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Global Mining News

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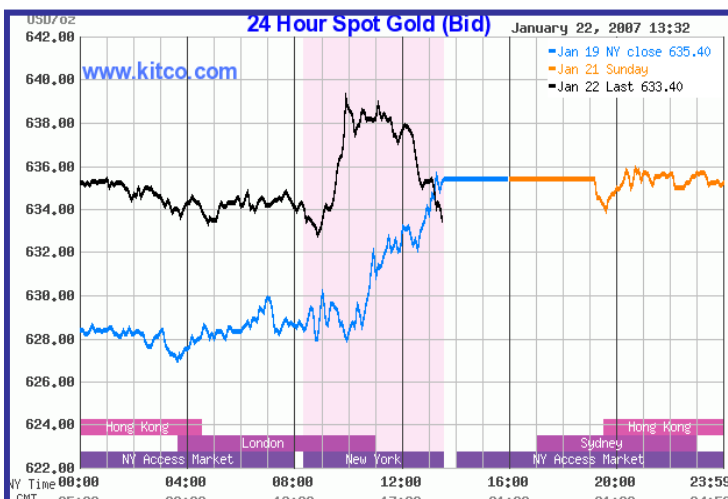
ANGLO AMERICAN GETS 1.5 BLN STG OFFER FOR TARMAC FROM SAWIRIS BROTHERS

January 14, 2007 (AFX) – The billionaire Egyptian Sawiris brothers have made an approach to Anglo American PLC to buy Tarmac, its British aggregates business, reports the Sunday Times without citing sources. The newspaper says the offer, which is thought to have been in the region of 1.5 bln stg, has been rejected but talks could be reopened when Cynthia Carroll, president of Canadian group Alcan Inc’s primary metals business, takes over as Anglo’s chief executive in March.

PHELPS DODGE STAKEHOLDER ATTICUS CAPITAL TO VOTE IN FAVOR OF TAKEOVER BY FREEPORT-MCMORAN

January 15, 2007 (Associated Press) – Atticus Capital, an asset management company that owns a large stake in Phelps Dodge Corp., said Friday it plans to vote its shares in favor of the company’s takeover by Freeport-McMoRan Copper and Gold Inc. Under Freeport-McMoRan’s offer, each Phelps Dodge share would be exchanged for \$88 in cash plus 0.67 of a common share of Freeport-McMoRan. In a Friday letter to Freeport-McMoRan Chief Executive Richard C. Adkerson, Atticus said it intends to support the proposed deal and looks forward to becoming one of the largest shareholders in the combined company, with a 6 percent stake. Atticus, which owns a 9.97 percent stake in Phelps Dodge, said it purchased about 6 million, or 3 percent, of Freeport-McMoRan’s outstanding shares after the acquisition deal was announced.

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USD	JANUARY 19, 2007	JANUARY 12, 2007
GOLD	629.00	619.75
SILVER	12.7200	12.4300
PLATINUM	1,154.00	1,140.00
PALLADIUM	339.00	329.00
ALUMINUM	1.2669	1.2660
COPPER	2.4721	2.6333
LEAD	0.7262	0.7552
NICKEL	16.9190	16.5561
URANIUM	72.00 (01/15/07)	72.00 (01/08/07)
ZINC	1.6379	1.7942

DEMAND FOR COPPER BOOSTS ZAMBIAN MINING

January 15, 2007 (Associated Press) – Surging global demand for copper has breathed new life into the mining industry in Chingola, a short drive from the Congolese border on top of some of the richest copper deposits in the world. Zambian miners clad in white helmets and blue jumpsuits are building a US\$300 million (€230 million), high-tech copper smelter at Konkola Copper Mines, right next to one of the largest open pit copper mines in Africa. Trucks stream out of town carrying sheets of copper cathode destined for growing economies in China, India and Vietnam.

With copper prices around US\$3 per 1 pound (about €5 per kilogram), there are giddy predictions that after years of stagnation, this largely impoverished southern African nation will soon rejoin the ranks of the world's top copper producers, a distinction it last held in the 1970s. Fred Bantubonse, general manager of Zambia Chamber of Mines in the neighboring city of Kitwe, says companies have poured US\$2 billion (more than €1.50 billion) in new investment into mines throughout the country.

