

# BEHRE DOLBEAR

BEHRE DOLBEAR GROUP INC.

*founded 1911* MINERALS INDUSTRY ADVISORS

## 2012 RANKING OF COUNTRIES FOR MINING INVESTMENT WHERE “NOT TO INVEST”

Since 1999, the Behre Dolbear Group Inc. has compiled annual political risk assessments of the key players in the global mining industry. Over time, our assessment indicates a positive correlation between the growth of a nation’s wealth and the prosperity of its mining industry – only when a country recognizes its critical need to adapt, and restructures burdensome policy, will it truly optimize this economic potential.

While our perspective is often considered provocative, it is our intent to highlight countries whose policies and business conditions promote investment growth in the mining sector. Behre Dolbear welcomes continued feedback from our clients and industry professionals alike. Both positive and negative dialogue enables Behre Dolbear to improve its assessment.

This year’s survey, as it has in the past, concentrates on specific countries, regional issues, and notable trends. Geology and mineral potential were not considered, as the fact that exploration, development, and mining activity are occurring confirms the existence of such potential. Only factors relevant to “political risk” have been considered. We do not make an effort to include mitigating factors such as economic returns or an investor’s relevant experience in a particular country as part of our ranking.

The Behre Dolbear Group of companies is comprised of more than 150 professionals based out of 12 offices around the globe. The views expressed herein reflect the collective responses to our annual internal survey. Our professionals’ opinions are valued as they have the unique opportunity to conduct business and evaluate investments within many different countries. In 2011, Behre Dolbear completed 220 projects in over 55 countries. Our global reach through the depth and diversity of our international involvement continuously builds our perspective on the industry. Our rankings in this annual survey are also based in part on confidential sources and public databases. Behre Dolbear has referred to the *Index of Economic Freedom* (a Wall Street Journal/Heritage Foundation publication), the World Economic Forum’s *Global Competitiveness Report*, and publications from Transparency International. Our ranking by the nature of the factors incorporated in its determination is qualitative, not quantitative.

The 25 countries considered in this year’s survey are ranked based on seven criteria:

- the country’s economic system
- the country’s political system
- the degree of social issues affecting mining in the country
- delays in receiving permits due to bureaucratic and other issues
- the degree of corruption prevalent in the country
- the stability of the country’s currency
- the competitiveness of the country’s tax policy

Each criterion is rated on a qualitative scale from 1 (worst) to 10 (best) that reflects conditions that promote investment growth in the mining sector. Accordingly, the maximum score attainable for a country is 70 points.

The following table displays this year's survey results along with those of the previous two years.

<b>Country</b>	<b>2012 Total Points</b>	<b>2012 Change versus 2011</b>	<b>2011 Total Points</b>	<b>2010 Total Points</b>
<b>Russia</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>19</b>
<b>Bolivia</b>	<b>17</b>	<b>0</b>	<b>17</b>	<b>18</b>
<b>D.R. Congo<sup>1</sup></b>	<b>19</b>	<b>0</b>	<b>19</b>	<b>19</b>
<b>Kazakhstan</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>24</b>
<b>Papua New Guinea</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>22</b>
<b>South Africa</b>	<b>25</b>	<b>1</b>	<b>24</b>	<b>23</b>
<b>Zambia</b>	<b>26</b>	<b>2</b>	<b>24</b>	<b>23</b>
<b>Indonesia</b>	<b>27</b>	<b>0</b>	<b>27</b>	<b>21</b>
<b>China</b>	<b>28</b>	<b>(-3)</b>	<b>31</b>	<b>35</b>
<b>India</b>	<b>29</b>	<b>(-1)</b>	<b>30</b>	<b>29</b>
<b>Philippines</b>	<b>29</b>	<b>1</b>	<b>28</b>	<b>26</b>
<b>Argentina</b>	<b>30</b>	<b>0</b>	<b>30</b>	<b>31</b>
<b>Mongolia</b>	<b>32</b>	<b>(-2)</b>	<b>34</b>	<b>36</b>
<b>Tanzania</b>	<b>32</b>	<b>0</b>	<b>32</b>	<b>32</b>
<b>Namibia</b>	<b>33</b>	<b>2</b>	<b>31</b>	<b>31</b>
<b>Ghana</b>	<b>36</b>	<b>2</b>	<b>34</b>	<b>36</b>
<b>Peru</b>	<b>36</b>	<b>(-1)</b>	<b>37</b>	<b>33</b>
<b>Botswana</b>	<b>37</b>	<b>0</b>	<b>37</b>	<b>36</b>
<b>Colombia</b>	<b>39</b>	<b>0</b>	<b>39</b>	<b>39</b>
<b>United States</b>	<b>41</b>	<b>0</b>	<b>41</b>	<b>42</b>
<b>Mexico</b>	<b>43</b>	<b>(-1)</b>	<b>44</b>	<b>45</b>
<b>Brazil</b>	<b>45</b>	<b>0</b>	<b>45</b>	<b>42</b>
<b>Chile</b>	<b>51</b>	<b>0</b>	<b>51</b>	<b>49</b>
<b>Canada</b>	<b>52</b>	<b>0</b>	<b>52</b>	<b>56</b>
<b>Australia</b>	<b>57</b>	<b>0</b>	<b>57</b>	<b>61</b>

