

7 January 2008

## Gold Sector tables - January '08.

### Investment Highlights

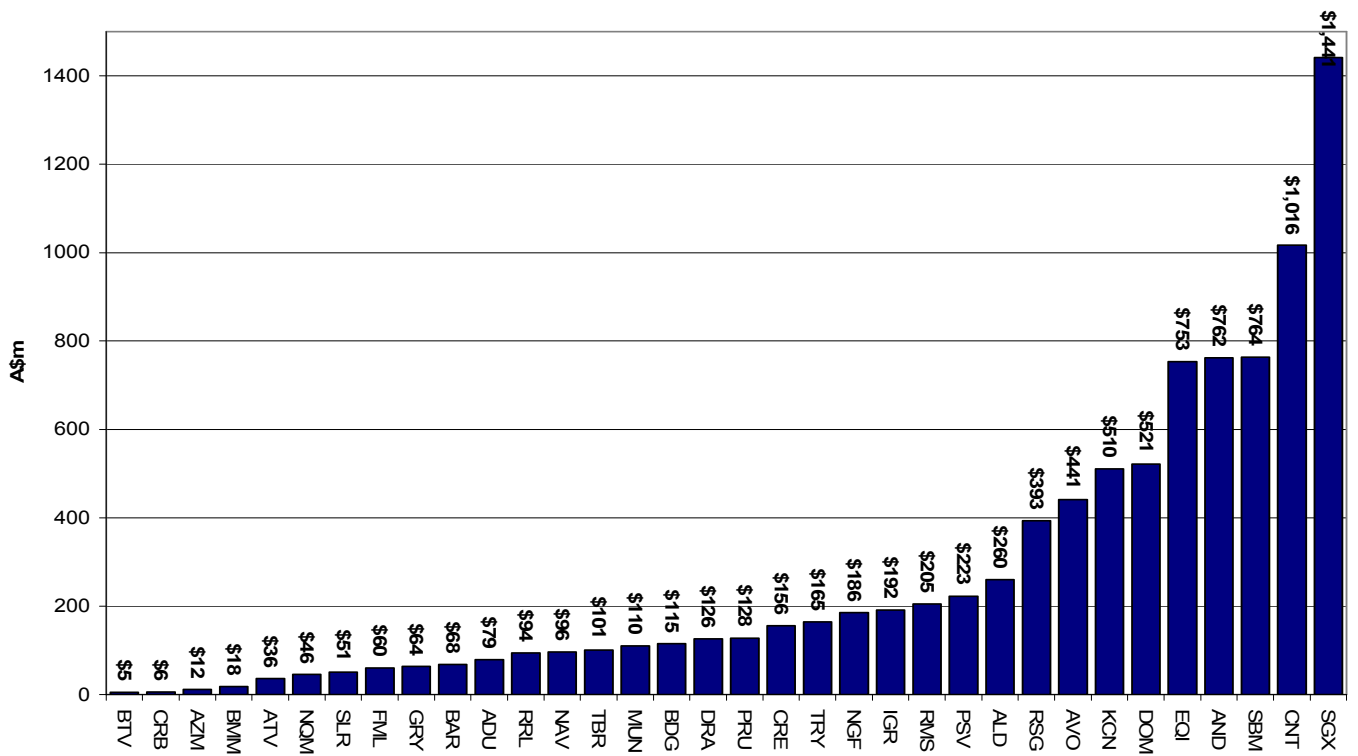
- **Uncertainty - the recipe for outperformance.** With market attention fixed on a steady stream of weak US macro-economic data and lingering concerns over the resilience of the US economy, we expect sustained uncertainty to underpin continued outperformance of the US\$ gold price. We view gold equities as likely net beneficiaries, notwithstanding elevated risk on global equity markets; a key reason why gold is at multi-cycle highs.
- **Investment thesis unchanged.** We reiterate our preference for organic production growth at the low end of the cost curve, greenfields development stories (as opposed to brownfields restarts), and US\$ cost/sales exposure (given our expectation for further US\$ depreciation).
- **Valuations moving up.** Implied valuations ratcheted up significantly in Q4 CY07 with the average premium to NPV (ex NCM & LGL) expanding to circa 30%, the average EV:reserve oz metric increasing to A\$373/oz (+8.6%), and the average EV:resource oz stretching to A\$198/oz (+9.4% qoq) (**Note: All EV metrics are weighted by resource**).
- **Preferred exposure as gold enters uncharted territory:**
  - **Lihir Gold Limited (LGL) A\$3.73:** Oversold following poor management and operating performance in 2H07; 30% market discount to NCM on EV:Reserve metrics excessive; 'bolt-on' corporate appeal (Lihir 40moz, Ballarat not priced in). PT A\$4.48/sh.
