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BEHRE DOLBEAR

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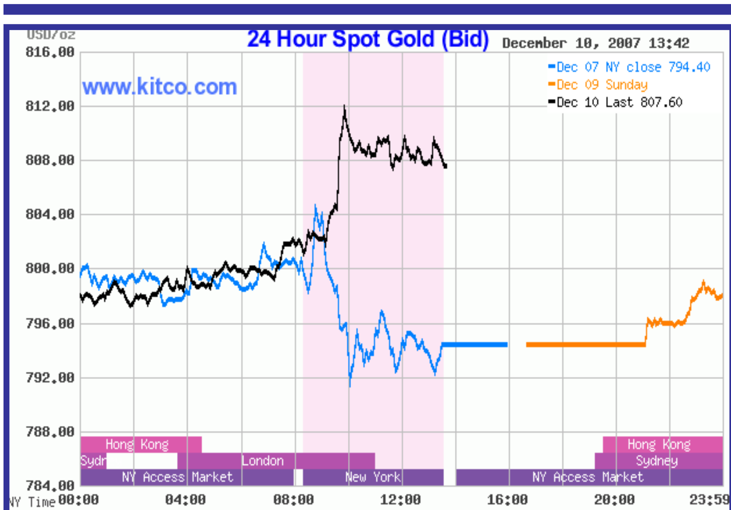
BHP BILLITON DISPUTES AUSTRALIAN TAX ASSESSMENT TOTALING $643-MIL

December 3, 2007 (Platts) – Anglo-Australian diversified miner BHP Billiton is disputing a tax assessment from the Australian Taxation Office totaling $643 million in primary tax, interest and penalties for the 2000-2006 income years, the company said late Monday.

The dispute centers around capital allowances claimed by the BHP Billiton group of companies in relation to Boodarie Iron (Australia), which ceased operations in August 2005. The ATO issued an assessment of primary tax and interest (net of tax) totaling A$384 million ($336 million) and penalties of A$350 million ($307 million). "BHP Billiton maintains that the Group is entitled to the tax relief claimed," the company said.

"The company has taken legal advice and remains confident of its position. It intends to vigorously defend the assessment," BHP Billiton said in a statement. The outcome of the dispute is unlikely to be known for some time. "In the meantime, BHP Billiton believes that the matter is adequately provided for in the accounts," the company added.

BHP Billiton announced in June 2005 that the ATO had issued assessments against BHP Billiton Finance Ltd., relating to the cost of funding the Boodarie HBI plant. That matter is currently before the Federal Court of Australia.



USD	DECEMBER 07, 2007	NOVEMBER 30, 2007
GOLD	792.50	783.50
SILVER	14.4400	14.2300
PLATINUM	1,458.00	1,440.00
PALLADIUM	344.00	349.00
ALUMINUM	1.0977	1.1183
COPPER	3.0899	3.1552
LEAD	1.2134	1.3835
NICKEL	11.9749	11.9794
URANIUM	93.00 (12/03/07)	93.00 (11/26/07)
ZINC	1.0755	1.1478

ECB SELLS 42 TONNES OF GOLD IN NOVEMBER

December 3, 2007 (ResourceInvestor.com) – The European Central Bank (ECB) surprised the market today with the announcement that it had completed the sale of 42 tonnes of gold on Friday with no previous indication. After announcing sales of 60 tonnes in the last agreement year, the ECB was thought to have concluded gold sales for the time being.

The sales were in conformity with the Central Bank Gold Agreement of 27 September 2004, which limits combined annual sales by E.U. central banks to 500 tonnes a year until 2009. According to the World Gold Council, 103 tonnes have been sold thus far in the fourth agreement year.

However, weekly gold sales, as reported by the ECB and covered by RI, have averaged just 6.1 tonnes per week this year, down from 6.8 tonnes last agreement year. In the week ending 23 November 2007, the European Central Bank reported sales of just 1.7 tonnes, following the prior week's sales of just 3 tonnes.

GOLDCORP HIKES PENASQUITO COST FORECAST BY 69 PERCENT

December 3, 2007 (Reuters) – Goldcorp Inc. boosted its capital cost forecast for its Penasquito mine by 69 percent as it unveiled new plans on Monday to increase production at the Mexican property by 30 percent. Canada's second-biggest gold producer said it now plans to spend $1.49 billion, which includes about $450 million spent to date, up from a June 2006 estimate in a feasibility study of $882 million.

Mill throughput will rise to 130,000 tonnes per day from 100,000, and mine life was extended to 19 years from 17, Goldcorp said. The operations should produce an average of 400,000 ounces of gold per year, up from 387,000 ounces, 31 million ounces of silver, up from 23 million ounces, and 189,000 tonnes of zinc, up from 137,000 tonnes. Lead production is seen at 97,000 tonnes, up from 71,000 tonnes.

