

MPS

MARTIN PLACE SECURITIES

Australia's Boutique
Resource Investment Firm

Sydney 3 May 2011

Australian Resource Outlook for 2011 Stage Two of Market Boom!!

Barry Dawes

B Sc FAusIMM(CP) MSAA MSEG

Managing Director

Martin Place Securities

Disclaimer

Nothing in this presentation shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, MPS did not take into account the investment objectives, financial situation and particular needs of the reader.

Before making an investment decision on the basis of this presentation, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances.

This presentation is based on information obtained from sources believed to be reliable but MPS does not make any representation or warranty that it is accurate, complete or up to date. MPS accepts no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice and accurately reflect the views of MPS at the time of writing.

This presentation has originated from MPS (ABN 30 094 927 947), a licensed securities dealer (AFS Licence 247 404). MPS can gain income through brokerage, capital raising commissions and corporate advisory fees.

MPS Wave Market Psychology



Australia's Resources Investment Outlook

- Major beneficiary of global steel boom
- Rising export income >A\$150bn
- >A\$130bn resources investment planned
- >70 new projects underway
- Resources equity market strong
- Exploration and development windfalls
- Strong currency

Global Capital Flows and Investing

Three major features in global economy

- BRIC et al exceeding OECD growth
- Supply-side issues for commodities continuing
- West is debasing currencies through debt problems

.....the money flow is into hard assets...

.... and AUSTRALIA is a big winner..

Global Dichotomy

- China and other BRIC making >60% global growth
 - Commodity volumes and US\$ prices increasing
 - Rising living standards
 - OECD (US, Europe and Japan) locked in debt
 - `Quant Easing' debasing OECD currencies
 - Falling living standards
 - Flight of funds from cash and bonds
- ...commodities major beneficiaries..**

Commodity Outlook

- Emerging economies emphasise basic industries
- 20 years of underinvestment in commodities
- Low inventory of undeveloped projects
- `Peak Oil`, `Peak Gold`?, tight copper
- Expenditures up but few major discoveries

..commodity prices to rise further..

Long term commodity prices

**Spot Commodity Prices: CRB Spot Index (1947 - Present);
16-Raw Industrial Spot Price (1935-1947);
Great Britain Wholesale Price of All Commodities (1885-1935)**



Long term commodity prices

Exhibit 2

GMO Commodity Index: The Great Paradigm Shift



Note: The GMO commodity index is an index comprised of the following 33 commodities, equally weighted at initiation: aluminum, coal, coconut oil, coffee, copper, corn, cotton, diammonium phosphate, flaxseed, gold, iron ore, jute, lard, lead, natural gas, nickel, oil, palladium, palm oil, pepper, platinum, plywood, rubber, silver, sorghum, soybeans, sugar, tin, tobacco, uranium, wheat, wool, zinc.

