

# BEHRE DOLBEAR

## Global Mining News

### ALCOA TO OFFER TO ACQUIRE ALCAN FOR US\$73.25 PER SHARE IN CASH AND STOCK

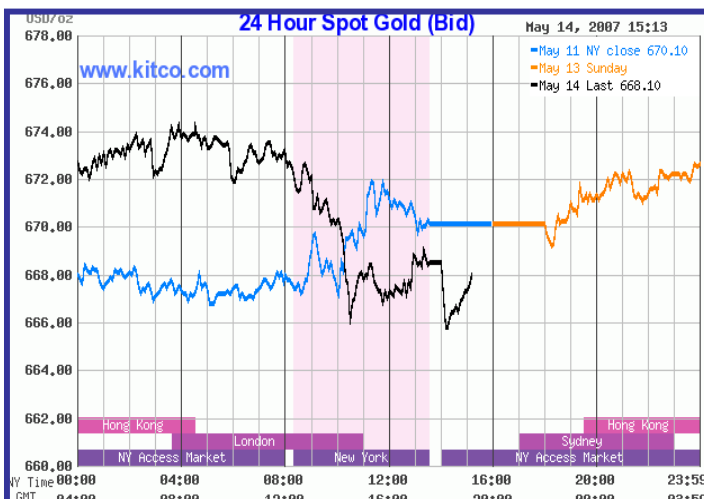
May 7, 2007 (*Business Wire*) – Alcoa Inc. announced today that it will be making an offer to acquire all of the outstanding common shares of Alcan Inc. for US\$58.60 in cash and 0.4108 of a share of Alcoa common stock for each outstanding common share of Alcan. The transaction will create a premier diversified global aluminum company, with a complementary portfolio of assets and enhanced growth opportunities, and better position the combined company to build value for shareholders. Alcoa expects to begin its offer on Tuesday, May 8, 2007.

Based on Alcoa's closing stock price on May 4, 2007, the offer has a value of US\$73.25 per Alcan share or approximately US\$33 billion in enterprise value. The Alcoa offer represents a 32% premium to Alcan's average closing price on the NYSE over the last 30 trading days and a 20% premium to Alcan's closing price on May 4, 2007, its all-time high.

The combination of Alcoa and Alcan creates a stronger, more diverse global competitor with the scale and cost structure to be competitive over the long term within a rapidly changing industry landscape. Alcoa and Alcan will bring together a complementary portfolio of businesses and benefit from a broader talent base, enhanced research and development expertise, and shared values. The combined company will also have a better balance of growth projects. Together, Alcoa and Alcan will be better able to prioritize and execute on key expansion and modernization projects, and maximize

### INSIDE THIS ISSUE

Alcoa to Offer to Acquire Alcan for US\$73.25 per Share in Cash and Stock .....	1
Acquisitive Norilsk Forecasts Nickel Supply Deficit .....	2
Striking Northam Miners Threatened with Dismissal in Interdict 8 <sup>th</sup> May 2007 .....	2
Metals Bubble Poised to Burst on Increasing Supplies .....	2
Mongolia to Cancel Gold Profit Tax in Two Months .....	3
Vedanta in Big Iron Ore Push .....	4
Lionore Backs Russian Bid over Xstrata's .....	4
Sinosteel Planning US\$4 Bln Steel Plant in India .....	5
World Copper Supply May Lag Behind Demand This Year .....	5
Eastern Platinum Announces New Smelter Plans .....	5
Platinum Falls as South African Supply Rises; Palladium Gains.....	6
Mining Merger Headlight Shines on Rio Tinto .....	6
\$20/Lb Nickel Prices Unsustainable, Sharp Price Correction Coming – S&P .....	6
Secret Quebec Deal Key to Alcan-Alcoa Merger: Report .....	7
Argentina's Kirchner Asks Chavez to Not Nationalize Sidor Steel .....	8
The New Gold.....	8
Chile Codelco Contract Workers Threaten New Strike.....	9
Lower Uranium Project Hurdles for the Mining States.....	9
Rio Tinto Recoils as BHP Billiton Bid a No-Show .....	10
Rahall Mining Law Bill Will Impose Huge Extra Demands on U.S. Miners.....	10
Higher Metal Price Outlook Driving M&A.....	11
Barrick Gold Gets Environmental Approval for Buzwagi Project, Tanzania .....	11



USD	MAY 11, 2007	MAY 4, 2007
<b>GOLD</b>	<b>669.00</b>	<b>688.80</b>
<b>SILVER</b>	<b>13.0400</b>	<b>13.4000</b>
<b>PLATINUM</b>	<b>1324.00</b>	<b>1,311.00</b>
<b>PALLADIUM</b>	<b>363.00</b>	<b>374.00</b>
<b>ALUMINUM</b>	<b>1.2828</b>	<b>1.2710</b>
<b>COPPER</b>	<b>3.5630</b>	<b>3.7308</b>
<b>LEAD</b>	<b>0.9380</b>	<b>0.9435</b>
<b>NICKEL</b>	<b>24.2672</b>	<b>23.8590</b>
<b>URANIUM</b>	<b>120.00 (05/07/07)</b>	<b>113.00 (04/30/07)</b>
<b>ZINC</b>	<b>1.8191</b>	<b>1.8572</b>

performance improvement opportunities from sharing best practices and leveraging procurement.

