

NSJME – NEDSEC JUNIOR MINING & EXPLORATION INDEX

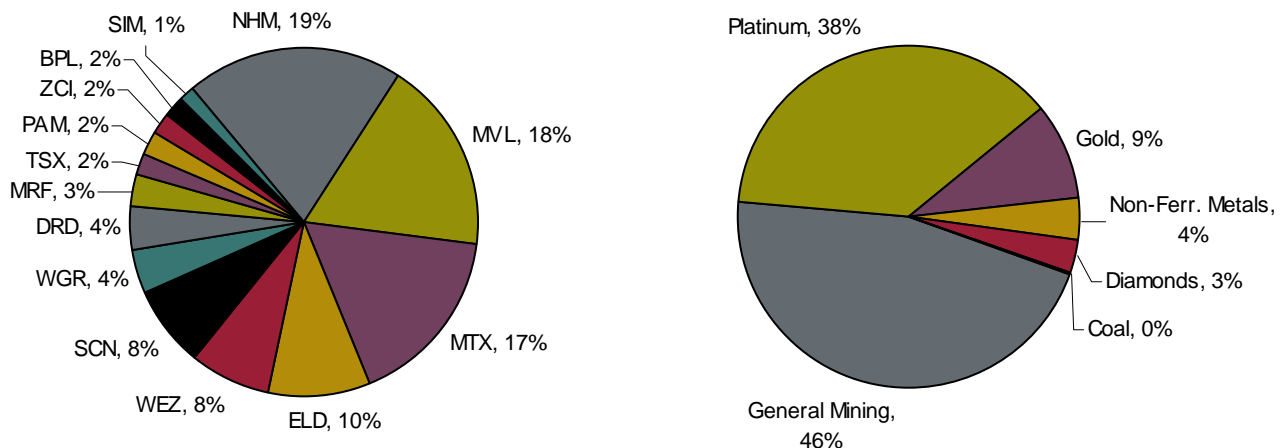
An Introduction

April 5, 2007 | Nerina Visser | nvisser@nedsec.co.za | +2711 294 3217

QUANTITATIVE STRATEGY

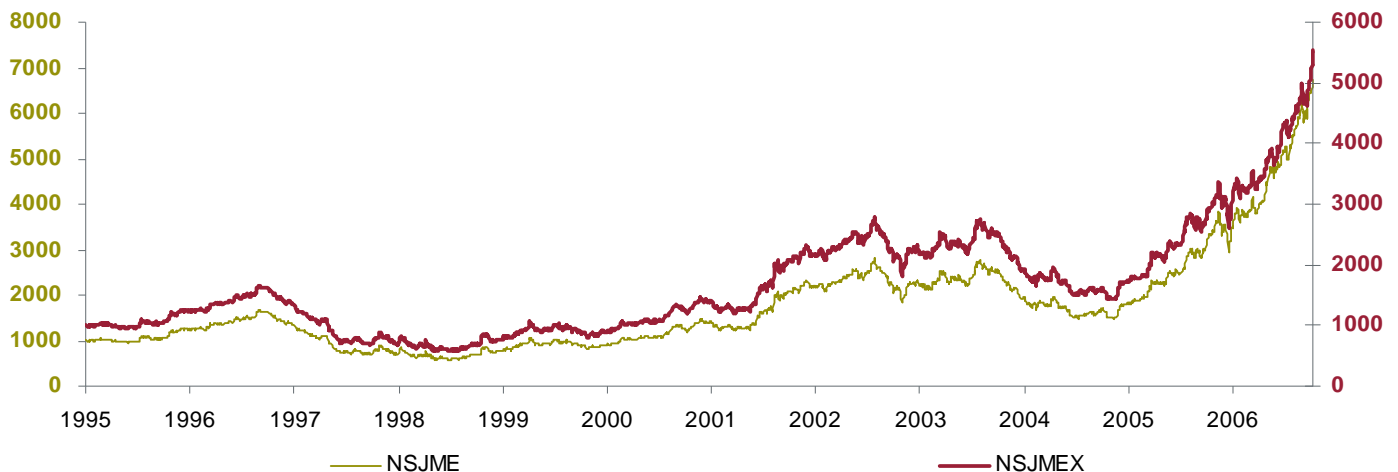
The Nedcor Securities quantitative team, in conjunction with the Nedbank Capital corporate finance team, created and launched the Nedcor Securities Junior Mining & Exploration Index ('NSJME') on 28 September 2006, aimed at providing greater visibility for South Africa's junior mining and exploration sector. Following considerable investor demand for a tradeable entry into this particular basket of shares, a derivative version of this index was launched early in November. The Nedcor Securities Junior Mining & Exploration Index Excluding Dual Listed Shares ('NSJMEX') was constructed mainly to satisfy forex regulations of the Reserve Bank regarding constraints on inward dual listed shares and derivative products. On 25 January 2007 another milestone was reached when a futures contract over the basket of shares in the NSJMEX was listed under the Can-Do section of the JSE Securities Exchange. This document details some of the salient features of this exciting investment opportunity.

