

# MPS

MARTIN PLACE SECURITIES

Australia's Boutique  
Resource Investment Firm

Sydney 15 September 2011

# Australian Gold Sector Outlook for 2012

End of World? or  
Stage Two of Market Boom!!

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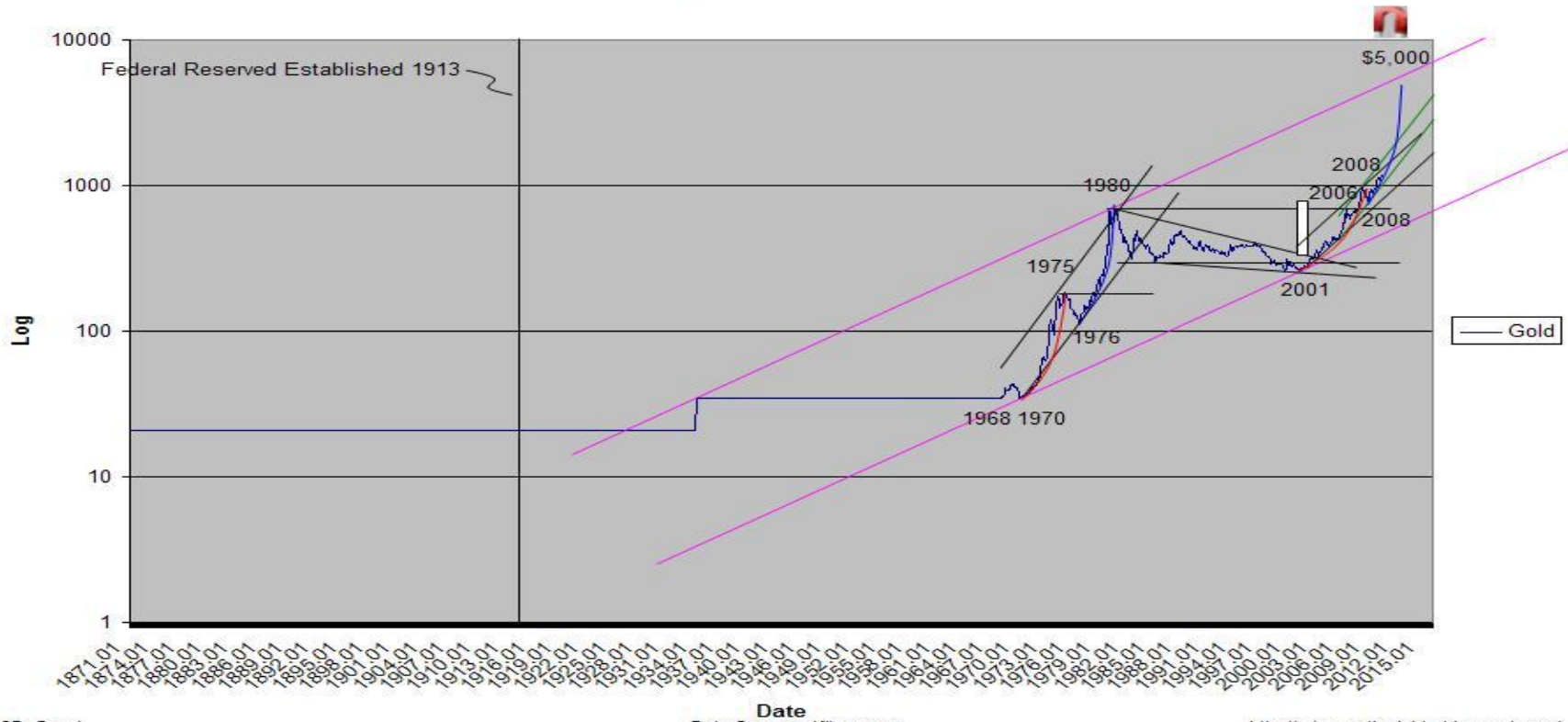
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# Australia's Gold Sector Investment Outlook

- Gold price likely to exceed US\$2000/oz
- Gold price alltime highs in all currencies
- Strong gold demand from all sectors
- Global mines supply beginning to rise
- Australian gold to rise 50% to >390t by FY15
- Global gold sector equities very cheap
- Earnings and dividends to rise sharply
- Only early stages of major bull market!!

# Long Term Gold Price

Gold, London P.M. Fixed



ECDeGroot

Data Source: Kitco.com

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

# 10 Year US\$ Gold Price



# Long Term A\$ Gold Price



Source: Stockcharts

# Long Term Gold in Euros and GBP



Source: Stock Charts

# Global Gold Demand (t)

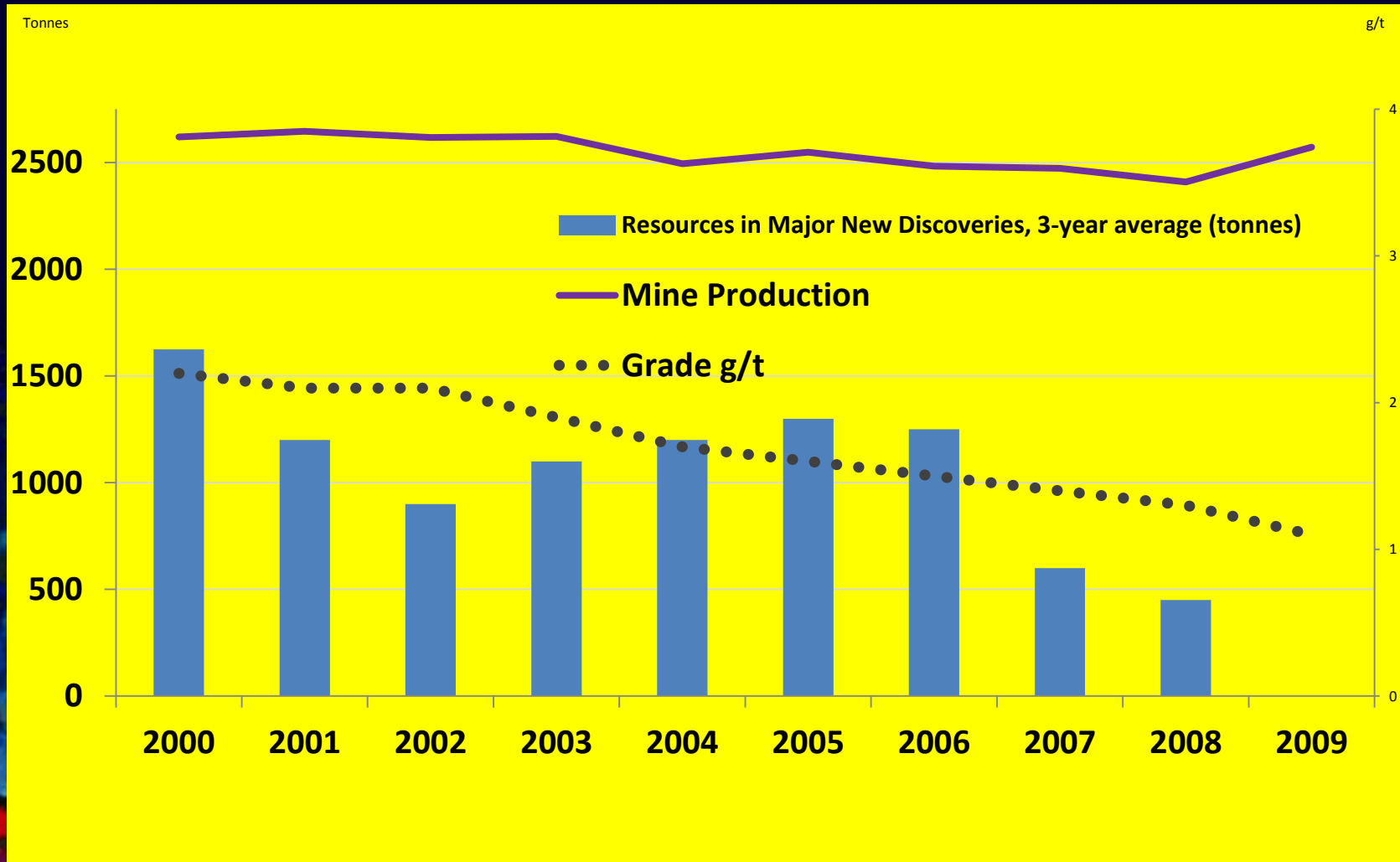
	2005	2006	2007	2008	2009	2010	2010 Q3	2010 Q4	2011 Q1
<b>Jewellery</b>	2,718	2,298	2,418	2,304	1,814	2,017	488	511	471
Industrial and dental	427	452	465	461	973	466	97	103	103
<b>Investment</b>	779	831	612	973			256	381	349
<b>Total (t)</b>	3,924	3,581	3,495	3,605	2,304	4,026	841	995	923

Source: GFMS WGC

# Global Gold Supply (tonnes)

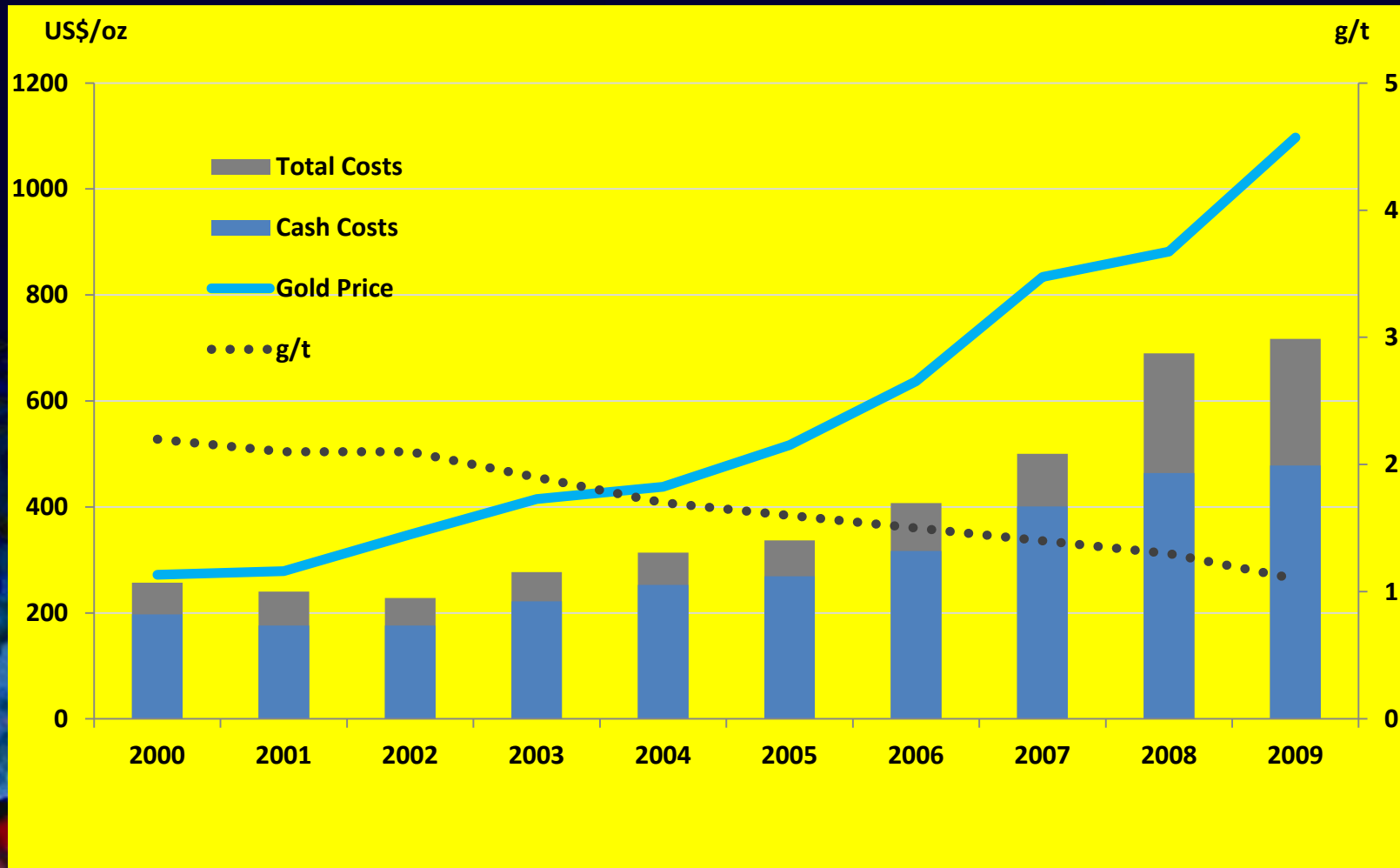
	2005	2006	2007	2008	2009	2010	2010 Q3	2010 Q4	2011 Q1
<b>Mine production</b>	<b>2,549</b>	<b>2,483</b>	<b>2,473</b>	<b>2,410</b>	<b>2,589</b>	<b>2689</b>	<b>709</b>	<b>704</b>	<b>664</b>
<i>% change on pcp</i>		(2.6)	(0.4)	(2.50)	7.4	3.8	4.9	4.1	8.7
Net Prod Hedging				(352)	(236)	(103)	(56)	(47)	(10)
Official sector sales	663	365	484	232	34	(76)	(13)	(4)	15
<b>Recycled gold</b>	<b>902</b>	<b>1,133</b>	<b>982</b>	<b>1,316</b>	<b>1,696</b>	<b>1645</b>	<b>377</b>	<b>455</b>	<b>348</b>
<b>Total supply</b>	<b>4,115</b>	<b>3,982</b>	<b>3,939</b>	<b>3,606</b>	<b>4,081</b>	<b>4,155</b>	<b>1007</b>	<b>1132</b>	<b>872</b>
<i>% change on pcp</i>					13.2	1.8	14.4	17.0	(4.4)

# Ave Grade New Discoveries



Source: S MPS GFMS MEG

# Global Gold Mining Costs



Source: SMPS GFMS MEG

# 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..

# MPS Wave Market Psychology

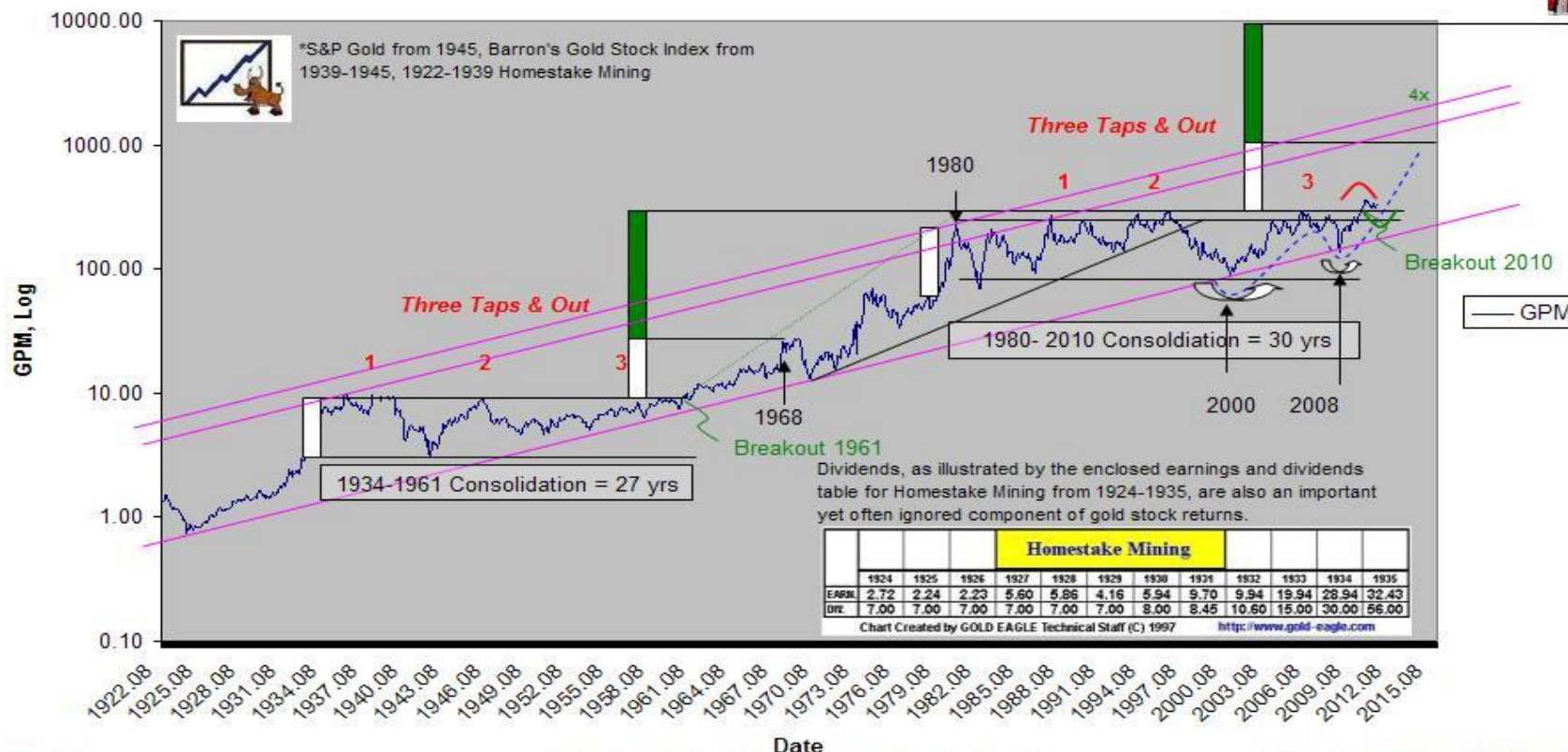


# Long Term Gold Shares

S&P Gold (Formerly Precious Metals Mining)\*



2020-2025

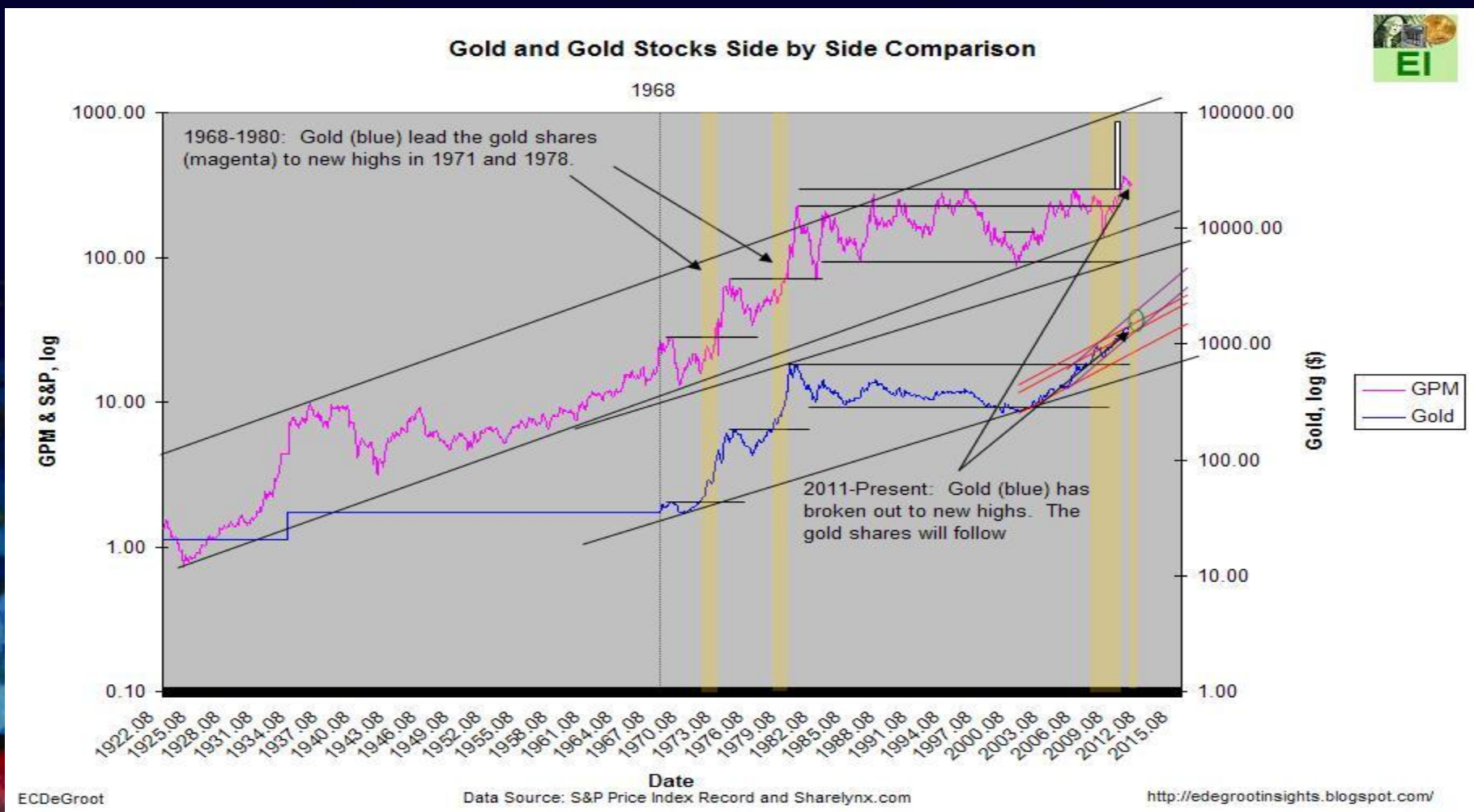


ECDeGroot

Data Source: S&P Price Index Record and Sharelynx.com

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

# Long Term Gold Shares



# Long Term US Gold Stocks



Source: Stock Charts

# US Gold Stocks vs S&P 500



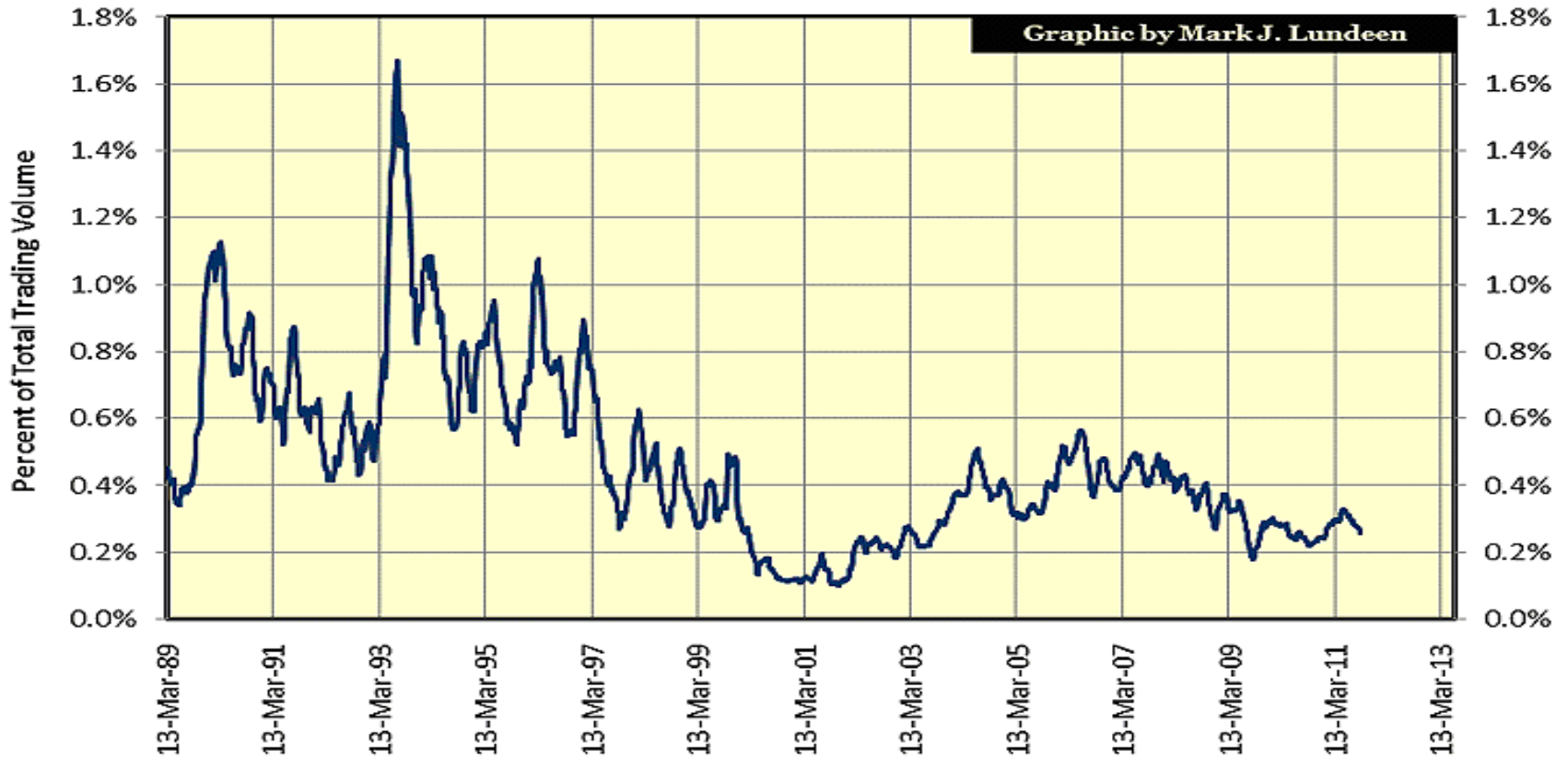
Source: Stockcharts

# Gold Stocks Market Share in US

07 Sept 11

**DJTMG: Gold Mining Index Weekly Volume 10Wk M/A**  
**Percent of Total Trading Volume for 74 Indexes**

GATA.Org



Source Barron's