<sup>1</sup>Democratic Republic of the Congo

This year's survey entails the same countries that were covered last year. Venezuela and Zimbabwe are not on the list for a fifth year even though both contain significant mineral wealth due to their inherently low ranking. Behre Dolbear advises clients to exercise notable caution when considering investments in these countries. The political and social situation in Zimbabwe continues to warrant exceptional consideration in risk mitigation while in Venezuela, Hugo Chavez's nationalization of gold mines and other mineral resource assets severely limits investment return potential. Significant political reform must occur in both countries prior to the restoration of investor confidence.

Looking beyond these countries, the minerals' markets strength is supportive of new investment. Despite the market's low activity during former recessionary cycles, there are now significant investments occurring in locations that were once deemed unviable due to the perception of high political risk. Typically, it takes six years or more until investors will see revenues from a green field mining project. For the inexperienced, the long lead times combined with the potential for material adverse change in business conditions can make the mining business one of the greatest destroyers of capital, as success is subject to navigation of many risks, hence, the rationale for this analysis.

State-owned enterprises (SOE) and sovereign wealth funds (e.g., China, Korea, Russia, India, Singapore, Saudi Arabia, and elsewhere) continue to invest in mineral resource development and production since

their parent countries consume increasing quantities of mineral products, which is correlated to economic growth. SOEs can also comprise a large portion of a country's stock market valuation. They account for 80% of the Chinese stock market capitalization, 60% of Russia's, and 35% of Brazil's. Government-sponsored investment, when compared to private investment, can entail vastly different time and strategic considerations and can have other investment criteria.

Since the start of the current commodity price cycle, market participants seeking to profit from the minerals boom have been investing globally. A relative lack of opportunity has brought attention back to older, out-of-favor mining regions (*e.g.*, Greece, Spain, and the United States) despite the perceived risks. Politically stable countries with stable regulatory environments help create viable resource bases that can provide competitive returns for investors relative to other asset classes. Conversely, mineral-rich nations with less stable or changing political environments (*e.g.*, Australia, Mongolia, Chile, Ghana, and South Africa) can add uncertainty to the development of mining projects, ultimately resulting in downward pressure on returns due to project delays or in extreme cases, project cancellations.

## **THE CURRENT SITUATION**

The commodity price boom that began in 2005/06 began to level off in 2011. Mineral prices are in decline because of the continued slow economic growth of the United States, Europe, and most recently due to moderating growth in China. Nonetheless, many countries continue to pursue non-competitive foreign investment and natural resource development and exploitation policies. Resource-rich national governments, however, continue to question foreign investment precedents at the risk of jeopardizing investor confidence. Behre Dolbear believes that a sustainable minerals industry requires a substantial amount of on-going as well as new capital investment to be successful. The opportunity cost mounting in today's environment is one underscored by waning investor interest due to increased political risk uncertainty. We believe political stability is derived from freedom of choice and quality of life. Improving the standard of living for all can strengthen global political stability and the availability of affordable mineral resources is critical to the success of meeting this goal.

## **2011 IN RETROSPECT – WERE WE RIGHT OR WRONG?**

North America's well-defined mineral endowment continues to attract significant capital investment despite regulatory hindrances due to its competitive standing relative to the quality of its resources, the capability of its existing infrastructure enabling products to access markets, and through the capacity of its human capital resources.

