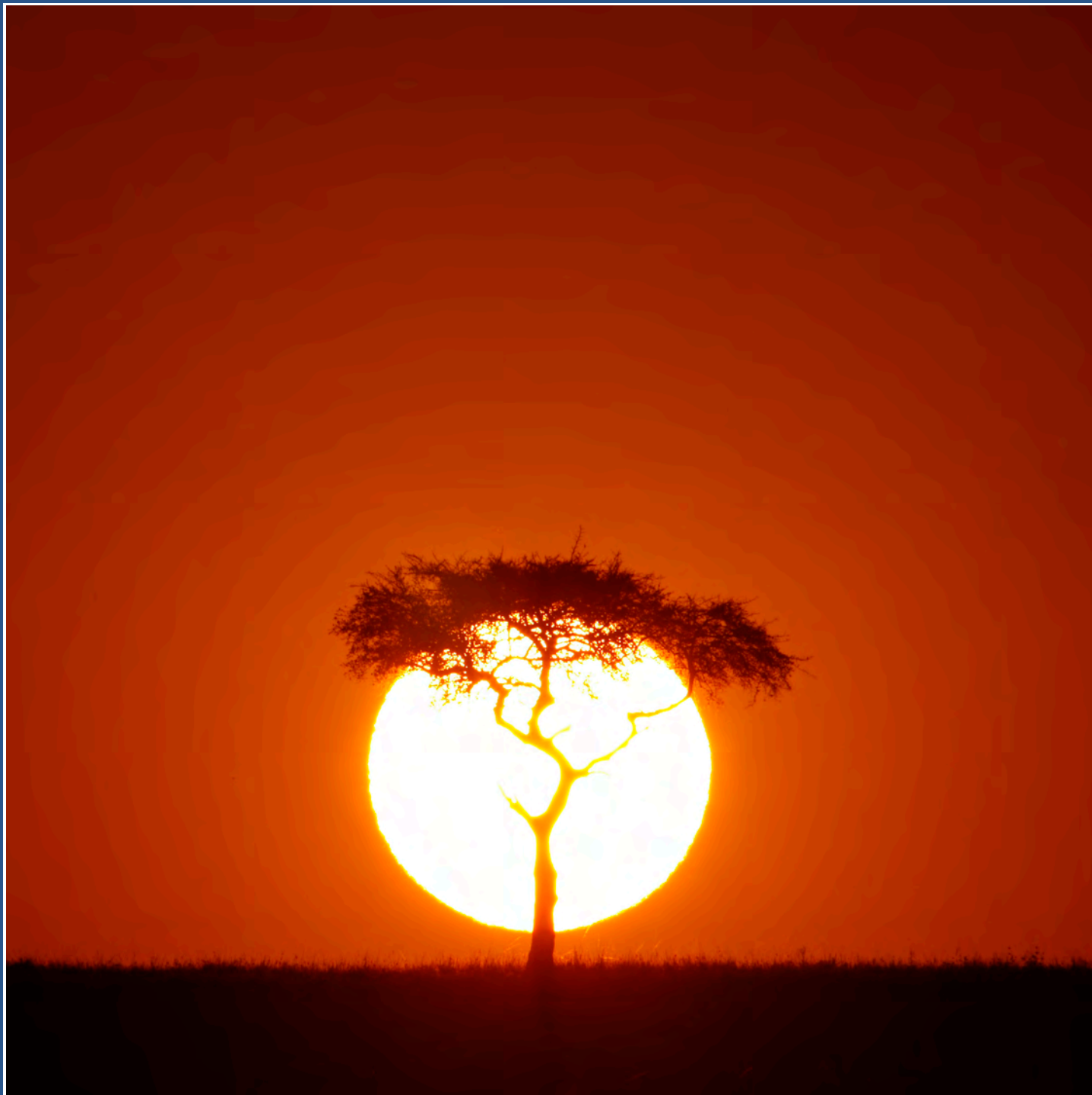


# Indaba special

Sector focus • Company profiles

February 2012



## The Edison mining team

[www.edisoninvestmentresearch.co.uk](http://www.edisoninvestmentresearch.co.uk)

### 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.

### 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, Downer EDI, Kalimati Coal and Hatch Mining Consultancy. Rory has a master of commerce degree from the University of Queensland, and has also recently undertaken CFA studies.

### Anthony Wagg



Anthony spent many years as a stockbroker following the SA mining market. Twice he lived and worked in Johannesburg, and then back in London, 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, firstly as an analyst and then on the corporate finance side.

### 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.

### Tom Hayes



After receiving his masters in mining geology from the Camborne School of Mines in 2003, Tom initially worked as an engineering geologist for consulting firm Mouchel before moving into the mining sector in 2006. During his time abroad, he worked as lead production geologist at Australia's longest running nickel mine, Otter Juan, in the Kalgoorlie-Kambalda region of Western Australia. He also spent time working for a small junior gold play in the Victorian Goldfields of south-eastern Australia, before flying off to work for the Citadel Resource Group as resource definition geologist at its flagship Jabal Sayid Copper-Gold Project in Saudi Arabia in 2008.

### Joe Stokeld



Joe began his time at Edison an intern, before taking up a full-time role as research assistant on the mining team. He holds a degree in History from Newcastle University and is currently studying towards the Investment Management Certificate.

### Julian Emery



Julian Emery is an experienced mining research analyst with mining finance, banking and stock broking companies having had previous experience in practical mining and fund management. Most recently he was with Ambrian Partners, with whom 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 (CISI) and a member of CFA UK.

### Sheldon Modeland



Sheldon has a M.Sc. 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 in uranium, precious and base metal deposits.

## Table of contents

Sector focus	2
Company profiles	3

Priced as at 27 January 2012

Published 3 February 2012

Welcome to our special Indaba edition of Edison Insight, with profiles on our mining companies and a sector focus piece by Charles Gibson.

In the last year, our mining coverage has increased dramatically. The team is led by Charles Gibson, who is supported by a team of seven other analysts. Today the team covers 66 companies, 62 of which are corporate clients of Edison. Our clients range from well-established FTSE 100 companies to junior explorers on AIM. Our approach is global and we write on companies on several different exchanges, including the TSX, ASX and JSE. Over the last year our research has been read by over 3,500 unique institutional investors.

Edison Investment Research is a leading international investment research company. It has won industry recognition, with awards both in Europe and internationally. The team of 80 includes over 50 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 350 companies across every sector and works directly with corporates, fund managers, investment banks, brokers and other advisers. Edison's research is read by institutional investors, alternative funds and wealth managers in more than 100 countries. Edison, founded in 2003, has offices in London and Sydney and is authorised and regulated by the Financial Services Authority.

We welcome any comments/suggestions our readers may have.

**Neil Shah**  
Director of Research

## Sector focus: Mining



## Analyst

Charles Gibson

## Interesting times

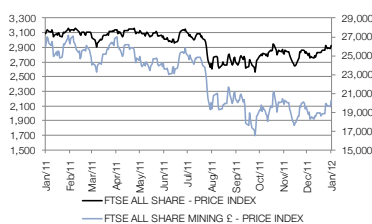
No sooner had 2012 begun than it started to exhibit all of the characteristics that are likely to drive metals and mining equities' markets this year. Almost immediately, concerns were raised about the health and creditworthiness of the European economy as leaders prepared for yet another summit to 'save' the euro. At the same time, glimmers of light were visible from the US economy but, as always, markets were looking fretfully at China for any signs that the engine of global growth may be misfiring.

Worryingly, the most recent leading indicator for China and the United States continues to imply a slowdown in economic activity around long-term trends, albeit with only marginal declines compared to recently. In Brazil, France, Germany, India, Italy, the UK and the euro area, by contrast, the leading indicators continue to point strongly to economic activity falling below the long-term trend.

In all, we see six major factors and forces that we believe will affect markets in 2012. On the upside are the prospects for money printing in Europe and additional potential quantitative easing in the US; the continuation of a negative real interest rate environment in the US; and inflationary concerns. On the downside are concerns that China will falter; that the European periphery will enter a deflationary spiral; and that a debt overhang will continue to exert downward pressure on developed nations' economies. These considerations may be seen as economics as usual; however, at least recently, four additional jokers in the pack may be: Iranian sabre rattling in the Straits of Hormuz; a US presidential election; an unresolved Arab spring (especially in Syria); and the smoothness of the succession in North Korea. Add the potential for an unexpected climactic (eg, El Niño) or financial (eg, a major financial sector bankruptcy) event and investors could be forgiven for thinking that perhaps the Mayans knew something that we don't.

So, how should investors position themselves? Unless these global issues are resolved, industrial metals and commodities appear vulnerable. That is not to say they will go down, but they are vulnerable to any slowdown in global GDP. The same is true of precious metals, but where industrial metals are uniquely exposed to world industrial output, precious metals continue to offer an insurance policy against the prospect of either a political or an economic disaster. Should it not come about, then few would resent a refundable insurance premium. If the worst happens in either domain, then a well-judged investment could prove to be worth its weight in, well.....gold.

## Sector performance



## Sector P/E

FY1	7.4x
FY2	7.3x

## Significant price changes one month (%)

Oxus Gold	65
GCM Resources	53
Horizonte Minerals	46
Pan Pacific Aggregates	(25)
GGG Resources	(29)

## Key sector data

Number of constituents	86
Average market cap.	£2.6bn
No of profitable companies	32

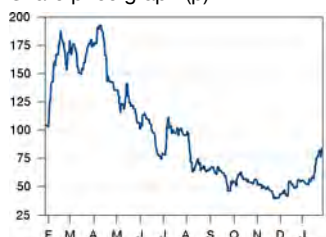
## Significant deal flow/catalysts

Q1 portfolio re-balancing
Ongoing sector consolidation
Resource nationalism
Government intervention

## Sector: Mining

Price: 80.0p  
 Market cap: £83m  
 Forecast net cash (US\$m): 1.4  
 Forecast gearing ratio (%): N/A  
 Market: AIM, TSX

## Share price graph (p)



## Company description

Afferro Mining is a West African iron ore explorer/developer that owns 100% of the 1.42bt Nkout project in Cameroon and 38.5% of the 3.24bt Putu project in Liberia.

## Price performance

%	1m	3m	12m
Actual	42.9	46.8	(23.6)
Relative*	36.5	46.1	(20.1)

\* % Relative to local index

## Analyst

Andrey Litvin

## Afferro Mining (AFF)

## INVESTMENT SUMMARY

Afferro announced the sale of its minority 38.5% stake in the Putu iron ore project to Severstal, which owns the remaining 61.5% interest and effectively manages the project. The overall consideration for the deal is US\$115m, payable in two tranches with an initial amount of US\$65m and a deferred payment of US\$50m. If Putu is sold to a third party, Afferro's deferred payment increases to at least US\$70m, representing additional upside. The deal was value accretive, valuing Putu's attributable contained Fe resource at US\$0.25/t compared to Afferro's pre-deal EV/Resource multiple of US\$0.05/t. This sale has clear rationale for Afferro as it frees cash needed to accelerate the development of its flagship Nkout project, reducing the company's liquidity and the project's execution risks.

## INDUSTRY OUTLOOK

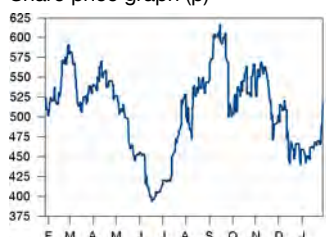
Following sharp declines driven by the destocking, iron ore prices have gained some support as steel mills resume buying. In the medium term, downside risk prevails as underlying demand remains weak.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	N/A	N/A	N/A	N/A	N/A	N/A
2010A	0.0	(2.9)	(3.7)	(5.5)	N/A	N/A
2011E	0.0	(4.5)	(5.4)	(5.7)	N/A	N/A
2012E	0.0	(4.5)	(5.6)	(5.9)	N/A	N/A

## Sector: Mining

Price: 515.5p  
 Market cap: £2114m  
 Forecast net cash (US\$m): 584.2  
 Forecast gearing ratio (%): N/A  
 Market: FULL

## 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	10.6	(6.9)	(1.5)
Relative*	5.7	(7.3)	3.0

\* % Relative to local index

## Analyst

Charles Gibson

## African Barrick Gold (ABG)

## INVESTMENT SUMMARY

In the fourth quarter of 2011, ABG reported the production of 160,020oz of gold to bring its total for the year to 688,278oz. This is in line with guidance at the time of its December announcement, when it recognised that continued power disruptions (which affected three of ABG's four mines) would cost it 35,000-40,000oz in lost production. We have adjusted our earnings fractionally in the light of the company's announcement. In the meantime, it has indicated it expects production for FY12 to be >700koz with inflationary pressure on costs running at c 10-15%.

