



**ARGONAUT**

# RESOURCES WRAP



**Metals & Mining**



**December 2010**



## Research:

### Ian Christie

Director, Research  
Direct Line: +61 8 9224 6872  
Email: [ian@argonautlimited.com](mailto:ian@argonautlimited.com)

### Troy Irvin

Director, Research  
Direct Line: +61 8 9224 6871  
Email: [troy@argonautlimited.com](mailto:troy@argonautlimited.com)

### Tim Serjeant

Associate Director  
Direct Line: +61 8 9224 6806  
Email: [tim@argonautlimited.com](mailto:tim@argonautlimited.com)

### Gianluca Paglia

Analyst  
Direct Line: +61 8 9224 6824  
Email: [gianluca@argonautlimited.com](mailto:gianluca@argonautlimited.com)

## Institutional Sales:

### Chris Wippl

Head of Research & Sales  
Direct Line: +61 8 9224 6875  
Email: [chrisw@argonautlimited.com](mailto:chrisw@argonautlimited.com)

### Paul Carter

Executive Director  
Direct Line: +61 8 9224 6864  
Email: [paul@argonautlimited.com](mailto:paul@argonautlimited.com)

### John Santul

Consultant, Sales & Research  
Direct Line: +61 8 9224 6859  
Email: [johns@argonautlimited.com](mailto:johns@argonautlimited.com)

### Damian Rooney

Senior Institutional Dealer  
Direct Line: +61 8 9224 6862  
Email: [damianr@argonautlimited.com](mailto:damianr@argonautlimited.com)

### Ben Willoughby

Institutional Dealer  
Direct Line: +61 8 9224 6876  
Email: [benw@argonautlimited.com](mailto:benw@argonautlimited.com)

### Bryan Johnson

Institutional Dealer  
Direct Line: +61 8 9224 6834  
Email: [bryan@argonautlimited.com](mailto:bryan@argonautlimited.com)

## Registered Office

Level 30  
Allendale Square  
77 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 9224 6888  
Facsimile: +61 8 9224 6899  
Website: [www.argonautlimited.com](http://www.argonautlimited.com)

## Corporate and Retail Sales:

### Kevin Johnson

Executive Director  
Direct Line: +61 8 9224 6880  
Email: [kevin@argonautlimited.com](mailto:kevin@argonautlimited.com)

### Glen Colgan

Executive Director  
Direct Line: +61 8 9224 6874  
Email: [glen@argonautlimited.com](mailto:glen@argonautlimited.com)

### James McGlew

Director  
Direct Line: +61 8 9224 6866  
Email: [james@argonautlimited.com](mailto:james@argonautlimited.com)

### Geoff Barnesby-Johnson

Senior Dealer  
Direct Line: +61 8 9224 6854  
Email: [bj@argonautlimited.com](mailto:bj@argonautlimited.com)

### Andrew Venn

Senior Dealer  
Direct Line: +61 8 9224 6865  
Email: [andrew@argonautlimited.com](mailto:andrew@argonautlimited.com)

### Robbie Hamilton

Dealer  
Direct Line: +61 8 9224 6830  
Email: [robbieh@argonautlimited.com](mailto:robbieh@argonautlimited.com)

### Melaney Brans

Dealer  
Direct Line: +61 8 9224 6873  
Email: [melaney@argonautlimited.com](mailto:melaney@argonautlimited.com)

### Cameron Fraser

Dealer  
Direct Line: +61 8 9224 6881  
Email: [cameron@argonautlimited.com](mailto:cameron@argonautlimited.com)

## Corporate Contacts

### Charles Fear

Executive Chairman  
Direct Line: +61 8 9224 6800  
Email: [charlesf@argonautlimited.com](mailto:charlesf@argonautlimited.com)

### Edward G. Rigg

CEO & Managing Director  
Direct Line: +61 8 9224 6804  
Email: [eddie@argonautlimited.com](mailto:eddie@argonautlimited.com)

### Michael Mulroney

Executive Director  
Direct Line: +61 8 9224 6803  
Email: [michael@argonautlimited.com](mailto:michael@argonautlimited.com)

### Greg Southee

Director  
Direct Line: +61 8 9224 6805  
Email: [greg@argonautlimited.com](mailto:greg@argonautlimited.com)



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## GENERAL DISCLOSURE AND DISCLAIMER



## Summary of Recommendations

Table 1: Stock Recommendations (Key picks highlighted - as at 2 December)

Company	Code	Market Cap.	Share Price	Price Target	Rec	Comments
<b>Nickel</b>						
Independence Group	IGO	1,023	\$7.37	\$8.50	BUY	Track record of consistent production, high grades, low costs and resource growth at the Long nickel mine Deserves a gold premium for 30% of the growing multi Moz remote Tropicana project Growth credentials are underpinned by a sophisticated \$29m exploration effort
Mincor	MCR	356	\$1.78	\$1.83	HOLD	Leveraged play with safe-hands management and operational flexibility at 5 mines in 2 production centres The re-started Miitel is a ~5ktpa swing factor Track record of mine life extensions with recent success at Mariners N10 and N11, and Miitel South
Mirabela	MBN	877	\$1.79	\$2.13	BUY	Recent US\$165m capital raising reduces financial risk Medium term technical risks persist with ramp-up challenges in the transitional ore zone at Santa Rita The longer term prize is intact (low cost, long life, large Ni sulphide mine)
Panoramic	PAN	476	\$2.31	\$2.75	BUY	Relatively low risk leverage to the nickel price with two geographically diverse production centres 10 year mine life at Savannah v 3-4 years at Kambalda New discovery on the eastern flank of Deacon offers resource upside proximal to existing infrastructure
Western Areas	WSA	1,059	\$5.89	\$6.76	BUY	Forecast to deliver the most nickel in FY11 at the highest grades and lowest costs in the peer group Reserve position on the cusp of 25ktpa for 10 years (15ktpa from Flying Fox / 10ktpa from Spotted Quoll) Further increases to mine life targeted by drilling at Spotted Quoll, New Morning and Flying Fox T8
<b>Copper/Zinc</b>						
Discovery Metals	DML	483	\$1.39	\$1.35	HOLD	First production from 34ktpa Boseto copper project in Botswana slated for early 2012 BFS - 3Mtpa plant, US\$175m capex, US\$1.28/lb cash costs, execution risk has materialised ~\$142m equity raising (\$51m placement / \$91m rights issue) to be followed by US\$100m debt facility
Equinox Minerals	EQN	5,063	\$5.77	\$5.70	HOLD	Lumwana hitting its straps, advancing studies to reach 24Mtpa and ultimately ~35Mtpa Bidding ~\$1.2b for Saudi Arabian copper-gold developer Citadel (CGG) - 1:14.3 plus 10.5c per share Provides a platform to 250ktpa Cu production from 2013 with first mover advantage in the Arabian Shield
Jabiru Metals	JML	293	\$0.53	\$0.69	BUY	>10 year mine life demonstrated at current plant throughput, >8 years at proposed expansion to 560ktpa Track record of success in an underexplored VMS belt and Despite offering the highest grades and lowest costs, defying logic as the cheapest zinc producer
Kagara	KZL	545	\$0.77	\$0.57	SELL	Zinc output planned to jump from 45kt in FY10 to 70kt in FY12, copper steady at 23kt Hard yards generating FCF from multiple small (but high grade) mines with significant road haulage ~\$20m placement to Prosperity Steel United (33m shares @ \$0.60) in August surprised the market
OZ Minerals	OZL	5,279	\$1.63	\$1.80	BUY	Recent site visit confirms Prominent Hill as a 100ktpa, 200koz pa copper-gold mine Cash building on the balance sheet - \$1.4b, potential for special dividend post 2010 result Near-mine exploration provides biggest leverage for shareholders - 10 rigs, >\$60m budget in 2011
Perilya	PEM	266	\$0.51	\$0.50	HOLD	Integration with GlobeStar provides diversification into copper and gold, and potentially lithium and nickel Continued improvement at Broken Hill with Sep Q C1 cash costs US\$0.40/lb Zn 20% below guidance Development decision for the Mt Oxide copper project expected in Jun Q 2011
<b>Precious</b>						
Avoca	AVO	968	\$3.20	\$3.72	BUY	Aggressive target of 400kozpa in 2 years from 2 underground and 2 open pit mines near Kalgoorlie The next growth leg is via a proposed merger with TSX:ANO (strategic position in the Tethyan Au-Cu belt) Short term execution risk at Coper arguably outweighed by long term organic upside
Catalpa	CAH	309	\$1.90	\$2.00	HOLD	Slow ramp up at the low grade, bulk tonnage Edna May project in the Westonia greenstone belt Holds 30% of the narrow vein, high grade 100koz pa Cracow mine in JV with NCM in North Old FY11 production guidance recently downgraded to 105-120koz pa, yet to publish cost figures
Chalice Gold Mines	CHN	146	\$0.69	\$0.91	SPEC BUY	Eritrean gold developer (760koz @ 5.1g/t, US\$122m capex, >100kozpa, US\$338/oz costs, 10:1 strip) Country risk is more than counterbalanced by low geological risk in the Arabian Nubian Shield Koka-Konate corridor looms as a potential gold camp within trucking distance of the plant
Dominion	DOM	323	\$3.12	\$2.25	SELL	Agreed Scheme of Arrangement with Kingsgate (KCN) 0.31 KCN for 1 DOM Appears a good deal for shareholders, values DOM at 1.4x NPV, chance of competing offer is low Better opportunities elsewhere for gold exposure
Focus Minerals	FML	155	\$0.05	\$0.07	BUY	Consolidated the formerly piecemeal Coolgardie gold belt De-risked the business by purging three "evils" - debt, hedging, toll milling, exploration effort increasing Value proposition clouded by sub-optimal cap structure invoking "penny dreadful" status
Gryphon Minerals	GRY	455	\$1.57	n/a	SPEC BUY	Banfora resource upgraded to 1.5Moz grading 2.2g/t, potential to hit critical mass (>2Moz) by early 2011 West African growth strategy has expanded into Mauritania via the successful SHX transaction Raised \$48.2m @ \$1.25ps in September 2010 to boost exploration at Banfora and Tijjrit
Integra	IGR	442	\$0.59	\$0.43	SELL	Commissioning the Randalls gold project, 90koz pa production from Phase 1, targeting 140koz pa Strong exploration commitment - \$15m budget in FY11 focused on the promising Majestic discovery Appears fully priced relative to peers
Magma Metals	MMW	102	\$0.52	n/a	SPEC BUY	Scoping study for Thunder Bay North project in Ontario anticipated in the December Q Recent resource upgrade to 732koz grading 2.44g/t (Pt equivalent) Potential prize is multi-Moz PGMs free from the issues plaguing South Africa's Bushveld Complex
Papillon	PIR	78	\$0.50	n/a	SPEC BUY	Maiden drilling in Mali confirmed five potential gold zones - FMZ, FNE, FSE, Fekola and Tintiba Current resource 653koz (80% attributable), targeting >1Moz in the near term, >2Moz in the medium term Offers relative value in the West African peer group despite high open pit grade of 3.2g/t



## Summary of Recommendations

Table 1: Stock Recommendations (Key picks highlighted - as at 2 December)

Company	Code	Market Cap.	Share Price	Price Target	Rec	Comments
<b>Precious</b>						
Platinum Australia	PLA	182	\$0.50	\$0.48	HOLD	Recurring industrial action hampering ramp-up at Smokey Hills, although \$40m raising eases the pressure Kalplats DFS delivered - ZAR1.1b capex, 1.5Mtpa ore, 2.96g/t, 105kozpa 3E, US\$415/oz operating costs Argonaut's bullish PGM view counterbalanced by stock / country specific risks
Ramelius	RMS	306	\$1.05	\$1.20	BUY	Australia's highest grade gold mine at the Wattle Dam project, 25km south west of Kambalda Resource / reserve estimation risk given atypical Goldfields deposit with large coarse free gold component Gold price leverage with Mount Magnet acquisition, robust balance sheet reducing downside risk
Regis	RRL	941	\$2.19	\$1.75	HOLD	A 250koz pa Australian gold producer in the making Commissioning at Moolart Well ahead of budget and schedule, Garden Well reserve the next catalyst Proven management team and operating track record has garnered strong market support
Saracen	SAR	364	\$0.74	\$0.83	BUY	The quiet achiever amongst the new Eastern Goldfields producers Deeper drilling targeting depth extensions underway, Red October campaign begins in early 2011 Key to re-rating will be de-risking the production schedule and demonstrating tangible grade upside
Silver Lake	SLR	402	\$2.25	\$2.82	BUY	People and high grades underpin the aggressive growth target of 300kozpa by FY14 Targeting a doubling of the resource base over the next 2 years to 5Moz Catalysts include open pit evaluations, further parallel structures at Daisy Milano and the Murchison study
St Barbara	SBM	874	\$2.69	\$2.67	HOLD	Gwalia Deeps sounds like heaven - High grade reserves (1.8Moz @ 9g/t), >9 year mine life, open at depth FY11 guidance on track (265-295koz), grade at Leonora expected to increase over the next three Qs Increasing production, no hedging and high (although improving) cash costs provide leverage
Troy	TRY	303	\$3.46	\$4.40	BUY	First gold reported at Casposo, output growing to >100kozpa when coupled with the improved Andorinhas High grades (9.1g/t Au and 118g/t Ag in year 1) indicate low average cash costs at Casposo of US\$120/oz Exploration drilling underway at Castaño Nuevo and Casposo Norte