The combined company will have increased financial resources to fund innovative research and development projects intended to reduce emissions of greenhouse gases, improve the efficiency of the smelting process, and pursue new technologies designed to facilitate low cost aluminum production.

The transaction is subject to review by antitrust authorities in various jurisdictions including the U.S., Canada, the European Union, Australia and Brazil. It also requires foreign investment clearance in Canada, France and Australia. Alcoa is targeting completion of the transaction by the end of 2007.

### ACQUISITIVE NORILSK FORECASTS NICKEL SUPPLY DEFICIT

*May 7, 2007 (Mining Weekly)* – The world's biggest nickel producer, Norilsk, which last week announced a counterbid for Canada's LionOre, forecasts a deficit in global supply for the silvery-white metal, as a number of big industry projects have been delayed.

"We are confident that global demand for nickel will continue to grow strongly," Moscow-based investor relations director Dmitry Usanov told Mining Weekly Online. "In the circumstances, when a number of sizable projects in the industry are delayed, we do not see enough supply to cover the expected demand," he said in an email.

On May 3, Norilsk announced a C\$5.3-billion, or C\$21.50 a share, takeover bid for Canada's LionOre

Mining, which comfortably topped a prior bid by diversified mining giant Xstrata, of C\$18.40 a share. Xstrata had the option to match, or better, the bid within five working days of having received formal notification from LionOre. Analysts expected Xstrata to lodge another bid, which could lead to a bidding war for the nickel producer, which has operations in Botswana, South Africa and Australia.

Asked if Norilsk would consider bidding higher, should Xstrata up the ante, Usanov said that the firm would consider it, but would act in shareholders' best interests. Usanov further added that Norilsk could also be interested in other acquisitions.

### STRIKING NORTHAM MINERS THREATENED WITH DISMISSAL IN INTERDICT 8<sup>TH</sup> MAY 2007

*May 7, 2007 (Platinum Today)* – A South African court has issued an order for 5,500 striking miners to return to work at Northam Platinum's Thabazimbi mine, according to Northam spokeswoman James Duncan. The interdict stipulates that workers must resume work within 48 hours from Tuesday or risk losing their jobs.

However, Lesiba Seshoka of the National Union of Mineworkers was sceptical as to how effective the interdict might be. Since the strike began it is estimated

to have resulted in a shortfall in production of some 6,000 oz of platinum group metals (pgms), with losses of 72 million rand accruing as a result.

Reports last week had suggested that the strike, which has been ongoing since the 29<sup>th</sup> of April, might be winding down and may even have been over by Friday. The industrial action flared-up following miners' complaints over two officials alleged to be racist and a demand that the company's Chief Executive Officer is relocated.

### METALS BUBBLE POISED TO BURST ON INCREASING SUPPLIES

*May 7, 2007 (Bloomberg)* – Copper, nickel and lead, the best performing commodities in the past four months, may be the worst by year-end. On Wall Street, the chorus is getting louder that rising metal supplies are outpacing demand. From Goldman Sachs Group Inc. to JPMorgan Chase & Co. to Societe Generale, there are warnings of a mania that is showing all the signs of a climax.

"This is a real bubble," says metals trader David Threlkeld, who first got the world's attention in 1996 when he showed that Sumitomo Corp.'s copper hoarding would lead to a market collapse. Once again, "we have an enormous amount of unsold copper," says Threlkeld, president of Resolved Inc. in Scottsdale, Arizona.

The metals bears are convinced that consumption may drop partly because China, the biggest user, is attempting to reduce investment through interest-rate increases and lending curbs after the economy expanded 11.1 percent in the first quarter. Demand is also weakening because of a slowing U.S. economy and a consumer-driven pursuit of alternatives to historically expensive copper and nickel, according to Stephen Roach, chief economist at Morgan Stanley, the second-largest securities firm by market value.

Copper will decline 30 percent to an average of \$5,650 a metric ton in the fourth quarter from more than \$8,000 today, according to the median of 12 analysts' forecasts compiled by Bloomberg. Nickel and lead will drop about 50 percent from record prices reached on May 4 to \$24,450 a ton for nickel and \$1,000 for lead, the data show.

The anticipated slump would depress exports from Australia, Canada and Chile, wipe out more than \$22 billion on the London Metal Exchange and squeeze the profits at mining companies from BHP Billiton Ltd., the largest in the world, to OAO GMK Norilsk Nickel, the biggest metals producer in Russia.

To be sure, many of the bears were wrong so far this year. An investor who acted on the advice of JPMorgan, the third-largest U.S. bank, missed gains of 67 percent for nickel, 30 percent for copper and 41 percent for lead, the best-performing commodities in the 26-member UBS Bloomberg CMCI Index.

"We're sticking to our guns" because "prices are unsustainable," said London-based Jon Bergtheil, head of global metals strategy at the bank, on May 2. Nickel may

average \$35,328 a ton in 2007, down from \$51,600, because stainless steelmakers might buy less in the second half, he said.

Bergtheil in February said that nickel would decline 25 percent in 2007. The metal, used to make stainless steel, has since gained 40 percent.

