

BEHRE DOLBEAR

Global Mining News

ZAMBIA TO INVITE FOREIGN MINING FIRMS TO TALK OVER TAX ROW

February 15, 2008 (Reuters) – Zambia will invite foreign owners of copper mines to talks to resolve a dispute over new taxes after some mines threatened to seek international arbitration, President Levy Mwanawasa said on Wednesday. But Mwanawasa said that owners were being unfair in rejecting the new taxes – which include a minimum 25 percent windfall profit tax – and warned that government wanted a fairer share of income from its minerals resources.

"I am unable to understand how they can criticise us when we are asking for a fair share of our resources," Mwanawasa told reporters. "I invite them to see the minister of finance and the minister of mines, let them come prepared, let them show that our rate of taxation is the highest in the world . . . some countries have taxation as high as 51 percent."

Zambia announced a windfall tax on base metals in January at a minimum rate of 25 percent and increased mineral royalties to 3 percent from 0.6 percent, effective April 1, 2008. It also mooted a variable profit tax at 15 percent on taxable income above eight percent and raised corporate tax to 30 percent from 25 percent. The move will effectively raise mining taxes to 47 percent from the previous 31.7 percent.

On Tuesday, foreign mine owners told a parliamentary watchdog committee that they rejected the proposed taxes and threatened to seek international arbitration to resolve the stand-off, saying that had not been consulted on the proposals.

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USD	FEBRUARY 22, 2008	FEBRUARY 15, 2008
GOLD	945.00	912.50
SILVER	17.9800	17.3800
PLATINUM	2,180.00	2,060.00
PALLADIUM	519.00	440.00
ALUMINUM	1.2998	1.2757
COPPER	3.7748	3.5385
LEAD	1.4896	1.3812
NICKEL	12.9501	12.5214
URANIUM	75.00 (02/18/08)	75.00 (02/11/08)
ZINC	1.1118	1.0682

Mwanawasa said foreign managers at the vast copper and cobalt mines – the southern African nation's economic mainstay – received huge salaries, while denying Zambians jobs in higher management positions. "They might be happy now with the salaries they are getting, (but) what of the majority Zambians?. Is it wrong for Zambians to ask for more so that we can improve the living conditions for all Zambians?" he said.

First Quantum Minerals country manager for Zambia, Chisanga Puta-Chekwe, a local citizen, said the Canadian-based firm will ask to renegotiate its 15-year agreement on low taxes with Zambian authorities. Some foreign companies had previously negotiated tax exemptions for periods between five and 20 years.

NEW CALEDONIA'S HUGE GORO NICKEL PROJECT UNDER SIEGE AGAIN

February 18, 2008 (MineWeb) – Vale Inco's multi-billion dollar Goro nickel project in New Caledonia appears to be under siege again by indigenous Kanak groups, now supported by the French branch of environmental NGO, Friends of the Earth. According to local activist group, Rheebeu Nu, "Indigenous groups remain committed in stopping the Goro Nickel project from going ahead and request that Inco restore the areas it has destroyed by removing its installations and reforesting the area."

Nonetheless, Brazilian mega-miner Vale, which inherited the Goro project with its take-over of Inco, said recently it anticipates the US\$3.2 billion operation could begin production in the final quarter of the current year with first commercial deliveries anticipated in early 2009. The project is one of the largest mining projects under construction anywhere in the world

The local Kanak population has proved to be a thorn in the side of Vale Inco and was successful in stopping land based waste disposal which Vale Inco said at the time was necessary to protect the sensitive offshore environment.

Because of the prevention of the onshore waste disposal by the Kanaks, Vale Inco is now implementing an approved offshore disposal plan and the latest local opposition is an attempt to prevent the mining company laying the pipe to the offshore disposal area. The protestors say that it will disturb a series of submarine geothermal vents (marine vents of this type are thought by some scientists to be the origin of life on earth) unique in that these vents are the only known instances at shallow depth and thus very available for scientific study.

Meanwhile, the Southern Province Government in New Caledonia is reported as denying that the waste disposal pipe poses any threat to the environment. Even so, a fleet of local boats have been successful in delaying initial pipe laying by Vale Inco engineers with a confrontation between locals and armed police. Local youths are also reported as having attacked Vale Inco security installations and vehicles

JAPAN, KOREA AGREE 65 PERCENT IRON ORE PRICE HIKE WITH VALE

February 18, 2008 (Reuters) – Japanese and South Korean steel mills have agreed to pay Brazilian mining giant Vale 65 percent more for iron ore under term contracts this year, setting the stage for other Asian steel mills to conclude similar deals. But industry sources said it was an open question whether Australian miners BHP Billiton and Rio Tinto would soon follow with a similar agreement.

Term iron ore prices had been widely expected to rise by 50 percent or more, after spot prices soared to record highs in 2007 and Chinese steel mills' demand showed no signs of abating. The rise could squeeze margins for the steel industry, which is already facing rising costs for coke, coal, and shipping.

