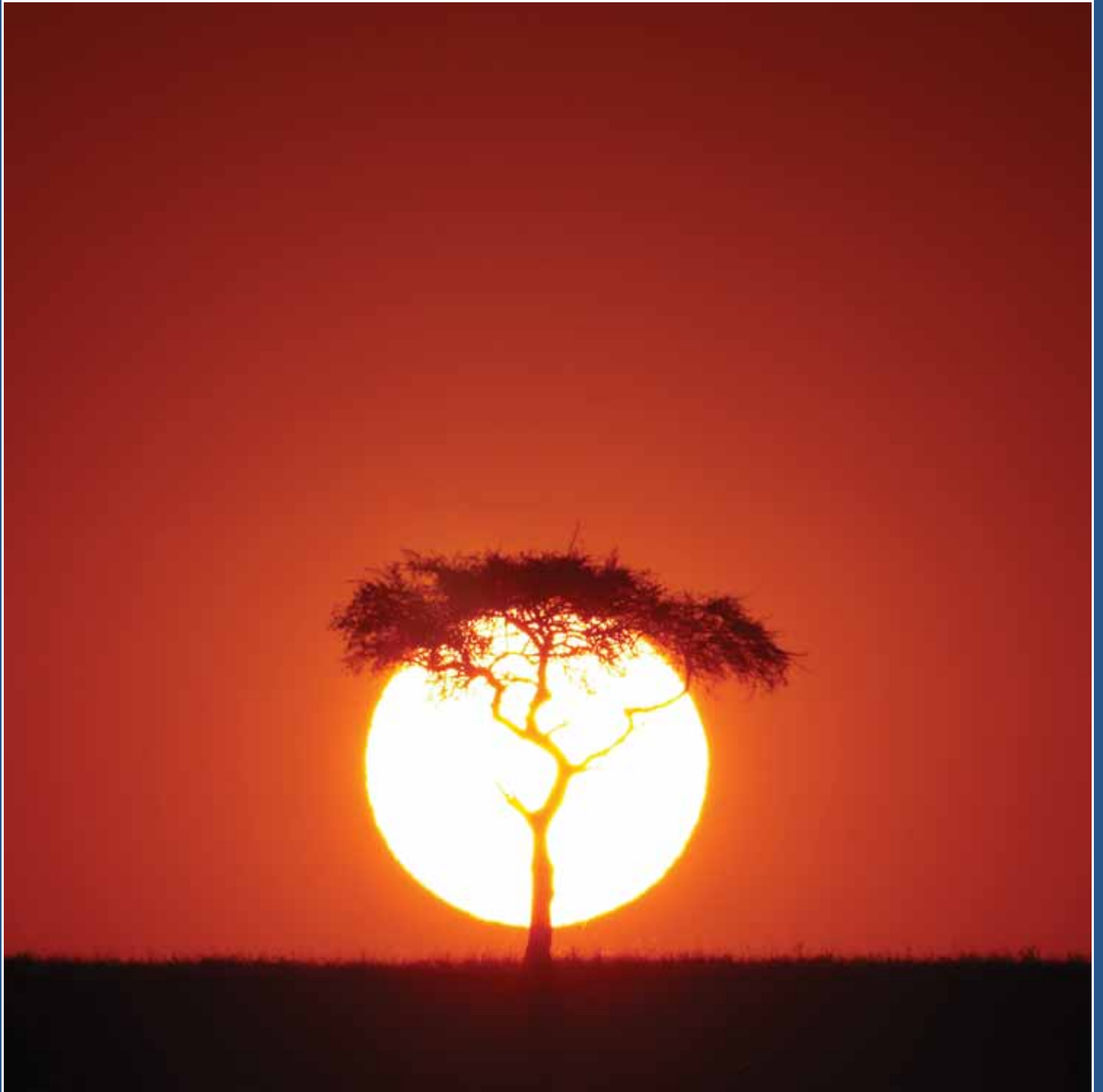


Indaba special

Sector focus • Company profiles

February 2011



The Edison mining team

www.edisoninvestmentresearch.co.uk

Charles Gibson



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

Michael Starke



Michael Starke joined Edison as a mining analyst in March 2008 and covers a number of mid-tier companies with listings in London, Canada and Australia. After graduating as a geologist from the University of Cape Town in 2000, he gained valuable experience in the mining and exploration sectors of southern Africa and South America. During this time, he worked as a geologist for Anglo American, a De Beers contract miner and for GoldStone Resources. Michael subsequently read for an MSc before joining the consultancy ERM as part of its M&A team undertaking due diligence across a variety of sectors in Europe, the Middle East and Africa. He is a Fellow of the Geological Society of London and a member of the Association of Mining Analysts.

Anthony Wagg



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

Warren Johnstone



Warren is a business professional with a master's degree in geology and 16 years of experience, encompassing academic research, mineral exploration, mining and technology. A recipient of awards for academic achievement, he has published research in international journals and has worked in the mining industry since the early 1990s. Warren has broad commercial experience and has worked on mineral projects and mining operations in Africa, Australia, Canada, Europe and Asia.

Tom Hayes



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

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Priced as at 28 January 2011

Published 1 February 2011

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

In the last year, our mining coverage has increased dramatically. The team is led by Charles Gibson, who is supported by a team of four other analysts. Today the team covers 54 companies, 46 of which are corporate clients of Edison. Our clients range from well established FTSE 100 companies to junior explorers on AIM. Our approach is global and we write on companies on several different exchanges, including the TSX, ASX and JSE. Over the last year our research has been read by over 2,500 unique institutional investors.

Edison is Europe's leading investment research company. It has won industry recognition, with awards in both the UK and internationally. The team of more than 65 includes over 35 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 280 companies across every sector and works directly with corporates, investment banks, brokers and fund managers. Edison's research is read by major institutional investors in the UK and abroad, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority.

We welcome any comments/suggestions our readers may have.

Neil Shah
Director of Research

Sector focus: Mining



Analyst

Charles Gibson

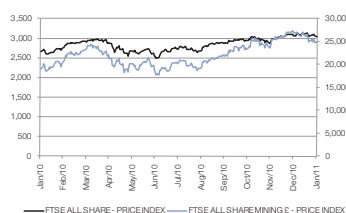
Profit taking will prove temporary

While the gold market in particular has suffered from profit taking early in 2011, we believe that the fundamentals of the metals markets are better reflected by conditions in the base metal and bulk commodity markets, where iron ore, copper and tin have all hit recent highs, buoyed by record Chinese steel production in 2010 and expectations of a widening supply-side deficits. Depending on how you count them, there have been four declines in the gold price of US\$100/oz in the past decade, so a decline of this magnitude is not unprecedented.

The declines appear predicated on the assumption that western monetary authorities and the Fed in particular will raise short-term interest rates to combat an emerging inflationary threat. However, unemployment remains high and, as the UK has proved recently, growth fragile and unpredictable – the reason that the Federal Reserve has reiterated its intention to keep borrowing costs ‘exceptionally low’ for an ‘extended period’. A rise in short-term interest rates would put unwelcome pressure on governments’ finances (note the Congressional Budget Office’s grim assessment of the US fiscal situation last week), while negative real interest rates will erode the value of governments’ debts relative to GDP. As such, there is little to stop governments and their monetary authorities continuing to pursue ultra-loose, accommodative monetary policies – except inflation. But while inflation has remained stubbornly high in the UK, it remains subdued in the US and Europe. A key reason, we believe, for the absence of inflation in America, in particular, is the relative strength of the US dollar (cf the relative weakness of sterling). But this we regard as being primarily a function of the Chinese government’s management of the dollar-renminbi exchange rate. In due course, we believe that the renminbi will appreciate versus the dollar, at which point China will export its inflation to the US. The Chinese show no sign of wanting to allow this to be a rapid process. Nevertheless, we are confident that it will eventually become inevitable.

In the meantime, although inflationary expectations are rising, rates are nowhere near the danger zone. As such, we think it likely that the Fed would prefer to take risks with inflation rather than growth. This being the case, it is possible that real interest rates at the short end of the yield curve will become more negative in the medium term as inflation accelerates, but interest rates remain low. In turn, this will encourage investment out of dollars and into gold (and other real, hard, dollar-denominated assets).

