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Australia's Boutique

Resource Investment Firm

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ARC

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An Outlook for Australian Resources

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Positive Outlook for Resources

- Global monetary and fiscal stimulus
- Large low interest rate cash deposits
- China and other BRIIC growing
- Breakdown of US$ and T bond markets
- Gold reacquiring reserve status
- Commodities still have supply issues
- Australian exploration success

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Australian Outlook

- Strong Currency
- Rising commodity demand from BRIC
- Rising raw material output
- Leader in seaborne trade
- Increasing infrastructure
- Exploration and development
- Major player in gold

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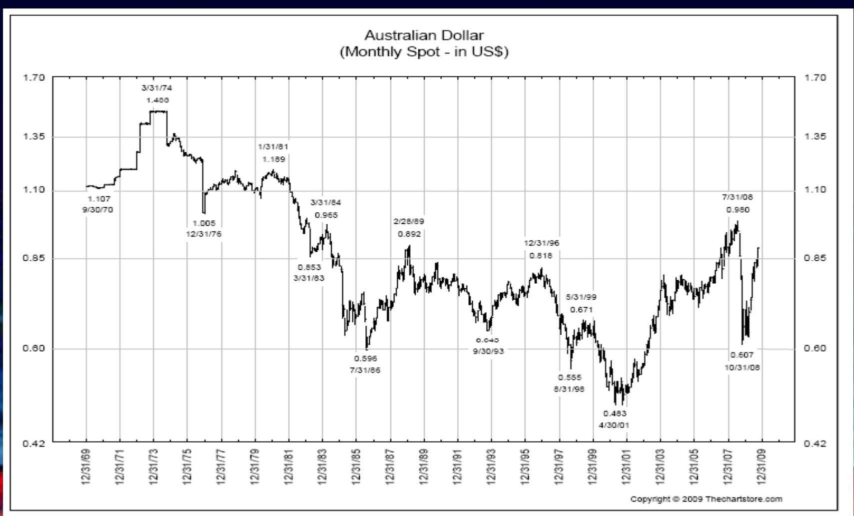
A$ vs US$ 1970 - 2009



Source: Thechartstore.com

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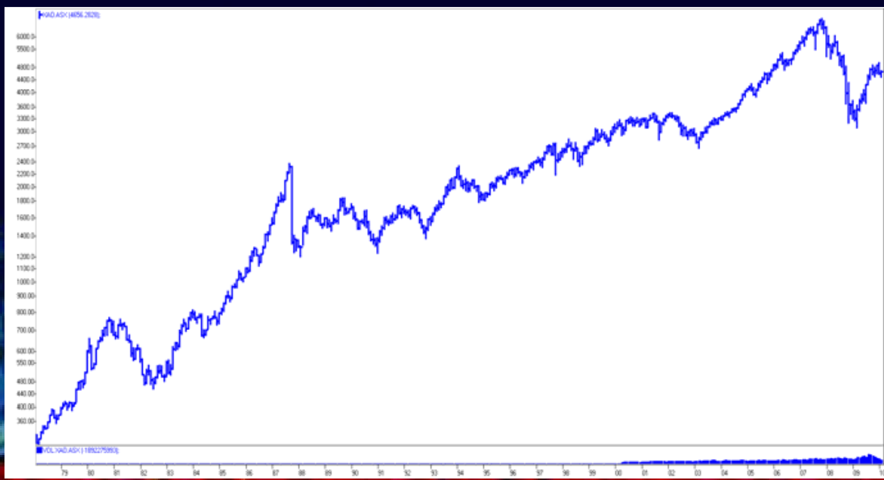
All Ordinaries Index



Source: IRESS

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BHP – Resources Sector Proxy

Source: IRESS

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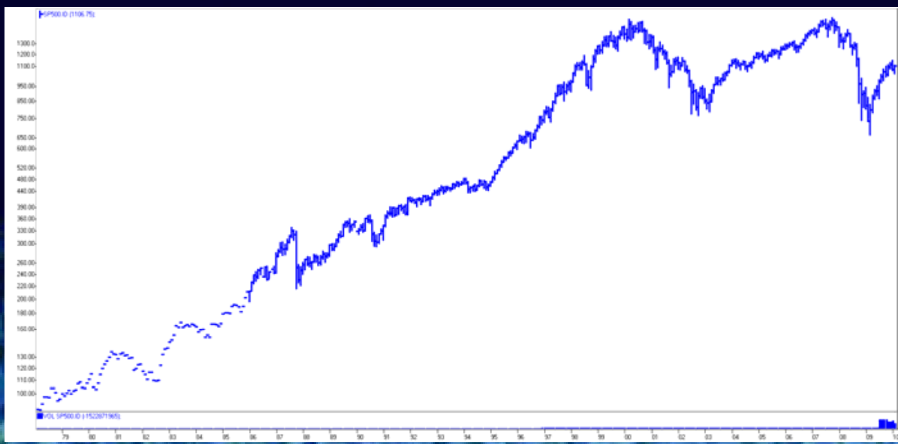
SP500 Index



Source: IRESS

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China leading the way

- Major Fiscal stimulus
- Major internal migration
- Basic industries still growing
- Crude steel production still rising
- Aggressively acquiring global resources
- Gold reserves 1054t (up 75% since 2003)

US and China Crude Steel

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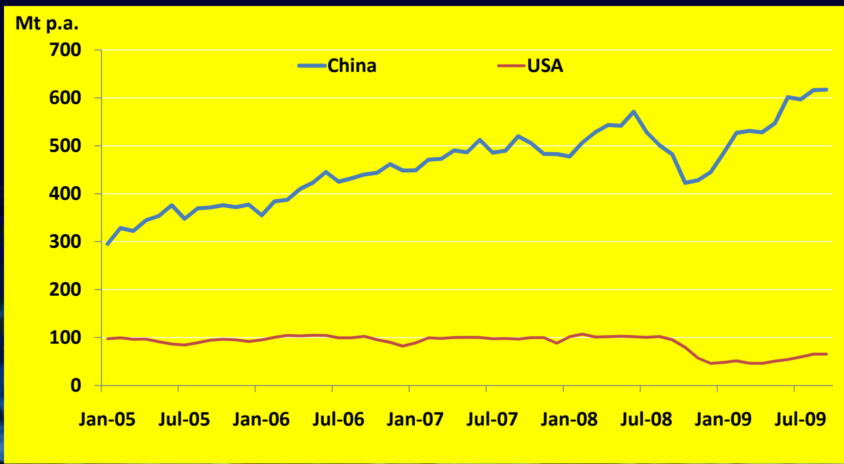

Source: IISI

Shanghai (SSE) Composite 1990-2009

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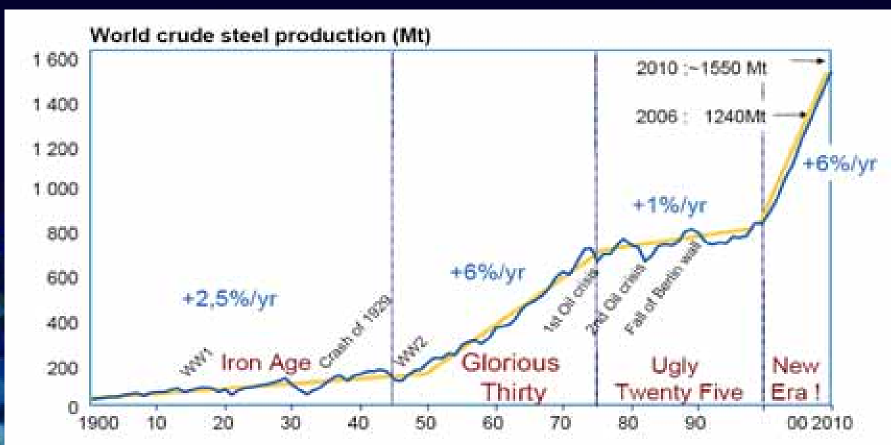
Source :The Chart Store

Commodity Outlook

- Steel industry is key driver
- Iron ore, met coal, Ni, Zn, Mo, C, Va
- Base metals with high mine utilisation
- Energy security for oil, gas & uranium
- Currency and debt turmoil boosts gold
- Minor metals scarce – Wo, Sb, Cd, Ti
- Technology drives Rare Earths and Li

World Crude Steel (mmt)



Source: Laplace Conseil

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Copper 1977-2010 (US$/lb Comex)

Source: IRESS

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Oil Price 1998-2010 (US$/bbl)

