LONDON
COMMODITY
NEWS

TABLE OF CONTENTS

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LONDON COMMODITY NEWS

COAL PRICES

Coal Market Overview

Tuesday, 3rd July, A continued surge in oil prices thanks to continued Iranian rhetoric meant gas and power prices had a strong push upwards also. This sent the CAL13 contracts up higher but the incredible strength we saw in prompt Richards Bay physical markets was nowhere to be seen today, as such it was with reluctance that those swaps moved higher (and in the case of prompt API#4 actually finished slightly weaker).

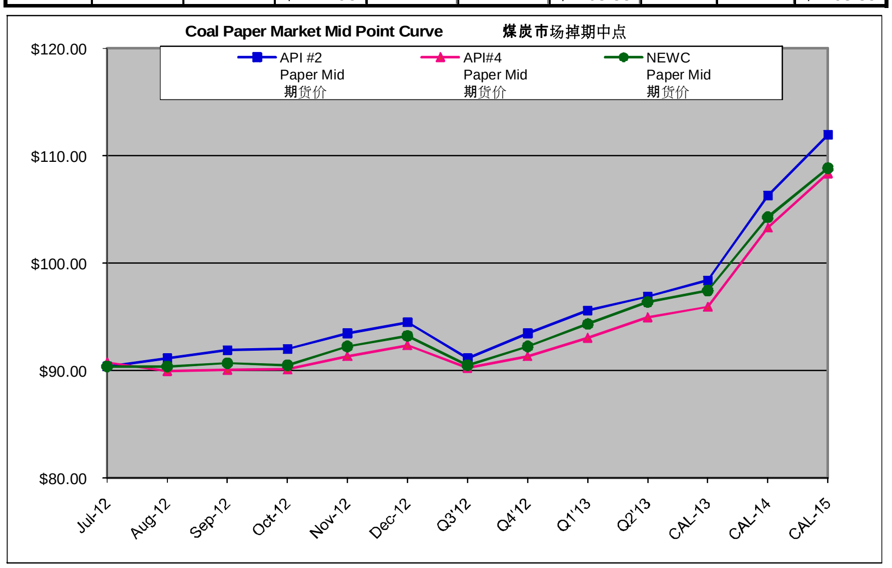
Richards Bay traded down $0.50 from the high of yesterday with 25kt going through at $91.50. Newcastle also saw a 25kt Oct'12 trade at $90.50.

Macquarie Coal Newsletter

COAL MARKET PRICES

Below is a list of prices that we offered the market **Tuesday, 3rd July 2012, t**he prices are fixed prices, the prices represented by # refer to those that are index based. The coal paper mid rate is the point between the bid and offer spread on coal derivatives.

	DES / CIF ARA 欧洲港口到岸价			FOB Richards Bay 理查湾 离岸价			FOB Newcastle 纽卡斯尔离岸价		
Date 日期	Bid 出价	Offer 供价	API #2 Paper Mid 期货价	Bid 出价	Offer 供价	API#4 Paper Mid 期货价	Bid 出价	Offer 供价	NEWC Paper Mid 期货价
Jul-12			$ 90.40	US$92.00	US$94.00	$ 90.75			$ 90.40
Aug-12			$ 91.15	US$90.50 +#$0.75	US$91.00	$ 89.95			$ 90.40
Sep-12			$ 91.90	-#US$0.30	-#US$0.20	$ 90.05			$ 90.70
Oct-12			$ 92.00		-#US$0.10	$ 90.10			$ 90.50
Nov-12			$ 93.45			$ 91.35			$ 92.25
Dec-12			$ 94.50			$ 92.35			$ 93.25
Q3'12			$ 91.15			$ 90.25			$ 90.50
Q4'12			$ 93.45	-#US$0.60	-#US$0.40	$ 91.35			$ 92.25
Q1'13			$ 95.60	-#US$0.65		$ 93.05			$ 94.35
Q2'13			$ 96.90	-#US$0.60		$ 94.95			$ 96.40
CAL-13			$ 98.40	-#US$0.60		$ 95.95			$ 97.45
CAL-14			$ 106.30			$ 103.30			$ 104.30
CAL-15			$ 111.95			$ 108.35			$ 108.85



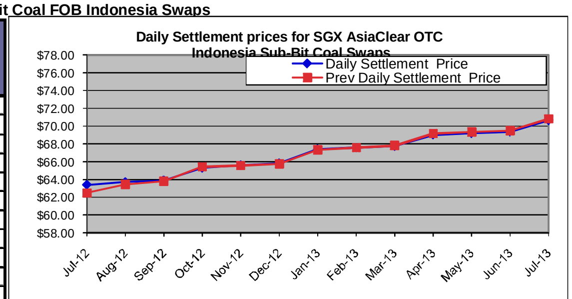
SGX AsiaClear OTC Sub-Bituminous Coal FOB China Swaps

Below are the Daily Settlement prices of SGX AsiaClear OTC Sub-Bituminous Coal FOB Indonesia Swaps as at 8.00pm Singapore times on **Tuesday, 3rd July, 8pm Singapore time.**

Daily Settlement Prices of SGX AsiaClear OTC Sub-Bit Coal FOB Indonesia Swaps

Contract Period	Daily Settlement Price	Prev Daily Settlement Price	US$ Change	% Change
Jul-12	$63.38	$62.50	$0.88	1.41%
Aug-12	$63.72	$63.47	$0.25	0.39%
Sep-12	$63.87	$63.82	$0.05	0.08%
Oct-12	$65.30	$65.42	-$0.12	-0.18%
Nov-12	$65.59	$65.58	$0.01	0.02%
Dec-12	$65.85	$65.75	$0.10	0.15%
Jan-13	$67.39	$67.33	$0.06	0.09%
Feb-13	$67.57	$67.57	$0.00	0.00%
Mar-13	$67.74	$67.80	-$0.06	-0.09%
Apr-13	$69.03	$69.17	-$0.14	-0.20%
May-13	$69.20	$69.33	-$0.13	-0.19%
Jun-13	$69.37	$69.50	-$0.13	-0.19%
Jul-13	$70.66	$70.83	-$0.17	-0.24%

 # Above daily settlement prices are for market-to-market open positions on contract month basis



The Indonesian sub-bituminous FOB marker is an assesment of the price of this quality coal delivered into ocean going vessels from a range of East and South Kalimantan load-outs. It represents the types of coal currently supplied by Adaro, Kideco, Bumi Resources (Melawan), ABK (Loajanan) and Straits Asia (Jembayan) amonst others

Indonesian sub-bituminous coal specs: 4,900 NAR, 28% max Total Moisture, 40% Vols, 10% max Ash, 1.0% max Sulphur, 1,200C AFT (IDT), basis 20,000t / day loading
refer: http://cr.mccloskeycoal.com/

Below daily settlement prices are summarized below in quarterly and yearly basis and are for reference only

Period	Average DSP	Prev Averag DSP	US$ Change	% Change
Q312	$63.66	$63.26	$0.39	0.62%
Q412	$65.58	$65.58	$0.00	-0.01%
Q113	$67.57	$67.57	$0.00	0.00%
Q213	$69.20	$69.33	-$0.13	-0.19%
Cal 13	$69.97	$70.12	-$0.15	-0.22%

For more information please contact Mr. Desmond Wan at desmond.wan@sgx.com (DID: +65 6236 8146) or Ms. Danielle Tan (danielle.tan@sgx.com, (DID +65 6236 8051).

Source: www.sgx.com/asiaclear/commodities

Product Name	**SGX OTC Sub-Bituminous Coal FOB Indonesian Swap**
Contract Size:	1 lot = 1,000 metric tonnes
Trade Reg. hours (Sing Time)	8.00am - 4.00am Last Trading Day : 8.00am - 8.00pm
Last Trading Day Final Settlement price	Last publication day (Friday) of IHS McCloskey Indonesian Sub-Bitumous FOB marker in the contract month Cash Settlement using the arithmetic average of all publications of HIS MCCloskey Indonesian Sub-Bitumous FOB marker in the expiring contract month, rounded to 2 decimal places

http://www.sgx.com/wps/portal/marketplace/mp-en/products/asiaclear/commodities

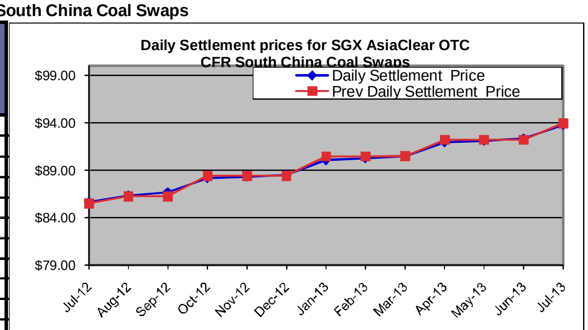
SOUTH CHINA SWAPS

Below are the Daily Settlement prices of SGX AsiaClear OTC CFR South China Coal Swaps as at 8.00pm Singapore times on **Tuesday, 3rd July, 8pm Singapore time.**

Daily Settlement Prices of SGX AsiaClear OTC CFR South China Coal Swaps

Contract Period	Daily Settlement Price	Prev Daily Settlement Price	US$ Change	% Change
Jul-12	$85.67	$85.50	$0.17	0.20%
Aug-12	$86.33	$86.25	$0.08	0.09%
Sep-12	$86.67	$86.25	$0.42	0.49%
Oct-12	$88.17	$88.42	-$0.25	-0.28%
Nov-12	$88.33	$88.42	-$0.09	-0.10%
Dec-12	$88.50	$88.43	$0.07	0.08%
Jan-13	$90.08	$90.47	-$0.39	-0.43%
Feb-13	$90.28	$90.47	-$0.19	-0.21%
Mar-13	$90.48	$90.48	$0.00	0.00%
Apr-13	$91.93	$92.20	-$0.27	-0.29%
May-13	$92.13	$92.20	-$0.07	-0.08%
Jun-13	$92.33	$92.20	$0.13	0.14%
Jul-13	$93.78	$93.95	-$0.17	-0.18%

 # Above daily settlement prices are for market-to-market open positions on contract month basis



SGX OTC CFR South China Coal Swap is based on coal delivered into South China with base calorific value of 5,500 kcal/kg NAR. Each contract is equivalentto an exposure of 1,000 metric tonnes of physical coal into CFR South China. The contract is cash settled using artithmetic average of the IHS McCloaskey/ Xinhua Infolonk South China (5,500 kc NAR) CFR marker.

CFR South China coal specs: 5,500 NAR, 1.0% max Sulphur, min vessel size 50,000mt . refer: http://cr.mccloskeycoal.com/

Below daily settlement prices are summarized below in quarterly and yearly basis and are for reference only

Period	Average DSP	Prev Averag DSP	US$ Change	% Change
Q312	$86.22	$86.00	$0.22	0.26%
Q412	$88.33	$88.42	-$0.09	-0.10%
Q113	$90.28	$90.47	-$0.19	-0.21%
Q213	$92.13	$92.20	-$0.07	-0.08%
Cal 13	$93.08	$93.22	-$0.14	-0.15%

For more information please contact Mr. Desmond Wan at desmond.wan@sgx.com (DID: +65 6236 8146) or Ms. Danielle Tan (danielle.tan@sgx.com, (DID +65 6236 8051).

