

# CHARLTONS

SOLICITORS



Natural Resources

January 2015

## CHINA SCRAPS DECADE-OLD RARE EARTHS EXPORT QUOTAS

On 31 December 2014 the Chinese Ministry of Commerce announced details of its plan to replace the controversial quota system regulating the export of rare earths with a new resources tax. In August 2014, the World Trade Organisation (WTO) found the quota system to be inconsistent with China's WTO obligations. In 2009 Beijing imposed restrictions on the exportation of seventeen rare earth minerals crucial to the manufacture of a wide range of high tech devices, from smart phones to electric cars. In March 2012 the U.S. backed by Brazil, Canada, Japan, Argentina, Russia, Australia, and all members of the European Union among other countries, issued a formal complaint to the WTO about the quota system. It is estimated that China is responsible for approximately 93% of global rare earth production. Under the proposed new guidelines, China-based rare earth producers will still be required to obtain an export licence but will no longer have their international sales capped.

(Source:<http://www.mining.com/china-scraps-decade-old-rare-earths-export-quotas-44322/>; 6 January 2015)

## BITGOLD GOLD-EXCHANGE RAISES US\$3.5 MILLION IN FINANCING

In a recent round of financing Toronto-based BitGold Inc. (BitGold), a gold exchange company that facilitates bitcoin transactions, has successfully raised approximately US\$3.5 million. Investors include PortVesta Holdings, Soros Brothers Investments LLC, PowerOne Capital Markets Ltd, and Sandstorm Gold Ltd. BitGold allows exchange members to buy, sell and pay for the storage of gold using bitcoins.

The company utilises 'blockchain' technology, which allows for the "decentralized record confirmation and global value transfer." According to BitGold CEO Roy Sebag, the flexibility of BitGold's platform "allows gold to be a core savings account coupled with digital currency for seamless global payments, or as a natural-world storage and safety valve for an inevitable internet of money." Conventional gold-exchanges require gold to be safely vaulted and stored, making it extremely difficult to spend, especially in micro-transactions. BitGold believes they have solved this problem by developing a platform that is part gold exchange, part payments technology and part custodian, resulting in a powerful user experience that advances gold from a physical element to an instantly accessible unit of account and store of value for the internet, an operating system for gold."

(Source:<http://www.mining.com/bitgold-raises-3-5-million-from-soros-brothers-sandstorm-gold-89051/>; 5 January 2015)

## CATERPILLAR STOCK FALLS FOLLOWING DOWNGRADE BY JPMORGAN

Shares of Caterpillar Inc. (Caterpillar), the world's largest maker of mining and construction equipment, fell almost 6% in the aftermath of a downgrade by JPMorgan on Monday 5 January 2015. JPMorgan cited concerns about Caterpillar's direct exposure to the global oil and gas industry, indirect exposure to mining, U.S. construction and emerging markets as a reason for the downgrade. Analysts at JPMorgan have suggested that as much as 15% of Caterpillar's revenues are derived from the oil and gas industry. Caterpillar supplies turbines to offshore rigs, as well as reciprocating engines and transmissions for on-site drilling and also provides construction

equipment that is used in infrastructure development, along with aftermarket services. The downgrade came barely two weeks after Caterpillar chief executive officer Mr. Doug Oberhelman said he didn't expect any significant impact on the firm's businesses from depressed oil prices.

(Source: <http://www.mining.com/caterpillar-stock-nosedives-on-jpmorgan-downgrade-52189/>; 5 January 2015)

## LME ANNOUNCES SUCCESSFUL LAUNCH OF LBMA PLATINUM AND PALLADIUM PRICES

The London Metal Exchange (**LME**) has successfully launched LMEbullion, a new custom-built electronic solution to provide reference prices for the platinum and palladium markets. The initiative is being undertaken in cooperation with The London Bullion Market Association (**LBMA**), an international trade association, representing the London market for gold and silver bullion that has a global client base. The LBMA took over responsibility for platinum and palladium from the London Platinum and Palladium Fixing Company Ltd. The LBMA began relying on LMEbullion to provide platinum and palladium prices on 1 December 2014. LMEbullion provides a fully automated price-discovery process, holding two daily auctions at 9.45am and 2:00pm. Authorised traders participate through a secure web interface; where they can view the auction price and each submit their interest until a final price is set. LMEbullion also has a public web presence, providing near real-time auction commentary and anonymised buy/sell figures.

