February 14, 2014

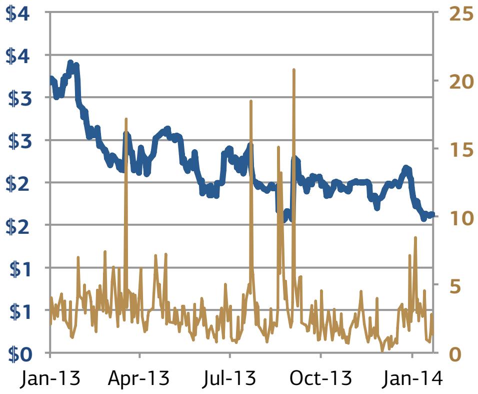
UK | Mining

African Minerals Limited (AMI LN)

Anne Stevenson-Yang
+86 139 1082 0535
anne@jcapitalresearch.com

Kevin Yeoh
+61 413 105 488
kevin@jcapitalresearch.com

African Minerals Limited (AMI LN) one-year share price in GBP (blue) and volume (gold, in mln shares)



Source: Bloomberg, February 14, 2014

African Minerals (AMI LN)

Price	GBP 1.62
Rating	**SELL**
Price target	**GBP 0.84**
Difference	**48%**
Market Cap	USD 898 mln
Simple Moving Avg.	2.92 mln
P/E	9.75x

Source: Bloomberg, February 14, 2014

+ Some things just don't add up

AMI has a lot of "black hole" expenses that are not clearly explained, the proposed Tewoo investment doesn't make sense and we think the Chinese investments are loans masked as equity.

+ Chinese investors: questionable valuations

While AMI's current market cap values AMI only for Phase One production, SISG's USD 1.5 bln investment and Tewoo's MOU both value AMI at USD 6 bln. Such a view puts a value on iron ore that won't be mined for at least another 20 years.

+ The chairman's colorful background

Chairman Frank Timis owns 12.8% of AMI and has had 2 convictions for heroin possession with intent to supply. Timis has a history of promoting mining frauds and in 2007 the Toronto Stock Exchange decided that Timis was unsuitable to act as a director, while the Australian Stock Exchange refused to let Timis list African Petroleum, another of his vehicles.

+ Expenses: greater cost control needed

AMI has lax cost control and some questionable spending habits. The recurrence of relatively large and questionable expenses leads to suspicions of deliberate misclassification of lavish spending and bribery and/or corruption. Phantom cash is also a possibility.

+ Debt: highly geared

AMI is highly geared, has consistently breached loan covenants and would struggle to meet short-term obligations if a combination of short-term liabilities were all called at the same time.

+ PT GBP 0.84; recommendation: SELL

We value AMI on a DCF basis and initiate with a PT of GBP 0.84 (USD 1.38), assuming iron ore prices of USD 110 this year, declining to USD 85 in 2017.

+ Risk on the short side: Chinese investment

We see potential Chinese investment as the biggest risk to shorting AMI. We have no insight into whether the Tewoo deal will close, but see this as a big risk given AMI's murkiness and as Chinese SOE investments to-date seem illogical.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Table of Contents

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

African Minerals: it doesn't add up

Potential reasons to short AMI.

We were drawn to African Minerals because it had an interesting cocktail of West African iron ore mining, Chinese investment and a colorful founder. There were a few reasons why AMI stood out as a potential short candidate:

- **Cyclical short**. AMI is a marginal producer bringing iron ore supply into a falling market. Current FOB delivered price is around USD 77/t against cash costs of around USD 38/t. AMI will at most produce 20 MTPA in 2014, making it an unreliable supplier and uncompetitive against major players like BHP and RIO. If iron ore prices fall, AMI will be exposed.

- **Going concern**. If not for Chinese financial support, AMI faces a reasonable danger of remaining a going concern. AMI had operating cash outflows of USD 118 mln and investing cash outflows of USD 788 mln in FY 2012 and it was only a USD 1.5 bln investment from Shandong Iron and Steel Group (SISG) that saw end-2012 cash reserves of USD 600 mln.

- **Potential fraud around related party transactions**. It appears that Chinese shareholders are extending loans to AMI that are disguised as equity and/or long-term off-take contracts.

- **Questionable valuations from equity investments**. Both the SISG and Tewoo investments were made at a USD 6 bln valuation even though the agreements were 2 years apart. In particular, the USD 990 mln Tewoo investment was agreed to when AMI's market cap was USD 880 mln.

- **Staff turnover**. 3 CEOs and 3 CFOs over the last 3 years.

After a review of AMI's financials and interviews with Chinese related parties, discussions with industry groups and ex-AMI mining executives, we have reached the following conclusions:

- **AMI has been exporting iron ore to China**. We verified this with Shandong Iron and Steel Group, who also affirmed AMI's Direct Shipping Ore's 58% Fe quality. AMI's ore quality was also confirmed by ex-AMI mining executives. Chinese customs and MySteel data on Sierra Leone also suggest that AMI has been exporting to China as per their disclosures.

- **Shadiness surrounding AMI's financials and its business dealings**. AMI has a lot of "black hole" expenses that are not clearly explained. The

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

proposed Tewoo investment doesn't make sense and we think the Chinese investments are basically loans masked as equity. We also think the Chinese investments could potentially be overstated to create phantom cash on balance sheet and that AMI could be using "black hole" expenses to move cash off balance sheet as kickbacks to the Chinese investors.

- **However, thus far we have not been able to prove outright fraud**. We think that AMI, who has been under constant pressure to attract funding to build infrastructure, has been paying bribes to attract Chinese investment and that large expenses like USD 18 mln for "fuel misappropriation" and USD 4.7 mln for "travel" are creative ways to hide bribery.

Highly geared.

Thus, AMI is not a clear fraud short. AMI has an operational mine with a low cash cost and is digging and shipping iron ore to China.

However, AMI is a poorly managed company with high gearing and is consistently in breach of its debt covenants and at risk of a short-term liquidity crunch. Unless AMI's operations improve significantly via increased ore exports and a reduction in profligate spending, AMI's constant cash burn could see it unable to meet short-term obligations.

