

BEHRE DOLBEAR

Global Mining News

METALS EVOKE BEAR MARKET AS OUTPUT GAINS, FUNDS SELL

December 18, 2006 (Bloomberg) – At the Pacorini Group warehouses in New Orleans, the 15,000 metric tons of copper that have accumulated since September are enough to wire about 7 million refrigerators and make every short-seller salivate. “You’re seeing 1,000 tons here, 1,000 tons there,” said Mario Casciano, 40, U.S. chief executive officer of Trieste, Italy-based Pacorini. For two years, “we used to have nothing coming in.” That helps explain why the booming market for industrial metals may be a cropper in 2007. While everything from aluminum to zinc has risen at least 25 percent this year and as much as 157 percent, no one is forecasting a continuation of the five-year bull market.

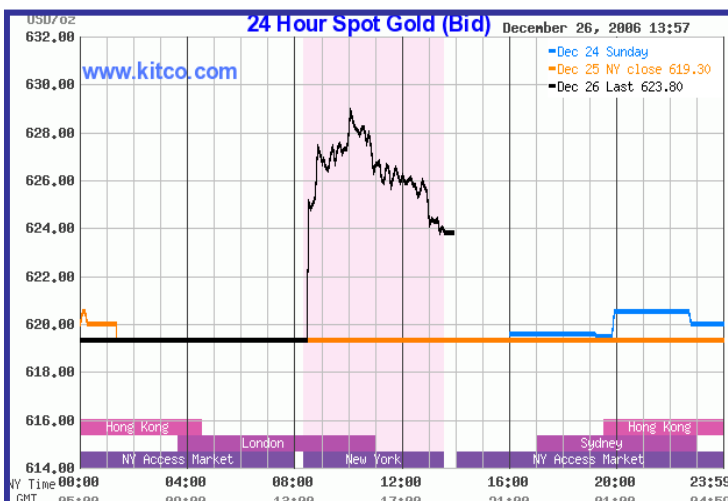
The retreat may be abetted by rising production, a slowing economy and speculators, including hedge funds, who eight months ago began borrowing money to sell copper on the so far successful assumption they could buy it back at lower prices, according to U.S. government data. Builders began construction of U.S. houses at the slowest pace in six years in October just as global production of copper is poised to increase 4.7 percent in 2007, more than double this year, the International Copper Study Group in Lisbon says.

Even Jim Rogers, chairman of New York-based Beeland Interests Inc., who insists the bull market in commodities will last at least another decade, now says copper prices are “correcting” as a U.S. recession “slows demand for everything.”

Copper may drop 15 percent next year to \$2.61 a pound on average from \$3.06 this year, and probably will reach \$2.10 in 2008, based on the median forecast of 11 analysts surveyed by Bloomberg.

INSIDE THIS ISSUE

Metals Evoke Bear Market As Output Gains, Funds Sell	1
BHP, Nippon Steel Agree Cut in Price of Coking Coal	2
Xstrata’s Union Says Strike Disrupts Smelter Output	3
Nickel A Goldmine But Lustre Will Fade	3
Twiggy Victory A Blow to BHP.....	4
China National Resources Acquires Mining Company.....	4
Xstrata, Rio Tinto Both Eye BHP Billiton Mine	5
China to Dump A Trillion US Dollars?	5
Gold Could Hit \$800 in Near Term: Paul Walker.....	5
Outlook Favourable for Base Metal Sector, Moody’s Says.....	6
ABC’S of Mining.....	7
Governor Sets A Veto on Mendoza Anti-Mining Bill.....	8
Copper Giants Settle Wage Deals.....	8
Brazil’s CVRD and Baosteel Agree on '07 Price Increase.....	9
\$1-B Nonoc Mines Deal on Brink of Collapse	9
Rusal Creditors Approve Merger With Sual, Glencore Assets	10
Xstrata to Take 62.5 Pct of Philippines’ Tampakan Copper/Gold Project.....	10
Jamaica Postpones Plan to Allow Bauxite Mining in Undeveloped Area.....	11
Sneak Peek 2007: Materials.....	11
CVRD Gets \$6 Billion Pre-Export Loan	11
Tin Supply Deficit to Persist in 2007, 2008: Societe Generale	12



USD	DECEMBER 22, 2006	DECEMBER 15, 2006
GOLD	619.75	623.75
SILVER	12.5000	13.7300
PLATINUM	1,119.00	1,110.00
PALLADIUM	324.00	328.00
ALUMINUM	1.2807	1.3011
COPPER	2.8917	3.0441
LEAD	0.7459	0.7824
NICKEL	15.5582	16.0821
URANIUM	72.00 (12/18/06)	65.50 (12/11/06)
ZINC	1.9187	2.0096

Nickel may lose 10 percent next year, while aluminum is likely to slide 13 percent, the survey shows.

ABN Amro Holding NV metals analyst Nick Moore in London expects a global surplus of 100,000 tons of copper next year, compared with a deficit of 50,000 tons in 2006. The bank forecasts aluminum production will outstrip demand by 150,000 tons in 2007, along with surpluses for lead and zinc.

The price of copper, a leading indicator of the global economy because of its use in everything from water pipes to industrial motors, may be the most vulnerable to a slump. ABN forecasts prices, which reached a record \$4.04 a pound in May, will average \$2.75 in 2007 and \$2.25 in 2008. Copper's last drop of a similar magnitude was in 2001, after the bubble in technology stocks burst.

