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Global Mining News

TIOMIN HALTS TITANIUM PROJECT AS LENDERS WITHDRAW \$155M

February 19, 2007 (NationMedia.com) – Canadian firm Tiomin Resources Inc has temporarily stopped the development of the \$155 million titanium mining project in Kwale district following the withdrawal of funding by its lenders. This comes after the company won a High Court case in Mombasa in which a group of farmers had wanted the project stopped.

A day after the court ruling, the provincial administration moved to the project site and served farmers with a notice to vacate the land, saying the government had forcibly acquired the land. According to one of the farmers, Bernard Kilungu, the letters were dated February 1 but they were served on February 9.

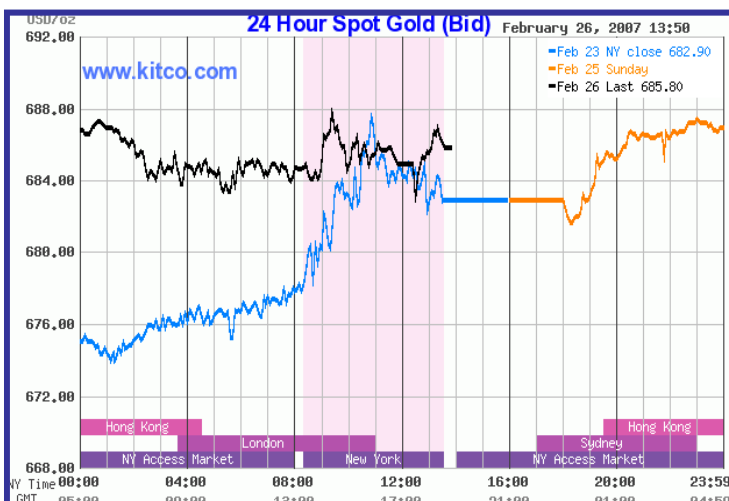
A statement from Tiomin said delays in starting the project and rising costs have forced the project's lenders to withdraw a \$155 million debt facility for the project. "The project development is expected to be on hold for a maximum of seven months, but Tiomin expects that strong product prices and reduced capital spending will revive lender interest at the appropriate time," the statement said. The firm said it would work towards the evaluation of substantial technical and contractual cost-saving measures to improve the economics of the project.

In December, the firm had indicated that its lenders were withholding the disbursement of \$155 million for the project due to outstanding contractual agreements.

The EastAfrican has established that failure by the Kenya government to negotiate acceptable port tariffs and exempt Tiomin Kenya Ltd – a subsidiary of the Canadian firm – from some taxes, are among obstacles delaying the implementation of project.

INSIDE THIS ISSUE

Tiomin Halts Titanium Project As Lenders Withdraw \$155m.....	1
Japan's Sumitomo Mining to Build New Nickel Laterite Plant in '09	2
It's Mittal vs Rio Tinto for Sesa Goa	2
The Rise of Ruthenium	3
Alcan Willing to Spend \$3b in the Middle East.....	3
South Africa: Coal Industry Transformation on Track	4
Southern Copper Workers May Strike on March 8, Union Says.....	4
Zinifex Bids \$298 Mln for Canada's Wolfden.....	5
Ore Supply May Spoil Mittal's Jharkhand Party ...	5
CVRD Inco Goro Nickel Project Faces Continuing Opposition	5
EU Clears Freeport-McMoran to Buy Phelps	6
Oxus Gold Wins Uzbek Tax Appeal, Liability Cut to \$1.1 Million.....	6
Codelco Union Accepts New Deal.....	7
Indonesia Govt Approves Rio Tinto's \$1.25 Billion Nickel Development.....	7
Barrick Knows It Can't Be Just About Gold.....	7
Russia's Norilsk Nickel Secures \$450 Mln Syndicated Loan.....	8
Mauritania Gets First Copper Mine	8
Peru Minister Sees \$12-Bil Mining Investment Over Five Years	9
2006 Gold Demand Record \$65.3 Billion.....	9
Philippines Says BHP to Invest Up to \$1.5 Bln	9
Gilbertson Leads A\$625 Million Bid For Consolidated	10
BME Sees 220,000t Deficit on Copper Market in 2006	10
SME Annual Meeting	11
PDAC Annual Meeting	11



USD	FEBRUARY 23, 2007	FEBRUARY 16, 2007
GOLD	683.00	665.10
SILVER	14.2800	13.9000
PLATINUM	1,234.00	1,195.00
PALLADIUM	353.00	338.00
ALUMINUM	1.3018	1.3104
COPPER	2.8059	2.6213
LEAD	0.8890	0.8199
NICKEL	19.6406	18.9375
URANIUM	85.00 (02/19/07)	75.00 (02/12/07)
ZINC	1.6107	1.5331

Tiomin Resources Inc wants the government to negotiate acceptable port tariffs with Tiomin Kenya Ltd and also exempt the project from certain stamp duty and withholding taxes, among other issues. Thirty farmers lost an attempt to nullify the special lease given to Tiomin Kenya Ltd on July 6, 2004 after a Mombasa court ruled that they had not established rightful ownership of the land where the mining was to be conducted.

