

South Kal Delivering

Significant increase in resources at South Kal

AVO has announced a significant increase in resources at South Kal to **4.5moz** (from 1.6moz) (mostly from HBJ pit). This increases **AVO's total resources to 6.7moz** (from 3.7moz).

HBJ feasibility studies due in FY11

AVO completed an in-house scoping study on the expansion of the HBJ pit. AVO estimates that there is potential to mine 750koz through an expansion of the HBJ pit at a strip ratio of 5.2:1. This would require an expansion of the current Jubilee plant from 1.2mtpa to 2.4mtpa.

Adds \$0.26/share to our base NPV (now \$2.42/share)

Following the re-estimation of South Kal's resources, we have increased our base NPV to A\$2.42/share. Our base NPV now includes the HBJ open pit expansion (excludes HBJ underground potential). Our forecast for total AVO production increased to 350kozpa from FY14.

4QFY10 lower than guidance

However, AVO has also released data on 4QFY10 production of 67koz (lower than guidance of 77koz, ML: 78koz). Lower production at Trident was caused by delays in accessing a high grade Athena stope and slow ramp up from the installation of the 4th crusher. Full details will be released in the up-coming quarterly later this month.

We maintain NEUTRAL, upgraded PO to A\$3.00/share

Estimates (Jun)

(A\$)	2008A	2009A	2010E	2011E	2012E
Net Profit b/f Abnormals	(1)	(15)	47	103	140
EPS	(0.006)	(0.064)	0.171	0.355	0.486
EPS Change (YoY)	77.2%	-960.9%	NM	107.5%	36.9%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	(0.610)	(0.015)	0.224	0.409	0.579

Valuation (Jun)

	2008A	2009A	2010E	2011E	2012E
P/E	NM	NM	16.36x	7.89x	5.76x
Dividend Yield	0%	0%	0%	0%	0%
EV / EBITDA*	-100.49x	24.19x	6.34x	3.27x	2.08x
Free Cash Flow Yield*	-16.44%	-0.434%	7.66%	14.62%	20.69%

* For full definitions of *iQmethod*SM measures, see page 10.

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Stock Data

Price	A\$2.80
Price Objective	A\$3.00
Date Established	15-Jul-2010
Investment Opinion	C-2-9
Volatility Risk	HIGH
52-Week Range	A\$1.48-A\$2.96
Mkt Val / Shares Out (mn)	US\$714 / 288.9
Average Daily Volume	1,490,858
BofAML Ticker / Exchange	AVORF / ASX
Bloomberg / Reuters	AVO AU / AVO.AX
ROE (2010E)	26.6%
Net Dbt to Eqty (Jun-2009A)	30.3%
Est. 5-Yr EPS / DPS Growth	38.2% / NA
Free Float	NA

Key Changes

(A\$)	Previous	Current
Price Obj.	2.70	3.00
2010E EPS	0.20	0.17
2011E EPS	0.34	0.35
2012E EPS	0.47	0.49
2010E EBITDA (m)	138.2	125.8
2011E EBITDA (m)	210.5	221.2
2012E EBITDA (m)	262.6	272.3

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Refer to important disclosures on page 11 to 13. Analyst Certification on Page 9. Price Objective Basis/Risk on page 9. Link to Definitions on page 9.10954796

15 July 2010

*iQprofile*SM Avoca Resources Limited

Key Income Statement Data (Jun)

(A\$ Millions)	2008A	2009A	2010E	2011E	2012E
Sales	0	146	283	433	502
Associates & Other Revenue	0	1	0	0	0
Operating Expenses	(7)	(118)	(157)	(212)	(230)
EBITDA	(7)	29	126	221	272
Depreciation & Amortization	0	(42)	(59)	(73)	(75)
EBIT	(7)	(13)	67	148	197
Net Interest & Other income	3	(9)	(4)	(1)	4
Pretax Income	(4)	(22)	63	147	201
Tax (expense) / Benefit	3	7	(15)	(44)	(60)
Outside Equity interest in Npat	0	0	0	0	0
Preference dividends	NA	NA	NA	NA	NA
Net Profit b/f Abnormals	(1)	(15)	47	103	140
Non-Recurring Items	0	0	10	0	0
Net Income (Reported)	(1)	(15)	58	103	140