  - **Equigold NL (EQI) A\$3.99:** High margin, long-life asset portfolio; organic production growth (250kozpa from FY09); Strategic 16,000km<sup>2</sup> land position in Cote D'Ivoire. PT A\$4.39/sh.
- **Second tiers to watch.** With the prospect of a prolonged 'tail' to the current rally, we highlight the following second tier producers:
  - **Troy Resources NL (TRY) A\$3.30:** FY08 a year of transition - Andorhinas coming on-stream, Sandstone winding down; unappreciated global exploration portfolio. PT A\$3.86/sh.
  - **Silver Lake Resources (SLR) A\$0.39:** Mining has commenced at Daisy-Milano (WA) with first gold production in February (ramping up to 40kozpa); fully funded A\$15m exploration program to unlock depth potential at Mt Monger with SLR a cheap option on exploration success. PT A\$0.51/sh.
- **High cost leverage exposure.** Assuming the A\$ gold price sustains current levels, we look to high-cost domestic producers (RSG, SBM, NGF) to deliver expanding margin growth (notwithstanding persistent industry wide cost pressures). Our preferred exposure is:
  - **Resolute Mining Limited (RSG) –** low quality Australian asset portfolio, technical risk tied to Syama however at current A\$ gold prices has more than doubled FY07 margins. Heavily discounted on peer comparison.

