

BEHRE DOLBEAR

Global Mining News

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SOUTH KOREA TO LAUNCH \$279 MLN NICKEL MINE FUND IN OCT

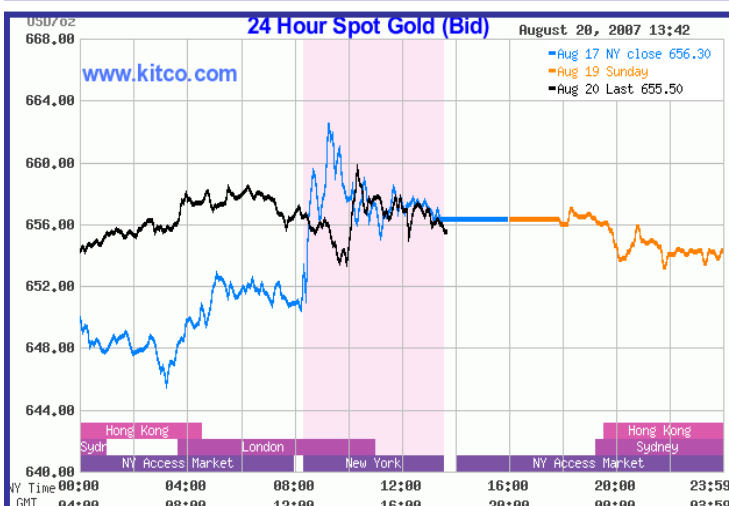
August 12, 2007 (Reuters) – South Korea plans to launch a 260 billion won (\$279.1 million) fund in October to invest in a Madagascar nickel mine as its first move to raise seed money for the development of mines around the globe, the country's mining body said on Sunday.

The move came as the global prices of steelmaking additive nickel remain under pressure from weak demand and concerns over recent financial market turmoil. But KORES expressed confidence on the fund's profitability, saying development costs are low and nickel prices are still high compared with 2003. The mine is estimated to have 125 million tonnes of nickel ore and South Korea expects it to produce up to 60,000 tonnes of the metal a year from 2010.

In March, Asia's fourth-largest economy said it would raise 2.5 trillion won via raw material development funds in the next five years as South Korea seeks to catch up in the race to secure overseas mineral supplies.

The move is the country's most direct yet in its goal to meet 38 percent of its import needs with South Korean-owned mines by 2016, stepping up rivalry with neighbouring Asian powers China and Japan. Resource-poor South Korea, which has to import 90 percent of industrial metals to feed its export-driven economy, is keen to develop mines to make it less vulnerable to soaring global metal prices.

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USD	AUGUST 17, 2007	AUGUST 10, 2007
GOLD	657.50	668.50
SILVER	11.6900	12.6900
PLATINUM	1,245.00	1,269.00
PALLADIUM	334.00	349.00
ALUMINUM	1.0968	1.1421
COPPER	3.1570	3.3815
LEAD	1.3132	1.3032
NICKEL	11.5780	11.5235
URANIUM	105.00 (08/13/07)	110.00 (08/06/07)
ZINC	1.3701	1.5059

GP TO BUY BRAZIL'S MAGNESITA FOR 1.24 BILLION REAIS

August 13, 2007 (*Bloomberg*) – GP Investments Ltd., the largest Latin American private-equity firm, agreed to buy control of Magnesita SA, a Brazilian maker of refractory tiles, for 1.24 billion reais (\$638 million).

GP said yesterday in a statement that it will acquire 71 percent of Magnesita's voting capital, or 39 percent of the company's total capital. The equity firm also offered to buy the stakes of minority shareholders for 403 million reais. The offer of 61.60 reais a voting share is equal to about 80 percent of the per-share amount GP agreed to pay for the controlling stake.

GP is seeking to benefit as an expansion of Brazilian and world steel output prompts companies to build new blast furnaces, said Monica Araujo, head of equity research at Ativa Brokerage in Rio de Janeiro. Magnesita is Latin

America's biggest maker of the tiles used to diffuse heat in steel mills and other high-temperature industrial operations.

"It's a good acquisition," said Araujo, who rated Magnesita's stock a "buy" before the purchase and now is reviewing her rating. "There is a great demand prospect and Magnesita is the only company that actually has a mine that provides the material used to make the tiles." Montes Claros, Brazil-based Magnesita has plants in Brazil and Argentina and sells its products to the steel, cement and glass industries, GP said yesterday in a filing to Brazil's stock regulator. Magnesita had 1.1 billion reais of net sales last year. GP said it will borrow 560 million reais to finance the purchase.