Global copper stockpiles will continue to rise because of a 5.3 percent increase in production next year, creating a surplus of 404,000 tons, Merrill Lynch & Co. said in a Dec. 8 report. The bank forecasts prices will fall to an average \$2.40 a pound in 2007 and \$1.65 in 2008. "Whilst we are big believers in the longer term super cycle for commodities, every year in this upward trend is unlikely to be a positive year," Merrill analysts led by Vicky Binns in Sydney said in the report. "We now believe that the first half of 2007 will be one of the downward correction periods."

Global copper inventories monitored by exchanges in Shanghai, London and New York are the largest since 2004 after almost tripling in the past 18 months.

For the first time since 2001, production of copper next year will surpass orders for wiring and plumbing. BHP Billiton Ltd., the world's biggest mining company, and Codelco of Chile will help ship more than enough of the metal to meet demand. "Demand is expected to be softer in 2007 while supply is likely to be stronger," said Peter Hickson, a London-based strategist at UBS AG, Europe's biggest bank by assets.

All metals have "the possibility of unexpected, significant declines," said Mo Ahmadzadeh, president of metals trading at Mitsui Bussan Commodities Ltd. in New York,

a unit of Mitsui & Co., Japan's second-largest trading company.

The Reuters-Jefferies CRB Index has lost 15 percent since copper reached its record May 11, putting commodities on course for their first annual decline in five years. The global economy may expand 4.9 percent in 2007, down from 5.1 percent this year, the International Monetary Fund said in September.

China's economy grew 10.4 percent in the third quarter, down from 11.3 percent in the prior three months. Chinese crude steelmaking climbed 24 percent in November from a year earlier. Fixed-asset investment in urban areas rose 26.6 percent in the first 11 months, the National Bureau of Statistics said.

Even Casciano, the Pacorini warehouse executive, said it may be too soon to call the end of the copper rally. Warehouses may be getting metal from consumers who don't want inventories on their books at year-end, he said.

Gold may extend its rally as the dollar weakens and slowing economic growth prompts investors to seek a haven for their cash. JPMorgan Chase & Co. increased its "long-term" price forecast for gold by 9.5 percent last week on expectations for "robust" demand.

"Gold's going to be the phenomenon of 2007," said Michael Metz, chief investment strategist at New York-based Oppenheimer & Co., which has about \$10 billion in assets. "If I had to choose one commodity, I'd stick with gold."

Metal stockpiles are swelling as mining companies raise production. Spending on exploration this year increased by 47 percent to \$7.13 billion, Halifax, Nova Scotia-based Metal Economics said Nov. 8. Joy Global Inc., a maker of mining equipment, today reported record orders for machinery such as shovels, drills and draglines.

Supplies of copper in warehouses monitored by metals exchanges in Shanghai, London and New York rose to a high of 233,220 metric tons last week, compared with 72,773 tons on July 13, 2005.

BHP, NIPPON STEEL AGREE CUT IN PRICE OF COKING COAL

December 18, 2006 (Bloomberg) – BHP Billiton Ltd., the world's largest exporter of coking coal, and Nippon Steel Corp. settled an annual contract price for the fuel used in steelmaking 16 percent lower than this fiscal year. BHP Billiton Mitsubishi Alliance, a joint venture with Mitsubishi Corp., agreed to sell premium hard coking coal to Nippon Steel at \$98 a metric ton from April 1,

Nippon Steel President Akio Mimura said. The largest steelmaker in Asia is paying \$116 a ton this year.

Mining companies including BHP Billiton, which owns half of the world's largest exporter of coking coal, have increased supplies of the commodity since prices more than doubled in 2005. An expected increase next year in the price of iron ore, another steelmaking ingredient, may

offset the fall in coking coal. “The cut in the coal price is in line with our expectations, but we believe this to be at the top end of market expectations,” Goldman Sachs analysts Rajeev Das, Charles Min and Jane Sung said in a

note e-mailed to Bloomberg. “This could more than offset the 5 percent to 10 percent rise in iron ore prices that we expect.”

XSTRATA’S UNION SAYS STRIKE DISRUPTS SMELTER OUTPUT

December 18, 2006 (Bloomberg) – A union at Xstrata Plc, the world’s fourth-largest copper producer, said a strike has disrupted production at its Chilean smelter. Workers walked off the job after failing to reach an accord on wages with the company at the Altonorte smelter, Chile’s third-largest, union President Isidro Cabrera said today before entering a meeting with management to negotiate. The union’s 350 members represent 70 percent of workers at the smelter, he said. “They had to stop all the machinery,” Cabrera said in a phone interview from the Chilean city of Antofagasta.

The strike helped bolster copper prices, which have gained 40 percent this year partly because of labor

walkouts in Chile and Mexico that reduced output. Codelco, the world’s biggest copper producer, is in negotiations with unions at its largest mine in Chile before the labor contracts expire on Dec. 31.

A spokesman for Altonorte referred questions to a public relations company, which said this afternoon that management at the smelter may comment today on the strike. Workers at the Altonorte smelter this weekend rejected an offer from the company to increase wages by 1 percentage point to 4 percentage points above inflation, depending on current salary levels, plus bonuses.

NICKEL A GOLDMINE BUT LUSTRE WILL FADE

December 18, 2006 (The Australian) – Nickel prices have now gone beyond any producer’s dreams. That is no journalistic hyperbole: that judgment comes from Sydney-based analysts Stock Resources. They add that the high prices cannot last – but there are no clues to when the big falls will take place.

