20 September 2010

INTERSUISSE

ASX Copper Stocks

A brief review

Copper prices are set to move even higher.

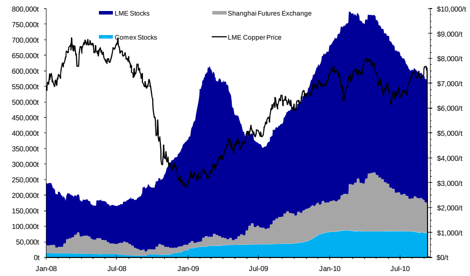
There is only a small number of quality exposures.

Intersuisse provides a review of the better exposures

Intersuisse believes that copper prices are set to move higher over the next 18 months; inventories are falling and consumption is expected to be greater than demand.

There are 6 ASX listed companies that can properly be called copper producers; of these Intersuisse recommends only 2.

There are a further 9 ASX listed companies either actively developing copper mines, or at very late stage feasibility, of which Intersuisse favours 4.



There is a seasonal pattern to base metal inventories : they rise during the September quarter, which is the summer holiday s in the northern hemisphere.

Figure 1 shows that, for 2010, inventories of copper have fallen, for all3 commercial exchanges, during this seasonally weak time.

Figure 1 also shows that the copper price has been firm, but not at the levels before the GFC.

Recent Chinese economic data shows that China is still growing strongly.

According to analysts, copper demand is projected to be greater than any feasible supply for at least 2011 and 2012.

Figure 1 also shows that copper prices never fell low enough as a result of the GFC to cause major shuts in production.

While current copper prices are above any realistic medium to long run view of copper prices, Intersuisse believes that copper prices are likely to move higher over the short to medium term.

Analyst: Pieter Bruinstroop

Background

Intersuisse is bullish on the copper price. In contrast to other commodities, the GFC did not cause major production cut-backs, but inventories rose as consumption fell.

However, the GFC did cause the delay of projects.

Demand has returned; Figure 1 shows that Comex stocks, (ie. USA) have been gently falling through CY 2010.

Overview

Intersuisse has reviewed a range of potential exposures to a strengthening copper price. We have prepared a range of producers, developers, later stage and early stage exploration so that investors can assess their own risk levels.

- Established producers give the best, direct leverage to the copper price;
- Developers give more leverage than producers as the value of their projects increases by a greater proportion.

Figure 2 : Intersuisse's preferred copper stocks

								Enterprise Value per tonne	
ASX Code		Company name	share price	Market cap	Production	Reserves	Resources	Production	Resources
PRODUCERS									
OZL	*	OZ Minerals Limited	135.5c	$A 4,229m	105 kt	21,141 kt	120,990 kt	$ 26.6k/t	$ 20/t
PNA	*	PanAust Limited	67.0c	$A 1,979m	63 kt	22,042 kt	4,268 kt	$ 30.7k/t	$ 74/t
DEVELOPERS									
PNX		Phoenix Copper Limited	20.0c	$A 15m	*3 kt*		20 kt	$ 4.1k/t	$ 675/t
DML	*	Discovery Metals Limited	93c	$A 281m	*34 kt*	313 kt	1,126 kt	$ 7.1k/t	$ 168/t
FND	*	Finders Resources Limited	33c	$A 72m	*7 kt*	193 kt	28 kt	$ 6.8k/t	$ 217/t
HGO	*	Hillgrove Resources Limited	31c	$A 147m	*18 kt*	126 kt	164 kt	$ 2.9k/t	$ 185/t
TGS	*	Tiger Resources Limited	26c	$A 152m	*25 kt*		842 kt	$ 4.8k/t	$ 144/t
FEASIBILITY									
HAV		Havilah Resources NL	35c	$A 28m	*30 kt*	341 kt		$ 0.7k/t	n/a
MGO		Marengo Mining Limited	9c	$A 68m	*11 kt*	1,512 kt	2 kt	$ 3.6k/t	$ 27/t
EXPLORERS, LATE STAGE									
IAU	*	Intrepid Mines Limited	104c	$A 448m					n/a
RXM	*	Rex Minerals Limited	228c	$A 261m			808 kt		$ 284/t
CSE		Copper Strike Limited	8c	$A 9m			192 kt		$ 35/t
BTR		Blackthorn Resources Limited	66c	$A 71m			1,622 kt		$ 36/t
EXPLORERS, EARLY STAGE									
AAR		Anglo Australian Resources NL	3.8c	$A 20.0m					
CLY		Clancy Exploration Limited	8.9c	$A 5.2m					
GMD		Genesis Minerals Limited	8.9c	$A 5.2m					
KSO		King Solomon Mines Limited	5.0c	$A 4.5m					
SMD		Syndicated Metals Limited	10.5c	$A 7.5m					
ZRL		Zambezi Resources Limited	3.1c	$A 24.1m					

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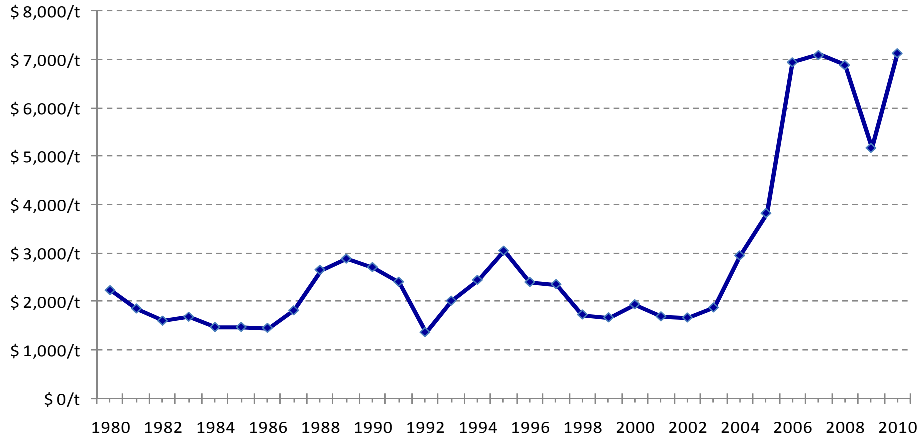
Copper Prices

Figure 3, which is of nominal copper prices over the last 30 years, suggests that present copper prices are very high.

Present copper prices appear to be high...

