

China's new stimulus

Following the speculations on the increased provincial investment activity in China, the Chinese government (National Development and Reform Commission) has reportedly approved the stimulus package to the tune of RMB1trn (US\$160bn). This money will be spent on steel intensive infrastructure, with at least 25 new urban railway and 13 highway projects expected to be implemented over the next few years. While the announced stimulus is dwarfed by the one introduced in China in 2008, its objectives are similar – propping up the slowing economy through the increase in fixed assets investments. The improved FAI growth should, in turn, lead to higher domestic steel consumption, reducing the oversupply risks within the global industry and therefore supporting the international steel pricing.

Good news, but should be taken with a pinch of salt

China's 2008/10 stimulus envisaged an RMB4.0trn spend, with the majority of funds targeting railway and road construction. This is thought to have boosted steel consumption by at least 80-90Mt in total, leading to the recovery in monthly steel production from the 35Mt trough in November 2008 to a more sustainable level of 45-50Mt in H209/10. This was accompanied by reduction in net steel imports (peaked at 6.4Mt/tpm) and the recovery in steel pricing both in China and globally. This time around, China's steel production is running at 55-60Mt/tpm, steel inventory has risen at a double-digit rate and net steel imports have surpassed the 4Mt level again. While the approved investment package will inevitably reduce the inventory levels and take some pressure off the regional spot steel market, it may not be enough to balance the China's steel industry, which still requires substantial capacity adjustment.

Steel equities could benefit the most

We believe steel producers' equities offer the best way to play this theme and would look for the steel companies with high exposure to both the spot market and Asia. While all Russian steel producers fit this pattern to a certain degree, we would highlight EVRAZ (LSE: EVR), which had some 22% of its H112 steel sales coming from Asia. We also believe that Ferrexpo (FXPO), a high beta, pure iron-ore play, should benefit from an upward correction in the iron ore price, which is expected to be driven by the restocking at the Chinese steel mills.



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14 September 2012

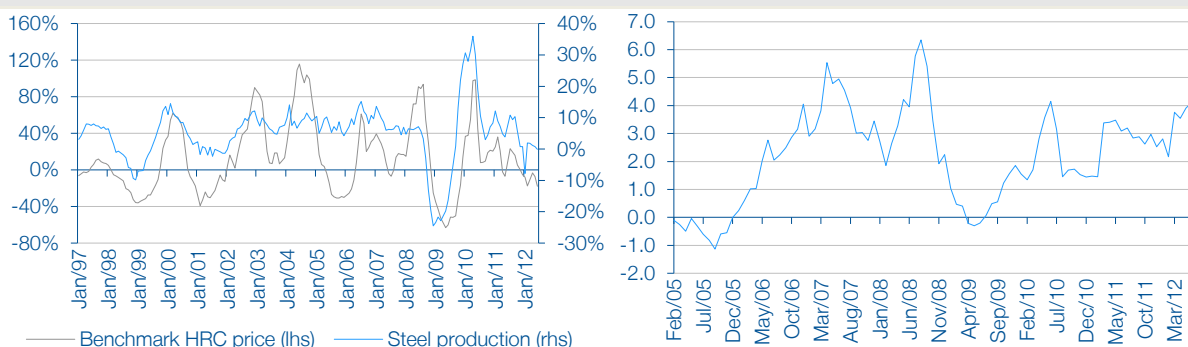
Analyst

Andrey Litvin +44 (0)20 3077 5755
mining@edisoninvestmentresearch.co.uk

For institutional enquiries please contact:

Gareth Jones +44 (0)20 3077 5704
institutional@edisoninvestmentresearch.co.uk

Exhibit 1: Global steel production versus steel price performance (left); China's monthly net steel exports (Mt)

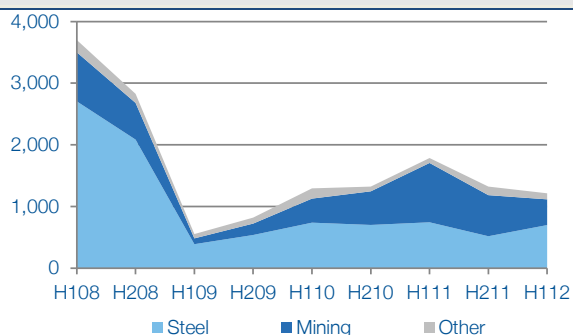


Source: Bloomberg, Edison Investment Research

EVRAZ: Best play on the recovery in steel prices

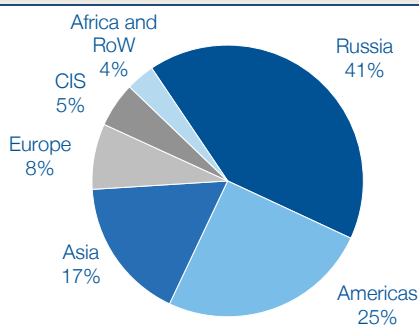
As one of the largest Russian steel producers, EVRAZ has a strong presence on the high value-add US (pipes, plate, rails) and European (plate) markets as well as in Asia. The latter accounted for c 22% of the company's steel sales and 17% of its steel revenues in H112. Given the announced stimulus package in China, which should improve the regional supply-demand balance, we believe this exposure bodes well for the company. In addition, a relatively high operating (H112 EBITDA margin of 15%) and financial (net debt to EBITDA of 2.7x) leverage suggests EVRAZ is well placed to benefit from the potential recovery in steel prices. The stock trades at consensus 2012e and 2013e EV/EBITDA of 5.3x and 4.7x respectively, which is slightly below the sector average. Consensus is looking for 2012e EBITDA of US\$2.2bn, a 23% reduction on 2011.

