

# BEHRE DOLBEAR

## Global Mining News

### BASE METALS MINERS LIKELY TO SEE MORE WEAKNESS ON STRONG DOLLAR

November 18, 2007 (*The Canadian Press*) – The wave of lower third-quarter earnings reported by small mining companies over the last few weeks is likely to continue as the firms report for the fourth quarter, during which the soaring Canadian dollar hit some of its highest levels. But experts say the temporary squeeze is unlikely to put off investors, who have continued to pump money into Canadian miners in the hope of cashing in on the next big discovery or acquisition.

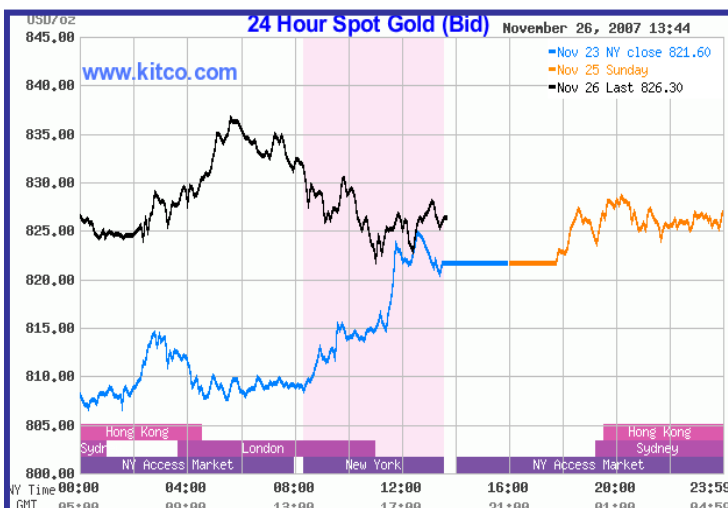
A number of base metal companies have reported lower earnings because of the high loonie, which regained some altitude Friday after four days of volatility. That rapid rise has made doing business more expensive for many Canadian miners, especially those who record revenues in U.S. dollars but pay expenses in Canadian currency. On top of that, labour and materials costs have risen, making it even harder to break even.

Oil companies haven't really had the same problems as base metals players because the price of oil has risen in greater proportion than the Canadian dollar. The base metals aren't enjoying that kind of run, with prices staying fairly flat.

Even bigger base metals players like Teck Cominco Ltd. warned the strong loonie could increase its costs and cut into future operating profits, as it reported last month that its third-quarter earnings were hurt by a one-time foreign

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USD	NOVEMBER 23, 2007	NOVEMBER 16, 2007
GOLD	815.25	789.75
SILVER	14.5500	14.4500
PLATINUM	1,475.00	1,429.00
PALLADIUM	353.00	369.00
ALUMINUM	1.1063	1.1317
COPPER	3.0082	3.096
LEAD	1.3204	1.5331
NICKEL	12.9161	14.1748
URANIUM	93.00 (11/19/07)	92.00 (11/12/07)
ZINC	1.0140	1.1367

exchange loss of \$59 million related to the repatriation of U.S. dollars to Canada.

“It’s safe to say that no Canadian-based companies have been perfectly immune to the Canadian dollar surge this year, because there have been very few instances where U.S. dollar prices have risen this dramatically,” said Derek Burleton, a senior economist with TD Economics. “The Canadian dollar’s risen about 25 per cent this year. Unless you’ve had a 25 per cent rise in U.S. dollar prices,

you’ve felt the squeeze.” Burleton said TD expects the U.S. dollar to stabilize in 2008 against the loonie, and doesn’t see much further upside for the Canadian currency.

Despite temporary challenges, experts expect investors to continue to support small base metals miners because of continued demand from emerging markets like China and India.

## MOLYBDENUM MINING – ENDAKO SLATED FOR 43% EXPANSION

*November 18, 2007 (Canadian Mining Journal)* – Thompson Creek Metals of Toronto has announced plans to increase molybdenum production by 43% from the Endako mine near Fraser Lake. The project will cost an estimated Cdn\$373 million by the time it is completed in Q2 2010. Annual moly production will grow to 16.0 million lb from the current level of 11.2 million lb.

The feasibility report for the expansion project was prepared by HATCH. It evaluated the potential to increase the milling rate to 50,000 t/d of ore from the current 28,000 t/d (a 78% increase). The capital cost estimate includes acquiring new equipment for the mine and mill and increasing roasting capacity to 21.0 million lb a year, and a \$44-million contingency, but it does not include costs related to new mine equipment for sustained operation at current production rates.

To expand the mill throughput, new crushing, grinding and flotation circuits will be needed. Proposals call for

adding one SAG and two ball mills, seven stages of rougher-scavengers, and three stages of cleaners to the flowsheet. The resulting improvements in the process are expected to add four points to the recovery rate.

Based on molybdenum price assumptions made by management and used in the study, the internal rate of return (IRR) for the expanded operation would be 21.3% over a 16-year mine life. In July 2007, Thompson Creek restated the Endako resource estimate, saying it would provide 27 more years of life for the project at current production rates. The increased milling rate will reduce the project life to 16 years.

Mining at Endako was interrupted by a slide that occurred on the evening on Nov. 12 at the east end of the pit. A shovel was partially buried, but the operator sustained only a minor injury. Milling continues using material from the Denak West pit and an ore stockpile.