Goldcorp, which acquired the property last year with its acquisition of Glamis Gold, in June boosted Penasquito's reserves by 31 percent and raised silver reserves by 50 percent. Cash costs per ounce of gold, net of lead by-products, should be $118 per ounce, down from the previous estimate of $125 an ounce, Goldcorp said. Production is expected to begin late next year, with milling to commence in 2009.

POTASH PRODUCERS FEED ON GROWING DEMAND

December 3, 2007 (Financial Times) – The effects of improved farming methods in the developing world and surging US demand for biofuels are reverberating in shafts and tunnels deep beneath the Canadian prairies. An exploration and mining boom is under way in central and southern Saskatchewan to feed the world's fast-growing appetite for fertiliser. Potash is the scarcest of the three main raw materials of fertiliser; the others are nitrogen and phosphates.

Government officials in Regina, capital of the province, did not issue a single potash exploration permit in the 15 years to 2004. Since then, the area under lease has rocketed from 250,000 to 3m hectares, about the size of Belgium.

BHP-Billiton, the Anglo-Australian miner, is to spend up to $40m on a feasibility study for a mine as part of a joint venture with Anglo Minerals of Calgary. It plans to employ 150 people to conduct a seismic survey, due for completion in 2008. BHP has also acquired land holdings in neighbouring Manitoba, where it aims to submit a potash exploration plan in mid-2008.

Potash Corporation, the biggest existing producer, unveiled plans this month to build a $1.8bn mine. The project will boost the capacity of the publicly traded Saskatchewan company from 10.7m tones this year to 15.7m in 2012. Another Canadian company, Agrium, recently completed a 300,000-tonne expansion of its facilities and began exploratory drilling for a new mine.

According to Fertecon, a fertiliser consultancy, the benchmark price for standard grade potash was $252 a tonne in October, up 44 per cent from a year earlier. Demand is so strong that customers are rationed.

Though Potash Corp's third-quarter output was about 25 per cent higher than a year earlier, its inventories were down more than 40 per cent. Inventories dropped 44 per cent between July and September. Agrium's potash profits doubled in the third quarter from a year earlier. Market conditions depend heavily on demand from China, the biggest importer. Chinese purchases almost doubled in the first eight months of this year.

This year's contract price is more than $100 a tonne lower than prevailing market prices. The Chinese buy mostly low-cost standard grade material and receive bulk discounts. Producers are pushing for a hefty price increase.

ZINC SUPPLY MAY GAIN 11% AS NEW MINES START OUTPUT

December 4, 2007 (Bloomberg) – London, Dec 3 Supply of zinc, the worst-performer on the London Metal Exchange this year, may gain 11% next year as 15 new projects boost output, outpacing strong demand for the metal used to galvanize steel, UBS AG said.

Production from the projects, including the $800 million San Cristobal mine in Bolivia, will help create a surplus of 600,000 metric tonne next year, UBS analysts led by Glyn Lawcock said in a report dated November 30. A possible new tax on zinc exports in China may also boost supply as producers seek to ship more of the metal before it's introduced, UBS said.

The price of zinc has dropped 39% this year as stockpiles of the metal gained. Zinc, copper and aluminum have all declined in trading on the LME this half on concern US economic growth will slow, crimping demand for metals.

"Concerns about increasing zinc supply have dragged the metal down, making it the weakest performer of the base metals in 2007," UBS said. "The concerns have been exacerbated by credit crunch and a slowing US Economy, which have pulled the whole base metals complex down."

Zinc for three month delivery in London rose $85, or 3.3%, to close at $2,595 a metric tonne on November 30. The price will average $3,300 a tonne in 2008 according to UBS. That compares with the $2,931 mean forecast of 11 analysts compiled by Bloomberg. Citigroup Inc. last month cut its 2008 forecast for the metal by 28%.

Demand will rise 4.2% to 12.3 million tonne next year and gain a further 4.5% in 2009, UBS said. The 15 new projects scheduled to start this year will boost supply 11% to 12.9 million tonne, it said. Production will rise 3.6% in 2009, the report said.

CAMECO TO PERMANENTLY SEAL OFF PARTS OF RABBIT LAKE MINE AFTER WATER INFLOW

December 4, 2007 (Mining Weekly) – The world's biggest uranium producer, Canada-based Cameco Corporation, plans to permanently seal off an area affected by water inflows in the Eagle Point underground mine, at its Rabbit Lake operation, in Saskatchewan, Canada, and does not expect to resume underground operations at the mine until sometime in the first quarter of next year, the firm said this week. The company did not give details of the size of the area to be sealed off.

Water was entering the mine at a rate of about 110 m3/h, affecting an area about 90 m below the surface, the company said in an emailed statement. The leakage began last week. The group said last week that the mine experienced an increase of water flow from a mining area at the same time as the capacity of the surface water-handling system was reduced due to an equipment upgrade.

