Hargreaves

Week in Mining

17 December 2011

What Did Durban Do to Deserve This?

Is a climate climax when you get all hot and bothered but finish not fully satisfied? The recently ended climate change conference in South Africa's sunspot city ended in a meaningless sweaty fudge. Promises to do a Vera Lynn (we'll meet again, don't know where, don't know when….) but nothing definitive until 2014. Then all they will do is set targets for 2020, backed by the threat of swingeing fines for those who do not comply. Thinks: how are you going to police China? There alone are 3 million square miles burning half the world's coal and hell bent on making it more. Canada saw the fine threat coming and has bowed out of the Kyoto agreement before the demand note arrives in 2012. Neither will it sign up to any new deal. Why? Because Canada's far north, the Athabasca tar sands, holds more hydrocarbons than the whole of the Middle East. The significance of this is not lost on the USA. A large pipeline is being built to convey the resultant oil to the American border. Now, producing this oil is expensive, about $70 per barrel compared with under $10 in much of the OPEC world. But it is the world selling price which counts and it is hovering around $100 right now. It gets better. The US has not said so, but it is going for energy self-sufficiency, don't doubt that. Buying from Canada is the next best thing, but the domestic drill rig count i.e. those looking for more within America's own borders, is the highest since records began in 1987. Now they have also discovered shale oil and gas, a phenomenon which promises to revolutionise the energy trade. That country holds over 25% of all the world's known coal reserves, enough for 240 years at the present rate of burning. Now it presently uses over 20% of all the oil in the world and imports over 50% of its needs. That is 20% plus of total world exports, a half of it from the Middle East/OPEC bloc. If that tap was turned off it would give the word 'sheik' a whole new spelling. It would also enable the US military to mothball at least 5 nuclear aircraft carrier fleets. Why with that money they could almost afford Medicare. Yet it is the potential effect on the Middle East (yes, you too, Israel) and OPEC fellow – travellers Venezuela and Nigeria that will be telling. Just think, they may have to start being nice to the Chinese, the buyers of last resort.

There can be no single event which will change the world's economic and thus military balance that can remotely compare with the USA becoming once more energy self sufficient. Its loss of that position in the 1960s led to the rise of OPEC and the rest is history.

This could be Barak O's ace for his re-election campaign, or have we just caught sunstroke on the beach in Durban?

The Markets

Always remember you read it here first. The action is mostly with precious metals and coal. At least one brave soul is calling gold up to $5,000/oz and silver to $50 but a consensus is coming our way for a setback and a consolidation. Similarly coal, which is onward and upwards, irrespective of what was stranded at high water mark in Durban last week. Oil too, is looking over its shoulder. OPEC made but a gesture of a cutback to the market as the spot price dithers.

The stockmarket buzz centres on London. A clutch of FTSE, big board mining companies treat their memberships as a sort of cosy little club. A tightly knit group of wealthy owners pays lip service to a miniscule free float whilst hounding a hapless board of directors. ENRC was the most blatant recent example but others in the spotlight of the now-alerted

Financial Services Authority include silver giant Fresmillo, Evraz and Ferrexpo. Now the minimum free float is to be raised to 25%. The defaulters all saw their share prices hit this past week.

Major Caps

Not a riser in sight bar Gem Diamonds but several staring at their 12-month lows.

Major Shares and Commodities versus FTSE Index (✓ = Major Company Mineral)

	Copper $/t	Coal Index	Gold $/oz	Iron Ore $/dmt	Platinum $/oz	Oil $/bbl	Aluminum $/t	FTSE Index	Share + (-) %
30.12.10	$9,424	125.2	$1,408	$170.1	$1,745	$93.0	$2,447	5971	
17.12.11	$7,339	103.5	$1,594	$132.1	$1,427	$104.4	$2,003	5387	
+ (-) %	(22%)	(17%)	13%	(22%)	(18)%	12%	(18%)	(10%)	
Anglo Am	✓	✓	✓		✓				(22%)
Antofagasta	✓								(28%)
BHPB	✓	✓		✓		✓	✓		(29%)
Glencore	✓	✓					✓		(27%)
Venanta	✓			✓			✓		(57%)
Xstrata	✓	✓			✓				(36%)
Implats					✓				(30%)
Barrick Gold			✓						(5%)
Hargreaves		✓							34%
Rio-Tinto	✓	✓		✓			✓		(33%)

