

# Helix Resources Limited

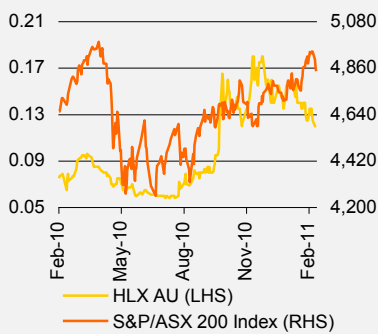
(Ticker: ASX - HLX)

February 23, 2011

**RB MILESTONE GROUP**   
EQUITY RESEARCH AND MARKET INTELLIGENCE

<b>Price (AUD):</b>	<b>A\$0.120</b>
<b>Target Price (AUD)</b>	<b>A\$1.169</b>
<b>Beta:</b>	<b>1.201</b>
<b>Price/Book Ratio:</b>	<b>1.56</b>
<b>Debt/Equity Ratio:</b>	<b>0.00</b>
<b>Listed Exchange:</b>	<b>ASX</b>

\* Initiated coverage on August 26, 2010



## Recent News

15/02/2011- Exploration and Project Update

11/02/2011- Helix Resources announced results for the second quarter ended 31 December 2010

30/11/2010- Memorandum of Understanding signed with Sherpa project

25/11/2010- A total of 10 holes for 1,104m of Reverse Circulation (RC) Drilling undertaken on the Restdown Gold JV in NSW during October 2010

08/17/2010- Helix Scoping Study reports Positive Results for Yalleen Iron Ore Project

06/10/2010- Yalleen Iron Ore JV - Independent engineering firm appointed to undertake transport and logistics assessment

05/06/2010- Positive drilling results - Canbelego JV - NSW

03/30/2010- Commencement of RC drilling program at the Canbelego Project EL6105

## Shares in Issue

152.51M

## Market Cap

(A\$) 18.30M

52 Week High: A\$0.190

52 Week Low: A\$0.058

## Considerable Progress Achieved

Helix Resources Limited ("Helix" or the "Company") was established in 1986 in Australia. The Company is engaged in exploration and development of minerals and acquires large tenement holdings in prospective exploration regions uses the latest exploration methodologies and techniques, combined with the knowledge of an experienced Board & Management team, to maximize shareholder wealth. Helix has significant landholdings in Central NSW [Cobar/Girilambone district] covering 1,500km<sup>2</sup> of tenements prospective for copper & gold. The 1<sup>st</sup> drilling program at Canbelego JV determined a JORC Inferred resource of 1.5Mt @ 1.2% Cu. The Company's initial ten hole reverse circulation (RC) drill program in October 2010 confirmed significant gold intercepts within Restdown JV project and a 5000m RC drill program is planned for March 2011 to test extensions and continuity of these significant intercepts to determine a maiden resource. Helix's 30% of the Yalleen Iron Ore Project is located at the Robe Valley in the West Pilbara region of Western Australia which is managed by API Management Pty Ltd (API) for the Australian Premium Iron JV (Aquila/AMCI). API is conducting project studies and negotiations for access to rail & port infrastructures are continuing.

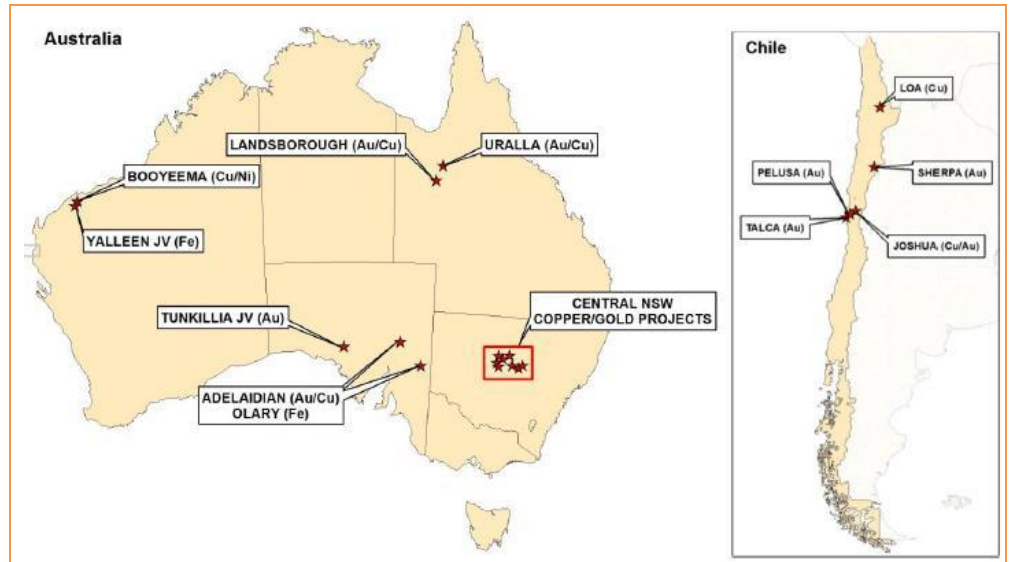
Helix's exposure to Chile via a 100% owned local subsidiary with a dedicated in-country General Manager and Geologist has been beneficial. The Company has obtained four 100% HLX owned exploration concessions prospective for copper & gold and is currently undertaking due diligence on a fifth project. A drilling program is scheduled for April 2011. Helix has placed 19.8 million shares at \$11.5 each to raise funds worth \$2.28 million to professional, institutional and sophisticated investors under the 15% limit rule in November 2010.

