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Global Mining News

CHINESE INVESTORS SNAPPING UP GOLD AHEAD OF LUNAR NEW YEAR

February 12, 2007 (Channel NewsAsia) – Investment-grade gold bullions marking the “Year of the Pig” are getting an overwhelming response from investors in China. More than three tons of gold bars were sold out within a week. Under no influence of the Midas touch, pigs in China are turning into gold, to satisfy a seemingly insatiable appetite for this chubby barnyard animal.

Many believe the upcoming Lunar New Year is the Golden Pig Year. Falling only once every 60 years, it is one of the most auspicious periods of the Chinese zodiac, bringing the promise of wealth and fortune.

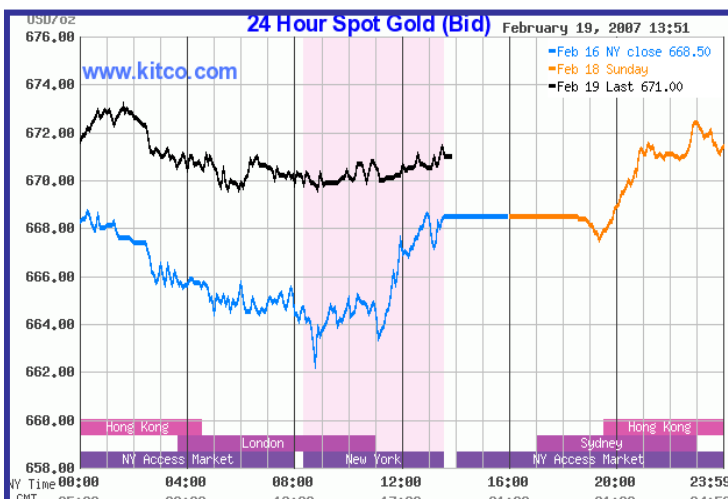
China, the world’s third biggest gold buyer, is undoubtedly a gold loving nation. The Chinese perceive gold not only as a symbol of wealth and fortune, but also as a hedge against inflation. Combine this perennial love for gold with the arrival of the lucky Golden Pig Year and it is no wonder Chinese jewellers are now “squealing” with delight.

But Chinese consumers are going beyond gold jewellery or ornaments - they are becoming keen and serious investors in gold. China Gold Coin was the first jeweller in China to issue investment-grade gold bars in 2002. A Year of the Goat then, only 1.2 tonnes of gold bars were issued with prices hovering around 92 yuan or about US\$11 a gram. The bullions were sold out within a week.

Li Jian, Marketing Manager, Shanghai Gold Coin Investment Co. Ltd, said, “Everyone is saying it’s the Year of the Golden

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| USD | FEBRUARY 16, 2007 | FEBRUARY 09, 2007 |
|------------------|-------------------------|-------------------------|
| GOLD | 665.10 | 664.50 |
| SILVER | 13.9000 | 13.8400 |
| PLATINUM | 1,195.00 | 1,196.00 |
| PALLADIUM | 338.00 | 336.00 |
| ALUMINUM | 1.3104 | 1.2628 |
| COPPER | 2.6213 | 2.4499 |
| LEAD | 0.8199 | 0.7462 |
| NICKEL | 18.9375 | 17.4656 |
| URANIUM | 75.00 (02/12/07) | 75.00 (02/05/07) |
| ZINC | 1.5331 | 1.4218 |

Pig, so to meet this demand, we increased the issue to 3 tonnes this year. Sales were still overwhelming, it took only one week and everything was sold out.”

The overwhelming popularity of these gold bars is due largely to a buy-back option. Buyers can cash the bullion in at any time, with buy-back prices based on gold prices

in local and international markets. Gold prices have jumped more than 70 percent since the first batch of bars went on sale in 2002.

Gold is becoming a popular investment alternative in China amid the current sluggish property market and low bank deposit rates.

