

# Metals & Mining

## Maintain Neutral-to-Bearish Outlook

- **Forecast Revisions** — Citi has made revisions to its industrial commodity forecasts for the precious, base metals and bulk commodities for the years 2014 through to 2017 -[Commodities Inflection Point - Still Cyclical, But Not So Super](#). We expect global commodities demand to remain muted for at least another year due to macroeconomic factors. However, seasonal and tail risk factors are likely to be potential catalysts for prices. We have made changes to company forecasts, target prices and ratings to reflect these revisions; please see inside for details.
- **Neutral to Bearish Outlook** — The key base metals of Copper and Nickel have seen Citi forecast upgrades of 1.5% and 3.8% in 2014. Silver has seen the biggest upgrade amongst the precious metals with upward revisions of 17% and 21% in 2016 and 2017, respectively. Iron ore is the only bulk commodity where our price forecast has seen an upward revision, of 4.3% in 2014. Our forecasts for coal have seen small revisions, as Thermal coal has been revised 0.6% higher with Met coal lowered 0.8%. Against the forward curve, we retain our bullish stance on Palladium, Platinum and Nickel, with a bearish stance on Copper and Aluminum.
- **Limited Upside, with downside support being company specific** — We believe we are now in a trading range for the metals and mining sector, which could last for another 1-2 years (Please see [Treading Water](#)). Most commodity markets are in over supply, which is likely to take a period of time to digest given tepid demand. Capex and cost cuts are now known by the market. While asset sales could provide upside, there appears to be a disconnect between what the sellers of assets want versus what the buyers are willing to pay, which has interesting read-through for equity prices. The large diversifieds have downside support based on dividend yield, but the base metals and gold stocks have, in our view, limited downside protection.
- **Sector preference** — Rio Tinto remains our favoured Buy among the large-cap UK diversified mining companies, followed by Glencore-Xstrata. We have Sell ratings on Antofagasta, First Quantum, Nyrstar, New World Resources, African Barrick, Assore, Fresnillo, Hochschild, Petropavlovsk and Randgold Resources. We remain underweight the gold and base metals companies and our least favoured name among the large-cap miners is Anglo American.

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**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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## Data Summary

Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Anglo American	AAL.L	2	2	£15.00	£14.00	US\$1.96	US\$1.97
African Barrick	ABGL.L	3	3	£1.19	£1.32	US\$0.16	US\$0.18
African Minerals	AMlq.L	1H	1H	£3.30	£3.00	US\$5.7	US\$8.0
Antofagasta	ANTO.L	3	3	£8.00	£7.70	US\$81.2	US\$84.2
Aquarius Platinum	AQP.L	2	2	£0.54	£0.49	US\$1.2	US\$0.9
African Rainbow	ARIJ.J	1	1	R235.00	R225.00	R17.73	R18.58
Assore Limited	ASRJ.J	3	3	R310.00	R290.00	ZA\$3,853	ZA\$4,080
BHP Billiton	BLT.L	2	2	£20.70	£21.00	US\$290.6	US\$290.6
Boliden	BOL.ST	3	2	SKr86.00	SKr95.00	SKr4.43	SKr4.79
Centamin Egypt	CEY.L	2	2	-	-	US\$17.8	US\$18.9
Exxaro	EXXJ.J	2	2	R170.00	R150.00	R12.47	R12.64
FST Quantum Minerals	FQM.L	3	3	£8.90	£9.50	US\$0.96	US\$0.98
Fresnillo	FRES.L	3	3	£9.11	£8.18	US\$0.54	US\$0.57
Ferrexpo	FXPO.L	1	1	£2.20	£2.10	US\$0.36	US\$0.39
Gem Diamonds	GEMD.L	1	1	£1.87	£1.82	US\$0.14	US\$0.14
Glencore Xstrata	GLEN.L	1	1	£3.80	£3.70	US\$0.27	US\$0.29
Hochschild Mining	HOCM.L	3	3	£1.45	£1.24	US\$-0.06	US\$-0.05
Kazakhmys	KAZ.L	2	2	£2.80	£2.80	US\$0.27	US\$0.30
Kumba Iron Ore	KIOJ.J	2	2	R430.00	R420.00	R46.96	R47.87
Lonmin	LMI.L	1	1	£4.53	£4.52	US\$24.0	US\$20.6
London Mining	LOND.L	1	1	£1.60	£1.60	US\$0.20	US\$0.19
Lundin Mining	LUMIsdb.ST	2	2	SKr29.40	SKr29.60	US\$0.21	US\$0.21
Norsk Hydro	NHY.OL	2	2	NKr27.00	NKr27.00	NKr0.71	NKr0.73
NordGold	NORDNq.L	2	2	US\$1.82	US\$1.74	US\$0.11	US\$0.05
New World Res	NWRR.L	3H	3H	£0.75	£0.75	€-0.98	€-1.18
Nyrstar	NYR.BR	3	3H	€3.00	€2.00	€-0.61	€-0.61
Petra Diamonds	PDL.L	1	1	£1.57	£1.41	US\$0.16	US\$0.14
Polyus Gold	PGIL.L	2	2	£2.00	£1.94	US\$0.19	US\$0.17
Petropavlovsk	POG.L	3	3	£0.64	£0.55	US\$0.19	US\$-0.05
Polymetal	POLYP.L	2	2	£6.15	£5.65	US\$0.62	US\$0.67
Rio Tinto	RIO.L	1	1	£39.00	£40.00	US\$527.2	US\$527.2
Randgold Resourc	RRS.L	3	3	£42.26	£42.54	US\$3.03	US\$2.99
Vedanta	VED.L	2	2	£11.40	£10.00	US\$91.6	US\$70.1

## Commodity price revisions

Citi's Global Commodity team released its 2014 market outlook and remains neutral to bearish on our price forecasts. For investors with an eye on 2016-18, we have upgraded our outlook for Cu, Ag, Au and Zn as capex reductions potentially tighten supply, but this is not the case for met coal and iron ore which were cut.

For more details please see [Commodities Inflection Point - Still Cyclical, But Not So Super.](#)

Figure 1. City Commodity Price Forecasts

		Point Prices													
		0-3M	6-12M		Q3 2013	Q4 2013E	Q1 2014E	Q2 2014E	2012	2013E	2014E	2015E	2016E	2017E	2018E
<b>Energy</b>				<b>5Y Cyclical</b>											
NYMEX WTI	USD/bbl	97.0	92.5		81.0	108.0	99.0	97.0	89.0	94.1	98.9	92.8	86.3	83.0	80.0
ICE Brent	USD/bbl	100.0	97.5		85.0	112.0	105.0	100.0	95.0	111.7	108.2	97.5	92.5	90.0	85.0
Henry Hub Natural Gas	USD/MMBtu	3.7	3.8		N/A	3.6	3.6	3.7	3.6	2.8	3.7	3.7	4.5	4.9	5.5
<b>Base Metals</b>				<b>LT Price</b>											
LME Aluminum	USD/MT	1,730	1,900		2,200	1,827	1,810	1,780	1,820	2,049	1,885	1,835	1,950	2,000	2,200
LME Copper	USD/MT	6,700	6,400		6,200	7,096	7,100	6,800	6,700	7,945	7,335	6,650	6,825	7,500	8,000
LME Lead	USD/MT	2,250	2,300		2,200	2,116	2,160	2,250	2,000	2,072	2,165	2,175	2,255	2,350	2,360
LME Nickel	USD/MT	17,500	18,000		20,000	13,996	14,400	17,000	16,500	17,592	15,210	17,000	19,000	23,000	24,000
LME Tin	USD/MT	22,500	23,500		20,000	21,284	22,200	22,000	21,500	21,108	22,140	22,375	24,000	25,000	23,000
LME Zinc	USD/MT	1,800	1,950		2,100	1,896	1,890	1,840	1,850	1,963	1,930	1,860	2,050	2,250	2,320
<b>Precious Metals</b>				<b>LT Price</b>											
COMEX Gold	USD/T. oz	1,220	1,280		1,050	1,330	1,280	1,250	1,230	1,669	1,417	1,255	1,350	1,370	1,420
Silver	USD/T. oz	20.0	20.7		16.5	21.5	21.1	20.2	20.0	31.2	24.1	20.3	22.2	22.5	23.1
Platinum	USD/T. oz	1,500	1,525		1,531	1,453	1,500	1,500	1,475	1,552	1,515	1,500	1,625	1,700	1,825
Palladium	USD/T. oz	800	860		680	724	750	750	800	645	732	800	925	925	950
<b>Bulk Commodities</b>				<b>5Y Cyclical</b>											
Hard Coking Coal (benchmark Asia)	USD/MT	150	160		200	145	155	155	160	211	159	160	170	180	200
Thermal Coal Asia (NEWC)	USD/MT	85.0	80.0		105.0	77.1	73.0	82.0	77.0	94.0	81.7	78.5	84.8	85.0	100.0
Iron Ore Spot (TSI)	USD/MT	135	115		81	133	121	130	120	128	132	120	100	90	90
<b>Agriculture</b>															
CBOT Corn	USd/bu	420	390		N/A	512	435	440	450	695	595	425	470	515	N/A
CBOT Wheat	USd/bu	1,265	1,000		N/A	650	685	700	705	750	690	690	640	615	N/A
CBOT Soybeans	USd/bu	670	700		N/A	1,405	1,265	1,260	1,250	1,465	1,390	1,180	1,050	1,075	N/A
CBOT Rice	USD/cw t	15.5	15.3		N/A	15.6	15.5	15.4	15.3	14.9	15.5	15.3	14.2	N/A	N/A
NYB-ICE Cotton	USd/lb	79.0	77.8		N/A	85.6	80.0	79.0	78.0	80.0	84.0	78.0	75.0	N/A	N/A
Sugar#11	USd/lb	18.0	18.0		N/A	16.7	18.3	18.0	18.0	21.6	17.5	18.0	18.5	N/A	N/A
ICE Coffee	USd/lb	105.0	115.0		N/A	118.0	108.0	100.0	105.0	175.0	125.0	105.0	120.0	N/A	N/A
ICE Cocoa	USD/MT	2,600	2,700		N/A	2,420	2,700	2,550	2,550	2,348	2,400	2,600	2,600	N/A	N/A

Source: Citi Research

Figure 2. Citi Commodity Price Forecasts

Calendar Years		2010a	2011a	2012a	2013e	2014e	2015e	Long term
A\$/US\$		0.92	1.03	1.03	0.98	0.95	0.93	0.93
EURO/US\$		1.33	1.39	1.29	1.33	1.40	1.40	1.40
US\$/ZAR		7.32	7.26	8.21	9.58	10.05	10.41	10.00
<b>Precious Metals</b>								
Gold	US\$/oz	1,229	1,570	1,669	1,417	1,255	1,350	1,050
Silver	US\$/oz	20	35	31	24	20	22	17
Platinum	US\$/oz	1,614	1,722	1,552	1,515	1,500	1,625	1,531
Palladium	US\$/oz	529	734	645	732	800	925	680
Rhodium	US\$/oz	2,376	2,004	1,277	1,106	1,150	1,250	2,859
<b>Base Metals</b>								
Aluminium	US\$/lb	99	110	93	86	83	88	100
Copper	US\$/lb	342	400	360	333	302	310	281
Molybdenum	US\$/lb	15.9	15.3	12.6	10.9	12.1	12.1	11.3
Nickel	US\$/lb	9.9	10.4	8.0	6.9	7.7	8.6	9.1
Zinc	US\$/lb	98	100	89	88	84	93	95
Lead	US\$/lb	97	108	94	98	99	102	100
<b>Bulks</b>								
Hard coking	US\$/t	191	289	211	159	160	170	200
Semi soft	US\$/t	139	206	149	116	115	122	150
Thermal benchmark	US\$/t	91	122	105	82	79	85	105
LV-PCI	US\$/t	144	223	142	127	128	136	160
Iron Ore Spot	Spot \$US/t	147	168	129	132	120	100	81
<b>Oil</b>								
WTI	US\$/bbl	82.5	95.3	94.2	98.8	92.8	86.3	81
Brent	US\$/bbl	82.5	110.2	111.7	108.2	97.5	92.5	85

Source: Citi Research

Figure 3. Citi Industrial Commodity Forecast Changes

		LT	2013	2014	2015	2016	2017	2018			LT	2013	2014	2015	2016	2017	2018
Aluminium	Old	2,200	1,875	1,830	1,950	2,000	2,100	2,234	Silver	Old	16.50	23.80	20.20	22.20	19.20	19.00	18.73
\$/tonne	New	2,200	1,885	1,835	1,950	2,000	2,100	2,200	\$/oz	New	16.50	24.05	20.30	22.20	22.50	23.00	23.10
% Change		0.0%	0.5%	0.3%	0.0%	0.0%	0.0%	-1.5%	% Change		0.0%	1.1%	0.5%	0.0%	17.2%	21.1%	23.4%
Copper	Old	6,200	7,280	6,550	6,800	7,000	7,100	7,108	Platinum	Old	1,531	1,516	1,500	1,625	1,700	1,750	1,738
\$/tonne	New	6,200	7,335	6,650	6,825	7,500	7,800	8,000	\$/oz	New	1,531	1,515	1,500	1,625	1,700	1,750	1,825
% Change		0.0%	0.8%	1.5%	0.4%	7.1%	9.9%	12.6%	% Change		0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%	5.0%
Nickel	Old	20,000	15,222	16,375	19,000	23,000	24,000	22,341	Palladium	Old	680	734	800	925	925	950	772
\$/tonne	New	20,000	15,210	17,000	19,000	23,000	24,000	24,000	\$/oz	New	680	732	800	925	925	950	950
% Change		0.0%	-0.1%	3.8%	0.0%	0.0%	0.0%	7.4%	% Change		0.0%	-0.3%	0.0%	0.0%	0.0%	0.0%	23.1%
Zinc	Old	2,100	1,923	1,860	2,050	2,150	2,175	2,338	Rhodium	Old	2,859	1,106	1,150	1,250	1,650	2,000	3,245
\$/tonne	New	2,100	1,930	1,860	2,050	2,250	2,300	2,320	\$/oz	New	2,859	1,106	1,150	1,250	1,650	2,000	3,225
% Change		0.0%	0.4%	0.0%	0.0%	4.7%	5.7%	-0.8%	% Change		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.6%
Lead	Old	2,200	2,160	2,175	2,238	2,250	2,200	2,338	Hard Coking Coal	Old	200	159	161	170	188	200	212
\$/tonne	New	2,200	2,165	2,175	2,255	2,350	2,400	2,360	\$/tonne	New	200	159	160	170	180	190	200
% Change		0.0%	0.2%	0.0%	0.8%	4.4%	9.1%	0.9%	% Change		0.0%	0.0%	-0.8%	0.0%	-4.0%	-4.9%	-5.6%
Tin	Old	20,000	22,055	22,375	24,000	24,500	23,000	19,299	Thermal Coal	Old	105	81	78	85	95	100	108
\$/tonne	New	20,000	22,140	22,375	24,000	25,000	24,000	23,000	\$/tonne	New	105	82	79	85	85	90	100
% Change		0.0%	0.4%	0.0%	0.0%	2.0%	4.3%	19.2%	% Change		0.0%	1.3%	0.6%	-0.3%	-10.5%	-9.9%	-7.1%
Gold	Old	1,050	1,405	1,250	1,350	1,370	1,400	1,192	IRON ORE	Old	81	130	115	115	115	110	108
\$/oz	New	1,050	1,417	1,255	1,350	1,370	1,400	1,420	\$/tonne	New	81	132	120	100	90	90	90
% Change		0.0%	0.9%	0.4%	0.0%	0.0%	0.0%	19.2%	% Change		0.0%	1.3%	4.3%	-13.0%	-21.7%	-18.2%	-16.3%

Source: Citi Research

## Ratings and price target changes

Figure 4. Rating and target price changes

	Listing	RIC	Price 21/11/13	Rating	New PT	Upside	Div Yield	ETR	Rating	Old PT	Upside	Div Yield	ETR
<b>Diversified</b>													
Anglo American PLC	GBP	AAL.L	13.85	2	14.00	1%	4%	6%	2	15.00	8%	4%	13%
BHP Billiton	GBP	BLT.L	19.10	2	21.00	10%	4%	14%	2	20.70	8%	4%	13%
Glencore	GBP	GLEN.L	3.15	1	3.70	17%	3%	21%	1	3.80	21%	3%	24%
Rio Tinto PLC	GBP	RIO.L	32.47	1	40.00	23%	3%	27%	1	39.00	20%	3%	24%
Vedanta Resources	GBP	VED.L	9.23	2	10.00	8%	4%	13%	2	11.40	24%	4%	28%
<b>Base and Bulks</b>													
African Minerals	GBP	AMlq.L	1.92	1H	3.00	56%	0%	56%	1H	3.30	72%	0%	72%
Ferrexpo	GBP	FXPO.L	1.72	1	2.10	22%	2%	24%	1	2.20	28%	2%	30%
London Mining	GBP	LOND.L	1.18	1	1.60	36%	0%	36%	1	1.60	36%	0%	36%
New World Resources	GBP	NWRR.L	0.78	3H	0.75	-4%	0%	-4%	3H	0.75	-4%	0%	-4%
Antofagasta	GBP	ANTO.L	7.97	3	7.70	-3%	2%	-1%	3	8.00	0%	2%	3%
Boliden	SEK	BOL.ST	90.25	2	95.00	5%	2%	7%	3	86.00	-5%	2%	-3%
First Quantum Minerals	GBP	FQM.L	10.72	3	9.50	-11%	2%	-10%	3	8.90	-17%	2%	-15%
Kazakhmys	GBP	KAZ.L	2.40	2	2.80	17%	2%	19%	2	2.80	17%	2%	19%
Lundin Mining	SEK	LUMlsdb.ST	27.61	2	29.60	7%	0%	7%	2	29.40	6%	0%	6%
Nyrstar	EUR	NYR.BR	2.24	3H	2.00	-11%	8%	-3%	3	3.00	34%	8%	41%
Norsk Hydro	NOK	NHY.OL	25.99	2	27.00	4%	3%	7%	2	27.00	4%	3%	7%
<b>Gold/PGM</b>													
African Barrick Gold	GBP	ABGL.L	1.68	3	1.32	-21%	0%	-21%	3	1.19	-29%	0%	-29%
Aquarius Platinum Plc	GBP	AQP.L	0.43	2	0.49	15%	0%	15.3%	2	0.54	27%	0%	27%
Centamin Egypt	GBP	CEY.L	0.44	2	-	-	-	-	2	-	-	-	-
Fresnillo	GBP	FRES.L	8.64	3	8.18	-5%	2%	-3%	3	9.11	6%	2%	8%
Gem Diamonds	GBP	GEMD.L	1.44	1	1.82	27%	0%	27%	1	1.87	30%	0%	30%
Hochschild Mining	GBP	HOCM.L	1.28	3	1.24	-3%	3%	0%	3	1.45	13%	3%	17%
Lonmin	GBP	LMl.L	3.11	1	4.52	45%	0%	45%	1	4.53	46%	0%	46%
Nordgold	USD	NORDNq.L	1.58	2	1.74	10%	2%	12%	2	1.82	15%	2%	17%
Petra Diamonds	GBP	PDL.L	1.08	1	1.41	31%	0%	31%	1	1.57	46%	0%	46%
Petropavlovsk	GBP	POG.L	0.64	3	0.55	-14%	0%	-14%	3	0.64	0%	0%	0%
Polymetal	GBP	POLYP.L	5.20	2	5.65	9%	4%	13%	2	6.15	18%	4%	22%
Polyus Gold	GBP	PGIL.L	1.92	2	1.94	1%	4%	5%	2	2.00	4%	4%	8%
Randgold Resources	GBP	RRS.L	43.65	3	42.54	-3%	0%	-2%	3	42.26	-3%	0%	-3%
<b>South Africa</b>													
Anglo American	ZAR	AGL.J.J	225	2	240	7%	4%	10%	2	240	7%	4%	10%
African Rainbow	ZAR	ARI.J.J	183	1	225	23%	3%	26%	1	235	28%	3%	32%
Assore Limited	ZAR	ASRJ.J	382	3	290	-24%	2%	-21%	3	310	-19%	2%	-16%
Exxaro	ZAR	EXXJ.J	142	2	150	5%	3%	8%	2	170	19%	3%	22%
Kumba Iron Ore	ZAR	KIOJ.J	401	2	420	5%	10%	15%	2	430	7%	10%	17%
<b>European Steels</b>													
ArcelorMittal	EUR	ISPA.AS	12.53	1	13.60	9%	1%	10%	1	13.60	9%	1%	10%
Klockner	EUR	KCOGn.DE	10.49	2	10.50	0%	0%	0%	2	10.50	0%	0%	0%
SSAB	SEK	SSABa.ST	45.93	3	36.00	-22%	2%	-19%	3	36.00	-22%	2%	-19%
Salzgitter	EUR	SZGG.DE	31.11	3	28.00	-10%	0%	-10%	3	28.00	-10%	0%	-10%
voestalpine	EUR	VOES.VI	36.35	2	34.00	-6%	3%	-4%	2	34.00	-6%	3%	-4%

Source: Citi Research

Figure 5. EPS Revisions

			2013F			2014F			2015F		
Company	Currency	RIC	Old	New	% Change	Old	New	% Change	Old	New	% Change
Diversified											
Anglo American PLC	USD	AAL.L	1.96	1.97	0.2%	1.58	1.53	-3.6%	1.92	1.67	-12.6%
BHP Billiton	USD	BLT.L	2.22	2.22	0.0%	2.92	2.91	-0.3%	3.22	3.01	-6.6%
Glencore	USD	GLEN.L	0.27	0.29	5.6%	0.35	0.35	1.9%	0.49	0.48	-3.9%
Rio Tinto PLC	USD	RIO.L	5.44	5.27	-3.0%	6.10	6.05	-0.8%	7.11	5.82	-18.1%
Vedanta Resources	USD	VED.L	1.31	1.31	0.0%	0.92	0.70	-23.5%	1.42	1.24	-12.5%
Base and Bulks											
African Minerals	USD	AMi.L	0.06	0.08	41.2%	0.60	0.55	-8.4%	0.53	0.20	-63.0%
Ferrexpo PLC	USD	FXPO.L	0.36	0.39	9.5%	0.39	0.54	37.4%	0.40	0.22	-46.5%
London Mining	USD	LOND.L	0.20	0.19	-5.3%	0.25	0.40	59.1%	0.33	-0.05	-114.0%
New World Resources	EUR	NWRR.L	-0.98	-1.18	-21.1%	-1.21	-0.76	36.9%	-1.52	-0.95	37.3%
Antofagasta	USD	ANTO.L	0.81	0.84	3.7%	0.70	0.74	5.7%	0.88	0.85	-3.7%
Boliden	SEK	BOL.ST	4.43	4.79	8.2%	7.28	7.34	0.8%	12.04	12.30	2.2%
First Quantum Minerals	USD	FQM.L	0.96	0.98	2.5%	0.92	1.01	9.0%	1.68	1.70	1.6%
Kazakhmys	USD	KAZ.L	0.27	0.30	10.9%	0.33	0.30	-9.7%	1.16	1.10	-5.3%
Lundin Mining	USD	LUMIsdb.ST	0.21	0.21	2.9%	0.16	0.16	-0.5%	0.26	0.25	-2.9%
Nyrstar	EUR	NYR.BR	-0.61	-0.61	-1.3%	-0.27	-0.51	-89.3%	0.23	-0.23	-198.6%
Norsk Hydro	NOK	NHY.OL	0.71	0.73	3.0%	0.87	0.86	-1.1%	1.50	1.48	-1.1%
Gold/PGM											
African Barrick Gold	USD	ABGL.L	0.16	0.18	18.3%	0.05	0.08	61.1%	0.22	0.24	12.3%
Aquarius Platinum Plc	USD	AQP.L	-0.04	-0.04	0.0%	0.01	0.01	-24.5%	0.04	0.03	-16.4%
Centamin Egypt	USD	CEY.L	0.18	0.19	6.1%	0.04	0.18	310.5%	0.14	0.18	28.5%
Fresnillo	USD	FRES.L	0.54	0.57	3.8%	0.46	0.45	-2.7%	0.69	0.55	-20.0%
Gem Diamonds	USD	GEMD.L	0.14	0.14	-0.1%	0.18	0.16	-9.2%	0.27	0.26	-3.7%
Hochschild Mining	USD	HOCM.L	-0.06	-0.05	7.7%	0.04	0.07	99.2%	0.43	0.45	3.7%
Lonmin	USD	LMIL	0.19	0.19	-0.8%	0.24	0.21	-14.3%	0.28	0.20	-30.2%
Nordgold	USD	NORDNq.L	0.11	0.05	-55.4%	0.01	-0.07	-645.2%	0.26	0.17	-34.6%
Petra Diamonds	USD	PDL.L	0.10	0.10	0.0%	0.16	0.14	-12.0%	0.26	0.25	-5.0%
Petropavlovsk	USD	POG.L	0.19	-0.05	-127.9%	0.44	0.45	1.3%	0.72	0.66	-8.5%
Polymetal	USD	POLYP.L	0.62	0.67	7.3%	0.68	0.70	3.3%	1.01	1.02	1.0%
Polyus Gold	USD	PGIL.L	0.19	0.17	-8.3%	0.10	0.09	-9.2%	0.13	0.12	-7.0%
Randgold Resources	USD	RRS.L	3.03	2.99	-1.2%	3.17	3.31	4.4%	3.85	4.09	6.2%
South Africa											
Anglo American	USD	AGLJ.J	1.96	1.97	0.2%	1.58	1.53	-3.6%	1.92	1.67	-12.6%
African Rainbow	USD	ARIJ.J	17.23	17.23	0.0%	17.73	18.58	4.8%	20.53	18.92	-7.9%
Assore Limited	USD	ASRJ.J	34.23	34.23	0.0%	38.53	40.80	5.9%	40.90	38.04	-7.0%
Exxaro	USD	EXXJ.J	12.47	12.64	1.4%	12.04	12.01	-0.2%	13.99	10.30	-26.4%
Kumba Iron Ore	USD	KIOJ.J	46.96	47.87	1.9%	43.94	44.21	0.6%	44.59	30.45	-31.7%

Source: Citi Research Estimates

Figure 6. NPV and Price to NPV

			NPV per share			Price	P/NPV		Premium/Discount	
			Old	New	% Chg	20/11/13	Old	New	Old	New
Diversified										
Anglo American PLC	GBP	AAL.L	23.60	22.54	-4%	14.05	0.60	0.62	-40%	-38%
BHP Billiton PLC	GBP	BLT.L	21.60	19.20	-11%	19.36	0.90	1.01	-10%	1%
Glencore	GBP	GLEN.L	5.00	4.70	-6%	3.19	0.64	0.68	-36%	-32%
Rio Tinto PLC	GBP	RIO.L	41.50	37.10	-11%	33.00	0.80	0.89	-20%	-11%
Vedanta Resources	GBP	VED.L	16.10	11.70	-27%	9.51	0.59	0.81	-41%	-19%
Base and Bulks										
African Minerals	GBP	AMi.L	4.06	0.05	-99%	1.90	0.47	38.12	-53%	3712%
Ferrexpo PLC	GBP	FXPO.L	2.30	1.10	-52%	1.79	0.78	1.62	-22%	62%
London Mining	GBP	LOND.L	1.98	1.05	-47%	1.20	0.60	1.14	-40%	14%
New World Resources	GBP	NWRR.L	0.77	0.77	0%	0.80	1.04	1.04	4%	4%
Antofagasta	GBP	ANTO.L	7.60	6.80	-11%	8.07	1.06	1.19	6%	19%
Boliden	SEK	BOL.ST	120.00	134.00	12%	92.50	0.77	0.69	-23%	-31%
First Quantum Minerals	GBP	FQM.L	16.89	17.74	5%	10.86	0.64	0.61	-36%	-39%
Kazakhmys	GBP	KAZ.L	3.13	3.41	9%	2.40	0.77	0.70	-23%	-30%
Lundin Mining	SEK	LUMIsdb.ST	30.80	31.50	2%	27.81	0.90	0.88	-10%	-12%
Nyrstar NV	EUR	NYR.BR	5.00	4.70	-6%	2.32	0.46	0.49	-54%	-51%
Norsk Hydro	NOK	NHY.OL	37.20	36.40	-2%	26.09	0.70	0.72	-30%	-28%
Gold/PGM										
African Barrick Gold	GBP	ABGL.L	1.08	1.20	11%	1.81	1.67	1.51	67%	51%
Aquarius Platinum Plc	GBP	AQP.L	0.60	0.65	8%	0.44	0.73	0.67	-27%	-33%
Centamin Egypt	GBP	CEY.L	0.55	0.57	4%	0.47	0.85	0.82	-15%	-18%
Fresnillo	GBP	FRES.L	7.29	7.31	0%	9.05	1.24	1.24	24%	24%
Gem Diamonds	GBP	GEMD.L	1.87	1.79	-4%	1.42	0.76	0.79	-24%	-21%
Hochschild Mining	GBP	HOCM.L	1.32	1.13	-15%	1.34	1.02	1.19	2%	19%
Lonmin	GBP	LMI.L	4.32	4.31	0%	3.24	0.75	0.75	-25%	-25%
Nordgold	GBP	NORDNg.L	1.66	1.58	-4%	1.02	0.62	0.65	-38%	-35%
Petra Diamonds	GBP	PDL.L	1.57	1.41	-10%	1.08	0.69	0.76	-31%	-24%
Petropavlovsk	GBP	POG.L	0.68	0.65	-4%	0.69	1.01	1.05	1%	5%
Polymetal	GBP	POLYP.L	4.51	4.92	9%	5.41	1.20	1.10	20%	10%
Polyus Gold	USD	PGIL.L	1.60	1.62	1%	3.11	1.94	1.92	94%	92%
Randgold Resources	GBP	RRS.L	33.81	35.45	5%	44.95	1.33	1.27	33%	27%
South Africa										
Anglo American	ZAR	AGLJ.J	375.50	372.03	-1%	229.59	0.61	0.62	-39%	-38%
African Rainbow	ZAR	ARIJ.J	209.44	201.93	-4%	184.90	0.88	0.92	-12%	-8%
Assore Limited	ZAR	ASRJ.J	279.06	263.65	-6%	399.00	1.43	1.51	43%	51%
Exxaro	ZAR	EXXJ.J	153.47	130.77	-15%	142.50	0.93	1.09	-7%	9%
Kumba Iron Ore	ZAR	KIOJ.J	294.43	233.97	-21%	401.11	1.36	1.71	36%	71%

Source: dataCentral, Citi Research



## Company Focus

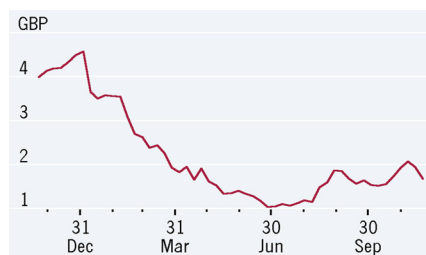
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (22 Nov 13)	£1.69
Target price	£1.32
from £1.19	
Expected share price return	-21.7%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-21.7%</b>
Market Cap	£692M
	US\$1,121M

### Price Performance (RIC: ABGL.L, BB: ABG LN)



## African Barrick Gold Plc (ABGL.L) Responding Well to New Mine Plans

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — There was a strong performance at both Buzwagi and North Mara with production up 47% and 28% respectively on Q3 2012. Bulyanhulu, produced 52,126 ounces, broadly in line Q2 2013, but 8% down on Q3 2012. Buzwagi head grade was 17% higher than in Q3 2012 due to the re-engineered mine plan targeting higher grade areas. Mill throughput was up 31% on Q3 2012 and the mine produced 44,408 ounces. At North Mara, mining continued from higher grade zones in the Gokona pit resulting in a head grade of 3.4 grams per tonne (g/t). Production for the quarter amounted to 67,895 ounces, an increase of 28% on Q3 2012. At Bulyanhulu, reduced equipment availability and access to stopes resulted in a 3% decrease in ore tonnes hoisted, which, combined with plant maintenance resulted in throughput being 9% lower than in Q3 2012
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.16 to \$0.18, our 2014E EPS changes from \$0.05 to \$0.08 and our 2015E EPS changes from \$0.22 to \$0.24.
- **Valuation and Recommendation** — We set our target price of £1.32 (up from £1.19 to reflect the revisions) by applying a 1.1x P/NPV ratio to our NPV estimate of £1.20 (derived using a discount rate of 10%). We use 1.10x P/NPV for other similar-quality gold/silver peers. We rate the group as Sell.

