

BEHRE DOLBEAR

Global Mining News

SALMAN PARTNERS SAYS URANIUM MAY HIT \$200/LB THRESHOLD IN 2008

December 10, 2007 (MineWeb) – Salman Partners’ Senior Mining Analyst Ray Goldie and Research Associate Patrick Donnelly have predicted that uranium prices could reach \$200/lb in the next three to five years due to a lack of new mine supply. Nevertheless, while Goldie, a geologist, and Donnelly suggest that the \$200/lb threshold could be reached by the end of 2008, they also advise that “uranium prices could hit a ceiling.”

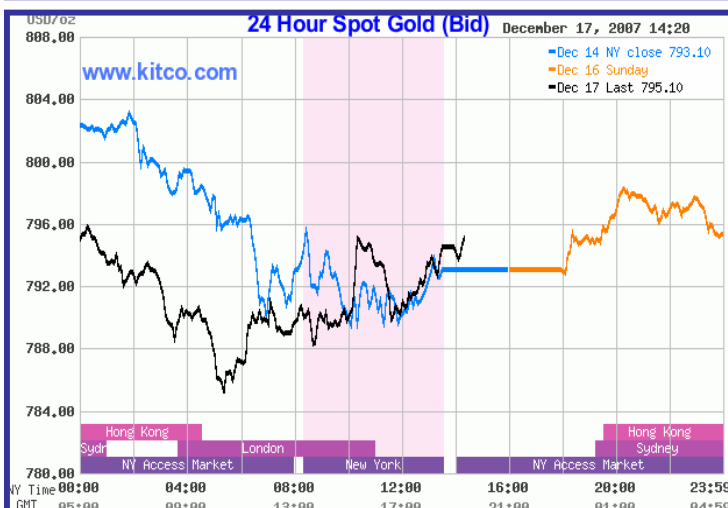
“We think that there is a ceiling because if a utility were to pay US\$200/lb for all of its fuel, its total cost of producing electricity would be about US\$0.15/KWH, a cost at which most generators could not make money,” the analysts explained in a recently published report. They added that \$200 uranium “would encourage some consumers to stand on the sidelines until Cigar Lake came on stream, and that prices could not be sustained above US\$200/lb for significant periods. But we do believe that a later start of Cigar Lake would lengthen the period during which prices would hover around US\$200/lb.”

Goldie and Donnelly also urged investors to consider an event that “although we judge it to have a less than 50% probability of occurring, could have a significant impact on uranium prices”, that the Russians “must turn off the HEU tap.”

Salman noted three recent developments, which they claimed, could have “a profound effect on uranium prices. First, the Russians have asked to renegotiate the deals governing shipments of weapons-grade uranium to the West. Meanwhile, Russian President Vladimir Putin has signed legislation creating Rosatom, a state nuclear energy and arms company, that is expected to have

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USD	DECEMBER 14, 2007	DECEMBER 07, 2007
GOLD	789.50	792.50
SILVER	14.0100	14.4400
PLATINUM	1,462.00	1,458.00
PALLADIUM	346.00	344.00
ALUMINUM	1.0714	1.0977
COPPER	2.9121	3.0899
LEAD	1.1163	1.2134
NICKEL	11.7400	11.9749
URANIUM	92.00 (12/10/07)	93.00 (12/03/07)
ZINC	1.0569	1.0755

more than 110 units that mine uranium, generate nuclear fuel, design reactors, build missiles, and market nuclear products for export. Third, the U.S. and Russia have reached agreement to extend imports of Russian uranium into the U.S.

“The deal on natural uranium between Russia and the U.S., and the creation of Rosatom may encourage speculation that, now that the Russians have opened a pathway for once again selling natural uranium in the U.S. and that they have a place to park weapons-grade uranium, they may halt the sales of weapons grade uranium,” Goldie and Donnelly stated. Since Russian weapons-grade uranium now supplies 13% of global demand for uranium, the analysts said that “we consider that such a move by the Russians would have a profound

impact on uranium prices. From Cameco’s point of view, such an increase in uranium prices would probably more than offset any loss of sales volumes.”

Goldie and Donnelly said they anticipate that beyond 2015-when BHP Billiton’s massive Olympic Dam expansion is scheduled to come on line in southern Australia-the supply of uranium could exceed demand.

Salman forecasts that the spot price of uranium will average \$102/lb this year, \$162.50 in 2008, \$186.85 in 2009, and \$191.87 in 2010. Goldie predicted that the world’s top uranium producer, Canada’s Cameco, will realize average prices of \$38.69/lb this year, \$71.92 in 2008, \$88.94 in 2009, and \$106.25 in 2010.

VALE BID FOR XSTRATA SEEN DOUBTFUL, NOT IMPOSSIBLE

December 10, 2007 (Reuters) – Reports that Brazilian miner Vale may be preparing to bid for UK-listed rival Xstrata are unlikely to result in an acquisition even if an offer is made, analysts said on Monday. British newspapers said over the weekend that Vale, the world’s biggest iron ore miner and formerly known as CVRD, had hired bankers to consider an acquisition possibly worth more than 38 billion pounds (\$77 billion).