Nippon Steel said on Monday it and POSCO had agreed to pay \$78.90 a tonne for Itabira fine ore, a rise of 65 percent, in the year starting April 1. Japan's JFE Steel Corp, a unit of JFE Holdings Inc, the world's third-biggest steel maker, said it would pay 118.98 cents per FE unit for Southern System fine, FOB, and Tubarao ores. "It is not yet certain if others will follow," said a shipping executive based in Tokyo. "There's a strong feeling the Australians – BHP and Rio – are unlikely to go along easily. They're busy with the takeover battle. They have been also asking for freight premiums."

Miners have chafed as spot prices for inferior grades of iron ore far exceeded the Australian and Brazilian ore sold under term contracts. Rio Tinto, which is fighting off

a takeover proposal by BHP, has said it would like to move to an index pricing system that would better reflect spot prices.

China Iron and Steel Association deputy director general Chen Xianwen said he could not comment on the deal,

pending a formal notification from Japanese mills. Chen told Reuters on Sunday that Chinese mills would follow the traditional system of accepting whatever deal is first agreed between any steel mill and one of the three miners.

DRC "FAST TRACK" MINING CONTRACT REVIEW ON TRACK

February 18, 2008 (MineWeb) – The Ministry of Mines of the Government of the Democratic Republic of Congo (DRC) today announced that the next stage of the Contract Review Commission has been completed on schedule, and that the Summary Findings of the Commission are now signed and available to those companies whose contracts are under review.

This follows on from the discussions and announcements from the Ministry at the mining industry Indaba held in Cape Town recently, when it was announced that the mining companies would be notified by 20 February, 2008.

H.E. Victor Kasongo, Vice Minister of Mines for the DRC, commented today: "The Government is pleased to have delivered on its promise to the mining companies by presenting them with the findings of its review ahead of schedule. The DRC's goal is to work with those parties who have demonstrated good faith and best practice in their investments in the DRC, and who have delivered on their commitments. The DRC wishes to work with the mining companies to construct contracts that are just, both for the people of the DRC, for the companies who are investing in our country, and for the investors and shareholders who support the process".

During Mr Kasongo's presentation as member of a Ministerial panel, presided over by Mr Paulo De Sa of the World Bank on Tuesday 05 February, he outlined his Government's plan to address the challenge of how to best conclude the DRC Mining Contract Review in a manner that would be most attractive to all parties. He said:

"We have been working to find ways in which companies can appeal the process, without the delays, costs and confrontation inherent in litigation and international arbitration – and, at the same time, to fast track a renegotiation of the contract.

"We intend to institute a brief and open administrative appeal process, to a specially constituted panel, through which a company can present its case for reclassification, while minimizing confrontation and shortening any delay to renegotiation."

Mr Kasongo today reiterated these points, and urged all parties to enter into the process with open minds and positive expectations, so that matters can be concluded promptly and effectively and with the least possible impact on operations and revenues.

COAL IS NOW KING AND VERY HOT

February 19, 2008 (MineWeb) – The price of coal entered its fourth week soaring to record highs, amid speculation that its run, in the face of current supply disruptions and surging global demand, was far from over. The news also got worse for coal-users this week, as mine owners and buyers prepared to negotiate annual contract prices to take effect on April 1, with most analysts predicting coal's four straight weeks of record highs indicates that its price could more than double in 2008.

Power-station coal prices gained US\$13.68 to reach US\$139 a metric ton on Friday February 15, up 11%

from the previous week, according to the globalCOAL NEWC Index. The coal for delivery to Amsterdam, Rotterdam or Antwerp with settlement in the second quarter rose 2.1% to US\$145 a metric ton on Friday.

GlobalCOAL's monthly index for thermal coal prices at Newcastle, Australia's biggest coal exporting harbour, rose US\$1.71 per metric ton, or 1.9%, to reach US\$90.87 in January, the fourth consecutive monthly record.

Spot prices for the thermal coal used in power generation reached US\$130 a metric ton during the week ending February 8, and the price has already surged 37% this year following a 73% rise in 2007.

But the contract prices do not affect the volatility of the market. Citigroup and Goldman Sachs have in the past few weeks been raising their forecasts for prices of coal used in power plants and steel mills in 2008, citing extreme tightness as global supply growth struggles to keep up with strong Asian demand.

On February 5 Citigroup placed its forecast at US\$100 a ton for coal contracts in fiscal 2008 beginning in April while Goldman Sachs forecast the contract price for thermal coal to rise to US\$110 a ton, a 98% increase from last year's agreed price of US\$55.65 and up 22% from its earlier prediction of US\$90.

Both banks also predicted that price of the coal used to make steel will almost double to US\$200 a metric ton this year, up 104% from the current contract price of US\$98. This week Bloomberg reported that UBS is forecasting US\$100 a ton for power-station coal, while JPMorgan has raised its forecast to US\$90, up from US\$55.65 this year.

