

Apex Minerals NL

Developing Refractory Gold - Sound Strategy And Good Opportunity

Materials | Metals & Mining | Australia

Event:

- We are initiating coverage of Apex Minerals NL (AXM) a company focussed on the mining and treatment of refractory gold ores from a number of mines through a central processing facility.

Key Take Outs:

- Sound strategy mining higher grade refractory ores from a number of mines and treating these through a single process facility.
- The existing Wiluna mine provides the base load and process facility with supplemental ore drawn from Gidgee and Youanmi mines. Longer term Aphrodite mine provides an expansion with concentrate trucked to Wiluna.
- Existing infrastructure ensures a low cost start-up and current drilling should define a 5 year reserve base prior to the re-commencement of production.

Earnings and Valuation Impact:

- Initiation coverage and thus no change to earnings or valuation change.

Investment View:

- AXM's strategy to mine a number of refractory orebodies (mines which closed either because of the refractory ore or insufficient scale) and treatment through one plant to minimise process costs is sound.
- Whilst there is risk as AXM moves to production, the key orebody risk is minimised due to the historical mining. There remains financing risk, particularly in the current investment climate.
- The ~A\$600/oz cash cost (including royalties) suggest that AXM provides leveraged exposure to the rising gold price.
- We see the key catalyst as the upgrade to the resource estimate and the completion of the feasibility study.
- We are initiating coverage with a HOLD recommendation and will review this as the risks reduce, specifically the new resource statement and the feasibility study results.
- Our 12-month price target of \$1.25 provides a ~32% total return.

HOLD

Key Information

Stock Code	AXM
Share Price	\$0.95
12 Month Price Target	\$1.25
Expected 12M Total Return	31.6%

Investment Data

Issued Capital	316.6m
Market Capitalisation	\$301m
% of S&P 200 Index	na
Free Float	100%
Turnover	\$11.5m/month
12 Month Price Range	143¢-25¢
Debt/Equity	-41.7%

Investment Arithmetic

Jun year end	07A	08E	09E	10E
Net Profit Rep. (\$m)	-5.9	-29.3	4.4	58.8
NPAT Adj. (\$m)	-6.6	-29.3	4.4	58.8
EPS Adj. (¢)	-4.2	-9.0	1.2	16.5
EPS Growth (%)	na	na	na	1275.0
PER (x)	nm	nm	79.2	5.8
Relative PER (%)	nm	nm	549.7	-48.9
Dividend (¢)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0
FCFPS (¢)	-2.7	-9.0	2.8	23.6
P:FCFPS (x)	nm	nm	33.9	4.0
EV/EBITDA (x)	na	na	18.8	2.7
BV (¢)	na	na	na	na
P/BV (x)	na	na	na	na
Av. Full Dil. Shares (m)	160.0	326.8	357.5	357.5

Relative Price Performance

	1m	3m	12m
vs. S&P 200:	-17.5%	-9.2%	226.1%
vs. MSCI - World:	-15.3%	-13.2%	240.4%

Source: Company data, IRESS, and GSJBW Research estimates.

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Recommendation - our thinking

RECOMMENDATION:		HOLD		
	Rationale:	-ve	Neut	+ve
Stock Code: AXM	Industry Structure:		✓	
Share Price: \$ 0.95	EVA Trend:			✓
Valuation: \$ 0.96	Earnings Momentum:		✓	
	Catalysts:			✓
	Price / Valuation:	✓		

AXM has assembled existing assets that became uneconomic due mainly to the refractory nature of the gold, the individual scale of operations, lack of reserves ahead of mining and the prevailing gold price.

With the drilling carried out by AXM over the past six months (and is still on-going), AXM should be in a position to have 5 years of reserves ahead of mining when the feasibility study for the recommencement of mining is completed by end FY08.

We see a requirement for a modest capital raising (debt and or equity) to fully fund the recommencement of mining. We assume a \$35m capital raising at a 10% discount to the current share price of \$0.95 with the balance of funding drawn from debt.

On our analysis, AXM is trading in line with our valuation and attractive multiples relative to the PEER group once production commences.

We see the key catalyst as the upgrade to the resource estimate and the completion of the feasibility study and will review our recommendation with these key catalysts.

Our 12- month price target of \$1.25 provides a ~32% total return and this underpins our HOLD recommendation.

What Is Apex's Business

Apex has secured a number of refractory gold mines in the Eastern Goldfield of Western Australia. AXM intends to consolidate the operations using one process plant and thus ensure a higher ore feed grade.

