

# CHARLTONS

SOLICITORS



Natural Resources

2 October 2013

## **RIO TINTO'S AND CHALCO'S GUINEA IRON ORE DEVELOPMENT MAY COMMENCE PRODUCTION AHEAD OF SCHEDULE**

Mining.com has reported that Hong Kong listed Chalco (02600) is to transfer its \$1.8 billion investment in its Guinea iron ore project to its state-owned parent company. The possible transfer has been interpreted as a sign that China may be considering increasing its investment in the ambitious \$20 billion project. The project is 51% owned by Rio Tinto, with Chalco having a 45% share. The remainder is owned by the World Bank. The project located in Simandou in the Nzérékoré Region of south-eastern Guinea, aims to produce 95 million tonnes per year and has the potential to shift the balance in the global iron ore trade.

Last month the partners executed a draft agreement with the Guinean government in which it was contemplated that exports would commence by the end of 2018, however, it is now believed that the project could be operational a year ahead of schedule.

## **CHINA'S IMPORTED IRON ORE STOCKPILES DECLINE**

Xinhua news has reported that iron ore stockpiles at 25 major Chinese ports declined in the week ending 23 September. According to the report inventories of imported iron ore stood at 74.32 million tons down 990,000 tons or 1.33% on the previous week.

## **CHINA TO INCREASE PURCHASES OF RARE EARTH**

China Daily USA has reported that China is likely to increase spending on rare-earth minerals to bolster its strategic reserves. According to Du Shuaibing, an analyst with market trends firm Baichuan Information, this round of purchases will target medium and heavy rare earths, which are more valuable but less common than light rare earths.

According to the report, six Chinese companies - Baotou Steel Rare Earth Hi-Tech Co, China Minmetal Rare Earth Co; China Nonferrous Metal Industry's Foreign Engineering and Construction Co; Chinalco Rare Earth Jiangsu Co; Rising Nonferrous Metals Share Co and Ganzhou Rare Earth Mineral Industry Co. – will act as purchasers.

The expected move is aimed at balancing market supplies of rare earths amid a decline in prices and demand this year and leading to expectations of higher prices. The news prompted a rise in the share value of NYSE listed rare earth miners.

## **TRADING ON LME SELECT HALTED FOR THREE HOURS**

The London Metal Exchange (LME) implemented a "controlled halt" of trade on LMESelect for more than three hours on Tuesday 24 September for an undisclosed reason, according to a report by Platts. The halt followed an incident that occurred on Monday when the exchange suffered a technical issue with the publishing of real-time market data for LME nickel, primary aluminium and steel official prices. The LME said it communicated with users during the shutdown "to ensure that the recovery was controlled and orderly".

## WISON RECORDS SEIZED AN BAN ACCOUNTS FROZEN AS PART OF PETROCHINA INVESTIGATION

Hong Kong listed Wison Engineering Services, a supplier to oil producer PetroChina, has announced that Mainland authorities have taken company records and temporarily frozen some of its bank accounts in connection with a probe into PetroChina and its parent, China National Petroleum Corp. Wison has also announced that it is no longer able to contact chairman and founder Hua Bangsong, who the company said was assisting authorities in the investigation. The company said it was not aware of the nature of the probe. Separately, the company's executive director and chief financial officer, Chen Wenfeng, resigned from his post to pursue other business opportunities. Jojo Choy Sze-chung also resigned as a director and chairman of the audit committee.

Wison has also announced that it has received a demand from the Agricultural Bank of China (ABC) for the repayment of RMB186 million of loans and all related interest. This represents around 10% of Wison's total bank borrowings. Wison confirmed that all repayments on its borrowings have been kept current and that it had had not breached any term of the relevant borrowing agreements relating to the ABC loans.

## CHINESE GOLD & SILVER EXCHANGE SOCIETY ACCEPTS FIRST OVERSEAS FIRM

The Chinese Gold & Silver Exchange Society (CGSE) has accepted Swiss firm Finemetal Asia as its first overseas member. Finemetal Asia distributes precious metals products made by Swiss refiner Argor-Heraeus. Finemetal Asia will provide CGSE with 999.9 fine kilobar (gold) accredited by the London Bullion and Market Association.

As part of its efforts to expand its physical precious metal businesses in recent years, CGSE will issue up to five memberships by invitation to international metal companies. CGSE will look to enlarge its membership base with the recruitment of international bullion and silver dealers and precious metal fabricators. New international members will have access to a broader Asian platform for precious metal trading and the opportunity to strengthen relationships with Mainland China investors. At the same time, new members can provide additional and larger quantities of physical gold to the Hong Kong precious metal market.

## CHINA TO INVEST 80 BILLION RMB IN OIL AND GAS EXPLORATION IN 2013

According to the Xinhua news agency Chinese investment in oil and gas exploration is expected to total approximately 80 billion RMB (13.07 billion U.S. dollars) in 2013. Chinese investment in the sector has risen steadily over the past decade as the country moves to reduce dependence on imports and ensure security of energy supply. Figures provided by China's Ministry of Land and Resources shows that money spent on exploration of oil and gas fields rose from 19.0 billion RMB in 2002 to 67.3 billion RMB in 2011. From 2008-2011 some 5.01 billion tonnes of petroleum reserves and 2.6 trillion cubic meters of natural gas were discovered.



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