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Natural Resources

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DALIAN COMMODITY EXCHANGE TO LAUNCH IRON ORE FUTURES TRADING

The Dalian Commodity Exchange (DCE) has received regulatory approval from the China Securities Regulatory Commission (CSRC) to launch trading of China's first iron ore futures, according to an article in the South China Morning Post. The DCE's iron ore futures will be the world's first physically backed derivatives contract, and will compete against cash-settled iron ore swaps contracts cleared by the Singapore Exchange (SGX) and CME Group.

China established its first physical trading platform last year in an effort to gain pricing power for iron ore. The pricing mechanism for iron ore has changed from long-term contracts to quarterly pricing, and then to spot-based index pricing. Currently, global miners Rio Tinto, BHP Billiton and Vale sell iron ore to Chinese steelmakers based on indices such as the Steel Index, Metal Bulletin Iron Ore Index and Platts Iron Ore Index.

DCE hopes to list the contract by the end of the year. Buyers will have the option of physical delivery or cash settlement. The contract will have a lot size of 100 tonnes of 62% grade iron ore. DCE will also set premiums and discounts for different grades.

Privately-owned Chinese steelmakers and iron ore traders have been increasing the use of iron ore swaps this year as a hedging tool, while some state-owned firms are also preparing to test the derivative. The Shanghai Futures Exchange (SFE) is looking at offering cash-settled iron ore futures.

Iron ore prices have slipped from almost US\$200 per tonne in February 2011 to a three-year low of below US\$87 a tonne in September last year, according to the Steel Index. China buys about two-thirds of the 1.1 billion tonnes of iron ore traded globally. Last year, it imported 743.55 million tonnes, up 8.4% from the previous year.

Meanwhile, the CSRC has also approved the launch of petroleum asphalt futures by the SFE. According to the SFE, this will be the first petroleum asphalt futures in the world and will provide risk management tools for asphalt producers, as well as increasing Chinese influence in the pricing of global petroleum commodities.

LME MAY FORM PARTNERSHIPS TO EXPAND INTO MAINLAND CHINA

The London Metal Exchange (LME) may form partnerships to expand its operations in Mainland China, according to outgoing CEO Martin Abbott, as reported by Bloomberg.

The LME, which has a network of about 700 warehouses worldwide, is seeking its first foothold in mainland China after being purchased by Hong Kong Exchanges and Clearing Limited last year in a US\$2.2 billion transaction. It is seeking permission for the LME to establish warehouses in the country, which are the facilities needed for physical delivery.

The LME proposed changes to its warehousing rules in July to speed up deliveries of metal as some waits exceed a year.

FORTESCUE METALS GROUP LTD TO START REPAYING ITS MOST EXPENSIVE DEBT

Australian iron-ore producer Fortescue Metals Group Ltd (FMG) has announced it will start to repay its most expensive debt following an increase of available cash and improved operating margins.

In a statement to the Australian Securities Exchange, FMG said the redeemable preference shares issued on September 30 2008 as part of the company's original project financing structure will be redeemed on 11 November at the principle value plus any accrued unpaid interest. The shares have a fixed coupon of 9%.

FMG recently announced a full-year net profit of US \$1.7 billion and paid a dividend of 10 cents per share.

GALAXY RESOURCES RAISES AUS\$20.3 MILLION

ASX listed lithium miner Galaxy Resources has raised an additional AUS\$20.3 million under the shortfall component of its non-renounceable entitlement offer, bringing the total capital raised from the process to AUS\$37.3 million.

Galaxy had been in continuous negotiations with large strategic investment institutions regarding the subscription for a "substantial equity position" in the company.

The proceeds from the raising are to be used to partially pay down Chinese lenders as well as to fund working capital for the group's Jiangsu lithium carbonate plant and the Sal de Vida lithium brine and potash project.

CNOOC SIGNS PSC WITH SMART OIL INVESTMENT LTD

NYSE listed CNOOC Limited announced that its parent company, China National Offshore Oil Corporation (CNOOC) has signed production sharing contract (PSC) with Smart Oil Investment Ltd. (Smart Oil) for Block 05/31 in Bohai.

Block 05/31 is located in the junction of Qikou Sag and Nanpu Sag of the West of Bohai. It covers a total area of 270 square kilometers with water depth ranging from 5 to 15 meters.

According to the terms of the PSC, Smart Oil will conduct 3D

seismic data survey and drill exploration wells in the block during the exploration period, in which all expenditures incurred will be borne by Smart Oil. CNOOC has the right to participate in up to 51% working interest in any commercial discoveries in the block.

Source: CNOOC Limited

CNOOC LIMITED MAKES TRADING DEBUT ON THE TORONTO STOCK EXCHANGE

CNOOC Limited., China's largest offshore oil and gas producer, fulfilled one of the terms made for its \$US15.1 billion acquisition of Calgary-based oil and gas producer Nexen Inc. as it made its trading debut on Canada's largest stock market on 18 September 2013.

The state-owned oil company, now listed under the symbol CNU on the Toronto Stock Exchange (TSX), has been approved to trade American Depositary Receipts (ADRs), which is equivalent to 100 normal shares of CNOOC Ltd.

No new shares will be issued and the listing will not generate additional capital for the company.

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