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Global Mining News

THE QUICKER THE RISE, THE FASTER THE FALL – NICKEL AND URANIUM SUFFER

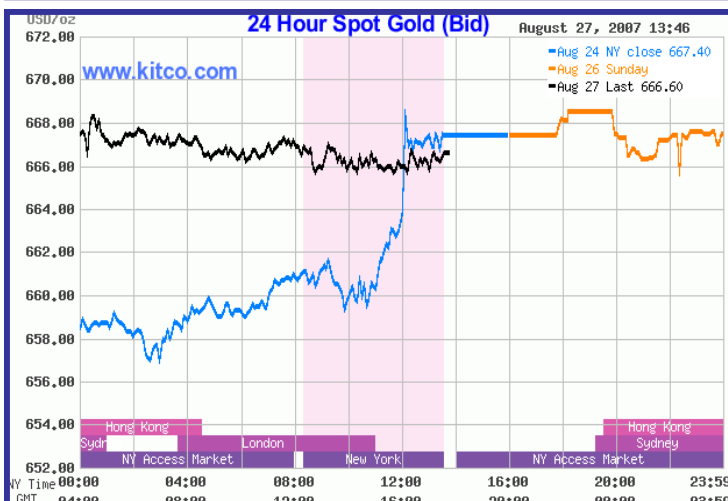
August 19, 2007 (MineWeb) – Bring together huge and rapid price increases predicated on current, or projected, supply shortfalls in tight markets and you have the ingredients for almost equally rapid falls as soon as sentiment, or the market situation, changes. Add in huge general market nervousness and the ingredients for a stock price – or commodity price – meltdown are well in place. But one thing one can learn about market sentiment is that, just as price rises can be overdone to the nth degree, so can price falls – particularly when fundamentals are in reality little changed.

We have seen in the past year huge price rises in most base metals with nickel the prime example when it was caught in a supply squeeze, with low inventories, supply interruption problems and huge continuing demand. Since its high point in May, the nickel price has more than halved and stocks are continuing to increase as buyers hold off. There has been substitution in stainless steel manufacture, but the utilisation of differing alloying materials gives different qualities to the stainless steel produced and it would seem likely, now that prices have fallen to the extent they have, that stainless steel manufacturers will start to restock and revert to higher demand levels.

It would thus seem possible that the rapid price decline has been overdone – as was the rapid price rise before it. As

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USD	AUGUST 24, 2007	AUGUST 17, 2007
GOLD	660.85	657.50
SILVER	11.7000	11.6900
PLATINUM	1,240.00	1,245.00
PALLADIUM	323.00	334.00
ALUMINUM	1.1138	1.0968
COPPER	3.3158	3.1570
LEAD	1.4810	1.3132
NICKEL	12.0678	11.5780
URANIUM	90.00 (08/20/07)	105.00 (08/13/07)
ZINC	1.4061	1.3701

prices stabilise, and with the old supply and costs restraints which affect this sector, it would seem far from impossible for the nickel price to resume its upwards path – but almost certainly not at the pace seen at the beginning of this year and late last.

The constraints on nickel revolve around the general move from principal supplies coming from easier to process sulphide orebodies to expensive, and complex, laterite metallurgy. The laterite projects - and there are some huge ones in the pipeline – have often been beset by startup delays and cost overruns, so there could still be temporary supply shortages ahead of us.

Uranium, on the other hand, is in something of a different situation. Here it is not the uranium price itself which has been in meltdown, but the price of uranium shares. True the price quoted by the uranium traders has been cut by around 25 percent, it is generally recognised that tight supply conditions will continue and worsen. Here it is the uranium explorers where prices have really been decimated with some falling by up to 70 percent.

There was a time, in the not too distant past, that virtually any company floated with ‘Uran’ in its name, or with prospective uranium ground, could be assured of a positive reception by the stock markets. But, growth in nuclear power is likely to keep demand forging ahead

over the next few years as mine expansions and new mines wait to come on stream.

For existing major ‘old’ producers, like Cameco and Areva, the recent fall in the spot price will probably have little impact on immediate revenues as most of their production is sold through long term contracts at far lower prices. Obviously spot levels will influence new price negotiations looking ahead, but these companies will still benefit as the general trend is upwards.

For the explorers though, we have the situation that prospects are less certain anyway and the big stock price runup was largely due to the market judgement that uranium prices would continue to increase. Now there has been a hiccup, investors have been bailing out fast.

In fact, the demand predictions for uranium may not have been too far out and there may well be a continuing shortfall up to around the end of the decade, with supplies remaining tight thereafter as more and more nuclear power plants are started up. But the heady prices for uranium exploration stocks may be behind us, except in exceptional cases where high grades are mixed with virtual certainty that mining will be allowed. Those companies with actual production, though, should still command good earnings, but the sector will probably henceforth be viewed in a more realistic light.

MOLTEN ALUMINUM SPILL AT EAST CHINA PLANT KILLS 14, INJURES 59

August 19, 2007 (The Associated Press) – At least 14 people died and 59 injured when a container spilled molten aluminum with a temperature of 900 degrees Celsius (1,650 Fahrenheit) at a factory in eastern China, state media reported Monday.

Xinhua News Agency said the accident on Sunday night at a plant affiliated to the Weiqiao Pioneering Group Co. in Zouping County, Shandong province, cracked walls,

smashed windows and caused the roof of the factory to blow right off.

