Citi Research

Equities

13 August 2013 │ 112 pages

Precious Metals (Citi)

CEEMEA

Global Gold Book

A Golden Sunset

3rd Edition — The Global Gold Book aims to highlight Citigroup's outlook on the gold price and likely developments within the global gold industry. More specifically, we identify our top picks for the next 12 months and benchmark all companies under our global coverage on a range of valuation, financial and operational metrics.

- **Unwind of a crowded trade** — The past 4 years' risk-off trade have come to an end, confirmed by improved economic data in the US and the Fed's aim of tapering its bond buying program. This resulted in an unwind of what we considered a crowded trade in gold. We see further downside for gold in the medium term.
- **Poor fundamentals exposed** — The top 10 gold companies have burnt cumulatively $11bn in cash since 2000, despite an 4-fold increase in the gold price. Shareholders funded this, with the number of shares trebling during this period. We expect this trend to accelerate in a low gold price environment.
- **Play it safe** — Despite the sharp devaluation of gold equities y-t-d, we see little reason to "buck the trend" and become bullish at this stage. We prefer companies with the ability to adapt to a low gold price environment, at a good valuation. Barrick (Buy) and Medusa (Buy) stands out in this regard. We least favor Harmony (Sell) and African Barrick (Sell).

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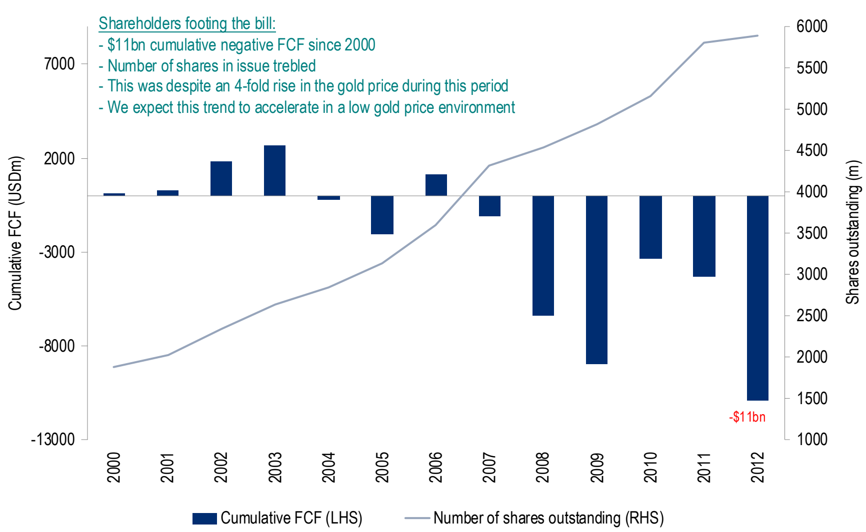
Cumulative FCF and shares in issue of top global gold companies*



Source: Company reports and Citi Research
*Including: ABX, NEM, ANG, NCM, GFI, HAR, RRS, GG

Contents

		Rating		Target Price		Current Year Earnings Estimates	
Company	**Ticker**	**Old**	**New**	**Old**	**New**	**Old**	**New**
African Barrick	ABGL.L	3	3	£0.87	£0.87	US$0.11	US$0.11
Barrick Gold	ABX	1	1	US$20.00	US$20.00	US$2.32	US$2.32
AngloGold Ashnti	ANGJ.J	3	3	R115.00	R115.00	US$-0.61	US$-0.61
Beadell Resour	BDR.AX	1	1	A$0.80	A$0.80	A$0.10	A$0.10
Buenaventura	BVN	3	3	US$13.00	US$13.00	US$0.91	US$0.91
Centamin Egypt	CEY.L	2	2	-	-	US¢16.6	US¢16.6
Gold fields	GFIJ.J	2	2	R55.00	R55.00	US$0.09	US$0.09
Goldcorp	GG	2	2	US$28.00	US$28.00	US$0.65	US$0.65
Gryphon Minerals	GRY.AX	1H	1H	A$0.30	A$0.30	A$-0.06	A$-0.06
Harmony Gold Mng	HARJ.J	3	3	R30.00	R30.00	US$0.29	US$0.29
Kingsgate Cons	KCN.AX	3	3	A$1.50	A$1.50	A¢17.3	A¢17.3
Kinross Gold	KGC	2	2	US$5.80	US$5.80	US$0.27	US$0.27
Medusa Mining	MML.AX	1	1	A$3.20	A$3.20	US¢33.0	US¢33.0
Newcrest Mining	NCM.AX	3	3	A$9.00	A$9.00	A¢3.3	A¢3.3
Newmont Mining	NEM	2	2	US$30.00	US$30.00	US$0.86	US$0.86
NordGold	NORDNq.L	3	3	US$1.25	US$1.25	US$-0.18	US$-0.18
OceanaGold	OGC.AX	1	1	A$1.90	A$1.90	US¢-0.9	US¢-0.9
Polyus Gold	PGIL.L	1	1	£2.35	£2.35	US$0.17	US$0.17
Petropavlovsk	POG.L	3	3	£0.62	£0.62	US$0.28	US$0.28
Polymetal	POLYP.L	2	2	£6.98	£6.98	US$0.93	US$0.93
Perseus	PRU.AX	3	3	A$0.50	A$0.50	A$0.07	A$0.07
Randgold Resourc	RRS.L	2	2	£45.50	£45.50	US$2.60	US$2.60
Resolute	RSG.AX	2H	2H	A$0.90	A$0.90	A$0.24	A$0.24
St Barbara	SBM.AX	1	1	A$1.00	A$1.00	A¢6.9	A¢6.9

Summary

We expect the gold price to average $1,185/ounce in 2H13, decreasing to $1,143/ounce in 2014. Companies will likely struggle to make ends meet in this environment. We view equity raisings and rights issues over the near to medium term as likely for many gold companies. We recommend playing it safe and prefer companies with the ability to adapt to a lower gold price environment.

2012 Industry Review

An improved economic outlook and intended tapering of bond purchases by the Fed has led to a sharp retreat in the gold price y-t-d. Even so, physical gold continued to outperform gold equities, proving that gold equities do indeed provide leverage to the gold price – but only to the downside.

Outlook: Gold Price

We see further downside to the gold price as the past four year's risk-off trade unwinds. We expect the gold price to average $1,185/ounce in 2H13, and $1,143/ounce in 2014.

Outlook: Gold Equities

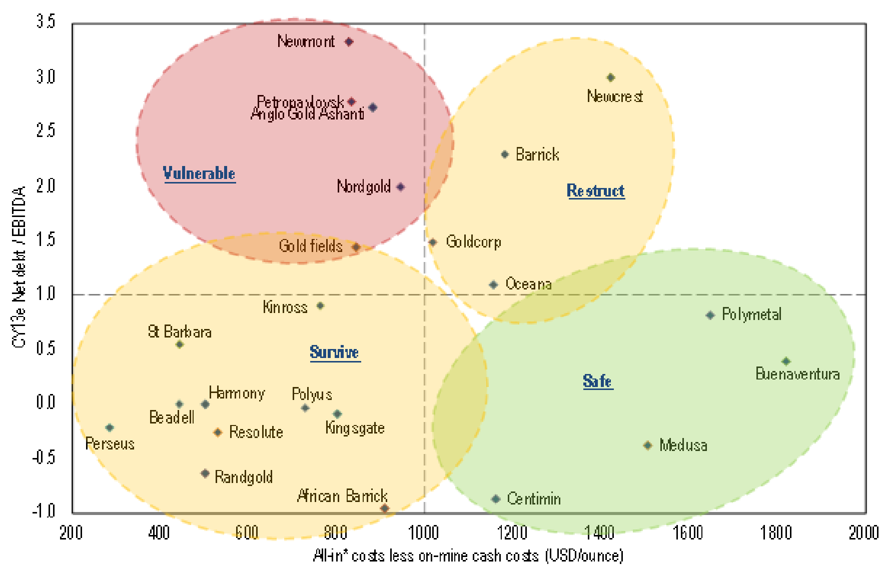
Gold companies failed to pass on benefits from the past four years' heyday to shareholders. Now, they are finding themselves in a struggle to make ends meet. We view this phenomenon as a return to normal. Asset disposals/closures, lower capex and exploration budgets, asset and reserve impairments, and balance sheet recapitalisations are likely to characterize the next decade.

Citi Recommendations

We continue to expect physical gold to outperform most gold equities. Within equities we prefer companies with the ability to adapt to a low gold price environment, at a good valuation. Barrick (Buy) and Medusa (Buy) stand out in this regard. We least favor Harmony (Sell), African Barrick (Sell), and Polymetal (Sell).

Some will find it easier than others to survive in a low gold price environment

Figure 1. Surviving the storm: Assessing balance sheet strength and ability to adapt to a low gold price environment



Source: Citi Research

Figure 2. CitiE Global Gold Comps Table

	TP Curr.	RIC codes	Rating	Current price	TP	CY13e DY (%)	ETR (%)	Current P/DCF	P/E 2012	P/E 2013e	P/E 2014e	EV/EBITDA 2012	EV/EBITDA 2013e	EV/EBITDA 2014e
St Barbara Ltd	AU$	SBM.AX	Buy	0.44	1.00	0.0	127.3	0.4	1.8	11.1	13.4	0.8	1.7	1.8
Gryphon Minerals	AU$	GRY.AX	Buy	0.17	0.30	0.0	76.5	0.5	0.0	0.0	-6.2	2.2	3.9	4.6
Medusa	AU$	MML.ax	Buy	1.98	3.20	1.9	63.6	0.5	6.0	5.4	4.6	4.8	3.6	2.3
Barrick Gold	US$	ABX.N	Buy	15.55	20.00	3.2	31.8	0.8	4.1	6.7	11.1	4.3	6.0	7.6
Resolute	AU$	RSG.AX	Neutral	0.69	0.90	0.0	30.4	0.8	2.6	5.5	21.9	1.3	1.9	2.7
Oceana Gold	AU$	OGC.AX	Buy	1.54	1.90	0.0	23.8	0.9	18.9	0.0	26.0	3.7	3.7	3.2
Beadeall	AU$	BDR.AX	Buy	0.66	0.80	0.0	21.2	0.8	0.0	6.5	7.6	0.0	4.9	4.8
Polyus	GBP	PGIL.L	Buy	2.01	2.35	3.7	20.7	1.3	9.9	18.3	44.6	6.7	9.4	17.9
Kinross	US$	KGC.N	Neutral	4.93	5.80	1.6	19.3	0.8	6.4	18.2	104.1	3.2	5.6	8.3
Newmont Mining	US$	NEM.N	Neutral	26.48	30.00	4.4	17.7	1.2	7.1	30.7	24.7	4.8	12.6	11.4
Goldcorp	US$	GG.N	Neutral	25.07	28.00	2.4	14.1	1.0	12.4	38.4	33.6	7.2	17.2	14.4
Buenaventura	US$	BVN.N	Sell	11.65	13.00	1.1	12.7	0.9	4.3	12.8	13.5	5.4	11.7	9.1
Goldfields	ZAR	GFIJ.J	Neutral	51.24	55.00	0.9	8.2	1.4	4.5	56.8	-65.9	2.3	6.0	9.4
Centamin Egypt Ltd	GBP	CEY.L	Neutral	0.35	0.38	0.0	7.3	0.7	2.6	3.3	-137.4	1.9	2.0	2.3
Kingsgate Consolidated	AU$	KCN.AX	Sell	1.51	1.50	7.1	6.7	0.8	3.8	22.0	-119.1	1.9	3.2	5.1
Anglogold Ashanti	ZAR	ANGJ.J	Sell	116.10	115.00	0.0	-0.9	1.5	4.9	0.0	-55.4	2.7	6.1	6.2
Perseus	AU$	PRU.AX	Sell	0.51	0.50	0.0	-1.0	0.6	5.8	27.6	173.5	2.2	4.9	8.7
Randgold Resource	GBP	RRS.L	Neutral	43.63	41.91	0.7	-3.3	1.5	14.5	24.2	35.5	8.4	11.1	11.7
Harmony	ZAR	HARJ.J	Sell	32.85	30.00	0.0	-8.7	1.5	6.7	0.0	-10.4	3.0	6.4	25.3
Petropavlovsk PLC	GBP	POG.L	Sell	0.81	0.62	8.8	-14.6	1.3	2.4	4.5	-5.1	3.2	4.2	8.1
Newcrest Mining	AU$	NCM.AX	Sell	11.22	9.00	0.6	-19.2	1.1	10.0	27.0	21.0	5.8	9.7	8.2
Polymetal	GBP	POLYP.L	Neutral	6.74	4.98	3.8	-22.3	1.5	10.5	12.5	20.5	5.1	6.9	9.4
African Barrick Resources	GBP	ABGL.L	Sell	1.15	0.87	1.6	-22.5	1.5	8.7	16.0	-24.5	1.1	2.8	6.0
Nordgold	GBP	NORDNQ.L	Sell	1.75	1.25	0.6	-28.0	1.5	31.3	0.0	-5.3	3.1	4.6	7.4

Source: Citi Research, DataCentral powered, Priced as at 08/08/2013

Industry Review

An improved economic outlook and intended tapering of bond purchases by the Fed has led to a sharp retreat in the gold price y-t-d. Even so, physical gold continued to outperform gold equities, proving that gold equities do indeed provide leverage to the gold price – but only to the downside.

Moving in one direction

Gold price down, equities even more so

The gold price depreciated 16% y-t-d.

The dollar gold price depreciated 16% y-t-d to USD1,326/ounce, reaching a low of USD1,223/ounce on 8 July 2013. The y-t-d average for the gold price is USD1,500/ ounce, down 11% from 2012's record average of USD1,667/ounce. The main drivers for the retreat in the gold price were:

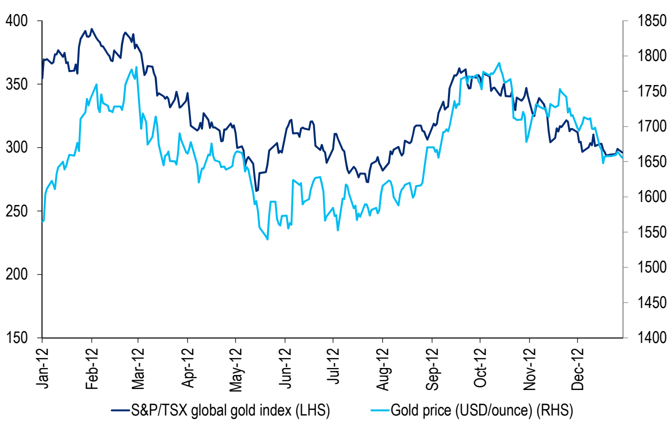
This was mainly due to improved economic data from the US prompting the Fed to rethink QE policy.

- **Improved economic outlook:** Improved economic data from the US prompted the Fed to rethink its policy on quantitative easing, signalling an earlier than initially expected tapering of bond purchases.
- **Unwind of a crowded trade:** This, together with the fact that investment demand for gold was at historically high levels, resulted in a quick unwind as investors moved from apparent safe haven investments back into equities. Investment demand as a percentage of total gold demand averaged about 40% when the gold price peaked in 2011/12, compared to 4% in 2000.

Physical gold outperformed the S&P/TSX gold index in y-t-d; a continuation of a trend.

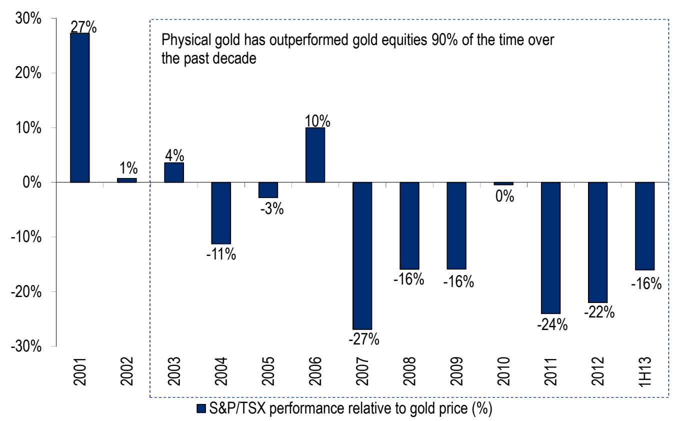
Despite the fall in the gold price, physical gold outperformed the S&P/TSX global gold index by 16% y-t-d. This suggests a continuation of the trend observed over the past decade, during which the gold price has outperformed gold equities 90% of the time (*Figure 4*).

Figure 3. Performance of the Gold Price and S&P/TSX Global Gold Index in 2012/13



Source: I-net, Bloomberg

Figure 4. S&P/TSX Global Gold Index's Performance Relative to the Gold Price (%, 2001-1H13)



Source: I-net, Bloomberg

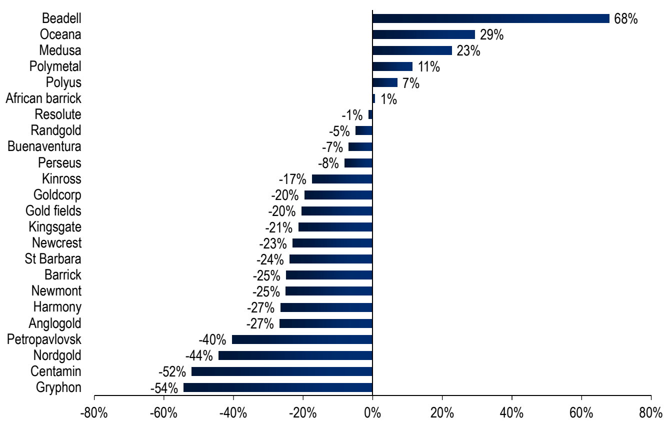
Small to medium-sized gold companies with attractive growth prospects yielded the best performance in 2012 and y-t-d.

Five out of 24 (20%) of the companies under our coverage outperformed the gold price in 2012. In 2013 y-t-d, only two of 24 (8%) companies managed to outperform the gold price. Common features of these companies were:

- **Small to medium in size:** With the exception of Polymetal, all these companies are smaller than US$500m in market cap.
- **Strong earnings growth prospects:** Most of these companies have an attractive earnings growth outlook, in our view.
- **Attractive exploration projects:** Most have interesting exploration projects and longer-term growth prospects.
- **Depressed valuations:** In some instances, political instability and negative investor sentiment, weighed on valuations in the preceding period.

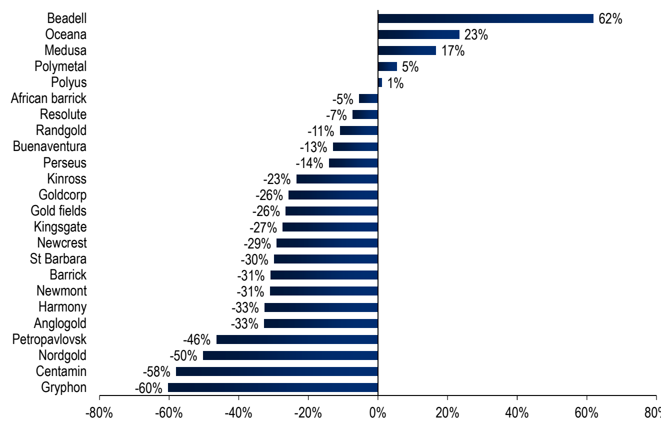
On the contrary, the key theme for underperformance was failure to deliver on previously stated targets, country-specific developments (political unrest in Egypt, labour disruptions in South Africa), and leveraged balance sheets.

Figure 5. 2012 Absolute Performance of Gold Companies Under Our Coverage (%)



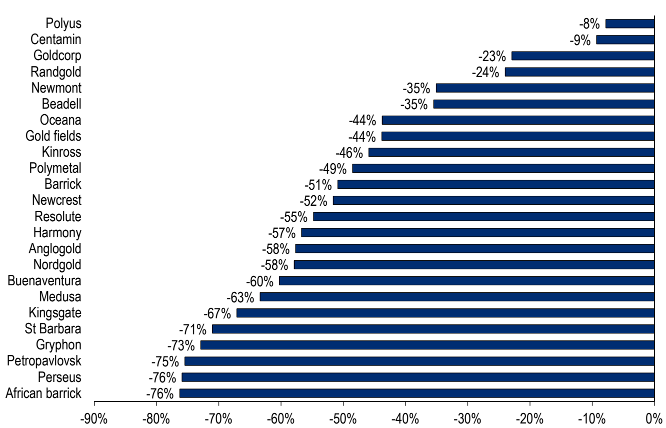
Source: I-net, Bloomberg

Figure 6. 2012 Relative Performance of Gold Companies vs. the Dollar Gold Price



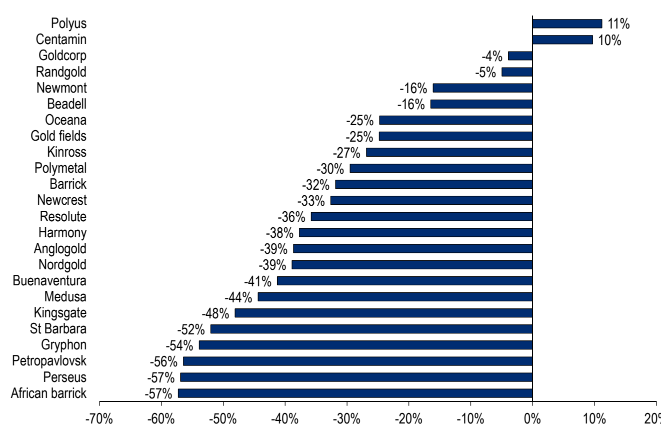
Source: I-net, Bloomberg

Figure 7. 2013 y-t-d Absolute Performance of Gold Companies Under Our Coverage (%)



Source: I-net, Bloomberg

Figure 8. 2013 y-t-d Relative Performance of Gold Companies vs. the Dollar Gold Price



Source: I-net, Bloomberg

2013 Outlook: Gold Price

We see further downside to the gold price as the past four years' risk-off trade unwinds. We expect the gold price to average $1,186/ounce in 2H13, and $1,143/ounce in 2014.

Watching the Fed

Despite the sharp fall, we remain bearish on gold

Despite the recent sharp pull back in prices, with Comex price trading down to $1,220/oz on July 5th, we remain bearish towards gold, forecasting prices to average $1,150/oz by the fourth quarter, and with an expectation that prices will push through the $1,100/oz level before year end. A key driver for this view is the expectation that the US Federal Reserve will move to taper its US$85 billion per month asset purchase program of mortgage backed securities before the end of the year, prompting higher bond yields and a further strengthening of the dollar. Indeed, with employment levels being one of the key metrics the Fed is following to determine the timescale of its current asset purchase scheme, Non-Farm Payrolls data have been in positive territory for much of this year, indicating that the US economy is moving onto a more sustainable growth footing.

April's price destruction however had little to do pronouncements from the Fed, or even any market-moving macro data, or news, but was largely prompted by a surge of fund-driven sell orders hitting the Comex market on April 12th, pushing prices down through key support levels, which in turn prompted a wave of technical selling. The downward moves were exacerbated by significant outflows from physically backed exchange traded funds (ETFs), with 174 tonnes of gold redeemed from funds during April, the largest monthly outflow in the year-to-date, and indeed, of all-time.

ETFs represent the most visible investor sentiment towards the gold market, with the outflows becoming somewhat self-reinforcing, in that the outflows remove confidence in investing in an ETF in the first place, and in turn prompt further outflows. In the year-to-date, outflows have reached 595 tonnes, as shown in Figure 9 below, and we expect volumes to continue to flow out over the remainder of the year, with total outflow forecast to reach 850 tonnes for the year as whole. The April price moves severely damaged the notion that gold provides any degree of risk protection or really acts as a safe haven, and we see little prospect of investors returning to gold in the short or medium term. Indeed, we expect the gradual improvements in the US economy to persist, and Europe to maintain some semblance of stability, prompting investors to continue to buy into recovery-linked asset classes, such as equities, at the expense of gold.

Investors looking for greener pastures

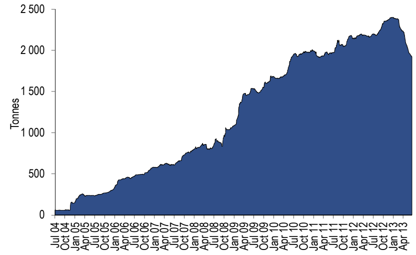
Unwind of a crowded trade as investors move out of gold into non-gold equities

Since our April Quarterly, the rate at which investor have been exiting the gold space has clearly accelerated. As mentioned above, gold holdings in ETFs have fallen by 23% since the beginning of the year. Money managers have reduced the scale of their net long gold positions in the Comex market by 84% since their recent peak in October last year.

The opportunity cost of holding gold has never looked higher, when relative performance to other asset classes is assessed. Since the beginning of the year, gold prices have lost 23% of their value. In comparison, equities have surged, with the S&P 500 rallying by over 14% since the start of the year, and thus outperforming gold by a margin of over 40%. Indeed, investor confidence in the recovery story, principally in the US, has clearly been at the expense of gold.

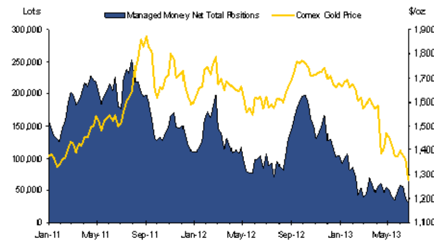
Gold bulls will now no doubt argue that positioning on Comex makes the gold market vulnerable for an upswing. Indeed, non-commercial short positions are now the equivalent of 13.1 million oz of gold, with net length now only 3.4 million ounces, the smallest net long since May 2005. However, we see little in the current macro-economic environment that could sustain any short covering rally, and would simply present the opportunity for shorts to reload.

Figure 9. ETF redemptions show little sign of significantly slowing



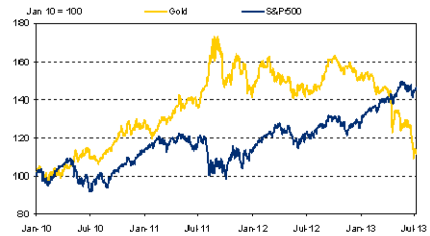
Source: Citi Research, Bloomberg

Figure 10. Managed money net length down 84% since October



Source: Citi Research, Bloomberg

Figure 11. Gold has effectively unperformed equities October 2011



Source: Citi Research, Bloomberg

No fear factor of inflation for now

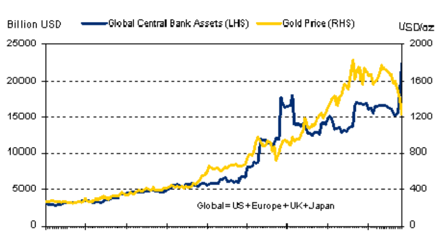
Unlikely the gold price will get support from rising inflation any time soon

Additionally, gold bulls have been somewhat confused as to why the significant surge in central bank balance sheets (Fed's 250%) has not translated to higher inflation/inflation expectations, and thus been highly supportive for gold, particularly in the current low interest environment?

The simplest answer, in our view, is that that money printing has not translated into increased demand for money. Indeed, public sector austerity drives to rein in levels of debt have been a clear factor at play here, as has the general trend in deleveraging at both a public and private sector level, reducing demand for credit. In addition, regulations requiring banks to increase capital ratios have meant that banks have been forced to sit on increasing holdings of cash against risk. All of these issues have essentially negated the impact of printing-driven increases in money supply.

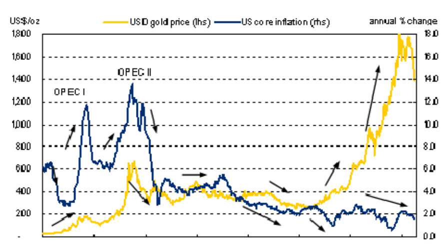
In addition to a diminishing fear of the prospect of inflation, concerns over the future of the US dollar and its status as the world's reserve currency also appear to have subsided. Indeed, many of the fear/safe haven arguments for holding gold do not currently stand up to scrutiny, in our view.

Figure 12. Link between central bank balance sheets and gold prices has broken down



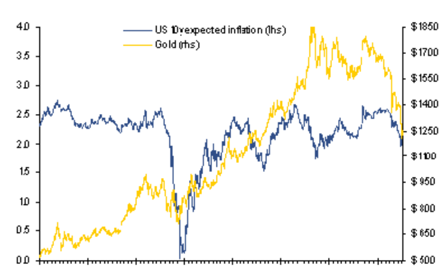
Source: Citi Research, Bloomberg

Figure 13. Inflationary reasons for holding gold, look to be non-existent



Source: Citi Research, Bloomberg

Figure 14. Long-term inflation expectations appear to be falling



Source: Citi Research, Bloomberg

Little real fundamental support

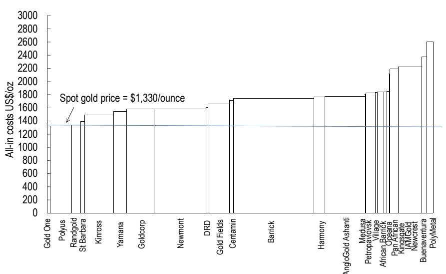
Further downside needed in order to stimulate fresh demand

April's price fall spurred a significant pick-up in physical demand for gold, notably in the Middle East and Asia (with the exception of India). However, this demand jump will not be sustained over the summer, as demand is becoming "filled" at current price levels, a further move down in prices will be required to sustain demand at April/May levels. In contrast to other Asian markets, Indian demand has struggled under restrictions on consignment trade, while the increase on import duties from 6% to 8% has negated recent Rupee/USD stabilisation.

Central bank buying of gold appears to have softened over the first half of the year, largely due to the continued fall off in gold prices. Indeed, significant buying activity has only been seen from Russia this year (34 tonnes between January and April). Given our expectation of a relative stabilisation of gold prices in 2014, we forecast central bank buying to expand from a net 400 tonnes this year to 480 tonnes next year.

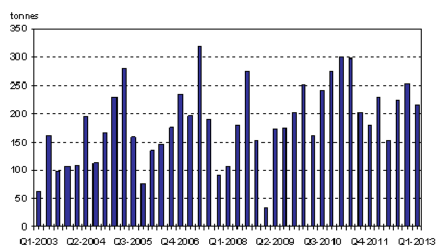
Current prices levels are already well below 2013 average all in production costs, however, we see little immediate prospect of mine cutbacks/closures providing price support given the extent of estimated above-ground stocks, estimated by Thomson Reuters GFMS to be in the region of 177,000 tonnes.

Figure 15. Current prices well below average all-in gold mine costs*, but provide little short-term price support



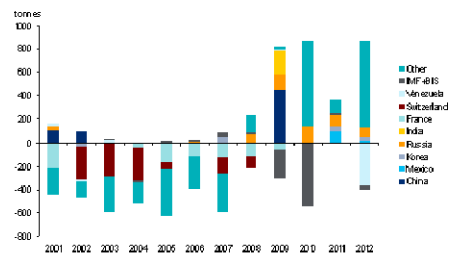
Source: Company Reports, Citi Research *includes cash costs, all Capex and all other costs

Figure 16. India gold imports, negatively impacted by rising import duties



Source: Thomson Reuters GFMS, Citi Research

Figure 17. Central purchases



Source: Citi Research, Bloomberg

2013 Outlook: Gold Equities

Gold companies failed to pass on the past four years' benefits to shareholders. Now, they are finding themselves in a struggle to make ends meet. We view this phenomenon as a return to normal. Asset disposals/closures, lower capex and exploration budgets, asset and reserve impairments, and balance sheet recapitalisations are likely to characterize the next decade.

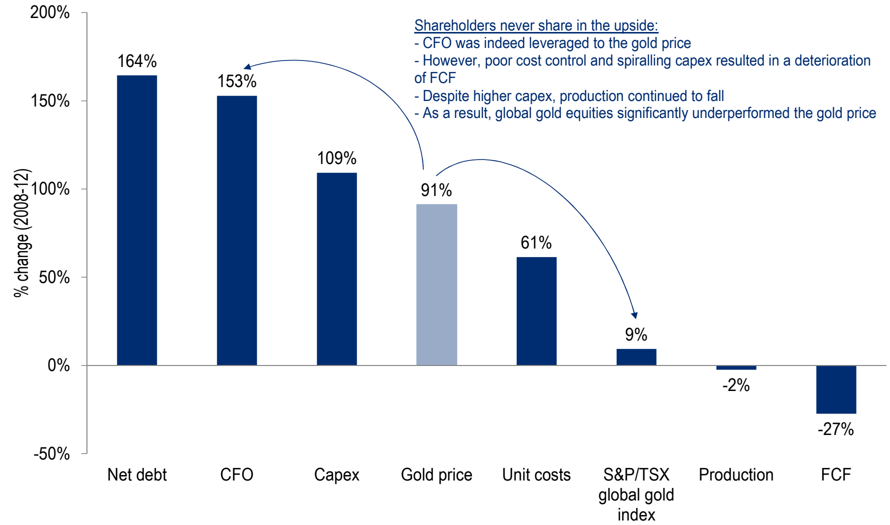
Investor confidence dented

Past four years' heyday did not reach shareholder pockets

The failure of most gold companies to pass on the benefits from the past four years has dented investor confidence, we believe.

Despite a higher gold price and company promises of higher production, shareholders have little to show for past 4 years' bull-run in gold

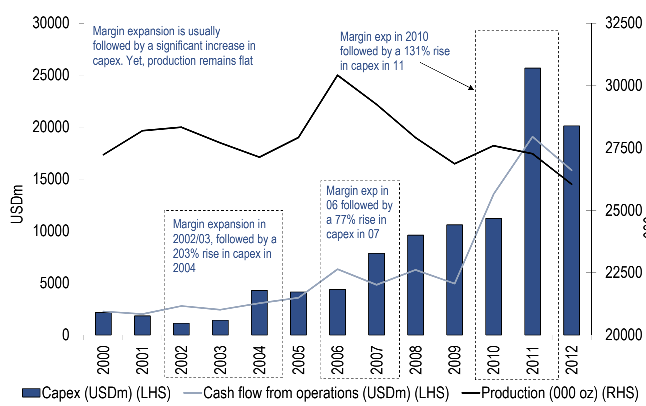
Figure 18. Shareholders haven't shared in the upside (% change of key parameters for top 10 gold companies)



Source: Citi Research

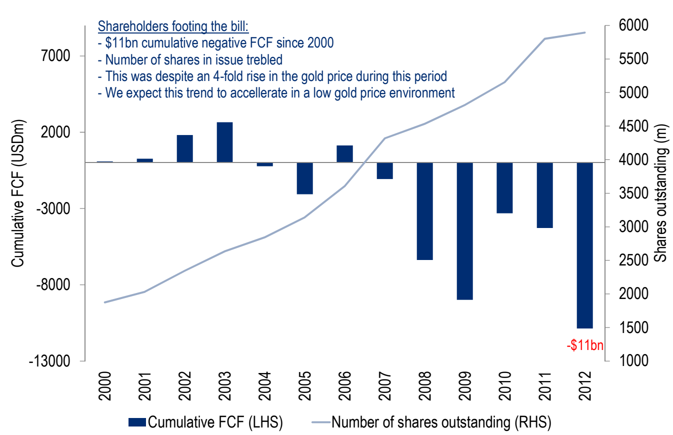
Whereas the past four years' rise in the gold price opened operating margins, capital budgets soon followed to consume any surplus cash. Investors were kept engaged by the promise that higher capex would eventually lead to higher production and lower unit costs. However, these promises seldom materialized.

Figure 19. Top 10 gold companies: Shareholders Seldom Share in the Upside (USDm, 000 ounces) (2000-12)



Source: Citi Investment Research and Analysis, Bloomberg

Figure 20. Cumulative FCF burn for top gold companies (USDm, 2000-12)



Source: Citi Research

Top 10 gold companies burnt $11bn in cash over past decade

In fact, on an aggregate basis, the top 10 gold companies burnt $11bn in cumulative cash flow over the past decade, despite the significant rise in the gold price.

This was mainly due to a 4-fold rise in unit costs and a 10-fold increase in capital expenditure during this period. In hindsight, all this capital was merely spent to offset a declining production base, i.e. it can all be considered sustaining capex.

Overlay this disappointing track record with the reality of a sharply lower gold price, and we find it difficult to compile an attractive investment case for gold equities. The problem is valuation for global gold equities has fallen 35% y-t-d and our long-held bearish view on gold equities has now become very much consensus. The question therefore arises whether now is a good time to turn bullish on gold equities.

Returning to normal

Lack of fundamentals make value creation unlikely

Remain cautious, despite sharp fall in valuations

Despite the sharp devaluation of gold equities and our long-held bearish call on gold equities now falling within consensus, we see little reason to “buck the trend” and become contrarian at this stage.

This is as we view the recent fall in operating margins and a scramble to make ends meet as a “return to normal” for most gold equities. Gold companies are seldom incentivized to generate value for shareholders.

Gold does not follow conventional cost curve economics…

The reason for this phenomenon is that the gold price does not follow conventional cost curve economics, where a certain part of the cost curve will be incentivised to generate returns high enough to justify cost of capital. We believe this is due to:

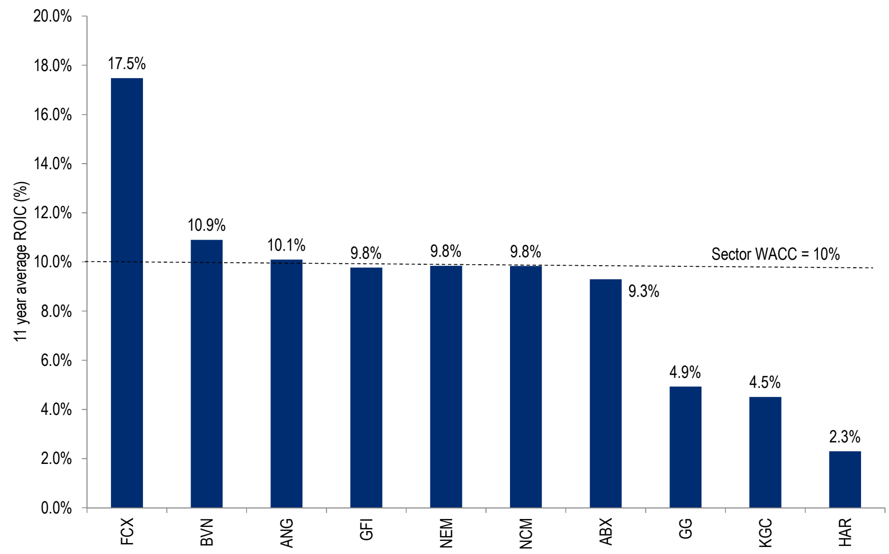
- **Highly fragmented industry structure:** There are hundreds of gold companies globally. Our gold cost curve, which includes the largest 25 companies, only accounts for 1,130 tons out of the 2,600 tons of total annual mine production. The 1,470-ton balance comes from smaller gold companies, and even artisanal mining. Thus there is no supply control or cost curve discipline.

- **Disproportionally large above-ground stocks:** We estimate that surface sources of gold are close to 125,000 tonnes, e.g. 48 years of mine supply. We estimate that this constitutes 60,000 tonnes of investment holdings (either central bank holdings, ETF holdings, coins etc) and 65,000 tonnes of jewellery (our estimates are informed by historical supply-demand data from GFMS and World Gold Council data on central bank holdings). The disproportionately large above-ground stock of gold relative to annual mine production can render mine production irrelevant over extended periods. For example, investors or jewellery manufacturers do not have to buy gold from a mine, they can simply buy it from a bank – i.e. a movement of above-ground stock.

…confirmed by the amount of value destruction by top gold companies

The poor fundamentals of the gold industry are also reflected when assessing economic value add (EVA) (refer *Figures 23-25*). As highlighted in our 30 October, 2012 note “Returns EVA-porating”, eight of the top 10 gold companies delivered negative EVA during 2000-11. This was despite a 487% rise in the gold price. We estimated at that time that only Freeport McMoran (FCX.N; US$30.80; 3) was likely to deliver positive EVA in the coming decade. Our gold price outlook at that stage was substantially higher than today’s spot.

