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GUEST COMMENT:
**Augusta Resource's
Chequered Board**

The following is based on research by investigative journalist John Dougherty, who has written extensively on Augusta Resource's board for *InvestigativeMEDIA*.

Richard Warke

Augusta's chairman Richard Warke was fined for insider trading violations in 1989 and was in personal bankruptcy proceedings for 4 years until 2002. Canadian securities law requires public companies to disclose board level bankruptcies for at least 10 years. From 2000 to 2005, Augusta was explicit in its disclosures in stating that no directors had suffered bankruptcy in the preceding 5 years. Its working capital has recently been funded by convertible loans from Mr. Warke.

Donald Clark

Donald Clark sat on Augusta's board until 2012. Clark and Warke had been associates since 1991, when both were directors of First Western Metals. The company hit financial difficulties and changed its name to Augusta Metals Corp., before acquiring a software company, Cybercom Inc., whose shares were suspended by regulators in 2002 after it failed to file annual accounts.

Clark also sat on the boards of two companies, Conversion Industries and North American Recycling, linked by inter-company loans. Shares in both were delisted by the AMEX Exchange due to trading irregularities and "materially misleading press releases." Clark resigned 12 days later and Conversion filed for bankruptcy.

Gil Clausen

Augusta's president Gil Clausen sat on the board of Sargold Resource Corp. Six of Sargold's directors, including Clark and Warke, also sat on Augusta's board. In 2003, the company retracted a misleading resource statement and in 2006 it restated its disclosures for the prior 3 years after improperly accounting for taxes. It also bought mining claims from Warke for \$1m, before reselling them for \$1.

Sargold did not disclose that it was 34 per cent owned by a Cayman Island vehicle, RAB, until its takeover by a company also held by RAB. "When it's no longer convenient," the president of Sargold's subsidiary said of Richard Warke, "he withdraws the promise."

BHP BILLITON has confirmed it is considering "the potential sale" of its Nickel West business in Western Australia. "The process of engaging with third parties has commenced," a BHP representative said.

ANGLO PACIFIC has said it is "actively bidding on a number of royalty opportunities". The company has cash of £15m (\$25m) and a \$15m credit facility.

RESERVOIR MINERALS has hit grades of 20.8 per cent lead over 6m at its Parlozi project in Serbia, a joint-venture with Midlands Minerals.

**Northern Star's
Lucrative Timezone
Arbitrage**

Northern Star Resources has continued an aggressive buying campaign, paying A\$82.5m (\$77m) for Newmont Mining's Jundee gold mine in Western Australia.

In two separate deals earlier this year the company bought Barrick Gold's Plutonic and Kanowna Belle mines and its majority share in the high grade Rubicon-Hornet underground complex, all in Western Australia, adding to its existing Paulsens mine.

The binge has lifted Northern Star's gold production from 89,000 ounces last year to 45,000 ounces last month, at all-in production costs of A\$1,010 per ounce (\$944).

Jundee, which opened in 1995 and moved underground in '97, has gold reserves of 411,000 ounces at over 4 grams per tonne, adding a further 200,000 ounces to the company's annual production. "I am highly confident that we will grow the inventory and extend the mine life," said Northern Star's managing director Bill Beament, a former mine manager for Barrick.

Beament's total spending spree this year has cost A\$183m, funded by cash reserves, an A\$84m two tranche equity raising and an increased credit facility up to A\$100m. The deals make Northern Star a rare example of a company that has not only positioned its balance sheet to capitalise on a cyclical lull, but which has followed through on the strategy, swapping cash for assets when they are out of favour.

Northern Star has also benefited from the most banal of corporate limitations, time zones, with Barrick and Newmont both keen to concentrate their management time around their mega-mines in the Americas.

Barrick's rambling portfolio has led to "distracted management", "no operational synergies" and a "conglomerate discount" being attached to shares, according to investors in the US who have sought a Barrick break-up. "It's like herding cats to manage something like that," analyst George Topping said last year. "It's very difficult across all those different time zones... Selling the company's Australian assets would be a good place to start."

