

Morning Meeting Notes - 20th March 2007

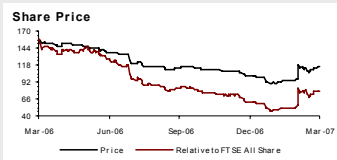
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Sector Note	Metals & Mining					n/a	PPER - Fundamentals continue to support upgrades	

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BUY

Current share price	115p
Target Price	144p
Market Capitalisation	£41m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser	No
Broker	Yes
Market Maker	Yes
NOMAD	Yes

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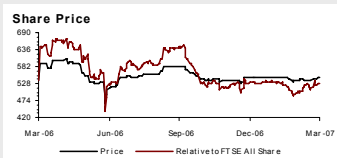
Under review

Last Different Recommendation

Add, 16th June 2006

Current share price	548p
Target Price	Under review
Market Capitalisation	£82m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser	No
Broker	No
Market Maker	Yes
NOMAD	No

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Acta

Final results

Acta's final results show continued good commercial and technical momentum, alongside cash burn somewhat below our expectations (€4.2m vs €5m forecast). We expect further momentum across a number of fronts during 2007.

- **Cash burn below expectations:** Revenue in 2006 was up six-fold to €70k, with LBT in line with expectations at €4.8m. The group's cash burn in the year of €4.2m was below our expectation of €5m. Acta retains €7.0m of net cash on its balance sheet, which management believes is sufficient to fund the business well into 2008.
- **Continued progress delivered in H2:** Acta's customer numbers increased to 57 at the end of 2006, up from 6 at the start of the year, and 34 at June. Other key achievements in the year included the extension of the marketing agreement with Sumitomo (announced in September), and substantial interest from a second key market, automotive, in addition to portable electronics. Acta has not named any new customers with this results release.
- **Well-defined plans:** Acta has set out a range of commercial, technical and operational targets for 2007. These include: 1) Acta expects Q107 revenue to be ahead of FY06; 2) the group expects to expand capacity by the end of 2007 to a level sufficient to deliver annualised revenue of €4.5m; 3) launch in Q207 of the group's next generation fuel cell catalyst, HYPERMEC 2 (performance improvement of c.50%); 4) working with the Carbon Trust to develop a new catalyst to convert CO₂ to liquid fuels.
- **Moving price target to 144p:** Acta still remains an early stage company that is very hard to value. However we think that these results show continued encouraging momentum, with customer interest and traction developing further. We are shifting the basis of our DCF forward by 6 months, which moves our price target from 131p to 144p. Our recommendation remains Buy.

Arbuthnot

Final results

Underlying attributable profit down 2.1%, risks and opportunities remain

- **Strong securities performance:** Profits increased significantly and helped offset a poor result from the banking business and investment into Arbuthnot Latham. New client wins and good volumes in corporate finance supported this business in 2006 and the statement is moderately encouraging for the start of 2007. While 34% growth in pre-tax profits is positive we would value these earnings at a discount reflecting their inevitable volatility.
- **Secure Trust bank:** As with many UK retail banks 2006 was not a good year. The problems within Secure Trust bank however go well beyond a dramatic increase in the impairment charge, with net interest income and non-interest income both declining. Customer number also declined and even stripping out exceptional provisions relating to Yes car credit this division recorded an 11% decline in pre-tax profitability. The management are working on regenerating this business but we would remain cautious until evidence of recovery is clearly visible.
- **Arbuthnot Latham:** The investment into this business continues and consequently the profit contribution remains modest. With a very positive backdrop for wealth management and many wealth managers delivering record profits we look forward to an improved performance from this division. With all the investment revenue growth of less than 10% is however a little disappointing.

