

1 July 2004

The Daily Blast

News

- Trans-Siberian Gold has announced a strategic deal with AngloGold Ashanti.
- AngloGold Ashanti plans to take a 29.9% stake in Trans-Siberian Gold for £17.6m.
- It will also have a back-in right for 51% of any new Russian project brought into Trans-Siberian.

Analysis

- The capital raising effectively ensures Trans-Siberian's ability to put its two projects into production.
- This should see its valuation basis move from one of an explorer to a producer.
- As such, we think that the 3Moz of adjusted resources will be valued closer to US\$50/oz.

Action

- We have taken the view that Trans-Siberian would be able to put its mines into production...
- ...and that this would lead to a re-rating of the stock as the process neared completion.
- With AngloGold backing the stock we reiterate our Buy recommendation with a 200p target price.

Metals							
Aluminium (Cash, US\$/t)	1,698	-10	Copper (Cash)	2,664	-12	Nickel (Cash)	14,985 190
Aluminium (3 mth, US\$/t)	1,704	-5	Copper (3 month)	2,617	-12	Nickel (3 month)	14,758 120
Contango (US\$/t)	6		Backwardation (US\$/t)	47		Backwardation (US\$/t)	228
Lead (Cash, US\$/t)	867	-19	Tin (Cash, US\$/t)	8,938	-150	Zinc (Cash, US\$/t)	967 -2
Lead (3 month, US\$/t)	818	-2	Tin (3 month, US\$/t)	8,698	-15	Zinc (3 month, US\$/t)	988 1
Backwardation (US\$/t)	49		Backwardation (US\$/t)	240		Contango (US\$/t)	21
Gold (US\$/oz)	395	1	Silver (US\$/oz)	5.91	0.02	Moly Oxide (US\$/lb)	15.75 0
Platinum (US\$/oz)	793	13	Palladium (US\$/oz)	217	-3	Rhodium (US\$/oz)	915 0

Currencies							
EUR/US\$	1.22	0.01	A\$/US\$	0.70	0.01	CHF/US\$	1.25 -0.02
£/US\$	1.81	0.01	US\$/C\$	1.33	-0.01	US\$/RUB	29.03 0.00
US\$/JPY	109	0.57	US\$/ZAR	6.15	-0.10	US\$/CLP	636 -1

Equities							
Anglo American (LSE, p)	1128	-10	Anglo Platinum (US\$)	38.24	0.78	Avocet	63 -2
Anglo American (JSE, p)	1140	-5	Aquarius Platinum (p)	218	1	Bema Gold (LSE)	149 1
London Discount	1.1%		Impala Platinum (US\$)	76.64	4.45	Bema Gold (TSE in p)	151 1
BHP Billiton (LSE, p)	479	-1	Lonmin (p)	992	-3	London Discount	1.0%
BHP Billiton (ASX, p)	482	9				Celtic Resources	399 9
London Discount	0.8%		Antofagasta (p)	941	-11	Highland Gold	229 1
Rio Tinto (LSE, p)	1326	5	First Quantum (p)	575	-3	Oxus Minerals	62 -1
Rio Tinto (ASX, p)	1384	11	Monterrico Metals (p)	396	-2	Peter Hambro Mining	416 0
London Discount	4.2%					Trans-Siberian Gold	138 1
Vedanta (p)	288	3	UK Coal (p)	156	-4	Yamana Res. (LSE)	116 2
Xstrata (p)	737	5				Yamana Res. (TSE in p)	117 2
Xstrata (Zurich, p)	734	9				London Discount	1.2%
London Premium	0.3%						

Source: Seymour Pierce Limited

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Trans-Siberian Gold

Metals and Mining

BUY

138p

AIM TSG

Major major

- Trans-Siberian Gold has announced a transaction with AngloGold Ashanti which will give AngloGold Ashanti a 29.9% stake in the company for a payment of £17.6m (US\$31.8m).

- The payment is phased in two stages – 6.13m shares at 136.95p (£8.4m) and 6.13m shares at 149.4p (£9.2m). The first tranche will be subscribed following the approval of all transactions at Trans-Siberian's AGM, which is scheduled to take place on 27 July.

