

6th September 2011

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Angel Mining* - Directors buying stock and 200 tonnes per day target at the Nalunaq gold mine is within sight. Strong Buy at 2.03p with a 6.6p target price.

Angel Mining, the Greenland-focused mining company which is mining gold at Nalunaq and is also in the throes of bringing the Black Angel zinc/lead mine back to life, has just announced final results which really catalogued what the team has achieved over the recent past. Looking ahead it certainly seems that the management team learnt a lot at Nalunaq concerning logistics as well as the practicalities of operating in Greenland. The board is seeking to make the best use of such invaluable experience, the current buoyant gold price and the support of its financial backer Cyrus in order to maximise cash generation and develop a successful operation at the Black Angel. During recent months a number of key milestones have been passed at Nalunaq where gold is being regularly poured and is being sold. The final results bore the scars of the delay in the implementation plan at Nalunaq and the cost overruns. However the gold price has risen substantially and Chairman Frank Chapman was at pains to point out that, provided it stays high, the company will have a mine that should deliver value to shareholders. The board must be bullish as they followed this announcement up by buying a total of 3.2 million shares at 2p or above.

Key Data	
EPIC	ANGM
Share Price	2.03p
Spread	2p - 2.05p
Total no of Shares	753,763,384
NMS	60,000
Market Cap	£16.28 million
12 Month Range	1.8p - 6.875p
Market	AIM
Website	www.angelmining.com
Sector	Mining
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The goal at Nalunaq is now to build production up to the targeted 2,000 ounces per month; and in late-August the board were able to report that the targeted 200 tonnes per day was within sight. In July, investors learnt that further high grade material has been identified within the Nalunaq mine, which has given the board greater confidence in its future profitability. This project was conceived with a rather short mine life and so the economics could be dramatically changed by this discovery of additional high grade. On this basis, Nalunaq could be pumping out cash at a rate of \$1.7 million a month after costs from gold sales which equates to \$20 million in a full twelve months. Mine number two is the Black Angel zinc and lead mine, where a new definitive feasibility study is expected by the year-end. Construction on the sites seems to be going great guns and it is possible that this mine could come into production in summer 2013. There have been several false dawns here, but all the delays seem to have allowed a really cost-effective operation to be designed without all the luxury items that were conceived in the past. In fact, the costs of bringing the Black Angel back to life have been so pared down that it looks as though it could be funded to a large extent by the cash flow from Nalunaq.

There is no doubt that Nalunaq is now the key to unlocking value at Angel. In the early days this project was seen to be an interesting small gold project that would provide some useful cash flow and give the team the experience of developing a mine in Greenland before beginning work on the more complex Black Angel. Reading through the RNS announcements over the years it seems clear that the management has not had much luck; but that all seems to have changed as the Nalunaq has been transformed by the high gold price and the discovery of a substantial amount of additional high grade material. The Nalunaq gold mine was acquired from Crew Gold Corporation in 2009 for \$1.5 million. Crew had poured some \$100 million into the project and had operated the mine for less than four years before closing it down because they needed a cut-off grade of 20g/t to make money and were only hitting 14.5g/t. Ahead of the acquisition, the board ensured that they could gain approval to operate a mill within the underground mine to save sending all the material to Canada for processing which had made Crew's operation uneconomic.

The Black Angel is an old high grade zinc and lead mine that is perched 600 metres up a rock face on the edge of a fjord that needs to be reached by a 1.7 kilometre cable car. If it wasn't such high grade it would not be worth the effort. The mine was operated by Cominco for seventeen years until it was closed in 1990. The company acquired the mine in

2003 and went onto establish a JORC-compliant resource which is sufficient to justify the re-opening of the mine; as well as exploring satellite deposits which nicely bulked up the project and gave it a much longer life. By 2008, the team had gained the mining licence and had produced a compelling; Bankable Feasibility Study. Nedbank were in place to fund the capital expenditure but this was subsequently withdrawn as the project became another victim of the credit crunch. Lack of available capital in the system and depressed metal price meant that all plans were put on hold.

These days Angel is under a different management team that has taken a completely fresh look at the Black Angel and set about designing an operation where it would have a chance of raising the necessary capital expenditure. The previous mine and plant design was a real Rolls Royce solution that came in at \$145 million. The new team has painstakingly looked at every item and has been able to make substantial savings and believe that they can have Black Angel up and running for \$80 million, with pay back coming from mining the high grade pillars in the mine in the early years. Due to successive delays and the budget overruns in beginning gold production at Nalunaq, investors might be wary of such plans. However, the management did learn a lot at Nalunaq and real progress was made there when highly experienced international mining, mineral processing and geologists were brought in. The board is in the midst of beginning that process at Black Angel and with the share price so low they have some highly attractive share options available to entice in the right sort of professionals. The board needs to get this right as Angel will not get another opportunity.

Greenland seldom comes to the attention of resource investors but this large island looks like an attractive place to operate in. With 95% of the ground covered in ice, the country is very much under explored. The company has been involved in Greenland for almost a decade and has been able to take its pick of projects. It is known that the island has a large potential mineral wealth with known deposits of coal, iron ore, molybdenum, diamonds, gold, platinum, niobium, tantalite and uranium. The mining legislation was borrowed from the Danish and mineral exploration licences are granted for five year periods and are extendable; with mining licences are granted for thirty years.

Shares in Angel appear unloved at the moment, which would seem to offer the astute investor the opportunity to take a stake at an attractive level. Over recent months the share price has more than halved and been dragged down to artificially low level because of a spat which unravelled for all to see in the RNS announcements. The company seemed to encounter some problems in accessing capital that was part of an equity drawdown arrangement. To make up for this shortfall rather than see its projects delayed; the board ended up raising funds in the equity market at quite a deep discount. We rate the stock as a **strong buy** with a 6.6p price target.

Financial Records & Forecasts

Year to 28 February	Sales (\$ million)	Pre-tax Profit (\$ million)	Earnings per share (c)	Price Earnings Ratio (x)	Dividend (p)	Yield (%)
2009A	0.0	(2.675)	(1.85)	NA	0.0	0.0
2010A	0.0	(4.713)	(1.41)	NA	0.0	0.0
2011E	0.0	(7.773)	(2.11)	NA	0.0	0.0
2012E	8.4	1.700	0.20	10.2	0.0	0.0

Source: Growth Equities & Company Research

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