

Analyst

Stuart Howe 613 9235 1783

Authorisation

Fleur Grose 613 9235 1678

Xanadu Mines Ltd (XAM)

Noble Mongolian developer

Recommendation
Spec Buy (unchanged)
Price
\$0.49/sh
Target (12 months)
\$0.64/sh (unchanged)

Expected Return

Capital growth	32%
Dividend yield	0%
Total expected return	32%

Company Data & Ratios

Enterprise value	\$67.1m
Market cap	\$90.7m
Issued capital	187.0m
Free float	50%
Avg. daily vol. (52wk)	397,825
12 month price range	\$0.35/sh- \$0.80/sh

GICS sector

Materials

Bell Potter Securities acted as lead manager to the IPO of XAM in December 2010, raising \$24m and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.56	0.54	
Absolute (%)	-12.61	-10.19	
Rel market (%)	-4.71	2.31	

Absolute Price



SOURCE: IRESS

BELL POTTER SECURITIES LIMITED
 ACN 25 006 390 7721
 AFSL 243480

Leverage to Noble's Mongolian coking coal aspirations

XAM provides leverage to Noble Group's hard coking coal development aspirations in Mongolia through a 50:50 strategic alliance. Noble's strategy is to build a portfolio of Mongolian coking coal assets. XAM also has highly prospective copper and gold assets, a thermal coal resource and a thermal coal resource target, all in Mongolia. We anticipate positive news flow as the strategic alliance acquires hard coking coal targets and XAM progresses its existing asset portfolio.

Noble strategic alliance has acquired two coal prospects

Since it was established February 2011, the XAM-Noble strategic alliance has acquired control of two coal prospects in Mongolia: Nuurstei and Javkhlant. At Nuurstei, XAM recently intersected 42m of coal from 70m depth. The core was visually consistent with coking coal. The Nuurstei prospect is located in north-western Mongolia, close to planned rail infrastructure. The Javkhlant prospect is located in the south-west Gobi basin adjacent to the Mongolian-Chinese border and within 200km of rail infrastructure. This region is prospective for high quality coking and thermal coals.

Copper porphyry & epithermal gold prospects

Sharchuluut Uul (100% XAM) exhibits a 7km² porphyry related alteration zone within a 488km² exploration license. The prospect is 40km from the Erdenet copper-molybdenum mine currently producing 133ktpa copper and with a remaining mine life of around 40 years. The Elgen-Zos prospect (XAM earning 80%) comprises three out-cropping/sub-cropping epithermal gold systems. XAM will commence a drill program at Elgen-Zos in late August 2011.

Investment view – Spec Buy, target price of \$0.64/sh

XAM has a portfolio of high quality, early stage minerals prospects in Mongolia. The strategic alliance with Noble Group highlights XAM's in-country Mongolian geological and management expertise. XAM is adequately funded to pursue its exploration program with cash of \$24m at the end of June 2011.

XAM work-flow / timeline of news releases

August-October 2011

- Coal quality and wash results from Nuurstei coking coal project
- Ongoing drill results from Nuurstei coking coal project
- Further acquisitions/farm-ins of coking coal targets
- Mapping & geophysical surveys at Sharchuluut Uul
- JORC compliant resource for Galshar thermal coal project
- Mining license for the Khar Tarvaga thermal coal project

SOURCE: BELL POTTER SECURITIES ESTIMATES

DISCLAIMER AND DISCLOSURES
 THIS REPORT MUST BE READ WITH THE DISCLAIMER
 AND DISCLOSURES ON PAGE 14 THAT FORM PART OF IT.

Xanadu Mines Ltd (XAM)

Summary of key XAM assets

Ekhgoviin Chuluu LLC - Noble Strategic Alliance (50%): Hard coking coal focus

A Noble Group (50%) and XAM (50%) Mongolian-based joint venture, Ekhgoviin Chuluu LLC (EC), focussed on acquiring and developing coking coal prospects. The alliance aims to leverage off XAM's in-country experience and geological knowledge. The alliance will also look at acquiring and developing potential iron ore and ferro alloy assets.

