

Mvelaphanda Resources Limited



Investec
Securities

SA: Investec Securities Ltd

12 January 2007

General Mining

South Africa

Sell

3800c

Empowerment Deal is Earnings Dilutive

Event:

Financial impact on MVL of the empowerment deal with Afripalm.

Impact:

- Assuming that the deal is concluded in FY2007, we are now forecasting HEPS for MVL of -0.1c (previously 148.0c), 204.7c for FY2008 (unchanged) and 147.7c (unchanged) for FY2009.
- The Booyendal disposal to Northam is to be renegotiated and in our view, the deal may now fall through because at current high share prices it could become marginal for Northam.

Recommendation:

- We maintain our Sell recommendation on MVL with a target price of 3 350cps, implying a 12-month potential total return of -11.8%.
- Our target price is calculated using MVL's forecast NAV 12 months out and a 27.5% discount to NAV.

Performance

Year End: 30 June	2005	2006	2007E	2008E	2009E
Turnover (Rm)	0	2	2	2	2
EBITDA (Rm)	(53)	(164)	(521)	(179)	(187)
Operating profit (Rm)	(53)	(165)	(521)	(179)	(187)
PBT (Rm)	136	3,117	(406)	(68)	(109)
Headline Net Profit (Rm)	151	2,767	0	342	247
HEPS - Fully Diluted (c)	91.0	1,654.1	(0.1)	204.7	147.7
HEPS - Fully Diluted (quote ccy) (c)	91.0	1,654.1	(0.1)	204.7	147.7
DPS (reporting ccy) (c)	0.0	0.0	0.0	0.0	0.0
DPS (quote ccy) (c)					

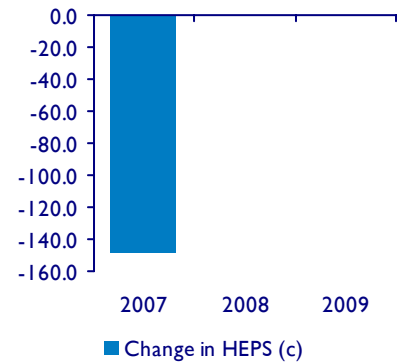
Source: Company Accounts/Investec Securities Estimates

Valuation

Year End: 30 June	2005	2006	2007E	2008E	2009E
Headline PE (x)	41.8	2.3 (25,658.3)		18.6	25.7
EV/EBITDA (x)	(157.3)	(51.1)	(14.0)	(42.5)	(23.8)
EV/EBITA (x)	(156.7)	(51.0)	(14.0)	(42.5)	(23.8)
Yield (%)	0.0	0.0	0.0	0.0	0.0
NPV - current	0.00	0.00	42.32	0.00	0.00

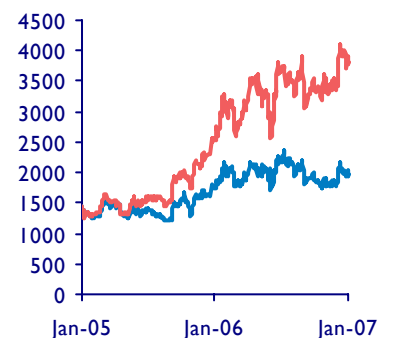
Source: Company Accounts/Investec Securities Estimates

Impact On Estimates



Source: Investec Securities Estimates

Market Cap	R6,354m
JSE Code	MVL
Target Price/Risk	3350c/High
Total Return	-11.8%
Share Price Performance	



	1m	3m	12m
Price (Δ%) (LHS)	10.8	13.8	49.0
Rel. All Share (Δ%)	6.0	5.3	16.3

Source: JSE Securities Exchange

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Investec acts as Advisor to Mvelaphanda Resources Limited

Refer to important disclosures starting on page 4.