Company Watch

22 February 2012

Financial health of AIM mining stocks outperforms market,

new Company Watch research reveals

Last Friday, global mining giant Anglo American posted record group operating profits of over $11bn, showing that the large commodities companies are continuing to benefit from demand fuelled by economic growth in China and India.

But the financial strength of many of AIM mining companies, which account for 1 in 10 of all AIM stocks, (and which exclude other AIM natural resources stocks such as oil and gas explorers), is far less robust.

Company Watch, the financial health monitoring specialists, examined 114 AIM mining companies. It found 31 companies – just over a quarter – of AIM miners were in its Warning Area, recording health ratings of 25 or below out of a maximum of 100. The analysis is based on each company's most recent published accounts as processed through Company Watch's "H-Score®" risk assessment model.

Among the better-known names in the Company Watch Warning Area were Beowulf Mining (H-Score® of 21), Norseman Gold (H-Score® of 24) and Kefi Minerals (H-Score® of 16).

Companies with H-Scores of zero included Alba Mineral Resources, Angel Mining, Metals Exploration and Namibian Resources.

Statistics on all UK companies for the past 14 years show that one in four companies in this 'red danger zone' have either filed for insolvency or undergone a major financial restructuring.

However, despite there being over a quarter of AIM miners in the Warning Area, junior mining companies compare favourably when measured against the AIM market as a whole. Company Watch's survey of the whole of AIM in December 2011, excluding financial stocks, found 41% of all companies in the Warning Area.

The average H-Score® across the AIM mining sample was a healthy 56 out of a maximum 100. This compares with an average H-Score® of only 44 for the whole AIM market last December.

The survey also revealed that the average market capitalization of a mining business on AIM was £91m, compared with an average net worth of £46m per company, implying a listing premium of close to 100%.

Overall, AIM mining stocks incurred an average annual pre-tax loss of £2.7m and only 21% (24 companies) were profitable.

Nick Hood, Head of External Affairs at Company Watch, commented:

"Our survey shows that the reliance on tangible assets and equity funding, rather than external debt implicit in the business models of most AIM mining stocks has put the sector in a stronger position than the remainder of the market, even though the major part of our sample has declared losses in their most recent financial statements.

"Despite the positive financial health of some AIM mining stocks, investors must differentiate between the winners and the potential laggard losers. Suppliers and customers of these companies need to be equally vigilant to avoid bad debts and supply chain interruptions. Unfortunately, a public listing is never a foolproof guarantee of financial health, especially in these turbulent economic conditions."

Detailed H-Score® analysis is shown below:

H-Score® Banding	No of Co's	% of Sector
76 - 100	44	39%
26 - 75	39	34%
0 - 25 (Warning Area)	31	27%
Total	114	100%

Further information, please contact:

Nick Hood **Head of External Affairs, Company Watch** **Tel: +44 (0)7967 658 296** **www.companywatch.net**	**Neil Boom** **MD, Gresham PR Ltd.** **Tel: +44 (0) 7866 805 108** **www.greshampr.co.uk**

Notes for Editors:

About Company Watch

Company Watch provides in-depth analysis of the financial health of companies worldwide by applying its unique H-Score® methodology to published financial data. Since its launch in 1998, the H-Score® has identified nine out of ten corporate insolvencies or restructurings in advance. The Company Watch service is used by major international blue chip corporations, banks, fund managers, insurance companies, public sector bodies, accountancy firms, restructuring practices and other professional organisations throughout the world.