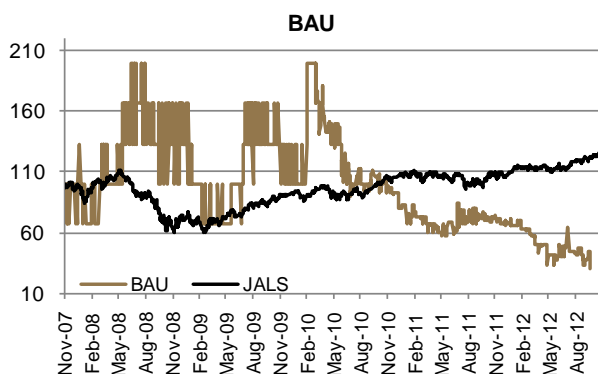


Bauba Platinum Ltd

Basic Resources – Platinum and Precious metals

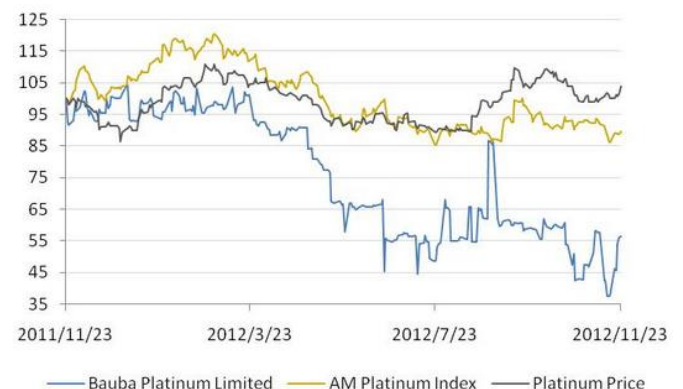
- **Bauba Platinum Ltd (Bauba)** is a JSE listed platinum group metals (PGM) exploration company that holds various mineral exploration prospecting rights, collectively known as the Bauba project.
- The Bapedi Nation has a 40% stake in the Bauba project which is significantly higher than the minimum BEE target of 26% required by South African legislation.
- The company is currently focusing on a strategic exploration drilling programme. Bauba intends to conduct a seismic survey to support structural data and the geographical understanding of the area in the Northern cluster.
- Post financial year end, the first hole was drilled in the Northern cluster and the results are expected to be released shortly.
- Bauba successfully disposed of its non-core non-platinum assets and was awarded renewals of its two new order prospecting rights on 18 July 2012 for a period of three years.
- Mr G Pitt resigned as the CEO with effect from 31 January 2013 for personal reasons, Mr W Moolman was appointed as the financial director and King TV Thulare was appointed as alternative director to Dr M Phosa as of 1 July 2011.
- Our sum of the parts valuation based on the market approach indicates that the share is currently valued between R3.07 and R3.70.
- The cost approach based on the typical lower and upper range for Prospectivity Enhancement Multipliers (PEM) yields a share valuation range of between R0.27 and R1.62.



Price (R)			1.15
Market Approach: Sum of the parts Value (R)			3.07 - 3.70
Cost Approach: Valuation Range (R)			0.27 - 1.62
Price Performance			Relative to JALSH
	Absolute		
1 month	-11.5%	-14.3%	
3 month	4.5%	-4.5%	
12 month	-44.7%	-54.3%	
12 month	High	Low	
(SA Rands)	2.15	0.90	
No. of share:	123	Price (R)	1.15
Ave. volume	566	Mkt cap (Rm)	142