### Bulks

Aspire Mining	AKM	322	\$0.41	n/a	SPEC BUY	Strategic placement and partnership with Mongolian coal producer SouthGobi Resources Defined a maiden 331Mt JORC resource in October 2010, looking to double in 2011 Prize is potentially a sizeable, quality hard coking coal province in proximity to Asian export markets
Atlas Iron	AGO	1,682	\$3.08	\$3.00	HOLD	In control of the logistics chain from mine to port Step change to production profile underway with commissioning of Wodgina and Utah Point Gathering steam with further catalysts to come
BC Iron	BCI	212	\$2.30	\$3.25	BUY	Nullagine Iron Ore JV with FMG - first shipment in January 2011 Differentiated from junior peers by near term cash flow potential and tangible infrastructure solution Compelling value
Gujarat NRE Coal	GNM	579	\$0.65	\$0.85	BUY	Ramping-up to 6Mtpa of hard coking coal from FY15 Risks include AUD appreciation, lack of customer diversification, and high capital intensity Risks are counterbalanced by unparalleled leverage to bullish hard coking coal fundamentals
Mount Gibson	MGX	2,186	\$2.02	\$1.85	HOLD	Tangible organic growth profile, robust cash flow and strong balance sheet Extension Hill project (from September 2011) grows production to 10Mtpa Issues at Board level may place handbrake on the stock for now
Murchison	MMX	523	\$1.20	\$1.60	HOLD	50:50 JV, with Mitsubishi to fund MMX's equity share Delays to mine and infrastructure BFS creating uncertainty and depressing the share price Fears of cost escalation and further delay to residual payment timing make the stock an avoid for now
Northern Iron	NFE	534	\$1.59	\$1.60	HOLD	Balance sheet repaired following \$70m capital raising in October Wheel beginning to turn? Production and quality improvements, but significant dilution over last 18 months Time to deliver

### Uranium

Bannerman	BMN	122	\$0.60	\$0.80	SPEC BUY	Recent Etango resource upgrade to 213Mlb @ 193ppm (was 162Mlb @ 222ppm) Attractive features include location, low strip ratio and potential 5-7Mlb pa over >16 year mine life Scale, grade and no strategic partner make BMN one of the most highly leveraged uranium exposures
Extract	EXT	2,117	\$8.70	\$8.00	HOLD	World class uranium discovery, targeting +500Mlbs, only 6km from RIO's Rössing Mine DFS pushed back to March Q 2011 Biggest risk appears intentions of major shareholders rather than technical or financial
Mantra	MRU	931	\$7.15	\$8.10	SPEC BUY	Expanded the Mkuju River project in Tanzania to >100mlbs Catalyst rich with resource upgrades, permitting approvals and DFS due over coming months Likely to attract significant strategic interest
Paladin	PDN	3,612	\$4.98	\$4.72	HOLD	Delivering much improved operational results, Argonaut forecasts 6.7Mlb in FY11 "Growing pains" risk i.e. ramping up / expanding over the next 3 years to >10Mlb pa With two mines running, PDN is a better bet than most inexperienced juniors

### Diversified

Straits	SRL	721	\$2.29	\$2.30	HOLD	Acquisition and Demerger plans seeking to 'unlock' the embedded value within SRL PTT offering \$1.72 per share for coal assets + \$50m cash, Demerger - 1 for 1 distribution in 'MetalsCo' Implied value of 'MetalsCo' is not onerous, but unwilling to attribute significant value given track record
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## Earnings Summary

Table 2: Earnings (as at 2 December)

Company	Code	Year End	Market Cap.	Net Debt	Enterprise Value	Share Price	NPV	Price Target	Rec	Revenue		EBITDA		NPAT		Operating CF		Free CF		
										2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	
<b>Nickel</b>																				
Independence Group	IGO	30-Jun	1,023	-295	728	\$7.37	\$8.50	\$8.50	BUY	129	123	69	65	39	34	52	51	-29	-107	
Mincor	MCR	30-Jun	356	-104	252	\$1.78	\$1.83	\$1.83	HOLD	210	275	79	116	31	55	95	140	50	94	
Mirabela	MBN	30-Jun	877	167	1,045	\$1.79	\$2.13	\$2.13	BUY	284	406	45	58	8	51	63	120	31	87	
Panoramic	PAN	30-Jun	476	-110	366	\$2.31	\$2.75	\$2.75	BUY	289	281	122	108	39	30	113	104	78	78	
Western Areas	WSA	30-Jun	1,059	230	1,289	\$5.89	\$6.76	\$6.76	BUY	421	371	257	220	120	103	249	207	159	156	
<b>Copper/Zinc</b>																				
Discovery Metals	DML	30-Jun	483	138	621	\$1.39	\$1.35	\$1.35	HOLD											
Equinox Minerals	EQN	31-Dec	5,063	181	5,244	\$5.77	\$5.16	\$5.70	HOLD	1,255	1,660	804	1,092	487	681	734	985	427	907	
Jabiru Metals	JML	30-Jun	293	-32	261	\$0.53	\$0.69	\$0.69	BUY	115	140	58	75	31	41	59	91	31	20	
Kagara	KZL	30-Jun	545	6	551	\$0.77	\$0.57	\$0.57	SELL	273	409	68	121	21	58	73	106	15	84	
OZ Minerals	OZL	31-Dec	5,279	-1,307	3,972	\$1.63	\$1.49	\$1.80	BUY	1,121	1,045	755	678	436	385	642	566	430	467	
Perilya	PEM	31-Dec	266	-42	224	\$0.51	\$0.50	\$0.50	HOLD	236	221	91	75	27	20	51	53	26	27	
<b>Precious</b>																				
Avoca	AVO	30-Jun	968	-18	951	\$3.20	\$2.86	\$3.72	BUY	348	349	169	163	83	91	138	129	58	86	
Catalpa	CAH	30-Jun	309	27	336	\$1.90	\$2.19	\$2.00	HOLD	179	219	49	72	12	28	50	72	25	28	
Chalice Gold Mines	CHN	30-Jun	146	-14	131	\$0.69	\$0.91	\$0.91	SPEC BUY											
Dominion	DOM	30-Jun	323	-19	304	\$3.12	\$2.25	\$2.25	SELL	140	151	63	74	29	36	55	60	31	40	
Focus Minerals	FML	30-Jun	155	-8	147	\$0.054	\$0.074	\$0.074	BUY	135	150	58	64	31	34	38	41	16	19	
Gryphon Minerals	GRY	30-Jun	455	-68	387	\$1.57	n/a	n/a	SPEC BUY											
Integra	IGR	30-Jun	442	22	464	\$0.59	\$0.43	\$0.43	SELL	77	118	28	62	14	36	28	52	-27	37	
Magma Metals	MMW	30-Jun	102	-13	89	\$0.52	n/a	n/a	SPEC BUY											
Papillon	PIR	30-Jun	78	-4	74	\$0.50	n/a	n/a	SPEC BUY											
Platinum Australia	PLA	30-Jun	182	-25	157	\$0.50	\$0.48	\$0.48	HOLD	57	99	20	24	-17	11	13	45	-30	-15	
Ramelius	RMS	30-Jun	306	-85	221	\$1.05	\$1.09	\$1.20	BUY	126	153	78	71	48	42	8	58	15	0	
Regis	RRL	30-Jun	941	21	962	\$2.19	\$1.40	\$1.75	HOLD	100	142	54	75	32	45	59	80	23	-5	
Saracen	SAR	30-Jun	364	-40	324	\$0.74	\$0.74	\$0.83	BUY	155	167	48	60	33	41	53	49	12	33	
Silver Lake	SLR	30-Jun	402	-31	371	\$2.25	\$2.35	\$2.82	BUY	127	243	57	98	33	56	65	111	13	77	
St Barbara	SBM	30-Jun	874	96	970	\$2.69	\$2.43	\$2.67	HOLD	371	423	95	171	51	104	149	193	63	126	
Troy	TRY	30-Jun	303	9	312	\$3.46	\$4.00	\$4.40	BUY	162	183	102	113	52	60	92	98	63	66	
<b>Iron Ore</b>																				
Atlas Iron	AGO	30-Jun	1,682	-143	1,539	\$3.08	\$3.00	\$3.00	HOLD	422	621	186	337	119	219	133	221	29	112	
BC Iron	BCI	30-Jun	212	-21	191	\$2.30	\$3.25	\$3.25	BUY	47	166	4	93	2	64	12	75	-6	68	
Mount Gibson	MGX	30-Jun	2,186	-340	1,846	\$2.02	\$1.85	\$1.85	HOLD	856	1,131	431	621	248	352	291	412	199	394	
Murchison	MMX	30-Jun	523	-58	465	\$1.20	\$3.97	\$1.60	HOLD											
Northern Iron	NFE	31-Dec	534	68	602	\$1.59	\$1.60	\$1.60	HOLD	296	301	173	184	113	122	121	127	88	120	
<b>Coal</b>																				
Aspire Mining	AKM	30-Jun	322	-37	286	\$0.41	n/a	n/a	SPEC BUY											
Gujarat NRE Coal	GNM	31-Mar	579	153	732	\$0.65	\$0.85	\$0.85	BUY	307	439	97	163	45	74	89	127	-34	5	
<b>Uranium</b>																				
Bannerman	BMN	30-Jun	122	-12	110	\$0.60	\$0.80	\$0.80	SPEC BUY											
Extract	EXT	30-Jun	2,117	-53	2,064	\$8.70	\$6.61	\$8.00	HOLD											
Mantra	MRU	30-Jun	931	-21	910	\$7.15	\$6.76	\$8.10	SPEC BUY											
Paladin	PDN	30-Jun	3,612	505	4,117	\$4.98	\$3.15	\$4.72	HOLD	333	507	40	45	6	98	86	181	-18	151	
<b>Diversified</b>																				
Straits	SRL	30-Jun	721	-125	596	\$2.29	\$2.30	\$2.30	HOLD											



## Metrics Summary

Table 3: Metrics (as at 2 December)