Editor's Note: Behre Dolbear was pleased to have acted as technical advisor to one of the parties interested in purchasing Magnesita SA.

SOUTH AFRICA TO DRIVE HARD INTO URANIUM MARKET

August 13, 2007 (*miningmx.com*) – South Africa plans to enact a nuclear energy policy before the end-2007 that could see uranium producers obliged to sell a percentage of their output to the state as South Africa becomes an enriched uranium exporter and important player in the international market.

The Department of Minerals and Energy (DME) on Monday released its draft nuclear energy policy and strategy that sees the country more than doubling its contribution to the national power grid over the next two decades. Nuclear power currently makes up about six percent of the 38,000 MW South Africa produces annually.

The government has embarked on a massive capital programme worth some R150bn to restart mothballed coal-fired power plants and to build new ones to avert a power supply crunch in Africa's largest economy.

The generation of nuclear energy will reside primarily within state power utility Eskom, but if private companies want to become involved in the sector they will have to have Eskom as a partner, said Sandile Nogxina, the DME's director general. Existing uranium producers will be consulted about their role in the government's plans, he said.

The new drive into uranium will see South Africa becoming involved in their entire uranium process from mining to enriching to generating power and waste management. The Nuclear Energy Corporation of South Africa, which has a 20 MW research reactor, will develop uranium conversion facilities and it will actively look for private sector partners. It will also look to building enrichment facilities.

South Africa has no enrichment facilities and dismantled facilities for making nuclear fuel in the 1990s. South Africa, which has the world's fifth-largest uranium resource, ranks only number 11 in uranium production. A number of companies are producing or will produce uranium in South Africa.

The strong move into uranium, which might see legislative incentives for producers, also forms part of the government's drive to create more jobs from its mineral resources by extracting their full value rather than exporting raw materials, Nogxina said. The DME forecasts 10,000 jobs will be generated in the uranium mining business alone.

INDONESIA WANTS TO RENEGOTIATE COPPER

August 13, 2007 (*Bloomberg News*) – Indonesia wants to renegotiate its contract with Freeport-McMoRan Copper & Gold, the world's second-largest copper producer, potentially cutting output and increasing royalties from its Grasberg mine, a minister said.

“Both parties must agree to change the contract of work,” Purnomo Yusgiantoro, the minister of Energy and Mineral Resources, said Monday. The government wants to lower the daily output ceiling at the mine and increase local smelting, Purnomo said. Freeport, based in Phoenix, Arizona, has not received formal notice of the plan, Mindo Pangaribuan, a spokesman for the company's Indonesian unit, said by telephone Monday.

“It has to be a win-win situation, and cannot be at the expense of the company or it will send a bad signal to mining companies,” Ahmad Solihin, an analyst at Mandiri Sekuritas in Jakarta, said by telephone. “It has to be agreed to by both parties.”

Indonesia wants to lower maximum daily production at Grasberg to between 200,000 tons and 250,000 tons of copper ore from 300,000 tons, Purnomo said in Jakarta. The proposal comes after a state audit of the mine's operations. The company targets daily output of 220,000 tons to 230,000 tons under a five-year plan, Pangaribuan, of Freeport, said.

The government also wants as much as 50 percent of Grasberg's output to be smelted at a facility in East Java province, the minister said. At present, the smelter processes about 30 percent of the mine's output.

“It is not easy” to amend the U.S. company's contract of work, Purnomo said Monday, adding that any changes needed to be agreed to through negotiations. Still, “we have not received any notification,” said Pangaribuan, the spokesman for Freeport's Indonesian unit. “The royalty is calculated on a quarterly basis using a complex formula related to copper prices and production.”

CHINA'S ANTIMONY INGOT PRICES SURGE TO \$5,600/MT FOB

August 14, 2007 (*Platts*) – China's antimony ingot prices have surged to around \$5,500-5,600/mt FOB China, led by prolonged tight supplies to the export markets, according to industry sources Tuesday. Prices were at \$5,400-5,500/mt FOB China in late July and were at around \$5,200-5,300/mt FOB China in June.

An official from Beijing Antaika, the state-run nonferrous information provider, told Platts: “Spot deals are said to be done at \$5,600/mt FOB China. Chinese supplies for exports remain tight as some producers in Hunan region had cut down production earlier.”

According to local industry sources, antimony producers in the Hunan region earlier were required to temporarily stop production due to environmental concerns. Only those larger-scale producers who met the environmental standards set by the local government were allowed to continue production. China's Hunan province is rich in antimony reserves.