Sector performance



Sector P/E

FY1	18.9x
FY2	18.2x

Significant price changes one month (%)

Namibian Resources	150
Horizonte Minerals	95
Beowulf Mining	71
Atlantic Coal	65
Alexander Mining	55

Key sector data

Number of constituents	86
Average market cap.	£3.2bn
No of profitable companies	32

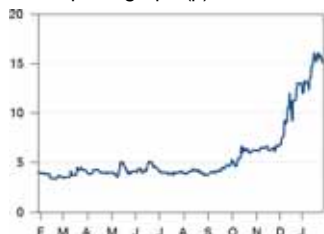
Significant deal flow/catalysts

Rio/Riversdale	
Continued QE and negative real interest rates in west	
Demand growth in China	

Sector: Mining

Price: 15.0p
 Market cap: £61m
 Forecast net cash (£m) 3.1
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	15.4	140.0	275.0
Relative*	17.4	226.7	224.1

* % Relative to local index

Analyst

Michael Starke

African Eagle Resources (AFE)

INVESTMENT SUMMARY

Unlike many other nickel laterites, the unique mineralogy of African Eagle's Dutwa project allows fast, efficient extraction of nickel by acid leaching at atmospheric pressure without the need for costly, high pressure acid leach technologies. As part of the pre-feasibility study currently underway, the company has released a revised financial model for Dutwa. At a US\$10/lb nickel price (vs current prices of ~US\$12/lb), it has a total post-tax NPV10% of US\$870m. This is based on mine production of 3Mtpa for 26 years at an initial capital cost of US\$600m and operating costs of US\$3.37/lb. On this basis, we value the company's expected 76% interest in the project at 25p per share (excluding the value of its non-core projects).

INDUSTRY OUTLOOK

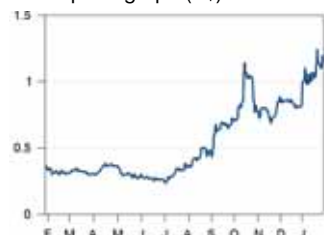
Despite the fact that approximately 70% of the world's (land-based) nickel resources are found in laterites, these deposits account for just ~40% of global nickel production.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	0.0	(10.5)	(10.4)	(4.8)	N/A	N/A
2009A	0.0	(1.4)	(1.4)	(0.6)	N/A	N/A
2010E	0.0	(1.0)	(0.8)	(0.3)	N/A	N/A
2011E	0.0	(1.0)	(0.8)	(0.2)	N/A	N/A

Sector: Mining

Price: A\$1.14
 Market cap: A\$283m
 Forecast net cash (A\$m) 3.2
 Forecast gearing ratio (%) N/A
 Market ASX

Share price graph (A\$)



Company description

Alkane is a multi-commodity explorer, with projects located in the central west region of New South Wales in Australia.

Price performance

%	1m	3m	12m
Actual	41.9	39.3	219.7
Relative*	41.8	198.0	208.2

* % Relative to local index

Analyst

Charles Gibson

Alkane Resources (ALK)

INVESTMENT SUMMARY

Alkane is a diversified explorer with interests in REEs and gold. It recently announced it will proceed to financing at the TGP. We see this project as able to generate around A\$34m in gross profits in 2012-14 to re-invest in the DZP Zirconium, niobium and REE project. ALK continues to develop its REE products at its DPP. A YHREE sample is undergoing further testing, along with a LREE sample process being tested before it is added to the final production circuit. Also, early stage exploration drilling at its Bowen Park One Au-Cu exploration target has returned encouraging assay results including 17 metres grading 1.20g/t Au, 2.85% Zn, from 96m including 4 metres grading 2.20g/t Au, 7.03% Zn and 16g/t Ag. We value Alkane's assets collectively at A\$1.19 per share.

INDUSTRY OUTLOOK

Recent increases in the price of Zr and REE point to potential annual DZP revenues of between US\$180m and US\$450m (company announcement). We use our long-term Au price of US\$1,350/oz for valuing ALK's gold assets.

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	2.4	(0.6)	0.1	0.04	2850.0	N/A
2009A	4.7	2.2	2.4	0.99	115.2	N/A
2010E	9.7	7.9	7.2	2.87	39.7	35.0
2011E	0.0	(1.7)	(2.6)	(1.02)	N/A	N/A

Sector: Mining

Price: 35.8p
 Market cap: £373m
 Forecast net debt (A\$m) 67.4
 Forecast gearing ratio (%) 17.0
 Market AIM, ASX, TSX

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(7.7)	31.2	101.4
Relative*	(6.2)	56.6	74.1

* % Relative to local index

Analyst

Charles Gibson

Allied Gold (AGLD)

INVESTMENT SUMMARY

Allied Gold has announced Simberi gold production for the three months ended December of 18,921oz at an expected A\$650 - A\$675/oz and is on track to produce 100koz Au by end CY11. A PFS on the sulphide ore at Simberi has identified that a further 100koz pa could be added by 2015. Allied has proceeded to BFS-stage with an investment decision on the sulphides due in 2012. The Gold Ridge mine is still on track to produce its first gold in Q211, adding 120koz pa after ramp-up. Both the expanded plant at Simberi and Gold Ridge should produce a total of approximately 220koz pa from 2012, reaching a potential 330koz in 2015 if the sulphides are mined. Ten- and nine-year mine lives currently exist for Simberi and Gold Ridge respectively, and extensive resource drilling is planned for 2011.

INDUSTRY OUTLOOK

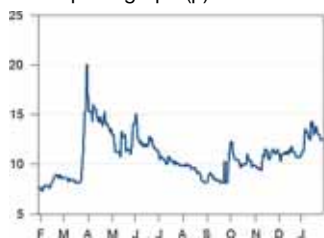
On an EV per resource basis, Allied Gold is trading at a value that equates to US\$68/oz. This is a 44% discount to the industry average for AIM-listed gold companies (US\$121/oz).

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2009A	77.5	18.7	(2.9)	(0.7)	N/A	11.2
2010A	67.6	(2.0)	(19.4)	(2.4)	N/A	N/A
2011E	132.1	45.1	26.1	2.1	27.5	N/A
2012E	287.3	89.3	71.0	5.2	11.1	14.8

Sector: Mining

Price: 12.5p
 Market cap: £53m
 Forecast net cash (£m) 1.0
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Altona holds a 49% interest in three exploration licences covering 2,500km square in the north of the Permian Arckaringa Basin, South Australia. Its immediate focus is completing a bankable feasibility study for a coal to liquids plus co-generation facility.

Price performance

%	1m	3m	12m
Actual	16.3	28.2	63.4
Relative*	18.3	13.7	41.2

* % Relative to local index

Analyst

Michael Starke

Altona Energy (ANR)

INVESTMENT SUMMARY

The appointment of Peter Fagiano as executive director of Altona is a major boost for the Arckaringa project's development. A chartered engineer, Peter has over 45 years' experience undertaking large petrochemical projects for the world's oil majors. As part of this, he has overseen a number of technical and financial assessments of Altona's flagship projects while at Jacobs Engineering. Mr Fagiano sits on the management committee of the CNOOC-NEIA joint venture with Altona and is responsible for project technology at the company. We calculate a value for Altona of £154m or 37p/share on the basis of its 1,287Mt JORC compliant coal deposit and a multiple of £0.24/tonne.

INDUSTRY OUTLOOK

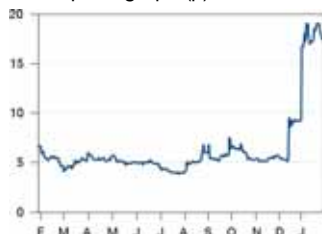
In addition to supplying local demand for fuel and power (including potentially BHP Billiton's nearby Olympic Dam project), the JV is also looking to export fuel and possibly coal to the Asian markets. The BFS commenced in October last year and is expected to take around two years.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(1.3)	(1.3)	(0.31)	N/A	N/A
2010A	0.0	(2.6)	(2.6)	(0.64)	N/A	N/A
2011E	0.0	(1.6)	(1.5)	(0.37)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 17.3p
 Market cap: £43m
 Forecast net cash (US\$m): 2.6
 Forecast gearing ratio (%): N/A
 Market: AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	84.0	228.6	160.4
Relative*	87.2	287.4	125.0

* % Relative to local index

Analyst

Charles Gibson

Amur Minerals (AMC)

INVESTMENT SUMMARY

In Kun-Manie, Amur has a rare, if remote, nickel resource in the Russian far east. It includes a key 2km-wide and 16km-long trend. Within this lie three drilled deposits: Ikenskoe, Vodorazdelny and Maly Krumkon, over which the company has applied for a mining licence covering some 100km square. Shares in Amur have risen sharply since early December, reflecting the progress made regarding this licence, with only one approval required before Rosnedra drafts the licence. Updating our model to account for a nickel price of US\$22,500/t points to a potential value for Kun-Manie of US\$505m, or 130pps before dilution. Amur's share price is therefore at an 86% discount to the potential value of the project. It has also recently received a two-year extension until 2012 on its exploration licence.

