Charltons - Natural Resources Newsletter - 18 June 2014

[online version](http://www.charltonslaw.com/china-print-power-group-acquires-natural-gas-provision-project-in-liaoning/)

# Natural Resources Issue 13

## Baosteel faces competition in bid for Aquila Resources

Baosteel Resources Australia Ltd (**Baosteel**) has announced they will not improve their US$1.3 billion takeover bid for Australian explorer Aquila Resources Ltd (**Aquila**) after Australian miner Mineral Resources Ltd acquired 49 million additional shares in Aquila to take its stake to 12%. Baosteel and its Australian partner Aurizon Holdings Ltd have been seeking to acquire a 50% stake in Aquila’s stalled AUS$7 billion West Pilbara Iron Ore (**WPIO**) rail and port project and a coal mine in Queensland. The WPIO resource is estimated to be approximately 2 billion metric tons. The offer was made on 5 May 2014 and is set to close on 11 July 2014.

(Source: [www.mining.com](http://www.mining.com) 11 June 2014 and The Australian 13 June 2014)

## Sinopec and FTSI to form joint venture to tap China’s unconventional resources

The China Petroleum and Chemical Corporation (**Sinopec**) and FTS International (**FTSI**) have entered into a 15-year joint venture agreement to develop unconventional resources in China. The joint venture company - SinoFTS Petroleum Services Ltd (**SinoFTS**) - is based in Beijing and is the first oil field services collaboration of its kind between a non-Chinese well completion company and a Chinese national oil company. FTSI will provide Sinopec with advice on hydraulic fracturing, along with equipment. Sinopec hold a 55% share in SinoFTS with FTSI holding the remainder. SinoFTS will serve both Sinopec and other exploration and production companies throughout China. The US Energy Information Administration estimates that China has 145 trillion cu m of recoverable shale gas resources in the Sichuan and Tarim basins.

(Source: [www.ogj.com](http://www.ogj.com) 11 June 2014)

## China Print Power Group Limited acquires natural gas provision project in Liaoning province, China

Hong Kong listed China Print Power Group Limited (**CPPG**) has announced it has entered into a Share Sales and Purchase Agreement to acquire approximately a 90% interest in a natural gas provision project in China’s Liaoning province for approximately HK$515 million. HK$17 million of the total consideration will be paid in cash with the remaining HK$498 million to be settled by the issuance of convertible note.

CPPG will acquire an exclusive franchise to supply natural gas, including liquefied and compressed natural gas to the Xihu District of Benxi City in Liaoning province for a term of 30 years, commencing on 30 March 2012.

(Source: [www.youroilandgasnews.com](http://www.youroilandgasnews.com), 8 May 2104)

## Mining investment in Australia falls again as boom fades

Expectations for Australia’s economic growth have slumped to a three-year low, on the back of a falloff in mining investments according to the Bureau of Resources and Energy Economics (**BREE**). The BREE estimates the value of committed investments by the end of last May 2014 at US$212.1 billion (AUS$229), down from US$248 billion (AUS$268) at the end of May 2013. Only 21 investment projects worth a combined US$24bn (AUS$ 26bn) have completed since October 2013.

Australia is now moving into the ‘output’ phase of its investment cycle. This period will see significant increases in production and exports of iron ore and coal to Asia and other markets. However the increased supply of commodities may push down global prices. According to the BREE only eight projects worth a combined US$11.9 billion (AUS$12.8bn) progressed to the commitment stage in the six months to the end of April 2014.

(Source: [www.mining.com](http://www.mining.com) 28 May 2014)

## Austral Gold acquires controlling stake in underground mining contractor Humberto Reyes Arriendo de Maquinarias

ASX listed Austral Gold Limited (**Austral Gold**) has acquired a controlling stake in Chilean underground mining contractor Humberto Reyes Arriendo de Maquinarias (**Humberto**). Operating through its subsidiary, the Guanaco Mining Company Ltd (**Guanaco**), Austral Gold has acquired a 51% holding in Humberto for approximately US$2.7 million with an option to acquire the remaining 49% in two and half years at a price to be agreed upon. Humberto has been contracted by Guanaco since 2011.

(Source: [www.miningaustralia.com.au](http://www.miningaustralia.com.au) 3 June 2014)

## Fortescue to expand customer base beyond China

Australia’s third biggest iron ore miner Fortescue Metals Group (**Fortescue**) is expanding its customer base beyond China as concerns over the use of commodities as collateral for loans in the Asian giant has sparked recent price volatility. ASX listed Fortescue has now started to supply customers in South Korea, and intends to test Japan and other Asian markets next.

The price of Fortescue shares has fallen over 20% over the past twelve months, a drop with approximates to the fall in global iron ore spot prices. Speaking at a recent industry conference Fortescue’s CEO Mr. Nev Power said he expected the current volatility in iron ore prices to blow over soon and that there already are some positive signs, such as the joint US$1billon bid by China’s Baosteel Group and Aurizon Holdings Limited for Aquila Resources Limited, which he considers a vote of confidence in the Australian mining industry and the iron ore market.

(Source: [www.mining.com](http://www.mining.com) 7 May 2014)

## LME to offer replacement for London silver benchmark process

The 117-year-old London silver price benchmark system - or ‘fix’ - previously operated by London Silver Market Fixing Limited, will close on 14 August 2014.

The London Metal Exchange (**LME**) has announced it will offer three alternatives processes for silver benchmarking including an enhanced telephone-based process and an option for open-outcry price setting.

The LME, a subsidiary of the Hong Kong Exchanges and Clearing Ltd, has proposed alternatives to the telephone-based system. The LME has stated that their alternative solutions would provide for enhanced auditing and compliance. A ring-based solution is favoured by the silver industry participants, whereas an electronic auction-based system is favoured by silver traders. According to the LME it would be difficult to establish an electronic auction based system by 15 August. Instead the LME proposes to expand its existing electronic platform LME Select to include silver. One of a combination of the LME Select system, the telephone-based process and an option for open-outcry price setting would be used to set silver prices.

The fix is set each day at 12:00pm by HSBC, Deutsche Bank and Scotiabank. The move to disband the silver fix came after Deutsche Bank, a member of the gold and silver fix for two decades, failed to attract a buyer after putting its seats up for sale in January.

The LME and the Chicago Mercantile Exchange are working with eight other companies interested in administering the silver price benchmark. The London Bullion Market Association will decide upon which proposal is to be adopted.

(Source: [www.reuteurs.com](http://www.reuteurs.com) 16 June 2014)

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