The Antaika source added: “Antimony producers in Hunan region are undergoing consolidation, while some producers have just resumed their output. The situation

continues to slow export activity as it normally takes half a month to one month to ship the material to overseas consumers.”

He, however, expected that prices were “very unlikely to have much room to move up further as it would be too high for overseas consumers.” He added that domestic prices for antimony ingot and antimony trioxide were now quoted at around Yuan 41,000 (\$5,406)/mt and Yuan 38,000/mt, respectively.

One Hong Kong-based trader agreed that spot material was recently sold at around \$5,600/mt FOB China. “Antimony ingot prices are higher but there is a lack of trade activity as it's difficult to get the spot material for exports,” he said.

Meanwhile, an official from Yunnan Muli Antimony Mine said the company is at present offering antimony trioxide at Yuan 38,000/mt ex-plant. “Domestic prices are steady so far,” he said. The official added that the company aims to produce 6,000 mt/year of antimony trioxide in 2007.

CRYSTALLEX'S LAS CRISTINAS GOLD PROJECT PERMITTING DELAYS MAY BE DEBATED BY NATIONAL ASSEMBLY

August 14, 2007 (MineWeb) – Venezuela's Parliamentary Development Commission has asked the nation's National Assembly to encourage the National Executive and Environmental Ministry to speedily issue the environmental permits to allow the Las Cristinas gold project to start mining as soon as possible.

The Venezuelan news service Vheadline.com reported Monday that a parliamentary motion has been put forward by National Assembly Deputy Ricardo Gutierrez after a meeting with Environmental Vice Minister Merli Garcia.

Gutierrez claimed that Garcia gave assurances that all permits for Crystallex have been processed and that the technical studies have been ready and waiting since June, but that because of media reports claiming questionable decisions had been made, the environmental permits had

been forwarded directly to President Hugo Chavez. Vheadline.com reported that Gutierrez proposed that, together with the Parliamentary Environmental Commission, a motion be filed to have the legislature debate the Las Cristinas project, emphasizing the viability of the gold mine under all appropriate and legal terms.

Last June Canadian junior Crystallex was formally notified by the Ministry of the Environment that the Las Cristinas gold project EIS had been approved and that a permit would be issued in the near term.

Located in southeastern Bolivar State, the project is expected to average 300,000 ounces of gold production annually, commencing in 2009, with its reserve of 14 million ounces. Crystallex estimates that Las Cristinas could have a 41-year mine life.

URANIUM PRICES, AND STOCKS, BLEED AGAIN

August 14, 2007 (MineWeb) – The uranium spot price fell \$5/pound in the past week, to \$105/pound, according to Ux Consultants, and by \$15/pound according to TradeTech, also to \$105/pound. The uranium spot price has now declined \$31/pound in just seven weeks, leaving a trail of bloodied stocks in its wake.

According to a market roundup by analysts at RBC Capital Markets, Ux has highlighted where the market stands in terms of production at mid-year, compared to forecasts; annual production is now expected to be 112m pounds, down from 117m pounds previously. Technical difficulties and delays were responsible for the majority of lower production volumes in the first half of 2007.

While the price decline was smaller this week compared to prior weeks, Ux cautions that this does not indicate

that the market is near bottom. Ux believes that current weakness in the spot price is due to illiquidity in the current market. Looking forward, Ux forecasts that the price is very vulnerable to continued weakness, with "small" demand being met by motivated sellers.

Ux and TradeTech have both maintained long-term price forecasts at \$95/pound. RBCCM believes that the uranium market "will be weak until late-September to early-October, trading sideways to down with support at the \$95-100/pound level". The analysts believe that the spot market could return to a deficit in the first half of 2008, "which should result in a strengthening spot market".

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XSTRATA EYEING BIGGER THINGS

August 14, 2007 (*miningmx.com*) – Xstrata's R7.2bn (\$1bn) swoop on Eland Platinum, a Johannesburg-listed exploration firm, raises the question of how the British company intends to proceed now that it has a foothold in South Africa's platinum sector. Statements from Xstrata last week suggested Eland Platinum represented "an ideal platform" and raise the prospect of more to come. Analysts think there is.

One view is that Xstrata may turn its attention to other similarly placed platinum exploration firms, such as Eastern Platinum (EastPlats), principally listed in Toronto with an inward secondary listing in Johannesburg.

