Deutsche Bank
Markets Research

Emerging Europe
Russia
Metals & Mining

Industry
A gold sector cross-section

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Industry Update

Parsing the valuation data points

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Connecting the industry dots; seeking value in a sector in retreat

The gold sector has historically traded at premium valuations. Over the past few years, that premium has contracted. In this note, we start by looking at possible reasons for this trend and what markets may increasingly look for in gold equities. With this focus, we move to see how our gold coverage universe scores on several metrics related to operations, asset quality and financials. This report does not serve to change our recommendations but rather to provide complementary data points to support DCF-based valuations and facilitate sector benchmarking.

Gold sector and gold equity; poor past performance, outlook improving slightly

In 2008-12, we find that the gold sector de-rated on a relative earnings basis. Over a period in which gold prices grew 90% the XAU/DAX gold mining indices added only 12%/20%, providing investors with poor leverage to gold prices. 1YF EV/EBITDA and P/E multiples across our coverage universe were almost cut in half (albeit on $1,850/oz 2013F) while P/NAV contracted. We believe gold equities have faced increased competition from alternative gold and higher yielding investment vehicles while investors are concerned with the sustainability of high gold prices. Meanwhile, cost inflation has contained margin expansion, capex overruns and M&A have diverted free cash flows from shareholders while operational and political risks have revealed gold equity's inefficiency as an inflation or systemic hedge. Against this backdrop and to complement our P/NAV valuations, this note provides 2008-16F data to assess sector and company performance and look for future value. In 2008-12F, we find coverage average implied cash costs grew ~50%, while close to 30%/80% of cumulative revenue/EBITDA was invested in capex and incremental WC, lifting average coverage net debt equity 50% to 19%, to grow total production by 14% and resources by 41% and providing a relatively unimpressive average period ROE of 10% and dividend yield of 1.5% per annum, while average leveraged equity betas almost doubled, raising implied cost of capital. We expect sector capex/EBITDA to moderate and dividend yields to improve over 2012-16F, while past and current investments contribute to 19% total production growth, lifting average ROEs to 14% and dividends to 2.3% p.a., only partly driven by positive 2013-14F gold prices.

Remain selective: Barrick, Randgold, Sibanye, Polyus and Regis score well

Within the context of improving sector performance, we believe it will be important to remain selective. Our data set supports our preference for Barrick Gold, Randgold, Sibanye Gold, Polyus Gold, Regis Resources and Alacer Gold, which all can deliver value in growth, margins, dividends or asset quality.

We primarily value gold stocks on SotP LoM P/NAV; gold price is a key risk

We predominantly rely on life-of-mine P/NAV models to value gold companies with P/E, EV/EBITDA and EV/reserves cross-checks. We currently see our coverage trade at average 6x and 12x 2013F P/E and EV/EBITDA on a $1,850/oz average 2013F gold price. Key risks to our valuations and forecasts include gold prices, mining opex and capex inflation, project execution, producer currency appreciation, government regulation and taxation and M&A.

Top picks	
Polyus Gold (PGIL.L),GBP219.25	Buy
Barrick Gold (ABX.N),USD28.82	Buy
Randgold (RRS.L),GBP5,670.00	Buy
Sibanye Gold (SGLJ.J),ZAR13.30	Buy
Regis Resources (RRL.AX),AUD4.16	Buy

Companies Featured	
Polyus Gold (PGIL.L),GBP219.25	Buy
Highland Gold (HGM.L),GBP86.25	Buy
Polymetal (POLYP.L),GBP867.50	Buy
Koza Altin (KOZAL.IS),TRY41.60	Hold
Nordgold (NORDNq.L),USD3.65	Buy
African Barrick (ABGL.L),GBP206.60	Hold
Alacer Gold (AQG.AX),AUD3.82	Buy
AngloGold Ashanti (ANGJ.J),ZAR217.01	Hold
Barrick Gold (ABX.N),USD28.82	Buy
Coeur d'Alene Mines (CDE.N),USD18.88	Buy
Evolution Mining (EVN.AX),AUD1.48	Buy
Fresnillo (FRES.L),GBP1,376.00	Sell
Goldcorp (GG.N),USD32.90	Hold
Gold Fields (GFIJ.J),ZAR70.73	Sell
Harmony (HARJ.J),ZAR58.68	Buy
Kinross Gold (KGC.N),USD7.87	Buy
Medusa Mining (MML.AX),AUD4.39	Buy
Newcrest Mining Ltd (NCM.AX),AUD21.87	Hold
Newmont Mining (NEM.N),USD41.08	Hold
Randgold (RRS.L),GBP5,670.00	Buy
Regis Resources (RRL.AX),AUD4.16	Buy
Silver Standard (SSO.TO),CAD10.71	Sell
St Barbara (SBM.AX),AUD1.20	Buy
Zijin Mining (2899.HK),HKD2.59	Buy
Sibanye Gold (SGLJ.J),ZAR13.30	Buy

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Executive summary

The gold sector has historically traded at premium valuations. Over the past few years, that premium has contracted. In this note, we start by looking at possible reasons for this trend and what markets may increasingly look for in gold equities. With this focus, we move to see how our gold coverage universe scores on several metrics related to operations, financials and asset quality. This report does not serve to change our recommendations but rather to provide complementary data points to support DCF-based valuations and facilitate sector benchmarking.

This report draws on Deutsche Bank's global gold company research universe, which covers 25 companies' operations in 31 countries and about 50% of estimated 2012 global mined gold production. Over the 2008-12 period, we find that the gold sector de-rated on a relative earnings and NAV basis. Over a period in which gold prices grew 90%, the XAU/DAX gold mining index added only 12%/20% with an estimated average 1.5% per annum dividend payout, providing investors with poor leverage to gold prices. 1YF EV/EBITDA and P/E multiples across our coverage universe were almost cut in half (admittedly partly on a higher gold price increase forecast) while P/NAV contracted. In this note, we start by looking at possible reasons for this trend and what markets may increasingly look for in gold equities. In our view, this reflects:

- Increased **competition from alternative gold investment vehicles** and higher-yielding non-gold investment alternatives
- Concerns about the **sustainability of relatively high gold prices**
- **Failure to provide operating and financial leverage to gold prices** as cost inflation has prevented margin expansion, while capex overruns and M&A have diverted free cash flows from shareholders
- **Decreased focus on volume growth and exploration upside** and increased interest in investment discipline, profitability and cash distribution
- **Increased awareness of** the operational **risks** of gold equity and its inefficiency as an inflation or systemic hedge

Against this backdrop and to complement our P/NAV long-term fundamental valuation framework, this note provides 2008-12F and 2012F-16F data to assess sector and company performance to look for future value. Over 2008-12F:

- We find that average sector coverage EBITDA-implied **cash costs** have grown almost 50% (cumulative), which has contained period average EBITDA margin expansion at ~5ppt to an average 43% despite 90% growth in gold prices
- An average approximate 30%/80% of cumulative revenue/EBITDA was invested in **capex and incremental WC**, lifting average coverage net debt equity 50% from 13% to 19%, to grow total production and resources by 14% and 41% (3.5% and 9% CAGR) respectively
- We find that average **all-in cash investment** (capex, cash opex and incremental working capital pre-tax and interest) per total ounce produced of $1,176/oz over the period left only a thin 7% average cash margin to gold prices, admittedly with potential for further future returns.

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- The total industry capex and incremental working capital (~80% of EBITDA) per ounce of net additional (+14%) gold production capacity over the period stood at an est. $15,000/oz, pointing to meaningful investments in exploration (+41% R&R), with potential future payoffs, but also to offset production decline. In 2012-16F, we expect this measure to drop to $11,000/oz, still indicating a high industry "maintenance" spend to support longer-term production.
- We find a **mixed qualitative track record on M&A** across the sector and an average record of underperforming company 1YF production **guidance**.
- This has provided relatively a relatively **unimpressive average period ROE** of 10% and dividend yield of 1.5% per annum, while average **leveraged equity betas increased 55% since 2005** from 0.55 to 0.85 in 2008, raising implied equity cost of capital and holding back sector net value creation

Looking forward towards the 2012-16F period:

- We currently expect average sector coverage implied **cash cost growth** to slow down, but also for gold prices, after peaking at $1,900/oz in 2014/oz, to remain largely flat over the period ($1,600/oz forecast average in 2016), implying average EBITDA margins to contract or remain flattish, but with large divergence between companies
- We **forecast total average capex and incremental working capital** to drop to a still high 25%/50% of cumulative forecast revenue/EBITDA was invested in capex and incremental WC
- We forecast past and forecast period capex in our coverage universe to grow total production by an average 19% or 4.5% CAGR (we do not forecast exploration success and growth in resources)
- Consequently, we forecast average **all-in cash investment** (capex, cash opex and incremental working capital pre-tax and interest) per total ounce produced to decline to $1,260/oz to provide for an average 29% cash margin over the forecast period and more ex-capex and further working capital accumulation outside the forecast horizon
- This should improve average period **ROEs** to a still moderate 14% and fund an average **dividend yield** of 2.3% per annum (on BY12 mcap) and what we expect to relatively stable cost of equity off the current levels. While this is an improvement, it is still below other metal industries.

This report also makes an effort to compare the size, characteristics and quality of companies' **reserves and resources**, which we view as the key source of company value. We, inter alia, consider grade, access, complexity and mining method.

We also consider **relative liquidity and free floats** to be relevant variables to company value.

Our data set supports our **preference for Barrick Gold, Randgold, Sibanye Gold, Polyus Gold, Regis Resources and Alacer Gold**, which all can deliver value in growth, margins, dividends or monetize high asset quality.

Valuation and risks in the context of this report

Deutsche Bank predominantly relies on life-of-mine P/DCF models to value the gold companies and believe that this approach best captures the most relevant valuation considerations and the many idiosyncrasies of valuing heterogeneous assets and business profiles. In this report, we complement this framework with a quantitative approach to provide an alternative set of benchmarking points to mitigate differences in short- and longer-term valuation approaches.

Key risks to our valuations come from gold prices, mining opex and capex inflation and producer currency appreciation. Operational risks are concentrated around management's ability to maintain current operations as well as execute on growth projects. The results of this report depend on the data period and necessarily standardize metrics on heterogeneous assets and business profiles, inevitably trading company precision against capacity to benchmark the sector. In this regard, we recognize that some data output may not be representative of underlying fundamentals.

Top picks - stock selection to pay off

Due to uneven weights of importance of different valuation metrics (e.g., reserve life vs reserve quality and near-term vs long-term growth) and hard-to-quantify relative performance (e.g., how much difference in life of mine or growth), we refrain from deriving a straight summary ranking table of our findings. Instead, we a) provide a full table with data metrics and b) highlight our current top picks, pointing out where they score well.

Our data set supports our preference for Barrick Gold, Randgold, Sibanye Gold, Polyus Gold, Regis Resources and Alacer Gold, which all can deliver value in growth, margins, dividends or monetize high asset quality.

- **Barrick Gold** is relatively cheap on 2014F EV/EBITDA and P/E, although absolute valuations are off a $1,900/oz gold forecast. It also has a high reserve base and LoM. Barrick's high debt load may lead the company to sell non-core assets, which on our estimates could raise $3-4bn, which in turn could increase de-leveraging potential. Barrick has a new management team in place that is pledging to focus more on returns to shareholders, which we believe markets will welcome. Barrick offers premium liquidity and is a large-cap bellwether proxy in the sector that could attract funds if sentiment turns. We also believe the valuation will be supported by improving free cash flows which could lead to higher dividends as current capex cycle is expected to wind down during 2014.

- **Randgold** remains a top pick, with further value creation expected by what in our view is a strong management with a good track record in project execution, exploration and M&A. The company offers long life of mine and good growth over the near and medium term, backed up by a well-established exploration team. Moreover, many of its existing operations are increasing in grade, implying an improving cost profile over a good part of the company's current forecast life and supporting already strong EBITDA margins, but also indicating that the company is getting to grips with going underground, possibly enhancing expansion options. It offers relatively good liquidity and a high free float.

- In South Africa, we prefer **Sibanye Gold**. In our view, Sibanye could warrant a premium rating to peers by returning maximum cash to shareholders. On our forecasts, Sibanye is very cheap on earnings, reserve and production multiples. The company has a tangible near-term opportunity to cut costs out of mature and infrastructure-intensive mines to expand margins. As cash flows are set to improve, we estimate that the company can increase its dividend payout of earnings from 30% to 45% without going into a net debt position. We forecast sector-high 2013 and 2014 FCF/dividend yields of 32% and 27%/5.6% and 10.2%.

- Among Australian gold miners, we like **Regis Resources**, which we expect to organically grow production towards c.400koz over the next 12 months with the ramp-up of its second operation, Garden Well. We expect Regis to maintain a strong C1 cash costs (sub-$600/oz going forward) position with a very low sustaining capital and corporate overhead spend, which will free up cash flows and increase optionality going forward. This should support valuation for a company run by a strong management team that has an excellent reputation for developing and operating gold mines efficiently and on budget.
- We believe **Papillon Resources** has one of the best undeveloped gold assets globally in its Fekola Gold Project. The current resource of 4.21moz should grow substantially in the medium term. Our current price target applies 15% WACC for Mali risk and allows for 30% capex overrun and assumes a conservative mine life.
- We also like **Alacer Gold**. Çöpler is a Tier 1 asset ($300-400/oz C1 cash costs) with a strong growth profile driven by the sulphide expansion. Exploration potential in Turkey is high, with multiple targets in a gold-bearing district. Currently trading at 0.6x P/NPV, the share price is discounted on management turnover and transition and the uncertain future of Australian assets, leading to an overly depressed valuation of the key long-life potential of Çöpler.
- In Russia, we currently prefer **Polyus Gold**. Long-term, we believe Polyus' massive reserve base deserves a premium for life of assets and expansion options. Polyus also offers increasingly tangible near-term growth. With the launch of phase 1 of Natalka (a 30moz of reserves asset with commissioning planned for YE13, but on Deutsche Bank estimates gradually ramping in 2H14), Polyus could not only add almost one-third to its current production levels, but also install infrastructure that it could leverage in a potential phase 2 and 3 expansion of the operations. Near-term capex in to Natalka will reduce free cash flow in 2013-14F but a strong balance sheet ($671m at YE12) retains dividend potential. In the near term and in this context, a recent shift in shareholders could in our view lead to a more generous dividend payout. The company had $670m net cash at YE13, with strong cash flows to back up near-term capex requirements.
- We continue to like **Polymetal** on its strong management team with a good track record of value creation through M&A and both green- and brownfield execution, but we believe the company may need to clear the bottleneck in the Amursk POX plant before investors revisit the story. Polymetal scores well on free cash flows and dividend yield potential on current forecasts but these forecasts do not yet include investments that may be required to support the company's production profile as growth slows and reverses in 2015 on our forecasts.

For the valuation a**nd risk p**rofile of a specific company, please refer to the relevant investment thesis in Appendix A.

Figure 1: Top picks summary valuation table. Share prices March 27, 2013

	Rec	Target	Price	Upside, %	M Cap $m	PE		EV/EBITDA		FCFY		ROE		Net debt to eq %		Dividend Yield		P/R	EV/R	EV/R&R	EV/R&R&I	Implied PE TP	Implied EV/EBITD	Wacc
					2013	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2013E	2013E	2013E	2013E	2013E	
Gold & Silver																								
Barrick Gold	Buy	46,0	28,8	60	28 849	6,3	5,6	5,0	4,3	1,5	8,4	19,2	18,6	44,7	35,5	2,8	2,8	144,5	220,2	118,2	106,7	10,1	7,0	7,4%
Polyus Gold	Buy	285,0	216,0	32	9 942	11,2	10,1	7,2	6,0	-	7,7	22,0	20,7	3,5	(6,2)	2,2	2,5	109,3	112,1	88,4	63,1	14,8	8,5	8,9%
Randgold	Buy	7360,0	5 565,0	32	7 762	15,5	10,6	8,1	5,2	1,8	10,3	17,8	21,6	(13,5)	(28,2)	0,6	0,6	315,8	308,1	131,4	111,6	20,5	10,8	5,0%
Regis Resources	Buy	4,9	4,3	15	2 125	12,4	7,5	7,1	4,2	7,9	15,4	38,5	46,5	(20,1)	(36,7)	4,7	8,0	751,8	709,9	476,5	286,7	14,2	8,3	10,0%
Sibanye Gold	Buy	18,0	12,9	40	1 019	3,2	2,8	1,4	1,1	33,6	27,8	341,1	25,0	6,7	(5,3)	5,9	10,7	75,5	724,9	125,3	111,6	4,5	1,5	9,0%
Weighted Average						11,5	8,6	6,2	4,7	5,1	8,8	19,0	18,9	11,2	3,9	2,6	3,1	330,0	333,2	149,1	122,3	13,7	7,2	7,9%

Source: Deutsche Bank estimates, Bloomberg Finance LP

A gold sector cross-section

Searching for sector and company value in data points

In this report, we take a quantitative approach to analyzing our gold coverage universe. While history may not be a proper indicator of future performance, we combine retrospective data with a forward-looking view to weigh the track record against future opportunities. Deutsche Bank predominantly relies on life-of-mine P/DCF models to value the gold companies. We believe this approach captures the most relevant valuation considerations, including the short- and long-term price, production and cost trends, the intertemporal effects of capital expenditures and cash flows, the size and quality of the reserve base as well as the cost of capital. In an industry in which the asset base by its nature is heterogeneous, not replicable and unique, an individual mine valuation framework considers more factors than, for example, a peer multiple approach. This comparative study inevitably relies on a ceteris paribus[1] assumption, which is typically inappropriate in terms of differentiating assets and is a key reason why our individual DCF models remain at the core of our valuation framework. We recognize, however, that this approach is very sensitive to assumptions on long-term gold prices and unit costs, project execution as well as resource conversion and exploration success, for many of which our visibility and forecast horizon are limited. The purpose of this note is to provide valuation data points based on more objective data, to complement and possibly help mitigate differences in heterogeneous short- and long-term valuation approaches.

This report draws on Deutsche Bank's global gold company research universe, which covers 25 companies' operations in 31 countries and about 50% of estimated 2012 global mined gold production.

Gold stocks have failed to keep pace with gold prices and other sectors in general. There has been an erosion of the gold stock premium and markets have challenged its raison d'être. We start by looking at sector valuation inputs and assumptions. We then move on to individual company operational, financial and asset quality data, in an effort to assess the relative performance and attractiveness of different gold companies. We review operational performance (production growth, cash cost dynamics, risks and complexity) against the background of investments (capex and working capital management). We also review financial indicators, such as the application of leverage to enhance, or sometimes destabilize, ROEs, and the use and abuse of free cash flows versus the willingness to share profits with shareholders. Based on our view that the reserve base is the ultimate source of value for gold companies, while recognizing that reserves should never be compared on an apples-for-apples basis, we attempt to consider aspects of the volume and quality of the companies' reserves and resources.

Findings: Down but not out; sector has potential and select companies offer value

We find that the gold sector has de-rated over the past four years of our study, versus other metal sectors, on earnings and on NAV. In our view, this reflects: i) increased competition from alternative gold investment vehicles; ii) increased competition from higher-yielding non-gold investment alternatives; iii) a failure to offer operating and financial leverage to gold prices as cost inflation has prevented margin expansion, while capex overruns and M&A have absorbed free cash flows; iv) an increased awareness of

[1] All other things equal. This sometimes inappropriate assumption will return throughout this report.

the operational risks of gold equity and its inefficiency as an inflation or systemic hedge; and v) increased skepticism about long-term gold prices. Our 2008-12 industry data points confirm some of these concerns. While market betas for gold reflect a higher risk premium and we may need to review capital costs and net asset premiums in our valuations, we continue to see opportunities in the sector. Cash diverted to other gold investment vehicles will still push up gold prices to benefit company cash flows, and we doubt gold investment allocations are short-term but believe rather that they reflect longer-term asset allocation. Meanwhile, gold companies have listened to the market and are generally more restrictive on expansion plans and focused on providing yield to their owners.

In sum, we see potential for sector capex to moderate as a share of free cash flows and for dividend yields to improve over 2012-16F, while past and current investments contribute to 19% period production growth, lifting average ROEs to 14% despite more narrow margins. Within this context of improving sector performance, we believe it will be important to remain selective.

Disclaimer: An imperfect approach to a complex theme

We recognize that this data-driven approach and the relatively arbitrary time series chosen have several weaknesses. Input will inevitably be imperfect and is sometimes contingent on assumptions, which makes the output less indicative of underlying fundamentals. Simplifications and generalizations are necessary to aggregate and categorize data, but they reduce the precision and relevance of the results. Importantly, we miss what may be compared to the matching principle in accounting. Some investment programs may start generating returns beyond our 2016F time horizon, while others may increase the reserve base without producing cash flows until an asset sale. For example, the Polyus' Natalka investment will be a big drain on near-term cash flows, but phase 1 could have a mine life of 60 years and may generate cash flows in the long term. This value is not captured in the comparable metrics below. Similarly, M&A can be accounted for differently, making comparisons between organic and non-organic growth in assets and earnings more complex. Due to imperfect data and different accounting for investments, we also fail to distinguish between maintenance, exploration and expansion capex. In select cases, we have taken the liberty to exclude outliers from the dataset as one-offs, not representative or not indicative.

Valuation – We value gold companies on P/NAV and earnings multiples

We value gold companies employing a range of different valuation frameworks. Primarily, we apply sum-of-part life-of-mine DCF models for individual mining assets but also cross-check our results with earnings, cash flow and reserve-based multiples. Cash flows are discounted at costs of capital that capture a company's beta and specific business risks. Peer valuation approaches are adjusted for the growth, risks and asset profile of the company. For the valuation approach of a specific company, please refer to the relevant investment thesis in Appendix A.

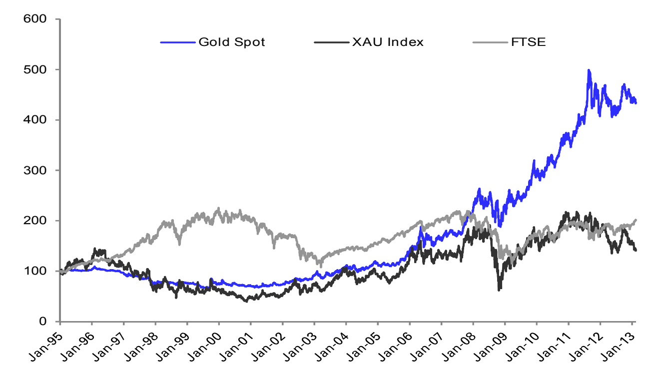
Risks – Key risks include gold prices, mining inflation, project execution and M&A

Key risks to our valuations come from gold prices, mining opex and capex inflation and producer currency appreciation. Operational risks are concentrated around management's ability to maintain current operations as well as execute on growth projects. The earnings of mining companies are sensitive to the quality of their assets, which in turn are subject to meaningful uncertainty. Through their resources and operations, mining companies are exposed to geological risks. Other important risks include changes in fiscal regime and/or mining legislation in the countries of operation. Across the sector, we also recognize risks related to M&A. For the risks of a specific company, please refer to the relevant investment thesis in Appendix A.

A sector that has underperformed an outperforming commodity – Equity premium in retreat; is gold losing its shine?

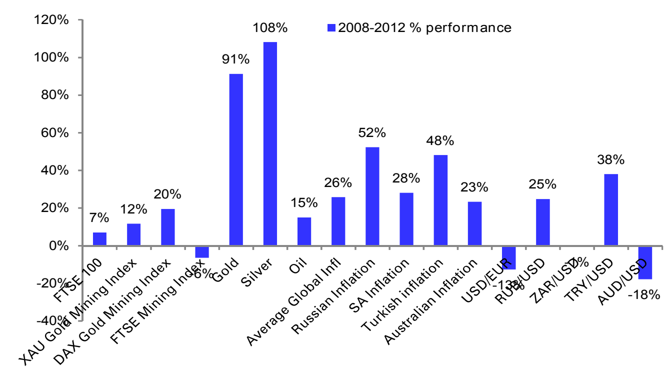
Gold companies have underperformed gold, as well as general and broader metals and mining indices. We believe that this may reflect changes in investor perceptions of the gold companies.

Figure 2: Gold sector relative (under)performance



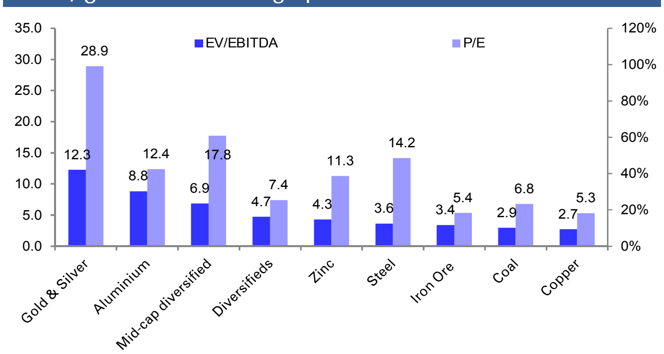
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 3: Gold sector indices vs gold and key value drivers



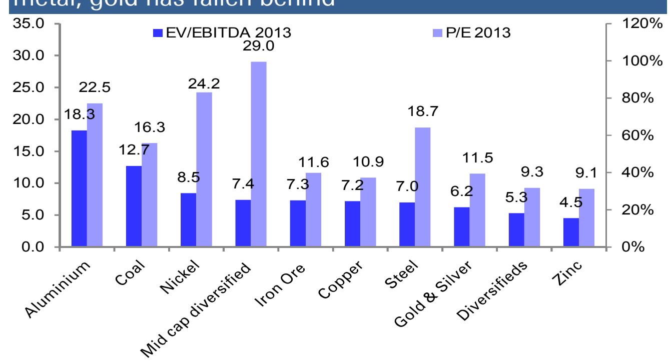
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 4: 2008 mining company average 1YF multiples by metal; gold at an earnings premium



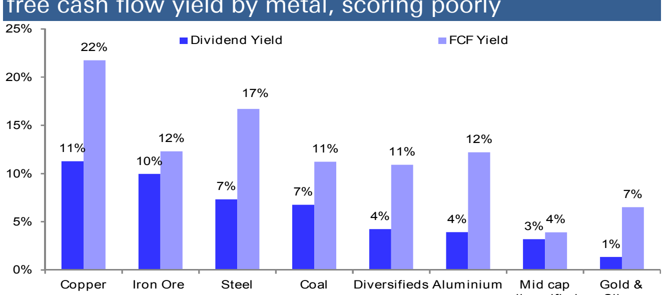
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 5: 2013 mining company average 1YF multiples by metal; gold has fallen behind



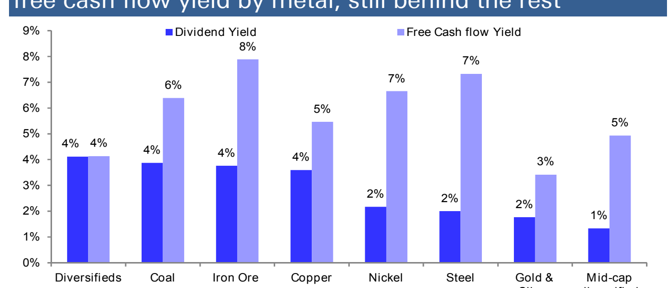
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 6: 2008 mining company average dividend and free cash flow yield by metal, scoring poorly



Source: Deutsche Bank estimates, Bloomberg Finance LP,

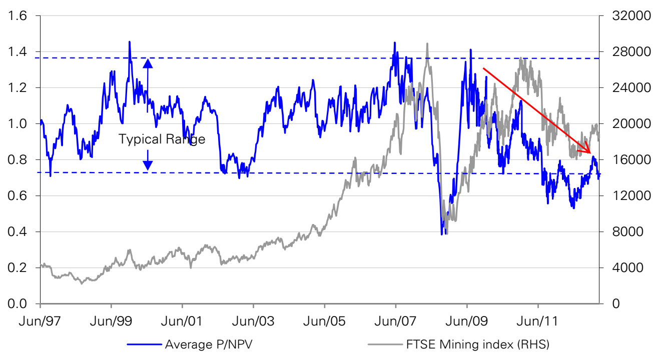
Figure 7: 2012 mining company average dividend and free cash flow yield by metal, still behind the rest



Source: Deutsche Bank estimates, company data, Bloomberg Finance LP

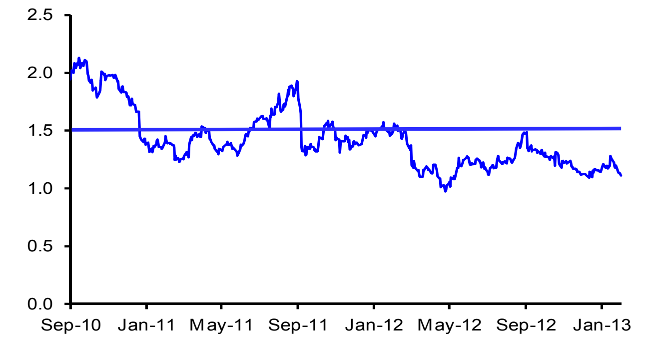
Gold companies have historically traded at a premium to NAV ranging from 1x for more mature companies to up to 3x for more dynamic exploration stories. As the sector companies have underperformed the metals, and in some cases the broader market, the gold companies have, along with but also relative to other mining stocks, de-rated in terms of NAV, earnings and book values. We currently see the gold sector trading at earnings multiples last seen during the global financial crisis, albeit at multiples that are slightly depressed by our $1,850/oz 2013 gold price forecast.

Figure 8: Historical P/NAV for UK general mining companies; in retreat



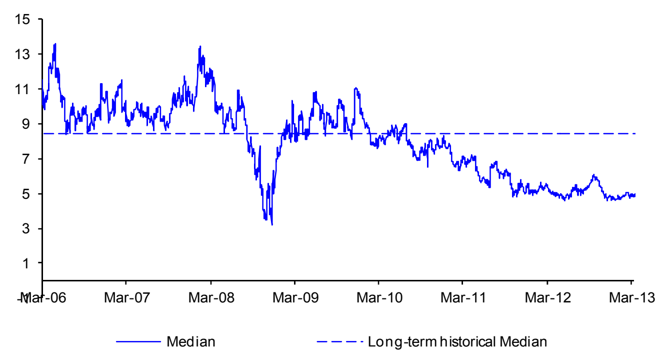
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 9: P/NAV of select UK gold miners, decline from a higher base



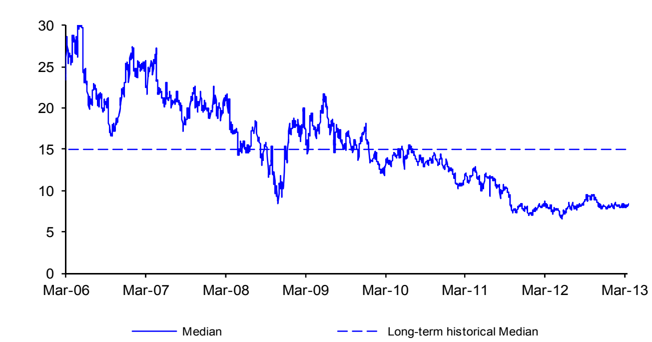
Source: Deutsche Bank estimates, Bloomberg Finance LP, company data

Figure 10: Gold company historical EV/EBITDA



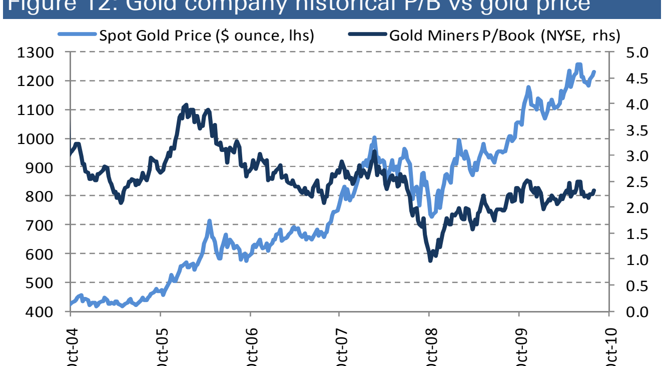
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 11: Gold company historical P/E



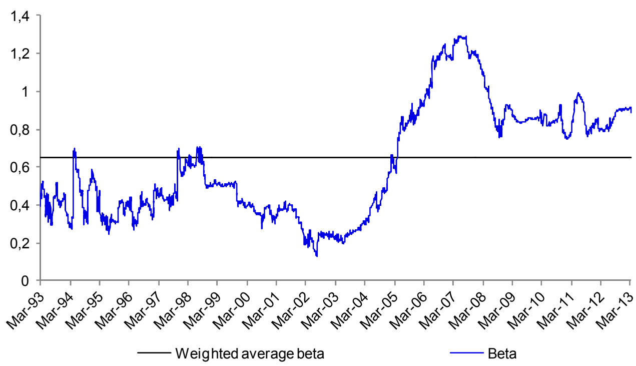
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 12: Gold company historical P/B vs gold price



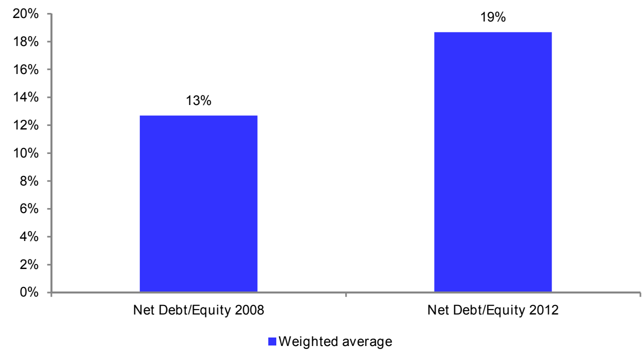
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 13: A higher leveraged equity beta for the sector



Source: Deutsche Bank estimates, Bloomberg Finance LP

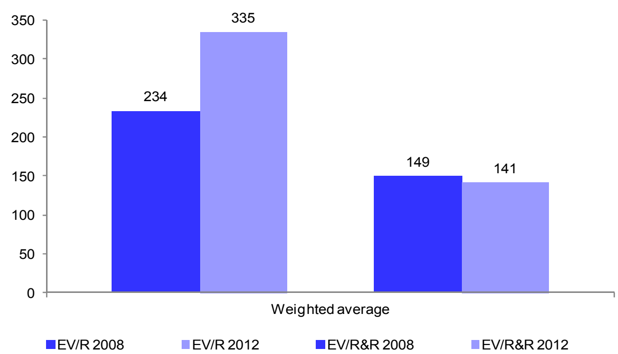
Figure 14: … only partly explained by higher leverage



Source: Deutsche Bank estimates, Company data, Bloomberg Finance LP

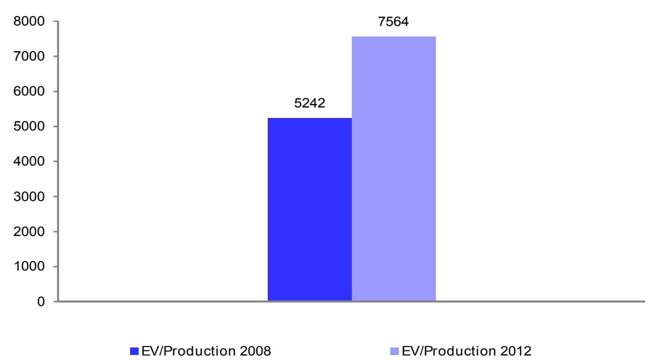
While the gold sector has de-rated on earnings and NAV, asset and production-based multiples have expanded only slightly over the period while gold prices have doubled.

Figure 15: EV/reserves and EV/resources 2008 vs '12, $/oz



Source: Deutsche Bank estimates, company data

Figure 16: EV/production 2008 vs '12, $/oz



Source: Deutsche Bank estimates, company data

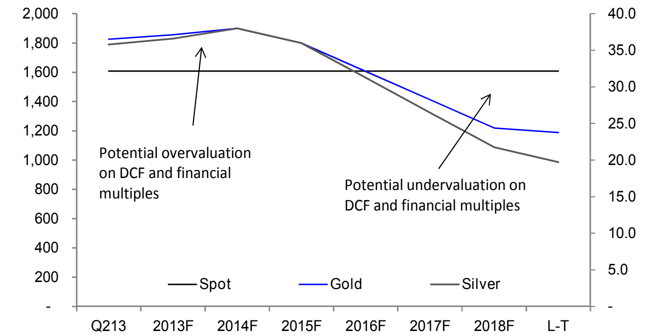
The premium to the discounted cash flows produced through the life of the company's mines is explained by several factors:

1. The market arguably is pricing gold as an **inflation-protected** asset with an upward sloping forward curve, rather than as a commodity gravitating towards its marginal costs in the long term.

2. The view that gold represents a **risk-free asset**, discounted at below US-treasury rates, and operates as a unique hedge to nominal fluctuations, and that as such it should command a premium as an asset class.

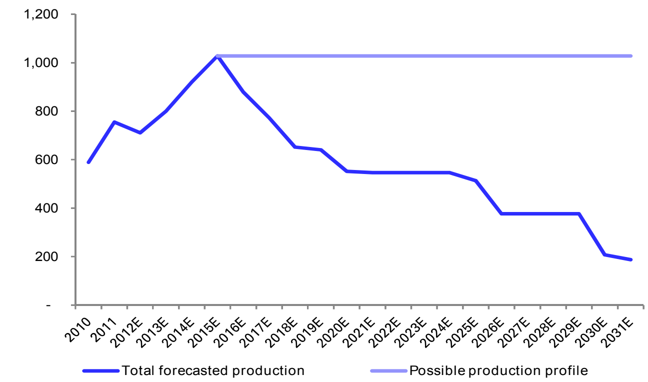
3. Gold miners' periodical premium to NAV may also capture a view that their operations will continue **beyond the current reserve horizon**, of course however at the cost of additional capex, M&A and reserve replacement. Similarly, gold companies may have been awarded a premium for the exploration upside and option value in the reserves and resources that are not included in current mine plans and therefore cash flow forecasts. This should clearly be the case for more pure play exploration companies. This factor would arguably apply more broadly to companies in the mining sector.

Figure 17: Deutsche Bank long-term price forecasts may be conservative...



Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 18: … as may our long-term production forecasts (example from Nordgold on Deutsche Bank forecast)



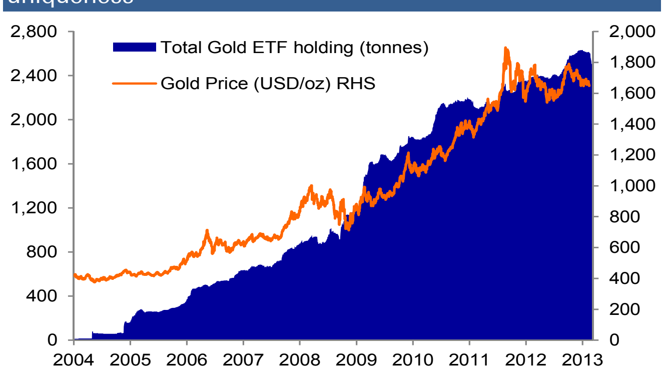
Source: Deutsche Bank, (Going concern is a hypothetical line, not forecast)

4. In contrast to bars and coins, gold companies have the possibility of applying **financial leverage** to enhance returns and industry expertise to trade the cycle. Gold companies can also actively manage the **real option value** embedded in the reserve base and licenses, extending theta (time value) when intrinsic value is low (e.g. low gold prices), volatility is low or funding is expensive (high rho).

We believe all these premises may be increasingly challenged, leading to pressure on gold company valuations.

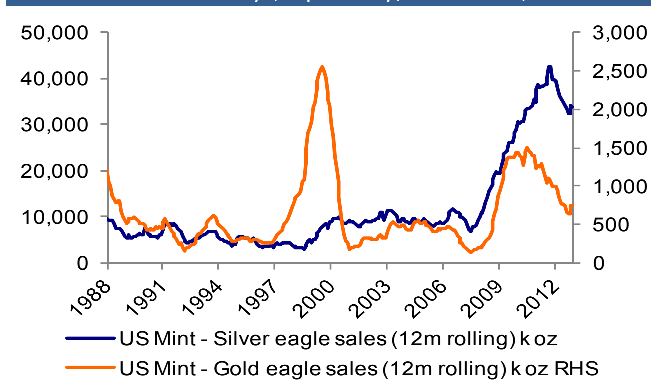
A unique asset class? We believe a key reason for lower gold equity valuations is the growing competition from increasingly liquid and accessible alternative gold investment instruments, notably ETFs. Such instruments strip out the company and equity risks as well as most country and taxation risks from the precious metal exposure. We would argue that the broader development of exchange-traded instruments provides further competition for gold and, indirectly, gold companies in this sense. Deeper liquidity in TIPS and inflation swaps strip out inflation risk (but leave institutional risks), while industrial metal ETFs and, for example, oil investment vehicles provide alternative ways of acquiring real assets and managing inflation and currency risks.

Figure 19: ETF flows – by-passing the ERP and diluting uniqueness



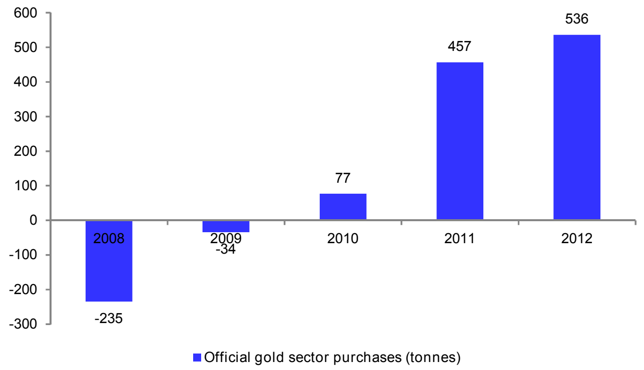
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 20: Gold & Silver eagle sales, US Mint (excluding one more intermediary (depository) institution)



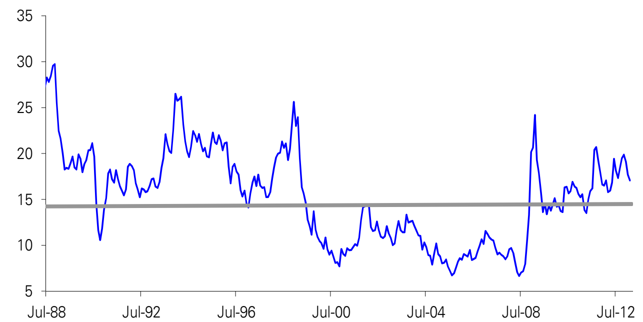
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 21: Central banks are again net buyers of gold, albeit with a shift from developed to emerging markets



Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 22: Different ends of real asset spectrum: Gold:oil price ratio, 1988-2012; expensive gold or cheap oil?

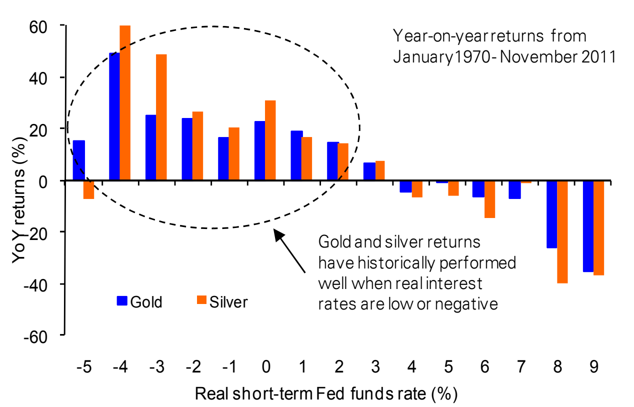


Source: Deutsche Bank estimates, Bloomberg Finance LP

An inflation, currency and systemic hedge? Gold has historically performed well in a low real interest environment, regardless of absolute nominal inflation and interest rate levels. In such conditions, the opportunity cost of holding a non-yielding asset is low, as inflation is reflected in a rising gold price. With low interest and inflation levels, growing nominal value distortions from potential competitive devaluations and currency volatility and greater systemic risks, we believe gold as a scarce precious metal and universal currency will retain its appeal with investors and sovereigns alike.

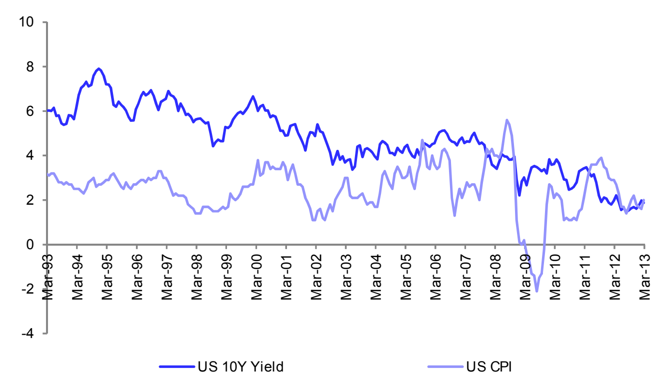
We believe investors may realize that gold companies, as opposed to the underlying commodity, provide an imperfect hedge to both inflation and systemic risks. In the short-run, this may hold for the underlying metal as well.

Figure 23: Returns correlated to real rates



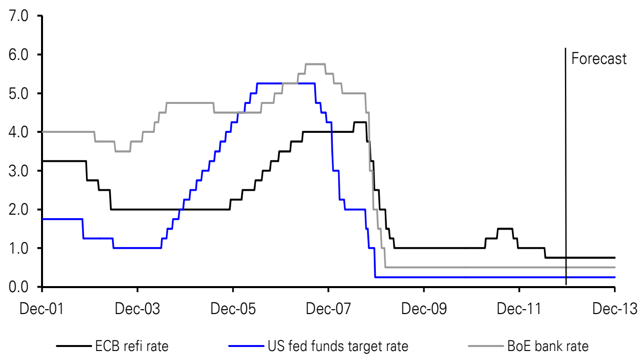
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 24: Real return on money (USD) – close to 0



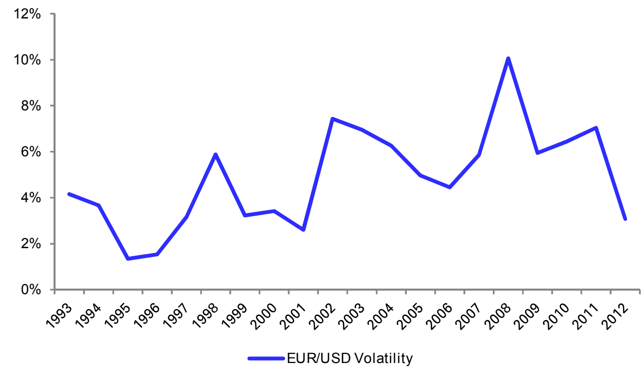
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 25: Global central bank interest rate cycle –Decreased competition for yield in ETFs; if inflation picks up, real rates could go negative



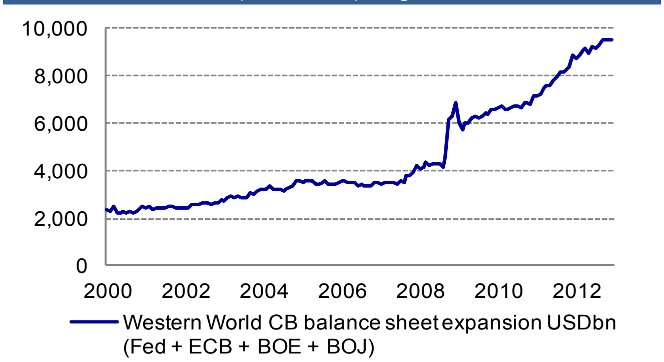
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 26: Rapid expansion of government global balance sheet and monetary bases raise inflation risks and could lead to increased currency volatility



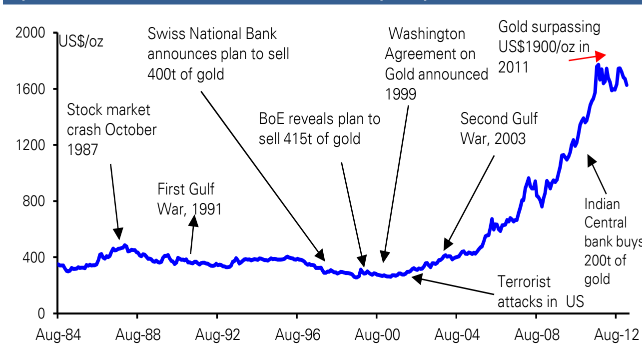
*Source: Deutsche Bank estimates, Bloomberg Finance LP, *D-mark before Euro introduction*

Figure 27: Western World CB B/S* expansion suggests inflation and currency risks may linger



Source: Deutsche Bank estimates, Bloomberg Finance LP

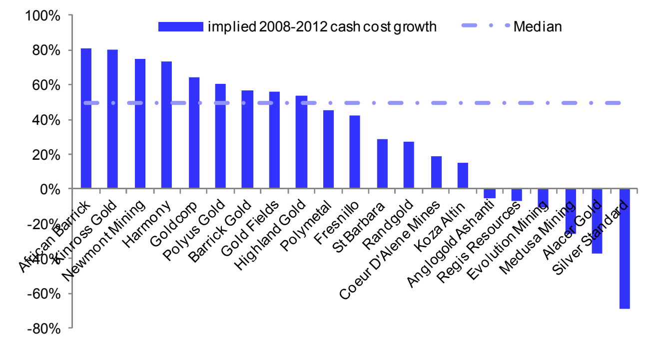
Figure 28: But gold has been an imperfect hedge to systemic risks and/or fiat currency expansion



Source: Deutsche Bank estimates, Bloomberg Finance LP

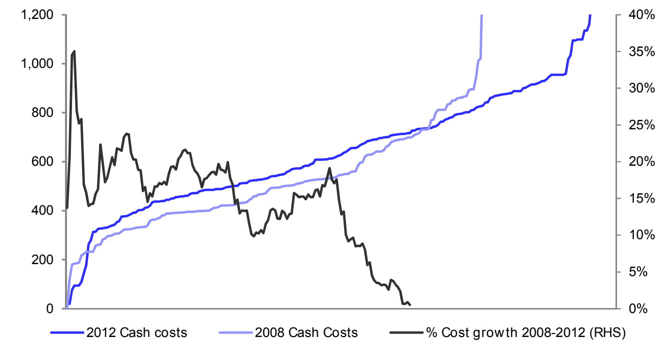
Even if gold, over the long-run, serves as an inflation, currency and systemic hedge, gold equities do not. On Wood Mackenzie estimates, the industry experienced an average of 30% cost inflation in 2008-12, while cumulative global inflation stood at 26% on IBRD data. Individual company cost data suggest even higher rates of cost inflation. Despite the direct channel that higher gold prices exert on the cost base through higher royalty payments, we believe that a higher gold price environment also drives up equipment and parts prices, as well as labor costs, as a qualified workforce gains negotiating power in a tighter and stronger market. In addition, producer currencies have moved with the gold price to further squeeze free cash flows against the dollar-priced commodity and so erode FX hedging efforts. Moreover, while gold and indeed any resource company is constantly subject to various sequestration and taxation risks, these risks are likely to grow exponentially in a period of heightened systemic risks, making gold equity at best a poor hedge for systemic risk. That said, gold company betas remain comfortably below 1.

Figure 29: Implied cash cost growth – inflation hedging undone?



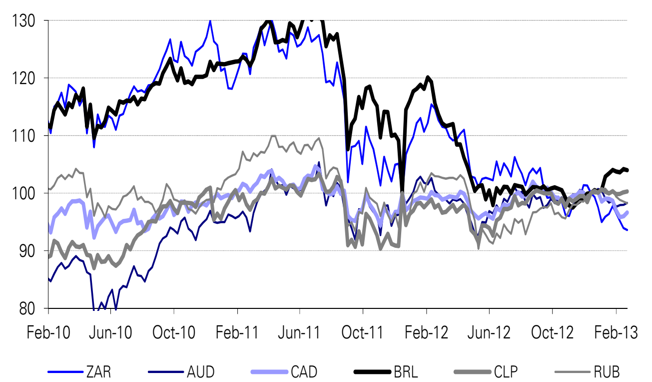
Source: Deutsche Bank estimates. Wood Mackenzie

Figure 30: The global cost curve in 2008 and 2012F; cost shifted, slope maintained and capacity extended



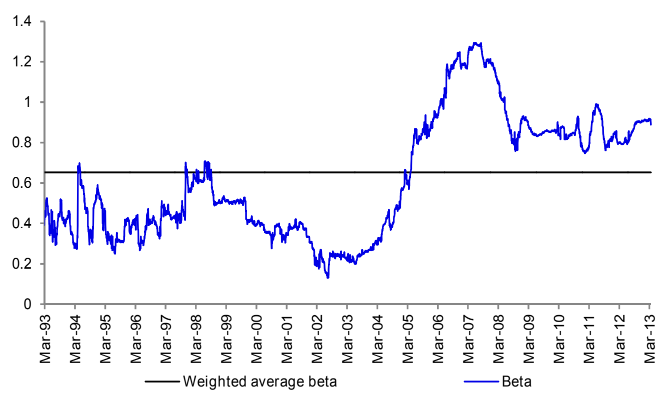
Source: Deutsche Bank estimates, Wood Mackenzie

Figure 31: Producer currency movements over last three years – adding to cost pressure



Source: Deutsche Bank estimates, Bloomberg Finance LP

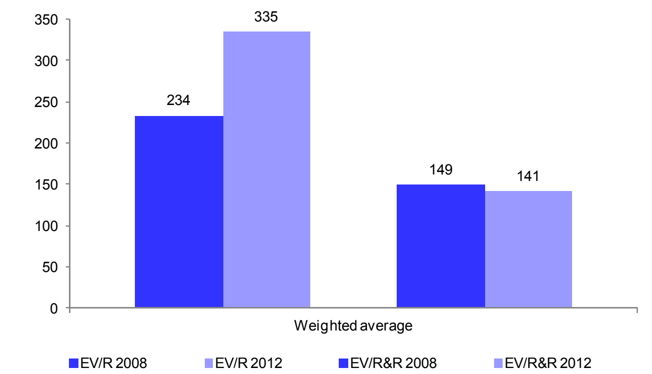
Figure 32: Gold company betas – higher but still below market; underlying vs equity and country risks



Source: Deutsche Bank estimates, Bloomberg Finance LP

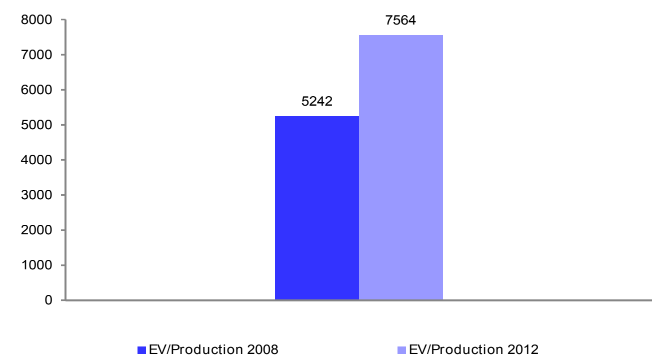
Premium for exploration and non-forecast production/growth? While gold (and other mining) companies tend to outlive their currently bankable production plans, the market seems less keen to pay up for exploration upside and distant potential future growth. Indeed, we believe the market may even pay less for near-term production growth and, after frequent overruns and questionable expansions, is increasingly sceptical of companies' capex programs and M&A plans. The eroding gold premium may therefore reflect waning credibility in announced growth plans, a growing realisation of more intense cost pressure across the industry and a pattern of capex overshoots. We believe the focus may have shifted from growth and exploration upside to capex and opex discipline and cash distribution. Indeed our coverage capex data suggests relatively poor immediate returns on investment while our data on the companies' M&A activities is mixed at best.