URANIUM ONE AND URASIA ENERGY ANNOUNCE COMBINATION TO CREATE EMERGING SENIOR URANIUM COMPANY

February 12, 2007 (Canada News Wire) – srx Uranium One Inc. and UrAsia Energy Ltd. are pleased to announce that the two companies have entered into a definitive arrangement agreement whereby Uranium One will acquire all of the outstanding common shares of UrAsia. The acquisition will result in the creation of a new, globally diversified uranium producer with an exciting growth profile and a combined fully-diluted market capitalization of approximately US\$5 billion. Subject to shareholder approval, the combined company will continue under the name of Uranium One Inc.

Under the terms of the acquisition, UrAsia shareholders will receive 0.45 common shares of Uranium One for each issued share of UrAsia, representing a value of C\$7.05 per share based upon the closing price of Uranium One on the TSX on February 9, 2007. This

represents a 13% premium to the closing share price of UrAsia's shares on the TSX Venture Exchange on February 9, 2007 and a 21% premium to the 20 day volume weighted average trading prices of Uranium One's and UrAsia's shares on the TSX and TSX Venture Exchange, respectively.

The transaction creates an emerging senior uranium company based on the combined project pipeline. The new Uranium One will provide shareholders with the benefits of scale through an increased market capitalization. The combined entity will be the only company in the uranium sector with production and asset exposure to each of the world's five largest resource jurisdictions, namely Kazakhstan, South Africa, Australia, the United States and Canada.

HINDALCO TO ACQUIRE NOVELIS, WORLD'S LEADING PRODUCER OF ALUMINUM ROLLED PRODUCTS

February 12, 2007 (Azom.com) – Aditya Birla Group's Hindalco Industries Limited, India's largest non-ferrous metals company, and Novelis Inc., the world's leading producer of aluminum rolled products, today announced that they have entered into a definitive agreement for Hindalco to acquire Novelis in an all-cash transaction which values Novelis at approximately US\$6 billion, including approximately US \$2.40 billion of debt. Under the terms of the agreement, Novelis shareholders will receive US \$44.93 in cash for each outstanding common share.

Based in Mumbai, India, Hindalco is a leader in Asia's aluminum and copper industries, and is the flagship company of the Aditya Birla Group, a \$12 billion multinational conglomerate, with a market capitalisation in excess of \$20 billion. Following the transaction Hindalco, with Novelis, will be the world's largest aluminum rolling company, one of the biggest producers

of primary aluminum in Asia, and India's leading copper producer.

The transaction has been unanimously approved by the Boards of Directors of both companies. The closing of the transaction is not conditional on Hindalco obtaining financing. The transaction will be completed by way of a plan of arrangement under applicable Canadian law. It will require the approval of 66.66 per cent of the votes cast by shareholders of Novelis Inc. at a special meeting to be called to consider the arrangement followed by court approval. The closing of the transaction will also be subject to customary conditions including regulatory approvals, and is expected to be completed during the second quarter of 2007.

ZAMBIA TO INCREASE COPPER SALES TAX

February 12, 2007 (*Business Report, South Africa*) – Zambia will oblige all copper mining firms to pay a fivefold increase in sales tax, including those with agreements guaranteeing lower payments, such as First Quantum Minerals and Equinox Minerals.

The mines ministry would meet producers such as Vedanta Resources and Glencore International to negotiate changes to their existing agreements, mines minister Kalombo Mwansa said at the weekend.

CHALCO TO SELL 5 BILLION YUAN OF BONDS TO FUND GROWTH

February 12, 2007 (*Bloomberg*) – Aluminum Corp. of China Ltd., the nation's biggest maker of the metal, said it plans to raise as much as 5 billion yuan (\$645 million) by selling bonds with more than one year's maturity to help to fund expansion. The Beijing-based company, widely known as Chalco, will seek shareholder approval for the sale at a Feb. 27 meeting, it said in a statement today to the Hong Kong Stock Exchange.

Chalco's parent, Aluminum Corp. of China, is buying plants to increase aluminum capacity 56 percent to 5 million metric tons by 2010. "Chalco needs money to buy aluminum rivals, and possibly alumina companies in the future," said Wu Xianfeng, a Shenzhen-based analyst with Guotai Junan Securities Co. who tracks Hong Kong-listed Chinese companies. Alumina is the semi-processed material that is used to make aluminum.

