Indaba special

Sector focus | Company profiles

January 2014

Published by Edison Investment Research

The Edison mining team

www.edisongroup.com

Charles Gibson

Charlie graduated from the University of Oxford as a chemist, specialising in ligand gated ion channels (the subject of his thesis), before joining Cazenove & Co in the early 1990s. After brief stints working in pharmaceuticals and oils he settled down as Cazenove's mining analyst, spending three years in Johannesburg, among other places. He joined Edison in 2007 as its Head of Mining.

Wayne Atwell

Wayne has over 40 years' experience as a sell-side analyst following the steel and non-ferrous mining sectors. During his career he has toured 230 mines and 300 steel mills on six continents. He was a top-rated equity metals and mining analyst by Institutional Investor and Greenwich Associates for 20 years, and was rated one of the top ten stock-pickers in the business by Institutional Investor. Wayne has a BS in Mineral Economics from Pennsylvania State University, an MBA from New York University and is a CFA.

Peter Chilton

Peter graduated as a mining engineer from the University of Newcastle. He worked for a number of mining organisations in Australia, the UK and South Africa. He was involved with the production of iron ore, lead/zinc, copper, gold, gypsum and other commodities from both underground and open-pit operations. Peter later transferred to independent research, followed by an analyst and portfolio manager role in funds management, investing in the resources, energy and industrial sectors.

Julian Emery

Julian is a mining research analyst with experience in mining finance, banking and stockbroking companies. He has also worked in practical mining and fund management. He is a fellow of the Chartered Institute of Securities and Investment (FSI) and a member of CFA UK.

Tom Hayes

After receiving his masters in mining geology from the Camborne School of Mines in 2003, Tom initially worked as an engineering geologist for consulting firm Mouchel before moving into the mining sector in 2006. During his time abroad, he worked as lead production geologist at Australia's longest running nickel mine, Otter Juan, in the Kalgoorlie-Kambalda region of Western Australia. He also spent time working for a small junior gold play in the Victorian Goldfields of south-eastern Australia.

Chris Kallos

Chris has 14 years' experience as an equities research analyst in both Australian and US stocks. He has covered small-, medium- and large-cap stocks across a number of sectors with a focus on healthcare/biotech, mining, recruitment and telecommunications. Chris holds a BPharm (Sydney), an MBA from the Australian Graduate School of Management (UNSW), and a Masters in Applied Finance (Macquarie). He is a CFA charter holder.

John Kidd

John has 15 years of analytical and advisory experience in the oil and gas sector. His past roles include four years at Shell's London head office, four years with the New Zealand Treasury, and three years as an analyst with another blue-chip listed energy major. He is based in New Zealand.

Rob Kirtley

Rob has spent more than 20 years in the equity research field, both as an analyst and as a supervisory analyst. He was a senior analyst at Deutsche Bank, where he was responsible for coverage of South African mining stocks, and at ING where he covered South African gold shares and global diversified miners. Rob spent five years at UBS and JPMorgan as a supervisory analyst covering European and African stocks. Rob has a BSc in geology and advanced earth sciences from Wits University in South Africa, an MBA from Wits Business School and is a CFA charter holder.

Andrey Litvin

Andrey has spent more than six years in equity research working for large Russian and European investment banks. Most recently, he was employed with Credit Agricole Cheuvreux in London as a senior investment analyst covering Russian large-cap metals and mining companies. Before that, Andrey worked at ING Bank in Moscow as part of the EMEA metals and mining team, as well as with Otkritie Securities where he headed the bank's metals and mining research group.

Anthony Wagg

Anthony spent many years as a stockbroker following the South African mining market. He lived and worked in Johannesburg twice before moving back to London, where he joined Galloway and Pearson (later known as WICO), still following the mining market in South Africa. Before joining Edison, he worked for Nedcor Securities and for ABSA Bank, first as an analyst and then on the corporate finance side.

Contents

Priced as at 20 January 2014 Published 27 January 2014

Welcome to our special Indaba edition of Edison Insight, with brief profiles of our mining coverage list together with a sector overview by sector head Charles Gibson.

Our coverage ranges from market leaders through to junior explorers. Our approach is global and we write on companies on several different exchanges, including the TSX, ASX and JSE.

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584).

We welcome any comments/suggestions our readers may have.

Neil Shah
Director of research

EDISON

Sector focus: Mining

Just when you thought it was safe

Analyst

Charles Gibson

Click here to read Charles's report Gold V – US$2,070 by 2020

Click here to watch Charles's Gold V EdisonTV presentation

In 2013, it all seemed so easy. Tapering was inevitable and, without any unnatural inflation of the money supply, gold had to fall. Gold duly did fall, almost consistently throughout the year, but then a funny thing happened. The Federal Reserve announced that it was going to taper (not by much, mind you), but after a predictable knee-jerk reaction in which it fell about US$30/oz, it then began to rise. It now stands above the level at which it traded before the Fed's announcement. Why? The easy answer would be to assume that tapering was so well flagged that all those who were going to use it as a rationale for selling did so in the months leading up to the announcement. After all, surely that was the lesson of the 1970s? Once unusual monetary policies came to an end, gold was destined for a decades-long bear market.

However, such a prosaic interpretation ignores the size and scale of the fundamental changes that have occurred since the 1970s. Firstly, the US is no longer the world's largest creditor nation, but its largest debtor nation. Secondly, the populations of the countries looking to challenge the US's economic hegemony are vastly greater now (think China, India, Russia, Brazil, etc) than they were then (think Germany, France, Japan, etc). Finally, the scale of the deployment of unusual monetary policy in the past six years dwarfs anything which happened before. Whereas the US monetary base doubled in the 1970s from US$81bn in 1970 to US$163bn in 1980, in the past seven years it has risen from US$836bn in 2007 to c US$3.7trn at the end of 2013 and is still growing at a rate of 2% a month, providing the US economy with a stimulus equivalent to a growth rate of 5% pa. Thus, whereas in the previous precedent it was not until 1982 – after two years of price falls – that gold once again became cheap relative to the US monetary base, in the current cycle, gold is already cheap. Far from causing the gold price to fall therefore, tapering should merely cause it to rise less quickly.

Currently, we calculate a fair value for gold in excess of US$2,000/oz, although it recognises the likelihood of a period of drag in prices while western economies (and the US in particular) address their debt burdens – initially via conventional debt servicing, before succumbing later to the effects of effective monetisation. Therefore, the interplay between interest rates and inflation will be key to the prospects for gold. Absenting the possibility of a future sharp reduction in the monetary base (note that this has only occurred twice since 1959, once in 1960 and once again in 2000), we calculate that the extent of quantitative easing since the start of the global financial crisis is consistent with a long-term US dollar inflation rate of 10.7%. While this might appear high by the standards of recent history, it could be rationalised as 4.4% (being the average rate in the period of fiat currencies to date, 1972-2012), plus c 5.5% for prices to catch up to those implied by the recent increases in the total monetary base, but which have thus far not yet shown themselves in the form of rising prices. Under these circumstances, we forecast the price of gold to rise to US$1,642/oz in 2015 and US$2,070/oz by 2020 if real interest rates remain negative.

By contrast, a restoration of positive real interest rates would depress the price of gold (and inflation) by around US$220/oz such that we calculate a price of US$1,604 in 2015 and US$1,804/oz in 2020. As such, the current gold price appears to discount both future economic drag in the western world (and the US in particular) and the near-term reimposition of positive real interest rates. Otherwise, the current gold price may be interpreted as discounting a contraction in the monetary base to US$2.4bn, ie reversing all of QE3 and some of QE2. Taking all of these factors into account therefore, our detailed medium- and long-term forecasts for the gold price are now as follows:

Exhibit 1: Edison gold price forecasts, nominal and real, 2014-20 (US$/oz)

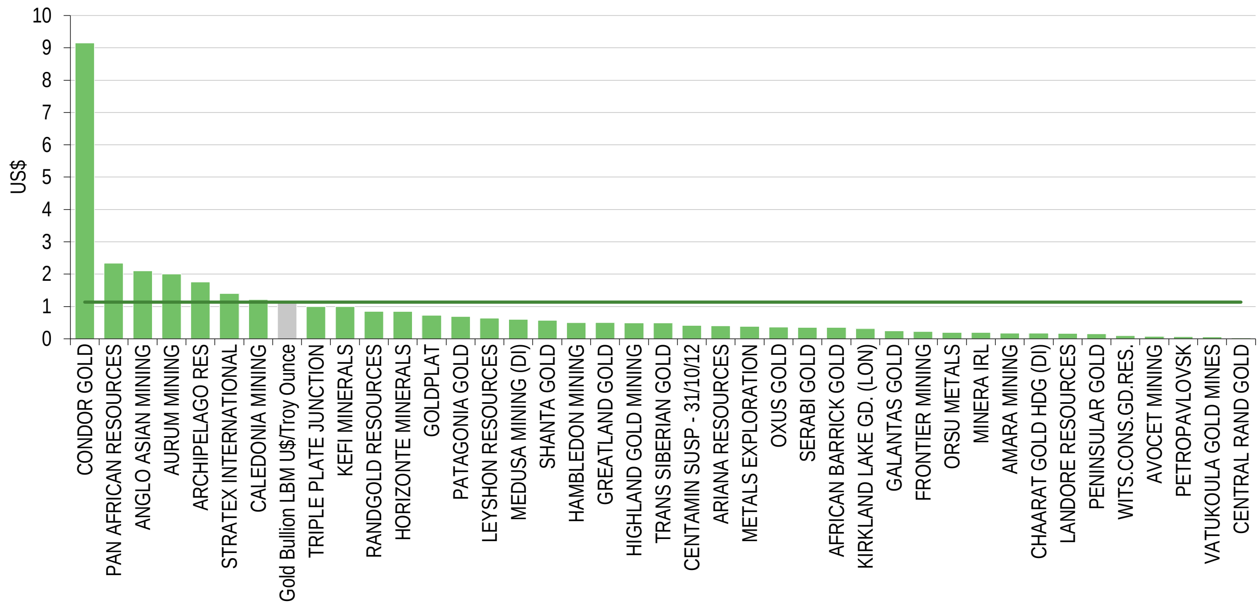
	2014	2015	2016	2017	2018	2019	2020
Nominal price (US$/oz)	1,511	1,642	1,627	1,643	1,805	1,997	2,070
Real price (US$/oz)	1,448	1,507	1,430	1,383	1,455	1,542	1,532

Source: Edison Investment Research

In the meantime, just when investors thought that it was safe to go into the market, a crisis (or series of crises) has arisen in emerging market currencies, which may require a round of money printing to alleviate – strongly suggesting that the effects of the global financial crisis have yet to be fully worked out of the system (and may only be so after a round of global inflation). Simultaneously, credit conditions in China are once again under the microscope for signs of stress in the banking system (shadow or otherwise), while the Indian government appears on the verge of reversing its decision to impose restrictions on the import of gold. Finally, what is the risk of failure by a financial institution or instrument supposedly backed by gold bullion and what would its effect be on the gold price? After all, if the Federal Reserve can only find five tonnes of gold to return to the Bundesbank after almost a year of looking, what is the situation at other, less financially robust institutions?