Exhibit 2: EVRAZ segment EBITDA evolution (US\$m)



Source: Company data, Edison Investment Research

Exhibit 3: EVRAZ steel revenue by region (H112)

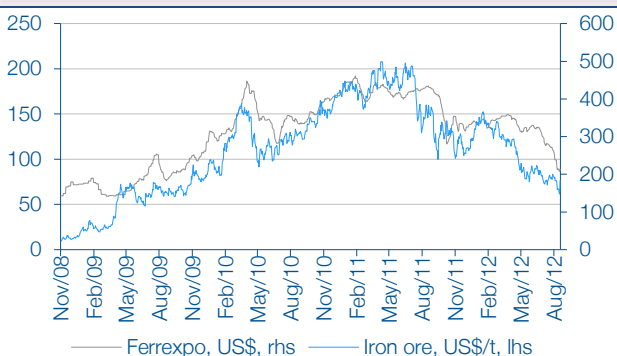


Source: Company data, Edison Investment Research

Ferrexpo: High beta, pure iron-ore play

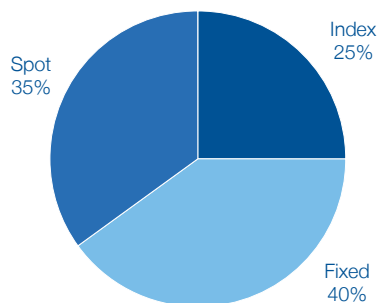
On the raw materials side, we would highlight Ferrexpo, which is highly geared towards the fluctuation in the iron ore price as some 35% of its sales in H112 (4.5Mt of pellets) was based on the spot pricing. The remaining 65% of sales volumes were split between fixed-price and index-linked contracts at 62/38%. Being a high beta (1.9x if regressed against the FTSE 100 Index), pure iron-ore play with a high spot market exposure, and following the recent drop in the spot iron ore price driven by the lower demand from China, Ferrexpo's stock could outperform the market if iron ore pricing recovers on the back of the restocking activity at the Chinese steel mills. Ferrexpo currently trades at consensus 2012e and 2013e EV/EBITDA of 2.0x and 1.7x respectively, which is a considerable discount to the sector averages.

Exhibit 4: Ferrexpo share price versus iron ore price



Source: Bloomberg

Exhibit 5: Ferrexpo sales volumes by contract type



Source: Company data

Exhibit 6: Edison mining universe valuation and catalysts

| Company/sector | Market cap (US\$m) | EV (US\$m) | NPV (US\$/sh) | P/NPV | EV/Res | EV/Prod | Main catalysts |
|--------------------------------|--------------------|------------|---------------|-------|--------|---------|--|
| Gold & silver | | | | | | | |
| African Barrick | 3,162 | 2,582 | - | - | 99.9 | 3,838 | ABX stake sale to China Gold Q312 results for vol growth, cost reduction Q312 Tulawaka extension decision |
| Nord Gold | 1,597 | 1,776 | 6.8 | 0.7 | 98.0 | 2,941 | HRG offer, increase in free-float Q312 results for cost reduction, vol growth Bissa and Gross launch |
| Nevsun | 930 | 704 | 6.3 | 0.7 | 455 | 1,869 | Political developments relating to Eritrea Harena mining commencement Hambok acquisition and further exploration |
| Aurizon | 809 | 621 | - | - | 97.9 | 3,763 | Development decision deferred at Heva/Hosco pending further exploration |
| Allied Gold | 478 | 453 | - | - | 66.5 | 5,281 | Exploration at Heva/Hosco, Marban, Fayolle Simberi capacity increase to 3.5Mtpa (Q312) Reaching FY12 production target of 180koz Gold Ridge ramp-up |
| Aurcana (silver) | 504 | 470 | - | - | 6.9 | 466 | Shafter mine launch and ramp-up Further operational improvements at La Negra |
| Pan African | 390 | 380 | 0.3 | 0.8 | 67.6 | 4,116 | Completion of the Evander acquisition Evander consolidation, production, earnings growth |
| Yukon Nevada | 310 | 261 | 0.4 | 0.8 | 364 | 2,767 | Achieving Q3 production of 38-39koz gold Reaching 120-130koz FY12 production target Maintaining consistent mill throughput DBM BFS (Q313) |
| Wits Gold | 101 | 82 | 11.5 | 0.3 | 16.5 | - | Other projects advancing |
| Cluff Gold | 218 | 189 | 2.1 | 0.6 | 51.0 | 2,779 | Drilling results to upgrade in-pit, inferred resources at Baomahun (Q412) |
| Minera IRL | 126 | 113 | 1.9 | 0.4 | 34.6 | 4,342 | Ollachea BFS (Q412) Don Nicolas resource update (Q412) Don Nicolas start-up (H213) |
| Aureus | 140 | 178 | 2.0 | 0.6 | 117.8 | - | New Liberty DFS (Q312) Project financing (Q412/Q113) |
| Arian Silver | 109 | 103 | 0.6 | 0.6 | 4.1 | 377 | 200tpd mill commissioning Target milling rate of 400tpd Ongoing resource drilling at San Jose |
| Avnel | 67 | 58 | 0.8 | 0.4 | 45.5 | - | NI 43-101 resource Resource delineated above 4Moz IAMGOLD proceeds with the FS |
| Caledonia Mining | 50 | 43 | 0.2 | 0.6 | 46.0 | 1,197 | Completion of the indigenisation process Nama Cu project exploration results (H113) |
| Hambledon | 17 | 17 | 0.1 | 0.1 | 6.7 | 517 | Ramping up Sekisovskoye Bringing Tellur into production (Q213) Sekisovskoye ramp-up to c 74koz (FY13) |
| PGMs | | | | | | | |
| Aquarius | 306 | 430 | - | - | 3.3 | 1,019 | PGM pricing/demand recovery Projects restart and production normalisation |
| Eastplats | 176 | 8 | 0.4 | 0.6 | 0.1 | 104 | PGM pricing/demand recovery CRM production normalisation Mareesburg and KV launch |
| Diversified/non-ferrous | | | | | | | |
| EMED | 164 | 156 | 0.4 | 0.4 | 165 | - | Administrative standing Biely Virch pit redesign Plant commissioning |
| African Eagle | 35 | 29 | 0.4 | 0.1 | 41.0 | - | Dutwa DFS (Q113) Dutwa permitting and financing (2013) |
| Bezant | 27 | 23 | 0.5 | 0.9 | 12.3 | - | Mankayan option exercise (Q113) Compliant resource at Eureka Scoping Study at Eureka |
| Iron ore | | | | | | | |
| African Minerals | 1,608 | 1,636 | - | - | 0.5 | - | Tonkolili launch and ramp up Tonkolili Phase 1&2 expansion |
| London Mining | 395 | 510 | - | - | 0.7 | 340 | Cash cost reduction through the expansion and transition to contractor job Iron ore price recovery |
| Zanaga | 264 | 216 | 6.0 | 0.2 | 0.2 | - | Pipeline study (Q312) Strategic partnership |
| Bellzone | 184 | 41 | - | - | 0.1 | - | Forecariah commercial production and maiden results Forecariah and Kalia resource upgrades |
| Afferro | 79 | 72 | 2.6 | 0.3 | 0.0 | - | Nkout PFS (2013) Strategic partnership |
| Anglesey | 24 | 23 | 1.7 | 0.1 | 1.7 | 56 | Raising recoveries (75-80%) and throughput (2.5Mtpa) at LIM, cash cost reduction Bringing Houston 1&2 into production (FY13/14) |
| Baobab | 34 | 32 | 0.7 | 0.2 | 0.5 | - | Tenge PFS (Q113) Pyrometallurgical testworks, mining licence application |

Source: Edison Investment Research. Note: Priced as at 13 September 2012.

