



**Breakaway
Research**

July 2012

Grant Craighead | Research Manager
gcraighead@breakawayinvestmentgroup.com

Andrew McLeod | Research Analyst
amcleod@breakawayinvestmentgroup.com

Company Information

ASX Code	CLA
Share Price	A\$0.028
Ord Shares	1,031m
Options	295m
Shares planned to be issued	500m*
Market Cap	A\$28.9m
Cash (est. June 12)	A\$2.3m
Total Debt	A\$0m
Enterprise Value	A\$26.6m

*subject to share holder approval

Directors

Non-Executive Chairman	Peter O'Malley
Managing Director	Grant Thomas
Non-Executive Director	Bill Oliver

Substantial Shareholders

Brijohn Nominees Pty Ltd	7.6%
Pheakes Pty Ltd	4.6%
Michael + Lynette Black	3.6%
TT Nicholls Pty Ltd	3.1%
Celtic Capital Pty Ltd	2.9%

Source: Bloomberg

Company Details

Address	Level 1, 12 Kings Park Rd West Perth, WA, 6005
Phone	+618 9226 4500
Web	www.viewresources.com.au

1 Year Price Chart



Source: Bloomberg

Celsius Coal Limited (CLA)

*Significant coking and thermal coal prospects
with near term production potential*

Recommendation: Speculative BUY

Key Points

- **Acquisition of 80% interest in Uzgen Basin project**
- **Historical exploration forms basis of 500-700Mt coal target**
- **Extensive coal outcrop at two prospects provides opportunity for early cash flow**
- **Upcoming 5,000m drilling program aims to verify Soviet era data and define JORC resources**
- **Test work indicates coking coal and high calorific thermal coal**
- **90% interest in Alai Range prospects provides project diversity**
- **Both projects are located in close proximity to the Chinese border and existing/proposed infrastructure**

Celsius Coal has a portfolio of quality thermal and coking coal prospects in Kyrgyzstan with near term production potential. Previous exploration across the Uzgen Basin prospects supports a 500-700Mt exploration target which will be tested as part of an upcoming drill campaign. An additional 20-50Mt exploration target exists at the Alai Range prospects. Near term news flow as drilling results are released provides an opportunity for a market re-rating.

Company Overview

Celsius Coal (formally View Resources) is an Australian based coal exploration company with a majority interest in significant coal assets in two prospective regions of Kyrgyzstan.

The Uzgen Basin project (80% interest) consists of four key prospects within three tenements, two of which are contiguous. Extensive, albeit limited, exploration was undertaken during the Soviet era and forms the basis of a 500-700Mt coal exploration target. Celsius is about to embark on a +5,000m drilling program aimed at testing the integrity of the historical data and to define a JORC resource at each of the prospects. Historical test work of samples from outcropping coal seams indicates the potential for both quality thermal coal and coking coal products. An existing mining licence at one of the prospects provides an opportunity for early production.

The Alai Range project (90% interest) consists of two prospects, both of which host significant shallow coal seams. Test work on samples indicates the potential for a high calorific thermal coal product to be mined at both sites. One of the prospects (Sary Mogal) sits within a granted mining licence where recent small scale open pit mining took place. Celsius has indicated early start-up of production may be possible, providing an opportunity for early cash flow.



Investment Review

80% interest in Uzgen Basin Kyrgyzstan prospects

On the 18th June, 2012, Celsius Coal (Celsius) announced that it had entered into a conditional scrip based agreement (subject to shareholder approval) to purchase 80% of 'Kokkia Coal Pty Ltd' which in turn owns 100% of the Kokkia, Kargasha-Tuyuk & Min-Teke prospects. These three tenements have been grouped together as the '**Uzgen Basin**' prospects.

Extensive outcropping coal seams

All the tenements host extensive outcropping coal seams with numerous small scale open pits and adits formed by historical explorers and miners. Between 1947-1953, during the Soviet era, mapping, trenching and more than 28,000m of drilling was undertaken and initial resources were outlined. However, this historical work does not confirm to JORC standards and as such further exploration is required for a JORC compliant resource.