Within the context of a broadly positive expectation for the price of gold, we believe that mining equities offer an interesting (almost unique) investment proposition. As always, there has been a wide range of performances within this asset class. Of the 41 companies we track regularly, only seven (of which three are Edison clients) have outperformed the gold price since March 2010. The best performing of these was Condor Gold (up nine times, or eight times relative to the price of gold). The best performance by a producer was recorded by Pan African (+133% in US dollars, or +107% relative to the price of gold). By contrast, the worst performer was down by 98% (in both relative and absolute terms).

Exhibit 2: Share prices relative to the price of gold



Source: Edison Investment Research

Six producers are down by more than 80% in both relative and absolute terms over the same timeframe. As a result, it is possible to buy producers at the same price as explorers and to buy explorers (and thereby resources) for less than the investment required to find those resources. Several juniors offer 10x upside in the event that their projects/technologies are brought to account.

Therefore, even if gold prices do not recover, the possibility of buying assets at bargain basement prices must exist for investors. In the event that gold prices do indeed rise (as we expect), the general uplift provided by the metal price will be able to leverage those potential returns yet further.

As is often attributed to Mark Twain, history does not repeat, but it does rhyme. However, in this case there appears to be a degree of assonance between the 'rhyme' of the 1970s and the 'rhyme' of the 2010s. It is within that assonance that the opportunity for preternatural returns exists for investors.

EDISON

Sector: Mining

Price:	200.6p
Market cap:	£823m
Forecast net cash (US$m)	226.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

African Barrick Gold was historically the Tanzanian gold mining business of Barrick and is one of Africa's five largest gold producers with output from three mines: Bulyanhulu, Buzwagi and North Mara.

Price performance

%	1m	3m	12m
Actual	23.7	29.3	(42.4)
Relative*	19.4	24.8	(49.2)

* % Relative to local index

Analyst

Charles Gibson

African Barrick Gold (ABG)

INVESTMENT SUMMARY

Q4 production of 165,374oz was 8.9% higher than our expectations, driven by higher grades at Buzwagi and North Mara in particular, although unit costs were also higher, partly driven by a 14.0% decline in aggregate mill throughput q-o-q. Nevertheless, the increased production has added 1c to both our Q4 and FY13 EPS forecasts (excluding potential impairments re reserves at US$1,300/oz Au in Q4). In future, African Barrick Gold (ABG) will benefit from the lifting of the EPO at North Mara and a resumption of VAT refunds.

INDUSTRY OUTLOOK

Before ABG's Q4 results, we estimated that if it can achieve its targeted cost savings, the NPV of potential dividends to investors (at a 10% discount rate) is US$6.48 at our long-term gold price forecasts (see Gold V – US$2,070 by 2020, published in November 2013) and US$4.34 at a long-term gold price of US$1,240/oz. Given their categorisation (ie measured, indicated, inferred), its resource multiple of US$40.28/oz is comparable to the US$38.75/oz average of London-listed junior explorers.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	1217.9	544.1	402.7	67.0	4.8	2.6
2012	1087.3	340.5	163.8	25.4	12.7	5.0
2013e	924.3	255.6	86.0	14.9	21.6	4.7
2014e	967.1	410.5	291.1	50.4	6.4	3.6

Sector: Mining

Price:	A$0.43
Market cap:	A$160m
Forecast net cash (A$m)	46.8
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Alkane is a multi-commodity explorer, with projects in the central west region of New South Wales in Australia. Alkane owns the Tomingley Gold (100%) and Dubbo rare metal and rare earths (100%) projects, which are progressing towards development.

Price performance

%	1m	3m	12m
Actual	24.6	10.3	(31.7)
Relative*	23.6	10.5	(38.3)

* % Relative to local index

Analyst

Tom Hayes

Alkane Resources (ALK)

INVESTMENT SUMMARY

In our view, the market valuation of Alkane appears mainly to factor in the success of the TGP (with Alkane's share price gaining 25% ytd as the market anticipates first gold production from the TGP in February) and heavily discounts the development of the DZP. However, we continue to see the DZP as one of the most technically robust REE/rare metal projects globally and while capital intensity is high, its development timeline could allow Alkane to capitalise on a strengthening global economy. Our base case valuation is A$1.47, including Alkane's improved REE metallurgical recoveries (which restores the DZP's financial results back to the April 2013 DFS despite decreases in REE and Zr prices) and an increase in the TGP's mine life from 7.5 years to 8.5 years, which we believe better reflects the likely mining of the new Caloma Two resource.

INDUSTRY OUTLOOK

Gold has rallied since the US Federal Reserve announced it would taper its QE programme in late 2013 and now trades at c US$1,240/oz.

Y/E Dec / Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	96.7	86.6	90.2	18.9	2.3	N/A
2013	100.6	(107.8)	(103.0)	(25.0)	N/A	N/A
2014e	58.2	25.5	24.0	3.9	11.0	65.0
2015e	102.7	35.3	33.3	3.9	11.0	12.4

![EDISON]

Sector: Mining

Price:	14.9p
Market cap:	£33m
Forecast net debt (US$m)	12.4
Forecast gearing ratio (%)	9.0
Market	AIM

Share price graph (p)

Company description

Amara Mining has one producing mine (Kalsaka/Sega in Burkina Faso), one development project (Baomahun, Sierra Leone), one advanced exploration asset (Yaoure, Côte d'Ivoire) and three grassroots exploration assets in Liberia.

Price performance

%	1m	3m	12m
Actual	2.6	7.2	(75.0)
Relative*	(0.9)	3.5	(78.0)

* % Relative to local index

Analyst

Charles Gibson

Amara Mining (AMA)

INVESTMENT SUMMARY

Q4 output of 14,926oz was ahead of expectations, driven by accelerated mining and processing of ore at Sega. In combination with a lower strip ratio, we have upgraded our EPS forecasts for both Q4 and FY13 by 1.7c. FY14 estimates are based on output of 74,783oz at a price of US$1,448/oz Au. Q1 catalysts include Baomahun's reoptimisation and Yaoure's PEA.

INDUSTRY OUTLOOK

At a 10% discount rate, we estimate a value for Amara of US$0.64 (£0.39), based on the estimated (maximum potential) dividends payable to shareholders over the life of operations. This falls to 19c/share (11.5p/share) at a long-term price of US$1,260/oz, while Yaoure's resource upgrade has added 3.4Moz to Amara's resource base and an estimated 2p to its share price out of a potential 4.2p (assuming additional future upgrades from the inferred to the indicated category). In the meantime, Amara's EV of US$62.8m compares to a global average cost of discovery of its resource base of 9.3Moz (attributable) of US$79.6m.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	121.7	40.5	25.4	9.2	2.6	0.8
2012	91.3	23.0	12.9	2.4	10.0	1.6
2013e	56.0	(5.5)	(10.2)	(4.4)	N/A	N/A
2014e	103.2	16.9	15.7	4.4	5.4	2.9

Sector: Mining

Price:	4.1p
Market cap:	£7m
Forecast net debt (£m)	2.2
Forecast gearing ratio (%)	11.0
Market	LSE

Share price graph (p)

Company description

Anglesey Mining has a 15.3% interest in Labrador Iron Mines (LIM), following LIM's public offering in February. LIM's commercial production began in Q212. Anglesey also owns 100% of the Parys Mountain zinc-copper-lead deposit in North Wales.

Price performance

%	1m	3m	12m
Actual	10.0	(25.0)	(59.8)
Relative*	6.2	(27.6)	(64.5)

* % Relative to local index

Analyst

Anthony Wagg

Anglesey Mining (AYM)

INVESTMENT SUMMARY

LIM announced on 4 December 2013 that it had achieved 10 shipments of ore totalling 1.7Mt wet. This is just below the bottom end of the forecast of 1.75-2Mt made on 7 June 2013. However, on 15 August slow contractor mobilisation and poor weather forced LIM to lower the forecast to 1.7Mt. A further 97,000t of ore could not be loaded due to freezing weather and remains in the port. The final 4,000m exploration is due to be completed by 31 March 2014. LIM is still evaluating an interim plan to haul Houston ore to the Silver Yards process and rail-loading facilities. The development of Houston and neighbouring Malcolm deposits, which together contain 40.6Mt 57.6% Fe, is subject to the availability of finance. C$20-30m will be needed for winter operating expenses, until June 2014 when income from the first shipment for 2014 is expected to be received.

INDUSTRY OUTLOOK

The current iron ore price has seen a decline in 2014 falling from around US$138/t Fe 62%, to US$123.5% following rising Chinese inventories.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	0.0	(0.4)	(4.0)	(2.5)	N/A	N/A
2013	0.0	(0.4)	(5.0)	(3.1)	N/A	N/A
2014e	0.0	(0.4)	(0.6)	(0.3)	N/A	N/A
2015e	0.0	(0.4)	(0.6)	(0.4)	N/A	N/A

Sector: Mining

Price: 845.0p
Market cap: £8330m
Forecast net cash (US$m) 1369.0
Forecast gearing ratio (%) N/A
Market LSE

Share price graph (p)

Company description

Antofagasta is a major Chile-based copper mining group with interests in transport and water distribution. Its mining operations produce over 700ktpa copper. It has a number of major growth projects and several international exploration partnerships.

Price performance

%	1m	3m	12m
Actual	6.1	(6.0)	(33.5)
Relative*	2.5	(9.3)	(41.3)

* % Relative to local index

Analyst

Gavin Wood

Antofagasta (ANTO)

INVESTMENT SUMMARY

Antofagasta reported 9M13 revenues, EBITDA and attributable net cash all in line with our forecasts. Revenues were down 9.2% y-o-y to US$4,404m due to lower realised prices partly offset by increased copper and gold sales volumes. Copper sales of 532kt were 7.4% higher y-o-y, while the US$3.26/lb average realised copper price was 12.8% lower y-o-y. EBITDA fell 27.9% y-o-y to US$2,053m, reflecting lower revenue and higher operating costs. Gross cash costs rose 11.9% y-o-y to US%1.79/lb and net cash costs increased 34.3% y-o-y to US$1.33/lb, affected by weaker gold and molybdenum prices and lower molybdenum production volumes. We expect Antofagasta to achieve FY13 guidance of 700kt copper production and US$1.40/lb cash costs. Our valuation of Antofagasta is 661p/share at a 10% discount rate and 721p/share at a 9% discount rate.