■ NSJMEX Index Constituents and Sector Exposure



Source: Nedcor Securities; as at 4/4/07

■ Historical NSJME and NJSMEX Total Return Indices since 1995



Source: Nedcor Securities; as at 4/4/07

■ BACKGROUND

The Nedcor Securities quantitative team, in conjunction with the Nedbank Capital corporate finance team, created and launched the Nedcor Securities Junior Mining & Exploration Index ('NSJME') on 28 September 2006, aimed at providing greater visibility for South Africa's junior mining and exploration sector. Following considerable investor demand for a tradeable entry into this particular basket of shares, a derivative version of this index was launched early in November. The Nedcor Securities Junior Mining & Exploration Index Excluding Dual Listed Shares ('NSJMEX') was constructed mainly to satisfy forex regulations of the Reserve Bank regarding constraints on inward dual listed shares and derivative products. On 25 January 2007 another milestone was reached when a futures contract over the basket of shares in the NSJMEX was listed under the Can-Do section of the JSE Securities Exchange. This document details some of the salient features of this exciting investment opportunity.

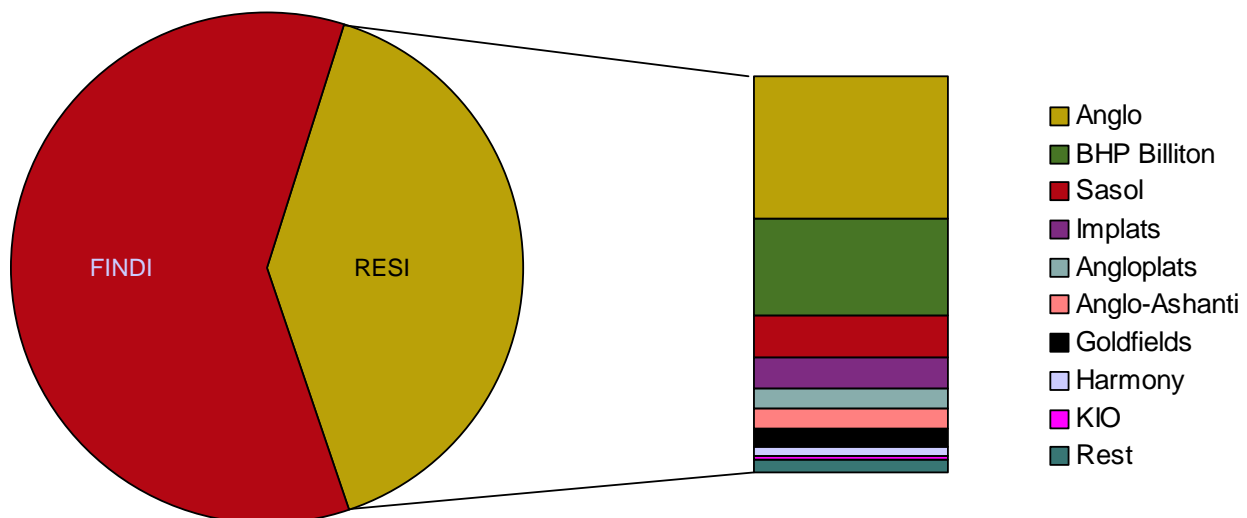
INTRODUCTION TO JUNIOR MINING AND EXPLORATION ON THE JSE

Nedbank Capital has a proud history as a provider of finance to the mining and resources industry:

- Nedbank Capital's Mining and Resources team has been actively pursuing funding opportunities locally and internationally. For example, the team acted as Joint Lead Arranger and Funder for International Ferro-Metals' green fields development of the Bufflesfontein Ferro Chrome mine and smelter complex.
- Nedbank Capital's Corporate Finance team has been involved with a number of Junior Mining capital raisings and listings on the JSE, including having acted as Investment Bank and Underwriter to the capital raising and listing of Eland Plats on the JSE.
- Nedcor Securities' mining research team has always ranked highly – its "Other Mining Ranking" research report focuses on junior miners and explorers and is often requested by clients.
- Nedbank Capital has instituted the Nedbank Green Mining Awards to recognise and acknowledge mining companies who go beyond regulatory compliance in environmental and social programmes.

South African mining has been dominated for more than a century by a few large mining houses – this historical dominance is still reflected in the resources sector of the JSE today.

FTSE/JSE Resources Index relative to the FTSE/JSE All Share Index



Source: Nedcor Securities; as at 8/2/07

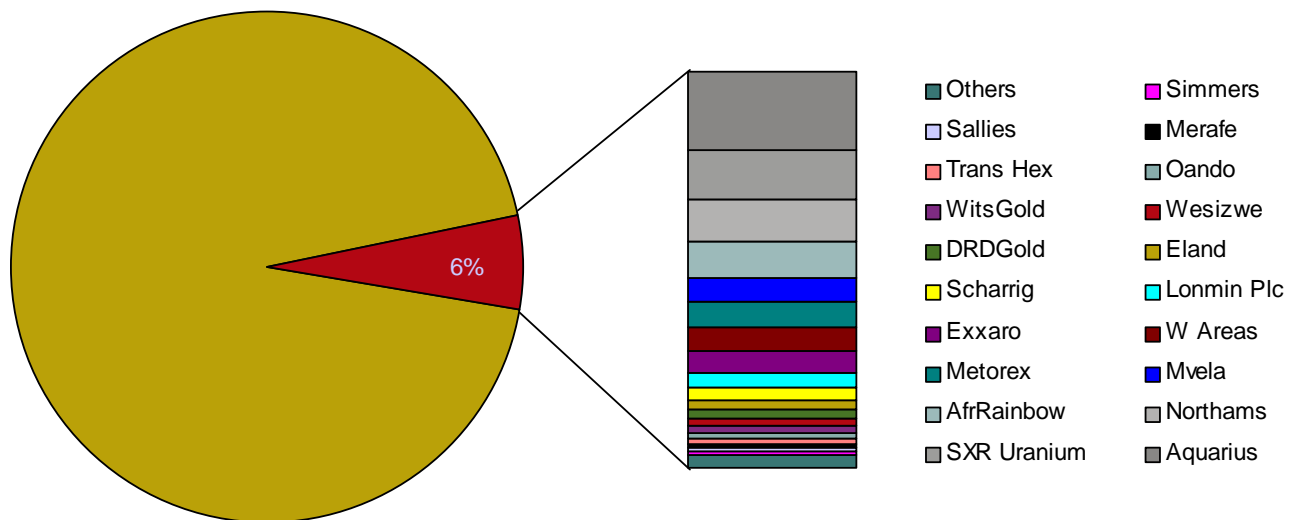
Post the implementation of the Mining and Petroleum Resources Development Act, all the building blocks are in place for SA to develop a far larger junior mining and exploration sector:

- SA has the mineral resources – now on a "use it or lose it" basis
- SA has the technical mining skills
- SA has a sophisticated financial services sector
- Recent changes to tax incentives make it more attractive to develop mining and exploration projects

There is a real opportunity for SA's junior sector to grow into the dynamic market sector it should be.

The problem is that the mid- and small-cap (junior) mining sector is completely dwarfed by the large cap mining companies – the top 9 (by size) constitute over 94% of the total free floated weighted market capitalisation of all mining companies – 38 companies constitute the remaining 6%. This sector has not had any visibility as a sector despite spectacular growth in the last few years.