(Source: <https://www.lme.com/news-and-events/press-releases/press-releases/2014/12/lme-announces-successful-launch-of-lbma-platinum-and-palladium-prices/>; 4 December 2014)

## CNOOC MAKES ANOTHER GAS DISCOVERY IN QIONGDONGNAN BASIN

The China National Offshore Oil Corporation Ltd (**CNOOC**) has reported making a natural gas discovery within its Lingshui 25-1-1 exploration area at a well drilled in the northeast part of Ledong Sag in the Qiongdongnan basin of the South China Sea. Average water depth is about 980 meters. According to CNOOC, the well was drilled and completed at a depth of 4,000 m and encountered an oil and gas pay zone with a total thickness of 73 meters. During testing, the well returned rates

of 35.6 MMcfd of gas and 395 b/d of oil. The discovery follows the Lingshui 17-2 discovery in the same basin in first-quarter 2014.

(Source: <http://www.ogj.com/articles/2015/01/cnooc-makes-another-gas-discovery-in-qiongdongnan-basin.html>; 1 January 2015)

## CHEVRON DISCOVERS NEW OIL IN DEEPWATER GULF

Chevron Corp. has announced the discovery of oil in its Gulf of Mexico Anchor well and will begin appraisal drilling in the coming months. This is Chevron's second discovery in the deepwater Gulf in less than a year. Chevron senior vice president Jay Johnson described the discovery as a "significant find". Chevron currently has five deep-water drillships in the Gulf, two of which are focused on exploring potential sources of new oil. Giant oil projects--spearheaded by Chevron, as well as Hess Corp. and Exxon Mobil Corp.-have been returning to the Gulf, almost five years since the Deepwater Horizon oil spill. Oil companies have been drilling farther from shore and in deeper waters, leading to increased localised exploration and production costs.

(Source: <http://www.marketwatch.com/story/chevron-discovers-new-oil-in-deepwater-gulf-2015-01-06-91033350>; 6 January 2015)

## FALL IN OIL PRICES PROMPTS WAVE OF MERGERS AMONG AUSTRALIAN JUNIORS

Low crude oil prices have prompted a wave of merger activity in the junior end of the Australian oil and gas sector.

New South Wales (**NSW**) coal seam gas explorer Metgasco Ltd (**Metgasco**) has announced that it plans to merge with Elk Petroleum Ltd (**Elk**). Metgasco will provide Elk with a US\$2.5 million short-term loan to cover Elk's immediate funding needs. It is offering 0.6727 of its own shares for each Elk share, and will assume a US\$12 million limited recourse finance facility held by Elk if the deal proceeds. The merger would result in a US\$25-million company with a broad portfolio of assets, including both Metgasco's coal seam gas and conventional gas in NSW and Elk's oil venture in the Rocky Mountain region of the United States.

Australian listed (**ASX**) Neon Energy Ltd (**Neon**) has announced it has agreed to a revised proportional takeover bid by the Perth-based Evoworld Corporation Pty Ltd (**Evoworld**). Neon rejected an early offer made by Evoworld on 17 September 2014. Under the terms of the revised offer, Evoworld will bid AUS3.8¢ a share for half of interests held by Neon's shareholders.

The AIM listed Mosman Oil and Gas Ltd (**Mosman**) is to proceed with its proposal to acquire 100% of the fully paid ordinary shares in the issued capital of the ASX listed MEO Australia Ltd (**MEO**). Mosman intends to offer the MEO shareholders 1 AIM traded fully paid ordinary share in Mosman for every 20 ASX listed fully paid ordinary shares in MEO

(Source:<http://www.smh.com.au/business/oil-slump-spurs-merger-wave-among-juniors-20141222-12c1x8.html#ixzz3ODppmakw>; 22 December 2014)

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