UBS

Global Equity Research

Europe Including UK

UBS Investment Research

EPS Upgrades

Precious Metals

Sector Comment

Higher Platinum Price Forecast

1 February 2008

www.ubs.com/investmentresearch

Paul Galloway
Analyst
paul.galloway@ubs.com
+44-20-7568 4117

Grant Sporre
Analyst
Grant.Sporre@ubs.com
+44-20-7568 2247

Roger Bell
Associate Analyst
roger.bell@ubs.com
+44-20-7568 8347

- **South Africa accounts for 78% of global platinum production**

Following the deteriorating power situation in South Africa (SA) – which we believe is primarily a structural issue, which could last for many years rather than just months – together with the increased likelihood of production delays as a result of temporary mine shafts closures due to fatalities **-** we have significantly lowered our estimates of platinum supply from SA by 10% in CY'08 and 8% in CY'09.

- **Platinum price forecast raised to US$1,800/oz in 08 and US$2,100 in 09**

We are therefore raising our platinum price forecasts significantly – by 18% in CY'08 to US$1,800/oz and by 45% in CY'09 to US$2,100/oz. We are also raising our rhodium price forecasts by 25% in CY'08 to US$7,500/oz and by 33% in CY'09 to US$6,000/oz. Our palladium price forecasts are unchanged.

- **Significant EPS upgrades for LMI and AQP**

The result is we are increasing our EPS estimates for Sept FY'08 and FY'09 for Lonmin (LMI) by 19% and 80%; and for Aquarius Platinum (AQP) for June FY'08 and '09 by 13% and 41%. Higher prices are more than offsetting our lower production volume and higher cost estimates.

- **Raising target price on AQP to 750p, LMI and AQP remain buys**

We have also raised our structural price forecast (between 2011 and 2016) for platinum to $1600/oz. This gives us a P/NPV of 1.2 for LMI and 1.1 for AQP. **Valuation**: We are raising our target price on AQP to 750p based on c.13x 08/09 EPS. Our LMI target is also now based on 13x but the £37 target remains unchanged.

Table 1: Companies in this report

	Rating	Price target	2008e EPS (USc/share)	2009e EPS (USc/share)	Next catalyst dates
Aquarius (June year end)	Buy	750p	95	122	7 February - Interim financial results for the half-year ended 31 December 2007
Lonmin (September year end)	Buy	3700p	502	583	14 April - production report for quarter ended 31 March 2008 8 May - Interim financial results for half-year ended 31 March 2008

Source: UBS estimates, company guidance

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 3.

The table below shows the changes to our forecast platinum, palladium and rhodium prices for CY end '08 and '09, along with the changes to our estimated platinum production volumes and EPS for Lonmin (September year end) and Aquarius (June year end).

Table 2: PGM price changes, revised platinum production figures and EPS changes

		2008			2009		
		Previous estimate	New estimate	% change	Previous estimate	New estimate	% change
Platinum price	$/oz	1,520	1,800	18%	1,450	2100	45%
Palladium price	$/oz	350	350	0%	280	280	0%
Rhodium price	$/oz	6,000	7,500	25%	4,500	6000	33%
Aquarius platinum production	koz	579	539	-7%	607	552	-9%
Aquarius EPS	USc/sh	84	95	13%	86	122	41%
Lonmin platinum production	koz	840	825	-2%	945	895	-5%
Lonmin EPS	USc/sh	421	502	19%	324	583	80%

Source: UBS estimates

Our current preference is for AQP over LMI due to better operational management, short-term volume growth and higher exposure to rhodium. The risks on AQP are its limited mine life and its Zimbabwean exposure. However, we see upside risks to both share prices based on our new metal price forecasts.

■ Statement of Risk

We point out to investors the potential risks inherent in the mining sector including, but not limited to, the volatile nature of commodity prices and currencies, which may differ materially from expectations. Furthermore the sector is exposed to political, financial and operational risks, each of which has the potential to significantly impact company/industry performance.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage[1]	IB Services[2]
Buy	**Buy**	55%	39%
Neutral	**Hold/Neutral**	36%	36%
Sell	**Sell**	8%	20%
UBS Short-Term Rating	**Rating Category**	**Coverage[3]**	**IB Services[4]**
Buy	**Buy**	less than 1%	25%
Sell	**Sell**	less than 1%	50%

1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.
3:Percentage of companies under coverage globally within the Short-Term rating category.
4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2007.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	**Definition**
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
Short-Term Ratings reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