INDUSTRY OUTLOOK

Copper is currently trading at US$3.30/lb compared to our long-term forecast of US$2.96/lb.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	6076.0	3646.0	3193.0	139.69	9.7	3.8
2012	6740.0	3868.0	3283.0	140.71	9.6	3.5
2013e	5680.0	2536.0	1928.0	82.78	16.4	4.9
2014e	5431.0	2431.0	1783.0	80.63	16.8	5.7

Sector: Mining

Price: 26.0p
Market cap: £9m
Forecast net debt (US$m) 13.4
Forecast gearing ratio (%) 58.0
Market AIM, TSX

Share price graph (p)

Company description

Arian Silver is listed on AIM and the TSX and specialises in Mexican silver deposit exploration and development. Its San Jose mine started production in October 2010. Its other principal projects are Calicanto and San Celso, located in Zacatecas.

Price performance

%	1m	3m	12m
Actual	16.9	(34.2)	(82.8)
Relative*	12.9	(36.5)	(84.8)

* % Relative to local index

Analyst

Charles Gibson

Arian Silver (AGQ)

INVESTMENT SUMMARY

Having completed a US$15.6m convertible debt funding in September, Arian is currently in the process of refurbishing the El Bote mill before its reassembly at San Jose. The mill, which has treated San Jose ore in the past, is scheduled to be commissioned in late 2014 at a capacity of 750tpd and to ramp up to 1,000tpd in April 2015 and 1,500tpd in June 2016. The refurbishment is reported to have started well and the associated land has already been acquired and permitted.

INDUSTRY OUTLOOK

The El Bote mill acquisition will allow the life of operations to be extended to 24 years for an initial investment of US$32.0m. On this basis, we estimate the value of the potential dividend stream to shareholders from the execution of the new mine plan of US$2.19 (132p) per share (after dilution), rising to US$3.07 (185p) in 2017 (at a 10% discount rate and US$28.15/oz Ag). The new mine plan will leave a residual resource of c 59Moz; we estimate that there is potential to define a further 40-140Moz Ag at San Jose.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	7.5	(10.3)	(11.0)	(36.5)	N/A	N/A
2012	4.6	(3.8)	(4.0)	(13.3)	N/A	N/A
2013e	0.1	(3.7)	(3.8)	(9.1)	N/A	N/A
2014e	0.0	(1.2)	(3.7)	(6.2)	N/A	N/A

Sector: Mining

Price:	1.1p
Market cap:	£6m
Forecast net cash (£m)	0.6
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Ariana is a gold exploration company focused on exploration and development projects in the Republic of Turkey.

Price performance

%	1m	3m	12m
Actual	(4.4)	(2.2)	(15.4)
Relative*	(7.6)	(5.6)	(25.4)

* % Relative to local index

Analyst

Tom Hayes

Ariana Resources (AAU)

INVESTMENT SUMMARY

Ariana has released very promising drill hole data from its 49%-owned JV with Eldorado Gold concerning the Ardala and Salinbas gold-silver-copper deposits in north-east Turkey. Of most significance is that the previously thought of as separated Ardala (Au-Cu-Mo) and Salinbas (Au-Ag) zones now appear to join up. This makes the currently understood mineralised footprint tested by drilling 2.5km. Best results from Ardala include 119.5m@0.71g/t Au + 0.21% Cu + 0.01% Mo, 236.3m at 0.34 g/t Au + 0.06% Cu and 122.9m at 0.58 g/t Au + 0.05% Cu. Furthermore, although narrower in width, high-grade intercepts at depths of >150m were also encountered (eg 4.2m at 63.74g/t Au, 2.8m at 3.34g/t Au + 38.96g/t Ag + 2.56% Zn). The Salinbas-Ardala project is considerably larger than any deposit being drilled in Ariana's Red Rabbit JV and could materially change its investment opportunity. The current resource for this JV stands at 1.09Moz (inferred and indicated).

INDUSTRY OUTLOOK

Gold currently trades at c US$1,240/oz.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011	0.0	(1.4)	(1.3)	(0.5)	N/A	N/A
2012	0.0	(1.1)	(1.2)	(0.4)	N/A	N/A
2013e	0.0	(0.8)	(0.8)	(0.1)	N/A	N/A
2014e	4.7	4.2	2.6	0.2	5.5	1.4

Sector: Mining

Price:	C$0.61
Market cap:	C$67m
Forecast net cash (C$m)	7.0
Forecast gearing ratio (%)	N/A
Market	NYSE MKT, TSX

Share price graph (C$)

Company description

Avalon Rare Metals is a mineral development company focused on developing its 100%-owned Nechalacho project in the Northwest Territories, Canada. It also has a number of other exploration-stage rare metals projects in North America.

Price performance

%	1m	3m	12m
Actual	28.4	(31.5)	(55.2)
Relative*	23.0	(35.7)	(59.2)

* % Relative to local index

Analyst

Tom Hayes

Avalon Rare Metals (AVL)

INVESTMENT SUMMARY

On 16 December, Avalon announced positive metallurgical results from pilot scale test works. These looked at the concentrator and hydrometallurgical flow sheet designs. Results indicated overall HREE recoveries in the refinery feed would now be in excess of 80% (vs c 42% in the April 2013 FS). Avalon states that the capex will be higher to realise this recovery rate, although the effect on profits is expected to be net positive. Work continues on the hydrometallurgical flow sheet and optimisation of mass-pull characteristics for the concentrator. Optimisation of the mine plan is also underway with all revised data due for release in early 2014, at which point we will re-visit our valuation. Avalon has released its second Sustainability Report, a key differentiator in the nascent HREE mining space, in which it reports on 43 Global Reporting Initiative indicators, including economic, environmental, labour, human rights and society.

INDUSTRY OUTLOOK

Avalon had cash resources of C$9m at 12 September 2013.

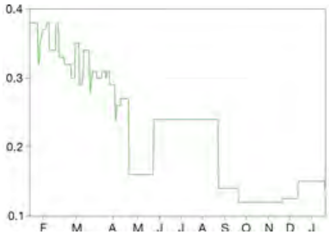
Y/E Aug	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	0.0	(9.2)	(8.8)	(9.4)	N/A	N/A
2012	0.0	(12.1)	(11.2)	(10.0)	N/A	N/A
2013e	0.0	(7.8)	(8.2)	(7.4)	N/A	N/A
2014e	0.0	(12.1)	(12.2)	(9.4)	N/A	N/A

Avnel Gold Mining (AVK)

Sector: Mining

Price:	C$0.13
Market cap:	C$26m
Forecast net cash (US$m)	13.0
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C$)



Company description

Avnel Gold owns an 80% interest in the Kalana exploitation permit in south-western Malia. In addition, the company has a 90% interest in the adjacent Fougadian exploration permit.

Price performance

%	1m	3m	12m
Actual	N/A	N/A	N/A
Relative*	N/A	N/A	N/A

* % Relative to local index

Analyst

Sheldon Modeland

INVESTMENT SUMMARY

On 26 November, Avnel announced it is finalising a new geological model for the Kalana deposit. The updated model will include an additional 25,000m of drilling that was not available to IAMGOLD or incorporated into its geological model. In addition, Avnel and Snowden Mining Consultants have selected 20,000 samples to test and quantify the coarse nugget effect that is typical of the mineralisation at Kalana. Previously, IAMGOLD had relied on the standard 50g fire assay protocol for sampling drill core. However, Snowden has advised that this may have underestimated the gold content. The new sampling protocol will utilise screen fire assay, Leachwell cyanide extraction and/or laboratory-scale gravity testing. Completion of the re-sampling programme is expected in February 2014, after which time results will be incorporated in a mineral resource estimate to be completed in Q114.

INDUSTRY OUTLOOK

Despite the recent price consolidation, our updated average long-term gold price is US$1,600/oz.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	14.7	(0.7)	(2.6)	(2.2)	N/A	N/A
2012	16.8	0.3	(1.7)	0.9	14.7	N/A
2013e	11.5	(1.4)	(2.8)	(1.6)	N/A	5.5
2014e	0.0	(3.3)	(4.4)	(2.5)	N/A	N/A

Bezant Resources (BZT)

Sector: Mining

Price:	14.2p
Market cap:	£12m
Forecast net cash (£m)	26.9
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

BZT has a 40% stake in the Mankayan copper-gold project in the Philippines and an option to acquire the remainder for ~US$40,000. It has a 46% stake in a JV with AngloGold Ashanti in Tanzania and has acquired the Eureka copper/gold project in Argentina.

Price performance

%	1m	3m	12m
Actual	(17.4)	(28.8)	(21.4)
Relative*	(20.2)	(31.2)	(30.7)

* % Relative to local index

Analyst

Tom Hayes

INVESTMENT SUMMARY

Bezant announced on 22 January that it had received formal notification from Gold Fields Netherlands that it would not be exercising its exclusive option over Bezant's Mankayan Cu-Au project in the Philippines. The original terms of the Mankayan option were extended to 31 January 2014, at which point Gold Fields was required to either pay US$60.5m to acquire the project, or notify Bezant, of its intention not to exercise the option, which it has now done. However, Gold Fields has paid a non-refundable amount of US$9.5m to Bezant to extend the option to 31 January 2014. Gold Fields will now focus on the Far Southeast project, located 6km from Mankayan, in which it retains a 40% interest. Bezant held its AGM on 6 December, at which all resolutions were duly approved by shareholders.

INDUSTRY OUTLOOK

Copper currently trades at c US$3.300/lb, versus our long-term copper price of US$2.96/lb.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	0.0	(1.7)	(1.6)	(2.5)	N/A	N/A
2013	0.0	(1.3)	(1.3)	(1.7)	N/A	N/A
2014e	0.0	(1.3)	(1.2)	(15.0)	N/A	N/A
2015e	0.0	(1.3)	(0.3)	(0.5)	N/A	N/A

Sector: Mining

Bushveld Minerals (BMN)

Price:	5.7p
Market cap:	£23m
Forecast net cash (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Bushveld Minerals (BMN) is an AIM-listed junior iron and tin explorer in the mineral-rich Bushveld Complex in South Africa. Its flagship is an iron-titanium-vanadium deposit in the northern limb of the Bushveld Complex.

Price performance

%	1m	3m	12m
Actual	0.9	42.5	(56.2)
Relative*	(2.6)	37.5	(61.3)

* % Relative to local index

Analyst

Sheldon Modeland

INVESTMENT SUMMARY

On 27 November, Bushveld (BMN) announced a new platform focusing on its vanadium resources within the Bushveld Complex. In addition to its iron ore resource, BMN will now be accelerating the development of a potentially world class resource within its MML deposit given the high vanadium content, in excess of 2% V2O5. A scoping study is currently underway and is expected to be completed in H114. In addition, BMN recently signed a memorandum of understanding (MoU) with China Railway No. 10 (CREC 10) regarding the development of its P-Q iron ore zone. Both companies will co-operate on a joint pyro-metallurgy test work programme with a view for potential partnership for off-take agreements and/or joint infrastructure development. The programme will begin in January 2014 and is expected to take several months to complete.

