Q1 2012: finding opportunities in volatility

► The share prices of AIM’s junior mining companies continue to underperform the metals prices, as the Mining Eye index gained a subdued 5% over the first quarter of 2012, compared with an 8% increase in the LME Index. The lacklustre performance was offset by an uptick in new listings, with three IPOs, including that of China’s Rare Earths Global.

► The variety of debt and equity funding options improved this quarter, indicating that finance is available for the right projects in the sector – despite the ongoing volatility and risk aversion.

► The takeover of two of the sector’s largest companies – European Goldfields and Kalahari Minerals – marked the changing landscape of AIM’s mining sector, but also indicated that the market is functioning as it should: as a growth platform for international emerging companies.

► Despite the recent uplift in metals prices, we expect market volatility to continue, making funding conditions difficult, particularly for early stage juniors. However, we expect strategic investors to continue to seek opportunities to secure supply of, or control over, raw materials, creating potential funding options for companies with quality projects.

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Q1 2012 Mining Eye in review

Chart 1. Mining Eye index and FTSE AIM All-Share index performance over Q1 2012
Source: Ernst & Young, Thomson Datastream

Chart 2. Mining Eye index and peers over Q1 2012
Source: Ernst & Young, Thomson Datastream

Chart 3. Mining Eye index and FTSE AIM All-Share index performance, last 12 months
Source: Ernst & Young, Thomson Datastream

Chart 4. Mining Eye index and peers, last 12 months
Source: Ernst & Young, Thomson Datastream
Overall, the first quarter of 2012 was a benign but relatively subdued one for AIM-listed junior mining companies. The Mining Eye index closed the end of March up 5% on its January opening position. The index was supported by a strengthening of metals prices over the quarter. Copper gained 12% and gold gained 8%, underlining the extent to which equities underperformed the metals prices this quarter.

Furthermore, for the first time in a quarter of positive growth, mining companies underperformed the wider market (as represented by the AIM All Share index), and by a significant margin (see chart 1). The retail, automotive, and oil and gas sectors led the charge on AIM, the former recovering from a severely depressed performance in the run up to the 2011 year-end.

The announcement of China's cut to its growth target to 7.5% triggered a sharp decline in commodities and mining equities in early March. The longer-term, global economic influences that in times of local economic depression can make mining stocks attractive are, at other times (along with global geopolitical instability) the source of widespread flight from risk.

Geopolitical factors indeed continued to impact share price performance in the quarter. Civil unrest and a coup in Mali saw the issue of statements by AIM companies such as African Mining & Exploration and Cluff Gold, quick to reassure shareholders about the safety of their staff and assets. However, the share prices of both companies have closed the quarter in negative territory.

A more positive signal was the increase in the number of new mining companies joining the market – three IPOs and one introduction, compared with one introduction in Q4 2011. Not least was the arrival of Chinese integrated rare earths producer, Rare Earths Global. As perhaps a first-mover of its kind, the listing is a fascinating reversal of the cross-border listing trend that has become familiar in recent years: companies looking to a listing in Hong Kong in order to exploit local Chinese demand for raw materials through funding opportunities. Rare Earths Global instead is looking to exploit strong global demand for heavy rare earths outside of China (which holds the monopoly share of rare earths production), via a listing in London, a gateway to international investment.

There was also a quarter-on-quarter increase in equity financing in Q1 2012, in both value and volume terms. Proceeds reached £251m, the largest quarterly amount since Q2 2011, suggesting a tentative recovery from the turbulent second half of 2011. Over 75% of proceeds were raised by just six companies.

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**Outlook**

Despite the relatively flat performance of the index this quarter, risk aversion and volatility are likely to remain the influencing factors in the months ahead, impacting the behaviour of short-term investors. Equity markets remain challenging, though not impossible, with the delicate balance between reward seeking and risk aversion swiftly tipping toward the latter when negative macroeconomic signals dominate the headlines. Investors can be quick to take profits and move their investments elsewhere.

We have seen evidence of banks lending to the sector this quarter, along with the involvement of strategic partners – notably future offtake customers. We expect this to continue as state-owned enterprises seek to shore up their supply of raw materials, and as banks seek the right, good fit opportunities to finance projects – with “right” being about quality of management as much as quality of the project.