## Investment Arguments

- **Encouraging Results from Emerging Gold and Copper Project:** Helix has received encouraging results from its emerging gold and copper projects both in Australia and Chile. The Company has outlined an increase in its activity and expenditure in the coming months at these projects
- **Key Mining Properties Owned by the Company:** A majority of the projects operated by the Company are owned or controlled by the Company. Additionally, the joint venture agreement for Yalleen where current development activities are taking place, allows Helix to sell to API its 30% interest at fair value at JV decision to mine, which the Company considers feasible to occur 2011/12. Similarly, the Tunkillia project, where the Company has a 47% interest, could be sold at a decision to mine.
- **Lack of upcoming Greenfield exploration:** The capacities of operating mines have gradually declined over the last two decades. About 75% of the discovered ore has already been mined. A dearth of promising new regions for gold exploration and production is causing a fall in the number of new projects. With rising demand and lack of adequate supply, the future prospects of the Company looks bright
- **Strong Acquisition Strategy and Operational Synergies:** The Company is targeting both copper and gold/base metal models consistent with the known deposits in the rich mining belts of Australia. The Company has broad expertise in bringing interested companies on board to further assist in achieving its desired goals through potential operational synergies
- **Valuation Continues to be Attractive:** We value the Company based on PV of cash flow, which is expected to be generated from its advanced stage project, Yalleen Iron Ore project which could be operational during 2014 and having a mine life of about 12 years (current estimate). Given that the Company is in exploration stage, a discount rate of 17.2% has been applied for the above project. We have raised our one year price target for the Company from A\$0.95 to A\$1.17

## Company Mineral Resources

Exhibit 1: Helix Resources- Project Location Map



Source: Company

## Resources

Exhibit 2: Helix Resources- Mineral Resources

Commodity	Category	Project	Interest	Resource
Iron Ore	Indicated	Yalleen JV, WA	30% (Contributing)	47.9Mt @ 57.3% Fe (Channel Iron)*
	Inferred			36.4Mt @ 57.1% Fe (Channel Iron)*
Copper	Inferred	Canbelego JV, NSW	51% (Moving to 70%)	1.5Mt @ 1.2% Cu for 18,000* Contained Cu (at 0.3% Cu Cut-off)
Gold	Oxide	Tunkillia JV, SA	46% (Diluting)	
	Measured			1.2Mt @ 1.8 g/t – 66,000 oz
	Indicated			2Mt @ 1.3 g/t – 86,000 oz
	Inferred			2.5 Mt @ 1g/t – 77,000 oz
	Primary			
	Indicated			4.2Mt @ 2 g/t – 270,000 oz
	Inferred			4.4Mt @ 2.1 g/t – 300,000 oz
	Inferred			8.6Mt @ 5.7 g/t – 1.6M oz Silver
	Total			0.8M oz Au and 1.6M oz Ag*

Source: Company

## Initial Drilling At Restdown Gold Project Proved Significant Gold Intercepts

The Company, through its 100% owned subsidiary Oxley Exploration Pty Ltd (Oxley), has entered into an earn-in joint-venture agreement covering the Restdown and Muriel Tank Projects with Isokind Pty Ltd, a subsidiary of Glencore International AG. The Projects are situated approximately 40-70 km south-east of Cobar in Central West, NSW with the tenement package covering an area of approximately 278km<sup>2</sup> (Restdown JV Project 188km<sup>2</sup>, Muriel Tank JV Project 90km<sup>2</sup>). Under an earn-in joint-venture agreement, Helix is required to spend \$700,000 by June 2012 to acquire a 70% interest in the Restdown and Muriel Tank Projects and after the current drilling program expects to have earned its 70% interest.

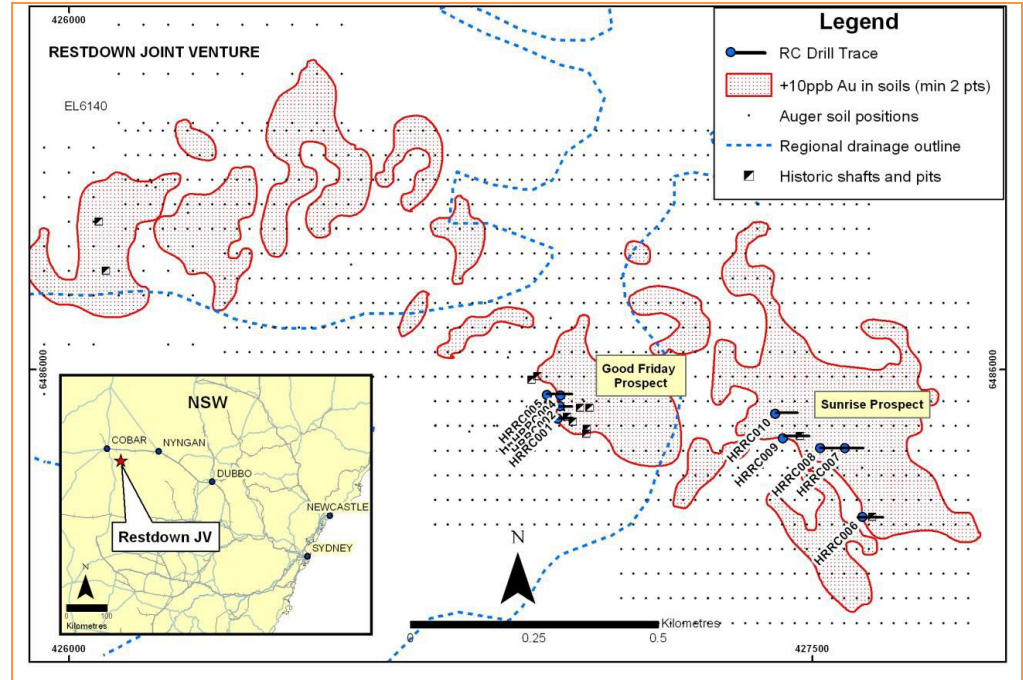
### Restdown

The Restdown Project covers an area of approximately 188km<sup>2</sup> and is located 40km southeast of Cobar in Central West NSW and is approximately 15km southwest of the historic Mt Boppy

Gold Mine. The Company was aiming for both gold and base metal models consistent with the identified deposits in the Cobar/Girilambone Region. Glencore had undertaken trenching and some drilling activities in the immediate vicinity of the old workings at Good Friday and found gold intercepts. Glencore's result has returned 56m @ 11.7g/t Au from 5m including 23m @24g/t Au from 32m in an RC hole drilled to a depth of 60m.

