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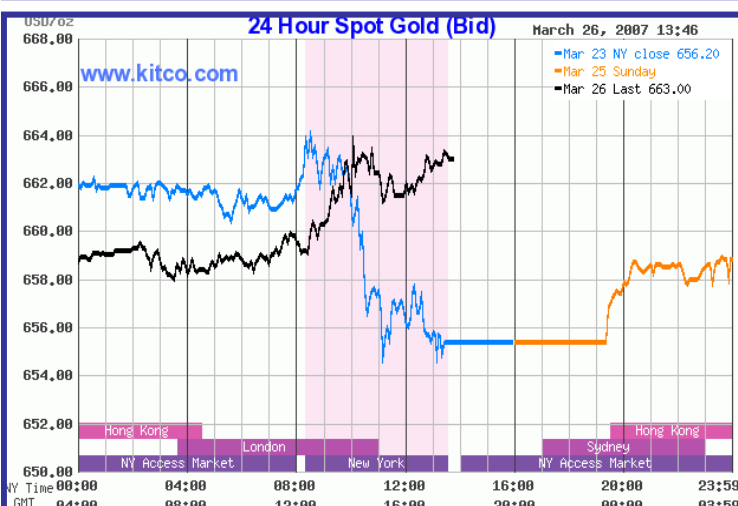
Global Mining News

CHINA PROHIBITS LEAD, ZINC PROJECTS WITH CAPACITY UNDER 50,000 TONS

March 19, 2007 (Xinhua) – China will not approve lead smelting projects with an annual capacity of less than 50,000 tons, according to the State Development and Reform Commission (SDRC). The new regulations governing the lead and zinc industries issued by the SDRC recently require that the existing regenerated lead projects should have an annual capacity of more than 10,000 tons, and the capacity of expanded projects should be more than 20,000 tons. An annual capacity of more than 50,000 tons is required for new regenerated lead projects.

The regulations also require new lead and zinc mines to have at least an annual capacity of more than 30,000 tons, and an operation life of 15 years. According to the SDRC, the new regulations will pave way for the adjustment of the lead and zinc industrial structure and sustainable development.

Despite rapid growth in the lead and zinc industries, China faces challenges in maintaining sustainable development in the sector due to a shortage of resources, unbalanced profits between enterprises, weak competitiveness and low and out-of-date smelting technologies. Problems such as the waste of resources and blind investment also affected the smooth development of the industry.



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USD	MARCH 23, 2007	MARCH 16, 2007
GOLD	656.25	653.20
SILVER	13.3700	13.0700
PLATINUM	1,232.00	1,219.00
PALLADIUM	354.00	351.00
ALUMINUM	1.2528	1.2633
COPPER	3.1080	2.9574
LEAD	0.8822	0.8673
NICKEL	20.6884	22.4528
URANIUM	91.00 (03/19/07)	91.00 (03/12/07)
ZINC	1.4565	1.4633

Analysts said the new regulations mean to eliminate out-of-date production facilities and technologies, to maintain a balance between output and demand and orderly development of lead and zinc industry.

Last year, nine government ministries, including the SDRC, the Ministry of Finance and the Ministry of Land and Resource, set to eliminate backward production facilities and technologies by 2010.

CITIGROUP RAISES 2007 NICKEL FORECAST ON SUPPLIES

March 19, 2007 (Bloomberg) – Citigroup Inc., the biggest U.S. bank, raised its 2007 forecast for nickel, saying supply constraints will keep the commodity in a “super cycle” of elevated prices.

The bank forecast the metal will average \$17.50 a pound in the first half, San Francisco-based analysts led by John Hill wrote in a report yesterday. That’s 9.4 percent higher than a Citigroup estimate in October, and above the average \$17.22 a pound price so far this year. The bank also raised its second-half forecast 35 percent to \$13.50 a pound, saying supply will be more limited than it anticipated last year.

In February 2005, Citigroup’s Alan Heap, the bank’s director of global commodity analysis, said metals may be entering a “super cycle.” Since then, prices for metals including nickel have more than doubled on the London Metal Exchange.

Nickel, used in stainless steel, gained 13 percent in London last week, the biggest weekly gain in more than

two years. The metal traded at a record \$48,500 a metric ton (\$22.02 a pound) on March 16 on speculation shrinking stockpiles indicate supply is falling short of demand. Before today, prices had gained 43 percent this year. The metal averaged \$23,223.29 a ton (\$10.54 a pound) last year.

“Record prices reflect acutely low stocks” and strong demand from the stainless-steel sector, the report said. “Nickel is likely to remain in deficit in 2007.”

