

WEEKLY REVIEW

3 Companies in Focus: Brockman Resources Ltd; Ivernia Inc; and Petra Diamonds plc

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: "What the portfolio really reflects is the changing nature of mine production... and reflecting where the growth is coming from in mine production" (Catherine Raw, a manager on the BlackRock Gold & General Fund - timesonline Podcast 23rd Feb)

Stat of the week: Less than 10% of BlackRock's Gold & General Fund is made up of South African-listed gold companies (Catherine Raw, a manager on the BlackRock Gold & General Fund)

Macro Discussion – What does the wider view look like?

- Key political risks to watch in China (Mon, 1st Mar)
- This may be the mother of all mining booms (Thurs, 25th Feb)

News Review:

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

- Chilean copper mines slowly resume operations as power supplies return (Mon, 1st Mar)
- Rio to raise Ivanhoe holding (Mon, 1st Mar)
- PanAust buys Chile stake (Mon, 1st Mar)
- Jupiter in A\$490m deal (Mon, 1st Mar)
- No sympathy for ArcelorMittal (Mon, 1st Mar)
- Super pit moves closer to Boulder (Mon, 1st Mar)
- Strikes like Thunderball (Mon, 1st Mar)
- Extract Resources names Ex-Rio Tinto man Jonathan Leslie CEO (Mon, 1st Mar)
- Egg-sized diamond sold to Hong Kong jeweller for a record \$35m (Sat, 27th Feb) ****OE Comment****
- Stokes sought blessing from Caterpillar (Sat, 27th Feb)
- A\$7bn capacity on rail, says Fortescue Metals Group (Sat, 27th Feb) ****OE Comment****
- Argentina warns BHP not to drill for Falklands oil (Fri, 26th Feb)
- Japan may end up accepting shorter coal pricing, say analysts (Fri, 26th Feb)
- How Ramelius walked away with a cool A\$40m (Fri, 26th Feb)
- Ivernia restarts Magellan in Australia after 3-year closure (Thurs, 25th Feb) ****OE Comment****
- Iron ore market expansion looming (Thurs, 25th Feb)
- What's A Company's Gold Worth? (Thurs, 25th Feb)
- Tianshan Goldfields and Corvette Resources merger completed (Thurs, 25th Feb)
- Zambian leader, China sign mining cooperation deal (Thurs, 25th Feb)
- BPC Expects Indian Potash Deal in a 'Matter of Weeks' (Thurs, 25th Feb)
- Utah berth not ready until October: Port Authority (Thurs, 25th Feb)
- Top stockpicker Anthony Bolton puts Fidelity fund spotlight on China (Weds, 24th Feb)

Highlighted Research:

A summary of Ocean Equities most recent research products:

Northland Resources Inc: Appointed Banks to Lead Financing (Mon, 1st Mar)

Norseman Gold Plc: Interim Results – half year to 31 December 2009 (Weds, 24th Feb)

Griffin Mining: Trading Update - Increased Production in 4Q 2009 (Mon, 15th Feb)

Chromex Mining plc: Production at Stellite recommences (Weds, 10th Feb)

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

Nyota Minerals: Outstanding metallurgical results for Tulu Kapi (Feb 3rd 2010)

Iron Ore Holdings Ltd: Maiden resource at Buckland Hills illustrates the potential for a number of further catalysts (Feb 2nd 2010)

Rambler Metals & Mining: Potential gold resource at the Nugget Pond Mine (Jan 26th 2010)

Griffin Mining Ltd: New Mining Licence Issued (Jan 26th 2010)

~ OCEAN STOCKS TO HIGHLIGHT IN 2010 ~

Seeds of Change: planted in 2009 and now ready to grow in 2010 (19th Jan 2010)

Kirkland Lake Gold: New Aggressive SMC Drilling Campaign Yields Superb Results (Jan 12th 2010)

Refer to page 21 "Highlighted Research" for further detail and page 6 for "Commodity and Currency prices in more detail" sections.

Ocean Comment:

Finally spring has officially sprung in the Northern Hemisphere, officially anyway; we shall have to see if the sun in London lasts throughout the week... don't hold your breath!

When it comes to market news, it seems that there has been no holding back in the amount of newsflow to pervade the RNS and newswires, despite the reporting season coming to a close. This week we have decided to publish the **WEEKLY REVIEW** earlier than usual, as a number of news items have caught our attention and we would like to present our thoughts and analyses:

Major shareholder drives Brockman's share price... Recently there have been a number of positive factors driving the performance of the Pilbara iron ore juniors, including the strong spot iron ore price and further discussions on third party rail access, but in the last week it has become very obvious what has driven Brockman Resources' (ASX:BRM) relative outperformance over the last 3 weeks which has seen its share price increase 18% to A\$3.12/sh.

Lead not dead for Ivernia... We highlight in the news that Canadian listed Ivernia Inc (TSX:IVW) announced last week that it expects its restarted Magellan lead mine to be cash flow positive from May 2010 and reach full production levels by the end of the third quarter.

New structure allows the 'jewel' in Petra's crown to finally become obvious... As we highlighted in last week's Weekly Review, we have seen demand returning in India and China for diamonds and prices reflected this increased demand.

Petra Diamonds's 507-carat diamond, the "Cullinan Heritage", one of the biggest diamonds ever found, was sold to a Hong Kong jeweller for US\$35.3m, more than US\$10m above the expected price. The price at which the stone was sold for further supports tentative signs of a recovery in the diamond market and provides an appropriate opportunity to review the recent change in the fundamental Petra equity story.

...Continued Page 2.

Disclosures & Disclaimer: This report must be read with the disclaimer & disclosures on the final page that forms part of this report. Ocean Equities Limited. Authorised and Regulated by the Financial Services Authority. Member of the London Stock Exchange. Ocean Equities has provided and is seeking investment business and holds a proprietary investment in a number of the companies mentioned in this report.

OCEAN EQUITIES Ltd

Monday, 1st March 2010

Commodity spot prices - quick look

Precious Metals	Last	1W %
Gold (US\$ / oz)	1,119.4	0.45
Silver (US\$ / oz)	16.5	1.74
Platinum (US\$ / oz)	1,551	1.44
Palladium (US\$ / oz)	437.3	-1.19
Base Metals		
Copper (US\$ / t)	7,166.5	-3.23
Nickel (US\$ / t)	21,096.0	2.16
Cobalt (US\$ / lb)	14.3	0.00
Zinc (US\$ / t)	2,172.0	-7.25
Lead (US\$ / t)	2,141.0	-8.39
Bulk Metals		
Iron Ore - China Fines	138.5	6.95
Iron Ore - China Pellets	144.0	7.46
Coal - NYMEX Yr1 Fut (U	67.5	0.76
Chrome - FOB RSA Spot (C	210.0	0.00
Energy		
WTI Oil (US\$ / barrel)	79.7	-0.19
Brent Oil (US\$ / barrel)	77.5	-0.37
Baltic Supramax Index	2,288	8.80

Currency prices - quick look

	Last	1W %
US\$ / £	1.51	-2.60
US\$ / €	1.36	0.14
US\$ / C\$	1.05	-0.83
US\$ / A\$	0.90	-0.27
US\$ / ZA Rand	7.66	0.72

Contact

Natasha Liddell
+44 (0) 20 7786 4386
natasha.liddell@oceanequities.co.uk

Sam Spring, CFA, CA
+44 (0) 20 7786 4378
sam.spring@oceanequities.co.uk

Simon Gardner-Bond
+44 (0) 20 7786 4382
simon.gardner-bond@oceanequities.co.uk

*Refer to the final page of this report for the full Ocean Team's contact details

Major shareholder drives Brockman's share price...

Since February 10th, the day after **Brockman** announced a 133% increase in measured and indicated resources for its flagship Marillana project, the Company's largest shareholder, **Wah Nam International Holdings Limited** ("Wah Nam"), has bought ~A\$27.4m worth of stock on market, representing a very significant ~64% of total traded volume over this period, and increased its stake to 19.9% of the Company (refer to [Chart 1 of the Week](#) for further details). Interestingly on February 17th Brockman's Managing Director, Wayne Richards, disposed of 350k shares at an average price of A\$3.11/sh (still retaining a total holding of 2.5m ord shares and a further 2m deep in-the-money options). Brockman enjoys a tight share register with only two substantial shareholders having a greater than 5% holding – Wah Nam and the Company's non-executive Chairman, Ross Norgard, with a ~12% interest.

Wah Nam has acquired its total position in Brockman on market, with its first acquisition back in Feb'09, and now sits just under the 20% takeover legislation threshold at which an on-market bid is required. Brockman publically welcomed Wah Nam as a new major shareholder in Jun'09 (at the time Wah Nam had an 11.3% holding), describing the group as a Hong Kong-based investment group whose representatives it had met during marketing visits to China over the previous year.

While Wah Nam has already done extremely well on its investment in Brockman, sitting on an unrealised profit of A\$37m, one must wonder what the investment group's end game is: are they seeking to acquire control of Brockman; are they potentially interested in using this investment as an initial entry point into a larger regional play; or indeed, are they strictly a speculative financial investor taking a punt on Brockman being able to secure third party infrastructure access? Their position in Brockman is now worth A\$86m and the Pilbara iron ore sector continues to be the focus of significant strategic investment, with recent highlights including: Valin's 17% investment in Fortescue (valued at ~A\$2.5b); Consolidated Iron's 22% and Regent Pacific Group's 16% respective holdings in BC Iron (worth A\$21m and A\$15m respectively); IMC Resources 15% stake in Atlas (A\$138m); China Rail's 13% investment in FerrAus (worth A\$18m – following its failed A\$27.2m investment, or 11.4% interest, in UMC); Kerry Stokes 53% holding in Iron Ore Holdings (valued at A\$156m and recently increased by the exercise of options – as was the interest of a number of company directors in a number of separate transactions); and, BHPB's A\$204m 100% takeover of UMC (completed Feb 18th).

In early 2010 Brockman's Marillana project was granted a mining license and the project's Definitive Feasibility Study, for a 17-20Mtpa operation, is scheduled for completion in Aug'10. Concurrently, the North West Iron Ore Alliance ("NWIOA"), of which Brockman is a founding member, is undertaking the Pre-Feasibility Study for the Port Hedland Inner Harbour which is now in its final review. Brockman has a cash balance of ~A\$87m and is funded to complete DFS, plant design, resource definition and early procurement, and has advanced its marketing activities (for both potential JV's and offtake agreements), such that it has executed over 30 Confidentiality Agreements with significant international investment groups, trading houses and end-users (both Chinese and non-Chinese). The Company's market cap is ~A\$430m and Brockman expects a rail access agreement to be achieved in 1H'10 with finalised infrastructure agreements with third parties for Port and Rail in 3Q'10.

We believe an on-market bid for Brockman, the sale of Atlas's Ridley magnetite project to a strategic investor, an annual JPY'10/11 contract settlement beyond a 30-40% increase, and/or a road map for third party rail access are all potentially achievable in the near term and in our view would all be extremely positive catalysts for the Pilbara iron ore sector. Now that Wah Nam has approached the 20% takeover threshold it will be interesting to see if Brockman's share price weakens, given Wah Nam is no longer a very significant buyer on market, or if the market begins to price in a bid premium? Either way, we believe a Hong Kong investment group investing A\$27.4m on market in less than a month is an extremely significant vote of confidence in the underlying Marillana project and Brockman's ability to secure the required third party infrastructure access to unlock the value of the project.

Refer to the article ["\\$7bn capacity on rail, says Fortescue Metals Group \(Sat, 27th Feb\)"](#) in the News Review Section.

Lead not dead for Ivernia...

Canadian listed **Ivernia Inc (TSX:IVW)** announced last week that it expects its restarted Magellan lead mine to be cash flow positive from May 2010 and reach full production levels by the end of the third quarter.

In parallel with obtaining required approvals and shipments of stockpiled lead carbonate concentrates, Ivernia made significant additions to its management team and embarked on a detailed restart planning process in 2H'09. Ivernia has successfully implemented newly developed transport methods, via its sealed shipment process, which lead the industry in environmental health and safety. Major re-commissioning projects have largely been completed and should ensure a high level of plant availability during 2010/2011 and support a favourable recommencement/ramp up of production.

Exports of existing concentrate stockpiles are nearing completion, which has increased the Company's cash balance to ~US\$19m, and have resolved the issues that lead to shipments being suspended between Apr'07 and Aug'09. Assuming a US\$2,200/t lead price on unpriced metal from remaining stockpiles, the Company expects to realise a further US\$3.8m in net proceeds, including net receivables, while mining operations again ramp up. At a US\$2,200/t lead price (current spot price US\$2,140.75/t or US\$0.97/lb), the Magellan operation is expected to require US\$6m of funding until May'10 when operations are expected to turn cash flow positive. For each US\$100/t (or US\$0.045/lb) increase or decrease beyond US\$2,200/t for the lead price Magellan's funding requirement is expected to decrease or increase by US\$1.6m – as can be seen, Magellan enjoys significant leverage to the lead price.

When operations from Magellan reach target steady state production levels of 1.9Mtpa, producing ~85Ktpa of contained lead in concentrate, Ivernia is expected to be the world's only significant pure lead play supplying ~2% of the total world lead mine production with the Magellan operation within the top 10 lead mines globally (See [Charts 3 & 4 of the Week](#)). Current reserves are 11.7mt @ 5.9% Pb, which are sufficient for a 6.5 year mine life at steady state production level. Further guidance and resource and reserve statements are expected to be published in the Annual Management Discussion and Analysis and Annual Information From documents to be published at the end of Mar'10.

Lead is very much a China play, with China accounting for ~45% of global consumption. Lead prices increased 137% in 2009, and are currently up 71% from Oct'08 lows. Current LME lead inventories are 165,075t, at significantly lower levels than copper and zinc which are currently around 550kt. ILZSG's Oct'09 forecast was for global usage of refined lead metal to increase 3% to 8.9mt in 2009 before increasing by 7.2% to 9.5mt in 2010 (the next set of forecasts will be published April 29th). The favourable outlook for lead is further enhanced by a number of significant primary mine closures in the medium term. In our view Ivernia (market cap C\$80.43m) is favourably positioned to benefit from the favourable fundamentals for the lead market, remains well financed, with a strong and supportive shareholder register.

Refer to the article ["Ivernia restarts Magellan in Australia after 3-year closure \(Thurs, 25th Feb\)"](#) in the News Review Section.

New structure allows the 'jewel' in Petra's crown to finally become obvious...

While we believe it is obvious to all that Petra has recently made a number of significant steps forward one can only query why this is not more fully reflected in the Company's share price, after all from the neutral observers perspective it appears unusual that Petra's share price has not rallied significantly above the £0.60/sh price that the Company was able to raise US\$120m in new equity at only in Dec'09. In order to answer this question we believe there are two separate items that need to be understood and weighted up against each other: i. The late 2009 restructuring and current fundamental Petra story; and, ii. Uncertain outlook for demand/pricing/costs coupled with a potential stock overhang.

i. The late 2009 restructuring and current fundamental Petra story

In our view Petra management did an excellent job securing the US\$120m they raised in new equity during Dec'09. We believe the Company's ability to raise this capital was partly supported by an improving rough diamond market but was more importantly driven by the deal they struck with Al Rajhi Holdings W.L.L ("Al Rajhi"), which was announced on November 18th.

The crown of Petra's asset portfolio is undoubtedly the Cullinan mine. The Company's initial interest in Cullinan was secured in Jul'08 as part of The Petra Diamonds Cullinan Consortium ("PDCC") which acquired the asset from De Beers for total cash consideration of US\$149m. PDCC was funded by US\$50m by Petra and US\$150m by Al Rajhi to secure the asset and provide US\$51m in working capital/capex. At the time of acquisition the Cullinan kimberlite pipe was the second largest indicated diamond resource in the world by in-situ value and continues to be renowned for producing many of the world's most rare, large and highly valuable blue diamonds – as further evidenced by the discovery and sale of the large 507-carat Heritage diamond. Petra operates the mine and secured an initial 37% interest at the asset level.

On face value Petra via this deal in late 2009 acquired only a further 37% interest in the Cullinan mine; strengthened and restructured the Company's balance sheet; and, outlined its further organic growth plans. However, it is the details of how they achieved this that are extremely impressive in our eyes:

- **Al Rajhi's interest in Cullinan flipped to a Company level at a equity premium** – There were 3 key conditions required for Petra to exercise its option to acquire Al Rajhi's 37% in the Cullinan mine:
 1. Part settlement of Al Rajhi's share of the Cullinan loan – payment of US\$24.6m (US\$15m principal and US\$9.6m accrued interest) of the US\$80m was required – this was done at face value;
 2. Full payment of the Al Rajhi convertible note – payment of US\$20.5m for the repayment of the US\$20m convertible loan note together with accrued interest – this was done at face value;
 3. Restructure exposure from an Asset to Company level – In order to exercise this option Petra issued 36m new fully paid ordinary shares to Al Rajhi at a value per share of £0.80/sh. Only two weeks later in Dec'09 the Company issued 121.2m fully paid ordinary shares at £0.60/sh to raise US\$120m (£72.7m) to retire the aforementioned debt, provide additional working capital and fund further growth capex. The equity placement price was done at a 9% discount to the last day prior to the announcement of a potential placement, which was not a bad result given the equity and diamond markets at the time. However, from this aspect we believe a key reason to why this was a favorable deal for Petra shareholder (ex Al Rajhi) is because the exercise price to acquire Al Rajhi's 37% interest in Cullinan was issued at a 33% premium to the equity placement price (£0.6/sh) and a 21% premium to the previous close price. In summary Petra was able to increase its exposure at its privately held flagship asset (the 'jewel' in Petra's crown) by issuing public company paper to Al Rajhi at a significant premium to equity placement price and the previous market price – very well negotiated Petra management.
- **Favorable implied asset value price** – While definitive asset valuations are difficult to justify in the current market environment, particularly for diamond assets, we believe Petra issuing company paper at £0.8/sh to Al Rajhi worth £28.8m (or US\$43m – worth only £21.6m, or US\$32.4m, at the equity placement price of £0.6/sh), to secure a further 37% interest in the Cullinan asset is favorable as it values the total project at ~£78m (~US\$117m – worth £58.4m, or US\$87.6m at the implied equity placement price valuation). In Nov'07 PDCC paid De Beers US\$149m (ie 27% more – or 70% at the implied equity placement price valuation); with the total acquisition consideration secured by way of bank guarantees (US\$48.4m) and shareholder guarantees for the balance and Petra/Al Rajhi have co-funded the project to date. Al Rajhi now are Petra's largest shareholder with a ~18% stake.
- **Exposure to the Cullinan specials** – Another key consideration which we believe has not been fully appreciated by the market, and will increasingly become obvious in the next set of half yearly accounts, is the favorable exposure Petra will now gain to special diamonds that are produced from Cullinan. Previously cash flows from these rare and highly valuable diamonds were ring-fenced with Petra not enjoying any significant economic exposure. A key attraction and differentiation of the Cullinan mine is the unique stones it produces, such as: the 7.03-carat blue sold in May'09 for US\$9.5m; the 58 & 53-carat white diamonds sold in Nov'09 for US\$2.8m; and, the 507-carat, discussed in the article above, sold for US\$35.3m. It is worth noting that the 507-carat was recovered in Sept'09, prior to the Nov'09 restructuring, but Petra will gain the majority benefit from its sale which is expected to be illustrated in the Jun'10 accounts – again well negotiated Petra management.