Source: www.sgx.com/asiaclear/commodities

Product Name:	**SGX OTC CFR South China Coal Swap**
Contract Size:	1 lot = 1,000 metric tonnes
Ticker Symbol	**CF**
Min Price Fluctuation	US$0.01 per tonne (US$10)
Trade Reg. hours (Sing Time)	8.00am - 4.00am Last Trading Day : 8.00am - 8.00pm
Last Trading Day	Last publication day (Friday) of IHS McCloskey / Xinhua South China (5,500kc NAR) CFR marker in the contract month

http://www.sgx.com/wps/portal/marketplace/mp-en/products/asiaclear/commodities

SUMMARY OF CHINA COAL PRICES

CCIV - Comparative CFR Import Value

Origin 产地	Brand of Coal 煤种	GAR/ NAR	NAR	Specification指标	Terms 价格类型	3-Jul-12	*CCIV US$	26-Jun-12	*CCIV US$	+ / - from prev week	+ / - on CFR US$
Qinhuangdao FOBT - (refer China Coal Resources - Daily Market Watch)											
Qinhuangdao	Datong Premium Blend	NAR	>5,800	CV 5,800, V 25 - 28%, S 0.5 - 1%, Mt 10 - 13%	FOBT	¥ 740.00	$ 88.81	¥ 760.00	$ 91.39	¥ -20.00	$ (2.58)
Qinhuangdao	Shanxi Premium Blend	NAR	>5,500	CV 5,500, V 25 -28%, S < 1%, Mt <12%	FOBT	¥ 650.00	$ 77.19	¥ 680.00	$ 81.06	¥ -30.00	$ (3.87)
Qinhuangdao	**NDRC PRICE CAP**	**NAR**	**>5,500**	**NEW PROPOSED NDRC 2012 PRICE CAP**		**¥ 800.00**	**$ 96.55**	**¥ 800.00**	**$ 96.55**	**¥ -**	**$ -**
Qinhuangdao	Shanxi Blend	NAR	>5,000	CV 5,000, V 24 - 27%, S <1%, Mt <13%	FOBT	¥ 545.00	$ 63.64	¥ 570.00	$ 66.87	¥ -25.00	$ (3.23)
Qinhuangdao	Common Blend	NAR	>4,500	CV 4,500, V 25- 28%, S <1%, Mt <14%	FOBT	¥ 455.00	$ 52.03	¥ 475.00	$ 54.61	¥ -20.00	$ (2.58)
China Coastal Freight 中国沿海运费						2-Jul-12		21-Jun-12		Difference	
Qinhuangdao - Guangzhou, 40 - 50,000 DWT						¥ 33.40	$ 5.30	¥ 33.60	$ 5.33	¥ -0.20	$ (0.03)
Qinhuangdao - Shanghai, 20 - 30,000 DWT						¥ 24.50	$ 3.89	¥ 25.40	$ 4.03	¥ -0.90	$ (0.14)
Qinhuangdao - Ningbo, 15 - 20,000 DWT						¥ 26.60	$ 4.22	¥ 27.60	$ 4.38	¥ -1.00	$ (0.16)

Notes:

From 21 June CCR has revised the specification of their NAR 6,000 Marker down to NAR 5,800 due to the continued deterioration of thermal heating value quality.

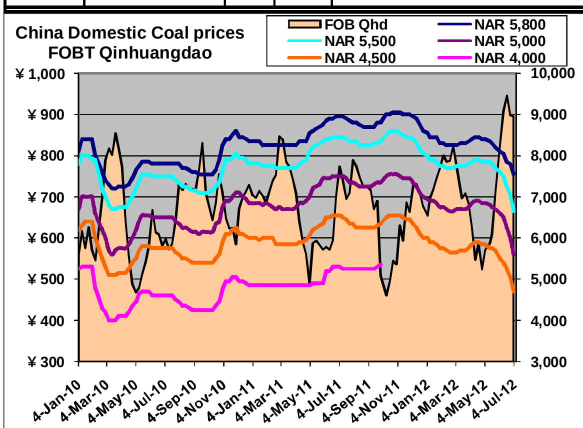
To determine landed cost of China coal to other China ports use FOBT Qinhuangdao rate + Local Freight + Allowance of RMB 50.00/mt (US$7.75) for Domestic Coal Port Handling Charges and stock pile rental

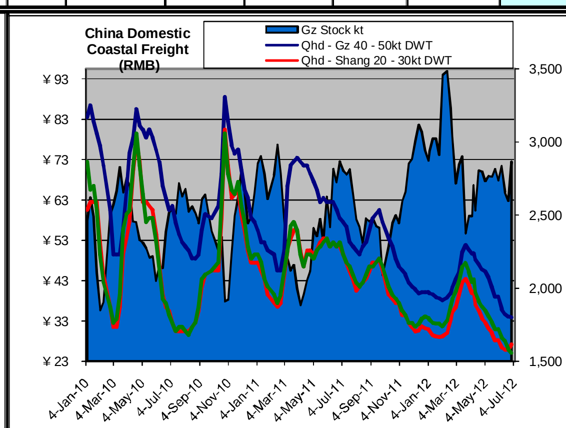
Indicative Guangzhou Stock Pile Price based on Ex Qinhuangdao FOBT						3-Jul-12		26-Jun-12			
Guangzhou	Datong Premium Blend	NAR	>5,800	CV 5,800, V 25 - 28%, S 0.5 - 1%, Mt 10 - 13%	Exstock	¥ 823.40	$ 97.56	¥ 843.60	$ 100.17	¥ -20.20	$ (2.61)
Guangzhou	Shanxi Premium Blend	NAR	>5,500	CV 5,500, V 25 -28%, S < 1%, Mt <12%	Exstock	¥ 733.40	$ 85.95	¥ 763.60	$ 89.85	¥ -30.20	$ (3.90)
Guangzhou	**NDRC PRICE CAP**	**NAR**	**>5,500**	**PROPOSED NDRC 2012 PRICE CAP - EXSTOCK**		**¥ 883.40**	**$ 105.31**	**¥ 883.60**	**$ 105.33**	**¥ -0.20**	**$ (0.03)**
Guangzhou	Shanxi Blend	NAR	>5,000	CV 5,000, V 24 - 27%, S <1%, Mt <13%	Exstock	¥ 628.40	$ 72.40	¥ 653.60	$ 75.65	¥ -25.20	$ (3.25)
Guangzhou	Common Blend	NAR	>4,500	CV 4,500, V 25- 28%, S <1%, Mt <14%	Exstock	¥ 538.40	$ 60.79	¥ 558.60	$ 63.40	¥ -20.20	$ (2.61)
Guangzhou	Common Blend	NAR	>4,000	CV 4,000, V 25 - 28%, S < 1%, Mt <15%	Exstock	¥ 418.40	$ 45.31	¥ 438.60	$ 47.91	¥ -20.20	$ (2.61)

Note: To convert local China coal RMB prices to Comparative CFR Import Values we calculate as follows:
Local China RMB /mt / 1.035 Management Overheads including cost of LC - RMB 65.00* (Allowance for new imported coal Port Handling charges, load / discharge port inspection + stock pile charges) / 1.17 VAT / RMB 6.40 Exchange = CCIV US$/mt
CCIV represents the equivalent US$ CFR value for the coal currently available on stock pile.
Currently Chinese Buyers are bidding at a discount of between US$3.00 - 6.00 to these CCIV values)

SELECTED PORT STOCK PILE PRICES

Guangzhou Port - Domestic China Coal Prices						2-Jul-12		25-Jun-12			
Shaanxi	Shemu Lump	NAR	6,100	CV 6100, A 4%, V 28%, S 0.2%	Ex Stock	¥ 1,020.00	$ 122.93	¥ 1,100.00	$ 133.25	¥ -80.00	$ (10.32)
Shaanxi	Shemu Premium Blend	NAR	6,000	CV 6000, A 8%, V 28%, S 0.6%	Ex Stock	¥ 830.00	$ 98.42	¥ 890.00	$ 106.16	¥ -60.00	$ (7.74)
Shanxi	Shaanxi Premium Mix	NAR	6,000	CV 6000, A 8 - 10%, V 29 - 31, S 0.4%	Ex Stock	¥ 860.00	$ 102.29	¥ 900.00	$ 107.45	¥ -40.00	$ (5.16)
Shanxi	Shanxi Premium Blend	NAR	5,500	CV 5500, A 14%, V 28%, S 0.6%, Mt 12	Ex Stock	¥ 740.00	$ 86.80	¥ 800.00	$ 94.54	¥ -60.00	$ (7.74)
Shanxi	Shanxi Blend # 1	NAR	5,500	CV 5500, A 12%, V 28%, S 0.3%, Mt 15	Ex Stock	¥ 755.00	$ 88.74	¥ 795.00	$ 93.90	¥ -40.00	$ (5.16)
Guangzhou Port - Imported Coal Prices											
Indonesia	Indonesia Thermal	GAR	5,900	GAR 5,900 NAR 5600 V(ad) 35%, A (ad) 5%, S (tad) 0.31%, M(t) 28%	Ex Stock	¥ -		¥ 640.00	$ 75.90	¥ -640.00	$ (75.90)
Indonesia	Indonesia Thermal	NAR	5,500	NAR 5500 V(ad) 41%, A (ad) 10%, S (tad) 0.6%, M(t) 15%	Ex Stock	¥ 740.00	$ 88.81	¥ 760.00	$ 91.39	¥ -20.00	$ (2.58)
Indonesia	Indonesia Thermal	NAR	4,800	GAR 5900, NAR 4,800V(ad) 35%, A (ad) 5%, S (tad) 0.31, M(t)28%	Ex Stock	¥ -		¥ 640.00	$ 75.90		
Indonesia	Indonesia Thermal	NAR	4,800	GAR 5900, NAR 4,800V(ad) 38%, A (ad) 5%, S (tad) 0.31,	Ex Stock	¥ 620.00	$ 73.32	¥ -			
Indonesia	Indonesia Thermal	NAR	4,200	NAR 4200,8V(ad) 37%, A (ad) 8%, S (tad) 0.9%, M(t) 28%	Ex Stock	¥ 495.00	$ 57.19	¥ 515.00	$ 59.77	¥ -20.00	$ (2.58)
Indonesia	Indonesia Thermal	NAR	3,800	NAR 3,800, V(ad) 38%, A (ad) 3 - 5.%, S (tad) 0.8%,	Ex Stock	¥ 430.00	$ 48.81	¥ 450.00	$ 51.39	¥ -20.00	$ (2.58)
Vietnam	Vietnam 11A	NAR	4,800	NAR4800, V(ad)6%, A (ad) 33%	Ex Stock	¥ 680.00	$ 81.06	¥ 680.00	$ 81.06	¥ -	$ -
Australia	Australian Thermal	NAR	5,500	NAR 5500, V(ad) 28%, A (ad) 20%, S (tad) 0.7%, M(t) 10%	Ex Stock	¥ 730.00	$ 87.52	¥ 800.00	$ 96.55	¥ -70.00	$ (9.03)
Australia	Australian Thermal	NAR	5,000	NAR 5000, V(ad) 25%, A (ad) 25, S (tad) 0.4, M(t) 10%	Ex Stock	¥ 630.00	$ 74.61	¥ 720.00	$ 86.22	¥ -90.00	$ (11.61)
South Africa	South A Thermal	NAR	6,000	NAR 6000, V(ad) 25%, A (ad) 15, S (tad) 0.6, M(t) 7.8%	Ex Stock	¥ 750.00	$ 90.10	¥ 790.00	$ 95.26	¥ -40.00	$ (5.16)
Qingdao - Imported Coal Prices											
Australia	HCC		HCC	HCC, A 9%, V 25%, S <0.6%, G 85	Ex Wareho	¥ 1,600.00	$ 197.77	¥ 1,600.00	$ 197.77	¥ -	$ -





The above data available from China Coal Resource ("CCR") - refer http://en.sxcoal.com. CCR was founded in 1988 and is the only commercial English website in China's coal and coke industry. CCR has more than 360 staff throughout China. CCR provides current news and related data, consulting services as well as facilitating investments and joint venture arrangements between foreign and domestic enterprises.

