

Majors									FTSE 350 Mining index relative to FTSE Allshare	
FTSE100	Rec Chg	Numis Rec	Price close	Target price	NPV value	Target upside	Market cap. (£)	Previous rec.		
Anglo American		na	1395p	na	na	na	£20,839m	na		
Antofagasta		ADD	1315p	1564p	1564p	+19%	£2,335m	Buy, 18 July		
BHP Billiton		HOLD	793p	854p	854p	+8%	£42,799m	Add, 8 June		
Rio Tinto		HOLD	1882p	1991p	2342p	+6%	£22,779m	Add, 20 July		
Xstrata		BUY	1177	1482p	1744p	+26%	£6,173m	Buy, 18 July		
Large Mid-cap										
Lonmin		HOLD	1102p	1202p	1202p	+9%	£1,515m	Add, 23 June		
Vedanta		HOLD	533p	540p	540p	+1%	£1,533m	Reduce, 4 Feb		

Producers & advanced projects									
African Copper*	BUY		50p	118p	118p	+137%	£26m	Buy, 27 May	Awaiting drill results for enhancement of project value
Aquarius Platinum*	ADD		305p	345p	345p	+13%	£253m	Hold, 8 July	New P&SA for Marikana mine. Z\$ falls 39% affecting Mimoso
Avocet		na	75p	na	na	na	£78m	na	Highly leverage to gold as new Lanut mine gets underway
Ballarat Goldfields	BUY		10.5p	13.9p	13.9p	+32%	£466m	Buy, 4 July	Gold production running 6-months ahead of schedule for Q4
Bema Gold	BUY		129p	175p	175p	+36%	£466m	Buy, 13 July	Kupol gold discovery continues to show greater size potential
Celtic Resources		na	344p	na	na	na	£144m	na	Market has waited 2 years for Alosa deal on principal asset
Consolidated Minerals*	BUY		180p	225p	225p	+25%	£300m	Buy, 19 July	Iron ore project and pot. doubling of nickel prod'n add value
First Quantum	HOLD		1225p	1296p	1296p	+6%	£753m	Add, 21 July	Further expansion at low-cost Kansanshi cu mine in Zambia
Highland Gold Mining	HOLD		160p	161p	161p	+0%	£254m	Hold, 30 June	Team acquires further assets despite costs and provisioning
LionOre Mining Intl	BUY		318p	394p	394p	+24%	£689m	Buy, 16 May	Acquisition of new nickel assets following AcTivox pilot trials
Oxus Gold		na	45p	na	na	na	£128m	na	Expansion to 310,000ozpa @ \$145/oz in '05, 272,000oz in '06
Peter Hambro Mining	BUY		632p	876p	876p	+39%	£552m	Buy, 20 July	Low cost performance + early completion of plant to 1.5mtpa
Randgold Resources	HOLD		790p	771p	771p	-2%	£820m	Add, 5 May	Loulo project shows potential, US\$60m financing completed

Explorers - developing projects									
Albidon*	BUY		23p	32p	na	+42%	£11m	Add, 29 April	Commissioning Munali nickel/platinum feasibility study
Aztec		na	9p	na	na	na	£44m	na	More iron ore at Koolan Island confirmed
Centamin		na	13p	na	na	na	£65m	na	Access regained to Sukari gold project in Egypt after 2-years
European Diamonds*	BUY		38p	76p	76p	+99%	£19m	Buy, 14 July	New enlarged sorting plant may bring second mine on sooner
European Nickel	BUY		40p	66p	66p	+65%	£40m	Buy, 6 June	First nickel prod'n exported from acid heap leach in Turkey
Frontier Mining*	BUY		25p	51p	na	+108%	£21m	Buy, 7 July	Gold and copper projects progressing following fundraising
Jubilee Platinum*	BUY		34p	51p	na	+51%	£24m	Buy, 20 July	Platinum resource drilling to verify continuity at Tjate property
Monterrico Metals	BUY		440p	765p	765p	+74%	£99m	Buy, 27 June	Expect new mine plan to enhance project value
Trans-Siberian Gold		na	101p	na	na	na	£41m	na	AngloGold withdraws finance conditions despite project delay
ZincOx*	BUY		112p	159p	154p	+43%	£32m	Buy, 30 June	European waste restrictions makes EAFD project look good

* Numis Securities acts as broker and advisor.