Figure 21. 11-year average ROICs



Source: Citi Research, Bloomberg

Figure 22. Valuation relative to EVA*(2000-11)

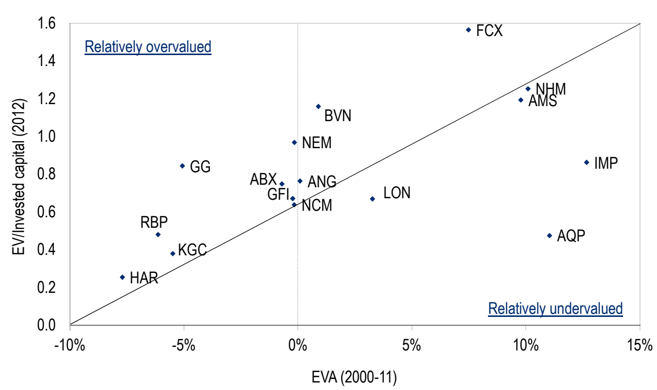
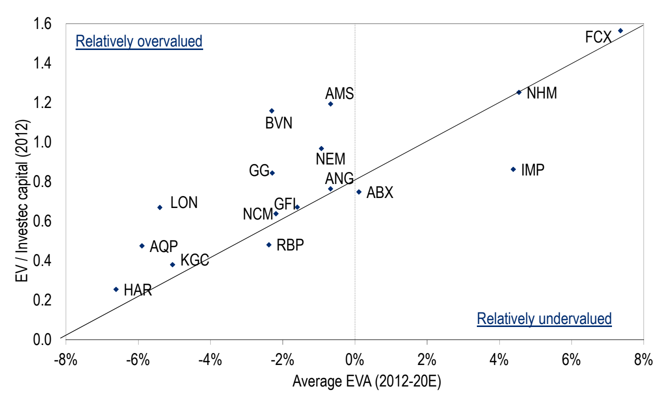


Figure 23. Valuation relative to expected EVA* (2012-20)



Source: Citi Research, Bloomberg, company reports

*Based on "IC including operating goodwill" method (refer "Returns EVA-porating")

Source: Citi Research, Bloomberg, company reports

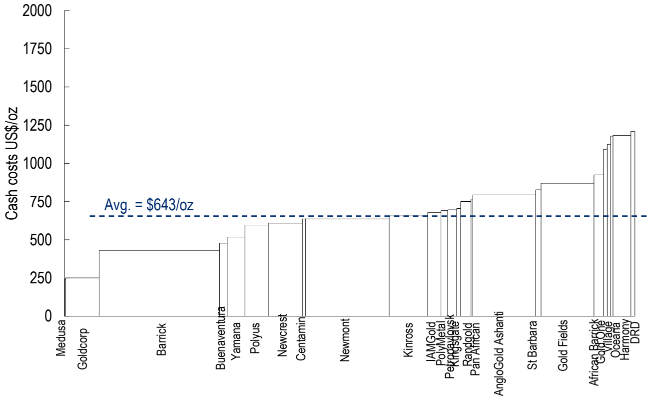
*Based on "IC including operating goodwill" method (refer "Returns EVA-porating")

Pulling short-term levers to make ends meet

Companies cutting exploration and capex in order to make ends meet

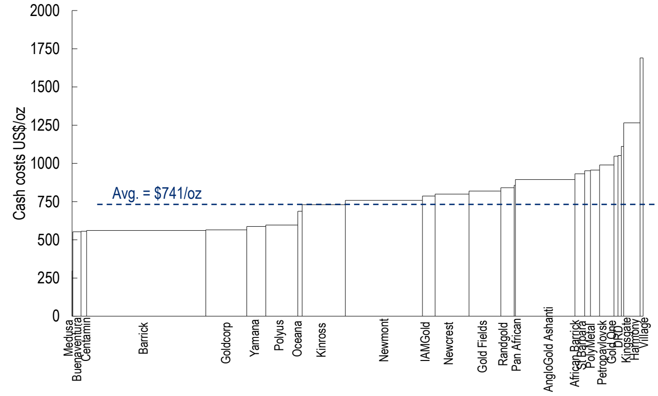
Indeed, most gold companies have already started to cut capex, exploration and corporate costs in an attempt to make ends meet. This is evident from the fact that the industry's unit on-mine costs increase 15% y-o-y, while notional cash expenditure (NCE, i.e. cash on-mine cost plus all capex) and all-in costs (on-mine cash costs, plus all capex, plus exploration, corporate and interest costs) increased only by 7.5% and 1.3% respectively (refer *Figures 27 and 29*).

Figure 24. Mar-12 global on-mine cash cost curve (USD/ounce)



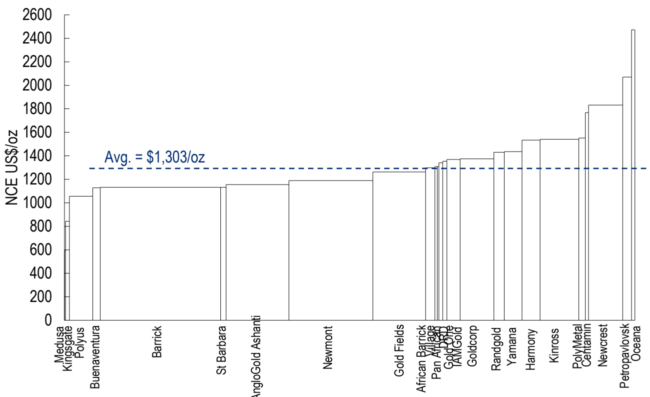
Source: Citi Research, company reports

Figure 25. Mar-13 global on-mine cash cost curve (USD/ounce)



Source: Citi Research, company reports

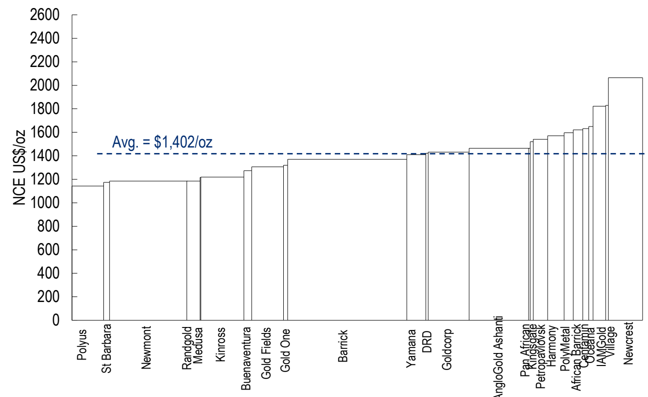
Figure 26. Mar-12 NCE* chart (USD/ounce)



Source: Citi Research, company reports

*Notional Cash Expenditure. Includes cash costs and all capex

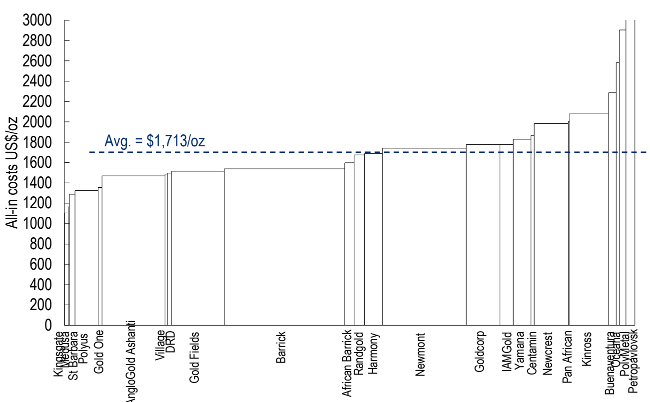
Figure 27. Mar-13 NCE* chart (USD/ounce)



Source: Citi Research, company reports

*Notional Cash Expenditure. Includes cash costs and all capex

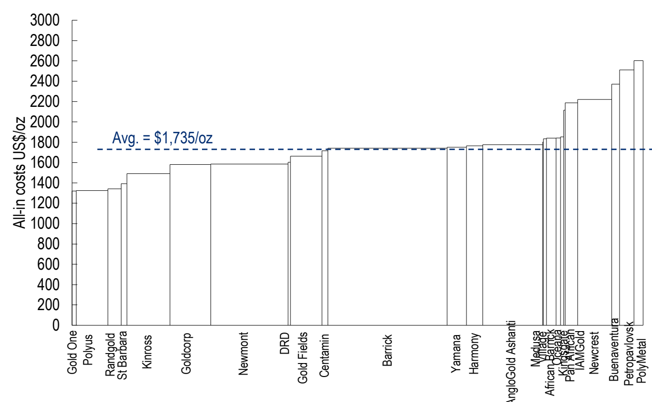
Figure 28. Mar-12 all-in costs* chart (USD/ounce)



Source: Citi Research, company reports

*Includes cash costs, all capex, exploration, corporate costs, cash taxes and other operating costs

Figure 29. Mar-13 all-in costs* chart (USD/ounce)



Source: Citi Research, company reports

*Includes cash costs, all capex, exploration, corporate costs, cash taxes and other operating costs

No easy way out

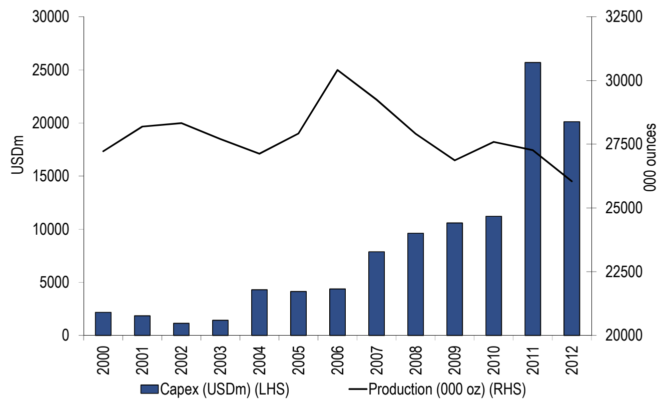
Short-term cuts, long-term implications

Even though we view this action as correct, and inevitable, it's somewhat of a double-edged sword. The reason being that gold companies have to spend an increasing amount of capex just to fight falling production trends and prevent a blow-out in unit costs.

For example, global gold capex has increased 10-fold over the past 12-years, yet production was down 5% during this period. Unit costs have risen at a CAGR of 16% during this period. It is our view that unit costs would have risen far quicker if it had not been for the vast increase in capital expenditure.

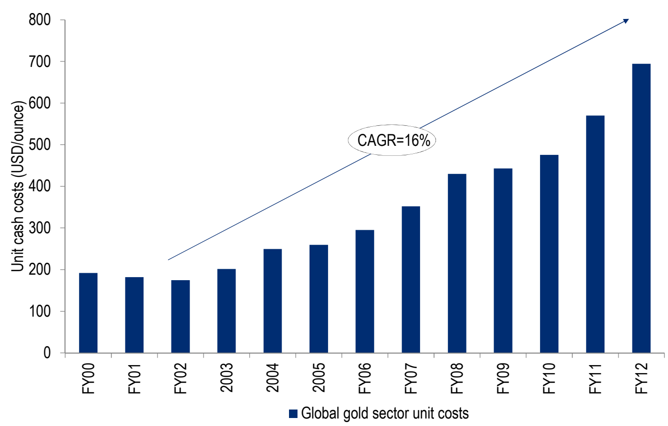
It is because of this that we caution that a slow-down in capex will invariably result in a fall in production, which in turn will lead to a faster rise in unit costs. Whether they cut capex or not, we see both scenarios as bad for shareholders. There seems to be no easy way out.

Figure 30. Historical capex vs. production profile for top 10 gold companies (FY00-12)



Source: Citi Research, company reports

Figure 31. Historical cash costs profile for top 10 gold companies (FY00-12)



Source: Citi Research, company reports

Citi Recommendations

We continue to expect physical gold to outperform most gold equities. Within the equities we recommend playing it safe. Barrick (Buy) is our most favoured. Harmony (Sell) and African Barrick (Sell) least favoured.

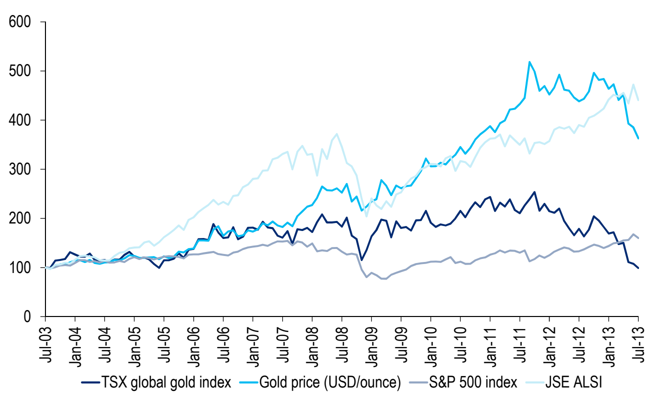
Long term, prefer metal over equities

Leverage does work, but only to the downside

Gold price up 267% over past decade, equities 1%

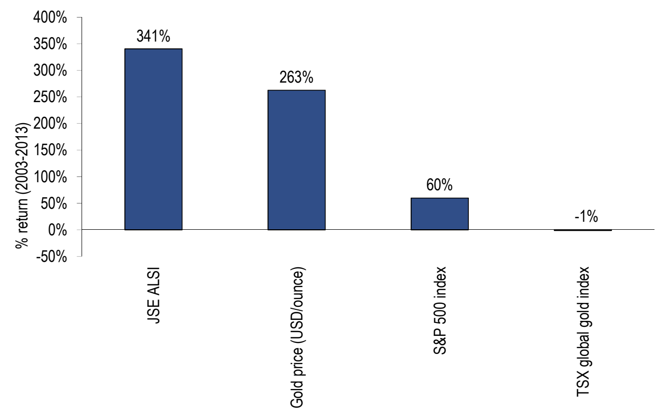
We have long argued that gold equities do NOT provide leverage to the gold price. Indeed, the gold price has risen 267% in the past decade, while the S&P/TSX global gold index depreciated 1%.

Figure 32. Gold Price Has Outperformed All Indices (2003-13)



Source: Bloomberg

Figure 33. Relative Index Returns (2003-13)



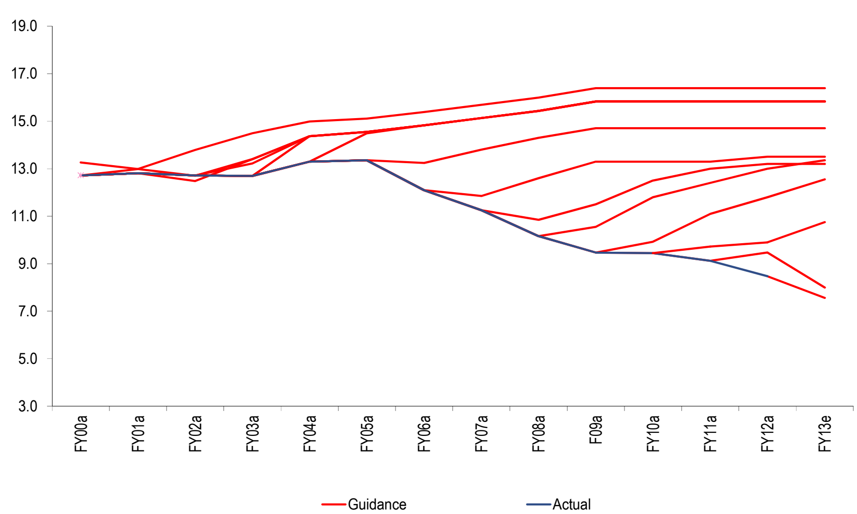
Source: Bloomberg

Equity valuations overstated to begin with…

This is as we argue that market valuations for gold equities, in most cases, are fundamentally overstated to begin with; mainly due to too favorable assumptions for production, costs, capex etc. This is normally based on management guidance, which is seldom met (refer SA gold example, *Figure 34*). As time goes by, operational disappointments are marked-to-market, resulting in an unwind of the NPV. It is because of this phenomenon that gold equities continue to underperform the gold price, let alone provide leverage to it.

…mainly due to overoptimistic input assumptions that are never achieved.

Figure 34. SA gold sector historical guidance vs delivery



Source: Citi Research estimates, company reports

As a result, gold likely to continue outperforming gold equities over the long term

The past few months have indeed shown that leverage to the gold price works in one direction, to the downside. The gold price has fallen 16% y-t-d, while the S&P/TSX global gold index depreciated by 35%. We continue to expect gold equities (in general) to underperform the gold price in the medium to longer term. Short term, any improved sentiment towards gold and gold equities may indeed result in a temporary outperformance by gold equities over the gold price. But this is the exception rather than the rule, we believe.

Figure 35. CitiE Global Gold Comps Table

									P/E			EV/EBITDA		
	TP Curr.	RIC codes	Rating	Current price	TP	CY13e DY (%)	ETR (%)	Current P/DCF	2012	2013e	2014e	2012	2013e	2014e
St Barbara Ltd	AU$	SBM.AX	Buy	0.44	1.00	0.0	127.3	0.4	1.8	11.1	13.4	0.8	1.7	1.8
Gryphon Minerals	AU$	GRY.AX	Buy	0.17	0.30	0.0	76.5	0.5	0.0	0.0	-6.2	2.2	3.9	4.6
Medusa	AU$	MML.ax	Buy	1.98	3.20	1.9	63.6	0.5	6.0	5.4	4.6	4.8	3.6	2.3
Barrick Gold	US$	ABX.N	Buy	15.55	20.00	3.2	31.8	0.8	4.1	6.7	11.1	4.3	6.0	7.6
Resolute	AU$	RSG.AX	Neutral	0.69	0.90	0.0	30.4	0.8	2.6	5.5	21.9	1.3	1.9	2.7
Oceana Gold	AU$	OGC.AX	Buy	1.54	1.90	0.0	23.8	0.9	18.9	0.0	26.0	3.7	3.7	3.2
Beadeall	AU$	BDR.AX	Buy	0.66	0.80	0.0	21.2	0.8	0.0	6.5	7.6	0.0	4.9	4.8
Polyus	GBP	PGIL.L	Buy	2.01	2.35	3.7	20.7	1.3	9.9	18.3	44.6	6.7	9.4	17.9
Kinross	US$	KGC.N	Neutral	4.93	5.80	1.6	19.3	0.8	6.4	18.2	104.1	3.2	5.6	8.3
Newmont Mining	US$	NEM.N	Neutral	26.48	30.00	4.4	17.7	1.2	7.1	30.7	24.7	4.8	12.6	11.4
Goldcorp	US$	GG.N	Neutral	25.07	28.00	2.4	14.1	1.0	12.4	38.4	33.6	7.2	17.2	14.4
Buenaventura	US$	BVN.N	Sell	11.65	13.00	1.1	12.7	0.9	4.3	12.8	13.5	5.4	11.7	9.1
Goldfields	ZAR	GFIJ.J	Neutral	51.24	55.00	0.9	8.2	1.4	4.5	56.8	-65.9	2.3	6.0	9.4
Centamin Egypt Ltd	GBP	CEY.L	Neutral	0.35	0.38	0.0	7.3	0.7	2.6	3.3	-137.4	1.9	2.0	2.3
Kingsgate Consolidated	AU$	KCN.AX	Sell	1.51	1.50	7.1	6.7	0.8	3.8	22.0	-119.1	1.9	3.2	5.1
Anglogold Ashanti	ZAR	ANGJ.J	Sell	116.10	115.00	0.0	-0.9	1.5	4.9	0.0	-55.4	2.7	6.1	6.2
Perseus	AU$	PRU.AX	Sell	0.51	0.50	0.0	-1.0	0.6	5.8	27.6	173.5	2.2	4.9	8.7
Randgold Resource	GBP	RRS.L	Neutral	43.63	41.91	0.7	-3.3	1.5	14.5	24.2	35.5	8.4	11.1	11.7
Harmony	ZAR	HARJ.J	Sell	32.85	30.00	0.0	-8.7	1.5	6.7	0.0	-10.4	3.0	6.4	25.3
Petropavlovsk PLC	GBP	POG.L	Sell	0.81	0.62	8.8	-14.6	1.3	2.4	4.5	-5.1	3.2	4.2	8.1
Newcrest Mining	AU$	NCM.AX	Sell	11.22	9.00	0.6	-19.2	1.1	10.0	27.0	21.0	5.8	9.7	8.2
Polymetal	GBP	POLYP.L	Neutral	6.74	4.98	3.8	-22.3	1.5	10.5	12.5	20.5	5.1	6.9	9.4
African Barrick Resources	GBP	ABGL.L	Sell	1.15	0.87	1.6	-22.5	1.5	8.7	16.0	-24.5	1.1	2.8	6.0
Nordgold	GBP	NORDNQ.L	Sell	1.75	1.25	0.6	-28.0	1.5	31.3	0.0	-5.3	3.1	4.6	7.4

Source: Citi Research, DataCentral powered, Priced as at 08/08/2013

Time to play it safe

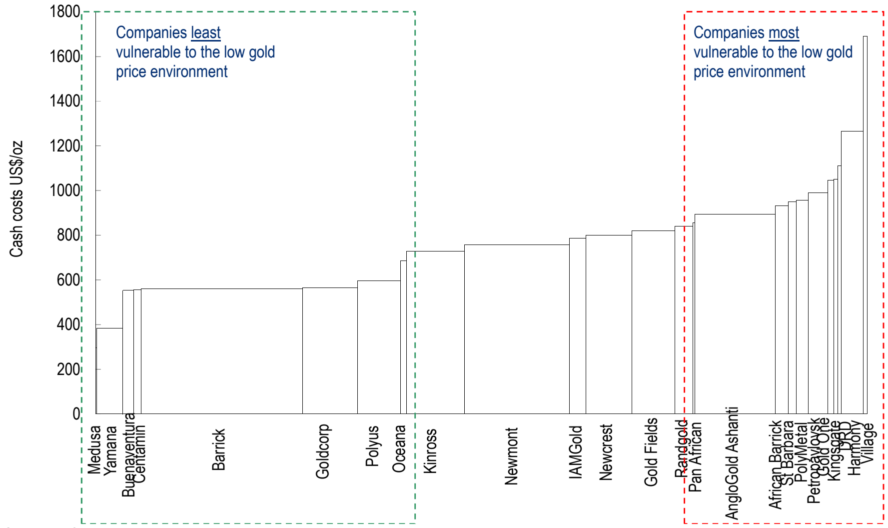
Barrick, Medusa and Beadell our Most Favoured

We are looking for companies that can adapt to a low gold price environment, at a good valuation

Given our muted, in fact bearish, outlook for the gold price over the medium-term, we believe playing it safe would be the most prudent strategy for investors interested in gold equities. Typically, we are looking for companies with: 1) strong balance sheets, 2) the ability to restructure their cost bases, at 3) a good valuation. In our view, the latter is easier to do if a company is positioned low down on the on-mine cash cost curve, but higher up the all-in cost curve; i.e. companies that can make ends meet by cutting capex, exploration and corporate costs.

Companies high up the "all-in" cost curve, but low on the cash cost curve, has most flexibility to adapt

Figure 36. Mar-13 cash cost curve (USD/ounce)



Source: Citi Research

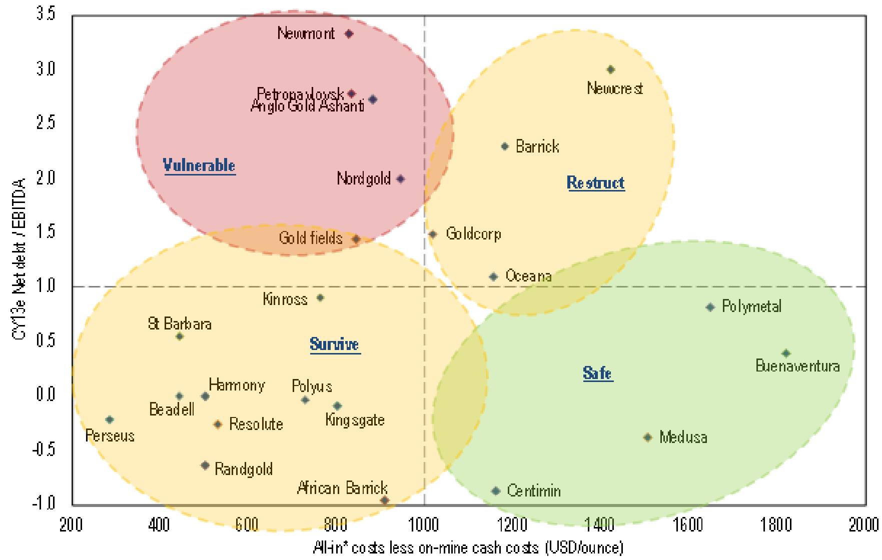
To assess a company's ability to adapt to a low gold price environment, we built a 2x2 matrix, plotting net debt / EBITDA versus the ability to cut fat in the organization (defined as all-in costs less on-mine cash costs). We define four quadrants:

- **Vulnerable:** Companies in this quadrant have weak balance sheets and limited room to move to make ends meet. The latter is, in most cases, due to its high cost position on the on-mine cash cost curve. If the gold price remains depressed, these companies are at risk of having to approach equity capital markets in due course.
- **Restructure:** These are companies with weak balance sheets, but the ability to reduce costs through cutting capex, exploration and corporate cost budgets.
- **Survive:** These are companies with limited room to move to reduce costs, but their strong balance sheets will assist in "waiting out" a low gold price environment.
- **Safe:** These are companies with strong balance sheets and the ability to reduce costs further if needed. Depending on valuation, these are typically our preferred picks for a low gold price environment.

On these metrics, Medusa (Buy), Polymetal (Sell), Buenaventura (Sell), and Centamin (Neutral) appear most favorably positioned to withstand, and adapt to, a low gold price environment. On the contrary, AngloGold Ashanti (Sell), Newmont (Neutral), Petrapavlovsk (Sell) and Norgold (Sell) appear most vulnerable, i.e. they have already weak balance sheets with limited room to move to reduce costs.

Newmont, Petropavlovsk, AngloGold and Norgold appear vulnerable. Polymetal, Buenaventura, Medusa and Centamin appear safe.

Figure 37. Net debt to EBITDA vs cost cutting potential



Source: Citi Research,
*Includes cash costs, all capex, exploration, corporate costs, cash taxes and other operating costs

Combining the "play it safe" theme with our assessment of valuation, financial and operational metrics (*Figure 40*, and details pages 19-28), we most favor Barrick Gold (Buy) out of the larger cap gold companies. Medusa and Beadell are our most favoured small cap picks.

Figure 38. Company attractiveness assessment matrix*

	Status	Ability to survive low gold price	Valuation metrics	Financial metrics	Operational metrics
African Barrick	Mining	Orange	Green	Red	Red
AngloGold Ashanti	Mining	Red	Red	Red	Orange
Barrick	Mining	Orange	Green	Orange	Orange
Beadell Resources	Exploration	Red	Green	Green	Orange
Buenaventura	Mining	Green	Red	Orange	Red
Centamin	Mining	Green	Red	Green	Orange
Gold Fields	Mining	Red	Red	Red	Red
Goldcorp	Mining	Green	Red	Orange	Green
Gryphon	Exploration	Red	Red	Red	Red
Harmony	Mining	Orange	Red	Red	Red
Kingsgate Consolidated	Mining	Red	Red	Red	Red
Kinross	Mining	Red	Red	Red	Red
Medusa	Mining	Green	Green	Green	Green
Newcrest	Mining	Orange	Red	Red	Green
Newmont	Mining	Red	Red	Red	Red
Nordgold	Mining	Red	Red	Red	Orange
Oceana	Mining	Orange	Red	Red	Orange
Perseus	Development	Orange	Red	Orange	Orange
Petropavlovsk	Mining	Red	Green	Red	Red
Polymetal	Mining	Orange	Red	Green	Orange
Polyus	Mining	Orange	Red	Green	Red
Randgold Resources	Mining	Orange	Red	Green	Orange
Resolute	Mining	Orange	Red	Orange	Orange
St Barbara	Mining	Orange	Green	Red	Red

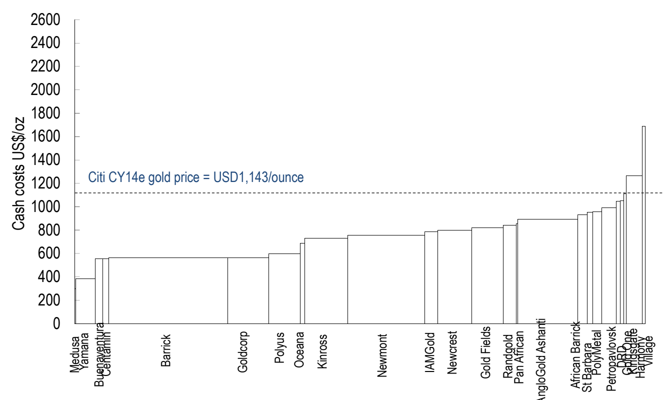
Source: Citi Research, *Red: Unattractive, Orange: Neutral, Green: Attractive

- **Barrick (ABX): Buy TP US$20 –** Barrick is well diversified across a number of countries and mines. We believe it has more flexibility than its global peers to cut cost to adapt to a lower gold price environment. We expect these qualities to serve it well relative to peers over the medium term. Maintain Buy, TP US$20.
- **Medusa (MML): Buy TP A$3.20 –** Good production growth to ~280k ounces by FY15 and substantial exploration potential should be key drivers for the company. We believe it offers good growth at an attractive valuation. Buy, TP A$3.20.
- **Beadell (BDR): Buy TP A$0.80 –** Beadell has fallen ~30% y-t-d, mainly due to delayed government approvals for Duckhead and disappointing recent operational results. Having now received the Duckhead approvals, we believe that that there is attractive upside in the name. Buy, TP A$0.80.

African Barrick and Harmony Least Favoured

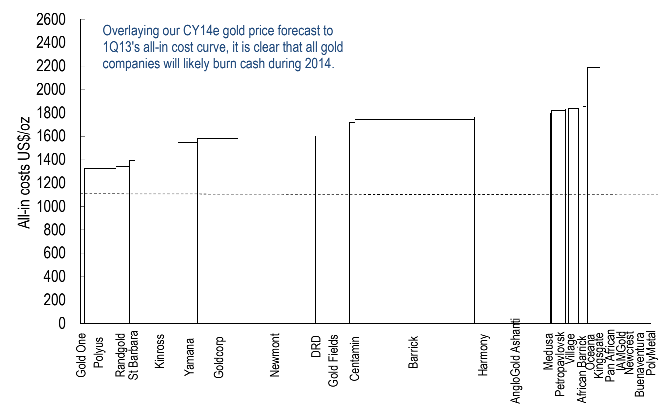
Companies operating towards the right-hand side of the cost curve (on-mine and all-in) will find the next few years challenging, in our view. These companies are at risk of depleting balance sheets, unless operational performances improve dramatically. Shareholders may be approached for help. In such instances, we believe significant downside is likely to prevail. Companies that fall into this category include, African Barrick, Polymetal, Harmony, and AngloGold Ashanti.

Figure 39. Mar-13 global on-mine cash cost curve (USD/ounce)



Source: Citi Research

Figure 40. Mar-13 all-in costs* chart (USD/ounce)



Source: Citi Research, *Includes cash costs, all capex, exploration, corporate costs, cash taxes and other operating costs

Valuation Comparatives

Medusa stands out as providing strong growth, at a good valuation

The main analysis in this section compares the 3-year average forward P/E ratio versus the expected 3-year forward production growth of each of the gold stocks (*Figure 41*).

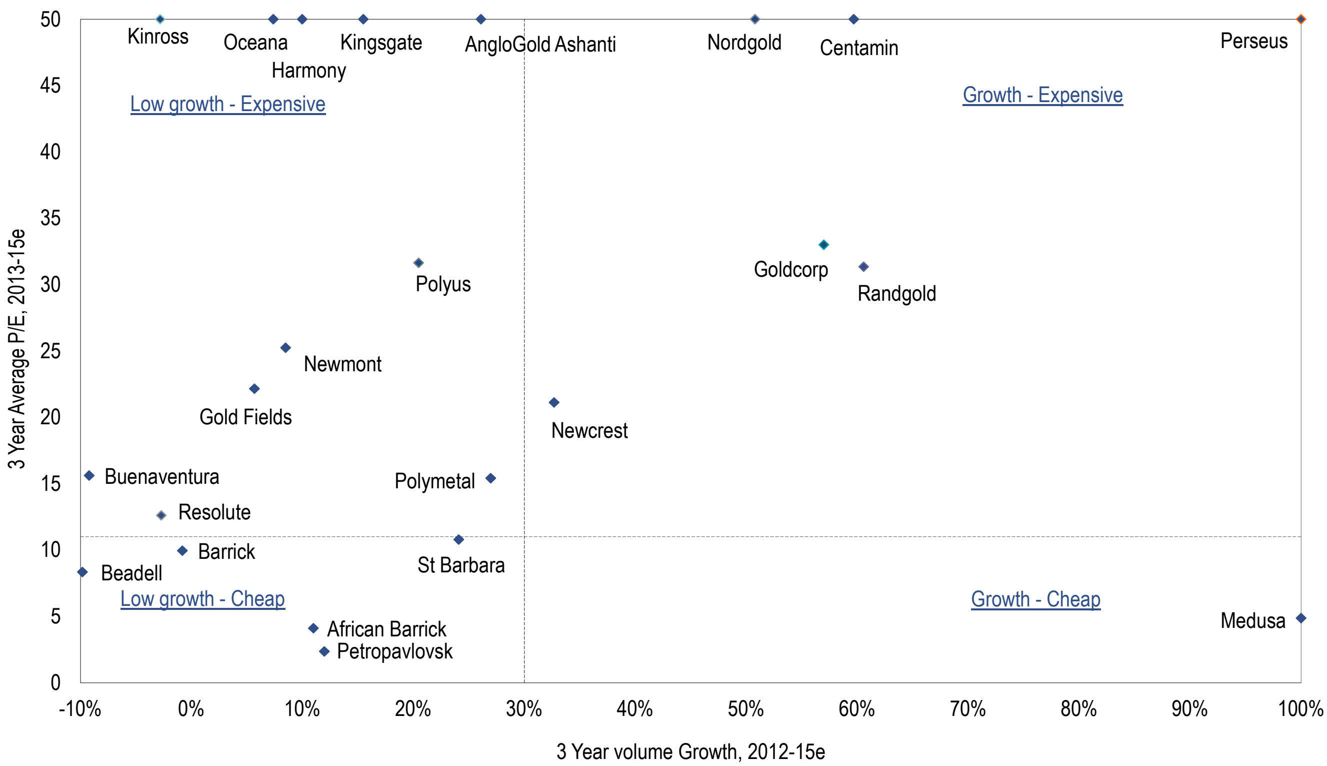
MML appears inexpensive and positioned for superior growth.

On these metrics, only MML provides attractive production growth (+50%) at undemanding expected average P/E ratios of below 6x, on our estimates.

Larger gold stocks appear expensive with limited growth potential.

On the contrary, larger companies like ABX, NEM, KGC, BVN and GFI appear more demanding from a P/E perspective, on our estimates, especially considering the limited (<25%) production growth that these companies provide.

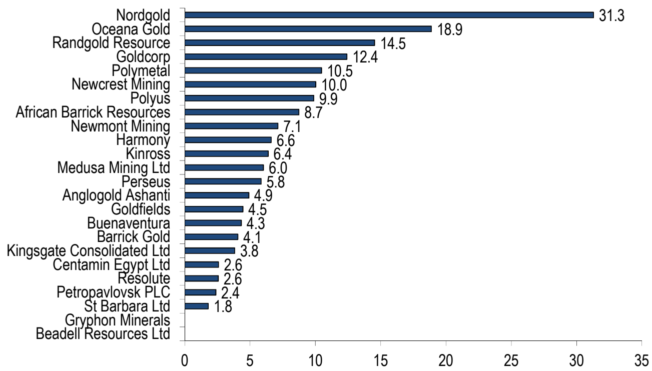
Figure 41. Three-Year PE vs Three-Year Volume Growth



Source: Citi Investment Research and Analysis

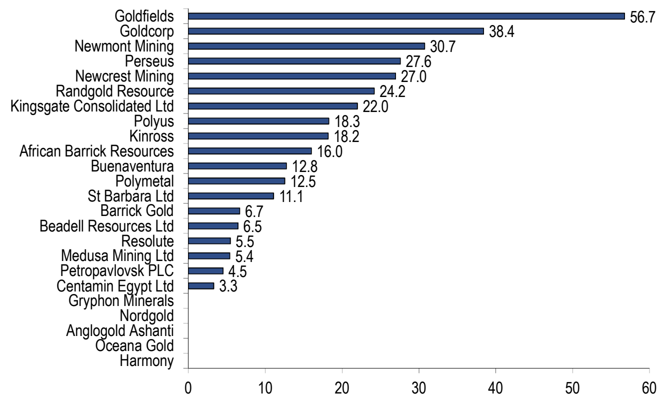
In Figures 30 to 37, we further compare these companies on a variety of valuation metrics

Figure 42. CY2012 P/E



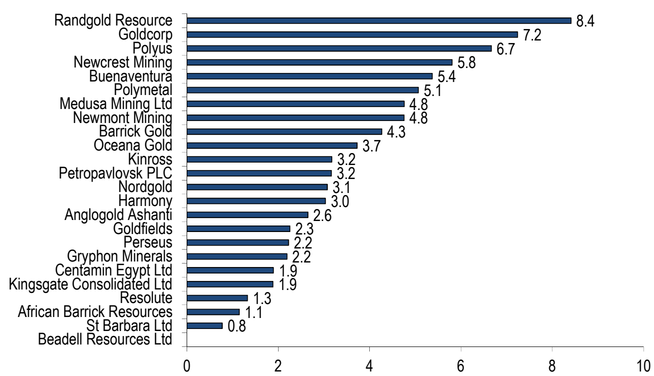
Source: Citi Research, company reports

Figure 43. CY2013e P/E



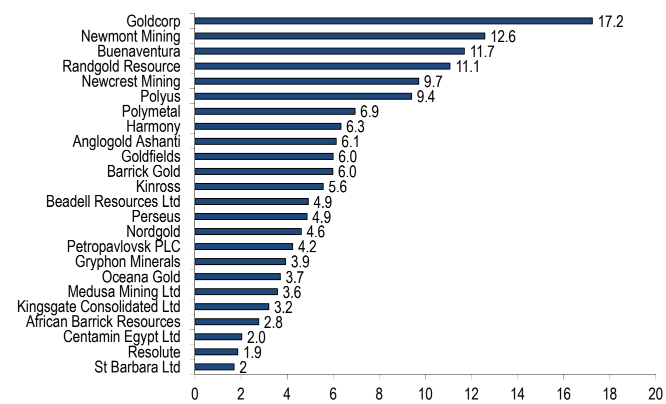
Source: Citi Research estimates

Figure 44. CY2012 EV/EBITDA



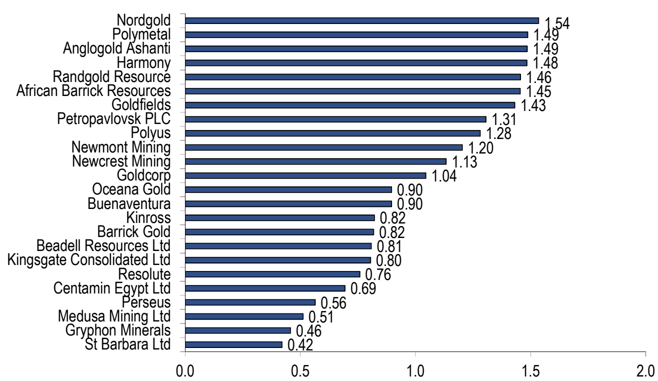
Source: Citi Research, company reports

Figure 45. CY13 EV/EBITDA



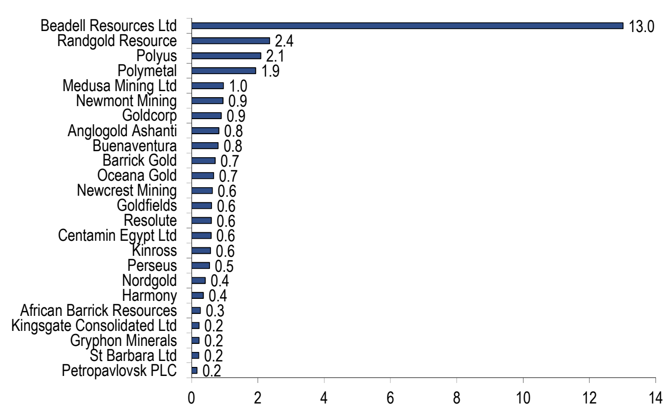
Source: Citi Research

Figure 46. CY2013E P/DCF



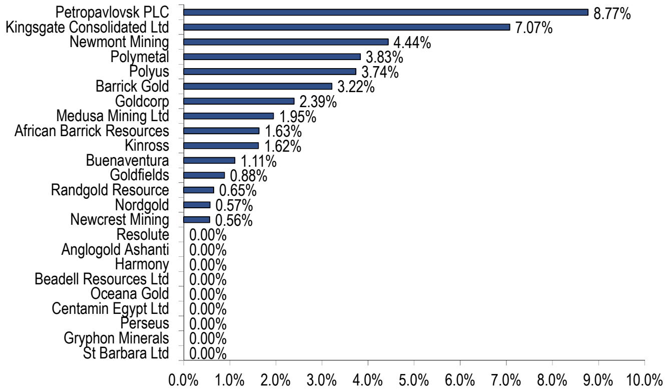
Source: Citi Research estimates, company reports

Figure 47. CY2012 P/BV



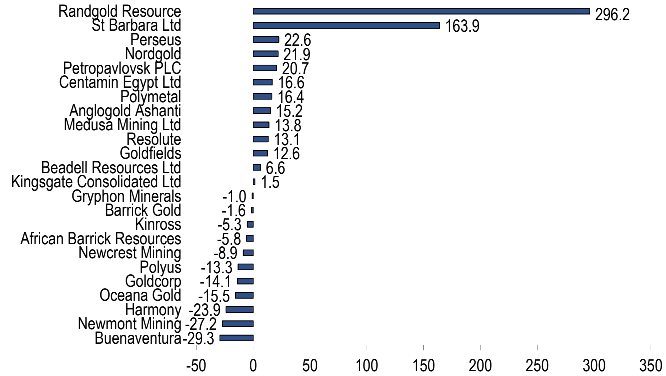
Source: Citi Research, company reports

Figure 48. CY2013e Dividend Yield (%)



Source: Citi Research estimates

Figure 49. CY2013e P/FCF



Source: Citi Research estimates

Financial Comparatives

Deteriorating fast, as effect of low gold price bites

The main analysis in this section compares the current net operating profit less adjusted taxes (NOPLAT) margins of each company versus its current Altman Z-score (please refer to Appendix A for the definition of the Altman Z-score and the implication of being located in a specific quadrant in our 2x2 matrix in *Figure 50*).