## INDUSTRY OUTLOOK

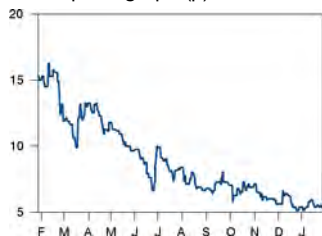
In terms of its prospective P/E ratio, ABG is trading at a 36% discount to the average of its peers (in the form of the Arca Gold BUGS index – the HUI) to December 2011, widening to a 39% discount in FY12, despite the fact that it is attended by an absence of commissioning risk (unlike the sector as a whole). In terms of its prospective EV/EBITDA multiple, it is trading at a 49% discount to both December 2011 and December 2012.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	693.4	260.2	161.1	16.9	48.0	11.8
2010A	975.0	445.2	335.1	59.5	13.6	9.7
2011E	1221.9	549.8	412.7	68.5	11.8	6.5
2012E	1197.6	557.9	405.5	68.0	11.9	5.9

## Sector: Mining

Price: 5.5p  
 Market cap: £23m  
 Forecast net cash (£m): 3.6  
 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	7.3	(20.0)	(63.9)
Relative*	2.5	(20.4)	(62.3)

\* % Relative to local index

## Analyst

Tom Hayes

## African Eagle Resources (AFE)

## INVESTMENT SUMMARY

In January AFE announced Lycopodium Minerals as engineer to complete a bankable feasibility study (BFS) on the Dutwe nickel project. Lycopodium has significant expertise in mine design, engineering and construction, particularly in Tanzania. AFE also announced it has selected SGS laboratories in Perth to perform pilot-scale hydrometallurgical test works on Dutwe ore samples. This will form a critical part of the BFS. SGS is a world leader in providing demonstrable bankable flow sheets to companies, previously undertaking work on other laterite deposits, including Niquel do Vermelho, Ravensthorpe and Shevchenko. The board appointments of both Don Newport (35 years' banking experience in London, inc closing numerous global corporate transactions), and Dr Chris Ponton (inc six years with BHP developing its Ni and ferrochrome division) as non-executive directors will contribute significant relevant experience to the development of Dutwe.

## INDUSTRY OUTLOOK

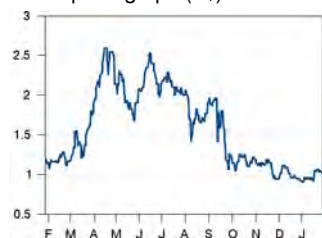
A tonne of Ni currently trades at c US\$21,400/t.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(1.4)	(1.4)	(0.6)	N/A	N/A
2010A	0.0	(1.1)	(1.1)	(0.4)	N/A	N/A
2011E	0.0	(1.1)	(0.9)	(0.3)	N/A	N/A
2012E	0.0	(1.1)	(0.9)	(0.3)	N/A	N/A

## Sector: Mining

Price: A\$1.00  
 Market cap: A\$269m  
 Forecast net cash (A\$m): 9.5  
 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	7.0	(18.0)	(15.6)
Relative*	3.1	(17.0)	(4.8)

\* % Relative to local index

## Analyst

Tom Hayes

## Alkane Resources (ALK)

## INVESTMENT SUMMARY

Media attention over the rare earth group of elements has dragged negative sentiment towards Alkane's flagship Dubbo Zirconia project (DZP). Indeed, prices for the DZP basket of goods decreased in Q411 (resulting in a 40% and 22% decrease in LREE and HREE Dubbo concentrate prices respectively between Q311 and Q411). However, our base case valuation (A\$3.02/share excluding McPhillamys value of A\$0.42) is based on significantly more conservative price estimates (indicative of those seen in Q111) and, perhaps surprisingly, if we apply the 'depressed' rare earth prices seen in Q411, our base case increases by 129% to A\$7.05/share. The development of the Tomingley Gold project is reaching the construction phase (expected mid-2012) once a final development approval is granted by the NSW government (expected mid-late Q1 12). Financing will require a further c A\$50m raised to satisfy the c A\$95m capex bill.

## INDUSTRY OUTLOOK

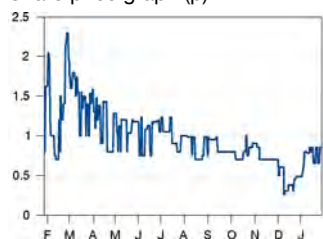
We value ALK at A\$3.44/share (inc A\$0.42 for McPhillamys).

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	4.7	2.2	2.4	0.99	101.0	N/A
2010A	10.1	7.6	7.9	3.18	31.4	N/A
2011E	0.1	(2.0)	(2.1)	(0.80)	N/A	N/A
2012E	39.0	7.9	(14.6)	(5.43)	N/A	436.7

## Sector: Mining

Price: 0.8p  
 Market cap: £0m  
 Forecast net cash (£m) 0.1  
 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	76.0	(0.6)	5.6
Relative*	68.2	(1.1)	10.5

\* % Relative to local index

## Analyst

Tom Hayes

## All Star Minerals (ASMO)

## INVESTMENT SUMMARY

All Star Minerals recently announced the acquisition of Circle Resources, Jodo Gold and Blue Doe Gold for A\$535,000. These acquisitions add seven projects in Queensland, Australia covering 518km sq, deemed 'highly' prospective for gold, silver, copper, phosphate and uranium. All Star is restructuring the assets of each company into distinct synergetic groups focused on precious, base and strategic commodities. Latest exploration results from the Gilpas uranium project suggest that previously-identified radon gas anomalies are likely related to dispersal of uranium bearing material in the glacial till rather than uranium mineralisation in the underlying bedrock. The next phase of drilling at Gilpas and the Samon iron ore target are expected to start in April and May 2012, respectively.

## INDUSTRY OUTLOOK

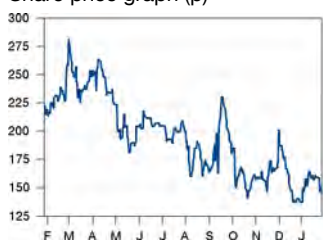
The uranium spot price remains flat at around \$52/lb of U3O8, volatility continues within the sector despite China and India progressing its significant nuclear ambitions.

Y/E Nov	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2010A	0.0	(0.1)	(0.1)	(0.1)	N/A	N/A
2011E	0.0	(0.1)	(0.1)	(0.1)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 145.0p  
 Market cap: £296m  
 Forecast net debt (US\$m) 17.9  
 Forecast gearing ratio (%) 4.0  
 Market ASX, FULL, TSX

## Share price graph (p)



## Company description

Allied Gold Mining is a gold explorer-producer. Its main assets are the Simberi Oxide Gold mine in Papua New Guinea and the Gold Ridge mine in the Solomon Islands.

## Price performance

%	1m	3m	12m
Actual	3.5	(9.4)	(34.7)
Relative*	(1.1)	(9.8)	(31.7)

\* % Relative to local index

## Analyst

Tom Hayes

## Allied Gold Mining (ALD)

## INVESTMENT SUMMARY

ALD's activities report for Q411 detailed quarterly group production of 31,181ozs (Simberi; 12,387ozs @ US\$1108/oz gross cash costs; Gold Ridge 18,794oz @ US\$1319/oz gross cash costs, and 108,338ozs (Simberi 57,284oz @ US\$1319/oz; Gold Ridge 51,054 @ US\$1224/oz) for the full year, marking 2011 as the first year it breached the 100koz production milestone. Average realised Au price was US\$1695/oz. ALD has also agreed a hedge-free US\$80m three-year gold loan with RK Mine Finance, used to repay US\$55m in corporate borrowings and provide additional liquidity while it completes its capex programmes. The loan will be repaid in physical gold with the no. of ounces linked to the prevailing gold price. The notional repayment over three years is 66,240oz (at a ref price of US\$1500). No explicit interest rate is charged and no hedging is required as all gold is sold at the prevailing gold price. Johan Oelofse was also appointed as COO.

## INDUSTRY OUTLOOK

The gold price is currently at c US\$1,700/oz.

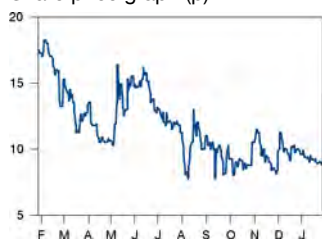
Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	0.0	0.0	0.0	N/A	N/A	N/A
2010A	0.0	0.0	0.0	0.0	N/A	N/A
2011E	138.8	11.7	(5.3)	(2.7)	N/A	52.7
2012E	276.1	103.5	77.3	29.9	7.6	9.2



## Sector: Mining

Price: 9.1p  
 Market cap: £25m  
 Forecast net cash (US\$m) 0.6  
 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	(9.2)	3.7	(48.1)
Relative*	(13.3)	3.2	(45.8)

\* % Relative to local index

## Analyst

Tom Hayes

## Amur Minerals (AMC)

## INVESTMENT SUMMARY

Amur Minerals continues to compile its exploration data from the Kun Marie nickel sulphide project in the far east of Russia. Analytical work from the 2011 field season is being carried out by Alex Stewart Laboratories in Moscow. The latest exploration work focused on the Krumkon trend, an area covering 15km by 2.5km, and the Yan Helgde area 10km north of Krumkon trend and covering 20km sq. These areas have potential to expand Amur's current JORC resource of 341,000t of contained nickel with ancillary Cu. Further sampling and follow-up of anomalies is planned for 2012. Amur is still pursuing elevated talks with Russian authorities over the approval of the Kun-Manie mining licence.

## INDUSTRY OUTLOOK

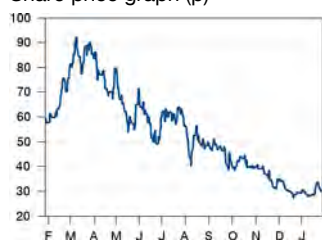
Nickel currently trades on the LME at around US\$20,155/t.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(1.4)	(1.6)	(1.1)	N/A	N/A
2010A	0.0	(1.9)	(1.9)	(1.0)	N/A	N/A
2011E	0.0	(1.3)	(1.3)	(0.5)	N/A	N/A
2012E	0.0	0.0	0.0	0.0	N/A	N/A

## Sector: Mining

Price: 29.8p  
 Market cap: £47m  
 Forecast net cash (£m) 1.1  
 Forecast gearing ratio (%) N/A  
 Market FULL

## Share price graph (p)



## Company description

Anglesey has a 33.0% interest in Labrador Iron Mines, following the full take-up of LIM's recent public offering for C\$121m. Anglesey also owns 100% of the Parys Mountain zinc-copper-lead deposit in North Wales.

## Price performance

%	1m	3m	12m
Actual	0.8	(25.6)	(49.8)
Relative*	(3.6)	(26.0)	(47.5)

\* % Relative to local index

## Analyst

Anthony Wagg

## Anglesey Mining (AYM)

## INVESTMENT SUMMARY

On 20 January LIM announced preliminary operating results for 2011. A total of 1.2Mt ore was mined, including 440,000t direct rilling ore at an average grade of 64.9%. 572,000t were rilled to the port, though only 386,000t were shipped and sold, with the balance frozen at the port. In October 157,000t were sold at US\$176, with 162,000t at US\$121 in November and 67,000t at US\$137 in December, all CFR China. Plant modification and installation of additional equipment is underway as planned and should be in place by mid-2012. On 11 January diamond drilling began with four holes at Parys Mountain in Anglesey. Potentially there are a further six to eight holes depending on the initial results. The aim is to identify the extent of near-surface lacerations of the Engine Zone mineralisation.

