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## Global Mining News

### RIO TINTO SEES INVESTMENT IN NEW PROJECTS AS SUBSTANTIALLY RAISING COPPER OUTPUT

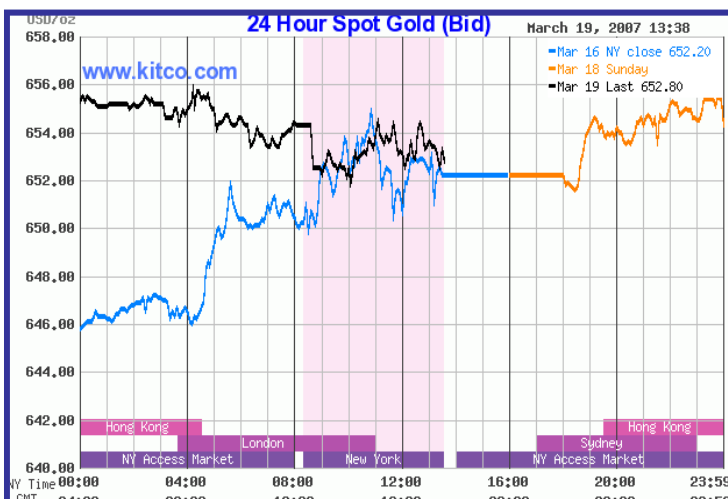
March 11, 2007 (XFN-ASIA) – Rio Tinto’s acquisition of interests in three promising copper projects have the potential to substantially add to the miner’s copper output, according to the dual-listed Anglo-Australian group. In its annual report, Rio Tinto said the investments will ensure that it remains a leading long term supplier of copper. For 2006, the copper group accounted for 49 pct or 3.562 bln usd of Rio Tinto’s underlying net profit which totaled a record 7.338 bln usd.

In the report, chief executive Leigh Clifford said the acquisitions means Rio Tinto now has stakes in four world-class developed copper deposits. During the past year Rio Tinto acquired stakes in the La Granja copper project in Peru, the Pebble project in Alaska and Oyu Tolgoi Hill in Mongolia, adding to stake already held in the Resolution copper project in the US.

Clifford, who retires on May 1, said the investment in Mongolia represents a phased, risk managed entry into a potentially outstanding resource. In October, Rio Tinto agreed to acquire a 20 pct stake in the 1.5 bln usd project which Canadian company Ivanhoe Mines Ltd is developing. It has an option to eventually move to a 40 pct interest. Ivanhoe says the Oyu Tolgoi mining complex will eventually produce 1.6 bln pounds of copper a year – or about four pct of global output.

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USD	MARCH 16, 2007	MARCH 09, 2007
<b>GOLD</b>	<b>653.20</b>	<b>652.25</b>
<b>SILVER</b>	<b>13.0700</b>	<b>13.0700</b>
<b>PLATINUM</b>	<b>1,219.00</b>	<b>1,203.00</b>
<b>PALLADIUM</b>	<b>351.00</b>	<b>352.00</b>
<b>ALUMINUM</b>	<b>1.2633</b>	<b>1.2428</b>
<b>COPPER</b>	<b>2.9574</b>	<b>2.7805</b>
<b>LEAD</b>	<b>0.8673</b>	<b>0.8314</b>
<b>NICKEL</b>	<b>22.4528</b>	<b>20.4344</b>
<b>URANIUM</b>	<b>91.00 (03/12/07)</b>	<b>85.00 (03/05/07)</b>
<b>ZINC</b>	<b>1.4633</b>	<b>1.4946</b>

Clifford said the 100 pct owned La Granja has been given the go ahead for a 95 mln usd pre-feasibility study but first production is at least seven years away. Pebble in Alaska is another long term project still in its early stages. The annual report said initial evaluations suggest the copper deposit may be even more promising than was originally thought.

At the 55 pct owned Resolution project in Arizona, Rio Tinto said preliminary shaft sinking will begin soon. The deposit lies two kms below the surface is not expected to go into production before 2015 which Rio Tinto said is an indication of the long lead times for challenging projects.

Clifford said the group is also encouraged by the potential to find more uranium oxide on leases held by its Australian listed subsidiary, Energy Resources of Australia Ltd in Australia and the expansion possibilities at the Rössing uranium project in the southern African state of Namibia. "These, together with the potential of Kintyre in Western Australia and Sweetwater in Wyoming, mean we are well placed to extend uranium reserves and resources in the near future," Clifford said.

He said Rio Tinto is spending 345 mln usd on exploration in 2006 as well and continuing to evaluate numerous development opportunities.

### RIO TINTO EYES STRONG 2007 METAL PRICES ON CHINESE GROWTH

*March 12, 2007 (MarketWatch)* – Rio Tinto PLC said Monday it expects 2007 metal prices to continue above historical averages as Chinese economic growth looks set to continue amidst an environment of limited production capacity growth.

"We expect a continuation of positive economic growth in 2007 in most of the major economies," said Chairman Paul Skinner in the company's 2006 annual report. "China's strong, growing demand for metals and minerals, which has been a key driver of market strength, seems set to continue."

Leigh Clifford, Rio Tinto's chief executive officer said the mining industry "is struggling to keep pace with demand."

