

BEHRE DOLBEAR

Global Mining News

LAFARGE SA WORKERS DEMAND 20% PAY HIKE

June 4, 2007 (*Engineering News*) – The National Union of Mineworkers (NUM) on Monday demanded wage increases of 20% for employees of cement-producer Lafarge South Africa. The NUM demanded a 40-hour working week, a contribution to a housing subsidy on a 70%/30% basis, a 10% performance bonus, and a long-service award of R700 for five years of service.

The union demanded R600 wage increase for Lafarge’s cement business unit and 20% from its aggregate business unit. The Num expected that as its demands were “reasonable”, there would be an amicable resolution.

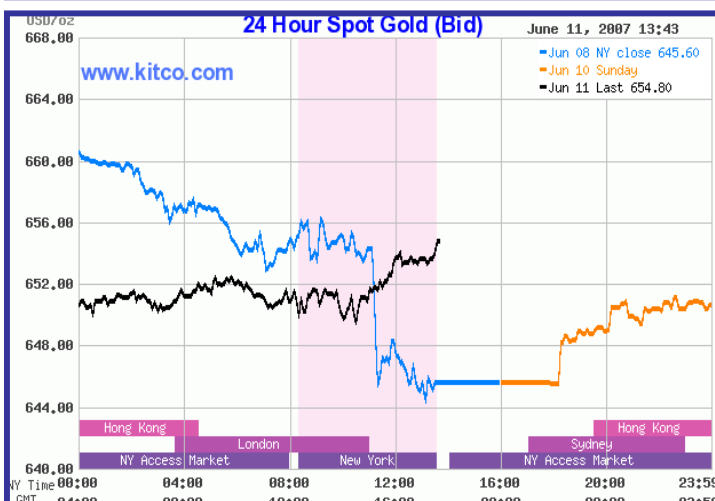
XSTRATA BOWS OUT OF LIONORE BID BATTLE

June 4, 2007 (*Mining Weekly*) – Diversified resources firm Xstrata announced at the weekend that it had told junior Canadian miner LionOre Mining International that it would not match Russian giant Norilsk Nickel’s C\$6.8-billion cash offer for the company. LionOre had determined the Russian firm’s offer of C\$27.50 a share to be superior to Xstrata’s revised offer of \$25 a share. Both firms had now made two offers for the junior nickel-miner.

Should LionOre accept Norilsk Nickel’s offer and the transaction goes ahead, the firm would have to pay a C\$305-million break fee to Xstrata. Xstrata also announced the extension of the expiry time for its offer from June 7 to midnight (Vancouver time) on

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USD	JUNE 8, 2007	JUNE 1, 2007
GOLD	625.25	666.50
SILVER	13.3100	13.5300
PLATINUM	1,300.00	1,290.00
PALLADIUM	367.00	371.00
ALUMINUM	1.2043	1.2589
COPPER	3.3044	3.4067
LEAD	1.0229	1.0664
NICKEL	19.8674	22.8838
URANIUM	135.00 (06/04/07)	125.00 (05/28/07)
ZINC	1.6377	1.6831

June 15. Norilsk Nickel said on May 31 that it had received Finnish competition approval for its proposed acquisition of LionOre Mining.

Meanwhile, on the same day news wire Bloomberg reported that a major shareholder and former CEO of Norilsk Nickel had said that the company's C\$6.8-billion bid for the Canada-based junior miner was "too risky", as he believed nickel prices would drop.

"LionOre is a great company and Norilsk started looking at it while I was still in charge, but the price offered is too high," Bloomberg quoted Mikhail Prokhorov, who owns 22% of the Russian company, as saying. He said that the nickel price would fall in the medium term.

YANACOCHA GOLD MINE LABOR CONTRACT APPROVED, CODELCO NORTE COPPER RATIFICATION ANTICIPATED

June 4, 2007 (*MineWeb*) – New labor contract deals were reached over the weekend at two major South American mines, Newmont's Yanacocha gold mine, and Codelco's Radomir Tomic copper mine in Chile. The Yanacocha agreement was reached Sunday after four months of bargaining.

Felipe Ramirez, Manager of Yanacocha's Institutional Relations and Communications, called the signing of three-year collective agreement, "a victory of understanding and reason, and confirms the willingness that always existed in the part of the company to keep its workers' income at a highly competitive level in the labor market of our country's mining activity."

The agreement contains a 16% increase in the average base salary for 2007, as well as additional 10% and 8% increases for 2008 and 2009 respectively. It also pays a \$4,096 signing bonus to be paid over the next three years. The agreement will be in effect from 2007-2010, according to a Newmont news release.

Meanwhile, Ariel Riveros, chairman of the main union representing employees at the Radomiro Tomic copper mine (now part of the Codelco Norte division), told Reuters that nearly 560 union members have approved a new labor agreement.