Key Cash Flow Statement Data

EBITDA	(7)	29	126	221	272
Change in Working Capital	NA	NA	NA	NA	NA
Other C'flow Items before int & tax	3	1	3	6	6
Net Interest Paid	4	(5)	(4)	(3)	2
Tax Paid	0	0	(5)	(36)	(55)
Other C'flow from Operations	1	28	(4)	0	0
Cash Flow from Operations	1	52	117	188	225
Capital Expenditure (PP&E)	(134)	(55)	(55)	(70)	(58)
(Acquisition) / Disposal of Investments	0	0	0	0	0
Other C'flow from Investing	(18)	(8)	(37)	(10)	(10)
Cash Flow from Investing	(151)	(63)	(92)	(80)	(68)
Shares Issue / (Repurchase)	6	29	2	0	0
Dividend paid	0	0	0	0	0
Other C'flow from Financing	0	17	(1)	0	0
Cash Flow from Financing	6	47	0	0	0
Free Cash Flow	(133)	(4)	62	118	167
Net Debt	83	48	23	(86)	(243)

Key Balance Sheet Data

Cash Equivalents	2	39	55	163	321
Receivables & Inventories	14	8	17	22	27
Property, Plant & Equipment	173	177	188	188	188
Intangibles	0	0	0	0	0
Other assets	47	64	86	90	94
Total Assets	236	287	346	464	630
Payables	20	31	40	42	47
Provisions	0	0	0	0	0
Short term debt & Long term debt	84	87	78	78	78
Other Liabilities	15	13	14	129	290
Total Liabilities	120	130	131	249	415
Total Equity	116	157	215	215	215

*iQmethod*SM - Bus Performance*

Return on Capital Employed	-0.9%	-3.7%	18.6%	29.4%	28.8%
Return on Equity	-1.2%	-11.0%	26.6%	47.7%	65.4%
Operating Margin	NA	-9.2%	23.7%	34.2%	39.2%
EBITDA Margin	-2,516.1%	19.7%	44.5%	51.1%	54.2%

*iQmethod*SM - Quality of Earnings*

Cash Realization Ratio	-0.7x	-3.5x	2.4x	1.8x	1.6x
Dividend Payout Ratio	0%	0%	0%	0%	0%
Tax Rate (Reported)	66.0%	31.7%	24.5%	30.0%	30.0%
Net Debt-to-Equity Ratio	71.6%	30.3%	10.6%	-39.8%	-113.0%
Interest Cover	-15.3x	-1.4x	11.1x	23.7x	31.6x

Key Metrics

Franking	0%	0%	100%	100%	100%
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* For full definitions of *iQmethod*SM measures, see page 10.

Company Description

Avoca Resources is an emerging gold miner in Western Australia. In 2008 it began production at its flagship Trident operation which is now producing 190kopa. It recently announced the completion of the takeover of Dioro Exploration which owns a 49% interest in Frog's Leg and 100% of the South Kal operations.

Investment Thesis

While we continue to like the Trident operation and continue to see exploration potential we are cognisant that the market is pricing in significant exploration success. We are also concerned that integration of the DIO acquisition may prove difficult. While the acquisition provides AVO with production growth, we are concerned that it may result in an overall higher cash cost structure for AVO.