World supplies of copper outpaced demand by about 50,000 tons in the first quarter, Stockholm-based copper producer Boliden AB said May 3. Global output rose 8 percent in the period, twice as much as demand, the company said.

Chile, the world's biggest supplier of the metal, said production jumped 13 percent in March as high prices encouraged miners to increase supply. Output rose to 502,106 tons from 442,410 tons a year earlier, the Santiago-based National Statistics Institute said April 26.

Nickel stockpiles tracked by the London Metal Exchange, the world's largest metals bourse, rose almost 60 percent since dropping on Feb. 6 to 2,982 tons, their lowest since July 1991 and barely enough to supply the world for a day.

Lead inventories are also rising, gaining by 42 percent since March 13 on the LME, to 43,825 tons. A surplus of 25,000 tons of lead may exist next year, from a deficit of 35,000 tons forecast this year, Natixis Commodity Markets Ltd. said in a quarterly report on May 1.

Any further gains will be fleeting, according to Societe Generale's head of commodities research, Frederic Lasserre. He expects commodities will extend their rally and rise close to near-record levels in the third quarter of this year, before falling back.

## MONGOLIA TO CANCEL GOLD PROFIT TAX IN TWO MONTHS

May 7, 2007 (*Hoovers*) – Mongolia's parliament will vote during its spring session on making gold exempt from a windfall profits tax imposed last year, but the tax will remain on copper to help develop the country's downstream capacity, Nadmid Bayartsaikhan, Mongolia's finance minister said Monday.

In a law passed May 12 last year, Mongolia imposed a 68% tax on profits from copper concentrate sales when the price of the commodity reaches \$2,600 a metric ton, and on gold when the precious metal reaches \$500 a troy ounce. Foreign investors have chafed under the tax since it was introduced in response to popular demands that Mongolia reap a greater return from the global resources boom.

Ivanhoe Mines Ltd. and its partner, diversified miner Rio Tinto Ltd., said early April that they had reached an in

principle investment agreement with the Mongolian government to develop a copper-gold project near Mongolia's border with China, one of the world's largest undeveloped copper-gold mines.

Bayartsaikhan said that under the agreement the Mongolian government would purchase a 34% stake in the project but that it was still uncertain how it pay for the share. "There are a lot of ways to purchase this share. Maybe one option is to use a tax exemption, or a tax holiday," he said. "It's unrealistic to buy the stake directly from Ivanhoe because of a shortage of financing."

The deal requires the approval of both companies' boards as well as the Mongolian cabinet and Mongolian parliament. Bayartsaikhan said the parliament would vote on the issue during the spring session.

In July 2006, the government passed sweeping changes to its minerals law, including giving Mongolia the right to bargain for up to a 34% stake in privately discovered “strategic” deposits that contribute more than 5% to the country’s GDP. In deposits discovered with state aid, the government stake can rise to 50%.

Prior to last year’s changes, Mongolia’s mining laws were among the most investor friendly in Asia, prompting foreign miners to flock the previously unknown market to tap into its vast mineral reserves.

Bayartsaikan acknowledged the changes had effected investor sentiment but was unfazed about long-term effects. He said foreign direct investment in Mongolia was \$317 million in 2006 and expects that amount to increase this year.

“Our transition from a state planning economy to a free market economy is almost over. We have established a very liberal economy and we see a bright future,” Bayartsaikan said. “And we very much welcome investors to Mongolia.”

## VEDANTA IN BIG IRON ORE PUSH

*May 8, 2007 (Hindustan Times)* – After acquiring the majority stake in Sesa Goa, Vedanta Resources is set to multiply its revenues from iron ore in the next couple of years as it did in with aluminum and zinc after buying Bharat Aluminium Company (Balco), Madras Aluminium Company (Malco) and Hindustan Zinc.

Sesa Goa currently produces 10-11 million tonnes of iron ore, which will cross 20 million a year by 2010. “The company will not only focus on the overseas market but also on the domestic market in order to maximize returns for shareholders,” said a company executive on the condition of anonymity.

Industry experts feel the company may enter into a metal-for-equity arrangement with leading steel makers. It is common in this sector that iron ore suppliers, at the time of entering long-term contracts, also take minority stakes in the project. This offers assured supply to steel makers and an upside in the equity to iron ore suppliers.

The company may enter a strategic alliance, including equity participation, with a leading global steel maker to secure long-term business and a possible upside in value addition. “Leading iron ore producers like BHP Billiton take minority stakes of around 10 per cent in steel producing companies. This is an ongoing trend,” said the executive. However, a Sesa Goa spokesman denied the prospects of a joint venture with Arcelor-Mittal.

Sesa Goa has a prospecting licence in Jharkhand. The Jharkhand government has reportedly issued a notice to the company to start operations. The company is aiming at increasing productivity from existing operations in Goa, Orissa and Karnataka. According to current estimates, the extractable ore from these sources is around 150 million tonnes.

## LIONORE BACKS RUSSIAN BID OVER XSTRATA’S

*May 8, 2007 (Associated Press)* – Xstrata has been sent back to the drawing board after Australia’s third largest nickel producer, LionOre Mining International, backed a \$5.8 billion takeover by Norilsk Nickel. LionOre said the \$21.50 offered for each of its shares from Russian giant Norilsk was a superior proposal to the \$18.50-a-share bid from Swiss-based Xstrata. The Norilsk bid is valued at about \$5.3 billion (\$5.8 billion).