"A number of constraints, ranging from shortages of key consumables like truck tires and explosives, to the tight supply of skilled technical managers and tradesmen, have

limited the growth of new production capacity," said Skinner. Instead, the next generation of large world class deposits is only now being identified and evaluated, with many of the deposits in remote locations, said Clifford.

"While most of our existing assets are in OECD countries, we are now responding to new opportunities in the developing world - Peru, Guinea, and Indonesia," said Clifford adding there are also opportunities "in countries that are only now opening up to mining investment, like Madagascar, Russia and Mongolia."

The report quoted one mining company's president as saying: "Mongolia has literally overnight changed policy from one of openness to one that heavily penalizes foreign owned mines." The only countries rated below Mongolia in the survey were Bolivia, Venezuela and Zimbabwe.

### POLYUS GOLD SAID TO BE PONDERING CRYSTALLEX, GOLD RESERVE BIDS

*March 12, 2007 (Mineweb.com)* – Business News Americas and Canada's Financial Post are reporting that Russian gold miner Polyus Gold is considering a bid for Canadian junior Crystallex and Spokane, Washington-based junior Gold Reserve. The news organizations reported that Polyus has hired BMO Capital Markets to help evaluate Crystallex and its Las Cristinas gold project in Venezuela, and the neighboring Brisas project under development by Gold Reserve.

Crystallex Vice President Richard Marshall declined comment on the reports. However, the Financial Post interviewed new Crystallex CEO Gordon Thompson last week, who insisted that the company is closer than it has been to obtaining its final mining permit. Nevertheless, it is possible that Venezuelan President Hugo Chavez, a strong socialist, may be more amenable to allowing a Russian mining company to operate in the country.

## CHINA COPPER AND PRODUCT IMPORTS RISE 70% IN FEBRUARY

March 12, 2007 (Bloomberg) – China's imports of copper rose 70 percent in February from the same month last year as traders in the world's biggest consumer of the metal took advantage of cheaper overseas prices to meet rising domestic demand. The country imported 239,772 metric tons of unwrought copper and copper products last month, compared with 229,077 tons in January, according to preliminary data issued by the Beijing-based customs office on its Web site today. Imports in February last year were 141,076 tons, data compiled by Bloomberg showed.

China's year-on-year imports of copper, used in construction and electrical wiring, have been rising every month since December, as the country ended a period of running down its domestic stockpiles. Overseas purchases have been encouraged by price differences between the London and Shanghai markets.

The rise in Chinese copper imports may not be sustained if the price ratio narrows, Wang Xiaodan, an analyst at

Minmetals StarFutures Co., said by phone today. "It is too early to tell now," she said. London copper prices have fallen 28 percent since reaching a record \$8,800 a ton on May 11 on concern that demand will lag behind supplies. The ratio of China's domestic prices to the London Metal Exchange, as low as 8.3 in July 2006, reached as high as 9.9 in late January, analysts, including Wang, said.

For imports from Chile, with whom China has a free trade agreement that allows for an exemption from import duty, a reading above 9.2 indicates profitability. For imports from elsewhere, a reading above 9.4 is conducive to imports.

China's exports of unwrought aluminum fell 41 percent in the first two months of this year to 103,204 tons, the customs data showed. The fall was in line with expectations as China raised export taxes on primary aluminum to 15 percent from 5 percent last year.

## ASARCO OWES US\$2.66 BILLION

March 12, 2007 (Mining Journal Online) – Lawyers for asbestos victims claim bankrupt US copper producer Asarco, owned by Grupo Mexico, owes them as much as \$2.66 billion. Tucson-based Asarco, which along with subsidiaries faces 95,000 asbestos claims, has disputed the amount, contained in a March 5 US court filing.

Asarco claims it owes \$6 billion to the federal government and 16 states for environmental clean up

costs, citing the claims for seeking bankruptcy protection in Texas, 2005. Asarco is controlled by a court-appointed board, which is fighting with parent company Grupo Mexico, over assets, including a \$1 billion stake in Southern Copper Corp.

## CHINA TO RESTRICT MOLYBDENUM EXPORTS

March 12, 2007 (Interfax, RI) – China plans to introduce a quota system for molybdenum product export in order to conserve strategic mineral reserves, an analyst surnamed Yang with the China Metals Information Network Antaike, told Interfax today. Yang estimated that the quota system will come into effect by either the end of this month or the beginning of April, as the government has not yet finalized quota limits for producers and traders.

In November 2006, RI reported that China had imposed an export duty on molybdenum oxide and ferromolybdenum of 10%. China's molybdenum product export is set to decrease by 10% and export permission

will only be granted to exporters with an export volume of over 3,000 tonnes in the last three years and traders in at least 1,000 tonnes in the past three years, according to China Nonferrous Metals News. Molybdenum exporters must also have a registered capital of at least RMB 100 million (\$12.91 million).

International molybdenum prices have reached \$80 per kilogram, up \$20 from before the Spring Festival, while the domestic price has remained relatively low, Yang said. Ferromolybdenum FOB price is currently \$69-\$72 per kilogram. In the past 15 years, the price of molybdenum has been as low at \$1.82/lb and as high as \$40/lb. Today's price in pounds is about \$28/lb.

## ZIJIN MULLS BASE METALS SPIN-OFF

March 13, 2007 (*South China Morning Post*) – Zijin Mining Group, one of the mainland's largest gold miners, might spin off its growing base metals business to give a more appropriate valuation for its gold and base metals operations, chairman Chen Jinghe said. Zijin, which last week reported a 142 per cent jump in full-year profit to 1.7 billion yuan, was also looking to tap into other precious metals, especially platinum and palladium, Mr Chen said.

