

Dreading the Dinner Party?

You know you have to go. The women will all have competing hairstyles and the talk will be of school fees, little Miranda's ballet lessons, Tarquin's gap year and bloody Gordon Brown. The temptation is to arrive half cut and sit through it with a fixed grin. **Don't!** Come armed with a conversation cruncher: **Shale Gas**. Do not be tempted to throw it in at too early a stage, mind you. Tag it onto the back end of GB's disastrous handling of UK fuel policy. Unless the dinner is being hosted by the Chairman of BP, you will be the only one who will know a damn thing about it.

Goes like this: we are running out of energy, are we not? Actually, no, but the most convenient, friendly form is natural gas. Press the button and, bingo, there it is. Americans in particular like the stuff. BP tells us, and they should know, that the world has sixty years' supply at present rates of consumption and known reserves. But the USA has only eleven years and is gobbling it up fast. If it becomes an importer, it will have to schmooze with those nasty people in the Middle East and we all know what that entails.

Now, painting that landscape should get you through the starter. Before the main course, show your ace: shale gas. Vast (yes, vast, stress that whilst the mangetout is going round) quantities of friendly gas have been trapped in layers of shale for millions of years, but the trick was how to get it out. Now some boffins think they know. A lot of these shales lie under the USA and almost certainly, Canada. Wait for it, South Africa's arid Karoo formation is high on the shopping list, too. Even Poland claims some. Companies with their snouts in the trough include: Anglo American, Sasol, Statoil of Norway, Chesapeake (USA). They speak of a doubling of North America's natural gas reserves to 85 trillion cubic feet (Watch it with the units – no, not the wine. There is bound to be one up-staged dining competitor who knows the difference between a British Thermal Unit and a cubic foot.). Now, all of this should get you comfortably into the pudding. If it doesn't, hint darkly about the zillions of thingies of frozen methane lying beneath the tundra in Canada's far north. There is, too. But let that one hang, it could book your place at next month's dinner party.

Just remember, you read it here first and bone up on the knock-on effects to polar bears, caribou and ostriches. Anyone for a brandy?

Exchange Traded Metals

LME: The London Metal Exchange marches on. The newly launched contracts in **cobalt** (1 tonne) and **Molybdenum** (6 tonnes) have exceeded expectations in their first month. Cobalt did 436 tonnes (\$18M) and Moly 462 tonnes (\$18M). We shall probably hear it for Cadmium and others ere long. But what of iron ore?

Aluminium made some waves last week. Let's hope it was not drowning. The price remains in the doldrums at c. \$2200 per tonne metal. Whilst up off its knees of \$1300, it has a long haul to get above the +\$3000 of early 2008. True, demand fell, but there is endemic oversupply. Of course Rio regrets its takeover of major producer Alcan at the height of the market, but the big boys now are in a quandary as to whether to back it for recovery or to divest. The key is power. The process of producing the metal is three-stage: mining bauxite, electrochemically turning it into intermediate-stage alumina, then electro-refining it into metal. It is an energy hungry route in the proportions of electricity usage 1:4:20. So they rarely do it all on one site. Bauxite tends to be found in energy deficient regions like Guinea and Jamaica. So they ship it to cheap energy sources or to point-of-use. Yet Asia is beginning to dominate (43% of refining capacity). South Africa has measureable output, despite importing its bauxite. Yet its power supply industry is in disarray. State generator ESKOM has been allowed to increase tariffs by plus 100% over the next three years and the smelters don't like it. Mining Weekly reports on BHPB, the largest of the RSA producers, wanting continued protection via commodity-linked deals. It claims 100,000 South Africans rely on the two big smelters, Hillside and Bayside. The impasse is the subject of a 176-page study by Econometrix. With R12 billion of net export earnings at stake, this matters more to RSA than BHPB, the operator.

There are few small or independent plays in aluminium shares. Control of these processes is broadly:

Table 1: World Production of Aluminium

Company	Rio Tinto	Alcoa	RUSAL	Alumina Ltd	BHPB	Total
Bauxite	16.5%	15.6%	13.2%	9.4%	7.5%	54.7%
Alumina	12.7%	13.7%	13.3%	7.9%	6.7%	47.6%
Metal	13.4%	10.5%	13.8%	--	4.1%	41.8%

Source: Raw Materials Group

The State of China controls 12.7% of alumina and 7.7% of aluminium refining. Transport, packaging and construction account for 70% of all end uses, where the growing economies score. But there is too much of it.