A company source said Vale was still absorbing last year’s acquisition of Canada’s Inco for \$17 billion and working on a range of costly projects, which practically ruled out any chance for a major bid soon. Citigroup said in a report a Vale takeover of Xstrata was unlikely, but could not be ruled out. It said that adding some \$80 billion of debt would take Vale’s debt ratios “above prudent levels.” Vale’s chief executive, Roger Agnelli, said last week his company now prefers to focus on “organic growth.”

“We don’t stop looking for opportunities that would add value to shareholders, but we currently see these opportunities within the scope of our investment plan,” Agnelli said. “A bid for Xstrata may make sense from the operating point of view, for things like coal and copper, but it would be complicated. Vale would have to issue equity and that entails a lot of problems. Certainly they are looking around, but I doubt much will happen,” said an analyst with a big Brazilian bank.

Vale has a two-class shareholding structure, which makes payment in equity complicated and may require a premium. Citigroup said that recent sector consolidation activity may spur Vale to shift to a single share class.

Another analyst said Xstrata “obviously makes a lot of sense” for Vale, and being worth less than \$100 billion is not an impossible target for Brazil’s giant, whose market capitalization is over \$160 billion.

CONGO KEEPS URANIUM RICHES UNDER WRAPS

December 10, 2007 (Reuters) – Democratic Republic of Congo has flirted with reviving its once-great uranium mining sector, but insists that for now it will keep its radioactive treasure trove underground for future generations to reap the profits. But Congo sealed its main Shinkolobwe uranium mine in mineral-rich Katanga province by filling its shafts with concrete following independence in 1960, halting commercial mining and exports.

“We have 800 different minerals in this country right now. We only exploit 20 of them. Uranium is a reserved mineral. We want to leave it for future generations,” Deputy Mines Minister Victor Kasongo, told Reuters in a telephone interview.

Speculation has mounted that Congo would also relaunch commercial uranium mining, fuelled by a ‘will they? won’t they?’ courtship with London-listed Brinkley Mining Plc over a joint venture with Congo’s atomic

energy agency to explore, mine, and export uranium under an exclusive contract. Brinkley signed a memorandum with Congo's Ministry of Scientific Research in early 2007 but the deal was rejected by a new post-election government in March.

The project was revived and a renegotiated deal signed in July, but days later Sylvanus Mushi Bonane, who spearheaded negotiations, was sacked as minister of scientific research and the Mines Ministry has dismissed the accord as invalid.

Brinkley Chairman Gerard Holden told Reuters the company has yet to receive official confirmation from the government that the agreement will not progress, and was "seeking clarification" from Congo's atomic energy agency, the CGEA.

As Congo casts around for funds to rebuild its ruined infrastructure – including a \$5 billion loan from China to be repaid partly with mineral rights – some see using untapped uranium reserves as essential. Any bid to mine uranium would have to clear huge hurdles.

Congo's mining code would require a request from the Mines Ministry and approval from the president, and any outside partner would also need approval from the International Atomic Energy Agency (IAEA), of which Congo is a member. While such clearances could be obtained within a matter of months, Lubala Toto said no such steps had been taken so far.

BRAZIL MULLS URANIUM EXPORTS AS MINING SET TO GROW

December 10, 2007 (Reuters) – Brazil's state-run nuclear mining and fuel company INB hopes to get government clearance to start exporting uranium as part of a plan to quadruple production by 2011 and expand prospecting. Luis Felipe da Silva, INB president's special aide for new projects, said the Santa Quiteria phosphate and uranium mining project, which would involve a private partner to mine phosphates, hinged on the liberalization of exports.

Santa Quiteria in the northeastern Ceara state would churn out 800 tonnes of uranium in 2011 and 1,200 tonnes later on, allowing Brazil to export over 1,000 tonnes of excess metal. Guilherme Camargo, a director at the Brazilian Nuclear Energy Association (ABEN) industry lobby, warned that without the green light for exports Santa Quiteria was doomed to fail, and Brazil would miss a good opportunity to take advantage of high uranium prices and replenish reserves.

The INB seeks to export the metal as it wants to reinvest proceeds in prospecting, mining and new processing units, including new centrifuges at the Resende uranium

enrichment plant, opened last year and now in the pre-operational phase.

Brazil's laws make uranium mining and trade a state monopoly and do not permit exports. Brazil has the world's sixth-biggest uranium reserves, but its output is still meager, only aimed at supplying two local reactors.

Visiting chief of the International Atomic Energy Agency, Mohamed ElBaradei, suggested last week that Brazil could have a more ambitious nuclear program since it has the enrichment technology and the raw material for nuclear fuel. Science and Technology Minister Sergio Rezende said last week the program would be accelerated, including new mining, which is likely to include Santa Quiteria.