INDUSTRY OUTLOOK

The end of restocking in China and supply from Australia could weigh down iron ore prices.

Y/E Feb	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2013	N/A	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A
2016e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Caledonia Mining (CMCL)

Price:	46.0p
Market cap:	£24m
Forecast net cash (C$m)	25.1
Forecast gearing ratio (%)	N/A
Market	AIM, TSX-V

Share price graph (p)

Company description

Caledonia Mining mines gold at its main operating asset, the 49%-owned Blanket gold mine, in southern Zimbabwe. It also holds large-scale mining licences for base metals (primarily copper and cobalt) at its Nama project in Zambia.

Price performance

%	1m	3m	12m
Actual	0.0	2.8	(43.4)
Relative*	(3.4)	(0.8)	(50.1)

* % Relative to local index

Analyst

Tom Hayes

INVESTMENT SUMMARY

On 7 January, Caledonia Mining announced its first quarterly dividend of C$0.015 per share, on the record date being 22 January. Caledonia intends to pay an aggregate dividend, on a quarterly basis, of 6c for FY14. A production update on 9 January (on a 100% basis, the company has a 49% interest in its Blanket gold mine) included 11,417oz of gold produced in Q413, 3.4% down on Q412, due to essential maintenance work undertaken on the mill over three days and a lower head grade, which is now returning to the long-term budgeted average of 3.84g/t; total gold production of 45,517oz for 2013, a 0.1% increase over 2012 (45,463oz) and 3.4% above its 44,000oz target. Caledonia targets 48,000oz of gold production in FY15 as part of its strategy to ramp up production to 76,000oz by 2016. The company expects to release its Q413 and FY13 annual results on 31 March 2014.

INDUSTRY OUTLOOK

Gold currently trades at c US$1,240/oz.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2011	55.7	24.3	24.2	31.4	2.3	1.4
2012	75.2	35.2	35.1	41.3	1.8	0.9
2013e	67.1	23.9	23.6	27.2	2.7	1.6
2014e	66.7	23.2	24.0	28.2	2.6	1.4

Sector: Mining

Price:	A$0.05
Market cap:	A$7m
Forecast net debt (A$m)	8.3
Forecast gearing ratio (%)	20.0
Market	ASX

Share price graph (A$)

Company description

Celamin Holdings is focused on the exploration, development and mining of resources in Tunisia and Algeria. It is currently concentrating on the Chaketma phosphate project in Tunisia.

Price performance

%	1m	3m	12m
Actual	104.0	34.2	(70.0)
Relative*	102.2	34.6	(72.9)

* % Relative to local index

Analyst

Peter Chilton

Celamin Holdings (CNL)

INVESTMENT SUMMARY

At its AGM on 19 November, Celamin Holdings (CNL) provided an update on the timeline for its Chaketma phosphate project, located in Tunisia. It is projecting that the engineering definitive feasibility study (DFS), financing and mining lease application will be finalised by the end of 2014. It envisages a DFS cost of $12m, of which $10m will be funded by CNL. With the grant of the mining lease, CNL believes construction could start at the end of 2014 or Q115. Based on project reviews and discussions with lenders, CNL is targeting first phosphate production in Q116. In Tunisia, a new constitution is being finalised, which will be followed by new elections.

INDUSTRY OUTLOOK

Tightness in the phosphate fertiliser market has dropped due to new supply. CNL's edge is the high quality of its expected concentrate product due to low impurities and its grade.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.0	(2.1)	(2.1)	(3.8)	N/A	N/A
2013	0.0	(2.2)	(2.1)	(1.4)	N/A	N/A
2014e	0.0	(2.5)	(2.5)	(1.1)	N/A	N/A
2015e	0.0	(2.5)	(3.3)	(1.2)	N/A	N/A

Sector: Mining

Price:	173.0p
Market cap:	£147m
Forecast net cash (US$m)	39.0
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Central Asia Metals owns, via its wholly owned subsidiary Sary Kazna, 60% of the Kounrad copper project with state-owned Kazakh partner Saryarka taking 40% on a free-carried basis. It also explores for copper and precious metals in Mongolia.

Price performance

%	1m	3m	12m
Actual	18.5	6.8	29.1
Relative*	14.4	3.1	13.9

* % Relative to local index

Analyst

Tom Hayes

Central Asia Metals (CAML)

INVESTMENT SUMMARY

Continued strong operational performance at Kounrad, resulting in 10,509t copper cathode produced for FY13, has led Central Asia Metals (CAML) to invest US$2.2m in two new coal-fired boilers, increasing its FY14 production target to 11kt of copper cathode. We are currently revisiting valuation to account for this and, in our view, Central Asia Metals (CAML) increasing its production capacity to 20ktpa in the next few years. On 25 November, CAML announced that it had acquired a 50% equity interest in Copper Bay for a cash consideration of £2.0m. This strategic investment demonstrates CAML's motivation to grow value both organically at its Kounrad Copper Project in Kazakhstan and externally. Copper Bay holds the Chanaral Bay Copper Project in the Atacama region of Chile, which consists of a non-JORC compliant resource of c 116Mt at an average grade of 0.25% Cu for c 288kt contained copper.

INDUSTRY OUTLOOK

Copper currently trades at US$3.30/lb vs our long-term price of US$2.96/lb.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	1.1	(5.9)	(5.9)	(6.9)	N/A	N/A
2012	30.7	15.9	14.8	12.0	23.1	8.4
2013e	43.3	25.2	25.5	22.4	12.4	6.8
2014e	65.7	42.5	41.6	31.8	8.7	12.3

Chatham Rock Phosphate (CRP)

Sector: Mining

Price:	NZ$0.32
Market cap:	NZ$46m
Forecast net cash (NZ$m)	1.9
Forecast gearing ratio (%)	N/A
Market	NZAX

Share price graph (NZ$)

Company description

Chatham Rock Phosphate holds an exploration licence over 4,726sqkm off the east coast of New Zealand, known to house significant seabed deposits of rock phosphate and other minerals.

Price performance

%	1m	3m	12m
Actual	6.7	10.3	(8.6)
Relative*	2.1	8.0	(18.7)

* % Relative to local index

Analyst

John Kidd

INVESTMENT SUMMARY

Chatham Rock Phosphate (CRP) achieved a major milestone on 6 December when it was notified by New Zealand government authorities that it had been awarded a 20-year mining permit. This resolves an aspect of what had been increasing investor uncertainty over the past few months. CRP has since announced a NZ$6m capital raise to fund its application for marine consents, which it expects to lodge late in Q1CY14, with a decision required under law before the end of 2014. Marine consents represent CRP's final and most critical approval milestone, after which a final investment decision can be contemplated. Our unrisked valuation is NZ$1.89/share.

INDUSTRY OUTLOOK

CRP is progressing the appraisal and potential development of a large permit area 450km offshore from the east coast of New Zealand's South Island. The area has been known since the 1950s to contain large deposits of high-grade rock phosphate, 400m below the surface. New Zealand is currently a significant importer of rock phosphate as a feedstock for fertiliser manufacture.

Y/E Mar	Revenue (NZ$m)	EBITDA (NZ$m)	PBT (NZ$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.0	(0.8)	(0.8)	(1.4)	N/A	N/A
2013	0.0	(1.4)	(1.4)	(1.0)	N/A	N/A
2014e	0.0	(1.5)	(1.5)	(0.8)	N/A	N/A
2015e	0.0	(2.2)	(2.2)	(1.1)	N/A	N/A

Condor Gold (CNR)

Sector: Mining

Price:	72.0p
Market cap:	£28m
Forecast net cash (£m)	3.0
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Condor Gold is an exploration and development company. Its focus is on the highly prospective La India gold concessions in Nicaragua, which have excellent infrastructure and a supportive political environment.

Price performance

%	1m	3m	12m
Actual	1.4	(45.0)	(55.1)
Relative*	(2.1)	(47.0)	(60.4)

* % Relative to local index

Analyst

Julian Emery

INVESTMENT SUMMARY

Recent gold price sensitivity analysis by SRK shows that the 2.3Moz compliant gold resource is relatively insensitive, down to a gold price as low as US$1,050/oz, and identifies an open pit resource of 0.55Moz at 6.3g/t at a g/t cut-off. The La India project PFS should show an option for Condor to initiate early production through low-cost, high-grade open pits and a conventional plant, lowering the PEA start-up capital cost requirements with cash flows funding underground production. There remains strong potential to significantly increase resources over identified mineralised zones, plus exploration for new targets likely to emerge from the recent surveys over the entire project area.

INDUSTRY OUTLOOK

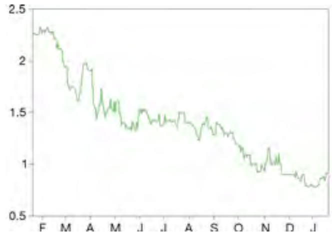
The market continues to rate Condor Gold purely as an early-stage exploration company, reflected in the weak gold equity market. The gold price is the prime short-term market influence, but the recent resource sensitivity analysis and the PFS should be the key medium-term driver, as the gold equity sector recovers.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2011	0.0	(2.0)	(1.4)	(5.04)	N/A	N/A
2012	0.0	(2.0)	(2.0)	(6.43)	N/A	N/A
2013e	0.0	(2.6)	(2.6)	(6.95)	N/A	N/A
2014e	0.0	(2.6)	(2.9)	(7.57)	N/A	N/A

Sector: Mining

Price:	C$0.90
Market cap:	C$113m
Forecast net debt (C$m)	26.0
Forecast gearing ratio (%)	23.0
Market	TSX

Share price graph (C$)



Company description

Duluth Metals is a TSX-listed Canadian company focused on developing the Twin Metals Minnesota copper-nickel-cobalt-platinum-palladium-gold-silver project through a JV with Antofagasta, and exploring for similar deposits in NE Minnesota, US.

Price performance

%	1m	3m	12m
Actual	13.9	(10.0)	(60.4)
Relative*	9.1	(15.5)	(63.9)

* % Relative to local index

Analyst

Gavin Wood

Duluth Metals (DM)

INVESTMENT SUMMARY

Duluth has confirmed the comprehensive NI 43-101 compliant Technical Report on the TMM project PFS is scheduled for completion in mid-2014. The PFS is based on the December 2012 indicated resource of 1.17bn tons at 0.58% Cu and 0.19% Ni using a 0.3% Cu cut-off. Mine planning is focusing on the higher-grade subunit of the Maturi deposit containing 500Mt at 0.72% Cu and 0.23% Ni using a 0.6% Cu cut-off. We expect the PFS to define a much larger-scale project compared to the outdated January 2009 PEA and we anticipate a potential C$30m fund-raising following PFS completion to help fund Duluth's 35% share of TMM BFS costs. Our base case valuation for Duluth Metals is C$2.77-4.25 per share and our upside valuation, based on potential results from the PFS, is C$4.13-6.87 per share depending on dilution.

