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## Global Mining News

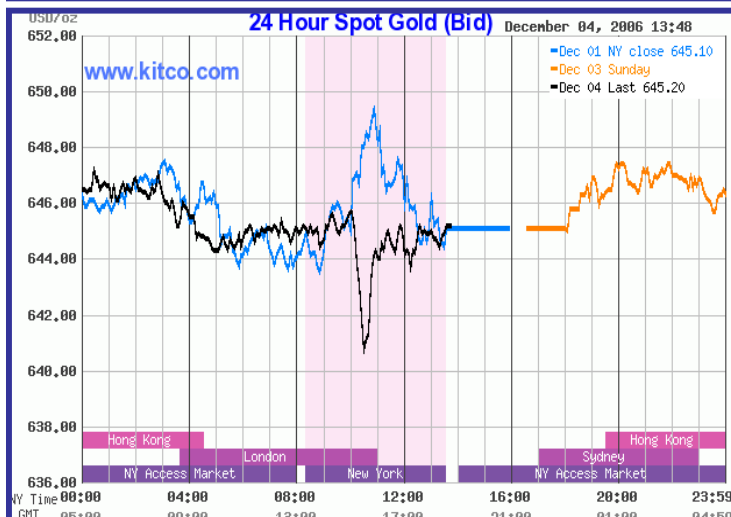
### CVRD SIGNS NEW LONG-TERM CONTRACT WITH THYSSENKRUPP

November 27, 2006 (Press Release) – Companhia Vale do Rio Doce (CVRD) reported Friday that it has signed a new long-term contract with ThyssenKrupp Steel AG to supply iron ore and pellets to ThyssenKrupp CSA Companhia Siderurgica (CSA). CSA, a joint venture between ThyssenKrupp and CVRD, is constructing a steel slab plant in the state of Rio de Janeiro, Brazil, with a nominal capacity of five million tons per year. The start-up of its operation is expected to happen in the first half of 2009. Under this 15-year contract, the Company, through its subsidiary MBR, will supply 2.7 million tons of pellets and 5.9 million tons of iron ore per year to CSA. MBR will be the exclusive supplier of iron ore and pellets to CSA. This agreement is aligned with CVRD's strategy to promote the expansion of the Brazilian steel industry, through minority and temporary stakes in projects in Brazil. Further, it highlights its unique capability as a long-term reliable supplier of high quality iron ore at competitive prices, given its large-scale operations and excellence.

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USD	DECEMBER 01, 2006	NOVEMBER 24, 2006
GOLD	648.75	639.50
SILVER	13.8500	13.3650
PLATINUM	1,156.00	1,192.00
PALLADIUM	326.00	328.00
ALUMINUM	1.2524	1.2211
COPPER	3.1525	3.1738
LEAD	0.7736	0.7278
NICKEL	15.6943	15.6467
URANIUM	63.00 (11/27/06)	62.50 (11/20/06)
ZINC	2.0552	2.0954

## HINDALCO EYES STAKE IN AFGHAN COPPER MINES

November 27, 2006 (*Hoovers*) – Indian aluminium producer Hindalco Industries Ltd. has bid for a stake in Afghanistan's Aynak copper mines, which have a proven reserve of 240 million metric tons, the Economic Times reported Monday, without quoting any source. The newspaper didn't elaborate on the size of the stake. The development of the mines will require about \$1 billion in

investment over a period of five years, the paper said. Apart from Hindalco, eight companies, including Canada's Hunter Dickinson Inc., China Metallurgical Group and Phelps Dodge Corp. (PD), have been picked by the Afghan government last week as potential developers of the mines.

## TOTAL ALUMINIUM INVENTORIES DOWN IN OCTOBER

November 27, 2006 (*Platts*) – Global unwrought aluminium inventories at the end of October inched up by 1,000 mt from levels at the end of the previous month, and were 182,000 mt lower than year-earlier levels, according to figures released Monday by the International Aluminium Institute.

Unwrought inventories increased to 1.601 million mt in October from 1.600 million mt at end-September, and were down from 1.783 million mt at end-October 2005.

Meanwhile, total aluminium inventories fell 10,000 mt to 2.876 million mt at end-October from 2.886 million mt at the end of September 2006, and were down 353,000 mt from 3.229 million mt at end-October 2005.

## XSTRATA TO SEEK MORE COPPER TAKEOVERS AS DEMAND SOARS

November 28, 2006 (*Bloomberg*) – Xstrata Plc, the world's fourth-largest copper producer, may seek more takeovers to benefit from soaring demand for the metal used in pipes and wires. Xstrata "will continue to look for acquisition opportunities," Charlie Sartain, chief executive officer of the company's copper unit based in Brisbane, Australia, said in an interview. The company may also develop two deposits in Peru. Xstrata Chief Executive Officer Mick Davis, who bought Falconbridge Ltd. this year for \$17 billion, wants to operate on five continents to rival BHP Billiton Ltd., Rio Tinto Group and Anglo American Plc. Xstrata "will need bigger acquisitions if it wants to challenge BHP and Rio Tinto," said Darko Kuzmanovi, who manages \$38 million in hedge funds at David W. Tice & Associates LLC in Vancouver. "Companies are generating significant cash flows and they're using it to address future growth by expanding assets, discovering or acquiring them."