Whenever AMI has come close to running out of cash, it has turned to Chinese investment and this has again happened with the recent MOU with Tewoo. Standard Bank has also supported AMI by continually waiving or amending breached debt covenants.

Hence, so long as AMI continues to receive support from Chinese investors and Standard Bank, it can continue improving its operations and increasing its iron ore exports. If this support is not forthcoming, AMI will likely run out of cash.

Iron ore price leverage.

AMI is extremely leveraged to the iron ore price as it is a single product company and has very high debt levels. If the iron ore price fell below USD 100/t, AMI would start running into cash flow trouble.

The bullish view

AMI bulls would argue that 2014 will be a break-out year for AMI as it'll be the first full year where AMI has the opportunity to produce at 20 MTPA. If AMI is able to produce at 20 MTPA, overall cash costs will fall towards USD 30/t and at this low cost level AMI can comfortably make a healthy margin if iron ore prices remain above USD 100/t and through this pay down debt.

Bulls would also argue that given AMI's history of securing project financing, that AMI should be able to find the USD 2-3 bln necessary to build out Phase

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Two capacity. If this funding were to eventuate, AMI's current market cap effectively means a shareholder would be getting Phase Two production for a minimal amount.

Given AMI's history of overpromising and under-delivering, we are skeptical that such a Blue Sky scenario will occur. We would need to see concrete evidence of operational improvement in the form of increased sales and falling costs to begin to see AMI in a more positive light.

Brief background

African Minerals (AMI) is a London AIM listed mining group whose primary asset is the Tonkolili iron ore mine in Sierra Leone. Tonkolili reportedly has JORC Compliant 12.8 bln tons of ore reserves. AMI also has interests in diamonds, base metals and uranium, but iron ore is presently its main focus.

According to AMI disclosures, Tonkolili has YTD production of 9.2 MT and YTD sales of 8.3 MT. AMI's first ore was shipped in late 2011. The large majority of AMI's sales go to China.

Colorful background of chairman.

Chairman Frank Timis owns 12.8% of AMI. He is a Romanian who settled in Australia and worked as a laborer in Western Australia. He has 2 convictions for heroin possession with intent to supply.

Timis has a history of promoting mining frauds and in 2007 the Toronto Stock Exchange decided that Timis was unsuitable to act as a director, while the Australian Stock Exchange refused to let Timis list African Petroleum, another of his vehicles.

Tonkolili mine

One of the largest magnetite deposits in the world

AMI's Tonkolili iron ore deposit is one of the largest magnetite deposits in the world with JORC resources of 12 billion tons (BT), with a 30% Fe grade. In addition to the magnetite deposit, the mine also has 127 MT of Direct Shipping Ore (DSO) material (58% Fe) and 1.1 BT of Saprolite (40% Fe). Our interview with Shandong Iron and Steel Group (SISG) confirmed that AMI's DSO is 58% Fe. SISG also said they had no problems with product quality.

Two phases of production. Phase Two expansion currently on hold

Phase One aims to produce 20 MTPA of DSO until this is exhausted after 6-7 years. Phase Two aims to produce 35 MTPA of hematite concentrate over 11-12 years. The 12 billion tons of magnetite won't be accessed until after Phase Two.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com

Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Phase Two's expansion to 35 MTPA is currently on hold pending further feasibility studies. In any case, AMI currently does not have the USD 2-3 bln funding required for this expansion. Another raise of capital will be required.

How is the market valuing AMI vs. Chinese investors?

AMI's market capitalization has been fluctuating between USD 600 mln-1 bln over the last few months. Depending on how you classify net debt, the current market cap represents the NPV of i) Phase One DSO production only, or ii) Phase One DSO production and a small amount for undeveloped reserves of Phase Two hematite and Phase Three magnetite.

The Net Debt/Equity calculation that we use is (Debt – Unrestricted Cash) / Equity. As of June 30, 2013 AMI had USD 501 mln of cash on balance sheet, but USD 461 mln is classed as "Restricted" and only allowed to be released with the agreement of SISG—we don't view this as liquid cash and it could be seen as quasi-debt. "Unrestricted cash" is only USD 41 mln and the amount we use in our Net Debt/Equity calculation. In a recent update, AMI disclosed that its cash was lower at USD 362 mln, but didn't provide a breakdown of "Restricted" cash. This also raises some questions, because this lower cash balance means AMI has been allowed to use some "Restricted" cash by SISG. We await further disclosures to understand what has transpired.

Valuation: we value AMI based on Phase One only

AMI's current price looks overvalued.

Table 1 presents a DCF model that assumes AMI only produces Phase One production and doesn't spend anything on Phase Two capex. The resulting NPV, our Price Target, is GBP 0.84 vs. AMI's current stock price of GBP 1.62 and shows that AMI's current price appears over-valued, depending on your view of Phase Two development and iron ore prices.

The model shows that AMI's current stock price factors in Phase One production (NPV of GBP 0.84 is 52% of current stock price) plus around 48% (or USD 219 mln) for undeveloped Phase Two (1.1 bln of saprolite) and Phase Three (12 BT of magnetite) resources. USD 183m equates to around USD 0.017 per ton of in-the-ground iron ore reserves.

Model assumptions:

- **20 MTPA of exports.** This is a bullish assumption given AMI has yet to show a stable 20 MTPA export run-rate. 20 MTPA is the maximum AMI can currently export under existing infrastructure.

- **62% FE iron ore price of USD 85/t by 2018.** Iron ore price assumptions are shown in Table 1. **AMI's valuation is very sensitive to the iron ore price** and a 2014 and 2015 62% Fe benchmark price of

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

USD 90/t would see a 49% drop in NPV to GBP 0.35. Assuming a benchmark iron ore price of USD 110/t from 2014 to 2018 yields an NPV of GBP 1.93, 19% higher than today's share price.

Iron ore price sensitivity.

Table 1. Assumed iron ore price

USD/t	2014	2015	2016	2017	2018
62% FE benchmark	110	100	95	85	85
58% FE adjustment (93.5%)	(7)	(7)	(6)	(6)	(6)
62/58 quality discount factor (2%)	(2)	(2)	(2)	(2)	(2)
Freight rate (USD /t)	(25)	(25)	(25)	(25)	(25)
AMI's FOB price	**76**	**67**	**62**	**53**	**53**

Source: J Capital

- **USD 35/t cash costs**. AMI is guiding for USD 30/t cash costs. USD 38/t is what AMI is currently producing at, so USD 35/t assumes some cost savings.