Some smaller gold companies are positioned in the 'growth' quadrant of our 2x2 matrix

Some smaller companies, such as MML, BDR, CEY, PGIL and PMTL are well positioned on our 2x2 matrix for economic value creation. Their low-cost assets and resulting high margins put them in the 'growth' quadrant of our matrix.

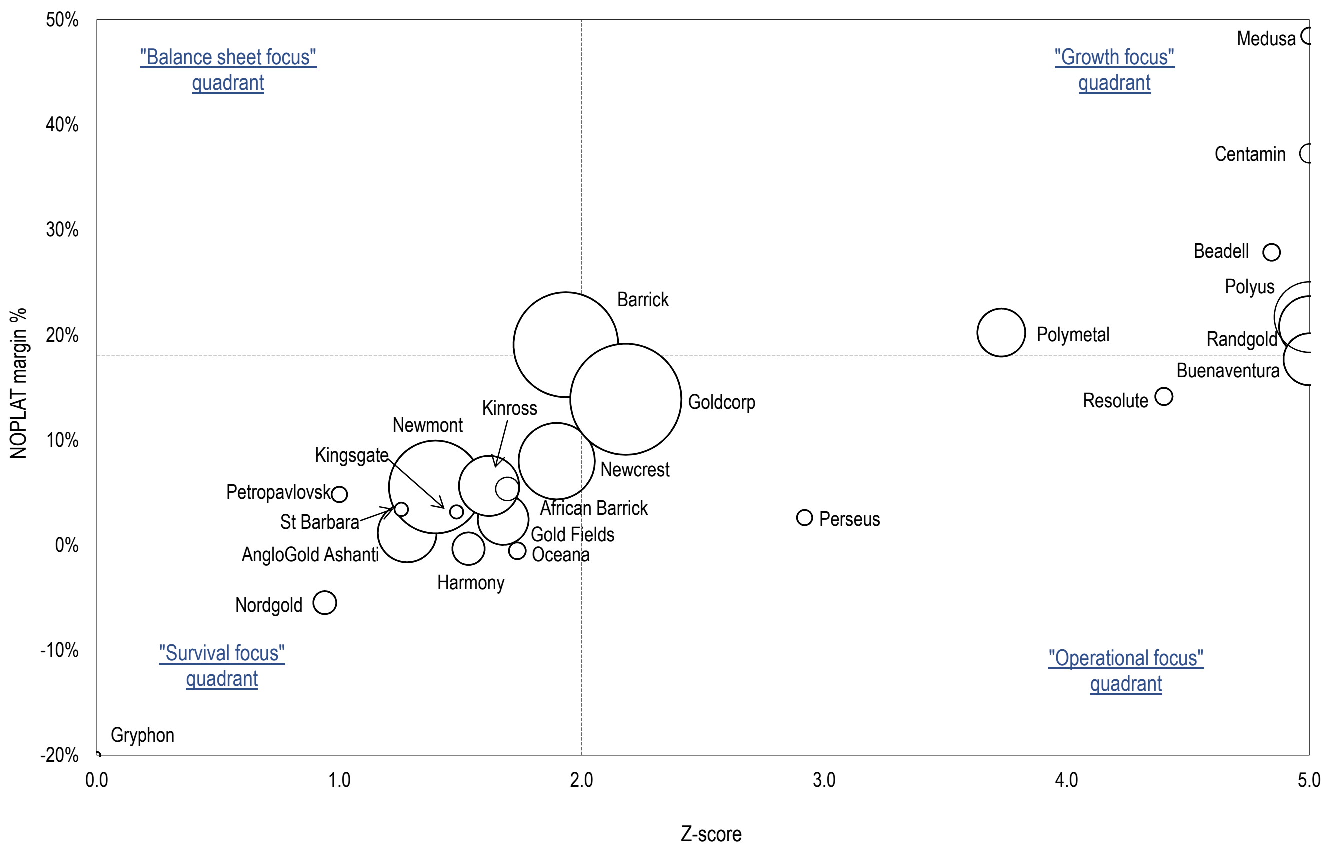
Most NA and AUS large-cap producers are economic value destroying

Larger American and Australian companies such as ABX, GG, NEM, NCM, and BVN are best positioned on our 2x2 matrix relative to other large caps. All except ABX are economic value destroying.

SA gold stocks are not economic value accretive, given their generally higher-cost (and lower-margin) assets

All SA gold stocks are positioned in the 'survival' focus quadrants of our 2x2 matrix and are not economic value accretive. This supports our cautious outlook on this sector. GFI is, however, best positioned, which supports our preference for it within the SA gold sector as a superior value creator versus its SA peers.

Figure 50. CitiE NOPLAT Margin vs. Altman Z-Score 2x2 Matrix* (2013e)

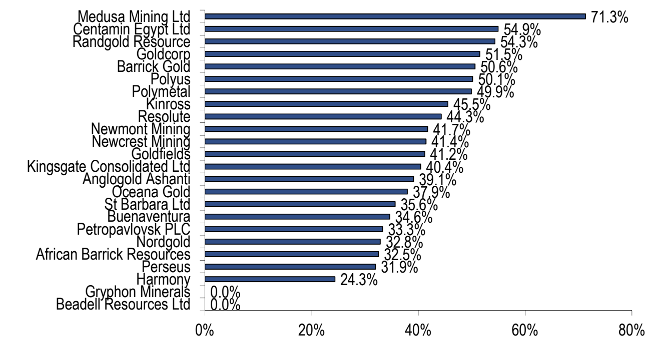


Source: Citi Investment Research and Analysis

*Refer Appendix A for description

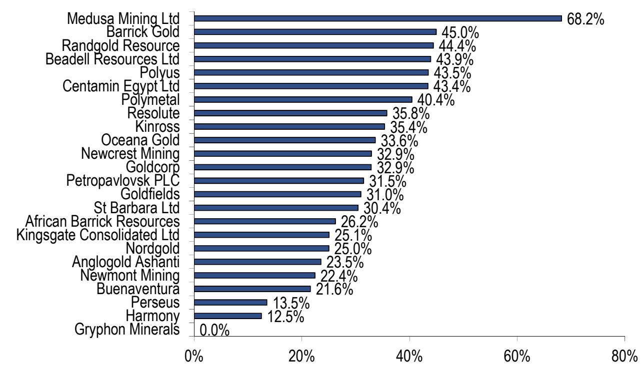
In Figures 39 to 52, we further compare these companies on a variety of financial metrics

Figure 51. CY2012 EBITDA Margins (%)



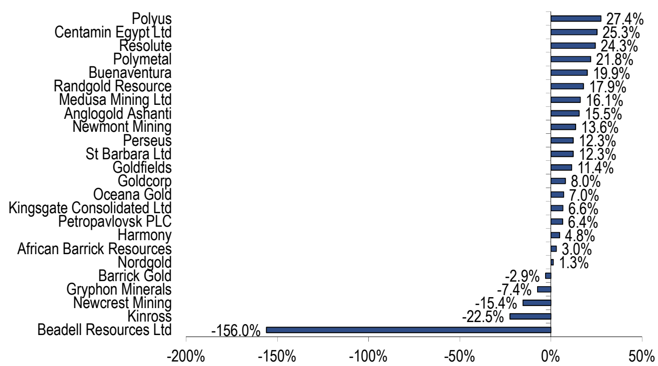
Source: Citi Research, company reports

Figure 52. CY2013e EBITDA Margins (%)



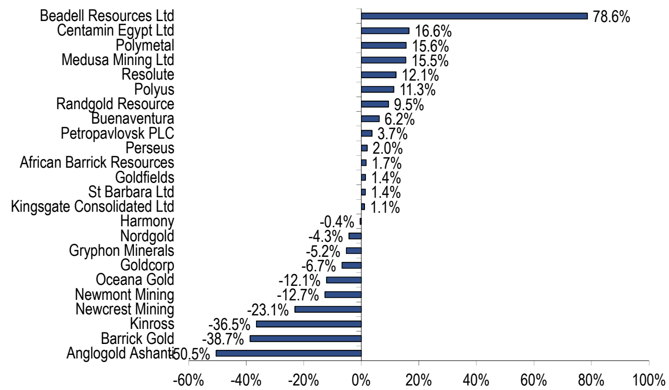
Source: Citi Research estimates

Figure 53. CY2012 ROE (%)



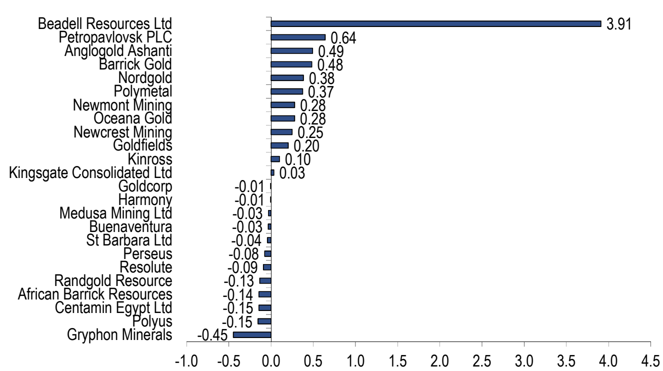
Source: Citi Research, company reports

Figure 54. CY2013e ROE (%)



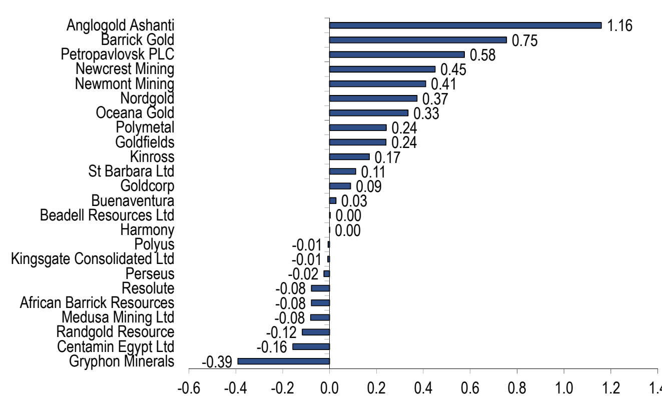
Source: Citi Research estimates

Figure 55. CY2012 Net Debt to Equity



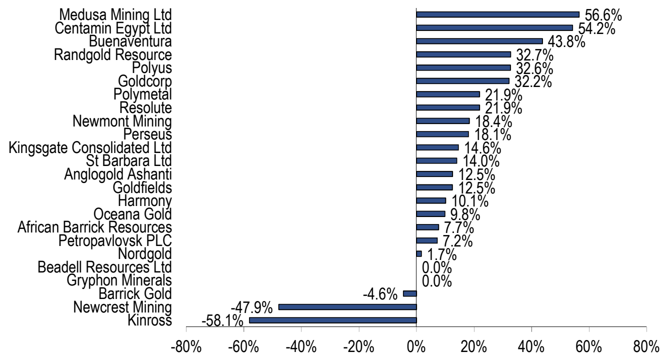
Source: Citi Research, company reports

Figure 56. CY2013e Net Debt to Equity



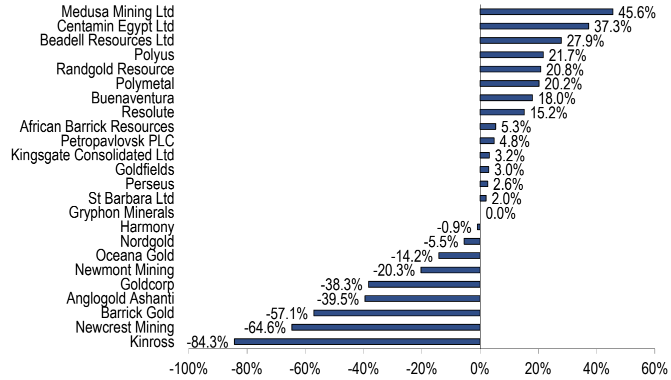
Source: Citi Research estimates

Figure 57. CY2012 Net Profit Margin (%)



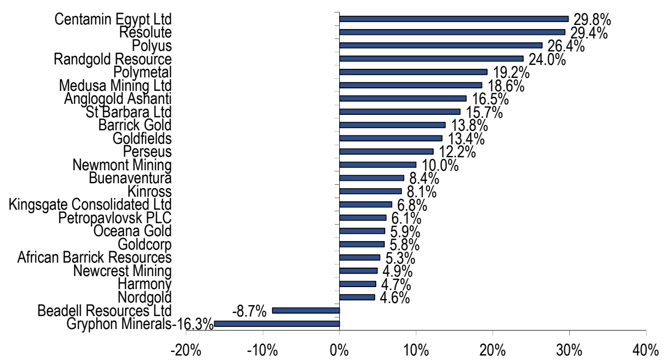
Source: Citi Research, company reports

Figure 58. CY2013e Net Profit Margin (%)



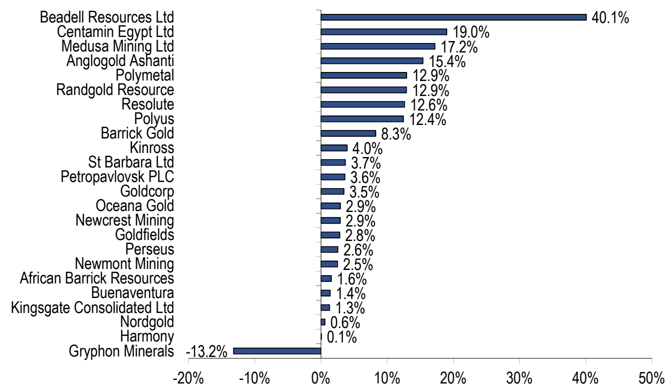
Source: Citi Research estimates

Figure 59. CY2012 ROIC (%)



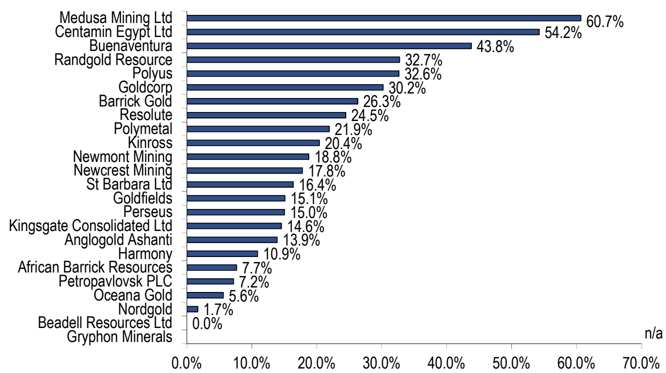
Source: Company reports, Citi Research

Figure 60. CY2013e ROIC (%)



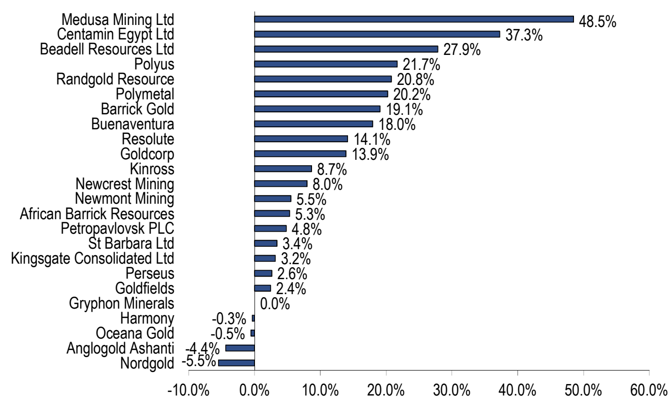
Source: Citi Research estimates

Figure 61. CY2012 NOPLAT Margin (%)



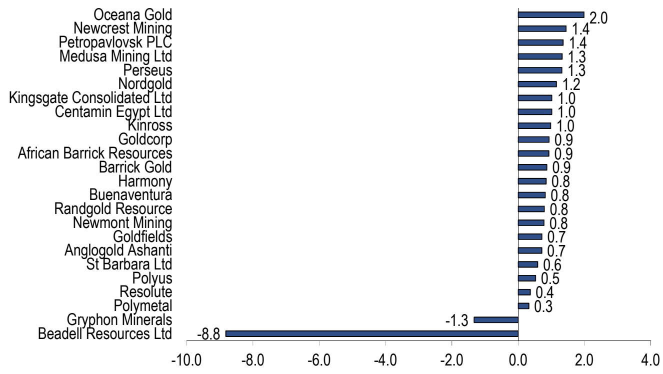
Source: Company reports, Citi Research

Figure 62. CY2013e NOPLAT Margin (%)



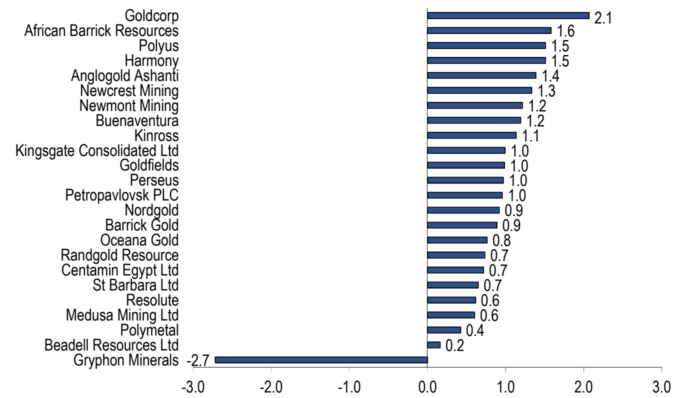
Source: Citi Research estimates

Figure 63. CY2012 Capex/EBITDA



Source: Company reports, Citi Research

Figure 64. CY2013e Capex/EBITDA



Source: Citi Research estimates

Operational Comparisons

Not a lot of low-cost growth

The main analysis in this section compares the expected three-year growth in production versus the expected unit cash costs of new production for each of the gold stocks (*Figure 65*).

Limited low-cost growth projects

With the recent significant fall in the gold price (and lower expected gold outlook), we believe that a lot of previous growth projects will be curtailed due to them being uneconomic at these gold prices. As a result we see limited growth from our analysis below.

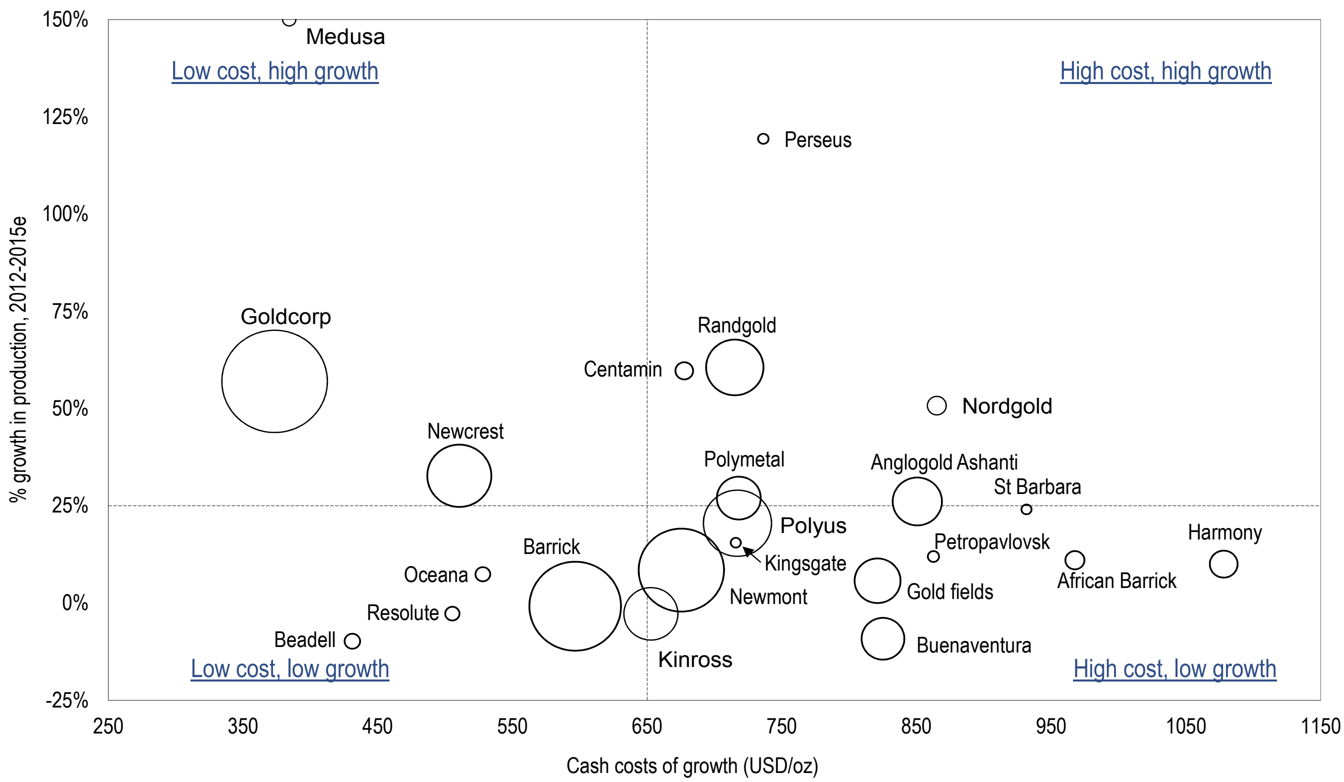
MML, GG and NCM are clear stand outs, with +25% production growth at low cost.

Three key stand outs appear to be MML, GG and NCM, with +25% production growth over the next three years. This growth is likely to come in at fairly-low unit cash cost (net of by-product credits).

SA gold stocks provide limited and high-cost growth.

SA gold companies offer limited forecast production growth over the next three years. In addition, we also expect that the growth from SA gold companies will come in at higher unit cash costs. This supports our cautious outlook on the sector.

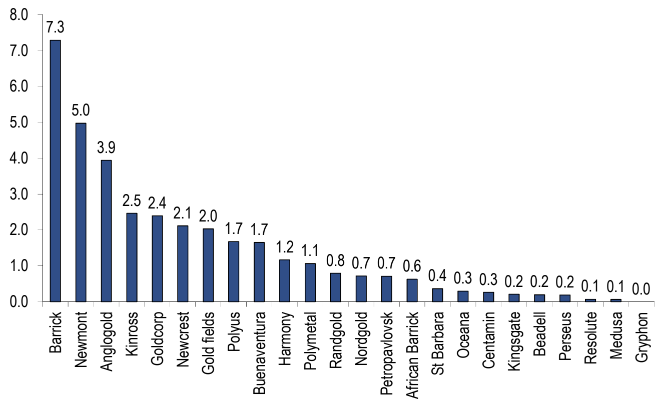
Figure 65. MML and GG Offers Attractive Medium-Term Low-Cost, High Growth



Source: Citi Research estimates

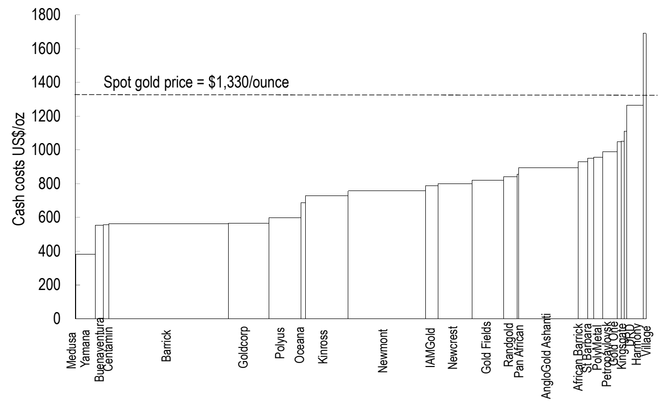
In Figures 54 to 61, we further compare these companies on a variety of operational metrics

Figure 66. Current Production (CY2012) (Moz)



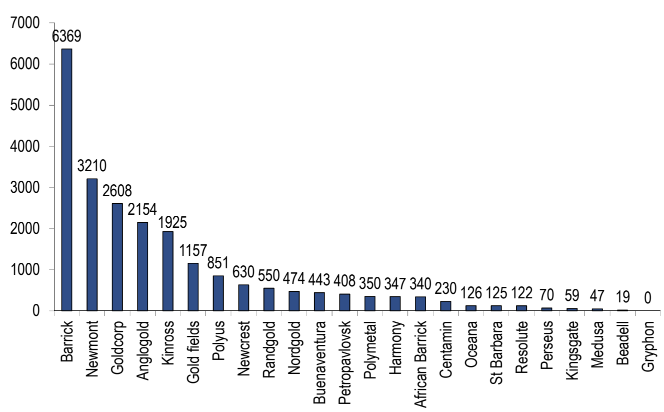
Source: Company reports, Citi Research

Figure 67. Cash Cost Curve (Mar-13) (USD/ounce)



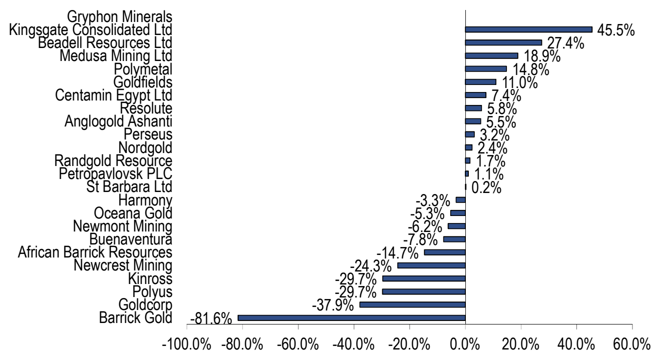
Source: Company reports, Citi Research

Figure 68. Current Capex (CY2012) (USDm)



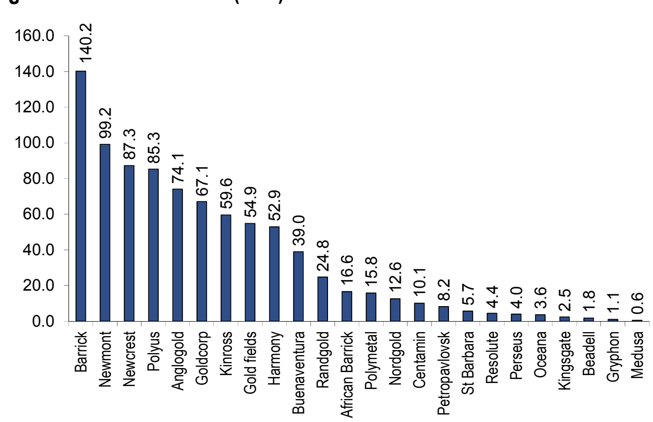
Source: Company reports, Citi Research

Figure 69. 2013e FCF Margin (%)



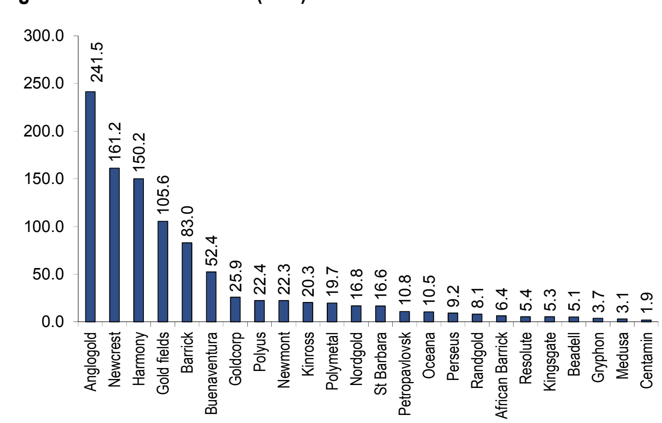
Source: Company reports, Citi Research

Figure 70. Total Reserves (Moz)



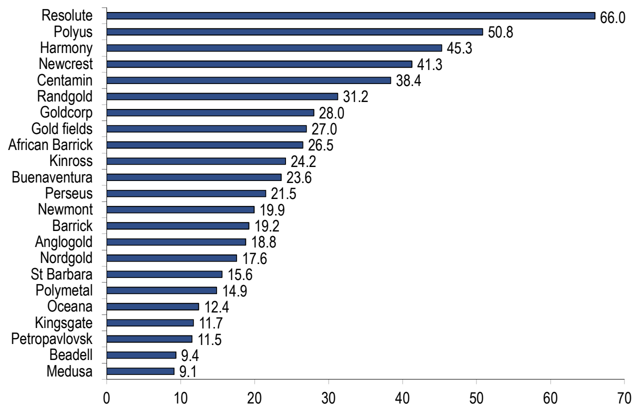
Source: Company reports, Citi Research

Figure 71. Total Resources (Moz)



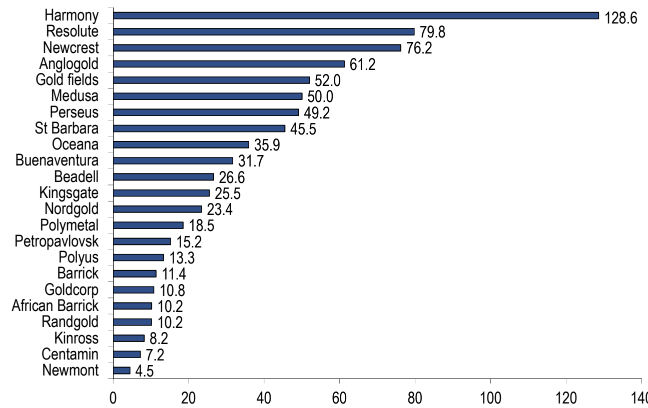
Source: Company reports, Citi Research

Figure 72. Reserves/Current Production



Source: Company reports, Citi Research

Figure 73. Resources/Current Production

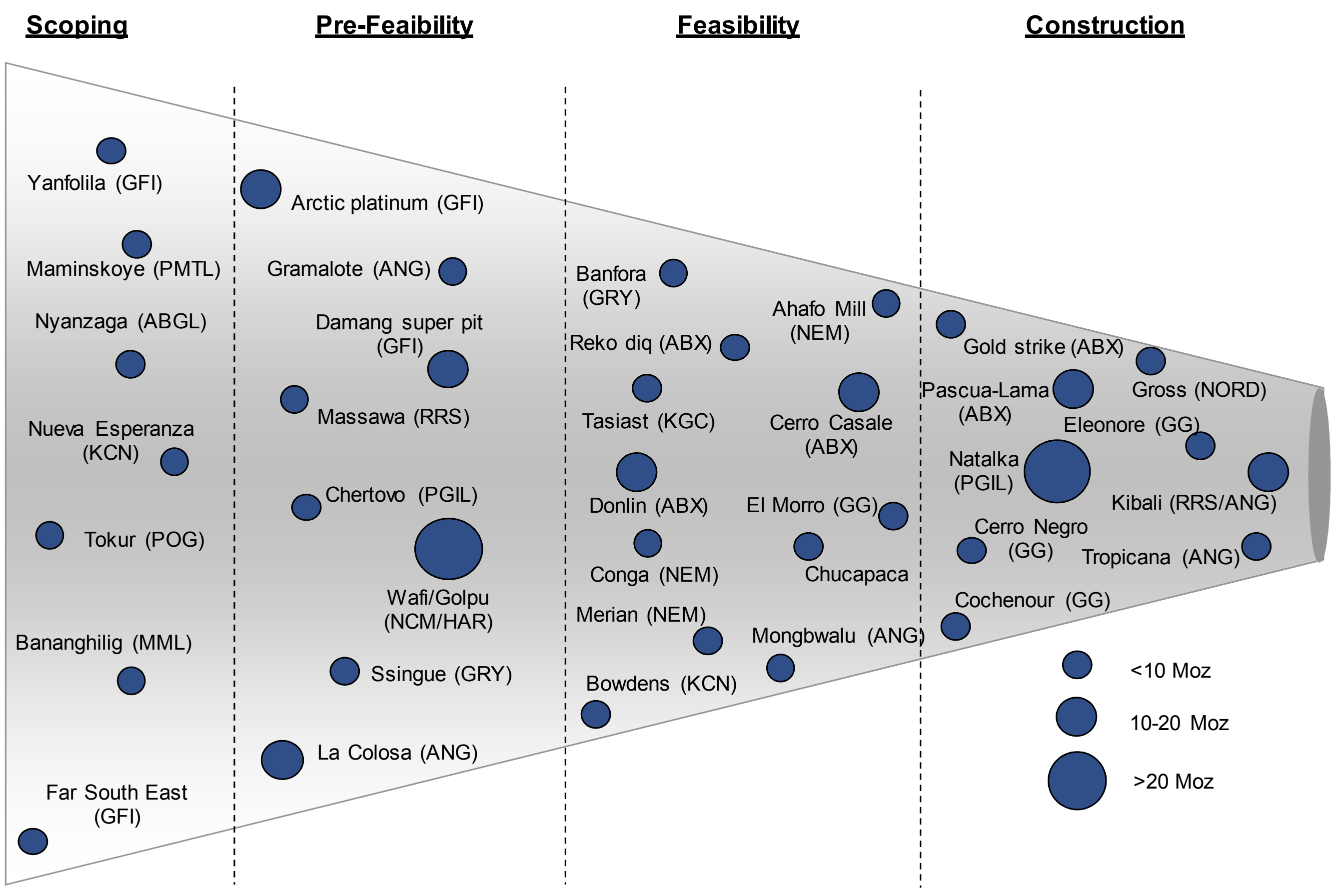


Source: Company reports, Citi Research

Project Comparisons

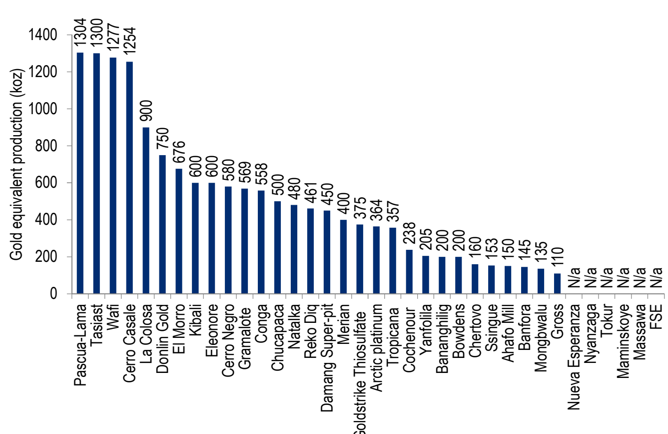
Lots in the pipeline, little cash to execute

Figure 74. Global gold project pipeline



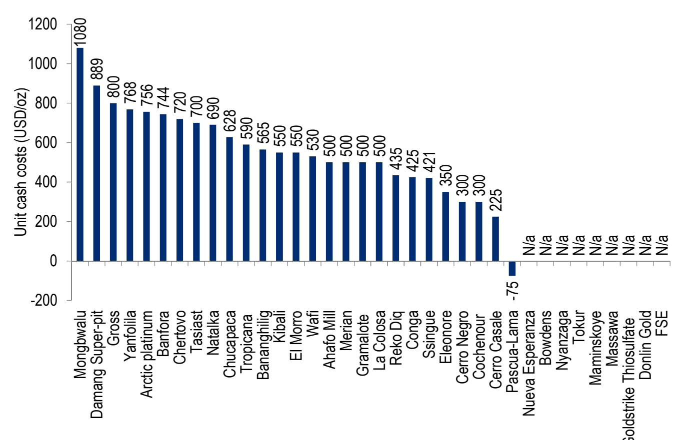
Source: Citi Research

Figure 75. Relative gold equivalent production (koz)



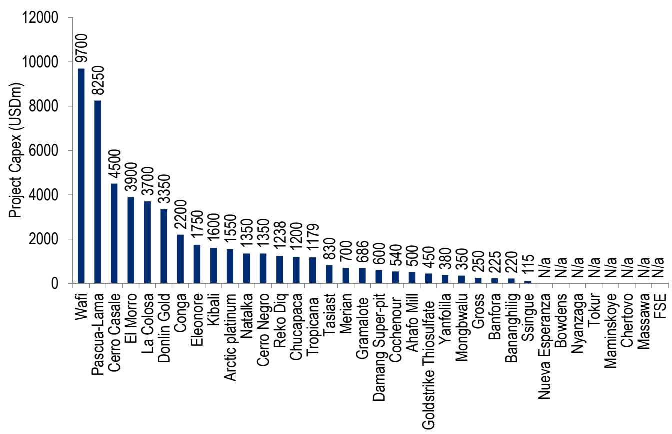
Source: Citi Research, company reports

Figure 76. Relative unit costs, including byproduct credits (USD/ounce)



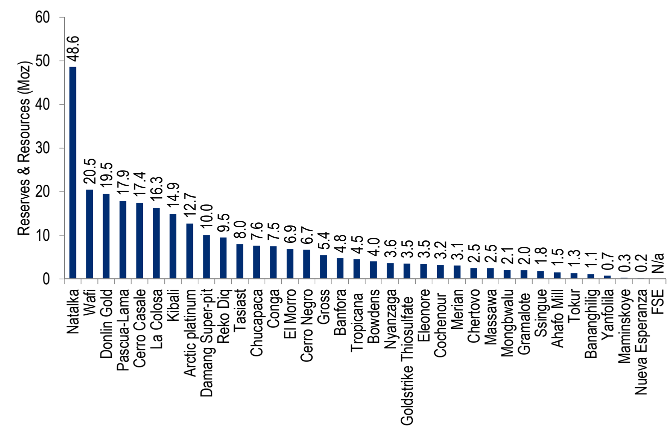
Source: Citi Research, company reports

Figure 77. Relative project capex (USDm)



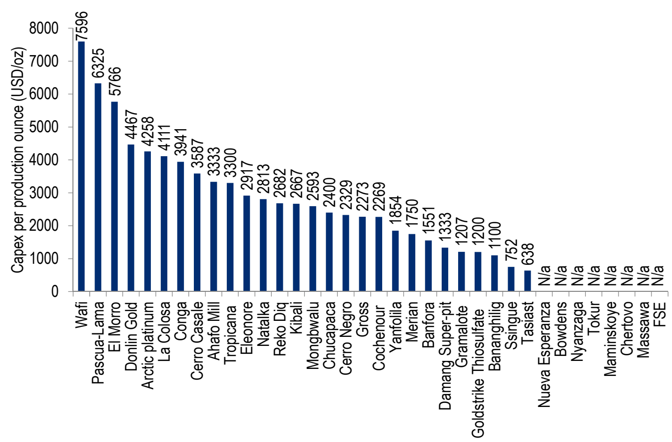
Source: Citi Research, company reports

Figure 78. Relative Reserve & resources (Moz)



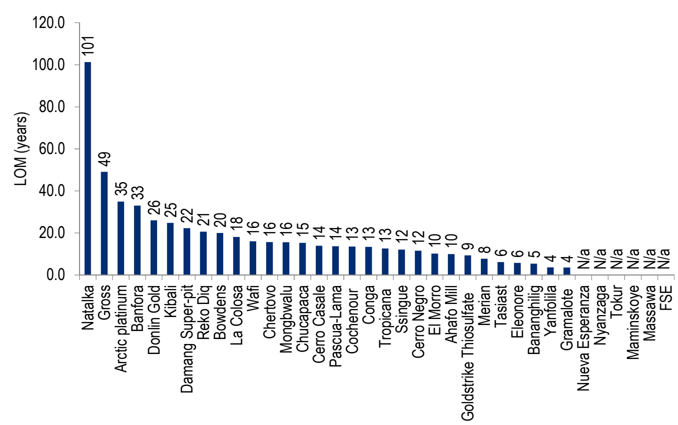
Source: Citi Research, company reports

Figure 79. Relative capex per production ounce (USD/ounce)



Source: Citi Research, company reports

Figure 80. Relative LOM (years)



Source: Citi Research, company reports

Company Sections

Gold (GICS) | Mining & Precious Metals (Citi)
Western Europe | United Kingdom

Company Focus

African Barrick Gold Plc (ABGL.L)

Big Challenges at Lower Gold Prices

Jon H Bergtheil
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jon.bergtheil@citi.com

Sell	**3**
Price (12 Aug 13)	£1.35
Target price	£0.87
Expected share price return	-35.6%
Expected dividend yield	0.0%
Expected total return	**-35.6%**
Market Cap	£554M
	US$858M

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

- **Investment Case** — At gold prices below \$1200/oz, we estimate ABG is not only ex-growth, but is likely a shrinking producer. Its big plus is that it still has a cash pile such that, if remedial action is substantial, that shrunken group could offer better returns to shareholders than in its current form.
- **Key Opportunities/ Challenges** — We look forward to ABG's current operational review and trust that it will indeed cut significantly if needed.
- **Operational Outlook** — At our gold price forecasts we have a negative NPV for Buzwagi, although we concede that this assumes ongoing high diesel use in the face of energy challenges within Tanzania. If those energy challenges persist, ABG will have to give serious consideration to shutting Buzwagi, in our view. While this would be positive for our group NPV, the fact that the company proposed Buzwagi as a major success for the group at its IPO in 2010 could lead to disappointment if it is shut or takes a huge write-down.
- **Key Catalysts** — The forthcoming operational review is the key catalyst.
- **Valuation and Risks** — We set our target price at £0.87 by applying a 1.1x P/NPV ratio to our NPV estimate of £0.79 (derived using a discount rate of 10%). We continue to rate ABG as Sell.