500Mt -700Mt exploration target

Based on this historical work, Celsius Coal has derived an exploration target of between 500Mt and 700Mt of coking and high quality thermal coal.

Upcoming +5,000m drill program

Celsius has an aggressive exploration program, aimed at testing the integrity of the Soviet era data and establishing JORC resources at each of the prospects as quickly as possible. The company has already commenced trenching at Tuyuk-Kargasha (exploration target 382-475Mt) and has secured five diamond drill rigs for the 2012 field season, targeting +5,000m of drilling. Tuyuk and Kargasha are considered particularly attractive as historical test work indicates the coal has coking properties.

Mining licence already granted at Min-Teke

A further two rigs have been contracted to test for the Min-Teke prospect which is covered by a valid development/mining licence; paving the way for near term thermal coal production. Following the drilling campaign at Min-Teke, the drill rigs will move to the neighbouring Kokkia tenement to test an exploration target of 114 – 198Mt of coal.

90% interest in Alai Range project

At the **Alai Range** prospects in the SW of Kyrgyzstan, Celsius Coal has a 90% interest in two prospects, Sary Mogol and Bel Alma which have a combined exploration target of 20-51Mt of coal. Test work undertaken on outcropping coal at both prospects indicates the potential for a high quality thermal coal product. Sary Mogol sits within an 8Ha granted mining licence where previous operators were selling coal from an open cut mine. **Celsius Coal has highlighted the potential to re-establish production from this prospect by the end of the calendar year.**

Potential for early production

Bel Alma is held under an exploration licence and has potential for a large scale, high quality thermal coal operation. Access to the site is in the advanced stages of planning and should be established in near term.

Breakaway's View

Near term news flow provides opportunity for market re-rating

Celsius Coal has acquired majority positions in two remote but highly prospective coal regions. While the projects are in areas with limited existing infrastructure, they are within striking distance of domestic and export markets. Further, the proposed Trans-Asia Railway will provide Celsius with direct access to the Chinese steel market.

A 5,000m drilling program is about to commence at the Uzgen Basin prospects and is likely to provide the market with positive news flow and the impetus for a market re-rating. The near term production potential from Sary Mogol provides an opportunity for early cash flow, which could be used to advance the other projects in the Celsius portfolio.



Capital Structure

90% interest in Sary Mogol and Bel-Alma

Celsius Coal announced on the 15th of November 2011 that they had signed a binding Heads of Agreement to acquire 100% of the shares in Oshpur Limited, a 90% owner of the Sary Mogol and Bel-Alma projects. The consideration for this acquisition was effectively \$2.2 million in cash, as the share based components of the consideration have now fallen away.

80% interest in Kokkia Coal subject to shareholder approval

Hong Kong based Kokkia Coal Limited currently has a 100% interest in the Kokkia, Kargasha-Tuyuk & Min-Teke projects located in the Uzgen coal basin, Kyrgyzstan. In June 2012, View Resources signed an agreement to purchase 80% of Kokkia Coal Ltd (subject to shareholder approval) for 500M shares at a deemed issue price of A\$0.02/share (totalling A\$10M) plus 900M performance shares and a commitment to spend US\$2.5M due and owing on the Tuyuk-Kargasha tenement.

Performance share conditions

Performance shares subject to milestones

Performance shares	Class	Performance hurdle
200,000,000	A	JORC resource of 100Mt coking coal or JORC resource of 300Mt thermal coal or A combination of the two at 1:3 ratio
200,000,000	B	JORC resource of 200Mt coking coal or JORC resource of 600Mt thermal coal or A combination of the two at 1:3 ratio
200,000,000	C	JORC resource of 300Mt coking coal or JORC resource of 900Mt thermal coal or A combination of the two at 1:3 ratio
150,000,000	D	JORC resource of 400Mt coking coal or JORC resource of 1200Mt thermal coal or A combination of the two at 1:3 ratio
150,000,000	E	JORC resource of 500Mt coking coal or JORC resource of 1500Mt thermal coal or A combination of the two at 1:3 ratio