Over the past 12 months, AMX acquired the Wiluna Gold Mine from Oxiana Limited (OXR) as the key asset in this development strategy following the earlier acquisition of Gidgee (Wilson deposits), Youanmi and Aphrodite mines and/or deposits.

AXM has raised substantial funds to partly fund these acquisitions and has built a significant management team with the necessary experience to undertake the additional exploration and feasibility study evaluations required to take the strategy to fruition.

AXM anticipates that the Wiluna mine will be the base load flagship operation with the central processing facility fed from Wiluna, Wilson and Youanmi satellite mines. It is anticipated that Aphrodite will be a stand alone operation with processing facilities to produce a gold concentrate that will be trucked to Wiluna for treatment through the existing BIOX[®] facility.

Strategy

Complete the necessary exploration and resource definition drilling to expand the current resource of 2.5mozs and convert this to a rolling 5 year reserve base at the planned production rates.

The current Measured and Indicated Resource (M&I) U/G component which could be converted to reserves is only 3.2mt @ 7.1g/t for 730kcozs, compared to the current global resource of 16.4mt @ 4.7g/t for 2.5mozs.

Develop new resource models for Wiluna U/G and Wilson's by end 1QCY08 with a target to have sufficient drilling completed for a 5 year reserve life based on conversion of M & I resources following the current drill programme.

Recommencement of mining at Wiluna, initially from the balance of the open pit at East Lode and Calais underground whilst the additional development required to access ore blocks on Henry 5, Henry 5 North and Burgundy defined in the reserve statement is completed.

Develop Wilson underground mine which was historically only mined as an open pit with mining ceasing when the refractory ore was encountered.

Commence the dewatering of Youanmi prior to recommencement of development and mining of the underground (dewatering started February 2008).

Completion of Wiluna Plant Refurbishment by end 3QCY08.

Concurrent with the pre-production development at Wiluna /Wilson and Youanmi, commence gold production from Calais and east Lode, with full production levels being achieved during 2QFY09.

Timeline

Stage I Plan

AXM anticipates that the exploration and resource definition drilling will enable sufficient high grade U/G reserves to be delineated in 3QFY08 (current quarter) such that the Stage I feasibility study can be completed by end FY08. Following the completion of the feasibility study, initial pre-production mining development can be restarted.

AXM believes that the 3 mines, Wiluna, Wilson's and Youanmi should be able to support processing of ~1mt/a @ ~7g/t for ~200kcozs/a and is conducting the current feasibility study on this basis.

Stage II Plan

Continue the exploration, resource definition drilling and feasibility studies on Aphrodite and provided that this feasibility study is positive, proceed to the development of Aphrodite as a stand alone mine using existing plant equipment available to produce a float concentrate with the production concentrate transported to Wiluna for processing through the current /expanded BIOX^R plant.

Risks

We see a number of risks, but in reality there is significant mining history at each of the planned operations which lowers the overall risk and particularly the major orebody risk.

- AXM still needs to raise finance to recommence mining and dependent upon market conditions the mix between equity and debt may vary. In our view, the greater the use of debt, the less attractive the investment given the requirement for hedging and the restrictions placed on the use of cash flow once operations commence.
- For modelling purposes we have assumed an equity component of \$35m @ 85¢/share (10% discount) with the balance of funding being debt.
- AXM is intending to undertake only the most necessary plant refurbishment and to the extent that areas of the plant are not refurbished, the maintenance costs may be higher than planned.
- In the event that AXM cut back on the exploration drilling after production commences, the 5 year reserve buffer can be compromised which may lead to production shortfalls and escalating costs.
- Whilst the mining depth is not in itself an issue from a geotechnical viewpoint, the cost of trucking ore at depth from both Wiluna and Youanmi will increase.

What Other Assets Does AXM Have?

Apollo Hill JV

- AXM is earning a 51% interest in the Apollo JV from Hampton by spending \$3m within 3 years.
- At this point at Hampton's option, AXM can earn a further 9% by spending a further \$2m within 5 years of commencing.
- Hampton can contribute proportionally to further exploration or can be diluted to 20% in exchange for being free carries to the decision to mine.
- Hampton can elect to have its mine development cost loaned to it by AXM and be repaid plus interest from its share of future production.
- AXM has to date defined a large low grade envelope of mineralisation around the main zone from surface to a depth of 3000m.
- A small drilling program has also identified a southerly extension to the Eastern Zone (3.1m @ 7.6g/t from 84.9m).
- The continuation of the main zone has not yet been established.
- AXM believes the mineralisation at Apollo to be extremely complex in terms of the geometry and because of the coarse nature of the gold mineralisation (nuggety gold), extremely difficult to define JORC compliant resources and reserves.

