Monday, 5th November 2012

Anglo Asian Mining

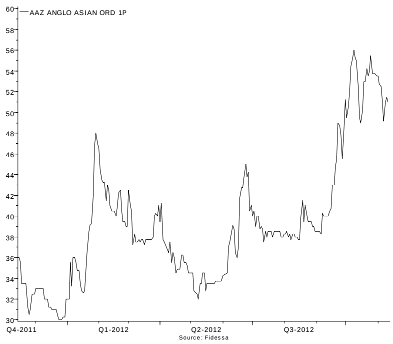
Speculative Buy

Price: 53p - 55p

TICKER: AAZ.L *(AIM)*

Sector: Mining

Share Price Performance



Key Data

Mkt. cap:	*£60.153m*
No. of shares:	*111.4m*
12 Month Hi/Lo	*56p - 30p*
Website:	*angloasianmining.com*

Analyst

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Anglo Asian is an AIM quoted, cash generative and profitable gold and copper mining and exploration company in Azerbaijan. The Company moved into gold production in May 2009 at its flagship Gedabek gold/copper mine located in western Azerbaijan. The mine, which is an open pit, heap leach operation, produced 67,267 ounces of gold for its first full year of operation to 31 December 2010. Additionally Gedabek produces copper through its Sulphidisation, Acidification, Recycling and Thickening ('SART') plant, which recovers copper in the form of a precipitated copper sulphide concentrate containing silver with commercial value.

The Company has a 1,962 sq km prospective portfolio of gold/copper assets at various stages of the development cycle and has implemented defined exploration programmes to delineate and upgrade the Company's resource base, which currently stands at 791,000 ounces of gold, 49,300 tonnes of copper and 7,597,000 ounces of silver for all categories.

These gold/copper assets are focused within three primary Contract Areas in Azerbaijan. The rights to explore and develop all minerals in these areas are governed by a Production Sharing Agreement with the Azeri Government.

Gedabek Contract Area

- 300 sq km licence area
- Mining and exploration rights until February 2022
- Gedabek gold/copper open pit mine
- Jorc Compliant Resources of 791,000 ounces of gold, 49,300 tonnes of copper and 7,597,000 ounces of silver for all categories

Gosha Contract Area

- 300 sq km licence area
- Notice of Discovery disclosed
- Further exploration planned with a view to confirming a small gold deposit with production potential

Ordubad Contract Area

- 462 sq km licence area
- Right to explore for precious and base metals until 12 April 2012
- Early stage exploration underway

Interim Results to 30 June 2012

- The Company produced a Profit before tax of US$10.5 million (H1 2011: US$14.2 million)
- Gross profit of US$14.2 million (H1 2011: US$19.8 million)
- Revenue of US$30.1 million (H1 2011: US$38.5 million)
- Operating cashflows before movement in working capital of US$15.5 million (H1 2011:US$24.8 million)
- Net debt, including interest-bearing loans and borrowings less cash and cash equivalents totals US$11.9 million at 30 June 2012 (30 June 2011: US$ 16.6 million)

- Increased JORC compliant resource at Gedabek by 50% to over 1 million ounces in the Measured and Indicated categories
- Maiden JORC compliant reserve estimate of 20,312,879 tonnes at Gedabek at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces (as at 30 December 2011) - exceeded management's expectations

Earlier this year, the company also reported that approval had been received from the Government of Azerbaijan to build a new agitation leaching plant, which is expected to improve gold recovery rates and also to lower production costs. The new plant, which has an estimated capex of US$52 million, is expected to process circa 100 tonnes of ore per hour. The company received the confirmed availability of US$18 million from the International Bank of Azerbaijan and in addition a letter of intent stating that, subject to internal consideration and approval, it will provide up to an additional US$42 million to the Company for the construction of the new agitation plant. Including the US$18 million already agreed, this would bring the total funding provided to the Company by the IBA to US$60m. The support of the IBA is encouraging and will help us to successfully develop the new plant this year and target commissioning in H1 2013. Due to an unseasonably harsh winter H1 2012, production figures were marginally below management's estimates and as a result for the six months to 30 June 2012 we are reporting a lower profit before tax of US$10.5 million (H1 2011: US$14.2 million), gross profit of US$14.2 million (H1 2011: US$19.8 million) and revenues of US$30.1 million (H1 2011: US$38.5 million) to that of the corresponding period in 2011. However H2 2012 is expected to be stronger in terms of production levels and operating costs at Gedabek than in H1 2012.

Gedabek

The area includes Azerbaijan's first operating gold mine as well as a number of exploration targets. Its current JORC compliant resource stands at 791,000 ounces of gold, 49,300 of copper and 7,597,000 ounces of silver for all categories. It has also defined a Mineral Resource of 20,312,879 tonnes at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces as at 30 December 2011.

Mining activity at Gedabek is reported to have started as long as 2,000 years ago. More recent activity began around 1849 when the Mekhor Brothers, followed by the German Siemens Bros Company, developed and operated a copper mine at Gedabek.

