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## Global Mining News

### CHINA'S LEAD AND ZINC INDUSTRIES TO UNDERGO CONSOLIDATION

November 17, 2008 (Interfax-China) – China's fragmented lead and zinc industries are expected to undergo consolidation within the next five years as small-sized miners and smelters are increasingly being forced out of business due to plummeting product prices, an industry analyst told Interfax on Nov. 12.

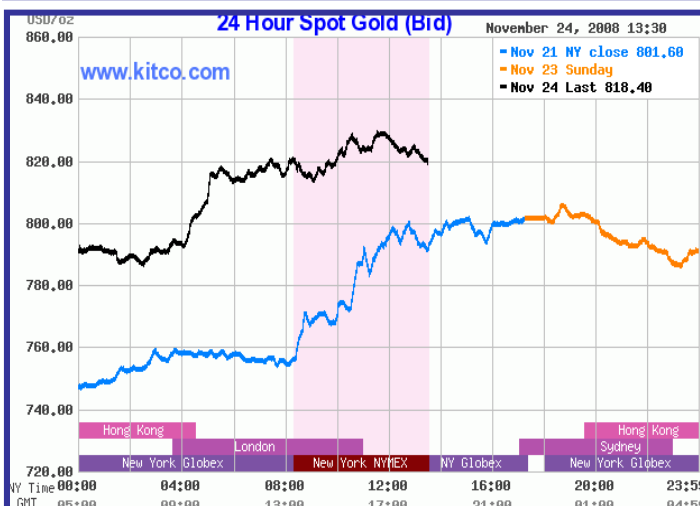
"Booming lead and zinc prices in the last few years led to an investment frenzy in the metal mining and smelting sectors. However, China's ongoing industrial structure optimization, coupled with the current global economic downturn, will likely induce a cool down in investments and accelerate consolidation," Feng Juncong, a senior analyst with Beijing Antaike Information, said.

"In particular, since the beginning of October, lead and zinc prices have tumbled by more than 30 percent, causing almost all zinc miners and smelters to rack up losses, while lead smelters are earning just fractional profits. China's lead and zinc industries will likely consolidate within the next five years under the current climate," Feng said.

In 2007, there were only six lead smelters that each had an annual production capacity of over 80,000 tons, accounting for 33 percent of China's

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USD	NOVEMBER 21, 2008	NOVEMBER 14, 2008
GOLD	774.50	747.50
SILVER	9.1700	9.3300
PLATINUM	812.00	845.00
PALLADIUM	183.00	216.00
ALUMINUM	0.7938	0.8564
COPPER	1.5742	1.6883
LEAD	0.5520	0.6119
NICKEL	4.5836	5.0349
URANIUM	53.00 (11/17/08)	48.00 (11/10/08)
ZINC	0.5464	0.5439

total output, while there were nine zinc smelters that each had an annual production capacity of over 100,000 tons, accounting for about 48.7 percent of combined domestic output.

Feng said that ideally, large-scale lead and zinc miners and smelters should account for 50 percent to 60 percent of the country's lead and zinc output. Feng also said that even though China is among the richest in the world in lead and zinc resources, ore supplies are relatively tight because mining facility expansion is lagging behind smelting capacity expansion.

Moreover, China's zinc concentrate output is likely to decline by 4.6 percent year-on-year to 3.09 million tons

in 2008, due to interruptions by snowstorms in February and the May 12 Sichuan earthquake, according to Feng.

Feng forecast that China's refined zinc consumption will increase by 4 percent year-on-year in 2008, much lower than the average growth of 14.5 percent in the past eight years. Also, production output from China's automobile manufacturers, which are major refined zinc consumers, is expected to grow at a slower pace of 15 percent year-on-year.

## GEORGE FORREST INTERNATIONAL OFFERS C\$579M FOR FORSYS

*November 17, 2008 (MiningWeekly)* – Shares in uranium explorer Forsys Metals leapt 29.3% on Monday, after the company announced that it had agreed to a buyout offer from a company controlled by veteran Democratic Republic of Congo miner George Forrest.

George Forrest International Afrique (GFI), a subsidiary of the Forrest Group, has agreed to pay C\$7.00 a share for Forsys, which was a 55% premium to the average closing price of the company's shares on the TSX in the 20 trading days ended November 13.

The company's board has unanimously approved the offer, after financial advisors at CIBC World Markets gave the opinion that the proposed transaction was fair to Forsys shareholders. The firm's directors and seniors offers have also locked in shares, options and warrants

representing about 20.4% of Forsys' outstanding shares on a fully diluted basis.

The offer is expected to close in February 2009, and GFI plans to fund the acquisition through a combination of cash on hand and existing credit facilities. Forsys' main asset is its Valencia uranium mine, in Namibia, where it has said it plans to start production in 2010.