The key non gold asset is the Lawyers Nickel JV

- AXM is earning an initial 56% interest in this area from Barrick Gold.
- The tenement package comprises some 120km² in the Lawyers district of the North Eastern Goldfield.
- The tenement incorporates some 40 strike km of relatively unexplored nickel sulphide ultramafic rocks in the heart of the world class nickel province that incorporates Jubilee's Cosmos mine (Cosmos/Tapinos/Prospero) and Sinclair mine (under development); BHP's Perseverance and Rocky's Reward nickel mines and Norilsk's Waterloo nickel mine.
- No nickel exploration has been undertaken on these tenements over the past 30 years since Roan Selection Trust explored.

Production Plan

Mining

- The majority of the deposits which form both Stage I and Stage II have been previously mined and this reduces the risk associated with the geotechnical aspects of the planned mining.
- Wiluna has no history of geotechnical issues, largely due to the lack of any major horizontal stress fields and thus it is only the vertical component of stress that is encountered. The deepest mining to date has been ~900m with no stress issues encountered.
- In the case of Henry 5 North and Burgundy, these are essentially the same as other lenses at similar depths and thus are not expected to behave differently to areas already mined.
- Whilst there is some "remnant" mining of previously unmined areas, the majority of the planned mining is depth extensions/new zones of mineralisation and this should limit the inherent risks of forecasting production levels.
- The development required to gain access to the new lodes: Henry 5 North and Burgundy is less than 200m to 250m from existing infrastructure and the development is already in place to continue mining Calais and is at the top of Henry 5 deposit.
- The mining history provides a good indication of potential underground mining costs and given that AXM is not planning any new mining methods these should be able to be estimated fairly accurately.
- There is no historical underground mining at Gidgee's Wilson deposits and AXM plan to develop a decline from the bottom of Wilson 1 pit to Wilson 2 pit and then develop a spiral decline with level development from here to Wilson's 1 & 3 orebodies.
- AXM plan to dewater Youanmi underground workings and mine the depth extension at similar grades of ~11.5g/t as was historically mined.
- Costs will be adversely impacted by the low volumes at Wilson and Youanmi operations together with the requirement to truck the ore to Wiluna.
- Mining costs are expected to vary significantly between the 3 operations primarily due to scale and we have conservatively estimated these to vary:
 - Wiluna: ~\$45/t
 - Wilsons: ~\$70/t plus transport of ore to Wiluna ~\$25/t
 - Youanmi: \$125/t plus transport of ore to Wiluna ~\$35/t

Processing

- During Stage I, all ore from Wilson and Youanmi will be trucked to Wiluna and processed together with the Wiluna ore through the current Wiluna plant that will be upgraded where necessary.
- AXM are using the current period whilst the additional exploration drilling and feasibility study work is being undertaken to overhaul/repair those lower costs items in areas of the plant that require it:
 - Crushing circuit
 - Power generation and reticulation
 - Refurbishing the BIOX^R tanks
 - AXM plan to install a new "state of the art" process control system as part of the overall project
 - AXM plans to replace certain of the Motor Control Centres (MCC) as required
- Process costs are anticipated to be \$25 - \$30/t, including BIOX^R at the planned ~1mtpa processing rate.
- AXM is estimating site general and administrative costs of ~\$12m/a thus total costs of ~\$600/oz when the combination of ore sources and royalty are taken into account.

Capital

- AXM is currently completing the feasibility study for the re-development of the mines but its initial estimates are:
 - Establishment of Wilson U/G \$10m
 - Establishment of Youanmi (including dewatering) \$10m
 - Plant Refurbishment and U/G development – Wiluna \$20m
 - Working capital \$10m
 - **TOTAL \$50m**

GSJBW Production Estimate - Stage I (Wiluna Processing centre)

Our production profile is shown below in terms of ore sources, costs and overall production profile. We see the key risk in the timing of bringing the highest grade Youanmi ore on line given the requirement to dewater the mine.

We expect that the current exploration programme is likely to lead to an increase in the measured and indicated (particularly indicated) resource and allow conversion of resource to reserve once the economic parameters are applied.

