



Industry bracing itself for a better year ahead

AS the New Year's Eve streamers and noise-makers are swept into landfill and the residual smoke from millions of dollars worth of fireworks dissipates into the ozone layer, let us look at what the year ahead might offer.

Resource sector people are nothing if not eternally optimistic and a look back over the shoulder at 2009 would suggest there is everything to smile about.

"I think 2010 will be an even better year than 2009," Gavin Wendt, senior resource analyst with Minelife, told *Australia's Mining Monthly*.

"We have had a spectacular recovery this year but in a sense we were recovering from pretty dire lows. On that basis alone there was always the potential for significant recovery.

"The strength and pace of the recovery did surprise me but I think this year we're going to see consolidation."

If the past 12-18 months has shown the mining industry anything, it is that when opportunities to raise money are presented, they should be taken with both hands.

A number of Australian companies managed to survive the financial tempest purely because they managed to raise equity.

"People have learnt that in these volatile markets you have to act swiftly and when cash is there, be prepared to take it," PCF Capital group managing director Liam Twigger said.

He identified mergers and acquisitions as a land of opportunity for the coming year.

"There are certainly plenty of opportunities out there but there will be more scrip-based deals than cash deals," Twigger said.

"There is no shortage of assets coming onto the market. We are certainly seeing plenty of deals coming through so there is no shortage of physical assets.

"But on the M&A side of things, we are still seeing steady enquiries coming from North America and from China looking for companies and projects in Australia.

"Australia remains a great destination for capital. People like the transparency, the regulatory regime and they still think there is value to be had across the board."

These opportunities were demonstrated when Felix Resources shareholders approved a \$3 billion-plus takeover by Yanzhou Coal Mining in mid-December.

Yanzhou owns the Astar longwall mine in the Hunter Valley through its subsidiary Yancoal Australia.

The Chinese coal producer will continue to develop Felix's Moolarben mine, which is expected to produce 6 million tonnes of thermal coal in 2010, with 4.5Mt destined for export and 1.5Mt for the domestic market.

Full ramp-up will have Moolarben exporting up to 13Mt per annum of product

coal for export and domestic markets, with 8.8Mtpa from open cut and 4-4.2Mtpa from longwall mining.

The recovery experienced in Australia has also signalled the potential for a significant rise in commodity prices during 2010.

"Probably mid-way through the year," Wendt noted.

"What I base that argument on is the fact that I am expecting to see a continuation of strong economic growth numbers out of all the emerging countries, especially China and India.

"There still has to be a question mark hanging over the US and Europe but I don't think we are going to see things deteriorating there."

Wendt predicts the commodities to watch this year will be coal, particularly coking coal with an eye on thermal, and copper.

That prediction shouldn't be too much of a surprise to anybody, considering both had fairly healthy spells through 2009.

Copper is expected to maintain its run this year with strategic demand from China set to continue.

As copper forges on, there is an expectation that other base metals which lagged behind, such as lead, zinc and maybe even aluminium, might start to see some action.

"Copper has had a great run and lead and



zinc has turned around but I think nickel will be at the forefront of the first quarter of the year," Wendt said.

Nickel will indeed be an interesting commodity to watch, especially given the purchase of BHP Billiton's abandoned Ravensthorpe nickel laterite project by Canadian company First Quantum Minerals for \$US340 million.

The sale is expected to be finalised in the first quarter but will have to wait for Foreign Investment Review Board approval and a rubber stamp from Western Australian Mines and Petroleum Minister Norman Moore.

First Quantum did not give any indication as to when it hoped to have Ravensthorpe back in production, but it did intimate it was committed to restarting the project within a realistic timeframe.

The purchase is a positive sign as it indicates companies are prepared to fork out a good deal of money to get a seat at the nickel table.

"It is a good indication that they see the malaise that has affected the nickel price over the last 12 months is going to end during 2010," Wendt said.

"Nickel is one of those interesting ones because there are not a lot of new nickel sulfide projects on the horizon.

"Indeed, we have seen some operations started up that had been mothballed but nickel is probably the commodity where we are going to see the recommissioning of old projects happening."

Wendt's positive expectations for nickel in 2010 were echoed by Twigger.

"Given that nickel has been the laggard over the last three to six months in terms of the price, there is more business to be done on nickel consolidation opportunities on the M&A front and I expect to see a lot more action in nickel next year," he said.

Twigger also branded the gold sector to have plenty of room for improvement, having

failed to deliver on both the profitability or discovery fronts despite gold share prices being up.

"The gold sector is possibly the sector that has had the most trouble delivering consistent performance," he continued.

"At the top end of town Lihir, Newcrest and Dominion have all performed well.

"Beneath that it has all been very choppy and the gold sector has struggled to provide that level of consistency and, even more so, deliver profits in what historically have been very buoyant prices.

"We are seeing very few gold mining companies deliver profits for one reason or another where they have struggled with grades and managing costs."

One gold play that will provide a lot of interest will be **Catalpa Resources** as it moves closer to becoming a mid-tier producer.

In November the Supreme Court of Victoria gave its approval for the company to merge with Lion Selection.

