

Can the run continue?

Investment Highlights

- **The gold sector has seen strong gains over the past few months with merger and acquisition activity adding fuel to the fire. While we believe there are still wins to be made in the sector we are cautious with valuations looking stretched on many stocks.**
- **Large gains have been made.** We caution against thinking that the bull run for gold has just commenced. The gold market has been in a bull run since early 2009 when the price moved from US\$900/oz to current levels. We struggle to identify incremental buyers for physical gold from here with growth in investment demand already at record highs i.e. if the investment demand abates gold prices could face significant headwinds.
- **Gold price has benefitted from a world awash in paper.** Gold has been a major beneficiary of EU sovereign debt issues, associated currency risk, as fears of contagion continue to grip financial markets, and despite a stronger US\$ on the back of safe haven. Gold has also benefitted from record investment demand aided by the emergence of dedicated investment vehicles such as ETF's; production declines in traditional mainstays such as South Africa, as well as internalisation of production from emerging jurisdictions such as China.
- **Still upside despite the strong run.** Although large gains have been made macro-economic factors remain supportive for gold in the coming 12 months and merger and acquisition activity in the sector is likely to see some reallocation of funds.
- **Leverage also suggests there is still upside in valuations.** Historically ASX gold stocks show 1.2 x leverage to movements in the gold price. Driven by expansion and contraction of operating margins. Since March 2008 (prior to GFC related selling equities) gold equities have underperformed the gold price by 12% implying that gold equities still have 32% upside as a sector from here.
- **Merger and Acquisition activity has set the sector alight.** The mid-cap market came alive in September and has since seen \$20.29bn in proposed merger deals including RBI.TSX, AND and AVO involved as targets. However, we caution, cash consideration only makes up 8% of this total implying the deal valuations may be inflated with expensive-scrip as currency.
- **Market is starting to pay up for exploration.** EV per resource ounce metrics are moving upward rapidly. AND was acquired for almost A\$1000/oz in resource. While peer gold explorer/developer AMX is now trading on almost A\$500/oz.
- **Top Picks:** **AMX** has been a favourite although needs the current exploration momentum to continue. **ADU** and **NMG** are commissioning projects in 2011 and look cheap on EV per resource ounce metrics we continue to rate both as Buys with successful project delivery likely precipitating a re-rating. **FML's** Coolgardie operation is set to show improved production in coming Qs and offers solid earnings leverage. **RRL** is not rated although has had outstanding exploration results with Garden Well likely a second mine at the Duketon project. Company also has well regarded management and offers short term gold price exposure with the first gold pour from Duketon this month. **ALD** is not rated although offers earnings leverage (Simberi) and large resource base (Simberi + Solomon Islands) however the market is awaiting a successful commission of its second operation in 2011 (Solomon Islands Gold Project).

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See page 13 for important disclosures

There are still reasons to be bullish

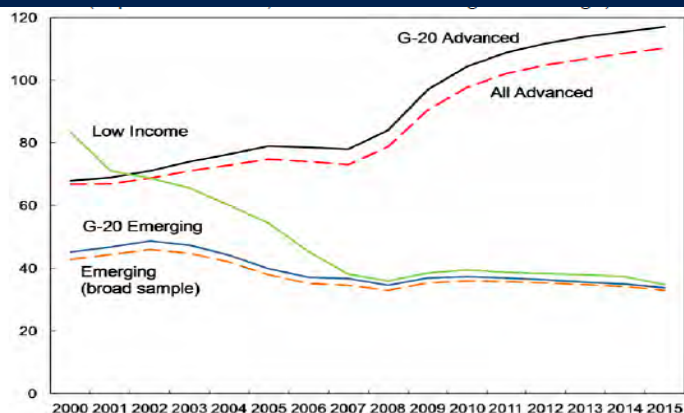
Major economies are still increasing debt levels - G20 Gross Debt Ratio to increase to 100% of GDP. The International Monetary Fund (IMF) forecasts call for the G20 debt ratio as a percentage of GDP to expand to well above 100%. This level of indebtedness will contribute to ongoing concerns of money supply expansion (via Quantitative easing) and is likely to be accompanied by ongoing support for inflationary hedges such as gold.

The US government is set to ease monetary policy again. Various market commentary suggests that the US Federal Reserve will again embark on quantitative easing via the purchase of government securities prior to Q1 CY2011.

Inflation hedge appeal. We expect gold to continue benefit from concerns over paper currency values, as sovereign debt levels increase, and longer-term, from downstream inflation risk into the recovery phase reflecting unprecedented quantitative easing globally since 2008. We view inflation risk as liquidity related and not supply/demand driven, gold remains an attractive hedge against structural pressures in the financial and international interbank sectors, which are now adding to sovereign credit pressures. Various Governments continue to stimulate economic activity via methods such as quantitative easing. Recently evidenced by the Bank of Japan (BoJ) adding 10 trillion yen (\$118 billion) in liquidity injections to its existing 20 trillion yen bank loan program on 30 Aug 2010. This also came after a surge in the nation's currency to a 15-year high threatened economic growth.

Investment demand has pushed gold higher. Investment in gold (via ETFs and other structured production in addition to physical gold) made up 38% of demand in 2009, up from 31% in 2008. This trend is expected to continue with gold becoming a sought after asset class. The relative holding cost of gold investment is near all time lows. Yields on 2 year US treasuries recently fell to 0.45%, while the US\$ trade weighted index continues to decline.