After reviewing studies conducted by Glencore, Helix formulated a plan to test possible extensions of gold at Good Friday and some drilling to test whether goldfield is active at the Sunrise Prospect.

**Exhibit 3: Location of RC Drilling on +10ppb Gold in Soil Contour**



Source: Company

**Exhibit 4: Results of 10 Drill Holes 1,104 meter (Phase I) Gold Drilling Program**

Hole ID	Easting MGA94	Northing MGA94	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Result
<b>Good Friday Prospect</b>								
HRRC001	426985	6485900	-70	90	102	24	32	8m @ 0.4g/t Au
HRRC002	426990	6485925	-60	90	84	0	4	4m @ 0.1g/t Au
HRRC003	426965	6485925	-60	90	120	8	24	16m @ 0.7g/t Au
HRRC004	426991	6485947	-60	85	78	0	12	12m @ 1.6g/t Au
					and	24	28	4m @ 0.1g/t Au
					and	44	48	4m @ 0.6g/t Au
HRRC005	426964	6485948	-60	90	120	0	16	16m @ 1.0g/t Au
					and	24	28	4m @ 0.2g/t Au
<b>Sunrise Prospect</b>								
HRRC006	427600	6485700	-60	90	120	4	28	24m @ 2.6g/t Au
					including	8	20	12m @ 4.9g/t Au
					and	36	40	4m @ 18.3g/t Silver
					and	76	96	20m @ 16.2g/t Silver
HRRC007	427565	6485840	-60	90	120	0	16	16m @ 0.3g/t Au
HRRC008	427515	6485840	-60	90	120	36	68	32m @ 2.2g/t Au
					including	56	64	8m @ 4.1g/t Au
HRRC009	427440	6485860	-60	90	120	12	24	12m @ 0.5g/t Au
					and	32	60	28m @ 0.5g/t Au
HRRC010	427424	6485910	-60	60	120	4	12	8m @ 0.2g/t Au

					and	20	24	4m @ 0.1g/t Au
					and	36	40	4m @ 0.4g/t Au
					and	48	52	4m @ 0.3g/t Au
					and	56	60	4m @ 0.5g/t Au

Source: Company

### Good Friday Prospect

The Good Friday Prospect was mined in the past, and reports from the NSW mines department suggests that Historic grades in excess of 3,000g/t Au were mined in this goldfield in the early 1900's. Exploration by Glencore's subsidiary CMPL (up until 2008) also had undertaken trenching and some drilling in the immediate vicinity of the old workings confirming the presence of gold mineralization. The best result from CMPL's drilling at Good Friday returned 23m @ 24g/t Au from 32m in an RC hole drilled to 60m. After studying CMPL's findings, Helix planned a drilling program to test a possible extension of the trend.

Helix's drilling results demonstrated that gold mineralization is widespread with four of the five holes returning intercepts with grades up to 4g/t Au. Whilst results did not indicate high tenor gold similar to Glencore's best hole, the results showed that the system is mineralized over a strike of at least 100m, and remains open in all directions. The Company will continue to explore at Good Friday to determine the extent and continuity of the gold mineralization through drilling at this Prospect in 2011.

### Sunrise Prospect

The Sunrise Prospect lies approximately 300-500m south-east of Good Friday. At 10ppb Au in soils, the gold in soil anomaly extends for over 800m and is up to 300m wide; it remains open to the south-east. The Sunrise Prospect has provided robust results from the initial program. The Sunrise area was subject to some minor historic activity evidenced by shallow pits and scrapings, however, Helix has been the first entity to undertake drilling program at Sunrise.

The Prospect is defined by a >500m x 250m +10ppb Au soil anomaly (still open to the south-east). A total of 5 holes for 600m of RC drilling were completed in October 2010 with all 5 holes returning better than 1g/t Au. The results were significant with 21m @ 2.7g/t Au including 13m @ 4.2 g/t Au in HRR006, with 18m @ 2.3 g/t Au and 11m @ 2g/t Au returned from HRR008 located approximately 150m along strike to the northwest of HRR006. The technical team is reviewing the drilling, aeromagnetism and geochemistry to assess the priority areas to target in the next round of drilling.

Positive results from the initial drilling program on the Restdown JV encouraged the Company to identify regional gold targets within the Company's 600km<sup>2</sup> West Girilambone Basin Project tenements. The Company is targeting extending drilled zones and plans to test additional prospective areas on the Restdown Project in 2011. The Company is planning having a drill rig onsite to conduct a 5000m drill program beginning in March 2011, subject to statutory approvals and weather conditions.

## Capital Raising

On 15 November 2010, Helix announced the private placement of 19.8 million shares at \$0.115 per share to raise share proceeds of \$2.28 million via professional, institutional and sophisticated investors. Shareholder approval was not needed as the Placement is being made under the 15% limit rule. Helix would be utilizing these funds for the exploration, evaluation and development activities and for general working capital purposes. Currently, Helix has sufficient funds for the development of its numerous projects.