Exhibit 7: Edison mining universe valuation and catalysts (cont'd)

| Coal | | | | | | | |
|------------------|-----|-----|-----|-----|------|-----|---|
| Coal of Africa | 196 | 132 | 1.1 | 0.3 | 0.11 | 38 | Vele ramp up and coking coal maiden production Makhado BFS and Exarro option exercise Woestalleen replacement |
| Ncondezi | 52 | 8 | - | - | 0.00 | - | Power project FS (Q312) Thermal coal project FS (Q412) Strategic partnership |
| Continental Coal | 25 | 42 | 0.1 | 0.4 | 0.12 | 23 | Penumbra launch (Q312) Liquidity constraints resolution via asset sale |
| Universal Coal | 26 | 19 | - | - | 0.02 | - | Kangala funding (Q3/Q412) Berenice-Cygnus coking coal resource update (Q412) |
| Other | | | | | | | |
| Sirius Minerals | 435 | 417 | - | - | N/A | - | Resource upgrade at YPP BFS (FY13), project financing |
| Alkane | 395 | 288 | 2.4 | 0.4 | 3.9 | - | TGP maiden gold production (Q413) DZP launch (H214) DZP off-take |
| Gemfields | 179 | 165 | 0.6 | 1.0 | - | 5.0 | Kagem ramp-up New projects acquisition |
| Woulfe Mining | 73 | 65 | 0.7 | 0.4 | 4.1 | - | IMC deal closure (Q312) Finalisation of project financing package |
| MDM Engineering | 87 | 69 | 2.9 | 0.8 | - | - | Gold One, Gold Fields, Synergy project execution ENRC Kongoni projects |

Source: Edison Investment Research. Note: Priced as at 13 September 2012.

Exhibit 8: Edison mining universe share price performance

| | Price (US\$) | 52-week high (US\$) | 52-week low (US\$) | Av. daily trading vol (US\$m) | Performance | | | |
|------------------|-----------------|------------------------|-----------------------|----------------------------------|-------------|---------|---------|---------|
| | | | | | 1m | 3m | 6m | 1y |
| African Barrick | 7.7 | 9.5 | 4.9 | 6.06 | 22.9% | 22.3% | 18.5% | (18.0%) |
| Nordgold | 4.5 | 7.8 | 4.2 | 0.59 | (3.1%) | (7.3%) | (34.1%) | - |
| Nevsun | 4.6 | 6.8 | 2.7 | 1.05 | 30.4% | 64.8% | 32.8% | (28.6%) |
| Aurizon | 4.9 | 7.0 | 3.9 | 1.09 | 23.9% | 8.3% | 7.3% | (27.6%) |
| Allied Gold | 2.3 | 3.6 | 1.4 | 0.52 | 5.6% | 13.4% | 16.2% | (34.0%) |
| Aurcana (silver) | 1.1 | 1.1 | 0.6 | 0.16 | 15.7% | 18.8% | 16.2% | 46.5% |
| Pan African | 0.3 | 0.3 | 0.2 | 0.07 | 8.1% | 17.1% | 11.5% | 40.2% |
| Yukon Nevada | 0.3 | 0.5 | 0.2 | 0.49 | 13.0% | (7.9%) | (9.9%) | (38.0%) |
| Wits Gold | 2.9 | 6.2 | 2.9 | 0.10 | (5.9%) | (20.0%) | (43.7%) | (53.6%) |
| Cluff Gold | 1.3 | 1.7 | 0.8 | 0.34 | 47.9% | 30.9% | (8.6%) | (23.6%) |
| Minera IRL | 0.8 | 1.2 | 0.6 | 0.10 | 20.7% | 23.6% | (27.6%) | (33.3%) |
| Aureus | 1.2 | 1.4 | 0.7 | 0.33 | 58.8% | 41.0% | (0.4%) | - |
| Arian Silver | 0.4 | 0.5 | 0.2 | 0.18 | 77.2% | 117.0% | 5.9% | (9.7%) |
| Avnel | 0.3 | 0.5 | 0.2 | 0.02 | 3.2% | 7.6% | (21.4%) | (30.7%) |
| Caledonia Mining | 0.1 | 0.1 | 0.1 | 0.04 | 2.0% | 65.3% | (3.0%) | 7.0% |
| Hambledon | 0.0 | 0.1 | 0.0 | 0.25 | (35.4%) | (26.6%) | (65.4%) | (77.1%) |
| Aquarius | 4.9 | 3.6 | 0.5 | 5.52 | 38.3% | 23.1% | (68.0%) | (77.0%) |
| Eastplats | 0.2 | 0.8 | 0.2 | 0.28 | 10.4% | (13.0%) | (56.5%) | (71.5%) |
| EMED | 0.2 | 0.2 | 0.1 | 0.23 | 2.2% | (6.9%) | (20.2%) | 9.8% |
| African Eagle | 0.1 | 0.1 | 0.0 | 0.50 | 12.6% | 8.3% | (48.9%) | (54.6%) |
| Bezant | 0.4 | 0.6 | 0.3 | 0.36 | 13.9% | 15.6% | (1.5%) | (24.8%) |
| African Minerals | 4.9 | 9.4 | 3.8 | 3.15 | (2.9%) | (9.3%) | (41.7%) | (42.5%) |
| Zanaga | 0.9 | 1.9 | 0.9 | 0.50 | (6.2%) | (16.3%) | (44.8%) | (39.2%) |
| Bellzone | 0.3 | 0.6 | 0.2 | 1.77 | 11.6% | (8.0%) | (51.7%) | (49.9%) |
| Afferro | 0.8 | 1.3 | 0.6 | 0.11 | (6.4%) | (8.3%) | (33.5%) | (22.5%) |
| Anglesey | 0.2 | 0.8 | 0.1 | 0.05 | (14.8%) | (19.8%) | (58.7%) | (80.2%) |
| Baobab | 0.2 | 0.4 | 0.1 | 0.20 | 2.2% | 1.3% | (31.5%) | (52.9%) |
| Coal of Africa | 0.3 | 1.2 | 0.3 | 1.24 | (30.7%) | (37.6%) | (71.4%) | (69.4%) |
| Ncondezi | 0.4 | 1.8 | 0.3 | 0.32 | 13.1% | 3.0% | (50.3%) | (76.3%) |
| Continental Coal | 0.1 | 0.3 | 0.0 | 0.46 | (13.9%) | (38.1%) | (78.4%) | (79.1%) |
| Universal Coal | 0.1 | 0.3 | 0.1 | 0.17 | (17.7%) | (17.7%) | (49.2%) | (55.7%) |
| Sirius Minerals | 0.3 | 0.5 | 0.1 | 0.39 | 25.5% | 36.3% | (4.7%) | 86.7% |
| Alkane | 1.1 | 1.9 | 0.8 | 0.19 | (7.4%) | 4.1% | (26.9%) | (35.2%) |
| Gemfields | 0.5 | 0.7 | 0.3 | 0.26 | (11.6%) | (2.6%) | 8.5% | 69.1% |
| Woulfe | 0.2 | 0.4 | 0.2 | 0.04 | 22.9% | 9.0% | (27.3%) | 3.5% |
| MDM Engineering | 2.3 | 2.3 | 1.4 | 0.04 | 4.6% | 3.6% | 43.7% | 50.4% |