- **SG&A falls to 10% of revenue by 2015**. We consider this a bullish assumption. 2013 H1 is the first period where AMI has reported revenue and "sales and distribution costs" were 10% of revenue, while "general and administrative expenses" were 7% of revenue, so total SG&A expenses were 17% of revenue. One could argue that given off-take agreements with Chinese customers that SG&A should fall over time.

- **Capex of USD 2.50/t (USD 50 mln per annum)**. This is bullish and potentially understates potential capex given Australian Direct Shipping Ore capex is around USD 5/t and Australian mines have better infrastructure compared to AMI.

- **Net debt/equity ignoring "Restricted" cash**. If you use AMI's last disclosed cash of USD 362 mln in Net debt and ignore whether it's "Restricted" or "Unrestricted," the NPV would be GBP 1.42, 12% downside from the current share price.

Table 2. Phase One DCF value

USD 000's	2013	2014	2015	2016	2017	2018
Exports (MTPA)	12	20	20	20	20	27
Iron ore price (USD /t)	76	76	67	62	53	53
Revenue	810	1,516	1,333	1,241	1,058	1,428
Cash Cost (USD 35/t)	423	700	700	700	700	945
Gross profit	387	816	633	541	358	483
SG&A	139	260	133	124	106	143
EBITDA	248	556	499	417	252	340

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com

Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Less: Capex	328	50	50	50	50	50
Free cash flow	-80	506	449	367	202	290
Discount factor	1.12	1.25	1.40	1.57	1.76	1.97
DCF (USD m)	222	443	355	265	143	172

Source: J Capital

Table 3. AMI's net present value

USD 000's	J Cap calculations
Enterprise value	1,600,861,013
Net debt*	742,455,000
Minority interests	400,215,253
Equity value	458,190,760
Number of shares	331,900,000
NPV / Share (USD)	1.38
NPV / Share (GBP)	0.84
Current share price	1.62

Source: J Capital estimate

* Net debt only includes "Unrestricted cash" and doesn't include "Restricted cash"

Chinese valuations require a large leap of faith

Chinese investors have valued the Tonkolili mine at USD 6 bln (6-8x larger than AMI's recent market cap range). Both SISG's USD 1.5 bln investment and the proposed Tewoo investment were at USD 6 bln valuations. This valuation ascribes value for not only Phase One and Phase Two production, but also the mining of the 12 BT of magnetite.

Arriving at such a valuation requires a large leap of faith, as magnetite production would not start for at least another 17-20 years. That's plenty of time for a lot of things to go wrong and market conditions to become unfavorable for an iron ore mine.

Catalysts

Iron ore price falls below USD 100/t

AMI is very sensitive to iron ore prices. A benchmark 58% Fe iron ore price of USD 100/t, would result in AMI realizing an FOB price of around USD 67/t vs. cash costs of USD 38/t. AMI's C1 cash cost margin would be USD 29/t. This is before any SG&A expenses and any extraordinary expenses (which happen with some regularity at AMI).

A benchmark price of USD 80/t would result in an FOB realized price of USD 48/t. At this level, FOB is only just covering C1 cash costs and likely making a loss at the NPAT level once SG&A and extraordinary expenses are taken

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

into account. Under this pricing scenario, AMI could easily run out of cash within 6 months, given they are currently burning USD 100 mln a quarter with higher iron ore prices.

Standard Bank stops rolling over debt and/or waiving covenants

AMI is highly geared. If Standard Bank was to stop rolling over debt and/or continue waiving debt covenants, AMI would need to find alternative sources of funding. If global interest rates were to begin rising, this may be the catalyst to stop Standard Bank rolling over debt. Given AMI has previously had to resort to borrowing money from staff members such as former CFO Miguel Perry, raising money from alternative sources would be a large challenge. Under this scenario, AMI could potentially run out of cash.

AMI disclosed in its FY 2013 production update that AMI intends to retire a corporate debt facility with Standard Bank during 2014 Q1, and is currently in advanced negotiations with another financial institution to arrange a new corporate debt facility of longer maturity.

Standard Bank has also syndicated AMI's Pre-export finance facility to consortium of banks comprising Standard Chartered, Citi, ECOWAS Bank for Investment and Development, British Arab Commercial Bank and BMCE Bank International.

The widening of lending options to AMI is positive for AMI's financial management and flexibility. It also suggests that AMI has recently had due diligence conducted on it by these banks.

Tewoo MOU doesn't progress

AMI needs Tewoo to help fund Phase Two expansion. If the Tewoo MOU doesn't progress, another avenue of funding for AMI dries up and Phase Two expansion doesn't progress.

Without Phase Two expansion, AMI has a mine life of only 5-7 years.

AMI starts selling assets and shedding costs

If AMI starts selling assets and shedding costs, then maybe AMI doesn't have the assets they say they do. For example, the Chinese investments may be deliberately overstated.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Risks

- Iron ore price increases.

- **BIG RISK: Another Chinese SOE invests in AMI**. This is a big risk because AMI is so murky and Chinese SOE investments to-date seem illogical. It would also save AMI temporarily from a cashflow perspective and potentially give AMI funds to construct Phase Two. However even if AMI is successful in attracting further Chinese investment, this would account for little in the long-term if the iron ore price falls.

- **Everything is actually legit**. On 31 Jan 2014, CEO Bernard Pryor acquired 25,000 AMI shares at GBP 1.76, while Independent Non-Executive Directors Dermot Coughlan and Nina Shapiro acquired 50,000 shares at GBP 1.72 and 19,869 shares at GBP 1.69, respectively. This and the recent loan syndication to bank consortia could imply that AMI is actually better run than its murky transparency suggests. Having said that, a lower iron ore price could sound AMI's death knell, even if it has the best corporate governance in the world.