The Fujian-based company transformed from a pure gold producer when it went public in late 2003 into a metals conglomerate, a move that has helped to drive rapid earnings growth amid soaring metals prices.

Profit contribution from base metals, including copper, zinc and iron concentrates, accounted for almost 30 per cent of Zijin's turnover last year and almost 50 per cent of its net profit, a sharp difference from 2003 when more than 90 per cent of turnover and profit came from gold. "A spin-off of the base metals business is possible,

although there is no concrete plan at present," Mr Chen said, adding that Zijin would strive to keep gold as its main business.

"We'll try to keep gold or precious metals as our major profit contributor and maintain it at a level of more than 50 per cent. If not, gold should be kept as the largest single business compared with other metals," Mr Chen said. Mr Chen said the company would continue looking for attractive growth opportunities in China and overseas in both base and precious metals.

Some analysts have warned that Zijin's diversification into base metals will mean its earnings will become more volatile. "We believe that while metal prices are high, Zijin's strategy of aggressive overseas growth and expansion into base metals will continue to drive earnings and cash flows," said Merrill Lynch analyst Alexander Latzer. "However, this is a bull market strategy. When metal prices ease over the next few years, as we forecast, earnings will become more volatile."

## CHALCO PLANS 16B YUAN CAPACITY BOOST, ACQUISITIONS

March 13, 2007 (*The Standard, UK*) – Aluminum Corp of China, the world's second largest alumina maker, said Monday it has earmarked 16 billion yuan (HK\$16.13 billion) capital expenditure to boost capacity and for acquisitions. This represents a 75 percent rise in capex over the previous year.

The company, also known as Chalco, aims to increase alumina output – the raw material used in aluminum – by 13.5 percent to 10 million tonnes, chairman and chief executive Xiao Yaqing said Monday. Aluminum output will jump 28.5 percent to 2.48 million tonnes this year. "Capex for next year will be maintained at around 10 billion yuan," Xiao said.

In three years, Chalco aims to further increase annual alumina production to 13 million tonnes, while raising aluminum volume from 3.3 million to 3.5 million tonnes, Xiao said. Chalco reported record full-year profit of 11.75 billion yuan, Sunday.

The company said it will explore growth through acquisitions. It will buy smelters from parent Aluminum

Corporation of China, later this year, following its A-share issue. Chalco's yuan-denominated share sale is set for completion later this month or April, Xiao said.

Meanwhile, Chalco plans to speed up mergers and acquisitions of primary aluminum businesses and downstream processing operations. Xiao said there is a "balance" in the "overall demand and supply [of alumina]." He anticipates that price of alumina will stabilize at US\$400 (HK\$3,120) per tonne this year, with some upside potential. Alumina price could rise further if overseas governments impose measures to limit bauxite exports, used to produce alumina, he added.

However, the impact on Chalco would be limited as the company only sources 3-5 percent of bauxite resources from overseas. Also, Xiao expects the price of primary aluminum, widely used in construction, transportation, packaging and aviation, to hover at high levels this year, given that domestic use of aluminum soared 22.6 percent in 2006.

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## ANTOFAGASTA SEES COPPER MATERIAL DEFICIT THROUGH 2008

March 13, 2007 (Bloomberg) – Antofagasta Plc, the owner of three copper mines in Chile, said the global market for concentrate, a raw material smelted into metal, will be in “significant” shortfall this year and in 2008 because of “low” stockpiles.

Copper supply “remains vulnerable to declining grades and other constraints including equipment availability, labor shortages and power and water supplies,” the London-based company said today in a statement distributed by the Regulatory News Service that accompanied its full-year results.

Mining companies such as Antofagasta benefit amid shortages of concentrate because the processing charges imposed by smelting companies for turning it into metal drop. Smelting charges fell to \$60 a metric ton this year while refining charges declined to 6 cents a pound. They

were \$95 a ton and 9.5 cents a pound respectively in 2006. Copper production will drop 2 percent to 456,000 tons this year as output at all three mines falls, the company also said.

Prices for copper for delivery in three months on the London Metal Exchange have fallen 27 percent since rising to a record \$8,800 a ton May 11. While copper will rebound this year, “the exceptional average copper prices of 2006 might not be repeated,” Antofagasta said.

Demand for molybdenum, a byproduct of the company’s copper mining, will remain “strong” this year, helping prices to remain above historical averages, Antofagasta said. The company produces the metal at its Los Pelambres mine in Chile. Production will increase 12 percent to a record of about 11,000 tons this year, the company said.

## XSTRATA COPPER ANNOUNCES SALE OF NORANDA RECYCLING ASSETS TO SIMS

March 13, 2007 (Platts) – Xstrata Copper Canada announced Monday the sale of its end-of-life recycling facilities to Sims Recycling Solutions, a wholly owned subsidiary of Sims Group. The three end-of-life recycling facilities are currently operated by Noranda Recycling, a wholly-owned subsidiary of Xstrata, and are based in Roseville, California, La Vergne, Tennessee and Brampton, Ontario.