“Namibia, in my view, is a country with a very positive future for economic growth with an established mining industry including world class uranium mines,” Forrest said in a statement on Monday. The mine will produce approximately 3-million pounds of uranium a year, and Forsys was granted a 25-year mining licence for the operation in August this year.

## CLIFFS, ALPHA NATURAL SCRAP MERGER PLAN

*November 17, 2008 (MiningWeekly)* – Cliffs Natural Resources and Alpha Natural Resources have terminated a merger agreement, the two companies announced on Monday afternoon. The decision was made after considering “the current macroeconomic environment, uncertainty in the steel industry, shareholder dynamics and risks and costs of potential litigation,” the firms said in a joint statement.

Cliffs, which changed its name from Cleveland-Cliffs last month in anticipation of the merger, had planned to buy Alpha Natural to create the largest iron-ore producer in North America and the biggest coal-miner in the US. As

part of a settlement agreement, the larger firm has agreed to pay Alpha \$70-million, and Alpha will dismiss litigation launched against Cliffs, after the company postponed a shareholder vote on the transaction.

The firms said that they will “work together to find ways to realise synergies” in their respective coal operations. Cliffs itself announced last month that it would temporarily idle three pellet furnaces in Minnesota, in response to slumping demand for the steelmaking ingredient.

**MACQUARIE CUTS COMMODITY PRICE FORECASTS BY UP TO 60%**

November 17, 2008 (Reuters) – Investment bank Macquarie said on Monday it had cut its 2009 forecasts for base metals, coal and iron-ore by up to 60% to reflect the deteriorating global economic outlook. It joins a growing number of research houses that have lowered their outlook for the commodities sector, which had enjoyed a strong performance until the first half of this year before sharply correcting in recent months as the credit crisis has threatened to reduce demand for oil, metals, coal, iron ore and grains.

“We had delayed the issuing of new forecasts for around a month so that we could better assess the changing dynamics of global growth and the prospects for recovery. We are more pessimistic than we were a month ago and so are the numbers,” Macquarie said in a report.

It lowered 2009 contract prices of Australian iron-ore fines by 20% to \$115.7/t, which would mark a first

annual decline in seven years as steel makers reduce production amid growing fears over a looming global economic recession.

“The drastic decline in ocean freight rates has already pushed delivered prices [of Australian iron-ore] to well below Chinese domestic iron ore costs, causing 2008 Chinese production to fall,” it said in a report.

The research house also cut price estimates for copper and zinc by 43% and 40%, respectively, to 170 US cents a lb and 51.3 cents per lb. For the coal sector, the thermal coal price forecast was lowered by 38% to \$105/t free-on-board and the hard coking coal estimate was slashed by 60% to \$140 to consider drastic output reduction plans by global steel giants such as ArcelorMittal and Corus.

**SUMITOMO CORP TO BUY BOLIVIA MINE FROM APEX SILVER**

November 17, 2008 (Reuters) – Sumitomo Corp, Japan’s third-biggest trading house, said it has reached a basic agreement to buy Apex Silver Mines’ interest in a Bolivian mine in a deal worth \$22.5-million. The purchase of the San Cristobal mine comes amid a plunge in Apex shares and falling metals prices, and analysts said such tumbling stock prices could create other takeover opportunities in the global mining sector.

Sumitomo already has a 35% interest in the mine, which produces zinc as well as silver and lead, while US-based Apex holds the remaining 65%. “[Zinc] prices are currently weak ... but this is a medium- to long-term project and from that point of view we think it is competitive,” a spokesperson at Sumitomo said. He said he could not provide an exact date for a final agreement, but said it could come by the year-end or the March fiscal year-end. Apex will continue to manage the mine following its sale.

Jeffrey G. Clevenger, Apex’s president and CEO, said: “We are pleased that Apex Silver will continue to partner with Sumitomo at this world-class mine, and we look forward to a comprehensive resolution of the issues that

the company has faced as a result of the current volatility in the commodity and financial markets.” Slumping metals prices have added to mining firms’ difficulties.

Analysts say other Japanese trading firms could make similar moves in the mining sector as share price declines cause a deterioration in cash flows, although activity will be focused around smaller firms. Yasuhiro Narita, an analyst at Nomura Securities Co, said Japan’s trading houses would also need to team up with an operator as they themselves do not have the expertise to run a mine. Japan’s top five trading firms generate up to 70% of their profits from investments in copper, coal, iron-ore mines and oil fields around the globe.