Figure 33: EV/reserves and EV/resources 2008 vs '12, $/oz



Source: Deutsche Bank estimates, company data

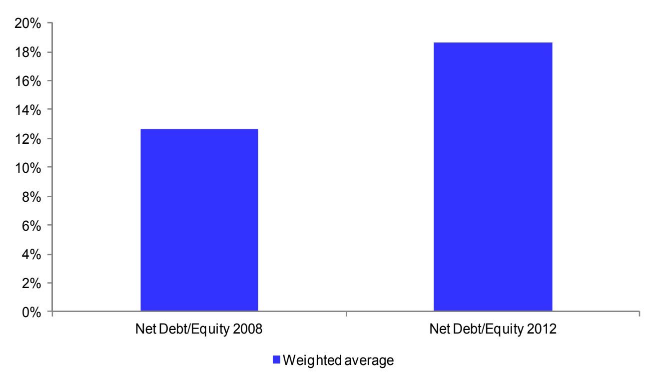
Figure 34: EV/production 2008 vs '12, $/oz



Source: Deutsche Bank estimates, company data

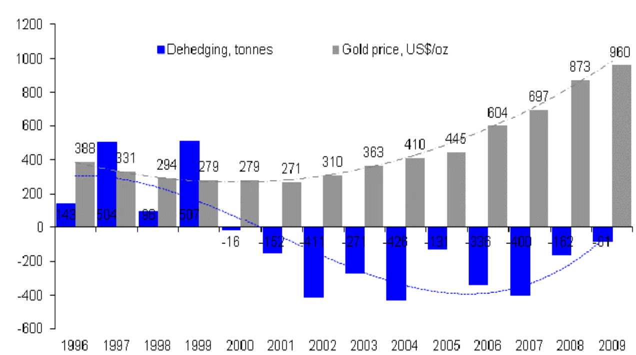
Applying leverage and sector insights to trade the product: Following the financial and credit crisis and in the light of mixed exploration, capex and M&A success in the sector, the market does not seem inclined to award premiums for optimal capital structures but rather to simply support a strong balance sheet that channels excess cash to shareholders rather than to creditors, management or projects and M&A with marginal ROIC. Companies' ability to call the market to access better funding terms through hedging proved challenging and was soon punished by investors that missed out on gold rallies due to misconceived forward sales. This led to companies abandoning or at least reducing hedging policies.

Figure 35: Average leverage 2008 vs '12 (net debt/equity)



Source: Deutsche Bank estimates, company data

Figure 36: Hedging the hedge; and dehedging



Source: Deutsche Bank estimates, Bloomberg Finance LP

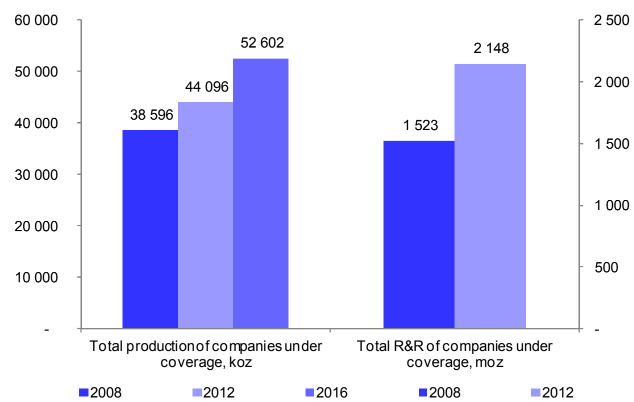
An upward sloping and inflation-driven forward curve? A key reason for the de-rating of gold sector stocks could of course also be that markets disagree with the view that gold prices will continue indefinitely to rise with inflation and on scarcity. Recent monetary expansion and institutional investment could have pushed gold to a peak, which could reverse if investors, in light of a normalizing macroeconomic and financial environment (of which we do not yet see any signs), not only stop investing but even become suppliers and marginal sellers. With such a view, forward earnings multiples could be 20-30% higher than they currently appear.

Bearing in mind these potential changes in the market perception of gold stocks and its valuation of the sector assets, we compare data points across our coverage universe below, with a focus on:

- Production profile; scale, diversification, growth and duration (life of mine)
- Capital and operational cost of production
- Asset duration and quality
- Production and asset risk profile
- Free cash flows and reinvestment vs cash distribution
- Capital structure and financial leverage
- Valuation metrics

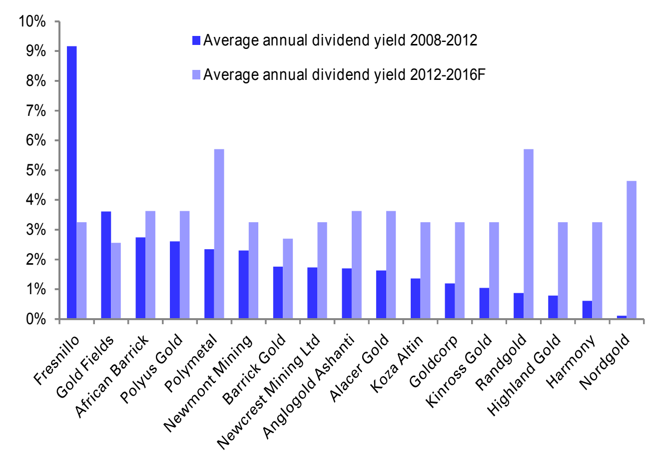
The valuations of gold companies on P/E, EV/EBITDA, cash flow and P/NAV are subject and sensitive to several short- and long-term assumptions. This report serves to assess the performance of the sector overall but also to identify relative value within the industry by producing a series of benchmarking data points that complements other valuation approaches.

Figure 37: 2008, -12 and -16F total coverage production (close to 50% of global mined gold) and total reserves



Source: Deutsche Bank estimates

Figure 38: 2008-12 and 2012-16F average annual dividend yield*. We expect a sector improvement



Source: Deutsche Bank estimates, 2008 and 2012 market caps were used for calculations, if the company didn't exist in 2008, we used the market cap since the company's foundation

We expect past and current investment to increase production and for companies to increase dividend payouts to investors.

Forecast context: Assumptions behind the numbers

The 2008-12 data below are derived from Deutsche Bank estimates, company data and, in some cases, third parties. The 2012-16 forecasts are based on Deutsche Bank estimates (as shown in the tables below).

Figure 39: Past trends and Deutsche Bank forecasts for key value drivers

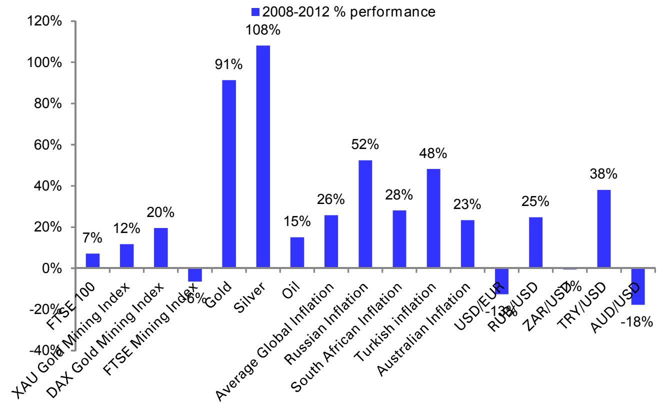
	2008	2009	2010	2011	2012	2013F	2014F	2015F	2016F
FTSE 100	5359	4569	5472	5685	5740				
HUI Gold Mining Index	369	362	471	551	465				
XAU Gold Mining Index	154	147	183	205	173				
DAX Gold Mining Index	400	409	529	587	478				
FTSE Mining Index	20591	15076	22571	23609	19265				
Gold	872	974	1227	1573	1669	1856	1900	1800	1606
Silver	14,97	14,71	20,24	35,32	31,17	36,60	38,00	36,00	31,30
Oil	97,36	61,66	80,30	111,55	112,00	112,50	113,25	110,00	110,00
Average Global Inflation	9,0%	2,9%	3,5%	4,9%	3,30%	3.4%	3.6%	3.5%	3.4%
Russian Inflation	12,6%	11,0%	6,9%	8,5%	5,1%	7,4%	6,1%	5,6%	5,2%
South African Inflation	8,2%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%	4,3%
Turkish inflation	10,4%	6,3%	8,6%	6,5%	9,2%	6,4%	6,5%	6,2%	5,8%
Australian Inflation	4,4%	1,8%	4,7%	5,0%	5,6%	5,0%	4,6%	4,6%	4,6%
USD/EUR	1,47	1,39	1,33	1,37	1,29	1,23	1,20	1,20	1,20
RUB/USD	24,89	31,74	30,38	29,40	31,07	30,46	30,70	30,90	31,42
ZAR/USD	8,26	8,42	7,32	7,26	8,21	8,58	8,47	9,09	9,96
TRY/USD	1,30	1,55	1,51	1,68	1,80	1,83	1,87	1,89	1,93
AUD/USD	1,17	1,26	1,09	0,97	0,97	1,04	1,01	0,97	0,92

Source: Deutsche Bank estimates, Bloomberg Finance LP

Over the past four years, relatively strong producer currencies, high domestic inflation and a strong oil price have prevented the sector from benefitting from a near-doubling of gold prices. Despite this strong top-line support, average EBITDA margins in our coverage universe expanded by only ~5% in 2008-12 while sector indices gained less than 20%.

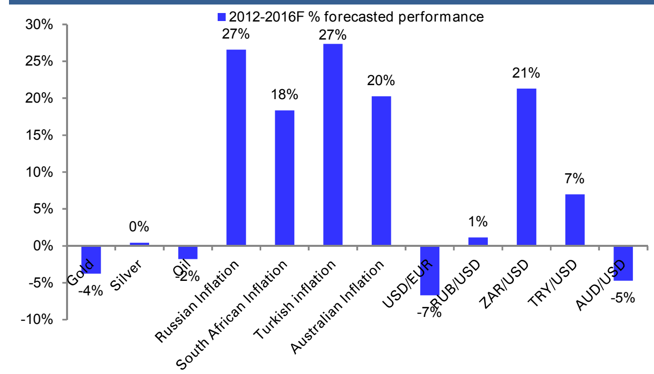
Over the 2012-16F period, we forecast precious metal prices – following a peak for fold at $1,900/oz in 2014F – to remain relatively stable, while inflation cost pressure will remain a factor. We expect the ZAR and TRY to provide some relief to local producers but expect the AUD to strengthen, while stable high oil prices will keep the ruble range-bound.

Figure 40: Looking back…: Value drivers and performance



Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 41: … and forward: Current forecasts, cumulative 2012-16F



Source: Deutsche Bank estimates

In the short term, we expect investment to support demand to push prices higher. As the macroeconomic environment stabilizes, however, we believe the investment component of demand will contract, leaving gold prices at below-peak levels.

Figure 42: Deutsche Bank global gold supply/demand model

		2009	2010	2011	2012e	2013e	2014e	2015e
Mine Production	tonnes	2,575	2,709	2,819	2,835	2,900	3,010	3,050
growth		6.6%	5.2%	4.1%	0.6%	2.3%	3.8%	1.3%
Producer Hedging	tonnes	-257	-108	6	20	50	50	100
Official Sector Sales	tonnes	34	-77	-456	-535	-550	-600	-600
Secondary Supply, Scrap	tonnes	1,695	1,641	1,661	1,650	1,715	1,738	1,735
growth		28.8%	-3.2%	1.2%	-0.7%	3.9%	1.4%	-0.2%
Total Supply	tonnes	4,047	4,165	4,030	3,970	4,115	4,198	4,285
Jewellery	tonnes	1,814	2,017	1,973	1,980	1,912	1,901	1,926
		-21.3%	11.2%	-2.2%	0.4%	-3.4%	-0.6%	1.3%
Industrial, other	tonnes	697	767	786	790	800	810	810
		-2.9%	10.0%	2.5%	0.5%	1.3%	1.3%	0.0%
Total fabrication demand	tonnes	2,511	2,784	2,759	2,770	2,712	2,711	2,736
Total investment demand	tonnes	1,536	1,381	1,271	1,200	1,403	1,487	1,549
growth		156.9%	-10.1%	-8.0%	-5.6%	16.9%	6.0%	4.2%
Total Demand	tonnes	4,047	4,165	4,030	3,970	4,115	4,198	4,285
Gold bullion price	USD/oz	974	1,225	1,576	1,669	1,856	1,900	1,800

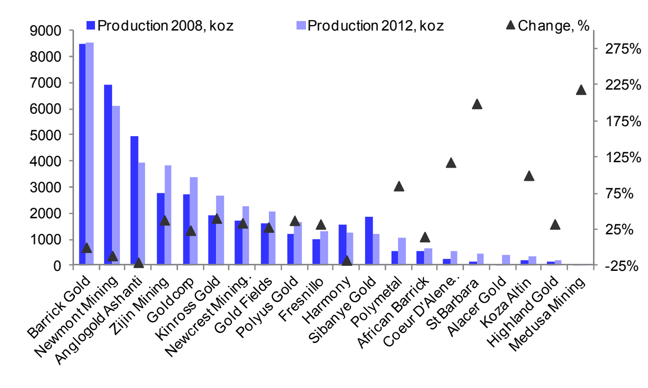
Source: Deutsche Bank estimates, Bloomberg Finance LP., Wood Mackenzie

Operational performance indicators; the gold production alchemy

This section reviews the past and forecast operational performance of our coverage universe. For value creation and ROIC over and above the cost of capital, we look for production growth and margin expansion without excessive capex.

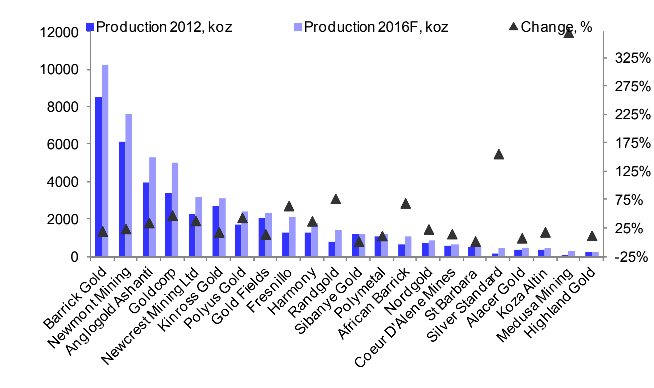
Note that in some cases, in lieu of data, we calculated the implied gold equivalent sales volumes (koz) as revenue divided by our gold price forecast. This could incorrectly classify other sales as precious metal revenues. Similarly, we have also partly relied on implied cash costs, calculated as revenue less EBITDA over implied sold volumes. This may be a more comparable measure, as gold companies apply different methodologies to calculate their cash costs (a non-IFRS measure), but it entails the same problem of contaminating gold equivalent production and sales costs with the costs of sales of other sources. We also recognize that we have not fully distinguished between organic and non-organic growth. Similarly we have struggled to properly categorize expansionary, maintenance and exploration capex but in this context argue that total cash out is the key metric to track.

Figure 43: 2008 and 2012 production as reported



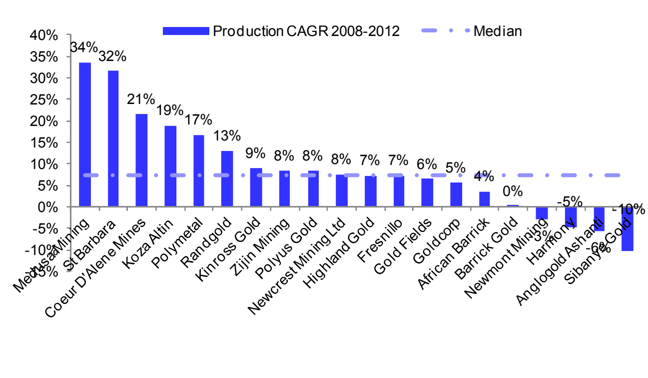
Source: Deutsche Bank, company data

Figure 44: 2012-16F implied production



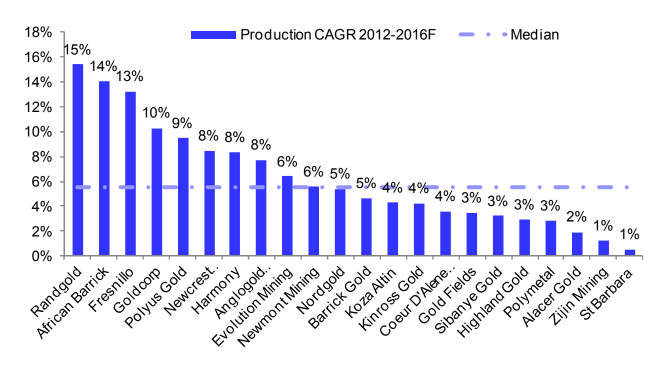
Source: Deutsche Bank estimates

Figure 45: Historical 2008-12 production CAGR %



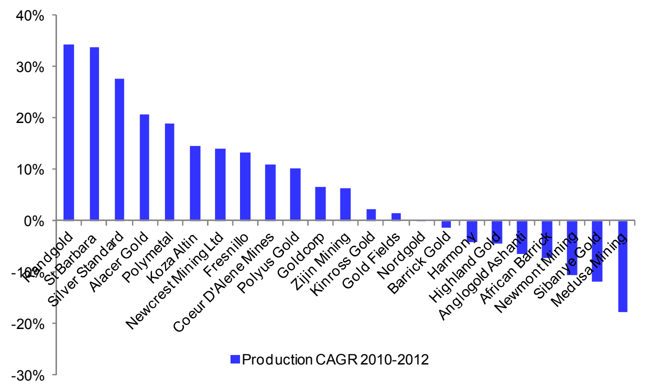
Source: Deutsche Bank, company data

Figure 46: Forecast 2012-16 production CAGR %



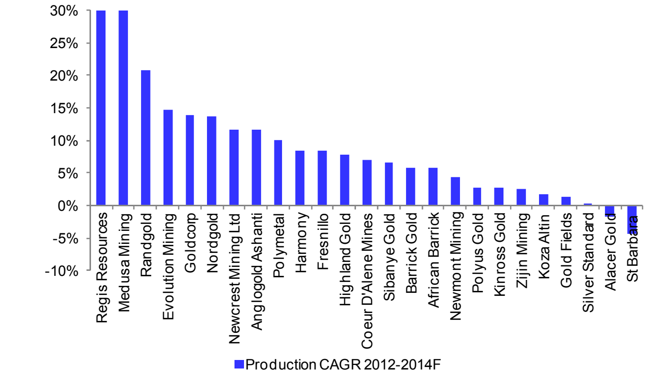
Source: Deutsche Bank estimates

Figure 47: 2010-12 production CAGR



Source: Deutsche Bank, company data

Figure 48: 2012-14F production CAGR



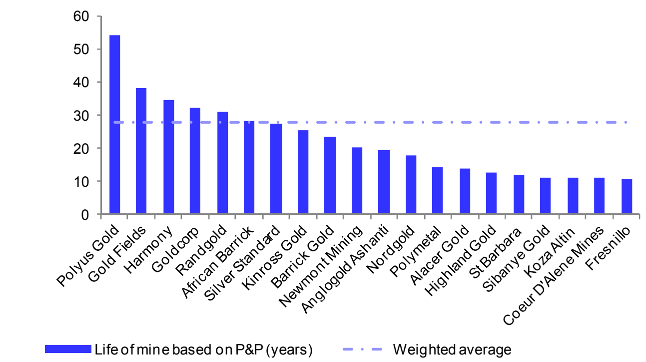
Source: Deutsche Bank estimates

While Polymetal, for example, demonstrated strong growth over 2010-12 and will continue to expand production in 2012-14, we currently forecast growth to slow after 2014, with reserve depletion leading to a decline starting in 2015-16F. These forecasts do not include potential expansion plans from recently acquired assets. Meanwhile, Randgold's growth potential extends through the 2012-16F period. For Randgold, this growth is combined with improving margins from moving towards processing higher grades, while capex should moderate as the company moves towards a more mature phase of its investment cycle. Growing free cash flows underpins our valuation for Randgold.

In our research and notably due the heterogeneous nature of the asset base, there are limited direct benefits to scale. SG&A can be rationalized somewhat, organizational learning may find more applications and enhance option value, and work with suppliers, consultants and other third parties can be optimized; however, a key benefit, in our view, lies in the risk diversification typically implied by scale, and the reduction of single mine execution, inflation, geological and political risks. On a project-by-project basis over the life of an asset, we recognize significant scale economies as capex and fixed costs are spread over more units and time.

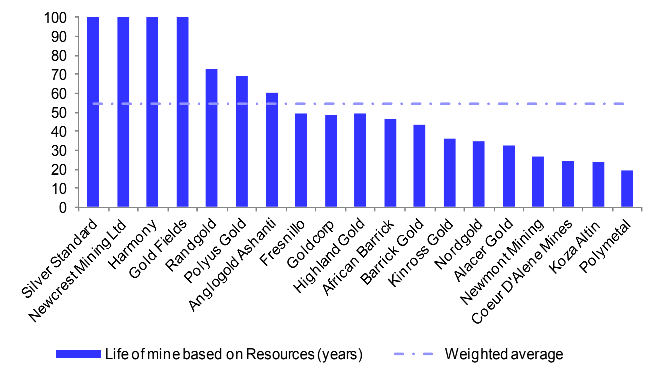
Earnings multiples valuation does not always capture long-term growth or duration of assets well, in our view. Especially with mining companies, short-term growth can compress next-year multiples, while medium-term reserve depletion can expand longer-term multiples. Meanwhile, capital-intensive projects with long lead times will consume current cash flows while production may lag 2-4 years. High grading can contain near-term costs and expand margins, while gradual but inevitable grade dilution would lift longer-term costs and multiples. Next-year multiples say little about the life of operations and duration of cash flows, which is particularly important in an industry with, still, relatively low beta and cost of capital. Ideally, this should be compared on an individual project basis. For instance, Polyus' phase 1 Natalka project may generate above 50% EBITDA cash flows for up to 60 years, but only starting in 2015F (based on our estimates), while Highland's MNV currently produces 68% of the company's consolidated volume but may be depleted by 2016.

Figure 49: Life of mine of reserves (P&P) on current production



Source: Deutsche Bank, company data

Figure 50: Life of mine of resources (M&I) on current production

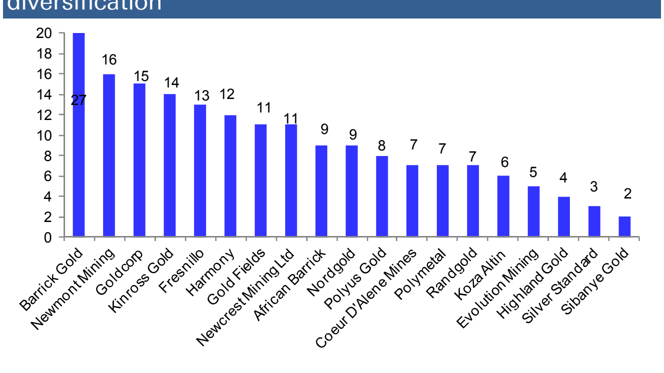


Source: Deutsche Bank, company data

To provide a measure of risk to our production forecasts and future cash flows, we have applied country risk ratings of Euromoney in proportion to production weights for each company in its country of operation. We also consider the number of current projects as a measure of the diversification of cash flows. According to the law of large numbers, a poorly performing mine should on average be offset by an outperforming one. We also consider the maturity of projects. More mature operating assets would in our view be less risky. Meanwhile, a project portfolio skewed towards greenfield projects may hold more growth prospects and potentially longer asset life. Other things equal[1], we view underground mining as more complex and risky than open-pit mining work. Similarly, we view the processing of refractory ore as more risky than the enrichment of non-refractory ore. Neither of these categories is black or white, with geographies sometimes trumping political or political risks, a deeper super-pit replacing an underground operation and various degrees of refractory ore complexity. With an assumption that gold cash flows may still command a premium in the market (as arguably suggested by a lower average beta for gold companies), we also, in this context, view a higher percentage of gold cash flows as positive. Clearly, different kinds of risks may balance each other. While country risk may be lower for Evolution Mining, the production profile may be more uncertain. We view performance vs management guidance as a test of a company's communication and management execution skills.

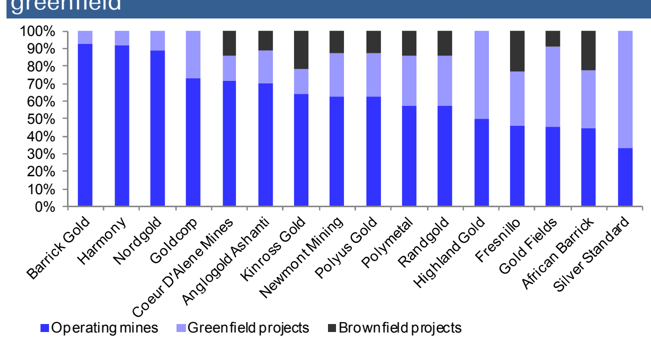
To provide a measure of risk to our production forecasts and future cash flows

Figure 51: Number of projects* – a measure of diversification



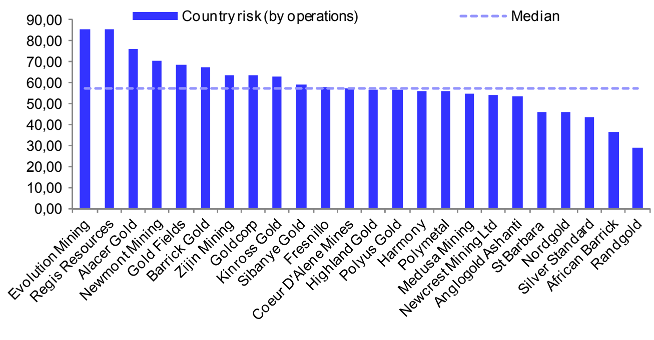
*Source: Deutsche Bank estimates, *advanced development projects, as determined by our forecast, are included*

Figure 52: Projects by maturity – operating, brownfield, greenfield



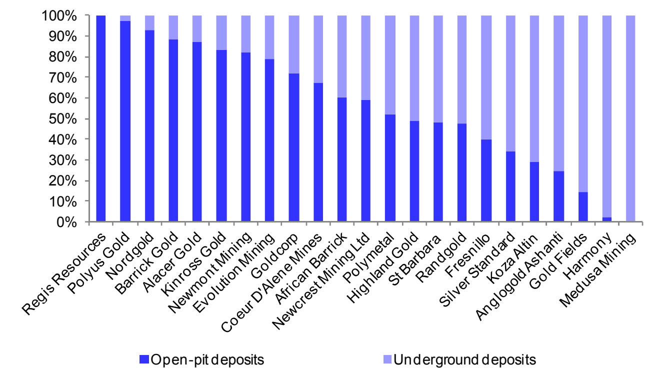
Source: Deutsche Bank estimates, Company data

Figure 53: Country risk* (100 = least risky)



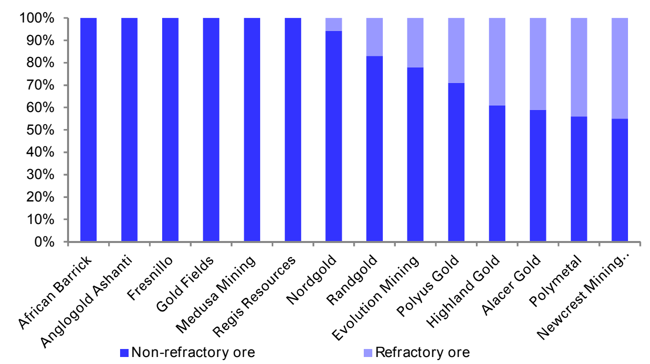
Source: Deutsche Bank estimates, EuroMoney risk weightings, average company risk weighed by production

Figure 54: Open pit vs Underground (as % of M&I)



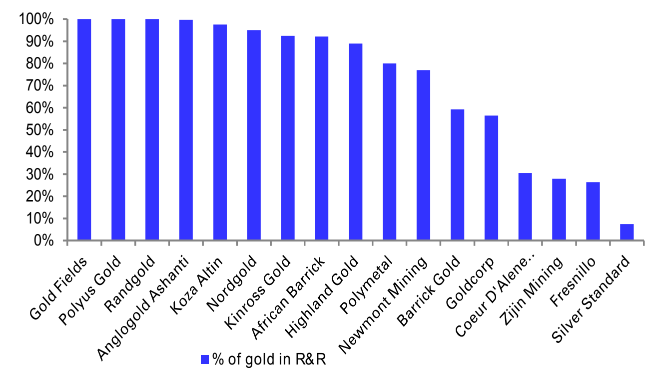
Source: Deutsche Bank estimates, company data

Figure 55: Refractory vs non-refractory (as % of M&I)*



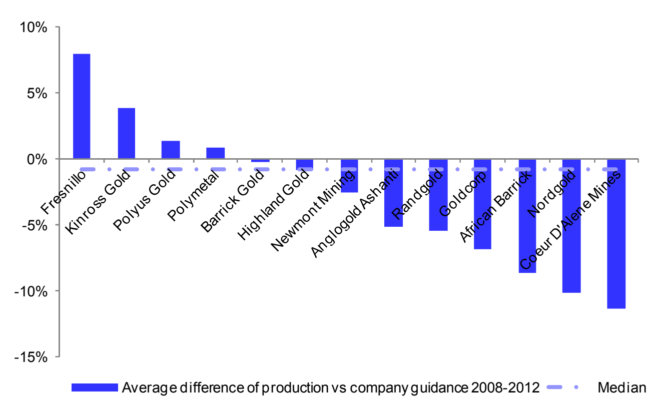
Source: Deutsche Bank estimates, company data, Wood Mackenzie, * estimates on refractory vs non-refractory ore resources are not readily available and based on discretionary assumptions with moderate precision

Figure 56: Percentage of gold in M&I



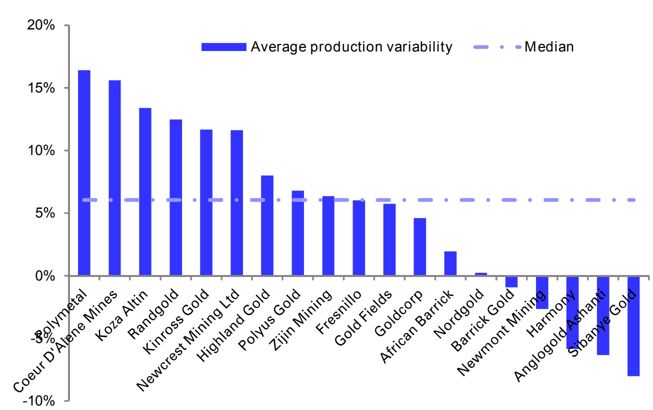
Source: Deutsche Bank estimates, company data

Figure 57: Production vs company 1YF guidance*



Source: Deutsche Bank estimates, Company data, *We have, were available, used beginning-of-year guidance. Where this has not been available, we have used longer-term guidance for forward periods, typically with bigger discrepancies to actual performance

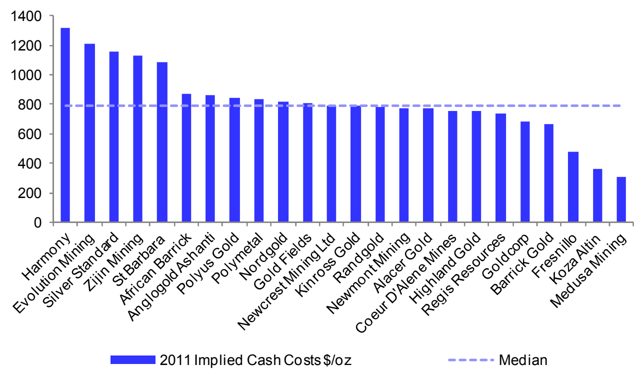
Figure 58: Production variability 2008-12, avg % YoY



Source: Deutsche Bank estimates, company data

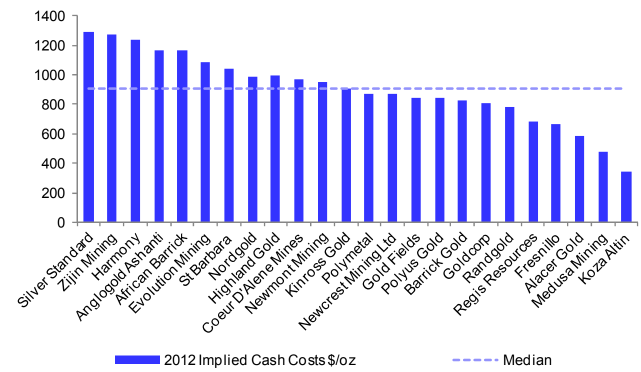
The value of risked growth will also depend on the cash margin delta that the expansion implies. Besides exogenous cost drives like labor inflation, diesel prices, royalty (driven by gold prices) and equipment costs (captured in PPI), cash costs will be sensitive to company-specific factors typically driven by the quality of the asset base in terms of grade, ore complexity (refractory or free-milling and recovery), ore body accessibility (open-pit and strip-ratios vs underground operations), depth, shape and distribution as well as seasonal, infrastructure and logistical requirements.

Figure 59: 1H12 cash costs (reported)



Source: Deutsche Bank, company data

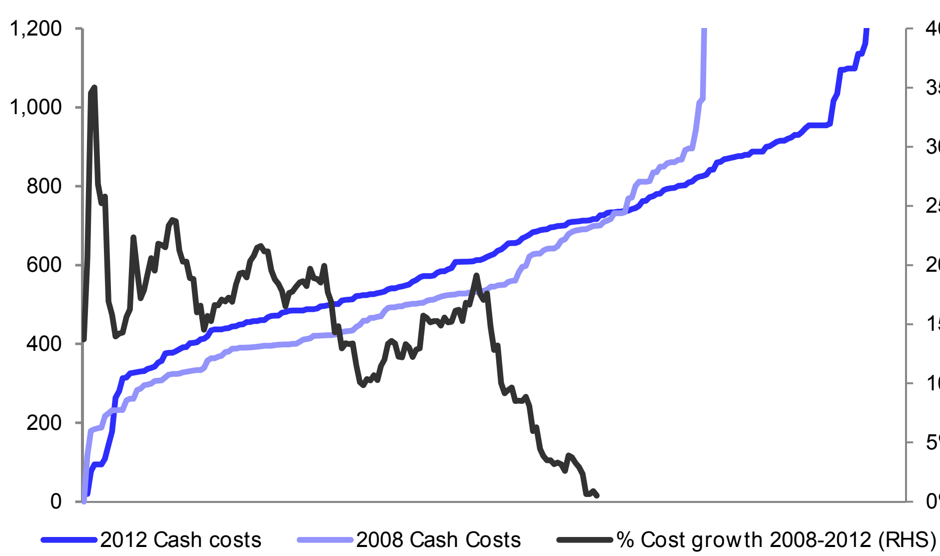
Figure 60: 2012F EBITDA-based cash costs



Source: Deutsche Bank, company data

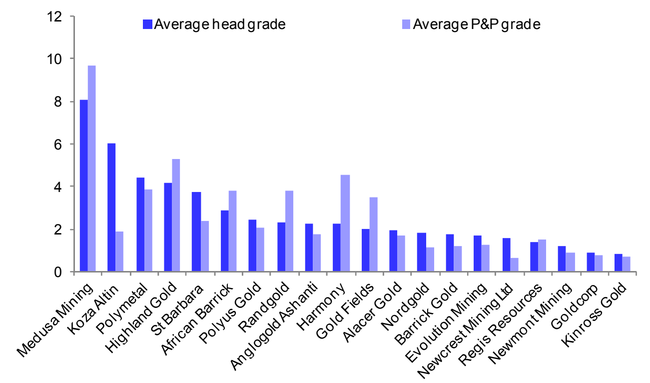
High head grades and conventional mining have held back unit costs and supported strong margins for Koza Altin (76.2% EBITDA in FY12). Relatively efficient working capital management and high cash conversion have in turn supported free cash flows and underpinned a strong balance sheet (~$920m net cash at FY12). That said, and as demonstrated below, Koza's average reserve grade of 1.88g/t is much lower than its 6.06g/t 2012 head grade, pointing to the risk of rising unit cost pressure.

Figure 61: A higher but wider global cost curve as inflation and depletion push costs higher, while exploration for increasingly scarce ounces adds marginal cost potential capacity



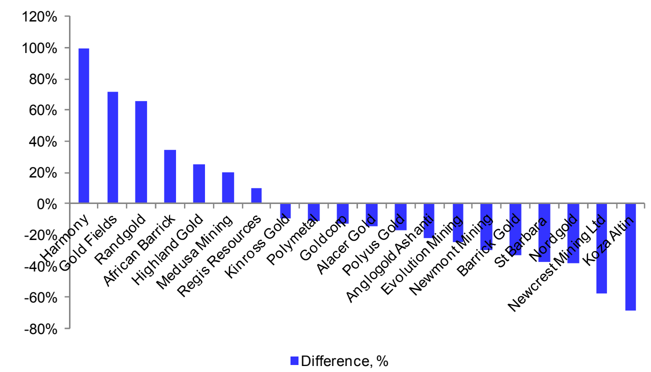
Source: Deutsche Bank estimates, Wood Mackenzie

Figure 62: Average head grade vs average reserve grade – a key indicator of potential opex trend



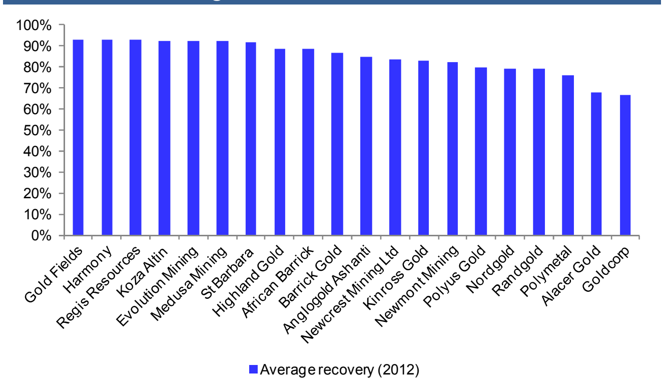
Source: Deutsche Bank estimates, company data, Wood Mackenzie

Figure 63: Difference in % between average reserve grade and average head grade* – a key cost trend indicator



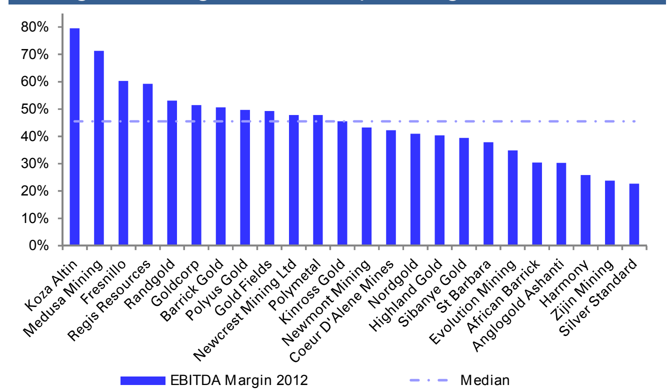
Source: Deutsche Bank, *If the difference is negative, there is a chance that the company will experience higher cash costs in the future, as the average reserve grade is lower than the grade of ore being processed

Figure 64: Average estimated recovery – an important driver of unit cost growth and reserve value



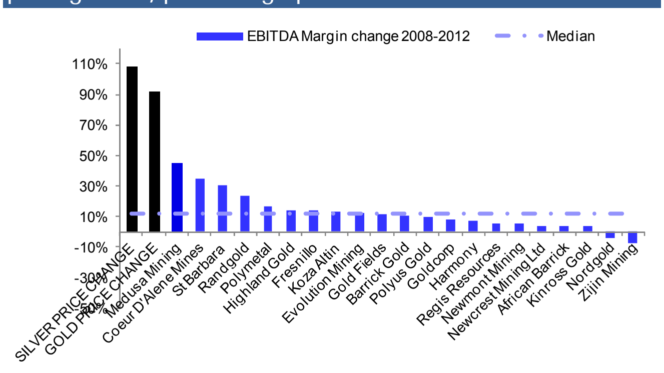
Source: Deutsche Bank estimates, company data, Wood Mckenzie

Figure 65: Current EBITDA margins – partly a function of mining method, grade, recovery and logistics



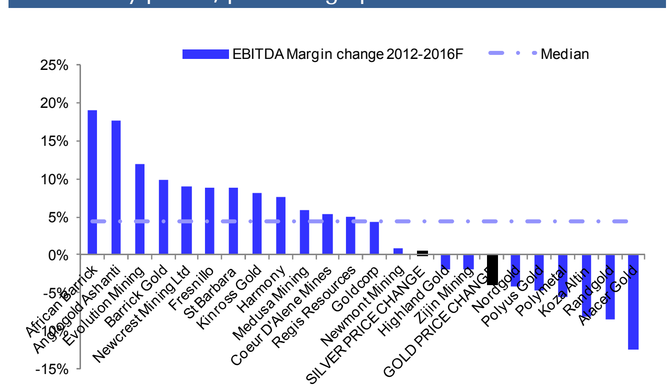
Source: Deutsche Bank estimates, company data

Figure 66: 2008-12 EBITDA margin change vs commodity price growth, percentage points



Source: Deutsche Bank, Bloomberg Finance LP

Figure 67: 2012-16F forecast EBITDA margin change vs commodity prices, percentage points



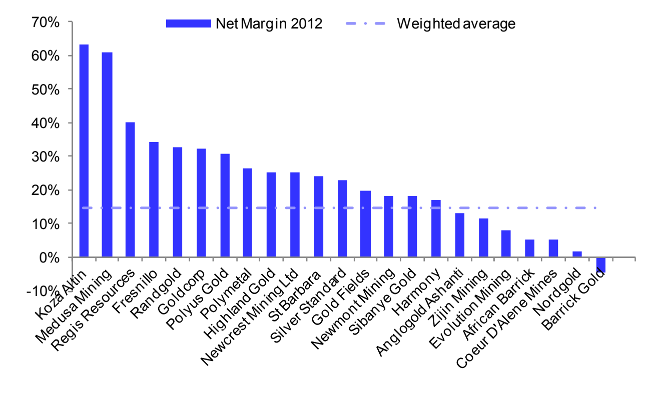
Source: Deutsche Bank estimates

In general, the gold companies have offered relatively poor leverage to the gold price, with margins failing to capture the upside due to rising industry costs and stronger producer currencies.

Comparing from top to bottom

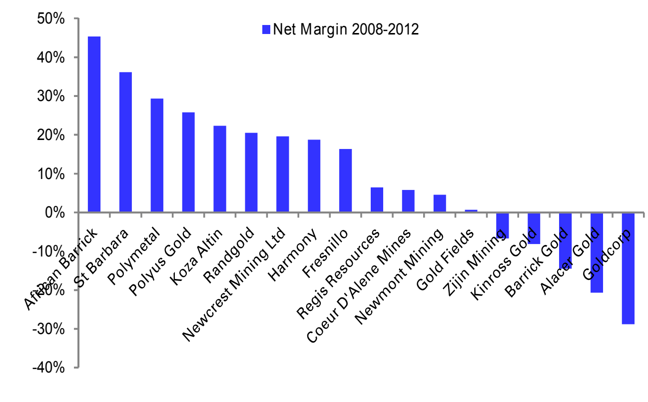
Past capital expenditure, the degree of debt leverage to fund such investment and the government grab will determine the net margin and income left for equity owners. The reinvestment requirement to support the company's future production plans as well as its capacity to generate future profits will determine the company's ability to share dividends with its owners. We return to this below.

Figure 68: Current net margins, %



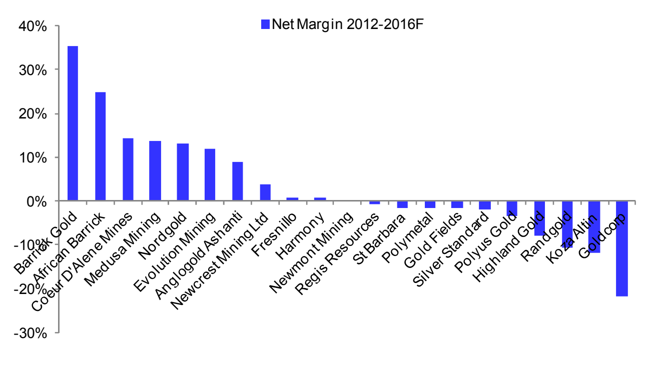
Source: Deutsche Bank, company data

Figure 69: Net margin (unadjusted) change 2008-12E, pp



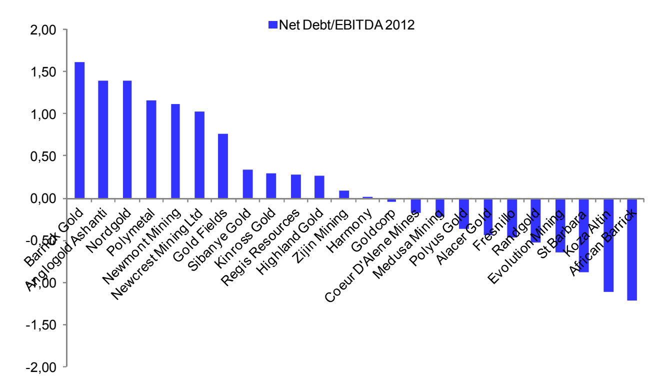
Source: Deutsche Bank, company data, these net income dynamic estimates are not adjusted for one-offs and impairments, in percentage points

Figure 70: Net margin change 2012-16F, pp



Source: Deutsche Bank estimates, company data

Figure 71: The role of leverage: 2012 net debt/EBITDA



Source: Deutsche Bank, company data

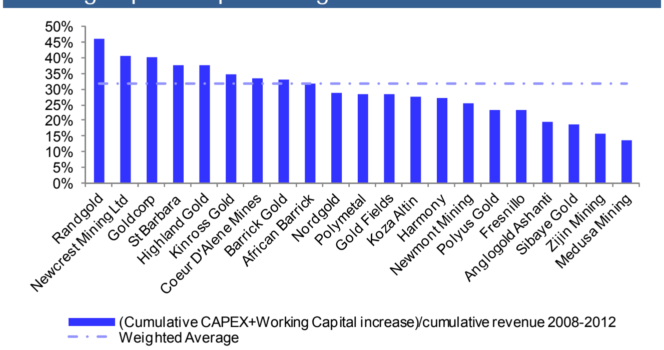
The degree of company leverage partly reflects the maturity and diversification of the business, with bigger producers more heavily indebted. Barrick has a high debt load and may choose to sell non-core assets, which on our estimates could raise $3-4bn, part of which could be diverted to dividends.

The cost of growth: value creation or destruction of capex

In this section we look at the cost of growth or, in some cases, of maintaining current production, in terms of capex, working capital investment and, sometimes, margin dilution. This section contrasts measures of returns to capex and investment in working capital with the distribution of cash to investors in the following section. Capital intensity varies from project to project, with the cross-sections below only giving aggregate and average levels. We believe that this data is indicative, in conjunction with the reserve life data, of the duration of cash flows. In the following tables, we focus on the cash flows on a per-ounce basis. If capex and incremental working capital have not contributed to the growth of production over the relevant history or future forecasting horizon, which we in general deem sufficient for a typical investment cycle, we test if cash has been spent on expanding the reserve base and extending the life of operations. If neither holds, we posit that cash has been invested to maintain current production levels, or despite declining production, or in unsuccessful exploration efforts. We recognize that investment may expand production beyond our horizon periods.

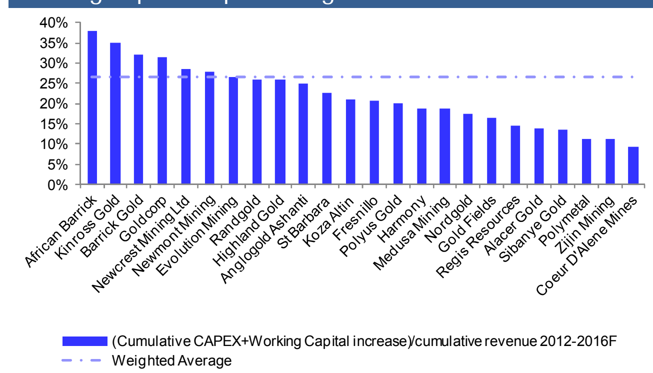
In the charts below we compare capex and incremental working capital invested as a percentage of revenues over 2008-12 as well as our forecast cash investment over the period. Exploration-driven and immature companies obviously spend a higher share.

Figure 72: 2008-12 cumulative capex and incremental working capital as percentage of cumulative revenue



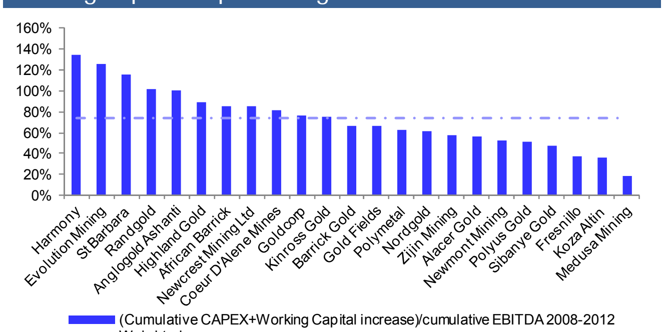
Source: Deutsche Bank estimates, Company data

Figure 73: 2012-16F cumulative capex and incremental working capital as percentage of cumulative revenue



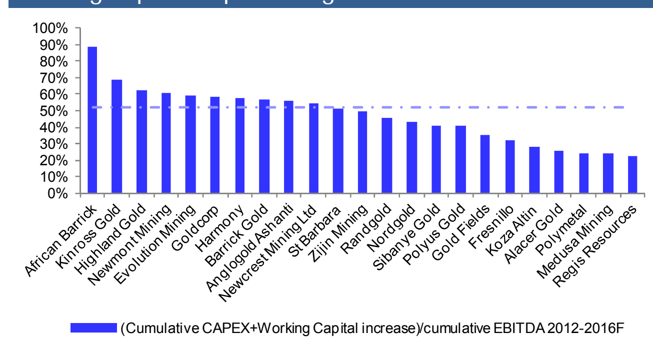
Source: Deutsche Bank estimates

Figure 74: 2008-12 cumulative capex and incremental working capital as percentage of cumulative EBITDA



Source: Deutsche Bank estimates, Company data

Figure 75: 2012-16F cumulative capex and incremental working capital as percentage of cumulative EBITDA

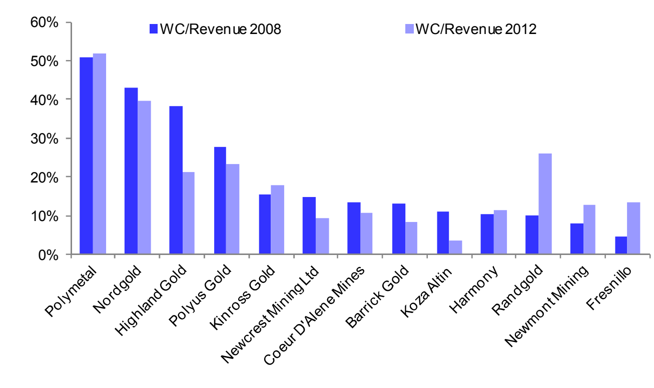


Source: Deutsche Bank estimates

As companies mature and the investment cycle turns, they can harvest investments by reducing capex and growing free cash flows, resulting in expanding dividend yield potential. After intense 2008-12 investing, Polymetal may reduce capex as a percentage of revenue and increase dividend payments, as signaled by its new dividend policy (30% of net income with an annual 4Q review of headroom for a potential extraordinary dividend). We run the same analysis on cumulative EBITDA as a free cash flow proxy (not adjusted for taxes or interest expenses).

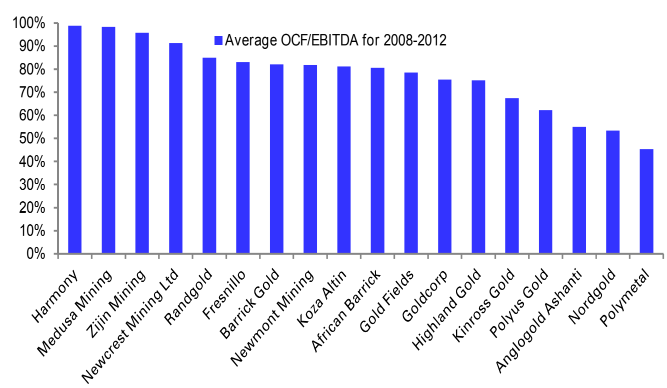
Given the meaningful investment in working capital that mining companies often incur in the ramp-up of projects as ore is stockpiled before processing and concentrates are sometimes stored before metallurgy or in transit, we compare below the relative levels of working capital and consider trends over time to discern to what extent this cash is returned to OCF through an investment cycle.

