

Noble Mineral Resources Limited NMG

Company Update

Near Term Production Enhanced by Exploration Possibilities

Investment Perspective: A minor delay in commissioning Bibiani has not affected our favourable outlook for NMG. With first production now slated for the 2011 December Quarter, next year should see the mine ramp up to a significant 140,000 -150,000 oz with average life of mine cash costs of \$600 - \$650/oz. NMG's earnings potential is not getting the recognition it deserves.

The Company's cash balance has been boosted by a recent financing which now rules out any further financing risk, and also provides the funds to continue drilling programs. With such a long operating history, there should be no surprises from the plant, meaning commissioning risk should be negligible.

Looking further out, we see much more potential at Bibiani than what is currently offered by the 6.5 year mine life. Combining the strong likelihood of the discovery of additional near surface resources, and the possibility of eventual underground production, there is clear potential for +10 years of mine life.

With significant cash flow around the corner, NMG may soon have the financial flexibility to start looking at further options for Company growth, be it more aggressive drilling at Cape Three Points, or even more ambitious options such as acquisitions. It is also a potential target itself.

We see NMG's near term production status and exploration potential as being under-appreciated by the market. During 2011 we have seen other companies such as Perseus and Adamus successfully commission mines in Ghana. The market has been quick to re-rate their shares on these successes. We expect a similar re-rating for NMG going into 2012 as Bibiani achieves commercial production. **BUY**

Primary Points

- The re-commissioning of the Bibiani mine is on track for a December Qtr 2011 start up, subject to the receipt of final EPA approvals The operation will undergo a full ramp up to 150,000 oz p.a. in early 2012. We have forecast average life of mine cash costs of US\$640/oz, making this a very profitable operation at current gold prices.
- We expect resources to be upgraded in the short term following the now completed drilling programs at the satellite deposits at Walsh-Strauss, and Aheman. These satellites are planned to provide the first years of ore feed.
- Longer term gold production is supported by reserves of 790,000 oz within the main Bibiani pit. While a major cut back is required to access these reserves, the economics of such a strategy could be vastly improved should current drilling programs identify new resources within and below the pit walls.
- Including satellites, there are currently sufficient reserves for an initial mine life of 6.5 years. It is our view that ongoing exploration has the potential deliver additional resources to support an eventual mine life of +10 years.
- The quality exploration potential at Bibiani has been highlighted by a recently completed structural analysis, which has identified a number of high priority targets within close proximity to the main Bibiani pit. Any additional resources discovered can be quickly converted to cash flow. There is also potential for underground production in the longer term.
- The Company now has a much stronger balance sheet following the recent capital raising, which should now ensure a smooth progression through commissioning and into commercial production. Accelerated repayments should see the company debt free by the end of 2012.

BUY

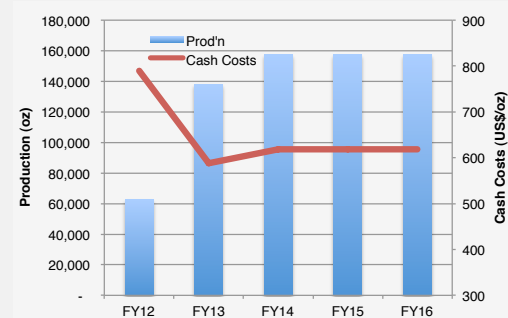
Price: \$0.58 Target: \$1.00



Source: ASX

Share Price	\$0.58	
Valuation	\$1.02	NPV _{6%} , \$1,600/oz, AUD1.00 (1.1x NPV Multiple)
12 Month Range	\$0.26 - \$0.76	
Market Cap.	\$303m	
Issued Shares	522.3m	
Listed Options	74.33m	\$0.35 21/7/2013
Unlisted Options	12.25m	Various
Cash Balance	\$34m	
Debt	\$34m	
Top S'holders	Global Gold Holdings 12.5%	
	Wei An Developments 12.3%	
	Wayne Norris 8.4%	

Production & Cash Cost Forecasts



Source: BGF Equities Estimates

Valuation Metrics

Bibiani DCF Summary

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Total Capex (US\$m)	16.2	46.4	25.5	4.6	3.5	3.5	4.6
Gold Production (oz)	62,500	137,700	157,400	157,400	157,400	157,400	140,600
Cash Costs (US\$/oz)	790	588	618	618	618	618	642
EBITDA (A\$m)	37.6	129.4	144.6	152.0	152.0	152.0	127.2
EBIT (A\$m)	37.6	122.7	134.1	135.4	134.6	133.9	113.1
NPAT(A\$m)	35.6	90.5	99.6	101.2	100.8	100.2	84.6
EPS (A\$)	\$0.07	\$0.17	\$0.19	\$0.19	\$0.19	\$0.19	\$0.16

Assumes Gold Price of US\$1,600/oz and AUD:USD1.00.