## Chile Exposure

Helix has decided to invest in Chile for the development of copper and gold interests in the country. Helix has entered by establishing a 100% owned Chilean subsidiary with an in-country general manager, an exploration manager, senior geologist and associated staff. The team will assist the Company in the acquisition of new projects and for the development of existing projects mentioned below:

### Talca Project

Helix owns 100% exploration concession of the Talca project. The project covers 9,700Ha of gold prospective area within the mining district of Punta De Talca. The district has been mined artisanally, producing 800,000 oz gold since colonial times. The project involves known exploited gold from high-grade quartz tension veins [Average >5g/t Au] and Helix will use modern exploration methodologies and drilling to check scope for further developments in the goldfield. The Company would carry out first pass geochemistry and mapping in the first quarter of 2011 with drilling shortly thereafter.

### Joshua Project

The Company is targeting Cu/Au porphyry systems through 100% owned exploration concession. The project area is surrounded by the Carmelita Mine which is mined artisanally (~2.5% Cu oxide material). Helix's early geochemical results has highlighted robust anomalies of copper, gold, silver and elevated molybdenum associated with porphyry systems (up to 1.1% Cu, 0.5 g/t Au, 26.4 g/t Ag and 65 ppm Mo), and intends to begin drilling the prospective area in the second quarter of 2011.

### Loa Project

With 100% owned exploration concession the Company is aiming Cu porphyry systems. The project is located 50km west of the Chucquicamata Copper Mine and 50km along a strike to the north of La Spence Copper Mine in Region II. The exploration concessions, covering an area with variable shallow cover, were targeted for the possible interaction of major N-S lineaments with secondary NW and NE structures, crucial elements for porphyry emplacement in this region. The project is adjacent to BHP, Vale and several local mid-cap mining companies.

### OLARY PROJECT – SA

Helix Resources Ltd 100% EL4022; EL3956

Bonython Metals Group Pty Ltd (BMG) had entered into an earn-in joint venture agreement with Helix whereby BMG would spend \$2 million over 5 years to earn 65% of the iron ore rights, with a minimum of \$300,000 by 1 March 2011. However, Helix has terminated the earn-in arrangement with BMG 28<sup>th</sup> January 2011 due to non-compliance of their obligations under the Terms Sheet dated 26th February 2010.

Helix announced that it would immediately start work to maintain the tenements in good standing and that it intends to undertake a drilling program to evaluate magnetite prospectivity in the second quarter of 2011, subject to regulatory approvals and contractor availability.

## Execution of MoU covering the Sherpa Project Located in Maricunga Belt-Chile

In November 2010, Helix Resources signed a Memorandum of Understanding (MoU) with Sherpa project vendors, whereby the Company, through its Chilean subsidiary, is authorized to explore and acquire 90.0% of the project for \$2.7 million in staged payment over a period of 4 years.

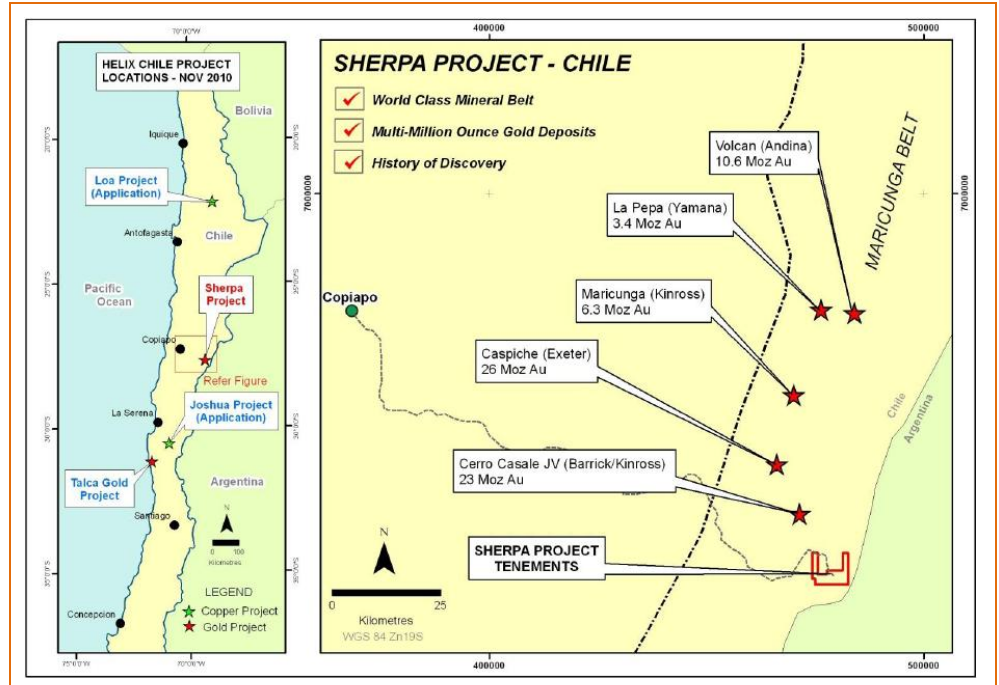
Helix is at present undertaking Due Diligence procedures and should it decide to proceed, will make the 1st Option payment of US\$60,000 by March 30<sup>th</sup>, 2011. Helix can withdraw at any time if the exploration results do not warrant further work.

The Sherpa project targets gold associated with the porphyry systems of the Maricunga Belt, located in the shadow of the Barrick/Kinross Cerro Casale JV 23Moz Au deposit and the same belt as Exeter's Caspiche Project (26 Moz Au). The project is strategically located on the Maricunga Gold Belt in Region III of the Republic of Chile, approximately 700 km northwest of the Chilean capital Santiago and 120km east of the regional capital, Copiapo and has vehicle access from Copiapo via main roads and a good gravel road to Cerro Casale that has been extended to the tenements.