Source: GMO As of 2/28/11

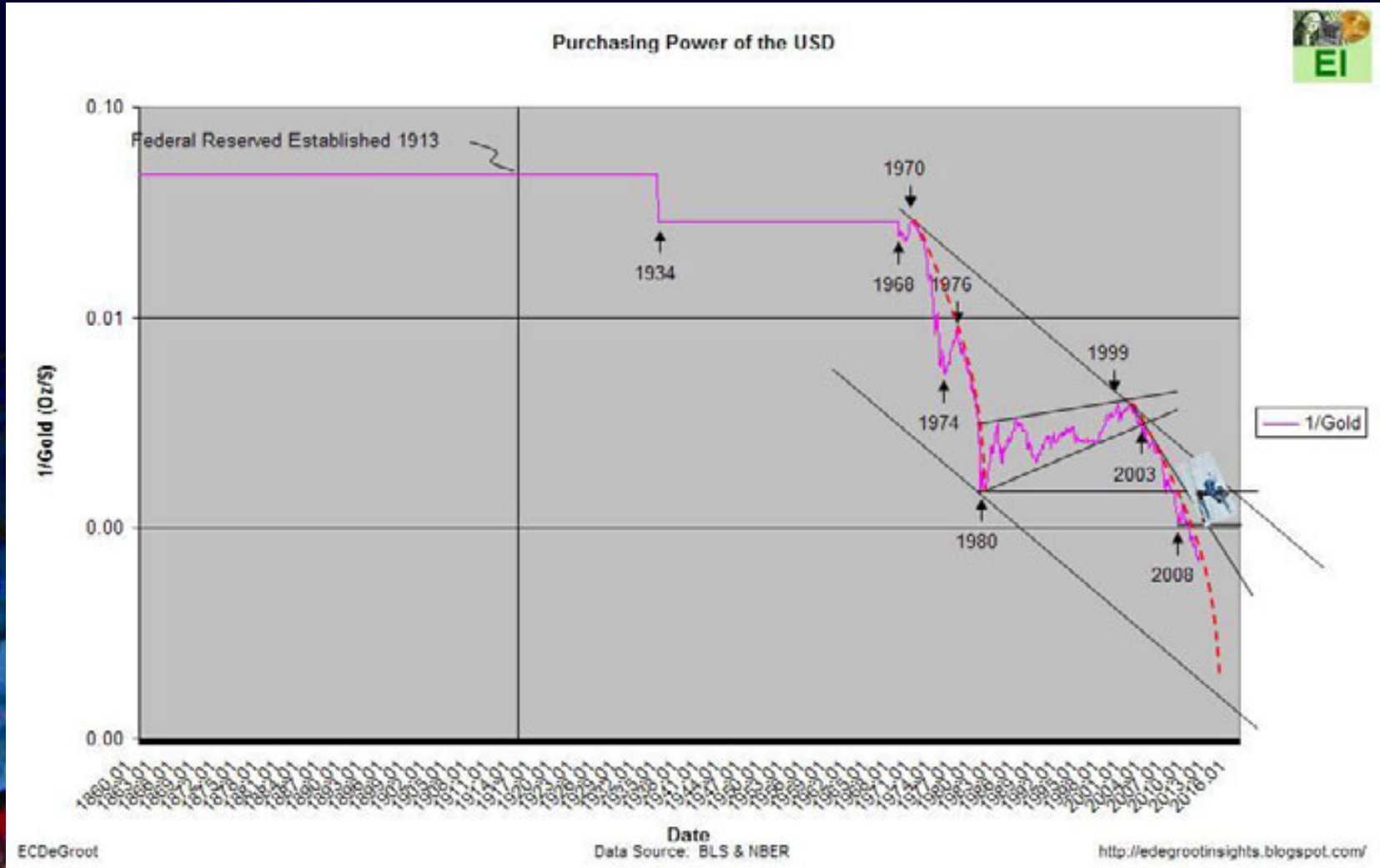
Following the Money

- Global pessimism means high cash levels
 - CB roles mean abnormally low interest rates
 - 30yr bull market in bonds and financial assets over
 - Flight from cash and bonds into hard assets
 - Strong commodity currencies attractive
 - Australia's prime geography and geology
- ...resources stocks major beneficiaries.