Sector experts say the government could modify export policy without major constitutional changes to finance further mapping of uranium reserves by the INB. But attempts by the mining lobby, including Vale, to break the state monopoly on uranium mining have little chance of being passed.

RIO TINTO IN "PUT UP OR SHUT UP" CHALLENGE TO BHP

December 11, 2007 (Reuters) – Rio Tinto challenged BHP Billiton Ltd/Plc on Tuesday to make a formal bid to create a mega-mining house or walk away from what could be the second biggest takeover ever. Rio said it asked Britain's Takeover Panel to set a deadline under a "put up or shut up" rule by which BHP would have to

formalise its approach, more than a month after BHP's \$140 billion (68.4 billion pounds) 3-for-1 share proposal was made public.

"The (BHP) proposal is getting a bit stale," said James Wilson, a mining analyst with DJ Carmichael in Perth. "A marriage between Rio and BHP is the logical next

step, and Rio is saying ‘come on BHP, get on with it, stop dilly dallying’.”

The proposal has eclipsed Rio’s \$38 billion acquisition of Canadian aluminium giant Alcan, prompted widespread speculation of looming counter bids and triggered protests from the world’s steelmakers fearing a combined group would have too much clout in setting raw materials prices.

A combined BHP-Rio would hold about 27 percent of the world market for iron ore. It would also control the global flow of coal, copper, uranium and diamonds. Rio has rejected BHP’s overture, which it received in the form of letter, as “out of the ballpark”, and has declined to meet BHP face-to-face to discuss a merger.

UBS has said BHP could afford to put a further \$27 billion in cash into the offer on top of a promised \$30 billion share buyback. BHP was expected to boost its

takeover proposal by about a fifth, possibly by adding a cash sweetener, a Reuters poll of investors and analysts last month showed.

Under Britain’s corporate takeover regulations, once a proposal has been initiated, the target company can ask the panel to set a deadline for the bidder to formalise its intentions. If this “put up, or shut up” rule is triggered, BHP would need to either make a firm offer within a designated period – typically 1-2 months – or withdraw for at least six months before coming back with a firm bid or proposed offer.

Rio’s request follows weeks of speculation that a number of other suitors were readying offers, though none has emerged. Rio Chief Executive Tom Albanese late last week called BHP’s proposal “dead in the water,” and said other companies were calling, though Rio had not been responsive.

UBS: LOWER ‘08 BASE METAL DEMAND; COPPER, ALUMINUM WILL OUTPERFORM

December 11, 2007 (MineWeb) – UBS Lead Analyst Joachim Klement recently stated that he felt the base metals price outlook for next year was weaker as the slowdown in the U.S. economy is expected to result in a drag in demand although he expects “copper and aluminum to buck the trend and outperform the complex.”

However, he warned, “a crucial factor in the near future could be measures taken by governments aimed at environmental protection by curbing energy intensive industries,” noting that China and Indonesia are already “initiating steps in this direction.”

In a recently published analysis, Klement suggested the slowdown in the U.S. economy will lead to a fall in commodities demand, “especially crude oil and copper as the U.S. is amongst the largest consumers globally. Historically, the performance of industrial metals mirrors U.S. industrial production. Slowing industrial production could severely dent the demand for commodities.” Klement noted that warehouse stocks of industrial metals are still at low levels with copper and zinc stocks at 2.6 and 2.5 weeks consumption respectively, while nickel is at four weeks.

UBS asserted that copper prices could outperform in 2008 due the surge of imports of refined copper, and a 23% increase in Chinese copper usage this year, which is anticipated to rise an additional 6% in 2008. UBS also anticipates that the present tightness in the concentrate

markets may continue as low treatment and refining charges may result in reduced smelter output next year.

UBS asserted that aluminum could be the strongest performer among base metals. Among the factors cited by Klement is the possibility that the world’s largest producer and consumer of aluminum, China, could turn into a net importer due to export taxes.

Meanwhile, UBS expressed skepticism that lead could continue its price surge. “The scenario next year could be different, slowing demand and increased supplies would cause prices to weaken over the next year. Main factors which could generate this scenario include the possible resumption of exports from Ivernias Magellan mine, which generates 3.5% of global lead output. Independent analysts estimate Chinese exports could increase 24% next year to 351,000 metric tons. Klement noted that lead inventories in LME warehouses have increased 89% since October 1.

While tight global supplies caused zinc to rally this year, UBS forecast that “strong growth in mine production and the addition of new smelters in China during the second half of 2008 is likely to keep the market well supplied, hence weakness could be seen in zinc.”

Finally, UBS noted that nickel prices have fallen “due to weak demand from stainless steel producers,” who account for about 70% of nickel demand. “In our view, the weakness in stainless steel market is likely to persist in 2008,” Klement predicted.

