

Noble Mineral Resources Ltd (ASX: NMG)

BUY

Sector: Precious Metals

Target: \$1.13

COMPANY STATISTICS

Share Price	\$0.61
Valuation	\$1.13
12 Month Range	\$0.41 - \$0.80
Market Cap	\$318.6m
Enterprise Value	\$318.9m
Issued Shares	522.8m
Listed Options (Jul-13, \$0.35)	74.33m
Options (Various)	12.25m
Cash Balance (30-Sep-11)	\$34m
Debt (30-Sep-11)	\$34m
Top Shareholders:	
Wei An Developments	14.9%
Global Gold Holdings	13.2%
W Norris	8.3%
Resources (Au)	2.200 Moz
Reserves (Au)	0.958 Moz
EV/Resource oz	\$141
EV/Reserve oz	\$333

EARNINGS & PRODUCTION DATA

	FY12F	FY13F	FY14F
Gold Prod'n (oz)	45,000	135,000	153,000
Cash Costs/oz	A\$950	A\$592	A\$618
Gold Price (A\$)	\$1,700	\$1,700	\$1,700
EBITDA (A\$)	\$20.5m	\$130.5m	\$153.9m
EV/EBITDA	12.5x	2.2x	1.9x
NPAT (A\$)	\$11.7m	\$102.2m	\$111.2m
EPS (cps)	\$0.02	\$0.20	\$0.19

SHARE PRICE PERFORMANCE



Source: ASX

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EPA APPROVAL AND MAIDEN RESERVE FROM SATELLITES CONFIRM PRODUCTION PLANS

Investment Perspective: NMG has now taken two major steps closer to first production and cash flow. Firstly, it released its maiden JORC-compliant resource/reserve estimate for the satellite deposits at Bibiani, and it has also received the final permit from the EPA required to commence mining.

The updated resource now underpins NMG's mine plan, which involves the satellites providing the initial years of plant feed while it progresses the exploration and subsequent development of the main Bibiani pit. The reported grade was marginally below our estimates, being attributed to the inclusion of low-grade deposits and application of top cuts to the resource.

NMG has now delivered on two critical fronts. The EPA permit is a positive, removing an element of uncertainty, while the official reserve underpins the mine plan. However, there continues to be the risk of slippage on the timetable with delays at Ghanaian customs preventing the delivery of several components required to complete the plant refurbishment. This has the potential to delay first production by a matter of weeks.

Overall, we still see NMG as being strongly positioned to enter the ranks of gold producers, with the shares remaining at a discount to our valuation and price target of \$1.13. **BUY**

Key Points:

Upgrade confirms satellite/tailings endowment of 278,000 oz

Drilling undertaken by NMG has now allowed the Company to report a JORC-compliant resource for the satellite deposits along the Walsh-Strauss trend. Resources now stand at 5.23 Mt at 1.2 gpt for 200,150 oz (excluding tailings), taking total project resources to 2.2 Moz. While the grade is slightly below our expectations, it must be noted that high grade intersections previously encountered in drilling would have been excluded due to the application of top cuts.

Upgrade includes maiden reserve taking project total 958,000 oz

The resource upgrade also included the maiden reserve for the satellite deposits of 105,000 oz at 1.8 gpt. The maiden reserve now underpins commencement of production with additional targets such as Big Mug providing further near term resource potential.

EPA Permit received with mining now to commence

NMG has also received the final EPA permit which now permits the commencement of mining. First gold production may be impacted however as delays at Ghanaian customs means some items required to complete the plant refurbishment are yet to arrive on site.

Price target lifted to \$1.13 per share on higher gold price

We have now factored in the delay of receiving final permits and the possible impact of the delay in completing the plant refurbishment to our production estimates, leading to a revised figure of 45,000 oz for FY12. However, the impact on our valuation is offset by applying a higher gold price of US\$1,700/oz, leading to an upgrade of our price target to \$1.13.

RESOURCE UPGRADE - BIBIANI

NMG has reported a preliminary upgrade of resources at Bibiani following recent drilling at the satellite deposits along the Walsh to Grasshopper trend. The Company is still awaiting results from infill drilling down to 20m x 20m spacing at "the Gap" between Walsh and Strauss, but have confirmed a JORC compliant Measured, Indicated and Inferred resource of 8.1 Mt at 1.07 gpt for 278,100 oz.

The upgraded figure includes a maiden resource at the Old Tailings deposit of 2.86 Mt at 0.7 gpt, and now takes the total project resources to 2.26 Moz (see Table 1).

Total project reserves were also upgraded, with the initial reserve from the satellite pits of 1.78 Mt at 1.82 gpt for 105,000 oz (excludes tailings with 63,000 oz at 0.7 gpt), lifting total project reserves to 958,000 oz.

