

# Global Resources Investing Conference

Company feature

Mining sector

June 2011



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### Charles Gibson



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

### 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.

### Amanda Geard



Amanda trained as a geologist at the University of Tasmania (Centre for Ore Deposit Research), graduating with a First Class Honours Degree. She has since worked as an exploration/resource geologist for Rio Tinto Exploration, Oxiana Ltd and Sundance Resources in multi-commodity environments in southern Africa, Australia, Jordan, West Africa and South-East Asia. Amanda has a particular interest in resources based in emerging markets and joined the Edison's Mining Team in 2011.

### Tom Hayes



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

### Joe Stokeld



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

### Julian Emery



Julian Emery is an experienced mining research analyst with mining finance, banking and stock broking companies having had previous experience in practical mining and fund management. Most recently he was with Ambrian Partners, with whom he was voted 2008 Mining Analyst of the year by the Association of Mining Analysts. He is a Fellow of the Chartered Institute of Securities and Investment (CIS) and a member of CFA UK.

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## Sector focus: Mining



### Analyst

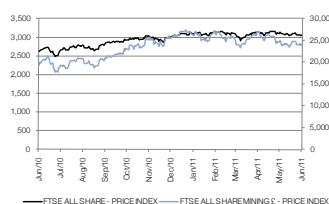
Charles Gibson

## Commodities remain on solid ground

While silver's recent fall of 30% has grabbed the headlines and commentators have gleefully predicted the end of the commodities bubble, much less attention has been focused on where prices actually are after the 'crash'. Gold, for example, still trades at six times its 2001 low and silver approximately the same. The falls nevertheless demonstrate that investors are nervous and desperately keen to avoid getting caught in the same trap as in 1980. While the sentiment is understandable, we believe there are good reasons why the fundamental pressure on commodity prices remains upwards. In particular, this centres on negative real interest rates in the US, especially at the short end of the yield curve.

This phenomenon, similar to the situation in the 1970s, has two key effects. One is to discourage hedging among bankers and producers alike (except under extenuating circumstances). The second is to encourage holders of US dollars to diversify away from short-term treasuries (their traditional haven for the past three decades). The obvious destination for this diversification is real, dollar-denominated assets, principally commodities. But while Chinese holdings of US Treasuries amount to some \$1.5trn, the gold market (to take but one example) is worth only approximately \$200bn per year. So only a small degree of diversification is capable of overwhelming the physical market. In the meantime, until US interest rates do rise – a prospect that we regard as 'distant' in the absence of an explicit inflation problem – we believe commodities remain on a solid foundation.

### Sector performance



### Sector P/E

FY1	19.2x
FY2	18.6x

### Significant price changes one month (%)

Emerging Metals	43
European Nickel	33
Goldstone Resources	22
Condor Resources	(22)
Mwana Africa	(29)

### Key sector data

Number of constituents	88
Average market cap.	£2.9bn
No of profitable companies	34

### Significant deal flow/catalysts

Glencore IPO
GoldOne sale to Chinese consortium
Strategic Minerals IPO



# Company profiles

# American Manganese

## Investment summary: Stellar steel

American Manganese is planning to focus on minerals involved in the steel manufacturing industry by developing its Artillery Peak Manganese Property in Arizona. In March 2011, the company raised US\$9.3m to move its project through environmental work and a preliminary feasibility study, which should be completed in September 2011.

### Artillery Peak: Expanding world-class MN resource

The company controls 87 patented and 356 unpatented lode mining claims, located in the region recognised as the largest known manganese deposit in south-west US. The preliminary assessment announced in August 2010 showed that the conceptual project should be economically robust and could potentially become the world's lowest-cost producer of electrolytic manganese metal. The company has conducted additional drilling and revised its NI 43-101 compliant resource, which is now estimated to contain 6.7bnlb at 3.27% Mn in the indicated category and 8.9bnlb at 3.76% Mn in the inferred. In April 2011, a 10,670m rotary drilling campaign started, focusing on moving resources to the indicated category for open pit mining scenario evaluation, and to explore nearby untested patented claims for new resources. Assay results are expected by the end of June.

### Lithium Manganese Oxide: High-value product

Work with Kemetco on research into the manufacture of Lithium Manganese Oxide (LMD) powder is expanding and the company is well positioned to take a role in providing products to the emerging rechargeable battery market. This represents an important expansion of the business model to include more high-value products. The mineral resource at Artillery Peak will be the source of the manganese component recovered by the company's patent pending process through hydro-metallurgical pilot plant development, to be completed by Q311.

### Rocher Debole: Additional exploration targets

With its IOCG type mineralisation, Rocher Debole in BC is a vital component of the company's portfolio. To define the scope of the resource, ground work is planned for summer 2011, followed by a drilling programme in 2012.

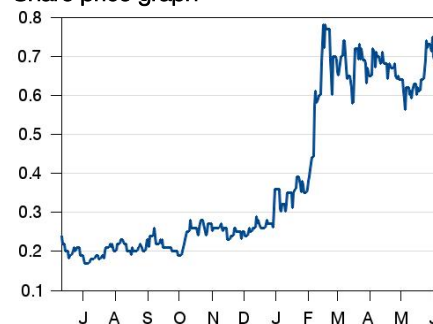
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
07/09	0.0	(1.69)	(0.04)	0.00	N/A	N/A
07/10	0.0	(1.39)	(0.03)	0.00	N/A	N/A
07/11e	N/A	N/A	N/A	N/A	N/A	N/A
07/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.61\*

Market Cap C\$53m\*

\*as at 9 June 2011

#### Share price graph



#### Share details

Code	AMY
Listing	TSX-V
Shares in issue	87.2m
Fully diluted	130.3m

#### Price

52 week	High	Low
	C\$0.78	C\$0.17

Cash C\$9.0m

#### Business

American Manganese is an exploration and development company focused on exploring for commodities used in the steel industry. The company owns Artillery Peak manganese property in Arizona, Rocher Debole, three other manganese properties, and two niobium properties in British Columbia.