Company	Code	Year End	Market Cap.	Net Debt	Enterprise Value	Share Price	NPV	Price Target	Rec	EV/Revenue (x)		EV/EBITDA (x)		P/E		P/CF (x)		P/FCF (x)		P / Val (x)
										2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	2011E	2012E	
<b>Nickel</b>																				
Independence Group	IGO	30-Jun	1,023	-295	728	\$7.37	\$8.50	\$8.50	BUY	5.7	5.9	10.6	11.2	26.0	29.7	19.5	20.2	-	-	0.9
Mincor	MCR	30-Jun	356	-104	252	\$1.78	\$1.83	\$1.83	HOLD	1.2	0.9	3.2	2.2	11.7	6.4	3.8	2.5	7.2	3.8	1.0
Mirabela	MBN	30-Jun	877	167	1,045	\$1.79	\$2.13	\$2.13	BUY	3.7	2.6	23.2	17.9	107.9	17.2	13.9	7.3	28.4	10.1	0.8
Panoramic	PAN	30-Jun	476	-110	366	\$2.31	\$2.75	\$2.75	BUY	1.3	1.3	3.0	3.4	12.4	15.6	4.2	4.6	6.1	6.1	0.8
Western Areas	WSA	30-Jun	1,059	230	1,289	\$5.89	\$6.76	\$6.76	BUY	3.1	3.5	5.0	5.9	8.8	10.2	4.2	5.1	6.7	6.8	0.9
<b>Copper/Zinc</b>																				
Discovery Metals	DML	30-Jun	483	138	621	\$1.39	\$1.35	\$1.35	HOLD	-	-	-	-	-	-	-	-	-	-	1.0
Equinox Minerals	EON	31-Dec	5,063	181	5,244	\$5.77	\$5.16	\$5.70	HOLD	4.2	3.2	6.5	4.8	10.4	7.4	6.9	5.1	11.9	5.6	1.1
Jabiru Metals	JML	30-Jun	293	-32	261	\$0.53	\$0.69	\$0.69	BUY	2.3	1.9	4.5	3.5	9.4	7.2	5.0	3.2	9.3	14.5	0.8
Kagara	KZL	30-Jun	545	6	551	\$0.77	\$0.57	\$0.57	SELL	2.0	1.3	8.1	4.6	25.7	9.4	7.5	5.1	36.1	6.5	1.3
OZ Minerals	OZL	31-Dec	5,279	-1,307	3,972	\$1.63	\$1.49	\$1.80	BUY	3.5	3.8	5.3	5.9	12.1	13.7	8.2	9.3	12.3	11.3	1.1
Perilya	PEM	31-Dec	266	-42	224	\$0.51	\$0.50	\$0.50	HOLD	0.9	1.0	2.5	3.0	9.8	13.0	5.2	5.0	10.3	9.8	1.0
<b>Precious</b>																				
Avoca	AVO	30-Jun	968	-18	951	\$3.20	\$2.86	\$3.72	BUY	2.7	2.7	5.6	5.8	11.7	10.6	7.0	7.5	16.8	11.2	1.1
Catalpa	CAH	30-Jun	309	27	336	\$1.90	\$2.19	\$2.00	HOLD	1.9	1.5	6.9	4.7	25.3	11.2	6.1	4.3	12.6	11.0	0.9
Chalice Gold Mines	CHN	30-Jun	146	-14	131	\$0.69	\$0.91	\$0.91	SPEC BUY	-	-	-	-	-	-	-	-	-	-	-
Dominion	DOM	30-Jun	323	-19	304	\$3.12	\$2.25	\$2.25	SELL	2.2	2.0	4.8	4.1	11.3	9.0	5.9	5.4	10.4	8.1	1.4
Focus Minerals	FML	30-Jun	155	-8	147	\$0.054	\$0.074	\$0.074	BUY	1.1	1.0	2.5	2.3	5.1	4.6	4.0	3.7	9.5	7.9	0.7
Gryphon Minerals	GRY	30-Jun	455	-68	387	\$1.57	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	-	-	-
Integra	IGR	30-Jun	442	22	464	\$0.59	\$0.43	\$0.43	SELL	6.0	3.9	16.7	7.5	31.0	12.3	15.9	8.5	-	11.9	1.4
Magma Metals	MMW	30-Jun	102	-13	89	\$0.52	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	-	-	-
Papillon	PIR	30-Jun	78	-4	74	\$0.50	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	-	-	-
Platinum Australia	PLA	30-Jun	182	-25	157	\$0.50	\$0.48	\$0.48	HOLD	2.8	1.6	7.9	6.6	-	17.3	13.9	4.0	-	-	1.0
Ramelius	RMS	30-Jun	306	-85	221	\$1.05	\$1.09	\$1.20	BUY	1.8	1.4	2.8	3.1	6.4	7.4	38.1	5.3	21.0	-	1.0
Regis	RRL	30-Jun	941	21	962	\$2.19	\$1.40	\$1.70	HOLD	9.6	6.8	17.8	12.8	29.0	20.7	15.9	11.7	41.8	-	1.6
Saracen	SAR	30-Jun	364	-40	324	\$0.74	\$0.74	\$0.83	BUY	2.1	1.9	6.8	5.4	11.1	8.9	6.9	7.4	30.8	11.1	1.0
Silver Lake	SLR	30-Jun	402	-31	371	\$2.25	\$2.35	\$2.82	BUY	2.9	1.5	6.5	3.8	12.2	7.2	6.2	3.6	30.1	5.2	1.0
St Barbara	SBM	30-Jun	874	96	970	\$2.69	\$2.43	\$2.67	HOLD	2.6	2.3	10.3	5.7	17.0	8.4	5.9	4.5	13.9	6.9	1.1
Troy	TRY	30-Jun	303	9	312	\$3.46	\$4.00	\$4.40	BUY	1.9	1.7	3.1	2.8	5.9	5.0	3.3	3.1	4.8	4.6	0.9
<b>Iron Ore</b>																				
Atlas Iron	AGO	30-Jun	1,682	-143	1,539	\$3.08	\$3.00	\$3.00	HOLD	3.6	2.5	8.3	4.6	14.1	7.7	12.6	7.6	58.7	15.0	1.0
BC Iron	BCI	30-Jun	212	-21	191	\$2.30	\$3.25	\$3.25	BUY	4.0	1.1	51.7	2.0	110.2	3.3	17.5	2.8	-	3.1	0.7
Mount Gibson	MGX	30-Jun	2,186	-340	1,846	\$2.02	\$1.85	\$1.85	HOLD	2.2	1.6	4.3	3.0	8.8	6.2	7.5	5.3	11.0	5.6	1.1
Murchison	MMX	30-Jun	523	-58	465	\$1.20	\$3.97	\$1.60	HOLD	-	-	-	-	-	-	-	-	-	-	0.3
Northern Iron	NFE	31-Dec	534	68	602	\$1.59	\$1.60	\$1.60	HOLD	2.0	2.0	3.5	3.3	4.7	4.4	4.4	4.2	6.1	4.5	1.0
<b>Coal</b>																				
Aspire Mining	AKM	30-Jun	322	-37	286	\$0.41	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	-	-	-
Gujarat NRE Coal	GNM	31-Mar	579	153	732	\$0.65	\$0.85	\$0.85	BUY	2.4	1.7	7.5	4.5	12.8	7.8	6.5	4.6	-	120.5	0.8
<b>Uranium</b>																				
Bannerman	BMN	30-Jun	122	-12	110	\$0.60	\$0.80	\$0.80	SPEC BUY	-	-	-	-	-	-	-	-	-	-	0.7
Extract	EXT	30-Jun	2,117	-53	2,064	\$8.70	\$6.61	\$8.00	HOLD	-	-	-	-	-	-	-	-	-	-	1.3
Mantra	MRU	30-Jun	931	-21	910	\$7.15	\$6.76	\$8.10	SPEC BUY	-	-	-	-	-	-	-	-	-	-	1.1
Paladin	PDN	30-Jun	3,612	505	4,117	\$4.98	\$3.15	\$4.72	HOLD	12.4	8.1	103.3	90.7	632.8	36.7	42.1	20.0	-	23.9	1.6
<b>Diversified</b>																				
Straits	SRL	30-Jun	721	-125	596	\$2.29	\$2.30	\$2.30	HOLD	-	-	-	-	-	-	-	-	-	-	1.0



## Production Summary

Table 4: Production and cost data (as at 2 December)

Company	Code	Year End	Market Cap.	Net Debt	Enterprise Value	Share Price	NPV	Price Target	Rec	Production		Cash Costs		Realised Price		Reserves		Resources	
										2011E	2012E	2011E	2012E	2011E	2012E	Grade	Metal	Grade	Metal
<b>Nickel</b>										kt	kt	US\$/lb	US\$/lb	US\$/lb	US\$/lb	%	kt	%	kt
Independence Group	IGO	30-Jun	1,023	-295	728	\$7.37	\$8.50	\$8.50	BUY	9.5	9.0	4.00	3.92	9.29	9.01	4.1	53	5.4	92
Mincor	MCR	30-Jun	356	-104	252	\$1.78	\$1.83	\$1.83	HOLD	13.6	18.0	5.36	4.88	9.63	8.95	2.8	45	3.8	154
Mirabela	MBN	30-Jun	877	167	1,045	\$1.79	\$2.13	\$2.13	BUY	16.3	24.6	5.31	4.57	8.60	8.30	0.6	726	0.7	1,599
Panoramic	PAN	30-Jun	476	-110	366	\$2.31	\$2.75	\$2.75	BUY	18.0	18.0	5.03	5.14	9.47	9.00	1.6	144	1.8	256
Western Areas	WSA	30-Jun	1,059	230	1,289	\$5.89	\$6.76	\$6.76	BUY	27.7	25.0	3.05	3.13	9.35	9.00	3.4	184	2.1	354
<b>Copper/Zinc</b>										kt	kt	US\$/lb	US\$/lb	US\$/lb	US\$/lb	%	kt	%	kt
Discovery Metals	DML	30-Jun	483	138	621	\$1.39	\$1.35	\$1.35	HOLD	-	10	-	-	3.50	-	-	-	1.5	753
Equinox Minerals	EQN	31-Dec	5,063	181	5,244	\$5.77	\$5.16	\$5.70	HOLD	153	173	1.21	1.18	3.52	3.38	0.9	3,410	0.8	10,513
Jabiru Metals	JML	30-Jun	293	-32	261	\$0.53	\$0.69	\$0.69	BUY	22	30	-0.58	-0.32	0.97	1.06	7.9	256	5.4	960
Kagara	KZL	30-Jun	545	6	551	\$0.77	\$0.57	\$0.57	SELL	48	77	0.63	0.77	1.10	1.10	8.7	319	3.8	940
OZ Minerals	OZL	31-Dec	5,279	-1,307	3,972	\$1.63	\$1.49	\$1.80	BUY	109	105	0.49	0.59	3.54	3.38	1.2	905	0.8	2,542
Perilya	PEM	31-Dec	266	-42	224	\$0.51	\$0.50	\$0.50	HOLD	73	73	0.61	0.59	1.04	1.15	4.5	833	7.1	2,204
<b>Precious</b>										Mt	Mt	AS\$/oz	AS\$/oz	AS\$/oz	AS\$/oz	g/t	koz	g/t	koz
Avoca	AVO	30-Jun	968	-18	951	\$3.20	\$2.86	\$3.72	BUY	275	300	642	607	1,399	1,389	3.9	1,308	2.4	6,656
Catalpa	CAH	30-Jun	309	27	336	\$1.90	\$2.19	\$2.00	HOLD	110	122	939	763	1,495	1,472	1.2	1,024	1.3	2,175
Chalice Gold Mines	CHN	30-Jun	146	-14	131	\$0.69	\$0.91	\$0.91	SPEC BUY	-	-	-	-	-	-	5.1	760	5.2	840
Dominion	DOM	30-Jun	323	-19	304	\$3.12	\$2.25	\$2.25	SELL	104	109	694	658	1,353	1,389	5.7	420	6.7	950
Focus Minerals	FML	30-Jun	155	-8	147	\$0.054	\$0.074	\$0.074	BUY	96	108	763	719	1,407	1,389	2.1	266	2.6	2,050
Gryphon Minerals	GRY	30-Jun	455	-68	387	\$1.57	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	2.2	1,500
Integra	IGR	30-Jun	442	22	464	\$0.59	\$0.43	\$0.43	SELL	56	86	706	574	1,379	1,373	3.1	317	2.8	1,760
Magma Metals	MMW	30-Jun	102	-13	89	\$0.52	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	2.4	730
Papillon	PIR	30-Jun	78	-4	74	\$0.50	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	3.2	522
Platinum Australia^	PLA	30-Jun	182	-25	157	\$0.50	\$0.48	\$0.48	HOLD	38	63	931	651	1,400	1,400	4.7	422	4.4	4,179
Ramelius	RMS	30-Jun	306	-85	221	\$1.05	\$1.09	\$1.20	BUY	90	110	436	659	1,399	1,389	1.7	474	2.1	3,476
Regis	RRL	30-Jun	941	21	962	\$2.19	\$1.40	\$1.70	HOLD	73	104	490	593	1,418	1,365	1.6	762	0.9	4,810
Saracen	SAR	30-Jun	364	-40	324	\$0.74	\$0.74	\$0.83	BUY	117	123	783	803	1,339	1,356	1.6	885	1.7	3,279
Silver Lake	SLR	30-Jun	402	-31	371	\$2.25	\$2.35	\$2.82	BUY	90	175	700	752	1,406	1,389	-	-	4.4	2,536
St Barbara	SBM	30-Jun	874	96	970	\$2.69	\$2.43	\$2.67	HOLD	265	305	731	577	1,401	1,389	5.8	2,906	5.0	7,651
Troy^	TRY	30-Jun	303	9	312	\$3.46	\$4.00	\$4.40	BUY	115	132	292	266	1,300	1,250	6.5	821	2.9	1,889
<b>Iron Ore</b>										Mt	Mt	US\$/t	US\$/t	US\$/t	US\$/t	%	Mt	%	Mt
Atlas Iron	AGO	30-Jun	1,682	-143	1,539	\$3.08	\$3.00	\$3.00	HOLD	3.8	5.8	50	50	110	108	58%	54	57%	205
BC Iron	BCI	30-Jun	212	-21	191	\$2.30	\$3.25	\$3.25	BUY	0.4	1.5	55	54	113	111	57%	36	54%	102
Mount Gibson	MGX	30-Jun	2,186	-340	1,846	\$2.02	\$1.85	\$1.85	HOLD	6.5	9.2	51	51	120	111	62%	56	62%	108.6
Murchison	MMX	30-Jun	523	-58	465	\$1.20	\$3.97	\$1.60	HOLD	-	-	-	-	-	-	-	-	32%	3,218
Northern Iron^	NFE	31-Dec	534	68	602	\$1.59	\$1.60	\$1.60	HOLD	2.3	2.7	48	39	120	102	32%	128	31%	449
<b>Coal</b>										Mt	Mt	US\$/t	US\$/t	US\$/t	US\$/t		Mt		Mt
Aspire Mining	AKM	30-Jun	322	-37	286	\$0.41	n/a	n/a	SPEC BUY	-	-	-	-	-	-	-	-	-	331
Gujarat NRE Coal	GNM	31-Mar	579	153	732	\$0.65	\$0.85	\$0.85	BUY	2.0	3.2	92	75	115	115	-	100	-	573
<b>Uranium</b>										Mlbs	Mlbs	US\$/lb	US\$/lb	US\$/lb	US\$/lb	ppm	Mlbs	ppm	Mlbs
Bannerman	BMN	30-Jun	122	-12	110	\$0.60	\$0.80	\$0.80	SPEC BUY	-	-	-	-	-	-	-	-	-	193
Extract	EXT	30-Jun	2,117	-53	2,064	\$8.70	\$6.61	\$8.00	HOLD	-	-	-	-	-	-	-	-	-	453
Mantra	MRU	30-Jun	931	-21	910	\$7.15	\$6.76	\$8.10	SPEC BUY	-	-	-	-	-	-	-	-	-	395
Paladin	PDN	30-Jun	3,612	505	4,117	\$4.98	\$3.15	\$4.72	HOLD	7	8	28	25	51	60	597	159	664	359
<b>Diversified</b>										kt	kt	US\$/lb	US\$/lb	US\$/lb	US\$/lb	%	kt	%	kt
Straits	SRL	30-Jun	721	-125	596	\$2.29	\$2.30	\$2.30	HOLD	23	25	2.56	2.42	3.50	3.50	2.7	181	1.9	364

