

# Moto Goldmines Limited (MGL-T, \$5.15)

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**Investment Brief** – The Company’s principal asset is a majority interest in the Moto Gold Project in the northeastern Democratic Republic of Congo, where exploration has outlined an 18 million-ounce gold resource in 2 years. Moto Goldmines is expected to complete a feasibility study by Q3/07 based on a 2.8 million ounce open pit reserve.

**Rating**      **SECTOR OUTPERFORM**  
**Target Price**      **\$8.65**  
**Risk Profile**      **SPECULATIVE**

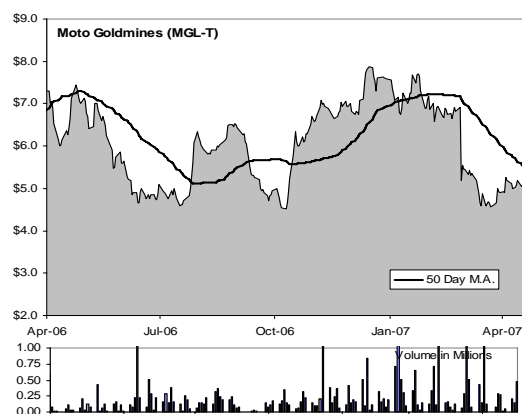
**Forecast Risk**      **Moderate**  
**Financial Risk**      **High**  
**Valuation Risk**      **High**  
**Political Risk**      **High**

Return (Incl. Dist'n)      68%  
Market Capitalization      \$318.8 million  
Daily Volume      393,930  
Estimated Treasury      US\$46 million  
Managing Director      Klaus Eckhof

Financial Summary						
Year-end Dec 31	2006A	2007E	2008E	2009E	2010E	2011E
Ave. Shares Outstanding, M	61.9	65.1	78.2	78.2	78.7	82.9
EPS	(0.16)	(0.22)	(0.11)	(0.21)	0.64	0.67
P/E	-	-	-	-	7x	7x
Target Price/EPS	-	-	-	-	12x	11x
CFFOPS	(0.05)	(0.01)	(0.06)	(0.17)	1.14	1.12
P/CFFOPS	-	-	-	-	4x	4x
Target Price/CFFOPS	-	-	-	-	7x	7x

Production Estimates						
	2010E	2011E	2012E	2013E	2014E	2015E
Gold Production	000 oz	290	308	305	414	620
Attributable to Moto	000 oz	177	188	186	253	378
Total Cash Costs	US\$/oz	\$ 224	\$ 239	\$ 242	\$ 225	\$ 226
Total Production Costs	US\$/oz	\$ 350	\$ 358	\$ 355	\$ 328	\$ 279

## Price Performance



Source: Bloomberg

## Industry & Company Profile

Mining – Moto Goldmines is an Australian-based exploration company, domiciled on the Toronto Stock Exchange (TSX). The Company is advancing the Moto Gold Project in the DRC towards feasibility in Q3/07.

## Revisions, Date of Record

Rating – SECTOR OUTPERFORM (SPECULATIVE), initiated November 9, 2005  
Target – Unchanged

## Management Holdings

8%

## Company Web Site

[www.motogoldmines.com](http://www.motogoldmines.com)

## Making A Call – Accepting Calculated Risk

### ▪ Catalysts emerging for positive revaluation

We believe several positive catalysts are developing on the horizon that could renew investor confidence in Moto Goldmines Limited ownership of the Moto Gold project in the northeastern DRC. Concern emerged late January when Victor Kasongo, CEO of OKIMO, the state run mining company and Moto’s joint venture partner intimated that Moto had failed to fulfill its responsibilities under the technical assistance agreement. Kasongo, now the Deputy Mines Minister, set a 90-day window for Moto to fulfill its obligations or risk losing the project. The news spooked investors, precipitating an eventual +50% decline from the \$7.50-range to current levels.