Xstrata is likely to return to the bidder’s table with analysts noting the company’s previous failure to takeover Western Mining Corp could spur a higher offer. LionOre has operations in Australia and Africa and has

forecast an annual production of up to 40,000 tonnes of nickel in 2007.

Norilsk, which is the world’s largest nickel and palladium producer, made a foray into Australia’s nickel industry in March after its \$520 million takeover of United States metal producer OM Group. The takeover delivered Norilsk the Cawse mine near Kalgoorlie and a 20 per cent stake in LionOre subsidiary MPI Mines, which operates the Black Swan nickel mine and owns the Honeymoon Well project, both in Western Australia.

The Xstrata bid closes on May 25 while the Norilsk offer closes on June 18.

## SINOSTEEL PLANNING US\$4 BLN STEEL PLANT IN INDIA

May 8, 2007 (*Combined Sources*) – Sinosteel Corp, a Chinese mineral trading company, plans to build a US\$4 billion steel plant in India. It will join other global steel majors in tapping the fifth-biggest iron ore reserves in the world, Bloomberg News reported.

The company will invest US\$500 million initially in the planned 5 million-metric-ton plant in eastern Jharkhand Province, Sinosteel's India managing director Wang Hongsen said in a telephone interview from New Delhi yesterday. The total investment will be made over eight years. Delays in allocating land and mining permits have held up construction work on \$21 billion projects announced in India by Arcelor Mittal and South Korea's Posco.

Meanwhile, steelmakers are not deterred by such delays as demand in Asia is growing faster than in Europe and

North America. Steel usage in India is forecast to rise 7.7 per cent a year from 2010 to 2015, almost twice the 4.2 per cent global rate in the same period, according to the International Iron & Steel Institute.

"Foreign companies investing in India are willing to put up with some delays as long term benefits of such investments will far outweigh such irritants," said Dipak Acharya, who manages about \$19 million at BOB Asset Management in Mumbai.

Sinosteel may next month sign an accord for the project with the Jharkhand state government, Wang said. It expects to get rights to mine 300 million tonne of ore for 30 years. Sinosteel will sell as much as 70 per cent of its production in India

## WORLD COPPER SUPPLY MAY LAG BEHIND DEMAND THIS YEAR

May 8, 2007 (*Hoovers*) – Global copper production is unlikely to cover booming demand during 2007, German copper producer Norddeutsche Affinerie AG said Tuesday. "Although everything is being done worldwide to increase and expand copper production in view of the high prices, it will probably not suffice (in 2007) again to cover the booming demand," said Norddeutsche.

On the supply side, recent "reports of production losses at mines and smelters were a recurrent theme and sparked considerable interest, since they provided information on how the market was tightening further," Norddeutsche said, adding however the extent of production losses cannot yet be assessed. Strikes and protests added further supply concerns including at Freeport McMoran's Grasberg mine in Indonesia and the recently resolved nationwide strike in Peru.

Meanwhile on the demand front, Chinese copper net imports increased by 345,000 tons to 480,000 tons during the first quarter of 2007, said Norddeutsche. In the U.S. "surprisingly positive economic figures were published after the weak economic trend of the prior months, which indicates that the U.S. economy could pick up again in the coming months," said Norddeutsche.

Furthermore, ongoing drawdowns in London Metal Exchange copper inventories add to a strong supply outlook. LME copper stocks fell 1,100 tons to 150,925 tons Monday, down some 15% from month-ago levels. At 1350 GMT, LME three-month copper traded at \$8,165/ton, down 1.8% from Friday.

## EASTERN PLATINUM ANNOUNCES NEW SMELTER PLANS

May 9, 2007 (*Platinum Today*) – Eastern Platinum has announced that it is planning to refurbish and relaunch a smelter in South Africa. The company has revealed that the smelter would be able to provide a capacity of up to 600,000 ounces of platinum group metals (pgms) every year once it is fully operational.

Eastern Platinum said that the refurbished smelter at its Crocodile River mine would offer capacity of between 250,000 ounces and 300,000 ounces in the first two years,

before pushing up to between 500,000 ounces and 600,000 ounces of pgms by the end of the fourth year.

Chief Executive Ian Rozier explained that the move is seen as necessary to cope with the anticipated increase in platinum mining in South Africa in the coming years. The company has estimated the cost of the resurrection of the smelter will cost in the region of R425 million.

Eastern Platinum has also announced recently that it is planning to increase its pgm output to 500,000 ounces by 2012.

## PLATINUM FALLS AS SOUTH AFRICAN SUPPLY RISES; PALLADIUM GAINS

May 9, 2007 (*Bloomberg*) – Platinum fell after the end of a seven-day strike at Northam Platinum Holdings Ltd. put production gains back on track in South Africa, the world's largest producer. Global mine production is forecast to rise 4.2 percent this year to 7.3 million ounces, led by expansions in South Africa, London-based research company GFMS Ltd. forecast last month. Platinum climbed \$53, or 4.1 percent, during the Northam strike.