Through their lawyer, Stephen Odiagga, the farmers claimed that although the land in question was not in their names, they were entitled to protection as it belonged to their ancestors who lived on it in three main clans. But Mombasa judge Justice Leonard Njagi said the applicants had not established ownership or lawful occupation of the land.

JAPAN'S SUMITOMO MINING TO BUILD NEW NICKEL LATERITE PLANT IN '09

February 19, 2007 (Platts) – Japanese nonferrous metal producer Sumitomo Metal Mining plans to build a new plant that will process laterite with nickel and cobalt content starting in 2009, to be ready for operation in 2012, the company said on Monday.

Sumitomo Metal Mining has found a nickel laterite deposit which could annually produce mixed sulfide containing 30,000 mt of nickel and some cobalt, said Koichi Fukushima, the company chairman during a news conference in Tokyo.

“We are in the final stage of negotiations and we would announce where the plant would be sometime in the first half of fiscal 2007,” Fukushima said. Fukushima added

his company has been studying laterite deposit bases in Indonesia, the Philippines and New Caledonia. The company plans to ramp up output capacity of its 36,000 mt/year Niihama nickel refinery plant to 41,000 mt/year in 2009 and 65,000 mt/year in 2013. The purpose of building the new nickel laterite processing facility is to secure the feedstock supply for the expanding Niihama refinery.

The Niihama plant uses mixed sulfide containing nickel and cobalt as a feedstock to produce nickel cathode. The mixed sulfide is produced from the laterite by employing the company's proprietary high pressure acid leach technology.

IT'S MITTAL VS RIO TINTO FOR SESA GOA

February 19, 2007 (Economic Times) – The race for Mitsui Corp's 51% stake in Sesa Goa might turn out to be a duel between the world's largest steel company, Arcelor Mittal, and the second-biggest mining firm, Rio Tinto. The two giants are believed to have bid at over Rs 2,100 per share for the Goa-based company, valuing it at almost Rs 8,000 crore. Its current market cap is now about Rs 7,494 crore.

Others in the fray include Vedanta Resources, the Aditya Birla group and Australian mining major BHP Billiton. The JSW Steel group was believed to have shown interest in the stake, but it couldn't be confirmed if it is still in the reckoning. The second round of bidding closes by 4 pm on Monday.

“At present, Arcelor Mittal and Rio Tinto seem to be favourites to get into the final round. After the second round gets over on February 19, Mitsui is expected to list two of the highest bidders and call them for the third round by February 25,” said sources close to the development.

At stake for the bidders is Sesa Goa's 150 million tonne of iron ore reserves in Karnataka and Goa. Some industry analysts believe that the Goa-based company's reserves are of low grade and that the present valuation, therefore, may be too high.

“But more than its present reserves, the valuation by the bidders is based more on Sesa Goa's prospective lease for mines in Jharkhand,” said an industry observer. Discovery of substantial reserves in Jharkhand will also increase Sesa Goa's mining life, which according to its last annual report, is 15 years,” one of them added.

Recent government regulations allow 100% FDI in mining of minerals and precious metals, which has prompted foreign mining majors to make a beeline for India's mining sector. However, the rider here is export of iron ore has become a hot potato with the steel lobby strongly opposing it.

The London-based Rio Tinto, which has iron ore reserves in Australia and North America, would be banking on Sesa Goa to finally make a firm presence in India after repeated attempts earlier. It had first approached Mitsui

for buying the stake in late 2005, but the talks broke down.

The company had also mooted a JV with Orissa Mining Corporation, but without any result. The company

produced about 130 million tonne of iron ore in 2005. Interestingly, India, which has iron ore reserves of 23 billion tonne, exported about 100 million tonne of iron ore in 2005.

THE RISE OF RUTHENIUM

February 19, 2007 (Business Day) – Investors in platinum companies are eyeing ruthenium – which until now has been a largely ignored by-product of platinum production – with increasing interest as the price has soared to about \$870/oz at present from \$100/oz two years ago. In 2003, the metal was priced at \$35/oz. Implats marketing executive Derek Engelbrecht said yesterday the price rise was almost entirely driven by one application, which was a new ruthenium coating on hard disks to improve their storage capacity.

The cost of ruthenium in these applications was very small as a proportion of total production cost but the increase in the price was likely to prompt cutbacks in ruthenium usage in other industries and encourage more recycling. Implats was also looking at recycling ruthenium to increase output. Engelbrecht said he doubted whether the ruthenium price could stay at \$800/oz but said it was difficult to give a price forecast.