INDUSTRY OUTLOOK

With lateritic nickel projects remaining risky and consumption for stainless steel production robust, the outlook for nickel remains strong with a metric tonne currently trading at around US\$26,700.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(2.3)	(2.3)	(2.0)	N/A	N/A
2009A	0.0	(1.4)	(1.6)	(1.1)	N/A	N/A
2010E	0.0	(0.9)	(0.9)	(0.5)	N/A	N/A
2011E	0.0	(1.3)	(1.3)	(0.5)	N/A	N/A

Sector: Mining

Price: 57.8p
 Market cap: £91m
 Forecast net cash (£m): 2.1
 Forecast gearing ratio (%): N/A
 Market: FULL

Share price graph (p)



Company description

Anglesey has a 41% interest in TSX-listed Labrador Iron Mines, which has resources of 150 Mt of direct-shipping hematite iron ore. It is about to commence production. It also owns 100% of the Parys Mountain zinc-copper-lead deposit, Wales.

Price performance

%	1m	3m	12m
Actual	5.5	97.4	153.8
Relative*	7.3	113.9	119.4

* % Relative to local index

Analyst

Anthony Wagg

Anglesey Mining (AYM)

INVESTMENT SUMMARY

Anglesey has a 41% interest in Labrador Iron Mines Holdings, TSX LIM, which has resources of 150Mt of direct-shipping hematite iron ore. On 21 December Anglesey announced that construction was nearing completion. On 10 January Gartmore and another invested £2.8m in five million new shares; 2.5m followed the exercise of options by directors and the company received c £1.4m net for the rest. AYM believes there is significant value in its 100%-owned Parys Mountain zinc/copper/lead property, and is talking with interested parties.

INDUSTRY OUTLOOK

Like many commodities, the price of iron ore is closely correlated to that of oil. With high volatility in commodity prices, it is a useful method to estimate the long-term price of iron ore within the context of the long-term oil price. With long-term Texas Intermediate at around \$91, this puts the iron ore price at \$117/t (65%Fe fines). With shipping rates at \$35/t, this equates to around \$82/t FOB. At this level we estimate LIM would earn C\$58m and Anglesey 9.4p.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(0.5)	(0.8)	(0.5)	N/A	N/A
2010A	0.0	(0.3)	(0.6)	(0.4)	N/A	N/A
2011E	0.0	(0.3)	(0.6)	(0.4)	N/A	N/A
2012E	0.0	(0.3)	26.1	16.5	3.5	11.2

Sector: Mining

Price: 353.1p
 Market cap: £1632m
 Forecast net cash (US\$m) 126.5
 Forecast gearing ratio (%) N/A
 Market FULL

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	3.3	(3.2)	(6.5)
Relative*	5.0	11.5	(19.2)

* % Relative to local index

Analyst

Michael Starke

Aquarius Platinum (AQP)

INVESTMENT SUMMARY

After a difficult start to the 2011 financial year, Aquarius Platinum has returned a pleasing set of second-quarter production results. PGM production was up 3.4% q-o-q, the average basket price was up 11.1% and attributable revenue was up 24.8% to US\$181m. Kroondal, Marikana and Everest all reported a good quarter. New hanging wall support systems are being implemented and are already delivering results. Poor ground conditions negatively affected production at Mimosa. Meanwhile, Blue Ridge remains under redevelopment with mining expected to commence in Q411. We continue to believe the stock is undervalued relative to its peers, possibly due to political uncertainty in Zimbabwe.

INDUSTRY OUTLOOK

We remain cautiously optimistic about the current outlook following recent positive US automotive sales. Furthermore, we believe platinum prices will continue to recover in early to mid-2011 as auto producers restock ahead of forecast increases in vehicle production in 2012.

Y/E Jun	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	298.9	(0.2)	(34.7)	(1.0)	N/A	70.0
2010A	457.9	135.9	110.9	16.8	33.6	21.2
2011E	642.8	181.3	148.0	23.2	24.3	15.1
2012E	756.0	197.6	159.1	24.5	23.0	14.6

Sector: Mining

Price: 45.5p
 Market cap: £137m
 Forecast net cash (US\$m) 11.6
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Arian Silver, listed on AIM and TSX, specialises in Mexican silver deposit exploration and development. Its San Jose mine is expected to enter production soon. Its other three projects are Calicanto and San Celso, located in Zacatecas, and Tepal in Michoacan.

Price performance

%	1m	3m	12m
Actual	2.8	149.3	600.0
Relative*	4.6	473.6	505.0

* % Relative to local index

Analyst

Charles Gibson

Arian Silver (AGQ)

INVESTMENT SUMMARY

Arian has commenced commercial production at San Jose, with c 70t of concentrate having now been produced. Stopping is concentrated on the Ramal Sur block, while the main haulage is advanced towards the high-grade Santa Ana block. The in-line impact crusher is nearing completion, which should increase both throughput and recoveries, while Arian's own laboratory is currently in transit for Mexico. At a silver price of US\$27.19/oz, we estimate that Arian has the ability to generate earnings between 2.7c and 3.0c per share over the mine's official 4.5-year life.

INDUSTRY OUTLOOK

Assays from eight exploration holes have demonstrated the continuation of the San Jose vein 6km from the mine, with grades in excess of 300g/t Ag (c 10oz/t). Assuming Arian delineates new resources at the same rate per km of exploration drilling as in the past, we estimate a US\$10m exploration programme should delineate a resource valued at 88-195p per AGQ share. At the time of writing, the silver price was US\$28.01/oz.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(3.7)	(3.7)	(2.5)	N/A	N/A
2009A	0.0	(2.0)	(2.1)	(0.9)	N/A	N/A
2010E	3.6	1.0	0.8	0.3	242.4	56.6
2011E	16.2	7.8	7.9	2.9	25.1	26.4

Sector: Mining

Price: 3.9p
 Market cap: £9m
 Forecast net cash (£m) 2.9
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(13.9)	(6.1)	19.2
Relative*	(12.4)	54.7	3.0

* % Relative to local index

Analyst

Charles Gibson

Ariana Resources (AAU)

INVESTMENT SUMMARY

Ariana has announced that it has entered into a £5m Standby Equity Distribution Agreement with Yorkville Advisors. This agreement allows Ariana to draw-down funds by issuing new ordinary shares to Yorkville over a period up to three years. The maximum advance available to the company is 200% of the average-weighted trading volume of ordinary shares multiplied by the shares' VWAP 10 days prior. The money will be used to fund significant project developments and the Red Rabbit gold project. Capital in Zenit, the Turkish-based JV company held between Ariana and Proccea, has been increased to US\$5.6m, which will be used to complete the BFS and EIA at Red Rabbit. Ariana now holds a 15% interest in Tigris Resources, a Jersey-based venture focused on exploring for Au & Cu in SE Turkey. The company has resources of 448koz gold equivalent across all categories and sectors. We currently value Ariana's assets at 5.57pps.

INDUSTRY OUTLOOK

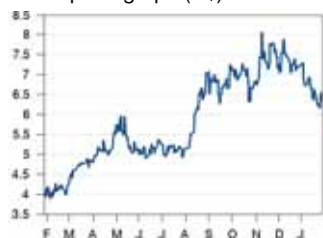
Our valuation uses a long-term gold price of US1,177/oz.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	0.0	(0.6)	(0.6)	(0.7)	N/A	N/A
2009A	0.0	(0.4)	(0.4)	(0.3)	N/A	N/A
2010E	0.0	(0.4)	(0.4)	(0.1)	N/A	N/A
2011E	0.0	(0.4)	(2.3)	(0.5)	N/A	N/A

Sector: Mining

Price: C\$6.38
 Market cap: C\$1034m
 Forecast net cash (C\$m) 146.8
 Forecast gearing ratio (%) N/A
 Market TSX

Share price graph (C\$)



Company description

Aurizon is a Canadian gold company with three major assets in Canada's Abitibi region. Its aims to become an intermediate producer focused on favourable geological trends, close to infrastructure, in politically stable, pro-mining jurisdictions.

Price performance

%	1m	3m	12m
Actual	(12.8)	(4.9)	56.8
Relative*	(13.2)	10.2	31.5

* % Relative to local index

Analyst

Charles Gibson

Aurizon Mines (ARZ)

INVESTMENT SUMMARY

With throughput at its highest since at least Q107, Aurizon's Q4 production report demonstrated a solid recovery from Q3, with gold production of 37,496oz (cf 29,905oz). As a result, we expect quarterly earnings to more than double when ARZ announces its financial results on 17 March. Longer term, with the expiration of all of the company's gold hedge positions, we estimate an annual EPS of c C\$0.30 is possible. Meanwhile, exploration drilling has increased in-pit measured and indicated resources at Casa Berardi's Principal Area by 690,000oz (or 94%); elsewhere intersections as high as 112g/t have been recorded.