African Barrick Gold Plc (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales (\$M)	1,218.0	1,087.5	851.9	783.1	917.9
Profit Before Tax (\$M)	399.7	143.4	58.9	-49.1	50.4
Diluted EPS (\$)	0.67	0.20	0.11	-0.07	0.09
Diluted EPS (Old) (\$)	0.67	0.20	0.11	-0.07	0.09
PE (x)	3.1	10.3	18.9	-28.9	24.3
EV/EBITDA (x)	0.8	1.7	3.4	7.1	4.3
DPS (\$)	0.16	0.16	0.03	0.00	0.00
Net Div Yield (%)	7.7	7.8	1.4	0.0	0.0

ABGL.L: Fiscal year end 31-Dec — Price: £1.35; TP: £0.87; Market Cap: £554m; Recomm: Sell

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,218.0	1,087.5	851.9	783.1	917.9
Cost of sales	-711.8	-786.8	-735.0	-766.7	-797.4
Gross profit	506.3	300.7	116.9	16.3	120.5
Gross Margin (%)	41.6	27.6	13.7	2.1	13.1
EBITDA (Adj)	**534.5**	**308.6**	**223.4**	**123.5**	**204.9**
EBITDA Margin (Adj) (%)	43.9	28.4	26.2	15.8	22.3
Depreciation	-128.2	-157.2	-161.4	-164.2	-144.9
Amortisation	0	0	0	0	0
EBIT (Adj)	**406.3**	**151.4**	**61.9**	**-40.7**	**60.0**
EBIT Margin (Adj) (%)	33.4	13.9	7.3	-5.2	6.5
Net interest	-6.6	-8.0	-3.0	-8.4	-9.6
Associates	0	0	0	0	0
Non-op/Except	0	-45.0	0	0	0
Pre-tax profit	**399.7**	**143.4**	**58.9**	**-49.1**	**50.4**
Tax	-116.8	-58.7	-17.7	14.7	-15.1
Extraord./Min.Int./Pref.div.	-9.9	-1.4	4.2	4.7	0
Reported net profit	**272.9**	**83.3**	**45.5**	**-29.7**	**35.3**
Net Margin (%)	22.4	7.7	5.3	-3.8	3.8
Core NPAT	272.9	83.3	45.5	-29.7	35.3
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	0.67	0.20	0.11	-0.07	0.09
Core EPS ($)	0.67	0.20	0.11	-0.07	0.09
DPS ($)	0.16	0.16	0.03	0.00	0.00
CFPS ($)	1.20	0.68	0.56	0.24	0.42
FCFPS ($)	0.51	-0.11	-0.31	-0.17	0.09
BVPS ($)	6.73	6.71	6.66	6.59	6.68
Wtd avg ord shares (m)	410	410	410	410	410
Wtd avg diluted shares (m)	410	410	410	410	410
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	25.0	-10.7	-21.7	-8.1	17.2
EBIT (Adj) (%)	31.3	-62.7	-59.1	-165.7	247.3
Core NPAT (%)	25.0	-69.5	-45.4	-165.3	218.7
Core EPS (%)	25.0	-69.5	-45.4	-165.3	218.7
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	584.0	401.0	213.6	143.9	182.2
Accounts receivables	30.0	44.2	72.2	80.0	92.9
Inventory	317.0	335.0	340.7	367.1	397.0
Net fixed & other tangibles	2,012.0	2,221.0	2,413.2	2,415.7	2,403.5
Goodwill & intangibles	258.5	278.0	278.0	278.0	278.0
Financial & other assets	92.0	49.4	49.4	49.4	49.4
Total assets	**3,293.5**	**3,328.6**	**3,367.1**	**3,334.2**	**3,403.0**
Accounts payable	162.0	169.0	210.8	227.2	245.7
Short-term debt	0	0	0	0	0
Long-term debt	0	0	0	0	0
Provisions & other liab	333.6	387.0	404.7	390.0	405.1
Total liabilities	**495.6**	**556.0**	**615.5**	**617.2**	**650.8**
Shareholders' equity	2,758.5	2,750.0	2,733.2	2,703.4	2,738.5
Minority interests	37.2	22.6	18.4	13.7	13.7
Total equity	**2,795.7**	**2,772.6**	**2,751.5**	**2,717.1**	**2,752.3**
Net debt	**-584.0**	**-401.0**	**-213.6**	**-143.9**	**-182.2**
Net debt to equity (%)	-20.9	-14.5	-7.8	-5.3	-6.6

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	3.1	10.3	18.9	-28.9	24.3
PB (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	0.8	1.7	3.4	7.1	4.3
FCF yield (%)	24.3	-5.4	-14.6	-8.1	4.5
Dividend yield (%)	7.7	7.8	1.4	0.0	0.0
Payout ratio (%)	24	80	26	0	0
ROE (%)	10.4	3.0	1.7	-1.1	1.3
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	534.5	353.6	223.4	123.5	204.9
Working capital	-19.8	-25.2	8.1	-17.9	-24.2
Other	-21.2	-47.7	-3.0	-8.4	-9.6
Operating cashflow	**493.5**	**280.7**	**228.5**	**97.2**	**171.0**
Capex	-287.7	-328.1	-353.6	-166.8	-132.7
Net acq/disposals	0	0	0	0	0
Other	2.4	1.0	0	0	0
Investing cashflow	**-285.3**	**-327.1**	**-353.6**	**-166.8**	**-132.7**
Dividends paid	-28.1	-69.7	-62.3	-0.1	-0.1
Financing cashflow	**-28.1**	**-88.7**	**-62.3**	**-0.1**	**-0.1**
Net change in cash	**180.0**	**-159.5**	**-187.4**	**-69.6**	**38.3**
FCF ex acquisns & explorn	**205.8**	**-47.4**	**-125.1**	**-69.6**	**38.4**

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com
For definitions of the items in this table, please click here.

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Gold (GICS) | Precious Metals (Citi)
CEEMEA | South Africa

Company Focus

AngloGold Ashanti Ltd (ANGJ.J)

In a corner with no easy way out – Sell, TP R115

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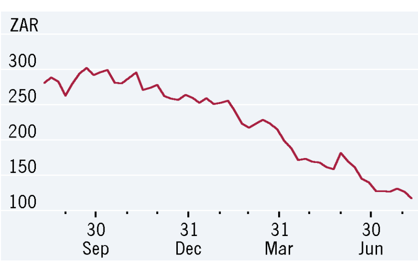
Sell	**3**
Price (12 Aug 13)	R128.92
Target price	R115.00
Expected share price return	-10.8%
Expected dividend yield	0.0%
Expected total return	**-10.8%**
Market Cap	R49,493M
	US$5,042M

Price Performance
(RIC: ANGJ.J, BB: ANG SJ)



- **AngloGold (Sell, TP R115):** ANG is particularly badly positioned given: 1) a weak balance sheet, 2) high capex commitments, and 3) the failure to dispose of high-cost, non-core assets during the past 3-years' heyday. Our calculations ("Who Will Blink First?") suggest ANG is likely to run out of balance sheet if current prices prevail. In our view, the company failed to benefit from the past 3-year's heyday in which they could have disposed of high cost assets, and reduced financial gearing. New management has a tough time ahead, in our view.

- **Current key opportunities/challenges for ANG** — ANG recently announced a restructuring of its corporate, exploration and capital expenses (refer "Picking the Low-Hanging Fruit, but More Required"). Even though this is a step in the right direction, the company still has to do a lot more in order to improve economic fundamentals in a low gold price environment. We estimate it needs to close or sell 10 out of 20 of its mines that are not profitable and have limited turnaround potential. It will be difficult for the company to find buyers for these assets in this environment. There seems to be no easy way out; which accentuates our bearish view.

- **FY13 operational expectations —** We expect ANG to produce 3.98m ounces in FY13 (FY12: 3.9m ounces) at unit cash costs of USD862/ounce (FY12: USD862/ ounce). We expect FY13 headline loss of -689c (SAc) (FY12: 1,874c).

- **Key catalysts for ANG —** A rapidly increasing gold price, stabilizing costs and a strong operational performance, especially in regards to the speed at which Kibali and Tropicana can be ramped up to steady state.

- **Valuation and risks: Sell, TP R115 —** We value ANG on a sum-of-the-parts DCF basis, applying a USD nominal WACC of 9%. We derive our R115 TP by applying a 1.8x P/DCF exit multiple. Upside risks include a stronger-than-expected gold price, weaker-than-expected operating currencies and a better-than-expected operational performance.

AngloGold Ashanti Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	6,788.4	6,607.1	5,400.0	5,495.1	6,121.3
Net Income ($M)	1,295.2	918.6	-237.1	-81.5	162.7
Diluted EPS ($)	3.36	2.38	-0.61	-0.21	0.42
Diluted EPS (Old) ($)	3.36	2.38	-0.61	-0.21	0.42
PE (x)	3.9	5.5	-21.4	-62.4	31.3
EV/EBITDA (x)	2.3	2.9	6.6	6.7	5.2
DPS ($)	0.52	0.43	0.00	0.00	0.05
Net Div Yield (%)	4.0	3.3	0.0	0.0	0.4

ANGJ.J: Fiscal year end 31-Dec

Price: R128.92; TP: R115.00; Market Cap: R49,493m; Recomm: Sell

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	6,788	6,607	5,400	5,495	6,121
Cost of sales	-3,947	-4,060	-4,400	-4,823	-5,170
Gross profit	2,841	2,547	1,000	672	952
Gross Margin (%)	41.9	38.6	18.5	12.2	15.5
EBITDA (Adj)	**3,028**	**2,582**	**1,271**	**1,256**	**1,498**
EBITDA Margin (Adj) (%)	44.6	39.1	23.5	22.9	24.5
Depreciation	-771	-797	-870	-880	-880
Amortisation	0	0	0	0	0
EBIT (Adj)	**2,257**	**1,785**	**401**	**376**	**618**
EBIT Margin (Adj) (%)	33.3	27.0	7.4	6.8	10.1
Net interest	-143	-187	-388	-496	-379
Associates	0	0	0	0	0
Non-op/Except	264	-451	-3,039	48	48
Pre-tax profit	**2,378**	**1,147**	**-3,026**	**-72**	**287**
Tax	-722	-321	890	23	-92
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**1,656**	**826**	**-2,136**	**-49**	**195**
Net Margin (%)	24.4	12.5	-39.5	-0.9	3.2
Core NPAT	1,295	919	-237	-82	163
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	4.30	2.14	-5.52	-0.13	0.50
Core EPS ($)	3.36	2.38	-0.61	-0.21	0.42
DPS ($)	0.52	0.43	0	0	0.05
CFPS ($)	7.04	4.63	5.33	4.65	4.75
FCFPS ($)	3.42	-0.13	0.77	1.19	1.73
BVPS ($)	13.43	14.14	7.77	10.21	12.81
Wtd avg ord shares (m)	385	387	387	387	387
Wtd avg diluted shares (m)	385	387	387	387	387
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	27.3	-2.7	-18.3	1.8	11.4
EBIT (Adj) (%)	249.5	-20.9	-77.5	-6.1	64.3
Core NPAT (%)	173.9	-29.1	-125.8	65.6	299.6
Core EPS (%)	171.4	-29.3	-125.8	65.6	299.6
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	1,112	892	23	483	1,143
Accounts receivables	350	470	311	336	393
Inventory	1,064	1,287	630	680	796
Net fixed & other tangibles	7,308	8,636	6,516	6,975	7,262
Goodwill & intangibles	210	315	281	281	281
Financial & other assets	758	1,095	1,241	1,241	1,241
Total assets	**10,802**	**12,695**	**9,002**	**9,995**	**11,116**
Accounts payable	751	979	651	702	822
Short-term debt	32	859	1,281	1,281	1,281
Long-term debt	2,456	2,724	2,212	2,212	2,212
Provisions & other liab	2,397	2,664	1,866	1,866	1,866
Total liabilities	**5,636**	**7,226**	**6,010**	**6,061**	**6,181**
Shareholders' equity	5,166	5,469	2,993	3,934	4,935
Minority interests	0	0	0	0	0
Total equity	**5,166**	**5,469**	**2,993**	**3,934**	**4,935**
Net debt	**1,376**	**2,691**	**3,470**	**3,010**	**2,350**
Net debt to equity (%)	26.6	49.2	115.9	76.5	47.6

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	3.9	5.5	-21.4	-62.4	31.3
PB (x)	1.0	0.9	1.7	1.3	1.0
EV/EBITDA (x)	2.3	2.9	6.6	6.7	5.2
FCF yield (%)	26.1	-1.0	5.8	9.0	13.2
Dividend yield (%)	4.0	3.3	0	0	0.4
Payout ratio (%)	16	18	0	0	13
ROE (%)	35.7	15.5	-50.5	-1.4	4.4
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	3,028	2,582	1,271	1,256	1,498
Working capital	231	115	-488	23	53
Other	-546	-905	1,278	519	287
Operating cashflow	**2,713**	**1,792**	**2,061**	**1,799**	**1,839**
Capex	-1,394	-1,844	-1,764	-1,339	-1,168
Net acq/disposals	-163	-760	-314	0	0
Other	-6	-3	-5	0	0
Investing cashflow	**-1,563**	**-2,607**	**-2,083**	**-1,339**	**-1,168**
Dividends paid	-170	-230	-53	0	-12
Financing cashflow	**-563**	**586**	**317**	**0**	**-12**
Net change in cash	**587**	**-229**	**295**	**460**	**660**
FCF ex acquisns & explorn	**1,156**	**-812**	**-17**	**460**	**672**

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For definitions of the items in this table, please click here.

Powered by: dataCentral

Gold (GICS) | Metals & Mining (Citi)
North America | Canada

Company Focus

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Buy	**1**
Price (09 Aug 13)	US$17.42
Target price	US$20.00
Expected share price return	14.8%
Expected dividend yield	1.1%
Expected total return	**16.0%**
Market Cap	US$17,440M

Price Performance
(RIC: ABX.N, BB: ABX US)

Barrick Gold (ABX)

Operating Well, Muscling Resources to Carry Pascua Across the Finish Line

- **Operations Running Well, Controlling Secular Cost Escalation** — On the back of lower gold prices, Barrick is doing a better job cutting costs than competitors, pushing its all-in sustaining costs down by over $100/oz to $900-$975/oz. Cash costs are now guided to $575-$610/oz vs prior expectations of $610-$660/oz while keeping production unchanged. The company could be on target to match last year's cash cost figure of $584/oz, a rare feat after years of secular cost escalation.

- **Pascua Lama Down but Not Out, Enough Balance Sheet Muscle to Carry Project Across Finish Line –** Pascua Lama has been the biggest impediment to ABX's share price, and financially it has been a disaster as evidenced by the $5 bln writedown in 2Q13. The project does seem to be moving forward again with the government agreeing to a water management solution that addresses local concerns while delaying the project into 2016. On a go forward basis, Pascua has a positive NPV of $2.0 bln based on our estimates and remains strategically important given its 25 year mine life. Our estimated cash cost is $100-$350/oz using $20/oz Ag byproduct credit. Following capex deferrals and the dividend cut, our model shows Barrick holding enough cash to fund Pascua into production without additional borrowings.

- **Shedding Excess Baggage -** In addition to the previously announced sale of Barrick Energy, Plutonic and Yilgarn South are possible divestiture candidates, worth ~$0.5 bln in our NAV. Porgera could also be sold if all-in cash costs do not fall below $1,000/oz. On the project side, Barrick is looking to exit its Kabanga nickel reserves JV in Africa.

- **Production Targets –** Similar to many other gold producers, management has backed off from production targets set in recent years as many projects no longer make economic sense. We see Barrick hitting 7.6 mln ozs in 2016 when Pascua starts, offering some growth vs our 2013 estimate of $7.2 mln ozs.

- **Potential Pushback – 1)** Investors remain skeptical that all of Pascua's troubles are behind the company and we agree that the total capital cost could exceed $9.0 bln, but this is factored into our valuation. **2)** Balance sheet is too levered vs peers, putting the company at risk should gold prices fall further. **3)** Gold asset valuations are low at the moment and it may not be the best time to divest assets.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.09A	0.78A	0.85A	1.11A	3.82A	3.82A
2013E	**0.92A**	**0.66A**	**0.41E**	**0.33E**	**2.32E**	**2.58E**
Previous	0.92A	0.66A	0.41E	0.33E	2.32E	na
2014E	**na**	**na**	**na**	**na**	**1.40E**	**2.43E**
Previous	na	na	na	na	1.40E	na
2015E	**na**	**na**	**na**	**na**	**1.65E**	**2.38E**
Previous	na	na	na	na	1.65E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

ABX.N: Fiscal year end 31-Dec

Price: US$17.42; TP: US$20.00; Market Cap: US$17,440m; Recomm: Buy

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	14,312	14,547	12,206	11,332	12,255
Cost of sales	-6,316	-7,654	-7,510	-8,014	-8,491
Gross profit	7,996	6,893	4,696	3,318	3,765
Gross Margin (%)	55.9	47.4	38.5	29.3	30.7
EBITDA (Adj)	**8,379**	**7,358**	**5,487**	**4,404**	**5,026**
EBITDA Margin (Adj) (%)	58.5	50.6	45.0	38.9	41.0
Depreciation	-1,471	-1,722	-1,763	-1,880	-2,059
Amortisation	0	0	0	0	0
EBIT (Adj)	**6,908**	**5,636**	**3,724**	**2,524**	**2,967**
EBIT Margin (Adj) (%)	48.3	38.7	30.5	22.3	24.2
Net interest	-186	-166	-525	-445	-470
Associates	0	0	0	0	0
Non-op/Except	102	-6,383	-9,246	20	20
Pre-tax profit	**6,824**	**-913**	**-6,047**	**2,099**	**2,516**
Tax	-2,287	236	-531	-630	-755
Extraord./Min.Int./Pref.div.	-53	12	-388	-71	-106
Reported net profit	**4,484**	**-665**	**-6,967**	**1,399**	**1,656**
Net Margin (%)	31.3	-4.6	-57.1	12.3	13.5
Core NPAT	4,673	3,828	2,327	1,399	1,656

Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	4.48	-0.66	-6.96	1.40	1.65
Core EPS ($)	4.67	3.82	2.32	1.40	1.65
DPS ($)	0.51	0.75	0.50	0.20	0.20
CFPS ($)	5.31	5.43	-5.07	3.32	3.77
FCFPS ($)	0.34	-0.93	-9.95	-0.98	-0.42
BVPS ($)	23.39	21.83	14.15	15.34	16.80
Wtd avg ord shares (m)	999	1,001	1,001	1,001	1,001
Wtd avg diluted shares (m)	1,001	1,001	1,001	1,001	1,001

Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	31.0	1.6	-16.1	-7.2	8.1
EBIT (Adj) (%)	51.2	-18.4	-33.9	-32.2	17.6
Core NPAT (%)	42.5	-18.1	-39.2	-39.9	18.4
Core EPS (%)	41.9	-18.1	-39.2	-39.9	18.4

Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	2,745	2,097	2,592	542	617
Accounts receivables	426	449	287	307	337
Inventory	2,498	2,695	2,299	2,406	2,522
Net fixed & other tangibles	31,543	31,916	26,898	29,317	31,458
Goodwill & intangibles	10,195	9,290	6,801	6,801	6,801
Financial & other assets	1,477	835	1,138	1,138	1,138
Total assets	**48,884**	**47,282**	**40,014**	**40,511**	**42,873**
Accounts payable	2,083	2,265	1,905	1,994	2,091
Short-term debt	196	1,848	1,140	190	1,590
Long-term debt	13,173	12,095	14,066	14,226	13,636
Provisions & other liab	7,878	6,566	6,191	6,191	6,191
Total liabilities	**23,330**	**22,774**	**23,302**	**22,601**	**23,507**
Shareholders' equity	23,363	21,845	14,162	15,360	16,816
Minority interests	2,191	2,663	2,550	2,550	2,550
Total equity	**25,554**	**24,508**	**16,712**	**17,910**	**19,366**
Net debt	**10,624**	**11,846**	**12,614**	**13,873**	**14,608**
Net debt to equity (%)	41.6	48.3	75.5	77.5	75.4

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	3.7	4.6	7.5	12.5	10.5
PB (x)	0.7	0.8	1.2	1.1	1.0
EV/EBITDA (x)	3.3	4.5	6.3	8.0	7.2
FCF yield (%)	2.0	-5.3	-57.1	-5.6	-2.4
Dividend yield (%)	2.9	4.3	2.9	1.1	1.1
Payout ratio (%)	11	20	22	14	12
ROE (%)	21.1	-2.9	-38.7	9.5	10.3

Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	8,379	7,358	5,487	4,404	5,026
Working capital	-3,215	-2,193	88	-38	-50
Other	151	274	-10,653	-1,046	-1,197
Operating cashflow	**5,315**	**5,439**	**-5,078**	**3,319**	**3,779**
Capex	-4,973	-6,369	-4,886	-4,300	-4,200
Net acq/disposals	-7,669	149	413	0	0
Other	-185	-301	-112	0	0
Investing cashflow	**-12,827**	**-6,521**	**-4,585**	**-4,300**	**-4,200**
Dividends paid	-509	-750	-500	-200	-200
Financing cashflow	**6,291**	**423**	**739**	**-1,061**	**504**
Net change in cash	**-1,223**	**-652**	**-8,943**	**-2,041**	**83**
FCF ex acquisns & explorn	**-7,327**	**-781**	**-9,551**	**-981**	**-421**

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For definitions of the items in this table, please click here.

Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Beadell Resources Ltd (BDR.AX)
Duckhead Approved

- **Pressure to Perform** — Tucano has taken longer than expected to reach commercial production and has trimmed 2013 production guidance following the delay in receipt of approvals for Duckhead. The project is expected to deliver average life-of-mine production of 150koz over 8-years (higher in early years). Optimisation is anticipated to deliver throughput of 4.5mtpa (3.5mtpa nameplate) near term. Against the backdrop of this disappointing performance we see potential upside to BDR's resource and attractive value in the name. BDR is rated Buy with an A$0.80/share target price.

- **Duckhead & 2013 Guidance** — June quarter production of 36koz @ US$705/oz was pre-released in early July. Overdue govt approvals for Duckhead are now in place with 70% of the ~100koz resource scheduled for processing between Aug-Dec 2013. As such 2H production guidance provided of 120-130koz @ US$435-485/oz (C1 & before iron ore credits). Given 1H production of 67koz, this implies a slight downgrade to prior production guidance of 200koz (now 192koz at the mid-point) which we had previously expected to be upgraded on receipt of approvals particularly with the addition of the new hanging-wall deposit – reflecting delays in receipt of approvals.

- **Balance Sheet** — Cash and bullion of US$37m at 30-Jun compared to debt at 31-Dec of $133m – US$72m of which is scheduled for repayment by Dec-13 after payments were restructured from the original schedule following delays to commissioning. BDR estimates that assuming a gold price of US$1,330/oz for the 2H, cash flows will easily cover capex (US$17m) and "flexible" debt repayments. ~40% of production over the next 2 years (174koz) is hedged at US$1,600/oz (part of the project finance facility).

- **Iron Ore Uncertainty** — The concentration plant was commissioned in late May (US$12m capex), with an offtake agreement in place with Anglo. Sale of concentrate is expected to reduce gold cash costs by ~US$30-50/oz, however following the recent incident at the Santana Port and consequent inability to export product, sales will be on hold until the port can be brought back online. BDR expects this to happen "in the next few months".

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Buy	**1**
Price (12 Aug 13)	A$0.75
Target price	A$0.80
Expected share price return	6.7%
Expected dividend yield	0.0%
Expected total return	**6.7%**
Market Cap	A$591M
	US$543M

Price Performance
(RIC: BDR.AX, BB: BDR AU)

BDR.AU revisions (Y/E Dec)	2011A	2012A	2013E	2014E	2015E
Sales (A$m)	0.4	1.9	262.9	297.4	292.0
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	-35.8	-13.1	97.9	80.2	65.0
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	-34.8	-28.6	73.2	66.6	58.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	-5.4	-4.0	9.6	8.7	7.6
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	-66.0	26.2	339.1	-9.9	-12.6
PE Ratio (x)	-13.8	-18.7	7.8	8.7	9.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

BDR.AX: Fiscal year end 31-Dec — **Price:$0.75; TP:$0.80; # Shares: 788m; Market Cap: A$591m; Recomm: Buy**

Profit & Loss (A$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	2	263	297	292	305
Cost of sales	0	-151	-203	-213	-156
EBITDA	**-13**	**115**	**103**	**86**	**155**
Depreciation/Amortization	0	-18	-23	-21	-21
EBIT	**-13**	**98**	**80**	**65**	**134**
Net interest	-16	-11	-1	4	9
Earnings before tax	**-29**	**87**	**79**	**69**	**143**
Tax Recurring	0	-14	-12	-11	-23
Exceptional/Other	-37	0	0	0	0
Reported net profit	**-66**	**73**	**67**	**58**	**121**
Core NPAT	-29	73	67	58	121

Balance Sheet (A$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	5	60	99	173	309
Net fixed & other tangibles	203	204	194	178	163
Total assets	**247**	**303**	**332**	**390**	**511**
Short-term debt	65	38	0	0	0
Long-term debt	68	23	23	23	23
Total liabilities	**214**	**142**	**104**	**104**	**104**
Shareholders' equity	33	161	227	286	406
Total equity	**33**	**161**	**227**	**286**	**406**
Net debt	**127**	**0**	**-77**	**-150**	**-286**

Cashflow (A$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**-33**	**91**	**89**	**79**	**142**
Capex	-116	-19	-12	-5	-5
Net acq/disposals	3	0	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-146**	**72**	**77**	**74**	**136**
Net change in cash	**-20**	**55**	**39**	**74**	**136**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	-9	10	9	8	16
Core EPS (¢)	-4	10	9	8	16
DPS (¢)	0	0	0	0	0
CFPS (¢)	-5	12	12	10	18
BVPS (¢)	4	21	30	37	53
Wtd avg ord shares (m)	712	762	770	770	770
Wtd avg diluted shares (m)	712	762	770	770	770

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	-18.7	7.8	8.7	9.9	4.8
EV/EBIT (x)	-51.2	6.8	7.0	7.5	2.9
EV/EBITDA (x)	-51.2	5.8	5.5	5.7	2.5
FCF yield (%)	-28	13	13	13	24
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	nm	44	35	29	51
Operating ROE (%)	-67	76	34	23	35
Operating ROIC (%)	-9	41	33	28	64
Net debt to equity (%)	391	0	-34	-53	-70
Debt to total capital (%)	80	27	9	7	5

comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,668	1,354	1,143	1,250	1,350
AUDUSD (analyst) (x)	1.04	0.96	0.88	0.88	0.90
Long Term Forecasts					
Gold Price (US$/oz)					1,050
AUDUSD average					0.93
Production Volumes	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Tucano (koz) Attributable	3	192	195	174	174
Production Costs	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Total Cash Costs (US$/oz)	0	431	422	495	473

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	0.0	-40.3	31.0	-11.7	na
EPS%Δ/10% Gold (%)	0.0	-30.7	47.7	1.4	na

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	1,803	1.38	5,127	1.41

Valuation		
WACC (%)		12.0
NPV Valuation	**US$M**	**A$/sh.**
Tucano Gold Project	484	0.66
Iron ore JV	125	0.17
Exploration	47	0.06
Corporate	-52	-0.07
Net (debt)/cash	-119	-0.16
Total	**486**	**0.74**

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Gold (GICS) | Mining & Precious Metals (Citi)
Latin America | Peru

Company Focus

Buenaventura (BVN)

Near-Term Challenges Persist

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Sell	**3**
Price (09 Aug 13)	US$12.63
Target price	US$13.00
Expected share price return	2.9%
Expected dividend yield	3.2%
Expected total return	**6.1%**
Market Cap	US$3,472M

Price Performance
(RIC: BVN.N, BB: BVN US)

- **BVN Investment strategy —** We rate Buenaventura Sell. Buenaventura is Latin America's preeminent independent gold producer, with 100% of production in Peru. The company operates its own gold and silver mines and owns minority stakes in Newmont's Yanacocha gold mine and Freeport's Cerro Verde copper mine. Company strengths include a strong balance sheet, experienced & shareholder-friendly management, and long-term potential at the Yanacocha district. The main risks are near-term uncertainty at Yanacocha (the existing open pit operations have 4 years of reserves), development challenges in Peru (social opposition) and lack of FCF.

- **Current key opportunities/challenges —** BVN's near-term opportunity is cost cutting with a $180m/yr target (achievable, in our view). The company remains excited by the Chucapaca project, which is being re-designed as a high-grade (~8g/t) underground operation. The main challenge remains mapping out the development of the Yanacocha region with the Minas Conga project stalled by social opposition.

- **Key catalysts —** Near-term catalysts will be progress on reducing costs and demonstrating FCF in financial results.

- **Valuation —** Buenaventura trades at 1.1x NAV, on our estimates, using Citi Research's $1,050/oz LT gold price target.

Estimates	2012A	2013E	2014E	2015E	Q113A	Q213A	Q313E	Q413E
Sales (US$M)	1,564	1,294	1,449	1,609	355	286	328	325
EBITDA adj (US$M)	1,436	822	736	974	268	188	185	182
EBITDA margin adj (%)	91.8	63.6	50.8	60.5	75.5	65.6	56.3	56.0
Net income (US$M)	685	232	219	342	103	19	56	55
EPS (US$)	2.69	0.91	0.86	1.34	0.40	0.07	0.22	0.21

Valuation					Ratios	2012A	2013E
EV/EBITDA adj	2.2	4.3	5.0	3.9	ROE adj (%)	19.9	6.2
PE	4.7	13.8	14.7	9.4	ROIC adj (%)	8.4	1.4
FCF (%)	-7.1	-3.1	0.3	2.8	Debt to Capital (%)	2.6	5.6

Source: Company Reports and dataCentral, Citi Research.

BVN.N: Fiscal year end 31-Dec — Price: US$12.63; TP: US$13.00; Market Cap: US$3,472m; Recomm: Sell

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,557	1,564	1,294	1,449	1,609
Cost of sales	-451	-629	-680	-784	-764
Gross profit	1,106	934	614	665	845
Gross Margin (%)	71.0	59.7	47.5	45.9	52.5
EBITDA (Adj)	**1,657**	**1,436**	**822**	**736**	**974**
EBITDA Margin (Adj) (%)	106.5	91.8	63.6	50.8	60.5
Depreciation	-94	-123	-166	-160	-160
Amortisation	0	0	0	0	0
EBIT (Adj)	**710**	**418**	**114**	**217**	**396**
EBIT Margin (Adj) (%)	45.6	26.7	8.8	15.0	24.6
Net interest	0	1	-18	-23	-53
Associates	467	464	221	113	150
Non-op/Except	-1	2	-7	0	0
Pre-tax profit	**1,177**	**885**	**311**	**307**	**493**
Tax	-213	-143	-59	-64	-113
Extraord./Min.Int./Pref.div.	-102	-58	-20	-24	-38
Reported net profit	**861**	**685**	**232**	**219**	**342**
Net Margin (%)	55.3	43.8	18.0	15.1	21.2
Core NPAT	861	685	232	219	342
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	3.39	2.69	0.91	0.86	1.34
Core EPS ($)	3.39	2.69	0.91	0.86	1.34
DPS ($)	0.56	0.60	0.13	0.18	0.28
CFPS ($)	2.10	0.84	0.91	1.02	1.34
FCFPS ($)	0.90	-0.90	-0.40	0.04	0.36
BVPS ($)	12.44	14.55	14.82	14.96	15.45
Wtd avg ord shares (m)	254	254	254	254	254
Wtd avg diluted shares (m)	254	254	254	254	254
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	41.0	0.4	-17.3	12.0	11.0
EBIT (Adj) (%)	62.2	-41.1	-72.9	91.4	82.2
Core NPAT (%)	29.9	-20.5	-66.1	-5.8	56.2
Core EPS (%)	29.9	-20.5	-66.1	-5.8	56.2
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	533	241	129	93	612
Accounts receivables	269	388	271	309	355
Inventory	150	163	156	156	156
Net fixed & other tangibles	2,670	3,571	3,937	4,027	4,117
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	332	226	225	225	225
Total assets	**3,954**	**4,589**	**4,718**	**4,810**	**5,465**
Accounts payable	179	207	254	285	277
Short-term debt	1	6	23	23	23
Long-term debt	87	100	217	217	717
Provisions & other liab	265	311	181	181	181
Total liabilities	**531**	**624**	**674**	**705**	**1,198**
Shareholders' equity	3,164	3,702	3,770	3,807	3,931
Minority interests	259	262	273	298	336
Total equity	**3,423**	**3,964**	**4,043**	**4,104**	**4,267**
Net debt	**-446**	**-135**	**111**	**146**	**127**
Net debt to equity (%)	-13.0	-3.4	2.7	3.6	3.0

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	3.7	4.7	13.8	14.7	9.4
PB (x)	1.0	0.9	0.9	0.8	0.8
EV/EBITDA (x)	1.7	2.2	4.3	5.0	3.9
FCF yield (%)	7.1	-7.1	-3.1	0.3	2.8
Dividend yield (%)	4.4	4.8	1.0	1.4	2.2
Payout ratio (%)	17	22	14	21	21
ROE (%)	29.9	19.9	6.2	5.8	8.8
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	804	541	279	377	556
Working capital	-71	-181	31	0	0
Other	-200	-147	-78	-118	-215
Operating cashflow	**534**	**213**	**232**	**260**	**341**
Capex	-305	-443	-333	-250	-250
Net acq/disposals	8	0	3	0	0
Other	-222	-45	11	0	0
Investing cashflow	**-519**	**-487**	**-319**	**-250**	**-250**
Dividends paid	-142	-153	-102	-45	-72
Financing cashflow	**-95**	**-79**	**-43**	**-45**	**428**
Net change in cash	**-80**	**-354**	**-129**	**-36**	**519**
FCF ex acquisns & explorn	**230**	**-229**	**-98**	**10**	**91**

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For definitions of the items in this table, please click here.

Powered by: dataCentral

Gold (GICS) | Mining & Precious Metals (Citi)
Western Europe | United Kingdom

Company Focus

Centamin Egypt Limited (CEY.L)

Great Assets, Tough Politics

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Neutral	**2**
Price (12 Aug 13)	£0.36
Target price	-
Expected share price return	-
Expected dividend yield	-
Expected total return	**-**
Market Cap	£399M US$619M

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

- **Investment Case** — CEY has good reserves (15.5Moz resources/10.1Moz reserves), a strong production growth profile, and uses uncomplicated technology, as opposed to technical risks, such as pressure oxidisation at the Russian gold producers.
- **Key Opportunities/ Challenges** — CEY is one of the better-positioned groups at lower gold prices, as it is low cost, good growth and net cash in its balance sheet. We do not believe that CEY would have to take much remedial action at low gold prices, aside from cutting back its ambitions in East Africa. Unfortunately, CEY's problem is not the gold price, but the uncertain political and business environment in Egypt. We have always been positive on the CEY mining assets and our only concern has been the political risk.
- **Operational Outlook** — The Stage 4 (plant expansion to 10Mtpa) is giving CEY a production lift in 2014.The market has a high level of faith in the mine and its expansion programme and recognises that higher production levels should deliver lower costs per ounce. However, CEY is likely to lose its oil subsidy over time, which we estimate will add $150/oz to costs
- **Key Catalysts** — The Stage 4 Plant Expansion is the key catalyst.
- **Valuation and Risks** — CEY has a Neutral rating. We have not assigned a target price and therefore no valuation methodology is applicable.

Centamin Egypt Limited (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	340.5	426.4	486.5	480.6	516.1
Net Income ($M)	183.5	231.2	181.3	-4.3	145.7
Diluted EPS (¢)	16.7	21.2	16.6	-0.4	13.4
Diluted EPS (Old) (¢)	16.7	21.2	16.6	-0.4	13.4
PE (x)	3.3	2.6	3.4	-139.9	4.2
EV/EBITDA (x)	2.0	1.9	2.1	2.4	1.7
DPS (¢)	0.0	0.0	0.0	0.0	0.0
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0

CEY.L: Fiscal year end 31-Dec | **Price: £0.36; TP: -; Market Cap: £397m; Recomm: Neutral**

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	341	426	487	481	516
Cost of sales	-164	-221	-331	-395	-397
Gross profit	176	206	155	86	119
Gross Margin (%)	51.7	48.3	31.9	17.8	23.1
EBITDA (Adj)	**224**	**234**	**211**	**179**	**210**
EBITDA Margin (Adj) (%)	65.8	54.9	43.4	37.3	40.7
Depreciation	-52	-40	-68	-105	-103
Amortisation	11	33	33	-83	33
EBIT (Adj)	**183**	**227**	**176**	**-9**	**140**
EBIT Margin (Adj) (%)	53.7	53.2	36.2	-1.9	27.1
Net interest	1	1	2	1	3
Associates	0	0	0	0	0
Non-op/Except	0	3	3	3	3
Pre-tax profit	**184**	**231**	**181**	**-4**	**146**
Tax	0	0	0	0	0
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**184**	**231**	**181**	**-4**	**146**
Net Margin (%)	53.9	54.2	37.3	-0.9	28.2
Core NPAT	184	231	181	-4	146
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS (¢)	16.7	21.2	16.6	-0.4	13.4
Core EPS (¢)	16.7	21.2	16.6	-0.4	13.4
DPS (¢)	0	0	0	0	0
CFPS (¢)	20.0	20.2	17.2	5.0	18.3
FCFPS (¢)	7.3	-1.6	3.3	-1.6	15.3
BVPS (¢)	74.1	93.3	107.5	103.6	111.8
Wtd avg ord shares (m)	1,092	1,090	1,090	1,090	1,090
Wtd avg diluted shares (m)	1,096	1,090	1,090	1,090	1,090
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	174.1	25.2	14.1	-1.2	7.4
EBIT (Adj) (%)	254.0	24.1	-22.5	-105.1	nm
Core NPAT (%)	254.9	26.0	-21.6	-102.4	nm
Core EPS (%)	235.1	26.7	-21.6	-102.4	nm
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	164	148	184	167	319
Accounts receivables	30	41	34	41	44
Inventory	69	95	113	123	132
Net fixed & other tangibles	564	793	877	844	774
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	7	14	14	14	14
Total assets	**834**	**1,090**	**1,222**	**1,189**	**1,284**
Accounts payable	21	55	45	55	59
Short-term debt	0	0	0	0	0
Long-term debt	0	0	0	0	0
Provisions & other liab	1	19	5	5	5
Total liabilities	**22**	**74**	**51**	**60**	**65**
Shareholders' equity	809	1,017	1,172	1,129	1,219
Minority interests	0	0	0	0	0
Total equity	**809**	**1,017**	**1,172**	**1,129**	**1,219**
Net debt	**-164**	**-148**	**-184**	**-167**	**-319**
Net debt to equity (%)	-20.3	-14.5	-15.7	-14.8	-26.2

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	3.3	2.6	3.4	nm	4.2
PB (x)	0.8	0.6	0.5	0.5	0.5
EV/EBITDA (x)	2.0	1.9	2.1	2.4	1.7
FCF yield (%)	13.1	-2.8	5.9	-2.8	27.5
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0
ROE (%)	25.7	25.3	16.6	-0.4	12.4
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	224	234	211	179	210
Working capital	-14	-3	-21	-8	-7
Other	9	-11	-2	-117	-3
Operating cashflow	**219**	**221**	**188**	**55**	**200**
Capex	-139	-238	-152	-72	-33
Net acq/disposals	0	0	0	0	0
Other	0	0	0	0	0
Investing cashflow	**-139**	**-238**	**-152**	**-72**	**-33**
Dividends paid	0	0	0	0	0
Financing cashflow	**7**	**0**	**0**	**0**	**-15**
Net change in cash	**87**	**-17**	**36**	**-17**	**152**
FCF ex acquisns & explorn	**80**	**-17**	**36**	**-17**	**167**

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Gold (GICS) | Precious Metals (Citi)
CEEMEA | South Africa

Company Focus

Gold Fields Ltd (GFIJ.J)

Preferred SA Pick – Neutral, TP R55

- **The new, improved GFI** — We commend GFI's management for: 1) splitting off high-cost assets, 2) aggressively focusing on margin (not size), and 3) providing much more conservative guidance. These three actions have resulted in GFI having a superior portfolio of assets with less execution risk relative to its peers, in our view; something we believe will help it outperform peers longer term. Yet, we view the stock as fairly valued. Maintain Neutral, TP R55.
- **Current key opportunities/challenges for GFI** — With its superior portfolio of assets, we believe that GFI is better placed compared to its SA listed peers to deal with a lower gold price environment. GFI has a robust balance sheet and is in a good position to start generation post-project capex FCF, if the gold price remains stable. This is as its capex commitments for South Deep start to taper off in the FY13 going forward.
- **FY13 operational expectations** — We expect FY13 production of 1.91m ounces (FY12: 3.25m ounces, before Sibanye split-off) at unit cash costs of USD821/ounce (FY12: USD894/ounce). We expect FY13 HEPS of 89c (SAc).
- **Key catalysts for GFI** — With capex tapering off from FY13 going forward and a rising production profile as South Deep ramps up to steady-state, we believe GFI is well placed to capitalize on good FCF delivery in a stable gold price environment. A falling gold price remains a key risk to this view.
- **Valuation and risks: Neutral, TP R55** — We value GFI on a sum-of-the-parts DCF basis, applying a USD nominal WACC of 9%. We derive our R55 TP by applying a 1.8x P/DCF exit multiple. Downside risks to our view include a weaker-than-expected gold price, stronger-than-expected operating currencies (ZAR, AUD, BSR) and worse-than-expected operational delivery. Upside risks include a stronger-than-expected gold price, weaker-than-expected operating currencies and a better-than-expected operational performance.