The 59 injured workers were hospitalized, but Xinhua did not say how serious their injuries were. It was not immediately clear exactly how the 14 died. Industrial accidents are common in China, where safety measures have not always kept pace with rapid economic development.

ZAMBIA DEFERS CUSTOMS DUTIES FOR FOREIGN MINERS

August 20, 2007 (Reuters) – Zambia will defer payments on customs duties in a bid to boost foreign investment in its mining industry, finance minister Ng’andu Magande told Reuters in a weekend interview. Magande said Zambia’s Treasury will defer payments on a 30 percent customs duty on imported mining equipment for up to one year to give companies a chance to get operations going smoothly and gain profits from copper and cobalt

projects. “I can’t tax somebody who is not making profits,” he said.

The Treasury has said it would raise mineral royalties to 3.0 percent from 0.6 percent and corporate tax to 35 percent from the current 30 percent for mining companies following a rise in global metals prices. Magande said negotiations on royalties, which were

scheduled to start in September because Zambia was hiring foreign consultants on the talks.

Copper mining earns the bulk of Zambia's foreign exchange but analysts say the country does not reap enough benefits because the mines are owned by foreigners. He noted there was no fresh investment from new foreign companies but that existing projects were expected to raise output.

"Most of the big companies that have already had (investment) plans are saying to us that the highest curve

of investments is this year and then next year we will see production coming up," said Magande.

Most of Zambia's big copper mines are majority-owned by foreign firms, with the government holding no more than a 14 percent stake in any one venture. Zambia forecasts finished copper output to hit 670,000 tonnes in 2007 from 515,000 tonnes the previous year.

BHP HOPES TO RE-START COPPER SMELTER NEXT WEEK

August 20, 2007 (Reuters) – BHP Billiton hopes to re-open its Olympic Dam copper smelter in Australia next week, a company spokeswoman said on Monday.

"The smelter is still shut down. We are hoping to have the smelter operating next week," she said.

Late on Thursday last week, operations were halted at the Olympic Dam copper smelter due to an electrical accident that injured six workers.

UGANDA TO REVIVE COPPER INDUSTRY

August 20, 2007 (Metal Markets) – Kilembe Mines Ltd (KML), the Ugandan state-owned copper mining company, has reported interest from a number of international companies that are exploring the idea of reviving the country's copper industry.

The approaches are no surprise, given the current surge in copper prices on the world market and KML is currently in the process of preparing tender documents for international competitive bidding.

The government of Uganda expects to generate significant revenue from the industry, which could be operational once again by 2008.

When production was at its height in the 1960s, the copper mining and smelting industry formed an important

part of Uganda's economy. At that time, KML employed over 6,000 workers.

Ten years ago, the government began the process of putting KML into private ownership but its policy has since changed and the government now views the mineral industry as being strategic in the development of the country.

Copper prices on the world market have doubled from \$3,500 per tonne in 2004 to over \$7,000 per tonne in 2007 and it is understood that companies from Ukraine, China, Canada and Russia are interested in a stake in the Ugandan reserves. Uganda has around 4.1 million tonnes of known reserves of copper ore, containing about 1.77 per cent copper.

TOSHIBA TO PARTICIPATE IN URANIUM MINES PROJECT IN REPUBLIC OF KAZAKHSTAN

August 20, 2007 (Business Wire) – Toshiba Corporation today announced that the company would participate in the Kharassan uranium mines project, a new development project in southern Kazakhstan promoted by Kazatomprom (herein after, KAP), a Republic of Kazakhstan state-owned enterprise. Toshiba's

participation is in line with its policy of enhancing its nuclear energy business.

The Kharassan project is being promoted by two KAP-related companies, Kyzylkum LLP and Baiken-U LLP. Test excavation of uranium ore is due to start within the year, and output is expected to reach approximately

5,000MTU (metric tons of uranium) a year by 2014. Japanese companies have acquired indirect ownership interests in Kyzylkum and Baiken-U and will have the right to obtain up to an aggregate annual quantity of 2,000MTU.

Toshiba will acquire an indirect ownership interest in Kyzylkum and Baiken-U by taking a 22.5% stake in a holding company that has part ownership and control of Kyzylkum and Baiken-U. This move will give Toshiba

the right to a maximum of 600MTU from the Kharassan each year. The holding company is currently jointly owned by Marubeni Corporation, The Tokyo Electric Power Company, Chubu Electric Power Co., Inc. and Tohoku Electric Power Co., Inc. Toshiba will be the first power systems manufacturer to participate in the project, which will allow the company to contribute to the stable supply of uranium concentrate for nuclear power plants in Japan.

CHINALCO TO ACQUIRE 49 PCT STAKE IN YUNNAN COPPER GROUP

August 20, 2007 (XFN-ASIA) – China's largest alumina and aluminum producer Chinalco, parent of Aluminum Corp of China Ltd (Chalco), plans to acquire a 49 pct stake in Yunnan Copper Group for an undisclosed amount, Yunnan Copper's listed subsidiary, Yunnan Copper Industry Co Ltd (SZA 000878), said.

In a statement filed with the Shenzhen stock exchange, Yunnan Copper said Chinalco signed a preliminary agreement with the government of southwestern Yunnan province on Aug 19. Chinalco will hold 49 pct of Yunnan Copper Group and become the copper producer's largest

shareholder, it said. Chinalco will take advantages of Yunnan Copper's technology and experience to explore overseas copper resources, it noted.