#### Bull

- Rich resource of 15bnlb Mn
- Manganese critical to steel industry
- Highly experienced management
- Expansion into high value products

#### Bear

- Low grade
- Patent pending process
- LMD is a new product, needs market education

#### Analysts

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# Auryx Gold

## Investment summary: Namibian gold assets

Auryx Gold is focused on exploration and development of the Otjikoto Gold Project in Namibia with over 1.8Moz of NI 43-101 resource. The company is fully financed to advance the exploration programme on Otjikoto and the Otavi Exploration Area, where work began in July 2010. In the recently released assay results, management confirmed that the mineralisation system at Otjikoto is much larger than previously defined.

### Otjikoto gold project

The key project is the Otjikoto gold deposit, acquired from Vale in June 2010, which consists of three exploration licences of approximately 2,750km<sup>2</sup> and one exploration licence in application. The property is located in north-central Namibia, 300km north of the capital city Windhoek. It has easy access to infrastructure with a paved highway and railway 3km away, linking the project to the port of Walvis Bay, and four different power lines within 16km of the deposit. Auryx owns a 92% interest in two Exclusive Prospecting Licences (EPL) and a 100% interest in one EPL. The remaining 8% interest belongs to EVI Mining, a locally-owned investment group, which also has an option to purchase an additional 7% of the Otjikoto Project on commercial terms.

### Potential for resource extension –H112

The Otjikoto structural corridor can be traced geo-physically for at least 10km; so far only 3km of this has received significant exploration attention. Before Auryx's acquisition of the deposit, previous operator Teal Exploration & Mining completed percussion, reverse circulation and diamond drilling to test exploration targets within the area. Otjikoto has an NI 43-101 indicated resource of 25.12Mt at 1.44g/t for 1.16Moz gold and an inferred resource of 15.58Mt at 1.31g/t for 0.68Moz gold, both at a cut-off grade of 0.4g/t. The deposit has a higher grade core and, at a 0.8g/t cut-off, the indicated resource is 15.78Mt at 1.94g/t for 0.98Moz gold and an inferred resource of 8.37Mt at 1.94g/t for 0.52Moz gold. To date, the company has conducted drilling and resource estimates as well as reconnaissance mineral exploration work throughout the Otavi Exploration Area. To accommodate the increased drilling output, Auryx has expanded its technical team and arranged for Genalysis to establish a sample preparation facility at its operations in Walvis Bay. The company plans to update its resource in H112.

Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	0.00	(0.05)	N/A	0.00	N/A	N/A
12/10	0.10	(3.90)	N/A	0.00	N/A	N/A
12/11e	0.21	(7.41)	(0.05)	0.00	N/A	N/A
12/12e	0.21	(6.69)	(0.03)	0.00	N/A	N/A

Source: Bloomberg consensus.

Price C\$0.47\*

Market Cap C\$76m\*

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code	AYX
Listing	TSX
Shares in issue	161.6m
Fully diluted	180.8m

#### Price

52 week	High	Low
	C\$1.35	C\$0.27

Cash C\$34m

#### Business

Auryx Gold is a TSX listed exploration and development company with its gold project Otjikoto, located within the Otavi exploration area, and a further 400,000ha of exploration licences located in north-central Namibia.

#### Bull

- Namibia – mining friendly jurisdiction
- Excellent infrastructure
- Experienced management

#### Bear

- High grade variability
- Nuggety gold increases assays costs

#### Analysts

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# Bravo Gold Corp

## Investment summary: Assets in North America

Bravo Gold's major asset is 100%-owned gold-rich Homestake Ridge Project in British Columbia. The property is surrounded by the newly acquired Kinskuch project, and both will be the subjects of a US\$5m exploration programme in 2011, with a view to identifying accretive compliant mineral resources to those already confirmed.

### Homestake Ridge in a prolific mining area

This property is located within the Iskut-Stewart-Kitsault Belt in British Columbia, with road access within 6km. It comprises 26 mineral claims for a total area of 2,585ha in the Skeena Mining Division with specific claims subject to a 2% net smelter return (NSR). Since the acquisition of the property in 2003, the deposit has been aggressively explored, so far covering 58,736m of drilling with 216 drill holes completed, and has identified two major accumulations of gold and silver mineralisation of potential economic significance.

### Potential for adding resource

In May 2011, Bravo released an updated NI43-101 compliant mineral resource estimate of 0.19Moz gold and 1.35Moz silver contained within 0.88Mt in the indicated category plus 0.53Moz gold and 13.47Moz silver contained within 4.06Mt in the inferred category at an average cut-off grade of 3.0g/t gold equivalent. The resource update, project audit and preliminary engineering work were conducted by Scott Wilson Roscoe Postle Associates, which advised underground mining would be the best economic solution for the Homestake project. The company plans to spend US\$2.5m on a multi-phase exploration programme that will focus on drill-testing several newly established targets, and it should be completed by the end of 2011 with an updated resource statement.