In a competitive and volatile market, companies need to be prepared, and able, to react quickly and decisively as windows of funding opportunity open and close. This requires a good knowledge of the financing options that best suit specific funding requirements, both short- and long-term. Furthermore, understanding, developing and exploiting a nexus to potential lenders and partners will increase the financing options available to those juniors with quality projects, a clear long-term strategy and strong management.

1 The Mining Eye index has previously underperformed the AIM All-Share index during periods of negative growth.
Q1 2012 developments

AIM mining: a changing landscape

Two significant takeovers of AIM companies completed this quarter: that of European Goldfields and Kalahari Minerals, two of the AIM mining sector’s largest companies. As a result, just one £1b+ mining company remains listed on AIM — African Minerals, a company which has already stated its intent to graduate to London’s Main Market.

The value of the AIM mining sector has fallen 41% from its 2010 peak, to £12.4b. This is partly a reflection of a general decline in overall equity values, but also a sign that the market is functioning as it should: funding companies through the value chain, from early stage exploration to the point of exit — takeover or graduation.

European Goldfields (also TSX-listed) was one of the earliest constituents of the Mining Eye in 2004, and one of the few to remain in the top 20 throughout the entire seven year life of the index. This quarter’s deals demonstrate both the evolution and emergence of successful junior mining companies as their projects developed, de-risked, and embedded value; and on the flipside, the vulnerability of companies to uncontrollable external influences and market conditions.

TSX-listed Eldorado Gold completed its acquisition of European Goldfields in February, in a C$2.5b (£1.6b) deal that is intended to create a high growth, low cost intermediate gold producer. The incorporation of European Goldfields’ assets into Eldorado’s portfolio creates a diversified pipeline of producing and near-production assets across Eastern Europe, China and Brazil. European Goldfields has seen its market value grow by nearly £1.5b since listing on AIM — from £25m in 2004 as a pre-production explorer, to £1,485m at its takeover.

Kalahari Minerals become the subject of takeover by CGNPC Uranium Resources Co (CGNPC-URC), which, in partnership with the China Africa Development Fund, has thereby gained control of the Husab uranium deposit in Namibia, a world class uranium project adjacent to the Rossing South mine controlled by Rio Tinto. CGNPC-URC acquired an 89.5% stake in Kalahari Minerals, and subsequently bid for Husab’s owner, Extract Resources, of which Kalahari was the majority owner.

The offer for Kalahari, at 243.55 pence per share, represented a discount of 1% to Kalahari’s closing price one day prior to the commencement of the offer period on 10 October 2011. Kalahari’s directors recommended the deal to shareholders, acknowledging the unanticipated impact of events in Japan this year on the uranium market, and therefore on Kalahari’s share price. A deal with CGNPC was first discussed in March 2011, at a proposed price of 290 pence per share. Uranium prices have fallen 25% from their most recent peak on 24 March 2011 when disaster struck in Japan.

Chart 5. Five-year relative share price performance

Source: Ernst & Young, Thomson Datastream

Chart 5. Five-year relative share price performance

Source: Ernst & Young, Thomson Datastream
Financing: exploring options

We saw a range of alternative financing options come to the fore again in Q1 2012 – a mixture of equity and debt-funded partnerships from widespread sources. The breadth of investors in the sector is an indication that while market conditions may be fragile, there is capital available for the right projects, and for those companies prepared to be innovative when exploring their options.

The examples below illustrate just a few of the types and scale of financing agreements that have been recently arranged with AIM’s junior mining companies for the development of specific projects. Such options, on the right terms, can offer flexibility, security, diversification of financial risk, and an alternative to dilutive equity.