INDUSTRY OUTLOOK

Copper is currently trading at US$3.30/lb compared to our long-term forecast of US$2.96/lb. Nickel is currently trading at US$6.60/lb compared to our long-term forecast of US$10.14/lb.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	0.0	(13.5)	(36.2)	(21.37)	N/A	N/A
2012	0.0	(13.2)	(54.9)	(30.05)	N/A	N/A
2013e	0.0	(12.7)	(58.4)	(31.90)	N/A	N/A
2014e	0.0	(10.9)	(47.9)	(22.01)	N/A	N/A

Sector: Mining

Price:	9.9p
Market cap:	£124m
Forecast net debt (€m)	5.1
Forecast gearing ratio (%)	9.0
Market	AIM

Share price graph (p)

Company description

EMED wholly owns the Rio Tinto copper project in Southern Spain and the Biely Vrch gold project in Slovakia. The company is largely funded to reopen the Rio Tinto mine upon receipt of the outstanding mining and environmental permits.

Price performance

%	1m	3m	12m
Actual	17.9	36.2	(11.2)
Relative*	13.9	31.5	(21.7)

* % Relative to local index

Analyst

Sheldon Modeland

EMED Mining (EMED)

INVESTMENT SUMMARY

EMED remains focused on obtaining the required permits, which will allow the project to restart, initially at the Cerro Colorado open pit, with commissioning expected around H115. The company has been working closely with the Spanish government to obtain approval of the Environmental Plan (AAU), followed by the Administrative Standing (AS). On 16 January, the Ministry of Environment and Land Planning issued a compatibility report stating that there are no inconsistencies in relation to the environmental aspects of the project. Following the initial start-up, EMED aims to expand the open pit and restart the higher-grade underground mines on the property. On 14 November 2013, EMED confirmed that its wholly owned Spanish subsidiary, EMED Tartessus, is the legal owner of the Rio Tinto mining rights, contrary to any implication made by Trafigura Beheer BV of a purchase offer agreement relating to the mining rights.

INDUSTRY OUTLOOK

Our long-term copper price is US$2.96/lb.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(10.2)	(11.4)	(1.4)	N/A	N/A
2012	0.0	(11.5)	(12.0)	(1.1)	N/A	N/A
2013e	0.0	(7.7)	(7.6)	(0.6)	N/A	N/A
2014e	0.0	(5.5)	(20.6)	(1.7)	N/A	N/A

Sector: Mining

Price:	C$0.30
Market cap:	C$26m
Forecast net cash (C$m)	3.1
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C$)

Company description

Euromax Resources is a Canadian resource company that focuses on the acquisition and development of mineral-bearing assets in Southeast Europe. Its flagship asset, Ilovitza in Macedonia, is at the pre-feasibility stage.

Price performance

%	1m	3m	12m
Actual	66.7	20.0	(56.5)
Relative*	59.6	12.7	(60.5)

* % Relative to local index

Analyst

Rob Kirtley

Euromax Resources (EOX)

INVESTMENT SUMMARY

Euromax Resources' strategy is to become a mid-tier European gold producer by developing mining assets in Southeast Europe. In December 2013, the company announced an increase of 29% in measured and indicated resources at Ilovitza, its flagship project. Euromax's key competitive advantages relate to proximity to the European Union market and management's considerable local operating experience. Based on our sum-of-the-parts analysis, we value Euromax at C$0.40 per share on a fully diluted basis.

INDUSTRY OUTLOOK

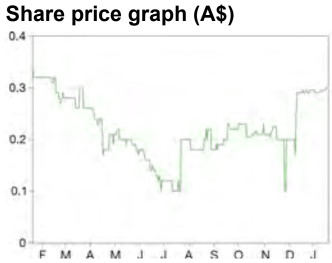
Euromax appears cheap relative to its peers on a market cap per gold-equivalent resource ounce basis, suggesting there is scope for re-rating as the projects are progressed up the value chain.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(2.5)	(2.6)	(5.2)	N/A	N/A
2012	0.0	(5.0)	(5.1)	(7.8)	N/A	N/A
2013e	0.0	(5.1)	(5.2)	(6.4)	N/A	N/A
2014e	0.0	(5.1)	(5.3)	(5.4)	N/A	N/A

Sector: Mining

Price:	A$0.30
Market cap:	A$426m
Forecast net debt (A$m)	205.1
Forecast gearing ratio (%)	41.0
Market	ASX, JSE

Share price graph (A$)



Company description

Gold One is a dual-listed mid-tier mining company with gold operations and gold and uranium prospects in South Africa. In 2012, the group expanded further, with the 100% acquisition of Rand Uranium and the Ezulwini Mining company.

Price performance

%	1m	3m	12m
Actual	1.7	42.9	(10.4)
Relative*	0.8	43.2	(19.1)

* % Relative to local index

Analyst

Sheldon Modeland

Gold One (GDO)

INVESTMENT SUMMARY

On 9 December, Gold One (GDO) announced that BCX Gold Holdings, which holds 90.03% of GDO's issued share capital, intends to exercise its rights in accordance with the compulsory acquisition of all remaining GDO shares. BCX Gold will offer A$0.30/share, representing a 43% premium to the share price on the day of the announcement. Less than 10% of the remaining 9.97% shareholders have objected to the compulsory offer. The payment to shareholders will be held in trust by GDO until it receives written instructions from registered shareholders. Subsequent to the payment by BCX Gold and the acquisition shares being registered in the name of BCX Gold, Gold One will be delisted from both the ASX and JSE at the end of January.

INDUSTRY OUTLOOK

Despite continued volatility, our updated average long-term gold price is US$1,600/oz on the back of continued debt buying by the Federal Reserve.

Y/E Dec	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	188.3	92.3	68.7	6.0	5.0	2.3
2012	381.6	114.4	46.3	2.1	14.3	62.2
2013e	375.5	50.7	(24.3)	(1.2)	N/A	12.9
2014e	460.2	141.7	61.1	2.0	15.0	3.3

Sector: Mining

Price:	A$0.11
Market cap:	A$50m
Forecast net cash (A$m)	8.9
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Gold Road Resources is an ASX-listed gold exploration company with a 5,000sqkm tenement package in the Yamarna greenstone belt region of Western Australia. Its two key project areas are along the Attila and Central Bore Trends.

Price performance

%	1m	3m	12m
Actual	27.9	23.6	(4.3)
Relative*	26.8	23.9	(13.6)

* % Relative to local index

Analyst

Chris Kallos

Gold Road Resources (GOR)

INVESTMENT SUMMARY

Whereas the relatively small (0.2Moz) but high-grade Central Bore prospect had, until recently, been Gold Road's focus, along with the Attila trend (1.1Moz), both now stand to be eclipsed by Gruyere. Initial work at Gruyere held out the prospect of a multi-million ounce deposit and this has since been supported by the results of subsequent RC drilling, which has confirmed consistent gold mineralisation over a strike length of 1,600m with intercepts as high as 2.45g/t over 13m.

INDUSTRY OUTLOOK

Gruyere and YAM14 are the first targets at the Dorothy Hills trend to be RC drill tested. Magnetic analysis indicates that Gruyere extends to the north and that structural repetition is also possible to the east and west. As a result, completion of Central Bore's pre-feasibility study (PFS) has been deferred until a maiden resource has been declared and a scoping study completed at Gruyere, expected in Q114. Gold Road raised $7m in Q113 and has a JV with Sumitomo over its South Yamarna tenements.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	0.0	(2.2)	(1.9)	(0.6)	N/A	N/A
2012	0.0	(3.0)	(2.4)	(0.7)	N/A	N/A
2013e	0.1	(3.0)	(3.0)	(0.6)	N/A	N/A
2014e	0.0	(3.0)	(3.8)	(0.7)	N/A	N/A

Sector: Mining

Price:	1.9p
Market cap:	£31m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Hambledon Mining is a gold production company, which operates the Sekisovskoye gold mine close to Ust Kamenogorsk in East Kazakhstan.

Price performance

%	1m	3m	12m
Actual	(9.6)	(9.6)	(11.8)
Relative*	(12.7)	(12.8)	(22.2)

* % Relative to local index

Analyst

Tom Hayes

Hambledon Mining (HMB)

INVESTMENT SUMMARY

Hambledon (HMB) announced on 24 December that it had requested authority to change its company name to GoldBridges Global Resources. The company also proposes an increase in the director's authority to allot shares and disapply pre-emption rights. On 16 December HMB issued 583.6m new shares following the full conversion of the unsecured loan notes of £17.25m issued to African Resources as part of the Karasuyskoye Ore Fields transaction (announced on 4 October 2013). On 10 January, HMB announced it had conditionally raised gross proceeds of £1.93m through placing 97.97m shares through a Kazakh bank at 1.975p each. The shares were expected to be admitted to trading on AIM on 16 January. After the placing, HMB has 1,661,342,130 shares in issue.

INDUSTRY OUTLOOK

Gold currently trades at c US$1,240/oz.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	33.3	(2.5)	(2.8)	(0.2)	N/A	6.6
2012	38.9	(10.3)	(11.1)	(1.3)	N/A	N/A
2013e	N/A	N/A	N/A	N/A	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price:	11.8p
Market cap:	£21m
Forecast net debt (US$m)	158.5
Forecast gearing ratio (%)	115.0
Market	AIM, BVL, TSX

Share price graph (p)

Company description

Minera IRL is a gold producer and explorer with assets in Peru and Argentina. Its main assets are the operating Corihuarmi mine and the Ollachea and Don Nicolas projects.

Price performance

%	1m	3m	12m
Actual	8.1	(19.7)	(77.7)
Relative*	4.4	(22.5)	(80.4)

* % Relative to local index

Analyst

Sheldon Modeland

Minera IRL (MIRL)

INVESTMENT SUMMARY

Minera continues to focus on its Ollachea project in Peru and its Don Nicolas project in Argentina. The Peruvian authorities have approved the ESIA and Minera is in the process of obtaining a construction permit for its Ollachea project. The Don Nicolas project is fully permitted, has US$80m in financing secured, and early stage development is progressing with gold production targeted in Q115. Minera has released its latest exploration results from a sampling and trenching programme at its Paula Andrea prospect comprising two low-sulphidation epithermal gold vein systems (Chulengo and Arana) and a new vein zone (Goleta prospect) within the Don Nicolas Joint Venture. Approximately 700m of strike have been exposed along Chulengo with mineralisation along 200m averaging more than 3g/t gold. Drill-hole targeting is planned for 2014.

