

BEHRE DOLBEAR

Global Mining News

MINE UNION BREAKS UP AS STRIKE GOES ON

September 16, 2007 (Reuters) – Mexico’s once monolithic mine union is on the verge of losing thousands of Grupo Mexico workers to a less combative rival even as strikers dig in for the long haul at the company’s giant Cananea copper pit.

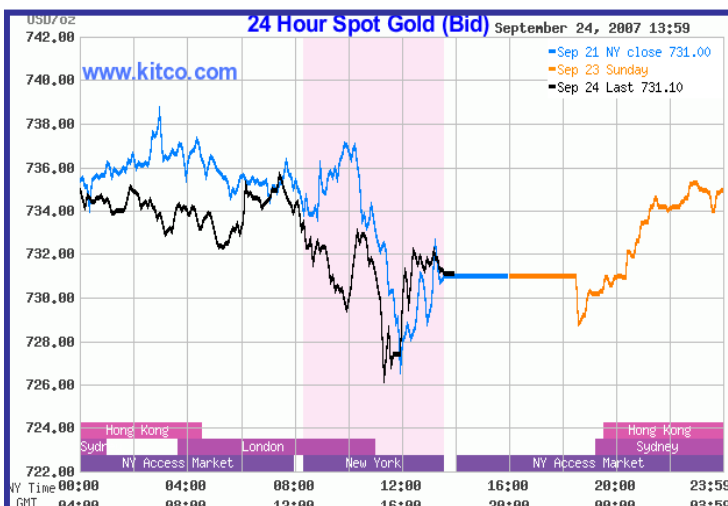
Workers at eight Grupo Mexico units, including major copper mine La Caridad, voted overwhelmingly last week to abandon the 73-year old National Union of Mine and Metal Workers of the Mexican Republic in favour of a new union, a shift widely seen as advantageous to the company. The union claims the vote was won with dirty tricks, but a labour board is expected to reject its complaints and confirm the separation of the locals within a few weeks.

Unaffected by the desertions are three Grupo Mexico mines, including its key Cananea pit, that have been on strike for over six weeks. The Cananea strike is expected to drag on for at least 10 days until a court rules on the legality of the stoppage on September 25.

“Nothing is happening now, no talks, nothing,” top union official Carlos Pavon said. The strike is nominally over safety conditions and pay but is also related to a long-running power struggle between union leader Napoleon Gomez and Grupo Mexico. The union has called numerous strikes in the last year in support of the beleaguered leader, battered by corruption charges and an orchestrated campaign to oust him.

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USD	SEPTEMBER 21, 2007	SEPTEMBER 14, 2007
GOLD	737.00	716.35
SILVER	13.4700	12.5000
PLATINUM	1,332.00	1,294.00
PALLADIUM	340.00	330.00
ALUMINUM	1.0796	1.0904
COPPER	3.6197	3.3888
LEAD	1.5649	1.4517
NICKEL	14.7894	12.7006
URANIUM	85.00 (09/17/07)	90.00 (09/10/07)
ZINC	1.3181	1.2977

With several of Grupo Mexico's most important facilities, including copper smelters and refineries, opting for the new, softer union, Gomez may well be losing the battle. Gomez now lives in Canada to avoid arrest warrants for corruption charges. He has long enjoyed the support of many workers despite the charges.

Cananea last year produced 164,000 tonnes of copper despite a short strike. In a good year the mine produces

about 25 per cent of Grupo Mexico's global output, and its closure has meant a rapid draw down on the company's copper stocks.

Grupo Mexico has warned customers it may not be able to meet all contracts if the strike continues, but says it has not yet had to default on any deals.

HIDILI TO PRICE \$525 MILLION IPO AT THE TOP

September 17, 2007 (*FinanceAsia.com*) – The sizable IPO attracts strong demand suggesting investors may not be as worried about lingering market volatility as bankers initially thought. Recent placements and block trades for Hong Kong-listed companies may have required wide discounts to attract sufficient demand, but Hidili Industry International Development's initial public offering brings proof that investors have money to put to work. And, more importantly, that they are willing to take a bet on untested companies.

The privately-owned Chinese coking coal producer is the first company of size to complete a Hong Kong IPO since the secondary market started recovering from the August correction, and according to sources, it attracted strong demand from both institutional and retail investors.

This will be good news for the other nine companies that are currently in the Hong Kong market seeking to raise a combined \$6 billion (this refers only to companies whose IPOs are greater than \$100 million). Notably, a lack of price sensitivity in the Hidili deal suggests investors may not be quite as cautious about lingering market volatility and valuations as bankers believed a couple of weeks ago when they kicked off pre-marketing activities for the current wave of new listings. However, Hidili was offered at a sizeable discount to the other Hong Kong-listed coal companies.

The first signs of the positive investor response came a few days after Hidili started to accept orders from institutional accounts when the bookrunner lifted the top end of the price range by 2.7%. The low end was kept unchanged to account for the lingering volatility in the secondary market. One observer noted that resources companies typically have quite a wide price range to give

the bookrunners more flexibility with regard to sudden swings in commodity prices that could have a significant impact on the share price of their sector peers.