## VALE INVESTS \$250M IN MOZAMBIQUE COAL MINE

November 17, 2008 (Reuters) – Brazil's mining giant, Vale, the concession-holder on coal mining in Moatize, says it invested \$250-million to reactivate mining in Mozambique's Tete province this year. Vale, the world's top iron ore producer said in a statement that when it was granted the concession through a government tender in 2004, it paid over \$123-million for the license, which will last 25 years. This year it has invested over \$130-million.

"The company forecast 2010 and 2011 for the start of coal production, which, within a few years, would reach annual production of 40-million tons," Vale said. The Moatize mine, which suffered extensive damage during Mozambique's civil war in the 1970s and 1980s, is believed to hold about 2.4-million tons of coal reserves, making it one of the largest untapped deposits in the southern hemisphere.

As well as Vale, there are 42 companies in Mozambique that hold coal licenses, 95% of which are based in Tete,

located 1,700 km north of the capital Maputo in Tete and the remainder in Niassa province. The Brazilian-led consortium expects to begin production in 2010, with estimated annual output of about 12 million tons of coal.

Some of the production will fuel a 2,000 MW thermal power station in Mozambique, with the rest mostly destined for export. The project includes a 900 km railway linked to a deep water port. Moatize is the latest project designed to diversify Mozambique's fast-growing economy, which is heavily reliant on agriculture and tourism.

It would put the former Portuguese colony, one of the poorest nations in the world, in competition with neighbouring South Africa in the coal export business. South Africa is the world's fourth largest coal exporter.

## ZAMBIA MINE STARTS NEW \$500 MLN COPPER SMELTER

November 18, 2008 (Reuters) – Zambia's Konkola Copper Mines (KCM) has launched its new Nchanga copper smelter under plans to raise copper cathode output to 500,000 tonnes within two years, the company said on Tuesday.

The Nchanga smelter, which has a capacity to produce 300,000 tonnes copper per year and cost KCM \$500 million, is one of major projects the mining

company has undertaken to raise copper production, officials say. The KCM statement said the smelter produced its first blister copper which was to be transported to the Nkana Copper Refinery for processing into cathode copper late in October.

The Nkana copper refinery is a unit of KCM, which is majority owned by London-listed Vedanta Resources Plc.

## CHINALCO, BANK OF CHINA AGREE ON A \$2 BLN LOAN

November 18, 2008 (Reuters) – China's Chinalco and the Bank of China have agreed on a \$2 billion loan to develop the Toromocho copper project in Peru, a Peruvian government official said Tuesday.

Peru is the world's second largest producer of copper and the Toromocho mine could lift the country's annual output by as much as 25 percent.

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**OUTLOOK FOR PLATINUM MARKET UNCERTAIN – JOHNSON MATTHEY**

November 18, 2008 (*MiningWeekly*) – Platinum refiner Johnson Matthey expects the price of platinum to range between \$700/oz and \$1,400/oz in the next six months, and said on Tuesday that the outlook for the market was more uncertain than it has been for many years.

Looking at demand for the precious metal, Johnson Matthey said it seemed likely that most major national economies would suffer a recession, or slowdown in growth, and this would impact on industrial demand for the metal. Demand from the autocatalyst sector however, could improve, as it was supported by the European diesel sector. Jewellery demand could recover if prices stabilised, which would mean higher retail sales.

Record prices early in the year, reaching \$2,276/oz in March 2008, drove demand lower and end-users controlled metal consumption closely. In the 'Platinum 2008 Interim Review', Johnson Matthey said that the extreme uncertainty in the global financial markets made it difficult to forecast the severity of the present economic slowdown with any accuracy.

The platinum market was forecast to show a deficit of 240,000 oz in 2008. Platinum supplies were expected to fall 4.28% to 6.28-million ounces, while demand would decrease by 2.3% to 6.52-million ounces. The interim review said that platinum supplies in 2008 were likely to fall by 275,000 oz, to 6.28-million ounces.

Electricity supply problems, smelter outages, lack of skilled staff and other challenges would lower South African supply by some 250,000 oz, to 4.78-million ounces in 2008. Platinum production from Russia was expected to fall to 855,000 oz. Production from Zimbabwe and North America was expected to increase.

Maintained output from existing South African producers, as well as adding extra ounces from new operations would be critical, said Johnson Matthey. Cowley, however, added that the difficult operating environment would likely continue. She said it would be surprising if one did not see projects being deferred or delayed.

**PALLADIUM TO REMAIN IN SURPLUS, PRICES COULD PLUNGE TO \$125/OZ**

November 18, 2008 (*MiningWeekly*) – Despite the forecast 3.8% increase in palladium demand in 2008, the market was expected to remain in surplus by 320,000 oz for the year, a report said on Tuesday. Johnson Matthey's Platinum 2008 Interim Review also stated, that while the outlook was positive for some of the metals applications, the worsening economic climate could send palladium trading as low as \$125/oz. However, should fundamentals strengthen, palladium could trade as high as \$300/oz.