## INDUSTRY OUTLOOK

Iron ore prices continue to fluctuate. The current price is around \$140/t. The port handling arrangements for 2012 have still to be agreed. The plant start-up for the 2012 operating season is planned for May.

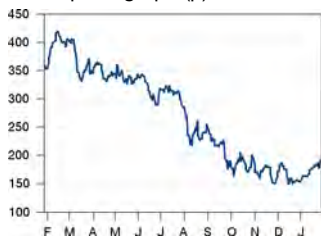
Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.3)	(0.6)	(0.4)	N/A	N/A
2011A	0.0	(0.5)	(1.7)	(1.1)	N/A	N/A
2012E	0.0	(0.5)	5.1	3.3	9.0	N/A
2013E	0.0	(0.5)	20.8	13.1	2.3	1.9



## Sector: Mining

Price: 192.0p  
 Market cap: £903m  
 Forecast net cash (US\$m) 125.0  
 Forecast gearing ratio (%) N/A  
 Market FULL

## 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	23.0	(4.4)	(46.5)
Relative*	17.5	(4.8)	(44.1)

\* % Relative to local index

## Analyst

Andrey Litvin

## Aquarius Platinum (AQP)

## INVESTMENT SUMMARY

Aquarius Platinum released neutral Q112 financial results. The only surprise was another net loss, which was mainly a result of a non-cash FX loss. The top line was down 12% q-o-q on the back of the marginally lower production (-4%) and a decline in realised pricing (unit revenue was down 8%). Cash production cost grew 4% q-o-q (8% in unit terms), which is a good result for Aquarius. Having said that, taking into consideration rand depreciation against the US dollar (5% for the quarter), the company's cost control looks less impressive. The bottom line was negatively affected by the significant FX loss reaching US\$92m, which we understand is a one off. We expect Q4 to be tough for the industry as PGM prices have fallen and cost pressures are likely to persist, even despite the weakening currency.

## INDUSTRY OUTLOOK

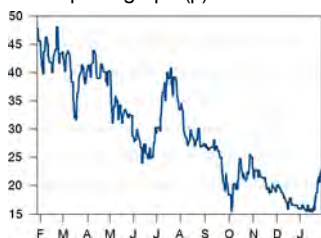
PGM prices to remain volatile in the short term on the back of the uncertain global macroeconomic situation.

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	18.0	11.4
2011A	682.9	215.8	123.3	32.2	9.4	7.5
2012E	758.2	195.8	156.6	24.2	12.5	7.9
2013E	819.0	207.4	163.6	25.4	11.9	6.8

## Sector: Mining

Price: 22.4p  
 Market cap: £67m  
 Forecast net cash (US\$m) 6.0  
 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	35.6	(12.2)	(53.1)
Relative*	29.6	(12.7)	(51.0)

\* % Relative to local index

## Analyst

Charles Gibson

## Arian Silver (AGQ)

## INVESTMENT SUMMARY

Further to the release of drilling results last October, Arian has released assay results of an additional 15 holes and an IP survey that we estimate is consistent with the potential for an additional 55.6Moz of silver – a 63% increase on its current JORC-compliant resource. Assuming the 55.6Moz are categorised in the same proportion as existing resources, we estimate their value (at sector average valuations) to be c US\$148m, or US\$0.49/£0.32 per share. At Arian's currently discounted valuation of US\$0.733 per ounce, a resource increase of 55.6Moz would equate to a valuation uplift of US\$41m, or US\$0.14/£0.09 per share.

## INDUSTRY OUTLOOK

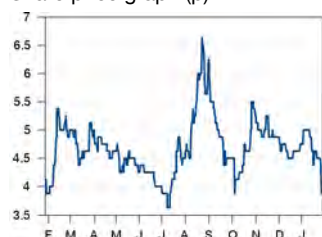
At a conservative, long-term silver price of US\$24.63/oz, we estimate mining operations at the San José mine to be worth at least 29.3p over the next four years (including the value of residual resources). Adding new resource potential we recognise US\$0.14 (or 9p) as having been crystallised with the potential to add up to an additional US\$2.97 (or 194p) per share.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	0.0	(2.0)	(2.1)	(0.8)	N/A	N/A
2010A	0.2	(2.0)	(1.7)	(0.7)	N/A	N/A
2011E	8.3	(11.0)	(11.5)	(3.6)	N/A	N/A
2012E	17.5	6.4	6.3	1.9	18.5	21.2

## Sector: Mining

Price: 3.9p  
 Market cap: £10m  
 Forecast net cash (£m) 0.6  
 Forecast gearing ratio (%) N/A  
 Market AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(16.2)	(29.6)	(6.1)
Relative*	(19.9)	(29.9)	(1.8)

\* % Relative to local index

## Analyst

Tom Hayes

## Ariana Resources (AAU)

## INVESTMENT SUMMARY

Ariana updated the market on the status of its Red Rabbit JV on 26 January. Main highlights include compilation of remaining components of the detailed feasibility study, including feasibility works and design of the tailings storage facility (TSF). After completing the TSF design and receiving all necessary permits, construction will start (expected H212), with production projected for 2013. Acquisition of strategic land near Arzu South is also taking place, a key hurdle to commissioning the mine. On the financing side, Ariana has arranged a US\$2m loan agreement completed with YA Global Master (advised by Yorkville Advisors), made in two tranches, US\$0.75m paid in 10 instalments, with final payment in January 2013. The second will be paid on repayment of the first, subject to mutual agreements. The money will be used to develop Red Rabbit.

## INDUSTRY OUTLOOK

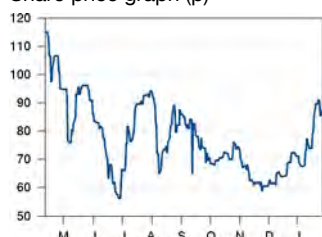
We continue to use long-term gold and silver prices of US\$1,350/oz and US\$25/oz, respectively.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(0.4)	(0.4)	(0.3)	N/A	N/A
2010A	0.3	(0.5)	(0.5)	(0.3)	N/A	N/A
2011E	0.0	(0.8)	(0.8)	(0.1)	N/A	N/A
2012E	3.5	1.1	(0.2)	0.0	N/A	6.9

## Sector: Mining

Price: 85.5p  
 Market cap: £101m  
 Forecast net cash (US\$m) 32.2  
 Forecast gearing ratio (%) N/A  
 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	18.3	15.9	N/A
Relative*	13.1	15.4	N/A

\* % Relative to local index

## Analyst

Charles Gibson

## Aureus Mining (AUE)

## INVESTMENT SUMMARY

Aureus has announced assay results from the fourth and final set of holes from its feasibility drilling programme at New Liberty. The programme effectively doubles the drilling density at New Liberty and was designed to fill in the gaps within the ore body and outline potential strike and depth extensions to the existing resource estimate. Of the 80 holes drilled, a total of 69 intersected mineralisation, confirming the continuity of the main zone from surface to a depth of c 200m along a strike length of 1,750m. In all cases, the mineralised units were defined by the presence of disseminated sulphides.

## INDUSTRY OUTLOOK

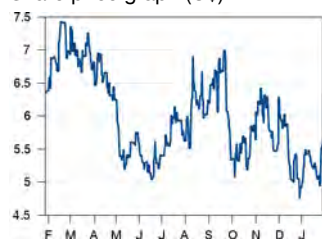
The nature of the drilling was primarily in-fill at a spacing of c 25-50m, which should be enough to upgrade the resource from the inferred and indicated categories within the New Liberty pit into indicated and measured. We estimate upgrading 564koz of inferred resource into the indicated category would add an aggregate US\$25.4m (£15.9m or 14p/share) to Aureus's value.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	N/A	N/A	N/A	N/A	N/A	N/A
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011E	0.0	(8.4)	(8.5)	(7.9)	N/A	N/A
2012E	0.0	(3.3)	(3.2)	(2.5)	N/A	N/A

## Sector: Mining

Price: C\$5.60  
 Market cap: C\$913m  
 Forecast net cash (C\$m) 191.0  
 Forecast gearing ratio (%) N/A  
 Market 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	10.9	(3.0)	(11.8)
Relative*	6.1	(3.0)	(5.1)

\* % Relative to local index

## Analyst

Charles Gibson

## Aurizon Mines (ARZ)

## INVESTMENT SUMMARY

Aurizon achieved record gold production of 163,845oz in 2011, 42,995oz of which was produced in Q4 at an average grade of 9.1g/t. Average recovery for the year stood at 91.3% and the company estimates total cash costs per oz will be below forecasts of US\$535. 2011 also represented a period of record exploration expenditure; C\$9.4m was spent on 88,000m of drilling at Casa Berardi, C\$3.6m on 24,500m at Joanna's Heva deposit and C\$9.7m on 47,000m at other properties. Looking to 2012 the company forecasts total production of 155-160,000oz. Aurizon forecasts an average 7.5g/t ore grade, 6% lower than the 2011 average grade of 8g/t, attributable to mine sequencing.

## INDUSTRY OUTLOOK

Using Aurizon's forecast cash position of C\$210m (ie C\$1.29 per share) as at 31 December 2011, its EV/EBITDA multiple of 5.63x is at a 32.4% discount to the equivalent multiple for the Gold BUGS index (HUI) of 8.34x in FY11.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	175.6	91.9	54.9	21.6	25.9	8.9
2010A	178.7	68.6	33.2	11.7	47.9	14.0
2011E	255.8	123.5	84.9	27.4	20.4	7.6
2012E	286.9	170.8	125.0	45.9	12.2	5.5

## Sector: Mining

Price: C\$0.42  
 Market cap: C\$81m  
 Forecast net cash (US\$m) 9.6  
 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	7.6	(18.3)	(8.6)
Relative*	2.9	(18.3)	(1.7)

\* % Relative to local index

## Analyst

Rory Draper

## Avnel Gold Mining (AVK)

## INVESTMENT SUMMARY

With a feasibility study due August 2012, Avnel Gold Mining and its JV partner IAMGOLD Corporation's drill program continues its aim to delineate a NI 43-101 resource of at least 2m ounces of gold. By spending at least US\$11m on exploration activity over three years and delivering a resource of 2m oz gold or more, IAMGOLD holds an option to earn an initial 51% interest in Avnel's share of the Kalana project. Assay results received from 35,000m of drilling in September 2011 show that 35 drill holes at Kalana 1 North contain a significant mineralised zone that could be potentially be suitable for bulk mining.

## INDUSTRY OUTLOOK

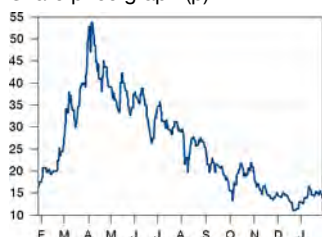
Gold has risen significantly this month as the precious metal tends to enjoy the prospects for a lower dollar and central bank liquidity injections. At US\$1,700/oz, it continues to find favour.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	19.4	1.0	(6.8)	(10.0)	N/A	10.3
2010A	13.7	(0.1)	(2.3)	(2.4)	N/A	N/A
2011E	9.5	(2.6)	(4.3)	(3.2)	N/A	N/A
2012E	6.4	(2.7)	(4.1)	(2.1)	N/A	N/A

## Sector: Mining

Price: 14.0p  
 Market cap: £26m  
 Forecast net cash (£m) 1.8  
 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. A Pre-Feasibility Study is expected to commence in Q411.

## Price performance

%	1m	3m	12m
Actual	23.1	(36.0)	(15.2)
Relative*	17.6	(36.3)	(11.3)

\* % Relative to local index

## Analyst

Charles Gibson

## Baobab Resources (BAO)

## INVESTMENT SUMMARY

Initial drilling at the Tenge prospect has returned grades of 36% Fe over 115m from the first three drill holes. A further 23 holes are undergoing analysis with a Tenge resource estimate due by the end of March. The news follows from Baobab's scoping study on its Tete project (iron/titanium/vanadium). The study modelled the Ruoni North inferred resource comprising 93Mt of the 267Mt resource inventory. The most compelling economics from the scenarios assessed were obtained from scenario B, which has an initial capex estimate of US\$690m.

