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Aspire Mining Ltd (AKM)

PFS on track for March quarter release

Recommendation
Buy (unchanged)
Price
$0.38
Target (12 months)
$1.10 (unchanged)
Risk
Speculative

Expected Return	
Capital growth	189%
Dividend yield	0%
Total expected return	189%

Company Data & Ratios	
Enterprise value	$196m
Market cap	$236m
Issued capital	621m
Free float	31%
Avg. daily vol. (52wk)	1.4m
12 month price range	$0.28-$1.08
GICS sector	Materials

Disclosure: Bell Potter Securities acted as as co-manager in a $33m placement and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.31	0.45	0.62
Absolute (%)	9.68	-23.60	-44.72
Rel market (%)	8.34	-23.83	-32.17

Absolute Price

SOURCE: IRESS

More coking coal, PFS on track, 2012 program outlined

AKM has released an update detailing the progress on the Ovoot project and a work program for 2012. The release also confirms coking coal intersections at the new discovery area to the north east of the existing Ovoot resource. Having completed infill drilling, AKM is on track to release the Ovoot Project prefeasibility study, an updated resource and initial reserve in the March 2012 quarter. The exploration program for 2012 includes a further 16,500m of drilling. We maintain our Buy (Speculative) recommendation and $1.10/sh target price.

Preliminary tests show coking coal at new Ovoot discovery

Initial coal quality analysis has identified mid-volatile coking coal at the new discovery area around five kilometres to the north east of the existing Ovoot resource. Spot samples (8) have had crucible swelling numbers of 7-9, low moisture (<1%) and high energy content, consistent with the high quality Ovoot coking coal resource. Some localised areas of high sulphur were identified. However, these are generally positive preliminary results and support further exploration drilling.

PFS for 15Mtpa mine to be released in March 2012 quarter

Having completed infill drilling at Ovoot, AKM now expect to finalise the PFS for a 15Mtpa ROM (12Mtpa premium coking coal product) operation. In 2011, AKM drilled 74 holes for 17,700m at Ovoot (infill and exploration). In 2012, AKM expect to complete a further 16,500m, targeting the new discovery area, and the Hurimt and Zuun Del prospects. To date, AKM has drilled only 20% of the Ovoot Basin.

Investment view – Buy (Speculative)

Our AKM NPV is $1.11/sh (13% discount rate) at long term coking coal process of US$180/t and currency of US$0.85/A$. AKM's 100% owned Ovoot coking coal project has strategic appeal to potential offtake customers, as evidenced by the recent announcement of an alliance agreement with Noble Group (8.3% AKM shareholder). AKM is a speculative investment as it carries significant infrastructure risks.

Earnings Forecast

Year end	2011a	2012f	2013f	2014f
Sales (A$m)	0	0	127	161
EBITDA (A$m)	-5	-11	23	18
NPAT (reported) (A$m)	-4	-7	8	6
NPAT (adjusted) (A$m)	-5	-7	8	6
EPS (adjusted) (¢ps)	-0.9	-1.2	1.0	0.8
EPS growth (%)	na	na	na	-22%
PER (x)	-40.9x	-32.6x	37.0x	47.5x
FCF Yield (%)	-2.1%	-19.1%	0.5%	-65.0%
EV/EBITDA (x)	-39.4x	-17.8x	8.5x	10.7x
Dividend (¢ps)	0.0	0.0	0.0	0.0
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-25%	-10%	6%	3%

SOURCE: BELL POTTER SECURITIES ESTIMATES

PFS on track for March quarter release

Infill drilling complete, now for PFS & updated resource/reserve

AKM has announced that it has completed infill drilling for the Ovoot project and is on track to release an updated resource, initial reserve and PFS in the March 2012 quarter. The PFS is for a 15Mtpa ROM (12Mtpa premium coking coal) operation at Ovoot. The resource update is expected to expand and upgrade the current 331Mt coking coal resource.

Coking coal confirmed at new discovery area

AKM also released preliminary coal quality analysis of recent intersections at the new discovery area, around 5km to the north east of Ovoot. Preliminary results show that the coal is a mid-volatile coking coal (Table 1). AKM analysed nine coal samples, returning coal quality results similar to the premium coking coal resource at Ovoot. The raw coal sulphur content was shown to be relatively high compared with the Ovoot coal resource. However, these elevated sulphur levels are thought to be associated with localised areas. AKM will now complete washing test work to determine yields and product specifications.

Table 1 - Preliminary new coal discovery coal quality

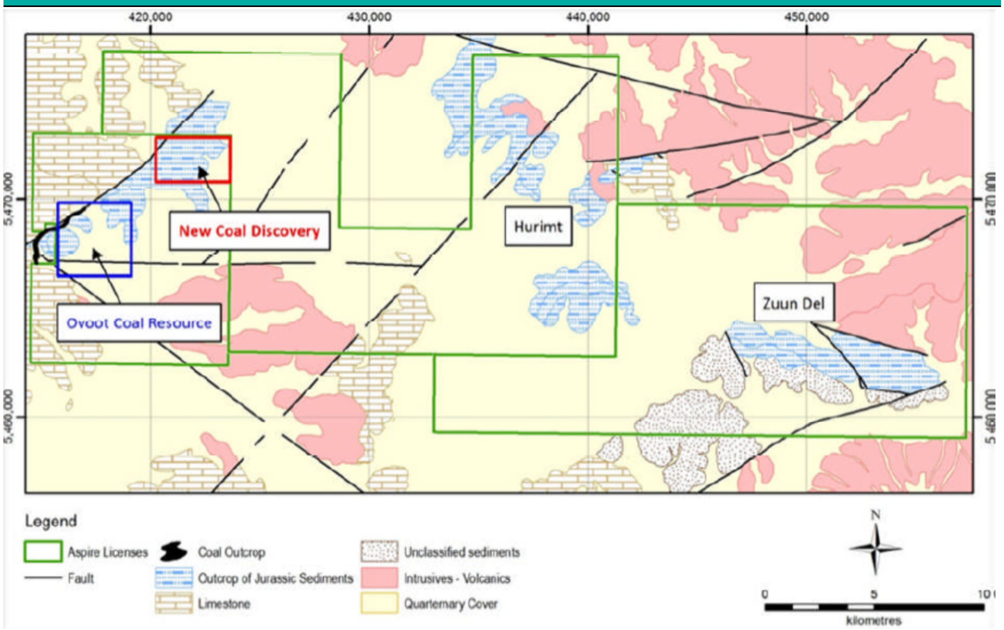
Low total moisture	< 1%
Medium volatile coal	17 to 30% (adb)
High CSN's	7-9
Variable ash	14-15%
Calorific values	3,800-7,000kcal/kg (adb)

SOURCE: COMPANY DATA

16,500m drilling for 2012: Focus on new discovery and Hurimt

For 2012, AKM expects to complete around 16,500m exploration drilling over the Ovoot tenements. In 2011, the company completed 74 holes for 17,700m at Ovoot. Of this drilling, 9,200m was infill drilling at the current resource and 8,500m was exploration drilling. AKM expects to focus on the new discovery area and Hurimt targets in 2012.

