WEEKLY REVIEW

OCEAN EQUITIES Ltd

Mining & Resources: Definitely a dynamic place right now; our focus on Africa, the RSPT and risks.

This marketing communication is directed to professional investors only & is non-independent research. As such, it has not been prepared in accordance with legal requirements designed to promote the independence of investment research & is not subject to any prohibition on dealing ahead of the dissemination of research.

Quote of the week: *Gordon Peeling, chief executive of the Mining Association of Canada, an industry lobby group, said the Australian tax "probably makes Kevin Rudd (Australia's former PM) the mining man of the year in Canada, because he'll bring a lot of investment our way".* Financial Times

Stat of the week: *The greater force exerted by rare earth magnets creates hazards that are not seen with other types of magnet. Magnets larger than a few centimetres are strong enough to cause injuries to body parts pinched between two magnets, or a magnet and a metal surface, even causing broken bones.* (scienceblogs.com)

Macro Discussion – What does the wider view look like?

- **Zimbabwe softens empowerment law (Thurs, 24th Jun)**
- **Central banks see growing reserve asset role for gold (Weds, 23rd Jun)**
- **Chinese miners active globally to feed economic growth at home (Fri, 18th Jun)**

Out of the Box: China targets miners of Rare Earth Metal

News Review:

Below is a review of the headline news which we believe identifies the emerging themes, trends, and events of the last week:

- **Northern Star coughs up another $13M for Paulsens (Weds, 30th Jun)**
- **Atlantic pulls in $55M for vanadium restart (Weds, 30th Jun)**
- **De Beers sees some recovery, still cautious (Mon, 28th Jun)**
- **Aquarius sees 200 000 oz from Zimbabwe (Mon, 28th Jun)**
- **Japan's first iron ore swap agreed (Mon, 28th Jun)**
- **Tanzania seen as attractive exploration destination (Fri, 25th Jun)**
- **Afghanistan to tender iron-ore deposit in September (Fri, 25th Jun)**
- **IFC invests C$5m in Botswana-focused Tsodilo (Fri, 25th Jun)**
- **Anglo Platinum's greenfield projects gathering pace (Fri, 25th Jun)**
- **Mining investment firm Vallar to list in London (Fri, 25th Jun)**
- **Kevin Rudd is ousted as Australian Prime Minister, and compromise now looms in the great Australian tax kerfuffle (Thurs, 24th Jun)**
- **SA miners stall on transformation in management – study (Thurs, 24th Jun)**
- **Chinese diamond market catching up with US – De Beers (Weds, 23rd Jun)**
- **Mining industry mourns Sundance deaths (Tues, 22nd Jun)**
- **Canada to capitalise on Australia's super-tax (Tues, 22nd Jun)**
- **Saudi Arabian gold reserves double (Mon, 21st Jun)**
- **RSPT based on flawed assumptions: report (Mon, 21st Jun)**
- **Grange has two reasons to smile (Mon, 21st Jun)**
- **A World Cup of mining executives (Sun, 20th Jun)**
- **South Korea's Kores says eyeing Africa mines (Fri, 18th Jun)**
- **Zambia needs stable mining laws (Thurs, 17th Jun)**
- **China sets consolidation target for top 10 steel mills (Thurs, 17th Jun)**
- **Time ripe for mining consolidation: Citi (Thurs, 17th Jun)**
- **New Dawn buys 89% of Central African Gold (Weds, 16th Jun)**
- **Booysendal project could reach production 'sooner than expected' (Weds, 16th Jun)**

Highlighted Research:

A summary of Ocean Equities most recent research products:

Nyota Minerals Ltd: *Ocean Equities Valuation Update after doubling the resource (Fri, 25th Jun)*

Kirkland Lake Gold*: Drilling Extends SMC 340 Feet East (Tues, 15th Jun)*

Chromex Mining plc: *Research Update - First step change in cash flow expected in the next 6 months with next leg of growth also to become evident (Weds, 9th Jun)*

Northland Resources: *1mtpa Offtake Agreement signed with Stemcor (Thurs, 3rd Jun)*

Belvedere Resources: *Indicated Resource Estimate for the K1 occurrence at Kiimala (Thurs, 3rd Jun)*

Rambler Metals & Mining: *Environmental Permit Received for Ming Mine (Tues, 1st Jun)*

Norseman Gold Plc: *Mar'10 Quarterly Report, expected to be the low point and well flagged to the market (Thurs, 29th Apr)*

Refer to page 21 "Highlighted Research" for further detail.

Ocean Comment:

What will Australia's new PM do for the RSPT? There has been a twist in the tale that is the proposed Australian RSPT with the former Pm Kevin Rudd ousted from the top job last week and now Julia Gillard takes the reigns for Australia. Ms Gillard has opened the doors for negotiation and we await to hear the outcome of today's discussions with industry officials and mining industry leaders after it is believed there were five hours worth of talks in Canberra.

Dynamics for African-focussed gold plays: We have recently updated our African Gold peer group and highlight the growing focus on the exploring and developing miners involved particularly in the African gold juniors.

Strategic business risks – part of every evaluation: Not only is sovereignty a risk to consider, especially for junior miners, but there are also many other risks associated with mining. According to a recent Ernst & Young study ('Business risks facing mining and metals'), capital allocation is now the biggest challenge facing miners, taking top spot in a list of business risks facing the global resources sector.

...Continued Page 2.

Wednesday, 30th June 2010

Commodity spot prices - *quick look*

Precious Metals	Last	1W %
Gold (US$ / oz)	1,243.2	0.82
Silver (US$ / oz)	18.6	0.72
Platinum (US$ / oz)	1,535	-1.98
Palladium (US$ / oz)	454.1	-4.16
Base Metals		
Copper (US$ / t)	6,462.5	-1.82
Nickel (US$ / t)	19,010.0	-2.90
Cobalt (US$ / lb)	14.5	-1.69
Zinc (US$ / t)	1,709.8	-2.83
Lead (US$ / t)	1,696.0	-5.99
Bulk Metals		
Iron Ore - China Fines	148.5	-2.30
Iron Ore - China Pellets	168.5	-2.03
Coal - NYMEX Yr1 Fut (U	68.0	1.27
Chrome - FOB RSA Spot (C	292.5	0.00
Energy		
WTI Oil (US$ / barrel)	75.9	-1.64
Brent Oil (US$ / barrel)	74.7	-0.17
Baltic Supramax Index	2,096	-2.19

Currency prices - *quick look*

	Last	1W %
US$ / £	1.51	1.05
US$ / €	1.22	-0.20
US$ / C$	1.05	-0.74
US$ / A$	0.85	-1.95
US$ / ZA Rand	7.65	-1.26

Refer to page 5 for "Commodity and Currency prices in more detail".

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Commentary of the Week:

The road towards or away from the RSPT takes a turn…

With the newswires in Australia almost at saturation point with talk of the proposed "Resource Super Profits Tax", up until this time last week it seemed as pretty much all the ground had been covered and investors were best advised to sit back and see how things panned out. Here at Ocean Equities, we certainly thought we had made our points clear (and simple) on the implications the proposed RSPT could have on the Australian mining industry, and for the global mining industry for that matter. However, there is a new twist in the already drawn-out debate over the RSPT with the demise and ousting of former Australian Prime Minister (Kevin Rudd) last week and appointment of Julia Gillard (Kevin Rudd's former Deputy), who has handed an 'olive branch' to the miners by opening up negotiations.

Today it is believed Gillard has held five hours of talks behind closed doors with mining industry leaders at Parliament House. The Australian newspaper reports that in the negotiating room sitting across from Mr Swan and Resources Minister Martin Ferguson were Rio Tinto's Australian managing director Daniel Peever, Xstrata Coal chief executive Peter Freyberg and BHP Billiton chief executive Marius Kloppers. Andrew 'Twiggy' Forrest's Fortescue Metals Group was not present.

However on the other side of the Australian continent, in a speech to the Australian Financial Review's WA Economic Outlook Conference, Mr Forrest revealed details of a far-reaching secret compromise deal he said he had negotiated with Kevin Rudd and said talks with the Gillard government must resume from the position achieved with the Rudd government. He outlined key aspects of the position reached with Rudd that included reducing the impact of retrospectivity, an immediate write-off for new capital, moving the taxing point for projects to the point of mineral extraction, increasing the uplift rate from 6% to 15% and removal of the 40% government guarantee. The uplift rate is also referred to as a RSPT allowance that would be applied to vertain capital expenditure and production costs and based on the 10-year government bond rate (currently ~6%). The RSPT as proposed would tax profits above this rate and therefore lifting this would be a more favourable tax result.

While it was agreed that massive advertising campaigns by both the Australian Government and mining heavyweights ceased, some are still sceptical that the Government will make any changes to the tax. Julia Gillard has been moving away from the RSPT as it is currently proposed as the Government has taken a serious hit in the polls and is set to make an unofficial deadline on Friday to make real progress on talks with the miners and senior Government officials.

There has been a central role played by Resources Minister Martin Ferguson in the talks with the Government which provides some hope for the mining sector. However, if the wider mining sector is not able to come to an agreement by the end of the week then the 'advertising war' that was suspended as an act of good faith at Ms Gillard's request will reignite. After that, only time will tell in the Australian general election, which is believed may be called by Gillard as early as the 7th August according to newspaper sources.

African gold is increasingly gaining investor attention…

We have recently updated our African Gold peer group and highlight the growing focus on the exploring and developing miners involved in East Africa. From our selected output in **Chart 1 of the Week**, we note that the African Explorers/Developers are trading at ~US$61/oz in situ value, compared to the current selected group of producers at an average of US$74/oz.

While both the producers and explorer-developers in our peer group are differentiated by production of gold versus gold not produced as yet, the explorer-developer group poses significant dynamics making each mining play individual, according to how close each one is to production. For example **Perseus Mining (ASX:PRU)** currently has the largest resource size within the group at over 5Moz (compared to the group average of 1.75Moz) and is also in its construction phase with production anticipated in 2011. The other end of the spectrum **Kibo Mining (AIM:KIBO)** is a young exploration company established in 2008 to focus on exploration in Tanzania and has yet to hit the '1moz milestone' and thus commands a lower EV/Resource valuation.

Our research team noted recently a job listing posted on *miningnews.net*: Ashanti seeks Senior Geologist for Eritrea - although this isn't strictly a news story, it is certainly encouraging for mining in Eritrea. Anglogold Ashanti's vehicle **Thani Ashanti** is a JV with Thani Dubai Mining Ltd to explore, develop and operate mines in the Middle East and North Africa. It is looking for a senior geologist to work in Eritrea to coordinate and manage a large exploration program. This type of work usually involves a large team with a large budget, perhaps a team of 20 and US$20m over a minimum of 3 years.

The fact that a major gold player is establishing itself in the area is a potential game-changer as it implies an improved view of the country risk in the eyes of the majors. This should mean that the juniors that are already active in Eritrea should start to enjoy lower discounts as investors wake up to the amazing prospectivity and scale of opportunity in the region.

We highlight **Nevsun (TSX:NSU)** as a very advanced entry point 6 months before gold production or **Sunridge Gold (TSX:SGC)** for exposure to a well connected and well advanced explorer with a good suite of polymetallic and gold assets. Other smaller (listed) players in Eritrea include **Chalice Gold (ASX:CHN)** and **NGEx Resources (TSX:NCQ)**.

We believe that **Nyota Minerals Ltd (ASX/AIM:NYO)** is set to become a major player in an emerging gold district with the Tulu Kapi gold project in Ethiopia potentially one of a number of minable deposits. Tulu Kapi was acquired by Nyota as part of the acquisition of Minerva Resources in 2009 and is a development stage gold project with an inferred resource that has recently been increased from 690koz Au @ 1.58g/t Au to 1.38moz @ 1.68g/t Au.

Tulu Kapi is rapidly shaping up to become a significant gold asset that is amenable to open-pit mining and we anticipate that the resource will increase further to +2moz within the next 9 months as a result of ongoing drilling on the project, and could ultimately be in excess of 3moz. Exploration ground controlled by Nyota surrounding Tulu Kapi is considered under-explored and extremely prospective, and the Company has recently acquired further licenses in Ethiopia covering 4,500km² to the north of Tulu Kapi which are again considered highly prospective. Nyota is well funded and has the support of the IFC, which has recently taken a 10% stake in the Company.

The progress made by the Company since November 2009 has exceeded our expectations, and we believe that this pace of development / news flow is set to continue over the next 6-9 months primarily driven by the aggressive drilling programme which is currently underway at Tulu Kapi and is to commence shortly on other regional targets in Ethiopia.

RELATED RESEARCH:
Nyota Minerals Ltd: Ocean Equities Valuation Update after doubling the resource (Fri, 25th Jun)

Please make a note in your diary for the ***14th & 15th September 2010*** *for our inaugural* ***African Gold Conference*** *in the City of London. This conference will be held entirely as a series of 1-on-1 corporate meetings, as requested by investors. (Of course, there may well be a drinks and dinner forthcoming!)*

We firmly believe that the demand for gold and growth gold miners will remain strong for the medium term. Africa is also a strong theme for Ocean Equities and our investors this year. So we are delighted to bring a range of excellent gold companies, operating in ten African countries, to describe their various prospects to investors. Thus far we can confirm the following companies…and there will be more to follow:-

Avocet Mining, La Mancha Resources, Nevsun Resources, Nyota Minerals, Sunridge Gold, Savannah Gold, Toro Gold, Viking Ashanti.

Spaces are limited. If you are interested in attending, please contact us at your earliest convenience.

On the theme of venturing into new horizons…

The African frontier for explorers and producers poses more of a political risk than other mining jurisdictions and it is normal that the market has factored these risks into its value for such countries. Not only is sovereignty risk a factor to consider, especially for junior miners, but there are also many other risks associated with mining. According to a recent Ernst & Young study ('Business risks facing mining and metals'), capital allocation is now the biggest challenge facing miners, taking top spot in a list of business risks facing the global resources sector.

Capital allocation was 17th on the list in 2009 and this year is now ahead of skills shortages in second position, up from sixth position in 2009, and cost management in third position after heading the list last year. Capital allocation was not such an issue 12 months ago and recently it has gone from below the radar to become the biggest current strategic business risk for the sector. It is the uncertain nature of the economic environment and massive changes to expected rates of return, level of gearing, taxes and the cost of debt and equity that is challenging existing capital allocation benchmarks and therefore businesses are having to re-assess investment allocations more frequently.

Ernst & Young global mining and metals leader Mike Elliot said volatility in commodity prices, cash flow, risk appetites and availability of capital were driving massive capital allocation challenges for mining and metals businesses globally. Elliot said that while last year's risk list was dominated by costs, consolidation and capital, in 2010 supply-side capacity issues were re-emerging following the quick recovery in the sector.

Resource nationalism was also another significant issue in the risk rankings, which has risen to fourth position in 2010, compared to ninth position in 2009. More and more there is a greater strategic business risk for mining and metals companies globally as governments around the world seek to replenish their depleted treasuries in the wake of the financial crisis and while the proposed RSPT in Australia is a current high profile example, it is only part of a broader global trend with Quebec in Canada as well as India and China all increasing royalty rates in recent months.

