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Global Mining News

CHINA'S NICKEL DEMAND TO GAIN 29% THIS YEAR, MACQUARIE SAYS

April 2, 2007 (Bloomberg) – Nickel demand in China, the world's largest user of the metal, will grow 29 percent this year as its stainless-steel industry expands, Macquarie Bank Ltd. said. Demand will rise to 320,000 metric tons in 2007, Macquarie analysts led by Jim Lennon in London said today in a weekly report. The forecast is higher than that of Beijing Antaika Information Development Co., an adviser to China's government, which predicted in January growth of 20 percent to 300,000 tons.

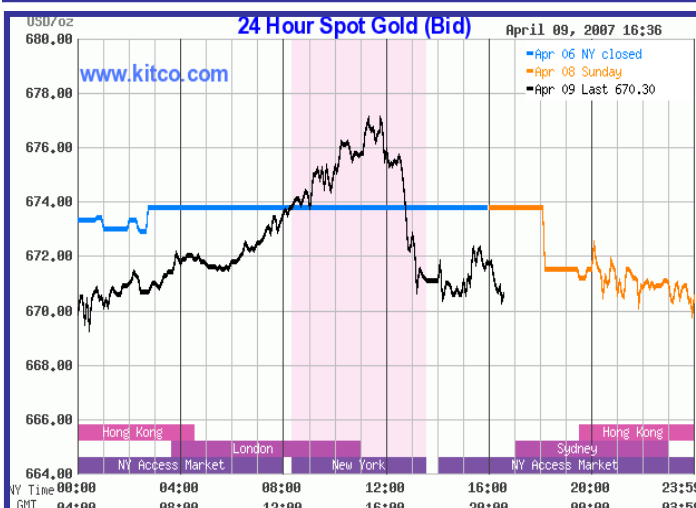
Chinese stainless-steel producers including Baosteel Group Corp. are increasingly relying on so-called nickel pig iron to trim production costs, Macquarie said. The raw material is a cheaper alternative to refined nickel, and China may produce as much as 80,000 tons this year, it said.

Prices for ore used to produce nickel pig iron are rising, Macquarie said. The price of limonite, a type of laterite ore, ore in the domestic market has doubled over the past year to around \$128 a ton, causing a "massive" rise in producers' cash costs to as much as \$30,000 a ton, from about \$15,000 a ton, the analysts said.

Nickel for delivery in three months on the London Metal Exchange gained \$1,000, or 2.2 percent, to \$45,800 a ton as of 11:34 a.m. local time. The contract has advanced the most this year among the seven base metals traded on the LME, rising 37 percent.

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USD	APRIL 05, 2007	MARCH 30, 2007
GOLD	673.50	661.75
SILVER	13.5800	13.3500
PLATINUM	1,251.00	1,244.00
PALLADIUM	350.50	371.75
ALUMINUM	1.2755	1,2664
COPPER	3.3861	3.1479
LEAD	0.9167	0.8782
NICKEL	23.7569	20.6385
URANIUM	95.00 (04/02/07)	95.00 (03/26/07)
ZINC	1.5431	1.4880

ICELAND MUNICIPALITY VOTES AGAINST ALCAN

April 2, 2007 (*Associated Press*) – Residents of a small Icelandic municipality have voted against a planned \$1.2 billion aluminum smelter plant expansion by Canadian aluminum maker Alcan Inc. The no vote this weekend by 50.3 percent of residents in Hafnarfjörður, a municipality of 25,000 people just south of Iceland's capital, Reykjavik, carries broad implications for both Iceland's economy and for Alcan, the world's second-largest aluminum maker, which has signaled it might leave the plant.

"If the expansion won't go through, we see that as the beginning of the end of the plant," Alcan Iceland plant information director Hrannar Petursson said Thursday. The company wasn't immediately available for comment since the vote.

The vote result also raised questions over the fate of other Icelandic smelters and projects, including those of New York-based Alcoa Inc. and Century Aluminum Co. of Monterey, Calif. Alcoa spokesman Kevin Lowery said Monday it's unfazed by the referendum and that it has "good support" for its own two projects from the local community there.

Lowery said the first of Alcoa's two projects in Iceland, the Fjarðal smelter, would be up and running in the next few weeks. Alcoa is exploring the possibility of a new smelter at Husavik in Bakki, northern Iceland. The project could conceivably be the world's first smelter powered by geothermal energy, Lowery said.

Iceland is just coming through a period of high growth, boosted by recent aluminum plant investment. The Alcan project "would have changed the economy dramatically," said Ingolfur Bender, a Reykjavik-based economist at Glitnir Bank. "The result means that the economy will cool down more rapidly than otherwise."