Figure 1: Government Gross Debt Ratio (% GDP)



Source: IMF

Figure 2: Adv. Economies Gross Financing Needs 2010

	Maturing Debt	Deficit	Gross Financing Needs	Gross Debt (2009)	Average Maturity (years)
Australia	2.0	-5.0	7.0	15.5	4.8
Belgium	20.8	-5.1	25.9	97.3	5.4
Canada	15.9	-5.3	21.2	82.5	5.6
France	16.9	-8.2	25.1	77.4	6.5
Germany	10.2	-5.7	15.9	72.5	6.0
Greece	13.4	-8.1	21.5	115.1	7.4
Ireland	7.7	-12.2	19.9	64.5	6.7
Italy	21.2	-5.2	26.4	115.8	6.7
Japan	54.2	-9.8	64.0	217.7	5.2
Portugal	13.0	-8.8	21.8	77.1	6.2
Spain	10.3	-10.4	20.7	55.2	6.7
Sweden	6.8	-3.3	10.1	40.9	6.0
United Kingdom	8.6	-11.4	20.0	68.2	12.8
United States	21.2	-11.0	32.2	83.2	4.4

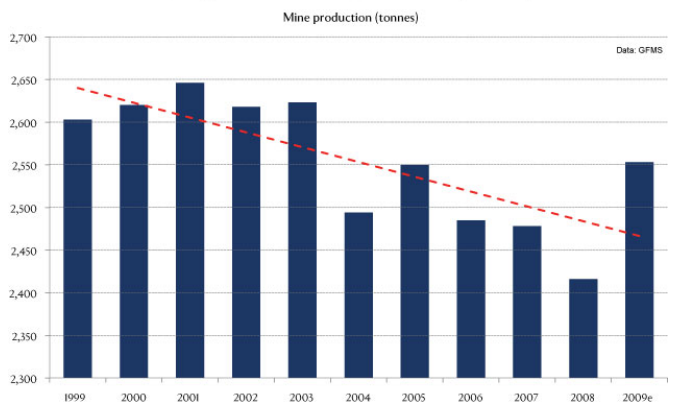
Source: WEO, IMF, Bloomberg

Major mine discoveries and production are in decline. Mine production has been in decline since 2005 and broadly has been on a downward trend since 2004. This reversed in 2009 with a higher gold price (USD terms) although we await another year of gains prior to declaring the declining trend finished.

New discoveries have not occurred despite higher exploration spends. Despite an increase in global gold exploration spend to US\$3.3bn in 2009, the rate of resource discoveries is still in decline. With the 'in the ground' gold stocks in decline due to depletion (circa 80.3Moz p.a.).

Figure 3: Mine production trending downwards

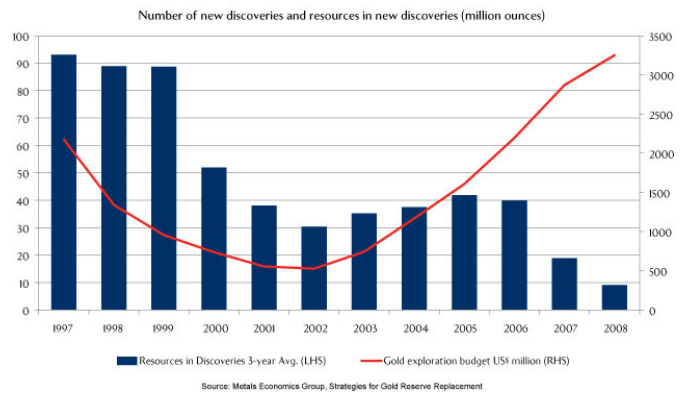
Mine production in a downtrend but up in 2009



Source: GFMS

Figure 4: New discoveries are not being made

Death of major new discoveries



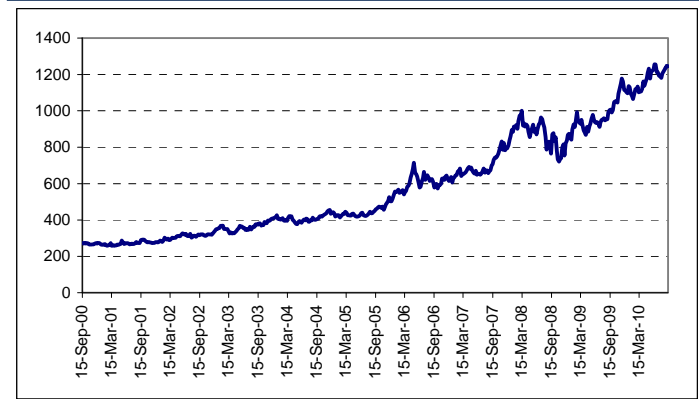
Source: Metals economics group

Notwithstanding large gains have already been made

Gold has doubled in 3 years. We caution against thinking that the bull run for gold has just commenced. We have been in a bull market for gold since early 2009 when the price moved from US\$900/oz to current levels.

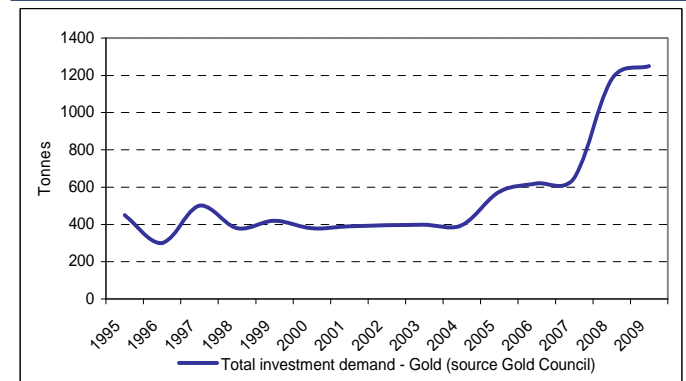
Investment demand has pushed much of the gain. We note that investment demand for gold has moved from circa 400t in 2005 to 1200t+ in 2009 pushing the gold price higher. This surge in investment demand is reflected in the growing availability of gold exposure via exchange traded funds (60Moz total gold underlying held in 2009).

Figure 5: 10Yr Price History - Gold up 350%



Source: IRESS

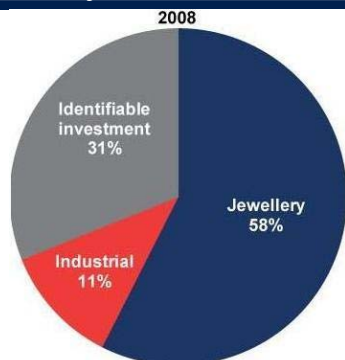
Figure 6: Inv Demand has tripled over the same period



Source: Gold Council

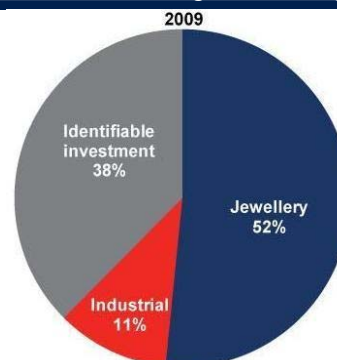
Concerns on the incremental buyer. Jewellery demand is in rapid decline. Typically the month of September is important for Jewellery demand from India (globally the largest consumer of gold for jewellery). Market expectations are for a demand to be down 15% in India this year (source: Titan Industries Ltd). With fundamental demand in decline, if the investment demand abates gold prices could face significant headwinds.

