

5 July 2011

Australia Mining Sector

3Q11 - the great disconnect

Paul Young

Research Analyst
(+61) 2 8258-2587
paul-d.young@db.com

Levi Spry

Research Analyst
(+61) 2 8258-2611
levi.spry@db.com

Chris Terry

Research Associate
(+61) 2 8258-2528
chris.terry@db.com

Equities lag commodities despite strong cash flow and fundamentals

Global macro events have continued to impact mining equities (down 8% in 2Q). However commodity prices have remained robust (+6%). We expect the sector to re-rate in 2H driven by: 1. Strong fundamentals (robust Chinese demand combined with supply constraints) should support commodity prices, 2. Cheap valuations (sector P/NPV of just 0.93x) and 3. Strong balance sheets (-15% ND/E) and cash flows (+40% EBITDA margins). Our top picks are; BHP, RIO, NCM, AWC, AQP, AQG, WSA, SFR (all BUYs), and we upgrade PDN to BUY on valuation.

Top commodity picks – no major sign of roll over

The 2H11-2013 story remains one of supply constraints and improving global demand. We remain bullish gold (constructive interest rate and exchange rate environment, further central bank buying), PGMs (auto production normalization and support from gold), copper (Chinese restocking and supply issues), and aluminium (Chinese energy and cost issues). Robust Chinese steel production has kept iron ore and met coal tight and this could continue into 2013. Uranium remains our least preferred commodity. In this review we have made modest cuts to base metals in 2011&12 (down 2-6%), gold and PGMs (down 5-7%), PCI coal and uranium. There are no upgrades, however we still forecast +10% price increases for base metals and +20% for precious metals in 2012.

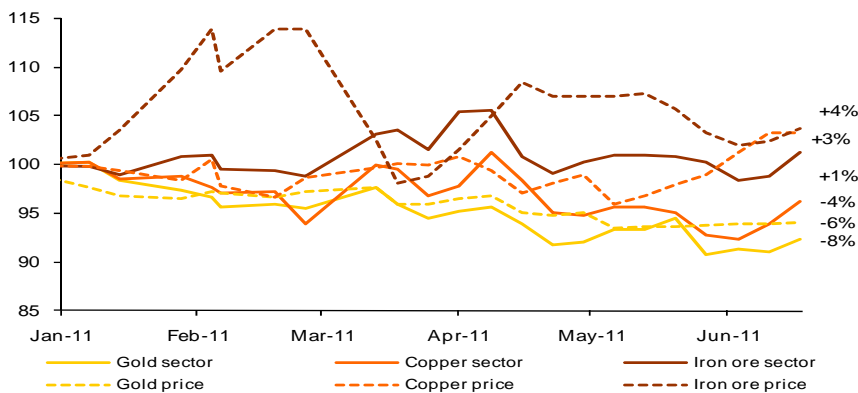
Equities lagging commodities – expect a 2H re-rate

We have shown the performance of the Australian iron ore, gold and copper sectors vs. the iron ore, gold and copper price in Figure 1 below. It clearly shows that stocks continue to underperform commodities. We expect a 2H re-rate on continued commodity price strength combined with compelling valuations.

Valuations and sector risks

Our PTs are set broadly in-line with our DCF derived valuations. Sector and company risks include adverse commodity & currency movements (see p11). *This report changes ratings, Price Targets, and estimates (see Figures 3 & 4).*

Figure 1: Equities still lagging commodities, expect a catch-up in 2H



Source: Datastream, Platt's, Deutsche Bank

Recommendation Change

Top picks	
BHP Billiton Ltd (BHP.AX),AUD44.02	Buy
Newcrest Mining Ltd (NCM.AX),AUD37.61	Buy
Alumina (AWC.AX),AUD2.20	Buy
Aquarius Platinum Limited (AQP.AX),AUD4.74	Buy
Sandfire Resources NL (SFR.AX),AUD7.45	Buy

Companies featured	
Alacer Gold (AQG.AX),AUD7.80	Buy
Alumina (AWC.AX),AUD2.20	Buy
Aquarius Platinum Limited (AQP.AX),AUD4.74	Buy
Atlas Iron Ltd (AGO.AX),AUD3.84	Hold
BHP Billiton Ltd (BHP.AX),AUD44.02	Buy
Coal & Allied (CNA.AX),AUD106.48	Buy
Coalspur Mines Ltd (CPL.AX),AUD1.96	Hold
Discovery Metals Ltd (DML.AX),AUD1.24	Hold
Equinox Minerals (EQN.AX),AUD7.90	Hold
ERA (ERA.AX),AUD4.19	Buy
Extract Resources (EXT.AX),AUD8.08	Hold
Fortescue Metals (FMG.AX),AUD6.48	Hold
Gryphon Minerals (GRY.AX),AUD1.87	Hold
Iluka Resources (ILU.AX),AUD16.66	Hold
Independence Group (IGO.AX),AUD5.71	Buy
Kingsgate Consolidated (KCN.AX),AUD7.98	Buy
Lynas Corporation Ltd (LYC.AX),AUD1.89	Buy
Macarthur Coal Ltd (MCC.AX),AUD11.24	Hold
Medusa Mining (MML.AX),AUD6.54	Hold
Minara Resources (MRE.AX),AUD0.75	Hold
Mincor Resources (MCR.AX),AUD0.96	Hold
Mirabela Nickel (MBN.AX),AUD1.88	Hold
Newcrest Mining Ltd (NCM.AX),AUD37.61	Buy
OZ Minerals (OZL.AX),AUD13.55	Hold
Paladin Energy Limited (PDN.AX),AUD2.64	Buy
PanAust (PNA.AX),AUD3.97	Buy
Panoramic Resources (PAN.AX),AUD1.82	Buy
Regis Resources (RRL.AX),AUD2.55	Hold
Resolute Mining (RSG.AX),AUD1.19	Hold
Rio Tinto Ltd (RIO.AX),AUD83.15	Buy
Sandfire Resources NL (SFR.AX),AUD7.45	Buy
St Barbara (SBM.AX),AUD1.93	Hold
Western Areas (WSA.AX),AUD5.94	Buy
Whitehaven Coal Limited (WHC.AX),AUD5.90	Buy

Deutsche Bank AG/Sydney

All prices are those current at the end of the previous trading session unless otherwise indicated. Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies. Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MICA(P) 146/04/2011.

3Q 2011 Outlook

Precious and base metals preferred

Figure 2: DB Commodity Price Revisions

	2010A	1Q11F	2Q11F	3Q11F	4Q11F	2011F	2012F	2013F	2014F	LT
Aluminium (USc/lb)	99	113	118	120	127	120	133	127	113	113
% Chg from previous	0%	0%	0%	-2%	0%	-1%	-3%	0%	0%	0%
Copper (USc/lb)	343	438	415	431	449	433	493	431	363	227
% Chg from previous	0%	0%	0%	-9%	-10%	-5%	-5%	-5%	0%	0%
Nickel (USc/lb)	991	1216	1102	1089	1202	1152	1316	1225	1134	771
% Chg from previous	0%	0%	0%	-11%	-12%	-6%	-3%	-4%	0%	0%
Zinc (USc/lb)	98	109	102	109	116	109	131	125	109	98
% Chg from previous	0%	0%	0%	-4%	-2%	-1%	-8%	-2%	0%	-1%
Gold (USD/oz)	1226	1387	1508	1630	1750	1569	1900	1700	1500	850
% Chg from previous	0%	0%	0%	-1%	0%	0%	-5%	-6%	0%	0%
Silver (USD/oz)	20.2	31.7	38.5	37.0	41.0	37.1	46.7	37.8	30.0	14.0
% Chg from previous	0%	0%	0%	-10%	-6%	-5%	-7%	-6%	0%	-1%
Uranium [term price] (USD/lb)	61	65	68	68	68	65	65	70	75	55
% Chg from previous	0%	0%	0%	5%	5%	-1%	0%	0%	0%	0%
Zircon (USD/t)	911	1350	1600	2200	2500	1913	2700	2700	2175	1300
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Platinum (USD/oz)	1610	1792	1784	1750	1950	1819	2125	1850	2000	1600
% Chg from previous	0%	0%	0%	-4%	-3%	-2%	-8%	-5%	11%	0%
Palladium (USD/oz)	527	791	760	850	950	838	1150	800	1250	750
% Chg from previous	0%	0%	0%	-6%	-5%	-3%	-12%	-11%	47%	0%
Spot landed Fines price in China - USD/t CIF	147	180	175	175	185	175	180	120	100	75
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Australian Lump to Asia - USD/t	129	187	182	182	192	182	187	127	107	82
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Australian Fines to Asia - USD/t	114	172	167	167	177	167	172	112	92	67
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Premium hard coking coal (JFY)	225	225	330	300	275	283	275	200	160	120
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Semi soft coking coal/ high-vol PCI (JFY)	169	170	260	235	215	220	215	150	118	85
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Low-vol PCI coal (JFY)	180	180	280	230	230	230	235	160	128	95
% Chg from previous	0%	0%	0%	-10%	-2%	-3%	0%	0%	0%	0%
Thermal Coal (JFY)	98	98	130	130	130	130	140	120	90	80
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
WTI	79	94	102	100	103	100	104	110	115	115
% Chg from previous	0%	0%	0%	-13%	-8%	-6%	-6%	-4%	-3%	0%
Australia (USD/AUD)	0.92	1.01	1.06	1.06	1.04	1.04	1.03	0.96	0.86	0.78
% Chg from previous	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Deutsche Bank

