

BEHRE DOLBEAR

Global Mining News

FOREIGN MINES ASK ZAMBIA FOR TAX BREAK – MINISTER

December 21, 2008 (Reuters) – Foreign owners of Zambian copper mines have asked the government to cut fuel prices and mining taxes introduced this year to help them survive a commodities downturn, Mines Minister Maxwell Mwale said on Sunday. Mwale said the mine owners were pressing the government to reduce electricity tariffs, fuel prices and to cut some taxes, including a 25 percent windfall tax introduced in April.

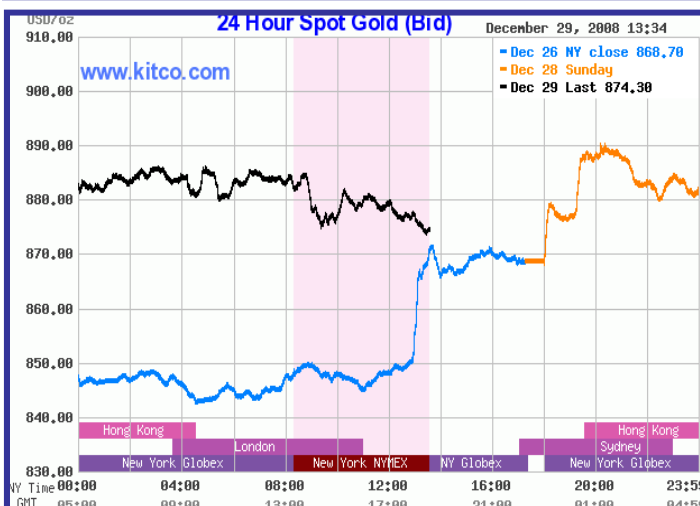
Faced with a sharp drop in international commodity prices, the mines need to cut operational costs to avoid further closures, after Luanshya Copper Mine (LCM) halted its operations on Saturday. Mwale and Labour Minister Austin Liato held crisis talks at the weekend with owners of some copper and cobalt mines.

“They want reductions in electricity tariffs, taxes and also referred to removal of some levies on fuel,” Mwale told Reuters. Mwale said the government wanted to keep mines operational but said more consultation was needed.

As well as the 25 percent windfall tax, the government in April introduced a 15 percent variable profit tax on income above 8 percent of sales, raised mineral royalties to 3 percent from 0.6 percent and corporate tax to 30 percent from 25 percent. This

INSIDE THIS ISSUE

Foreign Mines Ask Zambia for Tax Break – Minister	1
Phenomenal Demand for Gold Coins Continues	2
Deloitte Itemises the Hurdles Ahead for Australian Mining in 2009	2
Delta Sues Liberia Government Over Iron-Ore Concession	3
Now It’s Indonesia Looking at a Mining Contract Review	3
Franco-Nevada to Buy Stake in U.S. Gold Field for \$103M US	4
Chinese Firm to Make \$2.6Bn Investment in Liberian Iron Ore Mining	4
Dollar Weakness and US Deficit Will Underpin Gold Price. Potash, Oil and Uranium Also Positive	5
Mugabe Prepares to Take Over Mines, Isolation Deepens	5
Vale Acquires Coal Assets in Colombia	6
Katanga Arranges \$265.3M Two-Year Loan Facility	7
Japanese Copper Smelters to Push for Big Fees Increase	7
Iron Ore Demand in China Decreases but Prices Remain Stable	8
Rio, Alcoa May Face Extortion After Coup Attempt, Eurasia Says	8
Copper May Not Top \$2 a Pound, Chile Mining Head Says	9
China May Lift Restrictions on Copper Concentrate Processing Trade	9
China to Buy 300,000t of Aluminum for Reserve in Jan at 12,350 Yuan/T	9
Russia Considers Merging Major Potash and Phosphate Companies	10
China’s Coal Price to Fall Sharply in 2009, Experts	10
Glencore Lays Off Hundreds in Bolivia	11
Moscow Installs Former Kremlin Staffer Alexander Voloshin at Norilsk Nickel	11
ABCs of Mining Announcement	13



USD	DECEMBER 26, 2008	DECEMBER 19, 2008
GOLD	836.75	835.75
SILVER	10.2900	10.6100
PLATINUM	856.00	848.00
PALLADIUM	175.00	176.00
ALUMINUM	0.6783	0.6525
COPPER	1.2565	1.2819
LEAD	0.4082	0.4001
NICKEL	4.3091	4.3794
URANIUM	53.00 (12/22/08)	53.00 (12/15/08)
ZINC	0.4990	0.4908

prompted some mining firms to threaten litigation, saying the government had reneged on development agreements it signed with them to maintain lower taxes.