Xstrata Copper said it would continue to receive and process the copper and precious metal bearing product stream from the formerly owned facilities. The group will also continue to operate precious metal recovery and sampling facilities located at East Providence, Rhode Island and San Jose, California under the banner of Noranda Recycling. Commercial offices in Toronto,

Ontario, San Jose, California, East Providence, Rhode Island, Penang, Malaysia and Zug, Switzerland would be maintained with the goal of expanding Xstrata Copper Canada’s acquisition of recyclable materials, it said.

“Following a strategic review of the end-of-life electronics recycling business, a decision was reached to divest these assets to Sims Recycling Solutions, owned by the world’s largest publicly traded metals recycler,” said Claude Ferron, Xstrata Copper Canada’s COO, in a statement, adding: “By partnering with Sims, Xstrata Copper has the opportunity to increase the volume of recycled material processed through its Horne smelter in Rouyn, Quebec, and to grow our activity in the precious metal and copper recycling business.”

## CHINA’S IMPORTS OF IRON ORE FROM INDIA WILL DROP DUE TO EXPORT DUTIES, SAYS CHINESE TRADER

March 13, 2007 (Xinhua) – China’s imports of iron ore from India will drop following the levy of export duties, said Liu Zhengang, a senior manager with China Minmetals Corporation, the country’s largest minerals trading company. “The export duties make Indian iron ore less competitive in price and are forcing buyers to turn to other countries,” Liu said.

He said the attractions of India iron ore are their comparatively low price and India’s proximity to China, which secured faster capital circulation. However, the

situation changed after India imposed a tariff of 300 rupees (seven U.S. dollars) on per ton of iron ore exported from March 1.

Sinosteel Corporation, China’s second largest iron ore importer, announced last week that it would call a halt to imports from India, the first company to take action against the duties. As the world’s biggest producer and consumer of steel, China imported a record 325 million tons of iron ore last year, 23 percent of which came from India.

## VEDANTA TO STOP CONSTRUCTION ON ALUMINUM COMPLEX

March 13, 2007 (*Magnesium.com*) – According to the non-profit group Mines and Communities the Indian State Pollution Control Board (SPCB) has notified the Vedanta Alumina Limited (VAL) to discontinue construction on its proposed aluminum complex in Jharsuguda district. Vedanta has apparently not obtained environmental clearance from the Ministry of Environment and Forest (MoEF).

The SPCB investigated the situation after a complaint had been submitted regarding illegal construction due to not

having environmental clearance documents. The facility is expected to have a 250,000 ton annual capacity aluminum smelter and 675 mw captive thermal plant.

In a similar circumstance, the VAL had run into controversy for allegedly starting construction at its proposed alumina refinery project at Lanjigarh in Kalahandi district. The case was pending in Supreme Court.

## IFC TO PUT MORE INTO AFRICAN MINES

March 14, 2007 (*Bloomberg*) – The International Finance Corporation (IFC) plans to double the number of sub-Saharan mining projects it invested in amid rising metal prices and improvement in corporate governance. The World Bank's private investment arm, which in the past invested in no more than two projects a year, would aim to participate in four annually, and would diversify from its focus on gold towards base metals as opportunities arose, Rashad Kaldany, the director of its oil, gas, mining and chemicals unit, said yesterday.

“We're targeting sub-Saharan Africa as a major focus of engagement in the mining sector. Traditionally we looked at gold. Now there are opportunities in copper, aluminium and iron ore. We're please it's becoming more diversified.”

Drawn by a rally that drove copper and uranium to records in the past year, companies such as Anglo American and Phelps Dodge committed to spending \$34.7 billion (R256 billion) on projects last year, almost two-thirds more than in 2005. Their attraction to sub-

Saharan Africa is enhanced by the world's largest reserves of platinum, bauxite, gold and manganese.

The IFC favoured investing in countries that complied with the Extractive Industries Transparency Initiative, a pact that aimed to limit corruption, Kaldany said. Guinea, Nigeria, Mali, the Democratic Republic of Congo and Botswana had all agreed to abide by the treaty.

The bank will either buy stakes in projects before feasibility studies have been conducted, to help finance their early development, or provide ordinary project finance. It will focus on those that require large infrastructure expenditure, such as on ports, roads and power, which would benefit local communities.

It would finance only those mines that would produce metal among the cheapest half of the world's mining firms to avoid default when commodity prices fell, Kaldany said. “Our view is that prices will fall to their long-term trends. That's all the more reason to look very hard at the cost ... of these projects.”

## CHINA SUSPENDS NEW MINING RIGHTS

March 14, 2007 (*Reuters*) – China's coal industry is the world's deadliest. China has banned the issue of new minerals exploration licences through the end of 2007 as it reorganises its mining sector, a regional officer said on Wednesday. “At the moment, China is sorting things out to make mining development more orderly,” said Huang Fangfang, director of the National Land and Resources Department of the Guangxi region in southern China.

“During this time, in principle new exploration rights can't be granted until the end of the year. Once things are sorted out, then they can be issued,” Huang told

Reuters on the sidelines of China's annual session of parliament.

China's Ministry of Land and Resources said it would suspend auctions of new coal exploration rights until end of 2008, in an announcement dated February 2, but not posted on its website until February 27. That announcement did not mention suspending new rights to explore for other minerals.

But Chinese officials have complained that licence holders are sitting on licences without completing the required exploration investment and without applying for

development rights for promising finds. “Coal is a special case,” Huang said, when asked why coal rights were suspended for longer.