Figure 1 - New discovery area location



SOURCE: COMPANY DATA

Valuation: Base case DCF of $1.11/sh

Our base case valuation of AKM assumes:

- that AKM achieves production/sales rates of 12Mtpa product coal in the December 2017 quarter;
- that AKM pays for around two thirds (US$1.1bn) of the total capex (US$1.7bn) required to build the rail infrastructure for the project (i.e. a proportion of this rail is multi-user);
- Bell Potter Securities coal price and currency forecasts; and
- AKM raises A$75m at $0.50/sh before mid-2012 to fund the development of Stage 1 of the Ovoot Project.

Table 2 - AKM valuation

Issued capital	**m**	
Shares on issue	620.6	
Options	247.2	
$75m issue at $0.50/sh (Bell Potter Securities forecast)	150.0	
Total	1,017.8	
Projects	**A$m**	**$/sh**
Ovoot - Stage 1	7	0.01
Ovoot - Stage 2	1,338	1.31
Infrastructure (50%)	-320	-0.31
Other assets	20	0.02
Corporate overheads	-30	-0.03
EV	**1,015**	**1.00**
Net cash + forecast A$75m issue	115	0.11
Equity value	**1,130**	**1.11**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Strategic value

We believe there is strategic value in AKM through its:

- large scale (330Mt), high quality Ovoot coking coal resource;
- potential to partner with major off-take customer (steel producer) to assist with financing the Ovoot Project;
- proximity to other potential minerals deposits, including the Burenhaan Phosphate project (a Mongolian Mineral Deposit of Strategic Importance); and
- implicit relationships/ties with major mining/minerals houses including Ivanhoe Mines/SouthGobi Resources (19.9% shareholder) and Noble Group (5% shareholder).

Noble Strategic Alliance

Noble to assist with AKM’s key challenges

In December 2011, AKM announced that it had entered into an Alliance Agreement with Noble Group to assist with the development of the Ovoot Coking Coal Project. Importantly, the Alliance covers a number of key challenges the Ovoot project will face, namely:

- investigating supply chain logistics to transport Ovoot coking coal to customers in China, north Asia and seaborne markets;
- marketing of Ovoot coking coal and identifying opportunities to develop value added coal products;
- identifying strategic partners to assist with access to rail and port infrastructure;
- identifying strategic partners to assist with funding the Ovoot coking coal project; and
- support the development of AKM’s proposed rail link between the Ovoot project and rail infrastructure at Erdenet.

Marketing and logistics: Noble markets 50% of AKM’s first 5Mt

For separate marketing and logistics management fees, Noble will:

- market at least 50% of the first 5Mt of saleable coking coal produced from Ovoot; and
- manage the logistics chains between Erdenet and end customers in respect of these sales.

Noble is also entitled to purchase up to 33% of this marketing allocation as principal.

Boost for Ovoot project de-risking

The Noble alliance is a significant positive for the Ovoot project. Noble is a major global commodities trading house with strong trading relationships with logistics providers and commodities end users. These relationships help to mitigate project funding, development and commercial risks.

Ovoot Project summary

Resource supports 15Mtpa ROM open pit development

The following resource characteristics support an open pit development:

- Around 75% of the 330Mt Ovoot resource is located at a relative depth of above 250m;
- Over 83% of the Ovoot resource is classified as measured and indicated;
- 95% of the resource tonnes are located in two seams: an upper seam (thicknesses of 1.6-46.5m, averaging 12.6m) and three plies of the lower seam (thicknesses of 4.7-33.7m, averaging 13.1m); and
- The seams are shallow dipping (<6^{o}).

Table 3: Ovoot Project JORC resource

	Above 250m	Below 250m	Total
Measured	70.4	22.9	93.3
Indicated	135	47.4	182.4
Inferred	41.9	13.1	55
	247.3	83.4	330.7

SOURCE: AKM

Proof of concept, infrastructure, haulage and customers

Stage 1 of the Ovoot Project is to highlight to markets that a larger-scale (Stage 2) development is feasible by:

- Identifying multiple potential routes to market – AKM have identified four;
- Showcasing the coal product to a potential customer base – to secure coal off-take;
- Building relationships with infrastructure and other service providers for construction and ongoing project operation; and
- Managing sovereign issues (coal crossing country borders, etc.).

The two stages of the Ovoot Project can be summarised as follows.

Table 4: Project summary

		Stage 1	Stage 2
Ramp-up from		2012	2016
ROM production	Mtpa	0.5-1.0	15
Yield	%	100%	80%
Product	Mtpa	0.5-1.0	12
		ROM coking coal	**Premium coking coal**
Closest rail load-out		Erdenet 560km from Ovoot	Ovoot

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Stage 1 development: 0.5-1.0Mtpa ROM coking coal from 2012

The scoping study for Stage 1 of the Ovoot Project is nearing completion. Stage 1 is a low capital intensity, higher operating cost trial operation. Stage 1 will mine around 0.5-1.0Mtpa ROM coking coal. This coking coal will then be trucked to the nearest rail siding (570km to Erdenet) for freight forwarding to Russian east coast ports, or to customers in Russia or China.

Stage 2 development: 12Mtpa hard coking coal from 2016

The pre-feasibility study for the Stage 2 development is expected to commence in the September 2011 quarter and be completed by the end of 2011. AKM then plans to complete a bankable feasibility study by mid-2012.

Stage 2 involves a significant infrastructure build (wash plant and 570km rail line) and will mine 15Mtpa ROM coal for 12Mtpa of washed high quality coking coal. Product coal will be railed from the Ovoot Project to Russian east coast ports, or to customers in Russia or China.

Four potential routes to market for Ovoot coal

Through discussions with Russian rail providers and Mongolian infrastructure providers, AKM has identified four potential routes to market.

1. East coast Russian ports: Railing coal north along the trans-Mongolian railway, then across the trans-Siberian railway to east coast Russian ports;
2. South to the Chinese border: Railing coal south along the trans-Mongolian railway for sale at the Mongolian-Chinese border;
3. China via Manzhouli: Railing coal north along the trans-Mongolian railway then east to the Mongolian-Chinese border at Manzhouli (Inner Mongolia); and
4. West to Europe: Depending on freight agreements, it may be viable to rail coal north along the trans-Mongolian railway then west along the trans-Siberian railway to markets in Europe.

Figure 2 – Ovoot Project: distances to markets

SOURCE: AKM

Transport to port a key hurdle

The example in Table 5 calculates the freight distances to Vostochny Port (east coast Russia), one of the four routes to market identified by AKM. This route is likely to be the most direct point of access to the seaborne market (and therefore seaborne prices).

The analysis highlights the significant distances that Ovoot Project coal will have to travel, and the leverage of costs to rail tariffs. In Australia, Bowen Basin hard coking coal is railed

300-400km to port. In Canada, Peace River hard coking coal is railed around 1,000km to port. The rail distance from the Ovoot Project to Vostochny port is around 4,600km.