Economic growth jumped to 7.2 percent in 2005 from 2.7 percent in 2003 largely as a result of aluminum investment, prompting 18 interest rate hikes since May 2004 by Iceland's central bank to the current record high of 14.25 percent. But growth slowed to 2.6 percent in 2006 as the projects concluded. Inflation has slowed to 5.9 percent in March from 8.6 percent in August and is expected to continue slowing.

SOUTHERN COPPER CORPORATION ANNOUNCES PLANS TO ACQUIRE QUELLAVECO PROJECT

April 2, 2007 (*Reuters*) – Southern Copper Corporation announced that it began negotiations with Anglo American Plc about a partial or full acquisition of Quellaveco mining project in Moquegua, Peru. Southern Copper Corporation is interested in the project due to its

location between Toquepala and Cuajone mines, which will reduce whatever transportation costs that may have occurred otherwise. Anglo American Plc owns 80% of the shares of Quellaveco project, and Southern Copper Corporation plans to acquire a 51% stake.

ANGLOGOLD TO LIFT CAPEX TO R1.1BN THIS YEAR

April 2, 2007 (*Business Day*) – Global gold producer AngloGold Ashanti plans to increase its capital spending by almost a third to \$1.1bn this year as development accelerates at its Boddington mine in Australia, according to the group's latest annual report. Chairman Russell Edey and CE Bobby Godsell said the group's growth strategy had put it in its highest-yet capital investment phase.

The group's capital spend in Australia is forecast to rise to \$346m this year from \$86m last year. AngloGold owns 33.3% of Boddington and Newmont Mining holds the rest. A \$1.35bn- \$1.5bn expansion project was approved by the mine's owners a year ago. The project is on track

to start production late next year or early in 2009, management said.

Other areas where spending will rise are SA, with a 16% increase to \$364m, and Ghana, where capex will rise 48% to \$133m. But capex costs at Geita in Tanzania, where spending was needed last year to change over from contractor to owner and buy larger equipment, is expected to reduce to \$53m this year from \$67m last year.

In SA, expansion spending last year was mainly on the completion and commissioning of the Moab Khutsong mine, deepening the Mponeng mine and accelerating the upgrade of the uranium plant at Vaal River. In Ghana,

capital spending at Obuasi is expected to be lower this year, but a plant expansion is under way at Iduapriem. It is due to be completed by the third quarter of this year.

This year AngloGold expects to produce 5.8-million ounces of gold from all of its operations at an average

total cash cost of \$309/oz, Edey and Godsell said. They said AngloGold took a positive view of the market for, and price of, its product.

BASE METALS WILL CONTINUE TO SHOW THEIR METTLE

April 2, 2007 (MineWeb) – Base Metals prices are likely to continue on a strong trajectory with prices moderating by 2010 on prices in 2006. But the majority of base metal prices will persist well above 2005 averages by 2010 as the mining industry requires several years to develop new supply.

Base Metals and Mining analyst Tom Meyer of Raymond James Equity Research Canada said in a recent report the organisation was “optimistic” on further strength in metals prices and it expected sector valuations to reflect the healthy cash flows and growing cash balances of producers soon.

“With the prospect of rising or stabilising commodity prices and a moderation in inflationary operating cost pressures, we envisage continued strong performance from companies such as First Quantum and Equinox,” he said.

The mining industry was a in a very weak position to expand metal supply in the bountiful demand environment as it took at least 10 to 15 years to bring a new resource discovery to production. Therefore, a case could be made for an extended commodity cycle. Meyer said we were currently experiencing the fifth year of an extended cycle and could therefore expect higher prices in future.

“The present valuation of producers at P/NAV of 0.79 times support the investment case for metal equities at this point. We also believe potential for merger and acquisition activity in the small and mid-capital markets is prevalent this year and could drive valuations upwards.”

NEWMONT MINING CORPORATION POLLUTION TRIAL VERDICT POSTPONED-REUTERS

April 3, 2007 (Reuters) – Reuters reported that an Indonesian court verdict in a pollution trial involving Newmont Mining Corporation has been postponed to April 24, the judge trying the case said on Tuesday. Newmont unit PT Newmont Minahasa Raya, which once operated in North Sulawesi province, and its president director Richard Ness face criminal charges over allegations the company dumped toxic substances into a bay near its now defunct gold mine, making villagers sick.

The case is being closely watched by investors and environmentalists who view it respectively as testing

Indonesian attitudes toward foreign companies and pollution. The Manado court, which began hearing the case in August 2005, initially planned to deliver the verdict on April 4, but had already postponed it once, to April 18.

Ness and his firm in their legal arguments in January said they had obtained valid licences to carry out mining activities, including a licence for the disposal of tailings on the Buyat Bay seabed and an environmental impact analysis by the environment ministry. Prosecutors also announced that the firm did not have permits to dispose of tailings on the seabed.