The Long View on US T-Bond Yields

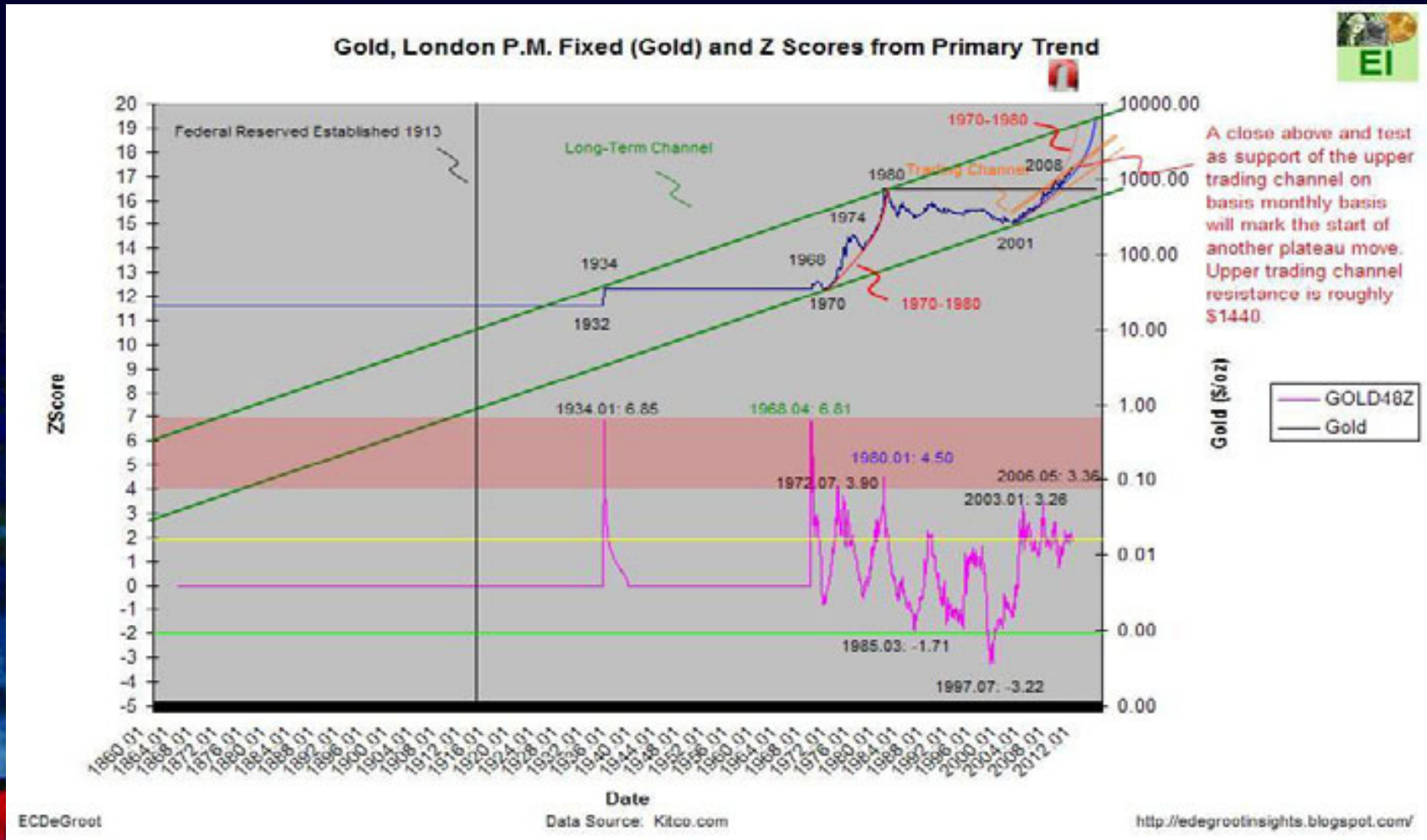


US\$ Purchasing Power

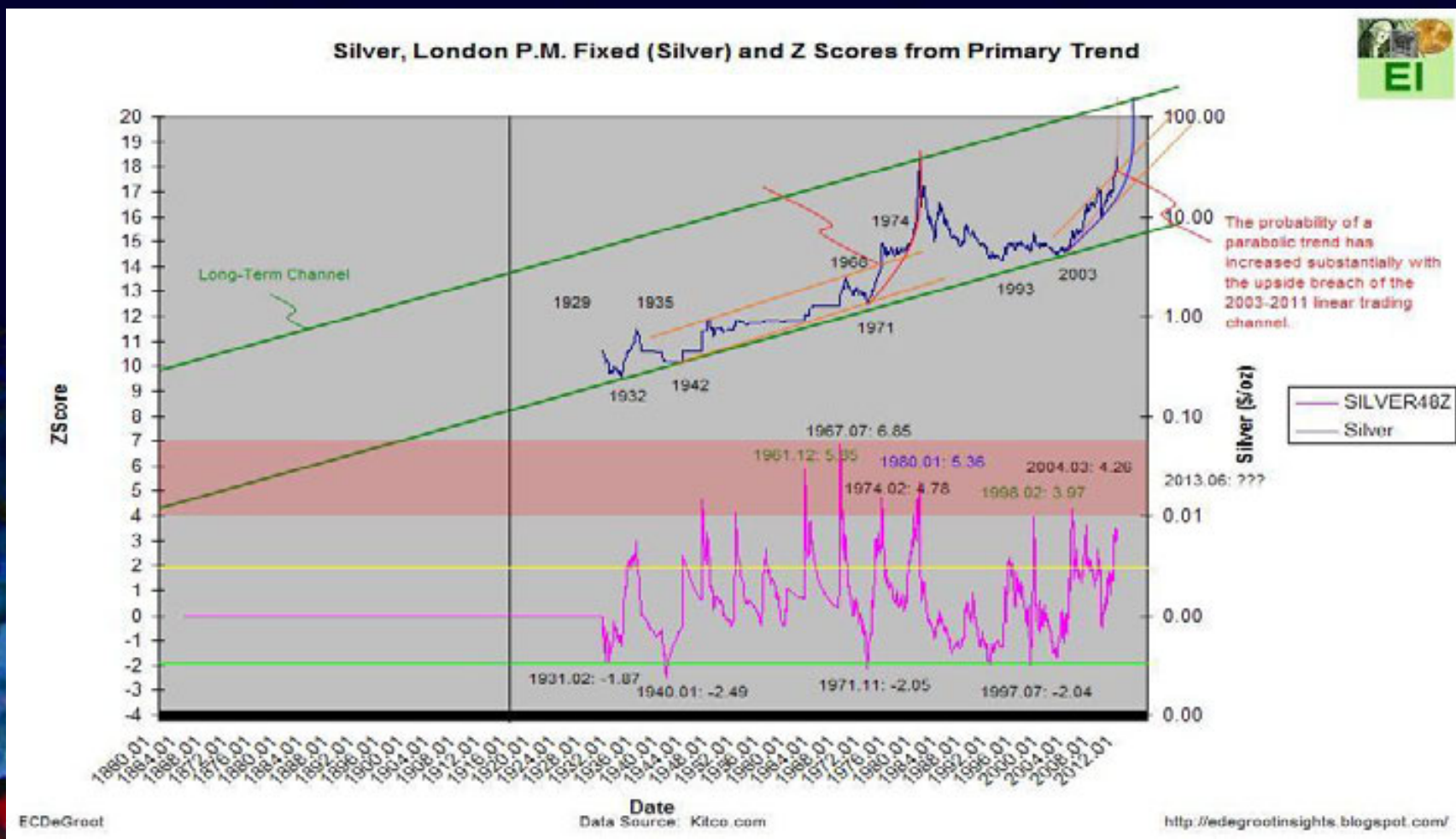


Source: Erik de Groot

