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Global Mining News

MORE THAN 5,000 GOLD MINES REMAIN CLOSED – ZIMBABWE

May 13, 2007 (Sunday Mail) – More than 5 000 small-scale mines countrywide still remain closed as the owners are failing to secure money to pay consultants for environmental impact assessment reports and environment management plans, the Coalition of Zimbabwe Small-scale Miners Association has said.

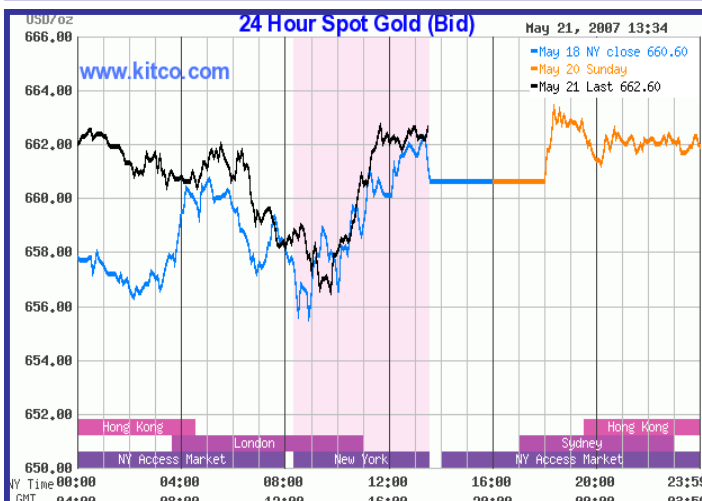
The secretary-general for Coalition of Zimbabwe Small-scale Miners' Association and Zimbabwe Indigenous Miners' and Approved Prospectors' Union, Mr Rangani Chauke, told The Sunday Mail Business that most miners are failing to pay consultants and sitings of work plans fees. The cumulative fees needed add up to \$6.2 million.

In December last year, a huge number of small-scale mines and milling plants were shut down for failing to comply with environmental impact assessment procedures. Coalition of Zimbabwe Small-scale Miners' Association is an umbrella body representing about 28 mining associations across the country. "Even those who have managed to pay for environmental impact assessment reports are not working because of delays in processing these documents by the Environment Management Authority," he said.

"The processing is taking as long as two months, hence we are requesting the relevant authorities to fast track the documents to take at least two weeks or allow those with environmental impact assessment reports and environment management plans receipts and documents

INSIDE THIS ISSUE

More Than 5,000 Gold Mines Remain Closed – Zimbabwe	1
China to Produce 2.4 Million Mt Secondary Aluminium in 2007	2
Platinum Sees First Supply Surplus in 8 Years: Report.....	2
Aquarius Platinum Workers Due Back At Work Tonight	3
Uranium Exploration Firms Flock to Niger Desert.....	4
Golden Run for Minor Metals.....	4
Anglo American to Buy 49% Stake in MMX Minas-Rio for US\$1.15 Bln.....	5
Xstrata Ups the Ante with Lionore Counter Bid.....	5
Anglo American Sees Strong China's Demand for Iron Ore, Base Metals in Next Five Years.....	6
Newmont Indonesia Boss Files Lawsuit Against NY Times....	6
Alcan Could Be Hunter, Not Hunted: Analysts	7
Break Fee in New Xstrata Lionore Offer 'Unreasonably High' – Norilsk	7
Growing Deficit Buys Diamond Prices	7
Glencore to Seek Recommended Nikanor Bid	8
Gujarat Buys BHP Billiton's Elouera Coal Mine for A\$49 Million	8
U.S. Gold's Mcewen Forecasts \$2,000/Oz Gold Price by 2010	9
Gold Fields Looks to Uranium	9
Wage Talk Cloud Hangs Over SA Gold Firms.....	10
Zambia Stands Firm on Plans to Tax Miners More	10
South Africa Mining Investment Back in the Black	11
Newmont Workers Threaten Strike at Yanacocha Mine	11
DJ Mining Industry Consolidation to Intensify – Stillwater Mining Exec	11
China to Further Increase Ferroalloy, Tungsten Export Tax	12
Chilean Antofagasta to Invest \$1bn in Pakistan Copper-Gold Project.....	13
Norilsk Nickel to Divest Non-Core Energy Assets.....	13



USD	MAY 18, 2007	MAY 11, 2007
GOLD	657.00	669.00
SILVER	12.8700	13.0400
PLATINUM	1,308.00	1,324.00
PALLADIUM	362.00	363.00
ALUMINUM	1.2614	1.2828
COPPER	3.2931	3.5630
LEAD	0.9049	0.9380
NICKEL	23.7229	24.2672
URANIUM	120.00 (05/14/07)	120.00 (05/07/07)
ZINC	1.6468	1.8191

to resume operations without further delays pending the outcome of their certificates,” said Mr Chauke.

The Environment Management Agency issues certificates valid for two years to mining and milling operators with approved environmental impact assessment reports and also monitors their projects quarterly to ensure compliance.

“Instead, the current environmental impact assessments of closing down mines’ operations have resulted in the increase in the number of illegal gold panners who are destroying the environment and smuggling the gold,” explained Mr Chauke.

He added: “Police are trying their level best, but they are out-numbered and these activities take place in the bush kilometres away from the police stations. It is actually the environment that is being destroyed that we are trying to preserve.

“Economically, Government is losing millions of dollars monthly as gold continues to find its way into the black market, hence we are appealing to the relevant authorities to allow the miners to go back to the mines and mine the required gold at the same time protecting their mines from gold panners whilst processing the required legal documents.”

A fortnight ago, Environment Management Agency acting manager for education and publicity Mr Johane Gandiwa said since January about 468 small-scale mines and milling companies that were closed under Operation Chikorokoza Chapera had resumed operations. The Government last year enacted a law that provides for a mandatory two-year jail term for illegal miners as a deterrent measure.