- Despite Kasongo’s claims, we are confident that Moto has demonstrated compliance with the original licensing agreements and has provided additional considerations to OKIMO in the new licence agreement announced mid-Q4/06. **Our view is that the 90-day deadline, set to expire mid-next week, is likely to pass without repercussion, leading investors to re-consider Moto’s current risk premium.**
- **Moto’s Chairman Increases the Heat** – In response to Kasongo’s comments, Moto’s Chairman Sir Sam Jonah announced plans to increase his efforts to clarify the Company’s ownership in the Moto Gold project. **While questions of ownership could linger, we view Jonah’s presence at the negotiating table as a positive catalyst that will provide a more constructive path for resolution and could lead to a condensed time frame for signing of the new licensing agreement.**

### ▪ Inexpensive valuation supports investment thesis

On an enterprise value per ounce of gold in resource basis, Moto trades at US\$22 per ounce, representing a 37% discount to comparable in-country peer Banro Corp. (US\$35 per ounce). Moto is trading at 0.6x our project NAV<sub>9%</sub>, representing a 35% discount to peers in our coverage universe (average 0.9x NAV<sub>3%to7%</sub>). **The two metrics imply share price appreciation in the range of 50% to the \$7.50-range with removal of the current risk premium.**

**Valuation** – Our 12-month target price of \$8.65 per share is based on a 1.0x base-case project NAV<sub>9%</sub> of US\$459 million or US\$5.47 per share. Moto trades at 0.6x project NAV<sub>9%</sub>, while peers in our coverage universe trade between 0.5x and 1.6 (average of 0.9x) project NAV<sub>3%to7%</sub>.

**Catalysts** – Signing of the new licensing agreement, and release of a resource estimate and bankable feasibility study in Q3/07. **With resolution of ownership, we expect Moto to revive take over interest and see another participant emerging in West Africa.**

*Please see rating structure, important disclosures, risk profile parameters, disclaimers, and notes on pages 9-12 of this report.*

<b>Moto Goldmines Limited</b>				<b>C\$ 5.15</b>	
<b>Recommendation</b>	<b>SECTOR OUTPERFORM</b>	<b>Target US\$</b>	<b>7.59</b>	<b>Shares O/S, M</b>	<b>61.9</b>
<b>Risk Profile</b>	<b>Speculative</b>	<b>Target C\$</b>	<b>8.65</b>	<b>Float, M</b>	<b>44.0</b>
		<b>12-Month Return</b>	<b>68%</b>	<b>Market Capitalization, C\$M</b>	<b>\$ 319</b>

In US\$ unless otherwise stated

Current C\$/US\$ FX 1.14

Capital Structure	Ave. Strike Price C\$/share	Maturity Date	Shares Millions
Shares Outstanding			61.9
Options	\$0.66 to \$3.15	May 06 to Aug 07	7.2
Warrants	\$1.51 to \$7.65	May 07 to May 10	3.7
Fully Diluted Shares			72.8

Ownership	Shares O/S, M	% O/S	Shares F/D, M	% F/D
Management	5.0	8.0%	10.9	15.0%
Institutions	13.0	21.0%	14.1	19.4%

Net Asset Value, US\$ Per Shares <sup>1</sup>	7% NAV		9% NAV		11% NAV	
	\$M	\$/share	\$M	\$/share	\$M	\$/share
<b>Project NAV<sub>9%</sub></b>						
Moto Base Case	157.1736	1.88	128.0	1.53	103.0	1.23
Moto Upside	427.4	5.12	328.2	3.93	254.6	3.05
Multiple	1.0x					
Project NAV	584.6	7.01	456.2	5.47	357.5	4.29
Exploration Potential	135.0	1.62	135.0	1.62	135.0	1.62
Est. cash at Dec. 31, 2007	41.4	0.50	41.4	0.50	41.4	0.50
ITM Cash	24.0	0.29	21.1	0.29	18.5	0.29
Debt	-	-	-	-	-	-
Corp. Adjustments <sup>2</sup>	(23.5)	(0.28)	(22.5)	(0.28)	(21.5)	(0.28)
<b>Corporate NAV</b>	<b>761.4</b>	<b>9.13</b>	<b>631.2</b>	<b>7.59</b>	<b>530.8</b>	<b>6.41</b>
<b>Corporate NAV, C\$</b>	<b>868.0</b>	<b>10.40</b>	<b>719.5</b>	<b>8.65</b>	<b>605.2</b>	<b>7.30</b>
Share Price/Project NAV <sub>9%</sub>						0.6x

