Asia-Pacific resources quarterly

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Contents

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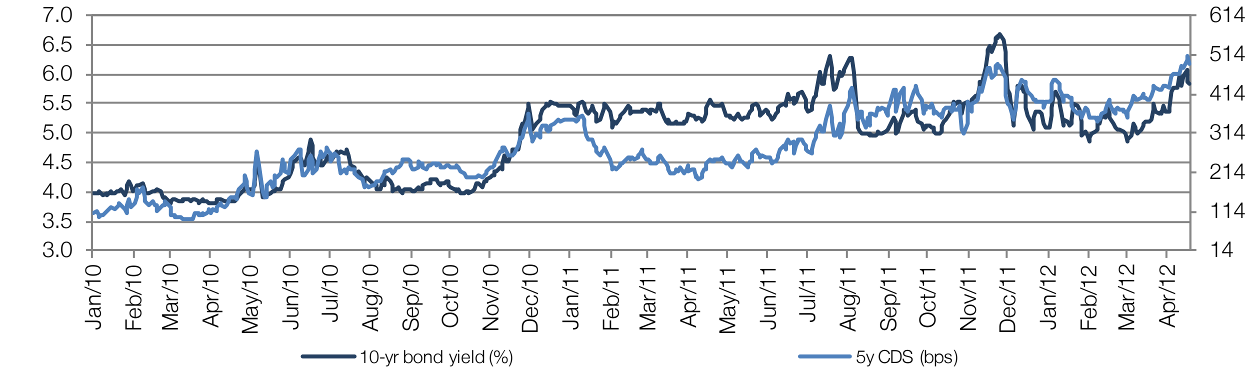
Global perspectives: Know when to fold

- **Spain – too big to ignore.** We recommended buying equities in Q411 and recommended adding beta in early February. Since then growth in Europe has disappointed and capital flight from Spain's banking, sovereign credit and equity markets is now driving European markets. Though the medium-term case for equities over bonds remains strong we suspect a resolution of the Spanish crisis will require another round of protracted political negotiations.
- **Time to cut our add beta call.** The uncertainty over the form and timing of a solution to the Spanish problem leaves us exposed now that market valuations are less extremely discounted. We believe a tactical retreat is pragmatic as better opportunities to invest cannot be ruled out over the next six months.
- **Divergence of Spanish and German equity markets**. In November we highlighted the lack of a valuation differential between the periphery of Europe and the core. Since then the DAX has outperformed the IBEX by 30% – a level of divergence unparalleled since the advent of the euro.
- **Too early to get involved in Spain.** Though tempting to bottom-fish, the level of corporate leverage in Spain remains a concern, as does the domestic share of revenues in the IBEX. Individual opportunities may present themselves, but for now the valuation case is insufficient to justify the risks at the aggregate level.
- **But not a call to abandon the equity market.** UK and core European markets remain inexpensive according to our analysis, while highly rated sovereign bonds remain at record-low real yields and interest rates are minimal. It may not be a novel observation, but coupons and dividends are the largest component of returns over the long term. We remain positive on the long-run prospects for high-quality non-financial equities.

Spain – an uncertainty too big to ignore

Over the past month European economic survey data has disappointed. The manufacturing PMI of 47 has clearly broken the strong uptrend that started in November. To compound the difficulties Spanish political leaders have backed away from previous deficit targets and the Spanish bond market has taken fright, Exhibit 1. With unemployment already at US Great Depression-era levels, the political room for manoeuvre in terms of austerity is limited.

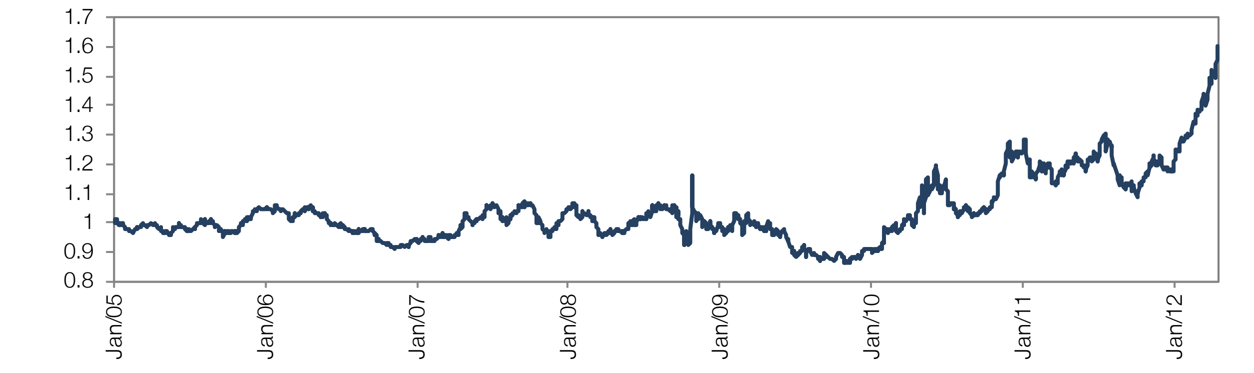
Exhibit 1: Spanish bond yields and CDS prices



Source: Bloomberg

Capital flight is now taking hold in exactly the same manner as observed in Portugal and Greece in the final months of 2011. The Spanish equity market has underperformed the DAX substantially in the first quarter of 2012, Exhibit 2, a risk we had earlier highlighted. A fully deserved sovereign discount has now been priced into the equity market. In the credit markets, Spanish banks have been taking increasing quantities of ECB funding as private credit flows have dried up. Once capital flight has taken hold it can be difficult to find a way back without steadfast external support.

Exhibit 2: Outperformance of DAX (ex-dividend) versus IBEX



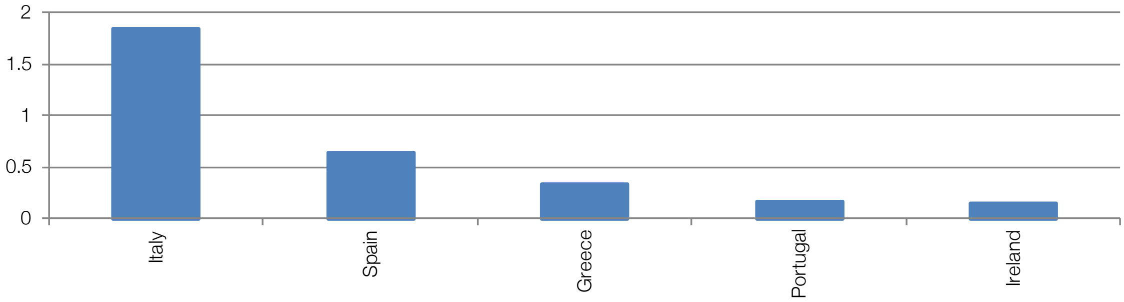
Source: Bloomberg

European policymakers are now dealing with self-inflicted policy failure as well as economic collapse in the periphery. Perhaps if core nations had mustered the political will to resolutely stand behind the periphery at the outset the financial costs would have been significantly reduced. The experience of the Swiss National Bank is instructive; the threat of unlimited intervention can achieve an objective with very limited actual intervention, if any at all.

Spain's sovereign bond market is over €600bn and as large as Greece, Portugal and Ireland combined. Past experience suggests that should a bail-out be required this figure would increase as external auditors examine the financial position, including local governments. Aside from the public debt, Spanish corporate debt is also high and in the household sector the issues over bad real-estate loans are well known.

It is tempting to think that the Spanish funding crisis is one of perceptions, which can be easily reversed, but this does not accord with the experience of the other bailed-out nations. To date, strong external support has always been required to stabilise the situation once private market creditors have withdrawn. We do expect a support package (perhaps framed as a pan-European growth initiative) to be forthcoming, ultimately, as too much political capital has to date been invested in the European project. However, recent experience has also shown the precise form and timing of any resolution will be uncertain and politicians will use market distress as a negotiating tool with impunity.

Exhibit 3: Size of government bond markets

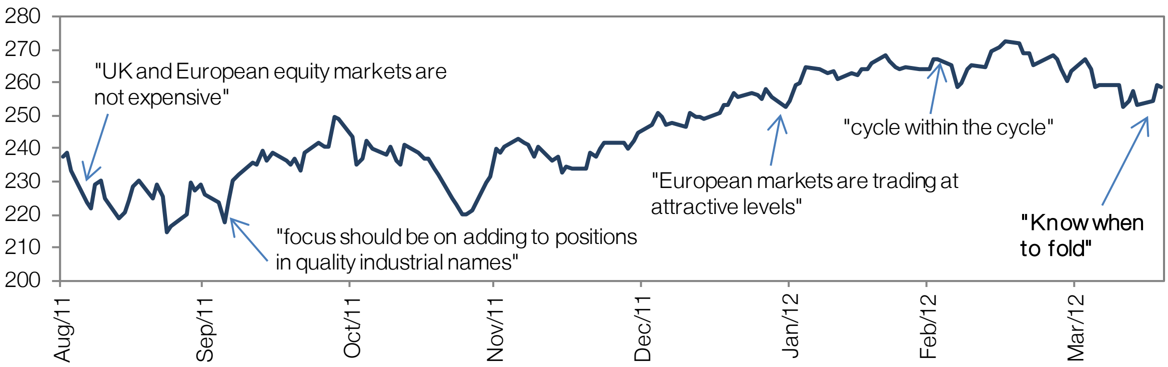


Source: Eurostat

Time to reconsider the 'add beta' call

Over the past six months we have been consistently bullish equities on the premise of valuation, Exhibit 4. There was no difficulty in making this call in Q411 as the valuation case was compelling. In early February, after markets had risen by 20%, the valuation case was supportive but not so compelling on its own. However, in light of Japan's experience, the empirical data indicated that further gains were likely, provided incoming survey data remained supportive.

Exhibit 4: Strategy calls



Source: Edison, Bloomberg

Therefore we suggested letting profits on equities purchased in Q4 run. At the margin we favoured increasing portfolio beta. The premise was that increasing growth expectations, primarily in the US but also in Europe, raised the possibility of a self-reinforcing "cycle within a cycle". Since then, markets are unchanged but the outlook has darkened with disappointing European survey data and the prospect of a summer of negotiations over Spain.

In response, we think it is time to raise cash in preparation to take advantage of opportunities that may be thrown up over coming quarters – and getting out flat on the tactical increase in beta made earlier in the year. While the equity markets are unchanged over the last six weeks, the facts have changed. The funding stress on the Spanish sovereign cannot be ignored any longer.

For now, the notable divergence of Spanish and German equities does not have us changing our preference for core equity markets over the periphery. For as long as funding stress continues, relative valuation is likely to be a poor guide to the path of future equity prices. However, given the sharp move in the relative valuation, our value investor instinct suggests that if visibility on the political process improves then our assessment may change.

NOT a call to abandon the equity market

In terms of the longer-term call, blue-chip non-financials are globally one of the few asset classes that remain at or below historical valuation norms. Therefore in terms of strategic (ie long-term) asset allocation, the valuation case for such equities over bonds remains clear. Those favouring bonds should take note that in the UK and US the prospect of further QE is in our view key to the availability and cost of deficit funding.

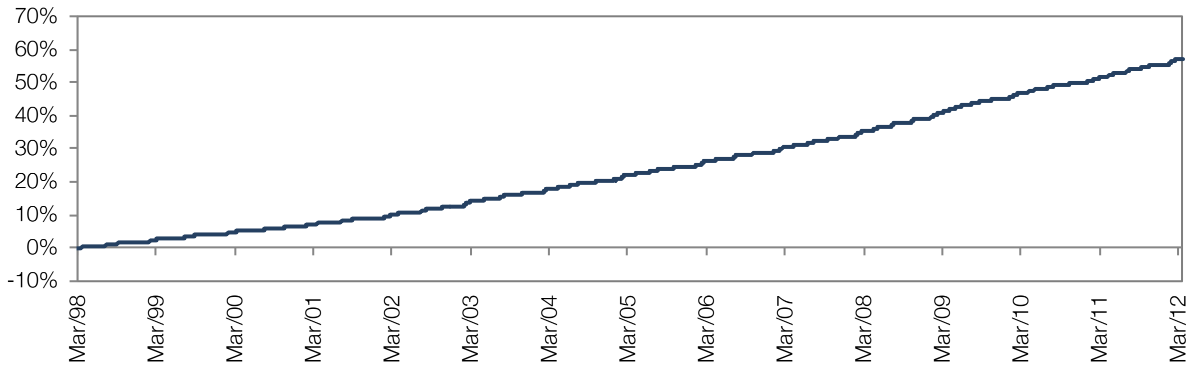
If you believe in QE, then you believe in deficits; if you believe in deficits you believe margins will remain strong. And if you believe margins will remain strong you should prefer equities over bonds at these valuations.

Exhibit 5: European non-financials Price/Book

Source: Edison, Bloomberg

Finally, the role of dividends in investors' returns should not be underestimated. While investors can often remember the level of major market indices these generally exclude the dividend return, with the notable exception of the DAX. Over time the divergence between the total return and the capital gain can be significant. While the FTSE is unchanged since 1998, an index tracking investor would have earned a return of 60% since then (3.4% pa) while the market de-rated from an exceptionally overvalued market to the undervalued levels of today.

Exhibit 6: Outperformance of FTSE total return index vs FTSE



Source: Edison, Bloomberg

Conclusion

Sometimes what we would like to do does not coincide with what we have to do. The leverage in the European financial system has led to a positive feedback loop between growth and asset prices. As European growth has faltered the spectre of capital flight in Spain has been raised. While maintaining a positive view on non-financial equities over the long term, we believe investors should position themselves to take advantage of further dislocations in peripheral Europe over the next six months.

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

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. As well as being in relative terms, this slump has sometimes been in absolute terms. Hence, there are major gold producers recording record revenues, earnings and cash flows, the share prices of which have not only underperformed the gold price, but are also at record lows. Among explorers, there are companies with 10 times the resource of two years ago, trading at lower share prices. Even the majors are trading on single-digit P/E multiples, as investor sentiment lurches from greed attended by QE3 hopes and global economic recovery to fear, attended by the ongoing 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 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 that 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. For example, 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 the inaugural Asia-Pacific resources 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 is a diamond jubilee in an Olympic year. Investors should take the hint.

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Research thoughts

Ask many an institutional investor how to interpret a broker request for a meeting with management who are simply "passing through" and you will hear "it's time to get the cheque book out". For all too often the criticism of brokers and management alike is they only engage with the market when they need to quickly drive up the share price ahead of a fund-raise.

Many small to mid-cap oil and gas companies suffer from a lack of newsflow, meaning prices often suffer in a market fuelled by catalysts. In addition to this many institutions also shy away from small and mid-cap players either because of the fear of equity dilution (in the event of too weak a balance sheet) or conversely cash drag (for those fortunate to be sitting on significant funds) in the event of a lack of clarity around growth plans. This is often perceived not to be a problem, with many smaller companies taking a relaxed view to share prices in the short and medium term unless equity funding is required. However, we would assert there are many more reasons to keep on top of newsflow than simply avoiding a difficult meeting when "passing through".

Junior oil and gas companies were some of the worst affected in the 2011 downturn in equities and this has led to a strong wave of M&A interest across the sector. In the UK the most high-profile examples of this were Premier Oil's acquisition of Encore Oil and Ophir Energy's move for Dominion Petroleum, while Ithaca Energy and Cove Energy are some of the companies still very much in play. With depressed markets comes fundamental disconnects and, in the absence of active investment, even well financed companies can be picked off by more well-heeled peers looking to boost reserves and resources at bargain prices. M&A approaches are very much a concern for even the most successful of companies.

Companies that have a healthy flow of news can often avoid fundamental disconnects as markets are frequently reminded of the investment thesis. However, in the absence of newsflow, or if funding issues are thought to be difficult, then this is when equity research can step in. We can remind investors of the investment opportunity, calibrate the risks and bring into focus what is added by management and its partners. There can be no guarantee that disconnects can be avoided with quality research coverage, but quality research can help minimise these in what is a highly competitive market for both capital and assets.