Last week, Chinalco said it had acquired a 91 pct stake in Canada's Peru Copper Inc for about 860 mln usd. The company said it plans to proceed with the acquisition of the remaining stake in Peru Copper and take over the Canadian firm completely. Peru Copper has exploration rights on Toromocho copper mine in Peru, which has estimated reserves of about 12 mln tons of copper equivalent, it said.

US SENATE MAJORITY LEADER DECLARES WAR ON U.S. COAL-FIRED POWER

August 20, 2007 (MineWeb) – Just days before he is scheduled to testify on Mining Law reform before the House Energy and Mining Subcommittee, Senate Majority Leader Harry Reid publicly declared his strong opposition to construction of any new coal-fired power plants in the United States. Reid's remarks came during a keynote address to the Nevada Clean Energy Summit Saturday.

The son of a Nevada gold miner and long-time champion of hardrock mining, Reid will be testifying in Elko Tuesday about H.R. 2262, the most recent version of a cause near and dear to House Natural Resources Chairman Nick Rahall, reform of the 1872 Mining Law. Rahall also is a long-time champion of coal miners who make up a large part of his West Virginia constituency.

Meanwhile, two of Northern Nevada's biggest industries, gaming and gold mining-as well as a substantial chunk of the region's population – rely on electricity generated by coal-fired power plants. While southern Nevada largely consumes hydroelectric power, Reid explained that the state still imports half its power from outside Nevada.

Nevertheless, Reid's stance against new coal-fired power plants may not be warmly received by some Senate

Democrats, who are fighting hard for energy-related legislation promoting coal usage and technology.

Reid told the summit attendees that he did much soul-searching before he decided to oppose the building of new coal-fired power plants. A proposal to build a new coal-fired power plant in White Pine County, Nevada, motivated him to devote considerable time and energy to research coal-generated power.

His concern was heightened by what Reid feels that is the competition for resources between energy security and global warming. In the meantime, with 16 grandchildren, Reid told his audience that he deeply cares about their future in a world damaged by "this voracious appetite we have for fossil fuel."

Despite claims of the coal sector to the contrary, Reid insisted "there's no clean coal technology. There's cleaner coal technology." In Reid's view and that of several key staff members, clean coal technology simply does not now nor will ever exist.

During a brief news conference after his address, Reid declared, "there isn't a coal plant in America that's clean." He also told reporters that the first stage of a new,

modern coal plant burns an average of 7 million tons of coal yearly.

In his address, Reid claimed that U.S. power companies want continued reliance on coal because they don't want to substantially invest in renewable energy sources.

Nevada, in particular, is a treasure trove of renewable energy sources just waiting to be effectively and efficiently utilized. "The wind blows all the time. The sun shines all the time," Reid said, adding that geothermal is another constant presence in the Silver State.

MERIDIAN GOLD REJECTS YAMANA'S REVISED BID

August 20, 2007 (Reuters) – Meridian Gold Inc. urged its shareholders on Monday to reject a revised takeover bid from Yamana Gold Inc., calling the offer for a three-way mining tie-up with Northern Orion Resources "inadequate".

Last week, Yamana raised the cash portion of its offer by 85 Canadian cents to C\$4 per Meridian share, as well as 2.235 Yamana shares, calling it the "final price". "The new offer has really failed to create any new value ... and falls very far short of what it would take for a change in control," Ed Dowling, Meridian's president and chief executive, told Reuters.

Based on Friday's closing price, the bid is valued at C\$22.95 a share, or about C\$2.3 billion (\$2.2 billion) – lower than its C\$3.35 billion valuation when it was formally made on July 19, because Yamana's shares have fallen about 21 percent since then. Dowling said Yamana's offer represents "an overweighting in base metals exposure" that threatens the valuation of Meridian's pure-play gold stock.

Meridian, which sought the advice of BMO Capital Markets and Goldman, Sachs & Co., said in a filing to the U.S. Securities and Exchange Commission that it is "exploring value-maximizing alternatives" to Yamana's bid, and "having discussions with interested third parties".

Yamana has agreed to acquire Northern Orion for about C\$940 million, an offer that is conditional on the Meridian takeover. Northern Orion shareholders will vote on Wednesday on whether to approve their part of the deal.

The bid for Meridian expires Sept. 7. Some 21,611 of Meridian's 101.2 million outstanding shares had been tendered to the Yamana offer as of Aug. 13, Yamana said. The combined company would produce 1.4 million ounces of gold a year by 2009, and control mines and developments in Brazil, Chile and Argentina.

RIO TO EXTEND ROSSING URANIUM MINE LIFE AND INCREASE CAPACITY

August 21, 2007 (MineWeb) – Rössing Uranium Mine, Namibia's oldest uranium producer that had planned to close down in 2009, is now looking beyond 2021, due to favourable uranium spot prices. The company is studying plans that could double its uranium production over the next decade, as the price of the nuclear fuel has grown on increasing demand.

"We hope that the uranium spot price will hold," said Rehabeam Hoveka, the mine's general manager of corporate affairs on Monday. "If the spot price holds, Rössing is in a favourable position to capture opportunities to increase its market share and to achieve production growth and expansion options for the mine."