Petra historically accounted for its interest in Cullinan under the gross method of proportional consolidation, recognising 50% of revenue and 13% minority interests. With effect from 17th Nov'09, the effective date of control for accounting purposes that Petra acquired the remaining 50% interest in Cullinan Investment Holdings Limited ("CIHL") from Al Rajhi, Petra now consolidates 100% of revenue and 26% minority interests. The benefits of this restructure are already partly recognised in the Dec'09 results with the full economic affect expected to be seen in the Jun'10 accounts.

While we have discussed the late 2009 restructuring in detail, the Company has also benefited from: improved operating results; a strengthening rough diamond market; and, the dilution of its previous largest shareholder (via the US\$120m equity placement and recent cross of stock, discussed further below) and strengthening of its shareholder register – to this end we believe the fundamental Petra story has significant improved.

- **Improved operating results** - On Feb 22nd Petra announced its interim results for the 6 months ended December 31st which saw a significant improvement in operating results driven by both increased attributable diamond production and a strengthening rough diamond market. Gross mine revenue increased 32% to US\$62.4m (group attributable mine revenue was up 43% to US\$48.4m) with net profit after tax of US\$37.9m (1H'08 US\$88m loss – including a significant impairment charge).
- **Fully funded expansion of further production** - Petra plans to increase production from the Cullinan mine from just under 1m carats in 2010 to 2.6m carats by 2019, which would result in Petra's total diamond output increasing from 1.2m carats in 2010 to +3.5m carats by 2019 with much of the balance coming from the Williamson mine in Tanzania. It is forecast that ~2.2m carats of annual production would be sourced from the initial development of the "C-Cut" section of the kimberlite pipe at Cullinan, with an additional 400k carats to be produced from treating limited volumes of the 165mt of low grade surface tailings dumps at the mine. Estimated capex of the Cullinan expansion is ~US\$300m, which Petra will partially fund from treasury, the sale of the 507-carat diamond with the balance to come from mine cash flows which are estimated to be +US\$220mpa at a production level of 2.6m carats.

- **Improved rough diamond market** - On Jan 13th Petra provided a trading update where they stated that the rough diamond market has demonstrated improving signs in both emerging markets and the key US market, benefiting from improved underlying demand, restocking and improved financing. Recently the Indian and Chinese emerging markets have continued to expand and helped to take up the slack caused by the weaker US and European markets. Encouragingly reported pre-Christmas sales of jewellery increased in the US (still the largest and most influential jewellery market in the world), and the improvement in U.S. consumer confidence bodes well for the rough diamond market for 2010. That said the Company is not yet pointing to another up lift in rough prices which may be vulnerable to underlying demand volatility and an increase in marginal supply.

While the full implications and magnitude of just how favorable this deal is, is only likely to become obvious during the course of 2010, and only at this time do we expect the market will fully reflect this in Petra's share price, we believe the sale of the 507-carat Heritage diamond is a timely opportunity to revisit the fundamental Petra story and describe exactly why Petra's negotiations late last year potentially provide the foundation for the Company making a move to the London main board.

ii. Uncertain outlook for demand/pricing/costs coupled with a potential stock overhang.

Despite the aforementioned improvement in the operating fundamentals for Petra we believe the following items have weighed on the Company's recent share price performance:

- **Overhand concern** - SAAR Investments Company Limited ("SAAD") on January 26th announced that it had sold 22.2m ordinary Petra shares, with a significant portion of this block crossed to a considerable discount to market at £0.42/sh. Following this transaction SAAD reduced its exposure to 60.8m or 17.25% of the Company. SAAD for a significant period of time has been as the largest shareholder of Petra and there has recently been speculation in the market regarding the financial future/situation of the SAAD group, which did not participate in the Dec'09 equity placement. It is worth noting that following this transaction Blackrock Investment Management (UK) Limited announced that it now holds 18.9m Petra shares (~5.4% of the Company). While we are in no position to speculate on the financial situation of the SAAD group, and whether there will be another block of stock crossed, we do make the observation that any time a major shareholder disposes of a portion of their holding in a small or mid tier company it raises a perception in the market that another block, or indeed the rest of the holding, maybe likely to follow and is for sale.
- **Unfavorable South African operating environment** - Petra, like most miners in South Africa, has been impacted by rapidly increasing mining and processing costs which have been influenced by the well documented increases power/labour costs and the effects of a stronger rand. We believe Petra's operating cost and future capex requirements are a concern for a number of potential investors and will only be relieved by a number of periods of improved operating performance and/or an improvement in the underlying operating environment in South Africa.
- **Impact of "specials" on peer group comparisons** - Diamond mines are generally measured on a Run of Mine basis, ex specials. A key attraction, an area of profitability, for Cullinan is its specials which makes peer group comparisons difficult and there is no guarantee of another big or significant rare colored stone to be produced from Cullinan.
- **Relatively new and specialist sector** - The mid tier diamond market is a relatively new sector, similar to the junior iron ore sector. There is a comparatively small and specialised investor base with a significant portion of these investors recently participating in Petra's Dec'09 US\$120m equity raising. While Petra may have a proven and attractive set of assets in its portfolio relative to its peers, the diamond market has historically been a difficult sector for investors. To this end we believe the Company's ability to achieve financial growth to a level which would support a London main board listing would significantly increase Petra's potential investor base.

With ~80% of global diamond production being controlled by five diamond mining companies, Petra is in a unique position being the owner of the third largest diamond resource base in the world after De Beers and Alrosa. Since 2006 Petra has increased production from 175k carats to ~1m in 2009 and the Company continues to offer a strong pipeline of organic growth which now appears favourably funded.

While we believe the fundamental Petra story has significantly improved in the last 6 months (primarily driven by an improvement in underlying operations; the restructuring of the Company's balance sheet/ownership in Cullinan; and, an improvement in the rough diamond market), we believe the Company's ability demonstrate a significant improvement in economic results, further development of its projects, and, a resolution of the perceived stock overhang in the market will drive its share price.

Refer to the article "[Egg-sized diamond sold to Hong Kong jeweller for a record \\$35m \(Sat, 27th Feb\)](#)" in the News Review Section.

Tables & Charts of the Week:

Chart 1: Since February 10th, Brockman's largest shareholder, Wah Nam has bought ~A\$27.4m worth of stock on market...

...representing a very significant ~64% of total traded volume over this period, and increased its stake to 19.9% of the Company.

Wah Nam's interest in Brockman Resources

	No Shares	A\$/sh	Value (A\$)	Profit (A\$)
Current Wah Nam position	27,638,742	3.12	86,232,875	37,092,770
Total # of BRM ord shares	138,888,151			

Date	No Shares	A\$/sh	Consideration	Total No Shares	% Stake	Total consideration	Ave price
26-Feb	1,734,284	3.105	5,384,952	27,638,742	19.90%	49,140,105	1.78
25-Feb	1,354,432	3.127	4,235,309				
24-Feb	21,500	3.16	67,940	24,550,026	17.68%	39,519,845	1.61
23-Feb	1,120,895	3.065	3,435,543				
22-Feb	1,547,894	3.09	4,782,992				
19-Feb	481,726	3.167	1,525,626				
18-Feb	1,263,000	3.11	3,927,930	21,378,011	15.39%	29,707,743	1.39
16-Feb	570,016	2.965	1,690,097				
12-Feb	433,364	2.907	1,259,789				
11-Feb	256,984	2.851	732,661				
10-Feb	115,016	2.7	310,543				
30-Nov	100,000	1.92	192,000	18,739,631		21,786,722	1.16
01-Jul	110,375	1.205	133,002				
30-Jun	200,000	1.252	250,400				
29-Jun	200,000	1.255	251,000				
26-Jun-09	1,249,214	1.252	1,564,016	18,129,256	13.44%	20,960,320	1.16
25-Aug-09	1,602,263	1.257	2,014,045	-		19,396,304	
24-Jun-09	1,109,867	1.233	1,368,466	15,277,779	11.33%	17,382,259	1.14
23-Jun-09	3,763,521	1.23	4,629,131	-		16,013,793	
22-Jun-09	2,459,393	1.22	3,000,459			11,384,662	
19-Jun-09	1,604,998	1.20	1,918,454	7,944,998	5.89%	8,384,203	1.06
01-Jun-09	200,000	1.06	212,000	-		6,465,749	
25-Feb-09	51,134	1.01	51,645			6,253,749	
24-Feb-09	88,866	1.01	89,755			6,202,104	
20-Feb-09	114,453	1.07	122,579			6,112,349	
19-Feb-09	553,471	1.09	602,730			5,989,770	
18-Feb-09	788,975	1.09	859,194			5,387,040	
Before 18-Feb	4,543,101	1.00	4,527,846			4,527,846	
Acquisition in Feb'10	8,899,111		37,353,384				
% of the Company	6.4%						
Total traded volume since Feb 10th	13,967,495						
	64%						
Ross Norgard			16,796,133				
			12.1%				

Source: Company filings; Ocean Equities

Chart 2: THAT diamond...

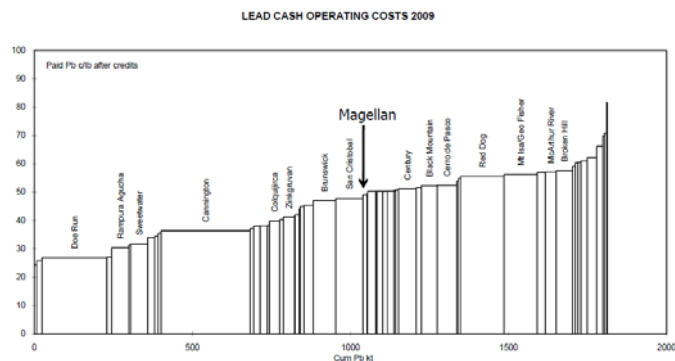
...Petra Diamond's "Cullinan Heritage" 507 carat diamond fetches US\$35.3m.



Source: Petra Diamonds

Chart 3: Ivernia is expected to be the worlds only significant pure lead play supplying ~2% of the total world lead mine production...

...with the Magellan operation within the top 10 lead mines globally.



Source: Ivernia May'09 Corporate Overview

Chart 4: When operations from Magellan reach target steady state production levels of 1.9Mtpa...

...producing ~85Ktpa of contained lead in concentrate.

2010 Production Outlook ('000 tonnes)	1Q'10	2Q'10	3Q'10	4Q'10	2010
Ore Mined	0	225	415	525	1,165
Ore Milled	70	340	410	450	1,270
Contained Lead in Concentrate	3	17	19	21	60

Source: Company Data; Ocean Equities

Commodity and Currency prices in more detail:

Commodity spot prices	Last	1D %	1W %	1M %	12M %	YTD %
Precious Metals						
Gold (US\$ / oz)	1119.40	0.15	0.45	1.24	18.77	2.03
Silver (US\$ / oz)	16.53	0.32	1.74	-0.83	25.97	-2.06
Platinum (US\$ / oz)	1551.00	0.58	1.44	0.00	44.48	5.83
Palladium (US\$ / oz)	437.25	1.16	-1.19	1.22	123.09	7.22
Base Metals						
Copper (US\$ / t)	7166.50	2.83	-3.23	-2.59	106.47	-2.39
Nickel (US\$ / t)	21096.00	4.07	2.16	16.41	111.38	14.33
Cobalt (US\$ / lb)	14.25	0.00	0.00	7.55	23.91	13.55
Zinc (US\$ / t)	2172.00	3.90	-7.25	-5.41	95.02	-14.12
Lead (US\$ / t)	2141.00	0.71	-8.39	-1.59	107.26	-10.87
Bulk Metals						
Iron Ore - China Fines CFR (US\$/t)	138.50	6.95	6.95	5.32	68.90	24.22
Iron Ore - China Pellets CFR (US\$/t)	144.00	7.46	7.46	3.23	37.14	20.00
Coal - NYMEX Yr1 Fut (US\$/t)	67.49	0.00	0.76	3.05	12.77	25.14
Chrome - FOB RSA Spot (CNY/t)	210.00	0.00	0.00	12.00	12.00	12.00
Energy						
WTI Oil (US\$ / barrel)	79.66	2.23	-0.19	6.63	76.16	0.38
Brent Oil (US\$ / barrel)	77.53	1.11	-0.37	6.06	72.63	0.43
Baltic Supramax Index	2288.00	1.73	8.80	2.46	49.64	2.88
Currency						
US\$ / £	1.51	-1.04	-2.60	-5.50	7.29	-6.75
US\$ / €	1.36	-0.12	0.14	-2.27	8.24	-4.93
US\$ / C\$	1.05	0.00	-0.83	0.85	22.98	0.14
US\$ / A\$	0.90	0.29	-0.27	0.74	42.54	0.03
US\$ / ZA Rand	7.66	0.66	0.72	-2.23	37.38	-3.48

Source: Bloomberg

Key political risks to watch in China (Mon, 1st Mar)

China weathered the global economic downturn with robust growth, but the key political risks facing the nation in 2010 reflect worries that trade imbalances and economic overheating could erode that success. Following is a summary of the key risks for China:

TRADE AND CURRENCY DISPUTES: Friction with the United States, the European Union and other major economies over trade imbalances and the level of the yuan has the potential to expand into sharper confrontation that could unsettle capital markets. With China's exports rising and foreign exchange reserves expanding, Beijing faces international pressure to let the yuan appreciate. Chinese officials say recovery remains fragile and they will not make any big moves on the exchange rate.

Rising disquiet about Chinese trade policy in the United States could be magnified by broader tensions over Tibet and Taiwan and by U.S. Congressional elections later this year. Washington is also likely to press more anti-dumping complaints against goods made in China in 2010.

Most analysts believe China and other major economies have too much to lose to risk a major escalation of these disputes. But markets are sensitive to any sign, however speculative, that the strains are reducing China's appetite for U.S. Treasuries.

The latest data show Japan topped China as the biggest foreign owner of U.S. Treasury debt at the end of December, as China pared back its holdings. Officials and investors said this reflected fluctuations that do not mark a big policy shift. But continued reductions in China's holdings of U.S. Treasury debt could raise market jitters.

What to watch:

- The rhetoric on trade from Washington and Beijing. Both sides want to avoid any serious economic dispute but also protect domestic industry and maintain popular support at home. Watch for signs that positions are hardening, that the U.S. Congress is increasing pressure that could shift policy, or that tit-for-tat trade measures could expand.

- Hints of a change in China's currency policy. Most analysts expect China to keep the currency on a tight rein until at least mid-2010 to cement economic recovery. Offshore one-year dollar/yuan NDFs imply a 2.57 percent appreciation of the yuan in the next 12 months.

THE INTERNET AND FALLOUT FROM THE GOOGLE DISPUTE: Google Inc has threatened to pull back from China if its concerns about censorship and hacking are not resolved, and its complaint has exposed broader disquiet among companies and governments about Beijing's business and investment policies. So far, other hi-tech multinationals have avoided following Google's public challenge to the Chinese government.

China has said it does not want the dispute to hurt broader commercial ties, adding that Google and other companies remain welcome as long as they accept the country's laws and policies.

But with Washington pressing Beijing over Internet censorship, and Beijing countering with harsh press criticism of U.S. policy, Western firms, especially in sensitive sectors such as the Internet, media and telecommunications, face uncertainty.

What to watch:

- Beijing could strengthen enforcement of rules intended to ensure international Internet companies obey censorship controls and other policy restrictions.

- Chinese media's harsh criticism of U.S. Internet policy could embolden some officials to protect domestic companies or sectors against foreign competition. Watch out for reports of foreign business deals in China that are slowed or shelved.

SOCIAL STABILITY: China's Communist Party has so far maintained general authority and control despite some fears that the global crisis could spark unrest among laid-off workers. Outbreaks of discontent have remained brief and localised.

But with the Party and global markets treating social stability as a crucial issue, even limited challenges to the Party's control can produce outside policy reactions.

Ethnic tensions in Tibet and Xinjiang have distracted the central government and drawn international concern, but have not seriously threatened national stability.

What to watch:

- Emergence of any regional- or national-level protest movements. So far, protests in China tended to be directed at local officials. Strict controls make it difficult for any organised movements to form beyond the local level.

- Signs that urban public concerns about inflation and housing costs are congealing into broader discontent. That is unlikely to turn into mass protest, but it could spur faster moves to cool economic overheating.