Year to	Sales	PBT	EPS	Tax	DPS	Div. Yield	FCF Yield	Net Cash	P/E
December	(£m)	(£m)	(p)	(%)	(p)	(%)	(%)	(£m)	(x)
2005A	56.3	6.8	32.6	24.2	32.0	5.8	n/a		16.8
2006A	57.8	8.2	32.8	31.0	32.5	5.9	n/a		16.7
2007F	63.8	9.1	32.7	31.0	33.0	6.0	n/a		16.7
2008F									

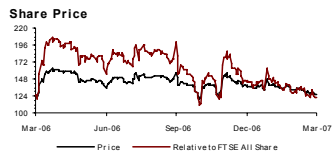
Source: Arbuthnot (historical) and Numis Securities Research Department (forecast)

BUY

Last Different Recommendation
ADD, 17th January 2007

Current share price 128p
Target Price 161p
Market Capitalisation £84m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser No
Broker No
Market Maker Yes
NOMAD No

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Augean

Final results

Comforting that the 2006 results came in slightly ahead and that 2007 forecasts are unchanged. New management focusing on shareholder value.

- Final results:** Augean made £3.6m/5.6p (basic eps - not diluted as options underwater) versus £3.4m/4.1p (a 17 month period), giving eps growth of 36%. This is 3% ahead of our expectations of £3.5m. Landfill (predominantly hazardous) ebita was broadly maintained at £3.2m (£3.3m in 2005) with the margin rising from 13.7% to 17.3% reflecting mix. Hazardous landfill volumes were 241,000t (broadly in line with our expectation of 238,000t). Hazardous Treatment ebita rose from £0.4m to £1.4m (17% margin) reflecting a full year of the Proactive acquisition (Aug05) and a 7 month contribution from the Credential acquisition (May06). Credential made a 11% margin. There is a modest tax credit with tax forecast to be c15% in 2007. Cashflow: Dec06 net debt £10.9m versus our expectation of £13m. No DPS. Prospects statement: "current trading in line with management's expectations". "We have now resolved the internal issues, the market for our services is more defined and our strong cash flows allow us the opportunity to pursue more acquisitions".
- Forecasts unchanged:** Our 12/07e adjusted pbt/basic eps is £5.0m/6.5p, giving 16% eps growth (PE of 19.7x). This assumes a 15% tax rate. The company is trading on a 12/07e EV/ebitda of 8.3x (assumes 12/07e ebitda of £11m). We are putting together a forecast for 2008 (not one in place as yet due to the spot nature of the hazardous landfill business) but early indications look like c£6.5m/6.9p and assume a full 30% tax charge (which could be conservative - remaining tax losses) and gives 6% eps growth (PE 18.6x).
- Valuation/recommendation:** Short term, Augean continues to be an asset rather than an earnings driven valuation story. Our target price of 161p (+26% upside) is a blend of valuing the landfill capacity at general waste prices (£4m3 - giving 136p) and valuing the hazardous segment at £8m3 (giving 187p). On both scenarios, the two Treatment acquisitions are valued at purchase cost and the Group debt deducted.

Year to December	Sales (£m)	PBT (£m)	EPS (p)	Tax (%)	DPS (p)	Div. Yield (%)	FCF Yield (%)	EV/EBITDA x	P/E (x)
2005A*	26.1	3.4	4.1	40	-	n/a	n/a	n/a	31.2
2006A	26.6	3.6	5.6	(3)	-	n/a	n/a	n/a	28.8
2007F	30.0	5.0	6.5	15	-	n/a	n/a	n/a	19.7

* 17 month period

Source: Augean (historical) and Numis Securities Research Department (forecast)

BUY

Last Different Recommendation
Add, 12th April 2006

Current share price 2875p
Target Price 4330p
Market Capitalisation £1935m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser No
Broker Yes
Market Maker Yes
NOMAD Yes

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First Quantum Minerals – Part I

XSTRATA looks to move into copper mining in Africa

Xstrata is looking at expanding its growing copper division into Central Africa. Potential acquisition targets are Anvil Mining, CAMEC, Equinox, First Quantum Minerals, Metrox Nikanor to name a few.