### Aggressive exploration programme in 2011

The Kinskuch project was a strategic acquisition as it contains much of the access road to Homestake Ridge and several unexplored highly prospective areas. In 2011, Bravo plans to spend US\$2.5m on an airborne VTEM survey over much of the project area, as well as surface exploration of the main mineralised trends and 2,000m of diamond drilling.

Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
07/09	0.0	(7.42)	(0.08)	0.00	N/A	N/A
04/10 <sup>1</sup>	0.0	(0.44)	N/A	0.00	N/A	N/A
07/11e	N/A	N/A	N/A	N/A	N/A	N/A
07/12e	N/A	N/A	N/A	N/A	N/A	N/A

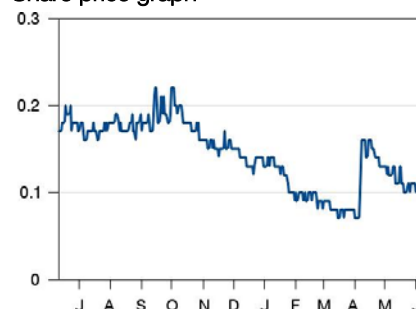
Note: <sup>1</sup> nine months (full results not yet released).

Price C\$0.11\*

Market Cap C\$18m\*

\*as at 9 June 2011

Share price graph



Share details

Code	BVG
Listing	TSX-V
Shares in issue	164m
Fully diluted	210m

Price

52 week	High	Low
	C\$0.22	C\$0.07

Cash C\$6.5m

Business

Bravo Gold is a Canadian-based company exploring and developing the Homestake Ridge and Kinskuch gold and silver properties in North America. It also has a 100% option on the Silver Basin project, located 14km south-east of Homestake Ridge and owns 13% of Nevada gold holdings.

Bull

- Prolific mining area
- Resource update end 2011
- Excellent infrastructure in place

Bear

- Long lead time before development
- Development risk

Analysts

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# Geologix Exploration

## Investment summary: Gold-copper resource

Geologix Exploration is focused on developing its advanced Tepal gold-copper porphyry project in Mexico, which since 2010 has been the subject of intensive exploration and is now moving to PFS. The NI-43-101 resource statement updated in March 2011 estimated a resource of 3.8Moz AuEq.

### Tepal gold-copper project – US\$412m NPV

This revised resource data has been used for a Preliminary Economic Assessment (PEA) study (April 2011), which increased the scale of the project's economics and extended the mine life to 18.1 years. The PEA mine plan at Tepal predicts conventional flotation concentration and smelting of 130.2Mt of sulphide ore and heap leaching of 14.3Mt of the oxide cap for the total production of 1.55Moz of gold mined and 677Mlb of copper, at US\$412m NPV<sub>5%</sub> with four years' pay back.

### Pre-feasibility study commenced

These results give important guidance for the pre-feasibility study, started in June, as well as ongoing resource expansion and target delineation programmes at Tepal. The company has US\$20m cash and plans to spend US\$10m on 2011 development and exploration programmes to bring the project through PFS.

Geologix owns 100% of the Tepal Project, which is comprised of five concessions totalling approximately 138km<sup>2</sup>. The property is located 70km west of Apatzigan and 170km south of Guadalajara, one of the largest cities in Mexico, and has an excellent infrastructure with paved roads and deep sea port access. The project has currently a NI-43-101 compliant indicated resource of 0.8Moz at 0.42gt Au and 311.1Mlb at 0.24% Cu, giving 1.7Moz AuEq, and inferred resource of 0.8Moz at 0.28g/t Au and 414.8Mlb at 0.2% Cu, giving 2.1Moz AuEq.

### Libertad Project – further exploration potential

In June 2009, Geologix was granted a right to acquire an 85% interest in Libertad project in Mexico. In November 2010, it announced assay results from its 2,213m diamond drill programme, with all 10 holes intersecting gold and silver mineralisation, and multiple holes returning significant gold and silver grades over sizeable widths.

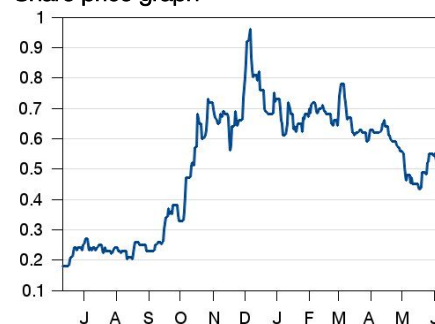
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	0.00	(6.46)	(0.13)	0.00	N/A	N/A
12/10	0.00	(2.83)	(0.04)	0.00	N/A	N/A
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.45\*

Market Cap C\$60m\*

\*as at 9 June 2011

#### Share price graph



#### Share details

Code	GIX
Listing	TSX
Shares in issue	132.3m
Fully diluted	145.4m

#### Price

52 week	High	Low
	C\$0.96	C\$0.18

Cash C\$20m

#### Business

Geologix Explorations is a TSX-listed mineral exploration company focused on developing its two main projects, the Tepal gold-copper porphyry project and the gold-silver Libertad project in Mexico. In addition, the company has a portfolio of other properties in Mexico and Nevada, and entered into joint ventures on multiple secondary properties in Nevada and Peru.

