

BEHRE DOLBEAR

Global Mining News

SOUTH AFRICA: QUESTIONS ON THE COPPERBELT

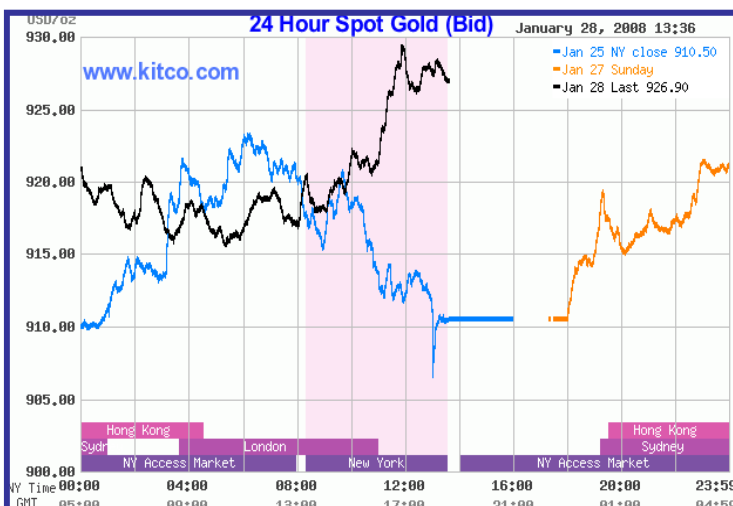
January 21, 2008 (AllAfrica.com) – The more things change, the more they stay the same. Or at least that is what many Zambians are concerned about when it comes to their booming copper industry. The surge in the copper price has stirred up an emotional debate in Zambia about the obligations of the government - and investors - regarding the exploitation of minerals for the long-term benefit of countries. For a country built on the back of a previous copper heyday, but which has experienced massive poverty and underdevelopment for decades, this is unsurprising.

Mining companies pointed out their extensive social responsibility programmes and huge capital expenditure in infrastructure but local MPs, seemingly mindful of the large figures in investment and profits, felt companies were falling far short of expectations.

The government has, for more than a year, said it plans to renegotiate the development agreements it entered into with mining companies in 2001, during the unbundling and privatisation of mines. At the time, there was no hint of the record copper prices of the past year and companies were taking over rundown assets. Fixed tax agreements were reached with no mechanism to take into account a price boom. As a lure to buyers, the government offered generous incentives, including fixed tax rates for a lengthy period to offset losses and investment in rebuilding the mines, as well as low royalty taxes on copper and cobalt.

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USD	JANUARY 25, 2008	JANUARY 18, 2008
GOLD	918.25	882.00
SILVER	16.5300	15.8250
PLATINUM	1,681.00	1,560.00
PALLADIUM	380.50	369.00
ALUMINUM	1.1263	1.0886
COPPER	3.2296	3.2033
LEAD	1.2022	1.1567
NICKEL	12.2515	12.5192
URANIUM	86.00 (01/21/08)	89.50 (01/18/08)
ZINC	1.0167	1.0163

The government committed itself to renegotiating the contracts during the 2006 election, when opposition politician Michael Sata made the issue of benefits for Zambians from their natural resources a key campaign platform.

Although Sata was trounced, he retains strong support on the Copperbelt, where momentum has been growing for the agreements to be scrapped and more onerous terms applied to investors.

Then, at the opening of Parliament in January, President Levy Mwanawasa appeared to bow to public pressure and announced that a new fiscal and regulatory mining regime would be implemented this year, which would include hiking taxes for mining companies.

Also in question is what actually amounts to a contribution to the economy. Mining companies maintain they have done plenty in terms of providing improved infrastructure, hospitals, health programmes and community initiatives, money that is not reflected in the

tax figures being bandied about. Their investment has also generated significantly increased economic activity in feeder goods and services, raising tax revenues elsewhere in the economy.

There is a suggestion that mining companies would like greater transparency in the spending of increased tax revenues. The government is on a tightrope. It is trying to balance its political promises and obligations with keeping investors happy. It is conscious that other countries may be able to offer better security for their mining investments if they fall foul of agreements and push the bar too high. But process is important. If the government unilaterally breaches investment agreements, however flawed they are, the mining companies will not ultimately be the losers; the country will.

At issue here is not just the revenues that the country could and should be getting; it is the credibility of a government seeking foreign investment for a country that really needs it.

