

Edison mining quarterly

October 2012



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Charles Gibson



A chemist by academic training, Charlie spent a decade in the City as a mining analyst at Cazenove and a specialist mining salesman at T Hoare Canaccord, before joining Edison. He has extensive media experience, having written for MoneyWeek and The Business magazines, and The Evening Standard. Charlie is a leading authority on mining and continues to guest present for LBC on financial and business matters.

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.

Sheldon Modeland



Sheldon has an MSc in geology and is a registered professional geoscientist. Most recently Sheldon was a project geologist with AREVA Resources Canada and helped manage a major uranium deposit in Canada. Before that, Sheldon was employed as a research scientist working on shear-hosted gold deposits. Sheldon has more than 10 years' experience as a researcher and exploration geologist, having worked on uranium, precious and base metal deposits.

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.

Rory Draper



Rory qualified as a chartered accountant at Deloitte in Australia, where he worked in the corporate restructuring and audit divisions. During this time he was involved in insolvency and restructuring engagements at the height of the global financial crisis, while his time spent in audit included managing a number of global mining clients including Anglo American and Downer EDI. Rory has a master of commerce degree from the University of Queensland.

Julian Emery



Julian is a mining research analyst with experience in mining finance, banking and stockbroking companies. He also has worked in practical mining and fund management. Most recently he was with Ambrian Partners, where he was voted 2008 mining analyst of the year by the Association of Mining Analysts. He is a fellow of the Chartered Institute of Securities and Investment (FSI) and a member of CFA UK.

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.

Michael Stoner



Michael was previously a mining analyst at Evolution Securities, and has an MSci in geology from the Royal School of Mines.

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 AGSM (UNSW), and a master's of applied finance (Macquarie). He is a CFA charterholder and a graduate of the Australian Institute of Company Directors.

Gavin Wood



Gavin is a qualified chartered accountant and holds a BEng (Hons) in mechanical engineering. He started as a sell-side analyst in 1999, spending four years on the European small-/mid-cap team at Cazenove before joining Evolution Securities in 2005 to focus on the mining sector. In 2007, he moved into industry as a corporate development analyst with TSX-listed Katanga Mining until Glencore took effective control in 2008. Gavin has also covered UK mining companies at Arbutnot Securities and Panmure Gordon.

Sector focus: Mining



Sector head: Charles Gibson

Analysts:

Charles Gibson	+44 (0)20 3077 5724
Andrey Litvin	+44 (0)20 3077 5755
Sheldon Modeland	+44 (0)20 3077 5726
Tom Hayes	+44 (0)20 3077 5725
Rory Draper	+44 (0)20 3077 5757
Julian Emery	+44 (0)20 3077 5700
Anthony Wagg	+44 (0)20 3077 5700
Michael Stoner	+44 (0)20 3077 5733
Gavin Wood	+44 (0)20 3077 5700
Chris Kallos	+61 (0)2 9258 1160

mining@edisoninvestmentresearch.co.uk

Prices as at 21 September 2012

QE3 rolls down the slipway

In the July issue of this publication, Edison argued that the amount of stimulus given to the US to date has been enough to bail out the banks, but insufficient to stimulate more than token growth in the economy. In the absence of further stimulus therefore, the US would be consigned to a discomfiting period of stagflation, while the debt overhang is worked out of the system. Paradoxically, the one 'bright' spot was China. The slowing economy, we argued, provided the perfect backdrop for the US to press for more quantitative easing without incurring the displeasure of the Chinese authorities, who are focused on their own economic problems, not to mention scandalous goings-on in high places.

Cometh the hour, cometh the man and on 13 September, Ben Bernanke duly stepped up to announce that the Federal Reserve will purchase US\$40bn of mortgage-backed bonds per month to stimulate the housing market and keep long-term interest rates low. Unlike QE1 and QE2 moreover, he stated that the Fed will persist with the policy until the outlook for the job market improves "substantially".

Many people will understand the idea that gold, priced in US dollars, is likely to appreciate if more dollars are printed. The question however, is by how much. In this case, two facts are worth noting. The first (whatever your views on gold as a currency) is the extraordinarily close relationship between the price of gold and the US monetary base. In the 52 years between 1959 and 2011, the correlation between the US monetary base and the gold price has been an astonishing 0.90 and has never been less than 0.58. Given the amount of data involved in the analysis, this is extremely statistically significant – that is to say there is less than a 5% probability that this occurred by chance. The second is the extent to which the monetary base has been inflated. Before 2008, the largest increase in the US monetary base was 15.8% in 1999 (in anticipation of a Y2K crisis and followed by a contraction in 2000 when the anticipated crisis failed to unfold), followed by 11.3% in 1978 as authorities grappled with the protracted economic crisis of the 1970s. By contrast, in 2008, the monetary base increased by 99%, in 2009 it increased by another 21% and in 2010 it increased by another 27% - all told, an increase of US\$1.8tr, from US\$0.8tr in 2007 to US\$2.6tr as at the end of 2011. As Senator Everett Dirksen was fond of saying, "A billion here and a billion there and pretty soon you're talking real money" (attrib).

So, what's the effect of an additional US\$40bn per month? As of end-2011, the gold price implied by the size of the US monetary base (and the above regression analysis) was US\$1,370/oz. Adding to the monetary base at a rate of US\$40bn per month implies a gold price of US\$1,446/oz as at December 2012, US\$1,676/oz as at December 2013, US\$1,906/oz as at December 2014 and US\$2,136/oz as at December 2015. As such, the current price of gold (c US\$1,771/oz) can be perceived as discounting QE3 continuing for 20 months until c May 2014. In this respect, one further point is worthy of note: during bull markets (and the last big bull market of the 1970s in particular), the gold price traded at between 0.9 and 1.8 times the price implied by the US monetary base regression analysis above. At the moment, it is just 1.2 times.

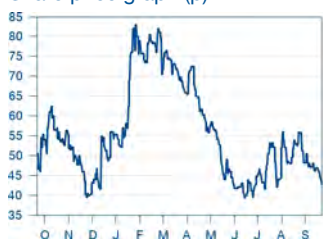


Company profiles

Sector: Mining

Price: 42.6p
 Market cap: £45m
 Forecast net cash (US\$m) 38.8
 Forecast gearing ratio (%) N/A
 Market AIM, TSX

Share price graph (p)



Company description

Afferro is a West African iron ore explorer that owns 100% of the 2.5bt Nkout project and 100% of the Ntem project in Cameroon. Having delivered the PEA for Nkout, the company plans to advance the project to the PFS stage in 2013.

Price performance

%	1m	3m	12m
Actual	(18.8)	(1.2)	(23.2)
Relative*	(19.1)	(6.5)	(31.1)

* % Relative to local index

Analyst

Andrey Litvin

Afferro Mining (AFF)

INVESTMENT SUMMARY

In its Q212 MD&A Afferro Mining gave an update on the ongoing exploration activity and near-term work programme at its iron ore projects in Cameroon. Having recently released a NI 43-101 compliant PEA and new resource estimate for Nkout, Afferro is now focused on the high-grade material to further enhance the project's economics. To this end, the second pass drilling at Nkout East defined the DSO unit across the 0.5km strike, with the potential to establish the second unit following the 58% (53m) and 59% (26m) Fe intercepts. The metallurgical testing is under way, with 19 tonnes of DSO/SAP material already delivered to the labs in Perth. The company guides the completion of the DSO test programme by the end of Q3 and the SAP/BIF testing by the end of 2012. Afferro reported US\$51m in cash, which funds it for at least the next two years, with an additional US\$50m guaranteed payment callable in mid-2013.

INDUSTRY OUTLOOK

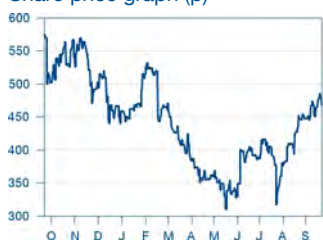
Despite the recovery, iron ore prices remain capped by the weak industry fundamentals.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(2.9)	(3.6)	(5.3)	N/A	N/A
2011A	0.0	(4.1)	(3.8)	(4.1)	N/A	N/A
2012E	0.0	(4.0)	(4.7)	(4.5)	N/A	N/A
2013E	0.0	(4.0)	(4.6)	(4.4)	N/A	N/A

Sector: Mining

Price: 467.4p
 Market cap: £1917m
 Forecast net debt (US\$m) N/A
 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 four mines, namely Bulyanhulu, Buzwagi, North Mara and Tulawaka.

Price performance

%	1m	3m	12m
Actual	3.4	19.3	(22.7)
Relative*	3.1	12.8	(30.7)

* % Relative to local index

Analyst

Charles Gibson

African Barrick Gold (ABG)

INVESTMENT SUMMARY

On 16 August, ABG's parent, Barrick Gold, confirmed that it is in preliminary discussions with China National Gold Group Corporation (China Gold) regarding its holding in ABG. Discussions are at an early stage and, as a result, there can be no certainty that these discussions will result in the acquisition of all or part of Barrick's 73.9% holding in its subsidiary. To the extent that any offer is made for Barrick's stake, then an offer will be made to all shareholders in ABG. Should China Gold acquire more than 30% of the voting interest in ABG, it would then be required to make an offer for the whole of ABG's issued ordinary share capital. In the meantime, Barrick states that it "remains both committed to and confident in ABG, its qualified and experienced management team and its portfolio of world-class assets".

INDUSTRY OUTLOOK

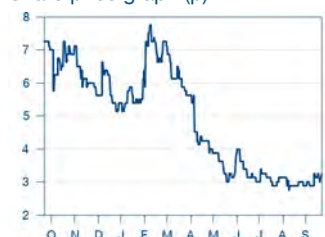
Investors are referred to Edison's last detailed note on ABG, dated 18 July, entitled 'ABG re-evaluated'.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	975.0	445.2	335.1	59.5	12.6	8.9
2011A	1217.9	544.1	402.7	67.0	11.2	6.1
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 3.2p
 Market cap: £23m
 Forecast net cash (£m) 10.1
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

African Eagle is focused on developing its Dutwa nickel laterite project in Tanzania, where a total indicated and inferred resource of 98.6Mt has been defined (according to JORC) at a nickel grade of 0.93% equivalent to 948kt of contained nickel.

Price performance

%	1m	3m	12m
Actual	8.3	0.0	(58.4)
Relative*	8.0	(5.4)	(62.6)

* % Relative to local index

Analyst

Tom Hayes

African Eagle Resources (AFE)

INVESTMENT SUMMARY

African Eagle announced metallurgical results on Wamangola, the largest of Dutwa's two deposits, with results based on treating ferruginous siliceous nickel ore, which is the least laterite-like ore fraction. The test results show that through beneficiation (upgrading Ni grade through crushing), the ore grade can be elevated from c 1% Ni to 2% Ni, which will have a marked effect on operating and start-up costs (through using a smaller plant design). To understand the full effects of beneficiation and other project characteristics on plant design and capex, AFE will commence pilot scale test works in Q113, with results to be included in Dutwa's bankable feasibility study due for release in H213. In addition, Dutwa's resource has increased by 8.5% to 107Mt at 0.92% Ni for 984kt contained Ni, at both its deposits, Wamangola & Ngasamo. 94% of the resource is now in the indicated category.

