

BEHRE DOLBEAR

Global Mining News

MAJORS QUEUING FOR KATANGA MINING'S COPPER AND COBALT

September 10, 2007 (MineWeb) – As the fallout continues from CAMEC's problems with the DRC authorities and the collapse of its bid for Katanga Mining, reports are surfacing of some of the world's biggest mining companies looking at taking on the latter's high quality copper/cobalt resources through acquisition, or joint venture.

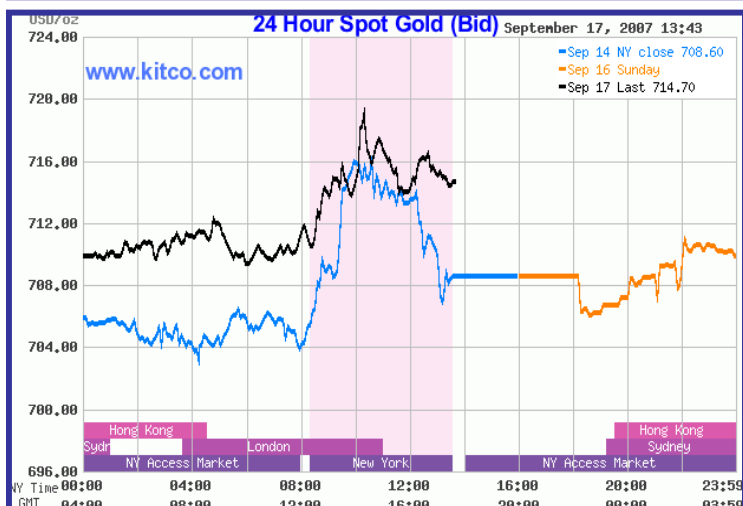
When Camec's hostile bid was made, Katanga Mining sought 'white knight' intervention from major mining houses, and also from fellow DRC miner, Nikanor, one of whose major shareholders is RP Capital, which also has a stake in Katanga Mining.

However, according to reports in London this weekend in the Sunday Times, South Africa's Anglo American Corporation headed by ex-Alcan executive, Cynthia Carroll, is perhaps the front-runner in the race to take on the DRC mine developer.

In addition to Anglo American and Nikanor, BHP Billiton is also said to be in the frame, and although other majors like Rio Tinto and Xstrata may currently be too pre-occupied with their own recent deals, one can't rule them out either given the quality of Katanga Mining's resource. All the major copper miners are keen to maintain their

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USD	SEPTEMBER 14, 2007	SEPTEMBER 7, 2007
GOLD	716.35	701.00
SILVER	12.5000	12.5700
PLATINUM	1,294.00	1,289.00
PALLADIUM	330.00	334.00
ALUMINUM	1.0904	1.0943
COPPER	3.3888	3.3389
LEAD	1.4517	1.3655
NICKEL	12.7006	12.3854
URANIUM	90.00 (09/10/07)	90.00 (09/03/07)
ZINC	1.2977	1.2841

reserve tonnages, and Katanga's cobalt would be an added bonus.

Another company talked about in this respect is Freeport McMoran, but as it is already developing the huge Tenke Fungurume copper/cobalt resource, which it took on with the acquisition of Phelps Dodge, it would probably consider another major DRC project as too much potential exposure to the volatile DRC political climate.

Katanga's holdings in the DRC, which are well on the way to production by the end of this year, are of significant tonnage and grade— and are based around old Union Miniere then Gecamines operations which were run down and fell into disrepair during years of DRC misrule and civil war.

ARCELORMITTAL TO EXPAND IN TURKEY BY BUYING 51% OF ROZAK

September 10, 2007 (MarketWatch) – ArcelorMittal, the No. 1 global steelmaker, said it would expand in Turkey by acquiring 51% of one of its customers, Rozak AS. Terms weren't disclosed. In 2006, closely held Rozak shipped 450,000 tons of steel and its turnover reached 260 million euros (\$356 million). Rozak, founded in 1983, employs 100 people.

“Turkey is one of the fastest growing steel markets,” said Gonzalo Urquijo, a member of ArcelorMittal's Group

Management Board and the official in charge of Steel Solutions & Services, in a statement. The country's construction sector is growing at more than 10%, he said.

ArcelorMittal already operates in Turkey by producing flat carbon steel through a venture in Borcelik. It is also active in packaging and the steel-service-center business. The Rozak transaction is subject to antitrust clearance, and the companies expect to close it this year.

NEWCREST IN TRADING HALT

September 10, 2007 (Associated Press) – Gold producer Newcrest Mining Ltd has entered into a trading halt amid speculation the company could be raising more than \$1 billion to close out its hedge book. The Newcrest said it could be in a trading halt for as long as four trading days.

Australia's largest independent gold producer had flagged in June closing out all or part of its hedge book in a move similar to Lihir Gold Ltd, which exited its hedging position earlier this year. Fat Prophets analyst Gavin

Wendt said it was likely the company was going to raise a large amount of capital to close out its hedge book.

Newcrest managing director and chief executive Ian Smith said in August the company was considering the restructure, but market volatility was having an effect on the initiative. Mr Smith would not be drawn on what it would cost to close out the company's hedge book, which has a mark-to-market value of about negative \$1.17 billion.