However, the mine is currently able to remove water at approximately the same rate as all the water entering the underground areas, after successfully completing a planned 25% increase to the surface water handling-capacity sooner than anticipated, Cameco said on Monday night. The mine was using only 4% of designated water storage areas available underground.

The company has set a preliminary target in the first quarter of 2008 to seal off the increased water flow, and mining will resume when the water flow has been sufficiently reduced to provide an adequate margin of surface water handling capacity. Cameco has produced 3.7-million pounds of uranium at Rabbit Lake to date this year, and estimates annual production will be from 3.8-million to 4-million pounds from stockpiled ore.

Cameco also reported that it had been granted an amended construction licence for its Cigar Lake uranium project by the Canadian Nuclear Safety Commission. The project, which seeks to exploit what is said to be the world's largest undeveloped deposit of the nuclear fuel, has been delayed after a flood in October last year stalled progress at the project, sending uranium prices skywards.

The mine was to have begun producing uranium this year, but Cameco, which owns 50% of the project, now says that it expects output to begin in 2011. The construction licence will be valid for two years, until December 31, 2009.

DEALS FALTER AS INVESTORS SHOW PREJUDICE

December 4, 2007 (financeasia.com) – Aluminium foil producer Xiashun Holdings has decided to delay its initial public offering due to difficult market conditions only two days before it was due to kick off the retail portion of the deal, a source said yesterday.

The company, which was aiming to raise up to HK$2.13 billion ($273 million), is the first listing candidate in Hong Kong to call off an IPO during the roadshow since printed circuit board manufacturer 3Cems Corp pulled its $90 million IPO in December last year after a lawsuit was filed against one of its subsidiaries. Xiashun's move is further evidence that investors are becoming more selective.

Investors don't want to buy into an IPO that trades down on the debut and leaves them with a loss-making position on their books as they sum up the year. This is particularly true for the hedge funds. There are long-only funds, however, that still have money to invest and they tend to focus on the larger, more liquid, issues. Until a couple of weeks ago, the Hong Kong IPO market had held up well despite the volatility in the secondary market and a couple of pulled deals and weak first-day performances in Singapore.

According to the source, Xiashun elected to withdraw its offering because it felt it would not be able to achieve the pricing that it desired. It was offering 500 million new shares, or approximately 25% of the company, at a price of HK$3.10 to HK$4.25 apiece. JPMorgan and UBS were the joint bookrunners.

While the company told investors that the IPO was "delayed", it would be impossible for the deal to return to the market before year end and that means Xiashun will have to update its listing documents with the full-year results before being able to have another go at becoming a publicly traded company.

MONGOLIA COPPER, GOLD AND URANIUM PROJECT UNCERTAINTIES

December 4, 2007 (MineWeb) – The stakes are high in Mongolia for mining industry, mining investment and the country as concerns about political and legislative developments mount in "one of the last frontiers for mineral exploration".

Haywood Securities said in a new research report that change in the country's leadership, the introduction of a windfall tax on copper and gold and a uranium working group have raised concerns about mineral exploration, development and investment in Mongolia.

Two of the major causes of concern were the delay in approval of development of the Oyu Tolgoi copper deposit in the Gobi desert and the appointment of a new Mongolian prime minister. The approval of the Rio Tinto and Ivanhoe Mines project has been delayed and this was proving "exceptionally costly" for explorers, developers and investors, said the Haywood report.

The Mongolian government completed a review of the project in June and presented it to parliament for approval in July this year, but it has yet to be passed by a two-thirds majority of the 76-member Mongolian parliament. Concerns over whether the companies will receive approval for their investment agreement for the copper-gold mine has raised doubt about the future of Mongolia as a "prospective and transparent regulatory venue" for exploration and mining.

Politics have added to uncertainty over Mongolia as a new prime minister, Sanjgaagiin Bayar, has been appointed and a general election will follow in June 2008. The approval of Oyu Tolgoi is now unlikely to take place over the next three months and could be postponed until after the general election.

Other common concerns about Mongolia include security of ownership and taxation issues. The country's 2006 minerals law gives the government the right to take up to a 50% stake in "strategic" deposits discovered through publicly funded exploration and a 34% stake in deposits found by privately funded exploration.

Taxation that has caused most of the uproar is the introduction of a windfall tax for gold and copper miners. The tax implies that miners have to pay taxes of 68% on their shipments of gold and copper when the gold price reaches $500/ounce and the copper price $2,600/t – prices significantly below current market levels.

Haywood Securities said that whatever the outcome was in Mongolia, there was much involved and at risk for all participants, including the country. The entire mining industry was waiting to see what happened with Oyu Tolgoi. If a company such as Rio Tinto was not able to negotiate an equitable agreement, not many other companies would succeed either.

