Asia-Pacific resources quarterly

November 2012

Published by Edison Investment Research

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Global perspectives: Where is the growth?

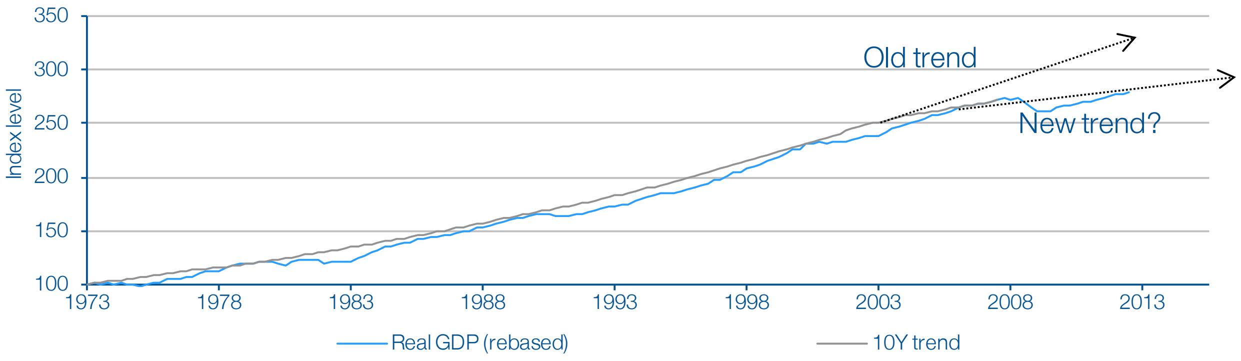
- **Central bank actions have supported asset prices and corporate profits**. The money-printing steamroller has squeezed short- and long-term interest rates to record lows. Corporate credit costs have also declined, leading to a surge of issuance in both investment-grade and high-yield credit. This significantly lower cost of capital has ensured the survival of many enterprises that would otherwise have failed and supported both government spending and corporate profits.
- **This four-year experiment in monetary policy is at risk of proving that it does not work**. Loose monetary policy was aimed at achieving growth by avoiding a catastrophic debt deflation. The weak growth exhibited by developed nations post-2008 indicates that at best loose monetary policy is insufficient to stimulate growth and at worst may be counterproductive. The collapse in productivity growth since 2008 indicates a sharply lower trajectory for UK GDP which only recently has been factored into the Bank of England's forecasts.
- **Monetary and fiscal policy becoming blurred**. The scale of central bank intervention in the developed world's bond markets is blurring monetary and fiscal policy and eroding the independence of central banks. The longer that the monetary/fiscal experiment of QE plus budget deficits continues, the greater the difficulty of reversing course without causing a contraction in real GDP similar to that seen in Greece. As it is unlikely that we will see such a reversal in the near future we remain positive on gold. Separately, the recent downgrade of France by Moody's referred explicitly to bondholders' risks of not having a central bank able to print currency to repay creditors. Should leading developed nations be reliant on money printing to avoid default? We have come a long way since 2007.
- **The actions of central banks are making life hard for savers**. With a zero-interest rate policy (ZIRP) in place for nearly four years, a cumulative loss of savings is building with little to show for it in terms of growth. Though supportive of government spending, expectations of low returns on savings for the foreseeable future may be depressing household spending, especially for those nearing retirement
- **Equity markets have bounced on survey data**. PMI survey data in Europe and China has recently ticked up from low levels, leading to a swift bounce in global equity markets. We wrote in September that the slowing economy was likely to be supported by additional monetary policy in the short-term, but we suspect the momentum will not last.
- **Corporate bonds no longer attractive**. The substantial yield compression in the corporate bond market, accompanied by strong issuance, leaves the investment case looking stretched. We are no longer looking to pick up yield in the corporate bond market. In a downturn investors should be aware that the price of a corporate bond can be rather different from a similar government security eligible as collateral at a central bank.
- **Tough choices for investors.** With ZIRP likely to continue for the foreseeable future, fixed income is likely to remain an unattractive proposition for investors. A suppression of equity market volatility through monetary policy removes a source of alpha for value-driven portfolio managers. Though headline valuation multiples appear compressed relative to recent history (although certainly not over longer time horizons) the lack of GDP-driven sales growth points to markets being closer to fair value than the raw data imply. In particular, yield comparisons with artificially low bond yields are misleading.
- **Stay long cash, gold and blue-chip equities**.

Where is the growth?

Despite a significant slowdown in year-on-year economic growth rates across the globe, equities have remained near the highs of 2012. Given the increasing risks to growth the support for the equity market has come from declining expectations of the cost of capital, especially in the US as the Federal Reserve has undertaken to keep interest rates low until US unemployment has fallen to acceptable levels.

Since 2008 it has proved straightforward for central banks to create shifts in relative valuations of asset classes by both changing the shape of the yield curve and appearing to underwrite growth, thus lowering risk premia for risk assets such as equities. In contrast, unconventional monetary policy has been shown to be ineffective for pushing developed economies back to the GDP growth trajectory that existed prior to 2008. The effect of quantitative easing has at best proved to be transient.

Exhibit 1: US deviation of real GDP from long-term trend

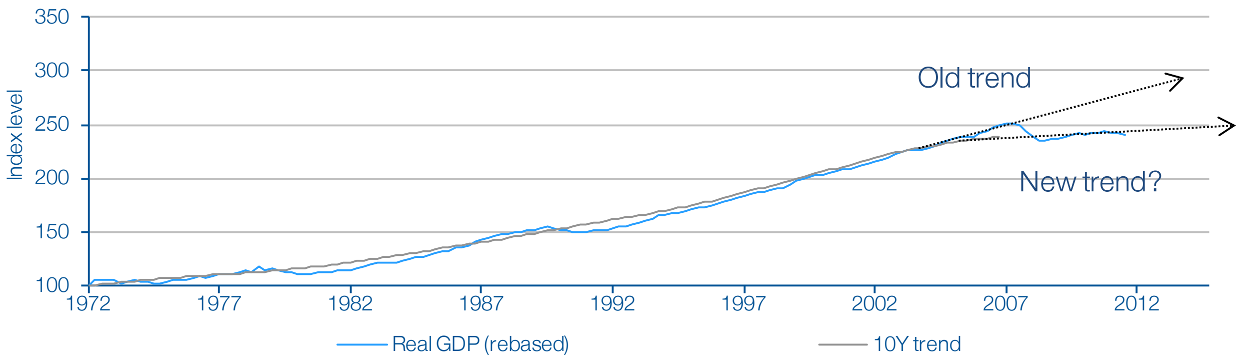


Source: Thomson Reuters Datastream

Evidence building against ZIRP as a tool for growth

Zero interest rate policy and quantitative easing (QE) were designed to encourage investors to take more risk by decreasing the returns on risk-free assets and thereby pushing investors into riskier assets such as equities. Since 2008, the link between QE announcements and stock market performance has been strong and there is little doubt that this part of the mechanism is functional.

Exhibit 2: UK deviation of real GDP from long-term trend

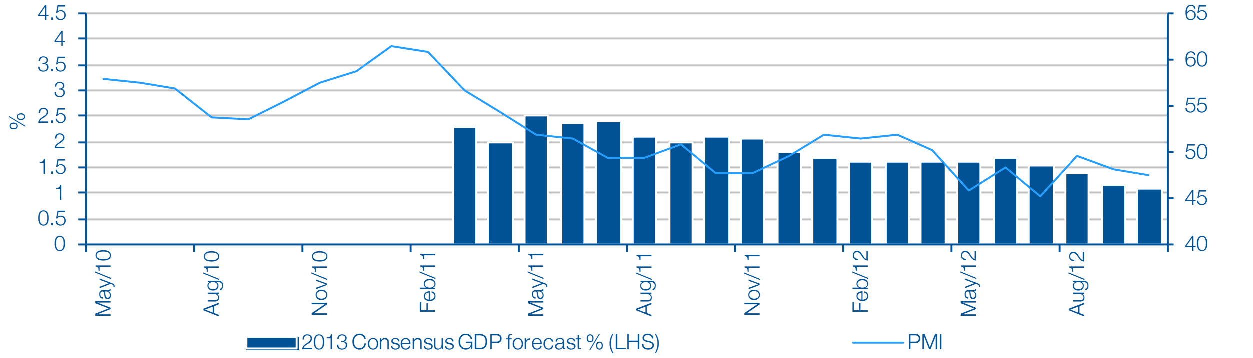


Source: Thomson Reuters Datastream

However, while strong economic growth and business confidence have caused strong stock market appreciation in the past, it was always the assumption that this linkage worked in reverse that challenged the common sense notion of cause and effect. Four years into this experimental monetary policy and several rounds of unconventional easing later, sustainable growth on the pre-2008 trajectory appears no closer, Exhibits 1 and 2. The Bank of England has recently openly questioned whether further QE will make any difference. We note that UK growth expectations have been consistently falling over the course of 2012, Exhibit 3, a pattern replicated in the US and EU.

If, as seems likely, growth is on a permanently slower trajectory (for, among other reasons, the headwind of demographics, global resource constraints and poor productivity growth post-2008) this has major implications for asset allocation. Equities would appear to have de-rated to reflect the lower growth world. For bonds, given the state of sovereign balance sheets the implications of permanently slower growth are more complex.

Exhibit 3: Consistent downgrades to 2013 GDP growth forecasts - UK



Source: Bloomberg consensus, Markit

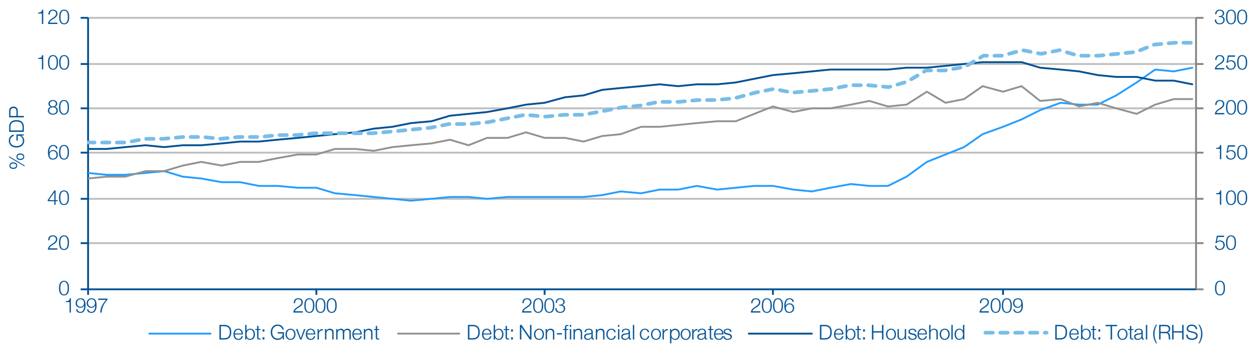
Monetary financing becoming a way of life

The UK Treasury has not only reportedly jumped through hoops to appoint Mark Carney over better known candidates for the role of Bank of England governor, but has also recently reclassified approximately £37bn of interest charged on government bonds bought under the Bank's QE programme as belonging to Treasury

The purpose of this reclassification appears to be to reduce the reported budget deficit. In effect, the UK government is now benefiting from money printed at zero cost to finance its spending. This is a precedent that should be watched carefully for further erosion of the monetary and fiscal distinctions. Only recently the independence of the Bank of England from the UK Treasury was described as a veneer by officials quoted by the *Financial Times*.

In France, a risk factor cited by Moody's in its recent sovereign debt downgrade was that France lacked a central bank able to print money to finance government bond redemptions, should that be necessary. The distinction between tax-funded bond redemptions and printed money-funded redemptions should be an important one, which is becoming slowly lost as rhetoric moves towards acceptance of monetary financing.

Exhibit 4: Socialisation but no deleveraging – UK debt by sector



Source: Thomson Reuters Datastream

Without real growth, many developed market governments are facing difficult choices. Cutting spending now, after the socialisation of private sector debts such as in the UK, Exhibit 4, would cause activity to fall and deficits to widen as they have in the periphery of Europe. This scenario could easily lead to severe short-term funding and political challenges.

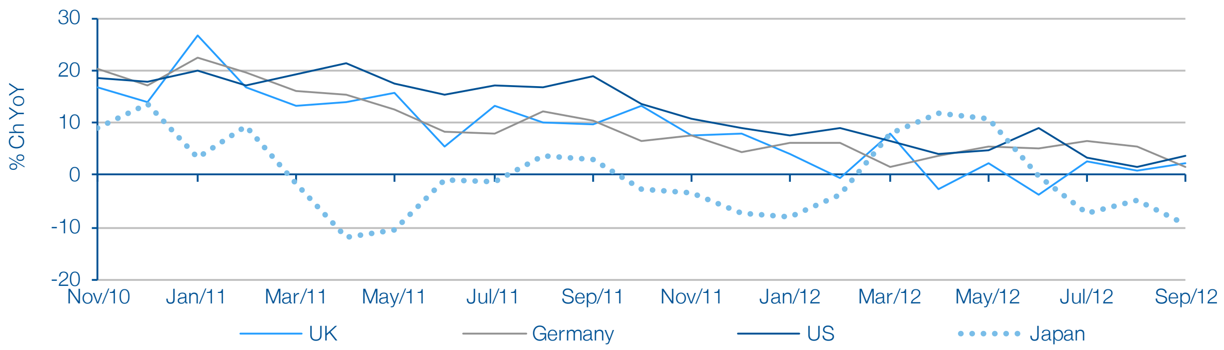
Using central banks to finance deficits at low rates eliminates the near-term deficit financing problem until inflation appears. Should this happen (and the historical evidence suggests it might) a spiral of government spending would be required, if spending is to be maintained in real terms.

Therefore, with high-rated government debt at such low yields and clear risks to purchasing power so evident, we remain underwhelmed by the opportunities on offer in this asset class. At best investors will receive returns below targeted inflation; at worst there could be a significant erosion of value if inflation takes hold. We remain in favour of owning gold as a store of real purchasing power even if the yield is marginally negative. The opportunity cost versus cash – or longer-dated bonds – is likely to remain modest for the foreseeable future.

Equity markets have bounced on survey data

Recent upticks in survey data against depressed expectations have led to a near 5% bounce in equity markets from mid-November. In our view it is far too early to tell if this will lead to a more sustainable recovery; current market valuations do not offer a significant cushion against growth disappointment with non-financial indices at 10-year highs. In contrast to survey data, recent export data would appear to confirm a significant slowdown in world trade growth, Exhibit 5.

Exhibit 5: Export growth – US, UK, Japan, Germany



Source: Thomson Reuters Datastream

Political risks also remain firmly in place – the US fiscal negotiations are some way from being resolved; as expected both sides have tried to calm markets to enable the negotiations to proceed without external pressure. In Europe the negotiations over Greece have been painful to watch and it will be interesting to see how it works when real money is involved should Spain request a bailout.

If a further example of the lack of harmony in Europe was needed it was the spectacle of the breakdown in European budget negotiations where, aside from the UK's objections, France and Germany appear to have been divided.

Equities: Earnings quality diminishing

We are becoming concerned that while dividend yields are important there is a new consensus emerging that the yield differential between equities and long-dated government bonds is a good enough reason to own equities, regardless of the risks.

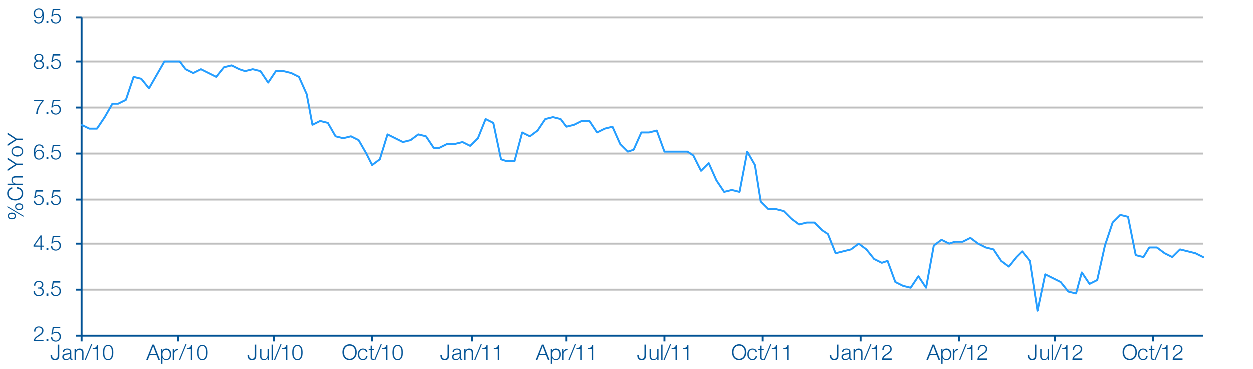
Our least favoured argument for owning equities over bonds is the yield gap. Our valuation work points to equities being close to fair value, with relatively high dividend yields offset against muted growth prospects. The yield gap is in our view due to the artificially low yields on government bonds (due to expectations of ultra-low interest rates) rather than the prospects for equities.

With corporate profit margins at or near all-time highs (driven by QE and budget deficits) there seems to be limited scope for margin expansion given the current growth outlook and the historical mean-reverting tendency of profit margins. This leaves sales growth as the key driver of profits growth. Here the data are not encouraging. Analyst estimates of 12-month forward sales growth for the UK have declined since 2011, Exhibit

6. Prior to 2008, analyst estimates for sales growth averaged 6.5%, but the current consensus calls for 4.5%. It should not be a surprise therefore to find that market dividend yields have risen.

Drilling into the indices at the individual stock level confirms the top-down picture. Many of the largest index constituents have fundamentally gone ex-growth or have at best a GDP-linked growth outlook rather than a secular growth story.

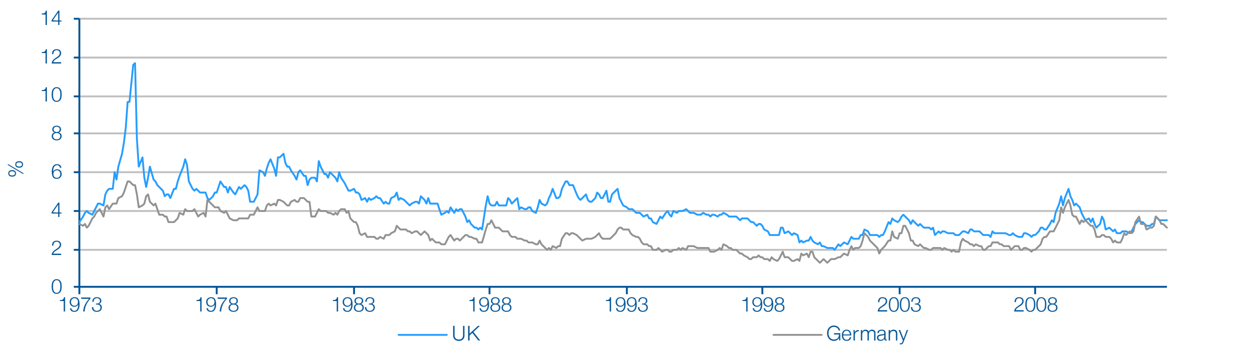
Exhibit 6: Analyst 12-month forward sales forecasts (UK)



Source: I/B/E/S

Due to the likelihood of a structural slowdown in growth we see equity valuations for the UK as close to fair value, but with higher than average fundamental risks due to the unusually uncertain outlook for the main macroeconomic variables. Over the summer we became significantly more bearish on equities as we felt that the higher than average dividend yield was merely a compensation for lower than average growth prospects, rather than a sign of significant undervaluation. We would also highlight that perspective is important; though current valuations are near decade lows a fund manager from the 1970s would find today's equities rather expensive, Exhibits 7 and 8.

Exhibit 7: Valuations at decade lows, but not multi-decade lows – dividend yield



Source: Thomson Reuters Datastream

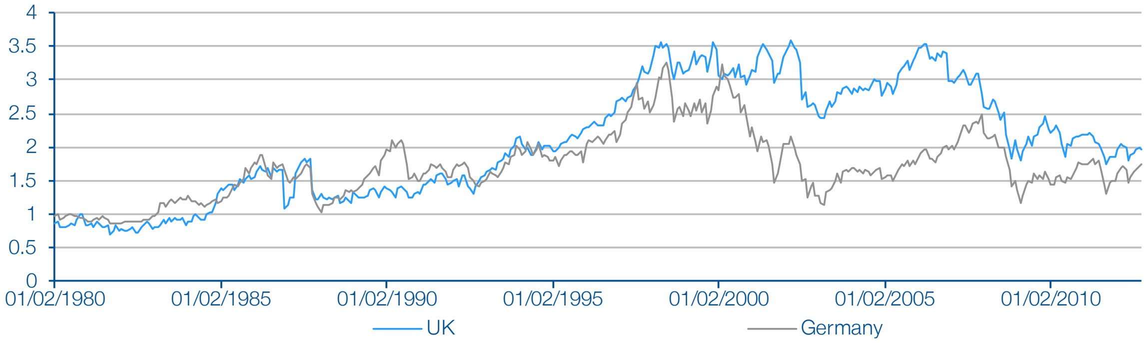
Tough choices for investors

It is undeniably a difficult time for investors as many of the traditional sources of alpha have been squeezed out of the market by monetary policy and the synchronised nature of the global slowdown. Interest rates are close to zero in most major markets.

The term premium, or increased yield for longer duration bond investments, has been compressed by quantitative easing. Corporate credit spreads have narrowed significantly over the summer to the point that the risk/reward balance has shifted to unattractive levels. Equity volatility has been suppressed, for now, by the perception of a central bank 'put option' on economic growth.

Geographic and sector or asset class diversification has become less useful due to wide risk-on/risk-off trading bands. A near-collapse in capital markets activity, Exhibit 9, leaves arbitrage funds short of opportunity. The absence of a strong growth response to monetary policy leaves equities fairly valued, but for many investors equities are too volatile to be a significant component of a portfolio.

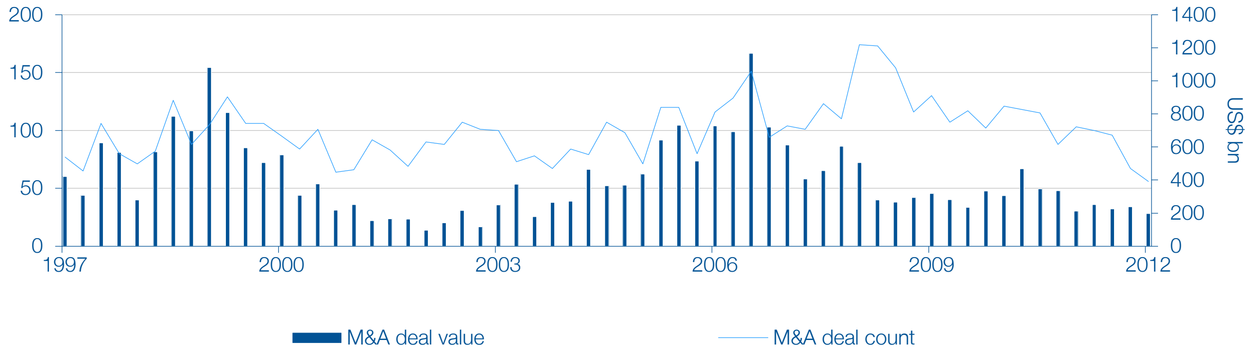
Exhibit 8: Valuations at decade lows, but not multi-decade lows – price/book



Source: Thomson Reuters Datastream

We believe that the market is currently presenting few opportunities to generate strong risk-adjusted returns. Though most portfolio managers are focused on optimising portfolios we believe now is the time to be reducing optimisation and focusing on the robustness of a portfolio. This means sacrificing some upside potential in return for ensuring an acceptable portfolio performance under most economic scenarios.

Exhibit 9: Global M&A activity muted



Source: Thomson Reuters Datastream

Therefore we would suggest investors to keep ample cash on hand to take advantage of opportunities that will present themselves over the next 12 month, to own an allocation to gold as a store of real purchasing power; to avoid long-dated government bonds and to focus on recession-resistant equities with high-quality business franchises.