GOLD FUNDAMENTALS WILL PREVAIL DESPITE MARKET CRISIS

September 11, 2007 (MineWeb) – The US sub-prime market crisis is mainly a financial one, will probably not derail global GDP growth, and only have a temporary impact on investors' risk perception. Gold could be a beneficiary of the sub-prime crisis as declining US real interest rates could provide strong support for the price of bullion, said Craton Capital Precious Metal Fund.

The fund's view is that the sell-off in small to mid-sized companies during the August market turmoil was not based on fundamental and sector specific factors. It

believes the relative under performance of this asset category was typical in a market correction of this nature.

“However, the difference in relative performance between tier 1 and tier2 and 3 companies was significant.” This followed the pattern of previous market corrections which have showed selected large gold companies recovering from market turmoil ahead of small and mid caps.

The initial under-performance of small and medium caps tended to turn into “significant out-performance” in the

second phase of a market recovery. At least one significant market correction had occurred every year since the second quarter of 2004 – for a duration of between 7 and 15 weeks. Market decline from peak to trough ranged between 22% and 29%.

A further pattern of past corrections was that small to mid-sized companies suffered most during this turmoil. In the past each trough offered a great buying opportunity for the selective investor. Investments made in those periods have generated returns that exceeded losses incurred during market meltdowns.

While the extent of the sub-prime 2007 correction mirrored corrections of previous years, its duration

(4 weeks) was remarkably shorter, volatility extremely high and its impact was felt throughout all investment categories across the globe. “The sell-off was not broad based, the low liquidity is indicative of this. The sellers were often investors who had to liquidate positions in order to cover losses accumulated in other areas.”

The fund did expect continued “flashbacks” from the sub-prime crisis that would impact on market psychology. However, history has shown repeatedly that fundamentals will prevail.

DEFYING MINING’S GLOBAL WARMING SKEPTICS, RIO TINTO JOINS U.S. CLIMATE CHANGE COALITION

September 11, 2007 (MineWeb) – Über-miner Rio Tinto has joined the United States Climate Action Partnership (USCAP), an alliance of major businesses and environmental groups urging the federal government address climate change and reduce greenhouse gas emissions. Tom Albanese, Rio Tinto’s CEO, called climate change “a critical issue for our business. Not only do we produce energy resources, such as coal, but our mining and mineral processing operations use large quantities of energy.”

Preston Chiaro, Chief Executive of Rio Tinto’s energy division, said the “key to unlocking an environmentally friendly future for all fossil fuels is carbon dioxide capture and storage (CCS). The ultimate success of CCS will depend on its widespread application, public acceptance and rapid commercialization of the technology.”

“USCAP recognizes that government and industry cooperative to advance CCS technology is a critical path toward slowing, stopping, and reducing the growth of greenhouse gases in the atmosphere,” Chiaro said. “Market-based approaches can provide long-term incentives for low carbon power generation, but

government support will also be required to help overcome the high initial cost of first-of-a-kind technology development and deployment.”

Rio Tinto is working on a number of technology solutions to reduce greenhouse gas emissions and improve energy usage. The Kennecott Land Company has committed to support renewable wind energy production through Rocky Mountain Power’s Blue Sky program, and may be the first develop to purchase enough renewable energy through Blue Sky to offset the entire electricity now consumed in Kennecott Land operations.

Kennecott Utah Copper has a target of reducing greenhouse gas emissions by 16% by 2008 through the use of fuel additives at the Bingham Canyon Mine to installation of pebble crushers and advanced flotation cells at the concentrator.

Meanwhile, Rio Tinto and BP have formed a joint venture to focus on hydrogen-fueled power generation, utilizing fossil fuels and carbon capture and storage technology to produce new large-scale supplies of clean electricity.

ZIMBABWE POWER DEAL KINDLES GOLD OUTPUT HOPES

September 11, 2007 (miningmx.com) – Gold miners in Zimbabwe have raised their hopes of increased output if electricity supplies stabilise after an agreement with Mozambique to double power supplies to the embattled southern African country. Zimbabwe’s Herald

newspaper, the state’s mouthpiece, reported Mozambique would double electricity supplies to 300 megawatts (MW) a day, meeting nearly half of the country’s daily demand for 650 MW, despite some \$20m in debt Zimbabwe owes its neighbour for power.

Mozambique's Hidroelectrica de Cahora Bassa (HCB) had, since last week, increased supplies to Zimbabwe from 150 megawatts to 300 megawatts a day, ZESA chief executive Ben Rafemoyo told the Herald newspaper.

"We have very huge... obligations to HCB. We are yet to pay our bills for July and August and in total we have outstanding obligations of four months' supply, which is around \$20 million, but they have maintained supplies to us," he is quoted as saying.

The gold miners, including the largest, Metallon Gold and Central African Gold (CAG), said power supplies this year have been erratic, cutting gold output as the state-owned utility ZESA grappled with reduced supply because of a foreign currency shortage to pay its neighbours for the electricity they supply.