INDUSTRY OUTLOOK

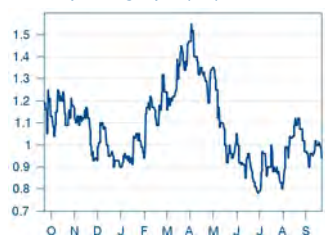
Our valuation of AFE is under review and will use a US\$10/lb nickel price.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(1.1)	(1.1)	(0.4)	N/A	N/A
2011A	0.0	(4.8)	(4.8)	(1.2)	N/A	N/A
2012E	0.0	(1.5)	(1.4)	(0.2)	N/A	N/A
2013E	0.0	(1.5)	(6.3)	(0.5)	N/A	N/A

Sector: Mining

Price: A\$0.94
 Market cap: A\$352m
 Forecast net cash (A\$m) 107.0
 Forecast gearing ratio (%) N/A
 Market ASX

Share price graph (A\$)



Company description

ALK is a multi-commodity explorer with projects in New South Wales. It owns the Tomingley Gold (100%) and Dubbo rare metal and rare earths (100%) projects and has a 49% (moving to 25%) stake in the McPhillamys Gold project with JV partner Newmont.

Price performance

%	1m	3m	12m
Actual	(16.0)	11.2	(31.9)
Relative*	(16.4)	3.7	(36.2)

* % Relative to local index

Analyst

Tom Hayes

Alkane Resources (ALK)

INVESTMENT SUMMARY

In its half-year 2012 financial report, Alkane (ALK) highlights the A\$107m (before costs) raised via a two-stage placement in Q112. Also, Alkane bought a royalty associated with the TGP from Compass resources for 6m ALK shares and 4m options exercisable at A\$1.50 by 15 May 2013. Post-period it also announced divestment of the McPhillamys project with JV partner Newmont to Regis Resources for A\$150m. This translates to A\$73.5m for ALK's 49% share, taken in shares of Regis at a VWAP of A\$4.20/share. This realises value for a project over which ALK had no developmental control. ALK is now funded and essentially permitted to start construction of the TGP (only approval of its operating/environmental plans remains) with first production due in Q413. The next stage for ALK is to outline a project financing structure and obtain the various regulatory approvals for its flagship DZP.

INDUSTRY OUTLOOK

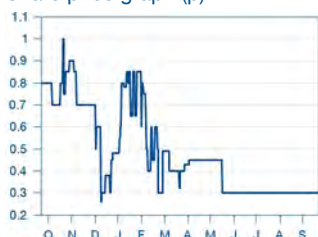
Our valuation of Alkane is A\$2.44/share (at a 10% discount rate, A\$1,350/oz Au price and REE prices from ALK).

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	10.1	7.6	7.9	3.18	29.6	N/A
2011A	1.0	(3.4)	(2.6)	(1.02)	N/A	N/A
2012E	73.1	66.7	64.1	17.66	5.3	N/A
2013E	14.6	(1.8)	(26.9)	(7.16)	N/A	N/A

Sector: Mining

Price: 0.3p
 Market cap: £0m
 Forecast net cash (£m) 0.0
 Forecast gearing ratio (%) N/A
 Market PLUS

Share price graph (p)



Company description

All Star Minerals is a uranium exploration company focused on Sweden, where it owns 100% of the mineral exploration licences for three projects: Gilpas, Samon and Kuusivaara. The licences cover 111km sq in northern Sweden.

Price performance

%	1m	3m	12m
Actual	0.0	0.0	(62.5)
Relative*	(0.3)	(5.4)	(66.3)

* % Relative to local index

Analyst

Tom Hayes

All Star Minerals (ASMO)

INVESTMENT SUMMARY

All Star has sought to diversify its interests from uranium, thorium and iron in Sweden, to gold, silver and base metals in Australia through the acquisition of Circle Resources Pty Ltd in 2011 for A\$535,000. This change in strategy will at least move All Star away from the current heightened political environment surrounding post-Fukushima uranium and its depressed price, towards commodities with a more positive sentiment and outlook, gold and silver. Its first spin-out following the acquisition, Blue Doe Gold Plc, is to be listed on AIM by Q213, pending appointment of a NOMAD and broker. Blue Doe Gold's listing should be value accretive to All Star via its current 50m share interest. At its recent AGM on 10 September, all resolutions were passed other than for the re-election of Mr Khan as a director of the company.

INDUSTRY OUTLOOK

The uranium spot price remains flat at around \$47.00/lb of U3O8, the sector continues to be depressed despite China and India progressing its significant nuclear ambitions.

Y/E Nov	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.1)	(0.1)	(0.1)	N/A	N/A
2011A	0.0	(0.2)	(0.2)	(0.1)	N/A	N/A
2012E	0.0	(0.2)	(0.2)	(0.1)	N/A	N/A
2013E	0.0	(0.2)	(0.2)	(0.1)	N/A	N/A

Sector: Mining

Price: 90.5p
 Market cap: £152m
 Forecast net cash (US\$m) 21.5
 Forecast gearing ratio (%) N/A
 Market AIM, TSX

Share price graph (p)



Company description

Dual-listed on AIM and the TSX, Cluff Gold has one producing mine (Kalsaka in Burkino Faso – 78% ownership), one development project (Baomahun in Sierra Leone, 100%) and one exploration project (Yaoure in Côte d'Ivoire, 90%).

Price performance

%	1m	3m	12m
Actual	36.6	36.1	(12.3)
Relative*	36.2	28.7	(21.3)

* % Relative to local index

Analyst

Charles Gibson

Amara Mining (CLF)

INVESTMENT SUMMARY

CLF's grade recovered sharply in Q2, resulting in a 21% increase in gold production at a unit cost of US\$961/oz. Grades are expected to remain at Q2 levels for the rest of the year and production guidance has been maintained at 60-70koz for FY12. CLF's flagship project, Baomahun, is fully permitted and will be the subject of a resource update in October, followed by a full feasibility study. A hydropower off-take agreement could then reduce electricity costs from 23c/kWh to 8c/kWh. At its current share price, CLF has indicated that it will look at non-traditional forms of funding and has entered a strategic, long-term partnership with Samsung to this end.

INDUSTRY OUTLOOK

Exploration at Yaoure is targeting newly-identified zones with a view to producing a resource update in Q4. We estimate that on the basis of drill results released to date, the update could increase the Yaoure sulphide resource by c 1.8Moz. A preliminary economic assessment of Sega is also scheduled for Q4.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	115.8	20.3	(1.0)	(4.9)	N/A	7.6
2011A	121.7	40.5	25.4	9.4	15.5	4.7
2012E	101.6	25.8	17.3	4.7	30.9	9.2
2013E	153.2	74.1	61.6	22.9	6.3	3.9

Sector: Mining

Price: 6.0p
 Market cap: £21m
 Forecast net cash (US\$m) 5.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Amur Minerals is an exploration and development company focused on base metal projects located in Russia's far east. The company's principal asset is the Kun-Manie nickel sulphide deposit, located in the Amur Oblast.

Price performance

%	1m	3m	12m
Actual	20.0	6.7	(33.7)
Relative*	19.6	0.9	(40.5)

* % Relative to local index

Analyst

Tom Hayes

Amur Minerals (AMC)

INVESTMENT SUMMARY

Drilling results at its Maly Kurumkon deposit, part of the Kun-Manie nickel copper project, were announced on 3 September. The overall essence of the release is that the numerous deposits at the project are showing signs of linking up into much larger potential ore bodies. Highlights of the recent announcement include indications of a 35% increase in Ni grade to 0.77% and a 50% increase in Cu to 0.24% of existing intercepts located 100m to the west. These improved grade intersections were encountered over a 20% greater width (19m) than the intercepts located to the west. This additional drill information, part located within the existing Maly Kurumkon pit design, will result in rock previously categorised as waste, due to lack of information, being re-classified once updated resource and reserve estimates are completed on receipt of all drill results.

INDUSTRY OUTLOOK

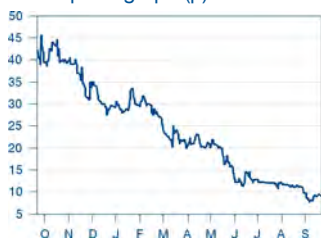
Our estimate of the value of Kun-Manie is US\$394m (using a US\$20,000Ni price), or £0.88 per share before dilution (previously £1.30/share).

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(1.9)	(1.9)	(1.0)	N/A	N/A
2011A	0.0	(2.9)	(2.9)	(1.2)	N/A	N/A
2012E	0.0	(2.9)	(2.8)	(0.8)	N/A	N/A
2013E	0.0	(2.9)	(2.8)	(0.8)	N/A	N/A

Sector: Mining

Price: 9.0p
 Market cap: £14m
 Forecast net cash (£m) 0.5
 Forecast gearing ratio (%) N/A
 Market LSE

Share price graph (p)



Company description

Anglesey has a 26% interest in Labrador Iron Mines and 100% of the Parys Mountain deposit in North Wales with an historical resource in excess of 7Mt at over 9% combined copper, lead and zinc.

Price performance

%	1m	3m	12m
Actual	(20.0)	(32.1)	(80.8)
Relative*	(20.3)	(35.8)	(82.8)

* % Relative to local index

Analyst

Anthony Wagg

Anglesey Mining (AYM)

INVESTMENT SUMMARY

By 31 August 2012 LIM had sold seven shipments totalling 1.2Mt wet Fe, three times the total for all 2011. The three shipments in August totalled 520,000t wet Fe, but with the spot price falling substantially the price is expected to be around US\$87/t CFR China basis, compared with US\$122 for Q1. Following this fall the company has moved fast by deferring all capex programmes relating to the nearly completed Silver Yards processing plant and to all development of the Houston deposits. The exploration programme has been reduced to US\$5m from \$8.5m. Effectively \$54m of the total programme of \$112m has been spent or committed to date and \$5m has been cancelled. LIM has decided to reduce its planned production from 2Mt to 1.7Mt Fe for 2012.

INDUSTRY OUTLOOK

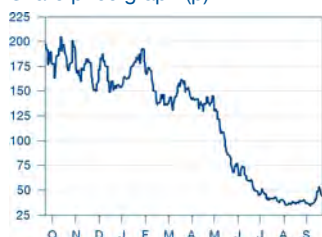
Iron ore spot prices fell in August by almost 30% to below US\$90/t on a 62% Fe CFR China basis, with Chinese port inventories at very high levels. On 18 September prices rose sharply to US\$107/t. A strong price in the future needs continuing Chinese demand.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2011A	0.0	(0.5)	(1.7)	(1.1)	N/A	N/A
2012A	0.0	(0.4)	(4.0)	(2.5)	N/A	N/A
2013E	0.0	(0.4)	(0.2)	(0.1)	N/A	N/A
2014E	0.0	(0.4)	5.0	3.1	2.9	N/A

Sector: Mining

Price: 43.7p
 Market cap: £205m
 Forecast net cash (US\$m): 125.0
 Forecast gearing ratio (%): N/A
 Market: LSE

Share price graph (p)



Company description

Aquarius is the world's fourth largest PGM producer, with five mines in southern Africa: Kroondal (50%), Marikana (50%), Blue Ridge (50%), Everest (100%) and Mimosa (50%) as well as tailings retreatment operations and exploration projects.

Price performance

%	1m	3m	12m
Actual	10.0	(17.9)	(80.4)
Relative*	9.6	(22.4)	(82.4)

* % Relative to local index

Analyst

Andrey Litvin

Aquarius Platinum (AQP)

INVESTMENT SUMMARY

Aquarius Platinum has reported that operations at Kroondal, its flagship mine, have been restarted on 17 September. The company decided to temporarily suspend mining operations on Friday 14 in a response to the escalation in the labour tensions and protests within the regional workforce and communities. It is understood that the processing operations were not materially affected by the mine stoppage. Kroondal, which is the company's major operation, produced 167koz of PGMs in FY12 delivering US\$180m (c 44% of total) in revenue.