Even with the slightly higher price range, demand was strong and the price is likely to be fixed at the top of the indicative range at HK\$6.83 for a total deal size of HK\$4.1 billion (\$525 million), the sources say. Sole bookrunner UBS is due to announce the final price today.

Perhaps encouraged by the recent strength in the Hang Seng Index – it is up 22% since August 17 and closed at a new record high on Friday – and the widespread expectations of a continued re-rating of Mainland companies that are listed in Hong Kong, retail investors piled into Hidili's offering. According to one source, the retail tranche was about 670 times subscribed, which means it tied up approximately HK\$274.6 billion (\$35.2 billion) worth of cash and slid in just ahead of Mainland conglomerate Fosun International as the sixth most popular Hong Kong IPO among retail investors. The strong demand also triggered a full clawback, which increased the retail tranche to 50% of the total deal from the original 10%.

The institutional tranche was more than 150 times covered post clawback and was said to have attracted at least 400 investors. Hidili offered 600 million shares or 30% of its share capital at a price of HK\$5.05 to HK\$6.65 apiece. If the 15% greenshoe is exercised in full, the total proceeds will increase to as much as \$603 million.

Hidili will start trading on Hong Kong's main board on September 21.

EDITOR'S NOTE

BEHRE DOLBEAR is pleased to have acted as the Independent Technical Advisor to Hidili and Barings for this effort.

RIO TINTO EXTENDS TAKEOVER BID FOR ALCAN BY ONE MORE MONTH TO OCT. 23

September 17, 2007 (*Canadian Press*) – Rio Tinto says it needs more time to secure regulatory approvals for its US\$38.1-billion takeover of aluminum manufacturer Alcan Inc. The global miner is extending its offer for another month to Oct. 23 and says less than 0.2 per cent of Alcan shares have been tendered so far to the bid. Rio Tinto needs at least two thirds of Alcan's shares tendered to its offer for the takeover to win approval.

The Anglo-Australian miner completed the first of two votes by its own shareholders on Friday, but it won't be

known how that went until a second vote in Australia Sept. 28. The United States has given its antitrust approval and Canada's Competition Bureau said it doesn't object to the merger.

But the deal still needs approvals from France, Industry Canada, the Australian Competition and Consumer Commission and Australia's Foreign Investment Review Board, among others.

BHP MOVES TOWARDS ESCONDIDA EXPANSION

September 17, 2007 (*The Australian*) – BHP Billiton has given the surest sign yet that it is moving to expand the massive Escondida copper mine in Chile with a third concentrator. The newspaper *La Tercera* reports that incoming BHP Billiton chief executive Marius Kloppers said the global mining giant had moved to the pre-feasibility stage for the expansion, which was near the top of the company's wish list. "We'll decide in another 18 to 24 months whether we go ahead with them," Mr Kloppers told the newspaper.

According to the same report, Mr Kloppers put a \$1 billion minimum price tag on the expansion plans.

A third concentrator at Escondida has always been planned by BHP Billiton as a development option beyond

2013, but the miner may be trying to bring the project forward to capitalise on surging Chinese demand for copper.

BHP Billiton has the controlling 57.5 per cent stake in the massive Escondida mine, with Rio Tinto owning 30 per cent, Mitsubishi 10 per cent and 2.5 per cent controlled by International Finance Corp, a subsidiary of the World Bank. The mine is the biggest producing copper mine in the world, accounting for about 8 per cent of global copper concentrate output. Production last financial year totalled 671,000 tonnes of concentrate from about 350 million tonnes of ore.

ANGLO LOOKING FOR 'SMALLER, BOLT-ON TYPE' ACQUISITIONS, SAYS UBS

September 17, 2007 (*Resource Investor*) – Despite rumours, mining giant Anglo American is not looking acquisitions that would transform the firm. Rather, the company is reviewing "smaller, bolt-on type deals," like increasing its stake in Anglo Platinum, Kumba Iron Ore and De Beers, according to a UBS report.

The report cites Anglo CEO Cynthia Carroll, who has been selling non-mining assets in order for the firm to focus on supplying China with much-needed metals.

Anglo currently has plans to invest \$2.58 billion in iron-ore mines in Brazil and in a copper project in Alaska. In addition, the company may spend \$250 million to expand its Mantos Blancos copper mine in Chile. The mine's production is up 3% in the first half of 2007 year-on-year.

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GOLDMINER RAISES \$1.89 BILLION IN INSTITUTIONAL OFFER

September 18, 2007 (Reuters) – Australia's Newcrest Mining said yesterday it had raised A\$1.586 billion (\$1.89 billion) in an institutional entitlement offer to close out its gold hedge book, sending its shares up as much as 12.5 per cent. About 96.5 per cent of eligible institutional shareholders took entitlements, indicating strong support for the restructuring, Newcrest said.

The goldminer also said it expected to raise a further A\$456 million in a retail entitlement offer which opens on Monday. Newcrest is raising money to exit its gold price hedges – where a price is fixed for gold that has yet to be mined – to give it more exposure to rising bullion prices on the spot market.