Zimbabwe's largest gold producer Metallon will see a sharp fall in annual production because of the severe power shortages affecting it since April this year, said Mark Wellesley-Wood, CEO of Metallon's parent

company Redwing Mining. In July for example, it had just two thirds of the power hours it normally has. Power outages during the year have had a deleterious effect on gold output.

The mines and heavy industry banded together for talks with ZESA about the power situation. In the year to March 2007, Zimbabwe's gold output fell to a 90-year low of eight tonnes. In 1916, the country produced 29 tonnes.

"If the trickle effect of the power coming into the country increases the ability of ZESA to supply a more reliable source of electricity to our mining operations then our productivity will improve. No question," he said. "Zimbabwe's largest foreign exchange earners include the gold mining industry, so we expect ZESA would be instructed to make sure the mining industry receive a better continuity of power so the RBZ will receive more gold," he added.

SOUTH AFRICAN GOLD OUTPUT FELL 5.2% IN JULY WHEN COMPARED TO THE SAME PERIOD LAST YEAR, WHILE OVERALL MINERAL PRODUCTION ROSE 0.9%

September 11, 2007 (Reuters) – South African gold output fell 5.2 percent in volume terms and overall minerals production rose 0.9 percent in July compared with the same month the previous year, official data showed on Tuesday. Production of non-gold minerals rose by 1.9 percent in July, Statistics South Africa added.

In June, year-on-year gold sales fell 8.1 percent to 3.30 billion rand (\$458.3 million), sales of non-gold minerals increased by 18.1 percent to 16.8 billion rand and total mineral sales gained 12.9 percent to 20.1 billion rand, a statement on www.statssa.gov.za said.

PRICE RISES IN INDIA CONTINUE AS CONSUMERS SEEK TO SECURE SUPPLY

September 11, 2007 (Platts) – In early September one Indian trader said he received an offer of a handymax of Chinese coking coal at \$210/mt C&F spot. He said he may be in a position to renegotiate the price down to \$200/mt C&F for one cargo which is ready and another two further out. The same coal was being quoted about two months ago at \$170/mt C&F, the source said.

In steam coal, South African and Indonesian offers have become even more costly during the last seven to ten days. South African steam coal is up by \$4-5/mt on C&F basis. The current quotes are above \$100/mt C&F and in some cases higher than even \$105/mt C&F on India's west coast that serves the industrial regions around Mumbai.

Sources are also looking to Indonesia where prices are normally a few dollars lower. The current rates for good quality coal from that country are around \$95/mt C&F. However, some deals have reportedly been done as low as \$88/mt C&F along the west coast.

But for all the talk of a possible tapering off of supplies, most traders remain upbeat on business prospects in India. Sources with leading Indian traders like Adani Exports Ltd and Bhatia International are confident that the business done this year would not be less than last year. However, sentiment is mixed regarding prices. Some traders feel that prices will ease by the time the 2008 contracts are finalized while others believe that they will continue to remain firm.

Coal & Oil, one of the leading traders in the Indian subcontinent, has entered into a supply agreement with Samtan Kideco, which has captive mines in Indonesia and is the third largest supplier of coal in Indonesia. Coal & Oil has purchased 50 million mt of coal over a ten year term, or an average of 5 million mt/year, for \$1.5 billion. Its CEO Ahmed Buhari told Platts that C&O imports will

meet 10% of India's projected imports into India over the next five years.

Meanwhile, India's biggest miner and coal supplier, the government-run Coal India Ltd (CIL) is keeping up its hunt for long-term supply contracts and/or acquisition of coal property abroad.

CHINA: NO MORE INVESTMENT IN STAINLESS STEEL INDUSTRY

September 11, 2007 (China Daily) – It is unwise to invest more in the stainless steel industry, said Wu Jianchang, deputy chairman of the China Iron and Steel Association, the Beijing Business Today reported. China's total stainless steel production capacity has surpassed current demand, a situation which will extend into the future, said Wu yesterday at the 5th China International Stainless Steel Congress in Shanghai. As a result, he suggested the country boost efforts to stimulate stainless steel consumption and especially domestic consumption, but not to enlarge output at all.

Statistics showed that China topped the world in terms of stainless steel output and apparent consumption last year. The four steel giants, Taiyuan Iron and Steel, BaoSteel,

Zhang Pu Stainless Steel, and Lianzhong Stainless Steel, contributed 60 percent of the total 10 million tons stainless steel output capacity.

In order to stoke domestic demand, Wu suggested improvements to people's daily civil stainless steel consumption and upgrades in the manufacturing industry, in areas such as electricity generation, electric power, petrochemicals, automobiles and shipbuilding.

Meanwhile, the whole stainless steel industry urgently needs to eliminate outdated production capacity in facilities, particularly those with high consumption of raw materials, heavy pollution and low product quality.

COPPER CLIMBS MOST IN SEVEN WEEKS AFTER CHINESE IMPORTS SURGE

September 11, 2007 (Bloomberg) – Copper gained the most in seven weeks as imports jumped in China, the world's largest consumer of the metal. Imports of copper and copper products surged 43 percent to 1.91 million metric tons in the eight months ended Aug. 31, the Beijing-based customs office said. Before today, the metal, used in pipes and wires, gained 16 percent this year as global demand outpaced supplies.

"We have seen more Chinese activity in the market recently and more buying," said Warren Gelman, president of Kataman Metals in St. Louis. "The question is whether we'll see this buying continue."

Copper futures for December delivery gained 7.85 cents, or 2.4 percent, to \$3.3345 a pound at 9:25 a.m. on the Comex division of the New York Mercantile Exchange. A close at that price would mark the biggest percentage gain for a most-active contract since July 19.

The metal has gained fourfold in the past four years as demand soared in China, the world's fastest-growing major economy. Chinese copper consumption increased 37 percent in the five months ended May 31, the International Copper Study Group said on Aug. 23.

CHINALCO TO ACQUIRE MONGOLIAN COPPER MINES

September 11, 2007 (Magnesium.com) – Chinalco recently announced they will begin actively seeking copper deposits in Mongolia as they seek to diversify their metal businesses.

Chinalco is currently China's largest aluminum producer. The company is estimated to have around \$4 billion to

expand their operations into copper mining in Mongolia and other nations. Currently copper accounts for less than 10% of Chinalco's current business with the potential new acquisitions this could make them the largest holder of copper reserves in China.

GOVERNOR OPPOSES NEW LAFAYETTE EXPLORATION

September 12, 2007 (Manila Times) – Legazpi City: The provincial government of Albay has strongly opposed the new exploration of Lafayette Philippines Inc. (LPI) in the island of Rapu-Rapu, Albay. Gov. Joey Salceda of Albay warned the officials of the Environmental Management Bureau and Mine-Geosciences Bureau of the Department of Environment and Natural Resources against granting any new permit to explore mining prospects anywhere in Albay.

Salceda, who had strongly opposed mining in Rapu-Rapu, noted that the host communities of the mining operations hardly benefited from the activity. “There is simply no evidence of widespread benefit to the people from mining operations,” said Salceda. “Instead, the risks to the environment are becoming abundantly clear,” he

added. Salceda cited reports of unscrupulous speculators attempting to exploit Albay’s natural resources and deprive Albayanos of their rightful share.

Cecile Calleja, LPI vice-president for corporation affairs told The Manila Times that they don’t have a new application but are currently doing exploration in areas approved by MPSA.

The project has a potential life of eight years with a planned annual production of 10,000 tons of copper in concentrates; 14,000 tons on zinc concentrates; 50,000 ounces of gold and 600,000 ounces of silver annually with mine leases covering 180 hectares in the eastern side of Rapu-Rapu.

ALCOA SAYS SELLS CHALCO STAKE FOR \$2 BILLION

September 12, 2007 (Reuters) – Alcoa Inc said on Wednesday it sold its stake in Aluminum Corp of China Ltd for about \$2 billion, a \$1.8 billion gain on an investment. Alcoa, the world’s largest aluminum maker, said it bought the stake six years ago as a financial investment and its role as an investor was no longer needed by the now-established Chinese company.

Alcoa said in a statement it would continue to invest in China’s aluminum industry and to work with Chalco, China’s top alumina and aluminum producer. Alcoa has 17 operating locations in China and is expanding its Bohai rolling mill in Qinghuangdao.

Alcoa bought into Chalco, the world’s third- largest producer of alumina, in 2001 in an initial public offering at HK\$1.37 per share, forming a strategic alliance. It sold its entire stake, which represented about 7 percent of the company in June, for HK\$17.34 per share, putting its profit at HK\$15.97 per share, or about US\$1.8 billion overall.

Alcoa’s interest in Chalco waned in recent years and the U.S. company appeared reluctant to share its technology with the Chinese company. “What could have been a long-term operating partnership devolved into just a financial investment,” said Scott Burns, analyst with Morningstar in Chicago. “There’s no reason not to take profits on the stake if the strategic interest isn’t there,” he added, noting the sharp rise in Chalco’s stock had made selling attractive.

Trading and smelter sources in China also said Chalco planned to cut its spot alumina price by about 10 percent to 3,500 yuan a tonne from Thursday. Analysts had said it might need to cut prices to match its rivals after China began importing aluminum for the first time in two years. “(The stake) didn’t have any impact on sales or cooperation with Chalco,” said Eva Yip at Sun Hung Kai Financial.

NIKANOR HAS \$420M CAPEX APPROVED FOR FLAGSHIP DRC PROJECT

September 12, 2007 (Mining Weekly) – LSE-listed copper-miner Nikanor had secured funding for two-thirds of its flagship KOV project in the Democratic Republic of Congo (DRC), and plans were in place to arrange the last stretch of debt funding next year, the company said on Wednesday.

Nikanor planned to fund the balance of finance required for the \$1.8-billion KOV project through bank and agency debt, supported by credit guarantees and political risk insurance. CEO Jonathan Leslie said in a conference call that the company would aim to raise an additional \$800-million by the end of next year. Nikanor was in the

process of mandating lead banks to support the fund raising.

Commodity trader Glencore International played a key role in the project's funding, he said, explaining that not only was the company a strategic investor in Nikanor, but also that firm had agreed to an offtake agreement for all KOV's production. The company signed a binding heads of agreement with Glencore, under which the company would buy the entire copper and cobalt production at the DRC project.