Analysts agree that the catalyst behind coal's record rally has all to do with basic supply and demand.

RIO'S MADAGASCAR TITANIUM PROJECT COSTS NOW AT \$1 BILLION

February 19, 2008 (Reuters) – Costs for Madagascar's ilmenite project have jumped 28 percent to about \$1 billion, linked to rising global construction prices, but it is still on track to produce from December, a company official said on Tuesday.

Aiming to export an initial 750,000 tonnes of ilmenite per year and 2.25 million tonnes eventually, costs were originally estimated at \$780 million, Guy Larin, vice-president and country director of QIT Madagascar Minerals (QMM) told Reuters. "We have now ratcheted that up to about \$1 billion, and that includes about \$200 million in Canada," he said in a phone interview from Madagascar. Obviously we don't like to see budgets for projects like this increase, but the current environment and demand for construction materials, engineers ... makes it such that there has been an increase."

QMM is owned 80 percent by mining multinational Rio Tinto and 20 percent by Madagascar.

The \$800 million to be spent in Madagascar includes construction of a mine, roads, infrastructure, housing, and payment towards a new port, Port d'Ehoala just outside Madagascar's key southern town, Fort Dauphin.

Mindful of the area's rich biodiversity, the project includes conservation zones and the involvement of non-profit organisations such as Wildlife Conservation Society and Fauna and Flora International, Larin said.

One of two large mining projects underway, QMM's ilmenite mine is part of an incipient mining boom on the huge Indian Ocean island, where some 85 percent of the population live on less than \$2 per day, according to 2005 data.

COMMODITY PRICES STILL EXPECTED TO RISE ON DEMAND GROWTH – INVESTEC

February 19, 2008 (MineWeb) – Commodity prices will continue to climb in both the short and longer term as demand continues to grow on the back of development in Asia and infrastructure spending in the first world, says Investec Asset Management.

Short term commodity demand growth will remain stronger than expected because development in Asia and general infrastructure spend will remain high, even if consumer spending did slow down in the US, said George Cheveley, portfolio manager of Investec Asset Management's commodity investment team today.

Cheveley said commodity prices will also continue to move upwards over the longer term as high average rates of demand growth is expected over the next 15 years.

Supply of commodities will respond to the higher prices currently prevalent in various commodity sectors, but high rates of demand growth imply that periods of surplus output and weaker prices will be short-lived.

Base metal prices are expected to remain flat or to fall in the short term. This comes as rapid supply increases have been forecast at a time of weaker demand growth in the

developed world. However, copper, lead, tin and aluminium prices will recover before the end of the year on the back of continued strong demand growth from the Middle East, China and other Asian countries and delays to new supply as well as disruption to existing supply.

Bulk metals prices are expected to remain "robust" as demand for steel and raw materials for steelmaking is dominated by China and the developing world. "In addition, destocking of steel in 2007 has left markets tight in North America and Europe. Iron ore and coking coal spot prices are up to 100% higher than current contract prices forecast to rise at least 50% for the year starting April 2008," said Cheveley.

The outlook for gold continues to look strong with dollar weakness, inflation concerns, falling mine supply and political and financial instability supporting "the case for higher prices".

The key driver for platinum in the short term is supply, which is being squeezed in an already tight market by safety and cost issues in South Africa. Car production is likely to decline in the Western world, but will be offset by growth in developing economies and higher emissions standards.

FIVE FUNDAMENTALS WILL DRIVE GOLD PRICE HIGHER IN 2008

February 19, 2008 (Blanchard and Co.) – Since hitting record highs above \$900 since the first of the year, gold had shown continued strength at those price levels amid expected volatility, and analysts at Blanchard and Company Inc. say five specific fundamentals will continue to drive the price up through the end of 2008.

"Gold has experienced a shift in fundamentals when compared to 1980's speculative highs, and today there are five factors that will drive prices higher – supply and demand, dollar weakness, institutional buying, the price relationship between gold and oil, and global economic uncertainty," says Donald W. Doyle, Jr. Chairman and CEO of Blanchard. "Expect some price consolidations, which are healthy for the market, and view them as buying opportunities because we see the price ultimately going significantly higher than current levels in the long-term."

Doyle says investor demand is at record levels, and the markets should expect to see that demand continue as global supply shrinks, emerging markets begin to play a more significant role in the world's economy, and as former sellers of gold – notably central banks and hedge books – reverse their selling trends and become buyers again themselves.

"The U.S. economy is slowing to a crawl, and the Fed is continuing to infuse liquidity through rate cuts that further weaken the dollar," Doyle says. "Look for large institutions and central banks to continue to move out of dollar-based assets and into quality alternative tangible assets such as gold."