When spot prices kicked off the year at \$US13,505/tonne on January 3, no one foresaw anything like the present phenomenon where spot prices soared above \$US35,500/tonne last week and even three-month prices were marching on \$US35,000.

The new chief of Xstrata Nickel, the arm that holds the assets of the recently acquired Falconbridge, was reported last week in the Canadian business press as saying that he was planning to double output by 2012 and would consider buying any nickel asset up for grabs.

Citigroup expects global nickel demand to have been 6 per cent up for this year, even with prices being at a 20-year high. The price is being driven by the soaring demand for stainless steel, which uses about two-thirds of all nickel produced. However, Citigroup does think demand will be weaker next year. (But, it must be added, there were similar predictions last year about 2006.)

The fragility of the nickel supply situation – the LME holds about only two days’ global supply of the metal – was demonstrated last month when the nickel price shot up overnight after BHP Billiton’s announcement that its new Ravensthorpe laterite nickel mine would be delayed. Stock Resource says there is still a question whether the new projects in the pipeline are going to deliver on time. Both the world’s biggest laterite nickel projects have seen delays and cost blow-outs.

Goro in New Caledonia, now controlled by Brazil’s CVRD after its takeover of Inco, was to have produced 60,000 tonnes of nickel a year from 2004. The latest start-up is now 2008, with capital costs blowing out from \$US1.45billion to \$US3billion. “Given the Goro experience, the market is likely to consider that Ravensthorpe is susceptible to further delays and capital overruns,” Stock Resource said in its weekly client letter. Furthermore, the firm thinks Xstrata is being optimistic with its plans to get its 60,000 tonnes a year Koniombo nickel project into production by 2010.

TWIGGY VICTORY A BLOW TO BHP

December 19, 2006 (*The Australian*) – Andrew (Twiggy) Forrest's Fortescue Metals Group secured a landmark court victory yesterday which could force BHP Billiton and Rio Tinto to open up their multi-billion-dollar Pilbara iron ore railways in Western Australia to third party access. In a Federal Court ruling in Melbourne which could have wider implications for competition policy in Australia, Justice John Middleton overturned a previous 1999 court judgment to rule that BHP's 295km Mount Newman railway was not part of a production process, and therefore not exempt from third party access provisions under the Trade Practices Act. BHP and Rio own and operate the only rail networks in the Pilbara, hauling their iron ore to their export ports at Port Hedland, Dampier and Cape Lambert. The decision gives a boost to the bid by Fortescue Metals to win access to the railway. And Fortescue's government relations manager Julian Tapp said Rio's railway lines were also in the crosshairs. "When we look at developing the west Pilbara we will be looking at Rio's railways," he told *The Australian*.

Fortescue is before the Australian Competition Tribunal, challenging Treasurer Peter Costello's decision earlier this year not to uphold a recommendation from the National Competition Council that the track be declared open access. But there is uncertainty over the practicality of enforcing open access, and third parties may well balk at the access fees that BHP or Rio could justify. BHP is expected to appeal the decision to the full bench of the Federal Court and is fighting Fortescue's attempt to bypass Mr Costello. But the mining giant yesterday warned that uncertainty over the access question could threaten future investment in the iron ore industry that next year will overtake coking coal as Australia's single largest commodity export. "Open access to dedicated rail infrastructure would compromise the efficient production

of iron ore and cause delays in future investment decisions, making Australian producers less reliable," BHP's head of carbon steel materials, Chris Lynch, said yesterday.

But with iron ore prices at record levels and set to increase again this year, there is no shortage of investment dollars flowing into the industry. Independent of its efforts to get access to BHP's rail line, Fortescue is already building almost \$2 billion worth of new rail and port infrastructure in the Pilbara for its Chichester Range iron ore mine that is being underwritten by Chinese sales. It is aiming to be producing by 2008. Fortescue is seeking access to BHP's rail line access for its much smaller Mindy Mindy development.

Fortescue talked up the potential benefits of the decision, though there are currently no other mining projects in the Pilbara seeking access. "The ruling marks the beginning of a new phase for the Pilbara that will see the opening up of infrastructure and will result in new exploration, new mining companies, new exporters and new jobs," said Fortescue chief operating officer Graeme Rowley.

Justice Middleton's decision hinged on his view that BHP's railway line didn't constitute a part of a production process. "The railway line in itself isn't designed to make or create anything," Justice Middleton said. In doing so, he went against a 1999 judgment that rejected a similar bid for access to Rio's railway line by ruling that the line formed part of a production process.

Queensland University of Technology Competition law expert Stephen Coronas said Justice Middleton's decision was "sensible" and that it had always been intended that the access provisions extended to railway lines. But he said the decision doesn't necessarily mean BHP and Rio would have to open their lines, noting that the hurdles for granting access remain "very high."

CHINA NATIONAL RESOURCES ACQUIRES MINING COMPANY

December 19, 2006 (*Interfax*) – China National Resources Development Holding Ltd. announced Friday that it will acquire China Reservoir Mining Ltd. The Hong Kong-listed CNRD will buy a 51 percent in CRM and will issue 1 billion additional shares to raise HKD 3 billion (\$ 385.92 million) for the deal, according to the announcement.