Rössing, which turned 30 years old last year, is owned 68.6% by the Rio Tinto Group, one of the world's biggest mining companies, 15% by Iran, and 10% by the Industrial Development Corporation of South Africa. The

Namibian government, a minority shareholder with three percent, has the majority in voting rights (51 percent).

The company mines uranium from a deposit in the vast Namib Desert 68 kilometres east of the coastal town of Swakopmund, as a large-scale open pit. The mine has a nominal capacity of 4,000 tons of uranium per year, although is currently producing below this level, but it is envisaged that by the end of 2008 the mine will up its capacity to 4,500 tons per year - around 5% of projected world supply.

After three years evaluation it was decided in December 2005 to invest in further developing the Rössing mine, extend its life and increase the output initially to 3,400 tons of uranium per year from current levels.

He said after three years of not being able to declare profits, sales for 2006 allowed the mine to contribute N\$158 million (US\$ 21.9 million) to tax revenue coffers,

as the “exchange rate became more favourable to do business”. “The expected tax to be paid in 2007 is N\$667 million (US\$92.5 million),” said Hoveka. He said US\$112 million has been invested into extending Rossing’s Life of Mine in a programme that hovers around the SK Open Pit Extension, which will see mining activities being extended by one kilometre to the east of the current operation area.

The company is also putting up a radiometric ore sorting plant that will detect uranium bearing ore or reject waste rock with the aim of increasing the crushing throughput with suitable uranium bearing rock. The mothballed acid

plant at the mine site, which had been completed in 1976, will be demolished, and a new sulphur burning acid plant is planned for the mine. Hoveka said the on-site acid storage facilities will be upgraded, but the mine plans to establish world best practise storage and handling facilities at the Walvis Bay harbour and at the mine. It is also proposed that a heap leach treatment process to treat low grade ore will be developed. The project is currently in its pre-feasibility phase.

Additional satellite open pits ore bodies are also being investigated, with exploratory drilling and leaching tech work currently being undertaken.

RUSSIAN GOVERNMENT TAKES OVER GOLD MINING SECTOR

August 21, 2007 (RIA Novosti) – The Russian government is preparing to take control of gold mining, another “strategic sector” of the national economy where profits are expected to soar. As a first move towards that goal, billionaire Mikhail Prokhorov will sell his 22% stake in Polyus Gold, the country’s largest gold producer, to diamond monopoly Alrosa.

In early August the state-owned corporation Alrosa, which mines 97% of Russian diamonds and is second only to De Beers in diamond production, offered Prokhorov \$2.2-\$2.5 billion for his stake in Polyus, 20%-30% above its market value. There was some speculation as to whether Alrosa could actually afford it, but on August 14 VTB President Andrei Kostin said that his state-controlled bank would issue Alrosa a loan for the acquisition.

At first glance, this looks like a mutually beneficial transaction. Prokhorov will sell his stake in Polyus at a profit, while Alrosa will soon repay the loan thanks to a growing demand for gold. But a closer look shows that this is just the first move in a government campaign to strengthen its control over the highly profitable gold mining sector.

Russia is currently the sixth largest gold producer in the world, yet holds the world’s second largest gold reserves (after South Africa), and production costs in Russia are substantially lower. It is therefore safe to assume that Russia’s “golden age” is only just beginning.

It makes sense that the Russian government has begun its offensive with the largest player on the national gold market, Polyus Gold. After Prokhorov sells his stake to Alrosa, the government may offer a similar deal to Potanin, a law-abiding (or at least Kremlin-obliging) oligarch who has never yet rejected a government offer. As a result, the government will hold a 44% stake in the gold mining company.

If it then purchased the 7% stake held jointly by Prokhorov and Potanin together, the government could increase its share in the company to a 51% controlling stake. According to another version of events, Potanin has already agreed to sell his stake in Polyus to the state, and the three parties to the deal are deciding when to make their decision public.

INDIAN COMPANY TO INVEST US\$500 MILLION IN BOTSWANA’S COAL

August 22, 2007 (MineWeb) – Indian power generation, transmission and distribution company Torrent Power Ltd has joined the rush for Botswana’s coal, announcing this week that it intends to invest US\$500 million in mining and exploring prospects for generating and distributing power in the southern African nation.

Botswana has a vast coal resource, showcased at an international coal investor conference held in Gaborone

in June, believed to be in the region of over 300 billion tons. The government says the resource is greatly under-exploited with less than one million tons of coal mined per year.

The Ahmedabad-based Torrent will be the second company to join the rush after CIC Energy, the TSX and BSE-quoted company that is progressing the Mmamabula

coal deposits, whose resource is estimated to be approximately 2.3 billion tons.

Last week, Mehta met with President Festus Mogae to explore business opportunities in Botswana. The Torrent chairman later held discussions with officials of the Botswana Power Corporation and indicated that his company was keen to mine coal for export to India where there is huge demand.

“We want to mine coal here and ship it to India where the demand is very high,” he was quoted as saying in

Botswana after meeting with Mogae. “We also have a keen interest in generating and distributing electricity in Botswana.”

India, in its 11th five-year plan (2007-12), has indicated that coal will be the fuel for thermal power projects, as the availability of natural gas within the country has not yet been fully estimated. Also the supply of coal from within the country is not adequate to meet demands.

