

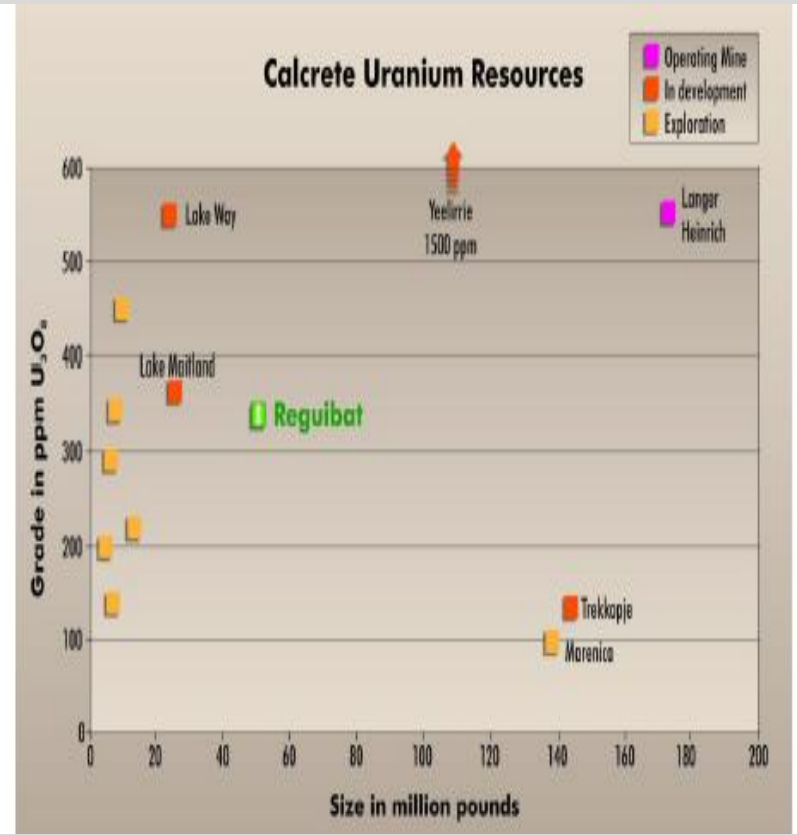
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# Mining Sector Morning Summary

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<p><i>Today's Top Story</i></p>	
<p><b>Aura Energy (AEE-ASX)</b></p>	<p>Their maiden Joint Ore Reserves Committee compliant inferred resource of 68.7 million tonnes (Mt) grading 330 parts per million (ppm) uranium oxide (U3O8) for 50.2 million pounds of U3O8 from their Reguibat uranium project in Mauritania, is very encouraging.</p> <p>This is estimated at a 100 ppm U3O8 cut off. If a 300ppm cut off is used, the resource is still a robust 35.8 Mt @ 420ppm U3O8 for 33.4 Mlbs of U3O8. This resource was estimated close to surface, following the drilling of 9,100 metres (m) in 2,022 holes (an average of 4.5m per hole!)</p> <p>The company claims that there is potential to substantially increase this resource, in particular a 1,700m by 700m radiometric anomaly has yet to be drilled.</p> <p><b>The Reguibat project compared with other calccrete uranium projects</b></p>  <p>Source: Aura Energy. Note Langer Heinrich is currently mined by <b>Paladin Energy (PDN-ASX)</b>; Trekkopje is coming into production and was developed by <b>Areva (CEI-Euronext)</b>, while Marenica is being developed by <b>Marenica Energy (MEY-ASX)</b>.</p>



	 <p>Source: <a href="http://www.asx.com.au">www.asx.com.au</a></p> <p><i>Aura has recently bounced from its lows; subject to the uranium price not falling out of bed again, this should continue, particularly as a resource update for their enormous, but low grade Haggån uranium project in Sweden, has been promised for July 2011.</i></p>
<p><b>Company/Sector</b></p>	<p><b>Comment</b></p>
<p><b>Rio Tinto (RIO)</b></p>	<p>Its Q2 production report to end June 2011 is good, with rampant iron ore production. This was up 12% on Q2 2010 and up 17% on Q1 2011. However, their 2011 iron ore production forecast of 240 million tonnes is apparently a tad light on some forecasts, and in addition they warn of adverse exchange rates and some input cost pressures.</p> <p>Copper production was very poor reflecting lower grades at Escondida in Chile and Kennecott in Utah, USA. Of note, was a 53% and 17% increase in molybdenum production on Q2 2010 and Q1 2011 respectively from Kennecott.</p> <p>Molybdenum is another Speciality/Minor Metal that we missed from our review; again our excuse was that we were waiting for the Rio Tinto production update before commenting.</p> <p>In spite of growing demand for this speciality metal, which is used as a steel alloy for its temperature and corrosion resistance, production has continued to exceed demand, as copper/molybdenum porphyries have increased production, often at the expense of copper output. A further breakdown in price looks likely, the ramping up of Bingham Canyon production at the expense of copper, is not encouraging news. They comment on higher ore grades and recoveries, and lower grades for copper.</p>