RIO TINTO CEO OPEN TO SWEETENED BHP TAKEOVER BID

January 21, 2008 (Reuters) – Rio Tinto Chief Executive Tom Albanese on Sunday left the door open to a sweetened takeover offer from BHP Billiton, but said Rio would be happy to grow on its own if BHP walked away. The world's biggest miner, BHP, must make a formal offer by Feb. 6 or leave Rio alone for at least six months under a deadline imposed by the UK Takeover Panel.

Rio shares jumped 4.9 percent in London on Friday on talk that BHP was set to improve its offer to 3.58 of its shares plus A\$16.50 cash for Rio from a three-for-one all share offer, which was worth \$140 billion when revealed last November. While continuing to talk up the company's growth prospects, Albanese did not rule out accepting an improved offer.

He said if BHP walked away on Feb. 6, Rio would focus on expanding alone. "We have a great business in a great

market, and we are ready to grow that business and make it even stronger," Albanese said on Sky Television's Sunday Business programme in Australia. He reiterated that BHP's three-for-one share swap proposal was not good enough.

Rio Tinto expects China's growth will mostly offset any decline in U.S. demand for metals, after producing record volumes of iron ore, copper, bauxite, alumina and gold in 2007. "For virtually everything we produce, if we produced any more, we'd still be selling it," Albanese said. He said Chinese demand for aluminium was on track to increase by 15 percent in 2008, following a higher-than-expected 30 percent rise last year.

REPORTS: BRAZIL'S CVRD MAY BUY XSTRATA MINER FOR AS MUCH AS US\$90 BILLION

January 21, 2008 (The Associated Press) – Brazilian miner CVRD is preparing to offer as much as US\$90 billion (€61 billion) to buy Swiss mining company Xstrata PLC, two leading Brazilian newspapers reported Monday.

Companhia Vale do Rio Doce SA, the planet's biggest producer of iron ore, the raw ingredient in steel, wants to pay as much as US\$30 billion (€20.4 billion) of the amount in stock, the Valor Economico and O Estado de S. Paulo newspapers reported.

Both companies on Monday declined requests from The Associated Press to comment on the reports.

Xstrata, one of the world's largest miners, has large holdings of copper, coal, nickel and zinc. It announced in December that it was in talks with various parties about possible buyouts.

Some analysts have named Britain's Anglo American PLC miner as a possible suitor for Xstrata, but Anglo American announced last week that it was in negotiations to pay US\$5.5 billion (€3.75 billion) for two big iron ore projects owned by Brazilian miner MMX Mineracao e Metalicos SA.

Demand for metal extracted by mining companies has skyrocketed around the planet in recent years because of big international demand, largely from China and other Asian economies.

Though CVRD is largely focused on iron ore, the company has been trying to diversify and bought big Canadian nickel minder Inco Ltd. in 2006.

Xstrata won control of Canadian mining company Falconbridge Ltd. in 2006 year after a heated contest with copper miner Phelps Dodge Corp., later bought by Freeport-McMoRan Copper & Gold Inc.

BHP: AUSTRALIA COAL OUTPUT TO BE AFFECTED FOR MONTHS

January 22, 2008 (Reuters) – BHP Billiton Ltd/Plc BLT.L said on Tuesday it expects its coal operations in Australia's northeastern state of Queensland to be affected for several months due to recent heavy rains.

"We anticipate that operations will be affected over a number of months," BHP said in an emailed statement,

adding that the recent rains have "severely disrupted mining operations".

A BHP spokeswoman said it has not declared force majeure on its shipments.

BHP BILLITON LIKELY TO RAISE \$70 BILLION WITHOUT DIFFICULTY

January 22, 2008 (Dow Jones) – BHP Billiton Ltd. will have no trouble raising the \$70 billion it needs to help fund its \$111 billion takeover bid for Rio Tinto Ltd., a person close to the matter said Tuesday. This despite the current market turmoil and the prospect of another mega-deal in the mining sector competing for funds.

The second deal refers to a statement from Brazil's Companhia Vale do Rio Doce, which Tuesday said it is in talks to buy Swiss miner Xstrata PLC in a transaction that could be worth \$90 billion and may see CVRD seeking to raise tens of billions in debt. But there are plenty of lenders willing to service both deals, the person said, adding that mining heavyweights such as BHP and CVRD, with their strong cashflows, are attractive to lenders in a credit crunch.

This proved to be true in the case of Rio Tinto Ltd. which raised \$40 billion in debt in the middle of the first wave

of concern over the sub-prime mortgage crisis to fund its Alcan purchase, citing a "flight to quality".