THE ENVIRONMENT: During the Copenhagen conference on climate change in late 2009, China's position on greenhouse gas emissions emerged as a key factor shaping the negotiations. Some Western politicians said Beijing was combative and inflexible in the final, tense days of the conference, undermining hopes for a stronger deal.

China and other big developing countries say rich nations were at fault for not offering bigger greenhouse gas emissions cuts of their own and not giving enough help to poor nations. Talks on a binding international climate change pact continue in 2010, putting China's positions on emissions and environmental governance under international scrutiny.

China's rapid growth causes many environmental problems, and citizens are concerned about health problems caused by pollution.

What to watch:

- China's position on emissions and fighting climate change. Beijing is unlikely to offer steeper reductions on greenhouse gas emissions growth than those it announced last year. Carbon market investors will look for flexibility on other contentious issues, like international verification and funding for poor countries.

- Moves to set a "carbon intensity" target for China's next five-year plan, running 2011-2015, are likely to speed up, increasing clean tech opportunities and raising the possibility of pilot emissions-trading projects.

- Increasing environmental activism and stricter enforcement of standards could force some industrial projects to be halted.

FALLOUT FROM A HOUSING BUBBLE: China's property market is looking bubbly and the government has been taking steps to deflate it. So far, so good, with price rises slowing early in 2010 and investment increasing at a more sustainable pace than last year's credit-fueled boom.

But two broad political issues should be on investors' radar screens. First, housing is increasingly unaffordable for most ordinary Chinese, a

potential source of social discontent.

Second, sharp falls in housing prices would cause immense pain not just for banks but also for the many Chinese who have bought homes with their savings. The stock markets' 70 percent tumble in 2008 from its peak did not cause any social ructions, but Chinese have much more to lose from a housing crash.

What to watch:

- Monthly housing price data published by the government is flawed but offers the best indication of market trends. An easing in month-on-month price rises in January is grounds for optimism, but there is too much cash in the economy after last year's lending boom, enough to fuel a bigger and more dangerous bubble.

- The government has been trying to gradually take the fizz out of the market by cracking down on speculators through loan controls, while simultaneously expanding the supply of affordable housing to tackle popular discontent. There is ample scope for policy missteps, especially a repeat of over-tightening seen in 2007, a major factor in the economy's subsequent slowdown.

(Reuters)

This may be the mother of all mining booms (Thurs, 25th Feb)

THE Reserve Bank has surveyed 160 years of Australian mining booms and concluded that this one could be the mother of them all. "It's a very big boom," says Reserve Bank deputy governor Ric Battelino. Australia's economy, built on a vast land mass rich in mineral deposits, has experienced five big mining booms, and these have generated periodic surges of export-based wealth from local discoveries or global demand.

The booms have forced abrupt economic and social change and generated inflation pressures that have been difficult to contain.

The 1850s gold rush was Australia's biggest mining production boom. At its peak, mining accounted for 35 per cent of colonial output. As fortune seekers from around the world flocked to the Victorian goldfields, the population almost trebled in a decade.

Typical of such booms, the gold rush squeezed out other industries such as wool, in part through labour shortages that pushed up the wages of shepherds. The boom ran ahead of local infrastructure but provoked a fatal insurrection -- the Eureka Stockade -- against taxes on the diggers.

The late 1800s mineral boom extended to new gold and metal mines, particularly in Western Australia, Queensland and NSW, including Broken Hill. It was financed by British money. And, as Battelino suggested in a speech to the Sydney Institute this week, the squeeze on urban manufacturing fed into the political pressure for Federation import protection that lasted for generations.

The mining boom of the 1960s and early 70s was driven by Japan's industrialisation and its demand for iron ore from huge mines in Western Australia and coal from Queensland. Bauxite mines were developed and oil was discovered in Bass Strait.

This boom provided two important lessons. First, one of the key ways that the economy naturally digests a mining boom is through a "real" appreciation of the exchange rate. This encourages labour and capital to move to the booming sector by making other industries less competitive. "There is only so much activity that can take place," Battelino notes.

Partly due to the political influence of the farming lobby, however, policymakers resisted allowing the "nominal" fixed exchange rate to rise. This meant the mining boom overheated the economy and fuelled inflation, which delivered a "real" appreciation through other means.

The second lesson was that Australia's centralised wage fixing system just made inflation worse by spreading big mining pay rises through the rest of the economy.

The second oil shock of the 70s generated by the Organisation for Petroleum Exporting Countries fuelled foreign demand for Australian coal, oil and gas, while our cheap fossil fuels encouraged electricity-intensive aluminium smelting. But the lessons of history were yet to be learned. Battelino notes that this boom stoked euphoria over Australia's economic prospects, leading to a resurgence of pay demands and shorter working weeks that again spread through the centralised industrial relations system. And inflation was further fuelled by official resistance to allowing the managed exchange rate to rise.

It took a global recession in the early 1980s to end the oil shock. Australia's economy fell even harder as our resources boom collapsed.

The China boom began about 2005, was interrupted by the global financial crisis but is now picking up strongly again. Led by iron ore and coal, mining production has already increased to its highest share of the national economy in more than a century. Mining investment has risen to its highest level ever at 4 per cent of gross domestic product, and Battelino says the new wave of liquefied natural gas projects could lift this to 6 per cent of GDP in a few years.

This development boom is the result of the soaring mining and energy prices produced by the demands of China's massive industrialisation. Battelino notes that Australia's terms of trade -- the ratio of export prices to import prices -- has risen higher than in any previous mining boom. As in previous booms, this is generating strong immigration-fuelled population growth, overloading our infrastructure and encouraging a "two-speed economy".

The scope for China's industrial catch-up means that this boom could last a couple of decades, if only we heed the history lessons.

Battelino argues that the key difference this time is the market-based float of the Australian dollar. The Reserve Bank is perhaps the only central bank not resisting, but even encouraging, a stronger exchange rate in order to accommodate a mining boom and so relieve inflation pressures.

Compared to 30 years ago, the economy is more deregulated and more flexible while the industrial relations system is less centralised. And, says Battelino, today's monetary and fiscal policy frameworks are "more soundly based". That's code for the Reserve Bank won't be shy about lifting interest rates to keep an inflationary mining boom in check.

(theaustralian.news.com.au)

Chilean copper mines slowly resume operations as power supplies return (Mon, 1st Mar)

Despite the 8.8 earthquake and resulting power shortages, copper mines in central Chile have begun resuming operation. However, copper markets are still somewhat nervous. Chile's largest mines are apparently undamaged, but the potential for disruptions on deliveries from the mine and interruption of power supplies--caused by a massive earthquake that killed more than 700 people and displaced two million--appeared to already impact copper prices early today.

Copper jumped to its highest level in five weeks on the LME early this morning.

Copper for three-month delivery surged as much as 5.6% to \$7,600 a tonne, the highest price since January 20th. The contract traded at \$7,462 a ton at 11:44 a.m. Monday in Shanghai.

Despite the earthquake, the world's largest copper producer, state-owned Codelco, said it will meet its supply contracts.

The company had closed its El Teniente complex and Andina mine due to power outages, while Anglo American shut its Los Bronces and El Soldado mines. However, Codelco said El Teniente had resumed operations and Andina operations were expected to resume late Sunday.

Suspension of production at these four major mines could have impacted about 20% of Chile's copper production.

Codelco's Caletones smelter was also expected to resume operations Sunday.

Freeport-McMoRan Copper & Gold said that while the quake did not damage its mines, the power failure at its Candelaria mine would result in a temporary shutdown.

Damages to bridges, roads and ports are still being assessed as of Mineweb's deadline early Monday morning. If the infrastructure damage were severe enough, it may interfere with the ability of copper producers to transport metal to the market.

It might also slow the pace of Chilean exports of which half are believed to be copper.

However, Standard Bank said in a note Monday that "apart from mine production of copper, copper exports from Chile look to be largely unaffected."

While port activities at San Antonia are closed, the larger and more important ports of Antofagasta and Mejillones were unaffected by the quake. As long as ports are open, the export of copper from Chile may see little disruption.

Meanwhile, mines in northern Chile appear to be operating normally. BHP Billiton said its copper mines weren't affected, while a Codelco spokesman said its northern Chilean mines are operating normally.

Barrick, Kinross and Teck said all their mines were operating.

mineweb.com

Rio to raise Ivanhoe holding (Mon, 1st Mar)

MINING goliath Rio Tinto has agreed to up its stake in Robert Friedland's Ivanhoe Mines to 22.4% after snapping up another 15 million shares in the Canadian company for around \$C244.7 million (\$A259 million).

In a statement, Rio Tinto chief executive copper Andrew Harding said the investment in Ivanhoe highlighted the company's confidence in the quality of the massive Oyu Tolgoi copper mine in Mongolia.

"We are working with Ivanhoe Mines on finalising the conditions precedent for completion of the investment agreement with the government of Mongolia and are looking forward to moving into the development phase of the project," he said.

Rio will purchase the shares for \$16.31 per share, increasing its ownership in Ivanhoe by 2.7%.

Oyu Tolgoi has an initial price tag of \$US758 million to begin construction. Total project costs could be around \$3 billion.

The operation is a joint venture with Rio and production is expected to start in 2013, with a five-year ramp-up to full production of 450,000 tonnes of copper per year and 330,000 ounces of gold.

Oyu Tolgoi has a resource of some 2.16 billion tonnes at 0.8% copper and 0.35 grams per tonne gold for 38.23 billion pounds of copper and 24 million ounces of gold.

Ivanhoe is listed in Toronto and New York.

miningnews.net

PanAust buys Chile stake (Mon, 1st Mar)

LAOS-focused copper and gold miner PanAust has signed a \$US45 million (\$50m) deal with Chile's state-owned mining giant Codelco to take an operating stake in the Inca de Oro copper deposit in the country's north. Shares in the Brisbane-based miner went into a trading halt on Friday pending announcement of an acquisition, and PanAust is expected to announce the deal before the market opens today.

Codelco announced over the weekend it would sell PanAust a 66 per cent stake. It is believed another party, not mentioned by Codelco, is involved.

Studies show Inca de Oro could support a mine producing about 50,000 tonnes a year of copper and 40,000 ounces a year of gold. The proposed mill would take about 12 million tonnes of ore a year, making it roughly the same size as PanAust's Phu Kham mill in Laos.

Initial resource estimates at Inca de Oro are of a 250 million tonne deposit with a grading of 0.46 per cent copper. A pre-feasibility study for the project is expected to be finished this half, followed by a feasibility study expected to take between 12 and 18 months.

If the studies are successful, construction should take about two years, indicating a 2014 start date is possible.

theaustralian.news.com.au

Jupiter in A\$490m deal (Mon, 1st Mar)

West Perth-based Jupiter Mines is poised to acquire a major stake in a South African manganese project from a group of investors including Pallinghurst Resources, in what it says is a "transformational deal". The company said it is nearing the final negotiation stages of securing a 49.9 per cent stake in the Tshipi Kalahari manganese project, which has a production target of 2013.

The acquisition is set to accelerate Jupiter's steel feed strategy and will complement the company's existing iron ore and manganese activities in Australia.

Under the deal, Jupiter will issue 1.16 billion new shares to a group of investors that include the Brian Gilbertson-led Pallinghurst, with each share worth 21.10 cents which gives the project an implied value of A\$490 million.

Jupiter's share of the project has an implied value of A\$245 million.

The transaction will also deliver a number of international strategic shareholders into Jupiter including AMCI and Investec, while Mr Gilbertson will join Jupiter's board as non-executive director.

"This is a company transforming transaction for Jupiter," non-executive chairman Geoff Wedlock said.

"We have recently announced our intention to be a focused steel feed raw materials company, and this transaction is consistent with this strategy.

"Not only does it significantly accelerate our SFC strategy, it positions Jupiter as a major manganese and iron ore explorer and developer, with a manganese project it can immediately develop."

Tshipi has a SAMREC compliant mineral resource of 163 million tonnes grading at an average of 37 per cent manganese. The project is adjacent to the open pit Mamatwan mine, one of the biggest manganese mines in the world.

The transaction is subject to the finalisation of due diligence and shareholder approval, which will be sought next month.

Shares in Jupiter climbed 1.5 cents to 24c at 11:34 AEDT.

wabusinessnews.com.au

No sympathy for ArcelorMittal (Mon, 1st Mar)

ON the strength of an archaic arrangement, ArcelorMittal South Africa has for almost a decade been receiving iron ore at cost price from Sishen, one of the world's most coveted iron-ore mines. ArcelorMittal will struggle to find sympathy now that Kumba has pulled the rug from under its feet by unilaterally suspending the agreement last month.

The steel manufacturer has been making super-profits out of the agreement and has not passed a single cent of the profits on to the South African consumer.

The agreement was an attempt at market manipulation by Alec Erwin, the former Minister of Trade & Industry, and his ally, Khaya Ngqula, the then chief executive of the Industrial Development Corporation (IDC). Yes, the very same Ngqula who left South African Airways under a cloud last year.

After the privatisation of Iscor and the listing of its shares on the JSE in 1989, the share never really raised its head because Iscor was both steel manufacturer and a mining company.

It was eventually decided to unbundle the mining operations from Iscor and list them separately as Kumba Resources in 2001.

But Iscor and the IDC at that stage were in a tight spot - the collapse of the steel market necessitated building Saldanha Steel.

This is a stainless steel plant that Iscor and the IDC, as equal partners, began to build in 1995 the better to exploit Sishen's valuable iron ore before it was exported.

Saldanha Steel began producing in 1998 - in the heart of the Asian financial crisis which sent steel prices tumbling. By 2001, when Kumba Resources was unbundled, Saldanha Steel was sitting with net debt of R5.8bn on its books.

This debt was transferred to Iscor and Kumba Resources in exchange for shares, while Iscor, which at that stage owned 50% of Saldanha Steel, also received the other 50% from the IDC.

Power struggle: Behind the scenes a powerful struggle was being played out about a ruling by Erwin and Ngqula: that Iscor should receive its iron ore from Sishen at cost price.

A source that was closely involved at the time points out that this made no sense. The reason was that Erwin and Ngqula wanted the South African economy to benefit from lower steel prices but, as everyone knew, the opposite has actually happened.

Another reason was that Saldanha Steel had to be refinanced by a new investor whom it would be difficult to persuade while the fairly new world-class plant was saddled with debt of R5.8bn. At that stage Saldanha Steel was producing steel at a loss of \$91 a ton.

Iron ore, the sought-after lump ore mined at Sishen, at that stage fetched between \$15 and \$18 a ton on global markets.

According to the source, one of the proposals made was for the ore to be delivered to Iscor at market-related prices minus the cost of railing it to Saldanha, or minus the road transport cost to Iscor's other plants in Vanderbijlpark and Newcastle.

This would mean that Iscor would still receive the ore at a discount of about \$5 a ton, while the new Kumba Resources would continue to benefit somewhat from possible increased iron-ore prices. But this was unacceptable to Erwin and Ngqula.

Iscor and the IDC, the biggest shareholder in Iscor, were involved in discussions with Lakshmi Mittal and his son, Aditya, about the sale of the IDC's shares in Iscor, as well as ways in which Mittal Steel could progressively take over Iscor.

Iron ore at cost price from Sishen was obviously an irresistible inducement for the Mittals.

The unbundling transaction was written in such a way that Kumba would never be able to extricate itself from it. Iscor received an indivisible 21.4% stake in the Sishen ore deposit. This gave it the right to 6.25m tons of Sishen's iron-ore production price plus 3%.

The cost price was defined as the running costs of mining, and the additional 3% was to cover additional costs such as administration and overheads. Kumba would therefore make no profit from the 6.25m tons of ore it was obliged to deliver to Iscor, now ArcelorMittal.

Meet halfway: To make matters worse, in 2005 Mittal Steel succeeded in acquiring Kumba's only foreign ore deposit, the Faléme iron ore deposit in Senegal.

That country's president, Abdoulaye Wade, unexpectedly declared that Kumba was not developing the iron deposit quickly enough and he re-allocated the rights to Mittal Steel.

And two years ago, when Kumba decided to develop its new mine, Kolomela (formerly Sishen South), ArcelorMittal equally brazenly demanded that it had to have a 21.4% stake in this mine as well. An arbitration panel recently decided that ArcelorMittal was not entitled to this.

Iskor/ArcelorMittal has since been skimming the cream off the top. In 2004 its operating profit was R6.7bn, in 2005 R6.8bn, in 2006 R6bn, in 2007 R7.7bn and in 2008 R12.1bn.

South Africans have never benefited from a cheaper steel price than the international market price. The steel giant has in fact spent many hours before the Competition Tribunal over unilateral and unfair steel price increases.

It's difficult to say what will happen now. From Monday Kumba refuses to deliver ore to ArcelorMittal at anything other than the commercial price.

On Friday Kumba spokespeople declined to say whether the steelmaker would continue supplying ore from Monday if no agreement was reached.

ArcelorMittal has the capacity to consume 8m tons of ore a year, but in 2009 took only 5.8m tons of Sishen ore owing to the slump in steel demand.

The fact that Kumba was able to sell the additional ore on the global market boosted its financial position during the recession, but it does not have the output and harbour capacity to export the full quota that it has always delivered to ArcelorMittal.

The two will therefore have to come to some agreement.

miningmx.com

Super pit moves closer to Boulder (Mon, 1st Mar)

Kalgoorlie's Super Pit is about to get longer, wider and deeper with work set to start within two weeks to bring the mine even closer to the town of Boulder. The Golden Pike expansion will mean existing homes could be as close as 400m to one of the world's biggest open-cut mines.

Dianne Mills, a local resident and chairwoman of the Williamstown Residents Committee, said she feared the town of Boulder would need to move to accommodate the ever-expanding hole in the ground.