Table 5: Transport

		Stage 1	Stage 2
Transport parameters			
Distances			
Road Ovoot -> Moron	km	170	
Road Moron -> Erdenet	km	390	
Road total Ovoot -> Erdenet	km	560	
Rail Ovoot -> Moron	km		170
Rail Moron -> Erdenet	km		390
Rail total Ovoot -> Erdenet	km		560
Example: Seaborne sales through Russia			
Rail Erdenet -> Naushki (Mongolia-Russia border)	km	420	420
Rail Naushki -> Vostochny	km	3,500-3,800	3,500-3,800
Rail total Erdenet -> Vostochny	km	4,070	4,070
Total Ovoot Project -> Vostochny	**km**	**4,630**	**4,630**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Ovoot Project transport costs

The example in Table 6 examines FOB transport costs to Vostochny Port, the most direct point of access to the seaborne market. The construction of the Ovoot Project to Erdenet rail line lowers transport costs by around US$30/t.

We have used a conservative Russian freight tariff of USc1.5/tkm. However, we understand that rates of less than USc1.0/tkm have been negotiated by other users.

Lowering Russian rail tariff assumptions to USc1.0/tkm (from USc1.5/tkm) reduces transport costs by around US$20/t and increases our NPV base case NPV from $1.11/sh to around $2/sh.

Table 6: Transport

		Stage 1	Stage 2
Transport tariffs			
Mongolia road haulage rates	USc/tkm	8.0	
Mongolia rail haulage rates	USc/tkm	3.0	3.0
Russia rail haulage rates	USc/tkm	1.5	1.5
Transport costs			
Mongolia road	US$/t	44.80	
Mongolia rail	US$/t	12.60	29.40
Russia rail	US$/t	54.75	54.75
Total transport	**US$/t**	**112.15**	**84.15**
Border charges	US$/t	1.50	1.50
Total transport + border charges	**US$/t**	**113.65**	**85.65**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Mining costs: Low strip ratio an offset to rail distance

To AKM's advantage, the Ovoot Project has a low strip ratio when compared with Australian hard coking coal mines. AKM estimate that Stage 1 will have a strip ratio of around 3 (BCM:t). We estimate that some Australian hard coking coal operations in the Bowen Basin (E.g. BMA) are operating at strip ratios of 15-17:1 (BCM:t).

Table 7: Mining

		Stage 1	Stage 2
Mining parameters			
Strip ratio	bcm:t	3.0	5.5
Coal SG	t/bcm	1.35	1.35
Mining cost	US$/bcm	4.00	3.00
Mining and processing costs			
Mining cost	US$/t	14.96	23.40
Process/handling (screen)	US$/t	2.00	
Process/handling (wash)	US$/t		3.00
Admin	US$/t	2.00	2.00
Mine gate cost	**US$/t**	**18.96**	**28.40**
Transport cost	US$/t	113.65	85.65
Port charges	US$/t	10.00	10.00
Total FOB cost excl royalties	**US$/t**	**142.61**	**124.05**
Royalties & charges	US$/t	7.20	9.36
Total FOB cost	**US$/t**	**149.81**	**133.41**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Project capital costs

We estimate modest capital costs of around US$52m for Stage 1. For Stage 2, we estimate that site infrastructure (including coal wash plant) will have a capital cost of around US$450m. The Stage 2 rail capital cost assumption in Table 8 is for the 180km rail link between the Ovoot Project and Moron. The assumptions follow consultation with AKM and reviews of similar projects under development (E.g. Mongolia Mining Corporation Ukhaa Khudag coking coal project).

Table 8: Capital costs

		Stage 1	Stage 2
Pre-strip	US$m	6	
Road upgrade	US$m	36	
Rail	US$m		510
Wash plant	US$m		300
Site infrastructure & mine development	US$m	10	150
Total	**US$m**	**52**	**960**
	US$/tpa	69	80

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

AKM partner in 50% of the Moron to Erdenet rail link

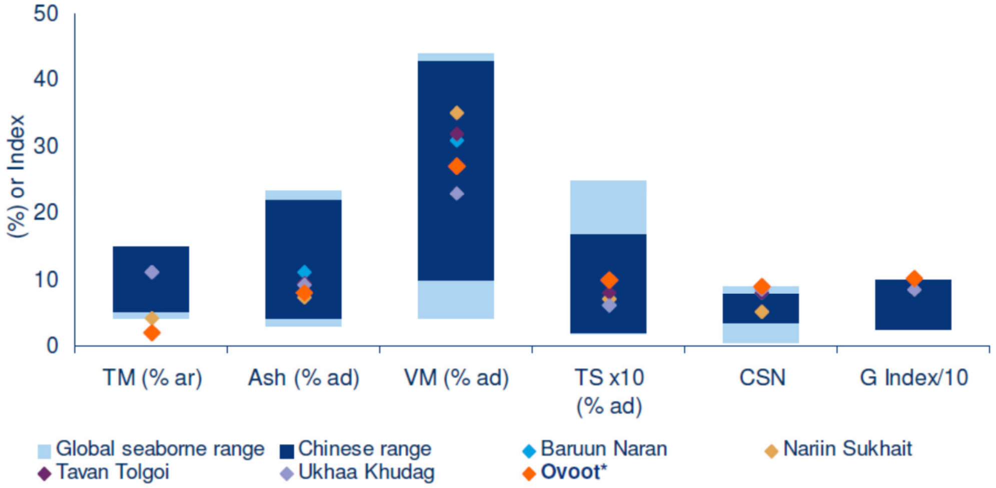
The Moron to Erdenet rail link will likely be used by other minerals projects and be of regional development importance. Therefore, we think it is likely that AKM will likely partner with the Mongolian Government and/or other potential users in the construction of the Moron to Erdenet rail link. This component accounts for around 390km of the total required rail infrastructure of 570km. We factor in AKM funding and owning 50% of this infrastructure and estimate the total capital cost (100%) US$1.2bn. This infrastructure ownership appears as a negative ($0.31/sh) in our NPV calculation.

Wood Mackenzie confirms Ovoot coal's high value properties

In late August 2011, AKM published the results from consultants Wood Mackenzie's analysis of the Ovoot coal. The analysis confirmed that the Ovoot coal:

- would easily meet global seaborne market requirements;
- had strong caking, hard coking and blend carrying capacity; and
- pricing would be hard coking coal benchmark.

Figure 3 - Ovoot coal quality comparison



SOURCE: WOOD MACKENZIE, * SUPPLIED BY AKM

Appendix 1: AKM capital structure

AKM issued capital, market capitalisation & enterprise value

Table 9: Issued Capital, Market Capitalisation & Enterprise Value

Total issued shares m	620.6
Share price A$	0.38
Market cap (undiluted) A$m	235.8
Net cash A$m (Bell Potter Securities estimate)	39.7
EV (undiluted) A$m	196.2
Options m	247.2
Issued shares (diluted) m	867.8
Market cap (diluted) A$m	329.8
Net cash + options A$m	52.6
EV (diluted) A$m	277.1