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Valuation upside in the offshore

Oil & Gas

Assuming a successful flow test, ADX Energy is less than 12 to 18 months from first oil. This production cash flow will be pivotal in helping the company appraise its offshore assets, Dougga and Lambouka. These two discoveries contain an estimated c 123mmboe gross contingent resource (P50). While expensive to fully develop, considerable upside lies in ADX's potential to appraise to commerciality and crystallise value by selling to a larger company with deeper pockets.

Sidi Dhaher: Near-term production

Sidi Dhaher is ADX's most progressed asset. Drilled and discovered in 2010, ADX encountered a 30m net oil column with c 51mmboe estimated standard oil in place. Political, operational and local employment issues have delayed the well test so far. The test, expected in H112, will provide details on reservoir pressure, possible production profiles and resource potential. Proving commerciality at Sidi Dhaher is important for ADX as it will allow it to access near-term production cash flow and potential debt lending if and when resources are converted into reserves. The outcome of the well test will heavily influence the number of wells drilled on the development.

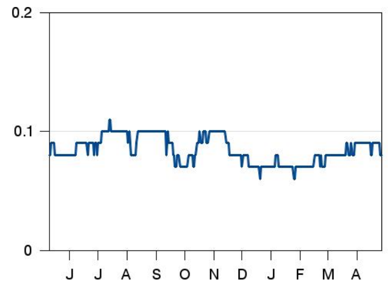
Elephant hunting: Offshore Tunisia and Italy

In contrast, ADX's assets in offshore Tunisia and Italy offer considerable upside. Significant resource potential to the company exists within ADX's main two assets, Dougga and Lambouka. Dougga is estimated to contain over 70mmboe (P50) gross contingent resources as per TRACS 2011 report with ADX's latest in house gross P10 resources being estimated at 268mmboe. The company has also identified a prospect classified as "Dougga West", which ADX has estimated to contain 133mboe gross prospective resources. Lambouka is estimated by TRACS to contain 277bcf (46mmboe) gross contingent resources (P50) with ADX's P10 in house estimates at 308mmboe. While both assets offer considerable upside based on the resource numbers, the E&A and development capex requirements are significant. Dougga represents an additional development challenge due to the complex nature of the reservoir and the high levels of CO_2. Stripping CO_2 out of the gas condensate is an expensive operation that may require an improvement in the PSC offshore terms. No concrete timelines exist for appraisal wells on both Dougga and Lambouka but if ADX can prove commerciality through appraisal, we would expect a farm-down or a disposal of working interest to a larger company with far deeper pockets.

Valuation, risks and sensitivities

With most of ADX's assets in Tunisia, political risk remains a key sensitivity. Specific business sensitivities exist around the Sidi Dhaher well test; the project economics for the offshore Tunisia/Italian assets; and availability of capital to fund these operations. ADX currently trades at A$0.54/net unrisked resource. Due to the technical challenges facing ADX, the market does not currently ascribe a high value to the resource potential. If these can be overcome and the assets de-risked, we would expect the market to attribute a higher value to ADX.

Share price performance



Catalyst: Sidi Daher well test

Sidi Dhaher is ADX's most progressed asset. A well test is required to demonstrate the flow rate, which will provide an indication of production potential, reservoir pressure and contingent resources. The outcome will also heavily influence the capex programme over the next two to three years.

Catalyst: Dougga appraisal well

With over 70mmboe of gross contingent resources (P50), the discovery would be a significant asset for ADX. The company had previously indicated a Q412 timeline for an appraisal well, but due to the more complex nature of the reservoir and existence of CO_2 the economics will have to be robust before proceeding.

Catalyst: Lambouka appraisal well

Discovered by ADX in 2010. A well test was not performed so ADX re-entered and flowed the well. Similar to Sidi Dhaher, the well test will indicate reservoir qualities, possible production profiles and resource potential. ADX has previously indicated that the Lambouka well test will be performed alongside the Dougga appraisal well.

Business description

ADX Energy is an oil and gas exploration company with assets in onshore Tunisia, offshore Tunisia & Italy and Romania. Its most progressed development is the onshore Sidi Dhaher oil discovery in Tunisia.

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Edison profile page

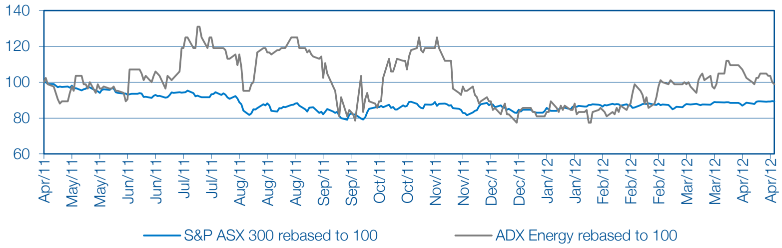
ADX Energy is a research client of Edison Investment Research Limited

Exhibit 1: Key financial and operation information

Market data

Ticker	ADX
Listing	ASX
Sector	Oil & Gas
Share price, US$	0.090
Market cap, US$m	38.1
Net debt (cash) US$m	(1.1)
EV US$m	37.1
Shares in issue, m	438.31
Options and warrants, m	0
Fully diluted shares, m	438.3

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e	Balance sheet	2011	2012e	2013e	Cash flow	2011	2012e	2013e
Revenue	-	-	7,303	PP&E	123	134	148	Operating CF	(1,670)	(864)	6,289
COGS	-	-	(1,856)	Total assets	18,625	18,160	19,966	Capex	(8,459)	(3,459)	(11,468)
Gross profit	-	-	5,447	Net debt/(cash)	(806)	(1,634)	456	Equity issued	4,867	5,150	3,090
EBITDA	(7,623)	(4,777)	(1,659)	Total liabilities	(1,571)	(755)	(1,136)	Net cash flow	(1,512)	827	(2,089)
Net profit	(10,071)	(4,800)	(1,665)	Equity	17,055	17,404	18,830				

Valuation metrics and ratios

	2011	2012e	2013e
EV/EBITDA	(0.00)	(0.01)	(0.02)
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	(23%)
Net margin	N/A	N/A	(23%)

Key shareholders	%
Andrew Ross Chld	2.72
Runyon PTY Ltd	2.00
Wolfgang Zimmer	1.97
Peter Ironside	1.37
Kenlow PTY Ltd	1.06

Asset portfolio

					Resources/ reserves				Classification	
Field	Location	Operator	Working interest	Entitlement interest	Gross unrisked	Net unrisked	GCoS	Net risked	Resource	Asset
			(%)	(%)	(mmboe)	(mmboe)	(%)	(mmboe)		
Chorbane	Tunisia	ADX	40%	29.8%	15.3	6.1	65%	4.0	N/A	Appraisal
Panterlleria	Tunisia /Italy	ADX	60%	60.0%	46.2	27.7	30%	8.3	2C	Appraisal
Kerkouane	Tunisia	ADX	60%	44.7%	74.9	33.5	30%	10.0	2C	Appraisal
Romania	Romania	ADX	100%	100.0%	N/A	N/A	N/A	N/A	N/A	N/A
Others										
Total					**136.4**	**67.3**		**22.3**		

Peer comparison

					Resources/ reserves		Acreage	EV/resource		
Company	Ops	Price (US$)	Mkt cap (US$m)	EV (US$m)	Net unrisked	Net risked	Net	EV/ Net unrisked	EV/ Net risked	EV/acre
					(mmboe)	(mmboe)	('000)	(mmboe)	(mmboe)	(mmboe)
ADX	Tunisia / Italy	0.09	38.13	37.07	67.30			0.54		
Longreach	Morocco	0.70	17.36	12.62	360			0.04		
Tangiers Petroleum	Morocco / Australia	0.49	48.72	49.34	651			0.08		

Source: Company accounts, Edison Investment Research, Bloomberg

Alkane Resources

Asia-Pacific resources quarterly

Edison investment research

Tomingley first, then Dubbo

Mining

Alkane Resources has two main projects: the Tomingley Gold Project (TGP) and the Dubbo Zirconia Project (DZP). The TGP should enter construction in 2013 and has a life of mine of 7.5 years – this will probably extend to 10 now that TGO total resources have been upgraded by 24% to 812koz – and it has average annualised production of 50-60koz Au. Over half the c A$95m capex requirement has been secured (A$50m via equity issue), with the rest due from Credit Suisse. The DZP zirconium-niobium-rare earth element (REE) deposit is located close to the TGP and dwarfs its value. First production is planned for 2014; it is to produce a suite of concentrates tailored to third-party technical requirements. Final off-take agreements for the REE concentrates are due soon.

TGP provides first revenues and operating synergies

TGP development is expected to reach the construction phase in 2013 once the NSW government grants final development approval (expected mid-2012). Financing will require a further c A$45m to be raised to satisfy the c A$95m capex bill. Long-lead items are being ordered, with the delivery of a ball mill due around September 2012. To manage the construction of the TGP, Alkane has appointed Henry Kaye, an experienced project manager who has over 40 years' experience in the mining industry and has built many Australian projects with values up to A$1bn.

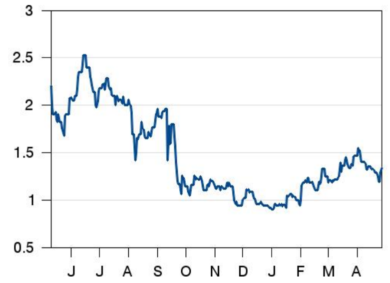
Risks/sensitivities: Development approval/DZP prices

Final development approval for the TGP remains a risk to its progress and is being delayed by the procrastinations of the NSW authorities. Alkane should receive clearance as it elevates the matter to the NSW State Government – it sees no clear reason for the approval delay within the documents it presented to NSW authorities. Commodity pricing for REE elements has been well publicised, as has Chinese dominance in the market. DZP revenues include c 21% from the light REE group, which are seeing downward pricing pressures as Lynas Corp's and Moly Corp's light REE-only projects ramp up and start to deliver large volumes of these more common elements to market. However, the remaining c 79% of revenues comes primarily from zircon, niobium and the more-valuable and scarce heavy REEs. Zircon demand is currently flat but the outlook remains robust with zircon, as a refractory, having no substitute.

Valuation: Still at significant discount (after raising)

Revised for the A$107m equity raising and associated dilution, our base case valuation for DZP and TGP is A$2.11/share. This is based on very conservative prices for the DZP basket of goods (on Q311 levels), including a light REE price 47.5% lower than the "depressed" levels reported by the media in Q411, used as a buffer against further increased supply of these elements. We believe the DZP is very robust from a commodity price perspective; if Q411 prices for REEs are used, our base case rises to A$4.51/share. There is also A$0.42/share applicable to the likely eventual 25% share of the (3Moz) McPhillamys JV held with Newmont.

Share price performance



Catalyst: Development approval

The TGP requires final development approval from the NSW authorities. Alkane is elevating this to Federal level due to the length of time the NSW authorities have taken to process the application.

Catalyst: Finalising DZP MoUs

60% of product off-take (Zr/Nb) has been secured via MoUs with third parties for DZP goods. Alkane is now pursuing potential JV or toll treatment agreements for its REE concentrates as they will provide higher revenues (expected Q212).

Catalyst: Financing the TGP

Alkane has secured A$107m via a recent equity issue. A$50m will be allocated to TGP development; the other A$45m required will come from an existing Credit Suisse mandate pending development approval (expected mid-2012).

Business description

Alkane Resources is a multi-commodity explorer with projects in New South Wales. It owns the Tomingley Gold Project (100%) and Dubbo Zirconia Project (100%) and has a 49% (moving to 25%) stake in the McPhillamys Gold Project with JV partner Newmont.

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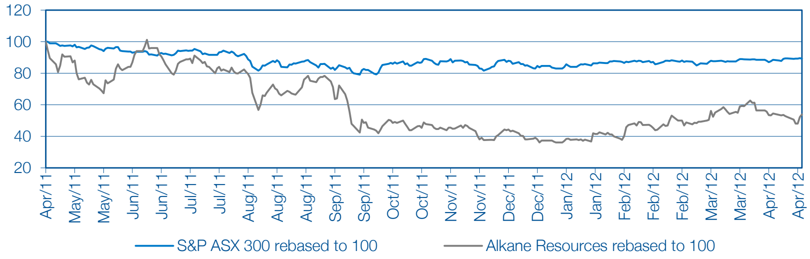
Edison profile page

Alkane Resources is a research client of Edison Investment Research Limited

Exhibit 2: Key financial and operating information

Market data	
Ticker	ALK
Listing	ASX
Sector	Mining
Share price, US$	1.4
Market cap, US$m	505.0
Net debt (cash) US$m (at 31 Mar 2012)	(65.7)
EV US$m	439.3
Shares in issue, m	366.2
Options and warrants, m	0
Fully diluted shares, m	366.2

Share price performance relative to the ASX300 index



P&L	2011	2012e	2013e	Balance sheet	2011	2012e	2013e	Cash flow	2011	2012e	2013e
Revenue	990	40,211	67,571	Fixed assets	56,297	555,005	1,013,199	Operating CF	(1,579)	2,491	55,395
COGS	-	(26,668)	(53,335)	Total assets	67,105	561,149	1,023,566	Capex	(13.648)	(523.136)	(506.752)
Gross profit	990	13,544	14,235	Net debt	(10,099)	405,695	905,736	Equity issued	20,549	104,700	-
EBITDA	(3,465)	6,995	56,521	Total liabilities	2,520	408,243	910,475	Net cash flow	6.122	(415.794)	(500.041)
Net profit	(2,871)	(16,376)	(39,816)	Equity	64,584	152,907	113,091				

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	N/A	N/A	N/A
EV/EBITDA	-	62.8	7.8
P/E	N/A	N/A	N/A
EBITDA margin	-	17%	84%
Net margin	N/A	N/A	N/A

Key shareholders	%
Abbotsleigh	25.0
Fidelity	5.0
Van Eck Associates	0.9
Starcap AG	0.7
Chalmers David Ian	0.6

Assets description			
Dubbo	REE	Development	100%
Tomingley	Gold	Exploration	100%
Orange JV	Gold	Exploration	100%
Peak Hill	Gold	Exploration	100%
Wellington	Cu/Au	Exploration	100%

Resource (JORC) Dubbo	Tonnes, m	ZrO2	HfO2	Nb2O5	Y2O3	Ta2O5	Total REO
Measured	35.7	1.96%	0.04%	0.46%	0.14%	0.03%	0.75%
Inferred	37.5	1.96%	0.04%	0.46%	0.14%	0.03%	0.75%
Total	**73.2**	**1.96%**	**0.04%**	**0.46%**	**0.14%**	**0.03%**	**0.75%**

Peer comparison

	Price, US$	MktCap, US$m	EV, US$m	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e
China Coal Energy	1.1	18,242	16,325	6.8	5.9	4.9	14.4	12.8	10.9
Alpha Natural Resources	16.5	3,623	6,006	7.2	5.2	4.9	neg	neg	neg
Whiteheaven Coal	5.5	2,764	2,895	25.0	14.8	7.7	267.8	28.2	13.0
Raspadskaya	3.5	2,694	2,743	8.3	5.9	4.2	19.9	10.8	7.0
New World Resources	6.6	1,738	2,257	3.8	5.5	4.5	10.2	21.2	13.2
Gloucester Coal	8.2	1,667	2,061	23.8	43.4	13.5	29.5	neg	40.9
Coking coal average		30,729		9.4	8.6	5.5	36.6	12.3	11.2
China Shenhua Energy	4.3	84,993	73,334	6.8	6.1	5.5	14.4	13.1	11.7
Yanzhou Coal	2.1	15,269	14,637	7.0	7.2	6.4	13.3	13.9	12.7
Peabody Energy Corp	30.5	8,295	13,996	6.5	6.5	5.5	8.7	11.4	8.3
Consol Energy	33.9	7,689	10,512	6.4	7.0	6.1	12.2	16.7	12.6
Natural Resources	24.6	2,610	3,268	9.9	10.4	10.0	48.3	13.9	13.3
Arch Coal	9.5	2,035	5,951	6.5	6.1	5.6	14.4	16.6	12.8
Sakari Resources	1.6	1,823	1,572	N/A	5.9	4.6	11.9	11.6	8.9
Coal of Africa	0.9	589	544	6.4	7.0	3.6	neg	neg	13.0
Penn Virginia Corp	4.9	226	916	6.8	4.0	3.6	neg	neg	neg
Continental Coal	0.2	79	117	neg	8.9	5.5	neg	4.8	5.7
Thermal coal average				6.7	6.4	5.7	14.3	13.2	11.6

Source: Company accounts, Edison Investment Research, Bloomberg

Allied Gold Mining

Asia-Pacific resources quarterly

Edison investment research

2012 critical to Allied's future

Mining

While 2011 saw production issues for Simberi, the works being completed to expand the oxide plant to a 3.5Mtpa throughput (due Q312) and conversion from diesel to heavy fuel oil power (due mid-2012) should help bring production and unit costs back in line with life-of-mine (LOM) forecasts. This, in turn, should increase Allied Gold Mining's (ALD) group production towards 180,000ozs for 2012.