Figure 7: 2008 Jewellery demand dominates



Source: Gold Council

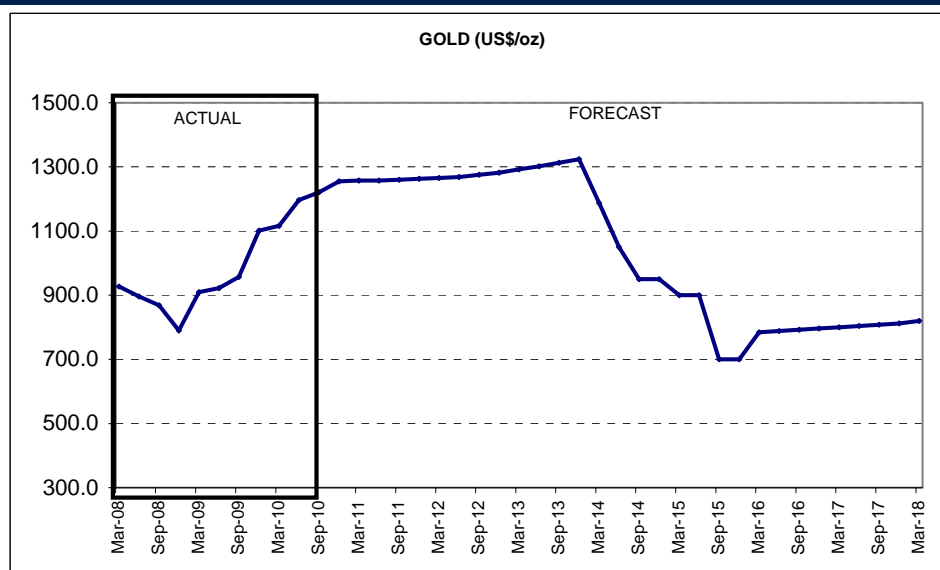
Figure 8: However this is declining in 2009 as gold price rises



Source: Gold Council

Our gold price forecast. Our forecasts calls for an elevated period of gold prices out to 2014 with concerns on inflation and ongoing support from investment demand. Further out, we see a return to longer term cost support as global inflation risks abate in 2015. Patersons forecasts incorporate the Comex gold price forward curve (month average basis) out to 2013 and then assume reversion to a long term price (US\$700/oz 2010 dollars).

Figure 9: Patersons Gold Forecast (US\$/oz)



Source: Patersons estimates

Figure 10: Patersons Forecasts (US\$/oz)

	2009A	2010A	2011E	2012E	2013E	2014E	2015E	LT Average
FX								
A\$:US\$	0.75	0.89	0.88	0.88	0.86	0.79	0.77	0.77
Gold US\$/oz	873	1093	1248	1264	1288	1219	925	700
Gold A\$/oz	1184	1220	1411	1437	1511	1540	1201	909
Silver US\$/oz	12.57	17.28	18.59	18.75	18.65	17.82	15.63	12.00
Silver A\$/oz	16.84	19.33	21.02	21.31	21.81	22.56	20.29	15.58

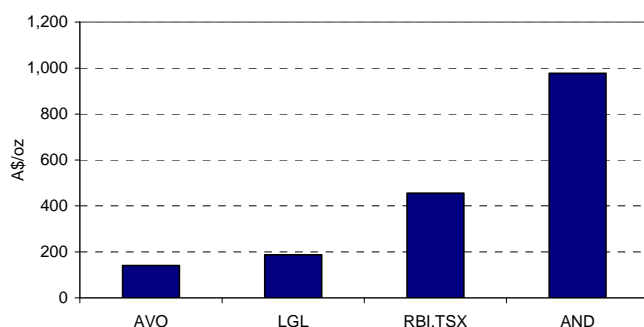
Source: Patersons estimates

Merger and Acquisition Activity Continues at Pace

Companies in the sector are favouring a faster, more certain strategy of growth via acquisition rather than exploration and discovery. The Merger and Acquisition activity in the market has recently escalated with the finalization of the A\$27bn merger of Newcrest Mining Ltd and Lihir Gold Ltd.

Then the mid cap market came alive in September and has since seen \$20.29bn in proposed merger deals. This round commenced with Goldcorp announcing a A\$3.5bn takeover proposal for Andean. This was followed by AVO agreeing to merge with TSX-listed Anatolia Minerals Development Ltd to form a A\$2bn ASX/TSX listed company.

Figure 11: EV\$ / Resource Ounce Acquisition Multiples



Source: Patersons estimates, company releases, IRESS

Newcrest Mining Ltd (ASX: NCM) – Lihir Gold (ASX: LGL) Merger

On May 4 2010 the boards of LGL and NCM announced that the companies would merge via a scheme of arrangement. LGL shareholders would receive 1 NCM share for every 8.43 LGL shares and A\$0.225 cash for each LGL share they owned.

Subsequently the merger was implemented on the 14th of September 2010 and LGL has been delisted from the ASX, with scheme participants receiving NCM shares and funds no later than the 21st of September.

While the implications of this merger vary we note that the transaction is bullish for the market. Additionally we anticipate a reallocation of funds on the basis of spreading risk with larger, liquid market plays being the beneficiaries.

This combination ranks the company as the fourth largest by market capitalization globally and sees and new vehicle emerge with 77Moz in reserves and 136Moz in resources.

Andean Resources Ltd (ASX: AND) – Goldcorp (NYSE: GG) Merger

AND received two corporate proposals on September 3 2010. The first Eldorado Gold Corporation confirmed it had approached AND's board with a proposal for an off-market takeover offer on the basis of 0.31 EAU shares for each AND share, which valued AND at A\$6.68/share. The second proposal, which the AND board has conditionally endorsed is from Goldcorp. This sees a merger via a scheme of arrangement with AND shares being exchanged for 0.14 of a Goldcorp share or a cash payment of C\$6.50/share (A\$6.78/share) with cash consideration capped at a total of C\$1bn.

Patersons last published target price for AND was \$4.00/share we now see the stock as fair value and underpinned by the C\$6.50/share bid

Avoca Resources Ltd (ASX: AVO) – Anatolia Minerals Development Ltd (TSX: ANO) merger to create Alacer Gold Ltd.