Mining activity commenced once more when Anglo Asian began construction of an open pit mine and a conventional heap leach and processing facility for the recovery of gold, copper and silver in 2008. The Company poured its first gold in May 2009, making it the first gold/copper producer in Azerbaijan in modern times. Since that time it has seen steady gold production as efficiencies of the mine continue to improve. (See table 1)

Table 1: Summary of gold production at Gedabek

Quarter Ended	Gold Produced oz[1]	Gold sale price US$[2]
June 2011	14,582	1,506
September 2011	13,166	1,704
December 2011	15,292	1,688
March 2012	9,925	1,679
June 2012	11,716	1,679
September 2012	14,044	1,655

1. Including Government of Azerbiajan's share
2. Weighted average

For H1 2012 to 30 June 2012 the Company produced 21,649 oz of gold with an average cash operating cost of US$767 per oz Au. This positions Gedabek as a low cost producer relative to its peers. In terms of long-term targets Anglo Asian is aiming to produce in excess of 300,000 ounces of gold in the first six years of Gedabek's production. Improving Gedabek's processing capabilities remains a key focus for Anglo Asian. Initially the mine is open pit in design. However, if further exploration activities demonstrate the resource increases at depth, in the mid to long term the Company may move to an underground mining operation, utilising some of the existing historical infrastructure and adits. Additionally Anglo Asian is in the process of building a new Agitation Leaching plant, which is expected to improve gold recoveries of oxides and sulphides at Gedabek initially by 85% and 69% respectively, and lower production costs - with planned commissioning expected in H1 2013. The Agitation Leaching plant will be utilised along side with its current Heap Leach processing operations.

A Sulphidisation, Acidification, Recycling and Thickening ('SART') plant for the recovery of the copper and silver dissolved in the leach solution is also operating. The copper is recovered in the form of a precipitated copper sulphide concentrate by-product, which also contains silver with commercial value. The plant capacity is 1,800 tonnes of copper concentrate per year, although the amount produced will depend on ore mineralogy and process efficiencies. The total copper concentrate produced in 2011 totaled 611 tonnes of copper, 134,240 oz of silver and an additional 200oz of gold. (See table 2 for the summary table of quarterly copper/silver/gold production from SART at Gedabek).

Table 2: Summary of quarterly copper/silver/gold production from SART at Gedabek

	Copper Recovered (tonnes)	**Silver produced (oz)**	**Gold produced (oz)**
Total for year to 31 December 2011	611	134,240	200
Quarter ended 31 March 2012	148	34,666	27
Quarter ended 30 June 2012	105	25,853	9
Quarter ended September 2012	132	23,397	36

Exploration

The Company has implemented a defined exploration strategy aimed at increasing Gedabek's resource, proving reserves and in turn extending Gedabek's life of mine which currently stands at six years with a target production in excess of 300,000 oz of gold. Gedabek's JORC compliant resource currently stands at 37,111,577 tonnes at 0.884 g/t of gold for 1,054,382 ounces; 0.220% of copper ('Cu') for 81,765 tonnes ('t'); and 7.215 g/t of silver ('Ag') for 8,608,551 oz in the Measured and Indicated classifications at a cut-off grade of 0.3 g/t of gold. For all classifications including Inferred Gedabek's resource currently stands at 48,138,979 tonnes at 0.825 g/t Au for 1,276,422 oz Au; 0.197 % Cu for 94,890 t; and 6.66 g/t Ag for 10,305,653 oz at a cut-off grade of 0.3 g/t of gold.

It has a Mineral Reserve Estimate of 20,312,879 tonnes at 1.139 g/t gold for 744,038 ounces, 0.293% copper for 59,479 tonnes, and 9.456 g/t silver for 6,175,531 ounces as at 30 December 2011.

An extensive 30,000m drilling programme is also underway of which 10,500m has been drilled to date, targeting an extension of the existing mine at Gedabek with the aim of further increasing the mineral reserves and resources as part of our on-going exploration and

development programme. Recent drilling indicates significant potential to continue upgrading and increasing the size of the Gedabek deposit, and we look forward to updating the market on these results in due course. The company will reveal the results when the drilling is complete and the assay results are known.

Gosha

Exploration

The 300 sq km Gosha Contract Area is situated 50 km north-west of Gedabek and contains at least nine mineralised zones. Gosha has more than 6 km of exploration adits from the Soviet-era, of which the richest mineralisation zone has a prospect of narrow vein type renegade gold deposit. In addition to this zone, which according to Soviet-era studies contains approximately 3.2 tonnes of gold with average grade of 14.0 g/t, there are several other vein type mineralisation zones. In total, according to these studies, Gosha has a resource of 8 tonnes of gold in the indicated and inferred categories.

Exploration work at Gosha is ongoing aimed at defining new resources and replicating the Company's success at Gedabek with the development of an underground mining operation. To this end, in April 2011, the Government of Azerbaijan accepted a Notice of Discovery at the Contract Area. Anglo Asian believes that at least one of the mineralised zones discovered on the licence, Zone 13, has the potential to host a resource that may be amenable to narrow vein, underground mining.

Ordubad

Exploration

The 462 sq km Ordubad Contract Area is in the Nakhchivan region and contains numerous targets including Shakardara, Piyazbashi, Misdag, Agyurt, Shalala and Diakchay, which are all located within a 5 km radius. Exploration activities are ongoing at the Contract Area including a preliminary remote sensing study, adit cleaning and re-sampling of adits in two regions, Pyazbashi and Agyurt, and trenching and sampling in the Daste Bashi region.

Azerbaijan

Overview

The Republic of Azerbaijan, which gained independence from the Soviet Union in 1991, is a stable political democracy. The country has an established democratic government, which is fully supportive of international investment initiatives. Although the mining code is fledgling and runs under the guidance of the Ministry of Ecology and Natural Resources, the country has an established oil industry, with more than 15 major oil and gas companies with PSAs with the Azeri Government including BP, which has been operating in the country since 1994, and Exxon Mobile. Infrastructure is reasonably extensive and as Azerbaijan is an oil producing country, diesel is cheap, which also results in low costs for explosives. Low cost labour is also available.