Exploration success will increase the project life, with any new resources quickly converted to cash flow

Our estimates of future capital expenditure incorporates a cut back of the main pit, tailings dam wall lifts, road diversions, and the movement of some on-site infrastructure. While there is potential for additional resources to be discovered within the main pit walls, we have not incorporated this into our cash flow forecasts. However, we remain of the view that the economics of the project will be vastly improved should additional resources be identified, presenting significant upside to our production forecasts and valuation.

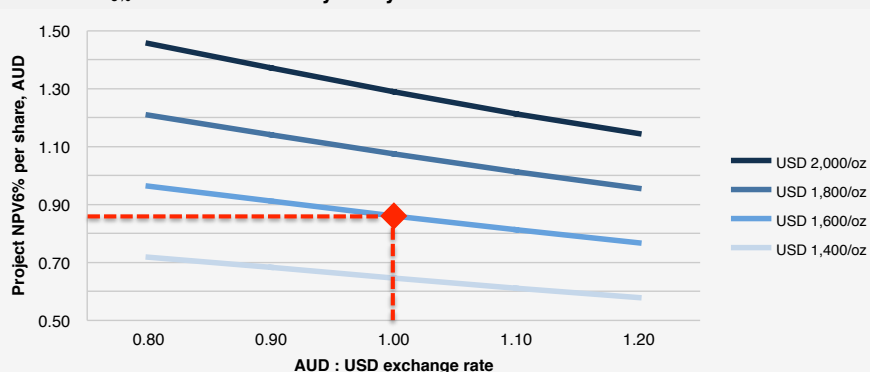
Project cash flows also include repayment of the outstanding debt owed to Investec.

Our base case scenario uses our preferred gold company discount rate of 6%, and a gold price and exchange rate scenario of \$1,600/oz and AUD:USD1.00. Our valuation of the Bibiani Project is \$462m. We have ascribed a value of \$15m to NMG's other Ghanaian projects at Cape Three Points and Tumentu, arriving at a net asset valuation for NMG of \$515m, or \$0.93 per share.

NMG is rated a BUY with a \$1.00 price target

We have incorporated a 1.1x NPV multiple to account for the potential for further increases to the current reserve base and mine life, arriving at an adjusted net asset valuation of \$1.02 per share. The current Price/NAV multiple of 0.6x and 73% upside to our target price drives our **BUY** rating for the shares.

Geared NPV_{6%} Bibiani - Sensitivity Analysis



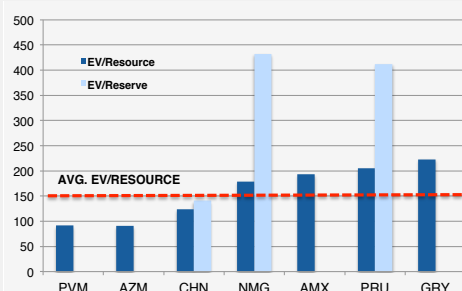
Robust project economics illustrate upside with a rising gold price

Net Asset Valuation

	A\$m	per share
Geared Bibiani NPV _{6%}	426.3	\$0.89
Exploration (BGF Equities Research estimate)	15.0	\$0.03
Cash	34.0	\$0.07
Less: Corporate & Overheads	(26.4)	(\$0.05)
Total NAV	\$470.4m	\$0.93
Price/NAV Multiple	1.1x	1.1x
Adjusted NAV	\$531.7m	\$1.02