INDUSTRY OUTLOOK

Despite the recent upward correction in the PGM prices, spreading social unrest and labour tensions within the industry will continue to weigh on the sector's valuations.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	457.9	135.9	110.9	16.8	4.2	2.6
2011A	682.9	215.8	123.3	32.2	2.2	1.8
2012E	758.2	195.8	156.6	24.2	2.9	1.8
2013E	819.0	207.4	163.6	25.4	2.8	1.6

Sector: Mining

Price: 22.2p
 Market cap: £67m
 Forecast net cash (US\$m): 3.4
 Forecast gearing ratio (%): N/A
 Market: AIM, TSX

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	36.9	40.2	(11.0)
Relative*	36.5	32.5	(20.1)

* % Relative to local index

Analyst

Charles Gibson

Arian Silver (AGQ)

INVESTMENT SUMMARY

After a promising Q2 in which silver produced at San Jose rose 47.9% (q-o-q) after the installation of a new fourth ball mill with metal liners, which contributed to increased throughput and recoveries, in July Arian announced that it was in dispute with the mill owner, resulting in the suspension of milling operations. Arian has now signed a letter of intent with the original vendor of the San Jose concession for the exclusive use of a newly refurbished 500tpd mill, which should be operational by the end of November.

INDUSTRY OUTLOOK

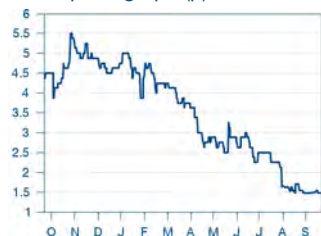
Arian's overall strategy is to drill up additional resources at San Jose and to complete a detailed study into a bespoke mill (NB preliminary results are anticipated imminently). In the meantime, AGQ's resource of 117.3Moz at 112.2g/t (3.6oz per tonne) at San Jose is the equivalent to c 2.3Moz of gold at 2.24g/t and is open both along strike and at depth. Estimates are currently under review.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.2	(2.0)	(1.7)	(0.7)	N/A	N/A
2011A	7.5	(10.3)	(11.0)	(3.4)	N/A	N/A
2012E	10.5	0.1	0.0	0.0	N/A	N/A
2013E	13.1	1.7	1.6	0.5	71.3	105.2

Sector: Mining

Price:	1.5p
Market cap:	£5m
Forecast net debt (£m)	0.4
Forecast gearing ratio (%)	8.0
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	(13.2)	(43.8)	(68.1)
Relative*	(13.5)	(46.9)	(71.4)

* % Relative to local index

Analyst

Tom Hayes

Ariana Resources (AAU)

INVESTMENT SUMMARY

Ariana announced on 22 August that it had participated in a private placing for Tigris Resources, a private company focused on exploration in south-east Turkey. Ariana invested C\$88k to retain 12.5% of Tigris post placing and also retains AAU MD Kerim Sener as a board member of Tigris. Further to this announcement, Tigris has also initiated drilling at its intrusion-related and Skarn-associated system in the Tunceli Province of south-east Turkey. Ariana continues to prepare for development of Red Rabbit and is finalising and seeking key approvals required to complete its feasibility study as well as participating in licence auctions within Turkey to bolster its already prospective exploration portfolio. Regarding its closest exploration licences to Red Rabbit, an additional aim to expanding its resource base to 1Moz is also the potential to extend Red Rabbit's eight-year LOM.

INDUSTRY OUTLOOK

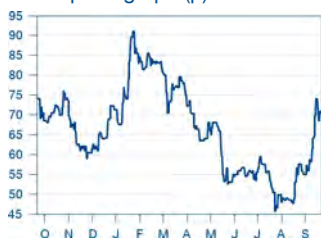
Gold recently rallied c US\$1,760/oz, due mainly to increasing global monetary stimulus, especially the US Federal Bank.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.4)	(0.4)	(0.2)	N/A	N/A
2011A	0.0	(1.4)	(1.3)	(0.5)	N/A	N/A
2012E	0.1	(1.2)	(1.2)	(0.2)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price:	70.2p
Market cap:	£85m
Forecast net debt (US\$m)	0.0
Forecast gearing ratio (%)	0.0
Market	AIM

Share price graph (p)



Company description

TSX- and AIM-listed Aureus Mining is a West African-focused gold developer/explorer. Its flagship project is the 1.5Moz New Liberty gold project in Liberia.

Price performance

%	1m	3m	12m
Actual	28.3	25.4	(9.3)
Relative*	27.9	18.6	(18.6)

* % Relative to local index

Analyst

Michael Stoner

Aureus Mining (AUE)

INVESTMENT SUMMARY

Aureus has recently announced drilling and trenching results from Gondoja and Ndablama. We view the ongoing success across its exploration ground with near-surface drill intercepts of high-grade gold mineralisation at Ndablama, including 7.1g/t for 11m, 4.8g/t for 3.3m and trenching results of 7.8g/t over 10m, as positive. At Gondoja the drilling results were equally positive, with intercepts including 11.7g/t for 6m and 14.8g/t for 3m. After a number of recent updates at New Liberty, the final resource estimate for the project now totals 15.53Mt at 3.48g/t with 1.74Moz of contained gold.

INDUSTRY OUTLOOK

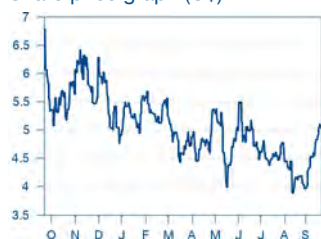
Given continued exploration success and timely execution of the New Liberty development plan, the DDF of New Liberty production could be worth US\$1.92/share (£1.20/share), with potential upside of US\$1.44/share (90p/share) as the company moves to production and continues to grow its resource (subject to change on announcement of the DFS results, due in Q412).

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011A	0.0	(7.6)	(7.8)	(6.9)	N/A	N/A
2012E	0.0	(3.4)	(3.3)	(2.8)	N/A	N/A
2013E	0.0	(3.4)	(3.7)	(3.0)	N/A	N/A

Sector: Mining

Price: C\$5.08
 Market cap: C\$835m
 Forecast net cash (C\$m) 216.8
 Forecast gearing ratio (%) N/A
 Market NYSE MKT, TSX

Share price graph (C\$)



Company description

Aurizon Mines is a Canadian gold company with two major assets in the Abitibi region of Canada, namely Casa Berardi and Joanna plus options over a range of other properties.

Price performance

%	1m	3m	12m
Actual	21.8	7.6	(27.3)
Relative*	19.2	(0.8)	(29.8)

* % Relative to local index

Analyst

Charles Gibson

Aurizon Mines (ARZ)

INVESTMENT SUMMARY

While lower in Q3, grades are expected to rise again towards the end of the year (especially Q4) and unit working costs to fall back to C\$139.45/t. Additional shotcreting equipment has been installed and a paste backfill plant will be commissioned in Q113 to improve flexibility in difficult ground conditions and prevent the permanent loss of ore in failed stopes.

INDUSTRY OUTLOOK

In the longer term, there exists the possibility to de-bottleneck the SAG mill to 2,800tpd, while the extra costs of accessing the more distant 123 Zone should be offset by selective higher grades and the fact that the zone is 800m off the Cadillac fault. The aim of drilling at Heva is to delineate sufficient resources to commence a standalone operation into which (refractory) Hosco ore can then be back-integrated. Beyond that, upside exists in the form of Fayolle and Marban and potential M&A activity. Edison estimates that recent drilling is indicative of an additional c 1.2-1.7Moz.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	178.7	68.6	33.2	11.7	43.4	12.7
2011A	260.0	125.1	86.6	26.7	19.0	5.1
2012E	249.0	111.4	70.7	23.2	21.9	7.4
2013E	250.0	119.5	74.0	24.4	20.8	7.0

Sector: Mining

Price: C\$0.33
 Market cap: C\$64m
 Forecast net cash (US\$m) 8.6
 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	6.3	24.1	(25.6)
Relative*	4.1	14.3	(28.1)

* % Relative to local index

Analyst

Rory Draper

Avnel Gold Mining (AVK)

INVESTMENT SUMMARY

The drill programme conducted by Avnel Gold Mining and its JV partner IAMGOLD Corporation (IAMGOLD) continues apace. So far over 128,000m of diamond drill (DD) and reverse circulation (RC) drilling has been completed at the Kalana and Kalanako prospects from 2010 through to 30 June 2012 at an expense of US\$25m. A further 25,000m of drilling at a cost of c US\$7m is forecast by year end. The main objective is to now complete fences of 50m x 25m drill holes across the Kalana prospects to enable geological cross sections to be generated and the NI 43-101 resource study to be completed.

INDUSTRY OUTLOOK

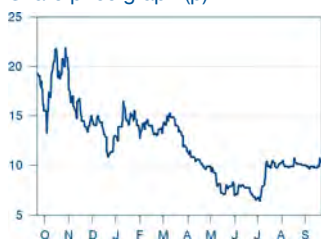
Gold has risen markedly over the past month from US\$1,650/oz up to US\$1,750/oz, rising on monetary action by the US Federal Reserve in the form of QE3.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	13.7	0.0	(2.4)	(2.5)	N/A	N/A
2011A	14.7	(0.7)	(2.6)	(1.8)	N/A	N/A
2012E	8.7	(2.0)	(3.5)	(1.8)	N/A	N/A
2013E	2.0	(0.6)	(0.6)	(0.3)	N/A	75.2

Sector: Mining

Price: 10.2p
 Market cap: £27m
 Forecast net cash (£m) 4.5
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Baobab Resources is focused on developing its Tete iron-vanadium-titanium open-pit project in central-western Mozambique. It has published a scoping study on a 1Mtpa pig iron producing operation and a pre-feasibility study is underway.

Price performance

%	1m	3m	12m
Actual	1.2	39.0	(50.0)
Relative*	0.9	31.4	(55.1)

* % Relative to local index

Analyst

Andrey Litvin

Baobab Resources (BAO)

INVESTMENT SUMMARY

Baobab has announced the preliminary results of the beneficiation test works and mass balance modelling for the Tenge material. Both studies indicate that the project's iron ore can be sufficiently upgraded to concentrate via coarse cobbing and then smelted to produce high-quality, ISO compliant pig iron. The proposed coarse cobbing route points to a visible reduction in the upfront capital spend (c 13% on the scoping study estimate). We have updated our valuation switching from the resource-based approach to the in-depth NPV methodology. Our ungeared unrisks NPV (based on 10% discount rate) yields US\$630m in attributable value. While we acknowledge the risks attached to the project, we believe the current market valuation is overly conservative as it does not discount the project's strong economics and high chance of success.

INDUSTRY OUTLOOK

While iron ore pricing should remain capped by weak fundamentals, restocking coupled with the recently announced stimulus in China could drive prices higher.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(2.0)	(2.0)	(1.4)	N/A	N/A
2011A	0.0	(6.1)	(6.1)	(3.6)	N/A	N/A
2012E	0.0	(6.7)	(6.6)	(3.3)	N/A	N/A
2013E	0.0	(6.7)	(6.6)	(2.8)	N/A	N/A

Sector: Mining

Price: 14.8p
 Market cap: £108m
 Forecast net cash (US\$m) 87.3
 Forecast gearing ratio (%) N/A
 Market AIM, ASX

Share price graph (p)



Company description

Bellzone Mining is focused on developing its Kalia and Forécariah iron assets in Guinea. It has an attributable JORC resource of 6.2bt of magnetite, upgradable to 68% Fe, and 111Mt of oxide and supergene BIF upgradable to 127mt of 58% Fe.