CHINA TO PRODUCE 2.4 MILLION MT SECONDARY ALUMINIUM IN 2007

May 13, 2007 (Platts) – China is likely to produce slightly more than 2.4 million mt of secondary aluminium in 2007, which is up marginally from the 2.35 million mt achieved in 2006, according to Wang Gong Min, the assistant director of the China Nonferrous Metals Industry Association, who is also the branch director of the China Recycled Metal Association.

Speaking at the sidelines at China’s 1st Secondary Aluminium Industry Conference in Beijing over the weekend, Wang told Platts that “secondary aluminium output in China this year is likely to be slightly more than 2.4 million mt, based on the first quarter figures to date.” According to the association’s figures, China produced about 560,000 mt of secondary aluminium in Q1 2007, “which reflects steady growth...output will continue to

increase gradually through the rest of the year, so we expect about 2.4 million overall,” Wang said.

The output of 2.35 million mt in 2006 was a 21% year on year increase from 2005.

Wang said the secondary aluminium market in China can expect “to see continued rapid growth in 2007...there is increasing government control on the high energy consumption primary aluminium industry, with tax rebate removals and added customs taxes, and this means secondary aluminium can possibly replace primary aluminium in some areas for exports.” He added: “The auto industry is also always looking for lighter materials for production, and many are eyeing improvements in aluminium alloys as well as magnesium alloys.”

PLATINUM SEES FIRST SUPPLY SURPLUS IN 8 YEARS: REPORT

May 14, 2007 (MarketWatch) – Global platinum supplies outpaced consumption in 2006 for the first time in eight years, as world jewelry demand dropped more than 18%, according to the “Platinum 2007 Review” report from Johnson Matthey released Monday. The high price of platinum and an increase in recycled jewelry cut overall world jewelry demand for the metal by 18.3%, or 360,000 ounces, last year, to 1.61 million ounces, according to the report from the platinum group metals refiner.

Overall, global demand for the metal climbed by 80,000 ounces to 6.78 million ounces last year. But expansions in South African mining capacity lifted platinum mine supply to a record level of 6.79 million ounces – resulting in a surplus of 10,000 ounces for the year.

Johnson Matthey characterized the data as showing that supply and demand for platinum “were effectively in balance” – but noted that the figure followed seven successive years of supply deficits.

An interim report released in mid-November had shown that the group was expecting global platinum consumption to reach a fresh record level of 7.02 million ounces in 2006. See related archived story.

The industry saw a “sharp increase” in recycling of old jewelry in China and Japan, so more than a quarter of manufacturing requirements were satisfied by reusing the metal from second-hand jewelry, as well as unsold stocks, Johnson Matthey said in its latest report.

In China alone, the need from jewelry manufacturers for newly-mined platinum fell 13% in 2006 vs. 2005 to 760,000 ounces – the lowest level in 8 years. On the other hand, global demand for platinum in the autocatalyst market rose to a record level of 4.2 million ounces last year, up 11% from the year before, the report said. The group attributed the increase to the “continuing success of the diesel engine in capturing market share from the gasoline engine in Europe.”

Looking ahead, the group expects platinum demand for 2007 to “continue its ten-year record of continuous growth.”

Platinum jewelry demand is “less clear,” though it points out that an increase in metal purchases is possible given a more stable price. Johnson Matthey said the launch of exchange-traded funds in platinum may “apply further upward pressure to the price,” and prices could reach

\$1,400 an ounce over the next six months. If prices do fall during that time, Johnson Matthey said prices will find renewed support at \$1,200.

Meanwhile, palladium – platinum’s sister metal – saw global demand fall after five years of growth, the report said. Palladium demand fell 720,000 ounces in 2006 to 6.635 million ounces. Autocatalyst demand for palladium was “buoyant,” up 150,000 ounces at 4.02 million because of replacement of platinum-based catalyst by palladium-based systems on gasoline vehicles, it said.

At the same time, demand for new palladium metal from jewelry manufacturers fell by 435,000 ounces to 995,000, with “virtually all” of the drop seen in China. Overall, palladium saw a surplus of 1.425 million ounces in supply last year vs. demand.

Looking ahead, Johnson Matthey expects global demand for palladium to resume its growth this year, with more use of the metal in gasoline and in diesel catalysts. Even so, primary production of the metal will rise and sales from the large amount of Russian state stocks shipped to Switzerland at the end of 2006 will probably augment supply, it said.

Exchange-traded funds in palladium may help the market sustain the price, but “are unlikely to absorb a significant portion of the excess metal available.”

AQUARIUS PLATINUM WORKERS DUE BACK AT WORK TONIGHT

May 14, 2007 (Reuters) – Striking workers at two South African mines owned by Aquarius Platinum are due to return to work on Monday night, the firm said. “The union and (contractor) MRC have reached an agreement and workers will go back to work tonight,” spokeswoman Marion Brower told Reuters.

On Friday, a court ordered about 4,000 striking employees of contractor Murray & Roberts Cementation (MRC) at the Kroondal and Marikana mines to halt the work stoppage. Aquarius said it had not served the court interdict on workers since it preferred to continue negotiations before resorting to legal action, which could involve dismissing workers. Brower said details were not immediately available on the terms of the deal.

The strike stemmed from demands for a bonus made by employees and followed the dismissal of 108 load haul dumper operators on Tuesday, Aquarius said previously. The rest of the contractor workforce went on a sympathy strike on Wednesday.

Under South African labour law, workers must follow a series of procedures before going on strike, including mediation. Aquarius said the National Union of Mineworkers had not sanctioned the strike, but helped to resolve the dispute.

Despite the strike, around 60 percent of production at Marikana and 15 percent of output at Kroondal was continuing, the firm said on Thursday. Kroondal, which is a pool and share operation with Anglo Platinum, produced 102,079 ounces of platinum group metals (PGMs) during the quarter to end March, of which half was attributable to Aquarius.

Marikana, also a pool and share venture with Angloplat, produced 30,148 ounces of PGMs during the March quarter, of which 50 percent was attributable to Aquarius.