Zinc still has its friends. Three years ago it peaked at over \$3800 per tonne, tested \$1300 in the second half of 2008 but now we speak of \$2300 and steady. Its recovery has not been as rapid as that of its stablemates and it has had to suffer the indignity of going to a discount to lead, long its poorer cousin, both in the ground and on the shop counter. Then warehouse stocks, hefty at over 540,000 tonnes. They have been worse. Back in early 2004 they registered 760,000 tonnes only to evaporate to 94,000 tonnes in early 2007. So it seems you only buy zinc when you need it. No fear of a long term shortage presumably. Its fortunes are tied to galvanizing – coating steel to make it corrosion-resistant – which takes 55-60% of output. The big hitters here are the construction and car industries, both moving up. Credit Suisse sees zinc consumption at c. 11.6Mt in 2010 (11.-Mt 2009) but perhaps needing 6 Mt more mine capacity by 2016. This is heady stuff. Those into the game include **Xstrata**, **Hudbay**, **Lundin Mining**, **Angel Mining** (on which we shall report shortly). But two to tango or contango. **Fortis Bank Group** looks for a price softening in the short term, but a deficit (c. 3Mt) by 2016. This metal has legs.

Nickel has been the best exchange traded metal performer of 2009-10 with a rise of 23% to \$23,645 since January. It is all about stainless steel demand, which has caught many by surprise. But the bears are prowling. Standard Chartered expects a second quarter average of only \$16,000. To achieve that, the price will have to come off rapidly. What might prompt it? **Vale SA's** Sudbury, Canada operations have been on strike so long it hardly matters, but one day, they will return. Their capacity at 150,000tpy is over 10% of world supply. The new mine pipeline is also pretty full. Strong nickel currently is doing no harm to **Toledo Mining** (AIM:TMC 35p; Hi-Lo 48.5-19p) which has deposits under evaluation in the Philippines nor to **Nyota Minerals** (AIM:NYO 12.25p; Hi-Lo 12.75-4.5p) whose immediate thrust is gold in Ethiopia but has a giant J/V sleeper of nickel in Burundi. **African Eagle Resources** (AIM:AFE 4.25p; Hi-Lo 12.5-2.63p) has a wide and interesting Africa portfolio, but now considers its Dutwa Nickel laterite project in Tanzania its flagship. They are looking for funding. Best known of the projects on the slipway is probably **European Nickel's** (AIM:ENK 8.25p; Hi-Lo 12.5-5.9p) Caldag laterite in Turkey. So what do we think? The metal price has outperformed, there is the Canadian overhang and a lot of projects on the slipway. Let's tread carefully.

Table 2: Metal Stocks in LME Warehouses

Metal	20 March 2010	27 March 2010	% Change
Aluminium	4,618,200	4,586,350	-0.69%
Copper	524,175	518,825	-1.02%
Lead	170,350	172,000	0.97%
Nickel	158,478	156,966	-0.95%
Tin	24,040	24,285	1.02%
Zinc	540,400	542,375	0.37%

Source: Mining Journal

Bulk Commodities

Iron Ore continues to dominate because of its status as the highest volume, bulk-traded mineral, all 2000Mt of it and the realisation on both sides, that its price-fixing mechanism is on life support. Annual contracts are serving the interest of neither producer nor consumer. The present spot market is beginning to have a voice but is no substitute. We need an exchange-traded mechanism and there is no real barrier to it. Iron ore is a fairly simple commodity to define. It is all about %Fe (typically 62-65% for shipping), impurities and fob point. If we get to it we shall see much less volatility in both metal and share prices. But do we hear it for monopolies or near? Geographically, South America and Australia dominate production whilst China, India and other Asians grip the import market. Yet Africa is throwing up huge potential resources adding to a continuing readjustment of the global picture. In broad terms:

Production: Ten companies control over 50% of output. Of these, three (Rio Tinto, Vale SA and BHPB) have 35%. Four countries – Brazil, China, Australia and India – produce 72%. This is a game for deep pockets. Consumers (come-in, China and India) will increasingly take a financing hand in return for guarantees of supply. Still on iron ore, the Australian authorities are rightly nervous about the proposed Rio-BHPB tie-up on the Pilbara field. It would make a lot of economic sense but the smell of price and supply collusion wafts across. The companies must submit their proposals to the competition watchdog by April 14.