## CHINA RELEASES BASE METAL PRODUCTION STATS FOR FIRST 10 MONTHS OF 2007

*November 19, 2007 (Interfax-China)* – China produced 2.84 million tonnes of refined copper in the first 10 months of this year, up 18.9% from the same period of last year, while primary aluminum production surged 34.6% to 10.03 million tonnes over the period, according to statistics released today by China’s National Bureau of Statistics.

China’s copper concentrate output reached 644,900 tonnes during the January to October period, growing 8.1% from the same period last year. Shanghai Futures Exchange (SHFE) copper futures prices plunged 4% on Friday, in line with LME counterparts, after it was announced that the earthquake in Chile would not affect copper production. The January contract lost RMB 2,430 (\$326.89) to close at RMB 58,200 (\$7,829.31) per tonne.

Copper stockpiles at the SHFE reached 56,882 tonnes by this Friday, decreasing 2,326 tonnes from the previous week. SHFE aluminum futures declined amid a general downturn in the base metal market. The most traded January contract posted a loss of RMB 340 (\$45.74) to close at RMB 18,000 (\$2,421). Aluminum stockpiles at the SHFE reached 54,197 tonnes by this Friday, gaining 2,649 tonnes from the previous week.

Some months ago we alluded to the fact that the huge import of refined copper belied the fact that domestic demand alone could not digest the increased capacity. Yet prices continued their upward spiral.

Authorities have introduced measures to rein in exports, which realistically was the only way that the domestic

industry could sustain such increases in output. The downturn in the U.S. housing market has been evident for some time and it seemed that international perception was that China's domestic demand would take up the excess.

These output figures are still too high, and will further contribute to domestic and global surplus. Expect downward price pressure to continue.

### REDUCED CHINESE DEMAND PULLS DOWN IRON ORE PRICES

*November 19, 2007 (PTI)* – Rates come down to \$185-190 a tonne from \$190-195, stocks at seaports rise to 42 million tonnes, up from 40.4 million tonnes in the middle of last month. With China, the world's largest importer of iron ore, unwilling to buy the mineral from India at higher rates, prices have come down to \$185-190 a tonne from \$190-195.

Chinese customers are reluctant to pay higher prices resulting in iron ore stocks at major seaports of that country rising to around 42 million tonnes (MT), up from 40.4 MT in the middle of last month, according to a report.

At present, Chinese mills are more likely to consume their own iron ore reserves to maintain production,

though these stocks are understood to be quite low. With small mills buckling under the weight of high raw materials costs and limiting production, demand for imported ore has decreased to some extent, it pointed out.

“Customs statistics indicate China imported 29.77 MT of ore in October, down from 33.24 MT in September. And in the first 10 months of this year, China imported about 313.75 MT, up 16.65% from the same period of last year,” it added.

Reduced demand from China would make the domestic steel sector happy as the major utilities have been clamouring for conservation of ore. Even the Steel Ministry favours conservation over exports, given the major capex plans of steel companies.

### BARRICK GOLD SEES WORLD GOLD PRODUCTION FALLING FASTER THAN EXPECTED

*November 19, 2007 (Thomson Financial)* – Barrick Gold, the world's largest producer of gold, said it sees total world gold production falling faster than expected, citing rising costs and infrastructural issues. Many mines that are expected to contribute to production may take longer to come onstream or may never be commercialised, said Barrick Gold vice president and treasurer James Mavor. Speaking at the LBMA conference in Mumbai, Mavor said he sees gold supply falling by 10 pct in the next five years.

While gold needs a significant supply from new mines to maintain current levels of production, ‘the industry has

not been acquiring new mines’, Mavor said. ‘What would normally take 3-5 years to commercialise now takes about 7-10,’ he added.

James Steel, a New York-based metals analyst with HSBC, said: ‘Some gold supply constraints are already being factored into the sharp increase in the price of gold.’ With few gold-only deposits around, many gold producers must seek out gold-copper and gold-silver deposits, which also drives input costs higher.

Barrick said it will invest 190 mln usd in exploration in full-year 2007.

### BIA ASKED TO CONSIDER URANIUM MORATORIUM ON NAVAJO TRUST LAND

*November 19, 2007 (MineWeb)* – Three congressmen have asked the U.S. Bureau of Indian Affairs to consider imposing a moratorium on uranium mining leases on Navajo trust land. U.S. Reps. Tom Udall, D-N.M., Jim Matheson, D-Utah, and Rick Renzi, R-Arizona, recently hosted a Navajo Nation uranium roundtable to examine the health effects and environmental impacts of past

uranium mining as well as the problems and concerns of the Navajo Nation with proposed new uranium mining.

Navajo tribal officials have pushed for a federal moratorium on uranium mining both within the reservation's boundaries and beyond in what is known as Navajo Indian Country. Tribal officials want old, exposed

mining sites on the reservation cleaned up. The Navajo Natural Resources Protection law, a Navajo Nation law, places a ban on all uranium mining within the Navajo Nation boundary-which extends in New Mexico, Arizona and Utah.

Charles L. Miller, Director, Office of Federal and State Materials and Environmental Management Programs, U.S. Nuclear Regulatory Commission, which regulates uranium milling, said he is aware of 16 leases for uranium milling recovery programs that are expected in the next several years. He added that 12 of these applications are anticipated to be in-situ leaching facilities. He added that he expects 11 expansions or re-start applications for existing uranium facilities. Miller said the Nuclear Regulatory Commission's license review approach does not prohibit the Navajo Nation from using their laws to stop uranium mining.