Q112 results

ALD announced its Q112 activities report on 30 April, stating a 9.4% increase in q-o-q gold production to 34,107oz at gross cash costs of US$1,099/oz (11% down on Q411). This recovery in production reaffirms the 2012 total group production target of 180koz, with a gross cash-cost run rate of US$850/oz by year end. On a per mine basis, in Q112 Simberi demonstrated improved operational performance, with a 21.5% gold production increase over Q411 of 15,051oz. Simberi gross cash costs were down 4% q-o-q to US$1,067/oz. It is expected to produce c 75koz Au in 2012. Gold Ridge, ALD's second mine in the Solomon Islands, entered production in Q211 after a successful, on time and within budget US$150m redevelopment. It produced 19,056oz Au at gross cash costs of US$1,124oz. Gold production was 1.4% higher and cash costs 14.8% lower than the preceding quarter. Cash at end Q112 was US$28.2m and the average realised gold price was US1,691/oz.

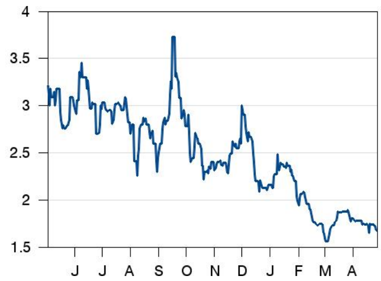
Risks/sensitivities: Keeping operating costs low

The most significant external impact on our NPV valuation is the price of gold (a 10% rise in the gold price equates to a 34% increase in our NPV_{10}). Internally, optimum management of cost and process efficiencies is also material to our forecasts and valuation. With cost pressures in the Asia-Pacific region forecast at a rate of c 10% per year, ALD has appointed a group-level strategist to investigate further cost reductions beyond its current initiatives. These include plant modifications, migration to heavy fuel oil at Simberi in mid-2012 (US$30/oz-US$50/oz saving) and potential backing, via long-term off-take agreements, of a proposed Solomon Islands hydro-power plant.

Valuation: Potential for strong earnings in 2012

Even though FY11 gold production at Simberi was adversely affected, we still forecast ALD moving strongly into profit in 2012 as the benefit of increased throughput capacity at Simberi takes effect in Q312 and commissioning of Gold Ridge completes and starts to operate at LOM production levels (including higher recoveries and all three pits producing simultaneously therefore allowing for greater grade control and ore blending). Based on Allied achieving these objectives we forecast FY12 earnings of 44.3c (28.2p) per share and PAT of S$90.5m(£57.6m).

Share price performance



Catalyst: Sulphide resource upgrade

A revised sulphide resource estimate is expected for the Simberi mine in mid-2012, which will feed into the upcoming bankable feasibility study (Catalyst 2). Current total (oxide+sulphide) Simberi ore resources are 6.51Moz, of which 2.03Moz are reserves.

Catalyst: Sulphide BFS

Due in the September quarter, the critical bankable feasibility study for developing the sulphide resource at Simberi will allow us to revisit our model and update it for definitive opex/capex cost estimates.

Catalyst: Producing 195koz Au in 2012

Considering what Allied has achieved re-developing Gold Ridge and the extensive expansion initiatives still underway at Simberi, production to date does not accurately reflect the company's production potential. An indication of this would be achieving 2012 production of c 180koz Au.

Business description

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

Analyst

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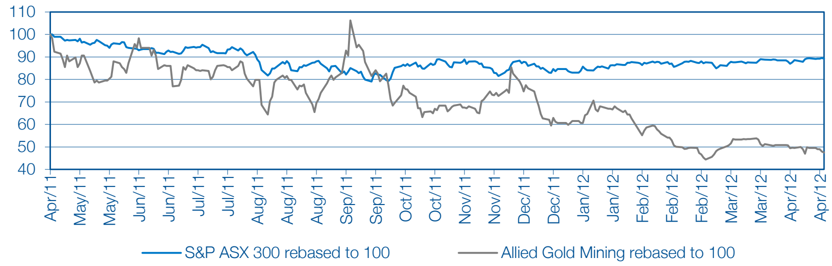
Edison investment research

Exhibit 3: Key financial and operation information

Market data

Market data	
Ticker	ALD
Listing	ASX
Sector	Mining
Share price, US$	1.8
Market cap, US$m	376
Net debt (cash) US$m (31 Mar 2012)	(28)
EV US$m	348
Shares in issue, m	204
Options and warrants, m	5.2
Fully diluted shares, m	210

Share price performance relative to ASX300 index



P&L	2011	2012e	2013e
Revenue	146,404	314,961	374,127
COGS	(130,096)	(151,829)	(190,563)
Gross profit	16,308	163,131	183,565
EBITDA	29,204	84,157	94,005
Net profit	(5,974)	90,521	100,289

Balance sheet	2011	2012e	2013e
PP&E	473,267	503,838	489,900
Total assets	621,389	769,873	877,741
Debt	49,797	128,797	128,797
Total liabilities	114,699	168,662	172,240
Equity	506,690	601,211	705,501

Cash flow	2011	2012e	2013e
OCF	21,997	110,793	132,700
Capex	(116,703)	(65,766)	(23,618)
Equity	101,899	-	-
Net cash flow	16	45,028	109,082
Free cash flow	(94,706)	45,028	109,082

Valuation metrics and ratios

	2011	2012e	2013e
EV/Resource	40.2	40.2	40.2
EV/EBITDA	11.9	4.1	3.7
P/E	N/A	4.2	3.7
EBITDA margin	20%	27%	25%
Net margin	N/A	29%	27%

Key shareholders	%
M & G Investment Management Ltd.	18.8
Prudential	18.8
Legal & General Group	8.8
Franklin Resources Inc.	8.1
Legal & General Investment Management	8.1

Assets description

Simberi	Gold	Production	100%
Gold Ridge	Gold	Production	100%
Big Tabar	Gold	Exploration	100%
Tatau	Gold	Exploration	100%

Reserves and resource (JORC)

Simberi	Tonnes (m)	Au, g/t	Moz
Measured	11.6	1.13	0.4
Indicated	70.2	1.28	2.9
Inferred	87.4	0.96	2.7
Total	**169.2**	**1.10**	**6.0**

Gold Ridge	Tonnes (m)	Au, g/t	Moz
Measured	8.2	1.53	0.4
Indicated	40.9	1.23	1.6
Inferred	15.0	1.27	0.6
Total	**64.2**	**1.28**	**2.6**

Peer comparison (based on Bloomberg consensus)

	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
Nevsun	3.2	643	417	1.0	1.6	1.6	4.4	6.9	7.2	374	1,100
Aurizon	5.0	818	605	4.8	4.3	4.1	18.6	13.2	11.6	93	3,692
Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		11,324		5.1	4.5	3.1	9.4	8.7	6.2	116	3,253

Source: Company accounts, Edison Investment Research, Bloomberg

Aura Energy

Asia-Pacific resources quarterly

Edison investment research

Haggan resource upgrade

Mining

Aura Energy (AEE) is rapidly advancing the first of its two key projects, the Haggan Uranium project in Sweden's Alum Shale Province, following the extremely positive economic numbers from the first scoping study for the project. The uranium deposit occurs with molybdenum, nickel, vanadium and zinc in black shale. AEE has commenced a second phase of metallurgical testing at Haggan with results of heap leach scale up and validation work expected over the next two months. The metallurgical testwork using bacterial heap leaching, which is being conducted by SGS Lakefield Oretest in Perth, follows the recommendation of a recently completed scoping study.

Moving to pre-feasibility at Haggan project

A 2,000 metre diamond drilling programme was commenced at Aura's flagship Haggan uranium project in March 2012, following positive scoping study results for the economic viability of the project. As a result of the scoping study, two ore processing/extraction options are now also being considered, namely: bacterial heap leaching and bacterial tank leaching. The drilling programme is the first stage of the company's pre-feasibility work designed to provide data for the next phase of metallurgical testwork at Haggan, and will coincide with an examination of the two technologies using bacteria at larger commercial scales of operation. Bacterial heap leaching, if proved economically viable, would have a direct and positive impact on the company's capital costs compared to other conventional approaches, potentially lower operating costs, and would improve the recoverability of valuable by-products.

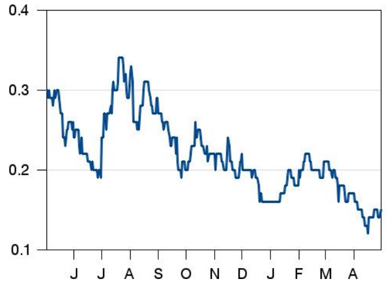
Maiden inferred JORC-compliant resource

Aura Energy has been active in the uranium provinces of West Africa since 2007 and currently holds approximately 11,000km^2 in northern Mauritania in permits and applications. The company recently established a maiden inferred uranium JORC-certified resource at its greenfield Reguibat project in Mauritania of 50.2 million pounds at 330ppm calcrete-hosted uranium based on a cut-off grade of 100ppm uranium. All of the resource is within six metres of surface allowing potentially low-cost mining. The initial Mineral Resource Statement for Aura Energy was prepared by Coffey Mining.

Valuation and key risks

Combining the inferred resource at both Aura's projects (Haggan and Reguibat), results in a total JORC-compliant uranium resource of 681 million pounds versus a current enterprise value of A$18.9m (or an EV/pound of $0.03/lb), with cash on hand of c A$1.6m as at 31 December 2011. Key risks for the company include: the commodity prices of uranium, nickel and molybdenum; technology risk related to processing and choice of extraction method used given the relatively low grade of uranium present in the alum shale ore; and funding risk, given the capital expenditures required to ultimately proceed to production at Haggan.

Share price performance



Catalyst: Bio-leach scale up results

Positive results for the use of bacterial heap leaching at larger commercial scales of operation, if achieved, would lower the funding burden associated with processing plant capital costs.

Catalyst: Positive drilling results

The drilling programme is the first stage of the company's pre-feasibility work designed to provide data for the next phase of metallurgical testwork at Haggan.

Catalyst: Resource extension

Expansion of the maiden JORC resource in Mauritania and identification of new targets in the region would be a major catalyst for the stock.

Business description

Aura Energy is an ASX-listed mineral exploration company focusing on uranium with projects in Sweden, West Africa and Australia. Its two key projects are the Haggan Project in Sweden and the Reguibat Project in Mauritania.

Analyst

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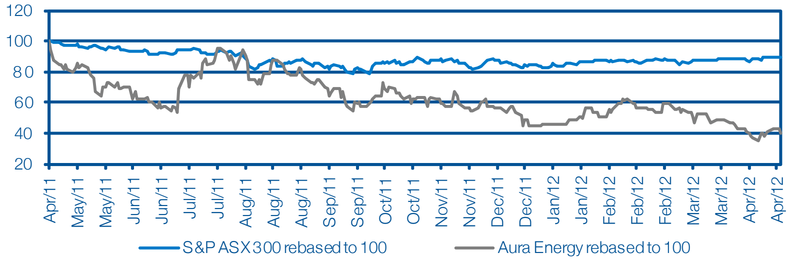
Edison profile page

Exhibit 4: Key financial and operating information

Market data	
Ticker	AEE
Listing	ASX
Sector	Mining
Share price, US$	0.2
Market cap, US$m	21.1
Net debt (cash) US$m (at 31 Dec 2011)	(1.66)
EV US$m	19.5
Shares in issue, m	136.82
Options and warrants, m	7.70
Fully diluted shares, m	144.5

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	41	41	41
COGS	0	0	0
Gross profit	41	41	41
EBITDA	(1,392)	(819)	(1,557)
Net profit(norm-d)	(1,336)	(762)	(1,576)

Balance sheet	2011	2012e	2013e
PP&E	28	26	26
Total assets	15,419	14,262	12,277
Net debt/(cash)	(3,388)	(295)	3,235
Total liabilities	(931)	(647)	(618)
Equity	14,489	13,615	11,659

Cash flow	2011	2012e	2013e
Operating CF	(1,310)	(2,149)	(1,967)
Capex	(5,680)	(1,571)	(1,571)
Equity issued	8,494	1,066	0
Net cash flow	2,130	(3,093)	(3,531)

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	0.03	0.03	0.03
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Technical Investing Pty.	6.83
Kinetic Investment Ptnrs	5.67
Drake Resources	3.83
Yarandi Investments	2.9
Wisevest Pty	2.68

Asset portfolio	
Asset 1	Haggan project
Asset 2	Reguibat project
Total equity value	

Reserves and resource (JORC)	Resource, £m	Reserve, Mt Proven	Probable	Total
Resource 1	631	N/A	N/A	N/A
Resource 1	50	N/A	N/A	N/A
Total	681	N/A	N/A	N/A

Peer comparison

Gold

	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
Nevsun	3.2	643	417	1.0	1.6	1.6	4.4	6.9	7.2	374	1,100
Aurizon	5.0	818	605	4.8	4.3	4.1	18.6	13.2	11.6	93	3,692
Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		**11,324**		**5.1**	**4.5**	**3.1**	**9.4**	**8.7**	**6.2**	**116**	**3,253**

Uranium

	Price, US$	MktCap, US$m	EV, US$m	Resource Mlb	Resource 000t	EV/Resource US$/lb
Paladin Energy	1.64	1,370	2,169	536	243	4.05
Energy Resources of Australia	1.61	834	201	483	219	0.42
Peninsula Energy	0.05	112	94	41	19	2.27
Toro Energy	0.08	81	71	56	24	1.26
Energy & Minerals Australia	0.08	31	30	60	27	0.50
Aura Energy	0.15	21	19	683	310	0.03
Weighted average						**2.56**

Source: Company accounts, Edison Investment Research, Bloomberg

Edison investment research

Ramping up

Oil & Gas

AusTex has recently graduated from explorer to producer in the US unconventional oil space. Although initial volumes are modest, the play is a proven one that is increasingly gaining the attention of the oil majors. A busy 2012 work programme is likely to be complemented by a capital raise and TSX-V listing early in H212, which will serve to lift market interest and liquidity in the stock.

Why now: Inflection time?

AusTex's strategy has seen it build a significant net acreage position in oil-prone mid-continent regions, with a particular recent focus on the Mississippi Lime shallow oil play that spans northern Oklahoma and southern Kansas. Due to its porous limestone formations and shallow reservoir depth, the play presents very favourable oil netbacks, and is comparable with the prolific Marcellus and Bakken shale oil plays. AusTex's Mississippi Lime tenements total 22,500 acres. A number of other players are targeting the region, with both Shell and Repsol each having taken nearby positions in the past six months.

AusTex is currently producing from two wells at a rate of ~200boepd, 70% of which is oil. Near-term, AusTex's focus lies with drilling its Snake River project in northern Oklahoma and its Ellsworth project in Kansas. The first two wells of a 10-well Snake River programme each intersected a 90 metre gross interval and are now producing.

Austex is targeting production of 1,000boe/day within the next 12 months. Although it intends to farm-out its interests to share risk and capital, AusTex will require further capital to complete its development programme. The company is well advanced towards a secondary listing on the TSX-V early in Q312 which we expect to be accompanied by a C$10-15m capital raise, providing a >30% uplift in share liquidity. To meet Canadian NI-5101 requirements, the offer document must be accompanied by an independent reserves estimate. AusTex's own internal estimate, which accounts only for the ~6,000 acre Snake River project acreage held in northern Oklahoma, concluded 2P reserves of 9.487mmboe at the close of 2011.