### African Barrick Gold Plc (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,218.0	1,087.5	967.1	922.3	1,031.1
Profit Before Tax (\$M)	399.7	143.4	98.4	49.3	146.0
Diluted EPS (\$)	0.67	0.20	0.18	0.08	0.24
Diluted EPS (Old) (\$)	0.67	0.20	0.16	0.05	0.22
PE (x)	4.1	13.5	14.8	33.9	11.3
EV/EBITDA (x)	1.3	2.6	3.9	5.0	3.6
DPS (\$)	0.16	0.16	0.02	0.00	0.00
Net Div Yield (%)	5.9	6.0	0.6	0.0	0.0

## Company Focus

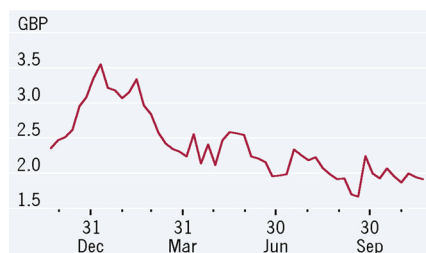
- Target Price Change
- Estimate Change

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<b>Buy/High Risk</b>	<b>1H</b>
Price (22 Nov 13)	£1.93
Target price	£3.00
from £3.30	
Expected share price return	55.4%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>55.4%</b>
Market Cap	£640M
	US\$1,036M

### Price Performance (RIC: AMIq.L, BB: AMI LN)



## African Minerals Ltd (AMIq.L)

### Slow Grind From Here, Maintain Buy

- **Estimate changes** — Given the group's 100% exposure to iron ore, earnings are highly sensitive to our commodity team's more aggressive revised decline rate post 2015 towards LT prices. EBITDA falls by 40% on average 2015-2020 as a result. Our EPS estimates fall further (75% on average 2015-2020) due to the incorporation of the Tewoo transaction ([Link](#)) which potentially reduces AMI's interest in the Tonkolili mine by 10pps to 65%. In addition we have updated our production estimates to reflect the mixed Q3 IMS ([Link](#)) with production falling to 13mt in 2013 and sales to 11mt. We now forecast an EBITDA of \$222m in 2013 and \$700m in 2014, up from \$660m on higher near term prices. As a result, our target price falls from £3.30 to £3.00
- **Maintain Buy** — We remain of the view that AMI offers investors one of the few high growth opportunities within the space with significant optionality for value creation beyond Phase 2. The poor operational performance in 2013 has however dampened sentiment towards the stock. In the near term we would expect a slow grind higher as the company rebuilds investor confidence. The next catalyst is likely to now be the Phase 2 study due in Q4.

### African Minerals Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	0.0	0.0	893.2	1,547.1	1,286.7
Profit Before Tax (\$M)	-131.1	-34.7	133.8	482.7	201.6
Diluted EPS (¢)	-6.2	1.5	8.0	55.3	19.7
Diluted EPS (Old) (¢)	-6.2	1.5	5.7	60.4	53.2
PE (x)	-50.8	212.7	38.9	5.6	15.9
EV/EBITDA (x)	-8.0	-37.3	8.5	4.3	6.3
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Diversified Metals & Mining  
CEEMEA | South Africa

## Company Focus

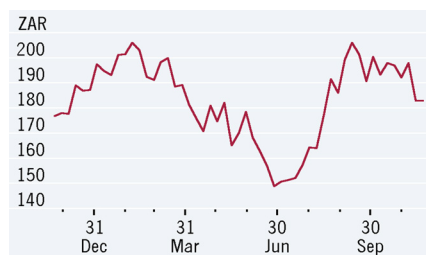
- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (22 Nov 13)	R183.59
Target price	R225.00
<i>from R235.00</i>	
Expected share price return	22.6%
Expected dividend yield	3.3%
<b>Expected total return</b>	<b>25.8%</b>
Market Cap	R39,739M
	US\$3,924M

### Price Performance (RIC: ARIJ.J, BB: ARI SJ)



## African Rainbow Minerals (ARIJ.J)

Target price reduced by 4% to R225, still +20% upside; Buy

- **What's new** — We have increased ARM's FY'14 earnings estimates by 5% while FY'15 estimates are cut by 8% on the back of our commodity price changes. This has translated into a 4% decrease in our target price to R225. We reiterate our Buy rating for ARM as we think it continues to offer an attractive entry point for Assmang exposure.
- **Leverage from Non-Assmang assets** — FY'13 saw big turnaround in ARM's non-Assmang operations with operating profit increasing for Platinum (+44% y-o-y), Nkomati (+293%) and coal (+44%). This supports our argument that non-Assmang operations are not valued to their full potential by the market and provides an upside as well as diversification to ARM's portfolio.
- **Poor capital allocation remains a risk** — Management said repeatedly since its FY12 results that "focus on acquisitions is increasing" and it has the "firepower". Acquisitions are potentially value destructive, which partly explains to us ARM's discount to Assore, which is arguably less likely to make an acquisition given its past track record and preference to return excess cash through dividends.

### African Rainbow Minerals (ZAR)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (RM)	17,530.0	19,844.0	20,548.8	22,137.1	23,412.7
Net Income (RM)	3,451.0	3,737.0	4,051.9	4,127.0	4,126.7
Diluted EPS (R)	16.04	17.23	18.58	18.92	18.92
Diluted EPS (Old) (R)	16.04	17.23	17.73	20.53	25.40
PE (x)	11.4	10.7	9.9	9.7	9.7
EV/EBITDA (x)	5.2	5.0	4.5	4.1	3.8
DPS (R)	4.75	5.10	6.00	7.00	8.00
Net Div Yield (%)	2.6	2.8	3.3	3.8	4.4

Diversified Metals & Mining  
Western Europe | United Kingdom

## Company Focus

- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£13.85
Target price	£14.00
from £15.00	
Expected share price return	1.1%
Expected dividend yield	4.3%
<b>Expected total return</b>	<b>5.4%</b>
Market Cap	£19,309M
	US\$31,281M

Price Performance  
(RIC: AAL.L, BB: AAL LN)



## Anglo American PLC (AAL.L)

### Management on right track; Macro support missing

- **Positive actions** — Since the announcement of a multi-dimensional approach to improve ROCE performance of the group to a targeted 15%, Anglo has taken a number of steps (e.g. withdrawal from Pebble project, Sale of Ampa, sale of Tarmac building products and review of platinum division) to consolidate its assets and focus on core operations. These decisions prove management's ability to act on its strategy swiftly and should build confidence in their turnaround plans.
- **Macro remains weak** — Despite positive actions from the management the macro challenge is quite evident for Anglo. Subdued bulks price estimates coupled with structural issues at Sishen means that it will take a while before the earnings momentum can be reversed for the company, in our view.
- **Earnings under pressure again** — Incorporating our latest price estimates leads to up to 18% decreases in our earnings forecast for the company. Our FY13 EPS estimate is the lowest for the company since 2004. With Sishen pit constraints and Barro Alto furnace rebuilt, we expect FY14 EPS to be even lower at \$1.53. The changes reduces Anglo's DCF fair value to £20 from £21 and target price from £15 to £14.
- **Maintain Neutral** — In our opinion, the reorganisational changes and heightened focus on costs and capex allocation are all positives for the company and remove downside risk. Nevertheless, we stick to our view that there are no quick fixes at Anglo and we maintain our Neutral recommendation.

### Anglo American PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	30,580.0	28,761.0	34,072.1	31,665.7	32,993.3
Profit Before Tax (\$M)	10,782.0	-162.0	4,906.0	5,284.8	5,380.1
Diluted EPS (\$)	4.85	2.26	1.97	1.53	1.67
Diluted EPS (Old) (\$)	4.85	2.26	1.96	1.58	1.92
PE (x)	4.6	9.9	11.4	14.7	13.4
EV/EBITDA (x)	2.8	4.6	4.9	5.2	5.1
DPS (\$)	0.74	0.85	0.87	0.90	0.95
Net Div Yield (%)	3.3	3.8	3.9	4.0	4.2

Base Metals  
Western Europe | United Kingdom

## Company Focus

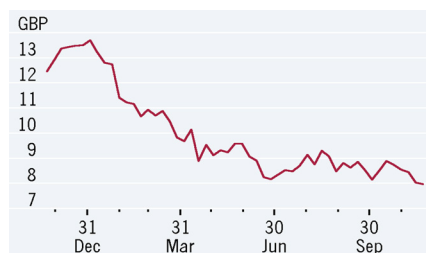
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (21 Nov 13)	£7.97
Target price	£7.70
from £8.00	
Expected share price return	-3.4%
Expected dividend yield	2.3%
<b>Expected total return</b>	<b>-1.1%</b>
Market Cap	£7,858M
	US\$12,731M

### Price Performance (RIC: ANTO.L, BB: ANTO LN)



## Antofagasta (ANTO.L) Copper Beta; Maintain Sell

- **Maintain Sell** — As highlighted in our report [Copper Equities - Concept Cracking](#), the beta of copper equities to copper has significantly increased and with our commodity team's view of copper price bottoming out in 2014, we believe Antofagasta's stock price should move in tandem with the copper price in the absence of any company specific catalysts and we don't see any catalysts at the moment. Therefore we maintain our sell rating on the stock with a reduced price target of £7.70/share from £8.00/share previously.
- **Key Changes** — In addition to commodity price changes, we have also updated the model with 3Q financials and we have also reviewed cost assumptions in the model. Net impact on EPS is +3.7% for 2013F, +5.7% for 2014F, and -3.7% for 2015F (copper price uplift of 0.4% in 2015 is more than offset by more conservative cost assumptions). NPV has declined from £7.60 to £6.80 as we now use actual reported net debt as of 1H 2013 vs. end 2012 number previously. As a result, our price target has also declined from £8.00 to £7.70.

### Antofagasta (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	6,076.0	6,740.1	5,803.7	5,445.2	5,754.5
Profit Before Tax (\$M)	3,076.2	2,761.8	2,045.7	1,725.4	1,896.7
Diluted EPS (¢)	139.7	140.7	84.2	73.8	84.5
Diluted EPS (Old) (¢)	139.7	140.7	81.2	69.8	87.8
PE (x)	9.2	9.2	15.3	17.5	15.3
EV/EBITDA (x)	3.6	3.3	4.9	6.2	5.8
DPS (¢)	44.0	98.5	29.5	25.8	29.6
Net Div Yield (%)	3.4	7.6	2.3	2.0	2.3

## Company Focus

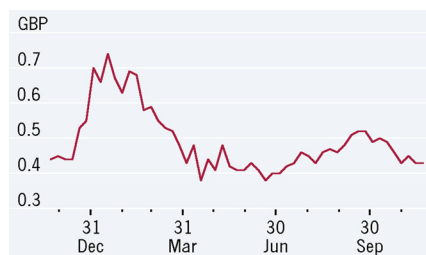
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£0.43
Target price	£0.49
from £0.54	
Expected share price return	14.0%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>14.0%</b>
Market Cap	£209M
	US\$339M

### Price Performance (RIC: AQP.L, BB: AQP LN)



## Aquarius Platinum Ltd (AQP.L) Big Cost Increase Recently

- **Model Changes** — We have updated our model for our new commodity price forecasts and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Sep-Q Highlights** — AQP has had some good recent quarters in terms of costs and the risk was that they could not keep it up. In the September quarter cost increases were higher than we anticipated. Cash costs at Kroondal decreased 1% per PGM ounce compared to Sep-Q 12 (very good YoY) but increased 17% to R9,094 per PGM ounce vs. Jun-Q 13, of which 6% relates to a one off adjustment of leave provisions in the previous quarter, 3% to higher winter electricity tariffs and 4% to the annual wage increase. Cash costs at Mimosa increased 1% per PGM ounce compared to Sep-Q 12 but decreased 4% to \$838 per PGM ounce vs. Jun-Q 2013.
- **EPS Changes** — As a result of the adjustments to our model, our 2014E EPS changes from \$0.012 to \$0.009 and our 2015E EPS changes from \$0.039 to \$0.033 and our 2015E EPS changes from \$0.084 to \$0.086,
- **Valuation and Recommendation** — Our £0.49 target price is based on our NPV valuation. Our base-case NPV for the AQP of £0.54 is derived from a DCF model that assumes a discount rate for the UK listing of 9% (in line with that which we use for its closest UK peer). We set our target price at 0.9x P/NPV, at a discount to peers because of high Zimbabwean risk.

### Aquarius Platinum Ltd (USD)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (\$M)	477.5	363.7	307.6	377.2	552.3
Net Income (\$M)	-61.0	-19.8	4.2	15.4	40.5
Diluted EPS (¢)	-13.1	-4.2	0.9	3.3	8.6
Diluted EPS (Old) (¢)	-13.1	-4.2	1.2	3.9	8.4
PE (x)	-5.3	-16.6	77.9	21.2	8.1
EV/EBITDA (x)	122.9	14.0	11.1	7.4	4.3
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Base Metals  
CEEMEA | South Africa

## Company Focus

- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (22 Nov 13)	R383.97
Target price	R290.00
from R310.00	
Expected share price return	-24.5%
Expected dividend yield	2.5%
<b>Expected total return</b>	<b>-22.0%</b>
Market Cap	R53,605M
	US\$5,293M

Price Performance  
(RIC: ASRJ.J, BB: ASR SJ)



## Assore Limited (ASRJ.J)

Strong operational base but macro risk remains; Sell

- **What's New** — We have increased ASR's FY'14 earnings estimates by 6% while FY'15 onwards estimates are cut by up to 31% on the back of our commodity price changes (primarily lower iron ore price forecast in medium term). This has translated into a 6% decrease in our target price to R290.
- **Strong operations but uncertain macro** — Despite an operationally solid performance (Iron ore production +9% y-o-y) the company management is cognizant of the macro environment. Management pointed to downside risk from new supply for iron ore and manganese ore that is likely to exert negative pressure on pricing going forward as well as the state of global economy impacting crude steel production.
- **Continue to prefer ARM for Assmang exposure** — We favour African Rainbow Minerals as an entry point into Assmang's attractive iron ore and manganese assets. Assore's market cap exceeds African Rainbow Minerals' by around 40%. Both companies own the same core asset through their 50/50 joint venture in Assmang. Assmang contributes 78% to our NPV for Assore, but only 63% to our NPV for ARM. This implies one gets ARM's platinum, nickel and coal assets and its 14.8% interest in Harmony Gold effectively for free at ARM's current share price.

### Assore Limited (ZAR)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (RM)	12,947.8	13,500.9	14,259.6	14,539.6	14,312.3
Net Income (RM)	3,707.8	3,532.5	4,210.9	3,925.9	3,285.0
Diluted EPS (¢)	3,520	3,423	4,080	3,804	3,183
Diluted EPS (Old) (¢)	3,520	3,423	3,853	4,090	4,571
PE (x)	10.9	11.2	9.4	10.1	12.1
EV/EBITDA (x)	8.1	9.2	7.1	7.3	8.2
DPS (¢)	550	600	950	1,150	1,350
Net Div Yield (%)	1.4	1.6	2.5	3.0	3.5

Diversified Metals & Mining  
Western Europe | United Kingdom

## Company Focus

### ■ Target Price Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£19.10
Target price	£21.00
from £20.70	
Expected share price return	9.9%
Expected dividend yield	4.1%
<b>Expected total return</b>	<b>14.1%</b>
Market Cap	£109,592M
	US\$177,545M

### Price Performance

(RIC: BLT.L, BB: BLT LN)



## BHP Billiton PLC (BLT.L)

Fairly priced; Maintain Neutral at £21

- **Maintain Neutral recommendation** — We maintain our Neutral recommendation on BHPB and raise our price target slightly to £21 from £20.70 per share to reflect our new estimates. Our commodity price revisions have resulted in a 0.3% decrease in FY'14 EPS and 6.6% decrease in FY'15 EPS estimates for BHPB primarily due to weaker iron ore price forecast going forward. Still, currency translation results in a slight increase in our target price.
- **Capital efficiency** — At a recent analyst roundtable, BHP management commented that time value of money from delays can be compensated by better engineering solutions, improved capital efficiency, better productivity etc as it gives more time to work. As an example, 40% capex on Escondida de-salination project was saved by delaying it from 2008.
- **Fairly priced** — On our FY'14 forecasts, BHPB is trading on a forward PE of 11x. We think there are limited catalysts for the stock to move higher as we believe that asset sales are likely to be more challenging and certainly not to the same magnitude that we have seen over the past 12 months.

### BHP Billiton PLC (USD)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (\$M)	72,226.0	65,968.0	68,700.1	70,282.1	71,127.9
Profit Before Tax (\$M)	23,022.0	17,872.0	23,573.3	24,230.4	21,983.0
Diluted EPS (¢)	321.6	221.7	290.6	300.9	273.0
Diluted EPS (Old) (¢)	321.6	221.7	291.6	322.2	337.8
PE (x)	9.6	14.0	10.6	10.3	11.3
EV/EBITDA (x)	5.5	6.9	6.0	5.7	5.9
DPS (¢)	112.0	116.0	124.0	135.0	145.0
Net Div Yield (%)	3.6	3.7	4.0	4.4	4.7



Base Metals  
Western Europe | United Kingdom

## Company Focus

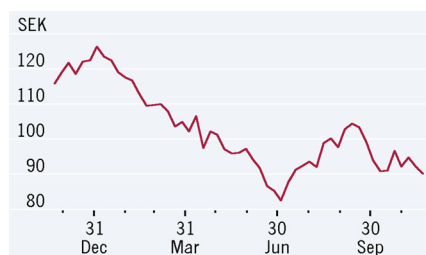
- Rating Change
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
<i>from Sell</i>	
Price (21 Nov 13)	SKr90.25
Target price	SKr95.00
<i>from SKr86.00</i>	
Expected share price return	5.3%
Expected dividend yield	2.0%
<b>Expected total return</b>	<b>7.3%</b>
Market Cap	SKr24,684M
	US\$3,722M

### Price Performance (RIC: BOL.ST, BB: BOL SS)



## Boliden AB (BOL.ST)

### The Worst Should Be Behind, Upgrade to Neutral

■ **Upgrade to Neutral** — 2013, mostly as expected, has been a tough year for Boliden, so far impacted by major planned maintenance shutdowns under a difficult commodity price environment and stability issues at the Ronnskär smelter. While the group has still got growth capex to spend in 2014, we believe the worst is behind as smelter shutdown of this scale was more of a one off and Garpenberg expansion should start producing before the end of 2014 and start contributing to earnings/cash flows by 2015 onwards. We expect the free cash flow yield post all capex to turn positive in 2014 and turn double digit in 2015. While the commodity price environment still remains challenging for both copper and zinc, we believe the risk reward is more balanced with majority of the approved growth capex already spent and earnings recovering from shutdowns and other issues faced during the year. Therefore we upgrade the stock to Neutral with a revised price target of SKr95/share from SKr86/share previously.

■ **Key Changes** — 2013 EPS has increased by 8.2% driven by slightly higher price assumptions across the board, reflecting the leverage to commodity prices. 2014 and 2015 EPS moves are very marginal +0.8% and +2.2% as commodity prices for Boliden's portfolio have also witnessed minimal changes for those years. 2016-2018F EPS has increased by >20% reflecting mid/high single digit % upgrade in copper price for those years. Our NPV has also gone up to SKr134 from SKr120 earlier. Our price target based on a combination of NPV, EV/EBITDA, FCF, and Residual income valuation methods has moved up to SKr95 from SKr86.

### Boliden AB (SEK)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (SKrM)	40,323.0	40,001.0	34,805.4	35,177.0	39,359.3
Net Income (SKrM)	3,387.0	2,923.0	1,309.8	2,008.1	3,363.6
Diluted EPS (SKr)	12.38	10.69	4.79	7.34	12.30
Diluted EPS (Old) (SKr)	12.38	10.69	4.43	7.28	12.04
PE (x)	7.3	8.4	18.8	12.3	7.3
EV/EBITDA (x)	5.0	5.2	7.5	6.6	4.7
DPS (SKr)	4.00	4.00	1.80	2.40	4.10
Net Div Yield (%)	4.4	4.4	2.0	2.7	4.5

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

### ■ Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£0.44
Target price	-
Expected share price return	-
Expected dividend yield	-
<b>Expected total return</b>	<b>-</b>
Market Cap	£485M
	US\$785M

### Price Performance (RIC: CEY.L, BB: CEY LN)



## Centamin Egypt Limited (CEY.L) Great Mine, Unsettled Politics

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — The Q3 EBITDA of US\$43.1 million was down 32% on Q2 2013 and down 36% on Q3 2012. Cash cost of production were US\$693 per ounce, in line with 2013 full year guidance of US\$700 per ounce and little-changed from Q2 2013. On the basis of excluding the provision for fuel prepayments, this equated to US\$543 per ounce. The group remains debt-free with cash, bullion on hand, gold sales receivables and available-for-sale financial assets of US\$156.4 million as at 30 September 2013.
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.178 to \$0.18, our 2014E EPS changes from \$0.045 to \$0.183 and our 2015E EPS changes from \$0.140 to \$0.179
- **Valuation and Recommendation** — This company has a Neutral rating. We have not assigned a target price (because of political risk) and therefore no valuation methodology is applicable.

### Centamin Egypt Limited (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	340.5	426.4	506.4	532.9	557.4
Net Income (\$M)	183.5	231.2	205.7	199.4	195.6
Diluted EPS (¢)	16.7	21.2	18.9	18.3	17.9
Diluted EPS (Old) (¢)	16.7	21.2	17.8	4.5	14.0
PE (x)	4.3	3.4	3.8	3.9	4.0
EV/EBITDA (x)	2.8	2.7	2.8	2.7	1.9
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Diversified Metals & Mining  
CEEMEA | South Africa

## Company Focus

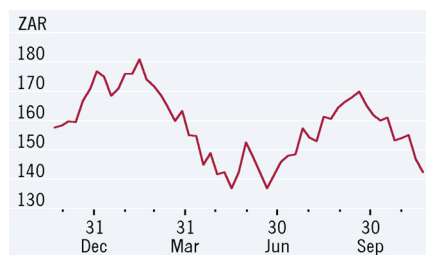
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (22 Nov 13)	R142.68
Target price	R150.00
from R170.00	
Expected share price return	5.1%
Expected dividend yield	2.5%
<b>Expected total return</b>	<b>7.7%</b>
Market Cap	R51,096M
	US\$5,045M

### Price Performance (RIC: EXXJ.J, BB: EXX SJ)



## Exxaro Resources Limited (EXXJ.J)

Target price reduced 12% to R150; Maintain Neutral

- **What's New** — We reduce Exxaro's FY'14 onwards earnings forecasts by up to 41% primarily due to lower iron ore and coal price assumptions, while FY'13 HEPS increases by 1%. Overall this results in 12% cut in our target price for Exxaro to R150.
- **Maintain Neutral rating** — Exxaro owns high-quality, cash-generative iron ore and coal assets. Capex on Grootegeluk's lucrative Medupi project (GMEP) is largely sunk and near-term ramp-up should provide a healthy cash flow boost. We estimate GMEP's EBIT contribution at R2bn+ per year at full capacity. However, we have two major capital allocation concerns. In addition, poor free cash flow generation due to high capex requirements, less control over cash-flow as associates contribute a higher proportion of earnings and uncertainty about TIO2 market prospects suggest less scope for dividends.

### Exxaro Resources Limited (ZAR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (RM)	20,962.0	16,122.0	12,381.3	14,091.9	16,988.2
Net Income (RM)	7,193.0	4,904.3	4,493.8	4,251.3	3,647.2
Diluted EPS (R)	20.21	14.03	12.64	12.01	10.30
Diluted EPS (Old) (R)	20.21	14.03	12.47	12.04	13.99
PE (x)	7.1	10.2	11.3	11.9	13.8
EV/EBITDA (x)	9.4	5.0	14.6	12.1	9.0
DPS (R)	8.00	5.00	4.05	3.60	3.10
Net Div Yield (%)	5.6	3.5	2.8	2.5	2.2

## Company Focus

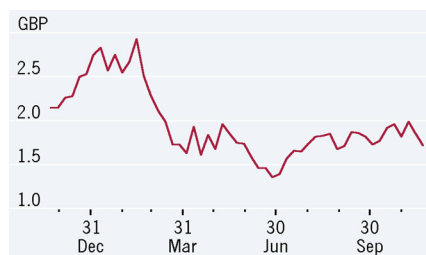
- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£1.72
Target price	£2.10
from £2.20	
Expected share price return	22.1%
Expected dividend yield	2.3%
<b>Expected total return</b>	<b>24.4%</b>
Market Cap	£1,012M
	US\$1,640M

Price Performance  
(RIC: FXPO.L, BB: FXPO LN)



## Ferrexpo PLC (FXPO.L)

### Still a buy on strong near term earnings momentum

■ **Maintain Buy** — Despite our large downgrades to iron ore prices from 2015 onwards, we believe the earnings momentum driven by our positive revision to near term prices should be the key driver to the share price over the next 12 months. We acknowledge that at our current iron ore assumptions, the longer term prospect doesn't look as bright and the negative momentum might kick-in by late 2014 or early 2015 if iron ore prices do approach the lower levels we are now forecasting beyond 2015. We retain our Buy rating with a revised PT of 210p from 220p earlier.

■ **Key Changes** — Upward revision to iron ore prices to \$132/t in 2013 (from 130), 120/t in 2014 (from \$115) have resulted in EPS uplift of 9.5% and 37.4% respectively for these two years. From 2015 onwards, EPS declines are significant in the range of 46.5% to 81.4% for 2015-2018F. Near term uplift is more than offset by massive downgrades to out years resulting in NPV decline to £1.10 from £2.30 previously. We now derive our price target based on equal weighted blend of NPV, EV/EBITDA, and P/E based valuation methods (previously NPV, and EV/EBITDA) as we believe that the market would recognize the near term earnings momentum before getting worried about the lower prices in 2015 onwards where visibility at this stage is still limited and a lot can change by the time we actually get to 2015. Also, strong earnings and cash flow generation could infuse special dividend expectations (FXPO paid 100% special dividend for 2012 on strong cash flow generation) which could further support and help the share price.

■ **Potential Catalysts for 2014** — Key catalysts specific to FXPO for 2014 include 1) Decision on FYM concentrator 2) Expansion of existing FPM pelletiser 3) Update on potential new FYM pelletiser 4) Currency devaluation (see [Currency Catalyst](#))- we expect a 10% devaluation in 2014.

### Ferrexpo PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,788.0	1,424.0	1,573.6	1,661.1	1,442.6
Net Income (\$M)	567.8	213.5	228.9	316.2	127.0
Diluted EPS (\$)	0.97	0.36	0.39	0.54	0.22
Diluted EPS (Old) (\$)	0.97	0.36	0.36	0.39	0.40
PE (x)	2.9	7.6	7.1	5.2	12.9
EV/EBITDA (x)	2.1	4.4	4.2	3.4	5.3
DPS (\$)	0.07	0.13	0.07	0.07	0.07
Net Div Yield (%)	2.4	4.7	2.4	2.4	2.4

Base Metals  
Western Europe | United Kingdom

## Company Focus

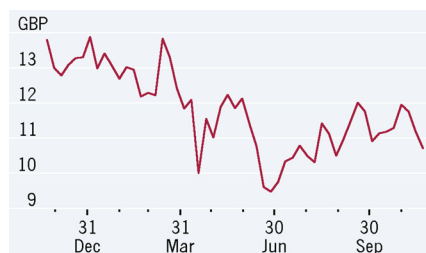
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (21 Nov 13)	£10.72
Target price	£9.50
from £8.90	
Expected share price return	-11.4%
Expected dividend yield	1.9%
<b>Expected total return</b>	<b>-9.5%</b>
Market Cap	£6,207M
	US\$10,056M

### Price Performance (RIC: FQM.L, BB: FQM LN)



## First Quantum Minerals Ltd (FQM.L) Copper Revised Up But Still Too Many Near Term Risks, Maintain Sell

- **Changes to estimates** — Our commodity team have revised up estimates for copper prices in 2016/2017 on the expectation that capex cuts within the sector are sowing the seeds for a new pricing cycle. However in the near term we remain bearish. We expect copper to trade down to a low of \$6,500 in Q4 2014 vs. \$7,000/t today with prices not returning to current spot until Q3 2015. As a result our EPS estimates for FQM rise modestly 2013-2015 on prices that are c1% higher. We remain 10% below consensus estimates for 2014.
- **Maintain Sell** — The levered acquisition of Inmet has introduced a dimension of balance sheet risk that has historically been absent from the stock. With significant capex commitments driving persistent negative FCF,
- FQM screens as one of the most high risk stocks in our space. We see further risk from the need to refinance the group's \$2.5bn RCF by June 2014 given the already levered nature of the Akubra subsidiary. The upcoming review of Cobre Panama is unlikely to generate significant cost savings, in our view. We expect the project to generate an IRR of just 12.6%, diluting group ROIC by 4pps.

### First Quantum Minerals Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	2,583.5	2,950.4	3,613.5	4,250.4	5,908.3
Net Income (\$M)	577.3	537.1	554.9	597.3	1,012.2
Diluted EPS (\$)	1.28	1.13	0.98	1.01	1.70
Diluted EPS (Old) (\$)	1.28	1.13	0.96	0.92	1.68
PE (x)	13.5	15.4	17.6	17.3	10.2
EV/EBITDA (x)	8.1	9.3	9.3	9.0	6.8
DPS (\$)	0.19	0.17	0.19	0.10	0.17
Net Div Yield (%)	1.1	1.0	1.1	0.6	1.0

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

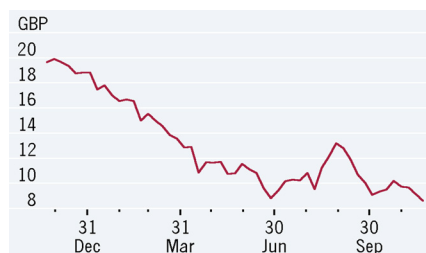
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (21 Nov 13)	£8.64
Target price	£8.18
from £9.11	
Expected share price return	-5.3%
Expected dividend yield	2.1%
<b>Expected total return</b>	<b>-3.2%</b>
Market Cap	£6,367M
	US\$10,314M

### Price Performance (RIC: FRES.L, BB: FRES LN)



## Fresnillo Plc (FRES.L) Quality Operations, but Overvalued

**Model Changes** — We have adjusted our model for recent Sep-Q data, new company guidance, our new metal prices, adjustments to future royalties and we have also re-evaluated the value of the exploration assets

■ **Recent Q3 Highlights** — At the Fresnillo mine, silver production increased 6.3% vs 2Q 13 as a result of the beginning of production from additional stopes at the San Carlos area. At Saucito, silver production at 2.91m oz was marginally down on the 2.95m oz of 2Q 13. Gold production increased 5.3% vs 2Q 13. At Cienega silver production for 3Q 13 decreased 3.9% vs. vs 2Q 13 as a result of lower ore grade. At Herradura the lower volume of ore deposited at the leaching pads due to the temporary suspension of explosives was compensated by the improved recovery rates from the pads inventory. Noche Buena gold production increased 32.8% vs. vs 2Q 13 as a result of improved recovery rates and ore grades.

■ **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.54 to \$0.57, our 2014E EPS changes from \$0.46 to \$0.45 and our 2015E EPS changes from \$0.69 to \$0.55.

■ **Valuation and Recommendation** — We set our target price of £8.18 by applying a 1.2x P/NPV ratio to our NPV estimate of £6.82 (derived using a discount rate of 10%, in line with other UK precious metals peers).