All Mining Companies by Market Capitalisation



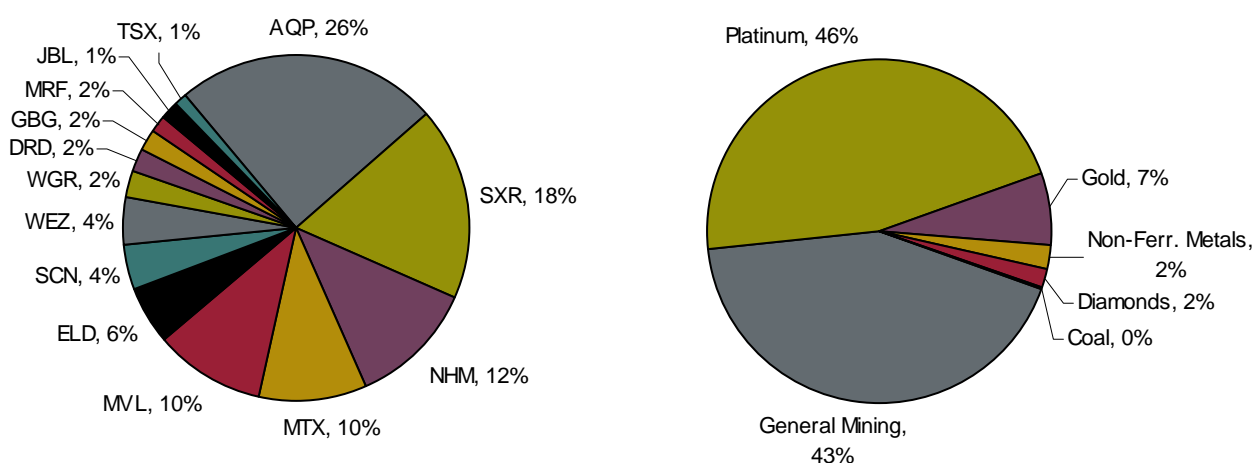
Source: Nedcor Securities; as at 8/2/07

The NedSec Junior Mining and Exploration Index (NSJME) has been designed to fill this obvious gap.

ORIGINAL INDEX – THE NSJME

The NSJME currently tracks 37 companies listed on the JSE Securities Exchange, excluding any mining company that is a constituent of the Top40 Index, or that would normally be a member of the Top40 Index if it were not for limited liquidity. It includes mining companies and mining investment holding companies (excluding oil and gas) across all the JSE's boards and sectors, except for companies controlled by another company listed on the JSE. It is currently platinum, uranium and gold-rich.