Table 1: Price/FX assumptions

		2009A	2010E	2011E	2012E
Gold price	US\$/oz	875	1090	1300	1375
AUD/USD	A\$/US\$	0.75	0.88	0.86	0.81

Source: ML Research estimates

Stock Data

Price to Book Value 3.8x

Significant resources upgrade

AVO announced a significant increase in resources at its South Kal operations to **4.5moz from 1.6moz** (most of the upgrades came from HBJ pit). Today's announcement increases **AVO's total resources to 6.7moz (from 3.7moz)**

At the time of picking up Dioro's assets (Feb 2010) resources at South Kal were:

- HBJ: 15.7mt @ 1.4g/t for 696koz of gold
- Mt Marion: 245kt @ 3.2g/t for 25koz of gold

After detailed re-estimation resources increases to:

- HBJ resources: **51mt @ 1.8g/t for 3.0moz of gold**
- Mt Marion resources: **5.4mt @ 3.5g/t for 608koz of gold**

Table 2: Upgraded Resource/Reserve statement

Reserves & Resources (15th July 2010)	Higginsville			South Kal			Frog's Leg (49% share)			Total		
	Tonnes (kt)	Grade (g/t)	Ounces (koz)	Tonnes (kt)	Grade (g/t)	Ounces (koz)	Tonnes (kt)	Grade (g/t)	Ounces (koz)	Tonnes (kt)	Grade (g/t)	Ounces (koz)
Proven	1669	4.0	216	0	0	0	300	5.5	53	1969	4.3	269
Probable	4342	4.2	587	2020	1.6	106	2150	5.0	346	8512	3.8	1039
Total Reserves	6011	4.2	803	2020	1.6	106	2450	5.0	399	10481	3.9	1308
Measured	1998	4.4	283	1703	2.2	120	490	7.1	111	4191	3.8	512
Indicated	7574	3.8	918	35901	2.1	2474	1764	6.7	372	45239	2.6	3764
Inferred	4720	2.4	371	31118	1.9	1923	441	5.9	86	36279	2.0	2380
Total Resources	14292	3.4	1572	68722	2	4517	2695	6.6	569	85709	2.6	6656

Source: Company data

Pending a positive feasibility study, AVO believes this will underpin its production increase to 400kozpa from FY2014 (ML: 350kozpa).

400kozpa looking more achievable

While it is not our forecast yet it is looking more possible that AVO can achieve its target of 400kozpa.

AVO completed an in-house scoping study on the expansion of the HBJ pit. AVO estimates that there is potential to mine 750koz through an expansion of the HBJ pit at a strip ratio of 5.2:1. This would require an expansion of the current Jubilee plant from 1.2mtpa to 2.4mtpa. We have included increased HBJ super pit into our modelling as show below. **Our forecast for HBJ was 35kozpa for 7 years and is now ~100kozpa.**

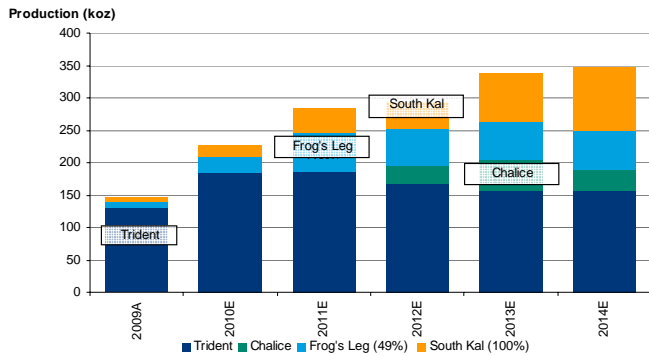
Table 3: South Kal (includes HBJ super pit)

	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17	Jun-18
South Kal									
Production	(mt)	0.81	0.80	0.80	1.50	2.00	2.00	2.00	2.00
Grade	(g/t)	1.88	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Recovery	(%)	83%	88%	90%	90%	90%	90%	90%	90%
Gold Production	(koz)	40	38	39	74	98	98	98	98
Cost A\$/t		41.3	37.0	37.0	35.3	30.0	30.0	30.0	30.0
Cost A\$/oz (Pre Royalty)		817	774	752	705	610	610	610	610
Cost A\$/oz (Post Royalty)		848	812	795	748	652	650	648	648
Capex A\$m		15.4	12.5	12.8	23.6	30.6	30.6	30.6	30.6