SOURCE: IRESS

Aspire Mining Ltd
as at 20 January 2012

Recommendation	Buy, Speculative
Price	$0.38
Target (12 months)	$1.10

Table 10 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Revenue	$m	-	0	-	127	161
Expense	$m	(1)	(5)	(11)	(104)	(143)
EBITDA	$m	**(1)**	**(5)**	**(11)**	**23**	**18**
Depreciation	$m	(0)	(0)	-	(17)	(15)
EBIT	$m	(1)	(5)	(11)	7	4
Net interest expense	$m	0	1	1	4	5
PBT	$m	**(1)**	**(4)**	**(10)**	**11**	**8**
Tax expense	$m	-	-	2	(3)	(2)
NPAT of associates	$m	-	-	-	-	-
NPAT (reported)	$m	**(1)**	**(4)**	**(7)**	**8**	**6**
NPAT attributable to MI	$m	-	-	-	-	-
NPAT attributable to AKM	$m	**(1)**	**(4)**	**(7)**	**8**	**6**
Abnormal items	$m	-	-	-	-	-
NPAT (adjusted)	$m	**(1)**	**(4)**	**(7)**	**8**	**6**

CASH FLOW

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
OPERATING CASHFLOW						
Receipts	$m	-	-	0	112	160
Payments	$m	(0)	(3)	(2)	(82)	(122)
Royalties	$m	-	-	-	(7)	(8)
Tax	$m	-	-	2	(3)	(2)
Net interest	$m	0	0	1	4	5
Other	$m	-	-	-	-	-
Operating cash flow	$m	**(0)**	**(3)**	**1**	**25**	**32**
INVESTING CASHFLOW						
Capex	$m	(0)	(0)	(34)	(19)	(170)
Exploration & evaluation	$m	(1)	(8)	(4)	(4)	(2)
Other	$m	(1)	(3)	-	-	-
Investing cash flow	$m	**(2)**	**(11)**	**(38)**	**(23)**	**(172)**
FINANCING CASHFLOW						
Equity proceeds	$m	7	20	108	-	200
Debt proceeds/(repayments)	$m	-	-	-	-	-
Dividends	$m	-	-	-	-	-
Other	$m	-	-	(5)	-	(9)
Financing cash flow	$m	**7**	**20**	**102**	**-**	**191**
Change in cash	$m	5	7	66	1	51

BALANCE SHEET

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
ASSETS						
Cash & short term investments	$m	6	12	78	79	130
Accounts receivable	$m	0	0	-	15	16
Inventory	$m	-	-	-	-	-
Property, plant & equipment	$m	0	0	34	37	192
Other	$m	12	17	17	17	17
Total assets	$m	**17**	**29**	**129**	**148**	**355**
LIABILITIES						
Accounts payable	$m	0	1	-	11	12
Borrowings	$m	-	-	-	-	-
Other	$m	3	-	-	-	-
Total liabilities	$m	**4**	**1**	**-**	**11**	**12**
SHAREHOLDER'S EQUITY						
Share capital	$m	19	39	147	147	347
Reserves	$m	1	0	0	0	0
Retained earnings	$m	(7)	(11)	(19)	(11)	(4)
Total equity	$m	**14**	**28**	**129**	**137**	**343**
Weighted average shares	m	222	222	655	770	870

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
VALUATION						
NPAT	$m	(1)	(4)	(7)	8	6
Reported EPS	c/sh	(0)	(1)	(1)	1	1
EPS growth	%	-95%	133%	25%	-188%	-22%
PER	x	-95.0x	-40.9x	-32.6x	37.0x	47.5x
DPS	c/sh	-	-	-	-	-
Yield	%	-	-	-	-	-
CFPS	c/sh	(1)	(6)	(6)	0	(16)
P/CFPS	x	-36.8x	-6.3x	-6.8x	252.7x	-2.4x
EV/EBITDA	x	-291.9x	-55.7x	-25.2x	12.0x	15.1x
EBITDA margin	%	0%	-1751%	0%	18%	11%
EBIT margin	%	0%	-1759%	0%	5%	2%
Return on assets	%	-9%	-22%	-9%	6%	2%
Return on equity	%	-11%	-25%	-10%	6%	3%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(6)	(12)	(78)	(79)	(130)
ND / E	%	-42%	-42%	-60%	-58%	-38%
ND / (ND + E)	%	-71%	-74%	-152%	-136%	-61%

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	LT Real
Coal prices						
Hard coking	US$/t	146	247	270	235	181
Semi-hard coking	US$/t	119	209	218	195	156
LV PCI	US$/t	110	196	194	178	147
Semi-soft coking	US$/t	102	190	178	160	121
Thermal	US$/t	77	106	120	118	91
CURRENCY						
AUD/USD	US$/A$	0.87	0.99	1.02	0.98	0.85

ASSUMPTIONS - Production

Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Production						
Ovoot - Stage 1	Mt	-	-	-	0.6	0.8
Ovoot - Stage 2	Mt	-	-	-	-	-
Total	Mt	-	-	-	0.6	0.8
Production split						
Hard coking	%	0%	0%	0%	100%	100%
Semi-hard coking	%	0%	0%	0%	0%	0%
LV PCI	%	0%	0%	0%	0%	0%
Semi-soft coking	%	0%	0%	0%	0%	0%
Thermal	%	0%	0%	0%	0%	0%

VALUATION

Issued capital	Unit		$m	$/sh
Shares on issue	m	621		
Options	m	247		
New issue	m	150		
Total	**m**	**1,018**		
Discount rate	%	13%	**$m**	**$/sh**
Ovoot - Stage 1			5.93	0.01
Ovoot - Stage 2			1,339.11	1.32
Infrastructure			(319.78)	(0.31)
Other assets			20.00	0.02
Corporate overheads			(30.00)	(0.03)
Total			1,015.27	1.00
Net cash			114.66	0.11
Equity value			**1,129.93**	**1.11**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Accumulate: Expect total return between 5% and 15% on a 12 month view. For stocks regarded as 'Speculative' a return of between 5% and 30% is expected.

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

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

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

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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David George	Diversifieds	613 9235 1972	dgeorge
Fred Truong	Diversifieds	613 9235 1629	ftruong
Trent Allen	Emerging Growth	612 8224 2868	tcallen
Michael Lovesey	Emerging Growth	612 8224 2847	mlovesey
Stephen Thomas	Emerging Growth	618 9326 7647	sthomas
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Johan Hedstrom	Energy	612 8224 2859	jhedstrom
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Aspire Mining Ltd (AKM)

PFS on track for March quarter release

Recommendation
Buy (unchanged)
Price
$0.38
Target (12 months)
$1.10 (unchanged)
Risk
Speculative

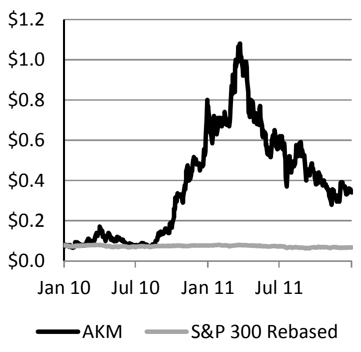
Expected Return	
Capital growth	189%
Dividend yield	0%
Total expected return	189%
Company Data & Ratios	
Enterprise value	$196m
Market cap	$236m
Issued capital	621m
Free float	31%
Avg. daily vol. (52wk)	1.4m
12 month price range	$0.28-$1.08
GICS sector	Materials

Disclosure: Bell Potter Securities acted as as co-manager in a $33m placement and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.31	0.45	0.62
Absolute (%)	9.68	-23.60	-44.72
Rel market (%)	8.34	-23.83	-32.17

Absolute Price



SOURCE: IRESS

More coking coal, PFS on track, 2012 program outlined

AKM has released an update detailing the progress on the Ovoot project and a work program for 2012. The release also confirms coking coal intersections at the new discovery area to the north east of the existing Ovoot resource. Having completed infill drilling, AKM is on track to release the Ovoot Project prefeasibility study, an updated resource and initial reserve in the March 2012 quarter. The exploration program for 2012 includes a further 16,500m of drilling. We maintain our Buy (Speculative) recommendation and $1.10/sh target price.