Mining strategy:

We expect mining equities to continue to perform well as cash flow considerations outweigh short-term sentiment. Profit taking as commodity prices hit new high levels has reduced prices back into buying territory for Rio Tinto, BHP Billiton and Antofagasta, while Xstrata leverage to copper, zinc and ferrochrome continues to add to earnings. Weaker sterling vs the US dollar should inflate sterling earnings for commodity producers as strong US\$ earnings report through the August results season.

Mid cap miners: Certain mid-cap miners stand out as sustainable growth stories in key areas. We particularly rate First Quantum Minerals, Lionore Mining Int's and Peter Hambro Mining. These represent 'best in class'. LionOre continues to grow its nickel business through the development of its Activox nickel process which works on previously uneconomic nickel laterite ores. LionOre's shares have risen little since their 2-year low last September. Continuing high nickel prices offset a relatively strong local currency. **First Quantum Minerals*** is another example of a mining company which continues to grow and is able to leverage off the very strong cash flow generated by continuing high copper prices. Its size and growth profile gives the stock greater leverage to copper than for many other copper producers.

Peter Hambro Mining combines strong cash flow with a significant increase in production rates and the potential to add a number of new mines, out of a series of advanced exploration properties. Gold stocks have been out of fashion of late as equity markets have performed relatively well and as investors have had little reason to seek out safe-haven instruments. Gold prices could now rise as the US dollar weakens in the face of Renminbi revaluation, +9.5% Chinese GDP, +7-8% Indian GDP.

Assumptions	Current	2003	2004	2005	2006	2007	2008	
Gold \$/oz	425	364	410	425	400	400	400	Renminbi revaluation weakens US\$ strengthening gold prices
Platinum \$/oz	885	691	848	866	800	750	750	Platinum prices remain strong alongside demand and SA rand
Palladium \$/oz	191	200	232	196	196	196	196	Increasing loadings for auto-cats spur demand for pt and pd
Copper c/lb	168	81	127	135	95	95	95	LME increases margin requirement by 73% to limit volatility
Aluminium c/lb	72	65	78	83	75	73	73	Energy prices squeeze smelter margins despite strong demand
Nickel c/lb	660	443	630	625	575	500	450	New mine production looks unable to keep up with demand
Zinc c/lb	55	38	47	56	52	52	52	Zinc concs in short supply as smelters look to increase prod'n
Oil (Brent) \$/bbl		25.5	38.2	43.0	39.6	38.0	35.5	High oil prices raise costs but also benefit BHP Petroleum
Coal \$/t thermal		28	45	57	54	45	45	China's refusal to export coal has caused prices to double
Iron ore c/i.t.u lumpy		39	46	69	71	69	68	72% benchmark price increase maintained in later agreements

