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Global Mining News

PLATINUM PRICE TO STAY WHITE-HOT, ANALYSTS PREDICT

October 15, 2007 (*Mining Weekly*) – The platinum price, which on Monday continued to hover around record highs, trading at \$1,424/oz just after midday, can be expected to remain robust for the rest of the year, analysts say. While pundits polled by Mining Weekly Online cited several reasons for the upward movement, all agreed that as long as suppliers failed to keep pace with increases in global demand, prices would continue to head northwards.

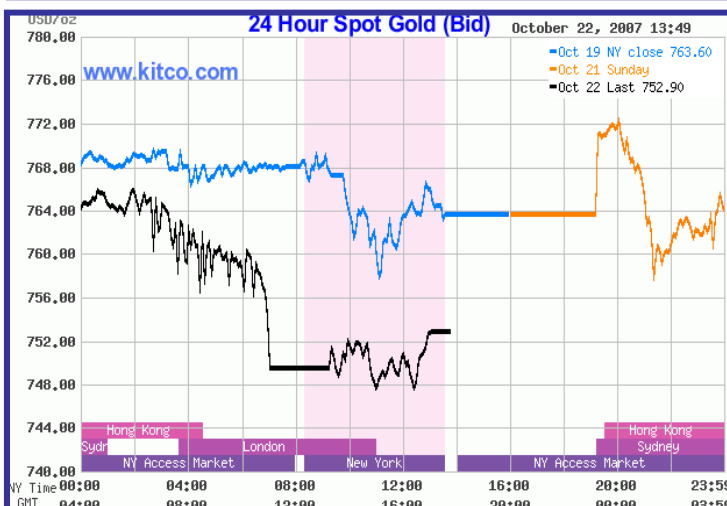
“It was becoming increasingly clear that producers were not matching the rhetoric with the delivery, on the one hand, and, on the other hand, it would appear that demand is very strong, particularly driven by autocatalysts in diesel engines,” commented JP Morgan analyst Steve Shepherd. He said that it was “evident” that platinum producers were experiencing difficulties in meeting production targets owing to issues such as a global skills shortage and safety.

Another analyst, who wanted to remain anonymous, suggested that the record highs reached last week were largely driven by reports of power shortages at world number-one producer Anglo Platinum’s South African smelters, despite statements from the company that the outages had not affected production.

Another local platinum expert suggested that the higher platinum prices were a reflection of movements in the US dollar and higher gold prices, in addition to the supply and demand fundamentals. Shepherd expected to see autocatalyst demand continue to drive platinum prices, especially on the back of revised emission-control legislation worldwide.

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USD	OCTOBER 19, 2007	OCTOBER 12, 2007
GOLD	763.00	749.50
SILVER	13.8300	13.7900
PLATINUM	1,452.00	1,416.00
PALLADIUM	370.00	377.00
ALUMINUM	1.1381	1.1018
COPPER	3.5877	3.6741
LEAD	1.7373	1.7665
NICKEL	14.6737	14.4265
URANIUM	78.00 (10/15/07)	75.00 (10/08/07)
ZINC	1.3474	1.4086

With regard to an outlook for the rest of the year, he expected that, for as long as demand continued to outstrip supply, pressure on prices would be upwards. “In essence, we view the outlook as being quite robust,

driven by restrained supply growth – restrained by the skills shortage and the availability of engineering skills that the mines have to use, and [by] robust demand growth,” Shepherd said.

MOZAMBIQUE PLANS TO DOUBLE MINING INVESTMENT BY 2012

October 15, 2007 (Reuters) – Mozambique wants to double new mining investments in the next five years and boost economic growth by fast-tracking mining licenses, National Mining Director Fatima Momade said. Momade told Reuters in an interview on Saturday that 50 companies invested \$203-million in prospecting and exploration between 2006 and the first half of 2007. “We hope to double these (new) investments to \$410 million in the next five years. We are aiming for major investments in gold, coal, copper, tanzanite and heavy sands explorations”, she said.

A project by Irish firm Kenmare Resources Plc in titanium bearing heavy sands in the northern province of Nampula will start operating next week. BHP Billiton aims to start production at its 800 000 t/y Corridor Sands ilmenite project by 2011. Momade said the Corridor Sands projects would create at least 1,000 jobs.

The government will fast-track the issuing of licenses to companies as an incentive and hopes the sector will create 20,000 jobs and entice the 72,000 miners working in neighbouring South Africa. Momade said junior

international mining companies listed on the stock exchanges of Canada, Australia and Britain led the growth in prospecting.