Here is the list of top strategic business risks in the mining sector for 2010:

1. Capital allocation (17 in 2009)
2. Skills shortage
3. Cost management
4. Resource nationalism
5. Maintaining a social licence to operate
6. Infrastructure access
7. Access to secure energy
8. Access to capital
9. Price and currency volatility (11 in 2009)
10. Climate change concerns

Compared to 2009:

1. Cost containment
2. Industry consolidation
3. Access to capital
4. Maintaining a social licence to operate
5. Climate change concerns
6. Skills shortage
7. Infrastructure access
8. Access to secure energy
9. Resource nationalism
10. Pipeline shrinkage

RELATED NEWS ARTICLES:

Tanzania seen as attractive exploration destination (Fri, 25th Jun)
IFC invests C$5m in Botswana-focused Tsodilo (Fri, 25th Jun)
Kevin Rudd is ousted as Australian Prime Minister & compromise now looms (Thurs, 24th Jun)
Canada to capitalise on Australia's super-tax (Tues, 22nd Jun)
RSPT based on flawed assumptions: report (Mon, 21st Jun)
South Korea's Kores says eyeing Africa mines (Fri, 18th Jun)
Zambia needs stable mining laws (Thurs, 17th Jun)

Chart of the Week

African Gold Producers	Ticker	Main Project Location	Current Status	Market Cap US$m	EV US$m	12-Month Prodn 000 oz	Total Resources oz Au (M,I&I)	EV/Total Resources US$/oz	EV/12m Prodn US$/oz
Producers									
Avion Gold Corp	AVR.CN	Mali	Producer	175	145	47	2.60	56	3,069
Avocet Mining	AVM.LN	Burkina Faso / Malaysia / Indonesia	Producer	358	401	127	4.84	83	3,153
Cluff Gold	CLF.LN	Sierra Leone / Burkina Faso / Cote d'Ivoire	Producer	134	128	89	3.50	37	1,445
Crew Gold Corp	CRU.CN	Philippines / Guinea	Producer	503	579	160	5.22	111	3,615
Etruscan Resources [1]	EET.CN	Burkina Faso / Cote d'Ivoire	Producer	135	184	69	2.41	76	2,672
Gold One International	GDO.AU	South Africa / Mozambique / Namibia	Producer	204	259	28	13.66	19	9,149
Great Basin Gold [2]	GBG.CN	South Africa	Producer	644	754	44	6.68	113	16,988
Mineral Deposits	MDM.CN	Senegal	Producer	449	512	194	3.51	146	2,634
Pan African Resources [3]	PAF.LN	South Africa	Producer	129	123	90	4.58	27	1,376
Median				**204**	**259**	**89**	**4.58**	**76**	**3,069**
Average				*303*	*343*	*94*	*5.22*	*74*	*4,900*
Explorers / Developers									
Adamus Resources	ADU.AU	Ghana	Construction	186	145		1.90	76	
Ampella Mining	AMX.AU	Burkina Faso	Exploration	251	255		1.19	213	
Azumah Resources	AZM.AU	Ghana	Resource	84	75		1.10	67	
Cassidy Gold	CDX.CN	Guinea	Scoping Study	7	6		1.04	5	
Gryphon Minerals	GRY.AU	Burkina Faso	Resource	161	146		1.10	133	
Keegan Resources	KGN.CN	Ghana	Resource	250	231		3.08	75	
Kibo Mining	KIBO.LN	Tanzania	Exploration	7	6		0.51	12	
Nyota Minerals	NYO.LN	Ethiopia	Exploration	83	74		1.38	54	
Perseus Mining	PRU.AU	Ghana	DFS/Construction	857	723		5.42	133	
Signature Metals	SBL.AU	Ghana	Resource	21	15		0.89	17	
Viking Ashanti	VKA.AU	Ghana	Exploration	13	6		0.47	14	
Volta Resources [4]	VTR.CN	Burkina Faso / Ghana / Mali	Exploration	161	114		2.88	40	
Median				**123**	**94**		**1.15**	**61**	
Average				*173*	*150*		*1.75*	*70*	

Notes to table:

[1] EET Last quarter production for quarter ending 28-Feb-10
[2] GBG Total Resources are calculated using Burnstone LOM production recovery ounces and not Burnstone total Mineral Resources
[3] PAF Last quarter production for quarter ending 31-Dec-09
[4] VTR Total Resources includes copper equivalent as value is high proportion of total resource. Calculated using Au price US$1,200/oz and Cu price US
* 12-Month production based as at 31-Mar-10
Exchange rates: C$1.02112:US$, A$1.14502:US$, £0.67432:US$
Prices as at 24-Jun-10

Source: Company Announcements; Bloomberg; Ocean Equities

Out of the Box: China targets miners of Rare Earth Metals

China has begun a ferocious onslaught against the illegal mining of rare-earth metals in a six-month campaign that seeks to consolidate the industry in the hands of a few state-owned Chinese players. The Times has learnt that at least ten foreign companies running rare-earth processing facilities in China have been forced to suspend operations in recent days as supplies have run dry.

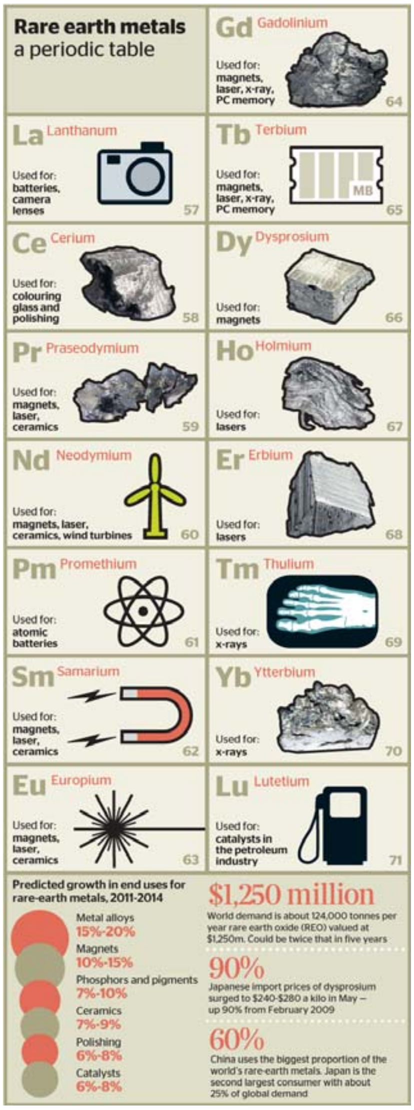
Rare-earth metals are 17 elements with magnetic properties that have become essential to many forms of technology. For anyone outside China producing aircraft, cars, mobile phones, wind turbines, electric motors, lasers and many other technologies, Beijing's move could trigger supply disruption or extreme price surges.

For military planners in Washington the outlook is, potentially, even more disturbing and could compel the US Navy to become a significant investor in rare-earth production.

Global rare-earth supply is expected to become an acrimonious battleground between Beijing and its trading partners, possibly arising this weekend as an issue at the G20 meeting in Toronto. Both the US and the EU are considering making WTO cases over rare earths, focusing on a range of harsh taxes and export restrictions unleashed by China.

A report by the EU last week described the European trading bloc as "particularly vulnerable" to Chinese restrictions and suggested that future supplies of critical elements should be considered in similar security terms as oil and gas. Emerging economies, the report said, were using tax, quotas and subsidies to reserve their resource base for their exclusive use.

Senior industry figures warned that the world should quickly "wake up to the painful realities of Beijing's rare-metal strategy". Its 20-year campaign has concentrated control of the "technology metals" in China and fulfilled a dream of becoming to rare earths what Saudi Arabia is to oil.



The global supply of rare-earth metals is already 95 per cent controlled by China. Many other sources of the raw materials exist around the world, but only a tiny fraction is being exploited, and mines and processing facilities could take at least a decade to become operational.

By moving to take illegal supply off the market, one Japanese trading house executive said, Beijing will expose "a lot of complacency" among the largest consumers of rare-earth metals, which have grown used to securing supply on a black market that far exceeds the official — and shrinking — export quotas imposed by Beijing. And with China simultaneously slashing its official rare-earth export quotas, both the United States and Europe have, within the past few weeks, published assessments that betray rising panic over mineral supplies.

The American report acknowledges the grim truth that both its main battle tank, the M1A2 Abrams, and its Aegis AN/Spy-1 radar unit, depend upon minerals over which China has near complete control.

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The American report acknowledges the grim truth that both its main battle tank, the M1A2 Abrams, and its Aegis AN/Spy-1 radar unit, depend upon minerals over which China has near complete control.

Jack Lifton, an independent consultant on rare-earth metals, condemned the survey by the US Government Accountability Office (GAO) as "a perfect example of the lethargy of the state", adding that such an assessment should have been written ten years ago.

"Nobody was ever concerned about the long-term consequences of relying entirely on China," he said. "They just assumed, wrongly, that China would always sell what it produced for a market price."

China's dominance over rare earths arose from a combination of ambition and complacency. In its attempt to acquire a monopoly, China began undercutting every other rare-earth producer around the world from the late 1980s. Much of that price competitiveness arose from the generally low level of safety and environmental concern: rare-earth production facilities are dirty, radioactive places that would be significantly costlier to operate in, say, the US or Australia.

Faced with relentless competition, mines in the US, South Africa and elsewhere closed down, but consuming countries did not see a supply threat so long as China kept producing and selling. Even when China's grip on exports tightened, a lack of capital — or urgency — stood in the way of production development outside China. The GAO report warns that rebuilding a US rare-earth supply chain could take 15 years.

One expected effect of the tightening of rare-earth supply — and the doubling of market prices in recent months — is a sudden explosion in proposed mining and processing operations outside China. A handful of companies, such as the soon-to-be-listed Molycorp, of California, have large, proven rare-earth reserves and a legitimate thirst for capital to restart mothballed production.

Mr Lifton said that investors should be wary of hundreds of "wannabes" with no chance of producing rare earths, but a keen desire to raise large sums of money from a market on the lookout for the next big investment idea. Other countries have taken different approaches on supply. Japan, which is the largest consumer of rare earths outside China itself, will not be "looking for trouble" by joining any WTO action against Beijing initiated by the US.

Instead, Japan has begun an unprecedented number of exploration projects and rare-earth acquisitions outside China in its panic to secure future supply. Its resource lunge — heavily backed by the Government — has taken it to Vietnam and Kazakhstan in search of rare earths.

(The Times)

Commodity and Currency prices in more detail:

Commodity spot prices	Last	1D %	1W %	1M %	12M %	YTD %
Precious Metals						
Gold (US$ / oz)	1243.05	0.01	0.82	2.20	33.64	13.16
Silver (US$ / oz)	18.63	0.16	0.72	0.34	36.91	10.01
Platinum (US$ / oz)	1535.00	-1.16	-1.98	-2.04	29.66	4.48
Palladium (US$ / oz)	454.10	-0.20	-4.16	-3.07	81.75	11.71
Base Metals						
Copper (US$ / t)	6462.50	-5.52	-1.82	-6.49	27.15	-11.98
Nickel (US$ / t)	19010.00	-7.63	-2.90	-10.65	20.98	3.02
Cobalt (US$ / lb)	14.50	0.00	-1.69	-1.69	18.37	15.54
Zinc (US$ / t)	1709.75	-7.47	-2.83	-10.23	11.49	-32.39
Lead (US$ / t)	1696.00	-7.66	-5.99	-7.02	0.68	-29.39
Bulk Metals						
Iron Ore - China Fines CFR (US$/t)	148.50	-2.30	-2.30	-4.50	91.61	33.18
Iron Ore - China Pellets CFR (US$/t)	168.50	-2.03	-2.03	-3.44	65.20	40.42
Coal - NYMEX Yr1 Fut (US$/t)	67.99	-0.74	1.27	1.58	20.04	26.07
Chrome - FOB RSA Spot (CNY/t)	292.50	0.00	0.00	0.00	56.00	56.00
Energy						
WTI Oil (US$ / barrel)	75.94	-2.95	-1.64	2.66	6.22	-4.31
Brent Oil (US$ / barrel)	74.69	0.58	-0.17	1.90	9.23	-3.30
Baltic Supramax Index	2096.00	-1.04	-2.19	-29.71	23.22	-5.76
Currency	**Last**	**1D %**	**1W %**	**1M %**	**12M %**	**YTD %**
US$ / £	1.51	-0.23	1.05	3.60	-8.58	-6.78
US$ / €	1.22	0.19	-0.20	-0.51	-12.94	-14.65
US$ / C$	1.05	0.15	-0.74	-0.19	10.59	-0.39
US$ / A$	0.85	0.07	-1.95	1.35	5.83	-4.83
US$ / ZA Rand	7.65	0.23	-1.26	0.23	1.28	-3.50

Source: Bloomberg

Zimbabwe softens empowerment law (Thurs, 24th Jun)

Zimbabwe's government has promised to water down a draconian law requiring all foreign and white-owned companies to "cede" 51 per cent of their shares to "indigenous" people. This measure, imposed by Robert Mugabe, the president, against the wishes of his coalition partners from the Movement for Democratic Change, has been heavily criticised for deterring foreign investment and stifling the slow recovery of Zimbabwe's economy.

All companies with assets worth more than $500,000 (€409,000, £336,000) have been given until the end of this month to submit proposals to the government for how they propose to obey this law.

But Savior Kasukuwere, the cabinet minister responsible for enforcing the law, said it would be amended to replace the word "cede" with "dispose", implying that companies will be paid for any share transfer.

Instead of transferring assets to individuals, companies may be able to pass shares to community ownership trusts.

Mr Kasukuwere also said that where employees are unable or unwilling to buy shares in a foreign business, the "right of first refusal" would go to an Economic Empowerment Fund run by the government.

But few business people believe the amendments will reassure any existing or potential investors.

Many expect the regulations to be imposed selectively, with the government using them to punish some companies and exempt others, depending on their political loyalties.

One local industrialist said: "I suspect the amendments will be mostly cosmetic. It seems that the government wants to ensure that the legislation is highly discretionary, that certain politically well-connected groups and individuals can work the system to their own advantage."

(Financial Times)

Central banks see growing reserve asset role for gold (Weds, 23rd Jun)

Nearly a quarter of central banks believe gold will become the most important reserve asset in the next 25 years, according to an annual poll by UBS. The result highlights the sea-change in attitudes in the official sector towards the yellow metal.

For two decades, central banks were net sellers of gold but that trend has reversed as central banks in Europe are scaling down their sales and others, such as China, India and Russia, are making significant purchases.

Asked what the most important reserve asset would be in 25 years, about half of officials polled by UBS said the US dollar but 22 per cent pointed to gold.

Bullion was the second most popular response, well above others such as Asian currencies or the euro.

UBS surveyed more than 80 central bank reserve managers, sovereign wealth funds and multilateral institutions with over $8,000bn in assets at its annual seminar for sovereign institutions last week. The results were not weighted for assets under management.

The reversal of the trend of central bank gold sales has boosted sentiment towards the metal while removing a significant source of supply.

That has helped prices rise 12.5 per cent since the start of the year, hitting a nominal all-time high of $1,264.90 a troy ounce on Monday.

The central bank managers believe gold will be the best-performing asset class in the next six months, ahead of equities, bonds, oil and currencies, according to the poll.

Despite their bullish sentiment towards gold, sovereigns are unlikely to start making large-scale purchases, said Terrence Keeley, global head of sovereign client services at UBS.

"Reserve managers operate at one speed above reverse," he said. "Decisions to change their investment practices will be taken after great consideration over a long period."

Sovereign wealth funds are also turning their attention to gold. China Investment Corporation, Beijing's sovereign wealth fund, earlier this year revealed a small investment in bullion through the New York-listed SPDR Gold Trust, an investment vehicle backed by physical gold.

Bankers said other SWFs, including the Abu Dhabi Investment Authority and the Government of Singapore Investment Corporation, were looking at gold.

GFMS, the precious metal consultancy, estimates central banks last year sold 41 tonnes of gold, down 82 per cent from the low of 2008 and the lowest in 20 years.

Philip Klapwijk, chairman of GFMS, said central banks were more likely to be buyers than sellers for the first time in two decades. But he said: "I will be surprised if we see multi-hundred tonnes purchases."

There has not been a sustained period of significant central bank gold purchases since the 1960s.

About 10 per cent of global central bank reserves is held in gold, according to the World Gold Council, but that belies a sharp difference between central banks in developed economies, which generally hold more than 50 per cent of assets in gold, and those in emerging markets, which have a relatively small proportion of assets in gold.

(Financial Times)

Chinese miners active globally to feed economic growth at home (Fri, 18th Jun)

In its recently released report on the state of the global mining industry – '*Mine – Back to the Boom*' – PriceWaterhouseCoopers (PwC) reported that, in 2009, the Chinese had been in the forefront of mining mergers and acquisitions (M&A) across the world. "Chinese investment in 2009 made up $17-billion, or 22%, of all global mining M&A activity and 30% of the top ten deals by value," it highlighted.

This is hardly surprising, given that, as the World Bank reported in its *China Quarterly Update March 2010*, the Chinese economy grew at a rate of 8,7% last year.

"Massive investment-led stimulus was the key, but . . . household consumption growth has held up very well," it stated.

"The domestic growth momentum continued in the first months of 2010. Exports declined in 2009 as a whole . . . . [but] rebounded strongly through 2009 . . . and exceeded the precrisis level in early 2010 . . . . Government-led investment is bound to decelerate. But exports are likely to continue to recover amidst a pick-up in the global economy . . . . Consumption growth should remain solid. Inflation is on course to be significant in 2010, after being negative in 2009. But . . . China's inflation is unlikely to reach high rates in 2010."

The global institution forecasts that the Chinese economy will grow 9,5% this year.

Already, in purchasing power parity (PPP) terms, China's gross domestic product (GDP) is the second-biggest in the world, at $8,789-trillion. (The US is still number one, at $14,260-trillion).

However, with a population estimated to reach 1 330 141 295 next month, the result is that China ranks only 126th out of 225 countries and territories in the world in terms of per capita GDP, in PPP terms. In comparison, South Africa ranks 105th, while, of the other members of the now-famous Bric group (Brazil, Russia, India and China), only India is placed lower than China in per capita terms, ranking 162nd (Russia is 74th and Brazil 103rd).

In dollar terms, China's per capita PPP GDP for 2009 is estimated at $6 600, while for 2008 it was $6 100 and for 2007, $5 700. This is below the 2009 world average of $10 500. The figure for South Africa is $10 100, for Russia $15 100, Brazil $10 200, and India $3 100, while the average for the European Union is $32 600.

China had an official urban unemployment rate estimated at 4,3% last September, but the actual urban unemployment rate could be 9%. More importantly, it is known that there is sizable unemployment and under- employment in rural areas. (These figures are from the US Central Intelligence Agency's *World Factbook 2010)*.

China is thus both very rich and very poor and while it has made enormous progress, it needs to make even greater progress in the future. A sustained high rate of economic growth is thus absolutely essential to China, morally, socially and politically. It is widely perceived that the very legitimacy of the current Chinese political system – and not merely of the current government – depends on Beijing's success in delivering continuing rapid growth.

