



Morning Note

19 July 2011

Markets

Wall Street fell overnight to its lowest close this month on fresh jitters over European sovereign debt and the lack of progress in US debt-ceiling negotiations.

The Dow finished 95 points lower, or 0.8%, at 12,385. The S&P 500 index fell 0.8% and the Nasdaq slid 0.9%.

Gold struck a new high above US\$1,600/oz amid the EU debt crisis while silver moved north of US\$40/oz. Oil declined 1.3% to US\$95.93/bbl. LME metals posted modest price rises across the board, except for a 1.5% fall in nickel. Aussie Miners in London were softer, BHP and RIO losing 1.9% and 2.2% respectively.

The Australian share price index September futures contract is down 22 points.

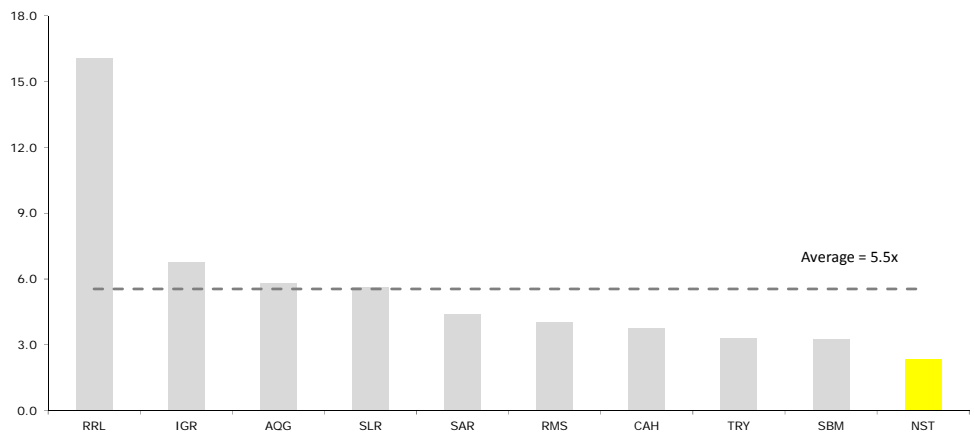
Northern Star (NST) - Sharp shopper

NST's July 2010 acquisition of the Paulsens gold mine in Western Australia has proved to be one of the sharpest transactions in the junior gold sector in FY11.

In the first 12 months NST has extracted ~85koz from the underground operation, ~10% above the previous record under former owner Intrepid (IAU), and 13% above Company guidance of 75koz. The \$40m price tag was repaid from cash flow within 7 months, leaving NST debt and hedge free.

With a \$149m market cap and \$10m cash, and assuming cash costs of \$600/oz, NST is on an EV/EBITDA multiple of just 2.4x compared to a peer average of 5.5x.

Peer comparison – EV / EBITDA (x)



Source: Argonaut

Based on FY12F EBITDA

Given Paulsens has 2 years mine life remaining to the bottom of Voyager 1, and current drilling suggests a further 3 years potential at Voyager 2 (exploration target 100-250koz) the stock appears undervalued.

The Company is pursuing further cost improvements of \$50-\$100/oz.

NST has set a \$10m budget for Paulsens Resource drilling, in-mine exploration (focused on the identification of parallel mineralised structures) and further evaluation of targets within the 1300km² tenement package.

Argonaut is planning a site visit in the current Q.

World Markets		+ / -	%
Dow Jones	12,385	-95	-0.8
NASDAQ	2,765	-25	-0.9
S & P 500	1,305	-11	-0.8
FTSE 100	5,753	-91	-1.6
Nikkei 225	9,974	38	0.4
ASX All Ords	4,540	-3	-0.1

Currencies		+ / -	%
\$A/\$US	1.060	-0.00	-0.0
\$US/Yen	79.045	0.01	0.0
GBP/\$A	1.514	-0.00	-0.0
Euro/\$US	1.410	-0.00	-0.1

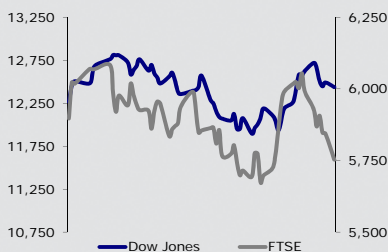
Energy		+ / -	%
WTI (US\$/bbl)	95.93	-1.31	-1.3
Henry Hub (US\$/mcf)	4.59	0.10	2.2
UxC Uranium (US\$/lb)	53.75	1.00	1.9

Bulks		+ / -	%
Fines -62% CFR (US\$/t)	174.40	-0.20	-0.1
Freight (US\$/t)	7.95	-0.80	-9.1
Thermal Coal FOB (US\$/t)	120.40	-1.05	-0.9

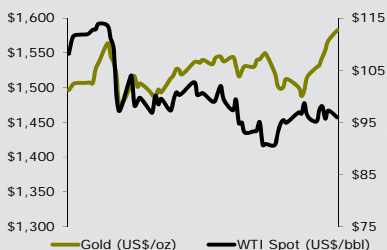
Precious Metals (Bloomberg)		+ / -	%
Gold (US\$/oz)	1,603.8	-1.0	-0.1
Platinum (US\$/oz)	1,772.0	11.4	0.6
Silver (US\$/oz)	40.6	0.0	0.0

LME, Cash		+ / -	%
Aluminium (US\$/t)	2,467	3.8	0.2
Copper (US\$/t)	9,673	21.5	0.2
Lead (US\$/t)	2,713	17.5	0.6
Nickel (US\$/t)	23,762	-364.0	-1.5
Tin (US\$/t)	27,311	173.0	0.6
Zinc (US\$/t)	2,403	53.4	2.3

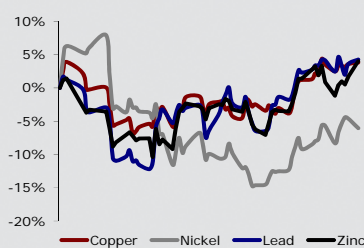
International Markets (3 Month)



Gold v Oil (3 Month)



Base Metals (Rebased) (3 Month)



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