CEO David Brown said Implats' ruthenium sales were worth less than \$30 million in the six months to December but if the current price prevailed, those sales would be worth about \$250 million on an annualised basis.

Earlier this week, Anglo Platinum CEO Ralph Havenstein said the group's annual production of ruthenium was about 500,000 ounces and it would sharpen its focus on recoveries in future. Angloplat's production of ruthenium was greater than its rhodium output. The short-term price outlook for ruthenium was strengthened by the fact that hard disk manufacturers had to build up stocks for this new application but, like Implats, Angloplat did not believe the current high price could be sustained.

ALCAN WILLING TO SPEND \$3B IN THE MIDDLE EAST

February 19, 2007 (Gulf News) – Canada-based aluminium maker Alcan said yesterday it is willing to spend up to \$3 billion in building smelters in the Middle East if it can find joint venture partners. "I see no problem today if we were to spend \$2-\$3 billion in the region in the short term," Alcan Primary Metal Group President and Chief Executive Michel Jacques told Gulf News.

He said the company needs to find new areas for building plants to replace some of its existing production facilities. "We need to replace some of our obsolete facilities or older facilities and increase capacity somewhere else," Jacques said, adding that the Middle East is "certainly one of the areas we are looking at". He said availability

of cheaper energy makes setting up of smelters attractive in the region.

Jacques said Alcan is keen to set up a 700,000-tonne capacity plant in Saudi Arabia if it found a partner. "We are talking to many people in Saudi Arabia. We have met a number of interesting parties," he said. "There appears to be a great interest in seeing a solid, profitable aluminium industry set foot in Saudi Arabia and I think we certainly want to be there," he added.

Global demand for primary aluminium is rising about four per cent per year, but the supply gap will widen over the next few years as some smelters in Europe, China and North America will shut down due rising energy costs.

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SOUTH AFRICA: COAL INDUSTRY TRANSFORMATION ON TRACK

February 20, 2007 (*Business Day, Johannesburg*) – Anglo Coal’s introduction last week of a new group of investors into the coal industry through the formation of a new company called Anglo Inyosi Coal, is the latest in a string of deals that should eventually transform control of one of the country’s most prospective mineral resources.

Prices of steam coal have risen substantially since 2002 and the expansion of the Richards Bay Coal Terminal, the main port for coal exports, with a specific allocation to black-empowered companies, will help the new owners to participate in the export market.

However most of SA’s coal is still consumed domestically, mainly by power utility Eskom. Eskom has committed to spending R97bn over the next five years to build coal-fired power stations and has already approved one near Lephalale in Limpopo.

A study by FSJ De Jager in 1983, which is being updated by the department and the Council for Scientific and Industrial Research, estimated SA’s total coal resource at 115-billion tons. The department is also investigating the use of coal discards – about a billion tons of coal-bearing material deemed unusable – as another source for the future.

In view of its growth prospects and the type of coal deposits in SA – relatively shallow with wide seams,

making them easily accessible and cheaper to mine than underground deposits – the coal industry has been identified by government as particularly suitable for black empowerment opportunities.

The mining charter requires South African mining companies to have 15% black equity ownership by 2009 and 26% by 2014. Meeting the charter is a precondition to complying with the Minerals and Petroleum Resources Development Act, which sets out the conditions for converting mining licences granted under previous legislation to “new order” licences. Anglo Coal stopped short of saying it had now achieved government’s 26% empowerment targets, saying could not pre-empt the minerals and energy department’s decision.

Black empowerment companies control over a fifth of SA’s coal production thanks to the efforts of the department’s coal industry task team, according to chief coal and hydrocarbons economist in the minerals bureau of the department, Xavier Prévost.

He says the task team, which was established to ensure that black-owned companies gain access to the Richard’s Bay terminal, will continue to facilitate export access for empowerment coal companies and help them find markets for their coal production that is unsuitable for export.

SOUTHERN COPPER WORKERS MAY STRIKE ON MARCH 8, UNION SAYS

February 20, 2007 (*Bloomberg*) – Workers at Southern Copper Corp. will probably begin a strike at the company’s Ilo smelter in southern Peru on March 8 after obtaining permission from local and national authorities, a union official said. Unions will vote in favor of a strike later this week and then need an additional week or so to obtain permission from the national government, Luis Castillo, secretary general of Peru’s Mining Federation union said in an interview today.

Strikes at Southern’s La Caridad and Cananea copper mines in Mexico and BHP Billiton Ltd.’s La Escondida mine in Chile reduced output last year and helped drive up copper prices. The strikes cut Southern Copper’s production by 90,000 tons metric, to 605,637 tons, the company said.

Southern Copper, a unit of Grupo Mexico SA, is the world’s fifth-largest producer of the metal. Castillo said the company has refused to discuss a new pay deal to

replace contracts that expire at the end of the month and is “putting up legal obstacles” to avoid entering discussions.