### Fresnillo Plc (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	2,120.2	2,157.4	1,786.0	1,678.2	1,956.6
Net Income (\$M)	901.4	653.0	412.9	331.5	405.5
Diluted EPS (\$)	1.26	0.91	0.57	0.45	0.55
Diluted EPS (Old) (\$)	1.26	0.91	0.54	0.46	0.69
PE (x)	11.1	15.4	24.8	31.1	25.4
EV/EBITDA (x)	6.1	7.3	11.1	12.3	10.5
DPS (\$)	1.03	0.61	0.40	0.45	0.17
Net Div Yield (%)	7.4	4.3	2.9	3.2	1.2

## Company Focus

- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£1.44
Target price	£1.82
from £1.87	
Expected share price return	26.6%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>26.6%</b>
Market Cap	£199M
	US\$322M

Price Performance  
(RIC: GEMD.L, BB: GEMD LN)



## Gem Diamonds (GEMD.L)

### Good Diamond Prices

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — 13 rough diamonds achieved a value in excess of US\$ 1m each during Q3, totalling 22 for the year to date. 26 rough diamonds were produced which achieved prices greater than US\$ 20000 per carat in Q3 (totalling 78 for the year to date). A total of 178 rough diamonds greater than 10.8 carats in size were recovered in Q3, equating to 77% of Letšeng's revenue for the quarter (476 diamonds greater than 10.8 carats have been recovered for the year to date, totalling 73% of Letšeng's revenue for the year to date). In July 2013 a 99.87 carat diamond sold for US\$ 6.5m, or US\$ 64 631 per carat; in September a 98.29 carat diamond sold for US\$ 4.7m, US\$ 52 077 per carat; and in October 2013 a 12.47 carat blue diamond sold for US\$ 7.5m, a Letšeng record of US\$ 603 047 per carat; and an 83 carat white diamond sold for US\$ 4.8m, US\$ 59 173 per carat; and in November 2013 a 73.37 carat white diamond sold for US\$ 43 766 per carat and a 32.41 carat white diamond sold for US\$ 53 039 per carat.
- **EPS Changes** — As a result of the adjustments to our model our 2014E EPS changes from \$0.18 to \$0.16 and our 2015E EPS changes from \$0.27 to \$0.26. Our 2013 E EPS is unchanged.
- **Valuation and Recommendation** — Our £1.82 target price is based on a 1.0x P/NPV ratio applied to our NPV of £1.82, derived by using a 10% discount rate. The 1.0x P/NPV is in line with the 1.0x P/NPV ratio that we use for diamond peer, Petra Diamonds

### Gem Diamonds (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	395.0	202.1	196.9	202.0	246.8
Profit Before Tax (\$M)	159.7	48.7	50.1	57.7	88.5
Diluted EPS (\$)	0.52	0.11	0.14	0.16	0.26
Diluted EPS (Old) (\$)	0.52	0.12	0.14	0.18	0.27
PE (x)	4.5	21.0	16.8	14.2	8.8
EV/EBITDA (x)	1.5	5.0	5.5	5.7	4.1
DPS (\$)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Coal  
Western Europe | United Kingdom

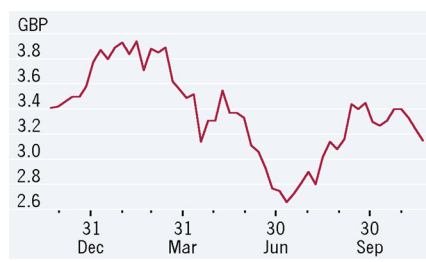
## Company Focus

- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£3.15
Target price	£3.70
from £3.80	
Expected share price return	17.5%
Expected dividend yield	3.3%
<b>Expected total return</b>	<b>20.7%</b>
Market Cap	£41,780M
	US\$67,685M

Price Performance  
(RIC: GLEN.L, BB: GLEN LN)



## Glencore Xstrata PLC (GLEN.L)

### Target Price Reduced 3% to £ 3.70; Remains Buy

- **Buy recommendation and target price of £3.70/share** — We increase Glencore's FY'13 and FY'14 earnings estimates by 6% and 2% respectively after incorporating revised commodity price estimates while FY'15 earnings reduce by 4%. Overall, this results in slight reduction in our target price for GLEN to £3.70 from £3.80.
- **Option Value** — Our recent publication "[Option Value](#)" highlights the upside potential for Glencore Xstrata. GLEN has already announced two phases of synergy gains and cost cutting. Historically, industry cost compression has averaged 5-10% over the cycle, which would support a cumulative cost reduction target in the \$1.5bn to \$3bn range, implying up to another \$1bn headroom. Additionally, there may be some potentially game-changing synergy opportunities via combining the Sudbury nickel assets with Vale and its Australian coal operations with Rio Tinto. We estimate annual synergy gains yet to be tapped for each could be ~\$300m, with 50% accruing to Glencore. Asset divestments are likely, and the company has initiated the sale process of Las Bambas copper asset in Peru. Given GLEN's reluctance to build greenfields, we think Tampakan, Frieda River and El Pachon could also be purged.

### Glencore Xstrata PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	209,115.0	236,466.0	247,637.1	243,972.8	250,595.0
Net Income (\$M)	9,781.0	5,537.0	3,851.5	4,874.4	6,555.0
Diluted EPS (\$)	0.73	0.41	0.29	0.35	0.48
Diluted EPS (Old) (\$)	0.76	0.41	0.27	0.35	0.49
PE (x)	7.0	12.3	17.6	14.4	10.7
EV/EBITDA (x)	4.7	7.1	9.4	8.3	6.6
DPS (\$)	0.15	0.16	0.16	0.16	0.16
Net Div Yield (%)	2.9	3.1	3.1	3.2	3.2



Gold & Silver  
Western Europe | United Kingdom

## Company Focus

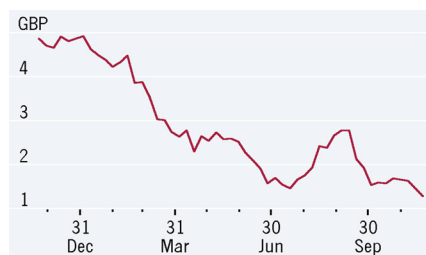
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (21 Nov 13)	£1.28
Target price	£1.24
from £1.45	
Expected share price return	-3.1%
Expected dividend yield	3.1%
<b>Expected total return</b>	<b>0.0%</b>
Market Cap	£470M
	US\$761M

### Price Performance (RIC: HOCM.L, BB: HOC LN)



## Hochschild Mining Plc (HOCM.L) Steady 2013 Production

■ **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.

■ **Recent Q3 Highlights** — Arcata produced 1.6m SE oz (Q3 2012: 1.6 m SE oz). Tonnage in Q3 was in line with Q2 but grades improved considerably as tonnage increased from stopes and developments gradually replacing volumes processed from the low-grade Macarena Waste Dam Deposit. Pallancata produced 2.3 m SE oz with tonnage and grades in line with 2Q 13. San Jose had increased silver grades and improved recoveries resulting in production of 3.2 m SE oz (Q3 2012: 2.8 m SE oz)

■ **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$-0.06 to \$-0.05, our 2014E EPS changes from \$0.04 to \$0.08 and our 2015E EPS changes from \$0.43 to \$0.45

■ **Valuation and Recommendation** — We set our target price of £1.24 (down from £1.45 due to estimate changes) by applying a 1.10x P/NPV ratio to our NPV estimate of £1.13 (derived using a discount rate of 10%). We believe that HOCM does not warrant the higher P/NPV rating of its key silver peer Fresnillo, because of the higher political risk in Peru.

### Hochschild Mining Plc (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	985.8	817.7	653.9	610.9	859.1
Profit Before Tax (\$M)	416.4	211.8	40.2	58.9	241.0
Diluted EPS (\$)	0.48	0.19	-0.05	0.07	0.45
Diluted EPS (Old) (\$)	0.48	0.19	-0.06	0.04	0.43
PE (x)	4.3	10.9	-40.0	28.5	4.6
EV/EBITDA (x)	1.1	1.8	5.1	6.6	3.5
DPS (\$)	0.06	0.06	0.00	0.00	0.00
Net Div Yield (%)	2.9	2.7	0.0	0.0	0.0

Base Metals  
CEEMEA | Kazakhstan

## Company Focus

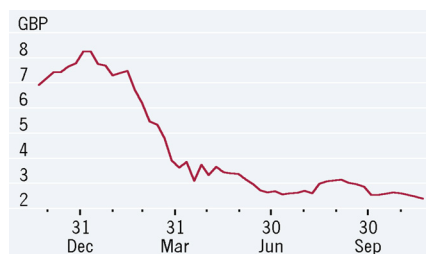
### ■ Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£2.40
Target price	£2.80
Expected share price return	16.7%
Expected dividend yield	2.1%
<b>Expected total return</b>	<b>18.8%</b>
Market Cap	£1,257M
	US\$2,036M

### Price Performance (RIC: KAZ.L, BB: KAZ LN)



## Kazakhmys Plc (KAZ.L) Turnaround Will Be Tough, Maintain Neutral

- **Changes to estimates** — We make minimal changes to estimates on the back of commodity price changes. Our 2013 EPS rises modestly on higher prices however 2014 drops 10% on expectations of further inflation pressures. Our segmental EBITDA (pre MET) estimate for 2014 drops from \$651m to \$638m.
- **Maintain Neutral** — We recently reinstated KAZ with a Neutral ([The Long and Winding Road](#)). We see several levers at the company's disposal to turnaround the FCF position of the legacy assets however restructuring is likely to be a slow grind. In the near term softening copper prices are likely to weigh on the shares.

### Kazakhmys Plc (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	3,563.0	3,353.0	2,990.0	2,791.3	3,171.8
Profit Before Tax (\$M)	1,623.0	-2,182.0	-119.0	60.1	489.4
Diluted EPS (\$)	2.80	0.98	0.30	0.30	1.10
Diluted EPS (Old) (\$)	2.80	0.98	0.27	0.33	1.16
PE (x)	1.4	4.0	13.1	12.9	3.5
EV/EBITDA (x)	-1.7	-1.8	0.8	6.2	4.1
DPS (\$)	0.28	0.11	0.09	0.03	0.12
Net Div Yield (%)	7.2	2.8	2.2	0.9	3.2

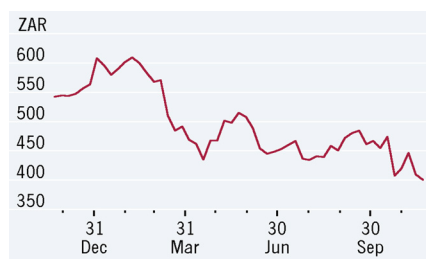
## Company Focus

- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (22 Nov 13)	R402.01
Target price	R420.00
from R430.00	
Expected share price return	4.5%
Expected dividend yield	9.7%
<b>Expected total return</b>	<b>14.2%</b>
Market Cap	R129,482M
	US\$12,785M

### Price Performance (RIC: KIOJ.J, BB: KIO SJ)



## Kumba Iron Ore Ltd (KIOJ.J) Target price reduced 2% to R420; Maintain Neutral

- **Earnings change** – With slightly higher iron ore prices near term, Kumba's earnings forecasts increases by 2% and 1% respectively for FY'13 and FY'14. However medium term downgrades to iron ore prices results in up to 61% decrease in our FY'15 onwards earnings forecast. Overall this leads to a cut on our target price from R430 to R420.
- **Settlement with Arcelor Mittal removes legal overhang** – Earlier this month Kumba confirmed to have reached an agreement with AMSA on iron ore supply from Sishen. As per the terms Kumba will supply up to 6.25mtpa iron ore to AMSA at cost and capex plus 20% margin beginning 2014. We have incorporated the transaction that results in no material changes to KIO's valuation; however we view this as a positive development by removing the uncertainty around court proceedings.
- **Fairly valued but catalyst missing** — We think the current share price already reflects the Sishen set back in terms of pit constraints. Nevertheless, we do not see any positive catalyst for the share price in near term and reiterate our Neutral recommendation with R420 target price.

### Kumba Iron Ore Ltd (ZAR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (RM)	48,553.0	45,446.0	51,452.0	50,180.6	45,558.7
Net Income (RM)	17,048.0	12,472.0	15,422.3	14,264.1	9,825.5
Diluted EPS (R)	52.99	38.76	47.87	44.21	30.45
Diluted EPS (Old) (R)	52.99	38.76	46.96	43.94	44.59
PE (x)	7.6	10.4	8.4	9.1	13.2
EV/EBITDA (x)	4.0	5.4	4.6	5.0	6.9
DPS (R)	44.20	31.70	41.10	39.00	28.00
Net Div Yield (%)	11.0	7.9	10.2	9.7	7.0

## Company Focus

### ■ Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£1.18
Target price	£1.60
Expected share price return	35.6%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>35.6%</b>
Market Cap	£163M
	US\$265M

### Price Performance (RIC: LOND.L, BB: LOND LN)



## London Mining (LOND.L) Earnings Mo in Near Term But Longer Term Uncertainty

- **Changes to estimates** — With iron ore estimates up 4% in 2014 our near term EBITDA estimates remain well supported with 2013 flat and 2014 up by 13% to \$205m. Beyond 2015 we see significant earnings downgrades from our more aggressive decline to LT prices. EBITDA falls by 45% on average 2015-2020.
- **Maintain Buy** — Our more bearish take on prices post 2015, combined with LOND's higher cost position, reinforces our preference for AMI as our preferred method of gaining long term iron ore exposure. On a 12m time horizon however we continue to see increased volumes and sustained, elevated prices driving solid earnings growth at LOND.

### London Mining (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	0.0	120.6	335.7	484.3	413.6
Profit Before Tax (\$M)	-41.6	-58.1	28.7	94.1	15.7
Diluted EPS (\$)	-0.54	-0.80	0.19	0.40	-0.05
Diluted EPS (Old) (\$)	-0.54	-0.80	0.20	0.25	0.33
PE (x)	-3.6	-2.4	10.2	4.8	-41.6
EV/EBITDA (x)	-6.7	-28.3	4.7	2.6	4.1
DPS (\$)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Coal  
Western Europe | United Kingdom

## Company Focus

- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£3.11
Target price	£4.52
from £4.53	
Expected share price return	45.3%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>45.3%</b>
Market Cap	£1,771M
	US\$2,869M

Price Performance  
(RIC: LMI.L, BB: LMI LN)



## Lonmin PLC (LMI.L) Super 2013

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent FY Sep-13 Highlights** — FY 13 was the highest Marikana underground tonnes hoisted in 6 years (11 million) and the 751k oz Pt-in-conc production was the highest in 6 years and an 10.5% increase on FY12. Platinum sales of 696k oz exceeded guidance of 660k oz (pipeline-effect vs. production). Concentrator recoveries were at a record level at 87.0% and costs per ounce were contained to a rise of 3.8%, much better than guidance and lower than South African inflation. In late FY 12 there was a six week stoppage which has helped YoY comparisons. Section 54 stoppages were reduced to an impact of 0.6 Mt compared to 2.4Mt in FY12, a very encouraging trend. Grades were largely unchanged
- **EPS Changes** — As a result of the adjustments to our model, our 2014E EPS changes from \$0.240 to \$0.206 and our 2015E EPS changes from \$0.284 to \$0.199 and our 2016E EPS changes from \$0.449 to \$0.278
- **Valuation and Recommendation** — Our target price for Lonmin is £4.52. We value Lonmin based on a sum-of-the-parts discounted cash flow (DCF) analysis. Our model uses a nominal WACC of 9% and discounts forecast cash flows over the life of the group's individual assets. We apply a 1.05x P/NPV multiple to our £4.31 NPV.

### Lonmin PLC (USD)

Year to 30 Sep	2012A	2013A	2014E	2015E	2016E
Sales (\$M)	1,613.3	1,519.6	1,687.8	1,781.2	1,822.5
Profit Before Tax (\$M)	59.5	151.9	193.5	186.8	244.1
Diluted EPS (¢)	5.6	19.2	20.6	19.9	27.8
Diluted EPS (Old) (¢)	5.6	19.4	24.0	28.4	44.9
PE (x)	89.7	26.2	24.5	25.4	18.1
EV/EBITDA (x)	12.5	7.5	5.7	5.7	4.9
DPS (¢)	2.1	0.0	0.0	4.1	7.0
Net Div Yield (%)	0.4	0.0	0.0	0.8	1.4

Base Metals  
Western Europe | Sweden

## Company Focus

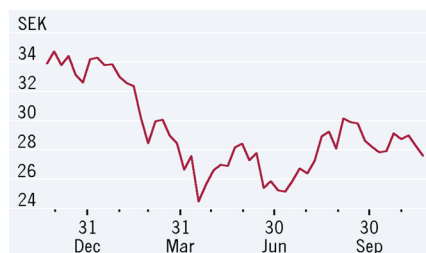
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	SKr27.61
Target price	SKr29.60
	from SKr29.40
Expected share price return	7.2%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>7.2%</b>
Market Cap	SKr16,136M
	US\$2,433M

### Price Performance (RIC: LUMIsdb.ST, BB: LUMI SS)



## Lundin Mining (LUMIsdb.ST) Remains a Neutral

- **Maintain Neutral** — The group has got one of the best growth profiles in the mining sector and a good track record of delivery as well. However we don't expect much improvement in zinc price in the near term and we rather expect copper prices to bottom out in 2014. Company specific catalysts including a potential dividend policy at some point and decision on phase 3 of Tenke seem to be a little far away. We maintain our Neutral rating on the stock with SKr29.60/share price target (from SKr29.40 earlier)
- **Key Changes** — Earnings changes in 2013F-2015F are negligible as the commodity prices haven't changed for those periods. Thereafter the earnings have seen double digit growth for 2016F-2018F driven by upward revision in copper prices. However the lower impact on near term has resulted in small NPV uplift to SKr31.50 from SKr30.80. As a result our price target which is a combination of NPV and multiples based valuation methods has also moved up marginally to SKr29.60 from SKr29.40.

### Lundin Mining (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	783.8	721.1	709.2	705.5	1,184.0
Net Income (\$M)	238.8	190.4	125.2	91.8	145.3
Diluted EPS (\$)	0.41	0.33	0.21	0.16	0.25
Diluted EPS (Old) (\$)	0.41	0.33	0.21	0.16	0.26
PE (x)	10.2	12.8	19.4	26.5	16.8
EV/EBITDA (x)	1.5	1.3	2.3	4.0	2.1
DPS (\$)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Coal  
Western Europe | United Kingdom

## Company Focus

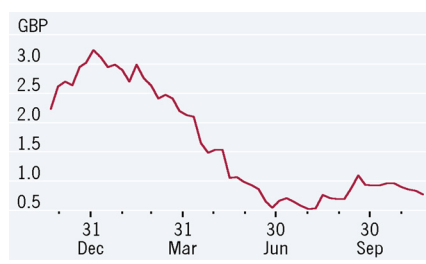
### ■ Estimate Change

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<b>Sell/High Risk</b>	<b>3H</b>
Price (21 Nov 13)	£0.78
Target price	£0.75
Expected share price return	-3.8%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-3.8%</b>
Market Cap	£206M
	US\$334M

### Price Performance

(RIC: NWRR.L, BB: NWR LN)



## New World Resources (NWRR.L)

### Cost cutting progressing well; weaker price negates the benefit

■ **Q3'13 showed positive development** — NWR reported a 12% decrease in cash mining unit costs on a stable production basis for 9M FY13. The company has taken a number of steps like closure of Paskov mine, agreement with Trade Unions for unchanged base tariff wages for 2014 and realized cash enhancing measures of €85m YTD, all pointing to a good effort from the management to preserve cash and improve margins. However, we believe that missing macro support negates this benefit and we still do not expect NWR to generate positive EBITDA in FY'14.

■ **Earnings change** — We have reduced the unit cost estimates for NWR as high cost Paskov is removed from operations during FY'14. This results in up to 37% improvement in NWR's medium term earnings. Despite this benefit we reduce NWR's FY'13 earnings estimate by 21% on the back of higher cost related to Paskov closure and slightly reduced volumes. Overall our DCF derived target price remains unchanged at £0.75 per share.

■ **Maintain Sell** — We believe there is no quick fix for NWR as the company continues to burn cash with negative margins and business optimisation steps will only show full impact by FY 2015. We maintain our Sell (3H) rating.

### New World Resources (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (€M)	1,632.5	1,299.4	834.5	660.1	742.1
Net Income (€M)	129.7	-0.3	-313.8	-201.9	-253.1
Diluted EPS (€)	0.49	0.00	-1.18	-0.76	-0.95
Diluted EPS (Old) (€)	0.49	0.00	-0.98	-1.21	-1.52
PE (x)	1.9	-907.8	-0.8	-1.2	-1.0
EV/EBITDA (x)	1.8	4.4	-17.3	-38.8	163.4
DPS (€)	0.23	0.06	0.00	0.00	0.00
Net Div Yield (%)	24.9	6.4	0.0	0.0	0.0

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

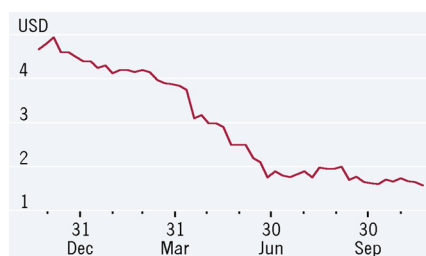
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	US\$1.58
Target price	US\$1.74
from US\$1.82	
Expected share price return	10.1%
Expected dividend yield	1.9%
<b>Expected total return</b>	<b>12.0%</b>
Market Cap	US\$597M

Price Performance  
(RIC: NORDNq.L, BB: NORD LI)



## Nordgold (NORDNq.L) Good Cost-Control in Q3

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — Total cash costs (TCC) for Q3 2013 were down 5% from Q3 2012 at US\$791/ oz vs. Q2 2013 at \$837/oz. Nord achieved Q-on-Q TCC improvements at eight of its nine mines, with the most significant decreases at Lefa (down 20%) and Buryatzoloto (down 14%). In Q3 2013 all-in sustaining cost was US\$1,008/oz, 5% lower than in Q2 2013. Cash and cash equivalents are now US\$263.8m, with net debt at US\$775m, with Q3 generating US\$101.8m of cash flow from operating activities. Nord recorded US\$44.6m of positive free cash flow in Q3 2013.
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.11 to \$0.05, our 2014E EPS changes from \$0.01 to \$-0.07 and our 2015E EPS changes from \$0.26 to \$0.17. We do not feel that the good cost performance of Q3 will be maintained.
- **Valuation and Recommendation** — Our NPV for Nordgold is \$158 to which we apply a 1.1x P/NPV target multiple. Our NPV is based on a 10% weighted average cost of capital. On this basis our target price is \$1.74 (from \$1.82 reflecting the estimate changes). We use 1.10x P/NPV for other similar-quality gold/silver peers. We rate the group as Neutral.

### Nordgold (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,182.1	1,200.6	1,317.6	1,341.3	1,547.5
Net Income (\$M)	168.9	20.2	17.4	-25.6	61.9
Diluted EPS (\$)	0.47	0.06	0.05	-0.07	0.17
Diluted EPS (Old) (\$)	0.47	0.06	0.11	0.01	0.26
PE (x)	3.4	28.3	32.8	-22.3	9.2
EV/EBITDA (x)	1.7	2.7	3.6	3.7	2.4
DPS (\$)	0.00	0.00	0.01	0.01	0.01
Net Div Yield (%)	0.0	0.0	0.6	0.6	0.6



Base Metals  
Western Europe | Norway

## Company Focus

### ■ Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (22 Nov 13)	NKr25.99
Target price	NKr27.00
Expected share price return	3.9%
Expected dividend yield	2.9%
<b>Expected total return</b>	<b>6.8%</b>
Market Cap	NKr53,773M
	US\$8,828M

### Price Performance (RIC: NHY.OL, BB: NHY NO)



## Norsk Hydro ASA (NHY.OL)

### Maintain Neutral

■ **Maintain Neutral** — Earnings changes from commodity price update have been minimal. 2013 EPS has improved by 3% to reflect slightly higher aluminium assumption while the years after have witnessed low single digit downgrades as 3Q actual prices result in marginally lower realized alumina price flow through. As a result, NPV has also dropped marginally to NKr36.40 from NKr37.20. However, our rounded price target which is a combination of NPV and P/E based valuation methods remains unchanged at NKr27/share and we maintain our Neutral rating on the stock. Please refer to [Vale Stake Down to 2%; Upgrading NHY to Neutral \(2\)](#) for our detailed investment thesis on Norsk Hydro.

### Norsk Hydro ASA (NOK)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (NKrM)	91,444.0	64,141.0	64,354.8	67,164.0	70,133.4
Net Income (NKrM)	3,718.0	509.1	1,491.1	1,745.4	3,026.3
Diluted EPS (NKr)	1.89	0.25	0.73	0.86	1.48
Diluted EPS (Old) (NKr)	1.89	0.25	0.71	0.87	1.50
PE (x)	13.7	104.0	35.5	30.4	17.5
EV/EBITDA (x)	5.1	9.8	7.9	6.6	5.2
DPS (NKr)	0.75	0.75	0.75	0.75	0.75
Net Div Yield (%)	2.9	2.9	2.9	2.9	2.9

## Company Focus

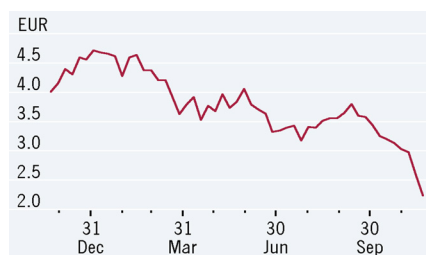
- Rating Change
- Target Price Change
- Estimate Change

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<b>Sell/High Risk</b>	<b>3H</b>
from Sell	
Price (21 Nov 13)	€2.24
Target price	€2.00
from €3.00	
Expected share price return	-10.7%
Expected dividend yield	7.1%
<b>Expected total return</b>	<b>-3.6%</b>
Market Cap	€381M
	US\$513M

### Price Performance (RIC: NYR.BR, BB: NYR BB)



## Nyrstar NV (NYR.BR)

### Challenging zinc environment; Funding Concerns Mounting

■ **Maintain Sell** — Weak commodity price environment has continued to weigh on the earnings of Nyrstar. Aside from that, the Talvivaara restructuring announcement has also weighed on the share price, in our view. We don't expect zinc prices to improve in the near term while new smelting projects would only start contributing from 2015/2016 but requiring a sizeable capex during 2014-2017. We maintain our Sell rating on the stock with a reduced price target of €2.00 (from €3.00) earlier.

■ **Funding Concerns Mounting** — We also assign a High Risk rating because of the three key reasons: 1) Funding of new capital projects and re-financing of existing bonds looks difficult and the group is still evaluating the funding options for €280m Metals Processing Transformation (MPT) projects and has not ruled out an Equity raise while saying that equity would be the least preferred option. 2) The company has also said that it could consider short term further financial support for Talvivaara. Constrained by its own balance sheet with no stated financing route for its own capex, we would argue that any further financial support to Talvivaara would be perceived adversely by the market. 3) Enough information has not been provided on the new smelting projects, therefore both consensus and Citi expectations of earnings contribution from these projects are subject to higher risk.

■ **Key Changes** — In addition to commodity price changes, we have also 1) Updated the model for 3Q IMS, 2) Incorporated €270m Port Pirie smelter re-build project following the strategy update, 3) Included €280m Metals Processing Transformation (MPT) projects announced at strategy update, 4) Removed zinc deliveries from Talvivaara as the most conservative stance since Talvivaara has clearly said that Bankruptcy could be considered if the negotiations around financing are not successful. 2013 EPS is only marginally down. Significant EPS downgrades to 2014 (from -€0.27 to -€0.51), 2015 (from €0.23 to -€0.23) and 2016 (from €0.26 to -€0.02) are primarily due to change in € assumptions and absence of Talvivaara volumes. NPV has declined by 6% to €4.70 as near term earnings were already negative/low while the out year downgrades have been partially offset by increased contribution from new smelting projects. Based on the current financial position and the need for re-financing, the annual dividend of 16c/share could be at risk as well.

### Nyrstar NV (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (€M)	3,347.6	3,069.8	2,795.1	2,631.8	2,870.4
Net Income (€M)	55.6	-72.3	-93.6	-78.0	-34.2
Diluted EPS (€)	0.37	-0.45	-0.61	-0.51	-0.23
Diluted EPS (Old) (€)	0.37	-0.45	-0.61	-0.27	0.23
PE (x)	6.1	-5.0	-3.7	-4.4	-9.9
EV/EBITDA (x)	3.7	5.4	6.6	7.1	5.9
DPS (€)	0.16	0.16	0.16	0.16	0.16
Net Div Yield (%)	7.1	7.1	7.1	7.1	7.1

## Company Focus

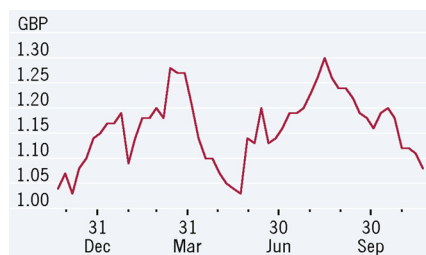
- Target Price Change
- Estimate Change

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<b>Buy</b>	<b>1</b>
Price (21 Nov 13)	£1.08
Target price	£1.41
from £1.57	
Expected share price return	30.6%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>30.6%</b>
Market Cap	£553M
	US\$895M

Price Performance  
(RIC: PDL.L, BB: PDL LN)



## Petra Diamonds (PDL.L)

### A Good Start to FY 14

■ **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.

■ **Recent Sep-Q Highlights** — Finsch grades are exceeding guidance but it is getting a lower average price per carat due to the increased recovery of smaller goods. Finsch, as the only SA operation unaffected by the industrial action in Sep-Q increased carat production by 61% to 518k carats (Sep-Q 2012 was 321k carats). The mine saw the full impact of the plant changes (lowering the cut-off) implemented towards the end of FY 2013 with the ROM grade (Q1 FY 2014: 41.7 cpht; Q1 FY 2013: 33.6 cpht) increasing beyond guidance. Cullinan's diamond production reduced 9% Y-o-Y primarily due to the work stoppages. Grades were in line with expectations. Williamson's diamond production decreased 10% to 35k carats (Q1 FY 2013: 39k carats), due to planned downtime to implement changes to the treatment plant. Williamson's full year production forecast remains in line with guidance.

■ **EPS Changes** — As a result of the adjustments to our model, our 2014E EPS changes from \$0.16 to \$0.14 and our 2015E EPS changes from \$0.26 to \$0.25 and our 2016E EPS changes from \$0.37 to \$0.35

■ **Valuation and Recommendation** — As with all of our other UK precious metals stocks, we use Petra's long-term (25-year) NPV as the key driver of our valuation. We set our PDL target price of £1.41 (down from £1.57 due to the estimate changes) by applying a 1.0x P/NPV on Petra's £1.41 NPV Valuation. This compares to the average 1.15x P/NPV that we use on our UK Gold Shares. We prefer to align Petra with our diversified mining groups where we use typically use 1.0x P/NPV. Diamond groups have historically not commanded the senior valuation ratings attributed to gold groups. We rate Petra as Buy.

### Petra Diamonds (USD)

Year to 30 Jun	2012A	2013A	2014E	2015E	2016E
Sales (\$M)	325.8	402.7	426.6	549.0	650.5
Net Income (\$M)	-2.4	48.4	73.5	128.7	185.7
Diluted EPS (\$)	0.00	0.10	0.14	0.25	0.35
Diluted EPS (Old) (\$)	0.00	0.10	0.16	0.26	0.37
PE (x)	-377.5	18.0	12.5	7.1	4.9
EV/EBITDA (x)	11.9	8.7	7.5	5.1	3.7
DPS (\$)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

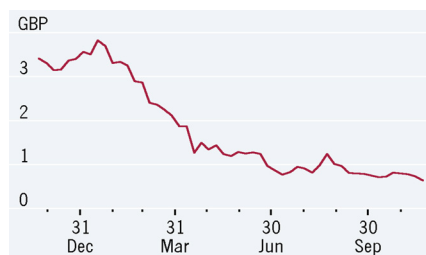
- Estimate Change
- Target Price Change

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<b>Sell</b>	<b>3</b>
Price (21 Nov 13)	£0.64
Target price	£0.55
	from £0.64
Expected share price return	-14.1%
Expected dividend yield	0.0%
<b>Expected total return</b>	<b>-14.1%</b>
Market Cap	£126M
	US\$205M

### Price Performance (RIC: POG.L, BB: POG LN)



## Petropavlovsk PLC (POG.L) Restrained by Flooding

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — Q3 was supposed to be the quarter that POG really kicked on to higher grades and production following its extensive pit pushback activities. The severe rain and flooding has damaged those intentions and POG, unfortunately, has been forced back into the bad old days of guidance-cuts, admittedly due to factors beyond its control. Pokrovskiy and Pioneer were affected by flooding most of all. In Q3 Pioneer produced 59,400oz as POG was unable to access the high-grade ore scheduled for processing during Q3 due to flooding; ore from low-grade areas and from the stockpiles was instead fed through the mill. Pokrovskiy produced 23,800oz; high-grade ore from the bottom of the Pokrovka-1 pit was being mined in July as planned but was halted from mid-July onwards as heavy rain flooded the pit. POG switched its focus to the Pokrovka-2 deposit and stockpiles, resulting in lower grades than budgeted. Malomir was less affected by the rain and produced 31,700oz 48% up on Q2 2013 (21,400oz). Albyn produced 34,900oz as the mine was also affected by heavy rainfall.
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.19 to \$-0.05, our 2014E EPS changes from \$0.44 to \$0.45 and our 2015E EPS changes from \$0.72 to \$0.66. Our FY 13 estimates have been negatively impacted by the effect of the flooding.
- **Valuation and Recommendation** — We set our target price of £0.55 (down from £0.64 due to the estimate changes) by applying a 1.1x P/NPV multiple to POG's gold assets (NAV of £0.10 per share, derived using a discount rate of 10%), while we use 80% of the market capitalisation of the IRC subsidiary to value the stake which POG holds (currently \$0.45 per POG share). We use 1.10x P/NPV for other similar-quality gold/silver peers. We rate the group as Sell.

### Petropavlovsk PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,261.5	1,374.7	1,194.1	998.7	1,040.3
Profit Before Tax (\$M)	356.9	140.7	35.1	111.9	178.6
Diluted EPS (\$)	1.23	0.53	-0.05	0.45	0.66
Diluted EPS (Old) (\$)	1.23	0.53	0.19	0.44	0.72
PE (x)	0.8	2.0	-20.0	2.3	1.6
EV/EBITDA (x)	1.9	3.1	5.0	5.3	4.4
DPS (\$)	0.19	0.19	0.02	0.00	0.00
Net Div Yield (%)	18.3	18.3	1.9	0.0	0.0

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

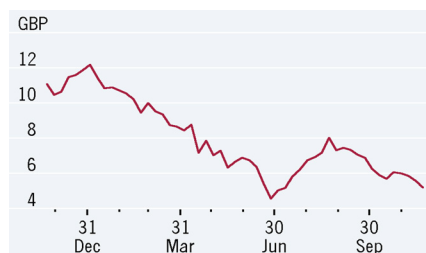
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (21 Nov 13)	£5.20
Target price	£5.65
from £6.15	
Expected share price return	8.7%
Expected dividend yield	3.8%
<b>Expected total return</b>	<b>12.5%</b>
Market Cap	£2,025M
	US\$3,281M

### Price Performance (RIC: POLYP.L, BB: POLY LN)



## Polymetal (POLYP.L) POX Doing Well

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — POLYP has now completed the implementation of remedial measures at the Amursk POX plant. Full design throughput for Albazino concentrate was reached in August and POLYP expects to achieve design recovery in Q4. In Q3 the POX plant produced 59 Koz of gold at an average recovery of 87% and average throughput of 444 tpd. Currently, the plant is running at 500 tpd, exceeding its nameplate capacity for Albazino concentrate, with the goal to fast-track processing of accumulated stockpiles. Recoveries in October are averaging 91-92%
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.62 to \$0.67, our 2014E EPS changes from \$0.68 to \$0.70 and our 2015E EPS changes from \$1.01 to \$1.02
- **Valuation and Recommendation** — We derive an NPV estimate of £4.71/sh for Polymetal based on a DCF model. We forecast free cash flows over 20 years on a project-by-project basis and discount them back using a 10% WACC. We use a 1.2x P/NPV ratio to derive our TP of £5.65/sh (down from £6.15 due to the estimate changes). We use 1.20x P/NPV for other similar-quality gold/silver peers. We rate the group as Neutral.