- First Quantum:** looks like a likely target due to its shareholding in Mopani Copper Mines. Mopani is principally owned by Glencore, Xstrata's major shareholder. If Xstrata were to acquire Mopani then it would make sense to swoop on First Quantum which supplies copper concentrates to Mopani for feed for Mopani's newly commissioned Isa-Smelt copper smelter.
- Mopani copper mines:** First Quantum Minerals owns 17% of Mopani. The company does not currently receive a dividend from this investment but it does receive a discount on its treatment and refining charges (Tc/Rcs) of around 5c/lb in the current price environment. The charges are based on the Escondida benchmark contract.
- Escondida recently cut its charges to a low level of \$60/t for smelting and 6c/lb for refining while also cutting out price participation which has been a good earner for smelters in recent years. The new low price levels must make it difficult for many smelters to make money at these rates.**
- A forecast deficit in the market for copper concentrates of 500,000t this year by Antofagasta and a further forecast deficit of 750,000t in 2008 looks likely to put further downside pressure on Tc/Rc charges in both the spot and longer term contract markets. This should continue to enhance margins for copper miners which producer copper concentrates.**

Year to December	Sales (\$m)	PBT (\$m)	EPS (¢)	Tax (%)	DPS (¢)	Div. Yield (%)	FCF Yield (%)	Net Cash (\$m)	P/E (x)
2005A	478.3	211.3	235.9	24.3	29.6	0.5	(8.2)	(803.1)	24.1
2006F	1,094.5	647.4	637.0	26.0	31.0	0.5	(10.7)	(1,300.8)	8.9
2007F	1,343.6	969.2	909.2	25.0	104.0	1.8	18.9	(820.0)	6.2
2008F	1,360.8	992.1	889.9	25.0	102.0	1.8	19.6	(308.6)	6.4

Source: First Quantum Minerals (historical) and Numis Securities Research Department (forecast)

BUY

Last Different Recommendation

Add, 12th April 2006

Current share price 2875p

Target Price 4330p

Market Capitalisation £1935m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser	No
Broker	Yes
Market Maker	Yes
NOMAD	Yes

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First Quantum Minerals (part II) DRC copper concentrate exports blocked

Exports of copper concentrates have been blocked from being exported to Zambia for smelting and refining.

- **Raw mineral blockade:** The governor of the Katanga province Moise Katumbi has imposed a blanket closure of copper ore and concentrate exports from the Congo into Zambia to ensure that un-beneficiated ore is not exported to ensure that is treated domestically.
- Press reports indicated that there are over 300 trucks carrying copper concentrates stuck at the border. Authorities have impounded trucks at the Kasumbalesa border post over the past three weeks or so. The district commissioner Timothy Musonda is reported as having given assurance that the trucks will be released.
- Mining company Metorex who is also active in the Congo exporting concentrate to Zambia is quoted in the press as saying that a meeting with the governor has been set up and exports should resume in the next couple of days.
- **First Quantum** exports ore from its Lonshi mine to be processed in Zambia. Ordinarily this problem would impact its operations. However, the situation has developed whilst the company is in the process of waste mining as part of a push back of the Lonshi Pit. The company expects the push back to be completed within the next two weeks, by which time the border closure for ore will hopefully be at an end limiting any impact on FQM's operations. The Frontier mine could also suffer from this form of blockade in the future as the mine will transport ore into Zambia by conveyor belt from the mine which is located just inside the Congo.
- **Moise Katumbi**, governor of the Katanga province of the DRC has recently been in the press giving FQM 6-12months to develop Kolwezi which should be possible for the company to achieve. However, according to a Reuters news article Zambia has asked the DRC to extradite Mr Katumbi to face corruption charges involving millions of dollars that he allegedly diverted from the government to his account. Following the recently imposed blockade, Reuters reports the Zambian government has started to sell his assets seized 6 years ago.