CRM has a number of mining assets in Mongolia, including a molybdenum mine with metal reserves of 100,000 tons and two tungsten mines with reserves of 101,000 tons. They are projected to start operations in the next two years. CRM, based in Beijing is involved in mineral resources prospecting, mining and development.

XSTRATA, RIO TINTO BOTH EYE BHP BILLITON MINE

December 19, 2006 (Reuters) – Xstrata Coal and Rio Tinto are separately in talks with BHP Billiton to buy its 12.5 million tonnes a year Optimum South African coal mine, sources close to the discussions said on Tuesday. BHP Billiton has declined to name the parties with which it is in talks but has said that, if these talks do not result in a sale, it may pursue an open public tender or other options. BHP Billiton will only say officially that talks are progressing with interested parties, a spokesperson said.

Xstrata offered to take Optimum in exchange for its 16 percent of Douglas Colliery Services Ltd, a mostly underground mining operation in South Africa, plus a cash payment from BHP Billiton, the sources said. BHP

Billiton's South African coal subsidiary Ingwe owns the remaining 84 percent of Douglas Colliery Services.

The cash payment would reflect the capital investment required to expand Optimum and improve its efficiency, the sources said. South African mining sources have estimated that Optimum needs around \$100 million investment. Xstrata earlier this month bought out Total Coal South Africa's share of the former Xstrata/Total joint venture ATCOM and Arthur Taylor Collieries coal mines. The acquisition of Optimum could accelerate the pace of growth of Xstrata's ARM Coal joint venture with its black economic empowerment partner African Rainbow Minerals (ARM), industry sources said.

CHINA TO DUMP A TRILLION US DOLLARS?

December 20, 2006 (Reporter.co.za) – Sources with a US delegation in Beijing have told The Hal Turner Show that the Chinese government has informed visiting Bush Administration officials they intend to dump one trillion US dollars from China's Currency Reserves and convert those funds into Euros, gold and silver.

China was allegedly asked to withhold the announcement until bullion markets closed for the weekend to prevent an instant spike in gold and silver prices. This delay will give the world the weekend to consider appropriate actions rather than have a knee-jerk reaction, which could see the US dollar totally collapse in value on Monday.

According to this senior source, China told the US delegation they no longer have faith in the US currency for several reasons:

1. The Federal Reserve Bank ceased publishing M3 data in March, making it nearly impossible for anyone to know how much cash is being printed. China said this act made it impossible to tell how much a dollar is worth.
2. The US dollar has lost upwards of thirty percent (30%) of its value against other foreign currencies in

the recent past, meaning China has lost almost 300 billion simply by holding US dollars in its reserves.

3. The US has no plans whatsoever to reduce deficit spending or ability pay down any of its existing debt without printing money to pay it off ('fiat money').

For these reasons China has decided to implement an aggressive sell-off of US dollars before the rest of the world does so. China reportedly told the US delegation: "We are the largest holder of US currency and if the rest of the world unloads theirs before we unload ours, we will lose our shirts."

Early last week, in an unusual move, the Bush Administration sent virtually the entire economic A-team to visit China for a "strategic economic dialogue" in Beijing on December 14 and 15. The Bush Administration wanted to get China's cooperation in preventing a dollar collapse. My American source, the Hal Turner Show has been told the effort failed.

According to the source, Fed Chairman Bernanke left the meeting "pale and in a cold sweat" as the implications of China's decision seemed to sink in.

GOLD COULD HIT \$800 IN NEAR TERM: PAUL WALKER

December 20, 2006 (Economic Times/IndiaTimes) – The year 2006 can best be described as a yo-yo year for gold, when prices swung between between \$530 and \$720 per ounce. Amidst global unrest, inflation fears, and a weak dollar, GFMS CEO Paul Walker peeks into the future to

tell what's in store for the yellow metal in the coming year.

Where are gold prices headed? Our house view is with the way the dollar is moving we will probably see gold hitting \$700 towards the end of the year, or certainly the

first quarter of next year. And that will have a knock on effect on platinum, palladium and other precious metals as well.

The bottom line is, there's more of an upside for gold than the downside. For example, we saw India was taking in very high levels of the metal in September and October when the price dipped below \$600. So, the support of this market is around the \$600 level and it doesn't look to me that there's a downside below this level.

There is bound to be very strong physical buying when the price moves to this level. There is fairly strong support at this level which suggest the upside for the metal is around \$700 per ounce. Where is the demand coming from in India and globally? Is \$800 level realistic near term? Yes, there is a realistic chance that gold could hit \$800. The bulk of investment in gold has been from the professional side. What you haven't seen is a huge surge on the retail side. To see price hit \$800 you will have to see some retail interest coming into the market to push it to those highs. I think the professional interest in the market with investment flows coming out of the US and into other assets could push gold to \$700 and above.

As far as India is concerned, if you have a look at what transpired in the market over the last two-three years, it appears to us that there has been a secular shift from

investment in jewellery to investment products. Traditionally, a lot of the motivation in jewellery is for investment purposes.

In the past, there has been a lot of under carat jewellery sold. A lot of that is eliminated when you buy bars or coins. There seems to be a shift in Indian attitude to have a much cleaner investment play in gold. This is why coins and bars is doing better than jewellery. However, this is a relative shift and doesn't mean that jewellery sales have dipped.

It is clear that mining is starting to respond to the high price. The real impact of this is to come in the next three years. We haven't seen mine production going down, so far. However, mining in non-traditional areas here have picked up even in a low price environment. Mining companies would take advantage of a high price environment and this could reduce the supply-demand gap. However, the demand side of the market would be the key driver of the prices.