Nuurstei (EC earning up to 80% for XAM 40%): Hard coking coal prospect

XAM announced the Nuurstei farm-in in mid-June and has since commenced a 3,500m diamond and mud rotary drill program. This program is to confirm the extension at depth of a 7km coal sub-crop. The Nuurstei project covers an area of more than 3,000Ha near the town of Moron in north-western Mongolia.

In late June, XAM announced the intersection of 42m of coal from 70m. Coal quality data on this intersection is pending. Visual inspection suggested the coal has a hard, lustrous, bituminous character with a high vitrinite content.

Javkhlant (EC earning up to 80% for XAM 40%): Coking & thermal coal prospect

In July 2011, XAM announced that EC had entered an agreement to farm-in to up to 80% of the Javkhlant exploration project. This +1,000 square kilometre exploration license is located in the south western Gobi basin, adjacent to the Mongolia-Chinese border. This region is known to host premium coking and thermal coal deposits.

Sharchuluut Uul (100%): Porphyry copper prospect

488km² exploration license located 40km northwest of the Erdenet copper-molybdenum deposit. Erdenet has operated since the 1970s, producing copper at rates of around 133ktpa.

Mapping has identified a 7km² zone of porphyry related alteration and highly anomalous copper, similar to that at Erdenet. Previous drilling by Japan International Cooperation Agency (JICA) & Metal Mining Agency of Japan (MMAJ) intersected geology consistent with the outer zone of a porphyry copper system.

Elgen Uul – Zos Uul (earning 80%): Epithermal gold prospect

Geophysics, structural mapping, alteration mapping, and surface geochemistry supports the potential for three shallow level epithermal gold systems.

Galshar (100%): Thermal coal resource target of 200Mt

Sub-bituminous, high moisture thermal coal resource target of 200Mt. Coal quality has the potential to support local electricity generation or as feed to coal upgrading technologies.

Khar Tarvaga (100%): Thermal coal resource of 327Mt

Sub-bituminous, high moisture, low energy thermal coal resource. XAM is currently in the process of a mining license application for Khar Tarvaga. Coal quality has the potential to support local electricity generation or as feed to coal upgrading technologies including coal to liquids.

Valuation summary

Our base case valuation of XAM is \$0.64/sh.

Table 1 – XAM base valuation summary		
Ekhgoviin Chuluu (50%)	Assumes 50% of a 500Mt hard coking coal target valued at US\$0.15/t (recent Hunnu Coal transaction)	37.5
Sharchuluut Uul (100%) \$m	Estimate based on recent copper-gold porphyry transaction	15.0
Elgen-Zos (earning 80%) \$m	Estimate	7.0
Khar Tarvaga (100%) \$m	327Mt @ EV/Resource of A\$0.06	19.6
Gaishar (100%) \$m	200Mt @ EV/Resource Target of A\$0.06	12.0
Other projects \$m	Estimate	5.0
Enterprise value \$m		96.1
Cash \$m	at June 2011	23.6
Equity value \$m		119.7
Shares m		187.0
Equity value \$/sh		0.64
Share price \$/sh		0.49
Upside to price target %		32%

SOURCE: BELL POTTER SECURITIES ESTIMATES

XAM's key assets

Figure 1 - XAM's key assets



Ekhgoviin Chuluu LLC (50%)

Nuurstei (EC earning up to 80% for XAM 40%)

XAM announced the Nuurstei earn-in on 15 June 2011. The project covers an area of over 3,000Ha and is located in the north-western Mongolia province of Khuvsgul near the town of Moron. Moron is around 390km west of the Erdenet mining city and copper-molybdenum operation.

Earn-in terms: US\$1.5m exploration for 60%, JORC commitment for a further 20%

Under the terms of the agreement, EC can earn-in up to 80% equity of the Nuurstei coking coal licenses. To earn 80% equity, over a four year period EC must spend up to US\$1.5m on exploration to earn 60%, then commit to completing a JORC resource to earn a further 20%.