Assumptions	2006A	2007E	2008E	2009E	2010E	2011E
Gold, US\$/oz	\$ 605	\$ 700	\$ 650	\$ 600	\$ 600	\$ 600
US\$/C\$ FX	1.13	1.14	1.15	1.17	1.19	1.22

Resources	Interest	Reserves	Indicated	Inferred
Zone	%	000 oz	000 oz	000 oz
Pakaka	-	803	611	-
Gorumbwa	-	-	-	1,374
Kibali	-	-	-	1,173
Mengu Hill	-	489	210	12
Mengu Village	-	-	76	-
Karagba/Chauffeur	-	1,167	1,763	8,675
Durba	-	-	-	376
Megi	-	-	-	270
Marakeke	-	-	-	133
Kombokolo	-	105	61	-
Sessenge	-	69	471	58
Ndala	-	-	-	33
Pamao	-	171	166	260
Project Total	100.0%	2,804	3,358	12,364
Moto's Interest	60%	1,682	2,015	7,418

Resources Modelled	Interest	Tonnes	Grade	Gold (000 oz)	
	ave. %	(000)	g/t	Total	Moto
Moto	60.0%	70,850	6.32	11,831	7,098

Production Estimates		2010E	2011E	2012E	2013E	2014E
<b>Moto (60% Interest)</b>						
Tonnes Milled, per annum	000 tonnes	3,000	3,000	3,000	3,000	4,500
Average Milling Rate, per day	tonnes	8,333	8,333	8,333	8,333	12,500
Gold Production	000 oz	290	308	305	414	620
Attributable to Moto	000 oz	177	188	186	253	378
Total Cash Costs	US\$/oz	\$ 224	\$ 239	\$ 242	\$ 225	\$ 226
Total Production Costs	US\$/oz	\$ 350	\$ 358	\$ 355	\$ 328	\$ 279

1. Assumes share capital after project financing; current 72.8 million P.D. + 13.1 million shares for project equity issue.

2. Corporate Adjustments = cash + cash from dilution + other assets - debt.

Financial Summary	2006A	2007E	2008E	2009E	2010E	2011E
Year-end Dec 31						
Ave. Shares Outstanding, M	61.9	65.1	78.2	78.2	78.7	82.9
EPS	(0.16)	(0.22)	(0.11)	(0.21)	0.64	0.67
P/E	-	-	-	-	7x	7x
Target Price/EPS	-	-	-	-	12x	11x
CFFOPS	(0.05)	(0.01)	(0.06)	(0.17)	1.14	1.12
P/CFFOPS	-	-	-	-	4x	4x
Target Price/CFFOPS	-	-	-	-	7x	7x

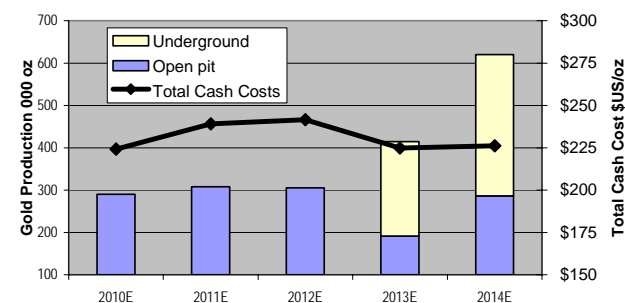
Income Statement	2006A	2007E	2008E	2009E	2010E	2011E
Revenue, \$M	2.1	0.8	2.1	0.0	174.2	185.1
Operating Expenses, \$M	0.0	0.0	0.0	0.0	(60.7)	(68.9)
Exploration Expenses, \$M	0.0	(13.5)	(3.5)	(3.5)	(2.5)	(1.5)
General & Admin, \$M	(10.5)	(1.5)	(3.0)	(3.0)	(4.5)	(4.9)
Other, \$M	(1.8)	(0.4)	(3.9)	0.0	(0.2)	(0.5)
EBITDA, \$M	(10.1)	(14.6)	(8.3)	(6.5)	106.3	109.3
Depreciation, \$M	0.0	0.0	0.0	0.0	(36.5)	(36.5)
EBIT, \$M	(10.1)	(14.6)	(8.3)	(6.5)	69.7	72.8
Interest, \$M	0.0	0.0	0.0	(10.2)	(8.5)	(6.6)
Minority Interest, \$M	0.0	0.0	0.0	0.0	(10.9)	(11.1)
EBT, \$M	(10.1)	(14.6)	(8.3)	(16.7)	50.4	55.1
Tax, \$M	0.0	0.0	0.0	0.0	0.0	0.0
Net Income \$M	(10.1)	(14.6)	(8.3)	(16.7)	50.4	55.1