Yet in the eyes of many Zambians, their country is failing to cash in. Under mining agreements signed earlier in the decade, when copper prices were low – less than US\$1 per pound – and the government of Zambia was desperate to attract foreign investors to a slumping industry, the cash-strapped nation receives 0.6 percent royalty on copper revenues from Australian, Chinese, Indian and other mining companies – far below the international norm, which is close to 3 percent. “We are not benefiting as much as we should,” said Eddie Kapungulya, a Kitwe businessman who sells chemical and engineering equipment to mining companies, and who chairs the local chamber of commerce. “These companies should be made to pay more tax so the government can use it to expand social infrastructure Where is the money that the so-called copper boom is generating going?”

Amid pressure from local communities, academics and a vocal political opposition, the Zambian government is now reviewing mining contracts with an eye to raising the mining royalty, a decision that could come early this year when the government presents its new budget.

President Levy Mwanawasa, who won re-election in September despite charges that his government has allowed foreign investors to exploit Zambian workers and resources, faces a delicate challenge. He needs to spread the benefits of mining while not scaring away the international mining companies that Zambia, currently the 11th largest copper producer in the world, relies on heavily for jobs and capital.

Like many other African nations, Zambia has struggled to reap the benefits of its natural resources, and critics say the government's failure to foresee the recent rise in copper prices was just another misstep. Zambia still relies on copper for more than 60 percent of its exports. This has left the country at the mercy of the market and more than 70 percent of its population in poverty despite recent economic gains, noted a November World Bank report that contrasted Zambia with neighboring Botswana, which has harnessed its mineral wealth to become one of Africa's economic success stories.

In the 1990s, Zambia sold its state-run copper mines to private companies, only to see South African mining giant Anglo-American pull out in 2002. Faced with an economic crisis, the Zambian government, with advice from the World Bank, lured potential buyers with a series of generous tax breaks. As a result, most mining companies have paid little in taxes despite increasing profits.

Analysts expect that the government may settle on a new tax rate in the range of 2.5 percent, closer to tax rates in other copper-producing countries, like Chile. But talk of renegotiating long-term contracts has raised fears that companies will resort to legal action. Most mining companies are taking a wary but cautious approach. Mining leaders stress that mining is a long-term investment that creates jobs, and that revenues will soon start flowing into government coffers. Plus, tax incentives remain important in luring companies to a country where the cost of doing business is relatively high, notes Michael Richards, a geologist for Australia's Equinox Minerals Ltd.

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SOUTHERN COPPER CEO: COPPER PRICES EXPECTED TO RISE

January 16, 2007 (*Dow Jones*) – Southern Copper Corp. chief executive Oscar Gonzalez Rocha said Tuesday that copper prices should start rising soon. Speaking on CPN radio, Gonzalez Rocha said that the price for the red metal is expected to reach around \$3.00 per pound in the short term. “I think that copper will start increasing, probably from next month, to a level very close to \$3.00. We have in our budget a forecast for 2007 of \$3.00,” he said. On Tuesday, the most-active March copper contract fell 2.55 cents to settle at \$2.5775 per pound on the Comex division of the New York Mercantile Exchange. Gonzalez Rocha added that prices for zinc could start to

“rise a little,” and that molybdenum “will be around \$20, which is a price that is very high compared to what it was some three years ago, when it was about two dollars and a bit.”

The average Metals Week Dealer oxide price for molybdenum, Southern Copper’s main byproduct, was \$25.94 per pound in the third quarter of 2006. “We don’t expect that there will be any surprises such what molybdenum posted. We don’t think that there are any metals that will gain as much as molybdenum did,” he added.

PLATINUM PRICES LITTLE AFFECTED BY END OF RUSSIAN EXPORT QUOTAS

January 16, 2007 (*Hoovers*) – Platinum prices are unlikely to fall despite a new Russian presidential decree ending export quotas for precious metals and diamonds, as the quotas were already large enough to accommodate production in recent years, market participants said Monday. The long-standing quota was “a hangover from the Soviet days and for all intents and purposes (the country’s major producer) Norilsk was selling its production,” said John Lewins, managing director of Platinum Australia, a small-cap producer active in Australia and South Africa. In Asian trade Monday, platinum, the metal observers expected to be affected most, was only slightly lower, in tandem with a dip in other precious metals. It was trading at \$1,143.50/oz, down \$4.50 on the New York close. According a BBC report over the weekend, the decree has been signed by Russian president Vladimir Putin.