Company spokesman Manuel Ramirez said talks with some unions whose contracts expire at the end of February are under way. The workers threatening to strike are those whose labor contracts don’t end until the end of March and August, he said.

Workers are seeking a pay increase “in line” with the company’s profit levels, Castillo said. Phoenix-based Southern Copper posted net income of \$2.02 billion in 2006 as copper prices rose 44 percent on the London Metals Exchange.

The Ilo smelter processes about 1.2 million metric tons of copper a year. On Feb. 12, the 855-member Ilo union threatened to begin its strike yesterday.

ZINIFEX BIDS \$298 MLN FOR CANADA'S WOLF DEN

February 20, 2007 (Reuters) – Australia zinc producer Zinifex Ltd. has offered C\$346 million (\$298 million) to buy Canadian minerals explorer Wolfden Resources Inc. in a bid to become an international mining house.

Investors in both company's cheered the news, sending Wolfden up 10 percent by Monday's close in Toronto and Zinifex up as much as 3.7 percent in early trading in Sydney. "It's a reasonable move for Zinifex given it is under some pressure to replace production from its mines in Australia," Commonwealth Bank of Australia analyst Martin Petch said.

Wolfden said Zinifex had made a non-binding and conditional proposal to pay C\$3.90 cash per share for all of Wolfden's outstanding shares. Based on Wolfden's 88.7 million shares outstanding, the non-binding proposal would be worth C\$346 million.

Wolfden holds several advanced-stage Arctic properties, including its wholly-owned High Lake and Izok Deposits, which are regarded as two of the highest grade undeveloped copper, zinc, gold and silver deposits in North America. "These are high-value polymetallic projects at an advanced stage together with significant potential for upside from further exploration," Gailey said, adding his company had the financial strength to bring the projects into production.

Wolfden has grown through acquisitions and exploration, while Zinifex was assembled from the ashes of a bankrupt zinc mining and smelting company. Zinifex, which analysts expect to report around A\$800 million (\$630 million) in first-half net profit when it announces results on Feb. 22, plans to spin its metal-making businesses off into a joint venture with Belgium's Umicore to focus on mining.

ORE SUPPLY MAY SPOIL MITTAL'S JHARKHAND PARTY

February 20, 2007 (Times of India) – The Indian unit of Arcelor Mittal is ready to invest \$9 billion to set up a steel plant in Jharkhand if supplies of iron ore can be guaranteed, a top company official said on Tuesday. "After getting reasonable assurances for the mines, we are ready for investment," Sanjeev Sengupta, director at the India office of the world's leading steelmaker, said.

Mittal signed an initial agreement with the Jharkhand government in 2005 and has since been working out the details, including the supply of raw materials. The company would need 600 million tonnes of iron ore over the next 30 years, Sengupta said.

A Jharkhand state government official said there was no problem in giving the Mittal group a mining lease, but

said the firm was mainly interested in mines also being sought by prominent state-owned steel maker SAIL. Mittal Steel representatives were likely to meet the state government soon, and top-level meetings would follow, the official said.

The Mittal proposal would be developed in two phases, each with a capacity of six million tonnes. The first phase would be completed within four years, while the second would be up and running within a further four-and-a-half years.

The company may also build a 2,500 MW power plant to provide electricity to the steel unit.

CVRD INCO GORO NICKEL PROJECT FACES CONTINUING OPPOSITION

February 21, 2007 (Mineweb.com) – As nickel prices soar to record highs, political and environmental opposition to CVRD Inco's \$3 billion Goro nickel project, currently under construction in the French Overseas Territory of New Caledonia seems that it may be escalating.

Although the company was given permission by the French courts to continue work on a particularly sensitive part of the construction site after some previous court actions had gone against it, the main Kanak (indigenous New Caledonian people) environmental group, Rheebeu

Nuu, is reported by Radio New Zealand as warning of tough action against the project and claims that the French State is colluding in an environmental disaster.

The continued opposition to the mega-project will be a disappointment to CVRD Inco which has been trying to win over the islanders to accept the big development – and may lead to further delays on the already behind-schedule and over-budget operation. The local government is in favour and Rheebeu Nuu feels that the treatment of some of its demonstrators and activists by the police and army has been over-zealous in the extreme.

Last year the activist group caused some US\$10 million worth of damage in sabotage at the operation and this year has been concentrating so far in raising support for its cause in Paris – and will concentrate its efforts around the French Presidential elections in April and May.

It has already won over the French Greens presidential candidate, Dominique Voyet, who is reported as describing the Goro project “as a caricature of a cynical violation of the law”.