INDUSTRY OUTLOOK

Despite continued volatility, our updated average long-term price is US$1,600/oz on the back of the continued debt buying by the Federal Reserve.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	53.0	25.4	16.7	7.9	2.4	1.1
2012	46.0	13.7	8.8	2.4	7.9	2.5
2013e	34.9	4.2	(11.0)	(6.9)	N/A	9.7
2014e	95.0	44.5	13.4	3.4	5.6	0.6

Sector: Mining

Price:	HK$1.73
Market cap:	HK$9151m
Forecast net debt (US$m)	1773.0
Forecast gearing ratio (%)	111.0
Market	HKSE

Share price graph (HK$)

Company description

MMG is a mid-tier global resources company that explores, develops and mines base metal deposits. It is headquartered in Melbourne, Australia, and listed on the Hong Kong Stock Exchange.

Price performance

%	1m	3m	12m
Actual	5.5	(1.1)	(49.3)
Relative*	5.0	0.6	(47.8)

* % Relative to local index

Analyst

Andrey Litvin

MMG (1208)

INVESTMENT SUMMARY

MMG has released strong FY13 operating results, which saw the overall copper output rising 23% y-o-y to 188kt on the back of the record performance at Kinsevere and Sepon. Zinc production has fallen 4% to 600kt, but exceeded the company's guidance. The company has also achieved an impressive 74% y-o-y increase in lead production thanks to the strong results at Century. Importantly, FY13 C1 cash costs at all operations came in either below or in line with guidance and our estimates. For FY14, MMG guides total copper and zinc production of 173-186kt (4% y-o-y implied reduction based on the average) and 600-625kt (2% y-o-y increase) respectively. Apart from Sepon, FY14 C1 cash costs are seen as either flat or growing at a low single-digit rate, which suggests the overall cash cost should stay in check in 2014.

INDUSTRY OUTLOOK

Copper is currently trading at US$3.30/lb compared to our long-term forecast of US$2.96/lb. Zinc is currently trading at US$0.94/lb compared to our long-term forecast of US$1.13/lb.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	2228.0	1064.0	709.0	9.0	2.5	1.0
2012	2499.0	762.0	345.0	4.2	5.3	1.5
2013e	2333.0	617.0	94.0	0.8	27.9	1.9
2014e	2022.0	622.0	131.0	1.3	17.2	1.8

Sector: Mining

Price:	1.6p
Market cap:	£22m
Forecast net debt (US$m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Formed in 2003 and listed in 2005, Mwana Africa is an AIM-listed and African-managed resource company. Its scope is pan-African and multi-commodity, as it seeks to bring appropriate management skills to bear on a diverse range of assets.

Price performance

%	1m	3m	12m
Actual	19.2	10.7	(69.5)
Relative*	15.2	6.9	(73.1)

* % Relative to local index

Analyst

Charles Gibson

Mwana Africa (MWA)

INVESTMENT SUMMARY

After a spectacular H1, operational performance moderated in Q3, with Freda-Rebecca affected by a combination of mill downtime and a lower head grade after cessation of production from the open pit necessitated processing lower-grade stockpiles. At the same time, Trojan was affected by a combination of plant outages and increased costs relating to, inter alia, the shaft re-deepening project.

INDUSTRY OUTLOOK

Operational performance is expected to improve once again in Q4. As a result, our short-term forecasts are under review. However, our longer-term forecasts remain substantially intact, with the result that our overall valuation of Mwana, based on the potential dividend stream to shareholders (at a 10% discount rate), is c 9p - still a substantial 552% premium to the current share price. Stated alternatively, Mwana's shares are currently offering potential investors an IRR of 60.6% to 2024 at our long-term metals prices (excluding residual assets, etc) or 20.2% at current spot prices.

Y/E Mar	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	81.3	3.9	(1.2)	(0.09)	N/A	22.9
2013	109.2	16.8	11.5	1.38	1.9	2.0
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price:	6.0p
Market cap:	£11m
Forecast net cash (US$m)	4.1
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Ncondezi is developing a modular mine mouth power plant, scalable up to 1,800MW, based in the Tete province of Mozambique. The company has a JORC-compliant thermal coal resource of 4.7bn tonnes to be consumed by the power plant.

Price performance

%	1m	3m	12m
Actual	17.1	(37.4)	(68.0)
Relative*	13.1	(39.6)	(71.8)

* % Relative to local index

Analyst

Andrey Litvin

Ncondezi Energy (NCCL)

INVESTMENT SUMMARY

With the power framework agreement made effective and fully binding by the end of 2013 (in line with the management's guidance), Ncondezi has achieved visible progress on the Tete power and mine project. Following the submission of the power plant feasibility study, the company will be able to start formal negotiations on the power concession, which is expected to be granted in Q114. In addition, Ncondezi is looking to conclude a bankable PPA with EdM, a binding EPC contract and a co-developer search in Q114. Reaching these milestones will allow Ncondezi to advance the project to the financial close stage. These are the key short-term catalysts, which, if achieved on time, should trigger a visible re-rating of the stock.

INDUSTRY OUTLOOK

Tight market conditions and the magnitude of the recent power tariff increases suggest a near US$0.10/kWh price level is achievable in the long run.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(7.6)	(7.9)	(6.6)	N/A	N/A
2012	0.0	(6.9)	(7.3)	(6.0)	N/A	N/A
2013e	0.0	(6.9)	(7.2)	(6.0)	N/A	N/A
2014e	0.0	(6.9)	(7.2)	(6.0)	N/A	N/A

Sector: Mining

Price:	A$0.09
Market cap:	A$55m
Forecast net debt (A$m)	N/A
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

Nkwe Platinum is a platinum group metals (PGM) development company with attributable resources of 49.35Moz (3PGM+Au) located in prospects on both the eastern and western limbs of South Africa's Bushveld Complex.

Price performance

%	1m	3m	12m
Actual	4.7	(2.2)	13.9
Relative*	3.7	(1.9)	2.9

* % Relative to local index

Analyst

Andrey Litvin

Nkwe Platinum (NKP)

INVESTMENT SUMMARY

Following the completion of the first tranche of the convertible bond transaction (announced on 17 December 2013), Zijin has agreed to make additional investment in Nkwe by subscribing to 19m new ordinary shares. The placement price was set at A$0.10, which is broadly in line with the prevailing market price. This transaction provided Nkwe with A$1.9m in cash, which will be spent on the Garatau PGM project. In other news, Nkwe announced that it is working with Zijin to finalise the conditions required for the completion of the final A$13m tranche of the convertibles, which is now expected before 1 March 2014. Importantly, the company was granted a waiver by ASX, allowing it to place the remaining convertible bonds.

INDUSTRY OUTLOOK

Despite some recovery in PGM pricing, more production cuts are needed to offset the sluggish global demand.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (c)	P/E (x)	P/CF (x)
2012	0.0	(5.5)	(5.7)	(0.8)	N/A	N/A
2013	0.0	(4.4)	(4.6)	(0.6)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price:	US$1.50
Market cap:	US$538m
Forecast net debt (US$m)	720.0
Forecast gearing ratio (%)	41.0
Market	LSE

Share price graph (US$)

Company description

Nordgold, the third-largest Russian gold producer, has eight standalone producing operations in Russia, Kazakhstan and West Africa. It has commissioned the Bissa mine and plans to launch the Gross project; both could total 400koz Au at full capacity.

Price performance

%	1m	3m	12m
Actual	4.8	(14.3)	(64.7)
Relative*	N/A	N/A	N/A

* % Relative to local index

Analyst

Andrey Litvin

Nordgold (NORD)

INVESTMENT SUMMARY

Nordgold released strong FY13/Q413 production results, with full year gold output coming in at 924koz, a 29% increase over 2012. This is significantly above the company's guidance of 850koz. In Q413, gold production increased by 30% q-o-q to 263koz. The best performing mines were Bissa (+15% q-o-q), Taparko (+41%), Berezitovy (+27%) and Buryatzoloto (+12%). Higher production offset the lower realised gold price, which has fallen 6% q-o-q to US$1,250/oz. At the same time, the company's revenue has risen 1% q-o-q to US$329m. Strong operating performance could have a positive impact on the costs, which coupled with the flat revenue could support the profit line. This can be seen in the US$54m reduction in net debt (to US$721m) due to the positive free cash flow. The company guides 2014 production in the 870-920koz range.

INDUSTRY OUTLOOK

While uncertain monetary policy in the US might lend some short-term support, the long-term downside risks to the gold price persist.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	1182.0	580.0	339.0	51.1	2.9	1.0
2012	1198.0	443.0	180.0	19.2	7.8	2.3
2013e	1272.0	448.0	163.0	25.1	6.0	1.4
2014e	1622.0	661.0	386.0	59.7	2.5	0.9

Sector: Mining

Price: C$1.52
Market cap: C$144m
Forecast net cash (C$m) 20.8
Forecast gearing ratio (%) N/A
Market NYSE, TSE

Share price graph (C$)

Company description

Northern Dynasty Minerals owns 100% of the Pebble copper, gold and molybdenum property in Alaska, the largest undeveloped property of its kind in the world.

Price performance

%	1m	3m	12m
Actual	(14.6)	1.3	(61.6)
Relative*	(18.2)	(4.9)	(65.1)

* % Relative to local index

Analyst

Wayne Atwell

Northern Dynasty Minerals (NDM)

INVESTMENT SUMMARY

Northern Dynasty Minerals' (NDM) Pebble project (100% owned) in south-west Alaska is the largest undeveloped copper and gold property globally. Anglo American notified NDM of its withdrawal from the project. On 13 December, NDM exercised its option to acquire Anglo's 50% interest in Pebble, increasing its interest to 100%. Rio Tinto has announced it is undertaking a strategic review and may divest its 19.1% interest in NDM. NDM is looking for a new partner, which we expect to be completed in 2014. Management expects Pebble to receive environmental permits in 2018 and to start production in 2022. We believe the key to Pebble's success is replacing Anglo and securing environmental permits. Pebble is one of the most exciting mining projects globally, with an internal rate of return to NDM equity investors of 15.9%. Assuming the project is executed to plan, our valuation for NDM is US$5.78/share based on a dividend discount model.

INDUSTRY OUTLOOK

Copper is selling for US$3.30/lb and we project its long-term average price at US$2.96/lb. Copper is projected to be in surplus this year for the first time in several years. We expect it to move back into deficit within two to three years.

Y/E Dec	Revenue (C$m)	EBITDA (C$m)	PBT (C$m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(7.0)	(6.0)	(6.31)	N/A	N/A
2012	0.0	(11.2)	(10.4)	(10.99)	N/A	N/A
2013e	0.0	(7.1)	(6.7)	(7.06)	N/A	N/A
2014e	0.0	(7.1)	(6.8)	(7.17)	N/A	N/A

Sector: Mining

Price: 6.1p
Market cap: £26m
Forecast net debt (€m) N/A
Forecast gearing ratio (%) N/A
Market AIM, ESM, IEX

Share price graph (p)

Company description

Ormonde Mining is an AIM- and ESM-listed mineral development and exploration company with properties in western Spain. It is advancing a low-cost tungsten operation at Barruecopardo slated for first production in 2013.