#### Analyst

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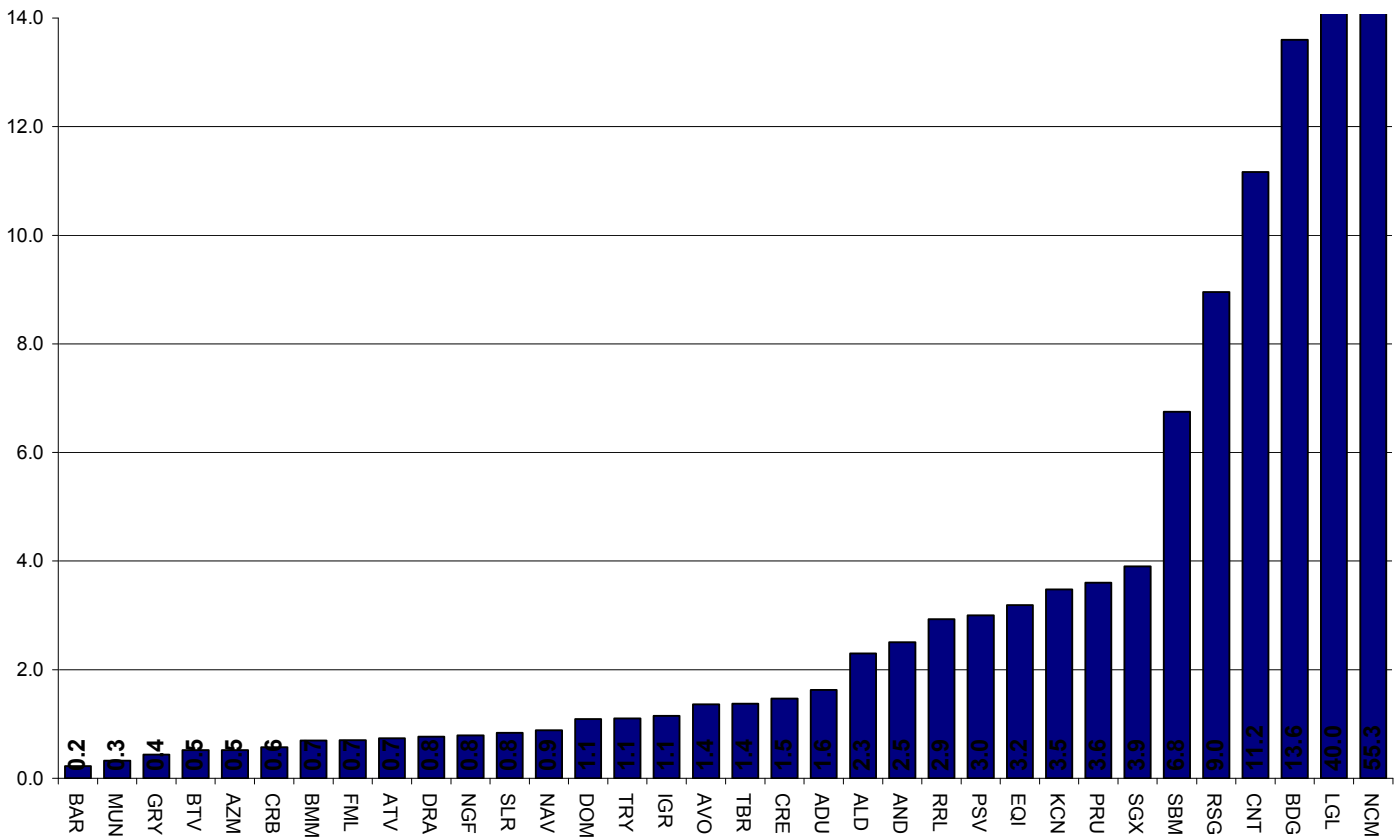
**Disclosure: Patersons Securities Limited was Lead Manager to the Silver Lake Resources IPO which raised \$30m in November 2007 via the issue of 100m shares at an issue price of A\$0.30/sh. It received a fee for this service. This analyst declares a beneficial interest in TRY securities.**