Figure 76: 2008 vs 2012 WC/revenue



Source: Deutsche Bank estimates, Company data

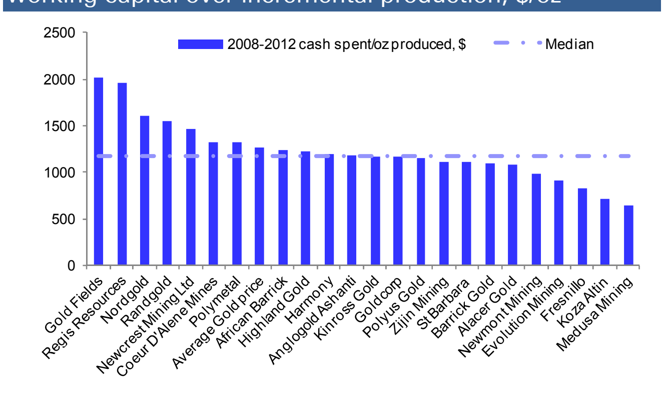
Figure 77: 2008-12 EBITDA cash conversion*



Source: Deutsche Bank estimates, defined as operating cash flows after working capital delta and tax payments as a % of EBITDA

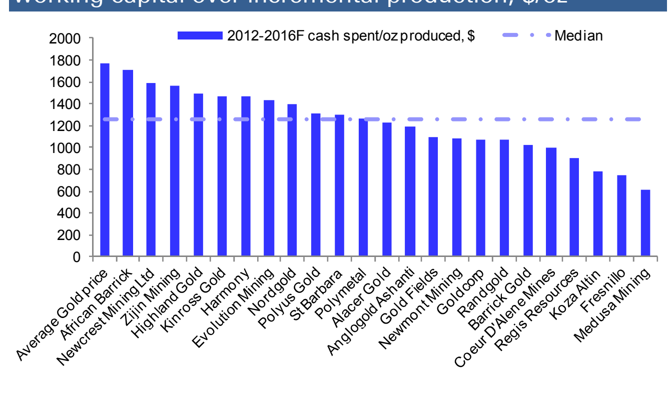
Ultimately, capex and working capital investments are undertaken to boost profitable production, whether these are to replace legacy assets that are in decline or to boost current output levels. For investors looking at production and earnings multiples across the sector, we consider below the investment made per ounce of resulting incremental production, reflecting the investment needed to support the base period's production as well as to grow output.

Figure 78: 2008-12 cumulative capex and incremental working capital over incremental production, $/oz*



Source: Deutsche Bank, *negative values imply a decline in production over the period, while lower spending per ounce is a preferred position

Figure 79: 2012-16F cumulative capex and incremental working capital over incremental production, $/oz*

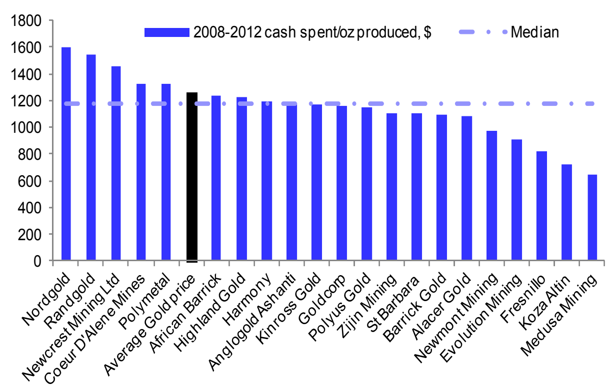


Source: Deutsche Bank, *negative values imply a decline in production over the period, while lower spending per ounce is a preferred position

By adding cash opex (here defined as revenue-EBITDA/total production), we derive a measure of pre-tax and interest (government and creditor draw) cash spent per ounce over the period and the free cash generated to company stakeholders. This all-in cash spend estimate clearly ignores the long-term production potential of capital invested in previous periods (e.g., Polyus Natalka, which may produce for more than 60 years) as well as the life extension of successful exploration capex; but it also identifies some high cash spend levels in an industry where the delineation between expansion and maintenance capex sometimes becomes blurred, as expansion capex is necessary to support current output levels as mature operations are gradually depleted. The data suggests that average all-in cash investment (capex, cash opex and incremental working capital pre-tax and interest) per total ounce produced over the period left only a thin 7% average cash margin to gold prices, admittedly with potential for further future returns.

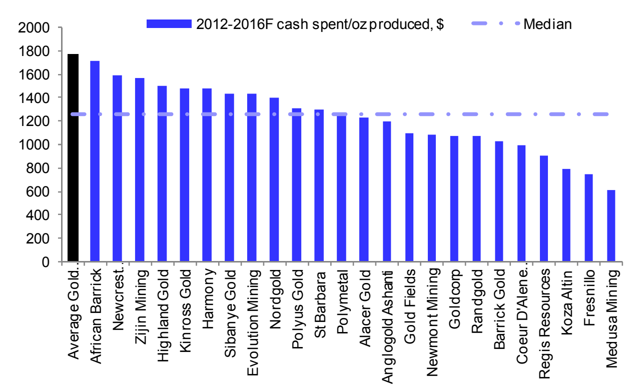
That said, a per-ounce depreciation charge, as included in COGS, is a more appropriate matching of costs and production/sales and for a longer-term measure of profitability in the sector. This is of course particularly the case for more exploration-driven companies.

Figure 80: Total 2008-12 cash spent* per ounce produced



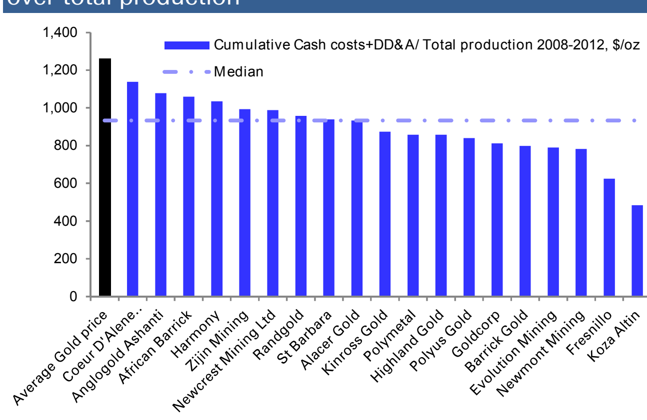
Source: Deutsche Bank, company data, *This measure includes total cumulative cash costs (as revenue – EBITDA), capex and incremental working capital

Figure 81: Total 2012-16F cash spent per ounce produced



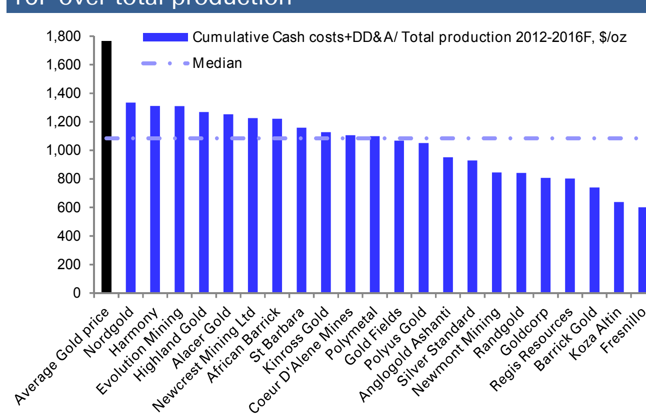
Source: Deutsche Bank, company data

Figure 82: Total cash costs and depreciation over 2008-12 over total production



Source: Deutsche Bank estimates

Figure 83: Total cash costs and depreciation over 2012-16F over total production



Source: Deutsche Bank

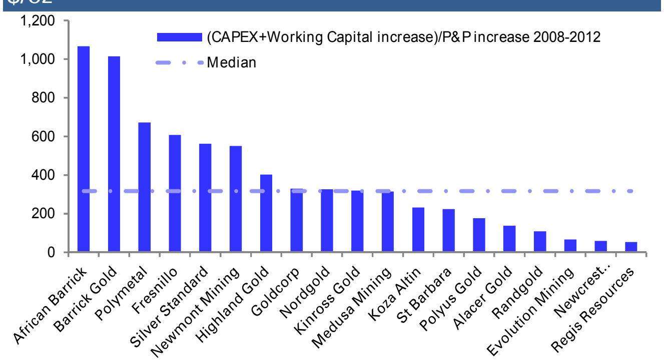
We find that average all-in cash investment (capex, cash opex and incremental working capital pre-tax and interest) per total ounce produced of $1,176/oz over the period left only a thin 7% average cash margin to gold prices, admittedly with potential for further future returns.

We forecast average all-in cash investment (capex, cash opex and incremental working capital pre-tax and interest) per total ounce produced to decline to $1,260/oz to provide for an average 29% cash margin over the forecast period and more ex-capex and further working capital accumulation outside the forecast horizon.

Where cash investments did not produce production growth or halt declining production, capex may have expanded the company's reserve or resource base. The graphs below consider total investments over the incremental net increase (not adjusted for production) in reserves and resources over the period and the cash cost of each incremental ounce.

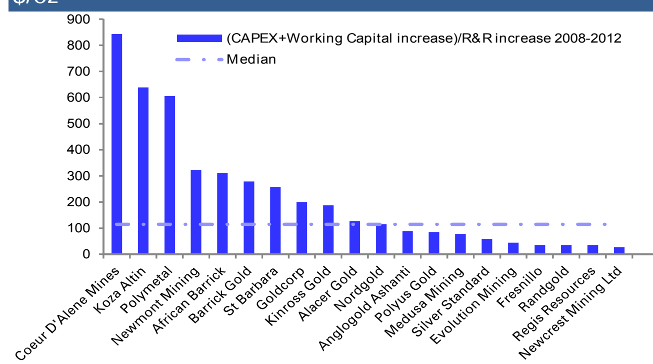
A lower total spend per incremental net ounce of reserves and resources indicates better resource conversion and exploration success. A negative reading would suggest resources have decreased despite capital expenditures. Clearly, due to the fact that we do not distinguish maintenance, expansion and exploration capex, invested funds may have gone in to production capacity or equipment, while a company faced inevitable depletion.

Figure 84: 2008-12 cumulative capex and incremental working capital over incremental net reserve growth, $/oz*



Source: Deutsche Bank,*negative values imply a decline in resources over the period, while lower spending per ounce is a preferred position

Figure 85: 2008-12 cumulative capex and incremental working capital over incremental net reserve growth, $/oz*



Source: Deutsche Bank,*negative values imply a decline in reserves over the period, while lower spending per ounce is a preferred position

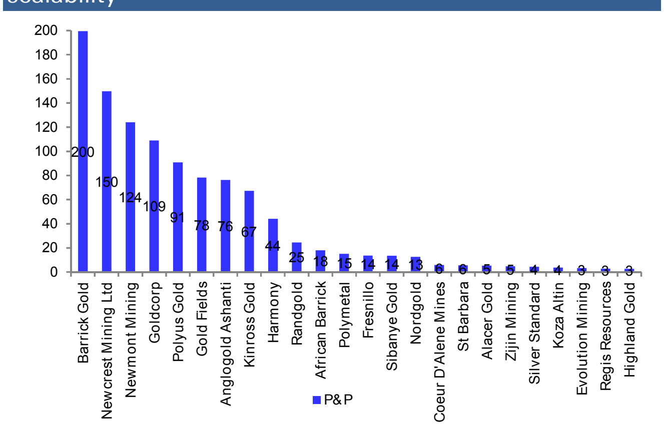
The ultimate source of value: The reserve base; all things are not equal

Based on our view that the reserve base is the ultimate source of value for gold companies, while recognizing that reserves should never be compared on an apples-for-apples basis, we consider aspects of the volume and quality of the companies' reserves and resources. This analysis is based on companies' JORC[2] resource data, with minor adjustments for non-JORC local resource standards.

A company's reserve base will, to a great extent, determine its production potential, the risk profile and capital intensity of that production, as well as the cost base and trends in operating expenses. Cash costs are sensitive to the quality of the ore body in terms of grade, by-products, ore complexity (refractory or free-milling and recovery), ore body accessibility (open-pit and strip-ratios vs underground operations), depth, shape and distribution, as well as seasonal, infrastructure and logistical requirements. The size of the reserve base will determine the life of the assets and the duration of cash flows over which to split capital costs. In the comparable datasets below, we focus on:

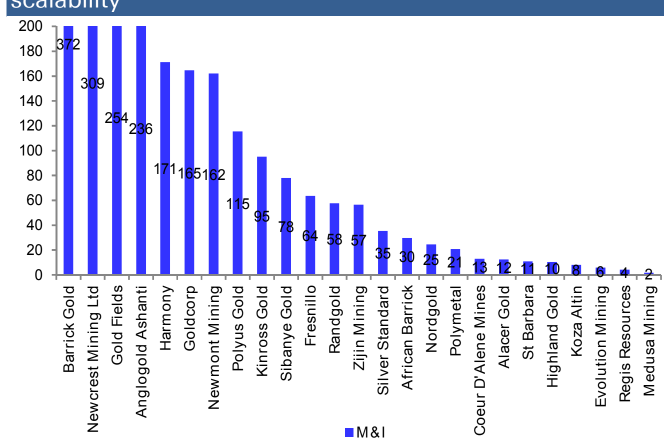
- Resource scale
- Reserves as a share of total resources
- Average grade
- Refractory vs non-refractory ore
- Active vs passive reserves
- Open-pittable ore
- Remoteness (in terms of time and infrastructure)

Figure 86: Reserves (P&P) by company – a measure of scalability



Source: Deutsche Bank estimates, company data

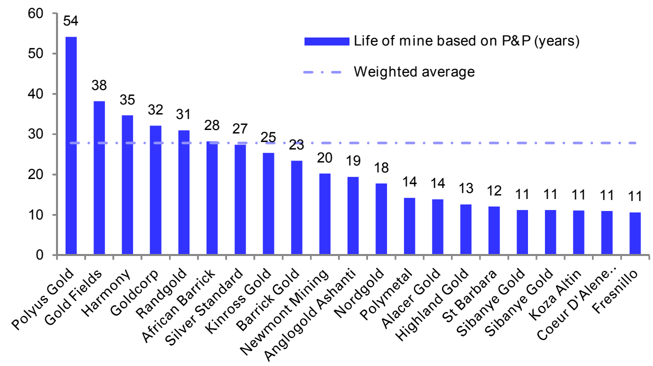
Figure 87: Resources (M&I) by company – a measure of scalability



Source: Deutsche Bank estimates, company data

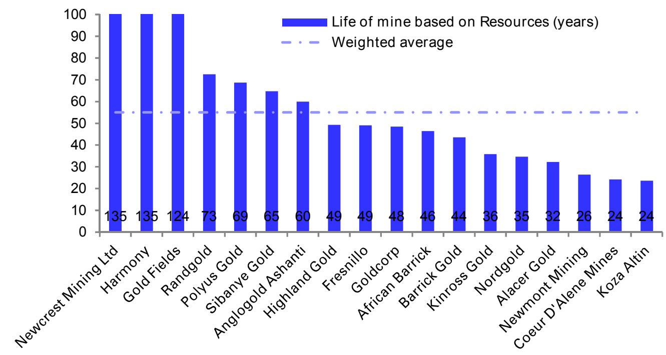
[2] JORC is the Joint Ore Reserves Committee, which establishes a set of internationally generally accepted standards for measuring reserves and resources, allowing benchmarking across companies

Figure 88: LoM on reserves (P&P) of gold equivalent



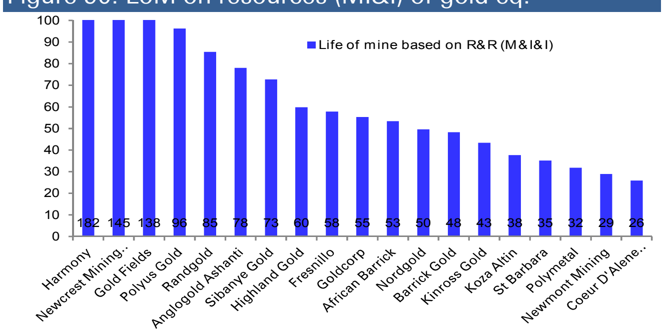
Source: Deutsche Bank estimates, company data

Figure 89: LoM on resources (M&I) of gold eq.



Source: Deutsche Bank estimates, company data

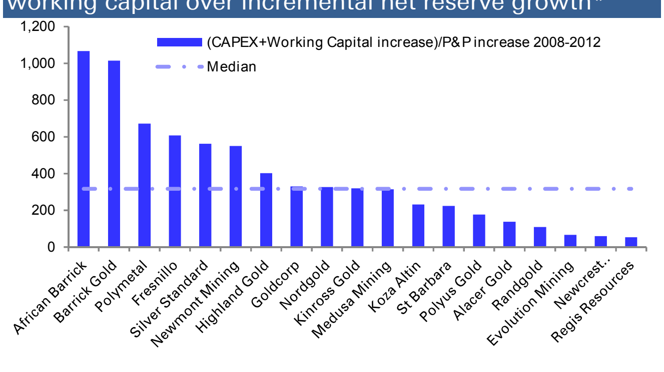
Figure 90: LoM on resources (MI&I) of gold eq.



Source: Deutsche Bank estimates, company data

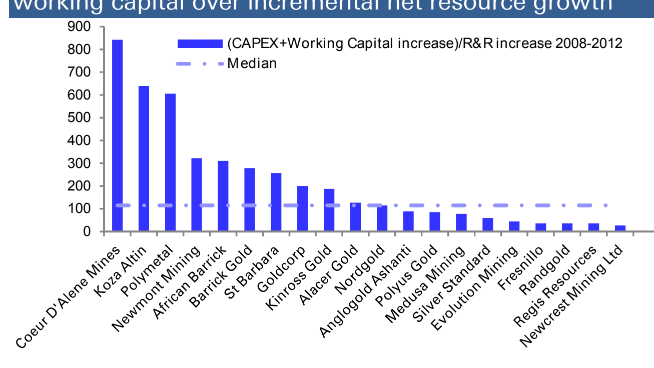
When cash investments do not yield production growth or halt declining production, capex may expand the company's reserve or resource base. Figure 91 and Figure 92 consider total investments over the incremental net increase (not adjusted for production) in reserves and resources over the period and the cash cost of each incremental ounce.

Figure 91: 2008-12 cumulative capex and incremental working capital over incremental net reserve growth*



Source: Deutsche Bank,*negative values imply a decline in resources over the period, while lower spending per ounce is a preferred position, *A negative reading would imply capex spent (likely on other than exploration) but a net decrease in reserves)

Figure 92: 2008-12 cumulative capex and incremental working capital over incremental net resource growth

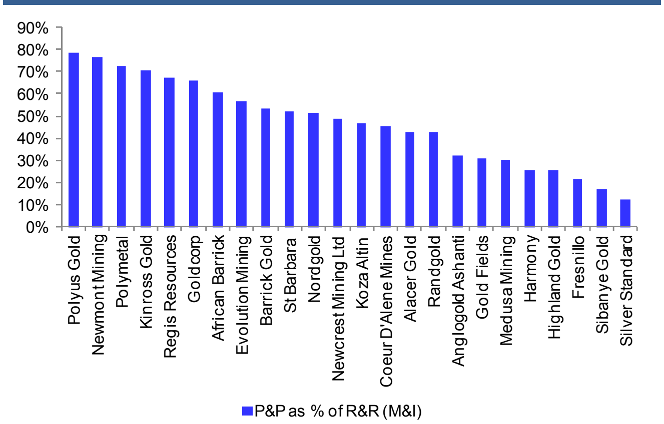


Source: Deutsche Bank,*negative values imply a decline in reserves over the period, while lower spending per ounce is a preferred position

For an asset multiples and resource-based valuation, we posit that reserves (economically recoverable resources) should be more valuable than resources (M&I), excluding reserves, with inferred resources commanding an even lower unit valuation, due to higher uncertainty over their characteristics and recoverability. Similarly, active reserves and resources (here defined as ore that with a high degree of confidence will be mined and processed to produce metal over a one-year forecast horizon) should trade at a higher valuation than resources that are remote both in terms of time and infrastructure development (here labeled inactive), due to uncertainty and discounting. For example, while Polyus Gold's Nezhdaninskoye property (estimated at 20moz on local standards) is not included in its JORC reserve base, we believe ore quality (refractory) and remoteness of the deposit implies that any pre-feasibility asset-based valuation should be modest.

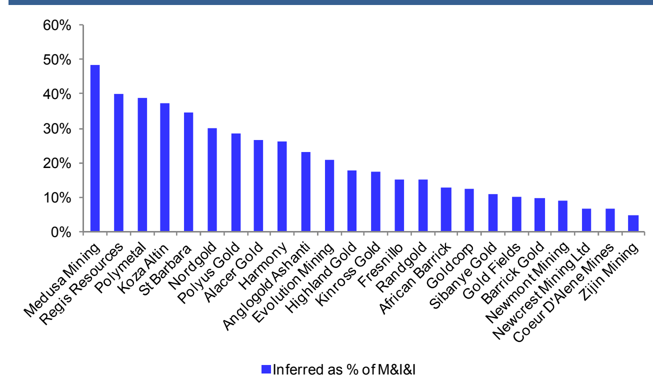
Other things being equal, bigger scale, higher grade, non-refractory, and open-pittable resources close to existing infrastructure and labor should in our view trade at higher asset multiples. Such ore reserves with similar ore processing costs should produce gold with lower unit costs. Internationally comparable/benchmarkable JORC resources should arguably trade higher than local reserve and resource categorizations. Clearly, things are not always (or ever) equal. For example, higher grade deposits are often located at greater depths in underground mines, while refractory ore bodies can also carry high grades (while both categories, by virtue of higher costs, tend to require higher cut-off grades, resulting in a selection bias). Refractory ores may be of higher grade but will require additional capex (and sometimes opex) for processing. Polymetal's Mayskoye deposit is an example of a underground, refractory (sulphide and arsenic contents in ore for POX processing) and remote asset (north of Arctic Circle, connected by 180km road, 4,800km shipping and 525km road), where scale and grade (4.8moz P&P at 8.3g/t and 2.4moz at 9.6g/t MI&I) arguably do more to offset risks and complicate economics than to justify a premium per-ounce valuation.

Figure 93: Reserves as percentage of total resources (M&I)



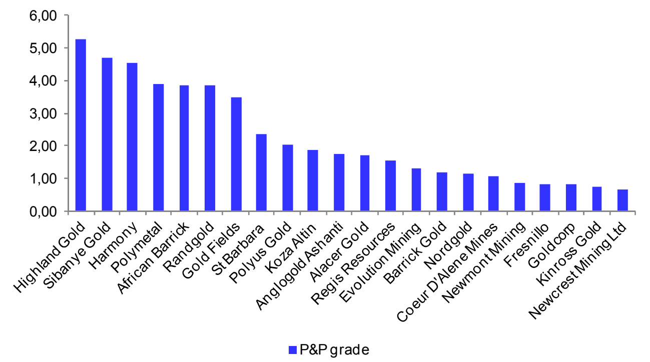
Source: Deutsche Bank estimates, company data

Figure 94: Inferred as percentage of resources, including inferred



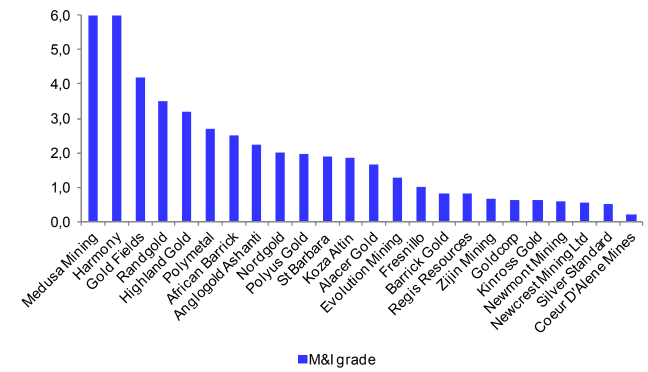
Source: Deutsche Bank estimates, company data

Figure 95: Average gold equivalent reserve grade



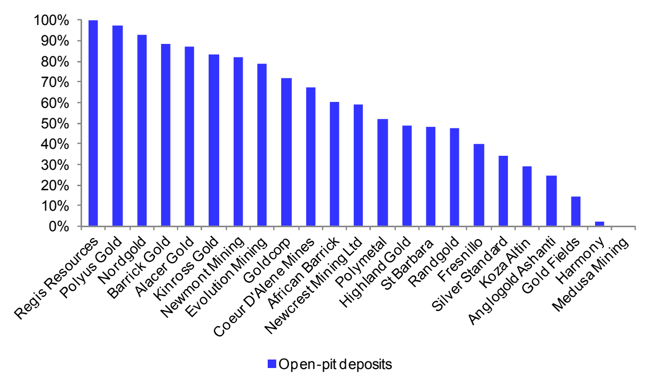
Source: Deutsche Bank estimates, company data

Figure 96: Average gold equivalent resource grade



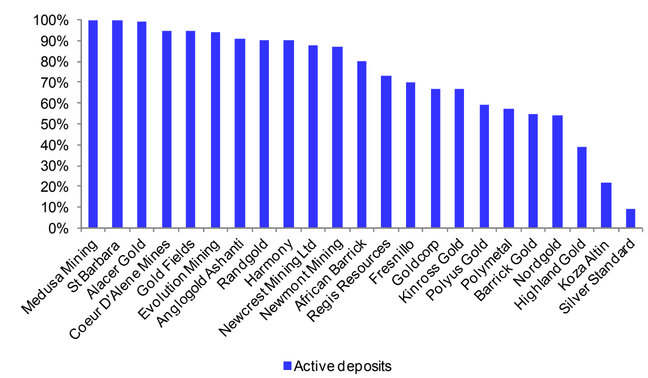
Source: Deutsche Bank estimates, company data

Figure 97: Percentage of resources in open-pit deposits



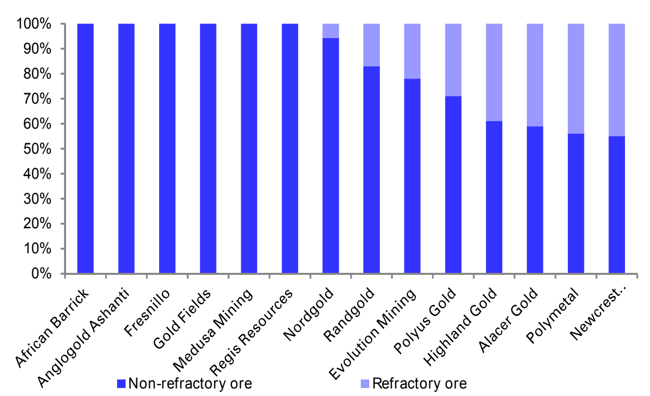
Source: Deutsche Bank estimates, company data

Figure 98: Percentage of resources in "active" operations



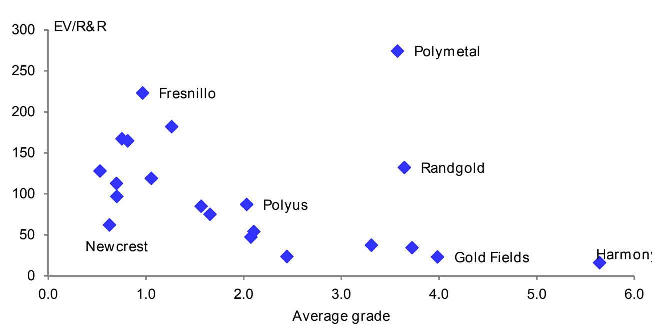
Source: Deutsche Bank estimates, company data

Figure 99: Non-refractory ore deposits, % of R&R



Source: Deutsche Bank estimates, company data

Figure 100: EV/R&R vs average grade



Source: Deutsche Bank estimates, company data

In the valuation section below we compare the current relative asset valuations on our estimates.

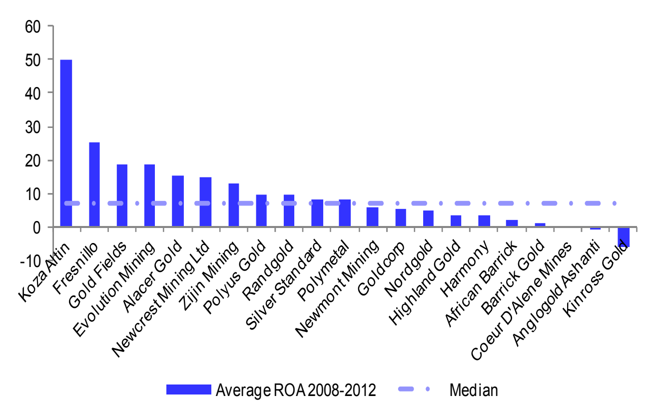
Financial alchemy; application of leverage to enhance returns

In this section, we compare financial indicators, such as the application of leverage to enhance, or sometimes destabilize, ROEs, and the use and abuse of free cash flows versus the willingness to share profits with shareholders. As expected, we find higher leverage on more diversified and mature businesses with more stable cash flows.

While many gold company analysts apply low WACCs to discount gold company free cash flows, arguing that the underlying commodity makes such cash streams less risky, we believe the market increasingly expects the same ROICs for gold companies as for other enterprises, to create value.

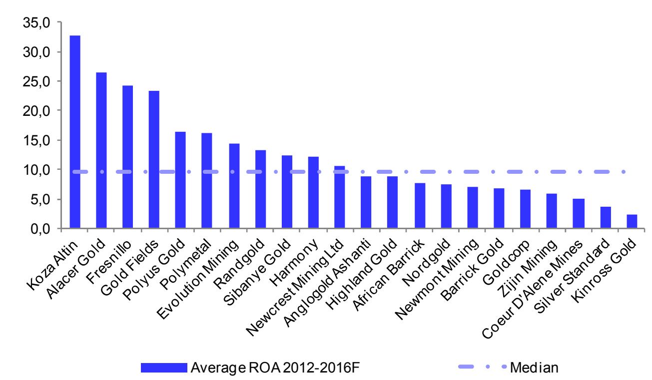
Past capital expenditure, working capital intensity and the application of debt financing to fund investment will, along with the government grab, determine the net margin and income left for equity owners. Book asset values can be particularly outdated and misrepresentative for resource companies, but in the below shorthand DuPont analysis, we consider ROA and the application of leverage to enhance shareholder returns (ROE).

Figure 101: 2008-12E average ROA, low return on assets



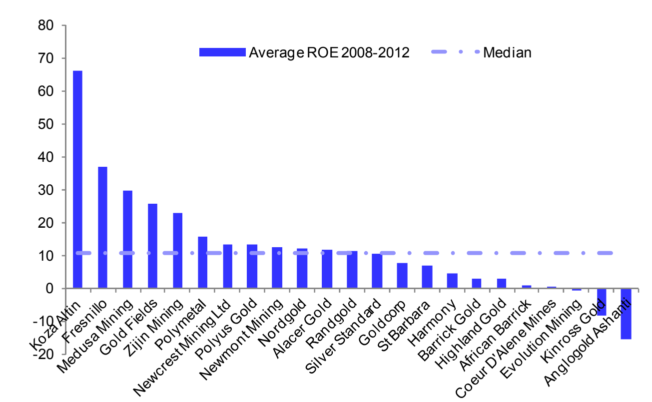
Source: Deutsche Bank estimates, company data

Figure 102: 2012E-16F average ROA



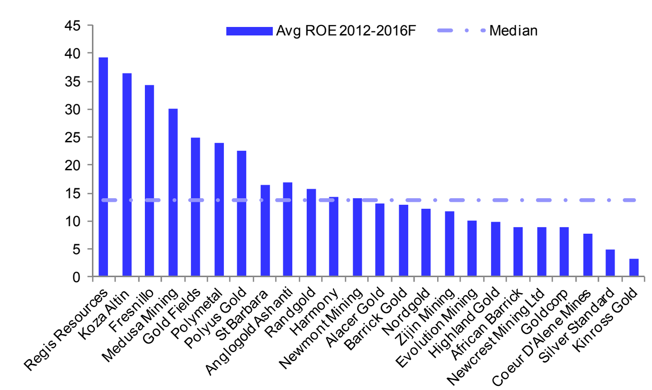
Source: Deutsche Ban estimates,, company data

Figure 103: 2008-12E average ROE, a poor average



Source: Deutsche Bank estimates, company data

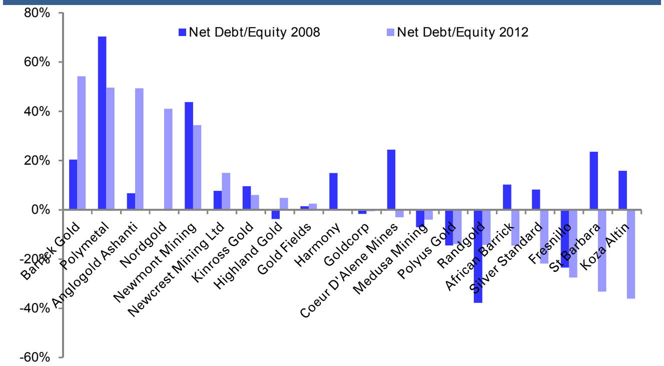
Figure 104: 2012-16F average ROE, only slightly better



Source: Deutsche Bank estimates, company data

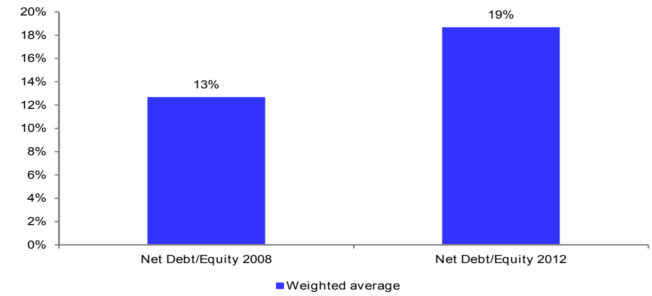
On our estimates, our coverage universe has increased leverage over 2008-12E by 50%, to reach 19% net debt/equity by YE12.

Figure 105: Change in net debt/equity 2008-12, sorted by YE12



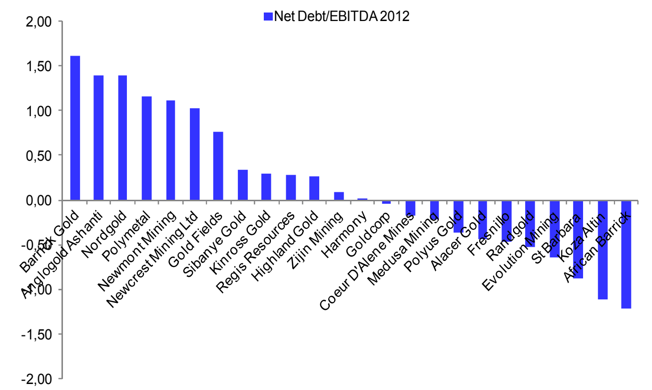
Source: Deutsche Bank estimates, company data

Figure 106: A sector average increase from 13% to 19% from 2008 to 2012



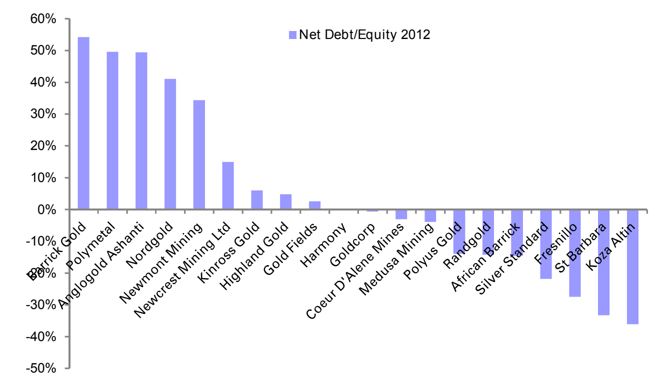
Source: Deutsche Bank estimates, company data

Figure 107: 2012E Net debt/EBITDA



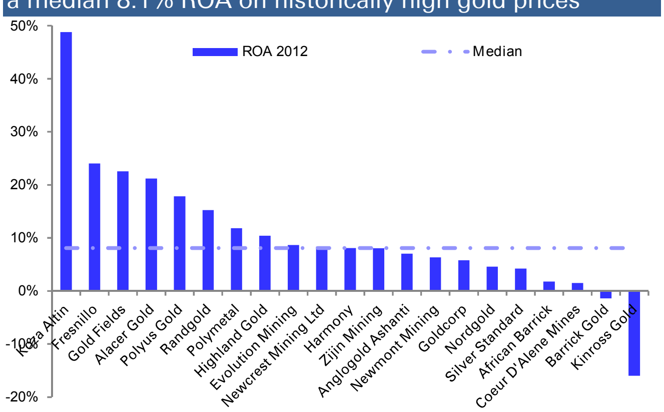
Source: Deutsche Bank estimates, company data

Figure 108: 2012E Net debt/Equity



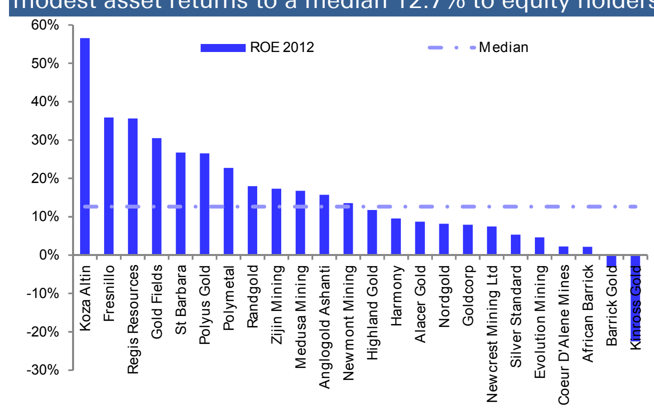
Source: Deutsche Bank estimates, company data

Figure 109: 2012E ROA: Our coverage universe provided a median 8.1% ROA on historically high gold prices



Source: Deutsche Bank estimates, company data

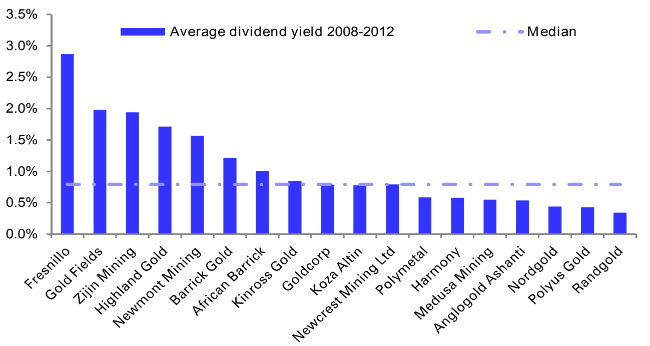
Figure 110: 2012E ROE (unadjusted): Leverage has lifted modest asset returns to a median 12.7% to equity holders



Source: Deutsche Bank estimates, company data

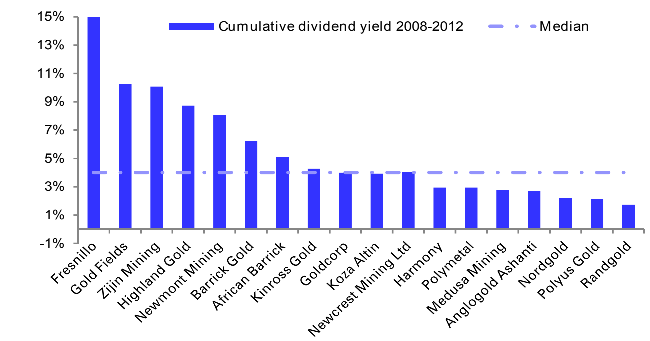
Reinvestments required to support the company's future production plans as well as its capacity to generate future profits will determine what dividends can be shared with its owners after creditors and the government have taken their shares.

Figure 111: Average dividend yield, 2008-12, on average annual market cap



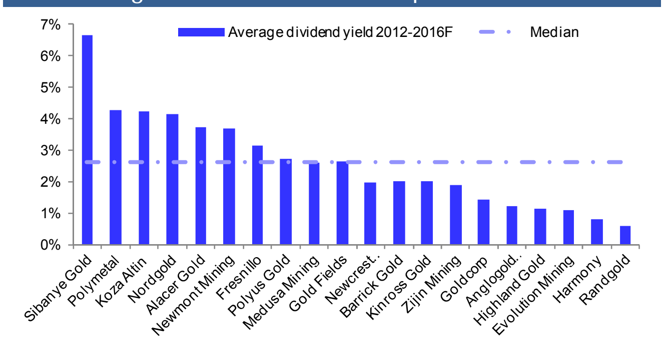
Source: Deutsche Bank estimates, company data

Figure 112: Cumulative dividend yield on average annual market cap



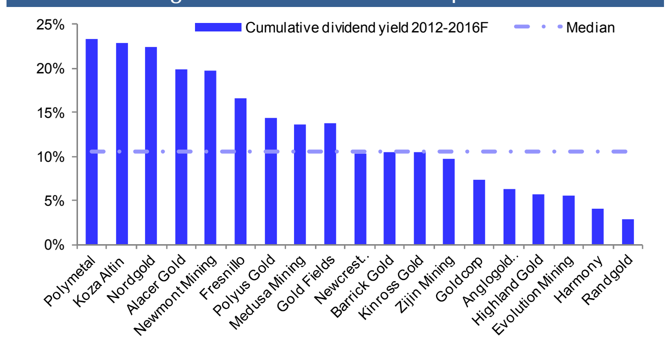
Source: Deutsche Bank estimates, company data

Figure 113: Average forecast dividend yield, 2012-16F, on 2012 average and current market cap



Source: Deutsche Bank estimates, company data

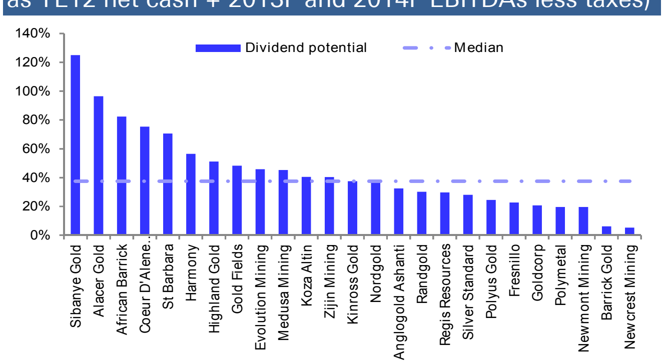
Figure 114: Cumulative forecast dividend yield, 2012-16F, on 2012 average and current market cap



Source: Deutsche Bank estimates, company data

A strong balance sheet and healthy margins open up a company's dividend potential. Below, we consider the YE12 forecast net cash/debt position and 2013 and 2014 cumulative forecast EBITDA, adjusted for taxes and interest, to assess the dividend yield potential of a company. We also review the capex forecast and possibly required for that EBITDA forecast to review what cash would actually be available to shareholders.

Figure 115: Hypothetical dividend yield potential (defined as YE12 net cash + 2013F and 2014F EBITDAs less taxes)



Source: Deutsche Bank estimates, company data

Figure 116: The dividends unpaid; 2013F and 2014F capex over market cap

Source: Deutsche Bank estimates

As with large-scale capex, we believe that the market has become increasingly cautious and critical about company M&A activity. M&A deals that divert cash from owners will, in our view, be scrutinized for strategic fit and synergies. In Figure 117, we summarize some aspects of the M&A track record of companies under our coverage.

Figure 117: M&A track record

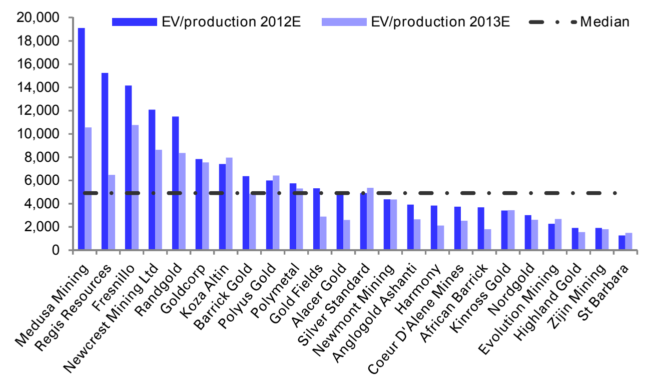
Company	M&A track record
African Barrick	Disciplined approach by focusing on early stage projects. Purchased the Tusker (Nyanzaga) project in Tanzania and land holdings in West Kenya from Aviva Mining. The capital at risk has been modest.
Alacer Gold	Company formed through 2010 merger of Avoca Resources and Anatolia Mining. Relatively newly-formed company, recently sold 49% share in a high-grade Frog's Leg mine as part of a business review. Review not taken well, management very unlikely to re-enter M&A activity, growth profile in place that requires self-funding.
Anglogold Ashanti	Few deals to be rated on except merger between AngloGold and Ashanti 2004 - meant diversification away from South Africa but large Ashanti mines still need fixing today. (Hedging strategy did not work and lead to USD billions of rights issues to reverse).
Barrick Gold	Mixed track record: Placer Dome 2006, NovaGold, Pioneer Metals 2007, Porgrera JV 2007, Arizona Star Resource 2008, Cadence Energy 2008, El Morro 2010, Tusket Gold 2010, Bountiful Resources 2010, Equinox Minerals 2011
Coeur D'Alene Mines	Mixed track record: Wheaton River, CBH Resources 2005, Bolnisi Gold 2007, Palmarejo 2007, Mirasol Argentina 2012
Evolution Mining	Company formed through 2011 merger of Catalpa Resources and Conquest Mining. Company has completed construction of fifth asset, Mt Carlton, we look for cash-pile to build up in the next 12-18 months, but expect EVN to be active in M&A as it looks to grow and become a leading mid tier ASX gold company behind NCM.
Fresnillo	Disciplined approach by focusing on early stage projects. Purchased the Nochebuena project from Seabridge and has subsequently increased reserves and developed a mine. A bid for MAG Silver was unsuccessful in 2009. (MAG owns 44% of the Juanicipio JV in conjunction with MAG Silver), with MAG Silver holding out for a higher value.
Goldcorp	Mixed track record: Wheaton River 2005, Placer Dome 2006, Virginia Gold Mines 2006, Glamis Gold 2006, Gold Eagle Mines 2008, Canplats Resources 2010, Andean Resources 2010
Gold Fields	Weaker project pipeline than peers suggests poor track record
Harmony	Track record better in divesting. (Largest question over ability to fund 50% share of Wafi-Golpu project)
Highland Gold	Mixed track record: Mnogovershinnoe, Novoshirokinskoe 2002, Maiskoe 2003, Taseevskoe 2004, Belaya Gora, Sovinoe, Lubavinskoe 2005, Blagodatnoe, Flangi 2010
Kinross Gold	Mixed track record: TVX Gold 2003, Echo Bay Mines 2003, Rio Paracatu 2004, Bema Gold 2007, Aurelian Resources 2008, Aurelis Holdings 2010, Red Back Mining 2010, Chukotka Mining 2011
Medusa Mining	None. Company is very single-asset focused, with primary exposure to the Philippines. Very small management team with hands-on approach, not likely to look outside its own organic growth profile.
Newcrest Mining Ltd	Divested Mt Rawdon and Cracow in 2011 for scrip (33% ownership of EVN), purchase of Lihir Gold in 2010 for c.A$9bn. Active in M&A with a constant focus on Tier 1 assets, however two significant growth projects has the company in c.$3.5bn debt with 16% gearing. Not likely to be aggressive in the next 12-18 months
Newmont Mining	Mixed track record: Santa Fe Pacific 1997, Battle Mountain 2001, Franco Nevada 2002, Normandy 2002, Miramar 2008, Fronteer Gold 2011
Nordgold	Strong/mixed track record: Aprelkovo, Neryungri 2007, Celtic 2007-2008, High River 2008-2011, Crew Gold 2010
Polymetal	Strong track record but integration still to be proven: Omolon-Kubaka 2008, Goltsovoye 2009, Mayskoye 2009, Sopka Kvatsevaya 2009, Varvarinskoye 2009, Olcha gold-silver 2012, Svetlobor platinum exploration project 2012, Maminskoye 2013
Polyus Gold	Poor track record, while Norilsk Nickel acquired the assets of what became Polyus. Polyus' only significant experience with KazakhGold was unsuccessful
Randgold	Good track record: purchased the Moto Gold project (now Kibali) from Redback in 2008, and JV'd 50:50 with AngloGold
Regis Resources	Purchased McPhillamys Gold Project for A$150m in 2012. Very lean company that prides itself on developing its own projects, purchase of McPhillamys reflects view on future exploration success leading to a third operation; not considered to be looking.
Silver Standard	Mixed track record: Sunshine Argentina 2004, Manantial Espejo 2006
St Barbara	Purchased Allied Gold in 2012 for A$426m,gaining two Pacific assets: Simberi and Gold Ridge. Market penalised SBM heavily for the Allied acquisition in 2012, as management looked to turn around distressed assets to generate re-rating. With near-term focus on operational delivery, the company has its hands full justifying its last acquisition.

Source: Deutsche Bank estimate, company data

Valuation metrics; bringing the parts together

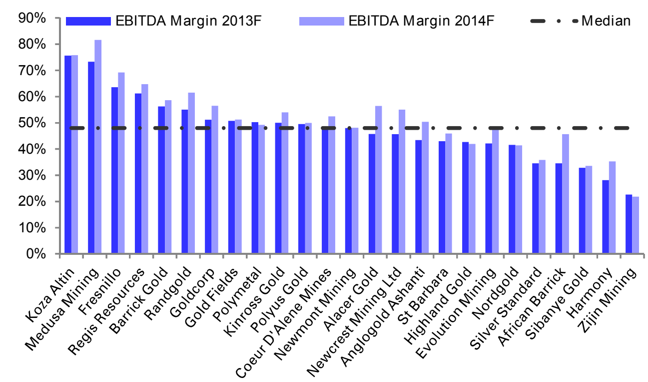
As outlined in the introduction, we view P/NAV and individual mine DCF modeling as a core tool to understand the value in gold companies and mining assets more broadly. That said, we recognize the high sensitivity to long-term assumptions and below provide not supplementary but complementary valuation points to our P/NAV framework.