Stockpiles of the metal have fallen 89 percent in the past year as producers failed to keep up with demand from the stainless-steel industry. Inventories are roughly equal to less than one day of global consumption. “Nickel miners are running flat out,” the analysts wrote. “Even a modest supply-side outage could have profound implications.”

The price of the metal has soared nearly 10-fold in the past five years as demand surged in China, the world’s largest consumer of nickel.

DESPITE TREMENDOUS OUTPUT, CHINA’S ZINC MINING INDUSTRY FACES COMPLEX INFRASTRUCTURE, REGULATORY, ISSUES

March 19, 2007 (MineWeb) – While China can offer “world-class examples of every type of zinc deposit,” hydrothermal ore deposit expert Dr. Robert Page said most of the nation’s zinc mines lack reserves as the world would define them, modern mine infrastructure, environmental protection, or even have exploring drilling programs.

In a presentation to the Geological Society of Nevada Friday, Page, long-time chief geologist for former Canadian base metals miners Noranda/Falconbridge, declared that “the deposits are there. They are big. They can be expanded.” Nevertheless, he added that the geological information about those deposits is closely held by the Chinese.

Every modern major zinc mine that Page toured in China was surrounded by small and illegal mines and what he called “backyard smelting” operations with no environmental or safety controls. Page noted that small zinc mines in China “now produce more zinc than all the zinc mines in Australia.”

In China, 30,000 ton-per-year zinc producers are considered large miners, while less than 10,000 tpy producers are deemed to be small mines. Nonetheless, the combination of Small, medium and large zinc producers could yield 800,000 tons of zinc by 2012, according to Page’s estimates.

Nevertheless, the lack of environmental and safety controls at both small and major mines meant visitors passed through “one pollution control-less situation to the next,” according to Page. For instance, Daijiazhuan is a new zinc deposit discovered in 2000 on which two major zinc mines were in operation by 2002. However, Page said “no one is working with a computer program, planning benches” at either mine. There are no environmental or safety controls, nor has anyone constructed any infrastructure to serve the mines.

Guangxi, which has more tin, manganese and indium deposits than any other Chinese province, was described by Page as the “most chaotic mining district in China.” However, in rural agrarian areas where no other

economic opportunities exist except for agriculture, he added “there’s a lot of appreciation in China for people of extractive industries.” Page feels that while the Chinese central government has “good intent” on working with foreign mining companies, the actual control of current and future mining operations is “centered at the local level.”

Several factors including the drive of the central government to privatize state-operated mines and an increasing zinc price will drive the future of Chinese zinc mining, Page asserted. As many smelter companies surrounding major mines find they have no feed once those mines are privatized, Page suggested that those smelter companies will also begin investing in zinc mines.

While Page believes that most of China’s zinc production increase will come from its newly privatized larger zinc mines, he suggests that overall Chinese production “will become increasingly difficult to maintain.” He claimed that “the disincentives to operating small [zinc] mines now outweigh the drivers.” Newly privatized large zinc mines will shut down the illegal small mines and

backyard smelting operations now operating on areas licensed to large companies, Page predicted.

While Chinese companies are “perfectly capable of developing” their deposits, Page also noted that large privatized Chinese mining companies are already forming partnerships with major foreign mining companies. He asserted that junior exploration and junior miners have a better chance of working with small Chinese mining operations.

However, Page noted that the conflicts between the Chinese-style mining and regulatory system and western mining “are almost insurmountable.” While Page conceded that environmental NGOs “have zero chance right now” of getting their voices and concerns heard in China, nonetheless, he believes that internal health conditions will result in internal pressure to literally clean up Chinese mining. As an example, he showed a slide where tailings from illegal Chinese zinc mines had contaminated and clogged up a local river. The Chinese had simply exported their tailings pollution down river to Vietnam.

CHINA'S FUTURES EXCHANGE TO HOLD TRIALS FOR ZINC TRADING

March 19, 2007 (Associated Press) – The Shanghai Futures Exchange will hold a test run for zinc trading this week as part of plans to launch futures trading in the metal, the exchange said Monday. The move is meant to give zinc traders a hedging tool and to reduce their dependence on world markets, state media said.

Zinc futures and options are now traded only on the London Metals Exchange, where zinc prices rose more than 120 percent last year. As for many other commodities, China has been seeking a greater say in pricing given its huge demand.

An announcement from the exchange said the trial trading would begin Monday afternoon and run through

Friday. The Shanghai Futures Exchange set the minimum delivery unit for zinc futures at 25 tons, with prices allowed to fluctuate in a single day by 4 percent above or below the closing price of the previous day.

Last Friday, the government issued new rules for futures trading, including financial futures and options contracts trading as well as commodities futures. The new rules, which take effect April 15, end a ban on futures trading by financial institutions and allow them to raise funds and offer securities for futures trading, according to the official Xinhua News Agency. The regulations will establish the foundation for introducing stock index futures, which are due to be launched by midyear, it said.