Newcrest managing director Ian Smith said last week the company over the last few weeks had purchased 2.3 million ounces of gold on the open market at an average price of A\$831 an ounce to fund a plan to unwind a massive out-of-the-money hedge book.

Newcrest is the latest in a line of goldminers globally reducing their hedges, including Barrick Gold, Newmont Mining, Lihir Gold, Harmony Gold, AngloGold Ashanti and Buenaventura.

GEOVIC APPOINTS CITIGROUP FINANCIAL ADVISER FOR CAMEROON COBALT-NICKEL PROJECT

September 18, 2007 (MineWeb) – Toronto listed Geovic Mining Corp says its 60 percent owned subsidiary, Geovic Cameroon PLC, has appointed Citigroup as its exclusive financial advisor to advance the development and construction of the large, close-to-surface Nkamouna cobalt-nickel project in the west African nation of Cameroon, scheduled for 2008 with full-fledged mining ear-marked for 2009.

“We are confident that Citigroup's global capabilities as a premier financial institution will enable our company to develop a financial structure to support construction so that production can commence at this world-class cobalt-nickel project,” said Geovic senior vice-president and Geovic Cameroon General Manager Gary Morris.

The Cameroon government issued GeoCam – which owns 100 percent of the mining rights for seven known cobalt-nickel deposits located on its mine permit – a Certificate of Compliance for the Environmental and

Social Assessment (ESA) for the Nkamouna cobalt-nickel project in 2007.

Nkamouna, which is the first of seven potential deposits to be developed, contains 53 million tonnes of proven and probable ore reserves at average grades of 0.24 percent cobalt, 0.72 percent nickel and 1.22 percent manganese.

The Canadian NI 43-101 report issued early this year estimated that this first deposit will deliver an after-tax cash flow of US\$1.6 billion and a 10 percent net present value of US\$529 million. The company expects to incur capital costs estimated at US\$129 million, which according to reports published by the company, are low for a project of this type.

It is estimated that the Nkamouna cobalt project could produce 3,300 tonnes cobalt and 2,800 tonnes nickel annually during the first 21 years of operations.

INDIA'S NICKEL CONSUMPTION TO RISE 10 PCT – INDUSTRY

September 18, 2007 (Reuters) – India's nickel imports are set to rise 10 percent this year, helped by a sharp fall in world prices and rising consumption of stainless steel in the fast growing economy, a top industry official said on Tuesday.

Two-thirds of nickel output is used to make stainless steel. India, which does not produce the metal, is likely to buy 45,000 tonnes in 2007, N.C. Mathur, president of the Indian Stainless Steel Development Association, said.

Last year, India had imported about 40,000 tonnes of nickel.

Mathur said India's heavy investment in construction of high-rise buildings, heavy machineries and bridges was boosting demand for stainless steel. “I think the prices will average \$25,000 to \$28,000 per tonne for the rest of the year. For 2008, it will probably be between \$20,000 to \$25,000,” Mathur said.

Russian supplies of nickel scrap and a worldwide trend to move towards low nickel content stainless steel is likely to keep prices down, he said. Domestic sales of stainless steel are likely to rise to 550,000 tonnes in the December quarter from an estimated 500,000 tonnes in the current quarter, Mathur said. He said the prices of stainless steel had fallen by 20-30 percent since May, which should help boost demand for kitchenware.

The majority of India's consumption is of low nickel content stainless steel, which use 1-4 percent of the base

metal. It still accounts for almost half the cost of all inputs. The outlook for demand in India is strong with plans underway to build airports, underground and elevated rail lines all of which needs large quantities of stainless steel.

India's annual stainless steel consumption is expected to expand by about 12 percent in the coming year from about two million tonnes now, he said.

WORLD POTASH PRICES COULD ROCKET ON SIBUR PLAN

September 18, 2007 (MineWeb) – One of the world's largest plays in consolidating mineral and chemical fertilizer assets is under way in Russia. The outcome of this almost unrecognized, and unreported, contest could wind up restricting the flow of mined potash to major international consumers. And because Russia has become the swing producer and international market-maker in the commodity, what is happening now could light a rocket under the price of potash in the coming year.

Last December, a strategy for downstream acquisitions of fertilizer companies was drafted by Sibur-Mineral Fertilizers (SMF), a brand new unit of Sibur, and flag-waver for the fertilizer takeover crowd. Sibur Holding, in turn, is the semi-divested downstream production and sales division of Gazprom.

The holding's motto, headlining its website, is "the art of subtle transformation". Just how subtle Sibur needs to be is spelled out in the small print of the auditor's notes to the IFRS financial statements for last year. Referring to Russian transfer pricing rules, introduced in 1999, making taxable transaction prices that differ from market prices by more than 20%, the notes caution: "it is possible with the evolution of the interpretation of the Russian transfer pricing rules...that such transactions could potentially be challenged in the future."

Head of the new SMF is Andrei Teterkin (pronounce: tetyor-kin), a petrochemicals executive at the defunct Yukos group, then head of strategy for the Evraz steel group. In February 2007, he took charge of SMF. In May he got the SMF board to accept what the company briefly described as "the concept of the development strategy focused on further company's growth in Russian mineral fertilizers market."