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Neutral	2
Price (12 Aug 13)	R57.90
Target price	R55.00
Expected share price return	-5.0%
Expected dividend yield	1.6%
Expected total return	**-3.5%**
Market Cap	R42,950M
	US$4,375M

Price Performance
(RIC: GFIJ.J, BB: GFI SJ)

Gold Fields Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	5,822.6	5,552.9	2,706.0	2,425.4	2,803.8
Net Income ($M)	1,005.2	838.8	66.2	-57.1	56.9
Diluted EPS ($)	1.39	1.15	0.09	-0.08	0.08
Diluted EPS (Old) ($)	1.39	1.15	0.09	-0.08	0.08
PE (x)	4.2	5.1	65.1	-75.6	75.8
EV/EBITDA (x)	2.0	2.5	6.7	10.5	7.4
DPS ($)	0.45	0.29	0.05	0.00	0.03
Net Div Yield (%)	7.7	4.9	0.8	0.0	0.4

GFIJ.J: Fiscal year end 31-Dec — Price: R57.90; TP: R55.00; Market Cap: R42,950m; Recomm: Neutral

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	5,823	5,553	2,706	2,425	2,804
Cost of sales	-3,667	-3,753	-2,122	-2,292	-2,472
Gross profit	2,156	1,800	584	133	332
Gross Margin (%)	37.0	32.4	21.6	5.5	11.8
EBITDA (Adj)	**2,743**	**2,287**	**838**	**532**	**746**
EBITDA Margin (Adj) (%)	47.1	41.2	31.0	22.0	26.6
Depreciation	-783	-769	-538	-592	-629
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,959**	**1,518**	**300**	**-59**	**117**
EBIT Margin (Adj) (%)	33.6	27.3	11.1	-2.4	4.2
Net interest	-28	-37	-31	-28	-28
Associates	0	0	0	0	0
Non-op/Except	-236	-349	-89	3	-6
Pre-tax profit	**1,695**	**1,132**	**179**	**-84**	**83**
Tax	-600	-407	-89	29	-24
Extraord./Min.Int./Pref.div.	-108	-33	-10	-2	-2
Reported net profit	**987**	**693**	**80**	**-57**	**57**
Net Margin (%)	16.9	12.5	3.0	-2.4	2.0
Core NPAT	1,005	839	66	-57	57

Per share data	2011	2012	2013E	2014E	2015E
Reported EPS ($)	1.37	0.95	0.11	-0.08	0.08
Core EPS ($)	1.39	1.15	0.09	-0.08	0.08
DPS ($)	0.45	0.29	0.05	0	0.03
CFPS ($)	3.02	1.99	1.54	0.83	1.07
FCFPS ($)	1.06	-0.27	0.41	-0.07	0.27
BVPS ($)	8.18	8.52	6.84	6.84	6.98
Wtd avg ord shares (m)	723	727	731	731	731
Wtd avg diluted shares (m)	723	727	731	731	731

Growth rates	2011	2012	2013E	2014E	2015E
Sales revenue (%)	24.2	-4.6	-51.3	-10.4	15.6
EBIT (Adj) (%)	83.5	-22.5	-80.3	-119.7	298.5
Core NPAT (%)	81.9	-16.6	-92.1	-186.2	199.7
Core EPS (%)	78.3	-17.1	-92.1	-186.2	199.7

Balance Sheet (US$m)	2011	2012	2013E	2014E	2015E
Cash & cash equiv.	744	606	770	719	895
Accounts receivables	240	288	91	99	115
Inventory	450	600	168	181	211
Net fixed & other tangibles	7,986	6,424	6,511	6,575	6,532
Goodwill & intangibles	549	520	481	481	481
Financial & other assets	398	2,652	277	277	277
Total assets	**10,366**	**11,091**	**8,298**	**8,331**	**8,510**
Accounts payable	937	719	434	469	546
Short-term debt	547	40	83	83	83
Long-term debt	1,361	1,829	1,897	1,897	1,897
Provisions & other liab	1,611	2,300	861	861	861
Total liabilities	**4,455**	**4,888**	**3,275**	**3,310**	**3,387**
Shareholders' equity	5,911	6,204	5,023	5,021	5,123
Minority interests	0	0	0	0	0
Total equity	**5,911**	**6,204**	**5,023**	**5,021**	**5,123**
Net debt	**1,164**	**1,263**	**1,210**	**1,261**	**1,085**
Net debt to equity (%)	19.7	20.4	24.1	25.1	21.2

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	4.2	5.1	65.1	-75.6	75.8
PB (x)	0.7	0.7	0.9	0.9	0.8
EV/EBITDA (x)	2.0	2.5	6.7	10.5	7.4
FCF yield (%)	18.0	-4.6	6.9	-1.2	4.5
Dividend yield (%)	7.7	4.9	0.8	0	0.4
Payout ratio (%)	33	25	50	0	33
ROE (%)	15.4	11.4	1.4	-1.1	1.1

Cashflow (US$m)	2011	2012	2013E	2014E	2015E
EBITDA	2,743	2,287	838	532	746
Working capital	28	-416	343	14	31
Other	-590	-426	-58	57	4
Operating cashflow	**2,180**	**1,445**	**1,123**	**604**	**781**
Capex	-1,413	-1,642	-826	-655	-586
Net acq/disposals	-1,127	-38	-67	0	0
Other	0	0	0	0	0
Investing cashflow	**-2,541**	**-1,680**	**-893**	**-655**	**-586**
Dividends paid	-216	-371	-95	0	-19
Financing cashflow	**310**	**146**	**17**	**0**	**-19**
Net change in cash	**-51**	**-88**	**247**	**-51**	**176**
FCF ex acquisns & explorn	**-361**	**-235**	**230**	**-51**	**195**

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For definitions of the items in this table, please click here.

Powered by: dataCentral

Gold (GICS) | Metals & Mining (Citi)
North America | United States

Company Focus

Goldcorp Inc (GG)

Conservative Balance Sheet Management Enabling Steady, Multiyear Growth

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Neutral	**2**
Price (09 Aug 13)	US$27.17
Target price	US$28.00
Expected share price return	3.1%
Expected dividend yield	2.2%
Expected total return	**5.3%**
Market Cap	US$22,064M

Price Performance
(RIC: GG.N, BB: GG US)

- **Impressive Growth Profile** — GG expects to reach 4 mln ozs of annual gold production in 2017 vs 2.4 mln ozs in 2012. Because of the company's conservative balance sheet management through the years, GG appears well positioned to fund this growth. In addition, 2013 should be the peak year of capital spending at $2.6 bln. However, this growth comes at a price as GG trades at a steep premium to North American peers.

- **Key Projects in the Pipeline – 1)** Cerro Negro in Argentina should see first production in late 2013 or early 2014 with annual production of 525k ozs and cash costs of $350/oz. Some capital costs, such as a fine grinder, have been deferred into 2014-15. **2)** Eleonore in Quebec is slated for a late 2014 start, contributing annual production of 600k ozs at cash costs of $400/oz. This should be a low risk project for GG given its location. **3)** The smaller Cochenour project in Ontario, effectively an expansion to Red Lake, should come online in 1H15 and add 225k-250k ozs at cash costs of $350/oz.

- **Over Coming Recent Production Issues –** Following disruptions last year at both Red Lake (ground stability) and Penasquito (water access), the company is operating on plan in 2013. Importantly, Penasquito, which is Goldcorp's single largest revenue contributor, could be on pace to beat the high end of guidance after recent drilling activity improved water access and mill throughput to 120k tonnes, above management's 2013 goal of averaging 105k tonnes.

- **FY13 operational expectations** — The company is guiding to a production target of ~2.7 mln ozs vs 2.4 mln ozs in 2012, driven by the start-up of their Pueblo Viejo JV with Barrick. Co-product cash cost should average $725/oz (+12.4% YoY) and by-product cash cost of $550/oz (+75% YoY). By-product cash costs should drop below $500/oz in 2014 and beyond.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.50A	0.41A	0.54A	0.57A	2.02A	2.03A
2013E	**0.31A**	**0.14A**	**0.13E**	**0.07E**	**0.65E**	**0.91E**
Previous	0.31A	0.14A	0.13E	0.07E	0.65E	na
2014E	**na**	**na**	**na**	**na**	**0.75E**	**1.33E**
Previous	na	na	na	na	0.75E	na
2015E	**na**	**na**	**na**	**na**	**1.37E**	**1.83E**
Previous	na	na	na	na	1.37E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

GG.N: Fiscal year end 31-Dec — **Price: US$27.17; TP: US$28.00; Market Cap: US$22,064m; Recomm: Neutral**

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	5,362	5,435	3,820	4,328	5,348
Cost of sales	-2,736	-3,012	-2,945	-3,250	-3,593
Gross profit	2,626	2,423	875	1,078	1,755
Gross Margin (%)	49.0	44.6	22.9	24.9	32.8
EBITDA (Adj)	**3,030**	**2,798**	**1,256**	**1,614**	**2,428**
EBITDA Margin (Adj) (%)	56.5	51.5	32.9	37.3	45.4
Depreciation	-694	-675	-673	-796	-940
Amortisation	0	0	0	0	0
EBIT (Adj)	**2,336**	**2,123**	**583**	**818**	**1,487**
EBIT Margin (Adj) (%)	43.6	39.1	15.3	18.9	27.8
Net interest	-23	-30	-68	-93	-82
Associates	-98	47	113	141	184
Non-op/Except	352	112	-2,491	0	0
Pre-tax profit	**2,567**	**2,252**	**-1,863**	**866**	**1,589**
Tax	-686	-503	399	-260	-477
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**1,881**	**1,749**	**-1,464**	**606**	**1,112**
Net Margin (%)	35.1	32.2	-38.3	14.0	20.8
Core NPAT	1,807	1,642	530	606	1,112
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	2.30	2.15	-1.80	0.75	1.37
Core EPS ($)	2.21	2.02	0.65	0.75	1.37
DPS ($)	0.41	0.54	0.60	0.60	0.60
CFPS ($)	2.89	2.58	1.42	1.66	2.35
FCFPS ($)	0.73	-0.63	-1.78	-0.92	0.26
BVPS ($)	26.26	28.00	25.54	25.66	26.40
Wtd avg ord shares (m)	804	810	812	813	813
Wtd avg diluted shares (m)	826	813	812	813	814
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	41.1	1.4	-29.7	13.3	23.6
EBIT (Adj) (%)	59.0	-9.1	-72.5	40.3	81.8
Core NPAT (%)	78.8	-9.1	-67.7	14.3	83.6
Core EPS (%)	61.4	-8.6	-67.7	14.2	83.4
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	1,502	918	640	453	379
Accounts receivables	473	713	346	403	534
Inventory	574	722	675	663	738
Net fixed & other tangibles	24,365	26,653	26,447	27,751	28,511
Goodwill & intangibles	1,737	1,737	1,454	1,454	1,454
Financial & other assets	723	469	600	600	600
Total assets	**29,374**	**31,212**	**30,161**	**31,325**	**32,216**
Accounts payable	619	886	821	807	898
Short-term debt	0	0	817	0	0
Long-term debt	737	783	1,693	3,593	3,793
Provisions & other liab	6,533	6,614	5,871	5,847	5,823
Total liabilities	**7,889**	**8,283**	**9,202**	**10,247**	**10,514**
Shareholders' equity	21,272	22,716	20,747	20,865	21,489
Minority interests	213	213	213	213	213
Total equity	**21,485**	**22,929**	**20,960**	**21,078**	**21,702**
Net debt	**-765**	**-135**	**1,870**	**3,140**	**3,414**
Net debt to equity (%)	-3.6	-0.6	8.9	14.9	15.7

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	12.3	13.5	41.6	36.5	19.9
PB (x)	1.0	1.0	1.1	1.1	1.0
EV/EBITDA (x)	7.1	7.9	18.6	15.5	10.6
FCF yield (%)	2.7	-2.3	-6.6	-3.4	1.0
Dividend yield (%)	1.5	2.0	2.2	2.2	2.2
Payout ratio (%)	19	27	92	80	44
ROE (%)	9.1	8.0	-6.7	2.9	5.3
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	3,030	2,798	1,256	1,614	2,428
Working capital	-326	-311	71	-60	-114
Other	-338	-390	-175	-202	-399
Operating cashflow	**2,366**	**2,097**	**1,152**	**1,353**	**1,914**
Capex	-1,778	-2,608	-2,600	-2,100	-1,700
Net acq/disposals	0	43	0	0	0
Other	212	274	-45	0	0
Investing cashflow	**-1,566**	**-2,291**	**-2,645**	**-2,100**	**-1,700**
Dividends paid	-330	-438	-486	-488	-488
Financing cashflow	**147**	**-394**	**1,326**	**561**	**-288**
Net change in cash	**946**	**-584**	**-158**	**-186**	**-74**
FCF ex acquisns & explorn	**588**	**-468**	**-1,448**	**-747**	**214**

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For definitions of the items in this table, please click here.

Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Gryphon Minerals (GRY.AX)

Funding Banfora Won't Be Easy

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Buy/High Risk	**1H**
Price (12 Aug 13)	A$0.19
Target price	A$0.30
Expected share price return	57.9%
Expected dividend yield	0.0%
Expected total return	**57.9%**
Market Cap	A$76M
	US$70M

Price Performance
(RIC: GRY.AX, BB: GRY AU)

- **SAG Mill on Standby** — The Banfora (100% GRY) BFS targets a 2mtpa / 150kozpa CIL operation at cash costs of US$734/oz (first 5 years) for capex of US$208m. Recent cost cutting aimed at cash preservation has seen the SAG mill order placed on standby (52-week delivery time) which defers first potential gold production beyond the prior target of Q4 2014. Following recent weakness in gold prices, we think the project may struggle to attain funding on attractive terms and as such may look to pursue lower capex start-up options such as a heap leach until market conditions improve. GRY is rated Buy/High Risk with a 30¢/share target price.

- **Infrastructure, Permitting & Expansion** — Grid power is situated ~30km from the Banfora site (in Cote d'Ivoire) and the project is easily accessible by road. Water will be sourced from a harvest dam supplied from rainfall. Permitting is under way which is scheduled for completion in Q3 2013. The project has been designed with potential for an expansion to 4mtpa (dependent on reserve growth). Preliminary capex estimates for the expansion are ~US$80m.

- **Exploration Upside** — Banfora currently has a 4.9Moz Resource and 1.05Moz Reserve. This demonstrates a modest 21% Resource to Reserve conversion whereas peers sit at between 30-50%. New drilling in the relatively untested +150m vertical depth region may prove a catalyst to push the pit shell deeper and increase the reserve. The current drill-out defines multiple stacked zones of shallow mineralisation that have a 45' dip component; initially conducive to rapid expansion of resources due to their shallow nature. As such management see significant prospectivity across the 1,200 square km project area.

- **Focus Turns to Financing** — GRY had A$54m of cash on hand (19-June) and ~A$32m of listed investments at 31-Dec following completion of an A$31m equity raising in Nov-12. Discussions continue with Australian and global banking groups regarding various financing options to develop the Banfora project. However, against the current backdrop of uncertainty in gold markets securing sufficient funding for the project will likely be challenging.

GRY.AU revisions (Y/E Jun)	2011A	2012A	2013E	2014E	2015E
Sales (A$m)	4.8	0.0	0.0	0.0	58.7
% revision	0.0%	0.0%	na	na	0.0%
EBIT (A$m)	-11.5	-8.9	-25.0	-12.2	-9.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	-8.9	-5.9	-22.9	-6.1	-15.8
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	-3.2	-1.8	-5.7	-1.5	-3.9
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	-97.8	44.3	-220.3	73.3	-158.6
PE Ratio (x)	-5.9	-10.6	-3.3	-12.4	-4.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

Price:$0.19; TP:$0.30; # Shares: 400m; Market Cap: A$76m; Recomm: Buy/High Risk

GRY.AX: Fiscal year end 30-Jun Profit & Loss (A$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	0	0	0	59	210
Cost of sales	0	0	0	-56	-152
EBITDA	**-9**	**-25**	**-12**	**3**	**87**
Depreciation/Amortization	0	0	0	-13	-43
EBIT	**-9**	**-25**	**-12**	**-9**	**45**
Net interest	3	2	6	-7	-9
Earnings before tax	**-6**	**-23**	**-6**	**-16**	**36**
Tax Recurring	0	0	0	0	-11
Exceptional/Other	-1	0	0	0	0
Reported net profit	**-7**	**-23**	**-6**	**-16**	**25**
Core NPAT	-6	-23	-6	-16	25

Balance Sheet (A$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	46	173	217	113	179
Net fixed & other tangibles	126	126	226	327	330
Total assets	**195**	**322**	**466**	**463**	**531**
Short-term debt	0	0	0	0	0
Long-term debt	0	0	150	150	150
Total liabilities	**13**	**13**	**163**	**163**	**163**
Shareholders' equity	182	309	303	300	368
Total equity	**182**	**309**	**303**	**300**	**368**
Net debt	**-46**	**-173**	**-67**	**37**	**-29**

Cashflow (A$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**-3**	**-23**	**-6**	**-3**	**68**
Capex	-45	0	-100	-101	-2
Net acq/disposals	-15	0	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-63**	**-23**	**-106**	**-104**	**66**
Net change in cash	**-4**	**127**	**44**	**-104**	**66**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	-2	-6	-2	-4	6
Core EPS (¢)	-2	-6	-2	-4	6
DPS (¢)	0	0	0	0	0
CFPS (¢)	-1	-6	-2	-1	17
BVPS (¢)	52	77	76	75	92
Wtd avg ord shares (m)	329	400	400	400	400
Wtd avg diluted shares (m)	329	400	400	400	400

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	-10.6	-3.3	-12.4	-4.8	3.0
EV/EBIT (x)	-1.6	2.2	5.3	-4.4	1.3
EV/EBITDA (x)	-1.6	2.2	5.3	12.0	0.7
FCF yield (%)	-77	-30	nm	nm	87
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	nm	na	na	6	42
Operating ROE (%)	-4	-9	-2	-5	8
Operating ROIC (%)	-10	-22	-7	-3	11
Net debt to equity (%)	-25	-56	-22	12	-8
Debt to total capital (%)	0	0	33	33	29

Comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,674	1,608	1,150	1,195	1,315
AUDUSD (analyst) (x)	1.03	1.03	0.91	0.91	0.91
Long Term Forecasts					
Gold Price (US$/oz)					1,050
AUDUSD average					0.93

Production Volumes	2012	2013E	2014E	2015E	2016E
Banfora Project (koz)	0	0	0	39	131
Production Costs	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Gold C1 (US$/oz)	0	0	0	459	635

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	na	na	na	na	na
EPS%Δ/10% Gold (%)	na	na	na	na	na

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	1,050	1.95	3,740	1.98

Valuation		
WACC (%)		12.0
NPV Valuation	**US$M**	**A$/sh.**
Banfora	56	0.15
Mauritiana	12	0.03
Exploration	23	0.06
Corporate	-41	-0.11
Net (debt)/cash	43	0.12
Total	**92**	**0.33**

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Company Focus

Harmony Gold Mining Co. Ltd (HARJ.J)

Risks Remain to the Downside – Sell, TP R30

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Sell	**3**
Price (12 Aug 13)	R36.90
Target price	R30.00
Expected share price return	-18.7%
Expected dividend yield	0.0%
Expected total return	**-18.7%**
Market Cap	R16,062M
	US$1,636M

Price Performance
(RIC: HARJ.J, BB: HAR SJ)

- **Don't lose sight of SA problems** — We see significant downside risk for HAR in the low gold price environment. As the highest cost producer, we believe HAR will experience FCF problems, and that its much talked about Wafi/Golpu (W/G) project may not be feasible. In fact, we already estimated this project to have a negative NPV of USD595m in our 30 August 2012 note "Wafi/Golpu: Not the Darling It Use To Be", when our average gold price assumptions were ~30% above current spot. As a result, we had to revert to an EV/reserve multiple valuation method at that stage in order to have a positive value on this project. One may now argue that any multiple might be too high a value at the current spot gold price. Yet, W/G still forms 63% of our HAR valuation. Clearly, we caution downside risk. Sell TP R30.

- **Current key opportunities/challenges for HAR** — The most prevailing issue for HAR is the exploration progress at its Wafi/Gulpo project in Papua New Guinea (PNG). Even though we remain bearish on this project (refer "Wafi/Golpu: Not the Darling It Use To Be") and estimate it will destroy significant value for shareholders, it remains the key topic of discussion for HAR. Its SA assets continue to fall victim to declining volumes and grades, rising labour and electricity costs, and continuous under-delivery relative to stated targets.

- **FY14 operational expectations** — We expect FY14 production of 1.47m ounces (FY12: 1.28m ounces) at unit cash costs of USD1,001/ounce (FY12: USD1,085/ounce). We expect FY14 headline loss of 332c (SAc).

- **Key catalysts for our Sell rating on HAR** — Despite the prospects in PNG, we believe that continuous operational disappointments at HAR's SA operations will likely result in the company returning to its historical post-project capex FCF-negative delivery. We therefore view balance sheet recapitalization as likely over the medium term, even excluding the significant capital that would be required to build Wafi/Golpu.

- **Valuation and risks** — We value HAR on a sum-of-the-parts DCF basis, applying a USD nominal WACC of 9%. We derive our R30 TP by applying a 1.6x P/DCF exit multiple. We maintain our Sell recommendation. Upside risks include a stronger-than-expected gold price, weaker-than-expected operating currencies, and a better-than-expected operational performance.

Harmony Gold Mining Co. Ltd (USD)

Year to 30 Jun	2011A	2012A	2013E	2014E	2015E
Sales ($M)	1,819.1	2,046.6	1,883.4	1,685.2	1,808.3
Net Income ($M)	137.9	305.2	124.0	-134.2	-140.5
Diluted EPS ($)	0.32	0.71	0.29	-0.31	-0.32
Diluted EPS (Old) ($)	0.32	0.71	0.29	-0.31	-0.32
PE (x)	11.7	5.3	13.1	-12.1	-11.6
EV/EBITDA (x)	5.3	3.0	4.1	27.6	29.8
DPS ($)	0.00	0.12	0.00	0.00	0.00
Net Div Yield (%)	0.0	3.1	0.0	0.0	0.0

HARJ.J: Fiscal year end 30-Jun

Price: R36.90; TP: R30.00; Market Cap: R16,062m; Recomm: Sell

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,819	2,047	1,883	1,685	1,808
Cost of sales	-1,373	-1,361	-1,350	-1,466	-1,617
Gross profit	446	685	533	219	191
Gross Margin (%)	24.5	33.5	28.3	13.0	10.6
EBITDA (Adj)	**319**	**568**	**389**	**59**	**59**
EBITDA Margin (Adj) (%)	17.5	27.8	20.7	3.5	3.3
Depreciation	-254	-254	-227	-220	-230
Amortisation	0	0	0	0	0
EBIT (Adj)	**65**	**314**	**162**	**-161**	**-170**
EBIT Margin (Adj) (%)	3.6	15.4	8.6	-9.6	-9.4
Net interest	-32	-24	-19	-36	-36
Associates	0	0	0	0	0
Non-op/Except	-35	-1	9	8	9
Pre-tax profit	**-2**	**289**	**152**	**-189**	**-198**
Tax	69	7	-49	55	57
Extraord./Min.Int./Pref.div.	0	0	0	0	0
Reported net profit	**67**	**296**	**103**	**-134**	**-141**
Net Margin (%)	3.7	14.5	5.5	-8.0	-7.8
Core NPAT	138	305	124	-134	-141

Per share data	2011	2012	2013E	2014E	2015E
Reported EPS ($)	0.16	0.69	0.24	-0.31	-0.32
Core EPS ($)	0.32	0.71	0.29	-0.31	-0.32
DPS ($)	0	0.12	0	0	0
CFPS ($)	0.80	1.26	0.93	0.36	0.33
FCFPS ($)	-0.24	0.33	0.00	-0.27	-0.36
BVPS ($)	10.37	9.62	8.98	8.79	8.62
Wtd avg ord shares (m)	428	431	432	432	432
Wtd avg diluted shares (m)	429	431	433	433	433

Growth rates	2011	2012	2013E	2014E	2015E
Sales revenue (%)	19.8	12.5	-8.0	-10.5	7.3
EBIT (Adj) (%)	-11.2	382.3	-48.4	-199.4	-5.8
Core NPAT (%)	nm	121.2	-59.3	-208.2	-4.7
Core EPS (%)	nm	120.2	-59.5	-208.2	-4.7

Balance Sheet (US$m)	2011	2012	2013E	2014E	2015E
Cash & cash equiv.	102	216	332	216	59
Accounts receivables	179	152	164	155	176
Inventory	124	121	136	129	146
Net fixed & other tangibles	4,635	4,072	3,886	3,936	4,006
Goodwill & intangibles	320	268	238	238	238
Financial & other assets	350	446	241	241	241
Total assets	**5,710**	**5,275**	**4,996**	**4,915**	**4,866**
Accounts payable	258	213	224	213	241
Short-term debt	49	38	31	31	31
Long-term debt	181	183	243	243	243
Provisions & other liab	772	695	600	600	600
Total liabilities	**1,260**	**1,129**	**1,098**	**1,087**	**1,115**
Shareholders' equity	4,450	4,146	3,898	3,828	3,751
Minority interests	0	0	0	0	0
Total equity	**4,450**	**4,146**	**3,898**	**3,828**	**3,751**
Net debt	**128**	**5**	**-58**	**58**	**215**
Net debt to equity (%)	2.9	0.1	-1.5	1.5	5.7

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	11.7	5.3	13.1	-12.1	-11.6
PB (x)	0.4	0.4	0.4	0.4	0.4
EV/EBITDA (x)	5.3	3.0	4.1	27.6	29.8
FCF yield (%)	-6.3	8.8	-0.1	-7.1	-9.7
Dividend yield (%)	0	3.1	0	0	0
Payout ratio (%)	0	16	0	0	0
ROE (%)	1.6	6.9	2.6	-3.5	-3.7

Cashflow (US$m)	2011	2012	2013E	2014E	2015E
EBITDA	319	568	389	59	59
Working capital	30	-15	-15	4	-9
Other	-5	-8	29	91	93
Operating cashflow	**344**	**545**	**403**	**154**	**143**
Capex	-445	-403	-404	-270	-300
Net acq/disposals	0	0	0	0	0
Other	47	33	138	0	0
Investing cashflow	**-398**	**-370**	**-266**	**-270**	**-300**
Dividends paid	-29	-59	-50	0	0
Financing cashflow	**30**	**-65**	**-21**	**0**	**0**
Net change in cash	**-24**	**110**	**116**	**-116**	**-157**
FCF ex acquisns & explorn	**-101**	**142**	**-1**	**-116**	**-157**

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Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Kingsgate Consolidated Limited (KCN.AX)

Challenger Impairment

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Sell	**3**
Price (12 Aug 13)	A$1.72
Target price	A$1.50
Expected share price return	-12.5%
Expected dividend yield	5.8%
Expected total return	**-6.7%**
Market Cap	A$261M
	US$240M

Price Performance
(RIC: KCN.AX, BB: KCN AU)

- **Changes Afoot** - A lower gold price has prompted revisions to Challenger's mine plan, an impairment of the majority of its value and a new hedging program to be put in place. FY14 guidance of 190-210koz (Citi 203koz) implies no growth on FY13 and with the Thai IPO unlikely to proceed in this environment, funding for growth projects Neuva Esperanza (Chile) and Bowdens (NSW) remains in doubt. On this weaker growth outlook, KCN is rated Sell, target price at $1.50/share.
- **Challenger Impairment Increases to $320m** — The recently revised mine plan will transition toward higher grade Challenger West and targets production of 70-80kozpa in FY14. Management has flagged an impending significant drop in Reserves which will be finalized by the end of August. As such an impairment charge of A$320m (previously A$300m) will be made against the carrying value (A$390m) of the asset in the FY13 financials. KCN acquired Challenger in the Oct-10 takeover of Dominion in an all scrip deal, which valued Dominion at A$376m (carrying value ~A$330m at 31-March). A newly implemented hedging program of ~75% of Challenger's FY14 production reflects mounting pressure on high cost producers, particularly those risking a change in mine plan.
- **Growth Strategy** — Commissioning at Chatree North takes nameplate capacity to 5mtpa (2.3mtpa prior). Construction of the second TSF is scheduled for completion in the September quarter. KCN expects throughput to stabilize at 6.2mtpa – 24% over nameplate capacity. Incremental expansion options to 7.2mtpa are under consideration. Feasibility studies are scheduled for completion on Nueva Esperanza and Bowdens during the year.
- **Preserving Cash** — In keeping with the theme across the sector, KCN hopes to generate A$25m from cost savings initiatives by cutting wages, reducing exploration expenditure and squeezing contractors. Cash/bullion sits at A$55m and debt facilities consist of a fully drawn 6-year US$125m multi-currency loan, an A$40m corporate loan (A$20m drawn, 2014 maturity) and an A$35m convertible loan (2016 maturity). Options issued as part of the convertible loan have an exercise price of $10.50 and expire 22-Sep-2016.

KCN.AU revisions (Y/E Jun)	2011A	2012A	2013E	2014E	2015E
Sales (A$m)	173.4	357.4	335.8	281.4	306.8
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	40.0	98.9	37.0	-11.8	0.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	41.7	74.9	26.3	-6.5	2.6
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	36.7	52.3	17.3	-4.3	1.7
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	-52.4	42.7	-66.8	-124.9	140.2
PE Ratio (x)	4.7	3.3	9.9	-39.9	99.2
Dividend Yield (%)	8.7	11.6	5.8	5.8	5.8

Source: Company Reports and dataCentral, Citi Research.

KCN.AX: Fiscal year end 30-Jun — Price:$1.72; TP:$1.50; # Shares: 152m; Market Cap: A$262m; Recomm: Sell

Profit & Loss (A$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	357	336	281	307	380
Cost of sales	-247	-270	-259	-272	-288
EBITDA	**166**	**114**	**41**	**54**	**125**
Depreciation/Amortization	-67	-77	-53	-54	-59
EBIT	**99**	**37**	**-12**	**0**	**66**
Net interest	-8	-9	5	5	6
Earnings before tax	**91**	**28**	**-6**	**5**	**73**
Tax Recurring	-16	-1	1	-1	-15
Exceptional/Other	0	-1	-1	-1	-1
Reported net profit	**75**	**26**	**-7**	**3**	**57**
Core NPAT	75	26	-7	3	57

Comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,668	1,601	1,150	1,195	1,315
Silver price (US$/oz)	33	29	18	19	20
AUDUSD (analyst) (x)	1.03	1.03	0.90	0.88	0.89
Long Term Forecasts					
Gold Price (US$/oz)					1,050
Silver Price (US$/oz)					17
AUDUSD average					0.93

Production Volumes	2012	2013E	2014E	2015E	2016E
Chatree (100%) (koz)	121	134	128	134	167
Challanger (koz)	87	66	75	75	75

Production Costs	2012	2013E	2014E	2015E	2016E
Chatree Total Cash Cost (US$/oz)	616	770	746	748	656
Challanger Total Cash Cost (US$/oz)	886	1,141	909	918	956

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	0.0	-7.3	123.0	731.3	na
EPS%Δ/10% Gold (%)	0.0	38.1	-314.4	2,270.7	na

Balance Sheet (A$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	91	184	177	181	242
Net fixed & other tangibles	853	903	888	872	852
Total assets	**1,048**	**1,192**	**1,170**	**1,157**	**1,199**
Short-term debt	36	12	12	12	12
Long-term debt	122	161	161	161	161
Total liabilities	**273**	**270**	**270**	**270**	**270**
Shareholders' equity	776	922	900	888	929
Total equity	**776**	**922**	**900**	**888**	**929**
Net debt	**67**	**-10**	**-4**	**-7**	**-69**

Cashflow (A$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**165**	**391**	**46**	**56**	**115**
Capex	-167	-117	-37	-38	-38
Net acq/disposals	-65	-3	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-68**	**271**	**9**	**18**	**77**
Net change in cash	**54**	**410**	**-6**	**3**	**62**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	52	17	-4	2	37
Core EPS (¢)	52	17	-4	2	37
DPS (¢)	20	10	10	10	10
CFPS (¢)	115	258	30	37	76
BVPS (¢)	542	608	594	586	613
Wtd avg ord shares (m)	143	152	152	152	152
Wtd avg diluted shares (m)	143	152	152	152	152

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	2,450	1.05	5,325	0.59
Silver (koz)	17,030	7.28	208,084	22.93

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	3.3	9.9	-39.9	99.2	4.6
EV/EBIT (x)	3.5	8.4	-23.4	nm	3.7
EV/EBITDA (x)	2.1	2.7	6.7	5.1	2.0
FCF yield (%)	-1	nm	3	7	29
Dividend yield (%)	12	6	6	6	6
Payout ratio (%)	38	58	nm	nm	27

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	47	34	15	18	33
Operating ROE (%)	11	3	-1	0	6
Operating ROIC (%)	10	4	-1	0	6
Net debt to equity (%)	9	-1	0	-1	-7
Debt to total capital (%)	17	16	16	16	16

Valuation	
WACC (%)	12.0

NPV Valuation	US$M	A$/sh.
Chatree	365	2.58
Challenger	37	0.26
Nueva Esperanza	23	0.16
Bowdens	46	0.33
Exploration	23	0.16
Corporate	-134	-0.95
Net (debt)/cash	-122	-0.87
Total	**238**	**1.68**

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Company Focus

Kinross Gold Corporation (KGC)

Tasiast on Hold; Switching to Sustaining Mode

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Neutral	**2**
Price (09 Aug 13)	US$5.24
Target price	US$5.80
Expected share price return	10.7%
Expected dividend yield	0.0%
Expected total return	**10.7%**
Market Cap	US$5,985M

Price Performance
(RIC: KGC.N, BB: KGC US)

- **Steady Production** — Management recently announced that their key growth project, Tasiast in Mauritania, has been tabled until at least 2015. The decision reflects management's coal of preserving Kinross' investment grade credit rating. As a result without growth ozs in the horizon, gold production may decline as Kettle River-Buckhorn (156k oz est in '12) reaches the end of its reserve life at the end of 2014 or early 2015.
- **Ample Liquidity –** Kinross ended 2Q with cash of $1.2 bln and we estimate that company needs close to $1,300/oz gold and $20/oz silver to breakeven on a free cash basis, assuming annual capex of $900 mln. This approximates spot commodity prices.
- **Dvoinoye on Track** — Dvoinoye delivered first ore to the Kupol mill, which was upgraded to 4,500 tpd early in 3Q. Infrastructure at the project is 73% complete and first stoping will begin in 3Q with full production in 4Q. The project remains on budget and on schedule pending the renewal of a subsoil license that expires in September which the company expects will be received shortly.
- **FY13 operational expectations** — We expect 2013 gold production to remain stable YoY at 2.6 mln ozs at a weighted average cash cost of $701/oz after by-product credits.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.17A	0.14A	0.22A	0.24A	0.77A	0.77A
2013E	**0.15A**	**0.10A**	**0.02E**	**0.00E**	**0.27E**	**0.30E**
Previous	0.15A	0.10A	0.02E	0.00E	0.27E	na
2014E	**na**	**na**	**na**	**na**	**0.05E**	**0.27E**
Previous	na	na	na	na	0.05E	na
2015E	**na**	**na**	**na**	**na**	**0.10E**	**0.30E**
Previous	na	na	na	na	0.10E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

KGC.N: Fiscal year end 31-Dec — Price: US$5.24; TP: US$5.80; Market Cap: US$5,985m; Recomm: Neutral

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	3,943	4,311	3,584	3,188	3,202
Cost of sales	-2,174	-2,532	-2,751	-2,751	-2,670
Gross profit	1,770	1,779	833	437	531
Gross Margin (%)	44.9	41.3	23.2	13.7	16.6
EBITDA (Adj)	**1,973**	**1,962**	**1,267**	**884**	**970**
EBITDA Margin (Adj) (%)	50.0	45.5	35.4	27.7	30.3
Depreciation	-577	-681	-824	-775	-766
Amortisation	0	0	0	0	0
EBIT (Adj)	**1,395**	**1,281**	**443**	**109**	**203**
EBIT Margin (Adj) (%)	35.4	29.7	12.4	3.4	6.4
Net interest	-59	-37	-27	-30	-30
Associates	-2	-7	-3	0	0
Non-op/Except	-2,836	-3,530	-2,685	0	0
Pre-tax profit	**-1,502**	**-2,292**	**-2,272**	**78**	**174**
Tax	-511	-262	-29	-27	-60
Extraord./Min.Int./Pref.div.	-61	49	-721	3	2
Reported net profit	**-2,074**	**-2,505**	**-3,022**	**54**	**116**
Net Margin (%)	-52.6	-58.1	-84.3	1.7	3.6
Core NPAT	868	879	310	54	116
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	-1.83	-2.20	-2.65	0.05	0.10
Core EPS ($)	0.76	0.77	0.27	0.05	0.10
DPS ($)	0.11	0.16	0.08	0	0
CFPS ($)	1.25	1.10	0.33	0.68	0.79
FCFPS ($)	-0.21	-0.59	-0.93	-0.10	0.01
BVPS ($)	10.89	8.64	5.86	5.89	5.97
Wtd avg ord shares (m)	1,136	1,139	1,142	1,146	1,149
Wtd avg diluted shares (m)	1,136	1,139	1,144	1,146	1,149
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	31.0	9.3	-16.9	-11.0	0.4
EBIT (Adj) (%)	60.9	-8.2	-65.4	-75.5	87.4
Core NPAT (%)	81.3	1.3	-64.7	-82.5	113.7
Core EPS (%)	32.3	1.0	-64.9	-82.5	113.1
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	1,766	1,633	967	787	842
Accounts receivables	309	287	205	216	221
Inventory	976	1,258	1,223	1,294	1,223
Net fixed & other tangibles	9,389	9,580	7,809	7,933	8,067
Goodwill & intangibles	3,420	1,137	477	477	477
Financial & other assets	648	988	407	407	407
Total assets	**16,509**	**14,882**	**11,088**	**11,114**	**11,236**
Accounts payable	575	633	629	663	627
Short-term debt	33	516	0	0	0
Long-term debt	1,600	2,116	2,117	2,057	2,102
Provisions & other liab	1,830	1,691	1,560	1,560	1,560
Total liabilities	**4,038**	**4,957**	**4,306**	**4,281**	**4,289**
Shareholders' equity	12,390	9,850	6,707	6,761	6,877
Minority interests	80	76	75	73	71
Total equity	**12,471**	**9,926**	**6,782**	**6,834**	**6,948**
Net debt	**-133**	**1,000**	**1,150**	**1,270**	**1,260**
Net debt to equity (%)	-1.1	10.1	17.0	18.6	18.1

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	6.9	6.8	19.3	nm	51.9
PB (x)	0.5	0.6	0.9	0.9	0.9
EV/EBITDA (x)	2.8	3.4	5.8	8.7	7.9
FCF yield (%)	-3.9	-11.2	-17.7	-2.0	0.2
Dividend yield (%)	2.1	3.1	1.5	0	0
Payout ratio (%)	14	21	30	0	0
ROE (%)	-15.4	-22.5	-36.5	0.8	1.7
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	1,973	1,962	1,267	884	970
Working capital	259	-781	22	-47	29
Other	-815	74	-914	-57	-89
Operating cashflow	**1,417**	**1,255**	**375**	**780**	**910**
Capex	-1,652	-1,925	-1,439	-900	-900
Net acq/disposals	-333	3	1	0	0
Other	-99	-241	304	0	0
Investing cashflow	**-2,083**	**-2,163**	**-1,134**	**-900**	**-900**
Dividends paid	-125	-182	-91	0	0
Financing cashflow	**969**	**774**	**-619**	**-60**	**45**
Net change in cash	**299**	**-133**	**-1,386**	**-180**	**54**
FCF ex acquisns & explorn	**-568**	**-667**	**-1,062**	**-120**	**10**

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For definitions of the items in this table, please click here.

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Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Medusa Mining Ltd (MML.AX)

Pinch Point

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Buy	**1**
Price (12 Aug 13)	A$2.21
Target price	A$3.20
Expected share price return	44.8%
Expected dividend yield	2.3%
Expected total return	**47.1%**
Market Cap	A$417M
	US$384M

Price Performance
(RIC: MML.AX, BB: MML AU)

- **Crucial Period Ahead** — Weaker-than-expected production over recent quarters saw cash dwindle to $8m at 30-Jun (US$14m overdraft available) – a pressured position leading up to a key period of operational risk in commissioning Co-O's Phase 3 expansion. This has been exacerbated by recent news that narrower than expected veins have been intersected near shaft 8, halving 1H FY14 production; and the expansion's project managers have gone into administration, causing delays. Co-O offers low cost production and an attractive organic growth profile; however we urge caution against the backdrop of uncertainty near term. MML is rated Buy with a A$3.20/share target price.

- **Phase 3 Expansion Delayed** — Commissioning of the new Co-O Mill will be delayed 4-5 weeks as a replacement contractor completes and commissions the plant after the previous contractor Arccon entered into administration in June. MML has secured US$14m in overdraft facilities from two Philippine banks and drawn on $3m so far to see it through the delay. Once commissioned, MML's low operating costs should provide for reasonable operating cash generation.