In June, the company raised about \$800-million, taking its total equity raised to \$1.2-billion, after an independent review by SRK consulting revised Nikanor's direct capital cost estimate for the project by some \$300-million to \$1.6-million, in May, and by another \$200-million to \$1.8-million a month later.

Nikanor was, for the time being, confident that the KOV project would remain within the revised cost estimates,

and ruled out the need for revising the project's costs upwards.

The additional funding raised in June allowed the group to place orders for major long-lead items. "Major orders for long-lead items including the mine fleet have been placed and the transformation of the site is under way," Leslie said.

Nikanor also reported that the board had approved, to date, about \$620-million capital expenditure (capex) for the KOV project. A further \$230-million were being negotiated. The company was rehabilitating the flooded KOV mine – one of the world's largest high-quality copper and cobalt mines – and it was planning to build a SX-EW refinery.

Leslie reported that Nikanor had increased the pace of development across the group, and that it would meet its target of ramping up production in 2010. First cathode would be delivered at the end of 2009.

EDITOR'S NOTE

BEHRE DOLBEAR was pleased to have acted on behalf of Nikanor in its original transaction.

AUSTRALIA POSTS 17% GROWTH IN 2006-07 MINERAL RESOURCES EXPORT EARNINGS

September 12, 2007 (RTT News) – Australia recorded a 17% increase in export earnings from mineral resources in 2006-07, data from an official economic research agency indicated Wednesday. The latest report from the Australian Bureau of Agricultural and Resource Economics, or ABARE, showed that Australia's export earnings from mineral resources climbed to a record A\$106.5 billion in 2006-07, rising more than A\$15 billion from earnings in 2005-06.

ABARE noted that the growth in export earnings mirrors higher export prices for nearly two-thirds of all minerals and energy commodities exported as well as increased export volumes for nearly three quarters of the commodities.

"This stronger performance reflects higher export prices for almost two-thirds of the minerals and energy

commodities exported, along with increased export volumes for nearly three-quarters of the commodities", ABARE Executive Director Phillip Glyde said.

Earnings from nickel soared 145% in 2006-07, marking the largest increase among different commodities. Zinc export earnings surged 69%, while copper export revenues grew 16%. Refined gold export revenues enhanced 46% and crude oil exports had 25% rise in export earnings.

Meanwhile, significant declines were witnessed in export earnings of cooking coal, down 11% and steaming coal, which fell 6%. "The decline in export earnings from coal in 200607 reflected the negative income effects of a stronger Australian dollar on steaming coal exports and lower prices for coking coal," Glyde stated.

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UNIONS AT SOUTHERN COPPER IN PERU SUSPEND STRIKE

September 12, 2007 (*Mining Journal*) – Unions at the Peru operations of Southern Copper voted on Tuesday to suspend a strike originally set for September 12 after the government asked both sides to find a compromise, union leaders said. “The strike action measure has been lifted for four days to see if an agreement can be reached through direct talks,” Roman More, a union spokesman at the Cuajone copper mine, told Reuters.

Workers’ assemblies at the Cuajone and Toquepala mines, which together produce 370,000 tonnes of copper annually, and the 350,000 tonne-per-year Ilo smelter voted against the strike that would have paralyzed the

firm’s Peru operations. The spokesman said a strike was still possible if an agreement over higher wages is not reached with the company. “The assembly of workers of Ilo have agreed to suspend the strike,” said Arnaldo Oviedo, head of the union at the smelter said.

Jorge Chavez, who leads the Toquepala union, said the union leaders would travel to Lima on Wednesday to talk about their demands with the company. Earlier on Tuesday, Southern Copper President and Chief Executive Oscar Gonzalez told Reuters that “what we do know is that a strike is unlikely.”

RIO TINTO PROVIDES CREDIT FACILITY TO IVANHOE

September 13, 2007 (*Reuters*) – Rio Tinto will provide Ivanhoe Mines with a convertible credit facility of US\$350m for interim financing for the Oyu Tolgoi copper-gold complex in Mongolia’s South Gobi region. The credit facility is directed at maintaining the momentum of mine development activities at Oyu Tolgoi while Ivanhoe and Rio Tinto continue to engage in finalising an Investment Agreement between Ivanhoe and the state of Mongolia.

Rio Tinto said it expects that in the absence of a satisfactory Investment Agreement it is likely that the rate of ongoing investment in the project will need to be scaled down significantly. Rio Tinto Copper chief executive, Bret Clayton said the provision of this facility would allow Rio Tinto to raise its shareholding in Ivanhoe and the Oyu Tolgoi project while allowing the project to continue construction as the Investment Agreement goes through final parliamentary approval.

“An equitable Investment Agreement is essential if Mongolia is to attract sustainable international mining

investment. This will encourage further exploration, development, employment and skill training programs,” Mr Clayton said.

Rio Tinto invested approximately US\$303m in October 2006 to take an initial stake of 9.95 percent in Ivanhoe Mines under the terms of a Placement Agreement. A second 9.95 percent holding, valued at approximately US\$388m, will be taken up under the terms of the Placement Agreement at the conclusion of a satisfactory long-term Investment Agreement with the Mongolian Government.