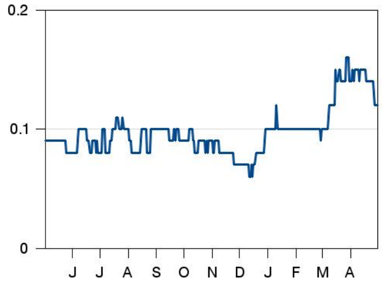
Risks/sensitivities: Execution, execution, execution

A solid funding profile and pipeline leaves the main near-term challenge facing AusTex that of executing its ramp-up strategy. An explicit partnership strategy should serve to significantly mitigate this risk, as should the background and experience of the company's management and board in operating in the region.

Valuation: Acreage plus catalyst upside

Until a compliant independent reserves assessment is returned and the company starts delivering on its production potential, AusTex will continue to be discounted to reflect its net acreage position. On this test alone, AusTex presents very favourably for its substantial tenements across plays that clearly pass tests for both plausibility and materiality. Upside potential once reserves and production are logged is substantial.

Share price performance



Catalyst: 10 infill wells in 2012

AusTex's near-term work programme is drill-intensive, with at a further 10 infill wells planned for 2012. If as expected the results of those wells align with results achieved to date, share price accretion should continue.

Catalyst: Planned TSX-V listing

AusTex intends to list on the TSX-V in Q312. For a company with operations based entirely in North America, this is a logical move that should serve to heighten market interest, depth and liquidity in its shares.

Catalyst: Inaugural reserve statement

The TSX-V listing process requires an independent assessment of reserves to be filed, which is currently underway. This will be AusTex's inaugural reserve statement and should serve to catalyse asset value.

Business description

AusTex was formed in 2006 and is an oil and gas explorer and producer with operations in the US mid-continent states of Kansas and Oklahoma. With >65,000 acres of leases, its current focus is on developing its Mississippi Lime play.

Analyst

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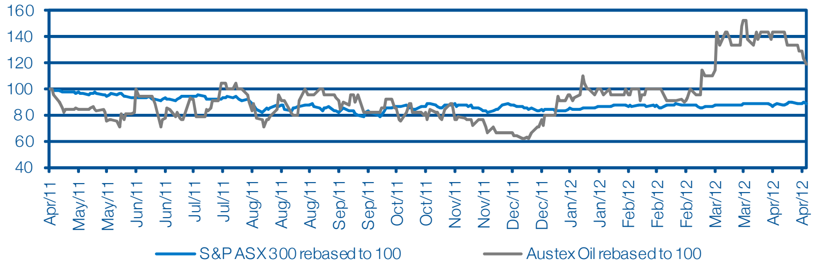
Exhibit 5: Key financial and operations information

Market data

Ticker	AOK
Listing	ASX
Sector	Mining
Share price, A$	0.2
Market cap, A$m	46.8
Net debt (cash) A$m	(11.1)
EV A$m	35.7
Shares in issue, m	318.1
Options and warrants, m	65.1
Fully diluted shares, m	383.3

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	2.2	N/A	N/A
COGS	(1.4)	N/A	N/A
Gross profit	0.8	N/A	N/A
EBITDA	(4.3)	N/A	N/A
Net profit	(4.8)	N/A	N/A

Balance sheet	2011	2012e	2013e
PP&E	22.4	N/A	N/A
Total assets	23.6	N/A	N/A
Net debt/(cash)	2.0	N/A	N/A
Total liabilities	(1.2)	N/A	N/A
Equity	22.4	N/A	N/A

Cash flow	2011	2012e	2013e
Operating CF	(2.9)	N/A	N/A
Capex	(3.5)	N/A	N/A
Equity issued	5.5	N/A	N/A
Net cash flow	(2.0)	N/A	N/A
		N/A	N/A

Valuation metrics and ratios

	2011	2012e	2013e
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Iroquois Capital	9.7%
Kwang Hou Hung	5.3%
Phesoj Pty	4.4%
Richard Adrey	3.7%
Leon Pretorius	3.7%

Asset portfolio

Field	Location	Operator	Working interest (%)	Entitlement interest (%)	Resources/ reserves: Gross unrisked (mmboe)	Net unrisked (mmboe)	GCoS (%)	Net risked (mmboe)	Classification: Resource	Asset
Snake River	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Lancaster	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sweet	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Crisler	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gypsy/Walker	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bluehawk	Oklahoma	Yes	50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cleveland	Oklahoma	Yes	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cooper	Kansas	Yes	53%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Jewel	Kansas	Yes	30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
McCracken	Kansas	Yes	50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Beltz	Kansas	Yes	40%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Elsworth	Kansas	Yes	50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total										

Peer comparison

Company	Operations	Price (A$)	Mkt Cap (A$m)	EV (A$m)	Resources/ reserves: Net unrisked (mmboe)	Net risked (mmboe)	Acreage: Net ('000s)	EV/resource: EV/ Net unrisked resources (mmboe)	EV/ Net risked resources (mmboe)	EV/acre (mmboe)
Red Fork Energy	Oklahoma	11.83	310.23	N/A	17.5	25.4	73.0			
Texon Petroleum	Texas	0.57	138.2		4.86	11.33	7.2			
Samson Oil	Various US	0.10	175.86		0.65	N/A	99.2			
Amadeus	Various US	0.22	56.1		4.4	8.3	N/A			
Average										

Source: Edison Investment Research, company accounts, Bloomberg

Edison investment research

Guinea gold focus

Mining

Burey Gold continues to focus on three key projects in Guinea, West Africa: Mansounia, Balatindi and Kossanke, which span 149km², 1,079km² and 582km² respectively. Political uncertainty in the country since 2010 has eased despite recent events in neighbouring Mali, which interrupted access to Balatindi for several weeks. During fiscal year 2011, the company undertook significant drilling programmes at both Mansounia and Balatindi, with positive assay results released only in Q212, due to continuing delays at the company's assay laboratory.

Mansounia: JORC resource upgrade expected

Encouraging drilling results revealed extensions to existing mineralisation zones at Burey's (70% interest) flagship Mansounia asset. They hold the promise of a potential upgrade of its JORC mineral resource, pending an internal review of an independent study commissioned by the company. The relatively large deposit is characterised as low-grade, albeit near surface, with metallurgical studies to date demonstrating a 90% recovery rate. The results are expected to provide further support for starting a scoping study, which could pave the way for a PFS and BFS to be initiated.

Balatindi: Polymetallic potential

Burey continues to assess the extent of Balatindi's (Burey's interest 75%) polymetallic mineralisation. Drilling results demonstrate that gold persists at depth and Burey has located five primary uranium-exhibiting thick zones of mineralisation and associated rare earth element prospects elsewhere on the licence, which it intends to investigate with regional reverse circulation (RC) drilling. Dion Koulai, also on the Balatindi licence, is a virgin discovery, which Burey is exploring for primary uranium and associated rare earth elements, with drilling expected to start in May 2012.

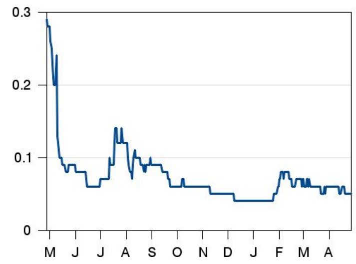
Kossanke: Promising gold prospect

Burey's 80% stake in the non-government interest in the Kossanke licence, located near the Mali border, is within the highly prospective Paleao-Proterozoic Siguri Basin. Historic soil sampling and RC drill hole results dating back to the mid 1990s, when the property was first explored, exhibited good grades of gold. Burey's first drill programme, which is expected to start in May 2012, aims to validate the historic results before moving to test new soil sampling defined targets.

Valuation and key risks

Burey's only JORC resource is a 70% interest in an estimated indicated and inferred resource at Mansounia of 36.5Mt at 0.7g/t for c 830,0000 ounces of contained gold, from which we derive an EV/resource multiple of 28.8x. Cash at 31 December 2011 was A$8.5m. Key risks for the company include exploration risk; resource estimation risk; commodity risk; and regulatory risk, given that exploration licences comprising the Balatindi and Mansounia project areas are being renewed by the Guinean Ministry of Mines and Geology.

Share price performance



Catalyst: JORC resource review

We believe that in the short term an increase in Mansounia's JORC gold resource would represent a significant and positive catalyst for the stock. The results are expected to provide further support for starting a scoping study in the near term.

Catalyst: Balatindi Prospect Area E

Drilling at Balatindi's Prospect Area E to characterise mineralisation trends in addition to metallurgical test-work designed to establish the deportment of the anomalous metal associations of uranium and copper, if positive, would represent a major catalyst for the stock.

Catalyst: Kossanke potential

The start of the first drill programme on the Kossanke licence to validate historic and positive RC drill results for gold dating back to the mid 1990s (Wells Gold) should generate further newsflow for the company and add to upside potential if positive.

Business description

Burey Gold is an ASX-listed mineral exploration company focusing primarily on gold in West Africa. Its three key projects of Mansounia, Balatindi and Kossanke are situated in Guinea, West Africa.

Analyst

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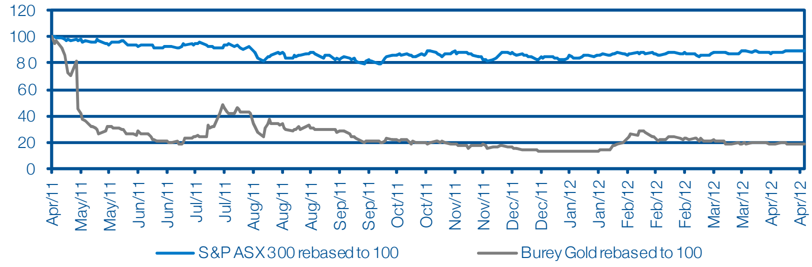
Exhibit 6: Key financial and operating information

Market data	
Ticker	BYR
Listing	ASX
Sector	Mining
Share price, US$	0.07
Market cap, US$m	25.5
Net debt (cash) US$m	(8.79)
EV US$m	16.7
Shares in issue, m	354.22
Options and warrants, m	48.23
Fully diluted shares, m	402.4

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	0	0	0
COGS	0	0	0
Gross profit	0	0	0
EBITDA	(772)	(671)	(671)
Net profit(norm)	(550)	(397)	(498)

Balance sheet	2011	2012e	2013e
PP&E	92	135	176
Total assets	18,223	18,276	17,355
Net debt/(cash)	(9,421)	(7,373)	(3,323)
Total liabilities	(543)	(427)	(443)
Equity	17,680	17,849	16,912

Cash flow	2011	2012e	2013e
Operating CF	(571)	(161)	(1,094)
Capex	(37)	(52)	(52)
Equity issued	11,017	972	0
Net cash flow	7,172	(2,047)	(4,051)

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	28.8	28.8	28.8
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Perseus Mining Ltd	23.0
JP Morgan Nominees Australia Ltd	18.3
Vienna Holdings Pty LTd	3.7
HSBC Custody Nominees (Australia) Ltd	2.9
Macquarie Bank Ltd.	2.8

Asset portfolio		Reserves and resource (JORC)		Resource, ounces	Reserve, ounces Proven	Probable	Total
Asset 1	Mansounia Project (70% effective interest)	Resource 1	Gold	580,790	N/A	N/A	N/A
Total				**580,790**			

Peer comparison

	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
Nevsun	3.2	643	417	1.0	1.6	1.6	4.4	6.9	7.2	374	1,100
Aurizon	5.0	818	605	4.8	4.3	4.1	18.6	13.2	11.6	93	3,692
Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		11,324		5.1	4.5	3.1	9.4	8.7	6.2	116	3,253

Source: Edison Investment Research

Edison investment research

Central Australia frontier play

Oil & Gas

Central Petroleum (CTP) is a play on the rapidly emerging hydrocarbons prospectivity of the central Australian sedimentary basins. It has one of the largest 100% owned acreage positions in any developed country and a potentially substantial oil and gas resource base. Importantly, CTP announced the Surprise-1 discovery in January and is expected to star an extended production test in May. We believe CTP's acreage has company-maker potential along the lines of Santos in the Cooper Basin.

Surprise discovery EPT

The central Australian basins have been attracting increasing interest of late, reflecting buoyant commodity prices, improving geophysical knowledge and the unconventional potential of the region. Recent entrants include large independents such as Hess, ConocoPhillips and BG and the juniors PetroFrontier, Falcon and Rodina. CTP has 67 million acres across four projects in the Amadeus, Pedirka, Southern Georgia and Wiso basins. Un-risked P50 oil and gas resources are estimated by CTP at 15.7bn boe and there is also substantial steam coal and helium potential. The Surprise-1 discovery flowed at 380b/d of light oil and helps materially de-risk the western Amadeus Basin. Early resource estimates for Surprise point to oil initially in place of 3mm to 6mm barrels but CTP believes there is upside potential. In addition to the conventional resources, CTP also intends exploring the shale potential at Surprise. After the planned extended production test at Surprise-1 another two or three exploration wells may be drilled nearby over the next 18 months or so. CTP is actively seeking joint-venture partners, which should accelerate exploration and development.

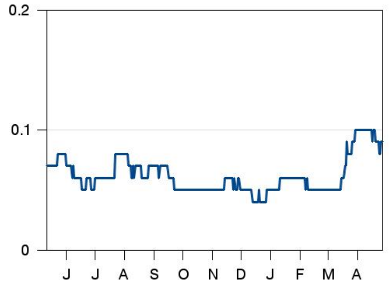
Geological and completion risks, financing issues

We see three key risks surrounding CTP. First, there are the usual geological risks in the case of the conventional plays. The recent Surprise-1 discovery should, however, help allay these in the case of the Amadeus Basin at least. Second, lengthy periods can be required to optimise completion techniques in early stage shale/unconventional projects. Based on initial Cooper Basin experience, however, the signs are positive. Third, CTP has an ambitious work programme that will require sizeable amounts of funding. The willingness of the markets to supply capital to juniors along with the potential for dilution either through share issues or farm-ins therefore become critical issues. After two share issues in 2012 that have raised about A$20.5m net, we believe CTP's near-term capital spending needs are well underpinned. The key project near term is the extended production test at Surprise that, including related storage facilities, is expected to cost around A$3m.

Low valuation

CTP is currently valued at around US$1.8/acre, a low valuation basis by any standards. For comparison, EVs per acre for our sample of seven junior and mid-tier stocks active in central and western Australia range from US$3 to US$93. We believe successful exploration and development activity initially in the Amadeus Basin could comfortably lift the valuation per acre to $4-10 medium term. Near term, CTP is very much a play on the Surprise-1 extended production test.

Share price performance



Catalyst: EPT in May

CTP expects to start an EPT test at Surprise-1 in May 2012. A 3D seismic programme is also planned to start around the middle of the month. Appraisal work will determine the scale, productivity and commerciality of the Surprise resource.

Catalyst: Appraisal results Q3

Seismic processing at Surprise is expected to be completed by early August. We would expect the results of the appraisal work to be made known in Q312. Depending on results, commercialisation of Surprise could follow.

Catalyst: PetroFrontier SG drilling

PetroFrontier, the TSX-V listed junior, is scheduled soon to undertake a new horizontal drilling and multi-stage fracking programme in the Southern Georgina Basin in NT. The key target is the Cambrian Arthur Creek shales. CTP has adjoining acreage.

Business description

CTP is an oil and gas junior focused on exploration in central Australia. It has four oil and gas exploration projects primarily in NT. It also has substantial coal potential, which it is looking to commercialise through a GTL joint venture.

