

Investment Advice -

# Opportunity Stocks for Investors



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## Noise factor

The loudest and most recent information clouds our judgement.

*Even professionals fall for it.*



## NOISE Versus FACT

2000 - 2005

### Noise

Sept 2001 Terror

October 2001 Afghanistan war

March 2003 Iraq War

2004 Asian Tsunami

2005 Hurricane Katrina

### Fact

All ORDS + 37 %

BHP + 174%

CBA + 63%

Copper + 473%

China + 9% Average



## NOISE Versus FACT

2006 - 2011

Noise
2008/9 GFC - Main Event
2010 Sovereign debt
2011 Earthquake Tsunami Japan
2011 Nuclear scare Japan
2011 Middle East Unrest

Fact
All Ords + 11%
BHP + 93%
CBA + 21%
Copper + 17%
China + 9% Average



## China 5 Year Plan

- Urbanise 10 to 15m people p.a.
- Rail infrastructure spend \$10.6b 2012 alone
- Increase rail infrastructure by 29,000km
- Aim to contain GDP growth @ 8%
- Minimum increase in wages to 8% p.a.
  - Increasing consumer spending
- 10 Million dwellings built in 2011
  - 36 Million new dwellings by 2015



## World GDP Growth

	Estimates
J.P Morgan	4.4%
Goldman Sachs	4.8%
Merryll Lynch	4.0%

- China - Growth rate @ 8% + /- target
- Japan - Rebuild \$150 -\$250b
- Indonesia - Project estimates \$180b +
- India - Increase coal based load power by 70% over next 5 years



## Our Portfolio Basics

- BHP
- Rio Tinto
- Wesfarmers
- Banks - ANZ
  - CBA
  - NAB
  - WBC
- Seven Group
- Woolworths
- Woodside

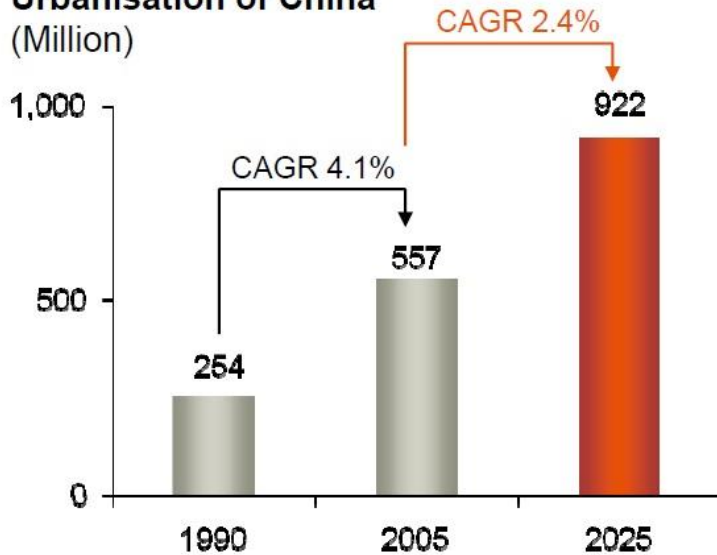
} **% All ORD's**  
**= 41.33%**



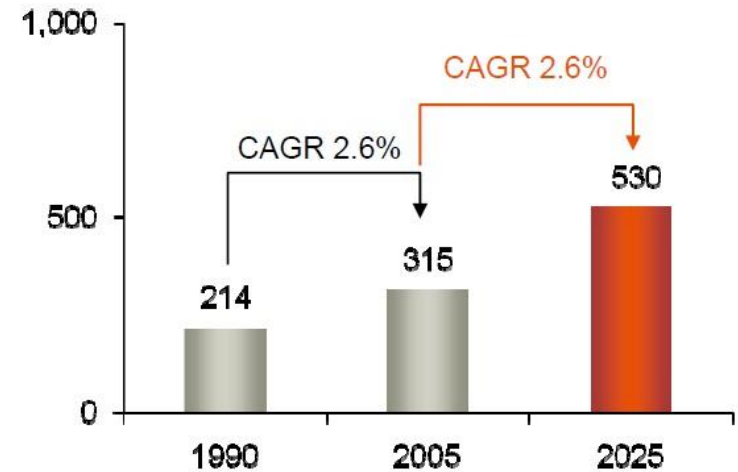
# Iron Ore Possibilities

# Development of India will also drive steel demand growth

**Urbanisation of China**  
(Million)



**Urbanisation of India**  
(Million)



	1990	2005	2025
Population (m)	1,142	1,307	1,448
% urbanised	22%	43%	64%

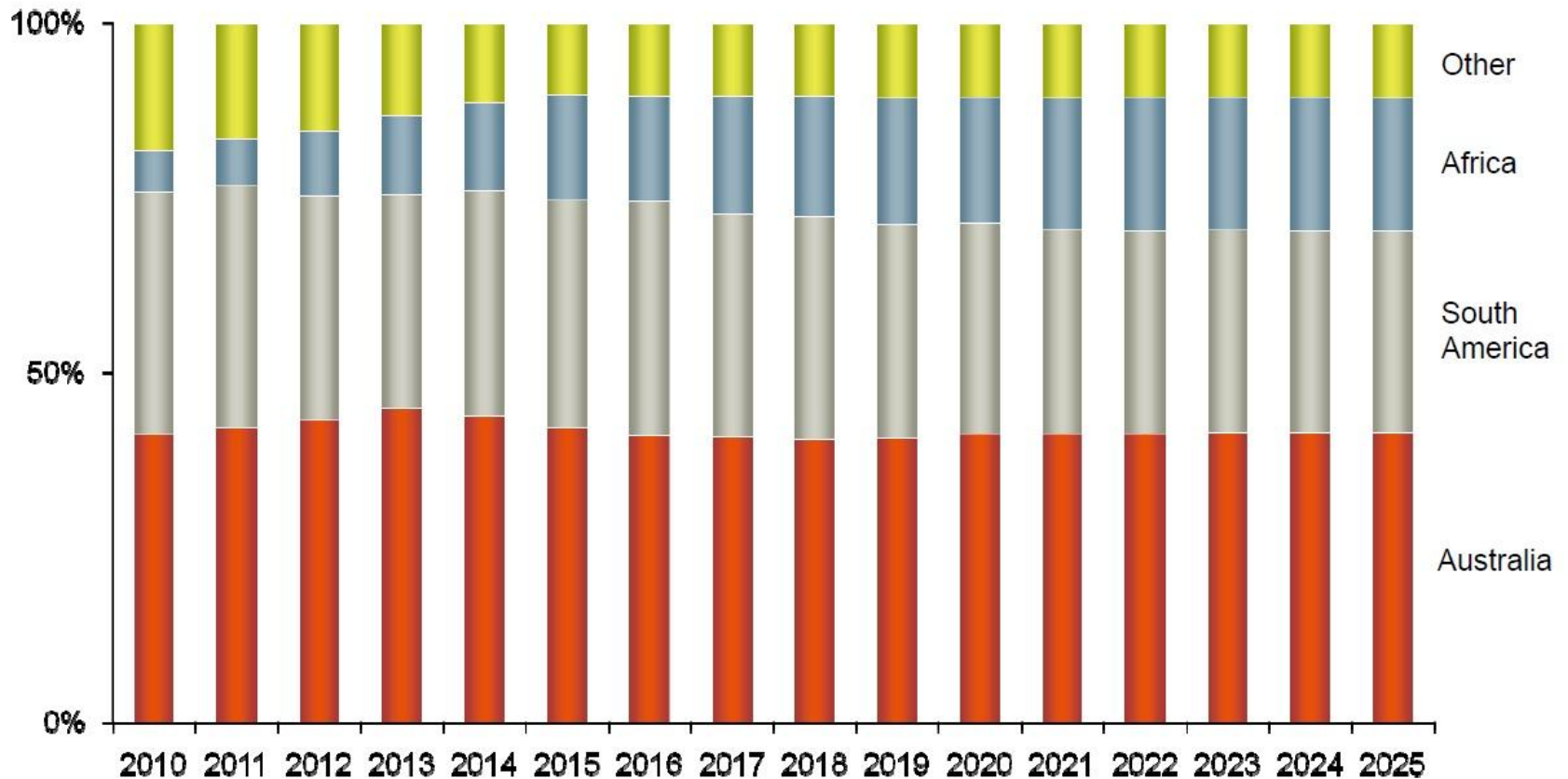
	1990	2005	2025
Population (m)	839	1,106	1,401
% urbanised	25%	29%	38%



## New sources of supply expected to emerge

Total announced seaborne supply by region

(%)