Doyle also pointed to differences between today's economic collapse and that of 1987, noting that the previous near global implosion featured a U.S. economy that was in solid shape. Now the underlying cause of the crisis is the domestic economy and housing deflation. Real consumer spending is declining, payroll employment numbers are falling, and industrial production in the U.S. is losing traction, triggering a flight to quality alternative investments.

"Gold is not just a luxury item – it was the foundation of the global currency system for eons and, as the current global economic crisis continues to unwind, the precious metal has reasserted itself as the fourth currency," Doyle says. "We believe widespread increased investment demand will offset any decline in luxury goods manufactured with gold as investors seek to secure assets that will retain their value."

MIDDLE EAST INVESTS IN INDONESIAN MINING

February 20, 2008 (FinanceAsia) – An investment arm of Ras Al Khaimah signs an MoU with South Sumatra province to develop its industry and infrastructure. The government of the South Sumatra province in Indonesia

signed a memorandum of understanding with Ras Al Khaimah Investment Authority, or Rakia, and RAK Minerals and Metals Investments (RMMI) to develop its industry and infrastructure.

The province of South Sumatra holds the largest resources of coal in Indonesia and aims to capitalise on this natural bounty by developing its industrial and logistic capabilities through the help of foreign direct investors.

Earlier this month the government of Ras Al Khaimah, which is part of the United Arab Emirates, formed RMMI so as to help build mineral supplies to cater to the growing demand for such resources. Rakia officials forecast they'll invest more than \$1 billion in 2008 in Asia and Africa – however they say there isn't a breakdown of the \$1 billion investment for individual projects in Asia so it is unclear how much of that money will go to the Indonesian development.

However, Ras Al Khaimah officials are billing this MoU with South Sumatra as a “giant leap” in executing its coal

and mine strategy. The MoU signed by Rakia officials and Syahrial Oesman, the governor of South Sumatra, calls for developing an industrial park for metals refining, smelting and fabricating, a bio-technology park, and palm, rubber and other agricultural-based industries. It also includes building logistics infrastructure such as a rail transport corridor and a deep-water sea port to handle bulk and container cargoes.

The government of South Sumatra province, meanwhile, has agreed to provide sufficient land and fast-track the approval and licensing process to build a new port, industrial parks, a power plant, and residence and leisure facilities.

RUSSIA'S EVRAZ PAYS \$1.5 BILLION FOR FOOTHOLD IN CHINA

February 20, 2008 (FinanceAsia) – Russian steel producer Evraz Group will acquire 51% of China's Delong Holdings for S\$1.08 billion (\$765 million), triggering an offer to the residual minority shareholders. Assuming that all shareholders tender their shares and all outstanding warrants are exercised, Evraz's total outlay on the deal will be \$1.49 billion.

Evraz has valued 100% of Delong at S\$2.12 billion on an equity value basis. The Beijing-headquartered firm operates an integrated steel mill in China that manufactures steel billets and coils, both for domestic consumption and export. Delong also has a subsidiary, Dexin Steel, which is a steel trading and procurement company based in Singapore.

Delong, which has been listed in Singapore since 2005, is being represented in the transaction by Citi. It is owned 77% by an investment firm, Best Decade Holdings. The majority owner of Best Decade, Ding Ligu, is chairman of Delong and a party to the deal. Best Decade will continue to own 26% of Delong after the deal.

Evraz will reach the 51% holding in tranches. It will buy outright from Best Decade shares representing a 10.1%

stake in Delong. Then, using a put and call option structure, Evraz will acquire another 32.08% in Delong. The call and put have to be exercised within six months of the signing date (February 18). This tranche is subject to various conditions including receipt of relevant regulatory approvals.

The final tranche of 8.97% will be sold to Evraz on completion.

Evraz will pay S\$3.9459 per share for each of the tranches and will offer minority shareholders of Delong an exit at the same price. The price represents a premium of 31% over the last transacted price on the Singapore Exchange on Monday and a premium of 49.5% over the volume-weighted average price for the past six months.

Evraz and Delong are still finalising details of the shareholders' agreement including lock-ups, exit mechanisms, pre-emptive rights and other minority shareholder protection rights. Alexander Frolov, Evraz's chairman and CEO, said in a written statement that the investment is “a critical strategic move to expand” and called China “the largest and fastest growing (steel market) in the world”.

ENVIRONMENT-PHILIPPINES: LOCALS OPPOSE OPEN PIT MINING FOR COPPER, GOLD

February 20, 2008 (IPS News) – Under the fertile farmland and forests of southern Mindanao sits what may be one of the biggest copper deposits in South-east Asia. But whether the owners of the Tampakan Copper-

Gold Project should be permitted to tap the mineral lode is under question.

Sagittarius Mines, Inc. (SMI) of the Philippines, along with the project's controlling and managing investor, Australian-based Xstrata Copper (a subsidiary of the Swiss-British giant Xstrata Plc) and Indophil Resources NL, also of Australia, have been prospecting for both copper and gold in the hinterlands of South Cotobato, Davao del Sur and Sultan Kudarat provinces.