- The second tranche will be subscribed coincident with the signing of the loan agreement with Standard Bank on the financing of the Asacha Rodnikova mine in Kamchatka. This is expected to be completed prior to the end of 2004 – and more particularly following the completion of due diligence by Standard Bank, which is expected to occur around the end of September.

- While Trans-Siberian will retain control of its existing operations (and interestingly for a company operating in the region it owns 100% of both projects) AngloGold Ashanti will have a back-in right to acquire 51% of any new projects acquired by Trans-Siberian. This is a two-way benefit as, without the support of AngloGold Ashanti, there would have been little possibility of Trans-Siberian being able to acquire any other projects.

- Two further factors increase our confidence in Trans-Siberian's ability to push ahead with the development of the two mine development projects. This is the appointment of two AngloGold Ashanti directors to the Trans-Siberian board and the technical support that AngloGold Ashanti will provide.

- AngloGold Ashanti is effectively valuing Trans-Siberian at £58.9m or 144p/share post both share issues. At this level the gold in the ground is valued at close to US\$36/oz (using our adjustment factors) or US\$25.50/oz on an unadjusted basis. We consider our adjusted valuation should increase to around US\$50/oz as the mines are brought into production and this would value the shares at around 200p (previously 250p).

- While the transaction has led to a 20% reduction in our target price for the company it reduces the overall level of risk associated with putting the mines into production. It also opens the possibility of AngloGold Ashanti launching a takeover for Trans-Siberian at some stage in the future (although it clearly restricts other potential purchasers – Barrick had been rumoured as having some interest in the stock).

- We were sceptical about Highland Gold's similar deal with Barrick but see the clear potential here for Trans-Siberian and, hence, reiterate our Buy recommendation.

No of shares (m)*	28.6
Market cap (£m)	39.5
Net cash (£m)	6.6
Enterprise value (£m)	32.9

*pre-transaction

(%)	1m	3m	12m
FTA relative:	9.6	17.3	N/A

12 Month's high/low (p) 159.5/110.0

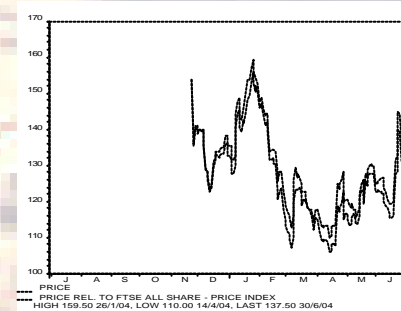
Next news:
AGM 27 July

Business:

Trans-Siberian Gold is a gold development company which is operating in Russia. It has two projects which should both enter production by the middle of 2006.

www.trans-siberiangold.com

Trans-Siberian Gold



Source : Datastream

Earnings estimates

Anglo American		Price (p): 1128		Market Cap (US\$m): 28,864		Recommendation: Buy					
Y/E 31/12 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 31/12	2001	2002	2003	2004e	2005e
Revenues	14,786	15,145	18,637	20,812	20,961	Net Debt	2,018	5,578	5,187	3,127	2,322
EBITDA	4,409	4,526	4,360	6,129	6,190	Capital Employed	18,675	27,039	27,548	27,585	28,498
EBIT	3,298	3,332	2,892	4,668	4,811	EV/EBITDA	7.0	7.6	7.8	5.2	5.0
Pre-tax	5,063	3,136	2,769	4,965	4,833	ROCE	9.0%	6.5%	6.1%	9.5%	9.7%
Net Attributable	3,085	1,563	1,490	2,926	2,592	PER	17.9	16.4	17.1	11.0	10.5
Normalised	1,681	1,759	1,688	2,627	2,757	Yield	2.4%	2.5%	2.6%	3.9%	4.1%
EPS (US cents)	114	125	120	186	195	Net Debt/Equity	14.0%	30.0%	26.7%	14.5%	10.0%
DPS (US cents)	49	51	54	79	83	Interest Cover	14.5	14.6	10.3	19.2	131.5