Bauba Platinum Limited vs African Mining Platinum Index and Platinum Price

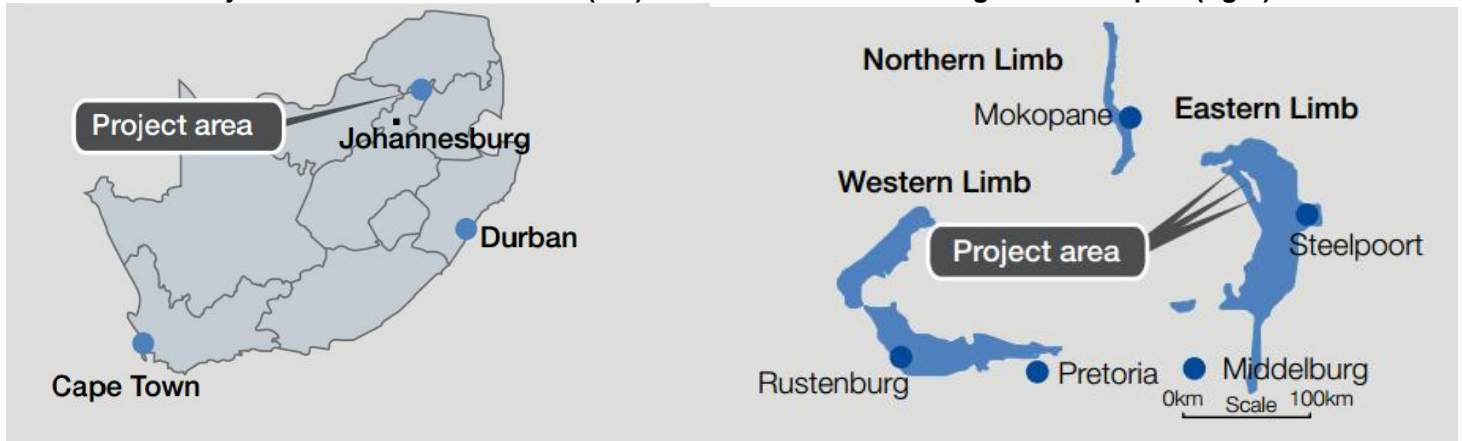


Source: <http://www.africanmining.com/bauba.php?id=6>

Largest Equity Holders (more than 5%):	%
Highland Trading Investment	39.2%
PSI Client Safe Custody	8.9%
Math-Pin Trust	5.9%
Hlabirwa Mining Investment	5.2%

Prepared by: **The Merchantec Mid Cap Research Team**
 Contact: **Brian Rainier, CFA**
 Tel: **+2711 325 6363**
 Email: brian@merchantec.co.za

Project location in South Africa (left) and within the Bushveld Igneous Complex (right):

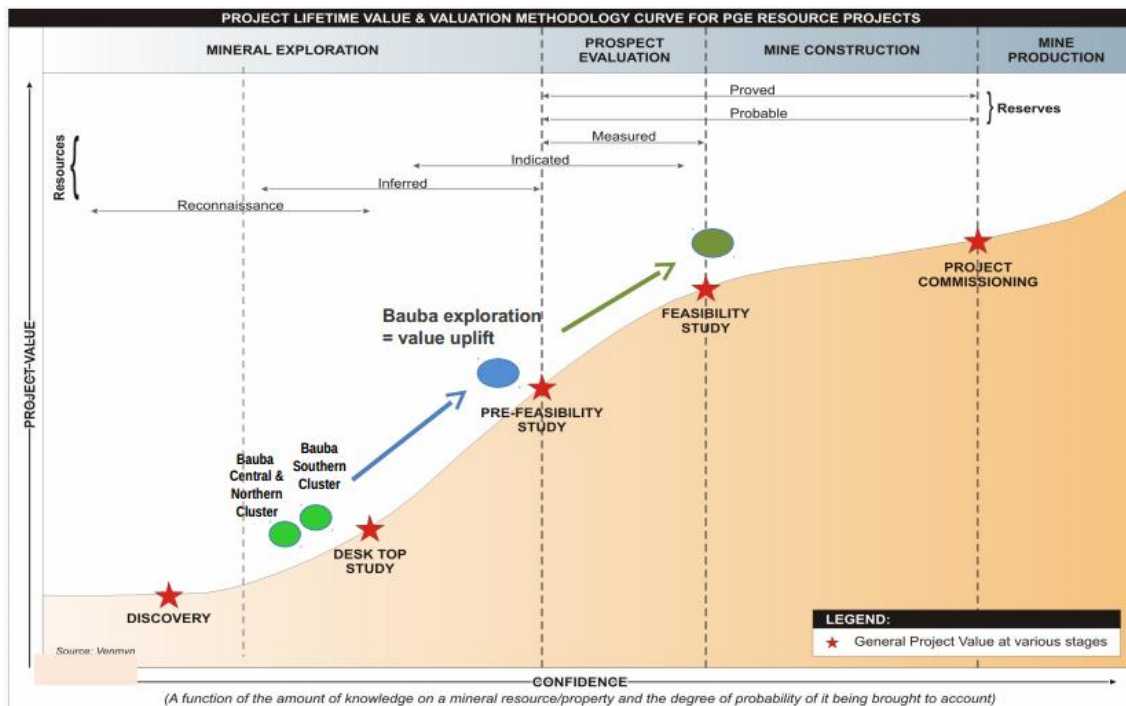


Strengths	Weaknesses
Strong BEE credentials	Length of time estimated to production
Precious metal focused	Relatively immature projects
Strong board and management team	Undiversified portfolio
Opportunities	Threats
Improving global vehicle sales	Disruptive technology away from catalytic converters
Increasing demand from China	Relatively slow economic recovery (particularly in Europe)
Long term market player to take advantage of future supply-demand dynamics	Ongoing debate around mining legislation/SIMS