Analyst

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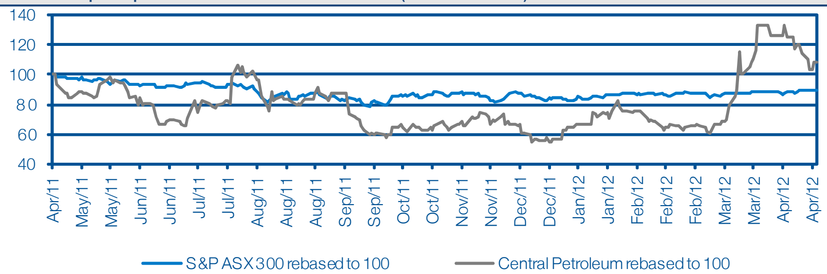
Exhibit 7: Key financial and operating information

Market data	
Ticker	CTP
Listing	ASX
Sector	Oil and Gas
Share price, US$	0.095
Market cap, US$m	131.1
Net debt (cash) US$m (at 31Dec 2011)	(7.9)
EV US$m	123
Shares in issue, m	1383.4
Options and warrants, m	340.5
Fully diluted shares, m	1723.9

Share price performance relative to all share (rebased to 100) RHS



P&L	2011	2012e	2013e
Revenue	0	0	0
COGS	0	0	0
Gross profit	0	0	0
EBITDA	(38,361)	(19,292)	(57,520)
Net profit	(37,609)	(19,570)	(57,803)

Balance sheet	2011	2012e	2013e
Cash	9,748	14,537	13,905
Total assets	39,181	49,556	(60,329)
Net debt/(cash)	(9.7)	(14.5)	43.0
Total liabilities	(1,744)	(1,803)	(58,814)
Equity	26,673	32,238	(20,127)

Cash flow	2011	2012e	2013e
Operating CF	(3,974)	(5,923)	(6,041)
Capex	(33.21)	(14.42)	(51.50)
Equity issued	6,161	25,132	0
Net cash flow	(28.908)	4.790	(57.541)

Valuation metrics and ratios	2011	2012e	2013e
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Brighten International Pty	2.1
National Nominees Ltd	2.1
Citicorp Nominess Ltd	1.3
Mark Philip Shawcross	1.2
Renlyn Bell Investments Pty	1

Asset portfolio

Project	Location	Operator (Y/N)	Working interest (%)	Entitlement interest (%)	Acreage Gross ('000)	Acreage Net m	Asset classification (E/A/D/P)
Amadeus	NT	Y	100%	100%	N/A	47	Exploration
Pedirka	OK	Y	100%	100%	N/A	9	Exploration
S. Georgina	NT	Y	100%	100%	N/A	6	Exploration
Wiso-Lander Tr	NT	Y	100%	100%	N/A	5	Exploration
Total						**67**	

Peer comparison

Company	Ops	Price	Mkt Cap (US$m)	EV (US$m)	Resources/ reserves Net unrisked (mmboe)	Resources/ reserves Net risked (mmboe)	Acreage Net ('000)	EV/resource EV/ Net unrisked resources $/boe	EV/resource EV/ Net risked resources $/boe	EV/acre (mmboe)
Baraka Energy	Australia	0.015	32	28	4,000	N/A	2,138	0.0	N/A	12.9
Buru Energy	Australia	2.92	704	676	15,965	N/A	14,000	0.05	N/A	48.2
Drillsearch Energy	Australia	1.38	480	445	20	11.0	5,680	0.2	40.5	78.3
Falcon Oil&Gas	Aus/H/SA	0.095	67	44	N/A	N/A	14,746	N/A	N/A	3
New Std Energy	Australia	0.61	184	160	N/A	N/A	14,500	N/A	N/A	11
Norwest Energy	Australia/UK	0.067	60	56	N/A	N/A	628	N/A	N/A	92.8
PetroFrontier	Australia	1.58	100	63	N/A	N/A	11,600	N/A	N/A	5.4
CTP	Australia	0.095	131.1	123	157	N/A	67,000	0.0	N/A	1.8
Average										**31.7**

Source: Company accounts, Edison Investment Research, Bloomberg

Coal of Africa

Asia-Pacific resources quarterly

Edison investment research

Mining

From thermal to coking coal

Coal of Africa (CoAL) is about to undergo a crucial transformation from a pure thermal coal producer to a company with a product mix that will eventually be dominated by coking coal. By moving up the mining value chain, it benefits from improved profitability and a premium valuation. That said, we believe a near-term Vele expansion is largely priced in, and CoAL needs to press on with large-scale quality projects, such as Makhado, to justify valuation upside. While we now see a better chance for the company to deliver, we look for evidence supporting its success in turning round the thermal coal business and establishing a coking coal presence.

Vele to boost earnings

With 3.5Mtpa of thermal coal output, the company plans to bring its two most advanced greenfield coking coal projects – Vele and Makhado – into production, shifting its focus from the lower-priced thermal to higher value-add coking coal. This could eventually raise the company's production profile by as much as 9Mt of metallurgical coal, making it the largest South African coking coal play. Driven by Vele, we forecast the company's overall EBITDA per tonne to rise from a mere US$4/t at end FY11 to US$22/t at end FY14, offsetting the imminent drop in the thermal coal output. In the longer term, we see Makhado as potentially bringing more coking coal exposure, and potential upside at both Vele and Makhado from additional export grade middlings, further improving CoAL's profitability and shareholder returns.

Risks and sensitivities

Apart from the commodity and currency performance, we see execution as the biggest risk, as the company has a record of underperformance. Having said that, after new management took over and the company reassessed its growth options and adjusted expectations, we now see a better chance of delivering on its expansion plans for launching both Vele and Makhado. Among the specific issues, we note the relatively poor visibility on coal qualities and economics for both projects. However, the Makhado DFS has undergone a preliminary review by the board with further optimisation being considered especially following the Chapudi deal. Finally, as Woestalleen is about to deplete, the subsequent change in the company's sales mix may have a negative impact on its financial performance.

Valuation: Upside on SOTP

We valued CoAL on a sum-of-the-parts basis using a combination of valuation methodologies for the existing thermal coal business (DCF), near-term Vele project (NPV) and other less advanced assets including Makhado (EV/Resource), to arrive to an overall equity value of US$0.8bn (£0.5bn). This translates into US$1.3 (£0.8) per share, implying c 30% upside to the current market price. Given the depleting Woestalleen resource, high sensitivity to coal price and mining cost pressures, we struggle to find substantial value in CoAL's thermal coal business. As such, Vele accounts for the bulk of our CoAL combined valuation. We believe Makhado could outstrip Vele in value, offering a substantial valuation upside for CoAL.

Share price performance

Catalyst: Vele launch

CoAL is about to fully commission its Vele colliery with first commercial sales expected in Q212. A relatively small operation, Vele offers a lucrative exposure to the coking coal market and could therefore provide a visible boost to earnings.

Catalyst: Makhado progress

CoAL is advancing its flagship coking coal Makhado project, which has been recently brought through the feasibility study stage. Given the coal qualities and the scale of the project, Makhado's launch should become CoAL's key focus in the medium term.

Catalyst: Woestalleen replacement

Woestalleen's depletion appears to be one of the biggest challenges for the company, which faces a 50% reduction in thermal coal output once Woestalleen ceases operations in 2013. CoAL is considering different options to replace the resource.

Business description

Coal of Africa's Mooiplaats mine began production in 2008. In 2010, it acquired NuCoal's producing mines for US$74m. It is also developing its Vele and Makhado coking coal projects.

Analyst

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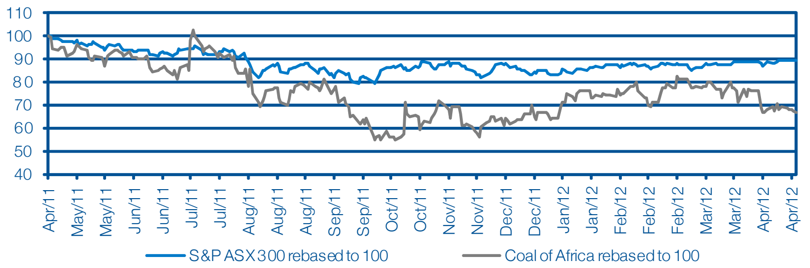
Edison profile page

Exhibit 8: Key financial and operating information

Market data	
Ticker	CZA
Listing	AIM/ASX
Sector	Mining
Share price, US$	0.9
Market cap, US$m	589.2
Net debt (cash) US$m	(63.90)
EV US$m	525.3
Shares in issue, m	662.3
Options and warrants, m	0
Fully diluted shares, m	662.3

Share price performance relative to ASX300 index



P&L	2011	2012e	2013e
Revenue	261,425	300,479	377,366
COGS	(303,004)	(304,750)	(347,620)
Gross profit	(41,579)	(4,272)	29,745
EBITDA	14,706	40,491	71,366
Net profit	(121,603)	(54,874)	(6,990)

Balance sheet	2011	2012e	2013e
PP&E	218,258	212,895	131,774
Total assets	591,679	644,077	519,753
Debt	40,351	40,351	40,351
Total liabilities	158,045	164,018	156,699
Equity	433,634	480,059	363,054

Cash flow	2011	2012e	2013e
OCF	(2,237)	4,270	43,886
Capex	(73,966)	(33,400)	(10,000)
Equity issued	309	102,769	0
Net cash flow	(61,353)	30,639	3,886

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	0.22	0.22	0.22
EV/EBITDA	35.7	13.0	7.4
P/E	N/A	N/A	N/A
EBITDA margin	5.6%	13.5%	18.9%
Net margin	N/A	N/A	N/A

Key shareholders	%
M&G Investment Management	18.1
Capital Group	11.5
African Global Capital Holding	11.2
Blackrock Group	6.8
Skagen Funds	1.3

Asset description			
Woestaleen	Thermal coal	Production	100%
Moiplaats	Thermal coal	Production	100%
Vele	Coking/Thermal	Production	100%
Makhado	Coking/Thermal	Development	100%
Chapudi	Coking/Thermal	Exploration	74%

Reserves and resource (JORC)	Resource, Mt		Reserve, Mt		
	GTIS	MTIS	Proven	Probable	Total
Coking coal and thermal coal projects	2,308	1,018	0	333	333
Thermal coal projects	99	57	38	0	38
Total	**2,408**	**1,075**	**38**	**333**	**371**

Peer comparison*	Price, US$	MktCap, US$m	EV, US$m	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e
China Coal Energy	1.1	18,242	16,325	6.8	5.9	4.9	14.4	12.8	10.9
Alpha Natural Resources	16.5	3,623	6,006	7.2	5.2	4.9	neg	neg	neg
Whiteheaven Coal	5.5	2,764	2,895	25.0	14.8	7.7	267.8	28.2	13.0
Raspadskaya	3.5	2,694	2,743	8.3	5.9	4.2	19.9	10.8	7.0
New World Resources	6.6	1,738	2,257	3.8	5.5	4.5	10.2	21.2	13.2
Gloucester Coal	8.2	1,667	2,061	23.8	43.4	13.5	29.5	neg	40.9
Coking coal average		**30,729**		**9.4**	**8.6**	**5.5**	**36.6**	**12.3**	**11.2**
China Shenhua Energy	4.3	84,993	73,334	6.8	6.1	5.5	14.4	13.1	11.7
Yanzhou Coal	2.1	15,269	14,637	7.0	7.2	6.4	13.3	13.9	12.7
Peabody Energy Corp	30.5	8,295	13,996	6.5	6.5	5.5	8.7	11.4	8.3
Consol Energy	33.9	7,689	10,512	6.4	7.0	6.1	12.2	16.7	12.6
Natural Resources	24.6	2,610	3,268	9.9	10.4	10.0	48.3	13.9	13.3
Arch Coal	9.5	2,035	5,951	6.5	6.1	5.6	14.4	16.6	12.8
Sakari Resources	1.6	1,823	1,572	N/A	5.9	4.6	11.9	11.6	8.9
Coal of Africa	0.9	589	544	6.4	7.0	3.6	neg	neg	13.0
Penn Virginia Corp	4.9	226	916	6.8	4.0	3.6	neg	neg	neg
Continental Coal	0.2	79	117	neg	8.9	5.5	neg	4.8	5.7
Thermal coal average				**6.7**	**6.4**	**5.7**	**14.3**	**13.2**	**11.6**

*consensus estimates

Source: Company data, Edison Investment Research, Bloomberg

Edison investment research

Delivering on growth

Mining

Continental Coal develops a portfolio of small and medium-size thermal coal projects in South Africa. Having two operating mines in place, the company is fast-tracking its greenfield Penumbra coal project, which is expected to deliver 0.5Mt of high-quality export thermal coal eventually replacing the depleting Ferreira mine (although this is in the process of being extended via the acquisition of the adjoining property). In the medium term, the De Wittekrans project is expected to add another 2.5Mt of saleable coal, bringing the overall production to as much as 4.5Mt in 2013. Beyond this, the company contemplates a number of less advanced exploration projects, which could potentially boost its overall output by another 5-9Mt of ROM coal per annum.

New projects to drive earnings

Given the current project portfolio and management's track record, we believe Continental Coal is well positioned to deliver on its growth plans, bringing the overall coal production from the current low single-digit number to as much as 10Mt of ROM coal by 2015. While the high-quality, but relatively small Penumbra mine (production expected to commence in H212) is meant to replace the depleting Ferreira mine, we view De Wittekrans as a major turnaround project for the company, potentially adding some 2.5Mt of saleable coal and at least US$40m in annual EBITDA. That said, the project is not cheap with an estimated capex in excess of US$200m. Apart from the commissioning of new projects, we note the company's success in turning round its current coal assets, which was reflected in a strong H112 financial performance. 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. Strong top line performance and stringent cost control supported positive EBITDA of A$3.0m compared to a A$28.5m loss in the corresponding period in 2010.

Risks and sensitivities

The biggest risk is thermal coal price performance, which, given the company's relatively low margins and high operating leverage, could have a material impact on earnings and valuation. We also note high cost inflation in South Africa with double-digit annual growth in both energy and labour costs. Finally, since the De Wittekrans project is not fully funded into production, the execution risk has to be considered.

Valuation: Recent sell-off is a buying opportunity

We believe that a 33% decline in Conticoal's share price from its March peak represents an attractive opportunity for long-term investors. The company is likely to post its maiden positive full-year EBITDA in FY11/12 (June financial year), and we believe that management's efforts to streamline the existing coal business as well as the commissioning of new projects should drive earnings higher in the medium to long term. In this respect, we view De Wittekrans as contributing the biggest portion of the company's value, with other greenfield projects offering further upside once the decision to advance them to production is made. Finally, we would view the company's expansion into Botswana as a wild card, which could potentially create additional value for the company.

Share price performance

Catalyst: Penumbra launch

Being a relatively small development, Penumbra will replace the depleting Ferreira mine, which produces a high-quality export spec thermal coal. The mine is expected to be commissioned in H212.

Catalyst: FY11/12 results

The company is set to publish strong FY11/12 financial results (June year-end) driven by the robust operating performance from both operating mines. We expect the company to break even on the EBITDA level.

Catalyst: De Wittekrans launch

De Wittekrans is the company's biggest project, and is expected to add up to 2.5Mt of saleable export and domestic coal. With up to US$220m in capex, the project is NPV positive and is expected to be launched in 2013/14.

Business description

Continental Coal is a thermal coal producer with a portfolio of mines and development projects in South Africa. Producing 2Mtpa of coal from its Vlakvarkfontein and Ferreira operations, the company is on track to launch its Penumbra mine in 2012 followed by De Wittekrans in 2013/14.