Price performance

%	1m	3m	12m
Actual	(4.8)	(14.5)	(50.4)
Relative*	(5.2)	(19.1)	(55.5)

* % Relative to local index

Analyst

Andrey Litvin

Bellzone Mining (BZM)

INVESTMENT SUMMARY

Bellzone has reported that the Forecariah mining permit has been finally approved and is valid for 15 years. This opens the way for the full-scale commercial operation of the mine. Earlier, the company has announced an off-take agreement with Glencore for the 58% Fe product from its recently launched Forecariah JV project. According to the agreement, Bellzone will be provisionally paid for the shipment with a subsequent price adjustment based on the actual sale price. Glencore will take the product at the Forecariah's Konta loading facility. The off-take price will be linked to the Platts CFR China benchmark. We expect the first shipment of iron ore will take place in early Q412. Glencore will also make a prepayment facility of c US\$15m available to Bellzone once it has shipped a minimum of 750kwt of product, or five ship loads.

INDUSTRY OUTLOOK

Despite the recent recovery, we expect iron ore price to remain capped by the weak steel industry fundamentals.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(21.7)	(24.1)	(4.5)	N/A	N/A
2011A	0.0	(42.3)	(42.7)	(6.5)	N/A	N/A
2012E	120.0	60.5	49.1	5.9	4.0	3.4
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 26.4p
 Market cap: £17m
 Forecast net cash (£m) 6.0
 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	12.8	13.4	(20.4)
Relative*	12.5	7.3	(28.5)

* % Relative to local index

Analyst

Rory Draper

Bezant Resources (BZT)

INVESTMENT SUMMARY

Bezant Resources completed an environmental impact study (EIS) and environmental baseline study (EBS) in May for its Eureka Project in Argentina. Once the EIS and EBS are approved by the director of Mines and Energy Resources, Bezant will be permitted to start the main phase of exploration. Meanwhile Bezant's management continue to express confidence in Gold Fields potentially exercising its option over the Mankayan Project in the Philippines. The board is confident the option will be exercised on the back of Gold Fields' part-exercise of its option with Lepanto Consolidated Mining at the nearby Far South East copper-gold porphyry project in the Philippines.

INDUSTRY OUTLOOK

Copper has risen markedly over the month from \$3.35/lb to \$3.80/lb with increasingly positive sentiment stemming from pledges of supportive action from the US Federal Reserve, European Central Bank and Bank of Japan.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(1.6)	(1.6)	(3.7)	N/A	N/A
2011A	0.0	(1.5)	(1.5)	(2.9)	N/A	N/A
2012E	0.0	(1.5)	(1.4)	(3.4)	N/A	5.8
2013E	0.0	(1.5)	(1.3)	(2.1)	N/A	N/A

Sector: Mining

Price: A\$0.02
 Market cap: A\$6m
 Forecast net cash (A\$m) 10.8
 Forecast gearing ratio (%) N/A
 Market ASX

Share price graph (A\$)



Company description

Cabral Resources, formerly RIM Capital, is an ASX-listed iron ore explorer focused on the Brumado region of Bahia, Brazil. It holds 465km² of tenement area in Brazil and has several uranium tenements in Western Australia.

Price performance

%	1m	3m	12m
Actual	(45.5)	(52.0)	(80.8)
Relative*	(45.7)	(55.2)	(82.0)

* % Relative to local index

Analyst

Chris Kallos

Cabral Resources (CBS)

INVESTMENT SUMMARY

Cabral recently announced its first interim drill results from Morro do Gergelim after receiving core logging and assay results for six drill holes out of the 11 completed. Initial observations suggest that silicate-rich BIF rock type predominates, however further analytical work has been planned once all data is received, before initial geological interpretations of the Morro do Gergelim mineralisation can be made. The prospect is part of the Lagoa Real group of tenements and represents 200Mt to 450Mt of the exploration target tonnage identified to date. Cabral began its maiden 3,000m drilling programme at the prospect in May 2012, after the granting of an environmental licence by the Brazilian Environmental Agency (INEMA).

INDUSTRY OUTLOOK

Our medium- to long-term view on iron ore remains positive, given the continuing momentum and scale of Chinese urban residential construction. This is a major contributor to China's economic activity, which although less aggressive than in recent years remains comparatively high.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.3	(0.4)	(0.4)	(0.4)	N/A	N/A
2011A	0.0	(2.0)	(1.8)	(0.8)	N/A	N/A
2012E	0.0	(2.6)	(1.8)	(0.7)	N/A	N/A
2013E	0.0	(2.5)	(2.1)	(0.8)	N/A	N/A

Sector: Mining

Price: 6.2p
 Market cap: £32m
 Forecast net debt (C\$m): N/A
 Forecast gearing ratio (%): N/A
 Market: AIM

Share price graph (p)



Company description

Caledonia mines gold at its main operating asset, the Blanket Gold Mine, in southern Zimbabwe. It holds large-scale mining licences for base metals (primarily copper and cobalt) and exploration licences for PGEs, nickel and copper.

Price performance

%	1m	3m	12m
Actual	(2.0)	31.6	0.0
Relative*	(2.3)	24.4	(10.2)

* % Relative to local index

Analyst

Tom Hayes

Caledonia Mining (CMCL)

INVESTMENT SUMMARY

Caledonia announced on 13 September that it had issued 9.3m share options exercisable at C\$0.09 from 10 September 2012 to 10 September 2017. In Q212, the Blanket Gold Mine produced 11,560ozs Au (vs 9,164ozs in Q112) at cash costs of US\$547/oz (vs US\$648/oz in Q112), translating to a gross profit of US\$10.067m (at an average realised gold price of US\$1,599/oz). Net cash flow from operations also saw a marked increase of 91.2%, from US\$7.346m to US\$11.195m (before capex). Gold production for July 2012 was c 4,700ozs (already 40.7% of the Q212 total). CMCL had cash at end-June of US\$18.323m. The main reasons for such a material increase in quarterly production are the completion of scheduled maintenance on the No. 4 Shaft, which had adversely affected production in Q112 (Q212 gold production up 41% vs Q112) and the fact that Blanket encountered higher grade resources in the AR South ore body than anticipated in its mining plan.

INDUSTRY OUTLOOK

We use a long-term Au price of US\$1,350/oz in our valuations.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	22.4	2.1	2.1	0.2	48.8	7.4
2011A	55.7	24.3	24.2	3.1	3.1	1.9
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: A\$0.12
 Market cap: A\$18m
 Forecast net cash (A\$m): 66.6
 Forecast gearing ratio (%): N/A
 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	(31.4)	(20.0)	(66.2)
Relative*	(31.7)	(25.4)	(68.3)

* % Relative to local index

Analyst

Rory Draper

Celamin Holdings (CNL)

INVESTMENT SUMMARY

Celamin Holdings NL has reported positive results from the scoping study performed on the Chaketma Project in Tunisia. The technical and economic assessments formed in the study provide the company with a sound platform for the commencement of a JORC resource delineation and a definitive feasibility study (DFS). The preliminary environment and social studies have identified no fatal flaws and a strong opportunity to reduce capital and operating costs during the DFS process.

INDUSTRY OUTLOOK

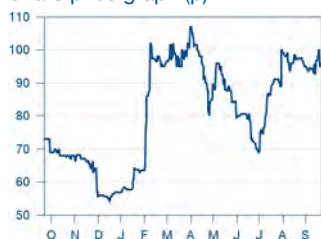
An ever increasing global population has caused rising demand for agricultural commodities and has consequently placed increasing pressure on land resources, pushing fertiliser demand higher and with it the cost of phosphate rock and phosphate based fertilisers.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(0.4)	(0.5)	(2.7)	N/A	N/A
2011A	0.0	(1.0)	(1.0)	(2.8)	N/A	N/A
2012E	0.0	(1.0)	(1.1)	(1.7)	N/A	N/A
2013E	0.0	(1.1)	(4.0)	(1.3)	N/A	N/A

Sector: Mining

Price: 95.0p
 Market cap: £81m
 Forecast net cash (US\$m): 17.5
 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 at its projects in Mongolia.

Price performance

%	1m	3m	12m
Actual	(2.2)	30.1	28.4
Relative*	(2.5)	23.1	15.2

* % Relative to local index

Analyst

Tom Hayes

Central Asia Metals (CAML)

INVESTMENT SUMMARY

CAML has announced (11 September) it has signed heads of terms with the Mongolian Resource Corporation (MRC) for the sale of its Handgait and Ereen assets. These assets are non-core to CAML's business, which focuses on producing copper cathode from retreatment of the Kounrad copper mine's waste dumps. The value of the sale at this stage has not been announced. CAML will sell 100% of its Mongolian subsidiary 'CAML Mongolia BV' which owns 85% of Ereen and 80% of Handgait to MRC. Further information regarding the sale will be released in due course. CAML has also announced it will be presenting its interim financial and production results on 27 September. This will be the first production focused presentation, providing key data relating to its commissioning and ramp up of Kounrad and its ability to secure revenue based on its 2012 Cu cathode production forecast of 5kt.

INDUSTRY OUTLOOK

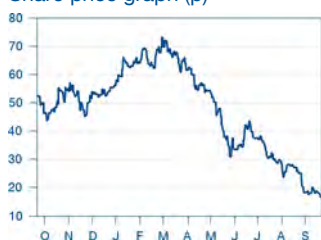
Copper has rallied recently on news of further stimulus policies by major economies worldwide and currently trades at c US\$8,200/t.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1.4	(6.3)	(6.7)	(12.89)	N/A	N/A
2011A	1.1	(5.9)	(5.9)	(6.90)	N/A	N/A
2012E	19.8	7.4	7.2	6.67	22.9	39.2
2013E	40.4	24.5	24.2	22.47	6.8	6.6

Sector: Mining

Price: 16.6p
 Market cap: £127m
 Forecast net debt (US\$m): 2.7
 Forecast gearing ratio (%): 1.0
 Market: AIM, ASX, JSE

Share price graph (p)



Company description

CZA's Mooiplaats Mine began production in 2008. Earlier in 2010, CZA acquired NuCoal's producing mines for ZAR650m. It is also developing its Vele and Makhado coking coal projects.

Price performance

%	1m	3m	12m
Actual	(36.1)	(60.9)	(70.3)
Relative*	(36.3)	(63.0)	(73.3)

* % Relative to local index

Analyst

Andrey Litvin

Coal of Africa (CZA)

INVESTMENT SUMMARY

Coal of Africa announced completion of its US\$45m equity offering (initiated on 6 August) following the shareholders' approval of the second tranche (c US\$14m) of the placement. These funds will be spent on the Vele ramp-up and Makhado project. Earlier, the company reported mixed Q412 production results that saw a visible reduction in export sales and a corresponding increase in the lower value add coal supplies to Eskom. Excluding Vele, the company's overall ROM coal production grew 12% q-o-q to 1.3Mt, while saleable coal output reached 0.8Mt, a 20% q-o-q increase driven by the improved processing yields. At the same time, export coal sales (adjusted for 28.5kt shipments from Vele) have fallen 15% q-o-q to 382kt (411kt overall, down 9% q-o-q). According to management, the company's thermal coal mines were loss making due to the worsened sales mix and weakened export pricing.

INDUSTRY OUTLOOK

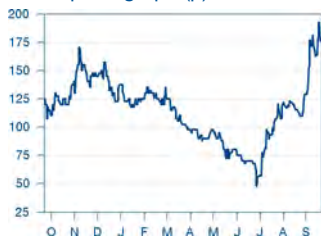
We believe that thermal coal prices may have bottomed out, trading at or near the marginal FOB cash cost.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	98.4	12.6	(46.2)	(7.7)	N/A	N/A
2011A	261.4	14.7	(120.7)	(22.9)	N/A	N/A
2012E	300.5	40.5	(28.5)	(8.5)	N/A	30.6
2013E	377.4	71.4	16.7	(0.9)	N/A	3.5

Sector: Mining

Price: 179.0p
 Market cap: £55m
 Forecast net cash (£m) 0.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Condor Gold is a gold exploration and development company with a focus on highly prospective concessions in mining-friendly Nicaragua. It is targeting a 2Moz resource at feasibility status.