Source: Celsius Coal

The current capital structure of the company can be summarised in the table below:

Capital Structure Summary

Share Price	A\$ 0.028
Current shares on issue	1,031,953,670
Unlisted options	295,000,000
MCAP	A\$ 28,894,000
Cash (est. end June 2012)	A\$ 4,225,000
Debt	A\$ -
Enterprise Value	\$A 24,669,000
Shares to be issued to Kokkia*	500,000,000
Likely total shares	1,531,953,000
Likely MCAP at current s.p.	A\$ 42,894,000
Un-issued performance shares**	900,000,000
Fully diluted shares	2,226,953,670

Sources: Breakaway Research

*Share issue subject to shareholder approval

** Performance shares only issued only if resource definition milestones are met



Project Review

Two acquisitions in Kyrgyzstan

Celsius Coal recently entered into an agreement to purchase an 80% interest in the Kokkia, Kargasha-Tuyuk and Min-Teke projects, located in the Uzgen basin. This transaction is still subject to shareholder approval. Celsius already owns a 90% interest in the Sary Mogol and Bel-Alma projects, located in the South West of Kyrgyzstan, close to the Chinese border.

Kyrgyzstan project locations

Close to Chinese border



Source: Celsius Coal

Uzgen Basin – Kokkia, Kargasha-Tuyuk & Min-Teke Projects

Adjacent tenements

Kokkia Coal Ltd (Celsius Coal, 80% interest) has a 100% interest in the Kokkia, Kargasha-Tuyuk & Min-Teke projects which are all located within ~5km of each other on adjacent tenements. All three areas host extensive outcropping coal seams and numerous small scale open pits and adits have been formed by historical explorers and miners.

500-700Mt exploration target

Extensive exploration was undertaken during the Soviet era between 1947 and 1953 across all three licences areas, which included significant drilling (28,920m) and trenching programs. Based on this historical work, Celsius Coal has derived a global exploration target of between **500Mt and 700Mt** of coal across four key prospects as summarised in the table below:

High quality coal (based on historical data)

Prospect Summary: Based on historical Soviet era data

Prospect	Exploration Target	Coal Seam total thickness	Reported Coal Quality	Expected Coal type
Tuyuk – Kargasha	Tuyuk 267-335Mt	Tuyuk - 8.3m (across 9 seams)	Ash: 3-9% Moisture: 0.9 - 5.6% Sulphur: 0.4 - 0.9%	Coking and Thermal Coal
	Kargasha 115 –140Mt	Kargasha - 15.3m (across 14 seams)	CV:8,200 – 8,700kCal/kg	
Kokkia	114-198Mt	11.2m (across 11 seams)	Ash: 4.5-13.8% Moisture: 0.7-3% Sulphur: <1.0% CV: 8,350 – 8,500kCal/kg	Thermal and Coking
Min-Teke	5-27Mt	unknown	Ash: 19.2% Moisture: 6.7% Sulphur: 0.55% CV: 6,230 – 7,680kCal/kg	Thermal

Data Source: Celsius Coal



Imminent 5,000m drilling campaign

The Soviet era data, while extensive, does not meet the requirements of the JORC code and as such, the exploration targets outlined in previous table are conceptual. Celsius Coal is preparing a +5,000m drilling campaign across all four of the prospects, initially aimed at testing the reliability of the historical data before commencing resource definition drilling.