Analyst

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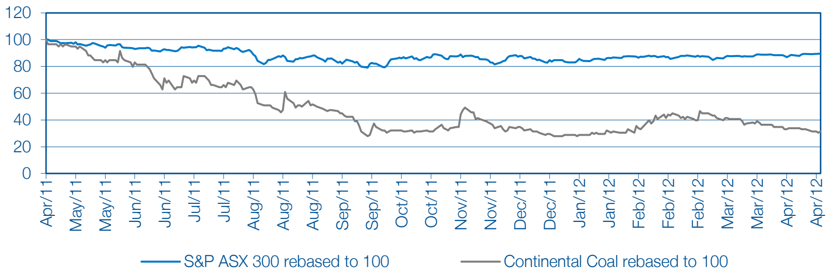
Edison investment research

Exhibit 9: Key financial and operating information

Market data	
Ticker	COOL
Listing	AIM/ASX
Sector	Mining
Share price, US$	0.2
Market cap, US$m	78.6
Net debt (cash) US$m	17.6
EV US$m	96.2
Shares in issue, m	407.0
Options and warrants, m	63.0
Fully diluted shares, m	470.0

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	52,359	83,601	67,568
COGS	(53,112)	(69,257)	(47,323)
Gross profit	(753)	14,344	20,245
EBITDA	(15,349)	1,778	7,838
Net profit	(29,666)	(5,480)	(298)

Balance sheet	2011	2012e	2013e
Fixed assets	148,836	176,337	177,929
Total assets	179,250	206,347	189,906
Debt	16,480	16,480	16,480
Total liabilities	76,581	89,516	72,887
Equity	102,670	116,831	117,019

Cash flow	2011	2012e	2013e
OCF	3,088	3,101	(8,319)
Capex	(27,856)	(30,900)	(5,150)
Equity issued	85,928	0	0
Net cash	12,030	(7,199)	(13,469)

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	0.21	0.21	0.21
EV/EBITDA	N/A	54.1	12.3
P/E	N/A	N/A	N/A
EBITDA margin	N/A	2.1%	11.6%
Net margin	N/A	N/A	N/A

Key shareholders	%
LinQ Management Pty Ltd.	13.1
BCM & Partners LLP	1.5
Westcliffe Management Ltd.	0.5

Asset description			
Ferreira	Thermal	Production	100%
Penumbra	Thermal	Development	100%
Vlakvarkfontein	Thermal	Production	60%
De Wittekrans	Thermal	Development	100%

Attributable coal resource (JORC)	Penumbra	Vlakplaats	De Wittekrans	Vaalbank	Knapdaar	Other	Total
Measured	13.0	0.0	33.8	0.0	0.0	30.7	77
Indicated	30.3	0.0	64.4	6.6	0.0	7.1	108
Inferred	25.0	93.9	68.9	10.4	46.7	23.8	269
Total	**68.3**	**93.9**	**167.1**	**17.0**	**46.7**	**61.6**	**455**

Peer comparison*

	Price, US$	MktCap, US$m	EV, US$m	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e
China Coal Energy	1.1	18,242	16,325	6.8	5.9	4.9	14.4	12.8	10.9
Alpha Natural Resources	16.5	3,623	6,006	7.2	5.2	4.9	neg	neg	neg
Whiteheaven Coal	5.5	2,764	2,895	25.0	14.8	7.7	267.8	28.2	13.0
Raspadskaya	3.5	2,694	2,743	8.3	5.9	4.2	19.9	10.8	7.0
New World Resources	6.6	1,738	2,257	3.8	5.5	4.5	10.2	21.2	13.2
Gloucester Coal	8.2	1,667	2,061	23.8	43.4	13.5	29.5	neg	40.9
Coking coal average		30,729		9.4	8.6	5.5	36.6	12.3	11.2
China Shenhua Energy	4.3	84,993	73,334	6.8	6.1	5.5	14.4	13.1	11.7
Yanzhou Coal	2.1	15,269	14,637	7.0	7.2	6.4	13.3	13.9	12.7
Peabody Energy Corp	30.5	8,295	13,996	6.5	6.5	5.5	8.7	11.4	8.3
Consol Energy	33.9	7,689	10,512	6.4	7.0	6.1	12.2	16.7	12.6
Natural Resources	24.6	2,610	3,268	9.9	10.4	10.0	48.3	13.9	13.3
Arch Coal	9.5	2,035	5,951	6.5	6.1	5.6	14.4	16.6	12.8
Sakari Resources	1.6	1,823	1,572	N/A	5.9	4.6	11.9	11.6	8.9
Coal of Africa	0.9	589	544	6.4	7.0	3.6	neg	neg	13.0
Penn Virginia Corp	4.9	226	916	6.8	4.0	3.6	neg	neg	neg
Continental Coal	0.2	79	117	neg	8.9	5.5	neg	4.8	5.7
Thermal coal average				6.7	6.4	5.7	14.3	13.2	11.6

*consensus estimates

Source: Company data, Edison Investment Research, Bloomberg

Drake Resources

Asia-Pacific resources quarterly

Edison investment research

Active on all fronts

Mining

Drake Resources' (DRK) growing portfolio of highly prospective exploration properties provides the company with exposure to gold and base metals with a geographical footprint spanning West Africa, Sweden, Norway and Finland. The company has a strategic landholding south of the giant Tasiast gold mine in Mauritania, West Africa, with 11,000km^2 of gold exploration permits and applications across Mauritania, Senegal and Guinea. Drake's Scandinavian projects include a premier position in the historic world class Falun Mine area in Sweden, and several copper-zinc joint ventures in Norway and Finland.

West African gold exploration footprint grows

DRK has secured five adjoining gold exploration permits at the Seimana Project, covering 424 km^2 in the highly prospective gold mineralized belt of Northern Guinea. In addition, the company acquired the Samekouta exploration permit in southeast Senegal and commenced systematic geochemical sampling. DRK's drilling focus is centred on the two key projects of Tasiast South and Hendrix Shear. At Tasiast South, an air core drilling programme of 17,000 metre tested targets defined from airborne magnetic survey, and structural interpretation, was recently completed, with assay results expected in Q212. In February 2012, the company also commenced a 5,000 metre reverse circulation (RC) drilling program at the Hendrix Shear Gold Project, after soil sampling in 2011 identified areas of gold mineralisation, with detailed results also expected in Q212.

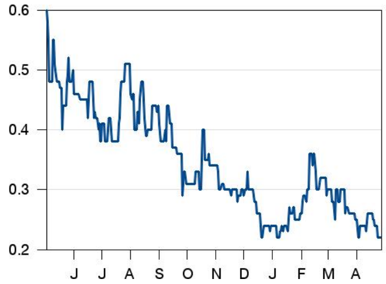
Sweden: Maiden inferred gold resource

In September 2011, DRK announced a maiden inferred resource of 0.58Mt @ 2.4g/t gold and 0.6% copper (0.7g/t gold cut-off) for 44,000 oz gold and 3,500 t copper at its 49% joint venture project with Royal Falcon at Falun. On 12 April 2012, DRK also announced widespread nickel-copper mineralisation intersects on its 100% owned Granmuren Prospect in the Bergslagen District in Sweden, a site not previously explored but identified through airborne electromagnetic survey by the company, reporting significant results including an intersection of 16.6m @0.47%Cu, 0.30%Ni and 0.03% Co at a depth of 48.7m. The company plans a further gravity survey targeting the potential for plunging mineralisation as well as support the calculation of a conceptual exploration target.

Valuation and key risks

Notwithstanding the modest maiden inferred gold resource at Falun, DRK has a highly prospective and diversified exploration portfolio with news flow expected over the next few months. That said, the relatively small resource currently heavily skews the company's Enterprise Value/Resource (EV/ounces of gold) multiple, which currently stands at c 450 times. Cash on hand as at 31 December 2011 was c $9m. Key risks at this stage include resource estimation risk, given the stage of various projects and metallurgical work conducted to date; conventional feasibility risk; commodity price risk, currency risk and sovereign risk (mostly due to projects in West Africa).

Share price performance



Catalyst: Discovery potential

Establishing a JORC compliant resource would be a major catalyst for the stock at this stage. DRK has a highly prospective and diversified exploration portfolio, including a strategic landholding in Tasiast South Project, in the Tasiast greenstone belt in Mauritania.

Catalyst: Extension to discovery

The company is planning further gravity surveys at Bergslagen to better understand its copper-nickel discovery. Extension of mineralisation at Bergslagen if above expectations would be a significant catalyst in the near term.

Catalyst: Gold targets

The company plans to commence a RC drilling program to test principal gold bearing targets on the 100% owned Oued El Ma permit in Northern Mauritania Potential for finding further gold targets remains high given DRK's 4,600km^2 holding in this largely unexplored area.

Business description

Drake Resources is an ASX-listed mineral exploration company focusing on gold and base metals with projects in West Africa, Sweden, Norway and Finland.

Analyst

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Edison profile page

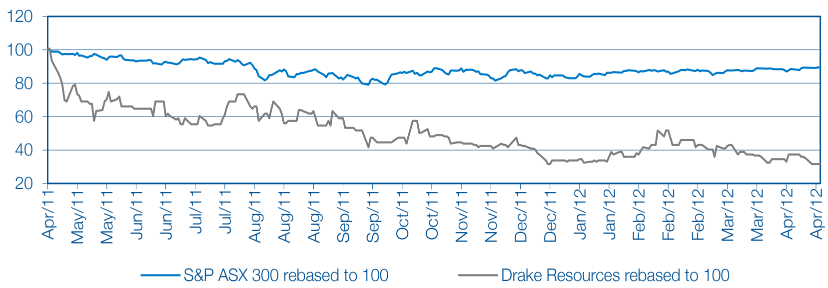
Drake Resources is a research client of Edison Investment Research Limited

Edison investment research

Exhibit 10: Key financial and operating information

Market data	
Ticker	DRK
Listing	ASX
Sector	Mining
Share price, US$	0.2
Market cap, US$m	19.1
Net debt (cash) US$m	(9.2)
EV US$m	9.8
Shares in issue, m	82.50
Options and warrants, m	5.9
Fully diluted shares, m	88.4

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	231	206	206
COGS	(558)	(412)	(412)
Gross profit	(327)	(206)	(206)
EBITDA	(1,637)	(901)	(901)
Net profit (norm)	(1,525)	(818)	(855)

Balance sheet	2011	2012e	2013e
PP&E	82	85	85
Total assets	9,713	8,975	7,399
Net debt/(cash)	4,481	3,062	(59)
Total liabilities	(883)	(647)	(647)
Equity	8,830	8,328	6,752

Cash flow	2011	2012e	2013e
Operating CF	(1,014)	(1,021)	(1,622)
Capex	(3,453)	(1,576)	(1,576)
Equity issued	2,396	1,066	0
Net cash flow	(2,746)	(1,418)	(3,122)

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	453	453	453
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
National Nominees	11.0
Citicorp Nominees Pty	4.9
Nefco Nominees Pty	4.4
HSBC Custody Nominees	3.6
Bill Brooks Pty	3.0

Asset portfolio	
Asset 1	Falun JV project (49% interest)
Total	

Reserves and resource (JORC)

		Resource, ounces		Reserve, ounces		
		Inferred	MTIS	Proven	Probable	Total
Resource 1	Gold	21,663	N/A	N/A	N/A	N/A
Total		21,663	N/A	N/A	N/A	N/A

Peer comparison

	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
Nevsun	3.2	643	417	1.0	1.6	1.6	4.4	6.9	7.2	374	1,100
Aurizon	5.0	818	605	4.8	4.3	4.1	18.6	13.2	11.6	93	3,692
Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		11,324		5.1	4.5	3.1	9.4	8.7	6.2	116	3,253

Source: Company accounts, Edison Investment Research, Bloomberg

External and internal growth

Mining

Gold One (GDO) has been busy purchasing producing mines and developing its own internal projects. With the recent purchase of Rand Uranium and the proposed Ezulwini mine acquisition, GDO is poised to graduate from a junior to mid-tier gold producer. A recent agreement signed with First Uranium to purchase the nearby Ezulwini mine fits nicely within GDO's plans to acquire and develop shallow, low-cost gold deposits and could significantly increase GDO's production schedule for 2012. With the recently acquired shareholder loan for US$75m and the Investec facility, GDO has the funds necessary to settle the Rand Uranium acquisition, the proposed Ezulwini agreement and the recently announced Grootvlei transaction with Goliath Gold, which GDO holds a 72% interest.

Strategic partners provide capital and opportunities

As a result of the Jintu transaction, A$152.8m of new capital was injected into the company from a Chinese consortium that now controls 89.17% of the share capital. This will allow GDO to develop its internal projects and acquire others to increase its production profile. GDO has a strong management team that has significant experience in underground and surface operations. It has also signed an MoU with Gold Fields to study the viability of reprocessing (Au and U3O8) from both companies' tailings deposits within the West Rand region. In addition, the Grootvlei transaction will allow GDO to explore the down-dip extension of the UK9a reef, which comprises 26% of Modder East's existing mineral reserve and potentially increase its mine life. GDO will also continue its exploration programme on the nearby Modder North project, focusing on the extension of the Main Reef and potentially the Black Reef.

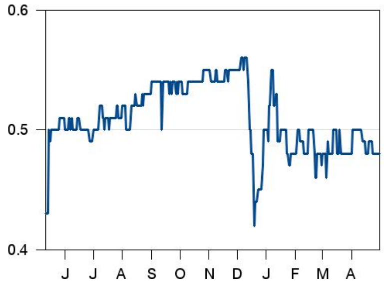
Risks/sensitivities: Hinges on acquisition

Other than commodity prices (gold and uranium in particular) and currency, the main sensitivity to GDO's valuation is whether the Ezulwini mine transaction will be finalised. Since the announcement of the Ezulwini acquisition, Mining Weekly has reported that Renova has also approached First Uranium over the mine.

Valuation: Resources and reserves

Gold One has significantly increased its resources through acquisitions and organic growth. The Rand Uranium acquisition gives GDO a total underground resource estimate of 10.36Moz of gold and 45.38Mlbs of uranium and surface assets of 3.10Moz of gold and 44.55Mlbs of uranium based on 2010 resources and including ore reserves. The proposed Ezulwini mine has a resource estimate of 13.2Mt of measured and indicated categories containing 2.7Moz of gold and 6.6Mlbs of uranium. Considering the contained gold alone and the US$250m acquisition of Rand Uranium, GDO has paid c US$21/oz in the measured and indicated categories. Likewise, assuming the Ezulwini mine acquisition moves forward for US$70m, GDO would have paid c US$ 26/oz Au. Our valuation is under review pending the outcome of the proposed Ezulwini acquisition.

Share price performance



Catalyst: Ezulwini acquisition

In 2011 the Ezulwini mine produced 59,689oz of Au and 31,407lbs of U3O8. The acquisition of the Ezulwini mine, if finalised, will have a significant impact on Gold One's valuation.

Catalyst: Beating guidance

GDO's flagship Modder East mine produced 121,518oz of Au in 2011, up 85% from 2010 and has planned production of 150,000oz in 2012. A highly experienced management team has consistently exceeded its guidance.

Catalyst: Ventersburg feasibility

A feasibility study is expected to be completed by the end of 2012 on GDO's Ventersburg project. A current resource estimate has 2.86Moz of Au (indicated) and most of this is contained in a shallow, high grade extension of the eastern payshoot.

Business description

Formed from the takeover of Aflease 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.

