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Natural Resources

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FORTESCUE'S SCRAP DEBT REFINANCING PLANS DUE TO FALL IN GLOBAL COMMODITY PRICES

The Fortescue Metals Group Ltd (**FMG**), the world's fourth-biggest exporter of iron ore, has been forced to scrap a bid to borrow US\$2.5 billion (AUS\$3.2 billion) as part of a plan to refinance part of its existing debt. FMG's shares fell 5.3% to AUS\$1.865 in Sydney on 18 March 2015, the lowest close since January 2009, after it announced that the sale had been postponed, citing volatile US credit markets and a failure to achieve the terms it wanted. According to Chief Executive Officer Mr. Nev Power, "Debt capital markets were not favourable at this time and as a result we think it is a disciplined and prudent decision to defer the voluntary refinancing at this stage." Trace pricing indicated that the yield on FMG's existing unsecured 2022 notes was 10.16% above US Treasuries on Tuesday 17 March 2015. The spread slipped back to 10.05% in New York by midmorning trade on Wednesday 18 March 2015 as the bonds were quoted at 75.8 cents on the dollar to yield 12.08%. FMG's existing US\$4.9 billion term loan maturing in 2019 fell to about US\$.90 cents on the dollar from US\$0.91 on 16 March 2015 and US\$0.96 on 5 March 2015 when the miner announced refinancing plans. The delay came as the price of high grade iron ore (with an iron content of +62%) fell by 2.6% to US\$55.48 a tonne on 18 March 2015. (Source: <http://www.smh.com.au/business/mining-and-resources/fortescues-pulled-bond-is-canary-in-our-mined-riven-economy-20150319-1m2rjy.html>, 18 March 2015)

DRILLING COMMENCES AT INTERRA RESOURCES' CHAUK FIELD IN MYANMAR

The Singapore-based oil and gas exploration firm Interra Resources Ltd (**Interra**) has announced that, Gold Petrol Joint Operating Company Inc. (**Gold Petrol**), has commenced drilling at development well CHK1197 in the Chauk oil field in Myanmar. Interra has a 60% interest in an improved petroleum recovery contract in the Chauk field and also owns 60% of Gold Petrol. CHK1197 is the first well drilled in Myanmar in 2015 and the eighth well drilled by Gold Petrol in a continuation of the successful development programme of directional drilling beneath the Ayeyarwaddy River from the east bank in northern Chauk field. CHK1197 will be the northern-most development well to be drilled in the Chauk field from the east bank and will attain a high angle of deviation reaching an expected maximum of 56 degrees. The primary objective of the current drilling programme is to accelerate production from the oil reservoirs that produce from offset wells. (Source: <http://www.mmbiztoday.com/articles/interra-spuds-chk1197-development-well-chauk-oil-field>, 10 March 2015)

HKEX, LME AND BORSA ISTANBUL AGREE PARTNERSHIP

The London Metal Exchange (**LME**) and Borsa İstanbul A.S. (**Borsa**) are entering into two agreements under which (i) Borsa will acquire the LME's stake in clearing house LCH Clearnet, and (ii) Borsa, the LME and the LME's parent company Hong Kong Exchanges and Clearing Limited (**HKEx**) will partner on the dissemination of market data. Under the terms of the agreements, the LME will license LME steel billet settlement data to Borsa, and will work with the Turkish exchange to develop future products and services for the steel

market. Bursa will also have the right to disseminate real-time pricing data from the LME and HKEx. On the closing of this transaction, the LME will have disposed of its entire remaining stake in its former clearing provider, LCH Clearnet. (Source: <https://www.lme.com/en-gb/news-and-events/press-releases/press-releases/2015/03/hkex-lme-and-borsa-istanbul-agree-partnership/>, 18 March 2018)

MYANMAR MINISTRY OF ENERGY AND PAKISTAN'S PETROLEUM EXPLORATION LTD RECOMMENCE DELAYED ONSHORE PSC NEGOTIATIONS

The Myanmar Ministry of Energy (**MOE**) has recommenced delayed negotiations in relation to two onshore exploration blocks which were part of an onshore exploration and development tender offered to international oil and gas companies in 2013 (**2013 Onshore Bidding Round**). The MOE has already entered into petroleum sharing contracts (**PSC**) in relation to 16 of the 18 blocks that were part of 2013 Onshore Bidding Round. Exploration and development rights to the two remaining blocks - Block J located in Mon State and Block O located in Ayeyarwady Region - were awarded to Pakistan's Petroleum Exploration Limited (**PEL**) operating in cooperation with local partners. PEL has entered into partnership with Myanmar companies Parami Energy Ltd (in relation to the development of Block J) and Precious Stone Mining Ltd (Block O). The delay is believed to lie with Islamabad-based PEL although to date no exact reason for the delay has been provided by PEL or the MOE. (Source: <http://www.mmtimes.com/index.php/business/13487-talks-set-for-last-onshore-agreement.html>, 12 March 2015)