Most market analysts were expecting an end to the quota scheme at some point, but speculation on when the government would do so had been circulating in the market since the start of the year. Some observers had also warned of a possible artificial shortage if the government dragged its feet, as Russian producers were

not allowed to export precious metals since the export quota agreement ended at the end of 2006. But Lewins said he expects little impact on prices following the end of the quota system. Norilsk Nickel, with a share of about 10% of the world platinum market and about 50% of the global palladium market, probably doesn’t have any precious metal stockpiles, and even if it did, it would be unlikely to dump them on the market, he said.

He also cast doubts on market speculation that fears of a shortage has buoyed platinum prices since the start of the year. “If you look at platinum price over the last couple of weeks, it’s been pretty much tracking gold, so I don’t think it’s really made much difference.” A futures trader at a major investment bank in Hong Kong also threw cold water on market talk of a selloff. “If there’s been no price action (so far), then it can’t be substantive,” the trader said.

Still, a few traders said the decree could spark heavy selling of platinum when London opened as the end to the quota system would prompt Norilsk and other smaller miners to boost sales of new production or existing stockpiles in the market.

AUSTRALIAN MINING SECTOR SET FOR STRONG YEAR IN 2007

January 16, 2007 (*The Daily Reckoning Australia*) – Who said the commodities boom is over? We didn’t. Although we think there have been one or two grizzly commodity bears out there. More on that in a minute. Last week the All Ordinaries put on a reasonably healthy 1.1% and yesterday it added another 0.7% to take the index to another record breaking score to finish the day at 5,649.

Resource giants BHP Billiton and Rio Tinto edged up even further with BHP gaining by 4% for the week and Rio by 4.6%. But much better than that was energy company and corporate governance role model Alinta which beat the lot of them by gaining over 18% for the week. In Monday’s trade it managed to add another 2.7% for good measure.

Resources stocks have had a fairly turbulent time of it following falling global commodity prices, including oil,

copper and zinc. Even so, or perhaps because of this, there are other commentators that are prepared to back the continuation of the commodity bubble. Unnamed resources analysts from brokerage Ord Minnett have been to Perth and have come back happy, no, more than happy... delirious even, with what they have seen. Their research note starts off by saying, "Stronger for longer – this continues to be the prevalent theme for the mining services sector with most companies speaking of high visibility and sustained growth for at least the next three years with some quoting that they has [sic] some comfort that the current growth would be around for at least five years."

Not only are the analysts falling over themselves for the resources boom, but the mainstream media is as well. Alan Kohler in his Eureka Report said yesterday, "Seat belts on for a strong year." Kohler says at the end of his column, "Should we buy more BHP shares now that they are down? Well, personally I've got enough already; it is the foundation of my portfolio and I'm not selling. It is still a great company and it is still has sustainable scale and advantage in a business that is underpinned by long-term demand growth."

WORLD MOLYBDENUM PRODUCTION TO RISE THIS YEAR: CHILE OFFICIAL

January 16, 2007 (Hoovers) – World molybdenum output will grow around 2% on the year in 2007 to an estimated 189,009 metric tons, with prices averaging around \$20.00 a pound, Chile's state copper commission Cochilco said Tuesday. Although the expected 2007 average price is below the record \$31.70 per pound averaged in 2005, it's still well above the \$2.00-\$5.00 range it's traded at since the 1970s, said Cochilco's new head of studies, Ana Isabel Zuniga.

In 2005, several local copper producers, including state copper giant Corporacion Nacional del Cobre, or Codelco, modified their copper mining plans to extract more molybdenum. That year, Chile produced an unprecedented 48,041 tons.

This year, Chilean production will fall to an estimated 38,000 tons, with Codelco producing the lion's share.

Other local copper miners that produce molybdenum as a by-product include Antofagasta PLC's Los Pelambres, Anglo American PLC's Los Bronces and Xstrata and Anglo's Collahuasi.