URANIUM ONE AGREES TO BUY CANADA-BASED ENERGY METALS

June 4, 2007 (*Mining Weekly*) – Just over a month after JSE- and TSX-listed uranium miner srx Uranium One (Uranium One) announced the completion of its acquisition of the Shootaring Canyon Mill in Utah, the US, the firm announced that it had agreed to buy another North American company, in the form of Canada-based Energy Metals Corporation (EMC), for C\$1.59-billion, about R10.6-billion.

Uranium One, the second-biggest uranium company in the world after its acquisition of Urasia Energy, would pay for the firm in paper, to create a \$7.8-billion uranium giant, and executive vice president for corporate affairs Jean Nortier said that, by 2013, the company expected to be producing 28-million pounds a year of yellowcake. EMC is based in Canada, but owns several US uranium projects.

Uranium One, also based in Canada, would pay EMC shareholders 1.15 common shares of Uranium One for each issued EMC share, representing a value of C\$19.12 a share, based upon the closing price of Uranium One on the TSX on June 1. This represented a 28% premium to the 20-day volume-weighted average trading prices of

Uranium One's and EMC's shares on the TSX for the period ending May 17, which was the day before EMC announced that it had entered into exclusive negotiations with respect to a potential sale of the company.

Paradigm Capital analyst David Davidson said that the deal, which had been rumoured in the market for some time, came as no surprise. He noted that the transaction would create some synergies, especially in Utah, where Uranium One had bought the Shootaring mill, speaking in a telephone interview from Toronto.

The new company would have two producing mines and a pipeline of nine projects, with the potential to deliver year-on-year growth in production out to 2013, Uranium One said in a note to shareholders. The acquisition agreement would also bring production at Uranium One's Shootaring assets, in the US, forward by a year or two, Nortier said.

Speaking in a conference call from New York on Monday afternoon, Nortier said that Uranium One would probably not be looking at further US acquisitions in the

medium term, but would rather diversify into other areas where the company had assets, specifically Australia.

Davidson said that, through acquiring EMC, Uranium One would be paying some \$20 for each indicated uranium pound in the ground, which was “slightly on the high side”, although there had been similar transactions

over the past few months. However, he noted that this could come down if EMC’s reserves were expanded. Nortier confirmed later in the day that, at the largest portion of the assets acquired through EMC, which were located in Texas, Uranium One anticipated costs at around \$20 a pound.

GHANA: OBUASI MINES WILL COLLAPSE, SAYS ANGLOGOLD MD

June 5, 2007 (*Ghanaian Chronicle – Accra*) – The outgoing Managing Director of AngloGold Ashanti, Obuasi mine, Mr. Danie Spies has warned that if care is not taken, the mine could collapse in the next three decades due to the activities of illegal miners. Mr. Spies gave the warning when the Ashanti Regional Minister Mr. Emmanuel Owusu Ansah called on the management of the mine during an official visit to Obuasi.

The Minister’s visit, which also took him to the Obuasi Government hospital, Anglo Gold Ashanti’s Malaria Control Centre, Ahansoyewodea and Mampamhwe, was his first to Obuasi since he took office as Regional Minister.

Mr. Spies continued that the company spends a lot in maintaining security as a result of the operations of illegal miners popularly referred to as galamseyers and called for the support of the communities within the mining area to help curb the situation.

The outgoing Managing Director said though the company was currently running at a loss, it was still committed to its social responsibilities citing its Malaria

Control Programme aimed at reducing malaria cases in Obuasi by 50 per cent in two years and construction of schools as evidence.

The Regional Minister on his part said he was not happy about the development of Obuasi, taking into consideration the long existence of the mine in the area adding, “The previous management did not do enough to improve development of Obuasi”.

He noted that for the past years that the Obuasi Len Clay stadium was put up by the company, there hasn’t been any expansion and that the present state of the place does not benefit the company and Obuasi, looking at the level of soccer in the world.

Mr. Owusu Ansah continued that “it is unfortunate we still have untarred roads in the Municipality”, and suggested to the current management of the mine to consider adopting Obuasi Secondary School as a model school. “You should at least consider adopting Obuasi secondary school as a model one because it is a technically biased school so it will go a long way to support the operation of the mine.

GOVERNMENT WARNED ABOUT MINING FIRMS WITH POOR TRACK RECORD – PHILIPPINES

June 5, 2007 (*Inquirer*) – Environmental groups cautioned the government Monday against allowing “mining giants” with poor environmental records elsewhere in the world to operate here, even as they prepared to mount protests coinciding with the 7th Asia Pacific Mining Conference.

Clemente Bautista, one of the organizers of a group called Defend Patrimony, said he deplored that the government has been prodding the world’s largest mining companies to invest here even though these companies had caused environmental disasters.