% CONTRIBUTION IN VALUE CHAIN



■ Exploration ■ Evaluation



Source: Venmyn, April 2010

Company Profile

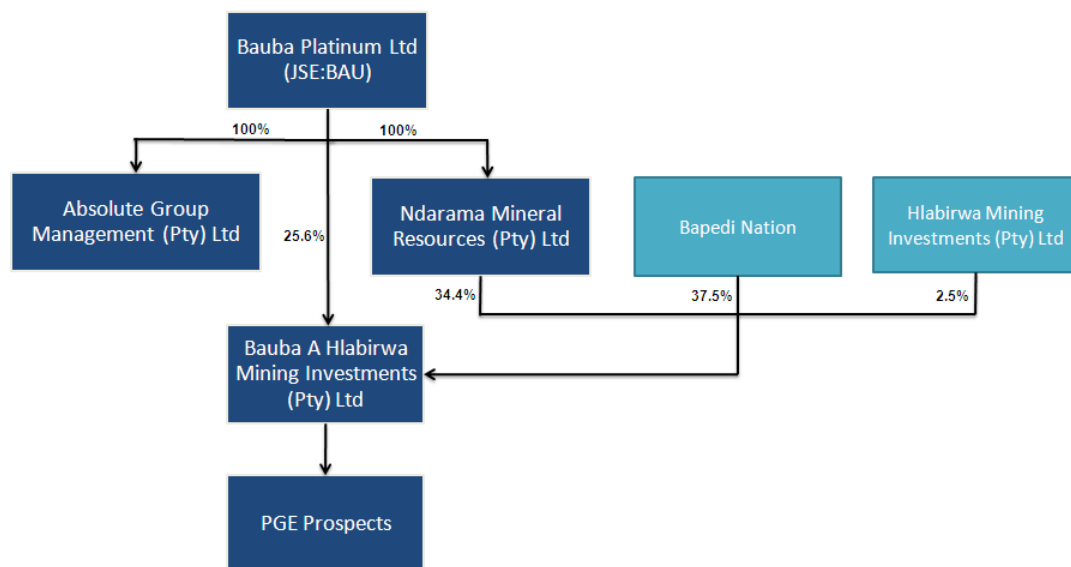
Bauba Platinum Ltd (Bauba) is a junior platinum group metals (PGMs) exploration company that listed on the main board of the JSE in September 2010. The company was created by a reverse listing of a 60% interest in Bauba A Hlabirwa Mining Investments (Pty) Ltd into Absolute Holdings Limited whose name was subsequently changed to Bauba Platinum Limited. Bauba holds two mineral prospecting rights for PGMs extending over eight farms with an area of 14 290 ha and the prospecting rights form part of the north-eastern limb of the Bushveld Igneous Complex (BIC) in the Limpopo province. The company is fully compliant with the requirements of the Mining Charter with regards to the equity component and the Bapedi Nation has a direct participation in the Bauba project.

Bauba's properties are located within the Leolo mountain range approximately 40km northwest of Steelport and 245km northeast of Johannesburg and are grouped into three clusters:

- Northern;
- Central; and
- Southern.

Bauba has implemented an investigative exploration programme which was designed in association with an Independent Competent Person. The programme comprises diamond drilling, geological and geophysical mapping as well as interpretation of the areas of interest. The programme is being conducted to understand the extent of the resource with the intention of acquiring a fully compliant reserve statement to form the basis of a Bankable Feasibility Study.

Group structure



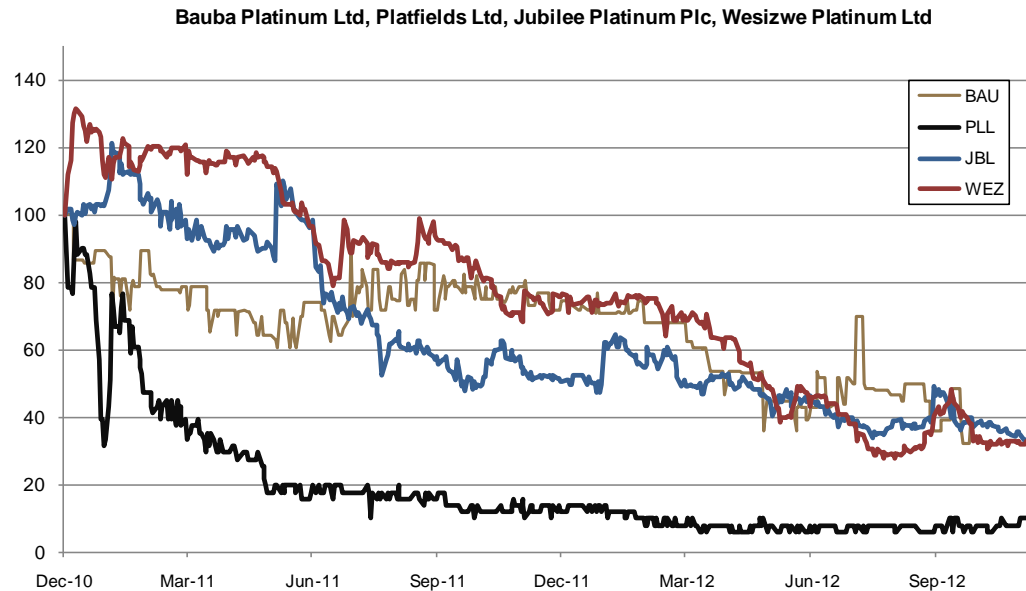
Note: Combined shareholding of Bauba Platinum Ltd in Bauba A Hlabirwa Mining Investments (Pty) Ltd is 60%

BEE

The Bapedi Nation holds a 40% interest in Bauba at asset level which enables the company to meet the BBBEE requirements of the Minerals and Petroleum Resources Department Act (MPRDA). In the past year the company focused on developing the business skills of the Bapedi Nation at different levels of the organisation to enable them to take an active role in the business.