Source: Company data, ML Research estimates

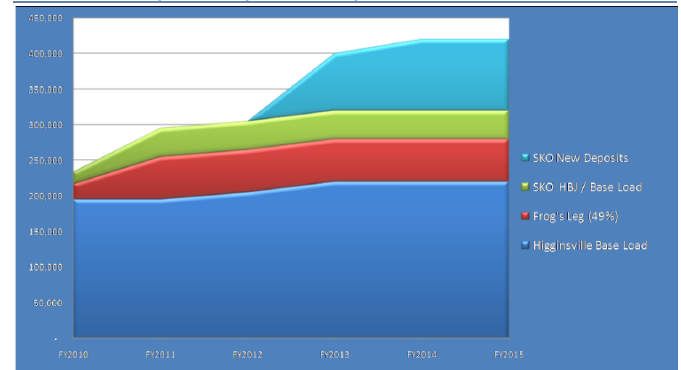
15 July 2010

Chart 1: Production profile (incl. increase in South Kal resources)



Source: Company data, ML Research estimates

Chart 2: AVO's potential production profile

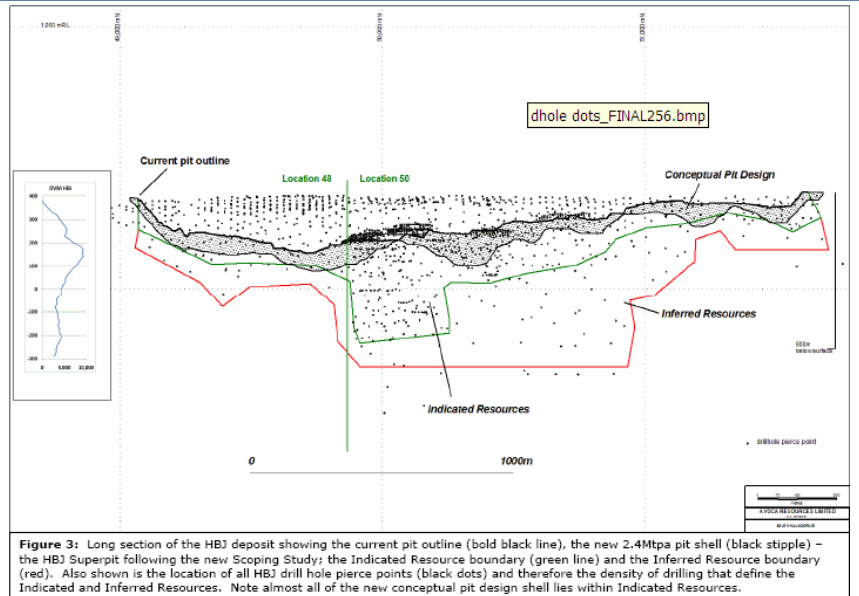


Source: Company data

HBJ Pit design

AVO believes the HBJ pit could look at an underground mining operation. Exhibit 1 below illustrates the potential pit design for the underground mine.

Exhibit 1: HBJ conceptual pit design



Source: Company data

AVO's scoping study parameters:

- Potential mining inventory of 15mt @ 1.5g/t for 746koz
- If 92% recovery, 686koz could be recovered
- LOM of ~9 years
- Strip ratio 5.2:1
- Average operating and capital cost (excl. plant expansion) ~A\$790/oz. This is broken down into:
 - cash cost \$550/oz
 - capital / stripping \$240/oz
- Gold price assumption used for pit design A\$1200/oz

98% of the material to be mined in the scoping study is classified as Indicated Resources

Further upside to South Kal?

Underground Potential at HBJ?

AVO believes HBJ is one of the highest endowed ounces per vertical metre (OVM) gold deposit in WA with 10koz/vertical metre.

Exhibit 2: HBJ underground mining

“We took control of the Dioro assets earlier this year expecting to identify value-added opportunities; however our expectations have been dramatically exceeded” Rohan Williams, Avoca’s MD.