Economic growth requires natural resources to feed the population, create and feed the industries and provide the energy for domestic, industrial, agricultural, services and State use. Little wonder, then, that modern China has a voracious appetite for just about every kind of resource.

CHINA'S MINING INDUSTRY

China is, geographically, the world's fourth-largest country and, within its total area of 9 596 961 m2, contains 158 recognised minerals with proven reserves. Of these, 91 are nonmetal minerals, 54 are metals, ten are energy minerals and three are water and gas minerals. The country's proven mineral resources are the third-largest in the world (after the US and Russia) and account for some 12% of the global total.

Notably, the country possesses high-quality and internationally competitive rare earth (or lanthanide) minerals. It also has high-quality and competitive resources of barite, bentonite, fluorite, graphite, gypsum, magnesite, mirabilite (which contains the decahydrate form of sodium sulphate, called Glauber's salt), molybdenum, niobium, talcum, tin and tungsten.

Unfortunately for China, its reserves of key resources, including bauxite, copper, iron-ore, lead, manganese, phosphorous, sulphur and zinc, are limited and mostly of low grade. Its other resources include antimony, coal, mercury, natural gas, petroleum, uranium and vanadium. But, again, the natural gas and petroleum reserves are limited and generally of low grade.

Overall, while China's resources are rich in terms of total volume, they are lacking in per capita volume and most of the country's mineral deposits are only of medium to small size. However, it is believed that there are a number of unexploited large and even super-large mineral resources lying in the remote far western regions of the country. Nevertheless, China is still the world's biggest producer of aluminium, antimony, cement, coal, fluorspar, lead, magnesium, mercury, rare earths, steel, tin, tungsten and zinc.

Among resources currently being exploited, coal production is concentrated in the north-western and northern regions of the country, copper along the middle and lower reaches of the Yangtze river, iron-ore in the north-eastern, northern and south-western regions, petroleum in the north-east, north and north-west, phosphorus in the south-western and south-central regions, while the production of antimony, manganese and tin is concentrated in the provinces of Guizhou, Hunan, Jiangxi and Yunnan. The exploitation of these resources is overwhelmingly in the hands of a domestic mining industry comprising some 80 000 State-owned mining companies and roughly 200 000 collectively owned mines, but China is opening the industry to foreign investment.

CHINA'S MINING MAJORS

Unable to supply the necessary quantity and quality of mineral and metal inputs to support its economic growth from its own resources, China turned to foreign sources of supply. For example, in 2003, the country became – and remains today – the world's biggest importer of iron-ore. And, despite being the world number one coal producer, the country still has to import scores of millions of tons of the energy mineral – net imports of coal came to 103-million tons last year. Indeed, in its 2010 'Mine – Back to the Boom' report on global mining, PwC has highlighted that China is on the verge of overtaking North America and becoming the global mining industry's biggest customer.

Not surprising, Chinese mining companies have been moving out of their homeland, looking to find, buy and develop mining projects in other countries, either on their own or in joint ventures (JVs). They have prioritised the developing world, and in particular Africa and Central Asia – although Australia is also an area of great interest.

Chinese investments in foreign mining assets totalled $50-billion over the past ten years. As a result, a number of Chinese companies have already emerged as global mining majors, and more will follow them. It should be noted that few of these groups are dedicated mining companies; most are vertically integrated industrial complexes that do everything from exploration and mining through to metals and/or chemicals production and/or electricity generation and/or equipment manufacturing.

PwC has now ranked China Shenhua Energy as the world's fourth-largest mining company in terms of market capitalisation, after BHP Billiton, Vale and Rio Tinto, and ahead of Anglo American (fifth) and Xstrata (sixth). Moreover, there are now five Chinese companies in PwC's list of the world's top 40 miners in terms of market capital-isation. Apart from China Shenhua, they are China Coal Energy, Jiangxi Copper, Shanxi Xishan Coal & Electricity Power and Zijin Mining Group. Of these, only China Shenhua and China Coal Energy were in PwC's top 40 in 2008.

However, as this list is based on market capitalisation, it is unavoidably misleading. Many major Chinese mining companies are wholly State-owned (some by the central government in Beijing and some by provincial governments) and are not listed on any stock exchange and so have no market capitalisation at all.

Thus, China's largest diversified mining company is not China Shenhua but the Aluminium Corporation of China (Chinalco), which owns 9% of Rio Tinto. Other major and entirely State-owned Chinese mining companies include China Minmetals Corporation, Sinosteel and Jinchuan Group.

Chinalco mines bauxite, copper and titanium, producing alumina, aluminium, copper concentrate, copper cathodes, fabricated copper products, sponge titanium and titanium alloys. Chinalco's groupwide strategy is to expand its businesses vertically, including the exploration, mining and processing of metals and minerals, and become a global major diversified resources company.

China Minmetals is the country's largest supplier of raw materials to the metal- lurgical industry and has iron-ore reserves of 600-million tons and coking coal reserves of 250-million tons. It sells some 20-million tons of steel products annually, and manufactures equipment for the metallurgical industry, including blast furnaces. In 2008, China Minmetals achieved total revenues of $27,7-billion and was ranked 331st in the Fortune magazine 'Global 500' list.

Sinosteel is active in the development and processing of metals resources, in metallurgical resources trade and logistics, the manufacture of mining equipment, and in engineering and technical services and science and technology. It has 86 subsidiary companies, 60 in China and 26 in other countries, and the group ranked 372nd in the 'Fortune 500' list for 2009. It mines iron-ore, chrome, manganese, nickel, cobalt and zinc.

China Shenhua is listed on both the Hong Kong (primary) and Shanghai (secondary listing) stock exchanges and is a coal-mining, transport and electricity-generating group. Last year, it produced 210,3-million tons of coal and has saleable coal reserves (calculated according to the Joint Ore Reserves Committee) of 6,927-billion tons. The group also operates five railways in China and (as of December 31) 55 coal-fired and three gas-fired power stations and 21 wind power units, with a total generating capacity of 23 520 MW.

China Coal Energy is also listed on the Hong Kong Stock Exchange and is, in terms of reserves, the second-largest listed coal company in China and the fifth-largest in the world. Its production amounted to 100,37-million tons in 2008. The group also produces coke and provides consultancy and design services for collieries, and manufactures coal-mining equipment

Jiangxi Copper is based in the province of the same name and mines, mills, smelts and processes copper. It is the country's biggest producer of copper, sulphur, gold and silver and also produces lead, molybdenum, palladium, platinum, selenium and zinc, besides other commodities. It is listed primarily on the Hong Kong and secondarily on the Shanghai stock exchanges.

Shanxi Xishan mines and sells coal, generates electricity and provides mine design and development services. During 2009, the group produced some 18,55-million tons of raw coal and generated about 4,473-billion kilowatt hours of electricity. It is listed on the Shenzhen Stock Exchange.

The Jinchuan group has its home base in the city of Jinchang, in the province of Gansu, in north-west China, and is an integrated nonferrous metallurgical and chemical engineering business. Jinchuan is China's largest producer of nickel and cobalt, with a production capacity of 130 000 t/y of nickel – amounting to more than 90% of the country's total output of this metal – and 6 000 t/y of cobalt, but it also produces copper (a capacity of 200 000 t/y) and precious metals, including platinum-group metals (PGMs). With an output of 8 t/y, the company accounts for more than 90% of China's PGMs production. It also produces 1 200 000 t/y of chemical products.

Zijin Mining produces (mines, processes and refines) gold, copper, zinc, silver and molybdenum and is listed on the Shanghai Stock Exchange. During 2009, it produced more than 75 t (2 423 286 oz) of gold.

CHINESE MINERS AND SOUTH AFRICA

South Africa is one of the countries which has benefited from Chinese investment in mining, although this is sometimes indirect.

The most recent case involves South African junior PGMs company Wesizwe, which recently announced a $877-million (R6,6-billion) deal with Jinchuan Group and the China-Africa Development Fund, in which the Chinese partners would take 51% of Wesizwe's increased equity and would fund the development of the 350 000-oz/y Frischgewaagd-Ledig PGMs project, with Jinchuan buying all the PGM concentrate produced under a long-term offtake contract.

Moreover, it is reported that Hong Kong-listed medium-sized gold miner Grand TG Gold, a key member of the Virgile Asian Mining Consortium, is bidding to buy the Orkney and Grootvlei gold mines, currently in the hands of liquidators. Grand TG Gold owns 72% of Taizhou Gold Mines, in China, and currently produces 0,4 t/y of gold.

Back in 2006, Sinosteel acquired 50% of the Tweefontein chrome mine and the Tubatse ferrochrome smelter for a reported $230-million, creating a JV with Samancor, known as Tubatse Chrome. The JV is situated at Steelpoort, in the province of Mpumalanga, and has a ferrochrome production capacity of 280 000 t/y to 300 000 t/y. It sells charge chrome to the highest bidder on the international market.

In addition, Sinosteel owns 60% of Asa Metals, the other 40% being held by Limpopo Economic Development Enterprise. In turn, Asa Metals owns 100% of the Dilokong chrome mine, which lies 125 km south of Polokwane, on the eastern rim of the Bushveld Complex, which has a production capacity of 400 000 t/y of chrome ore, and two smelters with a total capacity of 120 000 t/y of ferrochrome. There is an expansion project for the ferrochrome plant which involves the construction of two additional furnaces, which will take production to 240 000 t/y.

China Minmetals subsidiary National Minerals has bought the exploration rights for the Naboom chrome project from Mission Point and Versatex for $6,5-million. The Naboom project is sited at the northern tip of the eastern limb of the Bushveld Complex.

In addition, a major Chinese steelmaker, Jiuquan Iron & Steel (Jisco), is involved in South African mining as a result of a $30-million purchase of 26,1% of Inter-national Ferro Metals (IFM). IFM owns the Buffelsfontein chromite mine and smelter, located on the western limb of the Bushveld Complex, in the Brits area. Buffelsfontein has both openpit and underground operations with two blast furnaces, and has an annual ferrochrome production capacity of 267 000 t. The mine has a life of another 16 years, and expansion – which will see the construction of three new blast furnaces – is planned. Jisco will receive 50% of the ferrochrome production and will also have the marketing rights.

(miningweekly.com)

Northern Star coughs up another $13M for Paulsens (Weds, 30th Jun)

Intrepid Mines and Northern Star Resources have reached agreement on a new price for Intrepid's Paulsens gold mine, after Northern Star agreed to up the purchase price by $A13 million yesterday. The initial deal, announced in early May, would have seen Northern Star pay $15 million up front to acquire Paulsens, plus a royalty of $200 per ounce to a $12 million (or 60,000oz) cap.

The Intrepid board pulled its support for that deal earlier this month, pointing to a surge in the gold price and solid additional drilling results, claiming it had identified an extra $19 million value in the project.

In a statement to the market this morning the two companies said they've cut a new deal that will see Northern Star pay an extra $3 million up front to acquire the mine, plus an extra $135/oz royalty. Though the royalty cap will now cut out at 51,000oz, the new deal means Northern Star will pay up to $17.1 million in royalties, rather than a maximum of $12 million.

Northern Star has also agreed to two additional top-up payments, including a $2.5 million payment if gold production hits 57,500oz (effectively a royalty of $385/oz on the extra 6,500oz), and an extra $2.5 million if gold production hits 62,500oz (effectively a royalty of $500/oz).

The WA junior will also take on the closure and rehabilitation costs for Paulsens, likely to come in at around $5 million.

The revised deal will be considered by a meeting of Intrepid shareholders on July 21.

Intrepid shares dropped 1c on the news this morning to 50c, and Northern Star rose 0.2c to 6.1c.

(miningnews.net)

Atlantic pulls in $55M for vanadium restart (Weds, 30th Jun)

Atlantic Ltd has landed commitments allowing the company to raise $A55.55 million to advance work on the troubled Windimurra Vanadium project, the first step on the path to recapitalising the project. The raising is part of a deal announced in early April that saw Atlantic partner up with Mineral Resources to acquire, complete construction, commission and subsequently manage the operation.

Windimurra Vanadium went into administration in February last year after it was unable to raise the funds needed to stay afloat.

The company had been in talks with debt and equity providers over securing up to $30 million via a debt facility to bring the project into production.

However, no deal took place after the bottom fell out of the vanadium market, like other commodities, in the second half of 2008.

The partners negotiated a deal with Midwest Vanadium's secured lenders whereby the consortium will acquire a 90% equity interest in Midwest Vanadium in return for procuring project finance of up to $100 million to complete construction and commission the project.

Atlantic has now secured the first $55.55 million of that funding, announcing today the company will issue 1.26 billion shares at 4.4c – a slight (1.5%) premium to the company's 30-day volume-weighted average trading price (based on closing prices) of 4.33c.

The company had initially said its portion of the capital would mostly likely be provided through debt funding, but has since elected to go to the equity markets instead.

Strategic international investors will take $45.55 million of the placement, with Australian and international institutional investors taking the remaining $10 million.

(miningnews.net)

De Beers sees some recovery, still cautious (Mon, 28th Jun)

De Beers, the world's top diamond producer, had a strong first half but remains cautious about further recovery due to global economic risks, a top executive told Reuters on Sunday. The group, 45% owned by Anglo American, has seen a recovery in sales and rough diamond prices after being battered during the global financial downturn and now has a "much healthier balance sheet", Jonathan Oppenheimer, executive director of the De Beers Group, said.

"The diamond market in late 2009, 2010 has been strong," Oppenheimer said on the sidelines of the Fortune Global Forum in Cape Town.

"Sales are picking up, we will soon release our first-half results (to end June), and those numbers will please. It's no secret the first half of this year has been very positive."

De Beers, which controls around 40% of the rough diamond market, was hit particularly hard during the downturn as consumers shied away from luxury goods. This experience meant the company was still treading cautiously.

"We have seen a very good performance but we are all a bit cautious. There is a relief that all is going well and it is certainly looking positive but there is also an apprehension that we are very vulnerable to the success or failure of the global economy so we are holding our breath a little."

The diamond group earlier this year concluded a refinancing of debt facilities and a $1-billion rights issue to boost its balance sheet. It used all the proceeds from the rights issue plus $250-million of its own cash to pay off debt.

The group posted an underlying loss of $220-million in 2009 after making an underlying net profit of $515-million in 2008, while rough diamond sales tumbled 46% to $3,2-billion.

Oppenheimer said the group was in much better shape than at the time when it was struck by the global financial crisis.

"Our balance sheet is looking much healthier than it did in 2009, we are better prepared than in 2008 and if there is a challenge to the global economy like the one we had, I believe the industry will survive that a bit better," he said.

He said the United States was showing good signs of recovery, while China and India were becoming key markets.

"China and India remain very robust and very attractive and are the faster growing part of our market," he said.

Oppenheimer said he could not pre-empt the results release, but said production would rise as well in the first half.

De Beers has said production slid 49 percent to 24,6-million carats in 2009, but 2010 output was likely to rise to the "30s" of millions.

(miningweekly.com)

Aquarius sees 200 000 oz from Zimbabwe (Mon, 28th Jun)

Output at Aquarius Platinum's Zimbabwe mining joint venture will reach capacity of 200,000 ounces in the year to end-June and there are no immediate expansion plans, the company said on Monday. Aquarius, the world's fourth largest platinum producer, owns half the Mimosa mine. The remainder is owned by Impala Platinum Holdings, the world's second largest platinum miner.

An Aquarius spokesman told Reuters output in the financial year ending June 2010 would reach 200,000 ounces of platinum group metals (PGM), the mine's design capacity, up from 180 000 t during the 2009 financial year.

Mimosa is expected to mine 2,2-million tons of ore by the end of the current financial year, slightly up from 2,1-million tons last year.

"In 2011 we will produce the same as in 2010, which is the capacity of Mimosa at present," the spokesman said in emailed response to Reuters.

The spokesman said planning works on expanding the mine had been done but were on hold.

"The ore body is big enough to sustain expansion of the mine, so if an expansion were to be initiated, it could lead to a substantial increase in production of at least fifty percent," the spokesman said.

"At this stage this is only theoretical, however."

Zimbabwe has the second largest platinum reserves after South Africa but foreign investors have been deterred by a law that forces foreign-owned companies, including banks and mines, to sell majority shares to local people.

A government minister has said the cabinet had revised the controversial rules after President Robert Mugabe told miners last month that the laws would be refined to attract investment.

Aquarius said the government's move was positive but that the final legislation would determine the company's future investments in Zimbabwe.

"Aquarius has complied and will of course continue to comply with all laws to which it is subject in Zimbabwe and we intend to remain invested in the country," the spokesman said.

"However the final shape of this law may have an impact on investment decisions."

Mimosa will spend $20-million in capital expenditure in the year ending June 2010.

(miningweekly.com)

Japan’s first iron ore swap agreed (Mon, 28th Jun)

The Japanese steel industry, the world’s largest after China, has started to lock in iron ore prices through the use of derivatives in the clearest sign of the development of a financial market around the commodity used in steelmaking. The use of iron ore swaps to hedge volatile prices comes after miners and steelmakers ditched the 40-year-old system of annual contracts earlier this year, replacing it with quarterly contracts linked to the volatile spot market.