MERRILL LYNCH RESEARCH EXPECTS GLOBAL ECONOMY TO REBALANCE IN 2008

December 4, 2007 (Business Wire) – A new report by Merrill Lynch Global Research expects the global economy to remain resistant to a slowdown in U.S. growth. However, Merrill Lynch economists and strategists believe that whereas 2007 was a year of continuing trends, 2008 will likely be a year of economic inflection points with the rate of GDP growth rapidly changing in many countries. In the report "2008: The Global Macro Year Ahead," Merrill Lynch has identified the following three significant cross-regional themes for 2008:

1. Global imbalances are unwinding; therefore, export-oriented companies are likely to outperform in the U.S., and domestically-oriented companies elsewhere.
2. There are risks and limits arising from decoupling that need to be monitored.
3. Investment in Sovereign Wealth Funds continues to grow.

"All three calls underscore our optimism that the global economy remains resilient to U.S. economic slowdown," said Alex Patelis, head of international economics at Merrill Lynch. The report forecasts global growth ex-U.S. moderating to 5.6% next year from 6.0%, even as the U.S. slows from 2.2% to 1.4%.

The rebalancing of the global economy is one of three main calls for 2008 from Merrill Lynch. Imbalances in the global economy, stemming from historic dependence on the U.S. consumer, have peaked and will unwind throughout the coming year, conclude Merrill Lynch's economists and strategists. This 'rebalances' the growth within countries. At the heart of this rebalancing, which could last several years, is the growing power of consumers outside the U.S. and the prospect of a consumer recession within the U.S.

High levels of personal debt are curtailing spending habits of U.S. consumers, while prospects for domestic demand are strong outside the U.S. Merrill Lynch believes that rebalancing will be the dominant economic theme for the next three to five years. Also contributing to the rebalancing is the continued weakness of the dollar.

In the second call, Merrill Lynch argues that investors should monitor risks and limits rising from the continued trend of the U.S. and world economies decoupling. While many investors are asking whether a severe U.S. downturn could prompt a world slowdown, Merrill Lynch focuses on the exact opposite: which risks might arise from the continued boom in the rest of the world relative to the U.S.? The report notes that these risks include the possibility of a U.S. dollar crisis, inflation, tightening (via higher rates, stronger currencies, capital controls or quantitative measures) or the negative side-effects of inflation. Although these issues could emerge in specific countries in 2008, Merrill Lynch does not think they will be binding for the global economy as a whole.

Finally, in the third call, Merrill Lynch believes that Sovereign Wealth Funds, boosted by rapidly growing central bank reserves, will play an important role in boosting global liquidity. Merrill Lynch expects Sovereign Wealth Funds to double or triple their share of riskier global assets by 2010, and grow to a potential US$8 trillion by 2011.

NIGERIA CONSIDERS COAL-FIRED POWER

December 4, 2007 (Coal Age) – A consortium of mining and power companies has assured the Nigerian government that the mining of coal at Okaba field in Kogi state would put an end to Nigeria's power problem as nine coal power stations could be established from it, the Daily Trust reported. The Coal-to-Power Consortium consists of a Nigerian company, Western Goldfields Ltd.; a Dutch finance group, ITOI of the Netherlands; and Sino-Coal, a Chinese conglomerate.

The plan is to energize Nigeria with low cost electricity, aimed at creating an enabling environment for unprecedented industrial growth in the country. The consortium said the first phase of the project, which would cost about US $7 billion involves the development of nine environmentally friendly coal mines and nine power stations that would have a total installed capacity of around 5,000 megawatts, addiing that the new power transmission lines would be built to carry the power generated into the national grid, all to be completed within 36 months if everything goes according to plan.

The project, according to the consortium, is planned to commence early in the New Year with drilling and seismic explorations, the findings from which will determine the nature and size of the mining operations that will follow immediately after.

Editor's Note

Behre Dolbear was pleased to have formulated a strategic plan for the revitalization of the Nigerian coal industry for the Nigerian government which led to this development.

COPPER GOLD RATIO BREAKING DOWN – A RARE AND SCARY EVENT

December 5, 2007 (MineWeb) – The ratio of gold:crude oil prices – in dollar terms – has long been used as a tool by various specialist investors, but the copper:gold ratio (CGR) can also be very useful. At this juncture, the Bank Credit Analyst is asking just what it is that the CGR is telling investors, with the most compelling factor by far being the "rare divergence between the price of base metals and precious metals over the past few months".

The event is seen as containing both a message, and as providing an investment opportunity. The price of copper, the leading base metal, has long been seen as a barometer of economic strength, while the price of gold can be most handily described as "a bellwether for liquidity creation".

As such, the corollary is that the CGR reflects the interplay between global economic trends and policy responsesBCA Research argues that the current breakdown in the CGR ratio suggests that more liquidity is needed to reflate the global financial system and keep the economic expansion on track. This could be a tough ask, given that measures of banking sector risk have exploded, starting early August, triggering an ongoing deterioration of liquidity in interbank money markets.