With the acquisition of Falconbridge, almost half of Xstrata's value will come from its copper unit, up from a third, Tony Robson, an analyst at Global Mining Research in Sydney, said. Its share of copper production

will jump from 679,000 tons to 1.2 million tons in 2007, he said. Xstrata also produces zinc, coal and nickel.

The company is exploring with partners potential expansions for two mines it acquired with Falconbridge, Sartain said. It plans to have a "strategic plan," in the first half of 2007 for the Antamina mine in Peru, the world's largest combined copper-zinc mine, he said. BHP, Teck Cominco Ltd. and Mitsubishi Corp. also own the Andes Mountain mine.

The company is also talking with partners at its Collahuasi mine in Chile, he added. The mine, co-owned with Anglo American and a group of Japanese companies, produced 427,000 tons of copper concentrate and cathodes last year.

The list of "expansion and optimization possibilities in Xstrata Copper is plentiful," said ABN Amro Holding NV analysts including Tim Huff and Nick Moore in a Nov. 22 report. "This is a stark difference from just six months back, when Xstrata Copper faced the most limited volume growth of all the divisions in the company for the coming three years."

## BHP SAYS IRON ORE DEMAND REMAINS STRONG

November 28, 2006 (*MarketWatch*) – BHP Billiton (BHP), one of the world's three largest iron ore exporters, said Wednesday that demand remains strong. Chief executive Chip Goodyear, talking to reporters after the annual meeting in Brisbane, said the coking coal market is softer than the iron ore market.

Analysts expect a rise of 5% to 10% and possibly more in iron ore prices for the Japanese year beginning April 2007, with continued strong Chinese purchases giving BHP and other producers CVRD and Rio Tinto Plc. a strong bargaining position in the current negotiations.

Asian steel mills accepted a 19% price rise for iron ore in the current Japanese fiscal year, much to the annoyance of Beijing-controlled mills which held out until the last moment. A year earlier, prices rose about 72%. Goodyear said that although "meaty" negotiations in this year's iron

ore talks are some time off, demand remains strong with spot iron ore prices trading at a premium to Australian iron ore delivered into China.

Goodyear said the coking coal market is in a different situation after rapid price rises in recent years and supplies available in China. "I think you will probably see that that market is a little bit more balanced or softer than you might have seen in the past."

He said smelter growth in China and India will continue to drive demand for copper concentrate. "The expectation is that the copper concentrate market will be tight, I think you are seeing that in the spot TCRCs (smelter charges)," he said. "Part of that is due to some lower production from concentrate producers, but a big part of it is that smelter growth has continued dramatically in China and India."

## ALCOA: CHINA UNLIKELY TO EXPORT ALUMINIUM

November 28, 2006 (*Associated Press*) – China will strive to build its aluminium-producing capabilities, but will not become a significant exporter of the metal in the coming years, Alcoa Inc. said Monday, countering speculation in the industry. Limited access to smelting technology, refining technology and bauxite – aluminium ore – will prevent China from making more aluminium than it can use, said Bernt Reitan, president of Alcoa's global primary products group.

"China has been a net importer of aluminium metal for the past seven years," he said in a conference call with analysts and reporters. "We believe China will continue to be short on aluminium." Strong growth in China's production of aluminium and alumina, an intermediate material from which aluminium is smelted, has not caught up to domestic demand, Reitan said. China has also seen a sharp upturn in imports of bauxite, mainly from Indonesia, he said. Reitan said Alcoa is well-

positioned for growth in its alumina and primary metals businesses, and that inventories across the industry are at an all-time low.

Morgan Stanley analyst Mark Liinamaa said it was no secret China has been increasing alumina production, and many industry observers assumed a greater amount of aluminium would flow out of China as a result. "To some degree, what we're seeing in aluminium is similar to what we're seeing in steel," he said. "They've rapidly ramped up their capability, scared the global market a little bit." The Chinese government is actively taking steps in both of those segments "to curtail growth that they don't necessarily see as being beneficial for the economy at large," he said.

Alcoa's call with analysts and reporters comes less than a week after the company announced plans to cut 6,700 jobs, mainly in its aluminium processing business.

## GOLD FIELDS TO EXPAND TARKWA GOLD MINE IN GHANA

November 28, 2006 (*Hoovers*) – Gold Fields Ltd., the world's fourth-largest gold producer, Tuesday said it will invest \$175 million expanding its Tarkwa Gold Mine in Ghana, enabling it to maintain production of more than 700,000 ounces a year until 2021. Gold Fields said it plans to spend about \$126 million expanding the carbon-in-leach process plant at Tarkwa, raising its throughput

capacity to 12 million metric tons a year from a designed capacity of 4.2 million tons.