Table 1: Reserves/Resources Data – Bibiani, November 2011

Reserves		Mt	Grade	oz	Resources		Mt	Grade	oz
Bibiani Main	Proved	5.020	2.16 gpt	349,000	Bibiani Main	Meas & Ind	19.920	1.86 gpt	1,190,000
	Probable	6.980	1.97 gpt	441,000		Inferred	13.060	1.89 gpt	790,000
Satellite Pits	Proved	1.065	2.00 gpt	69,000	Satellite Pits	Meas & Ind	5.218	1.30 gpt	213,500
	Probable	0.722	1.56 gpt	36,000		Inferred	0.010	1.27 gpt	600
Old Tailings	Probable	2.880	0.68 gpt	63,000	Old Tailings	Indicated	2.860	0.70 gpt	64,000
TOTAL		16.67	1.8 gpt	958,350	TOTAL		41.10	1.71 gpt	2,260,000

Source: Company reports

The new resource figures are largely in line with our expectations, although we note that the reported grade was slightly below SEMS' 2010 non-JORC resource estimate of 2.0 gpt.

This result may stem from the fact that many of the high grade intersections encountered in drilling earlier in 2011 would have been excluded from the resource due to the application of a top cut. Grade control drilling will determine the final mined grade in these blocks.

Additionally, the inclusion of lower grade deposits such as Aheman and the Old Tailings, have the effect of dragging down the overall average grade.

EPA APPROVALS RECEIVED

NMG has also reported that it has received the final approvals from the Ghanaian Environmental Protection Agency to commence mining operations.

First gold production is currently forecast by NMG to take place before the end of December 2011, but we note that long delays at Ghanaian customs points may prevent NMG meeting this timetable. A number of final components to complete the plant refurbishment are still awaiting customs clearance, and the crusher installation remains in the final stages. While mining is now permitted to commence, first gold production will obviously rely on a completed plant.

The Company currently plans to commission the mill using tailings, permitting the bypass of the yet to be completed crushing circuit, but further delays as per the above may impact the proposed timetable.

BIBIANI - PRODUCTION

We have adjusted gold our production estimates for NMG due to the impact of the delay in receiving the final EPA approvals. The result is that tailings will provide more of the initial plant feed versus ore from the satellite pits, and sees FY12 production falling to 45,000 oz from our previous estimate of 62,500 oz.

Figure 1: Forecast Production Parameters

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Throughput (Mt)	1.3	2.8	2.8	2.8	2.8	2.8	2.4
Grade (gpt)	1.39	1.72	2.05	2.05	2.05	2.05	2.05
Recoveries (%)	78%	85%	85%	85%	85%	85%	85%
Gold Prod'n (oz)	45,000	135,000	157,000	157,000	157,000	157,000	140,000
Cash Costs	\$950	\$592	\$618	\$618	\$618	\$618	\$618

Source: Canaccord BGF Estimates

VALUATION METRICS

Figure 2: Cash Flow Summary

	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Capex (US\$m)	16.2	46.4	25.5	4.6	3.5	3.5	4.6
Revenue (US\$m)	75.9	234.1	267.7	267.7	267.7	267.7	239.0
EBITDA (A\$m)	25.5	147.5	165.3	167.8	167.8	167.8	146.2
EBIT (A\$m)	13.8	132.1	148.6	150.4	149.6	148.7	126.4
NPAT (A\$m)	11.8	102.2	111.2	112.6	112.0	111.3	94.6
EPS (cps)	\$0.02	\$0.20	\$0.19	\$0.19	\$0.19	\$0.19	\$0.16

Source: Canaccord BGF Estimates; NB: Assumes US\$1,700/oz gold price and AUD:USD1.00

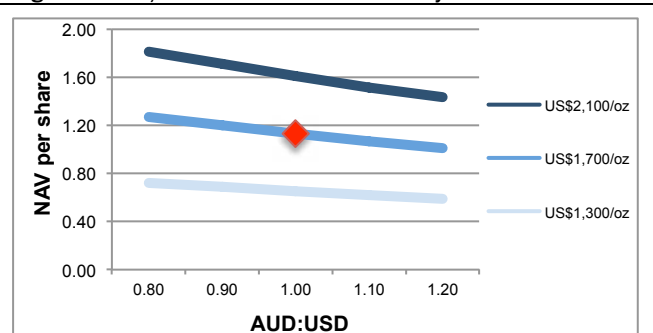
We have lifted our gold price assumptions to US\$1,700/oz, offsetting the impact of lower gold production in FY12 on our valuation. The application of a 1.1x NPV multiple to NMG's operational assets (geared cash flows), versus our normal multiple of 1.3x, reflects project commissioning risk. Nevertheless, the higher gold price lifts our valuation and price target to \$1.13 per share. Accordingly, we re-iterate our **BUY** recommendation.

Figure 3: Net Asset Value

	A\$m	Per Share
Bibiani NPV _{6%}	516.7	\$0.99
Exploration	15.0	\$0.03
Cash & Liquids	34.0	\$0.07
Less: Corporate	(26.4)	(\$0.05)
TOTAL NAV	539.9	\$1.03
P/NPV Multiple		1.1x
Price Target		\$1.13

Source: Canaccord BGF Estimates

Figure 4: NAV/Share Gold Price Sensitivity



Source: Canaccord BGF Estimates

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