#### Bull

- High quality concentrate
- Team of experts
- PFS underway (June 2011)

#### Bear

- Potential community issues
- Development risk

#### Analysts

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# Great Basin Gold

## Investment summary: Junior gold producer

With its two advanced projects, Great Basin Gold is emerging as a junior gold producer. The production from its two operations, Hollister in Nevada, US and Burnstone in South Africa, is expected to grow from up to 220,000oz of gold in 2011 to 330,000oz of gold in 2012. The annual capacity at both mines is targeted at 364,000oz AuEq.

### South African operations: Maiden revenue of US\$3.8m

The Burnstone project is located in the world's most prolific goldfield, the Witwatersrand Basin in South Africa, and contains mineral reserves of 6.4Moz of gold. During Q111 it recovered 5,511oz Au, sold 2,794oz and recorded a maiden revenue of US\$3.8m. The company plans to spend up to US\$80m on underground development this year to support the production profile for the short to medium term. The current focus is to ramp up production and achieve a milling rate of 125,000t per month by July 2011, with an increase to 175,000t per month in 2012. The 2011 production is forecast to range between 85,000oz and 110,000oz of gold, at cash costs forecast at US\$520-620/oz. Average annual production is anticipated to reach 220,000oz Au in 2012 and 254,000oz Au in 2013 at an average cash cost of US\$506/oz, with upside potential for later phases of development.

### Nevada operations: On track to produce over 100koz

Hollister is a gold/silver project, situated on the Carlin Trend in Nevada, US. It has proven and probable reserves of 0.9Moz and a measured and indicated resource of 1.64Moz. The project is fully integrated with the Esmeralda mine and mill and to date 170,000oz have been recovered from trial mining at Hollister; and in Q111 the company sold 24,500oz AuEq. After introducing clean carbon in February 2011, gold recoveries have exceeded 90% and silver recoveries increased to 75%. The forecast average annual production at Hollister is 110,000oz AuEq over an eight-year life of mine, at a cash cost of US\$527/oz. In 2011 the company plans to spend US\$8m on exploration at Hollister.

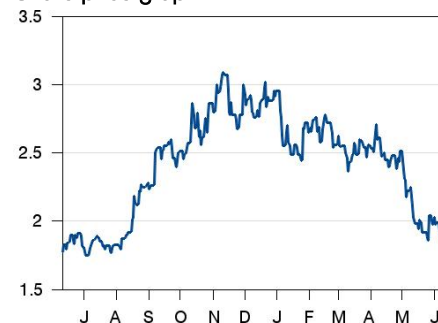
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	33.7	(54.0)	(0.16)	0.00	N/A	N/A
12/10	99.7	(29.1)	(0.08)	0.00	N/A	N/A
12/11e	275.0	47.0	0.08	0.00	23.6	N/A
12/12e	413.0	146.0	0.24	0.00	7.9	N/A

Source: Bloomberg consensus

Price **C\$1.89\***  
Market Cap **C\$858m\***

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code	GBG
Listing	TSX-V
Shares in issue	454m
Fully diluted	555m

#### Price

52 week	High	Low
	C\$3.09	C\$1.74

Cash	C\$68m
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#### Business

Great Basin is a mineral exploration and production company, with two advanced projects: Hollister in Nevada, US and Burnstone in South Africa. It also conducts greenfields exploration in Tanzania and Mozambique that could potentially add further value.

#### Bull

- Low-cost shallow mine with high level of mechanisation underground at Burnstone
- Cash-flow generating

#### Bear

- Not connected to permanent power source until H212
- Development risk at Burnstone mine

#### Analysts

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# Legend Gold Corp

## Investment summary: Gold in Mali

Legend Gold has been exploring for gold in Mali since 2002 and is currently focused on its two most advanced projects, Tiekoumala and Lakanfla. The company plans to spend US\$1.2m on drilling programmes this year and is expected to release initial assay results in summer 2011.

### Tiekoumala gold project: Expecting new assay results

The most advanced project in Legend's portfolio is the Tiekoumala gold project, with a NI 43-101 compliant resource of 7.88Mt at 0.95g/t Au for 0.24Moz of gold in the indicated category and 10.5Mt at 1.05g/t Au for 0.35Moz of gold in the inferred category. The property, located in southern Mali, consists of 522.5km<sup>2</sup> of mineral rights in three contiguous exploration permits in the Birimian Massigui greenstone belt. Mali is a democratic country that is very supportive of the mining industry, and is currently Africa's third-largest producer of gold. Since July 2010, the company has been conducting extensive geochemical sampling, which has identified several highly prospective gold occurrences in the area requiring further detailed exploration.

### Lakanfla: Potential for compliant resource

The second part of the company's strategy is the Lakanfla and Tintimbu permits, located in western Mali, covering 48km<sup>2</sup> of mineral rights situated along the strike from the 11Moz Sadiola Hill Mine. Since its acquisition in 2003, approximately C\$1.5m has been spent on exploration, delineating three gold occurrences within Lakanfla known as Zones 1, 2 and 3. The company completed an internal, non NI 43-101 compliant resource estimate for Zone 2, of 139,000oz Au in 5.55Mt of rock at an average grade of 0.78 g/t Au. In May 2011, Legend Gold began a 10,000m exploration programme on the permit, which will include reverse circulation and air core drilling and it is budgeted at C\$800,000 for the rest of the year. It is intended that a compliant resource at Lakanfla will be announced in mid-2012.