AVO and ANO announced on September 8 a merger implantation deed which will see the two companies merge to form Alacer Gold Corp. Both companies are supportive of the plan.

The deal is structured as a scheme of arrangement where AVO shareholders will receive 0.443 ANO shares for each AVO share held. These will then be ASX listed chess depository interests (CDIs). Upon completion of the merger AVO and ANO shareholders will each own 50% of the combined entity. The merged entity will have a pro forma market capitalisation of US\$2bn.

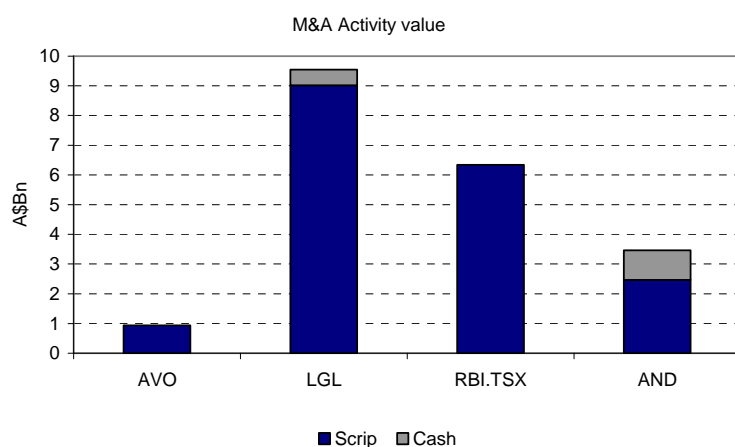
We remain unconvinced of the merits of this deal with concerns on (1) the all scrip structure of the deal, and (2) value of ANO's principal asset, the Copler mine in Turkey, as it's JV partner can earn in an additional 15% for US\$37.8m. This implies a see through value of US\$252m well below ANO's market capitalisation of US\$1bn.

Although the cash component of these raisings is relatively small

The redistribution of funds in the sector is likely to be minimal as a result of the recent M and A activity. With the cash component of the recent deal activity comprising 8% of the total value there is little reason to believe a large redistribution of funds in the sector will occur.

The high level of scrip-for-scrip M and A activity does not confirm valuations in the sector. As elevated share prices encourage companies to deal we continue to look at bid composition i.e. cash outlay as an indicator of the re-rating likely in the sector.

Figure 12: Only 8% of the value of recent takeover activity has been cash consideration



Source: Patersons Estimates

Leverage provides upside from here

Gold equities typically show 1.2 x leverage to the gold price. The figures below outline the movement of a basket of stocks (All Ordinaries Gold Index : XGD) against movements in the gold price.

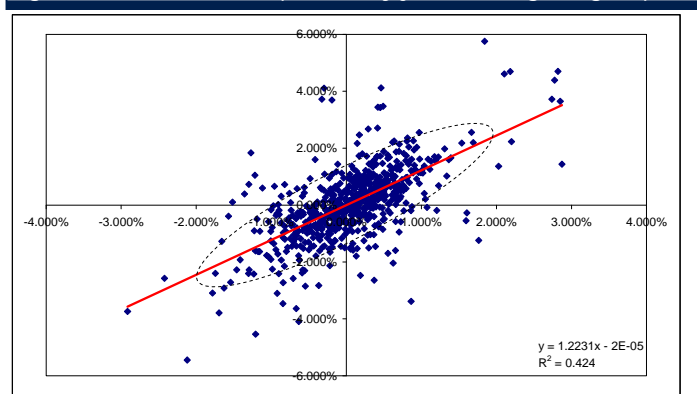
On a daily basis the stock movements show little correlation against the gold price however over a weekly average there is a strong positive correlation.

Figure 13: Leverage - gold stocks more volatile than gold price

AGG	AngloGold Ashanti	IAU	Intrepid Mines
AGS	Alliance Resources	KCN	Kingsgate Consol.
ALD	Allied Gold Limited	KRM	Kingsrose Mining Ltd
AND	Andean Resources Ltd	MDL	Mineral Deposits
AVO	Avoca Resources	MML	Medusa Mining Ltd
AXM	Apex Minerals NL	NCM	Newcrest Mining
BDG	Bendigo Mining Ltd	NGF	Norton Gold Fields
CAH	Catalpa Resources	OGC	OceanaGold Corp.
CGX	Cga Mining Limited	PRU	Perseus Mining Ltd
CRE	Crescent Gold	RED	Red 5 Limited
CRK	Carrick Gold Limited	RMS	Ramelius Resources
CTO	Citigold Corp Ltd	RRL	Regis Resources
DOM	Dominion Mining	RSG	Resolute Mining
EAU	Eldorado Gold Corp	SBM	St Barbara Limited
FML	Focus Minerals Ltd	SLR	Silver Lake Resource
GDO	Gold One Int Ltd	TAM	Tanami Gold NL
GGG	Greenland Min En Ltd	TRY	Troy Resources NL

Source: IRESS

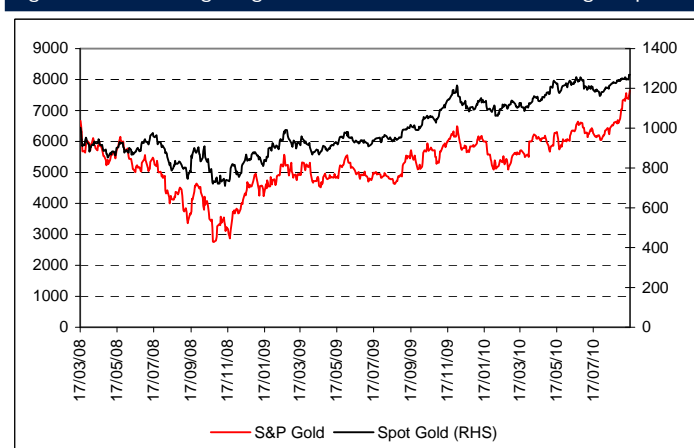
Figure 14: In % terms equities only just catching the gold price