Price performance

%	1m	3m	12m
Actual	59.1	165.2	32.6
Relative*	58.6	150.8	19.0

* % Relative to local index

Analyst

Julian Emery

Condor Gold (CNR)

INVESTMENT SUMMARY

Condor Gold has reported a new compliant gold resource statement for its La India project in Nicaragua of 2.38Moz @ 4.6g/t (2.41Moz gold equivalent with silver credits). This includes 0.95Moz @ 3.6g/t deemed to be exploitable by low cost, high-grade open pit mining, which could be fast-tracked. Some 30% of the total resource is now in the indicated category. The focus of the recently-completed 7,000m drill programme was the parallel La India/California veins, which coalesce over large areas of the 2,000m-long La India Valley. The exploration programme will soon focus on open pit targets in the America vein set and Central Breccia. A PEA is expected shortly.

INDUSTRY OUTLOOK

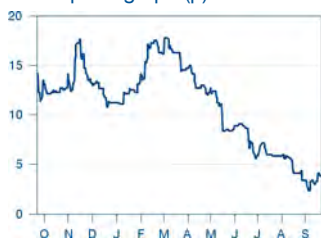
Nicaragua recognises the economic worth of active facilitation of mining projects within a workable legal, taxation and royalty structure. The multiple epithermal La India vein system should prove to be an important new gold operation and is amenable to both open pit and selective underground mining supported by good infrastructure.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.5)	(1.3)	(5.26)	N/A	N/A
2011A	0.0	(2.0)	(1.6)	(6.00)	N/A	N/A
2012E	0.0	(0.8)	(0.8)	(2.67)	N/A	N/A
2013E	0.0	(0.8)	(0.8)	(2.62)	N/A	N/A

Sector: Mining

Price: 3.9p
 Market cap: £17m
 Forecast net debt (A\$m) 3.7
 Forecast gearing ratio (%) 3.0
 Market AIM, ASX

Share price graph (p)



Company description

Continental Coal is a thermal coal producer with a portfolio of mines and development projects in South Africa. The most advanced of these, Vlakvarkfontein, commenced production in Q210.

Price performance

%	1m	3m	12m
Actual	(6.1)	(47.5)	(74.0)
Relative*	(6.4)	(50.3)	(76.6)

* % Relative to local index

Analyst

Andrey Litvin

Continental Coal (COOL)

INVESTMENT SUMMARY

The company reported mixed FY12 results with revenue of A\$82m, a 62% y-o-y increase and gross profit of A\$12.9m compared to A\$3.6m in FY11. Strong underlying performance of the coal business was driven by an impressive 94% y-o-y growth in overall coal sales to 1.9Mt. While both revenue and gross profit numbers were broadly in line with our expectations, we calculate FY12 EBITDA loss of A\$1.5m (A\$11.8m in FY11) against our positive estimate of A\$6m. At the operating level, the biggest disappointment was larger-than-expected SG&A expense. To this end, the recently-announced plans to drastically cut admin cost are positive and should partly offset weakness in the core export operation. The company is contemplating a number of initiatives aimed at resolving the current liquidity constraints: core/non-core asset sale, Mashala acquisition extension and reduction in corporate overheads.

INDUSTRY OUTLOOK

Thermal coal prices may have bottomed out as they trade near the marginal FOB cash cost.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(13.1)	(25.5)	(25.1)	N/A	6.2
2011A	50.8	(14.9)	(29.9)	(11.1)	N/A	5.2
2012E	82.3	4.0	(1.7)	(0.3)	N/A	2.7
2013E	79.3	(0.1)	(6.2)	(1.1)	N/A	14.7

Sector: Mining

Price: 11.6p
 Market cap: £108m
 Forecast net cash (US\$m) 63.9
 Forecast gearing ratio (%) N/A
 Market AIM, JSE, TSX

Share price graph (p)



Company description

Eastern Platinum is a mid-tier producer of platinum. It has an 87.5% interest in the Crocodile River Mine in South Africa. It also has four development projects Mareesburg (87%), Spitzkop (93.4%), DGV (87.5%) and Kennedy's Vale (87.5%).

Price performance

%	1m	3m	12m
Actual	(3.1)	(8.8)	(75.8)
Relative*	(3.4)	(13.8)	(78.3)

* % Relative to local index

Analyst

Andrey Litvin

Eastern Platinum (ELR)

INVESTMENT SUMMARY

Despite the signs of spreading social unrest in the SA mining industry, Eastplats confirmed that it has not experienced any work stoppages at its PGM operations. Earlier, the company reported weak Q212 results, which were negatively affected by further deterioration in PGM pricing that was seen in a 7% decline in the reported basket price compared to Q112. On the cost side, the company saw a 5% increase in ZAR-denominated unit cash production cost, which was offset by the weaker rand, leading to the flat unit cash production cost in dollar terms. The company decided to suspend the stoping production at the Zandfontein section of CRM, but to continue the on-reef development at Maroelabult. This should help it to weather market downturn and increase future operating flexibility. The company guides production of 75koz in FY12 and 60koz in FY13.

INDUSTRY OUTLOOK

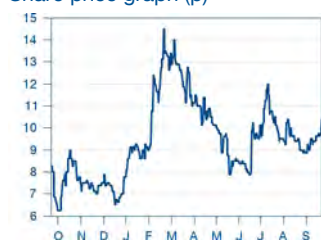
Despite the recovery in PGM pricing, unabating labour tensions represent a substantial risk for the sector and will continue to put pressure on the stocks.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	155.0	33.0	10.3	1.9	9.8	4.9
2011A	113.2	(13.3)	(32.3)	(2.4)	N/A	N/A
2012E	72.6	(21.9)	(39.4)	(2.6)	N/A	N/A
2013E	62.9	(21.8)	(35.5)	(3.4)	N/A	N/A

Sector: Mining

Price: 10.4p
 Market cap: £115m
 Forecast net cash (€m) 1.1
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

EMED Mining aims to restart copper production at its 100% owned Rio Tinto Mine (PRT) in Spain. In Slovakia, the company has discovered a 1.1Moz (JORC) gold deposit. The company also has a 20% stake in Kefi Minerals.

Price performance

%	1m	3m	12m
Actual	10.7	6.4	20.3
Relative*	10.3	0.6	8.0

* % Relative to local index

Analyst

Rory Draper

EMED Mining (EMED)

INVESTMENT SUMMARY

EMED recently acquired the final remaining lands needed to commence with its initially planned 14-year operations at the Rio Tinto mine in Spain. The acquisition allows EMED to satisfy the Rio Tinto project's needs for tailings deposition. The company has also been granted options to acquire additional adjacent lands exercisable within four years, which would allow EMED to increase the scale of potential expansion of the mine in the future. The product allocation for cornerstone customer XGC has been increased from 25% to 30% of current reserves as a result of their funding in one of the land deals. We continue to value EMED at 25.7p/share on a sum-of-the-parts basis.

INDUSTRY OUTLOOK

Copper has risen markedly over the month from \$3.35/lb to \$3.80/lb, with increasingly positive sentiment stemming from pledges of supportive action from the US Federal Reserve, European Central Bank and Bank of Japan.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(10.1)	(11.3)	(1.5)	N/A	11.3
2011A	0.0	(10.2)	(11.4)	(1.1)	N/A	N/A
2012E	0.0	(8.4)	(9.4)	(1.0)	N/A	N/A
2013E	0.0	(8.4)	(41.7)	(4.0)	N/A	N/A

Sector: Mining

Price: 36.0p
 Market cap: £117m
 Forecast net cash (US\$m) 33.8
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Gemfields mines and markets emeralds from Zambia and has several interests in gemstone projects in Zambia and Madagascar.

Price performance

%	1m	3m	12m
Actual	(2.0)	(2.0)	72.5
Relative*	(2.4)	(7.4)	54.8

* % Relative to local index

Analyst

Julian Emery

Gemfields (GEM)

INVESTMENT SUMMARY

Production figures for Q4 FY12 showed the highwall pit cut-back is again on track after delays in the previous quarter. Throughput was sharply higher, although ore grades were lower. However, costs were also down. The next high-grade emerald auction will now be around end-October and will reflect market demand for high-quality stones compared with the previous lower grade sale, which showed little demand for the lowest-quality roughs, some of which were retained. Gemfields continues to deliver high-quality product, reflecting the strong cash position and operational performance. The inventory can thus be controlled to adapt to market conditions.

INDUSTRY OUTLOOK

The company reported good demand for higher-quality emeralds, which are less vulnerable to economic instability and can often be seen as a store of value in times of uncertainty, with ethical Zambian emeralds highly respected. Gemfields is also about to embark on bulk sampling ahead of a production programme at its Montez ruby project in Mozambique.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	19.9	2.0	(2.0)	(0.4)	N/A	115.0
2011A	40.2	22.3	19.6	5.0	11.6	10.8
2012E	82.0	56.2	47.8	7.3	7.9	3.5
2013E	91.5	54.6	40.3	5.9	9.8	3.3

Sector: Mining

Price: A\$0.41
 Market cap: A\$581m
 Forecast net debt (A\$m) 41.6
 Forecast gearing ratio (%) 10.0
 Market ASX

Share price graph (A\$)



Company description

Formed from the takeover of Aflase by BMA Gold in 2009, Gold One is an emerging mid-tier gold producer with significant assets in the Witwatersrand basin and growing assets outside.

Price performance

%	1m	3m	12m
Actual	(2.4)	(1.2)	(23.4)
Relative*	(2.8)	(7.8)	(28.2)

* % Relative to local index

Analyst

Sheldon Modeland

Gold One (GDO)

INVESTMENT SUMMARY

GDO has recently provided an interim guidance and operational update for Q312.

Previously-dismissed employees had been holding illegal gatherings at the company's Modder East operations. However, no further protests have occurred since 3 September. The South African Police Service has been maintaining a strong presence at the site to protect employees from intimidation. Despite recent events at Modder East, the company expects to produce a total of 53,600oz of Au for Q312, compared with previous guidance of 55,000oz. In addition, the newly-acquired Ezulwini mine (now referred to as Cooke 4 shaft) is forecast to produce 6,000oz of Au by the end of Q312. Total production for the group is thus expected to be 59,600oz of Au for Q312. The company is currently focused on restoring production to pre-strike levels.

INDUSTRY OUTLOOK

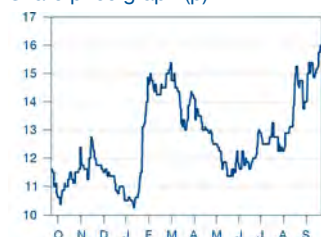
Despite the recent upswing in the gold spot price due to the third round of debt buying by the Federal Reserve, our long-term price for gold remains conservative at US\$1,350/oz.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	89.3	39.4	19.3	1.8	22.8	8.1
2011A	188.3	92.3	68.7	6.0	6.8	3.2
2012E	380.0	119.3	95.2	3.7	11.1	4.1
2013E	608.2	281.1	248.8	10.3	4.0	2.1

Sector: Mining

Price: 15.8p
 Market cap: £27m
 Forecast net cash (£m) 8.2
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Goldplat is a small profitable, African gold producer and exploration company with five primary assets including three mining and development projects in Kenya, Burkina Faso and Ghana, and two gold recovery operations in South Africa and Ghana.

