

# Edison mining quarterly

April 2012



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**Charles Gibson**

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

**Andrey Litvin**

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

**Sheldon Modeland**

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

**Tom Hayes**

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

**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.

**Julian Emery**

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

**Anthony Wagg**

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

**Michael Stoner**

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

## It may be an Olympic year, but it's not 1980



**Sector head: Charles Gibson**

**Analysts:**

Charles Gibson	+44 (0)203 077 5724
Andrey Litvin	+44 (0)203 077 5755
Sheldon Modeland	+44 (0)203 077 5726
Tom Hayes	+44 (0)203 077 5725
Rory Draper	+44 (0)203 077 5757
Julian Emery	+44 (0)203 077 5700
Anthony Wagg	+44 (0)203 077 5700
Michael Stoner	+44 (0)203 077 5733

mining@edisoninvestmentresearch.co.uk

Prices as at 13 April 2012

Looking at share prices today, it would be easy to forget that there has been a commodity price boom in train for the past decade, let alone the past two years. Yet, while margins, earnings and cash-flows have risen in the past two years (in some cases to record levels), driven by commodity prices, share prices have slumped. Not only has this slump been in relative terms, but sometimes also in absolute terms. Hence, there are major gold producers recording record revenues, earnings and cash-flows, the share prices of which have underperformed not only the gold price, but are also trading at record lows. Among explorers, there are companies with ten times the resource of two years ago, trading at lower share prices. Even the majors are trading on single digit PE multiples, as investor sentiment lurches from greed attended by QE3 hopes and global economic recovery to fear, attended by the on-going European debt crisis and world economic slowdown.

To be sure, some of the disappointment appears warranted. Unit costs of production have risen alongside commodity prices – sometimes appreciably. With a few notable exceptions, costs of US\$500/oz for example seem a distant memory. But Edison believes that the pendulum may now have swung too far in the opposite direction. The broader economic environment remains one of continued stimulation – as evidenced by negative real US interest rates. Moreover, inflation remains subdued – meaning that there is no immediate pressure on central banks to change their accommodative stance. Yet, in the meantime, it is possible to buy the equity of profitable commodity producers at yields which would make banks blush (if not fail). In some cases, it is even possible to buy them below book value.

Having to think in super-cycles, commodity investors in particular have long memories. No-one wants to be caught at the top of the market the way that they were in 1980. Superficially, some aspects of the world economy are similar now, as then – eg the Middle East in turmoil and Argentina in the midst of one of its periodic spasms (note that it instigated a debt moratorium in 1982). But, the more important economic background is completely different. In 1980, the US was raising interest rates to fight out-of-control inflation, as well as to defend the value of the dollar, whereas today there is muted inflationary pressure and little or no hope of interest rate rises. Yet market pricing suggests that investors in commodities are as fearful in 2012 as they should have been in 1980.

In its inaugural mining quarterly, Edison highlights some of the anomalies that have been created in the current environment and some of the opportunities that exist as a result. In the sporting and political sphere, it's a Diamond Jubilee in an Olympic year. Investors should take the hint.

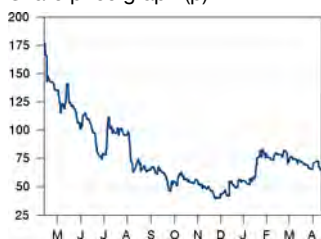


## Company profiles

## Sector: Mining

Price: 64.9p  
 Market cap: £68m  
 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	(11.1)	11.8	(64.3)
Relative*	(6.6)	10.2	(62.2)

\* % Relative to local index

## Analyst

Andrey Litvin

## Afferro Mining (AFF)

## INVESTMENT SUMMARY

Afferro has announced closing the deal to sell its minority 38.5% interest in the Putu iron ore project to Severstal (controls the remaining 61.5% stake). Due to ongoing tax discussions with Liberia's authorities, the deal was changed to include the immediate cash payment of US\$55.3m; c US\$9.75m was frozen until the tax discussion is resolved. The overall consideration for the deal remains 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 cash proceeds will be spent on developing the 100%-owned Nkout and Ntem iron ore deposits.

## INDUSTRY OUTLOOK

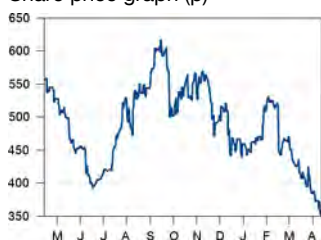
Following sharp declines driven by the destocking, iron ore prices have gained some support as steel mills resume buying. In the medium term, the iron ore pricing to remain capped as underlying demand remains weak.

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: 356.6p  
 Market cap: £1462m  
 Forecast net cash (US\$m): 552.7  
 Forecast gearing ratio (%): N/A  
 Market: LSE

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(18.0)	(22.9)	(35.0)
Relative*	(13.9)	(24.0)	(31.3)

\* % Relative to local index

## Analyst

Charles Gibson

## African Barrick Gold (ABG)

## INVESTMENT SUMMARY

On 3 April (near its target of end-Q1), African Barrick (ABG) announced a 173koz maiden resource at Kilimani plus a 348koz resource upgrade at Tusker – giving an overall 521koz resource increase at Nyanzaga to add to the 3.1Moz increase it announced at the end of January. In addition to increasing the declared resource at Nyanzaga, the upgrade increased ABG's total resource base (based on its year-end 2011 numbers, including reserves) by 1.7%, to 32.1Moz.

## INDUSTRY OUTLOOK

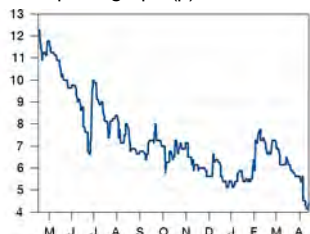
ABG's shares have underperformed the gold price significantly, falling 31.1%, from 518.5p on 15 February to 357p currently. As a result, it has become the cheapest of its peers on a number of valuation measurements, including EV/EBITDA (until at least 2014) and yield (until 2013). It is also now the cheapest of the three London gold mining majors in terms of its resource multiple of US\$54.50/oz compared to Petropavlovsk (US\$94.78) and Randgold Resources (US\$302.41), despite having the largest resource base.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	975.0	445.2	335.1	59.5	9.5	6.7
2011A	1217.9	544.1	402.7	67.0	8.4	4.6
2012E	1255.8	477.0	305.6	51.1	11.0	5.4
2013E	1319.1	651.1	452.5	75.6	7.5	3.8

## Sector: Mining

Price: 4.4p  
 Market cap: £24m  
 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	(26.8)	(23.7)	(64.5)
Relative*	(23.1)	(24.8)	(62.4)

\* % Relative to local index

## Analyst

Tom Hayes

## African Eagle Resources (AFE)

## INVESTMENT SUMMARY

African Eagle Resources (AFE) has announced it has secured (non-binding) commitments to raise up to £8m (before expenses) via an equity placement of 200m shares and will issue placing warrants to subscribe up to 100m new ordinary shares at 5.5p per share. These proceeds will allow it to progress its Dutwa bankable feasibility study (publication due early 2013) through key development milestones. AFE also announced a non-underwritten open offer to eligible shareholders of up to 100m shares at 4p to raise gross proceeds of £4m (contingent on a minimum raise of £6.9m in the first offer). Also, it has made four changes to its board, introducing Trevor Moss as CEO, Andrew Robertson (CFO), Chris Pointon (NED and interim chairman), Don Newport (NED) and Julian McIntyre (NED); with Euan Worthington (chairman), Christopher Davies (operations director), Geoffrey Cooper (NED) leaving and Mark Parker taking a part-time role.

## INDUSTRY OUTLOOK

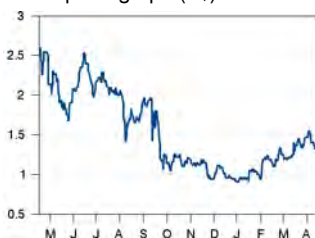
A tonne of Ni currently trades at c US\$18,100/t.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (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)	(0.2)	N/A	N/A

## Sector: Mining

Price: A\$1.35  
 Market cap: A\$454m  
 Forecast net debt (A\$m): 393.9  
 Forecast gearing ratio (%): 265.0  
 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	8.0	43.4	(45.5)
Relative*	6.3	38.5	(38.1)

\* % Relative to local index

## Analyst

Tom Hayes

## Alkane Resources (ALK)

## INVESTMENT SUMMARY

29 March saw Alkane Resource (ALK) release a resource upgrade for its soon to be developed Tomingley Gold Project (TGP) in New South Wales, Australia. The upgrade said measured ounces increase 69% to 369,400 (5.45Mt @2.1g/t Au), and indicated ounces 24% to 811,700 (12.59Mt @ 2.0g/t Au). These resources are at the Caloma deposit, one of three open pits to be mined at the TGP, and have the potential to expand the life of mine beyond 10 years. The TGP is awaiting final development approval from the NSW authorities. Our valuation is based on the DZP and TGP assets and our base case is A\$3.02 (at a 10% discount to reflect general equity risk). To this should be added A\$0.42 per share for Alkane's eventual 25% stake in the McPhillamys joint venture gold project held with Newmont Australia. An environmental impact assessment on ALK's flagship DZP is also underway.

## INDUSTRY OUTLOOK

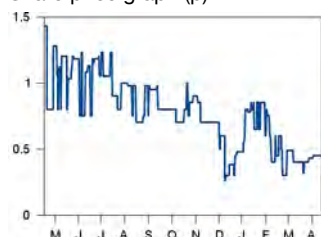
Our valuation uses A\$1,350/oz Au price and REE prices obtained from ALK.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	10.1	7.6	7.9	3.18	42.5	N/A
2011A	1.0	(3.4)	(2.6)	(1.02)	N/A	N/A
2012E	39.0	6.8	(15.8)	(4.63)	N/A	189.9
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 0.5p  
 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	12.2	(43.8)	(50.0)
Relative*	17.9	(44.6)	(47.1)

\* % 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 phases of drilling at Gilpas and the Samon iron ore target are expected to start in April and May 2012, respectively.