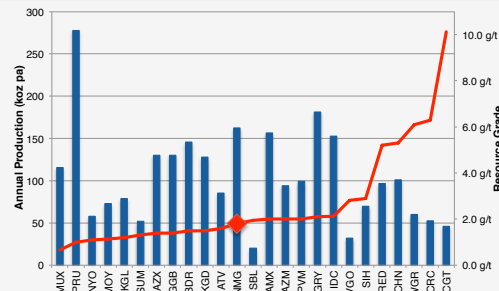
Peer Comparison

Resource Multiples - West African Peers



Source: BGF Equities Research

Developers - Prod'n vs Grade



Source: Co. data & BGF Equities Research

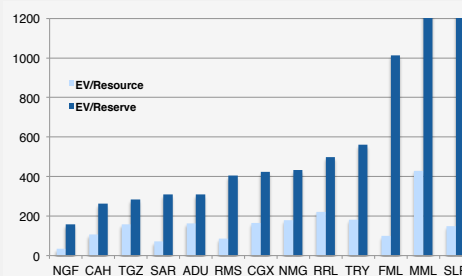
NMG ranks well against its West African peers...

Looking at EV/Reserve oz figures (of which NMG, PRU and CHN are the only companies with defined reserves), we note that PRU and NMG are trading on similar levels, clearly reflecting the near term production potential, and in the case of PRU, their recent commissioning of the Edikan mine in Ghana.

With production so close for NMG, we consider it more appropriate to compare NMG with its gold producing peers, which in this case, are companies producing between 100 - 150,000 oz pa.

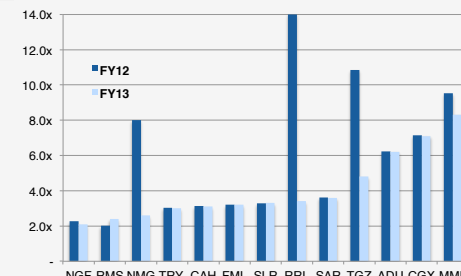
... and even better against its gold producer peer group

Resource Multiples - NMG vs Producers



Source: BGF Equities Research

EV/EBITDA Multiples - NMG vs Producers



Source: BGF Equities Research

On an EV/Reserve oz basis, NMG is ranked mid field, however, likely a reserve upgrade in the near term should push the Company further to the left, illustrating the potential upside from exploration success.

Additionally, with the Company now on the cusp of cash flow, we also consider it prudent to assess where NMG sits in relation to its earnings, and as such have ranked the same companies on an EV/EBITDA basis for FY12 and FY13. While it is clear that NMG's FY12 multiple makes it somewhat more expensive than most of its peer group, it is important to consider that this factors in less than half a year's production. Looking out to FY13, NMG's value becomes far more apparent, trading on a multiple of just 2.6x.

Low earnings multiples offer appealing exposure to expanding production and cash flow

Bibiani Gold Project Ghana (100%)

Plant refurbishment

NMG's \$20m refurbishment of the Bibiani processing facility is now estimated to be 75% complete. The major components of the refurbishment have included:

- Replacement and installation of a new primary crusher
- Mechanical refurbishment of SAG and Ball Mills
- Upgrading of leach tanks
- Installation of detailed plant monitoring system

The installation of a larger crusher has increased capacity to 3 Mtpa

We note that the new primary crusher will have a material benefit on the plant's overall throughput capacity. Upon installation, ore will be able to be fed directly into the crusher, improving ROM pad material movement rates (negates the need for double handling), and improving the plant's effective capacity to 3.0 Mtpa (depending on ore type).

Tailings dam upgrade designs have now also been completed, with work set to commence upon receipt of EPA approvals. NMG expects to receive these approvals imminently, but we note the risk of possible further delays given the experience of other companies developing projects in Ghana.

Commissioning

NMG now expects to commission the mine in the December Quarter 2011. We are mindful of the delay versus NMG's original timetable which would have seen commissioning originally take place in September 2011. The reported causes of the delay have been issues with construction contractors, and the bottleneck in Ghanaian assay labs which has pushed back the delivery of the initial resource estimates for Aheman (slated as initial ore for plant commissioning) and Walsh-Strauss. NMG has reported that up to 5,000m of drilling samples are currently awaiting assay.