In Central and South America, select countries with strong mining industries have recently received ever increasing interest and benefits from rising commodity prices. However, the recent decline in mineral prices combined with increased inflation and renewed nationalism is causing concern as producer's margins are squeezed. Many countries throughout the region are increasing mineral taxes and imposing other requirements on mining operators.

As predicted, capital available to many African projects continues to increase relative to past years. Countries that have remained stable and those that address corruption and social issues have benefited from increased investment and production. More money from mineral development is going into infrastructure, social services, and better governance. In sub-Saharan and West Africa, mineral deposits continue to attract interest from a variety of large and small listed public mining companies and private capital providers, such as private equity funds as well as SOEs and sovereign wealth funds. Sub-Saharan Africa continues to be relatively stable by avoiding despotic or totalitarian regimes. Behre Dolbear

predicts that investment capital will continue to be put to work in this region, as new precedents are established increasing investor interest. As noted, Zimbabwe and South Africa prove challenging for foreign and domestic investor alike as an uncertain political atmosphere detracts from mineral development.

Asia at large and Australia have continued to attract new investment although government participation in the mining sector has increased in part through government-backed companies. In particular, China's form of neo-colonialism has resulted in a nationalistic backlash in several countries, notably Australia. China's sphere of influence on its neighbors and their resources, while initially welcomed, is coming under increasing scrutiny resulting in foreign ownership and export restrictions.

The Middle East region continued to see more mining, minerals, and metals investments as the region's nations continue to strive to diversify and expand their economies. Low-cost energy will continue to promote the development of energy intensive industries, such as fertilizer, aluminum, and steel. In turn, these sectors consume construction materials, aggregates, ferro, and specialty alloys.

The higher commodity prices have resulted in that old dog of a project (let's call it Fido) to re-emerge under a new name with new sponsorship – (now Phydeaux). It's still a dog, but a higher-class dog. Caveat Emptor!

## **RATING THE COUNTRIES**

### **THE ECONOMIC SYSTEM**

Behre Dolbear is a firm believer in the free-market system. In a free-market system, foreign and domestic commerce, combined with individual liberty and the rule of law, ultimately produces wealth, which increases employment and living standards. Adherence to free-market ideals is the major consideration in this criterion.

In supply-constrained markets, protectionist sentiments impede trade, acquisitions, and investment. The globalization of the world economy relies on cross-border free exchange of goods and capital. Federal and local governments are taking a keen interest in natural resource assets. For example, China restricts rare earth mineral exports. There is also a recent dispute between Anglo American and Chile's Codelco over the sale of an interest in Exxon Minerals' old La Disputada copper property. Finally, the Smoot Hawley Tariff Act enacted during the great depression of the United States highlights the adverse impact of protectionist policies on economic growth.

In a free market economy, governments rarely impede foreign investment. However, sensitive issues can arise in transactions involving non-renewable resources. There was no change in the three highest or lowest rated countries in this survey. There were no improved ratings in this year's survey and the ratings for five countries (United States, Mexico, Mongolia, China, and India) declined.

The United States, often referred to as the world's free market, fell by one point due to active government participation in the market.

United States legislation promoted natural gas and renewable energy sources over coal for power generation. Subsidizing and requiring utilities to change generation capacity put consumers on the spot to pay the bill through higher rates. Other market distorting actions included subsidizing the redevelopment of the rare earth minerals industry through government loans and the promotion of "strategic mineral stockpiles."

Mongolia and Mexico's perceived interference in the development of their mineral sectors resulted in both countries falling 1 point. China's restrictions on exports and subsidized investment by state-run institutions led to a 1-point drop from last year's rating. India's revocation of previously granted mining licenses, particularly those associated with foreign firms, led to a 1-point drop in this year's survey.

Australia's rating was almost lowered by 1 point due to continued government interference. The introduction of Strategic Cropping Land legislation in Queensland has removed some large tracts of land from potential coal mining in that state; although in New South Wales, the state government has intervened in the granting of title in some areas (e.g., Liverpool Plains) for open cut coal mining.

On a positive note, as economic reforms continue to move forward, both the Philippines and Namibia improved in this year's survey though neither country's rating changed due to mathematical rounding.

