



PURE SPECULATION

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Financial carnage bolsters the price of bullion

You wouldn't want to bet your shirt on base metals this year, but so far so good

JAPAN'S consumer confidence level has fallen to a four-year low, Britain's retail sales plunged in December and where do you start when looking at the US economy?

Metals, however, seem to be operating in a parallel universe.

Gold is in a category of its own because its huge gains are the result of all the financial carnage.

You wouldn't want to bet your shirt on what will happen to base metals in 2008 but so far, not so bad. Copper is still able to rebound over the \$US7000/tonne level, even though there are doubts about future US consumption. Nickel, although losing almost half its 2007 high, is still at almost \$US29,000/tonne, a profitable operation to be in.

But there are two sectors in

which bullishness continues to rampage: iron ore and specialty metals.

Credit Suisse's latest assessment is that there was a 29 million tonne shortfall of iron ore in 2007 and it is expecting miners to be short of demand by about the same amount this year.

As a result, the firm's analysts have raised their forecast price rise for 2008 from 35 per cent to 55 per cent, with a further 20 per cent hike in 2009. And they add that the 55 per cent figure may turn out to be conservative.

This is why all the big players are trying to expand as quickly as they can. Anglo American has decided to pay \$US5.5 billion (\$6.3 billion) to acquire a controlling interest in two Brazilian projects.

With that and expansions at its Kumba mines, Anglo expects to

be putting 150 million tonnes a year into bulk carriers by 2017.

So expect no let-up from the junior iron ore hopefuls in their efforts to either get a resource established or to get into production.

Atlas Iron, which is planning to make first deliveries from its Pardoo project in October and from its Abydos direct-ship operation in late 2009, has acquired more ground in the Pilbara.

It has bought the iron-ore rights over seven tenements held by **Haddington Resources**, the former tantalite miner that has turned to industrial garnets and projects in Indonesia and Madagascar. The tenements are less than 60km from the Great Northern Highway and iron ore railways owned by **BHP Billiton** and **Fortescue Metals Group**.

And **FerrAus**, which has already submitted a mining plan to the West Australian Government, has reported new drilling results that look as if its Robertson Range project in the Pilbara will keep getting bigger. Iron ore grades came in at up to 61.8 per cent.

Another development during the week was **Venture Minerals** reporting that re-assaying of historic drill cores from its Mount Lindsay project in northwestern Tasmania had confirmed the presence of iron ore. Venture started off wanting to revive Mount Lindsay as a tin operation (the project area includes the old Stanley River tin field) but is getting excited about the iron ore potential. Three drilling rigs are now in action.



Not enough: Credit Suisse says there was a 29 million tonne shortfall of iron ore in 2007

Picture: Reuters