The chief executive officer of the country's largest copper producer, the Konkola Copper Mines, said the mine would seek ways of reducing operational costs rather than cutting jobs. "We have made representations through the Chamber of Mines, especially in relation to duties (taxes) and mineral royalty," R. Kishore Kumar told privately owned Radio Phoenix.

Kumar said the Konkola Deep Mining Project, which is due to come on stream in 2010, was on schedule. The KDMP is due to start producing 150,000 tonnes of copper cathode per year and will together with other KCM new operations help raise the firm's total output to 500,000 tonnes from the current 200,000 tonnes, Kumar said.

PHENOMENAL DEMAND FOR GOLD COINS CONTINUES

December 21, 2008 (MineWeb) – International demand for gold coins has picked up as people strive to take charge of their own financial destinies in an uncertain investment world. Sales manager at the South African Gold Coin Exchange Len Sham says the demand for Krugerrands and collector coins such as the Mandela Coin has been phenomenal over the past five years as the rand weakened and the gold price strengthened.

International demand for coins has also increased over the last two to three years as people increasingly "want to be in control" of their investments. In addition, the recent credit crunch has led to a further uptick in demand for coins across the world, as seen in the fact that many countries are asking South Africa for Krugerrands due to their own short supply of coins.

Sham said Krugerrands were especially popular in South Africa as it served as a rand-dollar hedge that could be sold back to the Exchange, any coin dealer or a person of choice at any time to realise cash.

Collector coins such as the Mandela Coin launched after democracy dawned in South Africa also saw an increase in demand over the past five years as only a limited

number of these coins were cast. The Mandela coins have proved a particularly good investment for those who purchased them at R4,000 in 2004 through rarity and metal price appreciation.

Sham said they advise investors who want to buy gold coins to invest 30% of their money in collector's coins that they typically have to keep for two to three years to make returns on this investment, and 70% in Krugerrands that could be sold at any time to prevent cash flow problems.

The fact that Krugerrands and the value thereof were so well-known over the world meant that investors could easily sell their coins to dealers in any place in the world. The Krugerrand was in fact rated as one of the top 300 brands in the world.

Sham added that investors in gold coins were unlikely to run into liquidity problems. While Exchange Traded Funds (ETFs) also offered direct exposure to the gold metal, gold coin holders took their own decisions and didn't need to lose any sleep over finding willing buyers and sellers.

DELOITTE ITEMISES THE HURDLES AHEAD FOR AUSTRALIAN MINING IN 2009

December 22, 2008 (MineWeb) – The top 10 issues put forward for the mining sector by Deloitte's Energy & Resources Group takes in the predictable forecast of a roller coaster ride for commodity prices, a double squeeze of higher costs, growing difficulty in finding quality assets, lower prices and the tightening of credit. But the survey also warned of challenges with a tightening regulatory environment and an increasing

shortage of electrical power – the latter issue not on the radar of many Australian market analysts.

Some of the other issues cited may be less challenging in Australia now that the market meltdown is in full swing – including a shortage of talent and equipment shortages.

Other issues raised were:

- Political and tax policy volatility.

- The imperative to consolidate.

- A tightening regulatory environment.

Deloitte's head of Energy & Resources in Australia, Phil Hopwood said the company's detailed report offers insights and strategic advice intended to help executives chart their companies' courses over the coming months. "There is neither a magic bullet nor a one-size-fits-all solution to the challenges mining companies face. But there is opportunity."

Deloitte Corporate Finance Partner Dr Eric Lilford, said mergers and acquisition activity will increase in 2009 as companies strive for survival or growth through targeting economies of scale, leveraging off each others' balance sheets and opportunistic transactions.