Gidner told the roundtable attendees of the difficulties the BIA faces when the bureau is asked to decide between the Navajo Nation's uranium moratorium and the desire of an individual Indian landowner to permit uranium

mining leases on trust land, located off-reservation but in an area checker boarded between tribal and Indian allotments. "As the trustee, do we side with the Navajo Nation and deny it [the mining lease]? Do we side with the landowner who wants money from a uranium mine? This is a horribly complex issue," he declared.

Navajo Nation President Joe Shirley asked the BIA to make a recommendation for a moratorium. "If the bureau could support us, not only the Navajo Nation but other native nations that are affected, if you could support us with this moratorium, we'd appreciate it." Gidner responded that he is not sure the BIA has the authority to impose such a moratorium, but would consider the request.

Renzi, Udall and Matheson said they would be willing to introduce such legislation in Congress. Shirley also called on Congress to amend the Radiation Exposure Compensation Act "to cover those workers exposed to uranium contamination after 1971, and to abolish the arbitrary geographic limitation that limits the claims of the so-called downwinders."

## JAPAN STEEL ASSOCIATION AGAINST BHP/RIO TINTO MERGER

November 19, 2007 (Reuters) – A group of Japanese steelmakers said it was not in favour of a proposed merger of miners BHP Billiton Ltd and Rio Tinto as such a mega-merger would impede market price mechanisms.

Hajime Bada, chairman of the Japan Iron and Steel Federation and president of JFE Steel Corp – the world's third-biggest steelmaker, said a merger of the two mining industry giants would control 40 percent of the world's iron ore seaborne trade and 60 percent of Japanese iron ore imports. Bada added that he would express his

opposition at a meeting with BHP Billiton's chief executive officer Marius Kloppers later in the day.

Sources told Reuters earlier this month that Rio's board was open to a higher BHP approach, especially if it involved a cash component. Kloppers, who is continent-hopping in coming weeks to press his case to big investors and customers, is believed to have met Nippon Steel Corp President Akio Mimura and the head of Mitsubishi Corp this morning.

## IRON ORE RIVALS CLASH OVER 'UNDERVALUED' TAKEOVER BID

November 19, 2007 (Financial Times) – Midwest Corporation, the Australian iron-ore explorer backed by China's Sinosteel, has formally rejected a hostile takeover bid from Murchison Metals, arguing that the A\$1bn (\$886m) offer undervalues its potential. Australia-listed Murchison is backed by Mitsubishi of Japan and the takeover battle underlines the strategic rivalry between Japan and China to secure supplies of Australian iron ore.

Midwest said that its directors had unanimously rejected the offer of one Murchison share for every 1.08 shares in

Midwest. Bryan Oliver, Midwest chief executive, said the offer was opportunistic and "significantly undervalued" Midwest's relative contribution to an enlarged group. "The offer fails to recognise Midwest's potential as a stand-alone iron-ore explorer and producer [in Western Australia]," the company said, adding that shareholders representing 45 per cent of its issued capital "have indicated" they will reject the offer.

Mr Oliver said that, based on independent findings, Midwest would contribute 63 per cent of the combined group's mineral resources but only 31 per cent of the

enlarged group's share capital. Murchison's offer is aimed in part at resolving a longrunning dispute over the development of a potentially important new iron ore province in Western Australia.

In spite of pressure from the state government and others, they have not reached a compromise and talks aimed at a friendly merger have also failed. Murchison has argued that the two businesses are a good match, with projects

for similar ore types, and that there is little point having separate developments when the two could be brought under one umbrella.

Murchison rejected the claims made by Midwest, arguing that the independent report had underestimated its resources. The company said that the independent report had a "limited scope" and had been based on incomplete information.

## ALUMINIUM SET TO SOAR IN 2008

*November 20, 2007 (FinanceAsia)* – China's growing demand and falling supply could push aluminium prices higher in 2008 – and smart indices may be a good way to take advantage of the trend. Forget oil. Next year's hottest commodity will be aluminium, according to a computer programme at Deutsche Bank that has a formidable track record in picking winners in the commodity markets.

Right now it is heavily invested in energy, but recently the strategy has been moving away from oil, and Deutsche reckons that by next year it will be staking as much as 40% of its portfolio on aluminium – and judging by its recent successes that could be a winning trade.

According to a strategist at Deutsche, the move to aluminium could be inspired. "The index is doing this at a time when China is about to become a net importer," says Michael Lewis, global head of commodities research. "Of course, it's doing this purely mechanistically, but the timing is extraordinary."

China has been a net exporter of aluminium since 2001, which has helped to keep down the price of aluminium.

During this time, its price has risen just 95%, which may seem a lot but is tiny compared to the 650% rise in lead. Nickel, copper, tin and zinc have also appreciated by hundreds of percent.

For the past six years, Chinese production has kept the lid on aluminium prices, but not for much longer. "As a consequence of significant smelter capacity growth, the Chinese aluminium market has been persistently oversupplied," says Lewis. "However, it appears that this situation is about to change as the Chinese authorities have taken steps to close down inefficient smelters and restrict the level of aluminium exports."

Deutsche's computer doesn't know anything about the intentions of the Chinese government; it simply obeys a fixed set of rules to pick trades. The index is re-balanced whenever the one-year average price of any one of the commodities moves by 5% against the five-year average – expensive commodities are sold down and cheap ones bought up, according to the rules.

