Valuation reports | Mining

Mining companies may need independent valuations for a variety of reasons: internal and fair value accounting; acquisition or divestment; to protect against governments seeking to take a share of a project without compensating a company properly; banking requirements such as securitisation or covenants; or to underpin investment decisions. Edison’s valuation report can be used for individual assets or a combination of assets and operations. Our mining team has extensive experience in valuing projects of all sizes and stages of development, and supports both debt and equity investors and mining companies.

Why an independent valuation report might be necessary

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<th>M&amp;A</th>
<th>Fund raising</th>
<th>Accounting</th>
<th>Negotiation</th>
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<td>Price is a critical component in any transaction. When there is a substantial disagreement on price, an independent valuation can help narrow the position of each party. Our thorough valuation methodology considers the key elements in valuing the operations of a mine. The valuation and opinion can be used to support the company’s business case and related corporate governance.</td>
<td>A valuation report and opinion from an independent third party, such as Edison, can help support the investment case for any debt or equity fund-raising. The recent falls in commodity prices have made debt and equity investors more cautious and so an independent valuation report on a company and its operations can help provide comfort when fund raising.</td>
<td>Establishing the fair value of an asset is a requirement for any company’s balance sheet. Where valuation is contentious and/or involved, an independent valuation can be used to support fair value assessments for finance teams and auditors. Similarly, where there are debt covenants or securitisation, an independent valuation can be helpful where there are differing opinions.</td>
<td>Not only valuing the asset, but also understanding the source of the value, is central to the negotiation of any deal. Edison’s valuation method provides a base case valuation and explains how it might vary in different circumstances – commodity prices, cost of production or tax or royalty rates. We can inform the discussion about how a project is valued.</td>
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Why do we differ?

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<tr>
<th>Skills</th>
<th>Experience</th>
<th>Trusted and independent</th>
<th>Editorial process</th>
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<td>Members of our mining research team have diverse backgrounds, including decades of financial and capital markets experience. In addition, there are two geologists who have worked for international mining companies, four engineers, one metallurgist and a former project economist for a UK-listed miner.</td>
<td>We have valued several individual projects and our product is designed to meet government and industry scrutiny. It has never been faulted.</td>
<td>We are neutral and do not participate in trading, fund raising or related corporate finance transactions and provide independent valuations.</td>
<td>Our thorough six-eye peer review production process identifies the key focus areas for further investigation and clarification, and delivers a high-quality and robust product.</td>
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About Edison

Edison, the investment intelligence firm, provides investment research services to corporate and investment clients. Our team of over 100 analysts and investment professionals works with leading companies, fund managers and investment banks worldwide to support their investment and capital markets activity. We provide services to more than 400 retained corporate and investor clients, across 10 business sectors from our offices in London, New York, Berlin, Sydney and Wellington.

Edison’s mining team

Our team of 10 analysts covers more than 70 stocks and a broad range of commodities, metals, precious metals and gems. We have worked on several valuations for a variety of clients. For more information contact our mining team at mining@edisongroup.com.
Experience | Mining Sector

Case Studies

**Abaira Iron Ore Project**

**Client:** Oakmont  
**Asset location:** Brazil

Oakmont engaged Edison to provide a pre-IPO valuation of a small iron ore mining operation (Abaira project) located in the state of Bahia, Brazil. The project lacked any compliant resource and Edison’s valuation was therefore based on the current processing capacity of 190ktpa with a potential ramp-up to 5Mtpa, as suggested by the company. Edison provided a brief description and provisional valuation of the Abaira iron ore project based on information provided by Oakmont.

**Aztech Metals**

**Client:** Aztech Metals  
**Asset location:** Nigeria

Aztech Metals engaged Edison to provide a review and interpretation of a geophysical report prepared by Geo-Konsults. Alternating high-low magnetic anomalies were identified by Geo-Konsults and suggested as potential areas for Pb-Zn mineralisation in central Nigeria. The report suggested the study area was within a known Pb-Zn-bearing district known as the Benue Trough. However, on further research, the report determined that the study area lay outside the mineralised zone and that the geophysical anomalies were caused by contrasting lithologies, which were considerably older than the host rocks of the mineralised area.

**Compass Resources**

**Client:** Yorkville  
**Asset location:** Australia

Compass Resources (CMR) entered voluntary administration on 29 January 2009 two days after a request by the board to the ASX. Shares were suspended at 15 cents. With the successful completion of a “Further Revised” Deed of Company Arrangement (DOCA), the administration and receivership ended on 15 November 2011, with subsequent management of the company passing to a new board. Since then, the company directors have reconstructed and recapitalised the company. Compass shares remain suspended from the ASX. Edison’s sum-of-the-parts valuation was based on most recently published in situ resource estimates and the company’s last audited financial accounts, and indicated a valuation range of US$0.04 to US$0.07 per share.

Mining Team | Overview

**Sector Head:** Charles Gibson  
**Headcount:** 13  
**Skills:** Our team includes: two former project geologists; four engineers; a metallurgist; and a project economist, all with a great deal of experience in capital markets and equity research in the UK, US, Australia, Canada, Russia, South Africa and mainland Europe.

**Number of stocks:** 71  
**Commodities:** Gold, silver, PGM, copper, iron ore, zinc, cobalt, molybdenum, ilmenite, rutile, tantalum, REE, tin, tungsten, coal, uranium, gems.

**Geographies:** Global except Antarctica

**Clients’ locations of operations include:**  
Albania, Algeria, Argentina, Australia, Bolivia, Botswana, Burkina Faso, Cameroon, Canada, Chile, China, Côte d’Ivoire, DRC, Equatorial Guinea, Fiji, Guinea, Ireland, Kazakhstan, Kenya, South Korea, Kosovo, Liberia, Madagascar, Mozambique, New Zealand, Papua New Guinea, Peru, ROC, Russia, Sierra Leone, Spain, Tanzania, Tunisia, Turkey, UK, USA, Zambia and Zimbabwe.

Selection of Clients: