



Morning Note

9 September 2011

Markets

World Markets		+ / -	%
Dow Jones	11,296	-119	-1.0
NASDAQ	2,529	-20	-0.8
S & P 500	1,186	-13	-1.1
FTSE 100	5,340	22	0.4
Nikkei 225	8,793	30	0.3
ASX All Ords	4,270	7	0.2

Currencies		+ / -	%
\$/US\$	1.059	0.00	0.1
\$/Yen	77.530	0.03	0.0
GBP/\$A	1.508	-0.00	-0.0
Euro/\$US	1.389	0.00	0.1

Energy		+ / -	%
WTI (US\$/bbl)	89.05	-0.29	-0.3
Henry Hub (US\$/mcf)	3.97	0.02	0.5
UxC Uranium (US\$/lb)	49.00	-2.00	-3.9

Bulks		+ / -	%
Fines -62% CFR (US\$/t)	179.90	-1.10	-0.6
Freight (US\$/t)	11.00	1.75	18.9
Thermal Coal FOB (US\$/t)	120.55	0.45	0.4

Precious Metals (Bloomberg)		+ / -	%
Gold (US\$/oz)	1,864.2	-6.0	-0.3
Platinum (US\$/oz)	1,856.0	-5.0	-0.3
Silver (US\$/oz)	42.3	-0.0	-0.1

LME, Cash		+ / -	%
Aluminium (US\$/t)	2,386	16.3	0.7
Copper (US\$/t)	9,096	22.8	0.3
Lead (US\$/t)	2,509	75.0	3.1
Nickel (US\$/t)	22,058	311.5	1.4
Tin (US\$/t)	24,418	94.0	0.4
Zinc (US\$/t)	2,231	12.5	0.6

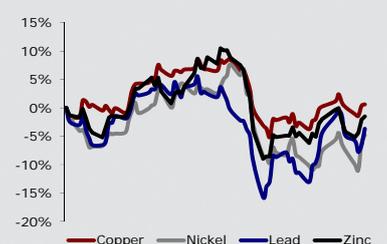
International Markets (3 Month)



Gold v Oil (3 Month)



Base Metals (Rebased) (3 Month)



US stocks turned lower overnight after Federal Reserve chairman Ben Bernanke, in a speech in Minneapolis, offered little insight into the central bank's plans to support the economy at the upcoming meeting of the Fed's decision-making body on September 20-21. Another batch of weak employment data contributed to the session's cautious tone, with initial jobless claims rising to a seasonally adjusted 414,000. The Dow ended down 119 points, or 1.0%, to 11,296. The S&P 500 shed 1.1%, while the Nasdaq lost 0.8%.

Gold and oil are steady at US\$1,864/oz and US\$89.05/bbl respectively. LME base metals were higher across the board, with nickel adding 1.4%. Aussie Miners in London were mixed, with BHP and RIO steady and Aquarius Platinum (AQP) down 1.4%.

Local share price index futures are down 17 points at 4,170 and the Australian dollar is trading at US\$1.059.

Cabral (CBS) – Location, location, location

Iron ore junior CBS recently presented at Argonaut. The Company has a \$28m market cap with ~\$20m cash, and is targeting up to 644Mt of coarse grained magnetite iron ore in Bahia, Brazil.

Commercial iron ore deposits are distinguished by access to infrastructure and markets. Importantly the Government funded ~52Mtpa "East West Rail Line" is being installed through CBS's tenement package, running ~500km to a proposed open access deepwater port at Ilhéus.

Figures 1-2: Tenement location map (LHS) and railway sleeper plant (RHS)



Source: CBS

Eurasian Natural Resources Corporation's (ENRC:LN) \$2.1b, 20Mtpa BML project is located ~150km away.

Recent positive news flow includes the successful transfer of 3 previously disputed tenements to CBS, an Option Agreement to acquire a new hematite project for ~\$545,000 (could offer early cash flow), and positive results from its low-level, high resolution aeromag survey.

CBS has set a ~\$13m exploration budget. Potential pricing catalysts include:

- Ongoing – Further aeromag results (commenced)
- November 2011 - First pass drilling (subject to obtaining the necessary environmental approvals and rig availability)
- March 2012 - Maiden Inferred Resource
- 2015 - Production of 4-10Mtpa concentrate

The Company raised \$25m @ 20cps in February 2011. The stock last traded at 12.5c (cash backing is ~9c).

Given its attractive geology and mature mining code / industry, Brazil is one of Argonaut's preferred resources investment destinations. The 2014 FIFA world cup and 2016 Olympic Games should underwrite growth and investment over the next ~5 years.

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Important Disclosure

The analyst(s) own CBS shares.

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