The long-term debt "will provide the company with a lower financing cost" than bank loans, Zhang Qing, Chalco's spokeswoman, said by phone today. The proceeds would help to finance the acquisition of rivals

and the expansion of smelting plants, she said, declining to give details. The company on Dec. 8 offered 8.17 billion yuan in stock to buy out two China-listed units as part of a plan to start trading its shares in Shanghai.

Chalco will issue yuan-currency shares for the first time in exchange for the stock it doesn't own in Lanzhou Aluminum Co. and Shandong Aluminum Industry Co. Chalco has said it expects to list the Shanghai stock by the end of next month or early April.

The company, which used to control as much as 50 percent of the China's alumina output, is being challenged by smaller domestic producers, including Shandong Chiping Xinfu Power Group and Shandong Nanshan Industrial Co.

Chalco's parent will boost its alumina-making capacity by one-third to 12 million tons in 2008, Li Dongguang, marketing director at the parent company, said in November.

BHP BILLITON AND RIO TINTO BOTH EYEING ALCOA AS TARGET

February 13, 2007 (*The Times, UK*) – BHP Billiton and Rio Tinto have drawn up plans for a \$40 billion (£20.5 billion) takeover of Alcoa, one of the world's largest aluminium groups, *The Times* has learnt. It is understood that the two are independently considering an approach for Alcoa and have drawn up feasibility studies for a bid, but they are not thought to have yet approached the board of the Pittsburgh-based company.

BHP and Rio, both Anglo-Australian mining giants with large aluminium operations, are looking at ways to expand production as prices hit record levels. BHP, which produces about 1.3 million tonnes of aluminium a year, is understood to have done the groundwork on a bid for Alcoa. Rio, which produces about 1.2 million tonnes of the metal, has considered a bid for Alcoa, but is not thought to have progressed as far as BHP.

Any deal is likely to value Alcoa at more than \$40 billion, which would make it by far the largest target in the recent round of mining takeovers. Alcoa is seen as a target by many analysts because it is struggling to expand its business and compete with Russia. Alcoa and Alcan, the traditional leaders in the aluminium industry, now trail RusAl as the largest producer in the world.

A change of direction could be provided internally as Alcoa considers who could succeed its chief executive, Alain Belda. Board members are understood to have asked for external and internal candidates on the list of potential successors ahead of the retirement next year of Mr Belda, 63. It is not clear what involvement, if any, Mr Belda has had in succession planning.

ZAMBIA'S 2006 COPPER OUTPUT JUMPS 7% ON YEAR, COBALT PRODUCTION DOWN

February 13, 2007 (*Hoovers*) – Zambia's 2006 copper output increased by 7.1% compared with the previous year, due to increased investments in the sector spurred by a recovery in world copper prices on the international market, the Ministry of Finance said Monday. Copper output in 2006 was 492,016 metric tons, up from 459,324 tons produced in 2005, the report said.

“The mining sector continued to perform well in 2006. Preliminary estimates indicate that real gross domestic product growth in the mining and quarrying sector increased to 11.8% from 7.9% in 2005. This was largely on account of the rise in mineral production” Ngandu Magande, the Zambian finance minister said in a report presented to the national Assembly Friday.

Cobalt production, however, fell to 4,658 tons in 2006 from 5,537 tons in 2005, – a drop attributed to companies' reduced interest in producing the metal due to unfavorable world prices.

Copper output fell below the earlier forecast of 530,000 tons due to operational problems faced by the

country's two leading copper producers, Mopani Copper Mines, or MCM, and Konkola Copper Mines, or KCM, late in 2005, according to Fredrick Bantumbuze, the director of the Zambian Chamber of Mines. The major problem was the fuel crisis which forced KCM to halve daily output at Nkana smelter and MCM closed its Mufulira smelter for over a month late 2005.