TIN USAGE UNLIKELY TO EXCEED 2006 RECORD, ITRI SAYS

December 11, 2007 (Bloomberg) – Tin usage this year is unlikely to beat the 2006 record as demand growth slows because of “weakness” in the electronics industry, said ITRI Ltd., a group representing tin producers. World tin consumption this year will be “almost unchanged” from the 362,000 metric tons used in 2006, St. Albans, England-based ITRI said today in an e-mailed statement. The results were based on 90 companies accounting for a third of last year’s usage.

“Rapid growth in tin usage in solders has slowed substantially,” the organization said. “Part of this has been due to temporary weakness in the electronics sector in the first half.” Soldering in electronics represented about 52 percent of use last year, according to ITRI. Tin has gained 43 percent this year, trailing only lead on the London Metal Exchange. The price rally boosted

earnings at Indonesia’s PT Timah, the world’s largest exporter of the metal, and spurred Australia’s Wolf Minerals Ltd. to acquire a U.K. tin mine this month that’s been closed more than 60 years.

The European Union banned the use of lead in soldering from mid-2006, prompting companies to switch to tin before the regulations took effect. There was no such rush this year, ITRI said. “Although similar laws have been introduced in China from March this year, the Chinese authorities have not yet confirmed the timing and scope of mandatory restrictions on hazardous elements in electronic products,” the company said.

Tin for delivery in three months dropped \$75, or 0.5 percent, to \$16,650 a ton on the LME as of 2:39 p.m. local time.

CHINESE COMPANIES TO TAKEOVER PERUVIAN COPPER MINE

December 11, 2007 (Economic Times) – Two Chinese companies have offered 450 million dollars for Canadian copper assets in Peru as part of China’s push for natural resources in South America, state press said Tuesday. China Minmetals Nonferrous Metals has teamed up with Jiangxi Copper to launch an apparently successful takeover of the Vancouver-based Northern Peru Copper for 455 million Canadian dollars, the China Daily reported. All companies involved are happy with the deal, although it still requires regulatory approval.

Northern Peru has been looking for a buyer this year to acquire and develop its Galeno copper-gold-molybdenum

project in the South American country, the paper said. “Minmetals and Jiangxi Copper presented us with the best offer to acquire the company and we are happy to accept their offer,” the paper quoted Northern Peru’s chairman Ross Beaty as saying in the Canadian press.

The two companies are offering 13.75 Canadian dollars per share in cash, a premium of more than a third of Northern Peru Copper’s 20-day average price last week, the paper said. The deal is expected to close in early 2008 and is still pending approval from regulators, Jiangxi Copper said in a statement filed with the Shanghai Stock Exchange on Monday.

US COURT REJECTS CHALLENGE TO \$1.5 BIL URANIUM-ENRICHMENT PLANT

December 11, 2007 (Platts) – In a victory for the US nuclear power industry, a federal appeals court on Tuesday threw out a lawsuit that sought to halt construction of a \$1.5 billion uranium-enrichment plant that a consortium of energy companies is building in southeastern New Mexico. The ruling, by a three-judge panel of the US Circuit Court of Appeals for the District of Columbia, will allow work to continue on the so-called National Enrichment Facility near Eunice, New Mexico.

The facility, which will produce fuel for US nuclear power plants, is being built by Louisiana Energy

Services, a consortium of US and European power companies. LES expects the plant to be fully operational by 2013, and that it will provide about 25% of the enriched uranium that US nuclear power plants will require. Currently, less than 10% of the enriched uranium that US plants use is produced domestically.

Two environmental groups, Public Citizen and the Nuclear Information and Resource Service, sued the US Nuclear Regulatory Commission for granting LES a license to operate the plant. The groups said NRC’s issuance of the license violated the National

Environmental Policy Act and the Atomic Energy Act. The groups argued that NRC did not adequately address the environmental impacts of the radioactive waste that the facility will produce, among other things.

But the court rejected that argument Tuesday, saying in a 16-page ruling that “NRC thoroughly examined the

environmental consequences of waste disposal.” The court also rejected the groups’ argument that LES had failed to provide a reasonable cost estimate for disposing of the facility’s waste. It said that under the law, LES “need not present a concrete plan,” but only a “plausible strategy” for disposing of the waste.

NORILSK NICKEL ASSET SPINOFF – REVENGE PLAY BY PROKHOROV

December 12, 2007 (MineWeb) – For months now, Russia’s most valuable mining asset, Norilsk Nickel, has been the object of a bitter personal war between the two men, who took the asset from the state a decade ago – Vladimir Potanin and Mikhail Prokhorov. Norilsk Nickel has a current market value of \$52.2 billion; its share price on the Moscow exchange is currently \$274. But the value is under pressure from the war, and on Friday this week in Moscow, they will stage a new battle. The occasion is an extraordinary general shareholders’ meeting, called to vote on the 11-month old plan to create a new company, Energopolyus. Prokhorov has said he will vote his 28% stake in the company to prevent the spinoff of non-core electricity assets into Energopolyus, which was agreed by Prokhorov and Potanin last February.