### Polymetal (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,326.4	1,854.0	2,205.8	1,856.4	1,964.0
Net Income (\$M)	289.9	406.6	273.3	285.0	416.4
Diluted EPS (\$)	0.74	1.00	0.67	0.70	1.02
Diluted EPS (Old) (\$)	0.74	1.00	0.62	0.68	1.01
PE (x)	11.4	8.4	12.6	12.1	8.2
EV/EBITDA (x)	6.5	4.2	6.0	6.6	4.8
DPS (\$)	0.20	0.31	0.15	0.22	0.32
Net Div Yield (%)	2.4	3.7	1.8	2.6	3.8

Gold & Silver  
CEEMEA | Russian Federation

## Company Focus

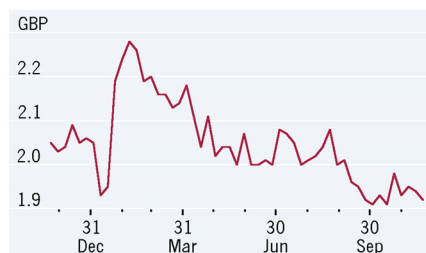
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (20 Nov 13)	£1.93
Target price	£1.94
from £2.00	
Expected share price return	0.5%
Expected dividend yield	4.0%
<b>Expected total return</b>	<b>4.5%</b>
Market Cap	£5,852M
	US\$9,481M

### Price Performance (RIC: PGIL.L, BB: PGIL LN)



## Polyus Gold (PGIL.L) Olimpiada Shines

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — There was a solid increase in gold production at flagship mine Olimpiada due to higher processing volumes and increased grade. In Q3, Olimpiada produced 186k oz vs. 133k oz in 3Q 12. Automation of both Olimpiada mills, including the bio-oxidation facility, continued as planned. Blagodatnoye produced 89k oz in Q3 vs. 116k oz in 3Q 12. The decrease was mainly due to lower grades. Titimukhta produced 30k oz vs. 38k oz in 3Q 12, with the decrease due to lower processing volumes and grade. Verninskoye produced 23k oz vs. 12k oz in 3Q 12 and Kuranakh produced 35k oz in Q3 vs. 33k oz in 3Q 12.
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$0.19 to \$0.17, our 2014E EPS changes from \$0.10 to \$0.09 and our 2015E EPS changes from \$0.13 to \$0.12.
- **Valuation and Recommendation** — We derive an NPV of £1.62 for Polyus. We apply a 1.2x P/NPV ratio to our NPV to derive our TP of £1.94 (down from £2.00 due to the estimate changes). Our DCF model is based on FCF forecasts, which are discounted at a WACC of 9.0%. We use 1.20x P/NPV for other similar-quality gold/silver peers. We rate the group as Neutral.

### Polyus Gold (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	2,402.7	2,848.1	2,432.4	2,259.9	2,792.9
Profit Before Tax (\$M)	765.1	1,237.8	724.0	392.3	500.2
Diluted EPS (\$)	0.16	0.32	0.17	0.09	0.12
Diluted EPS (Old) (\$)	0.16	0.32	0.19	0.10	0.13
PE (x)	19.7	9.9	18.4	33.1	26.3
EV/EBITDA (x)	8.4	6.9	10.9	13.6	11.2
DPS (\$)	0.03	0.06	0.12	0.06	0.03
Net Div Yield (%)	1.1	1.9	3.7	2.0	1.1

Gold & Silver  
Western Europe | United Kingdom

## Company Focus

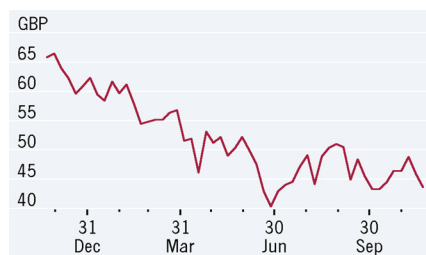
- Target Price Change
- Estimate Change

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<b>Sell</b>	<b>3</b>
Price (20 Nov 13)	£44.95
Target price	£42.54
from £42.26	
Expected share price return	-5.4%
Expected dividend yield	0.4%
<b>Expected total return</b>	<b>-4.9%</b>
Market Cap	£4,149M
	US\$6,721M

### Price Performance (RIC: RRS.L, BB: RRS LN)



## Randgold Resources Ltd (RRS.L) Loulo Delivers

- **Model Changes** — We have updated our model for our new commodity price forecast and for the data and guidance released in the September-quarter data. We have also reviewed the cost profile going forward in the light of industry cost trends revealed in the recent data releases.
- **Recent Q3 Highlights** — At Loulo-Gounkoto, an increase in the grade (Q3 = 5.1g/t vs Q2 at 4.0g/t) coupled with an improvement in recoveries (Q3 = 90.8% vs Q2 at 85%) delivered a 36% increase in production to 165k oz vs. Q2. The improvement in the recovery rate was the result of the commissioning of a milling circuit recycle crusher and a new oxygen plant. Total cash costs fell from \$799/oz to \$616/oz, a commendable improvement. At Tongon mill throughput rose but this was offset in Q3 by a drop in the recovery rate. A further mill tonnage ramp-up is scheduled for Q4 with the commissioning of new crushers and a cyclone pump upgrade. Total cash cost in Q3 was reduced by 6% vs. Q2.
- **EPS Changes** — As a result of the adjustments to our model, our 2013E EPS changes from \$3.03 to \$2.99, our 2014E EPS changes from \$3.17 to \$3.31 and our 2015E EPS changes from \$3.85 to \$4.09
- **Valuation and Recommendation** — We derive our target price of £42.54 (up from £42.26 due to the estimate changes) by applying a 1.20x P/NPV ratio to our NPV estimate of £35.45, derived using a discount rate of 10%. We use 1.20x P/NPV for other similar-quality gold/silver peers. We rate the group as Sell.

### Randgold Resources Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,128.3	1,311.0	1,252.9	1,584.0	1,769.2
Net Income (\$M)	375.9	429.3	276.4	305.9	377.9
Diluted EPS (\$)	4.07	4.65	2.99	3.31	4.09
Diluted EPS (Old) (\$)	4.07	4.65	3.03	3.17	3.85
PE (x)	17.9	15.7	24.3	22.0	17.8
EV/EBITDA (x)	11.3	9.3	12.5	9.8	7.9
DPS (\$)	0.40	0.50	0.44	0.30	0.39
Net Div Yield (%)	0.5	0.7	0.6	0.4	0.5



Coal  
Western Europe | United Kingdom

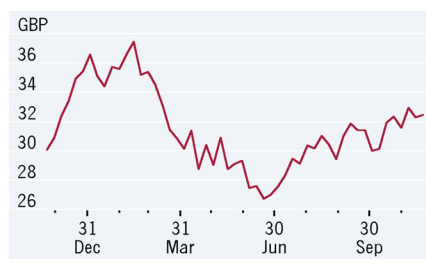
## Company Focus

### ■ Target Price Change

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<b>Buy</b>	<b>1</b>
Price (20 Nov 13)	£33.00
Target price	£40.00
from £39.00	
Expected share price return	21.2%
Expected dividend yield	3.3%
<b>Expected total return</b>	<b>24.5%</b>
Market Cap	£56,760M
	US\$91,954M

### Price Performance (RIC: RIO.L, BB: RIO LN)



## Rio Tinto PLC (RIO.L) Target Price Increased 3% to £40; Buy

- **Buy recommendation and target price of £40/share** — Our commodity price revisions have resulted in a 3% decrease in RIO's FY'13E earnings while FY'14 earnings decrease by ~1%. Despite this reduction, our GBP target price increases (+3%) to £40 due to exchange rate impact. RIO trades on a 2014E PE of 8.8x which is a c20% discount to its peers. The company continues to struggle to re-rate, in our view, due to its heavy exposure to iron ore.
- **3Q 13 update indicate strong 2103** — 3Q13 production report was a good set of numbers, although iron ore shipments were slightly disappointing with none of the expected inventory drawdown. Importantly, 2013 guidance has been maintained or increased for all commodities. Continued delivery of the iron ore growth in 4Q13 and 2014 will be a key driver for the stock, especially if current iron ore prices hold.
- **3 Steps to Unlock >30% Valuation Upside** — We believe the attraction of RIO's valuation would be even greater if 3 steps were taken to unlock substantial upside - **3 Steps to Unlock >30% Upside**
  - – Alcan Spin-off – little value in share price, but on Alcoa multiples would be worth US\$13+bn.
  - – Release the Franking – pay out the US\$18b in franking credits.
  - – 180 on 360 – return cash to shareholders rather than add to the iron ore over supply by expanding mine capacity to 360mtpa in the Pilbara.

### Rio Tinto PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	60,537.0	50,967.0	53,703.8	59,850.7	61,303.2
Profit Before Tax (\$M)	13,016.0	-5,674.0	11,691.4	17,153.4	16,308.1
Diluted EPS (¢)	832.8	505.3	527.2	605.1	582.4
Diluted EPS (Old) (¢)	832.8	505.3	543.8	609.9	710.8
PE (x)	6.4	10.6	10.1	8.8	9.2
EV/EBITDA (x)	3.5	7.2	5.5	4.7	4.6
DPS (¢)	145.0	167.0	185.0	200.0	220.0
Net Div Yield (%)	2.7	3.1	3.5	3.7	4.1



Diversified Metals & Mining  
Western Europe | United Kingdom

## Company Focus

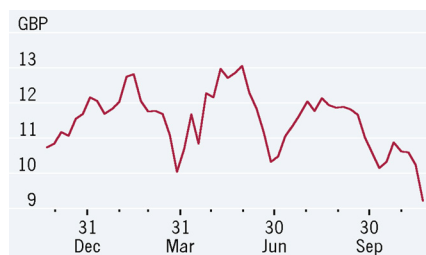
- Target Price Change
- Estimate Change

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<b>Neutral</b>	<b>2</b>
Price (20 Nov 13)	£9.51
Target price	£10.00
from £11.40	
Expected share price return	5.2%
Expected dividend yield	4.2%
<b>Expected total return</b>	<b>9.4%</b>
Market Cap	£2,600M
	US\$4,212M

### Price Performance (RIC: VED.L, BB: VED LN)



## Vedanta Resources Plc (VED.L) Valuation Disparity Continues; Maintain Neutral

- **Maintain Neutral** — As highlighted in our report [Mind The Gap](#), there appears to be a significant premium on VED's share price vs. SoTP valuation driven from listed subsidiaries. We continue to believe that this gap needs to close either way and the upside on VED's shares should remain capped till the gap closes. Other potential catalysts
  - including zinc/aluminium minority buy-outs, iron ore resumption, bauxite allocation, and KCM cost improvement continuing to remain uncertain in terms of timelines. Therefore we maintain our Neutral rating on the stock with a reduced price target of £10 (from £11.40 previously).
- **Key changes to the model** — In addition to the new commodity prices, other key changes in the model include 1) we have updated our model for 1H FY14 financials, 2) we have taken a more cautious view on KCM as the cost improvement might take longer due to labour issues, 3) we assume a lower plateau rate of 250kbbbl at Oil & Gas ops, 4) reduced the power realisations at Talwandi Sabo power project as the management indicated the project to be more marginal and not closer to the return profile of other group operations. EPS downgrades over the next five years (FY2014F-FY2018F) are in the range of 10.6-38.2%. Driven by earnings changes, our NPV has also declined to £11.70 from £16.10 earlier. Our price target, which is based on NPV and P/E based valuation methods, has declined from £11.40 to £10.00.

### Vedanta Resources Plc (USD)

Year to 31 Mar	2012A	2013A	2014E	2015E	2016E
Sales (\$M)	14,005.3	14,989.8	12,950.0	14,812.4	16,258.8
Profit Before Tax (\$M)	1,745.4	1,705.9	1,155.1	2,108.8	2,230.7
Diluted EPS (¢)	139.7	130.8	70.1	124.0	171.9
Diluted EPS (Old) (¢)	139.7	130.8	91.6	141.7	278.3
PE (x)	11.0	11.8	22.0	12.4	9.0
EV/EBITDA (x)	5.2	5.6	5.7	4.8	4.6
DPS (¢)	55.0	58.0	61.1	64.6	68.3
Net Div Yield (%)	3.6	3.8	4.0	4.2	4.4

## African Barrick Gold Plc

### Company description

African Barrick Resources operates four gold mines in Tanzania, namely Bulyanhulu, Buzwagi, North Mara and Tulawaka. Buzwagi, an open-pit mine, is the newest mine, having started up in 2009. The company is 75%-owned by Barrick Gold following the IPO in March 2010.

### Investment strategy

We rate African Barrick as Sell. The group has been struggling with containing costs on a number of fronts, primarily as a result of inadequate state provision of power in Tanzania.

### Valuation

We prefer to use longer-term P/NPV ratios to value this subsector and set our target price of £1.32 by applying a 1.1x P/NPV ratio to our NPV estimate of £1.20 (derived using a discount rate of 10%).

### Risks

Key risks that could cause volatility in the share price are the gold price, which has a volatile trading history, and African political risk. While Tanzania has a stable democracy, its location alongside some unstable democracies does offer some risk.

ABG has good labour relationships but there have been examples of labour disruption in the past before ABG took steps to improve relationships. There is always a risk that labour difficulties could resume. There has also been a security risk at ABG's North Mara mine.

We consider the ABG technology to be standard for the mining industry but all mining carries risk. ABG has extremely high safety standards but mines present a constant risk of fatalities and accidents cannot be ruled out.

If the impact of these risk factors is more or less positive than we currently anticipate, then the share price could deviate significantly from our target price.

## African Minerals Ltd

### Company description

African Minerals is a single-asset iron ore mining company with operations in the West African nation of Sierra Leone. Its flagship project, Tonkolili is located approximately 200km north east of the capital Freetown.

The company plans to develop the asset in a three-stage approach. Phase 1 aims for a 20mtpa capacity exploiting the DSO overburden. Phase 2 will mine the deeper saprolite ore following the exhaustion of Phase 1. Total capacity is still in the engineering stage with expectations of 22-27mtpa with the brownfield Phase 2 expansion. Phase 3 will look to exploit the deeper magnetite ore.

## Investment strategy

We rate African Minerals Buy/High Risk. We believe we have seen the end of the super cycle in iron ore as increasing supply, slowing Chinese demand and endemic industry cost inflation pressure returns. We argue that investors should look to gain exposure to stocks that offer best-in-class capital allocation, low cost volume growth and upside optionality. In our view, African Minerals ticks all these boxes.

Given the early stage of ramp-up and uncertain pricing environment in iron ore, we rate AMI High Risk.

## Valuation

Our £3.30 valuation is derived from an equal weighting of 1.0x our DCF-derived NPV of £3.15 and 4x 2014E EBITDA of £2.97. In our view, this blend captures both the long-term upside potential of the stock and its near-term earnings potential.

## Risks

We set a High Risk rating to reflect the early stage of ramp-up and the uncertain pricing environment in iron ore.

The key risks surrounding AMI that could prevent the stock reaching our valuation are:

Politics - Despite a democratic system there remains the risk of unexpected political turmoil in Sierra Leone, as with any emerging economy.

Resource nationalism - AMI has gained concessions vs. the official mining code including lower corporate tax. Should this be reversed, or the government look to gain an equity stake in the mining asset, our valuation would fall.

Price - AMI's valuation is very sensitive to changes in the price of its key commodity, iron ore. We calculate a 10% increase price would increase our NPV by 32%.

Execution risk - As with any project company the ramp up stage is riskiest time. AMI is increasing production in 2013 from a 5.1mt in 2012 to the 20mtpa capacity by year end and slippage in this production schedule would reduce our valuation.

## African Rainbow Minerals

### Company description

ARM is a South African diversified mining company with long-life, low-cost assets in platinum, nickel, iron ore, manganese and coal through partnerships with major players in the global resource sector. Its strong BEE credentials, solid track record and healthy balance sheet give ARM access to attractive mining deals.

### Investment strategy

We rate ARM Buy (1). ARM is a quality mining company with long-life, low-cost operations and strong growth opportunities, in our view. Partnerships with mining majors lead to knowledge transfer and the ability to participate in mega projects. ARM's large reserves support long asset lives and expandability and it operates low-cost mines with strong growth prospects.

## Valuation

We use a discounted cash flow approach to derive our one-year target price of R225, based on: A WACC of 13.34%; long-term (2015-2028) nominal revenue growth of 3% per annum; long-term EBITDA margins of 35%; long-term capex/EBITDA ratio of 33%; long-term ROE (excluding Harmony) of 18.9%; and nominal terminal growth rate (after 2028) of 7.9%, implying an exit PE multiple of 13.7x. We include ARM's investment in Harmony Gold in our valuation at listed market value.

## Risks

ARM's risk profile is derived after considering several factors, including an assessment of the macroeconomic environment, industry-specific risks, company-specific operational risks as well as financial risk.

Downside risks include: potential execution risk, given significant new projects; South African infrastructure constraints; skills, electricity and water shortages and onerous regulation in South Africa; higher-than-forecast mining inflation; over-estimation of mineral reserves and government actions.

## Anglo American PLC

### Company description

Anglo American is a diversified mining company, with key operations in base metals, coal, iron ore and PGMs. While its head office is in the UK, its operations are spread across the globe, with exposure to South Africa, Australia and South America. Its biggest differentiator vs. its peer group is its globally dominant position in platinum and diamond production. The group has a larger proportion of assets in Africa (40%) than its peers, which could be perceived as higher risk given political uncertainty and electricity shortages.

### Investment strategy

Our recommendation on Anglo American is Neutral. We forecast strong volume growth over the next four years. We believe Anglo could offset the negative impact of falling commodity prices on its margins over the next five years to some extent through a defensive commodity basket and high-margin iron ore copper and coal growth.

However, we believe several operational challenges could weigh on Anglo's share price in the medium term: 1) significant cost pressure and volume risk at Kumba Iron Ore, due to increasing mining complexity; 2) ongoing operational issues at Anglo Plat; 3) ongoing issues at Minas Rio; and 4) potential for higher taxes in South Africa.

## Valuation

Our Anglo target price of £14 is calculated using a weighted valuation, which is calculated as the average of DCF fair value, PE-derived value and dividend yield derived value. We apply a 12x PE multiple to one-year forward earnings, a 5% dividend yield to one-year forward dividends. We derive our DCF valuation based on: 1) a weighted average cost of capital (WACC) of 9.7%; 2) long-term (2013-23E) nominal revenue growth of 3% per annum; 3) long-term EBITDA margins of 34%; 4) a long-term capex/EBITDA ratio of 39%; 5) long-term ROCE of 16%; and 6) a terminal growth rate (after 2027E) of 3.5%.

## Risks

The biggest risks to our earnings forecasts and valuation relate to our commodity price and currency forecasts.

Industry-specific risks include government actions, such as controls on imports, exports and prices, new forms or rates of taxation and royalties, and increased government regulation. South African miners started paying mining royalties in March 2010, in line with global best practice and market expectations.

Higher-than-forecast inflation in the mining sector could lead to near-term margin compression, but should support higher commodity prices in the long term.

Skills, electricity and water shortages in South Africa may affect production and mining inflation more than we anticipate. As around 40% of Anglo's assets are in South Africa, this could erode Anglo's global competitiveness.

Over-estimation of mineral reserves could weaken our investment case. We assume long-term reserve replacement at a fixed capital cost to EBITDA. Failure to discover new reserves or expand existing reserves could therefore impact on Anglo's valuation.

Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Antofagasta

### Company description

ANTO is a top 10 global copper producer producing ~700ktpa of copper equivalent on consolidated basis. Its assets are mostly located in Chile with exploration properties spread across globally and headquarters in the UK. ANTO is 65% family held by the Luksic family. The remaining free float trades on the FTSE.

### Investment strategy

We rate Antofagasta as Sell. The group has got flat production for next couple of years in declining copper price environment. Also, the organic growth options don't appear very attractive to us from a return on capital perspective but we believe the investment in less attractive projects might continue as the group remains focused on growth. We would like the group to commit to a higher dividend payout than indicative 35% which can potentially help to sustain the premium rating. With recently provided higher cost guidance, we still see significant risk to consensus earnings which should result in negative earnings momentum. With very expensive valuation relative to the sector, we see better opportunities elsewhere.

### Valuation

Our target price of £7.70 is based on a blend of DCF based NPV, Free Cash Flow and multiples (EV/EBITDA). The NPV approach gives us a longer-term view of normalised returns, and the multiple and free cash flow methods give us a valuation on near-term earnings potential. We apply 20% premium to NPV to reflect the scarcity value of pure play and quality copper companies.

## Risks

With >80% of its sales related to copper, any change in copper prices has a significant effect on our estimates, valuation and target price; in terms of costs, there is added risk given the unpredictability of its cash production costs; not only are cash costs related to copper prices, but they are also affected by the prices of by-products, such as molybdenum, gold and silver.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## Aquarius Platinum Ltd

### Company description

Aquarius Platinum has interests in five operations. Operations and projects are located on both the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe. The primary operation is at Kroondal, one of the lowest-cost and most efficient PGM producers in the world. In Zimbabwe, AQP holds a 25% interest in the Mimosa Mine, and is due more than \$250m for the other 25% of the Mimosa mine which it owned until recently and has sold to the Zimbabwe government. Mimosa is arguably the lowest-cost primary PGM mine in the world. Mimosa has a mine life in excess of 30 years. AQP recently put its Marikana and Everest mines on care and maintenance.

### Investment strategy

We rate AQP Neutral. AQP has put two high-cost mines on care and maintenance, and in so doing has lowered its operating cost, especially as one of its two mines, Mimosa, is a very low-cost operation. In the process, capex has been contained as well and the balance sheet is therefore more robust. In the long term, we think Aquarius should benefit from a structurally supportive outlook for PGM prices the However, the risk on Zimbabwean assets is high.

### Valuation

Our £0.49 target price is based on our NPV valuation, given the current uncertainty over the macro outlook and likelihood of depressed earnings near term. Our base-case NPV for the stock of £054 is derived from a DCF model that assumes a discount rate for the UK listing of 9% (in line with that which we use for its closest UK peer). We set our target price at 0.9x P/NPV, at a discount to peers because of high Zimbabwean risk.

## Risks

Aquarius faces risks given that group earnings are all generated from a single commodity and mining is limited to one African region.

Key risks to Aquarius failing to achieve our projected earnings, cash flows and target price relate to the following:

**Rand strength.** A stronger-than-expected rand would continue to depress rand-denominated cash flows.

**Cost pressures.** Cost pressures continue to be a feature in the industry.

**Geopolitical exposure.** Mining is limited to one region, Southern Africa. Aquarius has considerable investment at Mimosa in Zimbabwe. Any further deterioration in the political situation there and/or inability to expand the production assets could be a problem for the company.

However, if the impact of these risk factors is less negative than we currently anticipate, then the share price could exceed our target price.

## Assore Limited

### Company description

Assore mines iron ore, manganese ore, chrome and pyrophyllite and produces manganese- and chrome alloys in South Africa. It also earns commission on marketing its JV partners' (ARM's) products. Assore's principal investment is Assmang which is a 50/50 joint venture with ARM and contributes around 78% to NPV.

### Investment strategy

We rate ASR Sell (3). It is a quality mining company with long-life, low-cost operations and strong growth opportunities, in our view. However, it is trading at a significant premium valuation to South African listed mining peers and we believe its positive outlook is priced in. We prefer to get exposure to Assore's attractive assets through cheaper African Rainbow Minerals, which is Assore's 50/50 JV partner at Assmang.

### Valuation

Our R290 target price is based on a DCF calculation. Our main assumptions are WACC of 13.34%, long-term (2016-2030) nominal revenue growth of 2% per annum, long-term EBITDA margins of 39%, long-term capex/EBITDA ratio of 29%, long-term ROE of 22% and nominal terminal growth rate (after 2030) of 7.2%, implying an exit PE multiple of 11.3x.

### Risks

ASR's risk profile is derived after considering several factors, including an assessment of the macroeconomic environment, industry specific risks, company-specific operational risks as well as financial risk.

Downside risks to our target price include: A significant global economic slowdown (China in particular), which could lead to lower than forecast commodity prices; potential execution risk given significant new projects; South African infrastructure constraints limiting volume growth; skills, electricity and water shortages; onerous regulation in South Africa; higher-than-forecast mining inflation; overestimation of mineral reserves and government actions. If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## BHP Billiton PLC

### Company description

BHP Billiton is the world's largest mining company, formed by the merger of BHP Ltd and Billiton plc in 2001. The group comprises six major business units, Petroleum, Aluminium, Base Metals, Carbon Steel Materials, Energy Coal and Stainless Steel Materials. The company retains a dual listed corporate structure between the UK and Australian markets.

### Investment strategy

We rate BHP Billiton a Neutral. After a strong performance in 2012 we believe there is lack of near term company specific catalysts and we don't expect commodity prices moving favourably either. The valuation doesn't justify a buy rating for us despite two key positives remaining intact 1) Production growth - we forecast strong organic production growth across the group's petroleum, coal and iron ore assets as projects are delivered, subject to market conditions. 2) Strong balance sheet - BHP has a strong balance sheet that could be used to acquire assets at the bottom of the cycle, or return it to shareholders through the reactivation of the buyback programme.

### Valuation

Our target price is £21 (which rounded converts to R360 at a one-year forward forecast ZAR/GBP FX rate of 17). Our BHP valuation (NPV) of £19.20 per share is partly based on DCF analysis, using a 7.8% real, after-tax, unlevered discount rate and a beta of 1.1. Our long-term equilibrium commodity prices and other key assumptions are available in our Metals & Mining Strategy reports. We calculate a one-year target price using a combination of: 1) a target price based on a 0% discount to NPV; 2) a multiple-based target price using FY14E (11x P/E and 7x EV/EBITDA); and 3) a 50% weighting for each method.

### Risks

Key risks to our projected earnings, cash flows and valuation relate to weaker than expected commodity prices/economic growth and currency fluctuations.

Country risk is a significant consideration with about 40% by NPV of operations in Africa, South America and Asia. Operating risk is lower than in smaller metals and mining companies with fewer operations.

The ongoing global economic slowdown could deteriorate further, providing further downside risk to commodity prices.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## Boliden AB

### Company description

Boliden is a zinc and copper producer with mining, smelting and recycling operations in Europe, mostly in the Nordic region. Boliden fully owns and operates four mining areas and five smelting complexes. It is a global top 10 zinc producer in both smelting and mining output with 65%-70% upstream integration. Boliden is also a top 20 copper producer with relatively lower (25%-30%) upstream integration. The smelting operations run on both primary concentrate and electronic scrap/lead batteries. In addition, Boliden has significant exposure to Gold, Lead, and Silver.



## Investment strategy

We rate Boliden a Neutral. 1) Meaningful growth coming on-stream by the end of 2014 and would start contributing by 2015. 2) The FCF yield should turn positive from 2014 onwards as and should turn into double digit from 2015 onwards reflecting a strong cash generation potential. 3) The group faces margin compression risk as mining operations, which are not very attractively placed on the global cost curve, face cost challenges due to declining grades and smelting volumes lose out on regional premiums by selling to metal traders instead of industrial customers under the difficult economic situation. While the commodity price environment is still challenging, we believe the company should be able to establish itself in earnings and free cash flow momentum phase in the next 12 months. We find the risk rewards balanced as of now.

## Valuation

Our SEK 95 rounded target prices for Boliden is an outcome of an equal weighted blend of DCF (SEK 134 with 0% premium), EV/EBITDA multiples (SEK 64), FCF (SEK 89), and Residual Income (SEK 93) valuation methods. Our DCF valuation is based on 10.3% WACC driven by RfR 2.7%, Beta 1.41, ERP 6.5%, Kd 4%, and target gearing of 20%. Our multiples based valuation uses a 4.5x 1Y forward EV/EBITDA multiple. Our residual income valuation method uses a 12% expected rate of return on equity.

## Risks

Apart from broader market and commodity/currency risks, we consider following specific risks to our target price and forecasts, which we have not accounted for in our workings.

Re-stocking in China - Low commodity prices can lead to re-stocking in China even when there is no end user demand. This could result in a strong re-bounce in commodity prices leading to higher than expected profits.

Stimulus Packages - Stimulus packages from governments, more specifically in China, could boost metal demand beyond what we currently expect which could then result in much higher commodity prices. This could not only boost the earnings but also the investor sentiment towards commodity exposed stocks.

Project Execution Risk - Delay in the execution of ongoing projects or inability to achieve the desired operating level would mean lower than expected future volumes and this could also lead to negative investor sentiment.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## **Centamin Egypt Limited**

### **Company description**

The principal asset of Centamin (CEY) is the Sukari gold project, located in eastern Egypt. The first gold bar was produced on 26 June 2009. CEY began its life as a standard open pit, carbon in leach gold producer and recently added underground production to the open pit operations, thus targeting higher grades earlier than would be the case with only the open pit. CEY is currently subject to significant political uncertainty within Egypt.

### **Investment strategy**

We rate Centamin Neutral. Because of the extreme political uncertainty in Egypt, we do not attach a target price to CEY.

### **Valuation**

This company has a Neutral rating. We have not assigned a target price and therefore no valuation methodology is applicable.

### **Risks**

CEY faces risks associated with the difficult political situation in Egypt. Furthermore, all mining ventures carry risk via the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the company's future operations. The following risk factors could also cause the stock price to deviate significantly from our target price.

CEY's operations are influenced by fluctuations in the world gold price. If the price of gold should drop significantly, the economic prospects of CEY's Sukari project could be significantly reduced or rendered uneconomic. The converse applies to a rising gold price.

CEY offers potential predators instant access to gold production, as opposed to gold exploration assets and there is a possibility that CEY could become a target. Also, should CEY seek to make acquisitions, this represents either upside or downside risk.

There is a risk that the expenditures that CEY makes in exploration will not result in the discovery of mineralised materials in commercial quantities. There is also a degree of uncertainty attributable to the calculation of mineralisation, which could represent an upside or downside risk to our earnings forecasts. These risks could impede the share price from reaching our target price.

## **Exxaro Resources Limited**

### **Company description**

Exxaro is a diversified mining company producing coal, mineral sands and pigment, and iron ore (20% holding in Sishen Iron Ore Company, subsidiary of Kumba Iron Ore). Its operations are in southern Africa, Australia, US and the Netherlands.

## Investment strategy

We rate Exxaro Neutral (2). Exxaro owns high-quality iron ore (Sishen Iron Ore Company) and coal (Grooteegeluk) assets. Grooteegeluk's lucrative Medupi supply contract should provide a near-term cash flow kicker as the majority of capex has been spent and the 15Mtpa project starts ramping up in 2014. However, we are concerned about potentially high capital requirements and low returns at Mayoko iron ore and the requirement for a takeover premium if Exxaro decides to take control of Tronox. Less control over cash-flow as associates contribute a higher proportion of earnings, uncertainty about the prospects for pigment and mineral sands markets and higher capex requirements mean less scope for dividends.

## Valuation

We derive our discounted cash flow (DCF)-based target price of R150 based on: 1) a WACC of 13.2%; 2) long-term (2013E-23E) nominal revenue growth of 7% per annum; 3) long-term EBITDA margins of 29%; 4) a long-term capex/EBITDA ratio of 29%, long-term ROCE of 17%; and 5) a terminal growth rate (after 2023) of 7.8% in rand terms (implying an exit P/E multiple of 15.4x). We apply a 35% holding company discount to Exxaro's interest in Tronox to reflect lack of control of cash flows and the potential negative impact of a takeover premium if Exxaro decides to buy out minorities in future.

## Risks

Exxaro's risk profile is derived after considering a number of factors, including an assessment of the macroeconomic environment, industry-specific risks, company-specific operational risks as well as financial risk.

The biggest risks for miners in general are commodity price and currency risk.

Industry-specific risks include government actions, such as controls on imports, exports and prices, new forms or rates of taxation and royalties, and increased government regulation.

Higher-than-forecast mining inflation could lead to near-term margin compression, but should support higher commodity prices in the long term.

Skills, electricity and water shortages in South Africa may impact production and mining inflation more than we anticipate and could erode Exxaro's global competitiveness.

Over-estimation of mineral reserves, particularly in the Waterberg area could weaken our investment case. Failure to discover new reserves or expand existing reserves could also impact on Exxaro's valuation.