Construction on the CIL plant, which includes expanding the tailings storage facilities, is scheduled to begin in the first quarter of 2007 and be completed by the second half of 2008. The South African company said it also aims to expand Tarkwa's North Heap Leach facility by adding an

additional heap leach pad to the complex. It will add 39 million tons stacking capacity to the current area and enable the miner to continue stacking at the North facility of the mine until June 2011, Gold Fields said. The budgeted capital expenditure for the North facility is \$49 million, including \$35 million to expand the leach pads. Construction of the facility is also expected to begin

in the first quarter and be completed by mid-2008. The expansion projects will enable gold production to be maintained at above 700,000 ounces a year and allow Gold Fields to maintain total ore tonnage treated at about 21.6 million tons annually, Goodlace said. He added the expansion also will decrease unit operating costs through economies of scale.

### ALCAN MAY CONSIDER TITANIUM ASSET ON AEROSPACE DEMAND

November 29, 2006 (Bloomberg) – Alcan Inc., the world's second-largest aluminum producer, may be interested in acquiring a titanium company because of rising demand for the metal from the aerospace industry, Chief Executive Officer Dick Evans said. Such an acquisition would be a "long-term" goal, Evans said today in an investor presentation broadcast on the Internet. Aerospace offers "strong possibilities" for Montreal-based Alcan, he said. The global market for titanium will climb to 126 million pounds this year, up from 95 million in 2004, according to FTN Midwest Securities Corp. "We have a strong position in aerospace, and titanium is gaining some share in aerospace," Evans said. "The short answer is, yes, we would be interested," in potential acquisitions in the "longer term," he said. The CEO said Oct. 3 he has no plans to make acquisitions now after high metal prices boosted asset values.

Alcan had shunned metals acquisitions in favor of building new smelters and spending on bauxite-mining facilities. Aluminum prices jumped in May to the highest in at least 19 years as global economic growth spurred demand for metals, including copper, nickel and steel.

"Titanium is on fire at the moment, and this is clearly a very attractive market for Alcan," said David Martin, an analyst at Deutsche Bank in New York. Evans's comments are "absolutely the reason why the group of titanium companies is up," said Martin, who doesn't own shares in the specialty metal companies.

Alcan plans to build a \$2.7 billion aluminum smelter in South Africa and may expand production of the metal in China in a shift to countries with lower electricity costs.

### THE OUTLOOK FOR ALCOA AND ALUMINIUM

November 29, 2006 (SeekingAlpha) – Yaser Anwar submits: I've conducted an analysis on Alcoa and the general outlook for aluminium:

- Aluminium has under performed this cycle and continues to face much skepticism as a result of growing production of aluminium and alumina and the threat of accelerating growth via falling spot alumina prices. The longer term outlook will be influenced by supply moves in China and Europe.
- Alcoa provided a somewhat bullish year and a half outlook. AA pointed to a balanced or a modest surplus market for alumina and a balanced market for aluminium in 07 and 08, using what management called "conservative assumptions".
- AA also talked about an internal study that Alcoa recently completed on the supply outlook from China, which remains uncertain and a key swing variable in the industry.
- Alcoa highlights that the market for aluminium is expected to operate at a 400K tonnes deficit in 06 and will be balanced for 07. AA's demand assumptions were based on 14% per year growth in China [which, according to AA's management, were conservative by historical standards] and 3% per year growth through 08.
- China's aluminium deficit is expected to remain between 800K to 900K tonnes for 07 and 08 vs net imports of 897K tonnes in 06. AA expects China's metal production to increase 3 mill tonnes to 12.2 mill in 08 from 9.2 mill in 06, and includes the ramp up of recently started capacity. The new capacity coming online will add around 1.9 mill tonnes.
- AA points to operating costs of \$250 to \$300 per tonne for projects that rely on imported bauxite, which accounts for 5 mill tonnes of the projects. The remaining 8 mill tonnes of supply will utilize

domestic bauxite and have full operating costs of \$175 to \$225 per tonne according to AA.

- Alcan recently pointed to average cash costs of \$180 to \$250 per tonne and Brook Hunt recently published estimated cash costs of \$120 to \$225 per tonne for refineries in China, with those using domestic bauxite at the low end and those using imported bauxite at the high end of these ranges.
- AA will benefit from ongoing consolidation [three way merger of Russian aluminium producers OAO Rusal and Sual Group with Glencore Intl.] of the aluminium industry and a slightly higher aluminium

price in 2007. Consolidation will result in a better pricing environment and less volatility in sales and EPS over the course of the business cycle.

Higher aluminium price will result from rising global consumption combined with continued tight inventories. Also, production increases in China may moderate due to higher power costs. Investors should also keep in mind that aluminium faces competition from plastics, steel, glass, and ceramics. Plastic, in the form of polyethylene terephthalate [PET], provides strong competition in the container market. Steel competes with aluminium in automotive applications.