The fight over the division of the assets Potanin and Prokhorov have co-owned for more than a decade has turned vengeful – and Prokhorov has started digging graves. A banker close to him has told Mineweb Prokhorov isn’t so much opposed to the spinoff, as determined to throw a spoiler in the transaction, creating uncertainty and confusion for the bankers being asked to lend on either side of the split between Potanin and Prokhorov.

Early this week, Potanin announced that, despite threats by Prokhorov to vote against the spinoff, when Norilsk Nickel shareholders meet to decide the issue, Potanin will

vote in favour. “NorNickel’s road show,” he said, “underscored investor interest in the unbundling of utilities asset and upbeat market valuation of EnergoPolyus’s prospects. I believe that as a result of this situation Mikhail Prokhorov will not dare to cast a negative vote.”

Last month, Norilsk Nickel chief executive, Denis Morozov, explained to shareholders the rationale for the deal. “Non-core energy assets are not fully reflected in Norilsk’s market capitalization,” he said. “Both Norilsk and EnergoPolyus will derive benefits from the Spin-off. [There is] little rationale for keeping the two businesses together.”

Moscow analysts have told Mineweb the deal is doubly attractive: in the first place, they expect that after the spinoff, Norilsk Nickel’s share price will retreat by less than the value of the assets that have been transferred to Energopolyus, thus adding value to the mining company.

So why, if he will be richer, and can demand a higher premium for his stake from Potanin, has Prokhorov decided to vote against, according to statements announced by his Moscow holding, Onexim? A banker close to him describes Prokhorov as “an emotional guy – volatile. He changes his mind.” The banker added: “We have no idea which way Prokhorov will vote on Friday [on the spinoff].”

BHP BILLITON FIGHTS BACK IN FRIENDLY WAR TO GAIN RIO TINTO

December 12, 2007 (MineWeb) – Just over a month after publicly indicating its interest in Rio Tinto, BHP Billiton on Tuesday executed a professional but savage attack, effectively on criticism voiced by its intended target. Last week, in ongoing attacks on its potential predator, Rio Tinto CEO Tom Albanese said that the unsolicited BHP Billiton interest in Rio Tinto – indicated as three BHP Billiton shares for one Rio Tinto share – was “dead in the water”.

He complained, once again, that the indicated offer undervalued Rio Tinto. “BHP presented an incomplete proposal, which our board took seriously,” Albanese reportedly said on CNBC. On Wednesday this week, BHP Billiton CEO Marius Kloppers conducted a global media presentation titled “BHP Billiton and Rio Tinto: A Matter of Value”, relying on facts to effectively retaliate against Rio Tinto.

The BHP Billiton presentation pointed to how at the formation of the BHP Billiton DLC (dual listed company) in 2001, BHP Billiton's market capitalisation (value) exceeded that of Rio Tinto by US\$7bn. Since then, BHP Billiton's market capitalisation has grown at an annual compound growth rate (CGR) of 37%; Rio Tinto's answer here has been a CGR over the same period of 29%. At the date of the BHP Billiton proposal, the BHP Billiton market capitalisation exceeded that of Rio Tinto by more than US\$100bn.

BHP Billiton has 17 major projects in execution entailing capital expenditure of US\$12.3bn (reflecting BHP Billiton's attributable share); 12 major projects in feasibility entailing possible capital expenditure of US\$6.1bn, plus future options estimated at more than US\$50bn. BHP Billiton's total project pipeline now exceeds US\$70bn.

BHP Billiton's project pipeline is diverse by commodity and is targeted towards high-margin businesses in low-

risk geographies. BHP Billiton expects to deliver future EBITDA (earnings before interest, tax, depreciation and amortisation) "with greater security and lower risk per dollar of capital expenditure".

In its anti-BHP Billiton presentations at the end of November, Rio Tinto flagged a five pronged strategy for growth aimed at convincing its shareholders (many of which also hold stock in BHP Billiton) to not let go. The strategies are clearly headed up by iron ore, the bulk material that's stolen the limelight amid the ongoing bull market in commodities and metals.

Rio Tinto also highlighted its leading position in bauxite and alumina (aluminium oxide) production (underpinned by the now-complete \$38bn for-cash acquisition of Alcan); a strong growth pipeline in copper; an increased divestment strategy following an internal strategic review, and a revised capital management program focused on enhancing shareholder value.