If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. Conversely, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Ferrexpo PLC

### Company description

Ferrexpo (FXPO.L) is a FTSE 250 listed iron ore pellet producer with its main asset located in the Ukraine. In 2010 Ferrexpo produced 10Mt of iron ore pellets from its FYM mine. Ferrexpo holds licences to one of the largest resource bases in the world, with JORC Compliant reserves of 1.6bn tonnes, resources of 6.6bn tonnes and a further 15bn tonnes of resources classified according to the Soviet GKZ code.

### Investment strategy

We rate Ferrexpo Buy, driven by robust iron ore pellet demand, attractive growth potential and margin expansion / earnings growth from a series of optimisation programmes over the next 3 years.

### Valuation

Our FXPO target price of £2.10 is set using an equal weighted average of NPV, EV/EBITDA, and P/E based valuation. Our NPV of £1.1 is derived using a 12% WACC, reflecting regional and commodity exposure. We use a 4x 2014E EV/EBITDA ratio (£2.3/sh), at the lower end of historical trading multiples. We use 8.5x 2014 P.E multiple i.e. 15% below what we use for big diversified miners. Rounded average of these three methods gives us a price target of £2.10.

### Risks

The key risks surrounding FXPO, which could prevent the shares from reaching our target price, are:

Execution risk: The Ukraine, and FXPO specifically, have been short on project development expertise in operations as large as the potential expansion of the Yeristovo mine.

Transportation risk: Unlike the major iron ore producers, FXPO does not own its logistics network (freight and rail) and is thus reliant on using state or third-party-owned infrastructure. It is however becoming increasingly self-sufficient in rail car wagons and the acquisition of barging company Helogistics demonstrates an intention to rectify this.

Commodity price risk: As a single commodity producer, FXPO's earnings are highly sensitive to iron ore prices and consequently global steel demand. On our calculations a 5% change in the iron ore price can move earnings by ~10%.

Ukraine geopolitical risk: Country and political risk are significant considerations, given historical events within Russia and the Former Soviet Union (FSU). We have attempted to adjust for the sovereign risk factor in setting our discount rate. However, this adjustment may not fully reflect the risk of doing business in the FSU.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## First Quantum Minerals Ltd

### Company description

First Quantum (FQM.L) is listed on the Canadian and London exchanges, and is a copper, nickel and gold producer. FQM produces ~300ktpa of copper and 200koz of gold, making it one of the world's top 20 producers.

We expect FQM to nearly treble its copper equivalent production by 2014 as the company commissions nearly one project every year from 2012.

### Investment strategy

We rate FQM Sell. The company offers the best copper equivalent volume growth in our UK mining coverage, on our estimates. However, it is moving into a project execution phase, and a recent change in the government in Zambia creates policy uncertainty.

Furthermore, we expect the acquisition of Inmet to result in ROIC falling 4pps, loss of the stock's material M&A premium (given it is now less likely to be a target) and higher risks for investors from a new capex cycle.

### Valuation

We value FQM using DCF, free cash flow and multiples. Our DCF inputs for FQM are a risk-free rate of 4%, a risk premium of 4.0% and a terminal growth rate of 3%. Our multiples-based valuation uses a 6x EBITDA multiple for GM, Kevitsa, Kansanshi and Sentinel. We set our price target of £9.5 as a blend of the three methods.

### Risks

Key risks for the company include an uncertain tax regime in Zambia where it operates one large copper mine and has its biggest project, and also its ability to successfully execute the Sentinel, Ravensthorpe and Enterprise projects. With the acquisition of Inmet it will be constructing a project in Panama, which has little history of mining and where the company has never before operated. If the impact of these risk factors is greater/less than we currently anticipate, then the share price could miss/exceed our target price.

## Fresnillo Plc

### Company description

FRES was spun out of the Penoles group in May 2008. FRES houses the precious metals assets that were previously part of the Penoles group. FRES has three core operating assets (the Fresnillo, Cienega and Herradura mines, all based in Mexico) as well as owning a silver-stream style royalty from Penoles's Sabinas mine. The Soledad & Dipolos expansion project at Herradura came on stream in 1Q 2010. The next major development project is the Saucito operation, currently in ramp-up.

### Investment strategy

We rate Fresnillo Sell as we see the stock as overvalued. FRES's core silver asset are the Fresnillo and Saucito mines in Mexico. Fresnillo also has four gold mines. Production in 2012 was 40.97m oz of silver (including 4m oz from a contractual arrangement with the polymetallic Penoles mines, known as the Silverstream contract) and 473k oz (attributable) gold production. We see FRES as having good growth out to 2018.

## Valuation

We set our target price of £8.18 by applying a 1.2x P/NPV ratio to our NPV estimate of £6.82 (derived using a discount rate of 10%, in line with other UK precious metals peers). We set our target P/NPV multiples with reference to absolute and relative historical average levels, taking into account our views on the current stage of the cycle and on the quality of each company's assets and management.

## Risks

The main risks to our investment thesis and target price revolve around either positive or negative moves in the following key areas:

**Silver and metal prices:** We expect silver to hold recent levels but see only limited upside risk as global financial risk is easing and silver will have to rely on industrial and jewellery demand alone. Silver has displayed a greater degree of volatility than other precious metals over recent years. The volatility and oversupply potential could see silver prices fluctuate away from our forecasts, leading to a risk to our earnings estimates. We also expect lead and zinc prices to remain volatile over the next several years.

**Currency:** All of FRES's operations are in Mexico. The revenue stream is denominated in US\$ and upwards of 70% of the cost base denominated in Mexican pesos, thus any significant shift in the US\$:peso exchange rate could impact profitability. We estimate that a  $\pm 10\%$  move in the US\$:peso exchange rate would influence profitability by  $\pm 3\%$ .

**Cost pressures:** One of the key challenges facing the mining industry is rising cost pressures. Cyclical costs are under pressure from inflationary issues driven by the upswing in the commodities cycle. If we continue to see cost escalation against the backdrop of stable commodity prices, we could see margin erosion and reduced profitability for the mining industry.

**Political and economic risk:** FRES's assets are based predominantly in Mexico. Consequently, it is exposed to country-specific economic issues such as labour availability, wages and inflation.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Gem Diamonds

### Company description

GEM was incorporated in July 2005 and listed in February 2007. The company has one key mine, Letseng in Lesotho and GEM is currently constructing its next mine, Ghaghoo, in Botswana.

### Investment strategy

We rate GEMD as Buy. The flagship asset, Letseng is a good-quality and relatively longer life operation. We are positive on the diamonds market as we expect structural supply issues as the inventory overhang is now behind us which had kept diamonds prices suppressed over the last few years.

## Valuation

Our £1.82 target price is based on a 1.0x P/NPV ratio applied to our NPV of £1.82, derived by using a 10% discount rate. The 1.0x P/NPV is in line with the 1.0x P/NPV ratio that we use for diamond peer, Petra Diamonds.

## Risks

We highlight the following risks:

Country/political risk: GEM has operations and development projects in Lesotho and Botswana. These two countries would be considered to be lower risk than Central African countries but are not low risk in relation to mature economies. .

Project execution: GEM is building a new mine, Ghaghoo, in Botswana where there is a risk of some time slippage in delivery and budget overruns.

Diamond prices: The diamonds produced by GEM are for the luxury goods market. We are positive on the outlook for diamond prices, particularly for large, high-value stones. Any change in consumer spending habits and/or further economic deterioration could result in lower demand and lower prices.

Currency risk: GEM reports in US\$, and the revenue stream is priced in US\$. However, operating costs are denominated in Southern-African rand-linked currencies. Changes in these currencies relative to US\$ will cause changes in the cost base and margins.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Glencore Xstrata PLC

### Company description

Glencore-Xstrata is a global diversified mining and natural resources group which was formed in April 2013 through the merger of Glencore and Xstrata. It has worldwide activities in mining, smelting, refining, processing, financing and marketing of commodity products. It aims to capture value through the full spectrum of the commodity chain.

### Investment strategy

We rate Glencore-Xstrata Buy. Our Buy case is based on the efficient deployment of capital at high returns, cost cutting and synergy gains from the Xstrata merger along with volume growth of the industrial assets. The company's marketing business has the ability to capture opportunities from fragmented and volatile commodity markets by employing three types of arbitrage strategies, namely: Geographic Arbitrage, Product Arbitrage (blending or processing) and Time Arbitrage. The company is expected to deliver considerable volume and earnings growth from its copper and coal businesses.

## Valuation

Our Glencore-Xstrata target price is £3.70. We calculate our one-year rounded target price using a combination of 1) a valuation based on a 0% premium to our calculated NPV of £4.70, and 2) a mid-cycle P/E multiple of 12x 2014E EPS of 0.35cps, with a 50/50 weighting between each methodology.

Our NPV valuation of Glencore is £4.70 per share is based on a life of mine DCF valuation of the industrial assets (listed and non listed assets) along with the marketing business. Our DCF analysis uses a Weighted Average Cost of Capital (WACC) of 9% for the industrial assets and 7% for the marketing assets. We believe this is appropriate given the geographic location of the industrial assets and the high leverage used in the marketing business. Our NPV is calculated based on long-term equilibrium commodity prices and key assumptions available in our Metals & Mining Strategy reports.

We calculate our one-year PE fair value of £2.63 per share using a 12x expected forward PE multiple. We base this off the long-term historical PE multiples of the metals and mining sector.

## Risks

We take into account the following risk factors. We would highlight in particular that it is a diversified mining company, with a large level of cyclicality driven by its production of coal, zinc and copper. Consequently, its operating risk is higher than in other major diversified mining houses. Glencore's business is sensitive to state mining policies, hedging and foreign exchange, cost pressures, country/political risk, M&A and infrastructure and operational risks. Glencore's desire to grow via acquisition also brings acquisition risk and project delivery risk. If the impact on the company from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our target price.

## Hochschild Mining Plc

### Company description

Hochschild is a precious metals miner producing silver and gold, headquartered in Lima and registered in London. The group is also a substantial gold producer.

The group has 100%-owned operating mines in Peru (Arcata & Ares) which are underground epithermal vein mines and the principal mining method used is cut and fill. The ore is processed into either silver-gold concentrate or doré. In addition, the group has operations in Pallancata and San Jose. The key new project is Inmaculada.

### Investment strategy

We rate Hochschild Mining as Sell. HOCM has little organic growth before 2H 2014E and its above-average rises in costs could restrict performance until the new Inmaculada starts.

Despite its slightly declining production profile in the near term, HOCM should have good production growth after 2014E. However, the Peruvian political landscape does still present a moderate risk.



## Valuation

We prefer to use longer-term P/NPV ratios to value this subsector and set our target price of £1.24 by applying a 1.10x P/NPV ratio to our NPV estimate of £1.13 (derived using a discount rate of 10%). We believe that HOCM does not warrant the higher P/NPV rating of its key silver peer (which operates primarily in Mexico), because of the higher political risk in Peru. However, we use a 1.2x P/NPV rating for key silver Fresnillo to reflect the asset-quality and low political risk of that group and hence we use a 1.1x P/NPV ratio for HOCM.

## Risks

The main risks to our investment thesis and target price include:

Downside risk from politics: Following the recent Peruvian election, there is a higher risk of excessive taxes and more anti-business policies.

Upside risk from politics: Should the new government become more pro-business, there is upside risk to the HOCM target price.

Upside risk from a higher-than-expected silver price.

Downside risk from a lower-than-expected silver price.

Upside risk from a weaker Peruvian or Argentinian currency than expected.

Downside risk from a stronger Peruvian or Argentinian currency than expected.

## Kazakhmys Plc

### Company description

Kazakhmys is a UK-listed copper producer with its primary assets in Kazakhstan. The company is a top 10 global producer of copper with c320ktpa of production capacity. Kazakhmys holds a 50% stake in Ekibastuz, the largest power plant in Kazakhstan.

### Investment strategy

We rate Kazakhmys Neutral. We believe KAZ has been held back by the market for escalating costs, impairments relating to its 26% holding in ENRC and its exit from the FTSE 100.

While valuation is depressed in our view this is reflective of the group's relatively high cost position and depressed returns. The forthcoming strategic review has the potential to drive significant shareholder value however we expect a painful transition period before gains are realised.

## Valuation

We have target price of £2.8 on Kazakhmys. Our target price is based on a blend of DCF and earnings-based multiples (2013E EV/EBITDA and FCF yield). We derive a DCF value of £3.4 (based on a DR of 14%, terminal growth of 2%). We derive valuations of £4/share from a SOTP EV/EBITDA analysis and £1.1/share from a free cash flow analysis, which are equally weighted with our DCF valuation to arrive at our target price.

## Risks

Adverse movements in the copper price away from our forecasts could see a significant delta in our forecasts from actual profits, both positively and negatively. The company conducts the bulk of its business in Kazakhstan and geopolitical risks could cause the share price to deviate significantly from our target price. If the impact on the company from any of these factors proves to be more or less negative than we anticipate, the stock could have difficulty achieving or exceed our financial and price targets.

## Kumba Iron Ore Ltd

### Company description

Kumba Iron Ore is a focused producer of high-grade iron ore and the fifth-largest supplier of seaborne iron ore. It operates the Sishen, Kolomela and Thabazimbi iron ore mines in South Africa. Its most attractive aspects are its premium product quality, favourable cost position, strong management team and dividend yield.

### Investment strategy

We rate Kumba Iron Ore Neutral. We argue that, the stock potentially offers an attractive dividend yield of 6%+ over the next three years. On the other hand, current margins look unsustainably high. Longer term, we are concerned about significant downside risk to earnings as iron ore prices fall to the marginal cost of production. We see four issues that continue to weigh down Kumba's investment case: 1) short resource life relative to peers limits growth and optionality; 2) margin erosion due to increasing mining complexity; 3) limited visibility on volume growth beyond Kolomela; and 4) potential for poor capital allocation (African growth strategy).

### Valuation

Our Kumba target price of R420 is calculated using a weighted valuation, which is calculated as the average of DCF fair value, PE-derived value and dividend yield derived value. We apply a 10.5x PE multiple to one-year forward earnings, a 7% dividend yield to one-year forward dividends and assumes a 13.1% nominal weighted average cost of capital for DCF.

### Risks

Key risks to projected earnings, cash flows and valuation relate to weaker-than-expected iron ore prices and US\$. Country risk is a consideration with all producing assets in South Africa. Operating risk in Kumba is principally from higher inflation concerns in South Africa. Kumba is also involved in a legal dispute with ArcelorMittal SA and ICT, which may negatively impact our earnings forecasts and target price.

Upside risks are: 1) China's demand for iron ore outpaces new low-cost supply and long-term margins stay at elevated levels; 2) A collapse in the rand, which would boost Kumba's earnings forecasts and valuation; 3) Kumba's attractive dividend yield and 4) Anglo American may potentially decide to buy out Kumba minorities at a takeover premium. While downside risk includes potential for poor capital allocation (African growth strategy).

## London Mining

### Company description

London Mining Plc is a UK-based company engaged in developing primarily iron ore mines. It owns 100% of the Marampa hematite iron ore mine in Sierra Leone, 100% of the Isua magnetite iron ore project in Greenland, a 25% stake in the Wadi Sawawin joint venture in Saudi Arabia and a 100% stake of a coking coal development project in Colombia. London Mining recently commenced production of iron ore at its Marampa mine in Sierra Leone, with the initial phase ramping up to 5mtpa of iron ore by 2014. A bankable feasibility study is currently under way to assess the potential for phase one to be expanded to 9mtpa. In addition the company also recently commenced metallurgical coke production at its operations in Colombia, using third-party coking coal initially.

### Investment strategy

We rate London Mining Buy. The recently commenced ramp-up of Marampa to 5mtpa provides volume growth, which is on track to be delivered at a very attractive capital intensity of \$70/t of annual capacity. A bankable feasibility study considering the expansion of Marampa phase 1 to 9mtpa delivered in Q3 2012 highlights potential further growth although on current capital cost estimates the benefit looks marginal, in our view. We see further upside potential from 1) a bankable feasibility study into the expansion of Marampa to over 16mtpa with a second phase; and 2) Securing of a strategic partner/funding for its Isua, Greenland project.

### Valuation

Our rounded target price of £1.60 is derived from an equal weighting of DCF and earnings multiples. Our base case NPV of £1.05 considers only the first phase of Marampa to 5mtpa, with further projects treated as potential upside to our target price. Our WACC of 12% is in line with our valuation method for other emerging market bulk commodity miners. We use a 4x multiple to 2014E EV/EBITDA to give £2.10.

### Risks

The key risks surrounding LOND that could prevent the stock reaching our target price include:

Commodity/macroeconomic risks: Iron ore is heavily dependent upon economic growth, particularly in China. A global slowdown, resulting in lower industrial production, would put additional pressure on steel production and lead to lower iron ore prices. This in turn could affect the viability of London Mining's growth plans. On the supply side, a slew of planned additional iron ore capacity in the middle of the cost curve - pushing out the high cost producers - could result in weaker pricing power across the industry, again materially affecting the economics of London Mining's growth plans.

Country risk: Sierra Leone has maintained a democratic political process since the end of its protracted civil war in 2002. However, with political allegiances divided largely along ethnic lines, there is potential for tensions to arise in the upcoming elections in November 2012. A number of recent African crises including Ivory Coast, Mali and Egypt serve to remind us of the fragile nature of political process in the region and, more specifically, how the market reacts to uncertainties in the jurisdiction of a company's operations. An uncertain political situation could lead to London Mining's shares underperforming at the very least, with the prospect of operational problems heightened. A change in the political setup could also threaten the company's mining lease agreement and lead to further resource nationalism in the form of higher taxes and/or a mandatory government stake.

Company specific risks: Investors should consider the risks inherent in the ramp up of operations - delays and/or unforeseen costs during the process could materially affect operational and share price performance. Labour disputes are also a relatively common occurrence across the mining sector, with the threat of strike action and disruption to operations a possibility. In addition, the company leases its key transport infrastructure - trucks and barges - from third parties. This means that the provision of such services is potentially less certain than company-owned infrastructure.

## Lonmin PLC

### Company description

Lonmin is the world's third-largest primary producer of PGMs. The group produced 750k oz platinum in 2013 and this may rise to above 800k oz p.a. in the medium term. Most of the operations are located in South Africa.

### Investment strategy

We rate Lonmin Buy. We think that management is steadily gaining market confidence following a consistently improving trend in operational efficiency. In 2013 the group recovered well from a very problematic 2012 which included serious labour unrest involving fatalities. We believe that labour relations have improved and will continue improving. The entire industry is facing cost challenges but the auto market requires the metal and will have to accommodate those costs in long-term PGM prices, or investment will fall short of levels required for adequate supply.

### Valuation

Our target price for Lonmin is £4.52. We value Lonmin based on a sum-of-the-parts discounted cash flow (DCF) analysis. Our model uses a nominal WACC of 9% and discounts forecast cash flows over the life of the group's individual assets. We apply a 1.05x P/NPV multiple to our £4.31 NPV.

### Risks

Our valuation of LON is exposed to macroeconomic developments affecting PGM prices and exchange rates, operational risks that might affect volumes and input costs, and political and regulatory risks that might affect costs and the company's reputation.

**Macroeconomic risks:** Our valuation of LON is highly dependent on input assumptions for platinum, palladium, and rhodium prices, as well as the rand-dollar exchange rate. Upside risks to our view include higher-than-expected PGM prices and a weaker-than-expected rand. Conversely, downside risks to our view include lower-than-expected PGM prices and a stronger-than-expected rand.

**Operational risks:** We base our production and cost outlook for LON's individual mines on management guidance and by applying our discretion to management's guidance and targets. The main downside risk to our view is that significantly more capex is required in order to sustain current production levels than that assumed in our valuation model. We also caution downside risk to our generally favorable cost assumptions, given the inflationary environment in which LON operates. The main upside risk to our view is the platinum market moving into deficit, in which case LON might be able to expand production above our forecast levels.

**Political and regulatory risks:** LON's operations and future projects are based in SA. The company is subsequently exposed to government and regulatory-related risks in SA. Specific risks include higher-than-expected royalties, production delays from government intervention and labour unrest.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.

## Lundin Mining

### Company description

Lundin Mining is primarily a base metals focused company with key controlled and producing assets in Portugal and Sweden. The company has recently acquired Eagle nickel/copper project in the US with first production indicated by end 2014. In addition, the company holds a 24% stake in Tenke copper/cobalt mine in DRC and also a 24% stake in Kokkola cobalt refinery in Finland. Other assets of the group include Aguablanca nickel mine in Spain expected to stop producing by 2014 and Galmoy zinc mine in Ireland where mining activities have already stopped and some concentrate shipping is still continuing.

### Investment strategy

We rate Lundin Mining as Neutral for a number of reasons: 1) Return on capital has been well below industry average and we expect it to remain so for the next few years resulting in negative EVA; 2) Volume growth is unlikely to offset the decline in commodity prices therefore we think it will be difficult to sustain the earnings base; 3) The company doesn't pay any dividend which, in our view, will be one of the key valuation metrics in the mining sector for next few years; and 4) The stock appears fairly priced and has closely tracked Stoxx 600 basic resources index and, with our tactically Neutral view on the sector, we don't see a reason for significant outperformance.

### Valuation

Our SEK 29.60 rounded price target is a blend of SoTP DCF-based NPV and multiples-based valuations. We believe that NPV captures the entire value through the lifetime of assets while P/E and EV/EBITDA multiples take care of the near-term earnings stream vs. the inherent value of the assets. Our NPV of SEK 31.50 is based on 11.6% WACC driven by RfR of 2.7%, Bloomberg Beta of 1.9, ERP of 6%, Kd 4%, and target gearing of 25%. Our multiples based valuation of SEK 27.60 comprises of 10x target P/E multiple, consistent with the consensus 12m forward P/E since 2006, and 6x target EV/EBITDA multiple, which we think appropriate for a growth stock. We give 50% weight to P/E (resulting in SEK 14.20) and 50% to EV/EBITDA for multiples valuation (resulting in SEK 41.10) using 50% of 2014E and 50% of 2015E inputs. We apply no premium or discount to our NPV and use 50% of NPV and 50% of multiples-based value to derive our rounded price target SEK 29.60.

### Risks

Apart from broader market and commodity/currency risks, we consider the following specific risks to our target price and forecasts, which we have not accounted for in our workings. Downside Risks: 1) Project Execution Risk, 2) Additional

consideration for Kokkola refinery acquisition which is dependent on revenue targets, 3) Risks related to DRC where we have already witnessed couple of re-negotiations and unstable power supply also remains an issue. Upside risks include: 1) Re-stocking in China, 2) Stimulus Packages, 3) A dividend payout, and 4) M&A risk given the history of bids over the last 5 years.

## New World Resources

### Company description

NWR's coal assets (coking, thermal and coke products) are based in the Upper-Silesian Coal Basin in the eastern part of the Czech Republic, near the city of Ostrava. The company is the largest coal miner in the Czech Republic and one of Europe's leading coal producers. In 2012, NWR produced 11.21Mt of coal, with external sales of 5.00mt of coking coal and 4.73mt of thermal coal. NWR also produced 0.68Mt of coke products. NWR is one of the largest industrial companies in the Czech Republic and in 2012 employed approximately 18 thousand workers, making it one of the largest private sector employers in the country.

### Investment strategy

We rate New World Resources Sell (High Risk). Set against a backdrop of low coking coal prices and weak regional thermal coal prices, we believe the group will struggle to cover its relatively high costs of production, leading to significant cash burn. With FY12 gearing at 73% we think the group will struggle to weather this for an extended period of time and may be forced to downsize operations to stem cash outflow. We recognise the potential for a beta rally should coking coal prices stage a recovery, however our concerns regarding the group's operating and financial leverage in a sustained weak coal price environment, means the risk/reward is to the downside in our view.

### Valuation

Our target price of £0.75 is equal to our NPV-based valuation. Our DCF-derived NPV uses a WACC of 12%, reflecting regional and commodity exposure, along with its high position on the cost curve.

### Risks

We give NWR a High Risk designation to reflect the company's high gearing. The key risks are:

Operational costs: Inflationary pressures on labour, raw materials and energy could negatively influence NWR's cost base, which is already high compared with its global coal peer group.

Customer base: changing technology from the steel plants, or the steel plants developing their own mines, could remove the end-market for some of NWR's product.

Macroeconomic factors: Further drops in industrial production would put additional pressure on steel production and energy consumption - the two key markets for NWR's products.

If the impact of these risk factors are more or less negative than we currently anticipate, then the share price could deviate significantly from our target price.

## Nordgold

### Company description

Nordgold is a gold mining company, whose initial history was formed within Russian steel group Severstal until the gold assets were spun out of the parent and a GDR was created. Nordgold has a portfolio of eight producing mine, two development projects, give advanced exploration projects and a broad portfolio of early exploration projects and licences located across West Africa in Guinea and Burkina Faso, Kazakhstan and the Russian Federation. Since 2007 the Nord assets have grown both by acquisitions and organically, increasing production from 21koz in 2007 to 754koz in 2011. The company targets over 1moz of gold produced on a fully consolidated basis by 2013.

### Investment strategy

We have a Neutral rating on Nordgold. Our bearish view on the gold price has negative implicatons for the future earnings of Nordgold.

### Valuation

Our NPV for Nordgold is \$158, to which we apply a 1.1x P/NPV target multiple. Our NPV is based on an 10% weighted average cost of capital. On this basis our target price is \$1.74

### Risks

The key risks to Nordgold are a combination of stock specific and common mining sector factors, including:

Gold price exposure and potential earnings volatility

Operational risks and challenges, particularly during the expansion of an operation

Tax changes can impact profitability

Nordgold employs chemical processes that may be harmful to the environment and may be subject to compliance, clean-up and other costs which could materially affect the business, financial condition and results of the business

Fluctuations in currencies may adversely affect profitability

Nordgold operates in emerging markets which are subject to greater risks than more developed markets, including economic, political, social, legal and legislative risks.

If the impact from any of these factors proves to be more negative than we anticipate, the stock will likely have difficulty achieving our financial and price targets. However, if any of these factors proves to have less of an effect than we anticipate, the stock could materially outperform our target.



## Norsk Hydro ASA

### Company description

Norsk Hydro is a pure-play integrated aluminium company with interests in Europe, Qatar, Brazil and Jamaica. The company's downstream operations are principally 1Mt of rolled and a 50% interest in a ~1.2mtpa extrusion joint venture called SAPA. The company supplies around 40% of its own power requirements from hydroelectric power in Norway. The company has got a long bauxite, alumina, and power position despite using the bauxite, alumina and power in its own operations.

### Investment strategy

We have a Neutral rating on Norsk Hydro. What is evident is stable operating performance, but the weak market environment continues to imply an upside cap to aluminium prices in the near term. The company has sold forward the bulk of its alumina production on LME-linked legacy contracts, which will start to come off from 2016, but still giving only ~55% spot exposure by 2020. The rolled products and extruded products will likely be impacted by ongoing weakness in European demand. Energy remains a good business, in our view, but lacks predictability, resulting in substantial quarterly variations. We therefore conclude that the upside in the company's share price is likely to remain capped on a 12-month view.

### Valuation

Our Nkr27.00 target price is based on the rounded average of our NPV and PE-based fair values. Our NPV for the stock is Nkr 36.4 based on a 9.53% WACC. We don't apply any premium or discount to our NPV. Our P/E-based valuation applies a trough multiple of 20.0x to 2014E EPS, for a value of Nkr17.1.

### Risks

The key risks surrounding our investment thesis and to our target price are the aluminium price, currency risk and the cost base. The company, as a pure-play aluminium business, is highly leveraged to the aluminium price; any material and sustained deviation from our price forecasts will affect our earnings forecasts and valuations. Hydro's revenue is priced in US\$, however, the business has operations based throughout Europe, Brazil and Jamaica and the company reports in Nkr. Any material movement in foreign exchange rates will therefore affect earnings. Rising costs, particularly energy costs, have been a negative theme for the aluminium industry. Cost increases above our estimates would affect margins and valuation. If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## Nyrstar NV

### Company description

Nyrstar is the second largest zinc metal producer in the world with ~8.6% market share based on 2012 production. Nyrstar also produces lead metal and is progressing to become a significant zinc concentrate producer through its mining operations and projects. Nyrstar is the sole owner and operator of Auby, Balen/Overpelt, and Budel zinc smelters in Europe; Clarksville zinc smelter in the USA; Hobart zinc smelter and Port Pirie Zinc/lead smelters in Australia. All the mining operations and projects of the group are located in Americas spread across Mexico, Peru, Honduras, Chile, Canada and the USA with a target of 50% vertical integration in medium term including output from Zinc streaming agreement from Finland based zinc mine of Talvivaara.



## Investment strategy

We rate Nyrstar a Sell/High Risk. We believe that weak zinc price environment coupled with weak gold and silver prices would continue to keep the mining business costs alleviated while smelting business faces a very challenging environment with declining free metal contribution and high sustaining capex base. Also, the funding for new smelting projects looks challenging. Nyrstar is a pure zinc play and we don't expect significant improvement in zinc price over the near term. We continue to believe in the zinc story over a long-term horizon during which the zinc concentrate market can turn into deficit from current surplus levels. Mining business has the potential to significantly improve the overall group margins once the costs are stabilised after the ramp-up phase but top line would be the dominating factor in our view.

## Valuation

Our €2.00 target price for Nyrstar is an outcome of equal weighted blend of DCF (€4.70), EV/EBITDA multiples (€0.30), FCF €1.40), and Residual Income (€1.70) based valuation methods. For our DCF valuation, we use a WACC of 11.5% (RFR 4%, Beta 1.5, ERP 7%, Kd 6% and Gearing 35%). Our multiple-based valuation uses a 4.5x 1Y forward EV/EBITDA multiple. Our residual income valuation method uses a 12% expected rate of return on equity.

## Risks

Key risks for Nyrstar include metal prices and zinc/lead Treatment Charges (TCs), execution risk of mining production ramp up, change in royalties/tax regimes especially in mining locations, potentially negative newsflow around streaming agreement, outcome of European offtake agreements from 2013 onwards, disposal of >15% treasury shares in the market, adverse outcome of Port Pirie detailed rebuild study, and currency movements. If the impact of these risk factors is greater/less than we currently anticipate, then the share price could fail to meet/exceed our target price.

## Company description

Petra has grown by primarily buying non-core South African assets from De Beers as that mining giant continues to focus on new and much larger projects globally. This has left Petra as a top-quality mid-cap group with good production growth in the years ahead and opportunities to apply efficiencies which may not have been worthwhile for De Beers to pursue. Petra produced 2.2M ct in 2012 (up 98% on FY 11) and is guiding to 5Mct p.a. by 2019. Petra has eight producing mines; seven mines are in South Africa and one is in Tanzania. Petra is also active in exploration in diamond-rich Botswana. The group has diamond resources of more than 300 million carats (Mct).

## Investment strategy

We rate Petra as Buy both on the grounds of its NPV, which is our key valuation metric, but also on the basis that the global diamond market is likely to be headed towards significant shortages in the years ahead, with key stockpiles now depleted and with very few new major discoveries or mine construction plans.

## Valuation

As with all of our other UK precious metals stocks, we use Petra's long-term (25-year) NPV as the key driver of our valuation. We set our PDL target price of £1.41 by applying a 1.0x P/NPV on Petra's £1.41 NPV Valuation. This compares to the average 1.15x P/NPV that we use on our UK Gold Shares. We prefer to align Petra with our diversified mining groups where we use typically use 1.0x P/NPV. Diamond groups have historically not commanded the senior valuation ratings attributed to gold groups.

## Risks

We note the following risks to our target price and forecasts:

The key risk to Petra is the long term trend in the diamond price, and this provides both upside and downside risk. Petra faces risk from the trade union structure in South Africa and, during 2012, Petra lost some production as a result of widespread trade union activism across South Africa. Petra has a number of expansion plans in place and so the key risk there would be cost over-runs on capex or technical difficulties with those plans. Costs are very strongly linked to the South African Rand and that represents a key currency risk for Petra. Petra is also subject to South African political risk.

## Petropavlovsk PLC

### Company description

POG is a UK-listed gold mining company with gold and iron ore assets in Russia.

### Investment strategy

We rate Petropavlovsk as Sell. Our bearish gold price view has negative implications for POG's future earnings.

## Valuation

We set our target price of £0.55 by applying a 1.1x P/NPV multiple to POG's gold assets (NAV of £0.10 per share, derived using a discount rate of 10%), while we use 80% of the market capitalisation of the IRC subsidiary to value the stake which POG holds (currently \$0.45 per POG share)

We set our target P/NPV multiples with reference to absolute and relative historical average levels, taking into account our views on the current stage of the cycle and on the quality of each company's assets and management.

## Risks

We would highlight in particular that it is a single commodity play with the bulk of its earnings being derived from gold. Adverse movement in the gold price away from our forecasts could see a significant delta in our forecasts from actual profits, both positively and negatively. POG also faces technical risk in relation to its POX technology. Finally the company conducts the bulk of its business in Russia which has higher risk than developed countries.

If the impact of these risk factors is more or less negative than we currently anticipate, then the share price could fail to reach or exceed our target price.

## Polymetal

### Company description

POLYP is a precious metals producer in Russia and Kazakhstan. The group has 5 operations in Russia and 1 operation in Kazakhstan, including 3 processing hubs. POLYP has GE reserves (JORC) of 14.3 Moz at 4.2 g/t GE plus 13.8 Moz of GE resources at 3.9 g/t GE.