In the physical markets, all metals are affected by idiosyncratic and specific supply and demand factors. The price of gold bullion is also impacted by its perceived monetary role, not only as a safe haven asset, but also as the most direct substitute for the dollar, which entered a protracted bear market early in 2002.

As for copper, prices remain on something of a knife edge. Copper – currently trading just below $3/lb, has fallen 25% in the past two months. Price trends for other base metals reflect similar trends. As a rule of thumb, the professional analyst community anticipates that a 1% reduction in global demand for copper could lead to a surplus of about 35,000 tons of copper in 2007. This would push inventory levels beyond historic metrics, and could trigger a further serious retrenchment of copper prices.

Investment demand, not by any means least from hedge funds and speculators, has played a significant role in pushing prices higher more quickly than would otherwise have been the case. Thus the professional analyst community anticipates long term copper prices of around $1.25/lb, significantly lower than current prices, and far closer to the $1/lb prices seen in 2002, before the CGR ratio started going into orbit.

ABRAMOVICH TO TAKE HIGHLAND GOLD STAKE

December 5, 2007 (Financial Times) – Roman Abramovich, Russia's richest man, yesterday agreed to take a 40 per cent stake in Highland Gold, the ailing London-listed gold miner, signalling a new focus on the gold industry. Mr Abramovich is making the investment of up to $400m through his Millhouse investment vehicle. Next week Millhouse is due to buy a stake of 25 per cent in Highland Gold through the purchase of 65m new shares at 151p, a 7.5 per cent discount to Monday's closing price of 163.25p.

If Highland Gold shareholders approve the deal at a meeting in early January, Millhouse will buy a further 65m new shares at the same price, taking it up to 40 per cent. Barrick Gold of Canada is currently Highland Gold's largest shareholder with a stake of 34 per cent. This will be diluted to 20.4 per cent if the deal with Millhouse goes through.

Barrick has been increasing its participation in Highland since 2003 and last year merged assets most of its gold assets in Russia and Central Asia with the group. But Highland Gold has been suffering from funding problems for the past year and it is understood that Barrick was reluctant to inject more cash into the company. Barrick yesterday welcomed the investment by Mr Abramovich and said it "greatly strengthens Highland Gold's presence in Russia".

Highland Gold said yesterday that its co-operation agreement with Barrick Gold would continue and that it would carry out business at arms length from Millhouse. However, Millhouse will appoint three of the nine board directors and have the right to appoint a chief executive who will not serve on the board. Highland Gold operates and owns the MNV mine in Russia's Khabarovsk region.

MEXICO COPPER WORKERS HOLD STRIKE DESPITE THREAT

December 5, 2007 (Reuters) – Miners at the giant Mexican Cananea copper pit will not go back to work despite company threats to close the mine which has been crippled by a four-month strike, the union boss said on Tuesday. Grupo Mexico's Cananea copper mine, close to the U.S. border, has been closed since workers walked off the job on July 30 in a dispute the company says costs around US$2.8 million a day in lost sales.

Union leader Napoleon Gomez, who has lived in Canada for nearly two years to avoid corruption charges, said via a blurry video conference on Tuesday the strike would go on until union demands to improve health and safety standards are met. "We won't rest until there is justice," said Gomez, who left Mexico in 2006 when warrants for his arrest were issued amid accusations of corruption.

In a full page advertisement published in Mexican newspapers on Monday, Grupo Mexico threatened to close Cananea and three smaller affected mines if a solution was not found. Grupo Mexico, one of the world's top copper producers, says it has met worker demands. It considers the strike an illegal union tactic to clear Gomez's name. The company and the union are locked in a court battle to determine the legality of the stoppage.

A tired-looking Gomez said the company cannot legally close a mine while a strike is still on. However, company lawyer Cristina Rocha said a shutdown would be legal if it is necessary to shut it down. Grupo Mexico often threatens to close its mines to break strikes. Last year it closed Cananea's sister mine La Caridad after a long stoppage.

The labor ministry has called on both sides to talk on Thursday morning. A source close to Grupo Mexico told Reuters late on Tuesday the company planned to attend the talks.

CHINESE BID FOR RIO TINTO COULD TOP BHP'S

December 5, 2007 (The Independent) – China's biggest steel maker may be set to gatecrash BHP Billiton's $125bn (£61bn) bid for rival Rio Tinto. In an interview with a Chinese newspaper, Xu Lejiang, the chairman of China's Baosteel, said that he was "considering" a bid for the Australian miner and that any offer could exceed $200bn. "The possibility of a takeover plan going ahead is very big," Mr Xu said in an interview with 21st Century Business Herald. On price, he added "$200bn is probably not enough".

Baosteel is much smaller than Rio, but it is owned by the Chinese state, which has become much more aggressive in recent months in investing its more than $1.4trn in foreign exchange reserves abroad. Despite the financial muscle that Baosteel could bring to bear, market sources said yesterday that such a deal was unlikely given the price and the likely opposition of Rio management and possibly of Australian politicians.