SOLID DEMAND FOR TITANIUM

March 20, 2007 (Market Scan) – In the next three years, the titanium industry could continue to expand driven by increased demand from aerospace companies such as Boeing and Airbus, according to a recent report by Banc of America Securities. “Given that aerospace production should peak in 2010, we believe 2008 and 2009 should be peak years for aerospace titanium demand,” said Kuni Chen, an analyst for Banc of America.

“Over time, continued growth of industrial applications and emerging markets (oil & gas, medical) should help to diversify titanium end-market demand.” The analyst also said the titanium capacity should continue to expand, but that the pace of that growth is manageable. “Our strategy is to look for opportunities to buy the group on pullbacks,” Chen said.

COPPER DEMAND WILL RISE – BHP

March 20, 2007 (Bloomberg) – The copper market would be “tight” in the second quarter of the year amid rising Chinese demand, with a surplus projected for the second half, BHP Billiton said yesterday. The market was moving from deficit to a “modest surplus”, the mining company said in a presentation on its website. It cited data from research companies Brook Hunt and CRU, which showed that supply would exceed demand in the final six months of the year.

BHP Billiton has benefited from a five-year surge in commodity prices, with copper reaching a record last

May. Copper futures had their biggest weekly gain in nine months last week on signs of rising demand from China, the world’s top user. “The current view is still very positive for refined demand,” the company said. Copper was “very vulnerable to supply disruptions and problematic ramp-up of new production”.

The price of copper has risen 3.5 percent on the London Metal Exchange this year. The metal was bid at \$6,629 a ton yesterday afternoon.

BNP SAYS NICKEL MAY AVERAGE \$30,000 A TON THIS YEAR

March 20, 2007 (Bloomberg) – Nickel, which rose to a record \$48,500 a ton last week, may average \$30,000 this year, PT BNP Paribas Securities Indonesia analyst Ferry Wong said, as he raised profit forecasts for the nation’s top miners of the metal. The nickel forecast compares with \$23,185 a ton on average last year on the London Metal Exchange, according to Bloomberg data. Gold may

average \$650 an ounce in 2007, Wong added in an e-mailed report, without giving an earlier forecast.

Nickel, which is used in stainless steel, has soared nearly 10-fold in the past five years as miners struggled to meet demand from China. The three-month contract ended at \$46,600 a ton yesterday, 3.9 percent lower than the March 16 record.

BANKRUPTCY COURT ENDORSES ASARCO LABOR AGREEMENT – GRUPO MEXICO PLANS APPEAL

March 20, 2007 (MineWeb) – The U.S. Bankruptcy Court for Corpus Christi, Texas, has authorized U.S. copper miner Asarco to enter into a labor agreement that was ratified in February with the United Steelworkers (USW) and other unions representing five Asarco operations in Arizona and Texas.

The \$94.5 million collective bargaining agreement had been challenged by parent company Grupo Mexico, which on Friday appealed the bankruptcy judge’s decision to the federal district court in Corpus Christi.

Grupo Mexico had called the agreement a “giveaway,” and strongly objected to a successorship clause requiring any new Asarco buyer to honor the labor contract. Nevertheless, under U.S. federal bankruptcy law Asarco is primarily responsible to its creditors, who demanded that an independent board manage Asarco, claiming Grupo Mexico had mismanaged its U.S. subsidiary.

Grupo Mexico argued that the contract stacked the deck for a potential sale of the company to hedge funds or buyout firms by excluding businesses that provide equity or debt capital from restrictions contained in the agreement, according to the Associated Press.

On December 26, 2006, however, Swiss metals company Glencore and Washington Corporation of Montana formed a joint venture to make an offer to purchase all of Asarco’s assets. Last May, Glencore bought Asarco’s idled Tennessee Mines Unit zinc operations for \$65 million.

When the Asarco agreement was ratified, Terry Bonds, USW District 12 Director, claimed Grupo Mexico had frustrated the negotiations for almost two years. “That began to change when Grupo Mexico was moved aside by an independent board of directors and Joe Lapinsky was named to head the company,” according to Bonds.

Bankruptcy court Judge Richard S. Schmidt, however, ruled that Grupo Mexico will not be bound by the labor agreement if it retains control of Asarco once Asarco leaves its Chapter 11 bankruptcy status. Asarco filed for Chapter 11 bankruptcy protection in August 2005 and has asked that its reorganization be extended until May 2007.

In a news release Monday, USW’s Bonds vowed the union “will fight this frivolous appeal. And we will fight any further attempts by Group Mexico to place its self-interest above the interest of our members and retirees in a healthy Asarco.”