Copper and cobalt mining are the life blood of the Zambian economy. The copper mining sector witnessed increased investments since 2002, and according to data from the Ministry of Mines and Minerals Development, up to \$2 billion has been invested in the sector since 2002.

The country's 2007 copper output is projected to be 600,000 tons and it is expected to reach more than 700,000 tons next year when Equinox's Lumwana mine comes into production, the Chamber of Mines said.

ILLEGAL TIN MINES UNDER THREAT OF CLOSURE

February 14, 2007 (*Financial Times*) – Less than half of the 37 illegal tin miners shut by the Indonesian police are likely to re-open, the government predicted yesterday. In addition Indonesian police warned yesterday that production from Koba Tin, the country's second largest producer, might be shut down for breaking the law after three of its directors were arrested on Monday on charges of sourcing tin from illegal mines and operating outside their mining leases.

Koba, which is 75 per cent owned by Malaysia Smelting Corporation, was forced to suspend exports after the arrests, but it will continue to mine and smelt. The move helped propel tin prices to \$12,800 a tonne on Monday, its highest in more than two decades. The three-month price was quoted at \$12,550 in late trade on the London Metal Exchange yesterday.

As a result of Koba's supply suspension, tin production in Indonesia, the world's largest exporter, could therefore fall well below the current estimate of 90,000 tonnes. Indonesia's illegal miners accounted for around half of last year's production of about 120,000 tonnes.

Amrullah Harun, the head of the provincial government mining office in Bangka Belitung, where all the illegal operators are based, said a team from several government departments and the police was making slow progress in helping them meet new regulations to become legal.

“We can't yet predict how many will meet all the new criteria but I think it will be much less than half,” he said. “They are going to have to change their technology to meet the new technological and environmental requirements. This is going to take a long time, probably months.”

The police shut the 37 illegal operators in October for failing to pay royalties and for alleged environmental destruction. The government last month issues rules stating that companies would only be allowed to export tin if they met environmental, technical and administrative criteria.

Imam Sudjarwa, the Bangka police chief, was confident the authorities had a strong case against Koba which is accused of buying tin from illegal miners operating outside its contract of work.

BOLIVIA SEEKS MORE REVENUE FROM GLENCORE AFTER NATIONALIZATION

February 14, 2007 (*Bloomberg*) – Bolivia will seek to keep half of Glencore International AG's profit from two mines in the South American country. The government, which last week seized control of the Swiss commodities trader's tin smelter, plans to rewrite contracts with Glencore to get a larger slice of the profits from the Colquiri and Porco mines, Mining Vice Minister Luis Alberto Echazu said today in a telephone interview.

Bolivian President Evo Morales, who was elected president of South America's poorest nation in 2005, is demanding a greater share of profits from companies such as Glencore and Brazil's Petroleo Brasileiro SA that

are tapping deposits of metals and natural gas. Morales and soldiers nationalized Glencore's Empresa Metalurgica Vinto SA smelter on Feb. 9.

Baar, Switzerland-based Glencore contributed about \$30 million to government coffers last year, while its exports totaled about \$600 million, Echazu said. Those payments should "at least double," he said. The government doesn't plan to renegotiate contracts for Glencore's other Bolivian mining operations, Echazu said. The Colquiri mine produces tin and the Porco mine produces lead, silver and zinc.

CHINA: 600 NEW METAL DEPOSITS FOUND IN TIBET PLATEAU

February 14, 2007 (*Hoovers*) – There are more than 600 new sites of copper, iron, lead and zinc ore deposits in China's Qinghai-Tibet plateau, which if exploited, could ease the country's shortage of mineral resources, a government agency said Wednesday.

The plateau is estimated to have 30 million-40 million metric tons of copper resources, 40 million tons of lead and zinc resources and billions of tons of iron, according to the China Geological Survey, an agency responsible for mineral exploration under the Ministry of Land and Resources. The agency has been surveying the area for the past seven years to look for mineral reserves. "The figures are only conservative estimates and real reserves amounts can be much larger," said Zhuang Yuxun, director of the CGS's Department Of Geological Investigation.