Source: Patersons

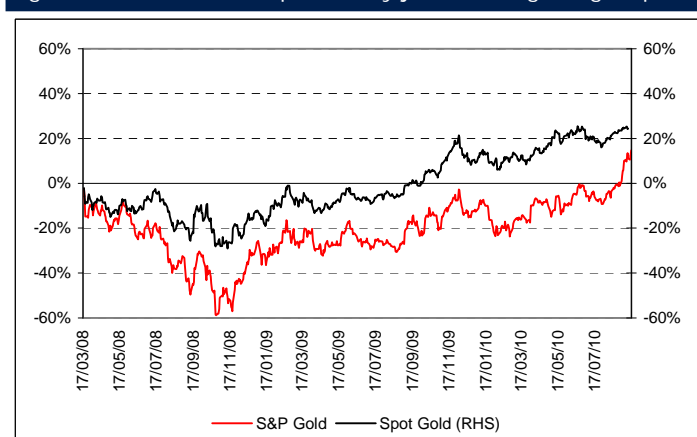
In percent terms, given historical leverage, the gold sector has another 12% to run just to catch the gold price and 32% to run to maintain the historical relationship between gold price and gold equities.

Figure 35: Leverage - gold stocks more volatile than gold price



Source: IRESS

Figure 46: In % terms equities only just catching the gold price



Source: IRESS

Valuation Leverage within Patersons Coverage

Hedging commitments have continued to decline in recent times with 1.623Moz the total hedge commitments in Patersons Universe of coverage.

Figure 57: Trading discounts to valuation running spot gold

	Current	PSL target price	Spot Au	+10% Au	Trading Discount Assuming Spot Gold
NMG	\$ 0.34	\$ 0.45	\$ 1.09	\$ 0.56	221%
IGO	\$ 6.31	\$ 6.37	\$ 13.35	\$ 7.58	112%
FML	\$ 0.06	\$ 0.09	\$ 0.11	\$ 0.11	96%
DRA	\$ 0.15	\$ 0.22	\$ 0.25	\$ 0.26	72%
AMX	\$ 2.68	\$ 2.36	\$ 4.81	\$ 2.75	79%
SBM	\$ 0.43	\$ 0.44	\$ 0.69	\$ 0.48	62%
ADU	\$ 0.64	\$ 0.70	\$ 1.01	\$ 0.77	58%
KCN	\$ 11.70	\$ 12.19	\$ 15.60	\$ 13.98	33%
TRY	\$ 3.07	\$ 2.81	\$ 3.73	\$ 3.24	21%
AVO	\$ 3.34	\$ 2.68	\$ 3.99	\$ 3.24	19%
SLR	\$ 2.32	\$ 2.20	\$ 2.42	\$ 2.59	4%
DOM	\$ 2.52	\$ 2.47	\$ 2.70	\$ 3.02	7%
AND	\$ 6.47	\$ 3.91	\$ 4.28	\$ 4.21	-34%

Source: Patersons

Figure 18: Valuation leverage (+/- 10%) incr. in gold assumpt.

	Current	PSL target price	Spot Au	+10% Au	Target Price increase with 10% increase in Gold Price
NMG	\$ 0.34	\$ 0.45	\$ 1.09	\$ 0.56	24%
DOM	\$ 2.52	\$ 2.47	\$ 2.70	\$ 3.02	22%
FML	\$ 0.06	\$ 0.09	\$ 0.11	\$ 0.11	22%
AVO	\$ 3.34	\$ 2.68	\$ 3.99	\$ 3.24	21%
IGO	\$ 6.31	\$ 6.37	\$ 13.35	\$ 7.58	19%
DRA	\$ 0.15	\$ 0.22	\$ 0.25	\$ 0.26	18%
SLR	\$ 2.32	\$ 2.20	\$ 2.42	\$ 2.59	18%
AMX	\$ 2.68	\$ 2.36	\$ 4.81	\$ 2.75	17%
TRY	\$ 3.07	\$ 2.81	\$ 3.73	\$ 3.24	15%
KCN	\$ 11.70	\$ 12.19	\$ 15.60	\$ 13.98	15%
ADU	\$ 0.64	\$ 0.70	\$ 1.01	\$ 0.77	10%
SBM	\$ 0.43	\$ 0.44	\$ 0.69	\$ 0.48	9%
AND	\$ 6.47	\$ 3.91	\$ 4.28	\$ 4.21	8%

Source: Patersons

Figure 19: Gold Hedging Commitments

	Flat Forwards			Spot Deferred			Bought Puts			Sold Calls			Total koz
	koz	A\$	US\$	koz	A\$	US\$	koz	A\$	US\$	koz	A\$	US\$	
ADU	290		\$ 1,075										290
ALD													0
ALK													0
AMX													0
AND													0
ATV													0
AVO							120	\$ 831					120
AZM													0
BDG													0
CHN													0
CRB													0
DOM	13	\$ 1,094											13
DRA	4		\$ 1,232										4
FML	5	\$ 1,468											5
GRY													0
IAU													0
IGR													0
KCN													0
MML													0
MUN													0
NAV													0
NGF													0
NMG													0
NQM													0
PRU							100	\$ 850					100
RRL	150	\$ 1,340											150
RSG	155		\$ 743				110	\$ 1,000					265
SAR							176	\$ 1,250					176
SBM							250	\$ 1,425		250	\$ 1,615		500
SLR													0
TRY													0

Source: IRESS

Deposit Quality and Earnings Plays

Stand out deposits to attract a large premium. Deposit quality is in decline. With a dearth of major new discoveries significant valuations are now being placed on the superior deposits for example AND's Cerro Negro or AMX's Batie West. Deposits with high grades, likely commercial ounces and exploration upside will command a premium valuation. The offer for AND (at almost A\$1000/oz in the ground) and the current market multiple for AMX (approaching A\$500/oz in resource) adds additional weight to the thesis that the market is paying for exploration upside. We believe Batie West will ultimately justify the market premium and is likely to see ongoing additions to the resource.

While in a high risk jurisdiction we believe ALD's Solomon Gold project has the potential to large additions to the current resource, although are doubtful the market will pay a premium for this locale. In Australia, IGO's Tropicana discovery has shown impressive growth and RRL's Garden Well deposit, near the Duketon Gold project may yield another 1Moz+ operation from our early understanding.

Earnings leverage. For short term earnings leverage to the current high gold prices we highlight stocks that are trading below the average valuation for ounces in the ground and our DCF valuation (if the stock is in PSL coverage). Production reliability is key issue for leverage with the ability to deliver into periods of high gold price crucial.