Figure 3 : nominal copper prices, annual averages, 1980 t0 2010



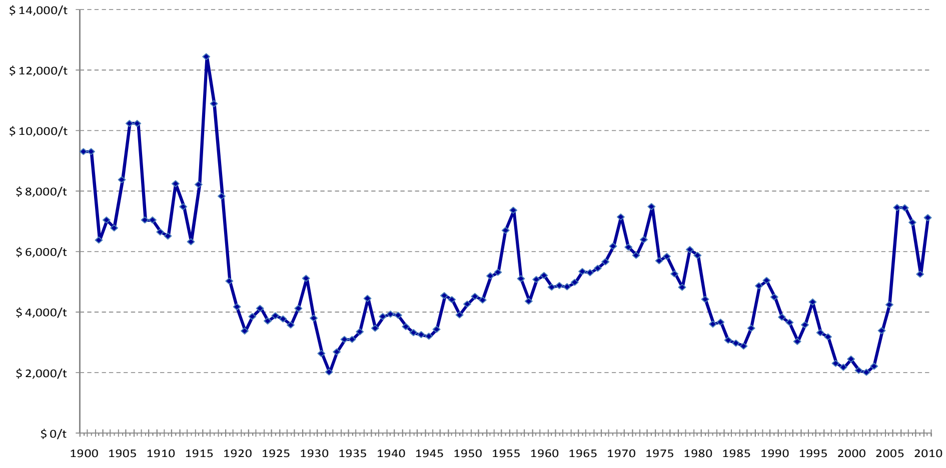
Source : United States Geological Survey, Intersuisse

Figure 4, which is of annual average copper prices, adjusted for inflation to current (2010) terms, from 1900 to 2010, shows that while current copper prices are high, they are

- Not nearly as high, on average, as copper prices until the end of WW1; and
- Are consistent with, NOT well above, prices at previous periods of strong demand.

....But not when adjusted for inflation

Figure 4 : Copper prices, in real terms (2010) from 1900 to 2010



Source : United States Geological Survey, US Bureau of Labor Statistics, IRESS, Intersuisse

Figure 4 also shows that the period from 1998 to 2003, when copper prices were under $1.00/lb and most “experienced” investors gained a large part of their experience, was a period of very low prices.

A simple average of copper prices over the period from 1900 to 2010 is $5,058/t, or US 229c/lb.

However, Intersuisse interprets the data in Figure as showing that copper prices have periods where the medium to long term price is about $1.50/lb (eg. 1921 to 1946 and 1982 to 2004), while the rest of the time is better described as $3.00/lb.

Present copper prices are about \$3.45/lb.

Figure 5 shows that copper prices have been above \$6,000/t (\$2.72/lb) since April 2006, except for a brief period in late 2006 – early 2007 and the time of the GFC. It shows that current copper prices

- Are consistent with this period, on average; and
- Have been higher in the recent past.

Present copper prices are high, but consistent with recent experience

Figure 5 : Nominal copper prices, daily since 1 Jan 2006

Source : IRESS, Intersuisse

As Figure 1 showed, copper inventories have been falling at what is generally a seasonally weak time of year.

Also as shown in Figure 1, commercial inventories of copper have fallen over the course of CY 2010, to be down about 114kt. However, the peak was in early March, and stocks have fallen by 225kt in the 6 months since then.

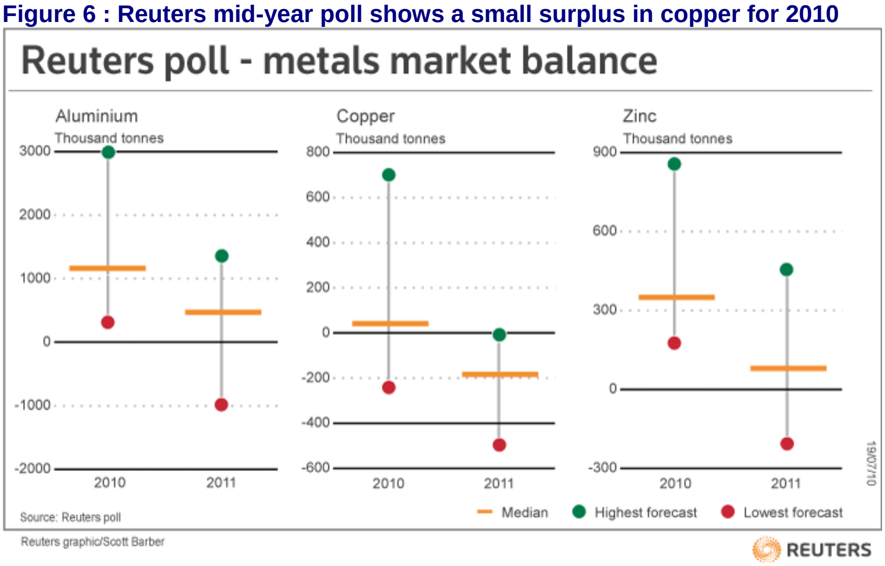
Inventories have fallen during CY 2010, while analysts projected balance between supply and demand

Global copper demand is about 20Mt/yr, or 55kt/day. Present inventories are just over 10 days of global consumption.

Figure 6 is the result of the Reuters mid-year poll, published in July. It shows that, on average, analysts are expecting 2010 to be about balanced in terms of copper supply and demand; this is despite the fall in stocks at a seasonally weak time and very little new production expected in 2010.

Even the most bearish analysts project a further deficit for 2011

Figure 6 : Reuters mid-year poll shows a small surplus in copper for 2010



Source : Reuters (Metals Insider)

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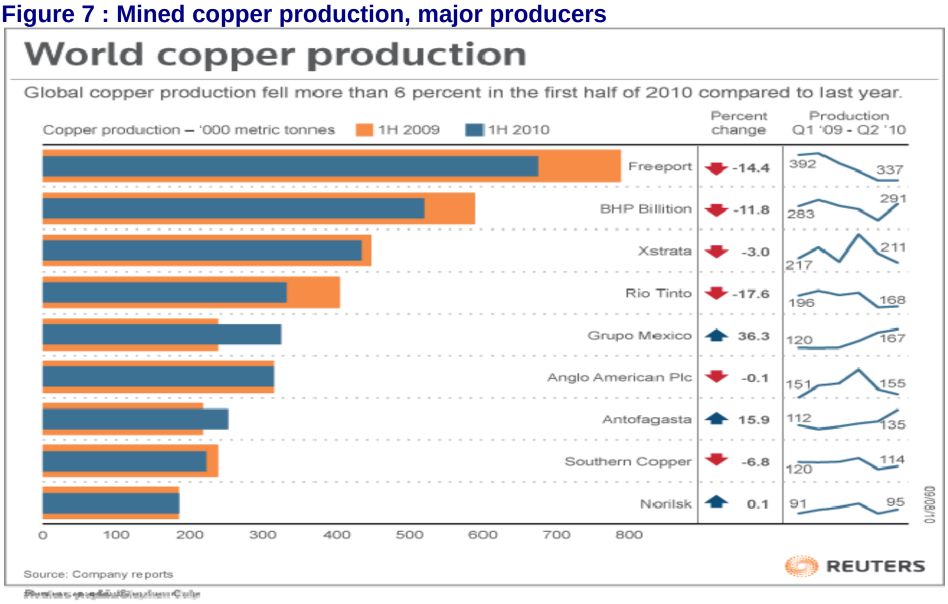
However, Figure 6 shows that, despite 2010 being much tighter than expected, consistent with only the most bullish of analysts estimates, for 2011 even the most bearish of analysts are projecting that copper demand will exceed supply.