Listing and share price performance

As illustrated in the chart below, over the past two years Bauba, along with the other junior platinum exploration stocks, experienced declines in share prices. This is in the wake of volatile platinum prices, slow global economic recovery, European debt crisis, the impact of the Japanese earthquake on automobile catalytic converter demand, Zimbabwean indigenisation, SA nationalisation talks, rising operating costs and the generally uncertain nature of exploration.



Management

Willem Moolman

Financial director

Willem completed his accounting articles with KPMG and has accumulated over 20 years' financial management experience in numerous industries including mining. More recently Willem focused on financial restructuring and turn-around strategies for companies. He is a Fellow of the Institute of Professional Accountants (Australia) and holds a BCompt Honours and MBL from Unisa.

Jonathan Best

Independent non-executive chairman

Jonathan has over 40 years' experience with companies involved in the mining industry, with previous positions as CFO and executive director of AngloGold Ashanti Ltd. He currently holds the following additional board positions: non-executive director of the unlisted AngloGold Ashanti Holdings plc and a member of the audit committee; non-executive independent director, member of the remuneration committee and chairman of the audit committee of Polymetal International Plc, a Russian-based mining company listed on the London Stock Exchange; chairman and member of the remuneration and nomination committee of Sentula Mining Ltd; and non-executive independent director and member of the audit committee of Metair Investments Ltd and Gulf Industrials Ltd. Jonathan is an Associate of the Chartered Institute of Management Accountants and of the Chartered Institute of Secretaries and Administrators. He also holds an MBA degree from the University of the Witwatersrand.

Kenneth Dicks

Independent non-executive director

Ken is a mining engineer with 39 years' mining industry experience. He held several senior positions during his 37 years working with the Anglo American Corporation's Gold and Uranium division. Ken currently holds the position of independent non-executive director on the boards of Harmony Gold Mining Company Ltd and Witwatersrand Consolidated Gold Resources Ltd.

Sholto Dolamo

Independent non-executive director

Sholto is currently the resources analyst and fund manager of the Resources Unit Trust at Momentum Asset Management. He spent six years as a research scientist/engineer for De Beers' research laboratory and went on to spend three years as head of Lonmin Platinum's research and development for the Precious Metals Refinery. Prior to Momentum Asset Management he spent four and a half years at Stanlib as a precious metals analyst and a precious metals fund manager. He holds a BSc (Chemistry), BTech (ceramics science), MSc (materials engineering) and an MBA from GIBS.

Kholeka Mzondeki

Independent non-executive director

Kholeka has extensive experience in governance and financial management, holding positions as financial director and CFO in various companies. Previous and current positions include, risk manager at Eskom; director and general manager of finance responsible for sub-Saharan Africa at 3M; CFO and general manager of corporate services at Mintek; and she serves on the board for other listed companies and non-profit organisations such as the United Nations World Food programme. She holds a BCom degree, a Diploma in Investment Management and is qualified as a chartered accountant in the United Kingdom.

Dr Mathews Phosa

Non-executive director

Dr Mathews Phosa is an attorney by profession and a prominent figure in South Africa's business and political world. Mathews was previously a Premier of Mpumalanga province, but in 1999 he resigned his seat in parliament in order to focus on a career in business. However, Mathews re-entered the political arena in 2007 as the ANC National Executive Committee Treasurer-General. He is chairperson of Special Olympics South Africa and holds numerous chairperson positions, among them non-executive chairman of EOH Ltd and executive chairman of Vuka Forestry Holding (Pty) Ltd and Eveni Investments & Consulting (Pty) Ltd. He is also a director of Hans Merensky Holdings (Pty) Ltd and executive director of Value Group.

Damian Smith

Non-executive director

Damian has been involved in mining and exploration for gold and PGMs for 21 years and has focused on the Bushveld Complex geology for the past decade. He previously worked as the group geologist for Northam Platinum Ltd before becoming a geological consultant. He has conducted exploration programmes on projects in South Africa and internationally, and has undertaken due diligence, evaluation and feasibility studies on a number of PGM projects. He holds a BSc (Hons) Geology from the University of Liverpool, an MSc Exploration Geology from the Camborne School of Mines and is a registered Professional Natural Scientist.