Mitsui, the Tokyo-based trading house or sogo shosha, said it had signed the country’s first ore swap with Credit Suisse. The bank also confirmed the deal.

The swap allows Mitsui, which acts as a middleman between iron ore miners such as Vale of Brazil, Rio Tinto and BHP Billiton and the Japanese steelmakers, to hedge the price of the commodity, avoiding the volatility of quarterly contracts.

Spot iron ore prices hit a 2-year peak of $182.10 a tonne in mid-April, but since then they have dropped 23 per cent to $139.70 on Monday. Iron ore prices are still up nearly 85 per cent year-on-year on the back of strong demand from China.

For Mitsui the deal is “a test trade in the iron ore swaps market,” said Tomohiro Saeki, general manager at the company’s commodity trading and risk management division. He declined to give any details of the swap, but industry sources said that it had been for 10,000 tonnes of iron ore per month for the second half of 2010.

“Lots of financial institutions and investment banks are coming into the market. And the producers are also very interested,” Mr Saeki told the Financial Times in an interview from Tokyo. “All the steel mills are interested in these swap markets.”

The deal represent the first step by traditionally conservative Japanese traders and steelmakers in what is a potentially huge market for iron ore hedging products. Bankers said that Mitsui and its larger competitor Mitsubishi, Japan’s largest sogo shosha, were in talks about significantly larger ore swaps hedges for next year.

The development of the iron ore swap has been slow until now with most iron ore swap deals conducted in London and not involving consumers such as trading houses or steelmakers.

But the potential market for iron-ore swaps is huge, bankers and analysts said. Iron ore is the world’s second-largest commodity by volume after oil. So far the value of its financial, or paper, market is tiny, at around $300m, but brokers and traders forecast that the iron ore swaps volume will grow to about $200bn by 2020.

Raymond Key, global head of metals trading at Deutsche Bank, said that all the factors were “in place for the volumes [of iron ore swaps] to literally explode”.

Bankers hope the move by Tokyo-based traders and steelmakers would prompt others to follow. Mr Key said China’s large mills had become more interested in swaps after encouraging comments from the China Iron and Steel Association.

Deutsche Bank and Credit Suisse launched the first swaps in 2008. Since then, other banks have joined in, including commodities heavyweight Morgan Stanley. Brokers, exchanges and clearing houses are also involved.

(Financial Times)

Tanzania seen as attractive exploration destination (Fri, 25th Jun)

Despite new provisions to Tanzania's Mining Act causing some concern for local and foreign investors, Aim-listed Kibo Mining chairperson Christian Schaffalitzky maintained that the country remained a "highly attractive" mineral exploration destination. The gold and nickel exploration company told shareholders in a statement on Friday that the changes included an increase in the royalty rate from 3% to 4% for metallic minerals and an increase from 3% to 5% for uranium.

Henceforth, the royalty would also be calculated on gross mining revenues with no allowance for post mining refining or smelting related costs, stated the company. Further, it highlighted that the government would also have the right to negotiate a free-carried interest in any mining development project on which more than $100-million in capital expenditure is invested.

"While these changes to the Mining Act have been considered by the government for some time, the speed at which they are now being implemented has taken the industry by surprise," commented Schaffalitzky.

However, he pointed out that there were some positives, noting that the new provisions supported more efficient mineral licence administration, fiscal stability over mine life cycles and greater representation by industry representatives on the government's Mining Advisory Board.

"Overall, I believe that Tanzania remains a highly attractive mineral exploration destination due to its proven mineral resource potential and benign political climate and that changes now being implemented are broadly in line with those pertaining in many other African countries," he said.

Kibo, which listed on the Aim in April, had a number of development projects in Tanzania – the Luhala, the Itetemia, the Haneti and the Morogoro projects – all of which were at different stages of development.

Site preparation for a drilling programme at the Luhala gold project was under way, with a contractor having been appointed to start drilling at the Kisunge prospect in July.

Further, the company was commissioning a scoping study on the Itetemia gold project.

The exploration company was also awaiting the expedited issuing of licences from the Tanzanian Ministry of Energy and Minerals for its Haneti gold and nickel project, before it can restart exploration.

Exploration surveys would also be undertaken at the Morogoro gold project in coming months.

(miningweekly.com)

Afghanistan to tender iron-ore deposit in September (Fri, 25th Jun)

Afghanistan plans to tender in September for companies to develop its Hajigak iron-ore deposit and aims to hold tenders of gold and copper deposits later in the year or early next year. The country, fighting the Taliban militant group, plans to set up a protection unit to provide security for mining firms, Mining Minister Wahidullah Shahrani told a presentation in London.

The Hajigak iron-ore deposit is in Bamiyan province, 130 km west of Kabul, and is billed as the largest unexploited iron-ore deposit in Asia.

Shahrani is in London for a "road show" at which Afghanistan aims to boost interest in its major iron-ore deposit and other minerals. He said untapped mineral deposits in the country, including copper, iron ore, gold and aluminium, were estimated to be worth $1-trillion to $3-trillion.

Officials from the US Department of Defense said this month that Afghanistan's mineral wealth could top $1-trillion, a finding that could reshape the country's economy and help US efforts to bolster the government.

The Soviet Union carried out extensive studies on the Hajigak deposit in the 1960s, calculating a resource of 1,8-billion tons at 64% iron.

Shahrani said the Badakhstan gold deposit would go to tender later this year and the Balkap copper deposit early next year.

The landlocked country was developing an extensive network of roads and railroads, he added.

Afghanistan has already tendered for the Aynak copper deposit, which was won by a joint venture of China Metallurgical Group and Jiangxi Copper Corp.

CAUTION

The presentation was met with caution by some of those attending.

"My guess is that you will get some juniors going in, but I'm not sure you'll find much appetite for some of the big projects. That may have to be left to the Chinese," said analyst Charles Gibson at Edison Investment Research.

Shahrani earlier told BBC radio: "We are planning to develop a number of major strategic mineral deposits such as iron ore, copper, lithium, oil and gas in the next two to three years."

Asked if the deposits could be exploited when Afghan and NATO-led forces are fighting Taliban insurgents, Shahrani said: "Fortunately we have got different deposits in different parts of the country... The deposits which are going to be developed in the near future are all located in some of the most secure areas of the country."

Shahrani said the Afghan government had recently restructured the Ministry of Mines, introduced new legislation and committed to a mining industry transparency initiative to ensure revenue from mining was collected in an open manner.

Analysts say the challenge in exploiting Afghanistan's mineral wealth is huge and could take decades to overcome. The country has little mining infrastructure, is in the midst of a war and has a reputation for government corruption.

(miningweekly.com)

IFC invests C$5m in Botswana-focused Tsodilo (Fri, 25th Jun)

The International Finance Corporation (IFC) on Friday made a C$5-million equity investment in TSX-listed Tsodilo Resources, in a deal that would assist in diversifying Botswana's mining industry. The funds would be used to advance exploration at the Canada-based company's Ngamiland diamond and base-metals project, in north-west Botswana.

Tsodilo noted that the IFC could potentially provide additional funding during the exploration, feasibility study and development stages.

Further, the World Bank subsidiary would also cooperate with the mining company to ensure that exploration and the mine's development are undertaken in an environmentally and socially sustainable manner.

"We look forward to drawing on IFC's guidance and expertise to help ensure that the progress at Ngamiland follows globally recognised best practices for the mineral exploration industry, the environment, and for working with local communities," Tsodilo CEO and chairperson James Bruchs said in a statement.

IFC global head of mining William Bulmer added that its investment was in line with the bank's strategy of supporting early-stage exploration companies with financing and advice.

The IFC was now the second-largest shareholder in Tsodilo, holding a 12% stake in the company.

Diamond mining contributes more than 50% of Botswana's tax revenues, prompting the government to intensify its efforts to diversify the economy, including the promotion of mining for other mineral resources.

(miningweekly.com)

Anglo Platinum's greenfield projects gathering pace (Fri, 25th Jun)

Anglo Platinum is currently pressing ahead with a number of new greenfield mining projects in South Africa and Zimbabwe.

Earlier this week, the world's largest platinum producer revealed that it hopes to open its first mine in Zimbabwe, at the Unki deposit to the south-east of Shurugwi, in October. The company expects the facility to produce 65,000 oz of platinum per year at full capacity and is set to use the bord-and-pillar mining method for the orebody. Work at the site includes the construction of an 8km pipeline from the Lucilia-poort dam to the mine reservoir, a 132/11kV substation, a 33km powerline, a twin decline and four ventilation shafts.

Meanwhile, in South Africa, Anglo is looking to tap into a number of platinum projects on the central and eastern limbs on the Bushveld Complex. The construction of the De Hoop dam is said to be progressing well and is scheduled to supply water to several communities in Limpopo province from the first quarter of 2011.

Anglo is one of 21 firms to sign a memorandum of agreement to develop the Olifants River Water Resources Development Project, of which the De Hoop dam is a part.

The Twickenham project, which is also located in Limpopo province, will exploit the UG2 reef zone and should eventually offer 180,000 oz per year of refined platinum. Although the economic downturn has delayed the facility's steady-state production and capital expenditure by two years, first production should occur in the fourth quarter of 2018.

Anglo Platinum, which is a subsidiary of giant mining conglomerate Anglo American, was formed in 1995 following the unbundling of Johannesburg Consolidated Investments.

(platinum.matthey.com)

Mining investment firm Vallar to list in London (Fri, 25th Jun)

New mining investment firm Vallar Plc unveiled plans on Friday to list on the London Stock Exchange and raise 600 million pounds ($898.2 million) to take advantage of acquisition opportunities in the sector. The firm, led by finance and mining veterans Nathaniel Rothschild and James Campbell, plans to start with one major acquisition and eventually build up a mid-tier mining house.

"Vallar intends to acquire a single major company, business or asset that has significant operations in the global metals, mining and resources sector," a statement said.

Acquisition companies are a straightforward cash shell until they acquire a target, at which point the money raised in the initial public offer (IPO) will be complemented by debt, and possibly further equity. The value of the initial acquisition was expected to be 2 billion to 5 billion pounds, financed with debt and by issuing additional shares, a source close to the situation said.

"After a number of years of consolidation, the mining industry is entering a phase of streamlining and we think many attractive targets will become available," said Campbell, who has 35 years of experience in the sector, including positions with diamond group De Beers and units of mining firm Anglo American.

Rothschild is the former co-chairman of hedge fund Atticus Capital LP and chairman of the international advisory board of Russian aluminium group UC Rusal.

Vallar shares would be priced at 10 pounds each and closing of the order book is due on July 8. A source familiar with the matter said that there was already a strong order book in place. Vallar is the second acquisition vehicle to appear on the LSE this year. Entrepreneur Hugh Osmond raised 417.7 million pounds via the IPO of Horizon Acquisition in February.

That offer, like Vallar, was priced at 10 pounds and was also arranged by Credit Suisse, the sole sponsor on this deal alongside joint-bookrunner JP Morgan Cazenove.

Various IPOs have been withdrawn from the market in recent weeks as volatitlity damaged investor confidence, though British oil and gas company Fairfield Energy said it would try to raise as much as $500 million in a London listing in July.

(miningmx.com)

Kevin Rudd is ousted as Australian Prime Minister, and compromise now looms in the great Australian tax kerfuffle (Thurs, 24th Jun)

Mining 1. Rudd 0. In football terms that's the score in Australia today after the (now former) Prime Minister, Kevin Rudd, was red-carded by own political party after kicking a spectacular own goal in the form of an attempted 40 per cent super tax on mining. In Rudd's place enters Australia's first female PM, Julia Gillard, bearing an olive branch and a plea for a truce with the mining industry, an industry which has clearly won a bruising advertising and public relations war with Rudd.

But, before anyone with an interest in mining cracks the Moet, the detail of what Ms Gillard is offering has yet to be seen, and initial euphoria on the ASX faded as a few harsh realities dawned. For one thing, it's worth factoring in several statements from Gillard in her acceptance speech that Australians deserved "a fairer share" of the profits made from mining. What's more, the Treasurer, Wayne Swan, a man with as many fingerprints as Rudd on the original super-tax proposal will lead fresh negotiations with the miners, while there's always the possibility that Gillard might prove so popular with the electorate that she restores support for a tatty Labor Government and snatches victory from the hands of the pro-mining Liberal Party at an election expected within months.

Those three points explain why shares in some companies like Atlas Iron (AGO) ticked up on the news, rather than soaring. Atlas added a fairly meagre A11 cents to reach A$2.25, a gain of 5.1 per cent. Still, given the turmoil in the Australian mining sector since the super-tax was announced on May 2nd, most reasonable investors would gratefully acknowledge that a one day gain of five per cent is a reasonable win.

Some other Australian-focussed companies did better than Atlas. Some worse. Fortescue Metals (FMG) added A10 cents to A$4.53, Avoca (AVO) gained A3 cents to A$2.58. Mincor (MCR) rose by A4 cents to A$1.86. But Silver Lake (SLR) lost A6.5 cents to A$1.83. The best gains were at the top end of town where BHP Billiton (BHP) added A39 cents to A$39.53 and Rio Tinto (RIO) rose by A96 cents to A$71.50. If speculation proves correct it is the big miners which have most to gain from a watered down super-tax, especially in the application of the tax to existing, largely-depreciated, assets. Overall the metals and mining index added a pleasing 1.6 per cent, especially when measured by the 0.2 per cent rise in the all ordinaries index, on a day that a deeply unpopular PM is replaced by a far more popular leader.

Time is short for Gillard to repair the damage done by Rudd to Australia's credibility as a mining-friendly country. She has to call an election by early next year, but it is traditional for national elections to be held in the second half of the year. It's the time factor which will be weighing on the mining lobby as it analyses Gillard's bouquet olive branches. These include an immediate end to the government's anti-mining advertising campaign, and an offer of fresh consultation with the miners.

In return she asked that the miners cancel their advertising too. This did more to destabilise Rudd than any other factor, even including his unilateral dumping of a carbon emissions trading scheme, and his astonishingly wasteful economic stimulus spending on household roof insulation and school hall building programmes. In her words, Gillard said: "Today, I will ensure that the mining advertisements paid for by the government are cancelled. In return, I ask the mining industry to cease its advertising campaign as a show of good faith and mutual respect". She added that: "to reach a consensus we need to do more than consult, we need to negotiate. We must end this uncertainty which is not good for this nation".

Politically, all good stuff. The devil will be in the detail, and Gillard's first big mistake could be that she has asked Treasurer Swan, who has added the title of Deputy PM to his CV, to handle the fresh talks with miners, alongside the Resources Minister, Martin Ferguson. Minesite's Man in Oz has been around long enough to know that most people find it difficult to turn the other cheek on a man who has just spent the past month slapping your face with a gauntlet, in this particular case a gauntlet holding a copy of the Tax Act. Widely seen as a bit of a goose, Swan is a career Labor politician, a species well-known in Britain. Ferguson is different, and almost certainly more pro-mining, which does offer some hope for a breakthrough.

So, what we appear to have is a government which has panicked in the face of a blistering attack from the miners, and been shocked by the collapse of its electoral support. The full horror of the 40 per cent super-tax has faded, but the principal of the tax has not gone away. Talk among miners is that they can live with a "resource rent tax" of between 20 and 30 per cent, so long as they win offsetting rebates for mineral exploration costs, and that the tax only applies after a fair return is earned on capital.

The original plan defined a fair return as the long-term government bond rate of 5.75 per cent, which was clearly a ridiculous academic concept. The new "starting" return is likely to be a return of between 12 and 15 per cent on capital, before the resource tax cuts in. That, however, is pure guesswork by Minesite's Man in Oz. He, like you, now waits to see the next act in a fabulous story of money, power, betrayal and tax. All that's needed to round the story off is for a Welsh-born girl to migrate to Australia where she rises to become the country's 27th PM – oh, sorry, we've got that too.

(minesite.com, Man in Oz)

SA miners stall on transformation in management – study (Thurs, 24th Jun)

South African mining companies have shown a "disturbingly" low level of workforce transformation, eight years after signing the Mining Charter, a study by KIO Advisory Services has found. Commissioned on behalf of the South African Mining Development Association, the study showed that the JSE's top 25 mining companies were lagging far behind the legislated targets contained in the black economic-empowerment (BEE) codes of good practice.

It stated that the sector had "huge" shortfalls in the representation of black people in management.

In April, a report by KIO Advisory Services showed that the South African mining sector was not "anywhere close" to achieving the target of 26% black ownership by 2014.

It stated that the gross value of black shareholding amounted to 5,27% of the total R1,8-trillion market capitalisation of the top 25 mining companies, as at the end of March 31, 2010.

Measured against the BEE codes, the percentage of black people in top management was 17,9% compared with a compliance target of 40%, while the percentage of black people in senior management was 15,5% compared with a compliance target of 43%.

Middle management showed a 63% compliance with almost 27% of middle management being represented by black people and junior management ranked at 68% compliance with 32,8% being presented by black people.

The report also showed that there was an "alarming" shortfall of black women in management.

Black women had a representation of 4,1% in senior management positions, compared with a compliance target of 21,5%, while black women in middle management showed a 8,5% representation.

KIO Advisory Services founder Duma Gqubule said that these figures were in stark contrast with an overrepresentation of white women in management in the mining sector.