He cited the cases of case of BHP Billiton and Anglo-American. Bautista said BHP Billiton was being wooed by President Gloria Macapagal-Arroyo even though it is

facing a \$4-billion class suit filed by the Ninerum people of Papua New Guinea over its mine tailings that flowed into the Fly and Ok Tedi rivers. The company, he said in a briefing, is eyeing a multi-million-dollar nickel project in Davao Oriental in partnership with local mining firms Hallmark Mining Corp. and AustraAsia Link Mining Corp.

Anglo-American, on the other hand, has three pet projects, including Boyongan Copper Project in Surigao del Norte, the Padcal Copper Extension Project in Tuba, Benguet with Philex Mining Corp., and the Conner Copper Gold Project in Apayao and Kalinga provinces.

Bautista warned that the administration’s stepped-up efforts to lure foreign companies would make the country

“more vulnerable to grave environmental disasters” such as the 2005 mine tailings spills at the Lafayette mining project in Rapu-Rapu, Albay.

Defend Patrimony and Alyansa Tigil Mina were to stage rallies on Tuesday outside the Shangri-La Hotel in Makati City, venue of the 7th Asia-Pacific Mining

Conference, to protest the operation of mining companies in the country. The senators, including the newly elected candidates, should review the effects of Mining Act vis-à-vis environment groups’ call for its scrapping, he added.

ZIMBABWE SAYS TO CONTROL STRATEGIC MINING SECTORS

June 5, 2007 (Reuters) – Zimbabwe’s government is to take control of strategic resource sectors such as uranium under a new law due to take effect by year-end, but in other sectors local businesses will take majority stakes, the mines minister said on Tuesday.

Companies such as Impala Platinum and Rio Tinto which are already operating in the country would be treated differently under the new law, which will require 51 percent local ownership of mining firms, Amos Midzi said at a metals conference in Namibia.

Controversy has swirled for years around Zimbabwe’s proposed new mining law as investors feared the government would seize majority stakes in all mining firms. “I would like to dispel this notion that Zimbabwe wants to nationalise its mining industry,” Midzi said in a speech at the conference. “It’s not that the government will take 51 percent in every instance, it’s only in selected minerals or mines.”

He told reporters afterwards that sectors such as uranium, coal and methane gas would likely require control by the government. “We are looking at what we have defined as strategic minerals, uranium for instance. We are saying that as far as uranium is concerned it’s untouchable by any private company.” In those strategic sectors, the government might hold up to 100 percent of mining firms, with a minimum of 51 percent if joint-venture

partners are used. The value of the mineral deposit would be converted into equity to give the state control or a stake, he added.

For other minerals, the government might not have any shareholding, but local businesses would take stakes to meet the requirements of the law, which is due to be passed by parliament in August or September, and take effect before the end of 2007, he added. Companies already operating in the country would be treated on a case-by-case basis, with the government recognising any social improvements they have contributed.

The chairman of Rio Tinto, which owns diamond operations in the country, has already had discussions with President Robert Mugabe, Midzi added. South Africa’s Implats, the world’s second-biggest platinum producer, has already sealed an agreement with Zimbabwe that gives it credit for improvements such as roads and housing it had built.

The Mines Ministry last year said the cabinet had approved changes to the mining law to indigenise 51 percent in some instances of all foreign-owned companies, with 25 percent going to the state for free. The proposals were later withdrawn for further consultations, but Mugabe has insisted that locals should take control of the country’s rich mineral resources.

R14BN HOLCIM BEE DEAL IN THE BAG

June 5, 2007 (Engineering News) – Swiss cement maker Holcim has completed the sale of its majority stake in Holcim SA to the black economic-empowered (BEE) Afrisam Consortium for R7.5-billion, it said on Tuesday, and construction group Aveng said later in the day that it had also received the R6.8-billion payment for its 46% holding in the local company. The proceeds would be used for “organic growth opportunities”, with “at least 50% of the cash proceeds” being returned to shareholders, Aveng said in an emailed statement.

Holcim, which is maintaining a 15% stake in Holcim SA, said that it would use the proceeds of the sale for further growth of the Holcim group. Afrisam bought 85% of Holcim’s 54% stake in Holcim SA, but Holcim would retain a range of pre-emption and investment rights, which could not be exercised in a way that would compromise the company’s BEE credentials, it said. Holcim would also continue to provide technical assistance, which would see the South African company being deconsolidated and equity accounted.

Last week, Afrisam received unconditional approval from the Competition Tribunal to buy the majority interest in Holcim and the go-ahead from steel and construction group Aveng's shareholders, which owned 46.65% of

Holcim SA, to buy their holding in the company. This transaction makes Holcim SA the leading black-controlled company in the building materials sector.