Balance Sheet	2006A	2007E	2008E	2009E	2010E	2011E
Cash & Equivalents, \$M	46.9	41.4	106.1	(84.0)	(31.3)	25.9
Working Capital, \$M	32.9	9.2	(44.6)	(205.1)	(110.4)	(23.2)
Long-term Debt, \$M	0.0	0.0	146.3	120.8	93.6	64.5
Shareholder Equity, \$M	117.9	98.7	264.3	190.0	174.1	220.1

Cash Flow	2006A	2007E	2008E	2009E	2010E	2011E
Op. CF (before W/C), \$M	(3.2)	(0.4)	(4.8)	(13.2)	89.4	93.1
Financing CF, \$M	50.1	8.4	221.1	(25.4)	(24.1)	(19.4)
Investing CF, \$M	(18.5)	(13.5)	(151.5)	(151.5)	(12.5)	(16.5)
Change in Cash, \$M	28.5	(5.5)	64.8	(190.2)	52.8	57.2

Comparables	Share Price	Shares M	EV US\$ M	Gold eq. <sup>4</sup> M oz Reserve	EV/oz Resource	EV/oz Gold eq. <sup>4</sup>
AXM-V	0.88	203.1	150.9	1.0	2.0	50
BAA-T	12.23	39.8	368.9	0.0	10.6	35
GLD-V	1.15	57.0	49.5	0.6	0.9	32
MDN-T	1.59	78.9	128.8	0.2	0.5	185
OZN-T	2.50	133.0	271.4	0.0	1.4	199
RBI-T	5.60	97.8	489.6	1.0	1.1	233
Group Average						122
MGL-T	5.15	61.9	238.4		11.117	21

### Moto Modelled Production



3. Indicated Resources are exclusive of reserves

4. Gold eq. Calculated using US\$600/oz gold and US\$9.50/oz silver

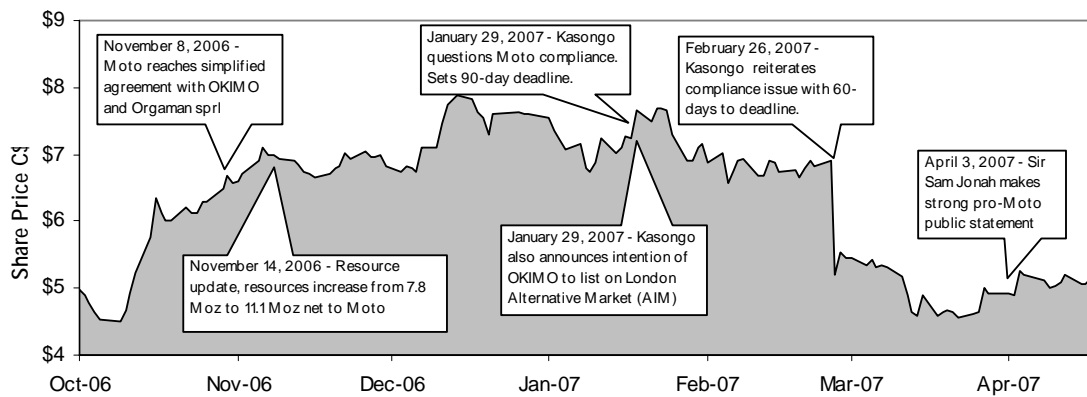
Source: Haywood Securities

**Investment Thesis**

Moto Goldmines Limited is an Australian-based exploration company focused on developing the world-class Moto Gold Project in the Democratic Republic of Congo (DRC) in central Africa. With historic production of 3 million ounces, a resource base of 18 million ounces, and growth contained within an “orogenic” gold setting known for size potential, the Moto Gold Project is rapidly developing into a world-class gold camp for which the prospects of outlining additional resources remain high. Moto Goldmines is expected to complete a feasibility study by Q3/07 based on a 2.8 million ounce open pit reserve.