The highest-rated countries in this criterion and their relative change since last year's survey are:

- Australia (9) unchanged
- Canada (9) unchanged
- Chile (9) unchanged

The lowest-rated countries are:

- Russia (1) unchanged
- Bolivia (2) unchanged
- D.R.C. (3) unchanged
- Kazakhstan (3) unchanged
- South Africa (3) unchanged

## THE POLITICAL SYSTEM

Democratic countries with free elections rate highest. The fact that some countries hold elections, however, does not mean they are democratic (*viz.*, Russia and Zimbabwe). An additional factor considered in this criterion is security of tenure, *i.e.*, is title to a company's mineral concession secure based on a country's mining law and its prior history of mining operation nationalization. Sometimes complicating title to a deposit are the 'good' intentions of interested parties, including federal and local officials, indigenous peoples, or non-governmental organizations (NGOs) advocating geographic, ancestral, cultural, environmental, etc. claims about land, water, infrastructure, or other economic resources that thwart mining projects.

The higher-ranking countries are those with well-established democratic systems that possess tested mining legislation and protect against governmental or other arbitrary takings of property. Canada, Chile, and previously the United States lead in this category.

No country improved its ranking in this year's survey while three countries fell. The most notable of which was the United States which fell 1 point due to the continue stalemate in its congress; the influence of powerful lobbying organizations and NGOs tilting the playing field. The United States is now ranked equally with Brazil and Australia.

Mexico also fell 1 point due to the resurgence of the Partido Revolucionario Institucional (PRI). The party held political power until the election of 2000 yet it may reestablish its electoral dominance and undo the current market friendly policy.

Mongolia's ranking fell by one because of the continually changing elections and respectively changing mining policies.

Last year's lowest rated countries remained in this year's bottom rankings. The political systems of Russia, Bolivia, and China remained unchanged at 1.

The highest-rated political systems are:

- Canada (9) Unchanged
- Chile (9) Unchanged
- United States (8) down 1 point
- Australia (8) unchanged
- Brazil (8) unchanged

The lowest-rated are:

- Bolivia (1) unchanged
- China (1) unchanged
- Russia (1) unchanged

## **SOCIAL ISSUES**

Social issues continue to be one of the highest risk factors affecting the development of mining projects all around the world. The watchwords in the mining industry have become "sustainable development," "indigenous rights," and "social license," which, while sound in principle, have often been used by opponents to delay or completely halt mining development not to mention, adversely impact established operations.

Common sets of guidelines for sustainability have been developed by the financial industry (the Equator Principles led by the World Bank) and by the mining industry and manufacturers (the Cyanide Initiative) to help govern the development of mineral projects. Despite these achievements, many disparate special interest groups oppose mining projects throughout the world. Oppositional agendas are in many cases, detrimental to the livelihoods of local stakeholders.

A persistent issue, especially in developed economies, is the "NIMBY" (Not In My Backyard) syndrome, where personal prosperity outweighs public's necessity for minerals. Other factors considered in this criterion are the level of poverty, incidence of terrorism or guerilla activity, and disease, *e.g.*, AIDS. These issues affect the well-being and health of a country and affect mining economics in a country.

In these categories, none of the country ratings fell while several improved. The reasons for improvement stems from continued efforts of goodwill to neighbors as well as the governmental recognition of positive economic and social development. Mining development improves many social issues, which in turn fosters community support for mining.

The leading countries in this criterion remain unchanged from last year's survey. Australia rates the highest, with an 8, and Chile is second, with a 7. Colombia is third, with a rating of 6.

Three countries (Mexico, Ghana, and Namibia) ratings rose by 1 point in this year's survey. Mexico is making progress in dealing with a *de facto* war raging between the narco-cartels and the government raising its rating by 1 point. This issue is critical and will continue to impact investment. Both Ghana and Namibia have utilized their mineral resource wealth to improve the lives of their citizenry, which in turn helps supports the mining industry.

Three other countries showed improvement in this year's survey but not enough to change their ratings. Canada, India, and South Africa all showed signs of improvement. In Canada, the issue surrounding indigenous people is becoming much less contentious. In India, the adverse impact of regional issues, Maoists' terrorism, and in places, strong local opposition to mining projects has improved slightly. While showing signs of improvement both India and South Africa still rank near the bottom of this year's survey. Other countries showing signs of improvement include Indonesia and the Philippines where the security appears to be improving.