BHP is now seeking to raise \$70 billion to fund its proposed offer for Rio, with \$40 billion to go towards the Alcan debt and \$30 billion for a share buyback. The prospect of a CVRD bid for Xstrata could add an extra note of urgency to BHP's attempt to take over Rio, as it would create a company that would surpass BHP as the world's biggest miner.

However, ANZ analyst Mark Pervan said that keeping the number one spot is not the focus for BHP and the current market turmoil is likely to be a bigger factor in its decision making. Analysts said the selloff across global equity markets would encourage BHP to wait until the Feb. 6 deadline imposed by the U.K. Takeover Panel before making its move, and that an all-cash bid is more likely than one containing a cash component.

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CITIGROUP SUGGESTS CDN\$300B AVAILABLE FOR MINING M&A IN 2008

January 22, 2008 (*MineWeb*) – Citigroup metals and mining analysts recently suggested that a potential cash pool of more than Cdn \$300 billion is available for mining M&As this year. Among the top large cap global companies Citigroup predicts will acquire other mining companies are Xstrata, Teck Cominco, Oxiana, Newcrest, Vale and Kazakhmys. Other possible acquisition-oriented companies include Peter Hambro Mining, Peabody Energy, CONSOL Energy, and Sally Malay China Shenhua.

Swiss-based mega miner Xstrata was also identified by the analysts as a top acquisition target, as well as Anglo American, First Quantum, Freeport-McMoRan Copper & Gold, NovaGold, Steel Dynamics and Foundation Coal. Other potential acquisition targets identified by Citigroup are Lonmin, Iluka, Alumina, Equigold and Oxiana. Analysts Craig Sainsbury, John H. Hill, Graham Wark, Heath R. Jansen, and Liam Fitzpatrick said the current wave of mining M&A will continue, driven by: “free cash flow yield premia, mounting cash balances, dwindling reinvestment opportunities, frictional barriers to new mine capacity, and aggressive forays by sovereign investors.” The analysts forecast that, by 2010, “the sector as a whole will be in a net cash position.”

Citigroup’s analysis found that the next generation of copper mines will incur development costs of roughly \$3.50 to \$4/lb capacity. Meanwhile, Citigroup warned that “the scarcity of quality undeveloped copper project should not be underestimated, particularly after the slew

of recent transactions by acquisitive majors and strategic Asian buyers.”

Barriers such as permitting, tax deals, drilling, construction engineering, equipment vendors and labors are expanding mine project schedules from one to three years, according to Citigroup. ‘Combined with 15 years of under-investment, this is why the industry has been unable to catch up with demand and replenish inventories,’ the analysts asserted.

Citigroup’s analysts said they believe that acquisition-oriented top miners are looking mainly for a mix of commodity and/or geographical diversification, as well as assets that could increase production growth. The target companies are generally worth at least \$10 billion, “which makes them generally a company-transforming deal. However, there is a scarcity of stocks in this territory, which highlights the likelihood of strong competition in any deal.”

The analysts noted that several recent mining M&A deals have been focused on generating mining companies’ exposure to new geographies, such as India, Russia, Central and West Africa and Kazakhstan, which offer significant resource potential. As traditional mining regions, including Australia, Chile and the United States mature, the analysts concluded that “we expect the global mining focus to shift toward the ‘emerging mining countries.’”

BHP BILLITON SAYS TO INVEST 390 MLN USD IN NEWCASTLE PORT PROJECT IN AUSTRALIA

January 22, 2008 (*Thomson Financial*) – BHP Billiton PLC said it will invest 390 mln usd in the Newcastle Third Port Project, managed by Newcastle Coal Infrastructure Group Pty Ltd (NCIG), which involves the construction of a 30 mln tonne per annum (Mtpa) export coal loading facility with a future option to expand to 66 Mtpa. The company said it expects the first ship loading of coal in late 2010.

BHP said the port, located on Kooragang Island, in Newcastle, Australia, will include a rail unloader, stockpile facilities, a ship loader and two berths in the south arm of the Hunter River. BHP said it holds 35.5 pct in NCIG with other shareholders being Peabody Coal 17.7 pct, Felix NSW Pty Ltd 15.3 pct, Donaldson Coal Pty Ltd 11.6 pct, Whitehaven Coal Mining Ltd 11.1 pct and Centennial Coal Infrastructure Pty Ltd 8.8 pct.

Updated Behre Dolbear Country Ranks for Mineral Investment 2008 will be posted on our website on January 31, 2008.

