FD CAPITAL EQUITY RESEARCH

Sector:	Mining
Location:	Eurasia
Date:	May 11, 2007
Ticker:	EMED LN

EMED Mining

EMED Mining moves to Primera Liga in Spain

Event

EMED Mining has acquired an option over a 100% interest in the Rio Tinto operations, Proyecto Rio Tinto (PRT), in the Sierra de Aracena, southwest Spain (Exhibit 1). The option is based on EMED Mining paying €75mn (£50mn) over several stages, dependent on certain conditions being met. Production is targeted from as early as 2Q08; an initial rate of 27,000tpa copper-in-concentrate could generate annual EBITDA of over US$70mn (£35mn) at a copper price of US$5,500/t. An expansion to 40,000tpa copper production within two years is proposed.

Implication

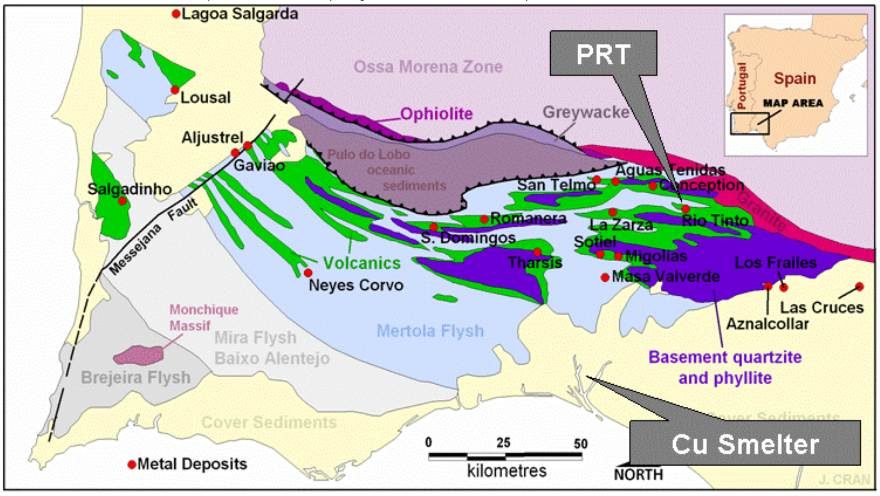
Successfully restored to production, this project will transform the EMED Mining asset base with a quantum leap in size and profit potential. PRT has a relatively low capital cost given the resource size and production capability. Even prior to production expansion, the discounted cash flow value of this operation is over £100mn once in production, with further leverage offered by the potential of continued strong copper prices and an expansion in mill throughput.

Added to the exciting virgin gold discovery in Slovakia, which led to a 10% equity interest in EMED Mining from Gold Fields, the Company's grass roots gold portfolio in Georgia, and copper/zinc projects in Cyprus, PRT has the potential to position EMED Mining as one of Europe's leading mining and exploration companies. EMED Mining is now in a unique position to achieve re-permitting and production targets on a significant copper resource, based, in part, on their commitment to sustainable development, community and government participation, and environmental responsibility.

Rio Tinto Mine

The Rio Tinto project area has a long mining history. The most recent operations closed in 2000 due to the weak copper price prevailing at the time (approx. US$1,800/t against current levels of approx. US$7,500/t). There is a compelling legacy of a JORC copper resource and reserve of 1.2Mt and 0.34Mt contained metal, respectively, together with a 10Mtpa capacity treatment plant, which in the past delivered concentrates to a smelter near the local port of Huelva.

Exhibit 1: Location map of the PRT project in southern Spain.