"Black women have a representation of 40,3% in the country's economically active population (EAP). This is almost eight times the representation of white women in the EAP of 5,3%. Yet, there are more white women than black women in management in the mining sector."

The report showed that white women had a representation of 7,4% in senior management, a 14,6% representation in middle management and an 8,1% representation in junior management.

Gqubule pointed out that the mining charter of 2002 had set a 40% target for historically disadvantaged South Africans (HDSAs) in management, which included white women.

"However, the high numbers of white women in the HDSA targets for management have the effect of distorting the true picture of transformation in the sector. This is why we benchmarked the sector against the BEE codes in addition to the Mining Charter.

"The Mining Charter has had little impact on the pace of workforce transformation. White people continue to run South African mines, even at lower levels of management," he commented.

The report noted that if one included white women, the sector had not met its targets for top and senior management where HDSA representation was at 30%.

But it had met its targets for middle and junior management with HDSA representation of 51,2% and 57,7% respectively. However, Gqubule pointed out that the HDSA figure of 51,2% for middle management included a distortion because of a representation of 14,6% for white women, which was almost three times their representation in the EAP.

Excluding white women, the representation of black people in middle management is 36,7%.

The report identified three areas of weaknesses that KIO Advisory Service suggested should be addressed by the Presidential BEE Advisory Council and industry stakeholders.

"Firstly, industry stakeholders should consider dispensing with the HDSA targets in the Mining Charter. The HDSA targets should be discontinued because there is a significant overrepresentation of white women in management that distorts the true picture of transformation in the industry.

"Secondly, stakeholders should develop a rigorous BEE measurement system to reduce the possibility of different interpretations by companies and enable the monitoring of implementation on a yearly basis, as was envisaged in the charter."

KIO Advisory Services said that the codes developed by the Department of Mineral Resources (DMR) for management control and employment equity, which were an attempt to introduce such a measurement system, were flawed.

"They should be redrafted and aligned with the BEE codes.

"Further, the targets in the Mining Charter and DMR codes are too low. The targets in the BEE codes were set after careful benchmarking and in-depth consultations over four years. In our view, the mining sector cannot provide a compelling justification for having lower targets than the rest of the economy," said Gqubule.

Lastly, he noted that there was no mechanism to independently verify the BEE contributions of mining companies because the sector had its own legislative framework for transformation that was not aligned with the BEE Act and codes.

"Most mining companies do not have BEE verification certificates. In the rest of the economy, companies have to obtain BEE certificates from accredited BEE verification agencies. The mining industry cannot forever be exempt from the requirement for independent verification of BEE contributions," concluded Gqubule.

(miningweekly.com)

Chinese diamond market catching up with US – De Beers (Weds, 23rd Jun)

Chinese diamond demand could reach the same level as the US, the biggest consumer, in the next decade, De Beers MD Gareth Penny said last week. In a video interview with London's Financial Times, he said at that stage China, including Hong Kong, would account for one-third of global demand for the precious stones as diamond engagement rings grow in popularity there.

"What we're now seeing, with China growing as rapidly as it is, [is] annual double-digit growth compounded over a period of five years," Penny told the Financial Times. "We think you'll see greater China, including Hong Kong, at not dissimilar levels overall [to the US]...about a third of world demand in about ten years time."

Penny said 20 years ago, hardly any Chinese brides received diamond engagement rings, but now nearly half of the couples getting married in the eastern seaboard cities of Beijing, Shanghai, and Guangdong were buying them.

In 2009, the US accounted for about 40% of global consumer diamond demand, with China at around 6% to 7%. In April, De Beers forecast China would account for 16% of global diamond demand by 2016.

Diamond prices last week vaulted to their highest levels since November 2008, according to Polished Prices figures. The index is now 9% above its starting level for the year, and is 11,4% higher, compared with the same time last year.

Penny, meanwhile, said diamond supply would decline in the future. "These great mines that were discovered ten, 20, 30 years ago are not being replaced today. According to the data that is out there, we're going to see some significant declines in diamonds."

De Beers is emerging from a bruising recession, which forced it to tap its shareholders for $1-billion in a rights issue earlier this year. The company lost its title as the world's biggest producer last year, when it slashed production by half on the back of weakened demand. Russia's Alrosa produced around 34-million carats in 2009, when De Beers produced 24,6-million carats.

Penny told the Financial Times De Beers' results had improved for the first half of 2010. "We're going to post a pretty healthy set of results for the half year," he said.

(miningweekly.com)

Mining industry mourns Sundance deaths (Tues, 22nd Jun)

The mining industry is mourning the loss of respected industry veterans, who were killed in the Sundance plane crash in West Africa. As tributes for the mining executives flowed in, former BHP Billiton boss Brian Gilberston today stepped in to help Jupiter Mines, which lost chairman Geoff Wedlock -- who was onboard the plane in his role as chairman of Sundance -- in the tragedy.

The plane was carrying the entire board of Sundance Resources, including mining magnate Ken Talbot, and went missing over thick jungle on Saturday on a flight from Yaounde, Cameroon's capital, to Yangadou in Congo-Brazzaville.

Perth-based Sundance said the aircraft was located by a helicopter mobilised by the company operating as part of the multi-national air and ground search.

“A team of 10 French Military personnel, including a medical detail, were immediately deployed to the remote crash site by helicopter,'' the company said in a statement.

"The crash site has been secured, with two Sundance contractors and a representative of the French Military remaining with the bodies.''

Also killed was Sundance chief executive Don Lewis, company secretary John Carr-Gregg and directors John Jones and Craig Oliver. The other passengers were a consultant Jeff Duff, Mr Talbot's personal assistant, Natasha Flason, a French citizen, another British citizen who has not been named, and the French and British pilots.

Former Sundance chairman George Jones, who has been appointed as a strategic adviser to the company, said the loss of the industry veterans would be felt Australia-wide.

Talbot Group chairman Don Nissen said he was proud to say he had known Ken, as a friend and work colleague for more than a decade.

"He will be greatly missed by those whose lives he touched,'' he said.

"Ken was very much a larger than life character, enthusiastic, buoyant, sincere and humane. He was a great Queenslander and Australian, but most importantly he was a devoted family man.

"Ken was definitely a self- made entrepreneur. The proud son of a truck driver and with a state school education he often described himself as a simple coal miner.''

A list of mining companies have been affected by the tragic deaths, as the Sundance board members also held roles and several other miners.

Jupiter Mines said today its board and management were "devastated'' to learn of the death of their chairman and charismatic leader, Mr Wedlock.

"Our hearts go out to his family and wide circle of friends, colleagues and acquaintances, who must continue with their daily lives after this tragedy,'' the company said in a statement.

Jupiter was progressing its Tshipi Kalahari manganese project in South Africa, which Mr Wedlock was integral to finalising.

The company said that to ensure corporate stability, particularly ahead of an August meeting, where shareholders were to vote on the Tshipi acquisition, Mr Gilberston would join the board as a non-executive director and acting chairman.

(theaustralian.news.com.au)

Canada to capitalise on Australia’s super-tax (Tues, 22nd Jun)

Canadian politicians and business groups are using Australia’s proposed natural resources super-tax to lure foreign investment to Canada. “We think lowering taxes attracts investment, we think higher taxes obviously discourage investment,” Peter Van Loan, international trade minister told the Financial Times.

Gordon Peeling, chief executive of the Mining Association of Canada, an industry lobby group, said the Australian tax “probably makes Kevin Rudd (Australia’s prime minister) the mining man of the year in Canada, because he’ll bring a lot of investment our way”. Canada has abundant deposits of many of the same metals as Australia, including gold, copper, coal and uranium. With its political stability and well-developed infrastructure, it is often mentioned as an alternative for companies no longer willing to invest in Australia.

In contrast to Australia’s left-of-centre Labor government, the ruling Conservatives in Canada are in the process of lowering corporate taxes. The basic corporate rate is to fall to 15 per cent in 2012, down from 22 per cent in 2007, and is the lowest among major industrial countries. The combined federal and provincial tax rate will be below 25 per cent in most of the 10 provinces.

The government has also sought to attract investment by streamlining approval of mining and other resource projects, including environmental assessments. A new major projects management office co-ordinates relations between investors and various federal agencies. Among the provinces, British Columbia and Ontario are in the process of harmonising federal and provincial sales taxes into a single levy.

The harmonised tax is expected to save BC’s mining industry about C$55m ($54m) a year by allowing tax credits on a wider range of inputs, according to Randy Hawes, the province’s mining minister. “We’re very appreciative (of the Australian tax),” Mr Hawes said. “They should carry on and get all the revenue they can get.”

Noting that Canada’s metallurgical coal exporters have higher transport costs than their Australian rivals, Mr Hawes said the proposed super-tax was “a very good way to level the playing field”. Many of the world’s mining companies had offices in Vancouver and “they are all completely aware of what’s happening in Australia and what we’re doing in BC”.

Some mining and tax experts have predicted that other countries seeking new sources of revenue will quickly follow Australia’s lead if the new super-tax is put in place. One Toronto consultant said that others were likely to pitch their rates slightly lower than Australia to look good by comparison.

Mr Van Loan said that no such move was likely in Canada. “We’re going to continue on our path making sure that Canada is the most competitive and attractive place to invest.” Alberta this year responded to an outcry from oil and natural gas producers by rolling back increases in royalties imposed in 2007.

(Financial Times)

Saudi Arabian gold reserves double (Mon, 21st Jun)

Saudi Arabia, the world's fourth-largest holder of foreign exchange reserves, is sitting on more than twice as much gold as previously thought, according to new estimates that point to the revival of bullion as part of emerging economies' official reserves. The changes in Riyadh's reserves were revealed by the World Gold Council, the industry-backed body that regularly tracks official bullion holdings.

According to the WGC, the Saudi Arabian Monetary Agency, the central bank, has gold reserves of 322.9 tonnes, more than double the 143 tonnes it had previously reported.

The central bank said in a footnote to its latest quarterly report that "gold data have been modified from first quarter 2008 as a result of the adjustment of the Sama's gold accounts".

Sama did not respond yesterday to calls seeking further comment.

Analysts said the rise in official gold holdings probably represented an accounting shift rather than fresh purchases.

One possibility is that a large fraction of the country's gold was not considered until now part of the official reserves. The fact that Riyadh retroactively updated its gold reserves since 2008 would support this theory. But, without an official explanation, analysts were keeping their options open.

At current prices the extra gold now declared to be in Saudi Arabia's official reserves amounts to $7bn (€5.6bn, £4.7bn).

The revelation could add further fuel to gold's rally as it is a further sign that central banks are keen on the metal, after two decades of selling their bullion.

Gold prices hit a nominal record high above $1,260 a troy ounce on Friday.

Adjusted for inflation, however, bullion still remains a long way from its all-time highest level of more than $2,300 in 1980.

The WGC's Saudi revelation comes just a year after China surprised the bullion market when it revealed its gold holdings were more than 1,000 tonnes, almost double what it had reported for years.

Analysts believe that central banks could become net buyers of gold this year for the first time in nearly two decades.

India bought 200 tonnes of gold from the International Monetary Fund earlier this year, while Russia and others are purchasing bullion from domestic miners on a regular basis, official data show.

European central banks, after more than a decade of hefty disposals, have all but stopped selling.

Riyadh is now the 16th largest gold holder, ahead of countries such as the UK and Spain but behind developing nations including Russia and India.

The US is the world's largest bullion holder with 8,133.5 tonnes. Saudi's gold holdings represented a fraction of the country's total reserves at just 2.8 per cent of the total, up from 1.2 per cent previously, according to the WGC.

(Financial Times)

RSPT based on flawed assumptions: report (Mon, 21st Jun)

THE mining sector received more ammunition in its fight with the federal government over the proposed resources super-profits tax, with a new Ernst & Young report criticising the fundamental assumptions the government has used in its arguments in favour of the tax. Commissioned by the WA Chamber of Minerals and Energy, and Xstrata, the report was prepared by Ernst & Young's US-based Quantitative Economics and Statistics practise.

The report describes a key assumption of the federal government's economic modelling – that mining investment is relatively immobile – as "unrealistic" for modelling mining investment behaviour in the 21st century.

Authors Dr Thomas Neibig and Dr Robert Cline criticised the assumptions made by "academic" economists in preparing the modelling, saying it assumes no possible shifting, in the long run, of mining activities to other countries as a result of the tax.

"While a profits tax would not affect the relative ranking of expected after-tax returns from potential similarly taxed investment projects within one country, it would alter the pattern of returns across similar investment opportunities in other countries," the report said.

"If Australia imposes the RSPT, it would lower potential after-tax returns on Australian projects compared to potential after-tax returns on similar resource investments in Brazil, Canada, China and other countries.

"As multinational firms make long-term investment decisions, less capital would be allocated to new investments in Australia."

The report said that even existing Australian mining activities may be affected, given the level of ongoing sustaining capital investment required to retain the cost competitiveness, reliability and life extension of existing operations.

"Reduced investment in existing operations resulting from the RSPT can be expected to result in some earlier closures of operations."

The report quoted a recent International Monetary Fund (IMF) working paper which noted that taxing supernormal profits would only not distort investment decisions in a closed economy.

"In an open economy, however, in which multinationals decide on where to undertake their profitable discrete investments, the after-tax economic rent may be increasingly important," the IMF is quoted as saying.

Neibig and Cline also criticise the modelling for its inconsistent treatment of the mobility of both capital and labour.

"Mining activity is described as being completely immobile in the analysis of the long-term economic effects of the RSPT," the report noted.

"However, the same analysts and model treat mining as including both mobile capital and labour, in addition to immobile natural resources, for purposes of analysing resource royalties and corporate income tax. This inconsistent treatment is not explained."

The report concludes with a call for further analysis of the tax before it is introduced, pointing to a lack of analysis in the short to medium term.

The KPMG Econtech analysis the government commissioned, according to Cline and Neibig, looks only at the long-term impacts of the tax and not closely at the five to ten-year likely response from the industry.

The report says the new tax may have the unintended consequence of increasing the volatility of revenue from the mining sector, given volatility in the commodities markets.

"A detailed revenue analysis of the RSPT proposal over the next ten years, and also modelled over prior commodity price cycles, would be important to enable policymakers to understand the full potential impact of the imposition of such a tax," the report said.

(miningnew.net)

Grange has two reasons to smile (Mon, 21st Jun)

It was a double whammy for Grange Resources today after it secured a 25% increase in interim pricing for its iron ore pellets and received notification of Commonwealth approval for the Albany Port expansion. The latter is a key component in the development of the company's Southdown magnetite project in Western Australia.

The port expansion follows five years of environmental reviews and approvals processes associated with Southdown, where Grange is currently undertaking detailed engineering.

The project is owned 70% by Grange with Japan's Sojitz Corp holding the balance.

The company has been promoting a 6.6 million tonne per annum operation at Southdown , but is now looking at a 10Mtpa operation with an updated prefeasibility study due to be handed down before year end, leading to bankable studies in 2011.

The plan will also include a revision of the $US1.6 billion ($A1.8 billion) capital cost estimated two years ago.

The partners are targeting a 2013 production start-up.

The Albany Port expansion will enable cape sized vessels, required to transport concentrate from the Southdown operations, to dock and load at the port.

Grange is Australia's leading magnetite producer and operates the Savage River magnetite mine in Tasmania, which produces 2.3Mtpa of premium iron ore pellets.

The recent 25% increase in the price of pellets was reached with its primary customer and cornerstone shareholder, China's largest private steel mill Shagang Group.

The interim agreement will add $30/t of pellets to the current quarter's interim price of $120/t.

The new price of $150/t will be effective from July 1.

Grange chief executive Russell Clark said the increased pricing arrangement recognises the rise in various spot iron ore prices over the past three months.

"The new arrangement guarantees enhanced revenue whilst we finalise the actual index prices for the quarter," he said.

(miningnews.com)

A World Cup of mining executives (Sun, 20th Jun)

Having attended, in freezing conditions, the poor showing of South Africa's national soccer (football) team at the Fifa World Cup recently, I set to wondering what team I would compose were it to consist of mining executives. The first rule is that the executives have to be South African. Though Cynthia Carroll would make for a tireless midfielder, she doesn't qualify.

The second rule is that they'd have to been in action (as mining executives) whilst I was a mining reporter. That means any South African qualifies if they held CEO positions from 1996 to the current day.

The third and most important rule is that the reader has to make the same imaginative leap as the writer by thinking in terms of leadership qualities rather than any athletic prowess as the key criteria of selection.

And one final rule. The selection is entirely subjective, personal, horribly self-indulgent, and not intended to injure. In discussing the idea with colleagues it was abundantly clear that it was possible to shape any number of teams. South African mining is blessed with a myriad of leaders.

The goalkeeper position is easy: Sipho Nkosi, CEO of Exxaro.

You're typically looking for "a safe pair of hands", strong decision-making abilities, and the type of mental constitution that knows, but isn't unravelled by the possibility that a single mistake can be critical. Nkosi to me seems unshakeably calm about his executive responsibilities.

I was torn. Chris Thompson, former Gold Fields CEO, would also take up this position, but in the end, Thompson warms the bench.