### Investment strategy

We rate Polymetal as Neutral. We think the group has good growth prospects but we are bearish on both gold and silver prices.

### Valuation

We derive an NPV estimate of £4.71/sh for Polymetal based on a DCF model. We forecast free cash flows over 20 years on a project-by-project basis and discount them back using a 10% WACC. We use a 1.2x P/NPV ratio to derive our TP of £5.65/sh.

### Risks

PMTL is subject to a range of risks associated with operating in Russia and Kazakhstan. Gold/silver price volatility is a major risk for Polymetal, both downside and upside. The mining operations are affected by mining conditions and other operational risks associated with industrial or engineering activity, such as mechanical breakdowns and the use of explosive materials, especially in the severe climate of Russia. As a company that reports in USD, but incurs most of its costs in the local currency, Polymetal may be impacted by FX moves.

## Polyus Gold

### Company description

Polyus Gold International is the largest gold producer in Russia and one of the top 10 gold miners globally by ounces produced (1.7 million ounces of gold production in 2012). Polyus holds the world's third-largest gold reserves with over 85 million ounces of proven reserves. Principal operations are located in Russia's most prolific gold mining provinces in Eastern Siberia and the Far East and include 5 operating mines, alluvial operations and several advanced development projects.

### Investment strategy

We rate Polyus Gold Neutral. Polyus is a top 10 global gold producer by output and among the largest in the world by proven reserves. Polyus has made good progress in development of its asset base since it gained independence. Polyus is in the final preparation stages to launch its flagship growth project Natalka (due to begin gold production ramp-up in 2014) and its 2011-2014E growth at reasonable cost profile is among the best in the industry globally. We also note that Polyus screens as having one of the lowest cash cost profiles globally on an all-in basis (including taxes, maintenance and project capex).

## Valuation

We derive an NPV of £1.62 for Polyus. We apply a 1.2x P/NPV ratio to our NPV to derive our TP of £1.94.

Our DCF model is based on FCF forecasts, which are discounted at a WACC of 9.0%.

## Risks

The main risks to our investment thesis and target price revolve around:

We believe that major risks are related to ore processing technology at the Olimpiada mine and implementation of new projects under development.

Volatility of commodity prices, mainly Gold, is a major risk for Polyus, both downside and upside.

Other risks include availability of reserves and maintenance of licences, risks related to mining operations which are affected by mining conditions and industrial or engineering activity, such as mechanical breakdowns and the use of explosive materials. Foreign exchange rates and costs also pose some risk as the company reports in USD, but incurs most of its costs in the local currency. We also see M&A, high Russian mining taxes and dispute with Russian Nature Supervision Agency as potential risks to the company.

These risks could prevent the shares achieving our target price, or could cause the shares to exceed our target price.

## Randgold Resources Ltd

### Company description

RRS is an African-based gold mining company listed on the LSE since 1997 and Nasdaq since 2002. RRS has three operational mines in Mali: Morila, Loulo and Gounkoto. The Tongon mine is based in Cote D'Ivoire. The Kibali project in DRC is expected to begin production in Q4 2013. Randgold also has a portfolio of exploration projects in West Africa.

### Investment strategy

We rate Randgold Resources as Sell. We see production growth as superior to many peers, but RRS carries above-average political risk and carries an expensive valuation.

## Valuation

We derive our target price of £42.54 by applying a 1.20x P/NPV ratio to our NPV estimate of £35.45, derived using a discount rate of 10%. We set our target P/NPV multiples with reference to absolute and relative historical average levels, taking into account our views on the current stage of the cycle and on the quality of each company's assets and management.

## Risks

The key risks that could prevent the achievement of our target price are gold price, currency risk, political risk and cost base. The political risk is a function of Randgold's operation in African countries.

Gold Price: Any material deviation from our price forecasts, either from 'stronger for longer' prices or a sharper and sooner decline, would impact on our earnings forecasts.

Currency Risk: Randgold reports in US\$, and the revenue stream is priced in US\$. However, operating costs are split 40:60 between the Communauté Financière Africaine franc (CFA) and US\$. The CFA is fixed against the euro, therefore, depreciation of the US\$ against the euro would cause the cost base to rise and negatively impact earnings.

## Rio Tinto PLC

### Company description

Rio Tinto is a diversified metals and mining company. Wholly-owned subsidiaries include Borax, Rio Tinto Alcan, Hamersley, Rio Tinto Coal Australia, Kennecott Utah Copper and Rio Tinto Iron & Titanium. There are also partly-owned subsidiaries (Coal & Allied) and non-managed joint ventures (Escondida and Grasberg).

### Investment strategy

We rate Rio Tinto Buy as we believe the recent management changes along with substantial impairments should result in long-term positives. The strong iron ore price rebound from <\$90/t in 3Q 2012 to >\$130/t is also very helpful for Rio as iron ore represents 70-80% of group earnings. While the long-term outlook for Chinese steel consumption remains somewhat uncertain, recent economic signals have indicated a greater degree of stabilisation in the environment in the near to medium term.

### Valuation

Our rounded RIO target price is £40. Our RIO valuation (NPV) of £37.10 per share is based on DCF analysis using a 7.8% real, after-tax, unlevered discount rate and a beta of 1.1. Long-term equilibrium commodity prices and key assumptions are available in our Metals & Mining Strategy reports. We calculate our one-year target price using a combination of: 1) a valuation based on 0% discount to NPV; and 2) a multiple-based £43.30 valuation (a combination of 10x PE and 6x EV/EBITDA multiples for FY14E); with a 50/50 weighting between each methodology.

## Risks

We consider a number of risks to our investment thesis, driven by the high financial leverage in the company offset by operational and geographical diversification. Key risks to our projected earnings, cash flows and target price relate to weaker-than-expected commodity prices/economic growth and currency fluctuations.

Country risk is a consideration with about 20% of operations by NPV in Africa and South America and Indonesia.

Operating risk in RIO is lower than in smaller metals and mining companies with fewer operations.

If the impact on the company from any of these factors proves to be more or less negative than we currently anticipate, the stock price might fail to reach or rise above our target price.

## Vedanta Resources Plc

### Company description

Vedanta listed in the UK in December 2003 to raise capital to fund the development of its projects in India but later bought assets in Zambia, South Africa, Namibia, Ireland, and Liberia. Vedanta produces copper, zinc, aluminium, power, iron ore and oil & gas. Vedanta is essentially a holding company of underlying listed and non-listed assets. Further improvement in the corporate structure is an area of significant value upside.

### Investment strategy

We rate Vedanta as a Neutral. Vedanta has significantly de-rated since mid 2010 following a raft of issues across its operations/projects and increased leverage at the PLC level. While we like the diversified exposure and quality of most of the assets, we believe there are still a number of uncertainties on the way including minority buyout timing, bauxite allocation in Orissa, and Iron ore mining/export bans. There are some catalysts which could potentially change our investment case but we remain cautious for now given the uncertain timing of the catalysts while negative headwinds still persist.

### Valuation

Our £10.00 target price is an equal weighted blend of DCF-based SoTP NPV and P/E based valuation. Our NPV of £11.70 is based on a 12.8% WACC (Bloomberg beta 2.1, RfR 5%, ERP 5.5%, CoD 5.8%, and target gearing of 35%). We apply a 10% discount due to uncertainties around operations/projects, significant minorities, and limited access to subsidiary cash, leading to a valuation of £10.50. We apply an 9.9x P/E multiple (10% below other diversified miners at 11x due to the reasons stated above) to 50% FY 2015E and 50% FY2016E, deriving a value of £9.50/share. We then give 50% weight to NPV and 50% to multiples based value to arrive at our rounded £10.00/share target price.

### Risks

Key risks to our projected earnings, cash flow and target prices are focused on the inherent volatility in commodity prices but also more specific risks including: 1) the proposed mining bill in India which aims to impose 12.5% cess on existing royalties and a matching contribution equal to royalties to the state fund 2) the drag on iron ore mining/export bans in Karnataka/Goa 3) Prolonged power transmission restrictions 4) Country specific geographic risk with respect to its Zambian copper assets, which have very high operating costs.

In addition, the active project pipeline also makes it vulnerable to execution risk. Upside risks to our target price apart from commodities/fx include success in buying out minority stakes and bauxite allocation in Orissa.

# Appendix A-1

## Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

## IMPORTANT DISCLOSURES

### Kumba Iron Ore Ltd (KIOJ.J)

#### Ratings and Target Price History Fundamental Research

Analyst: Heath R Jansen

Covered since June 21 2013



Date	Rating	Target Price	Closing Price
1 3-Feb-11	3M	*380.00	464.00
2 5-Apr-11	3M	*420.00	484.00
3 16-May-11	3M	*430.00	440.75
4 5-Sep-11	3M	*450.00	459.36
5 28-Sep-11	3M	*410.00	448.00
6 5-Oct-11	*2M	410.00	429.00
7 7-Oct-11	Stock rating system changed		
8 7-Oct-11	*2	410.00	438.68

\* Indicates change

Date	Rating	Target Price	Closing Price
9 5-Dec-11	2	*450.00	505.00
10 9-Jan-12	*3	450.00	520.51
11 9-Feb-12	3	*430.00	564.00
12 16-Jul-12	3	*420.00	536.99
13 22-Jul-12	3	*380.00	565.50
14 3-Sep-12	3	*350.00	482.40
15 17-Jan-13	3	*360.00	580.00
16 11-Feb-13	3	*370.00	611.00

Date	Rating	Target Price	Closing Price
17 13-Feb-13	3	*470.00	605.95
18 15-Apr-13	*2	*480.00	437.00
19 15-Jul-13	2	*470.00	458.00
20 24-Jul-13	2	*480.00	447.00
21 23-Sep-13	2	*490.00	474.50
22 30-Oct-13	2	*430.00	421.00

Rating/target price changes above reflect Eastern Standard Time

### Kumba Iron Ore Ltd (KIOJ.J)

#### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Heath R Jansen

Covered since June 21 2013



Date	Rating	Target Price	Closing Price
1 13-Jul-11	*ADD LP	-	505.00

\* Indicates change

Date	Rating	Target Price	Closing Price
2 21-Jun-13	*REM LP	-	447.07

Rating/target price changes above reflect Eastern Standard Time

## Vedanta Resources Plc (VED.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jatinder Goel, CFA  
Covered since November 2 2012



	Date	Rating	Target Price	Closing Price
1	7-Oct-11	Stock rating system changed		
2	5-Nov-12	*2	*12.50	11.18
3	21-Jan-13	2	*12.30	11.73

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	30-Jan-13	2	*12.00	11.64
5	24-May-13	2	*12.80	12.81
6	15-Jul-13	2	*10.70	11.03

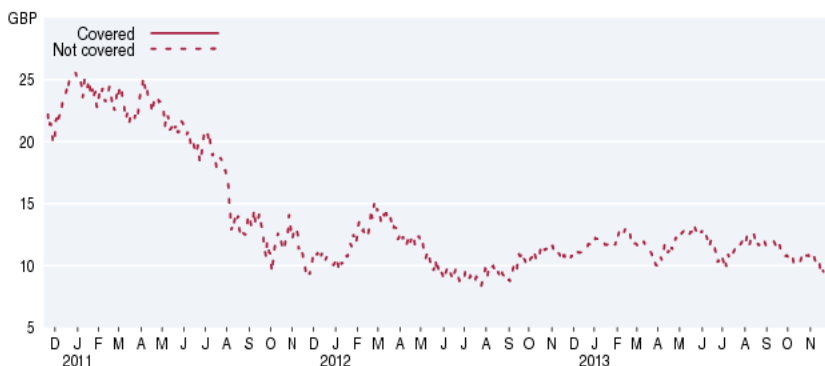
	Date	Rating	Target Price	Closing Price
7	23-Sep-13	2	*11.50	11.22
8	4-Nov-13	2	*11.40	10.87

Rating/target price changes above reflect Eastern Standard Time

## Vedanta Resources Plc (VED.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jatinder Goel, CFA  
Covered since November 2 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## New World Resources (NWRR.L)

### Ratings and Target Price History Fundamental Research

Analyst: Harsh Bardia  
Covered since August 20 2013



	Date	Rating	Target Price	Closing Price
1	11-Apr-11	*3M	*8.30	NA
2	6-Sep-11	*1M	8.30	5.61
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	8.30	4.74

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	9-Jan-12	1	*7.20	4.50
6	16-Mar-12	*2	*5.00	4.47
7	16-Apr-12	2	*4.80	4.09
8	24-May-12	2	-	3.22

	Date	Rating	Target Price	Closing Price
9	15-Apr-13	*3H	*1.00	1.92
10	29-May-13	3H	*0.65	1.08
11	15-Jul-13	3H	*0.50	0.62
12	23-Sep-13	3H	*0.75	0.91

Rating/target price changes above reflect Eastern Standard Time



## New World Resources (NWRR.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Harsh Bardia

Covered since August 20 2013



\* Indicates change

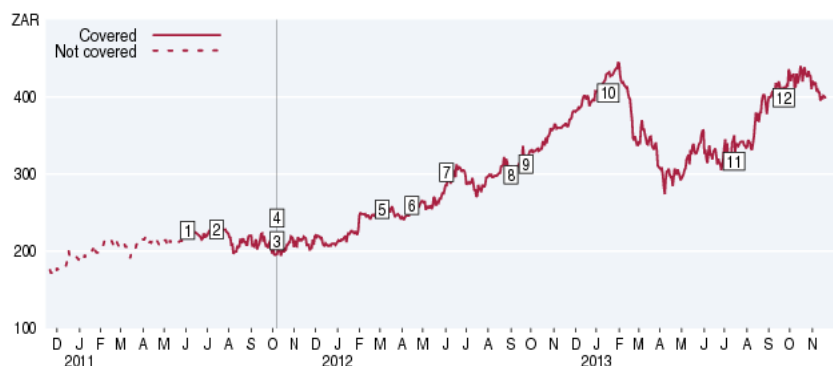
## Assore Limited (ASRJ.J)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Harsh Bardia

Covered since June 21 2013



	Date	Rating	Target Price	Closing Price
1	3-Jun-11	*1M	*300.00	225.01
2	14-Jul-11	1M	*280.00	225.00
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	280.00	196.10

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	4-Mar-12	1	*300.00	251.16
6	16-Apr-12	1	*280.00	253.29
7	3-Jun-12	*2	280.00	286.21
8	3-Sep-12	*3	*260.00	310.50

	Date	Rating	Target Price	Closing Price
9	24-Sep-12	3	*240.00	315.00
10	17-Jan-13	3	*270.00	431.00
11	15-Jul-13	3	*290.00	350.00
12	23-Sep-13	3	*310.00	412.03

Rating/target price changes above reflect Eastern Standard Time

## Assore Limited (ASRJ.J)

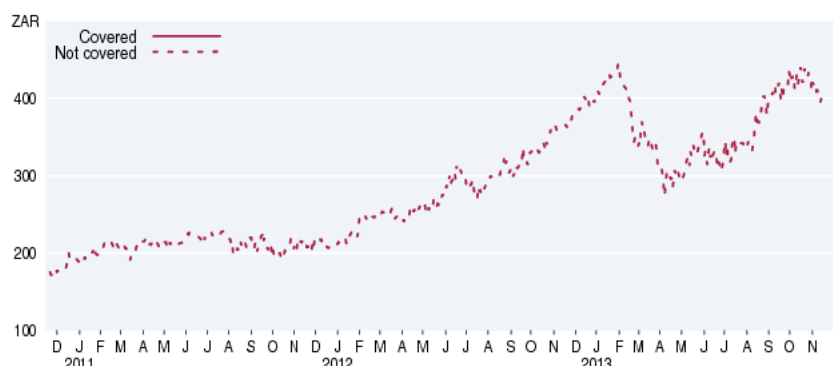
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Harsh Bardia

Covered since June 21 2013



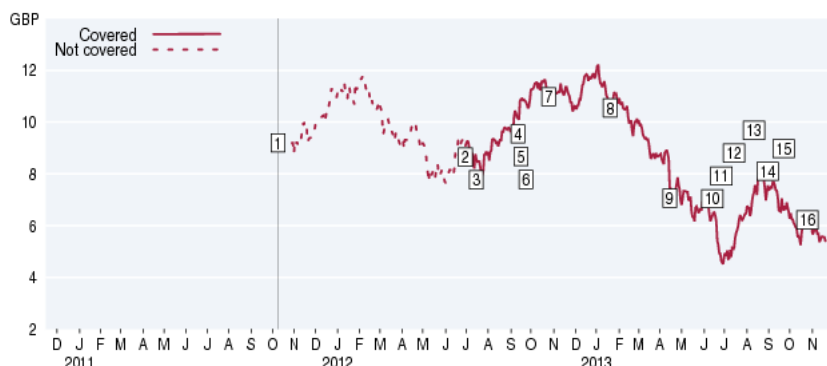
\* Indicates change

## Polymetal (POLYP.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jon H Bergtheil  
Covered since June 29 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	29-Jun-12	*2	*9.40	9.09
3	16-Jul-12	*3	*7.72	8.58
4	12-Sep-12	3	*7.90	10.15
5	17-Sep-12	3	*9.33	10.89
6	24-Sep-12	3	*9.65	10.79

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	25-Oct-12	3	*10.78	11.08
8	21-Jan-13	*2	*11.31	10.75
9	15-Apr-13	*3	*5.77	7.46
10	13-Jun-13	3	*5.29	6.39
11	26-Jun-13	*2	5.29	4.64
12	15-Jul-13	2	*4.98	5.16

	Date	Rating	Target Price	Closing Price
13	12-Aug-13	2	*6.98	7.27
14	30-Aug-13	*3	*6.12	7.56
15	23-Sep-13	3	*6.31	6.58
16	25-Oct-13	*2	*6.15	6.13

Rating/target price changes above reflect Eastern Standard Time

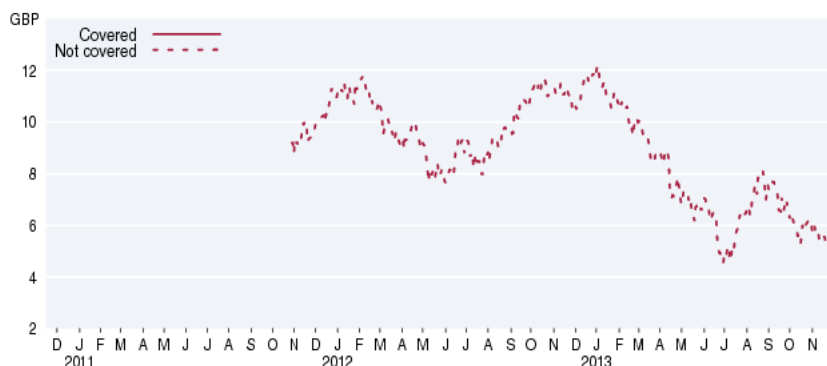
## Polymetal (POLYP.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Jon H Bergtheil  
Covered since June 29 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## London Mining (LOND.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Michael E Fitton  
Covered since January 21 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	20-Apr-12	*1	*4.65	2.94
3	16-Jul-12	1	*4.10	1.97
4	31-Jul-12	1	*2.95	1.69
5	27-Aug-12	1	*2.45	1.55

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	3-Sep-12	1	*1.90	1.34
7	21-Jan-13	1	*1.80	1.61
8	25-Jan-13	1	*2.00	1.73
9	15-Apr-13	1	*1.60	1.07
10	9-May-13	1	*1.75	1.18

	Date	Rating	Target Price	Closing Price
11	15-Jul-13	1	*1.50	0.90
12	19-Jul-13	1	*1.60	1.00
13	27-Aug-13	1	*1.50	1.19
14	23-Sep-13	1	*1.60	1.11

Rating/target price changes above reflect Eastern Standard Time

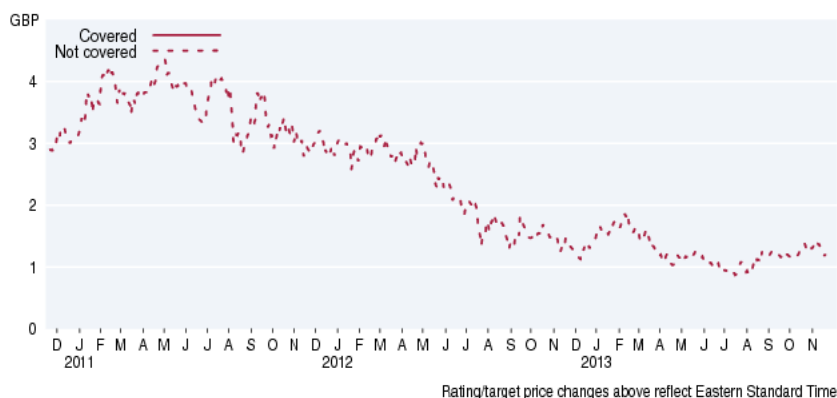
## London Mining (LOND.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Michael E Flitton  
Covered since January 21 2013



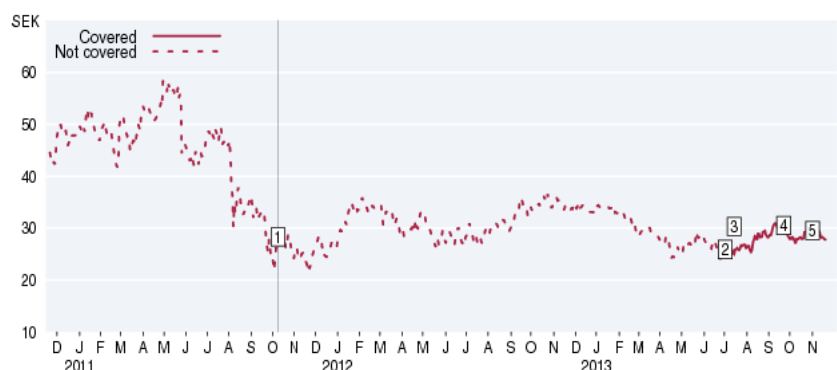
\* Indicates change

## Lundin Mining (LUMIsdb.ST)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jatinder Goel, CFA  
Covered since July 2 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	2-Jul-13	*2	*27.00	25.41

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	15-Jul-13	2	*25.50	25.00
4	23-Sep-13	2	*30.20	29.29

	Date	Rating	Target Price	Closing Price
5	1-Nov-13	2	*29.40	28.76

Rating/target price changes above reflect Eastern Standard Time

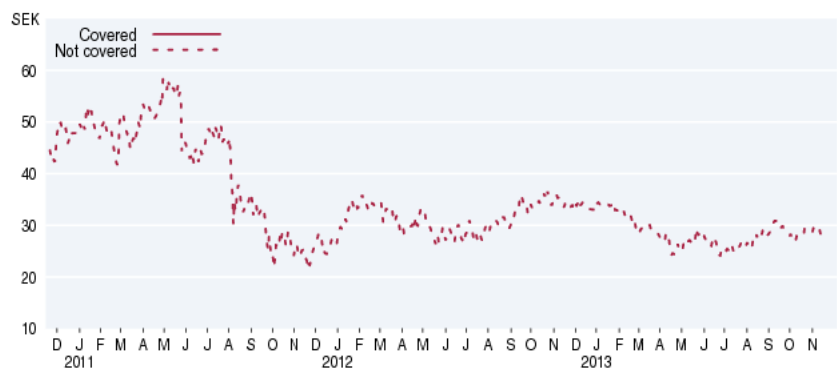
## Lundin Mining (LUMIsdb.ST)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA  
Covered since July 2 2013

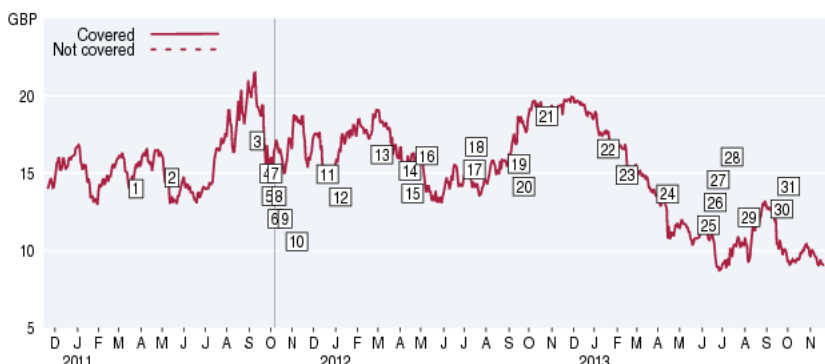


\* Indicates change

## Fresnillo Plc (FRES.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil



Date	Rating	Target Price	Closing Price
1 25-Mar-11	2M	*15.22	15.60
2 15-May-11	2M	*15.00	13.24
3 13-Sep-11	*3M	*18.64	19.30
4 27-Sep-11	*2M	*17.15	16.81
5 29-Sep-11	2M	*16.73	15.14
6 7-Oct-11	Stock rating system changed		
7 7-Oct-11	*2	16.73	16.63
8 13-Oct-11	2	*17.30	16.29
9 21-Oct-11	2	*16.66	15.05
10 8-Nov-11	2	*18.15	18.62
11 21-Dec-11	2	*16.98	15.28

\* Indicates change

Date	Rating	Target Price	Closing Price
12 9-Jan-12	2	*16.68	16.38
13 7-Mar-12	2	*18.74	18.39
14 16-Apr-12	2	*17.16	15.60
15 19-Apr-12	2	*16.53	16.26
16 9-May-12	*3	*13.05	13.76
17 16-Jul-12	3	*12.98	14.23
18 18-Jul-12	3	*12.95	14.30
19 17-Sep-12	3	*17.26	18.46
20 24-Sep-12	3	*17.92	18.03
21 25-Oct-12	*2	*20.08	19.30
22 21-Jan-13	2	*19.56	17.75

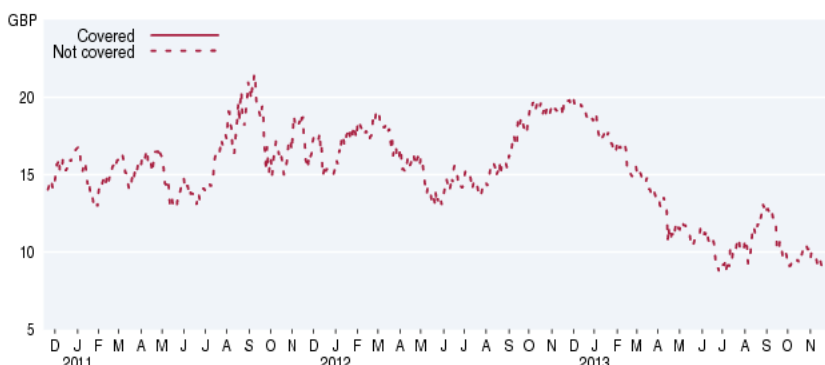
Date	Rating	Target Price	Closing Price
23 15-Feb-13	*3	*15.20	15.50
24 15-Apr-13	3	*11.20	10.80
25 11-Jun-13	3	*10.45	10.76
26 20-Jun-13	3	*10.16	9.61
27 25-Jun-13	*2	10.16	8.99
28 15-Jul-13	2	*9.50	9.59
29 7-Aug-13	2	*9.44	9.32
30 23-Sep-13	2	*10.20	10.13
31 2-Oct-13	*3	*9.11	9.35

Rating/target price changes above reflect Eastern Standard Time

## Fresnillo Plc (FRES.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jon H Bergtheil



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## First Quantum Minerals Ltd (FQM.L)

### Ratings and Target Price History Fundamental Research

Analyst: Michael E Flitton

Covered since May 23 2012



Date	Rating	Target Price	Closing Price
1 8-Dec-10	*1M	*16.00	13.16
2 31-Jan-11	1M	*18.20	14.54
3 17-Mar-11	1M	*20.00	15.12
4 12-Aug-11	1M	*19.00	14.65
5 5-Sep-11	*2M	*17.00	14.00
6 28-Sep-11	*1H	*14.00	10.09
7 7-Oct-11	Stock rating system changed		
8 7-Oct-11	*1	14.00	10.49

\* Indicates change

Date	Rating	Target Price	Closing Price
9 10-Nov-11	*2	*13.00	11.36
10 9-Jan-12	2	*14.40	13.74
11 30-Jan-12	2	*14.00	13.80
12 13-Mar-12	2	*13.60	13.60
13 16-Apr-12	2	*13.70	12.91
14 4-May-12	2	*13.50	11.74
15 16-Jul-12	2	*12.50	11.39
16 5-Aug-12	2	*12.80	12.25

Date	Rating	Target Price	Closing Price
17 9-Jan-13	*3	*11.00	13.24
18 15-Apr-13	3	*10.00	10.48
19 9-May-13	3	*9.20	11.88
20 30-May-13	3	*8.80	12.13
21 15-Jul-13	3	*8.40	9.95
22 1-Aug-13	3	*8.70	10.50
23 23-Sep-13	3	*8.50	11.60

Rating/target price changes above reflect Eastern Standard Time

## First Quantum Minerals Ltd (FQM.L)

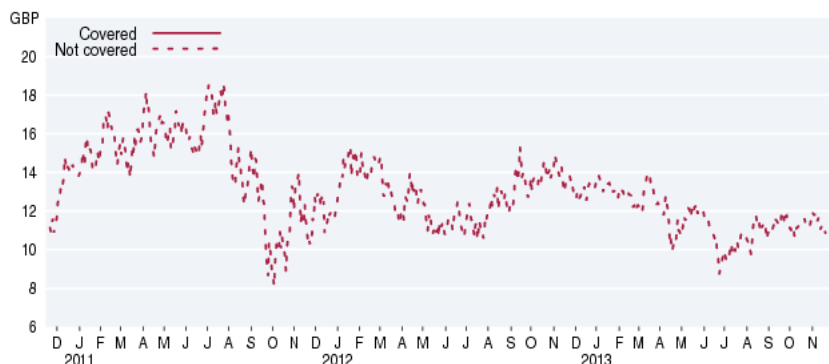
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Michael E Flitton

Covered since May 23 2012



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

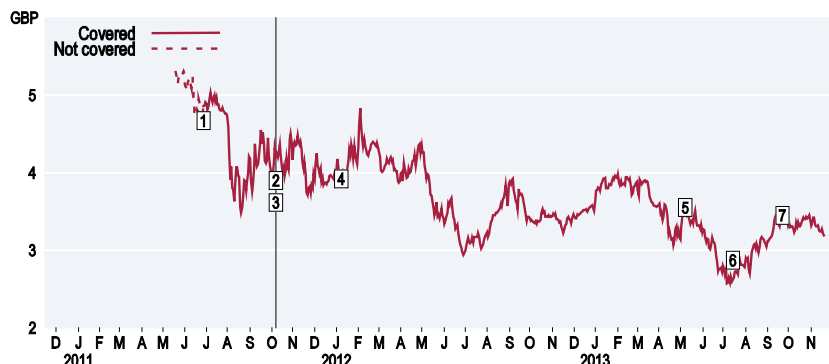
## Glencore Xstrata PLC (GLEN.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Heath R Jansen

Covered since June 28 2011



	Date	Rating	Target Price	Closing Price
1	28-Jun-11	*1M	*5.70	4.86
2	7-Oct-11	Stock rating system changed		
3	7-Oct-11	*1	5.70	4.22

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	9-Jan-12	1	*5.50	3.99
5	8-May-13	1	*4.00	3.50
6	15-Jul-13	1	*3.80	2.62

	Date	Rating	Target Price	Closing Price
7	23-Sep-13	1	*3.80	3.37

Rating/target price changes above reflect Eastern Standard Time

## Glencore Xstrata PLC (GLEN.L)

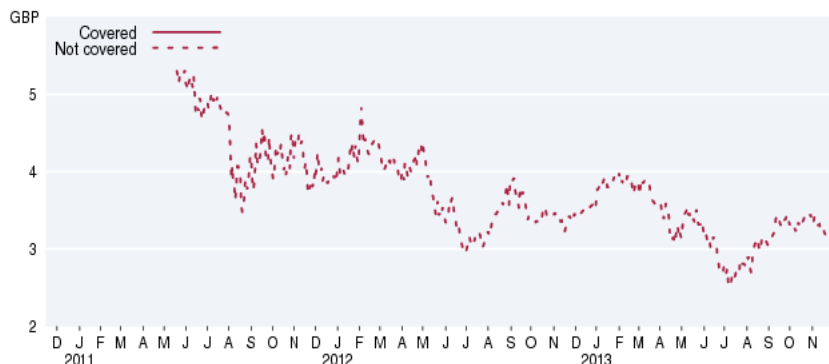
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Heath R Jansen

Covered since June 28 2011



\* Indicates change

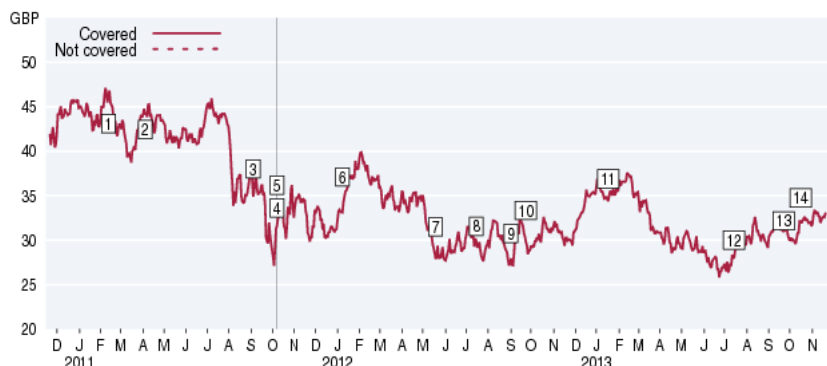
Rating/target price changes above reflect Eastern Standard Time