The supply of grid power to the mines, improved roads and additional services would improve the living standards of the people near the mines, she said. “This is our priority ...to promote economic growth, improve the balance of payments, and guarantee increased participation in the sector by Mozambican businesses”, Momade added.

Mozambique’s GDP growth has been among the highest in the world – an annual average of 10 percent a year over the past few years. But the former Portuguese colony remains one of the world’s least developed countries, with a per capita annual income of \$210. It is also one of the most heavily indebted nations in the world with public and foreign debt at \$5.2-billion.

The government sees benefits for the economy from income tax royalties, and the duties paid on consumables and non-mining goods.

CVRD SAYS SEES NO PROBLEM FUNDING \$59 BLN INVESTMENT

October 15, 2007 (Reuters) – Brazil’s CVRD, the world’s largest iron ore producer, said on Monday that funding its \$59 billion five-year investment plan will not be a problem, but it is concerned about rising energy costs and transportation issues in Brazil. The company, whose stock price has doubled and capital market value risen to nearly \$160 billion since August, said it will rely on cash flow from selling metal at current prices to finance the plan.

“Our investment was limited by physical issues, not financial issues,” Chief Executive Officer Roger Agnelli said at a press briefing at the New York Stock Exchange. “We could have gone beyond \$11 billion in 2008.”

Last week, CVRD said it plans to spend \$59 billion in 2008-2012 to more than double output of copper, expand production of iron ore and nickel and develop aluminum production. It earmarked \$11 billion for the first year of the five-year period.

“Our 2008 investment was not limited by a financial element, but by technical, engineering or equipment and some labor issues and also the issue of approvals for environmental permits,” Agnelli said. He said infrastructure, such as roads and power, was a major issue in some new mining projects and much of the investment would be to improve logistics at ports and roads. Also problematic are high energy costs in Brazil, he said. “Brazil needs to generate more energy. Its hydroelectric potential has not been used.”

But the investment in new lower cost mines, coupled with automation and efficiency improvements, will allow the company to reduce its production costs back to 2004 levels, Agnelli said. Agnelli said \$2.8 billion, or five percent of the \$59 billion, would go towards environmental protection. The company spent \$375 million this year for “environmental responsibility” and in 2008, will spend \$475 million, Agnelli said.

Asked if CVRD was betting on continued industrial growth in China, he said: "We believe that China's growth will be very strong and India is not far behind. Prospects are good for continued growth."

CVRD estimates China's share of global iron ore consumption will increase from 45 percent last year to

54 percent in 2011. Nickel consumption will rise from 17.3 percent to 31 percent, aluminum from 25.5 percent to 41 percent and copper from 21 percent to 30 percent, the company said.

CHINALCO BUYS OUT ANOTHER DOMESTIC RIVAL

October 16, 2007 (Xinhua) – Aluminum Corp of China (Chinalco), parent of publicly traded Chalco, has acquired China Non-ferrous New Metals Co, the latest in a string of takeovers of its domestic rivals. Chinalco, China's largest aluminium and alumina producer, has purchased a 100 percent stake of the non-ferrous metals unit from Liuzhou China Tin Group, a senior official from Chinalco, who did not want to be named, told China Daily. He declined to disclose how much Chinalco paid for the stake.

The State-owned Chinalco and China Tin Group, which is based in Liuzhou, South China's Guangxi Zhuang Autonomous Region, inked the asset transfer deal in Beijing last Thursday, Chinalco said on its website. Chinalco will restructure China Non-ferrous New Metals

Co, but has no plans yet to inject the newly acquired firm's assets into Chalco, which is listed in Shanghai, Hong Kong and New York, said the official.

The alumina major also scotched speculation that it was planning to merge or take a stake in Minmetals Development Co Ltd, a listed unit of State-owned China Minmetals Corporation, which also trades and invests in non-ferrous metals and steel.

The alumina company, the world's third largest alumina producer, is expanding into other metals to build itself into a multinational with a diversified metals business. Chinalco posted a first-half sales increase of 36.2 percent over last year and 10.8 percent net profit growth, buoyed by a series of takeovers that boosted capacity.

TECK COMINCO FORECASTS TIGHT MARKETS IN 2007-08 FOR COPPER, LEAD AND ZINC

October 16, 2007 (MineWeb) – Teck Cominco officials Monday forecast that markets for both copper concentrates and lead will continue to be tight this year and into 2008. Meanwhile, the zinc market will also remain in balance this year with a small surplus for 2008 to be supported by low stocks, according to Teck Cominco experts.