Geography

The country is situated in South-Western Asia, bordering the Caspian Sea, between Iran and Russia, with a small European portion north of the Caucasus range. Azerbaijan covers an area of over 86,000 sq km, ranging from the flat Kura-Araz Lowland with Great Caucasus Mountains to the north to the Karabakh Upland in the west. The climate is semi-arid, with cold winters and hot summers.

Politics

Azerbaijan is a multiparty democracy and presidential republic with a separation of the executive and legislative bodies. It is among the region's most stable countries and has a good human rights record.

Azerbaijan has developed a fairly broad and diverse party political system, with close to 40 political parties. Most of these emerged from the basis of the umbrella pro-independence Popular Front Movement of 1988 to 1992. These parties range from ultra-nationalist to communist, but the political arena is dominated by a centre-right niche.

The current President of Azerbaijan is Ilham Aliyev who was elected on 31 October 2003. Azerbaijan's Parliament, the Milli Majlis, executes the legislative functions of the state. Within eleven years of independence, Azerbaijan has somewhat succeeded in developing a division of power between the three branches of government but the share of Parliament's power appears significantly lower than that of the executive power, especially in practice. The Parliament, elected for five years with an election in 2005, has 125 deputies elected from single mandate constituencies. The constitution allows only the President, the Constitutional Court, the MPs and the Nakhchivan Supreme Council the right to initiate legislation. The national age of suffrage is 18.

The legal system is based on the civil system. Azerbaijan has not accepted the compulsory jurisdiction of the International Court of Justice.

Azeri Product Sharing Agreement ('PSA')

The PSA is a revenue sharing contract modelled on Azerbaijan's oil contract system, which was established to ensure the country benefited from its oil wealth in the presence of international oil company investment and exploitation. It is an established agreement adhered to by international companies which operate in the region - for example Exxon Mobil and BP, and facilitates the extraction of resource wealth for the benefit of all parties.

The PSA grants the Company a number of periods to exploit defined licence areas, known as Contract Areas, agreed on the initial signing with the Azerbaijan Ministry of Ecology and Natural Resources ('MENR'). The exploration period allowed for the early exploration of the Contract Areas to assess prospectivity can be extended.

A 'development and production period' commences on the date that the Company issues a notice of discovery, which runs for 15 years with two extensions of five years each at the option of the Company. Full management control of mining in the Contract Areas rests with Anglo Asian.

Anglo Asian finances the operations and the MENR receives cash payments after certain payments and expenses have been made by the Company. The Company is entitled to a maximum of 75% of the sales proceeds of minerals to set against all operating, deemed interest and capital costs. Thereafter, the remaining proceeds are allocated 51% to MENR and 49% to Anglo Asian.

Under the PSA, Anglo Asian is not subject to currency exchange restrictions and all imports and exports are free of tax or other restriction. In addition, MENR is to use its best endeavours to make available all necessary land, its own facilities and equipment and to assist with infrastructure.

A tax on profits, and no other profit or sales tax, is payable at the rate of 32%. However losses can be carried forward indefinitely. The costs of fixed and movable assets other than buildings are depreciated at a rate of 25% of declining balance. Double taxation relief provisions are included.

The PSA with the Government of Azerbaijan sees the Government effectively taking 12.75% of the commercial products of each mine, with the Company taking 87.25%, until Anglo Asian has recovered all its carried forward, unrecovered costs.

Corporate responsibility

Maintaining excellent health, safety, social and environmental standards is a high priority for the Company. In line with this, the Company has a Health, Safety, Environment and Technology Committee comprising Professor John Monhemius (Chair) and Reza Vaziri.* The Committee's primary function is to assist the Board of Directors in fulfilling its oversight responsibilities in the following areas:

- the health, safety, environmental and technological issues relating to the Company;
- the Company's compliance with corporate policies that provide processes, procedures and standards to follow in accomplishing the Company's goals and objectives relating to health, safety and environmental issues, to ensure that the Company's operations and work practices comply as far as is practicable with the best international standards; and
- the management of risk related to health, safety, environmental and technological issues.

Conclusion

A Large Jorc Compliant resource with over 1m oz of gold in the inferred and indicated category, in Gadek alone, a new discovery at Ordubad, approval from Ministry for the Company’s Development and Production Plans in the Gosha Gold Deposit augur well for plenty of newsflow over the coming 12 months. With an experienced board and highly important connections with both Government, the Ministry of Ecology and Natural Resources and the International Bank of Azerbaijan the shares are undervalued and should be bought. **SPECULATIVE BUY**

Strengths and Weaknesses	
Strengths	***Weaknesses***
• *The Company has a JORC Compliant Resource;* • *It is producing Gold, Copper and Silver;* • *It has two further Projects that that have exploration and development potential;* • *Excellent board with a track record of delivery.*	• *Dependent on the Gold price and, to a lesser extent on Copper and Silver prices;* • *There are exploration risks and the company may not discover an economic resource;* • *There are development risks that could delay the mine completions;* • *The Company will require funding, despite the loans from International Bank of Azerbaijan.*