## INDUSTRY OUTLOOK

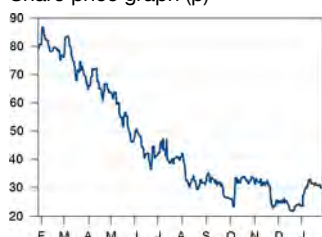
The stated NPV of Scenario B (at a 10% discount rate) of US\$892m is equivalent to US\$4.72 (£3.02) per Baobab share, currently. In our experience, companies at the scoping study stage of a project typically trade at a discount of between 76% and 91% to NPV, on which basis we would expect Baobab's market value to lie in the range US\$147m (±US\$68m), or £0.496 (±0.227) per share.

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	(2.5)	(2.4)	(1.3)	N/A	N/A
2013E	0.0	(2.5)	(2.5)	(1.0)	N/A	N/A

## Sector: Mining

Price: 30.0p  
 Market cap: £216m  
 Forecast net cash (US\$m) 112.7  
 Forecast gearing ratio (%) N/A  
 Market AIM

## 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	25.0	(11.8)	(62.0)
Relative*	19.4	(12.2)	(60.3)

\* % Relative to local index

## Analyst

Andrey Litvin

## Bellzone Mining (BZM)

## INVESTMENT SUMMARY

Bellzone has released an update on the Forécariah JV and given its initial internal resource estimate for the project. Out of the overall identified resource of 146m tonnes, c 2m tonnes represent a high grade oxide cap (55% Fe), which is expected to provide a 58% crush and screen product in the first year after the project's launch. The company continues drilling to define the resource that will be used to support production from Q412, adding to already announced internal resource estimate. More drilling results are expected in Q112. On the project side, the company appears on track to deliver its first production in Q112 with all key equipment set to arrive at port before year-end. The management guides average product impurities and c 85% recovery for oxides.

## INDUSTRY OUTLOOK

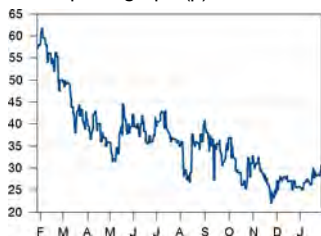
We believe further short- to medium-term weakness in the iron ore price is possible as steel mills are cutting production on the back of the deteriorated end-user demand.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(11.4)	(13.0)	(2.7)	N/A	N/A
2010A	0.0	(21.7)	(24.1)	(4.5)	N/A	N/A
2011E	0.0	(23.6)	(32.0)	(6.8)	N/A	N/A
2012E	120.0	60.5	49.1	5.9	8.0	6.7

## Sector: Mining

Price: 30.6p  
 Market cap: £20m  
 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	19.5	9.4	(46.5)
Relative*	14.2	8.8	(44.0)

\* % Relative to local index

## Analyst

Rory Draper

## Bezant Resources (BZT)

## INVESTMENT SUMMARY

Bezant Resources has announced that it has secured ownership of 100% of the Eureka Project in Argentina and amended the option terms to reduce the acquisition payment by 33%. The terms allow Bezant to reduce the acquisition cost of US\$3.9m to US\$2.6m by accelerating the schedule of payments. Bezant's share price has followed January's good news, rising from lows of 25p to c 30p.

## INDUSTRY OUTLOOK

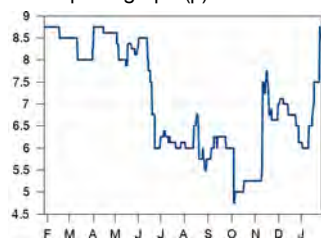
Copper is trading at a four-month high of US\$3.85/oz, well above our long-term price of US\$2.75/oz, while gold is trading at near historic highs of US\$1,700/oz.

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	6.7
2013E	0.0	(1.5)	(1.3)	(2.1)	N/A	N/A

## Sector: Mining

Price: 8.5p  
 Market cap: £43m  
 Forecast net cash (C\$m) 13.9  
 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	30.8	61.9	(2.9)
Relative*	24.9	61.1	1.6

\* % Relative to local index

## Analyst

Tom Hayes

## Caledonia Mining (CMCL)

## INVESTMENT SUMMARY

CMCL's update and 2012 outlook released in January indicated a continued improvement in production figures at its Blanket gold mine. Production for Q411 of 10,533oz Au represents a 8.1% increase over Q311 (9,473oz Au) and a 69% on increase on Q310 (6,227oz). Total gold production for 2011 was 35,826oz, a 102% increase over 2010 total production (17,707oz). Targeted gold production for 2012 is 40,000oz, which appears from Blanket's performance over 2011 more than achievable. CMCL is undertaking further refurbishment of key underground haulage routes to sustain and aid increased production and have also undertaken numerous maintenance projects across the mine's infrastructure to prevent down time.

## INDUSTRY OUTLOOK

We forecast full year net income of C\$15.7m, or earnings of 3.1 cents per share, placing the company of a very low P/E of c 3.9x, despite good operational performance, indicating the heavy discount Zimbabwean miners face in light of ongoing indigenisation discussions.

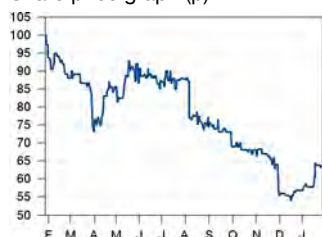
Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	11.6	3.4	(3.1)	(0.9)	N/A	N/A
2010A	22.4	8.8	3.7	0.3	45.7	10.4
2011E	54.8	32.8	21.1	3.1	4.4	2.7
2012E	61.4	38.1	26.2	3.8	3.6	2.6



## Sector: Mining

Price: 63.5p  
 Market cap: £55m  
 Forecast net debt (US\$m): 0.0  
 Forecast gearing ratio (%): 0.0  
 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	11.7	(6.5)	(36.5)
Relative*	6.7	(6.9)	(33.6)

\* % Relative to local index

## Analyst

Tom Hayes

## Central Asia Metals (CAML)

## INVESTMENT SUMMARY

CAML officially opened its Kounrad copper project in Kazakhstan on 9 December. The company is now moving towards cold commissioning the plant in Q112 with first copper production in Q212, reaching annualised production levels of 10kt per year of copper cathode during late 2012. Exploration is focused on a JORC-compliant resource statement for all of the Kounrad dumps and is expected to be completed by the end of 2012. Exploration work is also occurring at the Handgait project in Mongolia where a six drill-hole programme has been completed and results are expected soon. CAML is still discussing its 85%-owned Ereen gold exploration project with a potential purchaser.

## INDUSTRY OUTLOOK

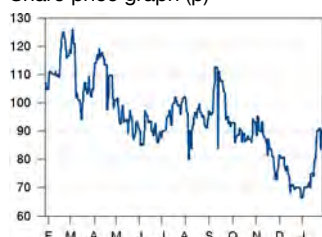
The current copper price of US\$8,350/t, or roughly US\$3.79/lb still outweighs the LOM price of US\$3.00/lb used for valuation.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.1	(14.3)	(14.9)	(4.55)	N/A	N/A
2010A	1.4	(5.5)	(5.8)	(1.13)	N/A	N/A
2011E	1.4	(6.4)	(8.2)	(0.96)	N/A	N/A
2012E	49.6	35.6	33.8	1.75	57.1	2.8

## Sector: Mining

Price: 90.0p  
 Market cap: £119m  
 Forecast net cash (US\$m): 28.9  
 Forecast gearing ratio (%): N/A  
 Market: AIM, TSX

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	28.6	(4.3)	(15.9)
Relative*	22.9	(4.7)	(12.0)

\* % Relative to local index

## Analyst

Charles Gibson

## Cluff Gold (CLF)

## INVESTMENT SUMMARY

In the full year to December 2011, Cluff reported a 23.3% increase in ore mined, a 7.7% decrease in the stripping ratio and a 6.2% increase in ore processed compared to 2010. As a result, and despite a number of operational headwinds, gold produced during the year exceeded its target of 70,000oz by 2.2%. Recent drilling results at the Yaoure project returned grades of up to 4.14g/t over 13.25m, boding well for the expansion of the current resource.

## INDUSTRY OUTLOOK

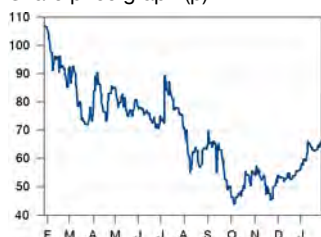
Assuming a two-year mine life at Kalsaka and no material impact on the Baomahun mine plan, we estimate a current value to investors from future dividends of US\$1.60 (£1.05) per share after exploration expenditure (at a long-term gold price of US\$1,350/oz and a discount rate of 10% to reflect general equity risk). This rises to US\$2.51 (£1.64) at a gold price of US\$1,600/oz. In addition, we estimate that Cluff's exploration budget is capable of delineating JORC resources with a value of anything between US\$0.13 and US\$1.49 per share.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	39.7	(5.1)	(13.6)	(10.9)	N/A	N/A
2010A	115.8	20.3	(1.0)	(4.6)	N/A	7.7
2011E	113.8	31.1	15.5	5.0	28.3	5.0
2012E	98.7	39.0	18.2	7.6	18.6	4.9

## Sector: Mining

Price: 64.0p  
 Market cap: £424m  
 Forecast net cash (US\$m) 62.8  
 Forecast gearing ratio (%) N/A  
 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	15.3	15.3	(40.0)
Relative*	10.2	14.8	(37.3)

\* % Relative to local index

## Analyst

Andrey Litvin

## Coal of Africa (CZA)

## INVESTMENT SUMMARY

Coal of Africa announced the sale of its ferroalloy business NiMag to the company's management for an overall consideration of US\$6.6m. The deal value roughly translates into 1.0x EV/NAV for NiMag, which is more or less in line with the company's previous guidance on the sale price. The deal will be partly financed with a four-year interest-bearing loan from Coal of Africa (c US\$2.6m or 40% of the total deal value), which, in our view, does not look very beneficial for CoAL. In FY10/11, NiMag generated US\$30.8m in revenue (12% of company's total) and US\$1.5m in gross profit. While NiMag is clearly a non-core asset for CoAL and its divestment would be a natural move for the company, our impression is that the sale price might not fully reflect the non-commodity/niche nature of NiMag business. Having said that, it allows the company to focus on its core business and reduce its exposure to nickel.

## INDUSTRY OUTLOOK

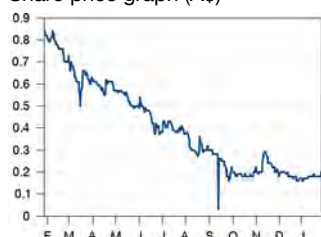
Given the weak economic backdrop, downward correction in thermal coal prices may persist.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	98.4	(75.1)	(124.7)	(24.9)	N/A	N/A
2011A	261.4	(11.9)	(120.7)	(22.9)	N/A	N/A
2012E	417.2	142.6	108.4	12.3	8.2	4.2
2013E	364.7	97.8	66.9	7.6	13.2	5.4

## Sector: Mining

Price: A\$0.20  
 Market cap: A\$78m  
 Forecast net debt (A\$m) N/A  
 Forecast gearing ratio (%) N/A  
 Market ASX

## Share price graph (A\$)



## 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	18.2	5.4	(76.8)
Relative*	13.9	6.7	(73.8)

\* % Relative to local index

## Analyst

Andrey Litvin

## Continental Coal (CCC)

## INVESTMENT SUMMARY

Continental Coal continues to grow its export thermal coal sales with another set of stellar quarterly results showing a double-digit increase to end-December. According to the preliminary data, Conticoal's Ferreira mine has seen a 30% increase in export sales over the record June 2011 quarter, which means the company's Q411 export sales were likely to reach c 177k tonnes (+35% q-o-q). Further, the company guides a 35% and 70% increase in unaudited revenue and EBITDA compared to the September quarter. The company has also updated on the progress of its Penumbra mine, awarding the completion of the development of declines at the mine to Murray and Roberts, South Africa's leading engineering, contracting and construction services company.