COPPER PRICES TO AVERAGE US\$3/LB OR BETTER THROUGH 2009

January 22, 2008 (*Financial Post*) – Copper prices have withstood the recent volatility in the financial markets better than other base metals, and Desjardins Securities analysts John Redstone and John Hughes expect the metal to continue to perform well. They are forecasting average copper prices of US\$3 a pound or higher through 2009, which means strong earnings for copper-weighted companies.

The analysts are bullish on copper for a number of reasons: “critically low” inventories, China remaining a

net importer, steady global demand growth, and the fact that mines will have to operate at maximum operating levels and new capacity will have to come onstream without delays in order to maintain a balanced market. And even if production forecasts are met, smelters will be hard-pressed to process all the output.

“We would argue that there is a substantial risk that the actual level of worldwide refined production is significantly below our forecast level,” they wrote in a note to clients.

XSTRATA TO SPEND \$1.2BN TO EXPAND SA COAL MINES

January 23, 2008 (*MiningWeekly*) – World number-one steam coal exporter Xstrata plans to spend nearly \$1.2-billion to lift its South African production of the fuel by some 16.4-million tons by 2012, it said on Wednesday. A presentation posted to its website showed that it had five projects that would start up in the country between this year and 2012, with some \$400-million going to its Zonnebloem project.

Xstrata Coal South Africa operates in partnership with black-owned African Rainbow Minerals. The firm said

that the Eskom market, the biggest local coal consumer, had grown by 179% since 2002.

The State-owned electricity producer was building two new coal-fired power stations to try keep up with the country’s surging power demand. It was also demothballing three power stations that it shut down in the 1980s.

POWER WOES HALT ZAMBIA’S KONKOLA COPPER MINE

January 23, 2008 (*Reuters*) – Zambia’s largest copper producer, Konkola Copper Mines (KCM), majority-owned by London-listed Vedanta Resources Plc, has suspended operations due to flooding caused by recurring power outages. KCM said on Wednesday its equipment had been damaged after the power supply was abruptly cut off following three days of nationwide blackouts. KCM said it was yet to determine the losses arising from power failures on Saturday and Monday, which plunged the whole of mineral-rich Zambia into darkness, or when it could resume normal operations.

Power supply to its units had also been reduced by state power utility Zesco, a KCM spokesman said. “Apart from causing partial flooding at some of the underground mines, mining and metallurgical operations have come to a halt due to equipment damage and the reduced power supply from (Zesco),” the spokesman said in a statement. “The power that KCM is receiving at the moment is only sufficient for care-and-maintenance operations.”

Zambia has had three power outages in 72 hours which have hurt copper and cobalt production, the country’s economic mainstay, at all of the country’s mines.

The company said workers trapped underground after the power outages and were rescued using emergency power supplies. “Emergency power supply from CEC (Copperbelt Energy Corporation) helped the company evacuate workers from the underground mines at Konkola, Nchanga and Nampundwe,” KCM said.

KCM added that it was removing water from the flooded areas and repairing or replacing damaged equipment. The CEC said on Tuesday it would import 210 megawatts of power from the Democratic Republic Congo (DRC), after Zesco cut power supply to the mines to 400 megawatts from 530 megawatts. CEC buys power from Zesco and sells it to all Zambian mines.

Zesco spokeswoman Monica Chisela could not say when the power blackouts would end.

IS URANIUM'S BULLISH RUN OVER?

January 23, 2008 (*MineWeb*) – Around this time last year, optimists were anticipating that the spot uranium price would march on to US\$200 per pound. But that bullish run seems to be over as prices fall, sparking speculation that they are likely to plunge further in the face of waning buyers' interest and a looming oversupply of the metal.

In late June last year, uranium spot prices hit the highs at US\$136 per pound, from a low of US\$7/lb in 2000, bolstered by a tight market and speculative buying. Currently, the prices are down by slightly over 37% from June 2007 spot prices, sending quivers throughout the markets.

Last week alone, uranium dropped 5.6% to US\$84 as sellers cut prices to generate business after trading volumes in 2007 fell to their lowest in a decade,

according to a Bloomberg report Tuesday. During the week, supplies on the spot market more than twice exceeded demand, with two sales totaling 200,000 pounds of yellow cake concluded.

After weeks of little or no activity, Denver based-pricing service Trade Tech LLC told Bloomberg that one seller decided to adopt a more aggressive approach, offering uranium at deeply discounted prices in an effort to attract buyers. TradeTech LLC added that "supply is ample to meet current requirements."

Last week, two uranium producers reported record production for 2007. A number of uranium projects are expected either to come on line this year or increase uranium production, raising fears of an over supply that is likely to cap the prices into 2009.