Demand for molybdenum-hardened steel will hold fairly well this year, in part due to heavy demand for steel tubing in the oil and gas industry, Zuniga said. Additionally, "China will continue to play a very important role in the demand for molybdenum and metals in general," the analyst said.

Chile's molybdenum exports, meanwhile, likely will fall to \$2.0 billion in 2007, from \$3.0 billion the previous year, according to Cochilco.

INDONESIA STOPS ISSUING LICENSES FOR SMALL TIN SMELTERS

January 16, 2007 (Hoovers) – Indonesia isn't reissuing operating licenses to small-scale private tin smelters at its main tin deposit, contrary to rumors in the metals market, a senior official said Tuesday. Dozens of private tin smelters on Bangka island were shut down last year by the police and will remain inoperational for an unspecified period while the government investigates their legality, said Simon Sembiring, director general for mining at the Ministry of Energy and Mineral Resources.

Indonesia will also issue new regulations governing the mining sector in March, under which only mining companies currently operating under contract of work arrangements with the government will be allowed to export metal ore, Sembiring told reporters. The small-scale smelters on Bangka island – the prime tin deposit in Indonesia – were closed by police late last year over

allegations that they were illegally purchasing tin ore from unregulated miners, leading to environmental damage and evading payment of royalties.

Indonesian law dictates that companies must pay royalties on revenue generated from exploitation of mineral resources. Currently, state-owned PT Timah Tbk. and PT Koba Tin are the only two smelting companies operating in Bangka. Timah owns a 25% stake in Koba Tin, and Malaysia Smelting Corp. Bhd. owns the remaining 75%.

Market participants say tin exports from Bangka fell to about 1,000 metric tons in December last year, an on-month drop of about 20%, after the closures began in October. 'While accurate data on Indonesia's monthly production and exports of tin are difficult to obtain, tin

prices on the London Mercantile Exchange skyrocketed following the closures, hitting a contract high of \$11,850 in December.

Rumors that a few small-scale smelters would be reissued licenses this month – sparked by media reports citing the Bangka Belitung provincial administration – had raised hopes among participants in a tight market that the supply crunch might ease. But only the central government has jurisdiction to issue licenses, not the provincial administration, and all such rumors are false, Sembiring said. “There are no licenses being reissued to smelters on Bangka,” he said. “(The rumors) are just a strategy by

traders to lower the price of tin.” Meanwhile, new mining regulations due to take effect in March will likely prevent new contract holders from exporting unrefined metal ores, in order to channel more revenue into the domestic smelting industry, Sembiring said. Mining companies that currently hold contracts with the government will still be allowed to honor their sale obligations of unrefined ore, he said. “The government will require (that) all smelting must be done in the country, so companies will not allowed to export ore, (but) we have to respect the existing contract,” he said.

PLATINUM STEADY AS LONMIN EASES OUTPUT FEARS

January 17, 2007 (Platts) – Platinum was steady Tuesday morning despite news that Lonmin would be without its Number 1 furnace for at least another two months. The platinum market has already been forecast as being tight for the first quarter, and possibly extending into the second quarter. The situation is expected to ease in the second half of 2007 as projects come onstream.

Two traders expressed a little surprise with the market reaction to the news, but a London-based analyst was, rather like the price, unmoved. A Continental Europe-based trader suggested that Lonmin would do well to have rebuilt the furnace by the middle of March. He suggested that the dates and figures that are currently being mentioned may be altered in the short term.

However, a London-based analyst suggested that the market was taking a balanced view of the news. He

indicated that while Lonmin would incur expenses selling concentrate to Impala, it would in turn generate revenue. He also pointed out the smelter would be closed for less than three months but that should this timescale be extended or the smelter leak or explode again, all bets would be off.

UBS analyst John Reade suggested that “this news will help keep the platinum market tight in the first quarter of 2007 and may have an even more pronounced impact on the rhodium market as Lonmin has higher than normal grades of rhodium compared to other South African platinum producers, the rhodium market is less liquid and (we believe) tighter.”