In presentations for the company's investment day Monday, Teck Vice President Concentrate Marketing, Andrew Stonkus, estimated that Chinese copper consumption could grow from its current average of 6 pounds per person to 15 pounds if China's economic develop emulates historic development trends in Japan and other nations.

To compound copper supply woes, Stonkus said labor strife and other disruptions have lead to the loss of 600,000 tonnes of copper to date. As a result, Teck believes "the 2007 global concentrate market will end the year tighter than we expected," even as demand growth increases by 3.5% to 4%.

Andy Roebuck, Manager Market Research, told the analysts and investors attending the meeting that lead was recently voted "the metal you must go bullish on." Roebuck explained that Chinese refined lead production is growing at a faster rate than Chinese mined lead production. "The greater need for western lead concentrates has been the only way for the Chinese smelters to meet their demand requirements," he added.

Meanwhile, Roebuck forecast that the lead market will continue to be tight this year and in 2008, not only because of increasing demand, but the loss of mine production in Australia. "The concentrate market will become extremely tight this year and remain tight next year," which may place a cap on refined production of the metal. Roebuck said no economic substitute is available for lead which is also underpinned by a strong demand for industrial batteries.

Zinc consumption is also soaring as Teck Cominco officials noted a 161% increase in the demand for zinc concentrates globally this year as of August 2007,

underpinned by 67% growth in Chinese galvanizing capacity. Currently LME lead stocks only provide 17 to 18 days of global consumption, according to Roebuck.

Although 21 new zinc mine projects are coming on stream this year, Teck believes the mostly small projects are vulnerable to production disruptions. Meanwhile,

Chinese zinc mine production is already slowing down and could flatten out in 2008, according to Teck's forecasts.

Despite the slowing of zinc mine production, Roebuck advised that there is no chance of a smelter bottleneck "for quite a few years."

ZINIFEX, UMICORE TO SELL 70% SHARE IN SMELTING BUSINESS

October 16, 2007 (AAP NewsWire) – Zinifex Ltd and Umicore have agreed to sell 70 per cent of their holding in smelting business Nyrstar through an initial public offer (IPO) valued at up to \$3.6 billion. The price range for the offer is 18 euros to 23 euros (\$A28.27 to \$A36.12) a share. Zinifex and Umicore have agreed to sell about 69.5 million shares through the offer, representing about 70 per cent of Nyrstar.

At the top end of the range, the maximum possible size of the total offer is about \$3.6 billion, which would represent a full exit by Zinifex and Umicore. Nyrstar was created after Zinifex merged its zinc and lead smelting division with the assets of Belgium's Umicore.

The company has been held 50:50 by the two groups since its inception in April, but Zinifex will receive

60 per cent of the shares in the Nyrstar IPO to reflect its higher contribution of assets. Nyrstar chief executive Paul Fowler said the offer would give the company the flexibility to play an integral part in the market's evolution.

Nyrstar is the globe's largest producer of zinc metal and one of the largest primary lead smelting and refining companies in the world. The offer is open to institutional investors in Australia and retail buyers, and institutional and qualified investors in Belgium.

Zinifex and Umicore are planning to list the company on the Eurolist of the Euronext Brussels stock exchange. The offer will close on October 26 and Nyrstar is expected to start trading on the Euronext on or about October 29.

BHP ALLOCATES HALF OF MINERALS EXPLORATION BUDGET TO DIAMONDS

October 16, 2007 (Dow Jones) – BHP Billiton PLC (BHP), the world's largest consolidated miner, is putting about half of its minerals exploration budget into diamonds to boost production in anticipation of strong prices and steady profits from the sector, a company official said Tuesday. "It is a small segment. But the margins are good," Chris Ryder, BHP's marketing director for diamonds, said Tuesday on the sidelines of an industry conference. Last year, diamonds accounted for just under 2% of the company's revenues.

Ryder contrasted metals prices, which have surged in recent years, and rough diamond prices, which have held steady. But he said the outlook for diamonds may be changing, amid tight supplies and rising demand in developing economies.

"We believe that the outlook for diamonds is very positive. There are no large mines scheduled to come on

stream in the foreseeable future," Ryder said during the conference. This means that supply will not match demand if demand rises in line with global GDP forecasts, he said.