The projection that we have seen for 2012 are for a further, and larger deficit, even though inventories will be very tight at the start of 2012.

A major reason for this tightness is the continued failure of supply, as shown in Figure 7, which shows that major producers had lower production in 2010 H1 than in 2009 H1.

The tightness in copper is due to supply problems

Figure 7 : Mined copper production, major producers



Source : Reuters (Metals Insider)

This fall is production was due to a variety of reasons :

- Natural events such as tectonic activity (the earthquake in Chile);
- Industrial and local political action (blockades of mines); and
- Natural falls in grade and mine plans (esp the 2 largest mines, Freeport's Grasberg and BHP/Rio/etc's La Escondida).

Conclusions on Copper prices

Figure 4 showed that

While current copper prices are high, Intersuisse believes they will move higher over the medium term

- Present copper prices are consistent with previous times of strong demand
- Copper prices , in real terms, were much higher before 1919 than they are presently.

Supply has been, and Intersuisse projects will continue to be, slow to respond to the growth in demand. This is partly due to the long permitting times and constraints on people resources, coupled with the belief that present prices are a bubble.

Intersuisse believes that copper prices will remain firm and strengthen over the next 18 months. We expect that the more significant constraint on price will be demand substitution, especially towards aluminium, which is projected to remain in over-supply, and has about 62% of the cross section electrical capacity, with a specific gravity of 30.2%.

ASX Copper Equities

Intersuisse undertook a review of stocks listed in the ASX Metals and Mining Index and identified 42 stocks that are, currently, primarily exposed to copper; this excludes diversified stocks such as BHP and Rio Tinto and gold stocks that produce by-product copper, such as Newcrest.

These are summarised in Figure 8.

Intersuisse reviews a range of copper stocks, across the development spectrum and hence across the risk-reward spectrum

Figure 8 : Intersuisse's summary of ASX listed copper stocks

	Producers	Developers	Feasibility	Late stage	Early Stage	Other
Preferred	OZL	PNX	HAV	IAU	AAR	
	PNA	DML	MGO	RXM	CLY	
		FND		CSE	GMD	
		HGO		BTR	KSO	
		TGS			SMD	
					ZRL	
					SWN	
Others	ABY	EXS	IRN	AVI	AZS	BOC
	AVM	AVB	ARE	COY	LKE	CMR
	EQN	CGG		CYU	PSP	
	IRL	AOH		MET	QMN	
				SFR	SRI	
				CDU	SRM	
					VXR	
TOTAL = 45	**6**	**9**	**4**	**10**	**14**	**2**

Source : IRESS, Intersuisse estimates

Figure 8 shows Intersuisse's view of the stage of development of each of these stocks :

- Developer is intended to mean that the company is presently developing a copper project, so it will be a producer within 18 months;
- Feasibility means that the company has an identified project, but has not yet secured finance to develop the project; this may be because the studies are not yet sufficiently finalised for financing purposes;
- Late Stage exploration is intended to mean that Intersuisse is confident that the company will develop a project, but the company has yet to publish the results of a feasibility study;
- Early stage means that the company has identified some copper mineralisation, but much further drilling is required before it can be identified as a project.

Figure 9 reproduces figure 2 from earlier.

Indicative valuations for Intersuisse's preferred stocks do not show a wide range, given development risk

Figure 9 : Intersuisse's preferred copper stocks

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ZRL		Zambezi Resources Limited	3.1c	$A 24.1m					

Source : IRESS, Intersuisse estimates

Those stocks which have an asterisk (*) have been previously modelled by this analyst, though they have not been properly updated for these purposes. In some cases, the model was indicative only; to get a feel for what the market is pricing rather than an attempt to determine the value of the equity. Such conclusions are not suitable for publication as equity research.

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OZ Minerals (OZL)

OZL is the premier ASX listed copper stock; while it has a market cap of $4.2B, it operates only one mine, Prominent Hill in South Australia, as shown in Figure 10.

Figure 10 : OZL's Prominent Hill mine, in SA

Source : OZL August 2010 presentation

Of this market cap, about $1.2B is cash on OZL's balance sheet.

Part of the risk with OZL is how well it invests this cash.

OZL is the premier ASX listed copper stock, even though it is only a single mine

OZL uses a contractor to mine 55Mt/yr of material in order to process about 8.8Mt/yr of ore, giving a waste to ore ratio of about 6.

Guidance of 2010 is for copper production of 110 – 120kt in concentrate with contained gold of 140 – 150koz.

Figure 11 shows that OZL has about 9 years of reserves in the open cut mine, but there are significant further open cut resources.

Figure 11 : OZL's Reserves and Resources for Prominent Hill

OZL has underground resources which it will develop

		Copper		Gold	
		grade	contained	grade	contained
Open Pit					
Reserves	75.7Mt	1.19 %	901 kt	0.59g/t	1,436 koz
Copper Resources	189.7Mt	1.32 %	2,504 kt	0.5g/t	3,050 koz
Gold Resources	78.8Mt	0.06 %	47 kt	1.4g/t	3,547 koz
Western underground					
Reserves	4.5Mt	2.53 %	114 kt	0.49g/t	71 koz
Resources	103.0Mt	1.84 %	1,895 kt	0.34g/t	1,126 koz

Source : OZL August 2010 presentation

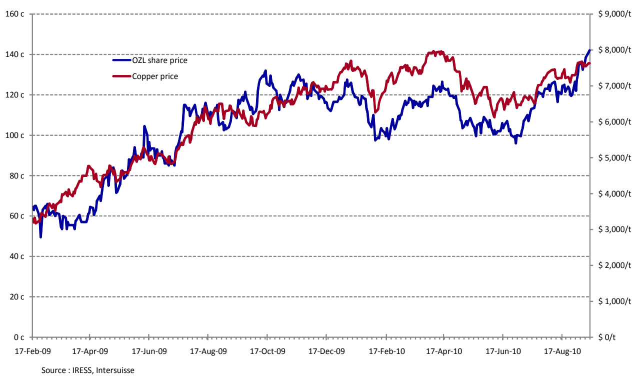
Figure 11 also shows that OZL has significant underground resources.