**Figure 1: EV Sector – Selected Golds (A\$m)**



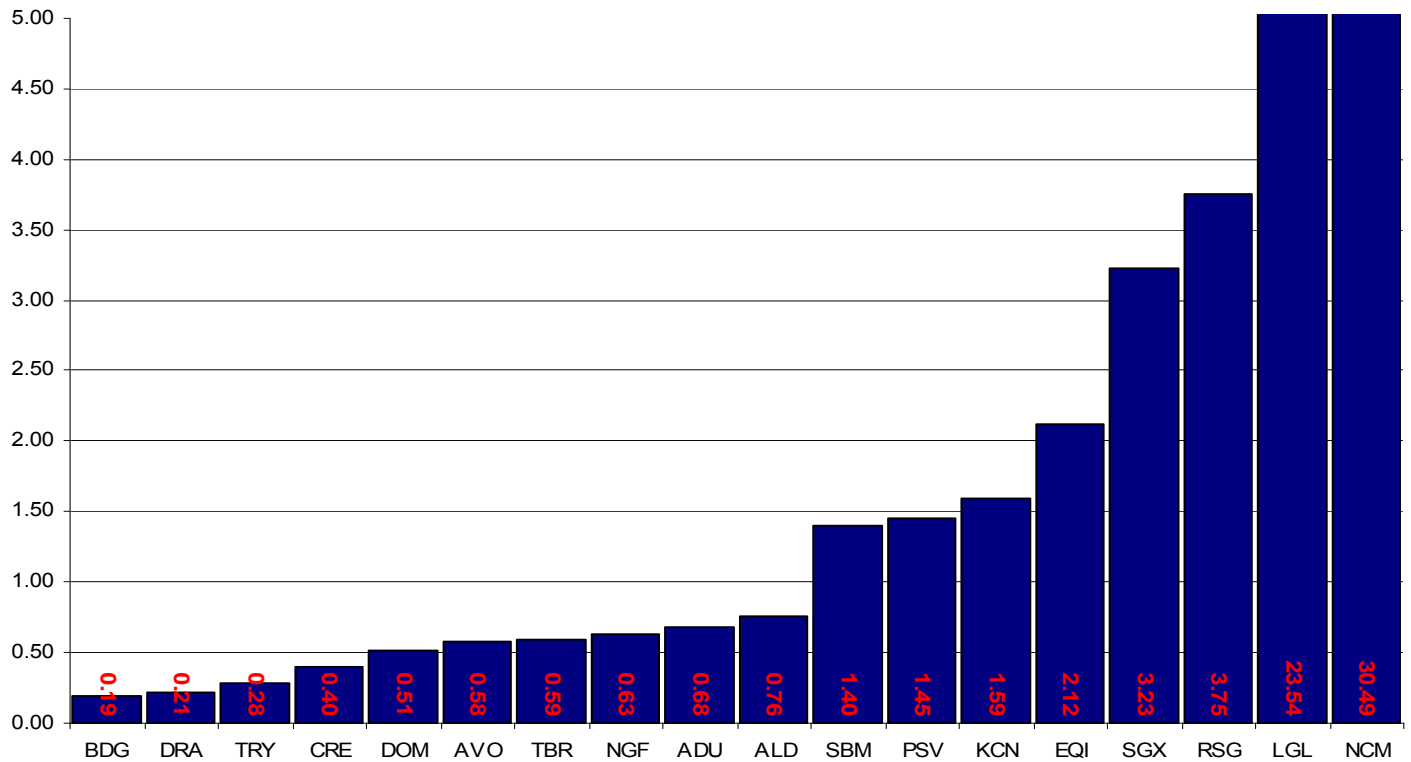
Source: Patersons estimates

**Figure 2: Selected Mid-cap Golds – Attributable Resources (moz)**



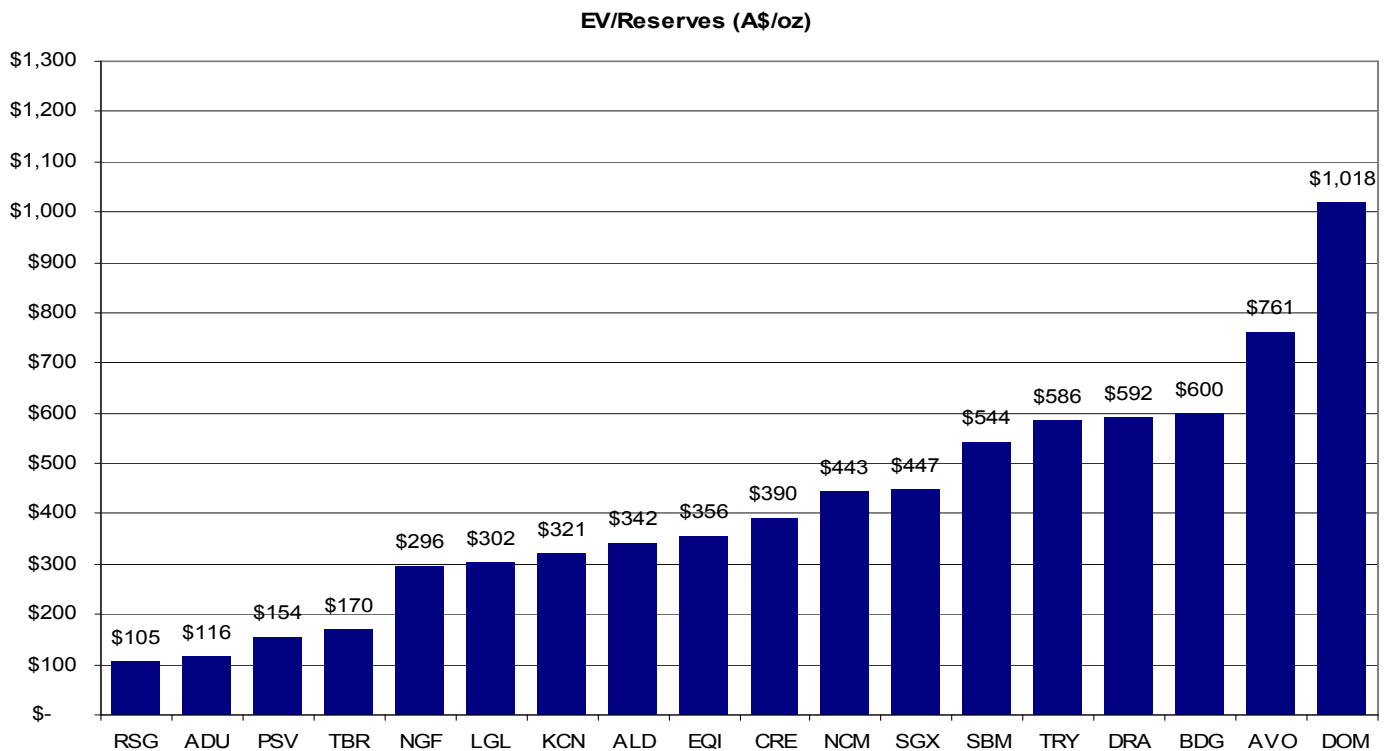