Preliminary tests show coking coal at new Ovoot discovery

Initial coal quality analysis has identified mid-volatile coking coal at the new discovery area around five kilometres to the north east of the existing Ovoot resource. Spot samples (8) have had crucible swelling numbers of 7-9, low moisture (<1%) and high energy content, consistent with the high quality Ovoot coking coal resource. Some localised areas of high sulphur were identified. However, these are generally positive preliminary results and support further exploration drilling.

PFS for 15Mtpa mine to be released in March 2012 quarter

Having completed infill drilling at Ovoot, AKM now expect to finalise the PFS for a 15Mtpa ROM (12Mtpa premium coking coal product) operation. In 2011, AKM drilled 74 holes for 17,700m at Ovoot (infill and exploration). In 2012, AKM expect to complete a further 16,500m, targeting the new discovery area, and the Hurimt and Zuun Del prospects. To date, AKM has drilled only 20% of the Ovoot Basin.

Investment view – Buy (Speculative)

Our AKM NPV is $1.11/sh (13% discount rate) at long term coking coal process of US$180/t and currency of US$0.85/A$. AKM's 100% owned Ovoot coking coal project has strategic appeal to potential offtake customers, as evidenced by the recent announcement of an alliance agreement with Noble Group (8.3% AKM shareholder). AKM is a speculative investment as it carries significant infrastructure risks.

Earnings Forecast

Year end	2011a	2012f	2013f	2014f
Sales (A$m)	0	0	127	161
EBITDA (A$m)	-5	-11	23	18
NPAT (reported) (A$m)	-4	-7	8	6
NPAT (adjusted) (A$m)	-5	-7	8	6
EPS (adjusted) (¢ps)	-0.9	-1.2	1.0	0.8
EPS growth (%)	na	na	na	-22%
PER (x)	-40.9x	-32.6x	37.0x	47.5x
FCF Yield (%)	-2.1%	-19.1%	0.5%	-65.0%
EV/EBITDA (x)	-39.4x	-17.8x	8.5x	10.7x
Dividend (¢ps)	0.0	0.0	0.0	0.0
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-25%	-10%	6%	3%

SOURCE: BELL POTTER SECURITIES ESTIMATES

PFS on track for March quarter release

Infill drilling complete, now for PFS & updated resource/reserve

AKM has announced that it has completed infill drilling for the Ovoot project and is on track to release an updated resource, initial reserve and PFS in the March 2012 quarter. The PFS is for a 15Mtpa ROM (12Mtpa premium coking coal) operation at Ovoot. The resource update is expected to expand and upgrade the current 331Mt coking coal resource.

Coking coal confirmed at new discovery area

AKM also released preliminary coal quality analysis of recent intersections at the new discovery area, around 5km to the north east of Ovoot. Preliminary results show that the coal is a mid-volatile coking coal (Table 1). AKM analysed nine coal samples, returning coal quality results similar to the premium coking coal resource at Ovoot. The raw coal sulphur content was shown to be relatively high compared with the Ovoot coal resource. However, these elevated sulphur levels are thought to be associated with localised areas. AKM will now complete washing test work to determine yields and product specifications.

Table 1 - Preliminary new coal discovery coal quality

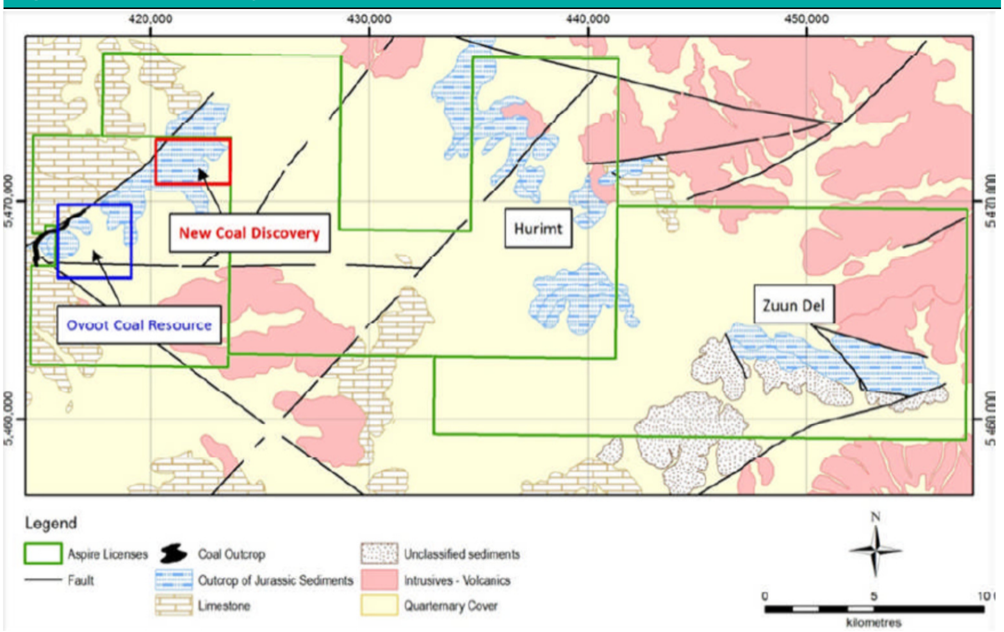
Low total moisture	< 1%
Medium volatile coal	17 to 30% (adb)
High CSN's	7-9
Variable ash	14-15%
Calorific values	3,800-7,000kcal/kg (adb)

SOURCE: COMPANY DATA

16,500m drilling for 2012: Focus on new discovery and Hurimt

For 2012, AKM expects to complete around 16,500m exploration drilling over the Ovoot tenements. In 2011, the company completed 74 holes for 17,700m at Ovoot. Of this drilling, 9,200m was infill drilling at the current resource and 8,500m was exploration drilling. AKM expects to focus on the new discovery area and Hurimt targets in 2012.

Figure 1 - New discovery area location



SOURCE: COMPANY DATA

Valuation: Base case DCF of $1.11/sh

Our base case valuation of AKM assumes:

- that AKM achieves production/sales rates of 12Mtpa product coal in the December 2017 quarter;
- that AKM pays for around two thirds (US$1.1bn) of the total capex (US$1.7bn) required to build the rail infrastructure for the project (i.e. a proportion of this rail is multi-user);
- Bell Potter Securities coal price and currency forecasts; and
- AKM raises A$75m at $0.50/sh before mid-2012 to fund the development of Stage 1 of the Ovoot Project.