## INDUSTRY OUTLOOK

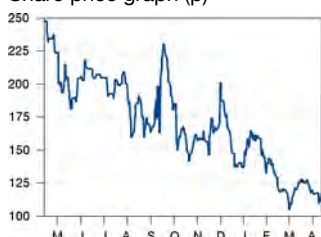
The uranium spot price remains flat at around \$52/lb of U3O8, volatility continues within the sector despite China and India progressing its significant nuclear ambitions.

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: 117.5p  
 Market cap: £240m  
 Forecast net cash (US\$m) 8.4  
 Forecast gearing ratio (%) N/A  
 Market ASX, LSE, 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	(5.5)	(25.9)	(53.6)
Relative*	(0.7)	(26.9)	(51.0)

\* % Relative to local index

## Analyst

Tom Hayes

## Allied Gold Mining (ALD)

## INVESTMENT SUMMARY

Allied Gold (ALD) announced its 2011 annual results on 2 April 2012, stating total group gold production of 108,338ozs (55% up on 2010) split between production from Simberi (57,284ozs at cash costs of US\$979/oz) and Gold Ridge (51,054ozs at gross cash costs of US\$1,224/oz). Gold Ridge had its first gold poured in March 2011 after a successful US\$150m redevelopment, on time and in budget. Group forecast production for 2012 is c 180,000ozs Au at markedly lower cash costs around US\$850/oz as expansion projects at Simberi are completed and Gold Ridge starts to operate more in line with LOM parameters. Overall ALD reported a net loss of US\$5.9m primarily due to higher input costs and a strong Australian dollar, resulting in an increase in cost of sales for the year of 87% to US\$130.1m.

## INDUSTRY OUTLOOK

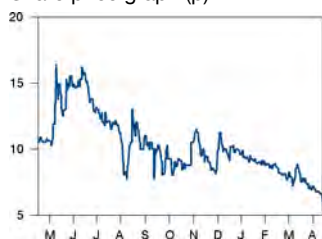
The gold price is currently at c US\$1,650/oz.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	0.0	0.0	0.0	N/A	N/A
2011A	146.4	25.0	(5.7)	(2.9)	N/A	15.9
2012E	347.7	165.2	188.0	70.5	2.6	3.9
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 6.0p  
 Market cap: £21m  
 Forecast net cash (US\$m) 3.5  
 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	(29.5)	(35.4)	(45.1)
Relative*	(25.9)	(36.4)	(41.9)

\* % Relative to local index

## Analyst

Tom Hayes

## Amur Minerals (AMC)

## INVESTMENT SUMMARY

Amur has recently announced exploration results for the Chorney Ispelene target of its Kun-Manie project. The results highlight that Amur has defined its longest (6km) exploration target to date, with high grades of 0.9% nickel, 0.4% copper in rock chip samples. Soil geochemical samples also exhibited the highest geochemical signatures so far. Amur is expected to release further exploration announcements on different deposits at Kun Manie in 2012. The Chorney Ispelene target is at the western end of the Krumkon trend to the north and west of the Maly Krumkon deposit. Amur requires only one final approval from the Ministry of Economic Development to be sent to Rosnedra (Russian state mining agency) for approval and its mining licence to be issued. Through its Lantead equity swap agreements, Amur remains fully funded through its 2012 exploration season.

## INDUSTRY OUTLOOK

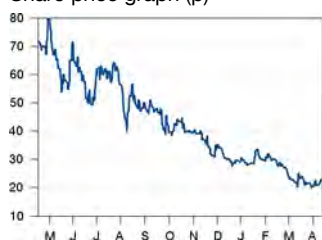
Nickel currently trades on the LME at around US\$18,100/t.

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	(2.4)	(2.3)	(0.9)	N/A	N/A
2012E	0.0	(2.4)	(2.3)	(0.7)	N/A	N/A

## Sector: Mining

Price: 23.0p  
 Market cap: £36m  
 Forecast net cash (£m) 1.1  
 Forecast gearing ratio (%) N/A  
 Market LSE

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(8.0)	(20.0)	(70.8)
Relative*	(3.3)	(21.2)	(69.1)

\* % Relative to local index

## Analyst

Anthony Wagg

## Anglesey Mining (AYM)

## INVESTMENT SUMMARY

Ore mining operations at James Mine began on 2 April with planned total mining for 2012 of 2.5-3Mt. Daily mining rate at James North and South deposits is expected to be 15,000t ore. The Silver Yards processing plant is due to re-start in early May 2012. Its Phase 3 expansion is well advanced and should be in place by mid-2012. This should increase daily plant throughput to 12,000t and improve weight recovery to above 75%. The yield from treated ore is expected to be up to 1.5Mt of saleable product. With further tonnage of DRO available, the total 2012 saleable production is expected at around 2Mt. The first ore train (with DRO) left on 4 April. The diamond drilling at Parys Mountain in Anglesey has completed seven holes and has determined the limits of the Engine Zone. This will be added into the planning for possible mining with the nearby White Rock Zone. Further holes will now be drilled.

## INDUSTRY OUTLOOK

Iron ore prices are moving slowly upwards and the current price is around \$148/t.

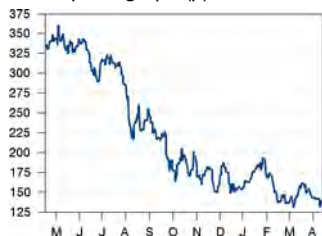
Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.3)	(0.6)	(0.4)	N/A	N/A
2011A	0.0	(0.5)	(1.7)	(1.1)	N/A	N/A
2012E	0.0	(0.5)	5.1	3.3	7.0	N/A
2013E	0.0	(0.5)	20.8	13.1	1.8	1.4



## Sector: Mining

Price: 135.8p  
 Market cap: £639m  
 Forecast net cash (US\$m) 125.0  
 Forecast gearing ratio (%) N/A  
 Market LSE

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(12.3)	(22.7)	(60.5)
Relative*	(7.9)	(23.8)	(58.2)

\* % Relative to local index

## Analyst

Andrey Litvin

## Aquarius Platinum (AQP)

## INVESTMENT SUMMARY

Aquarius released weak Q212 financial results affected by the decline in production and PGM prices. The top line was down 25% q-o-q on the back of the marginally lower output (-4%) and sharp decline in realised pricing (unit revenue fell 23% q-o-q). Despite the 13% q-o-q (9% in unit US dollar terms) drop in cash COGS, the company posted EBITDA loss of US\$10m compared to a positive EBITDA of US\$14m in Q112. While the weak market conditions were the main reason for the poor financial performance, the company cited continued operating challenges and the safety stoppages as negatively affecting the results. Given the prevailing weakness in PGM prices, unclear supply/demand situation and persisting cost pressures, we expect Q312 to remain tough both for the industry and the company.

## INDUSTRY OUTLOOK

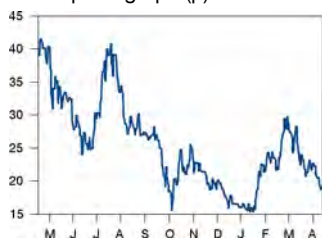
We expect PGM prices to remain volatile in the short term on the back of the uncertain global macroeconomic situation.

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	12.8	8.1
2011A	682.9	215.8	123.3	32.2	6.7	5.4
2012E	758.2	195.8	156.6	24.2	8.9	5.6
2013E	819.0	207.4	163.6	25.4	8.5	4.8

## Sector: Mining

Price: 19.4p  
 Market cap: £58m  
 Forecast net cash (US\$m) 1.9  
 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	(20.1)	22.1	(50.3)
Relative*	(16.0)	20.3	(47.4)

\* % Relative to local index

## Analyst

Charles Gibson

## Arian Silver (AGQ)

## INVESTMENT SUMMARY

Arian Silver has announced a 32.4% increase in its mineral resource estimate at San Jose, from 88.6Moz silver (Ag) to 117.3Moz. The 28.7Moz increase in resources follows a 45.8Moz increase in mid-2011, such that Arian's resource base has now almost tripled since the start of 2011, when it was 42.8Moz Ag in the proportion 21:79 indicated:inferred. In addition to the increase in resource size, there was (unusually) an increase in the average grade, from 110.2g/t to 112.2g/t, or 3.6oz per tonne (opt). As such, Arian's resource is equivalent to a gold resource of 2.3Moz at an average grade of 2.24g/t.

## INDUSTRY OUTLOOK

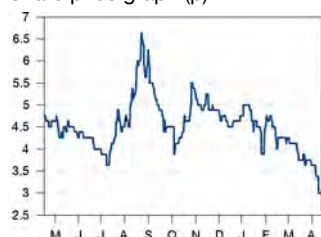
At its resource rating of US\$1.32/oz Ag immediately before the announcement, Arian's 28.7Moz upgrade adds US\$37.8m or 12.5c (8.0p) per share to Arian's valuation. As a result, at a conservative, long-term silver price of US\$24.63/oz, we estimate mining operations at the San Jose mine (including the value of the residual resource) to be worth c 30p over the next four years.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.2	(2.0)	(1.7)	(0.7)	N/A	N/A
2011A	7.5	(10.3)	(11.0)	(3.4)	N/A	N/A
2012E	13.5	1.3	1.2	0.4	76.7	247.2
2013E	13.1	1.7	1.5	0.5	61.3	52.7

## Sector: Mining

Price: 3.0p  
 Market cap: £8m  
 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	(22.6)	(35.1)	(36.8)
Relative*	(18.6)	(36.1)	(33.2)

\* % Relative to local index

## Analyst

Tom Hayes

## Ariana Resources (AAU)

## INVESTMENT SUMMARY

Ariana Resources (AAU) has released a number of positive announcements over recent months, signalling the steady progress of its Red Rabbit JV (first production due mid-2013). Of most significance is a pit optimisation study, which accurately defines the extents of the pits to be mined at the Kiziltepe Sector, and has resulted in us adjusting our Red Rabbit NPV10 to 3.45p per share rising to 6.39p as AAU proves successful in delivering exploration success and expands its resource base. To this end, AAU announced it is completing up to 4km of drilling and is participating in licence auctions in Turkey, both positive moves by Ariana to bolster its resource base (currently 448koz Au), and potentially Red Rabbit's mine life.