Earnings – modest changes to base and precious metals

Figure 3: EPS & TP changes (LHS Dec year end, RHS June year end)

	TP (A\$/sh)		CY11	CY12	CY13		TP (A\$/sh)		FY11	FY12	FY13	
AQG	10.25	EPS, USc/sh	73	161	144		AGO	3.20	EPS,	19	40	34
	-2%	% Chg	0%	-7%	-8%			10%	% Chg	0%	-7%	-7%
AWC	2.65	EPS, USc/sh	9	17	17		AQP	6.40	EPS, USc/sh	28	41	52
	0%	% Chg	-3%	-14%	0%			0%	% Chg	0%	-26%	-11%
CNA	131.00	EPS	853	1393	1120		BHP	52.75	EPS, USc/sh	403	485	450
	0%	% Chg	-1%	0%	0%			-2%	% Chg	-1%	-7%	-3%
EQN	7.92	EPS, USc/sh	47	82	91		CPL	2.00	EPS	-1	-1	-1
	0%	% Chg	-11%	-8%	-8%			-5%	% Chg	n/a	n/a	n/a
ERA	9.70	EPS	-15	52	58		DML	1.06	EPS, USc/sh	-2	-5	6
	-2%	% Chg	n/a	0%	0%			-1%	% Chg	n/a	n/a	-13%
ILU	16.30	EPS	94	220	260		EXT	8.00	EPS	-14	-2	-3
	0%	% Chg	0%	0%	0%			0%	% Chg	n/a	n/a	n/a
MBN	1.86	EPS, USc/sh	-4	27	28		FMG	6.30	EPS, USc/sh	55	77	56
	-3%	% Chg	n/a	-7%	-7%			0%	% Chg	0%	0%	0%
MRE	0.83	EPS	7	12	12		GRY	1.85	EPS	-1	0	19
	-6%	% Chg	-31%	-9%	-9%			-8%	% Chg	n/a	n/a	-22%
OZL	13.92	EPS	108	190	145		IGO	7.53	EPS	24	56	73
	-3%	% Chg	-11%	-9%	-10%			1%	% Chg	-3%	-14%	-7%
PNA	4.43	EPS, USc/sh	36	66	67		RRL	2.50	EPS	8	15	82
	0%	% Chg	-8%	-9%	-9%			-4%	% Chg	0%	-6%	31%
RIO	106.00	EPS, USc/sh	925	1109	810		KCN	9.30	EPS	57	161	232
	-1%	% Chg	-2%	-3%	-2%			-2%	% Chg	1%	-6%	-6%
							LYC	2.60	EPS	-4	3	24
								0%	% Chg	n/a	0%	0%
							MCC	11.40	EPS	49	125	136
								-2%	% Chg	-1%	-6%	0%
							MCR	1.27	EPS	0	12	14
								-11%	% Chg	-61%	-27%	-9%
							MML	7.25	EPS, USc/sh	62	82	96
								-2%	% Chg	0%	-5%	-5%
							NCM	45.00	EPS	140	268	357
								-2%	% Chg	0%	-8%	-8%
							PAN	2.12	EPS	22	37	43
								-5%	% Chg	-3%	-18%	-5%
							PDN	3.10	EPS, USc/sh	-5	9	14
								-9%	% Chg	n/a	-4%	-14%
							RSG	1.19	EPS	9	28	26
								-6%	% Chg	1%	-11%	-11%
							SBM	2.15	EPS	19	45	39
								-2%	% Chg	1%	-5%	-6%
							SFR	8.03	EPS	-32	12	54
								2%	% Chg	n/a	-26%	-6%
							WSA	7.84	EPS	78	85	97
								5%	% Chg	-1%	-14%	-3%
							WHC	6.25	EPS	14	43	74
								-1%	% Chg	-1%	-3%	0%

Source: Deutsche Bank; Future data are forecast

Ratings – 17 BUYs, upgrade PDN, downgrade GRY and RRL

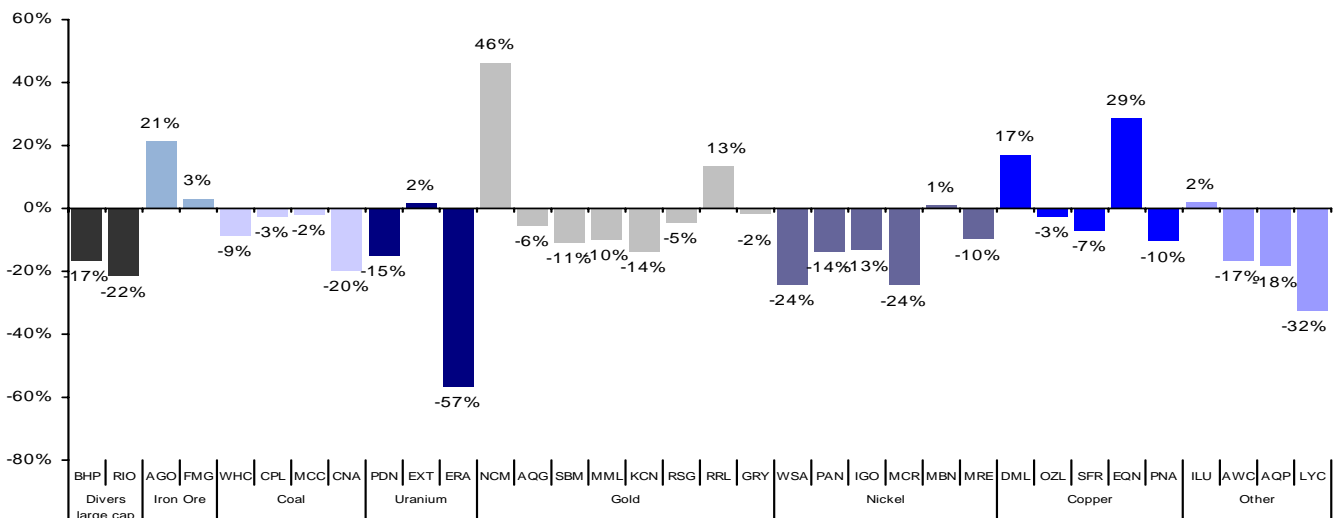
Figure 4: DB ratings basis on a 12 month forecast return