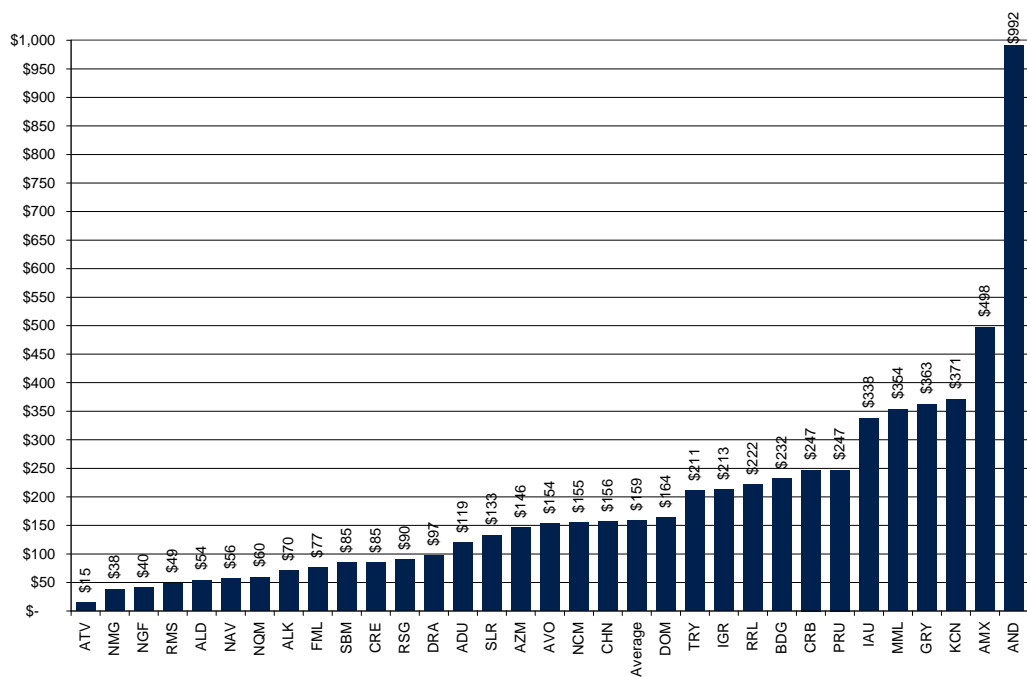
FML and SBM offer solid leverage with moderate to high cash costs (A\$1038/oz, A\$730/oz respectively) with the current high gold price environment having a significant positive impact.

EV/Ounce Metrics – the market is paying for exploration upside

EV per resource ounce metrics are moving upward rapidly as the market pays for quality assets. AND was acquired for almost A\$1000/oz in resource. While peer gold explorer/developer AMX is now trading on almost A\$500/oz. The average is currently A\$159/oz

We note that high grades (and margins) and deposits that are considered underexplored are attracting strong premiums at present.

Figure 20: Gold Sector – Enterprise Value per Resource Ounce (A\$)



Source: Patersons estimates

Selected Stock Commentary

Ampella Mining Ltd AMX (BUY) – AMX has had a stellar share price run with ongoing exploration funding recently completed. AMX trades on a premium EV/resource ounce multiple (A\$498/oz) with the Batie West project expected to deliver multi-million ounce deposits. We continue to rate the stock highly although are cautious on valuation. Further detail on our view of exploration prospectivity will be available post an upcoming investor site tour.

Noble Mineral Resources Ltd NMG (BUY) – NMG is trading on a low EV/resource oz multiple of A\$38/oz. The discount on resource ounces is unjustified with the Bibiani mill refurbishment well underway and commissioning of the mill expected in Mid-2011. Exploration for nearby satellite ore bodies is well advanced and is likely to see resource upgrades from here.

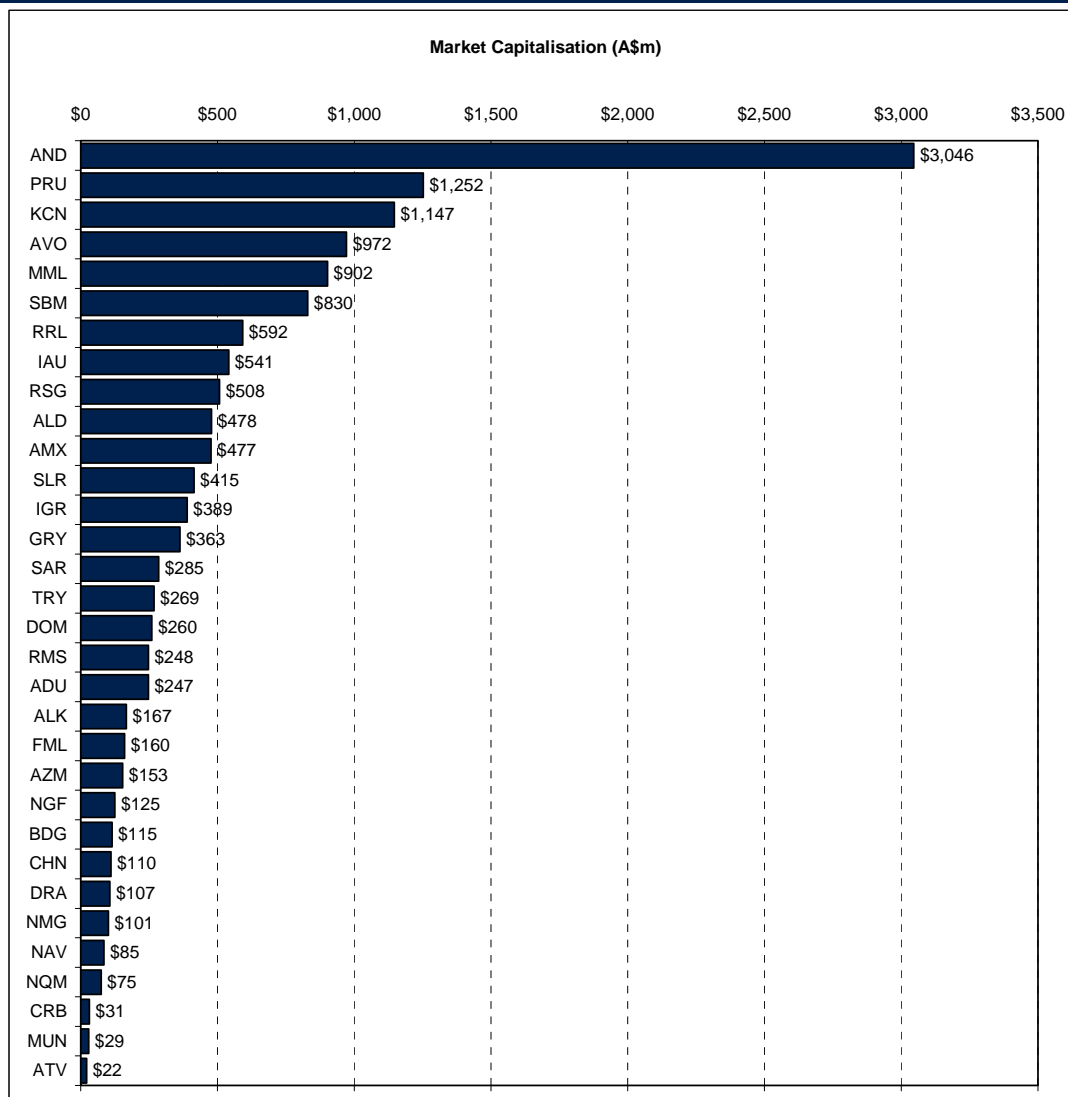
Dragon Mining NL DRA (BUY) – \$98 EV/Resource once places DRA on the less expensive end of the scale. DRA has just begun underground development of their Jokisivu gold mine in Finland with expected gold production of 30koz per year beginning in 2013. With Svartliden currently producing 70koz annually (cash cost c.A\$660/oz), total gold produced is expected to ramp up to 100,000oz p.a. in 2013. Our view on DRA is that their assets don't offer much strategic value to rate as an M&A target.

