



Research



Morning Note

27 November 2009

Markets

World Markets		+ / -	%
Dow Jones	10,464	closed	
NASDAQ	2,176	closed	
S & P 500	1,111	closed	
FTSE 100	5,194	-171	-3.2
Nikkei 225	9,383	-58	-0.6
ASX All Ords	4,728	-13	-0.3

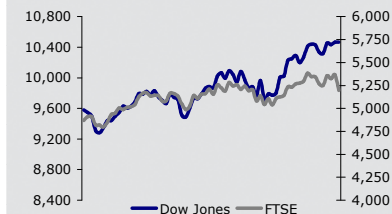
Currencies		+ / -	%
\$A/\$US	0.914	-1.81	-1.9
\$US/Yen	86.560	-79.00	-0.9
GBP/\$A	1.807	1.50	0.8
Euro/\$US	1.502	-1.12	-0.7

Energy		+ / -	%
WTI Spot (US\$/bbl)	77.06	2.14	2.9
Henry Hub (US\$/mcf)	3.35	-0.27	-7.5
UxC Uranium (US\$/lb)	43.00	-1.00	-2.3

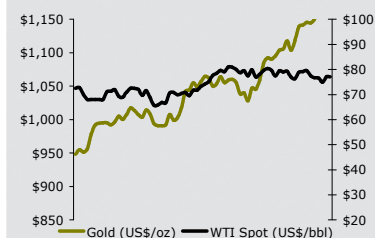
Precious Metals (Bloomberg)		+ / -	%
Gold (US\$/oz)	1,188.4	-3.4	-0.3
Platinum (US\$/oz)	1,456.0	-16.3	-1.1
Silver (US\$/oz)	18.7	-0.2	-1.0

LME, Cash		+ / -	%
Aluminium (US\$/t)	1,978	-36.8	-1.8
Copper (US\$/t)	6,793	-161.8	-2.3
Lead (US\$/t)	2,312	-51.5	-2.2
Nickel (US\$/t)	16,516	-425.0	-2.5
Tin (US\$/t)	14,975	-75.0	-0.5
Zinc (US\$/t)	2,226	-50.3	-2.2

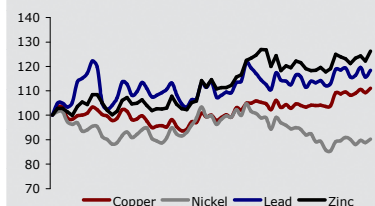
International Markets (3 Month)



Gold v Oil (3 Month)



Base Metals (Rebased) (3 Month)



European stocks were dealt a blow overnight after Dubai World, the government investment company burdened by a \$59 billion debt bill, roiled markets around the world by seeking to delay repayment. Dubai, which borrowed \$80 billion in a four-year construction boom to transform its economy, suffered the world's steepest property slump in the first global recession since World War II. It is estimated that housing prices have fallen ~50% from their 2008 peak.

US markets were closed for Thanksgiving.

On the commodity front, metal prices fell across the board. Gold slipped to US\$1,188/oz while base metals shed ~2%. Oil ticked up to US\$77/bbl while the A\$ is buying US91.4c.

BC Iron (BCI)

BC Iron (BCI) Managing Director Mike Young recently presented at Argonaut.

BCI continues to progress the Nullagine Iron Ore Project with the JV recently securing a US\$50m off-take agreement with an (as yet) unnamed Hong Kong-based trading and industrial company.

The agreement provides for 20Mt of iron ore to be supplied over the next 8.5 years, with the US\$50m prepayments providing the necessary capital to bring the Nullagine JV into production. The first tranche of US\$15m is expected to be drawn during December 2009, with the remainder spread throughout 2010.

The off-take/pre-sale agreement is a major step in de-risking the Nullagine JV, with the project now fully funded to production.

Nullagine JV partner Fortescue Metals Group (FMG) has recommenced construction work on the Cloudbreak to Christmas Creek Rail Spur as part of its ~\$360m capital program to facilitate production expansion to +50Mtpa. The Cloudbreak/Christmas Creek optimisation program is expected to be completed within 13 months.

We have adjusted our model to link first production with the expected completion of the Cloudbreak to Christmas Creek Rail Spur in late 2010. This development could facilitate the Nullagine JV commencing at an initial production rate of 3Mtpa upon completion of a dedicated haul road between Christmas Creek and the mine, circumventing the previously proposed 1.5Mtpa higher cost start-up. Whilst this means a ~ 6 month delay to first production ('late' 2010 as opposed to ~April 2010), cash costs could fall to <\$40/t given shorter trucking distances and improved scale advantages.

The revised timeline to first production is:

- April 2010 – Haul road construction begins
- May 2010 – Village & mine centre construction begins
- August 2010 – Mining begins
- October 2010 – Road haulage begins
- November 2010 – First shipment stockpile prepared at the project stockpile
- December 2010 – First Rail & Ship

BCI continues to be de-risked and is trading at a ~40% discount to Argonaut's valuation of \$1.85.

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Argonaut acts as Corporate Adviser to BCI and receives fees commensurate with these services.

Argonaut has acted in the following roles:

- Manager to the placement of 8.5m shares to raise \$9.4m (June 2009)
- Underwriter to the pro-rata entitlements issue to raise \$12.6m (June 2009)

Argonaut owns or controls 500,000 BCI options exercisable on or before 31 March 2012

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