Under the deal, its Edna May gold project in Western Australia will be matched with Lion's 30% joint venture interest in Newcrest Mining's Cracow gold mine in Queensland.

Once commissioned in mid-2010, Edna May is expected to produce more than 100,000 ounces per annum with an estimated cash operating cost of \$636/oz for a mine life of about eight years.

Catalpa managing director Bruce McFadzean said the Cracow project had already provided about 9600oz of gold, generating positive cash flow of about \$3.5 million in the four months to November 2009.

"It is great to be a cashflow-positive, producing gold company," he said.

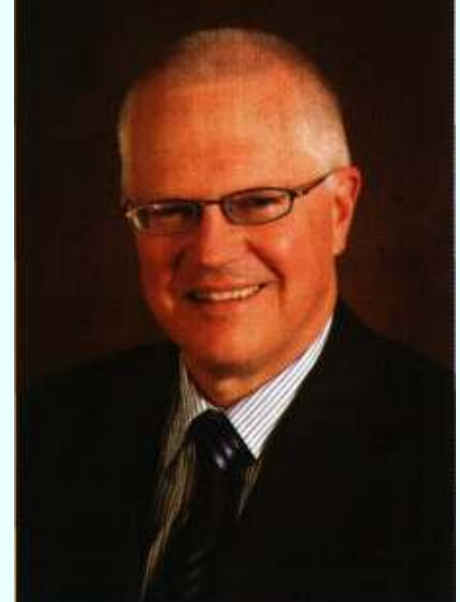
The consolidated company boasts mineral resources of 1.9 million ounces and an ore reserve of 1.02Moz of gold.



Catalpa calling

WITH its merger with the gold assets of Lion Selection concluded, Catalpa Resources has appointed Peter Maloney to the board as non-executive chairman. He replaces John Rowe, who will remain on the board as a non-executive director.

Maloney has broad commercial, finance, mergers and acquisitions, and management expertise and experience. At WMC Resources, he held the positions of treasurer, executive vice-president Americas and manager commercial and marketing – Western Australia. Maloney also was general manager finance at Santos and chief financial officer at FH Faulding.



Peter Maloney



Graham Freestone

IN addition, Catalpa Resources has appointed Graham Freestone as a non-executive director. Freestone has held senior finance positions with the Shell Group, Acacia Resources and AngloGold. He was heavily involved with the float of Shell Group's mineral interests through Acacia.

IVERNIA has appointed Rob Scargill executive vice-president operations. One of his key roles will be to oversee the restart of the Magellan mine in Western Australia. Scargill has held senior mining positions with the likes of BHP Billiton, Gympie Eldorado Gold Mines, Perilya and Copper Range.

CORRIE Van Rensburg has been appointed Rockwell Automation industry solutions manager and will be heading up the company's new industry solutions team. He said the primary driver of the team was to make better use of specialist resources within the business



Corrie Van Rensburg

CONTINENTAL Coal has accepted Jason Brewer onto its board as a non-executive director. Brewer is an executive director of Africa-focused resources advisory group

Okap Ventures, was previously general manager of the LinQ Resources Fund and led the Perth office of New Holland Capital.



Timothy Jones

STANMORE Coal has appointed Timothy Jones as exploration manager. He previously worked at Linc Energy and, before that, was a project geologist for Anglo Coal in the Bowen Basin. Stanmore will issue Jones 1.5 million options that expire in 2013.

SPECIALIST resource geologist Mark Murphy will be general manager of Xtract Mining Consultants' new Perth office. Murphy is principal geologist (geostatistics) with Rio Tinto, where he consults on iron ore expansion projects. He also has held roles with Snowden, Anaconda Nickel and Dominion Mining. Murphy will be joined by mining engineer Eduardo Valenzuela and geologist Michelle Franks.

LEGAL issues at the North West Iron Ore Alliance will be the bailiwick of Catherine Pinchin, who joins as director legal, regulator and corporate affairs. She was previously manager legal at Citic Pacific Mining Management, which is behind the \$US5 billion Sino Iron magnetite project.

EMERGING rare earths producer Arafura Resources has appointed Dr Stephen Ward managing director and chief executive. He

has been a non-executive director of the company since 2007. He also has been senior vice-president – strategy and development of privately owned chemical and resources company Cristal Global.

RIO Tinto executive Greg Jackson is to be chief operating officer Australian operations for gold producer Newcrest Mining. He will have responsibility for the company's Australian sites, Cadia Valley, Telfer and Cracow, and technical mining services. Newcrest executive general manager operations Geoff Day will assume the mantle of chief operating officer offshore operations. Newcrest's international operations, together with health and safety, business excellence and environment and community, will fall under his purview. Both will be on Newcrest's executive committee.

PAUL Marks has joined the Conquest Mining board as a non-executive director. He has a background in engineering and finance, holding roles with Royal Dutch Shell, Dow Chemicals, Prudential-Bache Securities and National Australia Bank.

FOX Resources is preparing to return to the nickel fray with the appointment of Tamsin Williams as microbiologist to help drive the development of the company's heap leach operations.

AS part of Sandfire Resources' board restructure, non-executive chairman Miles Kennedy has resigned. The board has decided to grant Kennedy \$500,000 as a one-off payment subject to shareholder approval.