While SMI has yet to divulge the method of extraction to be used, company spokesperson Roy Antonio says "it seems likely that open pit mining is the more viable option because the deposit is close to the surface".

SMI/Xstrata has poured millions of dollars into education, health care and the construction of community buildings to strengthen working relationships with the local governments and residents. The money has also succeeded in enticing tribal leaders to support the project.

But recent opposition to mining has come in the form of increased environmental awareness and activism, a New Year's Day attack on company property by the Communist New People's Army (NPA) and pending legislation in the Provincial Board of South Cotobato that may ban large-scale open pit mining.

Joe Madanguit, chair of the Board's Committee on Environmental Protection and Natural Resources, says that they are "not against mining per se," but feel that large-scale open pit mining should not be allowed in the environmentally-sensitive areas where SMI is exploring, which is a watershed for the region and is inhabited by the indigenous B'laan people.

Madanguit spoke shortly after a Feb. 6 meeting with SMI where Mines and Geosciences Bureau regional director Constancio Paye Jr. urged them to omit the open pit ban from their environmental code. Madanguit also says that the Secretary of Environment and Natural Resources Lito Atienza has warned local leaders not to impede President Gloria Macapagal-Arroyo's "revitalization of mining in the Philippines," which adheres to the controversial Mining Act of 1995.

The Philippine constitution provides for local government units to protect their environment and community, and Madanguit stresses that the Board cannot wait for SMI to publically announce what method of extraction they will use for them to prepare their environmental code.

SMI/Xstrata says it is committed to environmentally responsible mining and developing a sustainable economy, and has convinced influential B'laan leaders to back the project, though according to Father Roming Catedral of the Diocese of Marbel's Social Action Center, the government's National Commission on Indigenous People has a policy of installing pro-mining tribal leaders, and because "people are poor and some members of their families work for the mining company, they will address their basic needs first." But Catedral is hopeful that they can stop the Tampakan Project because "people will rise up from the grassroots level" as "people are aware of the effects of large-scale mining".

RIO, BHP HOLD OUT ON ORE PRICES

February 20, 2008 (*TheAge*) – Pilbara iron ore giants Rio Tinto and BHP Billiton continue to hang tough in their efforts to secure a better deal than the 65% price increase secured by Brazil's Vale with Japanese and Korean steel makers. Most analysts expect that Rio and BHP have no option but to accept the Vale settlement as the benchmark for the March fiscal year. But they also suspect that the real ploy by the Australian producers is to hang out for the 71% price increase Vale secured for its premium "Carajas" product.

Australian iron ore is generally lower grade than Carajas ore but the Australians are looking for a share of the \$US50 a tonne freight advantage to North Asian markets over Brazilian exports. Securing a 71% price increase

without official acknowledgement of the freight differential would be face-saving all round.

Rio chief executive of iron ore, Sam Walsh, said on Monday night Rio would "continue to negotiate to obtain a freight premium to reflect its proximity to Asia and its major customers". The local market caught up with the notion that an iron ore price increase of at least 65% was beneficial to the big two producers. After ignoring news of the bonanza price settlement on Monday, investors moved both stocks higher. BHP added 74¢ to \$39.70 and Rio gained \$2.50 to \$136.50, or an unchanged 3.44 BHP shares. That compares with BHP's proposed and already spurned 3.4-for-1 scrip offer.

KREMLIN KILLS TWO RABBITS WITH ONE SHOT – NORILSK NICKEL TO GOBBLE USMANOV, BEAT OFF RUSAL

February 20, 2008 (MineWeb) – It's never been the custom of Russian hunters to speak of hitting two birds with one stone. Instead, the Russian expression is to kill two rabbits with one shot.

Lest anyone think that President Vladimir Putin is losing his grip, the Kremlin last evening revealed a move that firmly knocks two metal and mining oligarchs on the head. In an announcement after market closing, Norilsk Nickel, Russia's largest mining company, revealed that it is to merge with the iron-ore and steelmaking assets of Alisher Usmanov. A proposal for the deal from Interros, the holding company of controlling shareholder Vladimir Potanin, calls for a vote at the next Norilsk Nickel board of directors' session on February 29.

If implemented, the move creates a \$75 billion capital hurdle too high for Oleg Deripaska, the aluminium oligarch, to attempt his merger on hostile terms with Norilsk Nickel.

Deripaska – nicknamed "zaitchik" (hare) by his patron, Mikhail Chernoy (Michael Cherney) – had been telling the Russian press and brokers early this week that he had secured his takeover deal against Potanin. Deripaska claimed that remarks by a mid-level official at the Federal Antimonopoly Service (FAS) yesterday signalled Kremlin approval for the takeover.