Promising initial drill results hit 42m of coal from 70m

In late June 2011, XAM announced that its initial drill hole at the Nuurstei Project had intersected 42m of coal from a down-hole depth of 70m. Four follow up drill holes have also intersected coal.

Coal quality and wash test data is pending. However, visual inspection indicates the coal as a hard, lustrous bituminous character with a high vitrinite content. These characteristics are consistent with high quality coking coals.

XAM expect to continue drilling at Nuurstei until late October 2011, prior to the winter break. We expect ongoing release of drill results and coal quality data.

Located adjacent to Aspire Mining Ltd's (AKM) proposed railway

Nuurstei is located only 8km from AKM's proposed Ovoot to Erdenet rail link. We think that the development of this rail link is likely, with several projects and prospects having the potential to underwrite its capacity. These projects include AKM's Ovoot Project (potentially 12Mtpa coking coal); the Burenhaan Phosphate Project (Mongolian Mineral Deposits of Strategic Importance) and other minerals prospects in the region (see Figure 2).

Figure 2 – Other AKM asset locations



SOURCE: AKM

Javkhlant (EC earning up to 80% for XAM 40%)

XAM announced the Javkhlant earn-in on 22 July 2011. The Javkhlant Project has a significant ground position (over 1,000 square kilometres) in the south western Gobi Altai Province of Mongolia. The Project is adjacent to the Mongolia-Chinese border and around 200km from a Chinese rail network at Hami (see Figure 1).

Earn-in terms: US\$230,000 drilling to earn 60%, JORC commitment for a further 20%

Under the terms of the agreement, EC can earn-in up to 80% equity of the Javkhlant coal exploration license over a two year period. EC must spend US\$230,000 on drilling to earn the first 60%, followed by a commitment to complete a JORC resource to earn a further 20%.

Located in the south west Gobi basin, known to host premium coal deposits

The Javkhlant exploration licenses are prospective for high quality coking and thermal coals. XAM has commenced a comprehensive exploration program at Javkhlant, and hopes to commence drilling in the coming months.

Ekhgoviin Chuluu LLC Strategic Alliance background

In February 2011, XAM announced it had formed a Strategic Alliance with Noble, Ekhgoviin Chuluu LLC. The core focus of EC is to acquire, prove and develop coking coal prospects in Mongolia. Secondary focuses are other steel-making raw materials: iron ore, and ferro alloys.

Key terms of the Strategic Alliance are:

- XAM and Noble will participate in the Strategic Alliance through a joint venture company with each party holding and funding a 50% interest;
- The agreement included a placement of ordinary shares to Noble of up to 9,688,367 shares at \$0.70/sh totalling \$6.8m, increasing Noble's equity interest in XAM to 9.9% (completed 14 April 2011);
- Funds from the placement will be used exclusively to contribute to XAM's 50% share of the Strategic Alliance. That is, the Strategic Alliance has initial funding of over \$13.5m;
- Andrew Stewart (see Appendix), XAM Manager - Mongolia and Chief Geologist, is a Director of the joint venture company and is currently leading the target generation and exploration program. Noble's appointed director has a legal and commercial background; and
- No existing XAM assets were vended into the joint venture. However, XAM will continue to progress these existing coal, base metals and precious metal assets.

Sharchuluut Uul (100%)

Early stage porphyry copper prospect

- Sharchuluut Uul is a 488km² exploration license located around 250km northwest of Ulaanbaatar and around 40km northwest of the Erdenet copper-molybdenum deposit;
- The license area is relatively un-explored;
- The license has excellent access to road, railway and copper ore processing infrastructure; and
- Access to infrastructure enables a year-round exploration campaign.

Historical exploration identified a 7 sq km alteration zone

Between 1999-2004, Japan International Cooperation Agency (JICA) & Metal Mining Agency of Japan (MMAJ):

- Identified a 7km² zone of porphyry related alteration and highly anomalous copper, similar to that at Erdenet, through regional reconnaissance mapping, airborne magnetics and radiometrics; and
- Intersected geology consistent with the outer zones of a porphyry copper system with four diamond drill holes to depths of 500m.