Head of Mining Bhavesh Morar said: "The pendulum has definitely shifted back. With the rapid falls in commodity prices mining companies must re-evaluate the economics of their mines and mitigate through cost reduction, or face mine closure. Some mines will just not be economic given the price falls and the operating cost structures."

But Economics Partner John Stanford said the longer term outlook is strong. "The commodities boom had to end sometime but the market reaction to it has been overdone. While commodity prices have fallen from their historic highs, world growth will resume before too long and once again Australian resources will be in increasing demand.

DELTA SUES LIBERIA GOVERNMENT OVER IRON-ORE CONCESSION

December 22, 2008 (MiningWeekly) – Diversified resources firm Delta Mining Consolidated is taking legal action against the government of Liberia, challenging the State's decision not to award a \$1.6-billion iron-ore concession to the company, despite having earlier declared it the provisional winner.

Delta has launched an application in the Liberian Civil Law Court for the Sixth Judicial Circuit for judicial review of the government's refusal to award Delta the Western Cluster Iron Ore Deposit concession, and has applied for a stay order to prevent the government from reopening a bidding process for the concession, the company announced on Monday.

The firm has been granted an interim stay with regard to the bidding process, but a final stay order will only be issued once the Government has had an opportunity to respond to the application. Delta is also seeking a review of a ruling handed down by the Independent Complaints,

Reviews and Appeals Panel of the Liberian Public Procurement and Concessions Commission regarding the government's refusal to award Delta the concession.

"Delta argues that the government's purported reasons for not awarding Delta the concession have no basis in law," the firm said in a statement. The company also asserts that Liberian law does not permit the government to cancel a bid "without due process" once a provisional winner has been declared.

In early October, Delta CEO Heine van Niekerk said that the company remained "in the dark" about its exclusion from the bid. At the time, he commented that the company's status in the bid appeared to have changed after a meeting of Liberian President Ellen Johnson-Sirleaf's Cabinet and inference by Liberia Information Minister Lawrence Bropleh of possible "impropriety".

NOW IT'S INDONESIA LOOKING AT A MINING CONTRACT REVIEW

December 22, 2008 (Reuters) – Indonesia will evaluate existing mining contracts to see whether they need adjusting particularly on royalties and the size of mining areas after the passage of a new mining law, the energy and mines minister said on Monday. Indonesia's parliament passed a new law on coal and mining last week that promises more certainty for investors although

it has raised concerns that it may deter major new foreign investment.

Minister Purnomo Yusgiantoro said existing contract of works would not be changed into newly introduced mining permits but the government would be seeking to

maximise revenue for the state including the possibility of raising royalties. Officials have previously said that existing Indonesian mining contracts would be upheld.

“For companies that have given maximum revenue to the state they won’t need to change, but some may have to do it,” he said, without elaborating. “We will also talk to companies about increasing royalties.” The minister said the government would also review mining concessions held by existing mining contractors. The new law will limit mining areas for exploration and production.

Investors will be granted a maximum of 100,000 hectares (247,100 acres) for metal mining and 50,000 hectares for coal mining during the exploration staged. During production, the area will be reduced to 25,000 for metal mining and 15,000 hectares for coal mining.

Yusgiantoro did not say whether firms would be required to return mining concessions that have not yet been explored. The new mining law states existing mining contractors must submit plans on their concession for approval. Their areas can be adjusted if they fail to submit plans within one year after the law is passed, according to the bill.

The new coal-mining law, which replaces a 41-year-old mining law, had been held up as lawmakers wrangled over whether the law should cover existing deals, or just new ones.

FRANCO-NEVADA TO BUY STAKE IN U.S. GOLD FIELD FOR \$103M US

December 23, 2008 (CBC News) – Franco-Nevada Corp. will pay \$103.5 million US for a small piece of a prominent Nevada gold field, the Canadian miner said Tuesday. Franco-Nevada has entered into a cash agreement with private individuals to buy a 7.29 per cent interest in the Gold Quarry Royalty property. The 209-hectare property, in the north-central part of Nevada, represents a portion of the lucrative Gold Quarry field.

The Gold Quarry open-pit mine is operated by Newmont Mining Corp., which calls the field “the most prolific gold field in the Western Hemisphere”. Newmont operates the Carlin Trend site, which includes Gold Quarry, and said the Carlin mine had 9.5 million ounces of gold reserves at the end of 2007. Franco-Nevada said this deal should help the company’s financials in the long run and still leave the miner with more than \$500 million in cash to fund more takeovers.