## INDUSTRY OUTLOOK

While downward correction in thermal coal prices may continue, resource equities have already overshot the commodities by a wide margin, which limits the downside.

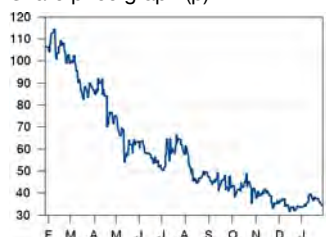
Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(13.1)	(25.5)	(2.2)	N/A	37.0
2011A	50.8	(8.8)	(23.7)	(0.9)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A



## Sector: Mining

Price: 35.1p  
 Market cap: £326m  
 Forecast net cash (US\$m) 78.1  
 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 Maresburg (75.5%), Spitzkop (93.4%), DGV (87.5%) and Kennedy's Vale (87.5%).

## Price performance

%	1m	3m	12m
Actual	3.3	(15.4)	(67.1)
Relative*	(1.3)	(15.8)	(65.6)

\* % Relative to local index

## Analyst

Andrey Litvin

## Eastern Platinum (ELR)

## INVESTMENT SUMMARY

Eastplats reported weak production numbers for Q411 with the overall PGM output of 19,854 oz (-26% q-o-q) sliding back to the levels seen in Q211. These results were negatively affected by the strike action at the company's main contractor as well as a shutdown of operations after the fatality at CRM. As we believe both events were one-offs, we expect the company's production to recover in Q112 and FY12. Thus, the company guides FY12 PGM production of 125,000oz, which would imply a 35% increase y-o-y. All in all, despite weaker-than-expected FY11 performance, we continue to view Eastplats as an attractive turnaround and growth story, with the large cash cushion providing additional support.

## INDUSTRY OUTLOOK

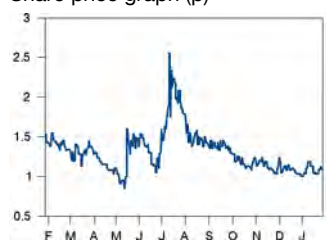
The PGM market looks fairly balanced and prices show some resilience to the recent market turmoil. Having said that, rising energy/staff costs and strong rand represent the major risk to PGM producers' performance in the medium to long term.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	111.4	18.0	0.2	0.9	61.3	N/A
2010A	155.0	33.0	10.3	1.9	29.1	14.4
2011E	141.5	0.5	(14.8)	(0.9)	N/A	N/A
2012E	253.9	55.9	38.7	2.3	24.0	19.3

## Sector: Mining

Price: 1.1p  
 Market cap: £7m  
 Forecast net debt (£m) 2.6  
 Forecast gearing ratio (%) 23.0  
 Market AIM

## Share price graph (p)



## Company description

ECR Minerals is a mineral development company with a substantial interest in THEMAC Resources Group, which is developing the Copper Flat copper project in New Mexico, and holdings in Silver Swan Group, ACS Asia and Panai Gold.

## Price performance

%	1m	3m	12m
Actual	4.9	(8.5)	(29.5)
Relative*	0.2	(8.9)	(26.3)

\* % Relative to local index

## Analyst

Charles Gibson

## ECR Minerals (ECR)

## INVESTMENT SUMMARY

ECR has elected not to exercise its purchase option over a 70% interest in the Unchime Iron Ore project, Salta Province, Argentina owing to uncertainty over whether the project could provide a saleable product in the long term. At Sierra de las Minas, the company remains focused on developing its 100% owned El Abra gold mine where it is currently taking samples from existing mine workings up to a depth of 20m. Drilling at El Abra is expected to start in February. Elsewhere, West Wits Mining, in which ECR holds 11.15m shares, recently announced the sale of four of its leases to a South African consortium for up to A\$9m subject to requirements.

## INDUSTRY OUTLOOK

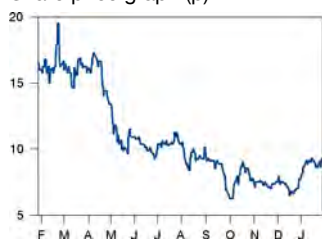
ECR Minerals' fully diluted market cap is at a c 40% discount to our sum-of-the-parts valuation of £11.7m. If THEMAC re-rates to the NPV of discounted dividend flows from Copper Flat, we calculate that group NAV could rise to £21.4m and NAV (excluding future equity dilution) to 3.7p per share.

Y/E Jun / Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	4.1	(1.4)	(2.0)	(3.0)	N/A	N/A
2010A	4.8	(1.7)	(2.2)	(1.0)	N/A	N/A
2011E	4.8	(2.1)	(2.5)	(0.9)	N/A	N/A
2012E	4.9	(1.6)	(2.0)	(0.4)	N/A	N/A

## Sector: Mining

Price: 9.1p  
 Market cap: £78m  
 Forecast net debt (€m) 58.7  
 Forecast gearing ratio (%) 239.0  
 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	30.4	19.7	(44.7)
Relative*	24.6	19.1	(42.2)

\* % Relative to local index

## Analyst

Rory Draper

## EMED Mining (EMED)

## INVESTMENT SUMMARY

EMED has announced that the Junta de Andalucia has made public policy statements that confirm support for its plans to restart the Rio Tinto mine. These statements also include wanting the project trigger to be Q312, the same target date as EMED. All political parties, local mayors and unions recently confirmed their support for the restart of the Rio Tinto mine. EMED continues with stakeholder consultations at its Biely Vrch gold deposit in Slovakia and also announced it was letting the option it held over the Regua tungsten deposit in Portugal lapse given evaluation of recent results.

## INDUSTRY OUTLOOK

Risk appetite is to the fore, with commodities in demand – copper is up to a four month high of \$3.85/lb. This still outweighs the LOM price of US\$2.75/lb used for valuation. Gold is trading at approximately \$US1,700/oz, near historic highs.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(8.9)	(9.9)	(3.4)	N/A	N/A
2010A	0.0	(10.0)	(11.3)	(2.4)	N/A	N/A
2011E	0.0	(10.0)	(16.9)	(2.2)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 343.9p  
 Market cap: £2024m  
 Forecast net cash (US\$m) 22.1  
 Forecast gearing ratio (%) N/A  
 Market FULL

## Share price graph (p)



## Company description

Ferrexpo is involved in producing and exporting iron ore pellets to the global steel industry. Backed by one of the largest iron ore resources in the world, it aims to realise the potential of its unique resource and to be a globally recognised iron ore pellet supplier.

## Price performance

%	1m	3m	12m
Actual	27.4	3.1	(19.1)
Relative*	21.7	2.6	(15.3)

\* % Relative to local index

## Analyst

Andrey Litvin

## Ferrexpo (FXPO)

## INVESTMENT SUMMARY

Ferrexpo is on track to deliver on its expansion programme, bringing overall pellet production to 12Mtpa (from 10Mtpa) over the medium term, with further output growth to 20Mtpa under consideration. On top of this, the company plans to improve pellet quality to 65% Fe, increase its Poltava mine life to 2038 and achieve first production at the Yeristovo mine by the end of 2013. Expansion capex of \$647m has already been fully funded. Ferrexpo is well positioned on the global cost curve, with C1 unit cash cost of only \$40/t in 2010. While the company's EBITDA grew by 324% year-on-year in 2010, strong financial performance is expected to continue in 2011.

## INDUSTRY OUTLOOK

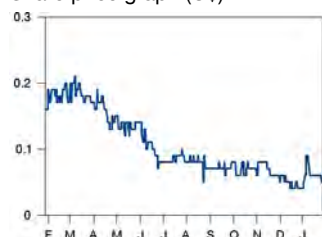
Following a sharp decline driven by the destocking, iron ore prices have gained some support as steel mills resume buying. In the medium term, downside risk prevails as underlying demand remains weak and impact from the destocking will likely to be muted.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	648.7	133.4	81.4	12.2	44.3	26.8
2010A	1294.9	579.8	509.2	73.6	7.3	7.1
2011E	1364.0	652.9	576.7	82.8	6.5	5.0
2012E	1174.3	564.7	517.4	74.3	7.3	5.7

## Sector: Mining

Price: C\$0.06  
 Market cap: C\$6m  
 Forecast net debt (US\$m) 0.3  
 Forecast gearing ratio (%) 4.0  
 Market TSX

## Share price graph (C\$)



## Company description

Frontline Gold is a junior gold company with assets spread across Mali, Turkey and Canada. Frontline's flagship Niaoulani gold project in Mali is the most advanced of its projects.

## Price performance

%	1m	3m	12m
Actual	33.3	(14.3)	(62.5)
Relative*	27.6	(14.3)	(59.7)

\* % Relative to local index

## Analyst

Sheldon Modeland

## Frontline Gold Corp (FGC)

## INVESTMENT SUMMARY

Frontline Gold recently announced signing of a drill contract for up to 3,000m to test a number of priority epithermal gold targets on its Menderes project in western Turkey. Initial diamond drilling will focus on extending the Kokarpinar vein, which is a known gold-bearing epithermal vein system. Access roads and drill sites have been prepared and drilling is expected to start once further equity financing is secured. A new vein system has been identified with strong iron oxide alteration and widely disseminated sulphide minerals in the southern portion of the Menderes project. Proceeds from the upcoming placement will also be used to continue exploration the company's Poly and Stewart base metal projects in British Columbia, Canada.

## INDUSTRY OUTLOOK

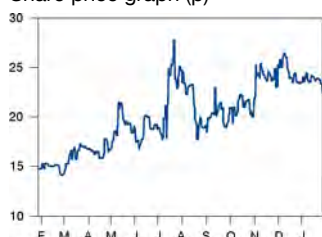
Continuing monetary easing and corresponding dollar weakening should keep gold price at the elevated levels. Strong gold demand should support the share price.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	0.0	(0.3)	(0.4)	(0.7)	N/A	N/A
2010A	0.0	(1.0)	(1.1)	(1.2)	N/A	N/A
2011E	0.0	(1.0)	(1.0)	(1.1)	N/A	N/A
2012E	0.0	(1.0)	(1.0)	(1.2)	N/A	N/A

## Sector: Mining

Price: 22.4p  
 Market cap: £73m  
 Forecast net cash (US\$m) 38.0  
 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	(4.8)	9.2	51.7
Relative*	(9.0)	8.6	58.7

\* % Relative to local index

## Analyst

Julian Emery

## Gemfields (GEM)

## INVESTMENT SUMMARY

The auction of lower-quality emeralds in November 2011 reflected continued success of Gemfields' marketing strategy, establishing the company as a benchmark for ethical emeralds. Total revenue to date for FY12 of US\$42.6m for two auctions already exceeds that for all three auctions in FY11. Production is in a transition phase with a high-wall push back at the Chama pit in Kagem set to open larger areas for future ore production. Once this capital programme is completed, management expects an overall increase in operating performance, which will help establish operation longevity in conjunction with the development of new open pits and underground production.

## INDUSTRY OUTLOOK

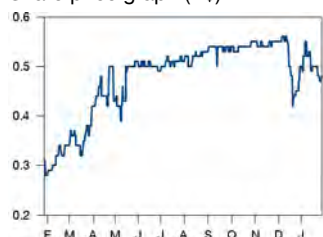
Management has indicated that the current inventory may support be two further emerald auctions in FY June 2012, with the next high grade auction scheduled for March. The operational update for the quarter to December 2011 will report on development progress during the period of high levels of waste rock removal.

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	70.1
2011A	40.2	22.3	19.6	5.0	7.0	6.6
2012E	77.4	52.3	44.8	7.7	4.6	2.3
2013E	82.3	54.0	39.4	5.8	6.1	2.2

## Sector: Mining

Price: A\$0.48  
 Market cap: A\$679m  
 Forecast net debt (A\$m): N/A  
 Forecast gearing ratio (%): N/A  
 Market: ASX

## Share price graph (A\$)



## Company description

Formed from the takeover of Alease 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	6.7	(11.9)	54.8
Relative*	2.8	(10.8)	74.7

\* % Relative to local index

## Analyst

Charles Gibson

## Gold One (GDO)

## INVESTMENT SUMMARY

Gold One has completed the acquisition of Rand Uranium for US\$250m. It has paid US\$137.7m in cash, with US\$112.3m to be paid in cash or Gold One shares within 90 days from 6 January. The company has also completed the Jintu transaction where a consortium of Chinese investors has taken a strategic stake in the company. As a result, Gold One has received the A\$150m subscription originally agreed and BCX holds a 89.17% interest in the company. Gold sold in 2011 was 123,179 compared to the company's target of 120,000oz, meaning Gold One avoided conditional dilution from any production shortfall.