The property is located 20 km SE of the Exeter owned Caspiche Project and just 10 km SE of the Barrick/Kinross Cerro Casale JV. The immediate region has +70M oz of gold resources and the belt is currently producing more than 450,000 oz of gold per annum with several new deposits expected to come on stream in the next 2-3 years.

The project tenements are approximately 30km<sup>2</sup> in an area mapped as volcanic breccias and volcanic intrusives. Geological due diligence would commence in early December with Helix's Chilean technical team undertaking mapping and sampling traverses in order to confirm that prospective lithologies exist there for the styles of mineralization being sought.

**Exhibit 5: Helix Chile Projects Location Map and Sherpa Project Tenement Location Map**



Source: Company Website

The Maricunga Belt, comprising a NNE trending chain of andesitic to dacitic volcanic centers, measuring approximately 150 kilometers long (north-south) by 30 kilometers wide, hosts a series of epithermal high sulphidation and porphyry-style gold-silver-copper deposits including La Coipa, La Pepa, Soledad, Pantanillo, Lobo, Escondido, Marte, Caspiche and Cerro Casale.

Maricunga-style gold mineralization is distinguished by bulk tonnage lower grade gold mineralization hosted in porphyry gold deposits (+/- copper) overlain by, or spatially associated with higher grade gold and silver mineralization in veins and stockworks with high sulphidation epithermal characteristics. These porphyry stockwork systems are typically localized at intersections of regional N-S and NW trending fault structures, where it is common for major ore deposits to be found in the region.

### Canbelego JV Regional Drilling Update

In late October 2010, Helix Resources announced the initial 4m composite sample assays from drilling at the Canbelego JV Project in Central NSW that had been received.

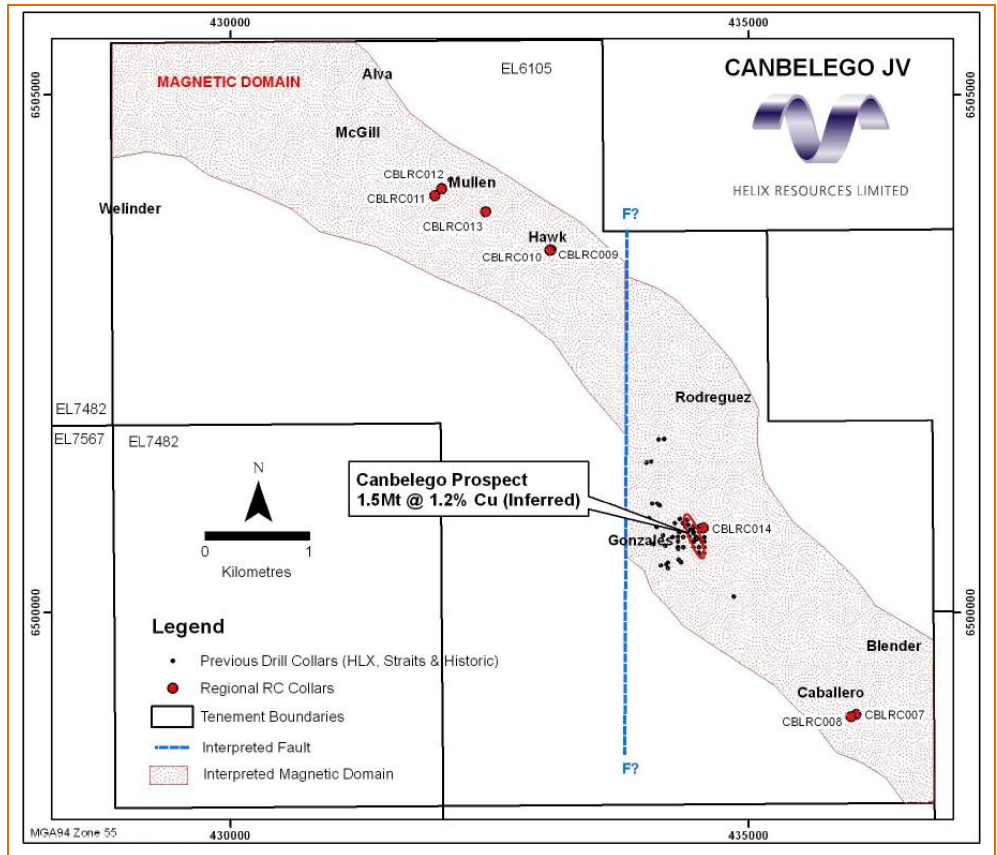
A program of 1,320m of regional first-pass drilling was conducted during October 2010 to test a series of geochemical and geophysical targets identified by Helix earlier in 2010. The findings from this drilling provide valuable geological information and encouragement that additional mineral deposits might be present close to the Canbelego resource.

- 8 hole (1,320m) regional drilling program identifies broad copper anomalism at the Caballero Prospect (2km SE of Canbelego Prospect), returning 72m @ >0.1% Cu from surface in CLRC007, one of only two holes within the 1.4km long 50ppm Cu in soils anomalous zone.

- Drilling 4km north of Canbelego Prospect (Hawk and Mullen Prospects) has intersected altered mafic-ultramafic intrusives and sulphide-rich altered sediments, key factors for the development of VMS/Tritton Style systems.

Geological logging and 4m assay composite results have confirmed the presence of additional mineralized systems along a northwest trend exceeding 7 Kilometers and host of the Canbelego Copper deposit. These encouraging results, coupled with those from companies with adjoining and nearby tenements (incl. YTC, Mincor, and Straits), confirm prospects and significant potential of the Cobar-Girilambone district and re-affirm its commitment to exploration in Central NSW to expand its existing Inferred Resource base of 1.5Mt @ 1.2% Cu.