INDUSTRY OUTLOOK

The recent sell-off in gold has been attributed to expectations that higher interest rates in China will be exported to the US. While possible, we believe such a scenario is unlikely in 2011 given the fragility of the US recovery and the parlous state of federal finances. At US\$1,350/oz, the current price of gold is consistent with the US's expanded narrow monetary base.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2008A	144.5	59.3	21.1	9.8	65.1	13.2
2009A	175.6	91.9	54.9	20.8	30.7	10.1
2010E	182.3	70.7	33.2	11.0	58.0	15.1
2011E	230.0	113.2	71.4	25.4	25.1	9.4

Sector: Mining

Price: 17.5p
 Market cap: £29m
 Forecast net cash (£m) 2.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Baobab Resources is focused on developing its Tete iron-vanadium-titanium open-pit project in central-western Mozambique. A pre-feasibility study is expected in mid 2011.

Price performance

%	1m	3m	12m
Actual	45.8	59.1	97.2
Relative*	48.3	96.5	70.4

* % Relative to local index

Analyst

Charles Gibson

Baobab Resources (BAO)

INVESTMENT SUMMARY

Baobab's RC drill programme has delineated "substantially more mineralisation than originally anticipated" as well as indicating the potential for parallel lodes. At current rates, it intends to make an interim resource estimate for the South Zone in February/March and a final one in May. The company's currently declared JORC resource is 47.7Mt at 25.3% Fe, which we estimate could rise to c 340Mt at 27.4% (including Chimbala). Recent initiatives include negotiating a boundary change to give it access to an area exhibiting both prominent magnetite ridges and lower Karoo (ie coal) sediments, while a joint venture makes it the operator in an area known to host massive magnetite mineralisation.

INDUSTRY OUTLOOK

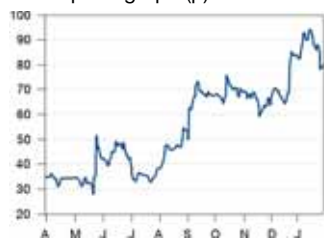
Baobab does not intend to develop its mine alone and is looking for a partner before completing a BFS. At 16.5p, it has an EV equivalent to c US\$3.14/t JORC iron (vs an industry average of US\$3.53/t). Pro-rata the higher resource estimate implies a share price of over £1 (or 86p after dilution).

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.3	(1.5)	(1.6)	(1.9)	N/A	N/A
2010A	0.0	(2.0)	(2.0)	(1.4)	N/A	N/A
2011E	0.0	(2.1)	(2.1)	(1.3)	N/A	N/A
2012E	0.0	(2.1)	(2.1)	(1.1)	N/A	N/A

Sector: Mining

Price: 80.5p
 Market cap: £432m
 Forecast net cash (US\$m) 39.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

BZM is focused on developing its Kalia iron ore deposit in Guinea, West Africa. Its estimates suggest Kalia hosts an attributable iron ore resource of 10.0bt of magnetite and 2.55bt of oxide. It was founded in November 2007 and listed on AIM in April 2010.

Price performance

%	1m	3m	12m
Actual	(7.5)	16.3	N/A
Relative*	(5.9)	89.0	N/A

* % Relative to local index

Analyst

Michael Starke

Bellzone Mining (BZM)

INVESTMENT SUMMARY

On Tuesday 8 February, Guinea's Minister of Mines is expected to present at Indaba's African Mining Ministerial Forum in Cape Town. No doubt the focus will be on recent comments by the country's new president, Alpha Condé, that Guinea is revising government policy regarding state participation in mining ventures. Rather than renegotiating existing contracts, the government plans to increase the level of state participation from the current 15% to "at least a third part blocking minority". Bellzone's Mining Convention received ministerial approval last year and was passed into law by way of presidential decree in August. As of 25 January, the company was not aware of any information to suggest it will be subject to the government's proposed changes.

INDUSTRY OUTLOOK

In recent days, spot prices of iron ore have hit near record highs (of around US\$200/t) on the back of lower iron ore exports from India and Brazil. We believe the outlook for the rest of 2011 remains positive.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(14.5)	(15.1)	(3.6)	N/A	N/A
2009A	0.0	(14.4)	(16.5)	(3.9)	N/A	N/A
2010E	0.0	(21.7)	(22.4)	(4.2)	N/A	N/A
2011E	0.0	(21.7)	(24.5)	(4.6)	N/A	N/A

Sector: Mining

Price: 58.0p
 Market cap: £30m
 Forecast net cash (£m) 0.9
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	36.5	64.5	69.3
Relative*	38.8	148.1	46.4

* % Relative to local index

Analyst

Michael Starke

Bezant Resources (BZT)

INVESTMENT SUMMARY

Bezant's Mankayan project is technically and economically feasible with a pre-tax IRR of 22%. On the basis of the conceptual study released in January, the project has a total pre-tax NPV (at 7.75%) of US\$1.51bn at current metal prices of US\$4.30/lb copper and US\$1,370/oz gold. This assumes a 12Mtpa underground mine with a 42-year life. Life of mine capex has been estimated at US\$1.2bn while total costs (including capex) are forecast to be US\$2.66/lb. Mankayan has total Indicated Resources of 1.1Mt of copper and 3.7Moz of gold as well as Inferred Resources of 0.2Mt of copper and 0.6Moz gold. Recently, the company upgraded a portion of this resource to Probable Ore Reserves (189Mt at 0.46% Cu & 0.49g/t Au) with total Recoverable Metal Reserves of 0.8Mt of copper and 2.2Moz of gold.

INDUSTRY OUTLOOK

We expect copper prices to remain at current levels of ~US\$4.30/lb, supported by a combination of supply-side constraints as well as demand from both investors and emerging market consumers.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(1.2)	(1.1)	(2.8)	N/A	N/A
2010A	0.0	(1.4)	(1.4)	(3.2)	N/A	N/A
2011E	0.0	(0.9)	(0.8)	(1.6)	N/A	N/A
2012E	0.0	(0.9)	(0.9)	(1.6)	N/A	N/A

Sector: Mining

Price: 106.5p
 Market cap: £565m
 Forecast net cash (A\$m) 46.9
 Forecast gearing ratio (%) N/A
 Market AIM, ASX, JSE

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	16.1	22.8	(11.1)
Relative*	18.1	(12.2)	(23.1)

* % Relative to local index

Analyst

Michael Starke

Coal of Africa (CZA)

INVESTMENT SUMMARY

CZA is moving steadily ahead with the development of its Makhado coking coal project where it recently lodged an application for a New Order Mining Right. Given the company's experience at Vele, it is undertaking extensive environmental and social assessments including the establishment of a community engagement forum. As part of Makhado's development, the company is also completing a DFS and extracting a 19,100t bulk sample destined for Exxaro's plant at its Tshikondeni Colliery. The results will be used to finalise an off-take agreement envisaged as part of a Lol signed between CZA and ArcelorMittal.

INDUSTRY OUTLOOK

The steel and power generation industries are driving M&A in the sector as both look to secure supply of key raw materials. With the floods in Queensland effecting supply, coking coal prices have increased to over US\$225/t. Meanwhile, thermal coal leaving Richards Bay is priced at c US\$130/t.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	23.1	(20.5)	(12.0)	(3.0)	N/A	N/A
2010A	111.0	(12.7)	(113.8)	(22.2)	N/A	N/A
2011E	350.8	113.8	82.3	11.2	15.4	16.8
2012E	417.2	151.5	118.0	15.3	11.2	6.7

Sector: Mining

Price: A\$0.08
 Market cap: A\$162m
 Forecast net debt (A\$m) 85.7
 Forecast gearing ratio (%) 75.0
 Market ASX

Share price graph (A\$)



Company description

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

Price performance

%	1m	3m	12m
Actual	13.9	13.9	51.9
Relative*	13.8	19.4	46.4

* % Relative to local index

Analyst

Michael Starke

Continental Coal (CCC)

INVESTMENT SUMMARY

Continental Coal continues to make good progress at its thermal coal operations in South Africa. As part of the company's off-take agreement with EDF, the first shipment of 32,910t of export quality thermal coal left Richard's Bay in January, destined for India. For coal loaded in November and December last year, the company received a provisional price of US\$105/t which has subsequently increased to ~US\$120/t. Production in the last few months of 2010 was ahead of expectations; as a result, the company has built up a stockpile at Richard's Bay of ~57,500t. Meanwhile, development of Continental's third mine, Penumbra, commenced in December along with a BFS at De Wittekrans.