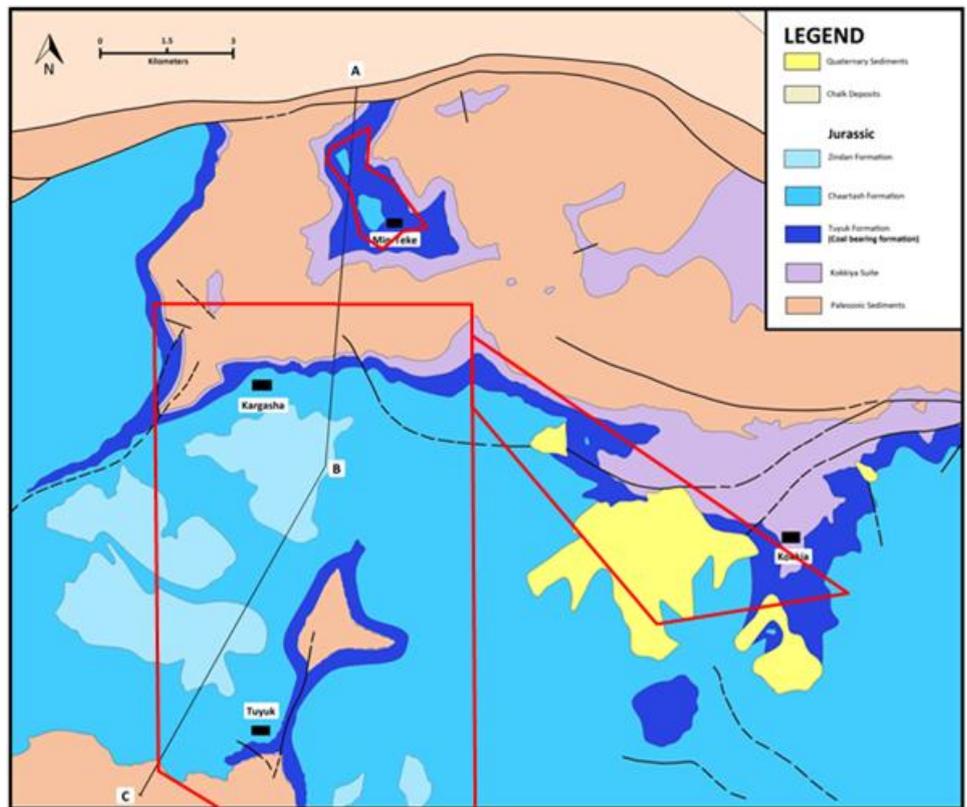
Tuyuk – Kargasha (80% interest)

Coking coal potential

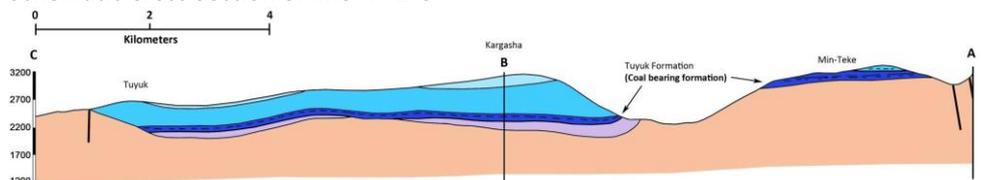
The Tuyuk and Kargasha tenement covers 8,000 hectares and is likely to become the company ‘flagship’ project. A total of 60 cored drill holes (for 28,920m) and a further 15,000m of trenching and adits have been completed by the Soviets providing extensive data (which is available to Celsius Coal). The data also indicates that the coal is a bituminous coking coal with typical coal qualities outlined in the previous table. Celsius intends to undertake metallurgical test work as part of the upcoming drill campaign to further test the reported coking properties.

Interpreted Geology and tenement map

Dark blue represents the outcrop of the coal bearing Tuyuk formation



Schematic Cross Section of line “A-B-C”



Source: Celsius Coal

The cross section above schematically highlights the main geological formations in the area. Most of the licence area is underlain by Jurassic sediments, the principal host of coal mineralisation in Kyrgyzstan. The Tuyuk formation is the main coal bearing formation and occurs near the base of the Jurassic sedimentary sequence. Dark blue areas in the top image highlight the outcrop of the Tuyuk formation.



Kokkia (80% interest)

High calorific coal ranging 8,350-8,500kcal/kg

The Kokkia tenement encompasses an area of 1,576Ha and exhibits the best potential for open cut mining operations. Historic exploration included over 800m of trenching and a further 200m of adits. Coal seams are exposed at surface, with the 11 main seams identified interpreted to have a total combined thickness of ~11m. Based on the historical data, Celsius has estimated an exploration target of 114Mt – 198Mt.