BHP last year produced 3.2 million carats of diamonds at its one diamond-producing mine in Canada. To build its production portfolio, the company is exploring in Angola and Congo, two countries that have only recently emerged from civil wars.

"Because of such healthy fundamentals, BHP is spending about half of our global exploration budget on diamonds," Ryder said. Ryder didn't give a specific figure. For the 12 months ended June 30, BHP spent \$410 million on minerals exploration, according to the company's Web site.

SOUTHERN COPPER UNIONS TO STRIKE IN PERU

October 16, 2007 (Bloomberg) – Southern Copper Corp. workers in Peru plan a second strike this month to pressure the government to appoint a mediator in wage talks, a union official said. Workers at Southern Copper's Ilo smelter and Toquepala and Cuajone mines, who ended a nine-day walkout on Oct. 10, will vote tomorrow on a date to strike, Cuajone union leader Roman More said today in a telephone interview.

"The government hasn't done anything, and the company is pushing again for a six-year deal, which we've already rejected," More said. "No one's taking this seriously."

Strikes have cut copper output in Peru, Chile and Mexico this year as workers demand a greater share of record profits, fueling a 27 percent rally in the price of the metal. Workers at three of Southern Copper's Mexican mines have been on strike since July 30.

Copper futures for December delivery fell 6.3 cents, or 1.7 percent, to \$3.619 a pound at 11:22 a.m. on the Comex division of the New York Mercantile Exchange. Prices have more than quadrupled in the past four years.

XSTRATA APPROVES \$3.8 BILLION NEW CALEDONIA NICKEL PROJECT

October 17, 2007 (AFP) – Swiss mining giant Xstrata said on Wednesday it has approved a nickel mining project in New Caledonia with a local partner worth a total 3.8 billion dollars (2.7 billion euros). Xstrata will fund around 80 percent of the investment and will receive in return the same percentage of cash-flows generated by the Konimabo mine over the next 25 years, a spokeswoman told AFP.

"The project will be funded through Xstrata's internal cash revenues and ongoing strong cash flows from the group's operations," the company said in a statement.

Xstrata will hold a 49 percent stake in the project via its Xstrata Nickel subsidiary, with the remaining 51 percent held by the South Pacific mining group SMSPP, which is controlled by an independence movement in northern New Caledonia.

The Koniambo project is initially expected to produce 60,000 tonnes of nickel per annum, with the first ore seen processed in the first half of 2011, the company said. "Koniambo is the most attractive undeveloped nickel resource in the world and will be a cornerstone asset for the future growth of our nickel business," said Xstrata Nickel chief executive Ian Pearce in a statement.

The project "enjoys strong support from the New Caledonian and French authorities, and from local partners," he added. The Koniambo project is considered to be intensely political, notably as a means of preserving stability in the territory by making economic gains available to the indigenous Kanak population.

SEVERSTAL MINING UNIT WINS RUSSIA IRON ORE LICENCE

October 17, 2007 (Reuters) – Karelsky Okatysh, an iron ore mining subsidiary of Russian steel maker Severstal, has won a 20-year licence to explore and develop a deposit in northwest Russia with estimated reserves of 80 million tonnes.

Karelsky Okatysh said on Wednesday it won an auction the previous day for the South Korpangsky area of the Korpangskoye iron ore deposit. The average iron content in the ore exceeds 27 percent, the company said in a statement.

The company plans to begin development of the western area of the South Korpangskoye deposit by 2010. Ore reserves in this section are estimated at 15 million tonnes and the company anticipates 2.0-2.5 million tonnes per year of ore production.

Karelsky Okatysh, meaning Karelian Pellet, is based in the northwest of Russia. It supplies pellets to Severstal's main steel mill in the city of Cherepovets and also counts Anglo-Dutch steel maker Corus among its customers.

NORTHAM SHEDS OUTPUT IN MINE CLOSURE

October 17, 2007 (*miningmx.com*) – Northam Platinum will lose a chunk of its production after the government ordered it to temporarily cease underground operations on Tuesday because of the death of a worker in a fall of ground, said CEO Glyn Lewis.

It transpires that the mine had already suspended output between 6 October and 12 October after a worker was killed in a separate fall of ground on 5 October. A third worker was killed a month earlier in an underground mud rush. The National of Union (NUM) reacted furiously to Northam not disclosing the other two deaths in its statement on Wednesday.

“Three miners died as a result of fall of ground at Northam Platinum of which the company successfully hid two,” it said in a statement, pointing out a worker had also died at Anglo Platinum’s Rustenburg mine on Wednesday. Northam was not hiding the deaths, Lewis said, adding it seldom reported on single fatalities at its operations.