XSTRATA COPPER EYEING 5 BLN POUND EXPANSION

August 22, 2007 (Reuters) – Xstrata Copper is looking at spending some \$10 billion (5 billion pounds) on brownfield expansions over the next eight years or so, with \$5 billion of that targeted for Chile, home to many of its projects and properties. The copper unit of Swiss miner Xstrata - the world’s fifth-largest diversified miner – said on Wednesday it was exploring in its traditional operating areas, but also putting out feelers in Brazil and looking at central Africa.

The company currently produces about 1 million tonnes of copper per year – making it one of the world’s largest copper companies – and has plans to double that in coming years, mostly through expanding current mines and through new projects. Other expansion could come through buying new properties, although Sartain said the

company would need potential acquisition targets to have at least 100,000 tonnes per year of production to make it onto Xstrata’s radar. That opens up a host of properties in South America, particularly in Peru, where the mining industry is booming with investment from junior explorers.

In Chile, much of the investment over coming years will go to doubling production at the Collahuasi copper mine, which Xstrata owns together with Anglo American. The first phase of the expansion will be completed in 2010 and cost \$600 million in fixed-plant construction costs. When the second part of the expansion is complete by 2014, Collahuasi will be the world’s second-largest copper mine according to today’s standards.

XSTRATA TO DOUBLE MOLYBDENUM CAPACITY AT CHILEAN SMELTER

August 22, 2007 (Platts) – Xstrata Copper is studying plans to double the treatment capacity for molybdenum concentrates at its Altonorte smelter in northern Chile, executives said Wednesday. The project will involve refurbishing an idled roaster and adding leaching capacity at the complex which currently has capacity to process around 10 million lb/year of the minor metal, explained VP for northern Chile Jon Evans.

The expansion would allow the company, which acquired Altonorte through its takeover last year of Falconbridge,

to realize synergies with increased molybdenum output from its mines in the region, including Collahuasi, Tintaya in Peru and Argentina’s Alumbra which began producing the minor metal last week.

Xstrata has already approved a \$72 million investment to expand capacity at Altonorte to 380,000 mt/year of anodes from 290,000 mt/year currently.

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US MINING LAW COMPROMISE URGED BY SENATE MAJORITY LEADER

August 22, 2007 (MineWeb) – U.S. Senate Majority Leader Harry Reid, D-Nevada, Tuesday urged environmentalists, miners, and members of the House to achieve a workable compromise in Mining Law reform to bring an end to the uncertainty of a domestic hardrock mining industry now mainly regulated by the Executive Branch.

Reid's clout as one of the nation's most powerful Democrats was not lost on the House Subcommittee on Energy and Natural Resources Chairman Jim Costa, D-California. Costa told Mineweb that normally August is an important time for members of the U.S. to spend time in their individual districts.

In a reference to critics who claim the Mining Law has not undergone meaningful change since it was enacted during the administration of President Ulysses S. Grant, Reid asserted that while the mining industry has evolved and changed, "Congress has not responded. We have instead allowed each passing Administration to develop the rules and regulations they see fit to guide the industry" with harmful consequences.

As an example Reid referred to one of domestic mining's best known foes, former U.S. Interior Solicitor General John Leshy, now a professor at the University Of California Hastings School Of Law in San Francisco. "John Leshy tried to destroy mining," Reid declared. "He wanted it gone."

"If we fail to find a steady compromise on these and other key issues, we leave the fate of the industry in the hands of each proceeding administration," Reid warned. "So, rather than crossing our fingers every four years and hoping that the newly elected president understands the West and understand the importance of mining, let us work together to guarantee a bright future" for mining. Reid also noted that domestic mining was too important to the international trade balance to consistently face uncertainty.

In a room packed with miners, explorationists, environmental NGO representatives, elected and appointed federal, state and local officials, Reid declared that "we agree that reform is needed and now is the time." The senator also noted that a significant change in the environmental community "has made them more pragmatic. And I believe the increased involvement of sportsmen's group in debates like this will help to find the way forward."

"It is my hope...that these changes on both sides of the reform effort will make it possible to build a study compromise for a much improved mining law," he declared.

Despite some miners' hopes that Reid would kill a Mining Law reform bill in the Senate, Reid declared that a "bipartisan group of senators" are willing to work with the House to achieve such reform.

SOUTH AFRICA UNION TO RECOMMEND WAGE DEAL IN GOLD SECTOR

August 22, 2007 (Reuters) – South African mining union Solidarity said on Wednesday it would recommend a wage increase to its members, in order to prevent a strike in the world's biggest gold sector. The pay proposal includes a 10 percent hike for this year and 8 percent for next, Solidarity spokesman Reint Dykema said. It covers about 75 percent of Solidarity's 8,000 members in the gold industry, he said. Solidarity is the smaller of the country's two main mining unions.

Dykema said it would put the offer to a vote as early as Friday. Solidarity represents mostly artisans. Lower-level workers are awaiting the outcome of talks led by the National Union of Mineworkers (NUM), South Africa's

biggest mining labour group, which consists mainly of miners.

NUM, Solidarity and the United Association of South Africa (UASA) declared a dispute with employers on August 1, taking the first legal towards a strike. The unions had rejected a higher wage offer of 7.75 percent from the Chamber of Mines, which negotiates on behalf of the leading domestic gold miners – Anglo Gold Ashanti, Gold Fields and Harmony.

