

**“Welcome to the United States, Prime Minister. May I call you Dave?”**

**“Yes. Of course. Whatever you say.”**

“You may call me ‘Mr President’. By the way, I hadn’t realised we both have the same type of schooling – you went to Eton and I went to Punahou Academy. We call it the Eton of Hawaii. Now, I’ve given you three hours, is that OK? Just to put it into perspective, that’s two hours longer than I gave your predecessor, and as much as Sarkozy, Berlusconi and the unpronounceable Russian, put together. Plus, you get the Oval Office. I kept them waiting in the rose garden.

“Forget what I said to Sarkozy, that “France is our oldest ally, and one of the closest. We’ve never been closer” – oops, that’s what I meant to say about the UK. And I haven’t seen Berlusconi for over a year – kept the women locked away for that meeting. And that Russian, the one with the unpronounceable name – I think I still have the notes from the meeting a few weeks back – you know where we went to the US Chamber of Commerce to talk about common trade in aerospace, automotives, finance and technology – no conflict there, is there?

“Forget all that. This is what the special relationship means to me, Gordon – sorry – Dave, is it? Now draw up a chair and let’s start. No, not that chair, that’s for Bo, the dog, and she gets quite touchy if anyone pulls rank. But back to business. I’ve prepared a few bullet points:

- After the USA in general, our undisputed domination of the world in all respects
- Our hundred-to-one nuclear overkill
- Everybody else being stuffed with paper dollars and no plughole.

“We can breeze over that. I want to tell you something, Dave, about how we respect the special relationship soooo much. Now there are some who say that our leverage over you is such that when I say ‘jump’, you say, ‘how high?’ – that’s just not true. You proved that by sending your armed forces into all the areas we bombed, in the same population-ratio to ours. You let us run the show and you let your boys be killed in a slightly greater proportion. Damn sporting of you, Dave. But let’s cut to the quick. Let’s play to our strengths.

You have had 150 years in Afghanistan and know how to lose. Stay in there. You once ran Iraq, didn’t you? We bow to your experience as long as we can keep running the show. Then Africa. You have had a toe-hold since Sir Frances Drake watered there about 1580. Most of us Americans don’t really know where that is, except for Kenya, where my dad is from. But the Senate Armed Services Sub-Committee tells me that whilst we fully support you on sanctions against, what’s it called, Zimbabwe, there’s a teensey problem. I know Hillary talks about a boycott of their diamonds, but it seems they have some chromium, lithium and platinum we can’t do without and can’t seem to get it from anyplace else. Blind eye, OK, Dave? Good man.

“Now, is there anything else? Oh yes, extradition. Now when we decide, after full deliberation, to drag a suspect from his refugee hellhole, give him a fair trial, then hang, shoot or lethally inject him, that’s OK, isn’t it? Better than stoning, eh? I knew you’d understand.

“Finally, David my boy, just a tinkle on the ivories about the exchange rate. You are pushing 1.54 and, frankly, we don’t like it. A strong dollar is a strong collar as we say in the dog breeding business. Gosh, is it that time? Must take Bo for a walk. By the way, I didn’t really mean it when I said to call me Mr President. ‘Sir’ will suffice.”

## Exchange Traded Metals

We are well into the summertime blues period which for the northern hemisphere will last into September. That prices are holding is a tribute to longer term pundits, promotional producers, congregational faith in the market, analysts’ aspirations or, perhaps, a combination.

**Aluminium** needs all the help it can get. It has languished at \$1450-1900 per tonne for almost two years whilst LME stocks alone are a major overhang at 4.4Mt. The largest producer, **UCRusal** of Russia is going for \$2400/2700 in 2011 despite predicting a 500k-700k global surplus this year. Current spot price of \$2000/t works in the metal’s favour. Little new capacity will be tempted to come on stream at the refinery end, whilst recent low price levels could push the metal into a serious competitive advantage with steel and tinsplate in selected parts of the packaging, automobile and white goods markets. At the manufacturing end, such switches are onerous.