BUY

Last Different Recommendation

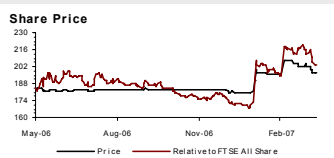
ADD, 2nd March 2007

Current share price 198p

Target Price 240p

Market Capitalisation £62m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser	No
Broker	Yes
Market Maker	Yes
NOMAD	No

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H&T Group

Results

Results for year ended 31 December 2006 were in line with upgraded expectations post the January trading update. Good growth despite the dilutive impact of 9 additions to the store portfolio means that performance of established stores has been strong. Management should take credit for delivering growth across all business units during an expansionary phase and distraction of an AIM listing.

Final results in line with upgraded expectations with top line growth and good cost control (despite a 13% increase in store numbers) giving £7.2m of adjusted operating profit (+26.8% y-o-y). Debt restructuring post AIM admission lowered interest costs pre exceptionals from £5.9m to £3.9m and profit before tax and exceptionals was £3.3m. Our £5.4m adj. PBT forecast excluded £0.8m of goodwill and £1.2m of exceptional interest/debt amortisation costs (included in the £3.3m) and was £3.4m following the Company's reporting format. Exceptional IPO and debt restructuring costs were £2.7m as expected. Adjusted EPS of 7.4p was in line with our 7.5p forecast including the goodwill and exceptional costs mentioned above (our forecast was 12p excluding them) and the 3p dividend was as expected. Operational cash flow increased from £5.4m to £7.6m, enough to finance the £1.8m new POS system (Autumn 07) and store expansion. Net debt before debt issue amortisation costs was down from £51.9m to £34.7m, after £2.5m of capex.

Pawnbroking showed good profit growth up 14% (or £2.6m to £20.9m) helped by a £0.9m improvement in retail from revision of the retail pricing policy (margins +7% to 47.8%) and a £0.6m increase in scrap profits to £1.1m. The £1m increase in PSC revenues attracted a 100% margin.

Financial services growing fast from low base with the start of in house underwriting and collection of cheque cashing and Pay Day Advance pushing revenues +£1.0m to £2.8m (8.7% of total revenues v 5.9% in FY05). The benefits of such products are increased footfall and income diversification and, whilst the £1m increase was net of £0.8m of bad debt, management has considerable experience of servicing and managing non-mainstream customers. Unsecured "KwikLoan" showed net revenues +46.3% LFL, with a December loan run rate 5x the prior year.

Still a low risk investment with c.98% of the £25.2m pledge book secured against gold and diamonds and 85% of business repeat. H&T's relative scale gives good organic growth and consolidation opportunities (management are actively pursuing larger acquisitions) in a fragmented market. Balance sheet restructuring gives scope for leverage. We forecast EPS of 14.5p by 2008 despite plans to grow the estate to c.100 stores.

We retain our FY07 forecasts and 240p target price with adjusted PBT and normalised EPS of £5.9m and 13.2p respectively. H&T is trading on 15.0x 2007 earnings, an unwarranted 26% discount to Albemarle & Bond (20.4x annualised 2007) for similar near term growth. Our target price closes the valuation discount to 10%. BUY.

HOLD

Last Different Recommendation
ADD, 18th August 2006

Current share price 438p
Target Price 465p
Market Capitalisation £602m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser No
Broker No
Market Maker Yes
NOMAD No

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Helphire Group

Interim results

Interim results to December 2006 reflect good growth with adjusted PBT up 52% to £20.6m and adjusted and diluted EPS up 25% to 10.5p. The 5.2p interim dividend was covered 2x.

Volume growth was not impacted by the unseasonably mild weather with credit hire cases +28% to 65,714 and car hire days +25% to almost 1.5m. Credit repair cases were up from 9,007 to 23,890. H2 growth is expected from a new account averaging 1,000+ hires per month and a new accident management contract through Total.