Source:

It tells us what? That the share prices fell uniformly faster than their underlying commodities. Should mineral prices continue to weaken, this trend will probably accelerate. Conversely, come a recovery, the shares should lead the way. The majors have money. They are rebuked for failing to be generous in their dividend distributions but caution must remain the watchword for 2012. The exception to the falling trend, Hargreaves Services, is on our watch list for next year.

Share Price Movements, Majors

Stocks	10 Dec 2011	17 Dec 2011	% Change	12 mo Hi-Lo	% Above Low
FTSE 100	5529.21	5387.34	-2.57%	6,002-4,790	12.47%
Anglo American	2449	2298.5	-6.15%	3,335-2,210	4.00%
Antofagasta	1228	1172	-4.56%	1,556-756	55.03%
BHPB	1961	1843.5	-5.99%	2,585.5-1,678	9.86%
ENRC	681.47	622.0	-8.73%	1,276-554	12.27%
Gem Diamonds	180.3	183.3	1.66%	300-180.3	1.66%
Glencore International	404.7	387.05	-4.36%	550-348	11.22%
Hargreaves Services	1135	1092.0	-3.79%	1,072-550	98.55%
Kazakhmys	943	874.0	-7.32%	1,634-793	10.21%
Rio Tinto	3245.5	3060.0	-5.72%	4,592–2,751	11.23%
UK Coal	31.25	30.25	-3.20%	83-30.25	0.00%
Vedanta	1112	1085.0	-2.43%	2,958–928	16.92%
Xstrata	1011.5	970.0	-4.10%	1,514-820	18.18%

Source: The London Times and the FT

Share Price Movements, Small and Medium Caps

Considering the economic turmoil, the market has treated the small cap sector with a modicum of respect. It might have annihilated it. Little companies far from production are seeing their target commodities mauled and their wallets drained. Some will not survive. Those who do will almost surely be so diluted on the next rounds of fundraising that their present conductors and drivers may well hop off and wait for the next bus. Examples abound.

In the Golds: **Goldplat** (AIM) is cash flow positive, runs two good recycling companies and has Kenya's first mine on stream for almost 50 years. Yet it sits where it sat a year ago, on a 13% better gold price. Two well-run juniors **Cluff** and **Conroy**, both at the advance exploration/development stage, at 35% and 20% below their December 2010 level. The Diamond Miners have been similarly manhandled. **Petra** has built itself up inspiringly towards becoming a 5Mcpy producer with a seat at the FTSE table, but rests but 10% above its level of a year ago. **Firestone Diamonds** has made the right geo-political moves (Lesotho and Botswana), kept a tight grip on its wallet and been rewarded with a price, at 9.25p, 68% below its slot of 12 months ago. With notable exceptions it is a similar story in the much favoured coal and copper sectors.

What can the juniors do? We feel Oscar Wilde coming on "Choose your parents carefully", and in our case stay close to your investors. In survival mode it is not sufficient to choose a favoured commodity, because there are few, but innovation springs to the fore. **Gemfields** is 42% ahead on the year as it revolutionises the way emeralds are marketed. Next year watch out for **Richland Resources** (AIM, former Tanzanite One) doing similar. **Zincox** (AIM) has nosed ahead 8% despite its underlying metal being in the doldrums (down 16%). It is pushing an innovative recovery process. If there is a message for the juniors it is this: more of the same will no longer do; come up with something a bit more exciting, or the exit door looms.

What a difference a year makes. End December 2010 saw massive gains for some juniors, double figures all around and barely a faller in sight. Now some are dead and buried, others in intensive care and all on medication. We can be thankful the major sector still has cash and thus an eye for a bargain. We are some weeks away from the next reporting season, but with it will come reality. For explorers: are they any closer to production and have they enough cash to see themselves through? For producers: just how badly have commodity price falls battered them?