Kalgoorlie Consolidated Gold Mines, operator of the Super Pit, said with the mine set to close in 2021, the expansion would be its last.

Dramatic satellite images, taken last month, show the extent of the pit and its proximity to residential areas. The Golden Pike expansion will increase the size of the pit to a 4km long, 1.6km wide, 600m deep hole.

Work is currently under way on the construction of a new 20m high noise bund in a bid to shield homes on the western edge of the mine from the worst of the 24-hour operation.

Local demolition worker Roy Halliday lives within a few hundred metres of the mine and said he feared the damage from fly rocks from daily blasting at the expanded pit.

"Hopefully, they (the company) will buy us all up," Mr Halliday said.

"Otherwise I might have to close down every day at 12 for the blasting because of all the rocks that will be flying around."

Kalgoorlie prospector Ray Kean lives 1.5km from the mine but said the noise and dust were constant problems and the expansion would make the situation even worse.

Ms Mills said the expansion would create a mountain of rock waste within 700m of her home and have heavy trucks thundering down nearby streets.

au.news.yahoo.com

Strikes like Thunderball (Mon, 1st Mar)

URANIUM explorer Thundelarra Exploration is hoping to release a resource on its Pine Creek holdings in the Northern Territory by the third quarter, and may seek a partner for its earlier stage Ngalia Basin property by the end of the year. Company managing director Brett Lambert told the recent RIU Explorer's Conference that if all goes to plan, the group could be in production in four years, at a minimum, and start scoping studies next year.

The company holds a 70% stake in the uranium rights at Pine Creek in joint venture with Crocodile Gold Australia.

Diamond drilling last year returned Australia's highest ever uranium result on the Thunderball prospect when 12m at 20.3% uranium, 15m at 1.5% uranium and 11m at 3.4% was returned.

Interpretation of a detailed low-level airborne radiometric and magnetic survey has also expanded the number of targets at Pine Creek from six to 14, and of these, only Thunderball has been drill tested. At another area, the Corkscrew prospect, uranium-rich boulders returned assays up to 2.3%.

Importantly, Lambert said the magnetic data had defined controlling structures associated with the known uranium occurrences, and these, along with Thunderball, will be subjected to an aggressive 25,000m drilling program this year.

"Our intention this year is to demonstrate the concept and hopefully hit these structures," Lambert said.

At Ngalia Basin, a result of 11m at 3.4% uranium and 34 grams per tonne gold has been returned, and the company is looking to undertake a 10,000m drilling campaign this year.

With \$A25 million in the bank, Thundelarra is looking to spend \$8 million on exploration campaigns this year.

Outside of uranium, the company has also applied for ground directly adjacent Sandfire Resources' Doolgunna copper project in Western Australia which it hopes will be granted mid-March.

miningnews.net.au

Kalahari Minerals affiliate Extract Resources names Ex-Rio Tinto man Jonathan Leslie CEO (Mon, 1st Mar)

Kalahari Minerals (AIM: KAH) announced that Extract Resources (ASX, TSX: EXT), in which it holds a 40.44 percent stake, has appointed Jonathan Leslie as chief executive officer. Extract is developing the world-class Husab uranium project in Namibia. It owns and operates the Rossing South uranium deposit at Husab, where the resource currently stands at 292 Mlb (million pounds) graded 439 parts per million triuranium octoxide (U₃O₈) of which 267 Mlb at a grade of 487 ppm are in Zones 1 and 2.

Kalahari chairman Mark Hohnen said, "This is a fantastic appointment for Extract, and is, in Kalahari's opinion, a significant step change for the company - one which we endorse robustly. Jonathan has an exceptional level of experience in the uranium sector, particularly in marketing and management, stemming from his role as managing director of Rossing Uranium, Rio Tinto's (LSE, ASX: RIO) subsidiary which operates the producing Rossing mine, from 1991 to 1994."

"This high profile position, which saw him responsible for overall marketing of all uranium from the world's largest uranium mine, established Jonathan as an international expert in the uranium industry and a well-respected figure in Namibia, with outstanding relationships with the Namibian government and mining agencies," he added.

Kalahari Minerals is a resource company with uranium, gold and base metal interests in Namibia, and the Extract stake is its key investment.

The Husab uranium project, strategically located directly south of Rio Tinto's producing Rossing mine. Work is focusing on three main prospects within the project area, Rossing South, Ida Dome and Hildenhof, and results continue to underpin the prospectivity of the region, particularly following the world class Rossing South discovery.

The two zones at Rossing South are both open ended at depth and along strike. Kalahari believes Extract has the ground and potential to deliver on Kalahari's estimates of a resource in the region of 500 M lbs U₃O₈.

Kalahari's other key investment is its circa 44.9% holding in North River Resources PLC (AIM: NRRP, an emerging southern Africa focused multi commodity resource development company).

proactiveinvestor.co.uk

Egg-sized diamond sold to Hong Kong jeweller for a record US\$35m (Sat, 27th Feb)

A Hong Kong jeweller paid a record price for an uncut diamond yesterday when it bought the egg-sized "Cullinan Heritage" for US\$35.3m (£23m). Chow Tai Fook Jewellery emerged as the successful bidder for the 507-carat diamond, the 19th biggest ever found, after a tender held by Petra Diamonds. The Jersey-based group mined the diamond at its Cullinan site in South Africa in September last year.

"We are obviously ecstatic," said Adonis Pouroulis, the chairman and founder of Petra Diamonds. "Of course, in a sealed tender you never know how well it's going to go, but if you consider that the next highest price ever paid for a rough diamond is \$18.4m, this is a great result."

The value of a diamond is not determined by its size, but by its clarity. Mr Pouroulis described the Cullinan Heritage as "flawless". The selling price also dwarfed the expectations of analysts, who had predicted a value of between US\$25m and US\$28m.

Mr Pouroulis said that the Cullinan Heritage had cost just US\$250 to produce. The amount paid for the Cullinan Heritage also eclipses the previous record for an uncut diamond. In December 2008 Graff Diamonds paid US\$18.4m for the 478-carat "Leseli La Letšeng". It was mined in Lesotho by another British listed company, Gem Diamonds.

Petra plans to reinvest the money in its South African operations. The company currently mines 1.2 million carats a year and plans to increase production to 3 million carats a year by 2014. The group will also use the proceeds to develop the nearby Williamson mine.

Petra was part of a consortium that bought the Cullinan mine from the diamond giant De Beers for US\$148m in 2007. The group recently acquired the 37 per cent of the mine it did not already own. Last year, the company received a record US\$9.4m for a 7-carat blue diamond produced at the mine.

Cullinan has an enviable history of producing the world's largest diamonds. The biggest ever, the 3,016 carat "Cullinan", was mined there in 1905. It was bought by the Transvaal government and given as a gift to Edward VII. It was eventually cut to form the Great Star of Africa and the Lesser Star of Africa. They were then placed in the Sceptre with the Cross, which forms part of the Crown Jewels.

Yesterday's sale also confirms Chinese and Hong Kong investors as major investors in the precious gem market. China is now the world's second biggest diamond buyer, having overtaken Japan last year. Petra's blue diamond was bought by another Hong Kong investor, Joseph Lau.

Unlike most other commodities, diamonds have continued to rise during the economic downturn. In the first 11 months of 2009, diamond prices increased by 48 per cent, according to the independent valuer WWW International Diamond Consultants.

independent.co.uk

Stokes sought blessing from Caterpillar (Sat, 27th Feb)

KERRY Stokes visited the Illinois headquarters of Caterpillar just months before pressing ahead with a \$3 billion proposal to merge his WesTrac mining and industrial equipment company with Seven Network's portfolio of media assets. WesTrac is the sole Caterpillar dealer in NSW, Western Australia and northeast China and Mr Stokes told The Weekend Australian he was keen to personally reassure Caterpillar's head office that the deal would not compromise the 21-year relationship between the two firms.

The merger would see the listed Seven Network, which is 49 per cent-owned by Mr Stokes, pay \$1bn in shares for WesTrac. Seven also plans to take on WesTrac's \$1bn debt in a deal that would leave Mr Stokes with 68 per cent of the combined company if it is approved by shareholders at a meeting scheduled for May.

"Before we went to Seven directors (about the deal) we went to Caterpillar," Mr Stokes said. "Historically, there have been public dealers in Caterpillar but there has never been a dealer that has gone public. So it is a bit unusual."

Caterpillar has contracts with its franchisees that can be broken with 90 days notice. However, the average life of a contract is about 50 years due to the close relationship between territories and the head office as well as the huge amount of capital another party would be required to spend to set up a new business from scratch.

Mr Stokes and his most senior executive, Peter Gammell, who will be chief of the combined business, travelled to Peoria, Illinois, in October. This was a month before they put the proposal to Seven's independent directors.

"(Caterpillar) analysed it and said 'this is what we expect from you guys -- something unusual but it looks actually very interesting'," Mr Stokes said.

"The big issue for them was that there was nothing competitive (between Seven and WesTrac). "They got themselves comfortable with the fact the proposal was totally non-competitive... They realised they were both good companies."

A Caterpillar spokesman, Jim Dugan, said: "Caterpillar's long-standing practice is that we don't discuss the business operations of any of our independent dealers."

He added: "It is a matter of public record that there are other Caterpillar dealers in the world that are publicly listed: Finning and Barloworld among them."

Mr Gammell has spent much of the week explaining WesTrac, which has kept its accounts private since Mr Stokes bought the WA territory in 1989, to institutional shareholders.

Seven stock fell sharply on the day the deal was announced but has posted gains on every other day this week. The shares closed 15c higher yesterday at \$7.34.

"If you look at the first day when there was that 'reaction' -- in inverted commas -- in price, there was actually one institution that decided just to quit and that flushed through quickly," Mr Gammell said.

"It's interesting: if you look there has been high volumes with increasing prices.

"That to us is a good sign.

"It's quite acceptable that some people are no longer excited about being in a pure media stock. But there are other people saying, 'hey I want to get into a growth story'. That's healthy. A bit of shareholder retention is a good thing."

theaustralian.news.com.au

A\$7bn capacity on rail, says Fortescue Metals Group (Sat, 27th Feb)

ANDREW Forrest's Fortescue Metals Group claims there is at least another 70 million tonnes of annual capacity, worth more than A\$7 billion at current spot prices, available on the private railways of Rio Tinto and BHP Billiton in Western Australian. But the two mining giants, which have teamed up to fight Mr Forrest's attempts to use their railways, maintain third-party iron ore on their lines would cause billions of dollars of losses.

Australia's three biggest miners wrapped up their cases yesterday in a Melbourne sitting of the Australian Competition Tribunal after almost five months of testimony.

Their main focus was TSG Consulting's modelling of Pilbara railway capacity, presented to the tribunal earlier in the week.

Fortescue's lawyers said the modelling showed Rio's railways had 50 million tonnes of usable annual spare capacity and BHP's Mount Newman line could handle an extra 20 million tonnes.

Lawyers for BHP and Rio objected to this interpretation, saying extra costs and lost sales would cost billions of dollars.

In a battle that has lasted six years, Fortescue is trying to get Rio and BHP's vast Pilbara rail networks declared open to it and other haulers under part III a of the Trade Practices Act.

The tribunal's decision, on appeals of rulings by Wayne Swan and the Treasurer's predecessor, Peter Costello, is expected about the middle of the year.

BHP counsel Alan Archibald QC said third-party access, if granted, would start in 2014 at the earliest, and that was in the extremely unlikely event there was no appeal.

Closing out the final day before a decision is to be revealed, tribunal president Ray Finkelstein said it would be a very hard case to rule on.

"This might be the first case that I haven't decided before I heard it, or at least halfway through," Justice Finkelstein said.

The 50 million tonnes on Rio's lines would be available only until 2016 or 2017, but the big miner was not keen to share it, even before then, with iron ore from Fortescue's Solomon deposits.

Rio counsel Peter Collinson SC said the modelling showed Fortescue would need only five trains, costing about A\$100 million each, on a new railway, whereas 18 new trains would be required if Rio's rail was used.

A new railway from Solomon to the Pilbara coast would cost between A\$600m and A\$1bn, the tribunal heard.

If Brockman Resources had access to BHP's Mount Newman line for 17 million tonnes of ore a year, and Fortescue's part-owned Mindy Mindy deposit added another 3 million, BHP would lose between 2 million and 3 million tonnes of capacity, worth up to \$300m, Mr Archibald said.

On top of this, scheduling third parties would also remove 20 per cent of capacity, BHP and Rio said.

theaustralian.news.com.au

Argentina warns BHP not to drill for Falklands oil (Fri, 26th Feb)

BHP, the Anglo-Australian mining giant, has been warned it will face sanctions in Argentina if it pushes ahead with oil exploration offshore Falklands. Pedro Villagra, Argentina's ambassador to Australia, made the threat as the diplomatic row over the start of drilling continued to escalate.

His intervention came as oil prices in the US headed towards \$79 a barrel and the International Energy Agency suggested economic uncertainties were likely to peg increases.

BHP holds 14 exploration and production licences in partnership with Falkland Oil and Gas and hopes to start drilling in the next four months.

Desire Petroleum triggered strong Argentine protests when it started drilling the first well this week. The well marks the second attempt to see whether Falklands has the potential to become a major new oil province.

Mr Villagra said BHP's business in Argentina would suffer if the company started drilling. He said BHP had been officially warned about the risks of action three years ago when the company began talking to its drilling partner.

He added: "If they conduct activities they will not be allowed to carry out some activities in the Argentine territory in the mainland."

BHP refused to comment but the group currently has no operations in Argentina. It has had interests in gold and copper mining in the past.

The sanctions warning was seen as an attempt by Argentina to widen the dispute after the failure to get backing for UN action to halt the drilling programme in the disputed territory.

[The Telegraph](http://TheTelegraph)

Japan may end up accepting shorter coal pricing, say analysts (Fri, 26th Feb)

Japanese steel mills may eventually accept short term pricing for contract coking coal supplies, as suggested by supplier BHP Billiton, said analysts.

"Eventually, mills will have to accept shorter-term pricing system, because this is the trend," said an analyst.

Australian miners account for more than 60% of global seaborne metallurgical coal supply.

"Japanese blast furnace mills will have to accept close to spot coking coal prices and shorter contract term in the end... I already know the winner and the loser: BHP and Nippon Steel," said another analyst.

However, Shoji Muneoka, head of both the Japan Iron and Steel Federation and Nippon Steel has reportedly said that steelmakers oppose the proposed quarterly pricing system.

"The current pricing system is appropriate, and Japanese mills will stick to it," agreed a coal purchasing official at a major Japanese mill. However, he admitted with some reluctance that Japanese mills will "probably" have to give in to the miners in the end.

"This may not happen immediately, given the fact that mills are still in recovery, the chance is smaller for them to take the proposal this year," said the first analyst.

"It is natural that Japanese mills don't like the idea, as their clients like automakers have been working with long-term supply contracts, and mills don't want to take the risks only by themselves," he added.

Japanese mills are likely to end up paying a premium to delay the start of the new pricing system, he said.

BHP Billiton is reportedly asking Japanese steelmakers to pay 55% more for coking coal for the year starting April 1, the first time in two years that BHP is seeking a price hike.

Global demand for metallurgical coal will increase by over 14% this year, and "a substantial increase" in Australian exports is "necessary" to meet this, said Macquarie.

[Metal Bulletin](http://MetalBulletin)

How Ramelius walked away with a cool \$40m (Fri, 26th Feb)

RAMELIUS Resources this week walked away from the \$100 million takeover battle for Dioro Exploration as the kind of "loser" everyone would like to be - with a fresh \$40 million in its bank account. Its main problem now is to work out whether it can find a sensibly priced alternative acquisition, or risk violating that old rule of thumb in junior companies - "never give the money back to shareholders".

Ramelius' board short-listed Dioro as a target a year ago when looking to add depth to its gold resources in Western Australia's eastern goldfields.

The board was a little slow off the mark. As the sharemarket turned last March, companies turned from victims to predators, looking to buy vulnerable assets cheaply.

Avoca Resources pounced on Dioro in April, with an all-share affair that valued its target at less than \$50 million. It already had agreements with two of Dioro's largest shareholders, giving it a 15 per cent starting stake. At that point, Ramelius chairman Bob Kennedy and his team thought they had missed the boat.

Dioro did not, however, open its arms to Avoca and managed to get an extraordinary top-end valuation of \$1.88 a share from a report by KPMG - compared with its share price of under 40¢ before Avoca's offer, and the share swap bid being worth about 53¢ when the offer was unveiled.

Still, by July, Avoca had lifted the terms of its offer to a swap ratio equivalent to just under 75¢ for each Dioro share, but the bitter words between bidder and target boards continued (as did the avalanche of paper through the mailboxes of Dioro investors).

Then, on July 29, Avoca did something remarkable - and the Dioro board, even more oddly, endorsed it. Avoca chief Rohan Williams changed the share-offer ratio from one Avoca for every 2.4 Dioro, to one for 2.3. It looked like a better deal. In reality, Avoca shares had fallen in value, so instead of a bid worth 74.8¢, which Dioro's board rejected, there was a share swap valued at 74.3¢, which they were recommending to shareholders. Go figure.

Kennedy and Ramelius could not believe their luck, and within 24 hours had lobbed their own share swap offer of 2-for-1, notionally worth \$1 for each Dioro share.

Ramelius owned not a single share when it bid. If it won the day, Dioro's shareholders would control 45 per cent of the enlarged company. If Avoca won, Dioro holders would be a "rump" with little more than 10 per cent of the larger miner's share register.

A haughty Avoca responded to Ramelius' bid by sending Dioro investors a letter saying that, on their behalf, it would "scrutinise ... Ramelius itself, the quality and extent of its asset base and the company management". Small wonder Avoca's Williams and Ramelius' Kennedy are not having any conversations.