To build momentum behind his fertilizer asset plan, Teterkin has briefed Moscow investment banks on his business plan, and leaked pages of it to the Moscow

business media. The idea started to become public in July – buy up the Russian fertilizer makers, who depend on gas, and raise profitability on the spread between the cost of the input and the value of the output.

Early in September, it announced the purchase of a 3.15% stake in Perm Mineral Fertilizers (PMF). Another 31% or more of PMF has reportedly been sold to an unidentified consolidator; this looks to be Teterkin. The price paid of about \$200 million, according to industry analysts, was at a 40% premium to the market valuation of PMF. Teterkin is also reported to be negotiating for an increase in SMF's 14% shareholding in Rossosh Minudobreniya.

Just how small mineral fertilizers amounted to in Sibur's business was reported in the financial statements for 2006, before SMF was formed. In that year, sales of mineral fertilizers came to just Rb3.6 billion (\$132 million), just 3% of Sibur's aggregate sales. According to Teterkin's strategy document, SMF currently holds just 9% of the Russian nitrogen fertilizers market. By 2009, he aims to take a 50% share.

Teterkin's acquisition plan for SMF goes further than nitrogen fertilizers. His proposed buy-back of apatite assets, reclaimed by the government from the Yukos group, would establish SMF strongly in the phosphate business.

Teterkin aims at taking control of the potash fertilizer companies as well. Teterkin's scheme, as it has been reported from the SMF business plan, concedes that SMF will need a local partner to accumulate the capital and cash required to enter the potash market. But if that can be negotiated, the plan calls for an aggressive takeover of potash miners.

According to the Teterkin plan, if he gets his way, by 2009 SMF will hold 58 % of the home market for

ammonia; 65% for phosphate (apatite) fertilizers; and 48% for potash fertilizers.

Uralkali, Russia's largest potash producer and the world's largest pure potash play, is already too big for SMF to swallow, according to industry sources. Current market capitalization of Uralkali is \$6.2 billion; this may reach \$7 billion when and if Uralkali launches an IPO in London later this year. An announcement on this is expected in few weeks. For the foreseeable future, Uralkali is bigger than SMF.

A well-placed source in Moscow told Mineweb: "the impact of SMF's takeover of Silvinit, which now looks probable, is that Gazprom will direct a sizeable part of its potash production to satisfy demand in the domestic market. The government's anti-monopoly agency has

already sent public signals that the price of potash is too high for Russian farms to afford. So you can expect that Gazprom will certainly consider the wishes of Russia's agro-industry."

This in turn is likely to impact on the volume of Russian exports of potash, part of which are managed by Belarusian Potash Corporation (BPC), a joint venture of Uralkali and Belaruskali; Silvinit does not market its exports through the BPC.

Diversion of 1 million tonnes from export – about 14% of the current export total – would be felt immediately as a deficit of Russian potash available for sale internationally. That market has already been feeling the impact of 3% to 5% annual growth of demand, and prices have been rising sharply.

ASIA PACIFIC HAS MISSED GLOBAL RUN IN MINERAL, METALS PRICES: EFIC

September 18, 2007 (Platts) – A mining forum in Australia has been told that the Asia Pacific region has missed the bull run in world minerals and metals prices, according to Australian Government's Export Finance and Insurance Corporation (EFIC) senior economist, Benjamin Ford, speaking Tuesday on the first day of the 2007 Paydirt Asia Pacific DownUnder Conference in Perth.

"Despite the region's strong endowment with minerals, the Asia Pacific has lagged its peers – the global explosion in exploration dollars hasn't followed the region's mineral geology. Mainland Asian countries like Mongolia have cracked Top 10 rankings for exploration destinations, and the 'Big Three' in the Pacific and South East Asia – Indonesia, Papua New Guinea and the Philippines – have also done well," Ford added.

He said: "The failure more broadly of the region, however, to attract the attention of exploration managers, may be traceable to its policy environment as well as the business risks associated with issues such as corruption. Surprisingly, some African countries have outperformed

their Asian Pacific counterparts when it comes to their policy potential. This suggests some Asian countries have been slow to improve their policy environment."

He said that, in addition, the region north of Australia has, in the past, suffered from ongoing unstable coalitions, a coup culture, corruption, and civil conflict – all contributing factors to a less stable economic and business environment.

"As a result, on a direct comparison of resource-rich Asia versus resource-rich Africa, lead African countries like Botswana, Namibia and Mozambique have shaken off the shackles and do very well compared to similarly well resource endowed countries in the Asia Pacific region. Looking ahead, the mining and exploration prospects for the Philippines and Indonesia are quite good. However, risks like corruption will continue to be an issue for mining investors. Any Australian investor or mining company wanting to operate in the Asia Pacific has to recognize the inherent business risks and need to be more savvy in how to deal with it," he added.

DRC COURT RULES CAMEC PERMITS STILL VALID

September 19, 2007 (Mining Weekly) – Mining and exploration firm Camec said on Wednesday that a Democratic Republic of Congo (DRC) court had ruled that its mining permits were valid, but the State still disagreed. The DRC revoked certain of Camec's mining licences last month, when it started a review process of all permits.

The licences, together with those owned by Kababankola, arose from a settlement in 2004 of international arbitration through the International Centre for the Settlement of Investment Disputes and the transfer of the licences effected under the new Mining Code proceeded in accordance with that settlement

Camec said, however, that the Le Tribunal de Grande Instance had ruled on Tuesday that the original transfers in 2004 of Camec's subsidiary Boss Mining and of Mukondo Mining had been made in accordance with the law. The court also upheld a settlement agreement made in February 2004, pursuant to which all these licences were transferred, it stated.

But the DRC government said that the licences had been obtained "improperly" and that they were still invalid. "The question apparently put to the court avoids the issue which concerns the DRC government, and which forms the basis of the action by the Public Prosecutor. The

'licences' were improperly obtained originally and are still invalid," a spokesperson for the country said, adding that it was surprised that Camec's announcement appeared to imply otherwise."

Nevertheless, Camec CE Andrew Groves said that the company welcomed the court's judgement. "We have invested over \$150-million in our DRC projects and have built a state-of-the-art SX-EW copper/cobalt plant in record time. We employ over 3,000 people and are the only non-State company currently producing copper cathode in the DRC," he said.

BOTSWANA STILL WORLD'S GREATEST SOURCE OF NEW DIAMONDS

September 19, 2007 (MineWeb) – Botswana will remain the world's greatest sources of new diamond production despite new production coming on stream from Canada and elsewhere. Exploration and development in the diamond space has swung from North America towards central and Southern Africa, with areas such as Botswana equally or more prospective than Canada, RBC Capital said in a recent equity research report.

Botswana is already the world's largest producer of diamonds with production of 34.3m carats (ct) to a value of \$3.4bn in 2006. And Debswana – a joint venture between De Beers and the Botswana government – is currently responsible for this total production.

De Beers is bringing its Snap Lake and Victor mines in Canada into production over the next 18 months, but potential production increases at Botswana's "giant" Orapa Mine, the AK6 kimberlite, the BK11 kimberlite or a new mine on Gem Diamond's Gope pipe in the country would sustain Botswana's lead in diamond production.

Orapa Mine, situated 240 kilometres west of Francistown, is currently investigating a third new plant to expand current production of 18mct by 1mct per year. Mining currently takes place at a rate of 1.5m tons of ore and 1.3mt of waste per month. The ore grade currently runs 80 carats/100t (cpht), but the mine is capable of sustaining a grade of closer to 90cpht.

The pit, currently only 250 metres deep, will be extended to 600m down before an underground mine is developed to start production in 2025. Orapa also has significant resources in the dumps where grades are believed to run at 20 cpht. Treatment of this material will start in 2009.

The AK6 kimberlite – situated about 25 kilometres south of Orapa – is being developed by De Beers and African Diamonds at capital cost of \$125m-\$145m to establish a mine producing 900,000ct per year from 2009.

BARRICK OFFERS \$10 MILLION AWARD FOR MINING SOLUTION

September 19, 2007 (Bloomberg) – Barrick Gold Corp., the world's largest producer of the precious metal, said it is offering \$10 million to whoever develops the best method for recovering more silver from a gold project in Argentina.

Scientists and academics are invited to submit "economically viable" proposals on how to extract more of an estimated 180 million ounces of pure silver from the Veladero gold mine, Chief Executive Officer Gregory Wilkins told a group of scientists in Toronto today.

Only 6.7 percent of silver contained in the Veladero ore is now being recovered because the particles of the

precious metal are encased in hard silica, which resists conventional processing methods, Toronto-based Barrick said. "The 93.3 percent of the silver we have in that ore unrecovered is just an enormous loss of economic value," Wilkins told reporters. "This is about finding value in our existing assets."

Barrick expects to produce as much as 575,000 ounces of gold at Veladero this year, up from 511,000 ounces in 2006, Wilkins said today.

STREET DOGS: IS SILVER SET TO TAKE OFF?

September 19, 2007 (Business Day) – Theodore Butler, one of the foremost analysts of the silver market, believes that the price of silver is being manipulated. One of the theories regarding the market is that at more than 300-million ounces, the largest eight traders on the Comex are short on more silver than exists in the combined SLV holdings and Comex inventories.

In a piece at Finfacts.com Butler sums up the situation thus: “If there is one thing that separates silver from any other asset class, or any other item in any asset class, it is the presence of an unprecedented concentrated short position in Comex silver futures. It is the existence of this concentrated short position that will, at some point, launch the silver price to the heavens. This short position has grown so large, and is held by so few entities, that it no longer matters how it will be resolved. It must be resolved and, whether that resolution involves default or buying by short covering, it will have the same bullish impact on price. You don’t have to look any further than the concentrated Comex short position as to why silver

has not outperformed every other commodity. Just as it explains price underperformance, it is telling you why there must be over performance in the future. At some point, the price of silver must accelerate upward to price levels that are truly shocking.”