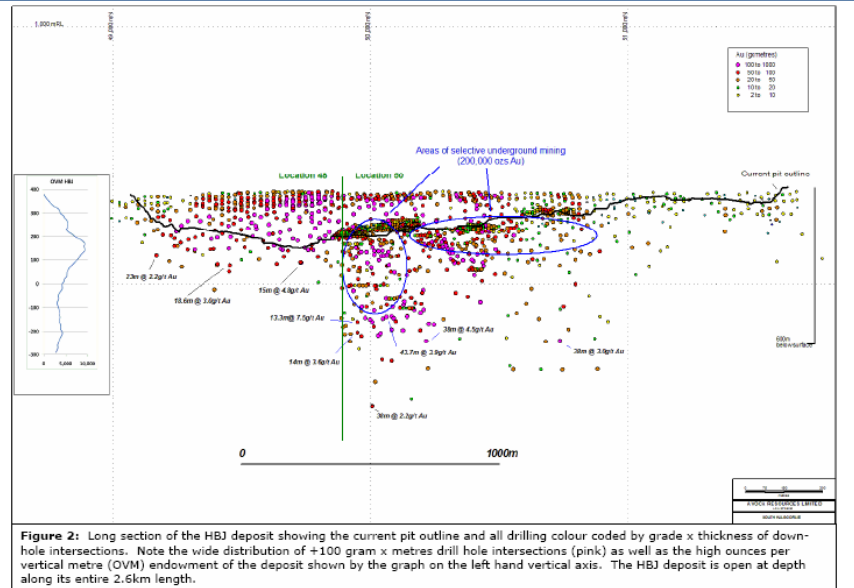


Figure 2: Long section of the HBJ deposit showing the current pit outline and all drilling colour coded by grade x thickness of down-hole intersections. Note the wide distribution of +100 gram x metres drill hole intersections (pink) as well as the high ounces per vertical metre (OVM) endowment of the deposit shown by the graph on the left hand vertical axis. The HBJ deposit is open at depth along its entire 2.5km length.

Source: Company data

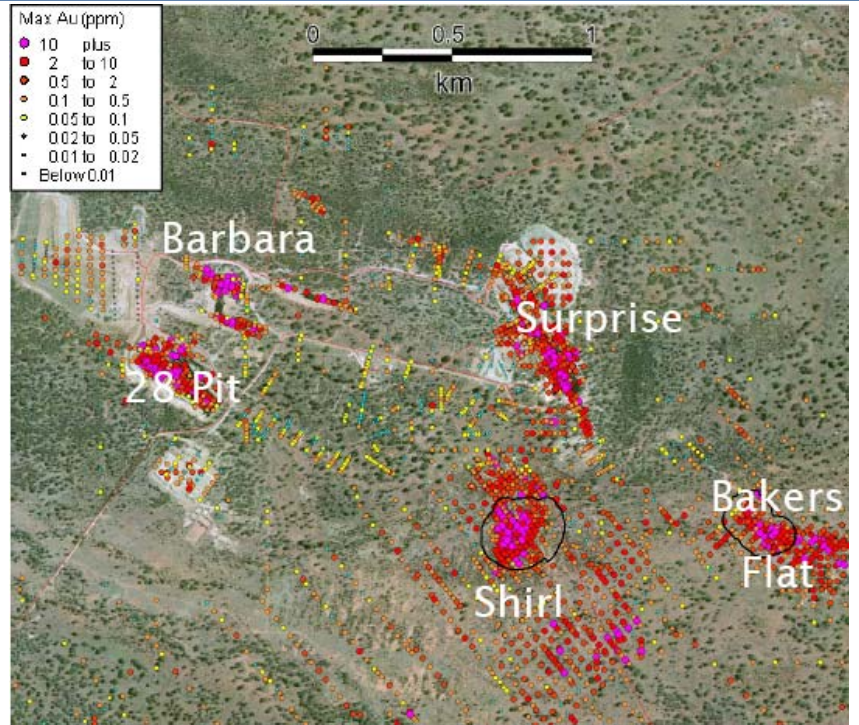
Potential development of nearby deposits?