The immediate:

Nyota Minerals (See below, gold exploration in Ethiopia). The definitive feasibility study (DFS) progresses, the drilling programme continues apace (5 rigs), assays available soon, targets open in all dimensions.

African Consolidated Resources (Multi-projects in Zimbabwe but looking farther afield). If a junior can survive Zim, it is this one. Having had its diamond assets pillaged, it hopes to bring its Pickstone gold tailings project on stream in mid 2012 and will continue developing its hardrock Gazema gold. It is risk spreading by investigating gold/copper/iron ore prospects in next door Zambia. The reported loss of $1.7m in H1 2011 to September was expected.

Gemfields (Emeralds in Zamiba, rubies in Mozambique) steams ahead with its revamped auction-sales programme. It reported strong demand from its Jaipur, India, last week for its lower quality offerings, selling 9.8M cts at an average $1.12/ct compared with a previous 77 cents. Given a positive coloured stone market, it can expect a bumper 2012.

Richland Resources (formerly Tanzanite One), has signed a J/V for additional tanzanite bearing ground some 2.5 km from its existing minesite. Richland has aspirations to complement its current suite of activities progressively and globally.

Ture North Gems (TGX.V C$0.09; Hi-Lo C$0.18-0.09) is looking to secure its mining licence in Greenland and become a force in rubies. It has the geology to do it.

Vatukoula Gold (Underground mining in Fiji) is delivering on its promises. A year ago it embarked on intensive development which it warned would bite into production. It did. Total costs per ounce at $1381 still make it vulnerable, but are down from $1479 and $1721 in previous quarters. A profit of $1.7M was able to be logged. Although remote geographically, it is shaping up as an eventual takeover target.

Sirius Minerals (Potash in UK) has published its first borehole analysis from its inaugural round of drilling. Results are well up to expectation. The hole struck all the expected polyhalite horizons, with widths of 3.9m to 11m grading up 92.31%. This is good stuff. Cash is not a current problem, but the time horizon is probably five years to production. It will be world class operation, impacting the global market (See also bulk minerals)

Share Price Movements, Small and Medium Caps

	Company	10 Dec 2011	17 Dec 2011	% Change	1 year Hi-Lo	% above low
AFCR	African Consolidated Resources	2.3	2.63	14.35%	11.75-2.5	
AXM	Alexander Mining Plc	5.13	5.25	2.34%	17.0-5.0	5.00%
AGQ	Arian Silver Corporation	17.98	17.75	-1.28%	54.25-6.5	173.08%
AAU	Ariana Resources Plc	4.60	4.5	-2.17%	5.25-2.25	100.00%
BEM	Beowulf Mining Plc	15.98	14.88	-6.88%	74.25-3.5	325.14%
CLF	Cluff Gold	77.5	71.0	-8.39%	125.75-64.5	10.08%
CGNR	Conroy Gold and Natural Resources	2.88	2.88	0.00%	12.9-2.75	4.73%
DCP	DiamondCorp	5.38	5.25	-2.42%	16.9-5.25	0.00%
DME	Discovery Metals Ltd	89.5	86.5	-3.35%	96.0-37.25	132.21%
EUA	Eurasia Mining	0.7	0.70	0.00%	1.75-0.70	0.00%
FDI	Firestone Diamonds	9.88	9.25	-6.38%	36.5-9.25	0.00%
FML	Frontier Mining Limited	3.10	2.88	-7.10%	8.5-2.88	0.00%
GEM	Gemfields	26.0	23.88	-8.15%	24.75-3.75	536.80%
GDP	Goldplat	11.3	10.88	-3.72%	13.25-8.0	36.00%
HMB	Hambledon Mining	4.0	3.63	-9.25%	8.25-3.12	16.35%
HER	Herencia[3]	2.07	1.93	-6.76%	4.0-0.5	286.00%
KAH	Kalahari	242.5	243.75	0.52%	301-142	71.65%
KDR	Karelian Diamond Resources	2.0	1.75	-12.50%	5.25-1.0	75.00%
KEFI	Kefi Minerals	3.8	4.0	5.26%	9.5-0.5	700.00%