Source: Mark Lundeen

# Long Term US Gold Stocks vs Gold



Source: Stockcharts

# The Long View on US T-Bond Yields



# 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.

# Following the Money

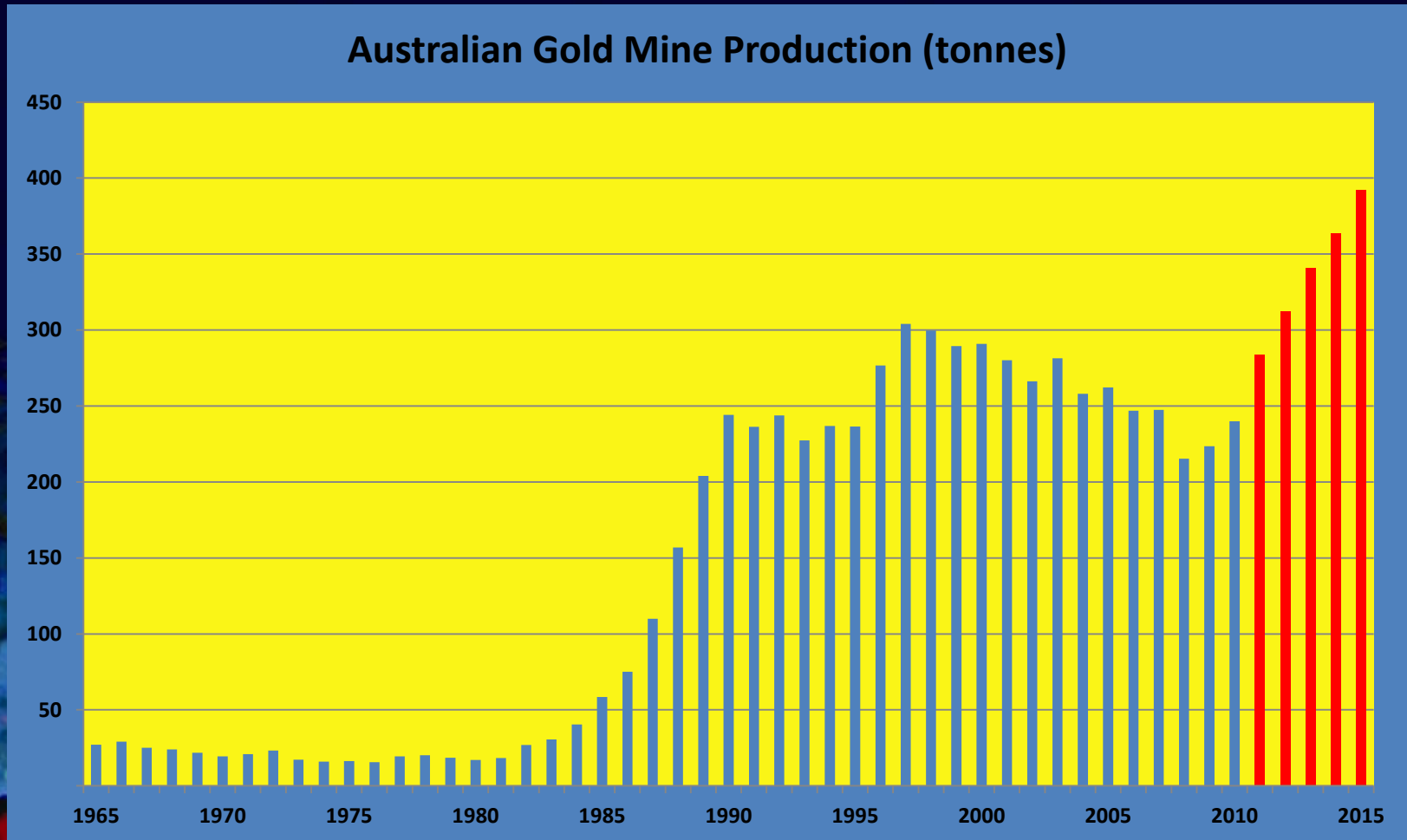
- Global pessimism means high cash levels
- S&P 500 Cash US\$1,800bn
- Corporate USA ~US\$3,000bn
- Australian GDP A\$1,300bn
- All Ords market value A\$1,400bn
- Australian Super A\$1,350bn
- Australian bank deposits A\$1,290bn
- Australian Super cash ~A\$350-400bn

# Australian Gold Sector

- 50% gold production growth forecast
- ASX Australian producer FY12 PER 6.8X; Yld 8.3%
- ASX Australian producer FY13 PER 5.0X; Yld 11.5%
- ASX Gold companies in African
- ASX Gold companies in Asia
- Resource growth
- Exploration successes to help drive market
- Expect a major Mining Boom

The 'Optimism' leg now underway!