## INDUSTRY OUTLOOK

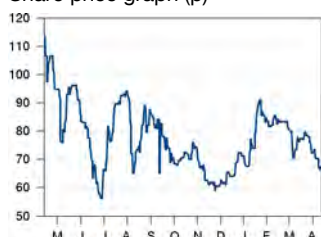
Our base case is adjusted for its pit optimisation study, H111 results, exercise of warrants/issue of equity and a cable rate of US\$1.57/£, we value AAU's 50% share of Red Rabbit, using a 2012 gold price of US\$1,700/oz, falling to US\$1,600/oz (2013) and US\$1,350/oz thereafter.

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	0.1	(0.7)	(0.7)	(0.1)	N/A	70.6

## Sector: Mining

Price: 66.5p  
 Market cap: £79m  
 Forecast net debt (US\$m) 58.4  
 Forecast gearing ratio (%) 77.0  
 Market AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(13.1)	(10.1)	(42.2)
Relative*	(8.7)	(11.4)	(38.8)

\* % Relative to local index

## Analyst

Michael Stoner

## Aureus Mining (AUE)

## INVESTMENT SUMMARY

Aureus released the results of 40 drill holes at New Liberty, pointing to undiscovered mineralisation between the Kinjor and Marvoe zones and at depth below the Latiff zone. While we do not expect these results to revolutionise the investment case, they suggest improvements to the pit outline and stripping ratio, which may result in improved project economics. The true impact of these results will be known later this quarter, when the ongoing DFS is released with an updated reserve and resource estimate. Concern may arise over the value of Aureus's 14% stake in Stellar Diamonds, which is experiencing licensing issues, but we believe the Stellar shareholding has little impact on Aureus's valuation.

## INDUSTRY OUTLOOK

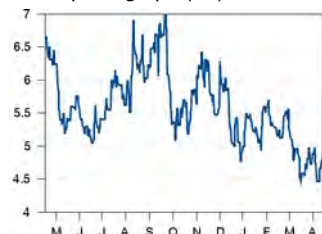
The project has a pre-tax NPV of US\$260m and generates an IRR of 62% at an 8% discount rate and a gold price of US\$1,350/oz. Aureus estimates capital requirements of US\$113m including pre-stripping 11Mt of waste. Additional sustaining capex, fleet leasing and mine closure costs total US\$48.6m.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	N/A	N/A	N/A	N/A	N/A	N/A
2011A	0.0	(7.6)	(7.8)	(6.9)	N/A	N/A
2012E	0.0	(3.4)	(3.3)	(2.8)	N/A	1.3
2013E	133.6	91.0	73.7	46.7	2.3	N/A

## Sector: Mining

Price: C\$4.84  
 Market cap: C\$790m  
 Forecast net cash (C\$m) 241.8  
 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	0.4	(7.5)	(26.0)
Relative*	4.6	(6.0)	(15.0)

\* % Relative to local index

## Analyst

Charles Gibson

## Aurizon Mines (ARZ)

## INVESTMENT SUMMARY

Aurizon reported record revenues, net profits and cash flows from activities in both Q411 and FY11. As a result, profits for both the quarter and the full year were in line with our expectations. The exceptions were the tax charge, which was C\$5.9m higher than our estimate (although c C\$10.2m of this related to non-cash items) and revenues, which were C\$6.4m higher after the company sold 4,792oz gold more than it produced in Q4 (almost exactly offsetting a shortfall of 4,200oz in Q311). While in line with our expectations, total cash costs in FY11 of US\$537/oz and C\$127/t were 9% higher than management's original plan owing to additional stope development and ground support as well as general mining inflationary pressures.

## INDUSTRY OUTLOOK

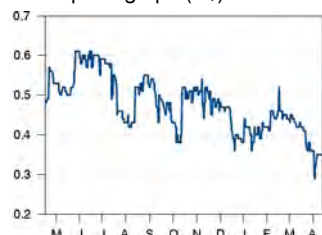
At only US\$79.99 per ounce, Aurizon is trading on a resource multiple that is at a discount of more than 50% to the average rating of gold companies in Toronto and more akin to an explorer than a profitable producer.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	178.7	68.6	33.2	11.9	40.7	12.1
2011A	260.0	125.1	86.6	27.0	17.9	4.9
2012E	259.9	126.7	81.1	28.5	17.0	6.2
2013E	268.1	141.4	92.8	32.9	14.7	5.6

## Sector: Mining

Price: C\$0.35  
 Market cap: C\$68m  
 Forecast net cash (US\$m) 8.6  
 Forecast gearing ratio (%) N/A  
 Market TSX

## Share price graph (C\$)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(15.5)	(7.8)	(26.0)
Relative*	(12.0)	(6.3)	(15.0)

\* % Relative to local index

## Analyst

Rory Draper

## Avnel Gold Mining (AVK)

## INVESTMENT SUMMARY

Avnel Gold Mining's JV partner IAMGOLD approved the exploration budget of US\$19m for 2012 last month. US\$12.5m is to be spent on the Kalana project and permit, with the rest on the Fougadian permit. This proposed budget for Kalana now equates to US\$32m of total spend on the project, well in excess of the minimum spend JV arrangement of US\$11m. This year's budget is to be spent on a further 60,000m of drilling, with over 93,000m completed to date. With a NI 43-101 resource study planned for Q312, management suggests a resource delineation of 2-3Moz as a realistic target. Expected depth of the pit would be c 150m, with two-thirds of the ore body in the first 120m, one-third to 150m and c 3g/tonne to the mill.

## INDUSTRY OUTLOOK

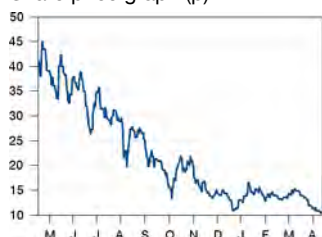
Avnel Gold has seen a recovery in its share price from earlier this month when the recent coup in Mali saw it plumb 29p/share. It has since recovered to 36p/share with resolution of the matter.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	13.7	0.0	(2.4)	(2.5)	N/A	N/A
2011A	14.7	(0.7)	(2.6)	(1.8)	N/A	N/A
2012E	8.7	(2.0)	(3.5)	(1.8)	N/A	N/A
2013E	2.0	(0.6)	(0.6)	(0.3)	N/A	78.8

## Sector: Mining

Price: 10.6p  
 Market cap: £23m  
 Forecast net cash (£m) 12.0  
 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	(28.6)	(27.4)	(76.0)
Relative*	(24.9)	(28.4)	(74.6)

\* % Relative to local index

## Analyst

Charles Gibson

## Baobab Resources (BAO)

## INVESTMENT SUMMARY

After increasing its resources tenfold in a year, Baobab is one of the cheapest iron ore stocks in the sector, on an EV/t Fe multiple of just US\$0.16 vs a global sector average of US\$0.89/t. On the basis of a US\$0.89/t multiple, it would be worth 43pps, while a US\$0.89/t multiple applied to Edison's estimate of its potential resource of 875.8Mt at 32.3% Fe (including Chimbalá and Ruoni Flats), values it at 71p, reducing to 50p only if it raises £8m in equity funding at a price below the current share price.

## INDUSTRY OUTLOOK

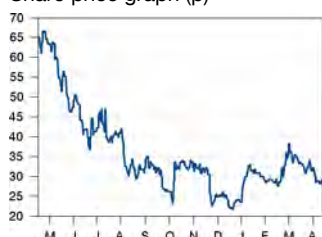
Baobab raised £2.8m in March and has £14.8m remaining of an equity draw-down facility from Dutchess. The March issue officially used the 'full extent of Baobab's existing authority to issue shares for cash'. However, shareholders voted in favour of issuing up to 123m new shares at the December AGM, which should be recognised on 23 April. Note that the change in our estimates since March reflects merely a decision to expense rather than capitalise exploration expenditure.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(2.0)	(2.0)	(1.4)	N/A	N/A
2011A	0.0	(6.1)	(6.1)	(3.6)	N/A	N/A
2012E	0.0	(6.7)	(6.6)	(2.7)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 27.8p  
 Market cap: £206m  
 Forecast net cash (US\$m) 112.7  
 Forecast gearing ratio (%) N/A  
 Market AIM, ASX

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(17.5)	(11.6)	(59.0)
Relative*	(13.3)	(12.8)	(56.7)

\* % 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. In March, Bellzone conducted its first blast, yielding some 30kt of ROM ore to be used in wet commissioning of the plant. We expect the company to deliver its first commercial production in Q212. The management guides industry average product impurities and c 85% recovery for oxides.

## INDUSTRY OUTLOOK

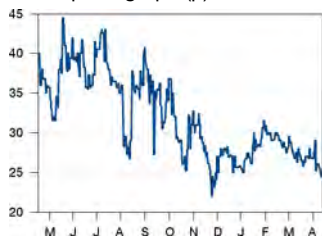
We believe further short- to medium-term weakness in the iron ore price is possible as steel mills are cutting production on the back of the deteriorated end-user demand.

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	7.4	6.3

## Sector: Mining

Price: 25.5p  
 Market cap: £17m  
 Forecast net cash (£m): 6.0  
 Forecast gearing ratio (%): N/A  
 Market: AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(8.9)	(2.4)	(33.8)
Relative*	(4.3)	(3.8)	(29.9)

\* % Relative to local index

## Analyst

Rory Draper

## Bezant Resources (BZT)

## INVESTMENT SUMMARY

Bezant Resources' management has expressed confidence in Gold Fields Netherlands Services potentially exercising its option over the Mankayan Project in the Philippines. The board is confident the option will be exercised on the back of Gold Fields's part-exercise of its option with Lepanto Consolidated Mining at the nearby Far South East copper-gold porphyry project in the Philippines. In the meantime, work continues on the Eureka Project in Argentina.

## INDUSTRY OUTLOOK

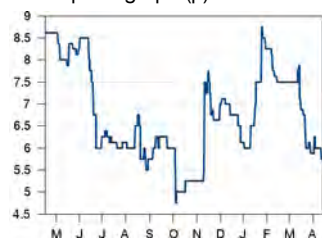
Copper is trading at US\$3.60/oz, well above our long-term price of US\$2.95/oz, while gold has fallen recently to US\$1,650/oz.