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Majors										Bull Points	Bear Points
	T/Over	PBT	PTP	EPS	Tax	PER	Div	Yield			
	US\$m	US\$m	US\$m	(US¢)	(%)	(x)	(US¢)	(%)			
Antofagasta	2003A	1,059	340	180.7	92	19%	25.0	33.5	1.5%	Great focus/exposure to copper in Chile	Michilla mine is high cost/short life
ADD	2004A	1,912	1,023	564.5	286	19%	8.0	79.0	3.5%	World-class cu mine at Los Pelambres	Mud slide cut production 2 yrs ago
Y/e Dec	2005E	2,077	1,043	534.2	271	22%	8.4	99.3	4.3%	Potential for new mines & expansions	High cost of next expansion
	2006E	1,513	461	230.1	117	22%	19.6	42.7	1.9%	Net cash costs of 7.9c/lb at LP in 2004	Fuel & acid costs rising
BHP Billiton	2003A	17,506	2,976	1,920	29	34%	46.9	14.5	1.1%	Record earnings to June '04	A\$ currency strength pares margins
HOLD	2004A	18,340	5,249	3,150	51	34%	27.0	21.1	1.5%	Petroleum division 25% of EBIT	HBI accident could close plant
Y/e June	2005E	23,597	11,239	7,451	121	33%	11.4	21.1	1.5%	Each \$1/bbl = around \$100m profit	Lower diamond grades at Ekati
	2006E	26,050	13,493	8,901	144	33%	9.2	21.1	1.6%	10 year deal to supply Chinese steel mills	Iron ore production at record levels
Lonmin	2003A	779	291	74.0	52	63%	36.6	72.0	3.8%	Platinum prices remain high	Strike hit August production
HOLD	2004A	1,301	290	177.0	88	46%	21.7	72.0	3.8%	2005 production targets maintained	V Strong rand raises costs
Y/e Sept	2005E	1,301	360	195.0	138	30%	13.9	101.7	5.3%	New smelter back on line	Smelter explosion adds to costs
	2006E	1,343	428	236.2	167	30%	11.7	109.1	5.6%	BEE opens way for new order licences	BEE deal rejected by NUM union
Rio Tinto	2003A	9,228	2,094	1,508	100	33%	32.6	64.0	2.0%	Iron ore price rise adds earnings upside	Needs more growth potential
HOLD	2004A	11,344	3,596	2,813	161	33%	20.3	77.0	2.4%	Iron ore, cu, al, ind minerals, diamonds	Negative effect from Aussie dollar
Y/e Dec	2005E	14,022	6,453	4,388	323	17%	10.1	157.7	2.4%	Record 2005 earnings and cashflow	Sometimes seen as overly cautious
	2006E	8,789	4,503	4,503	331	25%	9.5	169.9	1.5%	US dollar cost base is good for costs	Could do more IR and PR
Vedanta	2003A	487	53	26.0	17	50%	56.1	nil	nm	Low cost of production in India	Indian tariffs hit copper earnings
HOLD	2004A	684	107	67.6	24	34%	39.4	5.5	0.6%	Growth at copper smelter	Management needs to gain credibility
Y/e Mar	2005E	1,150	311	207.0	72	48%	12.9	32.7	3.5%	World class zinc operation	Loss of Chairman
	2006E	1,256	406	308.0	99	43%	9.3	45.2	4.9%	Timely KCM acquisition in Zambia	Poor post IPO performance
Xstrata	2003A	3,275	108.70	104.1	15	20%	136.4	21.0	1.0%	Increased offer for WMC	Hostile bid uses management time
BUY	2004A	5,850	1,317	1,088.0	168	25%	12.2	35.3	1.7%	Great timing on MIM acquisition	South African rand impact
Y/e Dec	2005E	7,440	2,520	1,814.0	289	25%	7.1	96.4	4.7%	Strong mix of coal, copper and zinc	Glencore as a major shareholder
	2006E	6,535	1,694	1,256.7	200	25%	10.2	64.6	3.2%	Strong management team	Potential litigation on vanadium plant
Mid-cap											
Bema Gold	2003A	87	24	31	9.5	n/a	nm	nil	nm	Likely target for a major	SA gold mine has reduced valuation