GALORE CREEK COPPER/GOLD PROJECT CONSTRUCTION CAN BEGIN IMMEDIATELY

June 6, 2007 (MineWeb) – Vancouver junior NovaGold announced Tuesday that it has obtained all the necessary federal and provincial authorizations and permits to construct the first metals mine in British Columbia in 10 years. With key provincial permits received and the surface lease offer accepted, Monday's federal approval allows full construction to begin immediately on the US\$2.2 billion project in northwestern BC, according to a NovaGold press release. Meanwhile, the Tahltan Nation has also endorsed the project.

NovaGold and Teck Cominco recently announced they were forming a joint venture to build the Galore Creek copper-gold mine, which is expected to yield 423 million pounds of copper, 341,000 ounces of gold and 4 million ounces of silver yearly during the first five years of its 20-year mine life.

Galore Creek Construction has been planned in two phases, the first phase to be financed by Vancouver-based

miner Teck Cominco. To earn a 50% interest in the project, Teck will fund US\$478 million in construction costs with each company responsible for its pro rata share of funding thereafter. Phase one includes road access and other access to the property, and a tunnel. Phase two construction aims to focus on mine facilities and earthworks.

While NovaGold has already invested US\$128 million in pre-construction activities and plans to invest a total of Cdn\$262 million (US\$247.27 million), company President and CEO Rick Van Nieuwenhuysse has told analysts that NovaGold could raise \$200 million toward project construction by selling the project's silver stream. NovaGold could also raise money through bonds.

Galore Creek is expected to commence production in 2012, becoming British Columbia's first metals project in a decade.

JUBILEE PT TO DIG \$400M MINE

June 6, 2007 (miningmx.com) – Jubilee Platinum, a junior exploration firm listed in London and Johannesburg, has unveiled plans to dig a \$400m platinum mine producing about 262,000 oz/year from its Tjate prospect in South Africa's western Bushveld.

By historic standards the mine would descend to a relatively deep 1.1km, but Colin Bird, CEO of Jubilee Platinum, said platinum mine project economics had changed lately. "You can't mine the near surface stuff again," said Bird in a telephonic interview. "And many of the other western limb projects are also relatively deep. This represents the new generation of platinum mines."

The mine's annual production was based on about 15% of assessed platinum minerals in the Tjate property. Merensky reef, which is rich in nickel and copper by-products, would be intersected at a depth of about 650m.

Financing the project could be achieved by co-operating with other junior mining firms in a consolidation, or by

partnering with a major mining company, such as Anglo Platinum or Impala Platinum. Bird said there had been no discussions with any of the major miners regarding corporate activity on Tjate.

According to a scoping study, the internal rate of return on the project after tax was 22%; a net present value of \$292m using a discount rate of 10% was also calculated.

Against a background of much increased platinum prices, analysts believe new, higher cost production is being encouraged from South Africa, which dominates the supply side of the industry. Jubilee was "a bit different", said Bird, because it was also developing nickel and PGM projects in Madagascar. There was no pressure on the company to deconsolidate its assets. "They – the nickel and platinum – fit very well together," said Bird.

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ALCAN SAYS ALCOA'S TAKEOVER BID REMAINS INADEQUATE

June 6, 2007 (Reuters) – Alcan Inc. said on Wednesday that Alcoa Inc.'s \$28.3 billion takeover bid for the Canadian aluminum maker remains inadequate. "The outcome still remains unknown. The value remains inadequate," said Alcan spokeswoman Anik Michaud, reacting to Alcoa's announcement that it had filed documents with U.S. regulators related to its offer.

"The board has already rejected the offer and continues to evaluate all options to maximize shareholder value," Michaud added.

PERU UNIONS THREATEN NEW WALKOUT AGAINST SOUTHERN COPPER

June 6, 2007 (Dow Jones) – Talks between union and company representatives at Southern Copper Corp. (PCU) have so far failed to reach an agreement and unionized workers are threatening a new walkout, a union leader said Wednesday. "We have the same inflexible position on the part of the company and we have not reached any type of agreement yet," said Juan Carlos Yapurasi, a union leader from Toquepala who is participating in the talks.

Unions from Cuajone and Toquepala mines as well as the company's Ilo smelter and refinery recently resumed contract talks after agreeing to lift a strike held in late

April and early May. According to Yapurasi, the three unions are negotiating as one unit. Talks between the two sides continue this week. However, if the situation does not change "we will be holding assemblies to ratify strike action," Yapurasi said. The date of the possible strike will depend on the assemblies, he said.

Concentrates from Southern's Toquepala and Cuajone mines in southern Peru are shipped to the company's nearby smelter in Ilo, located in the Moquegua region. Southern Copper operates mines, smelting and refining facilities in Mexico and Peru. Grupo Mexico, has a 75.1% stake in Southern Copper.

CHINA DEMAND WILL KEEP WORLD NICKEL PRICES UP: INDONESIA MINER

June 6, 2007 (ChannelNewsAsia.com) – Strong demand for nickel, particularly in China, will keep nickel prices at high levels, a miners conference heard Wednesday. "Most analysts feel China will continue to grow strongly. Unless China's economy significantly falters, nickel prices at least until the end of the decade, will be strong and stable," said Darma Ambiar, director of PT Aneka Tambang.