Price performance

%	1m	3m	12m
Actual	8.6	31.2	32.6
Relative*	8.3	24.1	19.1

* % Relative to local index

Analyst

Rory Draper

Goldplat (GDP)

INVESTMENT SUMMARY

Goldplat recently announced the appointment of Mr Russell John Lamming as the company's new CEO, effective from 1 September 2012. Demetri Manolis (CEO) will remain as a consultant for two years effective 1 January 2013. This development builds on the previous month's expansion of JORC-compliant resource at its Kilimapesa gold mine in Kenya to 649,804oz. The additional 402,320oz represents a 162% increase from the previously-published resource in May 2012. The increased resource ensures that it carries sufficient gold reserves to produce at a rate of 10,000oz Au per annum from FY13. With its gold recovery businesses in South Africa and Ghana continuing to perform well and the Kilimapesa Gold mine in Kenya now producing, we expect Goldplat's FY12 gold production to significantly exceed that of FY11.

INDUSTRY OUTLOOK

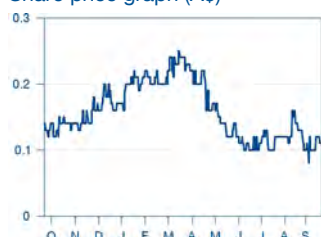
Gold has risen markedly over the past month from US\$1,650/oz up to US\$1,750/oz, rising on monetary action by the US Federal Reserve in the form of QE3.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	10.7	2.5	2.2	1.58	10.0	12.3
2011A	19.6	3.4	3.1	1.63	9.7	28.3
2012E	26.2	5.6	5.1	2.13	7.4	3.1
2013E	36.5	14.4	13.8	6.58	2.4	2.1

Sector: Mining

Price: A\$0.11
 Market cap: A\$26m
 Forecast net cash (A\$m) 1.9
 Forecast gearing ratio (%) N/A
 Market ASX

Share price graph (A\$)



Company description

Gunson Resources is a mining exploration and development company. Its major heavy mineral sands project is construction ready. It has projects in copper and nickel in South Australia and gold in the Northern Territory.

Price performance

%	1m	3m	12m
Actual	(15.4)	(8.3)	(26.7)
Relative*	(15.8)	(14.5)	(31.3)

* % Relative to local index

Analyst

Julian Emery

Gunson Resources (GUN)

INVESTMENT SUMMARY

Gunson expects formal signing of the joint venture with the major Korean steel producer POSCO, for its construction-ready Coburn mineral sands project in the next few weeks. POSCO SPV will earn a 40% interest through an A\$7m initial payment to Gunson and then contribute the first A\$21m of Gunson's share of mine development expenditure. Each party will be entitled to its proportional share of production and contribute the same to mine development expenditure. Features of the new Sedgman Engineering Study now show estimated construction period down to 77 weeks, capital costs now at A\$192m, but a higher net operating margin. The POSCO SPV investment is contingent on Gunson raising its remaining A\$88m (60% equity share) of capital costs.

INDUSTRY OUTLOOK

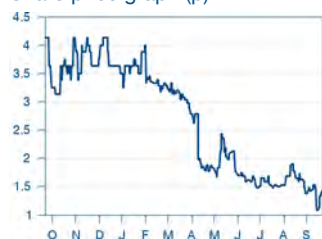
Gunson maintains a start-up target in 2014 to establish Coburn as one of the few new producers in the mineral sands industry. Remaining off-take agreements are nearing completion and discussions with debt providers are well advanced.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.2	(0.4)	(0.4)	(0.2)	N/A	N/A
2011A	0.1	(1.7)	(1.7)	(0.6)	N/A	N/A
2012E	0.2	(1.2)	(1.2)	(0.6)	N/A	N/A
2013E	0.2	(1.0)	(1.0)	(0.4)	N/A	N/A

Sector: Mining

Price: 1.4p
 Market cap: £14m
 Forecast net cash (US\$m): 2.8
 Forecast gearing ratio (%): N/A
 Market: AIM

Share price graph (p)



Company description

Hambleton 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	(15.9)	(13.4)	(68.7)
Relative*	(16.2)	(18.1)	(71.9)

* % Relative to local index

Analyst

Tom Hayes

Hambleton Mining (HMB)

INVESTMENT SUMMARY

Hambleton's H112 results highlight Sekisovskoye gold production of 10,710ozs (vs H111 of 9,769ozs) translating to an operating loss of US\$2.1m (vs US\$2.3m for H111). Cash costs were US\$1,262/oz including royalty payments. With the TD3 fines imposed by the authorities in Q112 and Seki's ongoing capex requirements to develop the UG phase, Hambleton has decided to pause its UG phase after the current mining panels are completed in an effort to fund further development from cash flows. These cash resources will now grow off the back of the open pit mine, which, with remnant waste stripping finishing should also bring down cash costs and improve profitability. HMB intends to resume UG mining in H213 dependent on meeting regulatory approvals and accumulating sufficient funds. It is also awaiting a waiver from the Kazakh authorities regarding its Akmola Gold acquisition.

INDUSTRY OUTLOOK

We use Au prices of US\$1,700/oz (2012), US\$1,600/oz (2013) & US\$1,350/oz long term in our valuation.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	29.1	4.0	3.5	0.6	3.7	2.9
2011A	33.3	(2.5)	(2.8)	(0.2)	N/A	4.9
2012E	46.2	6.4	5.6	0.6	3.7	2.6
2013E	66.4	14.6	13.4	1.0	2.2	1.8

Sector: Mining

Price: SEK3.61
 Market cap: SEK59m
 Forecast net debt (SEKm): 20.9
 Forecast gearing ratio (%): 16.0
 Market: NASDAQ OMX First North

Share price graph (SEK)



Company description

Kopy Goldfields is a gold exploration company focused on the development of its nine licences in Russia. Together these cover 486 sq km and have C1, C2 and P1 reserves/resources of 2.0Moz. The company has JORC resources of 117koz.

Price performance

%	1m	3m	12m
Actual	(13.4)	(11.9)	(50.8)
Relative*	(14.8)	(18.5)	(58.6)

* % Relative to local index

Analyst

Sheldon Modeland

Kopy Goldfields (KOPY)

INVESTMENT SUMMARY

Kopy Goldfields released its interim results for the second quarter of 2012 and as of 30 June 2012 has cash and cash equivalents of MSEK 7.8. Kopy Goldfields is not yet reporting any revenue and had operating expenses excluding depreciation and write downs of MSEK 6.7. The company has started its fully-financed exploration programme comprising 5,600m on its Krasny licence to follow up on previously identified mineralisation. The current programme will target resource estimation, testing the continuation of gold mineralisation and detailed testing of the superficial part of the fold structure. The drill programme is expected to be completed during the fourth quarter of 2012.

INDUSTRY OUTLOOK

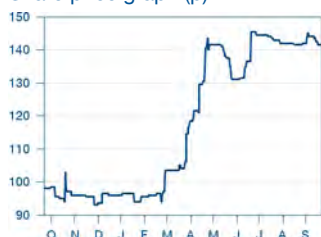
Kopy Goldfields has up to 486sq km of tenements within the Lena goldfield in Siberia. Kopy's management believes these tenements show strong synergy with its current portfolio and support its long-term ambition of developing a resource of 5Moz.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2010A	0.4	(9.8)	(13.2)	(284.7)	N/A	N/A
2011A	3.2	(19.1)	(94.2)	(1265.3)	N/A	N/A
2012E	3.2	(19.1)	(19.8)	(154.1)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 141.5p
 Market cap: £53m
 Forecast net cash (US\$m) 29.1
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

MDM Engineering is a metallurgical engineering company established in February 2006. It undertakes mineral resources projects of varying size and concentrates on the gold, base metals, industrial metals and diamond sectors.

Price performance

%	1m	3m	12m
Actual	0.0	(2.8)	44.4
Relative*	(0.3)	(8.0)	29.6

* % Relative to local index

Analyst

Rory Draper

MDM Engineering (MDM)

INVESTMENT SUMMARY

MDM Engineering (MDME) was recently awarded the pre-feasibility study (PFS) for GoGold Resources Parral Tailings Project. The PFS is for the development of a heap leach recovery process at the historical Mina la Prieta silver and base metals mine tailings deposit in Chihuahua, Mexico. This success adds to MDME's strong results for the 12 months ended 31 March, which included a doubling in full-year dividend and provides geographical diversity outside of Africa to its study pipeline. On our base-case estimate, if MDME traded in line with the average of its peers, this would imply an EV in FY13 of c US\$78.4m, equating to a value of 185p/share.

INDUSTRY OUTLOOK

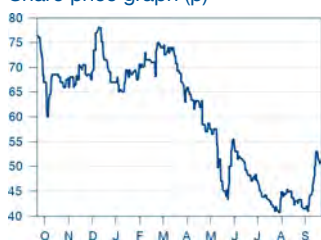
Industry capex remains buoyant, despite market commentary about delays and uncertainty surrounding resources projects and although commodity prices have fallen recently they are still at very healthy levels.

Y/E Dec / Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011A	20.8	(2.2)	(2.1)	(3.6)	N/A	10.6
2012A	89.1	7.6	7.8	15.3	14.8	5.3
2013E	140.0	14.8	16.3	30.3	7.5	26.4
2014E	226.5	15.1	16.6	30.8	7.4	5.7

Sector: Mining

Price: 51.4p
 Market cap: £78m
 Forecast net cash (US\$m) 2.6
 Forecast gearing ratio (%) N/A
 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 flagship project is the 2.6Moz Ollachea gold project in Peru, which is anticipated to produce at rate of c 120,000oz from late 2014.

Price performance

%	1m	3m	12m
Actual	20.9	6.5	(34.5)
Relative*	20.5	0.7	(41.3)

* % Relative to local index

Analyst

Sheldon Modeland

Minera IRL (MIRL)

INVESTMENT SUMMARY

Minera IRL has recently released assay results from the Choique zone, located 1km from the Martinas Vein field, at its Don Nicolas project in Argentina. While the area has been a known prospect for some time, previous work consisted of limited trenching and reconnaissance drilling. Results from 35 drill holes comprising 2,386m suggest gold and silver intersections within a mineralised rhyolite dome located within 50m of the surface. The best intercepts include DDH CH-D12-0125 with 6.7m grading at 10.5g/t Au and 19.8g/t Ag, DDH CHD-D12-018 with 6.1m at 5.43g/t Au and 27.6g/t Ag and DDH CH-D12-021 with 11.1m at 5.38g/t Au and 5.26g/t Ag. Results from an additional five drill holes comprising 349m are pending. The Choique mineralised system remains open-ended, with a drill tested strike length of 130m.

INDUSTRY OUTLOOK

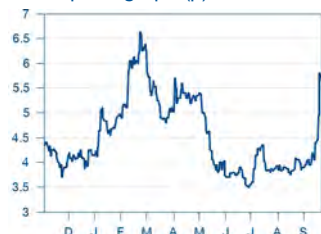
Despite the recent upswing in the gold spot price due to the third round of debt buying by the federal reserve, our long-term price for gold remains conservative at US\$1,350/oz.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	41.1	16.7	9.4	5.6	14.7	8.0
2011A	53.0	25.4	16.7	8.5	9.7	4.8
2012E	42.8	12.9	7.8	3.6	22.9	8.2
2013E	39.4	9.9	0.6	0.4	206.3	13.9

Sector: Mining

Price: 5.7p
Market cap: £63m
Forecast net cash (US\$m) 18.1
Forecast gearing ratio (%) N/A
Market AIM

Share price graph (p)



Company description

Formed in 2003 and listed in 2005, Mwana Africa became the first African-owned, African-managed resource company to be listed on AIM.

