
INTRODUCTION

Stocks in the news: Edgewater Exploration, Frontier Mining, GoldOne, IFM, Rimfire Pacific Mining & World Titanium Resources.

Now that the technical overweight position in gold looks to have been unwound, it is going to take time for confidence to fully return. Gold looks steady at the \$1350 level but RFC Ambrian believes gold will return to the \$1500 level and many other analysts around the City agree. That will be more than welcome news for the large number of junior explorers and developers who really can't progress and raise capital in this market, especially those in West Africa. Times are tough and costs are being cut right back. Looking at the write downs among the majors you have to wonder how they allowed costs to spiral out of control to such an extent. No wonder so many senior executives have lost their jobs. What a missed opportunity and what a blow it has caused to the junior end of the market.

There are some good teams out there who are gaining traction though. Grade is king, but so is a credible management team, so is access to infrastructure and so is a clear and reasonable path to production. A lot of stuff is falling by the wayside but this really just clears the pitch for those who are going to make it. As mentioned in this note already this week, we are big fans of projects like Papillon Resources (PIR AU), Orbis Gold (OBS AU) and Birimian Gold (BGS AU). We are not the only ones – they all have good traction amongst the London investor base. Our roadshow schedule for Birimian on September 3rd and 4th is filling up nicely, so if you haven't got back to me on a meeting time yet, you had better hurry.

An early sign of confidence in the gold space is said to be found in diamonds and gemstones. If this is so then the green shoots of recovery are there. Petra Diamonds (PDL LN) is up 7.5% on the month and up 21.66% over three months. Gem Diamonds (GEMD LN) has risen 13.31% and 20.80% over the same periods and Gemfields (GEM LN) has joined the rally, up 30.50% and 13.8%. I can't find another sector within the resource space that has done as well. Late to the party is Richland Resources (RLD LN); they are only up 16.7% this month. Richland is tiny with a market cap of £4.1m but this was a £200m company back in 2006 when people may remember it as TanzaniteOne. Richland is the world largest tanzanite producer and while tanzanite has an image of being largely sold to retired ladies on cruise ships, the image of coloured stones is transforming very quickly indeed. Companies like Richland and Gemfields have brought order to the coloured gemstone market, just as de Beers brought order to the diamond market 60 years ago. The biggest and best coloured stones now rival diamonds on a price per carat basis. Historically, coloured gemstones used to trade at a premium to diamonds and it was only when Harry Oppenheimer went around America after the war telling young brides-to-be that their man had better come back from the war and put a diamond ring on their finger that things changed. New money in the Middle East, China, India and Russia don't associate a diamond as being a "girl's best friend"; they are more likely to want a coloured gem. Just walk down Bond Street and look in the shop windows – two years ago it would only have been diamonds on display, not any more.

We will be roadshowing Bernard Olivier of Richland Resources in London on 16th and 17th September, so please take time to hear the story.

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METALS & MINING EQUITIES

EDGEWATER EXPLORATION^{††} — Financial results to 30 June 2013 — Canadian-based mineral development company Edgewater Exploration has reported cash at the end of this period as C\$1.2m.

FRONTIER MINING[†] — Update on Litigation Proceedings — Frontier Mining, the AIM-listed copper exploration, development and production company focused on Kazakhstan, has provided an update on litigation proceedings instigated by Dorsey & Whitney LLP (the defendant) against Frontier Mining and Sokol Holdings, and the owners of the latter — Brian Savage and Tom Sinclari (the plaintiff). A court in Delaware has ruled that the defendant's motion for summary judgment has been denied and that the plaintiff's application for a declaratory judgment has been granted. The court has therefore ordered and adjudged that, as set forth in the opinion, it will allow payment of fees incurred by the defendant of US\$976,270.56, including pre-judgement interest. The judgment is subject to an appeal that will be lodged by Sokol Holdings Inc. Frontier says that while its Board does not believe the company should bear any costs of this litigation, as a named party it is jointly liable for the final sum awarded to the defendant.