King Thulare Thulare

Alternate non-executive director to Dr Mathews Phosa

King Thulare III is King of the Bapedi Nation and joined the mining industry in 2007, gaining five years' experience in the industry. He is currently the executive chairman of the KT3 group of companies and has since 2008 served as a director of Bauba A Hlabirwa Mining Investments (Pty) Ltd.

Project Evaluation

Below we include a detailed analysis of the Bauba Platinum project.

Baubas two prospecting rights 248/2006PR and 256/2006PR are held in the Limpopo province and are valid for a period of three years effective 18 July 2012. The company has initiated a comprehensive exploration programme for PGMs and associated metals within the prospect areas. The programme comprises the development of structural plans for the project areas and preliminary (phase 1) drilling programmes for each cluster. Below is a table which summarises the status of the preliminary drilling programmes:

Cluster	Boreholes Planned	Planned drilling (m)	Drilling commenced	Boreholes completed	Boreholes in progress	Drilling metres completed
Northern	10	19200	April 12	1	1	2100
Central	6	15600	July 11	1	2	10200
Southern	4	7900	April 10	4	0	7736
Total	20	42700		6	3	20036

Source: Bauba Platinum Ltd Integrated annual report

Platinum group metal prospects

Baubas holds prospecting rights over eight farms that extend over an area of 14 290ha. The prospecting rights are focused on the Merensky Reef and UG2 deposits in the Upper Critical Zone of the BIC. The Merensky Reef and UG2 deposits typically contain economic quantities of base metals and PGMs.

The Merensky Reef

The Merensky Reef is a pyroxenite layer which is between three and six metres thick with the mineralisation dispersed in the top metre of the layer. Baubas prospects within the Merensky Reef are between 1 600 and 2 500 metres below the surface.

The UG2 Reef

The UG2 Reef is between 300 and 400 metres below the Merensky Reef. The UG2 Reef consists of mineralised, medium-grained, UG2 chromitite seam.

Baubas has made intersections of the Merensky and UG2 Reefs by drilling at depths between 1 600 and 1 930 metres below the surface. Geological modelling of the data from the drill samples was completed and the resources have been declared as SAMREC compliant with an Inferred Resource of 8.6Moz 4E¹ over a portion of the clusters, 5.1Moz of which represents Bauba Platinum's 60% interest in Bauba A Hlabirwa.

Phase 1 drilling on the Central cluster began in 2011, six boreholes were planned, of which three have been completed thus far. The results are being analysed and finalised. Drilling on the Northern cluster commenced in April 2012 with ten boreholes initially planned. The first one drilled on the Schoonoord farm has intersected both the Merensky and UG2 Reefs at depths of 1 792 metres below surface and 2 172 metres below surface respectively.

¹ Grade measured as the combined content of four precious metals: platinum, palladium, rhodium and gold.

Results

On 28 September 2012 Bauba announced full year results to 30 June 2012.

Due to its nature as an exploration mining company Bauba did not generate revenue during the period (we forecast Bauba to be several years from generating revenue).

The group generated a full year loss from continuing operations of R6.57m, compared to a loss of R40.2m in FY11. The loss in the prior year included a cost relating to a reverse asset acquisition which amounted to R25.9m. The loss from continuing operations in FY11 would've been R14.3m if we exclude this reverse asset acquisition which is greater than the FY12 loss from continuing operations of R6.57m. This indicates that the company has been successful in containing its costs. However no operating costs were recognised in FY12 compared to R3.87m in FY11 and the company reported a finance income of R1.81m compared to R0.14m in the prior year.

During FY11, Bauba acquired a 60% shareholding in Bauba A Hlabirwa Mining Investments (Pty) Ltd. The company settled the acquisition in the form of an issue of shares and the term for the transaction was referred to as a 'reverse asset acquisition'. Under this treatment for the business combination, Bauba will report its financial statements under the name of Bauba Platinum and they will represent a continuation of Hlabirwa but the capital structure will be excluded. The reverse asset acquisition cost is as a result of the difference between the purchase cost of the asset and its fair value.

Outlook

Bauba's strategy is to focus on the advancement of the project and progress from target resources to inferred resources. Once the remaining target resources have been upgraded, the company intends to implement the prefeasibility and bankable feasibility stages.

As part of the Bauba's investigative programme, the company completed four drill holes approximately 1 600 metres deep on the Southern cluster, all of which intersected the Merensky Reef and two of which yielded UG2 Reef intersections at a depth of approximately 1 930 metres. Subsequent to this drilling programme the company conducted geological modelling on the Southern cluster and declared a SAMREC compliant Inferred Resource of 8.6Moz 4E over a portion of the cluster. In June 2011, Bauba initiated the drilling programme for six boreholes that were planned for the Central cluster properties. The company also initiated drilling on the Northern cluster in April 2012 with ten boreholes planned for this cluster. Concurrently the company intends to conduct 2D seismic surveys to create a geological picture of the area and better inform the company's drilling programme.