China’s coal industry is the world’s deadliest, with gas leaks, floods and cave-ins killing an average of 13 miners

in 2006. The central government is cracking down on small and unsafe mines, although mine owners are often tempted to re-open mines shortly after inspectors leave.

### SHAREHOLDERS OK FREEPORT-PHELPS DEAL

*March 14, 2007 (The Associated Press)* – Freeport-McMoRan Copper & Gold Inc.’s \$25.9 billion cash-and-stock acquisition of rival Phelps Dodge Corp. was approved Wednesday by shareholders of both companies. The deal would create the world’s largest publicly traded copper company.

In separate votes by shareholders of New Orleans-based Freeport and Phoenix-based Phelps Dodge, the buyout

was approved by about 98 percent of the votes cast, the companies said in a joint statement.

Phelps Dodge shareholders will receive \$88 in cash, or a total of \$18 billion, and 0.67 percent of a share of Freeport’s common stock for each Phelps Dodge share – the equivalent of \$125.53, based on Freeport’s closing price on Tuesday. The deal is expected to close March 19, the companies said.

### PLATINUM MINER LONMIN, IFC SIGN BLACK EMPOWERMENT AGREEMENT

*March 14, 2007 (Platts)* – Platinum miner Lonmin said Tuesday that it has signed a deal with the International Finance Corporation to draw down debt of some \$100 million which will be used to facilitate community development and black economic empowerment in South Africa.

The deal also allows for the IFC to invest up to \$50 million in Lonmin equity, of this \$50 million Lonmin has committed itself to use \$15 million to fund local community projects around its South African operations. The partnership also covers a joint Lonmin and IFC

\$5.9 million technical assistance and advisory services programme covering BEE supplier development, HIV/AIDS prevention and community development programme.

In the statement, Lonmin’s Chief Executive Brad Mills said that the partnership “reflects Lonmin’s continued commitment to the long term sustainability of the communities impacted by our operations and our strong support for the ongoing development of black economic empowerment in South Africa.”

### BRAZIL REGULATOR REJECTS ARCELOR MITTAL APPEAL ON SHARE OFFER

*March 14 2007 (Associated Press)* – Arcelor Mittal, the planet’s largest steelmaker, has lost an appeal of a Brazilian regulators’ decision that could force the newly combined company to pay more than US\$5 billion (euro3.78 billion) to shareholders of a Brazilian unit.

Brazil’s Securities and Exchange Commission announced late Tuesday it had rejected Arcelor Mittal’s valuation of Arcelor Brasil SA. Although the commission didn’t say how much Arcelor Mittal must pay Arcelor Brasil shareholders, analysts have said the amount could top US\$5 billion (euro3.78 billion). Arcelor Brasil could appeal the decision in Brazil’s courts.

The legal spat in Brazil has been a thorn in the ongoing merger of Europe’s Mittal Steel Co. NV and Arcelor SA.

Mittal claimed last year that there was no change of control in Arcelor, headquartered in Luxembourg, and that it did not have to make an offer for Arcelor Brasil.

However, Brazilian regulators who scrutinized the deal have contended that Mittal is “legally bound” to buy out minority shareholders of Arcelor Brasil. Arcelor Brasil is the umbrella company for parent Arcelor’s Brazilian steelmaking assets.

At least two private investment funds filed complaints with Brazilian regulators asking that the combined Arcelor Mittal be forced to make a public buyout offer for Arcelor Brasil’s outstanding shares.

## INDIA TO BECOME 2<sup>ND</sup> LARGEST ECONOMY OF WORLD BY 2050

March 15, 2007 (RNCOS.com) – Goldman Sachs in its report has quoted that India will emerge the 2<sup>nd</sup> largest economy throughout the globe. India will emerge as the 2<sup>nd</sup> largest economy throughout the world by the year 2050, ahead of US, said Goldman Sachs in a statement that Economics Times published on 24 January 2007 broadening the estimates of the prospects of India in its October '03 research paper “BRIC’s report”.

According to the report productivity growth in India will help the country sustain above 8% growth until the year 2020. The GDP (Gross Domestic Product) of India will exceed France, UK and Italy by the mid of next decade (that is around 2015). It'll then surpass Japan and Germany and then finally the United States ahead of the year 2050 to become the 2<sup>nd</sup> largest economy following China.

Growth acceleration of India since 2003 has shown a structural upward trend and not a simple cyclical upturn, as per the research arm of Goldman Sach in a global research paper that was released on 22 January 2007. The paper wrote that nearly 50% of the total growth was driven by the productivity growth and will likely continue for next few years as well.

Between the years 2007 and 2020, GDP per capita of India is expected to quadruple. The escalating growth rate

will signify huge demand here, since the people of India will also use up additionally about 5 times car and 3 times crude oil. The contribution of India to the growth of the global economy will also continue to increase, as per the report.

RNCOS report on “India Retail Sector Analysis (2006-2007)” notifies, “The economy of India has shown a healthy growth during 2003-2006. The GDP growth rate of the country almost crossed 9% mark during the year 2006. The retail industry of the country has received a strong boost due to this steady growth in its GDP. There has been a continuous rise in the personal income as well as household consumption in the country. The GDP of India is expected to rise further in the years to come.”