Figure 118: 2012F and 2013F EV/production



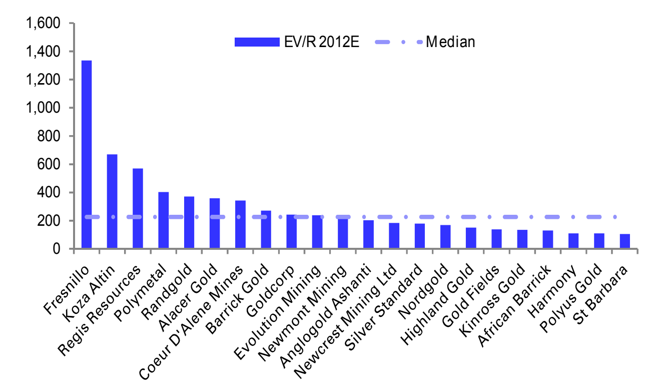
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 119: 2013F and 2014F EBITDA Margins



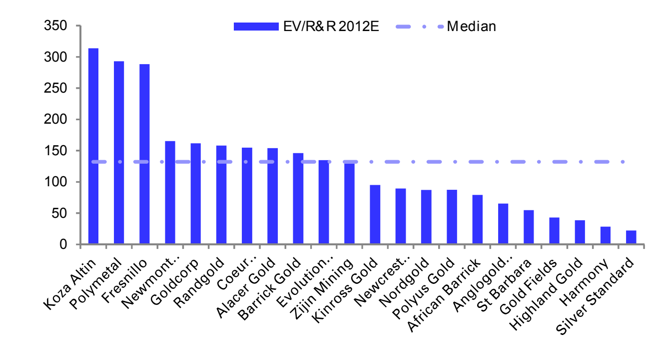
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 120: EV/reserves ($/oz)



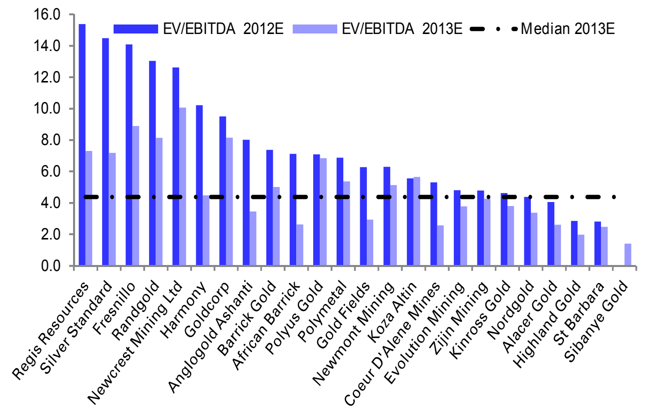
Source: Deutsche Bank estimates, company data, Bloomberg Finance LP

Figure 121: EV/reserves and resources ($/oz)



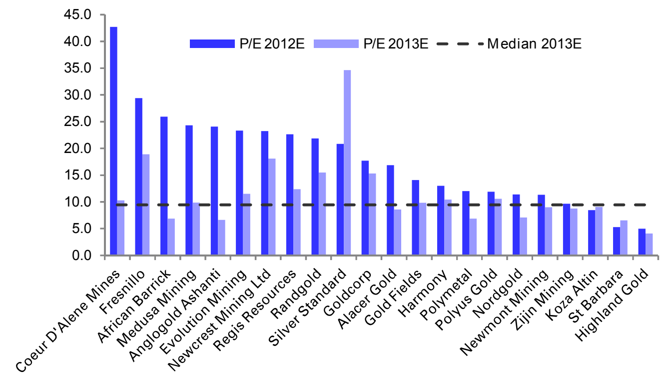
Source: Deutsche Bank estimates, company data, Bloomberg Finance LP

Figure 122: 2012F and 2013F EV/EBITDA (and median)



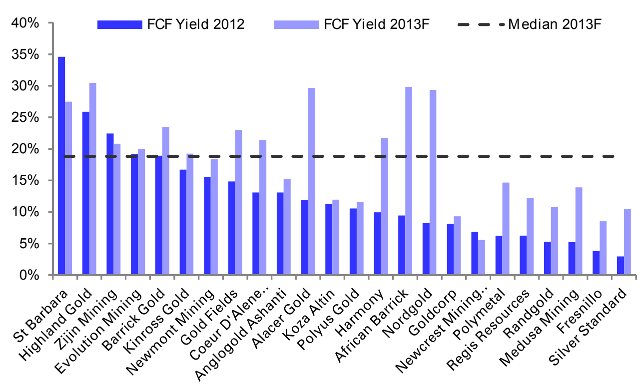
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 123: 2012F and 2013F P/E (and median)



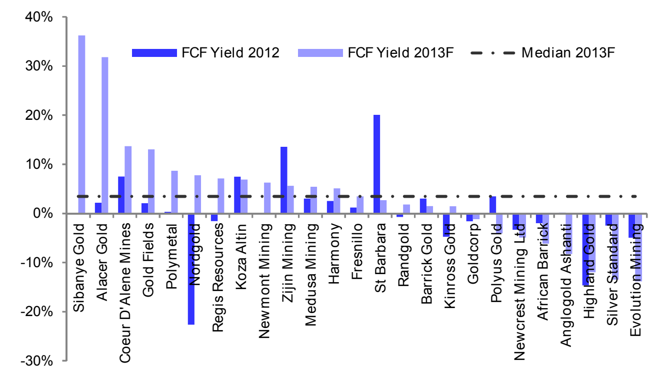
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 124: 2012F and 2013F pre-capex* FCF yield



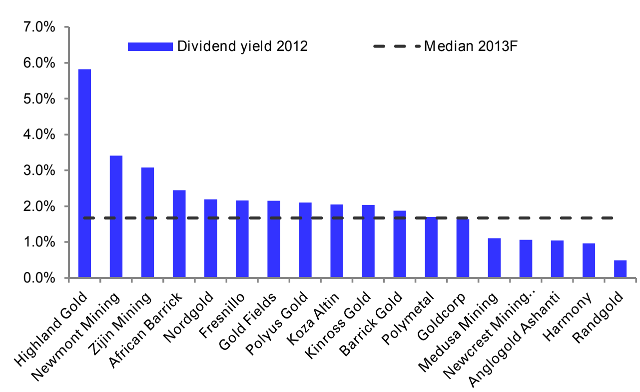
Source: Deutsche Bank estimates, Free cash flow is here shown pre-capex to show cash flows available before the companies' investment programs

Figure 125: 2012F and 2013F FCF yield – after capex



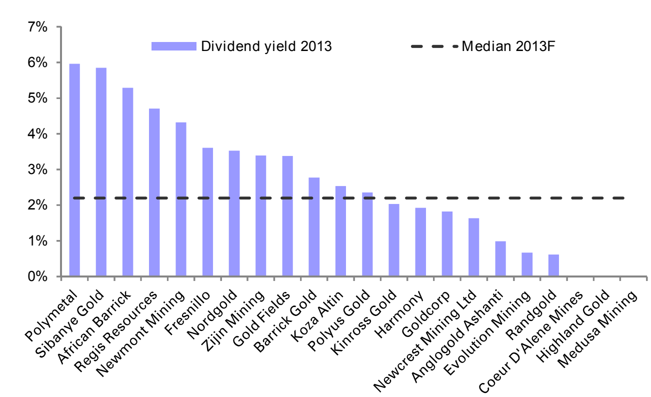
Source: Deutsche Bank estimates

Figure 126: 2012F dividend yield



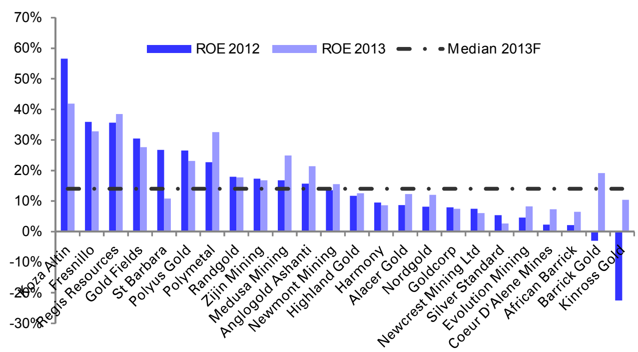
Source: Deutsche Bank estimates

Figure 127: 2013F dividend yield



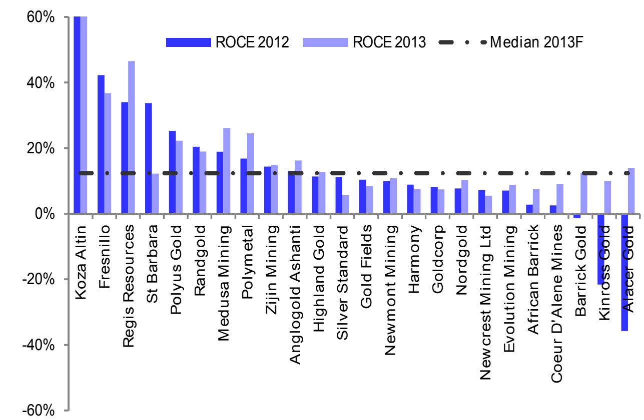
Source: Deutsche Bank estimates

Figure 128: 2012F and 2013F ROE



Source: Deutsche Bank estimates

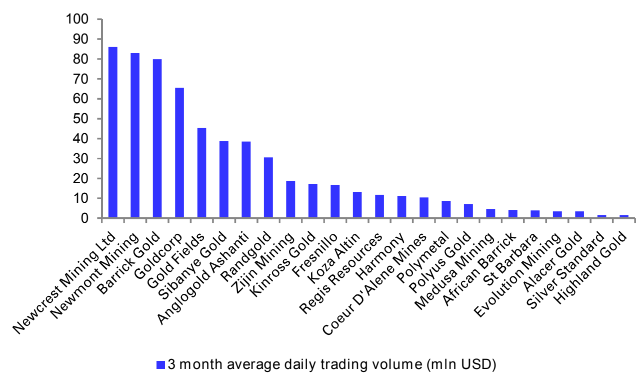
Figure 129: 2012F and 2013F ROCE



Source: Deutsche Bank estimates

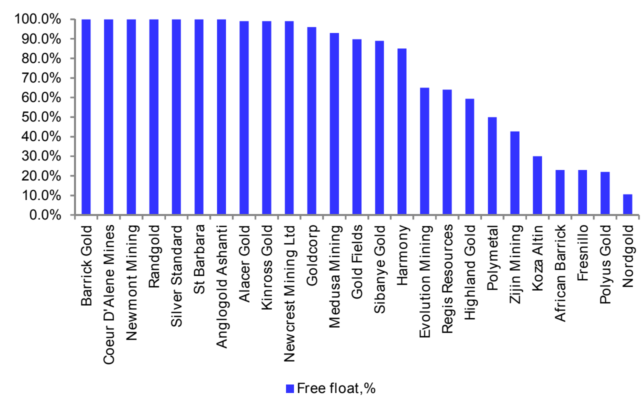
Liquidity is not only key to attracting broader investor interest in a stock but also to reducing share volatility due to limited trade flows. For our purposes in this study, such volatility will distort the betas and valuation of the underlying assets.

Figure 130: Liquidity, $m per day



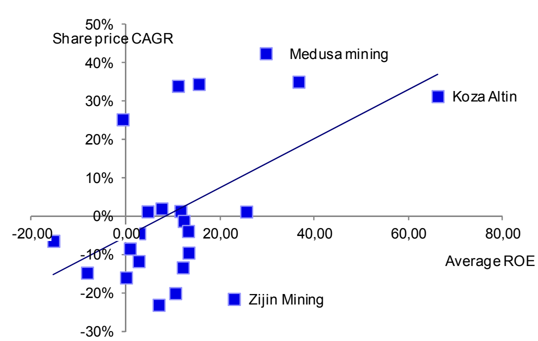
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 131: Free float, %



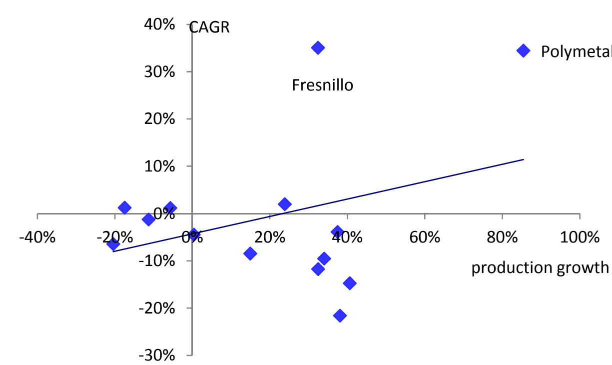
Source: Deutsche Bank estimates, Bloomberg Finance, LP

Figure 132: 2008-12 share price CAGR vs average ROE



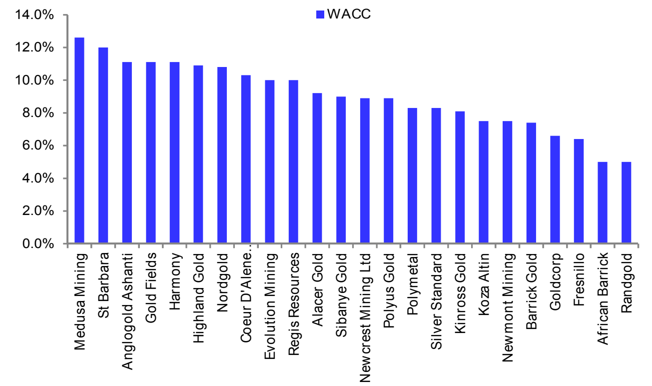
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 133: 2008-12 share price CAGR vs output CAGR



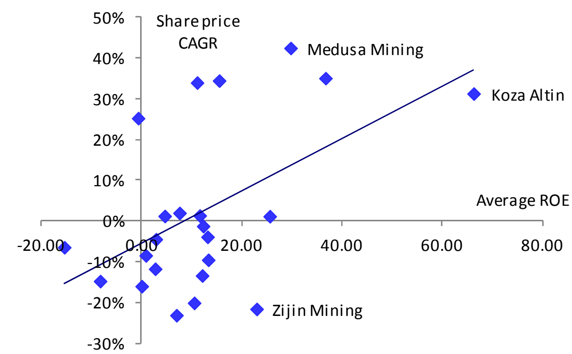
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 134: Deutsche Bank WACCs to discount cash flows; business, political and liquidity risks are factors



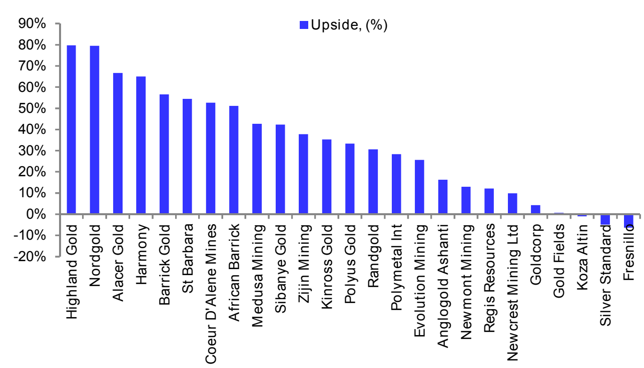
Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 135: 2008-12 share price CAGR vs cumulative dividend yield



Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 136: Upside potential to the current share price, %



Source: Deutsche Bank estimates

The tables below summarize our findings in a score board. We do not change our recommendations in this report and view the data points as supplementary to our current valuations, serving to provide broader benchmarks for the sector companies. A quantitative approach, in our view, misses too much nuance and may not appropriately allocate weightings to different valuation metrics or reflect different positions within one metric.

Figure 137: Global valuation table* Share prices March 27, 2013

	Rec	Target	Price	Upside, %	M Cap $m	PE		EV/EBITDA		FCFY		ROE		Net debt to eq %		Dividend Yield		P/R	EV/R	EV/R&R	EV/R&R&I	Implied PE TP	Implied EV/EBITD	Wacc
					2013	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2014E	2013E	2013E	2013E	2013E	2013E	2013E	
Gold & Silver																								
African Barrick	Hold	340,0	203,4	67	1 264,5	6,9	3,7	2,6	1,8	NM	NM	6,5	11,1	(7,5)	(3,2)	5,3	7,0	70,1	59,2	35,9	31,3	11,5	4,7	5,0%
Anglogold Ashanti	Hold	260,0	218,0	19	9 099	6,6	4,1	3,5	2,2	NM	11,6	21,4	26,6	42,5	26,9	1,0	2,0	119,1	145,1	47,0	36,1	7,9	4,0	11,1%
Alacer Gold	Buy	6,2	3,7	66	1 124	8,6	5,5	2,7	2,0	31,0	9,9	12,3	17,5	(34,5)	(31,5)	6,2	5,4	212,0	174,3	74,9	55,1	14,2	4,8	9,2%
Barrick Gold	Buy	46,0	28,8	60	28 849	6,3	5,6	5,0	4,3	1,5	8,4	19,2	18,6	44,7	35,5	2,8	2,8	144,5	220,2	118,2	106,7	10,1	7,0	7,4%
Coeur D'Alene Mines	Buy	29,0	18,9	54	1 713	10,3	5,5	2,6	1,5	13,7	28,0	7,3	12,3	2,1	2,1	0,0	0,0	291,2	246,3	111,7	104,2	15,8	4,2	10,3%
Evolution Mining	Buy	1,8	1,5	24	1 096	11,5	6,0	3,8	2,6	NM	13,5	8,3	14,1	2,1	2,1	0,7	1,7	331,3	320,1	181,8	143,8	14,3	4,7	10,0%
Fresnillo	Sell	1300,0	1 399,0	(7)	15 210	18,9	14,6	8,9	6,9	3,5	5,5	32,9	35,4	(23,4)	(25,1)	3,6	4,5	1 108,2	1 049,4	226,5	192,3	17,5	8,2	6,4%
Goldcorp	Hold	35,0	32,9	6	26 695	15,3	10,4	8,2	5,6	NM	5,7	7,5	10,2	2,8	(4,1)	1,8	1,8	244,6	251,3	166,5	146,0	16,3	8,7	6,6%
Gold Fields	Sell	75,0	71,0	6	5 611	9,9	8,3	2,9	2,4	12,1	15,6	27,7	32,1	10,2	(0,5)	3,4	3,9	71,7	628,3	193,8	174,2	10,4	3,0	11,1%
Harmony	Buy	100,0	57,1	75	2 661	10,4	5,6	4,5	2,5	4,7	7,3	8,7	16,1	(4,7)	(8,0)	1,9	1,2	60,3	516,1	133,0	98,4	18,3	4,9	11,1%
Highland Gold	Buy	160,0	87,0	84	429	4,4	4,2	2,7	2,1	-	16,4	11,7	11,0	10,1	1,9	0,0	0,0	161,5	130,6	33,5	27,6	8,1	4,6	10,9%
Kinross Gold	Buy	11,0	7,9	40	8 974	8,3	6,9	3,8	3,0	1,4	11,5	10,4	11,5	6,1	(1,4)	2,0	2,0	133,4	136,2	96,3	79,5	11,7	5,3	8,1%
Koza Altin	Hold	41,1	41,5	(1)	3 475	9,1	8,6	5,6	4,9	9,1	9,6	42,6	34,4	(73,3)	(75,5)	2,5	3,6	924,7	1 362,6	638,5	400,0	9,0	5,6	7,5%
Medusa Mining	Buy	6,4	4,4	43	877	9,9	3,6	8,4	2,9	5,5	22,0	25,0	46,9	(8,0)	(29,5)	0,0	3,2	1 544,9	1 517,2	456,4	234,9	14,1	12,0	12,6%
Newcrest Mining Ltd	Hold	24,5	22,0	12	17 561	18,1	9,7	10,1	5,9	NM	7,4	6,1	10,6	21,6	15,5	1,6	2,4	117,2	132,5	64,2	59,8	20,2	11,1	8,9%
Newmont Mining	Hold	47,0	41,1	14	20 376	9,0	7,9	5,1	4,7	6,2	6,7	15,5	15,7	23,2	20,4	4,3	5,8	164,3	215,1	164,6	150,1	10,3	5,7	7,5%
Nordgold	Buy	7,0	3,9	79	1 474	7,5	4,5	3,7	2,7	3,7	21,0	12,5	18,4	27,2	11,2	3,3	5,5	116,5	165,3	84,7	59,3	13,5	5,6	10,8%
Polymetal Int	Buy	1120,0	881,0	27	5 111	7,4	6,2	5,5	4,5	8,6	9,0	29,9	29,5	35,4	20,2	6,3	3,9	337,6	383,7	279,5	171,5	9,4	8,4	8,3%
Polyus Gold	Buy	285,0	216,0	32	9 942	11,2	10,1	7,2	6,0	-	7,7	22,0	20,7	3,5	(6,2)	2,2	2,5	109,3	112,1	88,4	63,1	14,8	8,5	8,9%
Randgold	Buy	7360,0	5 565,0	32	7 762	15,5	10,6	8,1	5,2	1,8	10,3	17,8	21,6	(13,5)	(28,2)	0,6	0,6	315,8	308,1	131,4	111,6	20,5	10,8	5,0%
Regis Resources	Buy	4,9	4,3	15	2 125	12,4	7,5	7,1	4,2	7,9	15,4	38,5	46,5	(20,1)	(36,7)	4,7	8,0	751,8	709,9	476,5	286,7	14,2	8,3	10,0%
Sibanye Gold	Buy	18,0	12,9	40	1 019	3,2	2,8	1,4	1,1	33,6	27,8	341,1	25,0	6,7	(5,3)	5,9	10,7	75,5	724,9	125,3	111,6	4,5	1,5	9,0%
Silver Standard	Sell	10,5	10,7	(2)	991	34,7	26,1	7,2	8,4	NM	NM	2,7	3,4	(5,9)	19,8	0,0	0,0	224,4	182,8	22,8	22,0	34,0	7,0	-
St Barbara	Buy	2,0	1,2	64	582	6,5	3,7	2,4	1,6	3,0	32,9	10,8	16,2	9,7	(7,2)	0,0	0,0	102,4	107,0	56,0	36,7	10,7	4,0	12,0%
Zijin Mining	Buy	3,5	2,6	37	7 249	8,8	10,1	4,3	4,6	5,6	6,6	16,8	13,2	(3,1)	(6,5)	3,4	3,0	1 533,9	-	-	-	12,0	4,5	-
Weighted Average						11,5	8,6	6,2	4,7	5,1	8,8	19,0	18,9	11,2	3,9	2,6	3,1	330,0	333,2	149,1	122,3	13,7	7,2	7,9%

*Source: Deutsche Bank estimates, Bloomberg Finance LP, *Gold fields production data has been adjusted for the Sibanye spin-off through the report but financials are unadjusted*

Figure 138: Global comparative table (companies are compared on the basis of different parameters, while"+" means that the value is better than the median)

	P&P, m oz	R&R (M&I), m oz	EV/R	EV/R&R	P&P avg grade, g/t	R&R (M&I) avg grade, g/t	EV/Production 2012	EV/EBITDA 2012	P/E 2012	EV/Production 2013F	EV/EBITDA 2013F	P/E 2013F	Cash Costs 1H2012, $	EBITDA Margin 2012, %	EBITDA Margin 2013F, %	EBITDA Margin Change 2008-2012, %	EBITDA Margin Change 2012-2016F, %	Liquidity (mln USD/day)	Free float %	Cumulative production growth 2008-2012, %	Cumulative production growth 2012-2016F, %	Production CAGR 2008-2012, %	Production CAGR 2012-2016F, %
African Barrick	+	-	+	+	+	+	+	-	-	+	+	+	-	-	-	-	+	-	-	-	+	-	+
Alacer Gold	-	-	+	+	-	-	-	+	+	+	+	+	-	+	-	+	-	-	+	+	-	+	-
Anglogold Ashanti	+	+	+	+	-	+	+	-	-	+	+	+	-	-	-	+	+	+	+	-	+	-	+
Barrick Gold	+	+	-	-	-	-	-	-	-	-	-	+	+	+	+	-	+	+	+	-	-	-	-
Coeur D'Alene Mines	-	-	-	-	-	-	+	+	-	+	+	-	-	-	+	+	+	-	+	+	-	+	-
Evolution Mining	-	-	-	-	-	-	+	+	-	+	+	-	-	-	-	+	+	-	-	-	+	-	+
Fresnillo	-	+	-	-	-	-	-	-	-	-	-	-	+	+	+	-	+	+	-	-	+	-	+
Goldcorp	+	+	-	-	-	-	-	-	-	-	-	-	+	+	+	-	-	+	+	-	+	-	+
Gold Fields	+	+	+	+	+	+	-	+	+	+	+	-	-	+	+	-	-	+	-	-	-	-	-
Harmony	+	+	+	+	+	+	+	-	+	+	-	-	-	-	-	-	+	-	-	-	+	-	+
Highland Gold	-	-	+	+	+	+	+	+	+	+	+	+	-	-	-	+	-	-	-	-	-	-	-
Kinross Gold	+	+	+	-	-	-	+	+	-	-	+	+	-	-	+	-	+	+	+	+	-	+	-
Koza Altin	-	-	-	-	+	-	-	+	+	-	-	-	+	+	+	-	-	+	-	+	-	+	-
Medusa Mining	-	-	-	-	+	+	-	-	-	-	-	-	+	+	+	+	+	-	-	+	+	+	+
Newcrest Mining Ltd	+	+	+	+	-	-	-	-	-	-	-	-	+	+	-	-	+	+	+	+	+	+	+
Newmont Mining	+	+	-	-	-	-	+	+	+	-	-	+	+	-	-	-	-	+	+	-	-	-	-
Nordgold	-	-	+	+	-	-	+	+	+	+	+	+	-	-	-	-	-	-	-	-	-	-	-
Polymetal	+	-	-	-	+	+	-	+	+	-	-	+	+	+	+	+	-	-	-	+	-	+	-
Polyus Gold	+	+	+	+	+	+	-	-	+	-	-	-	+	+	+	-	-	-	-	+	+	+	+
Randgold	+	+	-	-	+	+	-	-	-	-	-	-	-	+	+	+	-	+	+	+	+	+	+
Regis Resources	-	-	-	-	-	-	-	-	-	-	-	-	+	+	+	+	-	-	-	-	+	-	+
Silver Standard	-	-	-	+	+	+	+	-	-	-	-	-	-	-	-	+	+	-	+	+	+	+	+
St Barbara	-	-	+	+	+	+	+	+	+	+	+	+	-	-	-	+	+	-	+	+	-	+	-
Zijin Mining	-	-	-	-	-	-	+	+	+	+	+	+	-	-	-	-	-	+	-	+	-	+	-
Sibanye Gold	-	+	+	+	+	+	+	+	-	+	+	+	+	-	-	+	-	+	+	-	-	-	-

	P&P, m oz	R&R (M&I), m	EV/R	EV/R&R	P&P avg grade, g/t	R&R (M&I) avg grade, g/t	EV/Production 2012	EV/EBITDA 2012	P/E 2012	EV/Production 2013F	EV/EBITDA 2013F	P/E 2013F	Cash Costs 1H2012, $	EBITDA Margin 2012, %	EBITDA Margin 2013F, %	EBITDA Margin Change 2008-2012, %	EBITDA Margin Change 2012-2016F, %	Liquidity (mln USD/day)	Free float %	Cumulative production growth 2008-2012, %	Cumulative production growth 2012-2016F, %	Production CAGR 2008-2012, %	Production CAGR 2012-2016F, %
African Barrick	18,1	29,7	59,2	35,9	3,84	3,31	3,68	7,12	25,94	1,79	2,6	6,9	949,0	30%	35%	4%	19%	4,2	23,0	15%	69%	4%	14%
Alacer Gold	5,3	12,3	174,3	74,9	1,70	1,66	4,98	4,05	16,89	2,60	2,6	8,6	765,0	65%	46%	71%	-12%	3,4	99,0	669%	8%	67%	2%
Anglogold Ashanti	76,4	236,0	145,1	47,0	1,77	2,07	3,92	8,01	24,07	2,66	3,5	6,6	798,0	30%	43%	71%	18%	38,6	100,0	-20%	35%	-6%	8%
Barrick Gold	199,6	371,7	220,2	118,2	1,18	1,05	6,36	7,38	NM	4,84	5,0	6,3	580,0	51%	56%	11%	10%	88,4	100,0	0%	20%	0%	5%
Coeur D'Alene Mines	5,9	13,0	246,3	111,7	1,07	0,70	3,75	5,31	42,70	2,52	2,6	10,3	902,3	42%	48%	35%	5%	10,8	100,0	118%	15%	21%	4%
Evolution Mining	3,3	5,8	320,1	181,8	1,30	1,26	2,26	4,80	23,34	2,70	3,8	11,5	732,0	35%	42%	35%	12%	3,3	65,0	15%	28%	3%	6%
Fresnillo	13,7	63,6	1049,4	226,5	0,82	0,97	14,15	14,09	29,42	10,75	8,9	18,9	471,0	60%	64%	14%	9%	16,7	23,0	32%	64%	7%	13%
Goldcorp	109,1	164,7	251,3	166,5	0,81	0,75	7,82	9,50	17,73	7,54	8,2	15,3	634,0	51%	51%	8%	4%	70,1	96,0	24%	48%	5%	10%
Gold Fields	78,2	253,7	73,2	22,6	3,50	3,98	5,32	6,28	14,07	2,89	2,9	9,9	868,0	49%	51%	11%	-43%	46,0	89,8	28%	15%	6%	3%
Harmony	44,1	171,2	60,2	15,5	4,53	5,64	3,83	10,22	13,01	2,11	4,5	10,4	1122,6	26%	28%	8%	8%	10,7	85,1	-17%	38%	-5%	8%
Highland Gold	2,7	10,4	130,6	33,5	5,27	3,72	1,91	2,86	4,97	1,56	2,0	4,1	804,0	40%	43%	14%	-2%	1,4	59,4	32%	12%	7%	3%
Kinross Gold	67,3	95,2	136,2	96,3	0,73	0,70	3,41	4,62	NM	3,44	3,8	8,3	732,0	46%	50%	3%	8%	19,4	99,0	41%	18%	9%	4%
Koza Altin	3,8	8,0	744,6	348,9	1,88	1,86	7,42	5,57	8,48	7,96	5,7	9,1	401,0	80%	76%	14%	-8%	13,0	30,0	100%	18%	19%	4%
Medusa Mining	0,6	1,9	1517,2	456,4	9,70	11,80	19,10	20,09	24,30	10,56	8,4	9,9	261,0	71%	73%	45%	6%	4,4	93,0	219%	369%	34%	47%
Newcrest Mining Ltd	149,8	309,1	127,4	61,7	0,67	0,63	12,08	12,62	23,25	8,64	10,1	18,1	600,0	48%	46%	4%	9%	82,9	99,0	34%	38%	8%	8%
Newmont Mining	124,0	162,1	215,1	164,6	0,87	0,81	4,38	6,29	11,35	4,35	5,1	9,0	674,0	43%	48%	5%	1%	90,8	100,0	-11%	24%	-3%	6%
Nordgold	12,7	24,7	165,3	84,7	1,15	1,56	3,02	4,38	11,40	2,61	3,4	7,1	832,0	41%	42%	-4%	-4%	0,4	10,6	1%	23%	0%	5%
Polymetal	15,1	20,8	383,7	279,5	3,90	3,57	5,73	6,88	12,02	5,30	5,4	6,9	691,0	48%	50%	17%	-6%	9,1	50,0	85%	12%	17%	3%
Polyus Gold	90,9	115,4	112,1	88,4	2,05	2,03	6,00	7,08	11,90	6,41	6,8	10,6	644,0	50%	50%	10%	-5%	6,9	22,0	37%	44%	8%	9%
Randgold	24,6	57,6	308,1	131,4	3,84	3,65	11,48	13,03	21,86	8,35	8,1	15,5	735,0	53%	55%	24%	-8%	30,4	100,0	63%	77%	13%	15%
Regis Resources	2,8	4,2	682,6	458,2	1,53	1,19	15,24	15,39	22,65	6,46	7,3	12,4	498,0	59%	61%	59%	5%	11,1	64,0	30%	302%	7%	42%
Silver Standard	4,4	35,4	182,8	22,8	18,06	2,44	4,90	14,49	20,82	5,36	7,2	34,7	902,8	23%	35%	23%	28%	1,6	100,0	2003%	156%	114%	26%
St Barbara	5,7	10,9	102,9	53,8	2,37	2,10	1,26	2,82	5,29	1,49	2,5	6,5	859,3	38%	43%	30%	9%	3,8	100,0	199%	2%	32%	1%
Zijin Mining	4,7	56,6	1529,6	127,7	0,24	0,53	1,91	4,79	9,65	1,80	4,3	8,8	1199,8	24%	23%	-7%	-2%	18,1	42,7	38%	5%	8%	1%
Sibanye Gold	13,5	78,1	84,5	14,6	4,70	3,96	0,00	0,00	-	0,86	1,4	3,2	505,2	39%	33%	39%	-6%	36,4	100,0	-35%	13%	-10%	3%
Median	13,7	56,6	182,8	96,3	1,77	1,86	4,94	6,98	17,31	3,44	4,5	9,1	732,0	46%	48%	14%	5%	11,1	93,0	32%	24%	7%	6%

Source: Deutsche Bank estimates, Bloomberg Finance LP

Figure 139: Global comparative table (companies are compared on the basis of different parameters, while"+" means that the value is better than the median)

	CAPEX+WC/Incr prod 2008-2012, k USD	CAPEX+WC/Incr prod 2012-2016F, k USD	Cumalative CAPEX + WC/ P&P Increase, $	Cumalative CAPEX + WC/ R&R Increase, $	Net Debt/EBITDA 2012	Net Debt/EBITDA 2013	Net Debt/Equity2013F	Dividend yield 2012,	Dividend yield 2013F,%	FCF yield 2012, %	FCF yield 2013F, %	Country risk	Open-pit (P&P), %	Active deposits (P&P), %	Non-refractory (P&P), %	Developed Inf, %	M&A track record	LoM on P&P, y	Operating mines	Total Projects	Dividend potential,	Capex/Free cash, %	Average head grade, g/t	Average recovery, g/t
African Barrick	-	+	-	-	+	+	+	+	+	+	+	-	+	+	-	-	+	+	-	+	+	-	+	+
Alacer Gold	+	-	+	-	+	+	+	-	+	+	+	+	+	+	-	+	-	-	-	-	+	+	-	-
Anglogold Ashanti	-	+	-	+	-	-	-	-	-	+	-	-	-	+	+	+	-	-	+	+	-	-	+	-
Barrick Gold	-	-	-	-	-	-	-	+	+	+	+	+	+	-	-	-	-	+	+	+	-	-	-	+
Coeur D'Alene Mines	-	+	-	-	+	+	+	-	-	+	+	+	+	+	-	+	-	-	+	-	+	+	-	-
Evolution Mining	+	-	+	+	+	-	-	-	-	+	+	+	+	+	+	+	+	-	-	-	+	-	-	+
Fresnillo	-	+	-	+	+	+	+	+	+	-	-	+	-	-	+	-	+	-	+	+	-	+	-	-
Goldcorp	-	+	-	-	+	-	-	-	-	-	-	+	+	-	-	-	-	+	+	+	-	-	-	-
Gold Fields	-	-	-	-	-	-	-	+	+	+	+	+	-	+	+	+	-	+	+	+	+	+	-	+
Harmony	-	+	-	-	-	+	+	-	-	+	+	-	-	+	+	+	-	+	+	+	+	-	+	+
Highland Gold	-	-	-	-	-	-	-	+	-	-	-	-	-	-	-	-	-	-	-	-	+	-	+	+
Kinross Gold	-	-	-	-	-	-	-	+	-	+	+	+	+	-	-	+	-	+	+	+	+	-	-	-
Koza Altin	-	-	+	-	+	+	+	+	+	-	-	-	-	-	+	+		-	-	-	+	+	+	+
Medusa Mining	+	+	-	+	+	+	+	-	-	-	-	-	-	+	+	-	-	-	-	-	-	+	+	+
Newcrest Mining Ltd	-	-	+	+	-	-	-	-	-	-	-	-	+	+	-	+	-	+	+	+	-	-	-	-
Newmont Mining	-	-	-	-	-	-	-	+	+	+	+	+	+	+	-	+	-	+	+	+	-	-	-	-
Nordgold	+	-	-	-	-	-	-	+	+	-	-	-	+	-	+	-	+	-	+	+	-	-	-	-
Polymetal	-	-	-	-	-	-	-	+	+	-	-	-	-	-	-	-	+	-	-	-	-	+	+	-
Polyus Gold	-	+	+	+	+	+	-	+	-	-	-	-	+	-	+	-	-	+	+	+	-	-	+	-
Randgold	+	+	+	+	+	+	+	-	-	-	-	-	-	+	+	-	+	+	-	-	-	+	+	-
Regis Resources	+	+	+	+	-	+	+	-	+	-	-	+	+	-	+	-	-	+	-	-	-	+	-	+
Silver Standard	-	+	-	+	+	+	+	-	-	-	-	-	-	-	-	-	-	+	-	-	+	-	-	-
St Barbara	+	-	+	-	+	-	-	-	-	+	+	-	-	+	-	+	+	-	-	-	+	+	+	+
Zijin Mining	+	-	-	-	-	+	+	+	+	+	+	+	-	-	-	+		-	-	-	-	+	-	-
Sibanye Gold	-	-	+	+	-	-	+	-	+	+	+	+	-	-	-	-		-	-	-	+	+	-	-

	CAPEX+WC/Incr prod 2008-2012, k USD	CAPEX+WC/Incr prod 2012-2016F, k USD	Cumalative CAPEX + WC/ P&P Increase, $	Cumalative CAPEX + WC/ R&R Increase, $	Net Debt/EBITDA 2012	Net Debt/EBITDA 2013	Net Debt/Equity2013F	Dividend yield 2012,	Dividend yield 2013F,%	FCF yield 2012, %	FCF yield 2013F, %	Country risk	Open-pit (P&P), %	Active deposits (P&P), %	Non-refractory (P&P), %	Developed Inf, %	M&A track record	LoM on P&P, y	Operating mines	Total Projects	Dividend potential,	Capex/Free cash, %	Average head grade, g/t	Average recovery, g/t
African Barrick	17,4	5,9	1067,3	310,6	-1,21	-0,54	-0,08	2,5%	5,3%	9%	30%	36,4	60%	80%	100%	0%	+	28	4	9	1,4	0,7	2,9	88%
Alacer Gold	1,7	19,7	138,1	127,4	-0,44	-1,24	-0,39	0,0%	6,2%	12%	30%	75,9	87%	99%	59%	100%	-	14	3	6	1,1	0,2	2,0	68%
Anglogold Ashanti	-5,6	7,2	3835,6	88,9	1,40	0,98	0,43	1,0%	1,0%	13%	15%	53,7	24%	91%	100%	94%	-	19	19	27	0,5	0,8	2,3	85%
Barrick Gold	574,8	12,3	1014,8	278,6	1,61	1,45	0,49	1,9%	2,8%	19%	24%	67,4	88%	55%	0%	67%	-	23	25	27	0,2	1,7	1,8	87%
Coeur D'Alene Mines	3,8	6,9	-2104,1	842,8	-0,18	-0,47	-0,11	0,0%	0,0%	13%	21%	57,4	67%	95%	0%	95%	-	11	5	7	0,9	0,2	0,0	0%
Evolution Mining	0,6	10,1	66,1	44,5	-0,65	0,29	0,07	0,0%	0,7%	19%	20%	85,4	79%	94%	78%	94%	+	10	4	5	0,8	0,7	1,7	92%
Fresnillo	5,4	2,7	608,4	36,6	-0,47	-0,45	-0,27	2,2%	3,6%	4%	9%	58,1	40%	70%	100%	65%	+	11	6	13	0,3	0,3	0,7	0%
Goldcorp	12,8	5,9	329,8	199,9	-0,05	0,20	0,03	1,6%	1,8%	8%	9%	63,5	72%	67%	0%	79%	-	32	11	15	0,3	0,6	0,9	67%
Gold Fields	14,1	9,3	-1331,9	2356,8	0,76	0,35	0,01	2,2%	3,4%	15%	23%	68,3	14%	95%	100%	98%	-	38	5	11	0,5	0,4	2,0	93%
Harmony	-8,1	5,0	-342,4	-240,9	0,01	-0,34	-0,01	1,0%	1,9%	10%	22%	56,1	2%	90%	100%	95%	-	35	11	12	0,6	0,6	2,3	93%
Highland Gold	9,1	21,2	401,5	-671,3	0,27	0,50	0,10	5,8%	0,0%	-15%	-12%	56,8	49%	39%	61%	73%	-	13	2	4	1,0	0,8	4,2	89%
Kinross Gold	8,1	18,3	318,6	187,2	0,30	0,27	0,06	2,0%	2,0%	17%	19%	62,9	83%	67%	0%	88%	-	25	9	14	0,5	0,6	0,8	83%
Koza Altin	3,1	10,4	232,1	638,8	-1,12	-1,33	-0,34	2,0%	2,5%	7%	7%	57,1	29%	22%	100%	100%	0	11	4	6	0,5	0,2	6,1	92%
Medusa Mining	2,8	1,0	315,1	77,9	-0,22	-0,32	-0,08	1,1%	0,0%	5%	14%	54,5	0%	100%	100%	67%	-	9	1	2	0,4	0,4	8,1	92%
Newcrest Mining Ltd	11,2	9,2	59,3	27,3	1,03	1,73	0,21	1,1%	1,6%	7%	6%	54,1	59%	88%	55%	91%	-	66	6	11	0,2	1,0	1,6	83%
Newmont Mining	-15,1	8,5	549,9	322,7	1,11	0,85	0,28	3,4%	4,3%	16%	18%	70,4	82%	87%	0%	91%	-	20	10	16	0,2	0,9	1,2	82%
Nordgold	2,1	8,8	326,6	114,9	1,39	0,98	0,34	2,2%	3,5%	-23%	8%	45,7	93%	54%	94%	75%	+	18	8	9	0,3	0,9	1,9	79%
Polymetal	4,6	13,4	672,4	605,8	1,16	0,82	0,36	1,7%	6,0%	0%	9%	55,8	52%	57%	56%	80%	+	14	4	7	0,2	0,5	4,4	76%
Polyus Gold	6,5	5,1	177,0	85,3	-0,36	0,08	0,03	2,1%	2,4%	3%	-4%	56,3	97%	59%	71%	70%	-	54	5	8	0,4	0,6	2,5	80%
Randgold	2,1	3,6	108,3	36,3	-0,53	-0,48	-0,15	0,5%	0,6%	5%	11%	29,2	47%	90%	83%	0%	+	31	4	7	0,4	0,4	2,3	79%
Regis Resources	1,4	1,3	53,4	35,8	0,28	-0,41	-0,19	0,0%	4,7%	6%	12%	85,4	100%	73%	100%	75%	-	27	2	5	0,4	0,2	1,4	93%
Silver Standard	4,1	4,2	561,6	59,2	-4,23	-0,57	-0,06	0,0%	0,0%	3%	10%	43,7	34%	9%	0%	54%	-	27	1	3	0,6	1,3	0,0	0%
St Barbara	1,9	83,1	223,8	257,8	-0,88	0,35	0,09	0,0%	0,0%	35%	27%	46,0	48%	100%	0%	100%	+	12	4	5	1,3	0,4	3,8	92%
Zijin Mining	2,7	-0,5	-	-	0,09	-0,12	-0,01	3,1%	3,4%	22%	21%	63,6	0%	0%	0%	100%	0	0	0	0	0,4	0,6	0,0	0%
Sibanye Gold	-0,7	65,6	33,9	-	0,34	0,15	0,01	0,0%	5,9%	-	68%	59,2	0%	0%	0%	0%	0	11	2	2	1,2	0,5	0,0	0%
Median	3,1	8,5	273,6	-	0,01	0,15	0,01	1,6%	2,4%	9%	15%	57,1	56%	77%	66%	84%	0	19	5	8	0,5	0,6	2,0	86%

Source: Deutsche Bank estimates, Bloomberg Finance LP

Findings: Down but not out; Sector has potential and select companies offer value

We find a gold sector that has de-rated over the past four years of our study, versus peers, on earnings and NAV. In our view, this reflects: i) increased competition from alternative gold investment vehicles; ii) increased competition from higher-yielding non-gold investment alternatives; iii) a failure to offer operating and financial leverage to gold prices as cost inflation has prevented margin expansion, while capex overruns and M&A have absorbed free cash flows; iv) an increased awareness of the operational risks of gold equity and its inefficiency as an inflation or systemic hedge; and v) increased skepticism about long-term gold prices. Our 2008-12 industry data points confirm some of these concerns. While market betas for gold reflect a higher risk premium and we may need to lift capital costs and net asset premiums in our valuations, we continue to see opportunities in the sector. Cash diverted to other gold investment vehicles will still push up gold prices to benefit company cash flows, and we doubt gold investment allocations are short-term but believe rather that they reflect longer-term asset allocation. Meanwhile, gold companies have listened to the market and are generally more restrictive on expansion plans and more focused on providing yield to their owners.

Top picks

Due to uneven weights of importance of different valuation metrics (eg reserve life vs reserve quality and near-term vs long-term growth) and hard-to-quantify relative performance (eg how much difference in life of mine or growth), we refrain from deriving a straight summary ranking table of our findings. Instead, we a) provide a full table with data metrics and b) highlight our current top picks, pointing out where they score well.

Our data set supports our preference for Barrick Gold, Randgold, Sibanye Gold, Polyus Gold, Regis Resources and Alacer Gold, which all can deliver value in growth, margins, dividends or monetize high asset quality.

- **Barrick Gold** is relatively cheap on 2014F EV/EBITDA and P/E, albeit absolute valuations are off a $1,900/oz gold forecast. It also has a high reserve base and LoM. Barrick's high debt load may lead the company to sell non-core assets, which on our estimates could raise $3-4bn, which in turn could increase de-leveraging potential. Barrick has a new management team in place that is pledging to focus more on returns to shareholders, which we believe markets will welcome. Barrick offers premium liquidity and is a large-cap bellwether proxy in the sector that could attract funds if sentiment turns. We also believe the valuation will be supported by improving free cash flows which could lead to higher dividends as current capex cycle is expected to wind down during 2014.

- **Randgold** remains a top pick, with further value creation expected by what in our view is a strong management with a good track record in project execution, exploration and M&A. The company offers long life of mine and good growth over the near- and medium term, backed up by a well-established exploration team. Moreover, a lot of its existing operations are increasing in grade, implying an improving cost profile over a good part of the company's current forecast life and supporting already strong EBITDA margins, but also indicating that the company is getting to grips with going underground, possibly enhancing expansion options. It offers relatively good liquidity and a high free float.

- In South Africa, we prefer **Sibanye Gold**. In our view, Sibanye could warrant a premium rating to peers by returning maximum cash to shareholders. On our forecasts, Sibanye is very cheap on earnings, reserve and production multiples. The company has a tangible near-term opportunity to cut costs out of mature and infrastructure-intensive mines to expand margins. As cash flows are set to improve, we estimate that the company can increase its dividend payout of earnings from 30% to 45% without going into a net debt position. We forecast sector-high 2013F and 2014F FCF/dividend yields of 32% and 27%/5.6% and 10.2%.

- Among Australian gold miners, we like **Regis Resources**, which we expect to organically grow production towards c.400koz over the next 12 months with the ramp-up of its second operation, Garden Well. We expect Regis to maintain a strong C1 cash costs (sub-$600/oz going forward) position with a very low sustaining capital and corporate overhead spend, which will free up cash flows and increase optionality going forward. This should support valuation for a company run by a strong management team that have an excellent reputation for developing and operating gold mines efficiently and on budget.

- We believe **Papillon Resources** has one of the best undeveloped gold assets globally in its Fekola Gold Project. The current resource of 4.21moz should grow substantially in the medium-tern. Our current price target applies 15% WACC for Mali risk and allows for 30% capex overrun and assumes a conservative mine life.

- We also like **Alacer Gold**. Çöpler is a Tier 1 asset ($300-400/oz C1 cash costs) with a strong growth profile driven by the sulphide expansion. Exploration potential in Turkey is high, with multiple targets in a gold-bearing district. Currently trading at 0.6x P/NPV, the share price is discounted on management turnover and transition and the uncertain future of Australian assets, leading to an overly depressed valuation of the key long-life potential of Çöpler.

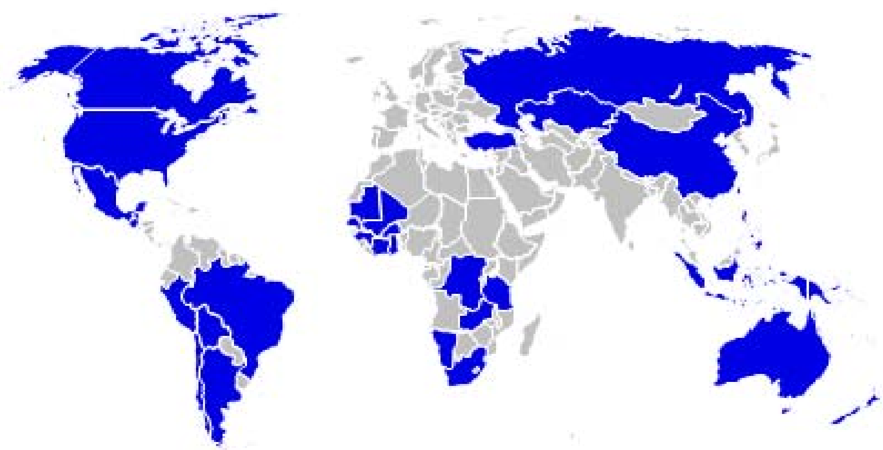
- In Russia, we currently prefer **Polyus Gold**. Long-term, we believe Polyus' massive reserve base deserves a premium for life of assets and expansion options. Polyus also offers increasingly tangible near-term growth. With the launch of phase 1 of Natalka (a 30moz of reserves asset with commissioning planned for YE13, but on Deutsche Bank estimates gradually ramping in 2H14), Polyus could not only add almost one-third to its current production levels, but also install infrastructure that it could leverage in a potential phase 2 and 3 expansion of the operations. Near-term capex in to Natalka will reduce free cash flow in 2013-14F but a strong balance sheet ($671mn at YE12) retains dividend potential. In the near-term and in this context, a recent shift in shareholders could in our view lead to a more generous dividend payout. The company had $670m net cash at YE13, with strong cash flows to back up near-term capex requirements.

- We continue to like **Polymetal** on its strong management team with a good track record of value creation through M&A and both green- and brownfield execution, but we believe the company may need to clear the bottleneck in the Amursk POX plant before investors will revisit the story. Polymetal scores well on free cash flows and dividend yield potential on current forecasts but these forecasts do not yet include investments that may be required to support the company's production profile as growth slows and reverses in 2015 on our forecasts.

Appendix A

Deutsche Bank's global gold company research covers 25 companies' operations in 31 countries and about 50% of estimated 2012 global mined gold production.

In this appendix, we provide investment theses and running-the-numbers pages for the stocks mentioned in this report.



African Barrick Gold

Outlook

African Barrick Gold was formed from parent company (and 74% shareholder) Barrick's African gold assets. Africa historically contributed less than 10% of Barrick's global gold production, and was therefore not a focus for the company. As a result the operational track record of these assets is somewhat mixed and in our view there is significant upside potential in the existing asset base. In theory, the independent company had the freedom and incentive to focus on these assets in order to drive operational efficiencies, grow volumes and release value. However, it has taken management two years to get to grips with the operational issues at most of its mines and the development of some of the conceptual growth opportunities has been slower than expected. This has resulted in a sustained period of operational under-performance. We think management has reached the point where it has most of the operational issues in hand, and we believe is in a position to show some improvement and grow gold volumes by an 8% CAGR over the next three years through operational efficiencies and brownfield expansions at its three existing mines Bulyanhulu, North Mara and Buzwagi, growing volumes from 626koz Au in 2011 to 800Moz in 2015F. Although the share price fell sharply when China Gold withdrew its potential bid, we think the company will need to demonstrate improvements at Bulyanhulu to highlight the latent value. Hold.

Valuation

Our 12-month price target is based on 1.4x our end 2013F NAV. We believe that African Barrick will continue to trade at a discount to its peers (15-20x) given the company's limited track record as an independent company, and the mixed operational track record of the assets under Barrick's stewardship. Our NAV is based on a life of mine discounted cash flows, with a WACC of 5% and a long-run gold price assumption of $1025/oz. (The WACC of 5% is based on a risk-free rate of 4%, a market risk premium of 6%, a beta of 0.3x and a 30% target gearing.)

Risks

Key risks include higher / lower-than-expected gold prices, lower / higher-than-expected costs and appreciation of the Tanzanian Shilling. The failure to improve volumes, especially at its Bulyanhulu mine, is a downside risk and will also lead to increased unit costs due to the large fixed cost component at the mine.

Model updated:14 February 2013

Running the numbers

Europe

United Kingdom

Gold

African Barrick

Reuters: ABGL.L | Bloomberg: ABG LN

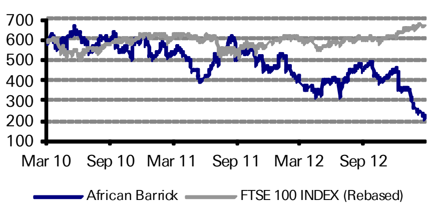
Hold

Price (27 Mar 13)	GBP 206.60
Target Price	GBP 340.00
52 Week range	GBP 203.40 - 492.00
Market Cap (m)	GBPm 847
	USDm 1,284

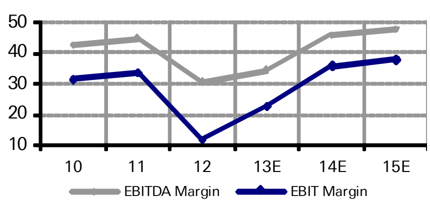
Company Profile

African Barrick Gold is a gold exploration and mining company with four operating mines in Tanzania, producing c.700 - 800 koz of gold p.a. The company was spun out of parent company Barrick Gold, which is the world's largest gold producer. The company aims to grow production to over 1Moz of gold p.a. through a series of brownfield expansions at its existing mines, one Greenfield project called Nyanzaga and potential M&A.

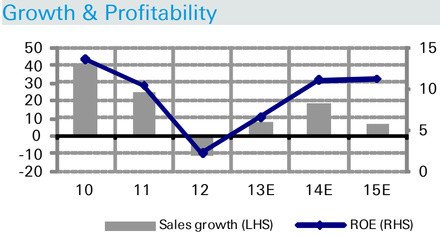
Price Performance



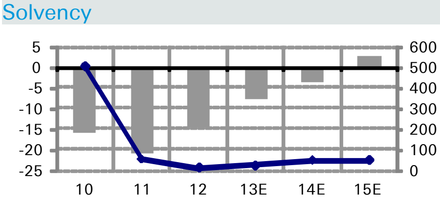
Margin Trends



Growth & Profitability



Solvency



Grant Sporre
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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	0.52	0.67	0.26	0.45	0.84	0.95
Reported EPS (USD)	0.52	0.67	0.14	0.45	0.84	0.95
DPS (USD)	0.05	0.16	0.16	0.16	0.22	0.24
BVPS (USD)	6.1	6.7	6.7	7.1	8.1	8.9
Weighted average shares (m)	410	410	410	410	410	410
Average market cap (USDm)	3,705	3,383	2,734	1,284	1,284	1,284
Enterprise value (USDm)	3,334	2,836	2,355	1,088	1,200	1,414
Valuation Metrics						
P/E (DB) (x)	17.3	12.3	25.9	7.0	3.7	3.3
P/E (Reported) (x)	17.3	12.3	46.0	7.0	3.7	3.3
P/BV (x)	1.56	1.06	1.07	0.44	0.39	0.35
FCF Yield (%)	3.3	6.7	nm	nm	nm	nm
Dividend Yield (%)	0.6	2.0	2.5	5.2	6.9	7.7
EV/Sales (x)	3.4	2.3	2.2	0.9	0.9	0.9
EV/EBITDA (x)	8.0	5.2	7.1	2.7	1.9	2.0
EV/EBIT (x)	10.9	6.9	18.5	4.1	2.4	2.5
Income Statement (USDm)						
Sales revenue	975	1,218	1,087	1,178	1,399	1,490
Gross profit	492	648	444	517	727	792
EBITDA	416	544	331	407	639	710
Depreciation	110	134	159	141	139	144
Amortisation	0	0	45	0	0	0
EBIT	306	410	127	266	500	567
Net interest income(expense)	-1	-7	-8	-9	-10	-11
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	306	403	119	257	490	556
Income tax expense	87	118	71	77	147	167
Minorities	5	10	-11	-4	-1	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	215	275	59	184	344	389
DB adjustments (including dilution)	0	0	46	0	0	0
DB Net profit	215	275	105	184	344	389
Cash Flow (USDm)						
Cash flow from operations	345	498	258	377	592	586
Net Capex	-224	-273	-313	-455	-597	-668
Free cash flow	121	225	-55	-78	-5	-82
Equity raised/(bought back)	865	0	0	0	0	0
Dividends paid	-260	-31	-74	-63	-66	-91
Net inc/(dec) in borrowings	-575	0	0	0	0	0
Other investing/financing cash flows	180	-11	-54	-41	-41	-41
Net cash flow	331	183	-183	-182	-112	-214
Change in working capital	*0*	*0*	*0*	*0*	*0*	*0*
Balance Sheet (USDm)						
Cash and other liquid assets	401	584	401	219	107	-107
Tangible fixed assets	1,615	1,823	1,964	2,278	2,736	3,261
Goodwill/intangible assets	259	259	278	278	278	278
Associates/investments	0	0	0	0	0	0
Other assets	652	629	685	708	754	783
Total assets	2,927	3,295	3,329	3,484	3,876	4,215
Interest bearing debt	0	0	0	0	0	0
Other liabilities	384	496	553	546	551	559
Total liabilities	384	496	553	546	551	559
Shareholders' equity	2,513	2,761	2,752	2,916	3,302	3,633
Minorities	30	38	23	23	23	23
Total shareholders' equity	2,543	2,799	2,775	2,938	3,325	3,656
Net debt	*-401*	*-584*	*-401*	*-219*	*-107*	*107*
Key Company Metrics						
Sales growth (%)	40.6	24.9	-10.7	8.4	18.7	6.5
DB EPS growth (%)	119.1	28.2	-61.7	74.5	87.0	13.1
EBITDA Margin (%)	42.6	44.7	30.4	34.5	45.7	47.7
EBIT Margin (%)	31.4	33.7	11.7	22.6	35.8	38.0
Payout ratio (%)	10.1	24.3	112.8	36.3	25.7	25.5
ROE (%)	13.6	10.4	2.2	6.5	11.1	11.2
Capex/sales (%)	23.0	22.4	28.8	38.6	42.7	44.8
Capex/depreciation (x)	2.0	2.0	2.0	3.2	4.3	4.6
Net debt/equity (%)	-15.8	-20.9	-14.5	-7.5	-3.2	2.9
Net interest cover (x)	510.2	56.8	15.5	28.1	49.7	51.9

Source: Company data, Deutsche Bank estimates

Alacer Gold

Outlook

Alacer Gold incorporates assets on two continents. It operates an underground gold mine at Higginsville and an open pit mine at South Kalgoorlie, in the Eastern Goldfields of Western Australia. It also runs the Çöpler mine in Turkey. Higginsville is operating at design levels; having visited the operations and gained insights and confidence into the geology we factor in six years of production. Similarly, having visited the Çöpler mine we model a production profile similar to the company projection. The company is trading at a discount to our target price; Buy.