NSJME Index Constituents and Sector Exposure



Source: Nedcor Securities, as at 4/4/07

INDEX GROUND RULES AND FEATURES

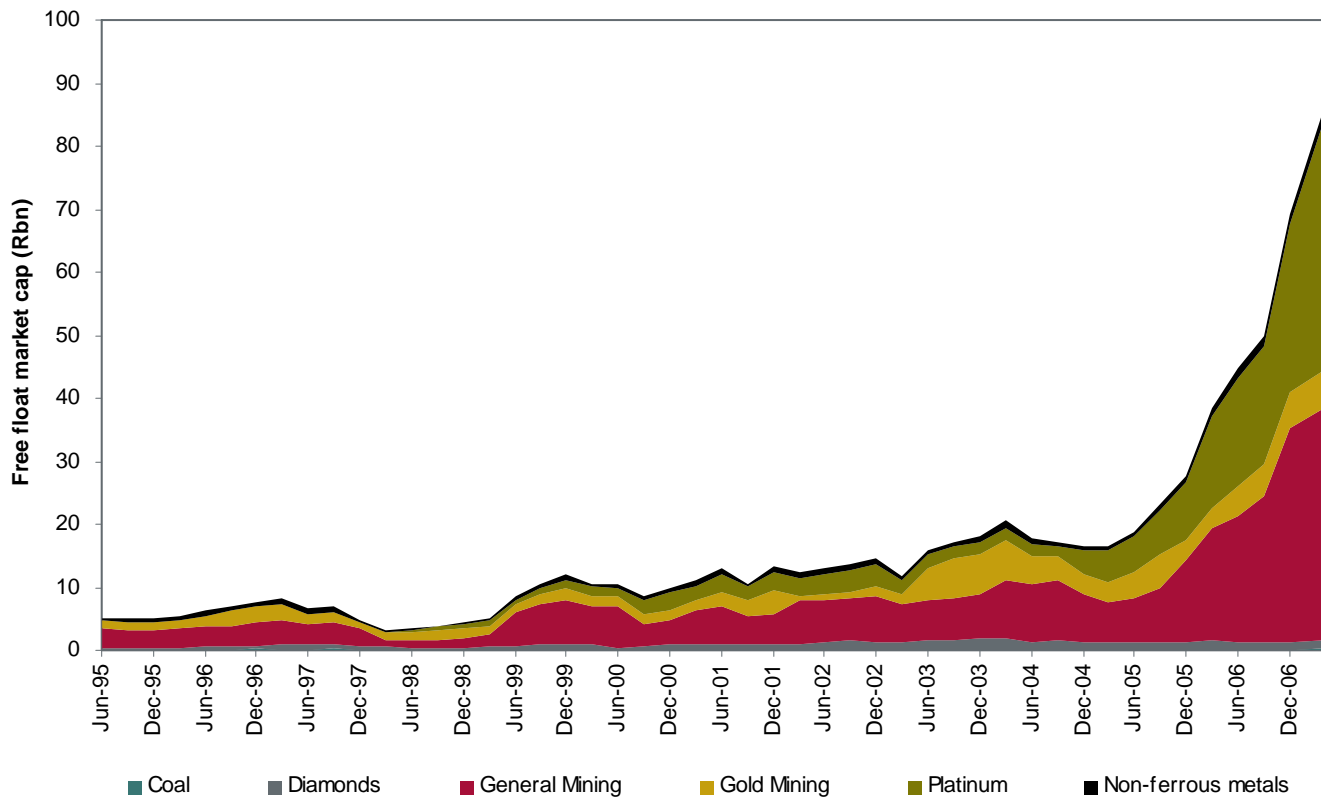
The index follows similar ground rules as that of the FTSE/JSE indices, however, there are some differentiating features:

- The index includes all Mining and Industrial Metal companies across all the JSE's boards (incl. Alt-X, Development Capital and Venture Capital) – but excludes Oil and Gas companies.
- It excludes any company that is a constituent of the Top40 index, or would ordinarily be a member of the Top40 index if it were not for limited liquidity (i.e. Lonmin).
- Companies that are controlled by another company listed on the JSE, are excluded from the index (i.e. Messina was excluded when Lonmin took control of it).
- Mining investment holding companies who hold management contracts over their subsidiaries, are included in the index (i.e. ARM and Mvela).
- The JSE *free float bands* are used to determine free float weightings, but *shares in issue* are allowed to change as and when they actually change and are not restricted to those values used by the FTSE/JSE in the construction of their indices.
- Liquidity measures are *not* considered for eligibility.
- The index is reviewed quarterly and published daily using closing prices. The index review incorporates decisions on index constituents, free float and sector classifications.
- Both a *capital gain* index and a *total return* index are calculated and the historic dividend yield is also published daily.
- The index is calculated and maintained by the Nedcor Securities' quantitative team, and uses the same method of calculation as that used by the FTSE/JSE.

- Full history of the index since June 1995 has been calculated with a base value of 1000 on the base date of 30 June 1995 for both the capital gain and total return indices.
- Over the 11 year history, 58 companies have at various times been included in the index. There are currently 37 companies in the index.

Over the last 11 years the growth in free float weighted market capitalisation of the NSJME has been spectacular – from R5.2 billion in 1995 to R48.4 billion at the launch of the index at the end of September 2006. As at 4 April 2007 the free float weighted market capitalization of this index has reached R86.3 billion – an increase of R37.9 billion since its launch.

NSJME Index historic free float weighted market capitalisation by sector since 1995



Source: Nedcor Securities, as at 4/4/07

■ SECOND INDEX – THE NSJMEX

Since the launch of the NSJME Index, there has been considerable investor interest for a tradeable entry into this particular basket of shares. Unfortunately potential investors were unable to trade in the NSJME as it currently includes seven inward dual listed companies. These are:

SXR Uranium One (SXR)
Anooraq Platinum (ARQ)