Code	Previous rating	Current rating	Prev NPV, A\$/sh	New NPV A\$/sh	Last price	Target	Up/downside	P/NPV
ERA	Buy	Buy	\$9.91	\$9.68	\$4.19	\$9.70	132%	-57%
LYC	Buy	Buy	\$2.80	\$2.80	\$1.89	\$2.60	38%	-32%
AQP	Buy	Buy	\$5.79	\$5.81	\$4.74	\$6.40	35%	-18%
MCR	Hold	Hold	\$1.33	\$1.27	\$0.96	\$1.27	32%	-24%
WSA	Buy	Buy	\$8.10	\$7.84	\$5.94	\$7.84	32%	-24%
IGO	Buy	Buy	\$6.79	\$6.58	\$5.71	\$7.53	32%	-13%
AQG	Buy	Buy	\$8.45	\$8.26	\$7.80	\$10.25	31%	-6%
RIO	Buy	Buy	\$107.16	\$106.00	\$83.15	\$106.00	27%	-22%
CNA	Buy	Buy	\$131.49	\$133.00	\$106.48	\$131.00	23%	-20%
AWC	Buy	Buy	\$2.64	\$2.64	\$2.20	\$2.65	20%	-17%
BHP	Buy	Buy	\$53.82	\$52.75	\$44.02	\$52.75	20%	-17%
NCM	Buy	Buy	\$26.21	\$25.70	\$37.61	\$45.00	20%	46%
PDN	Hold	Buy	\$3.31	\$3.11	\$2.64	\$3.10	17%	-15%
KCN	Buy	Buy	\$9.50	\$9.25	\$7.98	\$9.30	17%	-14%
PAN	Buy	Buy	\$2.27	\$2.12	\$1.83	\$2.12	16%	-14%
PNA	Buy	Buy	\$4.45	\$4.43	\$3.97	\$4.43	12%	-10%
SBM	Hold	Hold	\$2.18	\$2.17	\$1.93	\$2.15	11%	-11%
MML	Hold	Hold	\$7.38	\$7.27	\$6.54	\$7.25	11%	-10%
MRE	Hold	Hold	\$0.88	\$0.83	\$0.75	\$0.83	11%	-10%
SFR	Buy	Buy	\$8.13	\$8.03	\$7.45	\$8.03	8%	-7%
WHC	Buy	Buy	\$6.35	\$6.25	\$5.90	\$6.25	6%	-6%
OZL	Hold	Hold	\$14.42	\$13.92	\$13.55	\$13.92	3%	-3%
CPL	Hold	Hold	\$2.08	\$2.02	\$1.97	\$2.00	2%	-3%
MCC	Hold	Hold	\$11.45	\$11.47	\$11.24	\$11.40	1%	-2%
EQN	Hold	Hold	\$6.31	\$6.14	\$7.90	\$7.92	0%	29%
RSG	Hold	Hold	\$1.33	\$1.25	\$1.19	\$1.19	0%	-5%
EXT	Hold	Hold	\$7.97	\$7.95	\$8.08	\$8.00	-1%	2%
MBN	Hold	Hold	\$1.91	\$1.86	\$1.88	\$1.86	-1%	1%
GRY	Buy	Hold	\$2.40	\$1.90	\$1.87	\$1.85	-1%	-2%
RRL	Buy	Hold	\$2.20	\$2.25	\$2.55	\$2.50	-2%	13%
ILU	Hold	Hold	\$16.34	\$16.34	\$16.66	\$16.30	-2%	2%
FMG	Hold	Hold	\$6.33	\$6.28	\$6.48	\$6.30	-3%	3%
DML	Hold	Hold	\$1.06	\$1.06	\$1.25	\$1.06	-15%	17%
AGO	Hold	Hold	\$2.91	\$3.17	\$3.84	\$3.20	-17%	21%

Source: Deutsche Bank (last prices as at 4 July 2011), company data

P/NPV – sector average is 0.93x

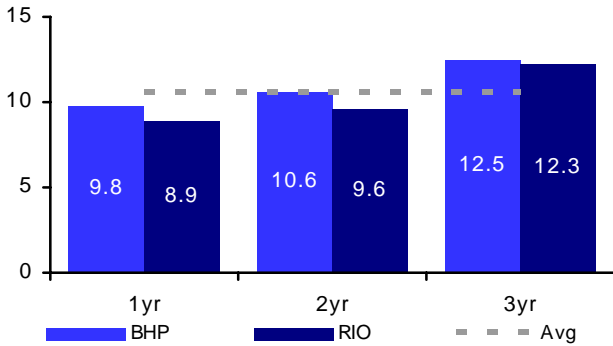
Figure 5: Australian Mining Sector P/NPV profile – averaging 0.93x



Source: Deutsche Bank (last prices as at 4 July 2011)

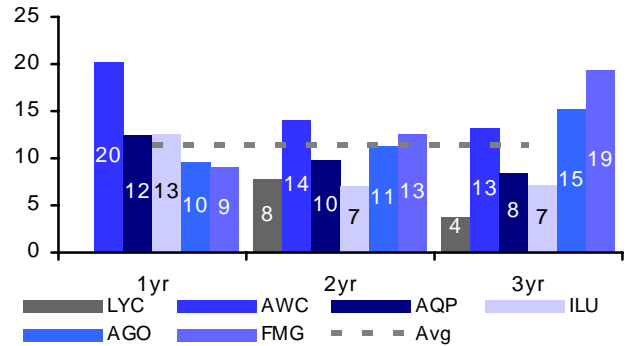
Average 1-3yr PER is ~10x across the sector sub-groups

Figure 6: Diversified large caps 12mth rolling PER



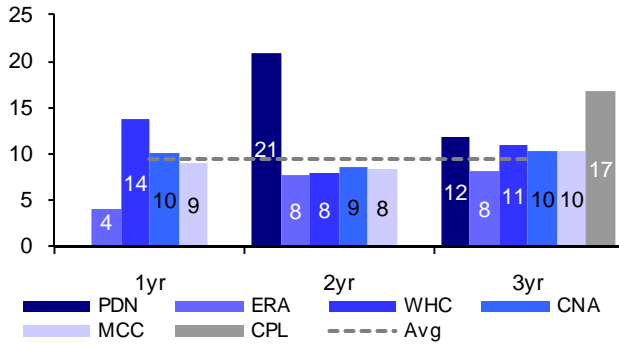
Source: Deutsche Bank (last prices as at 4 July 2011)

Figure 7: Diversified mid caps 12mth rolling PER



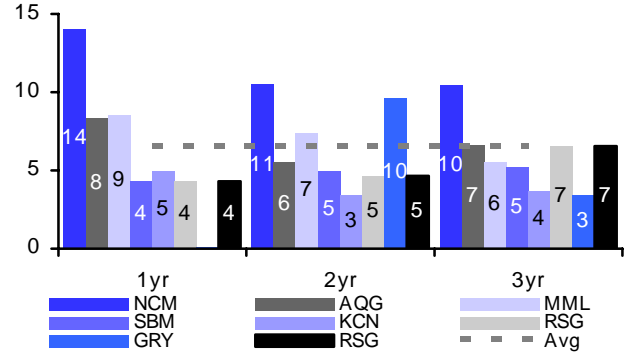
Source: Deutsche Bank (last prices as at 4 July 2011)

Figure 8: Energy 12mth rolling PER



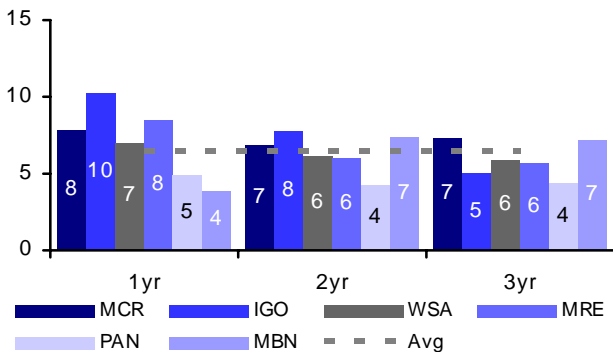
Source: Deutsche Bank (last prices as at 4 July 2011)

Figure 9: Gold 12mth rolling PER



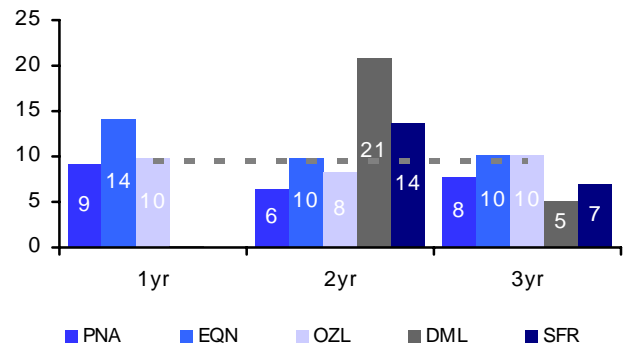
Source: Deutsche Bank (last prices as at 4 July 2011)

Figure 10: Nickel 12mth rolling PER



Source: Deutsche Bank (last prices as at 4 July 2011)