XAM has access to this previous exploration data.

Work flow / timeline of news releases: Sharchuluut Uul

- August-October 2011: Complete mapping of alteration materials across the 7km² alteration zone and complete an Induced Polarisation, gravity and detailed magnetic geophysical surveys to build a 3D model of the prospect; and
- March 2012: Commence a diamond drill program to test targets at depths greater than 500m.

Erdenet copper-molybdenum mine (Mongolian-Russian JV)

Erdenet Mining Corporation (EMC) operates a copper-molybdenum mine and processing facility in the Erdenet Ovoo area of Mongolia. EMC is a joint venture between the State Property Committee of Mongolian Government (51%) and the Russian Government (49%).

Initial Resource of 2,370Mt at 0.38% copper and 0.013% molybdenum

Erdenet is a giant copper-molybdenum porphyry deposit which had an initial resource of 2,370Mt grading 0.38% copper and 0.013% molybdenum. Recent estimates suggest the remaining resource is around 1,200Mt grading 0.51% copper and 0.012% molybdenum.

Producing since 1978, now at 133ktpa copper for next 40 years

The Erdenet concentrator was commissioned in 1978 with a capacity of 4Mtpa. This plant has been continuously upgraded and now mills ore at a rate of around 25Mtpa grading 0.63% copper and 0.019% molybdenum. Erdenet produces around 590ktpa concentrate grading 22-23% copper at an overall recovery of 85%. Copper in concentrate is around 133ktpa. At current production levels, Erdenet has a mine life of around 40 years.

Other projects

Elgen Uul - Zos Uul (earning 80%) - epithermal gold prospect

The Elgen-Zos prospects are in southern Mongolia around 30km from the Chinese border. Out-cropping and sub-cropping mineralisation at these prospects is interpreted to represent the upper levels of three separate low sulphidation epithermal systems enriched in gold. All three systems are currently un-drilled and untested.

Mineralisation at Elgen-Zos is expected to be of a similar style to the Gosowong (Indonesia, Newcrest), Pajingo (Australia, Conquest Mining) and Chatree (Thailand, Kingsgate Consolidate) deposits.

Next Step: Detailed geophysics followed by drilling campaign

XAM is currently completing detailed geophysics, structural mapping, alteration mapping and three dimensional modelling at Elgen-Zos. Previous tenement holders have completed some geochemical sampling.

XAM expects to commence drilling at Elgen-Zos in August 2011 with results from mid-September 2011.

Galshar (100%) – thermal coal resource target of 200Mt

The Galshar project is located 350km southwest of Ulaanbaatar and 65km from the a rail-spur on the trans-Mongolian railway at the Bor Ondor fluorite mine.

200Mt Resource target supported by previous resource estimates

XAM has resource target of 175-225Mt for the Galshar project. Previous owners of this asset (Erdene) had delineated a non-JORC resource of 230Mt (158.1Mt Measured). However, this resource included 30Mt currently not covered by XAM's exploration licenses.

Coal seam thicknesses range 0.5-48m with minor folding/faulting. Overburden depth ranges 10-65m. The deposit is amenable to open cut mining.

Coal quality: Sub-bituminous, low ash, high moisture

Work to date suggests that the deposit is low ash and sulphur, high volatile, sub-bituminous thermal coal. Previous work by Xstrata estimated a proportion of this coal has a dry ash free calorific value of 6,500kcal/kg. This coal quality could support local electricity generation or feed coal upgrading technologies.

Next step: JORC compliant resource by mid-2011

XAM is completing exploration work at Galshar and expects to report a JORC compliant resource by early September 2011.

Khar Tarvaga (100%) – thermal coal resource of 327Mt

The Khar Tarvaga project is located 150km southwest of Ulaanbaatar and 45km from the trans-Mongolian railway. The current JORC compliant resource is 327Mt (172Mt indicated, 155Mt inferred). Nearby prospects (Bor Tolgoi and Tugrug) have the potential to increase this resource to 1Bt.