According to wire reports, Alexey Ulyanov, head of the industry department at FAS, had told a Moscow conference that the anti-trust regulator "isn't against" a

combination of United Company RusAl and Norilsk Nickel. Because FAS is understood to be a Kremlin enforcer, rather more than it is an anti-trust regulator, Ulyanov's remarks were interpreted by MDM Bank as victory for Deripaska over Potanin.

The credibility of this interpretation lasted less than half the Moscow day. An FAS source told Mineweb that Ulyanov had been misunderstood. Asked a hypothetical question about the proposed Rusal attack on Norilsk Nickel, what Ulyanov meant to say, the source emphasized, was that if there were to be a merger, it would have to be hedged with tough conditions. One of them, Ulyanov offered, would be the creation of a Moscow metals exchange, operating in parallel with the London Metals Exchange, with prices denominated in roubles. The unlikelihood of this was a hint of Ulyanov's lack of conviction that Deripaska's attempt to take control of Norilsk Nickel would be approved.

Mineweb has reported that, since Potanin met with Putin on February 5, there has been a visible change of atmosphere at Potanin's headquarters at the Polyanka crossroads in central Moscow. A source close to Norilsk Nickel and Potanin told Mineweb today the reason is now clear. Potanin has agreed with Usmanov to merge the latter's metal assets into Norilsk Nickel. The Kremlin has also agreed that the combination is a signal to Deripaska that he will not be allowed to go for Potanin's jugular.

DETAILS EMERGING OF DRC MINING CONTRACT RE-NEGOTIATION REQUIREMENTS

February 20, 2008 (MineWeb) – Many of the major exploration and mining companies operating in the DRC have had a communication from the country's Minister of Mines, following the announcement by the Government on February 18 that it has completed its review of the country's mining licenses. Herein we note the requirements put to, and the responses, of Anvil, Banro, Lundin Mining and Moto Goldmines. In most cases, it is heartening to see a focus on ensuring that local communities benefit from mine developments.

Other details for other companies involved in the DRC are likely to be forthcoming over the next few days as companies involved consider their responses. Virtually

every mining contract in the country will require some form of re-negotiation.

The notifications set out a number of elements of the agreements which the Commission has identified for review and outlines how these provisions should be amended. Responses were requested by February 20, although there has been informal indications that this time period can be extended. The key points being requested by the Government in relation to the agreements are summarised as follows:

The lease contracts are to be registered with the Mining Registry, pursuant to the Mining Code and regulations. The Moto DRC incorporated subsidiaries are to

regularise the payment of the surface rights as from 2003 to date Lease rents are to be reviewed upwards. The geographic coordinates of the deposits are to be clearly specified. The feasibility study for the project is to be provided to the Government. This study shall, in particular, identify and assess the real participations of the parties in the joint venture to be created with a view to an equitable allotment of the shares in that joint venture

The joint venture to set out a schedule of the social actions to be implemented and communicate this to the

Government prior to any actions being performed The partner to pay a lease premium and royalties on the gross revenues OKIMO is to take an active part in the daily management of the joint venture to be created The sub-lease agreement with Tangold is to be cancelled and arrears of rentals paid (this sub-lease was agreed to be cancelled in an agreement with OKIMO in November 2006 and arrears of rentals paid).

HIGH COSTS, LABOR SHORTAGES HAMPERING MINING: TECK

February 21, 2008 (Reuters) – Base metals mining projects could continue to face delays or cancellation from higher costs and a lack of available personnel, Teck Cominco's chief executive said on Thursday. The Canadian miner has had first-hand experience with the issue, having put a halt to its joint venture Galore Creek copper-gold project in British Columbia last year, and recently saying it may decide not to buy into the Petaquilla copper project in Panama due to a doubling of construction costs.

Speaking at an investment conference in the ski resort town of Whistler, British Columbia, CEO Don Lindsay said the industry in general has been having trouble getting workers. "Industry-wide, I do think it sends a bit of signal that some of these projects just won't be build or won't be built as quickly as people are anticipating," he

said. "So if demand continues, in China in particular, then supply will have trouble keeping up."

Teck has said it is will look for ways to cut costs at Petaquilla before a March 31 deadline to decide whether to fund 52 percent of the construction in exchange for a 26 percent stake in the project.

Regarding Galore Creek, Teck and joint venture partner NovaGold have launched a review to find a cheaper way to develop the project. Lindsay said one option for project funding would be to forward sell, or hedge, a portion of Galore's gold production.

In addition to labor costs, rising prices of energy and chemicals have bedeviled miners, while the recent development boom has made it tough to procure construction and production equipment.

RIO TINTO TO SELL CORTEZ GOLD MINE TO BARRICK

February 21, 2008 (RWE Aust Business News) – Rio Tinto has made a second sale under its plans to divest at least \$US15 billion of assets. It will sell its interest in the Cortez gold mine in Nevada, USA to a subsidiary of its joint venture partner, Barrick Gold Corp.