INDUSTRY OUTLOOK

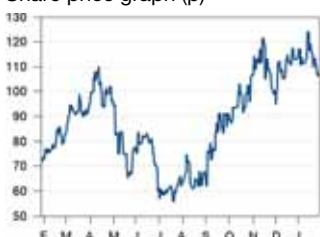
Prices of thermal coal have increased ~10% since the end of last year on the back of supply-side issues in Australia and robust demand from mainly Asia. Thermal coal leaving Richards Bay is currently priced at spot of ~US\$130/t.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	0.0	(3.5)	(7.4)	(2.6)	N/A	20.9
2010A	0.0	(13.1)	(25.5)	(2.2)	N/A	14.8
2011E	68.3	14.4	9.2	0.2	40.0	N/A
2012E	210.8	99.8	83.3	1.2	6.7	3.5

Sector: Mining

Price: 106.3p
 Market cap: £964m
 Forecast net cash (US\$m) 355.7
 Forecast gearing ratio (%) N/A
 Market AIM, JSE, TSX

Share price graph (p)



Company description

Eastplats is a mid-tier producer of platinum group metals. It has an 87.5% interest in the Crocodile River Mine in South Africa. It also has four development projects, Mareesburg (75.5%), Spitzkop (93.4%), DGV (87.5%) and Kennedy's Vale (87.5%).

Price performance

%	1m	3m	12m
Actual	(4.9)	1.2	48.6
Relative*	(3.3)	44.6	28.4

* % Relative to local index

Analyst

Michael Starke

Eastern Platinum (ELR)

INVESTMENT SUMMARY

Eastern Platinum finished 2010 on a high with the completion of a C\$348m raising (at C\$1.55 or 100p). In addition to US\$100m of debt financing secured in October last year, the funds will be used to develop the company's growth projects on the Eastern Limb of South Africa's Bushveld Complex. In the first phase, an open pit mine at Mareesburg will be brought into production to supply a new concentrator planned for Kennedy's Vale. Meanwhile, Q410 production from its flagship Crocodile River Mine declined 13% q-o-q as a result of a planned plant shutdown, Christmas holidays and lower grades due to a 6% increase in development. The company plans to release its full results for Q410 and FY10 on 23 March.

INDUSTRY OUTLOOK

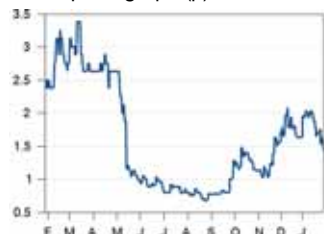
We remain cautiously optimistic about the current outlook following recent positive US automotive sales. Furthermore, we believe platinum prices will continue to recover into mid-2011 as auto producers restock ahead of forecast increases in vehicle production next year.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	114.7	(286.6)	(298.2)	(30.9)	N/A	N/A
2009A	111.4	17.4	(0.4)	0.8	212.4	N/A
2010E	151.1	30.3	9.8	0.6	283.1	31.9
2011E	251.4	94.3	88.3	4.4	38.6	17.8

Sector: Mining

Price: 1.4p
 Market cap: £7m
 Forecast net debt (£m) 1.6
 Forecast gearing ratio (%) 55.0
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(14.9)	26.7	(43.0)
Relative*	(13.5)	51.5	(50.7)

* % Relative to local index

Analyst

Charles Gibson

ECR Minerals (ECR)

INVESTMENT SUMMARY

Electrum's principal asset is an interest in TSX-V listed THEMAC Resources, the operator of the Copper Flat project in southern USA. It also has a majority shareholding in Thai metal-products company ACS Asia, as well as interests in Panial Gold, Silver Swan and gold exploration projects in Argentina. In December the administrators for its subsidiary, MGA, agreed to sell MGA's assets to Reed Resources for A\$27.1m (NB this asset is currently held on ECR's balance sheet as a £3.4m debtor). Also in December, the company acquired three concessions comprising the historic El Abra gold mine in La Rioja province in Argentina (where geochemical sampling has returned a grade as high as 84.6g/t), plus the Jazmin area 10km to the SSW for US\$60,000. As such, ECR's total land package in the region exceeds 75,000ha.

INDUSTRY OUTLOOK

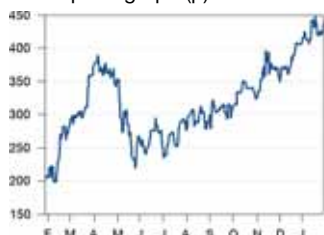
Considering all assets and liabilities (including its convertible loan notes as liabilities), we estimate an NAV for ECR of £15.2m, including the Meekatharra asset at £3.4m.

Y/E Jun / Sep	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	0.0	(1.7)	(1.9)	(3.3)	N/A	N/A
2009A	4.1	(1.4)	(2.0)	(3.0)	N/A	N/A
2010E	5.3	(3.1)	(3.5)	(1.1)	N/A	N/A
2011E	4.3	(3.4)	(3.6)	(0.7)	N/A	N/A

Sector: Mining

Price: 437.4p
 Market cap: £2575m
 Forecast net debt (US\$m) 112.0
 Forecast gearing ratio (%) 14.0
 Market FULL

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	8.3	31.8	110.8
Relative*	10.1	37.7	82.2

* % Relative to local index

Analyst

Charles Gibson

Ferrexpo (FXPO)

INVESTMENT SUMMARY

Ferrexpo is currently producing c 9Mtpa of 62% and 65% Fe pellets from c 29Mtpa of iron ore mined. In its interim management statement, the company mapped out a route for increasing output, first to 12Mtpa of 65% pellets from 38Mtpa of iron ore by 2013 and then 20Mtpa of pellets from 60Mtpa of iron ore by 2018. Management has approved a budget of \$647m to achieve the first phase of this development. The second phase will cost an additional c \$1.2bn. At a long-term average pellet price of US\$130/t (our FY11 estimate), we estimate this production profile will be capable of supporting a share price of £10.63 in FY18. At present, management is testing the plant's 1Mtpm nameplate capacity before instigating the mine life extension plan at its Poltava mine and the development of Yeristovskoye. In the meantime, the company is on course to report a record full-year set of numbers, surpassing even FY08.

INDUSTRY OUTLOOK

Iron ore prices have moderated only slightly since hitting a new record in January.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	1116.9	494.7	442.2	47.6	14.7	9.2
2009A	648.7	133.4	81.4	12.2	57.3	34.7
2010E	1147.8	535.2	475.7	66.2	10.6	9.1
2011E	1174.3	593.2	514.1	64.6	10.8	7.2

Sector: Mining

Price: C\$9.93
 Market cap: C\$1494m
 Forecast net cash (C\$m) 104.1
 Forecast gearing ratio (%) N/A
 Market TSX

Share price graph (C\$)



Company description

Fronteer Gold is a multi project gold and uranium developer with a core of near-term producing assets in Nevada, US, with gold-copper projects in Turkey and a uranium project in Canada.

Price performance

%	1m	3m	12m
Actual	(16.1)	22.1	128.8
Relative*	(16.4)	39.4	92.0

* % Relative to local index

Analyst

Charles Gibson

Fronteer Gold (FRG)

INVESTMENT SUMMARY

Fronteer has announced an interim resource upgrade at Long Canyon, which has seen an increase of 0.7Moz to 1.4Moz at 2.36g/t Au in the measured and indicated categories, and a 0.25Moz increase to 0.8Moz at 2.24g/t Au in inferred. Further, recent step-out drilling has continued to return high grade gold 200m NE of the current resource envelop indicating further upside potential. Along with Long Canyon, FRG is developing its Northumberland gold project in Nevada USA, and is in JV with Newmont and Agnico Eagle on another two promising projects. Long Canyon is a high grade, high quality gold deposit that FRG hopes to have in production in the next two years using existing cash sources. FRG is also experiencing success with drilling at its Hallaga copper-gold project in Turkey. We see a positive re-rating of our US\$6 per share valuation once a revised economic assessment on Long Canyon is published during H111.

INDUSTRY OUTLOOK

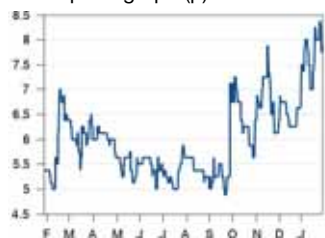
Our valuation uses a long-term gold price of US\$1,177/oz.

Y/E Dec	Revenue (C\$m)	EBITDA (C\$m)	PBT (C\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(26.2)	(23.6)	(23.8)	N/A	N/A
2009A	0.0	(26.9)	(23.0)	(11.4)	N/A	N/A
2010E	0.0	(58.2)	(56.5)	(41.8)	N/A	N/A
2011E	0.0	(23.6)	(26.3)	(17.5)	N/A	N/A

Sector: Mining

Price: 7.9p
 Market cap: £147m
 Forecast net debt (US\$m) 28.4
 Forecast gearing ratio (%) 1171.0
 Market AIM

Share price graph (p)



Company description

Frontier Mining, incorporated in the Cayman Islands, is a development stage mining concern with two licences in Kazakhstan.