This research reports on “India Retail Sector Analysis (2006-2007)” also addresses some interesting issues for today’s global business environment. The key questions answered in this report include: what is the current market size and scope of the organized retail in India; what & where are the growth prospects and issues related to the industry; what are the factors driving growth in this sector; what are the opportunities & challenges faced by retailers in India and so on.

## MEXICO’S ALFA ACQUIRES SIX TK ALUMINUM PLANTS FOR \$414 MILLION

March 15, 2007 (Platts) – Monterrey-based industrial group Alfa announced Thursday that its Nematik autoparts subsidiary completed the \$414 million acquisition of six TK Aluminum plants. The plants are located in Brazil, Argentina, the US and Mexico, Alfa added.

Dionisio Garza Medina, chairman and chief executive of Alfa, said the acquisition represented “a step forward in

strengthening Nematik’s leadership position in the industry. Nematik will now broaden its client base while widening its geographical presence.” Garza added: “We will add HPDC monoblocks to our strong current portfolio of leading technologies.”

## WORLD ZINC MARKET IN SURPLUS IN JANUARY '07 VS DEFICIT A YEAR AGO

March 15, 2007 (Hoovers) – The global refined zinc market had a 50,000 metric ton surplus in January 2007, reversing a 31,000 tons deficit in the same month of 2006, the International Lead and Zinc Study Group said Thursday. Refined zinc production in January was 941,000 tons while refined zinc consumption was 891,000 tons, ILZSG said.

Western world demand for refined zinc was 623,000 tons in January, with production of 566,000 tons, creating a deficit in this region of 57,000 tons.

## CENTRAL BANK GOLD HOLDINGS FALL TO LOWEST SINCE 1948, IMF SAYS

*March 15, 2007 (Bloomberg)* – Gold holdings by central banks and other government organizations declined for the eighth straight year in 2006, to the lowest in almost 60 years, figures from the International Monetary Fund show.

Bullion holdings were 867.6 million ounces last year, down 1.2% from 2005, the Washington-based International Monetary Fund said on its Web site. That's the lowest since 1948, according to the World Gold Council. Gold climbed 23% last year as investors took up some of the supply through exchange-traded funds, or ETFs. "There is a lot of speculation some major central banks out of Asia or emerging countries will be increasing their gold position," said Markus Bachmann, manager of the \$280 million Craton Capital Precious Metals Fund in Johannesburg. „What is far more important is the demand coming from the ETFs.”

Of the top 15 government holders, Russia was the only bank to make purchases. Its total was 12.91 million ounces in December, up 3.8% from 12.44 million a year earlier, according to the IMF. Russia central bank spokesman Vladimir Lavrov in Moscow declined to comment. Sellers last year included France, Austria, Spain, the Netherlands, Portugal, Sweden, the

Philippines, the Czech Republic, Serbia, Colombia, El Salvador and Mexico. The European Central Bank was also a seller, according to its Web site. China's holdings of 19.29 million ounces in December have stayed unchanged since 2001, when they were 16.1 million ounces, the IMF figures show.

“People like to talk about central banks buying gold when actually they rarely do,” said Matthew Turner, an analyst at Virtual Metals Research & Consulting in London. To be sure, gold is attracting some of the emerging nations. The central banks of Kazakhstan, Belarus, Tajikistan, Suriname and Ukraine increased their holdings last year. “Over the last 10 years what essentially happened was a lot of new gross sales activity from central banks, mainly the Europeans, and very little buy-side activity,” said Philip Klapwijk, chairman of London-based research company GFMS Ltd. who has followed gold and central banks since 1989.

Of the 4.98 billion ounces of gold in inventories at the end of 2005, 52% was in the form of jewelry, 18% was in central bank vaults and 16% was investor owned, Klapwijk said. “By the end of this decade, private individual stocks are likely to exceed official stocks for the first time ever,” he said.

## KAZAKHMYNS COULD BE INTERESTED IN ACQUISITIONS

*March 15, 2007 (Hoovers)* – Kazakh copper miner Kazakhmys PLC could spend as much as \$10 billion on the right deal. “It depends on the quality, if the assets were worth \$10 billion and we find that attractive I think we would go for that,” Chief Executive Oleg Novachuk said in a conference call for the media. Kazakhmys is keen to diversify and recently acquired land in Western Kazakhstan for oil and gas exploration.

The company said it has a strong competitive advantage in terms of its knowledge of assets in the Central Asian country, and is seeking deals there and in the surrounding region. With strong earnings from a soaring copper price, the FTSE 100-listed mining company has been amassing cash – its free cash flow net before some investments was

\$1.33 billion at the end of Dec. 31 2006, up from \$450.2 million the year before. For the right opportunities the company has the capacity to use its existing cash, and then to also take on debt, Novachuk said.

Asked why it was taking so long for the company to unveil a big deal, Novachuk said Kazakhmys almost bought a project in 2006 but decided the price was too high. He declined to say which asset they had passed up. Novachuk said some recent oil deals in Kazakhstan have been overpriced and Kazakhmys wants to deliver a good deal for its shareholders. One of the company's key strategic aims when it listed in London October 2005 was to seek further growth opportunities in Kazakhstan and the surrounding region.