COAL MARKET NEWS

INTERNATIONAL

Xstrata investor backs Qatar proposal for better deal

Activist fund Knight Vinke, a top-20 shareholder in miner Xstrata (XTA.L), said on Tuesday it supported a surprise call from fellow investor Qatar for better terms in a takeover offer from commodities trader Glencore (GLEN.L). Glencore, Xstrata's top shareholder, is currently offering 2.8 new shares for every Xstrata share held. Qatar, which has built a stake of around 11 percent in the miner, said last week it would demand a ratio of 3.25 in order to back the deal. Knight Vinke said in a statement that the deal does not represent fair value for Xstrata on current terms and also objected to the fact no premium is being paid for a change of control. "The combination of these two factors leads Knight Vinke to support the comments of other large shareholders that an exchange ratio of 3.25 would represent more appropriate terms," it said, adding it will vote against a deal based on the current ratio of 2.8. "If the board of Glencore is unwilling to pay for acquiring the control it seeks, we would support Xstrata's continuing independence as a fundamentally strong and successful business - and one which would be likely to attract a significant premium were there subsequently to be interest from third parties."

Source: Reuters

U.S.A

Gulf coast based coal export terminals business could pump KMP

Forbes reported that the US West Coast is geographically better located than the Gulf coast for exports to Asia, but it has encountered stiff opposition by the environmental groups for port expansions and as a result, coal companies are forced to use the Gulf coast for export activities. KMP has been proactive in developing coal handling facilities and terminals in the Gulf coast. And the urbanization of Asian cities, and the increased American coal exports bode well with its plans. In January 2012, KMP announced that it will invest USD 140 million to expand coal export facilities along the Gulf Coast. It also entered into long term agreement with Arch Coal to ship a minimum guaranteed coal volumes using KMP's terminals. KMP plans to increase terminal capacity along Gulf of Mexico for coal handling to 8 million tons from previously projected 2.5 million annually. Previously, it announced that it will acquire 50% Stake In KKR-El Paso JV, which will also boost its terminals business as it received substantial oil gathering facilities as a part of the acquisition. Source: Forbes.com

AUSTRALIA

New coal boom a marginal proposition

There's a little problem with Australia's newest coal boom – a fair proportion of the mega-mines proposed for Queensland's Galilee Basin look economically marginal, or worse. That doesn't mean Galilee mines won't be dug and dug deep on a scale that dwarfs our existing coal open cuts, but it does make it unlikely most of the six or nine alleged projects will survive bankability testing. The Galilee coal seams are a long way from port – as much as 500km – and are relatively deep, requiring a lot of expensive removal of dirt and rock before getting at the good stuff. And not all of it is of particularly high quality.

The transport and strip ratio challenges have Queensland mining types estimating Galilee coal would cost between $65 and $90 a tonne FOB. And that's just the cost without any margin for profit or error. Thermal coal has been trading for about $US100 a tonne, but started this week a fraction below $US90. On the supply horizon are the expansion of mining in other countries and perhaps a freeing up of more US thermal coal for export as that country moves to more gas-fired power, exploiting the explosion (an unfortunate word in this context) of gas reserves. Investing several billion dollars to dig a massive hole a long way from the coast becomes a risky business in such circumstances. The logistics as well as the politics of the necessary new rail line are not easy, travelling over black soil planes that are normally dry but are capable of hosting memorable floods with dramatic results. Which is why the Galilee mines that do get up are unlikely to be based on the normal economics of digging something up for a cost and then flogging it for more to various buyers. Given what is known and guessed about thermal coal prices, Galilee projects only make sense as part of a vertically integrated supply chain from coal through to end electricity consumers.

"Galilee isn't about the price of coal, it's about delivering electrons to Indian consumers," says one close disinterested observer of the Galilee scramble. Which is why wannabe media maven Gina Rinehart is at the front of the queue for actually opening a mine. Her $6.4 billion Hancock Coal joint venture with India's GVK fits that necessary description. Without an electricity generator partner, it's hard to see how Galilee mines make sense. Which is why some of the proposed projects look more like dealing than digging at this stage. And here I'm not wanting to imply anything about Clive Palmer's China First Coal project, lest he adds me to the list of people and organisations he's either suing or threatening to sue. (Google "Clive Palmer sue" and you get a quick taste of his taste for pointing lawyers around, including starting proceedings against Fairfax over reports of China First not having a contract with a Swiss trader to take half its output.)

Despite federal Environment Minister Tony Burke not being happy with Queensland environmental checks and conservationist groups trying to scare the readers of the Economist and Financial Times with tales of the Barrier Reef being destroyed if we export more coal, the Galilee story is progressing. The Queensland deputy premier, Jeff Seeney, has managed to bang some competing rail heads together after ruling that there will only be one new east-west line. Another Indian miner, Adani, is now co-operating with QR National on a possible $6 billion line, but other proposals continue to be pushed. Resolution of the competing claims is expected sooner rather than later, unless Mr Palmer starts suing. When it happens, the Galilee exploitation will be of Pilbara scale. The mining boom is far from dead yet, though there will be some dead projects along the way. Source: WA Today

EUROPE

Gazprom bows to European client price pressure

Russia's Gazprom has given in to customer pressure and offered German utility E.ON a price cut on its long-term gas supplies, boding well for other firms from Germany, Italy and Poland seeking to renegotiate. Germany's biggest utility said on Tuesday it had reached a settlement with Gazprom on long-term gas supply contracts that would significantly raise its earnings outlook for 2012. "E.ON expects the settlement to have a positive impact of about 1 billion euros ($1.26 billion) on the group's half-year results," E.ON said, adding that it would also end ongoing arbitration proceedings with Gazprom. The settlement includes a retroactive adaptation of pricing conditions going back to last quarter of 2010, E.ON said.

"This agreement represents a compromise and takes into account the current trends and developments of the natural gas market," Gazprom Export CEO Alexander Medvedev said in a statement. It's a compromise which offers hope for other European firms seeking to revise deals with Russia's gas export monopoly. European gas firms such as Germany's E.ON Ruhrgas are being squeezed as they buy gas under long-term deals with Gazprom or Statoil linked to the price of oil while having to sell it to customers at lower retail prices linked to the freely traded spot market. As a result, Gazprom has been in arbitration with major European customers such as E.ON and Poland's PGNiG. Germany's second biggest utility RWE, which is also trying to get a better deal on its gas fromRussia, declined to comment.

While the deal means lower revenues for Gazprom in the short-term, the Russian company said it safeguarded its pricing model as it faces rising competition from liquefied natural gas (LNG) from overseas. "The value of this deal is not only in the today's financial results, but more in the long-term stability reached (and) the long-term contracts remain the basis for supplying Europe with gas," Gazprom said. About 40 percent of the European Union's gas imports are supplied by Russia, while 80 percent of Gazprom's revenues come from European customers.

Gazprom is aiming to sell 150 billion cubic metres (bcm) of gas to Europe this year, the same as in 2011, but analysts doubt this volume can be reached as sales and output have plummeted due to the euro zone's financial crisis and rivalry from other sources, such as LNG from Qatar. In June, Gazprom's gas output fell almost 14 percent year on year, but Gazprom said that the increased competitiveness of its gas under the new agreement could bolster its sales volumes. "Gazprom had to give up some price concession as Europe is in recession and as gas is being displaced out of the merit order of power generation in favour of coal," Societe Generale analyst Thierry Bros said.

As a result of the agreement, E.ON raised its earnings forecasts for 2012, saying that it now expected earnings before interest, tax, depreciation and amortisation (EBITDA) of 10.4-11.0 billion euros ($13.1-13.8 billion), compared with a previous target of 9.6-10.2 billion. Underlying net income for the year is expected to reach 4.1-4.5 billion euros, up from a previous forecast of 2.3-2.7 billion. "The deal with Gazprom is good news and helps to solve a big problem for the company," a Frankfurt-based trader said. Citi analysts were more cautious in their view.

"(It) is a positive development with regards to timing. It is, however, less than ideal in our view," Citi analysts said, noting the narrowed oil/gas spread and the fact it is not a permanent resolution. "If the oil-gas spread expands again materially ... then the business will revert to losses," they said. Shares in the company gained on the news, rising as much as 3.7 percent but ended down 0.23 percent. E.ON had renegotiated most of its long-term gas contracts, for instance with Norwegian supplier Statoil, before the deal with Gazprom. "With the successful completion of the talks with Gazprom, E.ON has now successfully renegotiated the pricing conditions of all of its currently oil-indexed volumes under its long-term gas supply contracts," E.ON said. "This marks a major milestone in restoring the competitiveness of E.ON's long-term gas contracts."

Source: Reuters

INDONESIA

PTBA spends Rp 33.5b to buy back shares

State-owned coal mining company PT Bukit Asam (PTBA) spent Rp 133.5 billion (US$14 million) last month on buying back its shares from the public to sustain its share valuation amid bearish market conditions. According to the company's disclosure to the Indonesian Stock Exchange (IDX) on Tuesday, the company managed to purchase 9.68 million shares from May 21 to June 28 with an average price of Rp 14,618 apiece. The highest price for the given period was Rp 16,325 apiece on May 21 and the lowest at Rp 13,135. The average price was lower than PTBA's closing price on Tuesday at Rp 15,400 apiece, up by 1.31 percent compared to a day earlier at Rp 15,200 apiece. "As approved in last December's shareholders meeting, we bought back shares to anticipate the expected crisis this year. We built momentum in May when our shares started to decline to a level of Rp 16,000 from a previous level of around Rp 18,000," PTBA's corporate secretary said.

The Jakarta Composite Index (JCI) reached its highest level of 4,219 on May 3 but then started to go down as negative sentiments over the European debt crisis persisted. The benchmark index touched the lowest point of 3,654 on June 4. The index started to stand above the psychological level of 4,000 on Tuesday. Meanwhile, shares in PTBA touched the highest point this year at Rp 21,000 on Feb. 17 while the lowest level was Rp 13,150 on June 5. The company's shares have plunged 11 percent so far this year from the closing price of Rp 17,350m on Jan 2. PTBA has time to perform a share buyback within 18 months after it obtained approval last December. The company is planning to take back 2.3 billion shares within that period. The shares will be kept as treasury stocks. According to Hananto, PTBA has appointed PT Danarekasa Sekuritas to arrange the share buyback. PTBA has set aside Rp 2.04 trillion, mainly funded by its retained earnings, to support the plan. At the end of June, PTBA's remaining funds for the buyback stood at Rp 1.9 trillion.

Hananto said that PTBA might halt the buyback as the market had just started to regain some of the ground it had lost. "If the index continues to climb, we will just halt the buyback. As approved in the shareholders meeting, it's okay if we don't carry out the buyback if the national, regional and global markets improve," Hananto said. He recalled that PTBA had also performed a shares buyback in 2008 when the capital market was hit by the global crisis following the fall of Lehman Brothers. "We performed the shares buyback when our shares' price was around Rp 4,000 in 2008. We then sold the stocks in 2009 when the market got better, leading to a massive increase in our funds," Hananto said. According to its financial report, PTBA has Rp 6.79 trillion in cash and a cash equivalent at the end of last March. Source: The Jakarta Post

EAST KALIMANTAN RAILWAY TRACK CONSTRUCTION TO START IN DEC

The East Kalimantan regional government expects to start constructing a 130-kilometre Lubuk Tutung-Maloy railway track by the end of this year, along with the completion of preparation done by investors from Rhas Al Khaima, United Arab Emirates, which will work on the project, said Governor Awang Faroek Ishak. Source: Reuters / Bisnis Indonesia

BUKIT ASAM SEES H1 NET PROFIT REMAINS UNCHANGED Y/Y

Coal miner PT Tambang Batubara Bukit Asam is targeting a net profit in the first half of this year and will remain unchanged from last year's 1.62 trillion rupiah, on increasing coal price and obstacle in transportation, said corporate secretary Hananto Budi Laksono. The firm recorded sales of 5.12 trillion rupiah in the first half of 2011. Source: Reuters / Bisnis Indonesia

Churchill’s legal suit sends negative signal to investors

Churchill Mining Plc, which is now in a legal battle with the Indonesian government over mining permits, entered the Indonesian mining sector through a 2008 acquisition of a 75 percent stake in local mining group Ridlatama, which holds four mining permits covering an area of about 35,000 hectares in East Kutai regency, East Kalimantan. The London-listed mining company estimates that the coal mines in the area hold coal reserves of more than 2.73 billion tons, believed to be the seventh-largest undeveloped coal mine in the world. However, the company’s plan to tap into the huge coal deposits, which lie within the company’s coal concession, faded away when the local government of East Kutai regency revoked its permits in 2010.