Northern Star's narrower focus on Western Australia gives it a sharper operating focus than majors, the company believes. According to unaudited figures, all-in production costs dropped 13 per cent last month alone.

MARKET REPORT
**Tinkler Makes Coal Market
Comeback in Queensland**

AUSTRALIA: 38-year old coal baron Nathan Tinkler, known for aggressively flipping coal mines in highly leveraged deals, has weighed back into the market, paying \$150m for Peabody Energy's Wilkie Creek thermal coal mine in Queensland via a private vehicle, Bentley Resources.

The deal includes \$70m in cash and \$35m in rail and port obligations. It is thought to be backed by equity from New York-based investment bank, Jefferies Group, which bought a \$1 per tonne royalty over Peabody's Middlemount mine in Queensland from Tinkler last year.

Wilkie, shuttered in December and on the market for 2 years, is unviable at current prices of \$70 per tonne. According to *Fairfax*, only 3 parties bid for the mine, with the second highest bid as low as \$20m. The low offers prove Tinkler's point, with coal buyers scarce and assets cheap. "Right now, I think we're in the value part of the cycle," he told reporters this week. Peabody valued the mine at \$700m in 2012.

LONDON: Lonmin's cash balance has dropped from \$201m to \$71m in the last 6 months, with losses of \$3m per working day, due to strikes at its shafts in South Africa, now in their sixteenth week. "The working capital required for ramp up will probably push it into net debt," noted analysts at Liberum.

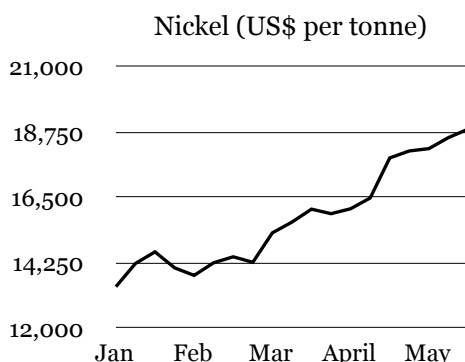
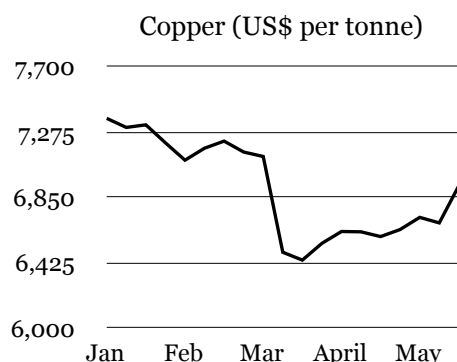
CANADA: Nickel miner Sherritt has fought off a proxy bid for its board by activist investor, George Armoyan.

"We operate very complex processing operations in Cuba and Madagascar," Sherritt's chairman Hap Stephen said during the battle. "That's a little different than running motels and things like that where he has experience."

Armoyan holds 5.2 per cent of Sherritt's stock and has accused the company of being run like a "private club" for the benefit of its board. "It is what it is," he said after losing the vote, with a quarter of shareholders backing his nomination. "As much as they tried to make it personal, it's not personal. It's about making money."



NATHAN TINKLER, who bought Rio Tinto's Maules Creek deposit at the depths of the last coal bear market in 2008, before floating it to investors and folding it into Whitehaven Coal. He is due to face a corruption commission in Sydney on Friday over payments to politicians.



COMMODITIES: Nickel prices have plunged 10 per cent in two trading days after an ebullient rally that has lifted nickel more than 50 per cent this year. Prices fell to \$18,090 per tonne, having breached \$21,500 earlier this week. An Indonesian export ban on unprocessed ore, which was imposed in January and has been likened to the Saudis turning off oil taps, has removed nearly a third of all global supply, flipping the market from glut to deficit. "We're on track to get back to 2006, 2007 prices," ventured the head of one nickel junior. "\$15 [per pound] or more."