**Alcoa**, the largest US producer, is also upbeat. Its Q2 2010 earnings were positive 13 cents per share, compared with negative 47 cents per share in like 2009. The analyst’s consensus had been 11 cents. The company’s comments on the

global industry are worthy of note: “we will have a seasonal decline, but order books, even in Europe (that’s patronising?) look very good.” Alcoa raises its projected world consumption (2010-2009) by 10-12%. Alcoa shares (AA:NYSE US\$10.41; Hi-Lo \$17.60-9.81) rose.

**Copper** ever the bellwether, stayed within strict tramlines, \$6500-6900 per tonne in the past three months. We have had Chilean earthquakes and Zambia and Australia flirting with obsessive levels of taxation. Last week’s close of \$6645 was set against near record production in Zambia and Xstrata approving a \$1.47bn Cu project in Peru. Also shaping up (albeit via a scrap between Rio Tinto and Ivanhoe) is the potentially world-beating Oyu Tolgoi deposit in Mongolia. Against this the majors are warning of looming shortages. They cite supply limits at major established mines, China’s appetite and new end uses. SOTBO award goes to the spokesman from Freeport at a New York conference who warned that grades had fallen 26% on average in the past two decades. Now when demand increases heftily and prices follow suit, you do tend to mine lower grades. Never mind. LME stocks are just at tolerable levels and Macquarie Bank, no less, says 2011 shortages will be the biggest since 2004. Don’t go short for long.

**Nickel** still suffers the overhang of low prices, high stocks, sluggish demand and, as reported last week, the settlement of the year-long Canadian miners disputes; thus more metal on the market. Adding to this could be the development of one of the largest Greenfield Ni projects, **PT Weda Bay** in Indonesia. The deposit is stated to contain 5.1Mt nickel metal (that is 4 years’ world demand).

In a reversal of the recent trend, stocks fell marginally, but prices did, too. We should not read too much into this. It’s July and soon it will be August. Just hang on for September when the kids go back to school

**Table 1: Metal Stocks in LME Warehouses**

Metal	10 July 2010	17 July 2010	% Change
Aluminium	4,403,875	4,381,725	-0.50%
Copper	439,000	427,725	-2.57%
Lead	189,350	187,700	-0.87%
Nickel	121,326	119,562	-1.45%
Tin	16,605	16,150	-2.74%
Zinc	616,825	616,925	0.02%

Source: Mining Journal

## Precious Metals

**What they said:** Enter the Bank of International Settlements, using gold to lubricate international currency swaps – GFMS stays firm on the gold price – European gold buying still strong – a bonanza in Barberton, RSA? – Fresnillo reaches for the sky.

**The Bank of International Settlements**, which facilitates currency swaps between nations, is using gold to facilitate swaps. They speak of 356t in recent months. Not a fortune, \$14bn, but indicative. As we noted last week, gold is creeping back into the monetary system.

Highly regarded precious metals consultancy GFMS is looking for **gold** to rise above \$1300oz in the second half compared with Friday’s \$1191 close. This despite its admission of a substantial overall surplus in 2010. It seems, too, people are catching on to our remonetisation idea, mooted last week. Enter the Bank of International Settlements.

**New life in old dogs:** We have already awarded this week’s SOTBO to a copper commentator (see Exchange Traded Metals), but to draw upon the fact that when the price of a mineral goes up, the grade can come down – ?! Some of South Africa’s deep, central Wits mines are being re-examined and the old Barberton Field (older than the Wits) may be coming back to life. It’s all about price.