The Soviet era surface coal samples from Kokkia demonstrate relatively high calorific values and as such, would likely receive a premium to prevailing thermal coal prices at the time.

Coal outcrop at Kokkia tenement

Significant outcropping of coal seams



Source: Celsius Coal

Min-Teke (80% interest)

Valid mining licence

Min-Teke encompasses 169Ha and sits within a valid mining licence (valid until 2019) and is located 11km from Kokkia (a road linking the two is targeted for completion in 2012). The tenement exhibits abundant exposure of the Tuyuk formation where several small scale open pits are observable.

Celsius Coal has already commenced construction of a road to the prospect in preparation for an upcoming drilling campaign aimed at defining an initial Inferred Resource. Based on historical data, Celsius has an exploration target of 5-27Mt with good thermal properties.

Due to the valid mining licence and shallow coal seams (out cropping in many areas), open pit mining at Min-Teke has the potential to be brought into production in a relatively short period of time.



Alai Range (SW Kyrgyzstan) – Sary Mogol and Bel-Alma

Sary Mogol (90% interest)

Sary Mogol already has a valid mining licence

The Sary Mogol project comprises of a ~8 hectare mining/development licence, located 80km south of the city of ‘Osh’, one of the largest cities in the region. Two coal seams are visible at surface and appear to dip at approximately 45°.

Sary Mogol – Coal seam summary

Seam	Total thickness	Notes
Upper seam	7.3m - 10.3m	Between 4-20m above lower seam comprising three coal plies. Carbonaceous mudstones (0.4 - 0.6m thick) separate the plies
Lower seam	6.7m - 9.7m	Alternating layers of coal, carbonaceous rocks, shales and clays. It contains a maximum of four coal plies which are between 0.4 and 5.1m thick and rock layers of 0.06 to 0.52m thick

Source: Breakaway Research and Micomine Pty

Visible open pits and adits from small scale mining

Sary Mogol has been the subject of historical small scale mining (<1,000t) however no reliable data (to a JORC standard) currently exists.

In December 2011, four ~3kg ‘rock chip type’ samples were taken from one particular area at Sary Mogol. These samples were analysed for calorific value, ash, volatile matter, moisture and sulphur and serve as guide of the potential coal quality.

Sary Mogol -Sample Air Dried Basis Analysis

Sample	IM	ASH	VM	FC	TS	CV
			%			kcal/kg
Sample 1	2.66	17.04	30.81	49.48	0.62	5,868
Sample 2	3.38	10.17	34.38	52.06	0.49	6,440
Sample 3	3.44	8.37	35.2	52.99	0.52	6,568
Sample 4	2.34	34.47	28.7	34.5	0.37	4,608

Source: Micromine Pty Ltd

IM – Inherent Moisture, VM – Volatile Matter, FC – Fixed Carbon, TS – Total Sulphur, CV – Calorific Value

Good thermal properties

The samples demonstrate moderate thermal coal properties and support the case for further investigation. Celsius Coal has completed geological and topographical mapping and highlighted the potential for a start-up of mining operations as early as the end of the 2012.

Sary Mogol –mine site infrastructure

Coal outcrop and machinery on site



Source: Celsius Coal



Bel-Alma Project (90% interest)

A road connecting to Sary Mogal is in advanced planning stage

The Bel Alma exploration licence is located in close proximity to Sary Mogal and covers an area of ~278Ha. Currently, access to the site is only by helicopter until a 25km connecting road can be built.

The project was first identified in the 1950's however the first major exploration campaign was not carried out until the 1980's. Exploration at the time included the excavation of six 2m deep trenches for a total length of 627m. In 2007/08, a further 12 trenches were completed and many hundreds of samples collected. Analysis of these samples indicates calorific values ranging from 6,500 to 7,150kCal with some coking coal potential.

Bel Alma - Local Terrain and Coal Outcrop

Significant coal outcrops



Source: Nikandrov, Micromine Technical Report

In 2011, on behalf of Celsius Coal, Micromine visited the Bel-Alma project and collected 10 surface samples (amongst other tasks) which are reported in the table below on an 'Air Dried Basis'.