There's also the suggestion Xstrata may bid for control of the Pandora project, which neighbours EastPlats. But it's not that clear cut. One conundrum is why Xstrata never threw its hat in the ring for Lonmin. It was long connected with the stock and more so lately, given the heavy 27% price decline in that stock since about mid-July. Simon Toyne, an analyst at Numis Securities in London, says Eland represents far more value than Lonmin, notwithstanding the weakness in Lonmin's share price lately. "Eland offers long life, near term, low cost and substantial exposure to PGMs. Initial production of 176,000oz/year of platinum from an expandable asset base for a total cost of US\$1bn appears attractive relative to Lonmin's \$9.7bn market capitalisation and upstream

but expandable 1m oz of platinum production," says Toyne.

However, another reason is that Lonmin would be so meaty a target it would prevent Xstrata from doing anything else. Xstrata CEO Mick Davis has much bigger ambitions. Instead of bidding for Lonmin, Xstrata is now becoming tighter with Anglo American, with which it shares Mototolo, a platinum joint venture signed two years ago.

It's also worth remembering that Eland Platinum was created after it bought platinum-bearing land Anglo Platinum couldn't use; and Anglo Platinum also has an agreement with Eland to buy its platinum concentrate, which it will refine into finished metal.

So the market tittle-tattle is that Xstrata may be skilling up its personnel in platinum production while simultaneously working down its debt for a friendly tilt at Anglo American, a company it's getting to know well.

By merging with Anglo, Xstrata's Davis improves the overall look of the company's asset spread and makes it less vulnerable to downturns. So much for Xstrata, which appears to have warmed towards African mining exposure after spending several years seeking First World assets.

LEAD NOT SUSTAINABLE AT \$3,000, BUT STILL RESILIENT: ANALYSTS

August 14, 2007 (*Platts*) – Last week lead slipped off its August 6 high for the week of \$3,251/mt (London Metal Exchange cash settlement price) and worked its way down toward the \$3,000 level until August 10 when it fell through the \$3,000 level to \$2,873/mt.

Only the week before, when the price was more upwardly mobile, ending that week at \$3,390/mt, Natixis had warned in its quarterly Metals Review that it saw "a lead cash price of over \$3,000/mt as ultimately unsustainable" and projected an average cash price of \$2,400 for 2007 and \$1,900 for 2008.

The report granted that the lead market had tightened considerably in the last few months "as the production problems at the concentrate stage begin to bite," with the market also appearing to be supported "by the imposition of an export tax by the Chinese government." But despite

the amazing surge in lead prices, said Natixis, the report only made slight changes to its calculated supply-demand balance.

Natixis forecast a 60,000 mt deficit for 2007, compared with its previous estimate of a 35,000-mt shortfall, but for 2008 it is estimating the market to have a modest surplus, although prices are expected to remain on the high side.

Investment bank Merrill Lynch said in its Metals Update that it saw lead's average price for 2008 in the \$2,300-2,400 range, \$400-500 higher than Natixis, but also under the magic \$3,000 level. While ML conceded that "a short-term boost in demand, supply constraints and falling inventories has resulted in lead outperforming all metals on the LME in 2007, after years of under performance," it added that "fundamentals fail to explain the magnitude of its price rise over the past year

(+202%)” and cautioned that “In addition, with the risks of a downside correction increasing by the day, we struggle to see any upside to prices in the short term.”

ML blamed a tight lead concentrate market on the interruption of exports from the Magellan mine in Australia, which it doesn't expect to resume before 2008, and cited “continuing issues at the Lundin Mining's Aljustrel mine in Portugal, where production from the new mine has been delayed this year.” To these shortfalls ML added that first-half Chinese lead production this year was up only 5.4% instead of the 11% the company had anticipated.

The report saw supply moving from its current deficit into surplus in 2008 with low inventories keeping prices volatile, trading between \$2,000 and \$3,500/mt.

Barclay's Commodity Daily Briefing warned at the beginning of last week that lead would be volatile due to the weakness of the rest of the metals complex, but could be expected to rebound on the strength of its fundamentals. At the end of the week, Barclays, after the week's decline, which triggered stop loss selling, said: “We maintain our bullish view on lead and expect it to be one of the first metals to rebound once the current cross-commodity selloff has run its course.”

GLOBAL MET COAL BUYERS TURN TO U.S. FOR SUPPLY

August 14, 2007 (Platts) – Speculation that foreign steel makers could turn to the US to fill metallurgical coal shortfalls may be moot, as current US supply might not be sufficient to meet spot cargo demand, several industry sources said.

While demand remains strong, US met coal supply has not kept pace. The tonnage available for spot tenders is limited, and prices remain high, they said.