Valuation

We derive our valuation using a life-of-mine DCF on the combined asset suite. We model the Çöpler assets on the projected profile but have identified that there are several aspects to the planned projects that can be optimized and improved. We have a long-term gold price assumption of $1,025/oz and use a 9.2% WACC. Our target price is set at our NPV, consistent with other mid-tier gold names on the ASX.

Risks

A key downside risk concerns our expectation that +8 years of mine life can be delivered across its operations. The risks surrounding the South Kal assets are similar to those of Trident: maintaining stable production and building the resource base and projected mine life. At Çöpler the projects are at an earlier stage of development, with gold production from the Oxide project and studies still being finalized on the Sulphide project; delivery of this project to budget and output targets is a key catalyst.

Model updated:14 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

Alacer Gold

Reuters: AQG.AX	Bloomberg: AQG AU

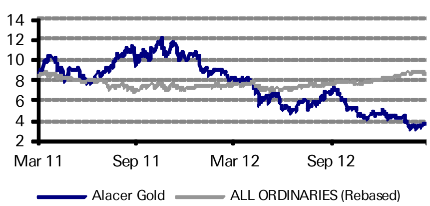
Buy

Price (27 Mar 13)	AUD 3.82
Target Price	AUD 6.20
52 Week range	AUD 3.17 - 8.32
Market Cap (m)	AUDm 1,097
	USDm 1,150

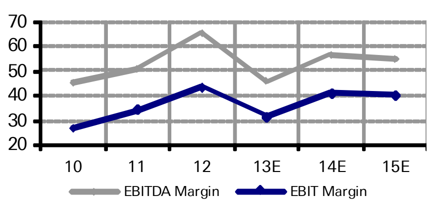
Company Profile

Alacer operates gold mines in Australia and Turkey. It was formed through the merger of Avoca Resources and Anatolia Minerals.

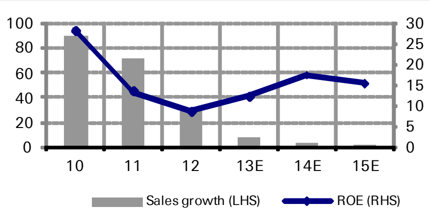
Price Performance



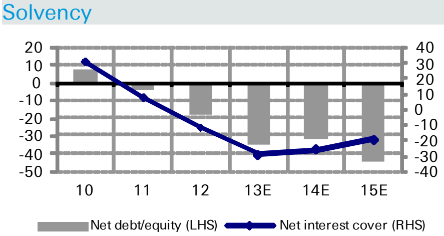
Margin Trends



Growth & Profitability



Solvency



Brett McKay
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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	0.52	0.52	0.41	0.46	0.72	0.73
Reported EPS (USD)	0.52	0.52	-1.34	0.46	0.72	0.73
DPS (USD)	0.00	0.00	0.00	0.24	0.21	0.06
BVPS (USD)	2.20	4.90	3.69	3.90	4.40	5.07
Valuation Metrics						
Price/Sales (x)	nm	5.0	2.8	1.5	1.4	1.4
P/E (DB) (x)	na	19.0	16.9	8.8	5.6	5.5
P/E (Reported) (x)	na	19.0	nm	8.8	5.6	5.5
P/BV (x)	na	2.1	1.3	1.0	0.9	0.8
FCF yield (%)	na	4.9	2.2	31.0	9.9	29.8
Dividend yield (%)	na	0.0	0.0	6.1	5.3	1.4
EV/Sales	na	5.0	2.6	1.2	1.1	1.0
EV/EBITDA	na	9.9	4.1	2.7	2.0	1.8
EV/EBIT	na	14.6	6.1	3.9	2.8	2.4
Income Statement (USDm)						
Sales	324	557	719	773	794	806
EBITDA	147	284	469	353	448	443
EBIT	88	193	313	243	327	326
Pre-tax profit	85	74	-334	251	340	343
Net income	67	146	-386	131	206	209
Cash Flow (USDm)						
Cash flow from operations	119	257	239	333	388	388
Net Capex	-86	-122	-195	24	-275	-46
Free cash flow	33	135	43	357	113	342
Equity raised/(bought back)	0	13	2	0	0	0
Dividends paid	0	0	-7	-70	-60	-17
Net inc/(dec) in borrowings	-23	-1	-51	-69	0	0
Other investing/financing cash flows	-20	90	40	0	0	0
Net cash flow	-32	233	26	163	23	296
Change in working capital	*9*	*34*	*-55*	*0*	*0*	*0*
Balance Sheet (USDm)						
Cash and cash equivalents	13	250	277	440	463	759
Property, plant & equipment	280	1,431	1,007	872	1,026	956
Goodwill	0	0	0	0	0	0
Other assets	116	122	176	187	205	223
Total assets	410	1,803	1,460	1,499	1,695	1,938
Debt	37	200	69	0	0	0
Other liabilities	88	210	224	224	224	224
Total liabilities	125	410	293	224	224	224
Total shareholders' equity	285	1,393	1,167	1,275	1,471	1,714
Net debt	*24*	*-49*	*-208*	*-440*	*-463*	*-759*
Key Company Metrics						
Sales growth (%)	89.6	71.9	29.0	7.5	2.8	1.5
DB EPS growth (%)	145.0	0.0	-20.5	10.6	57.0	1.3
Payout ratio (%)	0.0	0.0	nm	53.3	29.3	8.0
EBITDA Margin (%)	45.4	51.0	65.3	45.7	56.4	54.9
EBIT Margin (%)	27.0	34.6	43.5	31.4	41.2	40.5
ROE (%)	28.2	13.5	8.7	12.3	17.5	15.4
Net debt/equity (%)	8.3	-3.5	-17.8	-34.5	-31.5	-44.3
Net interest cover (x)	30.9	7.8	-11.8	-28.9	-25.8	-19.6
DuPont Analysis						
EBIT margin (%)	27.0	34.6	43.5	31.4	41.2	40.5
x Asset turnover (x)	0.9	0.4	0.4	0.5	0.5	0.4
x Financial cost ratio (x)	1.0	0.9	1.1	1.0	1.0	1.1
x Tax and other effects (x)	0.8	0.9	-1.1	0.5	0.6	0.6
= ROA (post tax) (%)	18.6	10.4	-22.0	9.1	13.0	11.5
x Financial leverage (x)	1.5	1.3	1.3	1.4	1.3	1.3
= ROE (%)	28.2	13.5	-28.4	12.3	17.5	15.4
annual growth (%)	*15.1*	*-52.1*	*na*	*na*	*42.2*	*-11.8*
x NTA/share (avg) (x)	1.8	3.8	4.7	3.7	4.1	4.7
= Reported EPS	0.52	0.52	-1.34	0.46	0.72	0.73
annual growth (%)	*108.3*	*0.0*	*na*	*na*	*57.0*	*1.3*

Source: Company data, Deutsche Bank estimates

AngloGold Ashanti

Outlook

We rate **AngloGold Ashanti** Hold due to limited upside to our valuation. Our target price reflects a robust gold price trend, production growth, and solid unit cost control. All of these factors assume near-perfect execution, in our view, of the company's current plan for production growth and cost control. In addition, AngloGold is conducting a review of its six South African mines following the 2H12 strike interruptions and thus the future production profile and capex plans of the group are uncertain. As such we see few incremental positive catalysts for earnings or cashflow upgrades in the medium term. Hold.

Valuation

We value AngloGold based on a sum-of-the-parts DCF model of individual operations and projects, in line with the methodology used across our South African resources coverage. We apply a nominal WACC of 11.1% to cash flows from 2012-17F that is driven by our assumption of nominal commodity prices. From 2018F to the end of life of each mine, we discount cash flows using a real WACC, to reflect our use of real commodity prices in our assumptions from then. We apply a 1x multiple to our DCF-derived net asset value for the company. We believe this is a conservative but sensible approach given our confidence that our therefore long-term gold price assumption and long-term ZAR/USD rate reflect reasonable incentive pricing for the projects we expect AngloGold to develop for IRRs of 9-15% (on a real post-tax basis). We derive our one-year forward target price from rolling our DCF forward at the cost of equity (11.7%) less the expected dividend yield.

Risks

Upside risks to our target price being achieved include a split-up of the group with a subsequent re-rating of the separate divisions; and higher-than-expected production growth leading to lower-than-expected unit costs. Higher-than-expected gold prices and a weaker-than-expected ZAR/USD rate are also upside risks. Downside risks to our target price being achieved include further interruptions to production from labor unrest in South Africa and slower-than-expected improvement in AngloGold's key Continental Africa mines, particularly Obuasi, which have underperformed recently. Lower-than-expected gold prices; a stronger-than-expected ZAR/USD rate; and higher-than-expected mining inflation and costs are also downside risks to our target price.

Model updated:21 February 2013

Running the numbers

Sub-Saharan Africa

South Africa

Gold

AngloGold Ashanti

Reuters: ANGJ.J | Bloomberg: ANG SJ

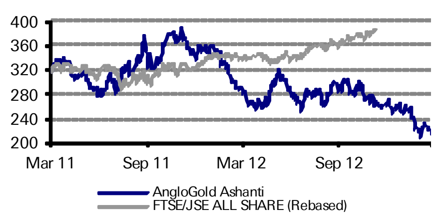
Hold

Price (27 Mar 13)	ZAR 217.01
Target Price	ZAR 260.00
52 Week range	ZAR 210.70 - 319.50
Market Cap (m)	ZARm 83,859
	USDm 9,058

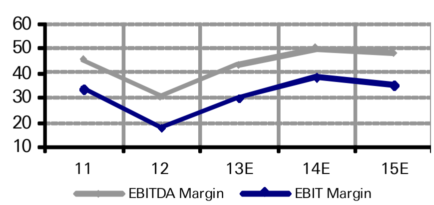
Company Profile

AngloGold Ashanti has 20 operations in four continents, and several exploration programmes in both the established and new gold-producing regions of the world.

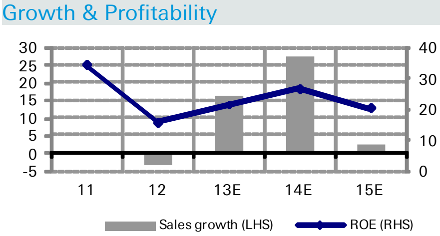
Price Performance



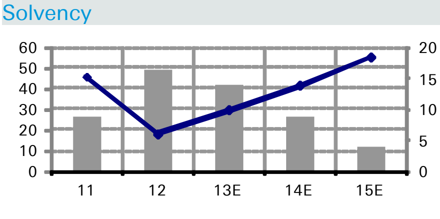
Margin Trends



Growth & Profitability



Solvency



Anna Mulholland, CFA
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Fiscal year end 31-Dec	2011	2012	2013E	2014E	2015E
Financial Summary					
DB EPS (USD)	3.23	1.48	3.56	5.80	5.51
Reported EPS (USD)	3.69	2.13	3.56	5.80	5.51
DPS (USD)	0.13	0.37	0.23	0.47	0.49
BVPS (USD)	13.0	14.1	19.1	24.5	29.5
Weighted average shares (m)	386	386	386	386	386
Average market cap (USDm)	17,372	13,767	9,058	9,058	9,058
Enterprise value (USDm)	18,183	15,420	11,042	10,352	9,091
Valuation Metrics					
P/E (DB) (x)	13.9	24.1	6.6	4.0	4.3
P/E (Reported) (x)	12.2	16.7	6.6	4.0	4.3
P/BV (x)	3.26	2.20	1.23	0.96	0.79
FCF Yield (%)	7.4	0.2	nm	11.6	17.7
Dividend Yield (%)	0.3	1.0	1.0	2.0	2.1
EV/Sales (x)	2.8	2.4	1.5	1.1	0.9
EV/EBITDA (x)	6.1	8.0	3.4	2.2	2.0
EV/EBIT (x)	8.3	13.7	5.0	2.9	2.7
Income Statement (USDm)					
Sales revenue	6,570	6,352	7,398	9,443	9,703
Gross profit	3,394	3,089	3,930	5,673	5,598
EBITDA	2,972	1,925	3,210	4,754	4,654
Depreciation	770	797	1,004	1,133	1,250
Amortisation	0	0	0	0	0
EBIT	2,202	1,128	2,206	3,621	3,404
Net interest income(expense)	-144	-187	-223	-261	-185
Associates/affiliates	73	-28	119	111	98
Exceptionals/extraordinaries	0	0	0	0	0
Other pre-tax income/(expense)	190	251	0	0	0
Profit before tax	2,248	1,192	1,983	3,359	3,220
Income tax expense	723	321	694	1,176	1,127
Minorities	46	20	34	51	63
Other post-tax income/(expense)	0	0	0	0	0
Net profit	1,552	823	1,375	2,243	2,128
DB adjustments (including dilution)	-190	-251	0	0	0
DB Net profit	1,362	572	1,375	2,243	2,128
Cash Flow (USDm)					
Cash flow from operations	2,655	1,801	1,391	3,355	3,541
Net Capex	-1,374	-1,779	-2,142	-2,302	-1,941
Free cash flow	1,281	22	-751	1,052	1,600
Equity raised/(bought back)	9	1	0	0	0
Dividends paid	-170	-230	-124	-199	-254
Net inc/(dec) in borrowings	-158	1,215	0	0	0
Other investing/financing cash flows	-436	-1,561	-223	-261	-185
Net cash flow	526	-553	-1,099	592	1,161
Change in working capital	*-169*	*-219*	*-1,263*	*-266*	*29*
Balance Sheet (USDm)					
Cash and other liquid assets	1,112	892	-207	385	1,546
Tangible fixed assets	6,525	7,648	8,786	9,955	10,647
Goodwill/intangible assets	210	315	315	315	315
Associates/investments	702	1,060	1,179	1,290	1,388
Other assets	2,253	2,780	4,214	4,520	4,588
Total assets	10,802	12,695	14,288	16,466	18,485
Interest bearing debt	2,488	3,583	2,936	2,936	2,936
Other liabilities	3,148	3,643	3,953	4,035	4,117
Total liabilities	5,636	7,226	6,889	6,971	7,053
Shareholders' equity	5,029	5,447	7,379	9,462	11,401
Minorities	137	22	20	33	32
Total shareholders' equity	5,166	5,469	7,400	9,495	11,432
Net debt	*1,376*	*2,691*	*3,143*	*2,551*	*1,390*
Key Company Metrics					
Sales growth (%)	nm	-3.3	16.5	27.6	2.8
DB EPS growth (%)	na	-54.2	140.3	63.2	-5.1
EBITDA Margin (%)	45.2	30.3	43.4	50.3	48.0
EBIT Margin (%)	33.5	17.8	29.8	38.3	35.1
Payout ratio (%)	3.2	17.4	6.6	8.1	9.0
ROE (%)	34.4	15.7	21.4	26.6	20.4
Capex/sales (%)	21.2	28.1	28.9	24.4	20.0
Capex/depreciation (x)	1.8	2.2	2.1	2.0	1.6
Net debt/equity (%)	26.6	49.2	42.5	26.9	12.2
Net interest cover (x)	15.3	6.0	9.9	13.9	18.4

Source: Company data, Deutsche Bank estimates

Barrick Gold Corporation

Outlook

Barrick Gold Corporation (ABX), based in Toronto, Canada, is the world's largest gold mining company with operations in the Americas, Africa and Asia-Pacific. Barrick also has exposure to copper and silver, and holds interests in platinum and nickel development projects, as well as in oil and gas properties. Recent performance was lackluster following Barrick's unexpected decision to acquire copper producer Equinox Minerals for $7.4bn in April 2011, which was not well received by the market. Medium-term growth depends on the successful integration of Equinox and execution of the Cortez Hills, Pueblo Viejo and Pascua-Lama projects, which are estimated to increase attributable gold production from 7.6m oz in 2011 to ~8m oz in 2015. Annual copper production is expected to increase from ~450m lbs in 2011 to 600m lbs by 2015 with the opportunity to grow to >1bn lbs through Zaldívar sulfides and Lumwana expansions. Thereafter, other projects could provide additional opportunities for growth, such as Cerro Casale. We rate Barrick a Buy on its attractive valuation, increasing free cash flow generation and the possibility to increase dividends further.

Valuation

Our 12-month target price for Barrick is based on 9x our 2014F EPS. We believe that Barrick should trade at the lower end of the range of its peer group, given its more mature mine profile and relatively lower growth. As a valuation cross-check, we note our target price equates to ~1x our NPV, calculated under a DCF methodology (7.4% WACC with 8.8% Ke and 2.1% after-tax Kd, 0.5% terminal growth rate [based on our knowledge of the asset base and expectations of long-term growth]).

Risks

Given Barrick's ~90% revenue exposure to gold, the main downside risk to our outlook is lower-than-expected gold prices. With ~10% copper exposure, lower-than-expected copper prices could pose an additional risk. Downside risks also include higher-than-expected raw material and other operating cost pressures, currency fluctuations in key producing countries given the geographical diversity of assets, project delays and cost overruns, and geopolitical risks given production and exploration sites in Tanzania, Zambia, Pakistan and Argentina. Exploration and drilling activities carried out by the company may not produce any new reserves, leading to shortened mine lives if current production is sustained, or adjusted production levels. Project execution risk in the form of delays could increase costs and not lead to any increases in new production. Also, given rising free cash flow, further M&A cannot be ruled out.

Model updated:28 February 2013

Running the numbers

North America

Canada

Metals & Mining

Barrick Gold

Reuters: ABX.N Bloomberg: ABX US

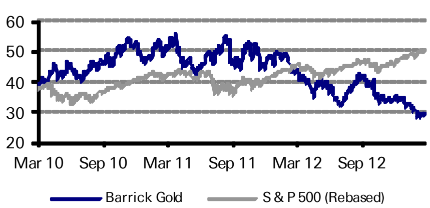
Buy

Price (26 Mar 13)	USD 28.82
Target Price	USD 46.00
52 Week range	USD 28.52 - 44.21
Market Cap (m)	EURm 22,436
	USDm 28,849

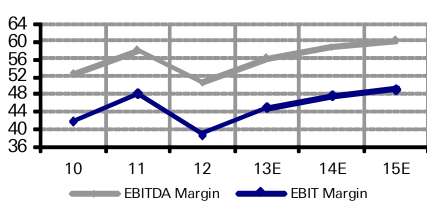
Company Profile

Barrick Gold Corp (ABX), based in Toronto, Canada, is the world's largest gold company by production and reserves. Barrick produced 7.7m oz of gold in 2011 and controls ~140m oz of gold reserves. Barrick has 4 regional business units: North America (44% of 2011 production), South America (24%), Asia Pacific (25%) and Africa (7%), with operations in the US, Canada, Australia, Chile, Peru, Argentina, Papua New Guinea, Tanzania and Zambia. The company's main listing is the NYSE, trading under the symbol ABX.N. It also has a listing on the Toronto Stock Exchange (ABX.TO).

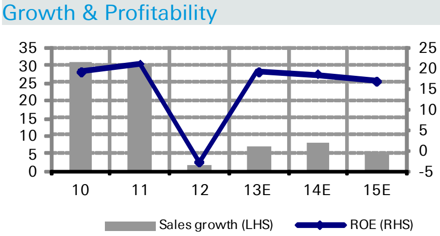
Price Performance



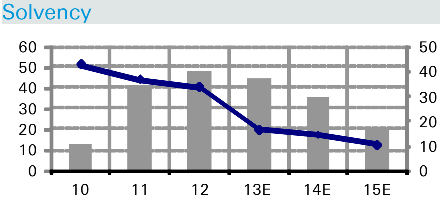
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	3.28	4.48	-0.67	4.54	5.16	5.46
Reported EPS (USD)	3.28	4.48	-0.66	4.54	5.16	5.46
DPS (USD)	0.44	0.51	0.75	0.80	0.80	0.80
BVPS (USD)	19.11	23.35	21.82	25.61	30.02	34.73
Valuation Metrics						
Price/Sales (x)	4.0	3.4	2.7	1.9	1.7	1.6
P/E (DB) (x)	13.4	10.9	nm	6.3	5.6	5.3
P/E (Reported) (x)	13.4	10.9	nm	6.3	5.6	5.3
P/BV (x)	2.8	1.9	1.6	1.1	1.0	0.8
FCF yield (%)	2.4	1.9	3.0	1.5	8.4	18.9
Dividend yield (%)	1.0	1.0	1.9	2.8	2.8	2.8
EV/Sales	4.3	4.3	3.7	2.8	2.5	2.2
EV/EBITDA	8.2	7.4	7.4	5.0	4.3	3.7
EV/EBIT	10.3	8.9	9.6	6.3	5.4	4.5
Income Statement (USDm)						
Sales	11,011	14,312	14,547	15,553	16,829	17,695
EBITDA	5,806	8,303	7,358	8,754	9,865	10,681
EBIT	4,610	6,884	5,636	6,995	8,018	8,712
Pre-tax profit	4,638	6,855	-913	6,558	7,451	7,877
Net income	3,274	4,484	-665	4,549	5,167	5,467
Cash Flow (USDm)						
Cash flow from operations	4,302	5,862	7,556	6,782	7,597	8,285
Net Capex	-3,262	-4,925	-6,351	-6,350	-5,173	-2,835
Free cash flow	1,040	937	1,205	432	2,425	5,451
Equity raised/(bought back)	177	10	0	0	0	0
Dividends paid	-436	-509	-750	-801	-801	-801
Net inc/(dec) in borrowings	-107	-186	-166	-421	-549	-816
Other investing/financing cash flows	373	-8,152	-1,515	-16	-18	-19
Net cash flow	1,047	-7,900	-1,226	-806	1,057	3,815
Change in working capital	*-117*	*-154*	*-38*	*-4*	*-33*	*-32*
Balance Sheet (USDm)						
Cash and cash equivalents	3,968	2,745	2,093	1,287	2,344	6,159
Property, plant & equipment	17,751	28,979	28,717	33,308	36,633	37,499
Goodwill	5,287	9,626	8,837	8,837	8,837	8,837
Other assets	6,316	7,534	7,635	7,650	7,767	7,883
Total assets	33,322	48,884	47,282	51,082	55,582	60,378
Debt	6,692	13,369	13,943	13,943	13,943	13,943
Other liabilities	5,896	9,961	8,831	8,842	8,926	9,009
Total liabilities	12,588	23,330	22,774	22,785	22,869	22,952
Total shareholders' equity	20,734	25,554	24,508	28,297	32,712	37,425
Net debt	*2,724*	*10,624*	*11,850*	*12,656*	*11,599*	*7,784*
Key Company Metrics						
Sales growth (%)	31.0	30.0	1.6	6.9	8.2	5.1
DB EPS growth (%)	na	36.5	na	na	13.6	5.8
Payout ratio (%)	13.4	11.4	nm	17.6	15.5	14.6
EBITDA Margin (%)	52.7	58.0	50.6	56.3	58.6	60.4
EBIT Margin (%)	41.9	48.1	38.7	45.0	47.6	49.2
ROE (%)	19.2	21.1	-2.9	19.2	18.6	16.9
Net debt/equity (%)	13.1	41.6	48.4	44.7	35.5	20.8
Net interest cover (x)	43.1	37.0	34.0	16.6	14.6	10.7
DuPont Analysis						
EBIT margin (%)	41.9	48.1	38.7	45.0	47.6	49.2
x Asset turnover (x)	0.4	0.3	0.3	0.3	0.3	0.3
x Financial cost ratio (x)	1.0	1.0	1.0	0.9	0.9	0.9
x Tax and other effects (x)	0.7	0.7	-0.1	0.7	0.7	0.7
= ROA (post tax) (%)	10.8	10.9	-1.4	9.2	9.7	9.4
x Financial leverage (x)	1.8	1.9	2.1	2.1	1.9	1.8
= ROE (%)	19.2	21.1	-2.9	19.2	18.6	16.9
annual growth (%)	*na*	*10.2*	*na*	*na*	*-3.2*	*-9.1*
x NTA/share (avg) (x)	17.1	21.2	22.6	23.7	27.8	32.4
= Reported EPS	3.28	4.48	-0.66	4.54	5.16	5.46
annual growth (%)	*na*	*36.5*	*na*	*na*	*13.6*	*5.8*

Source: Company data, Deutsche Bank estimates

Coeur d'Alene

Outlook

Coeur d'Alene (CDE) is a primary silver miner that should reach ~19m oz of output in 2012. Current earnings leverage, along with its stock performance and valuation, is most tightly linked to the silver market, although gold exposure is expected to reach ~38% of sales by 2012 due to the company's Kensington gold mine in Alaska. Management has partially transformed Coeur d'Alene in terms of its balance sheet and asset quality, but cost containment and project execution are still sources of concern; nonetheless, they are diminishing on more normalized production levels. The full ramp of three greenfield projects (San Bartolome, Palmarejo and Kensington) should fuel near-term cash flow as operations normalize, while brownfield expansion at Rochester should provide the next wave of growth. We rate Coeur d'Alene a Buy based on rising free cash flows.

Valuation

Our 12-month target price for Coeur d'Alene is based on 9x our 2014 EPS estimate. Our target price is equivalent to ~1x our NPV (provided simply as a valuation cross-check). Our NPV is calculated on a DCF basis (using a 10.3% WACC, 11.5% Ke and 5.5% after-tax Kd, and a 1.0% terminal growth rate based on our knowledge of the asset base and expectations of long-term growth).

Risks

The main downside risks to our Buy rating are lower-than-expected silver and gold prices. Other risks to our outlook are execution risk at its main growth projects (San Bartolome, Palmarejo and Kensington), environmental risk, permitting and sovereign risk associated with its countries of operation (Bolivia, Argentina and Mexico).

Model updated:01 March 2013

Running the numbers

North America

United States

Metals & Mining

Coeur d'Alene Mines

Reuters: CDE.N | Bloomberg: CDE UN

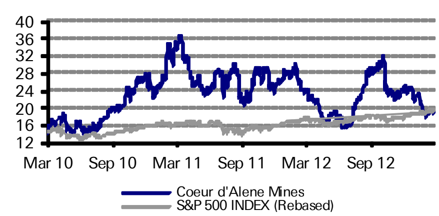
Buy

Price (26 Mar 13)	USD 18.88
Target Price	USD 29.00
52 Week range	USD 15.36 - 31.86
Market Cap (m)	USDm 1,713
	EURm 1,332

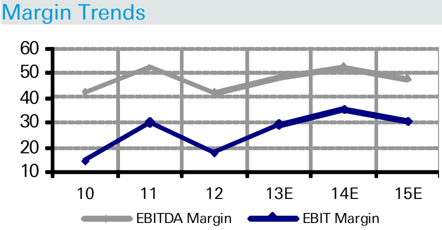
Company Profile

Coeur d'Alene Mines, headquartered in Idaho, is a primary silver producer with annual production expected to reach ~20m oz in 2012. Coeur d'Alene's earnings leverage and valuation is linked to the silver market, but gold exposure could rise to ~40% of sales in 2013E. Coeur d'Alene operates three main silver mines - Palmarejo (Mexico), San Bartolome (Bolivia), and a heap leach operation in Rochester, Nevada (US) - and is ramping up Kensington, a 130k oz gold mine in Alaska.

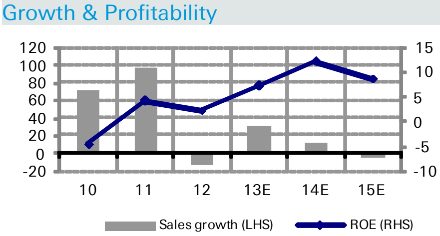
Price Performance



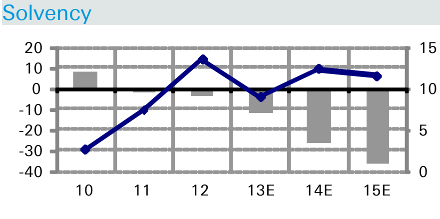
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	-1.04	1.00	0.54	1.84	3.41	2.70
Reported EPS (USD)	-1.02	1.00	0.54	1.84	3.41	2.70
DPS (USD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	22.85	23.81	24.53	26.07	29.48	32.19
Valuation Metrics						
Price/Sales (x)	3.1	2.4	2.3	1.5	1.3	1.4
P/E (DB) (x)	nm	27.2	42.7	10.3	5.5	7.0
P/E (Reported) (x)	nm	27.2	42.6	10.3	5.5	7.0
P/BV (x)	1.2	1.0	1.0	0.7	0.6	0.6
FCF yield (%)	2.5	10.2	7.5	13.7	28.0	22.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales	3.5	2.4	2.2	1.2	0.8	0.5
EV/EBITDA	8.2	4.5	5.3	2.6	1.5	1.1
EV/EBIT	23.9	7.8	12.6	4.2	2.2	1.7
Income Statement (USDm)						
Sales	515	1,021	895	1,170	1,306	1,248
EBITDA	217	531	378	566	685	595
EBIT	75	307	159	341	463	384
Pre-tax profit	-95	208	117	245	456	361
Net income	-91	89	49	167	310	245
Cash Flow (USDm)						
Cash flow from operations	197	368	272	367	565	485
Net Capex	-156	-120	-116	-132	-85	-95
Free cash flow	41	248	156	235	480	390
Equity raised/(bought back)	100	0	-20	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	-29	-41	-12	-38	-37	-33
Other investing/financing cash flows	-80	-1	-84	0	0	0
Net cash flow	32	206	40	197	443	357
Change in working capital	*-30*	*-49*	*-38*	*-121*	*25*	*5*
Balance Sheet (USDm)						
Cash and cash equivalents	66	175	126	576	1,019	1,376
Property, plant & equipment	2,790	2,689	2,676	2,583	2,446	2,329
Goodwill	0	0	0	0	0	0
Other assets	301	401	419	579	546	539
Total assets	3,158	3,264	3,221	3,739	4,011	4,244
Debt	245	148	59	312	312	312
Other liabilities	871	979	964	1,061	1,023	1,012
Total liabilities	1,117	1,128	1,023	1,374	1,336	1,324
Total shareholders' equity	2,041	2,137	2,198	2,365	2,675	2,920
Net debt	*179*	*-27*	*-67*	*-264*	*-707*	*-1,063*
Key Company Metrics						
Sales growth (%)	71.5	98.1	-12.3	30.7	11.6	-4.4
DB EPS growth (%)	-192.9	na	-45.5	239.2	85.6	-20.8
Payout ratio (%)	nm	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	42.2	52.0	42.2	48.4	52.5	47.7
EBIT Margin (%)	14.5	30.0	17.8	29.2	35.4	30.7
ROE (%)	-4.5	4.3	2.2	7.3	12.3	8.8
Net debt/equity (%)	8.8	-1.2	-3.0	-11.2	-26.4	-36.4
Net interest cover (x)	2.6	7.4	13.6	9.0	12.5	11.6
DuPont Analysis						
EBIT margin (%)	14.5	30.0	17.8	29.2	35.4	30.7
x Asset turnover (x)	0.2	0.3	0.3	0.3	0.3	0.3
x Financial cost ratio (x)	0.6	0.9	0.9	0.9	0.9	0.9
x Tax and other effects (x)	-2.0	0.3	0.3	0.5	0.7	0.7
= ROA (post tax) (%)	-2.9	2.8	1.5	4.8	8.0	5.9
x Financial leverage (x)	1.5	1.5	1.5	1.5	1.5	1.5
= ROE (%)	-4.5	4.3	2.2	7.3	12.3	8.8
annual growth (%)	*-164.5*	*na*	*-47.5*	*225.8*	*68.0*	*-28.7*
x NTA/share (avg) (x)	22.6	23.3	24.2	25.1	27.8	30.8
= Reported EPS	-1.02	1.00	0.54	1.84	3.41	2.70
annual growth (%)	*-157.3*	*na*	*-45.4*	*238.7*	*85.6*	*-20.8*

Source: Company data, Deutsche Bank estimates

Evolution Mining

Outlook

Evolution Mining has the support of the largest gold producer in Australia, Newcrest Mining (33% holding), which can provide it with additional project opportunities; however, the exit strategy is unknown at this stage and this large holding reduces the free float of the company. It has a diversified asset base with four producing assets (Cracow, Mt Rawdon and Pajingo in Queensland and Edna May in Western Australia) and one development asset, Mt Carlton, where commissioning has commenced and the first ore processing is expected in March 2013. While the company is higher cost than some of its peers and the mine lives at two of its assets (Cracow and Pajingo) are relatively short, given our strong view on gold and the discount to NPV, we rate the stock a Buy.

Valuation

EVN is highly leveraged to the gold price (+10% gold price above our estimate results in a 20% rise in FY13 earnings). We value exploration upside from the c.$25m annual budget at a nominal A$200m (0.28cps) exploration value in our NPV. Our 12-month target is set at 1.0x the LOM NPV consistent with most other mid-tier gold producers in our Australian coverage list. Our long-term forecasts for valuation determinations are gold at $1,025/oz, AUD/USD 0.80 and a 10% nominal WACC.

Risks

The focus for FY13 is to deliver on guidance and control cash costs; this will prove to the market that EVN's current assets provide a strong foundation for future growth. The commissioning of Mt Carlton is a key factor in the stock's performance; however, if there are delays or cost overruns this presents a downside risk to the stock. Looking forward, the conversion of resources into reserves at Pajingo and Cracow will be important to extending the mine life and confidence in the future of the five current operations. Other downside risks are operational underperformance and changes in the gold and silver price against our forecasts.

Model updated:11 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

Evolution Mining

Reuters: EVN.AX Bloomberg: EVN AU

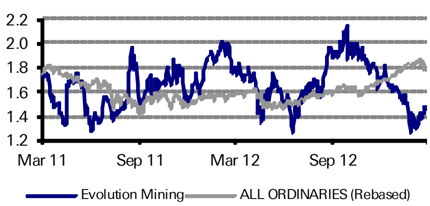
Buy

Price (27 Mar 13)	AUD 1.48
Target Price	AUD 1.84
52 Week range	AUD 1.27 - 2.14
Market Cap (m)	AUDm 1,044
	USDm 1,095

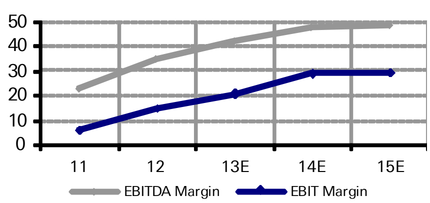
Company Profile

Evolution Mining owns and operates four gold operations in Queensland and Western Australia, and is developing a fifth gold operation in Queensland.

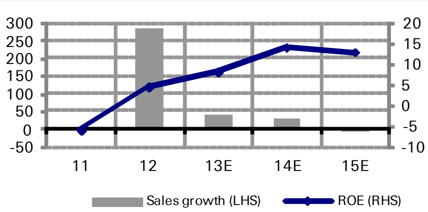
Price Performance



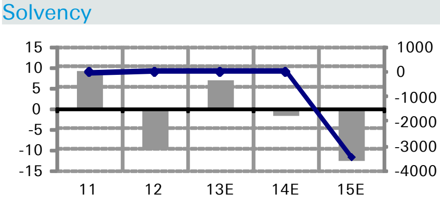
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2011	2012	2013E	2014E	2015E
Financial Summary					
DB EPS (AUD)	-0.01	0.07	0.13	0.24	0.25
Reported EPS (AUD)	-0.01	0.07	0.13	0.24	0.25
DPS (AUD)	0.00	0.00	0.01	0.02	0.02
BVPS (AUD)	0.87	1.49	1.62	1.85	2.08
Valuation Metrics					
Price/Sales (x)	2.5	1.9	1.6	1.2	1.2
P/E (DB) (x)	nm	23.3	11.5	6.0	5.8
P/E (Reported) (x)	nm	23.3	11.5	6.0	5.8
P/BV (x)	1.5	1.0	0.9	0.8	0.7
FCF yield (%)	nm	nm	nm	13.5	19.8
Dividend yield (%)	0.0	0.0	0.7	1.7	1.6
EV/Sales	2.5	1.7	1.6	1.2	1.1
EV/EBITDA	11.0	4.8	3.8	2.6	2.2
EV/EBIT	40.5	11.2	7.6	4.2	3.7
Income Statement (AUDm)					
Sales	122	469	664	874	869
EBITDA	28	164	280	419	423
EBIT	8	70	138	255	257
Pre-tax profit	4	66	131	248	257
Net income	-2	37	91	173	180
Cash Flow (AUDm)					
Cash flow from operations	22	172	219	314	331
Net Capex	-23	-217	-371	-173	-124
Free cash flow	-1	-45	-151	141	207
Equity raised/(bought back)	23	158	1	1	1
Dividends paid	0	0	0	-16	-17
Net inc/(dec) in borrowings	-18	-16	86	0	-95
Other investing/financing cash flows	54	14	-21	0	0
Net cash flow	-5	112	-100	103	72
Change in working capital	*-1*	*49*	*-44*	*0*	*0*
Balance Sheet (AUDm)					
Cash and cash equivalents	30	142	42	145	216
Property, plant & equipment	103	265	348	356	314
Goodwill	0	0	0	0	0
Other assets	92	863	1,065	1,113	1,152
Total assets	225	1,269	1,455	1,614	1,682
Debt	45	36	124	124	29
Other liabilities	26	177	182	182	182
Total liabilities	71	213	306	306	211
Total shareholders' equity	155	1,056	1,149	1,308	1,471
Net debt	*15*	*-106*	*82*	*-20*	*-187*
Key Company Metrics					
Sales growth (%)	nm	285.2	41.3	31.7	-0.5
DB EPS growth (%)	na	na	81.3	90.3	3.7
Payout ratio (%)	nm	0.0	7.7	10.2	9.5
EBITDA Margin (%)	22.9	34.9	42.1	48.0	48.7
EBIT Margin (%)	6.2	15.0	20.8	29.1	29.5
ROE (%)	-6.0	4.6	8.3	14.1	12.9
Net debt/equity (%)	9.5	-10.0	7.2	-1.6	-12.7
Net interest cover (x)	2.1	18.8	18.3	36.3	-3,439.0
DuPont Analysis					
EBIT margin (%)	6.2	15.0	20.8	29.1	29.5
x Asset turnover (x)	2.2	0.5	0.5	0.6	0.5
x Financial cost ratio (x)	0.5	0.9	0.9	1.0	1.0
x Tax and other effects (x)	-0.6	0.6	0.7	0.7	0.7
= ROA (post tax) (%)	-4.1	3.9	6.7	11.3	11.1
x Financial leverage (x)	1.5	1.2	1.2	1.2	1.2
= ROE (%)	-6.0	4.6	8.3	14.1	12.9
annual growth (%)	*na*	*na*	*78.9*	*70.5*	*-8.4*
x NTA/share (avg) (x)	0.2	1.5	1.6	1.7	2.0
= Reported EPS	-0.01	0.07	0.13	0.24	0.25
annual growth (%)	*na*	*na*	*81.3*	*90.3*	*3.7*

Source: Company data, Deutsche Bank estimates

Fresnillo

Outlook

Fresnillo is the world's largest primary silver producer (41Moz in 2011, or 6% of global mined supply), and a significant gold (440 koz in 2011) producer as well. We believe the company is in an excellent position to successively grow volumes through the addition of four new mines and a series of brownfield expansions over the next four to five years. Growth in the next two years is likely skewed towards gold (our preferred precious metal over the longer term), which should balance the revenue contribution to c. 50% from both gold and silver (the remaining 10% from base metals). Growth in 2012F is more muted compared to the company's medium-term project pipeline. Although Fresnillo is the quality company in the sector in our view, both absolute and comparative valuations are very full, and reflect much of this quality. Hold.

Valuation

Fresnillo trades as a true "precious metals stock," on a similar basis to the North American gold producers. The historical 5-year PE trading range for the North America gold producers is c. 15-30x, and they have significant premiums to their respective NAVs (c. 50-100%). Our price target is based on c.2.0x NAV, which is at a premium to peers due to the company's track record for delivery, and historical through the cycle multiples. Our NAV is based on life-of-mine cash flows, using a long-term gold price of $1025/oz and a silver price of $17.00. The WACC of 6.4% is based on a risk-free rate of 4%, a market risk premium of 6%, a beta of 0.4, and 0% gearing.

Risks

The key risks on the upside / downside are higher / lower silver and gold prices compared to our expectations. Strategically, Fresnillo has limited geographical diversification, with all its operations and growth in Mexico. While this is a mining-friendly destination, this has brought competition for resources from foreign players. Nationwide union strike activity could curtail production levels, and the risk of royalties being introduced could lead to a downgrade in earnings. The company has an excellent exploration track record and could surprise on the upside by discovering significant resources of silver and gold.

Model updated:18 March 2013

Running the numbers

Europe

United Kingdom

Gold

Fresnillo

Reuters: FRES.L Bloomberg: FRES LN

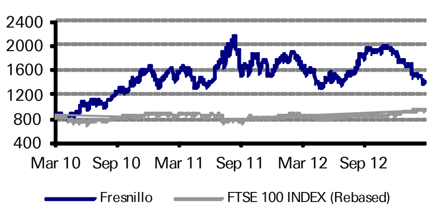
Sell

Price (27 Mar 13)	GBP 1,376.00
Target Price	GBP 1,300.00
52 Week range	GBP 1,307.00 - 1,993.00
Market Cap (m)	GBPm 9,868
	USDm 14,960

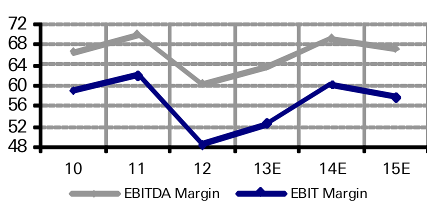
Company Profile

Fresnillo is the world's largest primary silver producer and a significant gold producer. All its operations are currently based in the highly prospective gold and silver belts of Mexico. The group currently has five operating mines, two advanced stage development and four medium-term growth projects, as well as significant land holdings in Mexico. Fresnillo's goal is to double production silver and gold by 2018, equating to 65Moz of silver and over 400koz of gold.

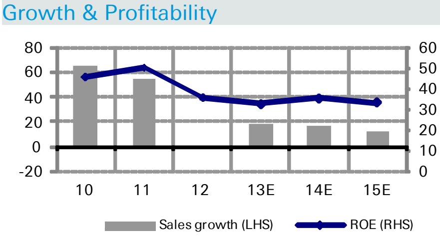
Price Performance



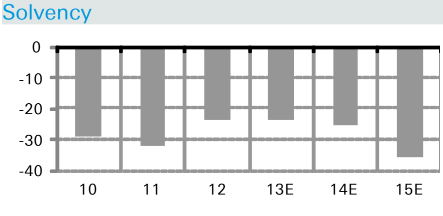
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	0.74	1.10	0.91	1.12	1.45	1.61
Reported EPS (USD)	0.93	1.26	1.03	1.12	1.45	1.61
DPS (USD)	0.45	1.03	0.58	0.77	0.95	1.09
BVPS (USD)	2.4	2.6	3.1	3.7	4.5	5.2
Weighted average shares (m)	717	717	717	717	717	717
Average market cap (USDm)	11,626	18,354	19,191	14,960	14,960	14,960
Enterprise value (USDm)	10,703	17,378	18,331	14,153	14,098	13,647
Valuation Metrics						
P/E (DB) (x)	21.9	23.3	29.4	18.6	14.4	12.9
P/E (Reported) (x)	17.5	20.4	26.1	18.6	14.4	12.9
P/BV (x)	10.93	9.11	9.63	5.60	4.68	4.03
FCF Yield (%)	3.3	4.3	1.2	3.5	5.6	8.6
Dividend Yield (%)	2.8	4.0	2.2	3.7	4.6	5.2
EV/Sales (x)	7.6	7.9	8.5	5.6	4.7	4.1
EV/EBITDA (x)	11.4	11.3	14.1	8.7	6.8	6.1
EV/EBIT (x)	12.8	12.8	17.5	10.6	7.8	7.1
Income Statement (USDm)						
Sales revenue	1,410	2,193	2,157	2,544	2,988	3,343
Gross profit	1,080	1,736	1,598	1,901	2,253	2,432
EBITDA	938	1,533	1,301	1,618	2,067	2,242
Depreciation	105	172	254	279	269	313
Amortisation	0	0	0	0	0	0
EBIT	833	1,361	1,047	1,339	1,799	1,929
Net interest income(expense)	0	-1	8	7	9	14
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	192	160	118	0	0	0
Other pre-tax income/(expense)	-3	15	-8	0	0	0
Profit before tax	1,022	1,535	1,165	1,346	1,808	1,943
Income tax expense	273	496	319	377	579	622
Minorities	84	137	109	163	189	164
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	665	902	736	806	1,040	1,157
DB adjustments (including dilution)	-134	-115	-84	0	0	0
DB Net profit	531	787	652	806	1,040	1,157
Cash Flow (USDm)						
Cash flow from operations	701	1,249	736	1,298	1,531	1,603
Net Capex	-315	-460	-506	-771	-698	-315
Free cash flow	386	790	230	527	833	1,288
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-191	-787	-424	-538	-730	-803
Net inc/(dec) in borrowings	0	0	0	0	0	0
Other investing/financing cash flows	52	123	120	120	97	96
Net cash flow	247	125	-73	109	200	582
Change in working capital	*0*	*0*	*0*	*0*	*0*	*0*
Balance Sheet (USDm)						
Cash and other liquid assets	560	685	613	722	922	1,504
Tangible fixed assets	896	1,194	1,480	1,972	2,401	2,403
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	570	573	615	502	415	333
Other assets	323	407	562	579	639	726
Total assets	2,348	2,859	3,270	3,776	4,377	4,966
Interest bearing debt	0	0	0	0	0	0
Other liabilities	429	710	669	686	703	733
Total liabilities	429	710	669	686	703	733
Shareholders' equity	1,714	1,868	2,233	2,672	3,199	3,710
Minorities	206	282	369	418	474	524
Total shareholders' equity	1,919	2,149	2,602	3,089	3,674	4,233
Net debt	*-560*	*-685*	*-613*	*-722*	*-922*	*-1,504*
Key Company Metrics						
Sales growth (%)	65.9	55.5	-1.6	17.9	17.5	11.9
DB EPS growth (%)	77.4	48.4	-17.2	23.5	29.1	11.3
EBITDA Margin (%)	66.6	69.9	60.3	63.6	69.2	67.1
EBIT Margin (%)	59.1	62.1	48.5	52.6	60.2	57.7
Payout ratio (%)	48.4	81.7	56.4	68.2	65.6	67.8
ROE (%)	46.0	50.4	35.9	32.9	35.4	33.5
Capex/sales (%)	24.1	21.3	24.1	30.3	23.4	9.4
Capex/depreciation (x)	3.2	2.7	2.0	2.8	2.6	1.0
Net debt/equity (%)	-29.2	-31.9	-23.6	-23.4	-25.1	-35.5
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Goldcorp

Outlook

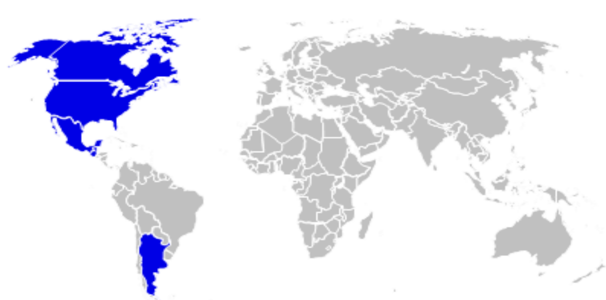
Goldcorp, headquartered in Vancouver, Canada, is amongst the largest gold mining companies in the world with operating mines and development projects throughout the Americas – including Canada, the US, Mexico, the Dominican Republic, Guatemala, Chile, Honduras and Argentina. In addition to gold, the company produces silver, copper, zinc and lead. The recent performance has been driven by rising gold prices and successful execution in bringing online additional projects, as well as its successful $3.5bn acquisition of Andean Resources, which adds to its long-term growth profile. The company's growth hinges on the successful execution of a number of projects (Pueblo Viejo, Cochenour/Red Lake and Cerro Negro), which in conjunction with other advanced-stage mines should nearly double gold volumes from 2.4m oz in 2012 to 4.2m oz in 2017. While Goldcorp has an industry-leading growth profile in stable geographies and potential for dividend upside, we rate the company as Hold on valuation.

Valuation

Our 12-month target price for Goldcorp is based on 11x our 2014F EPS. We believe Goldcorp should trade at the higher end of the range of its peer group, given its high quality portfolio of mines (largely in safe mining jurisdictions) and roster of development projects providing cost-effective growth potential. As a valuation cross-check, we note that our target price equates to ~1.1x our NPV, calculated using DCF methodology (6.6% WACC with 7.5% Ke and 2.8% after-tax Kd, 0.75% terminal growth rate [based on our knowledge of the asset base and expectations of long-term growth]).

Risks

Given Goldcorp's ~85% revenue exposure to gold and silver, the main upside/downside risk to our outlook includes higher-than-expected/lower-than-expected gold and silver prices. Upside/downside risks also include lower-than-expected/higher-than-expected raw material and other operating costs, currency depreciation/appreciation in key producing countries given the geographic diversity of assets, project delays and cost overruns, and geopolitical risks given production and exploration sites in Central and South America. Litigation on El Morro could impede anticipated development of the project and affect estimates. Aggressive M&A activity in the gold sector could result in possible overpayment for assets. Exploration and drilling activities carried out by the company may or may not produce any new reserves, leading to extended/shortened mine lives if current production is sustained or adjusted production levels. Project execution risk at Cochenour, Eléonore, Pueblo Viejo, Cerro Negro, El Morro and Cerro Blanco, in the form of delays, could increase costs and not lead to anticipated increases in new production.



Model updated:27 February 2013

Running the numbers

North America

Canada

Metals & Mining

Goldcorp

Reuters: GG.N Bloomberg: GG US

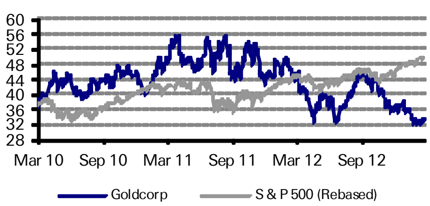
Hold

Price (26 Mar 13)	USD 32.90
Target Price	USD 35.00
52 Week range	USD 32.02 - 46.93
Market Cap (m)	EURm 20,741
	USDm 26,670

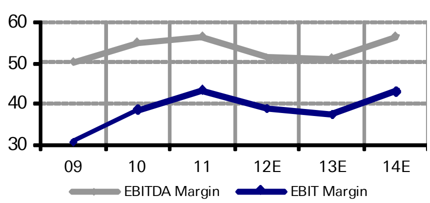
Company Profile

Goldcorp is a gold mining company based in Vancouver, Canada. In 2011, Goldcorp produced 2.5m oz of gold, 27.9m oz of silver and 96.5m lbs of copper. Reserves at year-end 2011 stood at 62.3m oz of gold, 1.3bn oz of silver and 5.4bn lbs of copper. Goldcorp has operations in Canada, the US, Mexico, the Dominican Republic, Guatemala, Honduras and Argentina, and recently acquired projects in Chile, Mexico and Argentina. The company's main listing is on the NYSE under the symbol GG.N. Goldcorp is also listed on the Toronto Stock Exchange, trading under the symbol G.TO.