## Exchange Traded Commodities

**Table 2: Commodity Price Movements**

Commodity		10 July 2010	17 July 2010	% Change
Aluminium	\$/tonne	1,970	2,008	1.93%
Copper	\$/tonne	6,680	6,645	-0.52%
Lead	\$/tonne	1,807	1,787	-1.11%
Nickel	\$/tonne	19,125	19,215	0.47%
Tin	\$/tonne	17,695	17,850	0.88%
Zinc	\$/tonne	1,839	1,799	-2.18%
Gold	\$/ounce	1,209	1,191	-1.49%
Silver	\$/ounce	18.13	17.93	-1.10%
Platinum	\$/ounce	1,532	1,508	-1.57%
Brent Crude Oil	\$/bbl	75.2	75.95	1.00%
Platinum/Gold	Ratio	1.27	1.27	0.00%

Source: The Times of London

## Exchange Rates

**Table 3: Exchange Rates Movements**

Currency	10 July 2010	17 July 2010	% Change/week
£:US\$	1.51	1.53	1.32%
€:£	1.19	1.18	-0.84%
£:SA Rand	11.47	11.64	1.48%
US\$:Aus\$	1.14	1.15	0.88%
£:Aus\$	1.73	1.76	1.73%
Br Reale:US\$	1.76	1.78	1.14%
US\$:C\$	1.03	1.01	-1.94%
US\$:€	1.26	1.30	3.17%
US\$:SA Rand	7.59	7.59	0.00%
US\$:₹ (Rupee)*	46.67	46.78	0.24%
US\$:HK\$	7.78	7.77	-0.13%
US\$:UAEDirhams	3.67	3.67	0.00%
US\$:Israeli Shekel	3.87	3.86	-0.26%
US\$:Thai Bhatt	32.33	32.24	-0.28%
US\$:Yuan	6.77	6.77	0.00%

Source: Financial Times

The **US Dollar** took a mauling this week. Down against the pound, the Oz, the Reale, the Rupee and the Rand. It's the Euro that hurts. Not only is that ragbag currency up there in relative scrap value, that it can taunt, with Spain, Greece and Italy getting bond issues away, is not pleasant. US treasuries fell to a two-year low and the Fed speaks of monetary-easing measures. Fortunately, the Chinese are onside, stuffed full of US paper and not minded to buy gold for their central accounts. They must have a reason.

What the lesser breeds are telling the USA is that they want it to loosen the purse strings so the world economy will be lubricated once more. China can still not do that. Remember: 5% of the population is 50% of the business. Hi Dave.

\* Note the Rupee has a new symbol of its own – a combination of the Sanskrit Ra and the English R and the result of a competition won by an Indian teacher. The Government hopes it signals India's growing strength as an economic power.

## Bulk Minerals

**Iron and Steel headlines:** *Prices to stay high until 2012-13. China tie-in with Australian miners – India to curb iron ore exports? -- More mergers in Australia says Rio – LME makes a move on pricing – no fall in Q4 ferrochrome pricing – SBB launches an iron ore forecaster publication.*

Investment institution **MF Global** says iron ore prices will stay high until at least 2012-13 to satisfy Chinese demand. The material will then move into surplus as West African supplies come on stream. MFG says China made the mistake of not investing in mines early enough, unlike the Japanese 30-40 years ago. They are quickly making up for it.

The rush into West Africa's iron ore gathers pace. There is lots of it, in Liberia, Sierra Leone, Guinea and elsewhere. Of all consuming interest will be how those countries co-share infrastructure, much still to be built and which companies will participate. One of the larger deposits, Tonkolili in Sierra Leone, is spearheaded by **African Minerals** (AMI:AIM 410.50p; Hi-Lo 477-280p) has attracted two Chinese groups. **China Railway Minerals** (CRM) has invested £167.8M for 12.3% of AMI and **Shandong Iron and Steel** \$1.5bn. The existing 74km railway will be refurbished and a 122km stretch added to reach the deposit. Will they use Chinese labour as a prerequisite? The Chairman of AMI is Frank Timis. They note 25Mtpy output by end Phase 2, Q3 2012.

China into Australia: No stopping them. **Wuhan Iron and Steel** (China's N<sup>o</sup> 3) into a J/V with **Centrex Minerals** on the Eyre Peninsula. WIS is said to have paid a total of A\$100M for exploration rights and to cover first phase exploration costs. They speak of a 2.82 bn tonnes deposit, 33Mtpy output and a capital cost of US\$1.5bn. Sounds a bit cheap.