Cash collection still needs attention with debtor days of 213 compared to 202 at June 06. Management reports that a large settlement was received shortly after the period end. Net debt increased from £15m to £32.6m

Target price now 465p, retain 2007 (June) forecasts at adjusted PBT and diluted EPS of £44.8m and 22.5p respectively. For FY08 we forecast adjusted PBT of £61.3m and adjusted/diluted EPS of 30.9p. At current levels, HHR trades on 14.2x FY08 earnings for 37% EPS growth. Target price 465p, 15x FY08. This is a considerable premium to Accident Exchange (8.2x FY08 April for 27% EPS growth) although these results indicate that ACE's issues are more company specific.

*Accident Exchange is a corporate client of Numis

Year to	Sales (£m)	PBT (£m)	EPS (p)	Tax (%)	DPS (p)	Div. Yield (%)	FCF Yield (%)	Net Cash (£m)	P/E (x)
June									
2006A	178.5	26.6	17.6	0.2	6.0	1.4	n/a		24.8
2007F	245.4	44.8	22.5	30.0	10.0	2.3	n/a		19.4
2008F	301.5	61.3	30.9	30.0	13.6	3.1	n/a		14.2
2009F						n/a	n/a		n/a

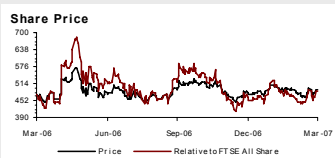
Source: Helphire Group (historical) and Numis Securities Research Department (forecast)

ADD

Last Different Recommendation
BUY, 2nd March 2007

Current share price 493p
Target Price 580p
Market Capitalisation £3189m

Current share price(s) timed at 4.30pm on 19/3/2007



Source: Perfect Information

Adviser No
Broker No
Market Maker Yes
NOMAD No

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ICAP

Bid speculation

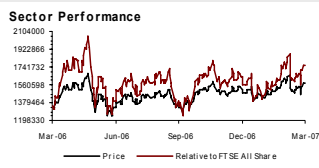
The Daily Mail leads with a bid story we believe that fundamental are the driver

- **Trillion dollar days:** ICAP is a real beneficiary of market volatility which has increased markedly over the past couple of weeks. There have been numerous reports of ICAP having trillion dollar days and we find this east to believe. The key strengths of the group's electronic platforms are scalability and a low marginal cost. Consequently we would expect most of the increased revenue associated with the recent increase in market volatility to drop to the bottom line.
- **Trading statement likely to be positive:** We expect ICAP to release a positive trading statement next week. Our current forecasts are for pre-tax profits of £255.5m and EPS of 24.9p for the year ending March 2007. In our note of the 22nd of November when we upgraded ICAP to Buy from Add we mentioned that the risks to our forecasts would be on the up side. Being so close to the trading statement we are not altering our estimates today but we would say that a forecast increase is now very likely.
- **Bid speculation:** Despite the Mail leading with 'Takeover fever driving ICAP' and the 3% increase in the share price yesterday ICAP continues to trade at a discount to its IDB peers and a very material discount to its exchange peers. While this discount valuation and the strong cash flow of the business may attract interest our positive stance and target price are based on the attractive business fundamentals.

The Chief Executive of ICAP is Chairman of Numis Corporation Plc and indirectly is a major shareholder in the latter company.

Year to	Sales (£m)	PBT (£m)	EPS (p)	Tax (%)	DPS (p)	Div. Yield (%)	FCF Yield (%)	Net Cash (£m)	P/E (x)
March									
2006A	919.2	204.3	21.5	35.3	10.0	2.0	n/a		23.0
2007F	1,067.7	255.5	24.9	37.0	12.0	2.4	n/a		19.8
2008F	1,148.3	297.1	28.9	37.0	14.0	2.8	n/a		17.1
2009F	1,196.5	321.0	31.2	37.0	15.6	3.2	n/a		15.8

Source: ICAP (historical) and Numis Securities Research Department (forecast)