Source: IRESS

Energy Security Issues

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- Electricity demand growing
- Energy sources stretched
- Peak Oil limiting production
- Energy security major political issue
- Nuclear energy underpinning uranium
- Australian oil exploration to boom

Energy Consumption by Fuel type

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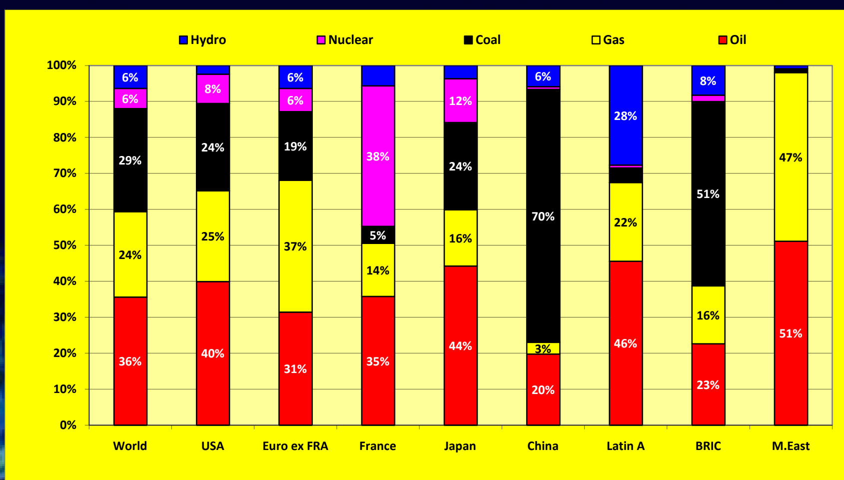

Source: BP

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Currency and debt issues

- Government long term debt problems
- Shift from OECD currencies to East and South
- US T Bond market breaking down
- Capital flows: ex bonds to stocks, commodities
- Commodity currencies and Yuan to rally
- Gold and silver best currencies

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The Long View on US T-Bond Yields

Source: IRESS MPS

Long Term US $ Index 1969-2010

Source :The Chart Store

Gold Outlook Dominating

- Gold Sector upturn underway
- Gold price drives Australian Resources
- Mine supply falling while demand soars
- Worldwide monetary stimulus still in motion
- Significant upside in precious metals

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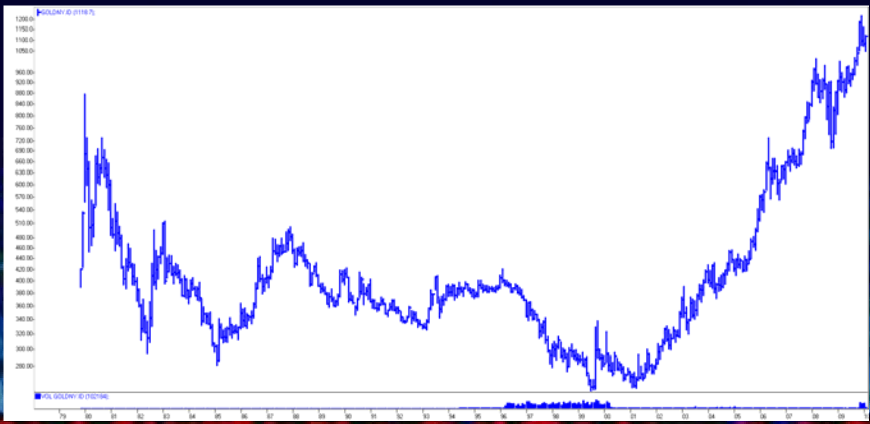
US$ Gold Price 1979-2010 (US$/oz)



Source: IRESS

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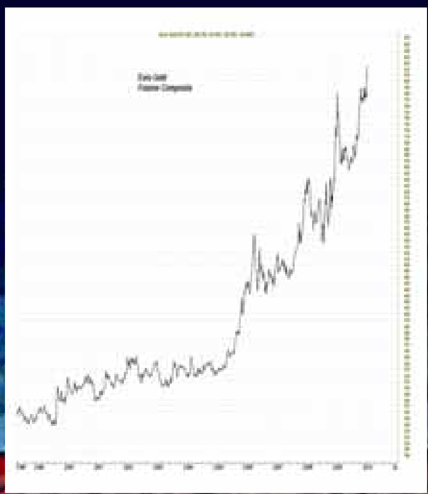
Gold In Swiss Francs and Euros