CODELCO OFFICIAL CONCERNED OVER PROFIT RETENTION

January 17, 2007 (Hoovers) – A board member at Chilean state copper giant Corporacion Nacional del Cobre, or Codelco, is concerned the government is delaying the proposal to allow the miner to retain part of its pre-tax profits, La Tercera newspaper reported Monday. In an interview with the newspaper, Raimundo Espinoza, who represents Codelco workers on the company’s board of directors, said he expected president Michelle Bachelet to keep her campaign promises regarding Codelco’s profit-retention program. “In her campaign, she took on the idea that Codelco must be financed to keep it in state hands,” Espinoza said.

The Finance Ministry must approve the profit-retention scheme, which doesn’t require any amendments to the law governing Codelco. “I’m worried about Finance Minister Andres Velasco’s stance,” Espinoza told the newspaper. “He’s reticent, most likely because he hopes

to earmark the funds for something else.” “The company needs to continue growing and for that, it needs to reinvest part of its profits,” Espinoza said. For the past couple of years, Codelco management has been pressing the government to allow the company to hold part of its pre-tax profits to ease its annual financing needs. Espinoza has suggested the miner retain \$200 million-\$300 million annually. Codelco “can’t continue using the same (financing) tools it’s been using until now, that is, the sale of assets, depreciation and debt issues,” Espinoza, who also heads the FTC Codelco workers umbrella union group, told the newspaper. Analysts have said Codelco’s growing debt burden, in light of aggressive plans to increase investment in coming years, could eventually hurt the country’s sovereign debt rating, as it’s a state company.

According to Espinoza, workers will continue to press the government on the financing issue and will also put pressure on other unresolved issues, such as the delay of the Ministro Alejandro Hales project and the future of the Salvador division. Additionally, the union leader criticized managerial decisions in the previous Codelco administration, then headed by Juan Villarzu, and said several managers should have been fired. Current

Codelco president Jose Pablo Arellano “must make several decisions and avoid repeating that those very people that made mistakes end up in better positions within the company,” Espinoza said. Codelco is the world’s largest copper producer. It’s said it sees its 2006 output at around 1.8 million metric tons of copper. The miner will release its 2006 production data the last week of February.

CHINA’S JANUARY-NOVEMBER GOLD OUTPUT RISES 8.7% YEAR ON YEAR

January 17, 2007 (Platts) – China’s gold production totaled 211.557 mt for January-November 2006, up 8.7% from the same period in 2005, the China Gold Association said in its latest monthly production report. Primary production from gold mines totaled 153.249 mt for January-November 2006, up 1.34% year on year.

The metallurgical industry saw gold output from both nonferrous and gold smelting operations at 102.218 mt for January-November 2006, up 18.97% from that for the same period in 2005. Nonferrous metal operations produced 35.513 mt, up 23.85% year on year.

Production from gold smelting operations totaled 66.704 mt for January-November 2006, up 16.52% for the same period in 2005. The value of the industrial output from the gold sector totaled Yuan 45.99 billion (\$5.92 billion) for January-November 2006, 36.50% higher than for the same period in 2005, yielding profit of about Yuan 4.87 billion, up 47.66% year on year.

Meanwhile, China’s November gold output was 21.158 mt valued at Yuan 4.69 billion, compared with October’s output of 21.118 mt at Yuan 4.43 billion.

OK TEDI KEEPS HAUNTING BHP

January 18, 2007 (The Australian) – MINING giant BHP Billiton may have cut its links with the environmentally devastating Ok Tedi copper and gold mine in Papua New Guinea five years ago but the legal suits are still coming. Two years after Melbourne law firm Slater & Gordon finally abandoned its \$1 billion class action against BHP in Australia, PNG lawyer Camillus Narokobi has launched what looks like an audacious \$US4 billion (\$5.1 billion) civil damages claim against BHP and the mine’s current operators.

The action has been launched in PNG’s National Court, which has unlimited jurisdiction. On behalf of 13,000 Ningerum tribespeople who live downstream from the mine, Mr Narokobi alleges that BHP and the other mine owners were “reckless and negligent” in dumping mine waste into local river systems. “All have failed in their duty of care to these people who still live a near stone-age existence,” Mr Narokobi said.