The countries most effective at managing social issues are:

- Australia (8) unchanged
- Chile (7) unchanged
- Colombia (6) unchanged

Those countries least effective are:

- Bolivia (1) unchanged
- Papua New Guinea (1) unchanged
- India (2) unchanged
- South Africa (2) unchanged

## **PERMITTING DELAYS**

Most countries have environmental regulations equal, at a minimum, to the standards established by The World Bank. The issue addressed here is not the strength of the regulations but the timeframe involved in obtaining permits. Contributing to delays is intervention by NGOs opposed to mining development; groups with legitimate concerns about the effect a project will have on a community or lifestyle; and, often, corruption on the part of bureaucrats in poorer countries.

Permitting delays are a global issue. As communication is facilitated by the internet, issues at operations in one country become the concerns and examples used against a completely unrelated mining project elsewhere. As this situation continues to evolve, the business environment will likely favor firms that aggressively take a proactive stance concerning societal and environmental issues. This will not guarantee success though, as corruption and other factors could still scuttle otherwise viable projects.

Permitting delays are the most significant risk to mining projects in the United States. A few mining friendly states (Nevada, Utah, Kentucky, West Virginia, and Arizona) are an exception to this rule but are negatively impacted by federal rules that they are bound to enforce resulting in a 7- to 10-year waiting period before mine development can begin. The United States rating moved up by 1 point this year as the situation improved somewhat due to the continued economic troubles and a resultant priority placed on job creation. The improved rating has not benefited the overall United States standing in this category, tying for last place with Papua New Guinea.

Those countries having the fewest permitting delays are:

- Australia (8) unchanged
- Mexico (7) unchanged
- Tanzania (7) unchanged

Those countries with the most numerous permitting delays are:

- United States (2) up 1 point
- Papua New Guinea (2) unchanged

## **CORRUPTION**

Corruption typically is endemic in the poorer nations and those with socialistic or controlled economies or totalitarian regimes. Corruption frequently extends through all strata of a society from the highest levels in government to the lower-level government officials, as well as pervading business practices.

Facilitation fees are often endemic to local business practices in many countries, being more prevalent in Africa, Asia, and Latin America. Investors must be mindful of and monitor corruption from the early stages of exploration and throughout project development and operation. While booming exports of minerals from these and other mineral-rich emerging market nations continue to boost local economies and the local standards of living, concerted due diligence is required to control and minimize corruption.

Australia and Canada continue to rate at 10, the highest in our survey in this criterion. The financial influence (through fund raising) of lobbyists and other purported public-interest groups on the legislative process in the United States was considered to be legal corruption resulting in the United States falling 1 point to a rating of 9.

China's rating also fell 1 point to a 2 as corruption is widespread, and the government's efforts to make progress in fighting systemic corruption has yet to gain traction outside of a few high profile cases.

Several African countries (Ghana, Namibia, and Zambia) through stable governments and improved transparency had their ratings improve by 1 point. Other risers include the Philippines, which rose 1 point due to its improved transparency and increased focus on corrupt practices. Indonesia also continued to improve in this category but not enough to result in a rating change. It was a similar story in South Africa, where the court system has taken a more active role in corruption cases.

Those countries with the least corruption are:

- Australia (10) unchanged
- Canada (10) unchanged
- United States (9) down 1 point

Those with the greatest incidence of corruption are:

- Kazakhstan (1) unchanged
- Russia (1) unchanged
- D.R. Congo (2) unchanged
- South Africa (2) unchanged
- Papua New Guinea (2) unchanged



- Mongolia (2) unchanged
- China (2) unchanged

## CURRENCY STABILITY

History has shown that countries with depreciating or devalued currencies inhibit new investment in their country. Depreciating currencies generate inflation, poverty, and corruption. As investment, money has focused on mineral-rich emerging countries, this trend has led to higher inflation within these countries.

High levels of inflation have historically created political turmoil and civil unrest. Although central banks may attempt to intervene and governments may alter policies, strong global demand for commodities and rising prices can overwhelm such efforts.

Despite record government spending in 2011, the United States dollar retained its safe haven status for those seeking refuge from the European debacle. The Canadian and Australian dollars remained close to parity with the United States dollar with both countries ratings of 9. While not enough to change its rating, Australia's inflation is beginning to be a concern.