Source: *HB Markets*

Caledonia Mining

HB Markets

Speculative Buy

Price: 6.5p - 7p

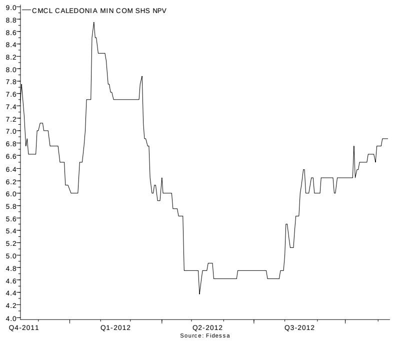
9.5cts – 10cts *(Canadian)*

Target: 17p (24cts)

TICKER: CMCL.L *(AIM)*

Sector: Mining

Share Price Performance



Key Data

Mkt. cap:	*£34.28m*
No. of shares:	*507.9m*
12 Month Hi/Lo	*8.75p - 4.3754p*
Next results:	*Prelims, April 2013*

Analyst

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Q2 Gold Production + 26% over Q1 at 11,560 oz

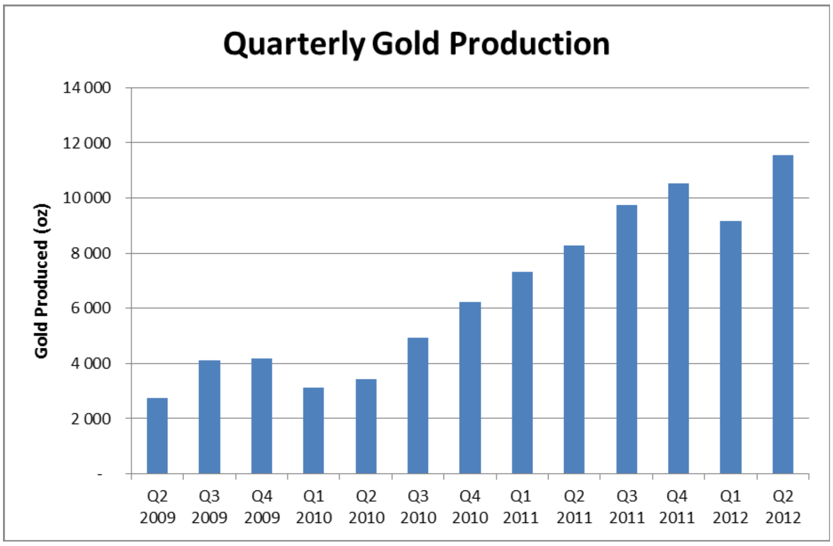
Caledonia is an African focused mining and exploration company with an operating gold mine in Zimbabwe, and a copper-cobalt exploration project in Zambia on a P/E of 2x.

Zimbabwe Gold Mine

Blanket Gold Mine is a well-established Zimbabwean gold mine, which operates at a depth of circa 800 metres below surface and currently has a production capacity of 40,000 oz of gold pa. Blanket also owns significant brown field exploration and development projects on the existing mine area and on its satellite properties which are within trucking distance of the Blanket metallurgical recovery plant.

Located in the south-west of Zimbabwe, 15 km west of Gwanda, the provincial capital of Matabeleland South. Access to the mine is by an all-weather tarred road from Gwanda which is linked to Bulawayo and Harare by a national highway.

Production



Gold production has almost quadrupled since Q1 2010, and although Q1 production was temporarily affected by maintenance work, Q2 production was 26% up on Q1 and 41% up on Q2, at 11,560oz.

Caledonia Mining Corporation Second Quarter Results to 30th June 2012

Operational Highlights

Gold produced at the Blanket Mine in Zimbabwe in Q2 was 11,560 ounces, 26% higher than the 9,164 ounces produced in the quarter ended March 31, 2012 and 41% higher than the 8,226 ounces produced in Q2 of 2011.

The increase in gold production in Q2 was due to the completion of scheduled maintenance on the winding portion of both compartments of No. 4 Shaft which was completed in early May and progressively allowed an increase in the daily available hoisting time.

Average gold recovery during the Quarter increased to 93.9%, compared to 93.2% in the preceding quarter.

Blanket's cash operating costs in the Quarter decreased to US$547 per ounce of gold produced from US$648 in the preceding quarter and US$585 in the comparable quarter. The decrease in cash costs was due to the higher gold production during the Quarter and the non-recurrence of certain costs, which temporarily increased the average cost per ounce in the preceding quarter.

Financial Highlights

Gross Profit for the Quarter (i.e. after depreciation and amortization but before administrative expenses) was $10,067,000 compared to $8,996,000 in the preceding quarter and $5,593,000 in the comparable quarter.

Net profit after tax for the Quarter was $5,497,000 compared to $7,111,000 in the preceding quarter and $2,874,000 in the comparable quarter. Net profit in the Quarter was reduced by the payment of a US$1 million donation to the Gwanda Community Share Ownership Trust in terms of the Indigenisation Agreements signed by Blanket Mine, and by the increase in second quarter tax payments to the Zimbabwean Revenue Authority.

Basic earnings per share for the Quarter were 1.1 cents per share, compared to 1.4 cents in the preceding quarter and 0.6 cents in the comparable quarter. Basic earnings per share for the first half of the year were 2.5 cents compared to 0.9 cents in the six months to June 30, 2011.

At June 30, 2012 the Corporation had cash and cash equivalents of $18,323,000 compared to $16,288,000 at March 31, 2012 and $2,612,000 at June 30, 2011. Cash flow from operations in the six months to June 30, 2012 before capital investment was $11,195,000 compared to $7,346,000 in the six months to June 30, 2011.