As part of the interim funding agreement, Rio Tinto will increase its presence and involvement in Mongolia and the Oyu Tolgoi project. This agreement also raises Rio Tinto’s fixed price conversion and warrants from 33.35 percent up to 42.2 percent and restrictions on total Ivanhoe share acquisitions from a maximum of 40 percent under the Placement Agreement to 46.65 percent.

CHINA MINMETALS JOINS FORCES WITH WORLD’S NUMBER SIX COPPER SUPPLIER

September 13, 2007 (*Yahoo Finance*) – China Minmetals Corp, the nation’s largest metal trader, has joined forces with the world’s sixth-biggest copper supplier to develop new mines across the globe, state media said Thursday. Minmetals and KGHM Polska Miedz SA of Poland have signed a framework agreement to develop copper mines

in China, Poland and other countries, the China Daily reported.

“The move is expected to combine KGHM’s expertise in copper development and manufacturing with Minmetals’ advantages in capital and sales channels,” the Chinese company said, according to the paper. One of the first

projects the two companies will look at is a new non-ferrous metal mine in north China's Inner Mongolia region, the paper said.

Copper demand from China has global implications because it is the world's largest consumer of the metal.

GOLD COULD RALLY THROUGH \$800/OUNCE SAYS GFMS'S WALKER

September 13, 2007 (MineWeb) – Gold has the upside potential to rally through the \$800/ounce level if current imbalances in the global economy and the credit crunch became more severe.

Chief executive of specialist precious metals analysts, GFMS, Paul Walker said today on the CNBC Power Lunch with Moneyweb/Mineweb that a gold price over \$800/ounce was on the cards if the US sub-prime credit crisis diminished people's confidence in the US dollar and other investment asset classes.

Commenting on the gold price's recent surge through the \$700/ounce level, Walker said there was downside risk in the short-term, but still upside in the price. Walker said the gold price was at high levels compared to a few years ago as investors considered the bubbles that have grown in various asset classes over the last few years as well as fundamentals in the global economy. Walker believes that global imbalances have manifested in the sub-prime crisis and is starting to show itself in the gold price now.

Asked whether the average gold price underpinned the market or whether investors should tread carefully, Walker said that producer margins have not increased with the stronger price as it has been accompanied by steeper costs. However, higher costs have pushed fringe producers out at the same time and gold production will at best be steady over the next few years.

Investment demand for gold will rise in the second half of this year as GFMS believed the US was heading for a recession. Walker said this would have a knock-on effect on the rest of the commodity complex and hit gold in the short-term.

Upside for gold this year is estimated at between \$750-\$760/ounce, while potential downside is seen to be only around \$20 and not \$50/\$60/ounce.

PLANET'S MOST POLLUTED SITES UNVEILED

September 13, 2007 (Financial Times) – China, India and Russia top the list of the world's most polluted places, a study of global pollution yesterday found. The three countries are each home to two of the world's top 10 polluted sites, while the others are in Peru, Ukraine, Zambia and Azerbaijan. Linfen and Tianjin are the worst polluted places in China because of poor air quality and the metal industry respectively. Sukinda and Vapi are the worst in India, the former because of mining and the latter from general industry. Norilsk, where metals are extracted, and Dzerzhinsk, home to weapons manufacture, are Russia's most polluted locations.

The Blacksmith Institute, which produced the report on the "dirty 30" most polluted places on the planet, said it was not possible to rank the top 10 in order because of the different forms of pollution in each place and because they differed widely in their geography and population.

Mining was found to be the most frequent cause of pollution in the dirty 30 but metals extraction, petrochemicals and other industries were also to blame.

Chernobyl's legacy of nuclear contamination put the region in the top 10, and Mailuu-Suu in Kyrgyzstan was also judged one of the worst polluted for its nuclear site.

The list was drawn up by a panel of experts including members from Green Cross Switzerland, a charity that works to overcome the damage caused by industrial and military disasters. The panel based its judgment on the toxicity of the pollution of the site, its scale and the number of people affected. The study found most of the polluted sites were far beyond the ability of local populations to clean up and that national government assistance or international aid would be needed.

The authors said the way to clean up such sites was to “begin with supporting a core group of concerned people and officials to create a consensus and build momentum,

starting with some simple but visible improvements to show that progress is possible”.

ROMANIAN GOVERNMENT SUSPENDS CONTROVERSIAL CANADIAN GOLD MINING PROJECT

September 13, 2007 (The Associated Press) – Romania’s government said Thursday it has suspended a plan by a Canadian company to create a gold mine in the northwest of the country, saying it lacks the necessary documentation.

Gabriel Resources Ltd.’s request for an urbanism certificate – which sets out what approvals will be needed to obtain planning permission – has been legally challenged by environmentalist groups and the Soros Foundation’s Open Society Institute, and there is an ongoing legal dispute. “The moment the company presents a legal urbanism certificate,” it can go ahead, said Environment Minister Attila Korodi.

Gabriel Resources CEO Alan R. Hill said the company was disappointed by the move and accused environmentalist groups of “abusing the Romanian court system by launching frivolous lawsuits ... further evidence of their lack of respect for the rule of law in Romania.”