Sector focus: Mining

Analysts

Charles Gibson

Prices as at 21 September 2012

QE3 rolls down the slipway

In the July issue of this publication, Edison argued that the amount of stimulus given to the US to date has been enough to bail out the banks, but insufficient to stimulate more than token growth in the economy. In the absence of further stimulus therefore, the US would be consigned to a discomfiting period of stagflation, while the debt overhang is worked out of the system. Paradoxically, the one ‘bright’ spot was China. The slowing economy, we argued, provided the perfect backdrop for the US to press for more quantitative easing without incurring the displeasure of the Chinese authorities, who are focused on their own economic problems, not to mention scandalous goings-on in high places.

Cometh the hour, cometh the man and on 13 September, Ben Bernanke duly stepped up to announce that the Federal Reserve will purchase US$40bn of mortgage-backed bonds per month to stimulate the housing market and keep long-term interest rates low. Unlike QE1 and QE2 moreover, he stated that the Fed will persist with the policy until the outlook for the job market improves "substantially".

Many people will understand the idea that gold, priced in US dollars, is likely to appreciate if more dollars are printed. The question however, is by how much. In this case, two facts are worth noting. The first (whatever your views on gold as a currency) is the extraordinarily close relationship between the price of gold and the US monetary base. In the 52 years between 1959 and 2011, the correlation between the US monetary base and the gold price has been an astonishing 0.90 and has never been less than 0.58. Given the amount of data involved in the analysis, this is extremely statistically significant – that is to say there is less than a 5% probability that this occurred by chance. The second is the extent to which the monetary base has been inflated. Before 2008, the largest increase in the US monetary base was 15.8% in 1999 (in anticipation of a Y2K crisis and followed by a contraction in 2000 when the anticipated crisis failed to unfold), followed by 11.3% in 1978 as authorities grappled with the protracted economic crisis of the 1970s. By contrast, in 2008, the monetary base increased by 99%, in 2009 it increased by another 21% and in 2010 it increased by another 27% - all told, an increase of US$1.8tr, from US$0.8tr in 2007 to US$2.6tr as at the end of 2011. As Senator Everett Dirksen was fond of saying, “A billion here and a billion there and pretty soon you’re talking real money” (attrib).

So, what’s the effect of an additional US$40bn per month? As of end-2011, the gold price implied by the size of the US monetary base (and the above regression analysis) was US$1,370/oz. Adding to the monetary base at a rate of US$40bn per month implies a gold price of US$1,446/oz as at December 2012, US$1,676/oz as at December 2013, US$1,906/oz as at December 2014 and US$2,136/oz as at December 2015. As such, the current price of gold (c US$1,771/oz) can be perceived as discounting QE3 continuing for 20 months until c May 2014. In this respect, one further point is worthy of note: during bull markets (and the last big bull market of the 1970s in particular), the gold price traded at between 0.9 and 1.8 times the price implied by the US monetary base regression analysis above. At the moment, it is just 1.2 times.

Sector focus: Oil & gas

Analyst

Ian McLelland

Where next for E&P stocks?

World markets continue to push on with both equity and credit markets at levels not seen since the start of the European sovereign debt crisis. However a decidedly bearish oil price forecast as per our most recent oil & gas macro outlook has been weighing heavily on oil stocks, both large and small. Since June 2012 the FTSE 350 has gained 11% vs the equivalent oil and gas index, which has only risen 5%. Volatility has driven investors away from small caps in general, with the AIM All-Share index up only 2% over the same period and with the AIM Oil and Gas index down 1%.

Where next for both large and small oil and gas stocks will clearly depend on both macro and micro factors. We have been decidedly bearish on our short-term oil forecast for most of 2012 and the trend over the last two months certainly supports this. In the absence of supply shocks we see the market is in significant surplus, inventories are plentiful and demand is subdued and is likely to continue so. While we forecast average Brent prices in 2013 at $99/bbl, North American oversupply will continue to weigh heavily on our WTI forecast of $86.5/bbl.

Much of this bearish outlook is clearly being factored into larger oil and gas stocks as shown by the spread in the FTSE 350 indices. However, predicting where smaller E&P stocks will go is likely to be more a function of risk appetite and drilling success. With macroeconomic complexities aplenty we do not see any likely near-term return of risk appetite to boost the sector. However, this is also against a backdrop of lacklustre exploration success that, as well as being the lifeblood of many growing E&P companies, acts as a major contributor to investor confidence in the sector.

With the notable exception of Africa Oil in East Africa, high profile explorers in the likes of Namibia (including Chariot) and the Falklands (Borders & Southern, FOGL) have failed to provide an overwhelmingly positive commercial discovery in 2012. Seasoned explorers in established petroleum systems (Valiant and Faroe are two examples in the North Sea) have also come up short. This has starved the small-cap market of the feel-good stories it needs to get things moving. However, we would assert it is not all doom and gloom out there.

It does not take much for exploration appetite to return with enthusiasm. The spectacular run seen by small-cap E&P investors in 2010 and early 2011 was driven by only a handful of high profile discoveries, including Sea Lion in the Falklands, Catcher in the UK North Sea, and the start of the spectacular gas discoveries offshore Mozambique that has driven such an appetite for investment in East Africa exploration. However, there have been some qualified successes of late with both Falklands explorers delivering interesting results. Borders & Southern in particular has made a tantalising gas condensate discovery at Darwin, which at 190mmbbls of recoverable liquids could be the start of something very interesting, albeit in the longer term. The market is now poised for results from FOGL's Scotia well that, with a recent delay, could be nicely timed as a welcome Christmas present for the sector. Oil and gas investors are in need of a boost to get the small-cap market moving again, however it will not take much to kick start this so investors need to stay vigilant if they want to avoid missing the boat.

Company profiles

Focus remains on farm-outs

Oil & gas

We expect the next six to 12 months to be an active time for ADX Energy and believe that Sicily Channel newsflow could have a material impact on the share price. To de-risk its large portfolio of assets, we believe ADX may need to complete its farm-out and demonstrate how it will fund the work programme, possibly through a new funding facility. The recent farm-out deal should remove the funding risk for ADX's onshore Tunisian work programme. Romania should also act as another catalyst, with the exploration licence expected to be ratified imminently. This will unlock €2.7m of cash and kick-start its exploration programme.

Sicily Channel: Farm-out and funding facility key

In our view, the Sicily Channel holds the most upside for ADX. Using its latest high-quality 3D seismic, management estimates that 1.2bnbbl of contingent and prospective resources exist within its acreage. With potentially two wells to be drilled on the block costing c $35-55m gross ($21-33m net), we expect the company to leverage its high working interest position (60%) to farm-out material amounts of the capital expenditure requirement. Our model shows the company may need to farm-out 30-40% to minimise its own funding requirements. We expect a farm-out to conclude in Q412/ Q113, along with ADX possibly signing a new funding facility to cover any additional financing requirements. After this we would not expect a well to be drilled until late 2014.

Romania: Imminent government approval

Over the next two quarters, we expect a number of catalysts in Romania. We expect imminent government ratification of ADX's exploration licence – once approved, seismic capture can begin instantly. We then forecast the first exploration well will be drilled in H213 with funding risk minimised as a result of ADX's farm-out to RAG.

Tunisia: Farm-out funds seismic and well

In Tunisia ADX recently announced the farm-out of its onshore Tunisian Chorbane block. We expect the 2013 seismic programme and an exploration well, possibly in 2014, to be funded through farm-out deals. Now owning 70% working interest, Gulfsands will assume operatorship and be able to use its significant experience operating in Syria.

Valuation: Farm-out and funding unlock upside

We believe the best way to achieve share price momentum would be to de-risk the Sicily Channel acreage. We feel this can be achieved primarily through securing a farm-out on good terms. To reduce funding concerns over its work programme, we would also expect ADX to announce a funding facility. As drilling on the Sicily Channel block is likely to be a number of years away, in our view activity in Romania and onshore Tunisia will act as the nearer-term value drivers.

Price	Market cap
A$0.02	A$8m

Share price performance

Business description

ADX Energy is an oil and gas exploration and appraisal company with assets in Tunisia, Italy and Romania. It also has a 26% share of mining company Riedel Resources. It is listed on the Australian Stock Exchange.

Catalyst: Sicily Channel farm-out

ADX is conducting a farm-out of its 60% working interest position in the Sicily Channel. The assets Dougga and Lambouka are currently the most defined on the block. We expect the company to complete the farm-out process in Q412.

Catalyst: Funding facility

Depending on execution of the farm-out, ADX may be required to fund part of its work programme across Tunisia, the Sicily Channel and Romania. To reduce the funding concerns of investors, we would expect the company to arrange a new funding facility, possibly in Q412.

Catalyst: Romanian approval

We consider the next catalyst to be government approval on ADX's Romanian exploration licence. Although delayed due to ministerial changes, we now expect ADX to receive government approval in Q412. Seismic acquisition can begin then immediately, with an exploration well possibly in H213.

Analyst

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Edison profile page

Edison investment research

Management team

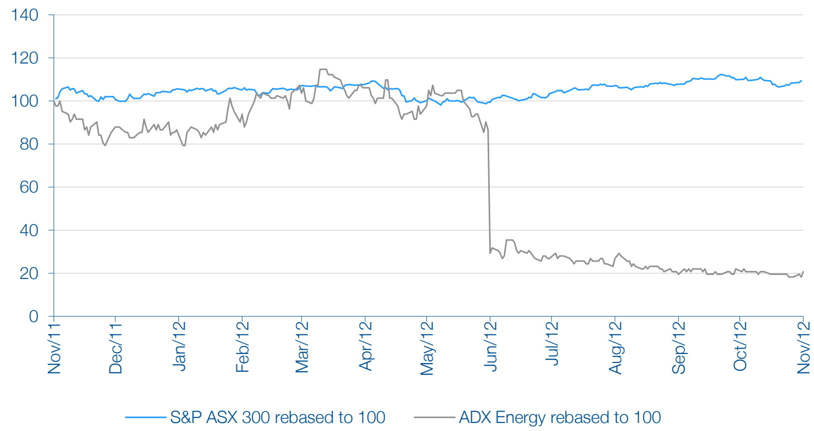
Managing director: Dr Wolfgang Zimmer	Technical director: Paul Fink
Dr Zimmer has 29 years' experience in the oil and gas industry, working in companies such as Mobil Oil, OMV and Grove Energy before coming to ADX. He has extensive experience in the European, Australian and North African oil and gas industries.	Mr Fink has 20 years of technical and management experience in the petroleum exploration and production industry. He has worked in Austria, Libya, Bulgaria, the UK, Australia and Pakistan as exploration and reservoir manager for OMV. Most recently, he was working as acting vice president (exploration) for Focus Energy.

Share data and price performance

Market data

Ticker			ADX
Listing			ASX
Net cash (A$m) (as at 30 Sept 12)			0.6
EV (A$m)			7.6
Free float (%)			93
Shares in issue (m)			485.4
Price performance	**1m**	**3m**	**12m**
Absolute	(5.9)	(30.4)	(80.0)
Relative	(4.8)	(31.5)	(81.7)
		High	**Low**
12-month range (A$)		0.10	0.02

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Andrew Childs	2.5
Wolfgang Zimmer	1.8
Peter Ironside	1.2
Ian Tchacos	0.8
Paul Fink	0.4

Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	○

Reporting calendar	Date
AGM	Nov 2012
2013 half-year report	Mar 2013
2013 full-year report	Sep 2012

P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Turnover	0	0	0
Adj. EBITDA	(975)	(9,793)	(11,152)
Adj. PBT	(2,141)	(9,778)	(11,125)
Tax rate	0	0	(17)
Adj. EPS (c)	(0.8)	(2.6)	(2.6)
Adj. fully diluted EPS (c)	(0.8)	(2.6)	(2.6)
Balance sheet (A$000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	14,118	14,475	8,458
Current assets	7,629	3,608	1,898
Current liabilities	(3,029)	(1,525)	(2,514)
Non-current liabilities	0	0	(666)
Net assets	18,788	16,558	7,176
Cash flow (A$000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(792)	(1,621)	(879)
Capex	(8,752)	(8,213)	(3,316)
Equity issued	10,918	4,805	3,796
Net cash flow	1,374	(1,468)	(399)

Source: Company accounts, Thomson Reuters

Alkane Resources

Asia-Pacific resources quarterly

Edison investment research

2013: A transformational year

Mining

Alkane Resources' September quarterly activities report provided results of an interim feasibility study, which outlined its most conservative estimate of likely Dubbo Zirconia Project (DZP) capex and production revenues. The market immediately acted negatively, without fully realising the implications of Alkane's comments. Operating costs have increased but only in line with the average for Australian miners (10-15%), and revenues decreased due to falling price assumptions (although the additional contributions likely to occur via the Shin-Etsu JV and improvements to zirconium and HREE annual production rates are not included in current forecasts). And while capex forecasts have also risen, Alkane continues to review every part of its mine design. These reviews are primarily to finalise costs for an expanded 1Mtpa operation. They include (but are not limited to) a potential material decrease in capex as a result of water recycling studies and opex reductions resulting from improvements to rare earth circuits. The results will be released in a revised definitive feasibility study due in Q113.

Credit Suisse, Sumitomo and Petra on board as advisers

The news that its main broker, Petra Capital, and major financial institutions Credit Suisse and Sumitomo Mitsui Banking Corporation have been appointed financial advisers increases Alkane's ability to fund its flagship DZP. This is important news for the eventual financing structure of DZP, which will take place over c 12 months to coincide with final project approvals and first construction in Q413.

Three-stage strategy to satisfy A$1bn DZP capex

The broad mandate given to Alkane's financial advisers includes a potential strategic sell-down to a partner and debt financing (Credit Suisse has the strongest focus here) and funding involvement from government agencies (where Sumitomo has the greatest experience and ties, although it will also help with debt financing). Petra Capital and Credit Suisse will have important roles in equity raisings.

Tomingley Gold Project: Final approval

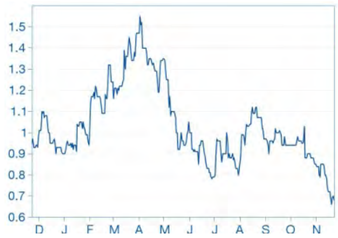
Alkane is awaiting final approval of its mining lease and operation plans to start construction at the Tomingley Gold Project (TGP). While Alkane is subject to the vagaries of the NSW regulatory process, it already has approval from the state to start developing TGP, the first and most important hurdle. So it is considered a matter of time, and not of concern, until construction begins.

McPhillamys: A$20m appreciation in sale value

Alkane has divested its holding in the McPhillamys JV to Regis Resources for shares. The performance of these shares since the sale was announced on 9 August means Alkane has effectively seen a A$20m appreciation over the original sale value of A$75m. Although it is not intending to sell, the increase in Regis shares' value strengthens Alkane's balance sheet, provides a buffer and potentially limits further dilution in future financing requirements.

Price	Market cap
A$0.7	A$255m

Share price performance



Business description

Alkane Resources is a multi-commodity explorer with all its projects in central New South Wales. It owns the Tomingley Gold Project (TGP, 100%) and Dubbo Zirconia Project (DZP, 100%) as well as numerous promising exploration projects, including Cu-Au Bodangora.

Catalyst: Final TGP approval (H213)

Now it has the critical development approval from the New South Wales government, Alkane is pursuing approval of its mining lease from the New South Wales Division of Resources and Energy. Once it has this, the construction phase can begin.

Catalyst: Finalising DZP financing (to end-2013)

With its financial advisers appointed and MoUs with established high-end technology firms in place, Alkane is now well placed to finalise its financing arrangements for DZP. We expect this to start over the coming months and for Alkane to communicate its progress to market when the arrangements are agreed.

Catalyst: TGP resource expansion

Alkane continues to drill TGP and has focused on the Caloma Two deposit, which could yield a further 50-100koz. If such additional resources are proved up, it would be likely to lead to the extension of TGP's eight-year mine life.

Analyst

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Edison profile page

Alkane Resources is a research client of Edison Investment Research Limited

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Management team

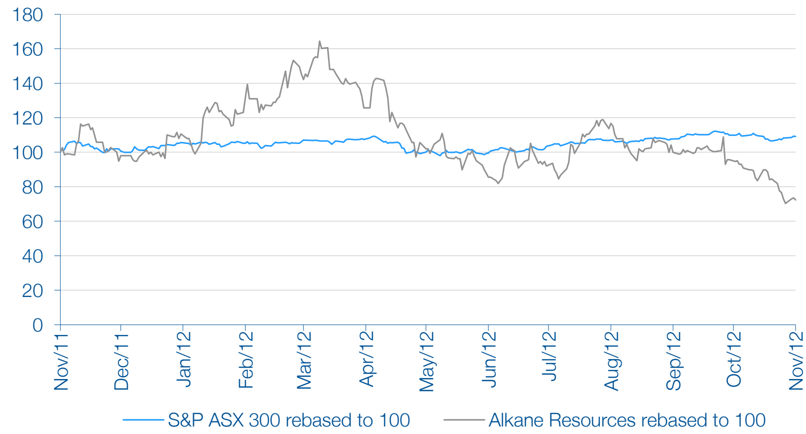
Chairman: John Stuart Ferguson Dunlop	MD: David Ian Chalmers
Mr Dunlop is a consultant mining engineer with close to 40 years' surface and underground mining experience, both in Australia and overseas.	Mr Chalmers is a geologist and graduate of the Western Australian Institute of Technology (Curtin University). He has worked in the mining and exploration industry for over 40 years.
CFO: Michael Ball (BCom CA)	**Non-executive director: Ian Jeffrey Gandel**
Mr Ball is a chartered accountant with 15 years' experience as a finance professional across a variety of industries. He has spent the last eight years in the mining and mining services industries.	Through his private investment vehicles, Gandel Metals, Mr Gandel is a substantial holder in a number of publicly listed Australian companies.

Share data and price performance

Market data

Market data			
Ticker			ALK
Listing			ASX
Net cash (A$m) (as at Sept 2012)			93.9
EV (A$m)			161
Free float (%)			74
Shares in issue (m)			372.5
Price performance	**1m**	**3m**	**12m**
Absolute	(19.3)	(34.9)	(23.8)
Relative	(18.4)	(35.8)	(30.4)
		High	**Low**
12-month range (A$)		1.56	0.67

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Abbotsleigh	24.6
Fidelity Management	5.0
DMP Asset Management	1.0
Van Eck Associates	0.9

Sensitivities evaluation	
Litigation/regulatory	◖
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	○

Reporting calendar	Date
Q412 cash-flow report	January 2013

P&L (A$000s)	Dec 09a	Dec 10a	Dec 11a
Revenue	4,714	10,116	961
EBITDA	2,249	7,642	(3,364)
Adj. PBT	2,427	7,919	(2,642)
Tax rate	N/A	N/A	N/A
Adj. EPS (c)	1.0	3.2	(1.0)
Adj. fully diluted EPS (c)	0.0	0.1	(0.1)
Balance sheet (A$000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Non-current assets	33,574	41,849	54,657
Current assets	10,980	4,995	10,493
Current liabilities	(710)	(1,090)	(2,236)
Non-current liabilities	(146)	(186)	(211)
Net assets	43,699	45,568	62,703
Cash flow (A$000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Operating cash flow	(552)	(1,525)	(1,533)
Capex	(8,903)	(8,831)	(13,250)
Equity issued	1,665	165	19,950
Net cash flow	(3,492)	(278)	(5,299)

Source: Company accounts, Thomson Reuters

Atlantic Gold

Asia-Pacific resources quarterly

Edison investment research

Near-term development potential

Mining

Atlantic Gold (ATV) is the first company to comprehensively explore Nova Scotia, Canada, for shale-hosted disseminated gold projects. Previous exploration activity has focused on gold in quartz veins assuming that host sediments were barren of gold. The company's two key gold projects, Touquoy and Cochrane Hill, both amenable to open-pit mining, are in Nova Scotia, where ATV holds c 800km^2 of prospective mineral exploration tenements. Funding aside, surface land title issues at its flagship Touquoy gold project have been all but resolved pending the hearing by the Court of Appeal of one remaining landowner, tentatively scheduled for February 2013.

Touquoy: Final permitting imminent

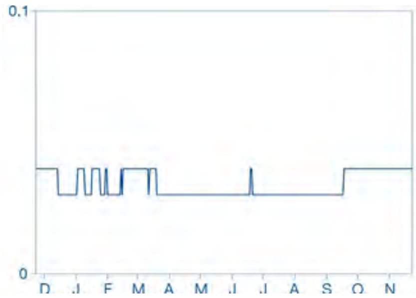
An environmental permit for the Touquoy mine and tailings facility was granted in February 2008, with the mining lease formally granted by the minister of natural resources in August 2011. However, the industrial approval is outstanding, awaiting the completion of land acquisition. Until recently the major delay was due to uncertainty of legality of 14 land titles, after ATV had previously acquired 49 titles. Following the company's request to the Nova Scotia minister of natural resources under the provisions of the Mineral Resources Act, these 14 titles have now been expropriated, with ownership of the properties now held by ATV. However, one landowner has appealed the minister's decision, with the hearing scheduled for the Court of Appeal in February 2013. An industrial approval application will be lodged, subject to a favourable ruling on the appeal.

Cochrane Hill: Feasibility study the next step

ATV's other major focus in Nova Scotia is the Cochrane Hill gold project, an advanced gold exploration property 80km east of Touquoy, with total Canadian NI 43-101 compliant inferred and indicated resources of 10.1Mt at 1.7g/t gold for 549,000 ounces. The mineral resource estimate incorporates results from the 39 diamond holes ATV drilled into the resource; 79 holes drilled in the 1970s and 1980s by previous explorers; and ATV's sampling in 2007 on historic core drilled for infill purposes and recovered from storage. ATV's initial exploration of the property was subject to an option agreement with Scorpio Gold, a TSX-listed company. Following the Supreme Court of Nova Scotia's dismissal of a claim by Steeple Holdings, ATV has secured the land under a sale-and-purchase agreement with Scorpio Gold (Canada) Corporation for C$1.6m, or C$3 per resource ounce. A scoping study based on a combined Touquoy and Cochrane Hill production plan, mined sequentially, extends the Touquoy standalone life of mine to 10 years. This includes a relocation of the Touquoy milling/processing plant to Cochrane Hill in year five.

Price	Market cap
A$0.04	A$25m

Share price performance



Business description

Atlantic Gold is an ASX-listed exploration and mining company focused on shale-hosted gold in Nova Scotia, Canada. Its most advanced project is the Touquoy gold project, with JORC-proven and probable reserves of 454,000oz. Its other major gold project is 80km east of Touquoy at Cochrane Hill.

Catalyst: Touquoy gold project

Despite an appeal filed by a lone landowner against the minister of natural resources' decision, resolution of surface title issues paves the way for Atlantic Gold to move forward on developing the project. An industrial approval application will be lodged subject to a decision on the landowner action, tentatively scheduled for the Court of Appeal in February 2013.

Catalyst: Cochrane Hill gold project

Successful completion of the purchase of Cochrane Hill for C$1.6m, or C$3 per resource ounce, following the dismissed claim from challenger Steeple Holdings, paves the way for further infill drilling to be undertaken. This could potentially increase levels of indicated resource.

Catalyst: Consolidation potential

The opportunities for regional consolidation are substantial given the significant gold deposits between the Touquoy and Cochrane Hill projects not owned by Atlantic Gold.