Source: Patersons estimates

**Figure 3: Selected Mid-cap Golds – Attributable Reserves (moz)**



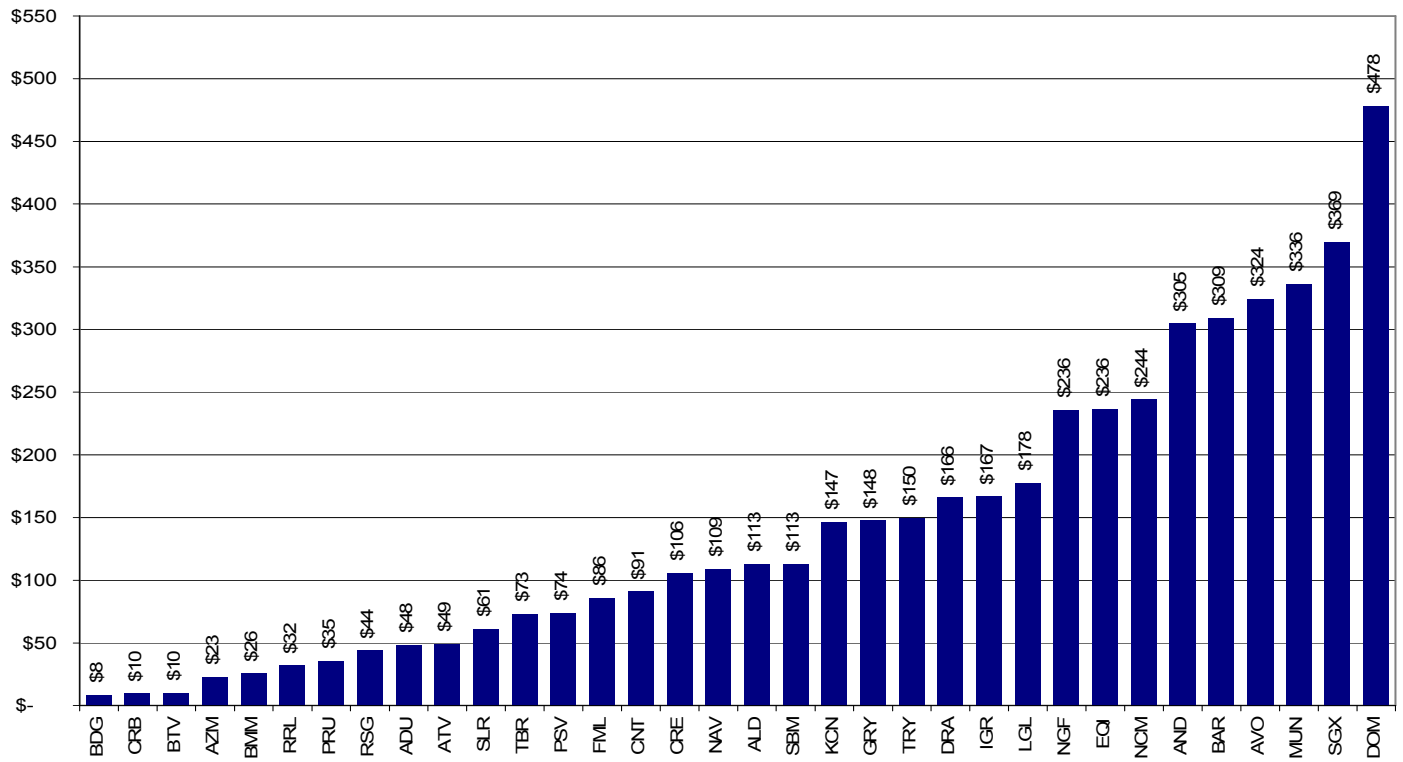
Source: Patersons estimates

**Figure 4: EV:Reserves – Selected Mid-cap