Asia-Pacific resources quarterly

February 2013

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Prices as at 26 February 2013

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Sector focus: Mining

Analyst

Charles Gibson

2012 in review; 2013 in forecast

Of the 11 years of the gold bull market since 2001, gold has recorded single-digit gains in only three – 2004, 2008 and 2012. By contrast in seven out of the remaining eight years, gold recorded annual gains in excess of 19%. The remaining year was 2011 in which it recorded a gain of 11%. So with the last two years representing two of gold's four worst performances of the past decade, is the gold (and commodities) bull market in general drawing to a close?

In Edison's opinion, the answer is an emphatic no. While 2012's return of 3.7% (nominal) was below the average 2.5% (real) return per annum recorded by gold on average since 1914, its level now is no less than that implied by the US$1.9tn expansion of the total US monetary base since 2007. Moreover, whereas it was Paul Volcker's determination to fight inflation and defend the US dollar's value on the foreign exchange markets that drew the 1970s gold bull market to a close, no such equivalent pressure exists in the 2010s. As such, we believe that, while the years of exceptional returns may be behind us, there is no reason to suppose (as long as real interest rates remain negative) that the bull market has reached its conclusion, especially given the tailwind of continued quantitative easing.

However, the performance of gold equities has been more patchy. Of 42 routinely followed by Edison, only 10 outperformed the gold price in US dollar terms in 2012. Seven of these either were or are Edison clients – in ascending order of performance African Barrick Gold (+3%), Caledonia Mining (+11%), Medusa Mining (+19%), Pan African Resources (+23%), Goldplat (+25%), Condor Gold (+34%) and Oxus Gold (+100%). By contrast, the average performance of the 42 gold equities as a whole was -21% with a standard deviation of 36%.

Yet, in contrast to conventional wisdom, Edison believes that a calmer environment will offer an opportunity for quality stocks in the sector to demonstrate their value without the tailwind/hubris of a rising gold/commodity price. On an individual company basis, investor attention will once again revert to value added by management's commercial development and exploitation of the ore-body. On a sector-wide basis however, if the bull market merely moderates, but does not go into reverse, then the market will have to question why it is prepared to pay a multiple of only 6.18x for a unit of earnings from a mining company (the lowest in the sector), but 56.32x for a hardware producer, 17.19x for the FTSE 250 (excluding investment companies), 16.84x for a consumer goods company, 16.52x for an industrial company, 16.08x for a tobacco stock, 15.34x for a bank, 15.09x for a telecom provider, 13.18x for a general retailer, 13.10x for a utility, 12.21x for a health care stock, 12.03x for the FTSE 100 index and 9.55x for an oil & gas stock. But while the mining sector is unequivocally cheap on a P/E ratio basis, it is rather less so in terms of what it pays back to shareholders, ranking a mere 26 out of 40 sectors on the basis of its average dividend yield, of 2.68%. As such, Edison's final prediction for 2013, is for a return of the pre-eminence of the dividend (or at least the ability to and intention of paying a dividend at some point in the future) as a measurement of the attractiveness of a stock in terms of its investment proposition.

Sector focus: Oil & gas

Analyst

Will Forbes

Seismic elections

The value of an oil field is not only subject to field-specific risks (such as geological, technical and commercial uncertainties), but also affected by global events that influence macroeconomic trends. It is the depth and breadth of all of these elements that make oil investing so complex and interesting. Elections in particular can be a source of uncertainty that can influence investor sentiment. In this report, we highlight some forthcoming political events that investors should keep abreast of in the coming months.

Of the elections due in H113, the Iranian presidential vote in June is the most likely to have global ramifications if political posturing and rhetoric is ramped up before the poll. Recent changes to election law have been interpreted as an attempt to avoid undue government influence – reformist and opposition brought fraud charges against Ahmadinejad after the 2009 vote. Current term limits dictate he cannot run again.

Kenyan elections (4 March) will be watched carefully. The last elections in 2007 were followed by widespread violence resulting in the deaths of over 1,000 people. Two presidential candidates are currently being investigated by the International Criminal Court for crimes against humanity. President Obama has called for a “free and fair vote”. In Tunisia, the assassination of the opposition leader, Chokri Belaid, on 6 February, led to rising tension and a general strike has been called in protest to the killing. The cabinet has been dissolved in preference for technocratic government until the planned elections in June. Madagascar has elections planned for July, although these may be delayed again.

Elsewhere in the world, Paraguay (21 April) is holding polls, while Nigeria is still reviewing its PIB.

We do not expect elections to be the catalyst for significant unrest; however, we highlight the companies that could be affected if this happens. Iranian elections may have global consequences, but are unlikely to affect individual company operations. In Kenya, the operations of onshore players (AFR, AOI, BLVN, SMB, TPN, TLW and VEL) are generally far from population centres. Tunisian unrest could affect a number of companies (ADX, GPX, NZOG, CKE and Voyageur-private), while Malagasy elections could help reduce uncertainty over company operations (MOIL). RDSA, TOT, XOM, ENI, SAC, AFR, HOIL and ELA have Nigerian operations. The Bahamas is planning a referendum on oil exploration in 2013, which is likely to have a major effect on BPC.

Alkane Resources

Asia-Pacific resources quarterly

Edison investment research

Targeting first cash flows by end-'13

Mining

The New South Wales government has granted the Tomingley Gold Project's (TGP) mining licence (announced on 11 February). Full construction activities are now underway such that first production will occur in late-2013 and c 70koz produced by end-CY14. Additional drilling at the Caloma Two deposit may well extend TGP's LOM beyond the current planned 380koz Au over seven years. Also, in its December quarterly activities report, Alkane has continued to outline progress on both its main projects, TGP and the Dubbo Zirconia Project (DZP). The main conclusions from this are that prices for Zirconium Oxychloride (c 30% of DZP's projected annual revenues), which was to be the main zirconium product from DZP, has seen a sharp downturn. This prompted Alkane to review its zirconium flow sheet design and to conclude that higher-value chemical zirconias should be produced to maximise DZP's profitability, which will in fact require a lower capex requirement up front.

Comparing Alkane to Iluka – not a good idea

There appears to be a close correlation between the performance of Alkane shares and those of the industry zircon sand major, Iluka. Note that Iluka sells a raw form of zircon sand and does not produce refined zirconium products. It is also subject to the market forces driving ilmenite and rutile demand (the principal economic ores containing titanium dioxide). Alkane intends to produce refined high-purity zirconium, rare earth and niobium products, and should therefore be seen as a different business feeding different, higher-value end-markets.

Tomingley pre-development underway

While Alkane waited for the New South Wales authorities to approve the operating plans for TGP, work began on access roads, a water production borehole and some foundation works. Also, long-lead items such as the ball mill were ordered well in advance, so that now full construction has started, delays in the receipt of key equipment were minimised. TGP gold production is forecast to total 75koz by end-CY14.

All accounted for, 2016 still the target for DZP

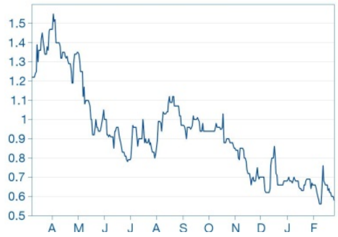
Despite the changes to DZP's zirconium flow sheet design as a result of re-aligning its zirconium product output to future demand, Alkane continues to target 2016 as the year for DZP start-up.

Financing – A$1bn

Appointing Petra Capital and major financial institutions Credit Suisse and Sumitomo Mitsui Banking Corporation as financial advisors will increase Alkane's ability to fund its flagship DZP. These organisations are critical to establishing the eventual financing structure of DZP, which will take place over 2013 to coincide with final project approvals and first construction, currently planned for Q413. Sumitomo Mitsui Banking Corporation also has expertise in the area of government debt funding, which Alkane believes will form up to c 40% of DZP's total capex requirement.

Price	Market cap
A$0.59	A$220m

Share price performance



Business description

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

Catalyst: Completing TGP construction

Having obtained final approvals from the New South Wales government, Alkane is now initiating full construction activities at TGP. The construction phase is planned to last 11 months, which will be a critical time period for Alkane to demonstrate its ability (already proven at its Peak Hill mine in 1996) to manage construction activities and produce first gold on time for end-CY13.

Catalyst: Firming up DZP financing (to end-2013)

With its financial advisors appointed and MoUs in place with established high-end technology firms, Alkane is now well placed to firm up its financing arrangements for DZP. We expect this to start over the coming months and for Alkane to communicate its progress to market as and when its arrangements become final.

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 seven-year mine life.

Analyst

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Edison profile page

Alkane Resources is a research client of Edison Investment Research Limited

Management team

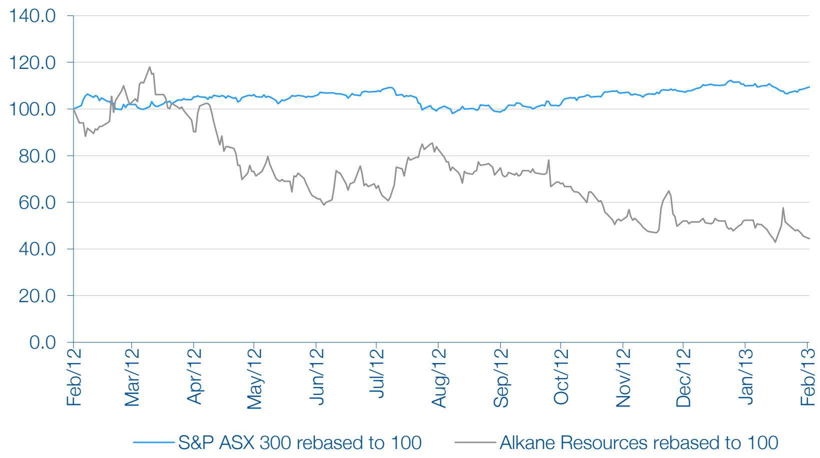
Chairman: John Stuart Ferguson Dunlop	MD: David Ian Chalmers
Mr Dunlop is a consultant mining engineer with close to 40 years' surface and underground mining experience, both in Australia and overseas.	Mr Chalmers is a geologist and graduate of the Western Australian Institute of Technology (Curtin University). He has worked in the mining and exploration industry for over 40 years.
CFO: Michael Ball	**Non-executive director: Tony Lethlean**
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.	Mr Lethlean is a geologist with 10 years' mining experience and in later years has been working as a resources analyst with various stockbrokers. He is a consultant to Cartesian Capital Pty.

Share data and price performance

Market data

Market data			
Ticker			ALK/ALKNY
Listing			ASX/OTCQX
Net cash (A$m) (as at Sept 2012)			80.0
EV (A$m)			140.0
Free float (%)			74%
Shares in issue (m)			372.5
Price performance	**1m**	**3m**	**12m**
Absolute	(15.2)	(14.6)	(55.6)
Relative	(18.8)	(25.4)	(61.6)
		High	**Low**
12-month range (A$)		1.62	0.57

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
Q113 cash flow report	Apr 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)	(5,944)

Source: Company accounts, Thomson Reuters

Delivering on the promise

Oil & gas

AusTex's production base continues to grow at an impressive rate. For the month of December, AusTex passed the 500boe/d average production milestone, meaning that over the course of CY12 it has achieved a four-fold lift in production. With 70% of its boe production as oil, revenue and cash flow are rising equally as fast.

More of the same in Q412

When we last reported on AusTex, we noted that during the second half of October production had lifted to 500boe/d, up from an average of 290boe/d for all of Q312. AusTex's subsequent reporting of average production of 466boe/d for all of Q412, and 542boe/d for the month of December, does much to suggest the company remains on its trajectory towards the 1,000boe/d target it has set itself to achieve during 2013. Y-o-y, revenue for the quarter was up four-fold from the US$0.6m in Q411 to U$2.3m.

Snake River still the focus

AusTex's 5,500 acre Snake River project in the Kay and Noble counties of northern Oklahoma continues to draw most of its focus. AusTex has now drilled 16 vertical wells as operator in its Snake River acreage, in which it holds 100% Working Interest (WI). Nine of these are in production, six are undergoing completion and one is in operation as a disposal well. The nine producers averaged 65boe/d for December. With two wells to commence production during Q113 and a 2013 programme of two wells per month for the rest of the year, much newsflow lies ahead.

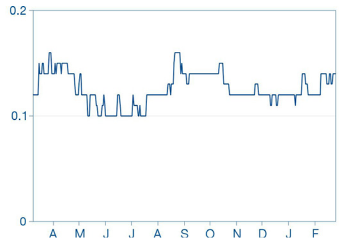
In addition to its 100%-WI wells, AusTex holds small stakes in two wells in nearby leases drilled by leading US independent, Range Resources. Unlike AusTex's vertical wells, the two Range-led wells were drilled as horizontals and achieved much stronger production rates. The latest and best to date, Balder #1-30N, commenced production in November and returned a 30-day average production rate of 899boe/d. The Range programme demonstrates the enhanced productivity that horizontal drilling of the Mississippi Lime and associated formations delivers, and provides AusTex with valuable experience as it expands its own programme. AusTex has agreed to drill up to four additional horizontal wells with Range at Snake River.

Funding to delivery

Following the completion of a A$12.5m capital raise during Q412, AusTex reported cash on hand of A$11.9m at 31 December. This includes proceeds from A$7.5m of convertible notes issued in Q212. AusTex's declared intention to drill two wells per month over the course of 2013 will require a FY13 capital commitment of c US$15m. Adding O&A and financing costs makes for a potential gross outlay of A$20m for the year. Although increasing operating revenue will offset this, further development capital is likely to be required. Plans mooted through much of 2010-12 for a TSX-V listing have recently gone quiet, perhaps signalling AusTex's intention to continue to focus on the placement market as it ramps up operations.