EXCEPTIONS AND SPECIAL CASES

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Company Disclosures

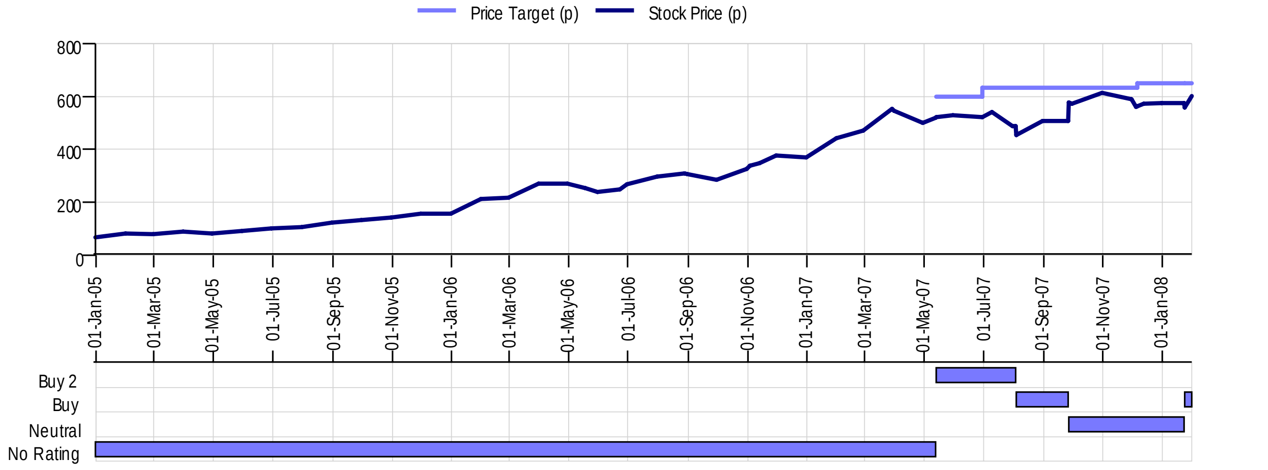
Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
Aquarius Platinum[8]	AQP.L	Buy	N/A	602p	31 Jan 2008
Lonmin[16]	LMI.L	Buy	N/A	2,892p	31 Jan 2008

Source: UBS. All prices as of local market close.
Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

8. The equity analyst covering this company, a member of his or her team, or one of their household members has a long common stock position in this company.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

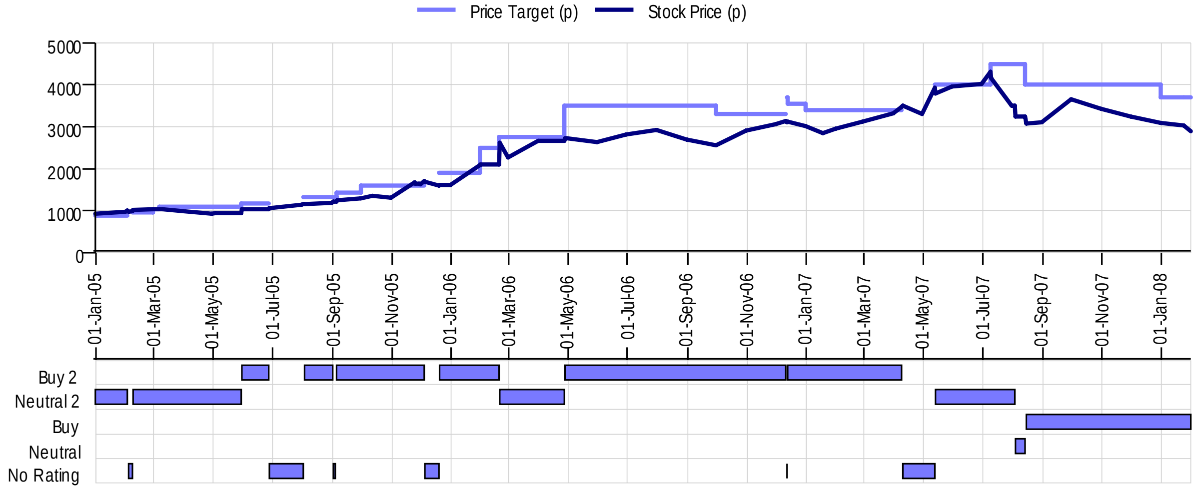
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Aquarius Platinum (p)



Source: UBS; as of 31 Jan 2008

Lonmin (p)



Source: UBS; as of 31 Jan 2008

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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