Slater & Gordon pursued its claim on behalf of 50,000 villagers for about 10 years before the villagers

themselves abandoned it by accepting compensation payments. But, Mr Narokobi said, the Ningerum had never accepted the payments, which amounted to \$20 monthly per person.

Ok Tedi proved a huge environmental embarrassment to BHP, but when chief executive Paul Anderson wanted to shut it down in the late 1990s he faced opposition from the PNG government, which feared losing an operation that accounted for 10 per cent of GDP and 20 per cent of total exports. In a compromise deal, BHP in 2002 donated its 52 per cent stake into a trust that would invest the mine’s profits back into the region. BHP said yesterday that it would defend any claim against it. “In light of the arrangements put in place at the time of the transfer we don’t believe any claims can be successful,” spokeswoman Samantha Evans said.

Canadian miner Inmet owns 18 per cent of the mine and the PNG government 30 per cent. Mr Narokobi is the brother of a former PNG attorney-general.

PERU ZINC MINER MILPO'S CERRO LINDO PROJECT TO START UP IN MAY

January 18, 2007 (Platts) – Compania Minera Milpo, Peru's fourth largest zinc producer, will start producing at the Cerro Lindo polymetallic project in May, a company official said on Thursday. Some 60% of the construction is complete on the mine, the official said, confirming a report in El Comercio newspaper. Cerro Lindo, which required an investment of around \$65 million, will process 5,000 mt of ore/day. The deposit is expected to produce 110,000 mt of zinc concentrates, 12,500 mt of lead concentrates and 8,500 mt of copper concentrates annually. The deposit's proven reserves are 5 million mt grading 6.7% zinc and 2.16% lead.

With Cerro Lindo, Milpo will process around 20,000 of ore/day, the official said. Milpo also operates the El Porvenir mine in the central Andes, the Chapi mine, which produces copper sulfate crystals in southern Peru and the Ivan mine in Chile.

According to figures from the Energy and Mines Ministry, Milpo produced 84,241 mt of zinc in the first 11 months of 2006, down 13.7% from a year earlier. It also produced 19,926 mt of fine lead and 6,507 mt of fine copper.

FRESH PROTESTS FLARE AS GUINEA STRIKE WIDENS

January 18, 2007 (Reuters) – Anti-government protesters clashed with police in towns around Guinea on Thursday as violence spread in the second week of a general strike aimed at ousting President Lansana Conte. The strike, launched by union leaders who say Conte is unfit to rule and should step aside, has paralysed the West African nation, triggering street clashes that have killed at least two people and disrupting the strategic bauxite mining industry.

Enforcing a ban on public protests, riot police brandishing tear gas grenade launchers broke up groups of youth loitering on otherwise deserted streets in the oceanside capital Conakry. Soldiers in unmarked vehicles to patrol the streets, the muzzles of their rifles sticking through open car windows.

We want Conte to go. That's the only thing we are all fighting for," said Gassimu Issiagne Camara, a student in the Dixinn neighbourhood of Conakry. Conte, a reclusive diabetic in his 70s, has ruled since seizing power in a 1984 coup. He has dismissed repeated calls by strike leaders that he hand over the running of the country to a consensus unity government. Union leaders said the

ageing president had threatened to kill them in an acrimonious meeting on Wednesday.

Strikers have escalated the stoppage to Guinea's national bauxite company CBG – run by Alcoa Inc. through a joint venture with Canada's Alcan – where workers downed tools on Wednesday at the Sangaredi bauxite mine. South Africa's AngloGold Ashanti Ltd, the world's third biggest gold producer, said on Thursday some workers stayed away from its Sigiuri gold mine. AngloGold had also closed its business office in Conakry for the safety of staff.

Industry sources said the strike also affected operations at the town of Fria, where Russia's Rusal runs an alumina plant. Guinea is the world's biggest shipper of the bauxite ore from which aluminium is extracted. But despite this mineral wealth, most of the nearly 10 million population are poor.

"We don't feel we're heading for a quick end to this crisis," said one foreign diplomat after a briefing by Foreign Minister Mamady Conde.