- **Cash Squeeze** — US$9m cash on hand at 31-Mar (including gold on metal account and bullion at site) with no debt (but no facilities in place). Dividends remain suspended against the backdrop of a meager cash balance and capex/ working capital requirements for completion of the Co-O expansion. MML's low operating costs should provide for reasonable operating cash generation in the absence of operational problems, however as previously flagged an interim funding solution may be necessary if all does not go to plan.

- **FY14 Guidance Downgraded** – Narrower veins and delays to commissioning has also prompted MML to issue guidance for the SQ of 17koz and DQ of 35koz. Previous guidance of 200koz for FY14 now seems unachievable although management will wait until the mill is fully commissioned before updating full-year guidance.

- **Philippines Mining Taxes & Royalties** — New legislation has been proposed but not yet finalized by congress, and as such the revised royalty rate remains uncertain. We adopt a 5% royalty rate in advance of this reflecting what we anticipate as a likely result. We don't expect any material adverse outcome with regards to this process, particularly as it relates to existing projects. However, given the longer-than-expected time taken by government to secure an outcome, until the issue is resolved it will continue to drag on MML's near-term story.

MML.AU revisions (Y/E Jun)	2011A	2012A	2013E	2014E	2015E
Sales (US$m)	148.8	80.8	103.6	154.3	197.9
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (US$m)	109.7	47.7	64.2	88.2	116.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (US$m)	110.4	49.2	62.7	62.5	84.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (US¢)	58.5	26.1	33.0	33.0	44.4
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	55.4	-55.5	26.8	-0.2	34.7
PE Ratio (x)	3.5	7.8	6.1	6.2	4.6
Dividend Yield (%)	4.9	3.4	3.4	0.0	4.9

Source: Company Reports and dataCentral, Citi Research.

MML.AX: Fiscal year end 30-Jun

Price:$2.21; TP:$3.20; # Shares: 189m; Market Cap: A$417m; Recomm: Buy

Profit & Loss (US$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Sales revenue	81	104	154	198	234
Cost of sales	-21	-31	-58	-71	-79
EBITDA	**58**	**74**	**102**	**134**	**160**
Depreciation/Amortization	-10	-10	-14	-17	-19
EBIT	**48**	**64**	**88**	**116**	**141**
Net interest	0	0	1	4	8
Earnings before tax	**48**	**64**	**89**	**120**	**149**
Tax Recurring	1	-2	-27	-36	-45
Exceptional/Other	0	-8	0	0	0
Reported net profit	**49**	**55**	**63**	**84**	**104**
Core NPAT	49	63	63	84	104

Balance Sheet (US$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Cash & cash equiv.	12	10	57	119	204
Net fixed & other tangibles	248	339	345	348	349
Total assets	**332**	**401**	**454**	**519**	**604**
Short-term debt	0	0	0	0	0
Long-term debt	0	0	0	0	0
Total liabilities	**17**	**16**	**16**	**16**	**16**
Shareholders' equity	316	385	438	503	588
Total equity	**316**	**385**	**438**	**503**	**588**
Net debt	**-12**	**-10**	**-57**	**-119**	**-204**

Cashflow (US$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Operating cashflow	**63**	**79**	**76**	**102**	**123**
Capex	-88	-87	-20	-20	-20
Net acq/disposals	0	0	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-25**	**-8**	**56**	**82**	**103**
Net change in cash	**-50**	**-18**	**47**	**63**	**84**

Per share data	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Reported EPS (¢)	26	29	33	44	55
Core EPS (¢)	26	33	33	44	55
DPS (¢)	7	7	0	10	10
CFPS (¢)	33	41	40	54	65
BVPS (¢)	167	204	232	266	312
Wtd avg ord shares (m)	189	189	189	189	189
Wtd avg diluted shares (m)	189	190	190	190	190

Valuation ratios	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
PE (x)	7.8	6.1	6.2	4.6	3.7
EV/EBIT (x)	7.3	5.8	4.0	2.5	1.6
EV/EBITDA (x)	6.0	5.1	3.4	2.2	1.4
FCF yield (%)	-7	-2	15	21	27
Dividend yield (%)	3	3	0	5	5
Payout ratio (%)	27	21	0	23	18

Operating performance	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
EBITDA margin (%)	71	71	66	68	68
Operating ROE (%)	17	18	15	18	19
Operating ROIC (%)	19	18	16	21	25
Net debt to equity (%)	-4	-3	-13	-24	-35
Debt to total capital (%)	0	0	0	0	0

Comdty & FX Forecasts	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Gold price (US$/oz)	1,678	1,607	1,150	1,195	1,315
AUDUSD (analyst) (x)	1.03	1.03	0.91	0.91	0.91
Long Term Forecasts					
Gold Price (US$/oz)					1,050
AUDUSD average					0.93

Production Volumes	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Co-O (koz)	61	62	136	166	178
Bhanaghilig (koz)	0	0	0	0	107
Production Costs	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Gold C1 (US$/oz)	205	255	274	266	495

Earnings Sensitivity	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
EPS%Δ/10% AUDUSD (%)	0.0	0.0	0.0	7.3	na
EPS%Δ/10% Gold (%)	0.0	3.3	15.8	23.9	na

Valuation		
WACC (%)		14.0
NPV Valuation	**US$M**	**A$/sh.**
Co-O	545	3.10
Bananghilig	74	0.42
Exploration	51	0.29
Corporate Costs	-68	-0.39
Net Cash / (Debt)	9	0.05
Total	**612**	**3.48**

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Gold (GICS) | Precious Metals (Citi)
Australia/NZ | Australia

Company Focus

Newcrest Mining Ltd (NCM.AX)

It Gets Worse Before It Gets Better

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Sell	**3**
Price (12 Aug 13)	A$12.39
Target price	A$9.00
Expected share price return	-27.4%
Expected dividend yield	0.0%
Expected total return	**-27.4%**
Market Cap	A$9,497M
	US$8,731M

Price Performance
(RIC: NCM.AX, BB: NCM AU)

- **The New Outlook** — Having completed a review of business plans and budgets, NCM released FY14 guidance on production and free cash flow and flagged an impairment charge of $5-6bn, which will stretch gearing to levels well above management's maximum target. As such there will be no final dividend, and the company's financial position is highly leveraged to the gold price near term. NCM is rated Sell with a $9.00/share price target.

- **FY14 Production Guidance 2-2.3moz** — FY14 production guidance represents a modest increase on FY13 as high cost ounces at Telfer, Lihir & Cadia have been wound back. We see risk to NCM's FY17 production guidance (3.1-3.5moz) which is unlikely to be delivered under the revised strategy in our view. For the year ahead, September quarter production is anticipated to be lower than the June quarter and improve thereafter.

- **Gearing** — As a consequence of the $5-6bn impairment charge slated for FY13, gearing at 30-June will rise to 28-30% (NCM targets a maximum of 15%). Free cash flow generation is expected to be broadly neutral in FY14 (predicated gold prices of ~A$1,400/oz or better). While there are no immediate maturities (next = $1.2bn in 2015), and $750m of liquidity remains on hand, any further erosion in gold prices and subsequent additional further pressure on the balance sheet may predicate forced assets sales or an equity raising in our view. There will be no final dividend in FY13 and we expect no dividends again until at least FY15.

- **All-In Cash Costs A$1,283/oz** — Following formal announcement of the new cost methodology by the World Gold Council, FY13 consolidated all-in cash costs of A$1,283/oz have been disclosed. NCM expects FY14 all-in cash costs to fall by ~A$100-150/oz driven by lower stripping and SIB capex. The revised framework underscores pressure on Telfer (A$1,705/oz), Bonikro (A$1,765/oz) & Hidden Valley (A$2,422/oz) which are all under pressure to deliver a free cash flow neutral/positive outcome in the year ahead.

- **FY14 Free Cash Flow** — At the recent FY14 outlook update, NCM noted free cash flow generation is expected to be broadly neutral in FY14 based on spot prices at that time of ~US$1,400/oz gold & AUDUSD of ~0.96 (~A$1,450/oz). Since then, A$ gold has sunk another ~A$100/oz to A$1,350/oz, adding further pressure to the strategic plan, which will be seeking to prevent any further elevation in gearing. While we are barely a matter of days into the new financial year, we believe defending this benchmark will be an important factor over the year ahead.

NCM.AU revisions (Y/E Jun)	2012A	2013A	2014E	2015E	2016E
Sales (A$m)	4,431.0	3,775.0	3,601.4	4,641.7	5,191.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	1,590.0	756.0	261.7	950.3	1,466.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	1,089.0	451.0	25.4	480.2	868.7
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	142.1	58.8	3.3	62.5	113.1
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	-8.4	-58.6	-94.4	1,790.1	80.9
PE Ratio (x)	8.7	21.1	374.6	19.8	11.0
Dividend Yield (%)	2.8	1.0	0.0	0.0	0.8

Source: Company Reports and dataCentral, Citi Research.

NCM.AX: Fiscal year end 30-Jun

Price:$12.39; TP:$9.00; # Shares: 767m; Market Cap: A$9497m; Recomm: Sell

Profit & Loss (A$m)	2013	2014E	2015E	2016E	2017E
Sales revenue	3,775	3,601	4,642	5,191	5,345
Cost of sales	-2,775	-3,340	-3,567	-3,597	-3,749
EBITDA	**1,367**	**911**	**1,762**	**2,311**	**2,338**
Depreciation/Amortization	-611	-649	-812	-845	-874
EBIT	**756**	**262**	**950**	**1,466**	**1,465**
Net interest	-109	-202	-204	-156	-104
Earnings before tax	**647**	**60**	**747**	**1,310**	**1,360**
Tax Recurring	-165	-18	-224	-393	-408
Exceptional/Other	-6,260	-16	-43	-49	-45
Reported net profit	**-5,778**	**25**	**480**	**869**	**907**
Core NPAT	451	25	480	869	907

Balance Sheet (A$m)	2013	2014E	2015E	2016E	2017E
Cash & cash equiv.	69	78	101	1,448	2,611
Net fixed & other tangibles	15,200	15,299	15,014	14,701	14,263
Total assets	**17,185**	**17,233**	**17,264**	**18,501**	**19,155**
Short-term debt	1	1,200	0	100	0
Long-term debt	4,210	3,311	3,611	3,511	3,511
Total liabilities	**7,100**	**7,436**	**6,393**	**6,327**	**6,248**
Shareholders' equity	9,945	9,657	10,731	12,034	12,767
Total equity	**10,085**	**9,797**	**10,871**	**12,174**	**12,907**
Net debt	**4,142**	**4,433**	**3,510**	**2,163**	**900**

Cashflow (A$m)	2013	2014E	2015E	2016E	2017E
Operating cashflow	**707**	**683**	**1,446**	**1,953**	**2,028**
Capex	-2,098	-974	-524	-529	-535
Net acq/disposals	-26	0	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-1,417**	**-291**	**922**	**1,424**	**1,493**
Net change in cash	**-173**	**9**	**22**	**1,347**	**1,163**

Per share data	2013	2014E	2015E	2016E	2017E
Reported EPS (¢)	-753	3	63	113	118
Core EPS (¢)	59	3	63	113	118
DPS (¢)	12	0	0	10	25
CFPS (¢)	92	89	188	254	264
BVPS (¢)	1,299	1,260	1,400	1,570	1,666
Wtd avg ord shares (m)	766	767	767	767	767
Wtd avg diluted shares (m)	767	768	768	768	768

Valuation ratios	2013	2014E	2015E	2016E	2017E
PE (x)	21.1	nm	19.8	11.0	10.5
EV/EBIT (x)	17.3	54.5	14.7	8.7	7.9
EV/EBITDA (x)	9.6	15.7	7.9	5.5	4.9
FCF yield (%)	-15	-3	10	15	16
Dividend yield (%)	1	0	0	1	2
Payout ratio (%)	20	0	0	9	21

Operating performance	2013	2014E	2015E	2016E	2017E
EBITDA margin (%)	36	25	38	45	44
Operating ROE (%)	4	0	5	8	7
Operating ROIC (%)	3	2	4	7	7
Net debt to equity (%)	41	45	32	18	7
Debt to total capital (%)	29	32	25	23	21

Comdty & FX Forecasts	2013	2014E	2015E	2016E	2017E
Gold price (US$/oz)	1,608	1,150	1,195	1,315	1,325
Copper price (USc/lb)	349	306	293	316	315
Silver price (US$/oz)	29	18	19	20	19
AUDUSD (analyst) (x)	1.03	0.90	0.88	0.88	0.89
Long Term Forecasts					
Gold Price (US$/oz)					1,050
Copper Price (US c/lb)					281
Silver Price (US$/oz)					17
AUDUSD average					0.93

Production Volumes	2013	2014E	2015E	2016E	2017E
Gold (Consolidated) (koz)	2,110	2,191	2,723	2,824	2,913
Copper (100%) (kt)	80	83	104	107	117
Silver (100%) (koz)	1,214	1,290	1,310	1,310	1,310
Production Costs	**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Consolidated Total Cash Costs	744	851	673	618	617

Earnings Sensitivity	2013	2014E	2015E	2016E	2017E
EPS%Δ/10% AUDUSD (%)	0.0	-848.5	-65.7	na	na
EPS%Δ/10% Gold (%)	0.0	754.2	53.4	na	na
EPS%Δ/10% Copper (%)	0.0	166.9	11.1	na	na
EPS%Δ/10% Silver (%)	0.0	12.3	0.7	na	na

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	87,300	0.63	161,200	0.61
Copper (kt)	12,090	0.20	21,000	0.26
Silver (koz)	77,318	0.41	142,200	0.45

Valuation		
WACC (%)		9.0
NPV Valuation	**US$M**	**A$/sh.**
Cadia Valley	3,790	5.32
Telfer	642	0.90
Gosowong	557	0.78
Hidden Valley	8	0.01
Wafi-Golpu	450	0.63
Lihir	3,228	4.53
Bonikro	239	0.34
Other	-3,493	-4.90
Total	**5,422**	**7.61**

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Powered by: dataCentral

Gold (GICS) | Metals & Mining (Citi)
North America | United States

Company Focus

Newmont Mining (NEM)
Near-Term Growth Hurdles Remain, Neutral

- **Neutral** — We rate Newmont Neutral because of the company's lack of meaningful near-term and longer-term growth, offset by a transparent dividend policy and a North American peer-leading dividend yield of 3.2%. The delayed Minas Conga project in Peru remains a key growth opportunity for the company but local opposition means little development work in the foreseeable future.
- **Current key opportunities/challenges for NEM** — The Akyem project (400k oz) is still scheduled for completion in 2013 and expected to contribute 50-100k ozs at an average cash cost of $475/oz, below the company average of $712/oz. This is offset by declining production from Yanacocha (~150k oz). Among the more meaningful other projects, work continues on the Ahafo Mill and Subika expansions in Africa, and Long Canyon (2017) in North America.
- **$1,200 Gold Operating Plan** – Management is structuring their near-term operating plan based on a $1,200/oz gold price environment, thus driving a $100 mln reduction to capex and $125 mln reduction to SG&A/projects/other. With the majority of NEM's mines operating at well below $1,000/oz, we do not see any need for curtailments at this time. Excluding stockpile write downs, all-in sustaining cash cost guidance for the year remains unchanged at $1,100-$1,200/oz.
- **FY13 operational expectations** — Newmont guided to roughly flat production of 5.0 mln ozs and a 5.6% increase in cash costs to $713/oz.

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Neutral	**2**
Price (09 Aug 13)	US$29.51
Target price	US$30.00
Expected share price return	1.7%
Expected dividend yield	2.0%
Expected total return	**3.7%**
Market Cap	US$14,543M

Price Performance
(RIC: NEM.N, BB: NEM US)

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.15A	0.59A	0.85A	1.11A	3.71A	3.71A
2013E	**0.71A**	**-0.10A**	**0.14E**	**0.11E**	**0.86E**	**1.85E**
Previous	0.71A	-0.10A	0.14E	0.11E	0.86E	na
2014E	**na**	**na**	**na**	**na**	**1.07E**	**1.94E**
Previous	na	na	na	na	1.07E	na
2015E	**na**	**na**	**na**	**na**	**2.15E**	**2.22E**
Previous	na	na	na	na	2.15E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

NEM.N: Fiscal year end 31-Dec — **Price: US$29.51; TP: US$30.00; Market Cap: US$14,543m; Recomm: Neutral**

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	10,358	9,868	7,772	7,503	9,138
Cost of sales	-4,926	-5,268	-6,153	-5,588	-6,458
Gross profit	5,432	4,600	1,619	1,915	2,680
Gross Margin (%)	52.4	46.6	20.8	25.5	29.3
EBITDA (Adj)	**3,078**	**4,117**	**1,743**	**2,033**	**3,208**
EBITDA Margin (Adj) (%)	29.7	41.7	22.4	27.1	35.1
Depreciation	-1,036	-1,030	-1,249	-1,057	-1,276
Amortisation	0	0	0	0	0
EBIT (Adj)	**2,042**	**3,087**	**493**	**975**	**1,932**
EBIT Margin (Adj) (%)	19.7	31.3	6.3	13.0	21.1
Net interest	-244	-249	-264	-259	-272
Associates	11	-51	-11	-10	-10
Non-op/Except	12	278	-2,125	100	100
Pre-tax profit	**1,821**	**3,065**	**-1,907**	**806**	**1,750**
Tax	-713	-869	85	-245	-528
Extraord./Min.Int./Pref.div.	-742	-385	243	-26	-150
Reported net profit	**366**	**1,811**	**-1,579**	**535**	**1,072**
Net Margin (%)	3.5	18.4	-20.3	7.1	11.7
Core NPAT	2,174	1,852	429	535	1,072
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	0.73	3.63	-3.20	1.07	2.15
Core EPS ($)	4.31	3.71	0.86	1.07	2.15
DPS ($)	1.15	1.40	1.18	0.40	0.55
CFPS ($)	7.11	4.75	3.29	3.15	4.80
FCFPS ($)	1.58	-1.68	-0.97	-0.46	1.39
BVPS ($)	26.05	28.00	22.61	23.23	24.79
Wtd avg ord shares (m)	494	496	494	494	495
Wtd avg diluted shares (m)	504	499	499	499	499
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	8.6	-4.7	-21.2	-3.5	21.8
EBIT (Adj) (%)	-50.7	51.2	-84.0	97.7	98.0
Core NPAT (%)	14.8	-14.8	-76.8	24.6	100.4
Core EPS (%)	13.9	-13.9	-76.8	24.5	100.4
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	1,760	1,561	961	568	1,263
Accounts receivables	620	860	490	533	657
Inventory	714	796	664	694	751
Net fixed & other tangibles	20,614	22,259	21,402	22,145	22,568
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	3,766	4,174	2,910	2,910	2,910
Total assets	**27,474**	**29,650**	**26,426**	**26,849**	**28,149**
Accounts payable	561	657	580	606	683
Short-term debt	689	10	546	11	11
Long-term debt	3,624	6,288	6,223	6,812	7,201
Provisions & other liab	6,829	5,747	4,913	4,913	4,913
Total liabilities	**11,703**	**12,702**	**12,262**	**12,342**	**12,808**
Shareholders' equity	12,896	13,773	11,152	11,487	12,285
Minority interests	2,875	3,175	3,012	3,019	3,056
Total equity	**15,771**	**16,948**	**14,164**	**14,506**	**15,341**
Net debt	**2,553**	**4,737**	**5,808**	**6,255**	**5,949**
Net debt to equity (%)	16.2	28.0	41.0	43.1	38.8

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	6.8	7.9	34.3	27.5	13.7
PB (x)	1.1	1.1	1.3	1.3	1.2
EV/EBITDA (x)	5.9	5.1	13.4	12.1	7.7
FCF yield (%)	5.4	-5.7	-3.3	-1.5	4.7
Dividend yield (%)	3.9	4.7	4.0	1.4	1.9
Payout ratio (%)	27	38	136	37	26
ROE (%)	2.8	13.6	-12.7	4.7	9.0
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	3,078	4,117	1,743	2,033	3,208
Working capital	-311	-1,073	-237	-46	-105
Other	817	-672	133	-414	-710
Operating cashflow	**3,584**	**2,372**	**1,639**	**1,572**	**2,392**
Capex	-2,787	-3,210	-2,120	-1,800	-1,700
Net acq/disposals	-2,257	6	-13	0	0
Other	-23	-60	28	0	0
Investing cashflow	**-5,067**	**-3,264**	**-2,105**	**-1,800**	**-1,700**
Dividends paid	-494	-695	-584	-200	-274
Financing cashflow	**-854**	**689**	**-118**	**-165**	**2**
Net change in cash	**-2,296**	**-199**	**-600**	**-393**	**695**
FCF ex acquisns & explorn	**-1,460**	**-832**	**-494**	**-228**	**692**

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For definitions of the items in this table, please click here.

Gold (GICS) | Precious Metals (Citi)
Western Europe | United Kingdom

Company Focus

Nordgold (NORDNq.L)

Troubles at Low Gold Prices

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Sell	3
Price (09 Aug 13)	US$1.75
Target price	US$1.25
Expected share price return	-28.6%
Expected dividend yield	10.9%
Expected total return	**-17.7%**
Market Cap	US$662M

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

- **Investment Case** — The combination of Russian and African assets may have had some appeal at $1,800 gold but at $1,200 gold the market may well feel that Nord is too geographically cumbersome to produce focused success. Right now we believe we have a group that is too geographically stretched, it is listed in the wrong location to attract wide investor interest and whose share trading offers limited liquidity.

- **Key Opportunities/ Challenges** — Nord has a portfolio of eight producing mines and two development projects in Russia, Kazakhstan, Guinea and Burkina Faso. Nord had total cash costs for 2012 of US$836 per ounce vs. FY 11 at US$688 per ounce. Costs rose to $911/oz in 1Q 2013. The rising cost trend was primarily due lower production levels (FY 12 was 717k oz vs FY 11 755k oz) resulting in increased fixed cost per ounce.

- **Operational Outlook** — Growth is coming through Bissa and Gross. The higher-cost assets, such as Lefa ($1,200/oz cash costs), should come under scrutiny and any new potential projects currently the subject of pre-feasibility studies are likely to be put on the backburner. We expect significant write-downs.

- **Key Catalysts** — Nord recently announced the start-up of the Bissa mine in Burkina Faso and expects to produce up to 100k oz of gold at the mine in 2013. Planned capacity of the open pit mine is 4mt of ore per annum, producing up to 200k oz of gold annually. The first ore at the new Gross mine is expected to be treated towards the end of 2013 and hence Nord has a good growth profile in the 2013-2015 period.

- **Valuation and Risks** — Our NPV for Nordgold is $1.14, to which we apply a 1.1x P/NPV target multiple. Our NPV is based on a 10% weighted average cost of capital. On this basis our target price is $1.25.

Nordgold (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	1,182.1	1,200.6	1,187.5	1,151.4	1,385.0
Net Income ($M)	168.9	20.2	-65.1	-118.8	-26.0
Diluted EPS ($)	0.47	0.06	-0.18	-0.33	-0.07
Diluted EPS (Old) ($)	0.47	0.06	-0.18	-0.33	-0.07
PE (x)	3.7	31.3	-9.7	-5.3	-24.3
EV/EBITDA (x)	1.8	2.8	4.5	7.2	3.9
DPS ($)	0.00	0.00	0.01	0.01	0.01
Net Div Yield (%)	0.0	0.0	0.6	0.6	0.6

NORDNq.L: Fiscal year end 31-Dec — Price: US$1.75; TP: US$1.25; Market Cap: US$662m; Recomm: Sell

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,182.1	1,200.6	1,187.5	1,151.4	1,385.0
Cost of sales	-672.6	-906.1	-1,072.3	-1,154.6	-1,229.4
Gross profit	509.5	294.5	115.3	-3.3	155.6
Gross Margin (%)	43.1	24.5	9.7	-0.3	11.2
EBITDA (Adj)	**574.0**	**427.1**	**302.0**	**188.8**	**338.3**
EBITDA Margin (Adj) (%)	48.6	35.6	25.4	16.4	24.4
Depreciation	-184.2	-232.0	-295.0	-295.0	-295.0
Amortisation	0	0	0	0	0
EBIT (Adj)	**381.9**	**162.1**	**2.0**	**-111.2**	**38.3**
EBIT Margin (Adj) (%)	32.3	13.5	0.2	-9.7	2.8
Net interest	-57.7	-31.0	-44.1	-42.3	-39.1
Associates	0	0	0	0	0
Non-op/Except	0	0	0	0	0
Pre-tax profit	**324.2**	**131.1**	**-42.1**	**-153.5**	**-0.8**
Tax	-72.2	-55.5	12.6	53.7	0.3
Extraord./Min.Int./Pref.div.	-83.1	-55.5	-35.6	-19.0	-25.5
Reported net profit	**168.9**	**20.2**	**-65.1**	**-118.8**	**-26.0**
Net Margin (%)	14.3	1.7	-5.5	-10.3	-1.9
Core NPAT	168.9	20.2	-65.1	-118.8	-26.0

Per share data	2011	2012	2013E	2014E	2015E
Reported EPS ($)	0.47	0.06	-0.18	-0.33	-0.07
Core EPS ($)	0.47	0.06	-0.18	-0.33	-0.07
DPS ($)	0	0	0.01	0.01	0.01
CFPS ($)	1.12	0.50	0.84	0.66	0.56
FCFPS ($)	0.23	-0.76	0.08	0.15	0.21
BVPS ($)	4.22	4.26	4.08	3.74	3.66
Wtd avg ord shares (m)	359	361	361	361	361
Wtd avg diluted shares (m)	359	361	361	361	361

Growth rates	2011	2012	2013E	2014E	2015E
Sales revenue (%)	56.7	1.6	-1.1	-3.0	20.3
EBIT (Adj) (%)	36.3	-57.5	-98.8	nm	134.5
Core NPAT (%)	56.8	-88.1	-422.7	-82.5	78.1
Core EPS (%)	120.2	-88.1	-422.7	-82.5	78.1

Balance Sheet (US$m)	2011	2012	2013E	2014E	2015E
Cash & cash equiv.	217.1	103.0	131.9	180.6	252.5
Accounts receivables	74.3	85.1	84.2	81.6	98.2
Inventory	375.3	501.0	495.5	480.5	578.0
Net fixed & other tangibles	583.1	888.9	866.9	756.4	588.1
Goodwill & intangibles	1,242.8	1,215.0	1,215.0	1,215.0	1,215.0
Financial & other assets	155.3	199.3	199.3	199.3	199.3
Total assets	**2,647.9**	**2,992.3**	**2,992.8**	**2,913.4**	**2,931.0**
Accounts payable	172.7	196.0	226.0	249.9	271.7
Short-term debt	316.3	261.9	261.9	261.9	261.9
Long-term debt	84.1	463.6	463.6	463.6	463.6
Provisions & other liab	318.6	451.1	451.1	451.1	451.1
Total liabilities	**891.7**	**1,372.6**	**1,402.6**	**1,426.5**	**1,448.2**
Shareholders' equity	1,515.5	1,535.6	1,470.6	1,348.2	1,318.6
Minority interests	240.8	84.6	120.2	139.2	164.7
Total equity	**1,756.2**	**1,620.2**	**1,590.7**	**1,487.4**	**1,483.2**
Net debt	**183.3**	**622.5**	**593.6**	**544.9**	**473.0**
Net debt to equity (%)	10.4	38.4	37.3	36.6	31.9

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	3.7	31.3	-9.7	-5.3	-24.3
PB (x)	0.4	0.4	0.4	0.5	0.5
EV/EBITDA (x)	1.8	2.8	4.5	7.2	3.9
FCF yield (%)	13.2	-43.6	4.6	8.3	12.0
Dividend yield (%)	0	0	0.6	0.6	0.6
Payout ratio (%)	0	0	-6	-3	-14
ROE (%)	11.7	1.3	-4.3	-8.4	-1.9

Cashflow (US$m)	2011	2012	2013E	2014E	2015E
EBITDA	566.1	394.1	297.0	183.8	333.3
Working capital	-97.3	-113.2	36.4	41.6	-92.3
Other	-66.6	-100.9	-31.5	11.4	-38.9
Operating cashflow	**402.2**	**180.1**	**301.9**	**236.8**	**202.1**
Capex	-200.1	-455.0	-273.0	-184.5	-126.7
Net acq/disposals	1.8	-12.0	0	0	0
Other	-115.6	0	0	0	0
Investing cashflow	**-314.0**	**-467.0**	**-273.0**	**-184.5**	**-126.7**
Dividends paid	0	0	0	-3.6	-3.6
Financing cashflow	**-70.1**	**172.8**	**0**	**-3.6**	**-3.6**
Net change in cash	**4.9**	**-114.1**	**28.9**	**48.7**	**71.9**
FCF ex acquisns & explorn	**89.4**	**-286.9**	**28.9**	**52.3**	**75.5**

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For definitions of the items in this table, please click here.

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Company Focus

OceanaGold (OGC.AX)

Didipio Game Changer

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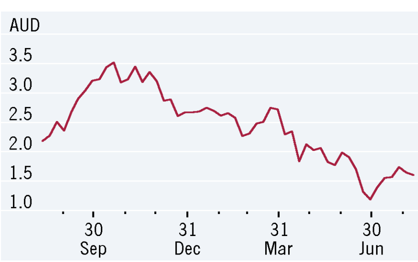
Buy	**1**
Price (12 Aug 13)	A$1.73
Target price	A$1.90
Expected share price return	10.1%
Expected dividend yield	0.0%
Expected total return	**10.1%**
Market Cap	A$506M
	US$466M

Price Performance
(RIC: OGC.AX, BB: OGC AU)



- **Didipio Tracking Well** — 2013 continues to track as a transformational year for OGC. Didipio has now reached commercial production and remains on track to reach 3mtpa throughput next year. At current cost guidance, Didipio is potentially the lowest cost gold mine in the world, and offers additional upside via expansion at the mill. While the NZ assets are mature, high cost and offer modest mine lives against the backdrop of current gold prices, we back OGC to manage these assets effectively and ensure they don't become a drag on Didipio. OGC is rated Buy with a $1.90/share target price.
- **The Year Ahead** — 2013 production guidance was re-affirmed at 285-325koz gold and 15-18kt copper at consolidated cash costs of US$650-800/oz (US$930-1,080/oz using the all-in sustaining framework). US$85m impairment charge to the New Zealand assets following the cancelation of a cut back at Reefton. The company has targeted US$100m of cost cutting through; scaled back exploration, decrease in capital items, wage freezes and reduction in consumables and contractors.
- **Cash Flows & Capital Allocation** — With capex now sunk and production ramping up at Didipio, near-term free cash flow generation will strengthen. Unaudited accounts showed FCF for H1CY13 of -US$59m. The DFS for the Didipio expansion is set to commence (capex US$50-100m). Management had previously flagged the prospect of dividends near term, however a more conservative approach may be warranted now, along with the agenda for acquisitive growth options (focused on Asia Pacific gold assets in earlier stages of development (PFS/DFS)).
- **Cash Cost Step-Change** — Production and cost guidance for 2013 demonstrated the strong tailwind from copper at Didipio with cash cost of negative US$370-$50/oz. On a group basis 2013 cost guidance of US$650-$800/oz represents a 20-35% reduction on 2012 and a substantially improved competitive position relative to other global gold miners.
- **Reefton's End in Sight** — The final cutback has been deferred in a mine schedule re-jig, which results in a 2-year reduction in the operation's life with care and maintenance expected mid-2015. A hedging program has also been put in place at US$1,248/oz, which is intended to ensure that the operation remains cash flow positive including all remaining capex and rehab costs over the next 2 years.

OGC.AU revisions (Y/E Dec)	2011A	2012A	2013E	2014E	2015E
Sales (US$m)	395.6	385.4	493.3	500.6	496.7
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (US$m)	78.5	54.8	26.5	50.4	68.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (US$m)	44.5	21.7	-2.7	16.1	37.7
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (US¢)	14.5	7.3	-0.9	5.3	12.4
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	14.7	-49.6	-112.2	695.7	134.0
PE Ratio (x)	11.0	21.7	-178.5	30.0	12.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

OGC.AX: Fiscal year end 31-Dec — Price:$1.73; TP:$1.90; # Shares: 294m; Market Cap: A$508m; Recomm: Buy

Profit & Loss (US$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	385	493	501	497	596
Cost of sales	-317	-444	-440	-412	-424
EBITDA	**146**	**166**	**184**	**188**	**265**
Depreciation/Amortization	-91	-139	-133	-120	-110
EBIT	**55**	**26**	**50**	**68**	**154**
Net interest	-22	-24	-20	-6	-8
Earnings before tax	**33**	**2**	**30**	**62**	**146**
Tax Recurring	-12	-2	-9	-19	-44
Exceptional/Other	16	-70	-5	-6	-12
Reported net profit	**38**	**-70**	**16**	**38**	**90**
Core NPAT	22	-3	16	38	90

Balance Sheet (US$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	97	51	136	27	177
Net fixed & other tangibles	846	733	674	708	673
Total assets	**1,032**	**915**	**941**	**866**	**981**
Short-term debt	130	0	225	0	0
Long-term debt	137	233	8	108	108
Total liabilities	**422**	**370**	**370**	**245**	**245**
Shareholders' equity	610	545	571	621	736
Total equity	**610**	**545**	**571**	**621**	**736**
Net debt	**170**	**182**	**97**	**81**	**-69**

Cashflow (US$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**115**	**100**	**159**	**170**	**225**
Capex	-290	-127	-73	-154	-75
Net acq/disposals	-4	0	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**-179**	**-26**	**86**	**15**	**150**
Net change in cash	**-73**	**-46**	**86**	**-110**	**150**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	13	-23	5	12	30
Core EPS (¢)	7	-1	5	12	30
DPS (¢)	0	0	0	0	0
CFPS (¢)	39	33	52	56	74
BVPS (¢)	208	186	194	211	251
Wtd avg ord shares (m)	294	294	294	294	294
Wtd avg diluted shares (m)	296	302	303	303	303

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	21.7	nm	30.0	12.8	5.4
EV/EBIT (x)	11.1	25.5	12.7	8.7	3.3
EV/EBITDA (x)	4.1	4.1	3.5	3.1	1.9
FCF yield (%)	-37	-5	18	3	31
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	38	34	37	38	44
Operating ROE (%)	4	0	3	6	13
Operating ROIC (%)	6	3	5	7	15
Net debt to equity (%)	28	33	17	13	-9
Debt to total capital (%)	30	30	29	15	13

Comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,673	1,350	1,143	1,250	1,350
Copper price (US¢/lb)	361	326	295	308	313
AUDUSD (analyst) (x)	1.04	0.96	0.88	0.88	0.90
Long Term Forecasts					
Gold Price (US$/oz)					1,050
Copper Price (US$/mt)					6,200
AUDUSD average					0.93

Production Volumes	2012	2013E	2014E	2015E	2016E
Macraes - 100% (koz)	170	182	173	173	173
Reefton - 100% (koz)	63	58	62	31	0
Didipio - 100% (koz Au)	0	58	99	99	141
Didipio - 100% (kt Cu)	0	21	18	18	26

Production Costs	2012	2013E	2014E	2015E	2016E
Total Cash Cost - Group (US$/oz)	969	689	623	626	514

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	0.0	11.8	-80.6	-29.9	na
EPS%Δ/10% Gold (%)	0.0	-11.1	102.8	51.7	na
EPS%Δ/10% Copper (%)	0.0	-6.3	46.1	19.6	na

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	3,641	1.11	10,514	1.22
Copper(kt)	237	0.23	339	0.07

Valuation		
WACC (%)		11.0
NPV Valuation	**US$M**	**A$/sh.**
NZ Operations	141	0.52
Didipio	528	1.93
Exploration	47	0.17
Corporate	-94	-0.35
Net (debt)/cash	-200	-0.73
Total	**421**	**1.54**

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Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Perseus (PRU.AX)
Realising the Potential

- **Operational Challenges** — Perseus delivered production for 2H13 at bottom of guidance, with costs higher and FY14 guidance of 190-210koz significantly below our previous estimate of 284koz. To compound a disappointing end to FY13, the Sissingué project has been put on ice. PRU is rated Sell, with a target price of A$0.50/share.
- **JQ13 Guidance Missed** — PRU hit the bottom end of guidance at 105koz (FY13H2 guidance 105-125koz). Cash costs were higher at US$1,405/oz (guidance US$1,100/oz). Relatively minor plant maintenance issues have been blamed, which is disappointing following the difficulties experienced earlier in the year with the crusher. PRU has US$36m of cash and US$13m of bullion at 30-Jun.
- **Sissingué on Ice** — PRU has decided not to commit to the development of the project and this decision will be next reviewed in January 2014. The company cites challenges in drawing down debt and the current gold price. Citi has pushed back the project's commencement to 1Q16 (1Q15 prior) and utilizes a 50% risk weighting in determining the NPV. PRU will continue discussions with the Cote d'Ivoire government over fiscal terms and stability undertakings. The Sissingué DFS published in Nov-10 estimated start-up capex of US$145m, including US$30m for a power line. The project is expected to produce 340kozpa over the first 2 years of a 6-year mine life.
- **FY14 Guidance** — Lowered FY14 production target of 190-210koz for the Edikan Gold Mine implies a 7.5mtpa run rate from the mill (8mt theoretical capacity) v 5.3mt in FY13. All in site cash cost guidance of US$1,00-1,200/oz is inline with FY13's performance.
- **Exploration** — Promising work continues in Cote d'Ivoire around anomalous soil geochemistry results and regional drilling. These projects could provide long-term value, but we caution over optimism due to their early stage, and long-term nature.

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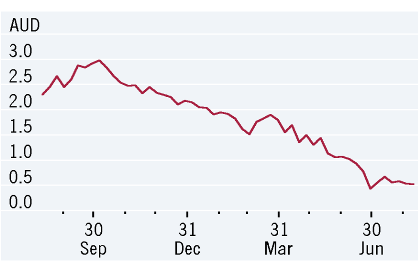
Sell	**3**
Price (12 Aug 13)	A$0.58
Target price	A$0.50
Expected share price return	-13.8%
Expected dividend yield	0.0%
Expected total return	**-13.8%**
Market Cap	A$266M
	US$244M

Price Performance
(RIC: PRU.AX, BB: PRU AU)



PRU.AU revisions (Y/E Jun)	2011A	2012A	2013E	2014E	2015E
Sales (A$m)	0.1	155.3	292.1	295.7	381.5
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	-14.4	50.7	61.5	-24.5	28.2
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	-5.5	36.0	31.4	-15.6	17.9
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	-1.3	8.0	7.0	-3.5	4.0
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	56.1	721.4	-12.7	-149.6	215.0
PE Ratio (x)	-44.9	7.2	8.3	-16.7	14.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

PRU.AX: Fiscal year end 30-Jun — Price:$0.58; TP:$0.50; # Shares: 458m; Market Cap: A$266m; Recomm: Sell

Profit & Loss (A$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	155	292	296	381	651
Cost of sales	-88	-212	-286	-314	-431
EBITDA	**61**	**82**	**-2**	**56**	**222**
Depreciation/Amortization	-10	-21	-22	-28	-45
EBIT	**51**	**61**	**-24**	**28**	**176**
Net interest	-1	-1	0	-1	-1
Earnings before tax	**50**	**61**	**-24**	**28**	**175**
Tax Recurring	-8	-25	8	-10	-61
Exceptional/Other	8	-4	0	0	0
Reported net profit	**50**	**31**	**-16**	**18**	**114**
Core NPAT	36	31	-16	18	114

Balance Sheet (A$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	105	22	26	3	134
Net fixed & other tangibles	346	410	407	480	464
Total assets	**529**	**523**	**524**	**574**	**690**
Short-term debt	35	0	0	0	0
Long-term debt	26	10	20	50	50
Total liabilities	**169**	**139**	**149**	**179**	**179**
Shareholders' equity	360	381	372	392	507
Total equity	**360**	**385**	**376**	**395**	**511**
Net debt	**-45**	**-12**	**-6**	**47**	**-84**

Cashflow (A$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**59**	**91**	**6**	**47**	**161**
Capex	-128	-61	-16	-101	-30
Net acq/disposals	0	0	0	0	0
Exploration exp/Other	25	-7	0	0	0
FCF ex acqns & explor exp	**-99**	**29**	**-10**	**-54**	**131**
Net change in cash	**25**	**-42**	**10**	**-24**	**131**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	11	7	-3	4	25
Core EPS (¢)	8	7	-3	4	25
DPS (¢)	0	0	0	0	0
CFPS (¢)	13	20	1	11	36
BVPS (¢)	79	83	81	86	111
Wtd avg ord shares (m)	446	446	446	446	446
Wtd avg diluted shares (m)	448	448	448	448	448

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	7.2	8.3	-16.7	14.5	2.3
EV/EBIT (x)	4.3	3.7	-10.5	10.1	1.4
EV/EBITDA (x)	3.6	2.8	nm	5.1	1.1
FCF yield (%)	-27	11	-4	-21	51
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	39	28	-1	15	34
Operating ROE (%)	12	8	-4	5	25
Operating ROIC (%)	15	10	-4	4	25
Net debt to equity (%)	-13	-3	-2	12	-16
Debt to total capital (%)	14	3	5	11	9

Comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,674	1,608	1,150	1,195	1,315
AUDUSD (analyst) (x)	1.03	1.03	0.90	0.88	0.89
Long Term Forecasts					
Gold Price (US$/oz)					1,050
AUDUSD average					0.93

Production Volumes	2012	2013E	2014E	2015E	2016E
EGM (koz)	123	188	200	243	259
Tengrela (koz)	0	0	0	0	153
Production Costs	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Total Cash Costs (US$/oz)	725	785	956	841	719

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	0.0	-5.5	-16.3	-0.6	-9.3
EPS%Δ/10% Gold (%)	0.0	18.0	-64.8	88.3	34.4

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	4,034	1.21	9,221	1.07

Valuation		
WACC (%)		12.0
NPV Valuation	**US$M**	**A$/sh.**
EGM	276	0.65
Tengrela	72	0.17
Exploration	47	0.11
Corporate	-67	-0.16
Net debt/cash	15	0.04
Total	**343**	**0.80**

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Company Focus

Petropavlovsk PLC (POG.L)

Debt is a Big Issue at Low Gold Prices

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Sell	**3**
Price (12 Aug 13)	£0.92
Target price	£0.62
Expected share price return	-33.0%
Expected dividend yield	0.0%
Expected total return	**-33.0%**
Market Cap	£183M
	US$283M

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

- **Investment Case** — Investment in POG is suited to a gold price above $1,700/oz, in our view, which is where the price was just six months ago. The six months since then have changed POG's outlook dramatically and we believe the group could experience serious financial difficulty if gold were to fall below $1200.
- **Key Opportunities/ Challenges** — POG faces the extra technical risk of the forthcoming POX process.
- **Operational Outlook** — We expect production of 767k oz in 2013 and 794k oz in 2014 primarily from growth at Malomir
- **Key Catalysts** — POG is in the position of being one of the very few gold groups not carrying net cash as it passed the gold cycle-peak, a feature which does not lend itself to investor enthusiasm during a gold price downturn. The iron ore assets are now in associate rather than subsidiary form, but they continue to detract from the core business of this gold group, making it neither fish nor fowl.
- **Valuation and Risks** — We set our target price of £0.62 by applying a 1.1x P/NPV multiple to POG's gold assets (NAV of £0.04 per share; derived using a discount rate of 10%), while we use the market capitalisation of the IRC subsidiary to value the stake which POG holds (currently $0.58 per POG share).