Table 1. Selected financing arrangements completed or arranged during Q1 2012

<table>
<thead>
<tr>
<th>Company/Project</th>
<th>Arrangement</th>
<th>Investor/Lender/Arranger</th>
<th>Amount</th>
<th>Project status*</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Eagle Resources</td>
<td>• Strategic equity</td>
<td>IFC</td>
<td>£3.1m</td>
<td>Feasibility study</td>
<td>• Earning 10% stake</td>
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<tr>
<td>Dutwa Nickel, Tanzania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African Minerals</td>
<td>• Loan refinancing</td>
<td>Standard Bank</td>
<td>US$51.8m</td>
<td>Operating</td>
<td>• Refinancing of existing debt on more attractively priced and less restrictive terms</td>
</tr>
<tr>
<td>Tonkolili Iron Ore, Sierra Leone</td>
<td>• Strategic equity</td>
<td>Shandong Iron &amp; Steel Group</td>
<td>US$1.5b</td>
<td>Operating</td>
<td>• Cash injection in return for 25% holding in project infrastructure subsidiaries</td>
</tr>
<tr>
<td></td>
<td>• Convert. bonds</td>
<td></td>
<td>US$350m</td>
<td>Operating</td>
<td>• 8.5% convertibles due 2017 for phase 1 expansion</td>
</tr>
<tr>
<td></td>
<td>• Prefinance offtake</td>
<td>Shandong Iron &amp; Steel Group</td>
<td></td>
<td>Operating</td>
<td>• Discounted (0%-15%) offtake agreement on 2m tonnes (t) pa of phase 1 production, increasing to 10mpta, plus option to purchase up to 25% of standard production at benchmark rates</td>
</tr>
<tr>
<td>Beacon Hill Resources</td>
<td>• Debt facility</td>
<td>Vitol Coal</td>
<td>&lt;US$20m</td>
<td>Feasibility study</td>
<td>• Secured debt facility as part of an exclusive marketing agreement providing access to Vitol’s global trading and marketing networks for the sale of export coal</td>
</tr>
<tr>
<td>Minas Moatize Coal, Mozambique</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eastern Platinum</td>
<td>• Debt facility</td>
<td>Unicredit Bank, Standard Finance</td>
<td>US$100m</td>
<td>Construction</td>
<td>• 5.5 years, interest at US LIBOR + 3.85%, rising to US LIBOR + 4.15%</td>
</tr>
<tr>
<td>Mareesburg PGE, South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMED Mining</td>
<td>• Project finance</td>
<td>Goldman Sachs</td>
<td>&lt;US$175m</td>
<td>Feasibility study</td>
<td>• Mandated – likely to take form of copper pre-sale agreement</td>
</tr>
<tr>
<td>Rio Tinto Copper, Spain</td>
<td>• Credit facility</td>
<td>Yanggu Xiangguang Copper Co</td>
<td>US$15m</td>
<td>Feasibility study</td>
<td>• Offtake rights over 25% current reported copper reserves at market prices</td>
</tr>
<tr>
<td></td>
<td>• Strategic equity</td>
<td>Yanggu Xiangguang Copper Co</td>
<td>US$15m</td>
<td>Feasibility study</td>
<td>• Earning 10.9% equity stake</td>
</tr>
<tr>
<td>Hambledon Mining</td>
<td>• Loan</td>
<td>EBRD</td>
<td>US$15m</td>
<td>Operating</td>
<td>• Interest on drawn amounts at 3m LIBOR + 7% pa</td>
</tr>
<tr>
<td>Sekisovskoye Gold, Kazakhstan</td>
<td>• Strategic equity + warrants</td>
<td>EBRD</td>
<td>US$15m</td>
<td>Operating</td>
<td>• Earning 8.79% equity stake</td>
</tr>
<tr>
<td>Rambler Metals &amp; Mining</td>
<td>• Debt facility</td>
<td>Export-Import Bank of China</td>
<td></td>
<td>Feasibility study</td>
<td>• Terms being finalised; written approval received</td>
</tr>
<tr>
<td>Ming Gold, Canada</td>
<td>• Offtake and marketing agreement</td>
<td>Transamine Trading</td>
<td></td>
<td>Operating</td>
<td>• Sale of 85,000t of copper concentrate over the initial six year mine life at market spot rates</td>
</tr>
<tr>
<td></td>
<td>• Strategic equity</td>
<td>Tinma International (Chinese investor)</td>
<td>C$4.5m</td>
<td>Operating</td>
<td>• Earning 9.9% stake</td>
</tr>
<tr>
<td>Shanta Gold</td>
<td>• Loan</td>
<td>FBN Bank</td>
<td>US$15m</td>
<td>Construction</td>
<td>• Interest on outstanding loan amount at LIBOR +7% over the term of the loan</td>
</tr>
<tr>
<td>New Luika Gold, Tanzania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Natural Resources</td>
<td>• Strategic equity</td>
<td>Richardson’s Capital</td>
<td>£8.17m</td>
<td>Feasibility study</td>
<td>• Earning 29.98% stake</td>
</tr>
<tr>
<td>Elthiweri Coal, South Africa</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wolf Minerals</td>
<td>• Project finance</td>
<td>Unicredit Bank, ING Bank, Caterpillar Finance</td>
<td>£55m</td>
<td>Feasibility study</td>
<td>• Credit approval received. Also in negotiation with potential offtake partners</td>
</tr>
<tr>
<td>Hemerdon Tungsten and Tin, UK</td>
<td></td>
<td></td>
<td></td>
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</table>