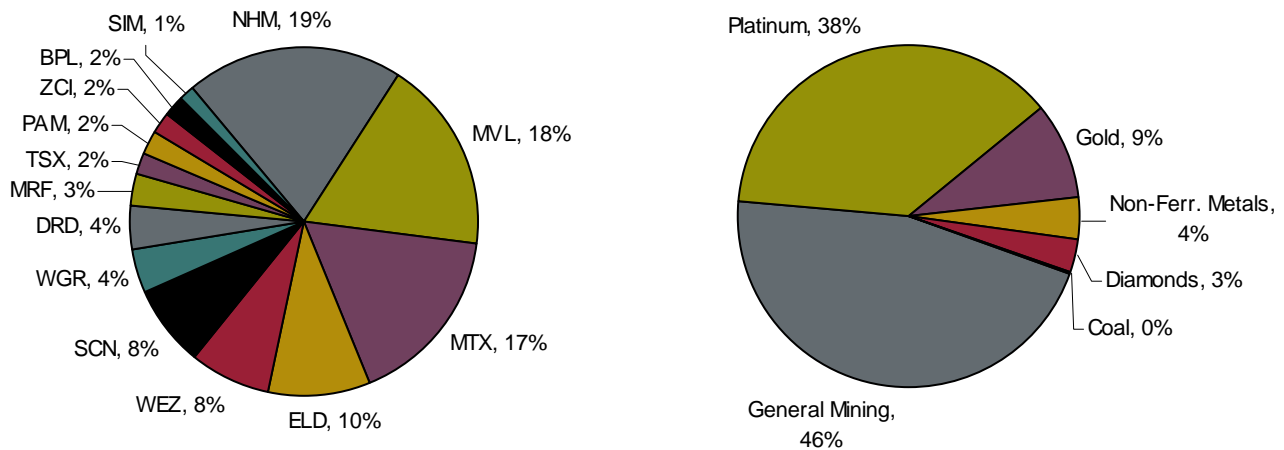
Acquarius Platinum (AQP)
Tawana Resources (TAW)

Great Basin Gold (GBG)
GVM Metals (GVM)

Jubilee Platinum (JBL)

The Exchange Control regulations prohibit trade of derivative instruments over inward dual listed shares. The NSJMEX Index, which excludes the inward dual listed shares, was therefore created. Its performance has had more than 95% correlation to the NSJME over the last two and a half years. It's profile is quite similar to that of the NSJME.

NSJMEX Index Constituents and Sector Exposure



Source: Nedcor Securities, as at 4/4/07

The recent performance of junior miners and explorers have been exceptional. The NSJMEX Index currently tracks 29 JSE-listed companies. Through the recently listed futures contract (a Can-Do on the index was listed on the JSE under the code CDAP), investors now have a mechanism to diversify their portfolios and receive exposure to this "new" sector through this basket of shares in the NSJMEX. Investors who wish to trade in the basket need to have a SAFEX futures account with their broker. All positions are held with the broker in the dedicated account and margin calls are done by the broker daily. The broker can contact Nedbank Derivatives for pricing.