The proposed gold mine in central Transylvania has been wracked by controversy for years. The Hungarian

government has voiced concerns because the mine would be 190 kilometers (120 miles) from its border and it fears the use of cyanide to extract gold ore could threaten the environment.

In 2000 a spill at a gold mining company in Romania killed much of the aquatic life in the Tisza River, which also runs through Hungary and is a tributary of the Danube River. Romanian Prime Minister Calin Popescu Tariceanu said last year the project would only happen if all international and European norms on environmental protection are respected.

Environmental groups claim that the project will harm the environment through dangerous mining methods and will require large numbers of houses and churches to be knocked down for an open mining pit.

Gabriel Resources argues the mine will provide jobs for a poverty-stricken area.

ECUADOR MINISTER FAVORS LARGE-SCALE MINING-REPORT

September 14, 2007 (Reuters) – Ecuadorean Mines Minister Galo Chiriboga said he favors large-scale mining, but warned he will cancel concessions that the government judges were granted illegally, a local newspaper reported Friday. “I think we should not stick to a vision of small and medium-scale mining, but think of eventually heading toward bigger extraction,” Chiriboga told Quito daily “El Comercio.”

In the interview, Chiriboga said a group of experts is analyzing current concessions and that “if there are any illegalities we will push for the termination of concessions.” He did not explain how concessions would be judged or say if he backs a proposal by the government’s head representative in an upcoming assembly rewriting the constitution to ban open pit mining.

Alberto Acosta, the government’s top candidate for the assembly to be elected on Sept. 30, has said he would push to forbid open pit mining and grant local communities power to curb mining activity because of environmental concerns. Chiriboga said his ministry will have an input in the assembly, but that major new mining activity will be on hold until the legislative body overhauls the constitution.

The 130-member assembly is expected to conclude constitutional changes in the second half of 2008, which will have to be ratified in a referendum. Leftist President Rafael Correa, who is gambling his political future in the assembly, has worried investors with pledges to review mining concessions and renegotiate oil contracts.

IRON ORE PRICES MAY RISE 30% NEXT YEAR: BHP

September 14, 2007 (*Bloomberg*) – BHP Billiton, the world's biggest mining company, said there's strong demand for iron ore as mining companies and steelmakers prepare for annual price negotiations later this year. "The market is very tight," Marius Kloppers, who will become chief executive officer of Melbourne-based BHP on October 1, said in an interview in Santiago. It's "very buoyant at the moment", he said.

Benchmark prices may rise 30 per cent next year because of a shortage of supply, Merrill Lynch & Co said last week. Cia. Vale do Rio Doce, Rio Tinto Group and BHP, the three largest exporters, can't expand production fast enough to meet demand from steelmakers in China, the biggest user of the alloy. "There's not a lot of spare ore out there," said Peter Arden, a commodity analyst at Ord Minnett in Melbourne. "It's going to be a case of paying up for the steelmakers."

Mining companies and steelmakers including ArcelorMittal and Baosteel Group Corp usually begin

talks on annual contract prices from October. Baosteel, China's largest steelmaker, settled prices first in the last round of talks, agreeing to a 9.5 per cent increase for 2007. It was the fifth straight increase.

The Chinese "will be very active", in talks this year, and there's good demand from China and "maybe India", Kloppers said. China, which makes a third of the world's steel, may boost output by 15 per cent to 490 million tonnes this year, the National Development and Reform Commission, the country's top planning agency, said this month.

Kloppers also reiterated that BHP would only be interested in investing in aluminium plants should there be sufficient power available nearby. He declined to specify sites under examination, except to say they may be in "challenging locations".

PALMARY TRUMPS PALLINGHURST IN CONSMIN BATTLE

September 14, 2007 (*Financial Times*) – Consolidated Minerals, the Australian manganese miner at the centre of a takeover battle, switched its board recommendation to Palmary Enterprises after the Ukrainian group increased its offer to A\$1.03bn (US\$860m). Raising its cash bid from A\$3.95 to A\$4.50 a share, Palmary trumped a previously recommended A\$4.10 offer from Pallinghurst Resources, an investment vehicle run by Brian Gilbertson, the former BHP Billiton chief executive.

Pallinghurst responded yesterday, saying it would offer a potential "top-up" payment that would in effect match any rival bid.

But ConsMin said Pallinghurst had not released a "supplementary bidder's statement or a notice of variation" in relation to the top-up mechanism. "Accordingly, ConsMin remains unclear on the detailed terms" of the top-up payment proposed. This absence of clarity on the terms . . . has led the board of ConsMin to conclude that the increased Palmary offer is superior to the Pallinghurst offer, notwithstanding Pallinghurst's top-up payment proposal."

Palmary, ConsMin's largest shareholder with a stake of 14.4 per cent, is backed by Privat, a Ukrainian group. Territory Resources, an Australian group run by Michael Kiernan, a former ConsMin chief executive, has also made a bid. Palmary entered the fray at the end of last month with a A\$3.95-per-share offer.