URANIUM EXPLORATION FIRMS FLOCK TO NIGER DESERT

May 14, 2007 (Reuters) – Niger has granted a wave of permits to British, Canadian and Indian mining firms allowing them to explore for uranium in its desert north, the West African country's government said on Saturday.

A total of 23 permits were granted to three Canadian firms, three British firms and an Indian company, enabling them to explore in the former French colony's Arlit and Tchirozerine regions, vast swathes of land in the southern Sahara desert.

Canada's Southampton Ventures Inc, Delta Exploration Inc and UraMin Inc, Britain's COJ Commodity Investments Ltd, Agadez Ltd and Indo Energy Ltd, and India's Taurian Resources Pvt Ltd between them pledged to invest some US\$55 million in exploration activities over the next three years.

Rising demand for uranium on international markets has renewed appetite for prospecting and mining in Niger, the world's third-largest producer of the mineral but bottom

of a UN development index ranking countries by quality of life.

The government is hoping the discovery of more deposits will again boost its economy, creating jobs and training, bringing development to some of its most remote communities, and raising tax revenues paid by foreign firms while they explore.

It hopes rising demand from fast-industrialising China, to whom it granted a series of exploration licences last July, means the industry will be sustainable in the medium-term.

The government has already granted around 70 mining exploration permits for its desert north, mostly for uranium, and around 100 more are currently under consideration. If new exploitable reserves are discovered, the state of Niger will take a 40% stake in the projects, 10% for free, while it will pay for the remaining 30%.

GOLDEN RUN FOR MINOR METALS

May 14 2007 (Financial Times) – The commodity price boom has extended beyond the mainstream areas of oil, gold, copper and grains into speciality metals. Prices of bismuth, iridium, ruthenium, rhodium, molybdenum, manganese, cobalt and silicon have soared over the past five years. In recent weeks, some have reached record prices. Like the base metals of copper, aluminium, zinc and nickel – whose surge has been fuelled by supply shortages and strong growth in demand, particularly from China – speciality metals are driven by industrial activity.

Allan Kerr, managing director at Wogen Resources, one of the few speciality metals brokerage companies, said speciality metals tended to have a loose correlation with the base metals but, with more than 30 metals grouped under the minor metal banner, each had its own supply and demand characteristics. The current record-breaking run for some speciality metals mirrored price movements in base metals. "In 2005, we saw a good run-up in many metals, only for them to fall sharply by 2006."

The price of molybdenum, also known as moly, of \$29 a pound, is up almost 30 per cent from its 2006 low but is

still \$10 below its record high set in June 2005. While moly is recovering, other speciality metals are hitting their peaks. Bismuth, often mined as a by-product of lead, hit a record high of \$16.50 a pound last week. Its price is up more than 160 per cent so far this year.

Manganese prices touched a record high of \$3,450 a tonne last week – more than doubling this year – pushed higher by demand for stainless steel as producers switch from nickel, the main non-ferrous metal used in stainless steelmaking. Nickel is up more than \$50,000 a tonne. Prices of cobalt, used in paints and porcelain, touched an 11-year high last week of \$31.75 a pound.

Mr Kerr said: "We are looking at very small markets where the supply comes from a handful of mines and, if there is any supply disruption, it can have a dramatic effect on prices."

Ruthenium prices are up tenfold in the past two years to \$655 an ounce. Demand has been boosted by its use in high capacity computer memory storage discs and in plasma TVs.

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ANGLO AMERICAN TO BUY 49% STAKE IN MMX MINAS-RIO FOR US\$1.15 BLN

May 15, 2007 (RTT News) – Early Tuesday, Anglo American Plc, a London-based mining company, said it agreed to acquire 49% interest in MMX Minas-Rio for an economic value and effective price of US\$1.15 billion. The US\$1.15 billion payment by Anglo American would be divided into a cash payment of US\$704 million to Centennial Asset and subscription for MMX Minas-Rio shares at the same price per share as paid to Centennial Asset. Currently, MMX owns 70% of MMX Minas-Rio, while Centennial Asset owns the rest.

Commenting on the acquisition, Cynthia Carroll, CEO of Anglo American said, “Iron ore is core to Anglo American’s future growth strategy and MMX Minas-Rio, together with the planned Kumba expansions, will add significantly to the Group’s iron ore production, resulting in consolidated iron ore production in excess of 100 million tonnes per annum in the next five years.”

The current deal follows Anglo American’s deal with MMX Mineração e Metálicos S.A. in April. In that deal, a subsidiary of Anglo American would agree to purchase 100% of the shares of Centennial Asset Participações Minas-Rio S.A. Anglo American, under the deal, also agreed to subscribe for additional shares of MMX Minas-Rio Mineração e Logística Ltda., in a transaction that would result in Anglo American owning a consolidated 49% ownership interest in MMX Minas-Rio.

MMX Minas-Rio is developing an integrated iron ore project consisting of a number of iron ore deposits in the State of Minas Gerais, Brazil, one or more slurry pipelines. MMX is also developing an iron ore terminal in the state of Rio de Janeiro to handle cape-size vessels.

Work is proceeding on securing the permits required to commence construction for the first phase, with a planned annual production capacity of 26.5 million tonnes of iron ore per annum for start-up in the fourth quarter of 2009. An estimated US\$2.35 billion of capital expenditure will be required to complete Phase I of the Minas-Rio Project, to be provided from debt financing and shareholders equity.

If MMX Minas-Rio confirms sufficient reserves and obtains the relevant permits, an expansion is planned to double the Minas-Rio Project capacity (Phase II).

Upon confirmation of Phase II of the Minas-Rio Project, Anglo American would make an additional payment to Centennial Asset and a capital contribution to MMX Minas-Rio, in the same manner as the initial payment, with a total economic value and effective price of US\$600 million, increasing Anglo American’s participation in MMX Minas-Rio to 50%. This would result in a total economic value of \$3.5 billion for 100% of the project.