The labour-intensive gold industry is also the biggest employer in local mining, with about 160,000 workers. Wages make up about half of total costs in the sector.

METOREX WANTS 55,000 T/YR COPPER FROM RUASHI

August 23, 2007 (*miningmx.com*) – METOREX will ask Katanga province authorities in the Democratic Republic of Congo for a further dispensation to ship concentrate south to its treatment plant in Zambia, giving the company an additional 10,000 tonnes of copper a year, CEO Charles Needham said on Thursday.

Metorex is currently shipping concentrate from its Ruashi I project to Sable in Zambia under a dispensation that run until October. The Katanga province authorities have blocked the shipment of untreated ore and concentrate that contains less than 15% concentrated copper out of the DRC.

Metorex is establishing Ruashi II to begin copper production from January 2008 from opencast mines in a process that will include a solvent extraction, electro-winning plant. The tailings material treated in Phase I is not suitable for the operation. Phase II will cost \$180m, including \$8m in working capital. Pit production will start in October.

Ruashi I will produce 10,000 tonnes of copper and 1,000 tonnes of cobalt once the bugs have been worked out of the system. Phase II will produce 45,000 tonnes of

copper and 3,500 tonnes of cobalt. Metorex wants to keep its concentrate within the company without having to toll treat it with other players in the DRC.

The DRC has also become an important country for Metorex. It has made an offer to the Forrest Group for their 38.7% of Copper Resources Corporation and its five percent stake in MMK for £43m. It will also make a R950m offer to CRC minorities in either cash or shares.

Congolese state-owned Sodimico's opposes the CRC transaction, saying it violates laws in the DRC. Sodimico has warned Metorex its bid for control of CRC could be void because it had transgressed "law and regulatory provisions" Sodimico, which is a 20% shareholder in MMK, said change in control could not take place while a ministerial review of title was underway in the DRC.

Metorex needs to secure either South African Reserve Bank or National Treasury support for its initial bid for 39% of CRC, there being restrictions on South African companies holding minority stakes in offshore listed companies. However, the plan is to take out minorities, delisted AIM-traded CRC and swap the CRC shares into MMK, the DRC-registered company holding the assets.

BIG RUSSIAN INVESTMENT IN PILBARA IRON ORE DEVELOPER

August 23, 2007 (*MineWeb*) – The share price of Fortescue Metals Group (FMG) – dubbed The New Force in Iron Ore - rose dramatically today on news that Magnitogorsk Iron & Steel Works (MMK) and its controlling principal Victor Rasnhikov had taken up 15.038 million shares in the company to gain a 5.37% stake in the Perth-based mine developer.

In April this year MMG was quoted in Russia Journal as saying it would invest \$US5.2 B on capital projects in the next five years.

FMG earlier this month reported that the project involving the Cloud Break mine, the railway from the

Pilbara hinterland down to Port Hedland and a new port facility there was 50% complete and on schedule for the first ore shipment to leave for China in mid May 2008. The company has secured long term ore contracts with Chinese mills.

Cloud Break is the first mine for development in the Pilbara's Chichester Range and has a measured to inferred 849 million tonnes grading 58.7% Fe and a probable 447 Mt @ 58.7 Fe.

MERRILL BREAKS GROUND WITH COAL MINE FINANCING

August 24, 2007 (*FinanceAsia.com*) – The bank increases its involvement in the privately arranged deal for an Indonesian coal producer. Merrill Lynch has put its own money to work alongside a couple of hedge funds in yet another highly structured equity deal, which will provide financing for an Indonesian coal mine at a time when global demand for this commodity continues to increase.

The \$135 million transaction stands out not only because it was completed last week in the midst of one of the most volatile periods in Asian equity markets in recent years, but because it is a greenfield project that currently contains nothing more than the coal in the ground, a reserve report and a management team. Sources close to

the deal say this is the first greenfield financing done in Asia with the backing of hedge funds.

In an unusual move for an investment bank – especially in a deal it is structuring itself – Merrill Lynch has also entered into an exclusive multi-year offtake agreement to buy all the coal produced by the new mine in the initial years. This level of involvement is noticeable because it significantly increases Merrill's exposure to the project, but makes sense when one takes into account that the US investment bank also owns commodity and energy trading firm Entergy-Koch, which is keen to get its hands on more physical coal.

The open pit mine, which is owned by PT Ilthabi Bara Utama (IBU) and located in East Kalimantan, won't be ready to begin operations for almost another year – the expected start is June or July 2008 – but a very low strip ratio (which measures how much waste material has to be mined for every volume of mined ore) should allow for a quick ramp-up in production that will make it “quite a large mine” within just four or five years, according to IBU's two backers.

For the same reasons, the production costs will also be quite low and the mine will be profitable in its first year of production with expected earnings before interest, tax, depreciation and amortisation of \$40 million to \$50 million in the first 12 months, they say.

The IBU mine's proven probable reserves of 270 million tonnes, or just under 10% of the overall coal resources of approximately 3.3 billion tonnes, already makes it one of the top five coal mines in Indonesia. That ratio is expected to increase to about 20% by the time the company starts mining as additional drilling before then

is expected to produce a mineable reserves figure of 600 million to 700 million tonnes, which according to Alexander is “more than enough for many years of mining.”