I needed 'towers in defence', or 'giants in the air'. These are the centrebacks, the stalwarts of any team.

For this, I've got David Brown, Impala Platinum CEO and Ferdi Dippenaar. Full backs are no-nonsense in personality, and absolute. Brown and Dippenaar it is.

Flanking these bastions of granite determination are the 'wing-backs'.

In the old days, these positions were the more static left and right back. Today, they need something of the fleet-of-foot combined with a certain tackling, snapping at the heels ferocity.

The shoo-in at right back is Stuart Murray, CEO of Aquarius Platinum. He's not always pretty, but tenacious. In my mind's eye, he's careering down the wing like a dynamo. His counterpart on the left is Paul Miller, MD of Keaton Energy.

Opportunism, maverick, enterpreneurial endeavour…. They've got it in spades.

Midfield is the engine room. Courage, no small degree of skill, strategy, and vision are the key elements. They link defence with attack. They are the beating heart. It's no coincidence that three of my midfielders all hail from the Billiton stable. You need a kind of like-thinking solidarity so let's start with the centre half, 'the guvn'r' as the position is often labelled.

Brian Gilbertson: poise, unshakeable confidence, and vision. He sits at the top of the diamond, the most attacking position in the midfield formation. He's also captain. His counterpart at the bottom of the diamond is Mick Davis, CEO of Xstrata.

Though a holding role, it's Davis you want as the team floods forward in counter attack, bringing the ball rapidly out of defence. He's reserved, but possesses a sharpness of purpose that's terrifying to behold as opponents back-pedal. And as Big Mick advances, back peddling is advisable.

The lightning puck at Davis's shoulder is the archetypal 'ball player'. With an ability to thread a pass through the eye of a needle, this is the playmaker role par excellence. So who in the world of mining has a lightning turn of speed (of thought), low centre of gravity (quick mover) and the vision of Socrates (the Greek philosopher not the Brazilian player of the Eighties)?

Marius Kloppers, of course!

You don't get to be BHP Billiton CEO by being a water-carrier (as Eric Cantona once, unkindly said of French team mate, Didier Deschamp).

Finally, for midfield, I'm looking for an urbane worldliness or wry experience. You want someone who can read the game in all its political complexity. Work out who's tiring among the opposition; an ability to detect weakness. Look no further folks than Niall Carroll of Royal Bafokeng Holdings.

Understated, a figure of poise, and a wizard of positioning. Carroll is so clearly 'in the game' without ever conspicuously appearing so. Impeccable judgement is always needed.

Which leaves the strikers, the sharp end of the wedge.

Qualities required are an eye for goals, an unkillable appetite for success, and of course, killer instinct.

After considerable deliberation, two mining executives stand out above the rest: Mark Bristow and Ivan Glasenberg, head of Randgold Resources and Glencore respectively.

You don't want to be let down at the crucial moment, even with a potentially impossible half chance. They turn scraps of chances into victory, and a hunger for winning that confounds sense.

As in the world of mining, soccer thrives of winning margins and both Bristow and Glasenberg know what a margin is, and consistently achieve it.

That leaves me to conclude with the all important coaching position and who I'd stick on the bench.

At first, Derek Keys was my coach. But I never really knew him (although his strategy of unbundling Gencor eventually became Gilbertson's to conclude). So I've opted for Con Fauconnier, formerly of Exxaro Resources, ably assisted by Andre Wilkens, CEO of African Rainbow Minerals.

Bernard Swanepoel sits on the bench as a fantastic replacement in the attacking department, or when I want to throw 'three up top' in pursuit of an all important equaliser, or winner. Peter Flack and Mark Cutifani are midfield replacements.

All organisations need an owner. Who else but Patrice Motsepe. He might even know a thing or two about soccer.

(miningmx.com)

South Korea's Kores says eyeing Africa mines (Fri, 18th Jun)

SEOUL - State-run Korea Resources Corp (Kores) said on Thursday that it was looking closely at investing in several mines in Africa this year, expecting minerals prices pick up next year along with the global economy. Kores President Kim Shin-jong said in a written interview with Reuters on Thursday that the company would use part of the proceeds from its recent $300-million bond sale to finance the investments.

"Although the timing is not as good as last year, this year is still good for investment. Next year we may not have opportunities to acquire new mines as minerals prices are projected to recover along with the economy," said Kim.

Kores, which has investments in 30 resource exploration, development and production projects in 12 countries, was interested in investing in South Africa, Mozambique, Namibia, Congo, Niger and Zambia, he said.

Kores was seeking potential exploration opportunities for coal, uranium, copper and manganese, he added, saying: "We are interested in several mines in Africa, although we cannot yet confirm any acquisitions."

CHINESE RIVALS

Kim said part of the proceeds from the recent bond issuance would be invested in the Ambatovy nickel project in Madagascar, in which KORES acquired a 22,5% stake in 2006.

He added that the company had no plan to issue another dollar bond this year.

Last month, Kores sold a $300-million bond due in 2015. The issue drew $2,6-billion in orders, with Asian investors taking the bulk of the debt sold.

While Kores planned to keep its debt-to-equity ratio below 100% over the long term, Kim said the company would diversify ways to raise money by selling some assets, such as partial stakes in the Ambatovy project, and resource development funds, as well as spending profit from its investments.

On the company's strategy with regard to aggressive, cash-rich Chinese competitors, Kim said: "It is obvious we cannot match Chinese financial capacity and investment size. But we can provide world-class technology in setting up information technology, infrastructure and power systems, making us more suitable for offering package deals providing infrastructure in resource-rich countries."

He added that Kores would continue to bid in consortiums with local private companies to hedge against risks.

South Korea, Asia's fourth-largest economy, said in April that private and public investments, including those by Kores, in six major minerals were estimated to reach $1,3-billion this year, up 22% from last year.

Heavily dependent on energy and resource imports, South Korea consumes 2,69-million tons of non-ferrous metals a year, making it the world's sixth-largest consumer, according to government data.

(miningweekly.com)

Zambia needs stable mining laws (Thurs, 17th Jun)

Africa's top copper producer, Zambia, needs stable laws governing its mining sector for the country to continue attracting more investment, even after scrapping a controversial tax on revenue. Making this statement in an interview here with Reuters, Chamber of Mines of Zambia general manager Frederick Bantubonse said that future investment into the southern African country's mines would depend on stability in legislation.

Zambia plans to increase its copper production to 1 million tonnes next year, from just below 700 000 tonnes in 2009, in the wake of rising investments in the sector over the last seven years, following a rally in global metals prices and increasing metals demand.

"The potential for mining in Zambia is good, but people must understand that mining is long-term and requires stability in terms of the total legislation covering mining," Bantubonse told Reuters, but he gave no further details.

He said mining companies were happy with the government's withdrawal of the controversial, revenue-based windfall tax, which had made them liable to pay tax even when they were recording losses.

"With the existing tax regime the outlook is good, but it will also depend on the outcome of ongoing consultations with the government where we are looking at the entire mining sector," Bantubonse added.

In 2008, Zambia increased company income tax to 30% from 25%, raised mineral royalty from 0.6 to 3%, introduced a 25% windfall tax, and separated hedging income from mining income for tax purposes. Following protests from mining companies, the government last year removed the windfall tax, but kept the other taxes.

(miningreview.com)

China sets consolidation target for top 10 steel mills (Thurs, 17th Jun)

China aims to put more than 60 percent of its total steel capacity in the hands of its top ten steel mills by 2015, up from 44 percent in 2009, the country's cabinet, the State Council, said on Thursday. As part of the government's plans to make the country's fragmented and chaotic steel sector more competitive internationally, it will also encourage the biggest mills to build plants abroad, according to a policy document published on China's official government website (www.gov.cn).

It also plans to halt capacity expansion plans in regions that fail to eliminate outdated capacity, and will not approve any new steel project until the end of next year.

The document also said that it would encourage domestic steel mills to establish stable iron ore supply bases overseas, and to establish a fair and reasonable pricing mechanism for the key steelmaking ingredient.

(Reuters)

Time ripe for mining consolidation: Citi (Thurs, 17th Jun)

AUSTRALIA is in need of another big miner and the controversial resources tax means it is the right time for consolidation in the sector, according to Citi. Analyst Craig Sainsbury said the gap between the big and small players in Australia's mining sector was increasing, citing that in 2001 BHP Billiton was three times larger than the number three miner, whereas today the mining giant is 25 times larger.

"Essentially the ASX has seen an influx of small to mid-tier miners and an outflow of the 'natural consolidators' of the stocks such as WMC Resources and MIM," he said in a report today.

"With growing cash reserves and RSPT impacted valuations of domestic Australian producers, now may be the time for industry consolidation in Australia."

Mr Sainsbury said larger scale and greater diversity would make a company more relevant on a global scale.

He also warned that Australia risks losing relevance because of the limited large-cap opportunities in Australia and the implementation of the Rudd government's resources super-profits tax.

Australia has only three companies with a value of greater than $US10 billion compared to seven in the UK, four in the USA, six in Canada and four in South Africa.

"The UK has the largest proportion of large miners which offers strong diversity," the report said.

"We believe that this is partly the reason why the plc lines of BHP and Rio trade at such a discount to their Ltd lines as UK investors are spoilt for choice, but Australian investors need to own BHP and Rio."

(theaustralian.news.com.au)

New Dawn buys 89% of Central African Gold (Weds, 16th Jun)

TSX-listed New Dawn Mining has bough around 89% of Central African Gold from the company's three biggest shareholders. New Dawn also bought the convertible and non-convertible debt owed by CAG to the sellers, which amounted to some $7,08-million, through deeds of assignment.

New Dawn operates two gold mines in Zimbabwe and has indicated it was looking for more development and producing assets in the country.

CAG has gold mining assets in Zimbabwe and its shares are quoted on the LSE's Aim market. The company acquired a number of operations and exploration projects in the Southern African nation when it bought an 87,4% stake in Falcon Gold and a 100% interest in Olympus Gold Mines in early 2007.

The acquisition will increase New Dawn's gold resource base and mining capacity in Zimbabwe to support a consolidated annual production rate of 50 000 to 60 000 oz of gold within the next 18 to 24 months, the firm said.

Beyond that, the company will target an increase to 100 000 oz/y of gold in four to five years, with the eventual goal of reaching a consolidated production rate of between 200 000 oz/y and 250 000 oz/y of gold/

“The completion of the acquisition is consistent with New Dawn's stated business objective to become a mid-tier gold producer and the 'in-country consolidator' of gold mining assets in Zimbabwe,” the firm commented.

To complete the acquisition and deeds of assignment transactions, New Dawn issued a total of 8,87-million shares, plus four-year warrants that, if exercised, would increase its share count by another 2,22-million.

The sellers acquired a 23,3% interest in New Dawn, excluding the warrants.

To meet TSX rules, the firm said it obtained written consents from its three biggest shareholders for the deal. Together, the three own 61,7% of New Dawn's issued and outstanding shares.

New Dawn said it plans to seek representation and control of CAG's board of directors, after which it will launch a strategic review of the firm's assets and operations.

It will look into CAG's short- and long-term working capital requirements to fund the development and operation of the company's assets, and could address funding needs throuhg a combination of internal cash flow and new debt and/or equity.

(miningweekly.com)

Booysendal project could reach production 'sooner than expected' (Weds, 16th Jun)

Northam Platinum revealed yesterday that it could start pgm production at its Booysendal project sooner than expected. The company made the finding after conducting an optimisation of the feasibility study, which also suggested that output could be increased with a better mining lay-out.

As a result, the setup has been changed to improve process-flow efficiency and cut emissions of harmful gases.

The exercise also saw Northam arrive at a new capital expenditure estimate of R3.6 billion, which incorporates the streamlined tonnes milled and ounces produced capabilities.

Mill throughput to the concentrator plant will rise by 25 per cent to 150,000 tonnes per month, with 187,500 run-of-mine tonnes processed through the dense media separation plant.

In light of Eskom's 20MVA power restriction, the company will acquire 5MVA of self-generated energy during the busiest times experienced by the South African state utility.

Meanwhile, Northam confirmed last week that convertor operations at the metallurgical plant of its Zondereinde division have now resumed following a shutdown in May.

(platinum.matthey.com)

Highlighted Research:

Nyota Minerals Ltd: Ocean Equities Valuation Update after doubling the resource (Fri, 25th Jun)

Investment Argument: Nyota Minerals Ltd ("Nyota") is an AIM/ASX listed junior resource company with a portfolio of assets, the foremost of which is the Tulu Kapi gold project in Ethiopia. Tulu Kapi was acquired by Nyota as part of the acquisition of Minerva Resources in 2009 and is a development stage gold project with an inferred resource that has recently been increased from 690koz Au @ 1.58g/t Au to 1.38moz @ 1.68g/t Au.

Tulu Kapi is rapidly shaping up to become a significant gold asset that is amenable to open-pit mining and we anticipate that the resource will increase further to +2moz within the next 9 months as a result of ongoing drilling on the project, and could ultimately be in excess of 3moz. Exploration ground controlled by Nyota surrounding Tulu Kapi is considered under-explored and extremely prospective, and the Company has recently acquired further licenses in Ethiopia covering 4,500km² to the north of Tulu Kapi which are again considered highly prospective.

We believe that the Company is set to become a major player in an emerging gold district with Tulu Kapi potentially one of a number of minable deposits. Nyota is well funded and has the support of the IFC, which has recently taken a 10% stake in the Company.

Since our Initiation of Coverage report (November 2009 – 6-9 month price target of 17p), the Company has announced:

- The results of a 'pre-scoping study' by Venmyn showing that Tulu Kapi could support an economic mine (based on the 690koz resource);
- The investment of the IFC in the project who have taken a 10% stake;
- An increase in the resource of Tulu Kapi to 1.38moz;
- The confirmation of a third mineralised body beneath the current resource envelope;
- The acquisition of additional highly prospective exploration ground within Ethiopia;
- The strengthening of the management team with the appointment of Terry Tucker as COO.

The progress made by the Company since November 2009 has exceeded our expectations, and we believe that this pace of development / news flow is set to continue over the next 6-9 months primarily driven by the aggressive drilling programme which is currently underway at Tulu Kapi and is to commence shortly on other regional targets in Ethiopia.

Valuation Update: Following the recently announced resource update, we are revising our valuation of Nyota and have increased our 6-9 month valuation range to £0.25 to £0.34 per share. We continue to use a multiple of in-situ ounces as the basis of our valuation as Tulu Kapi is still an early stage exploration project with limited cost study analyses completed.

We value Tulu Kapi's resource at $65 per ounce (with the top end of our valuation range based on the expectation that the Company will have a 2moz resource within the next 9 months) and attribute a valuation of $7m to Nyota's other assets (for further details see page 2, Valuation Analysis in Detail).

This compares to a value of $67 per ounce for our peer group of African gold developers, which is set out in Exhibit 2 on page 3. It should also be noted that the market is valuing the in-situ ounces of companies that are actually mining gold in Africa slightly higher at $76 per ounce. In this regard, we are confident that Tulu Kapi does represent a mine in the making, particularly given that it enjoys less quantitative qualities such as: a favourable topography that should reduce strip ratios for open pit mining; a plentiful water supply; a plentiful labour force but with a high local unemployment rate (and therefore keen to work); a burgeoning mining industry in Ethiopia (see page 15 for a discussion of the exploration boom in Ethiopia); a supportive government; and the financial and political support of the IFC.

Risks

- The standard exploration risk applies to Nyota – exploration spend is no guarantee of success, although this risk is diminished for infill drilling as Nyota is currently doing in addition to 'step-out' exploration drilling on new targets.
- We feel that the sovereign risk of Ethiopia is lower than perhaps is perceived – the government has publicly supported the mining industry and Nyota in particular.

Newsflow: Further drilling and assay results from the ongoing exploration campaign at Tulu Kapi and the surrounding area, including the newly optioned areas to the north; and further metallurgical testwork at Tulu Kapi.

RELATED RESEARCH

Nyota Minerals: Conditions met for IFC's £3.4m investment for 10% of Nyota (Fri, 28th May)
Nyota Minerals: Resource Update to 1.38moz @ 1.7g/t at Tulu Kapi (Thurs, 6th May)
Nyota Minerals: IFC invests £3.4m for 10% of the Company (Weds, 14th Apr)
Nyota Minerals - Tulu Kapi Drilling Update (Mon, 29th Mar)
Nyota Minerals: Outstanding metallurgical results for Tulu Kapi (Feb 3rd 2010)
Nyota Minerals: Successful Preliminary Assessment Demonstrates a Viable Gold Mine at Tulu Kapi (Feb 1st 2010)
Nyota Minerals: Tulu Kapi Trenching Results (Jan 20th 2010)
Ocean Equities Research: Stocks to Highlight in 2010 (Jan 19th 2010)
Nyota Minerals Limited (AIM,ASX: NYO): Highly Prospective Gold in Ethiopia with Clear Upside **Ocean Equities Research Initiation (Nov 30th)**

Kirkland Lake Gold - Drilling Extends SMC 340 Feet East (Tues, 15th Jun)

News: Kirkland Lake Gold ("Kirkland") has released results from underground drilling that has extended the South Mine Complex (SMC) 340 feet (104 metres) east of the previously known limits.