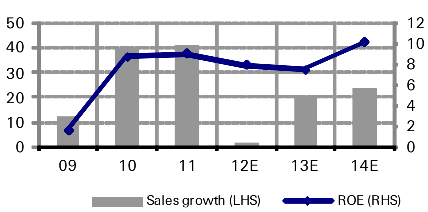
Price Performance



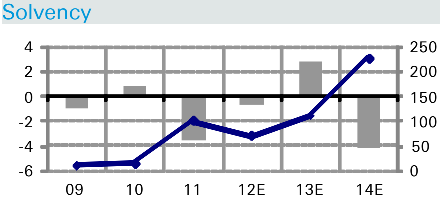
Margin Trends



Growth & Profitability



Solvency



Jorge Beristain, CFA
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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	0.32	2.09	2.21	1.86	2.15	3.15
Reported EPS (USD)	0.33	2.10	2.31	2.13	2.15	3.15
DPS (USD)	0.18	0.21	0.38	0.54	0.60	0.60
BVPS (USD)	21.19	27.46	26.44	28.02	29.55	32.79
Valuation Metrics						
Price/Sales (x)	9.5	8.1	7.3	4.9	4.1	3.3
P/E (DB) (x)	109.3	20.1	21.9	17.7	15.3	10.4
P/E (Reported) (x)	108.2	20.0	21.0	15.5	15.3	10.4
P/BV (x)	1.9	1.7	1.7	1.2	1.1	1.0
FCF yield (%)	nm	1.4	1.3	nm	nm	5.7
Dividend yield (%)	0.5	0.5	0.8	1.6	1.8	1.8
EV/Sales	9.5	8.0	7.1	4.9	4.2	3.2
EV/EBITDA	18.9	14.5	12.6	9.5	8.2	5.6
EV/EBIT	30.7	20.7	16.4	12.5	11.1	7.3
Income Statement (USDm)						
Sales	2,724	3,800	5,362	5,435	6,574	8,138
EBITDA	1,366	2,090	3,030	2,798	3,362	4,600
EBIT	840	1,467	2,336	2,123	2,465	3,515
Pre-tax profit	424	1,720	2,567	2,252	2,460	3,635
Net income	240	1,567	1,881	1,749	1,747	2,581
Cash Flow (USDm)						
Cash flow from operations	1,105	1,657	2,170	2,174	2,486	3,459
Net Capex	-1,262	-1,217	-1,677	-2,608	-2,800	-1,935
Free cash flow	-158	439	493	-434	-314	1,524
Equity raised/(bought back)	47	96	459	35	0	0
Dividends paid	-132	-154	-330	-438	-487	-491
Net inc/(dec) in borrowings	-78	-99	-23	-30	-22	-15
Other investing/financing cash flows	202	-612	357	237	0	0
Net cash flow	-118	-330	956	-630	-823	1,018
Change in working capital	*-55*	*-89*	*-174*	*-121*	*-163*	*-87*
Balance Sheet (USDm)						
Cash and cash equivalents	875	556	1,502	918	95	1,112
Property, plant & equipment	18,001	25,316	24,209	26,367	28,270	29,120
Goodwill	762	762	1,737	1,737	1,737	1,737
Other assets	1,311	2,175	1,926	2,190	2,632	2,994
Total assets	20,949	28,809	29,374	31,212	32,734	34,964
Debt	736	747	737	783	783	0
Other liabilities	4,669	7,655	7,152	7,500	7,762	7,902
Total liabilities	5,404	8,402	7,889	8,283	8,545	7,902
Total shareholders' equity	15,544	20,407	21,485	22,929	24,189	27,061
Net debt	*-139*	*191*	*-765*	*-135*	*688*	*-1,112*
Key Company Metrics						
Sales growth (%)	12.6	39.5	41.1	1.4	20.9	23.8
DB EPS growth (%)	-84.3	545.2	6.0	-16.2	16.0	46.4
Payout ratio (%)	54.8	9.9	16.1	25.0	27.9	19.0
EBITDA Margin (%)	50.2	55.0	56.5	51.5	51.1	56.5
EBIT Margin (%)	30.8	38.6	43.6	39.1	37.5	43.2
ROE (%)	1.6	8.8	9.1	8.0	7.5	10.2
Net debt/equity (%)	-0.9	0.9	-3.6	-0.6	2.8	-4.1
Net interest cover (x)	10.8	14.9	101.6	70.8	110.9	227.8
DuPont Analysis						
EBIT margin (%)	30.8	38.6	43.6	39.1	37.5	43.2
x Asset turnover (x)	0.1	0.2	0.2	0.2	0.2	0.2
x Financial cost ratio (x)	0.9	0.9	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.3	1.1	0.8	0.8	0.7	0.7
= ROA (post tax) (%)	1.2	6.3	6.5	5.8	5.5	7.6
x Financial leverage (x)	1.3	1.4	1.4	1.4	1.4	1.3
= ROE (%)	1.6	8.8	9.1	8.0	7.5	10.2
annual growth (%)	*-85.1*	*457.0*	*3.3*	*-12.3*	*-5.9*	*35.7*
x NTA/share (avg) (x)	20.7	23.9	25.4	26.8	28.8	31.0
= Reported EPS	0.33	2.10	2.31	2.13	2.15	3.15
annual growth (%)	*-84.1*	*541.7*	*10.0*	*-7.8*	*1.2*	*46.4*

Source: Company data, Deutsche Bank estimates

Gold Fields

Outlook

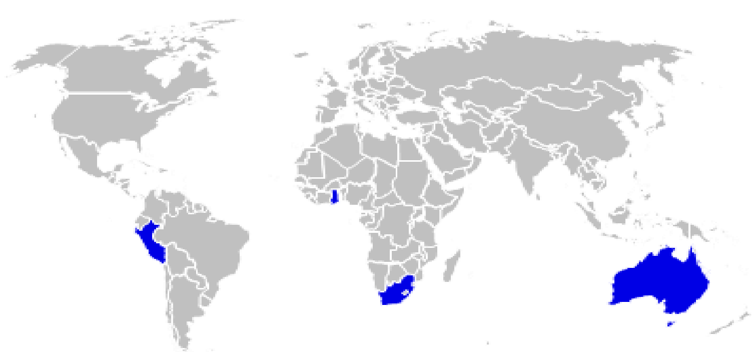
2013 is likely a pivotal year for **Gold Fields** given that it has now spun out its mature South African mines into the newly listed Sibanye Gold and begun to set out a revised strategy for its remaining assets. Gold Fields has signaled its intent to move away from greenfields, capex-intensive projects, towards shorter-term brownfields and near-mine exploration projects. As a result, it has stopped providing longer-term production growth forecasts and capex guidance. Following the Sibanye spin-off, Gold Fields' intended use of cash flow, i.e. for production growth or to return to shareholders via higher dividends, is uncertain, thus its current sector-leading dividend yield could be at risk. Downside to our target price leads us to rate Gold Fields Sell.

Valuation

We value Gold Fields based on a sum-of-the-parts DCF model of individual operations and projects. We apply a nominal WACC of 11.1% to cash flows from 2012F-17F that is driven by our assumption of commodity prices in nominal terms. From 2018F to the end of life of each mine, we discount cash flows using a real WACC, to reflect our use of real commodity prices in our assumptions from 2018F onward. We apply a 1x multiple to our DCF-derived net asset value for the company. We feel this is a conservative but sensible approach given our confidence that our long-term gold price assumption of $1,025/oz and our long-term ZAR/USD rate of 9.58 are reflective of reasonable incentive pricing for the projects we expect Gold Fields to develop for IRRs of 9-15% (on a real post-tax basis). We derive our one-year forward target price from rolling our DCF forward at the cost of equity less the expected dividend yield.

Risks

Upside risks to our target price being achieved include current operations outperforming our expectations, in particular the group's major growth project in South Africa (South Deep); sooner-than-expected approval and development of capital projects; higher-than-expected gold prices and a weaker-than-expected ZAR/USD rate.



Model updated:14 February 2013

Running the numbers

Sub-Saharan Africa

South Africa

Gold

Gold Fields

Reuters: GFIJ.J Bloomberg: GFI SJ

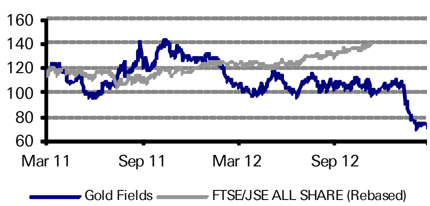
Sell

Price (27 Mar 13)	ZAR 70.73
Target Price	ZAR 75.00
52 Week range	ZAR 69.45 - 117.45
Market Cap (m)	ZARm 51,750
	USDm 5,590

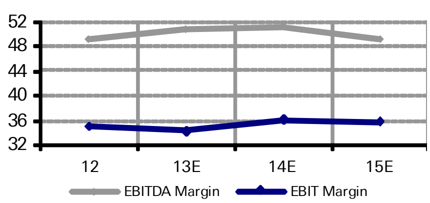
Company Profile

Gold Fields is the third largest gold miner globally. It has operations in South Africa, Peru, Ghana and Australia.

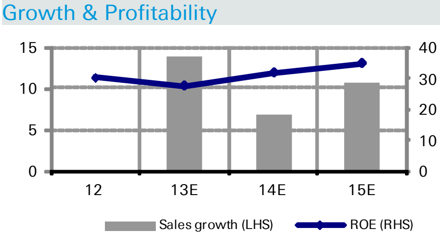
Price Performance



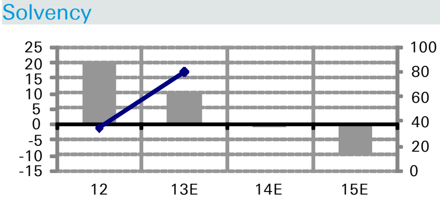
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2012	2013E	2014E	2015E
Financial Summary				
DB EPS (ZAR)	7.76	7.20	8.56	9.57
Reported EPS (ZAR)	7.76	7.20	8.56	9.57
DPS (ZAR)	2.35	2.40	2.80	3.10
BVPS (ZAR)	70.5	75.1	81.0	87.7
Weighted average shares (m)	729	732	732	732
Average market cap (ZARm)	79,625	51,750	51,750	51,750
Enterprise value (ZARm)	89,506	48,960	43,313	37,415
Valuation Metrics				
P/E (DB) (x)	14.1	9.8	8.3	7.4
P/E (Reported) (x)	14.1	9.8	8.3	7.4
P/BV (x)	1.47	0.94	0.87	0.81
FCF Yield (%)	2.1	12.1	15.6	16.5
Dividend Yield (%)	2.2	3.4	4.0	4.4
EV/Sales (x)	3.1	1.5	1.2	1.0
EV/EBITDA (x)	6.3	2.9	2.4	1.9
EV/EBIT (x)	8.8	4.3	3.4	2.7
Income Statement (ZARm)				
Sales revenue	28,916	32,986	35,280	39,071
Gross profit	15,296	18,033	19,458	20,760
EBITDA	14,243	16,741	18,076	19,230
Depreciation	4,094	5,416	5,320	5,211
Amortisation	0	0	0	0
EBIT	10,149	11,325	12,756	14,019
Net interest income(expense)	-295	-142	0	0
Associates/affiliates	-407	-523	-586	-644
Exceptionals/extraordinaries	-1,483	-262	-262	-262
Other pre-tax income/(expense)	-1,467	-1,853	-1,938	-2,097
Profit before tax	6,905	9,068	10,557	11,660
Income tax expense	3,718	2,720	3,167	3,498
Minorities	273	556	539	514
Other post-tax income/(expense)	3,152	0	0	0
Net profit	5,658	5,269	6,264	7,004
DB adjustments (including dilution)	3,446	2,527	2,706	2,956
DB Net profit	9,104	7,796	8,970	9,960
Cash Flow (ZARm)				
Cash flow from operations	11,807	11,077	12,191	12,871
Net Capex	-10,146	-4,793	-4,108	-4,344
Free cash flow	1,662	6,284	8,082	8,526
Equity raised/(bought back)	16	0	0	0
Dividends paid	-2,943	-1,750	-1,896	-2,114
Net inc/(dec) in borrowings	-394	0	0	0
Other investing/financing cash flows	4,363	0	0	0
Net cash flow	2,704	4,534	6,187	6,412
Change in working capital	*435*	*-184*	*29*	*-14*
Balance Sheet (ZARm)				
Cash and other liquid assets	5,196	10,153	16,339	22,751
Tangible fixed assets	53,789	53,166	51,954	51,088
Goodwill/intangible assets	4,459	4,459	4,459	4,459
Associates/investments	2,689	10,958	10,958	10,958
Other assets	17,090	6,310	6,634	7,316
Total assets	83,222	85,046	90,345	96,572
Interest bearing debt	16,016	16,016	16,016	16,016
Other liabilities	14,049	11,797	12,189	13,013
Total liabilities	30,065	27,813	28,204	29,028
Shareholders' equity	51,408	54,927	59,295	64,185
Minorities	1,750	2,305	2,845	3,359
Total shareholders' equity	53,157	57,232	62,140	67,544
Net debt	*10,820*	*5,863*	*-324*	*-6,736*
Key Company Metrics				
Sales growth (%)	nm	14.1	7.0	10.7
DB EPS growth (%)	na	-7.2	18.9	11.8
EBITDA Margin (%)	49.3	50.8	51.2	49.2
EBIT Margin (%)	35.1	34.3	36.2	35.9
Payout ratio (%)	30.3	33.3	32.7	32.4
ROE (%)	30.5	27.7	32.1	35.1
Capex/sales (%)	35.1	14.5	11.6	11.1
Capex/depreciation (x)	2.5	0.9	0.8	0.8
Net debt/equity (%)	20.4	10.2	-0.5	-10.0
Net interest cover (x)	34.4	79.8	nm	nm

Source: Company data, Deutsche Bank estimates

Harmony

Outlook

We rate **Harmony** Buy based on the upside implied by our valuation. The company aims to increase its margins and profitability by developing new lower-cost underground mines in South Africa (Doornkop and Phakisa) and investing in Papua New Guinea (PNG). In particular, the company's 50%-owned Golpu project in PNG has yielded positive drill results and work is advancing towards a feasibility study. The Golpu resource is measured to be 1bnt and at steady state the mine will be a large gold and copper producer with costs in the lowest quartile of the gold cost curve. Buy.

Valuation

We value Harmony based on a sum-of-the-parts DCF model of individual operations and projects. We apply a nominal WACC of 11.1% to cash flows from 2013F-17F that is driven by our assumption of nominal commodity prices. From 2018F to the end of life of each mine, we use a real WACC to reflect our use of real commodity prices in our assumptions. We apply a 1x multiple to our DCF-derived net asset value for the company. We regard this as a conservative but sensible approach given our confidence that our long-term gold price assumption and ZAR/USD rate ($1,025/oz and 9.58, respectively) reflect reasonable incentive pricing for the projects we expect Harmony to develop for IRRs of 9-15% (on a real post-tax basis). We derive our one-year forward target price by rolling our DCF forward at the cost of equity (11.7%) less the expected dividend yield. We derive our WACC using Deutsche Bank's estimates of the market risk premium (4.5%) and risk-free rate (8%). Our cost of debt assumption (9% pre-tax) is determined by a comparison with similarly risky companies in the US debt market. We assume a long-term debt weighting of 10% as Harmony seeks funding for projects. We estimate a beta of 0.7x based on a 10-year rolling monthly average beta on the JSE ALSI.

Risks

Downside risks include slippage in Harmony's strategy of targeting lower-cost South African ounces and the build-up of the PNG projects. Harmony is highly exposed to a rising inflationary environment in South Africa and as a result, its operating margins may come under pressure before its South African exposure is reduced. Grade management and sustainability of any grade improvements is uncertain. With regard to PNG, risks include the prospect of slippage in delivering the Golpu project on time and on budget; higher wage inflation, which would pressure margins; a change in government, which could mean unfavorable changes to tax treatment or licensing regime for mining projects; and logistics issues at the Golpu project, specifically related to infrastructure. Other downside risks are lower-than-expected gold prices and a weaker-than-expected ZAR/USD exchange rate.

Model updated:04 February 2013

Running the numbers

Sub-Saharan Africa

South Africa

Gold

Harmony

Reuters: HARJ.J Bloomberg: HAR SJ

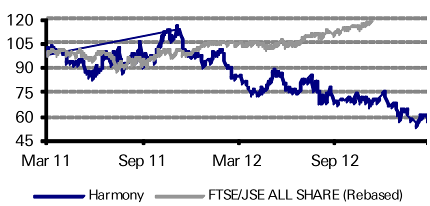
Buy

Price (27 Mar 13)	ZAR 58.68
Target Price	ZAR 100.00
52 Week range	ZAR 53.40 - 89.00
Market Cap (m)	ZARm 25,309
	USDm 2,734

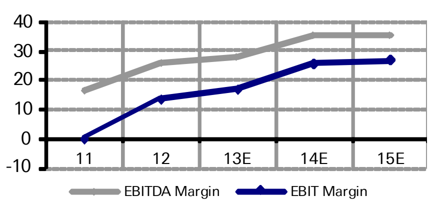
Company Profile

Harmony is the fifth largest gold producer in the world, with around 1.3moz of gold produced per year. The company has 12 mines plus two sources of surface material in South Africa plus one mine and one project in Papua New Guinea. Overall, Harmony has six mines in build-up, two in steady -state and five other mines.

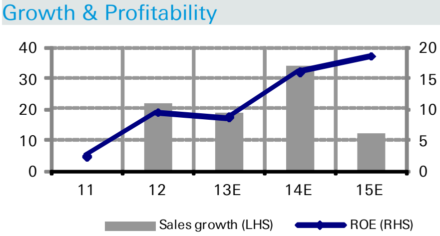
Price Performance



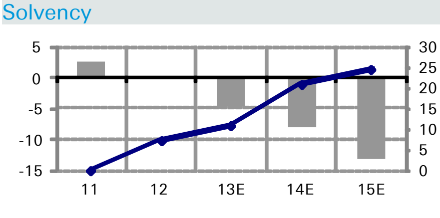
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2011	2012	2013E	2014E	2015E
Financial Summary					
DB EPS (ZAR)	0.24	7.16	5.47	10.25	12.03
Reported EPS (ZAR)	1.47	5.99	5.47	10.25	12.03
DPS (ZAR)	0.60	0.90	1.10	0.70	0.00
BVPS (ZAR)	69.9	78.9	84.4	94.0	105.4
Weighted average shares (m)	431	431	431	431	431
Average market cap (ZARm)	36,017	40,165	25,309	25,309	25,309
Enterprise value (ZARm)	36,698	40,063	23,447	21,915	19,173
Valuation Metrics					
P/E (DB) (x)	352.0	13.0	10.7	5.7	4.9
P/E (Reported) (x)	56.7	15.5	10.7	5.7	4.9
P/BV (x)	1.29	0.97	0.70	0.62	0.56
FCF Yield (%)	nm	2.7	4.6	7.1	12.0
Dividend Yield (%)	0.7	1.0	1.9	1.2	0.0
EV/Sales (x)	2.9	2.6	1.3	0.9	0.7
EV/EBITDA (x)	17.9	10.2	4.6	2.6	2.0
EV/EBIT (x)	nm	19.5	7.6	3.5	2.6
Income Statement (ZARm)					
Sales revenue	12,445	15,169	18,064	24,270	27,251
Gross profit	2,870	4,893	6,267	9,864	11,086
EBITDA	2,055	3,919	5,079	8,564	9,703
Depreciation	1,776	1,921	1,988	2,252	2,325
Amortisation	264	-60	0	0	0
EBIT	15	2,058	3,091	6,311	7,377
Net interest income(expense)	-288	-286	-283	-300	-300
Associates/affiliates	-51	0	0	0	0
Exceptionals/extraordinaries	319	61	242	0	0
Other pre-tax income/(expense)	140	97	129	129	129
Profit before tax	135	1,930	3,179	6,140	7,206
Income tax expense	-480	-63	819	1,719	2,018
Minorities	0	0	0	0	0
Other post-tax income/(expense)	20	592	0	0	0
Net profit	635	2,585	2,360	4,421	5,189
DB adjustments (including dilution)	-533	503	0	0	0
DB Net profit	102	3,088	2,360	4,421	5,189
Cash Flow (ZARm)					
Cash flow from operations	2,379	4,213	4,960	6,641	7,496
Net Capex	-3,110	-3,139	-3,795	-4,850	-4,452
Free cash flow	-731	1,074	1,166	1,790	3,044
Equity raised/(bought back)	44	26	0	0	0
Dividends paid	-214	-431	-434	-259	-302
Net inc/(dec) in borrowings	379	195	505	0	0
Other investing/financing cash flows	445	216	1,067	0	0
Net cash flow	-77	1,080	2,304	1,532	2,742
Change in working capital	*345*	*-330*	*128*	*-176*	*-68*
Balance Sheet (ZARm)					
Cash and other liquid assets	693	1,773	4,077	5,608	8,351
Tangible fixed assets	31,221	32,853	33,587	36,184	38,311
Goodwill/intangible assets	2,170	2,196	2,192	2,192	2,192
Associates/investments	185	146	159	159	159
Other assets	4,541	6,320	6,918	7,589	7,925
Total assets	38,810	43,288	46,932	51,733	56,937
Interest bearing debt	1,559	1,816	2,373	2,373	2,373
Other liabilities	6,976	7,455	8,160	8,797	9,115
Total liabilities	8,535	9,271	10,533	11,170	11,488
Shareholders' equity	30,160	34,022	36,401	40,563	45,449
Minorities	0	0	0	0	0
Total shareholders' equity	30,160	34,022	36,401	40,563	45,449
Net debt	*866*	*43*	*-1,704*	*-3,235*	*-5,978*
Key Company Metrics					
Sales growth (%)	nm	21.9	19.1	34.4	12.3
DB EPS growth (%)	na	2,917.6	-23.6	87.3	17.4
EBITDA Margin (%)	16.5	25.8	28.1	35.3	35.6
EBIT Margin (%)	0.1	13.6	17.1	26.0	27.1
Payout ratio (%)	40.8	15.0	20.1	6.8	0.0
ROE (%)	2.4	9.6	8.7	16.1	18.6
Capex/sales (%)	25.0	20.7	21.0	20.0	16.3
Capex/depreciation (x)	1.8	1.6	1.9	2.2	1.9
Net debt/equity (%)	2.9	0.1	-4.7	-8.0	-13.2
Net interest cover (x)	0.1	7.2	10.9	21.0	24.6

Source: Company data, Deutsche Bank estimates

Highland Gold Mining

Outlook

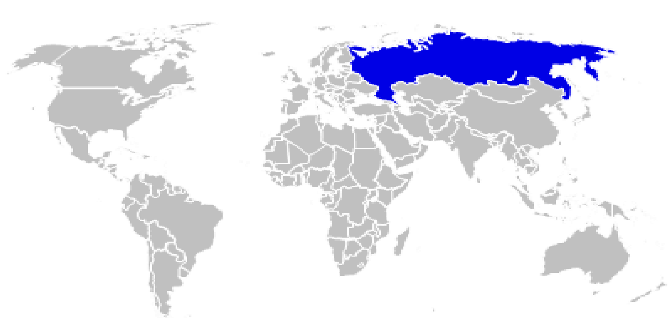
Highland Gold Mining (HGM) is a small cap Russian gold producer with a current market capitalization of less than USD1bn. One-third of the company is owned by Roman Abramovich's Millhouse Capital. Management holds 8%, with the remaining 59% in free float. With 200koz of gold equivalent production in 2011 (-8% YoY), HGM is one of the ten biggest gold producers in Russia. After a period of poor operational performance and unconvincing strategic execution, management made progress towards turning Highland Gold from a struggling one-mine company to a potential growth story with a more diversified asset base and several long-dated options. While the company missed its 2011 guidance and cut its 2012 target, we see potential for an 8% production CAGR in 2011-15. While we currently view Taseevskoye as highly uncertain, we believe the market may be underestimating the potential of the Unkurtash greenfield project. We are bullish on the outlook for gold, expecting gold prices to peak at $1,900/oz in 2014 as confidence in nominal assets and fiat currencies remains shaky and global monetary authorities provide liquidity to keep real interest rates at low levels.

Valuation

We value Highland Gold based on a two-part sum-of-the-parts DCF model with life-of-mine for individual deposits. We apply a 10.9% nominal and 8.4% real WACC based on a targeted capital structure of 75% equity and 25% debt. We estimate the cost of equity at 10.5% using levered beta of 0.5x (the historical average for the London listed peer group versus the LSE), an equity risk premium of 7.5% and a risk-free rate of 6%. We assume a nominal cost of debt of 8% and an effective tax rate of 22%. Last, we apply a 1.5% discretionary liquidity charge to HGM's WACC. We apply a 1.4 exit multiple. Our target price implies 1x DCF with a 2015F horizon and 0% TGR or 4.1x and 8x 2013F EV/EBITDA and P/E target multiples on forecast.

Risks

Major downside risks are gold prices, as well as Russian macroeconomic factors such as ruble appreciation and mining inflation. Management risks are related to the company's ability to extend mine life and deliver on the development of key growth projects. Other risks include corporate governance and related party risks, possible changes in fiscal regime and/or mining legislations. We also highlight M&A risks, as a meaningful part of Highland's value is tied in its cash position and the company is actively seeking acquisition targets in a high gold price environment.



Model updated:14 March 2013

Running the numbers

Emerging Europe

Russia

Metals & Mining

Highland Gold

Reuters: HGM.L — Bloomberg: HGM LN

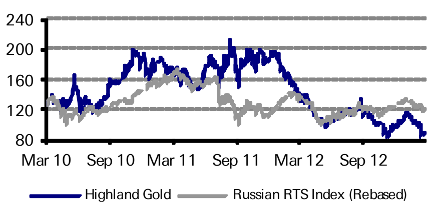
Buy

Price (27 Mar 13)	GBP 86.25
Target Price	GBP 160.00
52 Week range	GBP 83.50 - 140.00
Market Cap (m)	GBPm 281
	USDm 425

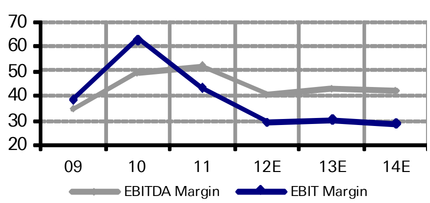
Company Profile

Highland Gold Mining Limited (Highland Gold) is a Jersey-based gold mining company. With 200koz of gold equivalent production in 2010, Highlabnd was Russia' sixth biggest producer. The company is currently relying on its flagship Mnogovershinnoye mine for the bulk of its output, but has recently added production from new mines and continues to expand its project portfolio in Russia and Central Asia.

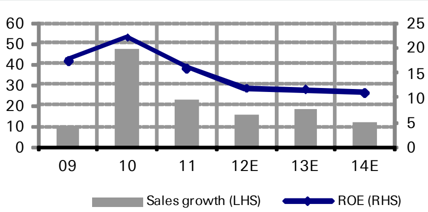
Price Performance



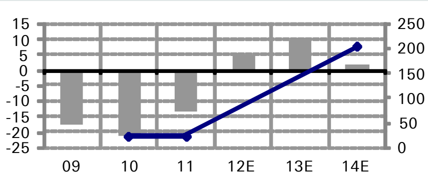
Margin Trends



Growth & Profitability



Solvency



Erik Danemar
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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	0.17	0.21	0.32	0.27	0.30	0.32
Reported EPS (USD)	0.24	0.38	0.32	0.27	0.30	0.32
DPS (USD)	0.00	0.00	0.08	0.08	0.00	0.00
BVPS (USD)	1.5	1.9	2.1	2.4	2.7	3.0
Weighted average shares (m)	325	325	325	325	325	325
Average market cap (USDm)	313	679	918	425	425	425
Enterprise value (USDm)	140	464	791	422	473	403
Valuation Metrics						
P/E (DB) (x)	5.6	9.8	8.8	4.8	4.4	4.1
P/E (Reported) (x)	4.0	5.6	8.8	4.8	4.4	4.1
P/BV (x)	0.96	1.56	1.37	0.58	0.48	0.43
FCF Yield (%)	4.2	8.5	5.6	nm	nm	16.5
Dividend Yield (%)	0.0	0.0	2.8	5.9	0.0	0.0
EV/Sales (x)	0.9	1.9	2.6	1.2	1.1	0.9
EV/EBITDA (x)	2.5	3.9	5.1	3.0	2.7	2.1
EV/EBIT (x)	2.2	3.0	6.1	4.1	3.8	3.0
Income Statement (USDm)						
Sales revenue	165	244	300	348	412	462
Gross profit	79	139	181	165	208	231
EBITDA	56	120	157	140	176	194
Depreciation	16	20	27	38	51	61
Amortisation	-23	-53	0	0	0	0
EBIT	63	153	130	102	125	133
Net interest income(expense)	4	-7	-6	9	0	-1
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	-2	0	0	0	0	0
Other pre-tax income/(expense)	20	-2	8	1	0	0
Profit before tax	87	144	132	113	125	132
Income tax expense	7	22	28	25	28	29
Minorities	0	0	0	0	1	1
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	79	122	104	88	97	103
DB adjustments (including dilution)	-23	-53	0	0	0	0
DB Net profit	56	70	104	88	97	103
Cash Flow (USDm)						
Cash flow from operations	45	95	117	111	131	153
Net Capex	-32	-37	-66	-174	-182	-83
Free cash flow	13	58	51	-63	-51	70
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	-26	0	0	0
Net inc/(dec) in borrowings	-54	-66	-5	90	0	0
Other investing/financing cash flows	64	-21	-59	-65	0	-1
Net cash flow	24	-29	-38	-38	-51	69
Change in working capital	*5*	*-11*	*-16*	*5*	*-18*	*-12*
Balance Sheet (USDm)						
Cash and other liquid assets	197	168	91	53	1	71
Tangible fixed assets	213	280	453	640	771	793
Goodwill/intangible assets	65	65	70	70	70	70
Associates/investments	87	86	36	41	41	41
Other assets	76	91	118	149	179	196
Total assets	638	689	768	952	1,063	1,172
Interest bearing debt	110	38	0	90	90	90
Other liabilities	35	37	73	80	93	98
Total liabilities	145	75	73	170	183	188
Shareholders' equity	493	614	692	780	878	981
Minorities	0	0	0	0	0	0
Total shareholders' equity	493	614	692	780	878	981
Net debt	*-87*	*-130*	*-91*	*37*	*89*	*19*
Key Company Metrics						
Sales growth (%)	10.5	47.9	23.2	15.8	18.7	12.1
DB EPS growth (%)	na	23.8	49.3	-15.2	10.0	6.0
EBITDA Margin (%)	34.3	49.4	52.1	40.4	42.7	42.0
EBIT Margin (%)	38.4	62.8	43.2	29.5	30.3	28.8
Payout ratio (%)	0.0	0.0	25.1	28.4	0.0	0.0
ROE (%)	17.4	22.1	15.9	12.0	11.7	11.0
Capex/sales (%)	19.4	15.2	21.9	50.0	44.2	18.0
Capex/depreciation (x)	2.0	1.8	2.4	4.6	3.6	1.4
Net debt/equity (%)	-17.6	-21.2	-13.1	4.8	10.1	1.9
Net interest cover (x)	nm	22.2	23.3	nm	nm	203.5

Source: Company data, Deutsche Bank estimates

Kinross Gold Corporation

Outlook

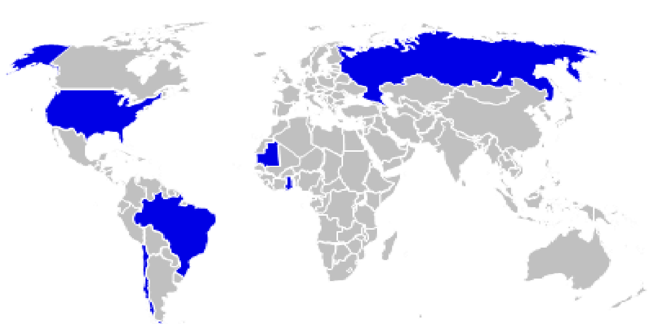
Kinross Gold Corporation (KGC), based in Toronto, Canada, operates mines and development projects in the US, Brazil, Chile, Ecuador, Russia and, following its ~$7.7bn stock acquisition of Red Back Mining in 2010, West Africa. The recent performance has been driven by increased risk associated with its sharp diversification into West Africa (Ghana and Mauritania). Near-term growth is dependent on expansions at Maricunga (Chile) and Paracatu (Brazil), and dimensioning of resource base of African assets. Medium-term, Kinross' outlook hinges on the successful execution of Tasiast and Chirano mines (both in West Africa), Dvoinoye (Russia), Lobo Marte (Chile) and Fruta del Norte (Ecuador), which have the potential to increase gold equivalent production to ~3.8m oz by 2017 (from 2.6m oz in 2011). We rate Kinross a Buy given its relative underperformance vs peers, with expected upside sufficient to compensate for higher-than-average execution/country risk.

Valuation

Our 12-month target price for Kinross is based on 10x our 2014F EPS. We believe that Kinross should trade toward the higher end of the range of its peer group, given its higher long-term growth profile, commitment to remain a "pure" precious metals producer, and expansion options. However, our lower multiple vis-à-vis other "growth" gold producers in our universe factors in higher-than-average execution and country risk due to higher Frontier Market exposure. As a valuation cross-check, we note our target price equates with ~0.8x our NPV calculated under a DCF methodology (8.1% WACC with 9.3% Ke and 3.4% after-tax Kd, 0.5% terminal growth rate [based on our knowledge of the asset base and expectations of long-term growth]).

Risks

Given Kinross' ~90% exposure to gold, the main downside risk to our outlook includes lower-than-expected gold prices. Downside risks include higher raw material prices and other operating cost pressures, currency fluctuations in main producing countries given the geographical diversity of assets, project delays and cost overruns, and geopolitical risks given production and exploration sites, particularly in Russia, Ecuador, Ghana and Mauritania. Exploration and drilling activities carried out by the company may not produce any new reserves, leading to shortened mine lives if current production is sustained, or adjusted production levels. Project execution risk at Tasiast, Chirano, Lobo Marte, Fruta del Norte and Cerro Casale could increase costs and envisioned capital investments and not lead to any increases in new production.



Model updated:01 March 2013

Running the numbers

North America

Canada

Metals & Mining

Kinross Gold

Reuters: KGC.N | Bloomberg: KGC US

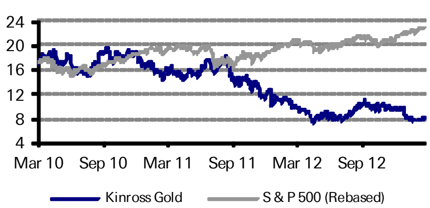
Buy

Price (26 Mar 13)	USD 7.87
Target Price	USD 11.00
52 Week range	USD 7.31 - 11.08
Market Cap (m)	EURm 6,972
	USDm 8,965

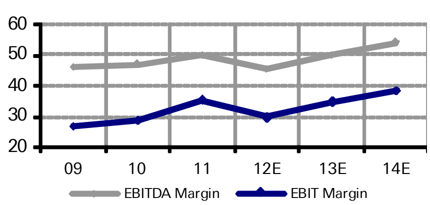
Company Profile

Kinross Gold Corp, based in Toronto, Canada, is one of the world's largest gold companies and produced ~2.6m oz of gold equivalent in 2011. Attributable reserves stood at 63m oz of gold, 85m oz of silver and 1.4 bn lbs of copper as of 2011. Kinross's operations are divided into 4 regional units: North America, South America, Asia and Africa; with mining operations in the US, Brazil, Chile, Ecuador, Russia, Ghana and Mauritania. The company's main listing is on the NYSE under the symbol KGC.N. It is also listed on the Toronto Stock Exchange, trading under the symbol K.TO.

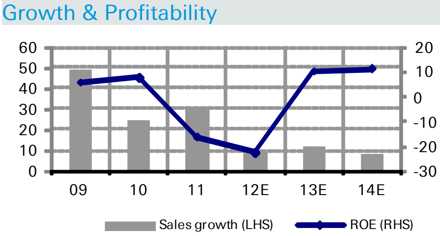
Price Performance



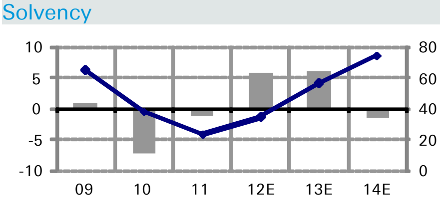
Margin Trends



Growth & Profitability



Solvency



Jorge Beristain, CFA
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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	0.45	0.93	-1.83	-2.20	0.94	1.14
Reported EPS (USD)	0.44	0.68	-1.83	-2.20	0.94	1.14
DPS (USD)	0.09	0.10	0.11	0.16	0.16	0.16
BVPS (USD)	8.04	11.81	10.91	8.65	9.44	10.45
Valuation Metrics						
Price/Sales (x)	5.4	6.7	4.5	2.1	1.9	1.7
P/E (DB) (x)	41.8	19.0	nm	nm	8.3	6.9
P/E (Reported) (x)	42.0	26.2	nm	nm	8.3	6.9
P/BV (x)	2.3	1.6	1.0	0.9	0.8	0.8
FCF yield (%)	3.3	1.9	nm	nm	1.4	11.5
Dividend yield (%)	0.5	0.5	0.7	2.0	2.0	2.0
EV/Sales	5.3	6.2	4.3	2.1	1.9	1.6
EV/EBITDA	11.5	13.2	8.6	4.6	3.8	3.0
EV/EBIT	19.8	21.6	12.2	7.1	5.5	4.2
Income Statement (USDm)						
Sales	2,412	3,010	3,943	4,311	4,817	5,216
EBITDA	1,113	1,414	1,973	1,962	2,412	2,816
EBIT	646	867	1,395	1,281	1,673	2,006
Pre-tax profit	563	1,156	1,435	-2,292	1,643	1,979
Net income	310	772	-2,074	-2,505	1,077	1,299
Cash Flow (USDm)						
Cash flow from operations	902	946	1,321	1,499	1,728	2,216
Net Capex	-481	-564	-1,652	-1,925	-1,600	-1,184
Free cash flow	421	382	-330	-426	128	1,032
Equity raised/(bought back)	422	20	29	2	0	0
Dividends paid	-62	-71	-125	-182	-182	-182
Net inc/(dec) in borrowings	-10	-23	-59	-37	-30	-27
Other investing/financing cash flows	-370	715	-345	-82	12	14
Net cash flow	401	1,023	-831	-725	-71	836
Change in working capital	*-60*	*-193*	*-141*	*-202*	*-141*	*53*
Balance Sheet (USDm)						
Cash and cash equivalents	632	1,467	1,766	2,041	1,509	2,345
Property, plant & equipment	4,990	6,912	8,959	8,979	9,840	10,214
Goodwill	1,180	5,980	3,420	1,137	1,137	1,137
Other assets	1,211	2,039	2,363	2,726	2,965	2,874
Total assets	8,013	16,397	16,509	14,882	15,451	16,571
Debt	692	503	1,633	2,633	2,173	2,173
Other liabilities	1,629	2,295	2,405	2,324	2,422	2,385
Total liabilities	2,321	2,798	4,038	4,957	4,595	4,557
Total shareholders' equity	5,692	13,599	12,471	9,926	10,856	12,013
Net debt	*60*	*-964*	*-133*	*592*	*663*	*-173*
Key Company Metrics						
Sales growth (%)	49.2	24.8	31.0	9.3	11.7	8.3
DB EPS growth (%)	na	108.6	na	-20.4	na	20.6
Payout ratio (%)	20.2	14.2	nm	nm	16.9	14.0
EBITDA Margin (%)	46.1	47.0	50.0	45.5	50.1	54.0
EBIT Margin (%)	26.8	28.8	35.4	29.7	34.7	38.5
ROE (%)	6.0	8.1	-16.1	-22.5	10.4	11.5
Net debt/equity (%)	1.1	-7.1	-1.1	6.0	6.1	-1.4
Net interest cover (x)	65.2	38.0	23.6	34.8	56.6	74.8
DuPont Analysis						
EBIT margin (%)	26.8	28.8	35.4	29.7	34.7	38.5
x Asset turnover (x)	0.3	0.2	0.2	0.3	0.3	0.3
x Financial cost ratio (x)	1.0	1.0	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.5	0.9	-1.6	-2.0	0.7	0.7
= ROA (post tax) (%)	4.0	6.3	-12.6	-16.0	7.1	8.1
x Financial leverage (x)	1.5	1.3	1.3	1.4	1.5	1.4
= ROE (%)	6.0	8.1	-16.1	-22.5	10.4	11.5
annual growth (%)	*na*	*35.9*	*na*	*-40.1*	*na*	*9.7*
x NTA/share (avg) (x)	7.4	8.3	11.4	9.8	9.0	9.9
= Reported EPS	0.44	0.68	-1.83	-2.20	0.94	1.14
annual growth (%)	*na*	*52.4*	*na*	*-20.5*	*na*	*20.6*

Source: Company data, Deutsche Bank estimates

Koza Altin

Outlook

As the first domestic gold explorer and producer in the under-mined land stock of Turkey, **Koza Altin** has pursued a growth strategy over the years. Its total reserves and resources elevated to 2.3m oz. and 11.0m oz. as of year-end 2011, implying an impressive CAGR of 35% since its entrance to the sector in 2005, after acquiring Newmont's Turkey assets for just USD44.5m. Koza Altin also has a solid track record of controlling its cost base at a low level, which is mainly attributable to: i) the company's hub strategy (feeding the processing unit with a series of satellite mines), which minimizes fixed costs, ii) the high grade of deposits, and iii) the high weight of open pit and shallow underground mining activities in overall operations. However, as substantial growth performance is starting to decelerate and the stock trades in-line with its international peers, we rate Koza Altin as a Hold.

Valuation

We value Koza Altin's proven and probable reserves along with M&I resources with a two-stage DCF model. We apply a nominal USD-based WACC of 7.5% to cash flows from 2012F to 2017F, which is driven by our assumption of commodity prices in nominal terms. From 2019E to the end of life of the mines, we discount cash flows using a real 4.9% WACC to reflect our use of real commodity prices in our assumptions from 2018E and onward. We apply a 1.0 multiple to our DCF-derived NAV for Koza Altin. The 7.5% WACC is based on a 5.5% risk-free rate (RFR), 50% equity risk premium (ERP), 0.60x beta, a 5.5% cost of debt and a target capital structure of 25% debt ratio. Our target price implies 5.3x and 8.5x EV/EBITDA and net income 2013F.

Risks

The main risks for Koza Altin are the evolution of gold prices and the inability to add new reserves and increase production. Greater-than-anticipated cost inflation, significant TRY appreciation, government intervention in the mining sector, rising environmental concerns and associated legal risks are other risks that should be highlighted, in our view. On the other hand, a strong expansion in resources/reserves, surge in gold prices beyond expectations and a potential drop in cash costs and capex are the major upside risks.

Model updated:15 March 2013

Running the numbers

Emerging Europe

Turkey

Metals & Mining

Koza Altin

Reuters: KOZAL.IS Bloomberg: KOZAL TI

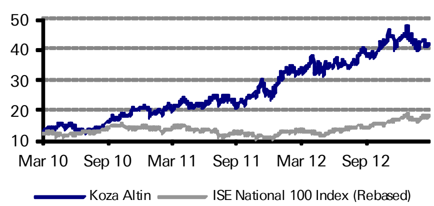
Hold

Price (27 Mar 13)	TRY 41.60
Target Price	TRY 41.10
52 Week range	TRY 31.50 - 48.00
Market Cap (m)	TRYm 6,344
	USDm 3,496

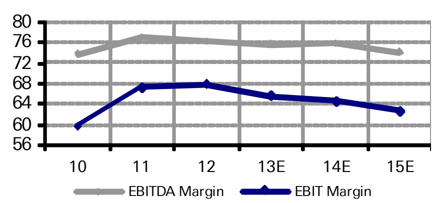
Company Profile

Being the first domestic gold producer in the undermined land stock of Turkey, Koza Altin pursued a keen growth strategy over the years. Its total reserves and resources elevated to 2.3m oz and 11.0m oz in 2011, implying a remarkable 35% CAGR since its entrance to the sector in 2005.

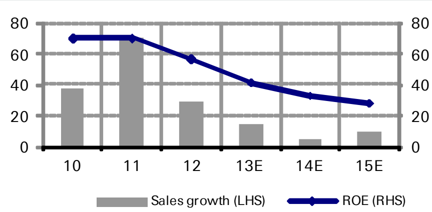
Price Performance



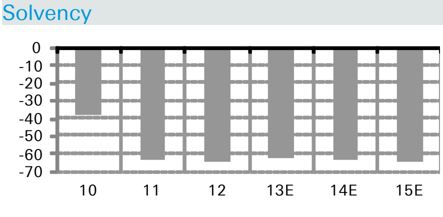
Margin Trends



Growth & Profitability



Solvency



Erik Danemar
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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (TRY)	1.54	3.02	4.21	4.58	4.79	4.87
Reported EPS (TRY)	1.54	3.02	4.21	4.58	4.79	4.87
DPS (TRY)	0.18	0.15	0.73	1.05	1.51	2.39
BVPS (TRY)	2.9	5.7	9.2	12.7	16.0	18.5
Weighted average shares (m)	153	153	153	153	153	153
Average market cap (TRYm)	2,342	3,443	5,443	6,344	6,344	6,344
Enterprise value (TRYm)	2,176	2,889	4,534	5,136	4,803	4,529
Valuation Metrics						
P/E (DB) (x)	9.9	7.5	8.5	9.1	8.7	8.5
P/E (Reported) (x)	9.9	7.5	8.5	9.1	8.7	8.5
P/BV (x)	7.16	4.40	4.68	3.27	2.60	2.25
FCF Yield (%)	8.7	6.6	7.5	6.9	8.1	9.1
Dividend Yield (%)	1.2	0.7	2.0	2.5	3.6	5.8
EV/Sales (x)	4.6	3.6	4.3	4.3	3.8	3.3
EV/EBITDA (x)	6.2	4.7	5.7	5.7	5.1	4.5
EV/EBIT (x)	7.7	5.3	6.4	6.6	6.0	5.3
Income Statement (TRYm)						
Sales revenue	472	806	1,043	1,193	1,248	1,372
Gross profit	397	693	806	1,009	1,053	1,141
EBITDA	348	621	795	903	947	1,016
Depreciation	66	79	86	119	140	157
Amortisation	0	0	0	0	0	0
EBIT	282	542	709	783	807	859
Net interest income(expense)	6	33	74	45	60	77
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	7	0	0	0
Other pre-tax income/(expense)	1	-16	-7	-7	-8	-8
Profit before tax	288	560	783	822	859	928
Income tax expense	53	99	141	123	129	186
Minorities	0	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	236	460	642	698	730	742
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	236	460	642	698	730	742
Cash Flow (TRYm)						
Cash flow from operations	344	410	645	761	802	828
Net Capex	-140	-183	-239	-320	-286	-249
Free cash flow	204	227	406	441	516	579
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-27	-23	-112	-161	-230	-365
Net inc/(dec) in borrowings	-8	-4	-14	6	7	8
Other investing/financing cash flows	7	183	71	19	48	60
Net cash flow	176	383	352	305	341	282
Change in working capital	*48*	*-112*	*-38*	*-18*	*-16*	*-3*
Balance Sheet (TRYm)						
Cash and other liquid assets	197	579	928	1,232	1,573	1,855
Tangible fixed assets	262	366	446	646	791	882
Goodwill/intangible assets	15	15	15	16	17	18
Associates/investments	0	0	0	0	0	0
Other assets	73	102	180	249	273	302
Total assets	546	1,063	1,569	2,143	2,655	3,057
Interest bearing debt	30	26	18	24	32	40
Other liabilities	77	167	150	181	185	202
Total liabilities	107	193	169	206	217	242
Shareholders' equity	439	869	1,400	1,938	2,438	2,815
Minorities	0	0	0	0	0	0
Total shareholders' equity	439	869	1,400	1,938	2,438	2,815
Net debt	*-167*	*-554*	*-909*	*-1,208*	*-1,541*	*-1,815*
Key Company Metrics						
Sales growth (%)	37.9	70.7	29.5	14.4	4.6	9.9
DB EPS growth (%)	60.4	95.5	39.4	8.7	4.6	1.6
EBITDA Margin (%)	73.7	77.1	76.2	75.6	75.8	74.1
EBIT Margin (%)	59.7	67.3	68.0	65.6	64.6	62.6
Payout ratio (%)	11.7	4.9	17.4	23.0	31.5	49.2
ROE (%)	70.4	70.4	56.6	41.8	33.4	28.3
Capex/sales (%)	29.6	22.8	23.2	26.8	22.9	18.1
Capex/depreciation (x)	2.1	2.3	2.8	2.7	2.0	1.6
Net debt/equity (%)	-38.0	-63.7	-64.9	-62.3	-63.2	-64.5
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Medusa Mining

Outlook

Medusa Mining operates the Co-O gold mine in the Philippines. It is a high-grade, low-cost, high-margin, long-life operation. The company has several gold and copper projects across its tenements to pursue, a reflection of the prospective nature of the region. The high grade epithermal vein system at Co-O will probably only ever have ~5 years of reserves defined, but we expect the mine life to be ~10 years (once expansion to 200kozpa is complete in 2013). Growth will likely come from additional mines as there are several prospective projects on the exploration permits. We see material upside potential to our target price: Buy.

Valuation

We derive a valuation using a life-of-mine DCF. The target price is set at 1x NPV. We assume a mine life of ~10 years at Co-O and also assign a risk-weighted value (50%) to its second operation, Bananghilig (due in 2016), as well as exploration near mine and regionally. We use a WACC of 12.6%, which is higher than that of other companies in the gold space to reflect the operational and country risks present.

Risks

The nature of the high-grade epithermal gold system means the company will rarely have more than ten years of mine life in the resource base. However, based on the known length and depth of the ore, vein widths and grades, we expect the Co-O mine to have a minimum 10-year life. The key downside risk is this doesn't prove to be the case. The company is also exposed to Philippines country risk and exploration disappointments. Other risks include exposure to the broader macro environment and gold price movements.

Model updated:11 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

Medusa Mining

Reuters: MML.AX Bloomberg: MML AU

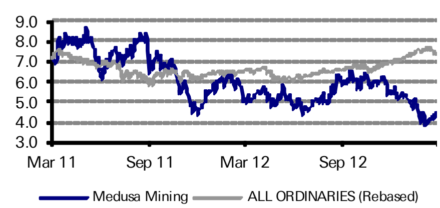
Buy

Price (27 Mar 13)	AUD 4.39
Target Price	AUD 6.35
52 Week range	AUD 3.88 - 6.65
Market Cap (m)	AUDm 829
	USDm 870

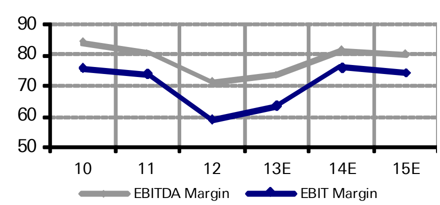
Company Profile

Medusa produces and explores for gold in the Philippines. It operates narrow vein mines where the high-grade deposits allow for low-production costs. Given the nature of narrow vein epithermal gold deposits it is likely that defined reserves will only ever be about five years despite the potential for mining to last up to 30 years.

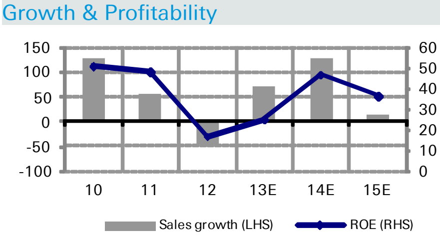
Price Performance



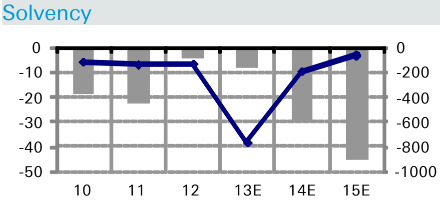
Margin Trends



Growth & Profitability



Solvency



Chris Terry
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Fiscal year end 30-Jun	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	0.40	0.59	0.26	0.47	1.30	1.48
Reported EPS (USD)	0.37	0.59	0.26	0.47	1.30	1.48
DPS (USD)	0.00	0.10	0.07	0.00	0.15	0.20
BVPS (USD)	0.94	1.47	1.67	2.17	3.42	4.69
Valuation Metrics						
Price/Sales (x)	5.7	7.7	14.8	6.2	2.7	2.4
P/E (DB) (x)	7.5	10.4	24.3	9.8	3.5	3.1
P/E (Reported) (x)	8.2	10.4	24.3	9.8	3.5	3.1
P/BV (x)	3.7	4.5	3.0	2.1	1.3	1.0
FCF yield (%)	5.7	7.6	3.0	5.5	22.0	31.5
Dividend yield (%)	0.0	1.6	1.1	0.0	3.3	4.3
EV/Sales	5.4	7.4	14.3	6.1	2.4	1.5
EV/EBITDA	6.4	9.2	20.1	8.4	2.9	1.9
EV/EBIT	7.1	10.1	24.3	9.6	3.1	2.1
Income Statement (USDm)						
Sales	94	149	81	139	322	369
EBITDA	79	120	58	102	263	297
EBIT	71	110	48	89	244	274
Pre-tax profit	66	110	48	89	246	279
Net income	66	110	49	89	246	279
Cash Flow (USDm)						
Cash flow from operations	39	97	63	122	264	302
Net Capex	-8	-9	-26	-74	-73	-28
Free cash flow	31	87	36	48	191	274
Equity raised/(bought back)	1	1	1	0	0	0
Dividends paid	0	-19	-19	-4	-9	-38
Net inc/(dec) in borrowings	0	0	0	0	0	0
Other investing/financing cash flows	1	4	-7	-6	0	0
Net cash flow	5	26	-43	26	157	212
Change in working capital	*-35*	*-25*	*2*	*18*	*0*	*0*
Balance Sheet (USDm)						
Cash and cash equivalents	32	62	12	33	190	402
Property, plant & equipment	35	40	64	111	166	171
Goodwill	0	0	0	0	0	0
Other assets	117	182	256	281	305	329
Total assets	184	285	332	425	661	903
Debt	0	0	0	0	0	0
Other liabilities	9	9	17	16	16	16
Total liabilities	9	9	17	16	16	16
Total shareholders' equity	175	276	316	409	645	887
Net debt	*-32*	*-62*	*-12*	*-33*	*-190*	*-402*
Key Company Metrics						
Sales growth (%)	131.0	58.4	-45.7	72.6	130.8	14.7
DB EPS growth (%)	132.3	46.3	-55.6	80.5	176.8	13.6
Payout ratio (%)	0.0	17.1	26.9	0.0	11.5	13.5
EBITDA Margin (%)	84.1	80.6	71.3	73.3	81.6	80.3
EBIT Margin (%)	75.8	73.7	59.0	63.6	75.9	74.3
ROE (%)	51.2	48.2	16.8	25.0	46.9	36.4
Net debt/equity (%)	-18.5	-22.6	-3.9	-8.0	-29.5	-45.3
Net interest cover (x)	-114.2	-134.7	-129.6	-768.6	-189.0	-56.0
DuPont Analysis						
EBIT margin (%)	75.8	73.7	59.0	63.6	75.9	74.3
x Asset turnover (x)	0.6	0.6	0.3	0.4	0.6	0.5
x Financial cost ratio (x)	1.0	1.0	1.0	1.0	1.0	1.0
x Tax and other effects (x)	0.9	1.0	1.0	1.0	1.0	1.0
= ROA (post tax) (%)	44.0	47.1	15.9	23.4	45.2	35.7
x Financial leverage (x)	1.1	1.0	1.1	1.1	1.0	1.0
= ROE (%)	47.0	48.2	16.8	25.0	46.9	36.4
annual growth (%)	*36.0*	*2.5*	*-65.1*	*48.7*	*88.0*	*-22.5*
x NTA/share (avg) (x)	0.8	1.2	1.6	1.9	2.8	4.1
= Reported EPS	0.37	0.59	0.26	0.47	1.30	1.48
annual growth (%)	*113.2*	*59.4*	*-55.6*	*80.5*	*176.8*	*13.6*

Source: Company data, Deutsche Bank estimates

Newcrest

Outlook

Newcrest's activities incorporate six operating assets following its divestiture of Mt. Rawdon and Cracow into Evolution Mining (EVN.ASX) in return for a 33% shareholding. It has a production growth profile of ~8% p.a. for five years based on planned and approved projects. We believe Newcrest has attractive long-term merits stemming from its strong management team and what we see as a stable and diverse operational portfolio. Beyond the approved projects are potential developments in PNG (Wafi-Golpu) and Fiji (Namosi) to build a 10-year growth profile. We rate the stock a Hold based on its valuation.

Valuation

Our valuation is a DCF-based calculation; the target price is set at ~1.2x NPV, within the historical range of price premiums attributed to large gold stocks. We consider this appropriate given our strong gold price view has been factored into the valuation. Our DCF is based on life-of-mine scenarios and assumes long-term prices of $1,025/oz gold, $2.75/lb copper and an 8.7% WACC.