KYS	Kryso Resources	27.98	28.75	2.75%	31.88-12.5	130.00%
MWA	Mwana Africa	4.08	4.08	0.00%	14-3.90	4.62%
NYO	Nyota Minerals	6.7	5.28	-21.19%	30-5.28	0.00%
ORE	Orogen Gold Plc	0.49	0.48	-2.04%	1.62-0.2	140.00%
PDL	Petra Diamonds	120.0	115.75	-3.54%	189-60	92.92%
RLD	Richland Resources	8.75	8.38	-4.23%	16.0-6.5	28.92%
SXX	Sirius Minerals Plc	29.25	25.0	-14.53%	22.75-1.25	1900.00%
SNRP	Strategic Natural Resources	12.88	11.75	-8.77%	27.75-8.25	42.42%
TMC	Toledo Mining	22.85	22.75	-0.44%	34.25-20.25	12.35%
VGM	Vatukoula Gold	69.75	66.88	-4.11%	227-65.5	2.11%
ZOX	Zincox	53.5	52.5	-1.87%	77-32.25	62.79%

Source: The London Times and the FT

Metals and Minerals

Exchange Traded Metals

Hefty falls of 3-6% on the week and around 20% across the board for the year. Twelve months ago we were heralding continued recovery which indeed lasted through to mid-year. Just gold, silver and oil are higher than December 2010, but their trajectories are down. Not all is lost. Major Japanese trader Marubeni see an Aluminium supply deficit of 357,000t in 2013. That's a tad precise and would hardly dent the 4.8Mt LME stockpile, but it is a start. They look for the price to start rising up towards $2800/t, compared with today's $2000.

Metal Stocks in LME Warehouses

Metal	9 Dec 2011	16 Dec 2007	% Change
Aluminium	4,546,050	4,825,475	6.15%
Copper	387,400	382,075	-1.37%
Lead	363,325	359,650	-1.01%
Nickel	90,348	89,544	-0.89%
Tin	11,905	12,115	1.76%
Zinc	758,200	757,900	-0.04%

Source: Mining Journal

Commodity Price Movements

Commodity		9 Dec 2011	16 Dec 2007	% Change
Aluminium	$/tonne	2,066	2,003	-3.05%
Copper	$/tonne	7,800	7,339	-5.91%
Lead	$/tonne	2,092	1,980	-5.35%
Nickel	$/tonne	18,320	18,050	-1.47%
Tin	$/tonne	20,245	18,845	-6.92%
Zinc	$/tonne	1,985	1,872	-5.69%
Gold	$/ounce	1,717	1,594	-7.16%
Silver	$/ounce	32.30	29.7	-8.05%
Platinum	$/ounce	1,520	1,427	-6.12%
Brent Crude Oil	$/bbl	108.45	104.4	-3.73%
Platinum/Gold	Ratio	0.88	0.90	2.27%

Source: The Times of London

Bulk Minerals

There are no strong markets. Spot coal, iron ore, steel industry additives, are all under attack. Now we hear it for potash. Fact is, some bulk minerals are less soggy than others.

Potash. The favourite fertilizer mineral (usage 55-60 Mtpy) differs from all others in the agricultural sector. Whereas you can switch from coffee to tea to cocoa, from barley to wheat and from apples to oranges, you have little choice about what makes them all grow. Added to its attractions as an essential ore, its relatively limited occurrences and its demand profile (an increasing population base seeking better nutritional standards), this does not present it behaving like any other commodity in an economic downturn. Plants will still grow if you miss a season's dressing. Thus the price for standard grade potash, c. $500-600 per tonne, rose to $900 in 2008 only to fall to $300-350 as the last recession set in. Now it has slipped to c. $460, inventories are building up at the Canadian mines and short time working is in force. This may persist until nearer the March-April growing season. The longer term outlook promises a return to tight conditions in later 2012 and a strong run until new production comes on stream (UK, Brazil, Ethiopia) in 5 years time.