VEDANTA EARMARKS 2 BLN USD FOR MINING ASSETS IN EASTERN EUROPE, LATIN AMERICA

March 20, 2007 (AFX) – Vedanta Resources, the FTSE 100-listed copper and zinc miner, has earmarked 2 bln usd to buy mining assets in Eastern Europe and Latin America, the Indian daily newspaper the Financial Express reported.

Vedanta chairman Anil Agarwal told the paper the company is looking at acquiring mines to become a fully integrated player in basic metals, and believes mining assets in these regions will allow the group to reach its 1 mln tonne targets in each of aluminium, zinc and copper capacity.

The company is also eyeing assets in India and Agarwal told the FE ‘India is extremely rich in bauxite, iron ore and coal assets and we would want to play a crucial role in greater privatisation of the mining industry in India.’

This follows Vedanta’s 1.9 bln usd Orissa power project plan announced last year, which initially involves the construction of a 2,400-megawatt greenfield coal-fired power plant in Jharsuguda, Orissa and marks the group’s entry into the energy generation business.

FREEMPORT-MCMORAN ARRANGES \$11.5 BILLION IN CREDIT TO FUND PHELPS DODGE TAKEOVER

March 20, 2007 (Associated Press) – Freeport-McMoran Copper & Gold Inc. on Monday said it has arranged three new credit facilities totaling \$11.5 billion to fund its \$25.9 billion purchase of rival Phelps Dodge Corp. The cash-and-stock deal closed on Monday.

In a filing with the Securities and Exchange Commission, New Orleans-based Freeport said the new and amended facilities consist of a \$1.5 billion, five-year revolving

credit facility; a \$2.5 billion, five-year term loan and a \$7.5 billion, seven-year term loan.

The funds will also be used to refinance existing debt and for working capital and general corporate purposes, Freeport said. JP Morgan Securities Inc. and Merrill Lynch acted as joint lead arrangers and joint bookrunners for the credit agreements.

XSTRATA TO DOUBLE COPPER OUTPUT IN SEVEN YEARS, SEEKS NEW BUYS

March 21, 2007 (Dow Jones Newswires) – London-listed miner Xstrata will double its current copper production over the next seven years from its existing project pipeline, but is still on the lookout for further acquisitions, the chief executive of Xstrata’s copper division said Tuesday.

Xstrata’s copper business contributed nearly 40 percent of the company’s total 2006 revenue of US\$17.63 billion (HK\$137.51 billion), with last year’s acquisition of Canadian miner Falconbridge and BHP Billiton’s Tintaya copper mine in Peru sharply boosting output. “We continue to be interested in further acquisitions, either where copper features as part of an acquisition like Falconbridge or pure copper plays,” Xstrata Copper chief executive Charlie Sartain said.

Xstrata’s copper output in 2006 was 1.01 million tonnes and will increase by 2 percent to 3 percent this year, he said. By comparison, the world’s largest copper producer, Chile’s Corporacion Nacional del Cobre de Chile, produced 1.68 million tonnes last year.

Xstrata will first look for acquisitions in areas of its existing operations, particularly in Chile, Peru and Argentina, where around 70 percent of the company’s copper assets are located, and in Australia and Asia. Closer to Xstrata Copper’s headquarters in Brisbane, Australia, the expansion of Mount Isa’s copper smelting capacity to 300,000 tonnes is on track for the second half of 2007. The expansion was pushed back from the first half of this year due to delivery delays of an oxygen plant.

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ITALIAN LAWSUIT COULD HAVE IMPLICATIONS FOR SOUTH AFRICAN MINERAL RIGHTS

March 21, 2007 (*MineWeb*) – A legal case that three Italian mining companies are bringing against the South African government could not only remove BEE requirements for multinational mining companies operating in South Africa, but could also have implications for previous owners of unused rights and those who failed to convert old order rights, if the claims are upheld. The three Italian mining companies were taking legal action against the government over rules forcing businesses to help make amends for discrimination suffered by black people under apartheid.

Peter Leon, South African attorney for granite miners Marlin Holdings, Marlin Corporation and Red Graniti SA, which are suing the government for €266 million (\$349m) compensation, said today that if successful the case will at the least be a catalyst for other mining companies to bring similar actions against the government and it could set a new precedent in the country.

He said a hearing by the World Bank's International Centre for the Settlement of Investment Disputes (ICSID) was likely to only start by the end of this year as the parties still had to agree on a person to chair the tribunal and rules and procedures for the hearing had to be established. The hearing would probably take place over a period of two years.