Blanket Mine Third Quarter Production Update

In October 2012 the Company announced gold production from the Blanket Mine in Zimbabwe during the third quarter ending September 30, 2012.

12,919oz of gold were produced during Q3 2012, a 33% increase on gold production in Q3 2011 (9,743oz) and a 12% increase on gold production in Q2 2012 (11,560oz).

Total gold production for the nine months to September 30, 2012 was 33,643oz, a 33% increase over the gold production in the first nine months 2011 (25,331oz).

The record gold production achieved during the quarter is the highest quarterly gold production ever achieved by the Blanket Mine since its first recorded year of production in 1906.

In future Caledonia will publish a quarterly production update as soon as it is available after the end of each quarter. Additional quarterly information will continue to be detailed in Caledonia's Quarterly Reports. Third quarter results due 15th November 2012

Indigenisation
The Indigenisation and Economic Empowerment Act ("The Act"), which was enacted in 2007 requires that Indigenous Zimbabweans must own 51% of the equity of all commercial enterprises in Zimbabwe. On February 20, 2012 Caledonia announced it had signed a Memorandum of Understanding ("MoU") with the Minister of Youth, Development, Indigenisation and Empowerment of the Government of Zimbabwe pursuant to which paid transactional value of US$30.09 million on the following basis:

- 16% will be sold to the National Indigenisation and Economic Empowerment Fund;
- 10% will be sold to a Management and Employee Trust for the benefit of the present and future managers and employees of Blanket;
- 15% will be sold to identified Indigenous Zimbabweans; and
- 10% will be donated to the Blanket Gwanda Community Trust. Caledonia will also make a non-refundable donation of US$1.0 million to the Trust as soon as it has been established.

Caledonia will facilitate the vendor funding of these transactions, which will be repaid by way of future dividends from Blanket. Caledonia expects to redeploy the sale consideration in its projects.

On the 11th October 2012 the Company announced the completion of the various indigenisation agreements was subject to the approval by the Reserve Bank of Zimbabwe ("RBZ") of the transactions contemplated in the MoU, underlying agreements and related transactions to give effect to the Indigenisation programme, which included the repatriation of funds and interest to Caledonia in terms of the share sale transactions. Caledonia is pleased to announce that RBZ approval has been received and accordingly, the various agreements and related transactions have now been implemented.

Commenting on the completion of Indigenisation at Blanket, Stefan Hayden Caledonia's President and Chief Executive Officer said: "I am very pleased that the implementation of indigenisation at Blanket has now been completed. We welcome our new Indigenous Zimbabwean partners, with whom we look forward to developing a mutually beneficial relationship. The newly indigenised Blanket is in a unique position amongst Zimbabwean gold miners as Blanket has significant growth potential, which can be funded from internal cash flows. Blanket can now finalise and implement its growth and development strategy to grow its operations for the benefit of all stakeholders."

Nama Licences in Zambia
The Zambian Mines Department has sent Caledonia a letter, in September 2012,outlining conditions to be met in order for Caledonia’s Nama licences to be kept in good standing. The key conditions is the requirement for Caledonia to commence cobalt production by mid 2013 and commence copper exploitation by March 2015. The letter is stated to have followed earlier correspondence notifying Caledonia that its licences were in default. Caledonia has responded by stating it intends to comply with these conditions, believing at this time that its proposed course of action will be in compliance with the terms. However, Caledonia expects further discussions with the department may be necessary to clarify the precise terms of the conditions. Caledonia is currently exploring the Large Scale Mining Licenses that comprise the

Nama project in Zambia. These licences cover an area of 786 Sq km on which open pittable cobalt/copper and cobalt/iron mineralisation has been previously discovered. Caledonia has also been progressing its mine development programme for the area, which most recently has involved seeking approval from the Zambian Authorities for the company's Environmental Impact Assessment. Over 7000m of drilling has recently been performed, focusing on copper mineralisation at depths between 80m to 580m, over a strike length of 1.3km.

Work at the Nama base metals project in Zambia has continued and our ongoing drilling programme has identified a substantial new copper-bearing mineralised zone. Further work has already commenced to identify the scale of this body. Caledonia has sufficient cash resources on hand to continue this work as quickly as possible.

Conclusion

EPS for the half year is 2.5cts (Canadian) and the shares trade circa 10cts. If they can repeat that in the second half-and 3Q gold production was at a record-then company is trading on a p/e of 2x. The shares are undervalued and are a **SPECULATIVE BUY**.

Strengths and Weaknesses

Strengths

- *Producing mine with production at record levels;*
- *Indigenisation completed and Reserve Bank approval given;*
- *Exploration upside at Nama;*
- *Plenty of cash.*

Weaknesses

- *Exposed to gold price weakness;*
- *The company is an exploration company and may not discover an economic reserve;*
- *Future drill result may be below expectations.*

Source: *HB Markets*

Monday, 5th November 2012

HB Markets

Polo Resources

Speculative Buy

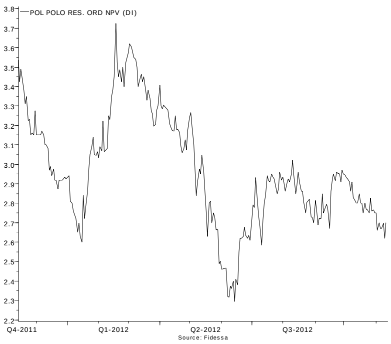
Price: 2.74p – 2.93p

Target: 4.2p

TICKER: POL.L *(AIM)*

Sector: Mining

Share Price Performance



Key Data

Mkt. cap:	*£65.51m*
No. of shares:	*2,339.68m*
12 Month Hi/Lo	*3.73 - 2.295p*
Next results:	*Prelims, March 2013*