OZL guidance is for cash costs of US 70c – 80c/lb. Given current cooper prices, this gives a margin over US$ 2.50/lb, or $A 6,000/t for a net free cashflow of $A600m a year, or nearly 20c/share.

Figure 12 shows that the OZL share price has moved with the copper price since the company came out of suspension. As a result, given out firm views of future copper prices, it is likely that the OZL share price will continue to move higher.

Figure 12 : OZL share price v. copper price

The OZL share price moves with the copper price



However, there will come a copper price which the market will see as too high and the share price will lag this "blow-off" copper price.

Also, while this author's model has not been updated, for some time, that model indicates a fair value for OZL of about $1.00 a share $1.10 using 10% real discount rate), so the stock is trading at a premium of 30% - 40% to this author's indicative valuation.

PanAust Resources (PNA)

PNA primary operations are in the Phu Bia contract area in Laos. PNA is also developing the Puthep deposit in Thailand and has recently acquired an interest in a deposit in Chile.

PNA operates the Phu Kham copper-gold mine in Laos

PNA began Heap Leach gold production in October 2005. The Phu Kham mine produced its first copper concentrate in the June 2008 quarter.

PNA's guidance for 2010 is for about 63kt of copper in concentrate, with about 50koz gold and 450koz silver. The indicated cash production cost is around US$ 1.00/lb.

PNA is developing the Ban Houayxai gold-silver project

PNA also has net cash of about US$ 5m, as at 30 June.

PNA began development of the Ban Houayxai gold-silver project in March, expected to produce 100koz gold and 700koz silver each year for a minimum of 8 years from December 2011.

PNA is continuing to work through the feasibility study for the Puthep copper project in Thailand

Figure 13 shows PNA's reported resources and reserves, showing totals of over 4.1Mt copper and 6.6Moz gold.

Figure 13 : PNA's main operations

Source : PNA May 2010 Presentation

In addition, PNA has found sufficient mineralisation to suggest further developments at

- Phonsavan coper-gold, including Tharkek, KTL and Phu He; and
- Ban Phonxai copper-gold, though there is limited drilling on this yet; and

Figure 13 : PNA's reported Resources and Reserves

		Copper		Gold	
		grade	contained	grade	contained
Phu Kham					
Reserves	143.0Mt	0.62 %	887 kt	0.25g/t	1,150 koz
Resources (ex. Reserves)	183.0Mt	0.64 %	1,171 kt	0.24g/t	1,412 koz
Ban Houayxai					
Reserves	28.0Mt		0 kt	0.91g/t	817 koz
Resources	42.7Mt		0 kt	1.25g/t	1,723 koz
Puthep					
Resources	164.0Mt	0.53 %	869 kt	0.09g/t	475 koz
Inca do Oro					
Resources	259Mt	0.46 %	1,191 kt	0.13g/t	1,083 koz

Note : gold grade includes silver at 70 : 1 for gold equivalent for Ban Houayxai

Source : PNA 2009 Annual Report

PNA recently paid US$ 23m to Codelco to acquire an effective 59.4% interest in the Inca de Oro project, and committed a further US$ 12m to the pre-feasibility study for a proejct to produce 50kt/yr Cu and 40koz/ye Au.

Figure 14 shows the PNA share price tracks the copper price les closely than OZL.

Figure 14 : PNA share price v. copper price

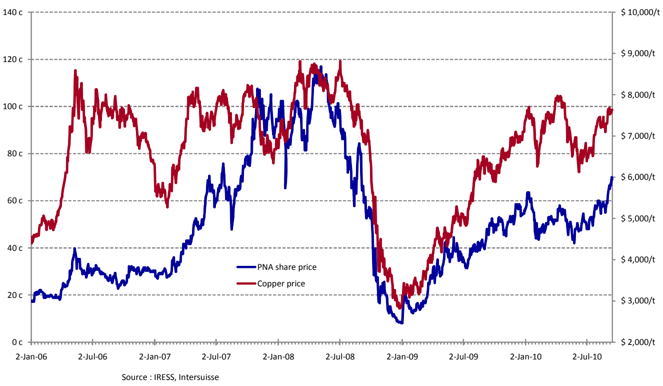


Figure 14 also shows that the PNA share price began to take notice of the copper price from when the Phu Kham mine was being developed.

This author's old model suggests a valuation of around 57c, so that the current price is about a 20% premium, compared with a premium of about 40% premium for OZL.

In addition, PNA has a more easily identifiable path for production growth.

Phoenix Copper (PNX)

PNX listed on the ASX in February 2008, raising a net $6.2m. It has since raised a further $2.6m, with an SPP and a placement in July 2010 to enable PNX to begin production of copper cement under an agreement with Adchem for 300t per month of contained copper.

This production is from the Leigh creek tenements, for which reported resources are 3.1Mt grading 0.77%.

PNX is into production 31 months after listing as an explorer

All of PNX's tenements are in South Australia, and most have evidence of historical copper mining.

Figure 15 : PNX's tenements

Figure 15 shows that PNX has 3 areas of tenements

- Leigh creek, in the centre of SA, where production from the Mountain of Light deposit started in August, about 30 months after listing;

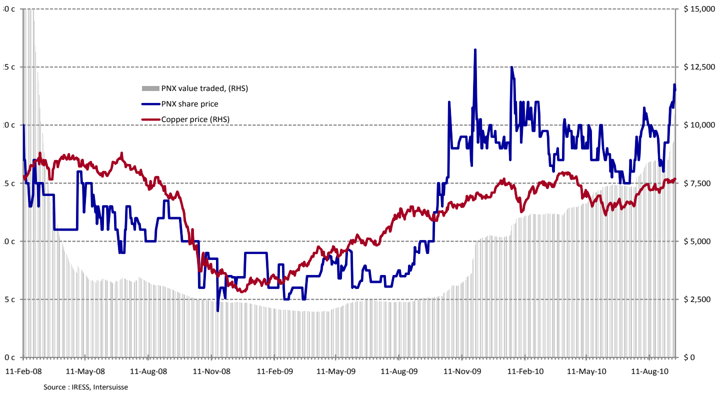
PNX has achieved production with a total of $8.8m in equity raised

- Burra – Princes Royal, to the north of Adelaide, where there have already been reported good grades at shallow depths (eg. 18m at 1.35% Cu from 12m depth) with visible malachite and azurite ; and
- On the western side of the York Peninsula, neighbouring the tenements held by Rex Minerals.