Source: Edison Investment Research. Note: Priced as at 13 September 2012.

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An acquisition target

Despite delivering a healthy 25% share price gain since its inclusion in the Mining catalyst in April, African Barrick Gold's (ABG) stock performance has been mixed. The Q212 results, which showed the company's inability to grow volumes and cut operating costs, were a disappointment, putting pressure on the stock. These heavy losses were reversed and unexpected support comes from Barrick's (ABX) intention to divest its majority interest in the company to China Gold, as well as the recovery in gold price. While we believe there is no quick fix to the company's operational issues, we note the potential sale of the majority stake would trigger the offer to minorities, which, in turn, could unlock more value for minority shareholders.

Why now: Potential sale could unlock value

While the disappointing Q212 financial results put pressure on the share price, it has recently been supported by parent ABX's announced intention to divest its majority 74% interest in the company to China Gold. While the discussions are early stage and may not result in an offer, we believe there is a good chance the deal will go through. If that is the case and if China Gold buys more than 30% in ABG – which is highly likely – it would have to make an offer to buy out ABG's remaining 26% stake. This could unlock further value for ABG's minority shareholders. We note that such deals are usually done at a considerable premium to the undisturbed average share price. In this case, some 20% premium to the three- and six-month volume-weighted average price (VWAP) would imply an indicative offer price of c £4.6/4.7 per ABG share. This is around the current share price of c £4.6. A 30% premium would translate into a price of £5.0/5.1. Given the quality of ABG's asset base, we believe a substantial premium to VWAP is justified and would be underpinned by the fundamental value of the company.

Valuation: Underpinned by the potential offer

Following the recent share price run and earnings downgrades, the stock now trades at consensus 2012e and 2013e EV/EBITDA of 5.5x and 4.4x respectively. While we are slightly below the consensus, our earnings estimates imply 2012/13e EV/EBITDA of 6.1/5.2x. This compares to the emerging markets weighted-average multiple of 4.9x and 3.7x for 2012/13e respectively. While ABG is not cheap relative to peers, its share price and valuations should be supported by the minority offer anticipation. We also note that ABX, while being a less risky exposure, trades at consensus 2012e and 2013e EV/EBITDA multiple of 7.0x and 5.9x respectively.

Risks and sensitivities

Given that the recent share price appreciation was largely driven by the news on the potential sale of the majority interest in the company to China Gold, we believe the eventual outcome from this deal would have a major impact on the ABG stock. Aside from this, we would note the ongoing operational issues, with Q212 results showing the company's inability to grow volumes and reduce operating costs, which may not be reversed in the near term. Finally, the gold price fluctuation is an important driver behind gold companies' earnings and share price performance.

Share price performance



Business description

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

Catalyst: China Gold offer

We believe the acquisition by China Gold is likely and would therefore expect an offer for minorities. While the stock has enjoyed a good run recently, we believe the potential deal could unlock more value for minorities.

Catalyst: Q312 results

While the Q212 financial results disappointed by the lack of sales growth and sticky cost pressures, we expect Q312 to reverse this trend with an anticipated 18% increase in gold sales and a 15% drop in unit cash production cost.

Catalyst: Bulyanhulu expansion

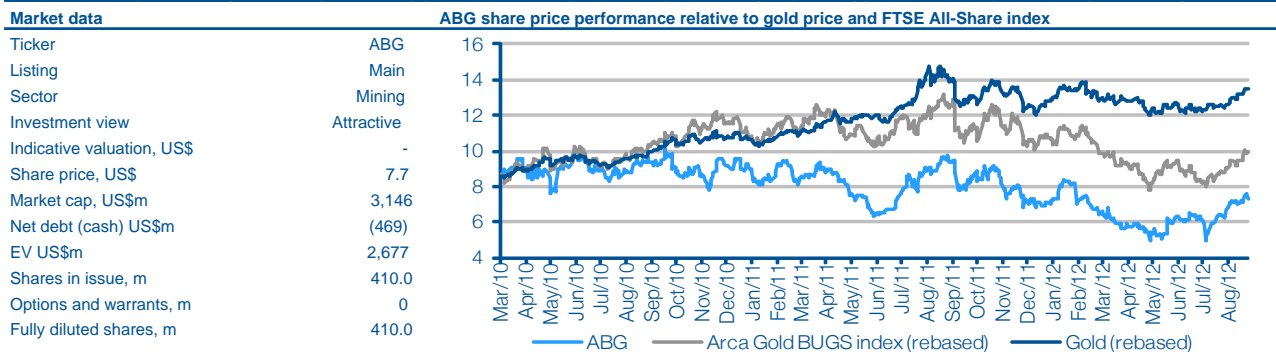
The approved CIL expansion at Bulyanhulu, which is under way and assumes construction of a new 2.4Mtpa CIL circuit, should add c 600koz of LoM production at US\$554/oz cash cost.