The Rio Tinto chief executive, Tom Albanese, has said BHP's all-share offer is "ball-parks away" from Rio's fair value and has been talking up the company's prospects as an independent group, highlighting its expansion plans for its Pilbara iron ore mine in western Australia.

Most analysts believe BHP will have to increase its offer to get a deal done. If Baosteel were to bid, it would probably have to partner with another company or draw heavily on government funds. The state-owned enterprise would likely face political opposition in Australia, where Rio is one of the largest companies.

Baosteel's motives, however, are similar to other steel producers who have begun buying up iron ore assets to shield them from rising prices.

FCX ASSURED BY DRC THAT HUGE TENKE FUNGURUME COPPER/COBALT PROJECT IS SECURE

December 6, 2007 (Reuters) – Congo President Joseph Kabila personally assured Freeport-McMoRan Copper & Gold that the company's huge copper/cobalt mining project in the country will not be canceled, its chief executive said on Wednesday.

Freeport-McMoRan inherited the vast 550 square-mile (1,425 sq-km) Tenke Fungurume project in the southeastern province of Katanga when it acquired Phelps Dodge this year. But its future was thrown into doubt after the Democratic Republic of Congo's government set up a mining commission this year in the former Belgian colony to bring contracts – most of which were negotiated during a 1998-2003 war and a subsequent three-year transition period – up to international standards.

"I met recently with the president of the country and he encouraged us to move ahead fast," Freeport-McMoRan CEO Richard Adkerson said after a presentation to Wall Street analysts. "He gave assurances no arbitrary steps would be taken."

Contracts being reviewed by Congo include deals with Freeport McMoRan, BHP Billiton and Nikanor. A leaked preliminary report seen by Reuters last month said the panel recommended that 61 contracts needed to be renegotiated or canceled. After the leak, Mines Minister Martin Kabwelulu said most mining companies operating in the country would remain in the long term despite the review of contracts.

Asked at the Citigroup basic materials symposium in New York about the current schedule for Tenke Fungurume, Adkerson said it had been delayed in part by the contract review. "It has been extended, but that's not unusual," he said. "The DRC, along with the World Bank, is reviewing all concessions and we are awaiting their report. We feel good about ours (contract)," Adkerson said.

Some of its biggest problems in Africa's third-largest country were logistical. "Trying to get equipment across the border and the infrastructure are also challenging," he said. "Construction has been slower and more costly (than anticipated)," Adkerson added. "But the economics are so attractive we will go aggressively at it."

A RIO TINTO LESSON IN PALMARY'S CONSMIN MANGANESE TAKEOVER?

December 6, 2007 (MineWeb) – Takeover target Consolidated Minerals Ltd. today came out with news of which the global sharemarket has been aware for the past two days – that Ukrainian entity Palmary Enterprises was in the vanguard for control of the company and that surviving contender, Brian Gilbertson's Pallinghurst Resources had hoisted the white flag. An implication of this deal could well see more end users seeing takeovers as a key strategy – implicating China's lust for Rio Tinto?

Consmin announced that Palmary's offer to increase its offer for the company from $A4.70/share ($US4.10) to $A5/share ($US4.36) was welcome, and could be extended should any other party want to make a bid. Palmary's offer will now be extended until December 20.

Contender Pallinghurst has already said it has accepted Palmary's increased offer for part of its ConsMin holding and intends accepting Palmary's increased offer for all remaining and future holdings of ConsMin shares. This is all a long way from the original offer of $A2.30 ($US2.01) a share instigated by Pallinghurst and has Perth stockmarket observers saying ConsMin was now well or over-priced.

But the implication goes further, as Alex Passmore, head of Metals and Mining for Perth stockbroking firm Paterson Securities explained to Mineweb – Palmary, which is associated with an Ukrainian ferro-alloy producer and its associate Privatbank, sees huge savings in the investment.

Passmore said market speculation is that the Ukrainian group, which mines a generally lower quality manganese than ConsMin has at Woodie Woodie in WA, could be short for the next year as much as 500,000t of product. That could see a cost at whatever the tonnage is of buying metal or product on the market as 3.5 times greater than having direct control of the Woodie Woodie product. The savings over 12 months could be calculated at +$US60 M.

SOUTH AFRICA CUTS TAX RATES IN FINAL MINE ROYALTY BILL

December 6, 2007 (Reuters) – South Africa's Treasury revised the tax structure of a mine royalty bill in its final draft on Thursday and cut rates for some key minerals including gold and platinum. The country's first-ever royalty bill has been burdened by controversy, with the Chamber of Mines objecting to the previous two-tier tax and also criticising the idea of royalty charged on sales rather than profits.

The third and final draft of the bill removes a dual rate system for refined and unrefined minerals and confirms gross sales as tax base for the royalty, but unlike previous drafts, takes into account the profitability of a company.