HEIGHTENED GOLD VOLATILITY EXPECTED IN 2008 AS GOLD MOVES TOWARDS \$900

December 12, 2007 (*MineWeb*) – VM Group, in conjunction with Fortis Bank, has released its latest "yellow book", in which the group looks ahead to 2008 and forecasts that the gold price is heading for one of the most volatile years for some time. A small production surplus of 123 tonnes is expected, which would be equivalent to just less than two weeks' projected consumption and investment demand and suggests that investor purchases will be important if prices are to remain strong. Given that the residual surplus is this small, the study acknowledges that small changes in the environment could easily swing the market into deficit, and also that the closeness of the balance intensifies the importance of external forces. The major factors affecting the market are thus identified as the fate of the US dollar, that of the western economies and prospects for Asia.

The group takes the view that the prognosis for continued background macro-economic problems relating to the probability of a US recession and additional dollar weakness suggests that there will be no lack of investment activity.

The development of a cumulative market deficit of 972 tonnes over the period 2000 – 2006 inclusive is cited as enough, of itself, to generate an increase in prices

(subject to the existence of a "massive stock overhang") and that this has been instrumental in underpinning one of the strongest and longest bull markets in the metal's history.

Looking ahead, mine supply is expected to be level with that of 2007, with South Africa expected to cede pole position to China as the world's largest mined gold producer. Scrap supply is forecast to fall and there is little likelihood of any new producer hedging. Central Bank sales are also expected to fall short of this year's levels.

On the demand side the ETFs are expected to retain their important role in supporting demand - the recent annual average of roughly 200 tonnes is expected to persist in 2008, with the emphasis still on purchasing by investment banks and funds.

It is argued that it would be a great surprise if gold did not rise to \$900 ounce during the year and that if the background macro-economic circumstances in the US and a weaker dollar fail to take gold to \$900 then it would be a strong indicator that it has reached a new historic ceiling. By early 2009, with a new incumbent in the White House, "the going is likely to get much trickier for precious metals" says the group.

MITTAL SAYS TO UP LIBERIA INVESTMENT TO \$1.5 BLN

December 12, 2007 (Reuters) – Arcelor Mittal, the world's largest steelmaker, said on Wednesday it will increase investment in an iron ore project in Liberia by \$500 million to \$1.5 billion in a vote of confidence in President Ellen Johnson-Sirleaf's government.

Chief Executive Lakshmi Mittal told a joint news conference with Johnson-Sirleaf that his company aimed to ship its first iron ore cargo from the war-ravaged West African country by mid-2009 and expected to reach 15 million tonnes of shipments by 2011. "We are excited about the project and we are ready to increase our investment programme from \$1 billion to \$1.5 billion," the Indian billionaire told reporters.

"When madam president came into power there was a lot of scepticism and now this scepticism has gone," he added. "The country is moving towards democracy with a stable government ... This gives us the confidence (to increase our investment)." Drilling at the mine site was due to begin on Dec. 26, he said.

The 25-year deal signed in December gives Mittal the right to mine a huge, high-quality ore body in northwest Liberia with reserves currently estimated at 500 million tonnes of iron ore.

BUMI BUYS AUSTRALIAN ZINC MINER FOR \$403 MILLION

December 13, 2007 (Financeasia.com) – The Indonesian company diversifies its business with the acquisition of Herald Resources. Indonesian PT Bumi Resources yesterday announced that it had offered A\$455 million (\$403 million) for Australian zinc miner, Herald Resources.

Herald's main asset is the undeveloped Dairi lead/zinc underground mining project in north Sumatra in Indonesia. The project is still to enter its development phase and requires substantial funding. It is also subject to regulatory requirements, as well as development and operational risks.

Bumi is offering A\$2.25 a share, which is a 32% premium to the one-week volume weighted average of Herald shares up to December 11. This allows Herald shareholders the opportunity to realise full value for their shares at a substantial premium to historic trading levels, in an environment of declining zinc and lead prices, according to a press release issued by the company.

The acquisition is in line with Bumi's strategy of diversification, building on its existing Indonesian mining development and operating capabilities. Credit Suisse advised on the deal.

KAZAKHSTAN ALUMINIUM PLANT OPENS

December 13, 2007 (The Moscow Times) – Kazakh metals major Eurasian Natural Resources opened a \$900 million aluminium smelter on Wednesday, the country's first, which it expects will hit full capacity of 250,000 tons per year by 2011. ENRC, with a market capitalization of \$13.8 billion, is one of Kazakhstan's largest companies, accounting for about 4 percent of the Central Asian country's gross domestic product.

The official opening of Kazakhstan Aluminum Smelter two years after the first brick was laid is part of the country's efforts to diversify its economy away from oil and gas. "We are not only producing and selling raw materials. We are turning into a country which makes competitive products," Kazakh President Nursultan Nazarbayev said at the smelter's opening ceremony in the northeastern city of Pavlodar.

ENRC, which raised more than \$2.7 billion this month floating about 20 percent of its stock in London, says most of the aluminium produced at the smelter will be exported. It has not specified target markets.

Kazakhstan Aluminum Smelter has initial production capacity of 62,500 tons per year. Output is scheduled to rise to 125,000 tons in 2008 and to 250,000 tons per year by 2011. ENRC's shareholders include copper producer Kazakhmys, which said in a statement on Wednesday that its stake had fallen to 14.6 percent from 18.8 percent after ENRC's IPO.