Leon said the main part of the mining companies' claim did not relate to black economic empowerment (BEE)

requirements under South Africa's Mineral and Petroleum Resources Development Act (MPRDA) of 2004, but addressed expropriation of mineral rights that has occurred in the case of unused old order mining rights and in the case of companies that have not been able to convert their old to new mineral rights.

He said he has long held the view that the government was violating international law with clauses in the MPRDA that amounted to expropriation and demanded 26% of BEE ownership in mining companies. Although the case could cause some uncertainty in the market while it was hanging, it could bring great benefit to the industry if it was successful, he said.

South Africa is not part of the Washington Convention on the Settlement of Investment Disputes of 1965 that rules international investment disputes and the case will therefore be conducted under the additional ICSID facility of the Convention.

The Italian firms were granted compulsory international arbitration by the ICSID arm of the World Bank after unsuccessfully seeking compensation from the government. Both parties have to nominate an arbitrator that does not hail from either of the countries for the hearing before 7 April and will then have to come to an agreement on the chairperson for the tribunal.

INDIAN ORE TAX TO HELP AUSTRALIA

March 21, 2007 (*The Australian*) – Australia is set to be the major beneficiary, with Brazil, of India's export duty on iron ore – which has already caused Chinese buyers to divert more than 20 ships from India. India is the main source of the iron ore bought on the spot market by China, which buys more than half India's ore exports.

It is China's chief alternative to the ore bought under the price negotiated in a contract with the big miners in Australia and Brazil. This will rise 9.5 per cent on April 1. The Indian government introduced the duty, effective from March 1, in its federal budget to hold back more ore for local mills.

The timing was awkward. The duty, passed on to buyers by India's ore suppliers, added more than 10 per cent to the cost of a tonne, just as Chinese mills were seeking to boost imports before the April 1 rise in the contracted

price. The Indian Steel Alliance is lobbying the government to double the new duty swiftly. The Times of India reports that China's steel industry has threatened to stop importing ore from India altogether. The biggest Chinese buyer from India, Sinosteel, has pulled out of the market for now.

Indian Steel Minister Ram Vilas Paswan vowed on Tuesday to provide sufficient support for the steel industry – already growing by 10 per cent per year – to raise its output from 43 million tonnes a year to 175 million tonnes by 2020. "Our iron ore export policy should be based on our domestic needs," he said. "I am not against export of iron ore, but the needs of the domestic utilities and their expansion plans would have to be factored in. Only after that should exports be allowed."

EMERGING AUSTRALIAN IRON ORE PRODUCERS TURN TO CHINA

March 22, 2007 (XFN-ASIA) – An emerging group of Australian iron ore companies is betting on iron ore prices remaining strong as they seek to develop new mines to compete with BHP Billiton and Rio Tinto in supplying Asian markets, analysts said. They said in many cases these companies are winning the financial support of China's steel industry as they pursue aggressive development plans.

The analysts said Chinese backing is being won due to the desire of Chinese steel mills to break the pricing power of BHP, Rio Tinto and the world's other major iron ore exporter, Brazil's CVRD.

The Chinese steel groups are still reeling from massive increases in iron ore prices in recent years due to supply constraints and view supply diversity as important even though the new entrants will not be able to match the output of the world's three largest iron ore exporters.

The new wave of Australian iron ore producers outlined their plans at a conferences held this month by investment bank UBS in Melbourne and Sydney. The general consensus was that the outlook for iron ore remains very strong, underpinned by growing Chinese steel production. UBS agrees, suggesting that the

emerging producers will find ready markets once in production.

“With Australian exports only increasing 4 pct in 2006, and limited potential new supply from CVRD and lower Indian exports, this highlights that tight market conditions are likely to remain,” UBS resources analyst Glyn Lawcock said.

At the conference, the leader of the new pack of iron ore producers, Fortescue Metals Group Ltd, noted that over the last 5 years, the actual iron ore price change has been greater than analyst forecasts. Analysts typically err on the side of caution but in recent weeks Citigroup and Macquarie Bank have raised their expectations for contract prices for the year starting April 2008, from forecast falls of 20 pct and 15 pct respectively to rises of 5 pct and 10 pct respectively. Credit Suisse also expects a 5 pct increase.

Macquarie, in a note to clients, said iron ore's future is tied to the pace of Chinese industrial production which is expected to increase as infrastructure spend accelerates, in part due to surplus liquidity. The firm noted the latter is already evident from rising steel production and consumption in China.

COMDAQ TO LAUNCH ONLINE PGMS TRADING

March 22, 2007 (Hoovers) – Platinum group metals broker Comdaq Metals Limited is to launch an online PGMS trading platform that will go live on March 28, the company said Thursday. The online facility will allow users to trade platinum, palladium, rhodium, ruthenium and iridium.