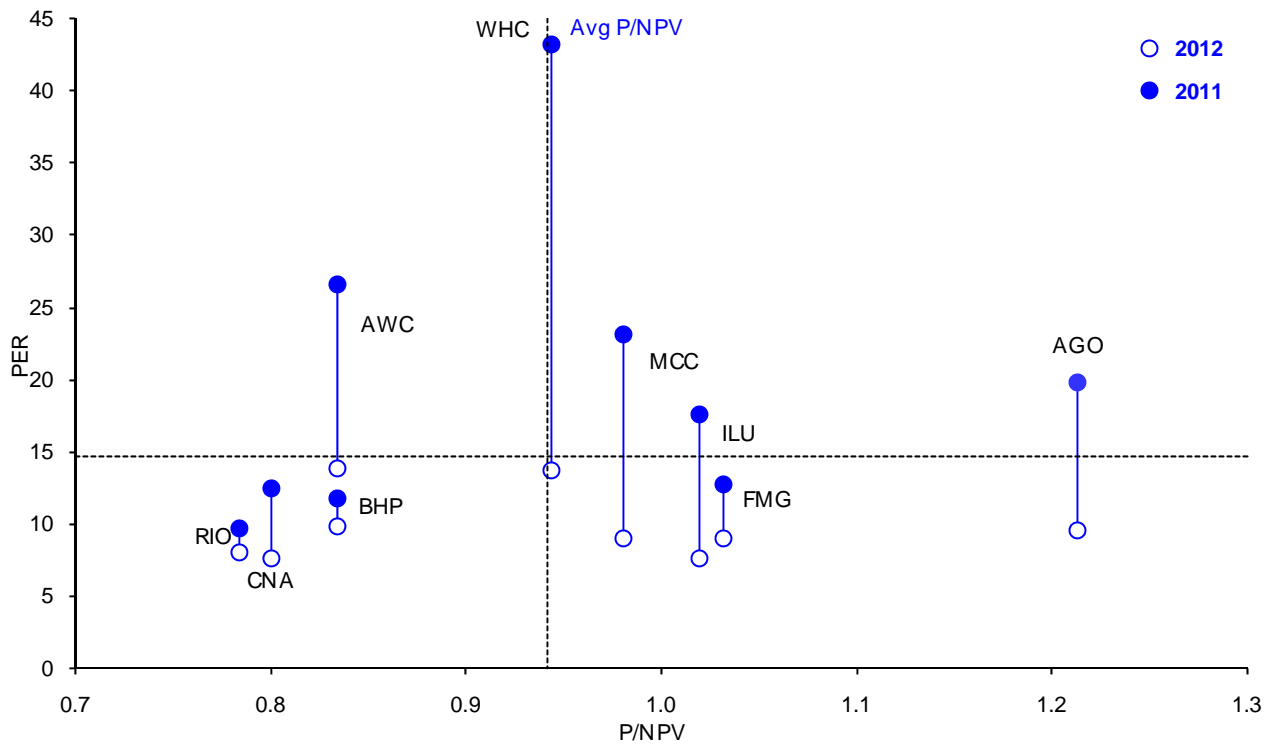
Figure 11: Copper 12mth rolling PER



Source: Deutsche Bank (last prices as at 4 July 2011)

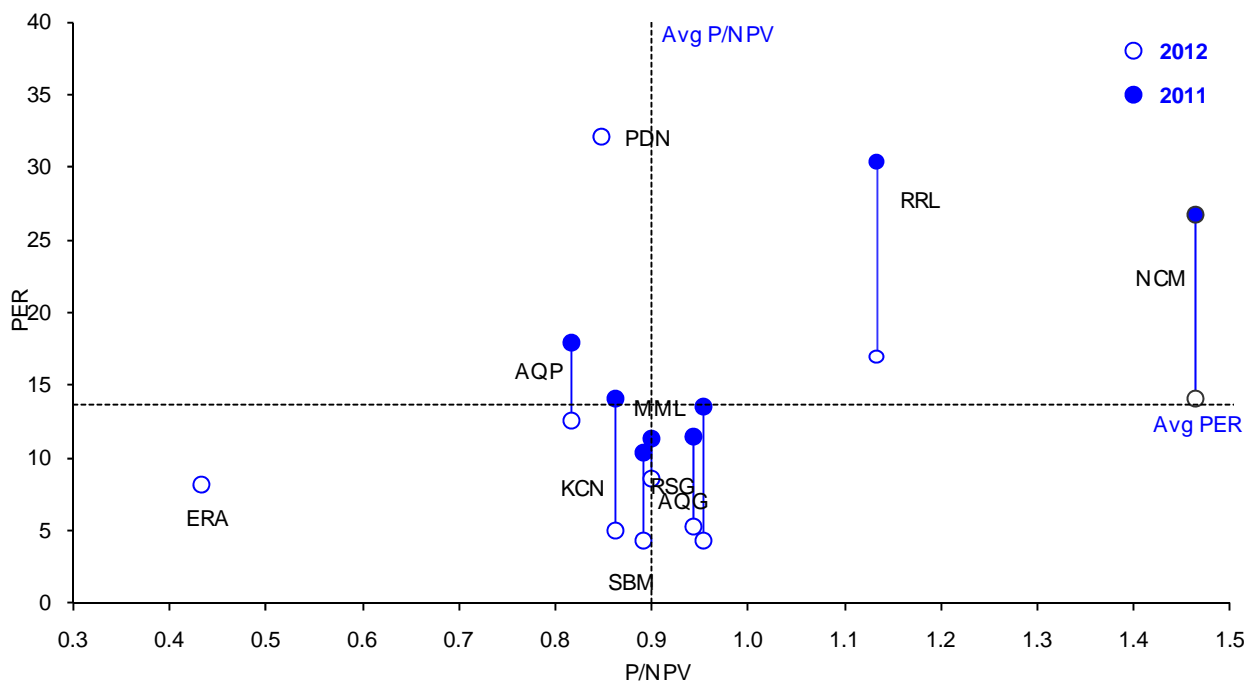
Best value offered by the majors, emerging golds & base metals

Figure 12: Among the Diversifieds, BHP & RIO offer best value, with the coals & AWC improving in 2012



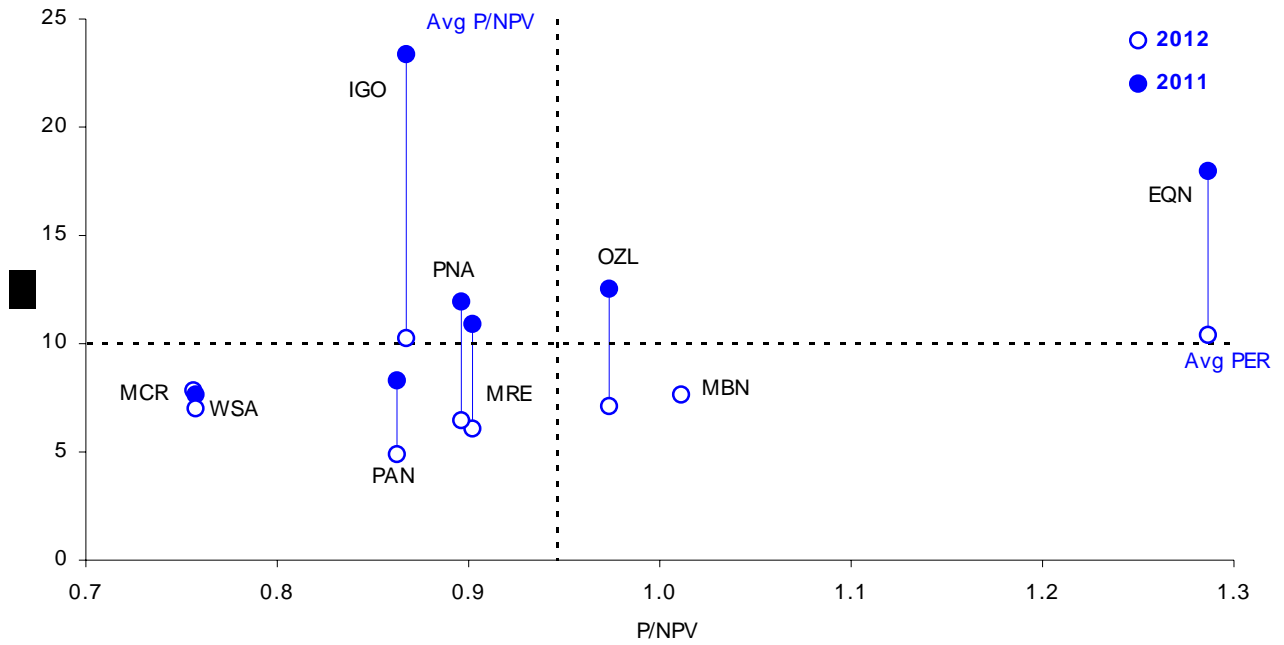
Source: Deutsche Bank (last prices as at 4 July 2011)

Figure 13: Gold, PGMs & Uranium – Gold offers good value, ERA unloved but offers fundamental value



Source: Deutsche Bank (last prices as at 4 July 2011)