A marketer for one US producer told Platts, “The US market is tightening up, and there is no question of increased demand. We receive inquiries every day from India, but we are not looking to commit tonnage to the spot market.

“There's been even more uncertainty [in the US market] since the recent roof fall there's been a lot of confusion,” he said. He referred to Consol Energy's Buchanan mine, a 5 million-short-ton/year premium low-vol met coal mine that has been closed since a roof fall on July 9. Consol recently said at its second-quarter earnings conference that it is planning for the mine to remain idle until September, but the company hopes to reopen it

sooner. Workers continue to ventilate the mine to make it safe for re-entry, so damages may be assessed. The underground mine is Consol's largest met coal operation.

The problem also comes from the specs required by some steelmakers. “The Europeans want coal that's just not available right now in the US ... they want lower-pressure, higher-ash Alabama coal that's similar to Australian and Canadian hard coking coal,” he said.

A marketer with another American met coal firm expressed a similar sentiment. “Those in India, the Far East and Europe have all come to the US, but the high quality tonnage just isn't here anymore. [Certain companies] that ended up with surpluses after contract season have largely sold it off.”

One European trader told Platts that an offer to deliver to India from one of his US clients had been pulled, as the supplier needed the coal to use for a blend in contracted business. “That is an indication of how tight the market is,” he said. But he allowed that there might be other motives. “It is also perhaps a strategy of suppliers to drive up the prices ahead of renegotiation of contracts.”

SEVERSTAL BUYS SHARE IN CELTIC RESOURCES FROM ATON GROUP

August 14, 2007 (Platts) – Severstal Resurs, which manages the mining assets of Russian steelmaker Severstal, said Tuesday that Severstal subsidiary Bluecone had agreed to make a cash purchase for around 12.3 million common shares of Celtic Resources Holdings.

As reported by Platts late Monday, the purchase represents around 22% of the issued shares of Celtic, and

the shares were acquired from Aton International, a Moscow-based investment and brokerage house.

No financial terms were given; however, Deutsche Bank analysts estimate that with a 5-10% premium, the deal would amount to \$50 million to \$55 million for the stake.

“Although gold clearly represents a new business for Severstal, given the strong outlook for gold prices, we believe the diversification into gold may pay off for the

company,” said Deutsche Bank analysts Alexander Pukhaev and Olga Okuneva.

Severstal Resurs consists of four mining complexes in northwest Russia and in Western Siberia producing iron ore and coking coal, and is the second largest producer of pellets and coking coal in Russia. In 2006 Severstal’s mining division produced 5.4 million mt of coal

concentrate, 2.2 million mt of coking coal, 2.1 million mt of steam coal, 9.5 million mt of iron ore pellets and 4.5 million mt of iron ore concentrate. The reserves and resources of the company were estimated to be 1.8 billion mt of iron ore as at January 1, 2006 and 700 million mt of coal as at April 1, 2006.

ARCELORMITTAL MAY AGREE TO BUY SMALLER LAIWU STAKE

August 15, 2007 (Dow Jones Newswires) – ArcelorMittal will likely agree to buy a lower stake in China’s Laiwu Steel Corp. Ltd. in order to win government approval of the deal, a person familiar to the purchase talks told Dow Jones Newswires Tuesday.

However, the deal has since been stalled and has yet to receive regulatory approval from the Chinese government. China has recently stepped up its scrutiny of foreign investment in domestic industries, concerned that foreign companies may gain too much power over important state assets. ArcelorMittal may now be prepared to lower its sights and accept a smaller share of Laiwu Steel Corp. to push the deal through, the person familiar with the matter said.

‘You would think that there would be some flexibility on [the company’s] part there, since [it does] want to get this deal done,’ the person said, referring to earlier press reports suggesting ArcelorMittal has already agreed to take a lower portion of the Chinese company. However, Laiwu Steel Corp. denied reports that the company and ArcelorMittal have begun a new round of talks based on a lower share buy.

In June, Laiwu Steel Group extended the deadline for the ArcelorMittal deal to Dec. 31 this year from June 30. If the deal hasn’t been finalized at that time but seems close to completion, Laiwu has said it will further extend the deadline to March 31, 2008.

YAMANA GOLD INCREASES CASH PORTION OF MERIDIAN BID BY 27%

August 15, 2007 (MineWeb) – Toronto-based Yamana Gold Tuesday increased its hostile bid for Reno-based Meridian Gold by Cdn 85-cents per share to Cdn\$4/share, to be funded by a \$400 million credit facility obtained specifically for the offer. Yamana also announced that it will no longer rely on the US\$200 million cash component to be supplied by Northern Orion Resources, which had intended to participate in a three-way merger with Yamana and Meridian.