“Our aim is to assist liquidity through the mediums of our over-the-counter broker and online platforms creating a hybrid model,” said Neil Grover, director head of precious and PGMS at Comdaq Metals. “We are dealing

in a physical and unallocated commodities market, where our clients are looking to place specific quantities of metal at a prescribed price, and offer the opportunity to fully negotiate anonymously online,” Grover said.

The new PGMS platform will be Internet-based with access 24 hours a day, seven days a week. Comdaq Metals currently brokes both physical metals and what is termed unallocated platinum and palladium, on a spot and physical swap basis.

RHODIUM PRICE BOUNCES UP \$50 OVERNIGHT TO \$6,100/OZ

March 22, 2007 (Platts) – Rhodium prices have made a sudden bounce with a flurry of inquiries that caused dealers who have material to increase their offers, trade sources have told Platts Wednesday. There are conflicting reports, however, about actual transactions taking place, even though Engelhard and Johnson Matthey have both increased their published prices by \$50/oz.

Johnson Matthey increased its North American Daily price of rhodium to \$6,075/oz on March 21 from \$6,025/

oz which had been unchanged since March 9. Prior that, the price was mostly in the \$5,950-6,000/oz range. Engelhard has raised its published price to \$6,100/oz from \$6,050/oz, and dealers are quoting \$6,050-6,100/oz.

“I think the market is moving up on a 150 oz-bid and nobody is offering anything,” a trader said, adding: “Nobody is looking to selling anything at the moment because the metal is tight.” Said another: “I think there is no physical metal for sale; there is a lot of borrowing

going on. People are concerned about supply from South Africa and Russia.”

A producer source noted, however, that “there’s a lot of good physical demand right now. People are trying to get whatever metal they can, and that’s pushing up the price.” According to a market analyst, there is apparently

some confusion over export licenses for Russian material. “I’m not sure what’s going on in Russia, but people here are concerned about Russian supply,” he said. “Russian material is the swing factor in the market because it represents about 15% of the world’s supply.”

SOUTH AUSTRALIA RAPS ON THE DOOR FOR MORE FLEXIBLE URANIUM MINING

March, 22 2007 (MineWeb) – South Australia showed today why it is only one step short of putting out the welcome mat for expanded uranium mining in its State. Like all other Australian states South Australia has an Australian Labor Party (ALP) government, which makes it technically bound to the party’s existing uranium policy of ‘No New Mines’. However, it is the State that is reaping royalty benefits from two of the country’s three uranium exporters – BHP Billiton’s Olympic Dam (which has a massive copper-uranium orebody) and Heathgate Resources Beverley in situ leach mine.

In opening Paydirt’s Uranium Conference in Adelaide, SA Minister for Mineral Resources Development Paul Holloway said the state has led the debate about changing the ALP’s ‘No New Mines’ policy. “The Premier (Mike Rann) wants it to change, the Deputy Premier wants it to change, I want it to change, and in recent times you may have read that our Transport & Energy Minister Patrick Conlon also wants the policy to change,” he said. “Importantly, the Federal Party Leader Kevin Rudd has also publicly supported policy change in this area”

Holloway said that in the past 12 months the money spent on exploring for uranium in South Australia has topped \$A30 million (\$C27.49 M) - that’s the highest figure for 25 years. Holloway pointed to the success of South Australia’s PACE initiative (Plan for Accelerating Exploration). “We launched it about this time three years ago. At that time our exploration expenditure was just under \$A40 M (\$C37.27 M), which represented 4.9% of the national spend. In 2006, that figure reached \$A191 M (\$C177.99 M), which is 13.2% of the national spend. Had we just maintained our 4.9% share our total would be about \$A71 M (\$C66.18 M).

As well as the PACE programme Holloway claimed South Australia has the lowest royalty in the country for new mines – 1.5%. He said there are about 60 exploration companies and prospectors currently holding more than 200 Exploration Licences for uranium in South Australia – and a growing list of Adelaide based uranium explorers listing, or proposing to list, on the Australian Stock Exchange.

He said South Australia has two and “soon to be three mines” and that assumedly referred to Uranium One’s Honeymoon project, for which some mining leases have been granted, or to the rapidly advancing Four Mile discovery by Heathgate on joint venture ground with Alliance Resources, close to the Beverley mine. “If Australia doesn’t supply the demand for uranium, other countries that take these responsibilities far less seriously, such as Kazakhstan, will. This is an important matter for our state,” Holloway said.

Another speaker at the Uranium Conference today, Michael Angwin, said Australia’s uranium exports stand to double in value within the decade to above \$A1 billion (\$C932 M) from \$A570 M (\$C531.6 M) currently, as the nation steps up to increasingly fill the gaps between world uranium supply and demand.