## ARCELORMITTAL INVESTS TO TIE UP MOLY AND MANGANESE SUPPLIES

*November 20, 2007 (MineWeb)* – The world's largest steelmaker, ArcelorMittal came out with a veritable flood of announcements today regarding acquisitions and investment in projects in North America and Africa. That in Kalagadi Manganese is reported elsewhere on this site, but perhaps the most significant investment from a mining point of view is the company's purchase of a 12.6 percent stake in US molybdenum mine developer, General Moly. This was accompanied by a separate agreement under which Arcelor Mittal agreed to purchase 6.5 million pounds of molybdenum a year from General Moly for a five year period. This amounts to 26 percent of Arcelor Mittal's anticipated consumption.

General Moly, which recently underwent name change from Idaho General Mines is an AMEX quoted stock (symbol GMO) with principal assets in the Mt Hope molybdenum project in the mining friendly state of Nevada, and the Hall-Tonopah deposit also in Nevada.

ArcelorMittal also said that it had signed a memorandum of co-operation with the government of Mozambique to invest in the country's steel industries, as well as mining of raw materials in the form of iron ore, and coal. This ties in with recent Chinese reports that a subsidiary of Chian Meallurgical Corp. is to build a steel bar mill there under contract to ArcelorMittal to produce 400,000 tonnes a year.

Clearly things are tightening up in the iron and steel sector with steel producers moving to tie up what could become increasingly scarce supplies. The South African manganese deal is another example of this. In the

molybdenum sector the move could be a particularly smart one given that there is predicted to be a supply shortfall until at least the second half of the next decade.

## SCHARRIG PLANS LARGE BOTSWANA COAL PROJECT

November 20, 2007 (*miningmx.com*) – Scharrig Mining could have an agreement in principle with one or more partners to build a power station and/or a coal-to-liquid fuel plant at one of its jointly owned billion tonne coal deposits in Botswana, CEO Robin Berry said on Tuesday.

The project would be modelled on the CIC Energy project at Mmamabula in Botswana where the Canadian company is building a seven to nine million tonnes/year mine to supply a 2,200-2,400 megawatt power plant.

Scharrig, which will be called Sentula Mining from 26 November, will select which of the three billion-tonne coal deposits it will focus on to conduct a pre-feasibility study by end-March 2009 and a bankable study 18 months later. “We are looking to at least in-principle agreements with a partner as early as the middle of 2008,” Berry told Miningmx. “Once we’ve chosen a project and started to work on what it’s going to look like we are going to want to at least know we have partners and that they support what we are saying in trying to develop that project,” he said.

“We’ve had lots of approaches. There’s massive interest in this part for the world for this kind of project. People

are extremely interested in what’s going on in southern Africa from an energy and infrastructure perspective,” he added.

Scharrig, through its partnership with Sam Jonah’s Jonah Capital in Jonah Coal, it has taken a 25% stake in the African Energy joint venture with Aquila Resources. The stake can be bumped up to 50% by spending \$10m on a dedicated exploration programme.

The tenement likely to be chosen for a pre-feasibility study is the one closest to the CIC project. Power transmission lines from Mmamabula will send power to energy-hungry South Africa. There is also talk of a rail link to the project opening the way to exports through South African or Mozambican harbours.

The acquisition in the Botswana project is part of a model Scharrig is using at its exploration projects on Africa, where it currently has 110 drills operating in 12 countries across a range of minerals. Scharrig will swap its services for equity in coal firms thereby growing its portfolio of assets. It will have 118 drills operational by March next year. The biggest challenge is finding enough skilled drill operators.

## SIERRA LEONE BRACES FOR RETURN TO TITANIUM RICHES

November 20, 2007 (*MineWeb*) – When Mauritian-born mining magnate Jean-Raymond Boulle, announced his intention of reviving the Sierra Rutile mine in Sierra Leone after having acquired it from New York-quoted Nord Resources and Australia’s Consolidated Rutile, in the peak of that country’s mineral-funded civil war, he reportedly struggled to find investors prepared to gamble with the project. The mine, in south western Sierra Leone, had closed due to the civil war, sparked mainly by the country’s rich diamond resource, which ended in 2002.

According to a Financial Times (Deutschland) report in late October, Boulle explained that he “had acquired the world’s biggest deposit of top-grade titanium ore, known as rutile, that he had high-level European and US diplomatic backing (with Walter Kansteiner, former US

assistant secretary of state for African affairs as non-executive chairman of Titanium Resources Group), and that peace had returned and that attitudes changed.

The newspaper also reported that Boulle’s record in picking winners, notably a highly lucrative nickel deposit at Canada’s Voisey’s Bay, as well as a €25 million European Union loan, reassured investors, resulting in Ospraie Management, a New York-based hedge fund, buying the biggest stake.

Last year, Boulle’s company, AIM-quoted Titanium Resources Group spent US\$100 million restarting production at both its rutile and bauxite properties in the country. While restarting the mine was a gamble for Boulle, this was the country’s largest foreign direct investment post-civil war and the country was this week bracing for a return to the era before the war when

titanium production contributed more than half of Sierra Leone's foreign currency earnings.

The company Monday commissioned a second dredge at the mine, as it moved forward with plans to double rutile production to 200,000 tons per annum, in what President Ernest Bai Koroma described as sending "clear signals to the international community that Sierra Leone is once again an attractive destination for investment". Titanium Resources Group said the doubling of rutile production will help the company to further consolidate its position in rutile markets and increase market share to about 23%.