“It does look like South Africa is going to have increased production this year,” said Peter Ryan, a senior consultant at GFMS. “A one-week stoppage at Northam doesn't help that process but it doesn't undermine it.”

Platinum for immediate delivery dropped \$7, or 0.5 percent, to \$1,331 an ounce as of 12:51 p.m. London

time. It declined \$3 yesterday when Northam announced the end of the strike. Platinum prices have climbed 17 percent this year as strikes in South Africa disrupted supplies. So far this year, workers have protested against other producers including Anglo Platinum Ltd., Impala Platinum Holdings Ltd. and African Rainbow Minerals Ltd.

The National Union of Mineworkers, the largest union in South Africa, plans to will start wage talks with platinum producers in June. “Look out for the prospect for further volatility as further wage negotiations get under way,” Ryan said.

Palladium rose \$5 to \$377.50 an ounce. The metal dropped \$4.50 yesterday.

## MINING MERGER HEADLIGHT SHINES ON RIO TINTO

May 9, 2007 (*MarketWatch*) – The world is a rather small place when it comes to global mining companies. That may be the reason the Rio Tinto Group, currently in third place and sitting on hoards of cash, is again grist for the merger rumor mill. Talk from Australian brokerages that Melbourne-based BHP Billiton Ltd. had unsuccessfully tried to buy Rio Tinto triggered the wave of investor enthusiasm, even though Rio Tinto said it was not aware of an approach.

Among the world's biggest mining companies, only a few exist without significant barriers to a buyout, notes BMO Capital Markets mining analyst Victor Lazarovici.

Companhia Vale do Rio Doce, the second-largest mining company by stock market capitalization, is part-owned by the Brazilian government, which started the company in 1942. The government's so-called golden shares give it the right to veto various strategic changes, such as a change in name or head office location. The Rio de Janeiro-based miner is the world's largest iron ore producer and, thanks to its acquisition of Canada's Inco last year, the No. 2 nickel producer.

And while there are no large controlling shareholders of BHP Billiton, Australian policymakers anxious about a

foreign takeover could thwart buyout plans, say analysts. “That leaves Anglo American and Rio Tinto as relatively free and clear to take over, and that's why you see so many rumors,” said Lazarovici in an interview.

Lazarovici doesn't give much credence to the idea of a BHP Billiton-Rio Tinto union. Taking on a company that is almost 65% its size in terms of 2006 revenues would likely mean that BHP would have to finance the deal with a lot of debt. Then, it would have to bank on continued high metals prices to pay off those borrowings, he said.

Contributing to the buzz around Rio Tinto is that fact that the mining company has generated large cash stockpiles during a run-up in metals and minerals prices. As the world's fourth- biggest producer of copper, according to U.K. research firm CRU, it has enjoyed a tripling in the price of the red metal over the last three years.

Still, too many overlapping mines with its rumored acquirer could pose a problem, said Numis Securities analyst John Meyer. “Anglo American is a more likely takeover target,” he said.

## \$20/LB NICKEL PRICES UNSUSTAINABLE, SHARP PRICE CORRECTION COMING – S&P

May 9, 2007 (*MineWeb*) – Standard & Poor's has found that, while the mining industry is currently benefiting from record nickel prices, mine supply doesn't have good

prospects of keeping up with demand, and that new mine production may come too late to avert destruction of demand.

Although nickel prices will remain very strong throughout this year, Standard & Poor's suggests that current "astronomical prices of more than US\$20 per pound are likely unsustainable and negative economic news could lead to a sharp correction in prices."

In a report published Monday, S&P Primary Credit Analyst Donald Marleau noted, however, that "based on current demand projects and proposed development timelines, the nickel market will not face the risk of significant oversupply until 2010, and Standard & Poor's Ratings Services has extended this expectation several times in recent years because of recurring project delays and we could again as the supply picture evolves."

Marleau forecast that a modest 5% average annual growth rate in nickel consumption will necessitate an additional 60,000 tonnes of nickel production annually. However, he noted that the mining industry has historically added a 60,000-tonne annual producer nickel mine only once every five to 10 years. "To compound this scarcity, the output from mature operations has been declining for years, and the capital and operating costs for new developments have increased sharply as producers exploit increasingly challenging ore bodies."

For the past three years, nickel supplies haven't always met demand, resulting in accelerated mine development internationally, according to S&P. "Nevertheless, many new mine projects have endured serious delays and cost overruns, leaving customers seeking substitutions."

"To date, substitution and demand destruction have been fleeting because of the technical constraints of stainless steel mills and because of end-users limited tolerance for lower grade stainless steels (about two-thirds of nickel is

consumed in the production of stainless steel), Marleau suggested. "Nevertheless, current nickel prices are proving a strong incentive for customers to explore alternatives."

Offsetting the excellent demand outlook for nickel "is the potential for demand destruction and excessively high prices and nickel surcharges on stainless steel," Marleau wrote. "Consumers of nickel foresee continued supply constraints and a less transparent, more concentrated market with the acquisition in recent years of three of the world's largest nickel miners-WMC Resources Ltd., Falconbridge Ltd., and Inco Ltd.-by large diversified mining companies," he wrote.

