)	(147)	(255)	(163)	(106)
Net interest	(8)	(8)	(18)	(19)	(16)	(15)
Profit before tax	(89)	(90)	(166)	(274)	(179)	(121)
Tax expense	26	27	45	86	53	36
Equity Associated NPAT	0	0	0	0	0	0
Minority Interests	0	0	0	0	0	0
Dividends [preferred]	0	0	0	0	0	0
Net Profit [reported]	(62)	(63)	(136)	(188)	(126)	(85)
Abnormal Gain/(Loss) after Tax	0	0	(15)	0	0	0

Net Profit [adjusted]	(62)	(63)	(121)	(188)	(126)	(85)
------------------------------	-------------	-------------	--------------	--------------	--------------	-------------

EBITDA margin (%)			22.9	(33.6)	6.4	22.9
Net Interest Cover [EBIT] (x)			8.1	13.7	10.0	6.9
Tax Rate (%)			NM	NM	NM	NM
EBIT/Total Assets (%)			(9.1)	(19.0)	(13.9)	(10.2)
NPAT/Equity (%)			(12.9)	(25.2)	(20.3)	(16.0)

BALANCE SHEET [Selected Items]

(A\$m)	2013	2014	2015E	2016E
Net Working capital	107	48	7	(8)
Fixed Assets	530	358	189	30
Net Other	(61)	46	126	191
Capital Employed	577	452	322	213
Net Cash / (Debt)	357	293	298	321
Total Equity [incl. minorities]	934	746	620	535
Minorities	0	0	0	0
Net Debt / Equity (%)	(38.2)	(39.3)	(48.1)	(60.1)
Book Value per Share(\$)	1.80	1.44	1.20	1.03

BHP Billiton Limited Investment case

We see the major diversified miners as the most preferred in the space given their ability to manage margins and cashflow. BHP, like its competitors, is currently focusing on removing costs from the business, focusing on operating performance, productivity, simplification, expanding margins, and the generation of free cash flow. BHP is encouraging internal competition for capital to ensure the best return investments are made. BHP plans to focus on its key pillars to increase returns to shareholders, including Iron Ore, Petroleum, Copper and Coal, while planning to divest non-core assets by way of in-specie distribution to shareholders in FY 15. We believe BHP's initiatives for 2015 are positive for shareholders. Our price target of \$35.00ps is set at 1.0x NPV.

Rio Tinto Limited Investment case

We see the major diversified miners as the most preferred in the space given their ability to manage margins and cashflow. Rio has been focused on growth and is currently undergoing an expansion of its Pilbara Iron Ore mining capacity to 360Mtpa. Rio followed through in its commitment to announce "material increase in returns to shareholders" at the February 2015 full year result. The returns are being delivered in the form of a buyback, which we believe is sensible, given that Rio's gearing levels are at the bottom end of management targets and the company has been prudent with balance sheet management (running down iron ore inventories in the Pilbara). We believe these strategies are favourable for investors and are the primary reasons why RIO remains a preferred holding to pure plays. Under spot pricing, RIO's earnings is a 19% upgrade to 2015 compared to our base case estimates, whereas BHP's earnings are up only 10% on a CY basis, largely from oil exposure. Our price target of \$61ps is set in line with NPV.

Alumina Limited Investment case

The investment thesis for AWC is that the progressive migration from an alumina price that has been historically linked to the aluminium price to an index/spot alumina price would generate higher margins. Currently the spot price for alumina is ~US\$343/t FOB versus a 14.5% linkage price of ~US\$260/t. AWC and Alcoa have demonstrated productivity improvements within AWAC, which together with a strengthening US\$ has seen EBITDA margins for alumina increase from sub US\$20/t to >US\$80/t such that AWC is now FCF positive. 2015 could be a favourable year for AWC with the prospect of Indonesia's raw material export ban (in place since 12 Jan 14) forcing China (Indonesia's largest customer for bauxite) to import more alumina, which in turn could drive the alumina price higher. Our \$2.05ps NPV assumes a long run alumina price of US\$350/t with a US80 cent A\$. Every US\$25/t change in the long run alumina price lifts our NPV by 36cps, all else being equal. Our price target of \$2.00ps is in line with our NPV.

Iluka Resources Limited Investment case

Iluka's share price performed well in Q1 15 after the selloff in late 2014 due to concerns over Iluka's ability to meet guidance. The market in which Iluka operates remains over supplied, but the major producers are exercising production discipline and matching sales to demand while running down inventory. Mineral sands pricing in US\$ terms has remained broadly unchanged since Sep 14 and with the stronger US\$, prices are up in A\$ terms which is expected to drive higher revenue and earnings in 2015 cf 2014. Iluka management is currently talking about price stabilisation with potential upside in 2016 in our view as volume is expected to lead price. The March 2015 quarter was softer than we and the market expected and is likely to result in some near-term share price weakness until Iluka is able to demonstrate that volumes have recovered in line with retained guidance.