High calorific value

Samples Bel-Alma

Sample	TM	Ash	VM	TS	CV
			%		Kcal/kg
Sample 1	2.8	5.1	28.5	0.5	6,655
Sample 2	2.2	23.7	23.5	0.4	5,318
Sample 3	2.3	6.5	28.5	0.6	6,728
Sample 4	2.2	3.2	29.4	0.7	7,154
Sample 5	2.2	3.7	28.3	0.6	7,060
Sample 6	2.0	2.5	28.2	0.6	7,218
Sample 7	2.2	1.9	28.8	0.7	7,254
Sample 8	2.2	3.6	30.0	0.8	7,065
Sample 9	2.4	5.1	30.8	0.9	6,869
Sample10	2.3	6.7	29.7	0.9	6,740
AVERAGE:	2.3	6.2	28.6	0.7	6,806

Potential for large scale high thermal quality project

Source: View Resources IM – Total Moisture, VM – Volatile Matter, TS – Total Sulphur, CV – Calorific Value

The results act as a guide for the type of coal possible from the project. Results indicate a low moisture content, medium volatile matter and a high calorific value suggesting a high quality thermal coal product may be achievable once in production.

Bel Alma offers the potential for a large scale, high quality thermal coal project. Celsius Coal is in the advanced stages of planning for the construction of a 25km to the Bel Alma prospect before exploration programs (trenching and drilling) can commence.



Opportunity in Kyrgyzstan

Kyrgyzstan formerly a republic of the Soviet Union

10% company tax rate and +4.3% royalty rate

Currently a very small producer of coal

Healthy local demand

Kyrgyzstan was formerly a republic of the Soviet Union and was known as the Kyrgyz Republic. Due to the vast untapped natural resources in Kyrgyzstan (and Kazakhstan), both republics were designated as the suppliers of raw materials to the Soviet Union.

Kyrgyzstan currently has a population of 5.5m with an average per capita income of ~US\$ 836. The main source of income is from gold produced at the Kumtor mine which is owned and mined by TSX listed Centerra Gold. The country currently has an attractive fiscal environment with a 10% company tax rate and a total royalty rate of 4.3%.

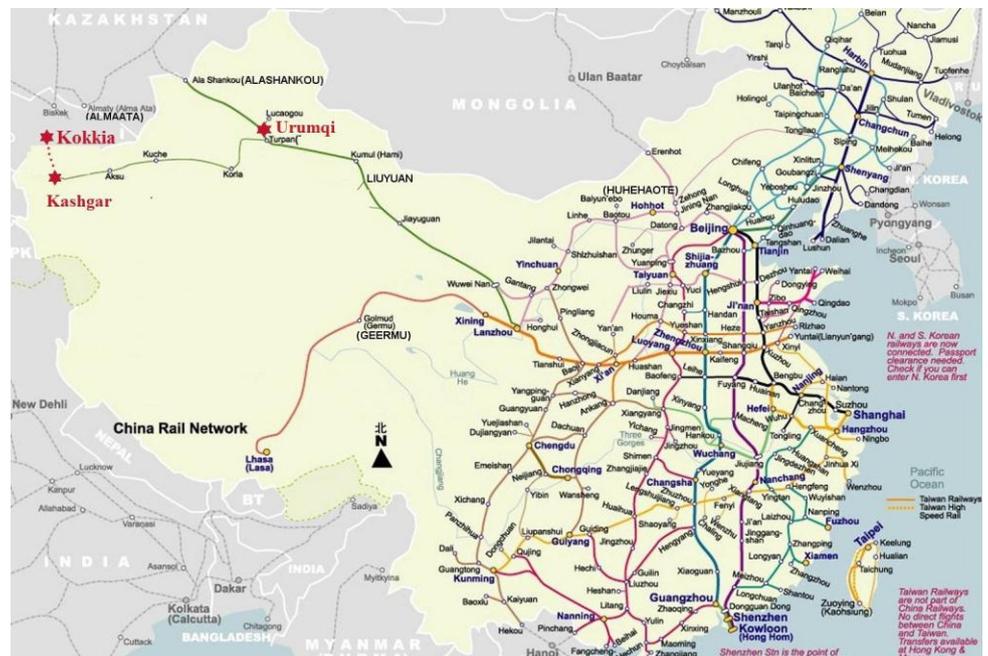
Post the Soviet era, coal production went into rapid decline due to problems in the transition from a centrally planned economy to a market based national economy. In an almost unique situation for the area, Kyrgyzstan moved to a functioning democracy with the last parliamentary elections passing peacefully in 2011. Today, Kyrgyzstan produces a meagre 400ktpa (from a peak of 4Mtpa) and is an overall net importer of coal. Any increase in local production would likely be absorbed by the domestic market (reports of domestic coal prices as high as US\$200/t) however the real opportunity for bulk supply remains China.