Marleau's research determined that nickel supplies will continue to be limited. For instance, new nickel supply from Canada's Voisey's Bay has had little or no impact on nickel inventories and prices. Although leading nickel producers "have a series of new mines at various stages of development," S&P found that deposits are becoming increasingly difficult and expensive to develop.

"Miners are racing to accelerate nickel production to take advantage of exceptional pricing and to prevent permanent destruction of demand. Numerous Greenfield or brownfield projects are on the drawing board around the world, but a project that isn't underway today is probably five years from any significant output, and the capital and operating cost estimates could face upward revision as the project proceeds," Marleau asserted.

"So although the nickel industry is benefiting from extremely high prices, keeping up with demand is proving difficult, and added production could come too late," Marleau concluded.

## SECRET QUEBEC DEAL KEY TO ALCAN-ALCOA MERGER: REPORT

*May 9, 2007 (MarketWatch)* – The outcome of Alcoa Inc.'s \$27 billion bid for Alcan could hinge on the terms of a secret deal between the government of Quebec and Alcan Inc. over power supplies, the full terms of which will be disclosed Thursday by Quebec's minister of industry, The Times in London writes on Thursday.

The confidential agreement between Quebec and Alcan, signed in December 2006, contains a change of control clause that could deprive Alcoa of vital water and power supplies at cheap rates, if the Quebec government considers that its bid would have a negative impact on the province, according to The Times.

Alcan benefits from a supply of very cheap electricity, sourced from Quebec's vast reserves of hydroelectric power, according to the newspaper. Cheap power is critical to the cost structure of an aluminum smelter and one of the main attractions of Alcan for Alcoa, according to The Times.

The American bidder, which launched its offer on Tuesday, was at pains to declare its support for Quebec and offered to retain Alcan's Montreal headquarters as the center of its upstream smelting business, according to The Times.

## ARGENTINA'S KIRCHNER ASKS CHAVEZ TO NOT NATIONALIZE SIDOR STEEL

May 9, 2007 (*Platts*) – Argentinian President Nestor Kirchner has asked Venezuelan President Hugo Chavez to not effect a State takeover of Ternium Sidor, the Andean region's largest steelmaker, according to Caracas news sources. Sidor officials were unavailable for confirmation.

According to various reports, Kirchner telephoned Chavez on behalf of Argentina's Techint, the lead company of the Ternium consortium that controls 60% of Sidor. The call was placed after Chavez threatened last

Saturday to nationalize the steelmaker unless it agrees to first supply domestic steel companies.

Chavez contends that Sidor's sales to foreign firms means that Venezuela has to import its steel tubes from China. Also according to the reports, conversations are taking place between Basic Industry and Mining (MIBAM) officials and Sidor's directorate, to see if a solution can be found. Sidor union members, meanwhile, have been protesting in Puerto Ordaz in favor of the company being renationalized.

## THE NEW GOLD

May 10, 2007 (*The Economist*) – It was gold that laid the foundation of South Africa's economy over a century ago. Could platinum be a brighter force in its future? That is the hope in exuberant mining towns such as the oddly named Rustenberg as platinum prices near record highs. Dwindling reserves and ever-deeper mines are making gold harder to extract. Meanwhile, sales of the platinum metals group – which also includes palladium and rhodium – were twice those of gold last year. Almost all production is refined and smelted at home, and contributes 15% of South Africa's merchandise exports. Platinum now has roughly as many miners as gold.

Luckily for producers, demand for platinum remains solid, even with rising prices. Lovers may turn to other metals for their engagement or wedding rings, but jewellery accounts for only 22% of platinum demand today, down from 45% in 1999. The car industry requires far more. Now the world of finance is joining in, with the launch of bullion exchange-traded funds (ETFs) in London and Frankfurt by ETF Securities. Switzerland's Zurich Cantonal Bank was expected this week to launch an ETF based on platinum, palladium and silver. Speculation ahead of the launches has helped push prices above \$1,300 an ounce. For most of the 1980s and 1990s, they rarely topped \$600.

Speculative demand linked to the ETFs has raised concerns about supply pressures in an already tight

market, just as it did for gold. Since the launch of the first gold-traded fund in 2003, financial buyers' share of demand has doubled, from 10% to 19%. There is not enough platinum around for the metal to become as much of a financial refuge as gold has, but ETFs have introduced a new source of demand, which is likely to keep prices high.

Platinum stocks are small compared with gold stocks – there is not much platinum on people's fingers or sitting in central banks' vaults. Autocatalysts have now been around long enough for platinum to be extracted from scrapped cars. But recycling old catalysts still contributes a modest 11% of total supply. So mining companies have been ramping up production, expanding their mines or chasing new deposits. Exploration has picked up.

With South Africa sitting on 80% of the world's platinum resources, places like Rustenberg are where the excitement is. GFMS, a consultancy, reports that global platinum output increased by 6% last year, but overall production outside South Africa was more or less flat. A strengthening rand, red tape over new mining permits, and infrastructure problems and other bottlenecks have been dogging mining investment in the country. But Roger Baxter, of the South African Chamber of Mines, says these are now easing. The people in Rustenberg have good reason to be cheerful; so should anyone wearing a platinum ring on their finger.