Table 3: Commodity Price Movements

Commodity		20 March 2010	27 March 2010	% Change
Aluminium	\$1/tonne	2232	2198	-1.52%
Copper	\$1/tonne	7460	7490	0.40%
Lead	\$1/tonne	2210	2089	-5.48%
Nickel	\$1/tonne	22675	23645	4.28%
Tin	\$1/tonne	17650	17625	-0.14%
Zinc	\$1/tonne	2287	2240	-2.06%
Gold	\$/ounce	1104	1101	-0.27%
Silver	\$/ounce	17.05	16.84	-1.23%
Platinum	\$/ounce	1607	1001	-37.71%
Brent Crude Oil	\$/bbl	78.5	77.9	-0.76%
Platinum/Gold	Ratio	1.46	1.45	-0.68%

Source: The Times of London

Exchange Rates

Not a lot to cloud the radar except the also-rans realising that the US dollar still has it. Young Obama is beginning to display Kennedy-like qualities. He is allowing the Chinese to posture and has firmly slapped the Israelis down. So the greenback stays right up there. It is aided and abetted by the Euro remaining embroiled in the PIIGS debacle, particularly but not singularly with G for Greece. P for Portugal is suspect with its credit-rating down from AA to AA- and looking negative. The pound Sterling hangs on to AAA. This follows a blatant, politically-motivated Labour budget that fools nobody. As it slid to \$1.49. Alas, Shares Magazine, which has chased it down from \$1.60 says it shows signs of life. So does an amoeba. But in cross-currency terms, is €1.11=£1.00 a level we can trust? Probably. We can analyse Sterling, politics, elections, warts and all as a single unit. But with 27 Euro countries scrapping it out and with five of the big ones (perhaps the only ones capable of analysis) being under fiscal scrutiny, it does not bode well for the upside.

Where it really begins to matter, the Yuan and the dollar, we posture, too, do we not? China attaching itself to the apron strings of the US currency was a master stroke and not a darn thing they could do about it, easily. But the US wants to try. We speak of trade sanctions. China says don't do it. Well, they would. They speak of a trade deficit in March. Welcome to the club. China has the problem that has faced every emerging nation since Adam cut loose from the Garden of Eden. You run a deficit with your new material suppliers (Australia, Brazil, Taiwan, RSA) and a corresponding surplus with those to whom you sell your manufacturing output. All depends on the currency in which you settle. Beijing has opted for the dollar on both sides at \$1.0=Y6.83. It works for them. Over to you, Barack.

Table 4: Exchange Rates Movements

Currency	20 Mar 2010	27 Mar 2010	% Change/week
£:\$	1.5	1.49	-0.67%
€:£	1.11	1.11	0.00%
£:SA Rand	11.03	11.10	0.63%
US\$:Aus\$	0.92	0.90	-2.17%
£:Aus\$	1.64	1.65	0.61%
Br Reale:US\$	1.8	1.82	1.11%
\$/€	1.35	1.34	-0.74%
\$/SA Rand	7.35	7.45	1.36%
\$/Rupee	45.5	45.24	-0.57%
US\$:HK\$	7.76	7.76	0.00%
\$/Israeli Shekel	3.74	3.74	0.00%
\$/Thai Bhatt	32.29	32.42	0.40%
\$/Yuan	6.83	6.83	0.00%

Source: Financial Times

Share Price Movements, Majors

African Barrick Gold. The decision by the world's largest gold producer, Barrick, to spin-off its African gold assets into a separate London-listed vehicle made sense. The deal, which gives a free float of 25% of African Barrick, gives the London

mining scene a further boost. In the 'pure' precious metals sector it joins Fresnillo, Randgold Resources and Petropaplovski (why did they name it that?) on the big board. It slipped a notch from its opening 597p to 592p but looks pretty solid with its four Tanzanian operations in play.