Price	Market cap
A$0.14	A$58m

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 planned for 2013, most of AusTex's effort remains focused towards its Snake River project. AusTex's next milestone production target of 1,000boe/d is looking increasingly achievable.

Catalyst: Kansas programme

With so much focus falling on its Snake River project, AusTex's Kansas assets are often overlooked. AusTex has flagged a ramp-up in activity for 2013 which, if successful, could see a northern extension defined to AusTex's southern Snake River Mississippi Lime play.

Catalyst: Convertibles

The A$7.5m of convertibles, held by a consortium of North American institutional investors, have a strike price of A$0.15/share and expire in June 2014. AusTex has a further 171m options on issue, nearly all of which at a strike price of either A$0.15 or A$0.20/share. Most lapse in 2014, with the latest in 2017.

Analyst

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Edison profile page

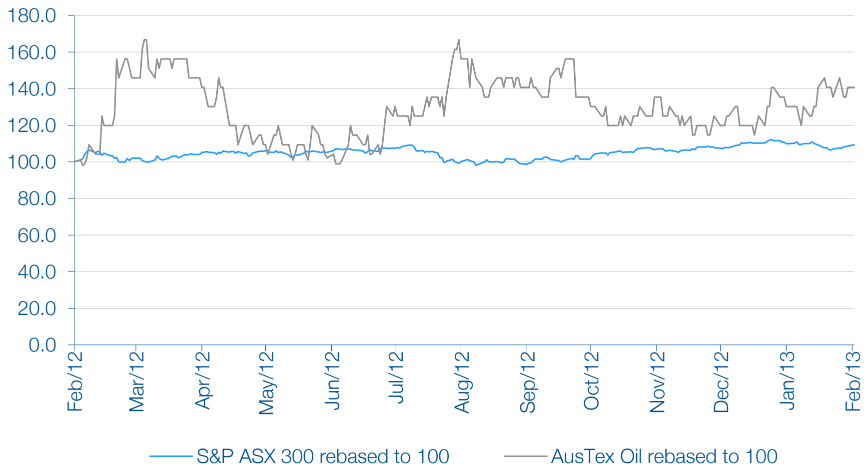
AusTex is a research client of Edison Investment Research Limited

Management team	
Executive chairman: Richard Ardrey	**Deputy chairman: Kwang Hou Hung**
Mr Ardrey has an investment and merchant banking background. He is based in Oklahoma and oversees all AusTex's US operations.	Mr Hung is based in Singapore. He has an accounting background and 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 a number of Australian companies.	

Share data and price performance

Market data			
Ticker			AOK
Listing			ASX
Net cash (A$m) (at 31 Dec 12)			4.4
EV (A$m)			54.0
Free float (%)			64
Shares in issue (m)			433
Price performance	**1m**	**3m**	**12m**
Absolute	8.0	3.8	40.6
Relative	3.4	(9.3)	21.7
		High	**Low**
12 month range (A$)		0.2	0.1

Share price performance relative to ASX 300



Shareholders, Reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Mar 10a	Mar 11a	Dec 11a
Kwang Hou Hung	7.3	Turnover	1,477	3,609	2,121
Iroquois Capital	6.3	Adj. EBITDA	(4,009)	(3,021)	(3,329)
Leon Pretorius	3.0	Adj. PBT	(3,258)	(2,128)	(2,923)
Phesoj Pty	2.9	Tax rate	0	0	0
Richard Ardrey	2.5	Adj. EPS (c)	(2.2)	(1.1)	(1.1)
Scott Cohen	1.5	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	541	10
Interest rates	○	Net assets	18,511	20,725	21,721
Reporting calendar	**Date**	**Cash flow (A$000s)**	**Mar 10a**	**Mar 11a**	**Dec 11a**
Full-year result	March	Operating cash flow	(2,688)	(943)	(2,795)
First-quarter report	April	Capex	(4,829)	(5,986)	(3,205)
Second-quarter report	July	Equity issued	4,285	6,684	5,311
		Net cash flow	(3,212)	590	(1,940)

Source: Company accounts, Thomson Reuters

Edison investment research

Focus moves to DSO hematite ore

Mining

On 22 November, Cabral Resources released the remaining drill hole assay results from its maiden drilling programme at Morro do Gergelim. Although the drill results were consistent with the company's original geological theories, in terms of the presence of banded iron formation horizons, they indicated lower iron ore volumes than expected. As a result, Cabral now believes it is unlikely to meet the original target tonnage range of 200-450Mt. Furthermore, it is unlikely that Morro do Gergelim alone hosts enough iron ore volume to become an economic iron ore project based on criteria set out in the pre-scoping study commissioned by ProMet Engineers in 2011. Notwithstanding further assessment of magnetite ore potential at Morro do Gergelim and now Ibitira, management announced a re-prioritising of exploration focus towards DSO hematite ore in its existing portfolio or in combination with the possible acquisition of third-party tenements.

DSO hematite ore: New priority target

Cabral has flagged a shift in exploration focus towards DSO hematite ore potential present in its tenement portfolio, or in combination with acquired tenements from third parties, ahead of magnetite ore, given the relatively lower associated processing capital costs and prospect for nearer-term operating cash flows.

Ibitira: Trench sampling

Cabral started preliminary assessment of the iron ore prospectivity of the Ibitira tenement area in Q113. Four trenches were completed using a backhoe-equipped front-end loader to excavate up to 4m with a further two trenches following in late-December 2012. The results of the channel samples assays conducted by SGS Brasil in Belo Horizonte, now received, confirmed the continuity of BIF layers on the Ibitira target area with reasonable iron grades. The Ibitira target is in the Lagoa Real hub and is close to both Morro do Gergelim and the FIOL rail line.

Porto Sul: Construction to commence Q113

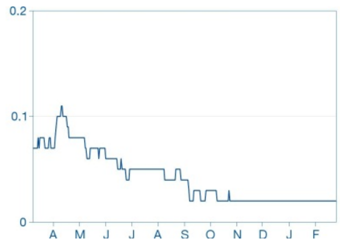
A preliminary licence (environmental) was granted for Porto Sul on 16 November 2012, with construction to commence in Q113. The new open-access port is dedicated to shipping bulk commodities such as iron ore, with commissioning expected by 2015/16 to coincide with the FIOL rail line.

Valuation: NAV of A$0.06

Increased uncertainty surrounding the potential for delineation of a JORC resource suggests the use of an EV/t resource multiple method for valuing Cabral is no longer appropriate. We recently revised our valuation based on an estimate of net asset value per share incorporating exploration assets as at end-June, adjusted for subsequent payments for exploration, assumed capitalised, and discounted by 40% for estimated impairment, and derived a net asset value of A$0.06 for the stock.

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, where it holds 484km^2 of tenement area.

Catalyst: JORC resource

Establishing a JORC-compliant resource remains the most important issue for the company and the catalyst for the stock at this point, either from existing prospects or via acquisition, given the significant strategic assets assembled in Brazil to date.

Catalyst: Infrastructure advantage

Cabral has secured valuable access to infrastructure, currently under construction, in terms of heavy gauge rail and the new port development at Porto Sul. Notwithstanding a move towards production, leveraging the access through a joint venture also represents an option and potential catalyst for the stock.

Catalyst: Tenement consolidation

Cabral has flagged further regional acquisition of tenements with the aim of growing its portfolio. Incremental consolidation of tenements pending delineation of a JORC resource bodes well for economies of scale longer term.

Analysts

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Edison profile page

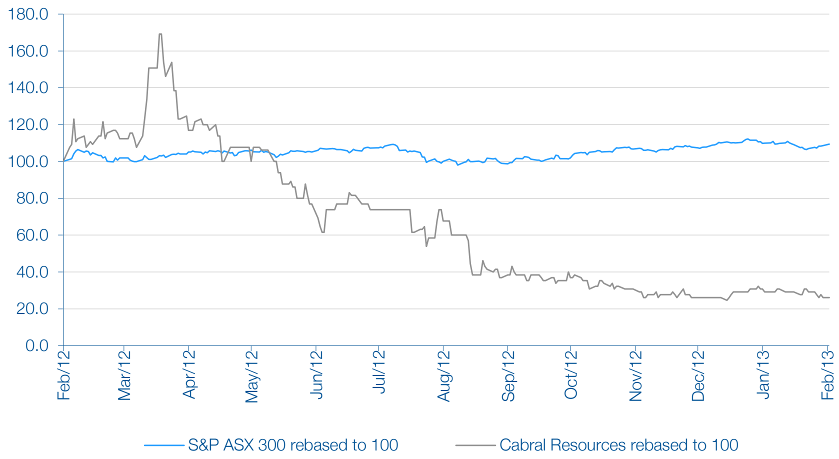
Cabral Resources is a research client of Edison Investment Research Limited

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 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$m) (at Dec 2012)			7.0
EV (A$m)			(2.3)
Free float (%)			78
Shares in issue (m)			259.3
Price performance	**1m**	**3m**	**12m**
Absolute	(10.5)	(15.0)	(73.8)
Relative	(14.3)	(25.7)	(77.4)
		High	**Low**
12 month range (A$)		A$0.1	A$0.0

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
HSBC Custody Nominees Ltd	5	Revenue	332	0	1
Sun Hung Kai Inv. Services Ltd	4	EBITDA	(394)	(2,043)	(2,522)
Bond Street Custodians Ltd	4	Adj. PBT	(419)	(1,788)	(1,670)
Sino Portfolio International Ltd	4	Tax rate	-	-	-
Sun Hung Kai Inv. Services Ltd	3	Adj. EPS (c)	(0.5)	(0.9)	(0.6)
DV Nominees Pty Ltd	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**
Half-year accounts	March	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

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Upgrading of resources

Mining

Celamin Holdings continues to advance the exploration and development programme at the Chaketma Phosphate project in Tunisia following the release of its maiden JORC resource and scoping study in Q412. Celamin and its local partner, Tunisian Mining Services (TMS), have so far completed 61 diamond drill holes for 5,333m at Chaketma. The drill intercepts and trenching results continue to exceed those outlined in the scoping study. Celamin's immediate aim is to upgrade the inferred resource to indicated at Kef El Louz North and to extend the resource to the Sidi Ali Ben Oum Ezzine and Gassa El Kebira prospects at Chaketma. The engineering phase of the definitive feasibility study (DFS) is expected to commence in March 2013. We maintain our valuation of A$0.75/share, using a 50:50 debt/equity split as published in our Update report on 30 October. Our valuation of Celamin Holdings is based on a project dividend-discount factor basis.

Scoping study and JORC resource at Chaketma

The maiden JORC resource (of seven) at Chaketma announced in November 2012 contains 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, sufficient for a mine with an initial 10 years of production. Before this, the scoping study at Chaketma released in August 2012 pointed to 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. Recent drilling and trenching at the project show significant phosphate mineralisation near the surface with intercepts of up to 42m, at down-hole depths of 31m to 59m and a low waste-to-ore ratio from 2:1 to 4:1. The opportunity remains to optimise the project on the basis of high-grade phosphate with strong metallurgical properties and low-strip ratio properties.

Algerian withdrawal – Oued El Kebir

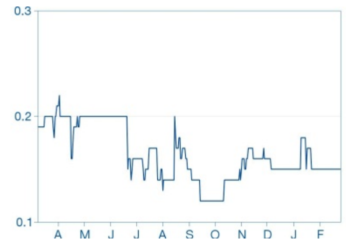
Celamin announced on 21 January that it has terminated the joint venture (JV) over the Oued El Kebir prospect in northern Algeria. The termination of the JV with partner Faienceries Algeriennes Group was mutually agreed following uncertainty about the ability to secure administrative and due diligence approvals from Algerian authorities. The decision to terminate now focuses Celamin's attention directly on advancing the Chaketma project. Celamin management indicates it will continue to maintain a watchful eye on opportunities in Algeria.

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. The scoping study assumed the use of reverse flotation to process the resource to an export concentrate grading 30% P_2O_5. With the maiden JORC resource delineated, Celamin is now able to commence with the engineering stage of the DFS. It is expected to begin in March 2013, with the work completed by December 2013.

Price	Market cap
A$0.15	A$23m

Share price performance



Business description

Celamin Holdings is focused on the exploration, development and mining of resources in Tunisia. It is currently concentrating on the Chaketma phosphate project.

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 in 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

On 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

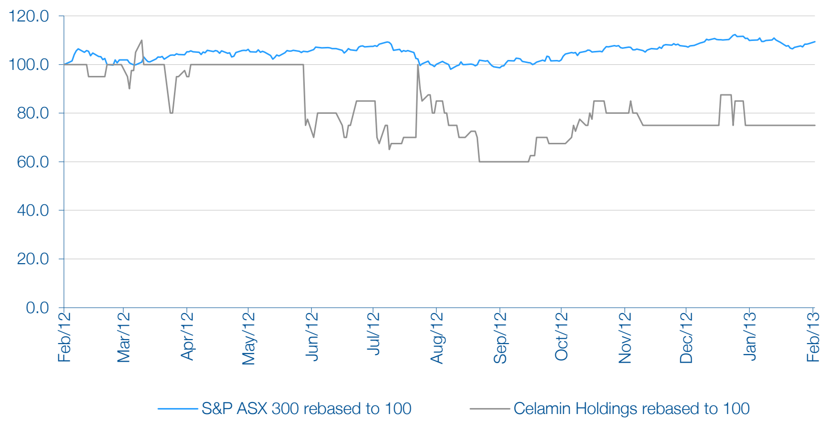
Celamin Holdings is a research client of Edison Investment Research Limited

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. Before 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.	Mr Regan has worked in the resources sector for over 30 years in various senior corporate roles for Rio Tinto, BHP Billiton and Atlantic Richfield. In that time, he has put together over A$3bn of resource investments.
Executive director: Russell Luxford	**Non-executive director: Garry Scanlan**
Mr Luxford brings over 20 years' mining experience, having previously worked with Rio Tinto, WMC and Goldfields. While at WMC, he was employed as the general manager of the Phosphate Hill project in Mt Isa.	Mr Scanlan has some 28 years' mining industry experience, having worked at Newcrest Mining, Castlemaine Goldfields and PriceWaterhouseCoopers. Mr Scanlan also previously served as a non-executive director at Citadel Resources.