Analyst

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Edison profile page

Atlantic Gold is a research client of Edison Investment Research Limited

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Management team

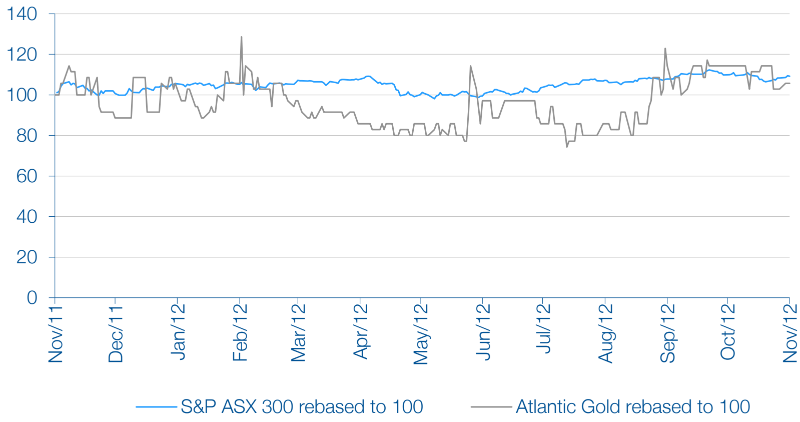
Chairman: Ronald Hawkes	Executive director: Wally Bucknell
Mr Hawkes has been non-executive chairman since 1999. He has considerable experience in the mining industry in both Canada and Australia. He was formerly managing director of Plutonic Resources.	Mr Bucknell has been executive director since 1999. He has considerable experience in the mining industry in both Canada and Australia. He was formerly general manager, exploration of Plutonic Resources.
CFO: Graeme Hogan	**General manager corporate: Brian Bolton**
Mr Hogan has been CFO since 2010. He has extensive experience in the mining industry.	Mr Bolton has been general manager corporate since 2011. He is a former CFO of Plutonic Resources and has extensive experience in the mining and oil and gas industries.

Share data and price performance

Market data

Ticker			ATV
Listing			ASX
Net cash (A$m) (as at Sept 2012)			2.5
EV (A$m)			22.5
Free float (%)			68
Shares in issue (m)			669.4
Price performance	**1m**	**3m**	**12m**
Absolute	(10.0)	20.0	3.8
Relative	(8.9)	18.2	(5.2)
		High	**Low**
12-month range (A$)		0.05	0.03

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Au Mining	20
Cairnglen Investments Pty	6
Australian Pioneer Pty	6
Wapimala Pty	5
Regency Hallmark Holdings	3
Macquarie Bank	3
Sensitivities evaluation	
Litigation/regulatory	◖
Commodity price	○
Currency	◖
Stock overhang	○
Interest rates	◖
Reporting calendar	**Date**
Quarterly report	Jan 2013

P&L (A$000s)	Dec 09a	Dec 10a	Dec 11a
Turnover	0.0	0.0	0.0
Adj EBITDA	(619)	(717)	(685)
Adj PBT	(601)	(589)	(604)
Tax rate	0	0	0
Adj EPS (c)	(0.2)	(0.1)	(0.1)
Adj fully diluted EPS (c)	(0.2)	(0.1)	(0.1)
Balance sheet (A$000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Non-current assets	13,901	16,569	21,995
Current assets	5,334	4,332	1,740
Current liabilities	(390)	(396)	(1,456)
Non-current liabilities	(76)	0	(7)
Net assets	18,768	20,506	22,271
Cash flow (A$000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Operating cash flow	(702)	(794)	(604)
Capex	(184)	(982)	(1,650)
Equity issued	7,531	3,417	3,347
Net cash flow	5,298	(990)	(2,634)

Source: Company accounts, Thomson Reuters

AusTex Oil

Asia-Pacific resources quarterly

Edison investment research

Closing in on 1,000boe/day

Oil & gas

Price A$0.13

Market cap A$55m

AusTex has had an exceptionally busy 18 months, having either led or participated in 17 wells in the Mississippi Lime play across Oklahoma and Kansas. Production continues to rise on a sharp growth path, sitting now at or near 500boe/d en route to a target 1,000boe/d. 70% of AusTex's production base is oil.

Snake River still the focus

Snake River is a 5,500-acre block in northern Oklahoma in which AusTex owns an outright 100% working interest (WI) and 8% net revenue interest (NRI). Snake River has been AusTex's key focus for the past 18 months, accounting for all except three of the 17 wells it has drilled or participated in. While all wells drilled at Snake River have been vertical, they have also been successful, with seven having already been tied in as producers. Multi-stage hydraulic fracturing has been used on the vertical wells to stimulate deliverability and boost production, with good results. AusTex aims to drill two vertical wells a month at Snake River.

In adjoining acreage to its Snake River project, AusTex holds a 13.76% WI in the Balder #1-30N horizontal well, drilled during the June quarter by operator Range Resources. The well, which reached a measured depth of 2,728m including a 1,192m horizontal section, included a 19-stage frac. Over its first 90 producing days, production averaged 839boe/d. During Q312 AusTex and Range agreed to jointly drill three further wells starting with the Hod #19-1N well, which spudded in early November.

Production rising quickly

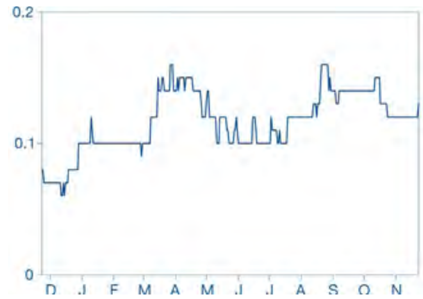
AusTex's success at Snake Rover has seen its producing base rise sharply over 2012. In October AusTex reported average daily production of 390boe/d with an average of c 500boe/d in the second half of the month. AusTex's production is from an inventory of seven producing wells. In addition, it has four in the completion phase and three more awaiting hydraulic fracturing.

AusTex has stated a near-term production target of 700boe/d and a medium-term target (which we infer as less than 12 months) of 1,000boe/d.

TSX-V listing now expected in 2013

AusTex reported cash on hand of A$3.1m at 30 September. With a recent cash burn rate excluding production of A$4-5m a quarter, access to capital will remain an issue. In October AusTex announced it had closed a A$3.5m placement to professional investors at A$0.12/share. Subject to shareholder approval at its AGM in late November, AusTex proposes to raise a further A$6.5m via share placements and implement a share purchase plan. If all is approved, A$12.5m will be raised. AusTex also has access to an undrawn A$7.5m convertible note facility. A TSX-V listing remains an aim for 2013, which would be accompanied by a further capital raise.

Share price performance



Business description

AusTex is an oil and gas explorer and producer with operations in the US mid-continent states of Kansas and Oklahoma. With 26,000 net acres of leases, its current focus is on developing its Mississippi Lime play.

Catalyst: Snake River ramp-up

With two wells a month at 100% WI, most of AusTex's effort remains focused towards its Snake River project. The extent of success realised will largely define whether it will reach its stated production targets.

Catalyst: 2013 drilling programme

AusTex is finalising its 2013 programme. While focus is expected to continue to fall on Snake River, more attention is expected towards its Kansas acreage that, although earlier stage, is just as prospective. Further commitments to wells with partner Range Resources are also likely.

Catalyst: 2013 TSX-V listing

AusTex has flagged a TSX-V listing all year and has completed the necessary paperwork including an NI 51-101 compliant reserves assessment and audited financial accounts. An application for listing is expected to be lodged in H113.

Analyst

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Edison profile page

AusTex Oil is a research client of Edison Investment Research Limited

Management team

Executive chairman: Richard Adrey	Deputy chairman: Kwang Hou Hung
Mr Adrey has an investment and merchant banking background. He is based in Oklahoma and oversees all of AusTex's US operations.	Mr Hung is based in Singapore and has an accounting background. He has served in various senior management and governance roles.

Managing director: Daniel Lanskey

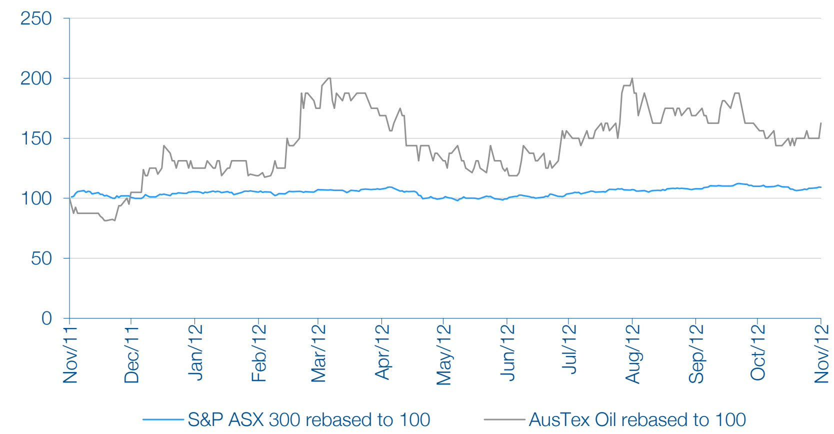
Mr Lanskey has more than 10 years' experience in senior management roles with several Australian companies.

Share data and price performance

Market data

Ticker			AOK
Listing			ASX
Net cash (A$m) (at 30 Jun 12)			2.7
EV (A$m)			52
Free float (%)			63
Shares in issue (m)			420.6
Price performance	**1m**	**3m**	**12m**
Absolute	4.0	(13.3)	85.7
Relative	5.2	(14.6)	69.6
		High	**Low**
12-month range (A$)		0.16	0.07

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$000s)	Mar 10a	Mar 11a	Dec 11a
Kwang Hou Hung	8.8	Turnover	1,477	3,609	2,121
Iroquois Capital	7.6	Adj. EBITDA	(4,009)	(3,021)	(3,230)
Leon Pretorius	3.7	Adj. PBT	(3,258)	(2,128)	(2,922)
Phesoj Pty	3.5	Tax rate	0	0	0
Richard Adrey	3.1	Adj. EPS (c)	(2.2)	(1.1)	(1.1)
Scott Cohen	1.8	Adj. fully diluted EPS (c)	(2.2)	(1.1)	(1.1)
Sensitivities evaluation		**Balance sheet (A$000s)**	**Mar 10a**	**Mar 11a**	**Dec 11a**
Litigation/regulatory	○	Non-current assets	16,234	18,984	21,744
Commodity price	◖	Current assets	2,705	3,082	1,159
Currency	○	Current liabilities	429	800	1,173
Stock overhang	◖	Non-current liabilities	0	10	541
Interest rates	○	Net assets	18,511	20,725	21,721
Reporting calendar	**Date**	**Cash flow (A$000s)**	**Mar 10a**	**Mar 11a**	**Dec 11a**
Third-quarter results	January	Operating cash flow	(2,688)	(943)	(2,795)
		Capex	(4,829)	(5,986)	(3,205)
		Equity issued	4,285	6,684	5,311
		Net cash flow	(3,212)	590	(1,940)

Source: Company accounts, Thomson Reuters

Edison investment research

Moving ahead with Tete

Mining

Baobab Resources has released a brief update on drilling programmes, which form part of the prefeasibility study (PFS) work at its 85%-owned Tete iron ore project in Mozambique, as well as the full year results. Earlier, the company announced positive preliminary results of the beneficiation test works and mass balance modelling for the Tenge material. These studies indicated that the project's iron ore can be sufficiently upgraded to concentrate via coarse cobbing then smelted to produce high-quality, ISO-compliant pig iron. The proposed coarse-cobbing route points to a visible reduction in the upfront capital spend. We maintain our ungeared/unrisked NPV-based value of US$630m attributable to Baobab. However, we await the PFS results, which we believe will underpin the project's strong economics, to confirm our assumptions and valuation.

Tete project: PFS is nearing completion

Baobab continues to advance its flagship Tete iron ore project, with the PFS results set to be released in Q113. While drilling at the Ruoni Flats, North and South properties was completed, the company continues exploration activity at its 159Mt Tenge resource block aimed at both improving quality and increasing tonnage, with some 4,100m of the overall 4,500m drilled to date. Following the earlier upbeat metallurgical test results, Baobab is now completing the iron making and beneficiation engineering design studies, which among other things will provide a more accurate estimate of operating and capital costs. There is an additional focus on the commercial parameters of the vanadium and titanium by products, which could form a substantial additional revenue flow for the project.

Positive met test and mass balance results

The completed beneficiation tests confirmed that the project's ore could be sufficiently upgraded through the coarse-cobbing process to yield a smelter feed concentrate grading 52% at an impressive mass recovery of 63%. The coarse-cobbing route will simplify the beneficiation process, reducing the upfront capital spend requirement by as much as US$90m (c 13% of the original scoping study estimate). In addition, based on the mass balance modelling for the coarse-cobbing concentrate, Baobab has provided preliminary product specifications, which suggest the project's saleable pig iron is expected to contain low impurities and low trace elements, essentially conforming to international standards for steel-making pig iron.

Valuation: Holding up despite the market turmoil

Our unrisked and ungeared NPV of the Tete project is US$761m, or US$630m in value attributable to Baobab. This valuation is based on the scoping study parameters, as well as the recently released met test and mass balance results, and takes into account c US$600m in required funding. Despite the recent deterioration in commodity sentiment and corresponding volatility in resource equities, Baobab's shares have been holding up relatively well. We believe this could be a reflection of Tete's robust economics, which should be underpinned by the upcoming PFS release, as well as the project's distinct positioning within the African mining sector.

Price	Market cap
9.50p	£25m

Share price performance

Business description

Baobab Resources is focused on developing its flagship Tete iron-vanadium-titanium open-pit project in central-western Mozambique, currently at the pre-feasibility stage of development.

Catalyst: Tete PFS release

Having completed the scoping study on the Tete pig iron project, Baobab is set to release the PFS results in Q113. The study is an important milestone for the project, as it is expected to provide more accurate opex and capex estimates and incorporate the by products.

Catalyst: Strategic partner search

Another important feature of the upcoming PFS is that it should enable the company to intensify its search for a strategic partner. The Tete pig iron project is a relatively large-scale development and is unlikely to be implemented without substantial support, both financial and in expertise, from a senior metals and mining company.

Analyst

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Edison profile page

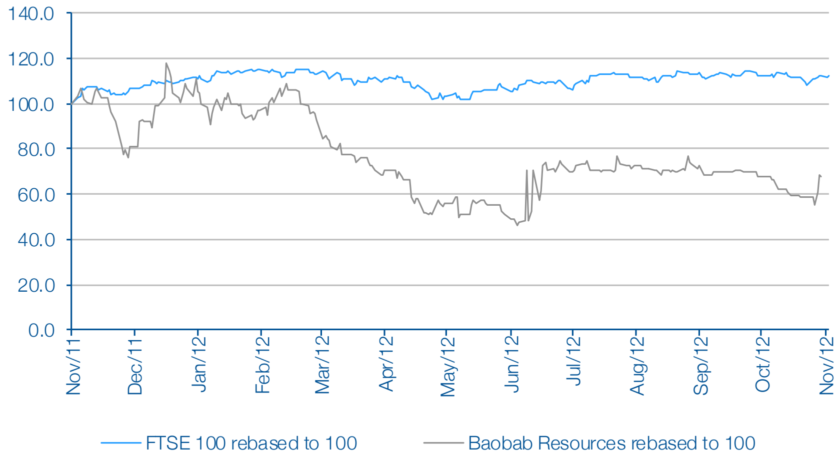
Management team

Chairman: Jeremy Dowler	Managing director: Ben James
Mr Dowler was a founding shareholder and finance director of Platmin 2000 to 2005. He is a qualified accountant and has been a board member of resource companies over the past 20 years.	Mr James is a geologist with over 17 years of global experience in the mining exploration and development industry. His working experience spans a wide variety of geological terrains and commodities in Africa, Australia and Eastern Europe.
Project manager: Christian Kunze	
Mr Kunze has 20 years' international management experience in iron ore project development, plant engineering and steel manufacturing, working for industry specialists including Siemens VAI and Promet Engineering.	

Share data and price performance

Market data (£m)			
Ticker			BAO
Listing			AIM
Net cash (June 2012 adjusted)			5.2
EV			20.0
Free float (%)			65
Shares in issue (m)			264.6
Price performance	**1m**	**3m**	**12m**
Absolute	(6.6)	(12.4)	(36.6)
Relative	(6.2)	(12.9)	(44.2)
		High	**Low**
12-month range (p)		16.5	6.5

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
AMED	21.0
Barclays Personal Investments	13.0
TD Waterhouse	10.9
Directors holdings	7.7
Hargreaves Lansdown	7.3
IFC	4.2
Sensitivities evaluation	
Litigation/regulatory	◖
Commodity price	●
Currency	◖
Stock overhang	●
Interest rates	◖
Reporting calendar	**Date**
Ruoni Flats update	Dec 12
Tenge/Ruoni resource	Dec 12-Jan 13
PFS results	Q113

P&L (£000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	0	0	0
EBITDA	(2,001)	(6,116)	(6,673)
Adjusted PBT	(1,961)	(6,060)	(6,559)
Tax rate	0	0	0
Adj EPS (p)	(1.4)	(3.6)	(3.3)
Adj fully diluted EPS (p)	(1.4)	(3.6)	(3.3)
Balance sheet (£000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	28	248	288
Current assets	2,318	5,712	4,508
Current liabilities	(612)	(1,090)	(340)
Non-current liabilities	(0.0)	(0.0)	(0.0)
Net assets	1,733	4,870	4,456
Cash flow (£000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(1,538)	(3,474)	(5,345)
Capex	(6)	(175)	(97)
Equity issued	3,148	6,803	2,863
Net cash flow	1,786	3,393	(1,205)

Source: Company accounts, Thomson Datastream

Cabral Resources

Asia-Pacific resources quarterly

Edison investment research

Focus moves to DSO hematite

Mining

Cabral Resources (CBS) has amassed a substantial portfolio of projects in the emerging iron ore province near Brumado in the state of Bahia, Brazil. With a $465km^2$ tenement holding, up from $140km^2$ in March 2011, the company's land holding contains ground prospective for coarse-grained magnetite ore, itabirite ore and high grade direct shipping hematite ore. Cabral's land holding has attractive infrastructure advantages with most targets close to the government-funded FIOL railroad, under construction, where it has secured access for up to 15mtpa iron ore capacity. The heavy gauge rail line will extend 536km east to the proposed new open-access deepwater port of Porto Sul. Construction work on the port is expected to start in Q113.

Morro do Gergelim: Drill results complete

Cabral released the rest of the drill results from Morro do Gergelim on 22 November 2012, which suggests the presence of two to four folded BIF horizons interbedded with amphibolite and metasediments and overall more complex geology than originally anticipated. Metallurgical testwork is under way to determine the liberation characteristics of the mineralisation and to confirm whether the iron occurrences can be liberated and beneficiated into a suitable end iron ore product. The Gergelim prospect remains a key focus of the company. However, management has flagged a refocus of the exploration strategy towards DSO hematite and itabirite potential, given their potential to generate earlier cash flows and current lacklustre market sentiment towards magnetite. Defining a JORC-compliant resource at Morro do Gergelim represents a major milestone for the company and a potentially significant catalyst for the stock.

Ibitira: Next drill target now in sight

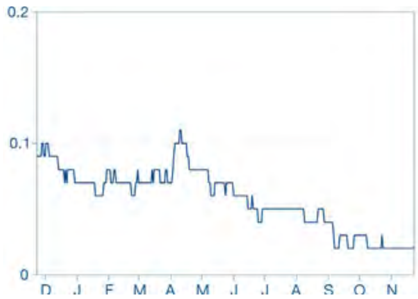
Cabral started preliminary assessment of the iron ore prospectivity of the Ibitira tenement area during the September quarter. Four trenches were completed using a backhoe-equipped front-end loader to excavate up to 4m depth, with other trenches planned in December. Channel samples from these trenches have been submitted for assay with SGS Brasil in Belo Horizonte, with results pending. The Ibitira target is within the Lagoa Real hub and is close to both Morro do Gergelim and the FIOL rail line. Ibitira contains between 20Mt and 50Mt of target tonnage and is conveniently situated 45km west of the company's exploration base at Brumado.

Brumado exploration team expands

CBS added to the exploration team based in Brumado with the appointment of senior geologist Daniel Mazorca. Mr Mazorca's most recent experience includes working for Kazakh-based mining group Eurasian Natural Resources Corporation (ENRC) in the iron ore region of Salinas-Rio Pardo-Serra do Espinhaco region of Minas Gerais and Caetite in Bahia. ENRC is Cabral's closest neighbour and to date the most active consolidator of undeveloped projects in the region.

Price	Market cap
A$0.02	A$5m

Share price performance



Business description

Cabral Resources is an ASX-listed iron ore explorer focused on the Brumado region of Bahia State, Brazil. It also holds several uranium tenements in Western Australia.

Catalyst: JORC resource

Assay results from Cabral's maiden 3,000m diamond drilling programme at Morro do Gergelim confirmed the presence of recrystallised BIF occurrences with reasonable iron grades. News generated by the regular release of metallurgical results will clarify the potential of the project pending establishment of a JORC resource.

Catalyst: Key infrastructure

Cabral's landholding is strategically positioned next to export infrastructure, currently under construction. Establishing a JORC resource that potentially uses the company's secured access to infrastructure would be a major catalyst for a re-rating of the stock.

Catalyst: Tenement consolidation

Cabral has flagged further regional acquisition of tenements with the aim of growing its portfolio to over 1Bt of beneficiable iron ore targets. Despite the possibility of increasing DSO hematite potential already identified to date, incremental consolidation of tenements bodes well for economies of scale.

Analyst

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Edison profile page

Cabral Resources is a research client of Edison Investment Research Limited

Management team

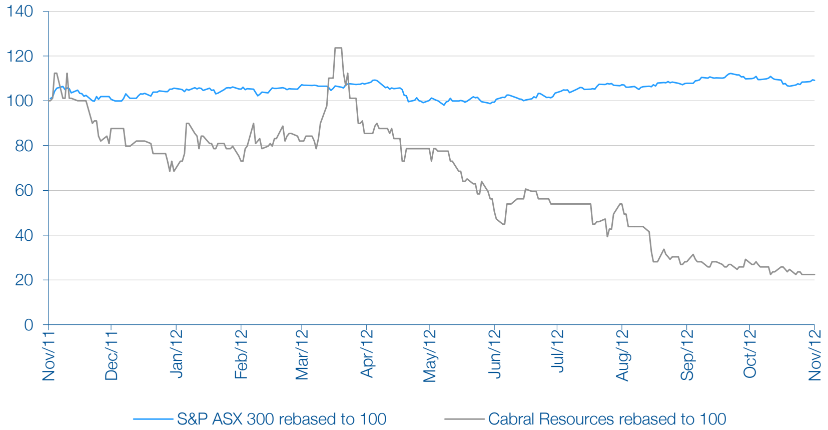
Managing director and CEO: Michael Bogue	Head of exploration: Paulo Ribeiro
Mr Bogue has over 19 years' M&A and corporate finance experience in the natural resources sector, including as former co-head of mining and metals, Asia Pacific and Australian oil and gas for JPMorgan Chase & Co, and as part of the business development and finance departments of gold major, Newcrest Mining.	Mr Ribeiro is a Brazilian citizen with over 25 years' experience as a geologist. He graduated in geological engineering and has a post-graduate degree in mineral science on crustal evolution and natural resources: structural geology and geotectonics.
Country manager, Brazil: Bruno Ribeiro	**Executive general manager, Asia: James Li**
Mr Ribeiro has participated in numerous investment projects focusing on the resources sector, as well as working for a leading financial services company in Brazil. He has specialist experience in consulting and the development of risk management solutions.	Mr Li is a metallurgist with an established contact network in Asia, including Chinese state-owned enterprises and the policy banks.

Share data and price performance

Market data

Ticker			CBS
Listing			ASX
Net cash (A$m) (as at Sept 2012)			8.4
EV (A$m)			(3.4)
Free float (%)			78
Shares in issue (m)			259.3
Price performance	**1m**	**3m**	**12m**
Absolute	(24.0)	(56.8)	(78.9)
Relative	(23.1)	(57.5)	(80.7)
		High	**Low**
12-month range (c)		0.11	0.02

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
CBS board members (in aggregate)	6	Turnover	332	0	1
Sun Hung Kai Inv. Services	4	Adj EBITDA	(394)	(2,043)	(2,522)
Sino Portfolio International	4	Adj PBT	(419)	(1,788)	(1,670)
DV Nominees Pty	2	Tax rate	0	0	0
Hematite Consultants Pty	2	Adj EPS (c)	(0.5)	(0.9)	(0.6)
Alen Egan Pty	2	Adj fully diluted EPS (c)	(0.4)	(0.8)	(0.6)
Sensitivities evaluation		**Balance sheet (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	○	Non-current assets	1,587	5,186	11,408
Commodity price	●	Current assets	351	19,889	10,798
Currency	◖	Current liabilities	148	497	290
Stock overhang	○	Non-current liabilities	7	8	78
Interest rates	○	Net assets	1,784	24,571	21,838
Reporting calendar	**Date**	**Cash flow (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Quarterly activity report	Jan 2013	Operating cash flow	(686)	(1,934)	(2,326)
		Capex	(3)	(100)	(150)
		Equity issued	0	23,727	0
		Net cash flow	242	19,392	(8,261)

Source: Company accounts, Thomson Reuters

Celamin Holdings

Asia-Pacific resources quarterly

Edison investment research

Maiden JORC and scoping study

Mining

Celamin Holdings (CNL) has recently reported its maiden JORC resource and a scoping study at the Chaketma phosphate project in Tunisia. The inferred resource at the Kef El Louz North prospect comprises 37Mt of phosphate rock at a 21% P_2O_5 grade and using a cut-off grade of 10% P_2O_5. It also reported positive results from the scoping study, with technical and economic assessments formed in the study providing the company with a sound platform from which to progress the project. The scoping study showed that preliminary environmental and social studies revealed no 'fatal flaws' and that a strong opportunity exists to reduce capital and operating costs at the Chaketma phosphate prospect.