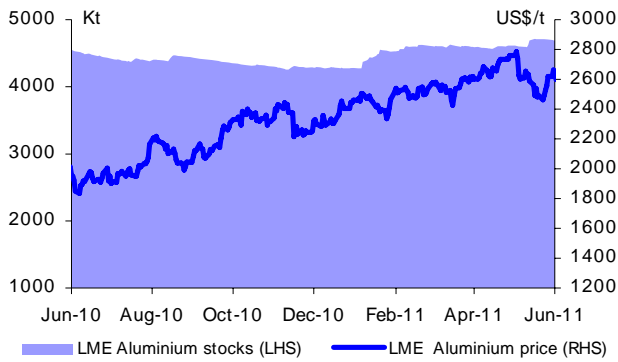
Figure 14: Base metals – entire sector offering strong value following recent pullback



Source: Deutsche Bank (last prices as at 4 July 2011)

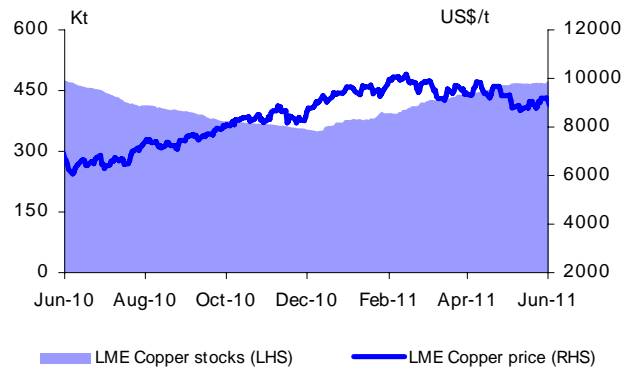
Commodity trends

Figure 15: Aluminium – LME prices vs Inventories



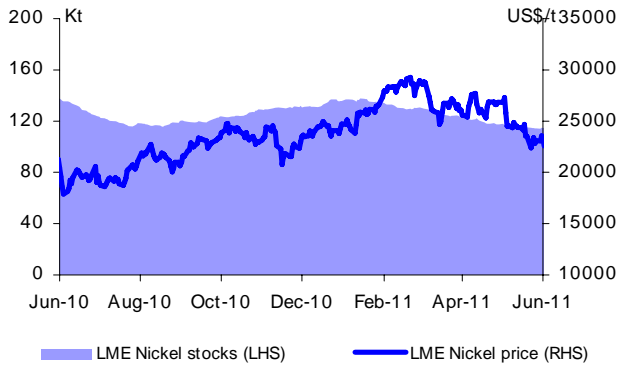
Source: Deutsche Bank

Figure 16: Copper – LME prices vs Inventories



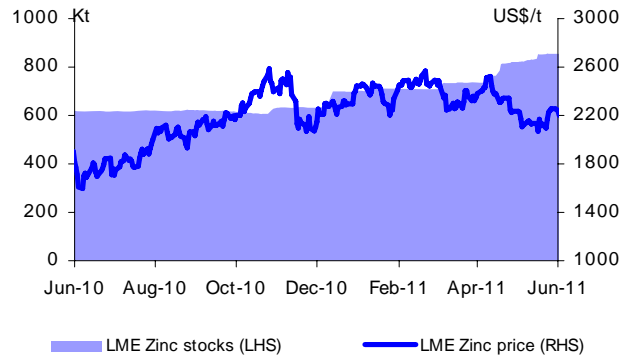
Source: Deutsche Bank

Figure 17: Nickel – LME prices vs Inventories



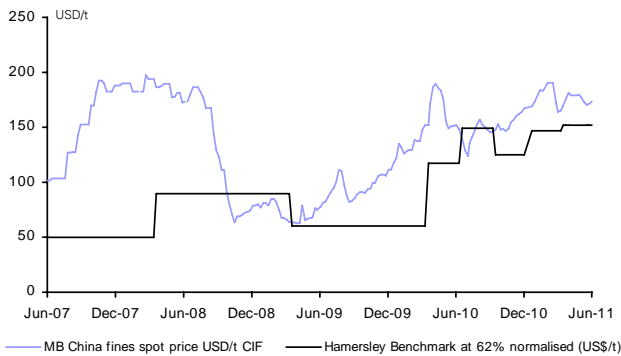
Source: Deutsche Bank

Figure 18: Zinc – LME prices vs Inventories



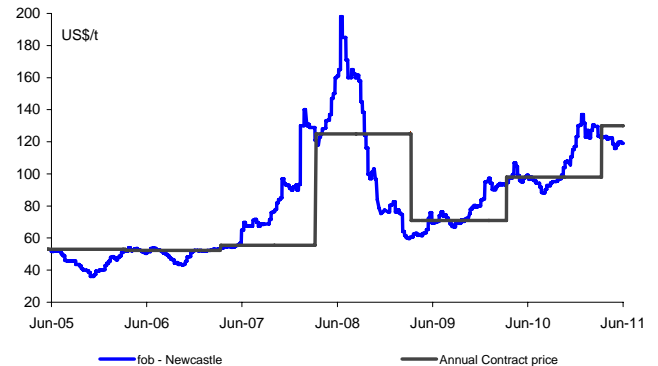
Source: Deutsche Bank

Figure 19: Iron ore - Benchmark vs Spot



Source: Deutsche Bank

Figure 20: Thermal Coal – Spot vs Contract



Source: Deutsche Bank

Figure 21: Australian Valuation table as at 4 July 2011

	YE	Price A\$/sh	Target A\$/sh	Upside/ Downside	NPV A\$/sh	Rating	Report Currency	M Cap (A\$m)	EPS (Reporting Currency)				PER (x)				P/CFPS (x)				EV/EBITDA (x)				P/NPV	Analyst	
									2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013			
Diversified - Large Caps																											
BHP Billiton Ltd	6	44.02	52.75	20%	52.75	Buy	USD	226,091	US 223	US 403	US 485	US 450	16	12	10	11	11	11	10	8	8	7	5	5	0.83	PY	
Ro Tinto Ltd	12	83.15	106.00	27%	106.00	Buy	USD	135,586	US 711	US 925	US 1,109	US 810	10	10	8	11	7	8	7	10	6	5	4	6	0.78	PY	
Gold																											
Alacer Gold Corp	12	7.80	10.25	31%	8.26	Buy	USD	2,140	US 52	US 73	US 161	US 144	nm	12	5	6	nm	10	5	5	nm	7	3	3	0.94	LS	
Gryphon Minerals Ltd	6	1.87	1.85	-1%	1.90	Hold	AUD	561	(1)	(1)	(0)	19	nm	nm	nm	10	nm	nm	nm	8	nm	nm	nm	6	0.98	LS	
Kingsgate Consolidated Ltd	6	7.98	9.30	17%	9.25	Buy	AUD	1,080	74	57	161	232	11	14	5	3	18	19	5	3	8	12	4	3	0.86	LS	
Medusa Mining Ltd	6	6.54	7.25	11%	7.27	Hold	USD	1,231	US 40	US 62	US 82	US 96	8	11	9	7	14	13	9	8	6	10	7	6	0.90	LS	
Newcrest Mining Ltd	6	37.61	45.00	20%	25.70	Buy	AUD	28,772	157	140	268	357	21	27	14	11	12	17	11	8	11	14	8	6	1.46	LS	
Regis Resources Ltd	6	2.55	2.50	-2%	2.25	Hold	AUD	1,102	(5)	8	15	82	nm	30	17	3	nm	23	12	3	nm	25	14	3	1.13	PY	
Resolute Mining Ltd	6	1.19	1.19	0%	1.25	Hold	AUD	556	(11)	9	28	26	nm	14	4	5	9	7	2	3	6	5	2	2	0.95	LS	
St Barbara Ltd	6	1.93	2.15	11%	2.17	Hold	AUD	628	5	19	45	39	34	10	4	5	6	5	3	3	32	5	2	2	0.89	LS	
Total / weighted aver.								36,070					21	25	13	10	12	16	10	8	11	13	7	6	1.36		
Iron Ore																											
Atlas Iron Ltd	6	3.84	3.20	-17%	3.17	Hold	AUD	3,171	(8)	19	40	34	nm	20	10	11	nm	13	7	9	nm	13	6	7	1.21	PY	
Fortescue Metals Group Ltd	6	6.48	6.30	-3%	6.28	Hold	USD	20,174	US 26	US 55	US 77	US 56	15	13	9	13	11	9	7	9	11	8	5	6	1.03	PY	
Total / weighted aver.								23,346					15	14	9	12	11	10	7	9	11	9	5	6	1.06		
Copper																											
Discovery Metals Ltd	6	1.25	1.06	-15%	1.06	Hold	USD	544	US (3)	US (2)	US (5)	US 6	nm	nm	nm	21	nm	nm	nm	20	nm	nm	nm	5	1.17	LS	
Equinox Minerals Ltd	12	7.90	7.92	0%	6.14	Hold	USD	6,948	US 31	US 47	US 82	US 91	14	18	10	9	8	17	8	7	7	10	6	5	1.29	LS	