Price performance

%	1m	3m	12m
Actual	16.7	40.0	46.5
Relative*	18.7	23.0	26.6

* % Relative to local index

Analyst

Charles Gibson

Frontier Mining (FML)

INVESTMENT SUMMARY

On 17 December 2010 FML completed its re-domicile to the Cayman Islands and announced a further £4m equity raising to aid in development of its Benkala project. Also in late December, FML formed a project group headed by WAI to undertake an Environmental Social Impact Assessment at Benkala to ensure the project complies with the Equator Principles, a globally-recognised benchmark adopted by many international banks. FML plans to extract the smaller (<10% of total resource) secondary oxide copper resource first (NPV estimated by WAI at US\$191m using a copper price of US\$6,000/t and after capex of US\$55m), with cathode capacity planned of over 20,000tpa at a cash cost under US\$1/lb. Mining at Benkala is planned to start H211. Gold production at the Koskuduk heap leach plant is ongoing with at least 10koz currently on its leach pads. We value FML on an EV/resource multiple at 12pps.

INDUSTRY OUTLOOK

Copper currently trades at an LME spot price of around US\$9,450/t.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2008A	0.0	(4.4)	(4.8)	(2.3)	N/A	N/A
2009A	2.9	(2.9)	(5.3)	(0.6)	N/A	N/A
2010E	7.2	1.4	(2.9)	(0.3)	N/A	728.4
2011E	48.8	29.0	22.2	1.6	7.9	6.7

Sector: Mining

Price: 2.3p
 Market cap: £13m
 Forecast net debt (£m): 15.0
 Forecast gearing ratio (%): 75.0
 Market: AIM

Share price graph (p)



Company description

GMA Resources is involved in gold mining, exploration and mine development in Algeria.

Price performance

%	1m	3m	12m
Actual	(35.7)	(21.7)	(28.0)
Relative*	(34.6)	83.7	(37.8)

* % Relative to local index

Analyst

Charles Gibson

GMA Resources (GMA)

INVESTMENT SUMMARY

Output of 4,733oz gold in Q410 (vs 7,259oz Q310) was the result of a combination of mining depletion, an unexpected reduction in grade mined and the re-emergence of local supply chain issues. Nevertheless, the production of 3,059oz Au in September 2010 demonstrates that an annual production rate of 36,000oz (management's near-term target) is achievable in the wake of the re-commissioning of the Tirek CIL plant at Amesmesa. Forecasts are predicated on production costs of US\$631/oz in FY10 and of 30,300oz and US\$504/oz in FY11. The installation of an additional 600-800ktpa CIL plant is also under consideration.

INDUSTRY OUTLOOK

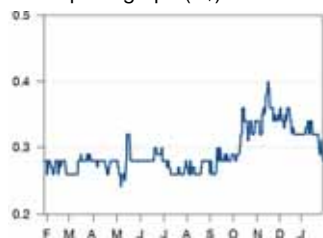
Senior management's believes "the long-term future of Amesmesa relies on the discovery of a major deposit", to which end a significant exploration programme is under way. To date, drill testing on five of 76 Aster targets has identified wide, low grade (0.1-1.0g/t) mineralisation, while drilling at Vein 7 has intersected 11m at 13.25g/t.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	7.8	(0.9)	(6.5)	(1.8)	N/A	N/A
2009A	20.4	1.4	(5.6)	(0.5)	N/A	77.7
2010E	18.8	4.2	(3.0)	(0.3)	N/A	1.0
2011E	25.6	14.3	6.8	0.5	4.6	1.0

Sector: Mining

Price: A\$0.28
 Market cap: A\$222m
 Forecast net debt (A\$m): 94.1
 Forecast gearing ratio (%): 113.0
 Market: ASX

Share price graph (A\$)



Company description

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

Price performance

%	1m	3m	12m
Actual	(12.7)	(15.4)	(1.8)
Relative*	(12.8)	(5.1)	(5.3)

* % Relative to local index

Analyst

Charles Gibson

Gold One (GDO)

INVESTMENT SUMMARY

Since Q310, GDO has been ramping up production at a rate of c +20kt of ore per quarter to reach 150koz Au pa in FY12. Production in Q410 was 21,480oz vs our expectation of 21,885oz. In the meantime, Gold One has announced an 18% increase in the resources at both its flagship Modder East mine (thereby increasing its life by five years) and its Ventersburg project, to result in an overall 5% increase in the size of its consolidated resource as well as an increase in its quality (with indicated oz supplanting inferred oz).

INDUSTRY OUTLOOK

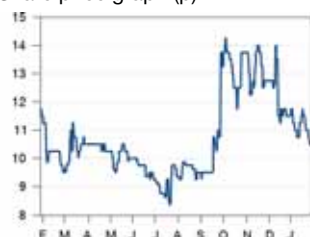
GDO is spinning off its Megamine asset into Goliath Gold while, at Ventersburg, a scoping study indicates an operation producing 157koz per year at a cost of US\$379/oz over 11 years for capex of ZAR1.9bn. PFSs at Ventersburg and Megamine are scheduled in Q111 and 2012. At US\$1,350/oz and ZAR6.82/US\$ a sum of the parts analysis values the five constituent parts of GDO at 74.63pps (see our note dated 16 December).

Y/E Dec	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (fd) (c)	P/E (x)	P/CF (x)
2008A	9.3	1.8	(6.0)	(1.2)	N/A	N/A
2009A	8.9	(18.3)	(30.8)	(4.0)	N/A	N/A
2010E	91.2	27.1	9.6	0.6	46.7	7.3
2011E	168.0	89.0	64.1	3.8	7.4	2.7

Sector: Mining

Price: 10.5p
 Market cap: £18m
 Forecast net cash (£m): 5.6
 Forecast gearing ratio (%): N/A
 Market: AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(8.7)	(23.6)	(10.6)
Relative*	(7.1)	(2.0)	(22.8)

* % Relative to local index

Analyst

Charles Gibson

Goldplat (GDP)

INVESTMENT SUMMARY

Having built a profitable base recovering 21koz Au pa at less than US\$800/oz from other companies' residual mining materials, Goldplat is now acquiring conventional, high-grade assets to increase its production to 100koz pa. Most recently, this has involved buying a 90% interest in the 29 sq km Banka Lease in Ghana (containing 200koz non-JORC resources) for US\$1.5m. Goldplat is notable for being a profitable gold producer trading at a discount to book value of 11.6p per share. At a long-term gold price of US\$1,350/oz, we value Goldplat's shares at 19.38p per share in a 'base case' scenario, whereby it treats only its existing stockpiles and at 34.74p per share in the case in which it replenishes its stockpiles indefinitely. Adding 1.14p for the value of its maiden resource at Nyieme gives a 'base case' valuation for Goldplat of 20.52p, potentially rising to 35.88p.

INDUSTRY OUTLOOK

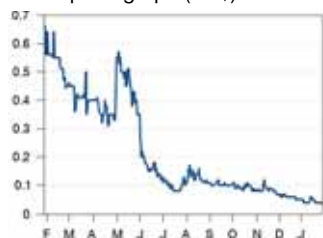
Our forecasts are conducted at a long-term gold price of US\$1,350/oz and a cable rate of US\$1.65/£.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	11.1	2.0	2.0	1.32	8.0	7.6
2010A	10.7	2.4	2.3	1.40	7.5	8.2
2011E	18.8	4.3	3.9	1.86	5.6	4.5
2012E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: US\$0.03
 Market cap: US\$3m
 Forecast net debt (US\$m): 3.1
 Forecast gearing ratio (%): 127.0
 Market: OTC

Share price graph (US\$)



Company description

Ironwood Gold is a US-listed gold exploration company with projects in Nevada, US.

Price performance

%	1m	3m	12m
Actual	(40.0)	(66.3)	(95.5)
Relative*	(40.8)	(78.3)	(96.1)

* % Relative to local index

Analyst

Michael Starke

Ironwood Gold (IROG)

INVESTMENT SUMMARY

Ironwood Gold is focused on developing its exploration properties in Nevada, the source of approximately 80% of America's current gold production. The company continues to assess several highly prospective exploration targets located in proximity to a number of producing mines. It recently appointed Mr Anton Borozdin to the board of directors; he is currently vice president of wealth management for CBH Compagnie Bancaire Helvétique SA of Geneva.