Golds (A\$/oz) – (Weighted Sector Average A\$373/oz)**



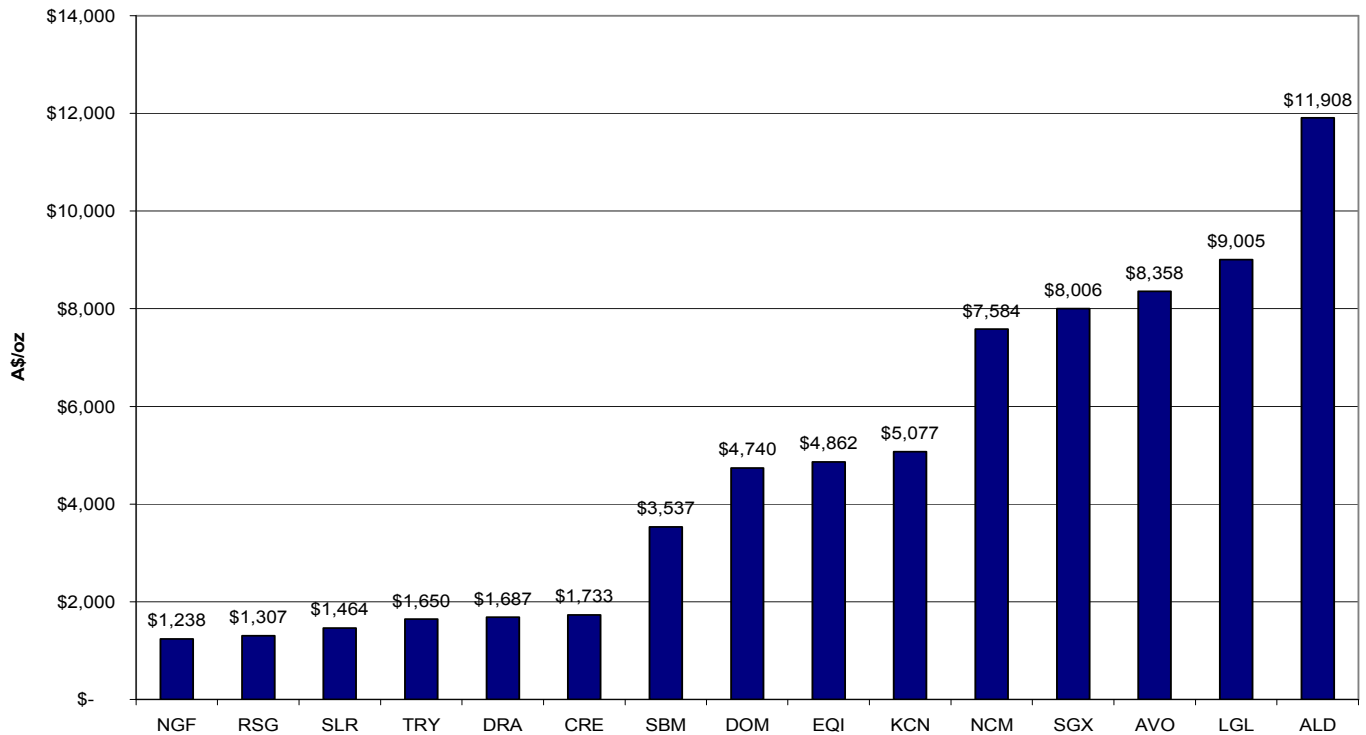
Source: Patersons estimates

**Figure 5: EV:Resources – Selected Mid-cap Golds (A\$/oz) – (Weighted Sector Average