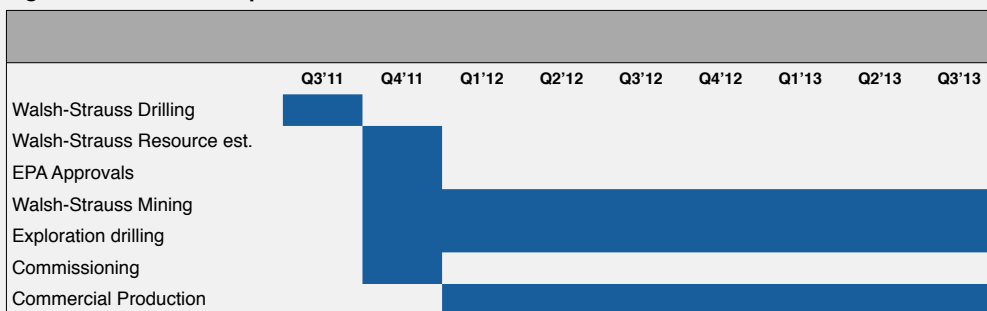
There is however potential to bring forward first gold production by treating historical tailings through the ball mill and CIL circuit. The Company has purchased a 250 tph scrubber to treat material prior to feeding into the plant, and final flow sheet and circuit design to test this concept is expected to be completed shortly. Treatment of tailings could offer good margins given the free digging nature of the material, which does not require crushing.

NMG's projected date for the commencement of mining is mid October, and plant commissioning is expected in November 2011, both being subject to receipt of EPA approvals.

Targeted production of 150,000 oz p.a. on track for early 2012.

The Company has targeted an 8 week ramp up from commissioning to commercial production, which should see the Bibiani operation reach targeted output of 150,000 oz p.a. in January 2012.

Figure 1: Bibiani Development Timetable



Source: NMG & BGF Equities Research estimates

Higher gold price has resulted in a re-optimised reserve of 790,000 oz

Reserve Upgrade - July 2010

NMG announced a 30% increase to the Proven and Probable reserve estimate for a cut back of the main Bibiani pit in late July 2010. SEMS Exploration, an independent consultant who undertook the previous resource estimate for NMG in 2010, re-optimised the reserve using a US\$1,250/oz gold price, versus the US\$900/oz used in the previous estimate.

The revised estimate now sees total reserves of 12 Mt at a grade of 2.05 gpt for 790,000 oz (see Table 1), up from 605,000 oz in the 2010 estimate. The updated reserve excludes modifications to the ore block model at Walsh-Strauss, which are expected to be undertaken as more drilling data becomes from the main Bibiani pit becomes available.

Table 1: Bibiani Open Pit Cut Back Reserve (Jul 2011)

Category	Ore type	Tonnes	Grade	Ounces
Proven	Oxide			
(0.6 gpt cutoff)	Fresh	5,020,000	2.17 gpt	349,000
	Fill			
Probable	Oxide	360,000	1.34 gpt	16,000
(0.6 gpt cutoff)	Fresh	6,280,000	2.02 gpt	407,000
	Fill	340,000	1.73 gpt	19,000
Total		12,000,000	2.05 gpt	790,000

Source: NMG

Measured, Indicated and Inferred resources currently remain at 32.98 Mt at 1.87 gpt for 1.98 Moz. An upgrade to the non-JORC resource estimate at Walsh-Strauss was expected to be announced in late July, but delays in assay labs and the requirement to wait for density drilling data from "the Gap" area between Walsh-Strauss have now resulted in this being pushed back to October. While the delay is unfortunate, the additional drilling data will permit a maiden reserve to be estimated.

Estimates of the resources at Walsh-Strauss (non-JORC) of up to 250,000 oz at a grade of 2.0 gpt, were made by SEMS Exploration in their 2010 assessment using historical drill data. Drilling to date could support an initial JORC compliant resource of between 200,000 - 300,000 oz at ~2 gpt.

We also expect an initial resource estimate for Aheman in the short term following the completion of resource drilling programs. With grades at Aheman expected to be lower than that at Walsh-Strauss and the main Bibiani ore body, ore from Aheman offers useful commissioning feed.