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## CHILE CODELCO CONTRACT WORKERS THREATEN NEW STRIKE

May 10, 2007 (EFE News) – Some 28,000 contract employees of Chilean state copper company Codelco on Wednesday announced a nationwide strike after accusing the firm of not delivering to them benefits it agreed to after a strike held last year.

Union spokesman Cristian Cuevas told reporters that the workers are also demanding compliance with a law for the sector that has been in place since last year and the payment of a cash bonus by Codelco. Cuevas declined “for security reasons” to reveal the date on which the strike will begin, but reports are that it will be next week.

After the call to stage the strike, Codelco announced Wednesday that an accident took the life of one worker at the Andina division and management had decided to halt operations for an undetermined period. The call for the strike is the culmination of a series of mobilizations that the contract workers’ unions in various Codelco divisions

began this week after their three-way negotiations broke down with representatives of the firm and the Chilean government.

Cuevas said that the unions will return to the negotiation table when Codelco Human Resources vice president Francisco Tomic and representatives of the Mining and Labor Ministries join the talks. Tomic played an important role in resolving the strike last year and changes in the makeup of the negotiating teams were asked for in a letter that the unionists sent on Tuesday to Chilean President Michelle Bachelet and Codelco CEO Jose Pablo Arellano.

The firm announced that a rockfall inside the mine killed the worker, and it said it would halt operations for “the time that may be necessary” to ensure that there is no further risk. It also said it would begin “a full investigation to determine the causes of the accident.”

## LOWER URANIUM PROJECT HURDLES FOR THE MINING STATES

May 10, 2007 (MineWeb) – South Australia and the Northern Territory, which host Australia’s three operating uranium mines, have the added advantage of in-built rules, regulations and experienced bureaucrats for the approval processes for any new uranium mining projects.

The chief executive of Toro Energy Ltd, Greg Hall, says the time lines from board approval for development to processing first uranium ore has already been shown to be only about 18 months for both mining approvals and for community agreements, including ratification of native title agreements.

Hall should know. Previously Hall held senior positions or managed operating sectors of the Olympic Dam mine in SA and Ranger and the blueprinted Jabiluka mine in the NT and was involved in new approval processes for these projects. Because timing is so important for new projects today, developers would try to undertake both mining and community agreements in tandem. However, before these processes could begin, developers also needed to have a scoping study or even pre feasibility study. Either of these could also take 18 months or more.

Hall said the time factor would be greater for projects outside of South Australia and the NT where

governments are yet to build up the skill sets and regulations for uranium mining as well as a knowledge-base on sensitive issues such as processing route, waste facilities, settling ponds and transport.

The challenge for all companies moving from discovery to studies on commerciality is the lack of people in Australia experienced in uranium exploration, mining, processing, environmental and regulatory issues. This was because uranium development has been suppressed. This is also reflected in the education field, as few geoscience or engineering graduates in the past three decades were given any real grounding on uranium. This problem, Hall said, was also evident in Canada where planning was unprepared for the boom conditions.

In a panel session at Paydirt’s South Australian Resources & Energy Investment Conference in Adelaide, Hall said the shortage of uranium supply takes into account the huge expansion planned for Olympic Dam. Later he told Mineweb that, thanks to the soaring uranium price, the longevity of Energy Resources of Australia’s Ranger mine was now probably extended to 2020. This was because a long accumulating “lower grade” 3.5 million tonnes stockpile was now clearly commercial and even lower grade dumps were now under assessment.

## RIO TINTO RECOILS AS BHP BILLITON BID A NO-SHOW

May 10, 2007 (Reuters) – Shares in Rio Tinto retreated as much as 4% on Thursday in the absence of a widely rumoured US\$100 billion-plus bid by rival BHP Billiton. Rio Tinto would only say it was not aware of any BHP Billiton approach. JP Morgan analyst David George has put an A\$110 a share target on Rio Tinto, which hinges on robust commodities prices.

Analysts said a marriage still made sense given synergies in iron ore, copper and uranium mining, but questioned the likelihood of BHP Billiton launching a hostile offer at this time given BHP Billiton's focus on internal growth. Based on the Sydney and London closing prices, the combined market value of BHP Billiton and Rio is about US\$250 billion, which would make it the world's fifth

largest company behind Exxon, General Electric, Microsoft and Citigroup.

"It's difficult to see BHP Billiton making a big strategic decision from an operational view given the stage of the market and the kind of expansion projects they've got on," Commonwealth Securities mining analyst Martin Petch said. Also, with British Rio Tinto holding about 37.4% of the Australian-listed company's stock, a hostile takeover could be tricky, according to analysts.

Rio Tinto's constitution requires a takeover be launched if more than 20% of the Australian company or 30% of the British company – which trades at a modest discount as buybacks in Australia have taken stock out of the market – or 20% of the entire group.

## RAHALL MINING LAW BILL WILL IMPOSE HUGE EXTRA DEMANDS ON U.S. MINERS

May 11, 2007 (MineWeb) – H.R. 2262, unveiled Thursday by House Natural Resources Chairman Nick J. Rahall, would greatly expand the power and authority of a law – originally aimed at encouraging U.S. mining on public lands-to ban any mining and exploration on public lands deemed to be environmentally sensitive.