Chinese investors

Shandong Iron and Steel (SISG)

We met with SISG who said they invested in AMI to secure iron ore supply. SISG's USD 1.5 bln equity investment looks like a shareholder loan given the warranty breaches that AMI has agreed to pay SISG and a put option which allows SISG to sell back its interest to AMI.

SISG invested USD 1.5 bln for 12.5% of the project assets, valuing Tonkolili at USD 6 bln. AMI used the proceeds to repay a USD 418 mln loan from Standard Bank. SISG's April 2013 bond prospectus discloses the USD 1.5 bln investment.

Performance guarantees and "Production and Warranty breaches"

The agreement required AMI to deliver 2 MT of ore to SISG in 2012 and contained guarantees that during 2012 the project subsidiaries would sell 10 MT of ore and reach a production rate of 12 MTPA.

AMI only sold 4.3 MT in 2012 and delivered 1.2 MT to SISG, breaching the guarantees. Hence AMI was liable to pay SISG USD 51.1 mln in 2012 for production breaches and USD 56.3 mln in 2013 for warranty breaches. When we met with SISG, SISG confirmed these breach payments.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Look like interest payments

The breach payments as a % of SISG's USD 1.5 bln investment look like interest payments. USD 51.1 mln / USD 1.5bn = 3.4%, while USD 56.3 mln / USD 1.5bn = 3.8%. Moreover, SISG agreed that the USD 56.3 mln warranty breach balance could be released from Restricted Cash and left in the project as a "shareholder loan," which will incur interest at 1% per annum (pa) in 2013 and 2% pa in 2014. This is effectively capitalizing the USD 56.3 mln interest.

AMI's warranty payments will continue in future years. AMI is liable to pay SISG USD 11.4 mln pa from 2014-2016 and USD 7 mln from 2017-2031 for warranty breaches.

Put option is a long-term liability

Another debt-like component of the agreement is a put option that allows SISG to sell back its 25% interest at fair value, in the event that Frank Timis voluntarily resigns from the Board.

China Railway Materials (CRM)

We met with CRM who said a reason they invested in AMI was to gain experience in mining and become a supplier of iron ore.

CRM paid USD 247 mln to underwrite Tonkolili's Phase One hematite production of up to 8 MTPA in 2010. CRM received 30.5 mln new common shares, representing 12.5% of the enlarged issued share capital.

CRM was appointed as AMI's exclusive agent for China sales for 20 years. CRM's 2010 annual report confirms this and also states AMI's Phase One 8 MT hematite production. As agent, CRM is paid USD 15 mln pa and USD 3/t for all sales in China.

CRM's bond prospectus disclosed that they exported USD USD 166 mln worth of railway materials to AMI from 2010-2012. AMI's financials also show these railway material purchases.

CRM subscribed for USD 50 mln or 12.5% of AMI's 8.5% convertible bonds in mid-2012, which removed any potential dilution of their shareholding if the bonds were to convert to fully paid shares.

Tianjin Materials and Equipment Group (Tewoo)

On September 26, 2013, AMI announced it had entered into an MOU with Tewoo. Tewoo intends to pay AMI USD 990 mln for a 16.5% interest in Tonkolili, based on a project valuation of USD 6 bln, the same valuation as

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

when SISG invested.

The investment has yet to be made and is contingent on Tewoo due diligence. We contacted various Tewoo departments who confirmed that Tewoo imports iron ore from Mexico, India and Turkey. However it was unclear whether Tewoo imports Sierra Leone iron ore. Industry sources confirmed that Tewoo has a large iron ore-trading department that owns a mine in the Philippines.

In its 3Q production report, AMI stated that 2 loaded ore ships had been sent on test runs to Tewoo in September and October 2013. AMI's 4Q production report stated that both cargoes had been "received, tested and accepted by Tewoo."

Why not buy AMI outright? It is unclear why Tewoo did not buy AMI outright given AMI's market cap was USD 880 mln and they paid USD 990 mln.

Motivations? It is unclear why Tewoo has decided to make this investment given Tewoo is not an end-user of iron ore, though is a broker. It's also unclear who the final buyer of the ore is.

20 year off-take: Tewoo also secured a 20 year off-take agreement for 10 MTPA of iron ore.

10 MT is ambitious. Likely to morph into interest payments: The 10 MTPA looks like an ambitious commitment given previous breaches with SISG, AMI's current production run rate and the already promised tonnage to SISG and CRM. It wouldn't be surprising if AMI doesn't fulfill the 10 MTPA and has to again pay "production and warranty breaches" in the form of capitalized shareholder loans.

China Communications Construction Comp. (CCCC)

In May 2011, AMI signed an MOU with CCCC for CCCC to act as the Engineering, Procurement, Construction and Management contractor to AMI.

However there has been no definite statement on signing an MOU since, and presumably this agreement hasn't been signed.

CCCC's 2011 HK annual report mentioned the Tonkolili mine, but there was no mention of amounts or anything else. We also checked CCCC's Shanghai annual report.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Expenses: greater cost control needed

What's all the travel for?

AMI appears to have lax cost control and some questionable spending habits. The recurrence of relatively large and questionable expenses leads to suspicions of deliberate misclassification to hide lavish spending and bribery and/or corruption. Furthermore, YTD AMI has continued to spend more despite a weak short-term liquidity profile.

AMI execs like to travel

Travel expenses have consistently accounted for more than 10% of continuing operations expense (COEx). Travel expenses of USD 3.3 mln in 2012 and USD 4.8 mln in 2011 are not insignificant sums and one wonders what exactly all of this travel is for (see Table 3 below).

2013 H1 travel expenses of USD 4.7 mln are already higher than the whole of FY 2012. AMI's management headquarters are in London, so it would be normal to expect executives to fly from London to Freetown, Sierra Leone. The cost of a return Business Class flight from London to Freetown is around USD 8,000-10,000.

AMI's 2013 H1 USD 4.7 mln travel expense equates to 471 flights.

Other Expenses: a black hole expense

Other Expenses of USD 4.95 mln and USD 1.74 mln were recorded in 2012 and 2011. There is no disclosure on what they are, but in 2012 they comprised a large chunk (18%) of COEx. 2013 H1 Other Expenses are already higher than both FY 2011 and FY 2010 and tracking at a run-rate which will exceed FY 2012.