Franco-Nevada, which was spun off from Newmont in an initial public stock offering in 2007, earned \$9.9 million, or 10 cents a share, for the third quarter of 2008. The company said it was facing lower gold prices in the final three months of the year, compared with the third quarter.

Purchasing the new royalty interest gives the company an opportunity to boost its cash flow in the face of lower bullion prices. Franco-Nevada expects to receive royalties on more than 11,200 ounces of gold each year from the royalty property, the company said. At a mid-December gold price in the range of \$840 US an ounce, that level of production translates into almost \$10 million of bullion production a year. The deal is set to close on Dec. 31, subject to certain conditions, Franco-Nevada said.

CHINESE FIRM TO MAKE \$2.6BN INVESTMENT IN LIBERIAN IRON ORE MINING

December 23, 2008 (Reuters) – A Chinese firm will make the biggest ever investment in Liberia when it signs a \$2.6 billion iron ore deal in January, the West African nation says. The 25-year project to be undertaken by China Union will directly and indirectly create 18,000 jobs, and give Liberia an immediate cash boost of \$40 million on signature.

“This is the biggest investment in our country’s history,” Richard Tolbert, Chairman of the National Investment Commission, told Reuters late on Monday. The deal, which beat nine rival bids, will trump the world’s largest steelmaker, ArcelorMittal which is spending \$1.5 billion in Liberia, also on iron ore.

Many firms have scaled back or postponed African mining projects as metals prices have crashed in the past six months, and most analysts believe a severe global recession will cut demand for industrial minerals for years to come. Tolbert said the timing of the Chinese investment was a vote of confidence in Liberia.

Before its 1989-2003 civil war, Liberia was the world's fifth largest producer of iron ore, and foreign investment in the mineral is a centrepiece of President Ellen Johnson-Sirleaf's strategy of economic rebuilding.

China Union intends to bring the Bong deposit, to the north-west of capital Monrovia, to production within two years, and will also recondition the capital's port and build a hydro power plant to supply the city, Tolbert said. He did not give details of the overall size of the Bong deposit. Part of the deal is a \$40 million signature bonus to be paid to the government, Tolbert said. "This amount will go into the government treasury for development purposes," he said. President Johnson-Sirleaf has promised zero tolerance of corruption.

DOLLAR WEAKNESS AND US DEFICIT WILL UNDERPIN GOLD PRICE. POTASH, OIL AND URANIUM ALSO POSITIVE

December 23, 2008 (MineWeb) – As gold well maintained its value at \$839/oz in mid-December, Scotiabank economist Patricia Mohr predicted Monday that renewed U.S. dollar weakness, linked to a spiraling US\$1.25 trillion U.S. budgetary deficit, will underpin gold prices. Mohr forecast that "a number of commodities should outperform-gold-a hedge in uncertain economic times" – potash (still at record highs) – and oil & uranium, if investors are prepared to take a two-year view."

She also predicted that, within base metals, copper will continue to outperform, while spot uranium prices will rebound to US\$70 per pound. In her research, Mohr noted that LME zinc prices have fallen close to average world cash costs due to a collapse in demand in the global auto and construction sectors, "while 50% of the world's aluminum smelters are not covering cash costs."

"The shift from 'boom' to 'bust' in many commodities has been the most rapid in the history of the Scotiabank Commodity Price Index (in data back to 1972-magnified by the exit of hedge and investment funds from commodity markets investments as well as a rapid markdown in anticipated global growth from 5% in

2005-07 to only 1.55 for 2009," she said. Mohr advised that commodity prices will decline further this month, "ending 2008 well below year-ago levels 9-12.8% as of November)."

For instance, uncovered U308 requirements by North American utilities will be low in 2009, "given the restocking and term-contracting of recent years," she said. "However, India will return as an importer of uranium concentrates in 2009 and has now signed bilateral nuclear cooperation agreements within the United States, France and Russia and may do so with Kazakhstan in January."