Maiden JORC resource at Chaketma

The maiden JORC resource at Chaketma was estimated by independent consultant Geos Mining and suggests an inferred JORC-compliant resource of 37Mt of rock phosphate grading 21% P_2O_5 at a cut-off grade of 10% P_2O_5, which is sufficient for a mine with an initial 10 years of production. It is notable that the resource estimate applies at only the Kef El Louz North prospect, being one of seven prospects that sit within the Chaketma exploration permit, meaning the surface has barely been scratched in terms of resource drilling and delineation. The resource is considered inferred at this stage as diamond drill holes were drilled at a nominal spacing of 160m and to date no down-hole surveys have been conducted, which means that the true thickness of the ore body is not completely accurate as yet.

Scoping study reveals no 'fatal flaws'

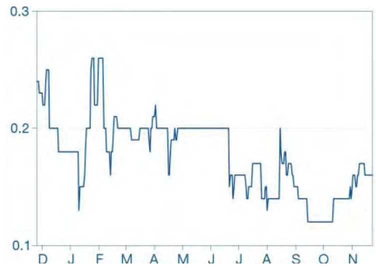
The scoping study at Chaketma, completed by Direct Mining Services Pty Ltd (DMS), suggests the potential for a long-life project of over 50 years, based on an estimated resource of c 229Mt at an average grade of c 20.2% P_2O_5. Further drilling at the project has shown that significant thicknesses of phosphate mineralisation are near the surface. The opportunity exists to optimise the project on the basis of high-grade phosphate with good metallurgical properties and a low strip ratio per the scoping study requirements. Most importantly, the preliminary environmental and social studies conducted during the scoping study revealed that there were no significant issues or potential obstacles to the project and therefore no 'fatal flaws' to the future viability of the project.

Metallurgical work and DFS

Further metallurgical work is to be performed in early 2013, with the pilot plant testing of a 100 tonne bulk sample from the Kef El Louz North prospect to be sent to a testing facility in Tunis, the capital of Tunisia. With the maiden JORC resource delineated, Celamin is now able to commence with the engineering stage of the definitive feasibility study (DFS). It is expected to begin in March 2013, with the work completed by December 2013.

Price	Market cap
A$0.16	A$24m

Share price performance



Business description

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

Catalyst: Chaketma resource upgrade

Further resource delineation beyond the maiden JORC resource will continue with step out drilling and additional analysis to increase the confidence level of the current JORC resource.

Catalyst: Chaketma DFS

A full definitive feasibility study (DFS) including environmental and social impacts and resource definition is to commence by March 2013. It is expected that lower strip ratios and higher grades at Chaketma will enable a lower throughput process plant, thereby reducing capital expenditure.

Catalyst: Chaketma plant construction

Upon completion of the DFS, expected in December 2013, Celamin will move ahead with construction of the plant required to process the phosphate rock at the Chaketma permit.

Analyst

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Edison profile page

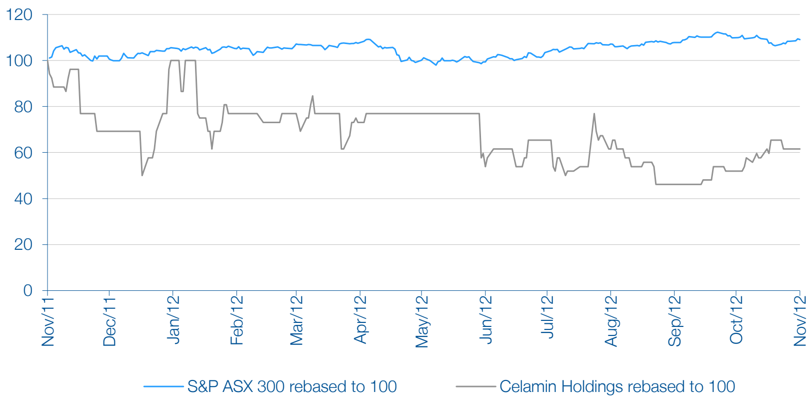
Management team

Chairman: The Honourable Andrew Thomson	Managing director: David Regan
The Hon. Andrew Thomson spent his career working as a fund manager and investment banker. Prior to 2001, Mr Thomson was a member of the House of Representatives in Australia. He now acts as a consultant lawyer on investment in Asia and the Middle East.	David Regan has worked in the resources sector for over 30 years in various senior corporate roles for Rio Tinto, BHP Billiton and Atlantic Richfield. Over that time, he has put together over A$3bn of resource investments.
Executive director: Russell Luxford	**Company secretary: Melanie Leydin**
Mr Luxford brings over 20 years of mining experience, having previously worked with Rio Tinto, WMC and Goldfields. While at WMC, Mr Luxford was employed as the general manager of the Phosphate Hill project in Mt Isa.	Melanie Leydin is a registered company auditor. She has been the principal of accounting firm Leydin Freyer since 2000. She is a director and company secretary for a number of resources entities listed on the ASX.

Share data and price performance

Market data			
Ticker			CNL
Listing			ASX
Net cash (A$m) (as at 30 June 2012)			4.5
EV (A$m)			19.5
Free float (%)			37
Shares in issue (m)			152.3
Price performance	**1m**	**3m**	**12m**
Absolute	18.5	(5.9)	(33.3)
Relative	19.9	(7.3)	(39.1)
		High	**Low**
12-month range (A$)		0.26	0.12

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Regan Superannuation Fund	27.38
RNAJ Pty	13.96
African Lion 3	12.18
Commonwealth Bank of Australia	4.98
RMB Resources	2.44
Peter James Avery	1.98
Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	○
Reporting calendar	**Date**
DFS commencement	Mar 13

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Turnover	0	0	0
Adj EBITDA	(407)	(960)	(2,017)
Adj PBT	(461)	(986)	(2,012)
Tax rate	0	0	0
Adj EPS (c)	(2.7)	(1.8)	(3.6)
Adj fully diluted EPS (c)	(2.7)	(1.8)	(3.6)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	985	6,830	23,194
Current assets	1,406	2,436	4,710
Current liabilities	(41)	(36)	(937)
Non-current liabilities	0	0	0
Net assets	2,350	9,231	26,967
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(441)	(961)	(1,107)
Capex	(1,097)	(3,593)	(2,127)
Equity issued	2,821	5,491	5,368
Net cash flow	1,324	1,032	2,179

Source: Company accounts, Thomson Reuters

Central Petroleum

Asia-Pacific resources quarterly

Edison investment research

Exploration can begin

Oil & gas

Central Petroleum (CTP) has recently concluded two farm-out deals with Santos and Total for projects in the central Australian Amadeus/Pedirka and South Georgina basins respectively. The deals enable exploration to commence in some of the most prospective areas of CTP's vast acreage without heavy upfront expenditure commitments and while retaining significant equity exposure. The implied valuations of A$11 per acre for the Santos farm-out and US$37 per acre for the Total farm-out are both substantially above the A$4 that CTP was trading at in mid-November.

Joint ventures: Farm-outs with major partners

The Paleozoic/Mesozoic basins of Central and Western Australia are emerging as some of the most interesting shale plays outside the Americas and increasingly gaining the attention of world-class operators. The Santos/CTP JV covers 19.8m acres in the Amadeus/Pedirka Basins of the Northern Territory and envisages exploration outlays of up to A$150m. This will enable Santos to earn up to a 70% interest in the property. Significantly, CTP will be free-carried and retain a 100% interest in the more than 2m acres surrounding the Surprise discovery. The Total farm-out covers about 6m acres in the South Georgina Basin of south-eastern Northern Territory and western Queensland. Total will fund 80% of the planned expenditure of up to US$190m over three phases and will finance the first US$48m of Phase 1 (CTP will finance the next US$12m). Assuming completion of the three exploration phases, Total will earn a 68% stake in the project and will operate 90% of the acreage. CTP has indicated that it expects exploration on the JV with Total to commence by April 2013. Importantly, the South Georgina Basin is perceived as highly prospective as a shale oil play, given the analogies with key US plays, notably the Bakken. The Total/CTP acreage is adjacent to that of Statoil/PetroFrontier in South Georgina.

Surprise EPT: Modest test volumes, commercial potential

The Surprise extended production test (EPT) has yielded modest amounts of oil. In the quarter to September, production and deliveries were 4,560bbl and 1,714bbl respectively. Flow rates have stabilised at 100-200b/d, with a maximum of about 400b/d. Commercial flows with a pump are likely to be considerably greater.

Financials: Near-term potential to boost cash

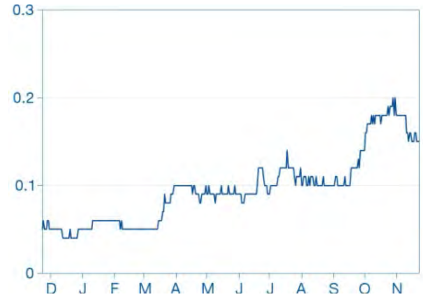
At end-September, CTP's cash position was A$5.1m. This may not look particularly comfortable compared to annual overheads of perhaps A$10m, but CTP is scheduled to receive over A$1m by 4 January relating to the settlement of a dispute with a drilling contractor and may be able to raise funds through the exercise of options.

Valuation: A$0.32/share, upside potential

We value CTP at A$0.32/share based on the farm-out valuations and a DCF for Surprise. However, assuming successful de-risking programmes, there is the potential for a substantially higher valuation. In this context it should be noted that in the US, valuations rapidly move well in excess of $1,000/acre once shale plays become de-risked or even partially de-risked. Reaching the promised land will inevitably take time.

Price	Market cap
A$0.15	A$208m

Share price performance



Business description

Central Petroleum is an oil and gas junior focused on exploration in the basins of central Australia. It currently has four projects primarily in the Northern Territory. CTP also has coal and helium interests.

Catalyst: Surprise reserves definition

Following the completion of the Surprise EPT and the interpretation of 3D seismic, CTP has indicated that it will be working on geological modelling and reserves estimation. News on this front could be made known by end-Q113. Presently, the Surprise P50 OIIP estimate covers a very wide range of 4-110m barrels.

Catalyst: Statoil/PetroFrontier testing

PetroFrontier has drilled and multi-staged fracked three horizontal wells in the Arthur Creek formation of the Southern Georgina Basin. Initial results have been encouraging in that all three have revealed oil shows. Full test results will probably be reported in early-2013 and could be influential for CTP.

Catalyst: JV exploration plans

Presently, little or nothing is known about the operational plans of CTP's JV partners. When these are revealed, they could become an important catalyst for the stock. CTP could also receive a lift in the coming months if a decision is made to spin off the coal and helium interests, either in JVs or listed entities.

Analyst

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Edison profile page

Central Petroleum is a research client of Edison Investment Research Limited

Management team

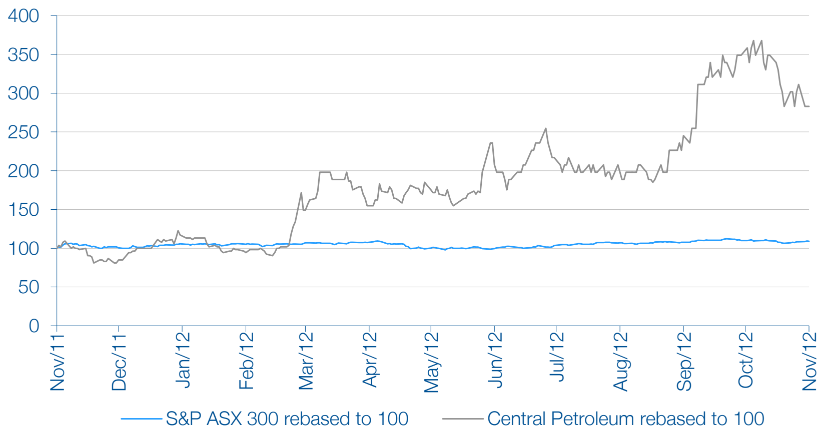
Chairman: Dr Henry J Askin	CEO: Richard I Cottee
Dr Askin is a geophysicist with over 40 years' experience of oil exploration. He spent 25 years with Shell and was exploration manager of Shell Development (Australia). Dr Askin has also worked for Shell in Oman, the Netherlands and India in senior management and technical roles.	Mr Cottee, an attorney by background, is a prominent figure in Australian oil and gas circles. He is particularly well known for having taken QGC from an explorer to a major gas supplier, which was sold to BG Group for $5.7bn in 2008. He is a principal and 50% shareholder in Freestone Energy Partners.
CFO: Bruce W Elsholz	**COO: Dalton Hallgren**
Mr Elsholz is a chartered accountant with around 35 years' experience in the upstream oil and gas sector in Australia and Canada.	Mr Hallgren is a petroleum engineer with approximately 20 years' oil and gas experience. He is a well-qualified drilling engineer, with broad experience of several US shale plays.

Share data and price performance

Market data

Market data			
Ticker			CTP
Listing			ASX
Net cash (A$m) (est as at mid-November 2012)			3.6
EV (A$m)			204
Free float (%)			87
Shares in issue (m)			1,387.0
Price performance	**1m**	**3m**	**12m**
Absolute	(21.1)	50.0	177.8
Relative	(20.1)	47.7	153.7
		High	**Low**
12-month range (A$)		0.20	0.04

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Merrill Lynch (Australia) Nominees	4.9
Citicorp Nominees	2.9
National Nominees	2.2
Petroleum Nominees	1.0
Marford Group Pty	1.1
Brighten International Pty	1.0
Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	◖
Currency	◖
Stock overhang	○
Interest rates	◖
Reporting calendar	**Date**
Q1	October
Q2	January
Q3	April
Q4	July

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Turnover	0	0	0
EBITDA	(12,193)	(37,244)	(25,847)
PBT	(11,483)	(36,550)	(25,657)
Tax rate	0	0	0
EPS	(3.4)	(3.8)	(2.2)
Fully diluted EPS	(3.4)	(3.8)	(2.2)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	14,259	13,802	13,640
Current assets	51,517	13,787	14,735
Current liabilities	(9,264)	(1,643)	(4,089)
Non-current liabilities	0	(50)	(83)
Net assets	56,512	25,896)	24,204
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(12,142)	(35,120)	(21,736)
Capex	(8,612)	(903)	(1,184)
Equity issued	24,524	5,982	23,961
Net cash flow	1,599	(28,066)	2,641

Source: Company accounts, Thomson Reuters

Chatham Rock Phosphate

Asia-Pacific resources quarterly

Edison investment research

Milestone passing continues

Mining

Price NZ$0.40

Market cap NZ$52m

Chatham Rock Phosphate (CRP) continues to make steady progress towards establishing a large undersea rock phosphate mining operation in the remote waters of New Zealand. With a mining licence application having been lodged with authorities during the last quarter, marine consents and project engineering will be CRP's key areas of focus over the coming year.

Undersea rock phosphate play

CRP is progressing the appraisal and potential development of a large permit area 450km offshore from the east coast of New Zealand's South Island. The area has been known since the 1950s to contain large deposits of high-grade rock phosphate on or near the seabed, 400m below the surface.

Mining application lodged

Shortly after Edison initiated its coverage of CRP in late-September, CRP lodged its application for a mining licence with New Zealand regulators. The market took both events very positively, driving CRP's share price up from $0.23 to a peak of $0.46 a share in less than two weeks. If and when CRP continues to pass further significant milestones over 2013-14, we expect the market to continue to de-risk CRP's share price towards our unrisked valuation, currently at $1.87/share.

CRP nonetheless faces a number of significant hurdles before it will be in a position to consider a final investment decision (FID). In addition to project engineering, CRP's biggest challenge lies in securing marine consents for its operation. While a new regulatory regime to deal with far-shore marine operations provides much-needed clarity, the risk of delay, deferral and even denial still remains.

Capital also a near-term focus

A notable feature of CRP's business model is a lack of capital intensity. As CRP plans for all mining operations to be undertaken on a contract mining basis, its own capital needs are modest for a company of its intended scale. Most of the capital required will come from global dredging major Royal Boskalis, with which CRP has a close relationship. Having been involved with the project since 2010 in an advisory capacity, in July Boskalis subscribed to a 15% stake in CRP. In our view, Boskalis's decision to extend its exposure serves to significantly de-risk the project.

CRP is currently engaged in a capital-raising process to fill what it considers will be the final tranche of funding it will require before FID. CRP has achieved considerable past success in tapping the private placement market and it is likely this will again be targeted. A capital raising is also a necessary prerequisite to completing a TSX-V listing, which CRP is aiming to do during H113.

Share price performance

Business description

Chatham Rock Phosphate holds an exploration licence over 4,726km^2 off the east coast of New Zealand, known to house significant seabed deposits of rock phosphate and other minerals.

Catalyst: Capital raising

A capital raise to bridge CRP to FID and meet TSX minimum capital requirements is thought to be underway. CRP is likely to be seeking up to US$10m and hoping to close by the end of the year. A TSX-V compliance listing application is likely to follow during H113.

Catalyst: Mining licence

CRP submitted its mining licence application to the regulator, New Zealand Petroleum & Minerals, at the end of September. CRP expects a six- to seven-month turnaround on its application, with an outcome likely to be known during Q213.

Catalyst: Marine consents

As its mining concept involves activities beyond New Zealand's 12-mile limit, marine consents will be required under new legislation currently going through Parliament. An application is expected to be lodged with the Environmental Protection Agency in H113.

Analyst

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Edison profile page

Chatham Rock Phosphate is a research client of Edison Investment Research Limited

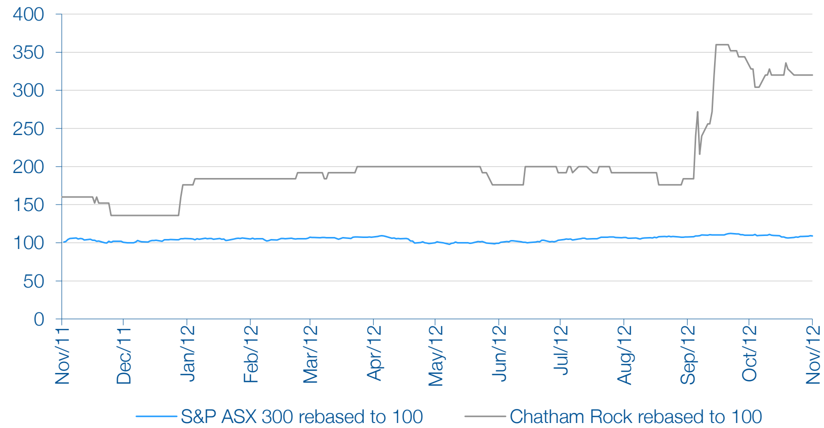
Management and project team

Managing director: Chris Castle	Principal scientist: Dr Robin Falconer
Mr Castle is a chartered accountant with more than 35 years' experience in the investment, corporate finance and mineral sectors. He is also managing director of NZX-listed Widespread Portfolios, and a non-executive director of TSX-V-listed Asian Mineral Resources and ASX-listed King Solomon Mines.	Mr Falconer was formerly with GNS Science, where he was the manager of research and the natural hazard group from 1995 to 2008. Before that, he was a consultant working nationally and internationally.
Chief geologist: Campbell McKenzie	
Mr McKenzie is a geologist with 15 years' minerals experience. He is currently COO of Kenex. Previously, he managed the minerals unit within the Crown Minerals Group of the Ministry of Economic Development and was NZ country manager for Neptune Minerals.	

Share data and price performance

Market data			
Ticker			CRP
Listing			NZX
Net cash (NZ$m) (as at 31 Mar 2012)			0.3
EV (NZ$m)			51.4
Free float (%)			76
Shares in issue (m)			129.2
Price performance	1m	3m	12m
Absolute	5.3	66.7	100
Relative	4.8	53.6	68.3
		High	Low
12-month range (NZ$)		0.45	0.17

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Subsea Investments LLC	28.8%
Boskalis Offshore BV	20.0%
Odyssey Marine Exploration Inc	7.3%
Mineral Investment Ltd	6.8%
Widespread Portfolios Ltd	4.2%
Tasman Portfolio Ltd	2.9%
Sensitivities evaluation	
Litigation/regulatory	◖
Commodity price	●
Currency	○
Stock overhang	◖
Interest rates	○
Reporting calendar	**Date**
FY13 report	May 2013

P&L (NZ$'000s)	March 10a	March 11a	March 12a
Turnover	0	0	0
Adj. EBITDA	(142)	(529)	(761)
Adj. PBT	(107)	(506)	(749)
Tax rate	0	0	0
Adj. EPS	(0.6)	(2.0)	(1.6)
Adj. fully diluted EPS	(0.3)	(1.2)	(1.4)
Balance sheet (NZ$'000s)	**March 10a**	**March 11a**	**March 12a**
Non-current assets	738	4,398	11,389
Current assets	553	455	478
Current liabilities	(132)	(250)	(3,621)
Non-current liabilities	(0)	(0)	(0)
Net assets	1,159	4,603	8,245
Cash flow (NZ$'000s)	**March 10a**	**March 11a**	**March 12a**
Operating cash flow	(133)	(493)	(666)
Capex	(105)	(819)	(3,848)
Equity issued	396	1,045	4,396
Net cash flow	163	(276)	39

Source: Company accounts, Thomson Reuters

Coal of Africa

Asia-Pacific resources quarterly

Edison investment research

Results recap; strategic partnership

Mining

Coal of Africa (CoAL) released mixed FY12 financial results, followed by a weak Q113 operating update. After Exxaro decided not to exercise its 30% option on Makhado, the company announced the strategic partnership agreement with China's BHE, which is expected to provide US$100m in equity funding and should be instrumental in bringing Makhado into production. We update our CoAL valuation to incorporate the revised coal price and production forecasts.

Mixed set of financial and operating data

The reported Q113 operating results confirmed earlier trends on the reduction in export coal sales. While ROM and saleable coal production were up by 6% and 12% respectively, export shipments dropped 45% q-o-q due to weaker demand and lower throughput at Matola. On a positive note, Vele continues to ramp up, delivering 72kt of saleable thermal coal product. On 1 October, CoAL released FY12 results, with the EBITDA loss widening to US$27m and revenue falling 7% y-o-y to US$244m. Net debt was reported at US$30m compared to US$45m in net cash as of December 2011. While the company raised c US$54m in equity subsequent to year end (bringing its cash position to US$30m as of the end of September 2012), it is currently negotiating the restructuring of a US$50m (with some US$38m drawn as of the end-September quarter) secured debt facility from DB and has recently restructured the US$14m residual payment for Chapudi.

Makhado update and strategic partnership

Exxaro decided not to exercise its option to acquire a 30% stake in the Makhado project, citing its own project pipeline and weak fundamentals. This decision coincided with the announcement of the strategic partnership with Beijing Houhua Energy Resources (BHE), a Chinese coal producer. BHE is expected to provide CoAL with US$100m in equity funding (with the initial US$20m payment transferred to an escrow account pending regulatory clearance). Beyond that, we expect CoAL to benefit from BHE's technical expertise and ability to facilitate the required project financing, which could be instrumental in bringing the Makhado project up the curve. The latter is crucial to the CoAL value realisation. The company plans to publish the project's BFS in early 2013.