Johnson Matthey said that demand was forecast to reach 7.19-million ounces, with strong demand from physical investment through Exchange Traded Funds largely responsible for this increase. "Large amounts of metal were purchased by investors through the two European Exchange Traded Funds in early 2008 as the palladium price rose, yet these investors sold little metal as the price fell in the third quarter and appear to be investing for the longer term. These funds are forecast to account for 430,000 oz of demand for the entire year," explained the company.

Vehicle manufacturers were set to purchase some 4.58-million ounces of palladium in 2008, which was

30,000 oz more than in the previous year. Declining North American vehicle production would cut 350,000 oz from demand, however, substitution of some platinum by palladium in the European diesel sector meant there was a possibility that demand could grow in 2009, Johnson Matthey said.

Global palladium supplies were expected to fall by 12.5% to 7.51-million ounces, mainly because of lower sales from Russia, where primary production slipped to below three-million ounces. Most significantly, added Johnson Matthey, sales of palladium from Russian state stocks were expected to fall from 1.49-million ounces in 2007 to 800,000 oz in 2008. Palladium sales from South Africa would decline to 2.525-million ounces, reflecting the challenges in the country's mining sector this year. Palladium jewellery demand was forecast to rise by 55,000 oz to 780,000 oz in 2008, reversing two years of decline.

## ZIRCON AND TITANIUM DIOXIDE MAY BUCK METALS PRICE DOWNTREND

November 19, 2008 (Reuters) – Mineral commodities used to whiten ceramic dishes and make television screens are holding up despite the commodities sell-off, Goldman Sachs JBWere said on Wednesday, raising its price forecasts for zircon and titanium dioxide.

Goldman Sachs JBWere earlier this week issued its gloomiest commodities outlook yet as industrial activity in China and elsewhere slowed, forecasting copper prices to tumble 37 percent next year, iron ore 30 percent and steelmaking coals 43 percent. But in a report on Wednesday it substantially lifted its price forecasts for zircon as well as modestly raising high grade titanium dioxide price forecasts.

“Despite the weak outlook for global commodities, zircon and high-grade titanium feedstocks are bucking the trend as supply concerns come to the fore,” Goldman analyst Malcolm Southwood said in a report on the so-called minerals sands sector.

While everyone from African copper miners to Australian iron ore companies cut or halt output as the global financial crisis digs deeper into manufacturing, minerals sands suppliers are pushing for price rises over

the next two years, the report said. “Due to the industry’s consolidated nature and the tight supply outlook, this puts the pricing power firmly in favour of the producers and they are now using it,” Southwood said.

Removal of more than 127,000 tonnes of zircon this year, out of a world market of 1.25 billion tonnes, was giving sellers a boost in negotiations underway over next year’s prices, he said. Zircon was already selling for as much as \$900 a tonne for first-half 2009 delivery, which is \$150 a tonne above the current price, he said.

“Security of supply is key to these consumers at a time when production is falling,” Southwood said. “With no alternative supplies believed to be available even at these elevated prices, the risk to production is on the downside.” High-grade titanium dioxide feedstocks are in a similar, if not as acute, position to zircon, Southwood said.

Also, pinched supplies of rutile, brought about by production losses primarily in Sierra Leone and South Africa, are handing pricing power to the producers, he said.

## WESTERN MINING TO BUY INTO STEEL MILL FOR \$161M

November 19, 2008 (Reuters) – Western Mining said on Wednesday it plans to purchase a 39% stake in Xining Special Steel Group from its parent for 1.1-billion yuan (\$161.2-million). Western Mining, China’s fourth-largest zinc smelter and second-largest lead miner, will pay Western Mining Group up to 40% of the transaction amount as prepayment, according to a company statement posted at the Shanghai Stock Exchange.

The deal will need the approval of shareholders and the provincial authorities. Xining Special Steel Group is the controlling shareholder of listed Xining Special Steel with a 49.87% stake, according to the listed firm’s first-half earnings report. A unit of Goldman Sachs owns just over 8% of Western Mining.

## SOUTH KOREA TO OFFER \$1 BLN FINANCE TO BRAZIL’S VALE

November 19, 2008 (Reuters) – South Korea will offer up to \$1 billion of financing to Brazilian iron ore miner Vale as the resource-hungry Asian country beefs up its interest in mining projects, a state-run bank said on Thursday.

The deal, agreed during South Korean President Lee Myung-bak’s visit to Brazil, would help the world’s largest iron ore miner fund its \$6 billion spending

planned over the next five years, as it faces falling iron ore prices and tumbling demand from steelmakers amid fears over a deep global recession.