Ambiar, who was attending the 7th Asia Pacific Mining Conference in Manila, said China's strong consumption of base metals, including nickel, ensures the profitability

of state-run PT Aneka Tambang. He projected nickel prices to average 8.54 dollars per pound in the next 10 years, from an average of 3.04 dollars per pound from 2002 to 2003. "The outlook for nickel prices is very, very positive and our company is looking for various opportunities to increase output," Ambiar said.

Aneka Tambang will keep nickel production steady at 14,500 metric tons this year, before raising it to 20,000-22,000 metric tons in 2008 when its new plant is scheduled to start running at 85 percent of its operating capacity.

CHINA BAOSHAN TO MAKE MORE LOW-NICKEL STAINLESS

June 7, 2007 (Reuters) – Baoshan Iron and Steel Co. Ltd. will raise production of low-nickel stainless steel to between 35 and 40 percent of its total production in 2007 versus 30 percent last year to reduce costs amid high nickel prices, a senior executive said on Thursday. He

Yucheng, vice president of stainless steel branch of Baoshan, said Baoshan's production of high-nickel stainless steel, or 300 series, would fall to 60 percent of its total production this year, from 70 percent last year.

“Nickel prices are too high,” He told a stainless steel conference in Hong Kong organised by Metal Bulletin. “This would produce harms to the industry in a long term,” He said.

World nickel prices have risen 34 percent so far this year to \$44,650 a tonne on Thursday. It hit a peak of \$51,800 last month.

Baoshan will expand capacity of stainless steel in coming years despite that the local market is already oversupplied. He said China had 13.65 million tonnes of stainless steel capacity in 2006 of which 8.45 million

tonnes came on stream last year. The capacity excluded mills who had less than 100,000 tonnes of capacity a year.

China produced 5.3 million tonnes of crude stainless steel last year, up 2.14 million tonnes, or 68 percent, from 2005. Local consumption of stainless steel also rose to 5.95 million tonnes last year, up 730,000 tonnes, or 14 percent, from 2005. He said the country’s consumption of stainless steel could reach 10 million tonnes in 2010 but did not provide forecast for 2007.

THE IMPORTANCE OF AN ETHICAL APPROACH TO PROJECT FINANCE

June 7, 2007 (*Financial Times*) – When 10 banks got together in 2003 to launch the Equator Principles, an initiative to manage environmental and social issues in project financing, it was essentially a matter of self-preservation.

The institutions were increasingly the focus of negative publicity as non-governmental organisations (NGOs) targeted them for their involvement in projects such as the Three Gorges Dam in China. “The reason there has been so much focus on banks and sustainability is because that is where the money is,” says Andrew Savitz, sustainability consultant and author of *The Triple Bottom Line*. “Banks are perceived to have huge leverage with customers when they give out the money, so activists saw them as gatekeepers.”

Project finance was where NGOs first made the link between environmental damage caused by infrastructure projects and the banks that financed them, says Steve Waygood, head of engagement at Morley Fund management.

“When they started, they wanted something to fend off criticism,” concurs Rachel Kyte, director of the International Finance Corporation’s Environment and Social Development Department. “But pretty quickly, it became about how to have a management system for extra-financial risks.”

The initiative also quickly grew and it now has 51 signatories that account for nearly 90 per cent of emerging market project finance – about \$28bn in 2006. The principles were revamped in 2006, to make them more transparent and to increase scrutiny of social issues such as safety and security, pollution prevention and community health. The threshold for deals covered by the principles has been lowered from \$50m to \$10m.

The Equator Principles have, in only a few years, changed the way projects are financed, Ms Kyte says. They are important for three reasons, she adds. “It is easier for companies to organise their management systems around a standard set of requirements that they know creates a level playing field. It is important for investors concerned about managing sustainability risks, who can tell capital owners that their investments are meeting a particular standard, and it is important from a transparency point of view – it gives a framework to report to your stakeholders how you are managing environmental and social risks.”

One of the successes of the Equator Principles, says Ms Kyte, is that “it is a great example of a private voluntary initiative moving ahead of regulation”. Karina Litvack, head of governance and sustainable investment at F&C, the UK fund manager, agrees.

One reason for the success of the Equator Principles, she says, is that it is very specifically limited to project finance. “This makes it manageable – if it had been adopted across all areas it would have alienated staff. But because it worked in one unit of the bank, it helped get buy-in from other parts of the company,” Ms Litvack adds.

Another standard for sustainability, the United Nations Principles for Responsible Investment, has recently celebrated its first birthday. The PRI, which has been signed by 183 institutions representing \$8,000bn of funds under management, commits pension funds and asset owners to integrate environmental, social and governance (ESG) issues into conventional investment analysis. But like the Equator Principles, getting institutions to sign up is only the first step.