Analyst

Andrey Litvin +44 (0)20 3077 5755
mining@edisoninvestmentresearch.co.uk

[Edison profile page](#)

Exhibit 9: Key financials and valuation – African Barrick Gold



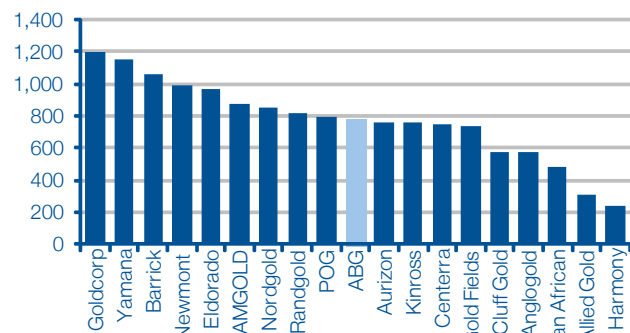
| P&L | 2011 | 2012e | 2013e | Balance sheet | 2011 | 2012e | 2013e | Cash flow | 2011 | 2012e | 2013e |
|--------------|-------|-------|-------|-------------------|-------|-------|-------|----------------|-------|-------|-------|
| Revenue | 1,218 | 1,203 | 1,276 | Fixed assets | 2,326 | 2,511 | 2,618 | OCF | 502 | 401 | 497 |
| COGS | (570) | (656) | (650) | Total assets | 3,295 | 3,540 | 3,829 | ICF | (282) | (336) | (271) |
| Gross profit | 648 | 547 | 626 | Debt | 0 | 0 | 0 | FCF | (33) | (54) | (64) |
| EBITDA | 544 | 441 | 519 | Total liabilities | 496 | 592 | 695 | Net cash flow | 187 | 11 | 162 |
| Net profit | 285 | 200 | 248 | Equity | 2,799 | 2,948 | 3,134 | Free cash flow | 220 | 65 | 226 |

| Valuation metrics and ratios | | | | Main model assumptions | | Key institutional shareholders | | % |
|------------------------------|-------|-------|-------|-------------------------|--|--------------------------------|-------------------|-----|
| | 2011 | 2012e | 2013e | | | | | |
| EV/Resource | 99.6 | 99.6 | 99.6 | LT gold price | | 1,350 | Legal and general | 1.6 |
| EV/EBITDA | 4.9 | 6.1 | 5.2 | LT cash cost inflation | | 2.5% | Franklin Resource | 1.5 |
| P/E | 11.0 | 15.8 | 12.7 | Discount rate (nominal) | | 10.0% | Invesco | 1.4 |
| EBITDA margin | 44.7% | 36.7% | 40.7% | | | | JPM | 1.2 |
| Net margin | 23.4% | 16.6% | 19.4% | | | | Fidelity | 0.9 |

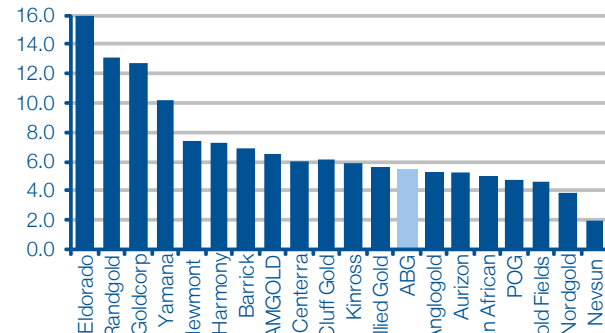
| Production profile | | | | Reserves and resource (JORC) | | | | |
|----------------------|-------|-------|-------|-------------------------------|----------------|-------------|-----------------|---------------|
| | 2011 | 2012e | 2013e | | Tonnes, 000 | Grade, g/t | Cont. Au, 000oz | Ag, 000oz |
| Ore milled, kt | 7,412 | 8,029 | | Proven and probable reserve | 125,375 | 4.24 | 16,821 | 8,812 |
| Feed grade, g/t | | 3.30 | 3.08 | Measured and indicated resour | 151,160 | 2.06 | 5,680 | 2,579 |
| Recovery, % | | 87.6 | 87.0 | Inferred resource | 30,574 | 4.51 | 4,369 | 2,886 |
| Ounces produced, koz | 688.3 | 692.3 | | Total | 307,109 | 3.19 | 26,870 | 14,277 |
| Ounces sold, koz | 699.5 | 697.2 | | | | | | |

Peer comparison

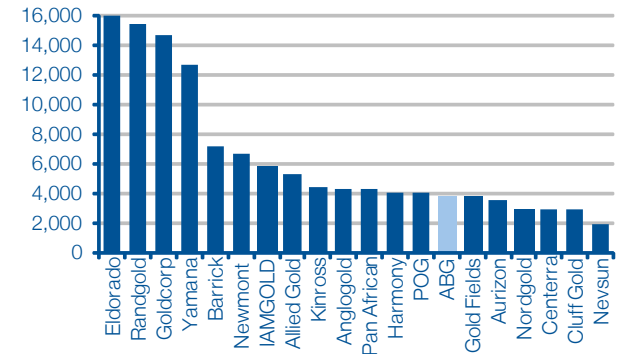
EBITDA per ounce sold, US\$/oz



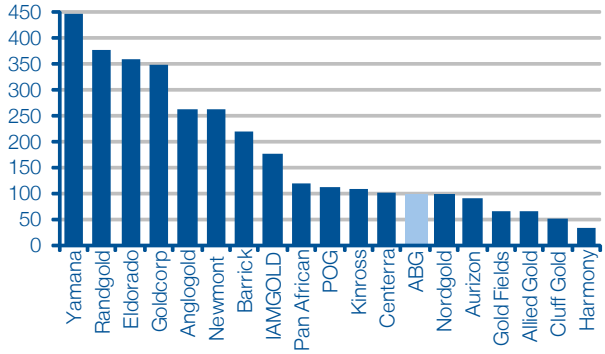
12e EV/EBITDA peer comparison



EV/Production peer comparison



EV/Resource peer comparison



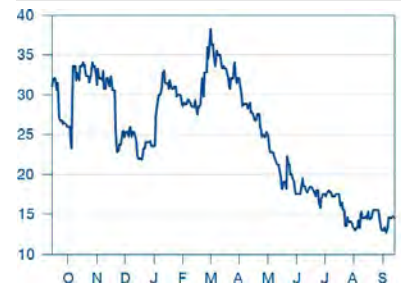
Source: Edison Investment Research, Bloomberg, company data. Note: Priced as at 13 September 2012.

Challenging market conditions

We have removed Bellzone as a focus stock from the Mining catalyst. Despite adding an impressive 25% on the news about the commissioning of production at Forecariah JV (our major short-term catalyst for the stock), the overall share price performance since inclusion was a disappointment, as the stock was under pressure on the back of the collapsing spot iron-ore prices.