But getting to that annual production target would only be reached in 2008 after high fuel costs, that resulted in first half losses, have been eliminated, Andy Mills, a consultant at the group, told Mineweb.

While Sierra Leone looks forward to the wealth that will be generated from its rutile resource, the country still has to tackle rampant corruption, the main reason behind the failure of its huge diamond resource to benefit most Sierra Leoneans, who remain amongst the poorest in the world.

### US ZINC TO BE SOLD TO BRAZIL COMPANY FOR \$295 MILLION

November 20, 2007 (AP) – Aleris International Inc. has agreed to sell its zinc business to a Brazil mining and metals company for \$295 million. The deal to sell US Zinc to affiliates of Votorantim Metais Ltda. includes adjustments for working capital and other items which weren't specified in Tuesday's announcement by Aleris, based in suburban Beachwood.

US Zinc recycles zinc and operates six facilities in the United States and one near Shanghai, China.

Steven J. Demetriou, Aleris's chairman, said the sale would allow Aleris to focus on its core aluminum business. Aleris has production facilities in 55 locations in North and South America, Europe and Asia.

### FRANCO-NEVADA IPO GETS GO-AHEAD

November 20, 2007 (Globe and Mail) – The biggest stock debut on the Toronto Stock Exchange so far this year was given the green light Tuesday, setting the stage for the billion-dollar rebirth of Franco-Nevada, the Canadian gold and energy royalty company sold to Newmont Mining Corp. in 2002.

Executives at Denver-based Newmont decided Tuesday morning in favour of a plan that would see the resource royalty assets bundled together in a company called Franco-Nevada Corp. that will launch an initial public share offering on the TSX. The new company is expected to be valued at between \$1.2-billion and \$1.3-billion, according to sources familiar with the matter.

The offering, which comes amid a boom in metals prices and the loss of major Canadian mining names such as Alcan, Inco and Falconbridge is expected to be priced within the next two weeks and begin trading in December.

Franco will hold royalties or equity interests in 190 gold, precious and base metals and mining properties including

Barrick Gold Corp.'s Goldstrike mine in Nevada and the Stillwater platinum and palladium complex in Montana.

The company will also hold more than 100 royalty or working interests in oil and gas properties including assets in Western Canada operated by companies including EnCana Corp., Talisman Energy Inc., Canadian Natural Resources Ltd. and Petro-Canada.

Newmont had announced plans to shed its royalty holdings in July as part of a restructuring under new president and CEO Richard O'Brien. In a statement, Mr. O'Brien said Newmont intends to use the proceeds to invest in its core gold business.

The planned IPO had been competing head to head against a scheme to sell the assets to strategic buyers. The so-called dual-track process, was "very competitive and very close," according to Newmont spokesman Omar Jabara.

## CHINA'S \$2.87 BILLION BID WINS AFGHAN COPPER MINE

November 21, 2007 (*Bloomberg*) – China Metallurgical Group Corp., the state-owned diversified metal producer, led a group that beat four rivals for the right to develop Afghanistan's largest copper mine with a \$2.87 billion offer, a company consultant said.

Under China Metallurgical's plan, the Aynak mine will produce 200,000 metric tons of refined copper a year, Eddie Hedayat Azizi, the company's consultant on the bid, said today in a telephone interview from Kabul. Construction on the mine, located southeast of the capital, may start in six months to a year, he said.

A tripling in copper prices since 2004 fueled a five-way contest for rights to the deposit, overcoming concerns that a war between 41,000 NATO-led soldiers and a Taliban insurgency in the central Asian nation may impede construction. "China Metallurgical is a very strong, very powerful company that doesn't need anyone else's technology or anyone's money," Azizi said. "People are eager to get to work, to put down their rifles and pick up shovels."

China Metallurgical, based in Beijing, will build a 400-megawatt coal-fired power station about 280 kilometers

(174 miles) north of the city to supply electricity to the plant, Azizi said. The area has sufficient coal reserves to fuel the plant for at least 50 years, he said.

Closely held Hunter Dickinson, based in Vancouver, was informed overnight by Afghan authorities that its offer placed second and will be the reserve bid if a contractual agreement with the Chinese group can't be reached, said Bob Schafer, Hunter Dickinson's vice president of new business. The Chinese offer was "about \$1 billion too large," he said.

The U.S. Geological Survey estimated in a report on Nov. 13 that Afghanistan has 60 million tons of copper. The nation also has 2.26 billion tons of iron ore and other minerals including gemstones and marble. The landlocked country, just smaller than Texas, shares a 47-mile border with China, the world's largest copper consumer.

China Metallurgical's group, which includes Jiangxi Copper Co., expects the mine to create as many as 3,000 new jobs in the area, which is about 22 kilometers from Kabul, Azizi said. Landmines will be cleared from the site "in no time," he said.

## CHINA'S BIGGEST STEEL GROUP ADDS VOICE TO GLOBAL CHORUS AGAINST RIO-BHP DEAL

November 21, 2007 (*Times On-Line*) – China has condemned BHP Billiton's plan to take over Rio Tinto, its rival mining giant, as the creation of "an even bigger monopoly". The steelmakers of the People's Republic have added their voices to a worldwide chorus of protest against BHP Billiton's project, which they fear would enable the two companies to corner the Asian trade in iron ore.