RFC Ambrian Comment: *While a marginal sum of money, we believe this initial verdict is a disappointing outcome for Frontier Mining, which has been deemed to be jointly liable in this litigation (although this is subject to an appeal). We understand that Frontier has options, the first of which it is pursuing with an appeal through Sokol Holdings. Should that fail, Frontier can claim that it is not jointly liable or make a settlement. The litigation stems from activities undertaken by the previous directors Brian Savage (CEO) and Tom Sinclari (CFO, 2003-10) when they were at Frontier. At this time we don't know how the fee would be split between the parties, nor are we aware of the availability of funds held by Sokol and its owners.*

GOLD ONE INTERNATIONAL^{††} — Merger of West Rand Assets with Sibanye Gold and maiden Cooke 4 Reserves/Resource — Gold One International, the company with gold operations and gold and uranium prospects across southern Africa, has announced it has entered into an agreement with Sibanye Gold to merge its interests in the Cooke 1-4 underground operations (including the Ezulwini surface uranium and gold plants), the West Rand Tailings Project and the Randfontien surface operations. In exchange for these assets, Gold One will receive a 17% interest in the fully diluted share capital of Sibanye Gold. Gold One has also announced its first gold and uranium mineral resources and reserves for Cooke 4 shaft. The reserves are 3.18Mt of ore at 3.63g/t Gold (0.37MOz contained gold) and 1.96Mt at 0.45kg/t (1.96Mlb's contained uranium).

RFC Ambrian Comment: *RFC Ambrian Comment: Gold One's strategic partner and 90.3% shareholder, BCX Gold, has invested over \$A900m in Gold One followed by a string of acquisitions that cost \$320m for the assets being merged with Sibanye. According to Sibanye, the implied purchase price works out at ~US\$140m, although they value the assets at US\$212m. These assets being sold by Gold One were acquired in 2012 while Neal Froneman was CEO. Neal is now Sibanye's CEO so there is a strong history with the assets. This deal represents a u-turn for Gold One as it had been subsidising these high cost (+US\$1200/Oz) assets with cash flows from the far more profitable Modder East operation (operating costs ~US\$700/Oz). We think that given Gold One has been delayed in delivering on its cost reductions at these assets being disposed, it will now focus on the east rand secondary reefs and try to replicate the successful low cost mining it has achieved since operations commenced at Modder East in 2010.*

INTERNATIONAL FERRO METALS — Resource and Reserve Statement & Bank Facility Update — South African ferrochrome producer International Ferro Metals has announced recent results from its Sky Chrome and Lesedi mines in the Bushveld Igneous Complex in South Africa's North West province demonstrate positive increases in tonnages and in some cases, grades. The total resource has increased significantly by 64% from 125Mt to 206Mt and the average chrome oxide (Cr₂O₃) grade has increased from 34.49% to 37.57%. Additionally, the total reserves have increased by approximately 6% from 87Mt to 92Mt with the average Cr₂O₃ grade having reduced marginally from 28.11% to 27.85%. The resource statement for the platinum group metals has been completed, resulting in an estimated inferred resource of 1.34g/t of PGM's in the 181Mt of total chrome ore resource at Sky Chrome. The company has also confirmed that its ZAR500m loan facility with the Bank of China is expected to be renewed for a further one year in September 2013. The facility, which has been in place since June 2009, has been provisionally extended to 25 September to allow sufficient time for the Bank of China head office approval process to be completed. A further announcement will be made when the renewal becomes effective.

RFC Ambrian Comment: *The extension of the debt facility is a positive development for IFL which follows a similar process to that undertaken last year when the facility was also extended for a year. While a risk, the management remains confident. The increased reserves bodes well for increased operational flexibility; the life of these considerable reserves has always greatly outlasted that of the smelters.*

RIMFIRE PACIFIC MINING — Diamond Drilling Results from Sorpresa — Australian-based resources company Rimfire Pacific Mining has announced further results from the first diamond drilling programme at Sorpresa. Significant intersections at Fi 325 DDH include: 9m @ 3.41g/t Au, including 2m @ 12.7g/t Au and 8m @ 17.9g/t Ag. The company is building upon these observations and construction of 3D models is advancing in preparation for rapid systematic exploration and step out drilling which will commence in the next few weeks.

RFC Ambrian Comment: *More smoke from Sorpresa. The drilling to date has shown the ground to be fertile for gold and the new systematic approach planned by Rimfire is exactly what this project requires and we would expect a positive outcome.*

WORLD TITANIUM RESOURCES — Lomon Withdraws from Proposed JV — World Titanium Resources announced that Sichuan Lomon Titanium Co. (Lomon) has notified the company that in light of the recent capital

raise and management change, Lomon "has decided not to proceed with the commercial arrangements as contemplated under the Amended MOU." While Lomon's decision is disappointing, it has indicated its continued interest in the Madagascar projects. The company has informed Lomon that the company is prepared to hold discussions to address any outstanding issues between the parties, including the commercial arrangements of the transaction, with the goal of attempting to complete a JV.

RFC Ambrian Comment: *This is disappointing news for the company. We have long held the view that the Madagascar projects are good quality but feel that attracting the development funding is extremely challenging in the current market.*

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