The conglomerates all put on a good show, bar UK Coal groups **Hargreaves** (-1.5%) and **UK Coal** (-1.9%) which are eyeing each other for a merger. There is considerably more interest in UK sources of coal as the fall in the value of the pound makes imports more expensive.

ENRC (LSE:ENRC 1186p, +2.4%; Hi-Lo 1225-416p) is the subject of a **Buy** recommendation by the Daily Telegraph. The miner is huge in Kazakh-based ferrochrome (48% of earnings) and big in iron ore (33%). It has the advantage over its South African competitors in reliable and cheaper power supplies. The quarterly ferrochrome prices are due for settlement, possibly at 20-30% above the prevailing \$1.01/lb. Earnings for 2009, released 24 March, showed the expected sharp fall from 2008 and the dividend (total), too, was cut to 12p (31p). The group has net cash of \$402 million and is on the acquisitions trail. The forecast 2010 P/E is 11.9 and the dividend is 1%.

Vedanta (LSE:VED 2720p, up 3.74%; Hi-Lo 2886-193p), India's flagship miner is nudging its twelve-month high. It is also spreading its wings into new commodities and new geographical areas. Now it has revived its bid for **ASARCO**, the bankrupt US-copper producer. There is messy litigation involved. They speak of a \$2 billion bid.

Table 5: Share Price Movements, Majors

Stocks	20 Mar 2010	27 March 2010	% Change	12-mo Hi-Lo	% Above Low
FTSE 100	5650.13	5703.02	0.94%	6364 – 3530	61.56%
Anglo American	2664	2795.5	4.94%	2897 – 906	208.55%
Antofagasta	996.5	1011	1.46%	1024 – 353	186.40%
BHPB	2185	2237	2.38%	2237 – 1025	118.24%
ENRC	1160	1186	2.24%	1225 – 416	185.10%
Gem Diamonds	242.5	254.2	4.82%	282 – 104	144.42%
Hargreaves Services	670	660	-1.49%	768 – 415	59.04%
Kazakhmys	1483	1525	2.83%	1525 – 187	715.51%
Rio Tinto	3670	3863	5.26%	3863 – 1112	247.39%
UK Coal	51.75	50.75	-1.93%	164 – 49	3.57%
Vedanta	2622	2720	3.74%	2886 – 193	1309.33%
Xstrata	1143	1193	4.37%	2510 – 289	312.80%

Source: Proquote

Share Price Movements, Small and Medium Caps

Let's hear it for **blood tantalum**. Blood what? Tantalum, a handy little metal. It has a high dielectric constant and chemical inertness, making it most useful as a capacitor. As a steel additive you don't get beyond it for its high melting point, strength at high temperature and corrosion resistance. Jet engines can't live without it. There is no real shortage of it, although lies for part in suspect places, like the DRC which mines over 20% of world demand. It has no terminal market and whilst most business is done on long term contract, there is an active spot market which is little less than frisky. A long term average of \$20 per pound Ta₂O₅, became \$50 in late 2008 on panic demand, then recovered to around \$35. Three companies: US-based Cabot Corporation, HC Starck of Germany and Ningxis of China dominate demand. Amongst the developers, **Gippsland** (ASX:GIP A\$0.04; Hi-Lo A\$0.09-0.02) has large potential. Its owners rate the deposit at Abu Dabbab, Egypt at 142.5 million tonnes ore, with contained metal greater than the DRC's reserves. Intriguingly, the open-pit resource is halfway up a mountain but its surrounding overburden is feldspar, an essential ingredient in ceramics. There is a road to the Red Sea coast and an economic shipping distance to Italy, one of the great feldspar users. The terms of engagement in Egypt are quirky. The Government takes a 50% free carry, but gives you a complete 20-year tax break, no import or export duties and throws in cheap diesel. It translates OK onto the bottom line.