Analyst

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Exposure to Gold, Oil, Iron Ore, Coal: Returned 5p to shareholders since 2010, NAV return of 23%

Polo Resources' objective is to deliver attractive returns to investors through a global natural resources and mine development focused portfolio. The company selects, acquires and manages substantial investments in companies and projects with strong value enhancement potential and attractive growth prospects. The most recent published NAV of 3.83p (30 09 2012) disguises a largely unlisted portfolio, which is only re-valued on realisation or on further fund raising. Management has an impressive track record of creating and realising value and have historically returned cash to shareholders following significant realisations. They are also significant shareholders in the company. A discount to NAV of 24% is unwarranted and excludes any of the potential upside of the largely unlisted portfolio. The discount ignores the large cash or near cash of 38% of the portfolio.

The company is well financed, strategically experienced and backed by a core portfolio in the gold, oil & gas, coal and iron ore sectors – large-scale investments include Nimini Holdings Limited, Signet Petroleum Ltd, GCM Resources plc, Ironstone Resources Limited. Polo Resources is well poised to continue its development, to build upon its recent performance and to make further timely investments in a selection of value-adding natural resource opportunities.

Asset Allocation	**£m**	**%**
Listed Investments	6.10	6.89
Unlisted Investments	48.40	55.10
Short-term Investments, Cash and Receivables	33.40	38.01

Executive Co-Chairmen, Stephen Dattels and Neil Herbert internally manage Polo Resources. The Co-Chairmen have shareholdings in Polo Resources of 9.9% and 3.7% respectively.

Stephen Dattels has over 30 years experience in the mining industry and is currently also Chief Executive of AIM listed, West African Minerals Corporation. He was also a key executive during Barrick Gold Corporation's formative years where he helped to grow the company from a capital base of $10m to a market capitalisation of over $2bn when he left in 1987. He then went on to found UraMin Inc, which acquired and developed uranium assets in Africa which he subsequently sold to Areva for cash consideration of c.$2.5bn.

Neil Herbert has worked in the management of mining and exploration companies since 1998, when he joined Antofagasta Plc, having previously worked with Price Waterhouse. He was subsequently Finance Director at UraMin Inc, where he took it from its formation in 2005, through its listing on both AIM and TSX (raising $400m) to its subsequent sale for $2.5bn in 2007.

Polo Resources' Significant Investments

Investment	Description	POLO Holding (%)	Value (£m)	% of NAV
Nimini Holdings Limited	Gold project developer in Sierra Leone with Indicated Resources of 521,000 oz gold at the Komahun Gold Project.	90	21.1	23.98
Signet Petroleum Limited	African oil & gas explorer with substantial concessions across Africa, particularly Tanzania and Namibia.	21.7	16.7	19.01
Ironstone Resources Limited	Canadian resource development company, owner of the Clear Hills Iron Ore/Vanadium Project	15.7	8.0	9.15
GCM Resources plc	Developers of the Phulbari Coal Project, Bangladesh	29.8	6.1	6.89
Equus Petroleum plc	Kazakhstan energy and petroleum company	1.95	2.6	2.96
Total			**54.5**	**61.99**

The Commodity Split

Within the portfolio the exposure is to 4 commodities is as follows:

Commodity	%
Gold	39
Oil & Gas	35
Iron Ore	15
Coal	11
TOTAL	**100**

More Details on the Significant Holdings

Nimini Holdings

- Two high-grade gold projects in Sierra Leone: Nimini Hills East and West and Matotoka
- Flagship Komahun Gold Project has NI 43-101 compliant Indicated Resources of 110,000 ounces gold and Inferred Resources of 435,000 ounces gold (SGS Canada Inc. estimate, 2012)
- Exceptional results obtained from the Q4 2011 diamond drill programme (3,332 metres)
- US$2 million drill programme on-going, targeting 1 million ounce gold resource at Komahun
- Pre-Feasibility Study at Komahun scheduled for completion in Q1 2013
- Plinian Capital appointed to manage and direct exploration, development, administrative and production activities
- Sierra Leone is stable and encourages mine development

Global Indicated and Inferred Resource at the Nimini Project as at 20 February 2012

Indicated Resource

Tonnes Gold (ounces)	Gold Grade (g/t)	Contained Gold (ounces)
3,528,000	4.59	521,000

Inferred Resource

Tonnes Gold (ounces)	Gold Grade (g/t)	Contained Gold (ounces)
2,248,000	3.64	263,000

1. Canadian Institute of Mining (CIM) standards were followed for estimating mineral resource
2. The Qualified Person for the Nimini Mineral Resource estimates is Yann Camus, Eng., from SGS Canada
3. Estimation was based on a total of 239 drill holes and 170 trenches up to 20th February 2012
4. Assay grades were capped at 40 grammes per tonne ("g/t ") and composited to 1.5 m length
5. Block dimensions were 1 m by 5 m by 10 m with grades estimated by inverse distance squared interpolation
6. Variable rock specific gravities were applied based on 6,735 measurements on different rock types
7. Resource is reported at a 1.8 g/t Au cut-off grade

