

BEHRE DOLBEAR

BEHRE DOLBEAR GROUP INC.

founded 1911 MINERALS INDUSTRY ADVISORS

2010 RANKING OF COUNTRIES FOR MINING INVESTMENT

WHERE “NOT TO INVEST”

Since 1999, Behre Dolbear has compiled a political risk assessment of countries of import to the mining industry. Behre Dolbear feels that the mining industry is vital to the creation of wealth and prosperity in any country and that countries that stifle it with detrimental political, economic, and financial policies should be challenged to make changes more accommodative to its success. Behre Dolbear continues to be very pleased about the responses we have received from our clients and others in the industry. We encourage feedback from readers, either positive or negative. We recognize that many might consider what we have said to be provocative, which is our intent. Such feedback enables Behre Dolbear to continue to improve this survey and make it a valuable tool for industry.

This year’s survey will concentrate on specific countries and some regional issues. Only factors relevant to “political risk” have been considered. Geology and mineral potential were not considered, as the fact that exploration, development, and mining activity are occurring confirms the existence of such potential. We recognize that if a major mineral deposit exists in a high-risk country, a mining company might well decide that the financial incentive exceeds the political risk; e.g., Barrick’s Reko Diq project in Pakistan and Banro Corporation in the eastern Democratic Republic of the Congo (D.R.C.).

The Behre Dolbear Group of companies comprises many professionals based out of 10 offices, and the views expressed herein do not necessarily reflect those of everyone within the Group. The rankings in this annual survey are based on opinions gathered from our professionals and research from various public and confidential sources. We believe they reflect the collective experiences gained by our company and its professionals. Our professionals have had the unique opportunity to travel widely and experience many different cultures. We, accordingly, believe that the opinions expressed in our annual ranking are strengthened by these experiences.

The ranking is qualitative, not quantitative. Input to the rankings is based on Behre Dolbear’s actual experience in the 50+ countries in which it typically works in any given year, input from our professionals, many confidential corporate sources, and open source databases. Behre Dolbear has also referred to the *Index of Economic Freedom* (a Wall Street Journal/Heritage Foundation publication) and publications from Transparency International when considering the economic and political systems and the degree of corruption present in the respective countries.

Twenty-five countries that are host to major exploration or mineral development efforts and/or mining operations are ranked 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 delays;
- the degree of corruption prevalent in the country;
- the stability of the country's currency; and,
- the country's tax regime.

Each category under consideration is rated from 1 to 10, with the highest ranking being 10. Accordingly, the maximum score attainable for a country is 70 points.

Following, listed alphabetically, are the countries that were considered in the survey.

- Argentina
- Australia
- Bolivia
- Botswana
- Brazil
- Canada
- Chile
- China
- Colombia
- Democratic Republic of the Congo (D.R.C.)
- Ghana
- India
- Indonesia
- Kazakhstan
- Mexico
- Mongolia
- Namibia
- Papua New Guinea
- Peru
- Philippines
- Russia
- South Africa
- Tanzania
- United States
- Zambia

There have been no changes to the list of countries in this year's survey. Venezuela and Zimbabwe are left off the list for a third year even though both contain significant mineral wealth. The political and social situation in Zimbabwe seems to have stabilized, but the investment climate is still very difficult. The death or removal of Mugabe is the only avenue that will bring real improvement and stabilization. Unfortunately, his demise would not guarantee positive developments, as rival factions could still tear apart what remains of the country.

Wholesale nationalizations continue in Venezuela, with foreign-owned cement plants and parts of the banking sector being recent victims. Additionally, late in 2009, Toyota and General Motors were targeted with the threat to turn their plants over to unnamed Chinese enterprises unless “additional local content and participation” improved. In the mining industry, Gold Reserve’s Brisas project was effectively seized in mid-2009. The Chavez regime continues to have a firm grip on power despite growing shortages of electricity, high inflation, continued tensions with Colombia, and a significant decline in oil revenue due mostly to the fall of production levels.

Behre Dolbear believes that until fundamental changes occur, no investments should be considered in either country.

Three regions experiencing significant mineral exploration investment and development interest are Western Africa, the Middle East, and the Trans Caucasus/Central Asian region. No individual countries are ranked in the Middle East and Western Africa in the Behre Dolbear survey. Each region has specific risks which must be considered.