### Molybdenum price



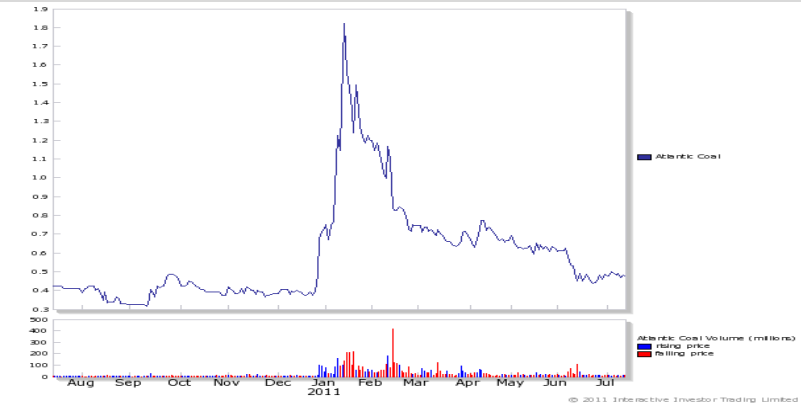
Source: London Metal Exchange

The all important Kestrel underground coking coal production number was a disappointment. This is significant for **Anglo Pacific's (APF)** royalty income. Production from this Australian coking coal mine was 59% lower than Q1, due a planned one month longwall changeover during the quarter.

Titanium dioxide feedstocks production was 7% higher than Q1, as Quebec, Canada, operations recovered from a seasonal shortage of power. As this is hydro power, this is surprising, as one would have thought if there were any issues they would become apparent during the spring/summer rather than the winter/spring. The company has joined the rest of the titanium feedstocks' industry in moving to short term pricing mechanisms to offer increased exposure to current market pricing. Rio's expect to produce 1.4 million tonnes of titanium feedstocks for the full year, roughly double first half production.

The bull market in titanium dioxide feedstocks looks set to continue for some time. **Kenmare's (KMR)** plan to double capacity from Mozambique, in spite of not reaching profitability with their start up operation now looks inspired and very brave. They probably ought to look at expanding some more while they are on a high. Why spoil a good story with profitability? A separate Mozambiquan news report cites the company's Finance Director who is forecasting 2013 production of 1.2 Mt with 2 Mt in 2016. Kenmare is set to produce 800,000 t this year.



<p><b>Fresnillo (FRES)</b></p>	<p>The Q2 production report to end June 2011 is good with overall year to date silver and gold production up 2.6% and 17.1% respectively. Less encouraging for bulls of the lead and zinc price, was a 15.9% and a 5.6% year to date production increase for lead and zinc respectively.</p> <p>They remain on track to achieve 2011 production targets of 44 million ounces of silver, 400,000 oz of attributable gold and shed loads of by-production lead and zinc.</p> <p>There is no comment on cost trends, which is a little disappointing, but this update should offer further share price support.</p>
<p><b>Atlantic Coal (ATC)</b></p>	<p>A first half production update is novel. Their open pit Stockton anthracite mine in Pennsylvania, USA, shifted 65% more run of mine (121,250 tons (t) of ROM) coal in H1 2011, while the overburden moved was up 17%. All ROM coal was washed, an increase of 21% on H1 2010, and resulted in production of just under 60,000 t of washed anthracite, an increase of 62% on that produced in H1 2010.</p> <p>Beyond that, information becomes more sketchy and we learn that all of this was sold for US\$136.14 per ton (/t). Turnover is augmented by unspecified by-product sales which reduce the realised price to \$126.12/t. Hence first half turnover should be greater than \$8.2m, but how much is not clear.</p> <p>However, due to a knackered excavator, they confirm a reduction in production forecasts to 300,000 t of ROM in 2011 from 450,000-500,000t.</p> <p><b>Atlantic Coal share price</b></p>  <p>Source: <a href="http://www.iii.co.uk">www.iii.co.uk</a></p>



	This share price looks to have 0.35p written all over it.
<b>Marian Resource (MARL)</b>	A decent drill update is a brave attempt to steady the old boat.
<b>Goldplat (GDP)</b>	The operational update is encouraging, with gold recovery operations in South Africa and Ghana performing well. The company expects a significant increase in operating profit for the full year ended June 2011. The company also reported encouraging progress at their Kenyan and Burkina Fasan gold projects.
<b>Frontier Rare Earths (FRO-TSX)</b>	<p>Korea Resources (KORES) has signed up and will take up to 20% of their Zandkopsdrift rare earth project in South Africa, will organise the arrangement of debt finance for the project, take a 40% production offtake as well as a 10% stake in Frontier.</p> <p>Once Frontier's Preliminary Economic Assessment is completed in Q4 2011, KORES will acquire an initial 10% of Zandkopsdrift at market related terms, presumably related to the estimated Net Present Value. Subsequent to the publication of a Definitive Feasibility Study in Q4 2012, KORES can acquire another 10% stake, using similar market related terms and acquire a 10% stake in Frontier itself.</p> <p>This all appears a lot in the future, which may explain the mere 10% share price rise.</p>
<b>Diary Dates</b>	<b>Companies Presenting</b>
<b>Thursday July 21<sup>st</sup> – Proactive – London – Evening - Please note we will endeavour to keep up to date with schedule changes, but contact the organiser for full details.</b>	<p><b>Weatherly International (WTI)</b> – an update on their Namibian copper mines.</p> <p><b>Minera IRL (MIRL)</b> – an update on the political situation in Peru where they have one operational gold mine and an advanced project. Further progress on their Argentinean gold properties may also be reported.</p>

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