Overall, we would not expect any material increase in grades, rather in tonnages and thus Life of Mine (LOM) expectations. We have allowed for 2mozs of gold in the LOM model for the Wiluna regional centre. This compares to the current resource estimate of ~1.5ozs from these ore sources.

Tonnes and Grade

		FY07a	FY08e	FY09e	FY10e	FY11e	FY12e	FY13e	FY14e	FY15e
Tonnes Mined - Wiluna	(kt)			400	500	500	500	500	500	500
Grade - Wiluna	(g/t)			6.2	6.0	6.0	6.0	6.0	6.0	6.0
Tonnes Mined - Wilsons	(kt)			100	300	300	300	300	300	300
Grade - Wilsons	(g/t)			7	7	7	7	7	7	7
Tonnes Mined - Youanmi	(kt)			0	150	150	150	150	150	150
Grade - Youanmi	(g/t)			11.5	11.5	11.5	11.5	11.5	11.5	11.5
Total Tonnes	(kt)			500	950	950	950	950	950	950
Average Grade	(g/t)			6.3	7.2	7.2	7.2	7.2	7.2	7.2
Total Ounces	(koz)			102	220	220	220	220	220	220
Recovery	(%)			88	90	92	92	92	92	92
Production	(koz)			89.8	198.1	202.5	202.5	202.5	202.5	202.5

Source: Company data; GSJBW Research estimates

Operating Costs

		FY07a	FY08e	FY09e	FY10e	FY11e
Tonnes Mined - Wiluna	(kt)			400	500	500
Costs Mined - Wiluna	(\$/t)			39.4	45	45
Tonnes Mined - Wilsons	(kt)			100	300	300
Costs - Wilsons (incl trans)	(\$/t)			95	95	95
Tonnes Mined - Youanmi	(kt)			0	50	150
Costs - Youanmi (incl trans)	(\$/t)			160	160	160
Total Tonnes	(kt)			500	850	950
Average Costs - Mining	(\$/t)			80.90	69.41	78.95
Average Costs - Processing	(\$/t)			30	30	30
Average Costs - Other	(\$/t)			12	12	12
Total Costs	(\$/t)			122.90	111.41	120.95

Source: Company data; GSJBW Research estimates

Production profile

Wiluna	>>Forecast						>LT Prices			
	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Production : mt.			0.50	0.95	0.95	0.95	0.95	0.95	0.95	
Grade : g/t			6.25	7.20	7.20	7.20	7.20	7.20	7.20	
Recovery : %			90%	92%	92%	92%	92%	92%	92%	
Gold Production : oz			91,068	202,318	202,318	202,318	202,318	202,318	202,318	
Cost A\$/t			122.0	111.0	121.0	115.5	110.0	110.0	110.0	
Cost A\$/oz (Pre Royalty)			670	521	568	542	517	517	517	
Cost A\$/oz (Post Royalty)			722	576	627	596	560	560	560	
Capex A\$m	0.4	8.0	63.4	18.5	20.1	19.2	18.3	15.7	15.7	

Source: Company data; GSJBW Research estimates

GSJBW Production Estimate - Stage I (Aphrodite Processing centre)

Aphrodite	>>Forecast								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Production : mt.	0.00	0.00	0.00	0.48	0.75	0.75	0.80	1.00	1.00
Grade : g/t	0.00	0.00	0.00	4.13	5.50	5.50	5.50	5.50	5.50
Recovery : %	0%	0%	68%	90%	90%	90%	90%	90%	90%
Gold Production : oz	0	0	0	75,594	119,360	119,360	127,317	159,146	159,146
Cost A\$/t	0.0	0.0	0.0	100.0	100.0	100.0	100.0	95.0	95.0
Cost A\$/oz (Pre Royalty)	0	0	0	628	628	628	628	597	597
Cost A\$/oz (Post Royalty)	0	0	0	656	658	655	650	619	619
Capex A\$m	0.0	0.0	0.0	82.1	11.3	11.3	12.0	14.3	14.3

Source: Company data; GSJBW Research estimates

Upside

The upside scenario has been developed by extending the mine life to 12 years for the Wiluna complex and expanding the throughput rate to 1.2mtpa from FY12 (long term price reversion).

We have retained the same grade profile but increasing the throughput rate and LOM increases the total ounces mined to ~2.5mozs.

