



SECURITIES LIMITED

Australian Equities Research

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**Northern Iron (NFE \$3.50) – BUY**  
**Sphere Investments (SPH \$2.15) – BUY**  
**Territory Resources (TTY \$1.20) – BUY**

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**Price Target:**

Refer to table below

**Reason For Update:**

Iron ore price revision

**Comment:**

Following the recent agreement between Vale and several of its customers for a 65% increase in its SSSF product and 71% increase for its Carajas Fines product for the year to Mar 2009 we have applied a 65% increase to the assumed prices received for the three iron ore companies that we research. Our iron ore price assumption was previously for an increase of 50%. Beyond the current price rise we maintain our forecasts for iron ore prices for ensuing years of 0%, -10%, -5%, -5%, -5% then flat, respectively.

The adjusted earnings forecasts, valuations and price targets for these companies is shown in the following table.

	Old	New
<b>Northern Iron</b>		
Valuation	3.99	5.20
Price Target	4.00	5.20
NPAT FY'08	0	0
NPAT FY'09	-2	-2
NPAT FY'10	95	128
<b>Sphere Investments</b>		
Valuation	3.06	4.30
Price Target	4.70	5.60
NPAT FY'08	0	0
NPAT FY'09	0	0
NPAT FY'10	-2	-2
<b>Territory Resources</b>		
Valuation	1.11	1.37
Price Target	1.50	1.50
NPAT FY'08	12	22
NPAT FY'09	55	94
NPAT FY'10	66	112

## Investment Case:

The biggest impact to earnings is toward Territory Iron. Territory Iron is now a producer with project development expenditure largely behind it. The ramp-up is underway but not yet proven to the market. Territory is inexpensive at just 3.4x FY'09 earnings forecast. Territory does need to demonstrate extension to minelife which we believe will be forthcoming by mid year. The relatively short perceived life at present has had a muted effect on the overall valuation.

Both Sphere and Northern Iron valuations and price targets have grown significantly due to the iron ore price rise being above our assumption. But as both companies are in development mode near term earnings are not affected. Northern Iron offers perhaps better short term momentum upside as project milestones such as environmental approval and resource upgrades are expected over the next month or two.

Sphere should return to market favour once progress on the Lebtheinia exploration program becomes known, and once Qatar Steel finally settles on its equity injection of US\$375m cash for a 50% share in the Guelb el Aouj project. We envisage progress results on Lebtheinia over the next couple of months however an initial resource estimate is probably not expected until say August.

**Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Territory Iron and Sphere Investments during the last year. Euroz Securities has received a fee for these services.**

**This analyst also declares that he has a beneficial interest in Northern Iron shares, Territory Iron shares and Sphere Investments shares.**

### Greg Chessell

Resources Analyst  
Executive Director  
Euroz Securities  
Level 14, The Quadrant  
1 William Street  
Perth Western Australia 6000  
Ph: +61 8 9488 1409  
Mobile: 0438 88 1409  
Fx: +61 8 9488 1479  
Email: [gchessell@euroz.com.au](mailto:gchessell@euroz.com.au)  
PO Box Z5036 St Georges Tce WA 6831

Authorised to Provide Financial Services  
AFSL 243302  
Representative

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