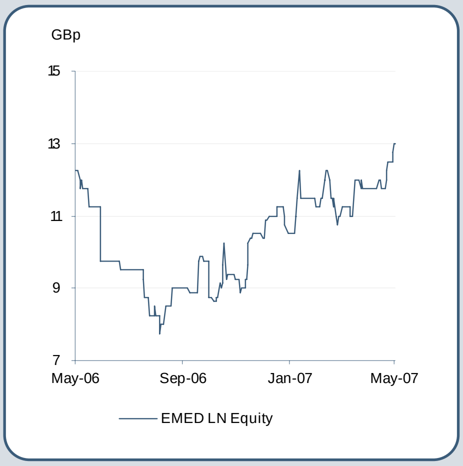


Source: EMED Mining, FDC

Company Statistics

Share Price (p)	13.0
Shares Outstanding (mn)	126.00
Warrants and Options	26.70
Fully Diluted Shares (mn)	152.70
Market Capitalisation (£ mn)	16.38
Average Daily Turnover (£ '000)	24.60
Net Debt/(Cash) (£ mn)	(6.00)
Enterprise Value (£ mn)	10.38
52-week High (p)	13.00
52-week Low (p)	7.75
Website	http://www.emed-mining.com

Share Price



Company Summary

EMED Mining is a copper-gold focused explorer and miner targeting the historic mining centres of Europe and Eurasia, with exploration assets in Georgia, development projects in Cyprus and Spain, and a virgin gold discovery in Slovakia.

Analysts

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Regional Background: The Rio Tinto operations (Exhibit 2), accessible via a modern highway 80km west of Seville, are located in the Iberian pyrite field, one of the world's great mineralised belts. This zone hosts several current projects, including Neves Corvo, a 90,000tpa copper mine in Portugal, acquired from an RTZ/Government consortium in June 2005 by EuroZinc (recently merged with Lundin Mining); Las Cruces, a US$500mn, 60,000tpa copper project, 8km west of Seville, in which Inmet has acquired a 70% stake; Aguablanca, a 8,000tpa nickel/ 6,000tpa copper mine, 100km north of Seville, owned by Rio Narcea, which is also to be acquired by Lundin.

Exhibit 2: Cerro Colorado pit looking west.

Source: FDC

Geology: The deposit is hosted within the Iberian Pyrite Belt (Exhibit 1) in a volcanic-sedimentary sequence. This is one of the largest sulphide provinces in the world, hosting eight giant (>100Mt) deposits, Rio Tinto has the largest ore tonnage historically.

Ore zones form as both low grade (c. 0.15% copper) stockworks, and lenses of higher grade (0.9% copper) massive sulphides. The Rio Tinto ore bodies are located in one major sedimentary unit, which has been folded into an anticline in the proximal mine area, and was the locus of a massive hydrothermal system. Historic mining targeted the hinge zone of the anticline (Cerro Colorado), as well as on both limbs of the anticline (North Lode and South Lode). The main remaining resource will be accessed initially from the Salomon pit, and then Cerro Colorado pits, where mining will resume after dewatering. There is exploration potential to the east and at depth.

The JORC compliant independently verified resources of 209Mt@0.57% copper (1.2Mt copper), with a reserve of 53Mt@0.65% copper (0.34Mt copper).

Project History: The Red River, or Rio Tinto, area has been mined since the bronze age. The Rio Tinto company developed pyrite and copper mining operations from 1873 until 1954, when it became a minority shareholder. This interest was subsequently passed to Freeport, with the majority owned by Campania Espanola de Minas de Rio Tinto (MRT).

In 1995, MRT, a company owned by former management and unions operated the mine with peak throughput of 9Mtpa in 1998, prior to closure in 2000.

The mining rights and properties were acquired by a Spanish group. The primary crushing and front-end plant feed systems were restored in anticipation of a re-start, but the group failed to renew permits as it was not deemed to be a mining company. The operations have been on care and maintenance since, limited by self-generated power sources, with focus on tailings dams, water discharge management and protecting the recent capital works from corrosion.

Deal Structure and Timing

EMED Mining has acquired an option over the project, and has undertaken initial technical, legal and commercial due-diligence. The key stages of the project are outlined below.