# Australian Gold Mine Production



Source: ABARES MPS ests

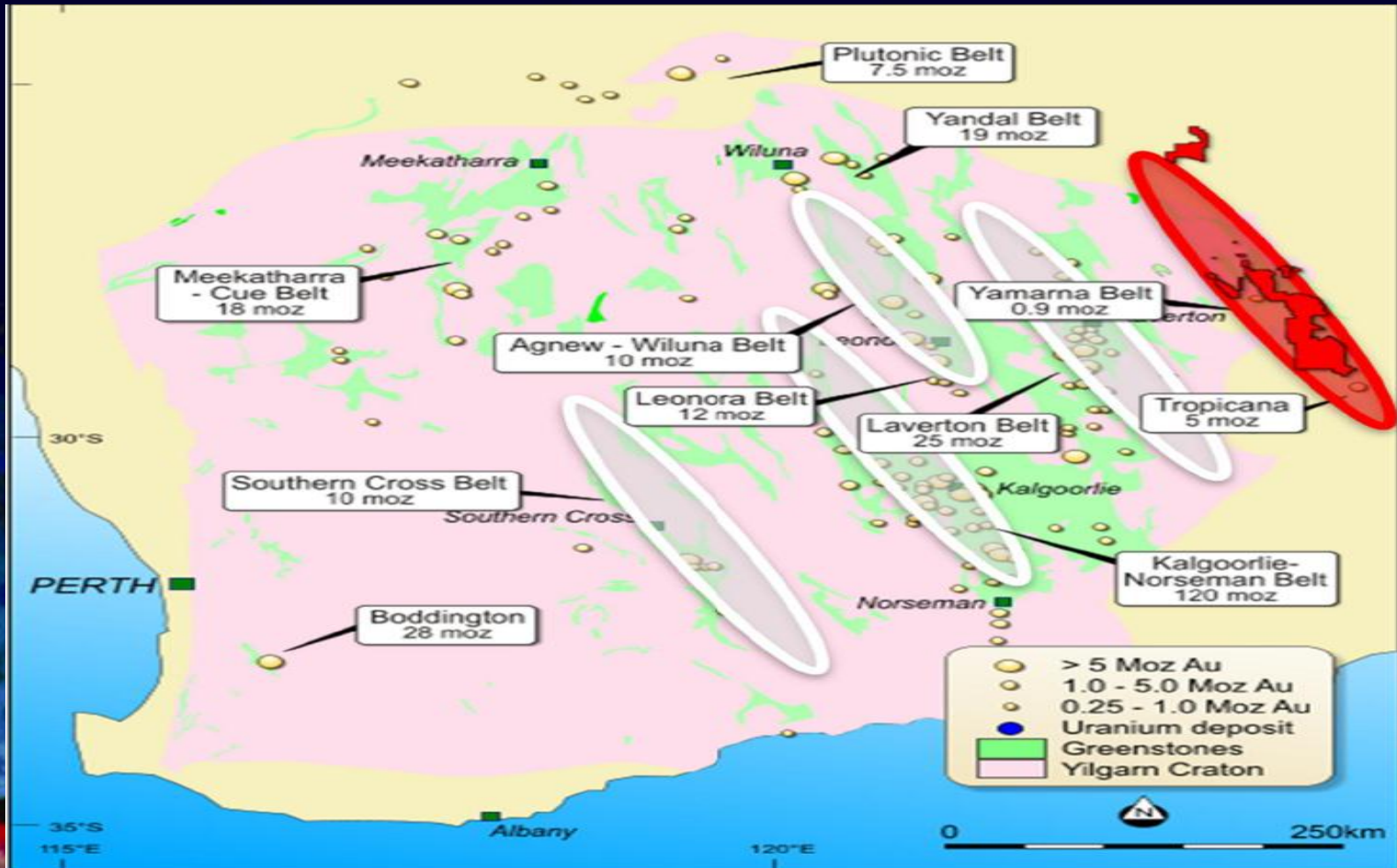
# Australian Gold Production (t)

	Year End June	2000	2005	2010	2011	2012	2013	2014	2015
WA		197	173	163	200	220	240	250	265
NSW		19	28	30	31	34	36	38	40
Qld		37	25	17	19	20	22	25	28
NT		23	17	10	10	12	15	18	20
SA		3	6	9	10	11	12	15	18
Vic		4	5	8	9	10	11	12	13
Tas		7	8	5	5	5	5	6	8
<b>Total</b>		<b>290</b>	<b>262</b>	<b>242</b>	<b>284</b>	<b>312</b>	<b>341</b>	<b>364</b>	<b>392</b>
<b>WA %</b>		<b>68%</b>	<b>66%</b>	<b>67%</b>	<b>70%</b>	<b>71%</b>	<b>70%</b>	<b>69%</b>	<b>68%</b>

# Stock Recommendations

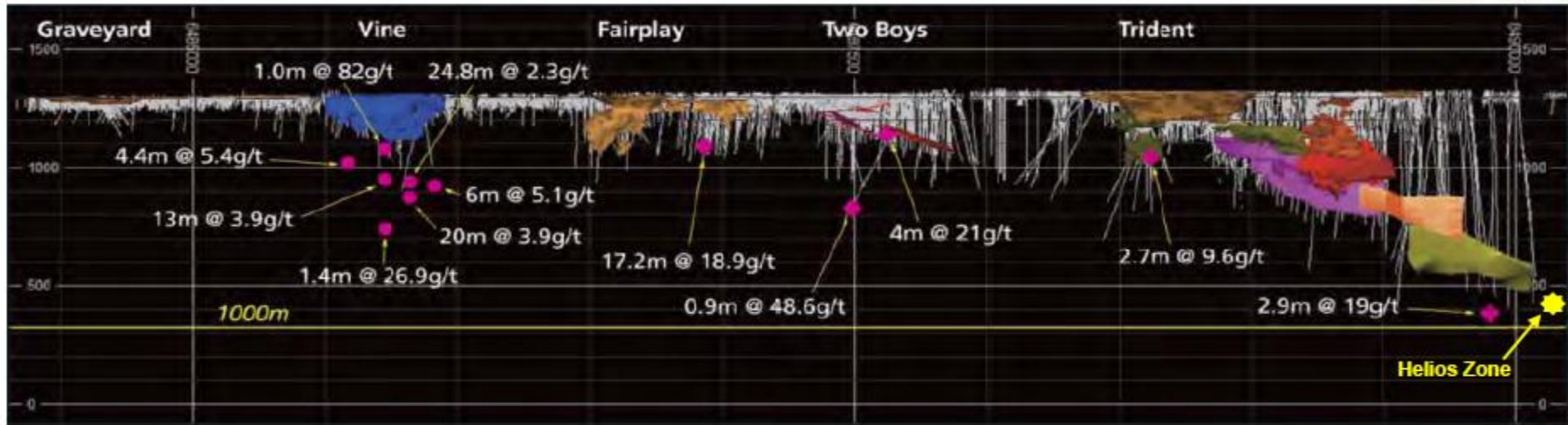
- Look for
  - proven management
  - gold production growth
  - gold resource growth
  - exploration potential
  - costs structure
  - cashflows
  - dividend yields

# Yilgarn Archean Greenstone Belt



# Exploration Deepened

## Higginsville Line of Lode



- Poor historic drill testing below mined open pits
  - Trident is the only well tested position beneath a pit and is >2km in length
- 1 million ounces in top 300m with limited testing below 300m

# Yilgarn New Producers

Yilgarn		FY10	FY11	FY 12	FY13	FY14	FY15
Alacer Gold	AQG	229	300	325	350	380	400
Carrick	CRK	0	0	0	20	50	75
Focus Minerals	FML	0	20	200	220	220	250
Integra Mining	IGR	0	55	105	120	125	130
Norton Goldfields	NGF	140	140	160	160	190	190
Ramelius Res	RMS	61	80	140	180	230	250
Regis Resources	RRL	0	81	110	350	310	320
Saracen Mineral	SAR	40	111	125	200	250	260
Silver Lake Res	SLR	67	77	125	200	300	300
St Barbara	SBM	231	258	320	350	350	360
Total koz		768	1123	1610	2150	2405	2535
Total Tonnes		24	35	50	67	75	79

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# Australasian Producers - Production

