

30 March 2009

Aquarius Platinum

Year End	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/07	690.0	405.0	80.8	14.0	3.8	4.6
06/08	890.9	561.6	101.6	20.0	3.0	6.6
06/09e	335.5	39.8	10.0	0.0	30.4	N/A
06/10e	420.2	137.0	23.5	34.8	13.0	11.4

Note: * PBT and EPS are normalised, excluding goodwill amortisation and exceptional items. £1=US\$ 1.45. Historic Aquarius-only numbers until FY08, consolidated Aquarius and Ridge numbers thereafter.

Investment summary: Fund-raising

The recent fund-raising by Aquarius Platinum removes the uncertainty surrounding its debt repayment obligations and provides the company with the necessary capital expenditure to restart its (temporarily suspended) Everest mine. The remaining funds will be applied to the Blue Ridge mine, assuming Aquarius's acquisition of Ridge Mining completes. On the basis of a discounted dividend flow and a minor (-0.2%) revision to our production forecast for FY09, we derive a value for the combined Aquarius/Ridge entity of 209p/share, excluding the additional Aquarius shares to be issued. Taking these into account, this value reduces to 153p/fully diluted share. It appears, therefore, that the market is ascribing a 57p premium to the shares on the basis of the company's improved cash position.

Debt overhang removed

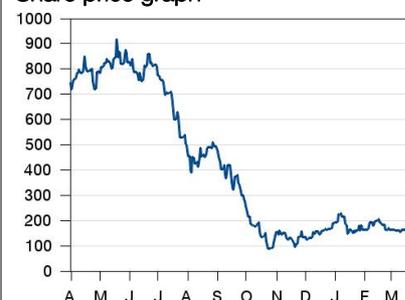
Of the total Aquarius expects to raise (£167.6m to £178.5m), the majority (£113.8m) will be used to repay the company's bridge loan facility with Rand Merchant Bank. This debt was incurred last year as part of the company's acquisition of Impala Platinum's stake in the Aquarius business. The remaining funds are expected to be applied to capital and operating expense requirements at the Blue Ridge mine (£22.5m) as well as capex requirements for the restart of Everest (£14.5m to £18.2m), which we expect by the beginning of 2010.

Discount dividend flow worth 153p/fully diluted share

Prior to the fund-raising, we estimated a fair value for Aquarius of 177p per fully diluted share prior based on a discounted (at 10%) dividend flow between 2010 and 2028 and on the assumption the Ridge deal completes. Taking into account a minor change (-0.2%) to our production forecasts for FY09 as well as the recent fund-raising, we calculate that Aquarius is capable of paying a flat dividend of 35c until FY20, followed by one of 10c until FY27 and a final of 7c in 2028. In strictly empirical terms, this cash flow to investors is worth 209p per undiluted share (or 153p/fully diluted share). More importantly, we consider it unlikely that Aquarius would need to come back to the market for additional funding in the foreseeable future.

Price 210p
Market Cap £687m

Share price graph



Share details

Code AQP
Listing ASX, JSE, LSE
Sector Mining
Shares in issue 327.1m

Business

Aquarius Platinum is a mid-tier producer of platinum group metals (PGMs) with four mines in southern Africa: Kroondal (50%), Marikana (50%), Everest (100%, suspended in December 2008) and Mimosa (50%), as well as tailings retreatment operations.

Bull

- Fund-raising removes uncertainty regarding debt overhang
- Fully funded for commissioning of Blue Ridge mine and restart of Everest mine
- PGM prices rising steadily

Bear

- Commissioning and restart risk at Blue Ridge and Everest, respectively
- No revenue from Everest during 2009
- Lower PGM prices

Analysts

Charles Gibson 020 3077 5724
cgibson@edisoninvestmentresearch.co.uk
Michael Starke 020 3077 5725
mstarke@edisoninvestmentresearch.co.uk

Exhibit 1: Financials

Note: Historic Aquarius only numbers until FY08, consolidated Aquarius and Ridge numbers thereafter.