Valuation: Under pressure from lower coal pricing

We downgraded our CoAL valuation from US$0.66 to US$0.40/share on the back of the reduced coal pricing and production assumptions, as well as the lower residual resource value contribution. In all, the company's fundamental value remains strongly dependent on Vele's operational success and coking coal potential, and Makhado execution. We are positive about Makhado, which, once advanced to the development stage and de-risked, should become CoAL's flagship operation, contributing the bulk of its value. However, we continue to value the project on an EV/Resource basis, as visibility on the project's economics and execution remains low. To this end, we look forward to the BFS release, which could be the first step towards unlocking the project's value.

Price	Market cap
A$0.19	A$152m

Share price performance

Business description

Having two thermal coal mines in production, Coal of Africa has recently launched the Vele project, which produces semi-soft coking coal and an export-grade secondary thermal coal product. The next step is to bring the company's flagship Makhado project into production.

Catalyst: Vele ramp-up

Having launched Vele in Q112, Coal of Africa is ramping up the project to bring it to full capacity in 2013. While a 10% semi-soft coking coal is being tested with AMSA, the company looks to establish the end market by the end of 2012. It also aims to upgrade the project to produce an export-quality secondary thermal coal product.

Catalyst: Makhado progress

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

Catalyst: Woestalleen replacement

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

Analyst

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Management team

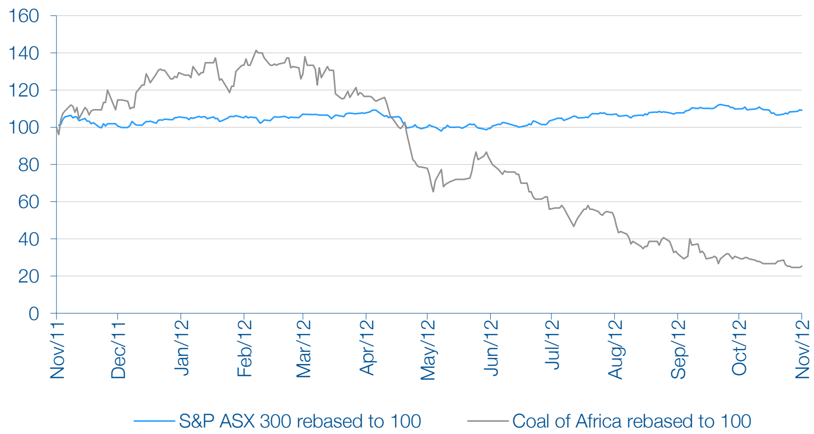
Chairman: David Brown	CEO: John Wallington
Before joining Coal of Africa, Mr Brown served as CEO of Impala Platinum. He joined Implats Group in 1999 and served in the capacity of CFO until August 2006.	Mr Wallington has 30 years' experience in the coal exploration and mining industry. Before joining Coal of Africa, he was global chief executive for the Anglo Coal division of Anglo American.
CFO: Wayne Koonin	
Mr Koonin is a qualified chartered accountant. Over the past 12 years, he has gained extensive experience working in senior financial roles for exploration, development and operating mining companies based in Canada, South Africa, the UK and Switzerland.	

Share data and price performance

Market data (US$m)

Ticker			CZA
Listing			ASX, AIM
Net cash (US$) (estimated post fund raising)			8
EV			150
Free float (%)			99
Shares in issue (m)			801.0
Price performance	**1m**	**3m**	**12m**
Absolute	(14.4)	(44.5)	(74.9)
Relative	(14.1)	(44.9)	(77.9)
		High	**Low**
12-month range (US$)		1.06	0.19

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (US$m)	Jun 10a	Jun 11a	Jun 12a
M&G Investment Management	18.0	Revenue	98.4	261.4	243.8
ArcelorMittal	15.8	EBITDA	(20.8)	(8.4)	(26.8)
Africa Management	13.3	Adjusted PBT	(44.4)	(117.7)	(139.1)
Capital	6.3	Tax rate	-	0.4%	-
Vitol Energy	3.1	Adj EPS (c)	(7.3)	(22.3)	(20.7)
Blackrock	3.0	Adj fully diluted EPS (c)	(7.3)	(18.4)	(18.4)
Sensitivities evaluation		**Balance sheet (US$m)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	◖	Non-current assets	537.6	501.1	486.3
Commodity price	●	Current assets	123.3	90.6	67.5
Currency	◖	Current liabilities	(90.9)	(118.2)	(123.1)
Stock overhang	●	Non-current liabilities	(39.3)	(39.9)	(53.3)
Interest rates	◖	Net assets	530.7	433.6	377.4
Reporting calendar	**Date**	**Cash flow (US$m)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Q213 operating results	January	Operating cash flow	(6.1)	(1.9)	(16.7)
		Capex	(106.5)	(74.0)	(47.0)
		Equity issued	167.8	0.3	106.2
		Net cash flow	(2.4)	(61.3)	0.5

Source: Company accounts, Thomson Datastream

Fully funded for 2013

Oil & gas

After having attracted global major CNOOC to its acreage a year ago, in September Exoma announced a substantial double-barrelled extension of CNOOC's commitment to the play. The result is that Exoma is fully funded for 2013 and can now boast CNOOC as a cornerstone shareholder.

CNOOC likes what it sees

In late 2011, Exoma penned a farm-in agreement with Chinese major CNOOC for a A\$50m exploration programme on Exoma's 27,000km^2 of acreage, exchanging a 50% equity stake in the permit for a full cost-carry to Exoma. The funding under the deal is due to run out in Q113 and the market had been speculating as to how Exoma was going to fund its next stage of development. That speculation was put to rest in September when Exoma and CNOOC announced a major extension of their relationship. CNOOC will take a 13% equity stake in Exoma, extendable to 19.9%. The deal provides Exoma with A\$10.7m of direct new funding and A\$12.7m of further work programme funding. The parties have already received the necessary approvals from Australian authorities and are now awaiting approval from Chinese government authorities, due by 31 December, to finalise the deal.

Focus now squarely on shale

Exoma has drilled 12 wells since the start of its programme in April, and in October Exoma confirmed the end of its 2012 drilling programme. Although fewer wells were drilled than had been planned earlier in the year, the 12 that were completed will provide the JV with a much stronger understanding of the conventional, coal and shale formations that lie beneath its tenements. Lab results from composition and desorption testing of the coal and shale formations intersected will filter in over the next few months and will provide the JV with a firm basis on which to determine its 2013 drilling programme.

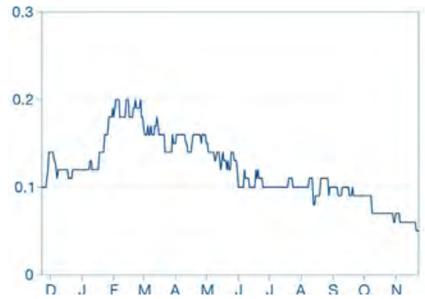
Results from earlier wells have indicated weaker than expected results from CSG fairways, but increasing potential of the Toolebuc shale, which underlies 39,000km^2 (9.6 million acres) of the JV's granted plus contingent permit areas.

Valuation: Thesis unchanged

In our 6 August initiation report and 16 November update note we highlighted the difficulty of valuing early-stage explorers like Exoma. While the disappointing result from the Katherine West well in August nullified what would have served as a firm NAV catalyst, Exoma's investment case remains a long-term proposition. Exoma's share price since has been squarely to the negative, and we think overplays the extent of disappointment. Based on the deal metrics that fall from the new CNOOC arrangements, we infer a midpoint valuation of A\$0.15 per share.

Price	Market cap
A\$0.05	A\$22m

Share price performance



Business description

Exoma is a junior oil and gas explorer that operates five exploration permits totalling 27,000km^2 in the Galilee and Eromanga basins, Australia. It has also been selected as the preferred tender in four further blocks totalling 19,000km^2.

Catalyst: CNOOC approval

The share placement to CNOOC is subject to approval from Chinese authorities being received before 31 December. CNOOC's initial joining with Exoma in 2011 involved a similar equity component, which did not receive Chinese approval within the required timeframe and did not complete as a result.

Catalyst: Drilling sample results

Lab results from the JV 2012 drilling campaign will be starting to trickle in. Exoma has committed to keeping the market informed as results become interpreted and final analysis is made. This is likely to be early in Q113.

Catalyst: 2013 drilling programme

Exoma has flagged a significant drilling programme in 2013 to extend from the findings of the 2012 campaign. We expect a heavy weighting towards shale and conventional oil, with a lesser emphasis on CSG. A Q213 start to the drilling programme is likely.

Analyst

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Edison profile page

Management team

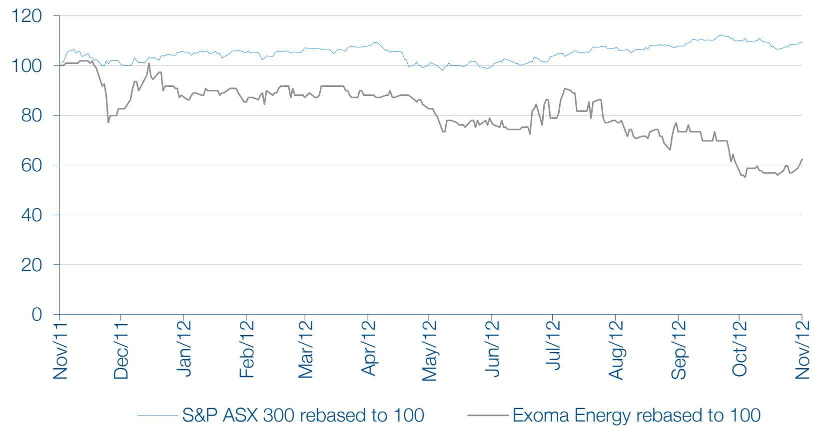
CEO: Rob Crook	COO: Dr Josh Whitcombe
Rob Crook has over 20 years' experience in the petroleum industry in a variety of senior managerial roles. Between 2001 and 2002 he was managing director of QGC, which, from a standing start, built a worldscale CSG resource in the Surat and Bowen Basins.	Dr Whitcombe is an engineer with an extensive E&P drilling background, including roles with Shell, Santos and Westside Corporation. Since returning to Australia from Shell he has worked exclusively on the CSG industry.

Exploration advisor: Ken Dups
Ken Dups has 25 years' experience in the E&P sector, including 15 years as an international consultant advising on projects in Asia and Europe. Most recently, he was chief geophysicist and a director of Celtique Energie Petroleum Ltd.

Share data and price performance

Market data			
Ticker			EXE
Listing			ASX
Net cash (A$m) (at 30 Jun 12)			9.9
EV (A$m)			11.8
Free float (%)			56
Shares in issue (m)			417.5
Price performance	1m	3m	12m
Absolute	(20.6)	(50.9)	(46.0)
Relative	(19.6)	(51.7)	(50.7)
		High	Low
12-month range (A$)		0.20	0.05

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Brian Barker	12.6%
Norman Dewhirst	12.5%
MSJ Capital Pty	9.7%
Credit Suisse	5.7%
Jasmah Investments Pty	5.7%
Blueseas Inv Pty	3.3%
Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	○
Stock overhang	◖
Interest rates	○
Reporting calendar	**Date**
FY13 second-quarter report	Jan
Interim results	Feb

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Turnover	0	0	0
Adj. EBITDA	(2,181)	(4,991)	(1,823)
Adj. PBT	(2,056)	(4,860)	(1,431)
Tax rate	0	0	0
Adj. EPS (c)	(0.7)	(1.4)	(0.3)
Adj. fully diluted EPS (c)	(0.4)	(1.0)	(0.2)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	3,744	4,412	4,469
Current assets	2,490	11,642	10,910
Current liabilities	(628)	(487)	(765)
Non-current liabilities	0	0	0
Net assets	5,606	15,567	14,614
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(1,320)	(2,510)	(1,825)
Capex	(126)	(317)	(326)
Equity issued	2,000	12,276	58
Net cash flow	(811)	8,846	(1,397)

Source: Company accounts, Thomson Reuters

Gold One

Asia-Pacific resources quarterly

Edison investment research

Ready to ring in the new year

Mining

Gold One (GDO) has recently released its Q312 operational details and produced 59,642oz of gold, which was 5% lower than the previous quarter. Management expects FY12 production will be c 243koz, which is 8.3% lower than the revised 265koz guidance provided in June. The lower-than-expected production is mostly due to illegal industrial action at its Modder East and Cooke 4 (formerly Ezulwini) operations. However, the good news is that the company has signed a new two-year wage agreement with the National Union and management expects to have production at Modder East back to pre-strike levels by the end of the year. In addition, the temporary suspension of the Cooke 4 operations, which occurred on 16 October, has been lifted. In other news, the JV with Goldfields is progressing well, with the approval of a pre-feasilibity study that will be completed in Q313.

Lower production, but a new contract at Modder East

Production from Modder East totalled 17,136oz, representing a 35% reduction over the previous quarter following the unprotected strike action and subsequent dismissal of the majority of workers. However, management has successfully negotiated a new two-year agreement with the National Union of Mineworkers (NUM) for the period 1 January 2013 to 31 December 2014 to replace the existing agreement that expires on 31 December 2012. Highlights of the new agreement include an 8-10% increase in salaries, new benefits and production-related bonuses. The company can now continue to focus on ramping up development and production at Modder East to pre-strike levels by year-end.

Suspension of Cooke 4 operations lifted

On 16 October, GDO's management suspended operations at its Cooke 4 mine (formerly Ezulwini) due to concerns regarding the safety of people and security of assets following the illegal industrial action taken on 1 October. The company announced the lifting of the suspension on 12 November and will offer employment to workers who participated in the illegal strike. However, management expects a reduction in the number of positions. Workers who cannot be gainfully employed will be granted settlement packages.

Cooke underground operation requires flexibility

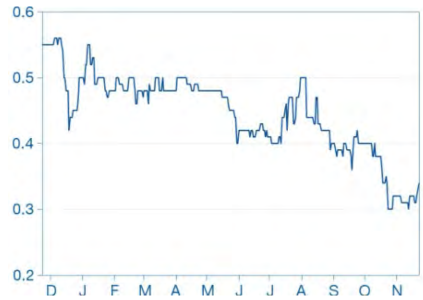
Despite only marginally lower gold production for Q312, a significant portion was derived from low-grade areas resulting in losses for the quarter. Management is currently restructuring operations and plans to decrease the production rate by 25,000 tonnes per month from the originally planned 100,000t. The proposed reduction will result in c 1,300 workers being made redundant.

Gold Fields JV progresses to PFS

The West Rand Tailings JV scoping study has been completed, revealing extensive value and risk reduction for both Gold One and Gold Fields by jointly reprocessing surface tailings. A pre-feasibility study has been approved and is expected by Q313.

Price	Market cap
A$0.34	A$482m

Share price performance



Business description

Formed from the takeover of Aflease by BMA Gold in 2009, Gold One (GDO) is an emerging mid-tier gold producer with significant assets within the Witwatersrand basin.

Catalyst: Production back to normal

The company is using contract labour and training new staff. With contingency plans in place, the company expects production at Modder East to return to pre-strike levels by the end of 2012.

Catalyst: Cooke production

After a disappointing Q312, GDO is reviewing the gold operations at the Cooke underground operations. Restructuring and turnaround initiatives are expected to position the operations for an increase in production output from 2013.

Catalyst: Exploration assets

GDO continues to explore for gold mineralisation along the Main Reef at its Modder North deposit. Infill drilling will be completed during Q412 and will underpin a pre-feasibility study. The PFS on GDO's Ventersburg gold project is also ongoing and is expected to be completed during Q113.

Analyst

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Edison profile page

Gold One is a research client of Edison Investment Research Limited

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Management team

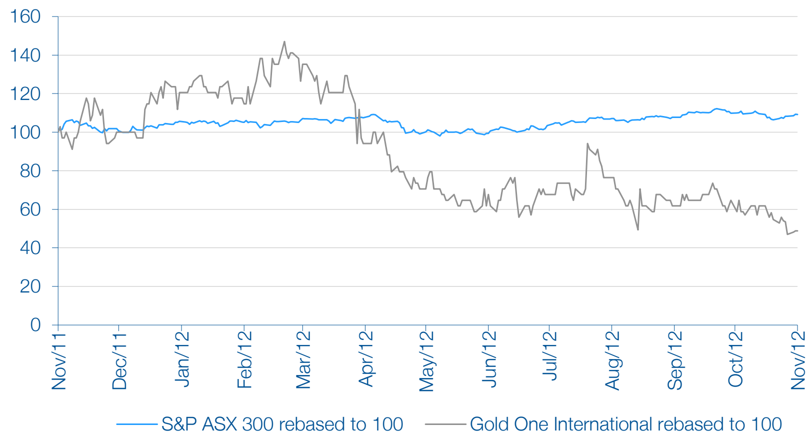
Chairman: Yalei Sun	CEO: Neal Froneman
Mr Sun is a director of CITIC Group, assistant to the CEO of the CITIC Group and vice-chairman and CEO of CITIC Guoan Group. Mr Sun is also vice-chairman of Baiyin Nonferrous Group Co.	Mr Froneman is a registered engineer with over 25 years' experience. Before forming GDO, he was CEO of Uranium One.

CFO: Christopher Chadwick
Mr Chadwick is a qualified chartered accountant. Before joining Aflease in July 2008, he held executive positions in a wide range of industries, both with local South African companies and multinationals.

Share data and price performance

Market data			
Ticker			GDO
Listing			ASX
Net debt (A$m) (at 31 Oct 2012)			117.5
EV (A$m)			600
Free float (%)			N/A
Shares in issue (m)			1,416.5
Price performance	1m	3m	12m
Absolute	20.0	(14.3)	(33.9)
Relative	21.4	(15.6)	(39.7)
		High	Low
12-month range (A$)		0.56	0.30

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Dec 09a	Dec 10a	Dec 11a
Baiyin Non-Ferrous Group Co	53.5	Turnover	8,863	89,326	188,260
China-Africa Bank	26.8	Adj. EBITDA	(18,252)	39,388	92,286
Long March Capital	8.9	Adj. PBT	(30,801)	19,348	68,700
CITIC Kingview Capital Mgmt	8.9	Tax rate	15.4	24.9	27.4
		Adj. EPS (c)	(4.0)	1.8	6.0
		Adj. fully diluted EPS (c)	(4.0)	1.8	6.0
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Litigation/regulatory	○	Non-current assets	143,634	166,511	148,295
Commodity price	●	Current assets	24,485	16,570	238,940
Currency	●	Current liabilities	(92,230)	(80,805)	(34,303)
Stock overhang	○	Non-current liabilities	(3,021)	(12,821)	(27,426)
Interest rates	◖	Net assets	72,868	89,455	325,506
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Year-end results	Feb 2013	Operating cash flow	(28,603)	41,005	107,305
		Capex	(33,865)	(33,216)	(34,964)
		Equity issued	54,496	503	147,871
		Net cash flow	(10,505)	(2,063)	218,115

Source: Company accounts, Thomson Reuters

Gunson Resources

Asia-Pacific resources quarterly

Edison investment research

Mineral Sands project joint venture

Mining

On 13 August 2012 Gunson Resources confirmed, subject to formal approval, an unincorporated joint venture structure with a special purpose investment vehicle, POSCO SPV, consisting of major Korean steel producer POSCO and a Korean investment fund. POSCO SPV is to earn a 40% interest in Gunson's construction-ready Coburn mineral sands project through a A$7m initial payment to Gunson, then will contribute the first A$21m of Gunson's share of mine development expenditure. Each joint venture party will be entitled to its proportionate share of the proposed production from the project and will contribute its share of mine development expenditure.

Value engineering review

The execution of a joint venture document outlining the financial and operational aspects of the Gunson-POSCO agreement is now expected by end December 2012. Gunson will be the project manager and will have a higher percentage voting interest. It recently received a value engineering review from Sedgman Engineering, the engineering contractor, which encompasses results from the evaluation and analysis of identified areas to prioritise potential cost savings and streamline the construction schedule (now reduced from 85 to 77 weeks).

Risks/sensitivities

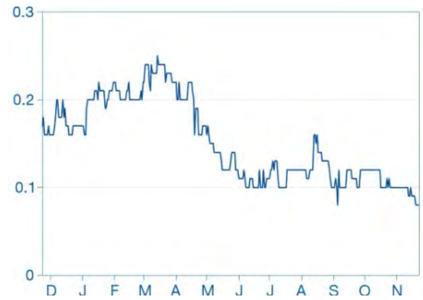
The Coburn project interest can be valued at a multiple of Gunson's current market capitalisation, which is at a long-term historic low, reflecting investment sentiment to the delay of formal JV signing. The project is fully permitted for construction, government environmental approvals are in place and there is currently plenty of contractor availability. Remaining product off-take agreements are near finalisation. The JV agreement is contingent on Gunson raising US$88m, which is the balance of its 60% of the A$192m estimated mine development costs less the A$28m POSCO SPV payments. Exchange rate variations are more real in the current volatile conditions, but the Australian dollar looks vulnerable, which would give positive leverage.

Funding and timing

Gunson expects to complete its debt and equity package for the project in early 2013. Together with formal approval of the POSCO JV by year end, this could allow production in Q314; Coburn would then be one of the few new producers in the mineral sands industry. The most relevant industry comparators are Mineral Deposits and Base Resources, which are listed, already fully financed and aiming for production, in Senegal and Kenya respectively, by end-2013.

Price	Market cap
A$0.08	A$20m

Share price performance



Business description

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

Catalyst: JV agreement

Formal signing of the POSCO JV will be a crucial step forward for Gunson. POSCO can be considered an excellent JV partner and it is believed that this major Korean steel group is keen to diversify into products such as zircon and titanium. Formal approval could trigger funding and a 2014 start-up date.

Catalyst: Environmentally benign

The Coburn project is close to the Shark Bay World Heritage Property. Due to the ecologically sensitive site, it has had to pass many environmental and technical hurdles in the permitting process. This also applied to rehabilitation and groundwater management.

Catalyst: Product demand

Relatively limited new production combined with potentially strong demand growth for products, particularly for premium grade zircon sand in the construction industry, is likely to maintain positive price trends. Forecasts by industry experts and market analysts predict a China-led demand recovery for the product markets in 2013.

Analyst

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Edison profile page

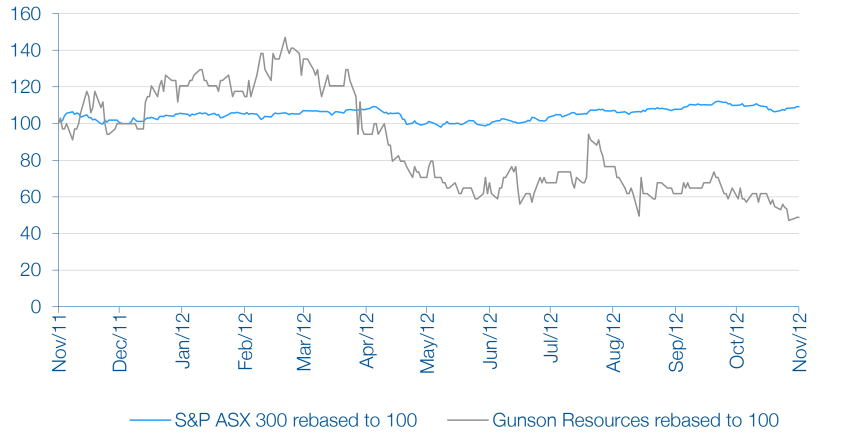
Gunson Resources is a research client of Edison Investment Research Limited

Management team	
Managing director: David Harley	**Chairman: David Craig**
A geologist with over 30 years' experience in the mining industry, mostly in senior exploration management positions with WMC Resources. He is past president of the Association of Mining and Exploration Companies.	An experienced businessperson and lawyer, who has held and holds executive and board positions in mining, construction, mining financial and legal services and the petroleum industry. He is a director of several industry companies.
CFO: Ron Chamberlain	**Non-executive director: Peter Harley**
Appointed in March 2012, Ron Chamberlain is an experienced financial manager who has held senior posts in the mining industry, including Iluka Resources. He will assist in negotiating debt and equity finance and manage the financial aspects of the Coburn JV.	A corporate manager and director with over 30 years' experience with private and public companies. He was previously a non-executive director of Perilya.