Analyst

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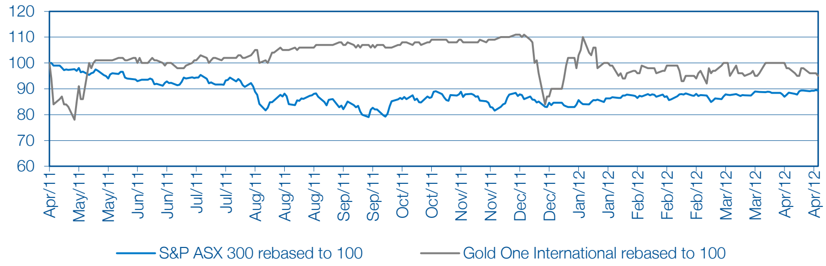
Edison profile page

Gold One is a research client of Edison Investment Research Limited

Exhibit 11: Key financial and operating information

Market data	
Ticker	GDO
Listing	ASX
Sector	Mining
Share price, US$	0.5
Market cap, US$m	692
Net debt (cash) US$m (at 31 Mar 2012)	(152.0)
EV US$m	540.4
Shares in issue, m	1,415
Options and warrants, m	29.2
Fully diluted shares, m	1,444

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	193,908	N/A	N/A
COGS	(62,638)	N/A	N/A
Gross profit	(62,638)	N/A	N/A
EBITDA	95,055	N/A	N/A
Net profit	51,390	N/A	N/A

Balance sheet	2011	2012e	2013e
PP&E	147,226	N/A	N/A
Total assets	398,852	N/A	N/A
Net debt/(cash)	(229,294)	N/A	N/A
Total liabilities	(63,581)	N/A	N/A
Equity	335,271	N/A	N/A

Cash flow	2011	2012e	2013e
Operating CF	129,805	N/A	N/A
Capex	(36,036)	N/A	N/A
Equity issued	161,031	N/A	N/A
Net cash flow	224,658	N/A	N/A

Valuation metrics and ratios	2011	2012e	2013e
EV/EBITDA	5.7	N/A	N/A
P/E	8.2	N/A	N/A
EBITDA margin	49%	N/A	N/A
Net margin	27%	N/A	N/A

Key shareholders	%
Baiyin Non-Ferrous Group Co. Ltd	53.5
China-Africa Bank	26.8
Long March Capital	8.9
CITIC Kingview Capital Mgmt	8.9

Asset description / **Attributable resource (JORC/SAMREC)**

		Interest	Category	Tonnes M	Grade g/t	Moz (Au)	Tonnes M	Uranium (kg/t)	Uranium (Mlbs)
Modder East	Au-production	100%	Measured	0.54	14.98	0.26	-	-	-
			Indicated	30.45	2.56	0.03	-	-	-
			Inferred	23.85	1.71	1.31	-	-	-
Cooke Underground	Au-production	100%	Measured	21.75	5.19	3.63	15.71	0.34	11.83
	Uranium development		Indicated	51.65	3.00	4.98	39.36	0.26	22.84
			Inferred	17.67	3.08	1.75	11.56	0.42	10.71
Randfondtein Surface	Au-production	100%	Measured	302.18	0.28	2.76	61.30	0.21	27.84
	Uranium development		Indicated	23.49	0.45	0.34	78.06	0.10	16.71
			Inferrred	-	-	-	-	-	-
			Measured	-	-	-	-	-	-
Ventersburg	Au-development	100%	Indicated	22.83	3.90	2.86	-	-	-
			Inferred	34.28	3.77	4.15	-	-	-
Others: Modder North (Au-development), Megamine (Au-exploration, 71% share of Goliath Gold), Tulo (Au exploration), REL ShallowTurnbridge (Au-exploration)									
Total				**528.7**	**1.3**	**22.07**	**205.99**	**0.20**	**89.93**

Peer comparison

Gold

	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	2012e	2013e	P/E 2011	2012e	2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
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Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		11,324		5.1	4.5	3.1	9.4	8.7	6.2	116	3,253

Uranium

	Price, US$	MktCap, US$m	EV, US$m	Resource Mlb	Resource 000t	EV/Resource US$/lb
Paladin Energy	1.64	1,370	2,169	536	243	4.05
Energy Resources of Australia	1.61	834	201	483	219	0.42

Source: Company accounts, Edison Investment Research, Bloomberg

Edison investment research

Mineral Sands project

Mining

Gunson Resources (GUN) has a non-binding agreement with Korean steel major POSCO, with which it has been negotiating for an investment in its strategically placed, construction ready, Coburn zircon rich mineral sands project in Western Australia. POSCO has advised that Coburn is a landmark new potential investment, but has requested an extension from April to August 2012 to complete its internal review process and obtain board approval for the investment. Gunson is to be the project manager and the construction timeline may be accelerated by early completion of the front-end engineering study The company already has a five-year sales agreement for its proposed chloride ilmenite product with DuPont and other product off-take agreements are well advanced.

Robust project in strong product market conditions

Coburn is a simple mining and treatment process with no harmful chemical issues and continuous rehabilitation. It is one of a few significant advanced mineral sands projects in the global pipeline, which include Mineral Deposits' Grande Côte project in Senegal and Base Resources' Kwale project in Kenya. The Coburn JV partner will contribute its share of the project development costs plus additional earn-in value together with assistance with debt and equity finance.

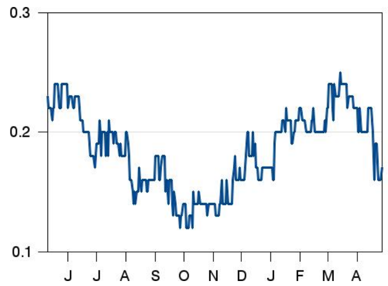
Risks/sensitivities: JV and funding agreements

Permitting was always the biggest risk factor, but the Coburn project is fully permitted for construction and substantive environmental approvals are in place. Forecasts by industry experts and market analysts show positive trends in the short term and a steady outlook in the longer term. Exchange rate variations are more real in the current volatile conditions. However, the Australian dollar looks vulnerable, which gives positive leverage. The biggest risks are the failure of the JV to consummate, which appears remote, and raising funding, although the project has attracted serious interest from several financiers and product off-take consumers.

Upside on confirmation of JV and funding agreements

Financial modelling by the company incorporates the latest product price forecasts, the off-take agreement and the possibility of a later production commencement date. However, this still supports the November 2011 project valuation, which showed a definitive feasibility study model with a capital cost of A$179m, an IRR of 28.3% and an NPV 8% of A$223.7m. The delay in the completion of the POSCO joint venture agreement could be partly offset by acceleration of the construction schedule. We value the company at A$0.55 per share.

Share price performance



Catalyst: JV agreement

POSCO can be considered an excellent JV partner. The delay in completion may be attributed to a downturn in the global steel industry. However, it is believed that POSCO is keen to diversify into products such as zircon and titanium. POSCO will reimburse its equity share of capex since November 2011, providing a positive investment decision is made.

Catalyst: Environmentally benign

The Coburn project is located near the Shark Bay World Heritage Site, thus it has had to pass many environmental and technical hurdles in the permitting process. This also applied to rehabilitation and groundwater management.

Catalyst: Product demand

Studies indicate that the combination of relatively limited new production and strong demand growth for products is likely to maintain positive price trends. A slowdown in Chinese industrial growth may be an inhibiting factor.

Business description

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

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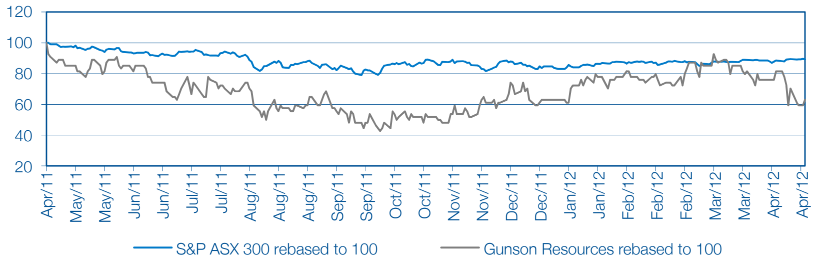
Gunson Resources is a research client of Edison Investment Research Limited

Exhibit 12: Key financial and operating information

Market data	
Ticker	GUN
Listing	ASX
Sector	Mining
Share price, US$	0.2
Market cap, US$m	38.7
Net debt (cash) US$m (31Mar 2012)	(3.2)
EV US$m	35.5
Shares in issue, m	220.9
Options and warrants, m	0
Fully diluted shares, m	220.9

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e	Balance sheet	2011	2012e	2013e	Cash flow	2011	2012e	2013e
Revenue	154	206	206	PP&E	1,278	1,581	103,305	OCF	(2,702)	(1,841)	(3,310)
COGS	0	0	0	Total assets	28,599	33,146	142,417	Capex	(0)	(0)	(103)
Gross profit	154	206	206	Debt	0.00	(9.27)	(146.26)	Equity issued	7,015	2,472	0
EBITDA	(1,755)	(1,339)	(1,030)	Total liabilities	(2,262)	2,449	116,079	Net cash flow	985	322	(106,286)
Net profit/(loss)	(1,294)	(1,344)	(1,032)	Equity	30,861	30,697	26,337				

Valuation metrics and ratios	2011	2012e	2013e
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Tilbrook John	9.1
Grey Willow PTY Ltd	8.7
Harley Group	1.9
Cunningham William H.	0.2

Reserves and resources	Mt	HM Grade	HM (Mt)
Coburn project (0.8 cutoff)			
Measured	119	1.30%	1.5
Indicated	599	0	7.2
Inferred	261	1.40%	3.6
Total	**979**	**1.26%**	**12.3**

Source: Company accounts, Edison Investment Research

Range Resources

Asia-Pacific resources quarterly

Edison investment research

Dynamic entrepreneurial junior

Oil & Gas

Range Resources is one of the most dynamic entrepreneurial E&P juniors. The company has an interesting mix of frontier exposure and development potential in mature oil and gas provinces. Near term, Range is a play on its Puntland drilling programme, which has company-maker potential. Regardless of the outcome, the capitalisation is well underpinned by the non-frontier assets. The moves into Texas and Trinidad over the past two or three years have proved well judged.

Puntland news pending

Range's 20%-owned Puntland project in the Horn of Africa is a rift play that is considered analogous to the prolific petroleum producing basins in Yemen. The Shabeel-1 well in the Dharoor block was spudded in January 2012 and is targeting an Upper Jurassic anticlinal prospect at around 3,800m. Prospective resources are estimated by the operator, Horn Petroleum, at over 300mm barrels. Horn's initial comments have been mildly encouraging in that hydrocarbon shows have been exhibited in Cretaceous sandstone intervals. We expect drilling results to be made known by mid- to late May. Subsequently, Shabeel-North will be drilled. Elsewhere, Range has a major development programme underway in Trinidad. Production here has increased from around 475b/d a year ago to approaching 1,000b/d and has the potential to reach 4,000b/d by 2014 based on the current shallow reserves. The Beach Marecelle water flood could ultimately add another 5,000 b/d and the deeper Herrera formation provides exploration upside of possibly 30-100mm barrels recoverable. The results of a Herrera volumetrics study are expected shortly followed by drilling in Q3. At NCR in Texas a reserves upgrade is underway. Range is likely to make a decision in the near term on whether to keep or sell its NCR stake. On the exploration front a second well in Georgia is expected to be drilled shortly while in Colombia, Range is farming into an exploration project in the Putumayo basin.

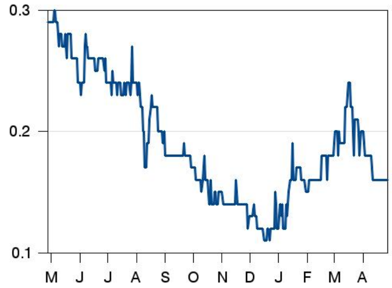
Risks/sensitivities: Puntland key issue

The key near-term risk relates to the Shabeel-1 well. Clearly, a dry well would have a negative impact on sentiment, although as we have noted expectations ahead of the drilling results appear muted. As is usually the case, much will depend on the quality of the reservoir and the outlook for Shabeel-North. If exploration is successful, we believe there will be no shortage of buyer interest for the Puntland assets. As for other dynamic E&P juniors, cash needs are likely to be heavy for the foreseeable future.

Valuation: Expectations subdued

Based on a sum-of-the-parts calculation for the producing and development assets in Texas and Trinidad plus cash and the stake in Tangiers Petroleum, we believe Range can justify a valuation of A$345m or 15.1c/share. This is similar to the current EV so it would appear that expectations are subdued over the frontier exploration potential in Georgia and Puntland. Assuming Range decides to sell its NCR assets, we believe they might be worth around $91m based on 3P reserves of 10.1mm boe and a price of $9/boe. This reflects current 1P valuations for gas orientated US independents of about $13/boe less a discount for scale and reserve classification differences. Note, NCR's liquids-rich gas should attract buyer interest despite depressed dry gas prices.

Share price performance



Catalyst: Shabeel-1 drilling results

Shabeel-1 drilling results are likely to be made known by end May. A commercial discovery would have implications for the broader play in the Darin and Nogal basins, which are capable of holding multi-billion barrel reserves.

Catalyst: NCR reserves upgrade

Range has indicated that a reserve upgrade is imminent for NCR. This follows the anticipated successful drilling and completion of Albrecht-1. Assuming Range maintains its stake in NCR, production should surge here in the coming months.

Catalyst: Colombia farm-in agreement

We believe the finalisation of the Colombian project farm-in agreement is likely to be concluded shortly. A work programme involving 350km of 3D seismic and a re-entry well is likely to follow.

Business description

Range Resources is a dual ASX- and AIM-listed E&P junior with projects in Puntland-Somalia, the Republic of Georgia, Texas (NCR and ETCV) and Trinidad. A project in Colombia will be added shortly once regulatory issues have been finalised.

Analyst

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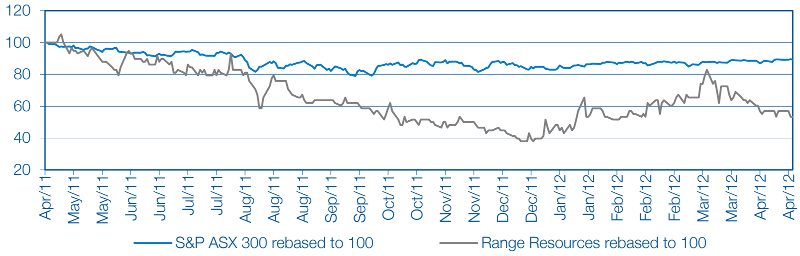
Edison profile page

Range Resources is a research client of Edison Investment Research Limited

Exhibit 13: Key financial and operations information

Market data	
Ticker	RRS
Listing	ASX
Sector	Oil & Gas
Share price, US$	0.2
Market cap, US$m	354.2
Net debt (cash) US$m (at 31st Mar 2012)	(25.2)
EV US$m	329.0
Shares in issue, m	2292.8
Options and warrants, m	47.0
Fully diluted shares, m	2,340

Share price performance relative to ASX300 Index



P&L	2011	2012e	2013e
Revenue	3,579	29,216	68,054
COGS	(1,684)	(17,268)	(40,354)
Gross profit	1,895	11,948	27,700
EBITDA	(4,439)	4,794	24,069
Net profit	(4,704)	1,572	2,898

Balance sheet	2011	2012e	2013e
PP&E	21	196	515
Total assets	193,634	352,357	363,590
Net debt/(cash)	(17,881)	(19,795)	(3,948)
Total liabilities	(1,475)	(6,316)	(6,316)
Equity	192,159	346,041	357,274

Cash flow	2011	2012e	2013e
Operating CF	(5,085)	211	23,059
Capex	(8,113)	(48,668)	(25,750)
Equity issued	89,701	66,616	0
Net cash flow	10,261	1,914	(15,847)

Valuation metrics and ratios	2011	2012e	2013e
EV/EBITDA	N/A	6.9	1.4
P/E	N/A	197.2	123.0
EBITDA margin	N/A	16%	35%
Net margin	N/A	5%	4%

Key shareholders	%
Computershare Clearing Pty Ltd	74.5

Asset Portfolio

Project	Location	Operator	Working interest (%)	Entitlement interest (%)	Resources/ reserves: Gross unrisked (mmboe)	Net unrisked (mmboe)	GCoS (%)	Net risked (mmboe)	Classification: Resource	Asset
Dharoor/Nugaal	Somalia	Horn Pet	20%	N/A	4550.0	910.0	7%	N/A	Prospective	
V1a/V1b	Georgia	Strait Oil&Gas	40.0%	N/A	615.0	246.0	15%	N/A	Prospective	
NCR	Texas	Gulf Western	21-25%	N/A	N/A	N/A	N/A	10.1		3P
ETCV	Texas	Crest Res	22%	N/A	N/A	N/A	N/A	0.7		3P
Trinidad	Trinidad	Range	100%	N/A	N/A	N/A	N/A	20.1		3P
Total								**30.9**		

Peer comparison

Company	Ops	Price (US$)	Mkt cap (US$m)	EV (US$m)	Resources/ reserves: Proved plus prospective (mmboe)	Proved (mmboe)	Acreage: Net ('000)	EV/resource: EV/ Proved plus prospective (mmboe)	EV/ Proved resources (mmboe)	EV/acre (mmboe)
Southwestern	US	30.53	10,656	11,984	N/A	982.0	N/A	N/A	12.2	N/A
Range Res Corp	US	63.91	10,365	12,631	1,034	842.0	N/A	12.2	15.0	N/A
Bill Barrett Corp	US	23.68	1,104	1,965	507	228.0	N/A	3.9	8.6	N/A
Range Resources	Various	0.16	367	342	48.7	18.6	N/A	7.0	18.4	N/A
Cabot Oil & Gas	US	33.81	7,094	8,074	4,589	505.0	N/A	1.8	16.0	N/A
Cimarex	US	69.15	5,926	6,329	1,092	342.0	N/A	5.8	18.5	N/A
Average								**6.1**	**14.8**	

Source: Edison Investment Research, company accounts, Bloomberg

Sumatra Copper & Gold

Asia-Pacific resources quarterly

Edison investment research

Taking Tembang to production

Mining

Sumatra Copper & Gold (SUM) has made significant progress in de-risking its brownfield Tembang gold-silver project in the north of Sumatra, Indonesia. SUM recently announced a critical resource to reserve conversion. Tembang's current reserve is 5.5Mt at 2.3g/t Au and 31.4g/t Ag for 513koz AuEq and is planned for extraction as part of Stage 1 of the project's development. A two-stage approach to developing Tembang has been adopted by SUM to allow for rapid construction and therefore take advantage of the current gold price. The Stage 1 life of mine is five years at present, with first production planned for Q313 pending receipt of a forestry permit (all other permits and licences have been received) and financing for the very modest US$10m pre-production capex requirement.