If you look at the last couple of trading days, the price has a daily movement of \$8-9, which was unthinkable a few years ago. As you start to push to the higher price level, liquidity gets squeezed out of the market, making it highly volatile. A \$90-100 range would be absolutely normal for gold in the short-term.

OUTLOOK FAVOURABLE FOR BASE METAL SECTOR, MOODY'S SAYS

December 20, 2006 (InvestmentExecutive.com) – The business outlook for the global base metal industry continues to be favorable for 2007, as base metal prices moderate but remain at favourable levels, according to a new report from Moody's Investors Service.

Moody's predicts that most producers should continue to generate excess cash flow in this environment, leading to an outlook on credit ratings that is predominantly stable. The companies not expected to generate excess cash flow will be the integrated aluminum producers, given the significant capital investments they are making in new refineries and smelters. "The generation of excess cash flow will be particularly important for those companies that have participated in the consolidation that has dramatically altered the industry landscape, taking on very large debt positions that need to be reduced to more manageable levels to continue to warrant current ratings," says Moody's vice president/senior credit officer Terry Marshall, lead author of the annual outlook that covers the copper, nickel, zinc, and aluminum industries.

Moody's expects pricing will continue to be positive if somewhat lower for producers as strong demand in China

offsets some weakening in US demand. Supply, in turn, continues to be constrained by a lack of meaningful new capacity for copper, nickel, and zinc in particular. "Apart from any significant reduction in Chinese demand, the biggest threat to price will be from the fund sector, which has supported the growth in prices over the past few years but which has contributed significantly to the increasing volatility witnessed this year, particularly in copper," says Marshall.

Acquisition-driven event risk will continue to be one of the key challenges to company credit profiles over the next year, says Moody's. "As the industry consolidates, we expect that there will be only a handful of significant mining companies left, with a very limited to non-existent number of second tier companies," says Marshall. "While Moody's believes that the larger, more diversified companies will be stronger and better able to withstand downturns in metal prices, the premiums being paid and debt taken on is a concern, and could impact ratings if acquisition debt is not reduced in the current strong markets." Moody's also says that significant increases in both operating costs and development costs are additional concerns for ratings.

BEHRE DOLBEAR PRESENTS A 2-DAY SEMINAR ON THE

“ABC’S OF MINING”

NEW YORK, NEW YORK

January 16 and 17, 2007

Limited Space Available

PLEASE MARK YOUR CALENDARS FOR JANUARY 16 AND 17, 2007

The two-day program will be geared towards individuals who wish to learn more about the mining industry and those needing a refresher on mining fundamentals and the business of mining.

The course will integrate all commodities and will include a review of:

- The State of the Mining Industry
- Global Risks Inherent in Mining
- Ore Reserves Classification
- Mineral Resource & Reserve Reporting Codes
- Mining Methods and Costs, Underground
- Mining Methods and Costs, Open Pit
- Processing Methods and Costs
- Hydrometallurgical Processing
- Environmental and Sustainability Issues
- The Valuation of Mineral Properties and Companies
- How to Perform an Acceptable Due Diligence
- Mineral Markets
- How to Approach an Investment or Acquisition in the Mining Industry
- Uranium Mining and Processing
- Iron Ore Mining and Processing
- Coal Mining & Processing
- Financial Accounting Standards (SFAS 141)

The cost for the seminar is \$500 per person and includes coffee breaks, lunches and a cocktail reception the first night. Space is limited and we are nearly full, so be sure to register soon.

You may sign up by calling (303) 620-0020. Email: newsletter@dolbear.com

Please look for more details in our upcoming newsletters.

GOVERNOR SETS A VETO ON MENDOZA ANTI-MINING BILL

December 20, 2006 (Hoovers) – Governor of Argentine province of Mendoza Julio Cobos vetoed a provincial House bill that would have suspended all open pit mining in the province, local newspaper Los Andes reported Tuesday. Last Wednesday, the House passed a bill which would have frozen the concession of new permits for mining exploration and exploitation until the government produced a provincial environmental management plan. “The vetoed law included articles that are the exclusive jurisdiction of the National Congress, and as such is unconstitutional,” Los Andes quoted a statement from Cobos’ office as saying. The governor also sent the provincial congress a bill that would regulate procedures for evaluating the environmental impact of mining activity. The veto marks the latest development in a bitter battle between mining interests and environmentalists over the future of mining activity in the northeastern Argentine province, famous for its fine wines and ski slopes.

Despite support for mining development from the federal government, approval for mining must come from the provinces, where public opinion on the matter is sharply divided. Mendoza’s congress voted last year to expand the Laguna del Diamante nature reserve to 170,000 hectares from 70,000 hectares, thus swallowing Canada’s Tenke Mining Corp’s potential Papagallos copper and gold mine and effectively ending the project.

Despite the uncertainty, many mining companies have been investing in mining development in the province. Rio Tinto PLC plans to spend \$750 million to \$800 million to develop its Rio Colorado potash mine in the province and has spent \$35 million on development so far, Kevin Fox, general manager of the Rio Colorado project, said recently.