The SMC represents a group of highly mineralised zones (now 25 or more) that are situated within the Company's Macassa property in Kirkland Lake, Ontario, to the south and south-east of the historic 'Main Break' mining area. Some of these zones are now in production with others being explored and developed.

The press release has full details of all 16 holes reported today which include some results from the hangingwall and footwall intersections. However the most significant results are from the New South Zone and highlights include:

Hole #	Grade (oz/t)		Intersection (True Width)	
	oz/t	g/t	Feet	Metres
50-1242	6.24	214.0	3.0	0.9
50-1153	0.77	26.4	5.5	1.7
53-1504	1.70	58.3	6.4	2.0
53-1561	1.12	38.4	5.1	1.6
53-1562	2.39	81.9	9.8	3.0
53-1563	0.99	33.9	7.4	2.3

The Company will be increasing exploration drilling from 8 to 14 shifts per week upon completion of the new dry facility starting in July.

Analysis: Today's drilling results are the most substantive that Kirkland has produced for a while and noting the intention to increase exploration drilling significantly in July when the new dry facility is completed (essentially a shower block and changing room for an underground mine), we expect more success with the drill bit in the second half of the year.

Recent exploration work on the SMC has been focused on extending the New South Zone to the east, and today's results have demonstrated significant mineralisation across a ~400 feet by 400 feet (120m by 120m) area shown on Exhibit 2 by the dashed blue box. If we assume that this covers a depth of mineralisation of 1.5m then this could contain approximately 50koz of gold.

Having recently re-visited the mine, we have been very impressed with the progress of the mine expansion and the change in operation from the old workings to the new SMC. We will provide investors with greater insight into the current operations, the Phase 1 and Phase 2 expansion programmes and the exploration potential of the Kirkland Lake camp in due course.

Production Predictions:

In anticipation of the release of full year production figures which we are now expecting (along with the full year financial report) in early July, we have outlined below our production expectation for the quarter of 15.7 - 20.7koz Au to get to the Company target of 45-50koz Au:

		FY 1Q'10 end Jul'09	FY 2Q'10 end Oct'09	FY 3Q'10 end Jan'10	YTD end Jan'10	Ergo 4Q'10 end Apr'10	Ergo 4Q'10 end Apr'10
Ore mined - SMC	oz/t	25,303	4,230	7,758	37,291	TO GET TO	TO GET TO
Head grade - SMC ore	koz	0.40	0.30	0.51	0.41	45koz:	50koz:
Gold contained - SMC ore	koz	10,121	1,269	3,918	15,308		
Ore mined - MB	kt	27,480	14,485	16,430	58,395		
Head grade - MB ore	oz/t	0.25	0.20	0.28	0.25		
Gold contained - MB ore	koz	6,870	2,897	4,568	14,335		
Total ore milled	kt	52,783	18,715	24,188	95,686	53,633	70,677
Head grade	oz/t	0.32	0.21	0.35	0.31	0.31	0.31
Gold contained	koz	16,891	4,166	8,490	29,547	16,561	21,824
Recovery	%	101%	94%	97%	99%	95%	95%
Gold production	oz	17,135	3,911	8,221	29,267	15,733	20,733
Gold sales	oz	20,994	6,612	5,803	33,409	15,733	20,733

RELATED RESEARCH:

Kirkland Lake Gold: 3rd Quarter Results (end Jan 2010) & Operational Update (Mon, 15th Mar)
Kirkland Lake Gold - New Aggressive SMC Drilling Campaign Yields Superb Results (Jan 12th 2010)
Kirkland Lake Gold: Quarterly Results and Operational Update (Dec 15th)
Kirkland Lake Gold: Operational Update (Nov 5th)
Kirkland Lake Gold: Operational Update – Financial Results Q1 2009 (Sept 15th)

Chromex Mining plc - Research Update: First step change in cash flow expected in the next 6 months with next leg of growth also to become evident (Weds, 9th Jun)

Source of the Opportunity: Chromex is an AIM listed, pure play chrome producer whose operations have largely just washed their face over the last ~18 months. Chrome prices have now improved and the Company is set to achieve a step change in profitability and cash flow in the next 6 months as operations more than double saleable product and current product mix/margins expand.

In our view Chromex is a unique growth story which offers attractive leverage to stainless steel growth in China – world stainless steel production is forecast to increase by up to +25% yoy in 2010. Current production is generating ~US$4.6m in annualised attributable operating cash flow (pre-capex/post BEE partner) but a step change in operations is expected to take place by year end. At current prices we believe Chromex will generate cash flow of ~US$12mpa from Dec'10 and the Company is trading at ~2x cash flow; a 20% increase in chrome prices results in a ~90% increase in cash flow and a valuation of ~1x cash flow.

The Company's strong balance sheet is expected to be more than sufficient to fund both initial and further growth opportunities including: its portfolio of South African assets; the development of its recently acquired Zimbabwe assets; and, support Chromex being potentially a consolidator of other regional opportunities.

In the upcoming 6 months the next leg of the Company's growth strategy is expected to become evident. The Company's current production base has the potential to increase five-fold over the next 2½ years as saleable chrome production increases to 50,000t with a material improvement in product mix and margins. With this scale of operations we would expect to see a major re-rating, as Chromex's cash flow attracts a higher multiple and the Company appeals to a broader investor community.

Investment Thesis . . . Chromex is fully funded for its multi-stage development strategy. An initial step change in cash flow and profitability is expected to come from the expansion of production from existing operations in the next 6 months providing attractive leverage to a potentially improving chrome price. Even assuming a more bearish pricing/rand environment Chromex is well positioned to tackle the current macro uncertainties as it enjoys: a flexible business model; limited overhead costs; first quartile operating costs; and operations that are currently cash flow positive ahead of its margin expansion and growth programmes.

Greater visibility on further improvements to cash flow and profitability is expected to become evident in the next 6 months as the Company outlines its dual volume growth and product mix strategy in the medium term. The potential recoveries of PGMs and gold from tailings at the existing Stellite chrome mine, as well as the development of operations at the recently acquired Zimbabwean projects are expected to provide the next leg of the Company's growth.

In our view Chromex offers investors the greatest level of direct exposure to the Chinese stainless steel market amongst its listed peers who are generally integrated chrome/ferrochrome producers or larger diversified miners.

. . . driven by a favourable chrome market outlook: Chrome is a key input for stainless steel and China now accounts for ~37% of the global stainless steel market (expected to be ~50% by 2020). Stainless steel has been one of the fastest growing metals in the last 30 years despite still only being ~2% of all steel production. The average growth rate for global demand for stainless steel is expected to exceed 5%pa over the next decade with Chinese demand, Chromex's end market, forecast to grow at ~10%pa over this period.

The fundamental outlook for chrome is relatively favourable because, unlike nickel, ferrochrome can not be substituted in stainless steel production and demand is likely to be supported by the secular trend to ferritic stainless steel (containing chrome). The emergence of a primary chrome export market, driven by Asian demand for chrome products rather than ferrochrome, has changed the upstream stainless steel market. In our view chrome pricing and demand look set to become further decoupled from ferrochrome in the near to medium term, driven by Chinese ferrochrome production capacity.

We believe there is a strong medium/longer term fundamental case for chrome: Demand growth from emerging markets, led by China (and India in the medium term), due to increased stainless steel and ferrochrome production; while Supply continues to be restricted with the majority of production controlled by a handful of significant scale integrated chrome/ferrochrome producers with structural barriers to entry and inefficiencies within key markets.

Key Events / Newsflow: We expect Company specific news flow in the next 6 months to be extremely positive for Chromex as it begins to capitalise on the improved chrome price, expand its production profile, expand its product mix/margins, outlines its growth strategy for PGM and gold production from existing operations, commits to the development of its low capex/opex projects in Zimbabwe and begins to again promote the Company with a European/Asian road shows expected to commence shortly. The Company remains comfortably funded for its ongoing activities in both South Africa and Zimbabwe.

RELATED RESEARCH
Chromex Mining plc: Company Update - New appointments support the shift from contractor to in-house business model (Mon, 17th May)
Chromex Mining plc: Company Update - Acquisition of Waylox Mining (Pvt) Ltd (Mon, 10th May)
Chromex Mining plc: Company Update - Production at Stellite recommences (Weds, 10th Feb)
Chromex Mining plc: Ready to deliver more to the chrome market in 2010 (18th Jan'10)
Chromex Mining plc: Interim results for the half ended Mar'09 (3rd Jun'09)
Chromex Mining plc: Fully funded, cash flow positive chrome producer (12th Jan'09)

Northland Resources: 1mtpa Offtake Agreement signed with Stemcor (Thurs, 3rd Jun)

News: Northland Resources Inc ("Northland") has announced that it has entered into a binding Offtake Agreement with Stemcor for the deliveries of 1 million tonnes of iron concentrate per year from the Kaunisvaara Iron Project.

The Offtake Agreement is for an initial eight-year period, with the first delivery of iron concentrate from the Kaunisvaara Project planned for 2H 2012. The iron concentrate will be sold primarily to the European market, but Stemcor may also sell to selected global customers.

In addition to the Offtake Agreement, the parties have also signed a Letter of Intent, whereby Stemcor intends to commit USD 50 million of working capital to finance the Kaunisvaara Project.

Analysis: While the terms of the offtake agreement have not been disclosed, the signing of the first offtake agreement for Northland's Kaunisvaara Iron Ore Project is a milestone landmark for the Company, and demonstrates that the Northland product is both desirable and marketable. This significantly de-risks the project, and we anticipate that the Company will in due course look to enter into additional offtake agreements such that in excess of 2.5mtpa of the proposed 5mtpa production is covered by long term sales contracts.

This will facilitate, and in all likelihood be a requirement of, the raising of the project finance required to put the Kaunisvaara Project into production. In this respect, we are particularly encouraged by the fact that Stemcor, the world's largest independent steel trader, is prepared to provide a US$50m working capital facility, as this shows Northland's customer's desire to secure concentrate from the Kaunisvaara mine.

As further offtake arrangements are secured, we will look to reduce the discount that we have applied to the Kaunisvaara project in our Initiation of Coverage report, to reflect the de-risking that securing long term sales contracts represents. We remind investors that our valuation target for Northland at that time was NOK 25.50 per share, having assumed a 50% risk discount to reflect the fact that the Company had not raised its debt financing, did not have firm offtake deals, and in fact had not delivered a bankable feasibility study.

Since the date of that report (22 Mar'10), the Company has released a significant resource update; has now secured its first firm offtake agreement; has progressed the permiting significantly; and the Swedish government has announced its commitment to co-finance and build an 18 km rail spur from Northland's proposed industrial area in Kaunisvaara, Sweden to the existing rail link at Äkesjokisuu, Finland.

Key Events / Newsflow: We expect the flow of good news from Northland to continue in earnest with some important milestones and decisions due to be announced within the next 6 months that will de-risk the project rapidly, including such items as: Further offtake agreement(s) with potential capital funding attached; Completion of the BFS for the Kaunisvaara project expected June/July; Publication of the full PEA for the Hannukainen project; Procurement of long lead items (SAG mill); and equity financing to complete project capital requirements by the summer 2010.

RELATED RESEARCH
Northland Resources: Formal Presentation for Mine Permit Well Received (Fri, 28th May)
Northland Resources: Positive PEA for Finnish IOCG Project - Reaction Comment (Weds, 12th May)
Northland Resources: Resource Update for Kaunisvaara Project (Tues, 20th Apr)
Northland Resources: Positive Rail Decision in Sweden / Indications of Potential Premium for High-Grade Concentrate (Thurs, 1st Apr)
Northland Resources Inc (OSL:NAUR / TSX:NAU) - Cantering Towards Production in 2012 **Ocean Equities Initiation (Mon, 22nd Mar)**
Northland Resources Inc - Appointed Banks to Lead Financing (Mon, 1st Mar)

Belvedere Resources: Indicated Resource Estimate for the K1 occurrence at Kiimala (Thurs, 3rd Jun)

News: Belvedere Resources Ltd ("Belvedere") has announced a new indicated resource estimate of 3.85mt @ 1.19g/t Au for 147,000oz Au for the K1 (Ängesneva) occurrence on its 100% owned, Kiimala gold Property in western Finland.

The K1 gold mineralisation is the first of a cluster of sub-cropping occurrences along a 5 kilometre strike of anomalous mineralisation to be drilled in detail by Belvedere. The gold mineralisation has been intersected by drilling over a strike length of 370 metres to date. The mineralisation occurs as a flattened ellipse in an interpreted steeply dipping dilational zone with a true thickness of between 30-60 m. Mineralisation continues to depths of at least 300 metres. The geological model indicates that multiple occurrences such as K1 could occur in similar structural locations.

The K1 (Ängesneva) occurrence is located approximately 31 km North of Belvedere's Hitura Nickel Mine, and 40 km NNW of Belvedere's Kopsa Gold Project.

Ocean Comment: The Kiimala gold property totals 34 sq km of claims and hosts numerous occurrences of orogenic vein and shear hosted gold mineralisation along a 15 kilometre strike length. The two principal targets at Kiimala are the K1 and K3 (historic resource of 24koz @

2.5g/t) deposits, with a number of secondary targets that remain to be drilled by Belvedere.

This new resource estimate, which follows from a drilling programme that commenced in the second half of last year, has increased the inferred resource of K1 by 88koz from 59koz at 1.54g/t to 147koz at 1.19g/t. While the grade is low, the resource is at surface and we anticipate that the stripping ratio will be low. The deposit is within easy trucking distance of the fully permitted Hitura mill and tailings facilities.

Our understanding from talking to the management of Belvedere is that ultimately the Company will be seeking to define a resource of plus 500koz at Kiimala from the cluster of deposits on the property. These deposits will complement the nearby Kopsa gold-copper property where Belvedere is currently in the midst of a 3,000m drilling programme (see news release of 7 May 2010) and has already announced exceptional results (incl. 92m at over 3 g/t Au).

As we have previously said, Belvedere is seeking to put together a number of open pittable gold deposits around a centralised processing plant at Hitura. While the head grade will be low (1-2 g/t), the fact that all these deposits are close to surface and should benefit from low strip ratios means that Belvedere does have the potential to become a medium to low cost gold producer with a minimal requirement for capital given that most of the mill and tailing facilities are already in place. While there is significant work still to be done at both Kiimala and Kopsa, as a guide for value: if Belvedere can produce at less than $700/oz, the current gold price would net them over $15m a year for 30koz of gold. This compares to a current EV of C$13m for the Company and does not take into account possible copper by-product production of 1ktpa or the potential revenues to be generated from the restart of nickel production at the currently mothballed Hitura mine.

Upcoming Newsflow: Financing decision for the restart of Hitura for an 18-month programme; Restart of operations at Hitura followed 4 months later by first production; 43-101 compliant resource and metallurgical results for Kopsa; and positive cash flow from the nickel production is expected to be achieved in 12 months.

At 12 months, depending in the prevailing nickel market sentiment at the time, Belvedere retains the ability to decide to continue to produce nickel from Hitura.

RELATED RESEARCH

Belvedere Resources: Drilling at Kopsa intersects 92m of 3.2g/t Au (Fri, 7th May)

Rambler Metals & Mining: Environmental Permit Received for Ming Mine (Tues, 1st Jun)

News: Rambler Metals & Mining Plc ("Rambler") has announced that it has received final environmental approval and project release from the Government of Newfoundland and Labrador for its Ming Mine in NE Newfoundland, Canada. This will allow Rambler to start project development when the feasibility study is completed in Q2.

Having received the environmental release, Rambler can now apply for the various permits and licences required to begin construction for the mine, mill and port infrastructure. The Company has already ordered all of the major equipment for the mill expansion and construction of the mine is expected to begin in August with first copper-gold production due in early 2011.

Ocean Comment: This announcement has arrived sooner than expected (a rare occurrence in this industry!) and is a significant and positive marker for the Ming project. The important environmental approval and project release shows the good level of support that the Company has received from the government, and we are confident that all other permits and licences will fall into place. This is a major de-risking indicator for the project and with the financing in place from the US$20m gold sale in March and £2.7m equity placement in April, we think that all major hurdles have been removed from Rambler to start mining.

The Company has C$11m in cash at the moment, with a further US$2m from the gold sale due on delivery of the bankable feasibility study and the remaining US$13m due on receipt of all permits required to start mining.

Valuation: We have revised our valuation with improved commodity prices. Since we last published our valuation target of £0.75 per share 2 months ago, copper prices have fallen slightly (although sentiment towards medium and long term pricing remains positive) and gold has improved, which has positively impacted out gold price curve looking forward. As can be seen in Exhibit 3 (*in the full research note)*, the increased gold price has had a great effect on the effective operating cost such that in 2011 we are forecasting a cash cost of just US$0.43/lb Cu after the gold by-product credits.

Our DCF valuation for the Ming mine is now valued at 1st July this year and although our valuation target includes some 'opportunity value' for Rambler's blue-sky opportunities such as the large Footwall deposit and further Massive Sulphides, it should be noted we now value just the Ming Mine alone, with no additional resources, at £0.59 - which is almost a 100% uplift to the current share price. We appreciate that the market has been applying various risk discounts but with the environmental permitting and financing in place, our view of the remaining risk (construction and implementation risk) is that it is very low and Rambler's share price should now start to move up to our valuation point in preparation for significant cash flows in Q1 2011.