Also we see other opportunities in the South Kal area. AVO believes that there are numerous exploration and development areas around the South Kal tenements (see exhibit 3 below). The darker drill holes represent at least 2 to 10ppm and many >10ppm of gold. Further drill holes at deeper depths will provide a better understanding of its geological characteristics.

Exhibit 3: Tenements at South Kal

Previous owners of the South Kal tenements had not pursued further drill tests at depth to prove up resource definitions.

AVO believes there is significant exploration upside.



Source: Company data

Mt Marion

Mt Marion deposit is showing good potential for further resource extensions. AVO believes that the 608koz deposit has the properties to become an underground mine (from a combination of the main lode and west lode).

4QFY10 lower than guidance

AVO has also released data on **4QFY10 production of 67koz (lower than guidance of 77koz, ML: 78koz)**. Lower production at Trident was caused by delays in accessing a high grade Athena stope (identified in 3QFY10 results release) and slow ramp up from the installation of the 4th crusher. Full details will be released in the up-coming quarterly later this month.

AVO's FY10 reconciled gold production of 230koz (ML: 238koz) was 3.6% lower than guidance. Despite this, AVO is forecasting FY11 production of 280koz (ML: 283koz).

Our modelling

Following the re-estimation of South Kal's resources, we have increased our base NPV to A\$2.42/share. Our base NPV now includes the HBJ open pit expansion of (excludes HBJ underground potential). We believe the HBJ open pit expansion will add an additional ~470koz of production to the current mine plan.

Table 4: Valuation and earnings change

AVO	NPAT (\$m)			EPS (¢)			DPS (¢)		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
2010e	49.4	56.6	-12.6%	17.9	20.5	-12.6%	0.0	0.0	n.a.
2011e	102.6	96.8	6.0%	35.5	33.5	6.0%	0.0	0.0	n.a.
2012e	140.4	135.6	3.6%	48.6	46.9	3.6%	0.0	0.0	n.a.
2013e	176.1	152.8	15.3%	61.0	52.9	15.3%	0.0	0.0	n.a.

NPV (\$/share):

Base Valuation	2.42	2.16	12.0%
Upside Valuation	2.92	2.67	9.4%

Source: Company data, ML Research estimates

We have reduced our FY10 production in line with the announcement. This results in FY10 earnings downgrade of 13%.

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Detailed Financial Summary

AVOCA RESOURCES					Data as at: 15-Jul-10		BAML Analyst: Stephen Gorenstein		
ASX Code:	AVO	Ke:	13.7%	WACC:	11.3%	Free Float	71%	Recommendation	NEUTRAL
Industry:	GOLD	Kd:	5.3%	RF:	6.5%	Turnover (mth)	\$56m	PO A\$	\$3.00
		BETA:	1.20	MRP:	6.0%			Current Price:	\$2.80
								Mkt Cap:	\$813m
								NPV:	\$2.42

FINANCIAL PERFORMANCE (A\$m)	2009A	2010E	2011E	2012E
Sales Revenue	147.0	282.9	433.0	502.4
Operating costs	118.0	157.1	211.8	230.1
EBITDA	29.0	125.8	221.2	272.3
D&A	42.4	58.6	73.2	75.3
EBIT	-13.4	67.1	148.0	196.9
Net Interest Exp./(Rev)	8.7	4.5	1.4	-3.7
PreTax Profit (pre ab's)	-22.0	62.7	146.5	200.6
Tax Expense (pre abs)	-7.0	15.4	44.0	60.2
Minorities (after Tax)	0.0	0.0	0.0	0.0
Prof. Dividends	0.0	0.0	0.0	0.0
Share of Profit from Equity Investments	0.0	2.1	0.0	0.0
Net Profit (Adj.)	-15.0	49.4	102.6	140.4
NRIs (after Tax)	0.0	-8.1	0.0	0.0
Net Profit (reported)	-15.0	57.6	102.6	140.4
EPS (Adj.)	(¢)	-6.4	17.9	35.5
EPS (Reported)	(¢)	-6.4	20.8	48.6
Dividend	(¢)	0.0	0.0	0.0
Op. EBITDA Growth	(%)	n.a.	334%	76%
NPAT (Adj.) Growth	(%)	n.a.	n.a.	107%
Effective Tax Rate	(%)	32%	24%	30%