*Source: Intierra

Information sourced from company reports and websites, as at ca.10 April 2012
Winners in Q1 2012

Nearly two-thirds of AIM’s mining companies realised net share price gains over the quarter, compared with just a third in Q4 2011. A number of early-stage smaller-cap companies made the highest returns this quarter, while developers reported resource updates and upgrades, though the upside share price impact was limited.

► The share price of Oxus Gold saw the largest increase in Q1 2012, at 197%. Oxus, which is developing its 50%-owned Amantaytau Goldfields project in Uzbekistan, remains embroiled in a legal dispute with the Uzbek government. In a vote of confidence in the merits of Oxus’ appeal case, the company secured a funding agreement with Calunius Capital, an investment adviser specialising in the funding of commercial litigation and arbitration claims. The agreement will effectively see Oxus’ legal costs fully funded in return for a proportion of any settlement that is reached. This importantly frees up cash for Oxus to maintain its operations – it had US$3m in cash resources at 21 October 2011.

► Stellar Diamonds’ share price gained 137% over Q1 2012, following maiden resource estimates at its Tonga and Droujba kimberlite projects in Sierra Leone and Guinea, respectively. An inferred resource of 660,000 carats (JORC-compliant) at a grade of 120 carats per hundred tonnes (+1.0mm cut off) was identified at Tonga, where the in-situ contained diamond value is estimated at between US$148m and US$178m. At Droujba, a JORC-compliant inferred resource of 2,474,000 carats to a depth of 360m was identified, with a resource grade of 70 carats per hundred tonnes. Together, the projects take Stellar’s combined resource base to 3.1m carats.

► The share price of iron ore explorer West African Minerals appreciated 123% over the quarter, as the company completed its acquisition of Ferrum Resources, and subsequently CMC Guernsey, thereby increasing its ownership of six exploration licences in Cameroon to 95%. Sundance Resources and AIM-listed Afferro Mining are developing projects nearby.

► Kazakhstan-focused Frontier Mining’s share price benefitted from news of continued progress toward production, following the completion of its purchase of the South Benkala copper project to complement its existing Benkala licence. Construction permits were received in the quarter, enabling the company to proceed with further commissioning of the SX-EW plant. Production is on course to commence in 2012, a major milestone for the company.

► Other gainers included Central Asia Metals, whose share price appreciated 88% over the quarter. It conditionally increased its ownership of the Kounrad copper project in Kazakhstan to 100%, with first production expected in April. Commissioning of the SX-EW plant began at the end of February, with material completion of the project achieved on time and under budget.

![Chart 6. Mining Eye index and FTSE AIM All Share index since 2004](source: Ernst & Young, Thomson Datastream)
The share price of gemstone producer Gemfields increased by 58% over the quarter, following the release of positive interim results. The company reported a 57% increase in 1H emerald sales to US$45.7m (compared with the same period a year ago) and a 42% increase in net profit after tax to US$22m. Results were underpinned by an increase in carat prices due to strong demand for ethically-sourced rough gemstones across all of the company’s major markets. This news was consolidated by the outcome of a “robust” auction in Singapore at the end of March, which made revenues of US$26.2m.