Antofagasta		Price (p): 941		Market Cap (US\$m): 3,363		Recommendation: Outperform					
Y/E 31/12 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 31/12	2001	2002	2003	2004e	2005e
Revenues	770	863	1,076	1,466	1,263	Net Debt	809	713	662	222	-67
EBITDA	282	350	524	915	709	Capital Employed	2,138	2,083	2,068	2,060	1,973
EBIT	165	217	389	768	573	EV/EBITDA	14.8	11.7	7.7	3.9	4.6
Pre-tax	114	177	357	718	548	ROCE	2.8%	4.6%	8.7%	18.1%	15.0%
Net Attributable	62	97	181	374	296	PER	56.9	34.8	18.6	9.0	11.4
Normalised	59	97	181	374	296	Yield	1.9%	1.6%	2.1%	2.3%	2.9%
EPS (US cents)	30	49	92	189	150	Net Debt/Equity	65.5%	55.9%	53.0%	14.1%	-3.7%
DPS (US cents)	32	28	35	40	50	Interest Cover	3.0	5.4	13.8	16.3	25.5

BHP Billiton		Price (p): 479		Market Cap (US\$m): 53,844		Recommendation: Hold					
Y/E 30/6 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 30/6	2001	2002	2003	2004e	2005e
Revenues	17,789	15,906	15,608	20,265	21,701	Net Debt	7,320	7,275	6,333	4,395	2,083
EBITDA	5,299	4,907	5,129	7,141	7,489	Capital Employed	23,059	24,611	23,642	24,251	24,691
EBIT	3,627	3,180	3,412	5,435	5,895	EV/EBITDA	11.5	12.5	11.7	8.2	7.5
Pre-tax	1,967	2,547	3,065	5,210	5,689	ROCE	11.5%	6.9%	8.7%	14.3%	15.7%
Net Attributable	1,582	1,690	1,901	3,539	3,868	PER	19.4	31.0	26.1	15.6	13.9
Normalised	2,659	1,690	2,060	3,461	3,868	Yield	1.4%	1.5%	1.7%	1.8%	2.1%
EPS (US cents)	45	28	33	56	62	Net Debt/Equity	62.5%	57.4%	51.4%	29.5%	11.8%
DPS (US cents)	12	13	15	16	18	Interest Cover	4.1	4.5	6.6	10.4	9.5

Lonmin		Price (p): 992		Market Cap (US\$m): 2,540		Recommendation: Buy					
Y/E 30/9 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 30/9	2001	2002	2003	2004e	2005e
Revenues	866	697	779	950	1059	Net Debt	-526	158	191	-176	-287
EBITDA	541	372	344	389	574	Capital Employed	869	869	869	869	869
EBIT	490	331	297	342	519	EV/EBITDA	3.7	7.3	7.9	6.1	3.9
Pre-tax	250	184	166	165	242	ROCE	31.5%	17.3%	14.2%	17.6%	29.2%
Net Attributable	274	185	74	153	254	PER	11.7	18.3	20.6	16.6	10.0
Normalised	274	150	123	153	254	Yield	3.6%	4.0%	4.0%	4.0%	4.0%
EPS (US cents)	154	99	87	108	180	Net Debt/Equity	-42.2%	18.0%	22.2%	-19.0%	-26.2%
DPS (US cents)	64	72	72	72	72	Interest Cover	14.8	331.0	-10.6	-17.9	29.5

Rio Tinto		Price (p): 1326		Market Cap (US\$m): 33,185		Recommendation: Hold					
Y/E 31/12 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 31/12	2001	2002	2003	2004e	2005e
Revenues	8,152	8,443	9,228	10,343	10,873	Net Debt	5,711	5,443	5,418	4,205	3,165
EBITDA	3,206	2,863	2,502	3,966	3,952	Capital Employed	20,313	21,121	24,677	25,004	25,512
EBIT	3,102	2,696	2,266	3,626	3,695	EV/EBITDA	12.1	13.5	15.4	9.4	9.2
Pre-tax	1,983	1,311	2,094	3,439	3,485	ROCE	8.6%	7.7%	5.9%	9.7%	9.9%
Net Attributable	1,079	651	1,508	2,401	2,444	PER	19.0	20.4	22.7	13.7	13.1
Normalised	1,743	1,620	1,463	2,421	2,532	Yield	2.5%	2.5%	2.7%	2.8%	2.9%
EPS (US cents)	127	118	106	175	183	Net Debt/Equity	72.6%	66.1%	49.1%	33.4%	22.4%
DPS (US cents)	59	60	64	68	70	Interest Cover	7.7	9.3	7.6	13.8	17.5