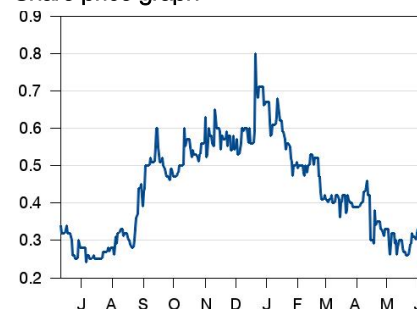
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	0.00	(6.88)	(0.23)	0.00	N/A	N/A
09/10 <sup>1</sup>	0.00	0.33	0.01	0.00	28.0	N/A
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

Note: <sup>1</sup> nine months (full year not yet published)

Price C\$0.28\*  
Market Cap C\$18m\*

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code LGN  
Listing TSX-V  
Shares in issue 62.5m  
Fully diluted 82.4m

#### Price

52 week High Low  
C\$0.8 C\$0.24

Cash C\$2.3m

#### Business

Legend Gold Corp is exploring for gold in Mali, and currently has six exploration projects comprising 750km<sup>2</sup>: Tiekoumala, Lakanfla, M'Panyala, Dalakan, Diokeba and Tintimbu.

#### Bull

- Exploration potential
- Experienced team onsite

#### Bear

- Apart from Tiekoumala, no market value attributed to other assets
- Exploration risk

#### Analysts

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# Lucky Strike Resources

## Investment summary: Delivering coal to China

Lucky Strike is focusing on completing due diligence on its coal transportation and NKAK exploration project in Mongolia. A recently signed contract with a JV company details transportation of a minimum of 1.0Mt of coal per year from Mongolia to China. Dependant upon financing, the operation is planned to start in October 2011 and generate quick cash flows, which will be used for further development of NKAK.

### Transportation contract: Potential for quick returns

As part of the agreement for exploration of the NKAK Coal properties, it is envisaged that an affiliated company, which holds a transportation licence, will provide transportation contracts to the JV company for transporting a minimum of 1.0Mt of coal per year from Mongolia to China within the first three years of operation. The operation will be based on a system of modules of 30 trucks each, with each module completing 10 three-day cycles per month, carrying approximately 30kt of coal per month. An investment of US\$10m would allow a purchase of 100 cars and for the set up of the logistics infrastructure, and is estimated to generate US\$5m net income per year. Lucky Strike anticipates that these contracts may provide revenue while it carries out exploration on the NKAK properties and could provide means to deliver the coal directly to the market in the future.

### NKAK coal properties awaiting development

The properties known as Nariin Khargait and Ar Khadnii Ovoo are located within 20km of the Baitag Chinese border. The two exploration licences cover an area of 8,736ha and are situated 3km west of the Olonbulag coal deposits, which include the Nariin Khargait, Buduun Khargait, and Ochiriin Bulag deposits, and are directly south-east of the NKAK properties. A reconnaissance survey was completed on the property in July 2010, and resulted in the delineation of coal occurrences extending for 11km in length and 2.5km in width, with a 10-50m thick coal-rich bed. Under the terms of agreement with a private Mongolian company, the NKAK properties will be assigned to a joint venture company, in which Lucky Strike can earn a 75% interest. To acquire the interest, Lucky Strike is required to pay US\$900,000 to the representative and complete a minimum of US\$8m in exploration and development expenditures over three years.

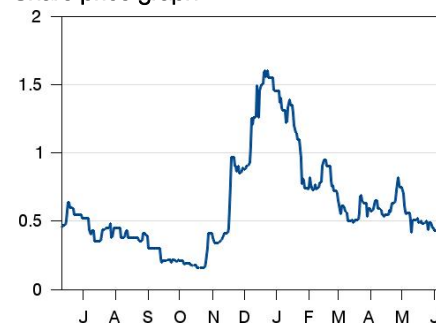
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
07/09	0.0	(0.13)	(0.05)	0.00	N/A	N/A
07/10	0.0	(0.63)	(0.16)	0.00	N/A	N/A
07/11e	N/A	N/A	N/A	N/A	N/A	N/A
07/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.40\*

Market Cap C\$8m\*

\*as at 9 June 2011

Share price graph



Share details

Code	LKY
Listing	TSX-V
Shares in issue	18.8m
Fully diluted	21.0m

Price

52 week	High	Low
	C\$1.6	C\$0.15

Cash C\$2.0m

Business

Lucky Strike Resources is a Canadian exploration company with mineral property in Mongolia, the NKAK project. The company focuses on the transportation contract for coal from Mongolia to China. It also continues to investigate other potential property acquisitions.

Bull

- Growing demand for coal in China estimated at 3.4bnt in 2011
- Potential for quick cashflows

Bear

- Exploration risk
- Access to finance
- Massive logistics operation

Analysts

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# Prodigy Gold

## Investment summary: Strong economics

Prodigy Gold's strategy is to bring its advanced 2.5Moz Magino gold project through the feasibility process and towards production. The Preliminary Economic Assessment (PEA) shows a pre-tax NPV<sub>5%</sub> of US\$351m with average annual gold production of 160koz over the nine-year life of mine.