PNX's present market cap is $18m

Figure 16 shows that the PNX share price has been driven by a combination of market conditions (weak, with low volumes following the GFC) and exploration success.

Figure 16 : PNX share price v. volume v. copper price



The MD of PNX is Paul Dowd, who was, in an earlier life, the Chief Operating Officer of Normandy Mining (NDY.ASX), and was responsible for making the NDY mining operations profitable.

PNX has significant production upside from leachable copper, to produce cathode, from their EL's just north of Adelaide

The operational concept for PNX is to develop a group of relatively small but reasonable grade deposits containing easily leachable malachite and azurite ores. The ores will be upgraded by sorting to reduce the volume of ore transported to a central SX-EW facility.

Unit operating costs are projected to be US$ 1.35 - $1.45/lb for 1,200t in FY11, 3,300t in FY12 and 5,150t in FY13, which should generate over $40m in cash. The funds required to develop the XS-EW operations could be generated by the present operations.

PNX believes that the geophysics indicates that the structures hosting RXM's mineralisation extends into their ELs on the Yorke Peninsula

There is significant exploration upside in the Burra-Princess Royal tenements, where direct smelting ores were mined historically.

PNX's Yorke Peninsula tenements have very strong geophysical indications suggesting theta the structures that host the RXM resources extend into the PNX tenements.

PNX's current market cap is $18m. Intersuisse believes that this is well covered by copper production from the Mountain of Light leaving good upside from

- Copper cathode production from the Burra – Princess royal area; and
- Exploration in the Yorke Peninsula area, compared with the present market cap for RXM of $280m.

Discovery Metals (DML)

DML has just formally announced the development of its Boseto project in Botswana

In September, DML announced the development of its Boesto copper-silver project, in Botswana. Figure 17 shows that DML has an extensive are under EL, including 1,300km of strike.

Figure 17 also shows that the Boseto project is near the main highway for export out of Walvis Bay in Namibia.

Figure 17 : DML in Botswana

Source : DML Presentation, September 2010

DML also has the Dikoliti nickel project, which has been "on the back burner" since the nickel price crashed in 2007.

Figure 18 shows how the DML share price has risen with the copper price and with the announcement of the development of the Boseto copper project.

The development concept has been recently upgraded, significantly improving the NPV

Figure 18 : DML share price v. copper price

Source : IRESS, Intersuisse

The most recent announcement is an expanded project, processing 3.0Mt/yr of ore, compared with the 2.0Mt/yr project on which the Bankable Feasibility Study was based.

First production of copper in concentrate is expected in early 2012.

Figure 19 shows the reserves and resources for the Boseto project, with the reserve being announced in August, followed by the revised development plan..

Figure 19 : DML's reserves and resources for Boseto

		Copper		Silver	
		grade	contained	grade	contained
Reserves	21.8Mt	1.40 %	305 kt	18.20g/t	12,758 koz
Resources (ex. Reserves)	81Mt	1.40 %	1,134 kt	17.06g/t	44,427 koz

Source : DML announcement, August 2010

Botswana is highly rated by the Fraser Institute for political risk.

In contrast to many countries nearby, Botswana is pro-mining, and is rated #8 for lowest political risk in the 2010 survey of mining attraction by the Fraser institute; the only African nation rated in the top 10.

There is still significant development risk, but also significant upside risk from on-going exploration in its title areas.

This author's model, while not up to date, indicates a valuation around $1.30, or a premium to the present share price, though this valuation is very sensitive to the discount applied for development risk.

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Finders Resources (FND)

FND has been producing copper cathode from its 4 – 5 t/day demonstration plant since February 2009.

FND has been operating a demonstration SX-EW plant on Wetar Island in Indonesia, producing copper cathode at the rate of 1,500t/yr since February 2009. Figure 20shows that Wetar Island is about 70km north of Timor Leste.

Figure 20 : FND's operations at Wetar Island, Indonesia

FND also has an oxide gold resource at Ojolali on the island of Sumatra,

FND listed on the ASX in June 2007. It was already AIM listed at that time. Figure 21 shows that the FND share price has been a great disappointment to investors.

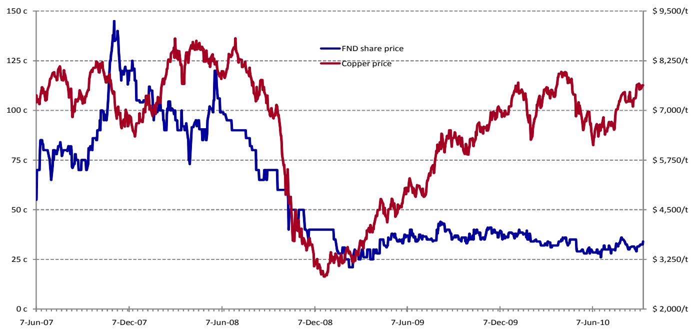
Figure 21 : FND share price v. copper price

The reasons for the poor share price performance have been at least partly due to delays in projects, including issues with Indonesian forestry permits, as well as delays caused by the GFC when capital markets were effectively closed.

The FND share price has performed very poorly, parlty due to continuing project delays

Also due to continuing equity raisings

The most recent raising was a placement at 28c in August 2010, raising $21m. This follows a series of raisings in December 2007, December 2008, March 2009, August 2009 and December 2009.



Source : IRESS, Intersuisse

The most recent raising was to proceed from the demonstration plant to the Stage 1 facility, which is expected to produce 7,000t of copper cathode a year, while Stage 2 adds the installation of the Whim Creek plant, which ash already been purchased from Meridian Resources and has been packed for shipment, to increase production to 23kt/yr.

While environmental approval has been given for both Stage 1 and Stage 2, final approval has yet to be given. Stage 1 is expected to take 9 months to construct while Stage 2 is expected to take 12 months to construct.

FND estimate that operating costs will be about US$ 1.00/lb when Stage 2 is fully operational, giving annual free cash flow of $130m, or nearly 60c a share.

When Stage 2 is commissioned, FND should generate about 50c/share cash, before tax, each year.

Given that the plant for Stage 2 has already been secured, Stage 1 should be able to generate sufficient cash to pay for the development of Stage 2, being mostly earthworks to expand the pits, leach pads and ponds, as well as some electrical work.