NO QUICK RECOVERY FOR NICKEL PRICES

January 23, 2008 (*Reuters*) – Nickel prices are likely to remain weak for several months as a much-heralded recovery in the stainless steel sector has not yet taken off and ample quantities of pig iron are boosting substitution. Analysts had expected stainless steel producers to return to the market as buyers of nickel in the last quarter of 2007 or early this year.

But their absence, and an abundance of lower grade nickel pig iron, means it could be as late as the second quarter of this year before there is a full recovery in the market. "The stainless steel revival has not really kicked in yet," said Vanessa Davidson, analyst at UK-based industry consultants CRU. "As a result nickel demand is subdued at the moment. We are probably looking a recovery after the Chinese New Year," she said.

David Wilson, chief economist at Norilsk Nickel, the world's biggest nickel producer said some stainless firms had already pre-ordered supplies for this month and February. "That suggests they might be looking at ramping up production," he said. "But there is a lot of scrap and secondary nickel around in the market place."

According to industry experts, nickel pig iron production reached to 85,000-90,000 tonnes in 2007 and this year it is expected to rise to 110,000-120,000 tonnes.

Merchants quoted premiums for western plating material around \$350-500 compared to \$400-600 in November, while premiums for uncut nickel cathode were slightly up around \$100-250 from \$75-200 previously.

FREEPORT MCMORAN UNVEILS PLANS TO BOOST COPPER, MOLY OUTPUT

January 23, 2008 (*Mining Weekly*) – US miner Freeport-McMoRan Copper & Gold plans to spend \$400-million on "incremental" expansion at four of its mines in the US and Peru, and will study prospects for larger expansions at the operations, which it acquired when it bought rival Phelps Dodge in March last year, CEO Richard Adkerson announced on Wednesday.

The initial expansions, at the Morenci, Sierrita, Bagdad and Cerro Verde mines, will increase copper output by a

total of 210-million pounds annually, and molybdenum by 7-million pounds a year, with start-ups staggered over 2009 and 2010.

At the same time, the company, which owns the world's biggest gold mine, would continue to look at potential large-scale projects, Adkerson said on a conference call. Freeport-McMoRan has producing mines in Indonesia, the US, Chile and Peru and plans to expand output in all

these countries, as well as from its Tenke Fungurume project in the Democratic Republic of Congo.

The company has estimated capital expenditure for this year of \$2.4-billion and plans to spend some \$175-million on exploration, as it seeks to boost production and take advantage of surging copper prices.

Freeport-McMoRan owns a 57.75% stake in the mine, while Vancouver-based Lundin Mining holds 24.75% and DRC State-owned miner Gecamines owns the balance. Adkerson said that the company was pursuing an “aggressive” exploration programme, aimed at identifying further potential for mines on the Tenke Fungurume orebody. About 22% of the group’s exploration budget for this year had been allocated to

Tenke Fungurume, and the nearby Kisanfu prospect, also in the DRC.

The current project, which will have its first full year of output in 2010, will produce an average of 250-million pounds of copper and 18-million pounds of cobalt a year.

Freeport McMoRan also recently finished building a new 240-million pound a year copper mine in Arizona, in the US, which will continue to ramp up to full production during the first half of this year.

Other projects include plans to restart a historic copper mine in Miami, the reopening of the Climax molybdenum mine, also in the US, and expansion at the company’s the Grasberg complex in Indonesia.

HAYWOOD INCREASES PGM PRICE RISE FORECAST

January 23, 2008 (MineWeb) – The platinum price is expected to rise to \$1,600/ounce in 2008 and \$1,200/ounce in 2010 as continued dollar debasement, supply disruptions, continued strength in autocatalyst demand and “potential issues around Jacob’s Zuma’s (expected) election” as South Africa’s president are expected.

Canadian investment dealer Haywood Securities has increased its PGM price forecasts in a new research report from platinum prices of \$1,200/ounce in 2008 and \$900/ounce in 2010, rhodium prices of \$3,750 to \$6,500/ounce in 2008 and \$2,000 to \$3,000/ounce in 2010. Palladium price forecasts have remained flat at \$400/ounce in 2008 and \$375/ounce in 2010. This comes as the dealer considered current record trading prices and fundamental drivers of PGM prices.

Haywood’s mining team said the predominant use for PGMs remained autocatalysts. Progressively tighter constraints on auto emissions and strong growth in global auto sales ensured a robust market for the metals group.

Potential for the substitution of PGMs in autocatalysts existed, but this substitution by other metals was still a number of years away.