Both of Celsius Coal project areas are located in close proximity (~100km) to the Chinese border. South east of the border is the major Chinese city 'Kashgar' (top left of map below) which has been designated as a new economic development zone.

China National railway system and Kokkia Project Location (top left)

Proposed rail link connecting to China market

Rail link should be completed within 3 years



Source: Celsius Coal

China and Kyrgyzstan have agreed to construct the 'Trans-Asia Railway' (the train line is expected to pass within 6km of Kokkia) which will essentially link the Kokkia project with the city of Kashgar and vast markets of China. Completion of the railways is anticipated in less than 3 years.



Directors

Non-Executive Chairman

Peter O'Malley

Peter O'Malley is the Chief Executive Officer and Founding Partner of Kenosis Capital Partners, a global merchant banking and advisory firm focused on the natural resources sector. Prior to founding Kenosis Capital Partners, Mr. O'Malley was Head of the Asia-Pacific Natural Resources investment banking practice at Deutsche Bank and more recently at HSBC. Prior to joining Deutsche Bank and HSBC, Mr. O'Malley was a senior energy and natural resources banker at Credit Suisse First Boston based in New York and Johannesburg.

During more than 21 years in investment banking, Mr. O'Malley led the origination and execution of major mergers and acquisitions, equity and debt capital markets, and structured finance transactions in the metals and mining and oil and gas and sectors.

Managing Director

Grant Thomas

Grant Thomas has over 29 years of experience covering exploration and resource evaluation for many minerals including iron ore, gold, copper, lead, zinc, uranium, fluorspar and coal in Australia, China, South Africa, Tajikistan, Kazakhstan, Brazil and Mongolia.

More recently, Mr Thomas has consulted for AsiaMin Consulting Limited (HK) primarily as a Competent Person and Valuer to various international and Chinese coal companies listing on the Hong Kong Stock Exchange. In this role, Mr Thomas completed Technical and Valuer reports, including JORC conversions, for several coal projects in Inner Mongolia and Xinjiang provinces China and Tajikistan.

Non - Executive Director

William (Bill) Oliver

Bill Oliver has 12 years' experience in the international resources industry working for both major and junior companies. Mr Oliver has led large scale resource definition projects for Rio Tinto and previously worked in near mine exploration/resource definition roles for New Hampton Goldfields and Harmony Gold. He managed exploration in Portugal for Iberian Resources Limited including target generation and grassroots exploration across a range of commodities. More recent roles include Exploration Manager for Bellamel Mining and BC Iron and he is Non-Executive Director of Signature Metals (ASX: SBL). He has wide-ranging exploration experience including expertise in near-mine exploration/resource extension and resource definition as well as significant experience in the technical and economic evaluation of resources projects.

**Director CV's taken from company prospectus and company announcement*



Analyst Verification

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may receive corporate advisory fees, consultancy fees and commissions on sale and purchase of the shares of Celsius Coal and may hold direct and indirect shares in the company. It has also received a commission on the preparation of this research note.

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Breakaway Investment Group
AFSL 290093 ABN 84127962387
T+61292621363
F+61292792727
PO Box H116 Australia Square
Sydney, NSW 2001
Suite 505, 35 Lime Street,
Sydney, NSW 2000