Valuation

We have assumed that AXM is able to report an initial 5 year M & I resource (which can be converted to reserve status on completion of the feasibility study) at similar grades to the historical Wiluna, Wilson and Youanmi grades.

We have used a LOM of 8 years in the base case valuation and 12 years in the upside case valuation.

Apex Minerals NL		DISCOUNTED CASH FLOW VALUATION	
Discount Rate Used	%	10.9%	
Issued Shares	millions	376.7	
		A\$m	\$ per share
Mines			
Wiluna		257	\$0.68
Aphrodite		84	\$0.22
Sub Total Mines		342	\$0.91
Exploration Assets		65	\$0.17
NPV of Tax		(91)	(\$0.24)
NPV of Hedge Book		0	\$0.00
Net Cash		48	\$0.13
Corporate		-13	(\$0.04)
Franking Credits		4	\$0.01
Sub Total Corporate/Other		13	\$0.04
Options Dilution		9	\$0.02
NET PRESENT VALUE		364	\$0.96
LOM + Throughput Extensions		134	\$0.36
UNRISKED UPSIDE		499	\$1.32

Source: Company data, IRESS, GSJBW Research estimates

Balance Sheet and Funding Requirement

We estimate that AXM will spend ~\$50m of capital establishing operations and in addition ~\$12m in exploration by end CY08.

On our analysis, this ~\$65m plus a contingency will need to be funded from outside sources, either debt or equity or perhaps a combination of both. We would expect that any debt component will require some form of gold hedging and if this is a requirement, we would expect AXM to purchase PUT options of spot deferred premium options and this will increase the overall funding requirement. The actual level of external funding required is to a large extent dependent upon the timing of the recommencement of production.

With respect to the development of Aphrodite, our analysis suggest that AXM should be able to self fund this.

We have assumed that AXM raise \$35m of new equity at a 10% discount to the prevailing share price (\$0.95) to partially fund the capital required which ensures that the D/D+E does not exceed 20% or ~25% net debt/equity.

Balance Sheet		(A\$m)					
	Year end	June	2007a	2008e	2009e	2010e	2011e
Cash			13	28	28	37	122
Property, Plant, Equip			0	8	58	115	97
Other Assets			3	35	35	27	25
Debt			0	0	45	45	45
Shareholders Equity			14	69	73	132	197
Net Debt / Equity		(%)	n.a.	n.a.	23%	6%	n.a.
Net Debt / (D+E)		(%)	n.a.	n.a.	19%	5%	n.a.

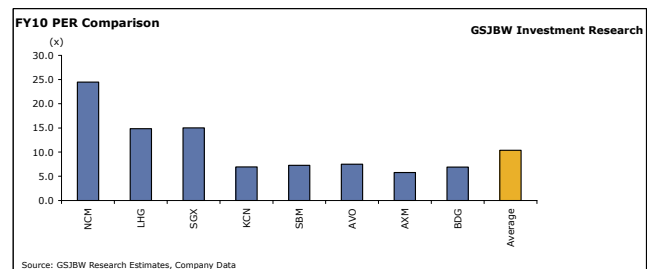
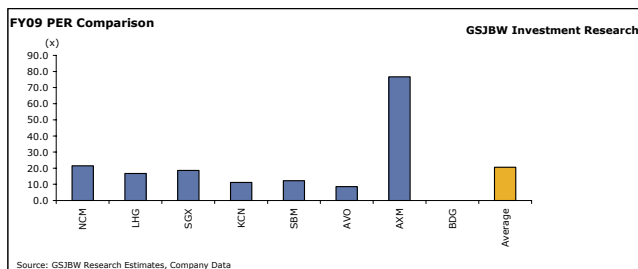
Source: Company data, GSJBW Research estimates

Peer Comparison

On a stand alone basis, AXM currently trades below our valuation and compares favourably with the other gold stocks in our small cap universe.

