

18 January 2010

Angel Mining

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
02/08	0.0	(4.0)	(2.9)	0.0	N/A	N/A
02/09	0.0	(4.4)	(2.5)	0.0	N/A	N/A
02/10e	0.3	(6.2)	(1.7)	0.0	N/A	N/A
02/11e	18.4	(0.7)	(0.1)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding goodwill amortisation and exceptional items.

Investment summary: Spreading its wings

Earlier today, Angel Mining released an update on progress at its Nalunaq and Black Angel mines. At Nalunaq, the company is moving steadily towards its all-important first gold pour. Although initial recoveries will be c 50% (using the gravity plant currently being installed), we expect these to increase to c 90% by early Q210 once the carbon in pulp plant is permitted and constructed. Meanwhile, the company is also in the process of raising additional funds to further the development of Black Angel. The shares trade at a discount to our fully diluted valuation of 9.5p for both Nalunaq and Black Angel (Phase I and II).

Nalunaq

Since acquiring Nalunaq from Crew Gold a little over six months ago, Angel Mining has made good progress in bringing this gold mine back into production. With the support of the Greenlandic government, the company has received the necessary construction and operation permits (for the gravity plant) and is in the process of finalising export licences and permitting for the carbon in leach plant.

Black Angel

Although less of an immediate priority than Nalunaq, the company is nonetheless in the process of raising additional funds to complete the development of the cable car access, processing plant and support camp for Black Angel.

Sensitivities

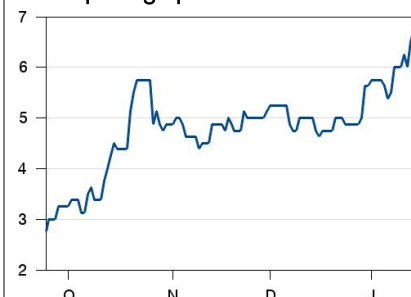
Our valuation is most sensitive to commodity prices and specifically those of gold, lead and zinc. In addition, the timing of production and therefore cashflow from both mines will impact our numbers.

Valuation: Fully diluted valuation of 9.5p/share

Our valuation remains unchanged since our last note. Considering expectations of production, opex and capex (detailed in our notes published in 2009), we use a discounted (at 10%) dividend model to derive a fully diluted valuation of 9.5p/share for the Nalunaq and Black Angel (Phase I and II) mines.

Price 7p
Market Cap £20m

Share price graph



Share details

Code ANGM
Listing AIM
Sector Metals and Mining
Shares in issue 294.5m

Price

52 week High 7.3p Low 1.9p

Balance Sheet as at 31 August 2009

Debt/Equity (%) 73.8
NAV per share (p) 3.0
Net borrowings (£m) 5.2

Business

Angel Mining owns 100% of two mines in Greenland: the Nalunaq gold mine and the Black Angel lead/zinc mine. The company plans to restart production at Nalunaq and Black Angel in Q110 and 2011, respectively. Last year, Angel Mining changed its name from Angus and Ross.

Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Revenues on geography

UK	Europe	US	Other
0%	0%	0%	0%

Analyst

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Exhibit 1: Financials

	£'000s	2007	2008	2009	2010e	2011e
Year end February		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		0	0	0	341	18,406
Cost of Sales		0	0	0	(1,648)	(17,707)
Gross Profit		0	0	0	(1,306)	699
EBITDA		(3,473)	(3,400)	(1,165)	(2,731)	2,870
Operating Profit (before GW and except.)		(3,708)	(3,610)	(1,230)	(4,548)	(726)
Intangible Amortisation		(856)	(27)	3,137	0	0
Exceptionals		0	0	0	0	0
Other		(28)	(191)	(221)	0	0
Operating Profit		(4,592)	(3,828)	1,686	(4,548)	(726)
Net Interest		227	(342)	(3,197)	(1,665)	40
Profit Before Tax (norm)		(3,481)	(3,952)	(4,427)	(6,213)	(686)
Profit Before Tax (FRS 3)		(4,365)	(4,170)	(1,510)	(6,213)	(686)
Tax		0	0	0	0	0
Profit After Tax (norm)		(3,509)	(4,143)	(4,647)	(6,213)	(686)
Profit After Tax (FRS 3)		(4,365)	(4,170)	(1,510)	(6,213)	(686)
Average Number of Shares Outstanding (m)		131.9	140.4	189.2	360.4	508.8
EPS - normalised (p)		(2.5)	(2.9)	(2.5)	(1.7)	(0.1)
EPS - FRS 3 (p)		(3.2)	(3.0)	(0.8)	(1.7)	(0.1)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		597	5,688	10,915	21,260	44,235
Intangible Assets		0	0	0	0	0
Tangible Assets		52	5,334	10,782	20,227	43,202
Investments		545	354	133	1,033	1,033
Current Assets		4,353	2,558	753	889	5,438
Stocks		0	126	41	4	205
Debtors		396	199	38	84	4,538
Cash		3,958	2,233	674	801	695
Current Liabilities		(468)	(1,024)	(8,575)	(17,391)	(45,601)
Creditors		(468)	(1,024)	(379)	(406)	(4,366)
Short term borrowings		0	0	(8,197)	(16,984)	(41,234)
Long Term Liabilities		(87)	(6,277)	(1,110)	(3,110)	(3,110)
Long term borrowings		0	(5,670)	0	0	0
Other long term liabilities		(87)	(606)	(1,110)	(3,110)	(3,110)
Net Assets		4,395	945	1,983	1,648	962
CASH FLOW						
Operating Cash Flow		(3,666)	(171)	(1,834)	(2,712)	2,175
Net Interest		227	(203)	(696)	(1,665)	40
Tax		0	0	0	0	0
Capex		(24)	(8,156)	(1,850)	(11,263)	(26,570)
Acquisitions/disposals		0	0	0	(900)	0
Financing		6,412	1,334	2,810	7,879	0
Dividends		0	0	0	0	0
Net Cash Flow		2,949	(7,195)	(1,569)	(8,661)	(24,356)
Opening net debt/(cash)		(1,008)	(3,958)	3,437	7,523	16,184
HP finance leases initiated		0	0	0	0	0
Other		0	(199)	(2,517)	0	0
Closing net debt/(cash)		(3,957)	3,436	7,523	16,184	40,540

Source: Company accounts, Edison Investment Research

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