CHINESE EMIGRATION ADVISORY COMPANIES EYE AUSTRALIAN MINING ASSETS

Chinese emigration advisory companies are consulting with Australian copper and gold miners in relation to the purchase of Australian copper and gold assets to on-sell to visa hopefuls, often at a hefty premium. Australia offers a 'Significant Investors Visa Programme' (**SIVP**) whereby Chinese citizens and other non-nationals can apply for Australian residency if they invest AUS\$5 million in certain approved classes of assets in Australia. The programme is being reviewed by the federal government after criticism that some of the complying investments were not really benefiting the Australian economy. Investors have the option of investing in Government bonds at

a state or federal level, ASIC-regulated managed funds with a mandate for investing in Australia, and direct investment into private Australian companies. Fund managers have urged the Government to more closely track where the funds go. The available visas, also known as "golden ticket" visas, have been a reliable source of revenue for the current Government. Approximately 90% of visas granted to date have been granted to Chinese nationals. Victoria and New South Wales have attracted the lion's share of investments. In Western Australia, approximately 25% of SIVP applications received so far have proposed to invest in private companies. Of those, only two applicants have proposed to invest in mining businesses. Emigration advisory companies in China are now consulting with Australian copper and gold miners in an attempt to diversify SIVP investment away from property investment which accounts for over 70% of all SIVP investment. (Source: <http://www.smh.com.au/business/mining-and-resources/chinese-golden-ticket-millions-eye-australian-mining-assets-20150318-1m0dre.html>, 17 March 2015)

LONDON'S GOLD PRICE FIX MECHANISM TO BE OVERHAULED

London's near century-old gold fix was replaced on 20 March 2015 by an electronic system run by U.S.- based ICE Benchmark, marking the end of the days traders at four banks used to agree by phone twice-daily prices used by market participants from miners to central banks to deal and value bullion.

According to Ruth Crowell, Chief Executive of the London Bullion Market Association, more firms participating in the establishment of the benchmark will make the US\$18 trillion global market more transparent. China will participate directly in setting the new price fix again making inflows and outflows out of the world's second largest economy, and one of the largest gold buyers, more apparent. The change in the way bullion prices are set was triggered mainly by Deutsche Bank's decision to withdraw from precious metals benchmarks last year. The move left Societe Generale SA, Bank of Nova Scotia, HSCB Holdings Plc and Barclays Plc to set gold prices. (Source: <http://www.mining.com/gold-market-waves-near-century-old-price-fix-good-bye/>, 18 March 2015)

SOUTHGOBI ANNOUNCES THE SUCCESSFUL COMPLETION OF INITIAL TRANCHE IN THE US\$3.5 MILLION PRIVATE PLACEMENT

Dual Toronto and Hong Kong listed SouthGobi Resources Ltd (**SouthGobi**) has announced the closing of the initial tranche of a two-tranche private placement with Novel Sunrise Investments Ltd (**Novel Sunrise**). The initial tranche closing consisted of the issuance of 10,131,113 mandatory convertible units of SouthGobi (**Mandatory Convertible Units**) to Novel Sunrise for US\$3.5 million. The private placement was approved by the Toronto Stock Exchange (**TSX**) pursuant to the financial hardship provisions of the TSX Company Manual on 2 March 2015 and the TSX has informed SouthGobi that it has been placed on remedial delisting review. The closing of the initial tranche was completed pursuant to the terms of a private placement agreement entered into between SouthGobi and Novel Sunrise on 24 February 2015. On 24 February 2015, Novel Sunrise also entered into a Sale and Purchase Agreement (**Novel SPA**) with Turquoise Hill Resources Ltd. (**Turquoise Hill**), SouthGobi's largest shareholder, to purchase 48,705,155 ordinary shares in SouthGobi currently held by Turquoise Hill subject to applicable regulatory approvals and other customary conditions. Upon closing of the Novel SPA, the private placement agreement provides for a further subscription by Novel Sunrise of up to 11,618,887 ordinary shares for additional gross proceeds of approximately US\$4.0 million on or before 10 April 2015 (being 45 days from the date of the private placement agreement), subject to regulatory approvals and other customary closing conditions.

A delisting review is customary practice under TSX policies when a listed company relies on the financial hardship exemption. SouthGobi has 90 days to comply with all requirements of the TSX for continued listing and a meeting of the TSX Continued Listing Committee to consider this matter has been scheduled for 19 May 2015. SouthGobi believes the proceeds of the private placement will allow it to meet its short term financing needs and that it will be compliant with the continued listing requirements of the TSX within the 90 day compliance period following full completion of the private placement; however, no assurance can be provided as to the outcome of the remedial delisting review and SouthGobi may become subject to delisting from the TSX. Novel Sunrise, together with its affiliated companies in China, is a leading private enterprise in the real estate, logistics and supply chain management industries. In this connection, Novel Sunrise has agreed to assist SouthGobi in the implementation of a funding plan intended to improve SouthGobi's cash flow and support its business strategy and operations in a difficult market, with

the goal of positioning SouthGobi with a strong future as a coal producer. The proposed plan includes introducing potential customers in China to SouthGobi to allow it to expand its customer base further inland in China, and helping it to secure longer-term coal offtake arrangements, thereby allowing it to ramp up production to capacity. Novel Sunrise has also advised SouthGobi that as part of the financing plan it intends to help SouthGobi establish relationships with commercial banks in China and Hong Kong to help it secure short term bridge loans, trading credit facilities and other types of financing. (Source: <http://www.southgobi.com/i/pdf/hke/HKEx-SouthGobi-announces-initial-tranche-closing-e.pdf>, 3 March 2015)

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