Mounting alarm in Beijing came after warnings on Monday in Tokyo and in Brussels, where European steelmakers lobby urged the European Commission to block the takeover.

Fresh protests are dogging the progress of Marius Kloppers, the BHP chief executive, as he tours Far Eastern capitals. He is on a charm offensive, hoping to quell the increasing anxiety of BHP's Asian customers that the mining mega-merger would leave them at the mercy of a single Anglo-Australian supplier.

A day after Japanese steelmakers condemned the merger plan, the China Iron and Steel Association, a government-

affiliated organisation, published a commentary in which it judged that the merger would create "an even bigger monopoly".

Gordon Moffatt, Eurofer's director-general, intends to make representations to the European Commission this week. "We will be urging the Commission to take a negative view on it," he said. His initiative has the backing of the International Iron and Steel Institute (IISI), which on Monday issued a terse condemnation of BHP's plan. The IISI, which represents 180 steel producers, urged competition authorities to review the BHP-Rio proposal.

Ian Christmas, the organisation's secretary-general, said that he supported consolidation but not monopolies, noting that the world's largest steelmaker had less than 15 per cent of global production while the top three iron ore miners had 70 per cent.

Mr Kloppers' whistlestop Asian tour arrived in Seoul yesterday, where he was expected to meet Lee Ku Taek, chief executive of South Korea's biggest steelmaker

Posco, and officials from Hyundai Steel. Posco buys 70 per cent of its ore from BHP, Rio and CVRD. Even as Mr Kloppers arrived in Tokyo on Monday, he was greeted with a strong critique of his project by Nippon Iron and Steel Federation, one of the most powerful Japanese industry groups.

The Federation called the BHP-Rio merger an “obstacle” to a healthy metals market. Hajime Bada, chairman of the federation, said that the merged entity would control

60 per cent of Japan’s iron ore imports and he expressed concern that “such a merger would impede a healthy market mechanism.”

BHP has sought to allay fears by promising more production and a more transparent pricing mechanism, such as a benchmark index replacing the benchmark prices set by the annual round of price negotiations between miners and steelmakers.

## CHINA’S COPPER IMPORTS SLOWING, MAY DECLINE IN 2008

*November 22, 2007 (Bloomberg)* – China’s refined copper imports, the world’s largest, slowed in October from this year’s record pace and will probably decline in 2008 as domestic smelters ramp up production, underscoring concerns about a global surplus.

Refined copper and alloy imports fell 4.6 percent last month to 103,080 metric tons, compared with September, the Beijing-based customs office said today. Net imports next year may drop to 1.1 million tons from this year’s 1.3 million tons, according to the median estimate in a Bloomberg survey of five analysts.

Lower Chinese imports may weigh on prices as the fastest-growing major economy accounted for almost all copper demand growth this year, according to the International Copper Study Group. A global surplus of the metal, used in wires and pipes, will more than double to 249,000 tons in 2008, it said Oct. 2.

“Chinese refined copper imports may fall further in the months ahead due to slower demand and rising domestic production,” Li Rong, metals analyst at Great Wall Futures Co. in Shanghai, said by phone today.

Copper has fallen 25 percent since reaching a record \$8,800 a ton on May 11 last year. The contract for

delivery in three months traded at \$6,566 a ton at 12:24 p.m. Shanghai time today. Three of the five analysts surveyed this week forecast lower net imports of refined copper next year, while one predicted no change and another a small increase.

Government efforts to prevent the economy from overheating and curb the expansion of factories that are heavy polluters and energy consumers have not yet had much impact on production.

China has raised interest rates five times this year as the economy has had three quarters of growth of more than 11 percent. Industrial output climbed 17.9 percent in October from a year earlier, after jumping 18.9 percent in September, the National Bureau of Statistics said Nov. 15.

China’s output of copper cathodes, a finished form of the metal, may rise to 3.8 million tons in 2008, from an estimated record 3.4 million tons this year, said Shen Haihua, general manager of Shanghai Maike Dickson Investment Management Co.

## BHP-RIO DEAL AND CHINA TO SPUR METALS, MINING M&A

*November 22, 2007 (Reuters)* – BHP’s proposed bid for rival Rio Tinto and the rise of emerging market players, particularly China, will force further consolidation in metals and mining, industry experts told a conference this week. At least three more transactions worth over \$50 billion (24 billion pounds) are likely by June, Ernst & Young’s Partner in Charge for Global Mining and Metals, Michael Lynch-Bell, told the Mines and Money conference in London.

China, India and Russia are likely to play a key role in coming merger and acquisition activity as they seek greater access to raw materials to keep up with their booming economies. China above all will need to assert itself because it is the world’s top consumer of metals but, unlike India and Russia, lacks its own natural resources.

“China will continue to play a key role in the mining sector and will continue to reshape the industry,”

Standard Bank's Head of Metals and Mining Thys Terblanche said. "It will play a larger role in M&A."

The country's dependence on raw materials has prompted speculation China may try to somehow play a role in the merger. If not, a combined BHP-Rio could at least spur it into seeking to exert more control over the industry, either by buying smaller companies listed on markets like London's AIM or by taking minority stakes in some of the world's mining giants, delegates said.

"The Chinese are participating in M&A but starting on a very small scale. The question is, are they going to be able to step up to a bigger playing field?" Standard

Chartered's Terblanche said. One drawback was China's inability to make major acquisitions using shares, he added.