Share data and price performance

Market data			
Ticker			CNL
Listing			ASX
Net cash (A$m) (at 31 Dec 2012)			1.5
EV (A$m)			21.5
Free float (%)			92
Shares in issue (m)			152.3
Price performance	**1m**	**3m**	**12m**
Absolute	0.0	(6.3)	(25.0)
Relative	(4.2)	(18.1)	(35.1)
		High	**Low**
12-month range (A$)		0.22	0.12

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Regan Superannuation Fund	27.38	Turnover	0	0	0
RNAJ Pty	13.96	Adj EBITDA	(407)	(960)	(2,017)
African Lion 3	12.18	Adj PBT	(461)	(986)	(2,012)
Commonwealth Bank of Australia	4.98	Tax rate	0	0	0
RMB Resources	2.44	Adj EPS (c)	(2.7)	(1.8)	(3.6)
Peter James Avery	1.98	Adj fully diluted EPS (c)	(2.7)	(1.8)	(3.6)
Sensitivities evaluation		**Balance sheet (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	○	Non-current assets	985	6,830	23,194
Commodity price	●	Current assets	1,406	2,436	4,710
Currency	◐	Current liabilities	(41)	(36)	(937)
Stock overhang	○	Non-current liabilities	0	0	0
Interest rates	○	Net assets	2,350	9,231	26,967
Reporting calendar	**Date**	**Cash flow (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
DFS commencement	Mar 13	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

Surprise reserves estimate awaited

Oil & gas

In the near term Central Petroleum (CTP) is a play on the assessment of reserves for the Surprise discovery in the Northern Territory. An announcement is expected in Q113. Longer-term attention will be focused on exploration activity across CTP's vast acreage in the Amadeus/Pedirka and South Georgina Basins following the formation of the Santos and Total joint ventures towards the end of 2012. In total, CTP is expecting $78m of free-carried exploration outlays to be made under the joint ventures over the next 18 months or so. News flow should be plentiful in 2013-14.

Surprise project: Production by Q214 possible

Following an extended production test (EPT) and 3D seismic survey at the 100% owned Surprise discovery in the western Amadeus Basin, CTP has been undertaking an assessment of reserves and a field development plan over the past few months. The latter is being undertaken to bankable feasibility standards with debt financing in mind. A decision on commercialisation is expected in Q313 with production possibly following in Q214. CTP's existing OIIP estimate covers a wide range of 4-110mm barrels. Our working hypothesis for recoverable reserves is 6mm barrels reflecting OIIP of 20mm and a recovery factor of 30%. Given CTP's recent bullish comments concerning the thickness of the oil column this may be on the conservative side. CTP also believes that there may be exploration upside in the deeper Horn Valley Siltstone and in a structure to the southeast of the Surprise well.

Joint ventures: Exploration to commence in Q213

CTP has indicated that it expects exploration activity to commence on the Total and Santos JVs in Q213. Stage 1 of the exploration programmes to Q214 involves outlays of $90m of which CTP will finance $12m. The work programme includes 3,350km of seismic, one exploration well (Santos) and eight core wells over four permits (Total). An illustration of the prospectivity of the central Australian basins is in the recent Linc Energy announcement that un-risked prospective resources in the Arckaringa Basin have been audited at up 233bnboe.

Financials: Significant cash inflow in Q312-13

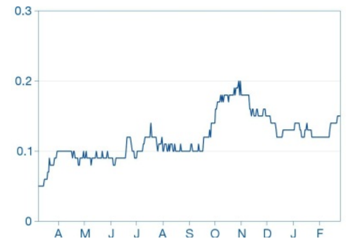
At end-December 2012 CTP's cash position was A$2.1m. During Q3 the company is expecting a net cash inflow reflecting proceeds from the settlement of a legal dispute, oil sales and farm-in partners, and refunded bond monies related to earlier seismic and drilling programmes. The cash burn is also being sharply reduced, partly by cost-cutting and partly through the transfer of costs to the JVs. At the end of Q3 we believe cash could be over A$5m. CTP believes that it has sufficient cash for 2013.

Valuation: Still one of the cheapest unconventional plays

CTP remains one of the cheapest unconventional hydrocarbons plays, particularly bearing in mind its largely funded exploration programmes and the Surprise discovery. The stock is trading on an enterprise value of a mere $4/acre, distinctly marginal by US standards even for early stage plays. We continue to value CTP at A$0.32/share ($11/acre) based on the Santos/Total farm-out valuations and a DCF for Surprise.

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 certification

Reserves certification is expected in Q113. In addition to the statement on reserves, comments concerning development timing and financing could be influential. Note that CTP has $48m of potential funding through the exercise of options in Q114.

Catalyst: JV work programmes

The exploration plans of CTP's JV partners are known in broad outline. When work actually commences in Q213 and more detail is provided on the exploration programmes the stock could receive a boost.

Catalyst: Disposal of coal

CTP has indicated that it is contemplating the disposal of its substantial coal interests in the Pedirka Basin. Note, these interests are at an early stage of appraisal so the proceeds from any disposal are likely to be modest.

Analyst

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Edison profile page

Central Petroleum is a research client of Edison Investment Research Limited

Management team

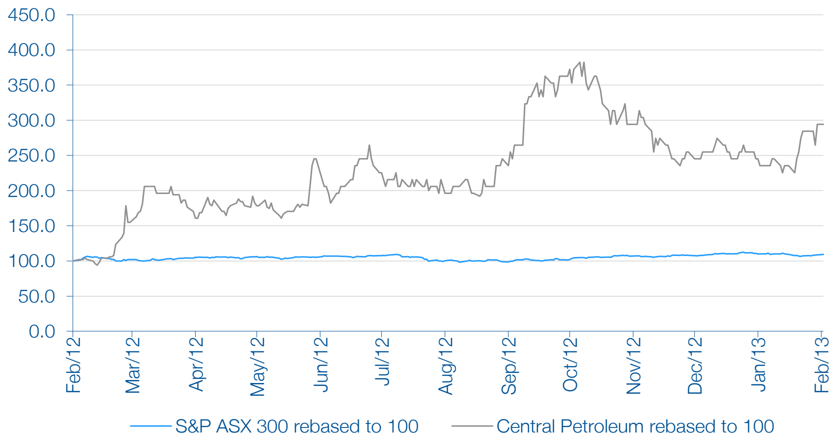
Chairman: (acting) Andrew P Whittle	CEO: Richard Cottee
Mr Whittle is a geologist with over 42 years' petroleum industry experience in both technical and managerial positions. He spent 21 years with Exxon in Australia, North America, Singapore and Malaysia. His last position was geological manager at Esso Australia. Mr Whittle has also worked in the junior and offshore services sectors and has his own technical consultancy.	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 $75.7bn 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

Ticker			CTP
Listing			ASX
Net cash (A$m) (est January 2013)			3.7
EV (A$m)			204
Free float (%)			100
Shares in issue (m)			1,387.0
Price performance	**1m**	**3m**	**12m**
Absolute	25.0	0.0	194
Relative	19.7	(12.6)	155
		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 shareholder	%
Schoch Matthew W	4.1
Marford Group Pty Ltd	1.1
Brighten International Pty Ltd	1.0
Shawcross Mark P	0.9
Franze Holdings Pty Ltd	0.7
Renlyn Bell Investments	0.7
Sensitivities evaluation	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	◖
Interest rates	○
Reporting calendar	**Date**
Q1	November
Q2	February
Q3	May
Q4	August

P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	0	0	0
EBITDA	(12,193)	(37,244)	(25,847)
Adj. PBT	(11,483)	(36,550)	(25,657)
Tax rate	0	0	0
Adj. EPS (c)	(3.4)	(3.8)	(2.2)
Adj. fully diluted EPS (c)	(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

Edison investment research

To second base, with third in sight

Mining

Chatham Rock Phosphate's (CRP) highlight for the quarter was agreeing with technical partner and cornerstone shareholder Royal Boskalis to move to the second stage of their services contract. With detailed design now underway, a mining application already lodged and an application for environmental consents to be submitted in the next few weeks, CRP remains on its pre-development critical path.

CRP and Boskalis agree to move forward

As CRP's sub-sea consultant expert, global dredging major Royal Boskalis plays a critical role in validating and advancing the below-water feasibility and commercial viability of the project's mining concept. Following Boskalis's decision in July to take a direct (20%) shareholding in CRP, albeit largely in lieu of future design and consultancy fees, its subsequent December decision to proceed to the second commitment stage was a significant milestone for CRP. The design stage involves a NZ$4m commitment, to be funded from Boskalis's CRP share subscription agreement.

In February, CRP confirmed three new board appointments: Ko de Blaeij (Boskalis senior executive), Robert Goodden (subsea technical specialist) and Dr Robin Falconer (marine scientist). Each new director already has an existing involvement with the project, having served in a variety of technical and commercial capacities. Each will bring specific technical expertise to CRP's decision making and a welcome additional depth to governance.

Mining application lodged, marine is next

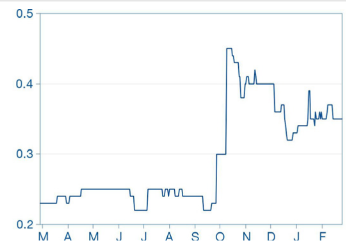
Having lodged its mining application with regulators in late September, CRP's next major and, in our view, single most critical non-technical milestone will be its application for marine consents with authorities. The regulatory regime governing the management and consenting of activities outside New Zealand's 12-mile limit but within its EEZ is currently undergoing substantial change, which, when fully implemented, will see the Environmental Protection Agency handle all applications. With regulations not expected to be finalised until Q413, CRP will most likely lodge the application in late Q113 with the current authority, New Zealand Petroleum and Minerals.

Market listings on the radar

CRP continues to tap the private placement market for funding while it considers options to fill its funding requirements to first production. To date it has raised US$17m of the US$25m it considers it will need to reach commissioning. CRP has said that it is now considering a public offer of shares to the New Zealand market to bridge some of the gap and to provide working capital to meet minimum requirements for a TSX listing later in 2013, which CRP continues to target.

Price	Market cap
NZ$0.35	NZ$47m

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 in 400m of water.

Catalyst: Marine consents

An application for marine consents is expected to be lodged with authorities late in Q113. Under current regulations turnaround timings are not explicitly defined but new regulations take effect in Q413. CRP is targeting turnaround by the close of CY13.

Catalyst: Capital raising

CRP is seeking further capital to bridge it to FID. A New Zealand public offer has been mooted as a potential forerunner to a TSX-V listing once marine consents are secured and final engineering design is complete.

Catalyst: Detailed design

Results from Boskalis's detailed design work will be critical to the technical and commercial viability of the project. Conclusions from this work are due during H213.

Analyst

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Edison profile page

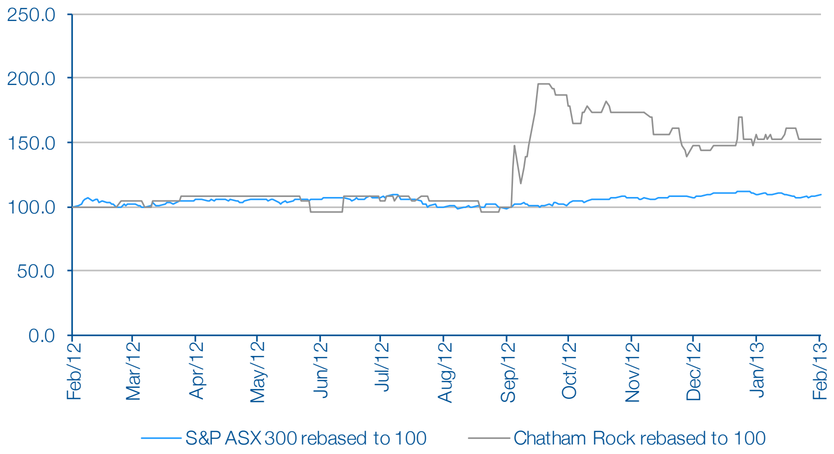
Chatham Rock Phosphate is a research client of Edison Investment Research Limited

Management and project team	
Managing director: Chris Castle	**Principal scientist and director: 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 a non-executive director of TSX-V listed Asian Mineral Resources and ASX-listed King Solomon Mines.	Dr Falconer was formerly with GNS Science, where he was the manager of research and the natural hazard group from 1995-2008. Prior to that, he was a consultant working nationally and internationally as an expert ocean scientist.
Non-executive director: Ko de Blaeij	**Non-executive director: Robert Goodden**
Mr Blaeij was previously director of Boskalis Offshore guiding offshore pipeline and platform contracts across numerous countries. In 2012 he became director of Boskalis International in the Middle East.	Mr Goodden is chairman of Subsea Minerals, a specialist marine mining consultancy that assists with developing business in marine mining. He was previously was on the advisory board for Nautilus Minerals advising on core drilling and sample recovery.