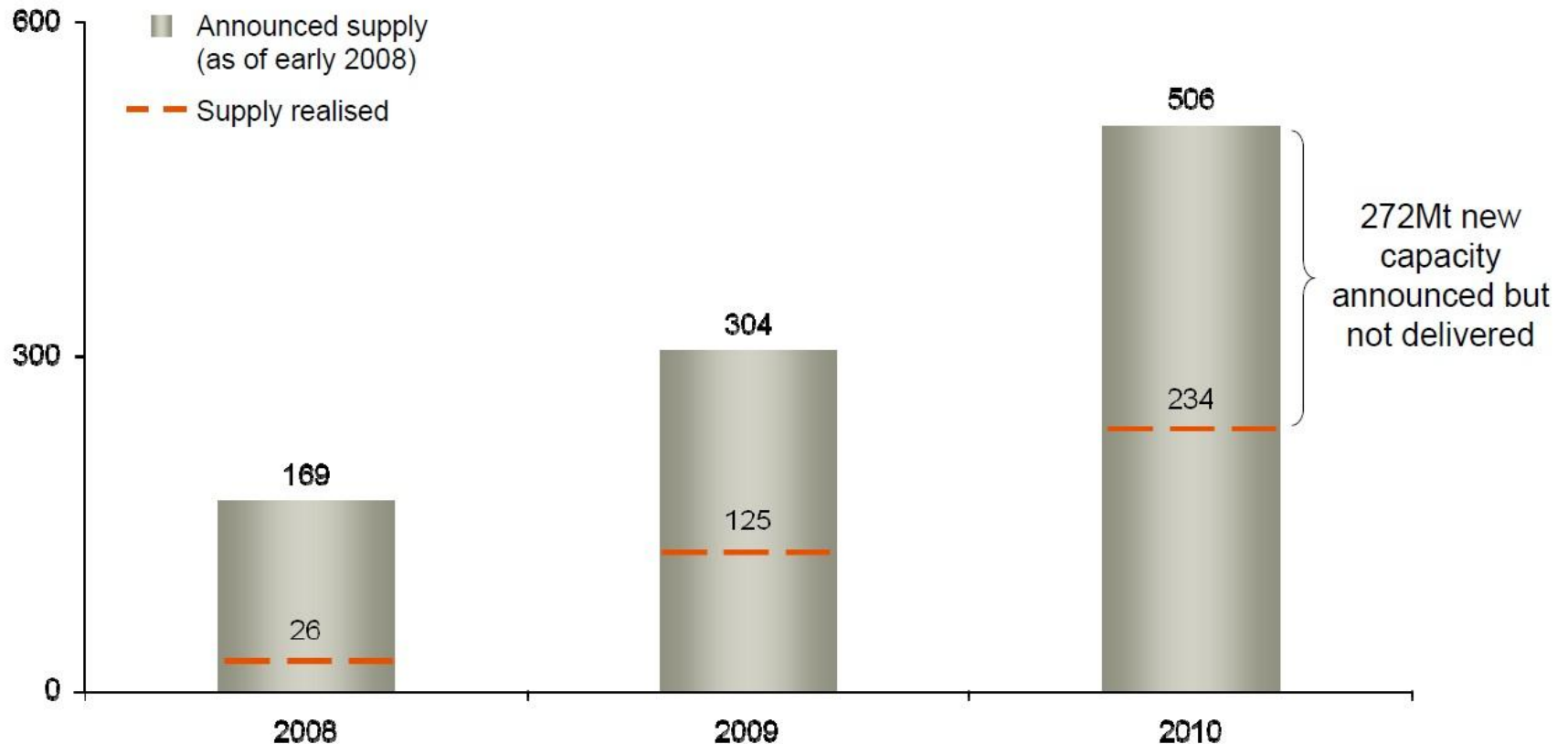
Note: Others includes India, Middle East, CIS, Europe-Other, Asia and New Zealand.

Source: BHP Billiton analysis.



# Historically delivered supply has not matched announcements

**Total announced incremental seaborne supply in 2008 vs. actual incremental delivered (Mtpa)**



Note: New Announced Supply based on BHP Billiton analysis as of early 2008.  
Source: BHP Billiton analysis.



## Fortescue Metals Group Ltd

1. Resources Est. Announced
2. D.F.S Released
3. Indicated/Inferred Announced
4. Bond Issue/Port Headland Contract Signed
5. Rail Contract
6. Debt Secured
7. Off Take Contract Signed
8. First Shipment





## Fortescue Metals Group Ltd.

Preliminary stages up 281%

Construction & Production up 933%

Australian Bases Market Capitalisation \$17.5b



## Fortescue Metals Group Ltd.

### + Positives

- Long mine life
- High quality product
- Low production cost
- Mine to Port ownership

### - Negatives

- Single product
- Executive Risk
- Commodity Price & Exchange Rates
- Over supply issues in future



# Sundance Resources Ltd

1. P.F.S. Starts
2. Drilling Commences
3. JORC 190mt 60%+ FE
4. 1.2 Billion Tonnes
5. Indicated/Inferred  
2.5 Billion Tonnes
6. Board Plane Crash
7. Port MOU Signed
8. Indicated 417mt
9. Talbot Stake Sold





## Sundance Resources Ltd

Preliminary stages up 444%

Construction to Production ?

African based (Market capitalisation \$1.25b)



## Sundance Resources Ltd

### + Positives

- Long mine life
- High quality product
- Low production costs
- Further resources  
upgrade possibility
- Mine to port ownership

### - Negatives

- Commodity price & Exchange rates
- Execution risks
  - Funding
  - Construction
- Political Risks
- Talbot Holding

Please note: Speaker holds shares in this stock recommendation



The underlying value of businesses changes slowly,  
yet share prices gyrate daily

This apparent contradiction results from the undue  
weighting of recent events



# Disclaimer

**The information contained in this presentation is for informational purposes only and is not intended to be exhaustive or complete. This information does NOT constitute financial advice and should NOT serve as the basis for any decision by you. The information does not take into account the objectives and circumstances of the individual investor and we recommend that you consult a financial adviser should you have questions regarding the information contained in this presentation.**