Price performance

%	1m	3m	12m
Actual	38.6	52.7	32.2
Relative*	38.2	44.4	18.6

* % Relative to local index

Analyst

Charles Gibson

Mwana Africa (MWA)

INVESTMENT SUMMARY

Q113 results confirmed a 13.5% increase in grade at FRGM to 2.7g/t (quarter-on-quarter) and a 13.9% increase in recoveries to 82% to yield 17,950oz Au. At the same time, Bindura (BNC) has now completed its rights issue, raising US\$21m, of which US\$21m was provided by MWA, as well as reaching an agreement with creditors (involving an effective debt for equity swap), which will allow it to proceed with the re-opening of the Trojan nickel mine (NB a further US\$12m will probably be raised from other sources next year). Finally, Mwana has entered into an agreement whereby China's Zhejiang Hailiang will invest US\$25-40m into SEMHKAT assets, leaving Mwana with a 38% non-dilutable interest.

INDUSTRY OUTLOOK

Prior to the SEMHKAT deal, Edison valued the maximum theoretical dividend stream from FRGM and BNC to Mwana's shareholders at 14.77c and Mwana's other exploration assets at 3.87c. Management believes it can increase the 2Moz Zani-Kodo resource by c 1Moz every year for at least the next three years.

Y/E Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2011A	43.7	(20.0)	(24.9)	(4.38)	N/A	N/A
2012A	81.3	3.9	(1.2)	(0.09)	N/A	81.7
2013E	104.3	36.3	31.5	1.58	5.8	N/A
2014E	127.7	36.9	31.0	1.58	5.8	2.4

Sector: Mining

Price: A\$0.09
Market cap: A\$52m
Forecast net cash (A\$m) 1.5
Forecast gearing ratio (%) N/A
Market ASX

Share price graph (A\$)



Company description

Nkwe Platinum is a platinum group metals (PGM) development company with two main projects, Garatau and Tubatse, on the Eastern Limb of South Africa's Bushveld Complex.

Price performance

%	1m	3m	12m
Actual	(3.3)	(30.4)	(61.3)
Relative*	(3.8)	(35.1)	(63.8)

* % Relative to local index

Analyst

Andrey Litvin

Nkwe Platinum (NKP)

INVESTMENT SUMMARY

In its recent corporate update, Nkwe Platinum suggested it could proceed with a major corporate transaction in the next six to eight weeks. According to the company, this deal would see a major South African-based entity acquiring a significant share of Genorah's interest in the company at A\$0.2/share. We understand that Genorah represents the management of the company and controls c 61% of Nkwe. The company is then expected to acquire for equity the remaining 26% BEE interest in its projects. If the transaction is completed, the company expects new corporate and operational management and seeks to commence the development of its Garatau PGM project. According to the optimised BFS, the project is expected to be launched in 2015 delivering a steady state saleable output of 330kozpa and has funding requirement of c A\$641.

INDUSTRY OUTLOOK

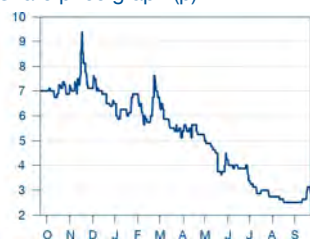
Despite the recent upward correction, we expect PGM prices to remain volatile in the short to medium term on the back of the uncertain global macroeconomic backdrop

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.6	(9.4)	(9.4)	(1.7)	N/A	N/A
2011A	0.0	(5.9)	(5.8)	0.1	90.0	N/A
2012E	0.0	(4.3)	(4.2)	(0.7)	N/A	N/A
2013E	191.7	63.2	63.3	7.2	1.3	0.8

Sector: Mining

Price: 2.9p
 Market cap: £6m
 Forecast net debt (£m): N/A
 Forecast gearing ratio (%): N/A
 Market: AIM

Share price graph (p)



Company description

Oracle Coalfields plc is a coal exploration and development company. Block VI, its main project, has total measured resources (JORC) of 1.4bn tonnes of lignite coal and is located in southern Pakistan's Thar coalfield.

Price performance

%	1m	3m	12m
Actual	15.0	(25.8)	(58.9)
Relative*	14.6	(29.8)	(63.1)

* % Relative to local index

Analyst

Sheldon Modeland

Oracle Coalfields (ORCP)

INVESTMENT SUMMARY

Oracle Coalfields recently announced an implementation plan for its Thar coalfield project in south-eastern Pakistan. The new plan has been modified from the technical feasibility study originally released in February 2012. Updated capital and operating costs are estimated at \$463m, which have been reduced by \$434m largely due to the reduced mine production from 5m wet tonnes to 2.4m wet tonnes per annum. Cash costs are also expected to be reduced from \$42/tonne to \$24/tonne. Production is expected to begin in 2014 with 1m wet tonnes per annum and full production of 2.4m wet tonnes per annum in 2015, which will supply lignite to a 300MW power station.

INDUSTRY OUTLOOK

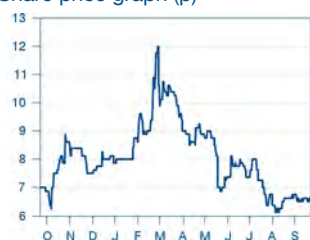
The Pakistan government continues to support the development of the Thar coalfield as part of its strategy to meet growing domestic demand for low-cost energy via the replacement of oil and gas with coal energy.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2011A	0.0	(1.0)	(0.9)	(0.4)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 6.5p
 Market cap: £24m
 Forecast net cash (€m): 1.3
 Forecast gearing ratio (%): N/A
 Market: AIM, 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	(1.9)	(17.5)	(10.3)
Relative*	(2.2)	(21.9)	(19.5)

* % Relative to local index

Analyst

Sheldon Modeland

Ormonde Mining (ORM)

INVESTMENT SUMMARY

Ormonde Mining, through its wholly owned Spanish subsidiary Saloro SLU, has submitted all of the documentation required for its application for a mining concession for its Barruecopardo tungsten project. This represents the commencement of the final stage of the mine permitting process. All regulatory-compliant documents applicable for a new mining permit at Barruecopardo have been submitted and will be reviewed by the regional administrative authorities. The project has strong local support from the Barruecopardo Town Council. A collaboration agreement has been signed to help facilitate the development of the mine and will see Ormonde pay municipal rates and taxes of €100,000 per year of operation, with a total of €270,000 paid over three staged instalments until production starts; the first instalment has been paid.

INDUSTRY OUTLOOK

Tungsten pricing should be well supported in the medium term as supply remains constrained in light of China 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)
2010A	0.0	(1.1)	(1.1)	(0.4)	N/A	N/A
2011A	0.0	(0.9)	(0.9)	(0.3)	N/A	N/A
2012E	0.0	(0.9)	(0.9)	(0.2)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 18.5p
 Market cap: £268m
 Forecast net cash (£m) 22.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Pan African Resources is a South African mining company with gold mines and a platinum project (Phoenix) in South Africa. It produces c 100koz of gold annually and is ramping up to 12,000oz PGMs. It is also in the process of acquiring Evander.

Price performance

%	1m	3m	12m
Actual	15.6	19.4	48.0
Relative*	15.2	12.9	32.8

* % Relative to local index

Analyst

Charles Gibson

Pan African Resources (PAF)

INVESTMENT SUMMARY

In May, Pan African (PAF) agreed to buy 100% of Evander for ZAR1.5bn (US\$181m). Funding for the transaction (for which it has irrevocable support from 57% of its share capital) will include an issue of 25% new equity. PAF will also pass its dividend for FY12, although it will resume it again in FY13. In absolute terms, we estimate that the net present value of PAF's potential dividend stream to investors to FY39 is 20.77p after new equity. The EGM transaction will also add >1.0p per share to EPS until FY22.

INDUSTRY OUTLOOK

At a share price of 17.25p, PAF's PER declines from 8.9x diluted reported EPS in FY12 to 4.9x in FY13 and 3.8x in FY14 – cheap compared to other multi-asset South African-based producers such as AngloGold Ashanti (5.8x consensus earnings in FY13) and Gold Fields (5.5x FY13) and the average of the global, senior gold producers (10.3x FY13). PAF is also selling Manica for a total potential purchase consideration of A\$41m in cash and shares (in Terranova).

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	68.3	27.0	24.4	1.2	15.4	10.0
2011A	79.1	31.3	29.2	1.4	13.2	10.9
2012E	105.8	52.4	47.8	2.2	8.4	5.7
2013E	172.5	91.4	85.8	3.7	5.0	3.5

Sector: Mining

Price: 1.6p
 Market cap: £15m
 Forecast net cash (£m) 1.2
 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 mineral property investment company focused on the discovery and development of iron ore, manganese, uranium and gold, primarily in Australia and Africa.

Price performance

%	1m	3m	12m
Actual	(3.0)	(21.7)	(69.6)
Relative*	(3.3)	(25.9)	(72.7)

* % Relative to local index

Analyst

Michael Stoner

Red Rock Resources (RRR)

INVESTMENT SUMMARY

September has seen Red Rock complete the 27-hole drilling programme at the Melville Bugt iron exploration project in Greenland, totalling 4,061m. consequently, the company is in discussions with SRK Consulting regarding completion of a mineral resource estimate for certain targets within the project. Elsewhere, bid for the company's interest in the El Limon and El Mango gold mines in Colombia is ongoing. While this is not a definitive contract and is subject to continuing due diligence, we view the potential sale of the assets as positive, as it could release cash to Red Rock's exploration assets such as the highly-prospective Melville Bugt iron ore project in Greenland.

INDUSTRY OUTLOOK

Recently, there has been significant fluctuation in the value of Red Rock's stake in Jupiter Mines. It was subsequently announced that this was due to a bid to buy one of the assets owned by Jupiter. Given the fluctuation in the Jupiter Mines share price, our valuation and forecasts are under review.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.9)	(1.5)	(0.26)	N/A	N/A
2011A	0.9	(1.1)	(1.6)	0.01	160.0	N/A
2012E	4.7	0.4	(1.0)	(0.25)	N/A	3.5
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price:	1.0p
Market cap:	£7m
Forecast net debt (£m)	2.8
Forecast gearing ratio (%)	22.0
Market	AIM

Share price graph (p)



Company description

Regency Mines is a multi-commodity exploration and investment company trading on AIM, Frankfurt and PLUS. Its flagship assets are the large-scale Mambare nickel laterite project in Papua New Guinea and a 17% interest in Red Rock Resources.

Price performance

%	1m	3m	12m
Actual	11.3	(40.3)	(56.1)
Relative*	10.9	(43.5)	(60.6)

* % Relative to local index

Analyst

Michael Stoner

Regency Mines (RGM)

INVESTMENT SUMMARY

Regency is currently trading below our low-end scenario valuation (1.2p/share), which calculates the net asset value (NAV) from the current market value for its listed investments summed with the book value of the exploration assets. This of course clearly ascribes as little as no value to the Mambare resource, the potential cost benefit of the DNI technology or the potential upside from the company's other assets. Our headline valuation taken from our median case valuation scenario is 3.6p/share and includes the current Mambare resource at 2.5p/share based on an updated peer group.

INDUSTRY OUTLOOK

Mambare (50% owned) hosts a JORC-compliant resource totaling 162.5Mt at 0.94% Ni with 1.53Mt of contained Ni. Away from Mambare, RGM continues to make progress with its Australian assets. Until recently, these have taken a back seat to Mambare, but we now expect progress here to pick up as the Mambare drill programme is complete for the near term.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.5)	0.4	0.1	10.0	N/A
2011A	0.2	(1.3)	0.8	0.2	5.0	N/A
2012E	0.0	(1.2)	(1.9)	(0.3)	N/A	N/A
2013E	0.0	(0.8)	(0.9)	(0.1)	N/A	N/A

Sector: Mining

Price:	C\$0.35
Market cap:	C\$41m
Forecast net cash (US\$m)	27.5
Forecast gearing ratio (%)	N/A
Market	TSX

Share price graph (C\$)



Company description

South American Silver intends to recover value for the expropriation of its Malku Khota mining concessions in Bolivia through international arbitration and explores for copper-gold-silver at its wholly owned Escalones project in Chile.