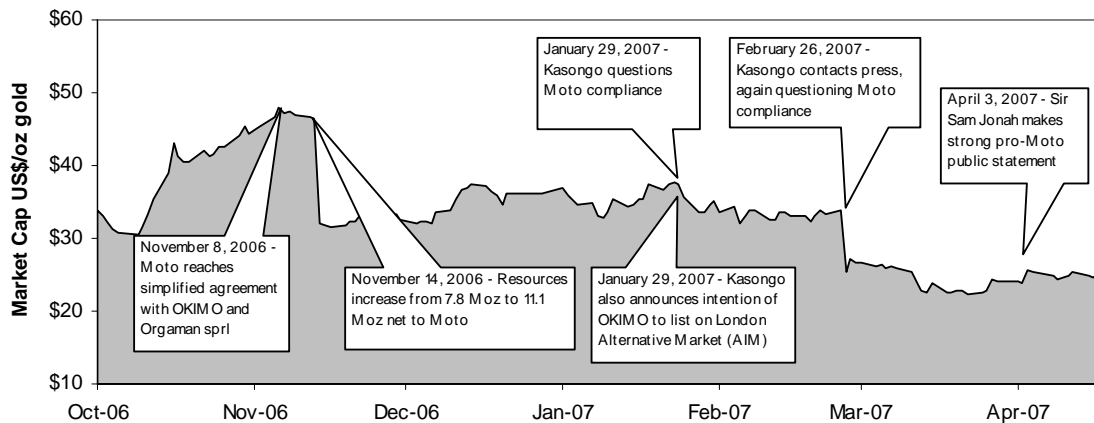
Below we summarize key events since Q4/06, beginning with the announcement of the new license agreement on November 8, 2006 between Moto and partners OKIMO, the State-owned mining company, and Orgaman sprl, a privately owned Congolese company. To appreciate the depth of the correction and the current risk premium applied to Moto, we include an annotated share price chart along with a chart of Moto market capitalization per resource ounce.

**Annotated Moto Share Price Chart**



Source: Bloomberg, Moto Goldmines

**Market Capitalization/Resource ounce net to Moto**



Source: Bloomberg, Moto Goldmines

Near-term milestones providing catalysts for further share appreciation:

- Ownership clarity through the signing of the new licensing agreement
- Completion of a feasibility study in Q3/07

We see the successful completion of project milestones as key to solidifying the underlying potential of the Moto Gold Project and thus progressively reducing project risk, triggering a review by major companies seeking a world-class asset.

## **Making A Call – Accepting Calculated Risk**

We believe several positive catalysts are developing on the horizon that could renew investor confidence in Moto ownership of the Moto Gold project in the northeastern Congo. Concern emerged late January when Victor Kasongo, CEO of OKIMO, the state run mining company and Moto's joint venture partner intimated that Moto had failed to fulfill its responsibilities under the technical assistance agreement. Kasongo, now the Deputy Mines Minister, set a 90-day window for Moto to fulfill its obligations or risk losing the project.

- Our view is that the 90-day deadline, set to expire mid-next week, is likely to pass without repercussion, leading investors to re-consider Moto's current risk premium.
- While questions of ownership could linger, we view Jonah's presence at the negotiating table as a positive catalyst that will provide a more constructive path for resolution and could lead to a condensed time frame for signing of the new licensing agreement.

Moto's current valuation reflects a substantial discount both on an EV/oz of gold and project NAVPS to the African peer group. The two metrics imply share price appreciation in the range of 50% to the \$7.50-range with removal of the current risk premium. With resolution of ownership, we expect Moto to revive take over interest and see another participant emerging in West Africa. **We reiterate our SECTOR OUTPERFORM rating with a SPECULATIVE risk profile and \$8.65 target price for Moto Goldmines Limited (MGL-T).**

## **Valuation**

Our 12-month target price of \$8.65 per share is based on a 1.0x base-case project NAV<sub>9%</sub> of US\$459 million or US\$5.47 per share. Our project NAV<sub>9%</sub> incorporates US\$130.4 million or US\$1.55 per share on a fully project-financed basis, reflecting results of the Moto Gold Project prefeasibility and US\$328.2 million or US\$3.91 per share derived from an expanded production scenario used in our valuation. We also factor in US\$135 million or US\$1.61 per share in exploration potential to derive our valuation and target price. We derive 13.1 million shares of project equity based on a \$92 million equity financing for Moto Gold Project development at an issue price of \$7.00 per share.

