



52-wk Range: £5.21-6.33
12 month target £5.18

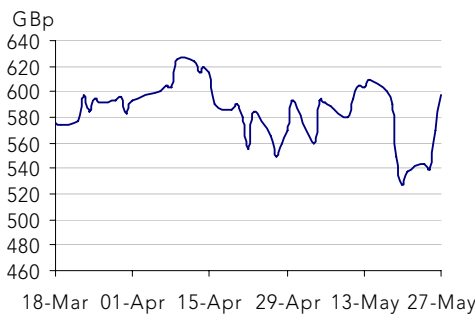
Market Cap (M): £2,429.8
EV (M): £3,536.7

Mining

Tusker takeover completed

Summary

African Barrick Gold is the spin-out from Barrick of its Tanzanian assets. There are four mines, namely Bulyanhulu, Tulawaka, North Mara and the new Buzwagi mine. Annual gold production is forecast to be between 800 and 850k oz in 2010.



Event

African Barrick Gold (ABG) has announced that the compulsory acquisition procedure as announced on 21 April 2010 has been completed. ABG now owns 100% of Tusker, held through its 100% owned subsidiary, BUK Holdco Limited. The amount paid for 100% of Tusker was A\$80M or US\$71.12M. Tusker has now been delisted from the Australian Securities Exchange.

Comment

This successful acquisition increases ABG's interest in the Nyanzaga Project to 100%. Tusker is one of the largest undeveloped gold deposits in Tanzania. The current resource stands at 102 million tonnes grading 1.3g/t and containing 4.2M oz of gold at a cut-off of 0.4g/t gold. It is located just 36km from ABG's Bulyanhulu deposit. Historically Barrick had spent \$13M on evaluating this deposit.

Key Metrics

EV/EBITDA: 21.0
Shares Outstanding (M): 410.1
Current Price (GBP): £5.93

Commencing in June 2010, ABG plans to undertake an initial six month drill programme of approximately 40,000 metres. This will be aimed at expanding the current resource model and increasing the global resource in and around the currently defined area. There will be further drilling across several earlier stage projects in the broader project area with a view to identifying incremental resources. We assume that one of the earlier stage projects is the Kilimanai prospect which lies within the Nyanzaga project area. The aim is to find some high-grade ore to process early in the potential mine life to enhance the economics.

The game plan for ABG is to grow the company, partly by expanding production at the current assets and extending the mine life at Tulawaka, but also from new mines. Now that the acquisition is complete, ABG will be able to proceed with this objective.

Recommendation

Our target price has increased to £5.18, formerly £4.74/share. This change is due only to the weakening of sterling which has dropped from 1.53 to the dollar at the time of the initiation report to 1.45 today. There is no change to our sell recommendation.

Contact

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FYE Dec	2010E	2011E	2012E	2013E	2014E
Revenue (US\$M):	1,053.5	1,139.9	952.9	899.7	808.4
EBITDA (US\$M):	558.5	613.1	443.4	425.1	345.3
NPAT (inc significant items):	296.3	343.7	229.2	216.0	149.8
EPS (USc):	72.5	83.8	55.9	52.7	36.5
Cash Flow/Share (USc):	137.1	123.2	87.2	84.9	72.2
Gold Price (US\$/oz):	1,179.7	1,325.0	1,100.0	1,000.0	900.0
Ozs produced per '000 shares:	1.97	1.96	2.01	2.06	1.92
Ozs reserves per '000 shares:	51.2	49.1	46.9	44.6	40.3

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Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 27 May 2010

Company Name	Disclosure
African Barrick Gold (ABG)	

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Fox-Davies corporate client & coverage universe as of 27 May 2010:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.05.10	£5.18	£5.97
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.05
Antofagasta	ANTO LN Equity	HOLD	06.05.10	£9.90	£8.90
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.005
Discovery Metals	DME LN Equity	BUY	24.05.10	£0.78	£0.41
EMED Mining	EMED LN Equity	BUY	12.04.10	£0.62	£0.08
Exco Resources	EXS AU Equity	BUY	09.04.10	A\$0.67	A\$0.23
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	20.05.10	£0.13	£0.05
Highland Gold	HGM LN Equity	BUY	20.05.10	£1.46	£1.31
Hochschild Mining	HOC LN Equity	HOLD	21.04.10	£3.11	£2.91
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.10
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.14
Minera IRL	MIRL LN Equity	BUY	14.05.10	£0.94	£0.63
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.06
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.04

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