### Magino gold mine project close to feasibility study

The Magino mine project is located north of Wawa, Ontario, and covers 1,910ha. The property contains indicated gold resources of 51.6Mt for 1.92Moz grading 1.16g/t gold and inferred resources of 17.5Mt for 0.58Moz at 1.04g/t gold. The project is currently being evaluated as an open-pit mining opportunity with the potential for deeper, higher grade gold production at a start-up cost of approximately US\$242m. The project's PEA completed in April 2011 suggests a pre-tax NPV of US\$351m using a US\$1,000/oz gold price and 5% discount rate. The IRR is 49% with a pay-back period of 1.8 years. During the first two years of proposed mine operations, the average grade processed will be 1.60g/t Au compared to the total mineable resource of 41.8Mt at 1.18g/t gold with a strip ratio of 2.8:1. Average annual gold production is estimated to be 166,000oz at cash costs of approximately US\$496/oz. This production equates to 1.5Moz of gold over a nine-year operating life. The PEA will provide the framework for a full bankable feasibility study expected in Q112. Prodigy is currently conducting a 45,000m in-fill and resource expansion drilling programme at the project. It recently announced initial results, which confirm significant widths of gold mineralisation and provide potential for resource expansion south-west of the currently proposed open pit.

### Resource potential at Beardmore-Geraldton gold

The Hercules, Milestone and West Geraldton projects in Ontario are part of the Beardmore-Geraldton gold camp. As such, there is significant potential for resource expansion. During 2011, Prodigy plans to focus on Milestone, a low grade gold system with considerable volume potential. Drilling will test multiple additional targets with the aim of adding to the resource inventory.

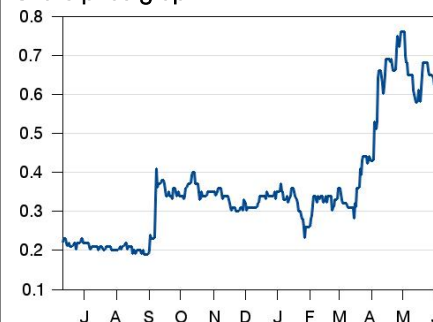
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	0.00	(10.9)	(0.12)	0.00	N/A	N/A
12/10	0.00	(20.3)	(0.12)	0.00	N/A	N/A
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.62\*

Market Cap C\$117m\*

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code	PDG
Listing	TSX
Shares in issue	187.9m
Fully diluted	218.5m

#### Price

52 week	High	Low
	C\$0.76	C\$0.19

Cash C\$9m

#### Business

Prodigy Gold is a mineral company exploring and developing gold and uranium assets in North America. Its main assets are the Magino project in Ontario and the Beardmore-Geraldton exploration properties.

#### Bull

- Bankable feasibility study expected in Q112
- Good infrastructure in major gold producing region

#### Bear

- Development risk for a new mine
- \$242m development capex

#### Analysts

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# Romios Gold Resources

## Investment summary: World class potential

Romios Gold Resources' strategy is to acquire properties with known resources and significant expansion potential in major mining districts. In June 2011, Romios commenced a US\$6m exploration programme at its Trek, Dirk and Newmont Lake properties in Canada. The programme includes 11,800m of diamond drilling as well as geophysical surveys, and is expected to be completed by the end of 2011.

### Galore Creek Area: New resource potential at Trek

Since late 2004, Romios Gold Resources has acquired over 65,000ha of land adjacent to the Galore Creek Mining Corp (GCMC) NovaGold/Teck Resources property in British Columbia. The company has been conducting drilling activities at the Trek property since 2007 and it has discovered significant porphyry style gold-copper mineralisation at the North Zone and identified a new area of prospective copper-gold mineralisation called the Tangle Zone. The 2010 Titan24 geophysical survey identified a substantial zone of MT conductivity underlying several IP anomalies below 500m deep, which may represent the primary gold-copper mineralisation. Together, the North Zone, Tangle and other mineral occurrences at Trek indicate a mineral and geophysical trend striking for 2.0km. Exploration activities currently underway at Trek include 8,200m of drilling to further delineate the North Zone mineralisation and to test the mineralisation on the Tangle Zone.

### The Newmont Lake: NI 43-101 compliant resource

The property has an NI 43-101 inferred resource of 1.4Mt for 200,000oz of gold at 4.3g/t, 6,790,000lb of copper at 0.22% and 291,000oz of silver at 6.4g/t. Romios plans to undertake 400m of drilling at the Ken Zone, a pre-assessment study for future development of the Northwest Zone resource, and geochemical sampling and systematic prospecting along the 35km-long Stikine VMS belt.

### Drilling planned at Dirk

The Dirk property consists of approximately 13,000ha adjacent to the Newmont Lake property. During 2010, the company drill-tested three zones, namely Dirk, Telena and Ridge. In 2011, airborne and ground geophysics will be completed to further assist in the identification of drill targets and a 1,200m drill programme is planned to evaluate the significance of the extensive, high-grade copper-gold-silver mineralisation.

Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
06/09	0.00	(1.85)	(0.03)	0.00	N/A	N/A
06/10	0.00	(0.81)	N/A	0.00	N/A	N/A
06/11e	N/A	N/A	N/A	N/A	N/A	N/A
06/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.40\*

Market Cap C\$56m\*

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code	RG
Listing	TSX-V
Shares in issue	141m
Fully diluted	154m

#### Price

52 week	High	Low
	C\$0.64	C\$0.11

Cash C\$5.2m

#### Business

Romios Gold Resources is a Canadian company focused on the acquisition and exploration of precious and base metal prospects, with its principal assets in the Galore Creek area of British Columbia, Canada. In addition it owns gold exploration properties in Ontario and Nevada and a molybdenum property in Quebec.