^ Prices and costs in USD



## Commodity Price Assumptions

Table 5: Price Assumptions (as at 2 December)

Pricing Assumptions							
Commodity	Unit	FY10A	FY11E	FY12E	FY13E	FY14E	LT
Base Metals							
Copper	US\$/lb	3.04	3.50	3.50	3.25	3.00	2.25
Nickel	US\$/lb	8.82	9.50	9.00	8.00	8.00	8.00
Zinc	US\$/lb	0.94	0.98	1.10	1.20	1.20	0.85
Precious Metals							
Gold	US\$/oz	1,092	1,300	1,250	1,200	1,150	900
Platinum	US\$/oz	1,600	1,600	1,600	1,600	1,600	1,300
Bulks							
Iron Ore Fines	US\$/t	74	114	109	89	82	62
Iron Ore Lump	US\$/t	86	135	129	106	97	74
Hard Coking Coal	US\$/t	147	200	200	179	179	115
Thermal Coal	US\$/t	70	98	100	100	100	75
Other							
Uranium	US\$/lb	62	62	70	70	70	62
FX							
AUD/USD	\$	0.88	0.93	0.90	0.90	0.90	0.80
<b>% change</b>							
Commodity	Unit	FY10A	FY11E	FY12E	FY13E	FY14E	LT
Base Metals							
Copper	US\$/lb	0%	0%	0%	0%	0%	0%
Nickel	US\$/lb	0%	0%	0%	0%	0%	0%
Zinc	US\$/lb	0%	0%	0%	0%	0%	0%
Precious Metals							
Gold	US\$/oz	0%	0%	0%	0%	0%	0%
Platinum	US\$/oz	0%	0%	0%	0%	0%	0%
Bulks							
Iron Ore Fines	US\$/t	0%	0%	0%	4%	20%	0%
Iron Ore Lump	US\$/t	0%	0%	0%	4%	20%	0%
Hard Coking Coal	US\$/t	0%	0%	0%	0%	0%	0%
Thermal Coal	US\$/t	0%	0%	0%	0%	0%	0%
Other							
Uranium	US\$/lb	0%	0%	13%	13%	13%	0%
FX							
AUD/USD	\$	0%	0%	0%	0%	0%	0%
Last Update	11-Oct						



NOTES:



## BC Iron BUY

Current Price: **\$2.30**  
Valuation: **\$3.25**

Ticker: **BCI**  
Sector: **Materials**

Shares on Issue (m)\*: **92.1**  
Market Cap (A\$m)\*: **211.7**  
Net Cash (A\$m)\*: **21.1**  
Enterprise Value (A\$m)\*: **190.7**

\* Post capital raising

52 wk High/Low: **\$2.53** **\$1.04**  
12m Av Daily Vol (m): **0.27**

### Key Metrics

	10A	11F	12F
P/E (x)	-152.8	110.1	3.3
EV/EBITDA (x)	-82.2	51.6	2.0

### Financials:

	0.5	47.4	166.3
Revenue (\$m)	0.5	47.4	166.3
EBITDA (\$m)	-2.3	3.7	93.2
NPAT (\$m)	-1.4	1.9	63.8

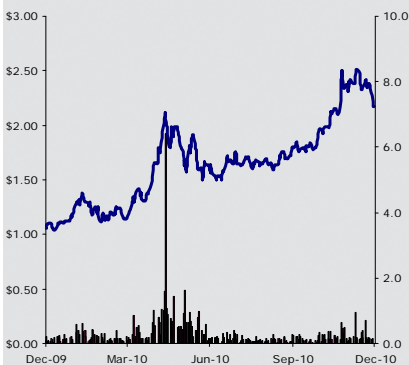
	39.0	68.6	139.5
Net Assets (\$m)	39.0	68.6	139.5

	-0.9	12.1	74.9
Op CF (\$m)	-0.9	12.1	74.9

### Per Share Data:

	-1.5	2.1	69.3
EPS (cps)	-1.5	2.1	69.3
DPS (cps)	0.0	0.0	0.0
Div Yield	0.0	0.0	0.0
CFPS (cps)	-3.2	13.1	81.4

### Share Price Graph



Analysts:  
Tim Serjeant  
Troy Irvin

3 December 2010

## First production approaching

### Update:

First production from the Nullagine Iron Ore Project (NIOP), a 50:50 JV between BC Iron (BCI) and Fortescue Metals Group (FMG), is imminent.

Ore stocks are being trucked via public roads to FMG's Christmas Creek (CC) site in preparation for railing to port. The maiden cargo is set for export in January 2011.

Construction of the dedicated ~56km haul road linking the NIOP to CC is progressing and remains on track for completion during the March Q 2011. The haul road is expected to be operational as soon as January for smaller road trains, and once bitmised, capable of handling the 360t Powertrans Haulers.

BCI recently raised \$18.4m via the placement of 8m shares (at \$2.30 per share) to institutional and sophisticated investors.

Following shareholder approval for the second tranche of the placement (mid December), BCI will have gross cash totalling ~\$50m, ~\$30m of which is directly attributable to the corporate entity, with the remaining \$20m it's share of the JV funds.

### Impact:

Positive

The raising provides BCI with the adequate funding to ramp up production (without compromising ongoing development) at the rate required to achieve the JV's target of 1Mt shipped by June 2010.

Minor slippage in the schedule for first shipment (from December to January) has little material consequence in the broader scheme of things.

### View:

Positive

BCI is breaking away from the pack of Pilbara iron ore hopefuls, whose production aspirations lie beyond their control. Growth is not contingent on future third party haulage/access developments, or the establishment of greenfields infrastructure. The stock offers compelling value for those seeking iron ore exposure.

### Recommendation:

Buy

Argonaut's valuation is \$3.25. This is one of very few stocks in the small resources space which we can identify trading at a >30% discount to valuation.

### Important Disclosures

Argonaut acts as Corporate Adviser to BCI and receives fees commensurate with these services. Argonaut acted as Manager to the placement of 8.0m shares to raise \$18.4m (November 2010). Argonaut owns or controls 500,000 BCI options exercisable on or before 31 March 2012.



BC Iron

Equities Research  
Analyst: Tim Serjeant

Recommendation **BUY**  
Current Price **\$2.30**  
Valuation **\$3.25**

Sector **Materials**  
Issued Capital (m) **92.1**  
Market Cap (m) **\$211.7**  
Updated **02-December-2010**

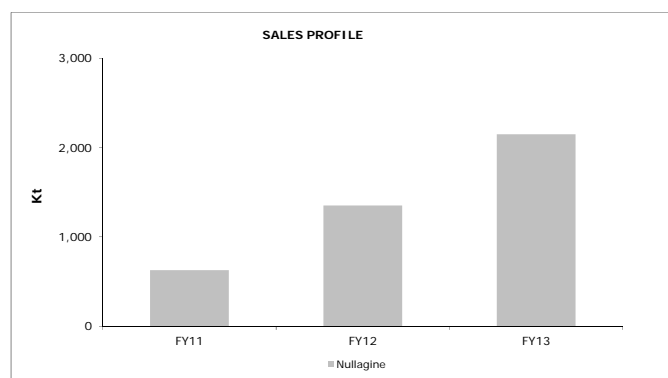
Profit & Loss (A\$m) 30 June	2010A	2011E	2012E	2013E
Revenue	0.5	47.4	166.3	198.1
Other Income	1.0	1.5	3.5	6.3
Profit/(Loss) on Hedging	0.0	0.0	0.0	0.0
Operating Costs	0.0	41.6	73.2	102.3
Exploration Exp	0.0	0.8	0.5	0.5
Corporate/Admin/Other	3.8	2.9	3.0	3.0
<b>EBITDA</b>	<b>-2.3</b>	<b>3.7</b>	<b>93.2</b>	<b>98.5</b>
Depn & Amort	0.1	0.9	2.1	3.4
<b>EBIT</b>	<b>-2.4</b>	<b>2.7</b>	<b>91.1</b>	<b>95.1</b>
MRRT	0.0	0.0	0.0	13.4
Net Interest Paid	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>-2.4</b>	<b>2.7</b>	<b>91.1</b>	<b>81.7</b>
Tax expense	-1.0	0.8	27.3	24.5
Minorities	0.0	0.0	0.0	1.0
<b>NPAT</b>	<b>-1.4</b>	<b>1.9</b>	<b>63.8</b>	<b>56.2</b>
Normalised NPAT	-1.4	1.9	63.8	56.2

Cash Flow (A\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>-0.9</b>	<b>12.1</b>	<b>74.9</b>	<b>79.0</b>
- Capex (+ asset sales)	-13.0	-16.0	-6.0	-6.0
- Exploration Expenditure	-0.5	-0.8	-0.5	-0.5
- Other	1.3	-0.8	0.0	0.0
<b>Free Cashflow</b>	<b>-13.0</b>	<b>-5.5</b>	<b>68.4</b>	<b>72.4</b>
- Dividends	0.0	0.0	0.0	0.0
+ Equity raised	12.6	18.4	0.0	0.0
+ Debt drawdown (- repaid)	15.6	12.2	-5.6	-5.6
<b>Net Change in Cash</b>	<b>16.7</b>	<b>25.0</b>	<b>62.8</b>	<b>66.9</b>
Cash at End Period	28.7	53.7	116.6	183.5
Net Cash (Debt)	14.7	25.9	94.3	166.8

Balance Sheet (A\$m)	2010A	2011E	2012E	2013E
Total Assets	54.8	98.6	164.2	234.0
Total Debt	14.0	27.8	22.2	16.7
Total Liabilities	15.8	29.9	24.7	19.5
Shareholders Funds	39.0	68.6	139.5	214.5

Production & Cash Costs	2010A	2011E	2012E	2013E
<b>Sales</b>				
Nullagine (Mt)	-	0.42	1.50	2.15
<b>Cash Costs</b>				
- inc royalties (A\$/t)	-	54.6	54.2	47.6

Reserves & Resources				
Nullagine				
Reserves	Mt	% Fe	% CaFe	% P
Proven				
Probable	35.6	56.9	-	0.020
<b>Total</b>	<b>35.6</b>	<b>56.9</b>	<b>-</b>	<b>0.020</b>
Resources	Mt	% Fe	% CaFe	% P
Measured	2.2	54.5	62.1	0.018
Indicated	68.8	54.0	61.8	0.017
Inferred	30.6	54.4	61.8	0.016
<b>Total</b>	<b>101.6</b>	<b>54.1</b>	<b>61.8</b>	<b>0.017</b>



Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	-1.4	1.9	63.8	56.2
EPS (A\$)	-0.02	0.02	0.69	0.62
PER (x)	-152.8	110.1	3.3	3.7
<b>Normalised Earnings</b>				
Net Profit (\$m)	-1.4	1.9	63.8	56.2
EPS (A\$)	-0.02	0.02	0.69	0.62
EPS Growth (%)	-	-	-	-10.3
PER (x)	-152.8	110.1	3.3	3.7
<b>Cashflow</b>				
Operating Cashflow (\$m)	-0.9	12.1	74.9	79.0
GCFPS (\$)	-0.03	0.13	0.81	0.86
PCF (x)	-71.0	17.5	2.8	2.7
<b>Dividend</b>				
Dividend (\$)	0.00	0.00	0.00	0.00
Yield (%)	0%	0%	0%	0%
Franking %	0%	0%	0%	0%