“We haven’t had fall of ground incidents since 17 May 2005. This has been top of our hit list. This has been completely disheartening because we had been doing so well,” he said. Northam will lose 850 oz of platinum group metals a day with the halt to underground mining. It’s not clear how long this shutdown will last.

The Department of Minerals and Energy (DME) has ordered that a third party investigate Northam’s risk and hazard identification systems related to rockbursts, fall of ground prevention and design layouts.

NUM wants the Department of Justice and the Directorate of Public Prosecutions to start a process of prosecuting those responsible at these mines as workers continue to be killed. “The NUM is appalled at the continuing escalating number of mine deaths in the country which continues unabated. The NUM continues to seek alternatives to the escalating fatalities which have proved to be largely as a result of both ignorance and negligence,” it said.

The safety record on South African mines has been improving, with companies committing themselves to a 20% reduction in fatalities each year up to 2013 to bring the industry in line with international benchmarks.

Since signing the commitment in 2003, fatalities have decreased by an average of 12% a year, but no improvement was recorded in 2006, Chamber of Mines president Lazarus Zim said. In 2006, 200 people were killed on South African mines, predominantly in the gold sector where mines are the deepest in the world. Rockbursts and ground falls triggered by seismic events are a leading cause of deaths.

Northam has a 35,000 tonne stockpile of UG2 ore to feed its UG2 concentrator, but it doesn’t have any stored Merensky ore, Lewis said. It is not clear how long the shutdown will last, but indications are that by Monday, 22 October, management should have a clear idea of the way forward.

AUSTRALIANS ASKING \$77-\$78/MT FOR TERM CONTRACTS - COAL

October 17, 2007 (*Platts*) – In yet another indication of rising coal prices, Australian producers with term contracts in Japan commencing deliveries in October recently asked their Japanese customers for a Newcastle coal contract price of \$77 to \$78/mt FOB, a source in Tokyo said.

The new prices being sought are a \$9 to \$10/mt leap from the reported \$68/mt FOB settlement in September of

Peabody with its Japanese customers for October 2007 – September 2008 term contracts for Newcastle coal, the source said.

“The market has changed a lot since the Peabody settlement,” the Japanese source said.

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SA MINeworkERS DETERMINED TO STRIKE OVER SAFETY ISSUES

October 18, 2007 (MineWeb) – South Africa is edging closer to a national mine strike as a series of mineworker fatalities have fired up the National Mineworkers Union (NUM). The NUM has lodged a dispute about safety issues with the SA Chamber of Mines, which represents the mining companies, at the Commission for Conciliation Mediation and Arbitration (CCMA) – the first step in the legal path to declare a legitimate strike.

NUM secretary-general Frans Baleni told Mineweb today the union intended to go ahead with mass strike action and possibly a prolonged strike to ensure that safety issues are now taken seriously by the local industry. This comes as another two lives were claimed underground at Northam Platinum's Northam mine and Anglo Platinum's Paardekraal operation in Rustenburg over the past two days.

NUM spokesperson Lesiba Seshoka said workers were very angry about the latest incidents and felt the industry now had to stop paying lip service and take real action as they feared for their lives. He said workers at Northam mine refused to continue work underground on Tuesday even before the Department of Minerals and Energy closed down the mine.

Seshoka alleged that the department's Inspector of Mines shut down the Paardekraal shaft after a worker was killed on Wednesday and that it was not the company itself that made the decision. The NUM commended the department's apparent tougher action on mining safety

but said the union was determined to go ahead with strike action to make a statement that what has happened in the past was unacceptable.

The major mining trade union with 240,000 members in a country with 360,000 mine workers is planning a prolonged strike if sufficient action is not taken by the industry after the initial mass action planned for either the end of the month or the beginning of November.

The NUM believes mine accidents and fatalities are currently caused by the fact that the basic pay of workers is low, while they are paid bonuses if they realise set production targets. It also blames the practice of "full calendar operation" applied by a number of mines. The full calendar operation implies there is no dedicated shaft support period and the union believes this continuous blasting of rock causes rock falls.

There is also negligence around the maintenance of machinery and poor enforcement of safety standards as the government does not have the capacity to inspect mines on a regular basis to prevent operations from going wrong, according to NUM.

Baleni said the union intended to give 24 hour notice of strike once it has completed the CCMA process which included mediating between the union and Chamber and the issue of a strike certificate. South African president Thabo Mbeki has ordered an audit of mines in the country.