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HOW TO PROFIT FROM GOLD MINING M&A

April 3, 2007 (*MoneyWeek*) – As spot gold prices continue to trend higher, the race is on amongst the biggest gold-mining firms to re-stock their depleted reserves. Three of the larger gold mining companies have just said they're going to spend record sums trying to find new gold-in-the-ground. Picking the winning stocks – and selecting the junior miners about to receive fresh takeover bids – could pay handsomely.

But don't forget the bigger picture as you chase short-term M&A profits. Because "Route One" to growing proven and probable reserves is most likely to deplete total exploration budgets in 2008 and beyond. That's only going to support the price of physical gold itself.

Just last week, AngloGold Ashanti – the world's third-largest gold producer – said it plans to hike exploration spending by 60% in 2007. The South African miner wants to diversify away from its home base, where total gold output has now sunk by one-half inside 10 years.

Randgold Resources, which currently operates two mines in Mali, says it's put a team together to scour the central continent for new reserves. It added one million ounces in 2006. Now the CEO, Mark Bristow, has appointed Rod Quick – who recently led the discovery of 200,000 ounces at the Tongon project in Ivory Coast – to lead his 'African Hunting Team'.

Over the next six months, the team will visit at least eight countries including Sierra Leone, Liberia, and the Democratic Republic of Congo – three countries just emerging from bloody civil conflicts. "Some of these countries are showing potential to change," Bristow told MiningMX.com – and the return of fair government alongside law and order should help make gold mining feasible once again.

But higher-risk doesn't necessarily mean lower cost for gold mining companies. Following a \$10 million feasibility study, Randgold's Tongon project in Ivory Coast – where the rebel leader, Guillaume Soro, has just been named as prime minister – is due a final "go ahead"

decision at the end of next year. The capital cost of developing the mine, according to figures published by MiningMX, would then work out at around \$625 per ounce. "The pioneer junior companies are already in these countries," says Bristow. "We are talking to them and meeting the governments and filling in our geological information box.

Then there's Newmont, the world's second-biggest gold producer. Now subject to daily rumors of a takeover bid from Barrick Mining, the world No.1, Newmont added 10 million ounces to its reserves in 2006. The company said last week it wants to keep growing reserves at that rate in 2007 and beyond.

Assets for sale, of course, have always offered "Route One" to growing gold mining reserves. Non-ferrous exploration hit a record \$7.13 billion last year, according to the Metals Economics Group. But merger & acquisition spending in the gold sector alone was nearly three times as much according to analysis by Merrill Lynch.

"It has to be a multi-pronged approach if you're trying to get 10 million ounces of gold a year," says Highsmith. "We're a bigger company now and we need to find new reserves faster. Taking over a junior – as opposed to talking to a junior – usually means a sharp drop in the combined exploration budget, however. Junior miners accounted for more than half the world's total non-ferrous exploration budgets in 2006, says MEG. But over the last ten years, post-merger budgets the following year have sunk by 20% on average.

If you're looking for the bull market in gold to run beyond the end of 2007 – and Blackstone Merrill Lynch this week forecast that we're only mid-way through a rising commodities market seen once every 50 years – you may be well advised to include physical gold bullion in your portfolio, alongside your gold mining selections.

The rush to find new gold reserves is likely to cut future gold production.

HALF OF CONGO LICENSES MAY NOT COMPLY

April 3, 2007 (*miningmx.com*) – Up to 50% of mining contracts signed in the Democratic Republic of Congo (DRC) may be unfair to the state and may have to be renegotiated, said deputy mines minister, Victor Kasongo. "A third to half of the contracts don't meet our criteria," said Kasongo in a telephonic interview from Pretoria, South Africa. "In many cases, the investors

don't have any money, or they have not met their commitment to develop the assets."

The DRC's mines minister, Martin Kabwelulu, issued a memorandum dated March 27 in which he said negotiations on new mining transactions would be suspended until existing agreements had been reviewed.

Kasongo estimated that about 70 companies would be affected by the review in total, though not all of them would have to adjust their agreements. Kasongo also supported a statement Kabwelulu made to Bloomberg News on March 7 that no contracts would be annulled. "There is nothing to worry about as long as you've got clean contracts," Kasongo said.

The Carter-Baker Commission, which was created in 2004 to review electoral reform in the US, had been retained by the Congo's government. Kasongo said it would take about 90 days to review all contracts. Companies failing to meet certain criteria would have 60 to 90 days to map out a new plan, he said. "First on the list is that investing companies must have paid their tax," said Kasongo. "That's the first question. The second question we'll ask is how mining companies are respecting the minimum requirements of the contract." This included efforts to invest in infrastructure and other social upliftment projects. "Our interest here is the people of the Congo," he said.