Resource/reserve upgrades from Walsh-Strauss and Aheman expected in the near term

Table 2: Bibiani Resource Estimate (Mar 2010)

Category	Tonnes	Grade	Ounces
Measured	6,560,000	2.05 gpt	430,000
Indicated	13,370,000	1.77 gpt	760,000
Inferred	13,060,000	1.89 gpt	790,000
Total (0.5 gpt cutoff)	32,980,000	1.87 gpt	1,980,000

Source: NMG

*Base case mine life of
6.5 years at 150,000 ozpa*

Production

We have upgraded our base case production forecasts for Bibiani on account of the larger effective capacity of the processing facility following the crusher upgrade, and more definitive mine plan. Based on a likely ~160,000 oz (assuming a 65% resource to reserve conversion) from Walsh-Strauss, reserves mined from a cut back of the main Bibiani pit, and small volumes of tailings material, we forecast Bibiani to produce a possible 810,000 oz over an initial 6.5 year mine life.

Table 3: Forecast Bibiani production parameters

Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Throughput (Mt)	1.7	2.8	2.8	2.8	2.8	2.8	2.8
Grade (gpt)	1.40	1.70	2.10	2.10	2.10	2.10	2.10
Recoveries (%)	78%	85%	85%	85%	85%	85%	85%
Gold Production (oz)	62,500	137,700	157,400	157,400	157,400	157,400	140,600
Cash Costs (US\$/oz)	\$790	\$588	\$618	\$618	\$618	\$618	\$642

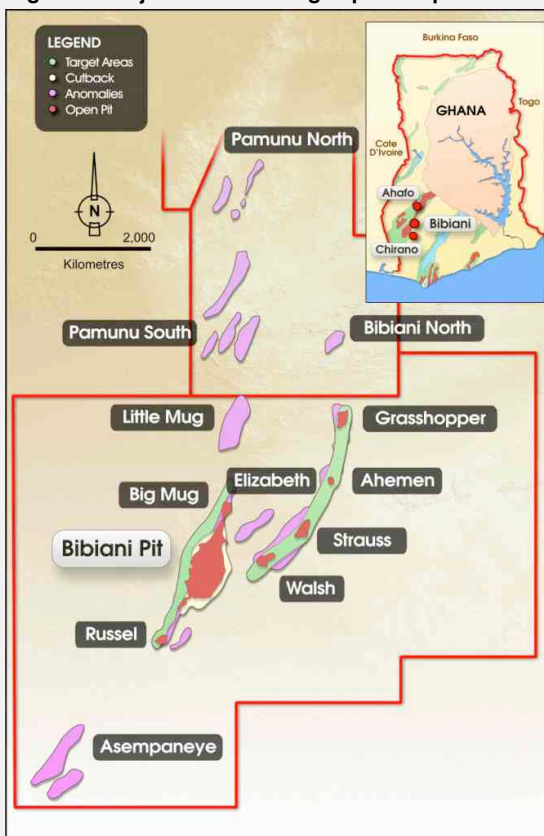
Source: BGF Equities Research

We note that these production forecasts are based on current reserves (including possible reserves from Walsh-Strauss), and exclude the potential for further increases in mineable reserves from on-going exploration programs. We have also excluded potential underground production in our forecasts.

Resource/Reserve Growth & Exploration

Exploration remains a critical component of NMG's development strategy for Bibiani. While existing reserves (including those possible from Walsh-Strauss) support an initial mine life of +6 years, we expect the Company's longer term production potential to be supported by the discovery of additional near-surface resources from numerous targets within the Bibiani mining lease (see Figure 2).