Bauba intends to explore the remaining target resource by 2015 in order to convert the target resource to an inferred category or better.

Bauba faces the risk of a legal process which is being initiated by Rustenburg Platinum Mines (RPM) against the Department of Mineral Resources (DMR). The legal process only relates to two of the eight farms namely, the farms Genokop and Groot Vygenboom, which are included as part of the Southern cluster's prospecting right. However Bauba is the holder of the renewed prospecting rights and management is confident that the rights will not be set aside. This has been confirmed by legal opinion and management intends to resolve the issue timeously. In July 2012, the company was granted the renewal of its two new order prospecting rights for a further period of three years.

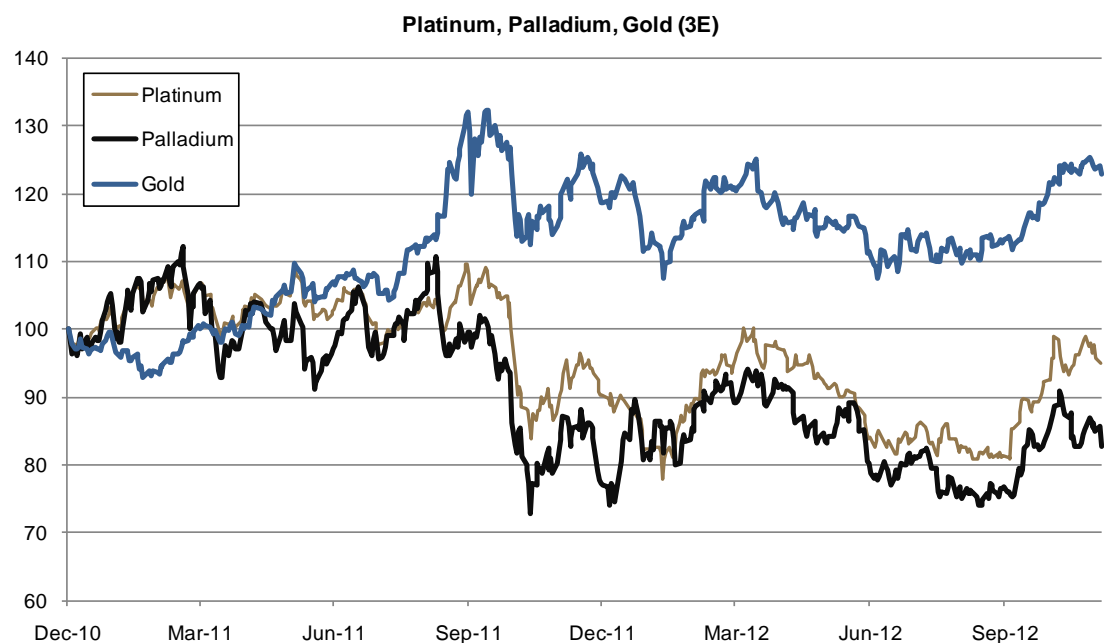
As with most juniors in the sector, the company faces the challenge of capital raising in a difficult environment. Management have indicated that they will manage the progress of the exploration programme in the context of available funds. If required, management will slow the progress of the project until investor appetite returns to the market.

Platinum Outlook

Since March 2012 platinum experienced declining prices before the most recent increases. We believe the declining prices were as a result of weak demand, poor investor sentiment and a lack of adjustment by producers to an expected oversupply. Subsequently the industrial action at Lonmin's Marikana mine and labour strikes in South Africa's platinum belt resulted in a reversal of the declining platinum price but has dented investor confidence. It is anticipated that the demand for platinum will remain largely flat whilst the supply is expected to fall as a result of the labour disruption, which could result in further price increases in the medium to long term. Industrial demand for platinum is expected to decrease whilst demand from the vehicle emission control catalyst sector is expected to decrease only marginally. The demand for jewellery continues to remain robust and is anticipated to reach a three-year high. The Chinese demand for platinum is expected to increase as a result of the lower platinum prices compared with last year. However, according to the CPR report produced by Venmyn in April 2010, Bauba was between 10 and 20 years away from going into production and as a result, longer term forecasts for platinum demand would need to be considered.

Economic measures to revive the slumping economy in Europe are expected to improve the physical demand for platinum in the long term which could cause the surplus supply of platinum to return to a deficit in relation to demand. Demand is expected to increase from 2013 onwards, which is favourable for Bauba in the long term.

Additionally, platinum mines are expected to get deeper over the next 7 to 10 years as the ore closer to the surface gets depleted, making mining more expensive and increasing the possibility of closure of some of the older mines and, therefore, reduced supply.



Note: Price chart data for Rhodium is not available.

