RAB SPECIAL SITUATIONS COMPANY LIMITED

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Key Facts
AIM quoted
Ticker: RSS.L

Company Information

Shares in issue:	64,648,000*
Denomination:	GBP
Admission date:	31 May 2005
Year end:	31 December

**Voting shares in issue as at 20/11/12, excludes shares held in treasury*

Share Price (as at 20/11/12)
25.00 p

Manager
RAB Capital

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Investment Commentary

The RAB Special Situations Company (the "Company") returned -5.0% (October),-25.8% (6 Months), -8.6% (YTD) and -11.8% (12 months). In October 2012, RAB Special Situations Fund ($ Class) returned -5.2% ($ Class). This compares with the performance of the Bloomberg World Index, which returned -0.6% and the Bloomberg World Mining Index, which was down -0.2%. October was a fairly poor month for US Indices, with the Dow Jones and the S&P down -2.5% and -2.0% respectively. Europe faired more positively, with the FTSE 100, the CAC40 and the DAX all up for the month by 0.7%, 2.2% and 0.6% respectively. As far as mining indices were concerned, junior companies suffered the most, with the AIM Basic Resources Index down -6.6% and the GDXJ down -2.4%, while the SXPP and the GDX were up 1.8% and down -1.5% respectively.

Although the index movements during October were relatively muted compared to previous months, it was not a month short on news. In Europe, the battle between the desire for growth but the need for austerity still raged on, with the spotlight on Spanish debt and Prime Minister Mariano Rajoy's refusal to seeking a precautionary credit line from the European Central Bank. However a -1.8% drop in German industrial output and a fall of -3.3% in orders highlighted that the scale of the problem is Europe-wide and prompted a warning from ECB president Mario Draghi that Germany was no longer insulated from the slump in southern Europe. Across the Atlantic there was uncertainty in the markets given the close nature of the US Presidential election. This resulted in falling volumes as the market took a pause, with the average US total daily exchange volume during October falling by -7.0% compared to September, and was down -8.9% compared to the Q1-Q3 average. The focus in the US going forward will now be on the Fiscal Cliff, and precisely how this will be resolved given the Republicans hold the House of Representatives and the Democrats are still shy of a 60-seat super-majority in the Senate.

(Continued on next page)

Portfolio - Top 5 Holdings

Top 5 Holdings		Gross Assets (%)
1	Falkland Oil & Gas	28.4
2	Royal Nickel	6.5
3	Goviex Uranium	6.1
4	African Minerals	4.6
5	Victoria Gold	3.8
	Top 5 holdings represent	**49.4**

Sector Split

		(%)
1	Oil & Gas	43.2
2	Ind. Base Metals	20.1
3	Gold & P. Metal	12.5
4	Coal/Uranium	9.9
5	Biotech	4.2
6	Agriculture	3.2
7	Technology	1.4
8	Clean Tech/Energy	1.2
9	Consumer	1.2
10	Real Estate	1.1
11	Other	0.5
		98.5

Investment Commentary *(Cont'd)* Chinese macro data was positive during October, with exports rising by 9.9% (5.5% expected) and strong M2 growth. Chinese inflation data contained no surprises with CPI at 1.9% (1.9% expected) and PPI at -3.6% (-3.5% expected), however later in the month there was an additional boost as HSBC Flash China manufacturing data climbed to 49.1 compared with 47.9 in September, representing a three-month high. Now the market awaits the Communist Party's once-in-a-decade power transfer, and the rhetoric that comes from the congress in such periods.

During October the Fund continued to build its position in Royal Nickel, but also added to the current position in Sable Mining Africa. Although African iron ore companies have struggled of late, Sable Mining Africa has continued to produce strong drill results to the market place. Recently, the company released promising data from its flagship Nimba project in Guinea. These included 18 holes drilled on plateau 2 and seven drill holes from plateau 3, and indicated that DSO-grade material was pervasive in the area. The company is targeting a maiden resource in Q1 2013, and with current grades it is looking to achieve a substantial DSO resource and potential to be a best-in-class deposit. The Fund also sold its position in Centamin Plc in mid-October, after the company had risen around 60% since early August. This decision turned out to be very timely as the Administrative court in Egypt later ruled to annul the contract allowing the company to extract gold, causing the share price to plunge -35%. Since then the company has announced that while an agreement was reached between the company and Egypt over the granting of an exploitation lease, evidence had not been submitted to the Administrative court. The company is making moves to rectify this in an appeal and is confident that a ruling will be made in their favour soon. In the meantime normal operations at Sukari will be maintained.