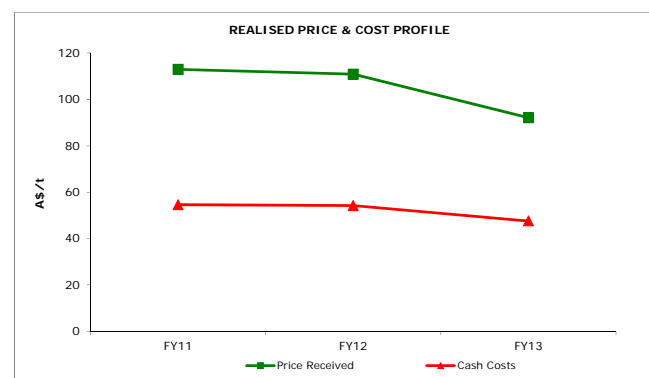
Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt/Equity (%)	36%	41%	16%	8%
Interest Coverage (x)	-	-	-	-
<b>Profitability Ratios</b>				
Net Profit Margin (%)	-287%	4%	38%	28%
Return on Assets (%)	-57%	-52%	-16%	-38%
Return on Equity (%)	-4%	3%	46%	26%

Valuation Summary	A\$m	\$/sh
Nullagine JV (BCI - 50%)	274	2.97
Bungaroo Creek	5	0.05
Investments	0	0.00
Unpaid Capital	14	0.15
Corporate	-14	-0.15
Cash (estimate)	50	0.54
Debt	-29	-0.31

**Total @ 11% Discount Rate** **300** **3.25**

Directors	Name	Position
	Tony Kiernan	Chairman
	Mike Young	Managing Director
	Glenn Baldwin	Non-Executive Director
	Terry Ransted	Non-Executive Director
	Steven Chadwick	Non-Executive Director

Substantial Shareholders	%
Palmary	20%
Regent Pacific	19%





## Jabiru Metals BUY

Current Price: **\$0.53**  
Valuation: **\$0.69**

Ticker: **JML**  
Sector: **Materials**

Shares on Issue (m): **552.6**  
Market Cap (\$m): **292.9**  
Net Cash (\$m): **31.7**  
Enterprise Value (\$m): **261.2**

52 wk High/Low: **\$0.65** **\$0.28**  
12m Av Daily Vol: **1.74**

### Key Metrics

	10A	11F	12F
P/E (x)	10.9	9.5	7.3
EV/EBITDA	6.6	4.5	3.5

### Financials:

	10A	11F	12F
Revenue (\$m)	108.9	115.1	139.6
EBITDA (\$m)	39.5	57.9	74.5
NPAT (\$m)	17.6	31.3	40.9

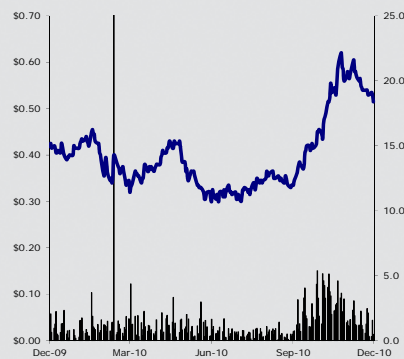
	10A	11F	12F
Net Assets (\$m)	86.5	173.6	272.8

	10A	11F	12F
Op CF (\$m)	36.6	58.7	91.0

### Per Share Data:

	10A	11F	12F
EPS (cps)	4.8	5.6	7.3
DPS (cps)	0.0	0.0	0.0
Div Yield	0.0%	0.0%	0.0%
CFPS (cps)	6.5	10.4	16.2

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

3 December 2010

## Bentley upgrade suggests +10 year mine life

### Resource upgrade:

JML has upgraded the Bentley resource to 3.0Mt @ 2.0% Cu, 9.8% Zn, 0.6% Pb, 139g/t Ag and 0.7g/t Au (previously 2.3Mt @ 1.8% Cu, 9.8% Zn, 0.6% Pb, 121g/t Ag and 0.6g/t Au).

The new resource incorporates the lower 200m of Bentley ("Bentley Extension Stage 3"). The mineralisation remains open at depth.

### Impact:

Positive

The upgrade results in a global resource of 5.4Mt at the Jaguar Project.

Assuming a resource to reserve conversion rate of 85% (i.e. 4.6Mt mining inventory), the mine life increases to:

- >12 years at the current plant throughput rate of 365ktpa
- >10 years at the proposed Stage 1 expansion rate of 450ktpa (capex \$10m)
- >8 years at the proposed Stage 2 expansion rate of 560ktpa (capex \$15m)

The higher copper grades at depth (2.7% for Stage 3) results in an increase in Argonaut's valuation from 67c to 69c.

### View:

Positive

The ASX has a limited selection of quality zinc stocks with JML one of the stand-outs with consistent high grade production, near zero C1 cash costs, a growing mine life and corporate appeal.

Argonaut considers the exploration upside to be the best amongst ASX listed zinc peers given the tenement holding and the track record of success. The Jaguar Project VMS belt contains ~7Mt in three known deposits (Teutonic Bore, Jaguar and Bentley) compared to the Canadian experience of up to 25 pods.

### Recommendation:

Buy

JML is the cheapest zinc producer under Argonaut coverage.



Jabiru Metals

Equities Research  
Analyst: Troy Irvin

Recommendation **BUY**  
Current Price **\$0.53**  
Argonaut Valuation **\$0.69**

Sector **Materials**  
Issued Capital (m) **552.6**  
Market Cap (m) **\$292.9**  
Updated **02-December-2010**

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
Sales Revenue	108.9	115.1	139.6	180.5
Other Income	0.4	2.8	4.6	2.1
Operating Costs	61.8	52.6	62.2	74.7
Exploration Written Off	1.8	1.3	1.3	1.3
Corporate/Admin	6.2	6.0	6.1	6.3
<b>EBITDA</b>	<b>39.5</b>	<b>57.9</b>	<b>74.5</b>	<b>100.3</b>
Deprn & Amort	7.8	12.9	15.8	19.6
<b>EBIT</b>	<b>31.7</b>	<b>45.1</b>	<b>58.8</b>	<b>80.7</b>
Interest Paid	0.0	0.4	0.4	0.4
Gains on derivative financial instruments	(14.1)	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>17.6</b>	<b>44.7</b>	<b>58.4</b>	<b>80.3</b>
Tax Expense / (Benefit)	0.0	13.4	17.5	24.1
<b>NPAT</b>	<b>17.6</b>	<b>31.3</b>	<b>40.9</b>	<b>56.2</b>
<b>Normalised NPAT</b>	<b>27.4</b>	<b>31.3</b>	<b>40.9</b>	<b>56.2</b>

Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	17.6	31.3	40.9	56.2
EPS (cents)	3.1	5.6	7.3	10.0
PER (x)	16.6	9.4	7.2	5.2
<b>Normalised Earnings</b>				
Net Profit (\$m)	27.4	31.3	40.9	56.2
EPS (cents)	4.8	5.6	7.3	10.0
EPS Growth (%)	(170.3)	14.6	30.7	37.6
PER (x)	10.9	9.5	7.3	5.3
<b>Cashflow</b>				
Gross Op. Cashflow (\$m)	36.6	58.7	91.0	126.0
GCFPS (cents)	6.5	10.4	16.2	22.4
PCF (x)	8.2	5.1	3.3	2.4
<b>Dividend</b>				
Dividend (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%
Franking (%)	100	100	100	100

Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>36.6</b>	<b>58.7</b>	<b>91.0</b>	<b>126.0</b>
- Capex	13.0	36.2	65.8	127.7
- Exploration & Evaluation	17.3	5.0	5.1	5.2
- Asset Purchases (+ asset sales)	(0.3)	(14.0)	0.0	0.0
<b>Free Cashflow</b>	<b>6.5</b>	<b>31.5</b>	<b>20.2</b>	<b>(6.9)</b>
- Dividends	0.0	0.0	0.0	0.0
+ Equity Raised	1.3	0.0	0.0	0.0
+ Debt Drawdown (Repaid)	(3.3)	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>4.5</b>	<b>31.5</b>	<b>20.2</b>	<b>(6.9)</b>
+ Effects of exchange rate on cash	1.3	0.0	0.0	0.0
Cash at End Period	34.3	65.8	85.9	79.0

Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	4.7	2.4	1.5	1.0
Interest Cover (x)	0.0	114.3	149.1	204.8
Acid Test Ratio (x)	1.9	2.3	2.6	1.9
<b>Profitability Ratios</b>				
Net Profit Margin (%)	25.2	27.2	29.3	31.2
Return on Assets (%)	36.4	36.4	29.4	23.6
Return on Equity (%)	20.3	18.0	15.0	13.8

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Total Assets	121.3	189.6	285.9	421.6
Total Debt	4.1	4.1	4.1	4.1
Total Liabilities	34.8	15.9	13.1	12.8
Shareholders Funds	86.5	173.6	272.8	408.8

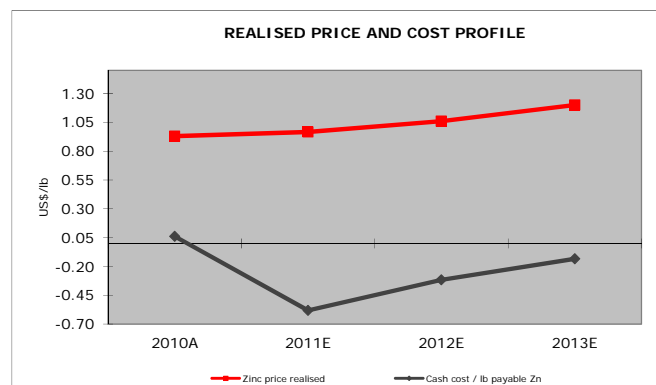
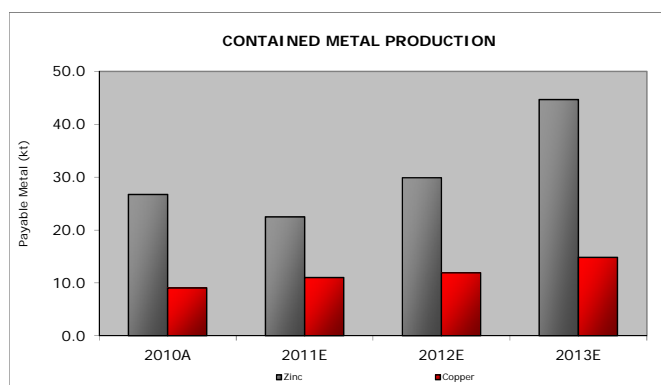
Valuation Summary	A\$m	A\$/sh
Jaguar / Bentley	196	0.35
Teutonic Bore	24	0.04
Stockman	93	0.16
Unpaid Capital	0	0.00
Forwards	(5)	(0.01)
Corporate	(32)	(0.06)
Listed Investments	2	0.00
Exploration	50	0.09
Tax Losses	27	0.05
Cash at 30 September	36	0.06
Debt	(4)	(0.01)
<b>Total @ 11% discount rate</b>	<b>386</b>	<b>0.69</b>

Production Summary	2010A	2011E	2012E	2013E
Contained Zinc (kt)	26.7	22.5	29.9	44.7
Contained Copper (kt)	9.0	11.0	11.9	14.8
Contained Silver (moz)	0.6	0.7	0.8	1.0
Zinc Cash Cost (US\$/lb)	0.06	-0.58	-0.32	-0.13
Zinc Price Realised (US\$/lb)	0.93	0.97	1.06	1.20
Exchange Rate (USD:AUD)	0.88	0.93	0.90	0.90

Directors	Position
Barry Bolitho	Non-Executive Chairman
Gary Comb	Managing Director
Ross Kestel	Non-Executive Director

Reserves & Resources	Mt	Cu%	Zn%	Ag g/t
<b>Jaguar</b>				
Reserves	0.8	2.9	5.6	81
Resources	0.8	4.2	8.8	124
<b>Bentley</b>				
Reserves	2.5	1.5	8.6	106
Resources	3.1	2.0	9.8	139
<b>Teutonic Bore</b>				
Resources	1.6	1.6	2.5	43
<b>Stockman</b>				
Resources	12.5	2.1	4.4	38
<b>Total</b>				
Reserves	3.2	1.8	7.9	100
Resources	17.9	2.1	5.4	60