Angwin, executive director of the Australian Uranium Association, said: “Australia cannot isolate itself from the search for additional energy sources. Significantly, middle Australia has shifted ground considerably and positively on uranium exploration and mining and there is now a much larger groundswell of support for an expansion of this potential.

“This shift has occurred under the influence of a high level of economic understanding, including the link between jobs and exports, awareness about climate change and growing appreciation that uranium does not produce carbon dioxide emissions in generating electricity.”

However, he warned that while uranium mining had shifted into the Australian mainstream, it needed bipartisan acceptance. This would create a more stable uranium mining investment climate in Australia in parallel with a “fit-for-purpose” regulatory environment.

“Australia’s uranium industry has an excellent operational record and this should generate public confidence in our ability to expand our local exploration and mining.”

CHINA'S STAINLESS STEEL OUTPUT MAY RISE 37% THIS YEAR

March 23, 2007 (*Zee News*) – China, world's biggest producer of stainless steel, will probably increase output by 37 per cent this year to 7.35 million metric tonnes, metals research firm Heinz H Pariser said. The country made 5.36 million tonnes of stainless steel in 2006, Beatrix Nowak, chief analyst, told a conference today in Foshan, Guangdong province. Global output is estimated at 31 million tonnes this year, up from 28 million tonnes last year, Nowak added.

China is now the world's largest consumer of nickel, used to make steel resistant to corrosion. The projected higher

output would boost consumption of nickel. Nickel prices have tripled in the past year, reaching a record 48,500 dollar a tonne. Nickel prices fell 0.7 per cent to 44,300 dollar this afternoon on the London Metal Exchange.

Stockpiles tracked by the exchange plunged 89 per cent in the past year to 3,648 tonnes, equivalent to less than two days of global consumption.

JIANGXI ENCOURAGES FOREIGN INVESTMENT IN GOLD MINES

March 23, 2007 (*Interfax*) – Jiangxi Province will encourage gold mine consolidation and foreign investment, according to the provincial government's Jiangxi gold industry development guidelines, recently released on its official website.

A large proportion of the current 78 gold mines in Jiangxi are small-scaled and disconnected from each other, which often results in poor resource-sharing and supervision. Many of the mines are nearing the end of their productive lifespans and most of the mining and selecting technology employed is out-of-date.

The new guidelines state that the Jiangxi government will grant favorable policies to foreign mining companies who carry out risky prospecting and enter into joint ventures with local mining companies to extend the lifespan and reserves of gold mines. The government is considering setting up a gold mine prospecting fund to support local mines in new gold prospecting projects.

Major gold mines that have installed sophisticated mining and selecting technology and promote safety and

environmental protection will be supported by the government in gold mine mergers or acquisitions. This will aid in resource consolidation and combat illegal mining activities.

The eastern Chinese province of Jiangxi holds approximately 565 tons of gold reserves, more than any other Chinese province. Jiangxi Province produced 16.79 tons of gold last year, accounting for 7 percent of the nation's gold production, with 3.58 tons of which sourced from gold mines. Jiangxi Copper Group produced 13.13 tons of gold last year, making it the country's third largest gold refiner.

Jiangxi Province produced 2,797.31 kilograms of gold in the first two months this year, up 6.97 percent from the corresponding period last year. About 625.93 kilograms was sourced from gold mines, up 39.12 percent from last year and 2,171.38 tons came from nonferrous metals companies, up 0.29 percent.

US COPPER SCRAP SPREADS WIDEN AS CHINESE PULL BACK, FUTURES RISE

March 23, 2007 (*Platts*) – US copper scrap spreads widened this week as Chinese buyers continued to moderate the pace of their buying in the face of rising futures prices. Spreads for confirmed deals varied substantially, even those for overseas deals.

The Platts spread for No. 2 Birch/Cliff scrap, normally a favorite of Chinese buyers, widened to May COMEX minus 22 cents from May COMEX minus 20 cents the previous week. But spreads ranged from May COMEX minus 16 cents to May COMEX minus 26 cents.

Dealers cited two factors that were causing Chinese consumers/brokers to pull back. One related to absolute costs of the scrap in the face of rising COMEX and LME futures prices, the other related to import quotas levied on importers. "The Chinese markets are going down; they are not chasing the LME any more," said one dealer, who does most of his business overseas. "Over there, the mills are not following and they have widened their discounts."

A second dealer said many brokers and mills had failed to pay the requisite taxes for permits to bring material into

the country this year. "They were supposed to get it after the Chinese New Year, but right now the government hasn't issued what they call quota," he said.

"If you don't have quota, you can't get your material into the country. It sits at a dock until you can get the quota.

So you have a lack of buying by some people because they have invested in stuff they can't get in yet," he said.