EU CLEARS FREEPORT-MCMORAN TO BUY PHELPS

February 21, 2007 (*Associated Press*) – EU antitrust regulators on Tuesday cleared Freeport-McMoRan Copper & Gold Inc. to buy Phelps Dodge Corp., a deal that would create the world’s largest publicly traded copper company – and the largest metals and mining company based in North America.

The European Commission said that combining the two U.S.-based companies would not significantly impede competition in Europe, identifying only limited overlaps between the two that would not cause antitrust problems for rivals, suppliers or customers. The companies announced in November that Freeport-McMoRan would acquire Phelps Dodge for US\$25.9 billion (euro20.17 billion) in cash and stock.

The cash portion of the transaction totals US\$18 billion (euro14.02 billion), and Freeport-McMoRan said it would issue 137 million shares to Phelps Dodge shareholders. That would give them about 38 percent of the combined company on a fully diluted basis. Freeport-McMoRan’s board will also be expanded to include three independent Phelps Dodge directors.

The merged companies will operate under the Freeport-McMoRan Copper & Gold banner, though businesses operating as Phelps Dodge will continue to do so.

OXUS GOLD WINS UZBEK TAX APPEAL, LIABILITY CUT TO \$1.1 MILLION

February 21, 2007 (*Platts*) – The Navoi Regional Economic Court in Uzbekistan has confirmed that its Amantaytau Goldfields joint venture is not liable to pay various taxes, customs duties, fines and penalties imposed on it by the regional tax and customs authorities for alleged breaches of tax laws, UK’s listed Oxus Gold said Tuesday. Oxus owns 50% of the Amantaytau joint venture, with the Uzbek government holding the remaining 50%.

During August 2006 the regional tax and customs authorities brought a claim against AGF for back taxes, customs duties, fines and penalties amounting in total to around \$225 million for alleged breaches of the Uzbek tax laws. These claims were upheld by a Navoi regional court at the end of October 2006, but following an appeal by AGF, on December 28 the Appeal Court allowed AGF’s appeal and rejected all the principal claims of the regional tax authority.

As a result, revenue claims, fines and penalties totaling around \$208 million were no longer payable and various restrictions imposed on AGF’s operations as a result of the earlier ruling, were lifted. The regional tax authority

did not appeal this decision within the permitted timeframe and, as a result, the Appeal Court’s decision in AGF’s favour is now effective, Oxus said.

Further, February 7 this year the Navoi Regional Economic Court rejected the claims of the regional customs authority on the payment by AGF of customs duties amounting to an additional \$2 million. On February 16 the court also rejected the claims of the regional tax authority on the payment by AGF of taxes amounting to around \$14 million. “Based on the foregoing, AGF will not be required to pay taxes, customs duties, fines and penalties amounting in total to nearly \$224 million,” Oxus said in a statement.

But the court did decide that AGF was responsible for the payment of certain revenue taxes due, amounting in total to around \$650,000, and could also be liable for the payment of some claims for non-residents’ income tax amounting around to a further \$450,000, Oxus said, adding that it had already provided for a sum within its annual accounts to June 30 2006 to cover its 50% share of a possible outstanding liability of \$1.1 million.

CODELCO UNION ACCEPTS NEW DEAL

February 22, 2007 (*Mining Journal*) – Codelco has agreed a new wage deal with workers at its Chuquicamata copper mine in Codelco Norte, thereby averting a strike at the site from February 27. Members of the Mining Union, who rejected an offer yesterday, voted to accept the new wage offer after Santiago-based Codelco reduced the contract length, said Codelco director Juan Legua in a statement.

The unions had called for a bigger share of Codelco's bumper earnings after copper prices increased 41% last year, fueled by demand in China, the largest user of the

metal. Codelco and the union settled on a contract length of 37 months, a month less than Codelco initially wanted but a month more than the workers had demanded, Mr Legua said.

Codelco – the world's largest copper producer - produces a third of the copper in Chile, which in turn produces 35% of the world's total output. Many copper mines in Chile have had tough contract negotiations recently, as unions want better wage deals to reflect the surge in copper prices since their contracts were last negotiated. Chuquicamata is Chile's second-biggest mine.

INDONESIA GOVT APPROVES RIO TINTO'S \$1.25 BILLION NICKEL DEVELOPMENT

February 22, 2007 (*MarketWatch*) – The Indonesian government has in principle approved Rio Tinto Plc's \$1.25 billion ferronickel development in Sulawesi province, a government official said Thursday.

Rio Tinto and the Indonesian government have been in negotiations on La Sampala project for around two years. Rio Tinto had expected to get the go-ahead last September. But the talks had stalled, as the Forestry Ministry had been reluctant to give a concession to develop the proposed site of the mine.