Table 2 - AKM valuation

Issued capital	**m**	
Shares on issue	620.6	
Options	247.2	
$75m issue at $0.50/sh (Bell Potter Securities forecast)	150.0	
Total	1,017.8	
Projects	**A$m**	**$/sh**
Ovoot - Stage 1	7	0.01
Ovoot - Stage 2	1,338	1.31
Infrastructure (50%)	-320	-0.31
Other assets	20	0.02
Corporate overheads	-30	-0.03
EV	**1,015**	**1.00**
Net cash + forecast A$75m issue	115	0.11
Equity value	**1,130**	**1.11**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Strategic value

We believe there is strategic value in AKM through its:

- large scale (330Mt), high quality Ovoot coking coal resource;
- potential to partner with major off-take customer (steel producer) to assist with financing the Ovoot Project;
- proximity to other potential minerals deposits, including the Burenhaan Phosphate project (a Mongolian Mineral Deposit of Strategic Importance); and
- implicit relationships/ties with major mining/minerals houses including Ivanhoe Mines/SouthGobi Resources (19.9% shareholder) and Noble Group (5% shareholder).

Noble Strategic Alliance

Noble to assist with AKM’s key challenges

In December 2011, AKM announced that it had entered into an Alliance Agreement with Noble Group to assist with the development of the Ovoot Coking Coal Project. Importantly, the Alliance covers a number of key challenges the Ovoot project will face, namely:

- investigating supply chain logistics to transport Ovoot coking coal to customers in China, north Asia and seaborne markets;
- marketing of Ovoot coking coal and identifying opportunities to develop value added coal products;
- identifying strategic partners to assist with access to rail and port infrastructure;
- identifying strategic partners to assist with funding the Ovoot coking coal project; and
- support the development of AKM’s proposed rail link between the Ovoot project and rail infrastructure at Erdenet.

Marketing and logistics: Noble markets 50% of AKM’s first 5Mt

For separate marketing and logistics management fees, Noble will:

- market at least 50% of the first 5Mt of saleable coking coal produced from Ovoot; and
- manage the logistics chains between Erdenet and end customers in respect of these sales.

Noble is also entitled to purchase up to 33% of this marketing allocation as principal.

Boost for Ovoot project de-risking

The Noble alliance is a significant positive for the Ovoot project. Noble is a major global commodities trading house with strong trading relationships with logistics providers and commodities end users. These relationships help to mitigate project funding, development and commercial risks.

Ovoot Project summary

Resource supports 15Mtpa ROM open pit development

The following resource characteristics support an open pit development:

- Around 75% of the 330Mt Ovoot resource is located at a relative depth of above 250m;
- Over 83% of the Ovoot resource is classified as measured and indicated;
- 95% of the resource tonnes are located in two seams: an upper seam (thicknesses of 1.6-46.5m, averaging 12.6m) and three plies of the lower seam (thicknesses of 4.7-33.7m, averaging 13.1m); and
- The seams are shallow dipping (<6°).

Table 3: Ovoot Project JORC resource

	Above 250m	Below 250m	Total
Measured	70.4	22.9	93.3
Indicated	135	47.4	182.4
Inferred	41.9	13.1	55
	247.3	83.4	330.7

SOURCE: AKM

Proof of concept, infrastructure, haulage and customers

Stage 1 of the Ovoot Project is to highlight to markets that a larger-scale (Stage 2) development is feasible by:

- Identifying multiple potential routes to market – AKM have identified four;
- Showcasing the coal product to a potential customer base – to secure coal off-take;
- Building relationships with infrastructure and other service providers for construction and ongoing project operation; and
- Managing sovereign issues (coal crossing country borders, etc.).

The two stages of the Ovoot Project can be summarised as follows.

Table 4: Project summary

		Stage 1	Stage 2
Ramp-up from		2012	2016
ROM production	Mtpa	0.5-1.0	15
Yield	%	100%	80%
Product	Mtpa	0.5-1.0	12
		ROM coking coal	**Premium coking coal**
Closest rail load-out		Erdenet 560km from Ovoot	Ovoot

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Stage 1 development: 0.5-1.0Mtpa ROM coking coal from 2012

The scoping study for Stage 1 of the Ovoot Project is nearing completion. Stage 1 is a low capital intensity, higher operating cost trial operation. Stage 1 will mine around 0.5-1.0Mtpa ROM coking coal. This coking coal will then be trucked to the nearest rail siding (570km to Erdenet) for freight forwarding to Russian east coast ports, or to customers in Russia or China.

Stage 2 development: 12Mtpa hard coking coal from 2016

The pre-feasibility study for the Stage 2 development is expected to commence in the September 2011 quarter and be completed by the end of 2011. AKM then plans to complete a bankable feasibility study by mid-2012.

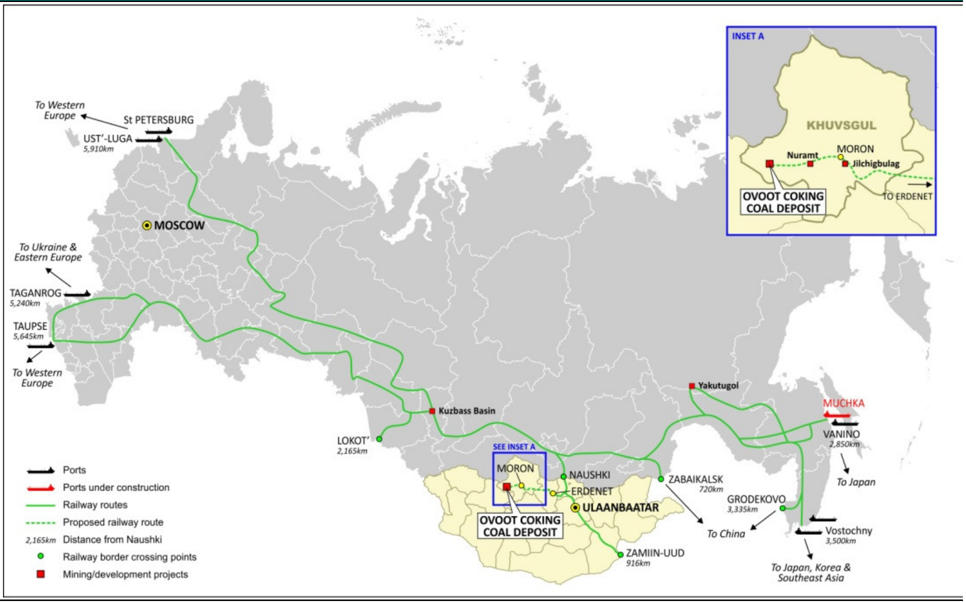
Stage 2 involves a significant infrastructure build (wash plant and 570km rail line) and will mine 15Mtpa ROM coal for 12Mtpa of washed high quality coking coal. Product coal will be railed from the Ovoot Project to Russian east coast ports, or to customers in Russia or China.

Four potential routes to market for Ovoot coal

Through discussions with Russian rail providers and Mongolian infrastructure providers, AKM has identified four potential routes to market.