“A more immediate concern is jewellery consumption, as high prices may continue to negatively impact sales in Japan. However, China’s burgeoning middle class is supporting global jewellery sales as much as it has supported every commodity in the world.” Haywood said the “central issue of PGM fundamentals” was supply constraints in South Africa which provided 80% of global supply.

PGM industry specialist Johnson Matthey was expecting a global decline in platinum supply of 2% in 2007 and a market deficit for the year. Supply issues have also resulted in reduced production guidance for 2007 from major producers such as Anglo Platinum. The reasons for supply issues included a shortage of and high turnover of staff, measures taken to address safety issues in the industry and labour disruptions related to safety concerns.

SOUTH AFRICA MAY NEVER AGAIN BE THE WORLD’S TOP GOLD PRODUCER

January 23, 2008 (Reuters) – South Africa surrendered its crown as the world’s biggest gold producer last year to China, marking a changing of the guard and confirming analysts’ concerns about the country’s dwindling ore grades. Analysts say it is unlikely that South Africa will again become top gold miner, a position it has held since 1905, but doubt that its record output peak of

1,000 tonnes in a single-year in 1970 can ever be exceeded.

“We have had declining production,” Daniel Sacks, resources sector head at Investec Asset Management, said. “We are having to go much deeper to mine gold in this country, and the grades are getting lower as compared to China, which has newer ore bodies.”

Official data show the average gold ore in South Africa averages 4 grams of gold per tonne, and output has declined for five straight years. With lower ore grades come rising costs as companies dig even deeper in a country that has the world's deepest mines. "We have a mature mining industry and costs have been rising as companies dig further underground," said David Davis, an analyst at Credit Suisse Standard Securities.

The London-based GFMS precious metals authority said gold production fell 8 percent in South Africa last year, while China's output shot up 12 percent from the year-ago to just over a 10th of the world's supply. South Africa was edged off its perch with an estimated 2007 output of 272 tonnes, just short of the 276 tonnes of the yellow metal produced by the new number one, China, said GFMS.

Accident-related mine closures was a big headache for the sector in South Africa last year, and were partly to

blame for the sharper-than-expected decline in output, knocking almost a tonne of output off the country's total yearly production. "Everybody has been expecting that China will overhaul South Africa. This was hastened by the safety stoppages," said Frans Barker, a senior official at the Chamber of Mines (Com), which represents big mining companies.

Stung by a spate of deaths at mines, the government shut mines whenever fatalities occurred, curbing output for days. The industry also suffered a one-day industry-wide strike meant to force companies to focus on safety. "It will be very difficult for us to reclaim that title, or in other words increase our output significantly owing to many issues, not least the current power problems," Barker said.

ZINIFEX TAKES SECOND SHOT AT ALLEGIANCE TAKEOVER

January 23, 2008 (ABC News – Australia) – Zinifex Australia Limited has announced a simplified takeover offer for Allegiance Mining takeover. Zinifex previously offered \$1 per share if it could acquire 30 per cent of Allegiance shares, but Allegiance rejected the offer. The company is now offering Allegiance shareholders \$1 per share regardless of whether it acquires a 30 per cent stake.

Allegiance's Avebury nickel mine on Tasmania's west coast is due to start production this quarter.

Martin McFarlane from Zinifex says they feel the simplified offer will be supported during the present

market uncertainty. "We are not going to let Allegiance shareholders see a decline in the offer, as many nickel companies in the market have declined, so they get guaranteed a dollar, which was our original offer," he said. "So therefore I think it offers certainty in a very uncertain world."

Mr McFarlane says the simplified offer is an even better deal for Allegiance shareholders. "The fact that that represents a very clear 41 per cent on the share price prior to our offer being made is going to be quite attractive, and it means that they're guaranteed of getting a dollar for their shares in cash and that's a risk free premium."

RUSSIAN ALUMINUM GIANT 'WEIGHING IPO SWITCH TO HONG KONG FROM LONDON'

January 23, 2008 (AFP/File) – Russian aluminum giant Rusal is considering switching its initial public stock offering from London to Hong Kong, the Financial Times said Wednesday, but a company spokesman insisted no decision had yet been made. The paper quoted a senior executive of the holding company controlling a 66 percent stake in Rusal as saying there was a "95 percent chance" the IPO would be carried out in Hong Kong.