### CHINESE BUYERS AGREED TO CODELCO'S INCREASED COPPER PREMIUM

November 29, 2006 (Bloomberg) – A few Chinese buyers have agreed to an increased copper premium for next year sought by Chile's Codelco, the world's largest producer of the metal, according to two people familiar with the deals. The annual premium, which analysts say reflects expectations of continued strong demand from the world's top consumer, may set a benchmark for other copper producers trading with China. The amount, to be added to the London Metal Exchange cash price, covers the cost of shipping the metal from Chile to major ports in China, as well as insurance.

Codelco has raised the premium of the metal next year by \$5 a ton to \$130 for China, the world's top consumer of the metal, Jason Kim, Shanghai-based copper sales manager, confirmed the level for China in a telephone interview last week. A few Chinese buyers have accepted the price and signed contracts, said two people who were informed by those buyers. The two people didn't want to be identified, nor to name the buyers. Codelco probably won't get as many long-term contracts from Chinese buyers as they did last year as Chinese buyers are considering buying from Asia producers asking lower premiums or buying from the spot market, said the two people. "The buyers who have agreed to Codelco simply

did so to keep relations going as Codelco's level is not competitive as compared to Asia producers," said one of the two.

Premiums charged by some Asia producers can be a lot cheaper at about \$80 for long term contracts, the person said. The largest Asian sellers to China include Japan's Sumitomo Metal Mining Co. and Pan Pacific Copper, a joint venture between Nippon Mining Holdings and Mitsui Mining & Smelting.

Copper prices have gained 58 percent this year as supplies from Santiago-based Codelco and other mining companies have lagged behind demand, forcing consumers to draw down inventories. Stockpiles tracked by metal exchanges in London, New York and Shanghai have plunged 69 percent since mid-February 2004.

Copper inventories in Shanghai Futures Exchange warehouses fell 14 percent last week to 27,141 metric tons, the lowest since June 2, 2005. Inventories have slumped 59 percent since they peaked at 65,919 tons in the week of June 19. Users have had to draw on stocks as China's imports of copper and copper products fell 22 percent in the first 10 months of 2006.

### WATCHDOG INTENDS TO PULL 5 PETER HAMBRO GOLD LICENSES

November 29, 2006 (Interfax) – Russian natural resources watchdog Rosprirodnadzor intends to revoke five licenses held by subsidiaries of Britain's Peter Hambro Mining plc, which produces gold in Russia, said Oleg Mitvol, the agency's deputy chief. "This is one of those companies which simply takes licenses for its balance sheet and increases its capitalization without developing deposits," Mitvol said. Mitvol said the licenses included two licenses

held by OJSC Yamalzoloto to the Novogodneye Monto and Toupogol-Khanmeisholrsky fields. He said Rosprirodnadzor had uncovered many violations, some of them of an environmental nature and some of them concerning the terms of license agreements.

Mitvol said his agency would file a request with Russian subsurface resources agency Rosnedra within two days to revoke the licenses of PHM subsidiary OJSC Kongor-

Khrom. "The violations concerning this company's three licenses include discharging untreated effluent and building in first category forests," he said.

The licenses of both subsidiaries have been checked once and the companies "got away with small fines of up to 30,000 rubles," Mitvol said. He also said that PHM's other 43 licenses would be subject to inspections soon. Pavel Maslovsky, PHM's chief operating officer, denied Rosprirodnadzor's accusations. "The checks carried out did not reveal significant violations. We are fulfilling all the terms of the agreements," Maslovsky told Interfax.

Maslovsky also said that PHM did not own OJSC Kongor-Khrom. "It would appear that Mitvol has been

misinformed," he said. Yamalzoloto has said it plans to register the gold reserves of the Novogodneye Monto deposit with the State Commission for Reserves by the end of 2006. Yamalzoloto is finalizing the feasibility study for the condition of this deposit in the Yamalo-Nenets Autonomous District.

All the documentation will be submitted to the Natural Resources Ministry's regional commission for mineral reserves. Following the appraisal and registration of the reserves, the company will begin preparing the deposit for commercial mining in 2008. The deposit should produce around 4 tonnes of gold per year.

## CHINA COAL ENERGY TARGETS \$1.7 BILLION IN HONG KONG IPO

November 30, 2006 (*FinanceAsia.com*) – The Mainland's second largest coal producer sets the price range at a discount to its larger peer China Shenhua Coal. China Coal Energy, which kicked off the institutional portion of its initial public offering yesterday, is looking to raise up to \$1.7 billion, according to sources. The targeted size is slightly larger than the \$1.2 billion to \$1.5 billion talked about during pre-marketing and follows overwhelming demand for a series of other Hong Kong IPOs in the market over the past week. However, sources close to China Coal say the response during pre-marketing has been strong. One reason is the company's integrated business model, which aside from the extraction and production of thermal coal for the power industry, also includes a proprietary trading and import/export agency services business. Last year as much as 45% of its coal sales, or 41 million tonnes, came from this side of the business, making China Coal one of China's top coal trading companies.