Included in the 70 companies invested in the DRC was AngloGold Ashanti which is developing in the Mongbwalu concession in the northern district of Ituri. Said Steve Lenahan, spokesman for the South African

gold producer: "We've an agreement with Okimo (L'Office des Mines d'or de Kilo-Moto), a state-owned gold mining company, to review our contract. We'll do that in due course. Bear in mind our project there is only exploration and not a gold producer, and will be that way for some considerable time. But we have a social responsibility obligation," he said.

Charles Needham, CEO of Metorex, which is developing the R2.55bn Ruashi copper/cobalt project in the DRC, said it expected to meet government contract requirements. "From an insular perspective, the review might give us further opportunities. We need to keep our ears to the ground."

Jonathan Leslie, executive chairman of Nikanor, the London-listed company that is redeveloping the \$1.6bn KOV copper/cobalt mine in the Congo's Katanga province, said its mining contract was negotiated following the 2002 mining code.

"I think we're only one of three that has done so after the code," said Leslie in a telephonic interview. "If the agreement was particularly rapacious then you might have cause for worry. But the economic returns of our agreement is very reasonable."

XSTRATA SEES 'PHENOMENAL' DEMAND FOR COMMODITIES LIKE COPPER

April 3, 2007 (International Herald Tribune) – Charlie Sartain, chief executive for copper at Xstrata, one of the world's largest mining companies, said the growth in Chinese demand for all commodities was "just phenomenal," and prices may rise for the next few years as a result. Demand for copper in China may increase 8 percent to 10 percent this year compared with last year, Sartain said. "We do see, across all commodities, phenomenal growth," he said.

China, the world's fastest-growing major economy, has spurred a five-year rally in commodity prices as manufacturers use more steel, nickel and tin. The price of copper on the London Metal Exchange rose to a record \$8,800 a ton last May.

Demand for copper, which is used in pipes and wires, was also rising in the Middle East and Europe, especially Germany, Sartain said. "The other part of the equation is supply, and over the last two to three years, we've seen the increase in supply has been significantly lower than the market was expecting," he said.

Bret Clayton, head of copper at Rio Tinto Group, another of the world's largest mining companies, said last week

that Chinese economic growth was "absolutely mind-boggling." José Pablo Arellano, executive president of Codelco, the world's largest copper company, said last month that there was "unimaginable" new construction in the country. Richard Adkerson, chief executive of Freeport-McMoRan Copper & Gold, the world's second-biggest copper producer, said last week that the Chinese economy was "going strong."

The Chinese economy grew 10.7 percent in 2006, the fastest pace in 11 years. The rate of growth would slow to 10 percent this year, the central bank's research bureau forecast in a report published in the China Securities Journal last week. Prime Minister Wen Jiabao last month set a target of 8 percent for growth in 2007.

Anhui Tongue Copper Stock, the listed arm of the biggest copper maker in China, said March 14 that it expected global economic growth to keep copper prices "at high levels" this year. Sales in China would grow more than 5 percent to exceed four million tons in 2007 because of higher demand from the power, cable and wire and automobile industries, the company said.

LUNDIN MINING TO BUY CANADA'S RIO NARCEA FOR 800 MLN USD – REPORT

April 4, 2007 (AFX) – Sweden's Lundin Mining Corp is set to acquire Toronto-based Rio Narcea Gold Mines Ltd in a deal valued at 800 mln usd, reported the online edition of Globe and Mail. Shares in Lundin Mining were suspended in Stockholm at 11.30 am today.

Rio Narcea's main asset is the Aguablanca nickel mine in Spain, which produced over 1.3 mln tonnes of nickel last year. To date, Lundin mainly mines zinc, lead and silver and owns the Neves-Corvo mine in Portugal. 'That is the real rationale. They've both got mines nearby and could find some operational synergies,' said Larry Smith, an

analyst with Blackmont Capital, reported Globe and Mail.

Lundin is expected to sell Rio Narcea's gold assets, which include operations in Spain and West Africa, for a 'few hundred million dollars' according to sources, the paper said. The two sides had hoped to announce the deal yesterday, but were still putting finishing touches on the agreement last night.

Nickel prices jumped 2,950 usd or 6.5 pct to 48,550 usd a tonne on the London Metal Exchange yesterday.

RBC SAYS URANIUM BULL MARKET THRIVING AND FORECASTS AVERAGE \$100/LB PRICE IN 2007

April 4, 2007 (MineWeb.com) – An RBC Capital Markets research report released last month asserts that uranium remains in the middle of a bull market, with an average price of \$100/lb forecast for this year. In their report, "Investing in Uranium Companies," RBC provides a good introduction to the mining sector, which is applicable to a broader range of hardrock minerals and metals.