Substantial Shareholders	%
Metals X	19.9
Acorn Capital	5.2





## Independence BUY

Current Price: **\$7.37**  
Valuation: **\$8.50**

Ticker: **IGO**  
Sector: **Materials**

Shares on Issue (m): **138.8**  
Market Cap (\$m): **1,022.8**  
Net Cash (\$m): **294.8**  
Enterprise Value (\$m): **728.0**  
  
52 wk High/Low: **\$7.85** **\$3.63**  
12m Av Daily Vol (m): **0.43**

### Key Metrics

	10A	11F	12F
P/E (x)	35.6	26.0	29.7
EV/EBITDA (x)	14.1	10.6	11.2

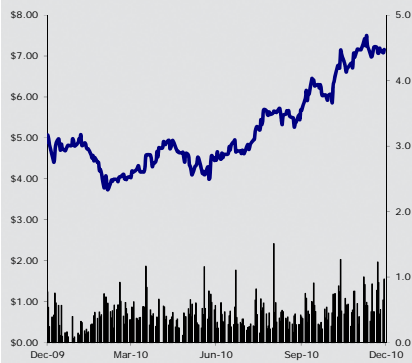
### Financials:

	10A	11F	12F
Revenue (\$m)	116.7	128.7	122.6
EBIT (\$m)	40.4	56.3	49.2
NPAT (\$m)	28.7	39.4	34.4
Net Assets (\$m)	214.8	426.9	438.8
Op CF (\$m)	58.9	52.5	50.7

### Per Share Data:

	10A	11F	12F
EPS (cps)	25.0	26.4	23.1
DPS (cps)	5.0	7.0	7.0
Div Yield	0.7%	0.9%	0.9%
CFPS (cps)	47.4	35.2	34.0

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

3 December 2010

## Going for growth

### AGM update:

Development of the Tropicana Gold Project has been approved (30% IGO / 70% AngloGold Ashanti). The BFS estimates capex of A\$725-775m, and cash costs of A\$710-730/oz (v Argonaut A\$700m, A\$600/oz). Contract mining is assumed from the Tropicana, Havana and Havana South Open Pit operations only. Output for the first three years is slated to be 470–490kozpa at cash costs of A\$580-600/oz.

The BFS does not include any potential production from the recently discovered Boston Shaker deposit or the Havana Deeps underground extension. Following the completion of positive Scoping Studies at both discoveries, PFS work is underway, pointing to upside to the 3.8Moz Mining Inventory in the immediate mine area. The JV also has more than 30 exploration targets within trucking distance of the planned plant.

Given the global scarcity of high grade massive nickel sulphides the ongoing drill campaign at the Duketon JV with South Boulder Mines (STB) (IGO earning 70%) deserves close attention. The strike length of the high grade zone is ~250m and open, with a best intercept of 3.3m @ 9.1% Ni, 1.1% Cu, 0.2% Co and 7.1g/t PGEs (true width). Massive sulphides continue to be intersected at depth. A Mining Lease over the C2 and Rosie Prospects was granted on the 19th November.

### Impact:

**Neutral**

Argonaut's valuation is \$8.50 post the recent capital raising (\$164m @ \$6.65ps), and after adopting higher capex (A\$750m) and cash cost (A\$730/oz) estimates for Tropicana. An additional 12 months has been added to the Long nickel mine life to reflect the extensional opportunities at Moran (open to the south), Macleay (open to the south) and Long (open to the north).

### View:

**Positive**

Price catalysts over the next 6 months include:

- Increases in the resources at Moran and the Tropicana gold JV
- Boston Shaker and Havana Deeps Scoping Study
- Ongoing drilling results from the Duketon JV

### Recommendation:

**Buy**

Although the stock appears to be "taking a breather" in the short term, IGO's growth credentials command the retention of Argonaut's BUY call.



Independence Group

Post placement

**Recommendation** BUY  
**Current Price** \$7.37  
**Valuation** \$8.50

**Sector** Materials  
**Issued Capital (m)** 138.8  
**Market Cap (m)** \$1,022.8  
**Updated** 02-December-2010

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
<b>Sales Revenue</b>	<b>116.7</b>	<b>128.7</b>	<b>122.6</b>	<b>112.0</b>
Other Income	0.0	11.0	10.7	4.7
Operating Costs	51.6	56.7	54.6	55.3
Exploration Exp / Written Off	7.3	8.4	7.6	7.8
Corporate/Admin	6.0	6.0	6.1	6.2
<b>EBITDA</b>	<b>51.8</b>	<b>68.7</b>	<b>65.0</b>	<b>47.4</b>
D & A	11.4	12.4	15.8	8.8
<b>EBIT</b>	<b>40.4</b>	<b>56.3</b>	<b>49.2</b>	<b>38.6</b>
Interest Paid	0.0	0.0	0.0	0.0
Abnormals / Impairments	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>40.4</b>	<b>56.3</b>	<b>49.2</b>	<b>38.6</b>
Tax expense	11.7	16.9	14.8	11.6
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>28.7</b>	<b>39.4</b>	<b>34.4</b>	<b>27.0</b>
<b>Normalised NPAT</b>	<b>28.7</b>	<b>39.4</b>	<b>34.4</b>	<b>27.0</b>

Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>58.9</b>	<b>52.5</b>	<b>50.7</b>	<b>39.5</b>
- Capex	18.1	53.2	132.3	88.0
- Exploration & Evaluation	23.9	28.0	25.4	26.0
- Asset purchases (+ asset sales)	(5.0)	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>21.9</b>	<b>(28.7)</b>	<b>(107.1)</b>	<b>(74.4)</b>
- Dividends	5.7	11.1	11.1	11.1
+ Equity Raised	0.5	164.4	0.0	0.0
+ Debt Drawdown (Repaid)	0.0	0.0	0.0	0.0
- Other	0.0	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>16.7</b>	<b>124.6</b>	<b>(118.2)</b>	<b>(85.5)</b>
Cash at End Period	144.0	268.5	150.4	64.9

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Total Assets	273.5	483.1	474.2	439.3
Total Debt	0.0	0.0	0.0	0.0
Total Liabilities	58.8	56.3	35.4	24.8
Shareholders Funds	214.8	426.9	438.8	414.4

Production Summary	2010A	2011E	2012E	2013E
Nickel Production (kt)	8.6	9.5	9.0	9.0
Ni Cash Cost - net of credits (US\$/lb)	3.92	4.00	3.92	3.98
Ni Price Realised (US\$/lb)	8.54	9.29	9.01	8.23

**Reserves & Resources 30 June 2010**

Reserves	Mt	% Ni	Ni (kt)
Long	1.32	4.1	53.4
Resources	Mt	% Ni	Ni (kt)
Long	1.70	5.4	91.5

Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	28.7	39.4	34.4	27.0
EPS (cents)	23.1	26.4	23.1	18.1
PER (x)	35.6	26.0	29.7	37.8
<b>Normalised Earnings</b>				
Net Profit (\$m)	28.7	39.4	34.4	27.0
EPS (cents)	25.0	26.4	23.1	18.1
EPS Growth (%)	41.4	5.7	(12.6)	(21.5)
PER (x)	35.6	26.0	29.7	37.8
<b>Cashflow</b>				
Operating Cashflow (\$m)	58.9	52.5	50.7	39.5
GCFPS (cents)	47.4	35.2	34.0	26.5
PCF (x)	15.6	20.9	21.7	27.8
<b>Dividend</b>				
Dividend (cents)	5.0	7.0	7.0	7.0
Yield (%)	0.7	0.9	0.9	0.9
Franking %	100%	100%	100%	100%

Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	0.0	0.0	0.0	0.0
Interest Cover (x)	0	0	0	0
Acid test ratio (x)	5.1	13.9	9.1	4.5
<b>Profitability Ratios</b>				
Net Profit Margin (%)	24.6	30.6	28.1	24.1
Return on Assets (%)	31.2	26.2	15.2	10.3
Return on Equity (%)	13.4	9.2	7.8	6.5

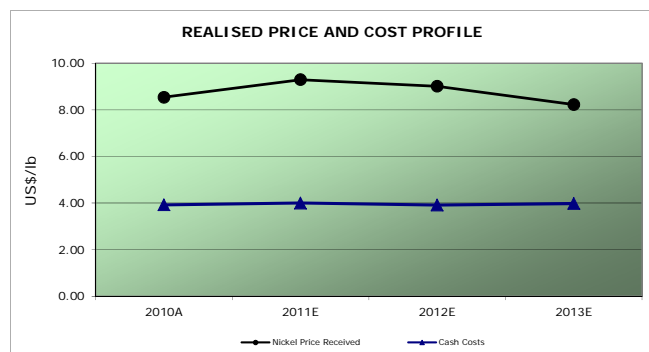
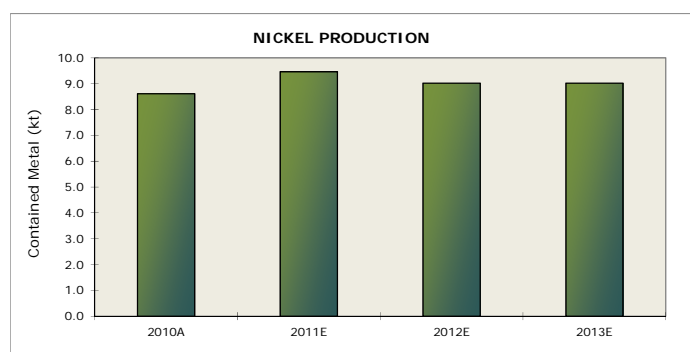
Valuation Summary	A\$m	A\$/sh
Long	250	1.68
Tropicana JV (7% Discount Rate)	517	3.47
Duketon JV	80	0.54
Forward Sales	1	0.01
Corporate	-11	-0.08
Exploration	130	0.87
Unpaid Capital	4	0.03
Investments	1	0.01
Cash Estimate (post placement)	295	1.98
Debt	0	0.00
<b>Total @ 11% discount rate</b>	<b>1267</b>	<b>8.50</b>

**Directors**

Name	Position
Oscar Aamodt	Non-Executive Chairman
Chris Bonwick	Managing Director
Kelly Ross	Executive Director
Rod Marston	Non-Executive Director
John Christie	Non-Executive Director
Peter Bilbe	Non-Executive Director

**Substantial Shareholders**

Shareholder	%
JF Capital Partners	10.2%
Orion Asset Management	6.2%
NAB	5.4%
UBS	5.2%





## Mantra Resources SPECULATIVE BUY

Current Price: **\$7.15**  
Target Price: **\$8.10**

Ticker: **MRU**

Sector: **Materials**

Shares on Issue (m): **130.2**  
Market Cap (\$m): **931.1**  
Net Cash (\$m): **67.0**  
Enterprise Value (\$m): **864.1**

52 wk High/Low: **\$7.20** **\$3.55**  
12m Av Daily Vol: **130,000**

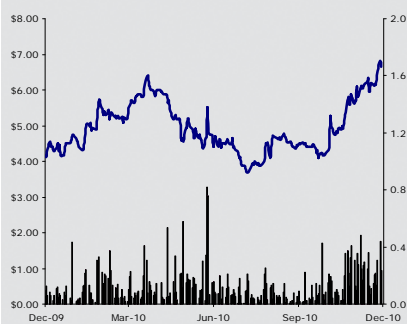
### Substantial shareholders

Highland Park	12%
Deans Knight	8%
Haywood Securities	6%
JP Morgan Chase	5%

### Management

Ian Middlemas	Non-Executive Chairman
Peter Breese	Chief Executive Officer
Robert Behets	Executive Director
Colin Steyn	Non-Executive Director
Ted Mayers	Non-Executive Director
Bill Smart	Alternate Director
Tony Devlin	MD - Tanzania

### Share Price Graph



Analysts:  
Tim Serjeant  
Troy Irvin

3 December 2010

## Mkuju grows to > 100mlbs

### Update:

Emerging uranium developer Mantra Resources (MRU) has expanded the footprint at its Mkuju River Project (MRP), with the total Resource now exceeding 100mlbs (up from 84.3mlbs).

Notably, the Measured and Indicated (M&I) portion of the resource has grown to 65% of the total. Overall metal has increased by 20% despite grade being 9% lower. The resource upgrade is based on the 2010 infill drilling program of ~110,000m.

### Impact:

**Positive**

The increased scale and confidence in the MRP resource will feed through to the Phase 1 DFS, to be delivered in the March Q 2011. Improvements to process flowsheet throughout the course of 2010 will yield improved uranium recoveries, lower acid consumption and lower operating costs than contemplated in the PFS.

The ~40,000m exploration drilling program currently underway will feed into an additional resource calculation in early 2011. This is targeting a number of areas adjacent to the existing resource base.