When Avoca's offer finally closed in late August, it owned less than 45 per cent of Dioro. Having started with 15 per cent, it picked up less than another 10 per cent all the way up to the last day of the offer. On that day, August 19, a fund manager with more than 10 per cent accepted, and another 10 per cent of acceptances flowed in.

Ramelius also received lukewarm acceptances for its bid. Then, at the beginning of October, Avoca revealed Dioro's banker, BNP, had shown the support a company expects from its banker and sold the 3 million options (another 1.75 per cent) it owned to Avoca.

If Avoca had hoped that would make Dioro holders shun Ramelius, it got exactly the opposite response. The trickle turned to a flood and suddenly Ramelius owned more than 20 per cent - enough voting power to cause Avoca difficulties.

By mid-December Ramelius had 36 per cent. Kennedy and his team resolved on one tiny, extra push to test Avoca. They marginally raised their offer, from 2 to 2.1 shares for every Dioro share, but they also nominated three "independent" directors to stand at Dioro's forthcoming annual meeting.

By that time Avoca had three Dioro board seats - one of them representing Avoca's largest shareholder, Russian billionaire Vladimir Iorich's Pala Investments - and probably the last thing it wanted was to share a boardroom with Ramelius. So between Christmas and New Year Avoca launched a new takeover offer, this time with a cash component - 65¢ and 0.325 Avoca shares for each Dioro, that valued Dioro at \$1.25 a share.

Dioro's board seemed to dither about the two offers, and it was not until this month that shareholders were told to take the money and accept Avoca's bid.

By that time Ramelius had already withdrawn its board nominations, and gone shopping for new exploration leases in the US and NSW, so it closed its bid in the first week of February owning 37.5 per cent of Dioro.

Kennedy and his team waited all of three days before tipping their shares into Avoca's offer, pocketing \$22.3 million in cash and 11.2 million Avoca shares.

This week, less than 24 hours after Avoca announced that as it now owned more than 90 per cent of Dioro it could compulsorily buy out everyone else, Ramelius tossed its Avoca shares into the market at \$1.80 each for another \$20 million.

So, for the price of increasing its shares on issue by 30 per cent, Ramelius cleared \$40 million - less takeover and share sale costs.

It now has \$65 million in the bank, and chief executive Ian Gordon (who only took over last August) expects that to be close to \$75 million by March as more cash flows in from its Wattle Dam mine.

Ramelius' problem is that it has been priced out of its preferred WA base, and Wattle Dam has an uncertain life span (even though Gordon is confident it can extend its resources).

There is a view its shares are overvalued, which might be a good defence against a takeover but not a way of keeping shareholders happy in the medium term while it hunts for exploration success - unless it distributes some of the bulging bank account to investors through dividends or a capital return.

theage.com.au

Ivernia restarts Magellan in Australia after 3-year closure (Thurs, 25th Feb)

PERTH – Toronto-listed base-metals miner Ivernia has restarted the processing operations at its Magellan lead mine, in Western Australia, which was shut for nearly three years. The Magellan operation has about seven weeks of stockpiled ore available for processing through the plant, and mining operations were scheduled to restart in March, reaching full production by the end of the third quarter, the company said in a statement.

The operation would produce about 60 000 t of contained lead in concentrates during 2010 following the restart of operations.

The Magellan processing plant has been on care-and-maintenance for nearly three years, as health issues around the shipment of lead was debated. In early 2007, exports of lead concentrate through the Port of Esperance were suspended, owing to the emission of lead carbonate concentrate dust during the bulk loading of the product onto ships.

The company then turned to the Fremantle port, seeking approval to export its product. In August 2009, it was granted approval to start sealed shipments of lead carbonate.

Shipments of the mine-site concentrate stockpiles started in September, with a continuous flow of filled containers delivered to the Port of Fremantle for export to international lead smelters. In parallel with shipping the stockpiled material, during the second half of 2009, Magellan embarked on the detailed restart planning process.

The staged restart of the processing plant started on February 22, and the major maintenance and recommissioning projects required ahead of restart were substantially completed during January and February 2010.

Ivernia said that there would be a staged ramp-up of production during the second and third quarters of 2010, with planned full production levels being reached towards the end of the third quarter of 2010.

From 2011 onwards, Magellan plans to process 1,9-million tons of ore a year, producing, on average, about 85 000 t/y of contained lead in concentrate for the mine life.

Ivernia anticipates that, at current \$2 200/t lead price levels, Magellan would require C\$6-million of funding from Ivernia treasury to fund the ramp-up of operations at the mine from now until the end of May 2010, with the operation turning cash flow positive from then onwards.

miningweekly.com

Iron ore market expansion looming (Thurs, 25th Feb)

Sitting at his desk on ICAP Plc's dealing floor in London, iron ore broker Andy Strickland is plotting how to get business in China. He handles so-called swaps for iron ore, allowing buyers and sellers to fix prices months in advance for single cargoes of the raw material that's essential in steelmaking.

Strickland said he aims to expand his two-man team to eight, the same size as the nearby coal desk whose brokers are busy shouting into their telephones, and handle more deals as steelmakers increasingly favour buying individual iron ore consignments instead of relying on fixed-price supply agreements.

"The potential is huge," Strickland said. "You just need a catalyst for it to reach that critical mass."

The prize for the growing band of brokers and traders handling the derivatives is the possibility that iron ore will evolve into a market rivalling the liquidity and volume of other commodities.

The iron ore market is worth about \$200 billion a year, second only to crude oil, according to Credit Suisse Group AG. The swap market may grow 10-fold to 360 million metric tons annually over the next two years, said Phillip Killicoat, an iron-ore dealer at the bank in London.

Such an expansion would be a vindication for the pioneers in a market that only began in May 2008. Ray Key, global head of metal trading at Deutsche Bank AG and Kamal Naqvi, Credit Suisse's global head of investor sales, began offering swaps at the instigation of BHP Billiton Ltd, the world's largest mining company, which was dissatisfied with the way iron ore is priced.

Incredible size: "Iron ore struck us as one of the last of the true commodity markets that did not have any financial presence," said Key, who likens iron ore trading to where oil trading was in the 1980s. "Its size is just incredible."

The proportion of iron ore sold on contracts pegged to an annual price benchmark will shrink to 40 percent in five years, from 70 percent now, as accords expire and aren't renewed, according to Killicoat. Melbourne-based BHP reduced the proportion of its Western Australian ore priced using the benchmark to 54 percent in the second half, from 68 percent in January through June.

The benchmark traditionally takes effect from April 1. Asian steelmakers pushed for price cuts in 2009, the first in seven years, after the biggest slump in demand for their product since World War II.

The three largest iron ore producers – Brazil's Vale SA, London-based Rio Tinto Group and BHP – and Japanese and South Korean steelmakers agreed to a 33 percent reduction.

Growing volatility: That wasn't enough for Chinese customers. Price talks with the world's biggest steelmaking nation ended in deadlock and a benchmark wasn't officially recognized, helping to opening the market to spot cargoes.

"I don't think anyone could foretell just how dire the negotiations would become," said Key, who joined Deutsche in 2007 after five years as global head of precious metal at Morgan Stanley.

Growing price volatility also helped stoke demand for spot iron ore cargoes and swaps.

"The benchmark system is untenable in the long term," said Strickland at ICAP, the world's largest broker of transaction between banks. "Market sentiment changes on a monthly basis."

Some steelmakers aren't welcoming the trend. Customers of Japanese steelmakers wouldn't want more frequent change in raw material costs, Shoji Muneoka, Nippon Steel Corp's president and the Japan Iron and Steel Federation's chairman, said at a JISF conference last month.

'More players': Nor has Rio matched BHP's increase in spot sales. It sold most ore priced on a benchmark in the second half of 2009, after selling about half as spot in the first half.

"Markets are dynamic, markets are moving toward a position of shorter terms," Chief Executive Officer Tom Albanese said on a conference call when Rio posted its full-year earnings on Feb 11. "A lot of that's associated with more players that are involved in the market."

For the benchmark to survive, "it will need to evolve. And again if it does not evolve it will not survive", he said.

Market freeze: Swap trading started with volumes of about 250,000 tons a month, Credit Suisse's Killicoat said. It grew to about 3 million tons by September 2008, the month Lehman Brothers Holdings Inc was declared bankrupt amid the worsening global financial crisis, at which point the market froze. Volumes have since recovered, he says.

"The tipping point will come as benchmark pricing becomes less rigid and more physical material is sold on a spot and index basis," Killicoat said.

BHP has done just that, cutting the proportion of ore sold in the second half using the annual price. It sold the rest by other means, including spot sales, CEO Marius Kloppers said in a Feb 10 conference call. Illtud Harri, a London-based spokesman for BHP, declined to say how much was sold on spot.

The swap market allows ore producers to lock in volumes and prices as they see fit, rather than being tied to a benchmark that may not reflect current demand, said Simon Overy, who works on the iron ore team with Strickland at ICAP.

The derivative enables steelmakers to hedge their main raw material, he said. ICAP declined to give the value of the trade its iron ore team is handling.

'Explosive' activity: Iron ore demand is rising as steelmakers restart blast furnaces and customers rebuild inventories. In China, spot prices have gained 49 percent in the past 12 months.

"Price activity in the iron ore spot market has been explosive during the early weeks of 2010," Citigroup Inc commodity analyst Alan Heap wrote in a Feb 2 report. Credit Suisse raised its forecast for the 2010 iron ore benchmark price, saying on Feb 4 it will rebound 50 percent to \$86 a ton.

Chinese steelmakers have started contract price talks with overseas suppliers, Luo Bingsheng, vice-chairman of the China Iron & Steel Association said on Feb 9.

ICAP's Strickland said that to get more people to use swaps, their "traditional" view of the market needs to change.

"Currently there is still resistance from producers that prevents the launch of a liquid spot market in iron ore. The challenge is to change people's mindsets," he said.

(China Daily)

What's A Company's Gold Worth? (Thurs, 25th Feb)

At any given time, there's a single international spot price for an ounce of refined gold. Gold is priced in US dollars: \$1,106.10 per ounce as we go to press. But what about the gold an exploration or mining company has in the ground? How do we value that?

Given sufficient data, you can estimate a reasonable net present value (NPV) for a project and deduce what each of the company's ounces should be worth. To do this, you need to know annual output of the proposed mine, proposed capital expenditures, energy and other costs, and many more things. But for most deposits held by the junior companies we tend to follow, there's just not enough data available. Another approach is to compare the value the market is giving a company per ounce of gold in hand against the average value the market gives companies with similar ounces.

The most obvious way to define "similar" ounces in the ground is to use the three resource and two mining reserve categories defined by Canada's National Instrument NI43-101 regulations – the industry standard. We combine these into three broad groups, as we believe the market tends to do as well. Firstly, inferred: the lowest-confidence category, based on just enough drilling to outline the mineralization. Secondly, Measured & Indicated (M&I): these higher-confidence categories have been drilled enough to establish their geometry and continuity reasonably well. And thirdly, Proven & Probable (P&P): These are bankable mining reserves – basically Measure and Indicated resources with established value. So, what does the market give a company, on average, for an Inferred ounce of gold?

To answer this, we combed through every company listed on the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSX-V) and pulled out the ones with 43-101-compliant gold resource estimates (or mostly gold) – no silver, copper, etc. Of these, we kept only those with resources that fall almost entirely into only one of our three broad groups: Inferred, M&I, and P&P. In other words, we did not include companies with half Inferred and half M&I resources (though we did include companies with mostly P&P reserves, because most are producers – or soon will be – and are regarded that way). That left us with about 90 companies to calculate some averages on.

That's not a large sampling universe, and we had to make some judgment calls when it came to defining what companies should fall in each category, but it's what we have. So take these averages with a large grain of rock salt, but here they are: US\$20 per ounce inferred, US\$30 per ounce for M&I, and US\$160 per ounce for P&P.

Armed with this information, if you didn't know anything else about an M&I resource (political risk, type of ore, etc.), but you saw that the company that owned it was trading at US\$10 per ounce, whereas its peers are valued at around US\$30 an ounce, you can conclude that there must either be something very wrong with the project or the stock is a great speculation. If there's nothing wrong with the project, there's an implied growth potential in the stock price, based on the difference between what the company is getting per ounce and the market average for similar ounces. In this case, it would be: \$20 x the number of ounces ÷ the number of shares.

As a matter of perspective, a few years ago the market was giving a company about US\$25 per ounce inferred, US\$50 for M&I, and about US\$100 for P&P. Then, when gold ran up over US\$1,000 before the crash of 2008, these valuations went out the window, and some companies were getting over US\$100 for merely inferred ounces. Do we have your attention now?

Conversely, just after the crash, there were companies having a hard time getting US\$10 for M&I. That was clearly a sign that it was time to buy, and we did, with gusto. It's also why, when the Mania phase gets underway, we'll be selling into it as gold approaches the top; we will not be attempting to time the top. It's far better in this business to be a day early than a day late.

Today, the market is willing to pay more for advanced and producing stories (US\$160 P&P) but is discounting earlier-stage stories, hence the lower M&I valuation than in previous years (US\$30). These figures will change again as the market's appetite for risk changes.

We often get asked what an Inferred, or M&I, or P&P ounce is worth in the ground. The \$20, \$30, and \$160 figures are only rough guides, and you must consider the reasons why some ounces are given more or less by the market, but they're a good starting point.

(Louis James & Andrey Dashkov, Casey's International Speculator)

Tianshan Goldfields and Corvette Resources merger completed (Thurs, 25th Feb)

Australian gold companies Corvette Resources Limited (ASX: COV) ("Corvette") and Tianshan Goldfields Limited (ASX: TGF) ("Tianshan") have completed all regulatory and shareholder conditions of their merger¹, via a court approved Scheme of Arrangement ("Scheme").

Key points:

- Newly merged entity has approximately A\$30M cash at bank and a large and highly prospective landholding within a new gold belt in Western Australia,
- 2010 exploration program at Plumridge is focused on further testing of the Corvette trend and moving to test undrilled targets to the

south and north of Corvette,

- The merger has also resulted in adequate funding for business development to acquire interests in other gold focused companies or projects, and
- Tianshan Goldfields Managing Director, Mr Jason Bontempo remains Managing Director of the newly merged company, with board including Mr Tony Sage as Non Executive Chairman and Hon John Moore as Non Executive Director.

Tianshan Goldfields Limited will change its name to Corvette Resources Limited, and will trade under a new ASX code of CVX from early March 2010. The dispatch of securities to existing Corvette shareholders has taken place and the new company now has the following securities on issue:

- 500,440,386 Ordinary Shares
- 21,783,334 Unlisted Options

Under the terms of the Scheme, Tianshan have acquired all the issued shares in Corvette in exchange for the issue of shares in Tianshan, at a ratio of two (2) Tianshan shares for every one (1) Corvette share held.

The merged entity has approximately AU\$30M in the bank and 100% ownership of the highly prospective Plumridge Gold Project in Western Australia. The Plumridge Gold Project comprises 12 granted tenements located 250km northeast of Kalgoorlie covering more than 2,300km² of the Tropicana Gold Belt, a new gold province that is shaping up to host world class gold deposits.

Plumridge is located 60km south of the 5 Moz Tropicana Havana gold deposit, owned by the AngloGold Ashanti Australia/Independence Group JV, who have announced plans to commence production from 2013.

Regional auger calcrite geochemical sampling during 2007 - 2008 delineated 6 broad areas of anomalous gold at Corvette, Viper, Sprinter, Barracuda, Charger and Roadrunner. Follow up aircore drilling to define RC drill targets has focused on the Corvette zone, with first passes carried out at Viper, Barracuda, Charger and Roadrunner.

RC drilling below the oxide zone to date has been restricted to the Corvette trend. The Corvette trend, discovered by the Corvette exploration team, is a 10 km long mineralized gold zone. Approximately 20% of the total strike of the Corvette trend has been tested to date with several significant intersections from prospects along the trend including:

- 3m at 40.3 g/t Au from 97m in CVRC88 at Camaro (refer ASX announcement 20 October 2009 for details);
- 8m at 10.0g/t Au from 119m in CVRC58 at Stingray (refer ASX announcement 28 July 2009), and
- 2m at 8.4 g/t Au from 67 m in CVRC127 at Cobra (refer ASX announcement 22 January 2009)

Exploration targets at Corvette, and in the untested areas to the south comprise large tonnage low to medium grade gold deposits such as Tropicana, and high grade small tonnage structurally controlled lode deposits.

RC and diamond drilling is presently in progress at Corvette to follow up previous gold intersections, to test new zones along the trend, and to determine the structure and location of the gold mineralisation. A detailed interpretation of the structural setting of the Corvette prospects will be completed in the June quarter to assist drill targeting.

Further air core and initial diamond drilling is planned to commence in the June quarter at the other as yet untested auger and air core gold anomalies located south of Corvette.

The merged entity enjoys a strong cash position of AUD \$30 m in cash with a significant portion, up to half of these funds, dedicated to Plumridge based on success, said Tianshan Goldfields Managing Director, Mr Jason Bontempo.

The remaining cash is available for investment in more advanced gold resource opportunities, he added.

The Plumridge project is a high quality and highly prospective gold exploration project with enormous potential to discover a world class gold deposit(s) in a new gold province. In addition, the board now seek to add to Corvette's project stable a more advanced gold project that it can add significant value to with the cash funds not currently dedicated to the Plumridge Project.

The merged entity's board consists of Mr Jason Bontempo as Managing Director, with highly experienced resources executive, Mr Tony Sage, assuming the position of Non Executive Chairman. Former Corvette Chairman, the Hon John Moore, will take up the position of Non Executive Director.

mineweb.co.za

Zambian leader, China sign mining cooperation deal (Thurs, 25th Feb)

BEIJING - **Zambian President Rupiah Banda met his Chinese counterpart Hu Jintao on Thursday and signed a mining cooperation pact that should bolster ties between Africa's largest copper producer and its biggest single investor.** There was no figure put on the memorandum of understanding covering geology and mining, but China has already poured over \$1,2-billion into the southern African state, and most of that has gone to the minerals sector.