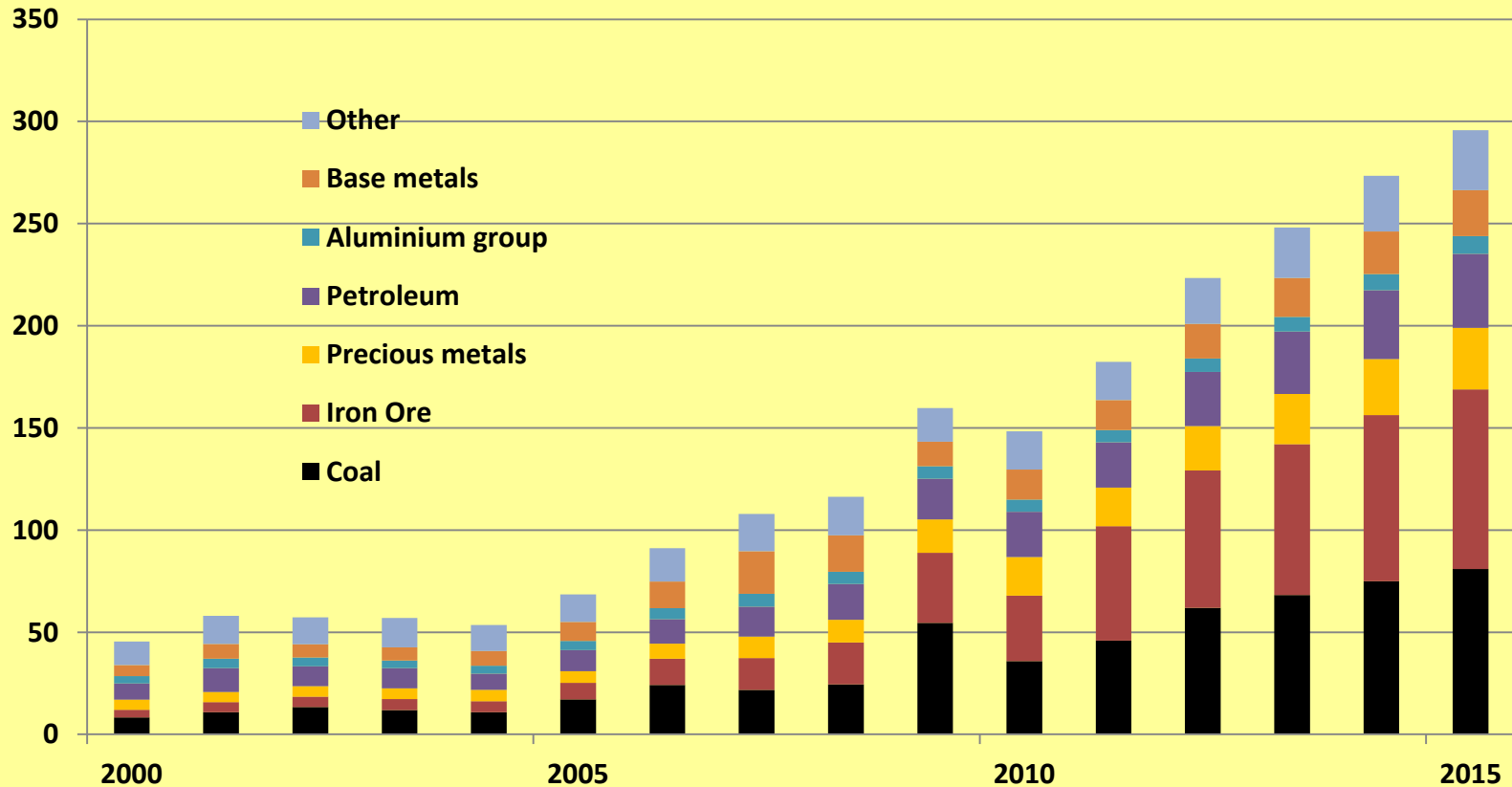
Company Name	ASX Code	Last Sale	Shares m	Options m	Shares m	Mkt Cap A\$m	FY11 (actual)	FY 12 000oz f	FY13 000oz f	FY14 000oz f
ABM Res	ABU	0.07	2667.7	580.00	3247.7	211	0	0		50
Alacer Gold	AQG	11.05	76.0		76.0	840	400	500	560	600
Apex Minerals	AXM	0.01	5550.2		6484.2	78	68	80	85	85
Carrick	CRK	0.51	139.7		139.7	71	0	0	20	50
Catquest	CAH	1.00	1180.0		1180.0	1,180	188	325	425	450
Cortona Resources	CRC	0.16	220.7	51.68	272.4	44	0	10	50	50
Focus Minerals	FML	0.07	4263.5	75.58	4339.1	304	20	200	220	220
Integra Mining	IGR	0.55	843.5	20.50	864.0	471	55	105	120	125
North Star Res	NST	0.57	347.0	70.00	417.0	238	87	100	110	115
Norton Goldfields	NGF	0.22	783.3		783.3	172	140	160	160	190
Oceania	OGC	2.56	262.0		262.0	671	220	260	320	370
Ramelius Res	RMS	1.64	291.8		291.8	479	80	140	180	230
Regis Resources	RRL	2.92	433.3	30.0	463.3	1,353	81	110	350	310
Saracen Mineral	SAR	0.79	492.3	27.0	519.3	410	111	125	200	250
Silver Lake Res	SLR	2.54	178.9	24.24	203.1	516	77	125	200	300
St Barbara	SBM	2.28	325.6		325.6	742	258	320	350	350
Tanami Gold	TAM	1.05	261.0		261.0	274	41	60	100	150
Unity Mining	UML	0.13	509.9	2.60	512.5	67	56	75	100	125
						8120	1882	2695	3550	4020
								43.2%	31.7%	13.2%
								88.6%		

# Australasian Producers - Ratios

	ASX	Last	Mkt Cap	FY11	FY11	FY11	FY 12	FY13	FY14	FY11	FY 12	FY13	FY14
	Code	Sale	A\$m	Cash	Debt	EPS	EPS	EPS	EPS	PER	PER	PER	PER
ABM Res	ABU	0.065	211	16.5		0.00	0.00	0.00	0.01				5.2
Alacer Gold	AQG	11.05	840			0.76	4.44	4.83	5.02	14.5	2.5	2.3	2.2
Apex Minerals	AXM	0.012	78	0.9		0.00	0.00	0.00	0.00		4.0	4.5	5.6
Carrick	CRK	0.51	71	19.2		0.00	0.00	0.06	0.15			8.2	3.5
						0.00							
						0.00							
Catquest	CAH	1.00	1,180	223.0	61.0	0.00	0.10	0.12	0.11		10.2	8.6	9.2
Cortona Resources	CRC	0.16	44	2.5		-0.01	0.02	0.10	0.10	-15.0	7.4	1.5	1.6
Focus Minerals	FML	0.07	304	30.7	2.2	0.00	0.02	0.02	0.01		4.6	4.6	5.3
Integra Mining	IGR	0.545	471	46.2		0.02	0.08	0.09	0.09	3.2	6.9	6.2	6.2
North Star Res	NST	0.57	238	16.6		0.00	0.15	0.16	0.16		3.8	3.6	3.6
Norton Goldfields	NGF	0.22	172	51.0	80.0	0.02	0.05	0.04	0.04	10.8	4.7	5.7	6.3
Oceania	OGC	2.56	671	193.0	217.0	0.20	0.41	0.46	0.49	12.5	6.3	5.6	5.3
Ramelius Res	RMS	1.64	479	89.5	4.0	0.21	0.38	0.48	0.61	7.7	4.3	3.4	2.7
Regis Resources	RRL	2.92	1,353	64.0	30.4	0.00	0.15	0.45	0.38		20.1	6.5	7.7
Saracen Mineral	SAR	0.79	410	31.1		0.09	0.12	0.19	0.22	8.6	6.4	4.2	3.6
Silver Lake Res	SLR	2.54	516	30.7		0.08	0.36	0.55	0.78	32.7	7.1	4.6	3.2
St Barbara	SBM	2.28	742	79.5	12.0	0.17	0.36	0.46	0.43	13.6	6.3	4.9	5.3
Tanami Gold	TAM	1.05	274	6.1	15.8	0.00	0.11	0.17	0.23		9.9	6.4	4.6
Unity Mining	UML	0.13	67	42.0		0.00	0.04	0.04	0.04	0.0	3.6	3.2	3.3
										8.8	6.8	5.0	4.7