Coal quality: Sub-bituminous, low ash, high moisture

The coal at Khar Tarvaga is sub-bituminous, high-moisture, low energy thermal coal. This coal has the potential to support local electricity generation or as a feed to coal upgrading technologies including coal to liquids. There is significant potential for a coal to liquids project at Khar Tarvaga given a tight supply of diesel to support mining growth in Mongolia.

Next Step: Mining license by mid-2011

XAM has applied for a mining license for the Khar Tarvaga project.

Wild Horse (100%) – coal prospect

Located adjacent to the Elgen-Zos prospect, the Wild Horse coal prospect is located in a Jurassic aged basin of 20km by 5km. Two previous drill holes by Rio Tinto Ltd have intersected 1.5m coal seams. XAM has no coal quality data for the prospect. However, given the age of the basin there is potential for high quality thermal coal or semi-soft coking coal.

XAM capital structure

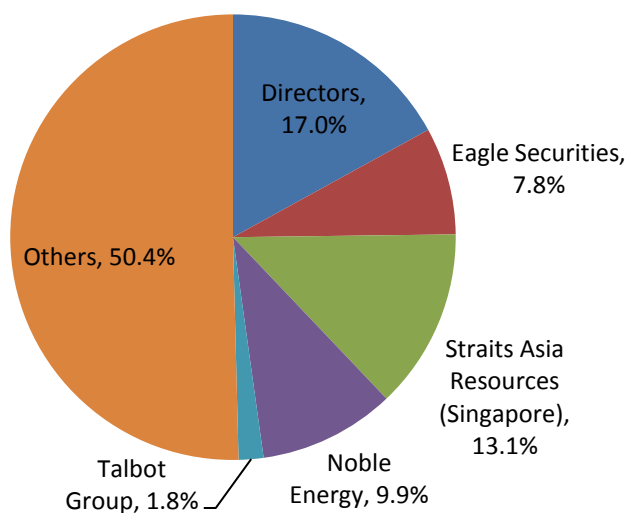
XAM issued capital, market capitalisation & enterprise value

Table 2 – Issued Capital, Market Capitalisation & Enterprise Value	
Issued shares quoted m	132.4
Issued shares restricted m	54.5
Total issued shares m	187.0
Share price A\$	0.49
Market cap (undiluted) A\$m	90.7
Net cash A\$m	23.6
EV (undiluted) A\$m	67.1
Options (ex at 50cps) m	19.2
Issued shares (diluted) m	206.2
Market cap (diluted) A\$m	100.0
Net cash + exercised options A\$m	33.2
EV (diluted) A\$m	66.8