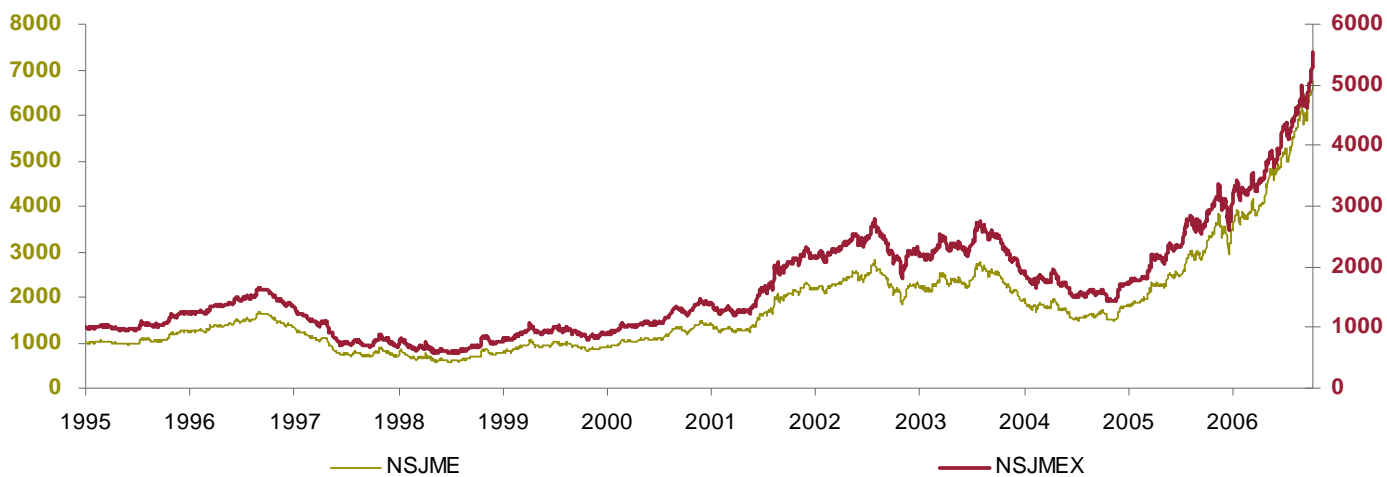
FUTURES PRICING

A fair value pricing and a buy-sell double for the future is calculated as follows:

I	= Current Index Value	e.g. 2154
n	= number of days to futures close-out	e.g. 43
r	= funding rate p.a.	e.g. 9.5%
b	= brokerage rate	e.g. 0.25%
F	= Index Fair Value	
	= $I * r * n / 365$	
	= $2154 * 9.5\% * 43 / 365 = 2178$	
B:S	= Buy:Sell price double	
	= $F * (1 + b) : F * (1 - b)$	
	= $2178 * (1 + 0.25\%) : 2178 * (1 - 0.25\%)$	
	= 2172 : 2183	

The index fair value approaches the actual index value as closeout approaches. The futures desk will buy the underlying stock in the market to hedge the futures position if they sell the investor the future, and vice versa. Alternatively, if the investor is interested in owning the actual basket of underlying shares, rather than the future, the derivatives desk will sell the future and sell the basket of shares to the investor. This process is *similar* to trading in an ETF, but the index cannot be offered as an actual ETF until such time as liquidity in the derivative instrument increases to levels required by the JSE.