Charting AXM versus the Sector

PE's

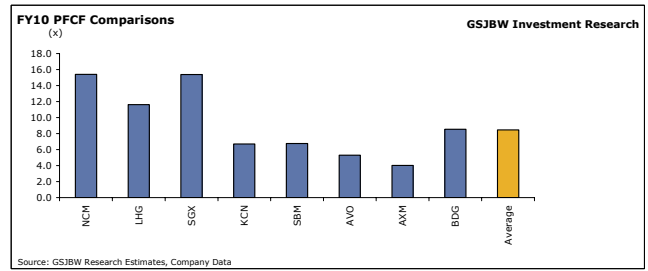
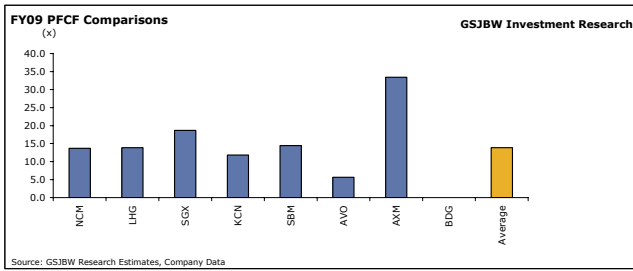


PE (x)	Price	2007	2008	2009	2010
NCM	35.00	65.5	30.1	21.5	24.5
LHG	3.48	37.8	25.5	16.8	14.8
SGX	7.06	n.a.	32.0	18.6	15.0
KCN	4.00	n.a.	41.4	11.2	6.9
SBM	0.88	n.a.	179.4	12.3	7.3
AVO	1.92	n.a.	n.a.	8.7	7.5
AXM	0.95	n.a.	n.a.	76.6	5.8
BDG	0.34	n.a.	n.a.	n.a.	6.9
Average		40.0	53.4	20.6	10.4

Source: GSJBW Research estimates

- With AXM only coming into production by end CY08, the best comparison is FY10 where AXM compares favourably with the PEER group

Price to Free Cash Flow

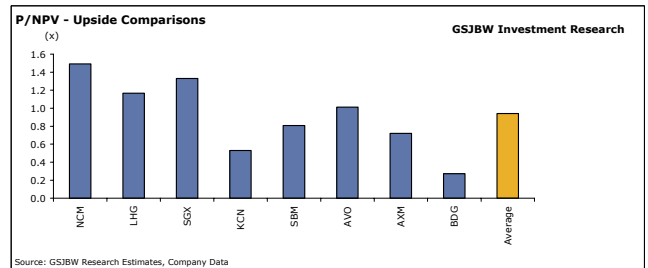
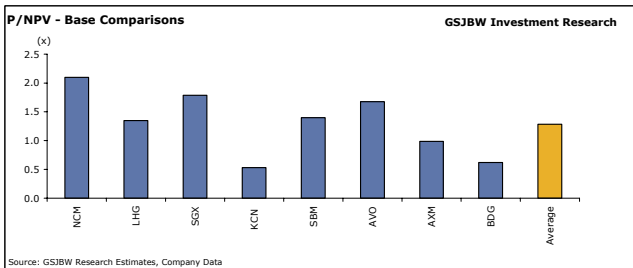


P/FCF (x)	Price	2007	2008	2009	2010
NCM	35.00	53.7	20.0	13.7	15.4
LHG	3.48	52.9	29.8	13.9	11.6
SGX	7.06	n.a.	31.3	18.7	15.4
KCN	4.00	n.a.	80.8	11.8	6.7
SBM	0.88	n.a.	n.a.	14.5	6.7
AVO	1.92	n.a.	n.a.	5.7	5.3
AXM	0.95	n.a.	n.a.	33.4	4.0
BDG	0.34	n.a.	n.a.	n.a.	8.5
Average		39.1	34.4	13.9	8.5

Source: GSJBW Research estimates

- Again, AXM is expensive on near term measures but inexpensive once full production is reached in FY10.

Price to NPV

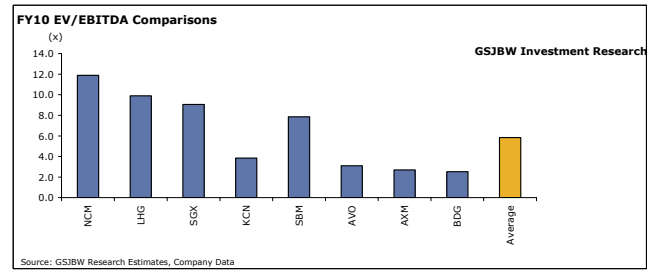
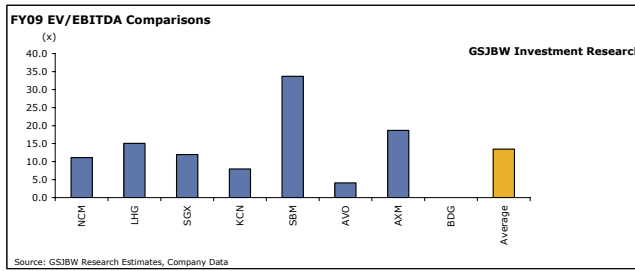