The combined total of travel and Other Expenses was 25% of COEx in 2013 H1, 30% of COEx in 2012 and 18% in 2011. Given the lack of disclosure, these are effectively "black hole" expenses and appear profligate.

Table 4. Notable expenses

USD 000's	2013 H1	FY 2012	FY 2011	FY 2010	FY 2009
Travel	4,705	3,347	4,796	7,973	2,682
Travel as % COEx	0.16	0.12	0.13	0.17	0.15
Other	2,721	4,950	1,742	207	3,300
Other as % of COEx	0.09	0.18	0.05	0	0.19
Travel and Other total	7,426	8,297	6,538	8,180	5,982
Travel and other % COEx	0.25	0.3	0.18	0.17	0.34
Continuing op. expense (COEx)	29,366	27,886	35,575	47,432	17,606

Source: Company data

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Large "non-recurring" operating expenses

In 2012, AMI had USD 197.7 mln worth of non-recurring operating expenses. Of this, USD 55 mln related to "onerous off-take contractors and contractor claims," USD 41 mln related to "rail refurbishment derecognition" and USD 18 mln related to "fuel misappropriation."

Off-take expenses another black hole

FY 2012 onerous off-take contracts and contractor claims of USD 55 mln relate to AMI's "inability to fulfill several off-take contracts and contractor claims relating to final settlement of construction contracts."

2013 H1 saw USD 8.2 mln for the same expense.

AMI's 2012 annual report notes that "Prior to the completion of the SISG transaction, the Group put in place several off-take contracts to maintain optionality in the event that SISG did not close. The successful completion of the SISG transaction, and associated off-takes has meant that certain contracts have had to be cancelled to accommodate the tonnages to SISG; as a result there is a payable amount of USD 50.0 mln."

We are unable to verify whether such off-take contracts existed. But the existence of another black hole type expense reinforces AMI's pattern of large expenses with little disclosure on what exactly they entailed.

Rail refurbishment derecognition: USD nil scrap value

AMI spent USD 41.5 mln doing initial refurbishment work of the 45kg/m existing railway. This was derecognized when AMI decided to accelerate the replacement work to 60 kg/m. Management derecognized this initial refurbishment for USD nil scrap value.

We are unable to verify what this refurbishment work was and whether it was really worth USD nil scrap value. Former AMI staff told us that a substantial amount of money was spent on constructing the railway and port, so spending USD 41.5 mln is within the realms of possibility. Our issue is with the "USD nil scrap value" attributed to the refurbishment. It was most likely steel from the railway. Surely something from USD 41.5 mln worth of steel could have been salvaged?

With zero transparency, this just becomes another black hole expense. It also makes us suspicious that cash is being worked off the balance sheet.

In addition, in its 2013 H1 report, AMI further derecognized USD 6 mln of assets under construction without providing any disclosure on what this is.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

So much for "non-recurring" operating expenses.

Fuel theft equivalent to an oil tanker: Blame it on the locals

USD 18 mln for "fuel theft."

"Fuel misappropriation" expense of USD 18 mln is a very large black hole expense. The USD 18 mln is "management's best estimate" and "a certain portion of this amount relates to prior periods but it is impractical to apply retrospective restatement." AMI also notes that the estimate has "involved significant judgment."

While former AMI employees recounted that theft was a major issue in Sierra Leone and that "they even steal fuel from a truck while it's running," USD 18 mln of missing fuel is a lot of fuel: it equates to around 22.5m liters of diesel (assuming a Singapore Gasoil price of USD 0.80). This is equivalent to 19,913 tons of diesel and just shy of the maximum capacity of an oil product tanker—this is a lot of missing fuel.

Misappropriated fuel was previously capitalized within assets under construction and property, plant and equipment. This is very convenient as one is unable to work out how much was "misappropriated" previously.

We suspect that fuel misappropriation is a creative classification for bribery and corruption.

Expenses as potential interest payments

It's possible that some of the black hole expenses are actually payments to the Chinese investors—another form of interest payment.

Assuming that AMI is splitting payments 50/50 between CRM and SISG, then SISG's rate of interest would be around 6%.

- 50% of USD 3.3 mln travel expense: USD 1.65 mln.
- 50% of USD 55 mln off-take expenses: USD 27.5 mln.
- 50% of USD 18 mln fuel misappropriation expense: USD 9 mln.
- 2012 warranty breach payment: USD 51.5 mln.
- Total: USD 89.25 mln. This is 5.95% as a % of SISG's USD 1.5 bln investment.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Cashflow: reliant on others for funding

Without Chinese funding, AMI would not have been able to build its infrastructure and would probably have run out of cash.

CRM and SISG's investments were both made when AMI's cash balance was very low and in need of cash to fund infrastructure build. This pattern has continued with the proposed Tewoo investment.

CRM: AMI had cash of USD 76 mln as at end-2009, after spending around USD 50 mln in operating and investing cash through 2009. Without CRM investing USD 247 mln for AMI shares in 2010, AMI may have come very close to running out of cash.

SISG: In FY 2012 AMI had operating cash outflows of USD 118 mln and investing cash outflows of USD 788 mln. It was only SISG's USD 1.5 bln investment that resulted in end-2012 cash reserves of USD 600 mln.

Why does cash keep falling?

Still burning cash despite shipping ore

Despite now shipping ore, AMI has continued to burn through cash in 2013 H1, with net operating cash outflows of USD 157 mln and investing outflows of USD 127.8 mln. An increase in borrowing of USD 217 mln buffered cash outflows and resulted in total 2013 H1 cash burn of USD 100 mln.

As at 30 June 2013, AMI's total cash was USD 501.6 mln, vs. cash reserves of USD 600 mln 6 months earlier.

AMI's most recent FY 2013 update revealed that cash had fallen again to USD 362 mln. We are confused as AMI met its 12 MT 2013 production guidance with 2013 Q4 seeing 3.8 MT exported—the highest quarter of the year. Until we see further disclosure, we can only conclude that there must have been a large amount of "exceptional" or "non-recurring" expenses.