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	5.6
2013E	0.0	(1.5)	(1.3)	(2.1)	N/A	N/A

## Sector: Mining

Price: 5.8p  
 Market cap: £29m  
 Forecast net debt (C\$m): N/A  
 Forecast gearing ratio (%): N/A  
 Market: AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(27.0)	(11.5)	(34.3)
Relative*	(23.3)	(12.8)	(30.5)

\* % Relative to local index

## Analyst

Tom Hayes

## Caledonia Mining (CMCL)

## INVESTMENT SUMMARY

2011 saw Caledonia's flagship Blanket gold mine in Zimbabwe continue to improve its operational performance, recording in Q411, a seventh straight increase in gold production (from 9,743oz to 10,533oz). Revenues for 2011 increased by a significant 148% over 2010 from C\$22.4m to C\$55.7m, and at end 2011 remained debt free and had net cash of C\$9.7m. Post year-end Caledonia also announced it had agreed an indigenisation MoU with indigenous Zimbabwean parties. This allowed us to revisit our valuation, which is now C\$0.11/share before growth excluding any future value for its Zambian Nama copper project. Now indigenisation is underway, Caledonia intends to progress exploration and development of its nearby gold projects to Blanket, initially by means of trial mining at brownfield projects (where, in most cases, access shafts already exist), needing only power and refurbishment of drives and services.

## INDUSTRY OUTLOOK

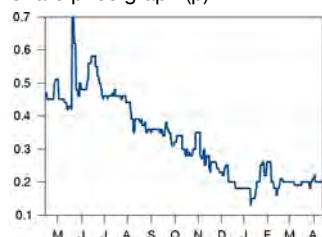
We use a long-term Au price of US\$1,350/oz in our valuations.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	22.4	2.1	2.1	0.2	45.5	6.9
2011A	55.7	24.3	24.2	2.9	3.1	1.8
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: 0.2p  
 Market cap: £11m  
 Forecast net cash (A\$m): 66.6  
 Forecast gearing ratio (%): N/A  
 Market: ASX

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	5.3	33.3	(55.6)
Relative*	3.6	28.8	(49.5)

\* % Relative to local index

## Analyst

Rory Draper

## Celamin Holdings (CNL)

## INVESTMENT SUMMARY

Celamin Holdings and its partner Tunisian Mining Services (TMS) recently resampled a historic trench at Kel El Louz in the Chaketma project. Results indicate significant mineralisation with trench CHT012 recorded at 10.4 metres at 22% P205, the historical sample being 12 metres at 22% P205. These recent drill results and trenching from Chaketma indicate it is vastly superior in size and grade to Bir El Afou where a pre-feasibility study was previously conducted. Our valuation of Celamin Holdings on a project DDF basis is A\$0.68 (10% discount factor and US\$175/tonne – c 30% P2O5 equivalent).

## INDUSTRY OUTLOOK

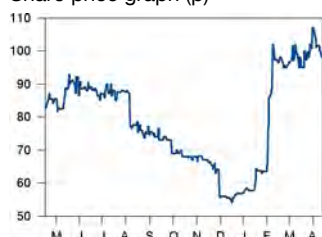
The International Fertilizer Industry Association indicated recently that global fertiliser consumption would hit 178.3m tonnes in the 2011-12 crop year, up 3% from last year. Rising demand for agricultural commodities, especially from developing countries, has put increasing pressure on land resources, pushing fertiliser demand higher.

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

## Sector: Mining

Price: 98.0p  
 Market cap: £84m  
 Forecast net debt (US\$m): 2.3  
 Forecast gearing ratio (%): 3.0  
 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	3.2	69.7	18.1
Relative*	8.4	67.2	24.9

\* % Relative to local index

## Analyst

Tom Hayes

## Central Asia Metals (CAML)

## INVESTMENT SUMMARY

Only regulatory RNS about holdings in Central Asia Metals (CAML) have been released so far in April. SaryArka has sold its 40% interest in the Kounrad copper project in Kazakhstan to JSC SAT & Co, which in turn has an agreement to sell the interest to CAML for 8.62m CAML shares (9.1% of the company's enlarged share capital). On completion, CAML will hold a 100% interest in the project. The company is now moving towards cold commissioning the plant in Q112 with first copper production in Q2, reaching annualised production levels of 10ktpa of copper cathode in 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. We are updating our model for the 2011 results.

## INDUSTRY OUTLOOK

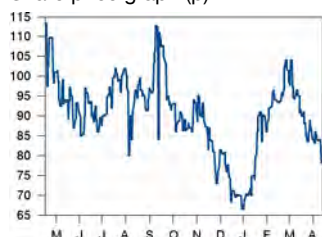
The current copper price of US\$8,350/t, or roughly US\$3.79/lb still outweighs the LOM price of US\$3.00/lb used for valuation.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	1.1	(14.3)	(14.9)	(46.0)	N/A	N/A
2010A	1.4	(5.5)	(5.8)	(11.0)	N/A	N/A
2011E	1.4	(5.4)	(7.3)	(9.0)	N/A	N/A
2012E	19.8	9.6	8.5	8.0	19.4	15.0

## Sector: Mining

Price: 79.5p  
 Market cap: £125m  
 Forecast net cash (US\$m) 16.6  
 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 (Baamahun in Sierra Leone, 100%) and one operation on care and maintenance (Angovia in Côte d'Ivoire, 90%).

## Price performance

%	1m	3m	12m
Actual	(16.3)	6.0	(31.2)
Relative*	(12.1)	4.5	(27.2)

\* % Relative to local index

## Analyst

Charles Gibson

## Cluff Gold (CLF)

## INVESTMENT SUMMARY

On 3 February, Cluff announced the acquisition of the Sega Gold project from Orezone for a consideration of 11 million ordinary shares and US\$15m in cash (c US\$31m in total). For a total resource of 597,710oz, the consideration equates to US\$51.90 per resource ounce – in line with Cluff's pre-deal enterprise value of US\$47.83 per resource ounce (based on resources as at 31 December 2010). Assuming a similar ore and cost profile to Kalsaka (just 20km away), however, Edison estimates that the total internal rate of return to Cluff from its investment (ie including its acquisition cost) could be 77%.

## INDUSTRY OUTLOOK

In its FY results to 31 December, Cluff recorded an increase in EBITDA of 92% year-on-year to US\$43.5m. Operating cash flow increased 75% over the same period to US\$41.1m.

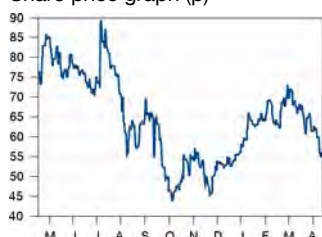
Influencing this was a 29% increase in the price of gold sold to US\$1,581/oz, while operating costs only rose 2.1% to US\$902/oz. Annual production exceeded the company's target, totalling 71,500oz.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	115.8	20.3	(1.0)	(4.9)	N/A	6.6
2011A	121.7	40.5	25.4	9.2	13.7	4.0
2012E	101.8	42.0	20.8	7.7	16.3	4.7
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 54.5p  
 Market cap: £361m  
 Forecast net cash (US\$m) 27.1  
 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	(19.3)	(14.8)	(29.9)
Relative*	(15.2)	(16.1)	(25.8)

\* % Relative to local index

## Analyst

Andrey Litvin

## Coal of Africa (CZA)

## INVESTMENT SUMMARY

Coal of Africa (CoAL) released good H112 financial results, followed by an analyst presentation. In the reported period, CoAL's revenue grew 63% y-o-y to US\$143.8m on the back of higher coal sales and realisation price, while EBITDA loss shrank from US\$40.4m to US\$9.2m. The company reported net loss of US\$74.7m, which was distorted by non-cash impairment of US\$2.0m and unrealised FX loss of US\$37.7m. At the presentation, management confirmed that Makhado's coal was classified as hard coking coal against our expectations of semi-hard type. We also understand the Vele project is expected to start commercial production in April or May, with coal qualities testing still underway. Importantly, the company is considering producing thermal coal middlings at Vele from the coking coal discard. This could become an additional revenue stream for the project.

## INDUSTRY OUTLOOK

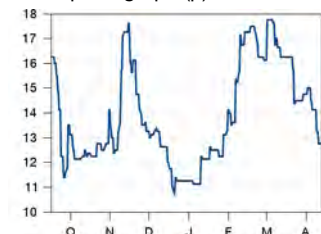
Given the weak economic backdrop, downward pressure on thermal coal prices may continue.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	98.4	12.6	(46.2)	(7.7)	N/A	N/A
2011A	261.4	14.7	(120.7)	(22.9)	N/A	N/A
2012E	300.5	40.5	(28.5)	(8.5)	N/A	98.9
2013E	377.4	71.4	16.6	(1.1)	N/A	9.7

## Sector: Mining

Price: 12.8p  
 Market cap: £54m  
 Forecast net debt (A\$m): N/A  
 Forecast gearing ratio (%): N/A  
 Market: AIM, ASX

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(21.5)	5.2	N/A
Relative*	(17.6)	3.6	N/A

\* % Relative to local index

## Analyst

Andrey Litvin

## Continental Coal (COOL)

## INVESTMENT SUMMARY

Continental Coal recently released upbeat semi-annual operating and financial results, posting its maiden positive EBITDA and after-tax profit. In the six months to December 2011, the company saw a 112% y-o-y increase in ROM coal output, with export coal sales skyrocketing 380% and revenue rising 284% to A\$49.9m. Along with the stellar top-line performance, the company showed stringent cost control, which supported positive EBITDA of A\$3.0m compared to a A\$28.5m loss in H110. In unit terms, revenue grew 4% y-o-y, while cash COGS fell 18%. Below the gross profit line, the company reduced the consultants' fees by 78% and financing costs by 82%, which helped it to break even at the bottom line. In all, these results reflect the company's success in streamlining its thermal coal business and should be further supportive of the stock.

## INDUSTRY OUTLOOK

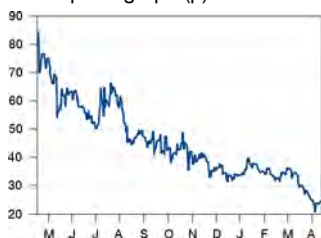
We expect thermal coal prices to remain under moderate pressure on the back of the weak global economy.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.0	(13.1)	(25.5)	(1.3)	N/A	228.5
2011A	50.8	(8.8)	(23.7)	(0.5)	N/A	142.6
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: 24.2p  
 Market cap: £225m  
 Forecast net cash (US\$m): 140.1  
 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: Mareesburg (75.5%), Spitzkop (93.4%), DGV (87.5%) and Kennedy's Vale (87.5%).

