

“As long it’s a mineral then its good enough...so it seems”

Cape Town’s 2008 Mining Indaba is the only event where almost all stakeholders with interests in Africa’s resource sectors and related activities congregate to exchange project-related information and developments in the industry. This year’s event coincided with what seems to be, a peak in the commodities boom cycle due to a number of new projects, at different stages in the mining cycle, being evaluated. These projects range from grassroots exploration to those at mine development stage, with small emerging and fully empowered companies taking the lead.

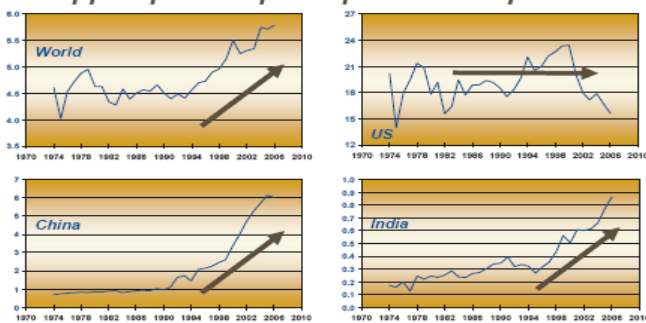
Currently, the demand and supply fundamentals of all commodities indicate that the commodities boom cycle (shown in the diagram below) will persist for the short to medium term, giving investors great opportunities. Generally, the increase in demand for commodities around the world is being driven by China and India, while the US market remains relatively stagnant as shown in the diagrams below. If supply cannot expand at the rate of intended demand, the price of commodities must rise in order to squeeze demand back to the available supply.

It seems that it doesn’t matter which mineral is being prospected for, so long as it’s a mineral then it seems good enough for investment. This was evidenced by the presentations made at the Indaba, by various company executives, on almost all commodities. The greatest transformation seems to be in the diamond industry, where the marketing and sale of diamonds was previously strictly controlled by the DeBeers Group (supply based market). The shift in the industry at present, is moving towards a purely demand driven market, where the primary producers are gaining control. More diamond beneficiating companies presently compete with De Beers.

By the end of December 2007, the global commodities boom had continued for 74 consecutive months. The Economist’s All Metals Index, had shown a growth of 281% in USD terms during that period. The South African mining industry has taken advantage of the global commodities boom. This has also led to a significant number of transactions taking place in which major mining companies have acquired junior companies that had developed quantifiable mineral resources. In South Africa, the creation of a new junior mining sector is largely attributable to the MPRDA and timely boom in commodity prices.

These events have led to a global shortage of skilled and experienced mining professionals, resulting, in most junior mining companies outsourcing work to mining consultants, since they do not have the necessary in-house expertise to take projects from grassroots level to closure. Venmyn continues to be well placed to assist its clients in all facets of project development, while undertaking to thoroughly due diligence all aspects of minerals projects and provide honest and well balanced commentary on the economic prospects of such projects. The broader community may take the view that ‘if it’s a mineral, then its good enough’, Venmyn strives to protect our clients and their investors from bad, unsound or dubious mineral projects. With the global mineral resources market experiencing such unusual and exceptional circumstances, the next “Bre-X” could be just around the corner.

World Demand – New Consumers
Copper: pounds per capita consumption



Source: World Metals Bureau

Source: Dundee wealth economics

The Commodity Cycle
Commodity price cycles are difficult to spot