RBC's analysis asserts that a supply-gap will exist in uranium after 2013. The analysts suggest the two best strategies that a uranium producer or developer can use to drive shareholder returns are "becoming a producer and positioning the company for acquisition. Other strategies include land/area plans or simply the acquisition of as many 'pounds in the ground' as possible regardless of asset quality-but we believe these are inferior strategies," RBC Dominion Securities Analyst Adam Schatzker wrote.

RBC uses a formula of forward earnings per share (EPS) or CFPS multiples to reflect the valuation of uranium companies with existing operations. For those developing new projects, the analysts use a net asset value (NAV) approach. "For exploration companies where it is too

early to calculate an NAV, we look to the enterprise value per pound of U₃O₈ (EV/lb) in resources."

The report advises that the most important criteria that needs to be evaluated when examining a uranium project include grade, deposit types, the kind of mining and extraction methods to be used, permitting issues, political risk, production timeline, and reserves, resource and historical resources.

"Due to the lower level of confidence, the application of mining dilution and cutoff grades, and the fact that the final reserve/resource may be smaller, we believe inferred resources should command lower EV/lb than measured and indicated resources and, of course, reserves," according to Schatzker.

He advised that is it worthwhile for investors to focus on uranium ISL (in-situ leach) deposits "as we expected that the contribution from ISL uranium deposits will increase dramatically over the next 10 years. ...ISL mines have the benefit of relatively low capital costs and lower environmental footprints, and they can often be brought into production in a much shorter timeframe than conventional mines."

GLOBAL GOLD OUTPUT FELL TO 10-YR LOW IN 2006

April 4, 2007 (Mining Weekly) – Global gold production had fallen to a ten-year low last year, when output registered a "substantial" 3% decline of 79 t, a survey released on Wednesday showed. Precious metals consultancy firm GFMS, which launched Gold Survey

2007 in Johannesburg, senior supply-side analyst Bruce Alway explained that Asia, North America and Africa were the main contributors to the decline in production.

In Asia, production fell by 46 t, while North America and Africa's output declined by 26 t and 17 t, respectively.

“In Africa, Mali and Ghana did much, but not quite enough to undo the more than 20 t of lost output reported in South Africa,” the consultancy said.

South Africa’s gold production dropped to an 84-year low in 2006, registering a 7,5% year-on-year decline. Oceania’s production fell by 21 t last year.

Latin America was the only region to return a meaningful rise, having posted a 35 t, or 7%, year-on-year increase. Always stressed the role played by new mines in the growth reported in Latin America, even though the continent, and the world’s largest mine, Yanacocha, actually registered a sharp 22% drop in output in 2006.

“New mines, such as Veladero, Amapari, Mulatos and Choco 10, located in Argentina, Brazil, Mexico and Venezuela, generated over 20 t of new gold in 2006,” he said. GFMS said that it expected a moderate improvement of between 1% and 2% in gold output in 2006.

“New mines, ramp-ups and less of a swing at some of the world’s larger operations that dampened the impact of new production in 2006 should support our forecast production level to above 2 500 t,” he commented.

GOLD PRICES COULD PASS \$850 RECORD

April 5, 2007 (Financial Times) – Gold prices could exceed last year’s 26-year high of \$730 an ounce within the next 12 months and it may even pass its peak of \$850 hit in a price bubble in January 1980, GFMS, the metals consultancy, has forecast in its closely watched annual survey.

GFMS said as the current gold price rally entered its seventh year, there was potential for the precious metal to make further gains given a favourable backdrop of a weaker dollar, rising geopolitical tensions and a rise in investor demand for bullion. “An investor-led rally into at least the mid-\$700s is indeed probable over the next year or so,” GFMS said. Gold prices yesterday rose \$9 to \$672 an ounce.

Philip Klapwijk, executive chairman of GFMS, said gold prices may even exceed the \$850 record price of 27 years ago, if the metal breaks through the mid-\$700 price range. “If we see gold next year through the \$700 level, and you have a weakened dollar, there are enough hedge funds around to try and have a crack at the \$850 mark,” Mr Klapwijk said. A fall in the dollar makes gold, which is priced in the US currency, more affordable for buyers holding other currencies.

Although, GFMS predicts further price growth, underlying physical demand for the metal continues to wane as higher prices deter jewellery buyers. GFMS said global jewellery demand fell to 2,280 tonnes last year – a 15-year low. The demand was 16 per cent below 2005 levels and 30 per cent down from its peak in 1997. This decline was partly offset by a small increase in demand from the electronics sector.

GFMS said investment demand increased to a record 640 tonnes, up almost 8 per cent on the year and almost double the amount seen in 2003, largely due to an increase in exchange-traded funds. But a further fall in mine production, combined with reduction selling from central banks of their gold reserves, led to a 5 per cent decline in gold supply last year.