XSTRATA FACES STRIKE ACTION BY WORKERS AT CANADIAN NICKEL MINE

January 18, 2007 (Evening Standard) – Jan. 17 – London-listed miner Xstrata appears to be heading for a strike at a Canadian nickel mine after workers in Sudbury, Ontario, overwhelmingly voted in favour of industrial action. The union says they should reject a new labour contract offer from the company and are concerned about joint-venture plans with the local unit of Brazil's Companhia Vale do Rio Doce. Rick Grylls, a representative of the Canadian Auto Workers union, said 98 percent voted in favour of a strike mandate if the

union rejects the contract. The union represents more than 1000 employees who work in Xstrata's mills, mines and smelters in Sudbury. Workers also want more details about plans for any agreement with CVRD Inco in Sudbury.

Both Xstrata, which took over Falconbridge last summer with an \$18 billion (£9.2 million) hostile bid, and CVRD, which won control of Inco with an unsolicited \$19.4 billion offer, have said that striking a deal to share

resources and facilities in order to cut costs is a top priority. Union leaders representing the former Falconbridge workers are demanding the company spells out exactly what such a venture would mean for its members.

Meanwhile, Rio Tinto today said its refined copper output fell 37 percent in the last quarter as it carried out maintenance work to its copper smelter operations in the US that took longer than expected.

CHINA'S BAOSTEEL BUYS SMALLER RIVAL BAYI FOR \$385 MILLION

January 18, 2007 (Platts) – Shanghai Baosteel Group Corp has purchased on Wednesday smaller rival Bayi Iron and Steel Group in Northwest China, its first domestic acquisition, China Daily reported Thursday. Under the deal, Baosteel will pay Yuan 3 billion (\$385 million) for 69.61% of Bayi, the biggest steelmaker in Northwest China's Xinjiang Uygur Autonomous Region, with the remaining stake going to Xinjiang's local government.

The long-anticipated deal is expected to beef up Baosteel's presence in Northwest China as Bayi commands about 70% of the market share in Xinjiang, the company said in a statement. The takeover will make Baosteel the controlling shareholder of Shanghai-listed Bayi Iron and Steel Co, which is 53.12%-owned by Bayi Iron and Steel Group. The deal is also part of Baosteel's strategy to strengthen its dominant position in the industry by making local mergers and acquisitions.

"We should actively participate in the domestic steel industry restructure with a sense of urgency," its former chairwoman Xie Qihua told an internal corporate meeting

last month. Xie, who stepped down on Monday, wanted to make Baosteel one of the top three global steelmakers by 2010. It is currently No 6 in the world.

The Chinese government is trying to consolidate its fragmented steel industry, which currently has 260 steelmakers, using M&As to create big mills so they can compete globally and have bargaining power with iron ore suppliers. Baosteel's acquisition is also a sign that industry consolidation is accelerating.

Jinan Iron and Steel Group and Laiwu Steel Group, the country's sixth- and seventh-largest steelmakers based in East China's Shandong Province, are also in the process of a merger. The deal, if completed, would be the biggest merger in China's steel industry.

Baosteel has clinched a series of cooperative deals with domestic steelmakers including Ma'anshan Iron and Steel and Shaoguan Iron and Steel Group, alliances that analysts say could become M&A targets. It signed a similar cooperative agreement with Bayi Group last year.

WBMS SEES WORLD TIN DEFICIT IN JANUARY-NOVEMBER

January 19, 2007 (Hoovers) – The global tin market was in a deficit of 7,600 metric tons during January to November 2006 after allowing for deliveries from U.S. stockpiles, the World Bureau of Metal Statistics said Wednesday. In November, world refined tin production was 31,900 tons and demand was 31,500 tons.

Tin mine production was just over 314,600 tons, up almost 4% above the total for the previous year. All of

the increase was recorded in China. Global demand rose by 38,000 tons, with increases recorded in China (18%), Japan (17%) and the U.S. (9%). Total Asian demand reached a peak of 23,200 tons in July but has failed to reach this level in each of the last four months, WBMS said. Global tin demand totaled 356,600 tons.

PLATINUM PRICE UNDER THREAT

January 19, 2007 (Fin24) – The high price of platinum has prompted JPMorgan to predict that the average platinum price will drop over 11% by 2008 to \$1 025/oz from a 2006 average of \$1 143/oz. The rationale behind JPMorgan's assertion rests on the assumption that physical demand for platinum will falter this year as jewellers and manufacturers of catalytic converters

intensify their search for cheaper alternatives to the white metal.