With the end to civil wars in Sierra Leone, Ivory Coast, and Liberia in the recent past, the West Africa region is seeing a surge in mineral exploration and development. General stability in the region has drawn in major firms to develop several large iron ore and aluminum projects, and gold exploration is expanding significantly. Senegal recently saw the opening of its first gold mine, and several later-stage gold projects are underway in Guinea and Sierra Leone. Difficulties with local governments persist, and the recent instability in Guinea due to the death of its long-time president (apparently now resolved) was a concern. Unresolved tribal conflicts pose the greatest threat to investments in this region, along with a lack of adequate infrastructure.

The Middle East is experiencing significant interest in aluminum, potash, and phosphate projects. Projects are moving forward in Jordan, Saudi Arabia, and Egypt. Gold exploration activity has also expanded with the run up in gold prices. Much of the activity is by local or state-owned firms (Ma’aden in Saudi Arabia), but foreign firms are showing a significant interest in the region. The desire to expand their economies beyond oil and provide employment has been a powerful driver to open the minerals sector to foreign investment. Exploration activity has also been noted for uranium, various industrial minerals, and copper. Security and corruption are serious challenges for investments in this region, but the challenges vary greatly country to country.

The Trans Caucasus/Central Asian region is also experiencing significant minerals exploration interest and development. Phosphate, gold, uranium and copper projects have been noted. Kazakhstan has a rank of 18 overall in the 2010 survey and is the only ranked country in this region. The greatest challenges in this region are endemic corruption, meddling by Russia in the internal affairs of various nations (Georgia, Kyrgyzstan, Azerbaijan), Russian-American-Chinese rivalry for influence in the various nations, significant permitting delays and a lack of infrastructure.

Exploration activity and development continue at good levels in Botswana, Colombia, and the Philippines. These three countries were added to our survey two years ago as their involvement into significant mining investment locales became apparent. Colombia continues to deal with its tensions with Venezuela and narco violence in a measured and progressive manner, with continued improvement noted. Botswana continues to be a beacon of stability and good governance in Sub-Saharan Africa, but its +20% HIV infection rate continues to weigh on the government, although progress is being made.

The Philippines continues to see precious and base metal investments, along with activity in its coal sector. Recent flare-ups of insurgent violence on Mindanao and the government's inability to deal with the violence and instability are major worries.

2009 IN RETROSPECT – WERE WE RIGHT OR WRONG?

Behre Dolbear predicted that China and its state-owned or controlled entities would benefit from the collapse of commodity prices in late 2008 and early 2009 (along with other Asian consortiums). This occurred on a very large scale. As a result of their strong balance sheets, state sponsorship, and access to capital at effectively negative interest rates, Chinese firms have been major buyers of distressed assets and providers of investment capital for many significant mining projects. They did face increasing opposition to their investment strategies from both governmental entities and shareholders who were seeking a higher value for their assets. An example was the failure of the proposed Chinalco investment in Rio Tinto. Other potential investments faced opposition or required restructuring to be completed, as exemplified by the acquisition of Oz Minerals by China Minmetals Non-ferrous Limited, only after a significant restructuring. Africa is seeing significant investments by various Chinese firms.

Indian, Korean, and Japanese consortiums are also out scouting potential opportunities but seem to be taking a more measured and precise tack when making purchases or investments.

Behre Dolbear predicted that Mexico would see continued strong interest. Investment interest has continued, but narco violence has also continued to grow. The cause remains the unchecked demand for illegal drugs in the United States and the rival cartels who are trying to control the traffic of those drugs. The Mexican government began a major crack down during 2009, and casualties have been heavy. While not directly affecting the mining camps, the drug trade and the violence it brings are a concern going forward. Kidnappings, other criminal enterprises, and rackets are a natural by-product of the drug trade and scare off mainstream investors.

As predicted, Bolivia, although quiet in 2009, remains a hazardous place to invest. Evo Morales continues to try to recentralize power in La Paz in an on going attempt to consolidate all power in his hands. He does face some opposition, but it has failed to dent his popularity, and Behre Dolbear feels he is firmly entrenched.