**Moto Corporate NAV**

Net Asset Value, US\$ Per Shares <sup>1</sup>	7% NAV		9% NAV		11% NAV	
	\$M	\$/share	\$M	\$/share	\$M	\$/share
<b>Project NAV<sub>9%</sub></b>						
Moto Base Case	157.1736	1.88	128.0	1.53	103.0	1.23
Moto Upside	427.4	5.12	328.2	3.93	254.6	3.05
Multiple	1.0x					
Project NAV	584.6	7.01	456.2	5.47	357.5	4.29
Exploration Potential	135.0	1.62	135.0	1.62	135.0	1.62
Est. cash at Dec. 31, 2007	41.4	0.50	41.4	0.50	41.4	0.50
ITM Cash	24.0	0.29	21.1	0.29	18.5	0.29
Debt	-	-	-	-	-	-
Corp. Adjustments <sup>2</sup>	(23.5)	(0.28)	(22.5)	(0.28)	(21.5)	(0.28)
<b>Corporate NAV</b>	761.4	9.13	631.2	7.59	530.8	6.41
<b>Corporate NAV, C\$</b>	868.0	10.40	719.5	8.65	605.2	7.30
Share Price/Project NAV <sub>9%</sub>						0.6x

1. Assumes share capital after project financing: current 72.8 million P/D + 13.1 million shares for project equity issue.

2. Corporate Adjustments = cash + cash from dilution + other assets - debt.

Source: Haywood Securities

**Recent Events Related to the Dispute**

Below we summarize key events since Q4/06, beginning with the announcement of the new license agreement on November 8, 2006 between Moto and partners OKIMO, the State-owned mining company, and Orgaman sprl, a privately owned Congolese company.

**Simplified Moto Gold Project Agreement** – November 8, 2006, Moto and partners OKIMO, the State-owned mining company, and Orgaman sprl, a privately owned Congolese company entered into a simplified contractual agreement regarding the ownership, development, and production of the Moto Gold Project in the DRC. The agreement simplified ownership under a single agreement rather than the previous seven leasing agreements and one contract of technical and financial assistance. Through the deal, Moto solidified a 60% interest, with OKIMO retaining a non-dilutable 30%, and Orgaman retaining a 10% interest. Key aspects of the deal include:

- Under the terms of the prior agreement, Moto was involved in a joint venture through a wholly owned subsidiary with Orgaman sprl, a private DRC company, through seven local operating companies that had signed seven separate leasing agreements and one contract of technical and financial assistance with OKIMO, the state-owned registered owner of the land comprising the Moto Gold property. Through those leasing agreements, Moto was earning a 60% to 68.5% interest in the mineral rights that cover 5,300 square kilometres from OKIMO by funding exploration through to completion of a bankable feasibility study.

- Moto agreed to a US\$5 million payment and rent of US\$350,000 per month until the commencement of commercial production payable to OKIMO.
- Moto also agreed to purchase the US\$21 million debt owed by OKIMO to Orgaman for terms to be negotiated in a future three-way agreement between the parties. While terms have yet to be finalized, we suspect debt obligations will be transferred into the future operating company, thereby reducing the net impact to Moto.
- As part of the agreement, the size of the joint venture had been reduced to approximately 2,350 square kilometres (previous leasing agreements covered approximately 5,300 square kilometres). The decrease in the joint venture affected the extreme eastern and western areas previously held by Moto. **We viewed changes to the size of the joint venture area as immaterial, as the new joint-venture area includes an adequate buffer around the core mineralized areas that host the current 2.8 million-ounce reserve and 13 million ounces of resource.**

**Resource Grows to 18.5 Million Ounces of Gold** – Mid-November, Moto announced a 16.5% increase in the Moto Gold project resource to 18.5 million (11.1 million net to Moto) ounces of gold. **With the increase, Moto’s market capitalization per ounce declined from US\$45 to US\$30 per ounce.**