Gold Price Outlook

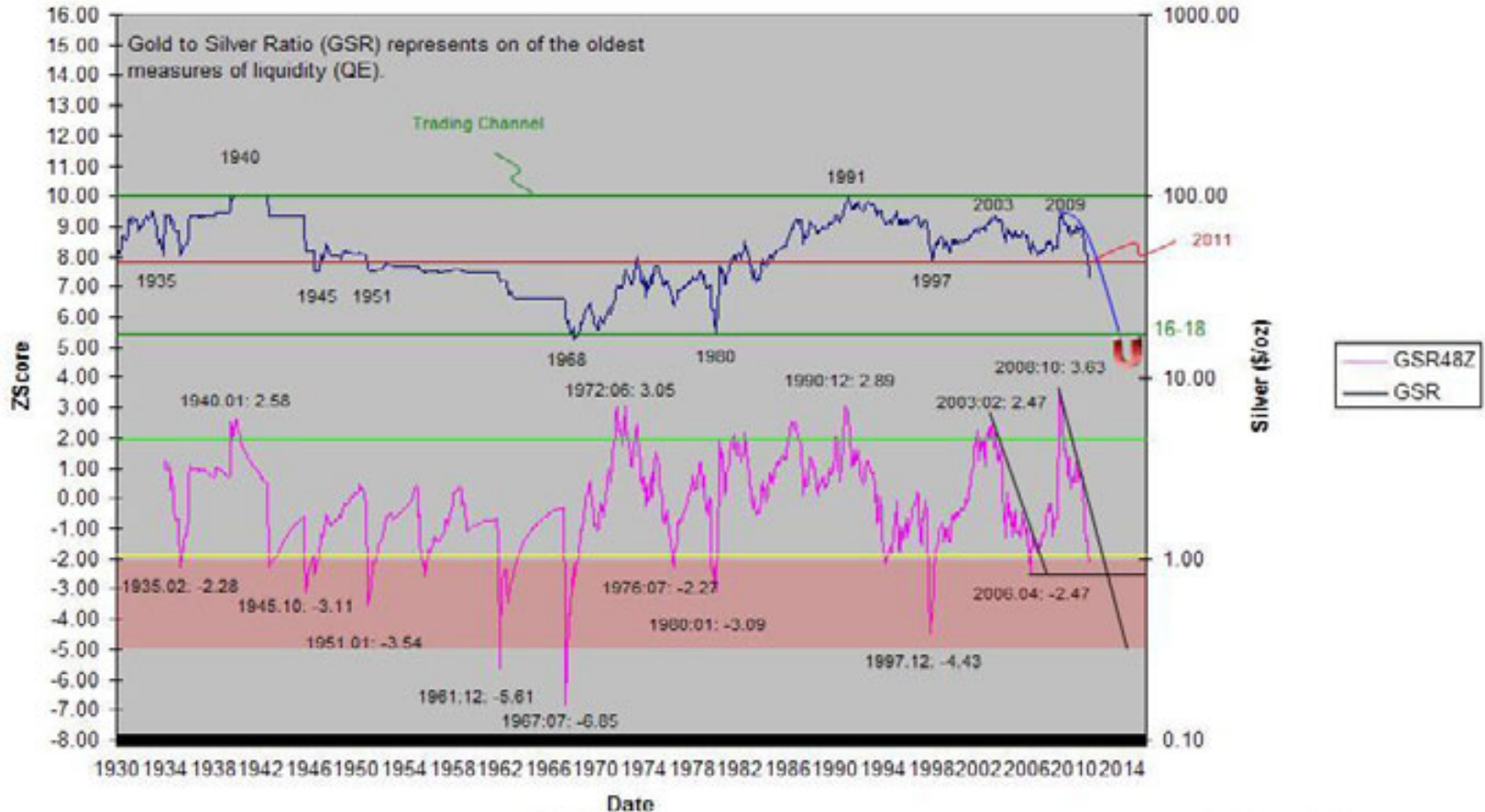


Silver Price Outlook



Gold to Silver Ratio

Gold to Silver Ratio (GSR), Monthly Average Price:



ECDeGroot

Data Source: Kitco.com

<http://edegroothights.blogspot.com/>

Source: Erik de Groot

Philadelphia Gold Index



Source: Stockcharts

Philadelphia Gold Index/US\$Gold



Source: Stockcharts

Royal Gold



Source: Stockcharts

Australian Gold Price

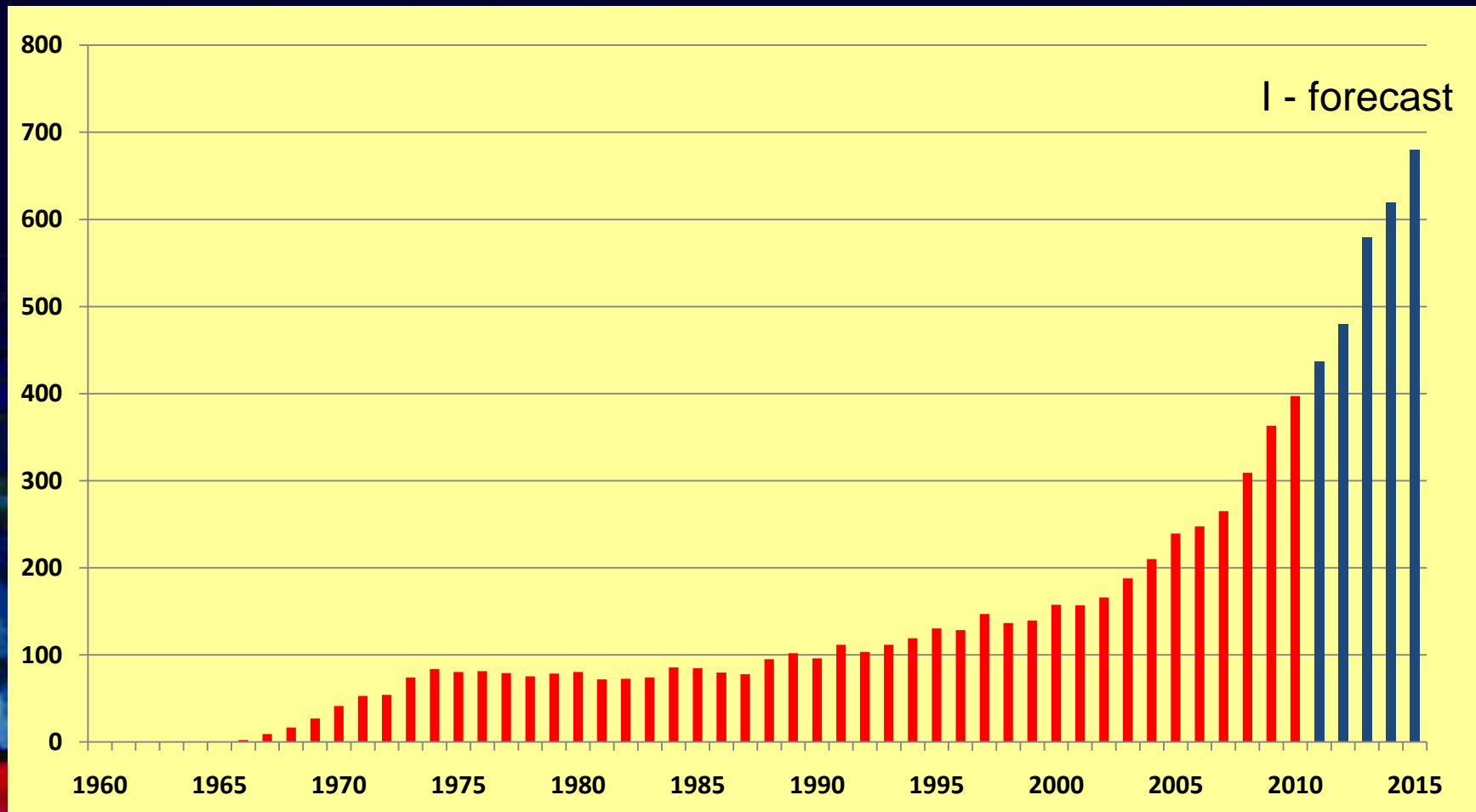


Source: Stockcharts