According to Finfacts, the total value of all the above-ground stock of silver is a very small \$4.2 bn and some hedge funds have already started moving into the silver market. “Charles Supapodok of Artemis Capital Management is seeking to raise a \$300m hedge fund to invest mainly in silver. Artemis Silver Fund, advised by Artemis Capital Management, will put 80% of the fund’s holdings in silver.”

Needless to say, given the incredibly small size of the global silver market, if only a small percentage of the thousands of hedge funds in the world today decide to take long positions in the silver market, the price would skyrocket. What’s more, a few individuals are quite capable of triggering such a move on their own.

GOLDCORP EXPECTS TO INVEST \$1.2 BILLION IN MEXICAN PROJECT

September 20, 2007 (Reuters) – The Mexican government said on Thursday that it sees about \$15 billion in private investment in mining over the next five years. Mexico is home to the world’s largest silver mine and is also a major producer of gold, copper, zinc and lead. The mineral-rich country has been a magnet for treasure hunters and prospectors for centuries.

“It is expected that during this administration (of President Felipe Calderon) ... investment reaches nearly

\$15 billion,” Norberto Roque, the mining coordinator for Mexico’s economy ministry, told reporters at an industry event in the city of Queretaro.

Canada’s Goldcorp Inc alone expects to invest \$1.2 billion in its Penasquito project in Mexico, where it has proven and probable reserves of 10 million ounces of gold, making it one of the world’s biggest gold deposits.

PERUVIAN MINERS TO VOTE ON NATIONAL STRIKE, COPPER PROJECTIONS ALREADY REDUCED

September 20, 2007 (MineWeb) – Peru’s largest union mining coalition, the National Federation of Mining, Metallurgy and Steel Workers, said miners will vote September 27-28 whether to call a national strike on behalf of contract miners.

In an interview with Reuters, union officials said they want the Peruvian government and Congress to enact tougher regulations controlling outsourcing by mining companies, lower the minimum age of retirement and permit miners to participate in state-operated pension funds.

The federation has complained for months that Peru’s Labor Ministry and other government regulators have not properly regulated the growing number of employment or contract labor agencies doing business in Peru’s mining sector.

Miners last participated in a nationwide strike from April 30 to May 5 at 40 hardrock mining operations, but suspended it after the government responded to their demands concerning outsourcing, profit-sharing, improved pension benefits, short work days, and labor

dispute resolution. Changes in laws and regulations were to have been implemented by July.

Subsequent to the May walkout, the National Mining, Petroleum and Energy Society estimated that projected copper production increases had declined from the 13% originally forecast for this year to 10% for a projected total of 1.15 billion metric tons of copper.

However, Jesus Castillo, director of a regional office of the miners' federation told Reuters that the changes promised last May have not been made. The federation of 75 individual site-level unions claims to represent 22,000 workers.

Ysaac Cruz, head of Peru's association of mining companies, said the strikes would be held because the

government has yet to meet the union demands. Cruz told Reuters that "we are clearly worried. Some companies have not been able to put new projects for production into gear or do exploration work" because of community opposition.

Contract workers at the Chinese-operated Shougang Hierro Peru iron ore mine, who participated in the original nationwide strike in May, have walked off the job again this week.

Meanwhile, union members employed at Southern Copper's Peruvian operations – including the Cuajone and Toquepala copper mines and the Ilo smelter – were scheduled to vote Wednesday and today on whether to go on strike next week.

CHINA'S LARGEST COAL MINER, SHENHUA, TO LAUNCH \$9.2B IPO

September 20, 2007 (MineWeb) – China's largest coal producer, China Shenhua Group, began to accept bids on Wednesday to determine the price of shares in its IPO. The Financial Times reported that the company is considering acquisitions in Indonesia and Australia to operate mines to supply the southern Chinese market. Shenhua has 54 mines and an annual production capacity of 2000 million tons, according to the paper.

The China Securities Commission approved Shenhua's IPO application on Monday.

Now the world's second largest listed coal company, the state-owned miner plans to issue a maximum of 1.8 billion yuan-denominated shares on the Shanghai Stock Exchange, according to the official Chinese news

agency Xinhua. It is anticipated to be the largest A-share IPO on China's domestic equity market. Analysts estimated that the IPO could raise 69 billion yuan (US\$9.2 billion).

Shenhua said the funds raised through the IPO will be used to improve the company's coal, power and transportation systems. The company claims to have a proven coal reserve of nearly 6 billion metric tons located in Shanxi and Inner Mongolia.

Xinhua reported that the Chinese government is encouraging major domestic companies to launch yuan-denominated A-share IPOs to help absorb excess liquidity and cool the heated stock market.

ALARM OVER CHINA'S CONGO DEAL

September 20, 2007 (Financial Times) – Mining companies, the International Monetary Fund and other donors were scrambling yesterday for clarification of a planned deal between China and the Democratic Republic of Congo. This would tie up mineral resources in exchange for \$5bn (€3.6bn, £2.5bn) in infrastructure projects and loans. A preliminary agreement was signed this week just as an IMF mission landed in Kinshasa to review progress towards the resumption of budget support for Congo.