The local government claimed the permits were revoked as the company had allegedly breached a forestry regulation, and there were administrative problems. The legal advisor to the East Kutai administration, Didi Darmawan, told Antara news agency recently that the decision to revoke the licenses were based on the mining audits made by the Supreme Audit Agency (BPK), which indicated that there were problems relating to the legality of Ridlatama’s mining permits. In addition, the East Kutai government revoked the licenses because the mining concessions were located in productive forest areas, which would have required a special permit from the forestry minister for the further development of its coal operations.

Churchill challenged the permit revocation at the local State Administrative Court, which later upheld the local government’s decision. The British company then appealed to the Supreme Court, which also rejected its request to annul the permit revocation. The company had sent a letter to President Susilo Bambang Yudhoyono appealing to settle the dispute amicably but no positive response has so far been received. After all its efforts with the Indonesian government failed to produce positive results, Churchill finally filed a request for arbitration of its dispute with the Indonesian authorities last month over the East Kutai coal project with the International Centre for Settlement of Investment Disputes (ICSID) in Washington.

Churchill is reported to have sought compensation of around US$1.8 billion for the revocation of its mining permits, while in its arbitration request the company said the Indonesian government had breached its obligations under the UK-Indonesia Bilateral Investment Treaty. The company has said that it has been subjected to a sustained campaign to expropriate its rights as a legitimate foreign investor in Indonesia. It believes that these actions are an indirect breach of both Indonesia’s investment laws and the country’s obligations under a number of international investment treaties.

While the costly arbitration process has yet to start, it may have already begun to undermine foreign investment confidence in doing business in Indonesia. Foreign investors, who had begun to pour investments into Indonesia since the upgrade of the country’s rating to investment grade by Moody’s and Fitch Ratings late last year, could now be negatively distracted by the legal suit brought by Churchill. Although the government’s decision to revoke Churchill’s local partner’s mining permits was based on strong legal arguments, this mining dispute confirms that there is a big problem with legal certainty for those doing business in Indonesia, especially in the mining sector.

In fact, there are many uncertainties still unresolved in the mining sector, such as the requirement of foreign mining firms to divest their shares to locals after 10 years of commercial production, plus the government’s plan to renegotiate existing mining contracts. The revocation of the permits also highlights the most serious problem in the country’s mining industry — overlapping mining areas. Last year, the government launched a nationwide mining program to review mining permits, 50 percent of which are believed to have licensing problems due to overlaps with other mining areas or productive and protected forest areas.

The number of mining permits issued has increased sharply since the passing of the new mining law in 2009, which gives power to local administrations to issue mining permits in their respective areas. Since the implementation of the law, the number of permits has increased to more than 10,000 from fewer than 600 in 2000. No wonder, then, that the issuance of so many permits has resulted in rampant overlapping. A lack of controls and failing to follow a standard mapping system have not helped matters. Overlapping concession areas have occurred not only because the lack of standard mapping, however, but also because many local government leaders have issued mining licenses in areas that had previously been awarded to other firms on the grounds that the mining areas had not yet been developed.

With such practices, it is predicted that many more companies, some foreign firms among them, may lose their permits as a result of the mining permit review. All this means that if the government revokes the permits based on favoritism or vested interests during the review process, there will be more disadvantaged companies filing similar legal challenges, such as the one undertaken by Churchill.

The government’s arrogance in revoking permits and other forms of mining contracts will not only result in damaging the overall investment climate in the country but could also result in the loss of millions of dollars of taxpayers’ money to pay compensation awarded to plaintiffs.
Source: Jakarta Post

INDIA

India: Imported coal 4-times dearer, will jack up production cost

Even as chief minister Akhilesh Yadav has given a conditional nod to import ofcoal for the power plants in the state, experts claim the move would escalate the power cost by around 40-60%. The CM on Tuesday told the UP assembly that the government would consider the competitiveness of the production that would come through the import of coal. Experts, however, insist that while the domestic coal costs between Rs 1,500 and Rs 2,000 per tonne, the imported coal would cost between Rs 6,000 and Rs 8,000 per tonne. Even if the higher efficiency of imported coal is taken into consideration, it would not equate with the production cost of domestic coal. According to official sources, the state-owned power projects, with a generation capacity of around 3,500 MW, alone require around 19 million tonnes of coal per year. This does not include the upcoming projects like Paricha, Harduaganj and Anpara D. In fact, on July 1, the power plants in UP (including some of the central sector) were consuming around 3.2 lakh tonnes coal.

Compare this with the private power plants, which are proposed to be set up through the memorandum of understanding (MoU) route, and have an overall installed capacity of around 15,000 MW (see table). Not surprisingly, the import of coal is mainly meant to cater this chunk of projects, which were initiated during Mayawati's regime. In fact, Akhilesh Yadav has repeatedly said the previous government did not make any arrangements of coal for the said power plants proposed to be set up through the MoU route.

Interestingly, the policy of setting up power plants through MoU route was initiated by the Central government. The Mayawati government, on the other hand, just referred the projects to the Centre while requesting for coal linkages. The timing of announcement of imported coal is also significant. It came on the day when the UPA presidential candidate Pranab Mukherjee was in the city to seek support for his candidature. No wonder, Congress leader and Union coal minister Sriprakash Jaiswal played safe on the issue. Speaking to TOI, Jaiswal said: "It is after an assessment of the overall situation that I will be able to say anything."

The proposal also raises questions if the state government is seeking import to benefit the private players. Sources pointed out that the SP government has been repeatedly raising concern for coal supply for private power plants like Anpara and Rosa. "If at all import of coal is required then it may be done for the state-owned power plants. We know the cost of the project in that case," said secretary general of All India Power Engineers Federation, Shailendra Dubey**.** Source: The Times of India

AFRICA

Proposed ANC mines policy ‘wrong approach’ to meet 'laudable goals' – Anglo

Mining group Anglo American says the State Intervention in the Minerals Sector (Sims) report, which was commissioned by the African National Congress (ANC) in 2010 following strong calls for mine nationalisation, relies “fundamentally on the wrong approach to achieve some laudable goals” and would harm investment prospects. In a 70-page response to the Sims document – the themes of which were broadly accepted by ANC delegates at a party policy conference in late June, but which are still to be debated and adapted ahead of the ANC's upcoming National Conference in December – Anglo welcomes the rejection of blanket nationalisation. However, it also argues that the Sims proposals, if adopted, will harm the industry without securing the envisaged benefits. Sims is premised on capturing a greater share of the ‘rents’ associated with mining in the interests of the country’s growth, development and employment objectives.

On the fiscal front, it proposes a 50% resource rents tax, targeting earnings achieved over and above that which would have been possible through the ‘normal’ application of capital, labour and innovation. A consolidation of the ‘knowledge linkage’ to develop the human resources and technological capacity required to maximise mining’s spinoffs are also proposed, along with ‘backward linkages’ (which relate to the upscaled development of indigenous capital goods, services and consumables sectors associated with mining), as well as the ‘forward’, or beneficiation, linkages. The proposal is also keen to foster spatial linkages that encourage the creation of infrastructure that offers ‘life beyond the mine’ and opens up regional integration opportunities.

But Anglo submits that a number of the proposals would be harmful to the mining industry and would undermine investment in the sector. “The imposition on private miners of mandatory supply arrangements, regulated price caps, higher taxes, export taxes, export restrictions and local content quotas will reduce competitiveness and increase uncertainty,” the London- and Johannesburg-listed miner avers. “Less investment means less mining; less mining means fewer minerals, less revenues for the State, less jobs in supply industries, less energy security, and paradoxically, higher prices of minerals for downstream industries,” it cautions. Anglo also strongly opposes what it describes as the pursuance of a “coercive” industrial policy, underpinned by the institution of constraints on the sale of ‘strategic’ commodities, such as iron-ore, coal and platinum. Sims proposes the insertion of pricing and supply conditions into the licensing of mines producing such strategic minerals so as to guarantee a cost-plus, or export parity pricing (EPP), domestic sales arrangement.

Anglo says a 10% blanket discount to EPP would compromise the viability of about 90% of its planned iron-ore expansion projects in South Africa, while forcing noncompetitive platinum beneficiation would be counter-productive.
Any move to curtail coal exports, meanwhile, could threaten domestic supply, as there would be little incentive to invest. The report notes that about $400-million of Anglo American Thermal Coal’s yearly profits of around $500-million are derived from exports. The focus should instead be on “a growing mining industry”, Anglo states. “Anglo American, thus, respectfully requests that the ANC proceed with caution . . . Any gains from the Sims approach must be netted against the damage to the mining industry,” it warns.

The response also describes as “incorrect” the assumption that much of the value from private mining is lost to South Africa. It quote a 2008 report, commissioned by Anglo, which shows that between 71% and 89% of the value from minerals mined by the

group is captured within South Africa. The miner's "alternative path" is premised on policies that would focus on the growth of the mining industry and the simultaneous expansion of value-add and upstream manufacturing. "We believe there is no conflict between expanding mining production for export and simultaneously channelling mining feedstocks for local beneficiation, while also expanding other linkages from mining to the rest of the economy."

Such a policy intervention would be premised on turning South Africa "into the number one mining country in the world" by incentivising investment and growth in the mining industry – in other words, avoiding policies that might persuade miners to favour other mining jurisdictions over South Africa. "Anglo American's favoured route is to grow mining in order to grow the rest of the economy, and not to grow the rest of the economy at mining's expense." To achieve the objective, South Africa should deal with its policy uncertainty, regulatory inefficiencies and infrastructure bottlenecks, as well as its skills deficiencies.
However, the miner adds that it is willing to enter into partnerships with government and others to explore linkages to other parts of the economy, including minerals beneficiation where a sound "business case" exists. It would also support research and development initiatives to develop fuel cells and other platinum group metals-linked technologies, as well as "nascent steel mill technologies". Leveraging its procurement systems in support of the expansion of the domestic capital equipment sector is also highlighted, as is Anglo's in-principle support for a sovereign wealth fund.

The miner is also prepared to support the State mining company in the context of a "level playing field" and assist in finding solutions to the country's prevailing power shortages. Anglo also commits itself to cooperating with Eskom to "safeguard national power security" and ensuring that "multigrade products from new coal mines are spilt between Eskom and the export market". The report concludes by calling for a "structured dialogue", while emphasising Anglo's commitment to finding solutions that "sensibly harness the power of the mining sector for maximum benefit of the nation".
Source:Miningweekly.com

More delays to mining law revision

A MEMBER of parliament's portfolio committee on mineral resources has poured cold water on expectations that amendments to the Mineral and Petroleum Resources Development Act (MPRDA) would be passed by the legislative assembly before the end of 2012. She also warned that the revised mining charter of 2010 shouldn't be regarded as a finished product.
ANC-MP Faith Bikani said mining legislation wouldn't be ratified prior to the ANC's elective conference scheduled for December. The ruling party's policy conference last week accepted the proposals contained in the State Intervention in the Mining Sector (Sims) document, which, among other issues, calls for a resource rent tax, a mining super ministry as well as the classification of strategic minerals. These proposals are to be discussed by ANC branches and formulated as policy proposals for the December conference in Mangaung.