XSTRATA UPS THE ANTE WITH LIONORE COUNTER BID

May 15, 2007 (Mining Weekly) – Diversified mining giant Xstrata and nickel-miner LionOre Mining International announced on Tuesday that Xstrata had upped the ante in the bidding war for the Canadian nickel producer to C\$25.00 a share, 35% higher than its first bid. This was after Norilsk lodged a counter-bid of C\$21.50 a share, topping Xstrata’s initial C18.50 a share offer.

Nickel prices have shot to all-time highs on tight supply and booming demand from the stainless steel industry, in which the grey metal is principally used. The expiry time for the new Xstrata offer was midnight, Vancouver time, on May 25.

Analysts at Numis Securities said that they continued to believe the acquisition would make more sense for Xstrata than Norilsk. “While this appears to be a knockout bid from Xstrata, a further counter offer from

Norilsk can’t be ruled out in our view,” Numis said in an emailed statement.

The diversified miner’s increased offer represented an increase of some 35% over its original offer price, and a premium of 16.3% over the C\$21.50 a share offered by Norilsk Nickel, the world’s biggest nickel producer, in its unsolicited competing bid for LionOre. The increased Xstrata bid valued the total share capital of LionOre at some C\$6.2-billion, or R38.7-billion, and provided C\$872-million extra cash to LionOre’s shareholders than the Russian firm’s offer.

Xstrata expected to mail a formal notice of variation to all LionOre shareholders on Tuesday. LionOre’s board had approved entering into the amending agreement and recommended that its shareholders tender to the increased offer.

LionOre also said that the Norilsk offer was no longer a superior proposal for purposes of the support agreement between Xstrata and LionOre, and accordingly, recommended that LionOre shareholders reject the Norilsk offer.

“In connection with the offer, Xstrata has been notified that all of the LionOre shareholders, including certain

directors and officers of LionOre, that entered into lock-up agreements with Xstrata have deposited or instructed to be deposited to the offer their LionOre shares, representing some 19.5% of LionOre’s outstanding shares,” the two mining firms said in a statement to the TSX.

ANGLO AMERICAN SEES STRONG CHINA’S DEMAND FOR IRON ORE, BASE METALS IN NEXT FIVE YEARS

May 15, 2007 (*MiningMX.com*) – Anglo American, the second-largest mining company by sales, expects efforts to focus on metals needed by China’s expanding economy to be almost complete by year end, Chief Executive Officer Cynthia Carroll told Bloomberg.

The plan aims to concentrate output on iron ore, copper, nickel, platinum, diamonds, coal, and zinc, Carroll said. According to the news wire, the company is spending

\$7 billion on existing mines, and is studying as much as \$15 billion of new projects.

“We are well on the way to delivering” the restructuring by the end of the year, Carroll told Bloomberg in an interview in Rio de Janeiro yesterday. For base metals there is “continued positive outlook in terms of market demand, driven primarily by China.”

NEWMONT INDONESIA BOSS FILES LAWSUIT AGAINST NY TIMES

May 16, 2007 (*Xinhua*) – Fresh from being acquitted last month of pollution charges in Indonesia’s North, North Sulawesi, PT Newmont has filed a lawsuit against The New York Times, local press reported Wednesday.

The lawsuit, which also targets NY Times journalist Jane Perlez, states that certain articles in the Times and its subsidiaries such as the International Herald Tribune and The Boston Globe have caused harm to the family of PT Newmont Minahasa Raya President Richard Ness, reported national newspaper The Jakarta Post. The lawsuit was filed under the Central Jakarta District Court by Ness’s lawyer Arief T. Surowidjojo.

Ness demanded compensation of 894 U.S. dollars for material losses and 63.93 million dollars for immaterial losses. Some of the stories written by Perlez on the Newmont case include “Spurred by Illness, Indonesians Lash Out at US Mining Giant”, which was published on Sept. 9, 2004, and “Gold Mining Company to Pay Indonesia 30 million dollars”, on Feb. 17, 2006.

In April 2005, Perlez received the prestigious Whitman Bassow Award from the Overseas Press Club for her reporting on the village of Buyat Bay, North Sulawesi, which was alleged to have been polluted by the

Indonesian subsidiary of U.S.-based Newmont. “She takes credit for forcing the Indonesian government to bring the Newmont case to court,” Ness was quoted as saying.

Ness said there were three specific reasons for the lawsuit. First, on Sept. 8, 2004, a front-page story convicted him in the court of public opinion even though credible scientific studies had proven that there was no pollution or illness because of pollution in Buyat.

“Second, the Times stopped the coverage of the case when my defense started to present our case in 2006. “And finally, when the prosecutor included the New York Times story as the basis for the charges to sentence me to jail for three years, Jane Perlez’s stories turned into a legal liability for me. It became clear to me and my family that Jane Perlez and the Times had crossed the threshold of tolerance,” Ness said.

In April, after 21 months in court, Ness was acquitted of the pollution charges brought against Newmont’s operation in Indonesia. The court’s conclusion was also backed by an independent study by the World Health Organization, which cleared Newmont of all allegations.

ALCAN COULD BE HUNTER, NOT HUNTED: ANALYSTS

May 16, 2007 (*National Post, Canada*) – Alcan Inc. could execute a “Pac-Man defence” and gobble up Alcoa Inc. instead of itself being devoured by the U.S.-based aluminum producer in a hostile takeover, some industry analysts are speculating. The attractiveness of this scenario lies in the fact that a bid by Montreal-based Alcan for the larger Alcoa would only require one head office – in Montreal – and could be a lot easier to swallow for regulators and politicians on both sides of the Atlantic, New York analyst John Tumazos said in a note to clients.

The Quebec government would likely prefer that a Canadian company hold long-term water rights now ceded to Alcan, and deals in the Middle East and elsewhere might evolve more smoothly, Tumazos said.