Valuation

In order to value Bauba we have used two valuation methodologies:

- **The market approach** valuation methodology which infers an asset value based on recent transactions on similar assets. The methodology is based on a “willing buyer, willing seller” approach which determines the best estimate of the current amount obtainable in an arm’s length transaction. The major disadvantage to the approach is the fact that no two assets are 100% comparable and are unique in terms of geology, mineralisation, cost and stage of development. We have also used the latest Independent Competent Person’s report (CPR) that was conducted by Minxcon on the Sable Platinum Exploration projects in June 2012 to derive the most-up-to-date industry values and risk parameters for the \$/Oz price range used in the market approach to valuing Bauba’s projects.
- **The cost approach** which infers an asset value based on costs to improve the value of the project. For this, we have used the latest CPR conducted by Venmyn in April 2010. The CPR contains the most-up-to-date and accurate data on Bauba’s current projects. We have used the prior cost estimates and adjusted them for inflation and planned drilling for valuing Bauba’s projects based on the cost approach.

Minxcon based their June 2012 valuations on historical platinum transactions of similar nature which took place on an arm’s length basis which were adjusted for their view on the riskiness of the projects. We have further adjusted these to reflect an updated forecast for the R/USD exchange rate of R8.40 in 2013 (based on Bloomberg estimates).

Below is a discussion on the valuations for the three clusters. For the table summary of the resource valuations for the Northern, Central and Southern clusters refer to tables 2 and 3 for the market valuation approach and tables 4 and 5 for the cost approach in the appendix.

Northern cluster

Using the market approach for an Exploration Target with total contained metal content of 47.89 Moz 4E and a number of risk parameters set by Minxcon for Sable Platinum’s exploration projects and reapplied to Bauba’s projects, we value the Northern cluster between R233m and R282m.

Central cluster

Using the market approach for an Exploration Target with total contained metal content of 11.84 Moz 4E and a number of risk parameters set by Minxcon for Sable Platinum’s exploration projects and reapplied to Bauba’s projects, we value the Central cluster between R57.7m and R70.0m.

Southern cluster

Using the market approach for an Inferred Resource with contained metal content of 5.13 Moz and Exploration Target with contained metal content of 71.1 Moz and a number of risk parameters set by Minxcon for Sable Platinum’s exploration projects and reapplied to Bauba’s projects, we value the Southern cluster between R80.3m and R97.0m.

Market approach sum of the parts valuation

Our sum of the parts valuation based on the market approach indicates that the share is currently valued between R3.07 and R3.70.

Cost approach sum of the parts valuation

The cost approach based on the typical lower and upper range for Prospectivity Enhancement Multipliers (PEM)² yields a share valuation range of between R0.27 and R1.62.

² PEM is applied to total cost and determined based on the level of sophistication of the exploration for which positive results have been obtained.

APPENDIX

Table 1: Resources for Bauba's Northern, Central and Southern clusters.

Cluster	Resource classification	Merensky			UG2			Gross total		Bauba attributable*	
		Geological loss %	Tonnes M4E Moz	36.44	Geological loss %	Tonnes M4E Moz	43.38	Tonnes Mt 4E Moz	79.82	Tonnes Mt4E Moz	47.89
Northern	Target	19	264.34	36.44	23	243.24	43.38	507.58	79.82	304.55	47.89
Central	Inferred	25	57.83	8.4	30	59.78	11.31	117.6	19.72	70.56	11.84
Southern	Inferred	17	27.41	3.46	24	35.76	5.09	63.17	8.55	37.9	5.13
Southern	Target	19.61	57.09	8.42	24	57.32	10.52	114.42	18.94	68.65	11.36
Total	Inferred	17	27.41	3.46	24	35.76	5.09	63.17	8.55	37.9	5.13
Total	Target	19.61	379.26	53.26	24.32	360.34	65.22	739.6	118.48	443.76	71.09
Total	Combined	19.44	406.67	56.72	24.29	396.1	70.31	802.77	127.03	481.66	76.22

*~60% interest

Table 2: **Market Valuation Approach** –The Industry Values and Risk Parameters used for deriving the \$/Oz price range are based on a recent report conducted by Minxcon on the Sable Platinum Exploration projects located in the UG2 and Merensky Reefs which are similar to Bauba's projects.

Cluster	Resource classification	4E PEG Oz		Risk adjusted		Upper		Lower		Mid price		Upper	
		(m)*	price \$/Oz	price \$/Oz	price \$/Oz	price \$/Oz	range Rm	price \$/Oz	range Rm	price \$/Oz	range Rm	price \$/Oz	range Rm
North	Target	47.89	0.58	0.69	0.70	233.32	277.57	281.59					
Central	Target	11.84	0.58	0.69	0.70	57.68	68.62	69.62					
South	Inferred	5.13	0.58	0.69	0.70	24.99	29.73	30.16					
South	Target	11.36	0.58	0.69	0.70	55.35	65.84	66.80					
Total	Inferred	5.13	0.58	0.69	0.70	24.99	29.73	30.16					
Total	Target	71.09	0.58	0.69	0.70	346.35	412.04	418.01					
Total	Combined	76.22	0.58	0.69	0.70	371.34	441.77	448.17					
Forecast Exchange rate (R/\$):		8.40											
Weighted number of shares in issue:						121.09	121.09	121.09					
Implied value per share (R):						3.07	3.65	3.70					
Current share price (R):						1.15							

*Bauba attributable ~60%

Table 3: **Cost Approach** - Total cost estimation based on data from Venmyn CPR April 2010 and adjusted for inflation.