Other near term catalysts include:

- Permitting - An Environmental Impact Statement (EIS), application for a Special Mining Lease (SML) and draft Mine Development Agreement (MDA) have all been lodged with the Ministry of Energy and Minerals. MRU expects these permits to be approved during 2010.
- Strategic Partner – Despite the rapidly advancing nature of the MRP, MRU does not have a strategic/off-take partner at either the corporate or project level.

### View:

**Positive**

The significant investment MRU has made in human capital is paying dividends. Whilst cognisant of the complexities associated with bringing new uranium projects on-stream, MRU is seeking to mitigate execution risk through technical discipline.

### Recommendation:

**Spec Buy**

MRU remains Argonaut's preferred uranium play.

Following upgrades to our uranium price forecast (+13% to US\$70/lb in FY12, FY13, FY14) our price target has risen to \$8.10 (was \$6.80).



Table 1: Mkuju River – Updated Resource

Resource upgrade still pending

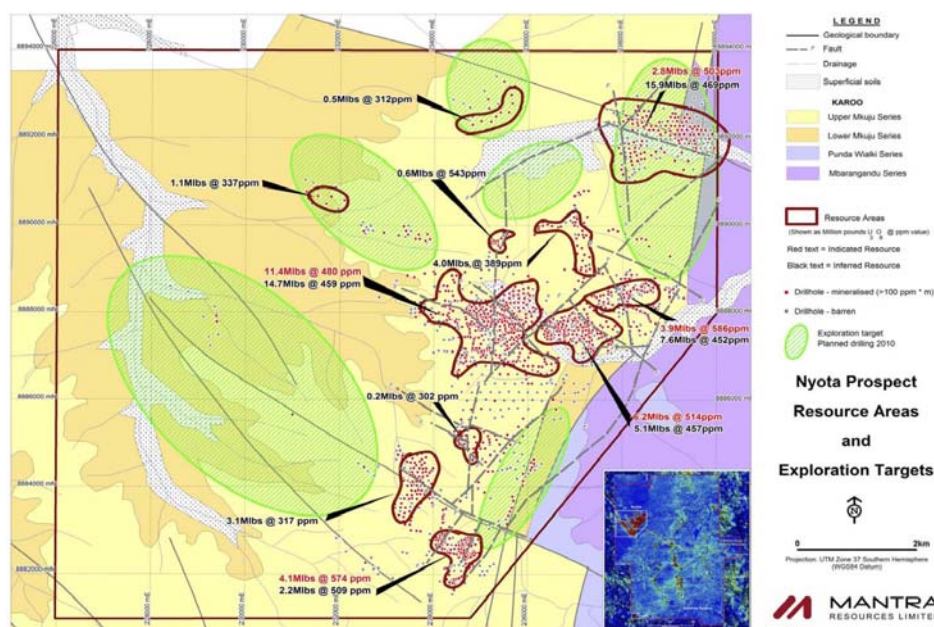
Mkuju River Project			
Nov-10			
Measured	40.9	442	39.9
Indicated	26.8	433	25.6
Inferred	41.2	395	35.9
<b>Total</b>	<b>108.9</b>	<b>422</b>	<b>101.4</b>
Jan-10			
Indicated	25.1	515	28.5
Inferred	57.3	442	55.8
<b>Total</b>	<b>82.4</b>	<b>464</b>	<b>84.3</b>
Change			
<b>Total</b>	<b>32%</b>	<b>-9%</b>	<b>20%</b>

Note: 200ppm cut-off

Source: MRU, Argonaut

Figure 1: Resource areas and exploration targets

Permitting underway...



Source: MRU

MRU is one of few emerging developer without a strategic partner

\$8.10 price target

Argonaut's price target of \$8.10 (1.2x NPV) reflects the extensive organic growth opportunities on offer at MRP, the strategic nature of uranium assets and the lack of quality, uncontracted opportunities globally

Table 2: Summary valuation

Valuation Summary		
	\$m	\$/sh
NPV		
Mkuju River - Phase 1	573	4.68
Mkuju River Heap Leach	91	0.74
Exploration	85	0.69
Corporate	-9	-0.07
Unpaid Capital	21	0.17
Cash (estimate)	67	0.55
Debt	0	0.00
<b>Total</b>	<b>828</b>	<b>6.76</b>

Source: Argonaut



## Silver Lake BUY

Current Price: **\$2.25**  
Target Price: **\$2.82**

Ticker: SLR  
Sector: Materials

Shares on Issue (m): 178.8  
Market Cap (\$m): 402.2  
Net Cash (\$m): 31.4  
Enterprise Value (\$m): 370.8

52 wk High/Low: **\$2.69** **\$0.84**  
12m Av Daily Vol (m): 0.61

### Key Metrics

	10A	11F	12F
P/E (x)	34.3	12.2	7.2
EV/EBITDA (x)	15.1	6.5	3.8

### Financials:

	10A	11F	12F
Revenue (\$m)	69.1	127.3	243.4
EBIT (\$m)	16.8	47.2	79.5
NPAT (\$m)	11.7	33.0	55.6

	10A	11F	12F
Net Assets (\$m)	75.5	88.9	166.2

	10A	11F	12F
Op CF (\$m)	19.8	64.8	111.0

### Per Share Data:

	10A	11F	12F
EPS (cps)	5.8	16.2	27.4
DPS (cps)	0.0	0.0	0.0
Div Yield	0.0%	0.0%	0.0%
CFPS (cps)	9.7	31.9	54.6

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

3 December 2010

## Magic touch

### FY11 objectives:

Silver Lake (SLR) recently updated the market on the Company's FY11 objectives.

Targets include the continued production of ~80koz from Daisy Milano and Daisy East, completion of mining studies on open pit opportunities at Mount Monger, completion of a ventilation upgrade at Daisy Milano, advancement of a second production centre at the Murchison project, and further resources growth focused on near mine production sources.

### Impact:

Positive

Near term news flow / catalysts include:

- December Q - Mount Monger exploration results at Magic (best 11m @ 59g/t) and Haoma, Murchison exploration results at Tuckabianna and possibly Lena, Lena South and Numbers
- Early 2011 - Murchison study, Magic metallurgical test results, next resource upgrade

### View:

Positive

SLR is a growth stock targeting:

- 300kozpa production by FY14 (200koz Mount Monger, 100koz Murchison)
- 5Moz resources in 2 years (now 2.5Moz @ 4.4g/t)

Although aggressive, the growth targets are supported by quality management with a demonstrable track record of extracting value from under-appreciated Eastern Goldfields assets.

### Recommendation:

Buy

The stock is trading 57c below Argonaut's target price of \$2.82 (1.2x NAV). At spot gold and fx the valuation rises to \$3.63.



Silver Lake Resources

Equities Research

Analyst: Troy Irvin

**Recommendation** BUY  
**Current Price** \$2.25  
**Target Price (1.2x NAV)** \$2.82

**Sector** Materials  
**Issued Capital (m)** 178.8  
**Market Cap (m)** \$402.2  
**Updated** 02-December-2010

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
Sales Revenue	69.1	127.3	243.4	300.6
Other Income	0.9	2.0	2.8	7.5
Operating Costs	43.0	62.5	132.5	172.3
Exploration Expense	0.1	5.0	10.2	10.4
Corporate/Admin	2.2	5.0	5.1	5.2
<b>EBITDA</b>	<b>24.6</b>	<b>56.8</b>	<b>98.4</b>	<b>120.2</b>
D & A	7.7	9.6	18.9	23.9
<b>EBIT</b>	<b>16.8</b>	<b>47.2</b>	<b>79.5</b>	<b>96.2</b>
Finance expenses	0.2	0.0	0.0	0.0
Impairment of assets	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>16.6</b>	<b>47.1</b>	<b>79.5</b>	<b>96.2</b>
Tax expense	4.9	14.1	23.8	28.9
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>11.7</b>	<b>33.0</b>	<b>55.6</b>	<b>67.3</b>
Normalised NPAT	11.7	33.0	55.6	67.3

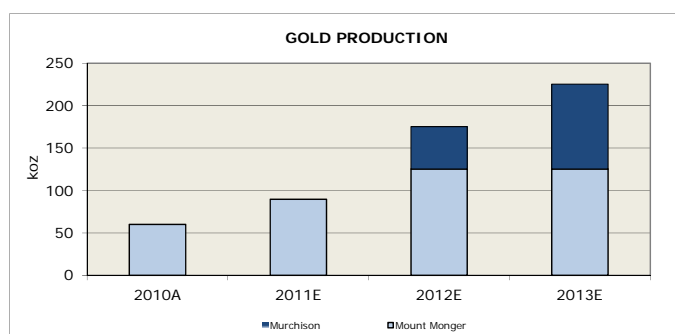
Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>19.8</b>	<b>64.8</b>	<b>111.0</b>	<b>128.3</b>
- Capex	7.7	46.4	23.5	14.6
- Exploration & Evaluation	17.8	5.0	10.2	10.4
- Asset purchases (+ asset sales)	-0.8	0.0	0.0	0.0
<b>Free Cashflow</b>	<b>-4.9</b>	<b>13.4</b>	<b>77.3</b>	<b>103.3</b>
- Dividends	0.0	0.0	0.0	0.0
+ Equity raised	17.9	0.0	0.0	0.0
+ Debt drawdown (- repaid)	-0.1	-0.3	-0.3	0.0
<b>Net Change in Cash</b>	<b>12.9</b>	<b>13.1</b>	<b>77.0</b>	<b>103.3</b>
Cash at End Period	29.5	42.6	119.6	222.8

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Total Assets	97.2	152.6	257.9	363.6
Total Debt	0.6	0.4	0.1	0.0
Total Liabilities	21.7	63.7	91.8	94.2
<b>Shareholders Funds</b>	<b>75.5</b>	<b>88.9</b>	<b>166.2</b>	<b>269.4</b>

Gold Production Summary	2010A	2011E	2012E	2013E
Mount Monger (koz)	60	90	125	125
Murchison (koz)	0	0	50	100
<b>Total Gold</b>	<b>60</b>	<b>90</b>	<b>175</b>	<b>225</b>
Gold Cash Cost (A\$/oz)	636	700	752	764
Gold Price Realised (A\$/oz)	1257	1406	1389	1333

Reserves & Resources (30 June 2010)				
Resources	Mt	g/t	Au (koz)	
Mount Monger	3.6	9.4	1081	
Murchison	13.7	3.0	1322	
Rothsay	0.6	7.0	133	
<b>Total</b>	<b>17.8</b>	<b>4.4</b>	<b>2536</b>	

EV / Resource (\$/oz) \$159



Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	11.7	33.0	55.6	67.3
EPS (cents)	5.8	16.2	27.4	33.2
PER (x)	34.3	12.2	7.2	6.0
<b>Normalised Earnings</b>				
Net Profit (\$m)	11.7	33.0	55.6	67.3
EPS (cents)	5.8	16.2	27.4	33.2
EPS Growth (%)				
PER (x)	34.3	12.2	7.2	6.0
<b>Cashflow</b>				
Operating Cashflow (\$m)	19.8	64.8	111.0	128.3
GCFPS (cents)	9.7	31.9	54.6	63.2
PCF (x)	23.1	7.1	4.1	3.6
<b>Dividend</b>				
Dividend (cents)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
Franking %	100	100	100	100

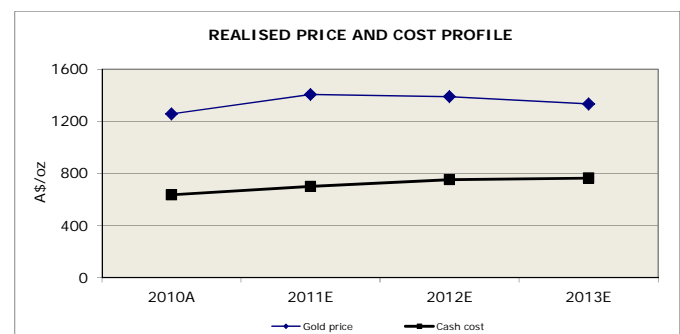
Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	0.8	0.4	0.1	0.0
Interest Cover (x)	-	-	-	-
Acid test ratio (x)	2.6	1.6	2.2	3.0

Profitability Ratios	2010A	2011E	2012E	2013E
Net Profit Margin (%)	17.0	25.9	22.8	22.4
Return on Assets (%)	24.9	42.9	57.4	68.4
Return on Equity (%)	15.5	37.1	33.5	25.0

Valuation Summary	A\$m	A\$/sh
Mount Monger	240.0	1.34
Murchison	99.9	0.56
Exploration	50.0	0.28
Forwards	0.0	0.00
Corporate	-7.9	-0.04
Unpaid Capital	7.3	0.04
Cash at 30 September 2010	31.9	0.18
Debt	-0.5	0.00
<b>Total @ 7.7% discount rate</b>	<b>421</b>	<b>2.35</b>

Directors	
Paul Chapman	Non-Executive Chairman
Les Davis	Managing Director
Chris Banasik	Executive Director - Exploration and Geology
Brian Kennedy	Non-Executive Director
Peter Johnston	Non-Executive Director
David Griffiths	Non-Executive Director

Substantial Shareholders	%
Sprott Asset Management	9.5%
Baker Steel	7.1%
Eye Investment Fund	6.8%





## Troy Resources BUY

Current Price: **\$3.46**  
Target Price: **\$4.40**

Ticker: TRY  
Sector: Materials

Shares on Issue (m): 87.5  
Market Cap (\$m): 302.6  
Net Cash (\$m): -8.6  
Enterprise Value (\$m): 311.2  
52 wk High/Low: \$3.64 \$1.85  
12m Av Daily Vol (m): 0.16

### Key Metrics

	10A	11F	12F
P/E (x)	-44.3	5.9	5.0
EV/EBITDA (x)	38.4	3.1	2.8

### Financials:

	75.2	162.2	182.7
Revenue (\$m)	75.2	162.2	182.7
EBIT (\$m)	-6.8	75.8	86.9
NPAT (\$m)	-6.8	51.6	60.3

	129.2	182.9	245.1
Net Assets (\$m)	129.2	182.9	245.1

	-7.8	91.7	98.1
Op CF (\$m)	-7.8	91.7	98.1

### Per Share Data:

	-7.4	56.2	65.7
EPS (cps)	-7.4	56.2	65.7
DPS (cps)	2.0	4.0	4.0
Div Yield	0.6%	1.2%	1.2%
CFPS (cps)	-8.5	99.9	106.8

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

3 December 2010

## First gold at Casposo

### First gold:

First gold and silver has been poured at Troy's (TRY) Casposo project in Argentina.