Share data and price performance

Market data			
Ticker			GUN
Listing			ASX
Net cash (A$m) (end-Sept 2012)			2.1
EV (A$m)			17.5
Free float (%)			79
Shares in issue (m)			238.3
Price performance	**1m**	**3m**	**12m**
Absolute	(18.0)	(36.9)	(50.3)
Relative	(17.0)	(37.9)	(54.6)
		High	**Low**
12-month range (A$)		0.25	0.08

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Grey Willow	5.4	Turnover	157	149	233
John Tilbrook	5.4	Adj EBITDA	(419)	(1,704)	(1,139)
		Adj PBT	(423)	(1,710)	(1,170)
		Tax rate	N/A	N/A	N/A
		Adj EPS	(0.2)	(0.6)	(0.4)
		Adj fully diluted EPS	(0.2)	(0.6)	(0.4)
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	○	Non-current assets	24,234	27,405	30,647
Commodity price	●	Current assets	378	3,343	2,521
Currency	◖	Current liabilities	(689)	(786)	(1,343)
Stock overhang	○	Non-current liabilities	0	0	(85)
Interest rates	○	Net assets	23,923	29,962	31,741
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
AGM	Nov 12	Operating cash flow	(2,621)	(2,624)	(3,707)
POSCO SPV agreement	Mar 13	Capex	(9)	(17)	(6)
Interim	Mar 13	Equity issued	2,439	6,811	2,400
Final	Sep 13	Net cash flow	(191)	(956)	(186)

Source: Company accounts, Thomson Reuters

Hawkley Oil & Gas

Asia-Pacific resources quarterly

Edison investment research

Critical well inconclusive

Oil & gas

Hawkley Oil and Gas (Hawkley) continues to offer investors excellent upside to its share price from the current producing Sorochynska field. This is set to be consolidated in the coming months, with a second well coming online that could more than double production and through Hawkley acquiring a nearby gas plant. The recent #202 well, while confirming that the deeper target was gas saturated, has been inconclusive regarding commerciality. Ongoing testing will be critical to determining whether upside can be realised in due course.

Production to grow with #202 well and gas plant

Hawkley's Sorochynska-202 well reached a total depth of 4,205m in August. This is a key well for two reasons, namely as a second development well that could more than double current production of 4.8mmscf/d, and as an appraisal well for the deeper B-19 lower horizon. The #202 well is the second of a five-well programme to develop 7.8mmboe of 2P reserves in the B-18 upper sands, which provide Hawkley with the cash flow it needs for its ongoing work programme. Gas processing has been the main production constraint in recent months and this has been elegantly tackled with a cost-efficient MoU to purchase the nearby Eurocrimea gas plant for US$1.5m plus US$1m of upgrade costs. With reduced operating costs suggesting a 12-month payback, Hawkley is now in a strong position to increase production in 2013.

Sorochynska resource upside still unclear

Sorochynska-202 was also an appraisal well that targeted the B-19 lower interval. These sands sit below the producing B-18 upper producing horizon and had flowed gas with a Soviet-era well, Sorochynska-469. Critically, Hawkley has confirmed with the #202 well that the lower B-19 was gas saturated. However, to unlock 22mmboe of contingent resource, we needed to see commercial flow rates that were not achieved. It is currently unclear whether this is due to reservoir or well issues. Ongoing work to determine this, as well as additional testing, is now key to seeing if the B-19 upside can be unlocked. This is the key short-term catalyst for Hawkley.

Long-term funding likely through AIM listing

Depending on well timing, Hawkley is in a position where it can self-fund its B-18 upper development. However, the company is looking well beyond current production at both Sorochynska and at its second asset, Chernetska. Exploration and appraisal success at either of these would likely necessitate additional funding, for which a secondary listing on AIM is under consideration.

Valuation: Holding firm pending upside clarity

We see significant upside to the current share price in due course as Hawkley rolls out its Sorochynska development programme. However, the real upside comes from the B-19 lower potential.

Price	Market cap
A$0.19	A$55m

Share price performance

Business description

Hawkley Oil & Gas is an ASX-listed oil and gas development company with 100% owned assets in the Dnieper-Donets Basin, the most prolific gas basin in Ukraine.

Catalyst: B-19 testing

Hawkley is currently unclear whether low B-19 test rates are due to issues with the reservoir or from well damage. The results of ongoing testing to find the cause will be critical to determining if 22mmboe of contingent resources can be upgraded.

Catalyst: #202 production

Once testing is complete, we expect the #202 well to be put into production. This could more than double Hawkley's production rate and provide confidence to investors of progress with the Sorochynska development.

Catalyst: AIM listing

The potential AIM listing will give Hawkley access to new pools of capital and increase its share liquidity. The company has been planning to achieve this before year end, although we expect this could now slip into 2013.

Analyst

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Edison profile page

Hawkley Oil & Gas is a research client of Edison Investment Research Limited

Management team

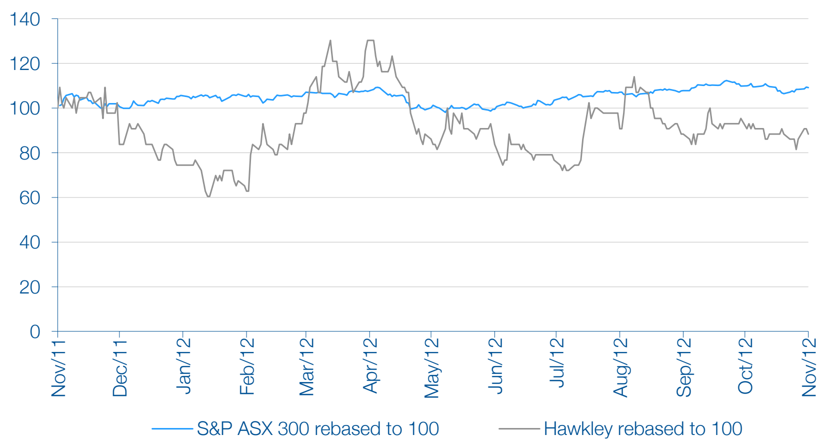
Chairman: Richard Reavley	Chairman: Glenn Featherby
Mr Reavley, the founding CEO between 2007 and May 2011, resumed the role after management changes on 27 February 2012. He has 10 years' experience in financials and natural resources.	Mr Featherby has 30 years of corporate advisory experience, with extensive exposure to the resources sector. He is the chair of Forte Energy, a resource company with assets in Africa.

CFO: Victor Eriksen
Mr Eriksen has 19 years' experience in FSU oil and gas companies. He was previously employed by Canadian Fracmaster, Sinopec, Harvest Natural Resources and Concorde Oil and Gas.

Share data and price performance

Market data			
Ticker			HOG
Listing			ASX
Net cash (A$m) (as at 30 Sep 2012)			7.5
EV (A$m)			47
Free float (%)			78
Shares in issue (m)			287.2
Price performance	**1m**	**3m**	**12m**
Absolute	(2.6)	(2.6)	(13.6)
Relative	(1.4)	(4.0)	(21.1)
		High	**Low**
12-month range (A$)		0.28	0.13

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Morgan (Paul James)	12.3	Turnover	0	9,992	27,422
Avenger Investment Holdings Limited	10.8	Adj. EBITDA	(3,013)	637	10,934
Acetone Ltd.	10.6	Adj. PBT	(6,021)	517	9,377
Lextrop Wealth Inc.	6.5	Tax rate	0	(377)	(2,386)
Ballure Trading Limited	6.3	Adj. EPS (c)	(4.4)	(1.4)	2.6
Ogden Group Pty Ltd	2.0	Adj. fully diluted EPS (c)	(4.4)	(1.2)	2.3
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	●	Non-current assets	8,925	11,234	26,401
Commodity price	●	Current assets	7,923	15,755	11,392
Currency	◖	Current liabilities	(2,122)	(1,074)	(2,636)
Stock overhang	○	Non-current liabilities	0	(263)	(2,050)
Interest rates	○	Net assets	14,725	25,653	33,107
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Quarterly activities report	Jan 2013	Operating cash flow	(1,296)	(1,138)	11,580
		Capex	(1,785)	(2,754)	(17,419)
		Equity issued	8,891	14,081	0
		Net cash flow	6,444	9,045	(7,532)

Source: Company accounts, Thomson Reuters

Growth in Madagascan coal

Mining

Lemur Resources (LMR) has a 99% interest in the Imaloto thermal coal project in Madagascar. This has a gross in-situ inferred resouirce estimate of 175Mt coal. Lemur is targeting both the export thermal market and the domestic power market. Currently, LMR is advancing exploration and scoping studies towards medium-scale production, which can be achieved for relatively modest capital, with some leverage off existing infrastructure. Longer term, subject to investment in rail and port infrastucture, LMR envisgages potential export sales of 3-5Mtpa.

Phase 3 drilling programme underway

LMR is in the final stages of its Phase 3 drilling programme to confirm the position of faults and basin edge at depth and to assist mine planning. The resource model will be revised and JORC status upgraded from inferred to measured and indicated. The company is well funded, reporting cash of $19m in the quarter that ended 30 September 2012.

Scoping study milestones

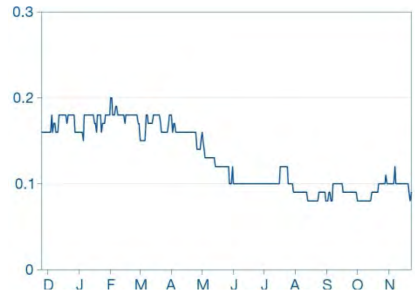
Final versions of the mine infrastructure, land infrastructure and port infrastructure scoping studies have been received and are to be reviewed by the board. The objective of these studies is to assess the viability of initially producing up to 1Mtpa of saleable export product for trucking to the port of Toliara and an assessment of the upgrades required at that port. Once the revised JORC-compliant resource statement for Imaloto has been released, focus will then shift to completing the mining scoping study. This will involve an assessment of mine-stripping ratios, mine costs, the wash plant and mine infrastructure logistics.

Independent coal fired power

Imaloto's main seam has a washing yield to export grade thermal coal of 67%. The quality of the non-export fraction would still be acceptable to a domestic power plant, thereby providing additional revenue. As an alternative, coal from the main seam (and two other seams) could be sold to a domestic power plant without washing, providing early cash flow before export infrastructure (including a wash plant) was established. Production of, say, 400ktpa, would take very little capital to get up and running. Although Madagascar has hydro power, it is still heavily reliant on expensive diesel generation. LMR is working closely with Jirama, the Madagascan government's state electricity company, and has entered into a memorandum of understanding (MOU) as a preface to being issued with an independent power producing concession. Ultimately, LMR would sell the majority of its holding in the power project to an experienced independent power provider (IPP), which would be responsible for funding, constructing and operating the project.

Price	Market cap
A$0.09	A$13m

Share price performance



Business description

Lemur Resources (LMR) is a Madagascan-focused coal exploration and development company. It is the holder of seven concession blocks, five of which are in south-west Madagascar and cover the Imaloto coal project and extension. LMR is pursuing initial medium-scale production. andomarkets.

Catalyst: Revised resource statement

Release of the revised JORC-compliant resource statement for Imaloto and an upgrade in status from inferred to measured and indicated. The revised resource will allow the mining scoping study to be completed and released.

Catalyst: Thermal coal markets

Thermal coal markets have been in a recent downturn. Underlying long-term demand growth, particularly for destinations like India, is expected to remain strong. A change in market sentiment for the thermal coal market would be very positive.

Catalyst: Presidential election

Madagascar is planning the start of presidential elections on 8 May 2013, following a coup in 2009. Greater clarity in relation to the political landscape in Madagascar may increase confidence.

Analyst

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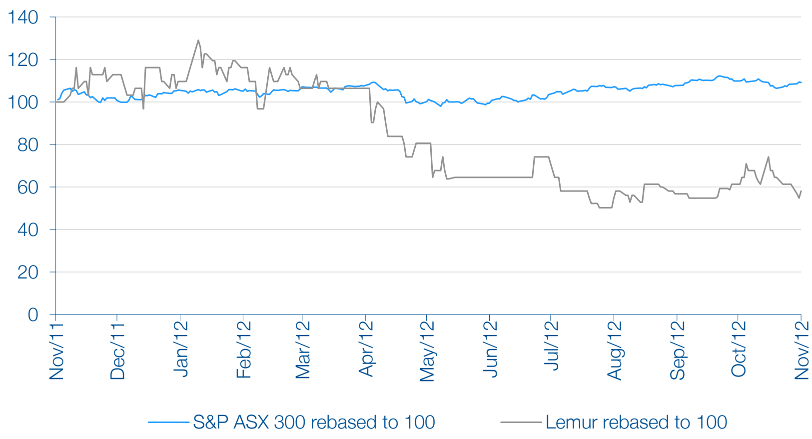
Management team

Chairman: Andrew Love	CEO: Blair Sergeant
Mr Love was the deputy chairman of Riversdale Mining, a developer of coking and thermal coal in Mozambique, before its acquisition by Rio Tinto in 2010. Mr Love has extensive experience in energy, particularly in Africa.	Mr Sergeant is the former finance director of Coal of Africa Limited, which has producing and development coking and thermal coal assets in South Africa and is listed on ASX, AIM and JSE.
CFO: Dale Hanna	
Mr Hanna is a chartered accountant and chartered secretary with 11 years' experience in financial management and corporate advisory services. Previously, he held positions with listed resource companies in Australia and the UK and at a major intentional accounting firm.	

Share data and price performance

Market data			
Ticker			LMR
Listing			ASX
Net cash (A$m) (30 Sep 2012)			19m
EV (A$m)			(6)
Free float (%)			75
Shares in issue (m)			192.5
Price performance	**1m**	**3m**	**12m**
Absolute	(15.0)	(5.6)	(45.2)
Relative	(14.0)	(7.0)	(50.0)
		High	**Low**
12-month range (A$)		0.20	0.08

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Coal of Africa	16.88
Oak Nominees	11.04
Skeet Nominees Pty	4.55
JP Morgan Nominees Australia	3.51
HSBC Customer Nominees	2.60

Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	○

Reporting calendar	Date
CY12 report	January

P&L (A$'000s)	Dec 09a	Dec 10a	Dec 11a
Revenue	N/A	N/A	565
EBITDA	N/A	N/A	(332)
Adj PBT	N/A	N/A	(332)
Tax rate	N/A	N/A	0
Adj EPS (c)	N/A	N/A	(0.04)
Adj fully diluted EPS (c)	N/A	N/A	(0.04)
Balance sheet (A$'000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Non-current assets	N/A	N/A	7,789
Current assets	N/A	N/A	21,786
Current liabilities	N/A	N/A	(404)
Non-current liabilities	N/A	N/A	0
Net assets	N/A	N/A	29,171
Cash flow (A$'000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Operating cash flow	N/A	N/A	(618)
Capex	N/A	N/A	2,098
Equity issued	N/A	N/A	24,099
Net cash flow	N/A	N/A	21,614

Source: Company accounts, Thomson Reuters

MEC Resources
Asia-Pacific resources quarterly

Edison investment research

High potential frontier basins

Oil & gas

MEC's key investment is a 44.9% interest in unlisted oil and gas explorer Advent Energy, which is advancing separate early-stage work programmes targeting the southern onshore section of the Bonaparte Basin in northern Australia and the offshore Sydney Basin off the NSW coast. Though Advent's capital programme has slowed significantly in 2012, steady progress continues to be made towards validating the potential of its two key plays.

Onshore Bonaparte validation continues

Over most of 2012, Advent has focused its efforts on its two 100%-held Bonaparte Basin permits, EP386 (2,568km^2) and RL1 (166km^2), which it considers hold significant potential for both conventional and unconventional gas. In the conventional space, Advent completed production testing of the Waggon Creek-1 well during October, the conclusions from which it considers indicate a possible single 217m gas column within a stratigraphic trap in the Milligans Formation sandstones. Waggon Creek sits with the Vienta and Bonaparte discoveries in EP386 and the Weaber gas field in RL1, demonstrating the conventional potential of Advent's onshore Bonaparte acreage. Advent's estimate for prospective resources in EP386 is a mean 556bcf, while an independent assessment of the RL1 area estimates a contingent resource of 18.4bcf. In the unconventional space, Advent released further information from its study of the Milligans shale formation that underlies EP386 and RL1 during October, estimating unrisked OGIP of between 19tcf and 141tcf. Advent's best estimate is of a prospective recoverable resource of 9.8tcf.

Whether conventional or unconventional, commercialisation remains Advent's medium-term challenge. A number of options are possible, with localised CNG and LNG seemingly the most viable.

Sydney Basin permit extension

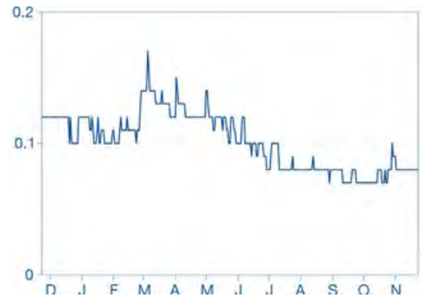
Advent's other main area of focus is the offshore Sydney Basin, where it holds an 85% stake and operatorship of the 4,649km^2 PEP11 permit. In December 2010, Advent led the drilling of the first ever well in the Sydney Basin. Although not a commercial discovery, Advent remains upbeat about the permit and during the past quarter received approval for a five-year extension to its licence.

FY12 reporting

In October, MEC reported a bottom-line net loss of A$9.2m or 5.9cps for the year to 30 June. As has been the case in recent years, the result was dominated by a non-recurring item, in the case of FY12 the sale of most of MEC's holding in associate company BPH Energy. The sale resulted in a A$7.8m book loss to MEC, which accounted for most of its overall result. With cash on hand at 30 June of A$7.0m (down from A$12.4m in 2011), we expect 2013 to bring increasing focus from MEC towards identifying funding and/or partnership options to enable it to meaningfully advance its exploration and development programmes.

Price	Market cap
A$0.08	A$12m

Share price performance



Business description

MEC Resources (MEC) is a pooled development fund (PDF) established to invest in exploration companies in the energy and mineral exploration sectors. As a PDF, most MEC shareholders enjoy tax-free dividends and capital gains.

Catalyst: 2013 work programme

Advent is currently considering its 2013 work programme. With Advent currently still holding 100% equity in each permit, all spend is to its own account, making capital a key consideration. The market will be watching for the detail of how Advent intends to work its acreage during 2013, and at what cost.

Catalyst: Funding strategy

With capital likely to become an increasing focus during 2013, attention will fall increasingly on Advent's proposal for funding its forward programme. A number of other onshore operators have succeeded in attracting large and well-capitalised partners to fund JV work programmes.

Catalyst: Bonaparte development

Beyond the near term, Advent's strategy for commercialising its Bonaparte gas resource will be critical. While market fundamentals appear to indicate a significant gas market opportunity, whether in direct CNG or LNG form, the onshore Bonaparte region as a whole remains at an early stage of development.

Analyst

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Edison profile page

MEC Resources is a research client of Edison Investment Research Limited

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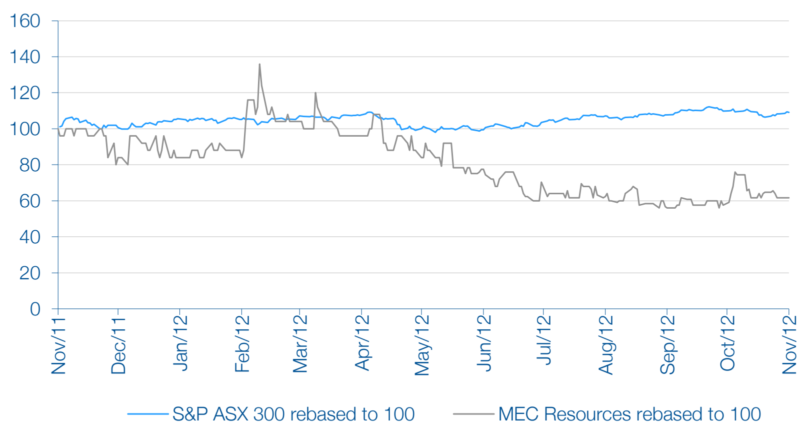
Management team

Chairman: Hock Goh	Managing director: David Breeze
Mr Goh was previously president of Schlumberger Asia and then a global divisional president of Schlumberger during a 25-year career in the oil and gas industry. In October 2012 Mr Goh was also appointed a director of Santos.	Mr Breeze has a corporate advisory and investment banking background, with extensive experience in transaction structuring, corporate advisory and funding for listed and unlisted companies.
CFO: Deborah Ambrosini	
Ms Ambrosini is a chartered accountant, with a background in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors.	

Share data and price performance

Market data			
Ticker			MMR
Listing			ASX
Net cash (A$m) (as at 30 Jun 2012)			7.0
EV (A$m)			37.1
Free float (%)			73
Shares in issue (m)			155.8
Price performance	**1m**	**3m**	**12m**
Absolute	(8.2)	(2.5)	(35.0)
Relative	(7.1)	(4.0)	(40.6)
		High	**Low**
12-month range (A$)		0.17	0.07

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
David Breeze	8.5
Grandbridge	6.3
Robert Healy	5.9
Citicorp Nominees	3.8
Merrill Lynch	3.6
Lim Tong	2.0
Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	○
Stock overhang	○
Interest rates	○
Reporting calendar	**Date**
H113 reporting	Feb

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Turnover	0	0	0
Adj EBITDA	(3,690)	(5,332)	(2,234)
Adj PBT	(3,439)	(4,973)	(1,885)
Tax rate	0	0	0
Adj EPS (c)	(2.4)	(0.7)	(0.9)
Adj fully diluted EPS (c)	(1.5)	(0.5)	(0.7)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	7,396	39,683	32,730
Current assets	(19,912)	(12,752)	(7,234)
Current liabilities	(3,396)	(6,298)	(3,235)
Non-current liabilities	0	(4)	(5)
Net assets	(23,912)	(46,134)	(36,724)
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(1,158)	(5,142)	(2,968)
Capex	(6,055)	(30,077)	(2,200)
Equity issued	23,083	25,605	0
Net cash flow	(15,880)	(4,946)	(5,382)

Source: Company accounts, Thomson Reuters

Edison investment research

Tulu Kapi and beyond

Mining

We expect the results of the ongoing DFS for the Tulu Kapi project to be announced in Q412. While we wait we shift our focus to the potential exploration upside that we see within Nyota's 3,400km^2 land package, and where value may be created beyond the current Tulu Kapi resource.

Tulu Kapi: Flagship project

Nyota's principal asset is the Tulu Kapi project in Ethiopia, 500km west of Addis Ababa on the Arabian-Nubian Shield. The company has recently updated the Tulu Kapi JORC-compliant resource estimate to include 1.9Moz of contained gold at an average grade of 2.3g/t; of this 1.11Moz falls into the indicated category and 764koz in the inferred category. Assuming the conversion of approximately 1Moz of the indicated resource ounces into reserve ounces, we expect the DFS to demonstrate the economic viability of a 100,000oz/year production rate and a life of mine (LOM) of approximately 10 years. The company is currently exploring the feeder zone below the planned open pit, which is expected to add significantly to the resource estimate, both in terms of contained ounces and grade. Management guides that the feeder zone currently makes up approximately 15% of the inferred resource at elevated grades of 6g/t; the mineralisation appears to be open in all directions.

Beyond Tulu Kapi: Exploration targets

Looking to the company's exploration projects, there is a clear distinction between the proximal and regional targets. The proximal targets lie within 20km of the proposed Tulu Kapi (TK) plant and it is hoped that delineation of resource ounces at these sites could lead to additional feed to the TK plant, thus adding to the life of the plant beyond the assumed headline 10-year LOM.

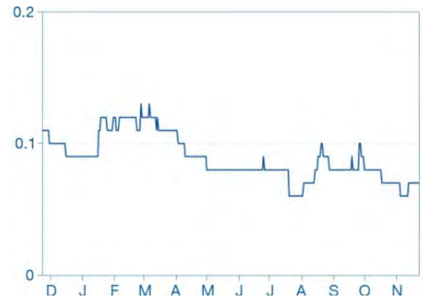
Following the drilling of the feeder zone, we expect the drilling capacity to be focused on the proximal targets including UNDP, which is directly adjacent to the proposed TK pit and could host in excess of 100,000oz, thus potentially adding a year to the LOM. Other proximal targets include the Guji-Komto trend, which is a 2.5km-long geochemical and geophysical anomaly that has yielded drilling results including 10.6m at 2.9g/t and 10.3m at 2.2g/t. Management has guided that there is potential for an additional million ounce resource around the proposed pit, which, if realised and converted to reserves, would nearly double the proposed LOM of Tulu Kapi.