# Australian Resource Sector Exports (A\$bn)

ABARE 2000-10 MPS estimates to 2015



Source: ABARE, MPS

# Conclusions

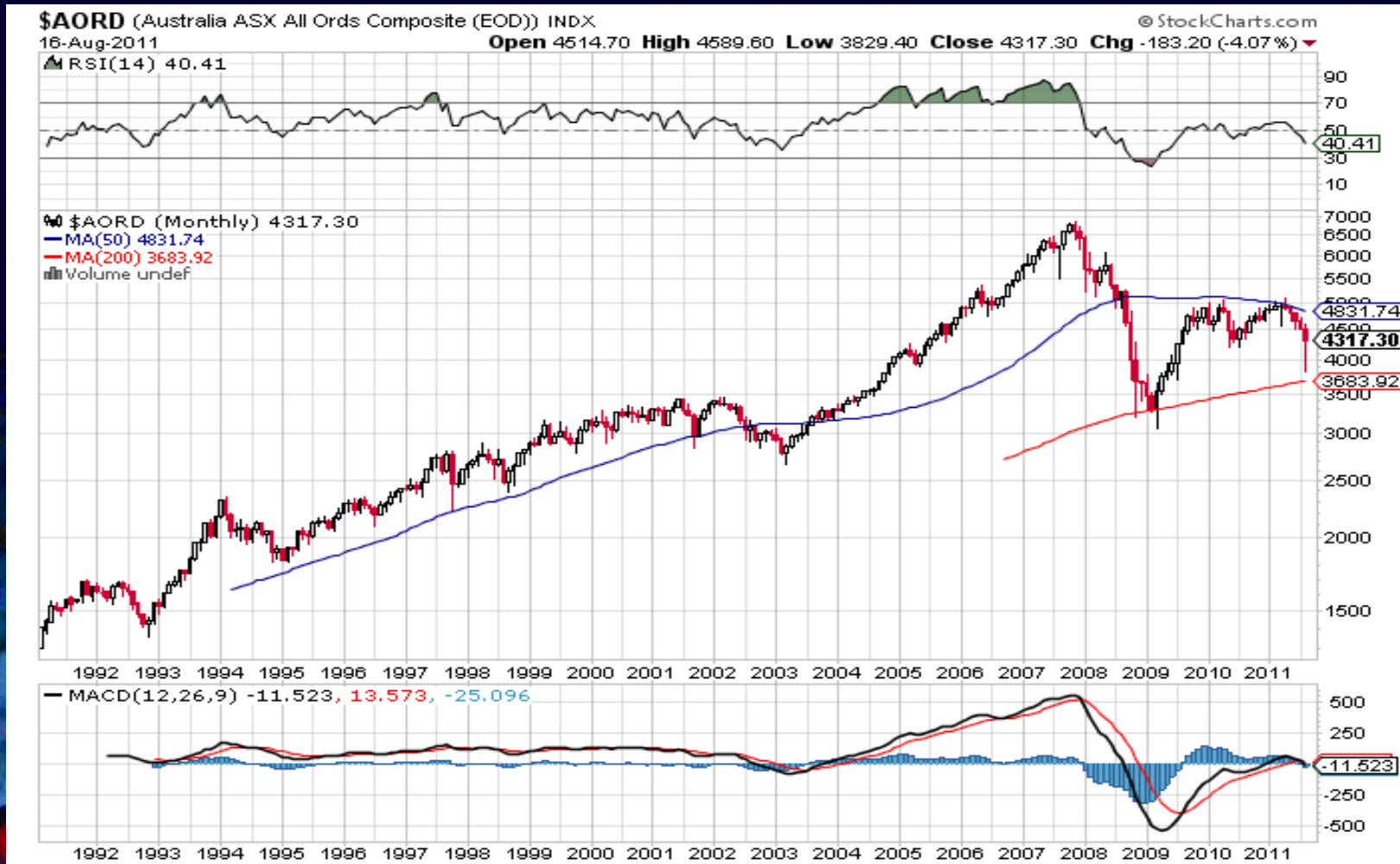
- Gold price to be very strong
- Capital flows critical to outlook
- Gold sector underowned
- Earnings and dividends to be remarkable
- Exploration opportunities on the way
- Expect a major Mining Boom

The 'Optimism' leg now underway!