SOURCE: IRESS, XAM AND SOUTHERN CROSS EQUITIES

XAM major shareholders

Figure 3 – Major Shareholders



SOURCE: XAM

Appendix 1: Mongolian coal exposures

Table 3 - Mongolian coal comps

	EV A\$m	Resource Mt	Target Mt	Total resource target Mt	EV/Tonne JORC A\$/t	EV/Tonne total target A\$/t	Coal quality	Project stage
Aspire Mining (ASX: AKM)	338	331		331	\$1.02	\$1.02		
Ovoot (100%)		331		331			Coking, 80% yield, 8% ash prod	Development
Jilchigbulag							Coking prospect	Exploration
Nuramt (100%)							Coking prospect	Exploration
Shanagan JV (earn in 50%)							Thermal prospect	Exploration
Zavkhan Iron Ore (earn in 70%)							Iron ore prospect	Exploration
Guildford Coal (ASX: GUF)	367		52-568	310		\$1.18		
South Gobi (earn in 70%)			0-582	291			Coking & thermal prospect	Exploration
Middle Gobi (earn in 70%)			29-149	89			Thermal	Exploration
Hughenden, Australia (80%)			40-70	55			Thermal	Exploration
Hunnu Coal (ASX: HUN)	291	844	1,200-1,750	1,320	\$0.34	\$0.22		
Tsant Uul Project (100%)		167	100-200	167			Coking (ash 18-39%)	Development
Unst Khudag (100%)		676	700-800	750			Thermal prospect	Exploration
Gobi Altai (70%)			150-250	200			Coking	Exploration
Altai Nuurs Coal JV (70%)			250-500	375			Hard coking coal	Exploration
Mongolia Energy Corporation (SEHK: 276)	633	155		155	\$4.08	\$4.08		
Khushuut (100%)		155		155			Coking	Ramp up to 5Mtpa
Base metals tenements								
Oil & gas interests								
Mongolia Mining Corporation (SEHK: 975)	3,711	578		578	\$6.42	\$6.42		Prod'n ~7Mtpa
Ukhaa Khudag (UHG) - Coking (100%)		329		329			Hard coking	
Ukhaa Khudag (UHG) - Thermal (100%)		249		249			Thermal	
SouthGobi Resources Ltd (TSX: SGQ, SEHK: 1878)	1,581	536		536	\$2.95	\$2.95		
Ovoot Tolgoi (100%)		185		185			Semi-soft coking	Prod'n 4Mtpa
Soumber Deposit (100%)		127		127			Hard coking	Development
Ovoot Tolgoi Underground Deposit (100%)		178		178			Semi-soft coking	Development
Tsagaan Tolgoi (100%)		45		45			Thermal	Exploration
Xanadu Mines (ASX: XAM)	76	327	175-225	527	\$0.23	\$0.15		
Nuurstei (XAM/Noble earning 80% for XAM 40%)							Coking prospect	Exploration
Javkhilant (XAM/Noble earning 80% for XAM 40%)							Coking & thermal prospect	Exploration
Khar Tarvaga (100%)		327		327			Thermal (sub-bituminous)	Development
Galshar (100%)			175-225	200			Thermal (sub-bituminous)	Exploration

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Appendix 2: Mongolian Minerals Laws

2006 Minerals Law

The 2006 Minerals Law became effective on 26 August 2006, replacing the 1997 Minerals Law. The Department of Geological and Mining Cadastre (DGMC, formerly the Cadastral Registration Center), records the holders of minerals license rights under the 2006 Minerals Laws.

Exploration license tenures: Maximum of 9 years

Exploration licenses granted on or after 26 August 2006 have an initial three year term. Holders may then apply for extensions to the license for two successive periods of three years. Exploration licenses issued prior to 26 August 2006 also had an initial term of three years, with two extensions of two years each available. In some cases, three year extensions for these earlier exploration licenses have been allowed.

Table 4: Exploration license fees and commitments

	US\$/Ha per year
Annual fees	
Initial term - Year 1	0.10
Initial term - Year 1	0.20
Initial term - Year 1	0.30
First extension (3 years)	1.00
Second extension (3 years)	1.50
Minimum expenditure requirements	
Initial term - Year 1	nil
Initial term - Year 1	0.50
Initial term - Year 1	0.50
First extension (3 years)	1.00
Second extension (3 years)	1.50

SOURCE: MONGOLIAN MINING CORPORATION PROSPECTUS

Mining licenses: Initial 30 year term

Exploration license holders may apply for a mining license within the exploration license area. Mining license holder has the right to conduct mining and construct infrastructure within the license area to support this mining activity. Mining licenses have an initial term of 30 years and are renewable for two successive 20 year periods. Coal mining licenses have an annual per hectare fee of US\$5.00. Only Mongolian legal entities are entitled to hold mining licenses.

Deposits of strategic importance: Definition

A mineral deposit of strategic importance is defined as a mineral resource which may have the potential to impact national security, or the economic and social development of the country at the national and regional levels. A mineral resource that is generating or has the potential to generate more than 5% of Mongolia's GDP in any given year is also considered a deposit of strategic importance. Either the Government of Mongolia or Parliament may initiate proposals to declare a mineral resource as a deposit of strategic importance.