AMI's lack of transparency makes modeling AMI's future cashflows difficult. In order to reduce cash to USD 362 mln from USD 501.6 mln, we have assumed "exceptional" items of USD 101 mln in 2013 H2 and USD 150 mln of asset purchases. We await AMI's full year results on 31 March for further clarity.

What are the incentives for Tewoo?

Why does Tewoo want to invest in AMI?

AMI previously guided that they expect to spend USD 2-3 bln on Phase Two, which would see capacity increase from 20 MTPA to 35 MTPA. In their most recent update, AMI has put this plan on hold, presumably because of a lack of funds.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Enter Tewoo, another generous Chinese funder. While the Tewoo deal has not yet been finalized, the deal structure and timing is uncannily similar to previous investments.

We think these Chinese SOE deals are debt masquerading as equity. We fail to see the clear motivation for these deals, both from a valuation and utility point of view.

Why Tewoo, which is not an end-user of iron ore, would pay USD 990 mln for a 16.5% stake in AMI, when AMI's market cap was only USD 880 mln does not make sense. Why doesn't Tewoo just buy AMI outright and de-list AMI from the stock market?

We can only conclude that Tewoo executives are being incentivized through other means, most likely bribes. It's possible that the fuel misappropriation and travel expenses explain this, but this is very hard to prove.

Debt: highly geared

Higher gearing, less cash, increasing receivables.

Table 5. Paying a high interest rate

USD 000's	2013 H1	FY 2012	FY 2011
Non current loans	493,109	327,651	146,106
Current loans	290,058	253,553	416,609
Total loans	783,167	581204	562,715
Capitalised borrowing costs	36,326	68,834	86,363
Interest rate*	0.093	0.118	0.153
Assets under construction PPE		2,390,785	1,506,388
Borrowing costs % assets PPE		0.029	0.057

Source: Company data

* 2013 H1 interest rate is an annualized rate.

In 2011 and 2012, AMI capitalized borrowing costs to "Assets under construction and property, plant and equipment." Table 2 shows that AMI's effective interest rate was high at 15.3% in 2011 and 11.8% in 2012.

Annualized interest costs in 2013 H1 have fallen to 9.3%, which is a positive trend, though still high. These high interest rates also make the Chinese "equity as debt" deals look cheap from an interest rate point of view (SISG's warranty breach payments were around 3.4-3.8%).

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Highly geared and at risk of a short-term liquidity crunch

Table 6. Gearing and key balance sheet items

USD 000's	2013 H1	FY 2012	FY 2011
Restricted cash	460,863	585,853	0
Unrestricted cash	40,712	16,072	16,465
Cash	501,575	601,925	16,465
Trade and other payables	300,437	250,106	344,415
Non-controlling interest put option	602,244	941,387	706,093
Equity	1,035,797	1,051,514	982,110
Debt / Equity	0.756	0.553	0.573
Net Debt / Equity	0.272	-0.02	0.556
Net Debt (Unres. Cash)/Equity	0.717	0.537	0.556
Net Debt (inc. Payables)/Equity	1.007	0.775	0.907
Net Debt (inc. Put Option)/Equity	1.298	1.433	1.275

Source: Company data

AMI is highly geared and would struggle to meet short-term obligations if a combination of short-term liabilities were all called at the same time.

AMI's gearing has increased. 2013 H1 Debt/Equity was 75.6%, up from 55.3% six months earlier.

2013 H1 Net Debt/Equity of 27.2% doesn't look as high, however cash mostly consists of "Restricted Cash." These are funds received from SISG earmarked for the funding of Phase Two expansion. Restricted Cash can only be released to "Unrestricted Cash" under SISG's approval.

Removing Restricted Cash from the Net Debt/Equity calculation shows a high gearing level of 71.7%.

Payables are made up of trade payables, which are normally settled on 60-day terms and construction-related accruals. Including Payables in Net Debt/Equity results in a very high 100.7% gearing.

SISG's put option

SISG has a put option (currently valued at USD 602 mln) that allows SISG to sell back its 25% interest in the operating companies at fair value, in the event that Frank Timis voluntarily resigns from the Board.

We think that Frank Timis is most likely the facilitator of bribes to SISG, so the put option helps to insure SISG against the event of losing their chief incentive-provider.

While we consider Timis' resignation unlikely, if this were to happen, AMI

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

would be unable to fund the USD 602 mln obligation.

Loans reclassified due to covenant breaches

As at 30 June 2013, current loans were USD 290 mln. None of these loans actually have an official maturity date within 1 year, however given loan covenant breaches (detailed below), AMI has classified them as current loans.

Short-term liquidity crunch possible

As of 2013 H1, AMI's current loans (USD 290 mln) and payables (USD 300 mln) totaled USD 590 mln. If AMI were required to repay these obligations within a short space of time, it would struggle to make these payments with its 2013 H1 USD 501 mln cash balance (even if SISG agreed to allow AMI to use Restricted Cash).

This liquidity crunch would be further compounded if SISG was also able to exercise its USD 602 mln put option: AMI would face a repayment obligation of USD 1.09 bln.

Contingent liability and staff loan

AMI also faces a USD 133 mln contingent liability claim in relation to fund raisings. Based on media reports, this is likely to be a fee claim by Renaissance Capital, which assisted with CRM's equity investment.

Indicative of its constant need for funding, in 2011 AMI had to resort to staff funding. Miguel Perry, who was CFO and Director, provided a USD 500,000 loan as part of a USD 417.7 mln Secured Loan Facility. This was repaid in February 2012. Perry received USD 5,000 interest in 2012.

Q3 and Q4 Production Reports: More of the same

AMI's Q3 and Q4 Production Reports don't provide financial statements, but disclose a lower cash balance and higher borrowings.

AMI exported 2.8 MT of ore in Q3 at an average FOB price of USD 73/t and 3.8 MT in ore at USD 77/t. This equates to revenue of USD 497 mln. Despite these earnings, AMI's cash balance fell from USD 100 mln to USD 401 mln in Q3, and again to USD 362 mln in Q4. This perhaps indicates slow receivables collection, or further profligate spending. In 2013 H1 a USD 94 mln receivables increase was a large contributor to negative operating cashflow of USD 157 mln.