Share data and price performance

Market data			
Ticker			CRP
Listing			NZX
Net cash (NZ$m) at 28 Feb 2013			1.7
EV (NZ$m)			46.9
Free float (%)			69
Shares in issue (m)			134.5
Price performance	**1m**	**3m**	**12m**
Absolute	0.0	(12.5)	52.2
Relative	(0.6)	(16.5)	25.8
		High	**Low**
12 month range (NZ$)		0.45	0.22

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Subsea Investments LLC	27.2%
Boskalis Offshore BV	18.8%
Widespread Portfolios Ltd	10.4%
Odyssey Marine Exploration Inc	6.9%
Tasman Portfolio Ltd	2.5%
International Mining & Financing Corporation	2.5%
Sensitivities evaluation	
Litigation/regulatory	◖
Commodity price	●
Currency	○
Stock overhang	◖
Interest rates	○
Reporting calendar	**Date**
FY13 results	May
H114 results	November

P&L (NZ$000s)	Mar 10a	Mar 11a	Mar 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)	**Mar 10a**	**Mar 11a**	**Mar 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)	**Mar 10a**	**Mar 11a**	**Mar 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

Edison investment research

Quarterly results; BHE deal closure

Mining

Coal of Africa (CoAL) released mixed Q213 operating update, with the overall saleable coal production falling 25% q-o-q to 718kt on the back of the unprotected strike at Mooiplaats. However, the market should not be misled by the disappointed performance at the mine level as it was more than compensated by destocking. As such, overall coal sales jumped 34% q-o-q in Q213, with export sales rising by an impressive 83%. CoAL also announced the successful closure of the strategic partnership deal with China's Beijing Houhua Energy Resources (BHE), receiving the final US$80m payment which was subject to the certain regulatory approvals on the BHE side as well as the positive vote from the CoAL shareholders.

Q213 operating results: Strong sales rebound

CoAL's second quarter operating results have seen a reversal of an earlier alarming trend on the reduction in export sales. Despite the weak production numbers (as expected), with the overall saleable coal output falling 25% q-o-q to 718kt, the company has seen a healthy 34% recovery in the overall coal sales to 830kt. At the same time, export coal sales grew by an impressive 83% q-o-q to 411kt. We believe that the market should not be misled by the disappointing production performance at the mine level, which to a large extent was driven by the unprotected strike at Mooiplaats, as it was more than compensated by a major destocking. We estimate that CoAL has run down c 165kt of saleable coal inventory in Q213 compared to an estimated 261kt inventory build-up in the preceding quarter. In general, the strong sales numbers highlight the improving export coal market conditions, pointing to a potential further recovery in export shipments. That said, the overall situation in the sector remains fragile as the export thermal coal prices remain at a very depressed level. In other news, the company confirmed that Woestalleen will be depleted in March, which is in line with our expectations.

Strategic partnership deal with BHE closed

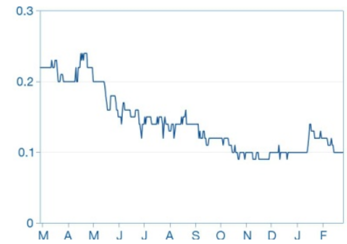
CoAL has successfully closed its strategic partnership transaction with BHE, receiving the remaining conditional US$80m payment of the overall US$100m equity funding. The deal was cleared by the regulatory authorities in China and Australia, and approved by the CoAL shareholders. The company now has c US$101m in available cash, which, among other things, will be spent on the Vele upgrade (to simultaneously produce middlings/export thermal coal and semi-soft coking coal) as well as on the outstanding Deutsche Bank loan facility redemption.

Awaiting for the Makhado BFS

We believe that CoAL's fundamental value is strongly dependent on Vele's operational success and its 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. While we continue to value the project on an EV/Resource basis, as visibility on the project's economics and execution remains low, we look forward to the BFS release (expected in Q2CY13), which could be the first step towards unlocking the project's value.

Price	Market cap
A$0.25	A$262

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 2013. In addition, it also aims to produce either an export-quality secondary thermal coal or Eskom grade domestic product.

Catalyst: Makhado progress

CoAL is advancing its flagship coking coal Makhado project, which has been 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

Vuna's (Zonnebloem) 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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Edison profile page

Coal of Africa is a research client of Edison Investment Research Limited

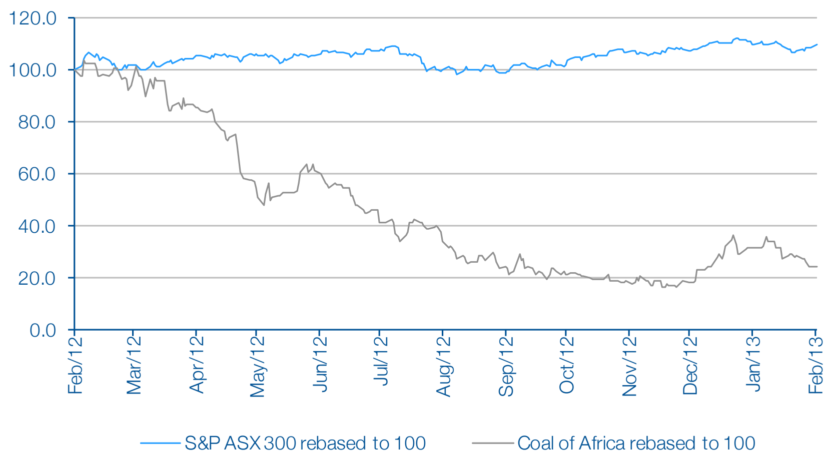
Edison investment research

Management team	
Chairman: David Brown	CEO: John Wallington
Prior to 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.

Share data and price performance

Market data (US$m)			
Ticker			CZA
Listing			ASX, AIM
Net debt (FY12 adjusted) US$			56
EV (US$)			325
Free float (%)			72
Shares in issue (m)			1,048
Price performance	1m	3m	12m
Absolute	(16.3)	44.0	(73.4)
Relative	(17.6)	30.8	(75.6)
		High	Low
12-m range (A$)		1.06	0.17

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (US$m)	Jun 10a	Jun 11a	Jun 12a
Haohua Energy	23.6	Revenue	98.4	261.4	243.8
M&G Investment Management	15.3	EBITDA	(20.8)	(8.4)	(26.8)
ArcelorMittal SA	12.0	Adjusted PBT	(44.4)	(117.7)	(139.1)
Africa Investments	10.0	Tax rate	-	-	-
Capital Group	5.3	Adj. EPS (c)	(7.3)	(22.3)	(20.7)
Investec	4.0	Adj. fully diluted EPS (c)	(7.3)	(18.4)	(18.4)
Sensitivities evaluation		Balance sheet (US$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
H113 financials	15 March	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, Bloomberg

Edison investment research

Gold production back on track

Mining

After an interrupted production schedule during FY12 Gold One is pushing on with its strategy of ramping up Modder East, completing the integration of the Cooke 1-4 underground operations and growing production at the Randfontein surface operations. Notwithstanding that Neal Froneman has resigned as CEO to join Sibayne Gold, effective 31 December 2012, we do not expect any change in strategy as the current CFO Chris Chadwick is now acting CEO. We also see the joint venture with Sibayne Gold moving forward with results from the pre-feasibility study expected during Q313. GDO remains focused on increasing its gold production in 2013 to 300,000oz and further normalising its cost profile through the implementation of its uranium co-product strategy by Q413.

Q412 operational details

Gold One released its Q412 operational details after having produced 57,584oz Au, which was only 2% below its quarterly forecast. Total production for FY12 was 241,755oz Au, which is 9% lower than the revised 265,000oz guidance provided in June 2012. However, unit costs were 6% lower quarter-on-quarter as a result of continued normalised production at Modder East and Cooke 4 operations following last year's illegal industrial action and suspensions of operations, respectively. We expect further production improvement and lowering of the cost profile now that management has negotiated a new two-year wage agreement with the National Union of Mineworkers (NUM) at Modder East and signed a memorandum of understanding with the Congress of South African Trade Unions at its Cooke 4 operations.

Ramping up Modder East and restructuring Cooke

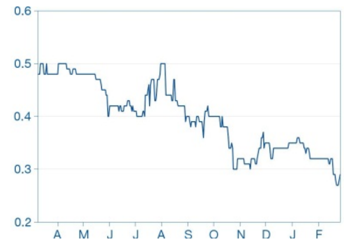
Modder East continues to ramp up now that there is a new two-year wage agreement with the union in place. The restructuring at Cooke 1-3 has been completed, with return to profitability during Q412. Continued integration of Cooke 4 into Cooke 1-3 operations will further normalise the operational cost profile as the company implements its uranium co-product strategy. Randfontein surface operations continue to deliver strong performance and the company has plans to increase the capacity from 300,000t a month to 400,000t a month by December 2013.

Valuation: At a discount, but operational risks remain

Previously we valued GDO at A$0.57/share including the benefits of the uranium co-product strategy. Given the current focus of ramping up Modder East and normalising unit costs for the Cooke underground operations we have, for now, excluded the Cooke uranium tailings and underground resources, which we equate to A$0.8/share. That said we believe some caution is justified given operational risks. In absolute terms, we estimate GDO's net present value to be equivalent to A$0.48/share. Relative to its peers, GDO trades at a 23% discount when considering our 2013e EV/EBITDA multiple of 3.6x, compared with a weighted average of 4.7x. We will review our valuation parameters once GDO's uranium strategy becomes firmer.

Price	Market cap
A$0.28	A$397m

Share price performance



Business description

Gold One is a dual-listed mid-tier mining company with group gold operations and gold and uranium prospects in South Africa. In 2012 the group expanded further with the 100% acquisition of Rand Uranium and the Ezulwini Mining company.

Catalyst: Improved performance

With the new wage agreement in place at Modder East management can recruit further employees to build up steady state production levels at its Modder East operations. Management expects to increase group production to 300,000oz in 2013.

Catalyst: Plant optimisation

Management plans to increase nameplate capacity at the Randfontein surface operations from 300,000t a month to 400,000t a month. The expansion is expected to be complete by December 2013.

Catalyst: Co-product strategy

Gold One company plans to implement a uranium co-product strategy at its Cooke underground operations with the benefit of improving profitability of its gold mining operations. Feasibility studies are ongoing to process and develop uranium.

Analyst

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Edison profile page

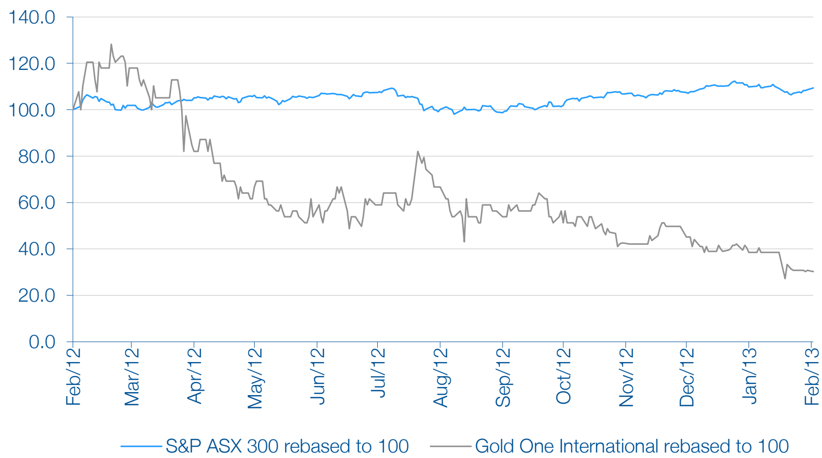
Edison investment research

Management team	
CFO and acting CEO : Christopher Chadwick	**Non-executive chairman: Yalei Sun**
A qualified chartered accountant, prior to joining Aflease in July 2008, Christopher held executive positions in a wide range of industries, with local South African companies and multinationals. Mr Chadwick has been acting CEO since 31 December 2012.	Mr Sun is a director of CITIC Group, assistant to the CEO of the CITIC Group and the vice-chairman and CEO of CITIC Guoan Group. He was previously CEO and vice chairman of CITIC Guoan Information Industry Co.
Non-executive director: Michael Solomon	**Independent non-executive director Allan Liu**
Mr Solomon has 31 years' professional experience as a mining engineer in gold, platinum, diamond and base metals and some 17 years' experience as a consulting engineer with SRK, EI Bateman and The Mineral Corporation.	Mr Liu is a managing partner of PAG Capital and has over 25 years' experience in advising and executing investments in China, particularly in the consumer and retail sectors.

Share data and price performance

Market data			
Ticker			GDO
Listing			ASX
Net debt (A$m) (at 31 Dec)			140
EV (A$m)			537
Free float (%)			11
Shares in issue (m)			1,416
Price performance	**1m**	**3m**	**12m**
Absolute	(9.4)	(19.4)	(38.9)
Relative	(12.3)	(28.7)	(46.6)
		High	**Low**
12-month range (A$)		0.5	0.3

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Dec 09a	Dec 10a	Dec 11a
Baiyin Non-Ferrous Group Co	53.5	Revenue	8,863	89,326	188,260
China-Africa Bank	26.8	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	24.6	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**
Q113 results	Apr 13	Operating cash flow	(28,603)	41,005	107,305
Interim	June 13	Capex	(33,865)	(33,216)	(34,964)
Plant optimisation	Dec 13	Equity issued	54,496	503	147,871
Uranium co-product strategy	Dec 13	Net cash flow	(10,505)	(2,063)	218,115

Source: Company accounts, Thomson Reuters

Edison investment research

Mineral Sands project joint venture

Mining

Gunson Resources (Gunson) announced the results of its Optimisation Study into the Coburn Zircon project on 26 February, which Gunson's board believes will meet the commercial condition prerequisite for POSCO and its Korean resource investment fund partner (POSCO SPV) to execute the Joint Venture financing Agreement (JVA) for the construction-ready Coburn zircon project in Western Australia. The JVA also requires Gunson to raise A$93.2m, which is a 60% share of the A$202m revised mine development costs less POSCO SPV earn-in contributions. However, as the POSCO SPV is likely to execute the JVA in March 2013, the previously announced end-March deadline for Gunson's financial contribution will probably be extended.