UK Coal		Price (p): 156		Market Cap (£m): 227.0		Recommendation: Buy					
Y/E 31/12 (£m)	2001	2002	2003	2004e	2005e	Y/E 31/12	2001	2002	2003	2004e	2005e
Revenues	662.5	596.6	563.9	448.5	454.2	Net Debt	1.9	53.6	29.7	24.1	12.4
EBITDA	31.7	66.8	41.2	40.7	88.0	Capital Employed	523.4	479.8	420.3	389.4	388.0
EBIT	-21.5	-77.4	5.7	23.3	55.1	EV/EBITDA	7.2	4.2	6.2	6.2	2.7
Pre-tax	-26.5	-83.1	-1.2	17.6	50.3	ROCE	-4.3%	1.4%	-0.1%	1.3%	9.3%
Net Attributable	-18.3	-81.7	4.0	15.6	36.2	PER	-10.1	33.9	-531.6	46.0	6.3
Normalised	-22.4	6.7	-0.4	4.9	36.2	Yield	6.4%	6.4%	6.4%	6.4%	6.4%
EPS (p)	-15.4	4.6	-0.3	3.4	24.8	Net Debt/Equity	-16.9%	-3.1%	-13.1%	-15.6%	-19.0%
DPS (p)	10.0	10.0	10.0	10.0	10.0	Interest Cover	-5.5	2.1	-0.9	2.2	11.6

Xstrata		Price (p): 737		Market Cap (US\$m): 8,399		Recommendation: Buy					
Y/E 31/12 (US\$m)	2001	2002	2003	2004e	2005e	Y/E 31/12	2001	2002	2003	2004e	2005e
Revenues	614	1,809	3,482	6,115	5,872	Net Debt	457	574	2,275	2,133	1,224
EBITDA	139	410	692	1,458	1,770	Capital Employed	998	4,395	7,679	8,068	7,957
EBIT	56	215	426	933	1,231	EV/EBITDA	63.7	21.9	15.4	7.2	5.4
Pre-tax	24	178	354	797	1,106	ROCE	5.7%	4.4%	2.1%	7.8%	11.0%
Net Attributable	11	142	277	628	872	PER	13.6	22.9	36.3	13.4	9.6
Normalised	57	193	162	628	872	Yield	0.0%	1.5%	1.5%	1.9%	1.9%
EPS (US cents)	98	58	37	100	139	Net Debt/Equity	88.1%	15.4%	43.7%	27.9%	14.5%
DPS (US cents)	0	20	20	25	25	Interest Cover	2.6	5.7	5.5	6.8	9.8

Source: Companies (historic), Seymour Pierce Limited (estimates)

Events ahead

Date	Company	Event	Comment
2004			
July			
2	VANE	Lunch presentation	Seymour Pierce Offices – please let us know
7	Alcoa	Q2 and H1 results	
21	Avocet	2004 Results	March year end
22	DBI	Interim results	
23	Las Bambas	Auction	Set to take place in Peru
27	AngloPlatinum	Interim results	
29	Alcoa	Analyst workshop	Contact Alcoa for conference call details
29	AngloGold Ashanti	Q2 results	
29	BHP Billiton	June qtr production	
29	Gold Fields	2004 results	June year end
29	Rio Tinto	H1 results	
end	Vedanta	AGM	
August			
2	Harmony	2004 results	June year end
5	Anglo American	Interim results	
5	Durban Deeps	2004 results	June year end
12	Xstrata	Interim results	
18	BHP Billiton	2004 results	June year end
23-25	East African Mining	Nairobi Conference	Spintelligent
26	Impala Platinum	2004 results	June year end
September			
7	Minesite	17 th Forum	
October			
6	Alcoa	Q3 results	
6	Australian Mining	London Conference	Omega Intl Business Conferencing
8	African Mining	Zurich Conference	Omega Intl Business Conferencing
21	Alcoa	Analyst workshop	Contact Alcoa for conference call details
21	BHP Billiton	Sep qtr production	
25	Harmony Gold	Q1 results	
28	Durban Deeps	Q1 results	
end	Vedanta	Interim results	
November			
9	Minesite	18 th Forum	
0-2 Dec	Mines and Money	London Conference	Mining Communications

Source: Companies, Seymour Pierce Limited

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