Mining activity in Argentina is experiencing unprecedented growth. Investment in mining projects reached 3.9 billion pesos (\$1.27 billion) this year, up 56% from 2005, according to the Mining Secretariat. Investment over the next years is expected to reach ARS22 billion as the country develops at least 10 new major mine projects, According to the Secretariat. Mineral exports during 2006 reached ARS7.95 billion, 71% greater than last year.

The growth is attributed to stability due to President Nestor Kirchner’s ratification of a national mining promotion plan in 2004 and a treaty with neighboring Chile to facilitate cross-border projects like Barrick Gold Corp’s Pascua-Lama mine in San Juan Province. Also, after years of uncertainty generated by varying provincial royalty structures, an agreement was reached in the 1990s in which all provinces collect 3% of the gross output from mines. This has remained unchanged for 10 years, adding to the industry’s stability.

COPPER GIANTS SETTLE WAGE DEALS

December 20, 2006 (Mining Journal) – Two Chilean copper giants have settled wage deals with striking miners ending possible walkouts at Codelco Norte’s Chuquicamata copper mine and Xstrata plc’s Altonorte smelter. Codelco, the world’s largest copper producer, finally reached wage agreements with two of its unions, averting a strike that threatened to halt output at Chuquicamata, its largest copper mine. The unions accepted the offer of a 3.8% raise and a US\$15,200 bonus for each worker.

The two unions, No 2 and No 3 represent about 3,200 men or 89% of Codelco’s miners at Chuquicamata. However, the biggest union, representing 2,600 workers is still in negotiation and expects to vote on the deal on Wednesday. If Union No 1 accepts the same deal, a strike

at Codelco Norte, which produced over 6% of the world’s copper last year, will almost certainly be avoided.

Meanwhile, workers at Xstrata’s Altonorte smelter have accepted an offer from the company bringing the strike to an end on Tuesday, according to the union president. Around 340 workers at Altonorte, Chile’s third-biggest smelter, began the walkout on Monday in a disagreement over wage deals, but the union accepted a management offer on Tuesday. “Things went very well for us in the new negotiations. The company understood our demands and will rise our salaries significantly and in a staggered way. This puts an end to the strike,” said union president Isidro Cabrera in an interview with Reuters. However he could not give full details on the newly settled deal.

BRAZIL'S CVRD AND BAOSTEEL AGREE ON '07 PRICE INCREASE

December 21, 2006 (Hoovers) – Brazilian mining giant Companhia Vale do Rio Doce, or CVRD, has once again taken the lead in iron ore price talks, closing a key deal Thursday that should leave the company's bottom line well positioned for 2007. CVRD, the world's largest producer and exporter of iron ore and iron pellets, said it has agreed to a 9.5% increase in prices for 2007 with Chinese steelmaker Shanghai Baoshan Iron & Steel Co., or Baosteel. The deal is expected to serve as the benchmark for remaining negotiations between global miners and steelmakers, continuing the recent stunning rise in commodity metals. Traditionally, the first price accord reached with a major European or Asian steelmaker serves as the benchmark for the rest of the industry.

For CVRD, maintaining the upward trend in iron ore prices means a likely continuation to the string of record-setting profit numbers reported by the company in recent quarters. "I haven't run all the numbers yet, because this year you also have to include the Inco acquisition this year, but (the increase) will be very positive for CVRD given that 65% of its revenues come from iron ore," said an analyst with a major Sao Paulo-based bank who declined to be identified.

The 2007 price not only adds to CVRD's bottom line, it also offsets the recent appreciation of the Brazilian real against the U.S. dollar, the Sao Paulo bank analyst said. CVRD sells iron ore in dollars, but its costs are fixed in reals. As the real strengthens against the dollar, the company loses when it repatriates dollars and its costs rise. "The prices for 2007 reflect conditions in the global iron ore market and were reached with unprecedented

speed, the result of extremely professional negotiations," CVRD said in the statement.

The 9.5% increase is at the top end of market expectations, with most analysts forecasting a rise of between 5% and 10% in 2007 price talks. Iron ore prices climbed 19% in 2006, after a staggering 72% gain in 2005. "The announcement is very positive for CVRD, and it comes in above my expectations, which called for an increase of between 3.5% and 5%," said Cristiane Vianna, an analyst with Rio de Janeiro-based brokerage Agora Senior.

The agreement with Baosteel also brings to an early close what had been expected to be rancorous talks with Chinese steelmakers. In 2006 talks, Chinese steelmakers were upset by their inability to use their position as the world's largest iron ore consumers to influence negotiations. Ahead of the 2007 negotiations, Chinese steelmakers and industry officials had pushed for a drop in iron ore prices from global steelmakers. CVRD and counterparts Australian mining company BHP Billiton and Rio Tinto control 70% of the seaborne iron ore market. However, China's ravenous appetite for steel and low-quality iron ore has driven imports of the key steelmaking ingredient to record levels.

CVRD said last week that its iron ore exports to China were up 40% year-to-date through November compared with last year. According to the company, Brazil is now the leading iron ore supplier to China, topping Australia and India. CVRD expects to close 2006 with iron ore production of 263 million metric tons, climbing to 300 million metric tons in 2007.

\$1-B NONOC MINES DEAL ON BRINK OF COLLAPSE

December 21, 2006 (Inquirer) – The \$1-billion deal to revive one of Asia's largest nickel mines is on the brink of collapse after disagreements over valuation and share ownership prompted would-be Chinese investors to seek more time to review their offer.