“Signing up to the PRI sends a fundamental signal to the marketplace, but benchmarking is critical if it is to make a difference,” says Paul Clements-Hunt of the UN Environmental Programme Finance Initiative.

The requirement to report progress shows how investors have learnt from an earlier initiative. Launched by Tony Blair at the Johannesburg Earth summit in 2002, the London Principles outlined the characteristics of a sustainable finance market, but had little impact because they lacked any accountability mechanism.

One scheme helping financial institutions to consider ESG factors is the Enhanced Analytics Initiative, which encourages brokers to publish ESG-related research. David Blood, managing partner of Generation Investment Management and current head of EAI, says ESG factors

drive long-term value. He is adamant that encouraging such research “is not a social movement – this is about best practice in investment and business.”

As soon as you move past investing for the next nine months and invest for the long term, it becomes immediately clear that these issues drive business, Mr Blood adds. “The context of business is changing – civic society and government are going to demand from business a greater contribution to the challenges that society faces, not least because business is often in a better position to solve the problems than government is.”

Mr Blood concludes: “Fairly soon, I think these initiatives will disband because they will no longer be needed – the issues they deal with will have become part of the mainstream.”

TAKING THE CALEDONIAN ROAD TO NICKEL RICHES

June 7, 2007 (Financial Times) – At the entrance to Goro Nickel, a \$3.2bn mining project on France’s distant South Pacific territory of New Caledonia, a billboard is regularly updated to show how many hours have been worked without any lost time due to injury – 519,000 at the last count. Goro Nickel, now owned by Brazil’s CVRD, has had its fair share of delays, cost blow-outs and local opposition.

The mine is one of two projects owned by foreign companies that together could more than double Caledonia’s nickel exports. Caledonia, which holds almost a quarter of the world’s deposits of nickel, has long sought to benefit from its huge reserves. But overseas mining groups looking to exploit the archipelago’s nickel resources have had a rough ride.

Nickel, which is used to make stainless steel, has been the backbone of Caledonia’s economy for more than a century – where it was mined first by the Rothschilds, then by the state and then the privatised Eramet group. Most recently, Caledonia has attracted international mining groups spurred on by a steep rise in the price of the metal, which has risen fourfold since the start of 2006 on the back of strong demand from China. Goro’s original owner, Inco of Canada, launched the project in 2001, hoping to start production in 2004 with a budget of \$1.9bn.

But the plan was shelved for two years amid a downturn in nickel prices, permit delays and opposition from indigenous communities and environmentalists. While some analysts say another postponement cannot be ruled out, the managers of Goro insist production will start in early 2009 after agreeing further concessions to environmentalists.

Jeff Zweig, deputy general manager, argues that a troubled start has allowed CVRD to improve considerably the initial Inco plan. “We really had to take a step back and make sure we got it right this time...Goro has brought a degree of complexity never seen before on this island.”

Goro has become the world’s biggest construction project in the metals sector, partly because Caledonia has just 250,000 people and a labour cost structure based on France’s. The area around Goro has only a few indigenous villages and working there is complicated by heavy downpours.

The region gets about three times more rainfall than the rest of the island.

To deal with the labour shortfall, CVRD is progressively boosting Goro’s workforce to 5,000 people but another 4,000 workers are in the Philippines building the large factory modules that are then shipped across to Goro’s deepwater port, 3km from the site. Filipinos also represent about a quarter of the Goro workforce.

The use of foreign workers has triggered a backlash from local nickel miners who last year went on strike for six weeks in protest over the Filipino influx. They have also demanded that the island impose higher taxes on companies tapping into the nickel boom.

Meanwhile, London-listed Xstrata owns 49 per cent of Koniambo, a project in northern Caledonia whose production is expected to be almost equivalent to Goro’s. But Xstrata, which inherited the asset when it bought Falconbridge of Canada, is yet to decide whether to proceed with an investment in which the regional government of northern Caledonia has majority control.

Harold Martin, president of the Caledonian congress, is among local politicians who recognise that Koniambo faces a big hurdle because of its split shareholding. But he predicts that this will turn out to be “a false problem” that Xstrata will be able to circumvent by securing a

majority of the voting rights should it decide to proceed with Koniambo’s development. Mr Martin says: “Industry needs legitimacy and security. A provincial government is not in the business of running a mining project.”

ERAMET TO SPEND \$2 BILLION ON WEDA BAY NICKEL PROJECT – INDONESIA

June 7, 2007 (Reuters) – French miner Eramet will invest \$2 billion to bring its Weda Bay nickel project on stream in 2012, a senior company official said on Thursday. The cost is at the top end of the \$1.5-\$2 billion range the company forecast when it took over the project in May last year.