Four other deals signed at China's cavernous Great Hall of the People covered construction of a road and an industrial park and other economic, technical and cultural cooperation.

Hu praised Banda for seeking closer ties with China. "Since taking office Mr President you have been fully committed to developing relations with China and have been working actively to promote practical co-operation between the two sides and I very much appreciate your strong commitment," Hu said at a meeting of senior officials.

The Zambian leader faces a presidential election next year, and has likely pushed for concrete results from that co-operation that he can take back to woo voters.

Opposition politicians in Zambia have not been as keen about the booming relationship, and say Chinese mining firms have created "slave labour" conditions at their Zambian ventures.

In 2005, about 50 Zambians died in an explosives accident at the Chambishi copper mine, run by state-owned China Nonferrous Metals Industry. In later pay protests, five Zambians were shot and wounded by Chinese managers.

Chinese mining firms say they offer reasonable wages and operate within Zambian labour laws.

DIVERSIFYING THE ECONOMY: Metals will be Zambia's biggest lure for years to come, with China's Zonghui Mining Group pledging last July to invest \$3,6-billion in Zambian projects over the next five years. But China hopes the investment parks it is helping build up will set the

standard for Chinese investment in Africa, while Zambia is looking to diversify its economy.

Last December China's commerce minister visited Lusaka and signed deals to fund a stadium and a conference centre, as well as sending agricultural experts to boost the sector. Beijing has invested more than \$15-million in farming, the Chinese Ambassador to Zambia Li Qiangmin said last year.

"At the moment there are more than 30 Chinese farms in Zambia. More Zambian people like vegetables from Chinese-owned farms," Li was quoted saying in the Post Zambia.

Banda will visit southern Guangdong province, site of China's first special economic zone, and nearby Guangxi, a mining and agricultural region.

miningweekly.com

BPC Expects Indian Potash Deal in a 'Matter of Weeks' (Thurs, 25th Feb)

Belarusian Potash Co., the world's biggest exporter of the fertilizer, expects to sign contracts with India, the largest importer, in a "matter of weeks" as global demand strengthens. The new contracts will most likely run through at least December and deliveries may start as soon as April, BPC sales chief Oleg Petrov said in an interview. BPC, which represents Belarusian and Russian producers, expects talks to start in the next two weeks, he said.

International Potash Co., the biggest supplier to India, said earlier this month the Asian nation may start running out of the fertilizer as early as March. Prices fell as low as \$350 a metric ton last year from as much as \$1,000 in 2008 as a slump in grain prices spurred farmers to curb purchases. India agreed to buy potash from marketer Canpotex last week at \$370, signaling improving demand.

"We are seeing a radical improvement in the market compared with late 2009," Petrov said, predicting global sales of 45 million to 50 million tons this year, compared with 30 million last year. "We see that the product is going to the end user without stockpiling."

Quarterly Accords? India imports about 5 million tons of potash a year under annual contracts. The deal with Canpotex, the offshore marketing arm representing North American producers including Potash Corp. of Saskatchewan Inc., covered the second quarter. India may "in theory" buy predominantly on quarterly contracts and on the spot market as early as 2011, Petrov said on Feb. 23.

Indian buyers agreed to pay \$460 a ton in July last year, more than the \$350 agreed to by Chinese importers and BPC in December.

"BPC's contract with China had a much bigger effect on the market than we had anticipated," Petrov said. Demand has been especially high in Asia, he said. Potash Corp., the world's largest producer of the fertilizer, International Potash and BPC have said they sold out most of their output through the end of first quarter.

BPC raised spot prices this month for Brazil and Asia by more than 6 percent to \$410 for standard muriate of potash and to \$425 for granular material. BPC sold 150,000 tons to Southeast Asia at the new price, with delivery between the end of March and May, and is in talks with Brazilian buyers for April deliveries, Petrov said.

Rice, Fruit Potash, phosphate and nitrogen are the three main fertilizer ingredients that can be applied separately or as a compound to help improve crop yield. In India and China, potash is mainly used on rice, fruit and vegetables, according to HSBC Holdings Plc. Farmers can skip applications for a year without a "big effect" on yields, according to Citigroup Inc.

India may offer the lowest price in four years in annual talks, according to three industry officials with direct knowledge of the plan. VTB Capital expects Indian deals to be signed at \$385 a ton, including freight. Citigroup said prices should be \$360 to \$375 while Troika Dialog expects BPC to sign Indian contracts at \$370.

The government of India, the world's second-most-populous country, plans to move to a fixed subsidy system from a variable method. That may force farmers to pay more or use less fertilizer.

"Change in Indian subsidy policy won't affect this year's potash demand," Petrov said, adding that the nutrient-based subsidy's effect is "definitely very positive" over a longer horizon.

Bloomberg

Utah berth not ready until October: Port Authority (Thurs, 25th Feb)

WORK on the \$A225 million common user berth at Utah Point won't be finished by mid-year, as originally promised, with the Port Hedland Port Authority now saying the project will likely be finished by October 31. PHPA chief executive Andre Bush told MiningNews.net the project completion date was pushed back in November last year, and that stakeholders had been kept "fully informed" on progress of the berth works – despite no public announcement of the delays.

When soil was initially broken on the project in March last year, the common-user berth was described as "essential" to meet the future demands of emerging junior iron ore and other mineral producers.

The berth will have a capacity of about 18 million tonnes per annum and be able to accommodate Panamax and small cape size vessels of up to 120,000 dead weight tonnes.

The \$225 million wharf was designed to help alleviate congestion at the three existing common-user berths, and make space available for extra trade, according to the state government.

BHP Billiton, Atlas Iron, Aurox, Consolidated Minerals, HiTec Energy and Process Minerals International are paying for around half of the project's total cost, committing \$105 million to the project early on.

The most affected smaller producer is likely to be Atlas, which expected to begin shipping iron ore from the new berth July.

Atlas said in January, when it inked two new direct shipping ore contracts with medium-sized Chinese steel mills, it expected to begin shipping ore under those contracts by July "subject to the commissioning of the Utah Point Port berth".

In a report to stakeholders obtained by MNN, the PHPA said there were still areas of concern with the progress of the project, including some now-resolved engineering delays and schedule slippage due to "delays and inefficiency associated with BHP Billiton dredging activities" that had impacted on civil construction contractor Ertech.

The report said BHP's dredging activities managed only five days of activity from December 1-19 last year, which slowed Ertech's ability to extract fill for construction works at the stockyard earthworks.

Bush told MNN that access to fill for the earthworks was a major reason for the delays in the project, but said BHP was not solely to blame.

He said BHP completed the Harriet Point dredging by early January, and difficulties accessing fill earlier in the project were to blame for delays in construction.

"I wouldn't want it to be perceived that we've been delayed by BHP," he said

[\(\[miningnews.net\]\(http://miningnews.net\)\)](http://miningnews.net)

Top stockpicker Anthony Bolton puts Fidelity fund spotlight on China (Weds, 24th Feb)

FIDELITY International will earn up to \$US30 million (\$33.7m) in fees each year from Anthony Bolton's ambitious new China investment company -- and, controversially, could earn "performance fees" even if shareholders lose money. Full details of the fee structure of Fidelity China Special Situations, the \$US1 billion London-listed investment trust, will be revealed on Friday when the prospectus is published.

The trust is attracting widespread interest from investors because of Mr Bolton's spectacular investment track record. More than 12,000 private investors have already registered to be sent the prospectus.

Fidelity is confident of raising \$US1bn in what would be a record for a new conventional investment trust in Britain. It will take a 1.5 per cent annual management charge, which equates to \$US15m. However, it will also take 15 per cent of any net asset value outperformance in excess of 2 per cent above its benchmark, the MSCI China index, up to a maximum of 12 per cent outperformance. This would generate up to \$US15m a year in additional fees.

Fidelity will still collect performance fees even if the trust's net asset value shrinks, so long as it beats the benchmark.

Analysts said that increasingly shareholders were demanding "high water mark" arrangements, which ensure that fund managers do not reap performance fees unless they produce positive returns and push net asset value higher than the previous peak.

"There is a bit of a tension there," Simon Elliott, an investment trust analyst with Winterflood Securities, said. "For some shareholders, it is an issue."

While high water marks are normal for hedge funds, they have not caught on for conventional investment trusts -- even those trying to take large performance fees. However, it is argued by many that as long as the trust outperforms the index, it will have done very well in adverse conditions and more than enough to justify a performance fee, even if shareholders lose money.

Mr Bolton delighted his many fans -- a quarter of a million people invested in his old Special Situations fund -- when he announced in November that he was coming out of semi-retirement to launch a new investment fund targeting Chinese stocks.

Fast economic growth, an appreciating currency and the arrival of China in what he called "the sweet spot" of economic development should produce strong long-term returns for UK investors, he said.

Mr Bolton will be able to hedge partly against short-term reversals in the Chinese market. The prospectus will also reveal that the trust will be able to make down bets, using up to 15 per cent of gross assets, to short-sell the market.

Fidelity has hired John Owen, a retired diplomat and former Governor of the Cayman Islands, to chair the new company. Other non-executive directors include Nicholas Bull, the former merchant banker with Morgan Grenfell and ABN Amro, and David Causer, a former finance director of Mercury Asset Management.

Over 28 years, £1,000 (\$1740) invested in 1979 in Special Situations, Mr Bolton's former fund, grew to £148,200 under his stewardship, winning him plaudits as the most successful stockpicker in Britain.

The minimum share application size is £2,500. Applications will be scaled back if the \$US1bn target is exceeded.

[\(\[The Times\]\(http://TheTimes\)\)](http://TheTimes)

Highlighted Research:

Northland Resources Inc - Appointed Banks to Lead Financing (Mon, 1st Mar)

News: Northland Resources Inc ("Northland") has appointed Société Générale, Unicredit Bank AG and WestLB AG as exclusive mandated Lead Arrangers of the financing for the Company's wholly owned Kaunisvaara iron ore project in Northern Sweden.

Chairman Anders Hvinde commented that this was "a significant step on the path to financing and building the mines and delivering on our commitment to build shareholder value in a sustainable fashion."

Northland is being advised in the project development by KPMG Corporate Finance out of New York.

Analysis: We see today's announcement as an important step towards putting the Kaunisvaara project into production and the appointment of a suite of internationally recognised banks significantly de-risks the project.

We have recently visited the project and will be initiating full coverage shortly. Northland's principal project is a group of three magnetite iron ore deposits in northern Sweden that will produce a high-quality iron concentrate from a central processing facility. The combined resource of the three orebodies is currently 250mt @ 35.2% Fe measured and indicated with an additional 90mt @ 32.3% Fe inferred. Production is due to start in 2012 with the capacity 5mtpa to be achieved in 2014 – total mine life with the current resources in 24 years. The Company also has an IOCG deposit located in the same geologic belt but over the border into Finland that is being progressed with the aim to being put into production after the Swedish iron ore mines are up and running.

During our time at site, we were very impressed by all facets of the Company and came away with the view that the biggest hurdles that stand in the way of Northland extracting cash flows from the Kaunisvaara project are all non-technical, such as (in no particular order): securing offtake agreements; securing appropriate financing; and ensuring that local support remains strong. Consequently we think that today's announcement should be viewed as highly significant and should have a similarly significant positive impact on the share price.

The total capital requirement for the Kaunisvaara project is currently stated as US\$417m and although there are a couple of avenues that the Company is pursuing that may reduce this (such as using contractors rather than owning a mining fleet and receiving funds from the Swedish and/or Finnish Governments to build railways), this is the figure that the Company is currently assuming. Northland has expressed an intention to aim for a 70:30 debt:equity split, and we are assuming that approximately \$300m will be raised by bank debt and possibly some contributions from offtake partners, with the remaining \$120m to be raised from the equity markets later this year. The appointment of the suite of banks for the debt portion of this gives us great confidence that this will proceed quickly and successfully so that the debt should be in place by the time the bankable feasibility study is published in June/July when the Company will look to raise its equity.

We also highlight to investors the high quality of the banking syndicate. We view this a function of the stable political, economic and social environment in which Northland's projects are located (Sweden and Finland), and doubt that other large magnetite projects that are often compared to Northland in higher risk areas such as Africa would attract such an impressive list of project financiers.

Key Events / Newsflow: Offtake agreement(s) with potential capital fundings attached; New resource for the Kaunisvaara project expected in March; Completion of the bankable feasibility study for the Kaunisvaara project expected June/July; Procurement of long lead items (SAG mill); Equity financing to complete project capital requirements – summer 2010; Appointment of construction contractor under an ECPM contract; Construction start 3Q 2010; First iron ore concentrate production in 2012.

Norseman Gold plc: Interim Results – half year to 31 December 2009 (Weds, 24th Feb)

News: Norseman Gold ("Norseman" or the "Company") has released its interim financial results for the six months to 31 December 2009. During this period, the Company produced 31,881 ounces of gold at a cash cost of A\$917 per ounce, and generated a profit after tax of A\$0.6m. Financial highlights for the six month period were as follows:

A\$m	6mths to 31 Dec'09	6mths to 31 Dec'08	Year to 30 Jun'09
Revenue	37.9	42.8	96.7
Cost of Sales	-31.4	-31.9	-61.8
Gross Profit	6.6	10.9	34.9
Administrative expenses	-1.5	-2.1	-3.9
Depreciation and amortisation	-4.7	-4.6	-9.7
Other Income/Expenses	0.3	-3.3	1.0
Profit before taxation	0.7	0.9	22.2
Cash (incl. bullion)	26.1	10.3	35.3
Net Assets	69.1	29.3	68.0

The Chairman and Managing Director's statement released with the financial results, in addition to commenting on the operational results, highlights:

- The commencement of development at the Company's 3rd Mine, OK Decline, with first low grade development ore delivered to the surface stockpile and treated in January 2010;
- The discovery of a new ore body, the Star of Erin, which is expected to increase substantially the reserve of OK Decline;
- Commencement of dewatering at North Royal Open Pit, the potential fourth mine at the Norseman project, and the potential discovery of a footwall reef underneath the historically mined reef
- A\$17.3m was spent on capital investment, including A\$4.8m on mine development, A\$3.5m on exploration activities, and A\$9.6m on plant, equipment and mine infrastructure; and
- The Company's strategy remains focused on increasing throughput through the mill to fully utilise mill capacity, and will be further advancing its development projects particularly at North Royal and the Crown Reef where the first surface program will commence this month.

Analysis: The operating results released today contain little new information, given that the Company released its operating results for the quarter to 31 Dec'10 on 28th Jan'10. The new information is the discovery of a potential new footwall reef at North Royal, and the commencement of a surface exploration programme at the Crown Reef – both are positive, though not material to the current investment proposition presented by Norseman.

The opinion expressed in our quarterly results comment (28th Jan'10) remains unchanged - the key to the Company's share price in 2010 will be its ability to execute its third mine strategy in order to fill the mill and deliver on its growth strategy. We remain encouraged by the significant progress made in Regional Exploration and Third Mine Development during the quarter and highlight that Norseman's share price is back at Oct'09 levels despite the favourable Australian gold price environment and operations continuing to remain profitable. We believe this is an attractive entry opportunity into Norseman as 2010 is set to see the Company's production profile increase and cash costs come down.

The increase in the production profile and reduction in the cash costs over the remainder of the year will be driven by the commissioning of OK Decline. In this respect, the discovery of the Star of Erin orebody at OK Decline is significant, and is expected to increase the existing resource at OK (200koz Au; 850kt @ 7.3g/t Au), extend the mine life and potentially lower the cash cost of OK Decline. A preliminary resource

statement and first pass mining schedule for the Star of Erin orebody is expected during the Mar'10 quarter.

Development of a potential fourth mine at the North Royal Open Pit gathered momentum with dewatering having pumped over 21% of water volume by the end of the quarter and first stage drilling having returned a number of significant results, with the possibility of a new footwall reef under the historically mined reef. On the current rate of progress it is anticipated that mining could potentially commence at North Royal in the Dec'10 quarter (board approval potentially in the Sep'09 quarter). Importantly the commissioning of North Royal would serve to further lower total cash costs and reduce the volatility in quarterly operations by finally filling the existing Phoenix treatment mill (which is currently operating at 55% capacity).

New Events/Valuation Triggers: We believe the key drivers to the Company's share price are: further mine exploration drilling results, particularly from Harlequin/Perch Reefs; further Regional Exploration & Third Mine Development updates, particularly a favourable revision to the mining schedule for OK Decline, and drilling in the North Royal Open Pit; resource/reserve upgrades when available (including Perch, OK Decline & North Royal); continued improvement in operations at Bullen & Harlequin; ramp up of operations at the OK Decline; increased visibility for a significant increase in production/decrease in cash cost as Norseman progresses its third mine/fill the mill strategy; and the Australian dollar gold price.

RELATED RESEARCH

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)**

Griffin Mining: Trading Update - Increased Production in 4Q 2009 (Mon, 15th Feb)

News: Griffin Mining Ltd ("Griffin") has announced that the quarter ending December 2009 saw increased production compared to the previous quarter and that development and stope preparation at its Caijiaying zinc-gold mine in North-East China below the 1300 level is underway following the receipt of the appropriate licence earlier this month.

The Company expects to commence ore extraction from below the 1300 level later this quarter.