BHP's move on Rio was likely to cause upheaval in the industry, from giants like CVRD, Anglo American and Xstrata down to mid-tier companies, delegates said. Metals and mining companies must bulk up to afford the cost of research and development needed to find more resources in increasingly inaccessible and hostile terrains, Magnus Ericsson, chief executive of mining research and analysis firm Raw Materials Group, told the conference.

### NEW ZIMBABWE MINE BILL DEPRESSES IMPALA PLATINUM

*November 22, 2007 (Reuters)* – If Zimbabwe goes ahead with plans to take up a 25 percent stake for free in mining firms, investors such as Impala Platinum could flee the country, but a proposed law may just be an election ploy. Implats sees Zimbabwe, which has the world's second-biggest platinum reserves, as its major future growth area, and is ahead of the game in that country in terms of platinum operations.

Analysts said that if forced to cede a 25 percent stake to the government, Implats, which also has by far the biggest operations by a foreign mining firm in Zimbabwe, and its rivals may scale down their projects or pack their bags altogether. But analysts also said Zimbabwean officials should know that the latest drive by President Robert Mugabe's government could uproot foreign investment in a country reeling under a foreign currency shortage and worsening hyperinflation and hunger.

They said the new law, due to be debated in parliament before the end of this year, may just be posturing by

Mugabe's ruling party to win votes at polls due next March. "Elections are next year, and there may be attempts to play to a domestic audience," said Heye Daun, a Cape Town-based fund manager with Old Mutual Investment Group.

"This would be a major issue and is not in Zimbabwe's interests. If Implats were to be affected, all their capital expenditure would come to an immediate halt. Their mines there do not generate excess cash flow and extra investment would dry up. I think the likelihood of this law being enacted is small."

Analysts said Zimbabwe's parliament had in the past passed a bill meant to monitor non-governmental organisations strictly, but Mugabe had balked at signing it into law after strong criticism, and also because of his country's reliance on food aid.

### SCOTIA CAPITAL FORECASTS 2008 COPPER AND ZINC PRICES

*November 22, 2007 (Daily News)* – In their report on copper and zinc prices, Scotia Capital analysts Onno Rutten and Lawrence Smith upped their copper price forecast by 35% to US\$3.25 per lb. but turned bearish on zinc. More ominously the two analysts warn that the base metal complex could be at risk if the global economy continues to trend downward the heels of the U.S. credit crisis. While warning that such a turn could take copper down as "collateral", they still believe there is evidence of continued strength in 2008 for the red metal.

The key to copper's strength in the coming year, according to the report, will be Chinese demand. The indicators point to hoarding of copper in the massive country, and the situation has made for tight supplies despite the U.S. economic slowdown and less demand from Europe. Chinese consumption of refined copper is up 40% year-to-date – a situation that makes for a surplus of just 150,000 tonnes in 2008 – not enough to protect prices from any supply disruptions.

Also influencing strong prices are speculative interest fuelled by a weak greenback, declining interest rates and persistent inflation concerns. The fact that copper prices have stayed high since the Federal Reserve cut rates to deal with the sub-prime crisis boosted Rutten and Smith's confidence that index and hedge funds were providing strong support to copper prices.

But the reliance on China comes with a caveat. "The copper market is primarily supported by Chinese demand strength, as there is no Western world demand strength for any of the base metals at the moment – hence, copper should currently be seen as a 'One Trick Pony'," they write.

While it may not be the most assuring tag, it has a more gentle ring than the slogan chosen for the state of zinc. Rutten and Smith have labeled the four lettered mineral 'the whipping boy.' The key culprit behind the tag is the ramp-up of several new mines. A 400,000 tonne surplus is being forecasted for 2008, leading them to knock down their price forecast by 8% to US\$1.10 from US\$1.20 for 2008.

Apex Silver's San Cristobal in Bolivia, Peruvian-miner Milpo's Cerro Lindo, Teck Cominco and Xstrata's Lennard Shelf, along with a ramp-up at their massive Antamina – where they are teamed with BHP Billiton – are all feeding into the zinc surplus.

As for the Chinese influence, while the report says zinc mining in the country has been sluggish, "Chinese smelters will have more than adequate feed supply available to continue to ramp-up zinc production thanks to sharply improved Western World concentrate availability and rising concentrate imports to China," they write. The report also names nickel and aluminum as being in a surplus situation.

When combined with the macro economy being hit by the credit crisis, Rutten and Smith say "there is a real risk that the entire LME complex could weaken." And if the credit crisis manages to spiral itself into a recession in the U.S., Rutten and Smith believe the LME complex would be hit even harder.

## RHODIUM JUMPS AS AUTO MAKERS SCRAMBLE FOR MATERIAL

November 23, 2007 (Reuters) – Prices of precious metal rhodium have surged this week to around \$6,775 an ounce, the highest levels since 1980 on strong demand from consumers in the auto manufacturing sector, traders said on Friday. Rhodium prices are up more than 7 percent since the beginning of November and since January this year they have gained more than 20 percent.

Expectations are that prices will move towards the record high of \$7,000 an ounce seen in 1980.

"Our understanding is, car makers, particularly in North America are relatively, lightly provisioned in terms of stocks," said Ross Norman, analyst at TheBullionDesk.com. "There may be an element of stock building ahead of the year end ... There isn't much metal sitting out there."