Muhammad Lutfi, chairman of the governmental Investment Coordinating Board, or BKPM, told reporters that the government hopes to sign a deal with Rio Tinto in the middle of next month. Rio Tinto will be granted a mining Contract of Work, or CoW, lasting 20-25 years, the last such contract to be granted before Indonesia changes its mining laws and scraps the CoW system, he said. Draft changes to Indonesia's existing mining law,

issued in 1967, are before parliament, and may be issued as early as next month.

Charlie Lenegan, Rio Tinto's managing director for Australia, said earlier this month that the project would only proceed if the company could obtain a CoW, as the government's proposed new mining license system doesn't offer the security needed for such a large investment. "The signing (of the CoW) is hoped to take place mid-next month after tax and forestry issues are resolved between governmental departments," Lutfi said.

A conflict had previously arisen over taxation to be paid on revenue generated from the mine, as the type of nickel it contains isn't covered in existing mining laws. Mining companies in Indonesia must obtain a forestry concession prior to building a mine. But the Forestry Ministry had stalled on granting a concession to Rio Tinto, citing concerns that the mine could damage forests.

BARRICK KNOWS IT CAN'T BE JUST ABOUT GOLD

February 22, 2007 (*Globe and Mail*) – When Barrick Gold Corp. head Greg Wilkins takes the stage for investor day at a hotel ballroom in downtown Toronto today, he is sure to face the same question that continually dogs the world's largest gold producer. With major bullion resources becoming rarer than hens' teeth, how will Barrick grow?

In addition to gold projects, Barrick has several non-gold mining prospects in development. Metals like platinum, palladium, nickel and silver could soon become a much more significant part of the company's portfolio of assets

if these prospects come to fruition. Yet Mr. Wilkins will have to perform a delicate balancing act, analysts and fund managers say, convincing investors of the worth of these properties without losing the valuation premium the stock market tends to award gold companies.

"In a way, they have no choice," said Victor Flores, an analyst with HSBC Securities in New York. Barrick's annual gold production will be stuck at roughly 8.1 million ounces a year until 2009 with its current slate of gold mines. Unless the company is willing to make a major acquisition, which is sure to be costly in the current

price environment, or manages to find a major deposit on its own through exploration, which is unlikely, Barrick would be wise to look at alternative mining opportunities rather than focusing solely on maintaining gold reserves, he said.

The process of highlighting Barrick's non-gold assets began last week, when the company provided an update on its Kabanga nickel project in Tanzania, a 50/50 joint venture with Xstrata PLC subsidiary Xstrata Nickel.

Xstrata committed to investing a further \$95-million (U.S.) in the venture and the inferred resource estimate was raised from 26.4 million tonnes at a grade of 2.6-per-cent nickel to 36.3 million tonnes grading 2.8-per-cent nickel. "Kabanga has the potential to become a world-class nickel sulphide deposit. The most recent resource has a compelling combination of size with high grades," Mr. Wilkins said in a statement.

Barrick has recently made a habit of hanging on to platinum and palladium assets as it divests gold projects in certain regions. When it sold its stake in the South Deep mine in South Africa last year, Barrick elected to hang on to its Sedibelo platinum development project. And when Barrick consolidated its Russian assets into Highland Gold Mining in exchange for an increased stake in the company, its Fedorova platinum and palladium project was left out of the deal.

In November, Mr. Wilkins said Barrick hopes to complete a feasibility study on Fedorova within the next 18 months. "We think it is going to be quite a valuable asset and it is quite a large project, potentially, so we want to continue to have independent focus on it," he said.

RUSSIA'S NORILSK NICKEL SECURES \$450 MLN SYNDICATED LOAN

February 22, 2007 (RIA Novosti) – Norilsk Nickel has secured a \$450 million syndicated loan, the Russian metals giant said Thursday. The company said in a news release that the transaction represents a benchmark deal in the Russian syndicated loan market in terms of tenor and pricing. It is the first five-year, unsecured revolving credit facility with a bullet repayment for a Russian borrower.

Norilsk Nickel will pay a margin of 42.5bps over Libor in the first three years, increasing to 50bps for the fourth and fifth years. The facility was arranged, fully

underwritten and syndicated by Barclays Capital (the investment banking division of Britain-based Barclays Bank PLC), the Netherlands' ING Bank N.V and French-located Societe Generale Corporate investment banking division.

Societe Generale is also acting as facility agent and documentation agent. The loan syndication was heavily oversubscribed and Norilsk Nickel elected to increase the facility size to \$450 million from the original launch amount of \$300 million.

MAURITANIA GETS FIRST COPPER MINE

February 22, 2007 (BusinessInAfrica.com) – Mauritanian head of state Col Ely Ould Mohamed Vall has inaugurated the country's first copper mine in Guelb Moghrein, in the region of Akjoujt, about 250 kilometres north of Nouakchott, according to the Mauritanian News Agency (AMI).

Production at the Guelb Moghrein mines will be undertaken by the Company of Copper Mines of

Mauritania, a partnership between Canadian Company First Quantum Minerals LTD- with 80 percent, Emirates' Wad Raoudhal (9 percent) and Australian GGI (1 percent).