## CHINA'S INDUSTRIAL OUTPUT UP 18.5 PERCENT IN FIRST TWO MONTHS

*March 15, 2007 (Xinhua)* – The added value of China's major industrial enterprises grew 18.5 percent year-on-year in the first two months of 2007, the National Bureau of Statistics (NBS) said Thursday. This compared with a 16.6 percent increase for all of 2006, despite continuing

government efforts to rein in copy-cat construction and other red-hot areas of the economy.

The sales ratio of the enterprises stood at 97 percent, which is the same as January and February of last year.

Delivered exports totaled 939 billion yuan in value, up 23.6 percent.

Two-digit growth was registered in the industrial added value of textile, nonmetal minerals products, ferrous metals smelting and pressing, telecommunications devices, computer and other electronic devices, and chemical materials and related processing industries.

The output of coal rose 15.7 percent year on year, crude oil, 2.5 percent, electricity, 16.6 percent, and rolled steel, 25.4 percent. The output of motor vehicles increased by 21.5 percent, of which, that of sedans was up 29 percent.

## RUSSIA RATIFIES ERDENET COPPER JV AGREEMENT WITH MONGOLIA

*March 16, 2007 (Interfax)* – The Russian government has given its final seal of approval to an agreement with Mongolia on the functioning of the Erdenet joint venture, which is Mongolia's biggest copper mining enterprise. Russian Prime Minister Mikhail Fradkov on March 10 signed an instruction on endorsing the agreement, which received general approval back on July 1, 2003, the government's press office said.

The agreement turns Erdenet, which was set up in Soviet times, into a limited liability company, based and

registered in Mongolia. It states that Russia owns 49% and that Mongolia owns 51% of the joint venture.

The agreement is valid five years, and is automatically renewable every five years after that unless one of the owners gives notice, at least six months prior to the expiry of any five year period, that the agreement should be terminated. The agreement enters into effect after both sides have completed the necessary internal state formalities.

## ZAMBIAN GOVT WARNS UNIONS OVER COPPER MINES STRIKES

*March 16, 2007 (Hoovers)* – The Zambian government has threatened to deregister workers' unions that cause strikes at copper mines as it seeks to end the current labor unrest in the country. According to the official, the labor commissioner at the ministry has already written to all trade union leaders warning them against engaging in illegal strikes at copper mines.

The official said that the labor commissioner wrote to union leaders early this week emphasizing that they should not lead their members into strikes at copper mines when there are a range of peaceful ways on solving labor disputes.

A source at the Zambian Mines Ministry said that the measures are aimed at boosting investors' confidence, and noted that investors are pumping a lot of money into the sector only to face disruptions and strikes. Up to \$2 billion has been invested in the sector since 2002 and to attract more investors there should be industrial harmony, the Mines Ministry said.

The labor ministry has also warned workers not to engage in illegal strikes. It noted that recently workers had gone on strike at Mopani and Luanshya Copper mines although negotiations were still going on, and this was against labor laws which stipulate that workers should only take action after labor talks fail and a dispute is declared.

Last week, the management of Luanshya Copper Mines PLC threatened to sack up to 1,000 workers for engaging in an illegal strike. The Chief Executive Derek Webstock said workers went on strike when there was no declared dispute. He said that the company had invested a lot of money and had not made profits only to be confronted with hefty pay increase demands, workers later accepted to end the strike after management agreed not to sack them.

A Mines Ministry official said the sector is on its way to recovery after many years of unimpressive performance and any attempts to engage in strikes will kill mining. It is a risky venture due to the volatile metal prices on the international market and companies need protection, it said.

Miners in Zambia are keen to press for increased wages due to what is perceived as huge profits being made by mining companies on the back of the recovery of the copper prices on the international market. An official with Zambia's National Miners and Allied Workers Union confirmed it had received a letter from the labor ministry about the strikes but insisted that workers' unions are protected by Zambian laws and no one will threaten them in their quest for improved working conditions.

## CHINA OUT TO CONSOLIDATE ITS MINING INDUSTRY

March 16, 2007 (*Financial Times*) – China's Land Ministry plans to merge the miners of 15 minerals into fewer, larger groups to improve their efficiency and safety, Bloomberg reported on Friday. The plan covers miners of minerals such as coal, iron ore, copper ore and gold, China's Ministry of Land and Resources said in a statement on its website. The government supported larger miners acquiring smaller ones in regional mergers, the statement said, and the mergers would cut mine numbers from an existing 120,000, mostly small-scale projects owned by individuals.

China aimed to complete the merger plans in three of the 15 minerals in five prospecting areas by the end of 2007, according to the statement, although the priority areas were not named. The whole project will be completed by the end of 2008. "The next few years will be the climax of large-scale mergers and acquisitions in China," Zhang Fang, analyst at China Securities told Bloomberg. "China

realised it had to do more to conserve valuable resources, especially after going through the commodity price rally in the past few years."

Rising commodity prices have left miners in China flush with cash, with companies such as China Shenhua Energy, the nation's biggest coal miner, and Aluminum Corp of China, its largest producer of the metal, stepping up domestic acquisitions to secure resources.

The Chinese government also intends to cut the number of prospecting and mining permits issued by 20 per cent, moving to allow only a single permit for each mining zone. Moreover, it wants to reduce mining deaths and accidents by 10 per cent and reduce pollution by 15 per cent, the statement said. The mergers would also boost the use of new technology for cleaner mining and increase mineral ore recovery rates.