Price performance

%	1m	3m	12m
Actual	(16.5)	(69.1)	(81.7)
Relative*	(18.3)	(71.6)	(82.3)

* % Relative to local index

Analyst

Tom Hayes

South American Silver Corp (SACC)

INVESTMENT SUMMARY

The results of a five-hole diamond drill programme undertaken at the company's Chilean Escalones copper project, located on the same trend as El Teniente, indicated the presence of surface outcropping oxide copper mineralisation (ES-35 contains 71m at 0.61% cu, 0.010g/t Au, 0.17 g/t Ag, 23g/t Mb, 16g/t Ga and 6g/t In from 14.1m). Further investigation of Escalones, which has already been tested 1.7km horizontally and 1.1km vertically, will be required to identify the true extent of oxide mineralisation. This is important for any future mining operation as oxide copper is amenable to the cheap bulk tonnage heap leaching method and can provide crucial early cash flows to the company. Indeed the skarn associated with Escalones has been identified to extend several 100m to the north, 500m to the south and east and far below the vertical limit of current drilling. We value Escalones at US\$1.19/share.

INDUSTRY OUTLOOK

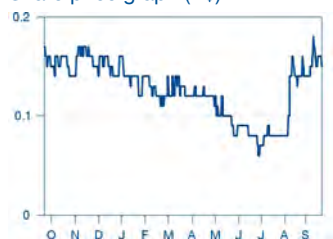
Our long-term prices for Au, Ag and Cu are \$1,350/oz, \$24.63/oz and \$2.75/lb, respectively.

Y/E Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(3.8)	(3.8)	(3.9)	N/A	N/A
2011A	0.0	(10.2)	(9.9)	(9.1)	N/A	N/A
2012E	0.0	(5.5)	(5.0)	(4.2)	N/A	N/A
2013E	0.0	(5.5)	(3.3)	(2.6)	N/A	N/A

Sector: Mining

Price: A\$0.15
 Market cap: A\$33m
 Forecast net debt (£m) 18.7
 Forecast gearing ratio (%) 146.0
 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 3,219 sq km.

Price performance

%	1m	3m	12m
Actual	7.1	87.5	(11.8)
Relative*	6.7	74.9	(17.3)

* % Relative to local index

Analyst

Tom Hayes

Sumatra Copper & Gold (SUM)

INVESTMENT SUMMARY

Detail relating to the pre-feasibility study for Stage 2 of the Tembang (100% SUM) project was announced on 24 September. Main highlights of this stage include a three-year mine life (following Stage 1's five years); total Au production of 249koz & 3,446koz Ag (vs S1 of 146koz Au & 1,388koz Ag); a ramp up to 500ktpa processed (vs S1 400ktpa) and total net cash flows of US\$151m (vs S1 of US\$71m). The total capital cost of developing Tembang (which will produce gold and silver from open pits and underground) for Stage 1 is estimated at US\$68m and Stage 2, US\$37.5m. Average C1 cash costs over LOM is US\$431/oz. Sumatra now looks to complete full permitting, commence project financing and initiate production for Stage 1 during 2013.

INDUSTRY OUTLOOK

We will use Au prices of US\$1,600/oz (2012), US\$1,600/oz (2013) and US\$1,350/oz from then in our upcoming valuation.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(1.3)	(1.2)	(0.5)	N/A	N/A
2011A	0.0	(1.9)	(1.8)	(0.9)	N/A	N/A
2012E	0.0	(4.4)	(5.7)	(2.1)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: A\$0.12
 Market cap: A\$20m
 Forecast net cash (A\$m) 7.4
 Forecast gearing ratio (%) N/A
 Market ASX

Share price graph (A\$)



Company description

Universal Coal is a coal development company with advanced thermal and coking coal projects in South Africa. A New Order Mining Right has been awarded at the Kangala thermal coal project where first production is expected by the end of next year.

Price performance

%	1m	3m	12m
Actual	(14.3)	(22.6)	(52.9)
Relative*	(14.7)	(27.8)	(55.9)

* % Relative to local index

Analyst

Andrey Litvin

Universal Coal (UNV)

INVESTMENT SUMMARY

Universal Coal has secured project financing from Rand Merchant Bank covering 65% (A\$31m) of Kangala's development cost. The remaining 35% of the overall project's funding, estimated at c A\$50m, is expected to be raised through equity. This 65%/35% split compares favourably with the previous guidance suggesting a minimum 50% debt and 50% equity funding of the project. With an off-take agreement in place and nearly complete funding, Kangala is slated to become the company's first producing mine, delivering up to 2.1Mtpa of saleable thermal coal in late 2013. According to the company, it has cash position of A\$8.5m and another A\$5m in outstanding convertible debt facility made available by Susquehanna. In addition, it is working towards the completion of the private placement (announced in July 2012) with a Hong Kong-based resource investor, which has so far brought A\$2m to the company.

INDUSTRY OUTLOOK

Thermal coal prices may have bottomed out, trading at, or near, the marginal FOB cash cost.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(5.1)	(5.2)	(9.9)	N/A	N/A
2011A	0.0	(10.6)	(10.2)	(5.6)	N/A	N/A
2012E	0.0	(5.2)	(4.7)	(2.0)	N/A	N/A
2013E	17.0	0.7	1.1	0.5	24.0	N/A

Sector: Mining

Price: C\$0.32
 Market cap: C\$101m
 Forecast net cash (C\$m): 1.2
 Forecast gearing ratio (%): N/A
 Market: TSX

Share price graph (C\$)



Company description

Woulfe Mining is developing mineral resources in South Korea. Its flagship project is the Sangdong tungsten-molybdenum mine slated for production in 2013. It is also fast-tracking the Muguk gold deposit.

Price performance

%	1m	3m	12m
Actual	52.4	20.8	45.5
Relative*	49.1	11.2	40.4

* % Relative to local index

Analyst

Andrey Litvin

Woulfe Mining Corp (WOF)

INVESTMENT SUMMARY

Woulfe reported that it has received a confirmation from IMC, suggesting that the latter is satisfied with the results of its due diligence of the Sangdong project. The company is now looking to close the transaction subject to meeting the remaining conditions. While the final structure of the deal remains to be seen, its completion should be the major driver behind the WOF share price. Earlier, the company announced signing a milestone memorandum of understanding with the Shinhan bank. According to the agreement, the company could be provided with a 12-year term loan facility amounting to KRW120bn (c US\$104m) to be used in advancing the Sangdong project to production. The bank funding complements the US\$70m financing that is expected to be provided by the company's partner IMC. The combined funding should cover the cost of bringing the project into production.

INDUSTRY OUTLOOK

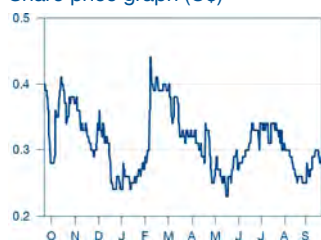
The benchmark APT price has recently slid to US\$360/t providing some pressure on the equities.

Y/E Jun	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(1.9)	0.0	0.0	N/A	N/A
2011A	0.0	(3.5)	(3.5)	(0.02)	N/A	N/A
2012E	0.0	(3.5)	(3.5)	(0.01)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: C\$0.29
 Market cap: C\$294m
 Forecast net cash (US\$m): 352.6
 Forecast gearing ratio (%): N/A
 Market: TSX

Share price graph (C\$)



Company description

Yukon-Nevada Gold operates its Jerritt Canyon mine and processing plant in north Nevada, US. It also explores for gold and base metals in the Yukon Territory at its Ketz River project.

Price performance

%	1m	3m	12m
Actual	11.3	(10.6)	(33.7)
Relative*	8.9	(17.6)	(36.0)

* % Relative to local index

Analyst

Tom Hayes

Yukon-Nevada Gold (YNG)

INVESTMENT SUMMARY

Yukon-Nevada's (YNG) Q212 results indicated greater consistency was achieved at its mill, with 4kt per day successfully processed. During Q2, however, YNG lost a total of 18 days' production from installing an inadequate bucket elevator, which has now been replaced by two conveyors. This has resulted in improved mill performance and gold production of 25,249ozs from 154,893 tons mined, a 108% increase over tons mined in Q112. Due to this downtime, and to a change in accounting practice, YNG recorded a loss of US\$8.3m (vs net income of US\$22.9m in Q211 – though this was due to a fair value gain in warrants recorded as liabilities) in Q212. YNG has also announced it is to pursue a US listing and share consolidation (min 1 for 8), citing improved access to the US investor base as a major reason for the move.

INDUSTRY OUTLOOK

Our valuation is based on a gold price of US\$1,600/oz (2012), reducing to a long-term US\$1,350/oz from 2014 and a 10% discount rate.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	71.4	(18.0)	(85.3)	(12.9)	N/A	N/A
2011A	105.1	(34.0)	(70.2)	(7.2)	N/A	4.7
2012E	232.2	89.3	80.1	8.1	3.7	5.7
2013E	327.2	134.1	102.9	10.0	3.0	2.5

Sector: Mining

Price: 56.5p
 Market cap: £158m
 Forecast net cash (US\$m): 41.2
 Forecast gearing ratio (%): N/A
 Market: LSE

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(8.9)	(5.0)	(45.1)
Relative*	(9.2)	(10.2)	(50.8)

* % Relative to local index

Analyst

Andrey Litvin

Zanaga Iron Ore (ZIOC)

INVESTMENT SUMMARY

ZIOC announced an upgrade in JORC-compliant mineral resource for the Zanaga iron ore project, with the overall tonnage rising 57% to 6.8bn at 32% Fe grade. Importantly, the share of measured resource was increased from 3% to 35%, or 2.4bn tonnes at 34% Fe, with the indicated category accounting for 34% of total. Following this upgrade the stock trades at an EV/Resource multiple of just US\$0.2/t compared to the peer group weighted average of US\$0.6/t. Despite the recent drop in the spot iron ore price, which weighs on the sector's valuation, our ZIOC NPV-derived unrisks value remains unchanged at £3.8/share, as it is based on the conservative long-term iron ore price. We look forward to the pipeline PFS study results, due in September, which should underpin the project's strong economics and support the ZIOC share price.

INDUSTRY OUTLOOK

Despite the recent recovery driven by restocking and new stimulus in China, we expect the iron ore price to remain capped by the weak macro and steel industry fundamentals.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(13.9)	(13.9)	(5.38)	N/A	N/A
2011A	0.0	(14.5)	(14.4)	(5.22)	N/A	N/A
2012E	0.0	(9.0)	(8.8)	(3.22)	N/A	N/A
2013E	0.0	(9.0)	(8.9)	(3.22)	N/A	N/A

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www.edisoninvestmentresearch.co.uk

London +44 (0)20 3077 5700
Lincoln House, 296-302 High Holborn
London, WC1V 7JH, UK

New York +1 212 551 1118
380 Lexington Avenue, Suite 1724
NY 10168, New York, US

Sydney +61 (0)2 9258 1162
Level 33, Australia Square, 264 George St,
Sydney, NSW 2000, Australia

Edison Investment Research

enquiries@edisoninvestmentresearch.co.uk
www.edisoninvestmentresearch.co.uk

Lincoln House
296-302 High Holborn
London
WC1V 7JH
England
Tel: +44 (0) 20 3077 5700

Level 33
Australia Square
264 George Street
Sydney
NSW 2000
Australia
Tel: +61 (0)2 9258 1162

380 Lexington Avenue
Suite 1724
New York
NY 10168
United States
Tel: +1 212 551 1118