As predicted, Argentina's economic climate continues to deteriorate, with the latest attempt to use central bank reserves to fund pre-2010 election pork-barrel spending a glaring example. The current Fernandez/Kirchner government appears increasingly desperate to retain power at almost any cost. There is growing opposition to her rule, and the upcoming elections, if fair, could be a turning point.

Sub-Saharan Africa was stable throughout 2009, with incremental improvement noted in all countries except Zimbabwe. Exploration activity continued at a healthy pace in the region, where an abundance of potentially rich deposits is a lure that is hard to dismiss.

A year ago, Behre Dolbear took a wait and see attitude in regards to South Africa. As it turned, out South Africa was stable, but uncertainty continued regarding the direction of President Zuma's government. There is continued worry about its ability to deal with the daunting social problems in the country while promoting investment that would provide the money to meet those needs. Fears of impending large-scale land seizures of white farms, nationalization of businesses, and that the country will follow the path of Zimbabwe have subsided somewhat. The electricity rate increases proposed to take effect over the next three years will prove to be a huge cost hurdle for South Africa's deep mines and will make many of them marginal or uneconomic. The overall power shortage and inflation continue to plague the economy.

Tanzania, Zambia, Namibia, Botswana, and Mozambique (not a ranked country) continued to see positive development and increased investments.

Zimbabwe stabilized to a relative degree, but no real move in a positive direction was noted. The power sharing agreement put in place last year appears to be holding, with a waiting game now ensuing to wait out Mugabe. Mugabe has stated that he has no intention to step down, so the situation will remain, at best, the current status quo. South Africa and other African nations are unwilling to provide pressure to push him out, meaning that Mugabe is there to stay until his death or internal removal. European and North American governments are largely ignoring the situation, as no immediate tragedy or atrocity is occurring. Refugees continue to bleed out of Zimbabwe to its neighbors, adding a destabilizing element to the populations of these nations.

Russia was predicted to continue to challenge the West and the United States specifically in regards to the eastern European missile shield and its new allies in Eastern Europe. Russia largely succeeded in getting the United States to back down from it alliances and the missile shield as the new administration sought to accommodate Russia's interests. Putin has fully consolidated power and crushed his opposition, and the nationalization of strategic industries has continued. As predicted, Russia has continued to try to exert influence over the affairs of its neighbors. Russia increased its pressure on Ukraine, and candidates more in its sphere did well there in recent elections. This appears to be more of a backlash against corruption and incompetence, but it has the same effect of putting Ukraine more in Russia's orbit. The near bankruptcy of many of Russia's largest firms and relatively modest oil prices continue to temper Russia's dreams of reestablishing itself as a world power.

We predicted gold would rise significantly due to worries of inflation and as investors sought a safe haven to preserve wealth. It has, as gold reached new all time highs in late 2009. We predicted a modest rebound of commodities prices, and the rebound was significant. Copper, silver, zinc, ocean-shipped iron ore, and other commodities are at healthy pricing levels.

RATING THE COUNTRIES

THE ECONOMIC SYSTEM

Behre Dolbear is a firm believer in the free-market system. The commerce within and between countries that results from a free-market system, when combined with individual liberty and the rule of law, ultimately produces democratic reforms. These in turn generate wealth, which increases employment and living standards. Adherence to free-market ideals is the major consideration in the rankings. The most notable rankings change in this category is the drop of the United States by two points. The lowest-scoring countries are those with repressed economic systems.

The highest-ranking countries and their relative scores are:

- Canada (10)
- Australia (10)
- Chile (9)
- United States (8)
- China (8)
- Mexico (8)

The lowest-ranking countries are:

- Bolivia (2)
- Russia (2)
- D.R.C. (3)
- Argentina (3)
- Indonesia (3)
- South Africa (3)

Russia and Bolivia remain at the bottom due to continued expropriation (or the threat of nationalization) of companies and projects. Large swaths of the Russian economy are now influenced or owned by the state or friends allied with President Putin.

As noted earlier, investments continue to be made in the D.R.C., and some governmental progress is being made. It improved by one point to a rank of 3. The risk of conflict, although reduced, remains significant.

The United States dropped by two points due to the enormous governmental intervention in the economy and in propping up failing enterprises ranging from banks to automobile companies. Significant intervention in the bankruptcy filings of General Motors and Chrysler, with unprecedented rights being granted to unsecured creditors who happen to be favored political constituencies (United Auto Workers), is a very troubling trend.