OZ Minerals Ltd	12	13.55	13.92	3%	13.92	Hold	AUD	4,389	128	108	190	145	10	13	7	9	6	6	5	8	nm	5	3	4	0.97	LS	
PanAust Ltd	12	3.97	4.43	12%	4.43	Buy	USD	2,357	US 25	US 36	US 66	US 67	11	12	6	6	6	8	5	5	29	6	4	4	0.90	LS	
Sandfire Resources NI	6	7.45	8.03	8%	8.03	Buy	AUD	1,113	(23)	(32)	12	54	nm	nm	nm	14	nm	nm	30	10	nm	nm	17	6	0.93	LS	
Total / weighted aver.								15,350					12	15	9	10	7	12	8	8	13	8	5	5	1.11		
Coal																											
Coalspur Mines Ltd	6	1.97	2.00	2%	2.02	Hold	AUD	1,114	(2)	(1)	(1)	(1)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	0.97	PY
Coal & Allied Industries Ltd	12	106.48	131.00	23%	133.00	Buy	AUD	9,220	423	853	1,393	1,120	23	12	8	10	21	10	6	9	37	13	5	5	0.80	PY	
Macarthur Coal Ltd	6	11.24	11.40	1%	11.47	Hold	AUD	3,396	56	49	125	136	19	23	9	8	15	28	7	7	11	13	5	5	0.98	PY	
Whitehaven Coal Ltd	6	5.90	6.25	6%	6.25	Buy	AUD	2,913	11	14	43	74	39	43	14	8	nm	30	11	7	16	21	9	5	0.94	PY	
Total / weighted aver.								16,643					25	21	9	9	20	17	8	8	27	15	6	5	0.87		
Uranium																											
ERA Ltd	12	4.19	9.70	132%	9.68	Buy	AUD	799	25	(15)	52	58	nm	nm	8	7	nm	47	5	5	5	nm	3	3	0.43	PY	
Extract Resources Ltd	6	8.08	8.00	-1%	7.95	Hold	AUD	2,030	(15)	(14)	(2)	(3)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	1.02	PY
Paladin Energy Ltd	6	2.64	3.10	17%	3.11	Buy	USD	2,053	US (7)	US (5)	US 9	US 14	nm	nm	32	21	nm	nm	19	14	nm	nm	14	11	0.85	PY	
Total / weighted aver.								4,882					-	-	25	17	-	47	15	12	5	-	11	9	0.85		
Platinum																											
Aquarius Platinum Ltd	6	4.74	6.40	35%	5.81	Buy	USD	2,229	US 14	US 28	US 41	US 52	39	18	13	10	26	17	12	6	nm	8	5	5	0.82	PY	
Rare Earths																											
Lynas Corporation Ltd	6	1.89	2.60	38%	2.80	Buy	AUD	3,239	(4)	(4)	3	24	nm	nm	nm	8	nm	nm	nm	8	nm	nm	50	6	0.68	LS	
Nickel																											
Independence Group NI	6	5.71	7.53	32%	6.58	Buy	AUD	1,159	26	24	56	73	18	23	10	8	8	19	11	7	6	10	5	4	0.87	LS	
Minara Resources Ltd	12	0.75	0.83	11%	0.83	Hold	AUD	877	5	7	12	12	16	11	6	6	7	5	5	5	5	4	3	3	0.90	LS	
Mincor Resources NI	6	0.96	1.27	32%	1.27	Hold	AUD	193	14	0	12	14	14	nm	8	7	4	6	3	4	4	3	1	2	0.76	LS	
Mirabela Nickel Ltd	12	1.88	1.86	-1%	1.86	Hold	USD	924	US (9)	US (4)	US 27	US 28	nm	nm	8	7	nm	nm	5	5	nm	26	4	4	1.01	LS	
Panoramic Resources Ltd	6	1.83	2.12	16%	2.12	Buy	AUD	378	27	22	37	43	9	8	5	4	3	8	4	3	3	3	2	2	0.86	LS	
Western Areas NI	6	5.94	7.84	32%	7.84	Buy	AUD	1,068	8	78	85	97	nm	8	7	6	10	4	4	4	19	5	5	4	0.76	LS	
Total / weighted aver.								4,598					15	14	8	7	8	10	6	5	9	10	4	3	0.87		
Others																											
Alumina Ltd	12	2.20	2.65	20%	2.64	Buy	USD	5,368	US 2	US 9	US 17	US 17	nm	27	14	14	22	14	9	9	nm	25	13	14	0.83	PY	
Iuka Resources Ltd	12	16.66	16.30	-2%	16.34	Hold	AUD	6,976	9	94	220	260	nm	18	8	6	12	8	7	5	9	9	5	4	1.02	PY	
Sector (simple) average													18	17	10	9	11	14	8	7	12	10	7	5	0.93		
Sector (weighted) average													15	13	10	11	10	11	8	9	9	7	5	5	0.88		

Source: Deutsche Bank estimates

Figure 22: Australian Valuation table as at 4 July 2011 (Continued)