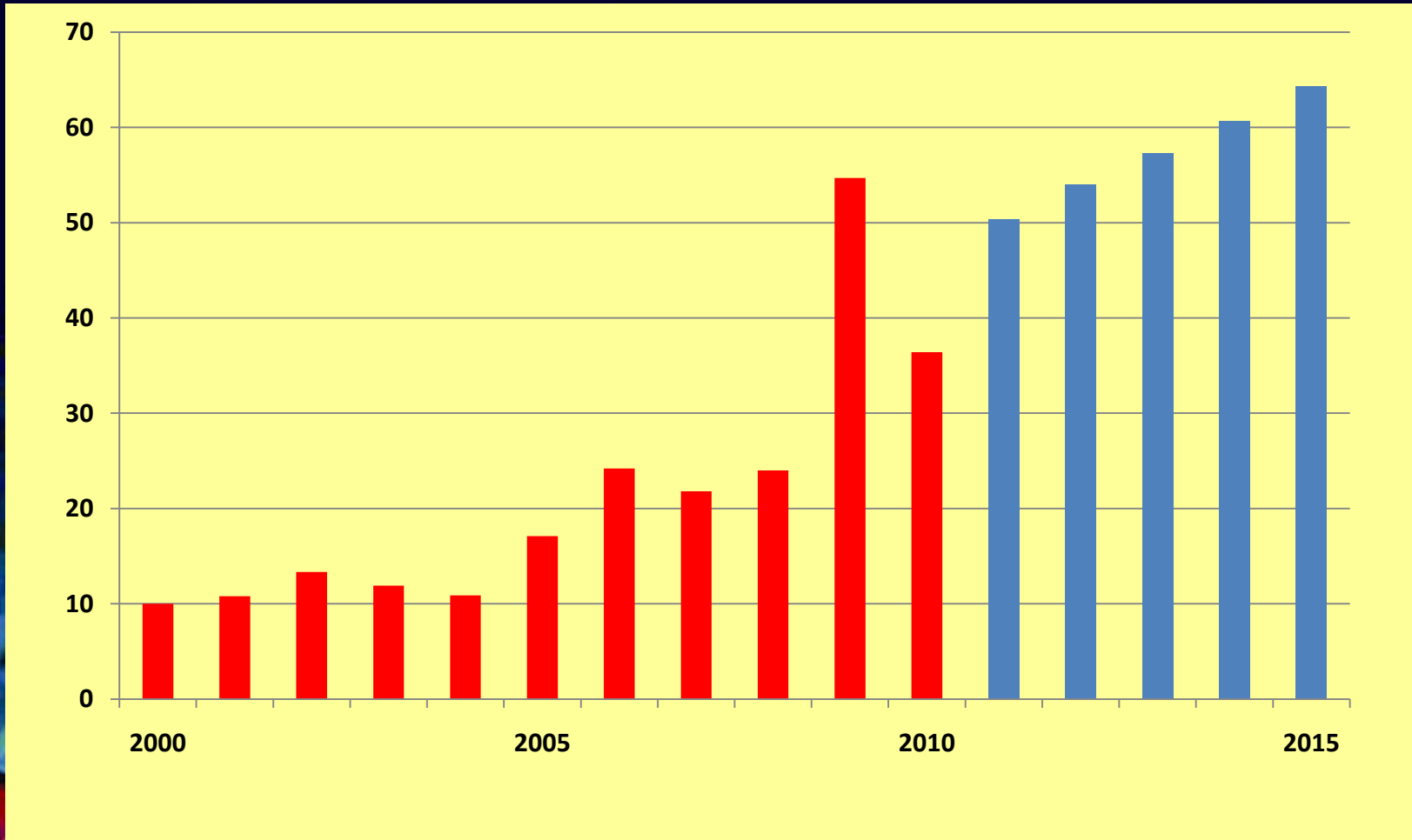
Commodity Outlook

- Steel industry is key driver for:-
 - Iron ore, met coal, Ni, Zn, Mo, Co, Va
- Base metals have high mine utilisation rates
- Oil, gas & uranium have tight supply lines
- Gold and silver boosted by currency turmoil
- Minor metals scarce – Wo, Sb, Cd, Ti
- Rare Earths and Li driven by new technologies