Pallinghurst had made the first move in February with a bid worth A\$2.28 per share, or A\$625m. The revised Palmary offer is worth nearly double that. Gennadiy Bogolyubov, Palmary president, on Wednesday attacked Pallinghurst's offer as "uncompetitive" and "unfair". It gave "an uncertain value proposition" to shareholders and "attempts to discourage rival bids for ConsMin shares", he said. "Palmary wants to participate in a genuine auction process and is offering Cons-Min shareholders the opportunity to sell to the highest bidder."

Mr Bogolyubov claimed his offer represented "excellent value". Palmary also argued for a break fee worth 1 per cent of its bid.

MINERS SPEND BILLIONS TO WIPE OUT BAD GOLD HEDGES

September 14, 2007 (Reuters) – Gold miners are spending billions of dollars to unwind gold hedges taken out at prices well below today’s heady levels of \$700 an ounce and more, underscoring the risks in trying to predict bullion prices.

Newcrest this week was forced to dilute its stock and offer A\$2 billion (\$1.6 billion) in new deeply discounted shares to pay for closing out 4 million ounces of hedge contracts assembled a decade ago when gold was much lower and no one believed prices would rise to current levels.

Investors are favouring gold miners such as Newmont, Barrick Gold and Harmony that have cleared away most hedging, to better weather any fallout from the U.S.-induced debt crisis.

Another Australia-listed miner, Lihir Gold Ltd, this year raised A\$972 million, also to close out hedges. “One could argue that with weakening U.S. consumer sentiment, the risk is to the downside and further interest rate cuts could stimulate weakening in the U.S. dollar,

which is positive for the gold price,” said Stephen Bartrop of Stock Resources in Sydney.

Hence, said Bartrop, there is an expectation that the gold price could move substantially higher. JP Morgan forecasts a 10 percent rise in the average gold price to \$664 a ounce this year, rising to \$716 in 2008.

A global survey by sector consultants GFMS of London shows 300 tonnes worth of hedges were lifted in the first half of 2007, led by the world’s four top producers, with a further 80 tonnes to come in the second half. That’s more than all the gold mined in Australia—the world’s No.3 producer—in fiscal 2007, according to a tally by Melbourne consultants Surbiton Associates. And bankers are unlikely to want to see miners simply ditch their hedges.

“The banks aren’t going to let hedging go. They will always require protection from swings in commodity prices, but what we’ll probably see is more use of simple puts that limit losses on the downside but give full upside potential,” said Noah’s Rule’s Russo.

RIO TINTO EXPECTS ALCAN BID TO BE OKAYED

September 15, 2007 (au.news.yahoo.com) – Mining giant Rio Tinto does not expect that its \$A45.55 billion takeover of Canadian aluminium producer Alcan Inc will face any major hurdles from Australian financial regulators. Rio Tinto chairman Paul Skinner told a general meeting of Rio Tinto’s British shareholders in London that the Australian Competition and Consumer Commission and Foreign Investment Review Board had started reviewing the deal.

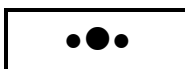
So far, he said, it was “business as usual” with both regulators and the takeover deal was on track to be wrapped up by the end of the year. “The process is ongoing with both of those (bodies),” Mr Skinner said. “Rio Tinto has had plenty of past history of contributing to and responding to both processes. As far as we are concerned, they should both proceed normally and I wouldn’t want to suggest anything unusual about the way they are happening. Our expectation is that this transaction will complete in the fourth quarter.”

Rio Tinto, which launched its bid for Alcan in July, has already received the nod of approval from the Canadian

Competition Bureau, US anti-trust authorities and the government of Quebec. While it waits for a decision from the two Australian regulatory bodies, its shareholders have begun voting on whether the deal should get their seal of approval. If the deal is approved, Rio Tinto will become the world’s biggest aluminium producer.

Mr Skinner also defended the price Rio Tinto was paying for Alcan amid questioning from some shareholders who thought it was “rather on the large side” and were worried about the \$A47.82 billion the mining giant was borrowing to pay for the deal. Mr Skinner said the deal would be “value creating” for Rio’s shareholders and the price was what the company had to offer in order to beat a rival offer Alcan had received from Alcoa.

He added that while Alcan was proceeding with the sale of its packaging business, Rio Tinto would consider selling other parts of the Canadian aluminium producer, possibly its engineering products arm.



BEHRE DOLBEAR
is pleased to welcome
JOSEPH R. WOJCIK
Senior Economic Geologist/Explorationist

Mr. Wojcik has been actively engaged in the mineral industry for over 50 years, including 38 years of experience in evaluation, development, and operation relating to alluvial deposits and engineering and management of industrial dredging projects. His experience spans a broad range of minerals won from alluvial and hard rock deposits in many areas throughout the world. He functioned as Project Manager on the delineation and testing of a large mineral sand deposit in Madagascar. Mr. Wojcik is recognized worldwide as knowledgeable regarding

the occurrence, evaluation, and recovery of products from alluvial deposits especially with dredging technology. As Manager of a United States office for a Canadian consulting firm, he was responsible for valuation, evaluation, and feasibility studies for a wide range of mineral products including gold, heavy mineral sands, precious gems, and base metals.

He is a member of the American Institute of Professional Geologists and a Certified Professional Geologist.



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