GFMS said global mine output fell 3 percent to 2,471 tonnes – a 10-year low. The biggest declines were seen in the traditional gold mining producers South Africa, the US, Australia and Canada. In spite of the increase in gold selling prices, mine production costs continued to rise to an average of \$317 an ounce last year up \$45 from 2005. Higher energy and labour charges were behind the rise.

NICKEL HITS \$50,000 ON STOCKS, DEMAND

April 5, 2007 (Reuters) – Nickel prices rose to \$50,000 per tonne on the London Metal Exchange for the first time ever on Thursday, boosted by falling inventories and strong demand. The metal mined by Xstrata and Norilsk, is one of the strongest performers in the commodity markets.

It has gained almost 50 percent since the start of 2007 and is more than twice as expensive as it was this time a year ago. In that period, stocks in LME-monitored

warehouses have fallen to below 5,000 tonnes from almost 30,000. “The low level of stocks highlights the market’s vulnerability to supply disruptions which have plagued the nickel market and been a key factor behind the sustained rally in price,” Barclays Capital said in a report.

Use of nickel, which is added to steel to make it rust-proof, has risen sharply in recent years, particularly in China, leading many to believe that the so-called

workshop of the world will continue to drive demand growth in coming years.

“The market has recognized that US demand might decrease due to a slower pace of economic activity but that demand from emerging economies, especially China, will more than offset any possible shortfall from the US,” Dresdner Kleinwort said in a note.

In contrast to nickel’s 50 percent rise, the Reuters/Jeffries CRB index of commodities was up 3 percent by close of business on Wednesday, and Brent crude oil 10 percent. At the close of Thursday’s official session, nickel traded at \$49,500, up \$105 from Wednesday’s closing price.

ALUMINUM AND TITANIUM FUNDAMENTALS STRONGER THAN STEEL: BANK OF AMERICA

April 5, 2007 (Platts) – The latest metals and mining equity research report from Bank of America is guarded in assessing the steel industry’s near-term fundamentals, but bullish about aluminum and titanium. “In our view, the aluminum cycle is sustainable for another two years and titanium fundamentals look good for another three years,” writes analyst Kuni Chen in the report released to Platts late Wednesday.

In his summary for portfolio managers, Chen maintains that a “supercycle peak” for aluminum and steel will continue in 2007. “We believe that aluminum global supply conditions are likely to remain balanced in 2007 as demand and supply growth are roughly equal at 10%, inventories remain at low levels, and China continues to reduce its net export position,” Chen reported.

“In steel, we assume that prices are higher in 2007 after recovering from a dip in 4Q06,” he added. “Production

cuts and lower imports are expected to bring inventories back into balance as seasonal demand begins to pick up in spring 2007.”

According to Chen’s own poll of steel hot-rolled coil pricing, spot prices are not expected to hit \$570/st [ex-works] until May. The current Platts price assessment of HRC is \$559/st, ex-works Indiana, which is very much in line with Chen’s BofA poll findings. “Based on our survey,” he reports, “it appears that integrated mill offers for May are \$40-70/st below mini-mills. Given the disparity in pricing, there appears to be more resistance in the market to mini-mill offers.” Chen expects the price of HRC to “max out at around \$600/st.”

COPPER RISES TO 5-MONTH HIGH AS INVENTORIES FALL FOR 8TH WEEK

April 5, 2007 (Bloomberg) – Copper prices in New York rose to a five-month high after inventories of the metal used in pipes and wires fell for the eighth straight week. Prices headed for their sixth consecutive weekly gain, the longest rally since May. Traders shrugged off a government report yesterday showing that service industries in the U.S., the second-biggest copper consumer, grew at the slowest pace in four years in March.

“For now, although U.S. growth is slowing, it has not ground to halt,” Edward Meir, an analyst at Man Financial Inc., said today in a report. “Any pronounced U.S. weakness should filter through to Asia after somewhat of a lag.”

Copper futures for May delivery rose 1.5 cents, or 0.4 percent, to \$3.4025 a pound on the Comex division of the New York Mercantile Exchange as of 9:40 a.m.

Futures have surged 40 percent since early February amid falling global inventories and rising Chinese imports.

Inventories monitored by the London Metal Exchange, the world’s largest metals market, fell 0.7 percent to 178,975 metric tons today. “The downtrend in LME copper stocks continues to be supportive,” analysts with London-based Barclays Capital, including Kevin Norrish, said in an e-mailed note.

Orders placed with U.S. factories rose 1 percent in February, the Commerce Department said yesterday, less than forecast. “Most of the economic data that came out recently were more negative than positive,” said John Gross, director of metals management at Scott Brass Inc. in Cranston, Rhode Island. “That will continue to weigh on prices going forward.”