The strategy appeared to have gotten a thumbs-up in Quebec’s National Assembly Tuesday. Responding to a question from the opposition, Economic Development

Minister Raymond Bachand said that he too wished it was Alcan, “this jewel of Quebec,” that was proposing an Alcoa takeover.

But at least one Canadian analyst believes that a Pac-Man move by Alcan is “a bit of a stretch,” given shareholder expectations and the debt load Alcan would acquire if it were to swallow Alcoa. Alcan might bid for Alcoa if only because “in this market almost anything is possible,” said the analyst who asked not to be identified.

But a more likely scenario would be a three-way transaction whereby a cash-swilling mining conglomerate like Rio Tinto or BHP Billiton bids for Alcan and then makes a bid for Alcoa, he said. Alcan is expected to respond to Alcoa’s offer by next Tuesday.

Alcan shareholders are “anticipating a significant takeover premium and they would be highly agitated if Alcan then turned around and said they were going to make a bid for Alcoa,” the Canadian analyst said.

BREAK FEE IN NEW XSTRATA LIONORE OFFER ‘UNREASONABLY HIGH’ – NORILSK

May 16, 2007 (*Mining Weekly*) – The world’s-biggest nickel producer, Russia’s Norilsk Nickel (Norilsk), expressed surprise and disappointment that Xstrata’s new offer to acquire LionOre had an “unreasonably high” break fee, in an emailed statement on Wednesday. However, it said that it continued to seek all the necessary regulatory approvals for it to acquire the Canadian nickel producer, while it examined Xstrata’s increased offer. “Norilsk expects to announce shortly its next steps,” the firm said in an emailed statement.

This was after Xstrata surmounted Norilsk’s counterbid of C\$21.50 a share, topping Xstrata’s initial C\$18.50 a share offer. The Switzerland-based group was now offering C\$25 a share. As part of its offer, the Xstrata would be paid 4.9% of its bid value if another company bought LionOre, which Norilsk said was unfair.

“We are surprised and disappointed that the announcement includes an unreasonably high break-fee payable to Xstrata of some 4.9% of the bid’s value, which is over C\$300-million, and well above the previous 2.8% break-fee,” said Norilsk director Denis Morozov. “This high level of break-fee is clearly inconsistent with corporate governance trends aimed at encouraging a healthy bidding process to maximise shareholder value, and does not encourage a level playing field for all participants,” he argued.

Meanwhile, Norilsk said that it expected to receive all of its necessary regulatory approvals before the June 18 expiry date its original offer.

GROWING DEFICIT BUOYS DIAMOND PRICES

May 16, 2007 (*miningmx.com*) – Diamond prices will remain firm for up to five years as demand outpaces supply, while no major diamond mine is forecast to begin production in that period, RBC Capital Markets director of global mining research Des Kilalea said.

“Given the forecast shortage of diamonds and the prospect of higher prices (we forecast some 2% to 5% in real terms per year with upwards of 10% in better qualities), we expect exploration spending to continue to run at a high level,” he said in a research note dated 11 May 2007.

Gareth Penny, managing director of De Beers, the world's largest producer of rough diamonds, said in February the lack of major new discoveries meant demand would outpace supply for at least five years.

BHP Billiton's president of Diamond and Speciality Products said just weeks later rough diamond supply could decline for the next 10 years because of falling production and the lack of sizeable new discoveries to replace those carats.

Exploration spend will top \$800m this year, more than triple what it was five years ago, but although kimberlites, carrot-shaped plugs of ancient magma, are found not all have diamonds and those that do not all can be economically mined.

With less than 40 kimberlites out of more than 6,200 kimberlites generating a mine, it is not hard to see why there is an increasing focus on alluvial diamond

deposits, Kilalea said. After the opening of the Diavik mine in Canada in 2003, exploration spend in that country has topped \$1bn but no new mine has opened since then, he said.

However, to keep up with growing demand and declining production from mature mines in five year's time, the equivalent of BHP Billiton's 2.56 million carat Ekati mine in Canada is needed every year, he added.

Synthetic diamonds, which are not of quite the same standard as natural diamonds, are unlikely to pose much of a threat to diamond producers. However, diamond cutting centres like India could turn to synthetic diamonds as producing countries insist rough diamonds are cut and polished domestically, Kilalea said.

BHP Billiton estimates synthetic diamonds could account for five percent of the global diamond supply in the next five years.

GLENCORE TO SEEK RECOMMENDED NIKANOR BID

May 16, 2007 (Reuters) – Swiss commodities trader Glencore International is to seek a meeting with directors of mining firm Nikanor plc in a bid to secure a recommendation for its £839 million (US\$1.67 billion) offer, a source familiar with the situation said.

Nikanor rejected a 600 pence/share indicative cash proposal from a Glencore-led consortium earlier on Wednesday, saying the price did not reflect the value of the group. But the source told Reuters that Glencore, which has the backing of Nikanor's three major shareholders controlling 72% of the copper and cobalt miner, would challenge Nikanor to justify the rejection and seek a recommendation. He added that the meeting had yet to be scheduled, and that the consortium had not ruled out going hostile in the future.

Nikanor owns a major copper and cobalt project in the Democratic Republic of the Congo (DRC), and raised US\$400 million in one of the biggest floats on London's

junior alternative investment market last year. But the firm announced in March that the costs of developing the mine had escalated and talks with a potential Chinese financial backer had collapsed. It said at the time it would look to raise up to US\$1.6 billion in debt and equity to continue the development, but earlier this month announced it had received a preliminary approach for the group.

Nikanor said in a statement earlier on Wednesday that the indicative 600 pence offer was the same as the group's initial public offering (IPO) price, and did not reflect the increasing value of the DRC project.

“Copper and cobalt prices have firmed since the IPO, there is a strong operational team in place that was not there at the time of the IPO and scoping out and de-risking is under way,” a spokesman told Reuters. He declined to comment later about Glencore's decision to push for a recommendation.