Historical NSJME and NJSMEX Total Return Indices since 1995



Source: Nedcor Securities, as at 4/4/07

All Index Constituents since 1995

Share Code	Share Name	Old Code and Name	Sector Name	Start date	End date
HWA	Hwange	Wankie (WAN)	Coal	30 Jun 95	Current
WSL	Wescoal		Coal	20 Jul 05	Current
BNC	Benco		Diamonds and Gemstones	30 Jun 95	20 Apr 00
ODM	ODM Holdings		Diamonds and Gemstones	30 Jun 95	15 Jun 00
TSX	Trans Hex		Diamonds and Gemstones	30 Jun 95	Current
TBX	Thabex		Diamonds and Gemstones	20 Nov 97	Current
AFG	Afgem		Diamonds and Gemstones	8 Aug 00	Current
DMR	Diamcor	Mazal (MZL)	Diamonds and Gemstones	25 Mar 99	Current
TAW	Tawana		Diamonds and Gemstones	14 Nov 05	Current
LDX	Lydex		General Mining	30 Jun 95	26 Mar 97
MDR	Modderfontein		General Mining	30 Jun 95	27 Jun 97
COM	Chromecorp		General Mining	30 Jun 95	27 Mar 98
MAR	Maranda Mines		General Mining	30 Jun 95	3 Dec 99
GEF	Gefco		General Mining	30 Jun 95	15 Mar 02
MSI	Msauli		General Mining	30 Jun 95	15 Mar 02
MLN	Marlin Corp		General Mining	30 Jun 95	12 Apr 02
NBL	Noble		General Mining	4 Jun 99	28 Jun 02
SMC	Southern Mining		General Mining	2 Oct 97	26 Apr 04
JCD	JCI Ltd	CAM (CAM)	General Mining	21 Oct 96	29 Jul 05
MTZ	Matodzi		General Mining	30 Jun 95	29 Mar 06
ARI	AfrRainbow	Anglovaal Mining (AIN, ANN)	General Mining	30 Jun 95	16 Mar 07
ASR	Assore		General Mining	30 Jun 95	Current
KLG	Kelgran		General Mining	30 Jun 95	Current
PET	Petmin		General Mining	30 Jun 95	Current
SAL	Sallies		General Mining	30 Jun 95	Current
SAM	Samroc		General Mining	30 Jun 95	Current
MTX	Metorex		General Mining	6 Dec 99	Current
MRF	Merafe	SA Chrome (SCE)	General Mining	20 Dec 99	Current
SCN	Scharrig		General Mining	18 Dec 00	Current
MVL	Mvela		General Mining	5 Feb 02	Current
CMO	Chrometco		General Mining	12 Aug 05	Current
SXR	SXR Uranium		General Mining	19 Dec 05	Current
MMH	Miranda		General Mining	19 Dec 05	Current
GVM	GVM Metals		General Mining	30 Nov 06	Current
STG	SE Rand Gold		Gold Mining	30 Jun 95	4 Oct 96
LDM	Lindum Reefs		Gold Mining	30 Jun 95	27 Feb 98
KNT	Knights Gold		Gold Mining	30 Jun 95	13 Nov 98
AML	Amalia		Gold Mining	30 Jun 95	3 Jun 99
KGL	Kalgold		Gold Mining	14 Oct 96	8 Oct 99
EDG	East daggafontein		Gold Mining	30 Jun 95	4 Feb 02
PGD	Psgold		Gold Mining	21 Jan 99	12 May 03
ESL	Eersteling		Gold Mining	30 Jun 95	11 Jun 04
RNG	Randgold		Gold Mining	30 Jun 95	29 Jul 05
AFL	AfLease		Gold Mining	30 Jun 95	15 Dec 05
SBN	Sub Nigel		Gold Mining	30 Jun 95	20 Jan 06
DRD	DRDGold	Durban Deep (DUR)	Gold Mining	30 Jun 95	Current
SIM	Simmers		Gold Mining	30 Jun 95	Current
VIL	Village		Gold Mining	30 Jun 95	Current
HAL	Halogen	Falcon (FAL)	Gold Mining	30 Jun 95	Current
WGR	WitsGold		Gold Mining	24 Apr 06	Current
GBG	Great Basin Gold		Gold Mining	27 Oct 06	Current
PZG	Pamodzi Gold		Gold Mining	11 Dec 06	Current
KPM	KPM		Platinum and Precious Metals	5 Aug 98	6 Aug 01
MES	Messina		Platinum and Precious Metals	18 Sep 00	15 Feb 05
NHM	Northams		Platinum and Precious Metals	1 Apr 98	Current
BPL	Barplats		Platinum and Precious Metals	23 Mar 04	Current
AQP	Aquarius		Platinum and Precious Metals	8 Dec 04	Current
WEZ	Wesizwe		Platinum and Precious Metals	21 Dec 05	Current
ELD	Eland		Platinum and Precious Metals	29 Mar 06	Current
JBL	Jubilee Platinum		Platinum and Precious Metals	7 Dec 06	Current
ARQ	Anooraq		Platinum and Precious Metals	19 Dec 06	Current
PAM	Palamin		Non-ferrous metals	30 Jun 95	Current
ZCI	ZCI		Non-ferrous metals	24 Dec 99	Current

GENERAL INFORMATION

The indices are calculated on an end-of-day basis and the data is made available free of charge through a number of data vendors:

	<u>Codes</u>	<u>Data available</u>
■ I-Net	NSJME, NSJMEX (Capital gains index) NSJMET, NSJMXT (Total return index)	Close (CL), Market cap (MC), Dividend yield (DY) Close (CL), Market cap (MC), Dividend yield (DY)
■ Reuters	.NSJME, .NSJMEX	Capital gains index close (VALUE), Total return index close (TRIL) Market cap (MKTCAP), Dividend yield (DIVYLD)
■ McGregors	NSJME, NSJMEX	Via xml feed
■ Miningmx	NSJME, NSJMEX	On website

The data will be available on Bloombergs in the near future.

For further information, contact:

■ Sales	Dean Cunningham	+27-11-294-3223	dcunningham@nedsec.co.za
■ Trading	Arthur Büchner	+27-11-294-4648	abuchner@nedsec.co.za
■ Index construction	Nerina Visser	+27-11-294-3217	nvisser@nedsec.co.za
■ Index maintenance	Bradley Mitchell	+27-11-295-8084	bmitchell@nedsec.co.za

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