A\$198/oz)**



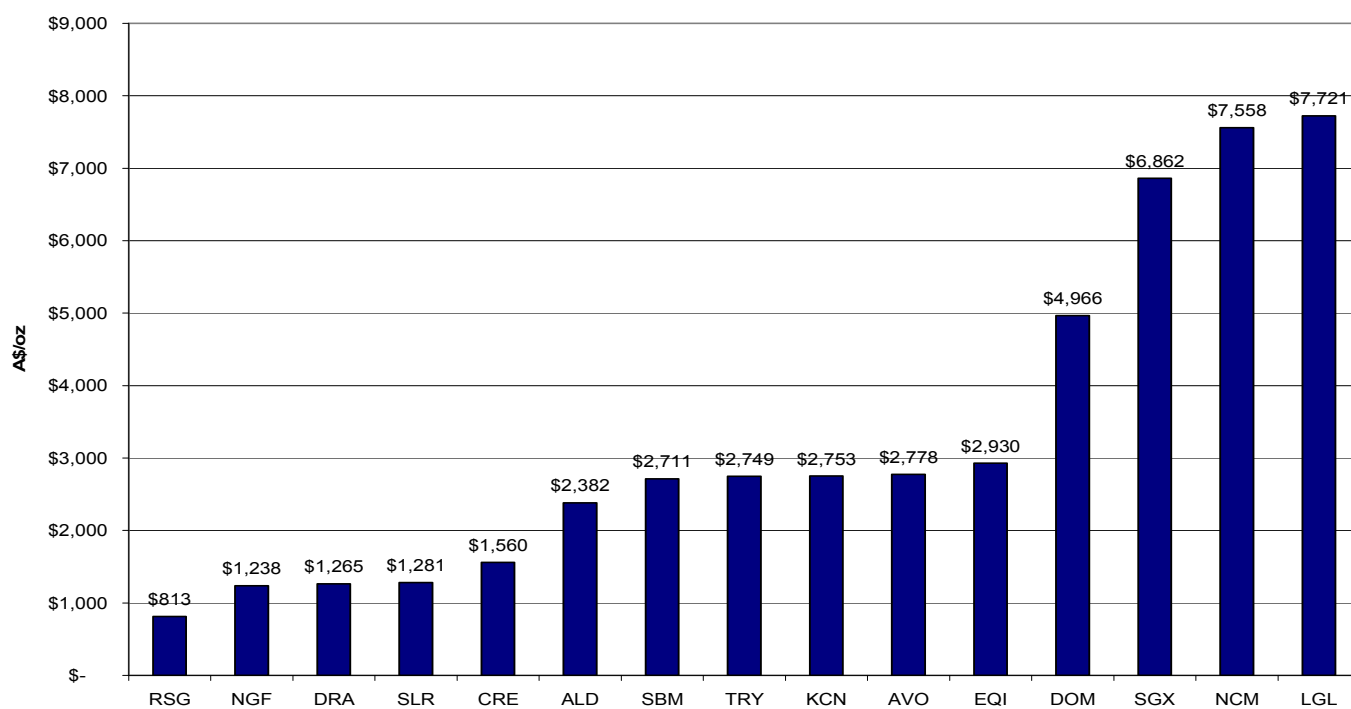
Source: Patersons estimates

**Figure 6: FY08 - EV:Production Oz (A\$/oz)**



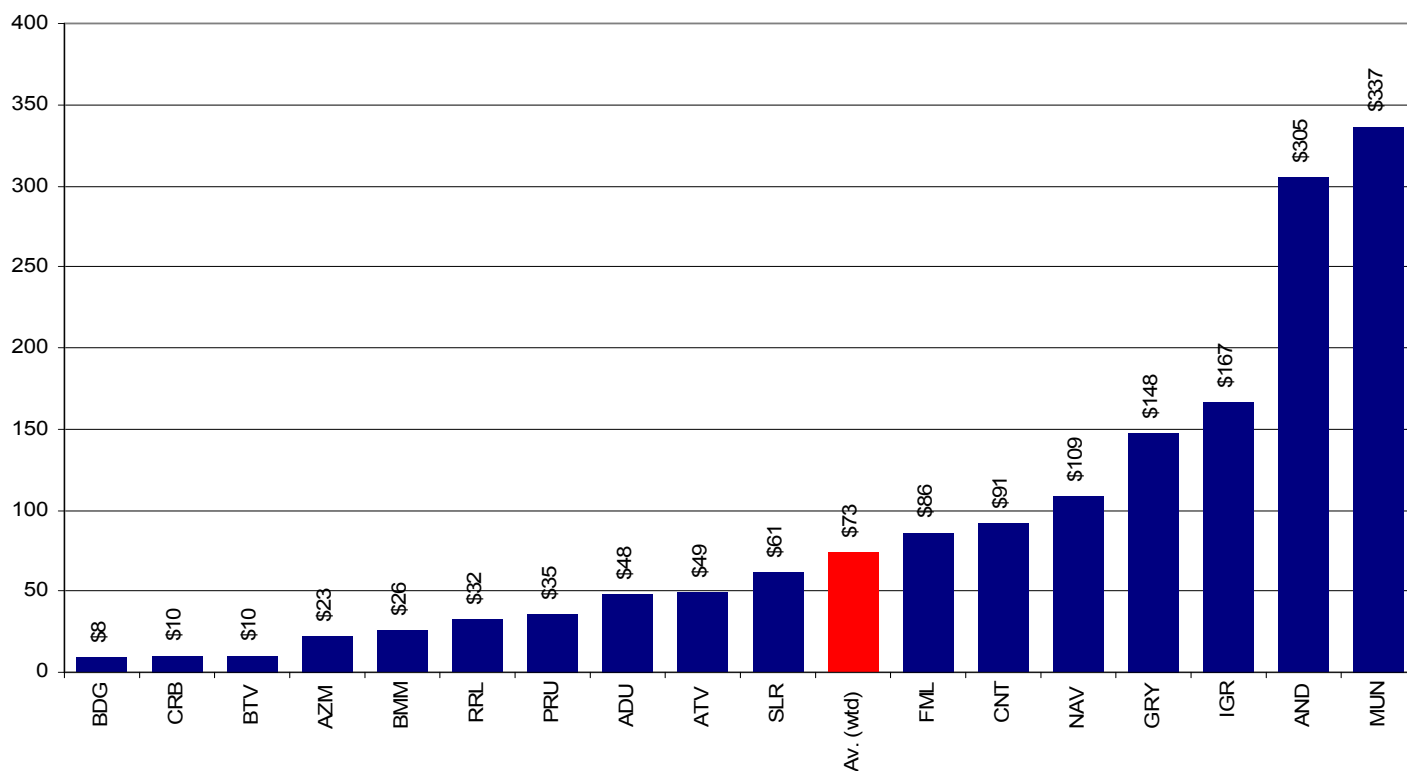
Source: Patersons estimates

Figure 7: FY09 - EV:Production Oz (A\$/oz)



Source: Patersons estimates

Figure 8: EV:Resources – Selected Explorers – (Weighted Sector Average A\$73/oz)



Source: Patersons estimates

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