Argentina was downgraded one point to a rank of 3 due to its continued economic deterioration.

THE POLITICAL SYSTEM

Democratic countries with free elections rank highest. The fact that some countries hold elections, however, does not mean they are democratic (viz. Russia and Zimbabwe). An additional factor considered 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 nationalization of mining operations.

The higher-ranking countries are those with well-established democratic systems, which possess well-established and tested mining legislation and provide protection against governmental or other arbitrary takings of property. It is not surprising to see that Australia, Canada, and the United States continue to lead in this category.

Russia, Bolivia, and China are the lowest-ranked countries in the 2010 survey.

Russia and Bolivia rank lowest for the same reasons noted previously. China is ranked low due to its single-party, monolithic rule, where little or no political dissent is tolerated. Internet access continues to be restricted, and dissidents are dealt with harshly. The crackdown on Google's China subsidiary via cyber attacks to obtain email data and the violent suppression of the Uighur demonstrations during the summer of 2009 are two examples of intolerance to dissent. China's mining law establishes a paradigm of restricting all foreign ownership in its natural resource sector.

Peru has jumped two points as its democratically elected government is successfully balancing development with meeting social needs. President Garcia's policies are attracting significant investments in the economy, with mining leading the way.

Mongolia is raised by two points as its electoral process has matured, and there is a clear, functioning, and fair electoral system.

Indonesia advances by one point as its government continues to make incremental progress. The country holds enormous minerals potential, and this continued improvement will spur continued investment interest.

Colombia rises one point as its political system has shown maturity in not changing the constitution to allow Uribe to run for President again. Due to his success in largely defeating FARC and containing the narco violence, there was a movement to insure his reelection. It appears that this will not occur and that the current constitution will be honored.

Argentina dropped by one point to a rank of 4 as potential electoral process manipulation is suspected in the upcoming 2010 elections.

South Africa rose by one point as the new Zuma government has maintained the economic policies of the previous government. Namibia dropped by one point as Black Economic Empowerment programs based on the South African model may be adopted there. This clouds the investment outlook with significant uncertainty.

The highest-ranked countries are:

- Canada (10)
- Australia (9)
- United States (9)

The lowest-ranking countries are:

- Bolivia (1)
- Russia (1)
- China (2)

SOCIAL ISSUES

Social issues continue to be the highest risk facing the development of mineral projects in every country. The watchwords for the industry are “sustainable development” and “social license,” which, while sound in principle, have often been used by opponents of mining to delay or completely halt mining projects. Common sets of guidelines for sustainability issues have been developed by the financial industry (the Equator Principles), by the mining industry and manufacturers (the Cyanide Initiative), and by The World Bank Group to govern the development of mineral projects. Despite these achievements, opposition to mining projects is noted around the world and is often fomented by NGOs. The agendas of the opposition are often suspect and in many cases are detrimental to the well-being of the affected peoples.

A major issue, particularly in developed countries, is the “not in my backyard (NIMBY)” syndrome, where prosperity outweighs the knowledge of the public’s need for minerals. Other factors considered as part of the social issue category include the level of poverty in the country, the incidence of terrorism or guerilla activity, and diseases, such as AIDS. All of these economically impact a mining company’s operations in a country.

Mineral projects in the United States (especially those proposed on public lands) continue to be fiercely opposed. The 2008 presidential and congressional elections firmly entrenched and expanded the Democrat Party control of the government. They have rewarded their political allies in the radical environmental movement by moving to make significant negative changes to the Mining Law of 1872, mining related regulations, endangered species rules, and water regulatory initiatives. The attitude taken by the regulators is that whatever they cannot accomplish via legislation they will implement as regulatory policy. An example of this is the recently announced EPA decision that carbon dioxide is a dangerous pollutant, which has no basis in written law or science. Perhaps the problem would be solved if all at the EPA stopped exhaling; however, this trend will continue, and the United States is dropped one point in this category to a rank of 3.

Canada is dropped one point to a rank of 6 due to pending revisions in its federal mining law that would greatly empower first nations groups by giving them a virtual veto on mining projects on or near their lands. The law has not been enacted but uncertainty clouds the investment climate. On a positive note, Quebec as a stand-alone jurisdiction is arguably the best locale worldwide in which to invest in mineral properties.