1. East coast Russian ports: Railing coal north along the trans-Mongolian railway, then across the trans-Siberian railway to east coast Russian ports;
2. South to the Chinese border: Railing coal south along the trans-Mongolian railway for sale at the Mongolian-Chinese border;
3. China via Manzhouli: Railing coal north along the trans-Mongolian railway then east to the Mongolian-Chinese border at Manzhouli (Inner Mongolia); and
4. West to Europe: Depending on freight agreements, it may be viable to rail coal north along the trans-Mongolian railway then west along the trans-Siberian railway to markets in Europe.

Figure 2 – Ovoot Project: distances to markets



SOURCE: AKM

Transport to port a key hurdle

The example in Table 5 calculates the freight distances to Vostochny Port (east coast Russia), one of the four routes to market identified by AKM. This route is likely to be the most direct point of access to the seaborne market (and therefore seaborne prices).

The analysis highlights the significant distances that Ovoot Project coal will have to travel, and the leverage of costs to rail tariffs. In Australia, Bowen Basin hard coking coal is railed

300-400km to port. In Canada, Peace River hard coking coal is railed around 1,000km to port. The rail distance from the Ovoot Project to Vostochny port is around 4,600km.

Table 5: Transport

		Stage 1	Stage 2
Transport parameters			
Distances			
Road Ovoot -> Moron	km	170	
Road Moron -> Erdenet	km	390	
Road total Ovoot -> Erdenet	km	560	
Rail Ovoot -> Moron	km		170
Rail Moron -> Erdenet	km		390
Rail total Ovoot -> Erdenet	km		560
Example: Seaborne sales through Russia			
Rail Erdenet -> Naushki (Mongolia-Russia border)	km	420	420
Rail Naushki -> Vostochny	km	3,500-3,800	3,500-3,800
Rail total Erdenet -> Vostochny	km	4,070	4,070
Total Ovoot Project -> Vostochny	**km**	**4,630**	**4,630**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Ovoot Project transport costs

The example in Table 6 examines FOB transport costs to Vostochny Port, the most direct point of access to the seaborne market. The construction of the Ovoot Project to Erdenet rail line lowers transport costs by around US$30/t.

We have used a conservative Russian freight tariff of USc1.5/tkm. However, we understand that rates of less than USc1.0/tkm have been negotiated by other users.

Lowering Russian rail tariff assumptions to USc1.0/tkm (from USc1.5/tkm) reduces transport costs by around US$20/t and increases our NPV base case NPV from $1.11/sh to around $2/sh.

Table 6: Transport

		Stage 1	Stage 2
Transport tariffs			
Mongolia road haulage rates	USc/tkm	8.0	
Mongolia rail haulage rates	USc/tkm	3.0	3.0
Russia rail haulage rates	USc/tkm	1.5	1.5
Transport costs			
Mongolia road	US$/t	44.80	
Mongolia rail	US$/t	12.60	29.40
Russia rail	US$/t	54.75	54.75
Total transport	**US$/t**	**112.15**	**84.15**
Border charges	US$/t	1.50	1.50
Total transport + border charges	**US$/t**	**113.65**	**85.65**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Mining costs: Low strip ratio an offset to rail distance

To AKM's advantage, the Ovoot Project has a low strip ratio when compared with Australian hard coking coal mines. AKM estimate that Stage 1 will have a strip ratio of around 3 (BCM:t). We estimate that some Australian hard coking coal operations in the Bowen Basin (E.g. BMA) are operating at strip ratios of 15-17:1 (BCM:t).

Table 7: Mining

		Stage 1	Stage 2
Mining parameters			
Strip ratio	bcm:t	3.0	5.5
Coal SG	t/bcm	1.35	1.35
Mining cost	US$/bcm	4.00	3.00
Mining and processing costs			
Mining cost	US$/t	14.96	23.40
Process/handling (screen)	US$/t	2.00	
Process/handling (wash)	US$/t		3.00
Admin	US$/t	2.00	2.00
Mine gate cost	**US$/t**	**18.96**	**28.40**
Transport cost	US$/t	113.65	85.65
Port charges	US$/t	10.00	10.00
Total FOB cost excl royalties	**US$/t**	**142.61**	**124.05**
Royalties & charges	US$/t	7.20	9.36
Total FOB cost	**US$/t**	**149.81**	**133.41**

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

Project capital costs

We estimate modest capital costs of around US$52m for Stage 1. For Stage 2, we estimate that site infrastructure (including coal wash plant) will have a capital cost of around US$450m. The Stage 2 rail capital cost assumption in Table 8 is for the 180km rail link between the Ovoot Project and Moron. The assumptions follow consultation with AKM and reviews of similar projects under development (E.g. Mongolia Mining Corporation Ukhaa Khudag coking coal project).

Table 8: Capital costs

		Stage 1	Stage 2
Pre-strip	US$m	6	
Road upgrade	US$m	36	
Rail	US$m		510
Wash plant	US$m		300
Site infrastructure & mine development	US$m	10	150
Total	**US$m**	**52**	**960**
	US$/tpa	69	80

SOURCE: AKM AND BELL POTTER SECURITIES ESTIMATES

AKM partner in 50% of the Moron to Erdenet rail link

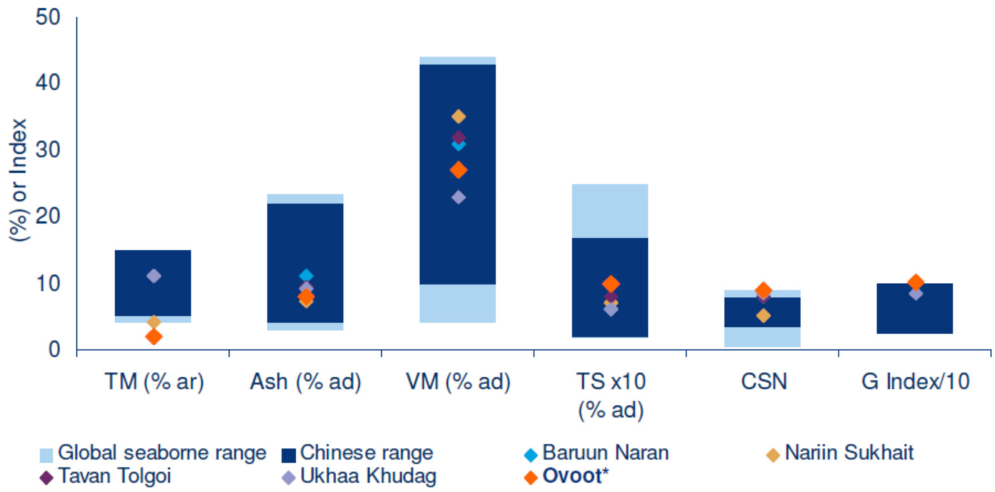
The Moron to Erdenet rail link will likely be used by other minerals projects and be of regional development importance. Therefore, we think it is likely that AKM will likely partner with the Mongolian Government and/or other potential users in the construction of the Moron to Erdenet rail link. This component accounts for around 390km of the total required rail infrastructure of 570km. We factor in AKM funding and owning 50% of this infrastructure and estimate the total capital cost (100%) US$1.2bn. This infrastructure ownership appears as a negative ($0.31/sh) in our NPV calculation.