In addition, AMI's gearing increased further from total drawn debt increasing to USD 830 mln at FY 2013 vs. USD 783 mln at 2013 Q1 and AMI's cash

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

balance falling. Given higher gearing it's likely that AMI continues to be in breach of debt covenants.

Tewoo funding far from certain, increased borrowing is likely

AMI will need additional capital in 2014 H1 in order to continue funding operations and build out infrastructure. However, the Tewoo investment is far from certain: it took almost 2 years from the initial announcement of SISG's investment in July 2010 for SISG's money to arrive in March 2012 and the same could happen with Tewoo.

AMI has consistently overpromised and under-delivered on operations

Unless a major improvement is seen in AMI's operations through higher exports and lower cash-burn, it's likely that AMI will have to borrow more money and increase its already high debt burden.

At the beginning of 2012, AMI expected to export 10 MT in 2012. Later in the year this guidance was cut in half to 5 MT and AMI ended up exporting less than this at 4.3 MT. AMI also expected cash costs to be below USD 30/t on a steady state basis by end-2012. However cash costs were at USD 36/t in June 2013.

AMI expected to export 13-15 MT in 2013 and this has since been revised down to 11-13 MT. Based on AMI's Q3 Production Report, AMI may achieve the lower end of this revised target.

Phantom cash on balance sheet?

If AMI was to show improved operational performance, then 2014 Q1 would be the most likely quarter, as Q1 has the least amount of rainfall and it will be the first "dry quarter" opportunity for AMI to utilize its 20 MTPA infrastructure capacity.

Another interpretation: phantom cash on balance sheet

We cannot know whether SISG's investment was done at an overstated value for the purpose of kickbacks, but if they were, it's possible that AMI is using the extraordinary expenses to work phantom cash off its balance sheet.

We know that AMI would have received at least USD 418 mln from SISG, because soon after the SISG investment, AMI repaid a USD 418 loan from Standard Bank.

That leaves USD 1.1 bln of phantom cash remaining. The two SISG balance sheet-related items that raise the most suspicions are "Restricted Cash" and the put option.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

SISG recently allowed the release of USD 156 mln out of Restricted Cash in to Unrestricted Cash for the payment of working capital expenses. The periodic shifting of SISG's Restricted Cash to Unrestricted Cash could be the way that SISG executives are receiving kickbacks via AMI's extraordinary expenses. i.e., the Restricted Cash doesn't actually exist, but whenever there is cash flow generated either through ore sales or Standard Bank financing, the "Restricted to Unrestricted to Extraordinary expense" transaction creates the illusion of cash movements.

Is the put option the biggest swindle of them all?

The put option could even be the biggest swindle of them all. Timis could be in league with SISG to deliberately resign in order to share the put option payout proceeds with SISG.

At AMI's current market cap, Timis' AMI shares are worth around USD 128 mln. If Timis was able to access half or even a quarter of the USD 600 mln put option value, it would be worth more than his current shares. This could be a way for Timis to protect himself from AMI's share price falling.

Continual covenant breaches

AMI has consistently been in breach of its loan covenants with Standard Bank and is reliant on Standard Bank's willingness to continually rollover existing facilities despite continual covenant breaches.

As of FY 2012, AMI was in breach of the following loans:

- **USD 100 mln Standby facility (fully drawn)**: AMI was in breach of its gearing ratio and minimum production financial covenants.
- **USD 96.5 mln Asset financing facility (fully drawn)**: Breach of gearing ratio financial covenant.
- **USD 92 mln Asset financing facility (USD 58 mln drawn)**: Breach of gearing ratio financial covenant.

According to AMI's disclosures, AMI has been able to secure covenant waivers and/or extensions from Standard Bank.

As of 2013 H1, AMI was in breach of the following loans:

- **USD 100 mln Cost Overrun Facility (USD 75 mln drawn)**. This facility has been refinanced twice, firstly on February 9, 2012 and then on April 5, 2013. According to AMI, "operational performance has fallen short of the covenant which, whilst not resulting in a breach, requires us to seek an amendment to the terms in order to maintain the original

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

repayment schedule."

- **Both asset-financing facilities**. These 2 facilities were in breach as of FY 2012. As of 2013 H1, AMI again failed the debt service cover ratio covenant on both facilities. AMI has since agreed with Standard Bank on an amendment to the covenant calculation to attempt to avoid future breaches.

Corporate presentations use the same photos

We've noticed that AMI tends to re-use a lot of photos in corporate presentations. We don't think this suggests anything awry, except perhaps a sloppy IR team. It's interesting nonetheless.

For example, two of the "Pepel Stockyard Operations" photos on slide 42 of the January 2014 presentation are the same as slide 35 from the January 2013 presentation one year earlier. Likewise two of the "Port Operations" photos on slide 43 of January 2014 are the same as slide 36, January 2013.

Valuation

We value AMI on a DCF basis, using a 12% WACC, achieving an enterprise value of USD 1.6 bln and equity value of USD 458 mln net of debt and minorities.

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Table 7. Income statement

USD 000's	2013	2014e	2015e	2016e	2017e	2018e
Revenue	810,071	1,515,860	1,332,600	1,240,970	1,057,710	1,427,909
Cost of sales	542,757	795,795	797,236	802,957	804,398	1,076,688
Gross profit	267,314	720,065	535,364	438,013	253,312	351,221
Sales and distribution costs	-79,947	-149,602	-79,956	-74,458	-63,463	-85,675
General and admin expenses	-58,768	-109,971	-53,304	-49,639	-42,308	-57,116
Operating exceptional items	-158,953					
Operating profit	-30,353	460,492	402,104	313,916	147,541	208,430
Impairment	-39,737					
Interest income	26					
Finance costs	-72,652	-72,652	-72,652	-72,652	-72,652	-72,652
Imputed cost of deferred income	-34,050	-34,050	-34,050	-34,050	-34,050	-34,050
Gain on non-controlling interest put option	103,849					
Profit before tax	-72,917	353,790	295,402	207,214	40,839	101,728
Taxation	-16,866	-88,448	-73,850	-51,803	-10,210	-25,432
NPAT	-89,783	265,343	221,551	155,410	30,629	76,296