Petropavlovsk PLC (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	1,261.5	1,374.7	1,136.8	867.2	959.5
Profit Before Tax ($M)	356.9	140.7	72.4	-97.2	26.4
Diluted EPS ($)	1.23	0.53	0.28	-0.25	0.18
Diluted EPS (Old) ($)	1.23	0.53	0.28	-0.25	0.18
PE (x)	1.2	2.7	5.1	-5.8	8.0
EV/EBITDA (x)	2.0	3.2	4.3	8.3	5.1
DPS ($)	0.19	0.19	0.11	0.00	0.00
Net Div Yield (%)	13.3	13.3	7.7	0.0	0.0

POG.L: Fiscal year end 31-Dec — Price: £0.92; TP: £0.62; Market Cap: £182m; Recomm: Sell

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,261	1,375	1,137	867	959
Cost of sales	-774	-1,032	-903	-851	-861
Gross profit	487	342	234	16	98
Gross Margin (%)	38.6	24.9	20.6	1.9	10.2
EBITDA (Adj)	**528**	**457**	**358**	**174**	**261**
EBITDA Margin (Adj) (%)	41.8	33.3	31.5	20.1	27.2
Depreciation	-130	-230	-233	-238	-243
Amortisation	0	0	0	0	0
EBIT (Adj)	**397**	**227**	**124**	**-64**	**18**
EBIT Margin (Adj) (%)	31.5	16.5	10.9	-7.4	1.9
Net interest	-34	-74	-77	-77	-50
Associates	0	0	26	44	58
Non-op/Except	-6	-13	0	0	0
Pre-tax profit	**357**	**141**	**72**	**-97**	**26**
Tax	-120	-48	-15	46	10
Extraord./Min.Int./Pref.div.	-10	6	-2	3	-1
Reported net profit	**227**	**99**	**55**	**-49**	**35**
Net Margin (%)	18.0	7.2	4.8	-5.6	3.7
Core NPAT	227	99	55	-49	35
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	1.23	0.53	0.28	-0.25	0.18
Core EPS ($)	1.23	0.53	0.28	-0.25	0.18
DPS ($)	0.19	0.19	0.11	0.00	0.00
CFPS ($)	1.39	1.45	1.80	1.11	0.87
FCFPS ($)	-2.89	-1.90	0.06	0.40	0.64
BVPS ($)	8.83	7.67	7.67	7.43	7.02
Wtd avg ord shares (m)	185	188	198	198	198
Wtd avg diluted shares (m)	185	188	198	198	198
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	106.1	9.0	-17.3	-23.7	10.6
EBIT (Adj) (%)	181.6	-42.8	-45.4	-151.5	128.7
Core NPAT (%)	460.9	-56.4	-44.7	-188.6	172.5
Core EPS (%)	445.7	-57.1	-47.4	-188.6	172.5
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	213	159	87	223	309
Accounts receivables	208	189	140	105	116
Inventory	330	345	254	192	211
Net fixed & other tangibles	2,490	2,604	2,714	2,616	2,418
Goodwill & intangibles	22	22	22	22	22
Financial & other assets	10	8	8	8	8
Total assets	**3,273**	**3,327**	**3,224**	**3,166**	**3,084**
Accounts payable	135	145	107	95	95
Short-term debt	216	84	84	84	84
Long-term debt	790	1,138	998	998	998
Provisions & other liab	224	305	305	305	305
Total liabilities	**1,365**	**1,672**	**1,493**	**1,481**	**1,481**
Shareholders' equity	1,633	1,441	1,516	1,469	1,387
Minority interests	275	215	215	215	215
Total equity	**1,908**	**1,656**	**1,731**	**1,684**	**1,602**
Net debt	**793**	**1,063**	**995**	**859**	**773**
Net debt to equity (%)	41.6	64.2	57.5	51.0	48.2

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	1.2	2.7	5.1	-5.8	8.0
PB (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	2.0	3.2	4.3	8.3	5.1
FCF yield (%)	-202.8	-133.5	4.3	27.8	44.8
Dividend yield (%)	13.3	13.3	7.7	0.0	0.0
Payout ratio (%)	15	36	40	0	0
ROE (%)	14.8	6.4	3.7	-3.3	2.5
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	528	457	358	174	261
Working capital	-342	14	102	85	-30
Other	71	-200	-105	-41	-60
Operating cashflow	**256**	**271**	**355**	**219**	**171**
Capex	-791	-621	-343	-140	-45
Net acq/disposals	0	6	0	0	0
Other	0	-14	-50	-40	-40
Investing cashflow	**-791**	**-629**	**-393**	**-180**	**-85**
Dividends paid	0	-26	-28	-12	0
Financing cashflow	**424**	**296**	**-35**	**98**	**0**
Net change in cash	**-108**	**-54**	**-73**	**136**	**86**
FCF ex acquisns & explorn	**-535**	**-358**	**-38**	**38**	**86**

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Precious Metals & Minerals (GICS) | Mining & Precious Metals (Citi)
Western Europe | United Kingdom

Company Focus

Polymetal (POLYP.L)

Decent Quality Group

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Neutral	**2**
Price (12 Aug 13)	£7.40
Target price	£6.98
Expected share price return	-5.6%
Expected dividend yield	4.1%
Expected total return	**-1.6%**
Market Cap	£2,880M
	US$4,464M

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

- **Investment Case** — POLYP is a precious metals producer in Russia and Kazakhstan and had FY11 gold equivalent ('GE') production of 810k oz of gold (55% gold, 41% silver, 4% copper). The group has 5 operations in Russia and 1 operation in Kazakhstan, including 3 processing hubs. The group has GE reserves (JORC) of 14.3 Moz at 4.2 g/t GE plus 13.8 Moz of GE resources at 3.9 g/t. The board structure is seen as a positive, with ex-Anglogold CEO Bobby Godsell on the board. This is likely to dissipate investor concerns about the perceived weaknesses of Russian corporate governance, in our view.

- **Key Opportunities/ Challenges** — As with POG, pressure-oxidisation (POX) is a big part of POLYP's future. Design daily concentrate throughput at Amursk POX was achieved in late November 2012. However, due to the presence of unexpectedly high chlorine concentrations in process water and certain design weaknesses the plant had to be shut down in late December and was recently operating at 60% of design throughput and 9-14 percentage points below design recovery (80-85%). POLYP has been implementing a series of corrective measures and expects that recovery will slowly improve over Q2 and Q3 while full throughput will be reached in Q4.

- **Operational Outlook** — We expect gold-equivalent production of 1236k oz in 2013 and 1360k oz in 2014 as Mayskoe ramps up.

- **Key Catalysts** — The key near-term catalyst is to get the POX system operating at full efficiency.

Valuation and Risks — We use a 1.4x P/NPV ratio to derive our target price of £6.98. We continue to rate POLYP as Neutral.

Polymetal (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	1,326.4	1,854.0	1,773.5	1,559.6	1,681.9
Net Income ($M)	289.9	406.6	377.4	199.7	279.5
Diluted EPS ($)	0.74	1.00	0.93	0.49	0.69
Diluted EPS (Old) ($)	0.74	1.00	0.93	0.49	0.69
PE (x)	15.5	11.5	12.4	23.4	16.7
EV/EBITDA (x)	8.5	5.5	7.0	10.4	8.0
DPS ($)	0.20	0.31	0.40	0.25	0.22
Net Div Yield (%)	1.7	2.7	3.5	2.2	1.9

POLYP.L: Fiscal year end 31-Dec — **Price: £7.40; TP: £6.98; Market Cap: £2,882m; Recomm: Neutral**

Profit & Loss (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	1,326	1,854	1,774	1,560	1,682
Cost of sales	-658	-961	-1,094	-1,154	-1,171
Gross profit	669	893	680	405	511
Gross Margin (%)	50.4	48.1	38.3	26.0	30.4
EBITDA (Adj)	**591**	**926**	**728**	**467**	**574**
EBITDA Margin (Adj) (%)	44.6	49.9	41.0	29.9	34.2
Depreciation	-140	-203	-190	-187	-198
Amortisation	0	0	0	0	0
EBIT (Adj)	**451**	**688**	**538**	**280**	**377**
EBIT Margin (Adj) (%)	34.0	37.1	30.3	18.0	22.4
Net interest	-25	-22	-39	-16	-9
Associates	0	0	0	0	0
Non-op/Except	-17	-74	0	0	0
Pre-tax profit	**409**	**627**	**499**	**265**	**367**
Tax	-119	-213	-115	-58	-81
Extraord./Min.Int./Pref.div.	0	-7	-7	-7	-7
Reported net profit	**290**	**407**	**377**	**200**	**279**
Net Margin (%)	21.9	21.9	21.3	12.8	16.6
Core NPAT	290	407	377	200	279
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	0.74	1.00	0.93	0.49	0.69
Core EPS ($)	0.74	1.00	0.93	0.49	0.69
DPS ($)	0.20	0.31	0.40	0.25	0.22
CFPS ($)	0.54	1.22	1.41	0.96	1.19
FCFPS ($)	-0.02	0.49	0.70	0.57	0.76
BVPS ($)	4.54	5.41	5.98	6.50	7.22
Wtd avg ord shares (m)	367	383	390	390	390
Wtd avg diluted shares (m)	393	408	408	408	408
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	43.3	39.8	-4.3	-12.1	7.8
EBIT (Adj) (%)	37.2	52.5	-21.7	-47.9	34.3
Core NPAT (%)	21.3	40.2	-7.2	-47.1	40.0
Core EPS (%)	11.7	35.1	-7.2	-47.1	40.0
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	658	252	412	514	596
Accounts receivables	68	102	102	102	102
Inventory	613	774	774	774	774
Net fixed & other tangibles	2,041	2,060	2,060	2,060	2,060
Goodwill & intangibles	109	116	116	116	116
Financial & other assets	164	178	178	178	178
Total assets	**3,652**	**3,481**	**3,641**	**3,743**	**3,825**
Accounts payable	80	108	108	108	108
Short-term debt	348	390	390	390	290
Long-term debt	655	640	540	440	340
Provisions & other liab	755	264	264	264	264
Total liabilities	**1,837**	**1,402**	**1,302**	**1,202**	**1,002**
Shareholders' equity	1,667	2,069	2,329	2,531	2,814
Minority interests	148	9	9	9	9
Total equity	**1,815**	**2,079**	**2,339**	**2,541**	**2,823**
Net debt	**345**	**778**	**518**	**316**	**34**
Net debt to equity (%)	19.0	37.4	22.1	12.4	1.2

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	15.5	11.5	12.4	23.4	16.7
PB (x)	2.5	2.1	1.9	1.8	1.6
EV/EBITDA (x)	8.5	5.5	7.0	10.4	8.0
FCF yield (%)	-0.2	4.2	6.1	5.0	6.6
Dividend yield (%)	1.7	2.7	3.5	2.2	1.9
Payout ratio (%)	27	31	43	51	31
ROE (%)	19.1	21.8	17.2	8.2	10.5
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	591	926	728	467	574
Working capital	-217	-120	0	0	0
Other	-160	-309	-154	-74	-90
Operating cashflow	**214**	**497**	**574**	**393**	**484**
Capex	-222	-298	-288	-160	-176
Net acq/disposals	0	0	0	0	0
Other	-11	-26	-26	-26	-26
Investing cashflow	**-233**	**-324**	**-314**	**-186**	**-202**
Dividends paid	0	-76	0	0	0
Financing cashflow	**909**	**-597**	**-100**	**-100**	**-200**
Net change in cash	**889**	**-424**	**160**	**107**	**82**
FCF ex acquisns & explorn	**-9**	**199**	**286**	**233**	**308**

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Gold (GICS) | Metals & Mining (Citi)
CEEMEA | Russian Federation

Company Focus

Polyus Gold (PGIL.L)

Top Class Producer

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Buy	**1**
Price (12 Aug 13)	£2.12
Target price	£2.35
Expected share price return	10.8%
Expected dividend yield	3.6%
Expected total return	**14.5%**
Market Cap	£6,428M
	US$9,964M

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

- **Investment Case** — Polyus Gold is the largest producer of gold in Russia, 10th largest in the world by gold output, and 6th largest by market cap. We like the globally attractive growth profile, low cash costs and abundant reserves, with almost all NAV sourced from Russia vs. CEEMEA peers operating in higher risk continental Africa.

- **Key Opportunities/ Challenges** — Recently, Polyus made good progress at it greenfeild projects Verninskoe (in Irkutsk region of Russia) and Natalka (Magadan, Far East region of Russia). Natalka ramp-up remains one of the key drivers of growth. We expect commissioning in end-2013 and first production in 2014 with gradual ramp-up to full SAG mill capacity in 2017E.

- **Operational Outlook** — PGIL screens as having among best production growth at reasonable cost profiles globally among large cap miners, second only to Polymetal and Randgold. The company's financial stability (as measured by Altman's Z-score) is also high despite recent aggressive organic expansion though development of Natalka project.

- **Key Catalysts** — On an all-in cash cost basis Polyus is in the bottom quartile of the global cost curve when taking into account full project and development capex. Polyus also screens well when taking into account maintenance capex only. This position on the cost curve benefits the company and supports our bullish stance on the stock.

- **Valuation and Risks** — We derive an NPV of £1.57 for Polyus. Given the high-quality nature of the assets, we now apply a 1.5x P/NPV ratio to our NPV which aligns the price target methodology to rest of the UK gold space and this gives us a TP of £2.35. Our DCF model is based on FCF forecasts, which are discounted at a WACC of 8.4%.This is lower than the 10% which we use on other Russian gold miners because of the superior quality of the Polyus assets (and group size) in comparison to those Russian peers. Because of its high quality, Polyus is the only Buy-rated share in our UK gold/silver equity portfolio.

Polyus Gold (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	2,402.7	2,848.1	2,318.0	2,061.8	2,586.0
Profit Before Tax ($M)	765.1	1,237.8	723.4	297.4	388.3
Diluted EPS ($)	0.16	0.32	0.17	0.07	0.09
Diluted EPS (Old) ($)	0.16	0.32	0.17	0.07	0.09
PE (x)	20.7	10.4	19.3	47.1	36.1
EV/EBITDA (x)	8.9	7.3	11.5	16.7	13.7
DPS ($)	0.03	0.06	0.12	0.06	0.03
Net Div Yield (%)	1.0	1.8	3.5	1.9	0.8

PGIL.L: Fiscal year end 31-Dec

Price: £2.12; TP: £2.35; Market Cap: £6,428m; Recomm: Buy

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	2,403	2,848	2,318	2,062	2,586
Cost of sales	-1,208	-1,408	-1,421	-1,403	-1,758
Gross profit	1,194	1,441	897	659	828
Gross Margin (%)	49.7	50.6	38.7	31.9	32.0
EBITDA (Adj)	**1,140**	**1,383**	**866**	**631**	**793**
EBITDA Margin (Adj) (%)	47.4	48.6	37.4	30.6	30.7
Depreciation	-188	-196	-226	-201	-252
Amortisation	0	0	0	0	0
EBIT (Adj)	**735**	**1,195**	**729**	**314**	**418**
EBIT Margin (Adj) (%)	30.6	42.0	31.5	15.2	16.2
Net interest	-55	1	-74	-66	-83
Associates	0	0	0	0	0
Non-op/Except	-18	5	15	4	4
Pre-tax profit	**765**	**1,238**	**723**	**297**	**388**
Tax	-207	-257	-193	-80	-105
Extraord./Min.Int./Pref.div.	-89	-51	-28	-11	-15
Reported net profit	**469**	**930**	**503**	**206**	**269**
Net Margin (%)	19.5	32.6	21.7	10.0	10.4
Core NPAT	469	930	503	206	269
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	0.16	0.32	0.17	0.07	0.09
Core EPS ($)	0.16	0.32	0.17	0.07	0.09
DPS ($)	0.03	0.06	0.12	0.06	0.03
CFPS ($)	0.26	0.34	0.28	0.15	0.13
FCFPS ($)	0.14	0.08	-0.23	-0.09	-0.03
BVPS ($)	0.93	1.49	1.69	1.70	1.78
Wtd avg ord shares (k)	2,960,311	2,950,916	2,950,916	2,950,916	2,950,916
Wtd avg diluted shares (k)	2,960,311	2,950,916	2,950,916	2,950,916	2,950,916
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	37.4	18.5	-18.6	-11.1	25.4
EBIT (Adj) (%)	45.2	62.6	-39.0	-57.0	33.2
Core NPAT (%)	41.2	98.2	-45.9	-59.1	30.6
Core EPS (%)	47.0	98.9	-45.9	-59.1	30.6
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	721	1,038	381	194	215
Accounts receivables	25	45	32	29	36
Inventory	543	659	639	631	791
Net fixed & other tangibles	2,729	3,549	4,862	5,362	5,610
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	202	297	281	281	281
Total assets	**4,219**	**5,589**	**6,195**	**6,495**	**6,932**
Accounts payable	192	290	281	277	348
Short-term debt	676	188	188	188	188
Long-term debt	123	161	161	411	611
Provisions & other liab	398	482	534	557	516
Total liabilities	**1,388**	**1,120**	**1,164**	**1,433**	**1,662**
Shareholders' equity	2,595	4,186	4,749	4,780	4,988
Minority interests	235	283	283	283	283
Total equity	**2,831**	**4,469**	**5,031**	**5,063**	**5,270**
Net debt	**78**	**-690**	**-32**	**405**	**583**
Net debt to equity (%)	2.7	-15.4	-0.6	8.0	11.1

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	20.7	10.4	19.3	47.1	36.1
PB (x)	3.6	2.2	1.9	1.9	1.8
EV/EBITDA (x)	8.9	7.3	11.5	16.7	13.7
FCF yield (%)	4.3	2.5	-7.1	-2.6	-1.1
Dividend yield (%)	1.0	1.8	3.5	1.9	0.8
Payout ratio (%)	21	18	68	90	28
ROE (%)	16.2	27.4	11.3	4.3	5.5
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	1,027	1,428	1,008	560	719
Working capital	-137	-192	77	31	-138
Other	-124	-244	-252	-142	-184
Operating cashflow	**765**	**992**	**834**	**448**	**397**
Capex	-343	-750	-1,523	-700	-500
Net acq/disposals	-160	27	0	0	0
Other	243	-41	375	0	0
Investing cashflow	**-260**	**-764**	**-1,148**	**-700**	**-500**
Dividends paid	-99	-172	-343	-186	-76
Financing cashflow	**-135**	**36**	**-343**	**64**	**124**
Net change in cash	**331**	**302**	**-658**	**-187**	**21**
FCF ex acquisns & explorn	**262**	**269**	**-689**	**-252**	**-103**
"Key Data"	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Gold sales, koz	1,483	1,685	1,691	1,760	2,022
Gold sales ex Kaz, koz	1,366	1,576	1,674	1,760	2,022
Weighted average grade (g/t)	2.4	2.4	2.3	2.4	2.4
Total gold cash costs ($/oz)	661.0	694.0	675.0	684.4	720.2
Total gold cash costs yoy (%)	19.3	5.0	-2.7	1.4	5.2
Gold price forecasts ($/oz)	1,570	1,669	1,358	1,145	1,250
RUBUSD FX rate	29.4	31.0	31.2	33.5	34.0
RUBUSD FX rate yoy (%)	-3.2	5.3	0.7	7.2	1.8
Gold P&P 2012 reserves	na	90.0	84.0	na	na
Maintenance capex, $mn	94.8	156.0	200.0	200.0	200.0
Maint. Capex as % of dep.	50.4	79.7	88.6	99.6	79.4
Brent oil price (US$/bbl)	110.9	111.7	104.4	97.5	92.5

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Gold (GICS) | Metals & Mining (Citi)
Western Europe | United Kingdom

Company Focus

Randgold Resources Ltd (RRS.L)

Kibali the Game-Changer

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Neutral	**2**
Price (12 Aug 13)	£47.99
Target price	£45.50
Expected share price return	-5.2%
Expected dividend yield	0.4%
Expected total return	**-4.8%**
Market Cap	£4,424M
	US$6,858M

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

- **Investment Case** — Randgold has neither a high cost profile, nor debt on its balance sheet nor a valuation which was as stretched as equal-quality-peer Fresnillo at higher gold prices. Furthermore, it has a game-changing new mine (Kibali) being commissioned in the next quarter. We noted in our gold sector review on 13th June (UK Precious Metals Equities - Asset Write-Down Season) that RRS "has been the one gold share about which we have been most nervous to put on a Sell-rating. This nervousness is enhanced by the fact that we have been conscious that a gold price outcome for the 2013 year-end above $1400 could enhance the attraction of the H2 startup of Kibali. We therefore rate Randgold Neutral.

- **Key Opportunities/ Challenges** — With Kibali coming on stream in 4Q 2013, RRS production should grow to 1.2m oz p.a. by the middle of the decade, even though Morila should have run out of life by then. We view Kibali as a very good mine and think it is likely to be the core to the future of the group.

- **Operational Outlook** — RRS is already making adjustments to its expenditure in the light of the lower gold price. Future action is likely to include finally ruling out developing Massawa at current gold prices in our view. Some of the mining of satellite deposits and dumps will also likely be reconsidered but RRS has a good balance sheet and the Kibali start-up is going to reduce average group costs. Severe remedial action, such as that needed at ABG for example, is unlikely to be needed.

- **Key Catalysts** — Kibali is the key catalyst.

- **Valuation and Risks** — We derive our target price of £45.5 by applying a 1.4x P/NPV ratio to our NPV estimate of £32.51, derived using a discount rate of 10%. We set our target P/NPV multiples with reference to absolute and relative historical average levels

Randgold Resources Ltd (USD)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Sales ($M)	1,128.3	1,311.0	1,198.0	1,387.8	1,609.8
Net Income ($M)	375.9	429.3	240.4	164.3	232.7
Diluted EPS ($)	4.07	4.65	2.60	1.78	2.52
Diluted EPS (Old) ($)	4.07	4.65	2.60	1.78	2.52
PE (x)	18.3	16.0	28.6	41.8	29.5
EV/EBITDA (x)	11.5	9.5	15.4	14.6	10.8
DPS ($)	0.40	0.50	0.44	0.30	0.23
Net Div Yield (%)	0.5	0.7	0.6	0.4	0.3

RRS.L: Fiscal year end 31-Dec — Price: £47.99; TP: £45.50; Market Cap: £4,424m; Recomm: Neutral

Profit & Loss (US$m)	2011	2012	2013E	2014E	2015E
Sales revenue	1,128	1,311	1,198	1,388	1,610
Cost of sales	-601	-712	-850	-1,130	-1,247
Gross profit	527	599	348	258	363
Gross Margin (%)	46.8	45.7	29.0	18.6	22.5
EBITDA (Adj)	**566**	**694**	**444**	**474**	**617**
EBITDA Margin (Adj) (%)	50.2	52.9	37.1	34.2	38.4
Depreciation	-82	-131	-169	-258	-314
Amortisation	0	0	0	0	0
EBIT (Adj)	**484**	**563**	**275**	**217**	**304**
EBIT Margin (Adj) (%)	42.9	42.9	23.0	15.6	18.9
Net interest	3	6	2	2	8
Associates	0	0	0	0	0
Non-op/Except	-22	-19	-7	-29	-31
Pre-tax profit	**483**	**569**	**294**	**219**	**312**
Tax	-51	-58	-19	-33	-47
Extraord./Min.Int./Pref.div.	-56	-82	-35	-22	-32
Reported net profit	**376**	**429**	**240**	**164**	**233**
Net Margin (%)	33.3	32.7	20.1	11.8	14.5
Core NPAT	376	429	240	164	233
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS ($)	4.07	4.65	2.60	1.78	2.52
Core EPS ($)	4.07	4.65	2.60	1.78	2.52
DPS ($)	0.40	0.50	0.44	0.30	0.23
CFPS ($)	6.13	5.34	3.42	4.38	5.74
FCFPS ($)	1.28	-0.75	-2.92	2.23	4.09
BVPS ($)	23.92	28.71	30.94	32.22	34.28
Wtd avg ord shares (m)	91.3	91.3	91.3	91.3	91.3
Wtd avg diluted shares (m)	92.3	92.3	92.3	92.3	92.3
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	120.7	16.2	-8.6	15.8	16.0
EBIT (Adj) (%)	183.0	16.2	-51.2	-21.2	40.1
Core NPAT (%)	169.1	14.2	-44.0	-31.7	41.6
Core EPS (%)	167.0	14.2	-44.0	-31.7	41.6
Balance Sheet (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	488	387	70	236	587
Accounts receivables	131	285	234	234	234
Inventory	219	292	332	332	332
Net fixed & other tangibles	1,688	2,159	2,558	2,509	2,347
Goodwill & intangibles	0	0	0	0	0
Financial & other assets	8	4	1	1	1
Total assets	**2,533**	**3,127**	**3,195**	**3,312**	**3,500**
Accounts payable	159	216	110	110	110
Short-term debt	0	0	0	0	0
Long-term debt	3	13	3	3	3
Provisions & other liab	76	110	95	95	95
Total liabilities	**238**	**339**	**208**	**208**	**208**
Shareholders' equity	2,185	2,622	2,826	2,943	3,131
Minority interests	110	166	161	161	161
Total equity	**2,295**	**2,788**	**2,987**	**3,104**	**3,292**
Net debt	**-484**	**-374**	**-67**	**-233**	**-583**
Net debt to equity (%)	-21.1	-13.4	-2.2	-7.5	-17.7

Valuation ratios	2011	2012	2013E	2014E	2015E
PE (x)	18.3	16.0	28.6	41.8	29.5
PB (x)	3.1	2.6	2.4	2.3	2.2
EV/EBITDA (x)	11.5	9.5	15.4	14.6	10.8
FCF yield (%)	1.7	-1.0	-3.9	3.0	5.5
Dividend yield (%)	0.5	0.7	0.6	0.4	0.3
Payout ratio (%)	10	11	17	17	9
ROE (%)	18.9	17.9	8.8	5.7	7.7
Cashflow (US$m)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	584	712	469	503	648
Working capital	53	-17	-15	-17	-17
Other	-72	-202	-139	-81	-102
Operating cashflow	**566**	**493**	**316**	**404**	**530**
Capex	-448	-562	-556	-198	-152
Net acq/disposals	0	0	-29	0	0
Other	0	0	0	0	0
Investing cashflow	**-448**	**-562**	**-585**	**-198**	**-152**
Dividends paid	-18	-37	-46	-40	-27
Financing cashflow	**1**	**-30**	**-46**	**-40**	**-27**
Net change in cash	**118**	**-98**	**-315**	**166**	**350**
FCF ex acquisns & explorn	**118**	**-69**	**-269**	**206**	**378**

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Gold (GICS) | Metals & Mining (Citi)
Australia/NZ | Australia

Company Focus

Daniel Seeney
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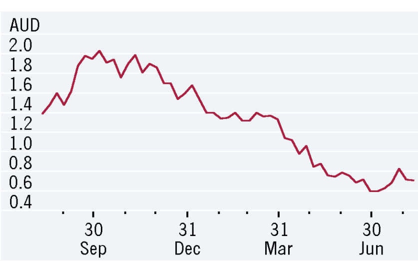
Neutral/High Risk	**2H**
Price (12 Aug 13)	A$0.77
Target price	A$0.90
Expected share price return	16.9%
Expected dividend yield	0.0%
Expected total return	**16.9%**
Market Cap	A$494M
	US$454M

Price Performance
(RIC: RSG.AX, BB: RSG AU)



Resolute (RSG.AX)
Syama Expansion Deferred

- **Steady As She Goes** — RSG's operations continue to perform well and the elections in Mali look to have been conducted successfully without incident. Lower gold price continues to place pressure on the company with the $266m expansion plans at Syama recently deferred by 18 months, a $70m impairment charge flagged for the forthcoming financials (primarily NMG), and further reserves are likely to be downgraded. We rate RSG Neutral/High Risk, A$0.90/share.

- **Cash & Debt** — At 30-June RSG had cash, bullion and investments of A$156m. This includes; gold bullion of $38m (can be liquidated now) and investments of $115m, and $3m cash. Borrowings stand at $96m (up from $69m at 31-Mar) consisting primarily of a US$50m secured revolving credit facility (matures 2016, Barclays & Investec) and US$30m unsecured bank overdraft facility (Bank du Mali). The $36m tax dispute with the Tanzanian Revenue Authority is going to appeal (date yet to be set). RSG management are confident their position is compliant and note that potential payments could be paid via installment plan and hence deferred. Timing of the US$20m payment for Finkoko is dependent on consents from the Mali Government, which could drag into the December quarter.

- **$70m Impairment** - In Nov-12, RSG acquired ~20% of NMG for a cost of $21m (11m RSG shares), seeing value in Nobles Bibiani Gold Project in Ghana. RSG also underwrote NMG's $85m convertible note entitlement offer. RSG has now flagged a $70m impairment charge against its gold equity investments, primarily Noble. RSG continue to believe in the underlying assets of Noble, although NMG remains in voluntary suspension pending an announcement over its financial position and future funding requirements.

- **FY14 Guidance** — RSG has reiterated FY14 production guidance of 345koz at $890/oz inline which is inline expectation with following the closure of Golden Pride. The company has disclosed that the gold price used to calculate its reserves is based upon "last year's gold prices". As such, and given recent weakness in gold prices, we anticipate reserve downgrades are likely when updated in August.

- **Mali** — Syama is yet to experience any disruption following the military overthrow of the Mali government in Mar-12 and subsequent ongoing conflict. Furthermore, the elections in Mali look to have been conducted successfully without incident. As such we are encouraged by the improving conditions in Mali.

RSG.AU revisions (Y/E Jun)	2011A	2012A	2013E	2014E	2015E
Sales (A$m)	446.4	577.1	665.5	424.0	540.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	47.9	178.3	216.9	-2.1	53.8
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	30.5	148.5	155.7	-0.6	41.0
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	4.9	22.8	24.0	-0.1	6.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	-37.8	363.5	5.4	-100.4	7,527.5
PE Ratio (x)	15.7	3.4	3.2	-904.5	12.2
Dividend Yield (%)	0.0	6.5	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

RSG.AX: Fiscal year end 30-Jun						Price:$0.77; TP:$0.90; # Shares: 641m; Market Cap: A$494m; Recomm: Neutral/High Risk					
Profit & Loss (A$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**	**Comdty & FX Forecasts**	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Sales revenue	577	665	424	540	601	Gold price (US$/oz)	1,674	1,606	1,150	1,195	1,315
Cost of sales	-370	-425	-401	-468	-483	AUDUSD (analyst) (x)	1.03	1.03	0.90	0.88	0.89
EBITDA	**251**	**299**	**92**	**165**	**215**	**Long Term Forecasts**					
Depreciation/Amortization	-73	-82	-94	-111	-117	Gold Price (US$/oz)					1,050
EBIT	**178**	**217**	**-2**	**54**	**99**	AUDUSD average					0.93
Net interest	-10	-1	1	5	9						
Earnings before tax	**168**	**216**	**-1**	**59**	**107**	**Production Volumes**	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Tax Recurring	-23	-55	0	-18	-32	Syama (100%) (koz)	145	196	189	197	197
Exceptional/Other	-40	5	0	0	-6	Syama Oxide (100%) (koz)	0	0	0	0	10
Reported net profit	**105**	**167**	**-1**	**41**	**69**	Raverswood (100%) (koz)	138	142	142	201	201
Core NPAT	148	156	-1	41	69	Golden Pride (100%) (koz)	115	98	14	0	0
Balance Sheet (A$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**	**Production Costs**	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Cash & cash equiv.	85	52	87	209	239	Group Total Cash Cost (US$/oz)	835	971	796	788	804
Net fixed & other tangibles	414	491	486	460	616						
Total assets	**665**	**813**	**843**	**940**	**1,126**	**Earnings Sensitivity**	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Short-term debt	8	14	14	14	14	EPS%Δ/10% AUDUSD (%)	0.0	-12.1	4,915.6	-86.4	-50.1
Long-term debt	3	3	3	3	3	EPS%Δ/10% Gold (%)	0.0	0.0	-5,246.7	92.7	50.6
Total liabilities	**122**	**139**	**139**	**139**	**139**	EPS%Δ/10% Copper (%)	na	na	na	na	na
Shareholders' equity	576	702	732	829	1,015						
Total equity	**543**	**675**	**704**	**801**	**987**						
Net debt	**-74**	**-36**	**-70**	**-193**	**-223**						

Cashflow (A$m)	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Operating cashflow	**179**	**210**	**94**	**152**	**186**
Capex	-49	-151	-89	-30	-156
Net acq/disposals	-44	-22	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**86**	**37**	**5**	**122**	**30**
Net change in cash	**39**	**-1**	**35**	**122**	**30**

Per share data	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Reported EPS (¢)	16	26	0	6	11
Core EPS (¢)	23	24	0	6	11
DPS (¢)	5	0	0	0	0
CFPS (¢)	28	32	14	24	29
BVPS (¢)	91	109	114	129	158
Wtd avg ord shares (m)	564	643	643	643	643
Wtd avg diluted shares (m)	651	648	648	648	648

Valuation ratios	**2012**	**2013E**	**2014E**	**2015E**	**2016E**	**Valuation**		
PE (x)	3.4	3.2	nm	12.2	7.2	WACC (%)		14.0
EV/EBIT (x)	2.8	2.0	nm	6.7	2.9			
EV/EBITDA (x)	2.0	1.5	4.7	2.2	1.3	**NPV Valuation**	**US$M**	**A$/sh.**
FCF yield (%)	26	12	1	25	6	Syama	322	0.54
Dividend yield (%)	6	0	0	0	0	Sayama Oxide	18	0.03
Payout ratio (%)	22	0	0	0	0	Mt Wright	163	0.27
Operating performance	**2012**	**2013E**	**2014E**	**2015E**	**2016E**	Golden Pride	0	0.00
EBITDA margin (%)	44	45	22	31	36	Exploration	47	0.08
Operating ROE (%)	31	24	0	5	7	Corporate Costs	-61	-0.10
Operating ROIC (%)	31	28	0	6	9	Net Cash / (Debt)	0	0.00
Net debt to equity (%)	-14	-5	-10	-24	-23	**Total**	**488**	**0.82**
Debt to total capital (%)	2	2	2	2	2		976	0.82

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Company Focus

St Barbara Limited (SBM.AX)

The Pacific Solution

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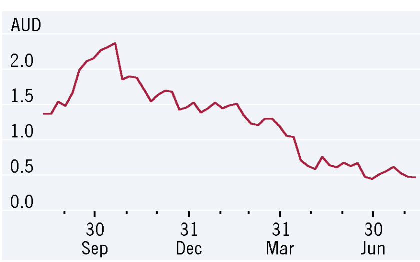
Buy	**1**
Price (12 Aug 13)	A$0.51
Target price	A$1.00
Expected share price return	98.0%
Expected dividend yield	0.0%
Expected total return	**98.0%**
Market Cap	A$246M
	US$227M

Price Performance
(RIC: SBM.AX, BB: SBM AU)



- **Operational Stability Ahead** — We are optimistic that stability in the operating performance of SBM's mines will be achieved through ongoing improvements, particularly to the Pacific Assets. This is however against the headwinds of materially lower gold prices, which will affect the short- to medium-term economic viability of some operations.

- **Cash & Debt** — SBM raised US$250m of 5-year debt at 8.8%, which settled on 27-Mar and was used to repay A$150m of syndicated bank debt facilities. The A$50m Red Kite gold loan remains in place. Total interest bearing liabilities at 30-Jun of A$325m. As at the end of the June quarter SBM held cash of A$129m and hence net debt of A$196m (A$192m at 31-Mar) and gearing (D/D+E) of 28%. SBM's gearing is relatively high relative to peers however the 5 year maturities in place offer a comfortable position to manage through the current market weakness.

- **The Year Ahead** – Gold production guidance for 2014 is 395-445koz at consolidated cash costs of A$880-940/oz and capex of A$91-108m. Gold Ridge remains the asset most under pressure against the backdrop of weak gold prices with cash cost guidance for the year ahead of A$1,100 – A$1,190/oz. SBM is yet to disclose costs under the revised World Gold Council all-in sustaining framework.

- **Pacific Turnaround, Too Little Too Late?** — Citi forecasts look for improved production metrics as SBM implements its improvement strategy, but comes after the precipitous drop in gold price. SBM undertook a number of changes including consolidation of the articulated dump trucks (ADT), replacing rigid trucks with 7 new ADTs. Improved mine scheduling at Gold Ridge will allow better ore blending; flowing through to increase recoveries. Any further, long-term capex projects, including exploration now look difficult to justify, reducing any upside potential for the assets.

SBM.AU revisions (Y/E Jun)	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**
Sales (A$m)	359.6	541.2	522.8	551.6	602.3
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (A$m)	48.8	117.5	62.8	21.2	54.8
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core Net Profit (A$m)	50.7	141.3	33.7	3.1	28.8
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
Core EPS (A¢)	15.5	43.0	6.9	0.6	5.9
% revision	0.0%	0.0%	0.0%	0.0%	0.0%
EPS Growth (%)	213.4	177.7	-84.0	-90.7	817.8
PE Ratio (x)	3.3	1.2	7.4	79.7	8.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company Reports and dataCentral, Citi Research.