At the same time, the Philnico Industrial Corp., which owns the mothballed nickel refinery and mining operations, said it had begun entertaining other prospective suitors for the project in Nonoc Island off Surigao City. "We are open to other options and we have received several offers from Japanese companies," Philnico president Evaristo Narvaez Jr. said in a press briefing. Narvaez said Philnico had also received queries on the project from Russian and other Chinese firms.

Yesterday's press conference was prompted by statements made by Socioeconomic Planning Sec. Romulo Neri on Wednesday, criticizing Philnico for stalling the deal. Neri said the firm diverged with the bargaining position of Jinchuan Nonferrous Metals Corp., which is China's largest nickel mining group.

One sticky point is a disagreement over how much Philnico's \$300-million obligation to the government would be worth once these are converted into shares in the rehabilitated firm. On top of this, Neri said Philnico was also "asking for more and more concessions" and "more payment."

The Philnico chief countered this by saying that his group was less concerned over the valuation issues than by the

conflicting signals sent by Jinchuan with its decision to commission yet another feasibility study for the Nonoc mines.

The decision, made by the Chinese firm recently, called for a new feasibility study to evaluate the project's financial and technical viability. It will be handled by a Chinese engineering firm and is expected to be completed by May 2007.

He said the decision to reevaluate Nonoc mines' viability comes after Jinchuan had already offered the government a 15-percent stake in the rehabilitated firm and \$45 million upfront payment in exchange for its \$300-million claim against Philnico.

RUSAL CREDITORS APPROVE MERGER WITH SUAL, GLENCORE ASSETS

December 21, 2006 (RIA Novosti) – Creditors of Russian aluminium giant RusAl have given their consent to the company's merger with Sual, Russia's second-largest aluminium producer, and the alumina production assets of Switzerland's Glencore, RusAl said Thursday.

The two Russian aluminium giants and Switzerland's Glencore signed an agreement October 9 on the consolidation of their assets to create the world's largest aluminium producer, United Company Russian Aluminium. The deal required approval from the creditors of RusAl and Sual for a change in the shareholding structure of the companies under the terms of loan agreements.

“The enlarged business will become the new leader in the global aluminium and alumina production industry, with operations in 17 countries on five continents and more than 110,000 employees. The total production capability will be 4 million tons of aluminium and 11 million tons

of alumina. The combined company will command 12.5% of the global primary aluminium market and 16% of the worldwide alumina volumes,” RusAl said in a statement.

The shareholders of RusAl will hold a 66% stake in the newly enlarged company, while Sual will hold 22% and Glencore 12%, the statement said. The creditors of Sual also gave their approval for the merger deal, the company said. Russia's Anti-Monopoly Service is expected to make a decision on the merger in the first quarter of 2007.

Founded in March 2000 following a merger of major aluminium plants in the former Soviet Union, RusAl holds 75% of the Russian market and 10% of the international market. The company exports aluminium to 50 countries and operates in nine Russian regions and 13 countries.

XSTRATA TO TAKE 62.5 PCT OF PHILIPPINES' TAMPAKAN COPPER/GOLD PROJECT

December 21, 2006 (XFN-ASIA) – Indophil Resources NL said London-listed miner Xstrata Plc has exercised its option to acquire 62.5 pct of the Tampakan copper-gold project in the southern Philippines. Indophil said in a statement that Xstrata will take control of the project in March to progress its development. Xstrata exercised its option after Indophil delivered to Xstrata a 27 mln aud pre-feasibility study in November. The Tampakan deposit is one of the largest undeveloped copper-gold deposits in

Southeast Asia and the Western Pacific, estimated to contain 11.6 mln metric tons of copper and 14.6 mln ounces of gold at a 0.3 pct copper cut-off grade.

The project is located on the southern Philippine island of Mindanao, about 65 km north of General Santos City. Development costs were not disclosed although Indophil has previously said it will require millions of dollars per month in capital expenditure.

**To subscribe or unsubscribe to
Global Mining News, please contact:
newsletter@dolbear.com**

JAMAICA POSTPONES PLAN TO ALLOW BAUXITE MINING IN UNDEVELOPED AREA

December 22, 2006 (Associated Press) – Jamaica has postponed plans to allow bauxite mining in an undeveloped region in the island's north after activists said damage to the environment would be irreparable, an official said Wednesday. Agriculture Minister Roger Clarke said he withdrew a license for U.S.-based aluminium producer Alcoa Inc. and state-owned Clarendon Alumina Production Ltd. to begin mining in a largely uninhabited region called Cockpit Country following threats of street protests by conservationists. "We met with the environmentalists and we have agreed to meet again in January to review their presentation

against the scientific data," Clarke said. A judgment on whether a mining license will be granted will likely be made next month, he said.

Cockpit Country, which has an unusual terrain of rocky cliffs and limestone formations, is one of the island's best-known natural areas. It's home to about 80 bird species and is a critical aquifer to five of Jamaica's largest rivers, according to the Jamaica Environmental Trust. Clarendon is a partner with an Alcoa subsidiary in a bauxite mining and alumina refining operation called Jamalco.

SNEAK PEEK 2007: MATERIALS

December 22, 2006 (Forbes) – When it comes to the metals sector, titanium will be king in 2007, says Cleveland Research analyst Chris Olin, ranked No. 1 in 2006 for picking metals and mining stocks by StarMine. The aerospace market, in particular, is driving the increased demand for the lightweight metal. Olin says that in an effort to reduce fuel consumption, companies like Boeing (nyse: BA) and Airbus will use as much as five times more titanium in some of their newest planes.