A number of companies reported resource upgrades and increases that did not necessarily result in a net positive share performance over the quarter:

Baobab Resources reported the culmination of its 2011 drilling programme at the Tenge prospect, one of the five resource areas on its Tete iron/vanadium/titanium project in Mozambique. The Tete resource base has expanded to 482mt (JORC-compliant), from a base of 48mt at the start of 2011. Over 300mt of this has been defined at the Tenge/Ruoni prospect, which the company says firmly establishes the prospect as a standalone asset. Baobab’s share price closed the quarter down 12%, however.

Also in the Mozambique Tete province, Ncondezi Coal reported an increase to its coal resource estimate as it progresses toward completion of a definitive feasibility study by Q3 2012. The total JORC coal resource at Ncondezi has been upgraded to 4.655bt, an increase of 157% from the maiden resource classification in February 2010. Ncondezi also announced the signing of a rail and port infrastructure agreement for the future export of coal with Rio Tinto Coal Mozambique and Minas de Revuboe. Ncondezi’s shares fared little better than Baobab Resources’, however, closing the quarter down 9%.
The largest share price falls this quarter related to funding shortfalls and operational problems. Operational problems, with the associated cost escalations and production shortfalls, can quickly lead to a working capital deficit for junior companies – a precarious situation in which to be, particular during periods of equity market volatility.

► Noventa’s share price plummeted 60% over Q1 2012. The company reported on a series of operational problems that resulted in delayed commissioning of a new plant, and below forecast production of tantalum from its Marrapino mine in Mozambique. The board reported that the production shortfall, along with the anticipated costs of corrective action, would mean an additional funding requirement of around US$10m–US$13m, in addition to cash on the balance sheet of US$8.5m at 21 March 2012.

UK coal producers ATH Resources and Scottish Resources Group suffered tough times this quarter, issuing warnings that profits were unlikely to meet expectations and that margins were being squeezed due to falling spot prices. Greater volumes of US and Colombian coal entering global markets, a response to lower freight rates, has led to price weakening.

► ATH Resources warned that margins were being squeezed by a combination of rising gas oil prices and weakness in international coal prices, despite re-signing legacy contracts on agreeable terms. As a result, trading performance for the full year is likely to be “substantially below expectations”. The company is also appealing against the proposed UK Carbon Reduction Commitment Scheme, which, if implemented, ATH predicts will cost the company £1.1m per year for three years from April 2012.

► Palmaris Capital, whose sole investment is a 16.1% stake in Scottish Resources Group (SRG), the UK’s largest surface coal miner, warned that full year production by SRG is likely to fall short of expectations due to above average rainfall during the period. While the majority of 2012 and 2013 sales have already been agreed on fixed price contracts, weakness in spot prices remains a concern ahead of negotiations for subsequent year contracts.

► The shares of phosphate miner Sunkar Resources resumed trading this quarter, following suspension last September due to insufficient working capital, and the announcement in December that it had breached loan covenants. Sunkar secured funding of US$12.8m via the issue of convertible notes to Sun Avenue Partners Corp but while the news provided temporary relief, the company’s share price closed the quarter down 53%. The funding will be used to pay creditors and to complete the bankable feasibility study at the Chilisai phosphorite deposit in Kazakhstan. Shipments to Kazakh and Russian farmers, including some prepaid orders, have been signed.

► Gold producer Angel Mining reported further woes at its Nalunaq gold mine in Greenland, due to the failure of mine equipment at the site. The failure of a power generator and pump, and the subsequent impact on gold doré production, serve to illustrate the exposure of junior miners operating in remote and environmentally harsh locations. Management is now focused on cutting costs and rescheduling employee leave while repairs and maintenance take place. Working capital has been impacted, but the company hopes to meet its financial commitments as they fall due with the support of creditors, and is confident that better news is to follow.
There were three mining IPOs on AIM in Q1 2012 (along with one introduction and two readmissions), compared with no IPOs in the last quarter of Q4 2011, signalling hope of a revival in the market.

Our AIM universe of mining and mining-related companies now stands 166 strong, with an aggregate market value of £12.4bn, a 2% fall in value from the end of 2011. This reflects both an ongoing fall in equity values and the exit of European Goldfields.