#### Bull

- Good infrastructure in British Columbia
- Quality resource in a prolific area with potential for expansion.

#### Bear

- Need for finance this year

#### Analysts

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# Southern Silver Exploration

## Investment summary: Targeting silver belt

Southern Silver Exploration's growth strategy focuses on developing quality and low cost assets in significant mineralised trends and close to infrastructure. It owns four main projects, of which the most advanced is Cerro Las Minitas, where the recently reported initial results from the Phase I drilling highlighted a 6.8m interval, averaging 153g/t Ag, 1.47% Pb, 1.01% Zn. This area will be explored further in 2011 with an additional 10,000m programme due to start this month.

## Projects in Mexico located within a prolific silver belt

Cerro Las Minitas is a newly acquired silver-lead-zinc property, located in Durango State, Mexico. It covers 109km<sup>2</sup> within the prolific Faja de Plata of northern Mexico, which has historic production and resources of over 3.0bnoz of silver. In March 2011, the company commenced a 3,000m drilling programme, plus an airborne magnetic survey and a ground-based IP survey. The Minas de Ameca project is a high-grade, copper-gold-silver exploration opportunity, located along the western margin of the Sierra Madre Occidental terrain, and covers 131km<sup>2</sup> of claims in a 25km-long mineralised trend in Jalisco State, Mexico. So far, exploration efforts have concentrated on the San Luis vein system, where the company completed 4,832m of drilling and selected additional targets for a diamond drill programme.

## US: Earn-in agreement with Freeport

Dragoon is a copper/molybdenum property of 12.8km<sup>2</sup>, located in an area known for large copper porphyry deposits approximately 90km south-east of Tucson, Arizona. In September 2009, Southern Silver signed an earn-in agreement with Freeport McMoran Exploration Corporation (FMEC), under which FMEC may earn a 70% interest in the Dragoon project by spending US\$3m on the property by 31 December 2012. Current exploration activities target a porphyry Cu-Mo system of potentially similar size and grade as the world-class porphyry Resolution deposit. Further work on the project will depend on the results of assays and geophysical surveys over the gravel covered areas. Oro property, located in New Mexico, is a 1,150ha gold, silver, copper, lead and zinc project with multiple prospective drill targets identified within a 2km-long mineralised corridor.

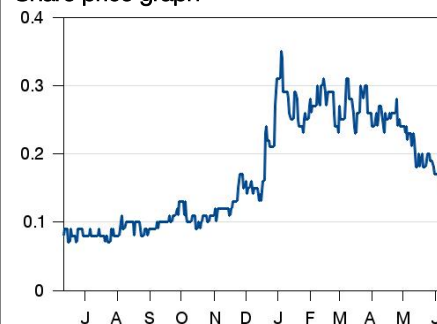
Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
04/09	0.00	(4.91)	(0.11)	0.00	N/A	N/A
04/10	0.00	(2.36)	(0.05)	0.00	N/A	N/A
04/11e	N/A	N/A	N/A	N/A	N/A	N/A
04/12e	N/A	N/A	N/A	N/A	N/A	N/A

Price C\$0.16

Market Cap C\$15m

*\*as at 9 June 2011*

Share price graph



Share details

Code	SSV	
Listing	TSX-V	
Shares in issue	94.3m	
Fully diluted	143.0m	
<b>Price</b>		
52 week	High	Low
	C\$0.35	C\$0.07
Cash	C\$0.5m	

**Business**

Southern Silver Exploration owns two projects in Mexico, and highly prospective projects with world-class potential located in Arizona and New Mexico. Southern Silver is committed to a JV business model and is engaged with Manex Resource Group, a private company, which provides specific expertise in all the areas of exploration and development.

**Bull**

- Excellent infrastructure in a mining friendly jurisdiction
- Experienced Mexican team and support of Manex Group

**Bear**

- No compliant resource
- Exploration risk

**Analysts**

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# Takara Resources

## Investment summary: Advanced gold resource

Takara Resources has two advanced-stage gold projects in Guyana. Tassawini Gold Project has an NI 43-101 resource of 500koz gold and is heading towards an independent feasibility study, which is expected to begin in H211. In May, Takara opted to purchase the remaining 70.1% of the Arakaka project from Guyana Goldfields' subsidiary Aranka Gold, and is planning to spend up to US\$2m on a diamond drilling campaign once the transaction closes.

### Tassawini on the way to PFS

The Tassawini Gold Project is a 100% owned property, located in the Barama-Waini District of north-western Guyana and includes four medium-scale mining permits (MSMPs) covering 1,381ha. Before the acquisition by Takara, the property was explored by StrataGold Corporation, which spent approximately US\$25m and completed an NI 43-101 mineral resource estimate of 499,000oz at 1.3 g/t, of which 437,000oz was in the indicated category and 62,000oz in the inferred category. So far this year, the company has initiated the Environmental and Social Impact Assessment study, which will be instrumental in moving the Tassawini Project to the pre-feasibility level. This summer, Takara will carry out magnetic and radiometric geophysical surveys, and will dovetail the results with structural mapping, which is underway. The 2011 plans also envisage diamond drilling at Tassawini to expand the resource, as well as at new targets outside the deposit area. It is expected that preliminary engineering and preliminary scoping studies will lead to an independent feasibility study, which is due to begin in H211.