At full tilt, the east Indonesia mine will crank out 60,000 tonnes of nickel and 4,000 tonnes of cobalt annually, Executive Vice President Francois-Gabriel Sauvage said, doubling the firm’s worldwide nickel output. Eramet is now conducting a feasibility study for the project on Halmahera island, east of Sulawesi. That

could take up to three years, followed by two to three years of construction, Sauvage told a stainless steel conference in Hong Kong organised by Metal Bulletin.

Sauvage said the latest estimates showed Weda Bay had nickel reserves of up to five million tonnes – higher than the just over four million tonnes estimated at the time of its acquisition. “This project is roughly the size of the Goro project,” he said, referring to a major project in New Caledonia, owned by Brazil’s CVRD, for which Inco Ltd. of Canada had spent more than \$1 billion for development.

CHINA’S NONFERROUS METALS TRADE DEFICIT REACHES \$10.58B IN FIRST FOUR MONTHS

June 7, 2007 (Interfax-China) – China’s nonferrous metals trade deficit amounted to \$10.577 billion in the first four months this year, surging 135.62% from the same period last year, according to a National Development and Reform Commission (NDRC) announcement yesterday. China’s nonferrous metals trade turnover amounted to \$27.7 billion in the first four months, lifting 60.56% from the same period last year.

Export turnover climbed 34.2% year-on-year to \$8.561 billion in the first four months and import turnover reached \$19.139 billion, skyrocketing 76.1%. This resulted in a trade deficit of \$10.577 billion for the four-month period, \$6.088 billion or 135.62% higher than the same period last year.

The NDRC noted that imports of refined copper increased dramatically in the first four months of the year, reaching a total of 669,697 tonnes, up 141.7% year-on-year. China imported 6.455 million tonnes of bauxite, mainly from Indonesia, during this period, surging 245.5% annually. Bauxite imports account for more than 50% of total bauxite consumption in China, mainly due to consumption from newly built alumina plants.

Nickel ore imports swelled 10.4 times year-on-year to a total of 3.849 million tonnes in the first four months while unwrought nickel imports grew 21.9% to 39,200 tonnes. China’s net export of unwrought zinc amounted to 67,000 tonnes in the January to April period while net exports of unwrought lead amounted to 69,600 tonnes, dropping 64.5% annually from last year, according to the NDRC.

With pressure mounting, a \$10.5 billion deficit, albeit unsustainable in this industry, will provide some leverage when discussing trade imbalances. Bauxite imports from Indonesia can be construed as part of a larger agreement related to natural gas contracts. China’s bauxite reserves are huge, with developed reserves at 460 million tonnes and undeveloped at 2.2 billion tonnes. Total value of these imports is \$250 million, which is not a big factor in the overall picture.

Copper imports were the main contributor to this deficit, although it is questionable whether imports can be sustainable or justified at these levels once stock replenishment is complete.

LIONORE TO PAY \$305M BREAK FEE TO XSTRATA

June 7, 2007 (CBC News) – LionOre Mining International Ltd. said Thursday it is supporting a takeover bid from Russia's Norilsk Nickel, and will pay a breakup fee of \$305 million to spurned suitor Xstrata PLC. Toronto-based LionOre said it has terminated its agreement to support a \$25-per share takeover bid from Xstrata in favour of Norilsk's bid of \$27.50 a share in cash. Norilsk's offer is worth a total of \$6.8 billion.

Xstrata's current bid for LionOre expires on June 15, and the company indicated on June 1 that it will not boost its offer.

LionOre produces nickel in Western Australia, South Africa and Botswana, and has a gold mine in Western Australia. Norilsk said it is the world's largest producer of nickel and palladium, and among the top producers of platinum and copper.

COPPER TRUMPS GOLD ON COMMODITY BOURSE – INDIA

June 8, 2007 (Reuters) – India's leading commodity exchange, where gold bullion has always dominated trading, is seeing the spotlight shifting to copper as demand for base metals picks up in the fast-growing economy.

The volume of copper being traded has more than doubled to 7,000 to 8,000 tonnes a day over the past one year with volatile metal prices prompting more users to hedge, Anjani Sinha, director of Multi Commodity Exchange of India, said. "The trading in copper futures is now almost at the same level as gold," Sinha told the media in an interview.

World copper prices have more than doubled to about \$7,500 per tonne from \$3,000 in end-2005, he said. This has lifted copper futures trading on the Indian exchange to about Rs 20-25 billion (\$488-\$610 million), just behind gold futures with Rs 25-30 billion.

It is only a matter of time before copper overtakes gold as the most traded as more cable and electric wire makers, who contribute about 60 percent of the trading volume now, step in to buy copper futures contracts to hedge against price volatility. "It may happen. There is a lot of industrial application and many users are there. And compared to gold, copper is more volatile," Sinha said.