The result, Olin says, will be a boon to producers like RTI International Metals and Titanium Metals, both too

small, based on latest fiscal revenues (we require a minimum of \$1 billion), to contend for the Platinum 400.

The rest of the metals sector, however, will not fare as well, the analyst says. The already slowing U.S. economy is poised for more sluggishness, especially in the manufacturing and construction sectors. He thinks that despite many opinions to the contrary, the weakness will lead to an overproduction of most metals, especially steel.

CVRD GETS \$6 BILLION PRE-EXPORT LOAN

December 22, 2006 (Easy Bourse) – Brazilian mining giant Companhia Vale do Rio Doce, or CVRD, reached a deal with a syndicate of banks for a pre-export loan worth \$6 billion, the company said in a statement late Thursday. As a result of the operation, CVRD has refinanced \$12.3 billion, or 84%, of the \$14.6 billion bridge loan used to refinance its purchase of Canadian nickel miner Inco.

The pre-export loan facilities will be divided into two tranches. The first tranche totaled \$5 billion, with a five year maturity, and pay an annual interest rate of

0.625% over the LIBOR. The second tranche of \$1 billion, with a seven-year maturity, will pay an annual interest rate of 0.75% over the LIBOR. Demand for the operation reached \$12.37 billion, CVRD said.

The money raised from the pre-export loans will be used to refinance the Inco bridge loan, which funded CVRD's \$17.6 billion acquisition of the Canadian nickel miner in October. The pre-export loans were obtained from a syndicate formed by 30 banks under the co-leadership of ABN Amro Real, Credit Suisse Group, UBS AG and Banco Santander.

TIN SUPPLY DEFICIT TO PERSIST IN 2007, 2008: SOCIETE GENERALE

December 22, 2006 (Platts) – A world tin supply deficit of 10,000 mt in 2007 is forecast by Societe Generale, compared with an estimated 3,000 mt deficit in 2006. Looking out to 2008 SG sees the 2007 deficit cut in half to 5,000 mt. Two factors causing these supply deficits, SG says in its fourth quarter Commodities Review, are increased demand for tin, growing more than 30% in four years, and what it calls “a major supply shock” caused by forced closure of small smelters in Indonesia in October.

The demand increase has been fueled by growing use of lead-free solder, which is 96% tin, mandated by EU regulations that became effective in mid-2006. SG thinks

some sort of compromise will be reached in Indonesia but “world refined production will meanwhile have barely risen in 2006 and scope for growth in 2007 independent of Indonesia is largely confined to Brazil and China,” the reports says.

Although SG thinks tin output could climb 3% in 2007, not even this increase is certain. Looking at prices: starting with a London Metal Exchange cash price average of \$7,365/mt in 2005, SG reckons the LME average cash price for 2006 will be \$8,745/mt. It predicts a slightly higher \$8,750 average in 2007 and a much lower \$7,250 in 2008.

**NOTICE**

The next issue of the Global Mining Newsletter will be published on **Tuesday, January 2, 2007** as we are observing the New Year Holiday on Monday, January 1, 2006.

The Denver Behre Dolbear office will be closed on **Monday, January 1, 2007** for the New Year Holiday.



Beijing
 No. 128 Fuxing Road, Suite 722
 Beijing 100814
 Tel: +86.10.6397.8580
 Fax: +86.10.6397.8580
 beijing@dolbear.com



Denver
 999 Eighteenth Street
 Suite 1500
 Denver, Colorado 80202
 USA
 Tel: +1.303.620.0020
 Fax: +1.303.620.0024
 denver@dolbear.com



Guadalajara
 Niños Heroes 2716-202
 Col. Jardines del Bosque
 44520 Guadalajara, Jalisco
 Mexico
 Tel: +52.33.3121.1073
 Fax: +52.33.3121.1490
 mexico@dolbear.com



Hong Kong
 Tel: +852.9039.0288
 hongkong@dolbear.com



London
 Winchester House
 259-269 Old Marylebone Road
 London, NW1 5RA
 United Kingdom
 Tel: +44.207.170.4034
 Fax: +44.207.170.4035
 london@dolbear.com



New York
 100 Park Avenue, Suite 1600
 New York, New York, 10017
 USA
 Tel: +1.212.684.4150
 Fax: +1.212.684.4438
 newyork@dolbear.com



Santiago
 Av. Fleming 11.020, Casa 15
 Las Condes, Santiago
 Chile
 Tel: +56.2.243.0947
 Fax: +56.2.243.0022
 santiago@dolbear.com



Sydney
 Level 9, 80 Mount Street
 North Sydney, NSW 2060
 Australia
 Tel: +61.2.9954.4900
 Fax: +61.2.9929.2549
 sydney@dolbear.com



Toronto
 67 Yonge Street
 Suite 1201
 Toronto, Ontario M5E 1J8
 Canada
 Tel: +1.416.369.9011
 Fax: +1.416.369.0449
 toronto@dolbear.com



Vancouver
 600-890 West Pender Street
 Vancouver, British Columbia V6C 1J9
 Canada
 Tel: +1.604.646.4666
 Fax: +1.604.687.1327
 vancouver@dolbear.com

BEHRE DOLBEAR

founded 1911 MINERALS INDUSTRY CONSULTANTS

Our **People** Have Run The World's **Mines**

www.dolbear.com