Deposits of strategic importance: State participation

The State is entitled to participate in an equity interest of up to 50% for Mineral deposits of strategic importance which have been defined (quantity and grade) by state funded exploration. For deposits of strategic importance defined by exploration not funded by the state, the State is entitled to 34% equity. The company which holds a deposit of strategic importance must also list at least 10% of its shares on the Mongolian Stock Exchange.

Royalty and taxation regimes

Coking coal royalty rates vary between 5% and 10%

Royalty rates for coking coal in Mongolia vary between 5% and 10%, depending on whether the coal has been processed and the level of a reference price. The reference price on which royalties are calculated is a domestic Chinese price, published on www.coalworld.net.

In April 2011, the domestic Chinese price for unwashed coking coal was US\$119/t and for washed coal was US\$206/t. The seaborne benchmark hard coking coal price averaged US\$300/t.

Table 5: Coking coal reference prices and royalty rates in Mongolia

Unprocessed coal US\$/t		Washed coal US\$/t	
0-25	5.0%	0-100	5.0%
25-50	6.0%	100-130	6.0%
50-75	7.0%	130-160	6.5%
75-100	8.0%	160-190	7.0%
100-125	9.0%	190-210	7.5%
Above 125	10.0%	Above 210	8.0%

SOURCE: AKM

Taxes

- Corporate tax rates in Mongolia are 10% on the first MNT3 billion (US\$2.4m) of taxable income and 25% on taxable income over this threshold;
- A VAT of 10% is payable on all goods sold, work performed and services provided within Mongolia; and
- A duty of 5% is applied to goods imported into Mongolia. Certain petroleum products and motor vehicles are subject to additional excise taxes.

Appendix 3: Management

Board of Directors

Brian Thornton (Executive Chairman)

Brian is the founding Chairman of XAM, with over 25 years experience in mining investment. He has previously acted as an advisor to the mining sector in Australia, Indonesia, Papua New Guinea and the Pacific Rim. Brian is based in Sydney.

Roger Perry (Non Executive Director)

Roger has a background in investment banking, corporate management, financing and corporate restructuring.

Rodney Williams (Director – Technical)

Rodney is a Geologist with over thirty years experience throughout Australia, Indonesia and Africa in mineral exploration, project evaluation, project development and mining. Prior to commencing his own geological consulting business he was employed by WMC Ltd and Electrolytic Zinc in base metal exploration, CSR Ltd in evaluation of base metal and precious metal projects and Ashton Mining as group development geologist.

Ronald Heeks (Non Executive Director)

Ronald is a Geologist with over 25 years experience in mining projects in Australia, Laos, Thailand, Brazil, Ghana and Indonesia. Prior to joining Xanadu, Ronald was Resident Manager at Whim Creek Copper Mines. He was also employed by Straits Resources Limited and Straits Asia Resources Ltd, initially as Chief Geologist, Indonesia and finally as General Manager. In those roles he was responsible for the restart of the Mt Muro gold operation and the development of the Sebuk coal operation.

Ganbayar Lkhagvasuren (Non Executive Director – Mongolia)

A Director since August 2006, he has an extensive network of high level contacts in government and business in Mongolia.

Robert Westphal (Non Executive Director)

Appointed to the Board on 2 September 2010, Robert is a Chartered Accountant and a former partner of Ernst & Young. He is a Director of Washington H. Soul Pattison & Company Limited and Souls Private Equity Limited, both ASX listed companies, and a number of private companies.

Senior Management

Andrew Stewart (Manager – Mongolia & Chief Geologist)

Andrew has over seven years in-country experience in Mongolia. He has held senior positions with Ivanhoe (2001-05) and worked on the early stages of the Oyu Tolgoi copper-gold porphyry project. Andrew then worked for Vale (2005-10) on projects in Mongolia, China and Indonesia. Andrew's previous focus has been early stage copper-gold porphyry projects. He is based in Mongolia with his family.