April 2007:

- EMED Mining committed to care and maintenance payments, which in addition to other planning and diligence prior to restart, equate to an estimated £2.5mn commitment up to 2Q08

May – 4Q07:

- Before exercising an option over the first 51% of the project, EMED Mining has indicated it must be satisfied that the following conditions have been met:
  - Support from the local community
  - Approval from the relevant statutory authorities for performance bonds to support local workers in event of future closures
  - Agreement with a landholder
  - Vendor (PRT) liabilities and third party commitments settled
  - Environmental considerations addressed
  - Approval from regional government, the Junta de Andalucía

4Q07:

- Exercise the option of the first 51% of the project for an estimated €27mn (£18mn), with funds to be used for initiation of a capital expenditure programme to restart the mine, and to satisfy vendors liabilities. While the cost of vendor liabilities are not fully quantified, it does not affect the total price for the project, as total payments are capped at €75mn (£50mn)

2008-2011 (or earlier):

- Exercise an option over the remaining 49% over four years for €48mn (£32mn), or adjusted as per first payment for total €75mn (£50mn)
- Potentially expand production from an estimated 4.8Mtpa to around 7.5Mtpa

Schedule: EMED Mining has appointed consultants AMC, Golders and GMB to assist with the validation of resources, refurbishment of the mill and the mine planning. Restoration of grid power supply will be required to fully test large plant items and assess refurbishment requirements.

The initial production rate target is 4.8Mtpa (27,000tpa) copper in concentrate which should be achieved at relatively low cost as it is less than half the designed mill capacity.

Production, drill and blast and grade control will be carried out by EMED Mining, while moving ore and waste will be contracted out. Concentrates can be delivered to the smelter near the port at Huelva. It is important to note that some significant mining projects have recently been permitted in the region, demonstrating a positive attitude to mining projects. EMED Mining will commit to the improvement of the existing environmental condition of the site and end-of-life mine closure in accordance with the highest industry standards.

Risks: Whilst the potential acquisition of PRT offers scope for a quantum move into a higher league, there are risks inherent to the project, but these are minimised by the staged approach to the acquisition:

- EMED Mining will not incur costs beyond around £2.5m (being the administrative costs and six months care and maintenance commitments), until it has the full support of the Andalucian authorities.
- The detailed costs and scheduling of Stage 1 will not be confirmed until the vendor's commitments have been fully assessed and the grid power is restored to the plant.
- Treatment efficiencies and costs need to be quantified, but historically operations have achieved 83% recovery to concentrate and silver credits could offset smelter penalties.
- The potential acquisition costs split may be varied, but the totals are capped.

Upside: The above risks should be evaluated against the upside potential, which is very high for PRT. To date, due diligence by EMED Mining shows it is feasible to restart copper production in 2Q08, with operating costs at around US$2,900/t. Thus the profit leverage to the probable higher copper prices is exceptional. Once in production, and based on the current forward copper curve and even without an expansion, the value of the project on a discounted cash flow basis is well above £100mn.

On top of this base case, there is significant upside available from optimising mining processing using modern technologies, rigorous near-mine exploration to identify and delineate new resource, and expansion of processing facilities to over 7Mtpa.

Julian Emery – Senior Mining Analyst

Julian has a wealth of experience of the natural resources sector globally and of the AIM. Trained as a mining engineer, Julian developed his extensive career in the analysis and research of mining companies with Selection Trust, Societe Generale, T.C.Coombs, Joseph Sebag, DWA and VSA Resources. He is a Fellow of the Securities Institute, an Associate of the Society of Investment Professionals and a past president of the Association of Mining Analysts.

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Brock has over 8 years of international commercial and academic work experience as both a geologist and management consultant. Following a period of practical experience in the mining industry, Brock completed a geology PhD with distinction at the University of Western Australia, focused on gold mineralisation systems. His previous experience includes periods with Rio Tinto, Placer Dome and Great Central Mines covering diamond, nickel, uranium and gold projects. Most recently, Brock was a strategy and business consultant in London with Accenture and Credo Group.

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EMED Mining

Research disclosure as of May 11, 2007

Company: EMED Mining
Disclosure: 1, 2, 8, 9

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EMED Mining

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