Year end 30 June	US\$'000s	2007 IFRS	2008 IFRS	2009e IFRS	2010e IFRS
PROFIT & LOSS					
Revenue		690,000	890,917	335,490	420,241
Cost of Sales		(257,834)	(307,485)	(260,286)	(254,295)
Gross Profit		432,166	583,432	75,204	165,946
EBITDA		419,936	585,958	65,076	155,165
Operating Profit (before GW and except.)		401,030	561,750	42,156	122,402
Intangible Amortisation		(20,537)	(24,778)	(24,778)	(24,778)
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		380,493	536,972	17,378	97,624
Net Interest		3,965	(165)	(2,332)	14,596
Profit Before Tax (norm)		404,995	561,585	39,825	136,998
Profit Before Tax (FRS 3)		384,458	536,807	15,047	112,220
Tax		(90,861)	(173,214)	(4,213)	(31,422)
Profit After Tax (norm)		314,134	388,371	35,612	105,576
Profit After Tax (FRS 3)		293,597	363,593	10,834	80,798
Average Number of Shares Outstanding (m)		257.0	257.1	355.2	448.4
EPS - normalised (c)		80.8	101.6	10.0	23.5
EPS - FRS 3 (c)		72.8	92.0	3.0	18.0
Dividend per share (c)		14.0	20.0	0.0	34.8
Gross Margin (%)		62.6	65.5	22.4	39.5
EBITDA Margin (%)		60.9	65.8	19.4	36.9
Operating Margin (before GW and except.) (%)		58.1	63.1	12.6	29.1
BALANCE SHEET					
Fixed Assets		530,811	573,047	822,767	827,656
Intangible Assets		11,612	69,300	191,038	166,260
Tangible Assets		518,785	498,943	626,083	655,750
Investments		414	4,804	5,646	5,646
Current Assets		414,363	393,861	411,794	330,595
Stocks		26,123	35,941	16,713	21,012
Debtors		100,577	186,964	73,618	74,837
Cash		287,663	170,956	321,464	234,745
Current Liabilities		(54,725)	(267,612)	(136,006)	(134,903)
Creditors		(50,142)	(59,451)	(61,221)	(60,118)
Short term borrowings		(4,583)	(208,161)	(74,785)	(74,785)
Long Term Liabilities		(257,904)	(154,782)	(156,936)	(156,936)
Long term borrowings		(31,272)	(1,657)	(3,415)	(3,415)
Other long term liabilities		(226,632)	(153,125)	(153,521)	(153,521)
Net Assets		632,545	544,514	941,620	866,411
CASH FLOW					
Operating Cash Flow		277,571	174,946	180,573	85,700
Net Interest		3,965	(165)	(2,332)	14,596
Tax		59,251	175,851	4,213	31,422
Capex		(57,169)	(65,743)	(40,140)	(62,429)
Acquisitions/disposals		0	(22,899)	0	0
Financing		(125,702)	(474,584)	144,952	0
Dividends		(25,364)	(60,425)	0	(156,007)
Net Cash Flow		132,552	(273,019)	287,266	(86,719)
Opening net debt/(cash)		(117,024)	(251,808)	38,862	(243,264)
HP finance leases initiated		0	0	0	0
Other		2,232	(17,651)	(5,140)	0
Closing net debt/(cash)		(251,808)	38,862	(243,264)	(156,545)

Source: Aquarius Platinum, Edison Investment Research

EDISON INVESTMENT RESEARCH LIMITED

Edison is Europe's leading independent investment research company. It has won industry recognition, with awards in both the UK and internationally. The team of 50 includes over 30 analysts supported by a department of supervisory analysts, editors and assistants, Edison writes on more than 250 companies across every sector. It works directly with corporates, investment banks, brokers and fund managers. Edison's research is read by every major institutional investor in the UK, as well as by the private client broker and international investor communities. Edison was founded in 2003 and is authorised and regulated by the Financial Services Authority.

DISCLAIMER

Copyright 2009 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison Investment Research Limited for publication in the United Kingdom. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison Investment Research Limited at the time of publication. The research in this document is intended for professional advisers in the United Kingdom for use in their roles as advisers. It is not intended for retail investors. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. A marketing communication under FSA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison Investment Research Limited has a restrictive policy relating to personal dealing. Edison Investment Research Limited is authorised and regulated by the Financial Services Authority for the conduct of investment business. The company does not hold any positions in the securities mentioned in this report. However, its directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison Investment Research Limited or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.

Edison Investment Research

Lincoln House, 296-302 High Holborn, London, WC1V 7JH ■ tel: +44 (0)20 3077 5700 ■ fax: +44 (0)20 3077 5750 ■ www.edisoninvestmentresearch.co.uk
Registered in England, number 4794244. Edison Investment Research is authorised and regulated by the Financial Services Authority.