The underlying threat is that of an economic slowdown in China.

Iron Ore CFR Tianjin Port 2011. 62% Fe fines US$/dmt			
25 Nov 2011	2 Dec 2011	9 Dec 2011	16 Dec 2011
$140.4	$138.8	$139.5	$132.1

Source: The Steel Index

Precious Metals

Not so Precious Eh? So what happened to the flight into Egypt? Sorry, to true stores of value? Gold for the affluent purists, silver for the wannabees and platinum for the cognoscenti? We devoted last week's leader to warning that the bull run is – for the time being at least – running out of steam. There was a loud hiss of exhaust gases this week, so let's perspectivise:

Minor Metals

Minerals	Unit	Dec 2008	Dec 2009	Dec 2010	June 2011	Oct 2011	10 Dec 2011	17 Dec 2011
Antimony	$/t	$4,000	$5,800	$12,000	$17,500	$13,500	$12,300	$12,300
Bismuth	$/lb	$7.75	$6.80	$9.00	$11.75	$12.20	$10.50	$10.50
Cadmium	$/lb	$0.60	$1.60	$1.65	$1.35	$1.15	$1.15	$1.15
Mercury	$/flask	$600	$500	$1,300	$1,600	$1,900	$2,000	$2,000
Rutile	$/t	$525	$560	$600	$718	$790	$790	$790
Ilmenite	$/t	$120	$75	$75	$139	$256	$256	$256
Zircon	$/t	$790	$875	$960	$1,303	$2,140	$2,140	$2,140
Global Coal Index	-	74.18	68.85	109.90	117.0	109.44	102.81	103.47

Source: Mining Journal

Views and forecasts abound. We had a chartist/technical analyst, Dr. Nu Yu, calling gold down to $1600 and lower. He is right so far. Then the not-shy Rob McEwan is going for $5000 – on this run we are with Nu Yu but don't see $1000 being tested or the downside.

Another late entrant in the hedge betting stakes is Mr Murenbeeld of Dundee Wealth, he says there will be an upward explosion in the gold price (explosions do tend to go up) "at some point in time, but just when is difficult to judge". Spot on. Meanwhile his stable mate Frank Holmes of US Global Investors thinks $10,000/oz gold not unattainable. Slowly, painfully they are getting to our mark of $40,000 which is where all the gold would equal all the dollars and we would all live happily ever after.

Platinum deserves more attention because it is a real metal, like being used in industry as well as having decorative properties and a handle on non-destructibility. Then since over 70% of it comes from a tight corner of South Africa it doubly grabs the analyst's attention. Output has fallen heavily in Rustenburg this year. They speak of 27% - 36%. The reasons? The Safety Inspectorate has caught up on the untenable accident rates and ordered increasingly frequent stoppages. Combined with overgenerous wage increases and allowances and a falling metal price, these are not happy days. Share prices speak loud.

Exchange Rates

Exchange Rate Movements

Currency	10 Dec 2011	17 Dec 2011	% Change
£:US$	1.56	1.55	-0.64%
£:€	1.17	1.19	1.71%
£:SA Rand	12.70	12.96	2.05%
US$:Aus$	0.98	1.00	2.04%
£:Aus$	1.54	1.55	0.65%
US$:Br Reale	1.81	1.85	2.21%
US$:C$	1.02	1.04	1.96%
US$:€	0.75	0.77	2.67%
US$:SA Rand	8.13	8.35	2.71%
US$:Rupee	52.03	52.71	1.31%
US$:HK$	7.78	7.78	0.00%
US$:UAE Dirhams	3.67	3.67	0.00%
US$:Israeli Shekel	3.77	3.78	0.27%

US$:Japanese Yen	77.62	77.71	0.12%
US$:Thai Bhatt	30.55	31.34	2.59%
US$:Yuan	6.36	6.35	-0.64%

Source: Financial Times

Energy

OPEC feels the strain – onwards and upwards for coal – US gets serious about shale gas.