Risks

Key downside risks include the ability for Newcrest to deliver on the Lihir Island MOPU expansion and achieve the accelerated development of Cadia East. The future of the NSW operations is based on the implementation of a panel caving at Cadia Valley East. Other downside risks are unsuccessful exploration at the Telfer underground mine and political risks at Bonikro in Cote d'Ivoire. Beyond the operational issues is the potential that our strong gold price forecast will not be realized. Macro risks include movements in the gold and copper price, and the AUD/USD. Upside risks include higher gold price and a faster-than-expected ramp-up of the Cadia East and/or Lihir MOPU expansions.

Model updated:25 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

Newcrest Mining Ltd

Reuters: NCM.AX Bloomberg: NCM AU

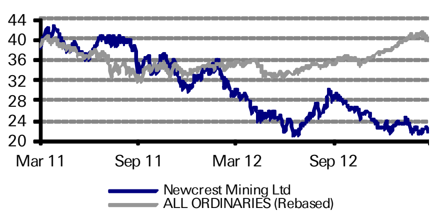
Hold

Price (27 Mar 13)	AUD 21.87
Target Price	AUD 24.50
52 Week range	AUD 20.94 - 30.23
Market Cap (m)	AUDm 16,747
	USDm 17,561

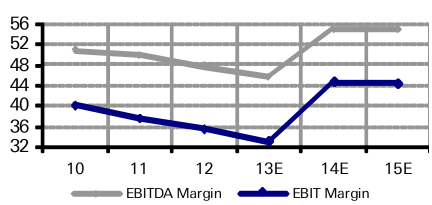
Company Profile

Newcrest Mining Ltd is an Australia-based gold company headquartered in Melbourne. It is engaged in the exploration, development, mining and sale of gold and gold/copper concentrates in Australia, Indonesia, Fiji, the United States, Peru, PNG, West Africa and Chile. The company's current activities include development projects such as (Cadia East Open pit and Underground, Ridgeway deeps and Kencana K2) and operating mines (Telfer, Cadia Hill, Ridgeway, Cadia Valley East, Lihir Island, Gosowong, Hidden Valley, Bonikro, Mt Rawdon and Cracow).

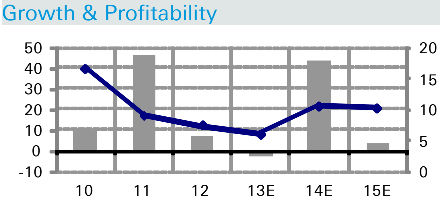
Price Performance



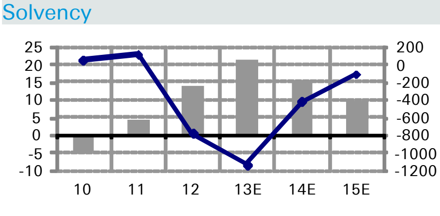
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (AUD)	1.58	1.40	1.42	1.21	2.26	2.38
Reported EPS (AUD)	1.15	1.20	1.46	1.21	2.26	2.38
DPS (AUD)	0.25	0.50	0.35	0.36	0.52	0.53
BVPS (AUD)	10.24	18.00	19.55	20.36	22.22	24.06
Valuation Metrics						
Price/Sales (x)	5.8	7.1	5.7	3.9	2.7	2.6
P/E (DB) (x)	21.1	27.5	23.2	18.1	9.7	9.2
P/E (Reported) (x)	28.9	32.1	22.6	18.1	9.7	9.2
P/BV (x)	3.4	2.1	1.2	1.1	1.0	0.9
FCF yield (%)	3.2	nm	nm	nm	7.4	8.9
Dividend yield (%)	0.8	1.3	1.1	1.6	2.4	2.4
EV/Sales	5.8	7.2	6.0	4.6	3.2	3.0
EV/EBITDA	11.3	14.4	12.6	10.1	5.9	5.4
EV/EBIT	14.4	19.0	17.0	13.9	7.2	6.7
Income Statement (AUDm)						
Sales	2,802	4,102	4,416	4,316	6,206	6,468
EBITDA	1,428	2,045	2,113	1,970	3,418	3,558
EBIT	1,127	1,544	1,571	1,430	2,780	2,882
Pre-tax profit	811	1,300	1,577	1,321	2,611	2,734
Net income	557	908	1,117	925	1,730	1,822
Cash Flow (AUDm)						
Cash flow from operations	1,303	1,729	1,726	1,016	2,582	2,687
Net Capex	-786	-1,890	-2,556	-1,917	-1,346	-1,205
Free cash flow	518	-161	-830	-900	1,236	1,483
Equity raised/(bought back)	-16	0	0	0	0	0
Dividends paid	-112	-231	-405	-261	-304	-414
Net inc/(dec) in borrowings	-3	427	1,543	1,137	0	0
Other investing/financing cash flows	-9	-367	-89	51	-44	-44
Net cash flow	288	-434	61	-137	728	865
Change in working capital	*-5*	*-362*	*183*	*-96*	*0*	*0*
Balance Sheet (AUDm)						
Cash and cash equivalents	643	185	242	101	829	1,694
Property, plant & equipment	1,764	3,310	4,364	5,714	6,422	6,951
Goodwill	0	0	0	0	0	0
Other assets	3,926	13,787	15,903	16,359	16,447	16,553
Total assets	6,334	17,282	20,509	22,174	23,698	25,198
Debt	427	800	2,408	3,503	3,503	3,503
Other liabilities	898	2,607	3,007	2,901	2,901	2,901
Total liabilities	1,324	3,407	5,415	6,404	6,404	6,404
Total shareholders' equity	5,010	13,875	15,094	15,770	17,294	18,794
Net debt	*-217*	*615*	*2,166*	*3,402*	*2,674*	*1,809*
Key Company Metrics						
Sales growth (%)	10.7	46.4	7.7	-2.3	43.8	4.2
DB EPS growth (%)	53.3	-11.3	1.2	-14.7	87.0	5.3
Payout ratio (%)	21.7	41.6	24.0	29.6	22.9	22.4
EBITDA Margin (%)	51.0	49.9	47.8	45.6	55.1	55.0
EBIT Margin (%)	40.2	37.6	35.6	33.1	44.8	44.6
ROE (%)	16.8	9.1	7.5	6.1	10.6	10.3
Net debt/equity (%)	-4.3	4.4	14.4	21.6	15.5	9.6
Net interest cover (x)	53.7	117.0	-785.4	-1,134.1	-419.9	-108.7
DuPont Analysis						
EBIT margin (%)	40.2	37.6	35.6	33.1	44.8	44.6
x Asset turnover (x)	0.5	0.3	0.2	0.2	0.3	0.3
x Financial cost ratio (x)	1.0	1.0	1.0	0.9	0.9	0.9
x Tax and other effects (x)	0.5	0.6	0.7	0.7	0.7	0.7
= ROA (post tax) (%)	9.5	6.4	5.9	4.3	7.6	7.5
x Financial leverage (x)	1.3	1.2	1.3	1.4	1.4	1.4
= ROE (%)	12.2	7.8	7.7	6.1	10.6	10.3
annual growth (%)	*77.3*	*-36.1*	*-1.5*	*-20.8*	*74.5*	*-3.2*
x NTA/share (avg) (x)	9.4	15.4	19.0	19.8	21.2	23.1
= Reported EPS	1.15	1.20	1.46	1.21	2.26	2.38
annual growth (%)	*117.7*	*4.4*	*21.5*	*-17.2*	*87.0*	*5.3*

Source: Company data, Deutsche Bank estimates

Newmont Mining Corporation

Outlook

Newmont Mining Corporation (NEM), based in Denver, Colorado, is the world's second-largest gold mining company. In addition to gold, the company produces copper as a by-product. Newmont conducts mining operations in the US, Canada, Mexico, Peru, Australia, New Zealand, Indonesia and Ghana. Recent performance has been driven by rising gold prices, delivery of strong quarterly earnings and implementation of an innovative gold-linked dividend. The medium-term performance should be driven by Ahafo/Akyem (Africa), Conga (Peru), and recently acquired Long Canyon (Nevada) projects, which should boost gold output from 5.0m oz in 2011 to ~6.3m oz in 2018. Newmont's gold-linked dividend was enhanced in 2011, which could result in an annualized dividend of $2.70/share (~6% yield) if gold prices average $2,000/oz. We rate the company Hold on the rising risk to the growth outlook on the Conga project and slower-than-expected execution of other projects.

Valuation

Our 12-month target price for Newmont is based on 9x our 2014F EPS. We believe that Newmont should trade at the lower end of the range of its peer group, given its mature mine profile and relatively lower longer-term production growth potential, but acknowledge re-rating potential on increasing cash flow generation (and gold-linked dividend) and management increased focus on per share metrics. As a valuation cross-check we note our target price equates to 0.8x our NPV calculated under a DCF methodology (7.5% WACC with 8.5% Ke and 3.4% post-tax Kd, 0.25% terminal growth rate [based on our knowledge of the asset base and expectations of long-term growth]).

Risks

Given Newmont's ~90% revenue exposure to gold, the main downside/upside risk to our outlook is lower-than-/higher-than-expected gold prices. Lower-than-/higher-than-expected copper prices would decrease/increase the benefit from by-product credits, which would lead to higher-than-/lower-than-expected costs. Downside/upside risks also include higher-or lower-than-expected raw material and other operating cost pressures, currency fluctuations in main producing countries given the geographical diversity of assets, project delays and cost overruns, and geopolitical risks given production and exploration sites in Indonesia, Ghana and Peru. Exploration and drilling activities may not produce any new reserves, leading to shortened mine lives if current production is sustained, or adjusted production levels. Project execution risk at Hope Bay, Akyem, Conga, Cerro Quilish and Long Canyon could increase costs and not lead to the expected increases in new production. An unfavorable resolution at its Conga project (Peru), which has been strongly opposed by the local community (forcing a temporary suspension), may raise the possibility of M&A if organic growth targets cannot be met.

Model updated:27 February 2013

Running the numbers

North America

United States

Metals & Mining

Newmont Mining

Reuters: NEM.N | Bloomberg: NEM US

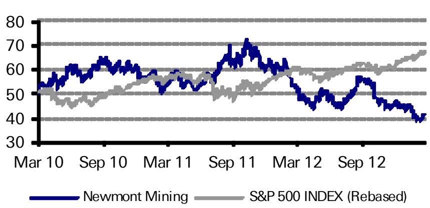
Hold

Price (26 Mar 13)	USD 41.08
Target Price	USD 47.00
52 Week range	USD 38.60 - 57.20
Market Cap (m)	USDm 20,355
	EURm 15,830

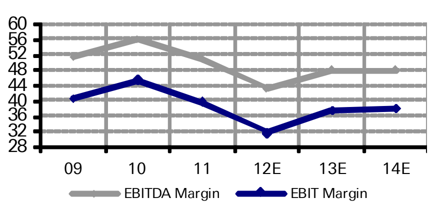
Company Profile

Newmont Mining Corporation is the world's second-largest gold company. In 2011, it sold 5.0m oz of gold and 206m lbs of copper on an attributable basis. Wholly-owned reserves stood at 98.8m oz of gold and 9.7bn lbs of copper at year end 2011. With operations in the US, Canada, Mexico, Peru, Australia, New Zealand, Indonesia and Ghana; North America represented 38% of 2011 attributable gold production, Asia Pacific (37%), South America (14%) and Africa (11%). Newmont is listed on the NYSE under the symbol NEM.N.

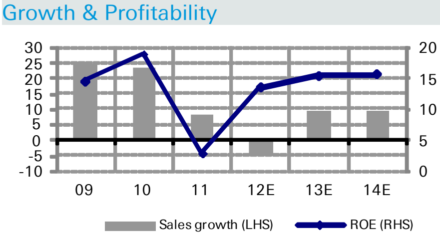
Price Performance



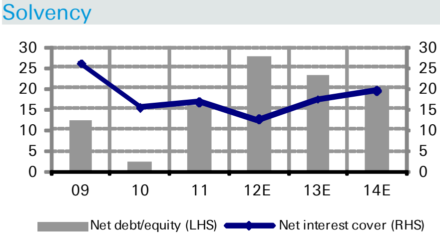
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	2.65	4.55	0.70	3.62	4.57	5.17
Reported EPS (USD)	2.66	4.56	0.73	3.62	4.57	5.17
DPS (USD)	0.40	0.50	1.00	1.40	1.78	2.40
BVPS (USD)	22.03	27.12	26.11	27.80	31.33	34.90
Valuation Metrics						
Price/Sales (x)	2.7	2.9	2.8	2.1	1.9	1.7
P/E (DB) (x)	16.4	12.3	84.2	11.3	9.0	7.9
P/E (Reported) (x)	16.3	12.3	80.6	11.3	9.0	7.9
P/BV (x)	2.1	2.3	2.3	1.5	1.3	1.2
FCF yield (%)	5.3	10.3	6.4	nm	6.2	6.7
Dividend yield (%)	0.9	0.9	1.7	3.4	4.3	5.8
EV/Sales	3.0	3.0	3.2	2.7	2.5	2.3
EV/EBITDA	5.9	5.4	6.3	6.3	5.1	4.7
EV/EBIT	7.5	6.6	8.0	8.5	6.6	5.9
Income Statement (USDm)						
Sales	7,721	9,540	10,358	9,868	10,810	11,852
EBITDA	3,979	5,348	5,282	4,265	5,188	5,704
EBIT	3,138	4,338	4,126	3,137	4,069	4,519
Pre-tax profit	2,895	3,971	1,821	3,063	3,837	4,288
Net income	1,297	2,277	366	1,809	2,279	2,579
Cash Flow (USDm)						
Cash flow from operations	2,884	4,257	4,697	3,170	3,748	4,413
Net Capex	-1,769	-1,402	-2,830	-3,210	-2,475	-3,041
Free cash flow	1,115	2,855	1,867	-40	1,273	1,372
Equity raised/(bought back)	1,269	27	0	0	0	0
Dividends paid	-196	-246	-494	-694	-880	-1,190
Net inc/(dec) in borrowings	-120	-279	-244	-249	-232	-231
Other investing/financing cash flows	-555	-1,148	-3,297	-1,201	184	190
Net cash flow	1,513	1,209	-2,168	-2,184	345	140
Change in working capital	*-307*	*-264*	*128*	*-226*	*-251*	*38*
Balance Sheet (USDm)						
Cash and cash equivalents	3,215	4,056	1,760	1,561	1,906	2,046
Property, plant & equipment	12,370	12,907	15,881	18,010	19,365	21,221
Goodwill	188	188	188	188	188	188
Other assets	6,526	8,512	9,645	9,891	10,307	10,243
Total assets	22,299	25,663	27,474	29,650	31,766	33,699
Debt	4,809	4,441	4,313	6,298	6,298	6,298
Other liabilities	4,877	5,506	7,390	6,404	6,569	6,544
Total liabilities	9,686	9,947	11,703	12,702	12,867	12,842
Total shareholders' equity	12,613	15,716	15,771	16,948	18,899	20,857
Net debt	*1,594*	*385*	*2,553*	*4,737*	*4,392*	*4,252*
Key Company Metrics						
Sales growth (%)	24.6	23.6	8.6	-4.7	9.5	9.6
DB EPS growth (%)	41.8	71.7	-84.6	417.3	26.2	13.2
Payout ratio (%)	15.1	10.8	134.9	38.3	38.6	46.2
EBITDA Margin (%)	51.5	56.1	51.0	43.2	48.0	48.1
EBIT Margin (%)	40.6	45.5	39.8	31.8	37.6	38.1
ROE (%)	14.6	18.9	2.8	13.6	15.5	15.7
Net debt/equity (%)	12.6	2.4	16.2	28.0	23.2	20.4
Net interest cover (x)	26.2	15.5	16.9	12.6	17.5	19.5
DuPont Analysis						
EBIT margin (%)	40.6	45.5	39.8	31.8	37.6	38.1
x Asset turnover (x)	0.4	0.4	0.4	0.3	0.4	0.4
x Financial cost ratio (x)	1.0	0.9	0.9	0.9	0.9	0.9
x Tax and other effects (x)	0.4	0.6	0.1	0.6	0.6	0.6
= ROA (post tax) (%)	6.8	9.5	1.4	6.3	7.4	7.9
x Financial leverage (x)	2.1	2.0	2.0	2.1	2.1	2.0
= ROE (%)	14.6	18.9	2.8	13.6	15.5	15.7
annual growth (%)	*25.1*	*30.0*	*-85.3*	*386.3*	*14.6*	*1.0*
x NTA/share (avg) (x)	18.3	24.1	26.2	26.7	29.4	32.9
= Reported EPS	2.66	4.56	0.73	3.62	4.57	5.17
annual growth (%)	*42.3*	*71.2*	*-84.0*	*395.3*	*26.0*	*13.2*

Source: Company data, Deutsche Bank estimates

Nordgold

Outlook

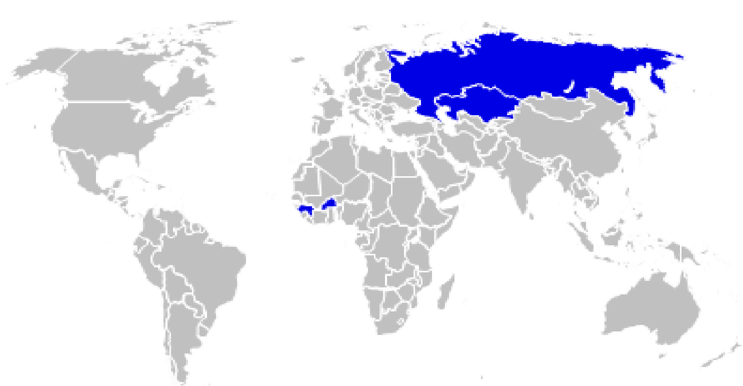
Nordgold is a gold mining company with a well-diversified portfolio of operations in West Africa, Russia and Kazakhstan. We forecast a 2011-15 output CAGR of 10%, comparing favorably with our coverage universe. Growth is driven by optimization and efficiency improvements at Nordgold's current operations, as well as on the commissioning of two growth projects in mid- and late 2013. Meanwhile, as sovereign credit concerns coincide with the fear of inflation and low interest rates, we remain positive on the outlook for gold, expecting gold prices to reach $1,900/oz in 2018. While Nordgold has struggled to turn around its assets in 1H12, we see longer-term value potential in Nordgold's growth profile and operating leverage and rate the stock a Buy.

Valuation

We value Nordgold based on a two-part sum-of-the-parts DCF model with life-of-mine for individual deposits. We apply a 10.8% nominal and 7.9% real WACC based on a targeted capital structure of 75% equity and 25% debt. We estimate the cost of equity at 10.5% using levered beta of 0.5x (the historical average for the London listed peer group versus the LSE), an equity risk premium of 7.5% and a risk-free rate of 6%. We assume a nominal cost of debt of 8% and an effective tax rate of 23%. Last, we apply a 1% discretionary liquidity charge to Nordgold's WACC. We apply a 1.5 exit multiple.

Risks

Key risks include gold prices as well as macroeconomic factors, such as ruble appreciation, diesel prices and inflation in labor and mining equipment. Management execution risks are centered around the company's ability to deliver on the development of the Bissa and Gross growth projects, as well as the expansion of operations at LEFA. Nordgold also needs to expand its resource base to extend the life of its operations, implying organic exploration or M&A risks. Current operations also carry various geological risks. Other risks include changes in fiscal regime and/or mining legislations. In this context, we note that the government of Guinea, following a change in the local mining code, has claimed a right to 15% of Nordgold's flagship LEFA asset.



Model updated:14 March 2013

Running the numbers

Emerging Europe

Russia

Metals & Mining

Nordgold

Reuters: NORDNq.L | Bloomberg: NORD LI

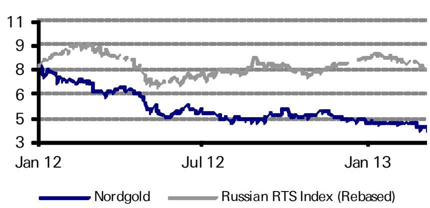
Buy

Price (27 Mar 13)	USD 3.65
Target Price	USD 6.10
52 Week range	USD 3.65 - 6.40
Market Cap (m)	EURm 1,073
	USDm 1,380

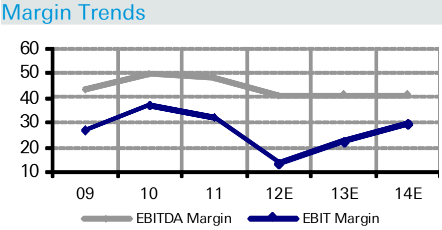
Company Profile

Nordgold was created as a result of a spin-off of the gold assets of the steel company Severstal in January 2012. Nordgold is a gold mining company with operations in West Africa, Russia and Kazakhstan. The company targets a 16% production CAGR 2010-2014E as it maintains output at eight operating mines and commissions two growth projects.

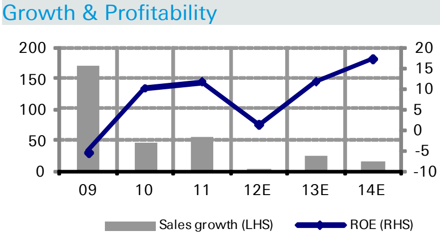
Price Performance



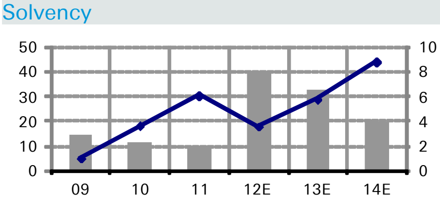
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	-0.08	0.30	0.47	0.05	0.52	0.86
Reported EPS (USD)	-0.08	0.30	0.47	0.05	0.52	0.86
DPS (USD)	0.00	0.08	0.12	0.01	0.12	0.14
BVPS (USD)	2.0	3.8	4.2	4.2	4.7	5.4
Weighted average shares (m)	359	359	359	378	378	378
Average market cap (USDm)	na	na	na	1,380	1,380	1,380
Enterprise value (USDm)	na	na	na	2,099	2,034	1,856
Valuation Metrics						
P/E (DB) (x)	nm	na	na	71.3	7.0	4.2
P/E (Reported) (x)	nm	na	na	71.3	7.0	4.2
P/BV (x)	0.00	0.00	0.00	0.86	0.78	0.68
FCF Yield (%)	na	na	na	nm	8.3	17.0
Dividend Yield (%)	na	na	na	0.4	3.2	4.0
EV/Sales (x)	nm	nm	nm	1.8	1.4	1.1
EV/EBITDA (x)	nm	nm	nm	4.3	3.3	2.6
EV/EBIT (x)	nm	nm	nm	13.0	6.1	3.6
Income Statement (USDm)						
Sales revenue	518	754	1,182	1,198	1,494	1,737
Gross profit	295	457	699	624	804	934
EBITDA	225	377	572	491	619	719
Depreciation	86	97	190	330	284	208
Amortisation	0	0	0	0	0	0
EBIT	139	280	382	161	334	511
Net interest income(expense)	-144	-78	-63	-45	-58	-58
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	5	7	5	14	1	3
Profit before tax	-1	208	324	130	277	456
Income tax expense	21	61	72	54	67	110
Minorities	8	40	83	57	14	21
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	-30	108	169	19	197	326
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	-30	108	169	19	197	326
Cash Flow (USDm)						
Cash flow from operations	171	250	398	122	433	484
Net Capex	-91	-172	-313	-456	-318	-250
Free cash flow	80	78	85	-334	114	235
Equity raised/(bought back)	137	522	-9	0	0	0
Dividends paid	-4	0	0	-2	-44	-55
Net inc/(dec) in borrowings	-133	109	-1	350	0	0
Other investing/financing cash flows	-15	-587	-70	-186	1	3
Net cash flow	65	122	5	-172	71	183
Change in working capital	*7*	*-89*	*-96*	*-113*	*-48*	*-46*
Balance Sheet (USDm)						
Cash and other liquid assets	91	212	217	45	116	299
Tangible fixed assets	340	540	575	861	895	937
Goodwill/intangible assets	600	1,141	1,243	1,215	1,215	1,215
Associates/investments	138	129	95	104	104	104
Other assets	219	375	518	709	770	823
Total assets	1,388	2,397	2,648	2,934	3,100	3,380
Interest bearing debt	234	393	400	725	725	725
Other liabilities	192	411	491	518	531	539
Total liabilities	425	804	892	1,243	1,256	1,264
Shareholders' equity	734	1,367	1,515	1,607	1,760	2,031
Minorities	228	226	241	85	85	85
Total shareholders' equity	962	1,593	1,756	1,691	1,844	2,115
Net debt	*143*	*180*	*183*	*681*	*609*	*426*
Key Company Metrics						
Sales growth (%)	170.9	45.7	56.7	1.3	24.7	16.3
DB EPS growth (%)	na	na	56.8	-89.1	917.6	65.3
EBITDA Margin (%)	43.5	50.0	48.4	41.0	41.4	41.4
EBIT Margin (%)	26.8	37.2	32.3	13.5	22.4	29.4
Payout ratio (%)	nm	25.0	25.0	25.0	22.4	16.8
ROE (%)	-5.5	10.3	11.7	1.2	11.7	17.2
Capex/sales (%)	18.0	23.1	26.6	38.0	21.3	14.4
Capex/depreciation (x)	1.1	1.8	1.7	1.4	1.1	1.2
Net debt/equity (%)	14.9	11.3	10.4	40.2	33.0	20.1
Net interest cover (x)	1.0	3.6	6.0	3.6	5.8	8.8

Source: Company data, Deutsche Bank estimates

Polymetal

Outlook

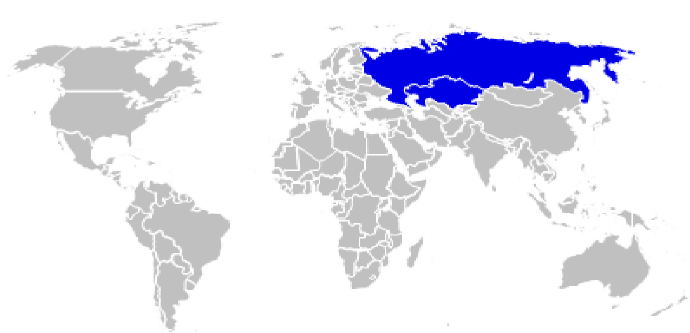
Polymetal International PLC is the international holding company of JSC Polymetal, the largest silver producer and one of the top five gold producers in Russia and a leading growth story, in our view. We expect a 10% gold equivalent production CAGR in 2012-15, after which production levels off. The company's strategic focus is towards gold, and we estimate that gold should contribute more than 60% of consolidated revenues in 2015F, versus 53% in 2011A. We remain constructive on the outlook for gold and silver and expect gold prices to reach $1,900/oz in 2014, and for the gold-to-silver ratio to average 50 the same year, with higher-beta silver continuing to perform as improving industrial demand coincides with growing financial investment. Given an attractive growth potential, attractive FCF yield and our bullish view on precious metal prices, our rating is Buy.

Valuation

We value Polymetal based on a two-part sum-of-the-parts DCF model with life-of-mine for individual deposits. We apply an 8.3% nominal and 5.8% real WACC based on a targeted capital structure of 60% equity and 40% debt. We estimate the cost of equity at 9.8% using levered beta of 0.5x (the historical average for the peer group on the LSE), an equity risk premium of 7.5% and a risk-free rate of 6%. We assume a nominal interest rate of 8% and an effective tax rate of 22%. We apply a 1.6 exit multiple, in line with our valuation of Fresnillo and the stock's historical averages. While we believe that Polymetal's growth profile may warrant a premium, we note that the growth comes with risk and that the company will need to extend its reserve base to support production in the longer term. We also note that Polymetal's silver exposure and average operating margins, as well as its application of financial leverage, make the company more cyclical than pure-play gold stocks.

Risks

Key risks include silver and gold prices as well as Russian macroeconomic factors such as ruble appreciation and inflation. Management risks are concentrated around the company's ability to deliver on the development of the Amursk processing hub as well as its ability to integrate newly acquired deposits. Other risks include changes in fiscal regime and/or mining legislations. 90% of Polymetal's assets are in Russia, with the residual 10% in Kazakhstan. We also highlight the risk of the potential share overhang, should Polymetal's core shareholders decide to reduce their exposure following the company's move to a UK domicile.



Model updated:14 March 2013

Running the numbers

Emerging Europe

Russia

Metals & Mining

Polymetal

Reuters: POLYP.L | Bloomberg: POLY LN

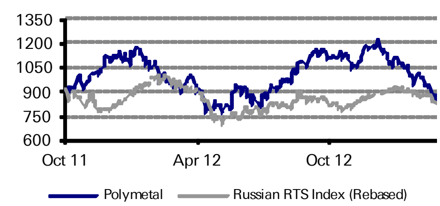
Buy

Price (27 Mar 13)	GBP 867.50
Target Price	GBP 1,120.00
52 Week range	GBP 765.00 - 1,219.00
Market Cap (m)	GBPm 3,331
	USDm 5,050

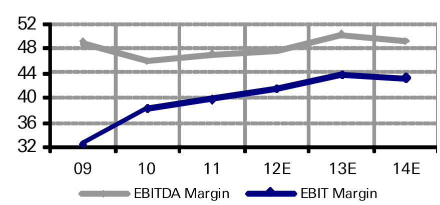
Company Profile

Polymetal International is the holding company of Polymetal, a leading Russian gold and silver miner. In 2010, Polymetal was the fourth largest gold producer in Russia by production volume and its largest silver producer, ranked eighth worldwide Polymetal produced 810koz of gold equivalent in 2011 at six operating assets and targets a 73% organic growth in gold equivalent output by 2014.

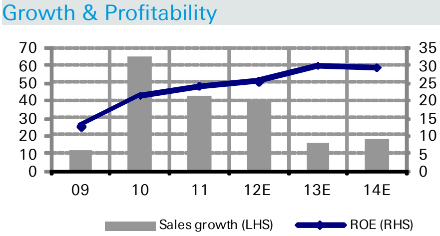
Price Performance



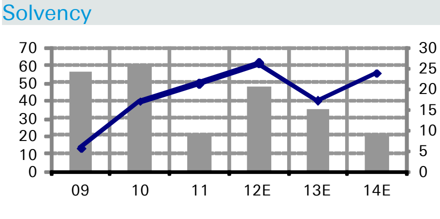
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	0.27	0.68	0.95	1.27	1.81	2.16
Reported EPS (USD)	0.27	0.68	0.95	1.27	1.81	2.16
DPS (USD)	0.00	0.00	0.19	0.23	0.84	0.52
BVPS (USD)	2.9	3.5	4.3	5.6	6.5	8.1
Weighted average shares (m)	361	384	384	384	384	384
Average market cap (USDm)	na	na	6,093	5,050	5,050	5,050
Enterprise value (USDm)	na	na	6,603	6,032	5,890	5,634
Valuation Metrics						
P/E (DB) (x)	na	na	16.7	10.4	7.3	6.1
P/E (Reported) (x)	na	na	16.7	10.4	7.3	6.1
P/BV (x)	0.00	0.00	3.92	2.53	2.02	1.62
FCF Yield (%)	na	na	nm	0.3	8.8	9.2
Dividend Yield (%)	na	na	1.2	1.7	6.4	3.9
EV/Sales (x)	nm	nm	5.0	3.3	2.7	2.2
EV/EBITDA (x)	nm	nm	10.6	6.8	5.4	4.5
EV/EBIT (x)	nm	nm	12.5	7.8	6.2	5.1
Income Statement (USDm)						
Sales revenue	561	925	1,326	1,855	2,155	2,560
Gross profit	330	538	797	1,148	1,379	1,611
EBITDA	275	425	624	886	1,084	1,259
Depreciation	54	70	96	115	140	152
Amortisation	39	0	0	0	0	0
EBIT	183	355	528	771	944	1,107
Net interest income(expense)	-33	-21	-25	-29	-55	-46
Associates/affiliates	0	-1	-2	0	0	0
Exceptionals/extraordinaries	36	0	-2	0	0	0
Other pre-tax income/(expense)	-51	-5	-15	-60	0	0
Profit before tax	98	328	484	682	889	1,061
Income tax expense	38	67	119	189	195	233
Minorities	0	0	1	7	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	96	260	364	486	693	828
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	96	260	364	486	693	828
Cash Flow (USDm)						
Cash flow from operations	148	215	212	318	749	763
Net Capex	-196	-404	-462	-302	-306	-300
Free cash flow	-48	-189	-250	16	443	463
Equity raised/(bought back)	87	0	716	0	14	0
Dividends paid	0	0	0	-129	-342	-208
Net inc/(dec) in borrowings	30	178	191	-520	-150	-150
Other investing/financing cash flows	-46	-7	-3	-27	-4	0
Net cash flow	24	-17	655	-660	-39	105
Change in working capital	*-35*	*-120*	*-262*	*-296*	*-53*	*-215*
Balance Sheet (USDm)						
Cash and other liquid assets	28	11	659	66	58	165
Tangible fixed assets	1,243	1,643	1,902	2,012	2,182	2,330
Goodwill/intangible assets	116	115	109	107	107	107
Associates/investments	27	32	33	56	56	56
Other assets	486	618	950	1,369	1,440	1,702
Total assets	1,899	2,420	3,652	3,611	3,843	4,360
Interest bearing debt	631	843	1,053	1,095	945	795
Other liabilities	202	215	784	371	388	435
Total liabilities	833	1,059	1,838	1,466	1,333	1,230
Shareholders' equity	1,066	1,361	1,666	2,135	2,500	3,120
Minorities	0	0	148	9	9	9
Total shareholders' equity	1,066	1,361	1,815	2,145	2,509	3,129
Net debt	*603*	*832*	*394*	*1,029*	*888*	*631*
Key Company Metrics						
Sales growth (%)	11.5	65.0	43.3	39.8	16.2	18.8
DB EPS growth (%)	na	155.4	39.9	33.4	42.5	19.4
EBITDA Margin (%)	49.0	46.0	47.0	47.8	50.3	49.2
EBIT Margin (%)	32.6	38.3	39.8	41.6	43.8	43.3
Payout ratio (%)	0.0	0.0	19.7	17.8	46.6	24.1
ROE (%)	12.7	21.5	24.1	25.6	29.9	29.5
Capex/sales (%)	34.9	43.6	34.8	16.3	14.2	11.7
Capex/depreciation (x)	2.1	5.7	4.8	2.6	2.2	2.0
Net debt/equity (%)	56.6	61.2	21.7	48.0	35.4	20.2
Net interest cover (x)	5.6	17.1	21.5	26.3	17.2	23.9

Source: Company data, Deutsche Bank estimates

Polyus Gold International

Outlook

Polyus Gold International is the UK-based parent company of JSC Polyus Gold, the largest gold producer in Russia and one of the 10 largest gold producers globally, with 1.5moz of gold output in 2011. We project that Polyus will grow its production at a CAGR of 11% in 2011-16, increasing its output over the next four years by about 60%. As more details emerge on how Polyus plans to monetize its 90m oz reserve base, we believe the stock may re-rate. In 2011, Polyus re-domiciled from Russia to Jersey by means of a reverse-takeover. Polyus Gold International plans to increase its liquidity. It recently achieved premium listing status and may ultimately seek FTSE index inclusion and potentially a merger with a leading global gold producer. Following the sale of 7.5% treasury shares to quasi-strategic investors, these events may serve as longer-term catalysts for the stock. Buy.

Valuation

We value Polyus Gold based on two-part a sum-of-the-parts DCF model with life-of-mine for individual deposits. We apply a 8.9% nominal and 6.4% real WACC based on a targeted capital structure of 75% equity and 25% debt. We estimate the cost of equity at 8.9%, using beta of 0.5x (an historical average), an equity risk premium of 7.5% (the average for the Russian metals & mining companies) and a risk-free rate of 6% (in line with the Russian sovereign debt yield). We use an 8% cost of debt and apply an effective tax rate of 22%. We apply a 1.5x P/NAV multiple, which captures Polyus' pure play gold growth profile but also the breadth of its reserve base and the potential to monetize it beyond the projects currently included in our DCF model. We believe that a premium to international peers may be justified by Polyus' growth profile, while its unrivaled asset base could warrant a premium to local peers.

Risks

Key risks stem from gold prices, cost inflation and ruble appreciation. Operational risks are concentrated around management's ability to deliver on growth projects, especially the most ambitious ones, such as Natalka, which together account for 24% of our valuation for Polyus. Other risks include any changes in fiscal regime and/or mining legislation. The company has also said that it targets a merger with a global gold major at some point. One of Polyus’ core shareholders, Onexim, announced in September that it may sell its 37% stake in the company. A sale or other M&A represent additional risks.

Model updated:26 March 2013

Running the numbers

Emerging Europe

Russia

Metals & Mining

Polyus Gold

Reuters: PGIL.L Bloomberg: PGIL LN

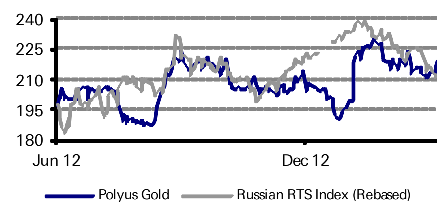
Buy

Price (27 Mar 13)	GBP 219.25
Target Price	GBP 285.00
52 Week range	GBP 187.75 - 229.50
Market Cap (m)	GBPm 6,648
	USDm 10,078

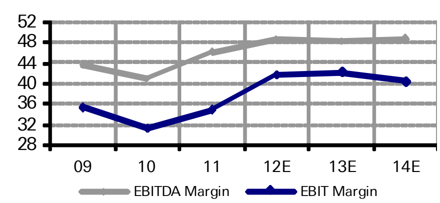
Company Profile

Polyus Gold is Russia's largest Russian gold producer and 10th-largest globally. It is also among the top 5 international gold companies by reserves. It has four operating mines in Siberia and the Far East of Russia and a number of greenfield and brownfield projects at different stages of development. It has a highly ambitious production plan to quadruple its gold production in six years via its enormous reserve base. Polyus Gold was spun off from Norilsk Nickel on 1 January 2006.

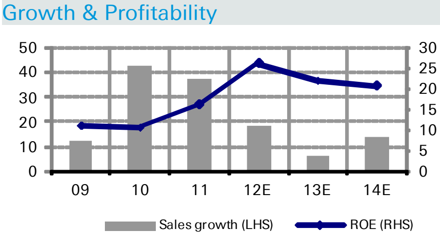
Price Performance



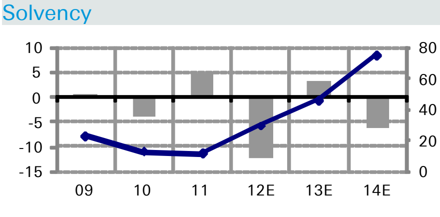
Margin Trends



Growth & Profitability



Solvency



Erik Danemar
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Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (USD)	0.11	0.11	0.19	0.28	0.29	0.33
Reported EPS (USD)	0.11	0.11	0.15	0.27	0.29	0.33
DPS (USD)	0.00	0.03	0.06	0.07	0.07	0.08
BVPS (USD)	1.0	1.0	0.9	1.2	1.4	1.7
Weighted average shares (m)	3,032	3,032	3,032	3,032	3,032	3,032
Average market cap (USDm)	na	na	na	10,078	10,078	10,078
Enterprise value (USDm)	na	na	na	9,863	10,598	10,160
Valuation Metrics						
P/E (DB) (x)	na	na	na	12.0	11.3	10.2
P/E (Reported) (x)	na	na	na	12.2	11.3	10.2
P/BV (x)	0.00	0.00	0.00	2.92	2.30	1.96
FCF Yield (%)	na	na	na	3.0	nm	7.5
Dividend Yield (%)	na	na	na	2.1	2.2	2.4
EV/Sales (x)	nm	nm	nm	3.5	3.5	3.0
EV/EBITDA (x)	nm	nm	nm	7.1	7.3	6.1
EV/EBIT (x)	nm	nm	nm	8.3	8.3	7.3
Income Statement (USDm)						
Sales revenue	1,225	1,749	2,403	2,844	3,012	3,431
Gross profit	723	990	1,362	1,648	1,738	1,978
EBITDA	534	717	1,110	1,381	1,455	1,674
Depreciation	99	170	168	182	183	284
Amortisation	0	0	103	11	0	0
EBIT	435	547	839	1,188	1,273	1,390
Net interest income(expense)	-19	-43	-71	-40	-27	-18
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	16	-23	-2	27	8	8
Profit before tax	432	481	765	1,175	1,253	1,379
Income tax expense	109	125	207	253	276	303
Minorities	2	24	89	95	87	89
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	322	332	469	827	890	987
DB adjustments (including dilution)	0	0	103	11	0	0
DB Net profit	322	332	572	838	890	987
Cash Flow (USDm)						
Cash flow from operations	343	444	765	1,005	1,114	1,303
Net Capex	-301	-350	-341	-706	-1,559	-542
Free cash flow	42	94	424	300	-445	761
Equity raised/(bought back)	0	0	-589	0	0	0
Dividends paid	-43	-105	-99	-234	-223	-247
Net inc/(dec) in borrowings	-14	-11	560	-466	0	0
Other investing/financing cash flows	-211	174	34	-16	8	2
Net cash flow	-225	152	331	-416	-659	516
Change in working capital	*-173*	*-236*	*-137*	*-111*	*-37*	*-56*
Balance Sheet (USDm)						
Cash and other liquid assets	173	327	657	826	167	683
Tangible fixed assets	2,299	2,501	2,456	2,907	4,283	4,541
Goodwill/intangible assets	133	0	0	0	0	0
Associates/investments	428	228	67	67	67	67
Other assets	758	949	1,038	1,386	1,440	1,577
Total assets	3,791	4,004	4,219	5,186	5,957	6,868
Interest bearing debt	200	203	799	336	336	336
Other liabilities	450	560	590	808	824	906
Total liabilities	650	764	1,388	1,143	1,159	1,241
Shareholders' equity	3,076	3,184	2,595	3,701	4,379	5,131
Minorities	65	57	235	342	419	496
Total shareholders' equity	3,141	3,241	2,831	4,043	4,798	5,627
Net debt	*26*	*-123*	*141*	*-491*	*168*	*-347*
Key Company Metrics						
Sales growth (%)	12.7	42.7	37.4	18.4	5.9	13.9
DB EPS growth (%)	524.4	3.3	72.3	46.5	6.2	10.8
EBITDA Margin (%)	43.6	41.0	46.2	48.6	48.3	48.8
EBIT Margin (%)	35.5	31.3	34.9	41.8	42.3	40.5
Payout ratio (%)	0.0	25.0	36.0	25.0	25.0	25.0
ROE (%)	11.0	10.6	16.2	26.3	22.0	20.7
Capex/sales (%)	24.7	20.0	14.3	24.8	51.8	15.8
Capex/depreciation (x)	3.1	2.1	2.0	3.9	8.5	1.9
Net debt/equity (%)	0.8	-3.8	5.0	-12.1	3.5	-6.2
Net interest cover (x)	23.1	12.8	11.7	29.4	46.3	75.3

Source: Company data, Deutsche Bank estimates

Randgold

Outlook

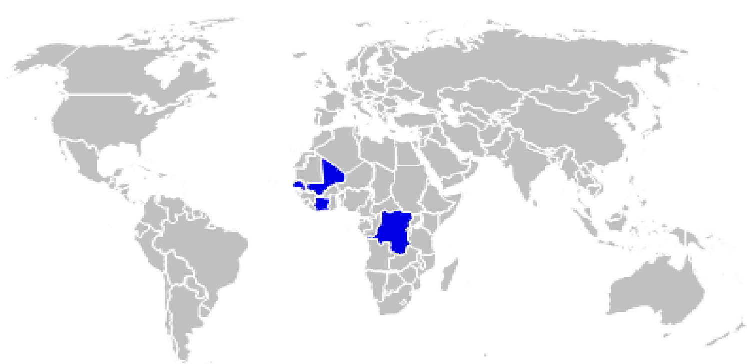
Randgold has an outstanding exploration and operational track record in Africa, particularly West Africa. The discoveries of Gounkoto and Massawa together with the acquisition of the Kibali project (a 50:50 JV with AngloGold Ashanti) put the company in a good position to grow volumes by a 12% CAGR over the next five years. The slower-than-expected ramp-up of the Yalea and Gara underground mines at the company's flagship Loulo operation has been disappointing but management are confident of a grade improvement at Loulo, as the underground operations stabilize. We believe the market will see the progress in 2012, particularly in H2, as confirmation that the company has made material progress in solving the issues around the underground mine at Loulo. Furthermore, the political impasse in Mali, although it looks to be some way from a resolution, has had no impact on operations. In the current climate of macro-economic uncertainty, we think the equity market will begin to price in $2,000/oz to the gold equities. This, combined with an improvement in operational performance, leads us to rate the stock a Buy.

Valuation

Our 12-month price target is based on 1.5x our end 2012F NAV, which equates to c20x 2012F fully diluted EPS estimate. We believe Randgold should trade at a premium to its peer group range of 15-25x PER given the company's superior growth potential and exploration track record. Our NAV is based on a life of mine discounted cash flows, at a long-run gold price of $1,025/oz, with a WACC of 5% (the WACC of 5% is based on a risk-free rate of 4%, a market risk premium of 6%, a beta of 0.3x and a 30% target gearing).

Risks

Key risks include lower-than-expected gold prices, higher-than-expected costs, particularly labor inflation and an appreciation of the Euro. Project execution and ramp-up on the company's three new mines (Tongon, Gounkoto and Kibali) represent some downside risk if these projects are delayed or there is a significant increase in capex guidance. In the near term, the transition of the flagship Loulo mine to an underground operation poses some risks as the company does not have a lengthy track record at underground mining.



Model updated:04 February 2013

Running the numbers

Europe

United Kingdom

Gold

Randgold

Reuters: RRS.L	Bloomberg: RRS LN

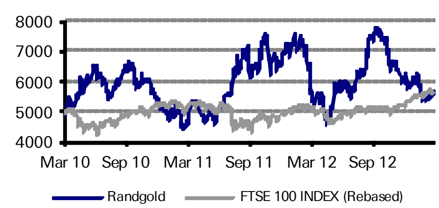
Buy

Price (27 Mar 13)	GBP 5,670.00
Target Price	GBP 7,360.00
52 Week range	GBP 4,596.00 - 7,775.00
Market Cap (m)	GBPm 5,217
	USDm 7,909

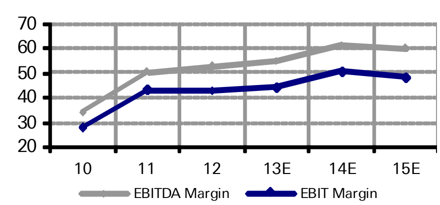
Company Profile

Randgold Resources is a gold exploration and mining company focusing on prospective regions in West Africa and the Congo Craton. The company currently has three operating mines and one low-grade stockpile processing facility in Mali and the Cote d'Ivoire, producing c.750koz of gold in 2011F. The company plans to ramp up its newly commissioned mines and grow the portfolio to five mines producing c.1.2Moz of gold by 2014.

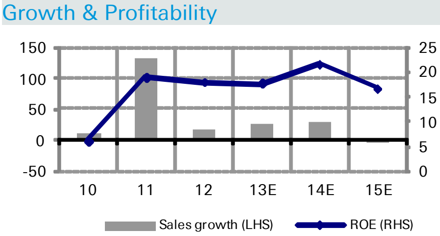
Price Performance



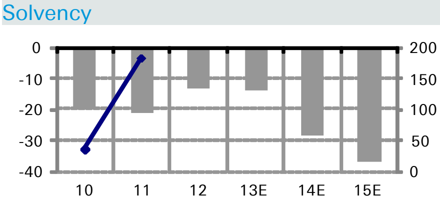
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	1.00	4.09	4.65	5.45	7.95	7.32
Reported EPS (USD)	1.12	4.09	4.65	5.45	7.95	7.32
DPS (USD)	0.20	0.40	0.50	0.52	0.54	0.56
BVPS (USD)	19.7	23.9	28.5	33.4	40.8	47.6
Weighted average shares (m)	91	92	92	92	92	92
Average market cap (USDm)	7,914	8,360	9,332	7,909	7,909	7,909
Enterprise value (USDm)	7,586	7,975	9,122	7,719	7,137	6,621
Valuation Metrics						
P/E (DB) (x)	87.7	22.3	21.9	15.8	10.8	11.7
P/E (Reported) (x)	77.7	22.3	21.9	15.8	10.8	11.7
P/BV (x)	4.20	4.28	3.39	2.58	2.11	1.80
FCF Yield (%)	nm	1.5	nm	1.8	10.1	9.1
Dividend Yield (%)	0.2	0.4	0.5	0.6	0.6	0.7
EV/Sales (x)	15.7	7.1	6.9	4.6	3.2	3.0
EV/EBITDA (x)	46.2	14.0	13.0	8.3	5.3	5.0
EV/EBIT (x)	55.8	16.3	16.1	10.3	6.4	6.2
Income Statement (USDm)						
Sales revenue	485	1,127	1,318	1,690	2,198	2,192
Gross profit	203	620	735	975	1,397	1,368
EBITDA	164	570	700	931	1,352	1,323
Depreciation	28	82	132	180	232	259
Amortisation	0	0	0	0	0	0
EBIT	136	488	568	750	1,119	1,064
Net interest income(expense)	-4	-3	1	2	5	13
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	13	0	0	0	0	0
Profit before tax	145	485	569	752	1,124	1,077
Income tax expense	25	52	58	150	247	269
Minorities	17	57	80	96	140	129
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	103	377	432	505	737	678
DB adjustments (including dilution)	-12	0	0	0	0	0
DB Net profit	92	377	432	505	737	678
Cash Flow (USDm)						
Cash flow from operations	108	570	494	836	1,090	1,063
Net Capex	-411	-448	-561	-694	-289	-345
Free cash flow	-303	122	-67	142	801	719
Equity raised/(bought back)	31	19	14	0	0	0
Dividends paid	-15	-18	-62	-66	-79	-73
Net inc/(dec) in borrowings	-1	0	15	0	0	0
Other investing/financing cash flows	24	-1	0	0	0	0
Net cash flow	-265	122	-100	76	722	646
Change in working capital	*0*	*0*	*0*	*0*	*0*	*0*
Balance Sheet (USDm)						
Cash and other liquid assets	366	488	387	463	1,186	1,832
Tangible fixed assets	902	1,279	1,742	2,256	2,312	2,397
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	16	7	4	4	4	4
Other assets	710	759	994	919	963	974
Total assets	1,994	2,533	3,127	3,641	4,465	5,206
Interest bearing debt	0	0	15	15	15	15
Other liabilities	148	238	327	306	331	338
Total liabilities	148	238	342	321	346	353
Shareholders' equity	1,792	2,188	2,620	3,069	3,756	4,382
Minorities	54	110	166	262	403	532
Total shareholders' equity	1,846	2,298	2,786	3,331	4,158	4,914
Net debt	*-366*	*-488*	*-373*	*-449*	*-1,171*	*-1,817*
Key Company Metrics						
Sales growth (%)	12.0	132.6	17.0	28.2	30.1	-0.3
DB EPS growth (%)	6.1	310.7	13.6	17.4	45.8	-7.9
EBITDA Margin (%)	33.9	50.6	53.1	55.1	61.5	60.4
EBIT Margin (%)	28.1	43.3	43.1	44.4	50.9	48.5
Payout ratio (%)	17.6	9.7	10.6	9.5	6.7	7.6
ROE (%)	6.0	18.9	18.0	17.8	21.6	16.7
Capex/sales (%)	84.8	39.7	42.7	41.1	13.1	15.7
Capex/depreciation (x)	14.6	5.5	4.3	3.8	1.2	1.3
Net debt/equity (%)	-19.8	-21.2	-13.4	-13.5	-28.2	-37.0
Net interest cover (x)	35.4	183.4	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Regis Resources

Outlook

Regis Resources operates the Moolart Well mine, which has completed ramp up to above nameplate (2mtpa) rates. Garden Well is also now operational, which could take company production to +300kozpa before satellite pits are added for a possible 400kozpa in FY14. Capex is minimized by management's 'hands on' approach and capabilities. Combined with healthy cashflow, this enables Regis to largely self-fund development, making it a relatively low-risk growth story. With the company trading at a discount to our price target, we rate the stock a Buy.

Valuation

The target price is set at 1.1x NPV to reflect the operational reliability, management strength and dividend potential. The NPV is derived from a life-of-mine DCF. Our long-term forecasts for valuation determinations are: gold $1,025/oz, and AUD/USD 0.80. When calculating the DCF we use a 10.0% WACC.

Risks

Now that Garden Well is operational, the longevity of the operations will rely on ongoing resource delineation. Beyond the company-specific risks, there is the potential for commodity prices to underperform relative to our expectations. Key downside risks are delivery of Rosemont over the next 12 months on time and budget and operational underperformance at the current producing assets, Moolart Well and Garden Well.

Model updated:11 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

Regis Resources

Reuters: RRL.AX	Bloomberg: RRL AU

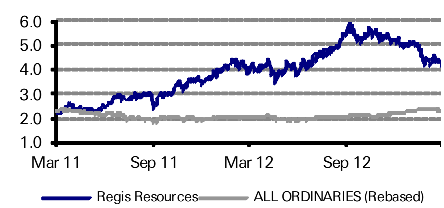
Buy

Price (27 Mar 13)	AUD 4.16
Target Price	AUD 4.90
52 Week range	AUD 3.41 - 5.87
Market Cap (m)	AUDm 1,988
	USDm 2,084

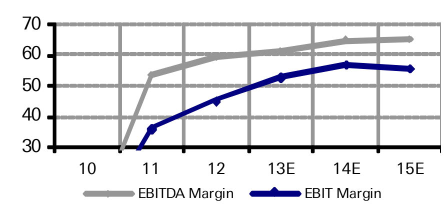
Company Profile

Regis operates two gold projects in Western Australia, Moolart Well and Garden Well. It is aiming to produce at a rate of +300kozpa from FY13 onwards.