## INDUSTRY OUTLOOK

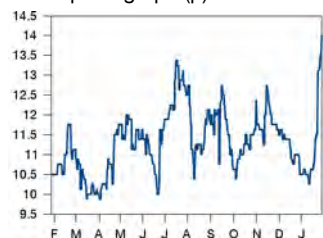
Although threats remain over the state of the European and world economies, actions taken by the Federal Reserve suggest the official response is still tilted towards a loosening bias, creating an environment in which the monetary properties of gold as an investment become pre-eminent. While our long-term price for gold remains a (conservative) US\$1,350/oz, in the short to medium term, we perceive the opportunity to be to the upside.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	8.9	(18.3)	(30.8)	(4.0)	N/A	N/A
2010A	89.3	39.4	19.3	1.8	26.7	9.4
2011E	N/A	N/A	N/A	N/A	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 14.0p  
 Market cap: £23m  
 Forecast net debt (£m): 0.3  
 Forecast gearing ratio (%): 1.0  
 Market: AIM

## Share price graph (p)



## Company description

Goldplat is a gold producer focused on Africa with three primary assets: Goldplat Recovery (Pty) - South African gold recovery plant, Gold Recovery Ghana - Ghanaian gold recovery plant, and Kilimapesa Gold - mining project, Kenya.

## Price performance

%	1m	3m	12m
Actual	27.3	21.7	33.3
Relative*	21.6	21.2	39.5

\* % Relative to local index

## Analyst

Rory Draper

## Goldplat (GDP)

## INVESTMENT SUMMARY

Goldplat has announced it has poured first gold at its Kilimapesa gold mine in Kenya after successfully commissioning the elution plant that allows Kilimapesa to smelt and produce gold bullion on site. This first pour is a significant milestone towards forecast production of 3,829oz of gold in the first year, and 10,000oz per year thereafter. The focus for Kilimapesa is now to increase the JORC resource at the project towards 500,000oz of gold and increase the plant capacity to 3,000 tonnes per month. This should be a significant catalyst for value generation for Goldplat in FY12.

## INDUSTRY OUTLOOK

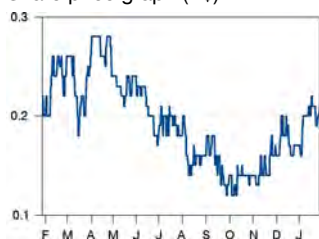
When using a long-term gold price of US\$1,350/oz and assuming stockpiles are not renewed, we value Goldplat at 18.2p. Goldplat's shares are trading at a small (9%) discount to net asset value and at one of the lowest P/E multiples in the sector compared to the FTSE/JSE Africa Gold Mining Index's multiple of 17.3x.

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	8.9	11.0
2011A	19.6	3.4	3.1	1.63	8.6	25.2
2012E	25.4	5.5	5.2	2.51	5.6	35.2
2013E	25.9	6.1	5.7	2.62	5.3	4.9

## Sector: Mining

Price: A\$0.21  
 Market cap: A\$44m  
 Forecast net debt (A\$m): 87.2  
 Forecast gearing ratio (%): 535.0  
 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	23.5	44.8	(4.5)
Relative*	19.1	46.7	7.7

\* % Relative to local index

## Analyst

Julian Emery

## Gunson Resources (GUN)

## INVESTMENT SUMMARY

The non-binding agreement, by which a major East Asian industrial group may earn a large minority joint venture interest in Gunson's Coburn zircon-rich mineral sands project in Western Australia, is expected to be converted into a formal joint venture in the near future. The partner will contribute its share of development costs plus additional earn-in value, together with funding assistance. Gunson is to be the project manager and estimates say mine construction will take 85 weeks to complete. Negotiations for off-take contracts are also well advanced. The Coburn DFS model shows an IRR of 28.3% and an NPV8% of A\$223.7m; bulk sample metallurgical tests have confirmed recovery assumptions.

## INDUSTRY OUTLOOK

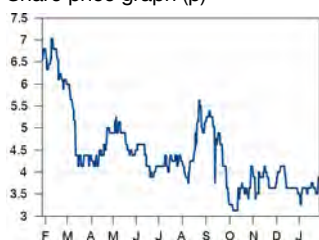
Confirmation of a binding joint venture will be a major step forward for the Coburn project. Resolution of the required capital funding and product off-take agreements will establish Gunson as a force in the mineral sands sector as Coburn is one of the few significant advanced projects in the sector.

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)	(0.9)	N/A	N/A
2012E	0.0	(0.1)	(9.0)	(4.3)	N/A	76.0
2013E	0.0	(0.1)	(15.0)	(7.2)	N/A	N/A

## Sector: Mining

Price: 3.9p  
 Market cap: £29m  
 Forecast net debt (£m): 2.8  
 Forecast gearing ratio (%): 9.0  
 Market: AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	6.9	6.9	(41.0)
Relative*	2.1	6.4	(38.2)

\* % Relative to local index

## Analyst

Tom Hayes

## Hambledon Mining (HMB)

## INVESTMENT SUMMARY

Last month Hambledon released an operational update for its Sekisovskoye gold mine in Kazakhstan. Significantly, initial production from the new underground mine phase (initiated December 2011) has increased the overall processed gold grade by 22% (Q311: 1.05g/t Au vs Q411: 1.28g/t Au). This has allowed the company to decrease the effect of the plant shut-down that happened in November (due to a small leak in a tailings pond lining) and record a 5% improvement in FY11 tonnages processed vs FY10. Production for Q411 was 5,446oz Au with total 2011 production at 21,029ozs, 3.4% higher than our 2011 forecast of 20,338oz. The 19 January drilling update indicates more positive gold grades ranging (over 1m assayed intervals) 1.4g/t to 9.7g/t Au. Highlights included 9m at 4.86g/t (hole D65), 2m at 3.50g/t (D66) and 4m at 2.62g/t (D67) gold.

## INDUSTRY OUTLOOK

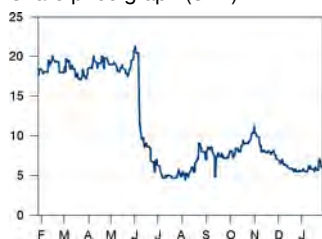
We have used a Au price of US\$1,350/oz and a Ag price of US\$26/oz in our valuation.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2009A	12.8	3.1	(0.1)	0.0	N/A	20.7
2010A	18.8	5.9	2.3	0.4	9.8	6.9
2011E	20.2	3.5	(1.3)	(0.2)	N/A	19.8
2012E	32.7	10.2	4.6	0.4	9.8	5.7

## Sector: Mining

Price: SEK6.00  
 Market cap: SEK56m  
 Forecast net cash (SEKm) 12.3  
 Forecast gearing ratio (%) N/A  
 Market NASDAQ OMX First North

## Share price graph (SEK)



## Company description

Kopy Goldfields is a gold exploration company focused on the development of its seven licences in Russia. Together these cover 255 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	9.1	(41.5)	(66.1)
Relative*	1.3	(42.9)	(61.7)

\* % Relative to local index

## Analyst

Charles Gibson

## Kopy Goldfields (KOPY)

## INVESTMENT SUMMARY

Kopy has completed an additional 600m of drilling at its Krasny deposit, with grades of up to 8.33g/t over 1m reported. Mineralized zones of 86m at an average 1.5g/t and 39m at an average 2.45g/t were encountered. A further 2000m of drilling at Krasny is starting in Q1. Kopy maintains its long-term ambition of achieving production by 2013. Last year the company completed a 2.7m share placement to Eldorado Gold Corporation for SEK29m, giving Eldorado a 29% interest in Kopy. Since Eldorado now sits on Kopy's technical committee, we anticipate the expertise of a mid-tier producer to add considerable value to the company's long-term ambition of developing 5Moz to support long-term gold production.

## INDUSTRY OUTLOOK

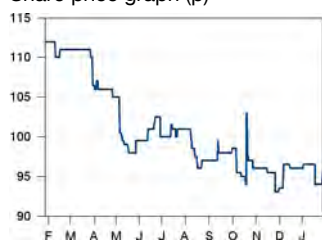
Gold continues to demonstrate its role as a safe-haven investment and store of value at times of financial turmoil.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (öre)	P/E (x)	P/CF (x)
2009A	0.5	(4.5)	(5.6)	(16.2)	N/A	N/A
2010A	0.4	(9.8)	(13.2)	(284.7)	N/A	N/A
2011E	1.7	(16.9)	(89.8)	(1387.8)	N/A	N/A
2012E	1.7	(16.9)	(17.6)	(189.0)	N/A	N/A

## Sector: Mining

Price: 95.5p  
 Market cap: £36m  
 Forecast net cash (US\$m) 15.4  
 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	(0.5)	(0.5)	(14.7)
Relative*	(5.0)	(1.0)	(10.8)

\* % Relative to local index

## Analyst

Rory Draper

## MDM Engineering (MDM)

## INVESTMENT SUMMARY

MDM's return to profitability over the last 12 months comes on the back of seven execution projects representing c US\$600m of confirmed contract value work with leading mining industry names. Management points to a pipeline of potential projects valued at c US\$1.5-2.0bn that are in different stages of development. This will allow resources to be efficiently deployed and will ensure a steady workload over the next 18 months. MDM is now working with an increasingly blue-chip client base, including companies such as ENRC, Metorex, Gold Fields and African Barrick Gold, which all have projects in Africa and beyond.

## INDUSTRY OUTLOOK

Copper, one of the mining sector bellwethers, has rallied 16% in the last six weeks and recently touched a fourmonth peak of \$3.85/lb. Given that MDM's market ultimately depends on the capital expenditure by mining companies, this increased bullishness in the commodities market only provides more good news.

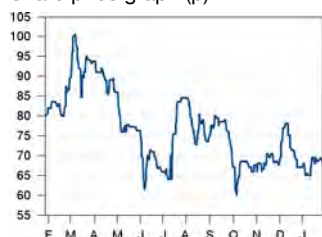
Y/E Dec / Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	33.2	4.2	5.0	9.2	16.3	N/A
2011A	20.8	(2.3)	(2.3)	(3.6)	N/A	7.0
2012E	70.3	5.5	5.6	12.8	11.7	142.2
2013E	44.7	5.8	5.9	11.9	12.6	5.5



## Sector: Mining

Price: 67.5p  
 Market cap: £81m  
 Forecast net cash (US\$m) 6.5  
 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	0.8	2.3	(15.6)
Relative*	(3.7)	1.8	(11.8)

\* % Relative to local index

## Analyst

Charles Gibson

## Minera IRL (MIRL)

## INVESTMENT SUMMARY

Minera has completed the final staged payment of US\$2m to Rio Tinto (out of a total US\$6.5m over four years) to purchase the Ollachea project in Peru. This leaves one remaining NPV-based payment to be made within six months from release of a bankable feasibility study, which is due to be completed by the third quarter of 2012. In the first three quarters of 2011, Minera IRL produced 26,445oz Au and is forecast to produce 33,000oz for the full year. On this basis, we have increased our EPS expectations by 18.3% for FY11 and by 150% in FY12 (which now assumes a gold price of US\$1,600/oz vs US\$1,350/oz previously).