OPEC. It is hard to remember that the cartel which shook the world is nearly 40 years old. That it has lost its cutting edge is not in doubt. It still accounts for over 40% of world production and has over 75% of reserves, but its members have got used to the good life. They need high prices to support high lifestyles so cannot tinker with output like they once did. So last week's Vienna summit saw them chop about 0.5Mb/day off 30Mb/day, as the price looks soggy. Besides Libya and Iraq are getting back into pumping mode, so others may suffer. Welcome to the club, boys, $105/bbl is still handsome.

Coal. It is comforting that the International Energy Agency shares our bullish outlook for coal. Its "Medium Term Coal Market Report 2011" is looking for output to expand progressively noting daily demand grew at over 700,000 tonnes in 2000 – 2010, moving up from 3.7bn to 6.3bn, annually. Much of this is thermal coal to meet surging energy demand in developing countries. Five established producers, Indonesia, Russia, Australia, South Africa and Colombia, now supply 80% of export totals and will be joined by Mozambique and Mongolia. Of the major companies, BHPB and Rio Tinto remain firmly committed to coal production. India will continue to lead the way as an importer, despite rising domestic output. Its 2010 intake at 82Mt was second only to Japan, 128Mt, and is over 11% of world total imports. Its deficit is expected to increase to 265Mt over the next 5 years. Domestic demand is forecast to top 1000Mtpy by 2017, or 25% of current world total.

Uranium. Even before Japan's Fukushima nuclear power plant disaster, the demand for Uranium was sluggish.

World Uranium Demand (Mtoe)

2000	2005	2010
584	627	626

Five countries: Kazakhstan (33%), Canada (17), Namibia (12), Australia (12) and Russia (7) account for 81% of production and six companies over 60% of mined output. The mineral is a core commodity in Rio Tinto's basket (15% of world output) with its major producing unit Namibia's Rossing Mine. Developing alongside Rossing is the world's 4th largest known deposit, Husab, being developed by Extract Resources (EXT.AX A$8.50; Hi-Lo A$10.80-5.90) in which Rio has a 14% stake. It also holds 11% of AIM-listed Kalahari Minerals (Small and Medium Caps) which in turn has almost 43% of Extract. Both have long been bid targets, but Rio has made no move for either. Instead it saw a Chinese consortium, CGNPC make a revised, post Fukushima bid for Kalahari plus a contingent bid for Extract. It gets curiouser. The share price action of neither company suggests a counter bid, which would have come almost certainly from Rio. That company is good friends with the Chinese. The giant Chinalco is its biggest single shareholder and they are in bed together at the Simandou iron ore project in Guinea. Rio has shed a lot of non-core assets of late and is trying to smarten up its aluminium portfolio. It is also being politically aware, favouring Canada and Australia.

Shale Gas. We had better start getting used to the new kid on the block; it may transform the world energy picture. It has long been known about. Scotland produced hydrocarbons from shale in the 1800's. The trick is to release it from the depths without having to rip up the earth's surface. We are getting there, with no horizontal drilling and a process known as fracking. The USA, as page 1 explains, is going for it big time, which numerically could mean this:

World natural gas consumption: 100%, USA 22% world. Planned USA shale gas production 5.5% world. Current USA imports 6.1% world. USA imports – shale gas 0.6%. The product can also be refined to produce a vehicle fuel. Beware Russia, Canada, Norway, Qatar, your time may be up. Shale gas deposits have been identified in 32 countries around the world including oil-strapped countries such as South Africa. Alongside potash, shale gas is in BHPB's Christmas stocking.

Spot Uranium Price, \$/lb U_3O_8

31 Dec 07	31 Dec 08	31 Dec 09	31 Dec 2010	3 Dec 2011	10 Dec 2011	17 Dec 2011
$90.00	$53.00	$44.00	$66.00	$51.75	$52.75	$52.50

Source: Mining Journal

Gemstones

It is all looking a bit ominous for diamonds in the run-up to the make-or-break Christmas season. Too late to be buying in the hope of getting them into the shop window, but:

Botswana (the largest producer by volume) saw the value of exports fall 23% year-on-year to $288M in October 2011. **Israel's** polished exports dropped 19% year-on-year to $449M in November and **USA** polished imports fell 5% to $1.82 bn in October. Yet Russia's **Alrosa** (the largest single producer) reported profits up 55% year-on-year in Q3. This was the anomaly, the trade generally reckons Q3 prices to be 25% below the Q2 peak.