CHINA TO BECOME WORLD'S NO.2 GOLD PRODUCER

June 8, 2007 (Reuters) – China, the world's third-largest gold producer, is likely to surpass the United States to become the second-largest producer of the precious metal in 2007, a senior Chinese industry official said on Friday. China plans to raise its gold production by 8.3 percent to 260 tonnes in 2007 amid strong international prices. Gold prices hit a 25-year high last year.

Domestic demand was seen in line with production at 260 tonnes this year, supported by the jewellery sector, Wu Junyun, vice general manager of the international trading arm of the China National Gold Group Corp., told reporters on the sidelines of a conference in Shanghai.

China's gold output rose 14 percent in the first four months of this year to 77.75 tonnes, extending a 7 percent increase in 2006 when it hit a record of 240 tonnes, data from the China Gold Association showed. The World Gold Council has put China's gold consumption at about 240 tonnes in 2006.

The state-owned China National Gold Group, one of the country's leading gold producers, produces about 20 percent of the country's total. Wu said the company was interested in gold mining in neighbouring countries, including Myanmar and Vietnam as well as in Russia and other central Asian countries, although he gave no details.

GLOBAL SHINE TO GOLD MARKET

June 8, 2007 (China Daily) – In what is being widely seen as a major step in globalizing the Shanghai gold

market, the People's Bank of China yesterday admitted five major foreign banks as members of Shanghai Gold

Exchange (SGE). The five banks are HSBC, Standard Chartered Bank, both from Britain, UBS of Switzerland, Bank Of Nova Scotia of Canada and France's Societe Generale.

The central bank is also reported to be considering plans to loosen the restrictions on gold imports and exports. Opening SGE membership to foreign banks is expected to increase the liquidity of the domestic gold market and bring in foreign expertise that can promote the healthy development of the market in the long run. The move could also lead to greater interaction with the international market, leading to greater convergence of prices.

Roland Wang, general manager of World Gold Council, Greater China, said: "It's a natural trend for China to gradually merge with the international market. A closer tie between China's gold market and the international market would be established, increasing China's importance in gold price discovery in the international market."

Richard Yorke, president and CEO of HSBaC Bank (China), said: "SGE membership will enable us to share our international experiences and expand our participation in China's financial markets. We hope membership of the exchange will offer us trading opportunities and enable us to broaden our services.

Cai Zhenwei, director of the gold business department of Bank of China, told China Daily: "The entry of major foreign banks will help attract more investors to the gold market. The market will benefit from the increase in liquidity."

Despite the anticipated increase in competition with the entry of foreign banks, SGE's members remain positive. "The foreign banks, with more expertise and experience in trading in the international market, can bring new ideas," said Zhang Wei, director of the gold business department with Shanghai Bank.

Nearly all major domestic banks, including Bank of China and Shanghai Bank, are members of SGE.

DRC COPPER & COBALT PRODUCTION SET TO INCREASE RAPIDLY – IMF

June 8, 2007 (Reuters) – Democratic Republic of Congo's copper and cobalt production should rise rapidly in the coming years as it reaps the benefit of private investment in its mining sector, the International Monetary Fund said on Thursday.

Following the first free elections in four decades last year and a return of stability to the southeastern Katanga province, the central African country's mineral heartland, investment by major mining companies has boomed over the past few years.

Mineral production – which also includes gold and diamonds – will rise as projects to rehabilitate long-abandoned mines and open new ones begin to go online early next year, Cyrille Briancon, head of the IMF's Africa division, said in Kinshasa. "Beginning in early 2008, Congo should see growth in production if these projects advance as planned, and it should continue to grow fairly quickly through 2012 and 2013," he said.

Once a world leader in mineral production, Congo exported more than 440,000 tonnes of copper in 1989 before a steady decline due to years of mismanagement followed by a 1998-2003 war crippled exports. Companies operating or prospecting in Congo's fast-expanding mining sector include the world's largest

diversified miner BHP Billiton and the world's third-biggest gold producer AngloGold Ashanti.

U.S. major Phelps Dodge, recently purchased by Freeport-McMoRan Copper & Gold Inc, is investing \$650 million in its Tenke Fungureme project in Katanga. London-listed Nikanor Plc plans to bring \$1.3 billion in outside investment.

Briancon said the IMF was encouraged by progress made by Congo's government, appointed in February, towards reining in spending and increasing revenues. A much-delayed 2007 budget, aimed at qualifying Congo for debt relief next year, was presented to parliament last month for approval.

The cash-strapped but potentially mineral-rich central African nation owes some \$10 billion, and servicing external debt will consume more than half of the 2007 budget. After more than a decade without IMF help, Congo secured a Poverty Reduction and Growth Facility (PRGF) programme in 2002. However, it missed its final set of targets and so never received the last payment.

Briancon said negotiations could open in late summer aimed at restarting the programme in early 2008.



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