1979 -2010



1998-2010

Source: Dan Norcini

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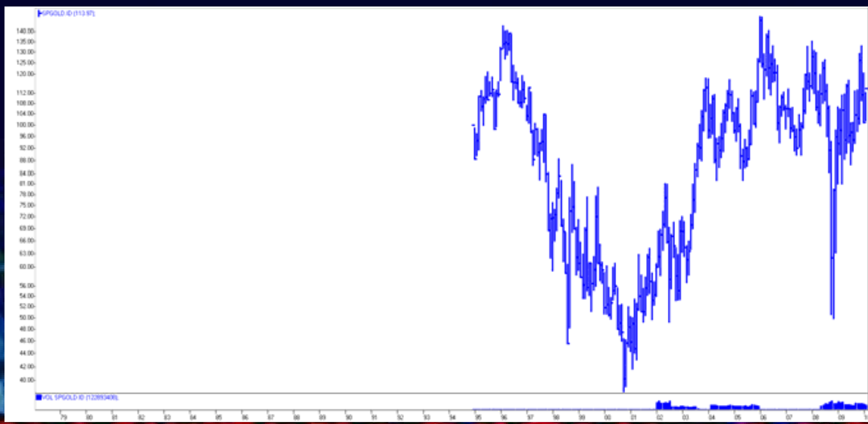
US Gold Index (S&PGold)



Source: IRESS

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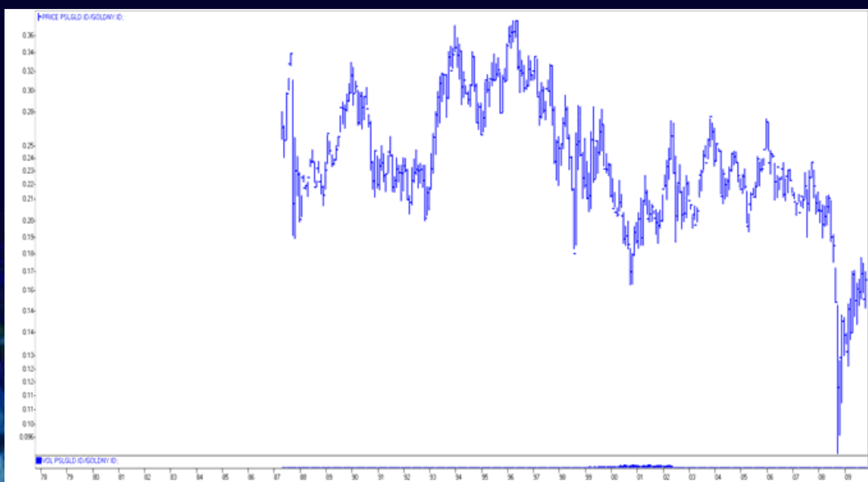
XAU vs US Gold Price 1987-2010