To encourage local processing of minerals, the revised tax base will be equal to gross sales less allowable expenses linked to processing and transport of the final product. Small miners, with a yearly turnover of 10 million rand, will be entitled to receive a credit of up to 100,000 rand per year, the Treasury said.

The new average rate for royalties on gold is 2.1 percent versus the previous average of 2.25 percent, while that for platinum group metals falls to 2.7 percent from 4.5 percent. South Africa is the world's top producer of gold and platinum.

The royalty rate for diamonds is 3.7 percent versus a previous 5 percent on unrefined gems, the rate for chrome is 1 percent from an average of 3 percent, while that for iron ore remained unchanged at 3 percent. The royalty rate for coal is 2.1 percent, up slightly from a previous average of 2 percent.

The first draft of the bill was released in 2003. The deadline for public comment on the new bill is February 29, the Treasury said in a statement.

BHP BILLITON MAY QUIT RIO TINTO BID – ANALYSTS

December 6, 2007 (Business Report) – BHP Billiton, the world's largest mining company, might walk away from its $134 billion (R915 billion) takeover proposal for Rio Tinto Group, Southern Cross Equities said yesterday. "There is every possibility that if BHP can't get a recommended deal from the Rio board that they will walk," Charlie Aitken, head of institutional dealing at Southern Cross Equities, said in a research note released on Tuesday. Southern Cross is rated the most accurate forecaster of BHP Billiton's share price performance of 16 analysts tracked by Bloomberg.

Rio Tinto's London shares are trading at a 14 percent premium to BHP Billiton's three-for-one share proposal, indicating investors expect a higher offer. Investors should take advantage of the 27 percent rise in Rio Tinto's London shares since the approach was announced and "lock some of the Rio outperformance in and switch to BHP shares", said Aitken.

Chinese steel makers, the largest buyers of iron ore, and the government are studying a joint bid for Rio Tinto to stop BHP Billiton from getting control of almost half the Asian market for steel's raw material. The threat of China getting a blocking stake in Rio Tinto was a "clear and present danger" to holders of Rio Tinto shares, Aitken said.

BHP Billiton would not offer more than 3.3 shares for Rio Tinto stock, he said. Rio Tinto chief executive Tom Albanese told investors BHP Billiton's three-for-one stock proposal undervalued his company. Perennial Investment Partners, Argo Investments and Baker Steel Capital Managers all agree.

BHP Billiton chief executive Marius Kloppers would not speculate on making a higher bid for Rio Tinto last week. He said no other group had the capacity to replicate the acquisition.

ZAMBIA TO INTRODUCE NEW TAXES ON COPPER MINING

December 6, 2007 (Business in Africa) – Zambia's finance minister on Wednesday announced plans to increase taxes paid by copper mining firms in order to benefit from the current high prices the mineral is fetching on the international market. Ngandu Magande said his government has begun renegotiating with big mining firms that have fixed tax agreements with Zambia, in order to effect the new tax measures early next year.

He said a team had been appointed to discuss the measures with investors who signed agreements with government for lower taxes at a time when the prices of copper on the foreign market were too low. He said copper mining firms in Zambia were expected to earn 3.5 billion dollars in revenue this year but would only pay a tax contribution of 198 million dollars to government, which is low. "It is therefore important that mining companies should contribute more to the government," Magande said.

Zambia's mineral royalty is pegged at 0.6 percent, which is said to be one of the lowest in the world but government intends to increase it to around three percent, Magande said. "This is what we call a win-win position and is what is desirable for the country," the minister said.

Most big mining firms in Zambia signed legally-binding development agreements with government allowing them to operate at a fixed tax rate for a period between 15 to 25 years. "This clearly demonstrates the lopsidedness of these agreements and under such circumstances, it is extremely difficult for government to continue signing further agreements on the same terms," he said.

Copper contributes more than half to Zambia's domestic gross product.

XSTRATA FAILS TO GET 50% OF JUBILEE, EXTENDS BID

December 7, 2007 (Reuters) – Mining group Xstrata Plc has extended its A$3.1 billion ($2.70 billion) bid until January 31 for Australia's fifth-largest nickel producer Jubilee Mines NL after it failed to get 50 percent of shares. Xstrata said on November 26 that it would declare its takeover offer for Jubilee unconditional if it got acceptances accounting for more than half of the shares by December 6.

But its nickel unit only received 36.1 percent of Jubilee's total issued shares, a statement said on Friday. "Since the announcement of the takeover on October 29, 2007, there have been no indications that another bid may emerge," Xstrata said.

Jubilee continues to support the offer and recommends that shareholders accept it, Jubilee's Executive Chairman Kerry Harmanis said. At A$23 a share, Xstrata offered a 35 percent premium to Jubilee's shares before the offer was announced. Jubilee shares closed on Friday down 0.2 percent at A$22.90.

Jubilee mines around 12,000 tons of nickel a year, which is less than 1 percent of global output, from its Cosmos nickel mine in Western Australia, and plans to develop a second project, taking annual output to 22,000 tons a year in the next three or four years.