The Kazakh government's stake was also diluted from its pre-IPO level of 24.8 percent. The rest of the nontraded stock is controlled by metals magnates Alexander Mashkevich, Alijan Ibragimov and Patokh Shodiyev.

SOUTH AFRICAN GOVERNMENT, PARTNERS IN \$10BN METHANE PROJECT

December 13, 2007 (*miningmx.com*) – The South African government's Central Energy Fund (CEF) has entered an R67bn joint venture with NT Energy Africa Group to search for coal-bed methane deposits to give the country a new energy source. NT Energy Africa is made up of Bataung Strategic Investments and NT Energy plc, a subsidiary of Sandhaven Resources.

“This initiative will help us achieve one of our key objectives of ensuring security of energy supply in South Africa and it also demonstrates the benefits of private/public sector partnerships where the achievement of such crucial goals are concerned,” said Sandile Nogxina, director general of the Department of Minerals and Energy.

The \$10bn stems from projects that could arise from a \$100m exploration programme of a number of South African coal fields outside existing mining areas. The projects include gas to liquid fuel using state-owned PetroSA, which is currently sourcing gas from tired gas fields off the east coast, or supplying gas to converted power plants that could generate a third of their electricity using gas, said Chris Mumby from NT Energy.

Bataung has been granted prospecting rights over quarter of a million hectares in South Africa's three key coal

provinces. NT Energy Africa and CEF have formed a company called GasCo, which will spend \$10bn or R67bn (at the current exchange rate) over the next three years to find methane deposits. There were no details in the press release of where the funding would come from and what each party would contribute.

The CEF is controlled by the mines and energy minister. Amongst the terms governing the CEF are the requirements that it finance and promote the acquisition and exploitation of coal deposits and manufacture liquid fuel.

NT Energy Africa has drilled coal deposits in the Free State province, recording 350 coal intercepts over 50,000 hectares. Drilling has started in Mpumalanga province and will begin in Limpopo province next year, said Kinesh Pather, Bataung's managing director.

“The development of sustainable sources of alternative energy has become a strategic priority for South Africa, and coal bed methane and the conversion of gas to liquid fuels provide a real, clean and long-term alternative to the current energy mix,” Pather said.

KENNECOTT EAGLE RECEIVES PERMITS FOR MICHIGAN COPPER/NICKEL MINE

December 14, 2007 (*Platts*) – Kennecott Eagle Minerals has received the three principal environmental permits needed to start construction of the Eagle nickel and copper mine in Michigan's Upper Peninsula, the company said Friday.

The Michigan Department of Environmental Quality issued mine, air and groundwater discharge permits after an extensive application review process that began in February 2006, a statement from the company said. Eagle's mine permit is the first issued by Michigan under its 2004-enacted nonferrous metallic mine law, considered among the most protective in the US.

The Eagle mine will be completely underground and accessed through a tunnel opening, located in the same area where a water treatment plant, ore loading equipment and other facilities will be contained, covering an area of 100 acres. All above ground facilities will be removed when mining ends and the area will be restored to its current conditions.

Construction and operation of the mine will create 500 local jobs in total, including direct employment with Eagle, as well as other businesses that stand to benefit from the project's development. Construction will take two years and will begin at an unspecified time in 2008.

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VALE FILES FORCE MAJEURE ON SOME IRON ORE TO CHINA

December 14, 2007 (Reuters) – Brazil’s Vale, the world’s largest iron ore producer, has declared force majeure on some iron ore cargoes destined for China, helping lift the spot price of the raw material to a new record. But Vale said it expected to resume shipments from its Sepetiba terminal on Saturday, at least on a provisional basis, while works to repair a berthing dolphin, damaged by a mooring ship on Dec. 8, are under way for up to 40 days.

Vale said in a statement the Sepetiba/Itaguaí port operator would run tests on Saturday “and if everything goes well, operations at the port terminal will resume on a provisional basis as early as tomorrow, Dec. 15.”

It said three vessels had not been loaded due to the force majeure, but traders in China and port officials in Sepetiba said earlier as many as 11 ships had been affected and up to 1.8 million tonnes of ore stuck in the port. A port official said the ore shipment pier in Rio de Janeiro state had not been loading since the accident.

Sepetiba is the smallest of Vale’s four iron ore terminals and it said it was trying to send the raw material waiting to be loaded to the other ports. Traders in China – the world’s top steel producer – said it could take up to

20 days before those ships are loaded and sail, adding to existing congestion in Brazilian ports.

Iron ore supply is already tight in China due to port congestion in Australia, limited supply of domestic ore and slow exports from India. Spot iron ore from India was quoted at a fresh high of \$200 a tonne, including cost and freight, up from around \$185 a week ago and more than double prices early this year, traders in China said. They expected it to rise further.