While we would not rule out some improvements in the depressed commodity pricing environment, we believe the potential early-stage operational risks, relatively high cost of production and uncertain realised pricing could undermine the project's short-term economics and result in share price underperformance. While the stock trades at a discount to its closest peers, London Mining (LOND) and African Minerals (AMI) on both EV/Production and forward-looking EV/EBITDA, we believe the risks attached to the stock justify some caution.

Share price performance



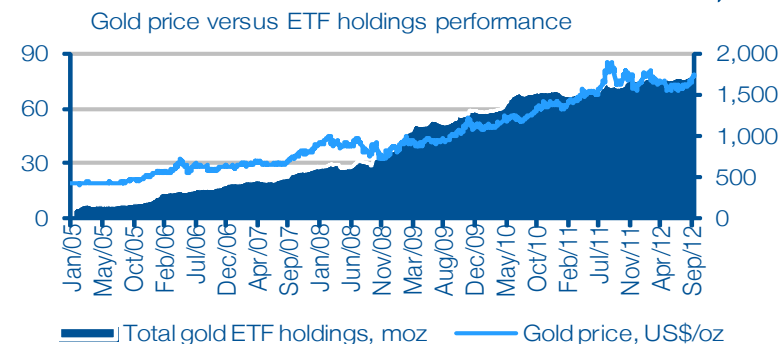
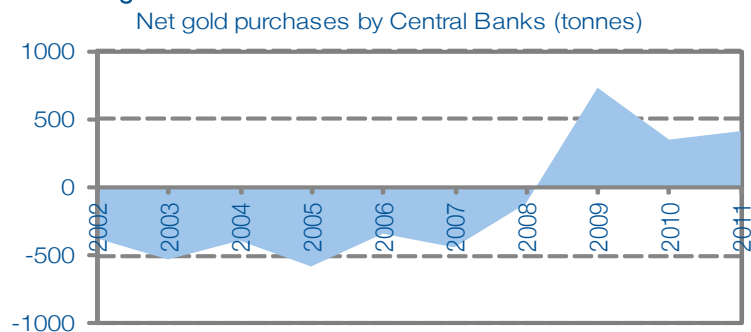
Analyst

Andrey Litvin +44 (0)20 3077 5755
mining@edisoninvestmentresearch.co.uk

[Edison profile page](#)

Exhibit 10: Global gold sector valuation

| | Share price (US\$) | Market cap (US\$m) | EV (US\$m) | 2011 | EV/EBITDA 2012e | 2013e | 2011 | P/E 2012e | 2013e | EV/Res | EV/Prod |
|----------------------------------|-----------------------|-----------------------|---------------|------------|--------------------|------------|-------------|--------------|-------------|------------|--------------|
| Senior gold producers | | | | | | | | | | | |
| Barrick Gold | 41.6 | 41,655 | 55,694 | 6.7 | 7.0 | 5.9 | 9.3 | 10.0 | 8.2 | 220 | 7,126 |
| Goldcorp | 45.4 | 37,213 | 36,964 | 12.2 | 12.7 | 8.7 | 19.8 | 23.5 | 15.3 | 348 | 14,699 |
| Newmont | 55.5 | 27,606 | 34,782 | 6.7 | 7.4 | 6.3 | 75.4 | 14.0 | 11.6 | 264 | 6,689 |
| Anglogold Ashanti | 35.4 | 13,644 | 18,849 | 7.6 | 5.3 | 5.1 | 10.0 | 7.0 | 6.4 | 265 | 4,353 |
| Yamana | 18.5 | 13,866 | 13,980 | 11.1 | 10.2 | 7.3 | 25.3 | 20.5 | 13.6 | 449 | 12,709 |
| Polyus Gold | 3.7 | 11,110 | 10,887 | 9.6 | 8.2 | 6.8 | 23.7 | 14.1 | 11.8 | 68 | 7,341 |
| Kinross Gold | 9.9 | 11,279 | 11,634 | 5.9 | 5.9 | 4.6 | - | 14.0 | 9.3 | 108 | 4,457 |
| Gold Fields | 12.9 | 9,403 | 13,109 | 5.1 | 4.6 | 3.9 | 11.0 | 8.1 | 5.9 | 67 | 3,756 |
| Eldorado Gold | 15.1 | 10,774 | 10,890 | 17.0 | 16.6 | 11.6 | 33.8 | 31.7 | 20.3 | 358 | 16,522 |
| Randgold Resources | 119.6 | 10,983 | 10,666 | 18.7 | 13.0 | 9.9 | 29.1 | 20.3 | 16.4 | 374 | 15,324 |
| Polymetal | 17.4 | 6,666 | 7,679 | 13.8 | 8.4 | 6.7 | 23.0 | 11.4 | 8.9 | 269 | 9,023 |
| IAMGOLD | 14.7 | 5,526 | 5,188 | 6.6 | 6.5 | 4.9 | 6.8 | 14.7 | 10.2 | 176 | 5,790 |
| Harmony Gold | 8.9 | 3,868 | 5,252 | 16.4 | 7.3 | 5.6 | 11.6 | 11.8 | 7.4 | 32 | 4,040 |
| Weighted average | | | | 9.7 | 9.0 | 6.9 | 24.5 | 15.8 | 11.5 | 259 | 9,260 |
| Junior/mid-tier producers | | | | | | | | | | | |
| Centerra Gold | 9.0 | 2,101 | 1,880 | 3.9 | 6.0 | 2.6 | 5.7 | 19.3 | 4.3 | 100 | 2,927 |
| African Barrick | 7.7 | 3,153 | 2,684 | 4.9 | 5.5 | 4.4 | 11.5 | 13.5 | 9.5 | 100 | 3,837 |
| Nordgold | 4.5 | 1,597 | 2,221 | 3.5 | 3.8 | 2.9 | 9.5 | 8.5 | 5.3 | 98 | 2,941 |
| Petropavlovsk | 1.3 | 1,303 | 2,704 | 5.0 | 4.7 | 4.0 | 5.6 | 6.0 | 4.6 | 110 | 4,000 |
| Nevsun | 4.7 | 934 | 707 | 1.6 | 1.9 | 3.4 | 6.4 | 7.8 | 14.1 | 457 | 1,867 |
| Aurizon | 4.9 | 799 | 585 | 4.7 | 5.2 | 4.6 | 18.2 | 18.1 | 14.0 | 90 | 3,572 |
| Allied Gold | 2.3 | 478 | 573 | 17.4 | 5.6 | 4.5 | - | - | 4.5 | 67 | 5,285 |
| Pan African Resources | 0.3 | 418 | 410 | 8.8 | 5.0 | 3.1 | 15.0 | 9.1 | 5.1 | 119 | 4,311 |
| Cluff Gold | 1.3 | 223 | 204 | 4.9 | 6.1 | 3.8 | - | 27.2 | 8.8 | 52 | 2,849 |
| Weighted average | | | | 4.9 | 4.9 | 3.7 | 9.0 | 12.9 | 7.6 | 129 | 3,427 |