The annual mine production is estimated at 120 tons of concentrated solutions including 25 percent of copper, 30 000 tonnes from which 60 000 ounces of gold will be extracted.

PERU MINISTER SEES \$12-BIL MINING INVESTMENT OVER FIVE YEARS

February 22, 2007 (Platts) – Peru expects mining sector investment of some \$12-billion over the next five years, Minister of Energy and Mines Juan Valdivia said Thursday. “The National Mining Society (SNMPE) has announced \$10 billion in investment for the (mining) projects underway,” Valdivia said in a meeting with the foreign press. “However, we have other information which includes mid-sized projects that have not been quantified by the SNMPE. For this reason, I told them that investment (in the mining sector) in the next five years will surpass \$12 billion.”

Overall investment for the mining, energy and electricity sectors will surpass \$23 billion in the same period, Valdivia said. Peru a major world producer of several base and precious metals has a portfolio of major copper and gold projects in the pipeline, although many will require feasibility studies before they can go forward.

One of those projects is the state-owned Michiquillay copper project, expected to require an investment of around \$1-billion. Valdivia said some 20 companies have obtained information about the project, including Chinese, Japanese and Korean companies that have not

previously invested in Peru. He said the auction date for Michiquillay has been delayed until April 30 due to a police investigation of illegal chemicals found last month during a raid on the camp, where squatters had settled.

Regarding production in the sector, Vice Minister of Mines Rosario Padilla said the ministry’s estimates for copper production this year coincide with those of the SNMPE, which has projected 10% growth to 1.15 million mt based on new production from Cerro Verde’s primary sulfides project. She added, however, “it may be even higher due to production from other projects.”

Padilla said that the outlook for zinc, silver and tin was also positive this year, although she did not provide specific projections. Zinc and silver production rose 7.1% and 8.3% respectively in 2006. Tin mine production fell 8.7% last year, although production of refined tin rose 10.2%. Padilla was less optimistic about gold, whose production fell 2.28% last year on lower output by Peru’s top producer Minera Yanacocha. Yanacocha has said it will produce 1.65-mil oz this year after churning out 1.7-mil oz in 2006.

2006 GOLD DEMAND RECORD \$65.3 BILLION

February 22, 2007 (Idexonline.com) – Record high gold prices during the year drove 2006 demand for gold to a record of \$65.3 billion. However, the high price also caused a drop in purchases of gold in terms of weight by central banks. At \$44 billion, gold jewelry sales also set a record high. Despite a fall in production and reduced supply, industrial demand was the highest ever at 458 tons, according to figures released by the World Gold Council. Supply fell 13 percent by weight.

Jewelry demand rose 14 percent in dollar terms in 2006 as a whole, but fell 16 percent in weight due to a volatile

gold price in the first half of the year. Demand for investment gold increased 7 percent over 2005 to 637 tons and 45 percent in value.

The WGC reported that 2007 has begun with brisk demand in most jewelry markets in January, while investor interest has also remained positive. Market research findings show that sentiment towards gold jewelry in key markets remains strong. Prospects for both jewelry and investment demand in the first half of the year are good, WDC predicts, although any return of excessive price volatility could hinder jewelry purchases.

PHILIPPINES SAYS BHP TO INVEST UP TO \$1.5 BLN

February 23, 2007 (Reuters) – The world’s biggest miner, BHP Billiton, may invest up to \$1.5 billion in a nickel project in the Philippines, the government said on Friday as it tries to revive hopes of a take-off in its metals sector.

Billiton, in partnership with local firms Hallmark Mining Corp. and AustralAsia Link Mining Corp., is exploring a potentially large nickel deposit in a 11,799 hectare (29,130 acres) reservation in the Pujada peninsula, about

1,000 km (620 miles) south of Manila. The project is at what Billiton deems a “pre-conceptual stage”, meaning any decision to develop the lode is still years away.

Environment and Natural Resources Secretary Angelo Reyes said visiting Billiton executives had told him they might build a processing plant in the Philippines if the deposit volume from Hallmark requires it. “It could be anywhere from \$800 million to \$1.5 billion. That is the cost of setting up this operation and also the processing

plant,” Reyes told reporters, referring to the potential investment.

He said BHP could start construction in 2010 of a processing plant with an annual production of 50,000 tonnes of nickel. Current estimates of the project’s nickel deposit, based on more than 600 drill holes, are about 150 million metric tonnes at a grade of 1.3 percent nickel.

A billion dollar investment would be a major boost for Manila, which despite record high metal prices has had little success attracting big foreign miners in recent years due to legal uncertainties, political risk and opposition from powerful bishops and environmentalists.