	YE	Price A\$/sh	Target A\$/sh	NPV A\$/sh	Rating	Report Currency	M Cap (A\$m)	Net debt (A\$m)	EV (A\$m)	NPAT (underlying)				EBITDA (underlying)				EBITDA Margin				Net Debt to Equity				FCF Yield %				Analyst	
										2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013		
Diversified - Large Caps																															
BHP Billiton Ltd	6	44.02	52.75	52.75	Buy	USD	226,091	7,766	233,858	US 12,469	US 21,571	US 25,951	US 24,042	US 24,513	US 35,935	US 44,981	US 44,079	46	51	52	50	7	25	12	5	3	3	5	5		PY
Rio Tinto Ltd	12	83.15	106.00	106.00	Buy	USD	135,586	4,299	139,885	US 13,987	US 17,959	US 21,164	US 15,393	US 23,052	US 29,404	US 34,502	US 25,256	41	46	46	39	7	4	(8)	(13)	13	5	12	6		PY
Gold																															
Alacer Gold Corp	12	7.80	10.25	8.26	Buy	USD	2,140	24	2,164	US 67	US 200	US 480	US 430	US 147	US 331	US 746	US 660	45	56	71	69	8	(27)	(62)	(60)	0	11	23	10		LS
Gryphon Minerals Ltd	6	1.87	1.85	1.90	Hold	AUD	561	(19)	542	(3)	(2)	(2)	68	(4)	(3)	(3)	84	0	0	0	69	(40)	(39)	(4)	11	(3)	(5)	(23)	(6)		LS
Kingsgate Consolidated Ltd	6	7.98	9.30	9.25	Buy	AUD	1,080	19	1,098	73	67	214	309	98	93	299	424	56	50	64	70	(12)	14	(17)	(41)	1	(6)	17	27		LS
Medusa Mining Ltd	6	6.54	7.25	7.27	Hold	USD	1,231	(32)	1,199	US 72	US 117	US 163	US 190	US 79	US 125	US 169	US 196	84	83	88	88	(19)	(28)	(33)	(40)	0	5	6	8		LS
Newcrest Mining Ltd	6	37.61	45.00	25.70	Buy	AUD	28,772	150	28,922	764	1,075	2,049	2,733	1,430	2,100	3,704	4,685	51	50	64	65	(4)	2	(5)	(18)	2	(1)	5	10		LS
Regis Resources Ltd	6	2.55	2.50	2.25	Hold	AUD	1,102	17	1,119	(19)	36	65	352	(19)	44	78	378	0	42	55	70	18	(9)	10	(64)	(6)	1	(3)	34		PY
Resolute Mining Ltd	6	1.19	1.19	1.25	Hold	AUD	556	127	683	(42)	41	144	151	8	134	346	341	2	31	50	55	69	30	(13)	(42)	(2)	8	26	37		LS
St Barbara Ltd	6	1.93	2.15	2.17	Hold	AUD	628	(84)	545	14	61	146	127	88	120	251	240	30	33	50	55	(25)	(21)	(40)	(51)	(2)	1	23	22		LS
Total / weighted aver.							36,070											48	50	64	66	(3)	(1)	(10)	(24)	1	0	6	12		
Iron Ore																															
Atlas Iron Ltd	6	3.84	3.20	3.17	Hold	AUD	3,171	(143)	3,029	(38)	159	355	301	(25)	239	526	452	nm	40	52	43	(43)	(48)	(61)	(63)	(3)	6	10	7		PY
Fortescue Metals Group Ltd	6	6.48	6.30	6.28	Hold	USD	20,174	2,026	22,200	US 795	US 1,708	US 2,398	US 1,733	US 1,288	US 2,792	US 4,115	US 3,986	50	56	60	54	118	90	107	83	4	7	(12)	(1)		PY
Total / weighted aver.							23,346											50	54	59	53	96	71	84	64	3	7	(9)	0		
Copper																															
Discovery Metals Ltd	6	1.25	1.06	1.06	Hold	USD	544	(158)	386	US (6)	US (16)	US (22)	US 32	US (6)	US (8)	US (6)	US 76	0	0	0	48	(53)	(22)	80	65	(3)	(24)	(31)	3		LS
Equinox Minerals Ltd	12	7.90	7.92	6.14	Hold	USD	6,948	97	7,045	US 269	US 450	US 712	US 794	US 519	US 718	US 1,277	US 1,319	55	56	68	66	5	11	(14)	(33)	6	(2)	10	12		LS
OZ Minerals Ltd	12	13.55	13.92	13.92	Hold	AUD	4,389	(1,334)	3,054	398	350	616	469	565	631	999	783	50	51	65	57	(41)	(30)	(40)	(46)	9	4	17	10		LS
PanAust Ltd	12	3.97	4.43	4.43	Buy	USD	2,357	(109)	2,248	US 143	US 212	US 393	US 396	US 283	US 376	US 635	US 639	49	56	62	61	(16)	(17)	(43)	(58)	6	4	20	19		LS
Sandfire Resources NI	6	7.45	8.03	8.03	Buy	AUD	1,113	(127)	986	(30)	(47)	23	86	(30)	(52)	59	170	0	0	55	74	(98)	(75)	107	83	(3)	(7)	(20)	(2)		LS
Total / weighted aver.							15,350											49	50	65	63	(20)	(12)	(17)	(32)	6	0	11	12		
Coal																															
Coalspur Mines Ltd	6	1.97	2.00	2.02	Hold	AUD	1,114	(21)	1,093	(9)	(5)	(4)	(4)	(9)	(5)	(5)	(5)	0	0	0	0	(61)	(234)	(241)	1,072	(1)	(0)	(26)	(28)		PY
Coal & Allied Industries Ltd	12	106.48	131.00	133.00	Buy	AUD	9,220	(147)	9,072	367	738	1,206	970	618	1,176	1,862	1,598	30	41	50	46	(10)	(10)	(17)	(10)	6	4	9	6		PY
Macarthur Coal Ltd	6	11.24	11.40	11.47	Hold	AUD	3,396	(415)	2,981	132	141	375	409	223	224	566	622	33	33	47	45	(22)	(16)	(18)	(17)	3	(11)	5	7		PY
Whitehaven Coal Ltd	6	5.90	6.25	6.25	Buy	AUD	2,913	(50)	2,864	55	67	212	367	121	134	320	556	30	20	39	47	(5)	(4)	(25)	(37)	(6)	1	11	13		PY
Total / weighted aver.							16,643											29	33	44	43	(15)	(25)	(33)	56	3	0	6	5		
Uranium																															
ERA Ltd	12	4.19	9.70	9.68	Buy	AUD	799	(188)	612	47	(29)	99	110	136	6	198	213	23	1	32	37	(20)	(5)	(11)	(16)	(1)	(17)	7	9		PY
Extract Resources Ltd	6	8.08	8.00	7.95	Hold	AUD	2,030	0	2,030	(36)	(36)	(6)	(12)	(51)	(43)	(10)	(10)	0	0	0	0	(46)	(40)	(78)	(47)	(2)	(3)	(1)	(8)		PY
Paladin Energy Ltd	6	2.64	3.10	3.11	Buy	USD	2,053	468	2,521	US (51)	US (39)	US 69	US 105	US 11	US 32	US 178	US 226	5	11	37	43	40	39	34	32	(9)	(6)	2	0		PY
Total / weighted aver.							4,882											6	5	21	24	(5)	(1)	(20)	(9)	(5)	(7)	2	(2)		
Platinum																															
Aquarius Platinum Ltd	6	4.74	6.40	6.81	Buy	USD	2,229	(128)	2,101	US 62	US 129	US 190	US 243	US 156	US 272	US 383	US 465	33	38	41	45	(15)	15	6	(21)	2	(8)	6	15		PY
Rare Earths																															
Lynas Corporation Ltd	6	1.89	2.60	2.80	Buy	AUD	3,239	(272)	2,967	(43)	(72)	42	402	(51)	(73)	60	487	0	0	43	65	(65)	(25)	26	(3)	(2)	(10)	(10)	7		LS
Nickel																															
Independence Group NI	6	5.71	7.53	6.58	Buy	AUD	1,159	(299)	860	29	50	113	148	59	90	188	235	52	42	58	60	(67)	(49)	(14)	7	2	(4)	(11)	(8)		LS
Minara Resources Ltd	12	0.75	0.83	0.83	Hold	AUD	877	(224)	653	59	80	144	146	125	155	233	230	27	31	40	40	(27)	(32)	(41)	(46)	8	14	16	14		LS
Mincor Resources NI	6	0.96	1.27	1.27	Hold	AUD	193	(100)	92	28	1	25	28	80	35	65	61	44	22	36	39	(61)	(52)	(58)	(67)	34	8	12	16		LS
Mirabela Nickel Ltd	12	1.88	1.86	1.86	Hold	USD	924	160	1,085	US (48)	US (22)	US 129	US 139	US 17	US 42	US 259	US 271	8	13	42	44	26	56	21	(1)	(11)	(11)	24	22		LS
Panoramic Resources Ltd	6	1.83	2.12	2.12	Buy	AUD	378	(107)	270	56	45	76	88	127	98	127	145	45	37	39	42	(46)	(31)	(39)	(47)	7	13	15	18		LS
Western Areas NI	6	5.94	7.84	7.84	Buy	AUD	1,068	170	1,238	14	140	152	175	58	255	263	284	34	57	59	61	134	31	(5)	(22)	0	16	18	16		LS
Total / weighted aver.							4,598											33	36	49	51	8	(5)	(14)	(19)	2	5	11	11		
Others																															
Alumina Ltd	12	2.20	2.65	2.64	Buy	USD	5,368	352	5,720	US 37	US 217	US 417	US 408	US 76	US 233	US 432	US 423	15	23	27	29	11	11	7	7	2	3	7	9		PY
Iluka Resources Ltd	12	16.66	16.30	16.34	Hold	AUD	6,976	313	7,288	36	395	919	1,087	305	785	1,457	1,660	35	54	68	71	28	(25)	(55)	(74)	2	11	13	16		PY
Sector (simple) average																		30	33	46	51	(10)	(15)	(16)	13	2	0	5	10		
Sector (weighted) average																		43	48	51	48	8	14	4	(1)						

Sector valuation and risks

For the mining sector, our company valuations are based on DCF-derived NPVs based over the life of the operations and projects. An NPV multiple is applied in some cases when setting the share price target. Multiples applied to DB stocks are dependent on the company's product types, exposure to commodity prices, earnings growth and upside potential, and risks associated with the development of projects. Forward multiples are also taken into consideration at times when setting the target prices.

Risks associated with the mining sector include deviations in the commodity and currency prices away from DB forecast assumptions. Other risks specific to the sector are potential variations to capex budgets and schedules associated with project development. For those operations in production operations can be affected by mechanical and technical challenges as well as inclement weather. The operating costs can vary over time as the price of labour, consumables and fuels change.

Company valuation and risks

Paladin

Our A\$3.10 price target is set broadly in-line with our A\$3.11/share NPV, which is calculated using a long-term uranium price of US\$55/lb (from 2020) and AUD/USD of 0.78. We use a DCF approach (of mine operating cash flows) discounting with a 10% real WACC (discount rate).

Downside risks include further production issues, a decline in the spot and term uranium price, potential balance sheet issues due to weak operating cash flows, and lower demand for uranium as a result of the recent Japanese earthquake.

Gryphon

We have assumed a budget, operational profile and funding mechanism for the Banfora Gold project; then determined a valuation. Once the Pre-Feasibility study is released we'll refine these assumptions. The valuation is based on an 11.3% WACC, and long term assumptions of US\$850/oz for gold and 78c for AUD.