“The agreement will allow us to share information on mining projects with a top-class global company and is also expected to bolster South Korean firms’ participation

in raw material projects in South America,” the state-run Export-Import Bank of Korea said in a statement.

South Korea, home to the world’s No.4 steelmaker, imported 46 million tonnes of iron ore in 2007, and 23 percent of the import came from Brazil.

In a separate deal, state-run Korea Resource Corp also signed a memorandum of understanding with its Brazilian counterpart to expand cooperation in mining, the presidential Blue House said in a statement.

## TECK CUTS TRAIL ZINC OUTPUT 20%, PULLS OUT OF PETAQUILLA

*November 20, 2008 (MiningWeekly)* – Diversified miner Teck Cominco will suspend dividends, curtail zinc production at its Trail operation, in British Columbia, sell a gold property in Chile to Toronto-based Kinross Gold and reduce overall capital expenditure (capex) by C\$730-million, the company announced on Thursday.

Teck, which had \$9.8-billion in debt hanging over its head after buying Fording Canadian Coal Trust last month, unveiled what it called the first steps in a “comprehensive plan”, which would free up some C\$1.3-billion in cash to pay down the borrowings, including suspending dividend payments in 2009. The company said that it had already paid C\$210-million of the bridge loan portion of its debt, and the dividend suspension on its Class A common shares and Class B subordinate voting shares would save about C\$486-million.

Capital development spending – excluding the Fort Hills oil sands project – will be reduced to some C\$250-million next year, down from the \$650-million forecast for 2008. To reduce spending, Teck has also elected to withdraw from the Petaquilla copper project in Panama, while group sustaining capex will be reduced to approximately \$250-million for 2009, down from a forecast of C\$580-million for 2008. The company expects to recover C\$1.1-billion of cash taxes previously paid, as a result of the Fording acquisition.

Teck has also agreed to sell its 60% stake in the Lobo-Marte gold project in Chile to Kinross Gold for \$40-million in cash and \$70-million in Kinross common shares, plus a net smelter royalty under certain

conditions. Anglo American owns the balance of the prospect, and Kinross announced separately that it had reached an agreement with the diversified miner to buy its 40% interest for \$140-million.

Teck had indicated earlier this month that it may sell gold assets and minority interests to raise additional cash. At Petaquilla, Teck’s partner on the project, Inmet Mining, said on Thursday it will buy its 26% holding for about \$30-million.

Teck Cominco also said on Thursday that it expected coal sales for the rest of this year and in 2009 to be affected by a softening demand for steel. A number of smaller customers have notified the firm that they want to defer some of their contracted volumes for the 2008 coal year. However, it cautioned that coal sales for 2008 will likely be near the lower end of the range of its guidance of between 23-million and 25-million tons.

The Trail metallurgical complex is reducing its refined zinc production by approximately 4,000 t/m to 5,000 t/m, effective immediately, Teck said on Thursday. The move was necessary “in response to changing market conditions”, the company said. The 20% reduction in production would leave Teck with enough metal to meet customer needs, and would likely continue for at least six months, the group said.

Lead production at Trail’s smelter will not be affected and power sales are expected to increase by about 15 GWh per month during this period, which would help boost the operation’s profitability.

## KINROSS BUYS CHILE PROSPECT FROM TECK, ANGLO FOR \$250M

*November 20, 2008 (MiningWeekly)* – Canadian gold-miner Kinross Gold has agreed to pay about \$250-million in cash and shares for a gold prospect in Chile owned by Teck Cominco and Anglo American. Teck will sell its

60% interest in the Lobo-Marte gold project, in northern Chile, for about 5.6-million Kinross shares, \$40-million in cash and a 1.75% net smelter returns royalty on 60% of

future production. The royalty only kicks in when bullion prices top \$760/oz. Meanwhile, Kinross has also entered into a separate agreement with Anglo to buy its 40% interest in the company that owns Lobo-Marte for \$140-million in cash.

The property is located roughly midway between Kinross's Maricunga and La Coipa mines in Chile, and adds about 5.9-million ounces of resources to Kinross's portfolio – 5.4-million of which are in the indicated category.

“This acquisition is directly on our strategy of strengthening Kinross' presence in our core operating regions and adds another attractive deposit to our

development portfolio, while giving us access to a further 30,000 ha for exploration in a highly prospective, mining-friendly district,” said Kinross president and CEO Tye Burt.

“There is also the potential to leverage Kinross' experience in cold-weather, heap leach mining at altitude, and to improve project economics through various processing options, including the use of the existing La Coipa mill for processing Lobo-Marte ore.” Kinross has completed due diligence on the project and plans to begin a development program in early 2009.