## Price performance

%	1m	3m	12m
Actual	(28.1)	(35.3)	(72.1)
Relative*	(24.5)	(36.3)	(70.5)

\* % Relative to local index

## Analyst

Andrey Litvin

## Eastern Platinum (ELR)

## INVESTMENT SUMMARY

Eastplats reported poor 2011/Q411 financials driven by the weak production numbers with overall Q411 output falling 26% q-o-q to 19,854oz. The fourth quarter and full-year production was negatively affected by the strikes and a shut-down of operations after the fatality at the mine. In 2011, Eastplats' revenue declined 27% y-o-y to US\$113m, while EBITDA loss reached US\$13.3m compared to a US\$33m gain in 2010. Net loss came in at US\$76.5m and was amplified by the US\$46.3m impairment loss. On the positive note, the company guides FY12 PGM production of 125,000oz, a 35% increase y-o-y, which should support earnings. In our view, Eastplats remains an attractive turnaround and growth story.

## 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.

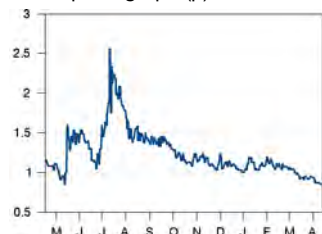
Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	155.0	33.0	10.3	1.9	20.1	10.0
2011A	113.2	(13.3)	(32.3)	(2.4)	N/A	N/A
2012E	247.6	51.4	39.9	2.8	13.7	274.8
2013E	280.3	42.0	31.9	2.2	17.4	10.6



## Sector: Mining

Price: 0.8p  
Market cap: £6m  
Forecast net debt (£m): 1.9  
Forecast gearing ratio (%): 14.0  
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 Panial Gold.

## Price performance

%	1m	3m	12m
Actual	(11.1)	(24.9)	(26.5)
Relative*	(6.5)	(26.0)	(22.2)

\* % Relative to local index

## Analyst

Charles Gibson

## ECR Minerals (ECR)

## INVESTMENT SUMMARY

Drilling continues on the El Abra prospect, Sierra de las Minas, Argentina, with over 650m complete from an anticipated 1,000m drill program. With eight of 12 drill holes now complete, initial results are expected to come through in the coming weeks. While surface geochemical sampling of vein material in January and February returned grades as high as 18.7g/t, underground sampling from historic workings has been delayed owing to safe access.

## INDUSTRY OUTLOOK

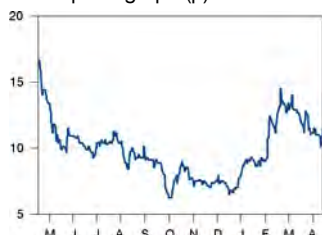
THEMAC resources, in which ECR holds a fully-diluted 21% interest, has announced potential for improved project economics at its Copper Flat project, New Mexico. Revised estimates forecast an increase in milling rate to 25,000 short tonnes per day (tpd) from 17,500tpd while retaining the same mill footprint and utilizing existing foundations. Furthermore, "the results of ongoing metallurgical testwork suggest that mill recoveries for copper and silver can be increased above historical levels, which exceed 90%, and that gold and molybdenum recoveries can also be improved".

Y/E Jun / Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	4.8	(1.7)	(2.2)	(1.0)	N/A	N/A
2011A	5.0	(2.3)	(2.7)	(0.5)	N/A	N/A
2012E	4.9	(2.0)	(2.4)	(0.4)	N/A	N/A
2013E	5.1	(2.0)	(2.3)	(0.3)	N/A	5.3

## Sector: Mining

Price: 11.4p  
Market cap: £110m  
Forecast net debt (€m): N/A  
Forecast gearing ratio (%): N/A  
Market: AIM

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(9.9)	23.0	(30.0)
Relative*	(5.3)	21.2	(25.9)

\* % Relative to local index

## Analyst

Rory Draper

## EMED Mining (EMED)

## INVESTMENT SUMMARY

EMED has indicated that it is extremely confident of receiving full permitting of the Rio Tinto mine targeted for Q312. This confidence is underpinned by copper off-take sales and financing arrangements with Yanggu Xiangguang Copper (XGC) and Goldman Sachs International. These off-take and finance packages are expected to fund the capital required for restart of the Rio Tinto mine in return for copper pre-sale agreements. Our valuation of EMED on a sum of the parts basis is 31p/share.

## INDUSTRY OUTLOOK

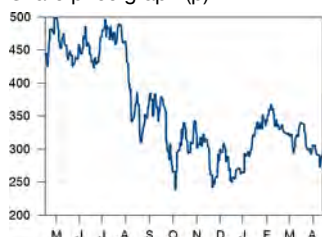
Commodities continue to remain in demand, with copper holding around \$3.60/lb. This still outweighs the life of mine price of US\$2.95/lb used for valuation. Gold is trading c \$US1,650/oz.

Y/E Dec	Revenue (€m)	EBITDA (€m)	PBT (€m)	EPS (c)	P/E (x)	P/CF (x)
2010A	0.0	(10.1)	(11.6)	(2.4)	N/A	N/A
2011A	0.0	(9.9)	(11.4)	(1.4)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 294.6p  
 Market cap: £1734m  
 Forecast net debt (US\$m): N/A  
 Forecast gearing ratio (%): N/A  
 Market: LSE

## 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	(11.6)	(8.2)	(33.1)
Relative*	(7.1)	(9.6)	(29.3)

\* % Relative to local index

## Analyst

Andrey Litvin

## Ferrexpo (FXPO)

## INVESTMENT SUMMARY

Ferrexpo reported neutral 2011 financial results driven by the higher average iron ore pricing.

The company saw revenue rise 38% y-o-y to US\$1.8bn on the back of flat iron ore production/sales (-2.2%/+1.6% respectively). Overall, EBITDA increased 38% to US\$0.8bn and net profit went up by 35% to US\$0.6bn. Unit cash production cost was up 28% y-o-y to US\$50.7/t. The company mentioned that the local cost inflation in Ukraine was 19% in 2011. This could have a negative impact on profitability and erode margins if iron ore prices stagnate. Ferrexpo did not provide any meaningful guidance or industry comments apart from the generic statements on China and commodity price volatility. Based on the consensus numbers, the stock trades at 2012e EV/EBITDA of 4.3x, which is broadly in line with global peers.

## INDUSTRY OUTLOOK

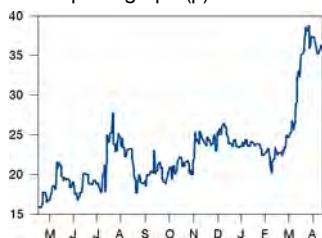
We believe that downside risk to iron ore prices prevails as underlying demand remains weak and China's steel industry shows signs of slow down.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	1294.9	579.8	509.2	73.6	6.3	7.2
2011A	1788.0	798.1	691.3	97.2	4.8	4.0
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: 35.6p  
 Market cap: £115m  
 Forecast net cash (US\$m): 41.9  
 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	8.0	47.7	115.9
Relative*	13.4	45.5	128.5

\* % Relative to local index

## Analyst

Julian Emery

## Gemfields (GEM)

## INVESTMENT SUMMARY

Three emerald auctions in FY12 so far achieved sales of US\$68.9m and there will be a fourth auction of lower-quality rough stones in June. This continues to support management's marketing initiatives, with the strong demand and rising status of Gemfields' ethical Zambian emeralds. Mining operations are in a transition phase with high volumes of waste rock removal to increase potential resource definition and operational efficiencies at Kagem, the world's single largest producing emerald mine, plus assessment of both underground exploitation and new open pits. We will report more on the operations after our forthcoming site visit.

## INDUSTRY OUTLOOK

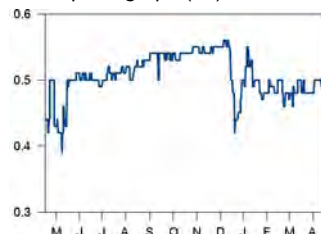
In addition to further expansion of emerald operations, Gemfields is assessing other opportunities in the coloured gemstone sector, including a ruby deposit in Mozambique and prospects in Madagascar. Management recognises the challenges involved in new ventures and will continue to implement a prudent risk strategy.

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	111.9
2011A	40.2	22.3	19.6	5.0	11.3	10.5
2012E	84.0	53.7	45.5	6.9	8.2	3.2
2013E	91.5	59.9	45.8	6.7	8.4	3.3

## Sector: Mining

Price: A\$0.49  
 Market cap: A\$694m  
 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	(2.0)	0.0	10.1
Relative*	(3.5)	(3.4)	25.0

\* % Relative to local index

## Analyst

Charles Gibson

## Gold One (GDO)

## INVESTMENT SUMMARY

Gold One (GDO) has signed a definitive agreement for the acquisition of the Ezulwini mine from First Uranium for US\$70m. The agreement is subject to conditions that are expected to be fulfilled or waived on or before 29 June 2012. GDO will finance the acquisition and the remaining balance of US\$112.3m for the Rand Uranium acquisition. The Investec Bank facility announced on 29 August 2011 along with a US\$75m unsecured shareholder loan granted by Baiyin Precious Metals will be used to settle both the Ezulwini and Rand Uranium acquisitions. The Ezulwini mine is contiguous to GDO's Cooke Operations and the company is focusing on a re-structuring program to reduce costs through shared synergies with the Cooke underground operations. We are updating our model in light of recent acquisitions.