She advised that spot uranium prices should rebound to the US\$70 level over the medium-term due to delays in the Cigar Lake start-up and the Olympic Dam expansion. Potash prices remain at record highs, Mohr noted. "Despite prospects for very slow sales in early 2009, it appears that the major Russian and Canadian producers are committed to keeping prices high by managing supplies, rather than discounting prices sharply to boost shipments (in keeping with past price). Canada's largest producer will reduce production by 20% in early 2009."

MUGABE PREPARES TO TAKE OVER MINES, ISOLATION DEEPENS

December 23, 2008 (Bloomberg) – Zimbabwean President Robert Mugabe is preparing to take over key businesses in mining, banking and manufacturing as his international isolation deepens, two members of the ruling party's politburo said.

The 84-year-old leader said two days ago that he may form an "Economic Revolutionary Council" to overcome

sanctions, the officials said. They declined to be identified because the talks of his Zimbabwe African National Union-Patriotic Front party two days ago weren't public. Meantime, a South Africa opposition party called for African nations to join the sanctions.

Mugabe's plans suggest he doesn't intend to bow to calls to step down as the economy collapses and cholera spreads. The top U.S. envoy to Africa, Jendayi Frazer, said Dec. 21 that Mugabe has "lost it." Zimbabwe is in its 10th year of recession, with an annual inflation rate of more than 230 percent and an unemployment rate more than 80 percent.

The emergency measures would seek to curb inflation and lift productivity, which has slumped to less than 10 percent of manufacturing capacity, the officials said after the meeting in the northeastern town of Bindura. These may include nationalizing banks, mines and factories and could go as far as declaring a state of emergency, they said.

While Zimbabwe is not the subject of formal economic sanctions, the U.S. and the European Union have imposed travel bans and asset freezes on Mugabe and his allies. The Zimbabwean government has already said it plans to force foreign companies to sell 51 percent of their assets to black Zimbabweans. It has yet to implement that decision.

Calls in South Africa for sanctions against Mugabe, the only leader Zimbabwe has had since independence from Britain in 1980, are growing. Mugabe's neighbors should cut off supplies of commodities to force political change, said Mosiuoa Lekota, the leader of the South Africa's Congress of the People party, known as Cope.

VALE ACQUIRES COAL ASSETS IN COLOMBIA

December 23, 2008 (Euronext – CET) – Companhia Vale do Rio Doce (Vale) announces that it entered into a purchase and sale agreement to acquire 100% of the export coal assets of Cementos Argos S.A. (Argos) in Colombia for US\$ 300 million. Argos, listed in Bolsa de Valores de Colombia, is a Colombia-based cement producer and one of the largest cement producers in Latin America. It has cement, concrete and aggregates operations in the United States, Panama, Venezuela, Haiti and the Dominican Republic.

Located in the major Colombian coal producing region – Cesar department, Argos's coal assets consist of two mining concessions: (a) El Hatillo, open pit mine, with expected 2008 production of 1.8 million metric tons of thermal coal ramping up to full capacity – 4.5 million metric tons per year – by 2011, and (b) Cerro Largo, under exploration stage. Together these mining concessions have potential for 500 million metric tons of non-audited geological resources.

Las Cuevas deposit, part of the El Hatillo mining concession, presents the highest potential for additional resources, and Vale has agreed to make an extra payment at fixed price per metric ton of measured and indicated resources exceeding 50 million metric tons, after a

confirmatory drilling campaign to be concluded within two years.

Argos's coal logistics assets are also included in the deal. Argos has 8.43% stake in the Fenoco consortium that owns the concession and operation of the railroad linking the coal concessions to the SPRC port. It also owns 100% of the concession of the Rio Cordoba – SPRC port in the Caribbean coast of the Magdalena Department. Its coal production, which currently uses trucks to reach the port, will begin railroad transportation at the beginning of 2009.

Investment in the coal business is an important part of Vale's growth strategy. Vale has also coal projects in different stages of development in Australia, Mongolia and Mozambique. Since Colombia is the world's third largest exporter of high-quality thermal coal, given its low level of sulfur and high calorific value, Vale is seeking to build a coal asset platform in the country to enhance our growth options in the coal business.

EDITOR'S NOTE:

Behre Dolbear was pleased to act as the technical advisor to Cementos Argos S.A. for this transaction.