Australian Iron Ore Exports (mt)



Australian Coal Exports (A\$Bn)



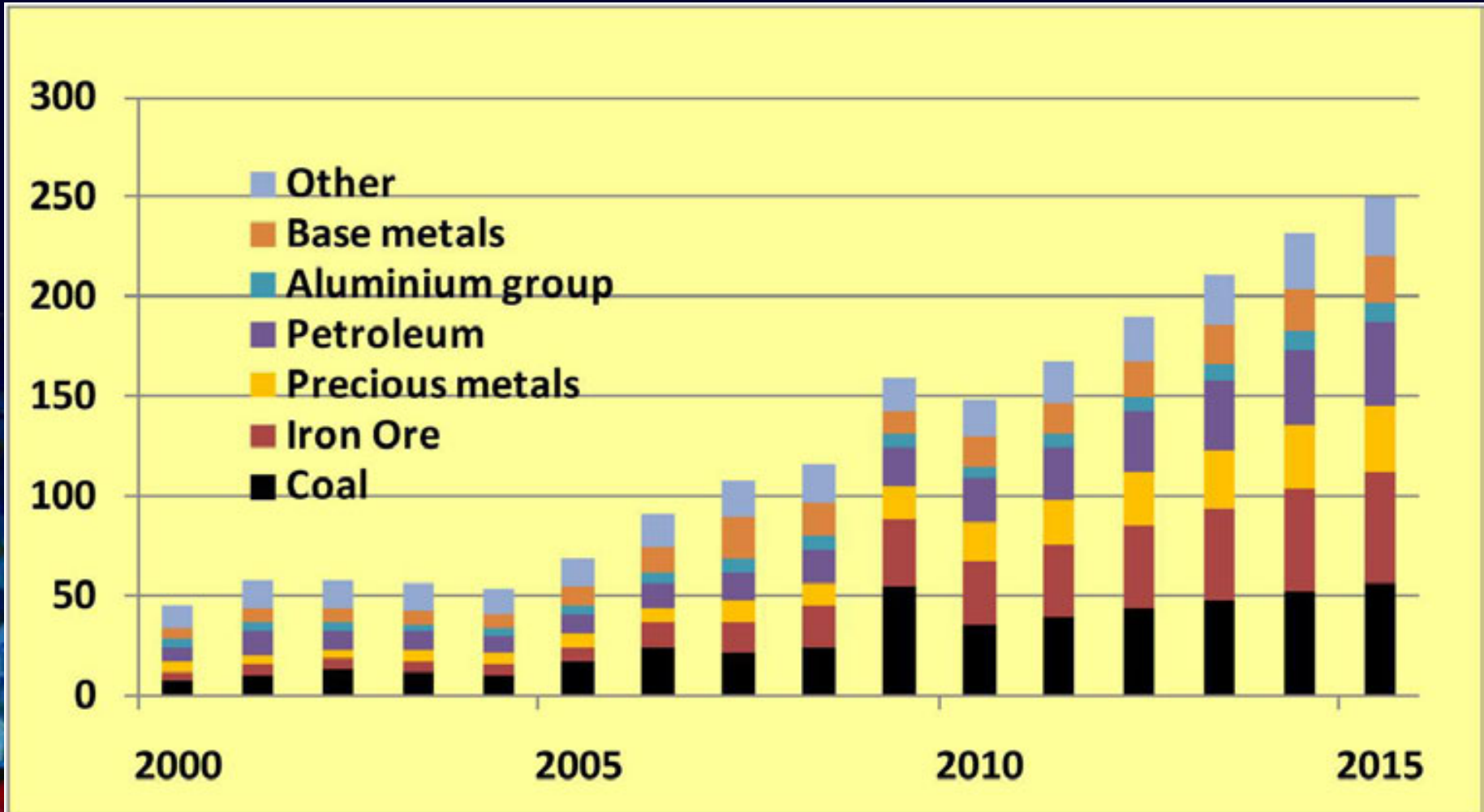
Shanghai Stock Exchange (SSE) Composite (Monthly)

Data as of April 2011



Australian Resource Sector Exports (A\$bn)

ABARE 2000-10 MPS estimates to 2015



Making sense of it all

- Commodity volume and price rises to continue
- Australian resource corporate earnings to improve
- Foreign investment in Australia to grow further
- Sharemarket to boom as new players enter
- New capital infusion to boost exploration

..Resources stocks boom time!!...