## INDUSTRY OUTLOOK

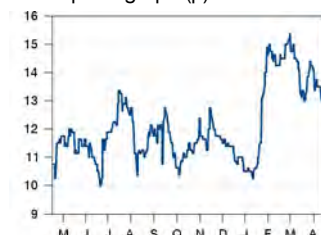
While our long-term price for gold remains a (conservative) US\$1,350/oz, in the short to medium term, we perceive the opportunity to be to the upside.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	89.3	39.4	19.3	1.8	27.2	9.6
2011A	188.3	92.3	68.7	6.0	8.2	3.2
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: 13.0p  
 Market cap: £222m  
 Forecast net cash (£m): 8.2  
 Forecast gearing ratio (%): N/A  
 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	(5.5)	22.4	19.5
Relative*	(0.7)	20.6	26.5

\* % Relative to local index

## Analyst

Rory Draper

## Goldplat (GDP)

## INVESTMENT SUMMARY

Goldplat continues its golden run from FY11 with further success in H112. Increased efficiencies at its South African and Ghanaian gold recovery operations has led to an interim production increase of c 11% to 15,404oz compared to the same period last year. Coupled with a favourable gold price environment, this has seen the company increase its profit before tax 74% to £2.37m, and carry a net cash position of £4.6m. Goldplat has also achieved its first gold pour at its Kilimapesa gold mine in Kenya and is looking to produce at a rate of 10,000oz Au per year by the year-end. We envisage greater value accretion with further development of the portfolio of mines in Kenya, Ghana and Burkina Faso into JORC compliant resources. With drill programmes operating at all three mines, the explicit aim is to have delineated 1m oz of gold by the end of the calendar year.

## INDUSTRY OUTLOOK

Gold has fallen from recent highs of US\$1,750/oz down to US\$1,650/oz.

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	8.2	10.2
2011A	19.6	3.4	3.1	1.63	8.0	23.3
2012E	26.2	5.6	5.1	2.13	6.1	2.5
2013E	36.5	14.4	13.8	6.58	2.0	1.7

## Sector: Mining

Price: A\$0.22  
 Market cap: A\$49m  
 Forecast net debt (A\$m): 84.8  
 Forecast gearing ratio (%): 454.0  
 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	(4.3)	4.8	(15.4)
Relative*	(5.8)	1.2	(3.9)

\* % Relative to local index

## Analyst

Julian Emery

## Gunson Resources (GUN)

## INVESTMENT SUMMARY

On 18 April, Gunson announced the identity of the major East Asian industrial group with which it has been negotiating for an investment in its strategically-placed, construction-ready Coburn mineral sands project. It is Korean steel maker POSCO, which has requested an extension until mid-August 2012 to complete its internal review process and obtain board approval for the investment. Gunson is expected to be the project manager and mine construction may be accelerated as completion of the front-end engineering study is due for completion in mid-May. The company has a five-year sales agreement for its proposed chloride ilmenite product with Du Pont, the world's largest manufacturer of titanium dioxide. Other off-take arrangements are stated to be well advanced.

## INDUSTRY OUTLOOK

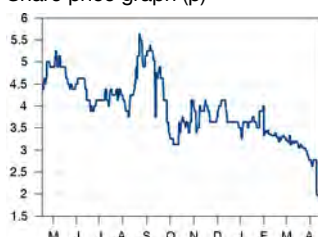
Confirmation of the joint venture, together with required capital funding and off-take agreements will establish Gunson as a force in the sector, with one of the few significant advanced projects in the mineral sands industry.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	0.2	(0.4)	(0.4)	(0.2)	N/A	N/A
2011A	0.1	(1.7)	(1.7)	(0.6)	N/A	N/A
2012E	0.0	(0.1)	(9.0)	(4.2)	N/A	81.4
2013E	0.0	(0.1)	(15.0)	(6.8)	N/A	N/A

## Sector: Mining

Price: 1.8p  
 Market cap: £17m  
 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	(43.0)	(49.7)	(59.4)
Relative*	(40.1)	(50.4)	(57.1)

\* % Relative to local index

## Analyst

Tom Hayes

## Hambledon Mining (HMB)

## INVESTMENT SUMMARY

5 April saw Hambledon Mining (HMB) release a progress update on its acquisition of Akmola Gold and the repair works to Tailings Dam 3 (TD3, reported earlier on 1 February). HMB states that the Akmola acquisition is not yet completed because: certain permits and waivers have not yet been received from the Kazakh authorities; the state mining company is seeking a pre-emptive interest in Akmola; vendors of Akmola want to amend the terms and conditions of the acquisition agreement dated 15 September 2012; and US\$2.5m fee has not yet been made to Akmola. The issue of the TD3 leak is also still subject to ongoing court action. Repair works to TD3 are underway and payments/fines totalling US\$5.9m have been made alongside the court action. Some of these fines and penalties may be returned to HMB depending on the court outcome.

## INDUSTRY OUTLOOK

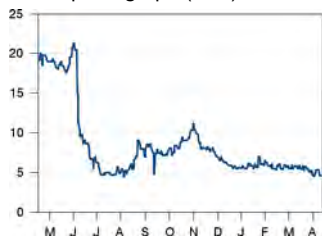
We use a Au price of US\$1,350/oz in our valuation, which is due for review.

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	9.6
2010A	18.8	5.9	2.3	0.4	4.5	3.2
2011E	20.2	3.5	(1.3)	(0.2)	N/A	9.1
2012E	32.7	10.2	4.6	0.4	4.5	2.6

## Sector: Mining

Price: SEK4.50  
 Market cap: SEK42m  
 Forecast net debt (SEKm) N/A  
 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 nine licences in Russia. Together these cover 486 sq km and have C1, C2 and P1 reserves/resources of 2.0Moz. The company has JORC resources of 117koz.

## Price performance

%	1m	3m	12m
Actual	(18.2)	(21.7)	(76.4)
Relative*	(12.8)	(24.0)	(73.7)

\* % Relative to local index

## Analyst

Charles Gibson

## Kopy Goldfields (KOPY)

## INVESTMENT SUMMARY

Kopy Goldfields has recently acquired two prospective exploration properties, increasing its current exploration area from 255km sq to 486km sq. The properties border known gold deposits and are within the Lena Goldfields Bodaibo-region in Russia. The Purpolskaya license borders the Polyus Gold owned gold-ore deposit Chertovo Koryto containing JORC-compliant measured and indicated resources of 3Moz at 1.84g/t. The Verkhnyaya Orlovka license borders tenements owned by Severstal and Stargold Mines Karalon deposit. Kopy management believes these tenements show strong synergy with its current portfolio and its long-term ambition of developing 5Moz to support long-term gold production. We are reviewing our forecasts.

## INDUSTRY OUTLOOK

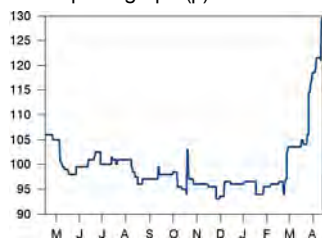
In its year-end results Kopy reported a net loss of SEK92m and earnings per share of SEK-12.65. Cash stood at SEK20m at the end of the period.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (fd) (öre)	P/E (x)	P/CF (x)
2010A	0.4	(9.8)	(13.2)	(284.7)	N/A	N/A
2011A	3.2	(19.1)	(94.2)	(1265.3)	N/A	N/A
2012E	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: 129.5p  
 Market cap: £48m  
 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	25.1	34.2	22.2
Relative*	31.5	32.2	29.3

\* % Relative to local index

## Analyst

Rory Draper

## MDM Engineering (MDM)

## INVESTMENT SUMMARY

MDM recently announced a trading update, indicating that it expected its annual results to be at least 10% better than current forecasts. Significantly, MDM expects the current financial year to be materially ahead of expectations too. The increase in the project and study pipeline from 31 March 2011 through to today is a result of improved market conditions and its own concerted efforts. With studies like Amari Manganese's Kongoni project and the Gold One and Goldfields JV scoping study in the pipeline, MDM could potentially have a significant FY12. 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

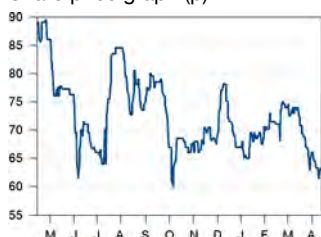
Given that MDM's market ultimately depends on the capital development by mining companies, the increased bullishness in the commodities market provides more positive news.

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	22.2	N/A
2011A	20.8	(2.3)	(2.3)	(3.6)	N/A	9.6
2012E	70.3	5.5	5.6	12.8	16.0	193.8
2013E	44.7	5.8	5.9	11.9	17.2	7.5

## Sector: Mining

Price: 63.2p  
 Market cap: £96m  
 Forecast net cash (US\$m) 5.5  
 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	(14.5)	(9.0)	(30.1)
Relative*	(10.2)	(10.3)	(26.1)

\* % Relative to local index

## Analyst

Charles Gibson

## Minera IRL (MIRL)

## INVESTMENT SUMMARY

Minera IRL recently released its FY11 results stating record revenues of US\$53.0m based on 33,718oz of gold sold at an average price of US\$1,570/oz and with averaged cash costs of US\$410/oz. The company also spent US\$35.7m on development and exploration during 2011 and had a cash balance of US\$11m at the end of the year. Excavation continues on the Ollachea project in Peru, where an exploration tunnel will provide access to the Minapampa orebody. Minera has completed a feasibility study on the Don Nicolas project and the company is working on the environmental impact assessment. Required permits are anticipated to be in place during H212 and production is forecast to start late in 2013.

## INDUSTRY OUTLOOK

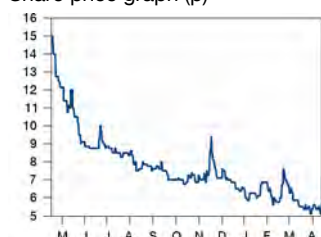
While our long-term price for gold remains conservative at US\$1,350/oz, in the short to medium term, we perceive the opportunity to be to the upside.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2010A	41.1	10.0	9.4	5.2	19.2	9.7
2011A	53.0	17.0	16.7	8.1	12.3	5.8
2012E	43.0	10.3	10.4	5.6	17.8	6.9
2013E	27.7	(2.2)	(2.1)	(1.7)	N/A	25.4

## Sector: Mining

Price: 5.6p  
 Market cap: £12m  
 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	0.0	(10.0)	(56.7)
Relative*	5.1	(11.3)	(54.2)

\* % Relative to local index

## Analyst

Sheldon Modeland

## Oracle Coalfields (ORCP)

## INVESTMENT SUMMARY

Oracle Coalfields recently received a 30-year mining lease through its 80% owned local subsidiary, Sindh Carbon Energy. The lease was granted by the director general, mines and mineral development, government of Sindh, Pakistan and applies to 66.1km sq within Block IV of the Thar coalfield. Resource estimates within the mining area (20km sq within Block IV) contain 529Mwt of lignite with a gross calorific value (CV) of 3,128k calories per wet kg, 5.89% ash and 0.9% sulphur. Reserve estimates are 113Mwt with a gross CV of 2,831kcal/wkg, 11.5% ash and 0.8% sulphur. Oracle Coalfields is targeting development with an annual production rate of 5Mwt at a cost of \$42.21 per wet tonne and a \$610m capital investment supporting a 23-year mine life.