## BEARISH CODELCO CUTS COPPER PREMIUMS TO CHINA BY 32 PERCENT

November 20, 2008 (Reuters) – Chile's Codelco, the world's top copper producer, has slashed term premiums for refined copper to China by 32 percent to \$75 a tonne in 2009, amid weak demand in the world's biggest copper market, traders said on Thursday. The premium was in line with expectations, after Codelco made similar cuts for customers in Europe.

Chinese buyers paid term premiums of \$110 a tonne over cash copper prices on the London Metal Exchange MCU0 for refined copper produced by Codelco in 2008, down 15 percent from 2007's \$130. Codelco has also reduced term premiums to buyers in South Korea and Japan by 35 and 36 percent, respectively, to \$64 a tonne and \$65 a tonne. Its term premiums to Europe have fallen by 30 percent to about \$80 in 2009.

Chinese copper buyers are bearish on domestic demand next year due to falling consumption for copper goods from both domestic and overseas markets, despite the Chinese government's plans to boost investment in infrastructure projects. This will likely see Chinese merchants trim term orders for 2009 copper imports as they look to increase spot business.

“I think \$75 is a bit high, given people have expected economic data to be bad in the fourth quarter. The situation in the first quarter 2009 should not be good,” said a manager at one large trading house that is a Codelco client. He added the uncertain economic outlook globally was making Chinese copper buyers cautious in placing orders for 2009.

“We are also not sure about the lending policy of banks, given the global financial crisis,” the manager said. He was referring to letters of credit, which copper buyers use to fund purchases and which banks have been more reluctant to hand out as credit conditions tighten.

A trader at a large Chinese trading and investment house told Reuters the firm was assessing next year's demand outlook for copper in China and had not concluded 2009 term volumes with Codelco. “China does not have much demand for copper now. Falling demand is caused by the weak global market,” a senior manager at a Shanghai-based trading firm said.

## WESIZWE SEEKS FINANCE FROM MIDEAST, CHINA FOR MINE

November 20, 2008 (Reuters) – South Africa's Wesizwe Platinum has been scouting for financiers in the Middle East and China for its \$600-million mine project after the freezing up of Western capital markets. Wesizwe hopes to go ahead with initial work on its Frisch-Ledig project

before the end of 2008 with \$34-million in cash it has in hand while it seeks additional money to build the mine, CE Michael Solomon told Reuters on Wednesday.

“We’re having to look at non-conventional markets, we’re having to look at other markets where there are different value propositions and there’s appetite,” he said in an interview on the sidelines of the Platinum Congress in London.

Wesizwe were looking at all possibilities, including sovereign wealth funds and private equity investors, he added. The firm had been planning to raise \$300-million of equity on Western markets for the first phases of its mine until the credit crunch hammered platinum prices and mining stocks. Wesizwe shares have lost 72% of their value since June while platinum prices have slid 65 percent to slightly over \$800 an ounce since hitting a record over \$2,000 in March.

The company has sliced up the project into smaller modules and will only raise small amounts at a time to

avoid too much dilution to shareholders, he said. “If I could raise \$50-million, I would do that, but I don’t think it’s practical. I think realistically we’ll have to split the first \$200-million into \$100-million tranches and that would take us to the completion of shaft sinking,” Solomon said.

The firm will launch earthworks with existing cash either late this year or early in 2009 to keep momentum going on the project while the first tranche of funds from alternate investors is finalised. “The first two phases of the earthworks are relatively low-cost and time-consuming phases and that would bring us the breathing space.” The other half of capex had been envisaged as project finance to be drawn down in three or four years.

## STEEL MILLS PULLS OUT OF CHILEAN IRON ORE MINE TALKS IN ‘BUYERS MARKET’

November 21, 2008 (Reuters) – Shandong Iron and Steel Group and other big Chinese steel mills are no longer interested in buying a Chilean iron ore miner they have held talks with, as a slumping economy has left ore supplies ample, company sources said on Friday.

Chilean iron ore firm Sociedad Contractual Minera Hierro Pajonales had approached potential Chinese buyers, including the state-owned parent of Wuhan Iron and Steel (600005.SS), eyeing a deal worth hundreds of millions of dollars, industry sources have said.

“We are no longer interested in the offer. The market is not very good now and ore prices have been falling,” a

Shandong Steel source with direct knowledge of the deal told Reuters. “The tide has turned now. It’s a buyers’ market.”

Wuhan Steel has more attractive options for access to resources in Australia and Canada, where weaker local currencies offer lower purchase costs, and is unlikely to put money into the Chilean project, an official in the company’s investment section said.

## HUDBAY TO BUY LUNDIN FOR ABOUT C\$800 MLN

November 21, 2008 (Reuters) – HudBay Minerals has agreed to buy fellow Canadian base metals miner Lundin Mining for around C\$800 million (\$625 million) in stock, the companies said on Friday.