Brendan Evans (Chief Financial Officer & Company Secretary)

Mr Evans is a Chartered Accountant with over 12 years experience in taxation, business services and commerce. He has worked in the United Kingdom and Australia for a number of large organisations and has considerable resource industry experience. Mr Evans has a Bachelor of Commerce from the University of Newcastle and is a member of the Institute of Chartered Accountants of Australia and the Institute of Chartered Secretaries of Australia.

Recommendation structure

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 5% and 15% on a 12 month view

Hold: Expect total return between -5% and 5% on a 12 month view

Reduce: Expect total return between -15% and -5% on a 12 month view

Sell: Expect <-15% total return on a 12 month view

Bell Potter Securities Limited
ACN 25 006 390 7721

Level 32, Aurora Place
88 Phillip Street, Sydney 2000
Telephone +61 2 8224 2811
Facsimile +61 2 9231 0588
www.bellpotter.com.au

Research Team**Steve Goldberg**

Head of Research
T 612 8224 2809
E sgoldberg@bellpotter.com.au

Trent Allen

Resources Analyst
Emerging Growth
T 612 8224 2868
E tallen@bellpotter.com.au

Daniel Blair

Industrial Analyst
Telco/Media
T 612 8224 2886
E dblair@bellpotter.com.au

Peter Chapman

Resources Analyst
Gold/Uranium
T 612 8224 2847
E pchapman@bellpotter.com.au

David George

Resources Analyst
Diversified
T 613 9235 1972
E dgeorge@bellpotter.com.au

Fleur Grose

Resources Analyst
Iron Ore
T 613 9235 1678
E fgrose@bellpotter.com.au

Johan Hedstrom

Resources Analyst
Energy
T 612 8224 2859
E jhedstrom@bellpotter.com.au

Justin Hilford

Industrial Analyst
Emerging Growth
T 613 9235 1966
E jhilford@bellpotter.com.au

Stuart Howe

Resources Analyst
Coal
T 613 9235 1783
E showe@bellpotter.com.au

Judith Kan

Associate Resources Analyst
Energy
T 612 8224 2844
E jkan@bellpotter.com.au

TS Lim

Financials Analyst
Banks/Regionals
T 612 8224 2810
E tslim@bellpotter.com.au

Toby Molineaux

Associate Industrial Analyst
Retail
T 612 8224 2813
E tmolineaux@bellpotter.com.au

John O'Shea

Industrial Analyst
Emerging Growth
T 613 9235 1633
E joshea@bellpotter.com.au

Paresh Patel

Industrial Analyst
Retail/Beverages
T 612 8224 2894
E ppatel@bellpotter.com.au

Stuart Roberts

Industrial Analyst
Healthcare/Biotech
T 612 8224 2871
E sroberts@bellpotter.com.au

Emma Sellen

Executive Assistant
T 612 8224 2853
E esellen@bellpotter.com.au

Jonathan Snape

Industrial Analyst
Emerging Growth
T 613 9235 1601
E jsnape@bellpotter.com.au

Mathan Somasundaram

Quantitative Analyst
Head of Quant & Data Services
T 612 8224 2825
E mathan@bellpotter.com.au

Lafitani Sotiriou

Financials Analyst
Diversified Financials
T 613 9235 1668
E lsotiriou@bellpotter.com.au

Janice Tai

Quantitative & System Analyst
T 612 8224 2833
E jtai@bellpotter.com.au

Sam Thornton

Associate Industrial Analyst
Telco/Media
T 612 8224 2804
E sthornton@bellpotter.com.au

Fred Truong

Associate Resources Analyst
Resources
T 613 9235 1629
E ftruong@bellpotter.com.au

James Tsinidis

Associate Financials Analyst
Financials
T 613 9235 1973
E jtsinidis@bellpotter.com.au

Chris Whitehead

Associate Resources Analyst
Emerging Growth
T 612 8224 2838
E cwhitehead@bellpotter.com.au

The following may affect your legal rights. Important Disclaimer:

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

Disclosure of interest:

Bell Potter Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.