It is also China's largest coal mining equipment manufacturer and one of the largest providers of coking coal that isn't affiliated with a steel company. However, in 2005, coal mining and processing (including trading) still accounted for 84% of revenues and 93% of net profits. "Most investors are looking at this company because of its mining business which is feeding the strong demand for power in China, and see the other businesses more as a bonus that could provide additional growth," says one observer. US private equity firm First Reserve has agreed to take a \$100 million strategic stake in the company through the IPO and will sell another \$25 million worth of shares to American Metals & Coal International. According to sources, a group of Hong Kong corporate investors will also help anchor the deal

by buying approximately 15% of the IPO. The company, which is being brought to market by CICC, Citigroup and Morgan Stanley, is offering 3.25 billion new H-shares or 29% of its enlarged share capital and has set the price range at HK\$3.20 to HK\$4.05, according to one source.

Five per cent of the offering has been earmarked for Hong Kong retail investors, although this could increase to a maximum 20% if there is strong demand. There is also a 15% greenshoe that could boost total proceeds to \$1.95 billion. The price range will value the company at 9 to 11.5 times its estimated 2007 earnings, which compares with a 2007 multiple just above 13 times for Hong Kong-listed China Shenhua Energy, which is widely regarded as the closest comparable.

China Coal is expected to post flat to slightly lower earnings in 2006, versus last year's Rmb3.34 billion (\$426 million), partly due to an income tax adjustment and a revised sales structure. But this will be followed by 25%-30% net income growth in 2007 and 10%-20% in 2008, according to pre-deal syndicate research.

The growth will come despite projections of a 5% and 3% decline in average selling prices of coal in these two years and is expected to be driven by higher sales volumes at the top-line, while economies of scale and a better production and sales mix should lead to more cost efficiencies and margin improvements. Potential acquisitions from the parent company could provide an additional earnings driver, the research notes.

China Coal is planning capital expenditures of Rmb20.6 billion in the 2006-2008 period, of which Rmb13.7 billion (\$1.75 billion) will be used to expand its coal production. China Coal's most efficient production area at Pingshuo, which accounted for 82% of total

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output that year, is about to double in size in the same period by developing two new mines and expanding its existing three. This area is expected to account for 92% of the company's incremental output in the 2006-2008 period.

The pre-deal research also estimates that the group's non-core division, primarily the coking business and the coal equipment manufacturing, will be a strong earnings driver and will see its contribution to net profit increase to 22% by 2008 from 7% in 2005.

Among the key concerns surrounding the company is the potential for a decline in coal prices which have stabilised in first nine months this year after almost doubling in the past four years. According to one banker familiar with the company, China Coal does about 80% of its coal sales on a contract basis, meaning it is not that affected by the day to day movements in coal prices. However, one syndicate research report estimates that each drop in the domestic thermal coal price would undermine the company's bottom line by 2.8%-2.9% in each of the coming three years.

### **BHP SAYS RAVENSTHORPE NICKEL COSTS RISE 64 PERCENT**

*November 30, 2006 (Bloomberg)* – BHP Billiton Ltd., the world's biggest mining company, said the Ravensthorpe nickel project will cost 64 percent more and take as much as a year longer to develop, delaying supplies at a time of near-record prices. Lower-than-expected labor productivity and late delivery of materials and equipment to the West Australian project will increase costs to \$2.2 billion and delay the start to the first quarter of 2008, the Melbourne-based company said in a statement to the Australian Stock Exchange.

Nickel prices soared to the highest since at least 1987 this year as mining companies failed to meet demand driven by China. The delay and cost blowout at the third-largest nickel mine being constructed follows a similar holdup at

Cia. Vale do Rio Doce's Goro nickel project in New Caledonia. Goro is the largest nickel mine being built.

"This could be a real negative," said Peter Chilton, who helps manage \$800 million at Constellation Capital Management, in Sydney. "This could bolster nickel prices and other existing producers. It's going to be a surprise that it got this big." Prices of nickel for delivery in three months on the London Metal Exchange dropped \$200, or 0.6 percent, to \$32,500 a metric ton as of 8:07 local time. BHP said construction at Ravensthorpe, which is forecast to produce 50,000 metric tons a year of contained nickel and 1,400 tons of cobalt, is now 73 percent complete.

### **BHP BILLITON SAYS GOLD STILL NON-CORE, NO INTEREST IN ACQUISITION**

*November 30, 2006 (MarketWatch)* – Gold remains a non-core commodity for BHP Billiton (BHP) and the world's largest miner is not looking to buy gold assets, a spokeswoman said Thursday.

She was responding to media reports Wednesday quoting Chief Executive Chip Goodyear that BHP is underexposed in gold and would consider buying a gold mine. The spokeswoman said if BHP found gold it has the technical skills to develop the deposit, and may do so in order to maximize value before selling it.

