



52-wk Range: £0.45-1.42  
12 month target £1.71

Market Cap (M): £398.4  
EV (M): £337.2

## Mining

## Revised commodity and Currency forecasts

### Summary

Highland Gold is a gold producer with operation in Russia. It is about to commission a lead/zinc mine in partnership with Kazzinc and has one further gold project under feasibility study. The company is actively looking to acquire gold producing assets in Russia and the former CIS countries.



### Event

Fox-Davies has reviewed its commodity and currency forecasts. For full details please see today's daily

### Comment

The higher gold and silver prices being forecast have more than compensated the lower lead and zinc prices with the net result that the target price has increased.

### Recommendation

We retain the Buy recommendation with an increased target price of £1.71, previously £1.46/share.

### Key Metrics

Shares Outstanding (M): 325.2  
Current Price (GBP): £1.23  
Fully Diluted Shares (M): 325.2

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (US\$M):	149.1	164.7	238.9	336.9	323.2
EBITDA (US\$M):	-232.7	99.5	127.6	189.4	180.5
NPAT (inc significant items):	-232.4	78.8	74.7	117.7	106.4
EPS (USc):	-71.5	24.2	23.0	36.2	32.7
Cash Flow/Share (USc):	-76.4	27.9	29.0	42.6	40.7
Gold Price (US\$/oz):	872.6	973.7	1217.0	1400.0	1520.0
Lead Price (USc/lb):	95.9	78.0	90.3	98.8	90.0
Zinc Price (USc/lb):	85.9	75.3	94.3	105.0	111.3
Ozs production/'000 shares	0.49	0.50	0.54	0.65	0.56
Ozs reserves/'000 shares	5.75	16.53	15.93	15.22	14.61

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### Peter Rose

Peter Rose has had 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia, with previous positions including 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 has a Bachelor of Science in Applied Mineral Science from Leeds University UK, and a Bachelor of Commerce from the University of South Africa. Peter is a member of the Institute of Mining & Metallurgy and a chartered engineer.

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### Ian Lucas

Ian Lucas joined the Fox-Davies Capital research team in December 2007. Prior to this, Ian gained a Bachelor of Arts (Hons) in Archaeology from University College London, and worked on a number of research excavations around Europe. He has passed the Securities and Investment Institute Certificate in Securities.

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Research disclosure as of 05 July 2010

Company Name	Disclosure
Highland Gold (HGM)	7

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Fox-Davies corporate client & coverage universe as of 05 July 2010:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.05.10	£5.18	£6.04
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.06
Antofagasta	ANTO LN Equity	BUY	28.05.10	£10.33	£7.63
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.004
Discovery Metals	DME LN Equity	BUY	24.05.10	£0.78	£0.37
EMED Mining	EMED LN Equity	BUY	05.07.10	£0.34	£0.08
Exco Resources	EXS AU Equity	BUY	05.07.10	A\$0.77	A\$0.24
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	20.05.10	£0.13	£0.07
Highland Gold	HGM LN Equity	BUY	05.07.10	£1.71	£1.21
Hochschild Mining	HOC LN Equity	BUY	05.07.10	£3.68	£3.03
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.14
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.29
Minera IRL	MIRL LN Equity	BUY	05.07.10	£1.28	£0.59
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.06
Randgold Resources	RRS LN equity	BUY	02.06.10	£67.43	£61.25
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.03

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