Mexico, in Behre Dolbear's opinion, faces significant potential for social unrest with a *de facto* war raging between the narcotic cartels and the government. The cartels for the present appear to have the upper hand; however, the government has responded strongly. The battles continue, and Mexico's low ranking is maintained.

Brazil has dropped one point due to regional issues that cloud the investment climate and create uncertainty.

India remains near the bottom at a rank of 2 due to significant regional issues and opposition to new projects that weigh heavily on new investments. Governmental bureaucracy continues to be a major burden as well.

The Philippines has dropped two points to a rank of 1 due to the renewed violence and unrest on Mindanao, which the government seems unable to deal with in an effective manner.

Ghana's societal picture has clouded, with inter-tribal issues and government intransience putting a negative light on the country. It has dropped one point in this category to a rank of 2.

Peru has risen one point for reasons mentioned earlier, as has Indonesia.

Australia, Chile, and Canada continue to be the most stable in the regard to social issues.

The countries ranking highest in the area of social issues are:

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

Those countries with the lowest ranking are:

- Bolivia (1)
- Philippines (1)
- Papua New Guinea (1)
- South Africa (1)

PERMITTING DELAYS

Most countries have environmental regulations equal, at a minimum, to the standards established by The World Bank Group. The issue addressed here is not the strength of the regulations but the timeframe involved in obtaining permits.

Contributing to global delays are intervention by NGOs opposed to mining development, groups with legitimate concerns about the effect a project will have on their community or lifestyle, and, often, corruption on the part of bureaucrats in poorer countries.

Permitting delays are now a global issue. With use of the internet, issues at operations in one country may be used against a completely unrelated mining project in another country. This situation will continue to evolve, and the business environment will favor those firms that aggressively take a proactive stance concerning societal and environmental issues. This will, however, not guarantee success, as corruption and other factors could still scuttle otherwise viable projects.

Permitting delays in the United States are the most significant risk to mining projects. The situation is worsening due to increased regulations and pending negative revisions to the federal mining law, wetlands regulations, mountaintop mining, and carbon dioxide legislation. A few mining friendly states (Nevada, Utah, Kentucky, West Virginia, Arizona) are somewhat of an exception to this rule but are negatively impacted by federal rules that they are bound to enforce. The United States is dropped one point in this category to a rank of 1.

Chile has dropped by one point as new projects are becoming increasingly more complex to permit and delays are growing. Ghana is also downgraded by one point as government delays are affecting new investments.

The “flight to quality” trend will continue, with mining companies seeking to secure their large investments of both time and money. This will benefit investments in Australia, Canada, Brazil, Chile, and to an extent Mexico.

Australia leads the ranking in this category. The United States is ranked lowest due to the average 7- to 10-year period required before mine development can commence. Although some progress has been noted, Papua New Guinea is still ranked low due to corruption in the process.

Those countries viewed as having the least permitting delays are:

- Australia (8)
- Mexico (7)
- Tanzania (7).
- Chile (6)
- Colombia (6)

- Ghana (6)
- Mongolia (6)
- Argentina (6)

Those countries with the longest permitting delays are:

- United States (1)
- Papua New Guinea (2)
- D.R.C. (3)
- India (3)
- Indonesia (3)
- Kazakhstan (3)
- Russia (3)

CORRUPTION

Corruption is endemic in the poorer nations and those with socialistic or controlled economies and totalitarian regimes. The corruption frequently extends through all strata of society from the highest levels in government to the lower-level government officials. Facilitation fees are a common part of a company's business in many countries, particularly in Africa and Asia, as well in some Latin American countries.

China has been upgraded one point to a rank of 3 as the government seems to be making progress in fighting some of the systemic corruption there. Colombia has also risen one point to a rank of 5.

The D.R.C. moved up one point to a rank of 2 due to incremental governmental improvements. Zambia, however, drops one point to a rank of 2, as local issues have impacted projects there. Namibia drops one point to a rank of 3 due to BEE threats that may inspire corruption.

Those countries with the least corruption are:

- Australia (10)
- Canada (10)
- United States (10)
- Chile (8)

Those with the greatest incidence of corruption are:

- Indonesia (1)
- Kazakhstan (1)
- Russia (1)
- D.R.C. (2)
- South Africa (2)
- Phillipines (2)
- Zambia (2)

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.

