



Research



Morning Note

6 August 2009

Markets

World Markets		+ / -	%
Dow Jones	9,281	-39	-0.4
NASDAQ	1,993	-18	-0.9
S & P 500	1,003	-3	-0.3
FTSE 100	4,647	-24	-0.5
Nikkei 225	10,253	-122	-1.2
ASX All Ords	4,272	-42	-1.0

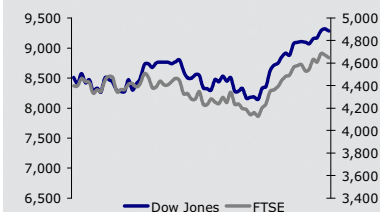
Currencies		+ / -	%
\$/A/\$US	0.841	0.02	0.0
\$/US/Yen	94.880	-9.00	-0.1
GBP/\$A	2.022	0.03	0.0
Euro/\$US	1.441	0.10	0.1

Energy		+ / -	%
WTI Spot (US\$/bbl)	71.97	0.55	0.8
Henry Hub (US\$/mcf)	3.62	0.09	2.5
UxC Uranium (US\$/lb)	48.50	0.00	0.0

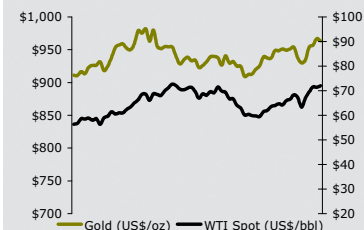
Precious Metals (Bloomberg)		+ / -	%
Gold (US\$/oz)	964.2	-2.8	-0.3
Platinum (US\$/oz)	1,286.5	16.8	1.3
Silver (US\$/oz)	14.7	0.1	0.4

LME, Cash		+ / -	%
Aluminium (US\$/t)	2,042	78.8	4.0
Copper (US\$/t)	6,194	149.3	2.5
Lead (US\$/t)	1,934	30.0	1.6
Nickel (US\$/t)	20,390	1,100.0	5.7
Tin (US\$/t)	15,705	583.0	3.9
Zinc (US\$/t)	1,900	71.3	3.9

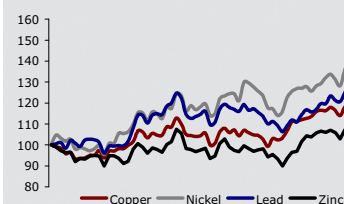
International Markets (3 Month)



Gold v Oil (3 Month)



Base Metals (Rebased) (3 Month)



After a four day winning streak, the Dow retreated 39 points (0.4%) on Wednesday, with reports showing weaker than expected data from the service and labor sectors. The Nasdaq and S&P followed suit, posting declines of 0.9% and 0.3 % respectively.

Base metals rallied strongly in trading overnight, with Nickel again the standout recording a 5.7% gain. Despite >100kt stockpile on LME, Nickel has risen more than 50% over the last three months to close at US\$9.25/lb. The A\$ is trading at ~US84c while the gold price slipped to US\$964/oz.

Diggers and Dealers Wrap

Argonaut made its annual pilgrimage to Kalgoorlie for the 18th Diggers and Dealers Conference earlier in the week. Among the better stories doing the rounds were:

Mincor Resources (MCR) – David Moore (MD)

- Market Capitalisation ~\$490m, ~\$94m cash and net receivables, no debt
- Star performer and long-time Argonaut favourite, teaching a few people a lesson or two about generating free cash flow (\$23m in June Q, at current Ni price of ~A\$11/lb, MCR could potentially generate annualised FCF of ~\$100m)
- Organic growth from Mariners (N10 and beyond) as well as prospective Bluebush Line tenement package

Silver Lake (SLR) – Les Davis (MD)

- Market Capitalisation ~\$110m, >\$20m cash, no debt
- Real miners armed with grade (Daisy Milano ~10g/t), lowest quartile cash costs and generating free cash flow (\$2m/month)
- Well articulated organic growth profile - Underground drilling program commencing in August to vigorously pursue reserve extensions beneath the dolerite at Daisy – Anglo (2003 report) believed there to be a 2.0 – 4.5Moz field at <500m vertical depth
- Low capex (~\$8.4m) bill required to double throughput at its Lakewood processing facility to ~600ktpa (meaning SLR could produce well in excess of 100kozpa, conditional on exploration success)
- Well placed to participate in the inevitable consolidation of the Kalgoorlie gold miners

Troy Resources (TRY) – Paul Benson (MD)

- Proven gold producer, Market Capitalisation of ~\$107m with \$35m cash, no debt, no hedging
- Under promising and over delivering at its recently acquired Casposo mine, in Argentina
- Already adding value - Capital cost of US\$45m (47% reduction), 32% increase in the Resource to 602koz Au_eq (more brownfields growth to come), production fast-tracked to Sep Q 2010
- Casposo will elevate TRY into the >100kozpa Au club
- One of the few stocks not stretching valuation - \$2.50, trading at \$1.54

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