Joint venture structure

POSCO is a globally ranked South Korean steel producer and the POSCO SPV is to earn a 40% interest in the Coburn project by funding c 54% of the optimised capital cost of A$202m (announced on 26 February 2013). Each JV party will be entitled to its proportionate share of mineral production from the project and contribute its share of mine development expenditure.

Risks/sensitivities

In spite of the current downturn in product prices, the Coburn project interest can be valued at a multiple of the current historically long-term low Gunson market capitalisation, which reflects investment concern over the delays in the JV execution. 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. Exchange rate variations are more real in the current volatile conditions, but the Australian dollar may be vulnerable in the medium term, which would give positive leverage. Cash resources (A$0.4m at 31 December) are limited. The company has recently completed a A$60,000 share placement and a A$1.5m share purchase plan is also underway.

Funding and timing

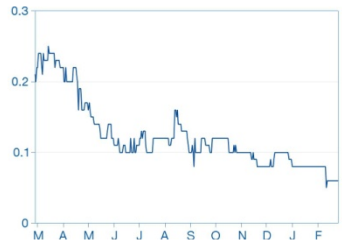
Provided the POSCO SPV promptly executes the JVA, positive newsflow could justify a turning point in market confidence. Gunson hopes to complete its debt and equity package for the project in June, which could allow production by end-2014. Coburn will then be one of the few new producers in the mineral sands industry.

Valuation: Trading at a substantial discount

We will be reviewing our NPV (10%). This is currently A$147m (A$0.61 per share) for the Coburn project and A$14m for the rest of the company's assets. The market obviously reflects a belief that the proposed POSCO SPV deal may yet fail and Gunson will be unable to fund the project. The most relevant company 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$0.06	A$14m

Share price performance



Business description

Gunson Resources has a major heavy mineral sands project in Western Australia, is construction ready and a JV should be near execution. It also has copper and nickel projects in South Australia and a gold project in the Northern Territory.

Catalyst: JV agreement

Execution of the POSCO JV will be a crucial step forward for Gunson. POSCO is considered an excellent JV partner and it is believed this major Korean steel group is keen to diversify into products such as zircon and titanium.

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 outlook

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 restore positive price trends.

Analyst

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Edison profile page

Gunson Resources is a research client of Edison Investment Research Limited

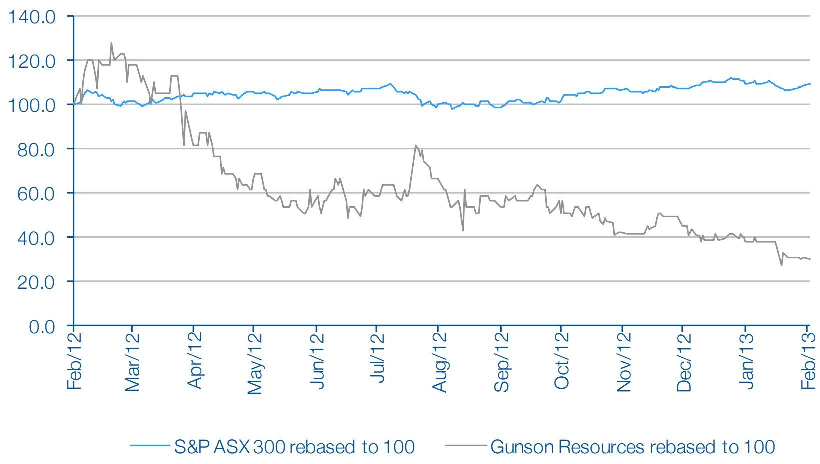
Management team

Chairman: David Craig	CEO: David Harley
Mr Craig is an experienced businessman and lawyer, who has held executive and board positions in mining, construction, mining financial and legal services and the petroleum industry. He is a director of several industry companies.	Mr Harley is a geologist with over 30 years' experience in the mining industry, mostly in senior exploration management positions with WMC Resources. He is a past president of the Association of Mining and Exploration Companies (AMEC).
CFO: Ron Chamberlain	**Non-executive directors: Peter Harley and Garret Dixon**
Appointed in March 2012, Mr Chamberlain is an experienced financial manager who has held senior posts in the mining industry, including at Iluka Resources. He will assist in negotiating debt and equity finance and manage the financial aspects of the Coburn JV.	Mr Harley is a corporate manager and director with over 30 years' experience with private and public companies and was previously a non-executive director of Perilya. Mr Dixon is an engineer who was managing director of iron ore-miner Gindalbie from 2006 to 2011.

Share data and price performance

Market data			
Ticker			GUN
Listing			ASX
Net cash (A$m) (at 31 December)			0.4
EV (A$m)			13.7
Free float (%)			84
Shares in issue (m)			239.2
Price performance	**1m**	**3m**	**12m**
Absolute	(21.3)	(28.9)	(69.7)
Relative	(24.7)	(37.9)	(73.8)
		High	**Low**
12-month range (A$)		0.25	0.053

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholders	%
Grey Willow	7.3
John Tilbrook	6.2
Sunzone pty Ltd	5.5

P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	157	149	233
EBITDA	(419)	(1,704)	(1,139)
Adj. PBT	(423)	(1,710)	(1,144)
Tax rate	0	0	0
Adj. EPS (c)	(0.2)	(0.6)	(0.4)
Adj. fully diluted EPS (c)	(0.2)	(0.6)	(0.4)

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

Balance sheet (A$000s)	Jun 10a	Jun 11a	Jun 12a
Non-current assets	24,234	27,405	30,647
Current assets	378	3,343	2,521
Current liabilities	(689)	(786)	(1,343)
Non-current liabilities	0	0	(85)
Net assets	23,923	29,962	31,741

Reporting calendar	Date
Optimisation Study (published)	Feb 13
POSCO SPV agreement	Mar 13
Interim	April 13
Final	Oct 13

Cash flow (A$000s)	Jun 10a	Jun 11a	Jun 12a
Operating cash flow	(2,621)	(2,624)	(3,707)
Capex	(9)	(17)	(6)
Equity issued	2,439	6,811	2,400
Net cash flow	(191)	956	186

Source: Company accounts, Thomson Reuters

Edison investment research

Sorochynska story evolving

Oil & gas

The Ukraine focused Hawkley Oil and Gas has offered investors excellent upside to its recent share price from its producing Sorochynska gas field. Testing operations for the second well at Sorochynska were concluded in January and the well will now be brought into production, giving Hawkley a second data point to assess the reserves of the B18 upper horizon of the field. With a range of results from testing of the different Sorochynska horizons we see a potential reserves and resources update in the coming months as a key catalyst for investors. Meanwhile, operating margins should benefit from the recent purchase of the Eurocrimea gas plant.

Sorochynska-202 still unclear

Following an extensive completion and testing programme of its Sorochynska-202 well that indicated both condensate/light oil and formation water in addition to gas, Hawkley has completed the installation of a through tubing inflatable packer (TTIP) to allow it to effectively test the B18 upper horizon. The well has flowed gas through a narrow choke at 0.9mmscfgpd with higher flow rates likely when in production with a larger choke. The next few weeks will be crucial as Hawley assesses the well performance and establishes the optimal choke size for the #202 well. We expect this will also provide information that can be used in a potential reserves and resources update in the coming months.

Gas plant should improve economics

Hawkley completed the A$1.2m purchase of a gas plant from Eurocrimea in early November. The acquisition should allow a significant reduction in gas and gas condensate processing costs for production from the Sorochynska-201 and -202 wells. The company is currently negotiating land access agreement with the remaining landholders before installing an 8km pipeline between the field and the gas plant. Based on latest timings Hawkley expect this to be completed and installed during February.

Further development likely to be accelerated

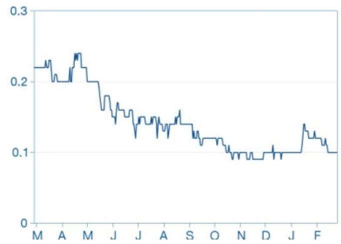
The #202 well took six months to reach TD in August 2012 using a Ural Mash 3D rig. In order to accelerate drilling times for future wells we expect Hawkley to seek to use more modern rigs which, although at a higher cost, should allow the company to develop its Sorochynska field more quickly.

Valuation: Upside depends on resource potential

Based on latest well results we continue to see significant upside to the current share price as Hawkley rolls out its Sorochynska development programme. However, longer term value will be dependent on development of the lower Sorochynska horizons that remain unclear following the recent #202 well. A potential updated reserves and resource assessment should help both Hawkley and investors alike in understanding the upside available from Hawkley's flagship asset.

Price	Market cap
A$0.14	A$40m

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: #202 extended test

Sorochynska-202 will be tested to determine the optimum choke size over the coming weeks. Results of the test will give investors better sight of near-term cash flow and potentially a reserves and resource updates.

Catalyst: Gas plant commissioning

We expect the Eurocrima gas plant to be commissioned in February following resolution of outstanding land access agreements. This will immediately reduce processing costs and improve margins for both production wells.

Catalyst: Reserves and resource update

We expect results from the Sorochynska-202 to ultimately inform a reserves and resource update. Timing for this remains unknown.

Analyst

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Edison profile page

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

Management team

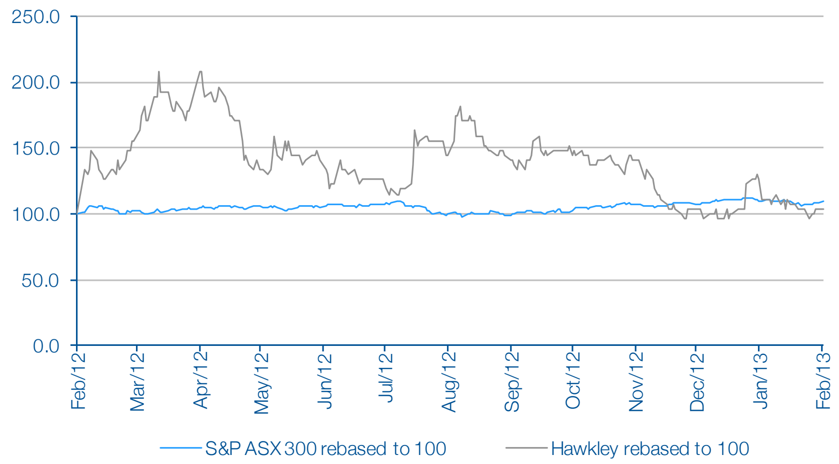
CEO: Richard Reavley	Chairman: Glenn Featherby
Mr Reavley, the founding CEO between 2007 and May 2011, resumed the role after management changes on 27 February 2012. He has 10 years' experience in financials and natural resources.	Mr Featherby has 30 years of corporate advisory experience, with extensive exposure to the resources sector. He is the chair of Forte Energy, a resource company with assets in Africa.
CFO: Victor Eriksen	**Non-Exec Director: Graham Lyon**
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.	Mr Lyon is a reservoir engineer with over 30 years' experience. Following roles with Chevron, Shell and Veba, he was most recently VP of strategy/BD, International and Offshore at Petro-Canada.

Share data and price performance

Market data

Ticker			HOG
Listing			ASX
Net cash (A$m) (as at 31 Dec 2012)			4.8
EV (A$m)			35.4
Free float (%)			78
Shares in issue (m)			287.2
Price performance	**1m**	**3m**	**12m**
Absolute	(6.7)	(26.3)	3.7
Relative	(10.6)	(35.6)	(10.3)
		High	**Low**
12-month range (A$)		0.23	0.09

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Featherby (Glenn Robert)	9.2	Turnover	0	9,992	27,422
Morgan (Paul James)	8.2	Adj. EBITDA	(3,013)	637	10,934
Reavley (Richard Ian)	4.4	Adj. PBT	(6,021)	517	9,377
		Tax rate	0	(377)	(2,386)
		Adj. EPS (c)	(4.4)	(1.4)	2.6
		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	Apr 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

Lemur Resources

Asia-Pacific resources quarterly

Edison investment research

Scoping studies release imminent

Mining

Lemur Resources (LMR) has a 99% interest in the Imaloto thermal coal project in Madagascar. Following the recently completed western drilling programme, confidence in the resource has been increased with the release of a revised JORC-compliant resource statement of 147.5Mt thermal coal of which 80% is measured and indicated. This is subject to a final revision after the infill drilling programme, following which mining scoping studies for medium-scale production can be completed. LMR is targetting both the export and domestic markets. This would be achieved for relatively modest capital, with some leverage off existing infrastructure. Longer term, subject to investment in rail and port infrastructure, LMR envisages potential export sales of 3-5Mtpa.

Phase 3 drilling programme complete

JORC status, export-grade main seam resources were virtually unchanged at 73.2Mt. The lower value, domestic-quality upper seam resources were reduced by 24.3Mt to 43.1Mt mainly due to a lower assumed seam density. During the December quarter, the infill drilling programme which focused on the northern and central parts of the Imaloto Project area was completed. This was designed to confirm the position of major faults and the basin edge at depth. Drilling samples were taken for analysis and the results will be incorporated into the geological model and a final resource revision.