Sensitivities and risks

Through no fault of its own, the company has experienced slippage to the timelines for receipt of the mining licence and as such leaves itself a narrow window to complete groundwork and road preparation before the rainy season. To meet the proposed timeline, the company must complete an optimised DFS, and secure the mining licence and the necessary funding early in H113.

Price	Market cap
A$0.07	A$46m

Share price performance



Business description

Nyota is a gold explorer looking to develop its Tulu Kapi project in Ethiopia. First production is expected H115, with a potential production rate of 100,000oz/year.

Catalyst: DFS (Q412)

The announcement of the results of the DFS in Q412 should be a major catalyst and is expected to prove the economic viability of the proposed mine at Tulu Kapi.

Catalyst: Mining licence (H113)

Following submission of the technical elements of the DFS to the minister of mines in July, we expect approval of the mining licence to be granted in H113. This is the final significant legislative hurdle in the path to production.

Catalyst: Financing (H113)

If the mining licence is granted after completion of the DFS in Q4, we would expect the company to close the debt and equity financing of the project in early- to mid-H113 to fund the mine development and meet the stated production timeline. Bank mandates are prepared and are now awaiting signature.

Analyst

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Edison investment research

Management team

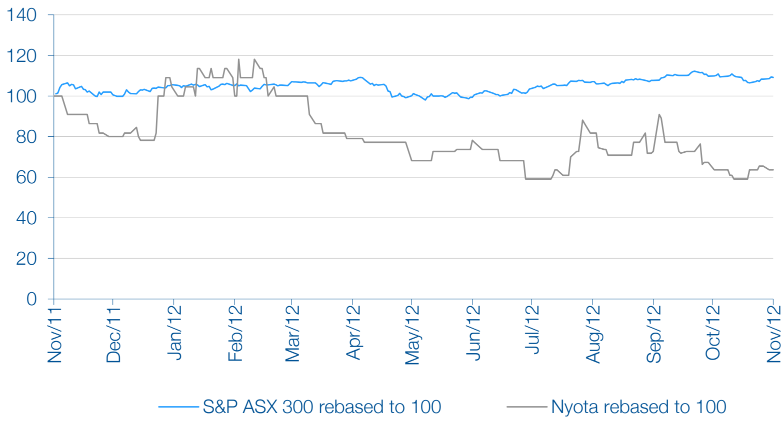
Chairman: Neil Maclachlan	CEO: Richard Chase
Neil Maclachlan has been executive director since 2012. He has experience in both the City and mining industry.	Richard Chase has been executive director since 2011. He has a geological and financial background.
Non-executive director: Norman Ling	**Technical director: Martyn Churchouse**
Norman Ling's career spans 30 years at the UK Foreign and Commonwealth Office. His last post was as British ambassador to Ethiopia, Djibouti and the African Union from 2008-11.	Martyn Churchouse is technical director. He has a background in exploration and mining in Africa and Eastern Europe.

Share data and price performance

Market data

Market data			
Ticker			NYO
Listing			ASX/AIM
Net cash (A$m) (at Sept 2012)			10.9
EV (A$m)			30.1
Free float (%)			69
Shares in issue (m)			660.8
Price performance	**1m**	**3m**	**12m**
Absolute	(7.4)	(24.0)	(37.0)
Relative	(7.1)	(24.5)	(44.5)
		High	**Low**
12-month range (A$)		0.13	0.07

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Centamin	13.6	Turnover	0	0	129
IFC	13.2	Adj EBITDA	(3,354)	(12,528)	(6,207)
RCF	9.7	Adj PBT	(11,015)	(14,558)	(7,905)
JP Morgan	8.0	Tax rate	0	0	0
		Adj EPS	(0.076)	(0.036)	(1.3)
		Adj fully diluted EPS	(0.042)	(0.035)	(1.3)
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	●	Non-current assets	15,021	27,984	50,249
Commodity price	●	Current assets	12,658	27,155	15,463
Currency	◖	Current liabilities	(1,309)	(5,185)	(7,527)
Stock overhang	○	Non-current liabilities	0	0	0
Interest rates	◖	Net assets	26,370	49,954	58,185
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Interim results	Mar 2013	Operating cash flow	(3,582)	(6,954)	(5,674)
Final results	Sep 2013	Capex	(344)	(1,296)	(571)
		Equity issued	9,762	39,134	14,012
		Net cash flow	(1,158)	13,771	(11,158)

Source: Company accounts, Thomson Reuters

Edison investment research

Emerging Indonesian coal producer

Mining

Orpheus Energy (OEG) is currently a small-scale thermal coal producer in Indonesia. It has a growth pathway that could take its managed coal production to 2Mt (OEG share approx 50%) by mid-2013. Using the cash flow from these operations, the company has a five-year plan to be a 5Mtpa producer and aspirations to ultimately double output from that level. While OEG's focus is Indonesia, it is also looking for coal assets in other parts of South-East Asia.

Business model

OEG has operating expertise in coal exploration and mining and has been able to use its skills to negotiate joint ventures (JVs) in a number of small thermal coal deposits in Indonesia. In these JVs, OEG is responsible for mining and brings its own engineers and geologists to site. Its JV partner, PT Mega Coal International, is expected to bring future Indonesian coal projects and infrastructure opportunities. OEG has first right of refusal on this project pipeline, but will always carry out an extensive technical review and legal due diligence before committing. By operating in a JV with a local partner, the requirement to later divest a substantial equity interest to Indonesian interests is avoided. The projects are all open pit, have low capital and operating costs, are close to infrastructure and the coal does not require washing. OEG's strategy is to have three profit centres – earnings from coal production, earnings from controlling/owning infrastructure and earnings from coal trading (OEG already has a coal-trading licence).

Mining operations and projects

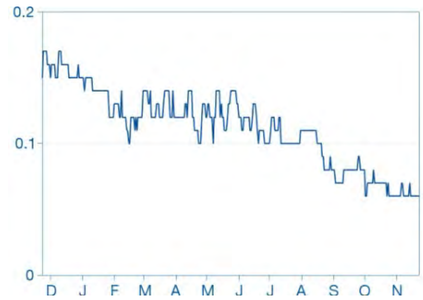
OEG earns 50% of net profits from the Kintap ADK mine in South Kalimantan. The coal has an average calorific value of 5,400Kcal/kg (a typical South Kalimantan product) and is especially low in ash (6%) and sulphur (0.4%). Annual target production is 600ktpa. The B26 project in East Kalimantan has recently restarted production with a target rate of 400ktpa (OEG 51%). With two mines in production, OEG recently stated that it was on target to be a cash flow positive company in the near term. The B34 project (OEG 51%) is 60km west of B26 and will use the same road/port infrastructure. Production at a target rate of 400ktpa is planned to start in 2013. Further production is planned from another South Kalimantan project, located near the Kintap project, at a target rate of 600ktpa (OEG 51%) and is scheduled for early 2013. Currently, two additional projects in the Kintap area are in advanced legal due diligence. Outside Indonesia, OEG has prospective exploration in Papua, within 40km of the coast. A field exploration and drilling programme is underway.

Thermal coal markets

Indonesia is the world's largest supplier to the global seaborne thermal market and has shipping distance advantages for its major customers in India, Thailand, South-East Asia and China. With forecasts of continuing demand growth for coal for power generation, OEG is structurally well placed to grow in this market. OEG has just signed its first off-take agreement for ADK coal with supply at 8-10kt/month to an Indonesian steel manufacturing group at benchmark pricing with quarterly reviews.

Price	Market cap
A$0.06	A$8m

Share price performance



Business description

OEG is a coal producer and explorer focused on Indonesia. It is leveraging off its operations expertise to acquire interests in small coal assets that can be developed quickly and cheaply. OEG's strategy is to control its coal chain and grow into a significant producer.

Catalyst: Production growth

With two coal operations currently producing and a further two operations expected to commence in 2013, there will be an increased awareness of OEG's production strategy and its cash flow generation.

Catalyst: Thermal coal markets

Thermal coal markets have been in a recent price downturn. Underlying demand growth, particularly for destinations like India, is expected to remain strong. A change in market sentiment for the thermal coal market would be very positive.

Catalyst: Papua

OEG has a 50% interest in extensive prospective greenfield areas located within 40km of the coast. Coal is believed to outcrop in the tenement areas. While still speculative, there is potential for a whole new coal province.

Analyst

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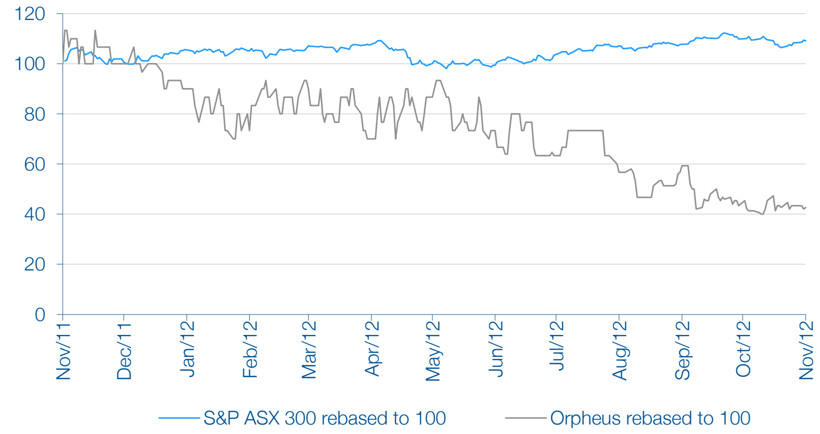
Management team	
Executive chairman and MD: Wayne Mitchell	**Executive Director: David Smith**
Mr Mitchell is an accountant with over 30 years' senior management experience in resources, in Australia and South-East Asia. He was previously chairman and founder of Coalworks Limited, recently acquired by Whitehaven Coal.	Mr Smith was previously an investment banker for 15 years at BBY Limited (head of corporate finance), Ord Minnett and JP Morgan Chase. He was formerly executive director and founder of Coalworks Limited, recently acquired by Whitehaven Coal.
Director & Exploration Manager: Wes Harder	**Non-executive Director: Michael Rhodes**
Mr Harder worked as a field exploration geologist for 15 years in Australia and in many parts of Asia, including Indonesia. He has worked as a resources analyst, including coal, for several stockbrokers. He is a founding director of Coalworks Ltd.	Mr Rhodes is an experienced drilling engineer and has lived and worked in Indonesia for over 20 years. He is a principal and director of PT Mega Coal, OEG's Indonesian JV partner.

Share data and price performance

Market data			
Ticker			OEG
Listing			ASX
Net cash (A$m) (30 June 2012)			3.6
EV (A$m)			4
Free float (%)			54
Shares in issue (m)			150.3
Price performance	**1m**	**3m**	**12m**
Absolute	(1.6)	(28.2)	(64.1)
Relative	(0.4)	(29.3)	(67.2)
		High	**Low**
12-month range (A$)		0.17	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Wexford	8.4	Revenue	0	1	452
Whitehaven Coal	8.5	EBITDA	(88)	(233)	(7,705)
Paul Fillion	5.8	Adj PBT	(89)	(243)	(7,823)
Board and Management	14.0	Tax rate	0	0	0
		Adj EPS (c)	(0.2)	(2.0)	(7.4)
		Adj fully diluted EPS (c)	(0.2)	(2.0)	(7.4)
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	○	Non-current assets	0	0	11,998
Commodity price	●	Current assets	68	1,726	5,129
Currency	◖	Current liabilities	(174)	(2,076)	(2,943)
Stock overhang	○	Non-current liabilities	0	0	0
Interest rates	○	Net assets	(10)7	(349)	14,184
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
FY13 reporting	August	Operating cash flow	(58)	(421)	(2,109)
		Capex	0	0	227
		Equity issued	21	1,607	7,642
		Net cash flow	27	1,556	1,778

Source: Company accounts, Thomson Reuters

Po Valley Energy

Asia-Pacific resources quarterly

Edison investment research

Growing portfolio, growing reserves

Oil & gas

Po Valley Energy (PVE) has seen 2P reserves grow 46% to 13bcf with the recent preliminary award of its Bezecca production concession. Assuming final sanction is given, the company can look forward to bringing its third gas field into production in 2013. However, it is not all about production. PVE maintains a balanced E&P approach with two recent permit awards adding to the exploration hopper. While poor liquidity is a drag on the company's share price, the marked increase in recent newsflow should provide some support.

Bezzecca award will grow production and reserves

The preliminary production concession award for the Bezzecca gas field in September is very significant for PVE. It increases 2P reserves 46% to 13bcf and, with rapid development possible through tie-in of the existing Bezzecca-1 discovery well, could increase production by 40% from current levels of 2.4mmscf/d by end 2013. Key to achieving this is EIA approval for the development, anticipated before end 2012.

Exploration hopper filling up

PVE continues to balance its E&P strategy with exploration awards that could tee up a busy 2013 drill calendar. The most significant was the July full award of the company's first offshore exploration permit, AR94PY, with 2C resources of 25bcf. With two drilled and tested discoveries on the block this could be converted quickly to a development concession. Meanwhile the preliminary award of the 100% owned Torre del Moro permit offers substantial resource potential. In the near term the company is looking to drill Fantuzza-1 and Gradizza-1 in 2013, subject to drilling approvals and farm-outs.

Italian energy strategy points to future opportunities

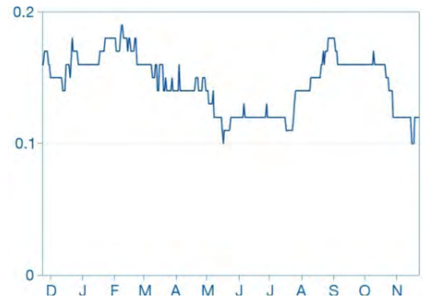
While PVE is small by international standards, it is one of the most active independent E&P companies in Italy. This means it is well placed to potentially benefit from recent proposals to double Italy's domestic oil and gas production from 7% to 14% of demand by 2020 and develop an efficient gas market hub in Southern Europe. While Italian legislation is notoriously difficult to predict, we are optimistic that PVE can play a part in this expansion in the long term.

Valuation: Liquidity remains the key drag

We continue to believe that PVE is significantly undervalued by the market relative to its asset base. However, liquidity in the stock is very low and this is having an obvious drag on the company's share price. Management is doing a good job in developing PVE's production, development and exploration assets and increased newsflow should provide share price support. Ultimately, however, we feel more corporate activity will be needed to significantly increase the liquidity required to see a re-rating in the company's share price.

Price	Market cap
A$0.13	A$14m

Share price performance



Business description

Po Valley Energy is an ASX-listed oil and gas company with an operational focus on Italy and in particular the Po Valley region in the north of the country.

Catalyst: Bezzecca EIA approval

The final regulatory step to move Bezzecca into production is approval of the field's Environmental Impact Assessment. If secured in late 2012 we would expect tie-in and production from the existing Bezzecca-1 discovery well in 2013, with drilling of the Bezzecca-2 well to follow in 2014.

Catalyst: Exploration permits

Any number of exploration permit announcements could act as share price catalysts. A preliminary development plan could lead to an application for a production concession at AR94PY, while drilling permits for Fantuzza-1 and Gradizza-1 could lead to drilling in 2013.

Catalyst: Liquidity "event"

Share price drag from poor liquidity is more obvious than ever with PVE. While the company has given no indication of next steps, we consider any sort of liquidity "event" would be ultimately highly significant to PVE's share price performance.

Analyst

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Edison profile page

Po Valley Energy is a research client of Edison Investment Research Limited

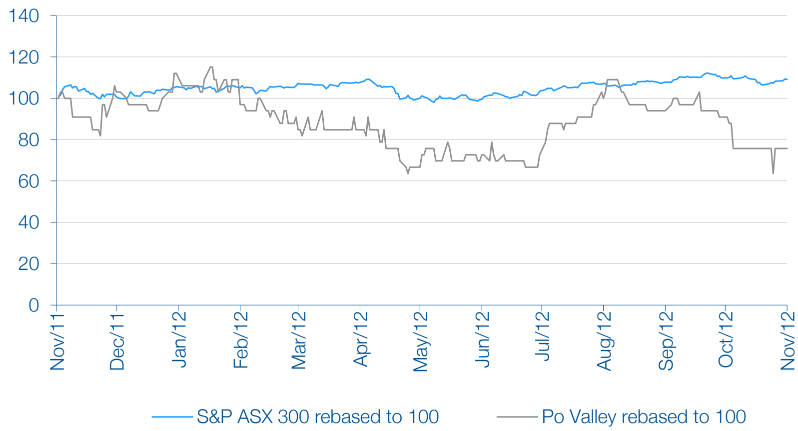
Management team

Chairman: Graham Bradley	CEO and managing director: Giovanni Catalano
Mr Bradley joined PVE as a director and chairman in September 2004 and is based in Sydney. He is a director of Singapore Telecommunications and is chairman of Stockland Corporation, HSBC Bank Australia and Anglo American Australia.	Mr Catalano holds a degree in geology and has spent almost 30 years working in the upstream oil and gas industry. His last position was CEO with Mediterranean Oil & Gas in the UK and Italy. Before that he was with Woodside Energy Pty, AGIP and LASMO.
CFO: Sara Edmonson	
Ms Edmonson joined the company in July 2010. She is fluent in Italian and for the past five years worked both in Italy and internationally for Ernst & Young Transaction Advisory Services. She holds an MBA from the St John's University in New York.	

Share data and price performance

Market data			
Ticker			PVE
Listing			ASX
Net debt (A$m) (Sep 2012)			4.7
EV (A$m)			19
Free float (%)			52
Shares in issue (m)			111.1
Price performance	**1m**	**3m**	**12m**
Absolute	(10.3)	(23.5)	(23.5)
Relative	(9.3)	(24.7)	(30.2)
		High	**Low**
12-month range (A$)		0.19	0.11

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Dec 09a	Dec 10a	Dec 11a
Michael Masterman and family	25.0	Turnover	0	7,157	9,115
Hunter Hall	18.4	Adj EBITDA	(2,855)	2,178	4,406
Beronia Investment Pty	6.4	Adj PBT	(2,094)	(1,182)	1,040
Joan Masterman	4.3	Tax rate	0	(67)	(179)
		Adj EPS	(6.8)	(1.1)	0.8
		Adj fully diluted EPS	(6.8)	(1.1)	0.8
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Litigation/regulatory	○	Non-current assets	36,720	34,529	31,516
Commodity price	●	Current assets	9,781	4,310	5,924
Currency	◖	Current liabilities	(4,116)	(2,282)	(5,705)
Stock overhang	○	Non-current liabilities	(11,999)	(8,366)	(8,520)
Interest rates	◖	Net assets	30,386	28,192	23,215
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Q4 quarterly report	Jan 2013	Operating cash flow	(2,292)	1,278	3,265
2012 annual report	Apr 2013	Capex	(12,044)	(2,679)	(2,328)
		Equity issued	12,903	(213)	(16)
		Net cash flow	(1,433)	(1,613)	921

Source: Company accounts, Thomson Reuters

Range Resources

Asia-Pacific resources quarterly

Edison investment research

Trinidad production is the key

Oil & gas

With Range Resources' centre of gravity moving to Trinidad, the success of the drilling programme here is now crucial for the stock. The recent Q1 report points to highly significant progress in terms of boosting production over the past year or so. While the trend is likely to remain clearly upward, operational delays in recent months may imply a slower rate of production growth in 2013 than originally expected. Much depends on the outcome of drilling in the highly prospective Herrera formation.

Operations: Encouraging drilling results

On occasion in Q1 Trinidad production exceeded 1,000b/d for the first time since the acquisition of SOCA. However, the quarterly average was slightly lower, at an estimated 935b/d, up over 100% on a year previously. In the year-to-date Range has spudded 7-8 wells in Trinidad and has plans to drill up to 45 in the 12 months to June 2013. Drilling results have continued to be encouraging. In the near term, the key well is MD248, which is targeting multiple horizons between 1,000ft and 6,500ft and may have the potential for initial production (IP) of about 350b/d. Results for MD248 are expected by mid December. Subsequently, Range is scheduled to spud the first of the Herrera wells, which are believed to have the potential for IPs of 500b/d. Range has indicated that delays in refurbishing the in-house rig fleet have deferred production targets by two to three months in 2013. We believe this could imply an average production rate for the year of about 1,800b/d rather than the 2,000b/d expected previously. Reflecting the success of drilling, 3P reserves in Trinidad have recently been increased from 19.6mmbbl to 25.2mmbbl. In Colombia Range is planning a major 3D seismic programme on its Putumayo Basin block beginning in Q113.

Financials: Heavy financing requirement

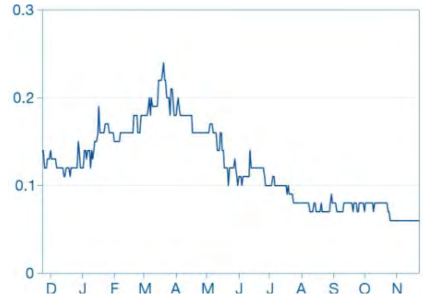
Our EBITDA forecast for 2012/13 has been reduced from A$11.9m to A$9.2m to reflect a reassessment of the Trinidad production outlook. The cash position at the end of Q1 was A$3.9m, but as of mid November was probably around A$7m following a drawdown from the Yorkville facility. Given heavy capital/development spending, substantial financing requirements are expected in both 2013 and 2014. We forecast about A$46m and A$30m respectively. However, the former can to a large extent be financed by a rundown of the opening cash position of A$10.4m and the anticipated US$20m of upfront proceeds from the forthcoming disposal of the NCR assets in Texas. We would expect the balance to be financed with the Yorkville facility.

Valuation: Financing issues depress the stock

Range has come under heavy pressure in recent weeks, largely reflecting financing issues. This has left it trading at a 40% discount to estimated book value of 10c/share and around a 30-month low of 6c/share. Based on a sum-of-the-parts calculation, we would assign a valuation of A$285m or 12.1c/share for the core producing assets in Trinidad and Texas plus the Trinidad drilling operation and cash. Including the low-risk shallow and deep exploration plays in Trinidad would boost the valuation to $459m. The market therefore appears to be taking a decidedly cautious view of valuation.

Price	Market cap
A$0.06	A$147m

Share price performance



Business description

Range Resources (RRS) is a dual ASX- and AIM-listed E&P junior. Its core assets are in Trinidad. There are also exploration projects in Puntland, RO Georgia and Colombia. In Texas two projects are scheduled for disposal.

Catalyst: Texas disposals

Range has indicated that it is finalising the disposal of its NCR development project in Texas. A statement will be made by the company on or around 30 November. Range has pointed to a cash consideration of US$20m and another US$20m in royalty payments. The ETCV project in Texas could also be sold simultaneously with NCR.

Catalyst: Trinidad production/drilling

The next quarterly production release is likely to be in February 2013. Range's revised near-term targets in Trinidad are 2,500b/d and 4,000b/d by end March and September 2013 respectively. Comments concerning the MD248 drilling results could be highly influential.

Catalyst: Trinidad tax/royalty regime

A group of operators, of which Range is a member, is engaged in negotiations with the Trinidad authorities relating to fiscal terms. Range has indicated that any new terms could have a meaningful positive financial impact. A conclusion to the negotiations is possible by end 2012.