INDUSTRY OUTLOOK

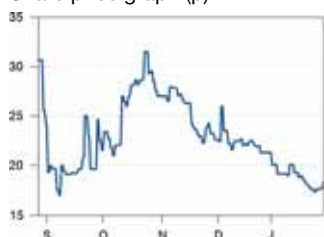
Gold has retraced 7% since its record-high nominal price of over US\$1,421/oz achieved in December last year. Nevertheless, gold remains an important hedge against inflation and means of preserving capital in the current fiscal environment.

Y/E Aug	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(0.1)	(0.1)	(0.1)	N/A	N/A
2009A	0.0	0.0	0.0	(0.1)	N/A	N/A
2010E	0.0	(3.6)	(3.6)	(5.3)	N/A	N/A
2011E	0.0	(3.6)	(3.6)	(4.4)	N/A	N/A

Sector: Mining

Price: 18.4p
 Market cap: £122m
 Forecast net cash (SEKm) 50.9
 Forecast gearing ratio (%) N/A
 Market NASDAQ OMX First North

Share price graph (p)



Company description

Kopylovskoye is a gold exploration company focused on the development of its seven licences in Russia. Together these cover 255 sq km and have C1, C2 and P1 reserves/resources of 2.0Moz.

Price performance

%	1m	3m	12m
Actual	(6.1)	(30.1)	N/A
Relative*	(5.4)	N/A	N/A

* % Relative to local index

Analyst

Michael Starke

Kopylovskoye (KOPY)

INVESTMENT SUMMARY

Kopylovskoye has reported a modest, but encouraging, set of grades (typically ~1g/t over a couple of meters) from 1,774m of reverse circulation drilling undertaken at the company's flagship Kopylovskoye project. The drilling was undertaken in autumn last year up to depths of ~50m although there are indications that the mineralisation continues up to depths of ~200m. The company plans to undertake additional drilling as part of its campaign to report a maiden JORC compliant mineral resource by the end of Q1 2011. In December last year, Kopylovskoye completed a four for five rights issue (at SEK22), raising gross proceeds of SEK64.8m (~US\$10m). Accounting for recent share issuances, we value the company at SEK25/share vs SEK45/share previously.

INDUSTRY OUTLOOK

Gold has retraced 7% since its record-high nominal price of over US\$1,421/oz achieved in December last year. Nevertheless, gold remains an important hedge against inflation and means of preserving capital in the current fiscal environment.

Y/E Dec	Revenue (SEKm)	EBITDA (SEKm)	PBT (SEKm)	EPS (öre)	P/E (x)	P/CF (x)
2008A	0.4	(11.8)	(13.6)	(2.2)	N/A	1290.1
2009A	0.5	(4.5)	(5.6)	(16.2)	N/A	N/A
2010E	0.3	(17.2)	(19.3)	(690.2)	N/A	N/A
2011E	0.3	(17.2)	(17.8)	(268.5)	N/A	N/A

Sector: Mining

Price: 112.0p
 Market cap: £42m
 Forecast net cash (US\$m) 12.1
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(2.6)	(12.5)	(38.8)
Relative*	(0.9)	5.9	(47.1)

* % Relative to local index

Analyst

Charles Gibson

MDM Engineering (MDM)

INVESTMENT SUMMARY

MDM's interim results continued to show the effect of project delays and deferrals as well as a strong rand and pressure on gross margins. Significantly, however, it has announced two recent contract wins as well as reporting 'increased requests for study proposals and tenders'. In the meantime, it is in the process of concluding studies on eight projects, four of which are either BFS or DFS, which it has historically converted into projects at a rate of 67%. We expect MDME to ostensibly break even in H2, helped by a recovery in margins, before returning to profit from FY12 onwards.

INDUSTRY OUTLOOK

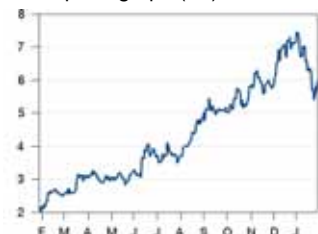
With projected EBITDA of US\$8.4m in FY13 (assuming it wins Goldfields' US\$350m West Wits/Driefontein tailings recovery project from August), MDM's FY13 EV/EBITDA multiple of 6.2x is at a 32.6% discount to the 9.2x year two average of its three principal international peers (Lycopodium, Ausenco and Outotec).

Y/E Dec / Mar	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	35.9	10.6	11.6	21.1	8.5	6.5
2010A	33.2	4.2	5.0	9.3	19.2	N/A
2011E	14.4	(2.4)	(2.8)	(5.3)	N/A	28.5
2012E	31.7	4.0	4.2	8.1	22.1	19.4

Sector: Mining

Price: C\$6.00
 Market cap: C\$1179m
 Forecast net cash (US\$m) 4.3
 Forecast gearing ratio (%) N/A
 Market TSX

Share price graph (C\$)



Company description

Nevsun Resources is developing the Bisha Au-Ag-Cu-Zn volcanic massive sulphide deposit in western Eritrea. The company expects production from the project in 2011. Nevsun is debt free.

Price performance

%	1m	3m	12m
Actual	(15.1)	7.0	179.1
Relative*	(15.5)	45.1	134.1

* % Relative to local index

Analyst

Charles Gibson

Nevsun Resources (NSU)

INVESTMENT SUMMARY

Nevsun poured first gold at the end of Q410 (as expected) before entering commercial production in Q111. Initial mining will focus on an enriched gold-silver cap of the orebody at a unit cost of c US\$230/oz until 2012. Subsequent mining will see the inclusion of revenues from copper and then zinc. Given its mining schedule, at current metals' prices we have a discounted dividend flow valuation on the shares of C\$8.78. Given successful replenishment of its reserves as well, we estimate that its shares could trade in excess of C\$15/sh (before allowing for a planned 20-40% increase in production during the copper phase from 2013).

INDUSTRY OUTLOOK

Nevsun is in the process of recalculating its reserves and resources as well as commencing an 8,000m exploration programme in the hanging wall of the copper zone and in-fill drilling at Harena. Over the life of Bisha's operations, we estimate the breakdown of Nevsun's revenue by to be gold (6%), silver (7%), copper (27%) and zinc (60%).

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	0.0	(8.1)	(7.2)	(5.6)	N/A	N/A
2009A	0.0	(5.5)	(5.0)	(3.9)	N/A	N/A
2010E	0.0	(11.0)	(9.4)	(3.8)	N/A	N/A
2011E	644.5	469.8	456.0	86.6	6.8	2.8

Sector: Mining

Price: A\$0.45
 Market cap: A\$252m
 Forecast net debt (A\$m) 38.8
 Forecast gearing ratio (%) 7.0
 Market ASX

Share price graph (A\$)



Company description

Nkwe Platinum is a platinum group metals (PGM) development company with two main projects; Garatau (74%) and Tubatse (optioned stake of 74%) which have total resources of 68.9Moz (3PGM+Au). Xstrata has an option to acquire 50% of both projects.

Price performance

%	1m	3m	12m
Actual	0.0	(23.7)	(26.2)
Relative*	(0.1)	(21.6)	(28.9)

* % Relative to local index

Analyst

Michael Starke

Nkwe Platinum (NKP)

INVESTMENT SUMMARY

Shares in Nkwe remain suspended following a decision by SA's Constitutional Court in November last year to set aside the New Order Prospecting Rights (NOPRs) over the Nooitverwacht and Eerstegeluk farms. The two farms form part of Nkwe's Tubatse project and were previously awarded to its BEE partner, Genorah Resources. Importantly, the Constitutional Court did not re-award the NOPRs to any other party. As such, the two local communities (the Roka Posha and Bengenyama) along with Genorah have reapplied for the NOPRs. Nkwe has back-to-back agreements with Genorah to ensure it maintains its 64% interest in the two farms. In addition, the DMR reportedly plans to fast-track the new application.

INDUSTRY OUTLOOK

We remain cautiously optimistic about the current outlook following recent positive US automotive sales. We also believe platinum prices will continue to recover in mid-2011 as auto producers restock ahead of forecast increases in vehicle production in 2012.

Y/E Jun	Revenue (A\$m)	EBITDA (A\$m)	PBT (A\$m)	EPS (c)	P/E (x)	P/CF (x)
2009A	1.7	(12.9)	(12.9)	(4.6)	N/A	N/A
2010A	0.6	(9.4)	(9.4)	(1.7)	N/A	N/A
2011E	0.0	(4.6)	(37.2)	(5.7)	N/A	69.0
2012E	0.0	(4.3)	(69.8)	(10.3)	N/A	N/A

Sector: Mining

Price: 10.7p
 Market cap: £11m
 Forecast net cash (£m) 1.2
 Forecast gearing ratio (%) N/A
 Market PLUS

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	43.1	120.1	196.0
Relative*	45.5	208.4	155.8

* % Relative to local index

Analyst

Warren Johnstone

Oracle Coalfields (ORCP)

INVESTMENT SUMMARY

Oracle Coalfields has been working with a group of independent consulting companies to carry out the components of a BFS and ESIA on their Block VI lignite coal project in Pakistan. Resource and geotechnical drilling has recently been carried out on site and the studies are due to be completed in 2011. The company entered into deals with the Karachi Electric Supply Company (KESC) and Lucky Cement, and in 2010 raised £2.1m, most of which is being used to fund the BFS and ESIA. Oracle is now contemplating a listing on AIM in the first half of 2011. The August floods in Pakistan did not directly affect the project area.