Bikani, who was speaking at the latest Mining for Change seminar in Johannesburg on Tuesday, said parliament was still conducting public hearings on the charter and that it wouldn't be bound by a deadline. "It is still being refined [and] it still needs more input," said Bikani. "We would rather take our time than rushing towards a policy document that is not benefitting our future." She said parliament would have to take the ANC's decisions related to the Sims report into consideration. "That document has to be refined and discussed at [ANC] branch level, especially those in the mining communities," she said. "Their input is just as important for us in parliament." Minister of Mineral Resources, Susan Shabangu, told *Miningmx* in May the proposed amendments to the MPRDA would be submitted to Cabinet in July at the latest, with the subsequent parliamentary process to be completed before year-end. "We'll go on to do our work as government," Shabangu said at the time. "We are confident we won't see many changes [in lieu of the Sims report]."

Bikani, however, said parliament would probably only be able to ratify changes to the MPRDA in 2013. Shabangu first announced the revision of the act in the third quarter to 2010, a process that was initially scheduled for completion in 2011.
Source: Miningmx

Mngomezulu calls for State-owned exploration company

To ensure the vibrant future of mining in South Africa, exploration would have to be resuscitated, State-owned Mintek president and CEOAbiel Mngomezulu said on Tuesday. Mngomezulu suggested that small State-owned exploration companies focusing on developing smaller deposits and known mineral occurrences could breathe new life into exploration. He was speaking at the final instalment of the Mining for Change series of seminars, in Johannesburg, where exploration, 'strategic minerals', a 'Minerals Commission', a 'Super Ministry' and transformation were identified as important aspects that would shape the future of mining in South Africa. Latin America was currently the world leader in exploration, accounting for 26% of global exploration projects, followed by Canada (16%), Africa, excluding South Africa (15%), Australia (12%) and South Africa (8%).

"Exploration in South Africa has been dropping over the past four years and this must be reversed. We have good resources, but there is as a lack of searching for small deposits and developing existing resources," Mngomezulu stated. He suggested that the Council for Geosciences created a fully-fledged exploration company that would focus on small deposits and extending existing ones to sell projects that were economically viable. Before classifying certain commodities as so-called strategic minerals, South Africa would first have to improve its reserve/resource base to ensure a better estimate.

Mngomezulu stated that strategic minerals in which South Africa was globally competitive would have to be identified to contribute to a flourishing mining industry. He suggested that energy minerals, such as coal; ferrous complex minerals and revenue generators, such as platinum-group metals, gold and diamonds should be identified as strategic minerals.
On the concept of declaring certain minerals strategic, AngloGold Ashanti CEO Mark Cutifani said that defining such commodities and providing transparency in terms of the regulation thereof would be more important than the absolute minerals themselves. "Strategic minerals should be those that when extracted, provide us with a competitive advantage, downstream or in some part of the economy," Cutifani indicated, adding that associated issues, such as whether strategic minerals would be subsidised, were important points of discussion going forward. He said that, while there had been very few examples of successful State mining companies, the concept could be successful if it were not tied to the yearly fiscus.

"As soon as a mining company's ability to invest on an 'as needed' basis is impacted, its competitive position is impaired. But, if it is done through a sovereign wealth fund on a independent basis, along with good leadership and resources, it could work," he added. On the suggestion of a 'Super Ministry' to progress local mining, Cutifani said that as long as the Department of Mineral Resources (DMR) and other economic clusters worked together, there would be no need for such an entity.

"But we certainly need the DMR to be given the resources and support to continue keeping to its commitments as set out in the Mining Charter."

He expressed faith in the Mining Charter, which he said provided South Africa with a competitive advantage and an opportunity to support a mining model that no other country in the world had been able to navigate. "What we have to do is to start getting behind that document and putting full resources into the delivery of the vision that it has defined. "That's a good starting point in the creation of a new South Africa and the mining industry's contribution to the society that we're all trying to create," Cutfani added. Member of Parliament Faith Bikani said that the State had to assume its rightful position in the global economy through the identification of eight or more strategic minerals and would have to be world leaders in the production and supply of these commodities. She agreed that a State-owned mining company would have to be established, but that it would have to be run through a board directly accountable to the State. Also critical to the sustainable future of mining in the country was adequate transformation, Bikani pointed out.

"There is a necessity for more transformation in the local mining industry, we do not seem to be moving forward," she warned.

Bikani said there needed to be a more aggressive push towards transformation in mining and that a sound partnership between the government, companies and communities had to be in place.

Source: Miningweekly.com

South Africa hopes carbon capture will make coal a clean energy source

South Africa's support for the outcomes of the United Nations Conference on Sustainable Development, held in Rio de Janeiro from June 20 to June 22, and known as Rio+20 for short, does not mean the country is going to turn its back on coal. "As South Africa, we are not about to abandon our coal reserves," assured Water Affairs and Environment Minister Edna Molewa in Pretoria on Monday. She was briefing the media on the outcomes of the conference. "We are not going to throw our coal into the sea," concurred Women, Children and People with Disabilities Minister Lulu Xingwana at the same briefing. "We are going to use clean technologies to improve our coal." Coal provides some 77% of the country's primary energy needs but also produces more than 70% of South Africa's greenhouse gas emissions. (According to the Department of Energy, 62% of South Africa's coal production is used to generate electricity, and, at present production rates, reserves will last for more than 50 years.) "South Africa is not abandoning its usage of coal and coal reserves," reaffirmed Molewa. "There is, and has been, a very scientific calculation on how we will continue to use coal." Clean technologies are being applied to the consumption of coal. "Yes, we are still on that route. For that reason, we have introduced CCS [carbon capture and storage]." "We're moving into CCS. We will capture this carbon [produced by burning coal] in the air, and store it," she explained. "This project is already under way. Carbon capture sites are being identified." The South African National Energy Development Institute, a government agency, includes the South African Centre for Carbon Capture and Storage (SACCCS), which has the mission of examining the practicality of CCS in the country. SACCCS is currently planning to start a carbon dioxide test injection project in South Africa in 2016. Source: Miningweekly.com

ASIA

Power station coal price lowest in 31 months

China's benchmark power station coal price at the Qinhuangdao port in Hebei province fell to its lowest level in 31 months amid weakening domestic demand and rising imports. Coal with an energy value of 5,500 kilocalories per kilogram fell 1.5 percent to a range of 660 yuan ($104) to 680 yuan a metric ton as of Sunday, according to the China Coal Transport and Distribution Association, the lowest price since November 2009. Stockpiles declined 5.9 percent to 8.57 million tons. Demand for coal, the fuel for three-quarters of the nation's power plants, has faltered as an economic slowdown crimps electricity consumption.

Source: China Daily

Dalian Exchange may launch coking coal futures by end-Jul: source

Dalian Commodity Exchange in northeast China's Dalian may launch coking coal futures at the end of this month, according to a source close to the matter. However, a spokesman for DCE wasn't immediately available for comment on the issue Tuesday. The exchange's coking coal futures are designed to be monthly physically-delivered contracts, according to the latest draft. Quality, a key consideration for coking coal, is mainly derived from the Chinese classification system which uses parameters such as the G-value and Y-value, but also include coke strength after reaction (CSR) as a parameter. It requires CSR to be no less than 50%, without premia or penalties to be implemented for high or low values. The coking coal to be traded is set to be hard coking coal with volatile matter on a dry, ash-free basis between 16% and 28%, ash content (on an air-dried basis) above 10% and no more than 11.5%, total sulfur (on a dry basis) above 1.1% and below 1.4%, G-value at no less than 75 for warehouse entry test and above 65 as an outbound acceptance level. Maintenance margin will be 5%. Trading volume of would be 30 mt per lot, much lower than the 100 mt/contract for the coke futures listed last year. DCE originally listed its coke futures on April 15, 2011 at an opening price of Yuan 2,180/mt ($344.50/mt) for the most liquid contract. Coke futures on Dalian Commodity Exchange dropped to a record low price in the last week of June, after an 11-week continuous drop during the whole second quarter. The September contract closed at Yuan 1,667/mt ($262.32) on 29 July, Friday. In 2011, the equivalent of a total of 302 million mt of coke was traded bilaterally, but liquidity has thinned this year with a total trading volume so far of 83.5 million mt. In comparison, in the physical market, China produced 428 million mt of coke in 2011, and in the first 4 months this year it produced 144.5 million mt. Source: Platts

SouthGobi jumps over 12 pct on Chalco interest

Shares of Mongolia-focused coal miner SouthGobi Resources Ltd jumped as much as 12.5 percent on Wednesday after Chinese aluminum giant Chalco reiterated its interest in acquiring a majority stake in the coal miner. Shares of SouthGobi rose to HK$34.20 before steadying at HK$33.80 at 0156 GMT, still up 11.2 percent in a nearly flat overall market. Chalco and SouthGobi stakeholder Ivanhoe Resources said they would extend the time for Chalco to make a proportional takeover bid for up to 60 percent of the common shares of SouthGobi by 30 days. Source: Reuters

FREIGHT

Port of Newcastle – Daily Performance Report (as at midnight of 3rd July 2012)

There are currently 4 vessels assembled with 26 vessels currently in queue, coal stocks in the port are currently 1,494,000mt. The average waiting time last month was 11 days in June compared to 13 days in May. Actual volume shipped in June from PWCS was 9.153Mt and are currently on target to ship 111.7MTPA, the target volume throughput for July is 119.00 MTPA.

Source: Hunter Valley Coal Chain Logistic Team

Richards Bay - Coal loading (as at 0600 on 3rd July 2012)

There are 5 vessels alongside this morning. There are 2 vessels at anchorage. There are a total of 6 berths available for loading. Source: LBH South Africa

Cape Market Report

A very quiet start with little to report in the Cape Market today with the index largely flat. In the Pacific, there were reports that a couple of ships were booked by one of the majors for West Australia-Qingdao at region US$6.75 for mid July. In the Atlantic, US$17.75 was concluded for a Tub/ Qingdao for end July dates whilst there was little change for the TARV.

Source: Clarksons Cape Market Update – 2nd July 2012

Price Indication:

Capesize – RBCT – Rotterdam $ 6.25	Previous – $ 6..11
Panamax – RBCT – Rotterdam $ 10.86	Previous – $ 10.86

Source: Clarksons Market Update – 3rd July 2012

OIL

Oil Rises On Stimulus Speculation, Iranian Supply

Oil surged to a one-month high on speculation that central banks from Europe to China will ease monetary policy to spur growth while sanctions against Iran may curb supply. Prices gained 4.7 percent as the European Central Bank is forecast to cut interest rates this week. A state-owned newspaper in China said the time is right to increase liquidity in the banking sector. Iran fired several missiles during a three-day military exercise as the country threatened to block tanker traffic in the Strait of Hormuz. "What you are seeing in the market right now is greater risk appetite as anticipations of further monetary easing grow," said Harry Tchilinguirian, BNP Paribas SA's London-based head of commodity markets strategy. "The market's focus is returning back to Iran and the implications of the Iranian embargo in terms of the volume of oil that needs to be replaced."

Oil for August delivery climbed $3.91 to settle at $87.66 a barrel on the New York Mercantile Exchange, the highest level since May 30. Futures have increased 13 percent since closing at an eight-month low of $77.69 a barrel on June 28. They are 11 percent lower this year. Prices were little changed after the American Petroleum Institute reported oil inventories fell 3.03 million barrels last week to 382.6 million. The August contract gained 4.6 percent to $87.63 a barrel at 4:45 p.m. in electronic trading on the Nymex. Futures were at $87.57 before the report was released at 4:30 p.m. in Washington.