Price performance

%	1m	3m	12m
Actual	34.6	32.4	(14.0)
Relative*	30.0	27.8	(24.2)

* % Relative to local index

Analyst

Sheldon Modeland

Ormonde Mining (ORM)

INVESTMENT SUMMARY

Ormonde Mining continues to focus on obtaining permits and arranging finance for its flagship Barruecopardo tungsten project in Salamanca, Spain. The company has reached an important milestone, having received formal written notification from the regional authorities of a positive outcome in the Report on the Nature Network (IRNA). The IRNA is necessary to allow for granting the Environmental Impact Declaration (EID). A mining concession cannot be granted without the EID. The IRNA approval states that the Barruecopardo project will not adversely affect the integrity of the areas of wildlife and flora/fauna habitat in proximity of the proposed mining operations based on the submitted Environmental Impact Study and Restoration Plan.

INDUSTRY OUTLOOK

Recent pressure on the tungsten APT price to US$377/mtu should find support in the medium term given that China is curtailing its presence on the international market.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	0.0	(1.0)	(1.0)	(0.3)	N/A	N/A
2012	0.0	(1.2)	(1.1)	(0.3)	N/A	N/A
2013e	N/A	N/A	N/A	N/A	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A

Orpheus Energy (OEG)

Sector: Mining

Price:	A$0.07
Market cap:	A$11m
Forecast net debt (A$m)	N/A
Forecast gearing ratio (%)	N/A
Market	ASX

Share price graph (A$)

Company description

OEG is focused on thermal coal activities in Kalimantan, Indonesia. It is pursuing a vertical integration strategy and has acquired exclusive port allocation slots that are being used to generate additional revenue through loading other producers' coal.

Price performance

%	1m	3m	12m
Actual	0.0	16.7	(9.1)
Relative*	(0.9)	17.0	(17.9)

* % Relative to local index

Analyst

Peter Chilton

INVESTMENT SUMMARY

Following heavy unseasonal rains, ADK mine production resumed in late November. December month-to-date sales of 20,000t at benchmark prices have been achieved as part of an agreement with an Indonesian trading group to purchase at least 30,000t coal and all additional available ADK coal in December. Orpheus (OEG) expects to mine, haul and sell 50,000t ADK coal in the month. If achieved, OEG anticipates it will be operationally cash positive for the month. Loading efficiency at SJKM Port has improved with daily 5,000 tonne barges loaded. Weather also affected the movement of coal contacted by OEG from local miners to both SKJM Port and Abidin Port 1. OEG expects sales from trading operations to commence from early 2014.

INDUSTRY OUTLOOK

There has been a US$1 per tonne price increase for 4,200kcal GAR coal to US$39.65 FOB Mother Vessel per tonne. According to OEG, this will provide a marginally improved return on its coal sales.

Y/E Jun	Revenue (A$m)	EBITDA (A$m)	PBT (A$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.3	(7.8)	(7.8)	(7.4)	N/A	N/A
2013	4.3	(4.0)	(4.1)	(2.5)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Pan African Resources (PAF)

Sector: Mining

Price:	13.0p
Market cap:	£238m
Forecast net cash (£m)	12.7
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Pan African Resources has four major assets: Barberton Mines (target output 95koz Au pa), the Barberton Tailings Retreatment Project (20koz), Evander Gold Mines (95koz + 30koz from tailings) and Phoenix Platinum (12koz). All are located in South Africa.

Price performance

%	1m	3m	12m
Actual	4.0	(21.2)	(34.2)
Relative*	0.4	(24.0)	(41.9)

* % Relative to local index

Analyst

Charles Gibson

INVESTMENT SUMMARY

FY13 headline earnings of £35.2m (+20.1% cf FY12) were closely in line with our estimates. Of more significance, a dividend payout to shareholders was reinstated at a cover ratio (2.6x) comparable to that before the Evander deal. Pan African Resources (PAF) is now targeting production at a rate of 250,000oz pa from its current asset base and infrastructure within 18 months.

INDUSTRY OUTLOOK

Even at our updated (slightly lowered) long-term gold prices (see Gold V - US$2,070 by 2020, published in November 2013), our longer-term earnings forecasts for PAF remain substantially unchanged at c 4p/share. Discounting at 10%, the net present value of the (maximum potential) dividend stream to investors is 27.81p (vs 29.87p previously) in absolute terms. However, this still leaves 88% of its resource base of 35.1Moz unexploited. At 13.25p, PAF's shares are therefore offering investors an internal rate of return of 24.0% to 2039. Its two-year reported, diluted P/E of <4x compares to GFI on c 20x and ANJ on c 13x.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2012	100.9	45.0	42.3	2.0	6.5	4.6
2013	133.3	53.3	47.5	2.2	5.9	3.6
2014e	184.7	78.1	69.9	2.4	5.4	3.1
2015e	220.8	112.2	104.2	4.0	3.3	2.4

Sector: Mining

Price:	US$0.07
Market cap:	US$7m
Forecast net debt (US$m)	1.6
Forecast gearing ratio (%)	218.0
Market	FRA, OTCQB

Share price graph (US$)

Company description

Pan American Goldfields is conducting a PEA to develop the Cieneguita gold-silver project in Mexico from the current pilot plant to full-scale production.

Price performance

%	1m	3m	12m
Actual	27.3	8.2	(50.1)
Relative*	(3.3)	2.0	(52.5)

* % Relative to local index

Analyst

Sheldon Modeland

Pan American Goldfields (MXOM)

INVESTMENT SUMMARY

Pan American Goldfields has resubmitted the technical report on its gold and silver Cieneguita project after the British Columbia Securities Commission (BCSC) identified a number of technical disclosure issues. Pan American Goldfields' new board continues to introduce several initiatives to reduce costs and rationalise its corporate administration and cost structure. Given the current mining environment, the company is focused on lowering operating costs. Annualised net reductions should be realised through outsourcing company finance, company secretarial services and corporate compliance functions. Pan American Goldfields continues to focus on the development and production of gold and silver from its Cieneguita mine located in the highly productive Sierra Madre gold-silver belt in Mexico.

INDUSTRY OUTLOOK

Despite the recent volatility in the gold price, our updated average long-term price is US$1,600/oz.

Y/E Feb	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	1.2	(2.3)	(2.5)	(4.7)	N/A	N/A
2012	2.3	(3.0)	(3.4)	(5.3)	N/A	N/A
2013e	3.8	(3.5)	(3.5)	(4.1)	N/A	N/A
2014e	4.9	(2.4)	(2.5)	(2.7)	N/A	N/A

Sector: Mining

Price:	US$0.97
Market cap:	US$267m
Forecast net debt (US$m)	2.1
Forecast gearing ratio (%)	1.0
Market	NYSE

Share price graph (US$)

Company description

PolyMet Mining Corporation is a junior mining company focused on developing the 100% owned copper-nickel-precious metals property in Minnesota. We look for it to secure its environmental permit by Q414 and complete construction by Q116.

Price performance

%	1m	3m	12m
Actual	4.3	29.3	23.8
Relative*	(2.1)	21.9	(3.4)

* % Relative to local index

Analyst

Wayne Atwell

PolyMet Mining (PLM)

INVESTMENT SUMMARY

PolyMet Mining achieved a key milestone in its NorthMet environmental permitting initiative with its SDEIS being posted to the Minnesota DNR website on 6 December for a 90-day public review, after which comments will be incorporated into the final EIS. The 2,200-page report included no meaningful changes to the operating plan, but did include extensive, albeit not material, changes to environmental control measures. Based on management's projections, we expect PolyMet to receive its environmental permits by the end of CY14. We have updated our forecasts and valuation for Q3FY14 financials. Our base case valuation is US$477m or US$1.36/share on a diluted basis. Our upside valuation, based on potential plant expansion to 90ktpd, is US$1,267m or US$3.23/share (diluted).

INDUSTRY OUTLOOK

Copper is currently trading at US$3.30/lb compared to our long-term forecast of US$2.96/lb. Nickel is currently trading at US$6.60/lb compared to our long-term forecast of US$10.14/lb. Copper is projected to be in surplus this year for the first time in several years. We expect it to move back into deficit in two to three years.

Y/E Jan	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2012	0.0	(2.7)	(3.1)	(1.55)	N/A	N/A
2013	0.0	(3.6)	(4.5)	(2.44)	N/A	N/A
2014e	0.0	(5.0)	(6.4)	(2.71)	N/A	N/A
2015e	0.0	(4.8)	(10.0)	(3.44)	N/A	N/A

Rare Element Resources (REE)

Sector: Mining

Price:	US$1.63
Market cap:	US$78m
Forecast net cash (US$m)	23.5
Forecast gearing ratio (%)	N/A
Market	NYSE, TSX

Share price graph (US$)

Company description

Rare Element Resources is a mineral resource company currently advancing the development of the Bear Lodge rare earth oxide project in Wyoming, US.

Price performance

%	1m	3m	12m
Actual	35.8	(21.6)	(52.1)
Relative*	20.5	(27.5)	(60.6)

* % Relative to local index

Analyst

Rob Kirtley

INVESTMENT SUMMARY

Rare Element Resources (REE) is in the process of developing the Bear Lodge rare earth oxide (REO) project in Wyoming, US. REE has announced improved potential recoveries relating to its proprietary extraction technology, with a concentrate purity of 97% REOs. The project's measured and indicated resource has been increased by 10% as a result of additional drilling and the EIS has begun with the appointment of the EIS contractor. REE has employed a new financial director. The project is large, with expected output of 10,400tpa of REOs over a potential 40-year life of mine. The ore body is enriched with heavy rare earth elements and REOs considered critical by the US Energy and Defence departments. However, it has yet to sign up an off-take partner. Our DCF-based company valuation, at a 10% discount rate, is US$5.29/share.

INDUSTRY OUTLOOK

Rare Element Resources is well positioned to benefit from the global move to de-risk access to rare earth oxides by diversifying production away from China.

Y/E Jun / Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(10.6)	(12.3)	(31.9)	N/A	N/A
2012	0.0	(15.5)	(15.2)	(34.2)	N/A	N/A
2013e	0.0	(21.3)	(21.2)	(45.9)	N/A	N/A
2014e	0.0	(19.7)	(19.9)	(39.2)	N/A	N/A

Red Rock Resources (RRR)

Sector: Mining

Price:	0.6p
Market cap:	£8m
Forecast net debt (£m)	N/A
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

Listed on AIM in July 2005, Red Rock Resources is now a combination of a junior gold explorer and a mining finance house, focused on the discovery and development of iron ore, gold, steel feed and uranium globally.