Figure 2: Project Plan detailing deposit/exploration target locations

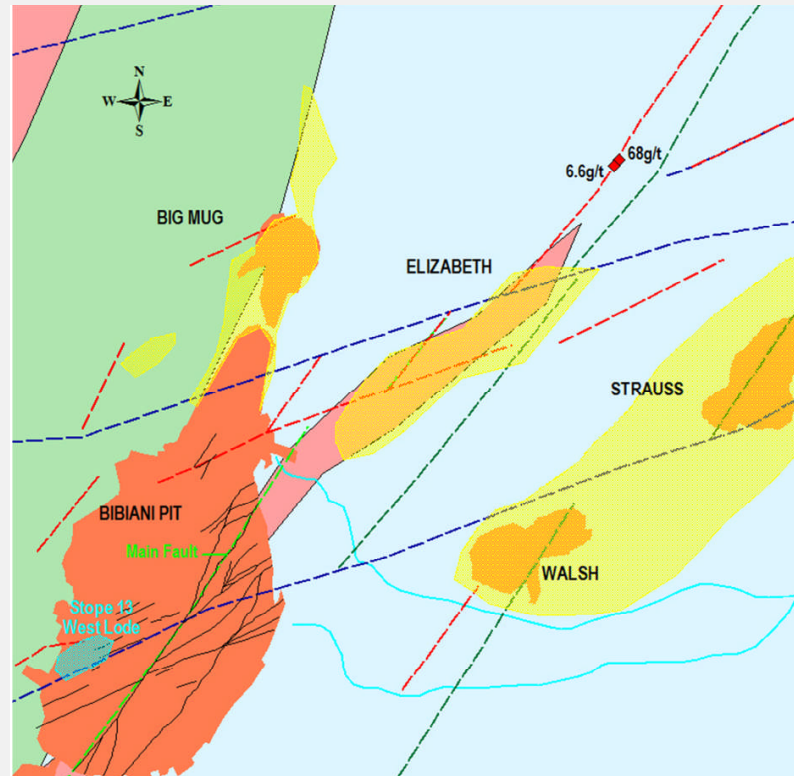


Source: NMG

Recent structural review has highlighted exploration targets for further near surface resources

A detailed structural review of the area was also completed during the June quarter, identifying significant structural controls on mineralisation at Bibiani. It is expected that the results of this study will contribute significantly to ongoing resource definition programs and exploration target identification. As a result of the study, a number of prospects have been elevated in priority such as Elizabeth and Big Mug.

Figure 3: Structural Interpretation of Bibiani Licences



Source: NMG

Significant exploration upside offers potential for further mine life of +10 years

NMG is currently undertaking exploration drilling programs with the target of delineating further near surface resources to extend the mine life. Priority targets include:

- **Walsh-Strauss & The Gap** - resource drilling at the Walsh and Strauss deposits has intersected significant zones of mineralisation from in the area between the two open pits. As a result, "the Gap" is now being infill drilled, demonstrating the potential for the Walsh-Strauss pits to form one larger open pit.
- **Big Mug** - Big Mug is located at the northern end of the main Bibiani pit and is presently covered by back fill. The prospect has been previously identified as a potential source of short term ore feed following mining depletion at Strauss and Walsh.
- **Bibiani Main Pit - South-Western Wall** - drilling of the south-western wall of the main Bibiani pit has now commenced, targeting potential resources identified by SEMs in their 2010 assessment. Non-JORC estimates of up to 15 Mt were made by SEMs, prompting the commencement of a 28,000m drilling program. Should sufficient ore be identified in this segment of the main pit, the economics of the proposed pit cut back could be vastly improved.
- **Elizabeth** - Elizabeth features a large scale soil anomaly located on similar cross cutting structures as the main Bibiani ore body. Assayed grab samples from sites of recent artisanal activity have returned grades of up to 68 gpt, highlighting the potential of this prospect. RC drilling has now commenced to test this target.

Corporate & Finances

Management Additions

Recent appointment to the project team provides significant mining operations experience

NMG has recently boosted its technical team, with the appointment of Mark Laing as Principal Mining Engineer. Mr. Laing has more than 25 years experience in project and operational management in Australia, South Africa and Indonesia, and has held similar positions with companies such as OM Holdings, Minara, Thiess, St. Barbara and Dominion Mining.

Finances

Our original assessment of NMG's cash position saw them with sufficient financial resources to re-start operations at Bibiani. However, given the impact of wet weather on drilling, slow assay turn arounds, the resultant flow on effects to timely completion of resource estimates and mine planning, as well as issues with the installation of a new crusher, the commissioning of Bibiani has now been pushed back to December 2011.

The delay in achieving cash flow led to pressure on the Company's available cash position. This issue has now been alleviated following the successful completion of a share placement, raising \$34.1m at a price of \$0.55.

Completion of recent placement now ensures Bibiani is fully funded into production

It is expected that the Company now has sufficient funding to complete the commissioning at Bibiani, and accelerate exploration programs.

NMG's outstanding debt of US\$32m (plus ~US\$2m in capitalised interest) is repayable once in commercial production, which at this point should see debt repayments commence in March 2012. Interest on the debt is LIBOR plus 4%, with repayments at scheduled at US \$3.1m per quarter. Accelerated repayment provisions are incorporated into the debt, which could see NMG debt free by the end of 2012.

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