**India** sells a lot of iron ore into China, filling 17% of its import requirements in 2009, down from 25% earlier with further falls in Q1 2010-11. The Indian material is low grade, whilst there is lots of 65% Fe around and more promised. But the Indian Government says falling exports are OK because of the country's rising internal demand.

**Rio Tinto** sees much more M&A activity in the Australian iron ore sector, to raise funding for more output to satisfy China's demands. That country's economic growth annualised at 11.9% in Q1 2010, the fastest in 3 years.

The **London Metal Exchange** stirs. So the LME has opened a Singapore office and started talking to the Singapore Exchange (SGX) about cooperating in Asia. SGX already has a cleared iron ore swaps business and the LME steel contracts. Go for it fellahs, a daily price fixing and three months futures. It will happen, promise.

**Steel Prices.** Steel Business Briefing (SBB) reports Chinese mills are pessimistic for prices and production in Q3. Certainly most product prices registered sharply red in the four weeks to July 11 with falls of up to 8.4% in the period.

Not so **ferrochrome**, the life blood of stainless steel. Although the world-dominating South African producers agreed a 4% fall in Q3 to \$1.30/lb they do not see a further fall in Q3. Destocking, they say, is at an end. One of RSA's larger producers is International Ferro Metals, IFM, whose CEO, one David Kovavsky, cut bold. He said that the country supplies 45% of world supply so is in the driving seat. Tread lightly, Mr Kovavsky, in the wide world it is not so simple. There is unmined chrome in abundance; your advantage to date is *relative* cheapness. Talk to ESKOM.

## Share Price Movements, Majors

**Hot spots of the week:** **Xstrata** going for a major copper mine in Peru – **Anglo** debates its interim dividend – **BP** – **Rio** into sustainable development, the double-dip recessionists are back – 2<sup>nd</sup> quarter operations review – US\$200M for Pilbarra expansion.

**Xstrata.** The majors are doing what they are best at – going for major deposits. Thus Xstrata has approved \$1.47bn capital to develop the Antapaccay copper project in Southern Peru. It is part of the group's target to up copper output by 50% to c. 1.5Mtpy by 2014. Seemingly well thought out, the project will replace the near-depleted Tintaya Mine and is a low-cost (like \$1.47bn?) brown field expansion. Life-of-mine is mooted as 20 years and starting output 160,000 tpy copper-in-concentrate. They are looking for costs of US\$0.90/lb compared with a world price of \$1.40/lb for finished metal.

**BP.** If the cap fits, wear it. There is a special place in heaven for gamblers, because they know the alternative. So it was all or nothing on the blow-out well being capped in the Gulf of Mexico. It has been and the share price has gone back up through 400p. But the cap has yet to be tested. The company is by no means in the clear. The cost of the clean-up will be long debated, but much has to be paid, pronto. The US decision on whether to call a moratorium on all BP's American offshore activities and the circling predators will all bring big pressure to bear. It will be more than after-dinner conversation between British PM Cameron and US Pres Obama this week. This company is still a long shot, but not so long as it was. BP (BP:/LSE 407.15p; Hi-Lo 658.2-296p). Let's hope the Nigerian Government does not catch the Obama disease, or Exxon Mobil could be next. They have left a lot of debris in the Niger delta and their residue is still present in Prince William Sound, Alaska, from over 20 years ago.