SBM.AX: Fiscal year end 30-Jun — **Price:$0.51; TP:$1.00; # Shares: 488m; Market Cap: A$249m; Recomm: Buy**

Profit & Loss (A$m)	2012	2013E	2014E	2015E	2016E
Sales revenue	541	523	552	602	663
Cost of sales	-388	-429	-504	-520	-535
EBITDA	**215**	**164**	**163**	**208**	**257**
Depreciation/Amortization	-97	-102	-141	-153	-157
EBIT	**118**	**63**	**21**	**55**	**100**
Net interest	3	-15	-17	-14	-8
Earnings before tax	**121**	**48**	**4**	**41**	**92**
Tax Recurring	21	-14	-1	-12	-28
Exceptional/Other	-11	-15	0	0	0
Reported net profit	**130**	**19**	**3**	**29**	**64**
Core NPAT	141	34	3	29	64

Balance Sheet (A$m)	2012	2013E	2014E	2015E	2016E
Cash & cash equiv.	185	100	142	230	355
Net fixed & other tangibles	437	1,085	1,033	1,039	1,123
Total assets	**682**	**1,326**	**1,317**	**1,410**	**1,619**
Short-term debt	3	82	82	82	82
Long-term debt	1	136	136	136	136
Total liabilities	**118**	**461**	**461**	**461**	**461**
Shareholders' equity	564	865	856	950	1,158
Total equity	**564**	**865**	**856**	**950**	**1,158**
Net debt	**-181**	**118**	**75**	**-13**	**-138**

Cashflow (A$m)	2012	2013E	2014E	2015E	2016E
Operating cashflow	**222**	**82**	**132**	**169**	**209**
Capex	-100	-123	-90	-82	-84
Net acq/disposals	-5	-184	0	0	0
Exploration exp/Other	0	0	0	0	0
FCF ex acqns & explor exp	**117**	**-224**	**42**	**88**	**125**
Net change in cash	**106**	**-85**	**42**	**88**	**125**

Per share data	2012	2013E	2014E	2015E	2016E
Reported EPS (¢)	40	4	1	6	13
Core EPS (¢)	43	7	1	6	13
DPS (¢)	0	0	0	0	0
CFPS (¢)	67	17	27	35	43
BVPS (¢)	173	177	175	195	237
Wtd avg ord shares (m)	325	488	488	488	488
Wtd avg diluted shares (m)	329	490	490	490	490

Valuation ratios	2012	2013E	2014E	2015E	2016E
PE (x)	1.2	7.4	79.7	8.7	3.9
EV/EBIT (x)	1.3	4.1	18.8	6.1	2.3
EV/EBITDA (x)	0.7	1.6	2.5	1.6	0.9
FCF yield (%)	73	-16	17	35	50
Dividend yield (%)	0	0	0	0	0
Payout ratio (%)	0	0	0	0	0

Operating performance	2012	2013E	2014E	2015E	2016E
EBITDA margin (%)	40	31	29	35	39
Operating ROE (%)	28	5	0	3	6
Operating ROIC (%)	33	6	2	4	7
Net debt to equity (%)	-32	14	9	-1	-12
Debt to total capital (%)	1	20	20	19	16

Comdty & FX Forecasts	2012	2013E	2014E	2015E	2016E
Gold price (US$/oz)	1,674	1,608	1,150	1,195	1,315
AUDUSD (analyst) (x)	1.03	1.03	0.91	0.91	0.91
Long Term Forecasts					
Gold Price (US$/oz)					1,050
AUDUSD average					0.93

Production Volumes	2012	2013E	2014E	2015E	2016E
Gwalia (koz)	185	175	187	187	187
Southern Cross (koz)	98	31	0	0	0
King of the Hills (koz)	57	60	60	60	60
Simberi (koz)	0	52	94	110	110
Gold Ridge (koz)	0	49	94	101	101
Group Production (koz)	339	367	437	459	459
Production Costs	**2012**	**2013E**	**2014E**	**2015E**	**2016E**
Total Cash Cost - Consolidated	931	1,023	784	755	777

Earnings Sensitivity	2012	2013E	2014E	2015E	2016E
EPS%Δ/10% AUDUSD (%)	0.0	-7.2	-589.4	-76.6	na
EPS%Δ/10% Gold (%)	0.0	31.8	1,222.8	150.6	na

Reserves & Resources	Reserves		Resource	
	Amount	Grd.(g/t)	Amount	Grd.(g/t)
Gold (koz)	5,687	2.37	16,594	1.77

Valuation		
WACC (%)		11.0
NPV Valuation	**US$M**	**A$/sh.**
Leonora	298	0.66
King of the Hills	24	0.05
Simberi	134	0.30
Gold Ridge	207	0.46
Exploration	46	0.10
Corporate	-141	-0.31
Net Cash (Debt)	-140	-0.31
Total	**428**	**0.94**

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Appendix A – Assessing economic value

Altman Z-Score and 2x2 matrix description

We have developed a framework to evaluate the self-sustainability of the gold sector and its attractiveness as a longer-term investment. The framework evaluates the self-sustainability of a company based on:

- Profitability, as measured by operating profit less adjusted taxes (NOPLAT) margins, and
- Solvency, as measured by the Altman Z-score.

The Altman Z-score is a statistical technique used to predict the probability that a company will face financial distress. The formula for calculating the Altman Z-score consists of eight variables from a company's income statement and balance sheet and is defined as:

Altman Z-score = Ax3.3+Bx1.0+Cx0.6+Dx1.2+Ex1.4

The variables are listed below:

Figure 81. Altman Z-score variables

Symbol	Ratio	Weighting
A	EBIT / Total Assets	x3.3
B	Net Sales / Total Assets	x1.0
C	Market Value of Equity / Total Liabilities	x0.6
D	Working Capital / Total Assets	x1.2
E	Retained Earnings / Total Assets	x1.4

Source: Citi Investment Research and Analysis

The Altman Z-score can be interpreted as follows:

- **Altman Z-score < 2.0:** A company may face solvency problems and the potential for financial distress is high if the company remains in this position for an extended period of time. The likelihood of near-term recapitalisation of the balance sheet through equity raisings, debt or bond offerings is high.
- **2.0 < Altman Z-score < 3.0:** "Cautionary zone". A company should exercise caution. Addressing solvency issues is key.
- **Altman Z-score > 3.0:** The company's solvency is safe.

We derive our framework by plotting NOPLAT margins on the y-axis and the Altman Z-score on the x-axis. We define 18% NOPLAT margins as a minimum required by the SA gold sector to create long-term economic value (i.e. to deliver a ROIC of 9% to cover its WACC) and an Altman Z-score of 2.0 and above as an acceptable level of solvency.

Figure 82. The gold sector needs 18% NOPLAT margins to create economic value

	Units	Value
CY10 sector revenue	USDm	11,668
Sector plant, property and equipment	USDm	18,637
Sector working capital	USDm	1,488
Sector long-term borrowings	USDm	3,894
Sector total invested capital	USDm	24,019
ROIC required for economic value creation	%	9
NOPLAT required to give ROIC of 9%	USDm	2,161
NOPLAT margin required to give ROIC of 9%	%	18

Source: Company Reports and CIRA Estimates

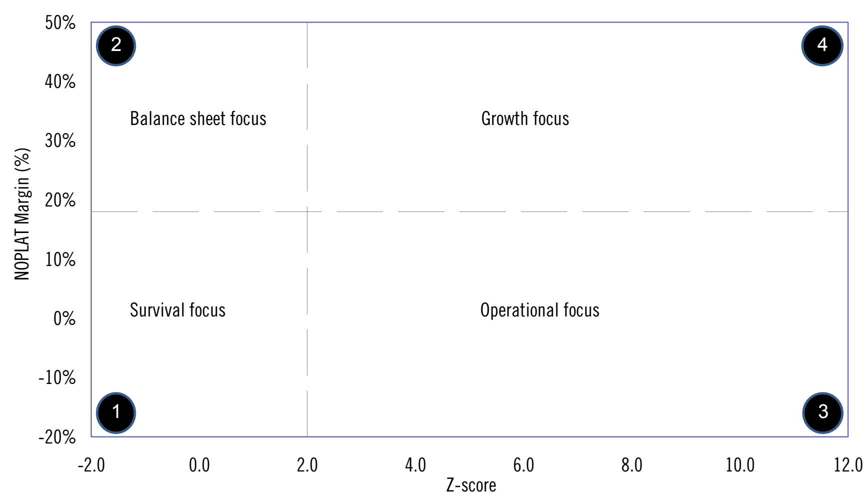
Figure 83. The platinum sector needs 12% NOPLAT margins to create economic value

	Units	Value
CY10 sector revenue	USDm	13,031
Sector plant, property and equipment	USDm	12,889
Sector working capital	USDm	3,274
Sector long-term borrowings	USDm	1,803
Sector total invested capital	USDm	17,966
ROIC required for economic value creation	%	12
NOPLAT required to give ROIC of 9%	USDm	2,156
NOPLAT margin required to give ROIC of 9%	%	16

Source: Company Reports and CIRA Estimates

As a result, by plotting an 18% NOPLAT margin and 2.0 Z-score on our framework, we derive a 2x2 matrix as shown in Figure 56.

Figure 84. Illustration of our 2x2 NOPLAT vs. Z-score matrix



Source: Citi Investment Research and Analysis

The four quadrants of the matrix can be defined as follows:

High-cost, low-quality or poorly-managed assets; solvency may be an issue

- **Quadrant 1 – Survival focus:** Companies situated in this quadrant are typically characterised as having high-cost / low-quality / poorly operated assets with insufficient NOPLAT margins to generate economic value. Market capitalisation is usually depressed, balance sheet highly geared and solvency may be at risk. Asset disposals and/or equity raisings are likely as cash is needed for survival. However, even though short-term cash injections can improve the solvency position, low margin and value-destroying assets are likely to consume cash and the company risks moving back into solvency issues. This is unless commodity prices rise or costs are sufficiently cut to deliver NOPLAT margins above 18% going forward.

High-quality, well-managed assets; however, solvency stretched

- **Quadrant 2 – Balance sheet focus:** Companies situated in this quadrant are typically characterised as having high-quality and well-operated assets with sufficient NOPLAT margins to generate economic value. However, the company may find itself in a difficult balance sheet and solvency position, which might be due to a recent acquisition or financial imprudence. Should debt-repayment schedules allow, the company's cash-generative assets are likely to improve its solvency position over time. If short-term debt repayments loom, the company's cash-generative nature would likely lend itself to various refinancing options, and a dilutive equity raising is unlikely. A company in this position could be a takeover target by a company situated in Quadrant 4.

High-cost, low-quality or poorly managed assets; strong solvency due to balance sheet recapitalisation

- **Quadrant 3 – Operational focus:** Companies situated in this quadrant are typically characterised as having high-cost / low-quality / underperforming assets with insufficient NOPLAT margins to generate economic value. The company finds itself in a strong balance sheet and solvency position, which is likely as a result of recent balance sheet recapitalisation from either equity raisings, debt issuance, bond offerings or asset disposals. However, even though the balance sheet and solvency look sound, low-margin and value-destroying assets are likely to consume cash and the company is at risk of moving into Quadrant 1. This is unless commodity prices rise or costs are sufficiently cut to delivery higher NOPLAT margins going forward.

High-quality, well-managed assets; strong solvency

- **Quadrant 4 – Growth:** Companies in this quadrant are typically characterised as having low-cost / high-quality / well-managed assets with sufficient NOPLAT margins to generate economic value. The company finds itself in a strong balance sheet and solvency position, mainly due to cash generated by its own operations. The company is "self-sustaining" as its operations generate sufficient cash to prevent it from looking for additional funding in the foreseeable future. The focus of a company in Quadrant 4 should be (and is likely to be) growth, either organically or through acquisitions.

Company Narratives

African Barrick Gold Plc

Company description

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

Investment strategy

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

Valuation

We prefer to use longer-term P/NPV ratios to value this subsector and set our target price of £0.87 by applying a 1.1x P/NPV ratio to our NPV estimate of £0.79 (derived using a discount rate of 10%).

Risks

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

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

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

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

AngloGold Ashanti Ltd

Company description

AngloGold Ashanti (ANG) is the world's third-largest gold mining company and holds 20 operating assets located in South Africa, Continental Africa, Australia, and the Americas. In FY09, ANG sourced 37% of its 4.6m ounces production from South Africa, 35% from Continental Africa, 19% from the America's and 9% from Australia. The South African operations constitute 53% of ANG's NAV.

Investment strategy

We rate ANG Sell. We believe ANG is likely to lose its 'best-in-class' status to GFI from FY13 onwards, assuming consistent accounting methods for both companies. ANG carries a numbers of assets that weigh on its cost position and NPV. These should be disposed of, in our view. Unless that happens, we view it as overvalued.

Valuation

We value ANG on a sum-of-the-parts discounted cash flow (DCF) basis. We derive our valuation by applying a USD nominal WACC of 9.0% (beta 1.0, ERP 4.5%, RFR 5.5%), discounting cash flows over the life of the group's individual assets. In estimating ANG's market valuation, we apply a 1.8x P/DCF exit multiple, compared to our 1.6x P/DCF benchmark multiple for the SA gold sector. We cite the group's low-cost assets and geographically diversified portfolio as justification for the 13% premium compared with the rest of the sector. Our valuation for ANG is net of cash, investments and overhead costs. Based on this analysis, our target price is R115.

Risks

The main downside risks to our view include a failure to turn around Obuasi in Ghana and Geita in Tanzania. In our valuation, we assume Obuasi increases production from 380,000 ounces in FY09 to 500,000 ounces by FY14, and Geita from 272,000 to 494,000 ounces. ANG has on numerous occasions failed to meet its targets for these mines, and therefore, we caution downside risks to our numbers. Other downside risks include a weaker-than-expected gold price and stronger-than-expected operating currencies (ZAR, AUD, and BZR). Upside risks include a stronger gold price, weaker operating currencies and ANG exceeding our production expectations. As a geographically diversified gold company, ANG is also exposed to government- and regulation-related risks in the countries in which it operates.

Barrick Gold

Company description

Barrick Gold Corp is the world's largest gold producer, operating 26 mines in the North America, South America and Australia Pacific operating regions and also holds 73.9% interest in African Barrick Gold. The company holds the largest amount of gold reserves with 140.2 mln ozs of proved and probable resaves as of the end of 2012. The company is also a major producer of silver and copper with P&P reserves of 1,068 mln ozs of silver and 18.5 bln lbs of copper. In 2012, Barrick produced 7.4 mln ozs of gold, 3.4 mln ozs silver by-product and 468 mln lbs of copper.

Barrick was founded in 1983 and is based in Toronto, Ontario, Canada. The company has over 20,000 employees at operations around the world.

Investment strategy

We rate Barrick a Buy (1). Positive factors in our investment thesis include: 1) strong base of production and reserves, 2) the largest base of resources and reserves in the industry, and 3) gold prices are more sustainable than those for industrial metals during recessionary periods. Negative factors include: 1) gold is close to all-time highs on a nominal basis, 2) a weak history of ROIC generation in the sector, and 3) M+A risk. Currently, we believe the positive factors outweigh the negative and the ETR to our target price supports a Buy rating.

Valuation

Our $20 target price is based on a combination of EV/EBITDA, forward P/E and DCF modeling with respective weightings of 40/40/20, applying a 40% weighting to our earnings multiple-derived $17/share valuation, a 40% weighting to our EBITDA multiple derived $24/sh valuation and a 20% weighting to our DCF-based $19/share valuation.

Forward P/E: ABX has traded down to a low of 8.6x during the peak with a median multiple of 29.4x, and a trough multiple of 87.4x. More recently, ABX hit a low of 8.6x in October '08 with a median of 15.6x over the past 5 years. To reflect the valuation compression impact of rising capex and declining ROCE relative to history, we apply a 12.0x to our 2014 estimate to arrive at a target price of $17.

EV/EBITDA: The cycle of EBITDA (TTM) peak-median-trough multiples for ABX since 2000 has been approximately 6x-11x-17x. Our $24/sh EV/EBITDA derived valuation is based on 9.0x multiple on our 2014 estimate, in line with ABX's historical range.

DCF: DCF modeling yields a target price of $19. Our DCF model incorporates our production, realized pricing and cost estimates through 2017, followed by long-term pricing assumptions of $1,400/oz for gold. Our WACC of 8.1% is based on a beta of 0.8, and from the Citi Research strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%.

Risks

The keys risks to our investment thesis on ABX include commodity exposure, political risk, and monetary and fiscal policy somewhat offset by the company's geographic diversification and broad range of assets.

Gold Pricing - Barrick's financial performance is highly levered to the price of gold, with all future production unhedged. The market price of gold can be volatile and is highly sensitive to macroeconomic factors including economic confidence and growth rates, central bank policy, and government fiscal policy.

Project Development - Barrick aims to advance multiple new projects to drive future growth. The process to bring a development project to production has many hurdles including project financing, permitting, regulatory compliance, staffing and construction. Any unexpected issues or delays could effect project delivery, increase project development and operating costs, and reduce the NPV of projects.

Mining Operations - The company's mining operations are subject to variability in ore quality and structural issues which could potentially decrease production volumes and increase unit costs.

Foreign Currency - Non-USD denominated costs represent 40% of production costs and are affected by USD exchange rates with the largest exposure being towards the AUD. ABX also has significant exposure to the CAD through its Canadian mine operations and corporate administrative costs as well as increasing exposure to the Chilean peso. The company aims to mitigate exposure to foreign currencies fluctuations through its hedging program. A significant strengthening of foreign currencies vs. the USD would negatively impact mine operating and capital costs though the effect on profitability would be uncertain and depend on changes in realized gold prices which tends to be inversely correlated with the USD as it is a monetary metal.

Political Risk - While approximately 61% of ABX's reserves are located in investment grade countries government intervention, taxation, or regulation and the threat of civil unrest do present risks and could negatively impact production and operating costs. ABX attempts to mitigate this risk through a diverse portfolio of global assets.

If the impact from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price; alternatively if the effect is less than expected the share price could exceed our target.

Beadell Resources Ltd

Company description

Beadell Resources (BDR) is a gold development company with extensive portfolio of key gold exploration tenements throughout Australia and Brazil. It is currently developing the Tucano gold project, located in Brazil. Production began in the March quarter 2013.

Investment strategy

We rate BDR Buy. There is strong exploration potential at BDR and we like its exploration portfolio. We see development risk surrounding the Tucano construction and funding. We expect continued upside from exploration success.

Valuation

We calculate our target price of $0.80/share using a blend of 1x NPV, 9x PE and 5x EV/EBITDA based on one year forward estimates. Earnings multiples adopted are at a discount to benchmark reflecting single asset and country risk. We derive our NPV by applying a discount rate of 12% and a long-term gold price of US$1,050/oz. A 1x multiple to NPV is consistent with BDR's peer group of emerging gold companies and reflects the development nature of the business.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets and exploration potential. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be more or less negative than we anticipate, the stock could have difficulty achieving or exceed our financial and price targets.

Buenaventura

Company description

Buenaventura (BVN) is a Peruvian mining company engaged in the extraction, concentration and sale of gold, silver and other base metals. It is South America's largest listed producer of precious metals, and by equity production among the top ten producers of gold worldwide. Besides wholly owned precious and base metal mines, BVN holds a 44% interest in Yanacocha (South America's largest gold mine) and a 19% interest in the Cerro Verde copper project.

Investment strategy

We rate BVN as Sell (3). Positive factors for BVN include: 1) strong shareholder focused management, 2) several large-scale development opportunities, and 3) a strong balance sheet. Negative factors include: 1) development risks in Peru and 2) depletions of Yanacocha reserves (a core asset). On balance we see more downside than upside at current levels.

Valuation

Our target price on Buenaventura (NYSE ticker: BVN) is $13 based on NAV modeling.

We consider life-of-mine of current operations, plus expected growth projects. WACC is 10% using Citi Research's recommended ERP and Risk-Free rates. Long-term price assumption is $1,100/oz for gold and $3.00/lb for copper. Target NAV multiple is 1.0x.

Risks

Key risks (both positive and negative) for Buenaventura include (1) changes to taxation and regulatory policies, (2) metals price volatility, and (3) currency volatility. If the impact from the above risks turns out to be greater/less than estimated, the shares could fail to reach our target price.

Centamin Egypt Limited

Company description

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

Investment strategy

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

Valuation

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

Risks

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

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

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

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

Gold Fields Ltd

Company description

Gold Fields (GFI) is a South African-based gold mining company that holds six operating assets located in South Africa, Western Africa, Australia and South America. In FY12, 48% of the company's 3.28m ounces production was sourced from South Africa, 24% from Western Africa, 19% from Australia and 10% from South America. South Africa accounts for 36% of GFI's NAV. The company recently split off two of its SA operations into a separately listed company, Sibanye Gold.

Investment strategy

We believe GFI has become a higher-quality company following the separate listing of its KDC and Beatrix operations in 2013. We view the remainder of its asset portfolio as higher quality relative to its SA peers. We view management's recent actions and rhetoric suggesting a switch from blue sky optimism to value-focused conservatism as a positive change for GFI. We rate GFI Neutral.

Valuation

We value GFI on a sum-of-the-parts discounted cash flow (DCF) basis. We derive our valuation by applying a USD nominal WACC of 9.0% (beta 1.0, ERP 4.5%, RFR 5.5%), discounting cash flows over the life of the group's individual assets. In estimating GFI's market valuation, we apply a 1.8x P/DCF exit multiple, at a premium to the benchmark P/DCF exit multiple of 1.6x we apply to the sector, given what we see as GFI's higher-quality portfolio and more realistic outlook assumptions vs. its peers. Our valuation for GFI is net of cash, investments and overhead costs. Based on this approach, our target price is R55.

Risks

Our valuation of GFI is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside/downside risks to our view include a better/weaker-than-expected operating performance, and a significant reduction/increase in GFI's medium-term capital requirements. Other upside/downside risks that could cause the share price to deviate significantly from our target price include a higher/lower-than-expected gold price and weaker/stronger-than-expected operating currencies (ZAR, AUD).

Goldcorp Inc

Company description

Goldcorp (NYSE: GG) is a Canadian-based senior gold producer with five mines in Canada and the US, three mines in Mexico, and two mines in Central and South America. In addition to gold, the company also produces and sells copper, silver, lead and zinc. GG seeks to develop reserves and operate in safe jurisdictions throughout the Americas and offer investors exposure to gold prices by remaining 100% unhedged. As of 2012 yearend, total proven and probable reserves consisted of 67.1 mln ozs of gold, 1,160 mln ozs of silver, 5.8 bln lbs of copper, 5.8 bln lbs lead, and 14.0 bln lbs zinc.

Goldcorp was founded in 1954, is headquartered in Vancouver, British Columbia and employs more than 12,000 people worldwide.

Investment strategy

Goldcorp is one of the few large gold producers than can deliver meaningful growth over the next few years. While gold production has been generally stable at 2.3-2.5 mln ozs since 2007, we estimate that it will ramp to 2.7 mln ozs in 2013 and 3.2 mln ozs in 2014 as Pueblo Viejo and Cerro Negro ramp and Penasquito enters a period of elevated production that lasts through 2016. We rate Goldcorp Neutral because the company trades at a premium valuation to other North American senior gold stocks, that already discounts GG's superior growth profile, in our view.

Valuation

Our $28 target price is based on a combination of EV/EBITDA and DCF modeling with respective weightings of 80/20.

The cycle of EBITDA (TTM) peak-median-trough multiples for GG since 2003 has been approximately 11x-18x-124x. To reflect multiple compression accross the industry we apply a 15x multiple (still a premium to peers) on our '14 estimate to yield a value of $28.

DCF: DCF modeling yields a target price of $24. Our DCF model incorporates our production, realized pricing and cost estimates through 2016, followed by long-term pricing assumptions of $1,400/oz for gold, $20/oz for silver and $3.18/lb for copper. Our WACC of 5.0% is based on a beta of 0.5, and from the Citi Research strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%. We tend to rely less on DCF modeling because the derived value is highly sensitive to terminal assumptions.

Risks

The keys risks to our investment thesis on GG include commodity exposure, reserve replacement and changes in monetary and fiscal policy somewhat offset by the company's broad range of assets in favorable mining jurisdictions.

Gold Pricing – Gold Corp's financial performance is highly levered to the price of Gold, with all future production unhedged. The market price of gold can be volatile and is highly sensitive to macroeconomic factors including economic confidence and growth rates, central bank policy, and government fiscal policy.

Project Development – Gold Corp aims to advance multiple new projects to drive future growth. The process to bring a development project to production has many hurdles including project financing, permitting, regulatory compliance, staffing and construction. Any unexpected issues or delays could effect project delivery, increase project development and operating costs, and reduce the NPV of projects.

Mining Operations – The company's mining operations are subject to variability in ore quality and structural issues which could potentially decrease production volumes and increase unit costs.

Foreign Currency – Metals produced from operations are sold in US dollars while capital expenditures and operating costs are generally incurred in the local currency. GG also holds cash, receivables, and deferred tax assets and liabilities in non-US dollar currencies. Currency exposures include the Canadian dollar, Mexican peso, Argentinean peso, Guatemalan quetzal and Chilean peso. The appreciation of any of these currencies against the dollar would negatively impact mine operating and capital costs.

Gryphon Minerals

Company description

Gryphon Minerals (GRY) is a prospective gold exploration play located in Burkina Faso. The company's major focus is the development of the Banfora gold project. Plans are for a 200kozpa operation.

Investment strategy

We rate GRY Buy/High Risk (1H) as the stock is attractive on valuation grounds. Whilst there is considerable exploration potential in West Africa, we see some risk in GRY making the transition from promising explorer to producing assets. There is the potential for more gold to be found and converted into reserves.

Valuation

Our target price of $0.30 is based on our NPV for GRY. We derive our NPV of $0.30 by applying a discount rate of 11.8% and a long-term gold price of US$1,050/oz. Our target price represents a 1x multiple to NPV to reflect the development nature of the business.

Risks

We rate Gryphon as High Risk referencing a number of quantitative and fundamental screens, in particular, given the non producing nature of its assets. Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets and exploration potential. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

Harmony Gold Mining Co. Ltd

Company description

Harmony (HAR) holds 14 operating assets located in South Africa, and one in Papua New Guinea. More than 95% of the company's production is sourced from South Africa and less than 5% from Papua New Guinea. We expect this ratio to change to 92% South Africa and 8% Papua New Guinea in FY11. Papua New Guinea holds longer-term growth opportunities for HAR through its 50% stake in the Wafi/Golpu project, and forms 38% of our NAV of HAR.

Investment strategy

We rate HAR Sell. HAR's geographical concentration in SA and high-cost assets make it poorly positioned for longer-term economic value creation, in our view. We caution that even its low-cost international growth options are unlikely to transform the company into becoming economically value accretive. As such, we believe HAR finds itself facing a strategic conundrum of 'damned if you do (grow internationally), damned if you don't', and see limited catalysts for the stock.

Valuation

We value HAR on a sum-of-the-parts DCF basis. We derive our valuation by applying a USD nominal WACC of 9.0% (beta 1.0, ERP 4.5%, RFR 5.5%), discounting cash flows over the life of the group's individual assets. In estimating HAR's market valuation, we apply a 1.6x P/DCF exit multiple, in line with the benchmark multiple we apply for the SA gold sector. Our valuation for HAR is net of cash, investments and overhead costs. Based on this analysis, our target price is R30.

Risks

Our valuation of HAR is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our view include HAR delivering better cost and production performances relative to our expectations, the gold price higher-than our assumptions, and the rand weakening faster than we expected.

Kingsgate Consolidated Limited

Company description

Kingsgate Consolidated (KCN) is an Australian mid-tier gold producer with current production of c120-130koz from its Chatree asset in Thailand and 80-90koz from its Challenger asset in Australia.

Investment strategy

KCN is Sell rated. A lower gold price has prompted revisions to Challenger’s mine plan, an impairment of the majority of its value and a new hedging program to be put in place. FY14 guidance of 190-210koz implies no growth on FY13 and with the Thai IPO unlikely to proceed in this environment, funding for growth projects Neuva Esperanza (Chile) and Bowdens (NSW) remains in doubt.

Valuation

We calculate our target price of $1.50/share using a blend of 1x NPV, 9x PE and 5x EV/EBITDA based on one year forward estimates. Earnings multiples adopted are at a discount to benchmark reflecting high cost assets and country risk. We derive our NPV by applying a discount rate of 12% and a long-term gold price of US$1,050/oz.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. However, should they be less than anticipated, the stock could trade above our target price.

Kinross Gold Corporation

Company description

Kinross Gold Corporation (NYSE: KGC) is a Canadian-based corporation engaged in the exploration, acquisition, and mining of gold-bearing properties as well as the extraction and processing of ore in which gold and silver are contained. The company has majority ownership interest in and operates 8 mines in Brazil, Canada, Chile, Ecuador, Ghana, Mauritania, Russia and the United States, is a 50% owner (JV with Barrick Gold) and operator of Round Mountain mine in the US. In 2012 Kinross reported attributable gold production of 2,464k ozs gold and 9,914k oz silver.

Investment strategy

We rate KGC neutral (2). Our rating is based on the following factors:

Management has decided to push out a decision on the Tasiast expansion unit 2015, reflecting weaker gold prices and a company wide decision to reduce spending. With Tasiast tabled, Kinross does not have meaningful growth projects in the pipeline. We do see some growth from Tasiast as mining transitions to the higher grade Greenschist (West Branch) zone in 2H14, but this may be offset by depletion at Kettle River in 2015.

While growth opportunities have been pushed out, Kinross appears well positioned to navigate through a period of weaker gold prices following cost reductions and ample liquidity in excess of $2 bln. Based on our estimates, the company can breakeven on a free cash basis at $1,300/oz gold.

Valuation

Our $5.80 target price is based on a combination of EV/EBITDA and DCF modeling with respective weightings of 80/20.

The cycle of EBITDA (TTM) peak-median-trough multiples for KGC since 2003 has been approximately 6x-15x-29x. To reflect uncertainty surrounding Tasiast and a slower production growth rate anticipated going forward we apply a multiple of 9.0x on our '14 estimate to yield a target price of $6.10/sh.

DCF modeling yields a target price of $4.70. Our DCF model incorporates our production, realized pricing and cost estimates through 2017, followed by long term pricing assumption of $1,400/oz for gold. Our WACC of 5.7% is based on a beta of 0.70, and from the CIRA strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%. We tend to rely less on DCF modeling because the derived value is highly sensitive to terminal assumptions.

Risks

The keys risks to our investment thesis on KGC include commodity exposure, foreign currency and reserve replacement.

Gold Pricing - Gold pricing is driven by a number of market factors including mining output, scrap availability, central bank sales and US inflation rates. A significant decline in the price of gold due to any combination of these factors could reduce KGC's realized pricing and sales volumes impairing the company's earnings power.

subject to variability in ore quality and structural issues which could potentially decrease production volumes and increase unit costs.

Foreign Currency - While the majority of KGC's revenues are in USD, a significant amount of the company's costs are in foreign currencies including Canadian dollars, Chilean pesos, Brazilian reals, Russian rubles, Mauritanian ouguiya and Ghanian cedis. A significant devaluation of the US dollar relative to one or more of these currencies could cause a decrease in KGC's profitability.

Reserve Replacement - Just over half of KGC's '12 production came from mines with a mine a mine life of under 10 years. For KGC to maintain gold production levels, the company will have to replace depleted reserves with expansions and/or acquisitions. If the company is unable to source new economical gold reserves, the company's production and share price could decline.

If the impact from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price.

Medusa Mining Ltd

Company description

Medusa Mining (MML) is an emerging gold producer with its main asset, the Co-O mine, located in the Philippines. Construction of the new 750ktpa / 200kozpa at Co-O is on schedule with first production anticipated in late 2013. A feasibility study is on going at a 200kopa open pit project at Bananghilig.

Investment strategy

We rate MML Buy. The upside for MML comes from the continued resource definition drilling around the Co-O operation as well as the strong exploration pipeline the company has. The high grade and low cost nature of the assets make MML a standout from a quality and margin perspective.

Valuation

We calculate our target price of $3.20/share using a blend of 1x NPV, 9x PE and 5x EV/EBITDA based on one year forward estimates. We derive our NPV by applying a discount rate of 12% and a long-term gold price of US$1,050/oz. Earnings multiples adopted are at a discount to benchmark to reflect single mine & country risk.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

Newcrest Mining Ltd

Company description

Newcrest Mining (NCM) is Australia's largest gold producer. The company places focus on large, long life assets with operations in Australia, Cotê d'Ivoire, Papua New Guinea, and Indonesia. Newcrest produced 2.1moz in FY13.

Investment strategy

We rate NCM Sell as we remain cautious on its growth profile and substantial capex required to deliver growth into the future. NCM holds large, long life, low cost assets that provide a stable gold and copper production profile. However it also holds some marginal high cost assets. NCM is leveraged to a positive gold environment through its large, world class reserve base and a high-quality exploration portfolio.

Valuation

We calculate our target price of $9/share using a blend of 1x NPV, 10x PE and 6x EV/EBITDA based on one year forward estimates. Earnings multiples adopted are in line with those adopted for other mining sector peers. We derive our NPV by applying a discount rate of 9% and a long-term gold price of US$1,050/oz.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

Newmont Mining

Company description

Newmont Mining Corporation is an American mining company (headquarters in Denver) engaged in the exploration and acquisition of gold properties, with operations in the USA, Australia, Peru, Indonesia, Ghana, Canada, Bolivia, New Zealand and Mexico. It is the world's second largest gold producer and it's also engaged in the production of copper.

Investment strategy

We rate Newmont Neutral (2). Positive factors in our investment thesis include: 1. a strong base of production and reserves, 2. low valuation relative to spot gold prices, and 3. future upside to production and reserves from new projects. Negative factors include: 1. gold has more than doubled over the last decade on a nominal basis, and 2. a weak history of ROIC generation in the sector.

Valuation

Our $30 target price is based on a combination of EV/EBITDA and DCF modeling with respective weightings of 80/20. The cycle of EBITDA (TTM) peak-median-trough multiples for NEM since 2003 has been approximately 6x-11x-17x. To reflect a slight premium for the company's gold-linked dividend policy which was introduced in early 2011, we apply a 12.0x multiple on our '14 estimate yielding a target of $32. DCF: DCF modeling yields a target price of $22. Our DCF model incorporates our production, realized pricing and cost estimates through 2017, followed by long-term pricing assumptions of $1,400/oz for gold, $3.18/lb for copper, and equity cash costs of $683/oz. Our WACC of 5.7% is based on a beta of 0.7, and from the Citi Research strategy group, an equity risk premium of 6.5% and risk-free rate of 1.8%. We tend to rely less on DCF modeling because the derived value is highly sensitive to terminal assumptions.

Risks

The keys risks to our investment thesis on NEM include commodity exposure, political risk, operating risk and somewhat offset by the company's geographic diversification and broad range of assets.

Gold Pricing - Gold pricing is driven by a number of market factors including mining output, scrap availability, central bank sales and US inflation rates. A significant decline in the price of gold due to any combination of these factors could reduce NEM's realized pricing and sales volumes impairing the company's earnings power.

Mining Operations - The company's mining operations are subject to variability in ore quality and structural issues which could potentially decrease production volumes and increase unit costs.

Foreign Currency - While the majority of NEM's revenues are in USD, a significant amount of the company's costs are in foreign currencies with AUD having the largest impact. A significant devaluation of the US dollar relative to the AUD could cause a decrease in NEM's profitability.

If the impact from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price, alternatively if the effect is less than expected the share price could exceed our target.

Nordgold

Company description

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

Investment strategy

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

Valuation

Our NPV for Nordgold is $1.14, to which we apply a 1.1x P/NPV target multiple. Our NPV is based on an 10% weighted average cost of capital. On this basis our target price is $1.25

Risks

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

Gold price exposure and potential earnings volatility

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

Tax changes can impact profitability

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

Fluctuations in currencies may adversely affect profitability

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

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

OceanaGold

Company description

OceanaGold (OGC) is one of the larger mid tier gold companies in Australia. The main assets are in New Zealand with the Didipio Gold/Copper project in the Philippines being the growth asset.

Investment strategy

We rate OGC Buy. OGC is ramping up the 3.5Mtpa Didipio operation over 2013. This is projected to initially add 100kozpa to the company's current 250kozpa from its New Zealand operations. OGC targets 600kozpa from CY2016. The company has no hedging in place and is therefore fully leveraged to the gold price.

Valuation

Our target price of $1.90/share is based a blend of 1x multiple to NPV, PE of 9x and EV/EBITDA of 5x based on one year forward estimates. Earnings multiples adopted are at a discount to benchmark reflecting the high cost NZ assets and country risk.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

Perseus

Company description

Perseus (PRU) is a single mine company. Its Edikan Gold Mine (EDM) is located in Ghana. It is a large, long life asset which has the potential for expansion. Commissioning difficulties have left the company forecasting FY14 production of 190-210koz, below early expectations.

Investment strategy

We rate PRU Sell. The company has a strong asset base in West Africa but has had difficulty maintaining stable production. We assume a modest growth profile at Edikan, and delays to a heavily risked Sissingue expansion.

Valuation

Our target price of $0.50/share is based on a blend of 1x NPV, 9x PE and 5x EV/EBITDA using one year forward estimates. Earnings multiples adopted are at a discount to benchmark to account for single mine and country risk. We derive our NPV by applying a discount rate of 11% and a long-term gold price of US$1,050/oz.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

Petropavlovsk PLC

Company description

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

Investment strategy

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

Valuation

We set our target price of £0.62 by applying a 1.1x P/NPV multiple to POG's gold assets (NAV of £0.04 per share; derived using a discount rate of 10%), while we use the market capitalisation of the IRC subsidiary to value the stake which POG holds (currently $0.58 per POG share)

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

Risks

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

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

Polymetal

Company description

PMTL is a precious metals producer in Russia and Kazakhstan and had FY11 gold equivalent ('GE') production of 810 Koz of gold (55% gold, 41% silver, 4% copper). The group has 5 operations in Russia and 1 operation in Kazakhstan, including 3 processing hubs. PMTL has GE reserves (JORC) of 14.3 Moz at 4.2 g/t GE plus 13.8 Moz of GE resources at 3.9 g/t GE

Investment strategy

We rate Polymetal Neutral, given the risk of further downside in gold and silver prices but with the scope for upside from its being a very well managed group with good-quality assets.

Valuation

We derive an NPV estimate of £4.99/sh for Polymetal based on a DCF model. We explicitly forecast free cash flows over 20 years on a project-by-project basis and discount them back using a 10% WACC. We then apply a 1.4x target P/NPV multiple to arrive at our target price, a slight discount to the 1.5x that we use for the company's key Russian peer, given differences in reserve quality between the companies. On this basis, we set our target price at £6.98/sh.

Risks

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

Polyus Gold

Company description

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

Investment strategy

We rate Polyus Gold Buy. Polyus is a top 10 global gold producer by output and among the largest in the world by proven reserves. Polyus has made good progress in development of its asset base since it gained independence. We see gold testing US$1700/oz in 2013 due to renewed balance sheet expansion by central banks, which bodes well for the company. Polyus is in the final preparation stages to launch its flagship growth project Natalka (due to begin gold production ramp-up in 2014) and its 2011-2014E growth at reasonable cost profile is among the best in the industry globally. We also note that Polyus screens as having one of the lowest cash cost profiles globally on an all-in basis (including taxes, maintenance and project capex).

Valuation

We derive an NPV of £1.57 for Polyus. Given the high-quality nature of the assets, we apply a 1.5x P/NPV ratio to our NPV to derive our TP of £2.35.

Our DCF model is based on FCF forecasts, which are discounted at a WACC of 8.4%..

Risks

We believe that major risks are related to ore processing technology at the Olimpiada mine and implementation of new projects under development. Volatility of commodity prices, mainly Gold, is a major risk for Polyus, both downside and upside. Other risks include availability of reserves and maintenance of licences, risks related to mining operations which are affected by mining conditions and industrial or engineering activity, such as mechanical breakdowns and the use of explosive materials. Foreign exchange rates and costs also pose some risk as the company reports in USD, but incurs most of its costs in the local currency. We also see M&A, high Russian mining taxes and dispute with Russian Nature Supervision Agency as potential risks to the company. These risks could prevent the shares achieving our target price.

Randgold Resources Ltd

Company description

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

Investment strategy

We rate Randgold Resources as Neutral. We see production growth as superior to many peers, but RRS carries above-average political risk .

Valuation

We derive our target price of £45.50 by applying a 1.4x P/NPV ratio to our NPV estimate of £32.51, derived using a discount rate of 10%. We set our target P/NPV multiples with reference to absolute and relative historical average levels, taking into account our views on the current stage of the cycle and on the quality of each company's assets and management.

Risks

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

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

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

Resolute

Company description

Resolute Mining Limited (RSG) is a gold mining and exploration company operating in Africa and Australia: Golden Pride in Tanzania, Syama in the South of Mali and Ravenswood in North-East Queensland.

Investment strategy

RSG is rated Neutral/High Risk. The company has the potential to be one of the larger scale Australian gold producers with c350koz of gold production. Much of the production potential is reliant on the execution of the Syama Expansion in Mali that is currently facing delays. RSGs investment in Nobel Mineral Resources Limited provides exposure to a project under commissioning and advanced exploration plays.

Valuation

We calculate our target price of $0.90/share using a blend of 1x NPV, 9x PE and 5x EV/EBITDA based on one year forward estimates. Earnings multiples adopted are at a discount to benchmark to reflect country risk. We derive our NPV by applying a discount rate of 14% and a long-term gold price of US$1,050/oz.

Risks

RSG attracts a High Risk rating due to the recent political unrest in Mali where the Syama mine is located. Our valuation of the company is also exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets and exploration potential. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies. If the impact on the company from any of these factors proves to be less/more negative than we anticipate, the stock could materially outperform/underperform our target price.

St Barbara Limited

Company description

SBM is a diversified, international, mid-tier gold producer and explorer. It owns the Southern Cross and Leonara operations in Western Australia along with the recent acquisition of Gold Ridge, and Simberi in Papua New Guinea and the Solomon Islands.

Investment strategy

SBM is Buy rated. The company has done well in delivering steady production from its high cost underground operations in Western Australia. The recent acquisition of underperforming assets in the Pacific should allow SBM to repeat this turn around story, although early operational difficulties do highlight the challenges ahead.

Valuation

We calculate our target price of $1.00/share using a blend of 1x NPV, 9x PE and 5x EV/EBITDA based on one year forward estimates. We derive our NPV by applying a discount rate of 14% and a long-term gold price of US$1,050/oz. Earnings multiples adopted reflect a discount to benchmark given the high cost, challenging WA mines and operational uncertainty at the Pacific assets.

Risks

Our valuation of the company is exposed to macroeconomic developments affecting the gold price and exchange rates, operational risks that might affect volumes and input costs, and political risks that might affect costs and the company's reputation. Upside risks to our forecasts and target price include a better than-expected operating performance from the company's assets. Other upside risks include a higher-than-expected gold price and weaker-than expected operating currencies.

Notes

Notes

Appendix A-1

Analyst Certification

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

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	12 Month Rating			***Relative Rating***		
Data current as of 30 Jun 2013	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	48%	40%	12%	6%	88%	6%
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