The proposed Cdn\$940 million (US\$876 million) merger with Northern Orion remains unchanged, but is contingent on the success of the Meridian bid. Meanwhile, Yamana has maintained its offer of 2.235 Yamana shares for each Meridian share, along with the combined cash bid of US\$2.7 billion.

Meanwhile, Meridian Gold urges shareholders to defer any decision with respect to the Yamana offer until they have had the opportunity to review an updated Directors Circular and the related amendment to the solicitation/recommendation statement.

Last month, Meridian rejected the original Cdn\$3 billion Yamana bid, asserting that the offer “fails to adequately compensate Meridian for its very attractive development pipeline that will support significant near- and long-term growth.”

Meridian management and several analysts said they also fear that the Yamana/Northern Orion acquisition would significantly increase Meridian’s exposure to base metals.

CHINESE DOMESTIC ALUMINA PRICES SOFTEN, IMPORT TRADE SLOW

August 15, 2007 (Platts) – Chinese domestic alumina prices softened this week to Yuan 3,550-3,600/mt (\$467-474) for non-Chalco material, down from Yuan 3,600-3,700/mt last week, local industry sources said. Chalco continued to offer at Yuan 3,900/mt.

“Prices are slightly lower this week, as expected, due to the growing strong supply of domestic alumina,” an analyst from Beijing Antaika told Platts. “We expect prices will continue to soften for the rest of the year, but at a gradual pace, and not drop sharply like they did before earlier in the year,” he added.

An official from Guangxi Huayin Aluminium agreed: “Prices have dropped because supply keeps going up domestically. As a new alumina producer, we don’t want prices to drop, but we also expect the levels will continue to slip slightly for the rest of the year.”

Guangxi Huayin is completing phase one work on its alumina refinery, which is expected to start production in October with an initial 1.6 million mt/year capacity. It aims to expand to 3.2 million mt/year on full project completion.

An official from major alumina importer China Minmetals also said domestic prices had fallen to about Yuan 3,550/mt this week, which had pressured port

prices down for imported alumina.”We just recently lowered our port prices for imported alumina to Yuan 3,850/mt from a previous Yuan 3,900/mt and above. It is a slight change, but mainly because domestic prices are lower,” the Minmetals official said. “We also expect overall alumina prices in China to soften in the second half of this year, but the drop will be limited as Chinese demand is very strong and overseas availability is also limited,” he added.

The Antaika analyst concurred, adding that port prices had also been heard lower around the Yuan 3,800/mt level. An official from smelter Emeishan Aluminium also noted that the lower alumina prices were “expected” and “they are likely to drop further.”

Meanwhile, import trade remained slow this week on the back of the rising domestic supply. “We did some trades in small quantities at \$390/mt CIF China this week, so prices have not changed much. But at this level, we would expect an entire shipload to cost slightly less, maybe around \$380-385/mt CIF,” the Minmetals official said.

Platts assessed alumina import prices to China for Australian material at \$380-390/mt CIF for the week of August 6-10.

SCOTIAMOCATTA DEEMS GOLD PERFORMANCE ‘QUITE ERRATIC’ AND SILVER VULNERABLE

August 16, 2007 (MineWeb) – In their recently published monthly analysis “Metals Matters,” Canadian bullion bankers ScotiaMocatta found that “gold’s performance has been quite erratic and this seems to have unnerved investor confidence.” Nevertheless, Scotia noted “there is good physical interest at the lower numbers, a seasonally strong period lies ahead, the funds and ETF buyers have been bullish in recent days and overall the dollar looks set to head lower as it continues to adjust to the global imbalances.”

In their analysis, ScotiaMocatta suggested that gold “seems to have lost its safe-haven reaction as new investors have sold their commodity-based equities and ETFs” in July. Meanwhile, they also determined that “the influx of new investors with different investment expectations seem to have changed the structure of the mine somewhat.”

The analysts also asserted that “gold’s performance has not been that good so far this year. When you consider gold prices started the years at \$637/oz, then at \$665/oz, prices have only risen 4%, which is not overly attractive.”

ScotiaMocatta believes that physical demand will pick up again, “especially ahead of the religious festivals and the wedding season that starts in September and runs through to Christmas. Demand should also be boosted by the fact that the dollar weakness has lowered prices denominated in local currencies.”

However, ScotiaMocatta expressed concerns that silver currently appears more vulnerable than gold. “When bouts of liquidation selling have hit gold, it has triggered selling in silver too. However, silver’s volatility this year has also started to unnerve investors’ interest, which may make it hard for silver to advance further unless fresh

dollar weakness creates a one-way market for silver again.”