Low capex and on the cusp of development

Indonesian gold explorers, developers and producers face a higher discount than their Australian peers, primarily due to the bureaucratic environment in this region (see sensitivities). However, SUM has made good progress through its permitting schedule, aided greatly by its government liaison officer, and with production brought forward by commencing a two-stage mining strategy, first cash flows are due by end 2013, providing cash flows to extend Tembang's LOM via drilling its numerous gold targets.

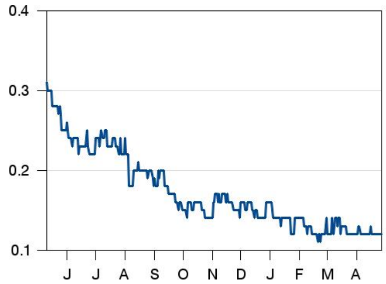
Risks/sensitivities: Indonesian permitting/law changes

Permitting risk is applicable to all mining companies wishing to develop a resource into a producing asset. However, Sumatra has a key influential Indonesian board member, Adi Sjoekri. Mr Sjoekri has over 17 years' experience with major companies such as Newmont and within Indonesia. He has been pivotal in obtaining the AMDAL environmental permit and Tembang mining licence in his capacity as government liaison officer, and this should mean the final forestry permit is obtained relatively easily. The Indonesian government has recently revised parts of its mining law stating that 20% of new mining projects should be divested to Indonesians after the first five years of production, and that within 10 years 51% should be divested. Sumatra recently had its mining licence approved for a 20-year period and has not made any comment on the effect of the proposed law changes on Tembang. However, if the five-year period before divestment is maintained by the government, SUM's two-stage strategy and life of mine of five years for Stage 1 is a potential gateway to securing positive cash flows on a 100% ownership basis. To quantify these cash flows will depend on the release of the DFS in Q312.

Valuation: Upside on release of opex/capex costs?

Pending release of detailed opex and capex figures for Stage 1, we reiterate our A$0.32 per share dividend discount valuation (at 10% discount to reflect general equity risk and a flat US$1,350 long-term Au price). Once its detailed opex/capex costs and mine schedules for Stage 1 become available we will look to revisit our valuation and also apply our revised gold prices (ie US$1,600/oz [2013] and US$1,350/oz long-term). Further, pre-production capex for Stage 1 has reduced by US$12m to US$10m; this alone should present clear upside to our valuation.

Share price performance



Catalyst: Stage 1 DFS (Q312)

Stage 1 of the DFS will provide definitive detail on all opex/capex costs for Tembang and also detailed mining schedules, including important data on construction timelines and first year AuEq production ramp up.

Catalyst: Forestry Permit (Q312)

To date all permits applied for, including a mining licence, have been secured for Tembang. The last, pertaining to a forestry permit, is now being sought. Note that Tembang is not in an area of forest and in principle has been agreed with the authorities.

Catalyst: Decision to mine (Q412)

Pending receipt and review of all permits and technical data Sumatra will make a formal decision to mine Tembang and will usher in the project financing phase for the project.

Business 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.

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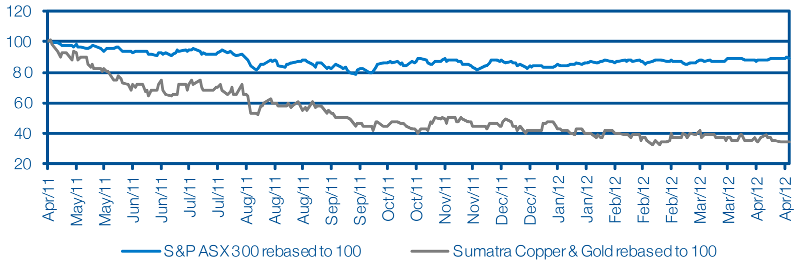
Sumatra Copper & Gold is a research client of Edison Investment Research Limited

Exhibit 14: Key financial and operating information

Market data	
Ticker	SUM
Listing	ASX
Sector	Mining
Share price, US$	0.12
Market cap, US$m	23
Net debt (cash) US$m	(0.7)
EV US$m	22
Shares in issue, m	190.6
Options and warrants, m	25.5
Fully diluted shares, m	216.1

Share price performance relative ASX300 index



P&L	2011	2012e	2013e
Revenue	0	0	32,162
COGS	0	(4,081)	(37,354)
Gross profit	0	(2,551)	(5,192)
EBITDA	(2,971)	(4,964)	(6,026)
Net profit	(2,949)	(6,977)	(10,160)

Balance sheet	2011	2012e	2013e
Fixed assets	23,422	52,564	51,170
Total assets	26,659	59,553	57,219
Net debt	(2,511)	24,966	38,459
Total liabilities	2,413	33,967	51,162
Equity	24,246	25,586	6,057

Cash flow	2011	2012e	2013e
OCF	(1,803)	(6,727)	(8,072)
Capex	(7,330)	(31,229)	(744)
Equity issued	5,252	10,404	0
Net cash flow	(4,036)	(27,477)	(10,813)

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	22.4	22.4	22.4
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Macquarie Group	6.7
Newcrest	5.3
Flint Alan Robert	4.0
Morris Warwick George	3.8
Daresbury Peter	3.6

Asset description			
Tembang	Gold-Silver	Production	100%
Tandai	Gold	Exploration	30%
Sontang	Gold-Base Metals	Exploration	100%

Resource (JORC compliant)	Tonnes, 000	Grade Au, g/t	Grade Ag g/t	Au, koz	Ag, koz
Measured	2,747	2.5	39.9	224	3,517
Indicated	16,012	1.0	13.1	522	6,741
Inferred	3,820	1.9	20.7	229	2,536
Total	**22,579**	**1.4**	**17.6**	**975**	**12,794**

Peer comparison	Share price (US$)	Market cap (US$m)	EV (US$m)	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e	EV/Res	EV/Prod
Centerra Gold	12.5	2,916	2,398	5.0	6.1	3.1	7.9	11.3	5.5	128	3,732
African Barrick	5.7	2,351	1,805	3.3	3.3	2.8	8.6	8.6	7.0	67	2,580
Nordgold	6.2	2,230	2,654	6.2	3.5	3.0	13.2	6.4	5.1	117	3,520
Petropavlovsk	1.4	1,427	2,495	4.6	4.2	3.5	6.2	4.9	4.3	101	3,691
Nevsun	3.2	643	417	1.0	1.6	1.6	4.4	6.9	7.2	374	1,100
Aurizon	5.0	818	605	4.8	4.3	4.1	18.6	13.2	11.6	93	3,692
Allied Gold	1.8	360	336	17.2	10.8	3.3	-	-	6.0	39	3,101
Pan African Resources	0.3	363	354	7.7	4.1	2.8	13.0	7.0	4.9	103	3,731
Cluff Gold	1.4	215	189	4.6	5.2	4.3	-	15.3	11.7	49	2,647
Weighted average		**11,324**		**5.1**	**4.5**	**3.1**	**9.4**	**8.7**	**6.2**	**116**	**3,253**

Source: Edison Investment Research, Company accounts, Bloomberg

Universal Coal

Asia-Pacific resources quarterly

Edison investment research

South Africa's new coal

Mining

Universal Coal is developing five greenfield coal projects in South Africa with an overall JORC-compliant resource estimate of 1.9bn (some 0.8bn in attributable resources). The company's asset portfolio includes two highly prospective coking coal projects (Berenice-Cygnus and Donkin-Somerville) located in the promising Soutpansberg and Tuli coalfields. In addition, the company is advancing three low-cost projects and a relatively high-margin thermal coal project located in the Witbank coalfield. Having made significant progress on the resource delineation, the company is gradually moving towards development stage with the Kangala project, which has completed a BFS, has off-take and strategic funding agreements in place, and is to become the company's first producing mine.

From exploration to development

Since its IPO in 2010, Universal Coal has been very active in exploration, having proved some 1.9bn tonnes of JORC-compliant resource at its five thermal and coking coal projects in South Africa. While drilling activity is still underway at some of the projects, to improve the quality and further increase the resource base, the company's focus is now shifting towards development. In this respect we welcome the company's decision to proceed with its thermal coal Kangala project, which has been brought through the BFS stage, followed by the off-take with Eskom and the strategic funding agreement with Susquehanna International Group. According to the latter, Universal Coal secured a US$12m convertible debt facility, which will be spent on the Kangala project and Berenice-Cygnus drilling. Kangala is expected to deliver 2.1Mt of saleable thermal coal by the end of 2013.

Coking coal potential

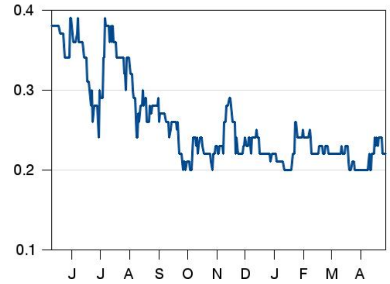
While Universal's two coking coal projects are at a relatively early stage, they could both potentially represent significant upside to the company's valuation. According to a recent update, the Concept study conducted by the DRA on the Berenice-Cygnus project indicated a sustainable 10Mt ROM operation with life of mine in excess of 25 years to produce both semi-soft coking coal and a secondary thermal coal product. This project is based in the fast evolving Soutspanberg coalfield, which also hosts a number of similar relatively large-scale thermal/coking coal projects owned by Coal of Africa and other South African coal producers and developers.

Valuation and key risks

The stock is cheap, trading at US$0.04/t on an EV/Resource basis, compared to c US$0.20/t for both CoAL and Conticoal. Apart from the corporate structure concerns, the company's valuation may be held back by execution and funding risks.

The key risks/sensitivities are the commodity and currency performance, funding/execution as well as the ownership structure, given that the company controls less than a 50% interest in its coking coal projects.

Share price performance



Catalyst: Kangala launch

Kangala is set to become the company's first producing mine delivering up to 2.1Mt of saleable thermal coal by the end of 2013. Successful launch would give the company cash flow to advance other projects.

Catalyst: Coking coal progress

Given the importance of coking coal exposure, progress at the Berenice-Cygnus project is key. Following the positive Concept study, the company initiated the second drilling phase, which should improve the resource quality.

Catalyst: Increasing ownership

Based on the company's earn-in agreements, ongoing exploration and development activity should eventually lead to its crossing the 50% threshold on both Berenice-Cygnus and Somerville.

Business 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.

Analyst

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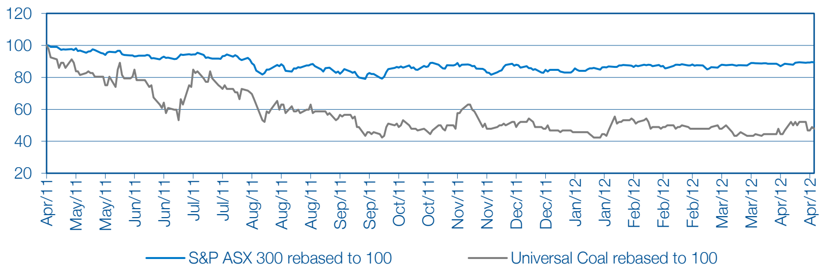
Exhibit 15: Key financial and operating information

Market data	
Ticker	UNV
Listing	ASX
Sector	Mining
Share price, US$	0.2
Market cap, US$m	40.9
Net debt (cash) US$m	(7.1)
EV US$m	33.8
Shares in issue, m	164
Options and warrants, m	0
Fully diluted shares, m	164

Share price performance relative to ASX300



P&L	2011	2012e	2013e	Balance sheet	2011	2012e	2013e	Cash flow	2011	2012e	2013e
Revenue	0	0	17,467	Fixed assets	13,532	13,532	13,535	OCF	1,514	742	6,765
COGS	0	0	(8,927)	Total assets	17,491	60,083	87,032	Capex	(2,983)	(49,070)	(37,595)
Gross profit	0	0	8,540	Net debt/(cash)	(13,215)	(7,590)	(1,544)	Equity issued	12,984	0	0
EBITDA	(1,776)	(1,776)	6,765	Total liabilities	(167)	(51,938)	(93,345)	Net cash flow	8,753	(3,195)	2,203
Net profit	(2,032)	(9,178)	(6,548)	Equity	17,324	8,146	(6,312)				

Valuation metrics and ratios	2011	2012e	2013e
EV/Resource	0.04	0.04	0.04
EV/EBITDA	N/A	N/A	N/A
P/E	N/A	N/A	N/A
EBITDA margin	N/A	N/A	N/A
Net margin	N/A	N/A	N/A

Key shareholders	%
Maple Leaf International	12.2
Natasa Mining ltd	10.7
Tarrant Geoff	6.6
Shellbright Limited	2.9
Weber Anton	2.8

Asset description			
Berenice-Cygnus	Coking	Exploration	40%
Somerville	Coking	Exploration	40%
Kangala	Thermal	Development	71%
Roodekop	Thermal	Exploration	50%
Brakfontein	Thermal	Exploration	30%

Resource (JORC compliant), mt	Measured	Indicated	Inferred	Total	Attributable
Coking coal	7.9	395	1,238	1,641	639
Thermal coal	186	35	73	295	155
Total coal	**194**	**430**	**1,312**	**1,935**	**794**

Peer comparison

	Price, US$	MktCap, US$m	EV, US$m	EV/EBITDA 2011	EV/EBITDA 2012e	EV/EBITDA 2013e	P/E 2011	P/E 2012e	P/E 2013e
China Coal Energy	1.1	18,242	16,325	6.8	5.9	4.9	14.4	12.8	10.9
Alpha Natural Resources	16.5	3,623	6,006	7.2	5.2	4.9	neg	neg	neg
Whiteheaven Coal	5.5	2,764	2,895	25.0	14.8	7.7	267.8	28.2	13.0
Raspadskaya	3.5	2,694	2,743	8.3	5.9	4.2	19.9	10.8	7.0
New World Resources	6.6	1,738	2,257	3.8	5.5	4.5	10.2	21.2	13.2
Gloucester Coal	8.2	1,667	2,061	23.8	43.4	13.5	29.5	neg	40.9
Coking coal average		30,729		**9.4**	**8.6**	**5.5**	**36.6**	**12.3**	**11.2**
China Shenhua Energy	4.3	84,993	73,334	6.8	6.1	5.5	14.4	13.1	11.7
Yanzhou Coal	2.1	15,269	14,637	7.0	7.2	6.4	13.3	13.9	12.7
Peabody Energy Corp	30.5	8,295	13,996	6.5	6.5	5.5	8.7	11.4	8.3
Consol Energy	33.9	7,689	10,512	6.4	7.0	6.1	12.2	16.7	12.6
Natural Resources	24.6	2,610	3,268	9.9	10.4	10.0	48.3	13.9	13.3
Arch Coal	9.5	2,035	5,951	6.5	6.1	5.6	14.4	16.6	12.8
Sakari Resources	1.6	1,823	1,572	N/A	5.9	4.6	11.9	11.6	8.9
Coal of Africa	0.9	589	544	6.4	7.0	3.6	neg	neg	13.0
Penn Virginia Corp	4.9	226	916	6.8	4.0	3.6	neg	neg	neg
Continental Coal	0.2	79	117	neg	8.9	5.5	neg	4.8	5.7
Thermal coal average				**6.7**	**6.4**	**5.7**	**14.3**	**13.2**	**11.6**

Source: Company accounts, Edison Investment Research, Bloomberg

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