Specialist gold companies trade at higher multiples than diversified miners "and so we are not the best owner of

gold mines," she said. "We would not look to buy any gold companies (and) we have no exploration activities aimed at looking specifically for gold," she said.

Melbourne-based BHP Billiton's global operations are focused on bulk commodities iron ore and coal as well as industrial metals such as copper and nickel and oil and gas. The spokeswoman said Goodyear, speaking at the company's annual general meeting in Brisbane, was misinterpreted in his comments on the precious metal.

## SOUTHERN COPPER PREDICTS COPPER AT AVERAGE \$3.00/LB IN 2007

November 30, 2006 (Hoovers) – Southern Copper Corp. is forecasting a copper price of around \$3.00 per pound in 2007, Chief Executive Oscar Gonzalez Rocha said Tuesday. “We are forecasting an average price of \$3.00. It is going to be very similar or slightly lower than the average was this year,” he told local radio.

Gonzalez Rocha, who is also vice president of Peru’s private sector National Mining, Petroleum and Energy Society, said that mining companies and the Peruvian government are set to sign a final agreement on a voluntary windfall payment. “The agreement is totally complete... it could be signed this week,” he said. In August, the Alan Garcia government brokered a deal with the mining industry under which companies agreed to make a voluntary payment worth some \$773 million over five years for social programs. The aim of the windfall payment was to offset protests on the part of local communities who argue that they see little or no benefit

from mining in their areas. Mining officials have said that the contribution represents around 3.75% of net profits. However, each company will sign an individual contract with the government that takes into account whether or not it is already paying royalties, among other factors. Moreover, “each metal has a reference price and a formula that are contained in the contracts,” said Gonzalez Rocha. According to the official, companies will begin to make the contributions as of Jan. 1, 2007, although different companies can opt to implement the agreement as soon as it is signed. The fund will be administered by the companies in order to ensure that the funds reach the involved communities as swiftly possible. The money is earmarked for communities that are close to mining projects and for the poorest communities in the region. In both cases, the company, local residents and local government leaders will set up a board to determine which projects will be implemented.

## FREEPORT SAYS COPPER MAY RISE ON CHINA, U.S. DEMAND

November 30, 2006 (Bloomberg) – Freeport-McMoRan Copper & Gold Inc. Chief Executive Officer Richard Adkerson, seeking to create the world’s largest publicly listed copper company, said metal prices may get a boost from rising demand in China and a U.S. rebound. “The market is fundamentally very tight from a supply and demand standpoint,” Adkerson said in an interview yesterday in New York. “If the U.S. economy does better than people expect and China stays strong, there could be higher prices in the future.” Freeport, based in New Orleans, is buying Phelps Dodge Corp., the world’s third-biggest copper producer, for \$26.5 billion in stock and cash. Freeport’s Grasberg mine in Indonesia already is one of the world’s biggest sources of the metal. Copper prices are heading for the fifth-straight annual gain after reaching a record \$4.04 a pound in May on Asian demand and output disruptions. “About 75 percent of the revenue from the combined company will come from

copper,” Adkerson said. China’s economy may expand 9.6 percent next year after surging 10.4 percent in 2006, according to World Bank estimates. That growth has fueled demand for metals including copper, used in wiring and construction. “The whole deal is done in a context where we feel very positive about copper markets,” Adkerson, 59, said. “We feel very good about copper as a business. There are questions about the U.S. economy, but China continues to be strong, and the outlook for China is good. This is a longer term view.”

“The industry is having trouble developing new projects, and it’s falling short of production expectations,” Adkerson said. “If that happens again, and we have a strong global economy, we could have higher prices.” Consumption in China fell 6.9 percent in the nine months ended September, the World Bureau of Metal Statistics said Nov. 22. Usage in the U.S. is “depressed,” the International Copper Study Group said earlier this month.

## XSTRATA’S CHILEAN SMELTER MAY FACE STRIKE, UNION SAYS

November 30, 2006 (Bloomberg) – Workers at Xstrata Plc, the world’s fourth-largest copper producer, probably will vote next month to strike at a Chilean smelter because of a wage dispute, a labor leader said. A union at the Altonorte smelter in northern Chile is seeking a wage increase of 10 percentage points above inflation, while the company hasn’t offered a raise, said union President

Isidro Cabrera. Annual inflation was 2.3 percent in October. “They say that there is no money, no money, no money,” Cabrera said in a phone interview from Antofagasta. “We’re on the way to a strike vote.”

Labor disputes in Chile and Mexico this year have disrupted copper shipments amid rising demand from

China, the biggest user of the metal, adding to a 66 percent gain by copper prices this year. A strike would interrupt production at the smelter because the union represents 70 percent of its 500 workers, Cabrera said.