## INDUSTRY OUTLOOK

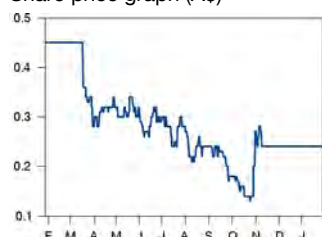
Assuming that Corihuarmi continues to produce through to 2015 and Ollachea comes on line in 2014, we estimate a current value to Minera IRL's investors of £0.94 (C\$1.48) per share at our long-term gold price of US\$1,350/oz and using a discount rate of 10%. In our base-case valuation, we also attribute a £0.37 (C\$0.60) per share value for Don Nicolas and £0.36 (C\$0.59) per share for the remaining resources at Ollachea not included in the PFS.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	31.9	6.4	6.0	4.7	22.6	4.6
2010A	41.1	10.0	9.4	5.2	20.4	10.3
2011E	51.7	15.5	15.2	6.8	15.6	5.7
2012E	43.0	10.3	10.4	5.6	19.0	7.3

## Sector: Mining

Price: A\$0.24  
 Market cap: A\$137m  
 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	0.0	81.5	(45.6)
Relative*	(3.6)	83.8	(38.6)

\* % Relative to local index

## Analyst

Andrey Litvin

## Nkwe Platinum (NKP)

## INVESTMENT SUMMARY

Nkwe Platinum confirmed last July that it has been in talks with several parties over the joint development of one or more of its farms. According to the company, these discussions have been positive and constructive, but have not yet led to any definite outcome. At this stage, no details are available about the potential counterparties or the subject of the negotiations. At the same time, the company has delayed releasing the optimised BFS study for the Garatau project, which we believe was mainly due to the ongoing joint venture negotiations. More recently, trading in the company's shares has been suspended, which could potential highlight a near-term resolution of the negotiations. The company guides more clarity on the issue in January.

## INDUSTRY OUTLOOK

PGM prices appear to be fairly resilient to the financial market turmoil providing some support to PGM equities. In the long run, rising costs and strong rand represent the major risk to PGM producers.

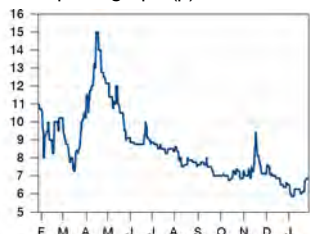
Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.6	(9.4)	(9.4)	(1.7)	N/A	N/A
2011A	0.0	(5.9)	(5.8)	0.1	240.0	N/A
2012E	0.0	(4.3)	(4.2)	(0.7)	N/A	N/A
2013E	191.7	63.2	63.3	7.2	3.3	2.0



## Sector: Mining

Price: 6.9p  
 Market cap: £15m  
 Forecast net cash (£m): 6.0  
 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	7.8	0.0	(37.4)
Relative*	3.0	(0.5)	(34.5)

\* % Relative to local index

## Analyst

Sheldon Modeland

## Oracle Coalfields (ORCP)

## INVESTMENT SUMMARY

Oracle Coalfields has announced that its 80%-owned subsidiary, Sindh Carbon Energy, has submitted an application for a 30-year mining lease, with a 30-year extension, for the company's Block VI project within the Thar coalfield in Pakistan. Supporting documents, including an interim environmental and social impact report, were also submitted with the application. The company holds an exploration license and has a JORC resource of 1.4bn tonnes and proven reserves of 371m tonnes.

## INDUSTRY OUTLOOK

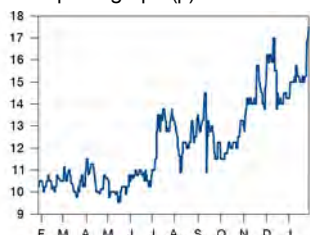
The Pakistan government continues to support the development of the Thar coalfield as part of its strategy to meet growing domestic demand for low-cost energy via the replacement of oil and gas with coal energy.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2010A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2011E	0.0	(0.4)	(0.4)	(0.2)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 17.5p  
 Market cap: £253m  
 Forecast net cash (£m): 18.2  
 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 in South Africa. The company produces 100koz of gold annually and expects to be producing PGMs by the end of 2011. It continues to explore for gold in Mozambique.

## Price performance

%	1m	3m	12m
Actual	20.7	32.1	70.7
Relative*	15.3	31.4	78.6

\* % Relative to local index

## Analyst

Charles Gibson

## Pan African Resources (PAF)

## INVESTMENT SUMMARY

Pan African has formed a partnership with Witwatersrand Consolidated Gold Resources to acquire 100% of Evander Gold Mines from Harmony Gold Mining. The 50:50 venture is for a total consideration of ZAR1.7bn. Evander operates in Mpumalanga, South Africa and has expected future production of 85-95,000oz Au a year from its number 8 shaft, up to 28% higher than its 2011 production of 74,000oz. Elsewhere, production has begun at Pan African's Phoenix platinum project with the company targeting 12,200oz PGM per year. A sale of PGM agreement has also been signed with Western Platinum for five years. The company plans to return production to c 100,000oz per year at Barberton, with an additional c 20-25,000oz from its Bramber tailings project.

## INDUSTRY OUTLOOK

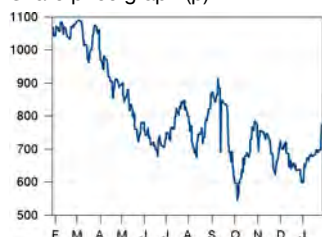
PAF intends to list its Manica gold project on an international exchange with a retained equity stake. In May, we valued Manica at US\$49m (or US\$19.13/oz with 2.6Moz of resources) when the gold price was US\$1,500/oz.

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	14.6	9.4
2011A	79.1	31.3	29.2	1.4	12.5	10.3
2012E	105.1	49.4	44.8	2.0	8.8	5.5
2013E	112.6	56.3	51.5	2.4	7.3	4.9

## Sector: Mining

Price: 758.0p  
 Market cap: £1424m  
 Forecast net debt (US\$m) 347.5  
 Forecast gearing ratio (%) 18.0  
 Market FULL

## Share price graph (p)



## Company description

Petropavlovsk's principal assets are in the Amur region of Russia, comprising the Pokrovskiy mine and associated operations, Pioneer and Malomir. The company was founded in 1994 and listed on AIM in 2002.

## Price performance

%	1m	3m	12m
Actual	19.2	(3.2)	(29.0)
Relative*	13.9	(3.7)	(25.8)

\* % Relative to local index

## Analyst

Charles Gibson

## Petropavlovsk (POG)

## INVESTMENT SUMMARY

Fourth quarter production figures note increased performance from the company's flagship Pioneer mine, which produced 124,800oz, a 6% increase on Q3. For the full year the company produced 630,100oz exceeding its target by 5% and representing a 24% increase over 2010. Overall, the full-year figures represent a 7.3% increase in our 2011 forecasts. The average realised gold price in the year was US\$1,693/oz.

## INDUSTRY OUTLOOK

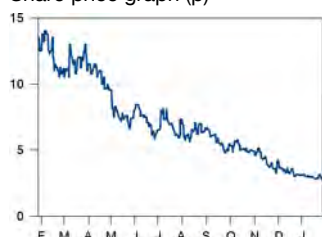
Petropavlovsk has commissioned its fourth open-pit gold mine, Albyn, which will use resin-in-pulp extraction treatment. The first phase was commissioned ahead of schedule and has a design capacity of 1.8Mtpa. Commissioning of the second phase is also expected to be brought forward from 2014 to Q412. Once both processing lines are in operation Albyn's total capacity is anticipated to be 3.6Mtpa. With its first gold pour in December, Albyn produced 1,100 oz to the end of the year. A fourth processing line at Pioneer has similarly been brought forward from 2014 to Q312 due to an increase in the resource base at the deposit.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	472.3	201.5	198.2	98.2	12.1	9.3
2010A	612.0	201.6	94.5	24.5	48.7	27.2
2011E	1225.9	474.1	311.9	111.6	10.7	3.8
2012E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 3.0p  
 Market cap: £23m  
 Forecast net cash (£m) 21.2  
 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	(3.9)	(39.6)	(77.8)
Relative*	(8.1)	(39.9)	(76.8)

\* % Relative to local index

## Analyst

Charles Gibson

## Red Rock Resources (RRR)

## INVESTMENT SUMMARY

Red Rock Resources continued its transition in 2011 away from a holding company function towards an owner-operator one. It begins 2012 with three major assets over which it has operational control in Kenya, Colombia and Greenland, in addition to its residual 74.2m shareholding in Jupiter Mines – alone worth 1.6p per Red Rock share.

## INDUSTRY OUTLOOK

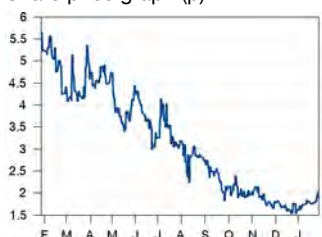
Except in the scenario where we consider only Red Rock's listed assets, our valuations of Red Rock's shares have fallen by around a third. This is partly due to the revaluation of Mineras Four Points in the light of the difficulties Red Rock has had in ramping up production to the target rate of 150tpd; in part it is because the valuation is now based on Red Rock's company accounts rather than its consolidated accounts. While lower, however, even our low-end valuation of 4.73p/share is still at a premium to the current share price by almost 37%.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	6.1	5.2	5.1	0.59	5.1	N/A
2011A	16.6	(3.4)	(3.4)	(0.84)	N/A	N/A
2012E	30.7	21.5	21.2	2.02	1.5	1.2
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 1.9p  
 Market cap: £12m  
 Forecast net debt (£m): 0.3  
 Forecast gearing ratio (%): 1.0  
 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 21% interest in Red Rock Resources.

## Price performance

%	1m	3m	12m
Actual	7.1	(3.9)	(66.7)
Relative*	2.4	(4.3)	(65.2)

\* % Relative to local index

## Analyst

Charles Gibson

## Regency Mines (RGM)

## INVESTMENT SUMMARY

Q1 of the calendar year brings two significant developments for Regency. Following a recent 200 hole drill program at its 50% owned Mambare Nickel laterite project in Papua New Guinea, a defined inferred resource is expected by the end of the quarter. Additionally, its joint venture partner at the project, Direct Nickel, is expected to commission a 1tpd pilot plant over the next few days, which will provide verification of its pioneering processing technology.

## INDUSTRY OUTLOOK

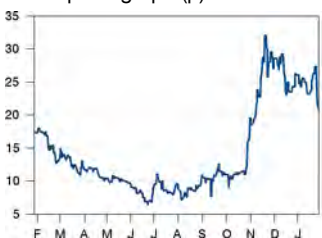
A global shortage of new, economically mineable nickel deposits has put Regency Mines in position to advance its Mambare nickel laterite project in Papua New Guinea. Traditionally, nickel laterites such as Mambare have been difficult and expensive to process. However, at cash costs of US\$1.84/lb, Regency (using DNI technology) aims to be the world's lowest-cost nickel laterite producer.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.5)	0.4	0.1	19.0	N/A
2011A	0.2	(1.3)	0.8	0.2	9.5	N/A
2012E	0.0	(0.5)	5.9	0.7	2.7	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 20.8p  
 Market cap: £214m  
 Forecast net cash (£m): 2.9  
 Forecast gearing ratio (%): N/A  
 Market: AIM

## Share price graph (p)



## Company description

Sirius Minerals is a diversified mining and exploration holding company with salt and potash interests in the UK, North America and Australia and initiatives in compressed air energy storage and carbon sequestration.

## Price performance

%	1m	3m	12m
Actual	(14.4)	33.9	18.6
Relative*	(18.2)	33.2	24.0

\* % Relative to local index

## Analyst

Tom Hayes

## Sirius Minerals (SXX)

## INVESTMENT SUMMARY

Sirius Minerals released preliminary results for hole SM2, targeting the Fordon polyhalite seam at its York Potash Project. Based on the 2 polyhalite seams intersected (totalling 67.6m) and applying the same valuation assumptions as our November 2011 update, we value the net area of influence of both SM1 and SM2 at £0.62 (including £0.09/share for the implied tonnages of the Boulby and Sneaton seams intersected in SM1; these were not recovered in SM2 due to delays in drilling its upper part). This is a 129% uplift on our £0.27/share valuation of SM1 alone (announced November 2011). Also, on 26 January Sirius announced it had successfully raised £55m (305,555,555m shares at 0.25p), representing c 30% of the issued ordinary share capital prior to the raising. Monies will be used to advance the YPP through to definitive feasibility stage (and incl. a scoping study in March and maiden resource in April).