GUJARAT BUYS BHP BILLITON'S ELOUERA COAL MINE FOR A\$49 MILLION

May 16, 2007 (Bloomberg) – Gujarat NRE FCGL Party, a unit of India's largest non-state producer of steelmaking coal, agreed to pay A\$49 million (US\$41 million) to buy the Elouera coal mine in Australia from BHP Billiton. Buying Elouera will enable Gujarat to tap rail links and storage, which will help it start production at its other mines, Gujarat said on Wednesday in a statement to the

Australian Securities Exchange. The company said it plans to start production at its Australian mines before June 30.

Coal demand from Indian steelmakers is rising, with imports of coking coal likely to rise 10% this year, according to the country's mining ministry. “Apart from

providing quality infrastructure and mining equipment for Gujarat's southern coalfields production strategy, including a private rail link, it gives the company additional coking coal reserves," said Arun Jagatramka, chairman of Gujarat NRE Coke Ltd, the parent company, in the statement.

BHP Billiton, the world's largest mining company, ceased mining at Elouera in New South Wales state in

June 2005, the Melbourne-based company said in an e-mailed statement. It then sub-contracted mining there till March this year. "This won't have any impact on our production volumes," said Emma Meade, a spokeswoman for BHP Billiton.

The mine has measured resources of 12 Mt, according to BHP Billiton's 2006 annual report, and total resources of 41 Mt.

U.S. GOLD'S MCEWEN FORECASTS \$2,000/OZ GOLD PRICE BY 2010

May 17, 2007 (*MineWeb*) – Mining entrepreneur Robert McEwen, Chairman and CEO of U.S. Gold Corp., declared Wednesday that he expects gold prices to rise to at least \$2,000 by 2010. During an interview with Bloomberg television Tuesday, McEwen advised investors to buy gold bullion and gold stocks.

Through U.S. Gold, Goldcorp founder McEwen plans to invest \$50 million to develop mining properties in Nevada. He is the largest shareholder of the exploration junior, which has acquired several companies exploring on Nevada's Cortez Trend including White Knight, Nevada Pacific Gold and Tone Resources.

As evidence for his assertions, McEwen noted that less gold is being mined, and it is "costing more to produce it." Only large central bank sales could potentially derail gold prices, he explained.

While higher gold prices are expected to impact the level of use of gold in jewelry, McEwen suggested that investor interest in gold funds, gold stocks, and gold bullion will compensate for the loss in jewelry manufacturing. Meanwhile, McEwen advised that he anticipates that China will buy more gold.

GOLD FIELDS LOOKS TO URANIUM

May 17, 2007 (*miningmx.com*) – Gold Fields is the latest gold mining firm to announce it may revive uranium production. It follows AngloGold Ashanti, Harmony Gold, DRD GOLD and Simmer & Jack Mines to find in uranium – now trading at US\$120/lb – a potential treasury-bursting addition to the high cost of gold mining.

However, Gold Fields doesn't know whether it will mine the uranium resources itself or dispose of them. "The state at the moment is how do we get the best value – selling or buying?" says Gold Fields CEO Ian Cockerill. That question is crucial, as uranium isn't a switch that can be easily flicked on. Though there may have been more than 20 uranium mills in South Africa, it's not obvious the country can pick up where it left off.

"I laugh when I see would-be uranium producers talking about selling metal in the next 18 months," says Neal Froneman, CEO of Uranium One, one of the first former gold producers to begin exploring uranium again. But that was in 2005: and some two years later the company is building up its Dominion Reefs plant near Klerksdorp.

"If you haven't started building your plant now, production in about 18 months is virtually impossible," says Froneman. "There's a huge under-estimation as to

what's required." Some specialised equipment, currently installed at Uranium One's Dominion Reefs, can take months to arrive.

Additional to the technical difficulties is the risk that the now sky-high uranium market could start to correct sooner than first imagined. That would make some uranium deposits in South Africa unviable at future, lower, uranium prices such as the development of slimes dams that Harmony Gold speaks of. Says Froneman: "Most of the slimes dams being talked about in South Africa aren't viable at longer-term uranium prices."

Perhaps that's why there's some talk of consolidating uranium-bearing slimes dams in South Africa. Bernard Swanepoel, Harmony Gold CEO, hinted at the possibility and it raised its head at Gold Fields' March quarter presentation. However, John Munro, Gold Fields business development director, was quick to say: "We're talking about consolidating uranium slimes within the company's assets."

But there's still speculation that South Africa's gold miners might create a new "Ergo" – a company that AngloGold Ashanti once owned which retreated the gold resources of a number of companies that could be

reinvented for uranium. Meanwhile, Gold Fields is picking through a number of proposals for its uranium resources that “have come flying through the door,” as Cockerill described the process.

Unlike many would-be uranium producers, Gold Fields owns a large underground orebody – known as Beisa – of

some quality. Froneman acknowledges there’s real value in the mine but stands off making an offer. “I think we have enough uranium in emerging markets,” he says.

WAGE TALK CLOUD HANGS OVER SA GOLD FIRMS

May 17, 2007 (*miningmx.com*) – South Africa’s gold producers expect the next four weeks will see unions ask for higher wages, a development that effectively kicks off a traditionally fraught horse-trading period.

Last time gold mine employers spoke with unions – 2005 – there was a national strike, the first in 18 years. It ended in two-year fixed wage increases of between 6% and 7%. Predictably, gold producers are expecting the new round of wage talks to be taxing. “It’s going to be long and difficult,” says Nick Holland, chief financial officer at Gold Fields. “I don’t think we’ll be paying more than the civil service,” he says.

Earlier this month, Cosatu asked for a 12% wage increase for government officials. Gold Fields is likely to start from some trailing CPIX figure – 5.5% in March’s year-on-year figures. “They’ll be the usual mismatch between expectations,” says Harmony Gold CEO Bernard Swanepoel. “I doubt it could be hardly worse than two years ago because there was a strike then.”