KATANGA ARRANGES \$265.3M TWO-YEAR LOAN FACILITY

December 24, 2008 (*MiningWeekly*) – TSX-listed Katanga Mining has secured a \$265.3-million two-year convertible loan facility, the company announced on Wednesday. The facility comprises a new loan facility of \$100-million underwritten by 8.5% shareholder Glencore Finance, as well as an amendment to an existing \$150-million loan provided by Glencore, which, with accrued interest, amounts to about \$165.3-million.

The copper- and cobalt-miner, which has already scaled back its operations to cushion the effects of low metals prices, cautioned last week that it required additional funding “on an urgent basis” to stay afloat.

Katanga said on Wednesday that it has drawn up a revised production plan, targeting a rate of 150 000 t/y, and the loan facility will enable it to meet the immediate financial requirements for the new plan through the first quarter of 2009. After that, it will need to raise another

\$250-million in debt or equity finance, or a combination of the two, during the first six months of next year.

Once the company has raised the \$250-million, the full amount of the \$265.3-million facility will be mandatorily converted into equity. The company is consolidating, rehabilitating and expanding the neighbouring Kamoto and KOV operations in the DRC, after merging with rival Nikanor earlier this year.

The revised production plan involves maintaining capacity at 70,000 t/y until 2010, and rehabilitating the remainder of the KTC concentrator and Luilu metallurgical facility to 150,000 t/y by 2012. After that, Katanga plans to continue to ramp up production to more than 300,000 t/y, using new sulphur-extraction/electrowinning modules.

JAPANESE COPPER SMELTERS TO PUSH FOR BIG FEES INCREASE

December 24, 2008 (*Reuters*) – Japanese smelters will push for their first hike in copper processing fees in more than three years in 2009, aiming to almost double the price due to an expected rise in the raw material’s availability, industry officials said on Wednesday.

Japanese copper smelters and global miners including BHP Billiton Ltd/Plc have yet to agree on next year’s fee to process copper concentrate into the metal. Spokesmen at Sumitomo Metal Mining Co Ltd and Pan Pacific Copper Co Ltd said the next round of negotiations were likely to take place before the middle of January.

Copper smelters in China, the world’s top consumer of the industrial metal, are seeking treatment charges of \$82-\$83 per tonne and refining charges of 8.2-8.3 cents per pound for calendar 2009. “Our thinking is the same as that of the Chinese smelters,” a spokesman at Sumitomo Metal said. In this year’s mid-year talks Japanese copper smelters mostly agreed on treatment and refining charges of \$45/4.5 cents, though reports suggested that some processing fees were agreed as low as \$42.5/4.25 cents.

The spokesman declined to comment on specific price levels when asked about whether Sumitomo Metal was seeking to reach a deal above \$80, although he said a low level was unacceptable. A spokesman at Pan Pacific also declined to discuss details of the negotiations but said the current business environment in the industry called for higher processing fees.

Copper processing fees have either fallen or remained unchanged since mid-year fees for the 2005/06 period due to tight concentrate supplies, which increased the competition over raw materials among smelters. Supply is expected to surpass demand next year, however, given sharp falls in the prices of copper and sulphuric acid, a by-product of smelting.

IRON ORE DEMAND IN CHINA DECREASES BUT PRICES REMAIN STABLE

December 24, 2008 (Platts) – Iron ore demand is decreasing sources said this week, but some traders indicated they were still able to achieve reasonable sale prices. An Australian supplier traded a 61.5% Fe at \$72/dmt CFR North China, loading mid January in Australia. Iron ore fines 62.8% traded at \$75/dmt CFR North China, loading mid January in Australia. This is 50 cents higher than a trade earlier in the week.

Meanwhile offers for 58% were decreasing, sources said. Buyers were not interested in \$56/dmt CFR North China for 58% Fe, and offers were now down to \$50/dmt CFR North China. Buyers were holding back from purchasing the lower grade for blending, as they are unsure what will happen to steel prices in the New Year. “Right now the price of \$56/dmt CFR North China leaves a profit margin for steel manufacturers,” a trading source said adding, “however, they are hesitating and wondering what will happen to steel prices.”