## Rio Tinto PLC (RIO.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Heath R Jansen



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	1M	*50.00	46.24
2	5-Apr-11	1M	*52.00	44.13
3	5-Sep-11	1M	*53.00	34.89
4	7-Oct-11	Stock rating system changed		
5	7-Oct-11	*1	53.00	31.64

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	9-Jan-12	1	*49.00	33.11
7	18-May-12	1	*45.00	27.88
8	16-Jul-12	1	*43.50	29.86
9	3-Sep-12	1	*39.00	27.96
10	24-Sep-12	*2	*33.00	29.80

	Date	Rating	Target Price	Closing Price
11	17-Jan-13	*1	*40.00	34.40
12	15-Jul-13	1	*37.00	28.07
13	23-Sep-13	1	*38.00	31.00
14	16-Oct-13	1	*39.00	32.15

Rating/target price changes above reflect Eastern Standard Time

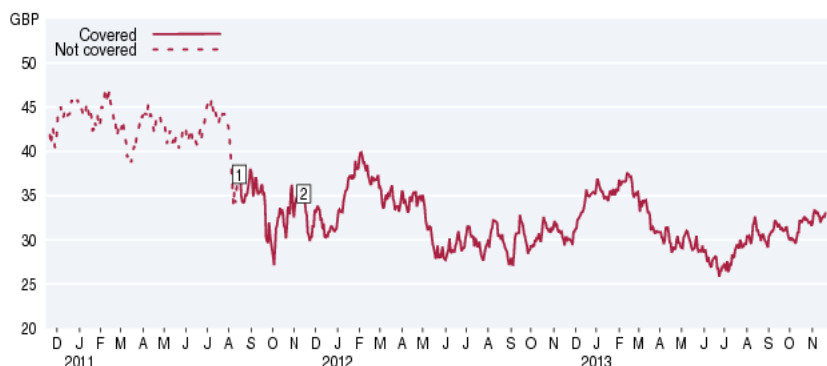
## Rio Tinto PLC (RIO.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Heath R Jansen



	Date	Rating	Target Price	Closing Price
1	16-Aug-11	*ADD MP	-	37.29

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	15-Nov-11	*REM MP	-	34.58

Rating/target price changes above reflect Eastern Standard Time

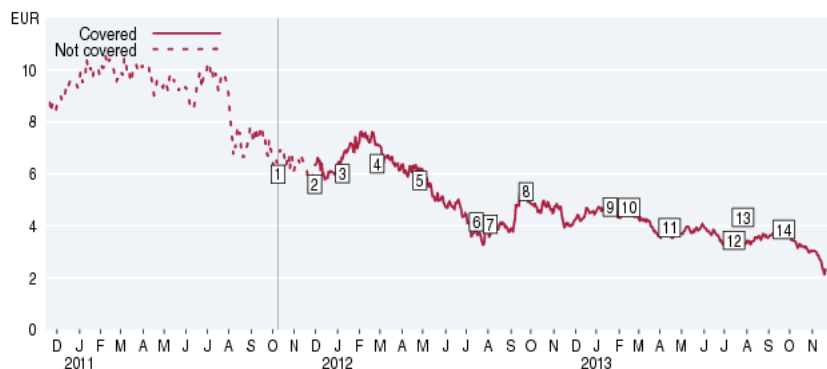
## Nyrstar NV (NYR.BR)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jatinder Goel, CFA

Covered since December 1 2011



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	30-Nov-11	*1	*8.80	6.35
3	9-Jan-12	1	*9.10	6.58
4	27-Feb-12	1	*9.00	7.14
5	26-Apr-12	1	*8.60	6.09

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	16-Jul-12	1	*6.10	3.83
7	3-Aug-12	1	*4.20	3.66
8	24-Sep-12	1	*6.10	5.22
9	21-Jan-13	1	*5.90	4.64
10	15-Feb-13	1	*5.30	4.70

	Date	Rating	Target Price	Closing Price
11	15-Apr-13	*2	*4.00	3.57
12	15-Jul-13	*3	*3.00	3.33
13	26-Jul-13	3	*2.80	3.25
14	23-Sep-13	3	*3.00	3.56

Rating/target price changes above reflect Eastern Standard Time

## Nyrstar NV (NYR.BR)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA

Covered since December 1 2011



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

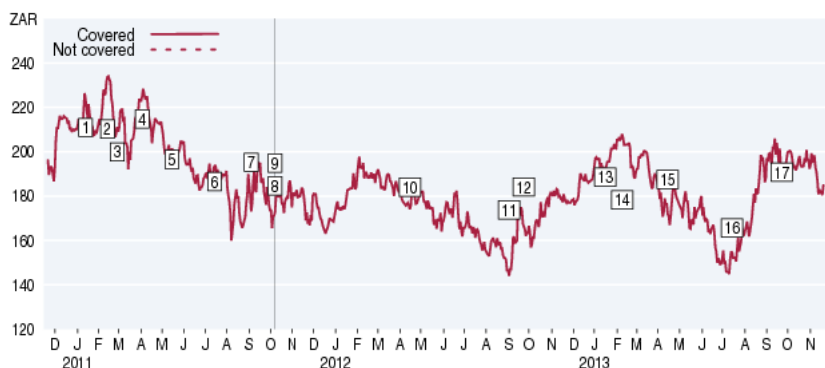
## African Rainbow Minerals (ARIJ.J)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Michael E Flitton

Covered since June 21 2013



Date	Rating	Target Price	Closing Price
1 13-Jan-11	*3M	*215.00	223.50
2 14-Feb-11	3M	*230.00	233.71
3 28-Feb-11	*2M	230.00	211.20
4 4-Apr-11	2M	*250.00	224.89
5 15-May-11	*1M	*260.00	200.00
6 14-Jul-11	1M	*240.00	193.50

\* Indicates change

Date	Rating	Target Price	Closing Price
7 4-Sep-11	1M	*230.00	180.40
8 7-Oct-11	Stock rating system changed		
9 7-Oct-11	*1	230.00	172.65
10 15-Apr-12	1	*220.00	176.00
11 3-Sep-12	1	*190.00	144.00
12 24-Sep-12	*2	*180.00	167.50

Date	Rating	Target Price	Closing Price
13 16-Jan-13	2	*200.00	190.90
14 8-Feb-13	2	*210.00	208.00
15 15-Apr-13	*1	210.00	171.83
16 15-Jul-13	1	*220.00	154.49
17 23-Sep-13	1	*235.00	192.95

Rating/target price changes above reflect Eastern Standard Time

## African Rainbow Minerals (ARIJ.J)

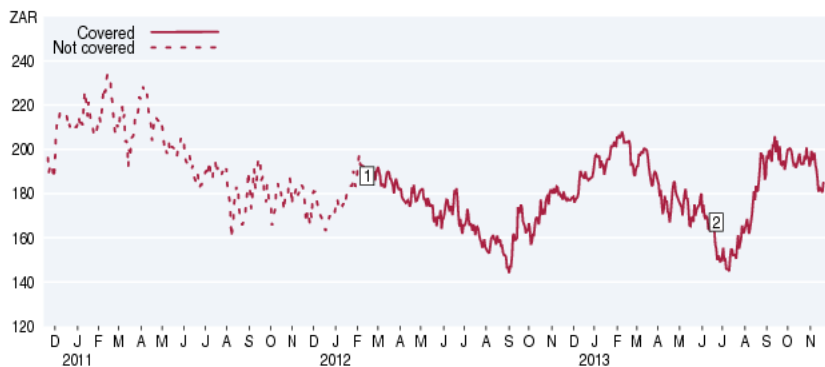
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Michael E Flitton

Covered since June 21 2013



Date	Rating	Target Price	Closing Price
1 15-Feb-12	*ADD MP	-	189.14

\* Indicates change

Date	Rating	Target Price	Closing Price
2 21-Jun-13	*REM MP	-	154.95

Rating/target price changes above reflect Eastern Standard Time

## African Barrick Gold Plc (ABGL.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil



Date	Rating	Target Price	Closing Price
1 25-Mar-11	*1M	*6.25	5.39
2 19-May-11	1M	*6.21	4.60
3 28-Jul-11	1M	*6.57	5.23
4 21-Aug-11	1M	*7.90	5.36
5 7-Oct-11	Stock rating system changed		
6 7-Oct-11	*1	7.90	5.38
7 19-Dec-11	1	*7.56	4.60
8 9-Jan-12	1	*6.55	4.48

\* Indicates change

Date	Rating	Target Price	Closing Price
9 17-Feb-12	*3	*4.19	4.43
10 15-Apr-12	3	*3.11	3.57
11 19-Apr-12	3	*3.21	3.55
12 16-Jul-12	3	*2.73	4.04
13 24-Jul-12	3	*2.72	3.38
14 17-Sep-12	3	*4.20	4.76
15 24-Sep-12	3	*4.23	4.59
16 25-Oct-12	3	*4.39	4.82

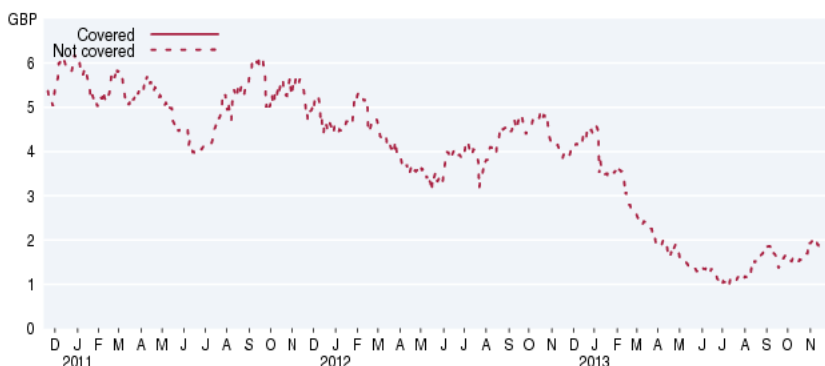
Date	Rating	Target Price	Closing Price
17 10-Jan-13	3	*3.35	3.65
18 14-Feb-13	3	*2.67	3.09
19 15-Apr-13	3	*1.75	1.73
20 13-Jun-13	3	*1.24	1.28
21 15-Jul-13	3	*0.94	1.02
22 22-Jul-13	3	*0.87	1.13
23 14-Aug-13	3	*0.93	1.54
24 23-Sep-13	3	*1.19	1.57

Rating/target price changes above reflect Eastern Standard Time

## African Barrick Gold Plc (ABGL.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jon H Bergtheil



\* Indicates change

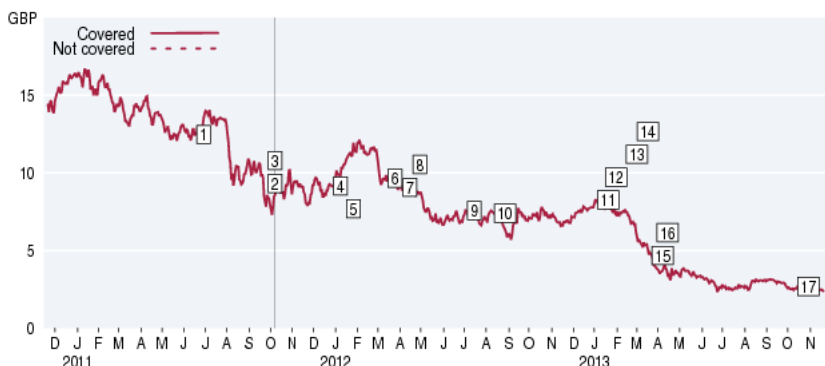
Rating/target price changes above reflect Eastern Standard Time

## Kazakhmys Plc (KAZ.L)

### Ratings and Target Price History Fundamental Research

Analyst: Michael E Flitton

Covered since January 21 2013



Date	Rating	Target Price	Closing Price
1 29-Jun-11	*1H	*15.50	13.50
2 7-Oct-11	Stock rating system changed		
3 7-Oct-11	*1	15.50	8.58
4 9-Jan-12	1	*15.60	9.79
5 26-Jan-12	1	*15.20	11.94
6 26-Mar-12	1	*13.00	9.25

\* Indicates change

Date	Rating	Target Price	Closing Price
7 16-Apr-12	1	*14.00	8.74
8 30-Apr-12	1	*12.70	8.61
9 16-Jul-12	1	*11.00	7.28
10 28-Aug-12	1	*9.00	6.34
11 21-Jan-13	*2	*8.40	7.80
12 31-Jan-13	2	*8.20	7.30

Date	Rating	Target Price	Closing Price
13 1-Mar-13	2	*7.30	5.90
14 18-Mar-13	2	*6.00	5.06
15 8-Apr-13	*1	*5.80	3.73
16 15-Apr-13	1	*4.80	3.41
17 30-Oct-13	*2	*2.80	2.67

Rating/target price changes above reflect Eastern Standard Time



## Kazakhmys Plc (KAZ.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Michael E Flitton  
Covered since January 21 2013



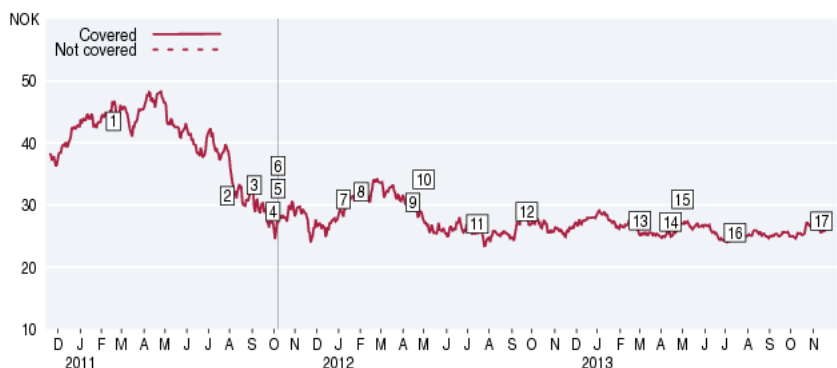
\* Indicates change

## Norsk Hydro ASA (NHY.OL)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Jatinder Goel, CFA  
Covered since January 21 2013



Date	Rating	Target Price	Closing Price
1 17-Feb-11	3M	*35.00	46.10
2 28-Jul-11	*2M	*39.00	38.85
3 5-Sep-11	*3M	*31.00	29.57
4 30-Sep-11	*2M	*27.00	27.07
5 7-Oct-11	Stock rating system changed		
6 7-Oct-11	*2	27.00	27.05

\* Indicates change

Date	Rating	Target Price	Closing Price
7 9-Jan-12	2	*31.00	28.12
8 2-Feb-12	*3	*30.00	30.98
9 16-Apr-12	3	*27.00	29.53
10 1-May-12	3	*25.00	27.84
11 16-Jul-12	3	*24.00	25.87
12 24-Sep-12	3	*26.00	27.65

Date	Rating	Target Price	Closing Price
13 1-Mar-13	3	*24.00	25.14
14 15-Apr-13	3	*21.00	24.90
15 1-May-13	3	*23.00	27.00
16 15-Jul-13	3	*22.00	24.98
17 13-Nov-13	*2	*27.00	25.67

Rating/target price changes above reflect Eastern Standard Time

## Norsk Hydro ASA (NHY.OL)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA  
Covered since January 21 2013



Date	Rating	Target Price	Closing Price
1 16-Aug-11	*ADD LP	-	32.83

\* Indicates change

Date	Rating	Target Price	Closing Price
2 9-Jul-13	*REM LP	-	24.70

Rating/target price changes above reflect Eastern Standard Time

## BHP Billiton PLC (BLT.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Heath R Jansen



	Date	Rating	Target Price	Closing Price
1	16-Feb-11	1M	*30.00	24.64
2	5-Sep-11	1M	*24.05	19.54
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	24.05	18.68
5	9-Jan-12	1	*23.00	19.48

\* Indicates change

	Date	Rating	Target Price	Closing Price
6	16-Jul-12	1	*22.00	17.95
7	3-Sep-12	1	*21.00	18.55
8	24-Sep-12	1	*22.00	19.49
9	21-Feb-13	*2	*23.00	20.97
10	15-Apr-13	2	*20.50	18.25

	Date	Rating	Target Price	Closing Price
11	15-Jul-13	2	*19.00	18.08
12	20-Aug-13	2	*20.00	19.24
13	23-Sep-13	2	*20.70	18.76

Rating/target price changes above reflect Eastern Standard Time

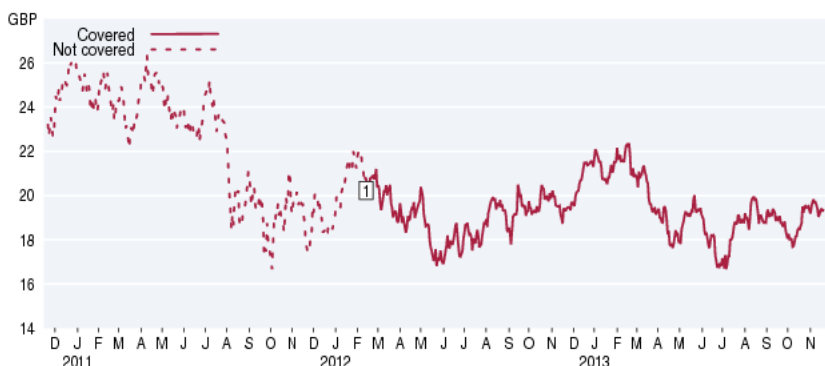
## BHP Billiton PLC (BLT.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Heath R Jansen



	Date	Rating	Target Price	Closing Price
1	14-Feb-12	*ADD MP	-	20.72

\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Gem Diamonds (GEMD.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	25-Mar-11	2M	*2.78	2.91
2	28-Jul-11	2M	*2.88	2.45
3	13-Sep-11	*1M	*2.78	2.19
4	7-Oct-11	Stock rating system changed		
5	7-Oct-11	*1	2.78	2.02
6	16-Nov-11	1	*2.81	2.25

\* Indicates change

	Date	Rating	Target Price	Closing Price
7	21-Dec-11	1	*2.61	1.92
8	22-Mar-12	*3	*2.83	3.04
9	16-Jul-12	3	*1.96	2.16
10	16-Aug-12	3	*1.89	1.91
11	22-Aug-12	3	*1.85	1.86
12	24-Sep-12	*2	*1.99	1.74

	Date	Rating	Target Price	Closing Price
13	21-Jan-13	*1	*1.95	1.52
14	15-Apr-13	1	*1.72	1.30
15	15-Jul-13	1	*1.73	1.33
16	20-Aug-13	1	*1.88	1.58
17	23-Sep-13	1	*1.87	1.45

Rating/target price changes above reflect Eastern Standard Time

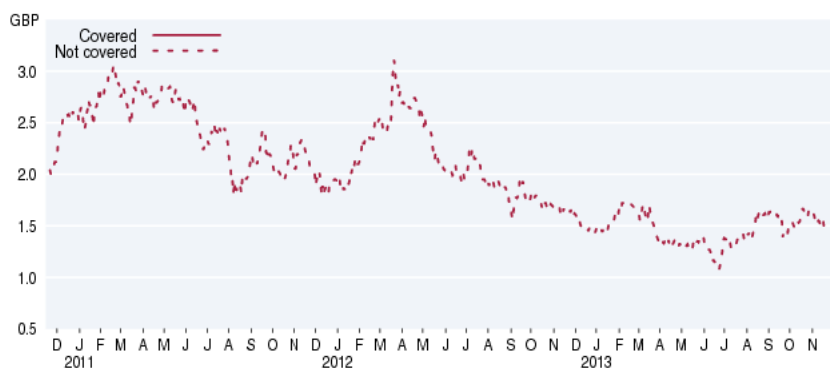
## Gem Diamonds (GEMD.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Hochschild Mining Plc (HOCM.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Jon H Bergtheil



Date	Rating	Target Price	Closing Price
1 7-Nov-10	3M	*4.50	5.46
2 21-Dec-10	*2M	*6.25	6.15
3 21-Feb-11	*1M	*6.94	5.79
4 25-Mar-11	1M	*7.65	6.57
5 16-May-11	1M	*8.00	5.29
6 6-Jun-11	*2H	*6.00	5.00
7 13-Sep-11	2H	*5.91	5.21
8 26-Sep-11	2H	*5.50	4.50
9 3-Oct-11	2H	*4.43	4.18
10 7-Oct-11	Stock rating system changed		
11 7-Oct-11	*2	4.43	4.53
12 21-Oct-11	2	*4.84	4.49

\* Indicates change

Date	Rating	Target Price	Closing Price
13 20-Dec-11	2	*4.51	4.06
14 11-Jan-12	2	*4.75	4.32
15 12-Mar-12	2	*5.13	5.04
16 26-Mar-12	2	*4.90	4.78
17 16-Apr-12	2	*4.94	4.86
18 10-May-12	*3	*4.02	4.34
19 16-Jul-12	3	*3.83	4.44
20 14-Aug-12	3	*3.81	4.30
21 16-Aug-12	3	*3.78	4.27
22 22-Aug-12	3	*3.86	4.30
23 17-Sep-12	3	*4.56	4.86
24 24-Sep-12	*2	*4.98	4.89

Date	Rating	Target Price	Closing Price
25 25-Oct-12	2	*5.51	4.97
26 28-Nov-12	2	*5.22	4.61
27 21-Jan-13	2	*5.16	4.48
28 20-Feb-13	*3	*3.90	4.01
29 15-Apr-13	3	*2.14	2.41
30 16-May-13	3	*1.94	2.58
31 13-Jun-13	3	*1.78	2.09
32 15-Jul-13	3	*1.33	1.45
33 22-Aug-13	3	*1.32	2.38
34 23-Sep-13	3	*1.45	1.97

Rating/target price changes above reflect Eastern Standard Time

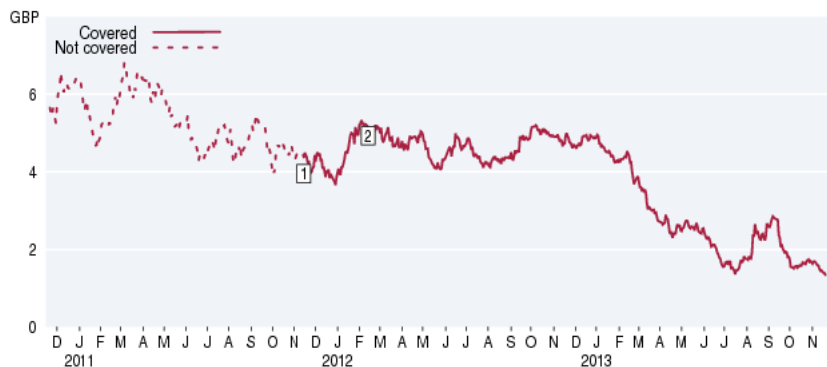
## Hochschild Mining Plc (HOCM.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil



Date	Rating	Target Price	Closing Price
1 15-Nov-11	*ADD LP	-	4.38

\* Indicates change

Date	Rating	Target Price	Closing Price
2 14-Feb-12	*REM LP	-	5.05

Rating/target price changes above reflect Eastern Standard Time

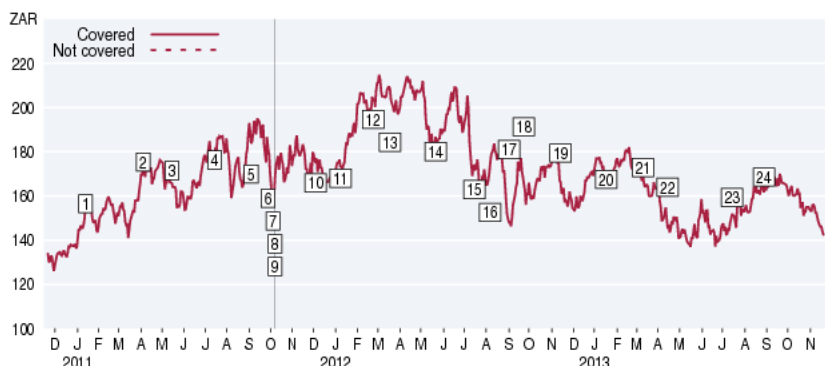
## Exxaro Resources Limited (EXXJ.J)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Michael E Flitton

Covered since June 19 2013



Date	Rating	Target Price	Closing Price
1 13-Jan-11	2M	*160.00	156.50
2 5-Apr-11	2M	*180.00	173.30
3 16-May-11	2M	*190.00	165.75
4 14-Jul-11	2M	*200.00	177.92
5 5-Sep-11	2M	*210.00	183.75
6 28-Sep-11	2M	*200.00	181.34
7 5-Oct-11	*1M	200.00	159.85
8 7-Oct-11	Stock rating system changed		

\* Indicates change

Date	Rating	Target Price	Closing Price
9 7-Oct-11	*1	200.00	168.08
10 5-Dec-11	1	*210.00	175.01
11 9-Jan-12	1	*215.00	173.00
12 23-Feb-12	1	*220.00	203.00
13 19-Mar-12	*2	220.00	208.12
14 22-May-12	*1	220.00	186.69
15 16-Jul-12	1	*210.00	173.77
16 7-Aug-12	1	*190.00	174.67

Date	Rating	Target Price	Closing Price
17 3-Sep-12	1	*180.00	148.01
18 24-Sep-12	*2	180.00	168.42
19 14-Nov-12	2	*175.00	166.25
20 17-Jan-13	2	*190.00	168.57
21 11-Mar-13	2	*180.00	169.90
22 15-Apr-13	2	*150.00	145.16
23 15-Jul-13	2	*180.00	151.88
24 28-Aug-13	2	*170.00	161.70

Rating/target price changes above reflect Eastern Standard Time

## Exxaro Resources Limited (EXXJ.J)

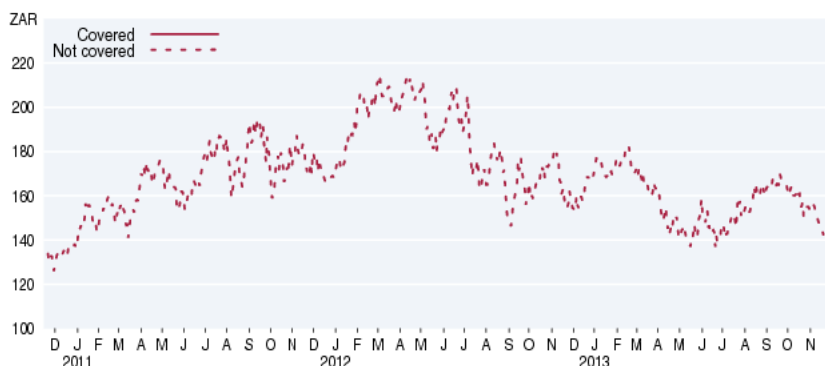
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Michael E Flitton

Covered since June 19 2013



\* Indicates change

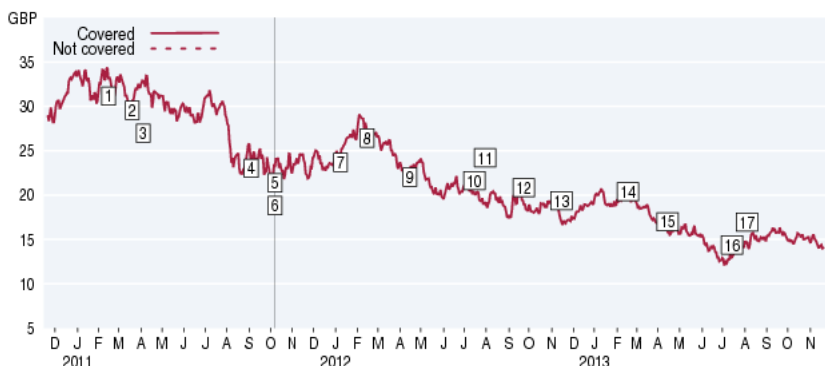
Rating/target price changes above reflect Eastern Standard Time

## Anglo American PLC (AAL.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Heath R Jansen



Date	Rating	Target Price	Closing Price
1 15-Feb-11	*2M	*37.00	33.07
2 21-Mar-11	*1M	37.00	30.62
3 5-Apr-11	1M	*38.00	32.73
4 4-Sep-11	1M	*35.00	24.58
5 7-Oct-11	Stock rating system changed		
6 7-Oct-11	*1	35.00	23.30

\* Indicates change

Date	Rating	Target Price	Closing Price
7 8-Jan-12	1	*33.00	24.69
8 15-Feb-12	*2	*30.00	26.90
9 16-Apr-12	2	*25.00	22.28
10 16-Jul-12	2	*22.00	20.22
11 31-Jul-12	2	*20.00	19.00
12 24-Sep-12	2	*21.00	18.88

Date	Rating	Target Price	Closing Price
13 15-Nov-12	2	*20.00	16.91
14 18-Feb-13	2	*21.00	19.83
15 15-Apr-13	2	*18.00	15.75
16 15-Jul-13	2	*14.00	13.01
17 5-Aug-13	2	*15.00	14.76

Rating/target price changes above reflect Eastern Standard Time

## Anglo American PLC (AAL.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Heath R Jansen



	Date	Rating	Target Price	Closing Price
1	15-Nov-11	*ADD MP	-	24.54

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	14-Feb-12	*REM MP	-	27.72

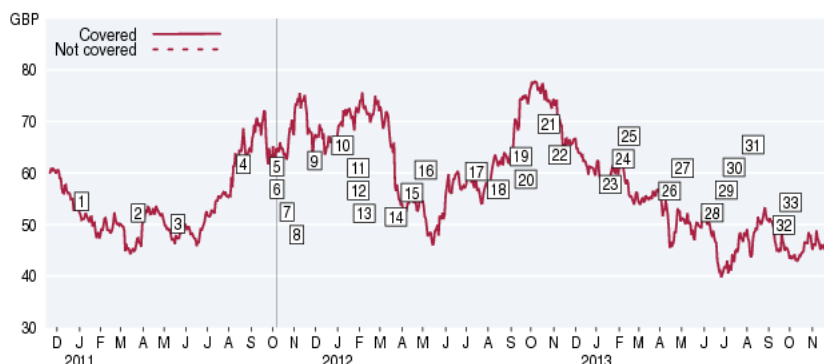
Rating/target price changes above reflect Eastern Standard Time

## Randgold Resources Ltd (RRS.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	5-Jan-11	*1M	*62.20	50.90
2	25-Mar-11	1M	*54.88	47.36
3	20-May-11	1M	*61.35	47.55
4	22-Aug-11	1M	*86.78	68.70
5	7-Oct-11	Stock rating system changed		
6	7-Oct-11	*1	86.78	64.00
7	21-Oct-11	1	*88.46	62.80
8	4-Nov-11	1	*88.59	73.10
9	30-Nov-11	1	*83.49	67.15
10	9-Jan-12	1	*84.16	69.00
11	31-Jan-12	1	*90.90	71.65

\* Indicates change

	Date	Rating	Target Price	Closing Price
12	31-Jan-12	1	*90.83	71.65
13	8-Feb-12	1	*88.84	72.45
14	23-Mar-12	*2	*65.27	56.50
15	16-Apr-12	2	*60.27	55.50
16	4-May-12	2	*55.00	51.20
17	16-Jul-12	*3	*49.19	58.05
18	15-Aug-12	3	*50.30	61.30
19	17-Sep-12	*2	*76.84	74.55
20	24-Sep-12	2	*80.41	74.85
21	25-Oct-12	2	*85.80	74.25
22	9-Nov-12	2	*80.00	70.45

	Date	Rating	Target Price	Closing Price
23	21-Jan-13	2	*68.30	59.10
24	7-Feb-13	2	*66.00	61.20
25	15-Feb-13	*3	*55.40	55.80
26	15-Apr-13	3	*43.00	45.45
27	2-May-13	3	*42.30	51.20
28	13-Jun-13	3	*39.26	47.59
29	3-Jul-13	*2	*44.91	41.84
30	15-Jul-13	2	*41.91	42.72
31	9-Aug-13	2	*45.50	47.22
32	23-Sep-13	2	*47.33	46.21
33	2-Oct-13	*3	*42.26	43.96

Rating/target price changes above reflect Eastern Standard Time

## Randgold Resources Ltd (RRS.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	15-Nov-11	*ADD MP	-	74.50

\* Indicates change

	Date	Rating	Target Price	Closing Price
2	15-May-12	*REM MP	-	45.96

Rating/target price changes above reflect Eastern Standard Time

## Aquarius Platinum Ltd (AQP.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	11-Feb-11	*2H	4.10	4.16
2	1-Jun-11	2H	*3.57	3.41
3	13-Sep-11	2H	*2.61	2.19
4	29-Sep-11	2H	*2.00	1.90
5	5-Oct-11	2H	*1.89	1.73
6	7-Oct-11	Stock rating system changed		
7	7-Oct-11	*2	1.89	1.86