A summary of 2009 production is shown here (grades are Ocean Equities assumptions):

	1H '09 ⁽¹⁾	3Q '09	4Q '09	Total 2009	2009 attrib	OEL 2010e	OEL 2010e attrib
Ore processed (t)	33,152	114,233	125,379	272,764	163,658	600,000	360,000
Zn grade (% Zn)	5.50%	6.25%	6.00%	6.04%	6.04%	6.00%	6.00%
Pb grade (% Pb)	0.95%	0.76%	0.44%	0.64%	0.64%	0.50%	0.50%
Au grade (g/t)	0.60	1.44	0.83	1.06	1.06	0.80	0.80
Ag grade (g/t)	31.00	29.58	18.42	24.62	24.62	30.00	30.00
Zn produced (t)	1,732	6,783	7,141	15,656	9,393	34,200	20,520
Pb produced (t)	79	218	138	435	261	1,500	900
Au produced (oz)	163	1,351	1,673	3,187	1,912	7,716	4,630
Ag produced (oz)	11,565	38,019	29,695	79,279	47,567	231,485	138,891

Source: Griffin Mining, Ocean Equities.

(1) We have included the 33kt ore processed in June that Griffin announced 1st September 2009. It also stated that 48kt of low grade stockpiled ore was processed in 1H'09 but we have not included this.

The zinc-gold Caijiaying mine is Griffin's principal asset (60% interest) and in 2008 processed 492kt of ore to produce ~23kt of zinc metal in concentrate. An average zinc price in 2008 of \$1,880/t enabled the mine to generate net profits of ~US\$7m.

Analysis: The fourth quarter production figures are generally in line with our expectations although commodity prices, zinc in particular, have exceeded our forecasts and consequently we think that the operating profit will be higher than the \$5.2m that we had been expecting. Using average prices for the last three months of the year, we now expect operating profit for 2009 to be +20% higher at \$6.4m. Of this, 83% is attributable to zinc sales, 14% to precious metals and just 3% to lead.

Using the production assumptions in the above table and our in-house 2010 commodity price assumptions (\$2,000/t Zn, \$2,000/t Pb, \$950/oz Au, \$15.0/oz Ag) we are expecting that in 2010 Griffin will earn attributable revenues of \$49m and operating profits of \$13m. Our production assumptions do not account for either: the intended upgrade of the mill from the current 600ktpa capacity to the intended 750ktpa capacity which the Company states will be complete by "autumn 2010"; or the processing of higher grade, sub-1300 level ore. We await the new resource and mine plan for this deeper resource which is rumoured to have higher grades for all metals. This will increase production levels, although we are assuming that the deeper mining will increase mining costs. We will re-evaluate our forecast production profile once we have a better idea of the sub-1300 level grades.

There has been more activity in the zinc space lately, no doubt driven by the amazing zinc price recovery of 2009: last month Nyrstar made a A\$230m bid for CBH Resources; a few days ago Australian firm Metals X acquired a 19.99% stake in Jabiru Metals (which at market value would be A\$220m); and just this weekend we read that Anglo wants bids for its zinc assets by the end of the month, rumoured to be worth \$800m. We think that 2010 will see the LME zinc price 'settling down' to a \$2,000-2,200/t range: LME warehouse stocks are relatively high and the sustained price recovery will encourage previously halted or reduced mines to restart which will slow the price rise. We also think that 2010 will see a vastly increased number of corporate transactions in the zinc sector, not least the impending Anglo deal.

Key Events / Newsflow: Publication of the new JORC resource statement imminently; Initiation of mining at the deeper levels in the current quarter; Annual financial results to confirm profitability levels; Completion of expansion works to 750ktpa by end of 2010.

RELATED RESEARCH

Griffin Mining Ltd: **Company Update - New Mining Licence Issued (Jan 26th 2010)**

Chromex Mining plc - Company Update: Production at Stellite recommences (Weds, 10th Feb)

News: Chromex Mining plc ("Chromex" or "the Company") has announced that it has recommenced mining at its Stellite chrome mine on the Western Limb of the Bushveld Complex in South Africa.

The decision follows improved pricing and chrome market conditions which has led to the drawdown of its run-of-mine ('ROM') stockpiles over the past six months.

Analysis: The Stellite operation will initially produce ~20,000 t/month ROM, increasing to 40,000 t/month ROM, once the phase 2 upgrade to the beneficiation plant is completed and the dense media separation circuit ("DMS") is installed. The DMS is expected to be completed in 3Q'10 and will improve recovery margins and economic efficiencies.

Currently Chromex is producing 42% and 44% metallurgical grade chrome (Cr₂O₃) concentrate and has 31.9Mt in chromite resources. When

the DMS has been installed at the beneficiation plant, in addition to the capacity increase, the Company will be in a position to market a sized lumpy chrome product in addition to chemical and metallurgical grade concentrates. The concentrate is expected to command a premium price in the market and provide the Company significantly more leverage to an improvement in market demand and pricing.

The South African chrome industry experienced a challenging year in 2009 due to prevailing macro-economic uncertainty with demand and price. The South African mining industry as a whole has also been affected by the strong Rand, increasing costs and continued power issues.

Chrome/Ferrochrome Market Update: While 2009 has been a difficult year for the chrome, ferrochrome and stainless steel markets, near-term sentiment for the chrome sector is likely to be dominated by industrial production, particularly in China, driven by economic stimulus plans including significant investment in infrastructure. Chrome demand returned steadily to the market later in 2009, albeit at lower prices than those achieved in 2008 as existing inventories were consumed.

Traditionally pricing for chrome has been driven by ferrochrome demand and based on annual pricing. The benchmark contract price for ferrochrome, settled every quarter between South African producers and European steelmakers, has been set at US\$1.01/lb for the first quarter 2010 (previously US\$1.03/lb in 4Q'09). Spot ferrochrome prices in China have increased rapidly in 2010 (currently ~CNY8,050/t, compared to ~CNY7,150/lb in Dec'09) due to stronger demand and confidence amongst producers that an increase of 30% in contract prices for 2Q'10 is probable. The China CIF index for South African friable lumpy ore (35-40% Cr2O3) has also risen ~19% since Dec'09 to US\$190/t currently.

Xstrata recently announced the resumption of the Xstrata-Merafre Chrome JV back to 85% capacity. Up to 80% of its ferrochrome production was suspended progressively from late 2008 in response to rising inventories and weakened demand.

For South African ferrochrome and chrome producers in particular, the strong Rand and rising production costs coupled with lower US dollar denominated commodity prices have added pressure to earnings. It has been reported that South African state-owned power utility Eskom will raise its prices by approximately one-third each year for the next three years as it looks to fund a capacity expansion programme. The production of ferrochrome is an extremely power intensive process.

We expect that any future expansions to South African ferrochrome capacity will be impacted by the cost and availability of electricity as well as the Rand. Against this background we do not believe it is likely that there will be any restrictions for exportation of chrome ore and that new ferrochrome capacity will increasingly be built in Asia (particularly China), closer to end market demand, and where ferrochrome production is underpinned by competitively priced power, labour and capital, with chrome ore readily available for import.

In 2009, China increased stainless steel output by ~19%, compared to a 20% decline globally ex-China – total global production fell 9%. We expect to see the secular trend toward incremental demand for chrome relative to ferrochrome emerge as Asian stainless steel demand continues to grow faster than the traditional developed markets. Furthermore, we believe chrome demand will increase at a higher pace when compared to stainless steel output as chrome/ferrochrome gains market share and its intensity in stainless steel.

Key events / news flow: We expect the upcoming news flow to be dominated by: outlook for industry chrome/ferrochrome demand/price; increased value-add from beneficiation of ROM ore; Rand movements; and the continued review of potential corporate acquisitions and the political situation in Zimbabwe.

RELATED RESEARCH

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)

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

News: Greystar Resources Limited ("Greystar") has announced that it has submitted an Environmental Impact Assessment (EIA) to the Colombian Ministry – the first step in obtaining a mining licence for its wholly-owned Angostura project where the Company intends to build a truly world-class mine that will produce over 500koz Au and 2.5moz Ag a year for 15 years. The 1,814 page EIA will be reviewed by a team from the Environmental Ministry in a process that should take 6 months. The Company are expecting that the authorities may request further information (as is customary) and therefore is allowing 9 to 12 months for this approval. Greystar also submitted a Work and Investment Plan to the Mines and Energy Ministry in October 2009 based on the Minproc pre-feasibility study (see our comment dated 25th March 2009 for details). This plan must also be approved for the Company to obtain a mining licence.

Ocean Equities Comment: We are pleased to see that Greystar has embarked upon the first stage to obtaining a mining licence and that the Company has a 'realistic' view of the permitting process by allowing double the expected completion time. We have heard talk in the market that "Greystar are not the guys that will build this mine" and we are glad to see that the Company is doing everything in its power to prove these naysayers wrong.

We have previously brought to investors' attention that the appointment of Luis Arguelles as Project Manager in May 2008 was a real positive for the Company as he has vast experience of building and running large open pit gold mines in South America including 4 years as Mine Operations manager at Yanacocha for Newmont (+3mozpa), and periods for Gold Fields as General Manager at Choco 10 (Venezuela) and then Cerro Corona (Peru) where he advanced the project through construction and into production. We felt that Luis' appointment was a real statement of intent from Greystar that it was fully prepared to go ahead and build this mine, and although some may have been concerned to hear in October that CEO Dave Rovig would be stepping down from the position, we also felt that this was a positive statement of intent that Dave was happy to hand over the development of the mine to new blood. The fact that he is staying on as Chairman shows his strong support for the project and we are excited to find out who will fill the void as the man to build this world-class gold mine.

Criticism has been aimed at Greystar that they have been too slow in the development of Angostura but we counter this by saying that doing things correctly sometimes takes time, and we think that Greystar has managed the process of developing a very large mine in a relatively undeveloped country (at least for modern gold mining) very well so far – pushing forward with all the necessary steps to get to construction.

The permit applications will tie in with the expected completion of the bankable feasibility study in the third quarter and we feel that the forth quarter of 2010 will be a key time for Greystar – in fact if you are of the opinion that there are major gold miners waiting in the wings for a takeover, we think that the receipt of a positive BFS and mining permit might be the ideal time to pounce.

We feel we should again take the time to highlight the enormous scale of the operation that Greystar shareholders can look forward to:

Steady-state production of ~580koz Au and 2.6moz Ag for 12 years from a 75kt ore per day open pit with a total 15-year mine life average of 511koz Au and 2.3moz Ag per annum.

Average C1 operating cash cost of ~\$350/oz (\$391/oz ex. Ag credits or \$9.10/t ore).

2-stage mining process: 1) initial oxide/transitional ore heap-leach averaging 300koz Au and 1.4moz Ag for the first 2 years; 2) additional sulphide floatation circuit from year 3.

Total capital cost of \$945m: initial capital requirement to begin operations of ~\$640m; later capital requirements to be paid out of cash flows including ~\$110 for the sulphide floatation circuit and an additional \$200m sustaining capital.

Using the Company assumptions of \$700/oz gold for 3 years, with \$650/oz thereafter, 6%NPV is \$558m with an IRR of 19%. If one assumes (a more realistic) \$800/oz for the life of the mine, 6%NPV is \$1,158m with a 28% IRR, and if we use \$1,000 for the life of mine, the 6%NPV is \$2,022m with a 40% IRR.

Following recent warrant conversions and a C\$63m equity financing in September last year, Greystar is now very well funded with C\$120m in cash and no debt. We feel that this puts the Company in the box seat to raise the cash for the low initial capital cost (relative to the potential production and cash flows) required of ~\$640m.

Outlook for 2010: Publication of the bankable feasibility study which we expect in the third quarter; Listing of stock on the Colombian exchange; Appointment of new CEO – we expect an announcement at any time; and Receipt of the mining licence – maybe by the end of 2010.

RELATED RESEARCH

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

Nyota Minerals: Outstanding metallurgical results for Tulu Kapi (Feb 3rd 2010)

News: Nyota Minerals Limited ("Nyota") has published results from metallurgical tests for 2 bulk samples of ore from its wholly owned Tulu Kapi gold project in western Ethiopia. The results are very positive, and indicate that not only could Nyota use industry-standard CIP cyanide-leaching to gain >95% gold recoveries, but that there is also the possibility of concentrating the pregnant solution before cyanidation – a process that has many economic and environmental benefits.

Samples were taken from both mineralised zones at Tulu Kapi (see our 30th November note for further explanation regarding the morphology of the orebodies) and the metallurgical test work was carried out at AMMTEC laboratories in Perth, Australia. Relatively large samples were taken (for such an early stage of study) with 154kg from Zone one and 123kg from Zone 2. The Company considers this work to be up to prefeasibility standards which gives it a high level of confidence in the results.

Recoveries were excellent with samples from both zones showing over 95% recovery at a 150 micron grind and over 98% at a 75 micron grind. The second (alternative) method of concentrating the solution before cyanidation produced even better results with Zone 1 showing over 99% recovery at both grind sizes and Zone 2 showing 96% for both sizes:

Standard cyanidation results:	Zone 1 ore	Zone 2 ore
Recovery at 75 microns:	98.1%	98.6%
Recovery at 150 microns:	95.1%	96.2%

Alternative cyanidation of concentrate results:	Zone 1 ore	Zone 2 ore
Recovery at 75 microns:	99.5%	96.1%
Recovery at 150 microns:	99.5%	96.1%

The grinding index levels were as expected with the ore seen to be hard (but not 'very hard') with Zone one showing 17.4kWh/t (rod) and 16.3kWh/t (ball) and Zone two showing 19.1kWh/t (rod) and 18.2kWh/t (ball). Consumption of consumables seems low with the 24-hour leach process requiring just 0.3kg/t lime and 0.05% (0.5kg/t) cyanide solution strength. The alternative concentration method required a float time of just 15 minutes to achieve a 10% mass pull to concentrate.

Ocean Equities Comment: Today's figures are very encouraging and it is hard to imagine better metallurgical study results. Whilst the recovery numbers are excellent, we were expecting good numbers as the ore is 'free milling'. What we find most encouraging is that the consumable consumption rates (of lime and cyanide) are low which implies that the processing costs will be low.

We are also pleased to see that the initial testing for the alternative processing method of concentrating before cyanidation was successful. We have discussed this option previously with Management and have encouraged them to pursue it as it holds many benefits for the Company: by concentrating the solution (essentially a slurry of crushed ore) before applying reagents, 90% of the mass of the ore can be discarded and stored without the need for such intensive treatment as it will not have to be cleaned of cyanide. Not only will this reduce the size of the wet tailings that has to be stored and treated for cyanide detoxification, but this process will also reduce the size of the plant required dramatically which should reduce the capital cost (smaller plant = less steel and less engineering) as well as the operating cost.

Earlier this week, Nyota published the results of a Preliminary Assessment of Tulu Kapi that showed that the project has the potential to host a profitable gold mine. The study envisaged a mine with a throughput of 1.2mtpa at 1.2g/t Au with plant recoveries of 90% to give a steady-state production rate of 45kozpa and a total mine life of 10 years with 2 pre-production/construction years.

To put today's recovery rates results into context: for a mine of this size, increasing the recovery from 90% as in the study to 98% results in an additional \$4mpa profit at today's prices. Of course, if the operation is doubled in size (which we think is likely once the resource reaches 2moz Au), this would also double to an additional \$8mpa – a healthy increase for the operating margin.

The C1 operating costs from the study were \$530/oz for the base case and \$616/oz for the expansion case. We think that today's metallurgical results imply that these could be reduced significantly as for operations such as this, the processing cost commonly represents half to two thirds of the overall production cost.

Upcoming Newsflow: Further drilling and assay results from the ongoing exploration campaign; and an updated resource statement that we think should increase the resource at Tulu Kapi to in excess of a million ounces – expected within 1H'10.

RELATED RESEARCH

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)

Iron Ore Holdings Ltd: Company Update: Maiden resource at Buckland Hills illustrates the potential for a number of further catalysts (Feb 2nd 2010)

Investment Opportunity: Following our recent catch up with the Company in Perth and the announcement of a maiden JORC resource for Buckland Hills, we have taken the opportunity to provide some further analysis on the significant progress made by IOH recently and provide our view on the likely catalysts which we believe could see IOH be at least a A\$3/sh in the near term if the current marco and sector environment does not significantly deteriorate.

We believe there have been two key drivers for IOH's share price appreciation since we initiated coverage on the Company (Oct 21st at

A\$0.87/sh) to the current price of A\$2.17/sh:

Re-rating of the sector – the Australian Pilbara iron ore sector is up ~20% having enjoyed a re-rating driven by: a significant increase in spot iron ore prices (+~35%); consensus contract price upgrades (to ~20% for JPY'10/11); renewed interest by investors wanting to gain pure play iron ore exposure; near record Chinese iron ore imports; record Australian iron ore production levels; approval of BHPB's A\$204m take out of UMC; and, further corporate activity in the sector both in Australia and internationally;

Significant company specific news flow – in this favourable environment IOH has made significant progress developing its suite of assets providing regular positive news flow and the Company has been rewarded by the market with IOH outperforming its peer group (refer Exhibit 10). We believe the maiden JORC resource of 47.9mt @ 58.05% Fe at Buckland Hill's further illustrates IOH's ability to quickly delineate high grade resources in the next 6 months.

While IOH's share price has performed strongly, the Company continues to trade at a discount to the implied comparable transaction value that BHPB has paid for UMC despite IOH being: a multiple deposit company; its first asset set to begin production in 2H'10; enjoying greater DSO resources (which enjoy a higher strategic value and degree of competitive tension); and, has a second asset which has a 6 month exclusivity agreement for commercial development with Rio Tinto ("RIO"). We believe the recent developments provide the foundation for a further significant resource growth and share price re-rating, and we view the recent weakness in IOH's share price as an attractive entry point.

Analysis: IOH in the last 6 months has made considerable progress in developing its existing assets and making a number of new discoveries which provides the foundation for significant growth in resources and an extremely attractive portfolio of development assets. While the discovery of Iron Valley was the driver of IOH's share price in 2009, we believe Phil's Creek entering production in 2H'10, the potential commercial transaction with RIO for Iron Valley, and the resource definition/development of a number of other projects (primarily Buckland Hills, Koodaideri South and Lamb Creek) will see IOH's share price continue to significantly outperform and the Company enter the ASX 200 Index.