MITSUI TO EXPAND CAPACITY AT WESTERN AUSTRALIAN IRON ORE JOINT VENTURES WITH BHP BILLITON

March 23, 2007 (Press Release) – Mitsui & Co., Ltd. announced today that it will spend approximately A\$190 million (17 billion yen) through its Australian subsidiaries to increase the capacity of iron ore operations in Western Australia, jointly operated with BHP Billiton and Itochu Corporation, to 155 million tons per annum (Mtpa).

Staged expansion program has been implemented to comply with strong global demand for iron ore, and the capacity expansion to 129 Mtpa is currently underway. The announced expansion today is to further increase the

capacity by 26 million Mtpa to 155 Mtpa, mainly by enhancing Mt. Newman operation. The initial production is expected to commence in the first half of CY2010. The capital expenditure for the expansion will total approximately A\$2.7 billion (250 billion yen).

Mitsui is engaged in the business through three iron ore joint ventures, namely, Mt. Newman, Yandi and Mt. Goldsworthy. The participating interests of BHP Billiton, Itochu and Mitsui in these joint ventures are 85%, 8% and 7%, respectively.

GOLD TO TOUCH RECORD LEVELS, SAYS CPM MD

March 23, 2007 (Economic Times) – Gold is on track to set record levels, "probably this year, possibly next," according to Jeffrey Christian, MD of the global bullion markets research and consultancy outfit, CPM Group. Prices would mainly be driven by investment demand. "The price of gold will range anywhere between \$590 and \$690 per ounce, averaging at \$640-650 levels this year," said Mr Christian, who is in Mumbai to release the CPM gold year book, brought out in partnership with MCX.

He explained that the average price in 1980, when gold had hit record levels was \$612 per ounce, and in 2006, the average price was \$606. In the first two weeks of March the average price has been high at \$650, hinting that this could well mean that gold is still on the upward course. "Prices could subside in the following year, but at a new level, in order for the bull run to sustain. This is the third bull run since World War II, and has so far been the longest," Mr Christian said.

He further added that CPM projects that that there could be a consolidation period for the next two years, keeping in mind the economic environment. "If the strong real

growth and industrial development continues in the next five years, it would be good for commodities in general," he said.

He pointed out that the risk premium built into the gold price is not going to reduce any time soon. Even though he projects a lower price for gold in 2008-2009, he said it would not be risk-free. The volatility in gold price has also risen, and investment demand for the metal is very high.

In the current bull run for the yellow metal, which began in 2001, the investment demand has been tremendous. In the last five years, global investment demand has been close to 241 million ounces, of which India accounts for almost 20%, Mr Christian said.

New products like gold ETFs have also attracted a different breed of investors, increasing the base. In the last year 18% of gold has been bought through ETFs. "Since these new investors have never been in a bear market, it would be interesting to see how they behave if gold takes a downturn," Mr Christian added.

BHP BILLITON SAYS IT WILL SPEND \$1.85 BILLION ON AUSTRALIAN IRON ORE OPERATIONS

March 23, 2007 (*Associated Press*) – Mining company BHP Billiton Ltd. said Friday it will spend \$1.85 billion to expand its Western Australian iron ore operations. The expansion will boost capacity to 155 million metric tons (171 U.S. tons) a year by the first half of 2010, BHP said in a statement. The company did not disclose the previous figure.

BHP will develop a new crushing and screening plant along with additional stockyards, car dumping and train loading facilities at the giant Mount Whaleback mine at Newman. The “project will further increase the efficiency of our integrated mine, port and rail operations,” said Ian Ashby, president of BHP’s iron ore operations.

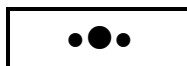
COPPER-MINING CAPACITY TO GROW 4.6% THROUGH 2011, GROUP SAYS

March 24, 2007 (*Bloomberg*) – Copper-mining capacity will grow at an average annual rate of 4.6 percent from 2006 through 2011, the International Copper Study Group said. By 2011, mines around the world will be able to produce 21.2 million metric tons a year of copper, an increase of 4.2 million tons from 2006, the Lisbon-based group said yesterday in an e-mailed statement. South America and Africa will account for more than 2.5 million tons of the capacity gain, it said.

Capacity growth at smelters will be a slower pace of 2.6 percent a year, reaching 18.8 million tons in 2011, it

said. “Assuming that smelter capacity utilization rates rise from the current low level to their historical average, smelter capacity over the entire forecast period should be sufficient to treat additional concentrate production,” the group said in the statement.

A surplus of mine output would lower processing fees imposed by smelters to turn the so-called concentrate, a semi-processed ore shipped from mines, into metal. Smelters impose the fees, known as treatment charges, on miners.





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