Adamus Resources Ltd ADU (BUY) - On our assumptions ADU is trading at a very low 3.4x FY12 EV/EBITDA. Current EV/Resource also appears on the low end of the spectrum at \$120/oz. The current 2Moz resource is expected to grow significantly with the implementation of the first exploration drilling program in 2 years. The program is set to target sulphide mineralisation at Salman and the surrounding area as well as regional oxide opportunities. ADU is on target to commission its Nzema Gold Project in Ghana Q1 CY2011. Nzema will be ADU's first producing gold mine with expected annual production of 100,000oz per annum and over a mine life of 10 years+. The appointment of Mark Connelly as MD is a positive step towards improving ADU's direction as a mid level producer. Nearby producers like Golden Star Resources may see extra value in the asset for the additional sulphide ore (not included in the 2Moz resource) that is treatable at their nearby (70km) Bogoso mine.

Ramelius Resources Ltd RMS (not rated) - Appears cheap on an EV/Resource ounce basis note 3.345Moz Au are contained within Mt Magnet estimate. This operation was acquired from Harmony in July 2010 for A\$40m (Hill 50). Resource grade is 2 g/t Au. RMS is aiming to produce 474koz at an average cash cost of A\$825/oz via a series of open pit operations over 4.5 years. A 1.7Mtpa mill, camp and offices are on site. Recommencement capital expenditure likely sub \$60m, cash and bullion on hand is A\$92m. Mining set to recommence in Mid 2011 as approvals in hand.

Allied Gold Ltd ALD (not rated) – At \$55 EV/Resource ounce ALD looks attractive particularly as their resource to reserve conversion is 44% (resources are 7.8Moz and reserves are 3.43Moz). The Company expects to lift gold production to 100koz p.a. at Simbieri (currently 73koz) by Q4 CY2011 by expanding capacity of their oxide processing circuit from 2Mtpa to 3.5Mtpa. Capex required is estimated at US\$32m, with ALD holding US\$76m cash. The 120koz Gold Ridge mine in the Solomon Islands is on target for first gold production in the March Q 2011.

Figure 21: Gold Sector – Market Capitalisation Ranking (excluding NCM)



Source: Patersons estimates, IRESS

Production Metrics

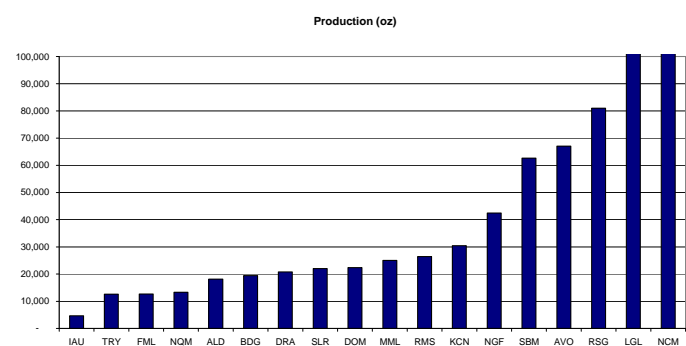
For the June Q RMS, SLR and DRA all saw large increases in production.

- RMS production was higher as the Wattle Dam underground delivered strong production over the period. The company is targeting 80koz production in FY11, increasing to 150koz in FY12 assuming a contribution from the newly acquired Mt Magnet operation (acquired from Harmony Gold for A\$40m in July 2010). The company is aiming to produce circa 470koz from four pits over the coming five years.
- SLR's production was higher as milling rates almost doubled with the milling of Christmas Flat open pit material. This is likely to drop in the coming Q with production from this pit discontinued during the June Q.
- DRA saw a solid production increase as the Vamala operations showed almost a doubling in head grade of ore milled.

FML and IAU saw sharp decreases in production Q-on-Q.