However, it could be a torrid affair. Perhaps in a preemptive strike, Gold Fields CEO Ian Cockerill has spoken of enormous cost increases gold producers have

had to absorb. Fifteen months ago, Gold Fields was paying US\$4,000 for a truck tyre that costs three times as much today. Steel and cyanide costs are also increasing exponentially. A heavy labour charge – which accounts for around 50% of on-mine costs – is the last thing gold producers would want.

Cockerill says gold mines are currently the hardest hit by on-mine inflation, because mining companies in the base metal industries have seen prices quadruple whereas the gold price, though it has appreciated significantly, is up by a far smaller multiple. “Their revenue line has advanced a lot more than ours, so they can absorb those costs,” Cockerill said on the Moneyweb Power Hour.

AngloGold Ashanti is hopeful its employee share ownership plan, agreed with unions last year, will give employees a new perspective.

Much will depend on Frans Baleni, the National Union of Mineworkers’ (NUM) newly appointed general-secretary. Swanepoel reckons Baleni is still settling down in the role, but neither he nor Holland has a sense of Baleni’s negotiating style. “He looks like a very competent union guy. I guess NUM still has to flex its muscles this year.”

ZAMBIA STANDS FIRM ON PLANS TO TAX MINERS MORE

May 17, 2007 (*Reuters*) – Zambia on Thursday ruled out exempting foreign mining companies from paying higher taxes in return for doing more to train local workers. Zambia gave foreign firms that bought copper mines starting from 2000 tax breaks as part of development agreements so they could keep up output at a time of low prices.

With prices now sharply higher on the back of strong global demand, especially from China, the government recently told 10 foreign copper and cobalt miners that it wanted to renegotiate these pacts. Finance Minister Ng’andu Magande said he would explain to the mining companies that the development agreements were about

more than tax breaks; they also obliged the mining firms to train local contractors if they lacked the necessary skills.

“Now, when we go into these negotiations, we want to know whether the mines have been able to do that. If they haven’t, what is the problem and how can we work together to create this capacity?” Magande told reporters on the sidelines of the annual meeting of the African Development Bank.

Asked whether there could be a trade-off, Magande said: “No. What we feel is that if we let each one of them say, ‘I have a social responsibility, I will do this’ it will be very difficult to supervise.”

Foreign mining firms operating in Zambia include London-listed Vedanta Resources Plc, Canada's First Quantum Minerals and Swiss firm Glencore International AG. If social development were left to the mining firms, inequality and social problems would result, Magande said. Some of the firms argue that the development agreements incorporating the tax breaks are legally binding.

Magande said the government, in embarking on the negotiations, had discovered some "technicalities" were involved and said some multilateral financial institutions and bilateral donors had offered to help Zambia prepare for the talks. The government had held preliminary meetings with the mines and hoped to have something in writing by the end of the month, the minister said.

SOUTH AFRICA MINING INVESTMENT BACK IN THE BLACK

May 17, 2007 (Mining Weekly) – South African mining investment appears to have turned a corner after having shown a sharp decline in the first three quarters of 2006, a report released on Thursday by the Bureau for Economic Research (BER) shows.

Sectoral real GDP growth grew in the mining industry from 0.3% GDP growth in the third quarter of 2006 to 4.6% in the last quarter of 2006, the report said, citing

Statistics South Africa. Employment in mining also showed a sharp increase in the last three months of 2006, adding an additional 12 000 jobs, a 2.6% increase on the previous quarter.

Real fixed investment in the South African mining industry increased by 7.1% in 2006, compared with a 13.1% decline in 2005 and a 20% decline in 2004, the BER said, citing the South African Reserve Bank.

NEWMONT WORKERS THREATEN STRIKE AT YANACOCOA MINE

May 17, 2007 (Bloomberg) – Newmont Mining Corp. said workers at its Peruvian unit Minera Yanacocha SRL, the world's largest gold mine, threatened to strike after rejecting a wage offer. Employees turned down a proposal to increase monthly wages by an average of 48 percent, the unit said today in an e-mailed statement. The three-year offer includes annual 14 percent increases in base wages, plus a bonus of 13,000 soles (\$4,100).

A strike probably wouldn't affect production at the mine in Peru's northern Andes because the mine's workers union represents fewer than half of Yanacocha's 3,000 employees, Newmont spokesman Omar Jabara said

today. "We're preparing for the worst but hoping for the best," Jabara said in a phone interview from Denver, where Newmont is based. "The fact negotiations are continuing and that there hasn't been a strike yet are a sign that things are advancing."

Workers are demanding 21 percent increases in base wages, part of an industrywide push by miners for a greater share of record profits for mining companies that sparked a five-day national strike earlier this month. Labor talks at Yanacocha have been under way since Feb. 4.

DJ MINING INDUSTRY CONSOLIDATION TO INTENSIFY – STILLWATER MINING EXEC

May 17, 2007 (Dow Jones Commodities News via Comtex) – Consolidation in the mining industry will facilitate crucial technological development to keep abreast of soaring demand as Russia, China, Brazil and India industrialize, Stillwater Mining CEO Francis McAllister told Dow Jones Newswires.

And while the pace of Chinese demand may decelerate, McAllister sees it driving technological developments for the next 20 years, development that smaller companies

simply would not be able to fund, he said on the eve of fabricator Johnson Matthey's annual platinum dinner.

The U.S.-based palladium-platinum mining company was "dead center" in industry consolidation in 1999, when it joined with OAO Norilsk Nickel taking a majority 55% stake, he said.

"I concluded that we had to consolidate to provide the products that the world was going to use.

“Marginal companies (also) can’t sustain (price) volatility in the marketplace,” he added, pointing out that partnering with a larger miner allowed Stillwater a degree of insulation both from increasingly volatile prices, and other acquisitive companies.

Looking ahead, McAllister sees the growing influence of so-called BRICs nations in global metals marketplaces keeping a cap on prices, with regulators eventually stepping in should the trend threaten to grow out of control.