Table 6: Share Price Movements, Small and Medium Caps

Small Caps	20 March 2010	27 March 2010	% change
African Consolidated Resources	10.50	11.5	9.52%
Cape Resources	4.25	4.38	3.06%
Cluff Gold	96.75	96	-0.78%
Europa Oil & Gas	17.5	17.5	0.00%
Eurasia Mining	0.62	0.62	0.00%
Firestone Diamonds	39.75	38.25	-3.77%
Goldplat	10.25	10.5	2.44%
Gemfields	5.12	5.12	0.00%
Herencia	0.71	0.69	-2.82%
Kalahari	183.75	181	-1.50%
Kopane	11.75	13	10.64%
Kefi Minerals	1.75	1.75	0.00%
Kryso	12.0	13.5	12.50%
Northern Petroleum	125.5	128.5	2.39%
Nyota Minerals	10.5	12.25	16.67%
Petra Diamonds	70.25	68.5	-2.49%
Strategic Nat Res	14.25	14	-1.75%
Toledo Mining	34.75	36.75	5.76%
Tanzanite One	11.75	12.75	8.51%
Vatukoula Gold	2.2	2.36	7.27%
Zincox	54.5	51.75	-5.05%

Source: Proquote

Vatukoula Gold (AIM:VGM 2.36p, up 7.27%; Hi-Lo 2.5-0.5p), the Fiji-based miner put on another solid performance and was the subject of our buy recommendation March 22nd. This junior is now a cash positive producer with increasing output and sales. **Buy.**

Cluff Gold (AIM:CLF 96p, down 0.78%; Hi-Lo 102-29p) held relatively steady on the week as it announced better than expected output from its West African mines. We have, via a house note (March 16th) revised our recommendation from Speculative buy to Market perform.

Zincox (AIM:ZOX 51.75p, down 5%; Hi-Lo 80-34p) fails to inspire. Much was made of its zinc dust recovery process from furnace fumes, but since, nothing. Now a ginger group representing only 5% of the shareholders is attempting to oust the majority of the board. The complaint is plainly stated: "The group has no operational assets and is trading at over a 40% discount to last reported cash balances." **Let the dust settle.**

Energy

The dust is settling over \$200 per tonne coking coal contracts, up from \$90. As we note in Bulk Minerals, if you couple that with a doubling of iron ore prices, you have to hear it for steel. Thus inflation. Steel is a major component of the economy, so let's watch those numbers.

Uranium. Our favourites, **Kalahari Minerals** (AIM:KAH 181p; down 2.75p; Hi-Lo 211-88p) and **Extract Resources** (ASX:EXT A\$7.62; Hi-Lo A\$11.45-3.19) are back in the news. Extract and Kalahari are the subjects of major house notes and **Buy** recommendations on the basis of their joint interest in the giant Rossing South uranium deposit in Namibia. We reiterate our view that this is shaping up to become the second largest deposit of its type in the world, in an investor-friendly country. The immediate impetus is that Kalahari owns 37.86% of R/S owner/operator Extract and Japanese trading group **Itochu** is to buy 15% of Kalahari, thus an indirect 5.08% of Rossing South. If the deal is worth ¥8.5 billions, it indicates a market cap for Kalahari of £410 million, today's level. There is no new equity, existing shareholders selling. See Shares to watch.

Gemstones

Another good week for an industry now in the recovery position. Amongst the small-medium caps, we saw:

Table 7: Gemstone Shares Activity

Company and Activity	Market	% Gain/wk	12-month Hi-Lo	Price
African Consolidated Resources: Diamonds in disputed Marengue field, Zimbabwe	AIM:AFCR	9.52%	17-5	11.5p
Cape Resources: Diamonds in Kimberley, RSA. Interims due this week.	AIM:CAPE	3.06%	7.25-0.75	4.38p
Firestone Diamonds Production and development in RSA and Botswana	AIM:FDI	-3.77%	49-13	38.25p
Gem Diamonds: Growing producer in Lesotho and Australia.	FTSE:GEMD	4.82%	282-104	254.2p
Gemfields: Emeralds in Tanzania	AIM:GEM	0.0%	7.7-2.2	5.12p
Kopane: Developing diamonds in Lesotho	AIM:KDD	-10.64%	17-3	13.0p
Obtala Resources: Major shareholder in Kopane, venturing into Sierra Leone.	AIM:OBT	0.8%	28.25-11	28.25p
Petra: Becoming a major diamond producer in RSA and Tanzania	AIM:PDL	-2.49%	83-24	68.5p
Stellar Diamonds: West Africa. Reverse takeover of West Africa Diamonds	AIM:STEL	0.0%	23-14	16.25p
Tanzanite One: The only quoted tanzanite producer. Excellent marketing skills.	AIM:TMZ	8.51%	24-10	12.75p