Despite the gold price coming off in October (spot price was down -2.9% to $1,720.65/oz), the strongest performing companies within the portfolio tended to be the gold miners. It has long been discussed that small and mid-cap gold miners in particular have year-to-date lagged behind gold (the GDXJ is down -2.3%, whereas gold is up 10% year-to-date). The main reason for this has been funding concerns. During October AuRico Gold rose 20.7% after it announced that it had sold its challenging Ocampo asset for $750m cash. This now gives the company sufficient funds to develop the underground mine at the low-cost long life assets of Young Davidson and El Chanate. The company is now smaller as far as total ounces are concerned, but it has managed to secure funding for its stronger, long-term assets. Likewise St Augustine Gold & Copper rose 25% during the month after if announced a strategic partnership with Philippines-based Queensbury Mining and Development Corp. Queensbury can purchase ultimately 23.7%. Other strong performers were Centamin Egypt, Avion Gold (shareholders voted in favour of its acquisition by Endeavour Mining) and Victoria Gold.

On the downside zinc names struggled, with Selwyn Resources falling -28.6% and Trevali Mining falling -16.9%. This was due to a fall of 11.4% in the zinc price following the previous month's 13.7% gain.

As far as an impact on NAV was concerned, Falkland Oil and Gas was the main mover, even though the company only fell by -5.3% in October having provided the market with mixed news during the month. On the positive side they confirmed that they had contracted PGS to conduct two 3D seismic surveys totalling 5,000km2, expected to begin in Q4 2012 and Q1 2013. As a result of these surveys the Falkland Island Government has agreed in principle to extending Phase 2 of the licences by two years in the northern area and one year in the south. Disappointingly they also announced that drilling at the Scotia prospect had been halted due to an issue with the rig's blow-out preventer. However by November 7th this had been resolved and operations recommenced with a timeline of four to six weeks to drill to the well target depth.

Since rising to its peak share price of £5.90/share in Q1 of this year, African Minerals has struggled and had fallen 53.7% by the end of October. This has been due to a variety of issues over the past year, including the resignation of the former CEO, a train derailment in June and reduced production guidance for 2012 from 10mtpa to 5-6mtpa due to bad weather. This has also been compounded by a volatile iron ore price, which fell by approximately 36% in two months during Q3 of this year to a low of $86.7/T (it has since recovered, ending the month at $119.3/T). Recent issues surrounding the moisture content of the concentrate and subsequent issues with shipping have also damaged the company's share price of late. This is due to the clay content of the current ore material combined with a particularly severe wet season, which lasts from May to November. African Minerals has not been the only company affected by the weather conditions, with ArcelorMittal reporting similar problems with its shipments out of Liberia. That being said African Minerals intends to complete the new wet process plant and convert the mobile dry crushing plant to a wet screening plant as planned to remove the impact of wet weather conditions on material handling going forward, and are still targeting a 20mtpa run rate by Q2 of 2013.

Commodities Comment

In a month when more commodities prices fell than rose, iron ore stood out in October with prices rallying by 14.5% on the month as the aggressive de-stocking that had undermined the price over the previous two months came to an end.

Focusing on base metals prices, all lost ground over the course of October. The relative price performance in October was a fair reflection of market fundamentals, with copper, lead and tin outperforming (-5.5%, -8.7%, -9.1% during the month respectively), while aluminium, zinc and nickel prices were weakest (-9.9%, -11.4%, -12.4% month on month respectively). The retreat in prices, which reversed much of the market euphoria ignited by Ben Bernanke's sweeping measures, was not surprising since the preceding rally appeared to be driven more by funds than fundamentals.

Interestingly, this decline in average base metal pricing during the month of October has helped narrow the disconnect between equities and the underlying metals. The divergence between equities and commodities prices that was prevalent during 2011 has continued throughout 2012, with equities lagging metals for the majority of the year.

Nervousness surrounding economic growth prospects in the US, Europe and, to a certain extent, China, will likely keep metal prices restrained, with little consistent directional inputs anticipated before the first quarter of 2013. However, we hope that the new Chinese leadership will implement measures to get their economy moving.

In conclusion, we are holding a portfolio of great value assets, but are waiting for better news on commodity prices and hopefully good news on FOGL drilling the Scotia prospect. Longer term we are hopeful that value across the portfolio will give us strong returns.

Philip Richards and Team

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