Brazil's currency rating fell (not enough to change its numerical standing) because it was significantly overvalued in relation to the United States dollar. Mongolia dropped 1 point in this year's survey in part due to the distorting effect of substantial foreign investment in a small economy undergoing significant mineral development.

China's intervention to slow the appreciation of the Yuan is a policy that continues to be a concern of its trading partners. While its value has been allowed to appreciate, the market view is that it remains materially undervalued. In the short term, a stronger Yuan reduces the competitiveness of its export sector and puts downward pressure on job growth – a key factor impacting stability. Greater transparency in China's economy is long overdue and could be facilitated in part by a reduction of its currency controls. Nonetheless, we feel reform remains elusive, which led to a decline in China's rating by 1-point from last year's survey.

Zambia was the only country in this year's survey to see its rating increase. Inflation at the consumer level continues to show improvement resulting in a 1-point increase in this year's rating.

The highest-rated countries for currency stability are:

- Canada (9) unchanged
- Australia (9) unchanged
- Brazil (9) unchanged

The lowest-rated countries are:

- D.R.C. (1) unchanged
- Russia (2) unchanged
- Zambia (3) up 1 point
- Bolivia (3) unchanged
- Indonesia (3) unchanged

## TAX REGIME

The total taxes applicable to a mining project – duties and imposts, income taxes, royalties, and severance and excise taxes are considered in this section. Behre Dolbear’s experience is that once the total “government take” from combined taxes reaches 50%, a mining project’s economic viability, during periods of normal commodity pricing, is threatened. Stable and predictable tax policies are essential in evaluating a mining project’s perceived risks and viability.

The impact of increasing government debt combined with relatively recent rising commodity prices has inspired officials in almost every minerals-producing nation to consider raising mining-related taxes and fees. Mineral-related revenue, which a few years ago was rising in line with commodity prices has recently decreased due to falling commodity prices, even though the amount of minerals produced has subsequently increased. The tax raising conversations have intensified in efforts to monetize mineral production.

The inspiration for these efforts may have been bolstered by Australia’s actions over the past year to increase taxes both directly and indirectly on mining operations. Such discussions can result in uncertainty, delays, and limitations on investment. The past delays at the Oyu Tolgoi copper project in Mongolia present a clear example of how such uncertainty delays mining developments.

In spite of the current climate, Behre Dolbear did not reduce the ratings of any of the countries in this year’s survey as last year’s survey incorporated much of the current sentiment. Meanwhile, two countries (United States and South Africa) rose in this year’s survey. Both countries have historically been in the lowest quartile of this segment of the survey. Due to the current political stalemate and its inability to raise taxes, the United States rating increased by 1 point in this year’s survey. South Africa rating also rose by 1 point due to the lowering of the corporate tax rate as well as increasing the efficiency and easing the compliance burden for rate payers.

The highest-rated countries for tax regime are:

- Mexico (7) unchanged
- Canada (7) unchanged

The lowest-rated countries are:

- South Africa (3) up 1 point
- Bolivia (3) unchanged
- Zambia (3) unchanged

## THE RANKINGS

Table 1, “2012 Ranking of Countries,” shows Behre Dolbear’s composite ranking (out of 70 points possible) of political risk.

The five highest-scoring countries are:

- Australia (57) unchanged
- Canada (52) unchanged
- Chile (51) unchanged

- Brazil (45) unchanged
- Mexico (43) down 1 point

The five lowest-scoring countries are:

- Russia (16) unchanged
- Bolivia (17) unchanged
- D.R.C. (19) unchanged
- Kazakhstan (22) unchanged
- Papua New Guinea (22) unchanged

While there was little movement at the ends of the survey, there was substantial movement in the middle. China and Mongolia fell 3 and 2 points, respectively. This resulted in China dropping from its 13<sup>th</sup> ranking in last year's survey to 17<sup>th</sup> in this year's survey. China's decline is in line with last year's decline where it lost 4 points and declined from 11<sup>th</sup> in the rankings to 13<sup>th</sup>. Mongolia fell from 10<sup>th</sup> to a tie for 12<sup>th</sup> in this year's survey.

Other countries, which fell in this survey, were Mexico, India, and Peru each falling 1 point. Mexico and India maintained their current positions, while Peru's ranking fell from 8<sup>th</sup> to 9<sup>th</sup> place.