P/NPV (x)	Price	P / Base NPV	P/ Upside NPV
NCM	35.00	2.1	1.5
LHG	3.48	1.3	1.2
SGX	7.06	1.8	1.3
KCN	4.00	0.5	0.5
SBM	0.88	1.4	0.8
AVO	1.92	1.7	1.0
AXM	0.95	1.0	0.7
BDG	0.34	0.6	0.3
Average		1.3	0.9

Source: GSJBW Research estimates

- AXM is inexpensive on this measure compared to the PEER group.

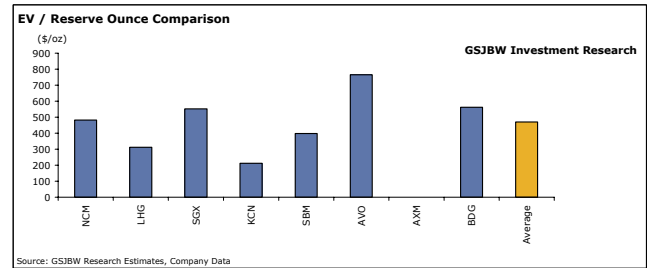
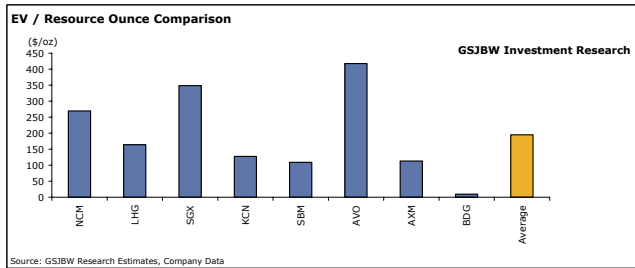
EV/EBITDA



EV/EBITDA (x)	Price	2007	2008	2009	2010
NCM	35.00	25.1	15.1	11.1	11.9
LHG	3.48	39.5	25.0	15.1	9.9
SGX	7.06	447.9	20.8	12.0	9.1
KCN	4.00	n.a.	21.3	8.0	3.8
SBM	0.88	n.a.	132.7	33.7	7.9
AVO	1.92	n.a.	n.a.	4.1	3.1
AXM	0.95	n.a.	n.a.	18.7	2.7
BDG	0.34	n.a.	n.a.	n.a.	2.5
Average		131.7	37.1	13.5	5.8

Source: GSJBW Research estimates

EV/Resource and EV/Reserve Ounce

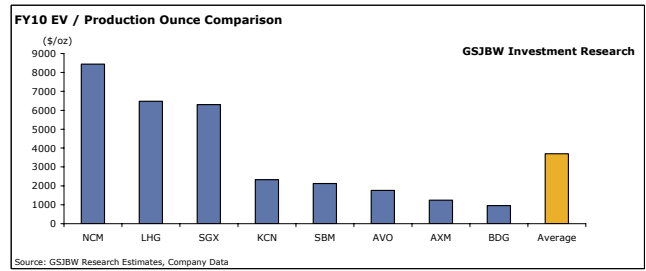
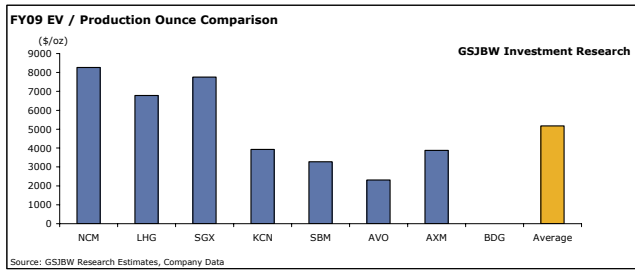


EV/ Reserve/Resource (\$/oz)	Price	EV/ Reserve	EV/ Resource
NCM	35.00	482	270
LHG	3.48	313	164
SGX	7.06	553	349
KCN	4.00	212	127
SBM	0.88	399	109
AVO	1.92	766	418
AXM	0.95	n.a.	113
BDG	0.34	563	10
Average		470	195

Source: GSJBW Research estimates

- AXM has yet to complete the feasibility study and thus has not yet declared a maiden reserve, but does have measured and indicated resources which should convert to reserves once the feasibility study is complete.
- On the current EV/Resource measure, AXM is attractive. However, a word of caution, not all the resource is planned to be treated in the revised mining plan and some of the low grade pits would not make it to reserve status.