Source: The Times and Financial Times

DeBeers has concluded the refinancing of its debt facility via a \$1 billion rights issue. It will cost 45% shareholder Anglo that percentage. Good thing minerals are frisky. Net debt at DeBeers is possibly now \$2 billion with a two-year payback or beyond. A loss of \$220 million 2009 compared with a profit of \$515 million in 2008. Meanwhile the group has put up for sale its **Jagersfontein** property. This is one of the most historic of the Kimberley District properties. It operated from 1870 to 1971 and has accumulated tailings valued at 13 million tonnes averaging (reportedly) 12.8cpht. There could be good pickings here, but problems at local level.

The Retail End. Most gemstone miners sell rough into the market for nearby cash. It is a simple business. Not so at the retail jewellery end. Most of your trading is done in the run-up to Christmas, with kick-ups around Valentine's Day and the March-June wedding season. Yet you have to have your designs ready and your material stocks to hand in the months before. It is expensive and explains the apparently high mark-ups. So the retailers, too, were battered by the downturn. Now the results are coming in. **Signet** (NYSE&LSE:SIG. 2012 GBp; Hi-Lo 2023-757.5 GBp) runs upwards of 1200 retail outlets in the UK and USA. The performance in 42 weeks to 30 January 2010 was not too shabby. Basic EPS was \$1.92 which on a current dollar-translated price of \$13.40 (2012p) puts Signet on a P/E of 7.0. This is its twelve-month high but as we move towards the buying season and with 78% of Signet's sales US-based, it does not seem expensive.

Moving up the food chain, top-shelf jeweller **Tiffany and Co.**, is also upbeat. It forecasts that operating margins could match high-flying 2007 levels. It plans 17 new stores to add to its existing 200 worldwide. It has also benefitted – like Signet – from some of its rivals having fallen on their swords. A trouble spot is Japan (57 stores) where sales are expected to remain weak although according to Forbes, “brand awareness expansion in China is on the horizon.”

Russia's giant producer, **Alrosa**, now claims to have displaced DeBeers as the world's largest diamond producer and the most profitable one. If you've got it, flaunt it, eh? They claim a 2009 production level of 34 million carats, about 20% of total world supply. Now there is a bit of jiggery-pokery here. In the downturn 2008-09, it seems they continued at full production whilst the State Stockpile Agency Gokhran picked up half of it all. What remains undefined, following the shake-out, is the true level of stocks around the world.

Firestone Diamonds. This company does not stand still. Unlike the development time for most kimberlites, which can be up to ten years, it tells us it will be in full production at its BK11 mine in Botswana later 2009, only three years in. Now that is more like it. They speak of the open pit grading 10cpht at an average value of \$157 per carat. This is a sound project in a sound country. Firestone remains on our buy list.

Obtala Resources (AIM:OBT 28.25p; Hi-Lo 29-11p). We have been bullish on Obtala. Not least for astutely picking up a near takeover position in **Kopane**, the Lesotho-based diamond miner. But its foray into Sierra Leone, same gemstone, does not necessarily signal a buy. We admire Sierra Leone, too, for its recovery from endemic civil war and having kick-started the Kimberley Process. But these are early days. Tread lightly. Obtala is about to clean up the artisanal mining problem single-handedly. It will embrace the artisanals, give them a proper deal, make itself persona grata with everybody from the UN to the Big Issue salespeople via the World Council of Churches? Won't happen. It will be impossible to control safety, the use of child labour, thieving, violence, itinerant traders in an artisanal scheme. According to local press, the

Kono district has a long history of artisanal mining activities and violence. 60% of artisanal diamond mining activities in the country occur there, yet it remains amongst the poorest and most under-developed parts of Sierra Leone. The Chairman of the local District Council notes that mining companies are destroying the land – once a breadbasket for the country – without putting any mechanism in place to reclaim the land, create employment opportunities or undertake corporate social responsibility. How can they say this when Obtala has promised to sponsor a football academy? Let's stop. As Gem Diamonds and African Diamonds and Petra and BHPB... learnt to their cost, ring fence your risk. Obtala's Lesotho mine is a good thing and that is what its shareholders are in there for. Do they want to see their earnings risked on a football field? It will not be a level one, we promise you that.