The Nymex trading floor will be closed tomorrow for the U.S. Independence Day holiday. Brent for August settlement gained $3.34, or 3.4 percent, to $100.68 on the London-based ICE Futures Europe exchange, settling above $100 for the first time since June 6. The European Central Bank and the Bank of England will announce interest-rate decisions on July 5. ECB officials will lower their benchmark rate by 25 basis points to a record low 0.75 percent, according economists surveyed by Bloomberg. The People's Bank of China may cut lenders' reserve requirements to increase liquidity in the banking system, according to a commentary on the front page of today's China Securities Journal, which is published by the official Xinhua News Agency. The central bank announced a cut to interest rates on June 7, a day after the newspaper published a commentary urging the move.

"There is a better chance that Europe and China are going to have some monetary stimulus plans and that's helping oil," said Phil Streible, a Chicago-based commodities broker at RJO Futures. "If Iran does cut tanker traffic, oil prices will have a big advance. You are seeing some risk-on sentiment." A European Union embargo on Iranian oil took full effect on July 1 after exemptions on some contracts and insurance ended. Iran's crude exports may drop to about 1 million barrels a day, Goldman Sachs said in a report yesterday. The country pumped 3.16 million barrels a day in June, the second biggest producer in the Organization of Petroleum Exporting Countries after Saudi Arabia, according to Bloomberg estimates. "You've got saber-rattling by Iran that's fueling the oil market," said Rich Ilczyszyn, chief market strategist and founder of Iitrader.com in Chicago. "Did we really think that Iran would go away quietly?"

Iran's parliament is working on a bill to close the Strait of Hormuz to oil tankers linked to countries applying new EU sanctions, a lawmaker from the national security committee told Jam-e-Jam newspaper yesterday. The waterway is a transit route for a fifth of the world's crude. Iran's Revolutionary Guard Corps "successfully" fired several missiles, including long-range ones, in a military exercise that began yesterday, the official Islamic Republic News Agency said in a report published today. Oil also increased on expectations that stockpiles decreased last week. Inventories probably dropped 2.3 million barrels last week, according to the median of nine analyst estimates in a Bloomberg survey before a July 5 Energy Department report.

Gasoline supplies increased 1 million barrels last week, according to the survey. Refineries traditionally step up operations with the start of the so-called summer driving season, which runs from Memorial Day at the end of May to Labor Day in early September.

Prices followed gains in stocks after the Commerce Department reported orders placed with U.S. factories rose in May for the first time in three months, easing concern that manufacturing is faltering. The 0.7 percent increase in bookings followed a revised 0.7 percent drop in the prior month. The median forecast of economists in a Bloomberg survey called for a rise of 0.1 percent. Electronic trading volume on the Nymex was 602,651 contracts as of 4:45 p.m. in New York. Volume totaled 542,783 contracts yesterday, 3.9 percent below the three-month average. Open interest was 1.42 million. Source: Bloomberg

STEEL

Steel inventory up for first time in 17 weeks

Losses in industry total 11.75b yuan in first five months of this year. China's steel inventory has started increasing after 17 weeks of decline, without any sign of a market rebound after a dramatic decline in profits, analyst said.

China's steel companies suffered a total loss of 11.75 billion yuan ($1.9 billion) in the first five months of the year, about 27 times more than the same period last year, according to China Steel and Iron Association. Last year, the companies had a total loss of 414 million yuan during the first five months. Large and medium-scale steel companies in the country realized a profit of 2.53 billion yuan during the first five months, down 94.26 percent year-on-year. Meanwhile, the nation's total steel inventory reached 15.63 million metric tons on Friday, 69,600 tons more than the week before, according to market monitoring by Lange Steel Information Research Center. "From the demand perspective, it is possible that steel stockpiles will continue to rise. That's a bad thing," said Han Weidong, a senior analyst at the research center. Before last week, the steel inventory had fallen for 17 consecutive weeks, which should be good news for the industry. But analysts are not very optimistic because overall stockpiles are 1.11 million tons more than in the same period last year. "The weak market situation will not change in the short term," said Chen Kexin, another analyst at the center. He said that if the government doesn't adjust macroeconomic policies, China will face the possibility of a hard landing.

Although some incentive measures have been introduced by the central government in recent months to boost the economy, including accelerating the approval process of some infrastructure construction projects, these won't benefit the steel industry due to the projects' long investment cycle, analysts said. Meanwhile, downstream demand from the real estate, shipbuilding, automobile and machinery manufacturing industries remains weak.

"Many industries are facing losses and some of them are in an even worse situation than in 2008," said Wang Guoqing, deputy director of the research center.

"The steel industry has been expanding rapidly for years. It is not hard to understand that the current slowdown in the economic growth rate will cause a number of problems. The weak steel market is a clear demonstration of this." At present, there are no major reductions in output at domestic steel mills, which adds to the contradiction between supply and demand in the market. In June, average crude steel production was 1.97 million tons, down 1.4 percent compared with the previous month. "The steel market may get better at the end of the third quarter if the global and domestic economies improve," Wang said. She said rising raw material costs and falling steel prices are the main reasons for the losses in the industry. Source: China Daily

China Stainless Steel Market May Face Short Supply of Raw Materials

Statistics showed that China imported 25.17 million tonnes of nickel ore from Indonesia in 2011, which accounted for 53% of total nickel ore imports. China's imports for S. African chrome ore amounted to 4.67 million tonnes, taking up 49.5% of total imports. Imports of stainless steel raw materials are mainly from the two countries, which may become an obstacle for the stainless steel development in the future. Total outputs of China's crude stainless steel were at 14 million tonnes, about 41% of world total production. Insiders opined that China's stainless steel outputs will continue to grow, but the slowing down global economy may have significant influence on China's stainless steel industry. It is learnt two major Chinese stainless steel mills have reduced their outturn since May. Besides, stainless steelmakers may face short supply of nickel ore and chrome ore which thereby will push the stainless steel production cost up. It is known that Indonesia ceases the export of nickel ore, which have no marked impact on stainless steel mills so far, since relevant institutes strongly oppose the policy. News has it that chrome ore miners in S. Africa are also against chrome ore export ban, although the government hasn't published the policy.

China: Losses in Steel Sector Likely to Stretch into Jun

According to the China Iron and Steel Association (CISA), the large- and medium-sized steelmakers merely got a profit of RMB2.533 billion in the Jan-May period, a yearly slump of 94.26%. Steel mills that were in red accounted for 32.5% of the total and made a loss of up to RMB11.749 billion. The large- and medium-sized steel companies lost RMB2.8 billion in the first two months of the year and managed to turn losses into gains in Mar, Apr and May. In May, they merely earned RMB1.403 billion, down by 21.66% from in Apr. The loss-making companies took up 31.25% of the total and lost RMB2.139 billion in the month. Under the backdrop, Ansteel Group struggled to turnaround in May after being in red for four months, but it faces toughness in Jun. Partial steelmakers have already registered deficits in Jun as steel prices extend weakness after hitting a year's low, in spite of improvements in Apr-May, Hu Zhengwu, analyst with Custeel said. "Jun will be worse than May. The steel sector is on the edge of losses," a source with the CISA confirmed. Steel production is rising despite falling steel prices. The steelmakers have not conducted large-scaled production cut and stoppage as happened in 2008, since the loss they are incurring now is far below levels in the four-year-ago crisis both in terms of amount and duration. Currently, things are more serious than in Q4, 2008, when both prices and output for steel products slumped. This year, the steel prices drop, but production remains high, the former source with the CISA pointed out. Since the start of 2012, domestic crude steel production has stayed around 2 million tonnes while the capacity utilization has kept above 85%. Comparatively, the capacity utilization fell to below 70% in 2008 after steel price plunges. Under massive overcapacity and product homogeneity, the steel industry will suffer poor margins in the coming few years, Zhang Xiaogang, president with Ansteel Group noted, "the time arrives when earnings for per tonne steel is no more than that for per jin pork." Source: First Financial Daily

IRON ORE DAILY UPDATE

Swaps

The IOS market rose some $2.00 on the front end of the curve amid higher physical numbers posted. July trading between $133.50 and $134.00 several times with the spread between July / August printing several time $2.25 and $2.50. August / September trading $1.00 and the September / December trading $2.50.There was little action further out although some interest lent itself to quotes in Cal-13, Q1-14 and Cal-14 without any transactions. With Indices not surprisingly printing higher on the back of the physical numbers heard – TSI +$1.90 / $135.40 and Platts +$2.50 / $137.75, the market awaits confirmation this is a trend to the upside rather than a short lived bounce.

铁矿石掉期

掉期周二在现货高价位成交的鼓舞下全面反弹，近月近季涨幅尤为明显，7月合约成交133.50-134，7/8差价2.25-2.50，8/9差价1.00，较远月9/12差价2.50。远季季年度合约询报盘活跃但成交不多。在现货的有力数字的支撑下，市场等待方向的确认。TSI上涨1.90报收135.40，普氏上涨2.50报收137.75。

Physical

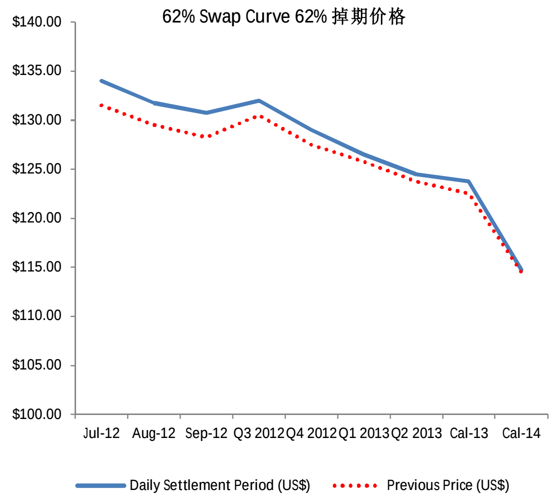
The physical market saw gains for the first time in a couple of weeks potentially signalling a change in sentiment. Early morning in Asia, PB fines were heard trading at $137 USD which was seen as a very significant jump and a surprise to many. Later in the day Rio Tinto tendered a PB fines cargo which was heard to conclude at $137.80. Many physical traders still remained slightly cautious despite the jump, and are happy to watch from the sidelines for the time being rather than chase the market. Platts 62% printed up $2.50 to $137.75

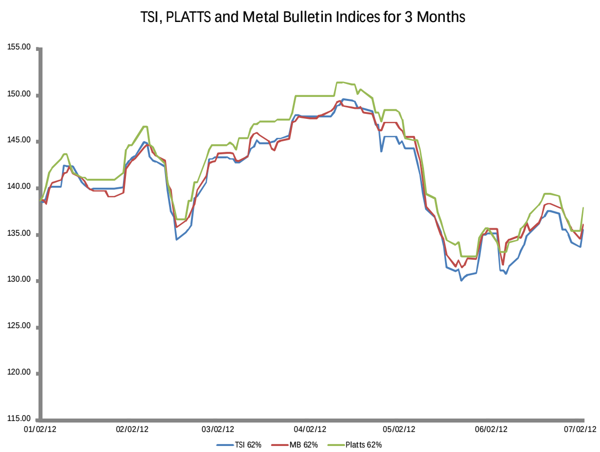
铁矿石现货

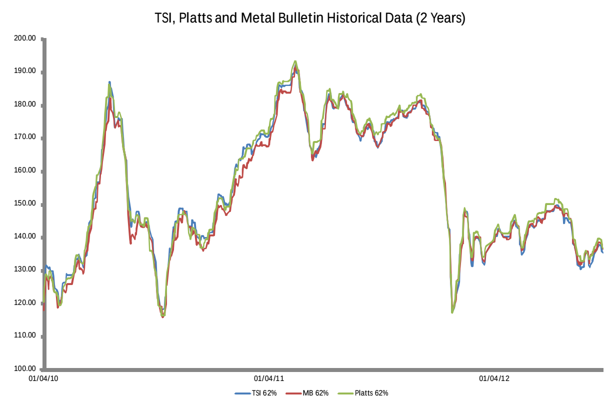
铁矿石现货在最近几周内首次扬眉吐气，亚洲早市听闻PB粉成交137美金，后市RIO的招标听闻PB再次以137.80成交，惊讶之余，掉期等金融市场对此大幅度的跳涨也作出了相对反应，当然更多交易员对此也保持一定警惕，希望得到一个更明确的方向指示。TSI上涨1.90报收135.40，普氏上涨2.50报收137.75。