As an exploration company looking to make the transition to gold production there are several key risks ahead. These include: reserve definition, feasibility study, project construction, commissioning and operation. Each represents a potential downside risk scenario. Beyond the company specific challenges there is the potential for commodity prices to underperform relative to expectations; that said the project commences after our peak gold price in 2012.

Regis

The target price is set at 1.10x NPV. The premium reflects the low risk nature of the company, corporate skill sets and the step change in production that Garden Well should deliver. Given the output profile is still growing the current multiples appear elevated, but from FY13 they become much more attractive. The NPV is derived from a life-of-mine DCF. Our long-term forecasts for valuation determinations are; gold US\$850/oz, AUD 78c. When calculating the DCF we use a 10.0% WACC (Beta 1.15, CoE 11.1%, and CoD 8.0%).

Regis has brought the first mine into production and although the second mine is expected to be completed without issue it has yet to be delivered so some construction and commissioning risk exists. Once the second mine is operational the longevity of the operations will rely on ongoing resource delineation. Beyond the company specific risks there is the potential for the commodity prices to underperform relative to our expectations.

Appendix 1

Important Disclosures

Additional information available upon request

For disclosures pertaining to recommendations or estimates made on a security mentioned in this report, please see the most recently published company report or visit our global disclosure look-up page on our website at <http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr>.

Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Paul Young

Equity rating key

Buy: Based on a current 12- month view of total shareholder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.

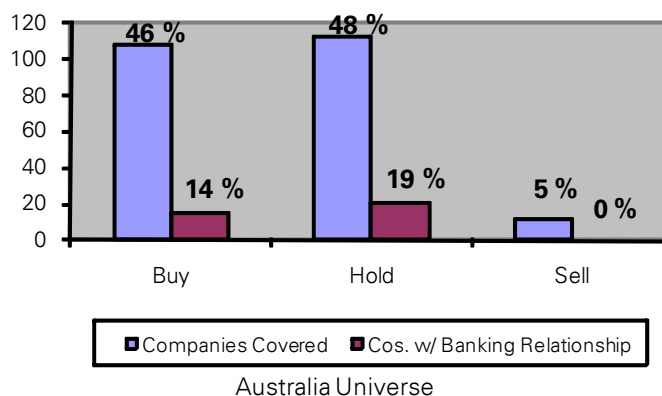
Sell: Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Notes:

1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:
 - Buy: Expected total return (including dividends) of 10% or more over a 12-month period
 - Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
 - Sell: Expected total return (including dividends) of -10% or worse over a 12-month period

Equity rating dispersion and banking relationships



Regulatory Disclosures

1. Important Additional Conflict Disclosures

Aside from within this report, important conflict disclosures can also be found at <https://gm.db.com/equities> under the "Disclosures Lookup" and "Legal" tabs. Investors are strongly encouraged to review this information before investing.

2. Short-Term Trade Ideas

Deutsche Bank equity research analysts sometimes have shorter-term trade ideas (known as SOLAR ideas) that are consistent or inconsistent with Deutsche Bank's existing longer term ratings. These trade ideas can be found at the SOLAR link at <http://gm.db.com>.

3. Country-Specific Disclosures

Australia: This research, and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act.

Brazil: The views expressed above accurately reflect personal views of the authors about the subject company(ies) and its(their) securities, including in relation to Deutsche Bank. The compensation of the equity research analyst(s) is indirectly affected by revenues deriving from the business and financial transactions of Deutsche Bank.

EU countries: Disclosures relating to our obligations under MiFiD can be found at <http://globalmarkets.db.com/riskdisclosures>.

Japan: Disclosures under the Financial Instruments and Exchange Law: Company name - Deutsche Securities Inc. Registration number - Registered as a financial instruments dealer by the Head of the Kanto Local Finance Bureau (Kinsho) No. 117. Member of associations: JSDA, The Financial Futures Association of Japan. Commissions and risks involved in stock transactions - for stock transactions, we charge stock commissions and consumption tax by multiplying the transaction amount by the commission rate agreed with each customer. Stock transactions can lead to losses as a result of share price fluctuations and other factors. Transactions in foreign stocks can lead to additional losses stemming from foreign exchange fluctuations. "Moody's", "Standard & Poor's", and "Fitch" mentioned in this report are not registered credit rating agencies in Japan unless "Japan" is specifically designated in the name of the entity.

New Zealand: This research is not intended for, and should not be given to, "members of the public" within the meaning of the New Zealand Securities Market Act 1988.

Russia: This information, interpretation and opinions submitted herein are not in the context of, and do not constitute, any appraisal or evaluation activity requiring a license in the Russian Federation.

Deutsche Bank AG/Sydney

International locations

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank AG

Große Gallusstraße 10-14
60272 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Global Disclaimer

The information and opinions in this report were prepared by Deutsche Bank AG or one of its affiliates (collectively "Deutsche Bank"). The information herein is believed to be reliable and has been obtained from public sources believed to be reliable. Deutsche Bank makes no representation as to the accuracy or completeness of such information.

Deutsche Bank may engage in securities transactions, on a proprietary basis or otherwise, in a manner **inconsistent** with the view taken in this research report. In addition, others within Deutsche Bank, including strategists and sales staff, may take a view that is **inconsistent** with that taken in this research report.

Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report. They do not necessarily reflect the opinions of Deutsche Bank and are subject to change without notice. Deutsche Bank has no obligation to update, modify or amend this report or to otherwise notify a recipient thereof in the event that any opinion, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. Prices and availability of financial instruments are subject to change without notice. This report is provided for informational purposes only. It is not an offer or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Target prices are inherently imprecise and a product of the analyst judgement.

As a result of Deutsche Bank's March 2010 acquisition of BHF-Bank AG, a security may be covered by more than one analyst within the Deutsche Bank group. Each of these analysts may use differing methodologies to value the security; as a result, the recommendations may differ and the price targets and estimates of each may vary widely.

In August 2009, Deutsche Bank instituted a new policy whereby analysts may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. In particular, this will typically occur for "Hold" rated stocks having a market cap smaller than most other companies in its sector or region. We believe that such policy will allow us to make best use of our resources. Please visit our website at <http://gm.db.com> to determine the target price of any stock.

The financial instruments discussed in this report may not be suitable for all investors and investors must make their own informed investment decisions. Stock transactions can lead to losses as a result of price fluctuations and other factors. If a financial instrument is denominated in a currency other than an investor's currency, a change in exchange rates may adversely affect the investment. Past performance is not necessarily indicative of future results. Deutsche Bank may, with respect to securities covered by this report, sell to or buy from customers on a principal basis, and consider this report in deciding to trade on a proprietary basis.

Unless governing law provides otherwise, all transactions should be executed through the Deutsche Bank entity in the investor's home jurisdiction. In the U.S. this report is approved and/or distributed by Deutsche Bank Securities Inc., a member of the NYSE, the NASD, NFA and SIPC. In Germany this report is approved and/or communicated by Deutsche Bank AG Frankfurt authorized by the BaFin. In the United Kingdom this report is approved and/or communicated by Deutsche Bank AG London, a member of the London Stock Exchange and regulated by the Financial Services Authority for the conduct of investment business in the UK and authorized by the BaFin. This report is distributed in Hong Kong by Deutsche Bank AG, Hong Kong Branch, in Korea by Deutsche Securities Korea Co. This report is distributed in Singapore by Deutsche Bank AG, Singapore Branch, and recipients in Singapore of this report are to contact Deutsche Bank AG, Singapore Branch in respect of any matters arising from, or in connection with, this report. Where this report is issued or promulgated in Singapore to a person who is not an accredited investor, expert investor or institutional investor (as defined in the applicable Singapore laws and regulations), Deutsche Bank AG, Singapore Branch accepts legal responsibility to such person for the contents of this report. In Japan this report is approved and/or distributed by Deutsche Securities Inc. The information contained in this report does not constitute the provision of investment advice. In Australia, retail clients should obtain a copy of a Product Disclosure Statement (PDS) relating to any financial product referred to in this report and consider the PDS before making any decision about whether to acquire the product. Deutsche Bank AG Johannesburg is incorporated in the Federal Republic of Germany (Branch Register Number in South Africa: 1998/003298/10). Additional information relative to securities, other financial products or issuers discussed in this report is available upon request. This report may not be reproduced, distributed or published by any person for any purpose without Deutsche Bank's prior written consent. Please cite source when quoting.