Scoping study updates

Final versions of the port and mine infrastructure and land logistics scoping study were received. These assess the viability of initially producing up to 1Mtpa of saleable coal for trucking from the run of mine (ROM) stockpile at the Imaloto mine to the port at Toliara. Work on the mining scoping study should be completed approximately six weeks after receipt of the revised geological model. Results of all the scoping studies will be released after receipt of the final JORC-compliant resource statement.

Proposed independent power producing (IPP) licence

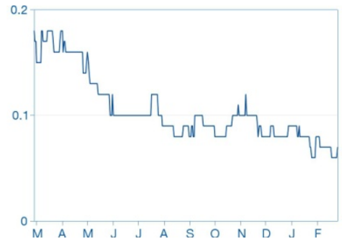
During the quarter LMR commenced pre-feasibility studies on the IPP project. Discussions were held with possible IPP customers, including various local and international resource companies that operate in the region. Indications are that the initial IPP sizing (15MW) for the supply of low-cost, base load power could potentially be fully subscribed and be bankable for financing purposes. During the quarter, LMR continued to work with Jirama, the Madagascan government's state electricity company, to finalise heads of agreement terms under which the IPP concession would be issued including power purchase, transmission and environmental arrangements. LMR would ultimately sell the majority of its holding to an experienced IPP, which would be responsible for funding, constructing and operating the project.

Financial summary

Expenditure on exploration and administration during the quarter were A$0.8m and A$0.5m respectively. Cash on hand at 31 December 2012 was A$18.1m. The shares are trading at an approximate 25% discount to cash.

Price	Market cap
A$0.07	A$13m

Share price performance



Business description

Lemur Resources (LMR) is a Madagascar-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.

Catalyst: Release of scoping studies

Following laboratory testing of final drill samples and incorporation into a final JORC resource, the results of all scoping studies will be released. This will outline pathways to potential commercial production.

Catalyst: IPP licence

While export coal is expected to be profitable in its own right, the sale of the non-export wash fraction at approximately 300,000-400,000tpa to a new local IPP would generate increased revenue and lower effective costs. The concept of a new low cost source of power could assist in negotiations with the government.

Catalyst: Thermal coal prices

Thermal coal prices have fallen, although demand growth remains good. A recovery in coal prices would be a positive catalyst.

Analyst

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Edison profile page

Lemur Resources is a research client of Edison Investment Research Limited

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, which has producing and development coking and thermal coal assets in South Africa. Mr Sergeant recently relocated to Southern Africa to facilitate better 'on ground' management of the Imaloto project.

CFO: Dale Hanna

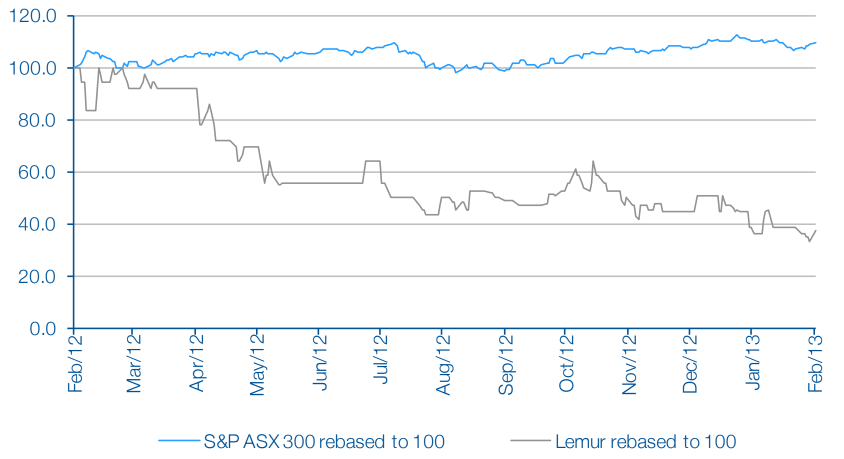
Mr Hanna is a chartered accountant and chartered secretary with 11 years' experience in financial management and corporate advisory services. Previously, he held positions with listed companies in Australia and the UK and a major international accounting firm.

Share data and price performance

Market data

Ticker			LMR
Listing			ASX
Net cash (A$m) as at 31 Dec 2012			18.1
EV (A$m)			(5.2)
Free float (%)			75
Shares in issue (m)			192.5
Price performance	**1m**	**3m**	**12m**
Absolute	3.1	(25.6)	(62.8)
Relative	(1.3)	(35.0)	(67.8)
		High	**Low**
12-month range (A$)		0.18	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%
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	Feb 2013
March qtr activities report	Apr 2013
June qtr activities report	Jul 2013

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

Defining 2013 ahead

Oil & gas

MEC's key investment is a 44.2% 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, where it has a 100% interest, and the offshore Sydney Basin off the NSW coast (85%). After a number of busy years at the drill bit, 2012 saw a marked reining-in of the work programme. Both Advent and MEC face a defining 12 months ahead.

Newsflow reflects activity flow

A feature of MEC's CY12 was a heightened focus on capital and a consequently lighter work programme than in previous years. The most significant recent drill bit-related news saw Advent release the results of production testing of its Waggon Creek-1 gas discovery. While flow rates at 0.5-0.9Mscf/day are modest, MEC considers the results to indicate a stratigraphic trap with potentially significant further resource upside.

Away from the drill bit, in January Advent confirmed a data-sharing and land access agreement with major domestic E&P player Beach Energy. The deal will see Beach share airborne gravity and aeromagnetic survey data acquired over those parts of its onshore Bonaparte Basin permits that lie between Advent's two permits, EP386 and RL1. Access to this data will help Advent further define the nature and extent of conventional and unconventional trends and leads in and around its permit areas, including the gassy Milligans shale formation, which is known to underlie around two-thirds of the 2,568km^2 EP386. Beach's interest in the Bonaparte Basin also serves to provide third-party validation of the play.

H113 reporting

In February, MEC released its H113 report declaring a post-tax loss for the six months to 31 December 2012 of A$0.7m. The result was a substantial improvement on the H112 outcome of an A$8.7m loss, which was affected by a A$7.9m charge related to MEC's divestment of its interest in investee company BPH Energy.

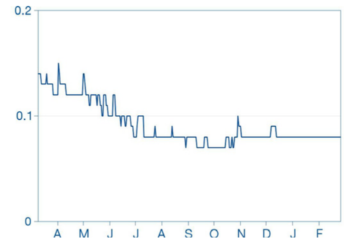
Outlook: Cash and work programme focus

At the close of CY12 MEC held cash on hand of A$5.4m, down from A$8.7m a year earlier. During the second half of CY12 MEC's internal cash burn of A$1.2m was double that of its work programme spend of A$0.6m. If this trend continued through CY13, MEC would emerge with a year-end cash position of less than A$2m.

MEC has yet to reveal its thinking either towards its 2013 work programme or its funding strategy. What does seem clear is that its current funding and ownership arrangements will not accommodate a 2013 work programme of any weight. As H113 proceeds, investors will be looking to MEC for guidance on the direction and means-to-execution of its forward strategy.

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 in enjoy tax-free dividends and capital gains.

Catalyst: 2013 work programme

Advent's 2013 work programme has not yet been defined. With Advent currently still holding 100% equity in the two northern permits, all spend is to its own account, making capital a key consideration. Work programme and capital strategy therefore go hand-in-hand, however for now there is a lack of clarity on both fronts.

Catalyst: Funding strategy

With capital likely to become an increasing focus during 2013, attention will fall increasingly towards 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. Can and will Advent look to do the same?

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

Management team

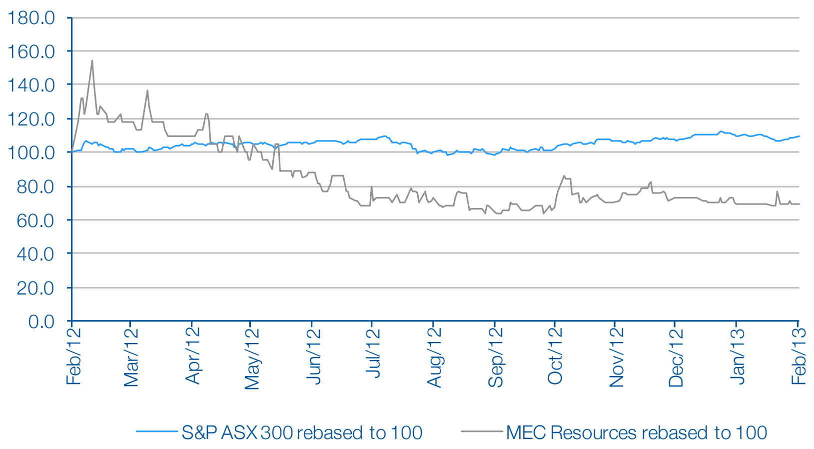
Chairman: Hock Goh	Managing director: David Breeze
Hock Goh is former president of Schlumberger Asia and was then a global divisional president of Schlumberger during a 25-year career in the oil and gas industry.	Mr Breeze has a corporate advisory and investment banking background with extensive experience 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

Market data			
Ticker			MMR
Listing			ASX
Net cash (A$m) (as at 31 Dec 2012)			4.9
EV (A$m)			6.8
Free float (%)			69%
Shares in issue (m)			155.8
Price performance	**1m**	**3m**	**12m**
Absolute	0.0	(1.3)	(30.9)
Relative	(4.2)	(13.8)	(40.2)
		High	**Low**
12 month range (A$)		0.14	0.07

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%
David Breeze	8.5
Grandbridge Ltd	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**
FY13 reporting	August
H114 reporting	February

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	7,395	39,683	32,730
Current assets	19,911	12,752	7,234
Current liabilities	3,396	6,298	3,235
Non-current liabilities	0	4	5
Net assets	23,912	46,134	37,724
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

Restructuring of assets

Mining

Orpheus Energy (OEG) has announced the sale of its 51% interest in East Kalimantan B26 coal projects to its JV partner PT Mega Coal. OEG intends to focus on its coal operations and assets in South Kalimantan. The East Kalimantan assets were challenging from a mining perpective and were proving to be a working capital burden. OEG will make a profit on the sale and intends to use the proceeds to execute its objective of bringing a large coal resource into its portfolio.

East Kalimantan assets sold

OEG has sold its 51% equity stake in the East Kalimantan projects, Block 2 and Block 6 (B26), back to JV partner PT Mega Coal, for US$2m. This represents a 17% profit margin on OEG's acquisition and development costs. Under the terms of the binding Heads of Agreement, the US$2m payment will be made to OEG by 8 March 2013. The East Kalimantan mining operations were challenging with high strip ratios and required selective mining methods. The funding of development was a significant working capital burden.

South Kalimantan coal activity to grow

During the December quarter, coal mining operations at the 51% owned ADK pit resumed after heavy rain. The next phase of the development at the ADK operation took place with the installation of a coal crusher and weighbridge, both of which will allow the achievement of higher prices as steady state production is achieved and longer-term contracts executed. The ADK drilling programme was completed and an initial JORC resource of 3.45Mt coal mineralisation has been announced, confirming the potential for a minimum of five years production at the target rate of 50,000 tonnes per month. Under the previously announced Heads of Agreement with PT Citra Bara, the tenement boundary is being adjusted to include a northern section of c 140 hectares where there is a good coal seam. OEG and its JV partner PT Mega Coal International will start mining in the near future at approximately 50,000 tonnes per month under the existing production licence. Additional South Kalimantan coal projects, including potentially large projects, are under advanced due diligence.

Papua: Field exploration programme commenced

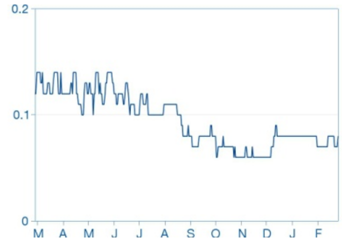
In late January, a preliminary field exploration programme commenced. The team has already found coal outcrops and will be seeking to locate additional outcrops. OEG holds four prospective greenfield exploration areas located within 40km of the coast.

Financial summary

At the end of the quarter, OEG had cash of A$1.56m and no debt. Upon receiving funds from the East Kalimantan sale in March and allowing for exploration and other expenditure, OEG expects to have a cash position of over A$3m. OEG is targeting near-term positive cash flow from existing operations.

Price	Market cap
A$0.08	A$11m

Share price performance



Business description

Orpheus Energy (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: JORC resource at ADK

The JORC resource at ADK is expected to progressively enhance OEG's credibility as a coal producer. The company is now in a position to enter into long-term off-take agreements and sell coal at higher prices related to the benchmark. The resource is also expected to grow with further drilling.

Catalyst: South Kalimantan growth

OEG is continuing to investigate the acquisition of a much larger coal resource with a target of 50-100Mt. It is active in looking at opportunities and conducting due diligence. The addition of a significantly larger coal project to OEG's coal portfolio would broaden its investor appeal.

Catalyst: Thermal coal prices

Thermal coal prices have receded although demand growth continues to be strong. A recovery in thermal coal prices would be a positive catalyst.