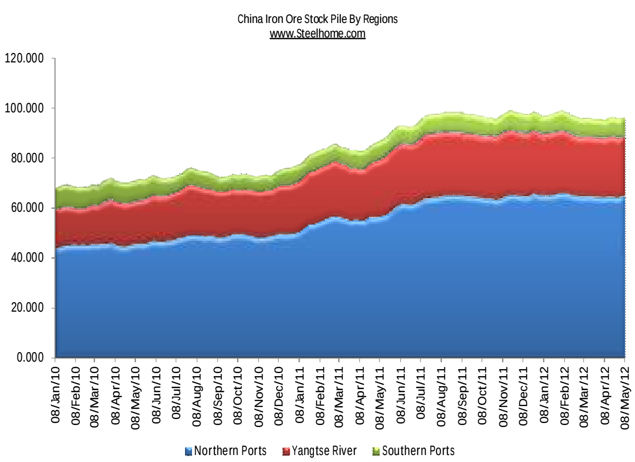
London Dry Bulk 62% Swap Curve

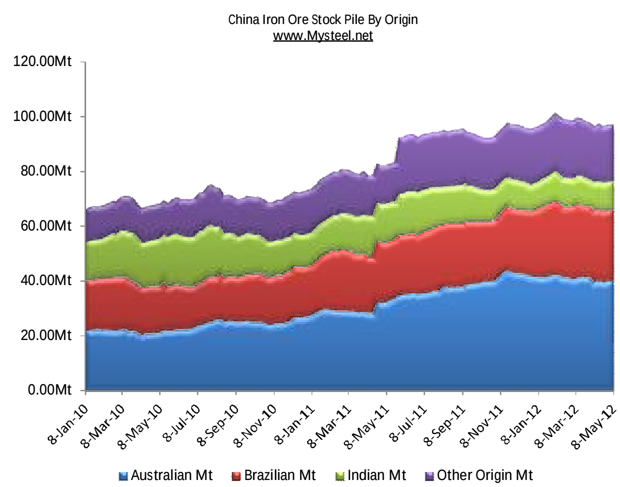
Contract	Daily Settlement Period (US$)	Daily Price Change (US$)	Previous Price (US$)	% Change Day-on-Day (US$)
Jul-12	134.00	2.50	131.50	1.90%
Aug-12	131.75	2.25	129.50	1.74%
Sep-12	130.75	2.50	128.25	1.95%
Q3 2012	132.00	1.50	130.50	1.15%
Q4 2012	129.00	1.50	127.50	1.18%
Q1 2013	126.50	0.75	125.75	0.60%
Q2 2013	124.50	0.75	123.75	0.61%
Cal-13	123.75	1.25	122.50	1.02%
Cal-14	114.75	0.25	114.50	0.22%
May/Jun	2.25	0.25	2.00	
Jul/Aug	1.25	0.00	1.25	
Q3/Q4	3.00	0.00	3.00	
Q4/Q1	2.50	0.75	1.75	
Cal 13/14	9.25	1.25	8.00	





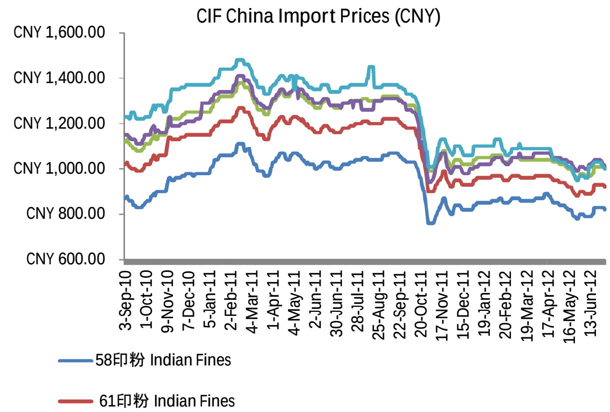




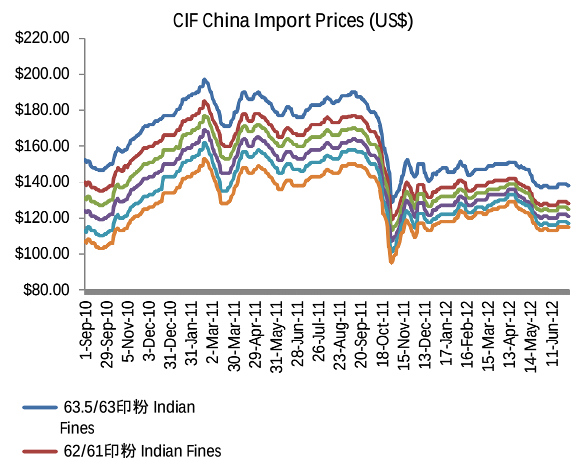


INDICATIVE IRON ORE PRICES IN CHINA
（铁矿石中国现货和期货价）

China Local Spot Prices 中国现货价	Grade品位 Fe %	4-Jul-12	27-Jun-12	WoW diff
58印粉 Indian Fines	58.0%	CNY 820.00	CNY 830.00	-CNY 10.00
61印粉 Indian Fines	61.0%	CNY 920.00	CNY 930.00	-CNY 10.00
63印粉 Indian Fines	63.0%	CNY 1,000.00	CNY 1,010.00	-CNY 10.00
62.5澳粉 Newman Fines	62.5%	CNY 1,020.00	CNY 1,040.00	-CNY 20.00
64.5巴粉 Brazilian Fines	64.5%	CNY 1,010.00	CNY 1,030.00	-CNY 20.00



CIF China Import Prices 中国CIF进口价格	Grade品位 Fe %	4-Jul-12	27-Jun-12	WoW diff
63.5/63印粉 Indian Fines	63.5/63	$138.00	$139.00	-$1.00
62/61印粉 Indian Fines	62/61	$128.00	$129.00	-$1.00
61/60印粉 Indian Fines	61/60	$125.00	$126.00	-$1.00
60/59印粉 Indian Fines	60/59	$121.00	$122.00	-$1.00
59/58印粉 Indian Fines	59/58	$117.00	$118.00	-$1.00
58/57印粉 Indian Fines	58/57	$115.00	$115.00	$0.00



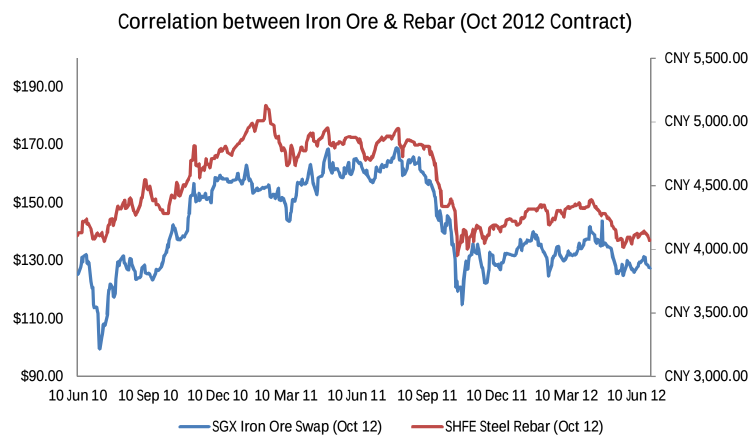
Capesize Freight Routes C3, C5, FFA

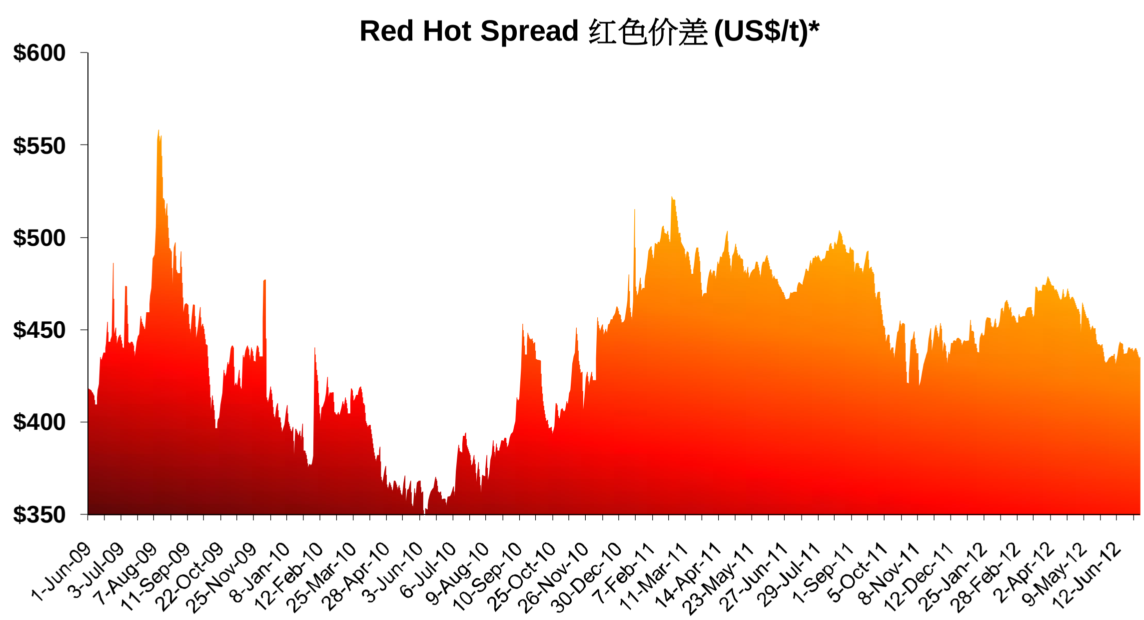
(Cape C3,C5运费及远期运费协议)

FFA远期运费协议

Period 日期	Bid 买价	Ask卖价	Routes 航线	Cost 价格 (US$/t)	Movement 变动 (US$/t)
Jul 12	6,000	6,250	C3 - Tubarao - Qingdao, China中国青岛	17.715	-0.090
Aug-Sep 12	8,700	9,000	C5 - W Australia 澳洲西岸 - Qingdao, China中国青岛	6.746	-0.029
Q3 12	7,900	8,150			
Q4 12	12,500	12,750			
Q1 13	9,250	9,500			
CAL 13	12,200	12,500	*Source: Clarksons 2nd July 2012*		
CAL 14	14,900	15,150			

London Dry Bulk Market Metric			
Date			7/4/2012
Maturity of Rebar Future 螺纹钢期货到期月			Oct-12
Maturity of Iron Ore Swap 铁矿石掉期到期月			Oct-12
TSI 62% Iron Ore Swap 铁矿石掉期价	US$/t	$	129.62
Implied Input Cost Iron Ore to Steel (1:1.6) 钢材隐含价	US$/t	$	207.39
Rebar Shanghai Futures Exchange 上海螺纹钢期货价（人民币）	CNY/t	CNY	4,068
Exchange Rate 汇率	CNY/USD		6.3483
Rebar Shanghai Futures Exchange 上海螺纹钢期货价（美金）	US$/t	$	640.80
London Dry Bulk Red Hot Spread LDB 红色价差	US$/t	$	433.41





IRON ORE NEWS

Iron Ore-Spot hits 3-wk low on weak China demand, ample supply

Benchmark spot iron ore prices hit three-week lows and bids were scarce on Tuesday as mills from top buyer China stayed out of the market due to weak demand for steel. Ample supply in the spot market also pressured iron ore prices as miners continued to unload cargoes, at a time when a slowing Chinese economy is hurting appetite for steel and prompting mills to curb output. "Steel demand will continue to weaken as construction activity is curbed amid heavy rains in some regions and high temperatures elsewhere in China," said an iron ore trader in Beijing.