## INDUSTRY OUTLOOK

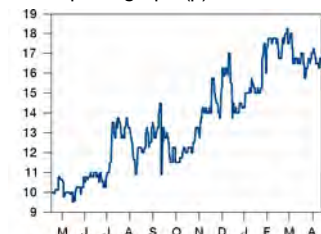
The Pakistan government continues to support the development of the Thar coalfield as part of its strategy to meet growing domestic demand for low-cost energy via the replacement of oil and gas with coal energy.

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: 16.2p  
 Market cap: £235m  
 Forecast net cash (£m): 16.0  
 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	(3.0)	6.6	54.8
Relative*	1.9	5.0	63.8

\* % Relative to local index

## Analyst

Charles Gibson

## Pan African Resources (PAF)

## INVESTMENT SUMMARY

In January, Pan African and Wits Gold formed a consortium to buy Evander Gold Mines (EGM) from Harmony for ZAR1.7bn (then US\$219m), equivalent to US\$6.37 per resource ounce, an 82% discount to the average value of Wits basin ounces of US\$36.27/oz. The principal problem for Evander has been the mining constraints imposed by a lack of refrigeration. Before being sold, however, Harmony invested ZAR256m into refrigeration infrastructure at Evander. In addition, the mine has been reconfigured by the relocation of the main twin decline to the western edge of the Kinross channel. This initiative has both limited and concentrated refrigeration in the mine, while giving it access to the high grade areas of the target ore body. As a result, production will be restricted to six raise lines (cf 18 previously), but at a materially (eg 82%) higher grade.

## INDUSTRY OUTLOOK

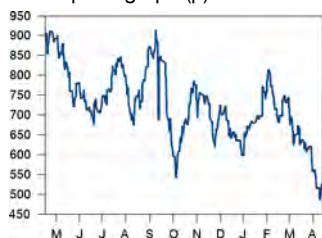
We estimate Evander has the ability to contribute over c £42m and 1.4p annually to Pan African's free cash flows and attributable EPS, respectively.

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	13.5	8.7
2011A	79.1	31.3	29.2	1.4	11.6	9.6
2012E	105.1	49.4	44.8	2.0	8.1	5.1
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 506.5p  
 Market cap: £952m  
 Forecast net debt (US\$m): N/A  
 Forecast gearing ratio (%): N/A  
 Market: LSE

## Share price graph (p)



## Company description

Petrovavlovsk'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	(24.0)	(25.4)	(44.8)
Relative*	(20.1)	(26.4)	(41.6)

\* % Relative to local index

## Analyst

Charles Gibson

## Petrovavlovsk (POG)

## INVESTMENT SUMMARY

Full-year results for FY11 demonstrated a 317% increase in basic EPS before impairments, with total cash costs restrained to US\$662/oz. Production guidance for FY12 is 680koz (vs 630koz in FY11). After a 45.4koz increase in production in Q1, however, this target must be seen as having been already met. A 1.8Mtpa RIP line at Albyn and a fourth 2.0Mtpa line at Pioneer are expected to become operational in H212 as a result of which POG anticipates "significant production growth" in FY13-16. Like African Barrick, Petrovavlovsk is trading at a share price below book value.

## INDUSTRY OUTLOOK

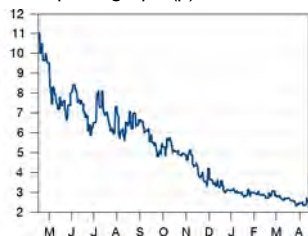
The company has announced a 6% increase in resources and a 11% increase in reserves to c 24.6Moz and c 10.2Moz, respectively, more than offsetting the c 0.65Moz depletion to its reserve base in 2011. Of this, the group's non-refractory reserves, amenable to resin-in-pulp and heap leach recovery, rose from c 3.6Moz to c 5.1Moz. The average reserve grade is 1.13g/t, in line with the previous year.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	612.0	201.6	94.5	24.5	32.7	18.3
2011A	1262.5	530.0	358.9	122.5	6.5	4.2
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: 2.4p  
 Market cap: £21m  
 Forecast net cash (£m): 1.2  
 Forecast gearing ratio (%): N/A  
 Market: AIM

## Share price graph (p)



## Company description

Listed on AIM in July 2005, Red Rock Resources is now a combination of a junior gold explorer and a mineral property investment company focused on the discovery and development of iron ore, manganese, uranium and gold, primarily in Australia and Africa.

## Price performance

%	1m	3m	12m
Actual	(10.0)	(19.0)	(77.4)
Relative*	(5.4)	(20.2)	(76.1)

\* % Relative to local index

## Analyst

Charles Gibson

## Red Rock Resources (RRR)

## INVESTMENT SUMMARY

Q1 production from Red Rock's Colombian operations report a 12% increase in ore processed to 5,658 tonnes and a 23% increase in grade to 10.7g/t, but gold sales for the period fell 19% to 1149oz due to plant inefficiencies. A new chief operating officer, Dr Peter Bolt, formerly of SRK was recently appointed to improve efficiency and production. Red Rock has also told the market that drilling on the previously unexplored Nyatworo and Eastern areas located to the north-west of its Migori gold project area, Kenya, has returned grades of up to 1.84g/t Au over 1m at Nyatworo.

## INDUSTRY OUTLOOK

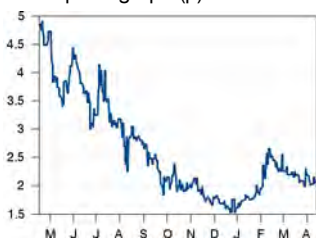
In our note of 9 February we revised our low-end valuation, reducing Red Rock's post-tax Mt Ida value to US\$19.6m (assuming 30% tax). Our median and top-end scenarios feature Anglo Pacific's cash payments plus 50% of our previous values of Red Rock's 1.5% Mt Ida production royalty. Our low-end, median and top-end valuation scenarios are now 3.96p/share, 9.45p/share and 30.54p/share respectively.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (fd) (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.9)	(1.5)	(0.26)	N/A	N/A
2011A	0.9	(1.1)	(1.6)	0.01	240.0	N/A
2012E	4.7	0.4	(1.0)	(0.25)	N/A	5.2
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 2.1p  
 Market cap: £14m  
 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	(5.9)	14.8	(55.5)
Relative*	(1.1)	13.1	(52.9)

\* % Relative to local index

## Analyst

Charles Gibson

## Regency Mines (RGM)

## INVESTMENT SUMMARY

Interim results recorded a loss of £1.47m for the six months to 31 December giving earnings per share of -0.24p. A 135-hole drill program has now been completed at Regency's 50%-owned Mambare Nickel laterite project in Papua New Guinea and the company moves towards releasing a compliant inferred resource at the project in the coming weeks. As assay results come through, positive returns include grades as high as 3.28% Ni over 1m from 3,600m of new drilling at the previously unexplored Plateau area. In addition, Regency's joint venture partner at the project, Direct Nickel (DNI), is also expected to commission a 1tpd pilot plant in Q2/312, which will provide verification of its pioneering processing technology.

## INDUSTRY OUTLOOK

Regency has also recently announced that it has filed for two new tenement areas in Western Australia: Fraser Range (gold) and Kimberly Downs/Ellendale North (diamonds).

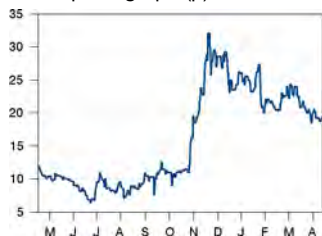
Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2010A	0.0	(0.5)	0.4	0.1	21.0	N/A
2011A	0.2	(1.3)	0.8	0.2	10.5	N/A
2012E	0.0	(0.5)	5.9	0.7	3.0	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A



## Sector: Mining

Price: 19.0p  
 Market cap: £266m  
 Forecast net cash (£m) 57.9  
 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	(15.6)	(18.3)	60.0
Relative*	(11.3)	(19.5)	69.3

\* % Relative to local index

## Analyst

Tom Hayes

## Sirius Minerals (SXX)

## INVESTMENT SUMMARY

Sirius announced preliminary drill core results for its third hole at its flagship York Potash Project (YPP). A 22.3m (from 1,498.3m below surface) intersection of massive polyhalite from the upper Fordon 'shelf' seam was recovered. The lower Fordon 'Main' seam was not present at SM3's location, being in an area where both Fordon seams are not always present together. Altogether, this is a further indication that the YPP has the resource potential to support a sizeable potash operation in the north of England. Adjusting our order of magnitude EV/t valuation (suitable until it releases more detailed scoping information) for SM3 results to £0.47 per share. SM3 is only the third hole drilled by Sirius. Yet the type of mineralisation and deposit being investigated is homogenous enough in thickness and continuity that three holes will be enough to calculate a JORC-compliant resource (due April 2012).

## INDUSTRY OUTLOOK

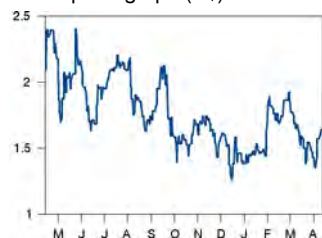
One metric tonne of muriate of potash (potassium chloride) currently trades at US\$480.

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)	(0.6)	N/A	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: C\$1.64  
 Market cap: C\$172m  
 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	5.8	13.1	(38.6)
Relative*	10.2	14.9	(29.4)

\* % Relative to local index

## Analyst

Tom Hayes

## South American Silver Corp (SACC)

## INVESTMENT SUMMARY

On 16 April, South American Silver (SAC) announced A\$16m financing with Asian-based high technology manufacturers. This will be via the issuance of 10m shares in SAC at a price of US\$1.6/share (a 6% premium to the five-day VWAP of SAC at the time the TSX accepted the transaction). Also, SAC will issue one half ordinary share purchase warrant along with each ordinary share. Each warrant will be exercisable 24 months from issuance at US\$2.00/share. The gross proceeds will be used to accelerate development of the Malku Khota Ag-In-Ga deposit in Bolivia as well as the Escalones Cu-Au project in Chile. The Asia based backers of the financing obviously see strategic importance in Malku Khota, one of the largest Ag-In-Ga deposits in the world and important to the ex-Chinese supply of these high-end technology metals.