Analyst

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Edison profile page

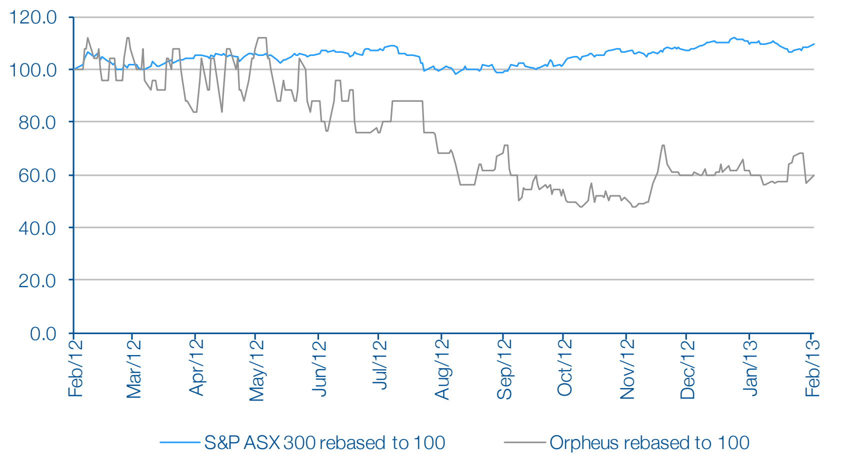
Orpheus Energy is a research client of Edison Investment Research Limited

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, which was 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 JPMorgan Chase. He was formerly executive director and founder of Coalworks Limited, recently acquired by Whitehaven Coal.
Director & exploration manager: Wes Harder	**CFO: Barry Neal**
Mr Harder worked as a field exploration geologist for 15 years in Australia and many parts of Asia, including Indonesia. He has worked as a resources analyst for several stockbrokers. He is a founding director of Coalworks Ltd.	Mr Neal has more than 25 years' experience as a CFO or financial controller roles in a number of sectors including mining and resources. He was recently CFO for ASX-listed minerals development company ASF Group Limited.

Share data and price performance

Market data			
Ticker			OEG
Listing			ASX
Net cash (A$m) (at 31 Dec 2012)			1.56
EV (A$m)			9.7
Free float (%)			63.8
Shares in issue (m)			150.3
Price performance	**1m**	**3m**	**12m**
Absolute	0.0	17.2	(40.0)
Relative	(4.2)	2.4	(48.1)
		High	**Low**
12-month range (A$)		0.14	0.06

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%
Wexford	8.4
Whitehaven Coal	8.5
Paul Fillion	5.8
Board and management	14.5

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

Reporting calendar	Date
March qtr activities report	Apr 2013
June qtr activities report	Jul 2013
FY13 report	Aug 2013

P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Revenue	0	1	452
EBITDA	(88)	(233)	(7,678)
Adj. PBT	(89)	(243)	(7,823)
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)
Balance sheet (A$000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Non-current assets	0	0	11,998
Current assets	68	1,726	5,129
Current liabilities	(174)	(2,076)	(2,943)
Non-current liabilities	0	0	0
Net assets	(107)	(349)	14,184
Cash flow (A$000s)	**Jun 10a**	**Jun 11a**	**Jun 12a**
Operating cash flow	(72)	(421)	(1,991)
Capex	0	0	227
Equity issued	21	1,607	7,642
Net cash flow	27	1,556	1,778

Source: Company accounts, Thomson Reuters

Edison investment research

Numerous catalysts on the horizon

Oil & gas

Po Valley Energy (PVE) is well placed to offer investors a number of operational catalysts during 2013. However, this is dependent on it refinancing its debt facilities to underpin the development programme and release precious funds for exploration activities. The recent Gradizza drilling approval suggests we could see two wells drilled during the year. Meanwhile the Bezzecca EIA process appears to be going smoothly, with approval mid-year and first production targeted by end 2013. Low liquidity continues to hold back the PVE share price, but if 2013 catalysts are successful we could expect some of this value to be unlocked.

Gradizza likely to be first 2013 exploration well

PVE was awarded in January the final approval for drilling of its Gradizza-1 exploration well in the La Prospera licence. With best estimate resources of 9.3bcf (1.5mmboe), the target has the potential to add c 5c to our risked valuation. However, given current funding constraints we would expect PVE to seek additional farm-in partners in addition to the previously announced 15% PETROREP option before it will commit to drilling the target. In the event that funding is secured we expect Gradizza to be drilled around May 2013, with the Zini-1 appraisal well expected to drill in H213 on the Cadelbosco di Sopra permit.

Bezzecca EIA progressing smoothly

To supplement production from Sillaro and Castello, the next development project we can expect in 2013 will be the Bezzecca gas field on the Cascina Castello concession area. 2C estimates of 4.1bcf are expected to be developed in two phases, with the existing Bezzecca-1 well being tied into the Castello gas plant in H213 and a follow-up development well to be drilled in 2014. The development will proceed once final award is received from the Lombardy Region following the EIA process, which we understand is running smoothly, with final award expected around mid-2013.

Much hinges on refinancing existing facilities

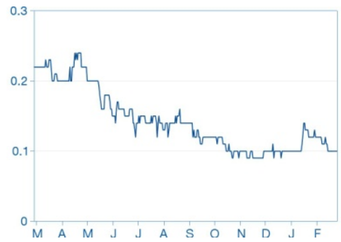
Bezzecca development will be contingent on PVE re-financing its reserve-based lending facilities. Having already reduced its debt by €2m in December we expect the remaining €4m of the current Lloyds facility to be repaid in two tranches prior to expiry in November 2013. PVE has initiated work to refinance the facility, most likely with a new provider. While we see no reason to believe this will not be achieved, investors should recognise that both Bezzecca development and exploration activities will likely be kept on hold until the facility has been secured. A CPR to support a new facility is under preparation and should be available to investors with the annual report in April.

Valuation: Liquidity continues to be the main drag

Based on our valuation models we continue to see significant upside to the current share price. However, liquidity in the stock remains low and this is the primary drag on the stock. While operational progress will help, 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$0.11	A$12m

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: Refinancing of debt facilities

PVE has initiated work to refinance its current reserve-based lending facility. This is critical, both to fund the expected Bezzecca development in H213, and to provide headroom for exploration and appraisal activities that are likely to include Gradizza-1 and Zini-1 as well as work on the offshore AR94PY permit.

Catalyst: Gradizza farm-out/drilling

Gradizza-1 is likely to be PVE's first exploration target of 2013. However, we expect the company to mitigate some of its cost exposure through an additional farm-out. Subject to farm-out we expect the well could be drilled around May 2013.

Catalyst: Bezzecca EIA approval

PVE received a preliminary Environmental Impact Assessment (EIA) award for Bezzecca in December 2012. Final EIA approval is anticipated around mid-2013 with tie-in and production from the existing Bezzecca-1 discovery well expected by end 2013, and drilling of the Bezzecca-2 well to follow in 2014.

Analyst

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Edison profile page

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

Management team

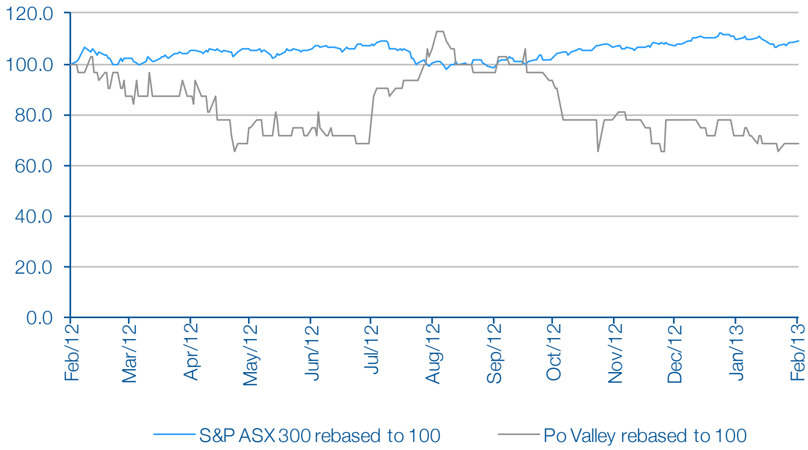
Chairman: Graham Bradley	CEO and managing director: Giovanni Catalano
Mr Bradley joined PVE as a director and chairman in September 2004 and is based in Sydney. He is a director of Singapore Telecommunications and is chairman of Stockland Corporation, HSBC Bank Australia and Anglo American Australia.	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$m) (at 31Dec 2012)			3.5
EV (A$m)			15.7
Free float (%)			55
Shares in issue (m)			111.1
Price performance	1m	3m	12m
Absolute	(4.3)	(12.0)	(31.3)
Relative	(8.4)	(23.1)	(40.5)
		High	Low
12-month range (A$)		0.18	0.11

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%
Michael Masterman and family	25.2
Hunter Hall	18.7
Byron Antony Pirola	6.0

P&L (A$000s)	Dec 09a	Dec 10a	Dec 11a
Turnover	0	7,157	9,115
Adj EBITDA	(2,855)	2,178	4,406
Adj PBT	(2,094)	(1,182)	1,040
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	
Litigation/regulatory	○
Commodity price	●
Currency	◖
Stock overhang	○
Interest rates	◖

Balance sheet (A$000s)	Dec 09a	Dec 10a	Dec 11a
Non-current assets	36,720	34,529	31,516
Current assets	9,781	4,310	5,924
Current liabilities	(4,116)	(2,282)	(5,705)
Non-current liabilities	(11,999)	(8,366)	(8,520)
Net assets	30,386	28,192	23,215

Reporting calendar	Date
Q1 quarterly report	Apr 2013
2012 annual report	Apr 2013

Cash flow (A$000s)	Dec 09a	Dec 10a	Dec 11a
Operating cash flow	(2,292)	1,278	3,265
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

Edison investment research

Trinidad production should rebound

Oil & gas

Range's recent Q2 report showed declining production. However, this had already been alluded to and reflects a sharp decline in well completions stemming from rig outages and procurement delays in the core Trinidad operations. Range expects completion activity and production to increase strongly in Q3. Significantly, Range is also now beginning to drill the deeper formations in Trinidad, which could lead to much higher well production rates than in the shallow formations.

Operations: Production dips in Q2

Group production fell between Q1 and Q2 of 2012/13 by 15% to 912boe/d. There were similar declines in both Texas and Trinidad. For the latest quarter we estimate Trinidad production at about 790b/d. Reflecting equipment outages, only five wells were completed in Q2, which was well down on the 16 of Q1. However, Range expects that 10 to 12 will be completed in Q3. The key well currently being drilled is MD248, which is targeting multiple horizons between 1,000ft and 6,500ft and may have the potential for an initial production rate (IP) of greater than 350b/d. This compares with 100b/d or less for the shallow wells. Drilling MD248 has been delayed by rig outages, but should be completed in the coming weeks. Subsequent to MD248, Range's most powerful rig is expected to test the prolific Herrera formation at about 10,000ft. Herrera wells have the potential for IPs of 500b/d or more. In light of the weak Q2 and operational delays we have cut our production forecast for 2012/13 from 1,800boe/d to 1,538boe/d. Range is targeting 6,000b/d by the second half of 2014. On a positive note the Trinidad authorities have recently announced a more favourable royalty regime for production rates over 1,000b/d.

Guatemalan deal: Interesting potential

Range has recently announced a US$4m acquisition of a 19.1-23.9% indirect stake in the Atzam/Tortugas project in Guatemala. It provides exposure to an interesting exploration/development opportunity in a zone with certified 2P reserves of 0.45-0.55mm barrels net and where appraisal activity is underway. The terms translate into US$9/barrel. The acquisition is consistent with Range's strategy of acquiring low-cost Latin American assets with exploration/development upside.

Financials: Modest net debt, US$20m disposal pending

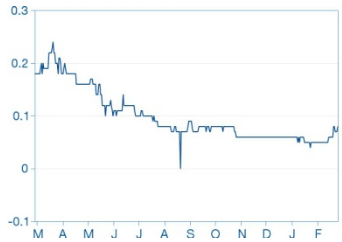
Range has a heavy spending programme in 2012/13, largely reflecting activity in Trinidad. This is well-underpinned by the existing financing arrangements with Yorkville and Crede Capital and the disposal of the Texas assets, which should raise at least US$20m. At end December 2012 Range had net debt of about A$3.1m.

Valuation: Dilution concerns, drilling delays depress stock

Range has remained under pressure in recent weeks driven by dilution concerns and delays to the drilling programme in Trinidad. The stock is now trading at around a three-year low and a 56% discount to our valuation estimate of 11.2c/share for the core assets. The performance of the stock in the coming months will be heavily dependent on successful development activity in Trinidad.

Price	Market cap
A$0.08	A$195m

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, Colombia and Guatemala. In Texas two projects are scheduled for disposal.

Catalyst: Trinidad production/drilling

Production data for Q3 are likely to be of greater than normal importance given the operational issues in Q2 of 2012/13. A reading of comfortably over 1,000b/d will probably be required to excite the market. Positive comments regarding MD248 could prove highly influential.

Catalyst: Guatemala appraisal wells

Initial test results for the Atzam 4 appraisal well have been positive with high quality oil recovered. Estimated flow rates with a submersible pump are expected by the operator to be 300-400b/d gross. This should possibly be confirmed in the coming weeks. Range has pointed to the possibility of an exit production rate of 1,000b/d gross from two appraisal wells by end 2012/13.

Catalyst: Texas disposals

The disposal of the Texas assets is expected to be concluded shortly. A key issue concerns whether a proposed royalty payment of US$20m can be capitalised.