### Focus on drilling Arakaka

The Arakaka gold project is located in north-west Guyana and covers a dominant area within the Arakaka Gold District. To date, approximately US\$16m has been spent on the property by previous operators and there are 25 individual gold exploration targets, as well as two meaningful mineralised zones that suggest potential for further development. Takara will spend US\$3.7m to purchase the 70.1% interest in the property and anticipates, raising a further US\$3m to be able to develop the project. On closing, which is expected shortly, the company plans to start with an airborne survey in July 2011 and will follow this with six months of drilling. Initial results are expected in Q311.

Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
12/09	0.00	(0.70)	(0.02)	0.00	N/A	N/A
06/10 <sup>1</sup>	0.00	(0.56)	(0.02)	0.00	N/A	N/A
12/11e	N/A	N/A	N/A	N/A	N/A	N/A
12/12e	N/A	N/A	N/A	N/A	N/A	N/A

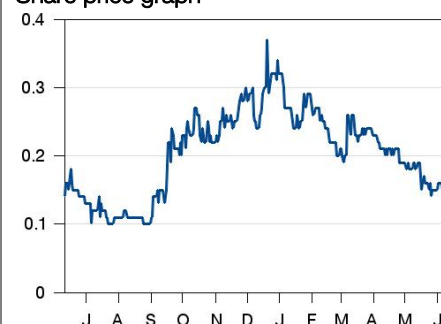
Note: <sup>1</sup> Six months to June 2010 (full year not yet published).

Price C\$0.15

Market Cap C\$14m

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code	TKK
Listing	TSX-V
Shares in issue	94.8m
Fully diluted	121.8m

#### Price

52 week	High	Low
	C\$0.37	C\$0.10

Cash C\$6.0m

#### Business

Takara Resources is a gold development company focused on its advanced-stage gold projects Tassawini and Arakaka, within the Guyana Shield in South America. It also holds a 75% interest in the Miskamowin Project, a newly identified nickel area located in an underexplored area in Northern Manitoba, Canada, known to host ultramafic rocks similar to the Thompson Nickel Belt.

#### Bull

- Significantly advanced open pittable resource
- PFS due to commence on Tassawini

#### Bear

- Lack of advanced mining infrastructure and experienced people in Guyana
- Guyana political risk

#### Analysts

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# Timmins Gold Corp

## Investment summary: Commercial production

The key to Timmins's growth is progress towards 130,000oz of gold production at the San Francisco mine by 2012. Timmins continues expansion of reserves through an intensive drilling programme with a US\$2m budget per month, financed from its current cash flow from operations.

### San Francisco gold mine to produce 100koz Au pa

The San Francisco project, located in the Sonora state of Mexico, is an open pit operation with an NI 43-101 proven and probable reserves of 35Mt at 0.69g/t Au giving 780,000oz of gold. The mine was built on budget for US\$40m and commercial production began in April 2010. During the first year it achieved a daily production averaging a total of 13,415t of ore processed. Most recently, a total of 18,755oz of gold was sold during Q111, with a total of 65,774oz of gold sold for the year ended 31 March 2011. The company is constructing a new crushing module, which is due to be completed in July 2011. This will increase crushing capacity to 18,000t of ore processed per day and allow ramp-up to the initial targeted production of 100,000oz of gold per year, at a cash cost ranging from US\$475/oz to US\$500/oz. An additional crushing system has been ordered that when installed, by the end of 2011, will complete the ramp-up to 130,000oz of gold per year.

### Further reserve expansion

The company continues its 30,000m per month drilling programme to extend mineralisation at San Francisco Gold Mine. The results from the 18,366m of drilling completed in February, combined with the previous results, indicate the potential to expand the open pit beyond its currently projected limit and that the mineralised system is now open in all directions around the pit. The company is funding the exploration programme with its cash flow from operations.

### Other projects in the pipeline

Timmins Gold has also started exploration on its other gold and silver prospects in Mexico. Of particular interest is the 45,000ha TIMM claims, located contiguous to Goldcorp's 17Moz resource Penasquito Gold Mine and near Goldcorp's Camino Rojo Gold Project in Zacatecas. The company also owns the 165,000ha Norma property in the highly prolific Northern Sonora Gold District.

Year End	Revenue (C\$m)	PBT (C\$m)	EPS (C\$)	DPS (C\$)	P/E (x)	Yield (%)
03/09	0.0	(3.41)	(0.05)	0.00	N/A	N/A
03/10	0.0	(8.62)	(0.08)	0.00	N/A	N/A
03/11e	106.0	20.7 <sup>1</sup>	0.13	0.00	16.3	N/A
03/12e	148.0	34.9 <sup>1</sup>	0.39	0.00	5.4	N/A

Note: Based on Bloomberg consensus; <sup>1</sup> net income.

Price **C\$2.12\***  
Market Cap **C\$291m\***

*\*as at 9 June 2011*

#### Share price graph



#### Share details

Code TMM  
Listing TSX  
Shares in issue 137.4m  
Fully diluted 148.5m

#### Price

52 week High Low  
C\$2.80 C\$1.18

Cash C\$7.5m

#### Business

Timmins Gold is a TSX-listed gold production and development company, focused on its wholly owned San Francisco Gold Mine in Mexico, currently in commercial production. The company is also advancing its other exploration projects in the prolific Sonora and Zacatecas districts of Mexico, and looking for strategic acquisitions.

#### Bull

- Experienced Mexican management team
- Resource expansion
- Generating cash flows

#### Bear

- Potential community issues in Mexico

#### Analysts

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