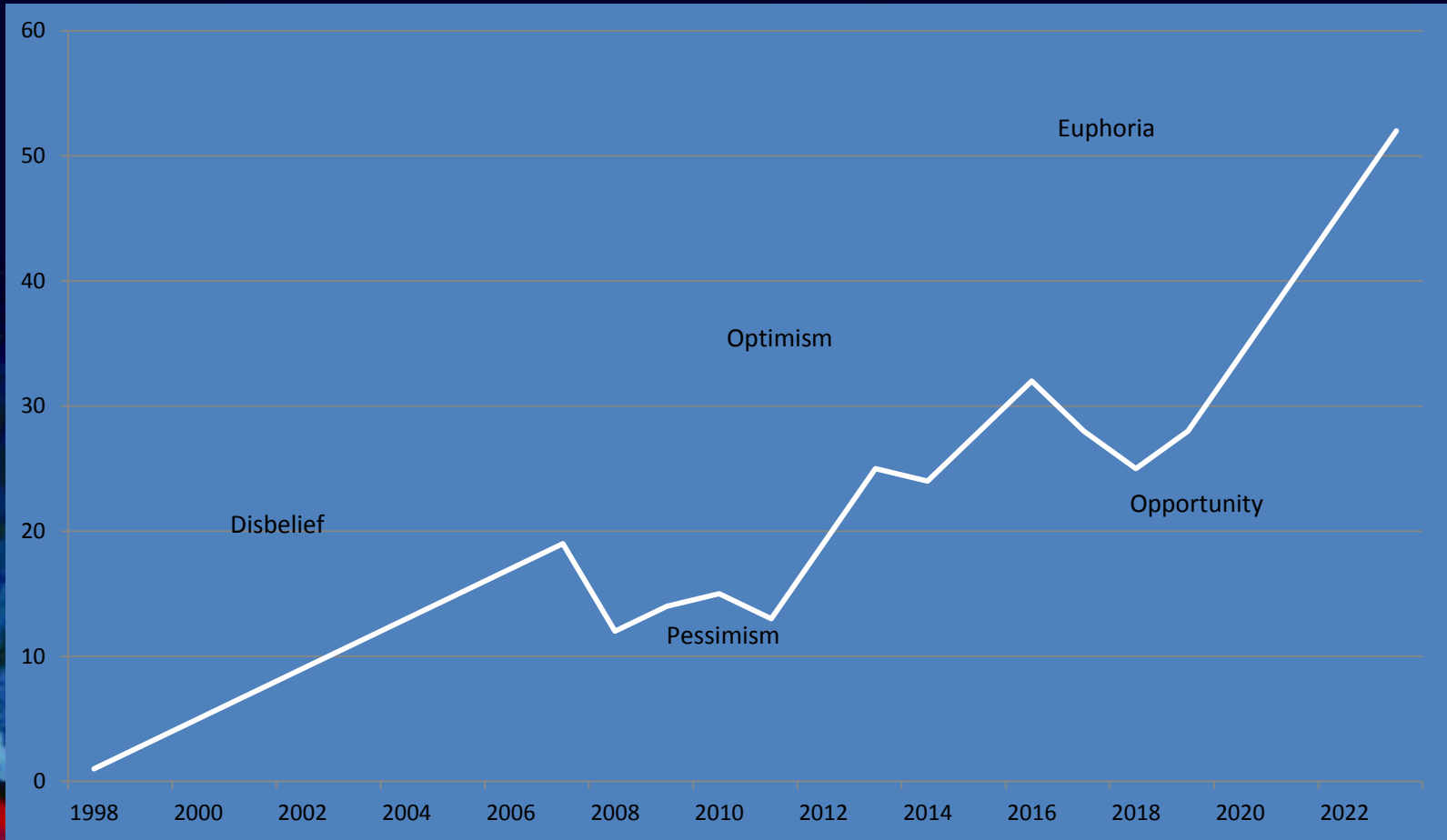
# MPS Wave Market Psychology



# Australian Equities 1991 - 2011

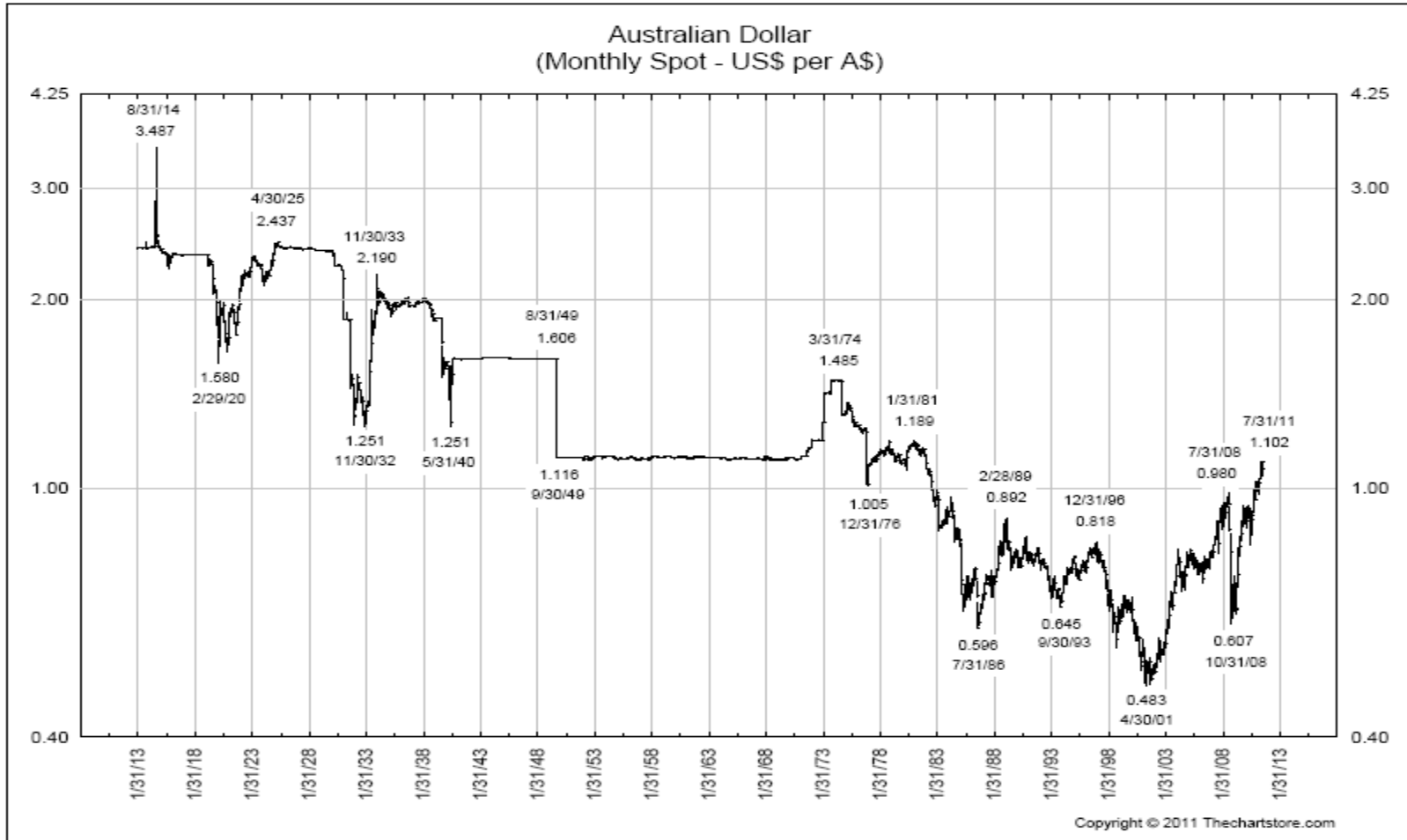


# MPS Wave Market Psychology



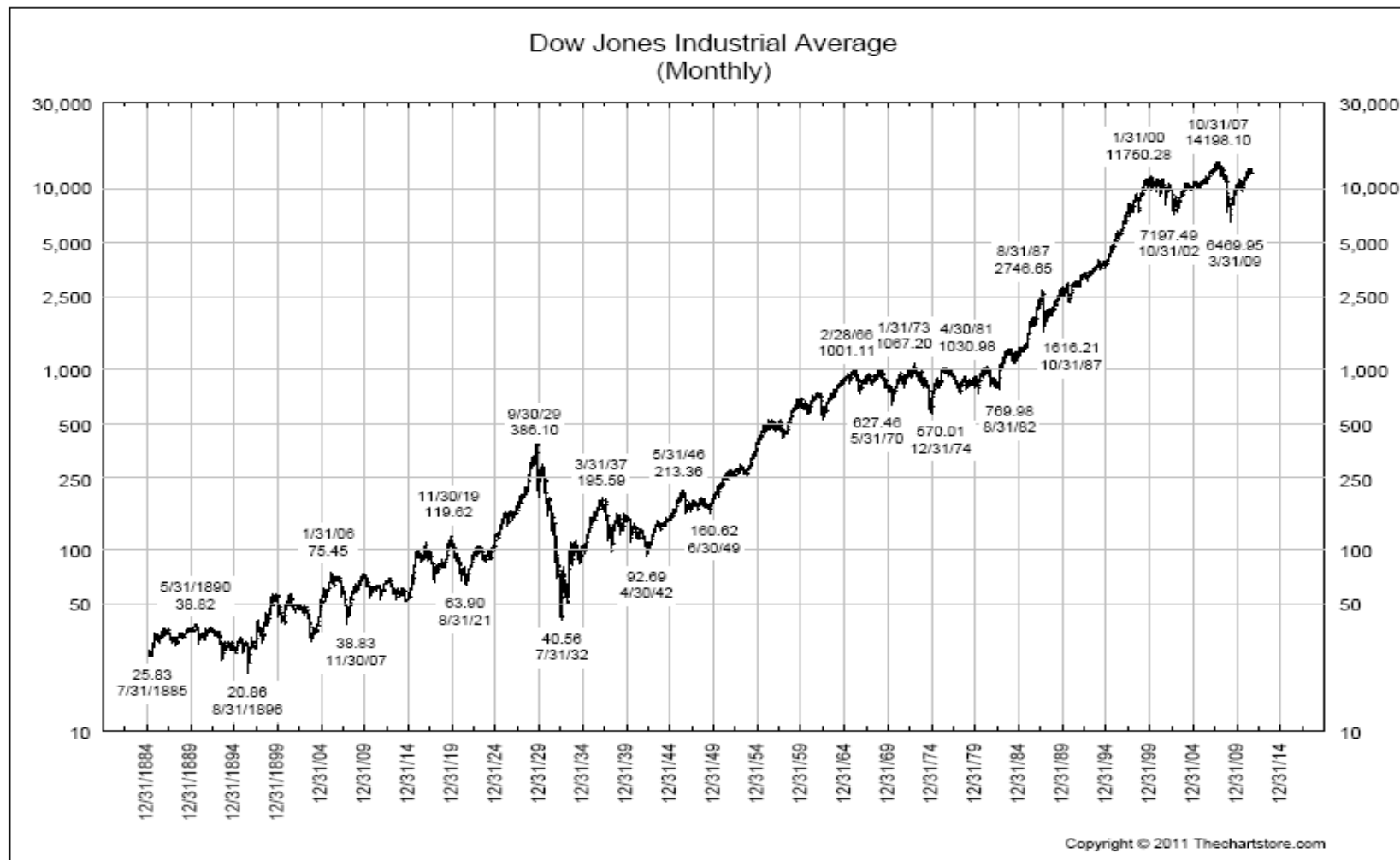
# A\$ vs US\$ 1913 - 2011

Data as of July 2011



# Long Term Dow Jones Ind Index

Data as of July 2011



# Shanghai Stock Exchange (SSE) Composite (Monthly)

Data as of July 2011