Source: Company filings

Table 8. Balance sheet

USD 000's	2013	2014e	2015e	2016e	2017e	2018e
Exploration and evaluation assets	7,605	7,605	7,605	7,605	7,605	7,605
Intangible assets	2,355	2,355	2,355	2,355	2,355	2,355
Assets under construction & PP&E	30,074	30,074	30,074	30,074	30,074	30,074
Property, plant and equipment	2,575,637	2,529,842	2,482,605	2,429,648	2,375,250	2,293,562
Available for sale investments	13,065	13,065	13,065	13,065	13,065	13,065
Inventories	23,861	37,971	38,040	38,312	38,381	51,373
Deferred tax assets	60,407	60,407	60,407	60,407	60,407	60,407
Total non-current assets	2,713,004	2,681,319	2,634,151	2,581,467	2,527,137	2,458,442
Current assets	FY2013	2,014	2,015	2,016	2,017	2,018
Inventories	50,424	78,625	78,767	79,332	79,475	106,377
Trade and other receivables	113,430	190,723	167,666	156,137	133,080	179,657
Cash and cash equivalents	362,172	734,535	1,026,983	1,249,271	1,357,958	1,583,216
Total current assets	526,026	1,003,883	1,273,416	1,484,740	1,570,513	1,869,250
Total assets	3,239,030	3,685,202	3,907,566	4,066,207	4,097,650	4,327,692
Equity						
Share capital	3,314	3,314	3,314	3,314	3,314	3,314
Share premium account	902,985	902,985	902,985	902,985	902,985	902,985
Equity reserves	139,839	139,839	139,839	139,839	139,839	139,839
Fair value reserve	-50	-50	-50	-50	-50	-50
Accumulated deficit	-192,983	26,572	214,891	346,990	373,025	437,876

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Equity attributable to owners of the parent	853,105	1,072,660	1,260,979	1,393,078	1,419,113	1,483,964
Non-controlling interest	122,302	168,090	201,323	224,634	229,229	240,673
Total equity	975,407	1,240,750	1,462,302	1,617,712	1,648,341	1,724,637
Liabilities						
Borrowings	493,109	493,109	493,109	493,109	493,109	493,109
Deferred income	520,731	520,731	520,731	520,731	520,731	520,731
Other non-current liabilities						
Provisions	33,130	33,130	33,130	33,130	33,130	33,130
Total non-current liabilities	1,046,970	1,046,970	1,046,970	1,046,970	1,046,970	1,046,970
Borrowings	290,058	290,058	290,058	290,058	290,058	290,058
Trade and other payables	268,511	449,340	450,154	453,384	454,198	607,944
Tax payable	3,630	3,630	3,630	3,630	3,630	3,630
Deferred income	27,198	27,198	27,198	27,198	27,198	27,198
Non-controlling interest put option	602,244	602,244	602,244	602,244	602,244	602,244
Provisions	25,012	25,012	25,012	25,012	25,012	25,012
Total current liabilities	1,216,653	1,397,482	1,398,296	1,401,526	1,402,340	1,556,086
Total liabilities	2,263,623	2,444,452	2,445,266	2,448,496	2,449,310	2,603,056

Source: Company filings

Table 9. Cashflow statement

USD 000's	2013	2014e	2015e	2016e	2017e	2018e
Profit/(loss) from operations	-89,783	265,343	221,551	155,410	30,629	76,296
Depreciation of PP&E	60,145	95,795	97,236	102,957	104,398	131,688
Amortisation of intangibles	432					
Derecognition of assets under construction	6,178					
Unrealised FX loss	17					
(Decrease) Increase in provisions	-37,284					
Impairment of available for sale investments	39,737					
Imputed cost of deferred income	34,050					
Release of deferred income	-23,358					
Fair value gain on non-controlling interest put option	-103,849					
Finance costs	72,652	72,652	72,652	72,652	72,652	72,652
Share-based payments	1,957					
Interest income	-26					
Total operating cashflows	-39,132	433,790	391,440	331,020	207,679	280,636
(Increase)/Decrease in current inventories	6,401	-28,201	-142	-565	-142	-26,902
Increase in non-current inventories	3,402	-14,109	-69	-273	-69	-12,992
(Increase)/Decrease in trade and other receivables	-5,133	-77,293	23,058	11,529	23,058	-46,578
Increase (Decrease) in trade, taxation and other payables	-75,905	180,829	814	3,230	814	153,746
Net operating cashflows	-110,367	495,015	415,100	344,940	231,339	347,910

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Investing cashflows						
Interest received	26					
Payments to fund assets under construction and PPE	-328,065	-50,000	-50,000	-50,000	-50,000	-50,000
Payments to acquire exploration and evaluation assets	-46					
Proceeds received from ore sales	50,796					
Net investing cashflows	-277,289	-50,000	-50,000	-50,000	-50,000	-50,000
Financing cashflows						
Proceeds of exercise of options and warrants	590					
Proceeds from borrowings	217,409					
Repayment of borrowings	-12,437					
Interest paid and costs of financing	-57,659	-72,652	-72,652	-72,652	-72,652	-72,652
Net financing cashflows	147,903	-72,652	-72,652	-72,652	-72,652	-72,652
Net increase/(decrease) in cash and cash equivalents	-239,753	372,363	292,448	222,288	108,687	225,258
Cash and cash equivalents at beginning of period	601,925	362,172	734,535	1,026,983	1,249,271	1,357,958
Cash and cash equivalents at end of period	362,172	734,535	1,026,983	1,249,271	1,357,958	1,583,216

Source: Company filings

Anne Stevenson-Yang +86 139 1082 0535 anne@jcapitalresearch.com
Kevin Yeoh +61 413 105 488 kevin@jcapitalresearch.com

Disclaimer

This publication is issued by J Capital Research ("J Capital") This publication has been prepared for the general use of the clients of J Capital and unauthorized copying or distribution is prohibited. Nothing in this document shall be construed as a solicitation to buy or sell any security or product. In preparing this document, J Capital did not take into account the investment objectives, financial situation and particular needs of the reader. Before making an investment decision, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. J Capital accepts no liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this publication and/or further communication in relation to this document.