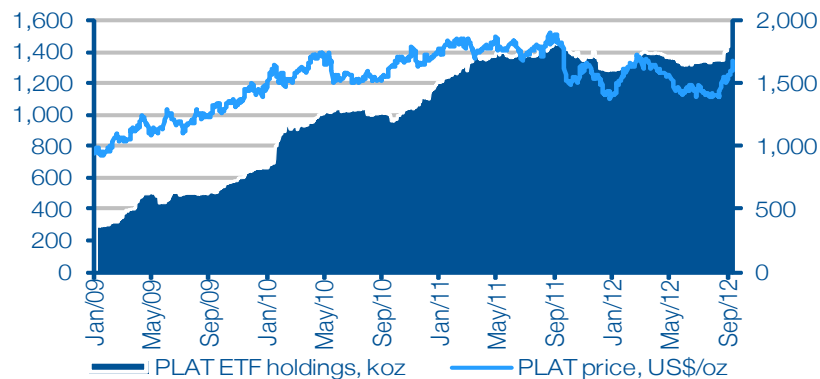


Source: Edison Investment Research, Bloomberg, company data. Note: Priced as at 13 September 2012.

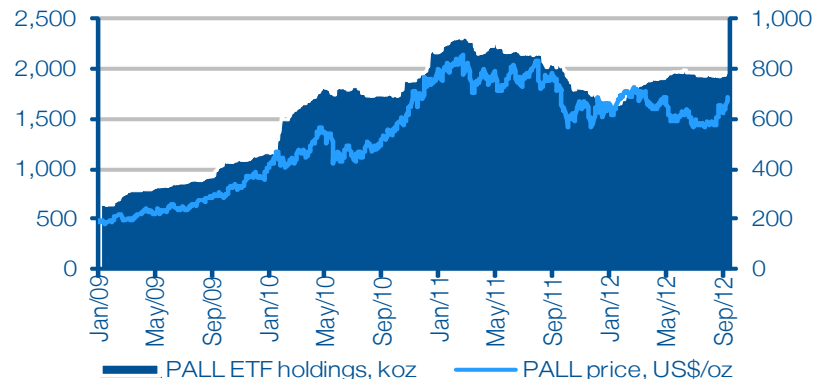
Exhibit 11: SA PGM sector valuation

| | Price (US\$) | Market cap (US\$m) | EV (US\$m) | 2011 | 2012e | 2013e | 2011 | 2012e | 2013e | EV/Prod | EV/Res |
|-------------------------|-----------------|-----------------------|---------------|------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|
| Anglo Platinum | 50.1 | 13,502 | 13,941 | 9.1 | 14.2 | 11.3 | 31.4 | 54.9 | 28.9 | 2,824 | 17.8 |
| Impala Platinum | 16.8 | 10,641 | 10,762 | 7.8 | 12.1 | 9.3 | 21.2 | 23.0 | 17.0 | 3,261 | 23.0 |
| Lonmin | 9.3 | 1,875 | 2,109 | 5.2 | 12.9 | 8.1 | 6.9 | 68.1.7 | 32.7 | 1,622 | 11.6 |
| Northam Platinum | 3.8 | 1,436 | 1,427 | 22.5 | 15.7 | 9.1 | 38.6 | 29.4 | 14.4 | 4,497 | 11.1 |
| Aquarius | 0.6 | 306 | 430 | 2.1 | 5.3 | 3.6 | - | 124.5 | 11.4 | 898 | 4.4 |
| RBPlat | 6.0 | 984 | 820 | 6.6 | 9.3 | 6.1 | 30.0 | 41.2 | 21.9 | 2,886 | 16.3 |
| Eastern Platinum | 0.2 | 176 | 8 | - | - | - | - | - | - | 84 | 0.1 |
| Weighted average | | | | 8.9 | 13.2 | 10.0 | 26.0 | 83.0 | 23.6 | 2,973 | 18.8 |

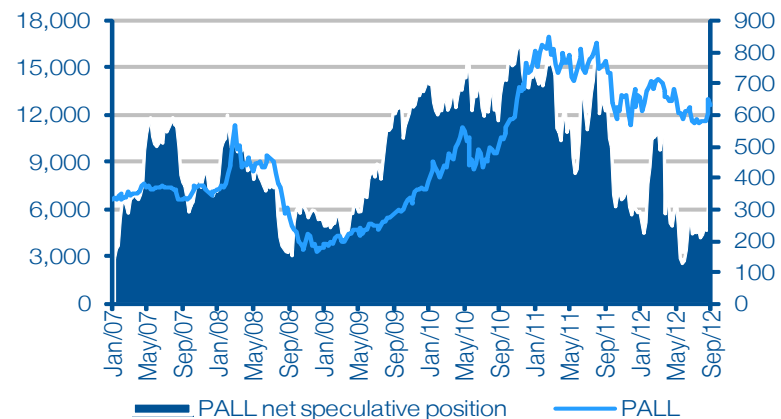
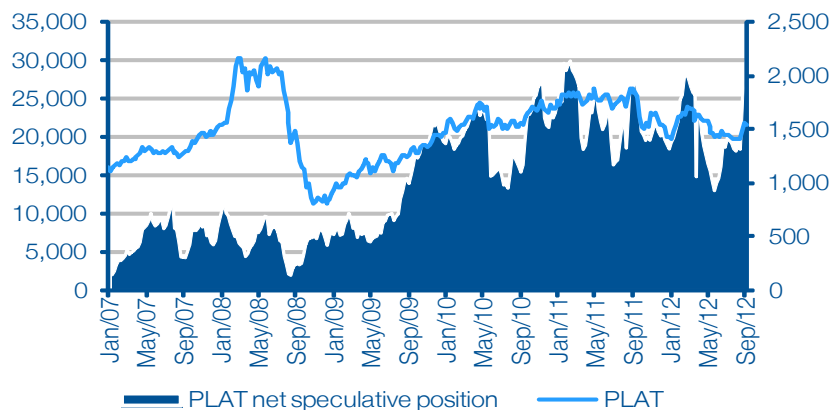
Platinum price versus overall ETF holdings