INDUSTRY OUTLOOK

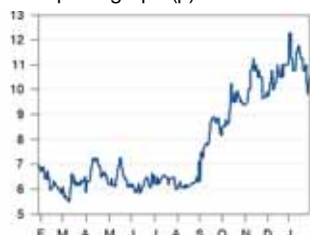
The Pakistan government continues to support the development of the Thar coalfield as part of its strategy to meet growing domestic demand for low-cost energy.

Y/E Dec	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2009A	0.0	(0.2)	(0.2)	(0.2)	N/A	N/A
2010E	0.0	(0.1)	(0.1)	(0.1)	N/A	N/A
2011E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 10.5p
 Market cap: £152m
 Forecast net cash (£m) 8.4
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Pan African is a gold mining company that produces approximately 100,000oz per year. Its focus is on developing low cost, high margin production or near production projects.

Price performance

%	1m	3m	12m
Actual	(6.7)	11.1	51.7
Relative*	(5.1)	52.1	31.1

* % Relative to local index

Analyst

Warren Johnstone

Pan African Resources (PAF)

INVESTMENT SUMMARY

Pan African Resources owns and operates three gold mines in South Africa's famous Barberton area, which has historically produced over 10Moz of gold. As an existing gold producer (100koz per annum), the company recently increased gold resources by 18% and is set to increase annual output to 125koz by FY15. It will also begin producing platinum group metals (PGMs) at its wholly-owned Phoenix project, where it expects to produce up to 12koz of PGMs per year by FY13. Margins at Phoenix, which treats tailings from chrome mining activities in South Africa, could be as high as \$1,100/oz at PGM basket prices of \$1,500/oz.

INDUSTRY OUTLOOK

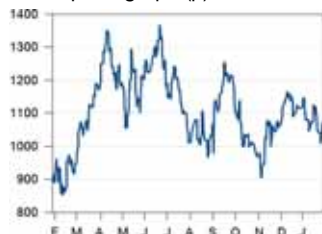
The recent sell-off in gold has been attributed to expectations that higher interest rates in China will be exported to the US. While possible, we believe such a scenario is unlikely in 2011 given the fragility of the US recovery and the parlous state of federal finances. At US\$1,350/oz, the current price of gold is consistent with the US's expanded narrow monetary base.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	52.9	24.4	22.8	1.0	10.5	4.6
2010A	68.3	27.8	25.3	1.3	8.1	5.7
2011E	76.0	29.7	25.8	1.3	8.1	5.6
2012E	95.9	47.7	43.0	2.0	5.3	3.6

Sector: Mining

Price: 1043.0p
 Market cap: £1959m
 Forecast net debt (US\$m) 230.7
 Forecast gearing ratio (%) 16.0
 Market FULL

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(6.0)	7.4	14.7
Relative*	(4.4)	(9.8)	(0.8)

* % Relative to local index

Analyst

Charles Gibson

Petropavlovsk (POG)

INVESTMENT SUMMARY

POG's Q4 production of 202,200oz was 1.4% below the bottom of its target range of 205-225,000oz. Nevertheless, it was a 46% improvement over Q310, which resulted in a strong intra-day performance by its shares. The company is now forecasting minimum production of 600,000oz in FY11, an 18% increase over FY10, although no cost guidance was given (due 31 March). Given 202.2koz in Q410, production of 600koz in FY11 should be an easily achievable target. All other things being equal, we would also expect unit costs to fall as proportionately more production is derived from newer operations (eg Pioneer and Malomir) at the expense of older ones (Pokrovskiy). While it was not reiterated as a formal target, past mining schedules have projected production to peak at c 1.15Moz in FY15, on which basis we estimate that POG could report EPS in excess of US\$1.80 (£1.125).

INDUSTRY OUTLOOK

Our FY11 numbers currently assume production of 657,144oz at a gold price of US\$1,350/oz and costs of US\$538/oz.

Y/E Dec	Revenue (US\$m)	EBITDA (US\$m)	PBT (US\$m)	EPS (c)	P/E (x)	P/CF (x)
2008A	381.7	108.1	58.7	49.7	33.5	22.5
2009A	472.3	201.5	198.2	98.2	17.0	13.0
2010E	656.9	150.0	74.1	32.9	50.7	26.4
2011E	N/A	N/A	N/A	N/A	N/A	N/A

Sector: Mining

Price: 12.5p
 Market cap: £85m
 Forecast net debt (£m) 0.2
 Forecast gearing ratio (%) 2.0
 Market AIM

Share price graph (p)



Company description

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

Price performance

%	1m	3m	12m
Actual	(13.8)	96.1	681.3
Relative*	(12.3)	399.0	575.2

* % Relative to local index

Analyst

Charles Gibson

Red Rock Resources (RRR)

INVESTMENT SUMMARY

Red Rock continues to advance its business. Most recently its 5.2% associate Jupiter Mines, in Australia, has announced a maiden inferred resource at Mt Ida of 530Mt at 31.94% Fe (vs a year-end target of 400Mt and an overall target of 1.1-1.3bn tonnes) from drilling just the central of three areas. In Colombia, the El Limon mine has been tested at 30tpd with ramp-up to 150tpd scheduled for this month. In the meantime, in Kenya Kansai has announced that it intends to sell its interest in Mid-Migori (plus other assets), thereby generating a potential pre-tax dividend distribution to Red Rock of C\$10.9m from a C\$0.5m investment. In the UK, RRR has made a £1.5m investment in Ascot Mining, which has gold assets in Costa Rica.

INDUSTRY OUTLOOK

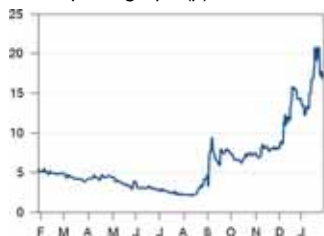
Red Rock's principle commodity exposures are to gold, iron ore and uranium. Recently, it has negotiated an increase in its equity draw-down facility to £10.5m.

Y/E Jun	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2008A	1.3	(0.2)	(0.2)	(0.12)	N/A	N/A
2009A	0.1	(0.8)	(0.8)	(0.24)	N/A	N/A
2010E	6.1	5.2	5.1	0.62	20.2	N/A
2011E	2.9	2.2	2.2	0.32	39.1	362.7

Sector: Mining

Price: 17.3p
 Market cap: £151m
 Forecast net cash (£m) 0.3
 Forecast gearing ratio (%) N/A
 Market AIM

Share price graph (p)



Company description

Sirius Minerals is a diversified mining and exploration holding company with salt and potash interests in the UK, North America and Australia and initiatives in Compressed Air Energy Storage and Carbon Sequestration.

Price performance

%	1m	3m	12m
Actual	23.2	142.1	220.9
Relative*	25.3	552.4	177.4

* % Relative to local index

Analyst

Charles Gibson

Sirius Minerals (SXX)

INVESTMENT SUMMARY

Sirius Minerals has announced it has acquired York Potash for a total consideration of £25.3m in shares. The total York Potash licence area covers c 600 square km situated to the south of the long-producing Boulby potash mine in the NW of England. A JORC Exploration Target of ~6.0bn tonne of premium sulphate of potash has been identified on the lease. Sirius has also announced the initial drill results for its North Dakota Salts project. Potash was intersected over a length of 8.5m at an average grade of 11.8% K₂O. This has been interpreted to be similar to Esterhazy Member type mineralisation seen in the Saskatchewan Prairie Evaporite Formation. In addition to the UK and USA, it also holds exploration licences in Western Australia and has an MoU with Sino-Agri over its Adavale Project in Queensland.

INDUSTRY OUTLOOK

Using an industry average EV multiple of US\$0.32/t, Sirius's current market cap can be construed as discounting the conversion of 3.5bn of its 6.0bn tonne target to JORC standards.

Y/E Mar	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	P/E (x)	P/CF (x)
2009A	0.0	(0.3)	(0.3)	(0.4)	N/A	N/A
2010A	0.0	(1.5)	(1.5)	(0.4)	N/A	N/A
2011E	0.0	(1.4)	(1.4)	(0.2)	N/A	N/A
2012E	N/A	N/A	N/A	N/A	N/A	N/A

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