

Production and Markets

US investment bank **Morgan Stanley** predicted the price of iron ore would rally towards the end of the year as high-cost suppliers would be forced to close and steel demand would pick up. Morgan Stanley forecast iron ore would drop to around US\$70/t in the near term, then hit US\$90/t by the end of 2014. The mineral fell to the lowest level in five years last week to US\$81.90/t but recovered in recent days to US\$84/t.

Vale SA and the largest dry bulk carrier in China, **China Ocean Shipping Company (Cosco)**, signed a framework agreement for strategic co-operation in iron-ore shipping. As part of the agreement four of Vale's existing very large ore carriers, or Valemaxes, will be transferred to Cosco and chartered by Vale on a long-term basis for 25 years. "In addition, Vale and Cosco shall enter into a similar long-term contract of affreightment which will be serviced by 10 very large ore carriers of similar deadweight to be built by Cosco for the transportation of the world's best iron ore from Brazil," Vale said.

Global production of rough diamonds in 2014 is expected to reach roughly 135Mct valued at US\$17.8 billion, an increase of 3% over last year, according to US-based consultant, Paul Zimnisky. He says the world's 50 largest mines are estimated to account for 90% of global supply, with the balance coming from private or small-scale operations, where production data is unreliable or not available. The **Marange** diamond fields in Zimbabwe were ranked the world's largest source of diamonds in 2013, producing almost 17Mct or 13% of global supply. However, those production levels may not be sustained in 2014 as grades have decreased, says Zimnisky.

Paladin Energy Ltd said September-quarter production at its Langer Heinrich uranium mine in Namibia would be lower

PIC OF THE WEEK



This September it will be 50 years since Outokumpu made the decision to begin mining operations at its chrome mine in Kemi, Finland. Mining began in 1967, with large-scale operations and ferrochrome production the following year. The deposit was found five years earlier by a local diver, Martti Matilainen. Chrome mining and ferrochrome works were the first steps in Outokumpu becoming what is today, one of the largest stainless steel producers outside of China

than the 15% shortfall initially forecast, due to maintenance complications. Managing director John Borshoff said: "Due to the scaling issue being more extensive than originally thought and the resin change taking longer than anticipated, production for the September quarter is expected to be affected by a further estimated 5% to 7.5%." He said the scale had now been brought under control and production guidance for 2015 remained at 5.4Mlb to 5.8Mlb of uranium oxide.

Finance

Gold producers in Zimbabwe were given a boost in the country's mid-term budget as the country's finance minister Patrick Chinamasa slashed royalty rates to 5%, compared with 7%, effective October 1. **Mwana Africa plc**, which operates the Freda Rebecca gold mine in Zimbabwe, where it has an 85% interest, is one such beneficiary. Chief executive Kalaa Mpinga said: "We have actively engaged with government on this issue and it is very pleasing that – in a spirit

of understanding and co-operation – it has recognised the challenges inherent in the gold mining industry at present. The reduction in the gold royalty rate will provide a welcome financial boost to Freda Rebecca and Mwana."

Shareholders of Canada's **B2Gold Corp** and Australia's **Papillon Resources Ltd** have voted in favour of a A\$615 million (US\$555 million) tie-up. Papillon shareholders receive 0.661 B2Gold shares for each share held, valuing Papillon at around A\$1.72/share. A second court hearing on the deal will be held in Perth on Monday (September 23) to approve the scheme of arrangement, and Papillon's shares are expected to be delisted the next day. B2Gold operates gold mines in Nicaragua and the Philippines. It has drawn up plans to develop Papillon's 4.2Moz Fekola project in Mali.

The first rough diamond production from **Lukoil's** Grib diamond mine in Arkhangelsk, Russia will go up for auction next week, three months after the mine was commissioned by

Russian president Vladimir Putin. Martin Leake, head of sales for Grib Diamonds NV, a subsidiary of Lukoil, said: "There is a lot of interest in the first sale of Grib diamonds and we are looking forward to the auction itself." Production from Grib is expected to peak at 4.5Mct in 2018, with total recovery of 50Mct between 2014 and 2030.

Debt-ridden **Petropavlovsk plc** is in discussions with investors to sell new shares via a rights issue as part of a plan to refinance US\$311 million of convertible bonds, which mature in February next year. The size of the share sale is dependent on talks with investors to refinance the debt through the issue of new convertible bonds. Petropavlovsk's biggest lenders, Moscow-based Sberbank and VTB Group, were willing to relax some financial covenants on their loans, said the company. Peter Hambro, chairman, said: "I am glad that a substantial majority of the bondholders to whom we explained the possible terms of the new bonds to be offered as part of any exchange offer have, on an uncommitted basis, found these acceptable."