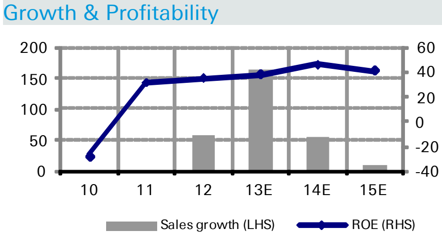
Price Performance



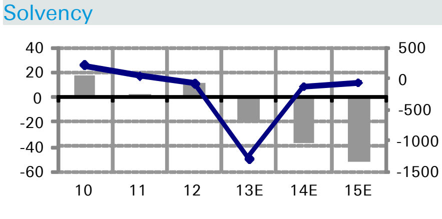
Margin Trends



Growth & Profitability



Solvency



Chris Terry
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Fiscal year end 30-Jun	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (AUD)	-0.05	0.08	0.15	0.34	0.56	0.61
Reported EPS (AUD)	-0.05	0.08	0.15	0.34	0.56	0.61
DPS (AUD)	0.00	0.00	0.00	0.20	0.34	0.36
BVPS (AUD)	0.21	0.32	0.53	1.13	1.33	1.57
Valuation Metrics						
Price/Sales (x)	nm	7.5	9.1	4.4	3.0	2.7
P/E (DB) (x)	nm	22.3	22.6	12.1	7.4	6.9
P/E (Reported) (x)	nm	22.3	22.6	12.1	7.4	6.9
P/BV (x)	4.3	7.6	7.4	3.7	3.1	2.6
FCF yield (%)	nm	1.4	nm	7.9	15.4	16.9
Dividend yield (%)	0.0	0.0	0.0	4.8	8.1	8.7
EV/Sales	na	7.6	9.1	4.4	2.7	2.3
EV/EBITDA	-13.6	14.2	15.4	7.1	4.2	3.5
EV/EBIT	-13.6	21.2	20.3	8.3	4.8	4.1
Income Statement (AUDm)						
Sales	0	108	170	449	694	767
EBITDA	-19	58	101	275	449	498
EBIT	-19	39	77	237	395	426
Pre-tax profit	-19	36	75	235	398	433
Net income	-19	36	68	164	278	303
Cash Flow (AUDm)						
Cash flow from operations	-3	48	96	269	334	376
Net Capex	0	-37	-121	-112	-18	-25
Free cash flow	-4	11	-24	158	316	351
Equity raised/(bought back)	60	9	15	2	0	0
Dividends paid	0	0	0	0	-177	-180
Net inc/(dec) in borrowings	10	15	0	-30	0	0
Other investing/financing cash flows	-1	-1	-1	0	4	5
Net cash flow	5	18	-26	110	131	164
Change in working capital	*13*	*-14*	*14*	*-20*	*0*	*0*
Balance Sheet (AUDm)						
Cash and cash equivalents	10	27	1	112	243	407
Property, plant & equipment	0	108	262	321	284	237
Goodwill	0	0	0	0	0	0
Other assets	117	56	55	252	263	274
Total assets	127	191	318	685	790	918
Debt	25	30	30	0	0	0
Other liabilities	20	21	50	129	129	129
Total liabilities	45	51	81	129	129	129
Total shareholders' equity	82	140	238	556	661	789
Net debt	*15*	*3*	*29*	*-112*	*-243*	*-407*
Key Company Metrics						
Sales growth (%)	nm	nm	57.8	163.9	54.4	10.5
DB EPS growth (%)	87.1	na	83.4	123.2	64.0	7.5
Payout ratio (%)	nm	0.0	0.0	58.1	60.0	60.0
EBITDA Margin (%)	nm	53.4	59.2	61.2	64.7	64.9
EBIT Margin (%)	0.0	35.8	44.9	52.7	56.8	55.5
ROE (%)	-27.9	32.0	35.6	38.5	46.5	41.7
Net debt/equity (%)	18.4	2.1	12.1	-20.1	-36.7	-51.5
Net interest cover (x)	222.5	51.8	-66.6	-1,286.6	-120.6	-59.9
DuPont Analysis						
EBIT margin (%)	0.0	35.8	44.9	52.7	56.8	55.5
x Asset turnover (x)	0.0	0.7	0.7	0.9	0.9	0.9
x Financial cost ratio (x)	1.0	0.9	1.0	1.0	1.0	1.0
x Tax and other effects (x)	1.0	1.0	0.9	0.7	0.7	0.7
= ROA (post tax) (%)	-21.9	22.8	26.8	32.8	37.8	35.5
x Financial leverage (x)	1.3	1.4	1.3	1.2	1.2	1.2
= ROE (%)	-27.9	32.0	35.6	38.5	46.5	41.7
annual growth (%)	*78.2*	*na*	*11.3*	*8.0*	*20.9*	*-10.3*
x NTA/share (avg) (x)	0.2	0.3	0.4	0.9	1.2	1.5
= Reported EPS	-0.05	0.08	0.15	0.34	0.56	0.61
annual growth (%)	*87.1*	*na*	*83.4*	*123.2*	*64.0*	*7.5*

Source: Company data, Deutsche Bank estimates

Sibanye Gold

Outlook

Sibanye's strategy to establish itself as a high dividend payer from mature, cash-generative assets represents a first in our South African gold mining coverage. Given our forecasts of a rising gold price and weakening rand, we expect the company's two mines to generate strong cash flow following capex in the next 12 months. This, coupled with a successful reduction in operating and corporate costs, should support Sibanye's planned dividend payment of 25-35% of earnings. We see a move to a higher payout as a key positive catalyst. This and the upside implied by our target price lead us to rate the shares Buy.

Valuation

We derive our target price from a life-of-mine DCF model, using a WACC of 9% and applying a 1x exit multiple to our NAV. We use a 12-month (calendar 2013F) gold price of $1856/oz in our assumptions and an average ZAR/USD rate of 8.58 for the same period. Our long-term gold price is $1025/oz.

Risks

Downside risks to our target price include production interruptions from safety incidents and labor relations unrest; higher wage inflation than we forecast, particularly if higher wages are agreed to in response to labor unrest; negative operational gearing from a stronger-than-expected ZAR/USD rate and/or a lower-than-expected gold price. Dilution from any issuance of equity to implement Sibanye's stated strategy to build on its presence in the South African gold industry through acquisitions is also a risk. In addition, investment in projects or the creation of JVs could lead to substantially different cash flows than our base case estimates. The South African government's planned review of South Africa's tax regime during 2013 could lead to higher taxes or royalties than we currently forecast. Sibanye may be found liable in the potential class action brought by former and/or current employees regarding the contraction of silicosis. There is a longer-term risk of higher-than-expected costs of dealing with potential acid mine drainage.

Model updated:08 March 2013

Running the numbers

Sub-Saharan Africa

South Africa

Mining

Sibanye Gold

Reuters: SGLJ.J | Bloomberg: SGL SJ

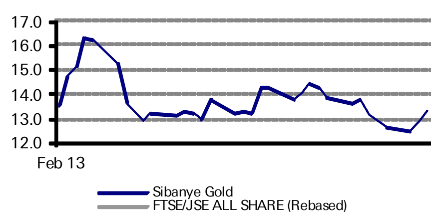
Buy

Price (27 Mar 13)	ZAR 13.30
Target Price	ZAR 18.00
52 Week range	ZAR 12.48 - 16.30
Market Cap (m)	ZARm 9,731
	USDm 1,051

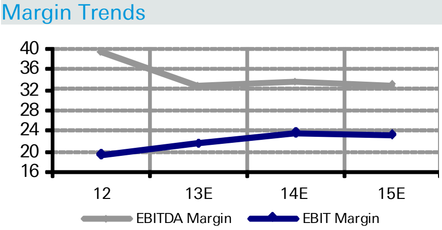
Company Profile

Sibanye Gold owns and operates two large underground gold mines in South Africa - KDC and Beatrix - which were previously wholly owned by Gold Fields Limited.

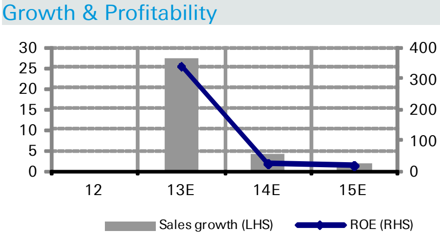
Price Performance



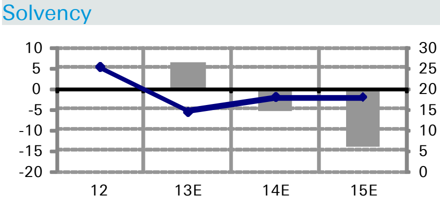
Margin Trends



Growth & Profitability



Solvency



Anna Mulholland, CFA
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Fiscal year end 31-Dec	2012	2013E	2014E	2015E
Financial Summary				
DB EPS (ZAR)	2.98	3.99	4.60	4.54
Reported EPS (ZAR)	2.98	3.99	4.60	4.54
DPS (ZAR)	0.00	0.76	1.38	1.36
BVPS (ZAR)	-9.7	15.6	21.3	27.1
Weighted average shares (m)	1,000	732	732	732
Average market cap (ZARm)	na	9,731	9,731	9,731
Enterprise value (ZARm)	na	10,079	8,290	6,128
Valuation Metrics				
P/E (DB) (x)	na	3.3	2.9	2.9
P/E (Reported) (x)	na	3.3	2.9	2.9
P/BV (x)	nm	0.85	0.62	0.49
FCF Yield (%)	na	32.6	27.0	30.4
Dividend Yield (%)	na	5.7	10.4	10.2
EV/Sales (x)	nm	0.5	0.4	0.3
EV/EBITDA (x)	nm	1.5	1.1	0.8
EV/EBIT (x)	nm	2.2	1.6	1.2
Income Statement (ZARm)				
Sales revenue	16,554	21,095	21,995	22,382
Gross profit	6,634	7,279	7,766	7,798
EBITDA	6,531	6,920	7,377	7,376
Depreciation	3,317	2,345	2,151	2,151
Amortisation	0	0	0	0
EBIT	3,213	4,575	5,226	5,225
Net interest income(expense)	-127	-312	-290	-290
Associates/affiliates	93	183	209	210
Exceptionals/extraordinaries	0	0	0	0
Other pre-tax income/(expense)	-564	-439	-469	-468
Profit before tax	2,615	4,007	4,676	4,677
Income tax expense	-365	1,084	1,309	1,358
Minorities	-1	0	0	0
Other post-tax income/(expense)	0	0	0	0
Net profit	2,981	2,922	3,368	3,319
DB adjustments (including dilution)	-2	0	0	0
DB Net profit	2,979	2,922	3,368	3,319
Cash Flow (ZARm)				
Cash flow from operations	3,352	5,933	5,406	5,482
Net Capex	-3,107	-2,763	-2,778	-2,521
Free cash flow	245	3,170	2,628	2,961
Equity raised/(bought back)	0	0	0	0
Dividends paid	-731	0	-1,048	-1,010
Net inc/(dec) in borrowings	8,492	-1,000	0	0
Other investing/financing cash flows	-19	0	0	0
Net cash flow	7,987	2,170	1,581	1,952
Change in working capital	*-648*	*666*	*-112*	*13*
Balance Sheet (ZARm)				
Cash and other liquid assets	292	2,462	4,042	5,994
Tangible fixed assets	16,376	16,518	17,145	17,515
Goodwill/intangible assets	0	0	0	0
Associates/investments	220	404	612	822
Other assets	2,810	2,722	2,814	3,209
Total assets	19,698	22,105	24,614	27,540
Interest bearing debt	2,000	3,220	3,220	3,220
Other liabilities	27,370	7,506	5,803	4,477
Total liabilities	29,370	10,726	9,023	7,697
Shareholders' equity	-9,673	11,386	15,598	19,849
Minorities	0	-7	-7	-7
Total shareholders' equity	-9,673	11,379	15,592	19,842
Net debt	*1,708*	*758*	*-822*	*-2,774*
Key Company Metrics				
Sales growth (%)	nm	27.4	4.3	1.8
DB EPS growth (%)	na	34.0	15.2	-1.5
EBITDA Margin (%)	39.5	32.8	33.5	33.0
EBIT Margin (%)	19.4	21.7	23.8	23.3
Payout ratio (%)	0.0	18.9	30.0	30.0
ROE (%)	nm	341.1	25.0	18.7
Capex/sales (%)	18.8	13.1	12.6	11.3
Capex/depreciation (x)	0.9	1.2	1.3	1.2
Net debt/equity (%)	nm	6.7	-5.3	-14.0
Net interest cover (x)	25.3	14.6	18.0	18.0

Source: Company data, Deutsche Bank estimates

Silver Standard

Outlook

Silver Standard is a start-up primary silver company in the Americas with one of the largest untapped resource bases in the industry. Silver production is estimated to increase to 8.2-8.5m oz in 2013 (from zero in 2008) and could more than double to 19m oz by 2016 as new greenfield projects (San Luis and Pitarrilla) in Latin America come on-stream. Silver Standard has undergone numerous structural changes in recent times. The company has partially spun-off its non-core gold projects for ~$250m in net cash proceeds plus a remaining marketable stake in Pretium Resources. A new executive management team is focused on executing growth projects versus prior focus on exploration. However, doubts remain on project execution and repeated timing delays. On January 10, 2013, the company raised $250m in convertible notes to repurchase or redeem its existing convertible notes ($138m) and use the remaining net proceeds for developing or advancing its property portfolio, but at the same time this has led to ~15% earnings dilution. We rate Silver Standard a Sell based on valuation.

Valuation

Our 12-month target price for Silver Standard is based on 9x our 2014F EPS plus an additional premium to reflect the company's large excess silver resources and market value of investments in Pretium Resources and Kingsgate Consolidated. As a valuation cross-check, we note that our target price equates to ~0.7x our NPV calculated under a DCF methodology (8.3% WACC with 9.5% Ke and 3.6% post-tax Kd, 0.25% terminal growth, based on our knowledge of the asset base and expectations of long-term growth).

Risks

A major upside risk to our rating is higher-than-expected silver prices. Other risks include planned expansion at Pirquitas not achieving design capacity of 9m oz/year; the advancement of its drilling program; geopolitical concerns; and currency volatility. Additional risks to our outlook include execution of its greenfield mine projects (San Luis and Pitarrilla) and geopolitical risks given sites in Argentina, Bolivia, Peru and Mexico.

Model updated:01 March 2013

Running the numbers

North America

Canada

Metals & Mining

Silver Standard

Reuters: SSO.TO Bloomberg: SSO CN

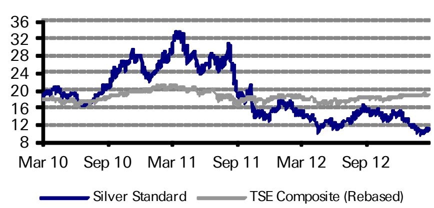
Sell

Price (26 Mar 13)	CAD 10.71
Target Price	CAD 10.50
52 Week range	CAD 9.57 - 16.47
Market Cap (m)	CADm 1,007
	USDm 991

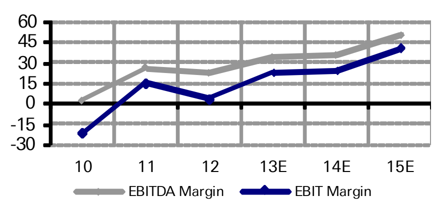
Company Profile

Silver Standard, headquartered in Vancouver, is one of the few primary, public silver companies in North America. It has one of the largest reported silver resource bases totaling ~1.5bn oz as of 2011. The company has been accumulating silver and gold assets and developing properties with the expectation that commodity markets will strengthen, moving these towards production to realize a return on investments and higher valuation.

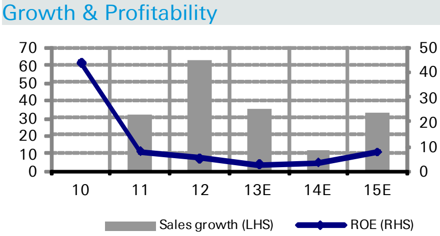
Price Performance



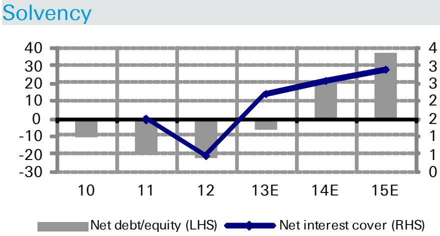
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (USD)	4.36	0.99	0.68	0.30	0.40	0.97
Reported EPS (USD)	4.37	0.99	0.68	0.30	0.40	0.97
DPS (USD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	13.01	12.16	13.09	11.55	11.95	12.93
Valuation Metrics						
Price/Sales (x)	14.2	13.4	4.7	3.0	2.7	2.0
P/E (DB) (x)	4.6	24.7	20.8	34.7	26.1	10.9
P/E (Reported) (x)	4.6	24.7	20.8	34.7	26.1	10.9
P/BV (x)	2.2	1.1	1.1	0.9	0.9	0.8
FCF yield (%)	nm	nm	nm	nm	nm	nm
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales	11.2	11.1	3.3	2.5	3.0	2.7
EV/EBITDA	503.9	41.9	14.5	7.2	8.4	5.4
EV/EBIT	nm	72.7	81.1	10.8	12.3	6.6
Income Statement (USDm)						
Sales	112	148	241	325	364	486
EBITDA	2	39	55	112	131	244
EBIT	-24	23	10	75	89	199
Pre-tax profit	370	112	35	41	54	130
Net income	346	80	55	29	38	91
Cash Flow (USDm)						
Cash flow from operations	-81	-20	34	104	113	162
Net Capex	-103	-65	-62	-237	-365	-319
Free cash flow	-183	-85	-28	-133	-252	-157
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	-13	-15	-22	-34	-35	-69
Other investing/financing cash flows	394	190	78	0	0	0
Net cash flow	198	90	27	-167	-286	-226
Change in working capital	*-60*	*-28*	*-41*	*3*	*-1*	*-43*
Balance Sheet (USDm)						
Cash and cash equivalents	232	329	367	314	27	52
Property, plant & equipment	614	544	540	740	1,063	1,337
Goodwill	0	0	0	0	0	0
Other assets	416	403	410	385	392	443
Total assets	1,262	1,276	1,317	1,438	1,482	1,832
Debt	118	125	136	250	250	500
Other liabilities	112	167	124	102	109	116
Total liabilities	230	292	260	352	359	616
Total shareholders' equity	1,032	984	1,057	1,086	1,124	1,215
Net debt	*-114*	*-204*	*-231*	*-64*	*223*	*448*
Key Company Metrics						
Sales growth (%)	nm	31.7	63.1	35.0	12.0	33.5
DB EPS growth (%)	na	-77.3	-31.5	-55.2	32.8	140.3
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	2.2	26.5	22.6	34.6	35.8	50.2
EBIT Margin (%)	-21.2	15.3	4.0	23.0	24.4	40.9
ROE (%)	44.2	8.0	5.4	2.7	3.4	7.8
Net debt/equity (%)	-11.1	-20.7	-21.9	-5.9	19.8	36.9
Net interest cover (x)	nm	1.5	0.4	2.2	2.6	2.9
DuPont Analysis						
EBIT margin (%)	-21.2	15.3	4.0	23.0	24.4	40.9
x Asset turnover (x)	0.1	0.1	0.2	0.2	0.2	0.3
x Financial cost ratio (x)	1.5	0.3	-1.3	0.5	0.6	0.7
x Tax and other effects (x)	-9.5	10.7	-4.3	0.7	0.7	0.7
= ROA (post tax) (%)	34.4	6.3	4.2	2.1	2.6	5.5
x Financial leverage (x)	1.3	1.3	1.3	1.3	1.3	1.4
= ROE (%)	44.2	8.0	5.4	2.7	3.4	7.8
annual growth (%)	*na*	*-82.0*	*-32.5*	*-50.3*	*28.8*	*127.0*
x NTA/share (avg) (x)	9.9	12.5	12.6	11.4	11.8	12.4
= Reported EPS	4.37	0.99	0.68	0.30	0.40	0.97
annual growth (%)	*na*	*-77.3*	*-31.5*	*-55.2*	*32.8*	*140.3*

Source: Company data, Deutsche Bank estimates

St Barbara

Outlook

SBM has a strong balance sheet following the recent performance at Gwalia and King of the Hills in Western Australia. SBM recently acquired the Simberi and Gold Ridge assets from Allied Gold. The new assets add risk through exposure to two new countries (PNG and Solomon Islands) and also dilute the quality of the asset base; however, there is now a stronger growth profile in place. We await evidence of a turnaround at the acquired assets to drive an improvement in the stock's performance. With the share price trading at a discount to our NPV, we rate the stock a Buy on valuation.

Valuation

St Barbara's NPV valuation is dependent on the successful operation of Gwalia Deeps to maintain gold production and subsequent cash flow. We also look for improvements at the acquired Pacific assets to achieve our base case valuation. Our 12-month target is set at 1.0x the LOM NPV. Our long-term forecasts for valuation determinations are; gold $1,025/oz, AUD/USD 0.80. Our DCF uses a 12% nominal WACC to reflect increased country risk from the acquisition.

Risks

Operational downside risks primarily revolve around the Gwalia Deeps operation as we believe it is the long-term future of the company. Issues that might arise include: grade not being realized, excessive dilution, or delays to the underground mining sequence. Simberi and Gold Ridge asset downside risks include lower recoveries than forecast, lower grades/plant throughput or higher costs. The company is also subject to macro risks including the gold price and the AUD/USD.

Model updated:25 March 2013

Running the numbers

Australasia

Australia

M&M - Gold

St Barbara

Reuters: SBM.AX Bloomberg: SBM AU

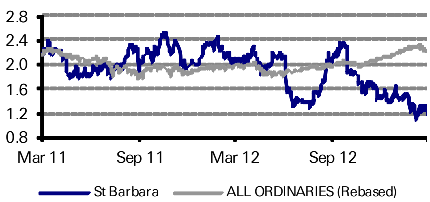
Buy

Price (27 Mar 13)	AUD 1.20
Target Price	AUD 2.00
52 Week range	AUD 1.10 - 2.37
Market Cap (m)	AUDm 547
	USDm 574

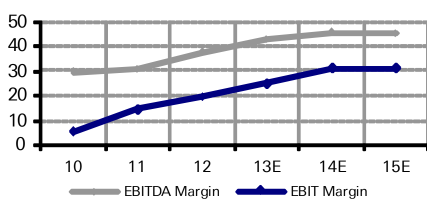
Company Profile

St Barbara's key Australian projects are the Leonora Operation (Gwalia and King of the Hills) and the Southern Cross Operation. The company also has two assets outside of Australia, Gold Ridge in the Solomon Islands and Simberi in Papua New Guinea.

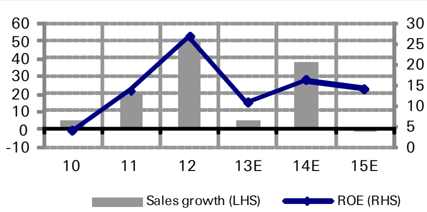
Price Performance



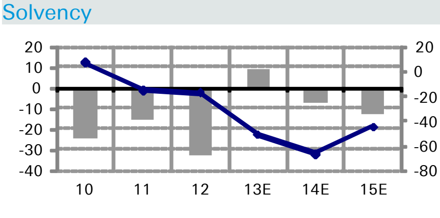
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2010	2011	2012	2013E	2014E	2015E
Financial Summary						
DB EPS (AUD)	0.05	0.17	0.40	0.19	0.33	0.33
Reported EPS (AUD)	-0.14	0.21	0.40	0.15	0.33	0.33
DPS (AUD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (AUD)	1.07	1.34	1.71	1.85	2.17	2.50
Valuation Metrics						
Price/Sales (x)	1.6	2.0	1.3	1.0	0.7	0.7
P/E (DB) (x)	33.9	12.9	5.3	6.4	3.7	3.7
P/E (Reported) (x)	nm	10.3	5.3	7.8	3.7	3.7
P/BV (x)	2.0	1.5	1.0	0.6	0.6	0.5
FCF yield (%)	nm	0.4	20.0	3.0	32.9	16.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales	1.5	1.7	1.1	1.1	0.7	0.6
EV/EBITDA	5.0	5.6	2.8	2.4	1.6	1.3
EV/EBIT	27.0	11.9	5.4	4.1	2.4	1.9
Income Statement (AUDm)						
Sales	297	360	541	570	789	785
EBITDA	88	111	205	245	363	356
EBIT	16	53	107	145	247	246
Pre-tax profit	-40	69	109	104	227	229
Net income	-40	69	130	70	159	160
Cash Flow (AUDm)						
Cash flow from operations	82	130	238	167	372	332
Net Capex	-86	-128	-100	-150	-179	-236
Free cash flow	-4	3	138	16	193	96
Equity raised/(bought back)	119	0	0	-5	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	-75	-4	-10	218	-38	-18
Other investing/financing cash flows	17	-9	-6	-193	6	8
Net cash flow	48	-23	106	20	130	52
Change in working capital	*32*	*3*	*13*	*-46*	*0*	*0*
Balance Sheet (AUDm)						
Cash and cash equivalents	102	79	185	205	340	401
Property, plant & equipment	329	400	399	1,064	1,127	1,253
Goodwill	0	0	0	0	0	0
Other assets	48	69	97	197	197	197
Total assets	479	548	682	1,465	1,665	1,851
Debt	16	12	4	292	264	255
Other liabilities	114	100	114	272	341	376
Total liabilities	130	112	118	564	605	631
Total shareholders' equity	349	436	564	901	1,060	1,221
Net debt	*-86*	*-67*	*-181*	*87*	*-76*	*-147*
Key Company Metrics						
Sales growth (%)	5.6	21.2	50.5	5.3	38.4	-0.4
DB EPS growth (%)	5,330.5	242.8	139.7	-53.5	74.8	0.9
Payout ratio (%)	nm	0.0	0.0	0.0	0.0	0.0
EBITDA Margin (%)	29.7	30.9	37.8	43.0	46.0	45.4
EBIT Margin (%)	5.5	14.6	19.8	25.4	31.3	31.3
ROE (%)	3.9	13.6	26.7	10.8	16.2	14.1
Net debt/equity (%)	-24.7	-15.4	-32.1	9.7	-7.2	-12.0
Net interest cover (x)	7.8	-14.7	-16.7	-50.7	-66.7	-44.7
DuPont Analysis						
EBIT margin (%)	5.5	14.6	19.8	25.4	31.3	31.3
x Asset turnover (x)	0.6	0.7	0.9	0.5	0.5	0.4
x Financial cost ratio (x)	0.9	1.0	1.0	0.9	0.9	0.9
x Tax and other effects (x)	-2.8	1.3	1.2	0.6	0.7	0.7
= ROA (post tax) (%)	-8.5	13.4	21.2	6.5	10.2	9.1
x Financial leverage (x)	1.3	1.3	1.3	1.4	1.6	1.5
= ROE (%)	-11.0	17.2	26.6	8.9	16.2	14.1
annual growth (%)	*62.0*	*na*	*54.8*	*-66.4*	*81.4*	*-13.4*
x NTA/share (avg) (x)	1.3	1.2	1.5	1.7	2.0	2.3
= Reported EPS	-0.14	0.21	0.40	0.15	0.33	0.33
annual growth (%)	*58.2*	*na*	*89.3*	*-61.4*	*111.5*	*0.9*

Source: Company data, Deutsche Bank estimates

Zijin Mining

Outlook

Zijin Mining is one of the largest gold producers in China with significant copper production. Zijin's recent price performance has been heavily penalized by its environmental management issues. As rectification works are being done, we expect the company's share price to play catch-up. Near-term growth for Zijin comes from its expanding copper profile, with the restart of Zijinshan's copper cathode production, the start-up of the Duobaoshan mine and increasing concentrate production from Zijinshan as its gold reserve starts to deplete. The medium term is driven by increasing Zijinshan's copper concentrate production from its current 8,000 tonnes to 50,000 - 70,000 tonnes per annum in five years' time. Gold production is expected to remain stable for the next few years unless significant acquisitions are made. Buy.

Valuation

Our 12-month price target for Zijin is based on 10x our FY13 EPS estimate, in line with global gold/copper producers. We believe that Zijin should trade at a discount to pure gold mining companies, and more in line with large gold/copper producers for its significant copper exposure.

Risks

Given Zijin's 63% revenue exposure to gold and 15% revenue exposure to copper, the main downside risk to our outlook is lower-than-expected gold and copper prices. Other downside risks also include higher-than-expected raw material and other operating costs, ramp-up delays and expansion development issues. Exploration and drilling activities may not produce additional new reserves, especially for its gold business, leading to adjusted production levels in the long run. Project execution risks at its overseas development operations and environmental risks also need to be taken into consideration.

Model updated:09 January 2013

Running the numbers

Asia

China

Metals & Mining

Zijin Mining

Reuters: 2899.HK	Bloomberg: 2899 HK

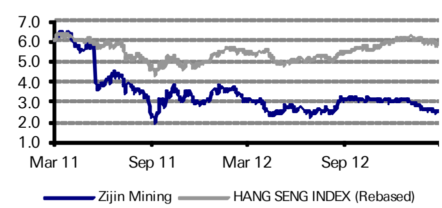
Buy

Price (27 Mar 13)	HKD 2.59
Target Price	HKD 3.54
52 Week range	HKD 2.29 - 3.27
Market Cap (m)	HKDm 56,493
	USDm 7,280

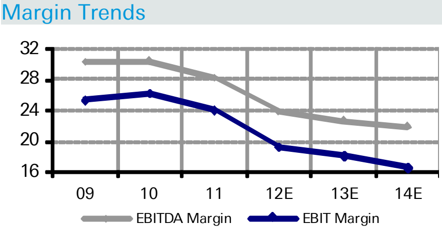
Company Profile

Zijin Mining is a mining conglomerate in the PRC. It is engaged primarily in the exploration, mining and sale of gold and other non-ferrous metals. The company is one of the largest and most efficient mine-produced gold producers in the PRC.

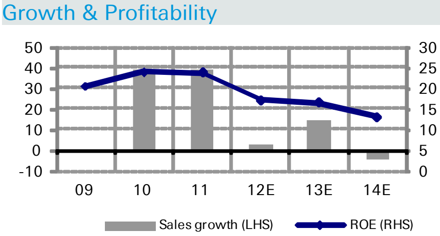
Price Performance



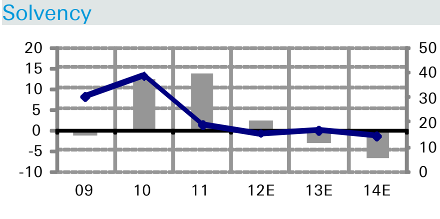
Margin Trends



Growth & Profitability



Solvency



Laura Zhai
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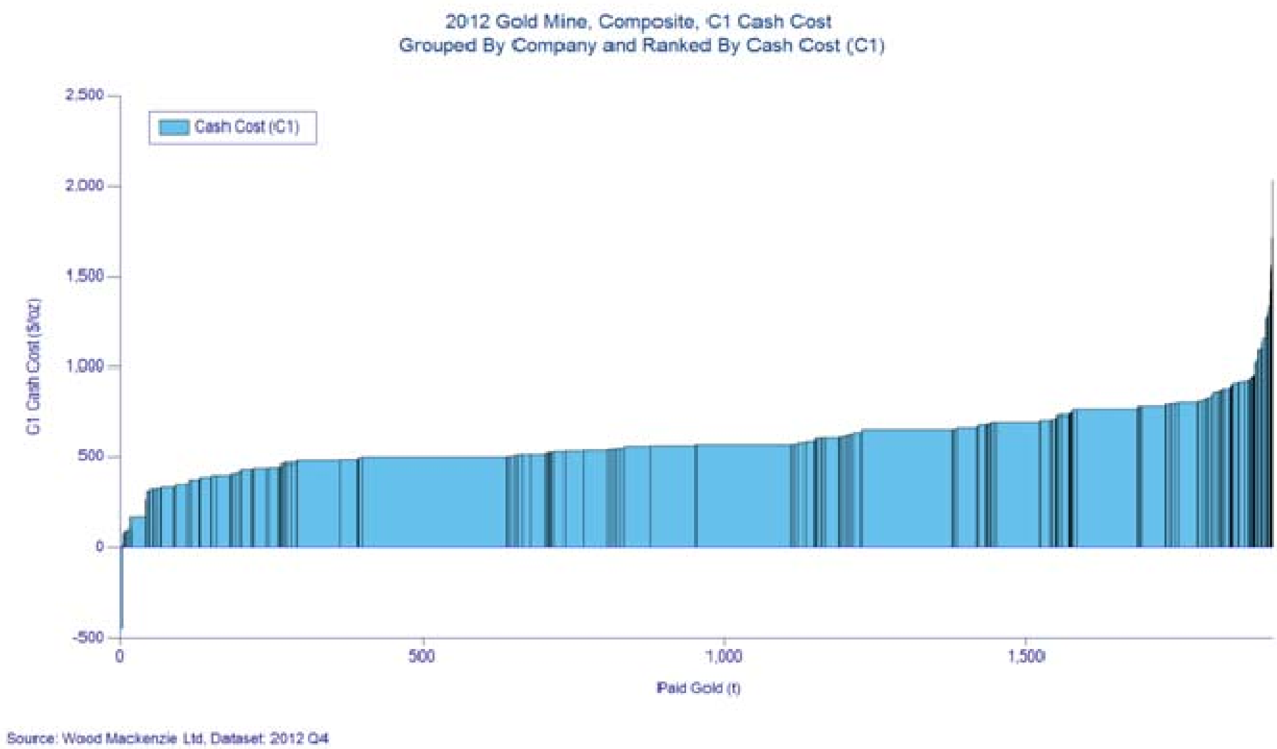
Fiscal year end 31-Dec	2009	2010	2011	2012E	2013E	2014E
Financial Summary						
DB EPS (CNY)	0.24	0.22	0.26	0.21	0.24	0.21
Reported EPS (CNY)	0.24	0.22	0.26	0.21	0.24	0.21
DPS (CNY)	0.10	0.07	0.08	0.06	0.07	0.06
BVPS (CNY)	1.2	1.0	1.1	1.3	1.5	1.6
Weighted average shares (m)	14,541	21,812	21,812	21,812	21,812	21,812
Average market cap (CNYm)	85,279	122,088	84,410	45,218	45,218	45,218
Enterprise value (CNYm)	86,233	124,395	89,340	46,346	45,187	44,456
Valuation Metrics						
P/E (DB) (x)	24.0	25.3	15.0	9.7	8.8	10.1
P/E (Reported) (x)	24.0	25.3	15.0	9.7	8.8	10.1
P/BV (x)	5.23	6.28	2.11	1.57	1.40	1.27
FCF Yield (%)	2.4	3.2	0.7	13.7	5.6	6.6
Dividend Yield (%)	1.7	1.2	2.1	3.1	3.4	2.9
EV/Sales (x)	4.3	4.4	2.3	1.1	1.0	1.0
EV/EBITDA (x)	14.1	14.5	8.0	4.8	4.3	4.6
EV/EBIT (x)	16.8	16.8	9.4	6.0	5.4	6.0
Income Statement (CNYm)						
Sales revenue	20,215	28,187	39,381	40,402	46,466	44,482
Gross profit	7,566	11,036	13,487	11,740	12,766	11,878
EBITDA	6,111	8,572	11,126	9,629	10,541	9,714
Depreciation	993	1,187	1,643	1,840	2,133	2,345
Amortisation	0	0	0	0	0	0
EBIT	5,118	7,385	9,484	7,789	8,408	7,370
Net interest income(expense)	-168	-191	-496	-507	-507	-507
Associates/affiliates	96	137	205	243	243	243
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	-121	0	0
Profit before tax	5,045	7,332	9,192	7,404	8,143	7,105
Income tax expense	968	1,576	2,366	1,851	2,036	1,776
Minorities	525	928	1,198	888	977	853
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	3,552	4,828	5,629	4,664	5,130	4,476
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	3,552	4,828	5,629	4,664	5,130	4,476
Cash Flow (CNYm)						
Cash flow from operations	5,045	7,332	11,331	10,259	9,395	6,988
Net Capex	-2,958	-3,375	-10,722	-4,053	-6,857	-4,000
Free cash flow	2,087	3,957	609	6,206	2,538	2,988
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-1,454	-1,454	-29	-1,388	-1,527	-1,332
Net inc/(dec) in borrowings	600	3,192	-407	3,047	0	0
Other investing/financing cash flows	187	-12	-419	2,757	151	-507
Net cash flow	1,421	5,682	-246	10,621	1,162	1,148
Change in working capital	*-485*	*-1,571*	*2,335*	*2,696*	*1,150*	*-745*
Balance Sheet (CNYm)						
Cash and other liquid assets	4,138	4,651	6,180	13,145	12,234	13,818
Tangible fixed assets	10,051	12,557	18,378	19,082	22,399	24,494
Goodwill/intangible assets	5,252	5,316	7,477	7,521	7,191	6,862
Associates/investments	2,216	5,121	4,406	5,789	5,789	5,789
Other assets	7,989	10,755	15,879	17,724	11,548	17,053
Total assets	29,646	38,401	52,320	63,261	59,162	68,015
Interest bearing debt	3,865	7,882	10,393	14,049	11,002	11,002
Other liabilities	4,168	4,491	11,795	14,377	8,764	13,615
Total liabilities	8,033	12,373	22,188	28,426	19,766	24,617
Shareholders' equity	18,170	21,832	25,009	28,823	32,406	35,555
Minorities	3,443	4,197	5,124	6,012	6,990	7,842
Total shareholders' equity	21,613	26,029	30,133	34,835	39,395	43,398
Net debt	*-273*	*3,231*	*4,213*	*904*	*-1,232*	*-2,816*
Key Company Metrics						
Sales growth (%)	nm	39.4	39.7	2.6	15.0	-4.3
DB EPS growth (%)	na	-9.4	16.6	-17.1	10.0	-12.7
EBITDA Margin (%)	30.2	30.4	28.3	23.8	22.7	21.8
EBIT Margin (%)	25.3	26.2	24.1	19.3	18.1	16.6
Payout ratio (%)	40.9	30.1	31.0	29.8	29.8	29.8
ROE (%)	20.7	24.1	24.0	17.3	16.8	13.2
Capex/sales (%)	15.4	13.1	31.8	14.6	14.8	9.0
Capex/depreciation (x)	3.1	3.1	7.6	3.2	3.2	1.7
Net debt/equity (%)	-1.3	12.4	14.0	2.6	-3.1	-6.5
Net interest cover (x)	30.4	38.7	19.1	15.4	16.6	14.5

Source: Company data, Deutsche Bank estimates

Appendix B

Figure 140: Global cost curve



Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Polyus Gold	PGIL.L	219.25 (GBp) 27 Mar 13	NA
Highland Gold	HGM.L	87.00 (GBp) 27 Mar 13	NA
Polymetal	POLYP.L	867.50 (GBp) 27 Mar 13	NA
Koza Altin	KOZAL.IS	41.60 (TRY) 27 Mar 13	NA
Nordgold	NORDNq.L	3.65 (USD) 27 Mar 13	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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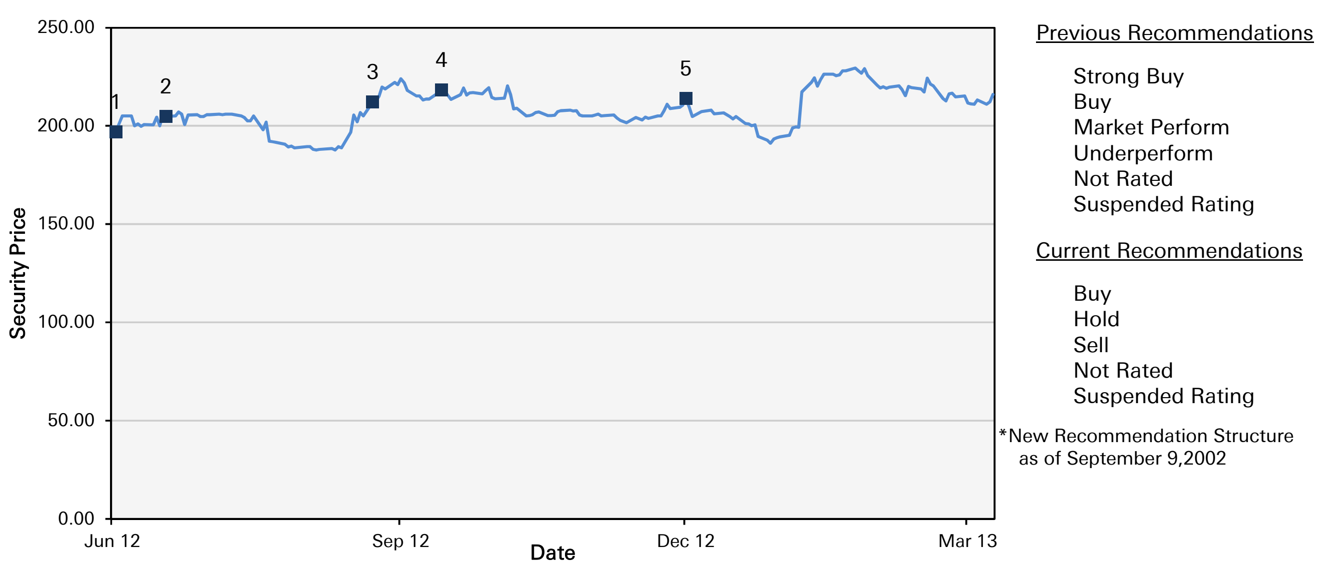
The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Erik Danemar

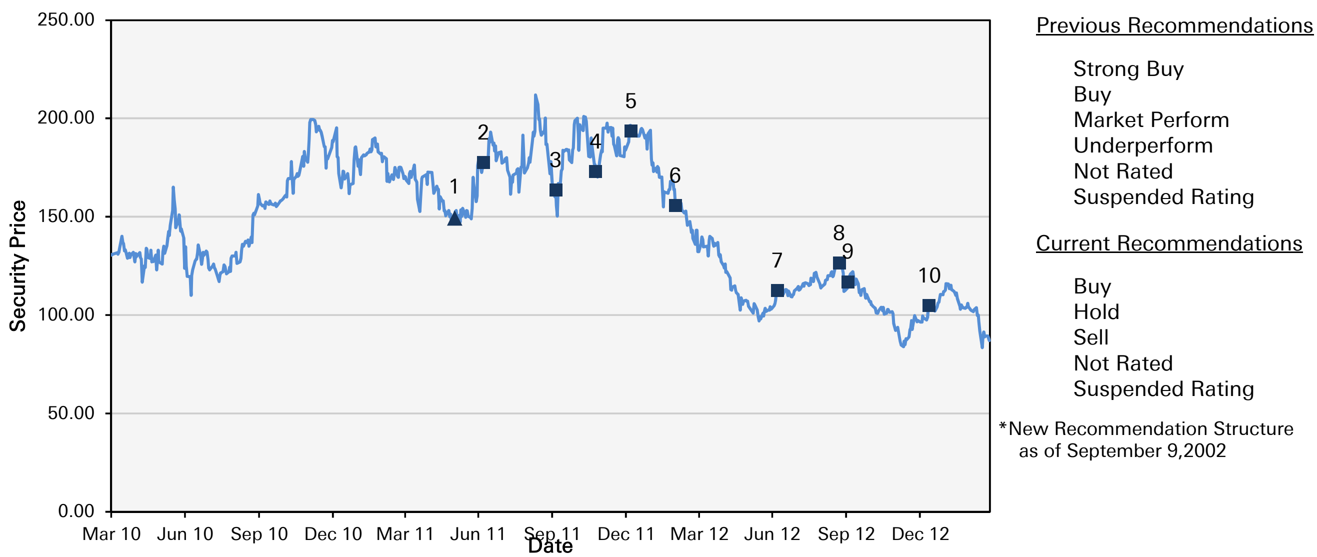
Historical recommendations and target price: Polyus Gold (PGIL.L)
(as of 3/27/2013)



1.	20/06/2012:	Buy, Target Price Change GBP245.00
2.	06/07/2012:	Buy, Target Price Change GBP260.00
3.	10/09/2012:	Buy, Target Price Change GBP270.00
4.	02/10/2012:	Buy, Target Price Change GBP290.00
5.	19/12/2012:	Buy, Target Price Change GBP285.00

Historical recommendations and target price: Highland Gold (HGM.L)

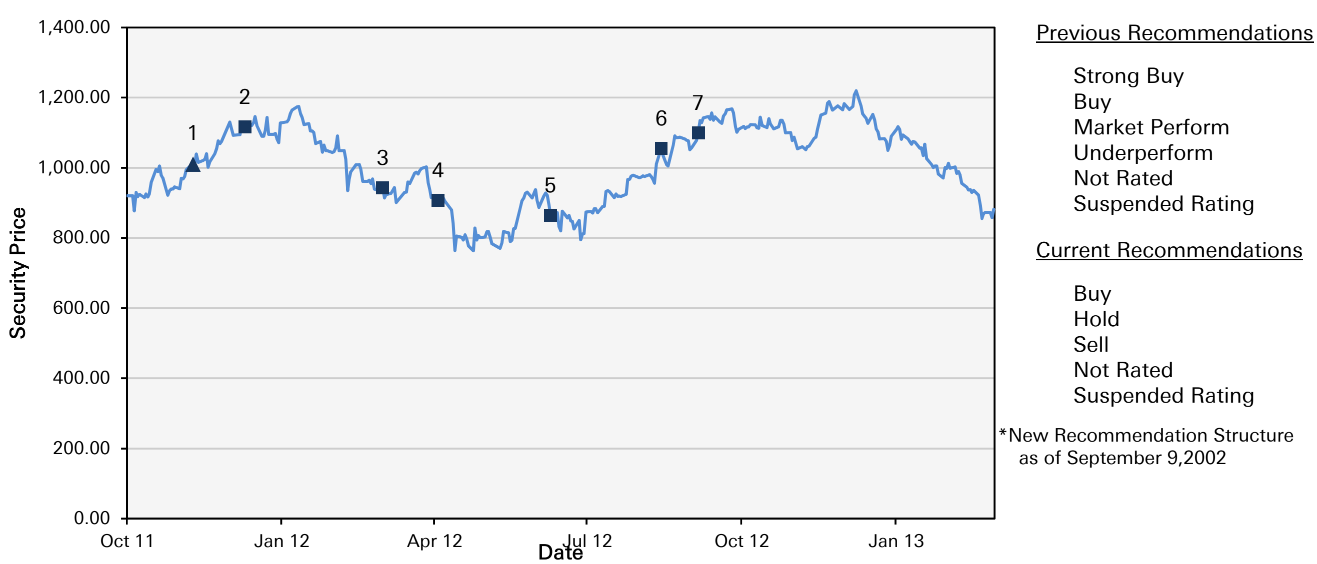
(as of 3/27/2013)



1.	31/05/2011:	Upgrade to Buy, Target Price Change GBP235.00	6.	01/03/2012:	Buy, Target Price Change GBP210.00
2.	06/07/2011:	Buy, Target Price Change GBP230.00	7.	06/07/2012:	Buy, Target Price Change GBP195.00
3.	04/10/2011:	Buy, Target Price Change GBP260.00	8.	21/09/2012:	Buy, Target Price Change GBP170.00
4.	23/11/2011:	Buy, Target Price Change GBP265.00	9.	02/10/2012:	Buy, Target Price Change GBP175.00
5.	06/01/2012:	Buy, Target Price Change GBP230.00	10.	11/01/2013:	Buy, Target Price Change GBP160.00

Historical recommendations and target price: Polymetal (POLYP.L)

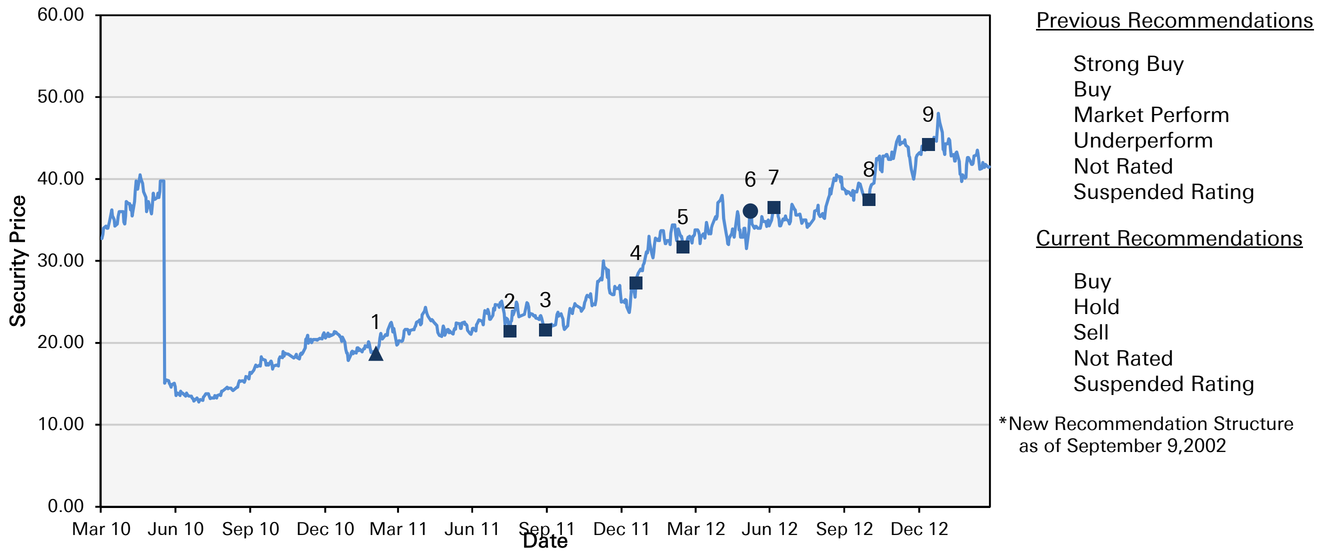
(as of 3/27/2013)



1.	06/12/2011:	Upgrade to Buy, Target Price Change GBP1,180.00	5.	06/07/2012:	Buy, Target Price Change GBP1,110.00
2.	06/01/2012:	Buy, Target Price Change GBP1,200.00	6.	10/09/2012:	Buy, Target Price Change GBP1,120.00
3.	28/03/2012:	Buy, Target Price Change GBP1,180.00	7.	02/10/2012:	Buy, Target Price Change GBP1,200.00
4.	30/04/2012:	Buy, Target Price Change GBP1,115.00			

Historical recommendations and target price: Koza Altin (KOZAL.IS)

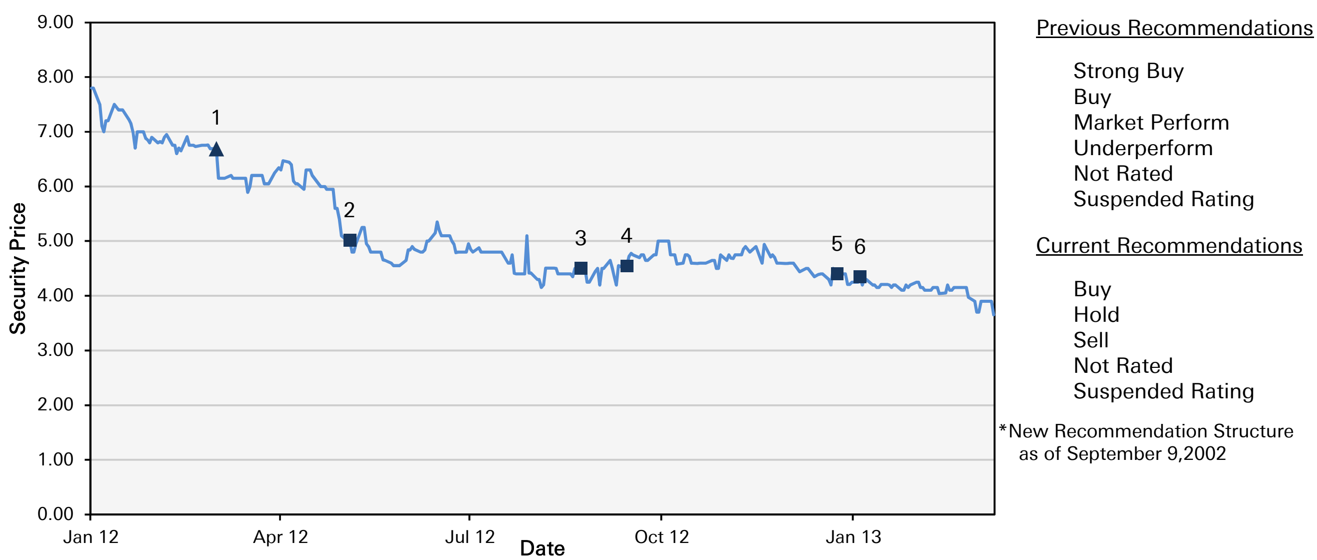
(as of 3/27/2013)



1.	03/03/2011:	Upgrade to Buy, Target Price Change TRY28.40	6.	06/06/2012:	Downgrade to Hold, Target Price Change TRY35.60
2.	15/08/2011:	Buy, Target Price Change TRY30.20	7.	05/07/2012:	Hold, Target Price Change TRY36.40
3.	28/09/2011:	Buy, Target Price Change TRY35.65	8.	30/10/2012:	Hold, Target Price Change TRY38.40
4.	17/01/2012:	Buy, Target Price Change TRY33.20	9.	11/01/2013:	Hold, Target Price Change TRY41.10
5.	15/03/2012:	Buy, Target Price Change TRY33.40			

Historical recommendations and target price: Nordgold (NORDNq.L)

(as of 3/27/2013)



1.	19/03/2012:	Upgrade to Buy, Target Price Change USD9.00	4.	02/10/2012:	Buy, Target Price Change USD7.30
2.	22/05/2012:	Buy, Target Price Change USD8.10	5.	11/01/2013:	Buy, Target Price Change USD7.00
3.	10/09/2012:	Buy, Target Price Change USD7.10	6.	22/01/2013:	Buy, Target Price Change USD6.10

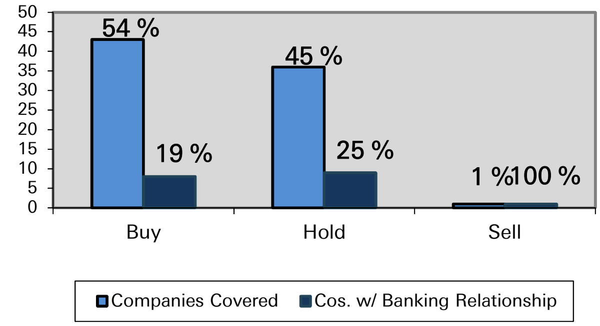
Equity rating key

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:

    Buy: Expected total return (including dividends) of 10% or more over a 12-month period
    Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
    Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Global Universe

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