Price performance

%	1m	3m	12m
Actual	(8.8)	(31.7)	(48.2)
Relative*	(11.9)	(34.1)	(54.3)

* % Relative to local index

Analyst

Charles Gibson

INVESTMENT SUMMARY

Red Rock is currently in advanced talks to sell its interest in NAMA Greenland (NGL) and early-stage talks to sell its investment in Colombia’s Four Points Mining. Elsewhere, Resource Star (in which it has a 38.6% interest) has announced a major new initiative, buying into a rework programme of Texan oil wells, while exploration work at Mid Migori in Kenya has identified 12 new exploration targets and refined the company's understanding of the Mikei deposit, where a PEA has commenced at Nyanza (after which Red Rock's interest will increase to 75%). Simultaneously, Jupiter Mines (which delisted from the ASX in January) is on course to report a maiden profit in FY14. Our forecasts are currently under review.

INDUSTRY OUTLOOK

Before the JMS share purchase, we estimated that cash and listed assets at Red Rock amounted to 0.42p per share out of a total estimated valuation of 2.50p/share, potentially rising to 3.77p/share and beyond. Note: Book value on 30 June 2013 was 1.13p per share.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2012	0.0	(2.3)	(2.7)	(0.30)	N/A	N/A
2013	2.6	(3.5)	(5.1)	(0.03)	N/A	N/A
2014e	N/A	N/A	N/A	N/A	N/A	N/A
2015e	N/A	N/A	N/A	N/A	N/A	N/A

Regency Mines (RGM)

Sector: Mining

Price:	0.4p
Market cap:	£5m
Forecast net debt (£m)	1.5
Forecast gearing ratio (%)	19.0
Market	AIM

Share price graph (p)

Company description

Regency Mines is a multi-commodity exploration and investment company listed on AIM. Its flagship assets are the large-scale Mambare nickel laterite project in Papua New Guinea and an 11.4% interest in Red Rock Resources.

Price performance

%	1m	3m	12m
Actual	(20.6)	(36.4)	(50.3)
Relative*	(23.3)	(38.6)	(56.2)

* % Relative to local index

Analyst

Charles Gibson

INVESTMENT SUMMARY

The full results of DNi's pilot plant tests of its new and revolutionary nickel processing technology (which concluded in December) are expected to be released imminently. In the meantime, DNi (in which Regency has a 7.5% stake) has announced the start of a feasibility study for the first 10-20ktpa Ni in concentrate commercial scale plant using the technology at PT Antam's Buli operation in Indonesia (whence most of the test ore was sourced), which should be completed in early 2015. Elsewhere, Regency has concluded its sale of Fraser Range to RAM resources, which has subsequently identified 17 further VTEM anomalies, while its field work campaign in Sudan has shown that Jebel Abyad is consistent with an embayment of the Tethyan Ocean, similar to world class deposits such as Turayf, Al Jalamid and Abu Tartur.

INDUSTRY OUTLOOK

Regency's value rises to more than 2.0p/share if DNi opts to develop a third-party project (producing 20kt Ni pa at US$12.84/lb capex and US$1.84/lb opex) ahead of RGM's Mambare.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2012	0.2	(1.4)	(1.8)	(0.3)	N/A	10.3
2013	0.1	(1.9)	(4.7)	(0.5)	N/A	N/A
2014e	0.0	(1.4)	(2.2)	(0.2)	N/A	N/A
2015e	0.0	(1.2)	(2.0)	(0.2)	N/A	N/A

Sumatra Copper & Gold (SUM)

Sector: Mining

Price:	A$0.08
Market cap:	A$35m
Forecast net debt (£m)	12.1
Forecast gearing ratio (%)	43.0
Market	ASX

Share price graph (A$)

Company description

Sumatra Copper & Gold is an emerging producer and explorer located on the island of Sumatra in Indonesia. It owns seven mining business permits (IUPs) covering 3,219km sq.

Price performance

%	1m	3m	12m
Actual	0.0	(23.6)	(53.8)
Relative*	(0.9)	(23.4)	(58.3)

* % Relative to local index

Analyst

Tom Hayes

INVESTMENT SUMMARY

Sumatra has now completed its revised resource estimates for Belinau, Buluh and Asmar to meet its financier's requirements in light of the prevailing gold price environment. However, due to current forward-price and hedging assumptions, the revised resource estimates only allow for US$18-20m of debt capacity, with US$25m required to complete development of Tembang. Sumatra has therefore embarked on a further three-month drill programme to define additional measured and indicated resources to fully satisfy its financier's requirements. This is funded by a US$4m unsecured convertible loan note put in place by Sumatra. While US$15m in pre-production capital has already been spent at Tembang, further works have been halted until completion of the drilling, expected by end Q114.

INDUSTRY OUTLOOK

Gold currently trades at around US$1,240/oz.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011	0.0	(1.9)	(1.8)	(1.1)	N/A	N/A
2012	0.0	(2.6)	(3.3)	(1.7)	N/A	N/A
2013e	0.0	(5.4)	(7.2)	(1.9)	N/A	N/A
2014e	31.4	8.4	4.6	0.8	6.5	4.4

Sector: Mining

Price:	C$0.31
Market cap:	C$48m
Forecast net cash (US$m)	48.5
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C$)

Company description

Veris Gold Corp operates its Jerritt Canyon mine and processing plant in north Nevada, US. It currently extracts gold from three mines (Smith, SSX/Steer and Starvation Canyon).

Price performance

%	1m	3m	12m
Actual	4.2	(35.6)	(82.3)
Relative*	(0.2)	(39.5)	(83.9)

* % Relative to local index

Analyst

Tom Hayes

Veris Gold (VG)

INVESTMENT SUMMARY

In Veris Gold's new corporate presentation (released on 19 January), it states the continued strengthening performance of its three mines SSX/Steer, Smith and the new Starvation mine (which continues to outperform), and highlights that a fourth, Saval, is due to come online in mid-2014. It also stated that it has achieved its 138koz production target for 2013, and looks to produce c 160koz Au for 2014, while continuing to reduce its cash costs, improve gold recoveries and restructure its debt instruments. With such a strategic asset as its mill having undergone considerable renovation over the last three years, Veris should be well placed to take advantage of the significant economies of scale this plant provides. In addition, Veris looks to continue to grow its toll milling arrangements, which it believes should generate US$18-26m of excess cash flow (after variable costs) in 2013-14.

INDUSTRY OUTLOOK

Gold currently trades at c US$1,240/oz.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011	105.1	(34.0)	(70.2)	(53.3)	N/A	0.5
2012	160.6	17.7	(6.2)	1.4	22.6	N/A
2013e	202.5	30.6	21.4	14.0	2.3	1.5
2014e	269.3	95.2	69.8	40.2	0.8	1.0

Sector: Mining

Price:	0.9p
Market cap:	£18m
Forecast net cash (£m)	0.6
Forecast gearing ratio (%)	N/A
Market	AIM

Share price graph (p)

Company description

W Resources (WRES) is an AIM-listed tungsten exploration and development company. Its flagship project is the La Parrilla tailings and mine asset in south-west Spain.

Price performance

%	1m	3m	12m
Actual	(2.3)	(18.9)	109.8
Relative*	(5.6)	(21.7)	85.0

* % Relative to local index

Analyst

Sheldon Modeland

W Resources (WRES)

INVESTMENT SUMMARY

W Resources (WRES) has reached an important milestone with the successful commissioning of its pre-concentration plant at its wholly owned La Parrilla tungsten tailings project. The plant has been successfully tested at its full capacity of 350 tonnes per hour. With the pre-concentration plant now commissioned, WRES can focus on completing the final processing plant. The company expects to produce its first tungsten trioxide (WO3) concentrate in February 2014. WRES recently completed a placement of 149.4m ordinary shares for gross proceeds of £1.2m. WRES also plans to follow up on the discovery of high-grade targets with a 1,500m drill programme at the Tarouca tungsten project in Portugal. Recent grab samples have returned grades of 2.5%, 5.8% and 9.4% WO3 and trenches returned 7.2m of 0.86% WO3 and 6m of 1.02% WO3.

INDUSTRY OUTLOOK

Recent pressure on the tungsten APT price to US$377/mtu should find support in the medium term given that China is curtailing its presence on the international market.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2011	0.0	(0.1)	(0.1)	(0.02)	N/A	N/A
2012	0.0	(0.3)	(0.3)	(0.03)	N/A	N/A
2013e	0.0	(0.3)	(0.3)	(0.02)	N/A	N/A
2014e	5.4	2.0	1.4	0.05	18.0	9.8

Sector: Mining

Price:	16.0p
Market cap:	£45m
Forecast net cash (US$m)	32.9
Forecast gearing ratio (%)	N/A
Market	LSE

Share price graph (p)

Company description

Zanaga Iron Ore (ZIOC) manages its 50% less one share in the Zanaga iron ore project in Congo Brazzaville, which has JORC resources of 4.3bn tonnes at 33% Fe, is expected to deliver first production in 2017 and is managed by Glencore Xstrata.

Price performance

%	1m	3m	12m
Actual	(14.7)	(31.9)	(39.6)
Relative*	(17.6)	(34.3)	(46.7)

* % Relative to local index

Analyst

Andrey Litvin

Zanaga Iron Ore (ZIOC)

INVESTMENT SUMMARY

Following the revision of the scope of the project in 2013, Zanaga is entering an important stage that will see it delivering a number of critical milestones. In line with the previous guidance, the feasibility study on the staged development 30Mtpa operation is nearing completion, with the announcement likely to come through in April-May. In April, the company will look to apply for a mining licence, which is expected by end Q314. By that time, a mining convention is expected to be agreed. Furthermore, the results of the early DSO work study are expected in Q214, with news on the port/rail access and financing in the offing. The intensity of the upcoming newsflow, coupled with undemanding valuation (EV/resource of just US$0.05/t) makes Zanaga an attractive investment proposition. We also believe the market strongly underestimates the project's DSO potential.

INDUSTRY OUTLOOK

Increasing supply coupled with slowing steel production growth in China could weigh on the iron ore pricing.

Y/E Dec	Revenue (US$m)	EBITDA (US$m)	PBT (US$m)	EPS (c)	P/E (x)	P/CF (x)
2011	0.0	(12.4)	(12.2)	(4.44)	N/A	N/A
2012	0.0	(6.8)	(6.6)	(2.41)	N/A	N/A
2013e	0.0	(4.5)	(4.4)	(1.60)	N/A	N/A
2014e	0.0	(4.0)	(3.9)	(1.43)	N/A	N/A

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
245 Park Avenue, 39th Floor
10167, New York
United States

Sydney +61 (0)2 9258 1162
Level 25, Aurora Place
88 Phillip Street, Sydney
NSW 2000, Australia

Wellington +64 (0)4 8948 555
Level 15, 171 Featherston St
Wellington 6011
New Zealand