IMF, World Bank and African Development Bank officials seem to have been caught offguard by the scale and timing of China's plans. These come at a delicate stage in Congo's negotiations towards forgiveness of debt

accumulated under the late dictator Mobutu Sese Seko, totalling about \$8bn, or equal to 800 per cent of current national exports.

Western mining groups, awaiting the results of a government review of about 60 contracts signed during the recent civil war, were also seeking more details from the Kinshasa government. After years of war, dictatorship and turmoil, however, the country's infrastructure is either non-existent or in ruins, and extraction operations are producing at a fraction of their potential.

IMF and World Bank officials have acknowledged the scale of Congo's infrastructure needs. But they are seeking to ascertain whether the Chinese loans are in line

with Kinshasa's commitment under the financial institutions' heavily indebted poor countries debt-reduction initiative not to contract new debt on anything but concessional terms.

In a best-case scenario, the IMF would restart a lending programme – the last one stalled in 2006 because of poor implementation – and Congo would stand to benefit from an 80 per cent writeoff of its external debt in mid-2008 at the earliest.

Most of the mining activity in the country is currently being carried out by smaller, more entrepreneurial companies. Large western mining groups are keen to get access to these resources to replace their dwindling

deposits, but have largely held back from investing in the country – put off by continuing unrest, widespread corruption and the lack of infrastructure.

Alex Gorbansky, the managing director at Frontier Strategy Group, a political risk consultancy, said China's \$5bn draft agreement with Kinshasa would put pressure on both the large mining companies looking to get in and the small miners already there. Mr Gorbansky added that there was a risk that some of the mining licences currently held by smaller companies could be transferred to Chinese investors, but Victor Kasongo, the country's deputy mines minister, insisted this would not be the case.

UC RUSAL SAID TO HAVE DELAYED LONDON LISTING

September 21, 2007 (Metals Insider) – Russian aluminium giant UC RUSAL has decided to delay its much-talked-about listing on the London stock market due to the current market turmoil, according to the Financial Times, quoting “two people close” to the company. The decision was reportedly taken at a board meeting earlier this week.

Ever since its creation through the merger of the two Russian aluminium producers – RusAl and SUAL – with

the aluminium interests of Swiss trade house Glencore, a float of around 25% of the company's shares has been high on the London market's agenda.

The company itself has said only it intended to seek a London listing within three years of its creation.

ANALYSTS FORECAST ALUMINUM SURPLUS, SLIGHT SHORT-TERM PRICE DROP

September 21, 2007 (Platts) – This year saw the peak of aluminum prices and they will likely decrease over the next year, two speakers said at the Aluminum Extruders Council annual management meeting in Chicago this week. They see the overall long-term price trend going up, but short term, prices will have peaked in 2007, they said.

Primary aluminum prices have had a “huge rally” over the last four years, according to Timothy Hayes of Davenport & Co., and Davenport's current forecast for this year is an average LME contract price of around \$2,700/mt, up from around \$2,600 in 2006. As for the premium over LME aluminum contracts, Hayes said the current level of around 3.5 cents/lb is historically low, adding, “We expect the premium will remain below the historical average in 2008” and that it may be back in the 4.5-5 cent range in 2009.

Although International Aluminum Institute stock levels indicate “very little change” in reported inventory from

last year, suggesting the market is roughly in balance, Hayes said because traders can hold LME inventory without reporting it, Davenport believes there is enough unreported inventory that there is actually a surplus and the market is not balanced.

Hayes said his company believed 2007 would be in a surplus of just more than 400,000 mt. This surplus would be after three years of deficit from 2004-2006. The surpluses in the near future are not expected to be very big; they will be just a little more than 1% of demand, Hayes said. “If you want to maintain inventory days and consumption is growing, you have to have a small or modest surplus”; otherwise there will be an ever-increasing tight market, he said. He did, however, warn: “Brace yourself for volatility in aluminum prices,” adding that prices could spike up “if demand starts to outstrip production.”

Looking forward, Davenport would expect with these forecast surpluses a gradual decline in prices, Hayes said.

This year will be the peak, and then there will likely be small decreases in 2008 and 2009, he added. “For 2010, we have put in the long-run price of aluminum at 98 cents, which would be about \$2,050/mt.”

Hayes and Vazquez discussed the Chinese market’s tremendous influence over aluminum prices. In 2007, the Chinese are set to consume more than twice the amount of aluminum the US will consume, according to Hayes. The US is experiencing a contraction; new orders seem to have bottomed, Vazquez said. But demand growth in China is so strong that it is more than compensating for the US aluminum contraction – as a whole, global aluminum demand is growing stronger, Vazquez said.

Concurring, Hayes said there has been an “incredible rise” in Chinese demand for primary aluminum in the

past five to six years – particularly in 2007, with a nearly 50% increase in year-over-year demand as of July. Chinese aluminum production is also up significantly – nearly 40% year over year through July of this year and China is set to have more capacity in 2008-2009. With this increased production, China is serving to fill the gap between supply and demand, Vazquez said. Although China has the highest energy costs in alumina production, it also has the lowest capex (capital expense) costs in the industry. Global inventory is at a new low and profit margins are so high that even China has been making money, he said.