Pointers for the week...and beyond

Monday 29 March:	Sentencing of the Rio Four UK GDP q/q
Tuesday 30 March:	Kazakhmys Final Results
Thursday 1 April:	US Unemployment Claims
Friday 2 April:	UK and US Bank Holiday

The Watchtower

The Rio Four. Bit of a damp squib was it not? "All right, gov, it's a fair cop," they said as their opening – and only – shot at their bribery trial in Beijing. Now as it was all in secret we really do not know what went into that. Neither, in all probability, shall we. They will be sentenced this week. It has the hallmarks of plea-bargaining, smacked bottles and don't do it again. The writing was on the wall a couple of weeks ago when Rio's CEO, Mr Albanese, said the trial would make no difference to his company's relationship with China, which accounts for 25% of Rio's takings. You have to admire a man who knows where his priorities lie, don't you? Scan the next Annual Report and you will almost certainly find a line about employee value. Just a thought: for every bribee, there is a briber. Do we hear it for the donors? What has happened to them? Rio went up over 5% on the week. Gosh.

Guinea. You ignore the big west African country that boasts a long coastline, navigable river systems, much bauxite, iron ore and diamonds at your cost. The problem, apart from rain and mosquitoes, is that nobody is really sure who is running the shop right now. The country houses the second-largest bauxite resources in the world but has picked a fight with giant RUSAL, the world's largest aluminium producer which is well entrenched there. This did not stop Chinalco jumping in with a mixture of loans for guaranteed mineral offtake which is becoming its hallmark. Chinalco is also talking to its close friend, Rio, about a major iron ore J/V there. We speak of a \$12 billion project at Simandou. Poker chips. But currently, it sits 95% Rio and 5% IFC.

Shares...and Currencies to Watch

The **US Dollar** continues to have it. Young Obama is on a roll. He tucked his health care bill away nicely and followed up by showing the Israelis (their President, no less) not to step outside the boundaries. It is good to see a forceful leader in action. The **Pound** only slid a cent or so, but it is the direction which counts. It might be followed by the momentum. A blatantly pre-election budget fooled nobody. We possibly have six weeks to go before we tick our boxes and nothing suggests a bounce. Not even a moribund feline one. The **Euro**, meanwhile, stands little chance whilst the Greeks remain in the lap-dancing club. The only serious money in Euroland belongs to the Germans and a bit to the French. They are not going to let the Athenians off the hook. Would you? OK, the prodigal son was welcomed home, but he did not get his pocket money back. There is a safety net, but it will come at a price and will serve as a warning to the other PIIGS that future lunches have to be paid for. Indicatively, US short-treasury bonds are strengthening. The Fed is getting tougher.

- **Firestone Diamonds (See Gemstones). Buy.**
- **Nyota Minerals (See Small Caps). Add.**
- **Petra Diamonds. Undervalued on most counts. Add.**
- **Signet Jewellers (See Gemstones). Buy.**
- **Extract Resources (See Energy Minerals). Buy.**
- **Kalahari Minerals (See Energy Minerals). Buy.**
- **ENRC (See Major Caps). Buy.**

David Hargreaves



27 March 2010

Disclosures

WH Ireland Recommendation Definitions

Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

Stock Rating Distribution

As at the quarter ending 31 December 2009 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	18	22%	4
Speculative Buy	4	5%	4
Outperform	18	22%	1
Market Perform	26	33%	3
Underperform	14	18%	0
Sell	0	0%	0
Total	80	100%	12

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

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This research is classified as being "non-independent" as defined by the FSA's Conduct of Business Rule 12.3. Please refer to www.wh-ireland.co.uk for a summary of our conflict of interest policy.

Analyst Certification

The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer. Furthermore, no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report.

This report has been prepared by David Hargreaves. It is peer reviewed by the mining team and the Head of Institutional Research as Approved Persons by the FSA.

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