EV/Production Ounce



EV / Production Oz (\$/oz)	Price	2007	2008	2009	2010
NCM	35.00	9032	8690	8262	8443
LHG	3.48	8539	8728	6777	6471
SGX	7.06	29370	11553	7753	6304
KCN	4.00	4385	5262	3926	2328
SBM	0.88	4354	5301	3281	2126
AVO	1.92	n.a.	141322	2312	1758
AXM	0.95	n.a.	n.a.	3906	1247
BDG	0.34	3278	n.a.	n.a.	951
Average		9826	30143	5174	3703

Source: GSJBW Research estimates

- As expected as AXM moves to production it becomes more attractive.

Board and management

Non Executive Chairman: Kim Robinson. Kim is a geologist by background with extensive industry experience, including as founding and executive chairman of Forrestania Gold and is Executive Chairman of Kagara Limited.

Managing Director and CEO: Mark Ashley Mark is former CEO of LionOre Australia and a director of LionOre Mining International. Mark is an accountant by profession with extensive industry experience.

Executive Director Exploration: Mark Bennet. Mark is the former Exploration Manager and Chief Geologist for LionOre Australia and WMC and the recipient of the AMEC Prospector of the Year Award for the discovery of the Waterloo nickel mine and Thunderbox Gold mine.

Executive Director Operations: Glenn Jardine. Glen is the former CEO and COO of LionOre Australia. Glen is a mining engineer by background.

Non Executive Director: Stephen Lowe. Stephen is a taxation specialist with more than 15 years of experience consulting to a range of corporate and private clients particularly in the minerals field.

Exploration Manager: Will Dix. Will is a geologist with extensive experience and worked as part of the team at LionOre Australia and was involved with the Waterloo nickel discovery and the Thunderbox feasibility study.

Resource Geology Manager: Andy Thompson. Andy is the former geology manager for LionOre Australia for the Thunderbox Gold Mine and Black/Silver Swan nickel mine.

I, Ian Preston, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in this report.

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Sell (S)	Stock is expected to underperform the S&P/ASX 200 for 12 months
Hold (H)	Stock is expected to perform in line with the S&P/ASX 200 for 12 months
Buy (B)	Stock is expected to outperform the S&P/ASX 200 for 12 months

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CS	Coverage Suspended. GSJBW has suspended coverage of this company.
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Industry Structure:	Based on Goldman Sachs JBWere industry structure ranking. All industries relevant to the Australian equity market are ranked, based on a combination of Porter's Five Forces of industry structure as well as an industry's growth potential, relevant regulatory risk and probable technological risk. A company's specific ranking is based on the proportion of funds employed in particular industry segments, aggregated to determine an overall company rating, adjusted to reflect a view of the quality of a company's management team.
EVA™ Trend: ¹	EVA™ trend forecast for coming 2 years. Designed to reflect "turnaround stories" or to highlight companies Goldman Sachs JBWere analysts believe will allocate capital poorly in the estimated timeframe.
Earnings Momentum:	The percentage change in the current consensus EPS estimate for the stock (year 1) over the consensus EPS estimate for the stock 3 months ago. Stocks are rated according to their relative rank, effectively making it a market relative measure
Catalysts:	A qualitative and quantitative assessment of a company's long term catalysts that the analyst believes should be considered and possibly recognised by the market.
Price:Base Case DCF:	The premium or discount to base case DCF valuation at which the stock is trading relative to the average premium or discount across the market.

¹ EVA™ is a registered trademark of the U.S. consultancy firm Stern Stewart

For Insurers

EVA™ Trend: ¹	ROE is used as a proxy for EVA. Rating takes into account the expected level and trend of ROE over the next 2-3 years.
Balance Sheet:	Analyst's assessment of the quality and strength of the insurer's balance sheet, including conservatism of provisioning, sufficiency of capital, and quality of capital.

For REITs

Strategy:	Used instead of industry structure as many REIT investors are intra rather than inter sector focussed.
EPU Growth:	Ranking of Earnings Per Unit growth relative to other listed Real Estate Investment Trusts. Used instead of EVA™ Trend.
Yield:	Yield relative to the REIT sector average. Used instead of Earnings revision.

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Recommendation	Overall	Corporate relationship* in last 12 months
Sell	9%	13%
Hold	61%	54%
Buy	30%	33%

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