Source: *Polo Resources Website*

Polo announced further drill results at Nimini in September:

Encouraging results from the strike and depth extension drilling programme at Komahun:

- ***5.34 g/t over 2.00 m in NWKD248 from 75 m and 6.06 g/t over 4.00 m in NWKD249 from 66 m. Both of these drillholes are located within or adjacent to the offset Fault Zone to the west of the Komahun Main Zone and jointly suggest a greater extent to the Fault Zone wireframe than currently modelled***
- ***9.70 g/t over 4.40 m in NWKD254 from 196.50 m that suggests strike continuity of the Main Zone at depths greater than currently modelled***

Ground 'truthing' of previously untested targets on the Nimini East and Nimini West Licences underway with trenching and pitting over selected targets to continue into 2013.

Further drill programme of 7,500 metres initiated to test strike extensions of Main Zone with a fourth drill now on site to accelerate the overall programme Nimini granted Environmental Licence and application submitted to the Ministry of Mineral Resources for a large-scale Mining Licence.

Executive Co-Chairman and Managing Director of Polo, Neil Herbert commented:
"Nimini continues to provide outstanding exploration results and has led us to initiate an additional 7,500 metres of drilling that is planned to generate additional resources and add to the value of this project. These results indicate a greater deposit at Komahun than currently modelled and serve to further enhance the value of the project and our investment in Nimini.

"The recent addition of a fourth drill rig at site will accelerate the overall work programme and we look forward to the completion of the Prefeasibility Study early next year."

The above drilling examples are not included in the Canadian Mining Standards Indicated and inferred categories, however the on-going, fully-funded, 20,000 metre in-fill and depth extension drill programme commenced in May 2012. As of 2 September 2012 a total of 15,323 metres had been completed. The remaining drilling is planned to extend the maximum depth of the current resource base by some 150 metres to approximately 650 m below surface.

These additional drill results include high grades, highlighting material widths, and the strike and depth extension present potential high-grade ore body extension and upside to the existing resource.

Exploration update: Matotoka

In the same RNS Polo Resources gave an update on the Matotoka Project:
Nimini has also been advancing its Matotoka exploration project, located in the Kangari Hills Greenstone Belt. All soil

geochemical results from the soil-sampling programme undertaken this year have been received and Nimini has carried out a comprehensive review of this data along with the results of the completed VTEM survey. A set of follow-up targets, for testing with infill soils surveys, trenching, and induced polarisation geophysical surveys, has been developed. This follow up programme will commence by the end of September 2012, for completion by early next year.

Signet Petroleum

Benin

Signet has acquired a 90 per cent shareholding interest in Signet Petroleum Benin, a company that entered into a petroleum contract with the Republic of Benin for the exploration and exploitation of hydrocarbons in offshore Block No. 3 on 15 July 2011. Block No. 3 covers an area of 2,863 square kilometres in the hydrocarbon bearing Dahomey Embayment. Within Block No. 3, there are three major sandstone reservoirs all of which have been penetrated in the Seme field in neighbouring Block No. 1 located to the east. In February 2011, the Brazilian state oil company Petrobras acquired a 50 per cent interest in Block No. 4 located to the south adjacent to Block No. 3 offshore Benin.

Burundi

Signet has acquired rights to an 87.5 per cent shareholding interest in Minergy RE (Rare Earths) Limited, which entered into a petroleum contract with the Republic of Burundi for the exploration of hydrocarbons in Block C in Lake Tanganyika on 21 May 2011. Block C covers an area of 658.1 square kilometres. Lake Tanganyika lies on the western branch of the East African Rift System. The exploration area in Burundi includes the Rusizi and Lake Tanganyika basins and has been divided into four blocks, of which Block C is one. Block A located in the Rusizi basin was awarded in May 2011 to A-Z Petroleum Ltd. The other two blocks, Block B and D, are owned by Surestream Petroleum Limited. In August 2011, Total SA was granted the Lake Tanganyika North Area license following a competitive bid process in which nine companies applied.

Namibia

On 17 June 2011, Signet entered into a petroleum agreement with the Government of the Republic of Namibia in relation to Block 2914B which gave Signet a 75 per cent interest in the block. On 19 August 2011, petroleum exploration licence no. 0039 was issued to Signet and its partners in relation to Block 2914B, which comprises an area of 12,299 square kilometres. Block 2914B is located in the highly prospective Orange Basin to the southwest of the Kudu gas field (estimated proved and prospective reserves of over 6 trillion cubic feet) operated by Tullow Oil plc. Block 2914B is also adjacent to blocks operated by HRT Participações em Petróleo S.A.

Tanzania

Signet holds an 80 per cent shareholding interest in Hydrotanz Ltd (“Hydrotanz”), a company incorporated in Tanzania. Hydrotanz entered into a production sharing agreement with the United Republic of Tanzania and the Tanzania Petroleum Development Corporation pertaining to the North Mnazi Bay on 29 May 2008. North Mnazi Bay is located offshore and covers an area of 252.27 square kilometres. Hydrotanz has recently completed the acquisition of 375 km of 2D seismic and these results will be interpreted with existing data to design a work programme for the block. A joint venture between BG International Limited and Ophir Energy plc has interests in Blocks 1, 3 and 4 offshore southern Tanzania. These blocks cover 20,853 square kilometres in the Ruvuma and Mafia Deep Basins area, located in water depths ranging from approximately 100 metres to 3,000 metres. The results of the recent drilling activity in Blocks 1 and 4 have confirmed the presence of both Tertiary and Cretaceous reservoir systems. All three of the recent wells drilled in Blocks 1 and 4 have encountered gas within Tertiary reservoirs. According to a report prepared by RPS Energy Limited in July 2011, Blocks 1, 3 and 4 had 2,454 bscf of gross mean contingent resources and 5,643 bscf of gross mean risked prospective resources. Block 1 is located to the north adjacent to the North Mnazi Bay block. In the Company’s opinion, the potential further investment in Signet provides a good investment opportunity for Polo. Based on comparable companies in the region, Signet's diverse portfolio of assets has the potential to create significant shareholder value.