Exhibit 1: Sum-of-the-Parts NAV valuation of Rambler shows a minimum valuation of £0.88/share

	NAV US$m	FX rate US$per£	NAV £m	Shares m	NAV per share £/share
Massive Sulphide Zones	$86m	0.658	£57m	95	£0.59
Footwall Zone potential	$17m	0.658	£12m	95	£0.12
Massive Sulphide potential	$13m	0.658	£8m	95	£0.09
Cash	$11m	0.658	£7m	95	£0.08
Total Rambler NAV	$80m	0.658	£48m	95	£0.88

Our 6 – 12 month target price has improved to £0.85 per share.

We feel that today's announcement reduces the project risk significantly, and other events that will be major triggers for a re-rating of the share price to get to these levels will now be: successful commissioning of the retro-fit to the mill; and production start-up in 1Q 2011, after which we expect Rambler to produce net profits of US$25m in 2011.

Rambler's current EV of US$32m implies that it is trading at just 1.3 times 2011 net profits. This is obviously too low for a company that has a (fully financed) copper-gold mine due to start production within the next 8-10 months. We expect the share price to move up well on today's announcement and again on the announcement of the events mentioned above.

We include in our full research note the production and cash flow highlights from our model. We encourage investors to re-visit our recent research note from 4th March for more detail.

Full research report available on request.

RELATED RESEARCH

Rambler Metals & Mining - RMM - Buy Back of 3% NSR Royalty for $1.1m - 1.5% remains (Weds, 7th Apr)
Rambler Metals & Mining Plc: Bulk of Capex Secured for Ming Mine Start-Up (Thurs, 4th Mar)
Rambler Metals & Mining: Company Update - Potential gold resource at the Nugget Pond Mine (Jan 26th 2010)
Rambler Metals & Mining: Mill purchased in 2009 – Mining due to start 4Q 2010 (Jan 18th)

Norseman Gold Plc: Mar'10 Quarterly Report, expected to be the low point and well flagged to the market (Thurs, 29th Apr)

News: Norseman Gold ("Norseman" or the "Company") has released its quarterly activities report for the period ended Mar'10 following the operational update which was released March 10th. Production was 14,114oz (previous quarter 15,721oz) at a cash cost of A$990/oz (previous A$933/oz), with gross cash margins of A$234/oz pre capex. Despite this the Norseman Project generated EBIT of A$0.7m for the quarter (prior A$1.2m), and cash at the end of Mar'10 was A$21.7m including bullion (previous A$24.9m) as the Company invested a further A$8.6m in capital, predominately relating to equipment/infrastructure for the OK Decline. Significantly, operations at the third mine (the OK Decline), commenced during the quarter with 236oz of gold sourced from patchy development material at the top of the Star of Erin reef while waste development was completed to access the high grade areas for mining. New ore headings are expected to be opened up into the next quarter to allow ramping up of production as expected, resulting in a shift from development to production.

Production from the Bullen and Harlequin Declines continued in lower grade areas, with the focus remaining on capital and ore development to access areas for future stoping – to this end over two kilometres of underground development was achieved in the quarter. Airleg stoping again decreased to only 35,367 tonnes (~18% below average operations), resulting in treated tonnes of only 88,889 (previous 95,259t) and the capacity utilisation of the mill fell to less than 50% - the lowest level since Norseman took ownership of the project.

The Bullen Decline has made progress with its capital development during the quarter with the 21 Level of the Bullen orebody now intersected and being developed to the east and west along strike, and the Norseman Incline proceeding up to the defined blocks on the upper St Patrick's Reef. At the Harlequin Decline ore development accelerated during the quarter with a focus on the HV1 and Perch Reefs, with the high grade Redfin/Perch area now open on a number of levels. During the month of March the mine produced +21,000 tonnes of ore which is a record at Harlequin.

Mine exploration and Third Mine Development continues to produce extremely promising results, with significant drill results having been returned from: the Perch Reef at the Harlequin Decline, which is still open in all directions; the Star of Erin at the OK Decline; and the southern end of the North Royal Open Pit. A second surface drilling programme was also undertaken at the southern section of the North Royal Open Pit. Resource review, pit optimisation and regulatory approvals will commence during the Jun'10 quarter and it is anticipated that mining, subject to dewatering (now 41% complete by volume – previous quarter ~21%) and drilling to improve the confidence level of the resources to be mined, will now potentially commence in the Dec'10 quarter (which is not currently included in company guidance).

Analysis: There is little incremental news in the quarterly report that was not already included in the March 10th update which resulted in Norseman's share price falling ~16% on the day. We believe the quarter's results have been well flagged and will be the low point in terms of capacity utilisation and production before Norseman's fill the mill strategy starts taking affect (refer to Exhibit 4 for an illustration – *in full research report available on request*). In our view the market is now looking through current operations and valuing the Company on its growth profile over the next couple of years. Norseman is confident that Bullen will return to its targeted production profile, that Harlequin will maintain its current profile and the OK Decline will shortly enter steady state production, which coupled with the ongoing development of the North Royal pit, will result in the treatment plant capacity utilisation rate increasing from less than 50% to 100% during the next financial year which provides the potential to increase the current FY'10/11 company guidance.

Production for the three quarters ended Mar'10 totals 45,995oz at a cash cost of A$942/oz and the Company remains on track to meet its revised guidance for FY'09/10 of 65,000oz – implied production for the next quarter is ~19,000oz at a cash cost of A$915/oz. The Company forecast for FY'10/11 remains 105,000 to 110,000oz at cash costs of between A$670 to A$730/oz and this increase in production is due to the OK Decline achieving steady state production and improved operations from the Harlequin and Bullen Declines only.

New Events/Valuation Triggers: The key drivers to the Company's share price are likely to be: delivering on revised FY09/10 guidance; continued improvement in operations at Harlequin and the ramp up of the OK Decline in line with schedule; successful capital development at Bullen enabling production to return to expected levels early for the FY10/11 financial year; the Australian dollar gold price; further Regional Exploration & New Mine Development updates, particularly a favourable revision to the mining schedule for OK Decline to include the Star of Erin orebody, de-watering progress and drilling in the North Royal Open Pit; resource/reserve upgrades when available (including Perch, OK Decline & North Royal – next fully revised Mar'10 Resource & Reserve Statement); and increased visibility for a significant increase in production/decrease in cash cost as Norseman progresses its third mine/fill the mill strategy.

RELATED RESEARCH

Norseman Gold plc: Third mine development more than "OK" but fragility of a two mine business model exposed yet again (Weds, 10th Mar)
Norseman Gold plc: Interim Results – half year to 31 December 2009 (Weds, 24th Feb)
Norseman Gold Plc: Company Update - Dec'09 Quarterly Report (Jan 28th 2010)
Norseman Gold Plc: A significant increase in production coupled with a decrease in cash costs is expected to become evident in 2010 (18th Jan'10)
Norseman Gold Plc: Company Update: Sept'09 Quarterly Report (30th Oct'09)

Greystar Resources: Governmental Request for New Environmental Impact Assessment Could Derail Angostura Project (Mon, 26th Apr)

News: Greystar Resources Ltd ("Greystar") has announced that at the end of last week it received a request from the Colombian Environmental Ministry for a new Environmental Impact Assessment ("EIS") to be filed for the Company's 100% owned Angostura gold project, to replace the initial EIS that the Company filed on 22nd December 2009.

This request follows a modification to the Colombian mining code that came into effect on the 9th February this year that excluded all mining and exploration activity from certain areas known in Colombia as 'Paramo' ecosystems. Paramo ecosystems are endangered areas that are defined by fauna, flora and other ecological categories and are also defined by elevation. It is this latter definition that affects the Angostura project as a portion of the intended project is situated at altitudes that are classified as containing Paramo or Sub-Paramo ecosystems.

Greystar's previous work at Angostura has defined the lower limit of the Sub-Paramo ecosystem as 3,200m and consequently the Ministry has requested that the new EIA is adjusted so that all works are below this altitude.

The current feasibility study has almost all project facilities and infrastructure above 3,200m, including the leach pads, vehicle maintenance workshops, offices, processing plant, and ~20% of the waste rock dumps. This is because there is a shortage of accessible flat areas at lower altitudes in the immediate area. Also half of the proposed footprint of the pit is above 3,200m. Consequently, if this decision is to be considered final, the project will need a complete re-think and will probably have to be re-considered as a new pre-feasibility project.

Analysis: This is quite obviously a 'do-or-die' moment for Greystar. The immediate plan is to submit an appeal to the decision by this Thursday, after which the Ministry has 15 working days to consider the appeal and make a decision. We shall be watching the newswires with interest from 20th May onwards.

Greystar's appeal plan is two-pronged:

1) To argue that the Company was assured by the Minister for the Environment (in writing in August and verbally in many other discussion from June to November last year) that if its initial EIA application was submitted before the change in the mining code, that it would be 'grand-fathered' and would therefore be exempt from the change.

2) To gain clarification of the exact definition of the Paramo ecosystem and the altitudes at which it exists. The current definition has been written by the Alexander Von Humboldt Biological Institute in Colombia and Greystar considers it to be vague enough that the Angostura area might not fall under the restricted area (being Sub-Paramo and not Paramo).

Looking at the potential outcomes of this appeal process, we think that Greystar's position is somewhat binary: should the appeal be successful, we are of the opinion that there would be no discernable delay and would expect the share price to return rapidly to its former levels (we have seen a ~50% drop today) however should the appeal fail we think that the project will be pushed back at least 2 years and we struggle to see how an operation of similar size could ever be built at Angostura at less than 3,200m altitude.

Whilst high gold prices in the future may mean that the ore could hold great value which could justify (for example) a ore slurry pipeline to a processing facility at a lower altitude (this could be many kilometres away), we are most concerned with the waste rock disposal as transporting waste rock of no value over long distances could impact the economics of the project severely. Greystar is currently very well funded with C$120m in cash (as at end Jan 2010) and no debt and so we would not expect a cash shortage in the near term as the appeal unfolds.

Key Events / Newsflow: Undoubtedly the key event for Greystar is now the outcome of the Government's consideration of the appeal. We calculate that this should be received by 21st May; We assume that all other works will be on hold until the appeal decision, as a negative outcome could change the Company strategy completely. If a positive response is received, we expect the plan to proceed as previously expected, including: Publication of the bankable feasibility study which we expect in the third quarter; Listing of stock on the Colombian exchange; and the receipt of the mining licence – maybe by the end of 2010.

RELATED RESEARCH

Greystar Resources - EIA submitted, Angostura on its way to a mining permit (Weds, 10th Feb)

Ocean Equities Research: Stocks to Highlight in 2010 (Jan 19th 2010)

Griffin Mining: Updated JORC Mineral Resource for Zone III at Caijiaying (Weds, 3rd Mar)

News: Griffin Mining Ltd ("Griffin") has released an update to the JORC resource for its Caijiaying zinc mine in north-east China that has seen a large uplift in zinc and gold grades. The recalculation of the resource is the result of 5 years of grade control drilling at the mine.

Zone III (Mining area) 1% Zn cutoff	Ore (mt)	% Zn	% Pb	g/t Ag	g/t Au	Zn metal kt	Pb metal kt	Ag metal koz	Au metal koz
Measured	4.74	6.73%	0.41%	34.29	0.87	319	19	5,222	132.50
Indicated	6.00	5.85%	0.35%	32.48	0.81	351	21	6,264	156.23
Measured & Indicated	10.74	6.24%	0.38%	33.28	0.84	670	40	11,487	289
Inferred	16.60	4.38%	0.24%	26.39	0.95	727	40	14,081	506.89
Total resources	27.33	5.11%	0.29%	29.10	0.91	1,397	80	25,568	796

Source: Griffin Mining

Although Griffin's reporting of its resources has never been entirely lucid (the Company has still not published a mining reserve), this latest resource leaves no doubt that there is plenty of high-grade ore in the Caijiaying mine – enough to last over 35 years at the proposed increased rate of 750ktpa. The deeper resources have not been included in this report as they will be tested by a drilling programme in 2010 that hopes to define a JORC resource in 2011 whilst gaining a fuller understanding of the structures at depth.

The zinc grades for the new resource are improved from the last statement (36% for the indicated and 51% for the inferred) and the gold grades have also significantly improved (16% for the indicated and 90% for the inferred). Successful drilling between Zone III (the current focus of mining) and Zone II (an exploration orebody ~1.5km to the south) has given the Company the confidence to initiate a 25,000m surface and underground drilling programme that might result in a JORC resource for this in-between area.

Analysis: Although we had been hoping to see a resource for the deeper resources, we are very pleased to see that Griffin has now defined a JORC resource for a high-grade orebody that will feed the processing plant at its upgraded level for a very long mine life (longer than the expected life of most of the parts if the plant we suspect!).

Up to this point, mining at Caijiaying has been mostly down to a level approximately 150m depth from the surface. The 'sub-1300 level' mining permit that Griffin received at the end of January enables the Company to now mine below this 150m depth. This latest resource covers resource to approximately 300m depth from surface. Our understanding is that a resource statement for the deeper levels will be produced in 2011, although the Company will not suffer from a lack of ore in that time so we feel no anxiety about this delay.

The new resource numbers do not give us cause to adjust our cash-flow model assumptions: we are assuming head grades of 6.00% Zn, 0.50% Pb, 30g/t Ag and 0.80g/t Au. Chairman Mladen Ninkov again re-iterated the Company's intention to increase throughput to 750ktpa by the latter half of 2010 but we are keeping our forecast at 50kt per month for the foreseeable future as a conservative measure. As we see quarterly results that confirm a successful commissioning period for the expansion to 750ktpa we will adjust our model as appropriate. Our model currently assumes attributable 2010 production of 20.5kt Zn, 900t Pb, 139koz Ag and 4.6koz Au.

With the increased gold grades in the new resource, the by-product credits are now starting to represent a significant revenue stream for mine:

The implied value of by-products at Caijiaying	Zinc	Lead	Silver	Gold
Current price ($/t / $/oz)	2,170	2,150	16.80	1,130
M&I resource grade (% / g/t)	6.24%	0.38%	33.28	0.84
Value per tonne (after recoveries) (US$/t)	128.60	4.05	7.19	15.19
Converted to zinc grade (%Zn)	5.93%	0.19%	0.33%	0.70%
Zinc equivalent grade (recovered)	7.14%			
$ per tonne increase	26.43			

half the projected mining costs.

Key Events / Newsflow: Initiation of mining at the deeper levels in the coming quarters; Annual financial results to confirm profitability levels; Completion of expansion works to 750ktpa by end of 2010; and a corporate transaction that utilises some or all of the current $65m cash balance.

RELATED RESEARCH
Griffin Mining: Trading Update - Increased Production in 4Q 2009 (Mon, 15th Feb)
Griffin Mining Ltd: Company Update - New Mining Licence Issued (Jan 26th 2010)

IOH RELATED RESEARCH:
Iron Ore Holdings Ltd: Maiden resource at Buckland Hills illustrates the potential for a number of further catalysts (Feb 2nd 2010)
Ocean Equities Research: Stocks to Highlight in 2010 (Jan 19th 2010)
Iron Ore Holdings Ltd: 2009 a transformational year; we see further value accretion in 2010 driven by the development of Iron Valley (Jan 11th 2010)
Iron Ore Holdings Ltd: Is 191.5mt in the price? …We think not & the blue sky is only getting bigger (Nov 24th)
Iron Ore Holdings: New assay results support a further significant resource upgrade and likely positive share price catalyst (Nov 5th)
Iron Ore Holdings: Comparable transactions highlight favourable valuation anomaly **Initiation of Coverage (Oct 21st)**

IRON ORE RELATED RESEARCH:
Iron Ore Sector Update: Iron ore spot prices enter the New Year with momentum; market fundamentals are looking positive into 2010 (Jan 11th 2010)
Ocean Equities Research: Stocks to Highlight in 2010 (Jan 19th 2010)
United Minerals Corp - UMC shareholders vote in favour of the BHPB offer (Jan 28th 2010)
United Minerals Corp: BHPB deal announced, now awaiting final approvals or an unlikely counter offer (Jan 15th 2010)
UMC & Pilbara Iron Ore sector update: Conditional cash offer at a 43% premium for UMC by BHPB - further rally in the juniors (Oct 16th)
UMC & Pilbara Iron Ore sector update: Positive re-rating of the junior sector if there is a "potential change of control transaction" for UMC (Oct 7th)

OCEAN STOCKS TO HIGHLIGHT IN 2010

Listed:
Kirkland Lake Gold Inc
Borders & Southern Petroleum plc
Greystar Resources Ltd
Iron Ore Holdings Ltd
La Mancha Resources Inc
Sylvania Resources Ltd
Norseman Gold plc
Griffin Mining Ltd
Rambler Metals & Mining plc
Nyota Minerals Ltd
North River Resources plc
Chromex Mining plc
Belvedere Resources Ltd

Private:
Electrum Capital Inc
First Coal Corp
Kameni Ltd
South American Ferro Metals Ltd
WA Kaolin

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