**Market entrants**

► **Papua Mining** joined AIM on 2 March, raising proceeds of £7m. Papua is exploring gold and copper deposits in Papua New Guinea, currently with two exploration licences in the New West Britain province of New Britain, and one licence in Ambunti, in the East Sepik province on the mainland.

► **Bushveld Minerals** joined AIM on 26 March with a market cap of £56.8m. The company, which owns the Bushveld Iron Ore and Mokopane Tin projects in South Africa, is 46%-owned by Obtala Resources, the AIM-listed resources investment company. The £5.46m of funds raised from the IPO will be put toward the development of its projects. Bushveld Iron Ore has a JORC-compliant Vanadium-Titanium-Magnetite resource of over 600mt (260mt indicated) over a 4.5km strike length. Mokopane Tin has a JORC resource in excess of 5,000t.

► March saw the arrival of **Rare Earths Global** to the market, a Chinese integrated rare earths producer with a particular focus on higher value heavy rare earths. The company described the listing as an opportunity to capitalise on strong global demand for rare earths and to establish itself as "one of China’s leading mining services operators". Only 15% of the company’s share capital is freefloat, with chief executive Simon Ong holding 77% of the company. Rare Earths Global raised £6.4m and saw its market value peak at £683m two weeks after listing at £157m.

► Australian company **Bullabulling Gold** listed on AIM in March by way of an introduction (raising no funds). The company was formed from the acquisition of AIM-listed GGG Resources to fast track the development of the Bullabulling Gold project in the Coolgardie Goldfield of Western Australia. The company’s shares have also been admitted to the Australian Securities Exchange.
Market readmissions

► **West African Minerals** (formerly Emerging Metals) undertook a placing readmission on AIM, following its acquisitions of Ferrum Resources and CMC Guernsey, securing iron ore exploration licences in Cameroon and Sierra Leone.

► **Premier Gold Resources** was readmitted to AIM following a change of name (from Premier Management Holdings) and acquisition of Central Asia Resources. The company is now the owner of the Cholokkaindy gold exploration licence in Kyrgyzstan.

Market exits

► **Discovery Metals**, which also has a listing on the ASX, decided to delist its shares from AIM on the basis that some of its top shareholders, including those based in the UK, were holding their securities as fully paid ordinary shares on the Australian register. This, along with low trading volumes, the burden of compliance, and the costs of maintaining both listings, was deemed to outweigh any benefits of remaining listed on AIM.

► **European Goldfields** shares were delisted on 27 February following completion of the company’s acquisition by Eldorado Gold.

► **West African Minerals** shares were delisted and readmitted following its acquisition of Ferrum Resources (see above).

► **GGG Resources** delisted following its acquisition by Bullabulling Gold (see above).

Changes to the Mining Eye index

**Cluff Gold**, along with **Gemfields** and **Frontier Mining**, joined the Mining Eye index at the start of Q2 2012, replacing **European Goldfields**, **Beacon Hill Resources** and **Discovery Metals**. Beacon Hill Resources dropped out of the index following a relatively disappointing share price performance over the quarter, despite news of a maiden JORC reserve at Minas Moatize and a marketing agreement with Vitol. **Kalahari Minerals** remained in the index at quarter-end, but has been replaced on its 4 April delisting by **EMED Mining**.
Equity fundraising by AIM’s mining sector reached a total of £251m in Q1 2012, compared with £154m in Q4 2011 (+63%), and £635m in the same period a year ago (~60%). Proceeds from placings by new issues were just £22m (9%) of this total, with the rest coming from secondary (follow on) issues of equity, the largest of which are outlined below.

Equity fundraising across AIM saw a similar quarter-on-quarter recovery, although proceeds from new issues across sectors continued a six month trend of decline. Mining companies accounted for 27% of all proceeds raised, up from 18% a quarter ago.

► **London Mining** raised £58m from a share placing for the acceleration of development at its Marampa iron ore project in Sierra Leone. The company will bring forward ramp up of production to 5mt per year by 2014, using the equity proceeds in conjunction with anticipated funds from a planned separate offtake agreement.