## INDUSTRY OUTLOOK

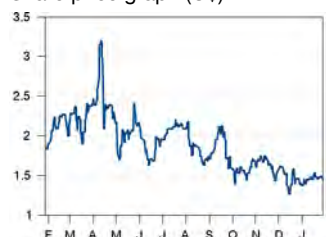
One metric tonne of muriate of potash (potassium chloride) currently trades at US\$470.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(1.5)	(1.5)	(0.4)	N/A	N/A
2011A	0.0	(7.7)	(7.6)	(1.0)	N/A	N/A
2012E	0.0	(7.6)	(7.7)	(0.7)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: C\$1.44  
 Market cap: C\$148m  
 Forecast net debt (US\$m) 0.0  
 Forecast gearing ratio (%) 0.0  
 Market TSX

## Share price graph (C\$)



## Company description

South American Silver intends to develop its wholly owned Malku Khota silver-indium-gallium project in Bolivia and explores for copper-gold-silver at its wholly owned Escalones project in Chile.

## Price performance

%	1m	3m	12m
Actual	(1.4)	(15.8)	(22.2)
Relative*	(5.6)	(15.8)	(16.3)

\* % Relative to local index

## Analyst

Tom Hayes

## South American Silver Corp (SACC)

## INVESTMENT SUMMARY

South American Silver is a mineral exploration company focused on developing its wholly owned Malku Khota silver-indium-gallium project in Bolivia and its Escalones copper-gold project in central Chile. Malku Khota has an NI 43-101 measured and indicated resource of 230Moz of silver, 1,481t of indium and 1,082t of gallium, which enables the company to take advantage of the rapidly growing high technology driven market. The project is undergoing a pre-feasibility study to confirm the PEA estimates. Escalones is a copper-gold-silver project in Chile's premier copper mining district and has a NI 43-101 qualified inferred resource of 420.6Mt containing 3.8Bt Cu, 5.9Mlbs Mo, 610,000oz Au and 16.8Moz Ag (assuming 0.2% Cu eq. cut-off). The Escalones project is being explored in a phase two drill programme in preparation for an updated resource expected in 2012.

## INDUSTRY OUTLOOK

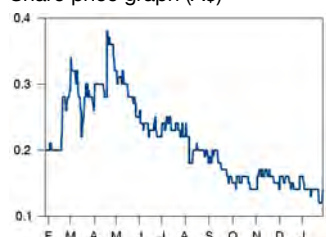
Our long-term prices for Au, Ag and Cu are \$1,350/oz, \$24.63/oz and \$2.75/oz, respectively.

Y/E Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(1.8)	(1.9)	(3.4)	N/A	N/A
2010A	0.0	(3.8)	(3.8)	(4.3)	N/A	N/A
2011E	0.0	(7.3)	(7.3)	(11.0)	N/A	N/A
2012E	0.0	(5.0)	(1.8)	(1.8)	N/A	N/A

## Sector: Mining

Price: A\$0.14  
 Market cap: A\$25m  
 Forecast net debt (£m) 0.3  
 Forecast gearing ratio (%) 2.0  
 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	0.0	3.7	(30.0)
Relative*	(3.6)	5.0	(21.0)

\* % Relative to local index

## Analyst

Tom Hayes

## Sumatra Copper &amp; Gold (SUM)

## INVESTMENT SUMMARY

Emerging gold producer Sumatra Copper and Gold announced that recent geotechnical testing by AMC Consultants has provided further support for its development of an underground mine at its Belinau deposit. The high grade Belinau deposit lies within the company's wholly-owned flagship Tembang gold and silver project in central Sumatra. The geotechnical analysis indicate fair to favourable ground conditions near the mine entry and the results support conventional, low-cost underground mining methods that will improve the economics of the project. Sumatra also continues its development plan at Tembang where first production is expected by 2013. Tembang has a total (across all categories) resource of 0.96Moz Au and 12.79Moz Ag.

## INDUSTRY OUTLOOK

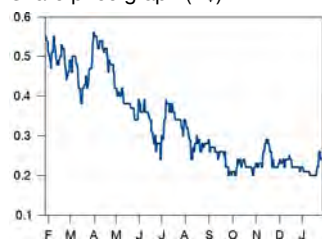
Our base-case valuation for SUM is based only on its plans to develop its wholly owned Tembang gold-silver project, planned for 2013 start-up, we value SUM at A\$0.32/share (at 1,350/oz Au).

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2009A	0.0	(1.8)	(1.9)	(1.4)	N/A	N/A
2010A	0.0	(1.3)	(1.2)	(0.5)	N/A	N/A
2011E	0.0	(1.1)	(1.1)	(0.6)	N/A	N/A
2012E	0.0	(3.8)	(5.1)	(2.3)	N/A	N/A

## Sector: Mining

Price: A\$0.24  
 Market cap: A\$40m  
 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	14.0	19.5	(55.5)
Relative*	9.9	21.0	(49.7)

\* % Relative to local index

## Analyst

Andrey Litvin

## Universal Coal (UNV)

## INVESTMENT SUMMARY

Universal Coal has reiterated that it continues to experience considerable interest in its coking and thermal coal properties in the north of South Africa. Although it has not received a formal offer from any party, it is looking to appoint a special adviser to assist in securing a strategic investor. It is continuing discussions with various equity investors and industrial groups in the steel and power generation sectors. The Berenice-Cygnus project has a gross in-situ resource of 1.3Bt and is within the emerging Soutpansberg Coalfield. The project is 30km from a railway siding linked to both Maputo and Richards Bay. The company also announced a second phase of drilling scheduled to begin in early 2012.

## INDUSTRY OUTLOOK

We expect further short- to medium-term weakness in thermal coal prices on the backdrop of slowing economic growth.

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	48.0	N/A

## Sector: Mining

Price: ZAR39.00  
 Market cap: ZARm1345m  
 Forecast net debt (ZARm): N/A  
 Forecast gearing ratio (%): N/A  
 Market: JSE, TSX

## Share price graph (ZAR)



## Company description

Wits Gold is a gold and uranium exploration company in South Africa with indicated resources of 23.5Moz, including reserves of 5.4Moz. On 30 Jan an agreement to acquire Evander Gold from Harmony for R1.7bn 50/50 with Pan African was announced.

## Price performance

%	1m	3m	12m
Actual	(1.6)	(7.2)	(29.1)
Relative*	(6.8)	(11.2)	(32.8)

\* % Relative to local index

## Analyst

Anthony Wagg

## Wits Gold (WGR)

## INVESTMENT SUMMARY

The Evander acquisition gives Wits Gold 50% of an operating mine, cash flow and resource of 34.4moz Au at US\$6.4/oz. In 2011 Harmony improved facilities at Evander, which should lead to improved higher grade and lower costs. Of the ZAR1.4bn to be paid when due, possibly end Q312, ZAR800m will come from a loan taken out by Evander and ZAR300m from Wits Gold.

## INDUSTRY OUTLOOK

On 10 January Wits Gold announced a revised resource model for DBM following the completion of an 11-hole drilling programme. Indicated gold resource increased by 27% to 7.5Moz and its high-grade zone increased by 50% to 3.6Moz at an average grade of 8.1 g/t. This may lead to safer and more mechanised mining. The completion of the pre-feasibility study is forecast for May 2012. The cautionary notice remains.

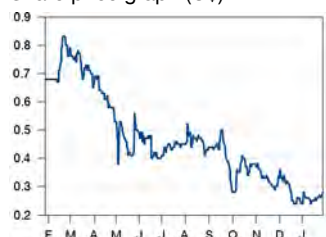
Y/E Feb	Revenue (ZARm)	EBITDA (ZARm)	PBT (ZARm)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(14.4)	(7.7)	(28.0)	N/A	N/A
2011A	0.0	(19.7)	(14.9)	(50.1)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A



## Sector: Mining

Price: C\$0.28  
 Market cap: C\$261m  
 Forecast net cash (US\$m) 192.2  
 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	7.7	(26.3)	(58.8)
Relative*	3.0	(26.3)	(55.7)

\* % Relative to local index

## Analyst

Tom Hayes

## Yukon-Nevada Gold (YNG)

## INVESTMENT SUMMARY

On 6 January YNG announced revised resources for Jerritt Canyon, totalling c 11Mt at 0.217oz/st (6.75g/t) for 2.39Moz Au. Measured resources total 1.07Moz Au and indicated 1.32Moz. This is a 21% increase over YNG's 2007 resource numbers. To expand its resource base within the well endowed (but structurally complex) Jerritt Canyon lease area (total land position is 119 miles sq), YNG continues with a number of surface and UG drill campaigns. Recent results have highlighted numerous economic intersections near existing underground infrastructure. Reserves remain unchanged from its 28 June 2011 NI43-101 at 717koz Au. A programme of plant/processing equipment refurbishment has just been completed, with commissioning of a new milling facility underway. These works were critical to fully realising the processing capacity available to YNG at Jerritt Canyon and it fulfilling its production goals.

## INDUSTRY OUTLOOK

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

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	9.9	(32.7)	(41.4)	(12.2)	N/A	N/A
2010A	71.4	(18.4)	(84.3)	(8.6)	N/A	N/A
2011E	217.0	144.3	131.2	10.6	2.6	2.7
2012E	199.9	71.9	55.7	4.5	6.1	3.1

## Sector: Mining

Price: 102.5p  
 Market cap: £287m  
 Forecast net cash (US\$m) 46.5  
 Forecast gearing ratio (%) N/A  
 Market FULL

## 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	(2.8)	3.5	(44.0)
Relative*	(7.2)	3.0	(41.4)

\* % Relative to local index

## Analyst

Andrey Litvin

## Zanaga Iron Ore (ZIOC)

## INVESTMENT SUMMARY

Zanaga Iron Ore owns a 50% less one share interest in the Zanaga iron ore project (ZIOP) in the Congo (Brazzaville). ZIOP boasts 4.3bn tonnes of JORC resource and feasibility study (FS) being undertaken by Xstrata, which gained full management control in Q111. While the FS is underway, two development options – a 45mt railway and a 30mt slurry pipeline – were identified, with capex estimates ranging from US\$6.1bn to US\$7.5bn. The project has capital intensity in line with its peers and is expected to deliver a premium product similar to Brazilian fines, with an Fe grade of at least 65% by 2017. With an estimated FOB cash cost below the US\$22/t level (including contingency), ZIOP will be positioned in the first quartile of the global cash curve.

## INDUSTRY OUTLOOK

In the short term, we expect iron ore price to remain capped by the deteriorating macro and steel industry environment.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(1.6)	(1.6)	(1.19)	N/A	1526.3
2010A	0.0	(13.9)	(13.9)	(5.38)	N/A	N/A
2011E	0.0	(3.7)	(3.5)	(1.28)	N/A	N/A
2012E	0.0	(3.5)	(3.3)	(1.19)	N/A	N/A

#### EDISON INVESTMENT RESEARCH LIMITED

Edison Investment Research is a leading international investment research company. It has won industry recognition, with awards both in the UK and internationally. The team of 80 includes over 50 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 350 companies across every sector and works directly with corporates, fund managers, investment banks, brokers and other advisers. Edison's research is read by institutional investors, alternative funds and wealth managers in more than 100 countries. Edison, founded in 2003, has offices in London and Sydney and is authorised and regulated by the Financial Services Authority ([www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584](http://www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584)).

#### DISCLAIMER

Copyright 2012 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. This communication is intended for professional clients as defined in the FSA's Conduct of Business rules (COBs 3.5).

---

#### Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ [www.edisoninvestmentresearch.co.uk](http://www.edisoninvestmentresearch.co.uk)  
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.



Edison Investment Research Limited  
Lincoln House  
296-302 High Holborn  
London  
WC1V 7JH

Tel: +44 (0)20 3077 5700

Email: [enquiries@edisoninvestmentresearch.co.uk](mailto:enquiries@edisoninvestmentresearch.co.uk)

Website: [www.edisoninvestmentresearch.co.uk](http://www.edisoninvestmentresearch.co.uk)