BUY	2004A	99	17	20	5.5	-20%	nm	nil	nm	Kupol looks is world-class gold deposit	High cash burn to develop mines
Y/e Dec	2005E	155	1	2	0.4	-20%	nm	nil	nm	Two operating gold mines	Petrex mine in SA turn-around
	2006E	173	7	6	1.5	20%	nm	nil	nm	Good progress on Cerro Casale finance	Debt rising to finance Kupol
Consolidated Minerals*	2003A	68,483	11.7	8.3	5.4	28%	57.5	3.8	1.2%	Two ongoing acquisitions show growth	China sales may slow
BUY	2004A	122,085	23.3	16.9	10.0	30%	31.3	5.4	1.7%	Progressive dividend policy	Coobina chromite short life
Y/e June	2005E	155,060	65.7	57.6	24.0	30%	13.0	13.5	4.3%	Strong cash flow generation	Chromite mine has short life
	2006E	242,656	117.7	101.3	41.1	30%	7.6	20.5	6.6%	Nickel acquisition looks good	New railroad may be delayed
First Quantum*	2003A	115	37	28	46.6	29%	45.7	nil	nm	Low cost mines in Zambia and Congo	Rain holds up open pit in Congo
HOLD	2004A	130	39	27	44.8	31%	47.6	nil	nm	High copper and acid prices	Political/security risk of Congo
Y/e Dec	2005E	386	202	158	249.6	22%	8.5	nil	nm	New mine at Kansanshi	Zambian malaria/AIDS cost issues
	2006E	470	144	108	168.0	25%	12.7	nil	nm	Project pipeline of new mines	
Highland Gold Mining	2003A	71.6	24.6	18.0	16.3	26%	17.0	3.13	1.1%	Barrick holds 17% fending off other suitors	Delayed production at Darasun mine
HOLD	2004A	89.3	26.2	19.9	16.6	26%	16.8	3.18	1.1%	New acquisition could add value	Shares remain near valuation
Y/e Dec	2005E	106.9	28.9	21.9	13.8	26%	20.1	2.65	1.0%	Two new mines in next two years	Mining costs rise at MNV & Darasun
	2006E	168.3	68.5	52.0	32.8	26%	9.0	6.28	2.1%	1mtpa mine potential for Mayskoye	Technical issues to overcome
LionOre Mining Int'l	2003A	292.9	89.7	57.4	33.6	30%	16.4	nil	nm	Activox process up and running	Lingering doubts on Activox
BUY	2004A	403.9	119.3	78.3	40.2	25%	13.7	nil	nm	MPI should add to nickel prod'n	Small dispersed management team
Y/e Dec	2005E	558.8	177.2	117.3	57.1	30%	9.7	nil	nm	Bulung plant could convert to Activox	UK, Canada, Botswana, Australia
	2006E	571.6	213.2	139.1	64.2	30%	8.6	nil	nm	50% of low-cost Nkomati Nickel	Little exploration in Botswana
Peter Hambro Mining	2003A	55.1	16.3	10.4	18.0	33%	61	-	0.0%	Raised gold prod'n by 50% in 2005	UK investors only see small team
BUY	2004A	89.4	24.3	15.3	22.0	34%	25.1	5.4	0.5%	Prokovosky / Pioneer mines expanding	Mgt may be stretched
Y/e Dec	2005E	151.3	73.7	47.3	54.1	34%	10.2	16.2	1.5%	Other assets to deliver additional value	Some projects are discarded
	2006E	173,765	89.1	58.3	66.8	33%	16.4	20.0	1.8%	Costs shown to fall at interim	Little geographic diversification
Randgold Resources	2003A	116.5	47.2	47.5	82.7	0%	6.7	nil	nm	Morila mine may grow after restructuring	Morila mine ageing
HOLD	2004A	83.7	20.1	20.1	34.2	0%	16.2	nil	nm	Former very high grades at Morila	Possible dissent between JV partners
Y/e Dec	2005E	185.7	70.1	62.5	106.1	0%	5.2	nil	nm	Sale of Syama mine	Loulo mine has taken years to finance
	2006E	239.2	87.7	76.4	129.8	1%	4.3	nil	nm	Luolo project production imminent	CFA strength follows the Euro

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