Figure 21 shows FND's copper reserves. FND have significant upside potneital from its ELs on Wetar Island, with the potential at Meron for 0.5Mt to 1.5Mt at 1% - 3% cu and an intercept of 10m at 4.5% Cu at Batu Duri.. In addition, FND has 99koz attributable from its Ojolali project.

Figure 21 : FND's Reserves at Wetar

Wetar Reserves		grade	contained	FND attributable
Kail Kuning	5.76Mt	2.47 %	142 kt	134 kt
Lerokis	2.42Mt	2.40 %	58 kt	55 kt

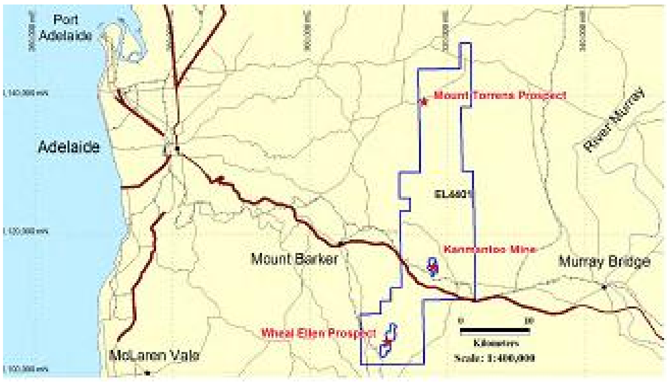
Any cashflow based valuation gives a valuation more than twice the present share price. The present share price reflects an expectation of continuing operational disappointments.

Hillgrove Resources (HGO)

HGO is re-developing the Kanmantoo mine, about 60km from Adelaide.

HGO is presently (re-)developing the Kanmantoo copper-gold mine in SA. Figure 22 shows that this is 60km from Adelaide. HGO began generating revenue from the treatment of some copper oxide ores to produce copper cement in February 2010.

Figure 22 : HGO's Kanmantoo mine



Development of the Kanmantoo mine has been delayed as financing commitments have not yet been finalised. However, this is expected soon.

Despite this, the pre-strip has begun and the mill has been procured. HGO had $97m in cash at July 2010, while a further $91m is expected to be spent in capital costs to get into production.

The Kanmantoo mine had been mined by North Broken Hill and was shut in the mid 1970s when copper prices crashed.

HGO expect to produce 20kt/yr of copper in concentrate at a cash cost of about US$ 1.50/lb, which will generate about $A 90m in free cash, before tax, or nearly 20c/share. Figure 23 shows HGO's resources and reserves for Kanmantoo.

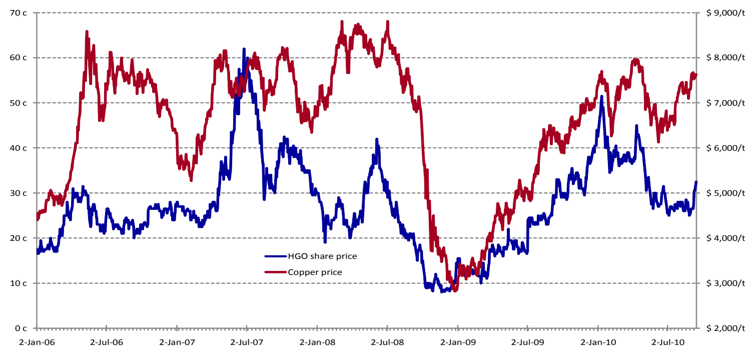
Even though financing for the development has not been completed, HGO has sufficient cash to be able to fund development.

Figure 22 : HGO's Reserves and Resources for Kanmantoo

		Copper		Gold		Silver	
		grade	contained	grade	contained	grade	contained
Reserves	14.8Mt	0.85 %	126 kt	0.17g/t	81 koz	3.10g/t	1,475 koz
Resorces							
Oxide	1,125 kt	0.8 %	8,600 t	0.2g/t	6,900 oz	3.3g/t	121 koz
Transitional	1,620 kt	0.8 %	12,200 t	0.2g/t	9,600 oz	2.9g/t	152 koz
Fresh (excl. Reserves)	14,647 kt	0.9 %	145,500 t	0.2g/t	93,600 oz	3.2g/t	1,565 koz

Figure 23 shows that HGO's share price has not been moving with the copper price, but responding to delays in the development of Kanmantoo.

Figure 23 : HGO share price v. copper price



Source : IRESS, Intersuisse

HGO has very attractive development potential in its SA tenements and exciting exploration, especially in its Indonesian tenements

When (not if) Kanmantoo beigns development, Intersuisse expects the market to respond very positively and notice the expected exploration upside in their SA tenements, which has other historic mines.

This author's model of HGO indicates a value about twice the current share price.

Also, HGO's exploration, especially in Indonesia, has given many very good results.

In Intersuisse's view, the market is placing a very large risk premium on the Kanmantoo operations; HGO has begun the development as it has the cash resources to be able to do so, even though financing has not been finalised as yet. This could be the catalyst for a stock re-rating.

Tiger Resources (TGS)

TGS is in the copper belt in the south of the DRC

TGS is developing the Kipoi project in the copper belt region of the Democratic Republic of the Congo of which it owns 60%.

There are at least 2 phases to this project :

- Production of a direct shipping concentrate from the high grade oxide resources for a total cap.ex of US$ 31.5m, with an operating cost of 36c/lb; and
- Development of an SX-EW plant to produce 25kt/yr of copper cathode for 3 to 4 years at a cash cost of 40c/lb.

Figure 24 : DRC Copper Belt region

Source : TGS Presentation, September 2010

TGS has high grade projects, the first of which is expected to begin producing a direct shipping concentrate.

The first phase is in development and is expected to begin production in March 2011. It is expected to produce about 119kt of contained copper over a 39 month period.

Figure 25 shows that TGS has 142kt of high grade (> 5.0% Cu) oxide resources at Kipoi Central, with further resources nearby. The present proposal is to produce a direct shipping ore from these resources, using Heavy Media Separation, and then acid leach the stockpiles to produce a copper cathode by SX-EW to achieve 75kt/yr production from Year 6 to at least Year 15.