New discoveries of copper deposits in the Qinghai-Tibet plateau should be able to raise the country's copper concentrate output by 30%, or 250,000 tons, a year, the agency said. Exploitation of three of the plateau's copper mines in Qulong, Pulang and Yangla regions has already begun, Zhuang said. "The locations of newly-discovered copper reserves are close to the Qinghai-Tibet railway so

the new supply can come to the market in two to three years," he added.

With transport infrastructure in place and private investors' rising interest in developing mines, it won't be too long before the reserves can help to alleviate the country's need for copper, Zhuang said. The CGS also discovered three large high-grade iron ore deposits in the area, including a rich one in the center of the plateau with reserves topping 500 million tons.

The iron content of the ore deposits is at 55%-70%, versus the country's average level of 23%-24%, Zhuang said. About 90% of China's current iron ore supply is low grade. However, Zhuang said it will take time to see actual supply coming in "as locations of iron reserves are in more remote areas."

The Chinese government discovered the rich resources on the plateau decades ago, but mineral exploration stopped, partly because supply was enough to meet the country's demand then. However, exploration for mineral resources is firmly back on the government's agenda now as the country has been increasingly relying on mineral imports to feed its economic growth.

XSTRATA NICKEL INVESTS \$95M FOR PREFEASIBILITY STUDY AT TANZANIAN JV

February 15, 2007 (*Mining Weekly*) – Diversified-miner Xstrata Nickel will invest a further \$95-million on its 50:50 joint venture with Barrick Gold, Kabanga nickel project, in western Tanzania, to start a prefeasibility study, it said on Thursday.

It also updated a preliminary resource estimate, which confirmed a total estimated indicated resource of

9.7-million tons grading 2.37% nickel and a total estimated inferred resource of 36.3-million tons grading 2.8% nickel. The revised estimate represented a notable increase from the project's previous estimate (inferred) of 26.4-million tons at 2.6% nickel.

"We are very pleased with the progress occurring at Kabanga, which is among the world's most attractive

nickel projects,” said Xstrata Nickel CEO Ian Pearce. “We anticipated good results from our resource estimate update and we received them. We have taken the logical next step of moving this project to the prefeasibility stage and we look forward to the continued development of Kabanga.”

Xstrata Nickel has completed over \$50-million in expenditures to update the resource model for the Kabanga project and preparation of an extensive scoping study.

CHILE EXPORTS \$3 BILLION OF COPPER, \$259.1 MILLION MOLY IN JAN

February 15, 2007 (Platts) – Chile exported \$3.04 billion worth of copper in January, up 54.8% from \$1.95 billion in the same month of last year, the country’s central bank said Thursday. The figure also marks a sharp rise from exports worth \$2.15 billion in the previous month of December and is the highest since exports hit \$3.12 billion last September. The country, the world’s largest copper producer, exported \$31.68 billion worth of the red metal, up 73% from 2005, as record prices pushed up the value of shipments. Chile produced 5.38 million mt of copper last year.

Chile exported \$259.1 million worth of ferromolybdenum and molybdenum oxide in January, down 8.8% from exports worth \$284.1 million in the same month of 2006, the country’s central bank said Thursday. The value of Chile’s molybdenum exports have fallen since last year on the back of lower prices and lower production from the country’s large copper mines, particularly those owned by state-owned Codelco. Exports during 2006 totaled \$2.77 billion, down 15% from \$3.27 billion exported in 2005. The country produced 43,076 mt of molybdenum last year.

CHINA MAY INVEST IN COPPER, GOLD PROJECTS IN PAPUA NEW GUINEA

February 16, 2007 (Bloomberg) – China Metallurgical Group Corp., building the \$800 million Ramu Ramu nickel mine in Papua New Guinea, wants to invest in copper and gold projects in the Pacific nation, the nation’s mining minister said. The Chinese government-owned construction company may hold talks with mining companies holding tenements in the Pacific nation, Sam Akoitai, Papua New Guinea’s mining minister, said in an interview yesterday. It isn’t seeking exploration permits.