YAMANA TO EXPAND SEVEN MINES, DIG SIX TO REACH OUTPUT TARGET

October 18, 2007 (Bloomberg) – Yamana Gold Inc said it will increase the size of seven of its mines and dig six new ones to reach annual production of 2.2 Moz by 2012, after buying Meridian Gold Inc and Northern Orion Resources Inc. The biggest of the mines to be expanded is Meridian's El Penon operation in Chile, which will reach production equivalent to as much as 500,000Oz of gold a year when its plant is modified, Toronto-based Yamana said on October 18.

Yamana has joined a buying spree by producers, including Barrick Gold Corp and Newmont Mining Corp, seeking to bolster reserves and production as gold trades at a 27-year high. Yamana's purchases added operations in Chile and Argentina to its mines in Brazil, and the company has targeted 83% output growth from 1.2 Moz in 2008.

"Yamana is entering the next phase of growth – one that is full of potential represented by the addition of resources and talent from both Meridian and Northern Orion," chief executive officer Peter Marrone said in the statement. The Chapada, El Penon, Jacobina, Gualcamayo, Mineras Florida, Sao Francisco and San Andres mines will be expanded, Yamana said. The company also will develop the Mercedes, Santa Luz, Jeronimo, Sao Vicente, Amancaya and La Pepa mines.

Yamana also said the managers who ran the acquired mines for Meridian and Northern Orion will be retained. Yamana's production this year, including output it has acquired, will be 950,000 Oz, Marrone said today during a presentation to analysts in Toronto that was broadcast on its Web site.

RIO TINTO CLEARS REGULATORY HURDLES FOR \$38B ALCAN DEAL

October 18, 2007 (*Financial Post*) – Rio Tinto PLC's US\$38-billion takeover of Alcan Inc. is nearly a done deal after the company revealed on Thursday that all regulatory approvals have been received. London, U.K.-based Rio announced in the morning that Jim Prentice, Canada's Minister of Industry, approved the transaction under the Investment Canada Act. That was widely expected after the deal also got approval from the government of Quebec and the Canadian Competition Bureau.

"This important step recognizes that we have committed to bring significant benefits to Canada as a result of this transaction," Tom Albanese, Rio Tinto chief executive, said in a statement.

The deal is worth US\$101 a share in cash, but Alcan shares have taken a noticeable downturn in recent weeks.

That is due to the rising Canadian dollar, which has lowered the value of the transaction. When the agreement was first announced on July 12, it was worth more than \$105 Canadian. It is worth \$98.57 in today's dollars, making it one of the bad bets on the U.S. dollar.

The stock has also traded steadily below the offer price since the deal was announced despite the virtual certainty that it will close. "That's just a function of the downside," said Elliot Soifer, an arbitrageur at Montreal-based Desjardins Securities. "If on the odd chance that this deal does blow up, there is \$40 of downside. But it's next to risk-free."

There are now five days to go before the takeover offer expires, and Rio encouraged shareholders to tender their shares "as soon as possible". The bid will likely be extended if necessary.

CHINA TO DRIVE RISE IN GLOBAL NICKEL CONSUMPTION NEXT YEAR – INSG

October 18, 2007 (*Interfax*) – China's demand for nickel and nickel-containing products is set to boost global primary nickel consumption by 8.9 percent to 1.47 million tons next year from 1.35 million tons this year, according to a recent International Nickel Study Group (INSG) announcement.

The INSG also predicted that global refined nickel production has risen sharply from 1.36 million tons in 2006, to an estimated 1.47 million tons this year and 1.57 million tons in 2008. Moreover, estimates for global refined nickel production in 2007 and 2008 surpass predicted global consumption.

According to the INSG, global refined nickel consumption will fall to 1.35 million tons this year from 1.4 million tons last year, following a slump in high nickel-content stainless steel production in most parts of the world, and reduced demand for refined nickel and nickel-containing scrap in the second half of this year. European countries contributed significantly to falling

global nickel consumption this year, despite growing consumption from China.

However, the recovery of stainless steel production around the world, particularly in China, will cause refined nickel consumption to rise in 2008. China produced 81,176 tons of refined nickel in the first eight months of this year, up 27.3 percent from the same period last year, according to China's National Bureau of Statistics.

The country produced 107,700 tons of nickel last year, up 13.05 percent year-on-year, with production set to reach 210,000 tons by the end of this year, including 90,000 tons of nickel metal from nickel pig iron production, analysts from Beijing Antaika, a leading consultancy affiliated with the China Nonferrous Metals Industry Association (CNMIA), previously told Interfax.

Antaika also predicted that China's apparent nickel consumption will rise to 315,000 tons this year, up 22.2 percent from last year.

SOUTH AFRICA CUTS POWER TO BHP, XSTRATA, GOLD FIELDS

October 19, 2007 (*Bloomberg*) – South Africa's state power company, Eskom Holdings Ltd, has cut supply to Africa's biggest aluminum plants, ferrochrome smelters and gold mine to avoid blackouts in the nation's cities.

Xstrata Plc complied with Eskom's request to reduce power use by 200 MW, company spokesman Songezo Zibi said in an interview. BHP Billiton Ltd's aluminum smelters in South Africa and Mozambique, which

together use 2,150 MW, have been affected all week with its Hillside smelter losing power on Friday, spokeswoman Bronwyn Wilkinson said.

Output by Eskom, which supplies 95 percent of South Africa's power, hasn't kept pace with economic growth, resulting in shortages across the country since 2005. Last week, South African cities and metal plants were hit by blackouts. "We really are at the limit at the moment," Andrew Etzinger, a power demand manager at Eskom, said in an interview from Johannesburg today.

Friday's shortage was caused by the failure of a 600-MW unit at the 3,600-MW Kriel coal-fired plant in Mpumalanga province to start up after maintenance, Etzinger said. The unit should begin production over the next two days. The company is near the limit of its agreement with BHP Billiton and may not be able to cut more power to the company, Eskom said.

About one fifth of the Johannesburg-based generator's capacity is currently not in use, Eskom spokeswoman Raeesah Waja said in a phone interview. Eleven percent of the capacity is undergoing maintenance while 9 percent is offline due to technical problems.

Gold Fields Ltd cut power use at Driefontein, Africa's biggest gold mine, late on Thursday at Eskom's request and has been asked to reduce it again on Friday evening between 6 p.m. and 8 p.m., said Andrew Davidson, a spokesman for the company.

Anglo Platinum Ltd. and Impala Platinum Holdings Ltd, the world's biggest platinum producers, and AngloGold Ashanti Ltd, Africa's largest gold miner, have all been asked to reduce power use in recent weeks. Eskom has contracts with metal plants that allow the company to interrupt supply for limited periods.

INDIAN ALUMINIUM FIRM MAY BUILD PLANT IN SA - REPORT

October 19, 2007 (Mining Weekly) – India's National Aluminium Company has expressed interest in establishing a 500 000 t/y aluminium plant in South Africa, according to Indian national newspaper The Hindu. India's Minister of State for Mines Subbarami Reddy and South Africa's Department of Minerals and Energy DDG Sandile Nogxina met this week and discussed some opportunities for further collaboration between the two countries. Reddy accompanied Indian Prime Minister Manmohan Singh on his visit to the country.

India expressed interest in using the services of the South African Mine Qualification Authority, "to acquire the latest technology." The Hindu reported that Reddy and

Nogxina agreed to set up South African mining training facilities in India, and to send Indian technicians, engineers and geoscientists to South Africa.

Reddy also called for the encouragement of South African investment in the Indian mining sector. Nogxina reportedly agreed to assist in facilitating collaboration with local mining firms, and is expected to advance cooperation with India through the establishment of a joint technical working group.

Nogxina recognised India's strong diamond beneficiation, and jewellery industry, and reiterated South Africa's efforts to add value locally to its raw materials.

GOLD TO AVERAGE US700/OZ

October 20, 2007 (I-Net Bridge) – Precious metals consultancy GFMS expects the gold price to average just over US700 in the second half of the year, this despite the yellow metal's surge to fresh highs above US770 an ounce this week. Nikos Kavalis, senior analyst at GFMS, said in GFMS' quarterly newsletter released on Friday that the consultancy's view was based on the latest developments in the gold market and its expectations that the problems the global economy is facing will persist.

Kavalis admitted that the forecast was made mid-September and at a time when the gold price moved

within a US660 to US680 range. GFMS said although it remained positive towards gold in the medium-term, it is unlikely that a short-term correction will be avoided. This is due to the speculative long overhang in gold that has developed in the last few weeks, which suggests liquidation is due. The other main elements of supply and demand for gold were also expected to be generally neutral, at least for the next few months.