The union probably will vote on the company's final wage offer Dec. 11, and a strike would begin as early as Dec. 15, Cabrera said. The union also seeks a signing bonus of 5 million pesos (\$9,488), while the company has offered no signing bonus, Cabrera said.

The company is willing to improve upon the terms of its current contract with the union, Jose Urrutia, the smelter's chief executive, said in a statement sent today by e-mail. The terms of the new contract also will have to reflect a jump in production costs at the smelter, due partly to rising oil and energy costs, Urrutia said.

## TECK COMINCO AND UNION REACH LABOR DEAL AT ANTAMINA

*November 30, 2006 (Reuters)* – Teck Cominco Ltd. and the union representing workers at its Antamina mine in Peru have finalized a collective agreement, the Canadian-based miner said on Thursday. Teck Cominco said the

effective date of the new three-year labor contract is July 24, 2006. Antamina produces zinc, copper and molybdenum.

## GOLDMAN SACHS RAISES METALS FORECASTS ON SUPPLIES

*December 1, 2006 (Bloomberg)* – Goldman Sachs Group Inc., the most profitable investment bank in Wall Street history, increased its 2007 forecasts for nickel, zinc and platinum prices, saying supplies are “tighter.” Prices of nickel, used in stainless steel, will average \$25,000 a metric ton next year, Goldman Sachs analysts led by Peter Mallin-Jones in London wrote in a report dated yesterday. That's a 33 percent increase from the previous estimate.

“Stainless-steel related demand for nickel has likely played a significant role in depleting nickel inventories this year,” the analysts said. Supplies will lag behind demand by 20,000 tons this year, and the deficit will persist to next year, they said. A strike at Eramet SA's Doniambo unit in New Caledonia, the world's largest ferronickel plant, has contributed to declining supplies as deliveries have dropped 8.5 percent since the strike started on Sept. 25, New York-based Goldman Sachs said.

Prices will average \$17,750 a ton in 2008, before dropping to \$15,000 tons in 2009, the bank said.

Goldman Sachs increased its zinc-price forecast 49 percent, saying the metal will average \$4,298 a ton, peaking in the first quarter when prices are expected to average \$4,520 a ton. “Demand for galvanized steel looks strong currently, driving strong demand for zinc metal,” the analysts said. Zinc is mostly used to galvanize steel. Prices will average \$3,323 a ton in 2008 and \$1,900 a ton in the following year.

The bank kept its 2007 forecasts for copper and aluminum unchanged at \$5,875 a ton and \$2,425 a ton, respectively. Aluminum will be in a surplus of 125,000 tons next year on rising production of alumina, the raw material used to produce the metal. Copper's oversupply is projected to be 230,000 tons next year, the analyst said.

The platinum market is also tighter than what the analysts previously expected, they said. Prices will average \$1,225 an ounce next year, 11 percent higher than the previous estimate. Prices will average \$1,085 an ounce in 2008 and \$1,000 in 2009.

## NICKEL RISES TO A 19-YEAR HIGH IN LONDON AS INVENTORY PLUNGES

*December 1, 2006 (Bloomberg)* – Nickel advanced to a 19-year high in London as inventory of the metal used in stainless steel dropped the most in seven weeks. Stockpiles of nickel tracked by the London Metal Exchange fell 9.8 percent to 6,066 tons, the exchange said today. That's the largest one-day decline since

Oct. 13. Supplies may not meet demand before the “end” of the decade, said Xstrata Plc, which bought Canadian nickel producer Falconbridge Ltd. in September. “The challenge of nickel is, how much of this is already in the current price?” said Jon Bergtheil, head of global metals strategy at JPMorgan Securities Ltd. in London.

Nickel for delivery in three months on the LME gained \$264, or 0.8 percent, to \$34,214 a ton as of 12:20 p.m. in London, after earlier gaining as much as \$350, or 1 percent, to \$34,300, the highest since at least 1987. That beats the previous high set on Nov. 27 by \$200.

Nickel has more than doubled this year, driven by expanding demand from China and a lack of new production capacity, David Rae, vice president of sales and marketing at Zug, Switzerland-based Xstrata's nickel unit, said in a presentation yesterday. He expects a

supply shortage to continue through this decade. "Under such conditions the nickel price can be expected to remain well above long-term averages," Rae said. Nickel has averaged \$8,228 a ton since 1987.

Goldman Sachs Group Inc., the most profitable investment bank in Wall Street history, forecast nickel for immediate delivery will average \$25,000 next year, 33 percent more than its previous estimate. The global supply shortfall will be 20,000 tons this year, the bank said in a report released today.

## LUKSIC THREATENS TO 'REASSESS' CHILEAN COPPER MINING OPERATIONS

December 1, 2006 (Mineweb.com) – Chile's most powerful conglomerate, the Luskic family, has launched a media campaign claiming that the fate of all of their Chilean mining operations could be impacted by the Chilean Supreme Court's decision regarding the Los Pelambres mine, the world's fifth largest copper mine. In November, the Santiago Court of Appeals revoked water permits related to the construction of the \$530 million El Mauro tailings dam at Minera Los Pelambres in Northern Chile. Los Pelambres officials said they believed that this had received all technical and legal permits needed to construct the dam, now 58% complete.