The deal, which was put together in about four months after the completion of the reserve report and the offtake agreement in March, consists of equity-linked notes with a 4 year and nine month maturity but with a detachable convertible equity element that doesn't expire until 2037. The equity units entitle the holders to part of a royalty stream that will be paid out of the Ebitda and can be exchanged for equity in the unlisted company once the notes expire. They will be automatically converted in case of an initial public offering.

According to sources familiar with the transaction, the three note holders will own a bit less than 10% of the company if the notes are fully converted. Meanwhile, the notes will pay an annual coupon of 10% and the investors can expect an internal rate of return of 25%-30% as the notes will be redeemed at a premium.

As a security for the investors the deal is pre-funded for two years, meaning part of the \$135 million will be put aside to pay the annual coupons to cover the period before the mine becomes fully operational. In addition, IBU will get its hands on the money on a staggered basis with each draw-down having to be preceded by the passing of pre-defined milestones.

According to Alexander and Habibie, the key advantage of this type of privately arranged funding is that it gives them the ability to build the mine with relatively minor equity dilution, albeit at a high cost to begin with.

MADAGASCAR NICKEL PROJECT TO COST OVER \$3 BILLION

August 24, 2007 (Reuters) – Madagascar's Ambatovy nickel mine, one of the world's largest nickel projects, is likely to cost more than \$3 billion and employ 5,000 Malagasy in construction, the project's managing director said on Friday. The mine, 80 km (50 miles) east of the capital, Antananarivo, is scheduled to begin production in 2010, reaching its annual capacity of 60,000 tonnes of nickel and 5,600 tonnes of cobalt after three years.

On Thursday, Japanese conglomerate Sumitomo Corp., which owns a 27.5 percent stake, said the project could go ahead after it secured \$2.1 billion in debt financing. Yves Fourmanoit, who manages the project on behalf of Sherritt International Corp, which took over from Canadian miner Dynatec in June, said the company had yet to make a final announcement about the project's

cost. Preparations such as the purchase of critical equipment had already begun, he said.

The project, which will last 27 years, is expected to be a major revenue earner for Madagascar, an island of 19.6 million people, three quarters of whom live on less than a dollar a day. Japan, China and Korea will be its main markets, officials say.

Besides Sumitomo, Canada's Sherritt International has a 40 percent stake, state-owned Korea Resources Corp has 27.5 percent and Canadian engineering firm SNC-Lavalin Group Inc has 5 percent.

Construction projects include a 220 km (136 mile) pipeline to pump the ore to the main eastern port of Toamasina, a high pressure acid leach plant, refinery and

an extension to a jetty at the port, Fourmanoit said. He added that cobalt in the mine would make the project economically viable even if nickel prices come off their highs. "We are in the low quartile of the production cost curve for nickel," Fourmanoit said. "The reason ... is that we have very substantial production of cobalt."

The project will employ some 1,600 Malagasy workers when construction is complete, paying them between 800 (\$0.43) and 2,400 Malagasy Ariary (\$1.30) per hour, he said.

URANIUM SPOT PRICE COULD REGAIN LOST GROUND BY YEAR END - HAYWOOD

August 24, 2007 (MineWeb) – In an analysis published Thursday, Canada's Haywood Securities predicted that, by year end, the spot market for uranium could regain some of the ground it has lost since the metal reached a high of \$136 in mid-June. Analysts J.W. Mustard and Chris Thompson said the rapid price increase from April to June was generated more by speculative discretionary buying than by a demand from utilities companies.

Currently the spot price has declined 34% to the current \$90/lb level. To compound the situation, the analysts noted that "as the utilities seem to have taken a collective summer break, in conjunction with a lack of discretionary buying, the price has a clear negative trend. Primary supply/demand issues have not changed over the past few months, and each week brings pronouncements of renewed emphasis on nuclear capacity to solve fundamental electrical needs," according to Mustard and Thompson.

"Perhaps a key insight into longer term trends is the possible impact of the recent spot price decline on those

companies either at the advanced stage of development or in feasibility. With the market valuation of individual companies dropping by 35% to 50%, those most affected may curtail some expenditures, leading to a deceleration of project development-ultimately feeding into lower than forecasted long-term growth supply," they noted. "Also some companies seeking equity and debt financing may experience pushback, again affecting their project timelines. This, combined with production shortfalls year over year 2005 to 2006 and forecasted for 2007, upward price pressure is likely to persist for a longer period."

Haywood's analysts forecast that "while the spot price has weakened and could weaken a tad more, by the end of the year prices could regain much of the lost ground, setting the stage for a robust 2008 and beyond. With potential brownouts in some areas like India, it is possible that near-term spot could exceed the recent highs."

BHP SAYS GROWTH OF SALES TO INDIA OUTPACING CHINA

August 24, 2007 (Bloomberg) – BHP Billiton Ltd., the world's biggest mining company, said growth in sales to India is outpacing gains in China as the southern Asian nation requires more coal and nickel to meet rising demand.

BHP is raking in higher sales from India than it did six years ago from China, which now accounts for a fifth of revenue, incoming Chief Executive Officer Marius Kloppers said at a conference with reporters in Melbourne. BHP is still looking to invest in bauxite and iron ore projects in India, he said.

India's government plans to spend as much as \$450 billion by 2012 to build new roads, ports and power stations and accelerate growth to 10 percent from an average 8.6 percent in the past four years. BHP said Aug. 22 it has as much as \$50 billion of projects it could develop to feed rising demand.