Analyst

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Edison profile page

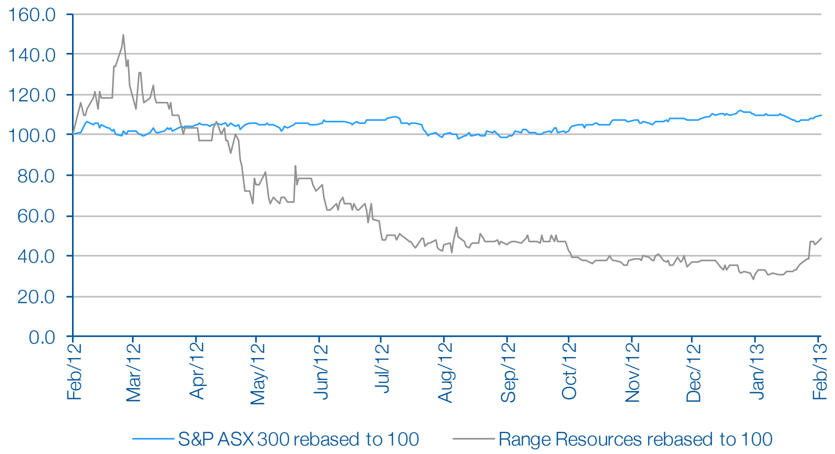
Range Resources is a research client of Edison Investment Research Limited

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 he 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 and is Continental Coal's 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 debt (A$m) (est end Jan)			6.4
EV (A$m)			201.4
Free float (%)			100
Shares in issue (m)			2,505.4
Price performance	1m	3m	12m
Absolute	47.2	30.0	(51.3)
Relative	41.0	13.6	(57.8)
		High	Low
12-month range (A$)		0.24	0.045

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
TD Direct Investing Nominees	11.2	Revenue	719	3,475	30,572
Barclays Share Nominees	10.2	EBITDA	(2,367)	(4,310)	2,705
Hargreaves Lansdown Nominees	9.2	Adj. PBT	(2,492)	(4,567)	(9,289)
Investor Nominees	8.0	Tax rate	-	-	-
HSDL Nominees	4.1	Adj. EPS (c)	(0.4)	(0.3)	(0.3)
State Street Nominees	4.0	Adj. fully diluted EPS (c)	(0.2)	(0.3)	(0.3)
Sensitivities evaluation		Balance sheet (A$000s)	Jun 10a	Jun 11a	Jun 12a
Litigation/regulatory	○	Non-current assets	101,465	167,323	290,527
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	263,776
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	Feb 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

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Targeting first production Q114

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 Q114. Furthermore, the Stage 2 PFS brought forward the start date of mining by three years to early-2015. SUM estimates total LOM AuEq production of 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. We expect the company to announce its financing plans shortly if it is to achieve first production by Q114. On an EV/oz basis, SUM trades at c US$32.

Final forestry permitting – core focus, SAG mill ordered

Sumatra obtained its key environmental permit and mining licence in H112. An in-principle forestry permit was granted in December and SUM is now targeting full forestry approvals by end-Q113 to initiate full construction at Tembang. In readiness for this approval, it has placed an order for a SAG mill, a crucial expensive long-lead item, which usually signals that a company is confidently nearing mine construction.

Provident Capital Partners (PCP) – strategic investor

Through executing its call option to acquire 40m SUM shares at a VWAP of A$0.14 to raise A$5.6m, Provident Capital has provided Sumatra with interim funding. The company's cash balance as at 31 December 2012 was £5.14m, with estimated cash outflows for Q113 of £3.15m. Sumatra states these funds are enough to satisfy expenditures until full Tembang financing is sourced. Provident's holding in SUM is now 18%.

Due diligence – independent technical review complete

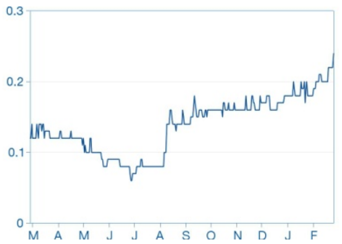
The due diligence process required for financing Tembang commenced in Q412, with consultants Behre Dolbear attending a site visit to independently review the project. Sumatra has stated that it is happy with the outcome and is "confident of progressing the debt finance negotiations process to completion in the March 2013 Quarter". This timeline is intended to coincide with completion of forestry permitting.

Regional exploration at Tandai JV

Exploration activities undertaken by Sumatra 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. Exploration at Ulukau finished in November and of the 3,110.9m drilled the highest result was 1.14g/t Au and 2.1g/t Ag over 1.6m. Broader regional scale exploration has proved successful in returning preliminary assay results ranging from 0.88g/t Au to as high as 10.5g/t Au.

Price	Market cap
A$0.24	A$61m

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 3,219 km^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 Q114, it will need 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 (Q114)

Sumatra will reach a critical point in its history if it successfully meets its first production target at the start of 2014. This should cause a marked positive improvement in SUM's share price.

Analyst

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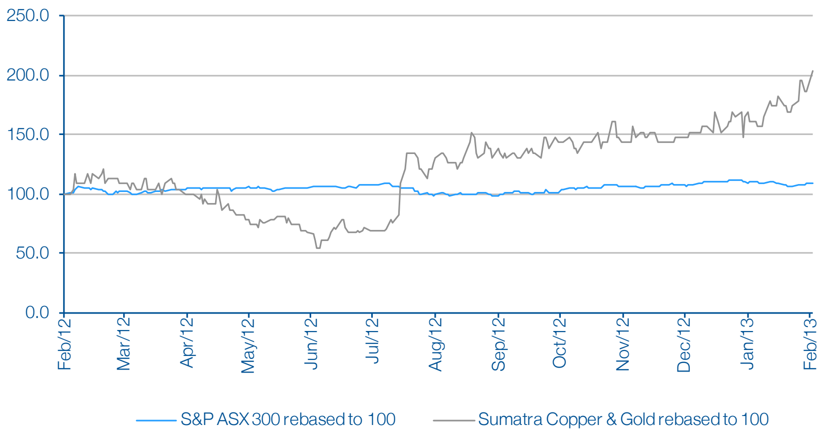
Management team

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 in 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
Cash (£m) (at 31 Dec 2012)			5.1
EV (£m)			36.2
Free float (%)			N/A
Shares in issue (m)			258.6
Price performance	**1m**	**3m**	**12m**
Absolute	27.0	42.4	104.3
Relative	21.7	24.4	76.8
		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	%
Provident Minerals	18.02
National Nominees	8.96
HSBC Custody Nominees (Aust)	7.41
Mr Garibaldi Thohir	5.30

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

Reporting calendar	Date
FY12 results	Mar 2013

P&L (£000s)	Dec 09a	Dec 10a	Dec 11a
Revenue	0.0	0.0	0.0
EBITDA	(1,758)	(1,319)	(1,857)
Adj. PBT	(1,112)	(871)	(1,843)
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)
Balance sheet (£000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
Non-current assets	7,906	11,881	14,639
Current assets	3,721	4,614	2,023
Current liabilities	(446)	(997)	(1,508)
Non-current liabilities	0.0	0.0	0.0
Net assets	11,161	15,498	15,154
Cash flow (£000s)	**Dec 09a**	**Dec 10a**	**Dec 11a**
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

Progress on a number of fronts

Mining

Syndicated Metals (SMD) has released its Q213 activities report. A priority for the quarter was a four-hole drilling programme at Dronfield, in the vicinity of the prospective Pilgrim Fault. While the targeted copper was not found, a highly anomalous zone with elevated zinc, lead and silver values was intersected. At Barbara, metallurgical testing of the sulphide resource has started and results are expected in the current Q313 period. Drilling to further define the Northern and Alpha lodes and the identification of priority target exploration areas over a 6km strike length of the Barbara shear zone aims to increase the size of Barbara resources and its commercial value. Exploration at Floodbird, part of the Yamamilla project 10km north-east of Barbara, has provided evidence of a strongly mineralised copper system.

Pilgrim Fault exploration

Two drill holes intersected a black shale unit where there was a highly anomalous zone of elevated zinc, lead and silver values. The most continuous intersection was 33m at 0.24% Zn, 0.1% Pb and 2.2g/t Ag. Mineralised fluids may have been driven from the Pilgrim Fault and flowed through the black shale unit. The major Dugald River zinc lead project, being developed by MMG, is only 60km to the north. The near-term focus at Dronfield will be the investigation of seven defined geochemical targets.

Barbara project advancing

The metallurgical test work programme underway at Barbara will determine the technical performance of the sulphide resource under a variety of processing conditions and will de-risk the project from the perspective of interested parties such as financiers, customers and potential acquirers. In addition to the reverse circulation (RC) and diamond drilling activities directed at the Northern and Alpha lodes and the prospective but largely untested prospects over a 6km strike length of the Barbara shear zone, review of parallel horizons will be followed up in the current Q313 period.

Yamamilla and Kalman West

At Yamamilla, a single diamond drill extension of a previously drilled RC hole at the Floodbird prospect intersected a broad zone of IOCG-style mineralisation returning 70m at 0.25% Cu. Two previous shallow RC holes 600m to the south had intersections of 35m at 0.33% Cu and 13m at 1.13% Cu, which can be correlated. The Floodbird prospect could extend over a strike length of at least 1km and electromagnetic surveys indicate potential for high-grade sulphides. SMD is waiting for the results from a 1,046 sample soil geochemical survey at Kalman West.

Financials

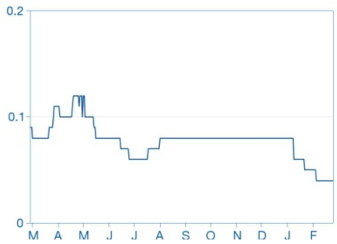
At 31 December 2012, SMD had A$2.9m cash and no debt. Cash outflows of A$1m are expected for Q313 for further soil sampling and preparatory work for the 2013 exploration programme with on ground activities scheduled from late March 2013.

Valuation: A$0.13/share

Based on our recent valuation, we value SMD at A$0.13/share using an NPV methodology. This reduces to A$0.10/share on a fully diluted basis assuming an additional round of equity funding in FY14 for working capital purposes.

Price	Market cap
A$0.04	A$6.4m

Share price performance



Business description

Syndicated Metals (SMD) is a copper and gold explorer that has near-term production potential. It has extensive tenements in the Mount Isa area in Australia, considered prospective for copper. It is well placed to grow through exploration and regional rationalisation.

Catalyst: Barbara

The Barbara copper and gold project has an indicated and inferred resource at a 0.5% Cu cut off of 5.3Mt at 1.45% Cu and 0.17% Au. An increase in resources from exploration and successful metallurgical test work will enhance the credentials of this project for a mine development.

Catalyst: Exploration

SMD has 3,630km^2 of exploration tenements in the Mount Isa area including 50km of the prospective Pilgrim Fault. Exploration success has the potential to create value for the company.

Catalyst: Copper price

A rising copper price is positive for copper equities, both for earnings and cash flow, and for valuations and peer group comparisons.

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Edison profile page

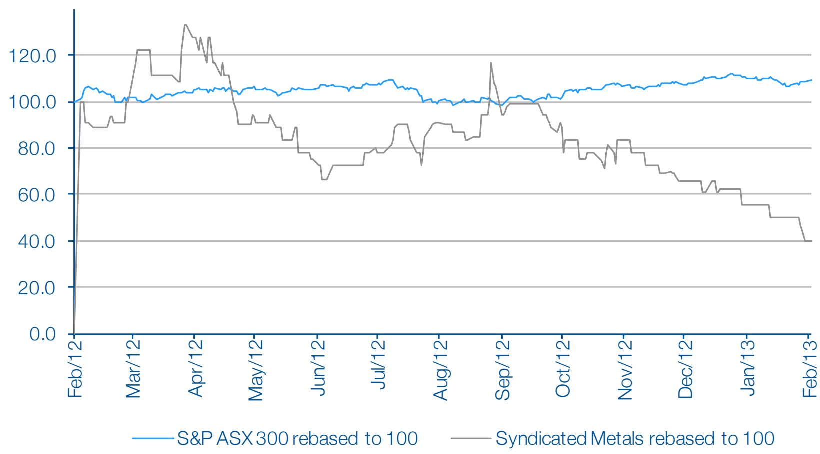
Syndicated Metals is a research client of Edison Investment Research Limited

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 Paddington, Kundana, Kanowna Bell and iron ore (he oversaw the development of the Karara iron ore project) and he was 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 development 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$m) (at 31 Dec 2012)			2.90
EV (A$m)			3.5
Free float (%)			64
Shares in issue (m)			177.87
Price performance	**1m**	**3m**	**12m**
Absolute	(28.0)	(52.0)	(60.0)
Relative	(31.0)	(58.1)	(65.4)
		High	**Low**
12-month range (A$)		0.01	0.0

Share price performance relative to ASX 300



Shareholders, reporting dates and summary financial history

Top shareholder	%	P&L (A$000s)	Jun 10a	Jun 11a	Jun 12a
Directors and management	15	Revenue	0	0	0
Korea Zinc	10	EBITDA	(756)	(972)	(806)
Cerro Resources NL	9	Adj. PBT	(643)	(851)	(759)
		Tax rate	N/A	N/A	N/A
		Adj. EPS (c)	(0.9)	(0.8)	(0.7)
		Adj. fully diluted EPS (c)	(0.9)	(0.8)	(0.7)
Sensitivities evaluation		**Balance sheet (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
Litigation/regulatory	○	Non-current assets	4,032	7,910	10,502
Commodity price	●	Current assets	3,257	3,368	2,063
Currency	◖	Current liabilities	(259)	(384)	(251)
Stock overhang	◖	Non-current liabilities	(34)	(20)	(42)
Interest rates	○	Net assets	6,996	10,874	12,273
Reporting calendar	**Date**	**Cash flow (A$000s)**	**Jun 10a**	**Jun 11a**	**Jun 12a**
March qtr activities report	Apr 2013	Operating cash flow	(729)	(948)	(831)
June qtr activities report	Jul 2013	Capex	(2,718)	(2,352)	(3,191)
FY13 results	Aug 2013	Equity issued	2,839	3,284	2,619
		Net cash flow	(425)	163	(1,259)

Source: Company accounts, Thomson Reuters

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