► **Sirius Minerals** raised £55m in January for the development of its York Potash project in the UK. The funding should see the project through to the definitive feasibility study – a decision management took in light of the uncertainty on global markets. The company is keen to fast-track the project to production as soon as possible in order to take advantage of current favourable potash market conditions, with rising prices driven by tightening supply and demand dynamics.

► **Cluff Gold** raised £23m to meet the consideration and capital costs of its recent acquisition of the Sega gold project in Burkina Faso; to accelerate the exploration programme at its Cote d’Ivoire Yaoure project; and to enhance the level of funds available for exploration across the rest of its portfolio.

► **Minera IRL** raised £21m, which, in conjunction with cash resources, will be used to complete the exploration and development tunnel, feasibility study and further exploration programmes at its Ollachea gold project in Peru; to progress activities at Don Nicolas in Argentina; and to conduct exploration programmes in the wider Patagonia region.

► **Nyota Minerals**, which is exploring for gold in Ethiopia, raised £9.7m via a placing with UK and Australian investors. Proceeds will be used to progress the company’s Tulu Kapi project after completion of the definitive feasibility study, and to maintain exploration drilling of its Northern Block properties. Fellow AIM-listed gold company, Centamin, which is developing the Sukari gold mine in Egypt, subscribed to over 40% of the offering on market, acquiring a 14% stake in Nyota’s enlarged share capital as a result.
### Fundraising on AIM, 2006–2012

Source: Ernst & Young analysis of AIM market statistics

#### Table 2. Fundraising on AIM – mining and all sectors

<table>
<thead>
<tr>
<th></th>
<th>Mining</th>
<th></th>
<th>AIM</th>
<th></th>
<th>Mining as % of all AIM</th>
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<tr>
<td></td>
<td>New issues</td>
<td>Further issues&lt;sup&gt;3&lt;/sup&gt;</td>
<td>Total issues</td>
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<td>Further issues</td>
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<td></td>
<td>No. of IPOs&lt;sup&gt;1&lt;/sup&gt;</td>
<td>No. of other new issues&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Proceeds £m</td>
<td>No. of money raising issues</td>
<td>Proceeds £m</td>
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<td>Q4 2011</td>
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<td>No. of money raising issues</td>
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<td>148</td>
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<td>5,734</td>
<td>15,643</td>
<td>11%</td>
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<sup>1</sup> Where AIM is the primary market of listing for the company’s first public issue of shares (does not include secondary listings).

<sup>2</sup> Includes introductions, secondary listings, transfers and readmissions (money raising and non-money raising).

<sup>3</sup> Funds raised from follow on issues of shares.
### Index constituents selected at start of each quarter

Source: Ernst & Young; Thomson Datastream

<table>
<thead>
<tr>
<th>Q4 2011</th>
<th>MV (£m)</th>
<th>Q1 2012</th>
<th>MV (£m)</th>
<th>Q2 2012</th>
<th>MV (£m)</th>
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<td>European Goldfields</td>
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<td>Sierra Rutile</td>
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| | Top 20 market value £m | 8,568 | Top 20 market value £m | 8,595 | Top 20 market value £m | 7,626 |
| | Total universe market value £m | 13,151 | Total universe market value £m | 12,621 | Total universe market value £m | 12,401 |
| | Top 20 represent (%) | 65% | Top 20 represent (%) | 68% | Top 20 represent (%) | 61% |

¹ Kalahari Minerals replaced by EMED Mining following its delisting on 4 April 2012.
Ernst & Young’s Global Mining & Metals Center

With a strong but volatile outlook for the sector, the global mining and metals industry is focused on future growth through expanded production, without losing sight of operational efficiency and cost optimization. The sector is also faced with the increased challenges of changing expectations in the maintenance of its social license to operate, skills shortages, effectively executing capital projects and meeting government revenue expectations.

Ernst & Young’s Global Mining & Metals Center brings together a worldwide team of professionals to help you achieve your potential – a team with deep technical experience in providing assurance, tax, transactions and advisory services to the mining and metals sector.

The Center is where people and ideas come together to help mining and metals companies meet the issues of today and anticipate those of tomorrow. Ultimately it enables us to help you meet your goals and compete more effectively. It’s how Ernst & Young makes a difference.

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