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Metals & Mining

China to regulate metals investment further

China moves to curb small-scale investment in copper, zinc and lead smelting

New regulations

- **Zinc:** capacity must exceed 100,000tpa. Smelters must source at least 30% of their concentrate from their own raw-material supply. This could force many any new zinc smelting projects to build or acquire new mines and projects to satisfy these new government conditions.
- **Lead:** capacity must exceed 50,000tpa
- **Copper:** we are not sure what the new capacity is but new copper smelters will need to supply a substantial proportion of concentrates from their own projects.
- **Lead scrap recycling:** capacity must exceed 10,000tpa for existing companies,
- **M&A:** activity should increase in China to consolidate the metals sector to enable relatively small-scale enterprises to continue to grow through the development of larger scale smelting and refining projects.
- **Overseas acquisitions:** could increase as smelting look to secure larger tonnages of metals concentrates to feed larger projects.
- **Zijin offer for Monterrico Metals:** may be just the first of many more offers for Western mining companies and projects to secure concentrate supplies for new projects.
- **Conclusion:** Chinese metals companies will need to build or acquire new projects to meet these new requirements for growth. Zinc, copper and lead miners will become acquisition targets for many new smelters putting some companies directly in the M&A line.

Recommendations: Griffin Mining (zinc in China), Regent Pacific (copper & zinc in China), Oxiana (copper and gold in Laos)



Source: Perfect Information

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Metals & Mining

COPPER - Fundamentals continue to support upgrades

We continue to believe the copper market offers attractive fundamentals in the short and medium term. Though volatile, we believe a somewhat flatter price curve at well over US\$2/lb is likely for most of the remainder of the decade driven by ongoing Chinese growth and an acute shortage of upstream mine capacity. Chinese demand vs dwindling domestic production and a lack of scrap supply are the drivers. As the largest single driver of sector EPS momentum, this suggests rising forecasts of earnings and therefore cash returns.

- **China effect:** Copper market fundamentals have improved markedly during the last year. The monthly run rate of apparent Chinese demand has improved by over 25% to about 370ktpm vs its local nadir in May 2006 as local destocking throughout the supply chain has ceased and possibly reversed slightly. This was met during much of H2 2006 by Chinese SRB stock drawdowns and gently growing refined imports. In 2007, the rate of Chinese refined production has dropped markedly (over 10% vs Q4 2006) as concentrate stocks have dwindled to about 230ktpm and the remainder of demand has been met by significantly higher imports i.e. imports now account for around 40% of Chinese monthly demand vs less than 10% in mid summer 2006.
- **Tight concentrate market:** On the South American analysts' tour BHP is currently hosting, the company has shown a forecast of an increasingly large copper concentrate deficit through 2007-2009 (reaching well over 400ktpa by 2009), echoing the comments made by Antofagasta last week. The impact on prospective TC/RCs is clearly positive for the UK copper exposed miners who are long concentrate. We also believe, assuming a reasonably robust macroeconomic outturn in 2008, that the refined market will be broadly balanced and supportive of prices well over US\$2/lb as the Chinese continue to gently restock in 2008.
- **Forecast upside:** We believe consensus copper forecasts for 2007 and 2008 are around 280c/lb and 230c/lb respectively with a trend back to long term levels following that. We believe the risk to 2008/9 forecasts remains on the upside to these levels (though are clearly macro dependent) and we are revisiting our own forecasts. Top picks Xstrata, BHP Billiton, First Quantum, African Copper.

Recently Published Research

Recently Published Research								
Date	Company/Type	Price Target		Recommendation			Sector	Analyst(s)
		(p)	Price (p)	Current	Last Diff	Date		
19-Mar-2007	Ulster TV	436	510	ADD	BUY	30/1/06	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock
19-Mar-2007	Phoenix IT Group	339	335	HOLD	ADD	29/11/06	Technology	Will Wallis, David Toms
16-Mar-2007	Cattles	428	320	SELL	ADD	15/9/06	Speciality & Other Finance	James Hamilton, Roger Tejwani
16-Mar-2007	Centaur Media	149	169	ADD	BUY	22/1/07	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock
16-Mar-2007	Aegis	147	160	HOLD	ADD	7/3/06	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock
14-Mar-2007	Group NBT	271		ADD		n/a	Technology	David Toms, Will Wallis
14-Mar-2007	Informa	552	679	ADD	BUY	14/3/07	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock
14-Mar-2007	Chime Communications	48	63	BUY	ADD	2/10/06	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock
13-Mar-2007	Lookers	200	216	HOLD	ADD	4/9/06	Retail	Steve Davies, Ramona Tipnis, Jose Marco
9-Mar-2007	Wilmington Group	245	289	ADD	HOLD	13/11/06	Media	Lorna Tilbian, Paul Richards, Richard Hitchcock