TGS has resources for 15 years ramping up from 40kt/yr of contained copper in 2011 to 75kt/yr by 2018, from both a HMS concentrate and SX-EW produced cathode

Figure 25 : TGS's Resources

Kipoi Central, high grade		Copper		Cobalt		Silver	
Measured & Indicated		grade	contained	grade	contained	grade	contained
Oxide	1.7 Mt	8.4 %	142 kt	0.19 %	3.3 kt	4.6 g/t	249 koz
Transition	0.5 Mt	7.2 %	36 kt	0.10 %	0.52 kt	4.9 g/t	79 koz
Fresh	0.7 Mt	7.6 %	53 kt	0.11 %	0.77 kt	5.0 g/t	112 koz
TOTAL	**2.9 Mt**	**8.0 %**	**231 kt**	**0.16 %**	**4.6 kt**	**4.7 g/t**	**440 koz**

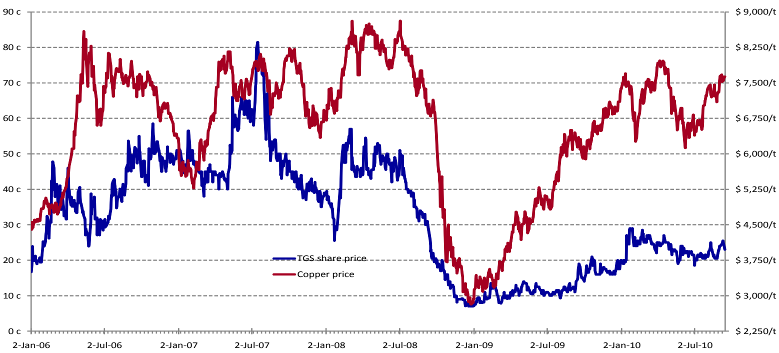
		Copper		Cobalt		Silver	
		grade	contained	grade	contained	grade	contained
Kipoi Central, low grade							
Masured & indicated	23.5 Mt	2.28 %	535 kt	0.09 %	22 kt	2.8 g/t	2,138 koz
Inferred	12.0 Mt	0.85 %	102 kt	0.05 %	6 kt	0.5 g/t	182 koz
Kipoi North, Inferred							
Oxide	4.89 Mt	1.38 %	67.3 kt	0.05 %	2.4 kt	8.0 g/t	1,252 koz
Transition	0.36 Mt	1.08 %	3.9 kt	0.05 %	0.2 kt	9.7 g/t	113 koz
Freash	0.03 Mt	1.00 %	0.3 kt	0.05 %	0.0 kt	9.7 g/t	8 koz
Kileba South, Inferred							
Oxide	7.8 Mt	1.35 %	105 kt	0.01 %	0.77 kt	0.4 g/t	112 koz
Fresh	1.8 Mt	1.64 %	29 kt				
TOTAL	**50.3 Mt**	**1.6 %**	**814 kt**	**0.06 %**	**31.4 kt**	**2.4 g/t**	**3,805 koz**

Source : TGS Presentation, September 2010

Market cap is less than 12 months net cashflow

Figure 26 shows that since the GFC, the TGS share price has not responded to the improvement in the copper price.

Figure 26 : TGS share price v. copper price



Source : IRESS, Intersuisse

Other projects in the DR Congo have been expropriated, so there is a VERY high political risk

The project life and low cash cost suggests that the current market cap will be covered by less than 12 months operations.

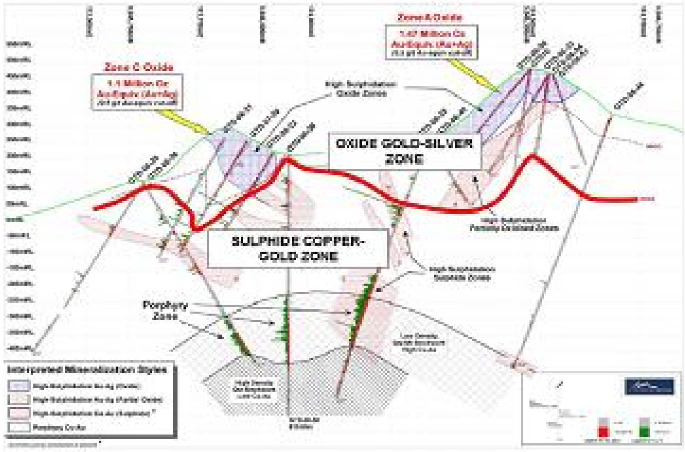
However, this project is in the DRC, where First Quantum has had its mines expropriated by parties thought to be related to the Government, which suggests that shareholders may not see any of this cash.

 See Page 15 for Disclaimer and Disclosures

Intrepid Resources (IAU)

IAU is continuing to drill the Tuju Bukhit deposit, which is in the S-E corner of the island of Java in Indonesia.

Figure 27 : IAU's Tuju Bukhit deposit in Indonesia



Source : IAU May 2010 Presentation

IAU is drilling the Tuju Bujhit Cu-Au porphyry deposit in Indonesia, which has a 3.3Moz eq. Au-Ag oxide cap

The deposit consists of an oxide gold cap overlying a copper-gold porphyry.

The Inferred resources for the cap is already over 3.3Moz of gold equivalent (Au + Ag), including Zone B, which is not shown in Figure 27.

IAU has 6 rigs drilling the deposit and hopes to release its first resource estimate for the Cu-Au porphyry in a few weeks. However, the system is a very large system and it has not yet been fully delineated.

A further, larger, resource update is expected in February 2011, which will be followed by the results of a scoping study about 3 to 4 months later.

The deposit is very large, both in terms of surface area and also depth

What is known is that this is a very large system. Figure 28 shows that the area of the porphyry covers about 4km^2.

Figure 28 : Tuju Bukhit – 5 zones identified

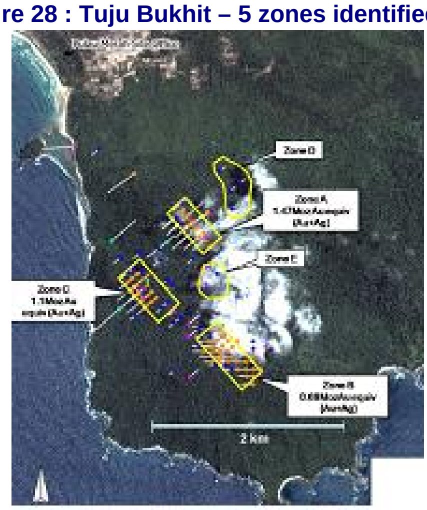


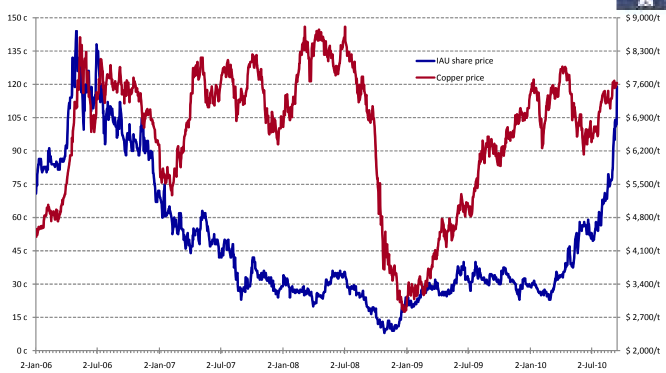
Figure 29 shows that the IAU share price has little relation to the copper price. It also shows that the IAU share price has risen very strongly, from 23c at the end of February 2010.