HudBay, which like Lundin has been hit hard by tight credit markets and sliding commodity prices, will pay 0.3919 of a share for each Lundin common share. At C\$2.08 a share, the offer is a steep premium on Lundin’s price of C\$1.12, before the stocks were halted on Friday on the Toronto Stock Exchange. The deal will create Canada’s No. 2 base metals miner by market capitalization, trailing only Teck Cominco.

The companies’ combined assets produced 187,115 tonnes of copper, 278,289 tonnes of zinc, 44,560 tonnes of lead, and 3,270 tonnes of nickel in 2007, they said. Following the deal, HudBay’s cash on hand will be about C\$900 million, with total debt of about \$240 million.

Lundin’s board has approved the transaction, which includes a break fee of C\$24.25 million.

## ALUMINUM DECLINES TO LOWEST IN THREE YEARS ON GROWING SUPPLIES

November 21, 2008 (Bloomberg) – Aluminum fell to a three-year low in London on anticipation slumping manufacturing demand will boost stockpiles of the metal used to make cars and beverage cans. Inventories of aluminum in warehouses monitored by the London Metal Exchange are at the highest since December 1994. Aluminum prices have dropped 27 percent this year, heading for the biggest annual decline since 1989.

Traders are “pricing in expectations of further stock builds, which we concur with,” Barclays Capital analyst Gayle Berry in London wrote in a report today. Aluminum for delivery in three months fell \$37, or 2.1 percent, to \$1,748 a metric ton as of 4:41 p.m. on the London Metal Exchange, the lowest since July 8, 2005.

Copper rose \$80 to \$3,560 a ton and lead was unchanged at \$1,185 a ton. Zinc increased \$14 to \$1,194 a ton and nickel leapt \$300 to \$11,600 a ton. Tin rose \$300 to

\$11,600 after inventories fell 75 tons to 4,290 tons, the first drop since Nov. 10.

Prices of nickel and zinc are probably too low to cover costs for half of the world’s production of the metals, Eugen Weinberg, an analyst at Frankfurt-based Commerzbank AG, told reporters today. Production cuts will help stabilize prices of industrial metals for the next three to six months and “as soon as China’s demand picks up, prices will pick up,” he said.

Copper output topped demand by about 125,000 tons in August, the most since December, the International Copper Study Group said yesterday. Demand for copper in China, the largest user, was little changed in August and consumption fell in Japan, Italy, Spain and France, said Ana Rebelo, the copper study group’s chief statistician. Usage increased in the U.S. and Germany.

## CHILE MOLYMET SEES MOLYBDENUM AROUND \$10/LB IN 2009

November 21, 2008 (Reuters) – Chile’s Molybmet, one of the world’s top processors of molybdenum concentrates, on Friday forecast the price of the metal used to harden steel would remain around \$10 per lb in 2009, and that demand would fall 20 percent next year.

“When it rains, everything gets wet. There is a significant impact on molybdenum consumption and we have started to feel it in the final quarter of this year and will do all next year,” Molybmet CEO John Graell told Reuters at a seminar in the Chilean capital, Santiago.

“We are forecasting a significant fall in molybdenum consumption, and we’ll probably see it in terms of

prices,” he added. Molybdenum was trading at over \$30 a lb in October, and has sunk sharply in tandem with copper and other commodities on demand fears amid global financial crisis.

Molybmet is a major player in global molybdenum and rhenium markets, with production facilities in Chile, Mexico, Germany and Belgium. Chile is the world’s No. 2 producer of molybdenum, which is extracted along with its main export copper.

## RIO TINTO’S RENEWED AFRICAN VIGOUR

November 21, 2008 (miningmx) – South Africa’s main copper producer – Palabora Mining (Palamin) – could get a new lease on life if controlling shareholder, Rio Tinto, decides to extend the existing underground “block caving” operation. That emerged during a media trip to three of Rio Tinto’s African operations: Palamin, Rössing Uranium (Namibia) and the QIT Madagascar Minerals

(QMM), its heavy mineral sands mine in southern Madagascar.

The trip – which included South African, Australian and British financial media – allowed the SA press its first good look at Rio Tinto’s southern African operations in more than a decade, during which the group has kept a

low profile. Reasons for that appear to include the operating and financial problems at Palamin, which initially made heavy weather of the switch from open pit mining to underground block caving.

Rio Tinto CEO Tom Albanese pointed out block caving technology is now proven and described Palamin as “probably the most productive single shaft mine in the world, which is now operating at 10% above its design capacity”. Albanese added the expertise gained at Palamin will be put to good use throughout the group as various mines – such as the huge Argyle diamond mine in Western Australia – also introduce the block caving system that Palamin’s staff reckon is the cheapest underground mining system to operate.