The source, an executive with the holding company Basic Element of Russian billionaire Oleg Deripaska, described Hong Kong investors as "more hungry" for Russian

shares than counterparts in London, according to the paper. He said recent diplomatic friction between Russia and Britain since the killing in London in 2006 of former Russian spy Alexander Litvinenko was also complicating matters, the Financial Times reported. Questioned by AFP about the Financial Times report, a Rusal spokesman said: "The company's IPO plans have not changed ... We have taken no final decision on the timetable, the size and the venue of the operation." Rusal last September postponed the IPO given an unfavorable stock market climate.

RIO TINTO IN CHILE COPPER VENTURE

January 24, 2008 (*Financial Times*) – Rio Tinto on Thursday signed an exploration joint venture with Codelco of Chile, the world's biggest copper producer, as part of its efforts to bolster its defence against a takeover by mining rival BHP Billiton.

State-owned Codelco and Rio Tinto will explore the Exploradora prospect in northern Chile. Rio has an option to earn a 55 per cent interest in the project by investing \$20m (£10.1m) in the exploration work, with the potential to increase its stake to 60 per cent. Bret Clayton, head of Rio Tinto's copper division, said: "This landmark

agreement combines the strengths of two highly experienced copper producers. Together, we hope to unlock value from a highly prospective copper belt in the biggest copper producing country in the world. We look forward to a long and deepening relationship with Codelco."

Until now, Rio's only copper mining asset in Chile has been a 30 per cent stake in the giant Escondida mine, which is operated and 57.5 per cent-owned by BHP Billiton.

ANGLOGOLD HALTS MINING OPERATIONS IN SOUTH AFRICA

January 25, 2008 (*Dow Jones*) – AngloGold Ashanti Ltd. (AU) Friday said it has halted mining and gold recovery operations on all of its South African operations following notification from state-owned electricity company Eskom regarding interruptions to power supplies.

It said that according to Eskom, the current situation arises from reduced generating capacity aggravated by

problems associated with coal supplies to power stations caused by unusually heavy rainfall.

"Eskom has not yet indicated how long the present situation will continue, but the company is in contact with the electricity supply body," AngloGold said.

ECUADOR SAYS SEIZES FOREIGNERS' MINING CONCESSIONS

Fri Jan 25, 2008 (*Reuters*) – Ecuador's leftist government seized 17 mining concessions held by foreign companies as it seeks to overhaul the rules for the growing sector, the mining minister said on Friday.

Canadian junior companies such as Aurelian Resources, Corriente Resources and Iamgold Corp are exploring for gold and copper in the small Andean nation.

SHANGHAI COPPER STOCKPILES FALL TO LOWEST SINCE 2005

January 25, 2008 (*Bloomberg*) – Shanghai copper stockpiles plunged by almost a third to their lowest in more than two years as smelter maintenance shutdowns cut production and heavy snow in parts of China delayed shipments, further depleting global inventories.

The amount of copper in five warehouses monitored by the Shanghai Futures Exchange as of Jan. 24 dropped 31.6 percent to 18,158 metric tons, the exchange said in a weekly report today. That's the lowest since May 2005, according to Bloomberg data.

Copper inventories at warehouses around the world monitored by the London Metal Exchange fell for a

14th straight day to an 11-week low. Global stockpiles remain very low and could stay below three weeks' usage, a level generally considered critical, UBS AG analysts wrote in a report yesterday.

The big fall "is quite a surprise", Zhu Zewen, assistant manager at metals trader Shanghai Triangle Ltd., said by phone from Shanghai. Bad weather delayed metals shipments, including copper which was already tight because of smelters' production cuts and consumer buying, he said.

LME stockpiles of the metal fell today by 0.8 percent to 172,775 tons, the exchange said. That's the lowest since Nov. 9, according to Bloomberg data.

Chinese trade buying of copper probably increased before the week-long Lunar New Year holiday, scheduled to start on Feb. 6, reducing the exchange stockpiles. There have also been delivery problems linked to this year's removal of import duties. "A tax slip issue has hampered delivery of imported metal," Yale Zhang, a trader at

Trafigura Trading (Shanghai) Co., said by phone from Shanghai. The scrapping of import duties means that the tax document required for delivery under exchange regulations is absent.

"We are working on" updating delivery rules in accordance with the cancellation of import duty, Mei Yunbo, head of the exchange's delivery department, said, without giving a timeframe.

IRON-ORE PRICES TO EXCEED MARKET EXPECTATION 'SIGNIFICANTLY', SAYS LEHMAN

January 25, 2008 (Mining Weekly) – Iron-ore prices are expected to exceed market expectations "significantly", equity researcher Lehman Brothers says in a 2008 outlook. Markets for most metals, and also coal, should remain tight this year, Lehman adds.