On a positive note three African countries (Ghana, Namibia, and Zambia) ratings all increased by 2 points. Ghana moved into a tie with Peru ranking 9<sup>th</sup> in this year's survey. Namibia's ranking also improved raising 13<sup>th</sup> to 11<sup>th</sup> in this year's survey. While Zambia's overall ranking did not improve, it is no longer tied for 19<sup>th</sup> position. The improved stability of these and other African countries government is leading to a revival in long-term African mineral investment, which in turn is improving infrastructure as well the lives of its citizenry which when combined with its mineral wealth is making these countries a more desirous location for mineral investment.

## **A FINAL WORD**

The initial resurgence in mineral consumption during the first half of 2011 appears to have abated with mineral prices and demand both retreating from recent highs. Producers are still cautiously expanding capacity to meet the expected growing demand from the emerging market consumers. Sovereign investment funds and emerging market sponsored mineral companies will continue to play an important role in the funding and development of mineral resources. These groups' time horizons and investment strategy can be markedly different from traditional resource companies and may provide additional opportunities to those countries with mineral wealth to capitalize on their resources. The competition for mineral resources will make those countries perceived to have the lowest political risk, all other things being equal, able to attract a significant portion of the global mineral investment as well as receive a premium for their resources over countries where perceived instability exists.

The outlook for 2012 remains uncertain, mostly due to the "band-aid" approach the EU is using to resolve the debt problems in Greece, Portugal, Spain, and Italy. This uncertainty has impacted commodity prices since austerity measures or a collapse of the euro as a currency will have potentially serious impacts on the marginal global demand for minerals. Similarly, should fears of a "hard landing" come true in China that would also devastate global commodity demand.

The long-term fundamentals, however, are unchanged and as economies rebound we will revisit the rapid ramp-up of commodity prices again. It is probable that resolution on the direction prices take will occur before this year's end.

**TABLE 1  
BEHRE DOLBEAR'S 2012 RANKING OF COUNTRIES**

<b>2012 Rank</b>	<b>Country</b>	<b>Economic System</b>	<b>Political System</b>	<b>Social Issues</b>	<b>Permitting Delays</b>	<b>Corruption</b>	<b>Currency Stability</b>	<b>Tax Regime</b>	<b>2012 Total Points</b>	<b>2012 Change versus 2011</b>
1	Australia	9	8	8	8	10	9	5	<b>57</b>	0
2	Canada	9	9	4	4	10	9	7	<b>52</b>	0
3	Chile	9	9	7	6	8	8	4	<b>51</b>	0
4	Brazil	7	8	5	5	5	9	6	<b>45</b>	0
5	Mexico	7	7	3	7	6	6	7	<b>43</b>	(-1)
6	United States	8	8	3	2	9	7	4	<b>41</b>	0
7	Colombia	6	7	6	6	5	5	4	<b>39</b>	0
8	Botswana	6	5	5	5	5	5	6	<b>37</b>	0
Tie 9	Peru	6	6	4	4	5	6	5	<b>36</b>	(-1)
Tie 9	Ghana	6	5	3	6	4	6	6	<b>36</b>	2
11	Namibia	4	5	4	5	4	5	6	<b>33</b>	2
Tie 12	Mongolia	6	5	5	5	2	5	4	<b>32</b>	(-2)
Tie 12	Tanzania	5	5	3	7	3	4	5	<b>32</b>	0
14	Argentina	5	3	4	6	4	4	4	<b>30</b>	0
Tie 15	India	5	6	2	3	3	6	4	<b>29</b>	(-1)
Tie 15	Philippines	5	5	3	5	3	4	4	<b>29</b>	1
17	China	5	1	3	5	2	7	5	<b>28</b>	(-3)
18	Indonesia	5	6	4	3	2	3	4	<b>27</b>	0
19	Zambia	5	4	3	5	3	3	3	<b>26</b>	2
20	South Africa	3	4	2	5	2	6	3	<b>25</b>	1
21	Kazakhstan	3	3	4	3	1	4	4	<b>22</b>	0
22	Papua New Guinea	4	4	1	2	2	4	5	<b>22</b>	0
23	D.R. Congo	3	3	3	3	2	1	4	<b>19</b>	0
24	Bolivia	2	1	1	4	3	3	3	<b>17</b>	0
25	Russia	1	1	3	3	1	2	5	<b>16</b>	0