**Kasongo Questions Moto Compliance** – On January 29, 2007, Victor Kasongo, the CEO of the state-owned mining company OKIMO, was quoted in a Reuters article calling for contracts with Moto and its subsidiaries to be cancelled or revisited. In a letter sent to Joseph Kabila, the President of the DRC, Kasongo argued that BORGAKIM, Moto’s in-country subsidiary, had failed to fulfill its responsibilities under the technical assistance agreement whereby BORGAKIM would rehabilitate mining infrastructure and carry out geological surveys. Kasongo told Reuters that BORGAKIM would have 90 days to fulfill its obligations before the contract would be cancelled.

**Moto Response** – On January 31, 2007, Moto announced that the November 8, 2006, licensing agreement is a binding agreement, approved by the Board of Directors of OKIMO and endorsed by the Minister of Mines and Minister of the Portfolio of the Government of the DRC. Moto also dismissed the statement that it has failed to satisfy any performance criteria under the existing licensing agreements, including the contract of technical and financial assistance signed in December, 2003, and received correspondence with the Chairman of OKIMO, which indicated that Kasongo’s letter is without the appropriate authority.

**OKIMO Seeks AIM Listing** – Also on January 31, 2007, Victor Kasongo announced in a Bloomberg article that OKIMO intends to list the Congolese-owned mining Company on the London Alternative Investment Market (AIM) in 2007. We see OKIMO’s intentions to list on AIM as a key endorsement of the Moto Gold Project. While recent events may continue to adversely affect Moto’s share price and prolong the finalization of the new licensing agreement announced November 8, 2006, OKIMO’s move to AIM will eventually ensure increased transparency and a common objective as both parties advance the Moto Gold Project towards development.

**Kasongo Increases the Pressure** – On February 26, 2007, Moto announced that OKIMO, the DRC’s state-owned mining company, is awaiting authorization

from the office of the president of the DRC to resume discussions regarding the finalization of the simplified Moto Gold Project agreement entered into on November 8, 2006. We expect OKIMO will receive said authorization once the formation of the new government has been finalized. Subsequent to Moto's press release, Victor Kasongo (ex-CEO of OKIMO) contacted the press reiterating his personal belief that Moto has failed to satisfy obligations of the November 3, 2006 agreement, thereby jeopardizing the Company's interest in the project. **The news sent shares of Moto into free-fall, declining 25%.**

Despite Kasongo's repeated negative allegations, OKIMO's Chairman of the Board of Directors has notified Kasongo that all letters alleging breaches of the various agreements between Moto and OKIMO have "no legal value and (are) of no effect". Meanwhile, the November 2006 simplified agreement reached between the parties has been approved by OKIMO's Board of Directors.

**Sir Sam Jonah Steps-Up** – On April 3, 2007, Sam Jonah, Chairman of Moto (MGL-T), announced he would meet with Congolese government representatives "at the highest level" in order to resolve the dispute. Jonah, in an article on Miningmix.com, stated that he is confident the protocol would be enforced by the Congolese government: "I am calling in all my credits I have with the people in the African continent. I am spearheading this effort. I have an excellent relationship with Joseph Kabila (President of the DRC). Mining personalities have been undermining the relationship between Moto and Kabila".

### ***Our Call***

We believe several positive catalysts are developing on the horizon that could renew investor confidence in Moto ownership of the Moto Gold project in the northeastern Congo. Concern emerged late January when Victor Kasongo, CEO of OKIMO, the state run mining company and Moto's joint venture partner intimated that Moto had failed to fulfill its responsibilities under the technical assistance agreement. Kasongo, now the Deputy Mines Minister, set a 90-day window for Moto to fulfill its obligations or risk losing the project. The news spooked investors, precipitating a 50% decline from the \$7.50 range to current levels.