BRAZIL VALE SEES STRONG OUTPUT GROWTH IN 2008

December 7, 2007 (Reuters) – Brazilian mining giant Vale, previously known as CVRD, said on Friday it expected its iron ore output to grow more than 8 percent to 325 million tonnes in 2008 from this year. Vale, the world's largest iron ore producer, also said in a statement it expected its iron ore production to grow to 422 million tonnes in 2012, as it continues investments to expand capacity to meet heated world demand from the steel sector.

Vale Chief Executive Roger Agnelli told a news conference that the total installed iron ore production capacity in 2012 should reach as much as 450 million tonnes. This year, Vale's estimated production is 300 million tonnes.

Vale said it also expected to raise nickel output to 280,000 tonnes from 260,000 tonnes in 2007. By 2012, the company's relatively profitable nickel operations should grow to 507,000 tonnes, which Agnelli said would make the company an undisputed leader in world nickel production.

Vale's copper production would grow to 300,000 tonnes in 2008 from 290,000 tonnes this year. In 2012, copper output was expected to grow to 592,000 tonnes. Alumina output should rise to 5.3 million tonnes next year, and then to 8.2 million tonnes in 2012, from this year's estimated 4.3 million tonnes.

Asked about annual iron ore term price negotiations that started last month, Agnelli reiterated he expected the talks to be protracted as Vale and its Asian clients, who lead the talks on behalf of iron ore consumers, needed to balance out price disparities between the spot and term contract markets. They also have to take into account supply and demand pressures in various parts of the world.

Jose Carlos Martins, director of ferrous metals, added: "You can't ignore the spot market anymore. It used to be just a small distortion, now it's an indication of the state of the market ... showing that the market is tight."

The spot market, which has grown recently and now trades as much as 300 million tonnes of ore per year, has seen prices soar, sometimes reaching twice the contract prices. Analysts generally expect iron ore prices to rise between 25 and 35 percent for next year, although some do not rule out a bigger hike.

Martins said the company was not planning to change its price-setting system and sell the ore on the London Metals Exchange, or set up a mixed-price system as some other producers suggest.

INDIA: MINING OF TITANIUM BEARING MINERALS TO BE ALLOWED

December 7, 2007 (Webindia123) – Even as the Indian government grapples with the complexities of the civilian nuclear deal with the US, the cabinet is all set to approve the mining of titanium bearing minerals, officials said.

The proposal is to permit, with prior government permission, up to 100 percent foreign equity in mining and mineral separation of titanium bearing minerals and ores, value addition and certain integrated activities.

But such permission will be subject to sector-specific regulations (as also the provisions of the Mines and Minerals Development and Regulation Act, 1957) in the present policy on foreign direct investment in atomic minerals, officials said.

The commerce and industry ministry's proposal after through consultations has been pending for sometime now and came up for review in May this year. Now it will feature as part of an overarching policy to review foreign investment across multiple sectors, officials explained.

The present policy is governed by the Beach and Sand Minerals Policy of the Department of Atomic Energy since ilmenite was included as an atomic mineral. Given the furore over iron ore reserves being handed over to South Korean steel giant Posco in the past, the government is taking adequate measures for titanium mining.

Officials said foreign investment of up to 100 percent will also be allowed for mineral separation, but only if the value addition facilities are set up within India along with the necessary technology transfer. Even more vitally, disposal of tailings shall be carried out in accordance with regulations framed by the Atomic Energy Regulatory Board such as Atomic Energy Radiation Protection Rules 2004 and Atomic Energy Safe Disposal of Radioactive Wastes Rules 1987.

COEUR D'ALENE MINES SAYS SHAREHOLDERS APPROVE $1.1 BLN MERGER DEAL WITH BOLNISI GOLD AND PALMAREJO

December 7, 2007 (RTTNews) – Friday evening, Coeur d'Alene Mines Corp., engaged in the exploration of mineral properties, said that its shareholders has approved the $1.1 billion merger deal with Bolnisi Gold NL and Palmarejo Silver and Gold Corp. The addition of Palmarejo project to Coeur d'Alene Mines' existing asset mix would transform it into a high-growth, low-cost, long-life and sustainable world leading silver company with exciting exploration potential. The transaction is expected to close by year-end.

The final tabulation indicates that more than 88% of the shares voted were cast in support of the proposals on which the company's shareholders were asked to vote. Earlier this week, shareholders for both Bolnisi and Palmarejo voted overwhelmingly in favor of the transaction. The Palmarejo project is expected to begin production in early 2009 at an annualized rate of approximately 10.4 million ounces of silver and 115,000 ounces of gold per year with cash costs, net of gold bi-product, of an estimated $0.41 per ounce of silver and an initial mine life of nine years.

Editor's Note

Behre Dolbear was pleased to assist Coeur D'Alene with this acquisition.

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