China is building strategic reserves of commodities to secure supplies for its surging economy and has nominated copper as a top priority. The fastest-growing major economy is seeking investments in mines in Australia, Africa and Latin America.

“They are now building Ramu Ramu, and they want to move into gold and copper, especially copper,” said Akoitai in Perth, Australia. “Chinese companies have

also shown great interest in looking at other investments potential.” He didn’t give details.

Harmony Gold Mining Co., the world’s fifth-largest gold producer, last year said it may seek partners to help develop the Wafi copper and gold deposit in Papua New Guinea at a cost of as much as \$1 billion. Chief Executive Officer Bernard Swanepoel said Asian companies are among nine interested in a partnership.

Xstrata Plc., the world’s fourth-largest copper producer, last month said it will buy an 82 percent stake in the Frieda River copper and gold project in Papua New Guinea. Mining companies are expected to spend about \$80 million a year on exploration in Papua New Guinea, up from \$10 million in 2002, Akoitai said. South Korean companies are among those who have submitted exploration applications for minerals, he said, declining to name them.

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U.S. CO₂ LEGISLATION THREATENS FUTURE OF COAL IN POWER GENERATION

February 16, 2007 (*Mineweb.com*) – Standard & Poor's affirmed Wednesday that carbon dioxide emissions caps now being considered by the U.S. Congress could make domestic coal plants more expensive to build and operate.

Although coal prices have dropped significantly since early 2006, S&P's analysis suggests that "we see moderation, not disaster in coal prices going forward." Primary Credit Analysts Thomas Watters emphasized that "coal's position in the domestic energy spectrum is well entrenched with abundant reserves and its lower cost versus other competing fuels."

Watters suggested that coal's potential to be used as an alternative fuel source should also be considered. Therefore, he stressed, "Longer-term fundamentals remain intact and should be supportive of coal prices."

Nonetheless, S&P claimed that "not all coal producers will enjoy the party. Credit quality for Central Appalachia coal producers remains largely negative given the many issues faced by producers in that region. Extremely difficult geologic and operating conditions, an inexperienced labor force, legacy liabilities, and onerous permitting issues have combined to sharply increase operating costs, rendering many Central Appalachia producers insolvent."

Meanwhile, S&P Primary Credit Analyst Ralph DeCesare noted that one of five bills now in Congress could finally this year become the first U.S. federal law limiting CO₂ emissions from power plants. "Because coal burning for electricity contributes about one-third of the CO₂ emitted in the U.S., any new law will have a significant impact on coal-burning electric utilities," he suggested.

If a federal cap-and-trade system is enacted, DeCesare said it could cause utilities to use less coal either by retiring older coal-burning plants or building new non-coal power plants. "Any such legislation would change the economics of burning coal for electricity, increasing the expense of operating a coal plant", he noted. "The Clean Air Act of 1990 had a similar effect. Utilities are still spending money to remediate SO₂ emissions, though they have been largely successful in passing these costs through to their customers."

"Should CO₂ legislation become law, utilities will try to get regulator approval to pass those costs on as well, DeCesare said. "Under almost any CO₂ legislation scenario, utilities with a majority of nuclear power as their fuel source seem to be the obvious winners."

IRANIAN MINISTRY IN TALKS TO ABSORB US\$10 BLN IN STEEL INVESTMENT

February 16, 2007 (*ANTARA*) – Iran's Ministry of Industries and Mines is in talks with an unidentified European company to invest US\$10 billion in Iran's steel industries, the deputy minister for economic affairs said on Tuesday.

Mohsen Shaterzadeh told a news conference that negotiations pertain to the establishment of 'new steel

mills' with foreign investment and a supply of energy including electricity and gas for the project.

"Once the project is finalized, Iran will ink a memorandum of understanding with the European company to invest the aforementioned capital in steel industries, power plant and gas refinery installations," he added.