**Exhibit 6: Regional RC Drill Hole Summary**



Source: Company Website

A zone of 12m returning 313ppm molybdenum in 4m composite assays was intersected in CBLRC010. Drilling at the hawk prospect intersected a magnetite rich zone within a differentiated mafic-ultramafic intrusive. The drilling has confirmed the intrusive as the source of the magnetic and gravity response and the presence of such bodies, which appear younger than the surrounding sediments, are typically associated with some of the nearby mineralized systems (including Canbelego). The context of significant molybdenum is being probed with respect to the known gold and copper mineralization in the region.

Mullen Prospect: Two drill holes were carried out to assess and provide additional context to results from a single vertical drill hole completed by Straits in 2007. Regional soils and aeromagnetic anomalism covering this zone indicate a large system is present and work would now focus on infill geochemistry and interpretation of the magnetics to define additional drill targets for testing.

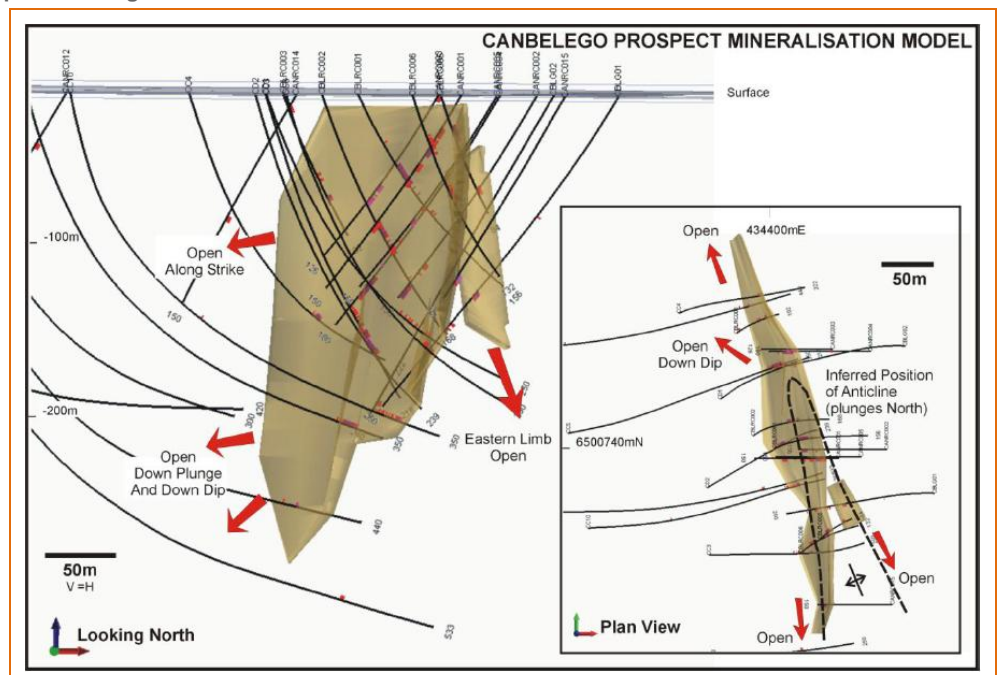
A single hole to the east of the Canbelego Copper Prospect was drilled to a depth of 270m. The drill hole indicated a downgrading of the SIROTEM target as a copper target. Once results have been received and modeled, Helix would consider drill test of any conductors that are identified.

## Initial Copper Resource for Canbelego and exploration update

In early October 2010, an inferred resource for the Canbelego Copper Project located 40km south-east of Cobar in central New South Wales was confirmed at a 0.3% Cu cut-off -1.5Mt @ 1.2% Cu, or at a 0.8% Cu cut off - 1Mt @ 1.5% Cu from the resource model at the Canbelego Mine Prospect. Resource estimates have been modeled by Helix Resources in collaboration with JV partner Straits Resources for the Canbelego Mine deposit located within the Canbelego Project 40km Southeast of Cobar in NSW.

The Company indicated that it is confident that it could continue to build on this initial resource base with copper mineralization open along strike and down dip at the Canbelego Mine Prospect and by following up promising early stage results from numerous regional targets on the tenement.

**Exhibit 7: Screen shots of resource model and drilling at the Canbelego Mine Prospect, showing potential target zones**



Source: Company Website

Helix completed resource estimates for the Canbelego Mine deposit following the completion of reverse circulation drilling programs in 2010 and inclusion of previous reverse circulation drilling by Straits in 1997 and 2007 and re-sampling and assay of Diamond core drilled by exploration companies in the 1970s.

The resource Interpretation of the Canbelego Project was based on a mineralized/chlorite alteration envelope (nominal 0.2% Cu), two domains were provided (main zone and footwall zone) and interpretation was undertaken using Micromine and Surpac software.