On the demand side, GFMS said it suspected that the underlying resilience that jewellery demand has enjoyed so far this year has not evaporated yet but it warned that

with prices around the US\$760 mark, demand was currently under significant pressure. Nevertheless, some recovery is expected at price dips.

Net producer hedging, although markedly lower than that seen in the first half of 2007, will remain on the demand side and bar hoarding is expected to be flat year-on-year. On the supply side, mine production in the second half of 2007 is forecast to fall marginally year-on-year.

Although official sector sales are expected to be higher than in 2006, the essential cap imposed by the Central Bank Gold Agreement and the lack of substantial selling outside the agreement remains in place.

Finally, due to much of the “loose” scrap having been mobilised in the first half of 2006 and a weakening dollar

translating into lower price increases in local currency terms in many price-elastic markets, recycling levels should remain contained.

“Although the above-mentioned supply/demand elements provide a solid floor to the gold price, they are hardly capable of driving a rally such as that seen over the last few weeks, or sustaining it around \$760,” said Kavalis. “The fuel for this recent increase, and the factor which is likely to be the main driver of gold prices during the fourth quarter and into 2008, has been investment demand,” he said.

WHAT'S GOOD FOR BHP IS GOOD FOR AUSTRALIA

October 20, 2007 (The Australian) – They used to say what was good for General Motors was good for America. These days the issue is whether GM will survive - a salutary lesson in the way economic verities change. A modern local analogy is what is good for BHP Billiton is good for Australia, and what's good for BHP Billiton is the China boom. New chief executive Marius Kloppers said this week China's growth was five times more important to the company than the US's.

So, for Australia a crucial question is how long will the China boom last? Former BHP chief executive Chip Goodyear summed up its view in August: “We believe that the industrialisation and urbanisation that has driven China's growth will continue for several decades as billions of people strive for a better quality of life. Once people get visibility to a better way of life and governments see that as a good thing, it's very difficult to put the genie back in the bottle.”

Implicit in this conclusion is a widely shared view that China's growing prosperity will, over time, lead to a democratic political system, resolving the mounting tensions caused by an economic system embracing market capitalism within an authoritarian Communist state. The Wall Street Journal pointed out this week that China was the only one of the world's 10 largest economies that was not a multi-party democracy.

However, when China's leaders talk about becoming more democratic, they are talking about reforming internal party structures to ensure they remain the unchallenged rulers of China. In his opening address this week to the 17th National Congress of the Chinese Communist Party, President Hu Jintao made his objective

of his policy proposals clear. China purports to offer a viable alternative model to the West's free market, liberal-democratic one – a market socialist dictatorship, and so far its model appears sustainable.

For many its success demonstrates there is “no inextricable link between political liberalisation on the one hand, and the successful transition to a free-market system on the other. Instead, the Chinese model seems to demonstrate that there are actually advantages to having a strong, authoritarian government heavily involved in the economy, overseeing the transition process and supervising the economy once transition is complete”.

The quote comes from a book by John Lee, a visiting fellow at the Centre For Independent Studies, published by the centre this weekend. But Lee doesn't share the view just quoted. He sees instead a darker side of the China boom. The title of his book is *Will China Fail?* and his answer to the question is given succinctly at the conclusion of his chapter on the Chinese economic miracle: “The Chinese model cannot be sustained in its present form.”

That begs another question, can it be changed to make it sustainable? The glue that holds this increasingly dysfunctional system together is rapid economic growth. In his Congress address President Hu gave maintaining strong economic growth top priority, saying it was the party's “key task”.

For the party, though, growth is the means to a political end – preservation of the party's power and influence. If Lee is right, the fundamental contradiction between a free market economy and a Communist state will lead to the

failure of the Chinese economic model of market socialism. He is swimming against the tide of opinion, and even if he is right, the present system may still have a long way to run.

There is, however, an immediate threat to China, which arises from its huge current account surplus and the

increasing international tensions it is generating, in the US and Europe, where protectionist pressures are rising. The policy responses needed from China are widely known, and include allowing its exchange rate to rise more rapidly and switching its economy from heavy reliance on exports to domestic consumption.



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Australia, Indonesia, and South Africa. Domestically and internationally, Mr. McIntosh has managed exploration programs, mining operations, and feasibility studies. He has been involved in several project-development programs and numerous merger/acquisition/divestiture projects, as well as arranging debt and equity financing for mining companies and projects. His credentials include an Engineer of Mines Degree from the Colorado School of Mines as well as a Master of Business Administration from the University of British Columbia.



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