## INDUSTRY OUTLOOK

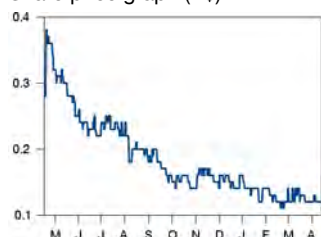
Our long-term prices for Au, Ag and Cu are \$1,350/oz, \$24.63/oz and \$2.75/oz, respectively.

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\$0.12  
 Market cap: A\$24m  
 Forecast net debt (£m) 18.7  
 Forecast gearing ratio (%) 146.0  
 Market ASX

## Share price graph (A\$)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(7.4)	(13.8)	(56.9)
Relative*	(8.8)	(16.7)	(51.1)

\* % Relative to local index

## Analyst

Tom Hayes

## Sumatra Copper &amp; Gold (SUM)

## INVESTMENT SUMMARY

Sumatra has announced a number of key catalysts. First is a reserve statement based on its resource base at Tembang, totalling 5.5Mt @2.3g/t Au and 31.4g/t Ag for 513koz AuEq. This is a critical milestone to developing Tembang as a mine. A further 73koz Au and 890koz Ag remains in peripheral sheeted veins to provide upside to the current Stage 1 life of mine of five years. Also, significantly, a revised mine optimisation plan details a 55% reduction in capex to US\$10m; a 39% increase in mined AuEq ounces of 189k; a reduction in construction time to six months; initial open pit mining at Belinau, followed by Asmar open pit development concurrently with underground mining at Belinau (post open pit works); and acquisition of the pre-existing (and highly efficient) process plant designs from AMEC. We look to revise our valuation on account of these factors shortly.

## INDUSTRY OUTLOOK

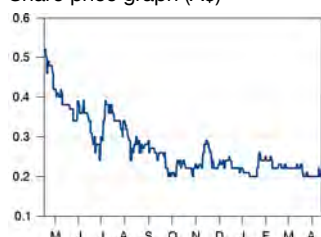
We will look to use Au prices of US\$1,700/oz (2012), US\$1,600/oz (2013) and US\$1,350/oz thereafter in our upcoming valuation.

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

## Sector: Mining

Price: A\$0.22  
 Market cap: A\$35m  
 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	(2.3)	10.3	(57.8)
Relative*	(3.8)	6.5	(52.1)

\* % Relative to local index

## Analyst

Andrey Litvin

## Universal Coal (UNV)

## INVESTMENT SUMMARY

Universal Coal reported signing a strategic financing package and the completion of Kangala BFS accompanied by the Eskom off-take agreement. The BFS envisages a 2.1Mtpa saleable thermal coal operation with eight years LoM, A\$14/ROM tonne opex and annual EBITDA of A\$15m. The overall capital outlay is estimated at A\$50m. The mine development is expected to commence in late 2012 with first coal to be delivered in H213. In the same vein, the company announced raising of up to A\$12m in convertible debt facility from Susquehanna. According to the agreement, the initial drawdown of A\$7m will be available to Universal in May 2012, with the remainder of the funds to be provided in September. The company will also grant Susquehanna up to A\$8m worth of unlisted options. The funding deal is subject to the shareholders approval. The proceeds will be spent on the projects' advancing.

## INDUSTRY OUTLOOK

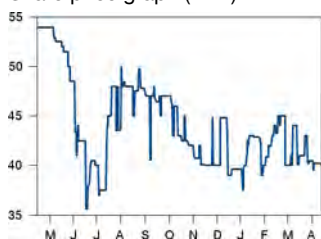
We expect weakness in thermal coal prices to persist on the back of slowing economic growth.

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	44.0	N/A

## Sector: Mining

Price: ZAR40.00  
 Market cap: ZARm1380m  
 Forecast net debt (ZARm) 364.0  
 Forecast gearing ratio (%) 59.0  
 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	(0.1)	(7.0)	(25.8)
Relative*	1.3	(9.1)	(28.8)

\* % Relative to local index

## Analyst

Charles Gibson

## Wits Gold (WGR)

## INVESTMENT SUMMARY

In January, Wits Gold and Pan African Resources jointly announced that they had formed a consortium to buy Evander Gold Mines from Harmony for a headline price of ZAR1.7bn, equivalent to US\$6.37 per resource ounce at the then ZAR/US\$ exchange rate. Wits will equity account for its acquisition after the transaction closes after Department of Mineral Resources' approval (estimated end-October). We estimate that Evander has the ability to contribute over ZAR500m and ZAR7.17 (attributable) annually to Wits Gold's free cash-flows and cash EPS, respectively.

## INDUSTRY OUTLOOK

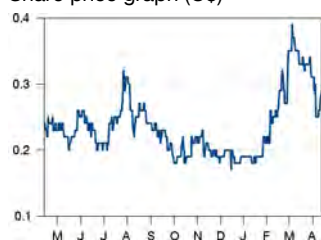
At a long-term gold price of US\$1,350/oz, we calculate the NPV of the next 15-year development plan for Evander to be ZAR967m of the net present value of the purchase price of ZAR1,036m. As such, Pan African and Wits Gold can be considered as having bought Evander for the value of the next 15 years of low tonnage, high grade mining. They will have brought the remaining 33.2Moz of reserves and resources effectively for free.

Y/E Feb / Dec	Revenue (ZARm)	EBITDA (ZARm)	PBT (ZARm)	EPS (c)	P/E (x)	P/CF (x)
2011A	0.0	(19.7)	(14.9)	(50.1)	N/A	N/A
2011A	0.0	(19.7)	(14.9)	(50.1)	N/A	25.9
2012E	0.0	(26.2)	63.8	146.5	27.3	N/A
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: C\$0.29  
 Market cap: C\$91m  
 Forecast net cash (C\$m) 1.2  
 Forecast gearing ratio (%) N/A  
 Market TSX

## Share price graph (C\$)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(15.7)	59.5	22.9
Relative*	(12.2)	62.0	41.2

\* % Relative to local index

## Analyst

Andrey Litvin

## Woulfe Mining Corp (WOF)

## INVESTMENT SUMMARY

Following the recently-signed milestone agreement with International Metalworking Companies (IMC), Woulfe Mining is moving to a 75% ownership in the Sangdong mine and a 45% interest in the downstream APT plant, which together comprise the Sangdong tungsten project. Having been significantly de-risked as a result of this deal, the project is expected to deliver its first saleable APT in 2013 and should therefore be on track to benefit from the strong tungsten market fundamentals. Our valuation of Woulfe implies a 89% upside to the current market price and we believe the stock should re-rate as the project is advanced to production. In Q112, the company reported upgrade in NI 43-101 compliant resource base as well as the positive metallurgical testwork results indicating recoveries of 85%. This is 15% above the historical levels. The BFS is due in mid-April.

## INDUSTRY OUTLOOK

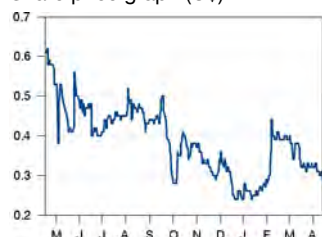
Despite some moderate easing, APT pricing to stay at the elevated levels supported by the global shortage of tungsten.

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

## Sector: Mining

Price: C\$0.29  
 Market cap: C\$275m  
 Forecast net debt (US\$m) 41.3  
 Forecast gearing ratio (%) 32.0  
 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	(20.3)	18.0	(53.2)
Relative*	(17.0)	19.9	(46.2)

\* % Relative to local index

## Analyst

Tom Hayes

## Yukon-Nevada Gold (YNG)

## INVESTMENT SUMMARY

Yukon-Nevada (YNG) announced its final results on 30 March 2012 detailing 67,748oz Au processed from stockpiles, purchased ore and mining operations. A (protracted) annual plant shut-down also allowed YNG to renovate ageing equipment, which had been largely neglected since its installation in the early 1980s. While results have improved, YNG's CEO states "they do not yet reflect the improvement and progress achieved on the ground at Jerritt Canyon". This may be considered in relation to over US\$200m of financing source off-market, which will allow YNG to fully recapitalise Jerritt and start to realise the potential of a mine site that once saw consistent production of c 300koz Au. This only dropped due to previous custodians' poor operational and financial management.

## INDUSTRY OUTLOOK

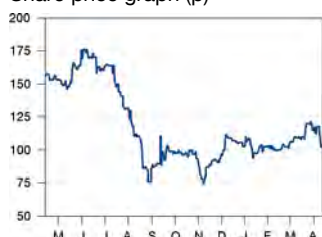
We use a long-term Au price of US\$1,350/oz in our valuation, which we look to revisit, along with our forecasts on release of an improved and revised NI43-101 technical report on Jerritt Canyon (due shortly).

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2010A	71.4	(18.0)	(85.3)	(12.9)	N/A	N/A
2011A	105.1	(34.0)	(70.2)	(7.5)	N/A	4.4
2012E	262.6	73.6	64.6	7.0	4.2	10.4
2013E	N/A	N/A	N/A	N/A	N/A	N/A

## Sector: Mining

Price: 104.0p  
 Market cap: £292m  
 Forecast net cash (US\$m) 46.5  
 Forecast gearing ratio (%) N/A  
 Market LSE

## Share price graph (p)



## Company description

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

## Price performance

%	1m	3m	12m
Actual	(4.6)	6.4	(33.8)
Relative*	0.3	4.8	(29.9)

\* % 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 the 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 cost curve.

## INDUSTRY OUTLOOK

In the short term, we expect iron ore price to remain capped by the weak 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	1556.2
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

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#### 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)  
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Edison Investment Research

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

Lincoln House  
296-305 High Holborn  
London  
WC1V 7JH  
England  
Tel: +44 (0) 20 3077 5700

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

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