\* Indicates change

	Date	Rating	Target Price	Closing Price
8	1-Feb-12	2	*1.80	1.67
9	14-Feb-12	2	*1.65	1.40
10	16-Apr-12	2	*1.51	1.30
11	1-May-12	2	*1.40	1.30
12	12-Jun-12	2	*0.80	0.64
13	16-Jul-12	2	*0.44	0.41
14	24-Jul-12	2	*0.41	0.38

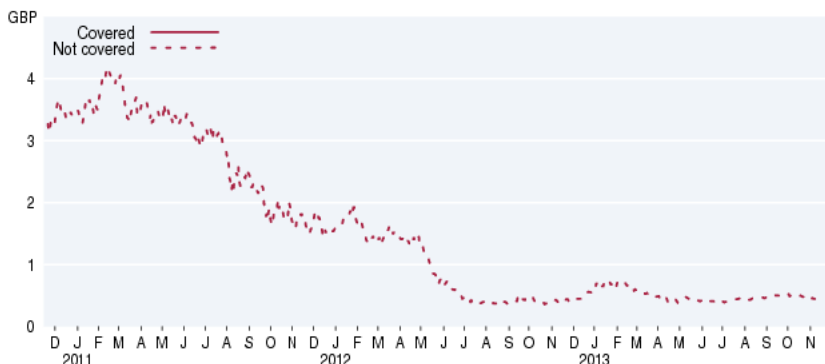
	Date	Rating	Target Price	Closing Price
15	14-Aug-12	2	*0.40	0.37
16	24-Sep-12	*1	*0.59	0.43
17	21-Jan-13	1	*0.92	0.72
18	15-Apr-13	1	*0.66	0.40
19	15-Jul-13	1	*0.65	0.43
20	25-Jul-13	1	*0.66	0.46
21	10-Sep-13	*2	*0.54	0.51

Rating/target price changes above reflect Eastern Standard Time

## Aquarius Platinum Ltd (AQP.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jon H Bergtheil



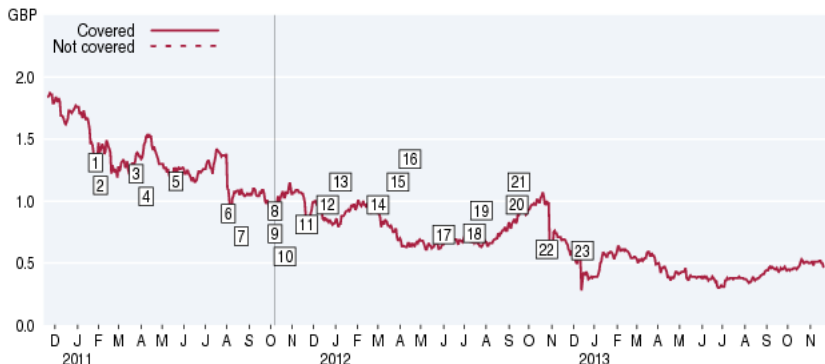
\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

## Centamin Egypt Limited (CEY.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	27-Jan-11	*1M	*1.65	1.36
2	3-Feb-11	1M	*1.71	1.41
3	25-Mar-11	*1H	*1.80	1.38
4	8-Apr-11	1H	*1.77	1.52
5	20-May-11	1H	*1.66	1.27
6	3-Aug-11	1H	*1.43	1.09
7	22-Aug-11	1H	*1.72	1.10
8	7-Oct-11	Stock rating system changed		

\* Indicates change

	Date	Rating	Target Price	Closing Price
9	7-Oct-11	*1	1.72	0.95
10	21-Oct-11	1	*1.80	1.03
11	22-Nov-11	1	*1.67	0.81
12	21-Dec-11	1	*1.23	0.84
13	9-Jan-12	1	*1.04	0.81
14	1-Mar-12	1	*1.10	0.90
15	29-Mar-12	1	*0.99	0.68
16	16-Apr-12	1	*0.87	0.63

	Date	Rating	Target Price	Closing Price
17	1-Jun-12	1	*0.88	0.65
18	16-Jul-12	*2	*0.74	0.66
19	25-Jul-12	2	*0.72	0.63
20	13-Sep-12	*1	*1.01	0.84
21	17-Sep-12	1	*1.20	0.89
22	25-Oct-12	1	*1.36	1.00
23	14-Dec-12	*2	-	0.35

Rating/target price changes above reflect Eastern Standard Time

## Centamin Egypt Limited (CEY.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil



\* Indicates change

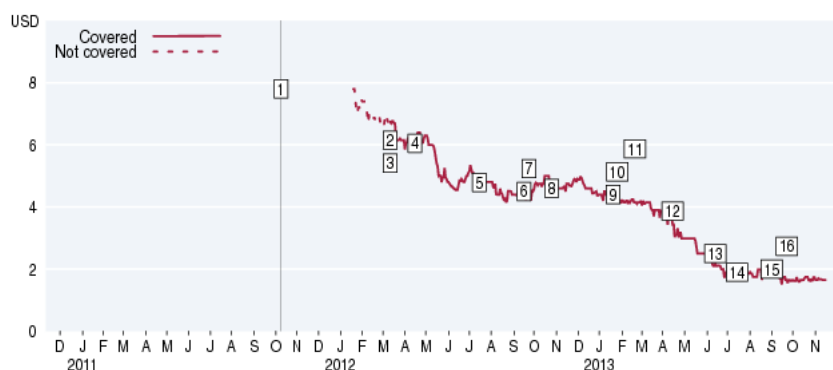
## Nordgold (NORDNq.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Jon H Bergtheil

Covered since March 12 2012



Date	Rating	Target Price	Closing Price
1 8-Oct-11	Stock rating system changed		
2 12-Mar-12	*2	*7.11	6.75
3 12-Mar-12	2	*7.24	6.75
4 16-Apr-12	2	*6.27	6.25
5 16-Jul-12	2	*5.30	4.80
6 17-Sep-12	*1	*6.27	4.40

\* Indicates change

Date	Rating	Target Price	Closing Price
7 24-Sep-12	1	*6.32	4.50
8 25-Oct-12	1	*6.77	4.75
9 21-Jan-13	1	*5.25	4.25
10 25-Jan-13	*2	*4.62	4.20
11 20-Feb-13	2	*4.30	4.15
12 15-Apr-13	*3	*3.12	3.40

Date	Rating	Target Price	Closing Price
13 13-Jun-13	3	*1.96	2.20
14 15-Jul-13	3	*1.25	1.80
15 2-Sep-13	3	*1.35	2.00
16 23-Sep-13	*2	*1.82	1.65

Rating/target price changes above reflect Eastern Standard Time

## Nordgold (NORDNq.L)

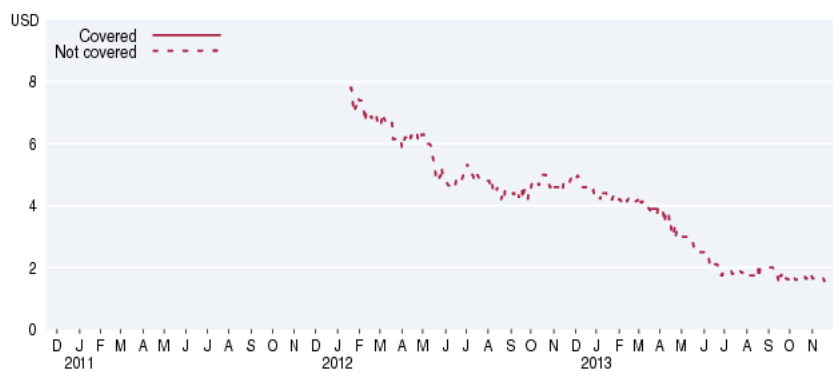
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil

Covered since March 12 2012



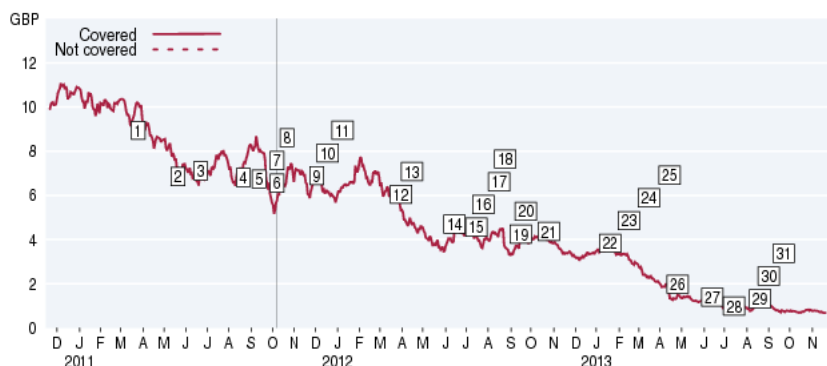
\* Indicates change



## Petropavlovsk PLC (POG.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil



Date	Rating	Target Price	Closing Price
1 25-Mar-11	*2M	*10.46	10.17
2 20-May-11	2M	*8.66	7.22
3 22-Jun-11	2M	*7.91	7.03
4 22-Aug-11	*1M	*9.41	7.40
5 13-Sep-11	1M	*9.95	8.00
6 7-Oct-11	Stock rating system changed		
7 7-Oct-11	*1	9.95	5.77
8 21-Oct-11	1	*10.75	6.92
9 2-Dec-11	1	*10.37	6.65
10 19-Dec-11	1	*9.60	6.11
11 9-Jan-12	1	*7.93	6.32

\* Indicates change

Date	Rating	Target Price	Closing Price
12 30-Mar-12	1	*7.24	5.29
13 16-Apr-12	1	*5.93	4.66
14 14-Jun-12	1	*6.05	4.47
15 16-Jul-12	*2	*4.62	4.18
16 25-Jul-12	2	*4.37	3.81
17 16-Aug-12	2	*4.39	4.37
18 24-Aug-12	2	*4.20	3.65
19 17-Sep-12	*1	*4.75	4.25
20 24-Sep-12	1	*5.13	4.03
21 25-Oct-12	1	*5.50	3.96
22 21-Jan-13	1	*4.76	3.82

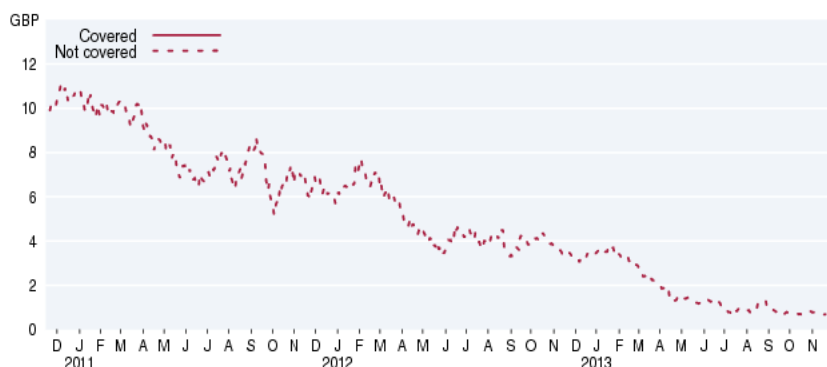
Date	Rating	Target Price	Closing Price
23 15-Feb-13	*2	*3.58	3.10
24 15-Mar-13	2	*2.60	2.27
25 15-Apr-13	*3	*1.34	1.35
26 25-Apr-13	3	*1.25	1.50
27 13-Jun-13	3	*1.10	1.28
28 15-Jul-13	3	*0.62	0.70
29 20-Aug-13	3	*0.59	1.20
30 2-Sep-13	3	*0.58	0.98
31 23-Sep-13	3	*0.64	0.76

Rating/target price changes above reflect Eastern Standard Time

## Petropavlovsk PLC (POG.L)

### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Jon H Bergtheil



\* Indicates change

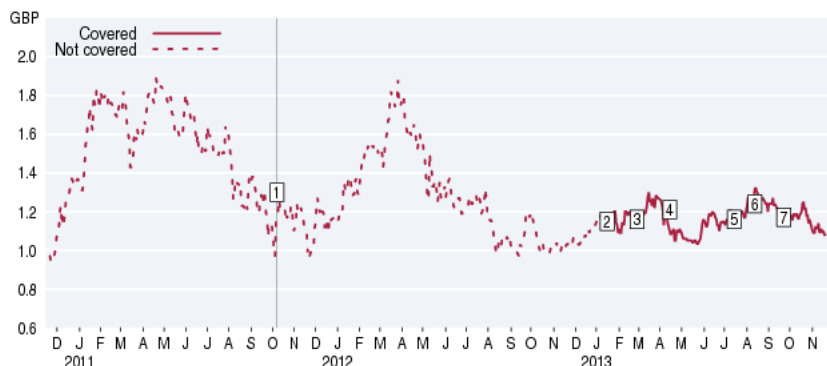
Rating/target price changes above reflect Eastern Standard Time

## Petra Diamonds (PDL.L)

### Ratings and Target Price History Fundamental Research

Analyst: Jon H Bergtheil

Covered since January 16 2013



Date	Rating	Target Price	Closing Price
1 7-Oct-11	Stock rating system changed		
2 16-Jan-13	*1	*1.45	1.17
3 27-Feb-13	1	*1.43	1.20

\* Indicates change

Date	Rating	Target Price	Closing Price
4 15-Apr-13	1	*1.51	1.10
5 15-Jul-13	1	*1.52	1.18
6 13-Aug-13	1	*1.64	1.32

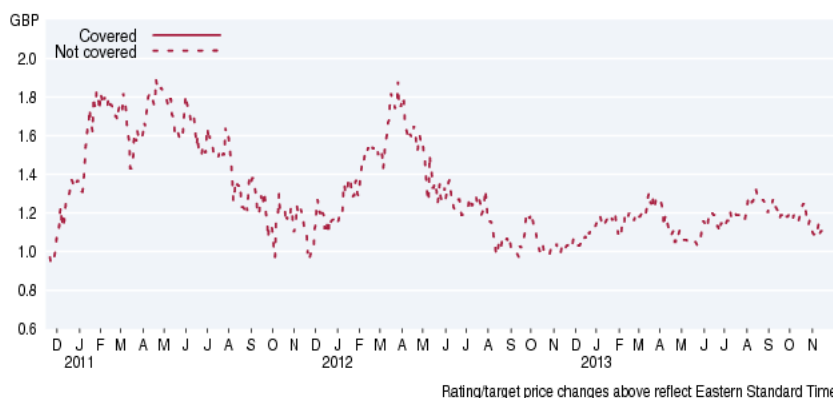
Date	Rating	Target Price	Closing Price
7 23-Sep-13	1	*1.57	1.17

Rating/target price changes above reflect Eastern Standard Time



**Petra Diamonds (PDL.L)**  
**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

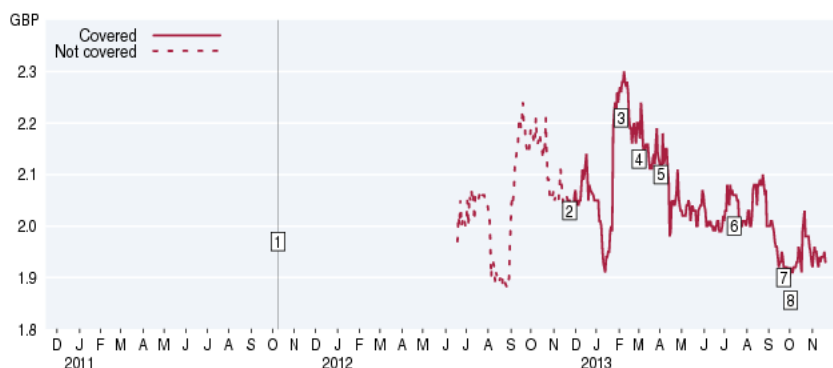
Analyst: Jon H Bergtheil  
Covered since January 16 2013



\* Indicates change

**Polyus Gold (PGIL.L)**  
**Ratings and Target Price History**  
**Fundamental Research**

Analyst: Jon H Bergtheil  
Covered since June 6 2013



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	23-Nov-12	*1	*2.57	2.05
3	5-Feb-13	1	*2.60	2.26

\* Indicates change

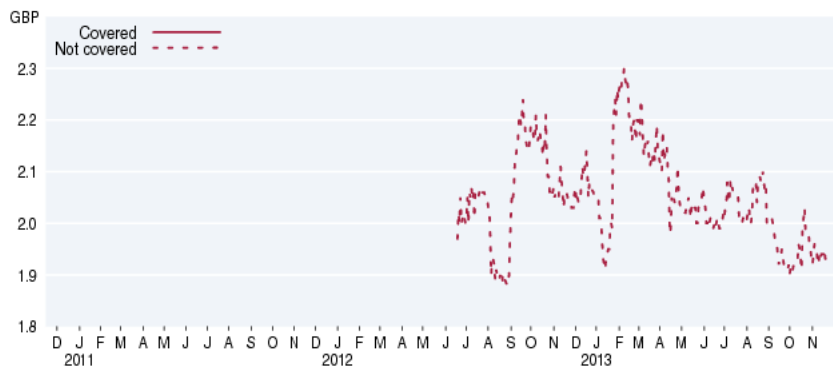
	Date	Rating	Target Price	Closing Price
4	1-Mar-13	1	*2.53	2.19
5	2-Apr-13	1	*2.51	2.11
6	15-Jul-13	1	*2.35	2.06

	Date	Rating	Target Price	Closing Price
7	23-Sep-13	1	*2.24	1.92
8	2-Oct-13	*2	*2.00	1.92

Rating/target price changes above reflect Eastern Standard Time

**Polyus Gold (PGIL.L)**  
**Ratings and Target Price History**  
**Best Ideas Research**  
**Relative Call (3 Month)**

Analyst: Jon H Bergtheil  
Covered since June 6 2013



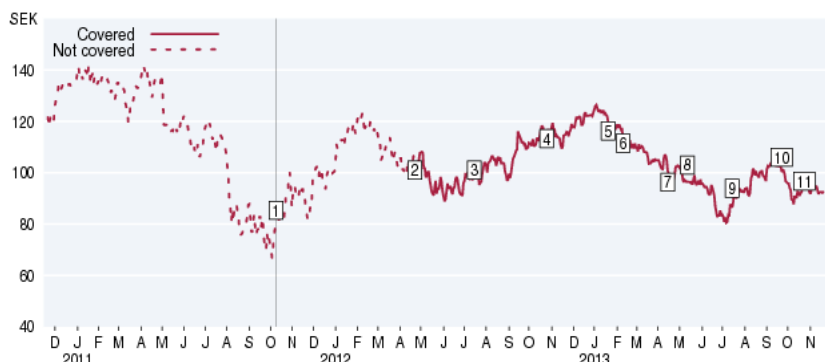
\* Indicates change

## Boliden AB (BOL.ST)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jatinder Goel, CFA  
Covered since April 23 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	23-Apr-12	*3	*90.00	101.50
3	16-Jul-12	3	*85.00	99.65
4	25-Oct-12	3	*93.00	116.00

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	21-Jan-13	3	*109.00	119.50
6	11-Feb-13	3	*105.00	113.00
7	15-Apr-13	3	*98.00	100.70
8	13-May-13	3	*92.00	96.50

	Date	Rating	Target Price	Closing Price
9	15-Jul-13	3	*73.00	86.45
10	23-Sep-13	3	*81.00	100.30
11	24-Oct-13	3	*86.00	96.70

Rating/target price changes above reflect Eastern Standard Time

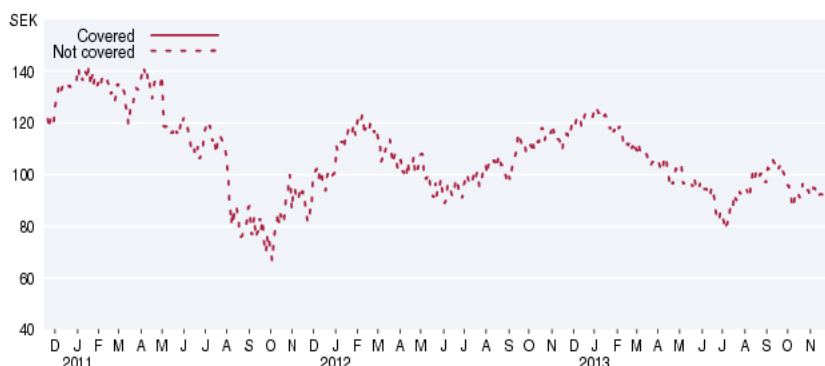
## Boliden AB (BOL.ST)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA  
Covered since April 23 2012



\* Indicates change

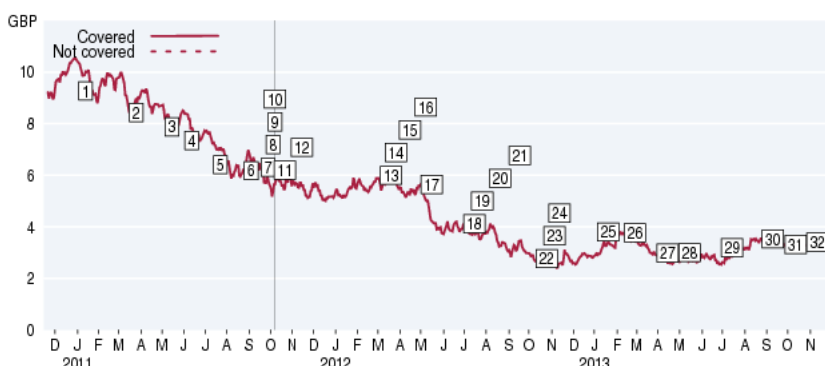
Rating/target price changes above reflect Eastern Standard Time

## Lonmin PLC (LMI.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
1	13-Jan-11	2M	*10.56	10.02
2	25-Mar-11	2M	*9.87	8.98
3	16-May-11	2M	*9.04	8.07
4	13-Jun-11	2M	*8.98	7.85
5	22-Jul-11	2M	*8.16	7.08
6	5-Sep-11	2M	*7.25	6.42
7	28-Sep-11	2M	*6.58	5.84
8	5-Oct-11	2M	*6.02	5.37
9	7-Oct-11	Stock rating system changed		
10	7-Oct-11	*2	6.02	5.65
11	21-Oct-11	2	*5.68	5.49

\* Indicates change

	Date	Rating	Target Price	Closing Price
12	15-Nov-11	2	*5.88	5.55
13	20-Mar-12	2	*5.98	5.90
14	27-Mar-12	2	*5.91	5.81
15	16-Apr-12	2	*5.85	5.23
16	8-May-12	2	*5.83	5.04
17	16-May-12	2	*5.16	4.22
18	16-Jul-12	2	*4.13	3.76
19	26-Jul-12	2	*4.04	3.69
20	21-Aug-12	2	*3.47	3.26
21	18-Sep-12	2	*3.51	3.46
22	25-Oct-12	2	*2.91	2.65

	Date	Rating	Target Price	Closing Price
23	6-Nov-12	2	*2.81	2.62
24	13-Nov-12	2	*2.64	2.58
25	21-Jan-13	*1	*4.11	3.43
26	27-Feb-13	1	*4.25	3.45
27	15-Apr-13	1	*3.74	2.57
28	15-May-13	1	*3.86	2.68
29	15-Jul-13	1	*3.74	2.84
30	10-Sep-13	1	*4.18	3.53
31	11-Oct-13	1	*4.20	3.15
32	12-Nov-13	1	*4.53	3.36

Rating/target price changes above reflect Eastern Standard Time

## Lonmin PLC (LMI.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jon H Bergtheil



	Date	Rating	Target Price	Closing Price
[1]	14-Feb-12	*ADD LP	-	5.41

\* Indicates change

	Date	Rating	Target Price	Closing Price
[2]	15-May-12	*REM LP	-	4.28

Rating/target price changes above reflect Eastern Standard Time

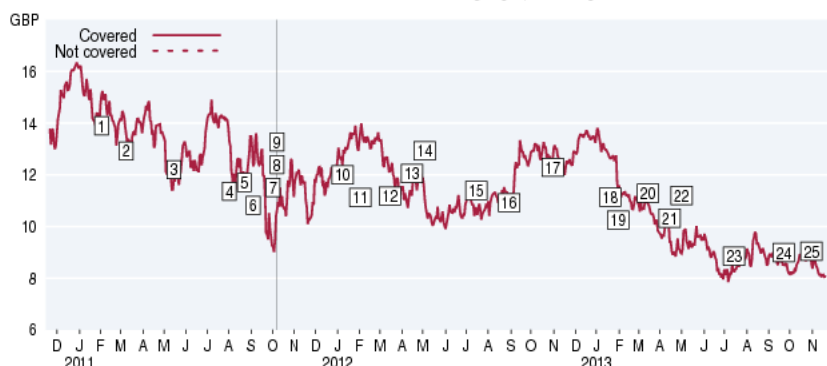
## Antofagasta (ANTO.L)

### Ratings and Target Price History

#### Fundamental Research

Analyst: Jatinder Goel, CFA

Covered since May 23 2012



	Date	Rating	Target Price	Closing Price
[1]	2-Feb-11	3M	*13.00	15.09
[2]	9-Mar-11	3M	*13.10	13.54
[3]	16-May-11	*2H	13.10	11.85
[4]	2-Aug-11	2H	*13.00	13.28
[5]	23-Aug-11	2H	*12.90	12.06
[6]	5-Sep-11	*3H	*12.30	12.33
[7]	3-Oct-11	*2H	*10.10	9.21
[8]	7-Oct-11	Stock rating system changed		
[9]	7-Oct-11	*2	10.10	10.63

\* Indicates change

	Date	Rating	Target Price	Closing Price
[10]	9-Jan-12	*3	*10.60	12.34
[11]	2-Feb-12	3	*10.10	13.66
[12]	15-Mar-12	3	*10.00	12.14
[13]	16-Apr-12	3	*10.50	11.20
[14]	3-May-12	3	*10.00	11.08
[15]	16-Jul-12	3	*9.40	10.69
[16]	30-Aug-12	3	*9.30	10.94
[17]	31-Oct-12	3	*9.40	12.57
[18]	21-Jan-13	3	*10.00	12.64

Rating/target price changes above reflect Eastern Standard Time

	Date	Rating	Target Price	Closing Price
[19]	31-Jan-13	3	*9.90	11.42
[20]	14-Mar-13	3	*10.00	10.88
[21]	15-Apr-13	3	*8.30	9.37
[22]	1-May-13	3	*8.50	8.95
[23]	15-Jul-13	3	*7.80	8.23
[24]	23-Sep-13	3	*7.90	8.52
[25]	31-Oct-13	3	*8.00	8.55

## Antofagasta (ANTO.L)

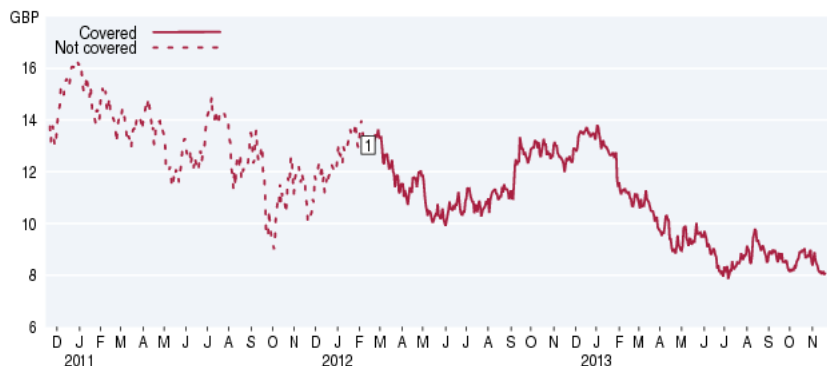
### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA

Covered since May 23 2012



	Date	Rating	Target Price	Closing Price
[1]	14-Feb-12	*ADD LP	-	13.37

\* Indicates change

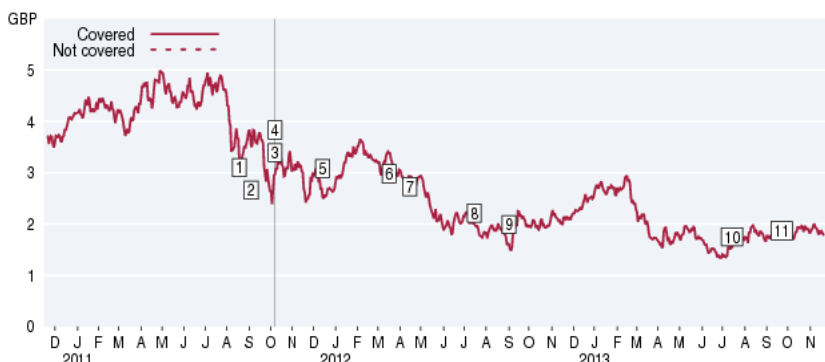
Rating/target price changes above reflect Eastern Standard Time

## Ferrexpo PLC (FXPO.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Jatinder Goel, CFA  
Covered since August 12 2013



	Date	Rating	Target Price	Closing Price
1	18-Aug-11	1H	*5.50	3.24
2	5-Sep-11	1H	*5.60	3.50
3	7-Oct-11	Stock rating system changed		
4	7-Oct-11	*1	5.60	2.97

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	14-Dec-11	1	*4.45	2.52
6	16-Mar-12	1	*4.35	3.38
7	16-Apr-12	1	*4.25	2.86
8	16-Jul-12	1	*3.65	2.00

	Date	Rating	Target Price	Closing Price
9	3-Sep-12	1	*3.20	1.60
10	15-Jul-13	1	*2.30	1.55
11	23-Sep-13	1	*2.20	1.80

Rating/target price changes above reflect Eastern Standard Time

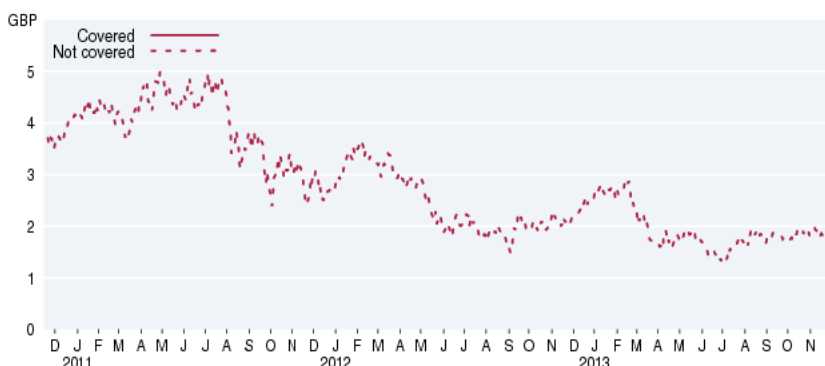
## Ferrexpo PLC (FXPO.L)

### Ratings and Target Price History

### Best Ideas Research

### Relative Call (3 Month)

Analyst: Jatinder Goel, CFA  
Covered since August 12 2013



\* Indicates change

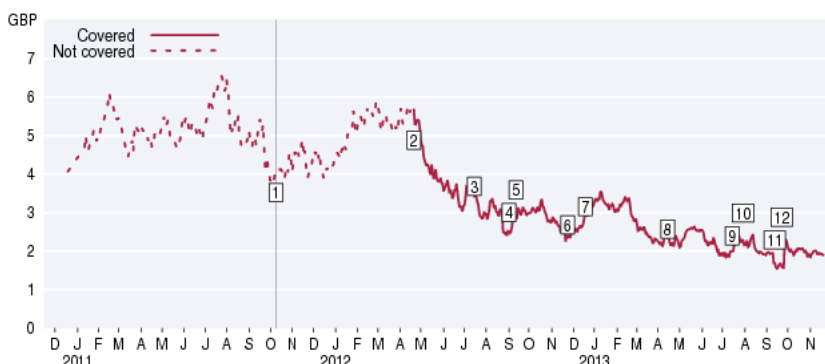
Rating/target price changes above reflect Eastern Standard Time

## African Minerals Ltd (AMlq.L)

### Ratings and Target Price History

### Fundamental Research

Analyst: Michael E Flitton  
Covered since April 20 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	20-Apr-12	*1	*7.50	5.67
3	16-Jul-12	1	*6.70	3.43
4	3-Sep-12	*1H	*5.30	2.51

\* Indicates change

	Date	Rating	Target Price	Closing Price
5	12-Sep-12	1H	*5.00	2.87
6	23-Nov-12	1H	*4.70	2.39
7	19-Dec-12	1H	*4.40	2.96
8	15-Apr-13	1H	*4.30	2.35

	Date	Rating	Target Price	Closing Price
9	15-Jul-13	1H	*3.90	2.00
10	30-Jul-13	1H	*3.80	2.28
11	12-Sep-13	1H	*3.20	1.70
12	23-Sep-13	1H	*3.30	1.60

Rating/target price changes above reflect Eastern Standard Time

## African Minerals Ltd (AMIQ.L)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Michael E Flitton

Covered since April 20 2012



\* Indicates change

Citi is providing fairness opinion to Sesa Goa Limited on in the proposed merger of Sterlite Industries and other Vedanta Resources PLC group companies. Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Vedanta Resources PLC

One or more members of the board of directors of one of the subsidiaries of Citigroup Holdings are members of the board of directors of Fresnillo PLC

An employee of Citigroup Global Markets or its affiliates is a non - executive director of Anglo American Plc.

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Randgold Resources Ltd

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Polyus Gold International Ltd

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Glencore Xstrata PLC, Petropavlovsk PLC, Polyus Gold. This position reflects information available as of the prior business day.

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