The act, entitled Mining Law of 1872 Reform, also imposes an 8% royalty on the net- smelter return on all locatable minerals, mineral concentrates, or products derived from locatable minerals from any such mining claim. H.R. 2262 would ban any new mining and milling patents, which weren't in the government review pipeline on or before September 30, 1994.

While mining environmental regulations are now found sprinkled throughout government regulations and various environmental acts, Rahall proposes guidelines which would also apply under the Mining Law. These environmental guidelines include addressing fish and wildlife habitat and biological resources, surface and ground water resources, characterization of soil and geological, and collection of environmental baseline data.

It also requires exploration and operations permits for mining and exploration activities on public lands, applies much of the Surface Mining Control and Reclamation Act (SMCRA) to hardrock mining, requires operation and reclamation plans, and applies the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) to the Mining Law.

For the first time, the Mining Law would mandate public participation requirements, and allows any person to commence a civil action against any person alleged to have violated any provisions of the act. Administrative and judicial review of the mining law is included in the legislation along with the ability to impose fines on those who don't comply with provisions of the mining law.

The legislation also would make copies of all records, reports, inspection materials, or information obtain under the Mining Law Act "immediately available to the public ...in central and sufficient locations in the county, multi-county, and state area of mineral activity or reclamation so that such items are conveniently available to residents in the area proposed or approved for mineral activities and on the Internet."

Washington, D.C.-based environmental NGO EARTHWORKS said "local elected officials, Native Americans, and conservationists welcome the introduction" of Rahall's bill. Stephen D'Esposito, EARTHWORKS President, said, "It is time for a modern mining law – one that recognizes that some places need to be protected from mining, gives taxpayers a fair return, and one that recognizes those companies that are acting responsibly today and in the future."

The Pew Campaign for Responsible Mining also ran a full-page advertisement claiming that mining claims for uranium gold and other metals on public lands have increased almost 50% during the past five years. "Many of these new claims – staked largely by foreign owned

companies – lie near national treasures such as the Grand Canyon, as well as highly populated urban areas and tribal lands.”

In an interview with the Associated Press, Senate Majority Leader Harry Reid, D-Nevada, said he also

backs changes to the mining law. While Reid conceded that Rahall has been difficult to work with in the past on hard-rock mining issues, he added that “a lot of things have transpired.”

## HIGHER METAL PRICE OUTLOOK DRIVING M&A

*May 11, 2007 (Hoovers)* – The latest bidding wars amongst the world’s biggest mining companies for nickel producer LionOre Mining International Ltd. and Canada’s Alcan may be a sign miners expect the current rally in base metals prices to continue longer than previously thought, analysts said Thursday.

At a time when prices for most base metals are well above historical levels for the second straight year, more mining companies are reassessing their growth strategies, which could lead to an acceleration in mergers and acquisitions in the coming years, analysts said. “If you think prices will be at this level in two or three or four years, you may be able to do things to capture more of that opportunity such as bringing back old mines or an acquisition,” said Alan Heap, Citigroup’s commodity strategist in Sydney.

When base metal prices rallied to spectacular highs in early 2006 and then quickly gave back a substantial chunk of their gains, many analysts and mining companies forecasted more moderate prices for 2007.

But demand, especially from China, has exceeded most growth forecasts, and with the mining industry struggling to keep up with growing demand, prices for copper, lead, nickel, tin and zinc have risen above market forecasts, said Deutsche Bank analyst Peter Richardson. “That would support an interpretation that prices will be stronger for longer than many had anticipated at the start of the year,” Richardson said.

Mining companies traditionally have sought to acquire and develop world-class deposits that could produce returns at all stages of the commodity cycle, and some like Rio Tinto Ltd. (RIO.AU) have not changed their strategies.

In its 2006 annual report, the company said it remained focused on investing in large, long life, low cost orebodies. But a growing number of companies are seeking to capitalize on today’s high prices by acquiring companies whose assets may not be world class but can still produce significant returns in the near term, said ABN Amro analyst Rob Clifford in Sydney.

High earnings and record revenues that resulted are partly behind the acquisition fervor that’s gripping the market, Clifford said. But another big factor is the expectation that metal prices will take longer than normal to return to their historical levels, largely due to strong demand in emerging markets and higher production costs, he said. “We don’t actually know if prices have peaked but demand is still strong and supply is still constrained.”

Clifford recently authored a report that pointed out that companies like Xstrata, which have backed their bullish short-term price expectations by an aggressive acquisition strategy, have outperformed bigger rivals BHP Billiton, Rio Tinto and Anglo American. Xstrata’s performance, and the resilience of prices this year, may lead to more acquisitions by the world’s top miners.

## BARRICK GOLD GETS ENVIRONMENTAL APPROVAL FOR BUZWAGI PROJECT, TANZANIA

*May 11, 2007 (AFX)* – Barrick Gold Corp on Friday said it has received environmental approval from the Tanzanian government for the Buzwagi project.

The company said the fully-owned project is expected to incur capital costs of around 400 mln usd and produce

250,000 gold ounces annually at cash costs of 280 usd per ounce over an estimated 10 year mine life.

It added Buzwagi has 2.64 mln ounces of gold reserves and a further 0.41-mln ounces of resources. The approval is an ‘important milestone’, it said.





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