A U.S. slowdown may affect copper demand in China, its trading partner, Meir said. China buys about 20 percent

of the 17 million metric tons of copper sold annually, while Asia as a whole accounts for about 50 percent of global demand, according to Prudential Equity Group LLP. The U.S. uses about 13 percent of the metal.

On the LME, copper for delivery in three months rose \$30, or 0.4 percent, to \$7,450 a metric ton at 2:40 p.m.

NICKEL'S RALLY IS MOLYBDENUM'S GAIN

April 6, 2007 (MarketWatch) – Nickel prices on the London Metal Exchange have climbed more than 200% in the past year and some of their success has been spilling over to molybdenum. Why? Nickel and molybdenum are metals which enhance the corrosion resistance in stainless steel, so molybdenum can sometimes be used to subsidize nickel content.

The biggest threats to nickel's rally are "replacement metals," said James Finch, a senior editor at StockInterview.com. "For nickel, there has been quiet substitution of molybdenum, which is slowly creeping higher in price. Not everyone agrees that metal substitution is a real threat to the nickel market. But it's one contributor to the growing need around the world for molybdenum.

So is it too late to invest in nickel – and what are the prospects for molybdenum? First, investors need to consider the biggest driver for the base metals' rally. "Everyone is underestimating growth in the Chinese market," said Finch. "We've gotten steady and fairly reliable info that this growth is not slowing down, as many forecast."

And China's and India's growth in commodity consumption is just "part of the story," said Kevin Bambrough, market strategist at Sprott Asset Management Inc. "We see emerging-market demand growth all over the globe."

Explaining the price strength is as simple as taking a look at supply. Nickel has "tended towards global deficits these past couple of years – a pattern that was widely expected to abate in 2007," said Matthew Parry, an economist at Moody's Economy.com. But that was "before numerous supply disruptions kept the market undersupplied," he said.

As of March 27, nickel supplies tracked by the LME were down 25% since the turn of the year – a period that has seen 35% price growth, Parry said. Supplies are down 85% from the corresponding period last year, while prices are up over 200% from that period. As of Thursday, LME nickel stocks stood at 4,812 metric tons,

not too far from the Feb. 6 level of 2,982, which was the lowest since July 1991, according to Martin Hayes, an analyst at BaseMetals.com.

The figures for molybdenum aren't so current. But global production was estimated at 416 million pounds in 2005, with demand that year pegged at 400 million, according to a January newsletter from the International Molybdenum Association.

Molybdenum is a by-product of copper and when copper production was curtailed or suffered because of infrastructure problems in the early 2000s, molybdenum availability tightened as well, explained Hayes.

"Even now, nearly all copper producers still see molybdenum as just a by-product and do not make extra efforts to maximize production," he said. Regardless, Finch said it's not a "one-for-one switch" from nickel to molybdenum. "There is a nickel shortage, but not a molybdenum shortage. The substitutions are being done in tiny percentages to reduce 'surcharges'," he said.

Molybdenum is a "much smaller market than nickel and less in the way of potential new sources of supply [so] it is hard to imagine molybdenum replacing nickel in any significant way," said Lawrence Roulston, editor of Resource Opportunities.

Also, substituting one metal for another is a long-term process, he said. "In the end, when the switching begins, it just spreads the shortages around and pushes up the alternative commodity," said Sprott's Bambrough.

Molybdenum deposits are more common than nickel, but it "has exactly the same problems in terms of short-term supply," said Eric Coffin, co-editor of HardRockAnalyst.com, which offers publications focused on resource stocks. So "while many metals are at prices that make substitution a potential option, the fact remains that it's not easy to find substitutes that are not in the same supply-constrained situation," he said.

Experts expect molybdenum "to be in shortage as well and it's not any cheaper than nickel," Coffin said.

IFC: MOVING WITH THE TIMES ON MINING FINANCE

April 6, 2007 (*MineWeb*) – In times past, The International Finance Corporation, the private investment arm of the World Bank, used only to give assistance (financial or otherwise, but predominantly financial) to mining projects that were already up and running. Things have changed. Now the IFC is prepared to offer equity investment for early stage exploration or mining plays and will also consider debt financing if an operation has outlined proven reserves.

As the keynote speaker at the Natural Resources Summit of the Americas, run by Global Investment Conferences, Dr. Rashad-Rudolf Kaldany, the Director for Oil and Gas, in the Mining Department of the IFC spoke on the subject of sustainability and profitability in Latin American Mining. He made the point that the IFC looks for profitability as it is a key driver to local development, but the clear implication was that profit is endemic to the process, not the sole result thereof.