Ramp up to full production is expected in the March quarter 2011. The crushing, grinding and leaching circuits are fully operational, and the concentrate and tails filtering sections and refinery are working through the last minor commissioning issues.

### Impact:

Positive

Over 74,000t of stockpiled ore grading 9.8g/t Au eq should facilitate a quick ramp-up to metal output and cash flow at Casposo.

TRY is now focused on increasing resources at the new mine, with a \$7m FY11 exploration budget flagged. Drilling is underway at Castaño Nuevo and Casposo Norte, and new high definition geophysics surveys have indicated extensions to known veins.

Substantial improvements continue at the Andorinhas mine in Brazil, driven by increasing ore body width and grade as the mine gets deeper, and modified mining methods that have successfully reduced ore dilution.

### View:

Positive

High open pit grades (9.1g/t Au and 118g/t Ag in year 1) should result in outstanding cash costs at Casposo of ~US\$120/oz. Including Andorinhas, Argonaut forecasts FY11 group production of 115koz at cash costs of US\$292/oz.

### Recommendation:

Buy

With a new high grade gold mine, low USD denominated cash costs and exploration ramping-up, TRY is well positioned to capitalise on rising gold prices.

Recent South American M&A activity adds another dimension to the story e.g. Goldcorp's C\$3.6b bid for Andean, EBX's intentions to acquire Ventana Gold (TSX:VEN) for ~C\$1.5b.

### Important Disclosures

Argonaut acted as joint underwriter to TRY's \$24.9m non-renounceable entitlements issue in December 2009.



Troy Resources NL

**Recommendation** BUY  
**Current Price** \$3.46  
**Target Price (1.1x NPV)** \$4.40

**Sector** Materials  
**Issued Capital (m)** 87.5  
**Market Cap (m)** \$302.6  
**Updated** 02-December-2010

Profit & Loss (\$m) 30 June	2010A	2011E	2012E	2013E
<b>Sales Revenue</b>	<b>75.2</b>	<b>162.2</b>	<b>182.7</b>	<b>112.3</b>
Other Income	6.2	1.0	3.7	5.8
Operating Costs	58.1	46.2	58.0	57.5
Exploration Expense	7.0	7.0	7.2	7.3
Corporate/Admin	8.2	8.0	8.2	8.3
<b>EBITDA</b>	<b>8.1</b>	<b>101.9</b>	<b>113.0</b>	<b>44.9</b>
Depn & Amort	14.9	26.0	26.2	8.4
<b>EBIT</b>	<b>-6.8</b>	<b>75.8</b>	<b>86.9</b>	<b>36.5</b>
Interest Paid	0.0	2.1	0.7	0.0
Impairment of assets	0.0	0.0	0.0	0.0
<b>Operating Profit</b>	<b>-6.9</b>	<b>73.7</b>	<b>86.2</b>	<b>36.5</b>
Tax expense	-0.1	22.1	25.9	10.9
Minorities	0.1	0.0	0.0	0.0
<b>NPAT</b>	<b>-6.8</b>	<b>51.6</b>	<b>60.3</b>	<b>25.5</b>
Normalised NPAT	-6.8	51.6	60.3	25.5

Financial Summary	2010A	2011E	2012E	2013E
<b>Reported Earnings</b>				
Net Profit (\$m)	(6.8)	51.6	60.3	25.5
EPS (cents)	(7.4)	56.2	65.7	27.8
PER (x)	(44.3)	5.9	5.0	11.9
<b>Normalised Earnings</b>				
Net Profit (\$m)	(6.8)	51.6	60.3	25.5
EPS (cents)	(7.4)	56.2	65.7	27.8
EPS Growth (%)	(198.1)	(855.8)	17.0	(57.7)
PER (x)	(44.3)	5.9	5.0	11.9
<b>Cashflow</b>				
Operating Cashflow (\$m)	(7.8)	91.7	98.1	43.8
GCFPS (cents)	(8.5)	99.9	106.8	47.7
PCF (x)	(40.9)	3.5	3.2	7.3
<b>Dividend</b>				
Dividend (cents)	2.0	4.0	4.0	4.0
Yield (%)	0.6	1.2	1.2	1.2
Franking %	100	100	100	100

Cash Flow (\$m)	2010A	2011E	2012E	2013E
<b>Operating Cashflow</b>	<b>-7.8</b>	<b>91.7</b>	<b>98.1</b>	<b>43.8</b>
- Capex	37.7	20.0	25.3	7.0
- Exploration & Evaluation	7.0	7.0	7.2	7.3
- Asset purchases (+ asset sales)	-6.1	2.2	0.0	0.0
<b>Free Cashflow</b>	<b>-46.4</b>	<b>62.5</b>	<b>65.7</b>	<b>29.5</b>
- Dividends	3.0	3.5	3.5	3.5
+ Equity raised	26.0	0.0	0.0	0.0
+ Debt drawdown (- repaid)	2.1	-5.0	-20.0	0.0
- Other	0.0	0.0	1.0	2.0
<b>Net Change in Cash</b>	<b>-21.2</b>	<b>54.0</b>	<b>41.2</b>	<b>24.0</b>
Cash at End Period	16.4	70.5	111.7	135.7

Financial Ratios	2010A	2011E	2012E	2013E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	1.0	10.9	0.0	0.0
Interest Cover (x)	-231.1	35.3	128.2	0
Acid test ratio (x)	1.8	1.9	2.6	4.5
<b>Profitability Ratios</b>				
Net Profit Margin (%)	-9.1	31.8	33.0	22.7
Return on Assets (%)	-5.1	49.2	47.0	20.4
Return on Equity (%)	-5.3	28.2	0.0	0.0

Balance Sheet (\$m)	2010A	2011E	2012E	2013E
Total Assets	150.8	224.7	296.4	314.9
Total Debt	1.3	20.0	0.0	0.0
Total Liabilities	21.6	41.8	51.3	43.8
Shareholders Funds	129.2	182.9	245.1	271.2

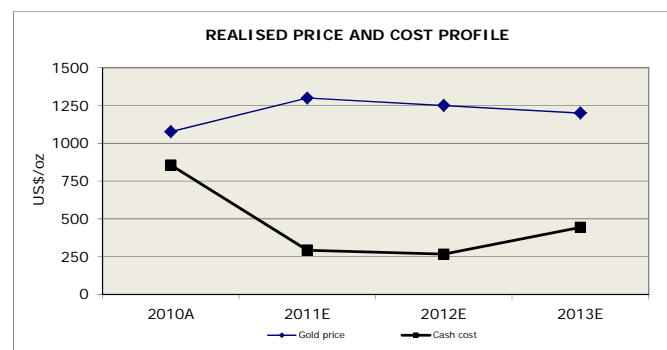
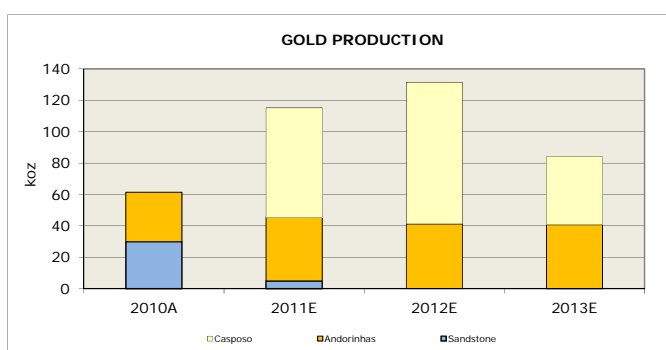
Valuation Summary	A\$m	A\$/sh
Casposo	212	2.43
Andorinhas	59	0.68
Iron Ore	10	0.11
Sandstone	8	0.09
Exploration	78	0.89
Investments	2	0.02
Corporate	-12	-0.14
Unpaid Capital	2	0.02
Cash at 30 September	16	0.19
Debt	-25	-0.29
<b>Total @ 10% discount rate</b>	<b>350</b>	<b>4.00</b>

Gold Production Summary	2010A	2011E	2012E	2013E
Casposo (koz)	0	70	90	43
Andorinhas (koz)	32	40	41	41
Sandstone (koz)	30	5	0	0
<b>Total Gold</b>	<b>61</b>	<b>115</b>	<b>132</b>	<b>84</b>
Gold Cash Cost (US\$/oz)	855	292	266	444
Gold Price Realised (US\$/oz)	1077	1300	1250	1200

Reserves & Resources				
<b>Gold Reserves</b>	<b>Mt</b>	<b>g/t</b>	<b>Au (koz)</b>	
Andorinhas	1.2	6.5	256	
Sandstone	0.7	1.7	37	
Casposo*	2.0	7.7	528	
<b>Total</b>	<b>3.92</b>	<b>6.5</b>	<b>821</b>	
<b>Gold Resources</b>	<b>Mt</b>	<b>g/t</b>	<b>Au (koz)</b>	
Andorinhas	2.3	5.1	369	
Sandstone	15.5	1.5	748	
Casposo*	2.6	9.1	772	
<b>Total</b>	<b>20.4</b>	<b>2.9</b>	<b>1889</b>	
*Aueq				
EV / Reserve (\$/oz)				\$399
EV / Resource (\$/oz)				\$173

Directors & Senior Management	
John Dow	Non-Executive Chairman
Paul Benson	Managing Director
Gordon Chambers	Non-Executive Director
John Jones	Non-Executive Director
Robin Parish	Non-Executive Director
David Dix	Non-Executive Director
Fred Grimwade	Non-Executive Director
Ken Nilsson	Executive Director - Operations

Substantial Shareholders	%
Warrigal Pty Ltd	12.5%



**Contact Details****Research:****Ian Christie**

Director Research  
+61 8 9224 6872

**Troy Irvin**

Director Research  
+61 8 9224 6871

**Tim Serjeant**

Associate Director  
+61 8 9224 6806

**Gianluca Paglia**

Analyst  
+61 8 9224 6824

**Institutional Sales:****Paul Carter**

Executive Director  
+61 8 9224 6864

**Chris Wippl**

Head of Research & Sales  
+61 8 9224 6875

**John Santul**

Consultant, Sales & Research  
+61 8 9224 6859

**Damian Rooney**

Senior Institutional Dealer  
+61 8 9224 6862

**Ben Willoughby**

Institutional Dealer  
+61 8 9224 6876

**Bryan Johnson**

Institutional Dealer  
+61 8 9224 6834

**Corporate and Retail Sales:****Kevin Johnson**

Executive Director  
+61 8 9224 6880

**Glen Colgan**

Executive Director  
+61 8 9224 6874

**James McGlew**

Director  
+61 8 9224 6866

**Geoff Barnesby-Johnson**

Senior Dealer  
+61 8 9224 6854

**Andrew Venn**

Senior Dealer  
+61 8 9224 6865

**Robbie Hamilton**

Dealer  
+61 8 9224 6830

**Melaney Brans**

Dealer  
+61 8 9224 6873

**Cameron Fraser**

Dealer  
+61 8 9224 6851

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Argonaut acted as joint underwriter to TRY's \$24.9m non-renounceable entitlements issue in December 2009.

The analyst(s) own Jabiru Metals (JML) and Troy Resources (TRY) shares.

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