Between Nov'08 and Nov'09 IOH drilled 251 holes for 17,000 metres, increasing its JORC resources from 57mt to 253mt (now 301.3mt including Buckland Hills). It is worth highlighting in the next 6 months IOH plans to drill 20,000 metres spending A\$5-6m, more than it did during FY'08/09, across four already made discoveries. Below we provide some further analysis on the recent developments made by the Company and why we think IOH can become at least A\$3/sh in the near term.

- Major maiden resource at Buckland Hills, West Pilbara (Feb 2nd)
- Iron Valley drill results (Jan 25th)
- Phil's Creek progress (Jan 21st)
- Further high-grade results at the Boundary project, Lamb Creek (Jan 15th)
- New discovery at the Fingers project, Koodaideri South (Jan 13th)

Key Events / Valuation Triggers: Maiden high grade resources for the Boundary project (Lamb Creek) and the Fingers project (Koodaideri South) in Feb/Mar'10; further resource upgrade for Iron Valley by Mar/Apr'10; Phil's Creek mining contractor expected to be appointed with further details for project funding to be announced by 2Q'10; Results from the aggressive 20,000 metre drilling programme in 1H'10 targeting Iron Valley, Buckland Hills (Targets 1 & 2), Lamb Creek (Boundary project), and Koodaideri South (including Fingers, Hidden Valley, Bight, and Kurrajura West/East prospects); Positive outcomes regarding rail access at the State and Federal government levels; Negotiations for potential sale and/or commercial transaction for Iron Valley to RIO by July 31st; Further potential commercial transactions for other IOH projects and resource upgrades.

RELATED RESEARCH:

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)

Rambler Metals & Mining: Company Update - Potential gold resource at the Nugget Pond Mine (Jan 26th 2010)

News: Rambler Metals & Mining plc ("Rambler") has announced that it will be investigating the potential of the 140L Mining Licence acquired with the Nugget Pond Mill (see announcement of 9th Sept 2009) to support a low capex, low cost gold mining operation. The Mining Licence contains an exploration target of 13,000 to 15,000 ounces of gold at a grade of 7 to 9 g/t within the Crown Pillar, Main Zone and Footwall Zone of the historic Nugget Pond Gold Mine which produced between 1997 and 2001.

The Nugget Pond Gold Mine began production in April 1997 at a milling rate of 350tpd, which was subsequently increased to 500tpd. Over the four years of its life, the mine produced a total of 169koz Au at a grade of 10.76 g/t, with recoveries of 95% achieved from the mill. Mining ceased in August 2001 as a result of depleting ore reserves and depressed gold prices.

The Crown Pillar, which is located 100m from the mill and primary crusher of the Nugget Pond processing plant, is estimated to contain between 5,000 and 10,000 tonnes of ore grading between 8 and 9 g/t Au, and is easily accessible by way of the underground ramp. The Company is currently evaluating the potential to mine the Crown Pillar as an open pit.

The Footwall Zone, which contains the bulk of the estimated tonnage (40-50kt at a grade of 7-8 g/t Au for an estimated resource of 9-12koz Au) requires additional delineation drilling as the strike and extent of the Footwall Zones had not previously been defined prior to the closure of the Mine. Rambler now intends to complete an engineering and resource study of the Nugget Pond gold deposit to evaluate the full potential of the property.

Analysis: The presence of an easily mineable high grade gold resource at Nugget Pond comes as a bonus that we had not expected when Rambler announced the acquisition of the Nugget Pond mill in September 2009 from Crew Gold for C\$3.5m. The mill had originally been acquired to process the base metal sulphides from Rambler's Ming Mine through the addition of a copper flotation circuit as well as to process

the "free gold" that exists within the Rambler geological system.

While the acquisition of the mill had been viewed as offering the potential for toll treating other ore from the area and allowing the company to seek additional gold properties within the Baie Verte Peninsula (see the announcement of 21 September 2009), the existence of high grade, easily mineable ore offers the potential for the Company to generate cash flow which can be used to reduce the quantum of capital required to be raised to commission and put into production Rambler's Ming Mine.

If the Company is correct in its assessment of 13-15,000 ounces of high grade gold being contained within the old Nugget Pond Mine, at current gold prices and given the grade, we would envisage that Rambler should be able to make a margin of \$400 plus per ounce, resulting in net cash flow of up to \$5 million. Our understanding is that the engineering study will focus on converting the resource of the Crown Pillar into a mining reserve, and a decision on whether or not to mine the deeper resources will only be taken once dewatering has taken place and the condition of the historic stopes can be assessed.

As far as timing is concerned, it is likely that mining of the Crown Pillar will not take place until the second half of the current year at the earliest. Rambler is due to take over the running of the mill from 30 June 2010, at which stage it will be on care and maintenance. We would envisage that the decision to re-commission the mill to treat Nugget Pond ore will not be taken until there is a degree of confidence that it can be run continuously - ie once it is clear that the mill can seamlessly transition from treating Nugget Pond ore to ore from the Ming Mine. However, once the decision is taken, it should be a relatively quick and straightforward process to start mining at Nugget Pond - Rambler has the pumps available to dewater the Crown Pillar area, and the mine and mill are already permitted.

Key Events / Newsflow: Concluding an engineering study to determine the cost of the retrofit and other works needed to utilise the Nugget Pond mill for the Ming mine's copper-gold ore; Finalising the underground engineering plan for the Ming Mine - now that Rambler has a firm idea of the plan for ore processing, we think the plans for underground mining can also be completed; and pushing forward with financing options - we think that that Rambler will consider a variety of financing options such as bank debt, forward commodity sales or further equity issues.

RELATED RESEARCH

Rambler Metals & Mining: Mill purchased in 2009 - Mining due to start 4Q 2010 (Jan 18th)

OCEAN STOCKS TO HIGHLIGHT IN 2010

Seeds of Change: planted in 2009 and now ready to grow in 2010 (19th Jan 2010)

Source of the opportunity: One year ago we proposed here to investors that, despite record levels of volatility and distress in the economy, a structural checklist of key themes would guide us in our stock selections. That checklist proved to be surprisingly prescient and consequently our stocks handsomely outperformed all benchmarks over the year. This year we start at a very different base of pricing, yet still with many major concerns to be digested. Notable amongst these are the political ramifications of the recession with elections looming in many countries and the macro consequences of the massive global monetary easing. Once again there is no shortage of things to worry about.

The good news is China. Chinese steel production remains robust, and we believe that the sustained strength of Chinese imports in the last quarter of 2009 caught most market participants by surprise (see our Iron Ore Sector Update, 11th Jan'10). As a result, pricing for iron ore, coal and the majority of base metals have strengthened considerably, with a positive impact on share prices, albeit from a low base.

For 2010, we believe that key items from our checklist continue to be relevant in the current economic environment, namely:

- **Consolidated v fragmented markets:** We prefer exposure to consolidated rather than fragmented commodity markets. They will enjoy greater pricing power in the current economic environment and face less risk that the return of marginal supply will limit price appreciation in an improving demand environment.
- **Base v bulk commodities:** We believe the reduced price volatility of contract versus spot price mechanism favours bulk commodities which also enjoy additional leverage to the growth out of China, particularly significant infrastructure investment.
- **Resources China is long v short:** We prefer those commodities where China is short to commodities where China is long, in industries where China demand is the primary driver of pricing.
- **Sovereign risk:** In an improving commodity cycle we would expect projects to become increasingly differentiated and therefore prefer lower sovereign risk countries.

The driving themes continue to be strong secular demand for commodities created by industrialisation of emerging markets which remains strong relative to supply; the fact that precious metals can't be printed like the currencies in which they are denominated; and, most importantly, that our companies are all evolving fast in growing their resources, bringing new production on stream, corporate re-structuring or acquisitions, and rapidly-advancing awareness of their merits in financial markets.

We at Ocean Equities do not claim Delphic foresight of global growth, individual commodity prices nor yet the winner of the World Cup. But we do understand the companies we follow.

The attached one-pagers will help set the framework for how investors should consider these stocks. We remain confident that as these companies achieve their goals in 2010, their share prices will come to reflect their quality and their growth prospects. We have also included a number of private companies which will be looking to come to the market in the year ahead and are, we believe, of interest to investors.

Company profiles: Over the following pages we present company profiles of companies to whom Ocean Equities acts as broker, or has a relationship with, setting out an overview of the company, its assets and highlighting key themes as we enter 2010.

Listed:

Kirkland Lake Gold Inc
Borders & Southern Petroleum plc
Greystar Resources Ltd
Iron Ore Holdings Ltd
La Mancha Resources Inc
Sylvania Resources Ltd
United Minerals Corp

Norseman Gold plc
Griffin Mining Ltd
Rambler Metals & Mining plc
Nyota Minerals Ltd
North River Resources plc
Chromex Mining plc
Belvedere Resources Ltd
Wavenet International Ltd

Private:

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

Kirkland Lake Gold - New Aggressive SMC Drilling Campaign Yields Superb Results (Jan 12th 2010)

News: Kirkland Lake Gold ("Kirkland") has released the first drilling results from its aggressive exploration campaign that is intended to extend the SMC (South Mine Complex) zones to the west and east of the current proven limits. Today's release concerns two drill holes that have both intersected superb widths and grades of gold mineralisation:

- Hole 53-1520 – 6.14oz/t (210g/t) over 3.6m true width.
- Hole 53-1506 – 8.60oz/t (295g/t) over 1.6m true width.

The Company believes that these results demonstrate an extension of the Lower D North zone, one of the larger of the 15 zones that comprise the high grade SMC (which totals 1.6moz @ 0.75oz/t). Hole 53-1520 is 330m (1,000 feet) to the west of any previous intersection of the Lower D North zone and Chief Geologist Stewart Carmichael has stated that today's intersection confirms his belief that significant mineralisation extends to depth and that the zones are open in all directions.

Analysis: For those that are close to the Company and have followed Kirkland for the past couple of years, there has always been a high level of confidence that the SMC zones extend beyond their current limits, and today's press release has proven this to be the case in spectacular fashion.

Historically, it has always been problematic to access the SMC zones with exploration drilling as drilling from surface is expensive and the orientation of the mineralised zones meant that to obtain meaningful intersections, time-consuming and costly drifts were needed to enable the drill rigs to move out from the old workings to better positions with better entry angles. Kirkland has been doing just this for the last 2 years (in fact this development work has benefited from the unfortunate slow-down in production in late 2009 due to the borehole collapse) and this has allowed the initiation of an extensive, aggressive exploration programme designed to extend the SMC zone limits.

We stated in our last comment (15th December 2009) that we expected this programme to yield good results as previous 'step-out' drilling around the SMC (see our comments from 29th April 2008 and 29th April 2009) has hit 'SMC-like' gold mineralisation. However, we are pleasantly surprised that such spectacular results have started to arrive so quickly.

The Lower D North zone is one of the most important SMC zones and its proximity to the largest zone, the New South Zone, means that it can share underground access tunnels. This new intersection which is being interpreted as an extension of the Lower D North zone is ~330m (1,000 feet) from the nearest previous Lower D North intersection (see Figures 1 and 2 for further detail). The currently known strike width of the Lower D North zone is ~350m and previous drilling has shown true widths of between 0.5m and 6m. If we assume that the Lower D North does indeed extend another 330m down dip as per today's intersection, with a strike length of 250m, an average width of 3m and an average grade of 1.5oz/t (compared to today's intersection of 3.6m at 6.14oz/t), this extension to the orebody could contain over 1moz of gold.

Of course we will need further infill drilling to prove the continuity of mineralisation before we start incorporating these resources into our mine plan or valuation, but this just shows the amazing prospectivity of the SMC and the Kirkland Lake gold camp as a whole.

We have stated previously that we feel that the expansion of the SMC is key to Kirkland's future, and we are re-stating this today, reminding investors that Kirkland currently has 3.3moz in resources, of which 1.6moz is in the SMC. We are of the view that potential acquirers are looking for at least 5moz in the ground at Kirkland, specifically the SMC before they entertain any thoughts of M&A activity and we feel that today's drill results go some way to showing that this could be achieved in a relatively short timeframe.

Upcoming Events / Newsflow: We are expecting more drill results from this aggressive exploration programme and hope that they continue to show results as good as today's. Although these new discoveries will need extensive infill drilling before they can be reflected in the official NI43-101 resource statement, we feel that the market will be able to interpret these results and their positive implications and that the share price will accrete accordingly.

In terms of production, we expect the recovery to full production after the borehole collapse to continue until Phase 1 of the production expansion plan (to get to 100kozpa) will be completed by July 2010 and Phase 2 (to get to 180-200kozpa) will be completed by January 2012. Quarterly results and regular operational updates to confirm this recovery of full production should also buoy the market for Kirkland.

Exhibits presented in full research note.

RELATED RESEARCH:

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)

More Ocean Equities Research:

Wavenet International Ltd (ASX-WAL): *Option over a World class Tungsten asset & Current Valuation offers an Attractive entry point **Ocean Equities Research Initiation** (Dec 18th 2009)*

Electrum Capital Inc: *A junior company with big scale assets, a big company management team and first class shareholder register (Nov 30th)*

Nyota Minerals Limited (AIM,ASX: NYO): *Highly Prospective Gold in Ethiopia with Clear Upside **Ocean Equities Research Initiation** (Nov 30th)*

Griffin Mining: *New Mining Licence Application Accepted and Calibrating Returns to Profitability in September Quarter (Oct 27th)*

Norseman Gold Plc: *Company Update - Sept'09 Quarterly Report (Oct 30th)*

To request a copy of our complete notes please contact us: Tel: +44 (0)207 786 4370 or E-mail: info@oceanequities.co.uk

OCEAN EQUITIES Ltd
INDEPENDENT PARTNERSHIP SPECIALISING
IN THE NATURAL RESOURCE SECTOR
3 Copthall Avenue
London EC2R 7BH
Tel: +44 (0)207 786 4370
Fax: +44 (0)207 786 4371
E-mail: info@oceanequities.co.uk
Website: www.oceanequities.co.uk
Bloomberg: OELR [GO]

Guy Wilkes

CEO
+44 (0) 20 7786 4372
guy.wilkes@oceanequities.co.uk

Simon Gardner-Bond

Mining Analyst
+44 (0) 20 7786 4382
simon.gardner-bond@oceanequities.co.uk

Justin Tooth

Senior Equity Sales Executive
+44 (0) 20 7786 4385
justin.tooth@oceanequities.co.uk

Jeremy Woodgate

Executive, Sales & Trading
+44 (0) 20 7786 4381
jeremy.woodgate@oceanequities.co.uk

Rupert Williams

Director, Head of Sales
+44 (0) 20 7786 4373
rupert.williams@oceanequities.co.uk

Sam Spring, CFA, CA

Mining Analyst
+44 (0) 20 7786 4378
sam.spring@oceanequities.co.uk

Will Hodson

Senior Equity Sales Executive
+44 (0) 20 7786 4376
will.hodson@oceanequities.co.uk

Amanda van Dyke

Executive, Sales
+44 (0) 20 7786 4387
amanda.vandyke@oceanequities.co.uk

Will Slack

Director, Corporate Finance
+44 (0) 20 7786 4375
will.slack@oceanequities.co.uk

Natasha Liddell

Mining Analyst
+44 (0) 20 7786 4386
natasha.liddell@oceanequities.co.uk

James McLucas

Executive, Sales
+44 (0)207 786 4384
james.mclucas@oceanequities.co.uk

Kelly Edwards

Manager, Trading and settlements
+44 (0) 20 7786 4374
kelly.edwards@oceanequities.co.uk

Katie Pollard Sales Administrator +44 (0) 20 7786 4370 katie.pollard@oceanequities.co.uk

Authorised and Regulated by the Financial Services Authority
Member of the London Stock Exchange

DISCLAIMER

Copyright 2010 Ocean Equities Limited. All rights reserved.

This document does not purport to be impartial investment research as defined by the Conduct of Business Rules of the FSA and as such constitutes marketing communication. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This material does not in itself constitute an offer or invitation to sell, or any solicitation of any offer to purchase or subscribe for, any securities in the Company or any other body corporate or an invitation or an inducement to engage in investment activity under section 21 of the Financial Services and Markets Act 2000 nor shall it or any part of it form the basis of or be relied on in connection with any contract therefore. We are not soliciting any action based on this material. It is for the general information of clients of Ocean Equities Limited. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide to future performance. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives (including options) thereof of companies mentioned herein. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Ocean Equities Limited.

Neither this material nor any copy of it may be taken, transmitted or distributed, directly or indirectly, into the United States of America, its territories or possessions or passed to US Persons (as defined in Regulation S of the United States Securities Act of 1933 (as amended)), United States residents, corporations or other entities, save pursuant to an applicable exemption. Neither this material nor any copy of it may be taken or transmitted into any jurisdiction outside the UK or distributed to persons with addresses outside the UK where such distribution would be a breach of relevant securities laws or regulations. Distribution of this summary in the United States and certain other jurisdictions may constitute a violation of relevant securities law. No recipient of the information in this Summary should deal in or arrange any dealing in or otherwise base any behaviour (including any action or inaction) in relation to any securities to which this document relates (including behaviour referred to in section 118(6) of the Financial Services and Markets Act 2000) which would or might constitute market abuse (as defined in section 118 of the Financial Services and Markets Act 2000).

In the UK this document has been issued by Ocean Equities Limited. It is not intended for private customers. In the UK, this document is only being distributed to persons who are reasonably believed to be persons who fall within Articles 19, 47, 48, 49, 50 or 51 of The Financial Services and Markets Act 2000 (Financial Promotions) Order 2001 and Schedule 11 to the Financial Services and Markets Act 2000 or to other persons to whom this summary may otherwise be lawfully distributed. Ocean Equities Limited is registered in England No 3994976, and is authorized and regulated by the FSA.