**Anglo American.** Even the most religious sceptics have to have passing admiration for the rescue and reconstruction job being performed by Chair Carroll and her board. They are shedding non-core assets, banking improving earnings, boosting the balance sheet and thus keeping the wolf at bay. Bravo the three little pigs: iron ore pig, platinum pig and coal

pig. They will provide a serious fillip to H1 earnings to be announced July 30<sup>th</sup>. These will be relatively rosy. Question: **Will Anglo resume a dividend payment?** Given their precarious state a few months ago, few criticised a suspension. But divi payers are hard to come by and even a gesture would bolster both investor confidence and the share price. That Anglo will show a profit is not in doubt. So what will it do with it? Surely not bale out DeBeers again? Make some strategic acquisitions? Maybe. Keep its powder dry? Probably. On a P/E of 15.0 it is right in there with the sector. Anglo is probably predator-proof for H2. So an interim divi gesture followed by something meaningful at year end, would put it back at the top table. Well done. **Stay** with Anglo.

**Rio Tinto** is strutting its environmental commitment in teaming up with the world's oldest and largest environmental network, IUCN, on a three-year work-together programme. It should work as long as IUCN shows its past pragmatism in recognising that when you dig a hole in the ground you make a mess. The trick is to minimise the mess whilst you are making it and, when finished, leaving it no worse but, hopefully, better than you found it. Let's hope they come to terms with 'sustainable mining'. As oxymorons go, it is right up there with jumbo shrimp and military intelligence. EG: if you chop down a fir tree, a new one will take twenty years to grow. So, plant twenty new ones and you have sustainability. When you rip out a coal seam, it is gone forever. Rio knows that; let's hope IUCN does. But to Rio's Q2 Operations Review. Pretty bullish, countered by warnings of a Chinese slowdown and double dip recession. Shot or poisoned, as we say in the trade.

**Table 4: Share Price Movements**

Stocks	10 July 2010	17 July 2010	% Change	12-mo Hi-Lo	% Above Low
FTSE 100	5133.0	5159	0.51%	5,825-4,127	24.38%
Anglo American	2422.0	2338.5	-3.45%	3,016-1,615	49.97%
Antofagasta	886.0	903.0	1.92%	1,089-563	57.37%
BHPB	1852.5	1811.5	-2.21%	2,346-1,275	45.29%
ENRC	869.0	839.5	-3.39%	1,276-632	37.50%
Gem Diamonds	217.0	221.0	1.84%	300-135	60.74%
Hargreaves Services	600.0	615.0	2.50%	774-470	27.66%
Kazakhmys	1088.0	1024.0	-5.88%	1,634-574.5	89.38%
Rio Tinto	3172.5	3005.0	-5.28%	4,104-1,822	74.12%
UK Coal	41.5	38.0	-8.43%	126-36	15.28%
Vedanta	2300.0	2203.0	-4.22%	2,967-1,277	80.11%
Xstrata	943.6	908.6	-3.71%	1,345-555	70.02%

Source: Fidessa

## Share Price Movements, Small and Medium Caps

**Ivanhoe Mines** (IVN:TSX C\$17.12; Hi-Lo C\$18.99-7.73) finds itself in the position to which all junior miners aspire. It is known as the Little Jack Horner Syndrome. You remember, "Little Jack Horner sat in a corner, eating his Christmas pie; he stuck in his thumb and pulled out a plum and said, 'what a good boy am I'." JH is Ivanhoe, the plum is the Oyu Tolgoi copper-gold deposit in Mongolia. Could be huge at a projected 544ktpy copper and 650koz gold. That ranks it alongside the Grasbergs and Escondidas. But Ivanhoe is cash-strapped. So it did a private placing with Rio Tinto no less and now they are falling out about the terms. To put it in perspective, in the left hand corner is one Robert Friedland, no stranger to the ring, whilst in the right is Rio which has so far invested \$1.73bn for its 29.6% of Ivanhoe. With promises in hand it will be \$2.5bn. The full capital to achieve start-up is noted as \$4.6bn. It is enough to make a Eurosceptic's eyes water. Rio can go up to 46.6% of Ivanhoe over the period to September 2011. If it gets 50% it will hold 33% of Oyu Tolgoi since the Mongolian Government holds 34% (future investors in Mongolia, take heed). Rio would also hold 50% of Ivanhoe's other assets. Back to the current dispute, Ivanhoe say it is protecting the rights of **all** shareholders from creeping takeovers. We keep both Rio Tinto and Ivanhoe on the buy list. Rio, because it is a big hitter in the recovery position and Ivanhoe because it has pulled out a plum. *Caveat emptor*: Mongolia is 67 of the 72 countries rated by the Fraser Institute Survey of Mining Countries – better than Zimbabwe or the DRC, but still in the bottom six.