Zimbabwe Diamonds. The USA is at serious odds with the Kimberley Process (KP) over its authorisation of the export of Marange diamonds. America chairs the KP next year, so it could all prove a bit tricky. It has added producers Mbada Diamonds and Marange Resources to its list of sanctioned entities. Each of these companies operates its mines in J/V with the Zim Mining and Development Corporation, ZMDC.

On a happier note, the late Elizabeth Taylor's diamonds came on the block at Christies New York, following a world tour. All 80 lots sold, realising $116M, the most valuable jewellery auction in history. Whatever else you think of Richard Burton, he knew how to say sorry.

Being a **DeBeers Sightholder** does not quite have the cachet it did when the company ruled the most powerful of cartels. The new list, of 105 entities will be made public on December 19th. Of those selected, 66 are London-based. The growth of the public tender system and De Beers agreement to supply 10% of its Botswana production to the government has a watering-down effect.

Lucara Diamonds (LUC.TO C$0.77; Hi-Lo C$1.44-0.75) has received $893/ct, a record for its Mothae Mine in Lesotho output, for a total of 7190 cts offered. It included some whoppers: 28.89 cts, 56.5 cts and 19.2 cts. The sale total was $614M.

Countries

OK, The Rest of You, sit back and relax, this is a private fight ok? Britain versus France, twelve rounds, winner takes all. Sorry Afghanistan, Syria, Saudi and stations east you will have to wait until next week. Two of the world's greatest has-beens are staging an all-ticket comeback. Yes sir, Frogs and Limeys at 30 paces. It is all about money, as most fights are. But it is also about club membership. The less sensitive taunt with Hastings, Crecy, Agincourt, Trafalgar and Waterloo. World wars even. To the immediate it is clear that the Euro currency crisis is far from resolved. As Britain was never in the currency club, like five other not-insubstantial EU states, it does not wish to pay its dues in arrears. It will have its work cut out sticking Elastoplast on the bruises suffered by its banks. Nor does it, as part of the recovery process, wish to throw its cash cow, the City of London's financial clout, to the mercy of the EU taxation dragon. As for France's credit rating being downgraded maybe…. No wonder they are hopping mad (easy now).

Now for the rest of the world:

Peru. Now President Humala (the leftwing billionaire who made his money out of mining), has been thrown in at the deep end. The government would like to keep the country at the forefront of copper, gold and silver production. Few however are keen to have pits and their attendant pollution problems in their own backyards. It has all turned ugly and particularly impacts on Newmont, which has been forced to suspend its mega, $4.8bn Conga project in Cajamara. In doing so, Newmont threatened to relocate its sizeable spending wallet elsewhere. Pres. Humala has responded by firing 10 of his 19 member cabinet, including putting one Jorge Menno, an engineer into the Mines Ministry slot. Peru has its eye on $50bn of mining investment over the next 10 years. Best to be nice to the conglomerates.

South Africa's Growth. The country with the largest known mineral deposits on earth also has a sizeable manufacturing base. It relies on those two elements for much of its income and growth, prospects. Says ABSA Capital, they are sagging and likely to remain weak in 2012. It cuts economic growth expectations to 2.8% from 3.6%. GDP was hit by a Q3, 17.4% contraction in mining output over Q2. Europe matters to RSA, taking 29% of both its mining and manufactures. The Rand too is weakening, particularly against the US dollar, in which its commodity exports are mostly priced. It opened 2011 at $1.00 = ZAR 6.65 but closed Dec. 16th at 8.35. A 25% drop hurts badly against falling dollar priced minerals and rising local costs. The consumer price index is expected to register 6.7% in Q2 2012.