The United States dollar continued to devalue during most of 2009. The devaluation was fueled by massive government spending and effective interest rates of 0% in an attempt to stimulate the economy. The trend has recently stabilized, but devaluation will continue if spending is not restrained, if the US Treasury continues to monetize government debt, and if the massive liquidity injected into the financial system is not withdrawn in an orderly manner. If some unforeseen international events occur (a new Mid East war, etc.), the dollar could rebound in the short term. This run up in the dollar would not be a reflection of the health of the American economy but of a feeling that it was less worse off than the rest of the world. The United States is dropped one point in this category to a rank of 7.

The Canadian and Australian dollars strengthened in 2009 as commodities prices stabilized and rose. This will continue in 2010. Both rise one point in this survey to a rank of 7.

China's yuan was kept weak to guarantee the price competitiveness of Chinese exports. China's banking sector is still considered vulnerable due to a lack of transparency, but its large foreign currency reserves will provide a buffer. Its rank of 8 is maintained.

Russia has stabilized the ruble, but its banks and much of its industry remain fragile. Its foreign currency reserves provide a buffer, and rising oil prices could put a foundation under the Russian financial system. It improves one point to a rank of 3.

Brazil's currency has strengthened due to commodity price stability and good fiscal policy of the government. It rises one point in this survey to a rank of 7.

The highest-ranking countries for currency stability are:

- Canada (9)
- Australia (9)
- China (8)
- United States (7)
- Chile (7)
- Brazil (7)
- Peru (7)
- Ghana (7)

The lowest-ranked countries are:

- D.R.C. (1)
- Indonesia (1)
- Zambia (2)
- Russia (3)

TAX REGIME

Considered under the tax regime are the total taxes applicable to a mining project – duties and imposts, income taxes, royalties, and severance and excise taxes. Behre Dolbear’s experience is that once the total “government take” from combined taxes reaches 50%, a mining project’s economic viability in a period of normal commodity pricing is threatened, unless the project is extremely high-grade. Stable and predictable tax policies are essential in evaluating a mining project’s perceived risks and viability.

Rising commodity prices have spurred almost every minerals producing nation to consider or to actually hike mining-related fees and taxes in the recent past. Many late-stage projects have been affected by “requests to renegotiate” agreements and licenses. This seemed to have stopped after the commodities price declines of late 2008, but, with prices recovering, it resumed in late 2009.

The United States corporate tax rate of 35% is virtually the highest corporate tax rate in the world. This, combined with many high state levies, provides a significant negative incentive for future investments. Current fiscal policies in Washington almost insure higher tax rates or surcharges. There is a significant risk that mining specific taxes and royalties will rise dramatically due to pending legislation. The United States has been downgraded one point in this study to a rank of 4.

Mongolia jumps two points to a rank of 4, as it has finalized its tax regime relatively favorably to industry. The finalizing of the tax laws has finally added significant clarity to mining investments in this mineral rich country.

South Africa appears to have decided not to tax mining in a confiscatory manner directly but indirectly via a huge jump in the cost of electricity. These revenues allegedly would be used to expand the country’s generating capacity and to bring electricity to impoverished areas. Its net effect may be to shut down a significant number of older mines as they become uneconomic. South Africa remains poorly ranked at 2.

Zambia has also dropped one point to a rank of 3 due to new fees imposed on the industry.

The highest-ranking countries for tax regime are:

- Mexico (8)
- Australia (7)
- Canada (7)

Generally, low-ranking countries are those with controlled and/or corrupt economies. The lowest-ranking countries are:

- South Africa (2)
- Zambia (3)
- Indonesia (3)
- Bolivia (3)

THE RANKINGS

The table below presents the results of the political risk rankings. The high score of 61 points out of a possible 70 points was achieved by Australia, followed by Canada, which was unchanged from last year.

Chile dropped one point to 49, Mexico remained at 45, and the United States dropped six points to a tie with Brazil at 42.