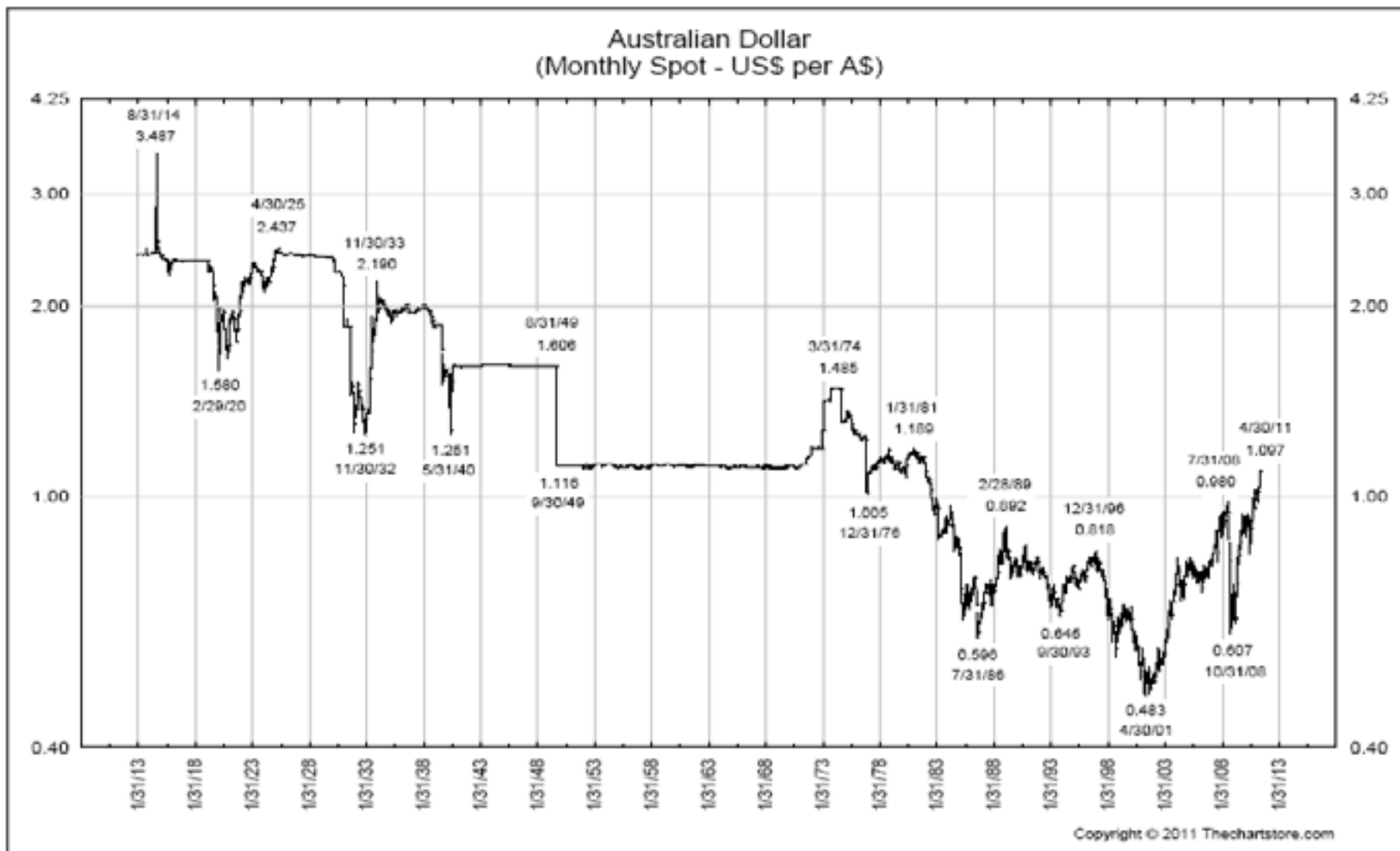
.....BIG TIME!!...

Outlook for Australian Resources

- 'Opportunity of Proximity'
- Commodity volumes and US\$ prices rising
- Resources corporate earnings rising
- Exploration and development surprises
- Resources taxes still unresolved
- Rising A\$ attractive to investors
- A\$/US\$ follows gold stocks

A\$ vs US\$ 1913 - 2011

Data as of April 2011



A\$ vs US Gold Index (XAU)



Conclusions

- China and BRIC resources demand bigger than OECD
- OECD to suffer anaemic growth and debt issues
- Currency instability to boost gold strongly
- Resources stocks still very heavily discounted
- Exploration successes to help drive market
- Expect a major Mining Boom

The 'Optimism' leg now underway!

MPS Wave Market Psychology