- Despite Kasongo's claims, we are confident that Moto has demonstrated compliance of the original licensing agreements and has provided additional compensation to OKIMO in the new licence agreement for the Moto Gold project announced mid-Q4/06. Our view is that the 90-day deadline, set to expire mid-next week, is likely to pass without repercussion, leading investors to re-consider Moto's current risk premium.
- Moto's Chairman Increases the Heat – Seeking to resolve the issue through negotiations and in response to Kasongo's comments, Moto's Chairman Sir Sam Jonah stated early April that "I am calling in all my credits I have with the people in the African continent. I am spearheading this effort. I have an excellent relationship with Joseph Kabila". While questions of ownership could linger, we view Jonah's presence at the negotiating table as a positive catalyst that will provide a more constructive path for resolution and could lead to a condensed time frame for signing of the new licensing agreement.

***Inexpensive valuation supports investment thesis***

On an enterprise value per ounce of gold in resource basis, Moto trades at US\$22 per ounce, representing a 37% discount to comparable in-country peer Banro Corp. (US\$35 per ounce). Moto is trading at 0.6x our project NAV<sub>9%</sub>, representing a 35% discount to peers in our coverage universe (average 0.9x NAV<sub>3%to7%</sub>). **The two metrics imply share price appreciation in the range of 50% to the \$7.50-range with removal of the current risk premium.**

***Future Considerations***

With resolution of ownership, we expect Moto to revive take over interest. We have long viewed the resource size (18 million ounces of gold and growing), and the potential production profile of the Moto Gold project (capable of producing +500,000 ounces of gold per annum) as an attractive combination for senior gold producers seeking to replace declining production from their portfolio of maturing mines. However, with recent events in West Africa lead us to believe that another participant may have emerged.

With the acquisition of the Tassiast gold mine in concert with the Lundin Mining Corp. takeover of Rio Narcea Gold Mines Ltd., combined with expanded production at Chirano, Red Back Mining is forecasting to increase gold production to the +450,000 ounces range by 2010. Red Back has indicated that it is considering an additional acquisition, one capable of vaulting it towards annual production of 1 million ounces of gold. We view the Moto Gold project as the only project in Africa, currently held by a junior exploration company that meets this threshold. Using our valuation as a template the Moto Gold project is capable of producing +650,000 ounces of gold (400,000 ounces of gold net to Moto 60% interest) annually once underground production is factored in. Red Back is part of the Lundin Group of companies and given the groups expertise in the DRC through Tenke Mining Corp. (also being acquired by Lundin Mining) and growth strategy; we view Red Back as an emerging acquisition candidate.

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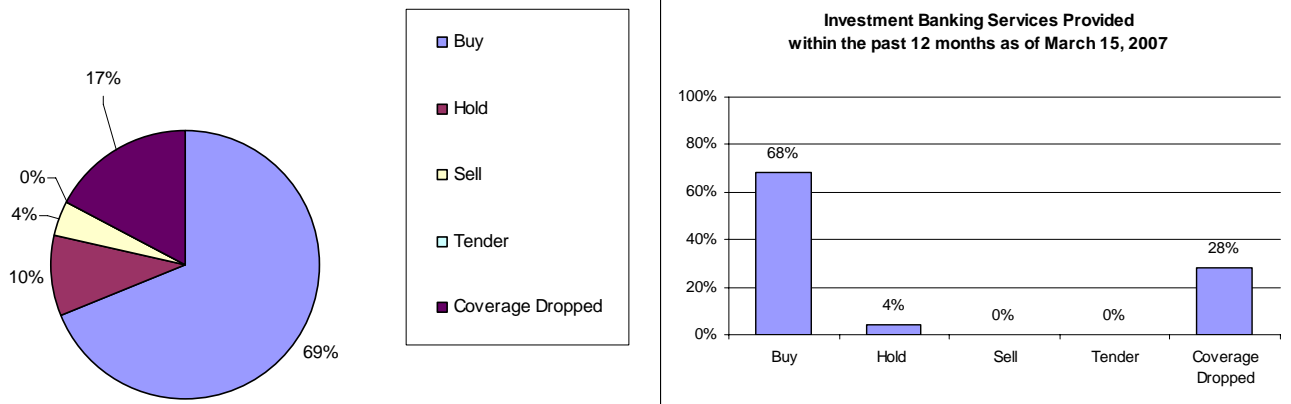
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Rating Distribution Dec 15, 2006 - March 15 2007



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## **Risk Profile Parameters – Mining and Minerals Sector**

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