While asserting that the mining industry has come a very long way in its attitudes to local communities, local and national governments and how to handle them with a view to a harmonious relationship and lucrative development, there is perhaps still further to go, especially to the extent that mining companies should really try and engage with all these three sets of counterparties at as early as stage as possible, because attitudes become set very early on in a process and, once set, are hard to change. There is still a risk that if a national government becomes over-stretched, or that companies do not apply best practice or that the local community cannot take advantage of the benefits that can

spin off from a local mining operation then the industry will be seen (still be seen, in some places) as leaving a bad legacy behind it.

Indeed while operations are underway, then if there has been inefficient engagement and/or a lack of understanding between the miner and the local community then operations may be disrupted or even prevented, while at national level it is not unknown for a government, in the belief that it is not seeing an equitable return from the revenues being engendered, to change the taxation rates or even nationalize. To this end in response to a question he pointed out that prevention is much better than cure and the IFC is the logical partner with whom to be involved in order to minimise the risk of such a eventuality, and to try and ensure that things don't get out of hand. If they do, however then the IFC is in a strong position to arbitrate for a reasonable solution.

Although he sounded these warnings, his view is generally constructive and the IFC believes that mining is, on the whole, making a positive contribution but there are still countries where there are big challenges. Local communities are now asking for mining development to be brought about in a way that suits local aspirations. The IFC stands ready to partner with local mining operations to promote this, thus adding value via technical assistance programmes as well as interacting with the local authorities in order to underpin sustainability.

So the IFC is not just an investment body, it is an active, if not proactive organisation that looks not just for profit, but for sustainability and is pursuing a number of avenues to reach this end.

CHINA TO CUT OR CANCEL EXPORT TAX REBATES ON COPPER PRODUCTS

April 6, 2007 (*Interfax*) – China may reduce or cancel export tax rebates on copper products in the near future, an industry official told Interfax today.

A senior official with the China Nonferrous Metals Industry Association (CNMIA), who wished to remain anonymous, said that the government might reduce or cancel export tax rebates on copper products. The government's decision will depend on the amount of exports and China's trade surplus in March.

The CNMIA has lobbied the Central Government not to further reduce copper product export tax rebates, as the former tax rebate policy has already successfully reduced

copper product exports (excluding copper tube) in the first two months of the year, according to the official.

China exported 70,756 tons of copper products January and February, down 9.7 percent from the previous year, according to the General Customs Administration. China reduced copper product export tax rebates from 13 percent to 5 percent on Sept. 15, 2006.

Aluminium products are also to have their export tax rebates reduced or canceled in near future, he said. China exported 255,800 tons of aluminium products in the first two months of this year, up 104.6 percent from last year. The aluminium product export tax rebates currently range from 8 percent to 10 percent.

“The government is determined to curb China’s huge trade surplus and reduce over-investment in some sectors by restraining exports. It is very likely that the government will release a new policy on export tax rebates to cover most nonferrous metal products at the end of April or in early May,” the official claimed.

China’s fixed-asset investment in the nonferrous metals industry grew by 56.4 percent in the first two months of this year, while the average growth rate in urban investment stood at 23.4 percent during this period,

according to statistics released by the National Bureau of Statistics.

The government is also considering increasing the export tax for most primary nonferrous metal products, including refined copper and aluminium and nickel, if there is not a substantial reduction in exports after the imminent export tax rebate policy is released, he said.

The export tax on electrolytic aluminium was increased to 15 percent on Nov. 1, 2006 and that of refined copper increased to 10 percent.

SA’S COMPETITION COMMISSION OKS HIGHVELD SALE

April 6, 2007 (Engineering News) – South Africa’s Competition Commission has approved the sale of Anglo American’s controlling stake in steelmaker Highveld Steel and Vanadium and forwarded the application to the Tribunal for final approval, the company said late on Wednesday.

In July, diversified miner Anglo American announced that it intends to sell its 79% stake in Highveld Steel and Vanadium for R4.9-billion to integrated steel and mining company Evraz, of Russia, and banker Credit Suisse.

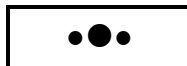
It said at the time that Evraz and Credit Suisse would each acquire 24.9%, and that the Russian company had an option to increase its stake to 79%, upon regulatory approval from South Africa and elsewhere.

The European Commission approved the deal in February, but imposed conditions. The Commission said

that the proposed transaction would give rise to competition concerns at all levels of the vanadium value chain. But Evraz said, at the time, that it would divest an equity interest or a proportion of Highveld’s large iron and vanadium mine, Mapoch, together with Highveld’s vanadium oxides and vanadium finished products activities.

“The remedies would eliminate the merged entity’s ability and incentive to exploit its strong position in vanadium feedstock and remove all overlaps between Evraz and Highveld for vanadium oxides and vanadium finished products,” the European Commission said.

The sale of Highveld Steel and Vanadium formed part of Anglo American’s ongoing tidying up of the group, which led to the disposal of a range of noncore businesses.





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