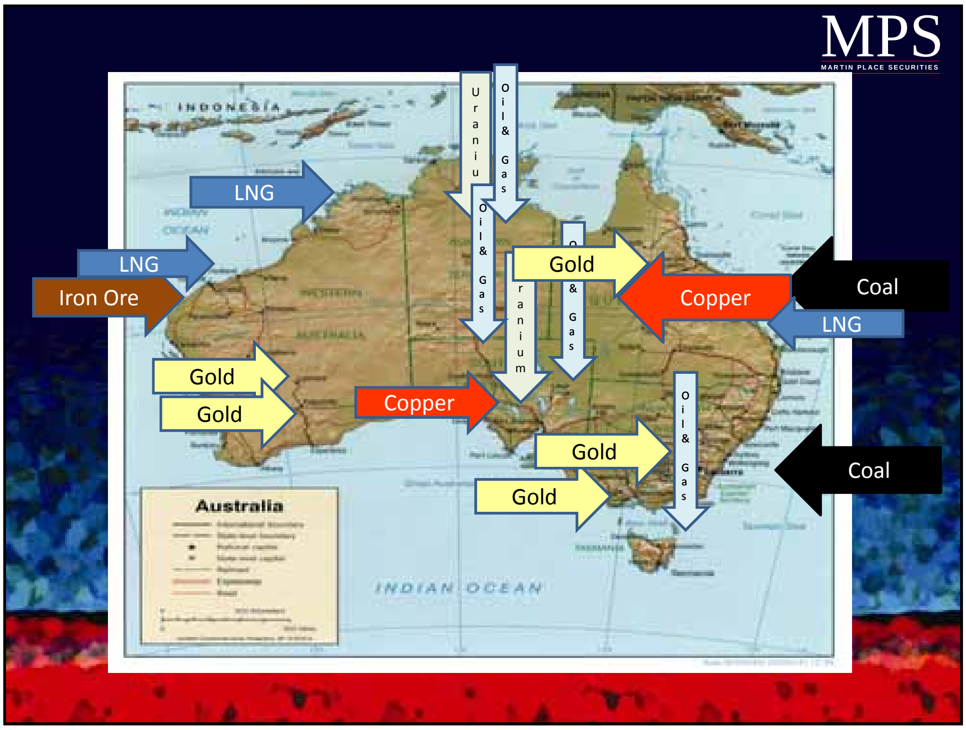
Source: IRESS

Long Term US Gold Index (S&P Gold)

Source: EC De Groot

Looking At Australia

- Global environment for raw materials strong
- Currency well underpinned
- Many robust projects seeking funding
- Stocks currently discounting double dip
- Exploration and development still very cheap
- Gold production expanding again



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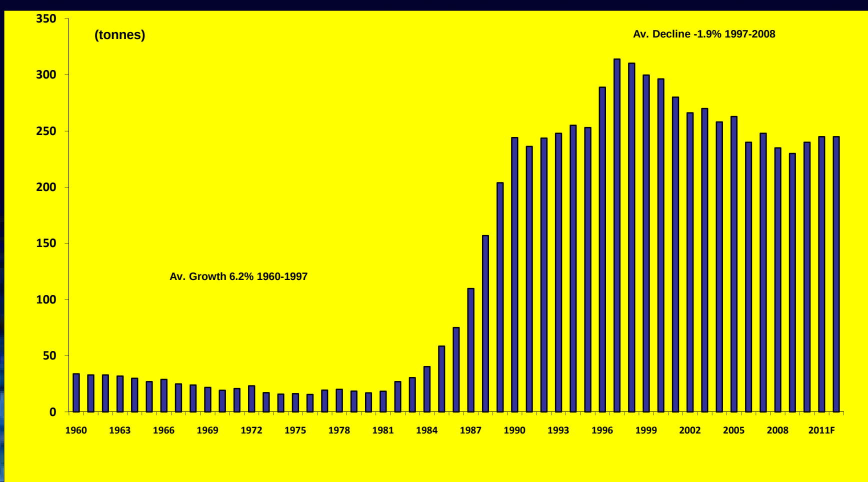
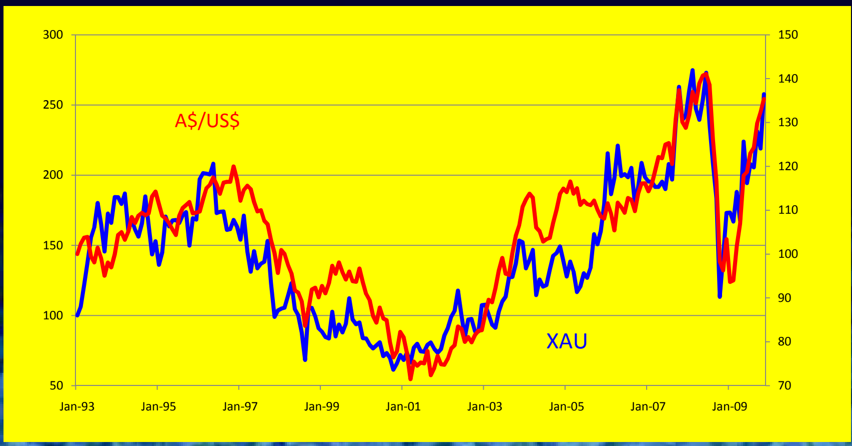
Australian Gold Production History



Source: ABARE

A$ vs XAU



Conclusions

- Gold suggests inflation ahead
- World monetary inflationary pressures continuing
- Resources stocks heavily discounted
- Energy prices to remain firm on supply worries
- Exploration successes to drive market
- The `Optimism' leg now underway?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Idealised Elliot Wave Market Psychology
Euphoria
Ill based Rally
Optimism
False
Opportunity
Opportunity
Pessimism
Disbelief
We are here
Pessimism
Source: MPS