The five highest-scoring countries are:

- Australia (61)
- Canada (56)
- Chile (49)
- Mexico (45)
- United States (42)
- Brazil (42)

The lowest-ranking countries are:

- Papua New Guinea (22)
- Indonesia (21)
- Russia (19)
- D.R. Congo (19)
- Bolivia (18)

The lowest-ranked countries in this year's survey are the same as last year, but the D.R.C. and Indonesia both improved two points and Russia added one point. Russia and Bolivia remain the most problematic, with extreme investment caution urged. In the case of Russia, a strong local partner may help to mitigate the risks somewhat. Papua New Guinea, Indonesia, and the D.R.C. have enormous mineral wealth, but each is hobbled by its own circumstances. Behre Dolbear predicts continued incremental improvement in these nations if extenuating circumstances do not intervene.

The worst performer in this year's survey was the United States, which fell six points to a composite score of 42. This was due to current populist policies, government intervention in the economy, a significantly deteriorating regulatory regime, and uncertainty about the future direction of the economy. The United States was joined by Argentina, Namibia, and Zambia each of which fell by two points, largely due to unfavorable government policies relating to the economy in general and taxation.

Mongolia showed the most improvement in its score from last year. Its score rose four points to a composite score of 36 to be ranked in a three way tie for 8th place. Its maturing political system and the finalization of a reasonable taxation regime for mining projects contributed to the higher rank.

Brazil maintained its composite score of 42 and is ranked in a two way tie for 5th place with the United States. Brazil's overall economic situation continued to improve and it showed regional leadership. Behre Dolbear forecasts that this trend will continue, with Brazil continuing to evolve into a continental leadership role.

South Africa stabilized and rose one point this year, as initial fears of the Zuma government were overblown, but the future remains uncertain.

Overall, the worldwide investment climate was stable for most of 2009. The impact and consequences of the worldwide economic slowdown and financial crisis seem to have reached their peak, but uncertainty remains due to the enormous liquidity injected into the world financial system by the United States, China, and the EU. Commodity prices have recovered and stabilized. Producers remain cautious about adding new capacity, but large stocking of inventories in China is a concern. The prevailing lack of

project or equity financing will continue to be a major hurdle to overcome, with many firms struggling to obtain financing or to refinance existing debt.

2010 RANKING OF COUNTRIES

RANK	COUNTRY	ECONOMIC SYSTEM	POLITICAL SYSTEM	SOCIAL ISSUES	PERMITTING DELAYS	CORRUPTION	CURRENCY STABILITY	TAX REGIME	TOTAL POINTS	CHANGE VS. 2009
1	AUSTRALIA	10	9	8	8	10	9	7	61	+1
2	CANADA	10	10	5	5	10	9	7	56	0
3	CHILE	9	8	7	6	8	7	4	49	-1
4	MEXICO	8	8	2	7	7	5	8	45	0
5 TIE	UNITED STATES	8	9	3	1	10	7	4	42	-6
5 TIE	BRAZIL	7	7	5	5	5	7	6	42	0
7	COLOMBIA	6	7	6	6	5	5	4	39	+2
8 TIE	GHANA	6	6	2	6	4	6	6	36	-2
8 TIE	BOTSWANA	6	5	5	5	4	5	6	36	0
8 TIE	MONGOLIA	6	6	5	6	3	6	4	36	+4
11	CHINA	8	2	4	5	3	8	5	35	+1
12	PERU	6	5	3	3	4	7	5	33	+2
13	TANZANIA	5	5	3	7	3	4	5	32	0
14 TIE	NAMIBIA	4	5	3	5	3	5	6	31	-3
14 TIE	ARGENTINA	3	4	6	6	4	4	4	31	-2
16	INDIA	6	6	2	3	3	5	4	29	0
17	PHILIPPINES	5	5	1	5	2	4	4	26	-2
18	KAZAKHSTAN	4	4	4	3	1	4	4	24	0
19 TIE	ZAMBIA	5	4	2	5	2	2	3	23	-2
19 TIE	SOUTH AFRICA	3	4	1	5	2	6	2	23	+1
21	PAPUA NEW GUINEA	4	4	1	2	2	4	5	22	0
22	INDONESIA	3	6	4	3	1	1	3	21	+2
23 TIE	RUSSIA	2	1	3	3	1	3	6	19	+1
23 TIE	D.R. CONGO	3	3	3	3	2	1	4	19	+2
25	BOLIVIA	2	1	1	4	3	4	3	18	0

WHAT LIES AHEAD

Behre Dolbear is cautiously optimistic about the future for the mining industry. During 2009, the instability of the credit, debt, and equity markets posed unprecedented challenges for virtually all industry players. Most have emerged from the crisis in reasonable condition. Buying and acquisition opportunities will continue for those private or state firms with healthy balance sheets and access to financing. Chinese and other Asian firms will continue their acquisitions to secure access to vital mineral commodities.