VALUATION	June	2009A	2010E	2011E	2012E
PER (Reported)	(X)	-43.5	13.4	7.9	5.8
PER (Adj.)	(X)	n.a.	16	8	6
Dividend Yield	(%)	0.0%	0.0%	0.0%	0.0%
Franking	(%)	0	100	100	100
P/FCF	(X)	17.2	9.3	5.9	4.7
EV (Adj.)	(A\$m)	701	797	723	566
EV (Adj.) / EBITDA	(X)	24.2	6.3	3.3	2.1
EV (Adj.) / Sales	(X)	4.8	2.8	1.7	1.1
EV (Adj.) / Gross CF	(X)	12.3	6.4	3.2	2.0
Avg. Shares (diluted)	(mill)	234	277	289	289

A\$ DCF Valuation:	2.42	A\$ Upside DCF:	2.92
Price / DCF:	1.16		

KEY ASSUMPTIONS	June	2009A	2010E	2011E	2012E
Gold Production	000 oz	147	227	284	293
Cash cost (excl. royalty)	US\$/oz	600	650	595	583
Currency	A\$/US\$	0.75	0.88	0.86	0.81
Gold Price Spot	US\$/oz	875	1090	1300	1375
Gold Price Received	A\$/oz	1187	1232	1525	1709

FINANCIAL POSITION (A\$m)	2009A	2010E	2011E	2012E
Cash	39	55	163	321
Property, Plant, Equip	177	188	188	188
Other Assets	72	103	112	121
Debt	87	78	78	78
Shareholders Equity	157	215	215	215
Total assets	287	346	464	630
Net debt	48	23	-86	-243
Net Debt / Equity	(%)	30%	11%	-40%
Net Debt / (D+E)	(%)	23%	10%	n.a.

CASH FLOW (A\$m)	2009A	2010E	2011E	2012E
Operating EBITDA	29	126	221	272
change in working cap.	28	-1	6	6
Gross Cashflow	57	125	227	278
Net Interest Paid	-5	-4	-3	2
Tax Paid (inc. abs)	0	-5	-36	-55
Exploration	-8	-12	-10	-10
Operating Cash Flow	44	105	178	215
Sustaining Capex	-6	-21	-40	-43
Free Cash Flow	38	83	138	172
Dividends Paid	0	0	0	0
Expansion Capex	-49	-33	-30	-15
Acquisitions	0	-32	0	0
Asset Sales	0	7	0	0
Dividends Received/Other	17	-1	0	0
Share Issues/Repurchases	29	2	0	0
Increase in Net Cash/(Debt)	35	25	108	157

RETURN & RATIO ANALYSIS	2009A	2010E	2011E	2012E
EBIT Margin	(%)	-9%	24%	34%
EBITDA Margin	(%)	20%	44%	51%
NPAT Margin	(%)	-10%	17%	24%
EPS Growth	(%)	961%	n.a.	99%
Sales Growth	(%)	n.a.	92%	53%
Interest Cover - EBIT	(X)	-2	15	103
Interest Cover - EBITDA	(X)	3	28	154
Adjusted NOPAT		-4	53	104
Adj Cap employed		202	221	183
ROCE	(%)	-1.8%	23.9%	56.9%
WACC	(%)	11.3%	11.3%	11.3%
EVA Spread	(%)	-13%	13%	46%
Change in EVA	(%)	4%	26%	33%
Return on Equity	(%)	-10%	23%	48%

SENSITIVITIES	2009A	2010E	2011E	2012E
Currency	+1¢ AUD/USD	0.0	-1.2	-3.2
Gold Price Spot	+50 US\$/oz	0.0	4.9	10.6

Source: Company data, IRESS, ML Research estimates

Price objective basis & risk

Avoca Resources Limited (AVORF)

Our 12 month PO of \$3.00/share is calculated using a blend of PE (10x-15x), P/NPV (1.2x) and P/Upside NPV (1x).