"So steel mills are trying to avoid making forward shipments, while traders believe stockpiling is too risky at the moment."Iron ore with 62-percent iron content .IO62-CNI=SI, the industry benchmark, slipped 0.4 percent to $133.50 a tonne on Monday, based on data from Steel Index, dropping for a third day running. That was the lowest level for the main steelmaking raw material since June 12, and some traders see further downside. "I don't see any reason why it will rebound," said a Singapore-based trader. "It's looking very negative out there. We're clearly seeing a trend of more and more tonnes coming into the spot market and demand is not changing."Over recent months, Brazil's Vale has been the most aggressive in selling spot cargoes to China.

A Hong Kong trader estimated that the world's top iron ore supplier sold between 800,000 tonnes and 1 million tonnes of iron ore in the spot market each week last month, outpacing Australian miners such as BHP Billiton which may have sold less than half of that volume in a week. Rio Tinto is selling 160,000 tonnes of 61.5-percent grade Australian Pilbara iron ore fines at a tender on Tuesday, traders said, and expectations are for prices to fall further. A cargo of Pilbara iron ore fines was sold via the platform run by the China Beijing International Mining Exchange on Tuesday at around $137 a tonne, said another trader in Singapore, higher than current market offers of $134-$135. "It doesn't make sense. We're offering Australian cargoes at substantially below that, about $4-$5 below that," the trader said. "It seems like there are people out there who have an interest in keeping this market up and intentionally pay above market." Shanghai steel rebar futures rose on Tuesday after two days of losses, although the gains were more in line with other risk assets as bleak global manufacturing data raised hopes central banks around the world would act to stimulate economies. The most active rebar contract for October delivery on the Shanghai Futures Exchange gained 0.8 percent to close at 4,078 yuan ($640) a tonne, after hitting one-month lows on Monday. Source: Reuters

Imported iron ore prices dip on weakened demand

Imported iron ore prices dipped in the week ending July 2 due to continued waning demand and overall economic woes, according to the Xinhua-China Iron Ore Price Index released Tuesday. The price index for 63.5-percent-purity iron ore imports fell one point week on week to hit 139 points, while the price index for 58-percent-purity iron ore imports decreased one point week on week to rest at 118 points, according to the index, which is compiled by Xinhua News Agency to track iron ore inventories and imports on Chinese spot markets. Stockpiles of imported iron ore at 25 of China's major sea ports rose to 97.46 million tonnes amid weak demand, up 700,000 tonnes from a week earlier.

The nation's steel prices have taken a dive since the start of the year, curtailing demand for iron ore imports, as the growth rate of the country's fixed-asset and real estate investments have fallen and other major steel-using industries, such as the automobile and electrical machinery industries, have all expanded at slower paces. A tug of war between iron ore miners who were unwilling to sell their products at low prices and steel manufacturers who were cautious about replenishing inventories have led to a decline in market turnover, Xinhua analysts said, adding that domestic demand for steel and iron ore will remain sluggish in the short-term. Source: Xinhua

Vale expects China to account for 90% of global iron ore demand

Vale, the world's largest iron ore producer, expects Chinese demand for the mineral to keep rising in coming years, Jose Carlos Martins, executive director for ferrous minerals and strategy, said in Sao Paulo yesterday. China's demand for iron ore will rise to about 90% of global sales in coming years from about 80% now, Martins said. The news chimes with March comments made by Rio Tinto reported on SinoShip's LinkedIn site. Rio Tinto believes global iron ore supply additions for China alone will need to be at the rate of at least 100m tons each year in the coming five years. However, more bearish is the other of the big three global miners, BHP Billiton which noted in a March report: "In the longer term, we expect the rate of growth in steelmaking raw materials demand, particularly in China, to decelerate as underlying economic growth rates revert to a more sustainable level." Source: Sino Ship News

Shangang Receives First Iron ore from Tonkolili, Sierra Leone

China Shandong Iron and Steel Group on June 29 received its first shipment of iron ore from its overseas project at Tonkolili. The vessel carrying 170,177 tonnes of iron ore berthed at a 200,000-tonne terminal at Qingdao Port. On August 1, 2011, the large Chinese steel mill signed a contract with African Minerals investing 1.5 billion USD to get 25% of the stake of Tonkolili, which has an estimated reserve of 13.7 billion tonnes of iron ore with a lifetime over 50 years. Source: Umetal

Odisha iron ore export shrinks 46%

Iron ore exports from Odisha, the largest producing state in the country dipped by 46 per cent in 2011-12 to 12.96 million tonnes (mnt) as against 24.12 mnt in the year-ago fiscal as high export duty of 30 per cent imposed by Centre dragged exports to China, the single largest market for exporters from the state. On a pan-India basis, iron ore exports dropped nearly 40 percent in 2011-12 to 60 mnt from 98 mnt in the previous year. The state's share as percentage of total iron ore exports from the country also declined from 25.5 per cent in 2010-11 to 21.6 per cent in 2011-12.
The steep export duty has rendered the bulk mineral ore uncompetitive in the export market, especially China where Indian shipment plummeted from 89.72 mnt in 2010-11 to 52.47 mnt in 2011-12 (up to February 2012).

India had raised export duty on iron ore from 20 per cent to 30 per cent to discourage exports as it looks to conserve supplies for its own steel making industry. China which procured 15 per cent of its iron ore from India in 2010-11 was looking at

alternatives as ore exports from the country had slumped following export duty hike. Besides the steep duty hike that has been a dampener, exporters in the state were also sore over slackening demand for the ore in the Chinese market. “Exports of iron ore have become non-remunerative especially post introduction of the 30 per cent export duty. What has added to our owes is China which is our biggest buyer of lump ore and fines has been lately growing at a slow pace, impairing demand and cooling ore prices to $140 (around Rs 8,000) per tonne. This together with rail freight charge of Rs 2,600 per tonne of iron ore meant for exports and other charges including royalty, port handling charges and local transportation cost have hit the exporters hard,” said a leading iron ore exporter from the state on condition of anonymity. “China’s decelerating economy has led to a situation where iron ore fines in the state are getting stacked.

Though there is talk of beneficiation and pelletisation, we lack the right technologies for processing low grade ore,” he added. Iron ore in lump form, predominantly exported to China from the state were valued at Rs 70.71 crore in 2010-11. Fines, shipped to China and Hong Kong, were valued at Rs 8,114.28 crore in the same fiscal, according to latest export data available at the directorate of export promotion & marketing. It may be noted that iron ore export traffic slumped sharply from the 6-7 ports that ship the ore from Odisha. Exports of ore from the Paradip port almost halved from 13.54 mnt in 2010-11 to 6.80 mnt in 201-12. Iron ore shipments from Vishakhapatnam also nosedived 282.90 per cent from 1.18 mnt to 0.31 mnt in the stated period. The downtrend in export traffic was also seen in the ports of Kolkata, Haldia, Gangavaram and Kakinada.

Mineral exports, including iron ore lump, fines, chrome ore, chrome ore concentrates and ilmenite account for nearly 60 per cent of Odisha's overall exports. Despite being the biggest iron ore producer and endowed with the highest chromite deposits (about 97 per cent), Odisha has been clamouring for ban on exports of both the ores to secure raw material supplies for local industries. Source: Business Standard

India May Lift Iron Ore Mining Ban In Karnataka State This Month

Iron ore mining in India’s Karnataka state, banned for the past year on environmental concerns, may resume as early as this month, easing shortages of the commodity used by JSW Steel Ltd. (JSTL) and rivals. “Some iron ore mines where no illegality has been found will be the first where mining will be allowed,” according to orders by the Supreme Court, H.R. Srinivasa, the state’s mines director and a member of a committee appointed by the court, said today by phone. Mining was halted in the state in July 2011 and extended to two other regions the following month. Resuming mining will boost supplies to steel mills including JSW Steel, the nation’s third-biggest producer, that cut output on the ore shortage. JSW, operator of the region’s biggest factory, cut production to as low as 30 percent in September from its mill in Vijayanagar.

India’s Supreme Court allowed only state-run NMDC Ltd. (NMDC), the nation’s largest iron ore producer, to mine as much as 1 million metric tons a month and ordered all sales, including stockpiles, to be conducted through online auctions. In April, the court ordered 45 mines to seek government approval to resume operations. Companies need an endorsement from the Ministry of Environment and Forests once their licenses have been checked, it said on April 20. “The court process is being followed and I expect production will start showing from the second week of August,” Srinivasa said in a phone interview from the southern city of Bangalore. He’s also responsible for auctioning iron ore in the state and NMDC’s output. “The current inventory and production from NMDC will be enough to meet requirements of steelmakers till the end of next month.” The court-appointed committee has identified 5 million tons of new ore inventory in the state that it will auction to meet local needs, he said. Since October, 23 million tons of ore have been sold via online auctions, including about 3 million tons from NMDC, he said. Source: Bloomberg

Forget The Ban On Iron Ore Fines – India Goes For Pellets

In an attempt to earn higher profits, iron ore miners in the south Indian state of Karnataka new seek new opportunities for exports, this time in the form of pellets according to the Business Standard. As the Indian federal government has waived the entire 15 per cent duty on export of iron ore pellets, not surprisingly, many miners have begun to consider the possibility of diversifying into the manufacturing and export of pellets. The news story suggests that domestic steel plants also face supply problems of iron ore lumps even as some steel manufacturers have started buying pellets from overseas sources of supply. Until last year, Karnataka, a leading state for steel and iron ore miners had led India to an iron ore surplus only to have that lead now reversed. Steel mills and iron ore miners in Karnataka state as well as in the other parts of the country, not only face a shortage of iron ore but they have also suffered from lost profits. As a result, steel mills and iron ore miners have pursued other options to increase their profits. The primary method obtaining profits involves making and exporting pellets.

Reports suggest that the production of iron ore in key Indian states has declined and the country has produced only 208 million tons of iron ore in 2010-11 compared with 218.5 million tons in 2009-10. Subsequently, India has also registered a decrease in exports of iron ore. India, the third-largest global exporter of iron ore in the world, had exported 117.3 million tons in 2009-10. The exports had dipped by over 36 percent to 56 million tons in the April-February period last fiscal year against the prior year. The shortage of iron ore came as a result of a decision by the Supreme Court of India last August to ban the illegal mining activities in the southern state of Karnataka. The Court had banned mining operations in the state following the recommendations of the Central Empowered Committee. However, in April of this year, the court partially lifted the ban and some believe that privately owned iron ore miners in the Karnataka state will likely resume operations by July 2012. The southern state of Karnataka accounts for a quarter of India’s iron ore output. The state produces 16 million tons of iron and steel in a year, or a little less than 25 percent of the country’s total production. Regarding pellets, Karnataka state currently contributes about 36 per cent of the national production of pellets.

Pellet production capacity in India will likely reach 70 million tons (mt) this year and 90 million mt by 2014. Pellet capacity has increased both from green field and brown field projects undertaken by existing pellet plants and integrated steel mills. Available figures suggest that global pellet production last year hit 400 million mt and in 2010, 388 million mt. According to the Business Standard seven pellet-making plants operate in Karnataka state with an installed capacity of 15.4 million mt. India’s export of pellets in 2010 stood at 3.7 million mt. However, export of pellets from India will likely increase considerably with the waiver of duty on the export of iron ore pellets. Market observers like the notion of zero duty on pellet exports because it will motivate more companies to set up plants in the country. Some now believe that companies will look to set up bigger pellet plants to sell raw materials internationally. Source: Forexpros.com

CONFERENCES

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- » **London** 12 Sep