Its change in attitude towards publicity appears to reflect Rio Tinto’s renewed interest in Africa, as well as fitting in with management’s campaign to fight off the pre-conditional bid launched by rival BHP Billiton in November last year.

QMM should start production by this year-end. The Madagascar mine has cost US\$800m, with a further \$200m spent on smelting facilities in Canada as well as

construction of new handling and storage facilities there. First phase production will be 750,000t/year of ilmenite concentrates, which will be shipped to Canada for conversion into high-grade titanium oxide. Subsequent expansions could take QMM to 1.7m t/year of ilmenite concentrates and eventually to 2.2m t/year.

Asked why the ilmenite concentrate was being shipped to Canada and not the smelters at Richards Bay Minerals (RBM) – a 50:50 joint venture with BHP Billiton – Albanese said RBM was already running flat out and the QMM end-product would be higher grade. Albanese said RBM still had 20 years of economic life, but Rio Tinto’s next big heavy minerals project was likely to be in Mozambique, where it controlled a deposit containing more than 70m t of ilmenite, which would be developed “sometime in the coming 10 years”.

Rössing Uranium, situated near Swakopmund, is ploughing capital into expanding both its production and extending its life in response to the uranium market’s revival.

## SOUTH AFRICA PASSES NEW MINE SAFETY BILL

*November 21, 2008 (Reuters)* – South Africa’s parliament on Friday passed new mine safety laws which enforce stricter penalties and hold mine CEOs criminally liable for deaths in some of the world’s deepest mines. The mining industry, represented by the Chamber of Mines (CoM), has criticised as “too punitive” laws which make provision for heavier penalties to be levied against companies, increasing fines to R1-million from R200,000.

The CoM has also questioned the insertion of a criminal liability clause, allowing chief executives and managers to be prosecuted should they be found guilty of causing serious injury or deaths. “The [law] is premised on the principle that the responsibility for health and safety lies with the employers [owners of mines],” read a memorandum attached to the final bill.

South Africa, the world’s No 1 platinum producer and top gold exporter, has a dire underground safety record and saw 221 mine deaths last year, up from 200 in 2006. The high mine death toll has prompted government to temporarily shut down mining operations after fatal

accidents, further reducing output in an industry already suffering from the effects of an ongoing power crisis.

Mine unions, which during public hearings discussing the bill argued for higher penalties, have recently stopped work at mines whenever a death occurred. The new laws, which must still be signed by South African President Kgalema Motlanthe before becoming effective, also made provision for mine accident investigations to be held within ten days and a report completed within 30 days.

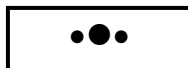
Mine safety inspectors are empowered to enter any mine at any time, question persons and examine documents, and can shut down mines if there is non-compliance with safety instructions.

## WARRING OLIGARCHS BRING THEIR BATTLE FOR NICKEL MINES TO SHAREHOLDERS IN LONDON

November 22, 2008 (*The Independent – Business*) – Russian oligarchs Oleg Deripaska and Vladimir Potanin will continue their battle for control of Norilsk, the world's biggest nickel producer, with investor roadshows in London and New York.

Executives at Mr Potanin's Interros, which holds nearly 30 per cent of Norilsk, will start their roadshow on Wednesday ahead of an extraordinary general meeting called by Rusal for 26 December. Rusal, the aluminium producer in effect controlled by Mr Deripaska, will meet investors the following week. It owns 25 per cent plus two shares of Norilsk.

Mr Deripaska wants to merge Norilsk and Rusal to create a Russian mining champion, but Interros disputes the value of the deal to shareholders. Rusal has called the EGM to elect a new board of directors. It is likely that the board will be made up of three directors from each major shareholder, three independent directors, three from the Kremlin and a chairman.



## NOTICE

Our USA offices will be closed  
Thursday, November 27, 2008 and  
Friday, November 29, 2008  
in observance of the holiday.

We will be returning to regular business hours  
on Monday, December 1, 2008.

**BEHRE DOLBEAR PRESENTS A TWO-DAY SEMINAR ON THE****“ABCs OF MINING”****Intercontinental Hotel  
Toronto****February 26-27, 2009****The Thursday and Friday Preceding the  
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Agenda for the course is:

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- Mineral Exploration: A Process that Creates Wealth
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- Open Pit: Mining Methods and Costs
- The World of Underground Mining
- Mineral Processing Methods
- Smelting
- Environmental and Sustainability: The Social License to Operate
- Minerals Marketing
- Global Risks Inherent in Mining
- Uranium
- Iron Ore
- Coal
- The Valuation of Mineral Properties
- Mining Acquisitions

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.

**You may sign up by calling (303) 620-0020**

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**Please look for more details in our upcoming newsletters.**



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