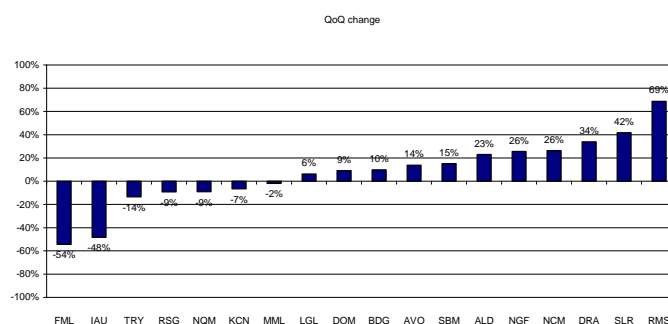
- FML's production result was impacted by a six day shut down and only 52 days of mill availability due to its contract to toll-treat nearby La Mancha's ore. This contract will progressively wind down from here (September final toll milling parcel under this arrangement) and we anticipate production to ramp up to the 25koz per Q rate in 2011.
- IAU showed a drop in production with a production hiatus in milling at the Paulsens gold mine (Pilbara WA) between 28 Feb and 28 May 2010. Subsequent to the end of the Q this was sold to Northern Star Ltd (ASX:NST). IAU is now focussed on its Indonesian Tujuh Bukit project

Figure 22: June Q Production (oz)



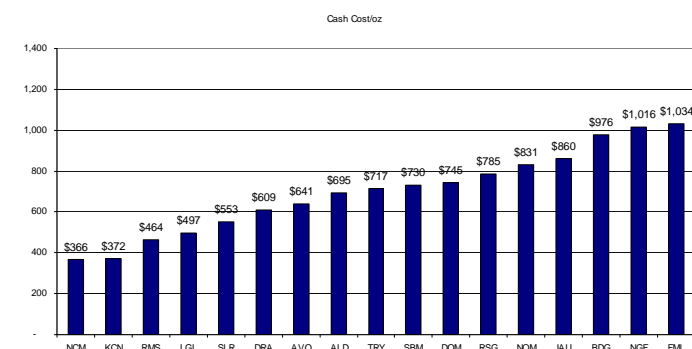
Source: PSL estimates

Figure 23: QoQ Change (%)



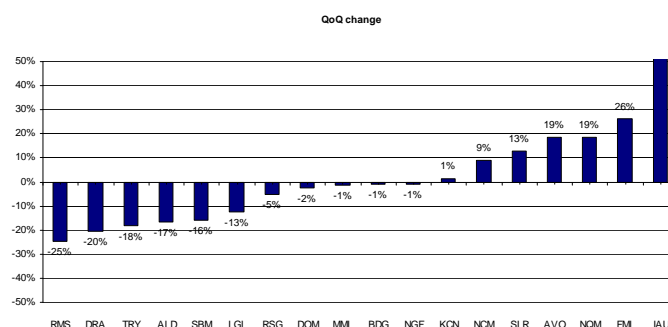
Source: PSL estimates

Figure 24: June Q Cash Costs (\$/oz)



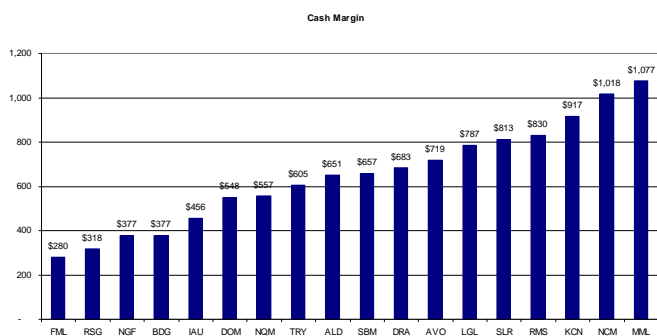
Source: PSL estimates

Figure 25: QoQ Change (%)



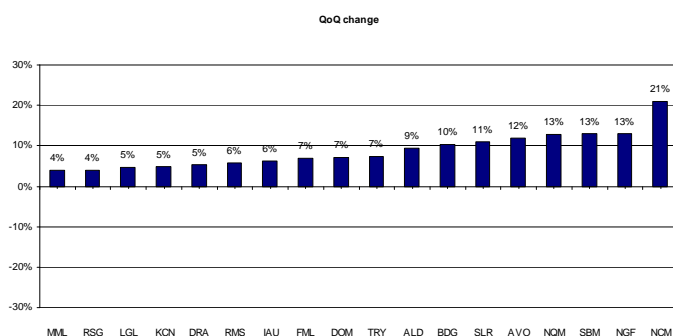
Source: PSL estimates

Figure 26: June Q Cash Margin (A\$/oz)



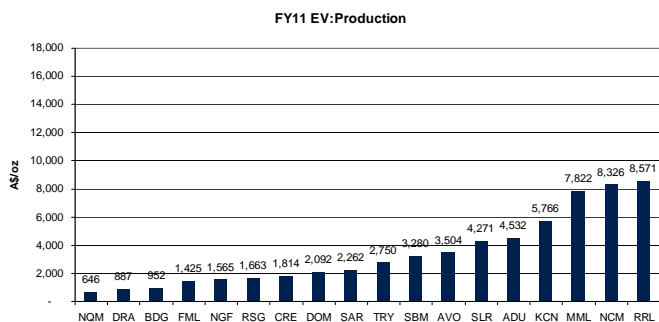
Source: PSL estimates

Figure 27: QoQ Change (%)



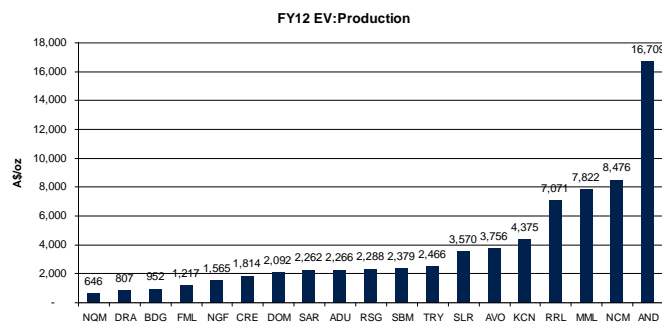
Source: PSL estimates

Figure 28: FY11 EV:Production Oz (A\$/oz)



Source: PSL estimates

Figure 69: FY12 EV:Production Oz (A\$/oz)



Source: PSL estimates

Important Disclosures:

AMX: Patersons acted as Lead Manager for the Australian Placement of 7.5M shares at \$1.95/share in September 2010. It acted as underwriter for the company's 1.5m share SPP at the same price. It received fees for these services.

NMG: Patersons securities acted as lead manager/underwriter to the company's recent placement and SPP which raised a total of \$40.2m at \$0.30/share. It received a fee for these services.

ADU: Patersons Securities Limited acted as Joint Lead Manager to the share placement and rights issue that raised A\$30.5m for ADU in March 2010 at A\$0.36/sh. It received fees for this service.



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