We use a life of mine DCF model and do not include terminal values. Our WACC is calculated to be 11.3%.

Risks: Gold prices, exchange-rate movements, integration and project risks.

Link to Definitions

Basic Materials

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Stephen Gorenstein, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Australia-Metals, Mining & Steel Coverage Cluster

Investment rating	Company	BofAML ticker	Bloomberg symbol	Analyst
BUY				
	Energy Resources of Australia Limited	EGRF	ERA AU	Glen Chipman
	Iluka Resources Limited	ILKAF	ILU AU	Peter O'Connor
	Newcrest Mining Limited	NCMGF	NCM AU	Stephen Gorenstein
	OZ Minerals Limited	OZMLF	OZL AU	Stephen Gorenstein
	Paladin Energy Limited	PALAF	PDN AU	Glen Chipman
	PanAust Limited	PNAJF	PNA AU	Stephen Gorenstein
NEUTRAL				
	Alumina Limited	AWCMF	AWC AU	Stephen Gorenstein
	Avoca Resources Limited	AVORF	AVO AU	Stephen Gorenstein
	BHP Billiton Ltd	BHPLF	BHP AU	Peter O'Connor
	BHP Billiton-ADR	BHP	BHP US	Peter O'Connor
	Kingsgate Consolidated Limited	KSKGF	KCN AU	Stephen Gorenstein
	Rio Tinto Ltd	RTNTF	RIO AU	Peter O'Connor
RSTR				
	Lihir Gold Limited	LIHRF	LGL AU	Stephen Gorenstein

15 July 2010

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Sales} + \text{Other LT Liabilities}$	
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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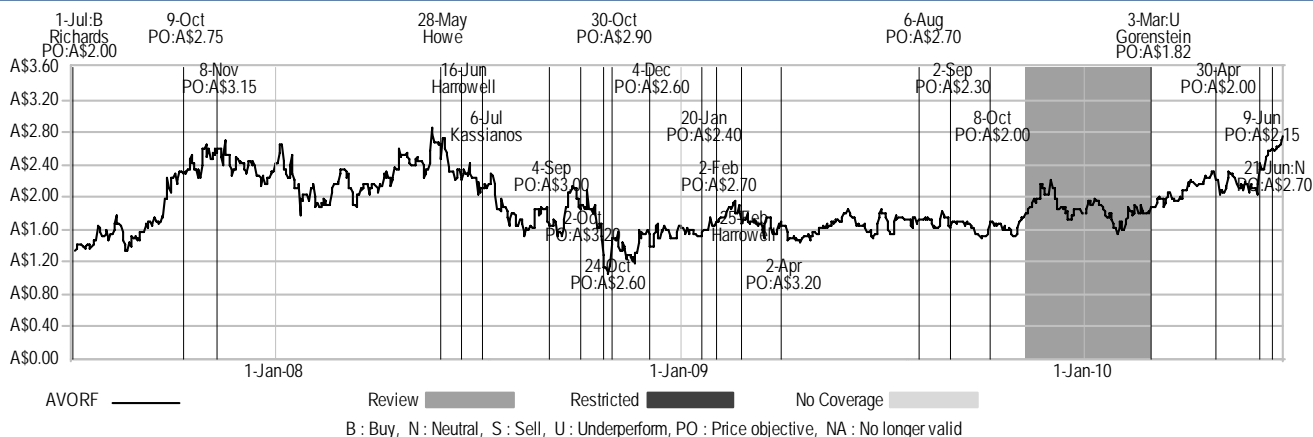
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AVORF Price Chart



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Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 01 Jul 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	75	54.35%	Buy	23	34.85%
Neutral	38	27.54%	Neutral	19	59.38%
Sell	25	18.12%	Sell	6	27.27%

Investment Rating Distribution: Global Group (as of 01 Jul 2010)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1922	54.14%	Buy	1042	59.85%
Neutral	874	24.62%	Neutral	496	62.78%
Sell	754	21.24%	Sell	362	51.86%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofAML Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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