Although JPMorgan's 2007 forecast is only for a mildly lower average platinum price of \$1 093.75/oz, they expect the metal to drop to an average price of \$995/oz by 2009. "The price of palladium is unusually low relative to platinum, which poses a risk that autocatalysts

used for petrol/gas powered vehicles, which may currently be platinum-based, could be switched over to palladium,” says JPMorgan.

As such JPMorgan maintains its long-held view that the economic equilibrium price ratio between platinum and palladium is 2:1 (Pt:Pd). In other words, the average palladium price should equate to roughly half the average platinum price over time. Consequently, JPMorgan predicts a platinum/palladium price ration of 995:497 and 1020:510 by 2009 and 2010 respectively.

Nevertheless, JPMorgan confesses to being puzzled at the slow pace at which substitution effect from platinum to palladium has taken place. Their only hypothesis is that historical palladium supply misbehaviour by the Russians in the late 1990's, which saw the price spike to \$1 100/oz on tight supply, may have deterred automobile manufacturers from putting too much faith in the metal.

Commentators from the South African motor industry disagree. “People have been saying that for a good two decades now and nothing has come of it,” says Roger Pitot, executive director of SA's National Association of Automotive Component and Allied Manufacturers. “Every year you'll hear of someone saying they've found a cheaper way to mop up these noxious gasses but at the end of the day, platinum is still being used.” As it stands platinum accounts for just less than 50% of the metals used in catalytic converters with palladium and rhodium making up the rest.

Numis Securities says that although platinum has benefited from rumours of a possible platinum ETF being developed the scarcity of the metal should scupper any such plans.

RUSAL, PNG GOVT INK MOU TO EXPLORE ENERGY, ALUMINIUM PROSPECTS

January 19, 2007 (Platts) – Russian major Rusal, a top three global aluminium producer, announced Friday that it had signed a memorandum of understanding with The Independent State Of Papua New Guinea, represented by the Ministry of Petroleum & Energy, to jointly explore the potential for energy and aluminium developments in PNG, based on the country's natural gas resources.

In accordance with the MOU the parties will establish the framework for an ongoing discussion on possible utilization of PNG's gas resources for potential Rusal operations in the region, the group said in a statement.

“This move is part of Rusal's strategy to transform into an energy and metals corporation embracing both aluminium smelting and energy generation. Following this strategy, the company has been actively pursuing opportunities to produce globally competitive electric power required for the operation of aluminium smelters,” Rusal said.

The signatories to the MOU have agreed to a possible set-up of a joint working group to evaluate and take forward specific proposals submitted by Rusal.

SHANGHAI POISED FOR ZINC FUTURES TRADING

January 19, 2007 (China Economic Net) – Driven by an upward spiral in spot prices for zinc and an ever-growing industrial need for the metal, the Shanghai Futures Exchange (SFE) is set to launch a zinc futures contract to help both consumers and producers hedge against risk. Rising prices are forcing metal-consuming industries around the world to minimize waste through restructuring the management and production of the resource. Zinc is expected to be the first new product launched this year on the SFE, joining copper and aluminum as commodities with domestically traded futures contracts. Because China is a major producer of galvanized sheets and lead-zinc batteries, it is also a major consumer of zinc, so futures trading can offer an effective tool to reduce risks caused by changing world prices.

Despite increasing world zinc production, Chinese consumers still face supply challenges, with even stronger demand likely in the years to come. Zinc prices are likely to continue to rise in the near future and the possibility of hitting record highs this year cannot be ruled out, experts said.

The average price for zinc during the first 11 months in 2006 rose 95.81 percent from a year earlier to 27,306 yuan per ton. Last year zinc prices on the London Metal Exchange averaged \$3,172 per ton, surging 129.6 percent from 2005.

As the world's most important manufacturing hub and raw materials producer, Shanghai-centered Yangtze River Delta is under strong pressure by its industries to diversify futures products and expand their trading scale.



Beijing
No. 12B Fuxing Road, Suite 722
Beijing 100814
Tel: +86.10.6397.8500
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

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