**Table 5: Share Price Movements**

<b>Small Caps</b>	<b>10 July 2010</b>	<b>17 July 2010</b>	<b>% Change</b>
African Consolidated Resources	8.12	8.25	1.60%
Cape Diamonds*	2.12	2.12	0.00%
Cluff Gold	73.25	70.5	-3.75%
Eurasia Mining*	0.90	0.88	-2.22%
Firestone Diamonds	36.25	34.25	-5.52%
Goldplat*	8.75	9.25	5.71%
Gemfields	4.75	4.75	0.00%
Herencia*	0.74	0.69	-6.76%
Kalahari	165.0	159.0	-3.64%
Kopane	11.00	11.5	4.55%
Kefi Minerals*	0.90	1.02	13.33%
Kryso*	14.00	13.0	-7.14%
Northern Petroleum	95.00	86.0	-9.47%
Nyota Minerals	17.75	17.75	0.00%
Petra Diamonds	60.5	60.0	-0.83%
San Leon Energy	13.75	14.5	5.45%
Strategic Nat Res	8.75	9.25	5.71%
Toledo Mining	28.0	34.0	21.43%
Tanzanite One	7.62	9.0	18.11%
Vatukoula Gold*	1.88	1.77	-5.85%
Zincox	39.50	38.5	-2.53%

Source: Fidessa

## Gemstones

No lack of action in gemstones this week. That diamonds are making positive news means someone, somewhere believes the economic recovery might stick. Of interest:

**US Rough Diamond Imports** (52% of world total) were up 155% year-on-year and 52% on April 2009. This was mirrored in N<sup>o</sup> 2 centre Antwerp. Values per carat were also sharply up.

**Alosa** of Russia, the world's largest single miner, may come to market. Coupled with a return to the public arena by DeBeers, this could be a beauty. Just think – 50% of the world's diamond production being dangled and not just off a lady's neck. Now who has a war chest to take this on? Watch this space.

**Firestone Diamonds** (FDI:AIM 34.25p; Hi-Lo 49.5-23.25p). Long a buy of ours. Firestone at last has its licence and has started Phase 1 production of the BK11 pipe in Botswana. We shall report in more detail with the near future, but suffice it to say: a well-managed and financed company, in a politically safe haven, which has gone out of its way to deliver. **Stay and Add.**

**True North Gems** (TGX:TSX C\$0.09; Hi-Lo C\$0.22-C\$0.07) must still be regarded as a ruby mining prospect in Greenland. Analytically not a lot wrong with that. Greenland is a friendly place. Large landmass, small population base, long settled, now having achieved home rule from Denmark. The rubies are a natural, pleasing red, a rarity in the market. Given also that the major supplier, Burma, is on the blacklist internationally on human rights abuses charges, TNG should be set fair. But issues of native rights remain. So the company has struck on a rare earths exploration programme (REE) in the Yukon, Canada, its old stamping ground. It holds a 100% interest in the True Blue exploration property, 55km South of Ross River and has entered into an agreement with Great Western Minerals Group, whereby GWMG has an option to acquire up to 65% for following through to a BFS. Rare Earths are an OK-think since China thinks it has them by the fundamentals. We shall continue to track TNG.

**Zimbabwe.** God loves a try-er, but even he will be hard pushed to line up the current Zimbabwe Government for beatification, let alone sainthood. One of the most natural-resource-blessed countries in the world is obsessed with Mareng diamonds. Compared with Zim's other resources, Marange is probably short term, but the regime is, too. So it

plans to nationalise alluvial diamond mining. Not platinum, gold, coal, lithium, copper, etc, you understand? You do understand, don't you? Portable collateral. It would be funny were it not tragic.