Cluster	No. of holes planned ⁱ	Estimated depth per hole (m) ⁱⁱ	Planned drilling metres	Drilling metres completed	Estimated % complete ⁱⁱⁱ	Remaining metres ^{iv}	Total cost per hole (Rm) ^v	Total drilling cost remaining (Rm) ^{vi}	Access road cost (Rm) ^{vii}	Other costs (Rm) ^{viii}	Total cost ex VAT ^{ix}	Total cost incl VAT ^x
Central	6	2600	15600	10200	65%	5400	3.39	7.05	2.47	3.53	13.04	14.87
Southern	4	1975	7900	7736	98%	164	3.08	0.26	4.32	6.17	10.74	12.25
Total	20		42700				9.56	34.78	9.25	13.23	57.26	65.28

NOTE: The table comprises information derived from Bauba's 2012 Annual Report and cost estimates derived from the CPR conducted by Venmyn in April 2010 and is adjusted for historical and forecast inflation till Q2:2014.

ⁱ(Drilling metres completed/Planned drilling metres)

ⁱⁱ(Total drilling metres/No. of holes planned)

ⁱⁱⁱ(Drilling metres completed/Planned drilling metres)

^{iv}[Drilling metres completed * (1 - Estimated % complete)]

^vBased on prior CPR conducted by Venmyn in April 2010 and increased by historical and forecast inflation till Q2:2014

^{vi}[Total cost per hole/Estimated depth per hole (m)] * Remaining metres

^{vii}Based on prior CPR conducted by Venmyn in April 2010 and increased by historical and forecast inflation till Q2:2014

^{viii}Based on prior CPR conducted by Venmyn in April 2010 and increased by historical and forecast inflation till Q2:2014

Table 4: **Cost Approach** – Application of different scenarios of the Prospectivity Enhancement Multiplier (PEM) to the total cost incl VAT calculated in Table 2.

PEM*	Implied Value (Rm)	Implied Value per share (R)
0.5	32.6	0.27
1.0	65.3	0.54
1.5	97.9	0.81
2.0	130.6	1.08
2.5	163.2	1.35
3.0	195.8	1.62

*Prospectivity Enhancement Multiplier - is applied to the projects total cost and determined based on the level of sophistication of the exploration for which positive results have been obtained. We have utilised a range which is based on the typical values of the PEM estimates.

Financials

Income Statement to June 2012 (Rm)	2011	2012
<i>Continuing operations:</i>		
Operating expenditure	-3.9	-
General and administrative expenses	-10.4	-8.4
Net interest received	-0.02	1.80
Reverse asset acquisition cost	-25.9	-
Loss for the year	-40.3	-6.6
EPS (cents)	-42.2	-5.2
Balance Sheet at June 2012 (Rm)		
Total Assets	36.3	46.5
Non current assets	7.9	17.8
Receivables	0.6	0.7
Cash	4.2	28.0
Total Liabilities (payables)	12.5	1.3
Shareholder funds	284.3	89.9
Capital and reserves	284.0	45.1
Share capital	94.1	123.3
Share premium	255.7	276.3
Reverse asset acquisition reserve	-283.0	-283.0
Retained loss	-65.7	-70.9
Non-controlling interest	-0.732	-0.988
Cash Flow Statement to June 2012 (Rm)		
Operating cash flow	-11.1	-19.3
Investing cash flow	-3.9	-6.7
Financing cash flow	16.5	49.9
Increase (decrease) in cash	1.5	23.9
Net cash (debt) at start	2.7	4.2
Net cash (debt) at end	4.2	28.0

Definitions

The definitions below are according to The JORC Code 2004 edition

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. Any such information relating to exploration targets must be expressed so that it cannot be misrepresented or misconstrued as an estimate of Mineral Resources or Ore Reserves. The terms Resource(s) or Reserve(s) must not be used in this context. Any statement referring to potential quantity and grade of the target must be expressed as ranges and must include (1) a detailed explanation of the basis for the statement, and (2) a proximate statement that the potential quantity and grade is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Mineral Resource: is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

Inferred Mineral Resource: An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Indicated Mineral Resource: is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Measured Mineral Resource: is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Ore Reserve: is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves.

Probable Ore Reserve: is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

Proved Ore Reserve: is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

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