Scotia forecast that mine output of silver will increase 3% this year as new mines and expansions in base metal production come on line. “However with demand likely to increase by less than 1%, another supply surplus is expected to be generated. This is likely to weigh on prices unless investor demand picks up.”

With a silver surplus of 1,600 tonnes this year, investor interest would have to remain strong to absorb the surplus, according to the analysts. “Although the dollar is expected to weaken further, it would be an optimistic call to say investors will continue to accumulate at the same rate as they did in July.”

NO SOLIDARITY STRIKE AT ANGLOPLAT

August 16, 2007 (Reuters) – South African mining union Solidarity said on Thursday its members had dropped plans to hold a strike at Anglo Platinum after the labour group accepted an 8 percent wage increase from the company.

Solidarity last week obtained official permission to strike but after a vote from members it was decided to accept

the increase which is less than the 10 percent previously sought, union spokesman Reint Dykema said.

The employer agreed throughout the year it would revisit workers’ pay packages, he said. Solidarity only has about 100 members at Anglo Platinum mines, compared to over 39,000 covered by wage negotiations.

CHINA’S ALUMINA OUTPUT JUMPS 54.7% YEAR ON YEAR IN JANUARY-JULY

August 16, 2007 (Platts) – China’s alumina production in the first seven months of 2007 jumped 54.7% year on year to total 11.09 million mt, according to the latest figures published on the official website of the National Bureau of Statistics Thursday. Output in July reached 1.64 mil mt, which was up 37.4% from a year ago.

The output of aluminium products for January-July totaled 6.11 million mt, which is 42.4% higher year on year. Aluminium products output in July was 1.06 million mt, up 48.4% from a year ago.

In the seven-month period, China also produced 3.68 million mt of copper products, an increase of 12.2% year on year, the figures showed. Production in July reached 613,700 mt, which was a decline of 8.3% from a year earlier.

China’s production of the 10 major nonferrous metals in January-July 2007 amounted to 12.93 million mt, which is up 24.3% from the year before. Output of these metals reached 1.93 million mt in July, an increase of 25.7% year on year.

Meanwhile, the country’s steel products output totaled 318.69 million mt in the first seven months, rising 24.3% from a year ago. Production in July was 47.73 million mt, up 23.9% from 2006. Output of crude steel for the period reached 278.91 million mt, an increase of 18.5% year on year. Crude steel output in July rose 14.5% to 41.25 million mt. In January-July 2007, China produced 266.61 million mt of iron, up 16.5%, with 39.67 million mt produced in July, up 13.2% from a year ago.

JAPAN EYES RARE METALS DEAL WITH SA

August 16, 2007 (Business Report) – A limited supply of rare metals from China has encouraged Japan to look to South Africa as a partner in the production of platinum, chromium and vanadium for Japanese industries, reports the Japan Times. The independent English language newspaper reported on Wednesday that a delegation of representatives from Japan’s Ministry of Economy, Trade

and Industry and major trading houses will visit South Africa in September to discuss the deal.

Japan, a major consumer of rare metals, is under intense pressure to secure a stable supply of rare metals, because their prices are surging amid a boom in global demand. According to the World Security Network, Japan accounts for about 60 percent of global indium

consumption and its global consumption of other rare metals is high at 20 percent for platinum, 14 percent for nickel and tungsten, 25 percent for cobalt, 17 percent for molybdenum, 11 percent for vanadium and 24 percent for rare earth. But Japan has traditionally imported almost all of the rare metals it consumes.

China supplies 90 percent of Japan's rare-earth imports, 79 percent of tungsten imports and 70 percent of indium imports. South Africa supplies 81 percent of Japan's platinum imports and 49 percent of vanadium imports while it purchases 44 percent of its nickel imports from Indonesia, 30 percent of cobalt imports from Finland and 45 percent of molybdenum imports from Chile.

Already having initiated diplomatic initiatives with an eye to securing sources of crude oil and other natural

resources in Africa, China has recently curbed shipments to Japan due to an increase in domestic demand.

The Ministry of Economy, Trade and Industry in Japan recently mapped out a comprehensive new strategy to ensure stable supplies of rare metals, especially tungsten, cobalt, vanadium, molybdenum, indium, platinum and rare earth, in the medium and long term.

This new strategy calls for increased Japanese support for mining development in foreign countries and includes the pumping of public funds into efforts to help domestic private firms acquire mining interests abroad. It also calls for strengthened relations with producing countries through such foreign-policy tools as free-trade agreements.