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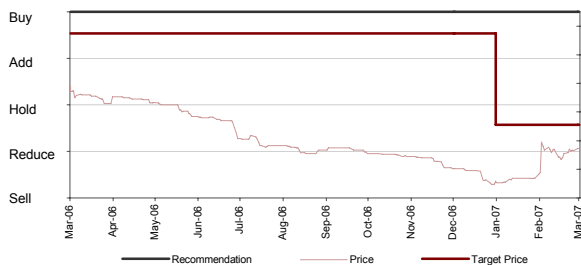
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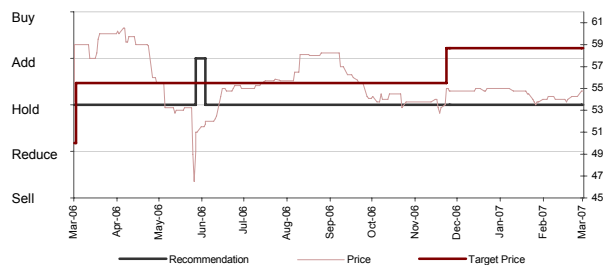
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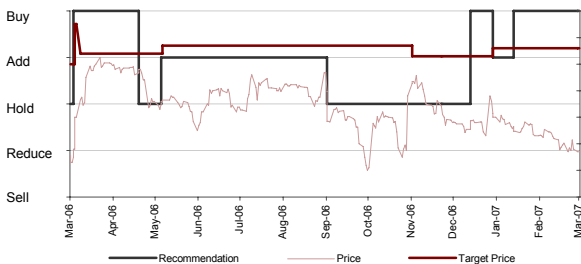
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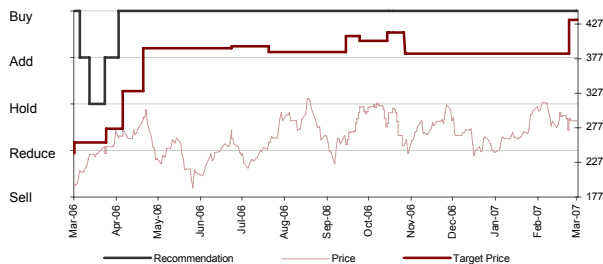
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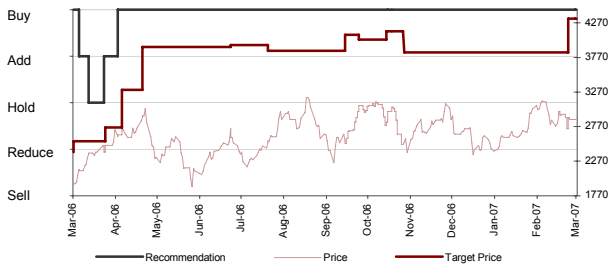
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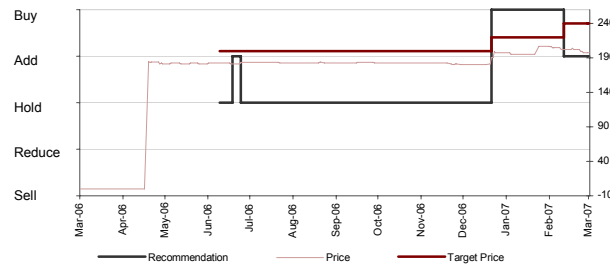
Recommendation History - First Quantum Minerals (ord)



Recommendation History - First Quantum Minerals (ord)



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