The mining sector has been in the grip of merger mania over the last two years, driven by a bull run in the commodity markets. This has been heightened in the last month with U.S. aluminum giant Alcoa Inc. (AA) bidding for rival Canadian producer Alcan Inc., while

LionOre International is currently the subject of a takeover tussle between Xstrata PLC and Russia’s Norilsk Nickel.

McAllister said, “What Alcoa has done is put itself in jeopardy as well,” adding that the miner could now find itself picked off by other majors such as Xstrata PLC, BHP Billiton Ltd. or Rio Tinto PLC. The current acquisitive nature of the current mining sector business means that “every company is thinking about it – how to defend yourself or how to grow your company,” he said. In its recent annual report, the sole U.S. PGM miner said it and Norilsk were considering “additional growth opportunities of mutual interest,” mooted diversification into other metals mines, precious metals, copper or nickel.

CHINA TO FURTHER INCREASE FERROALLOY, TUNGSTEN EXPORT TAX

May 18, 2007 (Interfax-China) – The Chinese government intends to further increase the export tax on ferroalloy products in the near future, as part of measures to control overcapacity and hasten the elimination of outdated capacity, a governmental official told Interfax yesterday. An official with the National Development and Reform Commission, who asked to remain anonymous, said the policy was in the final stages of preparation and most ferroalloy product export taxes would be increased from current 10% levels.

The export of ferroalloy products including ferromanganese, ferrosilicon, ferrochromium, ferronickel, ferromolybdenum and ferrotungsten, has been levied at 10% since Nov. 1, 2006. He stressed that although the policy would be released very soon, a final issue date had not yet been decided.

The market rumour is that the export tax on silicon-manganese will be raised to 15%, while that of electrolytic manganese will be raised to as much as 30%. Silicon-Manganese FOB prices have experienced constant growth since the beginning of March this year, as a result of the market rumour.

The FOB price for silicon-manganese soared to between \$1,300 and \$1,400 per tonne in China’s major ports yesterday, up between 76% and 84% from between \$740 and \$760 per tonne at the beginning of March.

Although the official refused to comment on this rumour, he emphasized that the government was determined to substantially reduce outdated capacity and curb the current trade surplus through this round of export tax increases. China’s ferroalloy industry is facing severe problems from overcapacity, heavy pollution and out-of-date technology.

The Chinese government aims to reduce domestic ferroalloy capacity to 17 million tonnes by 2010, down 25% from 2005. In the first quarter, China exported 1,558 tonnes ferrotungsten, up 16.5% from the same period of last year. China has charged much higher power prices to outdated ferroalloy mills this year, resulting in higher production cost and increased ferroalloy product prices, she added.

The price of silicon-manganese was RMB 9,300 (\$1,211.17) per tonne in China’s southwestern regions yesterday. Ferrosilicon was RMB 5,750 (\$748.84) per tonne in the northwestern market and ferrotitanium was RMB 13,500 (\$1,758.16) per tonne in the northeastern market, according to Shanghai Mysteel.

China will further increase the export tax on tungsten products in June in an aim to combat illegal mining and protect scarce mineral resource, an analyst told Interfax today. China is likely to increase the export tax on ammonium paratungstate, tungsten oxide, tungsten powder and unwrought tungsten products from a current 5% to 10% and increase the tax on ferrotungsten exports from a current 10% to 15%, said Yang Zhaohui, an analyst with Beijing Antaika Information Co. Ltd., a leading consultancy affiliated with the semi-governmental China Nonferrous Metals Industry Association. The government has also cancelled export tax rebates on tungsten products and banned tungsten concentrate tolling.

The price of Chinese tungsten remained at between RMB 95,000 (\$12,389.96) and RMB 105,000 (\$13,694.16) per tonne in the first four months of the year, according to information provided by the Jiangxi Nonferrous Metals Industry Administration Bureau.

CHILEAN ANTOFAGASTA TO INVEST \$1BN IN PAKISTAN COPPER-GOLD PROJECT

May 18, 2007 (*Metals Place*) – Chile's Antofagasta Minerals and Canada's Barrick Gold Corp. will invest \$1 billion-\$1.5 billion in copper exploration in Pakistan, Pakistan's Board of Investment said in a statement Thursday.

During the past year, Antofagasta completed the acquisition of Tethyan Copper Company, and established a joint venture with Barrick Gold concerning Tethyan's Rekodiq copper-gold project in Pakistan. According to

preliminary estimates, The Reko Diq copper gold project in Baluchistan, western Pakistan, could support a mine producing 250,000mt/year of copper with a significant gold credit.

"The feasibility study is in process and will be finalized by the end of June 2007. Thereafter, the company is interested in the exploration of copper reserves in Balochistan," Antofagasta Minerals President and CEO Marcelo Awad was quoted as saying in the statement.

NORILSK NICKEL TO DIVEST NON-CORE ENERGY ASSETS

May 18, 2007 (*Datamonitor*) – Russian mining and metallurgical giant Norilsk Nickel has announced that it is to spin off its non-core energy assets into a standalone company. The shares of the new independent player will be distributed on a proportional basis among Norilsk Nickel's shareholders.

Only the company's energy assets that are not engaged in power supply to its production facilities in Norilsk will be subject to the spin-off. The company said that the final list of assets to be divested will be prepared by August to September 2007.

Andrey Klishas, chairman of the board of directors of Norilsk Nickel, said: "As a result of this spin-off, the

largest private energy company in Russia will be created, so the restructuring will increase the shareholder's value of Norilsk Nickel." Mr Klishas also said that the move would allow the company to focus on the operations and efficiency of its core businesses.

Norilsk Nickel said that, in accordance with the spin-off schedule approved by the board of directors, if the company's shareholders vote for the reorganization at the general meeting in December 2007, the new company could be registered before the end of the year.



NOTICE

The next issue of the Global Mining Newsletter
will be published on Tuesday, May 29, 2007
as we are observing the Memorial Day Holiday on
Monday, May 28, 2007.

Our USA offices will be closed Monday, May 28, 2007
in observance of the holiday.



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