

Beijing reserves its resources

Robin Bromby | *November 12, 2007*

WHILE we keep happily digging up our metals and shipping them out, the Chinese are taking a slightly longer term view. The Ministry of Commerce and the National Development Reform Commission have reclassified China's tungsten, molybdenum, tin, antimony and fluorite as being in the "prohibited category".

What this means is that no foreign company can get involved in mining these metals. Add this to earlier moves to raise export taxes on metals and the message from Beijing is clear: you westerners can exhaust your deposits and in 50 years we'll still have ours.

So, a company like King Island Scheelite can no longer use its expertise in tungsten to enter a joint venture in China, but Hunan Nonferrous Corp is welcomed here with open arms to take a 50-50 joint venture with KIS on King Island. Who are the suckers?

What China's move means for these metals is that prices, let alone demand, are not going to collapse. KIS is expecting to start tungsten production early next year, probably being beaten across the line by Queensland Ores and running neck and neck with Thor Mining. Paradigm Metals and Vital Metals are still exploring, the latter recently reporting a test concentrate of 78.4 per cent tungsten, well ahead of the saleable grade threshold of 65 per cent.

Over in Spain, Heemskirk Consolidated is working its Los Santos tungsten mine seven days a week instead of five and expects to be producing by March.

The China syndrome

THERE is no question Asian investors are alive to any opening for specialty metals. Republic Gold has just made a \$5.73 million placement, much of which went to Malaysian Chinese investors. They are very interested in Republic's Mt Carbine tungsten project in Queensland, just 40km from Vital's Watershed deposit.

There is no question that Mt Carbine has tungsten - it was mined for that metal from the 1970s until 1986 until the Chinese (them again!) flooded the world market with tungsten, putting mines in other countries out of business as the price plummeted.

Republic has antimony also at one of its Queensland gold deposits.

This metal is fetching a strong \$US5300/tonne, so Republic is planning to pin its ears back on that project, too.

While on Chinese doings, there has been a development at YTC Resources, which is controlled by the world's largest producer of tin Yunnan Tin. On Friday, the Hong Kong-listed Poly Investments Holdings did a deal with its fellow Chinese operation to take a 19.9 per cent stake in the Australian listed arm. No explanation was given.

YTC has been reporting good grades from its Doradilla project in NSW with significant tin assays, along with zinc, copper and indium. Doradilla was a tin producer until 1990, when metal prices had collapsed. Poly is in the business of metals trading and operating power stations in Henan province.

DIY blue-chip investment

FOSTER Stockbroking has had a novel idea for its clients: don't buy BHP Billiton, build your own.

The brokerage says that, when the Global Australian was sitting at a P/E of eight, earlier in the year, the stock screamed "buy me". Now it looked fairly valued. So investors could seek to build their own diversified portfolios from picking up undervalued miners covering BHP's component parts.

* Coal: Aquila Resources, which would start producing coking coal next year at its Isaac Plains mine in the Bowen Basin. Foster says the market is not factoring in Aquila's iron ore prospects in the Pilbara and South Africa. An alternative is would be Resource Pacific Holdings.

* Iron ore: Mount Gibson Iron offered full leverage to direct shipping ore and would benefit from the expected large leap in iron ore prices for 2008. Alternatives: Australasian Resources or Strike Resources.

* Zinc: Terramin Australia, which starts mining at Angas in eight months. Alternative: Zibifex.

* Copper: Equinox Minerals with its 37-year mine life in Zambia. Alternative: Anvil Mining.

* Nickel: Mirabela Nickel. The obvious choice might have been Salay Malay Mining, but its shares have run hard on the coat tails of Xstrata's bid for Jubilee Mines. Mirabela is about to start building its Santa Rita sulphide mine in Brazil. Alternative: Sally Malay.

* Gold: Centamin Egypt with gold expected to be produced next year. Alternative: Lihir Gold.

* Platinum: Platinum Australia. Mining is due to begin at Smokey Hills in January. The metal's price recently hit a new record. Alternative: Aquarius Platinum.

* Uranium: Energy Resources of Australia. The worst flooding at Ranger has occurred but the spot price is recovering, now at \$US90/lb. Alternative: Bannerman Resources.

* Oil and gas: Santos, which provided significant leverage to the oil price and is pursuing coal-seam gas and LNG projects. Alternative: Energy World Corp.

Meanwhile, Pure Speculation is always keen to encourage consolidation and co-operation in the resources sector. So we will watch with interest the attempt by four juniors, which have land around Ravensthorpe, looking for a variety of metals, including nickel and lithium.

Traka Resources, Tectonic Resources, Galaxy Resources and Pioneer Nickel have tenements holdings covering 30km of prospective iron-ore deposits. The companies have agreed to share iron-ore information and co-ordinate work for that metal.

Investor update

WE reported admiringly last week on the, as yet, unrealised \$40 million gain made by African Lion on its investment in Mauritanian iron-ore play Sphere Investments.

No sooner were copies of that day's newspaper being slid under hotel-room doors and read in trains, trams and buses, than African Lion, part of the Lion Selection Group operation, reported it had sold its stake in Pretoria-based Platmin.

African Lion had invested \$US9.8 million (\$10.7 million) in Platmin and sold at \$US101.6 million, a 1037 per cent profit. As Mr Micawber would say, result happiness.

Meanwhile, Bell Potter, Stripe Capital and Tolhurst have ended up adding more shares than expected to their holdings in Aurora Oil & Gas after taking up the shortfall in the one-for-10 rights issue. Only 15.2 per cent of the rights issue was subscribed, leaving 15.42 million shares to be placed by the underwriters. Aurora has separately raised an additional \$10.6 million from "professional and sophisticated" investors at 53c a share.

Aurora, which closed on Friday at 48c, thought it had left itself enough time since announcing the rights issue in July. The idea was that results would be in from the Sugarloaf-1 well in Texas, of which it has 20 per cent, and these would encourage shareholders to take up the issue.

But delays of various sorts put paid to that plan, and those results are still awaited (as they are at Adelphi Energy and Eureka Energy, which also have stakes in Sugarloaf).

But the words is that the underwriters aren't sweating, given the goal at Sugarloaf is several trillion cubic feet of gas along with condensate.

Tailenders

* WE have often bemoaned the fact that most gold stocks fail to follow the gold price when it goes up, but do when it falls. So it was cheering to see shares in Kalgoorlie-Boulder Resources get a huge boost as its Norseman project resource was raised 36 per cent to 630,000oz. That gnashing of teeth you hear probably comes from Canadian Kinross Gold, which spent \$7 million drilling there but thought it too small, and from Joseph Gutnick's sister Pnina Feldman, who tried but failed to get her float away based on the property. KAL bought out Feldman.

* We love coincidences, such as China lending the Congo \$US5 billion in September and then suddenly that country starts to talk about confiscating projects owned by western companies. But the Congo problems will soon be but a distant memory to shareholders of New World Alloys, which is flicking its copper smelter into a London vehicle and will be looking for new projects.

* Hudson Resources has been a low-key company, but watch out for announcements in coming months as it puts into place its new bauxite and zinc strategy. Its Tiaro coal project, near Bundaberg and a railway line, is likely to be moved into a separate IPO.

The Australian implies no recommendations regarding any of the stocks mentioned. The author does not own shares in any of the securities mentioned.