COMMODITY BOOM WON’T LAST: SOUTH AFRICA FINANCE MINISTER WARNS

September 21, 2007 (Reuters) – Commodity-rich African countries should act wisely in order to benefit from the prevailing global boom for the sector, because it will not last, South African Finance Minister Trevor Manuel has warned.

Manuel said in a speech at the University of Namibia late on Thursday that the current upswing in commodity prices would “stay in the short-to-medium term”. “The current commodity super-cycle and boom has lasted for some seven years, and we cannot predict when the trend will be reversed,” he said in the speech, posted on the South Africa Treasury website.

Demand from growing economies such as China and India has pushed up prices for commodities like gold, platinum and oil, which Africa is rich in. Manuel said

African countries had not fully taken advantage of commodity booms in the past, and warned:

“To assume that current prices and the current boom phase reflects a permanent shift, rather than a temporary opportunity, would be a naive and risky approach. If our analysis is correct, then the slump will come and it will bring with it a significant decline in commodity prices. This could spell disaster for many developing countries,” Manuel added.

“The suggestion that commodity price upswings might be a curse and not a blessing is an uncomfortable reminder of our responsibility, now, to act wisely and prudently in the interest of future growth,” Manuel said.

YAMANA INCREASES MERIDIAN GOLD TAKEOVER BID TO CDN\$6.50 PER SHARE

September 21, 2007 (MineWeb) – For the second time, Yamana Gold Thursday upped its hostile bid for Reno-based Meridian Gold from Cdn\$4 to Cdn\$6.50 cash per share and extended the deadline for its revised Cdn\$3.52 billion (US\$3.52 billion) cash-and-share offer from September 24 to October 2, 2007. Meanwhile, Meridian Gold’s Board of Directors responded Thursday that it “will carefully review and consider the revised offer.”

In a statement issued Thursday, Yamana’s management and board of directors said it decided to increase the cash

component of its offer based on “current market conditions, operational upside at Meridian’s assets, the advice of its financial advisors and updated fairness opinions from Genuity Capital Markets and Canaccord Capital Corporation indicating that the revised terms of the offer are fair, from a financial point of view, to Yamana.”

Antenor Silva, Yamana’s President and COO, said, “Where we see the most upside with Meridian’s assets is in the expansion of El Peñon, the maturing of Mercedes

as a development project and the ultimate permitting and development of Esquel.”

Yamana’s prior offer had only secured the support of 24% of those holding Meridian shares as of Wednesday, according to Yamana. The Toronto-based gold miner also reduced its minimum tender requirement from 66 2/3% of Meridian shares to 50.1%, adding that “it is Yamana’s intention to ultimately acquire 100 percent of Meridian’s issued and outstanding shares.”

Meanwhile, Meridian Chairman and former CEO Brian Kennedy announced on September 10 that the company

was unable to attract a white knight to counter the Yamana bid. Bloomberg reported Thursday that 15 companies had been canvassed by Meridian with only two actually considering making a bid for Meridian.

With the announcement of Yamana’s higher offer of Cdn\$6.50 in cash and 2.235 Yamana shares for each Meridian share, Meridian stock increased US\$2.08 to close at \$34.51 a share at the close Thursday of the NYSE.





Beijing
 No. 12B Fuxing Road, Suite 722
 Beijing 100814
 Tel: +86.10.6397.8580
 Fax: +86.10.6397.8580
 beijing@dolbear.com



Denver
 999 Eighteenth Street
 Suite 1500, Denver, Colorado
 80202
 USA
 Tel: +1.303.620.0020
 Fax: +1.303.620.0024
 denver@dolbear.com



Guadalajara
 Paseo de los Robles 4092
 Fracc. San Wenceslao
 45110 Zapopan, Jal.
 México
 Tel: +52 (33) 3610-2113
 Fax: +52 (33) 3610-2112
 mexico@dolbear.com



Hong Kong
 Tel: +852.9039.0288
 hongkong@dolbear.com



London
 Winchester House
 259-269 Old Marylebone Road
 London, NW1 5RA
 United Kingdom
 Tel: +44.207.170.4034
 Fax: +44.207.170.4035
 london@dolbear.com



New York
 100 Park Avenue, Suite 1600
 New York, New York, 10017
 USA
 Tel: +1.212.684.4150
 Fax: +1.212.684.4438
 newyork@dolbear.com



Santiago
 Av. Fleming 11.020, Casa 15
 Las Condes, Santiago
 Chile
 Tel: +56.2.243.0947
 Fax: +56.2.243.0022
 santiago@dolbear.com



Sydney
 Level 9, 80 Mount Street
 North Sydney, NSW 2060
 Australia
 Tel: +61.2.9954.4988
 Fax: +61.2.9929.2549
 sydney@dolbear.com



Toronto
 67 Yonge Street
 Suite 1201
 Toronto, Ontario M5E 1J8
 Canada
 Tel: +1.416.369.9011
 Fax: +1.416.369.0449
 toronto@dolbear.com



Vancouver
 600-890 West Pender Street
 Vancouver, British Columbia V6C 1J9
 Canada
 Tel: +1.604.646.4666
 Fax: +1.604.687.1327
 vancouver@dolbear.com

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