BC Iron Limited Investment case

Within the Australian mid-tier iron ore space, we think BCI is one of the more stable, low cost Australian producers. It has a 75% interest in the Nullagine JV (NJV) with FMG retaining the other 25%. BCI pays FMG a CPI-linked fee for use of port and rail and is entitled to ship up to 6Mtpa (100%) from the NJV. Growth beyond 6Mtpa is limited by infrastructure access. If BCI can maintain cash costs of ~A\$43/wmt fob (Mar 15 actual) this implies a cash break-even price of US\$55/dmt cfr (62% Fe equiv). Currently, BCI is doing test work to blend its low grade iron ore product to a spec similar to its DSO product, which could add 3-4 years of mine life, but current pricing renders this project marginal in our view. BCI has recently merged with Iron Ore Holdings (IOH), which includes a royalty from the Iron Valley project and the potential development of the Buckland project. However, we believe current pricing makes these projects marginal.

Energy Resources of Australia Limited Investment case

An investment in ERA is dependent on 1) Ranger 3 Deeps being proved to be economic and 2) Stakeholder support for the project. ERA is processing low grade stockpiles given the Ranger 3 open cut orebody reserves were depleted in 2012 and the pit now being backfilled. On 11 Jun 15, ERA advised that it would not be taking the Ranger 3 Deeps project to Final Feasibility Study and then ERA's major shareholder, Rio Tinto (68.4%) advised that it no longer supported the Ranger 3 Deeps project in terms of studies or development. In essence this suggests that the Ranger 3 Deeps project will not go ahead, and as such we put a zero probability on its development.

Fortescue Metals Group Ltd Investment case

FMG is the third largest iron ore producer in the Pilbara, with annual production of 160-165Mt at C1 cash costs of US\$18/wmt FOB (A\$ 77c) targeted for FY 16. FMG funded its expansion from 55Mtpa to 160Mtpa through debt which hit a peak of ~US\$10.5bn (net debt) in FY 13. FMG is currently undergoing a strategy to deleverage its balance sheet by early repayment of debt. However FMG requires a headline 62% iron ore price of US\$45/dmt cfr to be cash breakeven based on FY 16 C1 cost guidance of US\$18/wmt FOB. Our Sell rating on FMG reflects our more negative outlook on the long term iron ore price which we downgraded to US\$55/dmt cfr from US\$75/dmt cfr previously.

Grange Resources Limited Investment case

GRR is currently targeting a production rate of 2.5Mtpa. The biggest issue was access to the high grade ore zone which was re-established in SQ 13. In MQ 15, GRR has been mining back above its targeted weight recoveries of ~45% compared to lows of ~20% post the wall slide. GRR, like other iron ore producers is also making significant efforts to reduce costs from its operations, with current cost targets of ~\$86/t (2014 cost) or lower. GRR has recently been receiving a pellet premium of ~US\$30/t due to conditions becoming more favourable for high quality product. A pellet premium of ~US\$20/t makes pelletising marginal given the cost to pelletise is ~US\$20/t. Accordingly, uncertainty around the stability of the premium keeps us at a Neutral rating.

Mount Gibson Iron Limited Investment case

MGX provides exposure to the iron ore market with production having grown from ~5.0Mtpa to ~9.7Mt in FY14. MGX has two mines, Extension Hill (EH) and Koolan Island (KI), however following failure of the seawall, KI is currently on care & maintenance and we do not expect it to resume. Sales guidance for FY 15 has been reiterated at to 4.8-5.2Mt as a result. Extension Hill is a low cost 3Mtpa operation with potential for near-mine and regional exploration targets. However as it currently stands, Extension Hill will only contribute to sales volumes until 2017/8E. In order to grow production beyond reserve life, MGX is targeting replacement tonnes in the Mid-West via near-mine exploration, stockpile sales and regional M&A. Its second priority is to target new production through broader exploration, development and M&A. At 31 Mar 15, MGX had net cash of ~\$324m (~32cps). Our PT of \$0.22ps is set in line with NPV. We have a Neutral rating, as MGX's business outlook is uncertain following the KI incident.

Whitehaven Coal Limited Investment case

WHC's strategy is to become a low-cost and high-growth coal miner. WHC is planning to double production from FY 14 to FY 17 through development of its Maules Creek open cut mine. WHC expects Rocglen to close in FY 18 following reserve depletion, however the Vickery project should offer growth of 4-5Mtpa post FY 18. WHC is also expecting operating and port costs to fall in FY 15 and its costs for unused infrastructure to be eliminated with production from Maules Creek. WHC produces thermal coal and metallurgical coal in the form of HV PCI which prices similar to SSCC. Low A\$ coal prices for met and thermal leave us cautious, but production cuts from the sector are a positive. We have a Neutral rating. We set our PT of \$1.75ps at a 50% discount to our NPV for market risk.