Manila wants to attract \$6.5 billion in foreign mining investments, but only received \$109 million last year after cyanide leaks at an Australian-owned mine triggered a storm of controversy and dissuaded the state from active promotion. The debt-laden country estimated it has \$1 trillion in unexplored copper, gold, nickel and zinc.

Reyes also said Billiton was in preliminary talks with two local miners, including Benguet Corp., about another nickel project in the north of the country.

GILBERTSON LEADS A\$625 MILLION BID FOR CONSOLIDATED

February 23, 2007 (Bloomberg) – Pallinghurst Resources Fund LP, chaired by Brian Gilbertson, and AMCI bid to buy Consolidated Minerals Ltd. in a cash and share offer they said values the Australian mining company at A\$625 million (\$493 million).

Investors in Consolidated will get A\$1.38 in cash per share and two shares in a new company for every five they own, Perth- based Consolidated said today in a statement. The offer is valued at A\$2.28 a share, compared with yesterday’s closing share price of A\$2.25.

Gilbertson, the former chief executive officer of BHP Billiton Ltd., will gain a company that supplies 10 percent of the world’s high-grade manganese used to harden steel. He’s also designated as the chairman of United Company Rusal, which will account for about 12.5 percent of global aluminum output.

“They are gaining control of Consolidated without paying any sort of premium,” said Gavin Wendt, an analyst at Fat Prophets Funds Management, in Sydney. “Obviously the management of Consolidated sees significant upside and benefits in aligning themselves with the proven management style of Brian Gilbertson. He’s a fairly aggressive deal maker.”

Consolidated, whose first-half profit rose more than threefold to A\$10.1 million, has been focusing on

growing its new nickel and zinc-copper business. It wants to produce 15,000 tons of nickel a year, up three times from this year’s production targets, as the prices of nickel futures in London soared to a record \$40,250 a ton on Feb. 21. “The nickel side of the business is worth a lot more, and I’ll say they are getting it cheap,” said Michael McCormick, who helps manage and advise on A\$220 million at Leyland Private Asset Management and holds the stock. “It may be a tough” to convince shareholders of the proposal, he said.

Consolidated shareholders will own 40 percent of the new company, with the rest owned by an investment vehicle of Pallinghurst and AMCI. AMCI, started by Fritz Kundrun and Hans Mende in 1986, is a closely held coal company. Pallinghurst and AMCI are paying A\$320 million for their 60 percent stake, Gilbertson said on a media conference call.

Consolidated’s Chairman Dick Carter said the new company will speed expansion of its nickel projects, and look to increase its manganese business globally. Gilbertson and AMCI’s involvement will give it access to capital and expertise, the company said. They didn’t provide specific details on future plans or say whether the offer was final.

BME SEES 220,000T DEFICIT ON COPPER MARKET IN 2006

February 23, 2007 (Hoovers) – The global refined copper market was in a 220,000-metric-ton deficit in 2006 but will reverse this to be in a surplus of 164,000 tons in 2007, according to a report released Thursday by independent consultancy Bloomsbury Minerals Economics, or BME. By 2008, this surplus should slip to

be 10,000 tons, but because there will be a rise in metal in transit, there will in fact be a small commercial deficit, BME said.

The surplus in copper emerged in October last year mainly due to a surge in secondary refined production

and a double-digit decline in U.S. consumption as the housing market there slowed, BME added. This was then compounded by continuing very weak refined consumption in China during the “closing phase of that country’s de-stocking of copper and copper alloy semi-manufactures,” BME said. “The result was an above seasonally normal build-up of Chilean port stocks and to a lesser extent a build-up of exchange stocks,” BME added.

In December, Chinese refined consumption began to dramatically recover as de-stocking of semis ended, although copper ran into the quiet holiday period. Currently, exchange stock growth has slowed almost to a halt, and Chinese premiums have been “high for long enough to have begun to draw stocks from Chile.”

“Thus we would guess that the most volatile elements in global cathode stocks turned collectively neutral or into tiny deficit in February and that March will see a clear stock drawdown,” BME added.

Refined copper production in 2007 is seen at 18.16 million tons, with refined consumption of 18 million tons. “Of the 160,000-ton difference, around 80,000 tons will go into increases in material in transit, around 20,000 tons into the normal growth of producers’ essential working stocks,” BME said.

“Provided prices stay around today’s levels, we would expect a partial rebuilding of consumer stocks to absorb much of the remaining production-consumption difference rather painlessly,” the report added.



SME ANNUAL MEETING

Please be sure to visit Behre Dolbear at the SME Annual Meeting & Exhibit and Colorado Mining Association 109th National Western Mining Conference being held this week in Denver, Colorado. We are located in the Colorado Pavilion at booth #1028.

PDAC ANNUAL MEETING

Behre Dolbear will also be at the PDAC Meeting in Toronto from March 4-7, 2007 at booth #0410.



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