Wood Mackenzie confirms Ovoot coal's high value properties

In late August 2011, AKM published the results from consultants Wood Mackenzie's analysis of the Ovoot coal. The analysis confirmed that the Ovoot coal:

- would easily meet global seaborne market requirements;
- had strong caking, hard coking and blend carrying capacity; and
- pricing would be hard coking coal benchmark.

Figure 3 - Ovoot coal quality comparison



SOURCE: WOOD MACKENZIE, * SUPPLIED BY AKM

Appendix 1: AKM capital structure

AKM issued capital, market capitalisation & enterprise value

Table 9: Issued Capital, Market Capitalisation & Enterprise Value

Total issued shares m	620.6
Share price A$	0.38
Market cap (undiluted) A$m	235.8
Net cash A$m (Bell Potter Securities estimate)	39.7
EV (undiluted) A$m	196.2
Options m	247.2
Issued shares (diluted) m	867.8
Market cap (diluted) A$m	329.8
Net cash + options A$m	52.6
EV (diluted) A$m	277.1

SOURCE: IRESS

Aspire Mining Ltd
as at 20 January 2012

Recommendation	Buy, Speculative
Price	$0.38
Target (12 months)	$1.10

Table 10 - Financial summary

PROFIT AND LOSS						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Revenue	$m	-	0	-	127	161
Expense	$m	(1)	(5)	(11)	(104)	(143)
EBITDA	$m	**(1)**	**(5)**	**(11)**	**23**	**18**
Depreciation	$m	(0)	(0)	-	(17)	(15)
EBIT	$m	(1)	(5)	(11)	7	4
Net interest expense	$m	0	1	1	4	5
PBT	$m	**(1)**	**(4)**	**(10)**	**11**	**8**
Tax expense	$m	-	-	2	(3)	(2)
NPAT of associates	$m	-	-	-	-	-
NPAT (reported)	$m	**(1)**	**(4)**	**(7)**	**8**	**6**
NPAT attributable to MI	$m	-	-	-	-	-
NPAT attributable to AKM	$m	**(1)**	**(4)**	**(7)**	**8**	**6**
Abnormal items	$m	-	-	-	-	-
NPAT (adjusted)	$m	**(1)**	**(4)**	**(7)**	**8**	**6**

CASH FLOW						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
OPERATING CASHFLOW						
Receipts	$m	-	-	0	112	160
Payments	$m	(0)	(3)	(2)	(82)	(122)
Royalties	$m	-	-	-	(7)	(8)
Tax	$m	-	-	2	(3)	(2)
Net interest	$m	0	0	1	4	5
Other	$m	-	-	-	-	-
Operating cash flow	$m	**(0)**	**(3)**	**1**	**25**	**32**
INVESTING CASHFLOW						
Capex	$m	(0)	(0)	(34)	(19)	(170)
Exploration & evaluation	$m	(1)	(8)	(4)	(4)	(2)
Other	$m	(1)	(3)	-	-	-
Investing cash flow	$m	**(2)**	**(11)**	**(38)**	**(23)**	**(172)**
FINANCING CASHFLOW						
Equity proceeds	$m	7	20	108	-	200
Debt proceeds/(repayments)	$m	-	-	-	-	-
Dividends	$m	-	-	-	-	-
Other	$m	-	-	(5)	-	(9)
Financing cash flow	$m	**7**	**20**	**102**	**-**	**191**
Change in cash	$m	5	7	66	1	51

BALANCE SHEET						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
ASSETS						
Cash & short term investments	$m	6	12	78	79	130
Accounts receivable	$m	0	0	-	15	16
Inventory	$m	-	-	-	-	-
Property, plant & equipment	$m	0	0	34	37	192
Other	$m	12	17	17	17	17
Total assets	$m	**17**	**29**	**129**	**148**	**355**
LIABILITIES						
Accounts payable	$m	0	1	-	11	12
Borrowings	$m	-	-	-	-	-
Other	$m	3	-	-	-	-
Total liabilities	$m	**4**	**1**	**-**	**11**	**12**
SHAREHOLDER'S EQUITY						
Share capital	$m	19	39	147	147	347
Reserves	$m	1	0	0	0	0
Retained earnings	$m	(7)	(11)	(19)	(11)	(4)
Total equity	$m	**14**	**28**	**129**	**137**	**343**
Weighted average shares	m	222	222	655	770	870

FINANCIAL RATIOS						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
VALUATION						
NPAT	$m	(1)	(4)	(7)	8	6
Reported EPS	c/sh	(0)	(1)	(1)	1	1
EPS growth	%	-95%	133%	25%	-188%	-22%
PER	x	-95.0x	-40.9x	-32.6x	37.0x	47.5x
DPS	c/sh	-	-	-	-	-
Yield	%	-	-	-	-	-
CFPS	c/sh	(1)	(6)	(6)	0	(16)
P/CFPS	x	-36.8x	-6.3x	-6.8x	252.7x	-2.4x
EV/EBITDA	x	-291.9x	-55.7x	-25.2x	12.0x	15.1x
EBITDA margin	%	0%	-1751%	0%	18%	11%
EBIT margin	%	0%	-1759%	0%	5%	2%
Return on assets	%	-9%	-22%	-9%	6%	2%
Return on equity	%	-11%	-25%	-10%	6%	3%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(6)	(12)	(78)	(79)	(130)
ND / E	%	-42%	-42%	-60%	-58%	-38%
ND / (ND + E)	%	-71%	-74%	-152%	-136%	-61%

ASSUMPTIONS - Prices						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	LT Real
Coal prices						
Hard coking	US$/t	146	247	270	235	181
Semi-hard coking	US$/t	119	209	218	195	156
LV PCI	US$/t	110	196	194	178	147
Semi-soft coking	US$/t	102	190	178	160	121
Thermal	US$/t	77	106	120	118	91
CURRENCY						
AUD/USD	US$/A$	0.87	0.99	1.02	0.98	0.85

ASSUMPTIONS - Production						
Year ending 30 Jun	Unit	2010a	2011a	2012f	2013f	2014f
Production						
Ovoot - Stage 1	Mt	-	-	-	0.6	0.8
Ovoot - Stage 2	Mt	-	-	-	-	-
Total	Mt	-	-	-	0.6	0.8
Production split						
Hard coking	%	0%	0%	0%	100%	100%
Semi-hard coking	%	0%	0%	0%	0%	0%
LV PCI	%	0%	0%	0%	0%	0%
Semi-soft coking	%	0%	0%	0%	0%	0%
Thermal	%	0%	0%	0%	0%	0%

VALUATION				
Issued capital	**Unit**			
Shares on issue	m	621		
Options	m	247		
New issue	m	150		
Total	**m**	**1,018**		
Discount rate	%	13%	**$m**	**$/sh**
Ovoot - Stage 1			5.93	0.01
Ovoot - Stage 2			1,339.11	1.32
Infrastructure			(319.78)	(0.31)
Other assets			20.00	0.02
Corporate overheads			(30.00)	(0.03)
Total			1,015.27	1.00
Net cash			114.66	0.11
Equity value			**1,129.93**	**1.11**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Accumulate: Expect total return between 5% and 15% on a 12 month view. For stocks regarded as 'Speculative' a return of between 5% and 30% is expected.

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

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

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

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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