Paladin Energy Limited Investment case

The decline in the Paladin share price is due to both company specific (production performance, corporate cost levels and refinancing concerns) and market issues (Fukushima induced decline in the uranium price) in our view. PDN has turned around its operating performance, and made some tough corporate decisions (25% sell down of Langer Heinrich, closure of Kayelekera and a placement to HOPU and entitlement offer), but despite these actions, we estimate PDN's all in cash breakeven costs at ~US\$50/lb. Thus at the current spot price ~US\$35.75/lb and despite ~2Mlbs of contracted sales in FY 15, we believe PDN is FCF negative. PDN has implemented a plan to tender its US\$300m CB due in Nov 15, with issuance of a new US\$150m CB due Mar 2020. We forecast the uranium price to be US\$37/lb in FY 15. The continued cash burn is likely to weigh on the stock till we see the uranium price move closer to US\$50/lb.

Statement of Risk

We point out to investors the potential risks inherent in the mining sector, and thus to all stocks discussed in this report, including, but not limited to, the volatile nature of commodity prices and currencies, which may differ materially from expectations. Furthermore, the sector is exposed to political, financial and operational risks, each of which has the potential to significantly impact company/industry performance

Required Disclosures

This report has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	45%	37%
Neutral	FSR is between -6% and 6% of the MRA.	43%	33%
Sell	FSR is > 6% below the MRA.	12%	20%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 March 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

KEY DEFINITIONS: **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

EXCEPTIONS AND SPECIAL CASES: **UK and European Investment Fund ratings and definitions are:** **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

UBS Securities Australia Ltd: Glyn Lawcock; Amber MacKinnon; Jo Battershill; James Brennan-Chong.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Alumina Limited	AWC.AX	Buy	N/A	A\$1.51	01 Jul 2015
BC Iron Limited ¹³	BCI.AX	Sell	N/A	A\$0.30	01 Jul 2015
BHP Billiton Limited ^{2, 4, 5a, 5b, 8, 16, 22}	BHP.AX	Buy	N/A	A\$26.65	01 Jul 2015
Energy Resources of Australia Limited	ERA.AX	Sell	N/A	A\$0.40	01 Jul 2015
Fortescue Metals Group Ltd ¹³	FMG.AX	Sell	N/A	A\$1.83	01 Jul 2015
Grange Resources Limited ²⁰	GRR.AX	Neutral (CBE)	N/A	A\$0.13	01 Jul 2015
Iluka Resources Limited ¹³	ILU.AX	Buy	N/A	A\$8.00	01 Jul 2015
Mount Gibson Iron Limited ¹³	MGX.AX	Neutral	N/A	A\$0.20	01 Jul 2015
Paladin Energy Limited ^{8, 13}	PDN.AX	Neutral	N/A	A\$0.27	01 Jul 2015
Rio Tinto Limited ^{4, 8, 13}	RIO.AX	Neutral	N/A	A\$53.01	01 Jul 2015
Whitehaven Coal Limited ^{4, 5a, 13, 22}	WHC.AX	Neutral	N/A	A\$1.32	01 Jul 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity or one of its affiliates.
- 5a. UBS AG, Australia Branch or an affiliate expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
- 5b. UBS AG, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from this company/entity within the next three months.
8. The equity analyst covering this company, a member of his or her team, or one of their household members has a long common stock position in this company.
13. UBS AG, its affiliates or subsidiaries beneficially owned 1% or more of a class of this company's common equity securities as of last month's end (or the prior month's end if this report is dated less than 10 days after the most recent month's end).
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.
20. Because this security exhibits higher-than-average volatility, the FSR has been set at 15% above the MRA for a Buy rating, and at -15% below the MRA for a Sell rating (compared with 6/-6% under the normal rating system).
22. UBS AG, its affiliates or subsidiaries held other significant financial interests in this company/entity as of last month's end (or the prior month's end if this report is dated less than 10 working days after the most recent month's end).

For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact UBS Securities LLC, 1285 Avenue of Americas, New York, NY 10019, USA, Attention: Publishing Administration.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Global Disclaimer

This document has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (<http://www.ubs.com/global/en/legalinfo2/disclaimer.html>). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (<http://www.ubs.com/global/en/legalinfo2/privacy.html>) and cookie notice (<http://www.ubs.com/global/en/homepage/cookies/cookie-management.html>).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ("the Information"), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 016/09/2014 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services License No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and research services. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. With regard to information on associates, please refer Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2015. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