“At the moment, no mills are willing to pay such prices. But I can see prices reaching this level next week, or the week after,” said another trader based in Beijing. “They may look back in January and feel the current prices were low.” Sector analysts in Brazil said it was highly unlikely that Vale was using the incident to push spot prices higher.

Vale also told Chinese buyers it would need to cut exports in the first quarter to sort out port congestion. Exports from Australia’s Hamersley are also expected to be hampered in the first quarter due to port constraints, traders said.

GOLDMAN SACHS REDUCES ‘08 BASE METALS FORECAST, MAINTAINS \$750 GOLD

December 14, 2007 (MineWeb) – Demand concerns and rising supply have convinced Goldman Sachs commodity analysts to forecast a “retrenchment in commodity prices from recent highs, which has already largely occurred.”

Noting that base metals are most closely related to the industrial cycle with expected global economic activity expected to decline, commodities analysts reduced their 2008 base metals forecasts, but added they “still expect prices to reach historically high levels in some cases by year-end.” Meanwhile, the analysts also forecast that a stronger U.S. dollar will pressure gold prices lower next year.

In their analysis, Goldman Sachs asserted that “on a longer-term horizon, structural supply-side drivers have become increasingly supportive to commodity prices. Even as near-term cyclical concerns have led to recent sell-offs in near-dated prices of energy and metals, mounting evidence of further cost inflation surrounding the addition of longer-term production capacity owing to technological challenges, increased government take and rising input costs among other factors have lent

substantial support to long-dated prices, pushing five-year forward prices of crude oil, aluminum and copper in particular to record-high nominal levels. We believe that these increases will likely be sustainable, leading us to raise our long-dated price assumptions, which are reflected in our spot price forecasts.”

“We believe buying opportunities exist across the commodities complex in 2008, which have become more compelling on recent price declines. As a result, we recommend an overweight allocation to commodities within a portfolio context and suggest specific trades to implement our view in our ‘Top trading recommendations for 2008 list...’”

Goldman Sachs top trading recommendations for next year include a long LME copper timespread of \$318/mt with a “buy” on the December 2008 LME copper contract and a “sell” on the December 2010 LME copper contract. The analysts also recommended a short gold trade with a “sell” recommendation for the December 2008 COMEX gold contract at an opening value of \$841/toz.

London Gold: “We continue to expect gold prices to trade inversely with the U.S. dollar given gold’s currency-like properties of being a store of value and a medium of exchange. As Goldman Sachs economists continue to expect the U.S. dollar to strengthen on a 12-month horizon of expectations of a narrower U.S. current account deficit, we believe that gold prices will decline to \$750/toz, limiting returns from precious metals in 2008. However, structural support provided by stagnant supply growth and demand from consumers, central banks and investors will likely keep gold prices at historically high levels. 12-month gold price forecast: \$750/toz

London Silver: “Silver prices continue to track gold prices tightly and are also expected to decline in line with gold prices.” 12-month silver price forecast: \$13.70/toz

Copper: “Downward revisions to U.S. and Chinese economic growth forecasts have led us to modestly lower our expectations of copper prices in 2008. We believe that the greater-than-expected weakness in the U.S. economy and stricter Chinese inflation targeting policies will likely weigh on copper demand growth in 1H2008, giving copper inventories a chance to build moderately. As a result, we believe that copper prices will decline modestly until mid-2008 and that backwardation will remain muted. However, inventories are still expected to remain at historically low levels at the same time that a recovery in demand growth during

2H2008 is expected to outpace piecemeal supply growth. We therefore believe prices will regain upward momentum during 2H2008, reaching historically high levels by year end.” 12 month copper price forecast: \$9085/mt

LME Nickel: “Downward revisions to U.S. and Chinese economic growth forecasts have led us to modestly lower our expectations of nickel prices in 2008. These demand concerns come on top of an already softer nickel balance owing to an influx of Chinese ferronickel supply as well as substantial demand substitution out of nickel in response to high prices earlier this year, which have led to large buildups in nickel exchange inventories. We expect prices to regain positive momentum during 2G2008 as demand begins to recover globally and expected supply growth slows.” 12 month nickel price forecast: \$28335/mt

LME Zinc: “Similar to the rest of the base metals, we have lowered our expectations of zinc prices in 2008....However, an expected re-acceleration in economic growth later in the year and a slowdown in supply growth given that mine reactivation/expansion opportunities both in China and in formerly idled mines elsewhere have likely been exhausted, will likely renew upward price momentum during 2H2008. 12 month zinc price forecast: \$2535/mt.



NOTICE

The next issue of the Global Mining Newsletter will be published on Wednesday, December 26, 2007 as we are observing the Christmas Holiday on Monday, December 24, 2007 and Tuesday, December 25, 2007.

Our offices will be closed Monday, December 24, 2007 and Tuesday, December 25, 2007 in observance of the holiday.



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