The Cortez gold mine is a joint venture between Rio Tinto subsidiary Kennecott Explorations (Australia) Ltd (40pc) and Barrick subsidiary Barrick Cortez, Inc. (60pc). The sale price includes a cash consideration of \$US1.695 billion.

In addition, Rio Tinto will benefit from a deferred bonus payment in the event of a significant discovery of

additional reserves and resources at the Cortez gold mine and will also retain a contingent royalty interest in the future production of the property.

There is no financing condition and closing of the transaction is expected to occur in March 2008.

Options are also being explored to divest Rio Tinto Energy America (coal), Rio Tinto Minerals' talc business and borates business, Rio Tinto Alcan Packaging, Rio Tinto Alcan Engineered Products, Rio Tinto's interest in the Northparkes copper mine in Australia and Rio Tinto's Sweetwater (USA) and Kintyre (Australia) uranium assets.

EUROPEAN STEELMAKERS BLAST MASSIVE IRON ORE PRICE HIKES

February 21, 2008 (AP) – European steelmakers on Thursday blasted a massive hike in iron ore prices and called on EU regulators to block miner BHP Billiton Ltd.'s bid for rival Rio Tinto PLC. The world's largest iron ore miner, Brazil's Vale, on Monday struck a deal with six Asian steelmakers to raise iron ore prices 65 percent amid booming global demand for the raw ingredient used to make steel.

Eurofer, the European Confederation of Iron and Steel Industries, said the agreement showed that too few iron ore producers have too much control over prices that will be passed on to customers worldwide.

"Imagine the pricing power which these suppliers will have when trade is dominated by just two companies," Eurofer's director general Gordon Moffat said, calling on EU antitrust regulators to "react firmly" when they are asked to clear Rio's takeover offer.

Rio Tinto has so far held off from takeover talks, demanding that BHP Billiton raise its offer – valued at around \$147.4 billion. Moffat said weak competition in the steel supply chain has already forced a price explosion. "Ultimately, these extra costs will have to be passed on to the consumer. This will inevitably result in higher prices for steel in Europe and worldwide," he said.

ArcelorMittal SA, the world's largest steelmaker and a member of Eurofer, separately said iron ore contracts are forcing it to hike prices again for flat carbon steel – used to make cars, trains, ships and large machines – by up to 7 percent. "Raw materials have reached an unprecedented cost level for our industry," the company said. Last month it announced a price hike of 12 percent to 15 percent starting in April. ArcelorMittal has sought to develop its own mining and energy projects to shield it from higher commodity prices.

Although BHP Billiton and Rio Tinto have a relatively small share in Europe, Moffat said two players would still be able to raise prices and hold back from expanding mines. He also sees problems with coking coal used to fuel steel furnaces, saying Rio Tinto and a joint venture between BHP Billiton and Mitsubishi control nearly half of all exported hard coking coal.

Increasing demand from China's booming steel sector has driven significant hikes in iron ore prices in annual negotiations for the past six years, boosting miners' profits and sparking a drive to bring new production into the market.

THAT STEEP IRON ORE PRICE RISE MAY YET HAVE A SILVER LINING FOR CHINA

February 21, 2008 (Shanghai Daily) – The 65-percent rise in iron ore prices will not always be bad news for Chinese steel makers, as higher costs will also accelerate the consolidation of the domestic industry and will benefit the sector in a long run. Analysts say large scale mills will be able to absorb the cost rise by raising product prices further, given the robust demand in the run-up to the Beijing Olympics as well the reconstruction boom after the recent snowstorms.

Although the Chinese side has yet to formally respond to the 65 percent increase in 2008 term prices, agreed to by Japanese and South Korean mills and the Brazilian mining giant Vale, industry experts say China may have to accept.

Mills in Asia and Europe and the world's top three iron ore miners, Vale and Australia's BHP Billiton and Rio Tinto, hold price negotiations annually to set price for the fiscal year which starts on April 1.

Some industry experts have expected China to again set the prices to reflect its increasing say in iron ore pricing given its status as the world's largest steel maker and iron ore buyer. But this time Japan led and ended the negotiations with Nippon Steel Corp agreeing to pay 65 percent more for Vale's ore.

Analysts say Chinese mills had expected a rise of around 40 percent to 50 percent but as the Japanese have now set the prices, China's mills will probably have to accept the agreement. They say Japan initially adopted a wait-and-see attitude in the price talks before being surprised by China's Chinalco's move to buy a 12 percent in Rio's London-listed shares by partnering US peer Alcoa Inc.

"The Japanese side had said at the start they would not strike a deal hastily and would wait and see the progress made by the Chinese steel mills," said Central China Securities analyst Hu Hao. "But Chinalco's move did

make the Japanese worried and forced them to move quickly."

Japan was worried that Chinalco's investment in Rio would further reduce its say in Asia's steel market. Nippon Steel is Asia's largest mill. The Japanese parties were also eager to sign a deal because many of them had stakes in overseas mining projects.