ALCAN SAYS NOT WORRIED ABOUT RIO DEAL FINANCING

August 17, 2007 (Reuters) – Alcan Inc. is not concerned that rising borrowing costs could jeopardize Rio Tinto's debt-funded \$38.1 billion takeover, an official at the Canadian aluminum maker said on Friday. "I think that, from where we are, we have no concerns about Rio Tinto's ability to finance the transaction," said Alcan's investor relations vice-president, Ulf Quellmann.

He noted that the debt used to finance the deal is committed bank financing, underwritten by Royal Bank of Scotland Deutsche Bank, Credit Suisse and Societe Generale. A portion of the deal is also expected to be funded by the sale of Alcan's packaging business.

Sources told Reuters on Friday that Alcan is close to a deal to sell the packaging arm to bubble wrap maker Sealed Air Corp. for between \$4 billion and \$5 billion.

Concerns about rapidly tightening credit – sparked by the U.S. subprime mortgage meltdown – have prompted concerns that debt costs could rise sharply. Charles Bradford, an analyst at Bradford Research/Soleil, said he was not concerned that higher borrowing costs could stand in the way of the deal going through.

NORILSK INVESTS R4.4 BN IN SOUTHERN AFRICA NICKEL

August 17, 2007 (Reuters) – Russia's Norilsk Nickel will spend over R4.4 billion (US\$588.6 million) on two projects in Botswana and South Africa, it said on Friday. Norilsk will develop the Tati nickel mine in Botswana, and the Nkomati nickel mine in South Africa, Tav Morgan, Norilsk deputy director told a news conference in Johannesburg.

Morgan said these projects, along with this week's acquisition of over 97.7 percent of LionOre Mining International Ltd portfolio of assets in attractive mining regions. "It consolidates our position in Australia, while gaining exposure in Southern Africa," Morgan said.

METALS FINALLY SUCCUMB TO GLOBAL PRESSURE

August 17, 2007 (Financial Times) – Commodity prices came under severe pressure yesterday amid fears about the potential impact on global growth from turmoil across financial markets. The World Trade Organisation had

cautioned on Tuesday that global economic and trade growth could be affected if financial market problems started to have an impact on consumer spending.

Base metal prices slumped as risk appetite weakened further. Copper led the retreat, falling 7.7 per cent to \$6,790 a tonne after a large increase of 3,300 tonnes in LME stocks. Traders noted extremely heavy trading volumes for copper yesterday, about three times the normal daily average.

Zinc dropped 8.3 per cent to \$2,970 a tonne. Lead lost 5.7 per cent to \$2,820 a tonne in spite of a fall of 400 tonnes in LME stocks which were below 30,000 tonnes at a 21-year low. Nickel fell 5.6 per cent

to \$25,025 a tonne while aluminium weakened 3.3 per cent to \$2,468 a tonne.

“No market is an island,” said John Kemp of Sempra Metals. “The relentless bad news from credit and equity markets is finally having a contagion impact on base metals which had held up remarkably well until now. Some base metals were supported by funds with very deep pockets holding long positions but they seem to have been forced into liquidation by the price falls.”

BARRICK COMPLETES ACQUISITION OF ADDITIONAL STAKE IN PORGERA

August 17, 2007 (Market Wire) – Barrick Gold Corporation announced today that it completed its acquisition of an additional 20 per cent interest in the Porgera mine in Papua New Guinea from Emperor Mines Limited for consideration of US\$250 million in cash plus an adjustment amount. The transaction was previously announced on April 12, 2007 when the parties entered into a definitive purchase and sale agreement. Barrick’s interest in Porgera has increased to 95 per cent from

75 per cent. Barrick is entitled to the production and economic benefit of the additional 20 per cent interest in Porgera from the effective date of April 1, 2007.

Porgera produced approximately 542,000 ounces in 2006 and has proven and probable reserves of 9.42 million ounces (100 per cent basis). Barrick acquired its original 75 per cent interest in Porgera through its acquisition of Placer Dome in January 2006.



INTERESTING METALS/MINERALS/ EARTH SCIENCE WEB SITES

Weekly Volcanic Activity Report — The Smithsonian Institution publishes the Weekly Volcanic Activity Report, a cooperative project between the Smithsonian’s Global Volcanism Program and the US Geological Survey’s Volcano Hazards

Program. It is updated by 2300 UTC every Wednesday.

<http://www.volcano.si.edu/reports/usgs/index.cfm>



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