## Recent Results:

### Exhibit 8: Profit and Loss Account- Full Year

Financials in AUD			
Profit and Loss Statement- Consolidated			
Year ending June 30,	2009	2010 A	YoY %
Revenue	430,781	431,802	0.24%
<b>Total Cost</b>	<b>-2,345,311</b>	<b>-7,317,180</b>	<b>211.99%</b>
Employment Costs	-464,072	-306,714	-33.91%
Audit and Accountancy	-50,620	-32,005	-36.77%
Corporate Marketing	-17,010	-9,732	-42.79%
Directors' Fees	-98,750	-80,000	-18.99%
Depreciation	-61,910	-51,298	-17.14%
Impairment of Exploration and Evaluation Assets	-1,563,952	-5,818,552	272.04%
IT Costs	-30,606	-20,270	-33.77%
Overhead Allocation to Exploration	146,065	112,013	-23.31%
Premises Costs	-177,765	-143,811	-19.10%
Professional Services	-23,646	-2,251	-90.48%
Travel Expenses	-2,958	-4,232	43.07%
Other General and Admin Expenses	-92,186	-126,584	37.31%
Profit on Disposal of Fixed Assets	199,229	16,816	-91.56%
Revaluation of Shares in Listed Companies	-107,130	49,440	N.M.
Loss on Distribution of Capital at Fair Value	0	-900,000	
<b>Profit/ (Loss) Before Income Tax</b>	<b>-1,914,530</b>	<b>-6,885,378</b>	<b>259.64%</b>
Income Tax Expense	0	0	
<b>Profit/ (Loss) from Continuing Operations</b>	<b>-1,914,530</b>	<b>-6,885,378</b>	<b>259.64%</b>
Profit /(Loss) from Discontinued Operations	0	0	
Other Comprehensive Income, after Tax	0	176,000	
<b>Profit/ (Loss) for the year</b>	<b>-1,914,530</b>	<b>-6,709,378</b>	<b>250.45%</b>
Basic (cents per Share)	-1.46	-5.23	258.22%
Diluted (cents per Share)	-1.46	-5.23	258.22%

Source: Company

A: Audited figures

The Company is in early stage of exploration. As the Company has not yet started generating revenues from its operations, its interest income constitutes the major part of its income and is the source of revenue for the Company. The revenues from continuing operations for FY2010 rose 0.24% to \$431,802 from \$430,781; however interest income dropped 46.9% YoY to \$174,398.

The employee costs declined 33.9% YoY to \$306,714, while Directors' fees fell 19.0% to \$80,000 from \$98,750 recorded for the last fiscal period. Expenses related to audit and accounting dropped 36.8% YoY to \$32,005. Total Cost of the Company has soared mainly due to a surge in the impairment of Exploration and Evaluation of Assets. Impairment of Exploration and Evaluation of Assets soared 272.0% to \$5,818,552 as compared to same period last year. Other General and Administration expenses also contributed to a rise in the cost, which jumped 37.3%YoY to \$126,584.

Loss before taxes widened 259.6%YoY to \$6,885,378 for the year ended June 30, 2010, and loss after tax also remained the same due to lack of income tax expenses. Consequently, the Company's basic loss widened to 5.23 cents per share from a loss of 1.46 cents per share, reported in the same period previous year.

**Exhibit 9: Profit and Loss Account- Half Year**

Financial Results for the Half-year ended December 31,			
(In A\$)	2009	2010	YoY%
<b>Revenue from Continuing Operations</b>	<b>250,615</b>	<b>187,290</b>	<b>-25.27%</b>
Interest income	78,955	95,027	20.36%
Other Revenue	171,660	92,263	-46.25%
<b>Total Cost</b>	<b>-297,948</b>	<b>-290,658</b>	<b>-2.45%</b>
Employment costs	-206,570	-187,512	-9.23%
Audit and Accountancy	-16,009	-6,418	-59.91%
Premises costs	-73,045	-90,112	23.37%
Professional fees	-841	-4,788	469.32%
Travel and accommodation costs	-1,483	-1,828	23.26%
<b>Profit/ (Loss) before interest, tax, depreciation &amp; amortisation</b>	<b>-47,333</b>	<b>-103,368</b>	<b>118.38%</b>
Depreciation	-25,262	-18,235	-27.82%
Impairment of Mineral Asset Exploration and Evaluation Expenditure	-5,061,520	-64,498	-98.73%
Other expenses from ordinary activities	-49,031	-51,354	4.74%
<b>Profit/ (Loss) before interest &amp; tax</b>	<b>-5,183,146</b>	<b>-237,455</b>	<b>-95.42%</b>
Interest Expense	0	0	
Tax	0	0	
<b>Profit/ (Loss) from Continuing Operations</b>	<b>-5,183,146</b>	<b>-237,455</b>	<b>-95.42%</b>
Other Comprehensive Income		24,000	
<b>Profit/ (Loss) for the year</b>	<b>-5,183,146</b>	<b>-213,455</b>	<b>-95.88%</b>

Source: Company

The Company's revenue from continuing operations declined 25.3%YoY for the half-year ended December 31, 2010, compared to the same period last year, due to a fall in other revenue. Income received from interest rose 20.4% YoY to \$95,027. Professional fees has soared 469.3%YoY to \$4788, as the Company is carrying out due diligence on a project in Chile. Helix had also undertaken a total of 10 holes for 1,104m of Reverse Circulation (RC) Drilling programme on the Restdown Gold JV in NSW during October 2010, and also a 8 hole (1,320m) regional drilling program at Caballero Prospect.

However, the Company was successful in reducing costs related to audit & accountancy and employment. Audit and Accountancy expenses dropped 59.9% YoY to \$6,418, while the Company's employment expenditure declined 9.2% to \$187,512 from \$206,570 recorded for the half-year ended 31 December 2009. The total cost of the Company decreased 2.5%YoY to \$290,658.

The Company's loss before interest, tax, depreciation and amortisation widened 118.4%YoY to \$103,368 for the half-year ended 31 December 2010, while its loss before interest and tax stood at \$237,455 due to a reduction in impairment of Mineral Asset Exploration and Evaluation expenditure by 98.7% from a year earlier. Loss after interest and taxes remained the same at \$237,455 due to the absence of interest and taxes. Net loss for the half-year ended 31 December 2010 stood at \$213,455, as the Company recorded other comprehensive income worth \$24,000.

## Valuation & Investment View

We have valued the advanced staged project of the Company mainly, Yalleen Iron Ore JV Project.

We have valued the Company using the future free cash flow projection of this project and have applied discount using the weighted average cost of capital to arrive at a present value and evaluate the potential for investment.

Following table shows the production of iron ore expected from the property. We assume production starting in 2014.

