

# CHARLTONS

SOLICITORS



Natural Resources

March 2014

## GLENCORE IN TALKS ON RUSSNEFT DEBT-FOR EQUITY DEAL

Glencore Xstrata PLC (**Glencore**) is in talks to convert US\$900m of debt in Russian oil producer RussNeft OAO NK (**RussNeft**) into an equity stake of approximately 20%. If the proposed conversion proceeds it will make Glencore one of the largest foreign shareholders in the Russian oil industry. The deal which is subject to the finalisation of due diligence and valuation could complete by the end of 2014. RussNeft, which is owned by Mikhail Gutseriyev, is one of Russia's largest oil producers. Glencore is RussNeft's largest customer purchasing oil under a 20-year off-take agreement. (Source: [www.ft.com](http://www.ft.com) 4 March 2014)

## EXXONMOBIL OUTLINES 2014 PRODUCTION PLANS

ExxonMobil Corp. (**Exxon's**) has announced it expects to start production at 10 major projects in 2014. Exxon expect capital spending to decline to US\$39.8 billion in 2014 from a peak of US\$42.5 billion in 2013. Last year Exxon replaced more than 100% of production and added proved oil and gas reserves totalling 1.6 billion barrels of oil equivalent, including a 153% replacement ratio for crude oil and other liquids. By the end of 2013 Exxon's proven reserves totalled 25.2 billion barrels of oil equivalent. In 2014 Exxon will become involved in the development of the largest offshore oil and gas platform in Russia, heavy oil expansion in Canada, in deep-water activities in the Gulf of Mexico, and a LNG project in Papua New Guinea. (Source: [www.ogj.com](http://www.ogj.com) 5 March 2014)

## LOYZ ENERGY TO BUY STAKE IN THAI LICENSES

Singapore's Loyz Energy Ltd (**Loyz**) has agreed to purchase a 20% interest in three onshore licence areas in Thailand from Carnarvon Thailand Ltd. (**Carnarvon**), a subsidiary of Carnarvon Petroleum Ltd., Perth, which currently holds a 40% interest in the three production licences SW1, L44/43, and L33/43 which are located approximately 300 km north of Bangkok. Field operators ECO Orient Energy (Thailand) Ltd (**ECO Orient**) and ECO Orient Resources (Thailand) Ltd plan to boost production to 3,000 barrels of oil a day by the end of June 2014 and 5,000 b/d by the end of December 2014. So far this year ECO Orient has drilled three wells in a 15 well program. According to a December 2012 assessment by Chapman Petroleum Engineering Ltd the licence areas contain proved and probable reserves of 29.3 million barrels of oil. In 2013, Carnarvon drilled eight development wells across all three the areas, commenced water injection at L33/43 licence, and acquired 100 sq. km of 3D seismic data. ECO Orient acquired its 60% interest in the concessions in 2012 from Canadian company Pan Orient Energy Corp. (Source: [www.ogj.com](http://www.ogj.com) 5 March 2014)



## LME WIDENS DIRECT ACCESS TO MARKET DATA

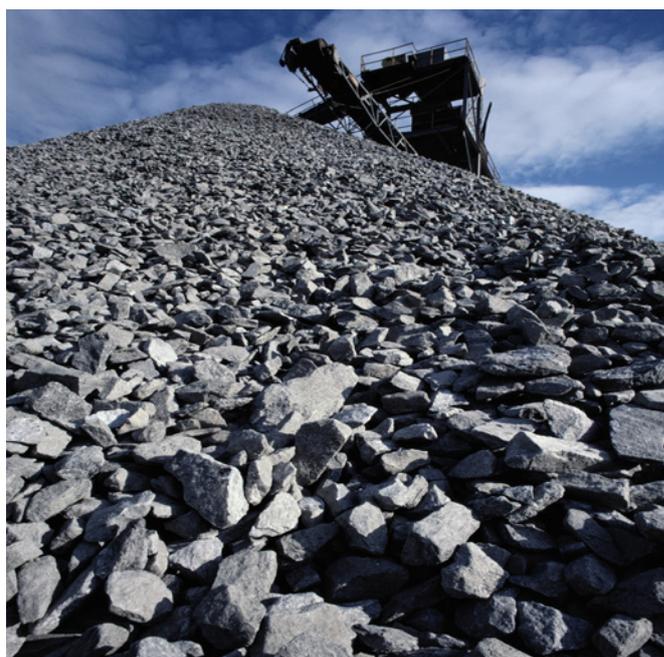
From 24 March 2014 the London Metal Exchange (**LME**) will allow members to obtain market data directly from its electronic trading platform, LMEselect. LMEselect is the LME's electronic platform for the trading of all LME contracts. Until now clients have accessed LMEselect via member systems or member-sponsored ISV platforms. Market participants will be able to connect to LMEselect directly to receive a data-only feed. The new policy is of particular interest to members' clients pursuing an algorithmic trading strategy, as they can now trade with the benefit of lower-latency data access. The move is expected to encourage greater participation by such clients on LMEselect, which the LME believes could contribute further volume and liquidity to the platform. There will be no additional connection or distribution charges for LME member clients accessing the data directly. Orders placed by clients would still be required to pass through approved ISVs or LME member infrastructure before connecting to LMEselect. (Source [www.lme.com](http://www.lme.com) 17 February 2014)

## AUSTRALIAN MRRT NOT MEETING EXPECTED REVENUES

Only AUS\$232 million has been raised via the Australian Mineral Resource Rent Tax (**MRRT**) so far in this Australian financial year ending 30 June 2014, a huge deficit on the expected revenues of AUS\$4 billion originally forecast when the tax was introduced in 2011. The low tax take came in a year when Australia's three major miners BHP, Rio Tinto and Fortescue Metals Group made a total half-year profit of more than US\$14.58 billion from their West Australian iron ore operations. The low tax take is in part due to concessions which allow miners to deduct the market value of existing assets over many years instead of subtracting the book value over five years. This means that large investments made at a time when commodity prices were at their peak can be used to offset their liabilities. Generous tax credits can also be availed of. Rio Tinto and BHP accrued approximately AUS\$1.7 billion in tax credits up until the beginning of March 2013. Through the use of tax credits miners can offset the MRRT without affecting the levels of company tax they pay. The MRRT has raised around \$400 million since its introduction. The current Australian Government is expected to call for the abolition of the MRRT when the new Senate comes into term after 1 July 2014. (Source: [www.miningaustralia.com.au](http://www.miningaustralia.com.au) 10 March 2014)

## BARRICK GOLD TO SELL 13.5% OF AFRICAN HOLDING

The Barrick Gold Corporation (**Barrick**) has announced plans to divest itself of its 13.5% stake in London listed African Barrick Gold PLC (**ABG**). Barrick said that the placement will be conducted through an accelerated bookbuild offering process beginning immediately. UBS, J.P. Morgan Securities and RBC Europe are joint bookrunners. The placement will comprise of approximately 41.0 million ABG ordinary shares, representing approximately 10.0% of the issued ordinary share capital of ABG. ABG which was established in 2000 when Barrick began operations in Tanzania and has resources of about 32 million gold ounces. (Source [www.mining.com](http://www.mining.com) 10 March 2014)



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