A 65-percent rise in ore prices would translate into a 20 percent increase in production costs for Chinese mills,

analysts said but large-scale steel makers would well offset the cost rise by raising the prices of steel products.

The production cost increment estimated for 2008 would account for 80 percent of the total profits earned by domestic mid- and large-sized steel mills in 2007, without taking into account any change in their output, said Liu Wenlu, information director of Steelhome.cn.

NO GOING BACK ON MINES INDIGENIZATION, MUGABE

February 22, 2008 (MineWeb) – President Robert Mugabe who has presided over Zimbabwe's eight year economic meltdown epitomised by an annual inflation rate of over 100,000 percent, has poured cold water on moves made by mining sector stakeholders in a bid to reverse the country's draconian mines indigenization legislation. The 84 year old ruler said that the government would not relent nor go back on its plans to empower locals and that it will still go ahead and give them over 50 percent of shareholding in foreign mining companies.

The development comes hot on the heels of confirmations by Zimbabwe parliament sources who revealed in recent weeks that the government would have to go back to the drawing board to redraft the Mines and Mineral Amendment Bill.

Under the current format which has already been met with widespread scepticism and disdain, the law would

make it mandatory for all mining companies to cede 51 percent shareholding stakes to local black Zimbabweans.

Welshman Ncube, chairman of Zimbabwe's parliamentary Legal Portfolio Committee recently said that the Bill had lapsed and would have to be redrafted but Mugabe's comments yesterday evening could have thrown cold water into any progress that Zimbabwe's mining players could have made to try and avert the loss in investments that would result should the law be maintained as it is.

He added that the need to empower local Zimbabweans in the mining sector had necessitated the need to grab stakes in foreign owned mining companies. "That is why we have this law;" he reaffirmed. He said that his government did not want income from the mining sector to belong to others.

SOARING COSTS TAKE SHINE OFF BARRICK PROFITS

February 22, 2008 (Financial Times) – Barrick Gold, the world's biggest gold producer, yesterday said sharply higher costs had damped the impact of the soaring bullion price but that quarterly earnings still rose 28 per cent. The Canada-based company also said yesterday it had agreed to buy the 40 per cent it does not already own of the Cortez gold project in Nevada from Rio Tinto for \$1.7bn. However, cash costs climbed by almost a third to \$375 an ounce in the quarter, propelled by higher prices for electricity, oil and other materials, as well as production of lower-grade ore at Goldstrike in Nevada and Lagunas Norte in Peru.

Jamie Sokalsky, chief financial officer, said each \$10 per barrel rise in the oil price meant a \$4 per ounce increase in direct operating costs. Sulphuric acid prices have more

than doubled in the past few years. The company has hedged half of its 2008 fuel purchases at well below the prevailing oil price.

Barrick said that new projects in Nevada, the Dominican Republic and Tanzania would have lower operating costs than its existing mines. Unlike rival, Denver-based Newmont Mining, the Canadian group more than replaced last year's output of 8.06m ounces with fresh reserves.

Barrick currently operates 27 mines in North and South America, Australasia and Africa and expects to spend \$10bn on projects in the pipeline, including Cortez.

VALE RAISES BID FOR XSTRATA TO \$97BN

February 22, 2008 (*TheAge*) – Brazilian miner Vale has raised its informal offer price in takeover talks with Swiss rival Xstrata, sources with direct knowledge of the negotiations said on Thursday. One high-level source in Brazil confirmed a report in local newspaper O Estado de S.Paulo that said Vale had sweetened its bid for Xstrata to 47 British pounds a share from 40 pounds previously, or to more than \$US89 billion. (\$97 billion.)

A London-based source close to the deal also said Vale had raised its offer but stressed that a price range was still being discussed. "There has been no offer, either formal or informal, which could possibly be construed as 47 pounds a share ... There have been some price discussions, but not anywhere near 47," a third source said.

Another source close to the negotiations said Vale Chief Executive Roger Agnelli and the company's financial director, Fabio Barbosa, were still engaged in takeover talks in London with Xstrata's management team.

Vale, the world's largest iron ore producer, has secured loans of an estimated \$US50 billion from a pool of about eight banks – including Santander, HSBC, BNP Paribas, Lehman Brothers, Credit Suisse, Citigroup, Calyon and Royal Bank of Scotland, a source close to the financing told Reuters.

Analysts say that although Vale executives and Xstrata's management may agree in principle on an informal offer price in the coming days, several other details would have to be agreed upon before a formal offer could be put together.

A marriage of the two companies would diversify Vale from dependence on iron ore by boosting its presence in copper and nickel. The combined business would be the world's largest nickel producer, surpassing Russia's Norilsk Nickel.



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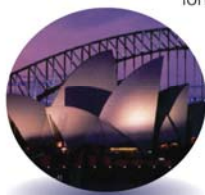
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