### Exhibit 10: Production

Yalleen Iron Ore Project	
Yearly (tn)	5,000,000
Grade	57.2%Fe
Price per tn \$	\$109.00
<b>Total Yearly Revenue</b>	<b>\$545,000,000</b>
Total Estimated Mineralized tn	60,000,000
<b>Estimated Years of Production (Life of Mine)</b>	<b>12.00</b>
<b>Helix interest</b>	<b>30%</b>

Source: Company, RB Milestone Research

### Planned Capital Expenditure

**Yalleen Iron Ore Project:** \$181 million Capex with \$68 million in Year -1 and \$113 million in Year 0. Construction commences 2012 and production 2014. The life of assets estimated at more than 20 years, while the life of mine expected to be 12 years.

The Company expects to secure debt funding in the future to around 70% of the capex on the project. We assume that Helix would raise funds amounting to ±\$30 million via additional equity issue and debt during the pre-production period i.e. 2012-2013. Helix may also look to sell its joint venture interest in various other projects to majority JV participant. The funds realized through the sale of its interests would certainly be an avenue to Helix to fund its Yalleen project.

The Company would incur an Average Operating Cost of \$48.00/ton over the life of the mine at its Yalleen Iron Ore Project

Based on the above assumptions, we have arrived at the following cash flow stream. For Yalleen Iron Ore Project, we have assumed the Residual value at 20% of CAPEX. We have used a discount rate of 16.6% for the Yalleen Iron Ore project, to arrive at the fair value.

### Exhibit 11: Cash Flows Until the Start of Production

Fiscal Year	2011	2012	2013
<b>Investments</b>	0.0	-68,000,000	-113,000,000
<b>Cash Out Flows</b>	-2,400,000	0.0	0.0
Tax Rate	30%		
Post Tax Cash Flows	-2,400,000	-68,000,000	-113,000,000
No. of Year	1	2	3
Discount Rate (Yalleen Iron Ore Project)	16.6%		
<b>Discounted Cash Flows</b>	<b>-2,058,437</b>	<b>-50,022,065</b>	<b>-71,294,740</b>

Source: Company, RB Milestone Research

**Iron Ore Production:** We have assumed that, starting 2014, the Company starts production at its Yalleen Iron Ore project. It is estimated that the production output in 2014 is about 2 million tons of iron ore and will gradually increase to 6 million tons in 2018, with an average mine production at 5 million tons per annum over the life of the mine.

**Exhibit 12: Cash Flows After the Start of Production**

Fiscal Year	2014	2015	2016	2017	2018	2019
Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Investments	0	0	0	0	0	0
Production (tons)	2000000	3000000	5000000	5000000	6000000	6000000
Cash In Flows	122,000,000	183,000,000	305,000,000	305,000,000	366,000,000	366,000,000
Tax Rate	30%	30%	30%	30%	30%	30%
Post Tax Cash Flows	122,000,000	183,000,000	305,000,000	213,500,000	256,200,000	256,200,000
No. of Year	4	5	6	7	8	9
Discount Rate (Yalleen Iron Ore Project)	16.6%					
<b>Discounted Cash Flows</b>	<b>66,018,436</b>	<b>84,934,246</b>	<b>121,410,972</b>	<b>72,892,413</b>	<b>75,022,222</b>	<b>64,345,217</b>

Fiscal Year	2020	2021	2022	2023	2024	2025
Year	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Investments	0	0	0	0	0	0
Production (tons)	6000000	6000000	5500000	5500000	5000000	5000000
Cash In Flows	366,000,000	366,000,000	335,500,000	335,500,000	305,000,000	305,000,000
Tax Rate	30%	30%	30%	30%	30%	30%
Post Tax Cash Flows	256,200,000	256,200,000	234,850,000	234,850,000	213,500,000	213,500,000
No. of Year	10	11	12	13	14	15
Discount Rate (Yalleen Iron Ore Project)	16.6%					
<b>Discounted Cash Flows</b>	<b>55,187,741</b>	<b>47,333,538</b>	<b>37,214,035</b>	<b>31,917,812</b>	<b>24,886,669</b>	<b>21,344,851</b>

Source: Company, RB Milestone Research

**Exhibit 13: Calculation of WACC**

Cost of Equity	
Risk Free Rate	5.6%
Stock Premium	9.1%
Beta	1.20
<b>Expected Return</b>	<b>16.6%</b>
Cost of Debt	
Average Borrowing rate (before tax)	0.0%
Tax Rate	30.0%
<b>Cost of Debt</b>	<b>0.0%</b>
Capital Structure	
Book value of equity (December, 2010)	12,133,233
Book value of debt (December, 2010)	0
Total Capital (excl deferred tax liability)	12,133,233
<b>WACC</b>	<b>16.6%</b>

Source: RB Milestone Research

**Exhibit 14: Calculation by Discounted Cash Flow Method**

	\$
PV of Cash Flow	579,132,911
PV of Cash Flow – Helix 30%	173,739,873
Add Cash	4,485,385
Less debt	0
<b>Valuation of the Project – Helix share 30%</b>	<b>178,225,258</b>
Shares Issued	152,508,000
<b>Value per share (in \$)</b>	<b>1.169</b>
Current Market price (\$)	0.120
<b>Upside potential</b>	<b>873.9%</b>

Source: RB Milestone Research

We value the Company based on PV of cash flows which are expected to be generated from its Yalleen Iron Ore Project. Assuming a discounting factor of 16.6% for the project and a production span of 12 years, we have arrived at a target price of \$1.169, which provides an upside of 874% to the current market price.

Though the project offers substantial returns, there is high level of uncertainty associated with its production and anticipated cash flows. In light of this, the investment is in the nature of a high risk investment.

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