## Pointers for the week...and beyond

**Wednesday 21 July 2010:** Johnson Matthey PLC AGM  
BHPB Trading Statement

**Thursday 22 July 2010:** Lonmin Plc Trading Statement  
Petrodavlovsk Trading Statement

**Friday 30 July 2010:** Anglo American H1 Results

## Zimwatch

After more than five weeks in prison, Farai Maguwu, the Head of the Center for Research and Development in Zimbabwe, was released on bail. The court said the prosecution failed to provide sufficient reason for Maguwu to remain in jail. If the prosecution failed to provide this after five weeks, one wonders why he wasn't released long ago. Possibly it had something to do with the World Diamond Council meeting in St Petersburg which was charged with resolving the KP impasse over Zimbabwe's diamonds. Leading up to the meeting, Finance Minister Tendai Biti, announced that the State wants to control all the diamond mining of alluvial diamonds in the country and that a new Diamond Act will pave the way. Meanwhile in an address to Zanu-PF's Central Committee, Brother Bob has endorsed this position, saying it will turn the Zimbabwean economy around. Ah. Did he mean the country or Zanu-PF's faithful? In Brother Bob's eyes, surely, they are indistinguishable. Coal, copper, even platinum are cumbersome. Diamonds slip into the back pocket.

Ever mindful that a growing proportion of the world's diamonds come from Zimbabwe, and taking the release of Maguwu as a positive sign, the World Diamond Council announced that the KP reached an agreement which will allow Zimbabwe to carry out two supervised exports of rough diamonds from the Marange production. The first will be held in conjunction with a visit to the country by the KP Monitor in August and the second the week of September 5. Supposedly this shows "the KP has teeth and is able to achieve results." But if Abbey Chikane, the same KP Monitor, returns to supervise, will Farai Maguwu be returned to jail? Will ACR succeed in the Court of Appeal? Don't miss next week's exciting episode....

## Shares...and Currencies to Watch

The **US Dollar** tumbling to a ten-week low was not accidental. See Exchange Rates. Stay with the pound, at least short term, but treat the Euro with caution.

**The Conglomerates.** Talk of double-dip recession is reaching gabbling proportions. China's figures continue to march on impressively. We see no reason to abandon the conglomerates, rather to use last week's dips as buying opportunities. Some are putting their houses in order faster and more clinically than others, like Rio Tinto and Anglo. It is indicative that of the heavyweights in the UK coal sector, **Hargreaves Services** is moving on, but **UK Coal** with a massive land bank continues to slide. Some questions to be answered there.

**Strategic Natural Resources.** This RSA-based putative coal miner in the NE Cape of South Africa has all the problems of the industry and some more. But it is well-placed to develop and we continue to recommend it. Bouncing back 5.7% on our recommendation last week to 9.25p, it deserves continued support.

**Toledo Mining** (TMC:AIM 34p; Hi-Lo 46.25-19.75p) has plugged away at a Philippines lateritic nickel project for some years, not without success. It has pulled in Chinese group Jinchuan for 29.9% of Toledo's expanded share capital at 42p. **Speculative Buy.**

**Baobab Resources** (BAO:AIM 8p; Hi-Lo 18-1.88p). Iron-vanadium in Mozambique. Remains on our **Buy** list.

The **Rossing South** play remains focal. **Kalahari Minerals, Polo** and **Extract** all remain on our **Buy/Hold** list.

**Firestone Diamonds** (See Gemstones). **Buy, add.**

David Hargreaves  
17 July 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.

### Disclaimer

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### 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 30 June 2010 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	49	49%	18
Speculative Buy	2	2%	1
Outperform	16	16%	3
Market Perform	26	26%	4
Underperform	7	7%	0
Sell	0	0%	0
<b>Total</b>	<b>100</b>	<b>100%</b>	<b>26</b>

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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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