Canada, Australia, and Chile will remain the three best jurisdictions in which to develop mining projects. The United States will remain a difficult country in which to develop new projects and could deteriorate further, depending on additional new regulations and taxes.

Mexico will also continue to see significant exploration and mining investment. Progress in the war against the drug cartels needs to be maintained to minimize its effect on the investment climate. These anti-drug efforts are supported actively by the United States, and Behre Dolbear feels that Mexico will manage this problem, but not without significant costs.

India and Brazil will continue to develop in a positive direction. Brazil will continue its development into a regional leader and power, and India will act as a relative counterweight to China. The United States and India will continue to draw together as their democratic traditions provide a common ground to expand their economic relationship.

China will remain an aggressive acquirer of minerals assets. The wild card is how the Chinese economy will react as the excess liquidity injected by the central government is withdrawn. Behre Dolbear predicts that the Chinese government will not reduce its infrastructure spending or economic stimulus, as it fears social unrest more than asset bubbles or inflation.

Bolivia and Venezuela will remain very risky jurisdictions, and Argentina will be a question mark until its 2010 election results are known. No regime change is predicted in either Bolivia or Venezuela. The rest of South America (except Ecuador and Paraguay) will remain reasonably stable, with populist sentiment tempered and good economic growth developing.

Zimbabwe will remain in limbo until Mugabe departs the scene. Behre Dolbear predicts that many junior players will begin to scout a return to the country to be “on the ground running” when regime change occurs. Caution needs to be employed, however, as the manner in which regime change might occur remains a big question mark.

South Africa will remain a concern in 2010, but the stability of 2009 should continue. The ongoing debate over new electricity rates or taxation to fund societal projects is a concern, as is the far left wing of the ANC influencing the current government. There is continued hope that Mr. Zuma is following the path of President Lula in Brazil in charting a direction for his government. Similar to Mr. Zuma, President Lula came to power with pledges to nationalize large elements of the economy and wealth redistribution, but once in power, he followed more moderate policies. These policies have resulted in sustained economic growth in Brazil. Behre Dolbear cautions that all investments in South Africa need to be evaluated very carefully and continually reviewed as the picture develops in 2010.

Sub-Saharan Africa will continue to be relatively stable, and the nations of the region all have the ability to continue to evolve in a positive direction. This is predicated on their respective governments avoiding

the traditional trap of evolving into despotic or totalitarian regimes. Behre Dolbear predicts that investments will continue to pour into this region, and incremental regional improvement will continue.

Russia will continue to chart its own course, and confrontations with the West will continue. It will continue to use its natural resource wealth (especially natural gas) to exert pressure on its neighbors and Western Europe. Russia will continue to test the United States on a number of fronts. These include its relationship to its allies in Eastern Europe, the Iranian nuclear program, Central Asian alliances, and oil pipeline routes.

NGOs will continue their anti-mining actions using proxies and will continue to use almost any method at their disposal to stop mining and other development. Increasingly, the new home of failed communism is within the radical environmental movements. Regulatory issues in developed nations will slow new projects in these politically stable countries due to the general populace's ignorance of the need for adequate minerals supplies for continued economic development.

The Middle East region will enjoy mining, minerals, and metals investments in the coming year. The region's nations will continue to seek to diversify and expand their economies. Low-cost energy will continue to encourage development of energy intensive industries, such as aluminum smelters and steel mills in the middle to long term.

The continued printing and injection into the economy of trillions of dollars and other currencies is potentially sowing the seeds of large-scale inflation. Gold should remain at high levels or experience additional increases in value as investors seek a safe haven to preserve wealth.

Behre Dolbear's advice remains to be very cautious as to where large sums of capital are invested. On-going world turmoil and political risks make the overall situation fluid and in many cases difficult to predict.