Analyst

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Edison profile page

Range Resources is a research client of Edison Investment Research Limited

Edison investment research

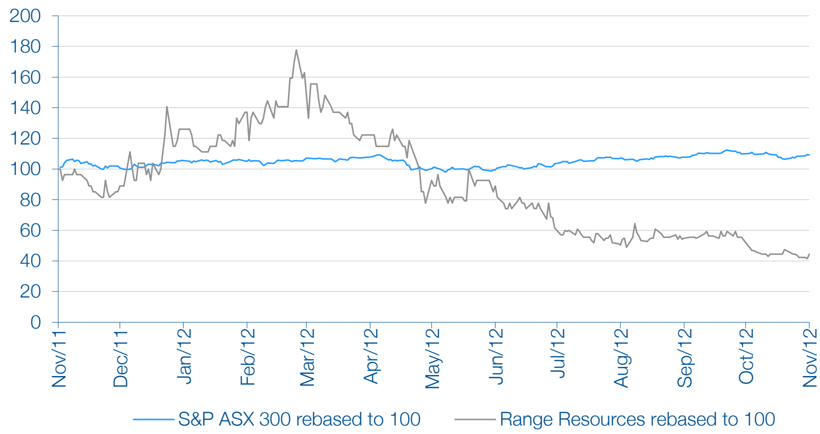
Management team

Chairman: Sir Samuel Jonah	CEO: Peter Landau
Sir Sam Jonah has a background in mining with Ashanti Gold and Anglo American, but in recent years has evolved as a highly regarded businessperson and advisor to African presidents. He is a director of several companies including Vodafone and Standard Bank.	Peter Landau is a corporate lawyer, having previously worked for Grange Consulting, Clayton Utz and as a general counsel at Co-operative Bulk Handling. Peter Landau is also an executive director of Continental Coal and Nkwe Platinum.
Executive director/company secretary: Anthony Eastman	**Technical and operations advisor: Mark Patterson**
Anthony Eastman is a chartered accountant with a background in financial management and corporate advisory services. He previously worked with Ernst & Young and CalEnergy Gas. He is also the Continental Coal company secretary.	Mark Patterson is a geophysicist and seasoned technical executive with over 25 years' experience in the oil and gas industry.

Share data and price performance

Market data			
Ticker			RRS/RRL
Listing			ASX/AIM
Net cash (A$m) (est mid Nov 2012)			7.0
EV (A$m)			140
Free float (%)			97
Shares in issue (m)			2446.8
Price performance	**1m**	**3m**	**12m**
Absolute	(1.6)	(15.1)	(50.4)
Relative	(0.4)	(16.4)	(54.7)
		High	**Low**
12-month range (A$)		0.24	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%	P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Jonah Samuel	1.0	Turnover	719	3,475	30,572
Scanlen David	0.9	EBITDA	(2,367)	(4,310)	2,705
Erine International	0.7	PBT	(2492)	(4,567)	(9,289)
Landau Peter	0.7	Tax rate	N/A	N/A	N/A
Compagnie Montres Leader	0.5	EPS c	(1.40)	(1.18)	(0.3)
Hoekstra Super Fund	0.3	Fully diluted EPS c			(0.3)
Sensitivities evaluation		**Balance sheet (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	o	Non-current assets	101,465	167,323	255,914
Commodity price		Current assets	9,637	20,671	29,134
Currency		Current liabilities	(1,594)	(1,432)	(7,635)
Stock overhang		Non-current liabilities	0	0	(48,250)
Interest rates		Net assets	109,508	186,562	229,163
Reporting calendar	**Date**	**Cash flow (A$'000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
First-quarter report	Oct 2012	Operating cash flow	(3,713)	(4,937)	5,552
Second-quarter report	Mar 2013	Capex	(7,096)	(7,877)	(47,560)
Third-quarter report	Apr 2013	Equity issued	28,321	87,088	62,786
Fourth-quarter report	Jul 2013	Net cash flow	6,982	9,962	(6,950)

Source: Company accounts, Thomson Reuters

Sumatra Copper & Gold

Asia-Pacific resources quarterly

Edison investment research

Targeting first production end 2013

Mining

Sumatra Copper & Gold (SUM) intends to develop its Tembang gold-silver project in Indonesia through a two staged approach. The company announced a DFS for Stage 1 that sees production targeted for end 2013, and the Stage 2 PFS brought forward the start date for mining by three years to early 2015. Total LOM gold equivalent (AuE) production is estimated at 474koz over eight years. Total Stage 1 pre-production capex is US$38.5m, with a further US$30m required for processing and common costs. To develop Tembang SUM intends to raise US$58.5m using an approximate 2:1 debt:equity finance structure. On an EV/oz basis, SUM trades at c US$35.

Final forestry permitting: Core focus

Sumatra obtained its key environmental permit and mining licence in H112. A forestry permit is now required before Tembang can be given the development green light. Sumatra is targeting completion of its permitting in Q412–H113. This is critical if it is to achieve first mine production by the end 2013.

Provident Capital Partners (PCP) – strategic investor

Provident Capital Partners has completed a subscription of 28m shares in Sumatra at A$0.135 (announced 8 August 2012). Sumatra states that this agreement introduces a strategic Indonesian investor, who will also provide country expertise and guidance regarding the development of Sumatra's Tembang project.

Regional exploration at Tandai JV

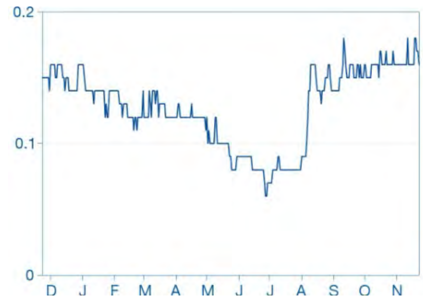
Exploration activities undertaken by Sumatra's Tandai JV partner Newcrest highlight varying gold assay results from seven holes drilled at the Ulukau prospect located only 10km SSE of the Tandai project. At Tembang a geophysical survey completed over the project has highlighted a number of exploration targets, which are being followed up by sub surface soil programmes.

Funded through to end 2012

Sumatra's interim results showed cash on the balance sheet of £2.1m at 30 June 2012. Post period, on 29 August, Sumatra completed a gross A$3.8m (£2.4m) subscription (of 28m shares at A$0.135 each) agreement with Provident Capital Partners. Sumatra forecasts c A$3.1m to be spent by end 2012 on the development of Stage 1. The subscription by Provident Capital Partners, and the A$5.0m convertible debt finance facility arranged with Macquarie Bank on 2 April 2012, will satisfy this initial end 2012 capital requirement. However, the company will be required to provide details of how it will meet its ongoing capital expenditure requirements to fully develop Stage 1.

Price	Market cap
A$0.17	A$37m

Share price performance



Business description

Sumatra Copper & Gold is an emerging producer and explorer on the island of Sumatra in Indonesia. It owns seven mining business permits (IUPs) covering 3,219km^2 and has a JV with Newcrest (70% farm-in for US$12m spent over five years) over its Tandai project.

Catalyst: Financing (Q1-Q213)

For Sumatra to meet its first production target of end 2013 it will have to finalise its financing arrangements for Tembang in early 2013. Sumatra's intended financing structure for Tembang is based on a 2:1 debt/equity split.

Catalyst: Exploration results (through 2013)

Sumatra will benefit from continuing its exploration programmes at Tembang and proving up further resources to bolster its already sizeable 0.976Moz total resource base.

Catalyst: First Tembang production (Q413)

A critical point in Sumatra's history is to occur if it successfully meets its first production target at the end of 2013. This should cause a marked positive improvement in SUM's share price.

Analyst

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Edison profile page

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

Management team

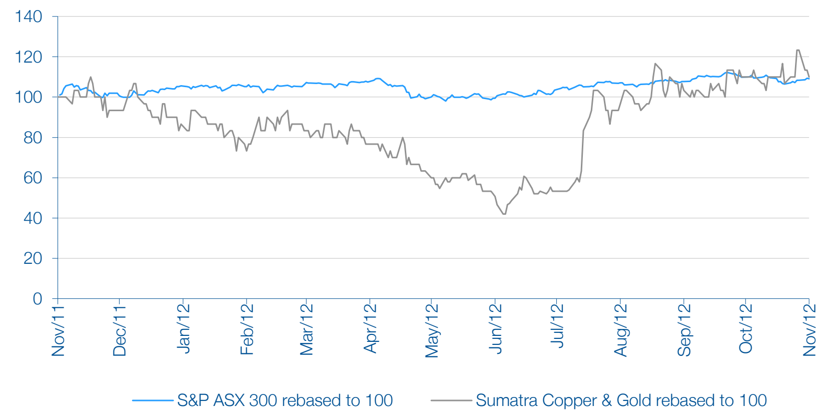
Chairman: Warwick Morris	MD and CEO: Julian Ford
Mr Morris is an Australian national who was appointed to the board of Sumatra Copper & Gold as a non-executive director in March 2008.	Mr Ford is an experienced mining professional with a career spanning more than 25 years within the global resources industry.
CFO and company secretary: Graeme Smith	**Executive director: Adi Sjoekri**
Mr Smith is a finance professional with over 25 years' experience in accounting and company administration. He is a fellow of the Australia Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.	Mr Sjoekri is an Indonesian national and graduated with degree and a Master of Science in Geology from the Colorado School of Mines in the USA.

Share data and price performance

Market data

Ticker			SUM
Listing			ASX
Net debt (£m) (end June 2012)			1.2
EV (£m)			38
Free float (%)			100
Shares in issue (m)			218.6
Price performance	**1m**	**3m**	**12m**
Absolute	0.0	10.0	10.0
Relative	1.2	8.3	0.4
		High	**Low**
12-month range (A$)		0.19	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (£000s)	Dec 09a	Dec 10a	Dec 11a
Provident Minerals	8.8	Revenue	0.0	0.0	0.0
Macquarie Group	8.1	EBITDA	(1,758)	(1,319)	(1,857)
Newcrest International	6.2	Adj. PBT	(1,112)	(1,239)	(1,843)
Directors and management	8.5	Tax rate	N/A	N/A	N/A
		Adj. EPS (p)	(1.4)	(0.7)	(1.1)
		Adj. fully diluted EPS (p)	(1.4)	(0.5)	(0.9)
Sensitivities evaluation		**Balance sheet (£000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Litigation/regulatory	○	Non-current assets	7,906	11,881	14,639
Commodity price	●	Current assets	3,721	4,614	2,023
Currency	◖	Current liabilities	(446)	(997)	(1,508)
Stock overhang	◖	Non-current liabilities	0.0	0.0	0.0
Interest rates	○	Net assets	11,161	15,498	15,154
Reporting calendar	**Date**	**Cash flow (£000s)**	**Dec 09a**	**Dec 10a**	**Dec 11a**
Q412 cash flow report	Jan 2013	Operating cash flow	(1,195)	(1,017)	(1,127)
		Capex	(2,190)	(3,107)	(4,581)
		Equity issued	6,315	4,891	3,282
		Net cash flow	3,519	848	(2,523)

Source: Company accounts, Thomson Reuters

Syndicated Metals

Asia-Pacific resources quarterly

Edison investment research

Mount Isa region copper explorer

Mining

Syndicated Metals (SMD) is an exploration company focused on copper in the Mount Isa region, Queensland. SMD restructured its board and management in March 2012. Its directors and executives have skills across exploration, project development and operations. The company is exploring a 3,630km^2 tenement package located between Mount Isa and Cloncurry. Although there have been many large mineral discoveries in the region as a whole, discoveries in the belt between Mount Isa and Cloncurry have tended to be of smaller scale. However, SMD believes its tenements are prospective for a large deposit. SMD is exploring to the north and south in what it terms its Northern and Southern Hubs. Confirming the prospectivity of the area, copper discoveries have been made at both hubs, although further exploration is needed to increase tonnes and identify higher grades. The Barbara project in the Northern Hub is looking like an early production opportunity.

Northern Hub

Scoping studies for the Barbara project (SMD effective interest 85%) are complete. Indicated and inferred resources are 5.3Mt at 1.7% copper equivalent (CuE). A mining application has been prepared and environmental studies carried out. Current resources could support an attractive four-year operating life, but further exploration could extend this. SMD has an exploration target within a 5km radius of Barbara of 20Mt at 1.5-2.0% CuE. The production plan is for an open pit and underground operation and could involve processing the ore at an existing copper concentrator in the region. There are also satellite discoveries at Yamamilla and Blue Star that are still being explored. SMD's Northern Hub exploration target within a 20km radius is 50Mt at 1.5% CuE.

Southern Hub

The largest project in the Southern Hub is the Kalman project (SMD earning 60% with an option to increase to 80%). It has a current inferred resource of 62.9Mt at 0.74% CuE. It is a large system with high-grade zones, although the best mineralisation is at c 500m depth. SMD has an exploration target for an additional 20Mt at 1.5-2.0% CuE near surface. Satellite targets at Dronfield, Duke and Nil Desperandum could also add to available resources.

Exploration and funding

SMD raised A$2.85m in a two-stage placement, with the first tranche received in October 2012. The first tranche raised A$0.95m and the second tranche will raise A$1.9m, subject to shareholder approval (under the 15% capital issuance per annum rule). After taking reported cash of nearly A$1.5m at 30 September into account, SMD could have cash of nearly A$3.5m by late-November. SMD plans to spend A$2m on exploration over the next 12 months.

Price	Market cap
A$0.08	A$12m

Share price performance

Business description

Syndicated Metals (SMD) has extensive copper exploration activities in the Mount Isa/Cloncurry region in Queensland. Its objective is to establish early copper production to provide cash flow for further exploration and/or acquisitions.

Catalyst: Exploration and Barbara

Potential for exploration discoveries or resource increases. A development decision at Barbara would be very positive, as it would turn SMD into a producing company and start providing cash flow.

Catalyst: Corporate activity

Merger and acquisition activity in the region. Even if this does not affect SMD directly, it provides benchmarks and comparatives for valuations.

Catalyst: Copper price

Revived copper demand and prices due to growth in China and global recovery. This will become even more relevant when SMD has firm plans for the development of its Barbara project.

Analyst

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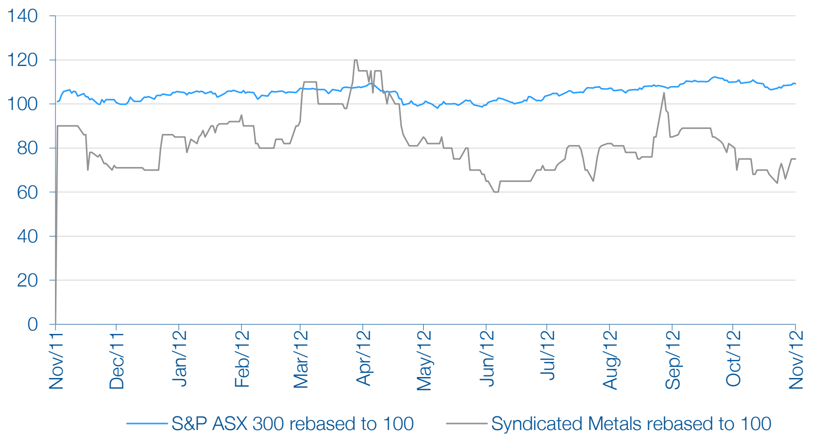
Syndicated Metals is a research client of Edison Investment Research Limited

Management team	
Non-executive Chairman: Peter Langworthy	**Managing Director: Andrew Munckton**
Mr Langworthy is a geologist with a particular expertise in building successful exploration teams, including the team that made many of the Jubilee Cosmos nickel mine discoveries. Jubilee Mines was subsequently acquired by Xstrata in a A$3bn takeover.	Mr Munckton has had a 25-year career in exploration and project development. Senior roles include gold at Paddington, Kundana, Kanowna Belle, iron ore (oversaw the development of the Karara iron ore project) and recently MD of Avalon Minerals (copper).
Operations Director: David Morgan	**Non-executive Director: Jan Hope**
Mr Morgan is a mining and mechanical engineer with 30 years' experience in project developments and operations. Roles include GM, operations for Equigold (Mt Rawdon project construction) and GM, M&M at Sundance Resources (Mbalam iron ore PFS).	Ms Hope is a public relations and investor relations professional who founded her own public relations firm, providing strategic advice to CEOs and senior managers in the mining, financial, technology and environmental industries.

Share data and price performance

Market data			
Ticker			SMD
Listing			ASX
Net cash (A$m) (30 Sep 2012)			1.5
EV (A$m)			10
Free float (%)			64
Shares in issue (m)			150.7
Price performance	**1m**	**3m**	**12m**
Absolute	0	(8.5)	(16.7)
Relative	1.2	(9.9)	(23.9)
		High	**Low**
12-month range (A$)		0.12	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Directors & management	15
Korea Zinc	10
Cerro Resources NL	9

Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	○

Reporting calendar	Date
FY13 results	Aug

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	173	190	106
EBITDA	(1,681)	(1,926)	(2,915)
Adj. PBT	(1,624)	(1,858)	(2,861)
Tax rate	N/A	N/A	N/A
Adj EPS (c)	(2.3)	(1.8)	(2.5)
Adj fully diluted EPS (c)	(2.3)	(1.8)	(2.5)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	4,032	7,910	10,502
Current assets	3,527	3,368	2,063
Current liabilities	(259)	(384)	(251)
Non-current liabilities	(34)	(20)	(42)
Net assets	6,996	10,874	12,273
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(729)	(948)	(831)
Capex	(2,718)	(2,352)	(3,191)
Equity issued	2,284	2,841	2,488
Net cash flow	(425)	163	(1,259)

Source: Company accounts, Thomson Reuters

Edison investment research

Kangala funding almost in place

Mining

Universal Coal (UNV) has five major coal projects in South Africa with an overall JORC-compliant resource estimate of 1.93bn tonnes. The company's asset portfolio includes two coking coal projects in the promising Soutpansberg and Tuli coalfields plus three low-cost and relatively high-margin thermal coal projects in the Witbank coalfield. Having made significant progress on the resource delineation, the company is gradually moving towards development stage with the Kangala project, which has a completed bankable feasibility study (BFS), off-take and strategic funding agreement in place, and is to become Universal's first producing mine.

Kangala secures 65% project funding

Universal's Kangala project, slated to become its first producing thermal coal mine, has secured 65% project financing from Rand Merchant Bank (RMB), lessening the pressure to issue equity capital and lowering the risk of potential stock dilution. The first drawdown is scheduled for Q113 to support the development of the boxcut plant, infrastructure, commissioning phase and working capital requirements. RMB's financing arrangement with the company includes a master finance deed for future Universal projects, which bodes well for advancing its other projects such as Roodekop, where the company is completing a feasibility study, due in Q412. A binding coal sales agreement with Eskom is to be finalised this quarter. Pricing was agreed for an initial eight years, with an option to extend for another eight, to supply c 2Mt per year of thermal coal. First coal delivery from Kangala, subject to the start of development in 2013, is expected in H114.

Coking coal assay results imminent

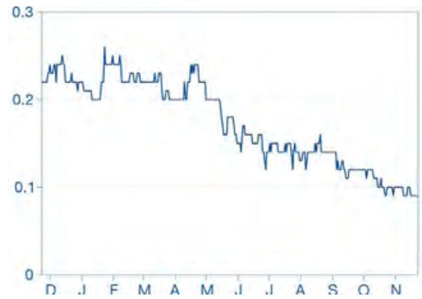
Assay results from the second phase exploration-drilling programme at Berenice-Cygnus are expected to be available in December. While Universal's two coking coal projects are at a relatively early stage of their development, they could both represent a significant upside to the company's valuation in the medium to long term. According to the recent update, the DRA's concept study conducted on the Berenice-Cygnus project indicated a sustainable 10Mtpa ROM operation with a life of mine in excess of 25 years to produce both semi-soft coking coal and secondary thermal coal product. This project is based in the fast-evolving Soutpansberg coalfield, which also hosts a number of similar relatively large-scale thermal/coking coal projects owned by Coal of Africa and other major South African coal producers and developers. An updated geological model and resource estimate will give Universal a 50% stake.

Valuation and risks

Based on the EV/resource multiple of US$0.01/t, the stock trades at a considerable discount to its major South African peers Coal of Africa (US$0.07/t) and Continental Coal (US$0.13/t). We expect Universal's value to crystallise as it fully funds the Kangala project and advances it to the production stage. Despite the company's predominant domestic market focus, weak international coal pricing is a risk as it affects the investment proposition of the sector overall. The company-specific risks include funding and execution.

Price	Market cap
A$0.09	A$20m

Share price performance



Business description

Universal Coal is a coal development company with advanced thermal and coking coal projects in South Africa. Its most advanced Kangala thermal coal project is expected to deliver its first coal in 2014.

Catalyst: Kangala launch

Kangala is set to become Universal Coal's first producing mine, delivering up to 2.1Mt of saleable thermal coal by the first half of 2014. Successful launch of Kangala would give the company the cash flow to advance other projects.

Catalyst: Coking coal potential

Given the importance of coking coal exposure, we would closely watch the progress on the Berenice-Cygnus project. Following the positive concept study, the company has undertaken the second drilling phase, which aims to improve confidence in the resource base.

Catalyst: Increasing ownership

Based on the company's earn-in agreements, the ongoing exploration and development activity should eventually lead to achieve the 50% threshold on both Berenice-Cygnus and Somerville-Donkin projects, increasing the effective ownership.

Analyst

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Edison profile page

Universal Coal is a research client of Edison Investment Research Limited

Management team

Chairman: John Hopkins

Appointed chairman in April 2012, Mr Hopkins is a qualified lawyer and professional company director. He has been on the board as a director or chairman of nearly 20 public-listed companies since 1985, in both Australia and Canada.

CEO: Tony Weber

Mr Weber is a mining engineer with over 15 years' experience in mining covering project assessment, finance, development and operations.

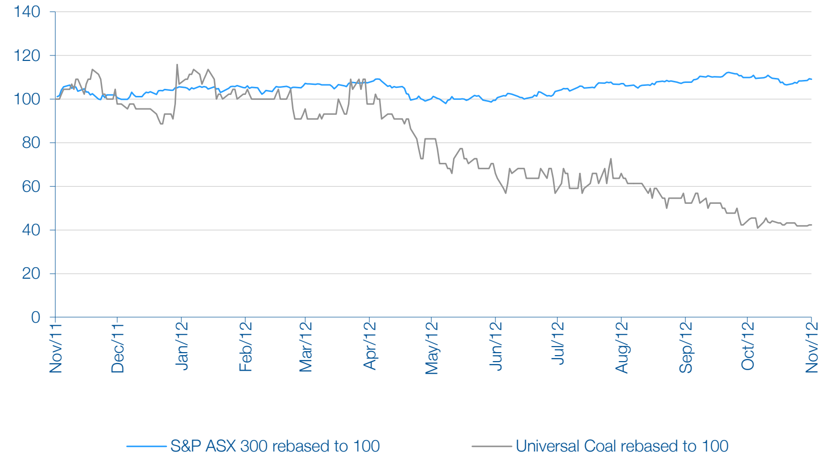
CFO: Daryl Edwards

Before joining Universal, Mr Edwards held the CFO position with Asenjo Energy, a Botswana-based coal exploration and development company, which is a joint venture between Aquila Resources, Sentula Mining and Jonah Capital.

Share data and price performance

Market data			
Ticker			UNV
Listing			ASX
Net cash (A$m) (at Sept 2012)			8.1
EV (A$m)			12
Free float (%)			N/A
Shares in issue (m)			223.7
Price performance	**1m**	**3m**	**12m**
Absolute	(8.0)	(34.3)	(58.2)
Relative	(6.9)	(35.3)	(61.8)
		High	**Low**
12-month range (A$)		0.26	0.09

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Maple Leaf Intl	8.9
Power Origin Dev	5.5
JP Morgan Nominee	4.2
Geoff Tarrant	3.2
Bell Potter Nominee	3.1

Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	◖
Interest rates	○

Reporting calendar	Date
Quarterly report	Jan 2013

P&L (A$'000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	0	0	0
EBITDA	(5,054)	(5,642)	(6,051)
Adj PBT	(5,227)	(3,622)	(5,847)
Tax rate	0	0	0
Adj EPS (c)	(15.6)	(2.3)	(2.8)
Adj fully diluted EPS (c)	(9.9)	(2.3)	(2.7)
Balance sheet (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	10,928	15,765	30,817
Current assets	1,084	10,862	2,729
Current liabilities	(211)	(168)	(402)
Non-current liabilities	(0.0)	(0.0)	(5,315)
Net assets	10,869	28,902	27,829
Cash flow (A$'000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(3,580)	(4,600)	(7,110)
Capex	(7)	(52)	(127)
Equity issued	4,472	21,863	1,320
Net cash flow	(64)	12,622	(10,721)

Source: Company accounts, Thomson Reuters

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