GCM Resources plc (AIM: GCM)

GCM has identified a world class coal resource of 572 million tonnes (JORC compliant) near the town of Phulbari in North West Bangladesh. GCM remains ready to move the Phulbari Project forward when the Bangladesh Government approves the project's Scheme of Development.

The mine will produce a mix of high quality thermal coal, low ash metallurgical coal (also known as semi-soft coking coal) and a good quality thermal coal suitable for the domestic industrial market. The coal will be extracted by the open cut mining method using trucks and hydraulic excavators. Substantial initial investment relating to equipment costs, site preparation, box cut development and initial resettlement and other community programmes will take place over a three year period leading to the first commercial coal production. Ramp up to saleable coal production of 15 million tonnes per annum will take a further five years. The mine will have a life of over 30 years. The combination of high quality coal, a large resource, thick seams and low operating costs make Phulbari a world class deposit.

GCM's activities continue to be focused on ensuring the key decision makers have a thorough understanding of modern large scale coal mining and the benefits of the project. GCM management accompanied the Bangladesh Parliamentary Standing Committee on Power, Energy and Mineral Resources on a visit to existing open pit coal mines and coal fired power stations in Germany. The Committee then recommended that the country moves to extraction of its coal reserves using open cut mining methods. GCM and the Government of Bangladesh are continuing discussions in relation to the detail of the Project and its implementation, including the effective management of social and environmental issues. While there is uncertainty as to the timing of approval, GCM is ready to move the Project forward once approval is received.

Ironstone Resources Limited

During December 2010 the Company made a C$8 million investment in Ironstone Resources Limited ("Ironstone"), a private Canadian company which owns the Clear Hills Iron Ore/Vanadium Project ("Clear Hills") in Alberta, Canada. The Clear Hills Project currently has a resource of 203 million tonnes of iron ore at a grade of 33 per cent iron designated under Canadian National Instrument 43-101 (NI 43-101). This resource estimate prepared by SRK Consultants (Vancouver, Cardiff) ("SRK"), was reported on 28 October 2010, and was based upon Ironstone's 2008 drilling programme on the Rambling Creek block of the Clear Hills deposit. Rambling Creek reported 140 million tonnes of indicated resource (33 per cent Iron, 0.21 per cent Vanadium Pentoxide) and 63 million tonnes of inferred resource (33 per cent Fe). SRK notes that the oolitic ironstone at Rambling Creek is laterally very extensive and that the mineral resources presented in the report only represent a small portion of the deposit.

Historic work (pre NI 43-101) in the 1950s estimated a resource of over one billion tonnes of iron ore at Clear Hills, providing a good opportunity for Ironstone to increase its NI 43-101 resource significantly through targeted drilling programmes. To that end, a winter drilling programme on the North Whitemud River block immediately south of Rambling Creek resulted in completion of 144 diamond core holes (12,000 metres total drilling). Close to 4,500 core samples were gathered and underwent analysis at an independent laboratory in Ontario, Canada from June-August 2011. The results of the laboratory analysis have subsequently been provided to SRK Consultants, and a second NI 43-101 report incorporating the information is anticipated in October 2011.

In addition to drilling, Ironstone opened a bulk sample pit in the southeast part of the Rambling Creek block and removed 10,000 tonnes of ore. This ore will be used for process pilot development that is presently ongoing in partnership with Hatch Engineering, a global consultancy with significant experience in pyro-technology. This work will continue into winter 2012 in advance of a pre-feasibility or feasibility study on the Clear Hills project. The project has a significant vanadium by-product component, and laboratory work to evaluate positive gold assays is ongoing, suggesting the potential for additional revenues from those commodities.

Conclusion

Polo Resources has an enviable track record of increasing its NAV, returning cash to shareholders, the major private company shareholdings have not been revalued and given the projects have moved on with further investment gives confidence of further hidden value and upside. With the Investment Managers holding 14% of the company, further confidence that the shareholders interests are aligned with the two mangers. The Company has plenty of cash resources to fund existing projects and to seek new opportunities. **SPECULATIVE BUY**

Strengths and Weaknesses	
Strengths	***Weaknesses***
• *Broad Management experience with a range of experienced non-executives;* • *Plenty of cash resources to fund ongoing investments and potential new investments;* • *Directors interests aligned with shareholders.*	• *Exposed to gold, oil price weakness;* • *The company is invested exploration companies and economic discoveries may not be found;* • *Development of the resources may prove costlier and take longer than estimated.*

Source: *HB Markets*

Recommendations

During the three months to end-October 2012, the number of stocks on which HB Markets has published recommendations was 160, and the recommendations were as follows: Buy - 65; Speculative Buy - 48; Hold - 42; Sell - 5.

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