COMMODITIES SUPER-CYCLE NOT OVER, UPWARD BIAS INTACT: CR SUISSE

February 16, 2007 (*Platts*) – The commodities super-cycle is not over and over the medium term commodities are likely to provide higher returns than the consensus forecast, Credit Suisse said Friday. "Credit Suisse remains a long-term commodities bull, despite recent negative sentiment and commentary in the industry regarding commodities," the investment bank said in a statement. The global economy will be more robust than most assume and that, as a consequence, commodities

will come under the spotlight again for positive reasons in the second half of 2007, if not sooner, it added.

"Looking forward, commodities will continue to show volatility," said Philipp Vorndran, an investment strategist for Credit Suisse's asset management business, in the statement. "However, there is a strong upward underlying trend in many of the soft commodities, and while we see energy and base metals fluctuating in a

broad range, we believe that there will be some upward bias later in 2007 as the global economy re-accelerates.”

The leading commodities indices have in recent weeks given back all the gains notched up since the beginning of October, Vorndran noted, adding that the weakness was “fundamentally due almost entirely to a slump in energy prices, triggered by remarkable cuts of speculative positions,” while the mild weather was a negative on gas demand, and lesser so on the consumption of oil.

Copper, which has plunged more than 30% from its high of \$8.800/mt in May, has also continued to come under pressure, and as the most economically sensitive industrial metal, its price is still being depressed by fears of a slump in the US housing market, Vorndran noted.

“Globally, demand for copper from the US is only a secondary factor here; a much greater risk would be if an economic downturn were to spill over into Asia. This is the region that is really driving growth in demand for commodities,” he said. “However, we think the scenario

of a hard landing in both the US and Asia is highly unlikely and there are already first signs of a renewed pickup in copper demand from the region.”

Meanwhile, the picture is different for most other commodities, which have recently made gains, or at least held steady. “Soft commodities have fared particularly well, while industrial metals – with the exception of copper – have held firm. Precious metals have turned in a solid performance and prices continue to be supported by strong demand from jewelers as well as from financial investors,” Vorndran said.

There are also constraints to the supply side as mining supply in South Africa is declining and central banks are reluctant to continue their gold selling programs, he noted. “The combination of supply constraints and strong demand is key to our positive long-term view of precious metals but even we were surprised to see such robust demand dynamics in the usually weaker first quarter of the year,” Vorndran added.

CHINESE BUYING PICKING UP FOR COPPER – IMPORTS UP SHARPLY

February 16, 2007 (Mineweb.com) – According to the latest analysis by Numis Securities in London, Chinese import statistics indicate a strong pick up in Chinese copper imports implying that re-stocking is taking place following a year where the Chinese have been running down their inventories. January refined and alloy copper imports reached 147,650t up 70% year on year.

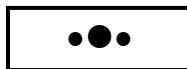
Numis says that Chinese copper imports in January were at levels not seen since 2005. Market participants in the region estimate that February imports could hit 150,000 t as consumers secure metal ahead of the Chinese Lunar New Year celebrations and week-long holiday starting 18th February. Copper imports were down in 2006 in response to high prices prompting heavy de-stocking activity throughout the consumption pipeline. The lower prices seen in recent weeks have encouraged re-stocking which has long been expected. Additionally the lower prices of recent weeks, have reduced scrap supply.

Traditionally, Numis says, prices are often stronger at this time of year as manufacturers build stock levels ahead of the construction season. It is therefore possible that

copper prices prove to be resilient during the spring and into the Northern Hemisphere’s summer period. However, manufacturing and demand frequently slows over the summer.

Despite the recent strong recovery in copper prices to US\$5,865 per ton this morning from a recent low of US\$5,270 on 8 February, Numis remains cautious for the outlook over the year ahead. The next few months may well prove to be strong but new supply is coming to the market, and if prices are too high, then demand will no doubt fall away and re-stocking activity cease as happened in 2006.

On the negative side for copper, LME copper inventories have almost doubled since October 2006, although they still only represent a fraction of world usage. Additionally, the high copper prices last year were in part due to metal supply being in deficit during the year – boosted by some disruptions at key producers. This year the metal is expected to be in surplus by 197,000 tons according to Bloomsbury Minerals Economics – one of the most reliable forecasters of copper prices.





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