"Everybody in the industry missed the Chinese growth story, and what BHP is doing now is to set themselves up for the next stage when India could go on the same growth path," said Mark Pervan, a commodity strategist at Australia & New Zealand Banking Group Ltd., in Melbourne. "They've built the business for Chinese demand, and what they want to do with the \$50 billion of projects is to prepare for the new emerging economies like India."

BHP's sales to China jumped 47 percent in the six months ended June to \$5.29 billion from a year ago, according to a slides presentation on Aug. 22. Its sales to India surged 56 percent in the same period from a year ago to \$1.14 billion, according to calculations by Bloomberg from figures provided by BHP today.

China accounted for 20.4 percent of BHP's sales in the second half, whereas India only contributed to 4.4 percent

of sales, BHP spokeswoman Samantha Evans said in an e-mail. China, the world's largest consumer of metals and the fastest growing major economy, will continue to want more metals and iron ore, Kloppers said. India, the world's second-fastest growing major economy, will need energy commodities such as coal, as well as metals, he said.

"This is a larger portion of the globe industrializing than before," said Kloppers. "It's not one economy, but two economies. We're pushing into India extremely aggressively in selling products there."

XSTRATA SEEKS CURBS ON NEW MINES

August 24, 2007 (Financial Times) – Xstrata has called for the number of new coal projects in Australia to be curbed because congestion at ports such as Newcastle in New South Wales has led to a fall in coal exports. Newcastle is the world's biggest coal-exporting port and increasing demand from China has led to a boom in shipping volumes. But the port has had trouble coping with the rise in coal exports and plans for expansion have yet to be realised.

Queues of ships have been forming at the port and, while the ships wait to load up with coal, they charge the producers so-called demurrage charges. This year the average wait for a ship to load up at Newcastle was three weeks and at the end of June there were 74 ships queuing for access, according to Xstrata. The delays are costing the Australian coal industry about A\$1m (US\$814,000) a day, according to industry estimates.

Rio Tinto, the biggest exporter of thermal coal out of Newcastle, said this month that profit from its Australian coal business had fallen by US\$95m to US\$177m in the first half of the year. It said its Australian operations were suffering from "intense cost pressures" and that port constraints and shipping delays were leading to cuts in production from its coal mines in the Hunter Valley region.

In its first-half results, Xstrata, another large exporter of Australian thermal coal, said its demurrage charges had risen by US\$36m compared with the same period of 2006.

Peter Coates, chief executive of Xstrata's coal unit, was yesterday quoted by Bloomberg calling for changes to the Australian authorities' system of giving consent to new coal mines. "Development consent shouldn't be given unless a coal company comes in with a clear contract for port and rail capacity," he said.

Xstrata added yesterday that the group thought new coal projects should only be given consent and port capacity if they could produce the coal they said they would and on time. "We think there should be greater accountability for all parties involved in the process."

Newcastle is one of the more striking examples of the infrastructure bottlenecks in Australia that have arisen because of surging Chinese-led demand for coal and other commodities. It also illustrates the difficulties of timing costly infrastructure developments to coincide with peaks in demand in a cyclical sector such as coal.

NOTICE

The next issue of the Global Mining Newsletter will be published on Tuesday, September 4, 2007 as we are observing the Labor Day Holiday on Monday, September 3, 2007.

Our USA offices will be closed Monday, September 3, 2007 in observance of the holiday.

Behre Dolbear is proud to announce that Mr. Robert D. Maxwell has been appointed as Director of Nuclear Fuel Services

Mr. Robert D. Maxwell is a senior associate with Behre Dolbear and has more than 30 years of experience in uranium mining, exploration, development, and evaluation of deposits in North America. Mr. Maxwell's experience commenced in the mid-1960s and covers production, development, and exploration phases of uranium projects in the major uranium districts of western North America. He has supervised exploration programs for uranium which resulted in discoveries. He has supervised or participated in geologic investigations as part of due-diligence studies for major property acquisitions.

His background with major companies and consulting firms also includes delineation of phosphate deposits as well as investigation of various facets of potash, copper, coal, and heavy mineral sand projects. He has conducted multi-mineral studies and inventories of the potential for income from mineral resources for major landholders. Mr. Maxwell has served as project manager for recent Behre Dolbear uranium projects which include:

- A report in compliance with NI 43-101 for nine uranium mines in Colorado and Utah, USA.
- A scoping study of a major property in the Ambrosia Lake, New Mexico, USA to guide negotiations for acquisition.
- A report in compliance with U.S. Securities and Exchange Commission Guide 7 compiling historical data and resources for major uranium properties in the Grants Mineral Belt, New Mexico, USA.
- A report in compliance with NI 43-101 ten uranium prospects in Colorado and Utah, USA.
- A Competent Persons Report on 12 uranium properties in Ambrosia Lake, New Mexico, USA including resource confirmation and valuation.
- A scoping study and valuation used to guide negotiations to acquire an operating interest in an operating in situ-recovery uranium mine and a major partially delineated uranium deposit in south-central Kazakhstan.

Mr. Maxwell holds a Bachelor of Science in the Sciences degree from Texas Western College (UTEP) and an MBA from the University of Colorado at Denver.

Please join us in welcoming Bob to the Behre Dolbear family.



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