## NICKEL, TIN HIT FRESH ALL TIME HIGHS AMID DWINDLING SUPPLIES

March 16, 2007 (*AFX*) – Nickel and tin hit unprecedented highs as LME stocks fell again on the day. Nickel has since backed off slightly alongside falls in most other industrial metals as a volatile week in markets worldwide comes to an end. LME nickel for 3 month delivery hit a high of 48,500 usd earlier in the session, but retreated to 46,900 usd at 1.33 pm compared with yesterday's close of 47,100 usd. Tin was up to 13,850 usd from 13,775 usd yesterday.

Nickel stocks stored in LME certified warehouses worldwide fell by 30 tonnes to 3,564 usd on the day, leaving less than a day's worth of the metal available to the market. Tin inventories fell by a hefty 195 tonnes to 9,250 tonnes, said the LME in its daily report.

"It's the end of a long emotional week. Volumes (traded) this morning are a lot lower than they have been of late," notes RBC Capital Markets analyst, Alex Heath. He explained that with a high level of investors in the market, fuelling prices to high premiums, "a technical correction is healthy."

Nickel has hit new highs for most of this week with analysts calling for a test of the 50,000 usd level in the near future. However, some have pointed to a possible dip in demand which could ease prices. "More and more anecdotal evidence indicates signs of demand resistance to high prices suggesting that a ceiling can't be far away," said UBS analysts.

Tin prices rose as falling daily stocks outweighed reports that Indonesia, the world's second largest tin producer, pledged to maintain annual supply of 90,000 metric tons in a bid to stabilise prices. Indonesian output in 2007 will be 28 pct lower than the 125,000 tonnes produced last year, said tin industry organisation ITRI.

In other metals, aluminium was down at 2,777 usd against 2,790 usd, copper was down at 6,500 usd against 6,540 usd, and lead was down at 1,887 usd compared with 1,915 usd at yesterday's close.

## GLOBAL COMMODITY-PRICE BOOM 'UNSTOPPABLE PHENOMENON'

March 16, 2007 (*Mining Weekly*) – South African Mick Davis is nothing if not acquisitive. Under this former Eskom executive director, the London-listed Swiss-based Xstrata plc has seen its share price soar following flurry

of acquisitions in the past five years, his latest scalp being that of Canadian nickel giant Falconbridge.

His confidence to acquire – and even be tipped by some analysts as a possible Anglo American plc suitor – is

based on his deep insight into the confluence of two phenomena that have created enormous opportunities.

Phenomena One: On the demand side, commodities prices are being lofted by what he defines as the “unstoppable phenomenon” of infrastructure investment in urbanising China and India, which, he has no doubt, will continue to be “unstoppable” for years to come.

Phenomena Two: On the supply side, mining companies are unable to catch up with demand, which, he has no doubt, will also persist for years to come.

The commodities boom continues, in his view, to have legs aplenty. After all, he reminds, it was he who coined the phrase “stronger for longer” in describing the longevity of the global commodities super cycle. On supply, he says: “You have to bear in mind that the risk is on the supply side.” Little wonder then that he remains mining’s most voracious acquirer.

This is his three-pronged thesis:

- Commodity prices have been so high because of the confluence of the two phenomena;

- Commodity prices will continue to be high because China is financing its urbanisation-infrastructure growth from its own domestic savings and not from foreign borrowings, while India – though orders of magnitude behind China – has also entered that same urbanisation phase; and

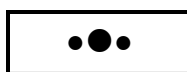
- The long range cost of production will remain high because of the length time it takes for mining companies to respond to the previous decade’s sharp fall-off in mining expansion – coupled to the fundamental that the cost of production always sets commodity prices.

Phenomenon number two is the much-reduced supply side. Davis recalls that a similar surge in demand for raw materials and consequent price step-change took place after the Second World War as a result of the

reconstruction of Europe, Japan and other areas of the Far East.

That resulted in an explosion of exploration activities in areas that had hitherto not been a major source of raw materials, including South America and Australia. That exploration investment found very substantial deposits, which were then brought to market.

But as Europe and Japan matured, the intensity of metal usage began declining as a percentage of gross domestic product and a huge funnel of supply began feeding into shrinking outlet of demand, resulting in the world price of commodities declining by one percent and two percent a year. As a consequence, during the late 1980s and early 1990s, very few mining companies were covering their cost of capital and returns to investors were poor. This resulted in the era of engineer-dominated asset focus giving way to one of accountant-driven return-on-investment focus, and opportunities to expand supply were not taken up for a prolonged period. The upshot was a vastly reduced supply side, which, in the early part of this decade, collided head-on with explosive Chinese growth, and the prices of raw materials were sent soaring once more. While there has been a supplier response, Davis points out that it can take up to seven years to turn a large mine to full account. “We are now in the stage of people trying to respond and in my view it is going to take years,” he says. However, (Davis) has never argued that the current high price levels are sustainable. But what he does postulate is that prices will remain “higher than the long-term averages” for a “reasonably long period of time”, owing to the time it will take for supply to catch up with demand “on a sustained basis”. Astoundingly, he says that current risk is on the supply side. This is because mining operations are being run “at 110%” to optimize production, which means that there is little scope for breakdown. “The smallest event in the operation means a curtailment of production. That is the scenario,” he says.



## COUNTRY RANKING

Behre Dolbear’s 2007 ranking of countries for mineral investment is now available on our website: [www.dolbear.com](http://www.dolbear.com) .



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