Traders said some consumers who had been borrowing rhodium had recently decided to buy instead. That can be seen in leasing or borrowing rates which have fallen to

around 10 percent from above 30 percent a few weeks ago. "Some consumers were, up until about 6 weeks ago leasing rhodium. They've realised they were throwing money down the drain. They are back in the market looking for material to buy," a London-based trader said. "We leased (lent some rhodium) at 31 percent, but I did hear of another contract at 33 percent," the trader added.

Precious metals refiner Johnson Matthey estimated earlier this month that total demand this year would be 808,000 ounces compared with supplies of 804,000 ounces. "Successive deficits in the last four years have resulted in a tight stock situation and doubts still exist about the level of Russian exports," Standard Chartered said in a note.

Johnson Matthey expects Russian supplies to fall to 70,000 ounces this year from 95,000 ounces in 2006. South African output should rise to 695,000 ounces in 2007 from 690,000 ounces last year, Johnson Matthey said.

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**NICKEL PRICES EXPECTED TO AVERAGE US\$16 IN 2008, COULD SPIKE TO US\$20**

November 23, 2007 (*Financial Post*) – It has been a rollercoaster ride for nickel prices this year, and with global demand expected to rise 10% in 2008, one analyst sees a recovery for the metal.

Nickel prices, currently trading around US\$13 per pound, have the ability to bounce back and average US\$16 in 2008, according to Desjardins Securities analyst John Redstone. In fact, he thinks price spikes could send the metal as high as US\$20. This should come as a result of resurgent demand and a subsequent small supply deficit

next year, he told clients in a note. Even lower inventories are expected to put upward pressure on prices.

Stainless steel production, which accounts for roughly 65% of nickel end use, should rise slightly this year and climb 9.8% in 2008, Mr. Redstone said, adding that the stainless steel inventory correction appears to be over. While nickel demand is expected to jump in 2008, it fell 1.1% in 2007 due to a reduction in stainless steel production.

**INDIAN COURT BARS VEDANTA FROM MINING BAUXITE**

November 23, 2007 (*Guardian*) – India's Supreme Court barred Britain's Vedanta Resources Plc on Friday from mining bauxite in sacred, forested hills in the east of the country where tribal people and voluntary groups strongly oppose it. But it left a window ajar for the project by asking Vedanta's Indian unit, Sterlite Industries, to come back with a fresh proposal on safeguarding the rights of local tribal people through a new investment firm.

While the country needed to focus on its present development needs, it had to be done "without compromising the needs of future generations", the court said. "We cannot risk handing over this important national asset to a company," the court said.

Vedanta wants to dig open-cast mines in the Niyamgiri hills in Orissa state to feed an alumina refinery it has already built in the area, as part of an \$800 million project expected initially to produce 1 million tonnes of alumina per year.

Thousands of tribal people say the mine will destroy hills they consider sacred, force them from their homes and destroy their livelihoods, which are based on farming millet, hunting and collecting fruits and spices from the forests. Environmentalists say the open-cast mine would also wreck the rich biodiversity of the remote hills and disrupt key water sources that supply springs and streams in the area and feed two rivers that irrigate large areas of farmland.

Last month, the court set new conditions for Vedanta and Sterlite before allowing them to mine in the region. The conditions included paying 5 percent of its annual profits from mining throughout India to the state government to be ploughed into developing the region. It was also asked to deposit 500 million rupees (\$12.65 million) with the state government, and specify how many local people would be employed in the project.

Sterlite returned to the court saying those conditions were acceptable. But on Friday, the court said that from the various legal documents it had received from the two firms, Sterlite seemed to be an associate company of Vedanta and not a subsidiary.

It also said the new firm Sterlite needed to float would have to make fresh financial commitments to ensure the development of tribal people and submit an account of its expenses to the court, among other terms. The state and central government both back the mining plan, as part of efforts to industrialise and exploit the mineral resources of underdeveloped eastern India.

The court order drew mixed reactions from those opposed to Vedanta, the latest in a series of controversial industrial projects across India that have symbolised the conflict between development and the rights of local people.

**BOLIVIA'S CONGRESS RAISES MINING TAXES**

November 23, 2007 (Reuters) – Bolivia's Congress approved a reform to the mining tax code late on Friday that will substantially increase taxes on mining companies operating in the South American country. Mining ministry spokesman Alfredo Zaconeta told Reuters the reform means mining companies will have to pay 37.5 percent of their income to the Bolivian state, up from 25 percent in the past.

The decision will affect several major global mining companies working in Bolivia, including U.S.-based Apex Silver Mines Ltd. and Coeur d'Alene Mines Corp.

The tax reform also broadens the scope of the Complementary Mining Tax (CMT) – which acts like a

royalty – to include minerals that currently do not pay the levy, like indium and wolfram. Zaconeta said the royalty tax will be directly proportional to the price of the mineral in the international market. Currently, it ranges from 1 percent to 10 percent.

The reform also aims to close a legal loophole that grants miners hefty discounts on income tax payments, Zaconeta said. After taking office as the country's first president of indigenous descent in January 2006, leftist President Evo Morales drastically raised taxes on natural gas operations and nationalized reserves of the fuel.

***SOMETHING TO PONDER***

**Rhenium** is a metal with a very high melting point, second only to tungsten. It is usually available as a grey powder and is among the rarest metals on Earth.

Rhenium is used in filaments and for catalysts in the chemicals industry.



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