Part of the reason for the lack of relationship to the copper price is that IAU was, until very recently, the operator of the Paulsen's gold mine in WA. The sale of this mine has only just been concluded.

IAU also sold the Casposso epithermal gold – copper deposit in Argentina, to Troy Resources, March 2009.

There is significant risk in any valuation, as we do not have a JORC resource as yet; an initial resource is expected soon, and an updated resource in February 2011

Figure 29 : IAU share price v. copper price



Source : IRESS, Intersuisse

To get an indication of the potential value of IAU, this author developed a model based on Newmont's nearby Batu Hijau deposit, with 1,000Mt resource, but grading 0.60% Cu & 0.65g/t Au, given that most reported intersections are higher grades.

Assuming debt financing and equity raising and risk weighting, the first oxide mined in 2013 Q1 and first porphyry in 2017, model suggests a value of about $2.00.

While Intersuisse still sees this as a good risk, the risks relate primarily to the size and grade of the resource, rather primarily the copper price.

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Rex Minerals (RXM)

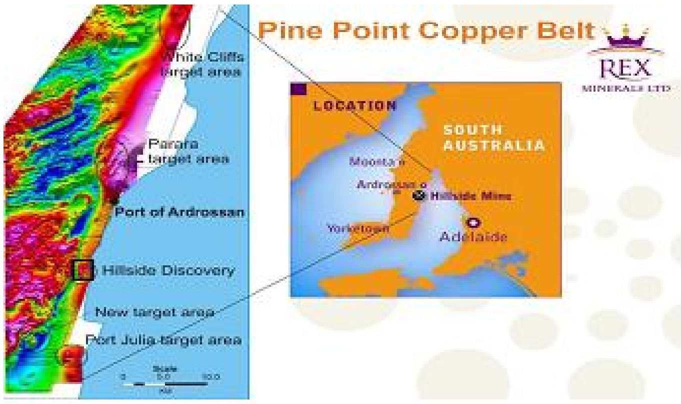
RXM has a large area under ELs, stretching for 60km along the Yorke Peninsula o SA, as shown in Figure 30.

RXM has a large area under EL in SA's Yorke Peninsula, 2 hours drive form Adelaide.

In this area are many historic mines' many ceased operations 150 years ago, having exhausted the readily found, high grade, shallow, direct shipping ore.

Compared with DSO grades of 20% and higher, there is a huge volume of lower grade material that is now economic.

Figure 30 : RXM's tenements in SA



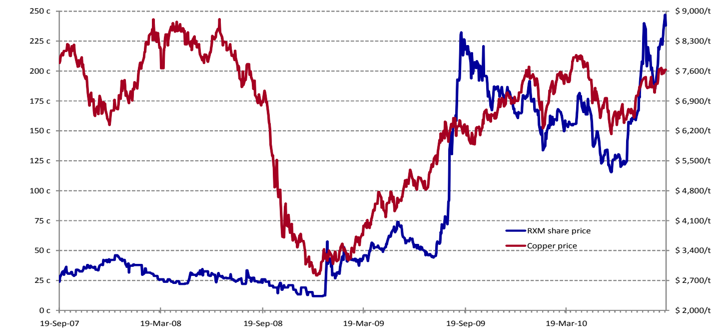
RXM began its drilling at Hillside, as this was an area historically mined.

Intersuisse expects that RXM will report a mineable resource of about 2.0Mt of contained copper at Hillside

RXM has recently undertaken geophysical work, and are targeting areas of co-incident magnetic and gravity highs. This targets the observed association between magnetite and copper. Figure 30 suggests that there are many areas with better geo-physical indications than Hillside.

Figure 31 shows that the RXM share price has been moved more by resource announcements than the copper price.

Figure 31 : RXM share price v., copper price



Source : IRESS, Intersuisse

RXM has announced an Inferred Resources of 100Mt at 0.7% Cu & 0.2g/t Au. RXM stated that this result is from sufficient drilling of only about 30% of the identified area. RXM have shown that there is very good continuity between the fences that have been drilled over a strike of 1.2km. The total identified strike is about 2km for Hillside.

Intersuisse expects further copper finds within RXM's ELs

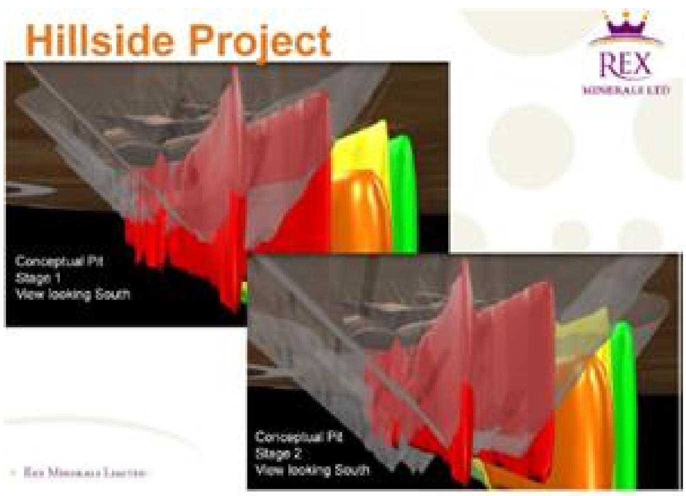
This author has developed an indicative model, based upon costs for Prominent Hill, which has a total strike of 650m for an open cut Resource of 344Mt (see Figure 11).

Assuming a mineable resource of 315Mt, mined at a rate of 10Mt/yr, with near to current copper and gold prices, $A 1,000m cap.ex, 60% risk weighted and first ore in March 2014, a value of over $3.00 is derived.

RXM is expected to come back to the market for further equity in the middle of 2011.

Recently, RXM announced an intercept of 34m at 0.6% Cu, from 25m below surface. The nature of the mineralisation is a series of lenses, as shown in Figure 32, so a diagonal drill will cross a lens.

Figure 32 : Hillside's mineralisation



RXM had $31m in cash at 30 June and expects to spend $20m over the FY, so a new raising should be expected to fund feasibility studies from 2011 Q3.

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