Palladium price versus total ETF holdings



Platinum and palladium prices versus net speculative position in futures



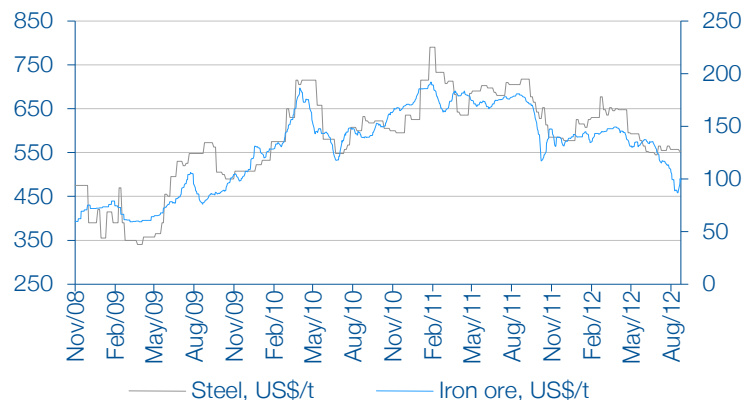
Source: Edison Investment Research, Bloomberg, company data. Note: Priced as at 13 September 2012.

Exhibit 12: Global iron ore valuation

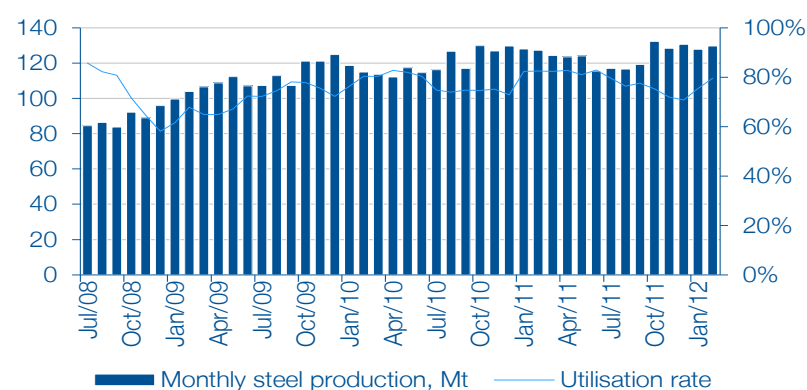
| | Price (US\$) | Market cap (US\$m) | EV (US\$m) | EV/EBITDA | | | P/E | | |
|---------------------------|--------------|--------------------|------------|------------|------------|------------|-------------|------------|------------|
| | | | | 2011 | 2012e | 2013e | 2011 | 2012e | 2013e |
| Global diversified | | | | | | | | | |
| BHP Billiton | 35.3 | 183,040 | 207,804 | 6.3 | 5.6 | 5.3 | 11.6 | 10.0 | 9.4 |
| Vale SA | 19.0 | 100,833 | 122,952 | 5.5 | 4.6 | 4.6 | 7.7 | 6.9 | 6.8 |
| Rio Tinto | 53.2 | 101,135 | 109,520 | 5.3 | 4.4 | 4.0 | 9.4 | 8.3 | 7.4 |
| Anglo American | 33.0 | 45,857 | 45,855 | 4.8 | 3.8 | 3.6 | 13.4 | 10.2 | 9.3 |
| Xstrata | 17.1 | 51,464 | 60,154 | 7.2 | 5.7 | 5.0 | 13.9 | 11.0 | 9.6 |
| Weighted average | | | | 5.9 | 5.0 | 4.7 | 10.8 | 9.1 | 8.4 |
| Pure iron ore | | | | | | | | | |
| Kumba Iron ore | 20.3 | 19,565 | 19,951 | 5.3 | 4.8 | 5.3 | 10.5 | 9.5 | 10.0 |
| Fortescue | 3.2 | 9,867 | 16,025 | 4.4 | 2.9 | 2.7 | 5.4 | 3.4 | 3.4 |
| Cliffs Natural Resources | 43.2 | 6,153 | 9,315 | 5.2 | 4.0 | 4.0 | 7.4 | 6.1 | 5.3 |
| Ferrexpo | 3.8 | 2,258 | 2,339 | 4.7 | 3.9 | 3.8 | 7.3 | 6.1 | 5.7 |
| Mount Gibson Iron | 0.9 | 1,024 | 1,031 | 1.7 | 1.6 | 2.6 | 3.2 | 2.9 | 4.6 |
| Weighted average | | | | 4.9 | 4.0 | 4.3 | 8.4 | 7.0 | 7.2 |

| | Price (US\$) | Market cap (US\$m) | EV (US\$m) | EV/EBITDA | | Attributable resource (Mt) | Fe % | Contained Fe (Mt) | EV/Res |
|-------------------------|--------------|--------------------|------------|-----------|-------|----------------------------|------|-------------------|-------------|
| | | | | 2012e | 2013e | | | | |
| African Minerals | 4.9 | 1,608 | 2,153 | N/A | 3.4 | 12,851 | 31.2 | 4,010 | 0.54 |
| Sundance | 0.3 | 1,018 | 977 | N/A | N/A | 2,306 | 42.2 | 973 | 1.00 |
| Sphere | 3.0 | 672 | 658 | 12.7 | 4.5 | 3,841 | 33.6 | 1,290 | 0.51 |
| London Mining | 2.9 | 395 | 510 | N/A | N/A | 2,106 | 33.1 | 697 | 0.73 |
| Zanaga | 0.9 | 264 | 216 | N/A | N/A | 3,400 | 32.0 | 1,086 | 0.20 |
| Bellzone | 0.3 | 184 | 84 | N/A | 1.1 | 4,630 | 25.9 | 1,199 | 0.07 |
| Afferro | 0.8 | 80 | 29 | N/A | N/A | 2,513 | 31.5 | 792 | 0.04 |
| Baobab | 0.2 | 34 | 28 | N/A | N/A | 410 | 32.9 | 135 | 0.21 |
| Weighted average | | | | | | | | | 0.61 |

Spot iron ore vs steel price performance



World crude steel production vs utilisation rate



Source: Edison Investment Research, Bloomberg, company data. Note: Priced as at 13 September 2012.

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www.edisoninvestmentresearch.co.uk

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

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

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