Construction of the tailing dam was suspended in early November when the Appeal Court found that the company did not have property rights to the water supply of the Pupio Valley, where the dam and a farming community are located.

However, Marcelo Award, CEO of Antofagasta Minerals, this week threatened to reassess \$2.2 billion in Chilean mining operations over the uncertainty generated by the legal fight over the El Mauro permits. "Right now, we're

facing an enormous problem with potential for a huge economic impact," he told the El Mercurio newspaper. "This is an investment of \$30 million. The life and continued operations at Los Pelambres depend on it."

If the case remains undecided by June 2007, or if the Supreme Court rules against the mining company, Award said all four of its mining projects would have to be reassessed, including Esperanza and Antucoya Buey Muerto and El Tesoro in Region II, and the second phase of investment into Los Pelambres in Region IV. If the high court finds against Minera Los Pelambres, the company could face a four-year delay due to securing water rights for other potential tailings dam sites and complete the required environmental permits.

The National Directorate of Water (DGA) had determined that water rights of the Pupio River were already over-allocated to farmers in the valley. However, Luskic was awarded water rights through the Livestock and Agricultural Service.

## GOLD FIELDS WINS CONTROL OF SOUTH DEEP MINE

December 1, 2006 (Reuters) – South Africa's Gold Fields completed the purchase of Barrick Gold's 50 percent stake in the South Deep mine, giving it control of the world's biggest gold deposit as rival Harmony said it would give up its 29.2 percent stake in Western Areas. The Barrick deal is one of three interlinked transactions, worth \$2.5 billion, by Gold Fields to take control of the South Deep mine – previously a joint venture between the Canadian miner and Western Areas.

Gold Fields, the world's fourth-biggest gold producer, said on Friday that buying Barrick's stake had cost it \$1.52 billion, \$1.2 billion in cash and 18.7 million of its own shares. "The Barrick deal gives us effective control

of the operations and allows us to begin the process of realizing the full potential of this world-class gold asset," Gold Fields Chief Executive Officer Ian Cockerill said in a statement.

Harmony Gold, the world's fifth-largest gold producer, said on Friday it would tender its 44.99 million Western Areas shares for conversion to Gold Fields stock. Harmony Chief Executive Officer Bernard Swanepoel, whose hostile takeover of Gold Fields failed in May 2005, said his group would now hold 2.75 percent of Gold Fields. "Accepting the Gold Fields shares in lieu of Western Areas shares will facilitate the liquidation of our investment which although already approved by

Harmony's board of directors, will only be concluded at an opportune time," Swanepoel said.

Gold Fields has offered 35 of its own shares for every 100 shares offered and Harmony said this would give it an estimated accounting profit of 6.65 rand per share. Gold Fields said last month it had concluded the first transaction to buy a 34.7 percent stake in Western Areas owned by JCI Ltd. Gold Fields said earlier on Friday it had exercised an option to buy a further 9.96 million shares in Western Areas from JCI and confirmed it had acquired 27 million other shares in the miner from JCI.

"The conclusion of the Barrick deal and the acquisition of the JCI shares in Western Areas is a significant milestone in our strategy of acquiring control of the South Deep gold mine and bringing ownership of this asset home to South Africa," Cockerill said.

An all-share offer for outstanding shares in Western Areas opened on Wednesday after Gold Fields won approval for the deals from South Africa's Competition Tribunal.

### CHINA IMPORTING LOW GRADE NICKEL

*December 1, 2006 (China Economic Net)* – China is importing very low grade nickel ores in an effort to reduce its exposure to the current record high prices for the element, Numis Securities said. Numis said China was using ores with 1.5-2 pct nickel content to make pig iron with four pct nickel, which can then be used to make stainless steel. 'The economics of doing this reportedly work when nickel prices are over 15,000 usd per ton although we are amazed to hear of such low grade nickel ores being transported so far,' Numis said in the research

note. 'High prices are causing substitution where possible, but this is limited.'

Nickel prices have performed strongly due to demand from stainless steel manufacturers and a lack of supply and inventory. In addition, some major mines have had delays in bringing on new capacity, the note said.

Nickel prices reached a record 34,100 usd per ton this week in London.



### SOMETHING TO PONDER

Copper is man's oldest metal, dating back more than 10,000 years. A copper pendant discovered in what is now northern Iraq goes back to about 8700 B.C.

The H.M.S. Beagle, used by Charles Darwin for his historic voyages around the world, was built in 1825 with copper skins below the water line. The copper

sheathing extended hull life and protected against barnacles and other kinds of bio-fouling. Today most seagoing vessels use a copper-containing paint for hull protection.

There are probably about a billion doorknobs in the USA weighing in with about 500 to 600 million pounds of copper.



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