Indonesia. This country will increasingly matter to the world of minerals. It houses, in Freeport's Grasberg Mine, the largest known copper-gold deposit. Then it is already the largest exporter of thermal coal, 29% of total, leading Australia, 20% and Russia 11%. This services the growth hubs of SE. Asia: China, India, Japan, Taiwan. The country comes with its problems. It has a burgeoning population of 230 million, a high life expectancy (70 years) with 27% of its people below 15 years. GDP per head, at $1900, is on a par with India but its miners have been alerted to the fact that they are underpaid by world standards. Google has a lot to answer for. Now Grasberg operator Freeport MacMoran has settled – wait for it – a two year pay deal worth 40%. This begs the question: 1. If they can afford it, why did they not shell out before a long, nasty and costly strike? 2. If they cannot afford it (prices and demand are under pressure), what next?

China Marches On. The people's republic favours Africa above the other mining slots, now why? Are the locals cheaper, friendlier, less savvy? Whatever, the Chinese have at last put the moves on Namibia (see Energy) and newcomers Kenya. Goldplat was awarded the first mining licence there since independence, last month and now coal is being opened up. The coal, for local use, is the Eastern Province where an initial 400Mt block has been delineated. The preferred bidder was China's Fenxi Mining Group. The plan is for a 600Mw power station on the coast, to use first imported then local coal. The government is to have an 11% participation.

India's New Mining Bill. The extant Mining Act of 1957 is a bit dog-eared so is to be replaced by a new one which, amongst other items, addresses profit-cum-royalty shares by people directly affected by mining activities. Although this sounds laudable, the true purpose is to overcome local objections to new developments. Some sources feel the new rules will impact 2-8% on earnings per share. Emphasis must surely be placed on increasing domestic coal output. The country sits on over 100 years supply, 7% of world reserves at its current output of c. 200Mtpy. It is already reliant on imports of 45Mtpy of thermal and 34Mtpy of coking coal and these are set to leap in the next few years.

Zimwatch

When a pack of wolves or jackals or prairie dogs attacks a herd of bovines, it singles out the old, the young, the sick. No point picking on those in their prime that might give you a fight. So, Zim's Ministry of Mines needs to make an example of someone to show it means business with its 51% indigenisation demand. It would not tackle Rio Tinto or Zimplats, now would it? So it has selected Caledonia Mining Corporation (CALq.L 6.75p; Hi-Lo 9.9-4.51p) which runs the Blanket Gold Mine. Fourteen days from December 8th to have its majority partner in place, or else. Or else what? Why, bring in a partner or have its licence withdrawn. It seems government values the mine at $20M and speaks of 'compensation'. Maybe now they are selling Marange diamonds they will be able to afford it.

Meanwhile, Aquarius Platinum (world Nº 3) says local communities have acquired a 10% stake in the Mimosa Mine which it jointly owns with Impala (Nº 2). Our take on this? Entrenched firms will fight a rear guard action to salvage something, but can you see anyone coming in new and taking all the risks for 49%? Ask along the line of refugees leaving Angola.

Watchtower

Nothing wrong with having some precious metal under the bed or even around the neck, but investors are getting savvy. They want to be as close to resale value as possible which is what hallmarked bars give you. So Indians are starting to favour ingots over jewellery and the US Mint is pulling the sale of presidential coins.

Forward Diary

23 December 2011:	Bank Holiday Japan
26 December 2011:	Bank Holiday US, Germany, Italy and UK
27 December 2011:	Bank Holiday UK

David Hargreaves
17 December 2011

NB: There will be no Christmas Week in Mining, but we will resume publication with a bumper New Year edition on 2 January 2012.

Would you or any of your colleagues like to receive a trial copy of "The Week in Mining"? It is beamed into your home each Sunday evening updating you on the mining markets with a mixture of mischief, humour and interpretation that is its established hallmark.

Thanks to its growing band of professional informants it brings you the inside before it becomes the outside, on companies, commodities, markets, economic and political trends. Please email your request to David Hargreaves: mine2mkt@gmail.com.