While a deceleration in global growth is likely to lead to a slowdown in demand growth for most commodities, this will not be so for most metals. "We do not see significant downside to prices from current levels," Lehman reports.

China, which "matters most", will remain hungry for metals and bulk commodities, even with a weaker US economy. Simultaneously growing in commodity-consumption importance are India, the Middle East and several other emerging economies.

Supply-side problems remain with supply bottle-necks especially in "resource-constrained" commodities, such as copper and high-quality, high-grade iron-ore. Marginal costs of production, which in this cycle have increased by more than 100%, are likely to support the prices of other commodities, Lehman says. While global consumption of most metals and bulk commodities has, in the past five years, skyrocketed, lack of available supply has limited global consumption of copper, nickel and iron-ore.

Lehman puts this down to a long list of noncyclical factors, including depletion of high-quality resources in low-risk regions of the world, geopolitical challenges, more stringent regulations, tougher permitting review processes and shortages of labour, equipment, water, energy and other raw materials.

THRUST CENTRE STAGE, MINERS HAVE TO RELEARN THEIR LINES

January 25, 2008 (Business Day) – Booming demand in China and India has transformed the fortunes of the mining industry since 2002. The leading companies must transform what has been a low-growth industry for two decades into one that can feed the appetites of emerging markets and support economic development in host countries. In addition to fixing short-term supply issues, companies must learn to cope with new challenges, including government-sponsored competitors from developing countries, and new environmental and societal rules. To assure their competitive advantage, companies must focus on talent management, technology innovation and sustainable development expertise that will make them partners of choice.

China and India, representing about 30% of the world's population, are in a period of accelerating urbanisation

and infrastructure development, driving demand for basic commodities. Since 2002, this has exhausted the excess capacity the mining industry had come to view, during the past two decades of slow or stagnant growth, as a fact of life.

The industry's difficulty in making the sudden shift from stagnation to growth mode, in spite of its newfound prosperity, has brought to the fore issues that have been quietly burning for some time. First, the industry needs a major infusion of talent to staff its growth after decades of downsizing and underinvestment. Open positions on Infomine's global mining job postings index, for example, more than doubled during the first nine months of last year, from 7,000 in January to 14,500 in October. But mining engineering has fallen out of fashion: Data from Australia, Canada, the U.S., the UK and South

Africa show the number of mining engineering graduates has decreased by 36% since 2000.

Second, the new wave of demand is occurring just as many long-mined deposits are becoming exhausted. But having slowed their technology investments because of costs in the 1980s and 1990s, most mining companies are finding themselves ill-prepared to make the shift to more difficult terrain, such as deeper gold or platinum mines, or to more challenging mineralogies, such as nickel laterites, and to the higher associated costs.

Most high-impact game changing ideas are feasible only in the long term - the average time to market for new technologies in mining is 16 years - and shortages of talent and unclear commitment to research and development suggest the speed of innovation in mining might be slowing further. It is hard to discern a major new technology today that could put a mining company in a winning position.

Third, international mining companies face new external pressures. Few developing countries have been able to convert their resource wealth into gross domestic product growth, and host governments increasingly aspire to doing so, expecting that mine development should bring

economic development. At the same time, mining and metals company stakeholders (for example, shareholders, employees and customers) expect companies to offer more in terms of sustainable economic development across geographies to close the gap gradually between developed and developing world standards.

To effectively meet long-term demand for minerals from emerging economies, the mining industry must stand aside from current heady valuations and prices and address the issues that will support its growth fundamentals.

In the past five years, mining companies have been using their increased profits to consolidate the industry and grab a bigger share of available supply while boosting exploration in new regions. But for the mining sector to meet growing global demand for minerals while supporting economic growth and development ambitions in host countries, it needs to focus on three areas: talent management, technology and sustainable development. How companies navigate this complex new environment over the next five years will determine who will lead the mining industry in the longer term.



SOMETHING TO PONDER

Weekly Volcanic Activity Report

The Smithsonian Institution publishes the Weekly Volcanic Activity Report, a cooperative project between the Smithsonian's Global Volcanism Program

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<http://www.volcano.si.edu/reports/usgs/index.cfm>

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- ➔ Mineral Markets
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- ➔ Coal Mining & Processing
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The cost for the seminar is US\$1,000 per person and includes coffee breaks, lunches and a cocktail reception the first night. Attendance is limited to the first 60 respondents.

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Please look for more details in our upcoming newsletters.



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