Platts assessment for 62/62 Fe remained steady Wednesday at \$73/dmt CFR North China. On the lump market a deal for 63% Fe was reported concluded at \$75/dmt CFR North China, loading mid-January Australia.

An iron ore trading source reported congestion at Haldia and Paradeep, two east coast ports in India: “There is heavy congestion at Haldia and Paradeep, and buyers are hesitating to purchase or place orders.”

Congestion of up to fifteen days for Haldia and Paradeep combined have been reported by trading sources. Typically there can be several days delay at these ports but not up to fifteen days. There appears to have also been an impact on freight rates. Although handy vessels were trading at \$11-12/wmt, several iron ore traders were reporting pressure on rates. Meanwhile sources report cape vessels rates in Australia at \$6.25/wmt.

RIO, ALCOA MAY FACE EXTORTION AFTER COUP ATTEMPT, EURASIA SAYS

December 24, 2008 (Bloomberg) – Rio Tinto Group, Alcoa Inc. and other mining companies operating in Guinea will likely face extortion after an army faction attempted a coup, political research firm Eurasia Group said. The faction said yesterday it was suspending the constitution and dissolving the government after the death of President Lansana Conte, who ruled for 24 years. State officials told Radio France Internationale that most soldiers are still loyal to the government.

Demands on mining companies will rise if the coup leaders take over, even if they hold democratic elections, Sebastian Spio-Garbrah, an analyst at New York-based Eurasia, wrote in a note to clients today. Guinea has the world’s biggest reserves of bauxite, an ore used to make alumina, the raw material needed for aluminum production. The country also has iron ore deposits.

“It is very likely that the new regime may seek to extort monies from current operators and prospectors and that a new democratic regime may try to impose heavier royalties and taxes,” Spio-Garbrah said. Miners “may see their exports held up for a few days and used as bargaining chips.” Rio Tinto was in a dispute with

Conte’s government over its rights to the Simandou iron-ore deposit, where it’s considering building a \$6 billion mining operation, after part of the concession was given to BSG Resources Ltd., a company controlled by Israeli diamond investor Beny Steinmetz.

Russian aluminum producer United Co. Rusal and Johannesburg-based AngloGold Ashanti Ltd. also operate in Guinea. BHP Billiton Ltd. is planning to develop a bauxite mine and alumina refinery in Guinea in partnership with New York-based Global Alumina Corp.

Conte’s death may result in three to five years of instability, Spio-Garbrah said. “In the meantime mining operators there will be under constant extortionary pressure and those that refuse to play along will have their licenses yanked,” he said. “Longer term, mining projects in Guinea may face delays and exports could fall as operating costs rise and legal, political, security and reputational risks grow for foreign operators.”

COPPER MAY NOT TOP \$2 A POUND, CHILE MINING HEAD SAYS

December 24, 2008 (Bloomberg) – Copper may not rebound past \$2 a pound after an international credit crisis hammered speculators, according to Santiago Gonzalez, Chile's mining minister. Such price levels are probably "over," Gonzalez told reporters today in Santiago. Copper may rise to between \$1.60 a pound and \$1.70 a pound after the credit crunch eases, he said. "The financial crisis is still developing," said Gonzalez, who is also chairman of state-owned Codelco, the world's largest copper producer as measured by 2007 output.

Gonzalez said speculative investment in copper has dried up, a change that is having a bigger effect on the price than slumping demand. Global usage of the metal hasn't fallen "significantly," he said.

Copper has tumbled 58 percent this year as hedge funds and other large speculators went from a net-long interest of as much as 10,000 copper futures contracts in mid-March to net-short holdings of as much as 18,799 New York-traded contracts last week, U.S. Commodity Futures Trading Commission data show.

Spending by China's government will spur economic expansion of more than 5 percent next year, he said. Growth below that level may push copper's price to less than \$1 a pound, he said. Codelco, the Santiago-based copper producer, will maintain its investment plans as it looks to the "long term," Gonzalez said. Freeport-McMoRan Copper & Gold Inc., the second-biggest copper supplier, BHP Billiton Ltd., the world's largest mining company, and Brazil's Cia. Vale do Rio Doce all have cut output targets or delayed investments as metals prices slumped.

In Chile, the government is helping small and mid-sized mining companies as unemployment in the industry mounts, Gonzalez said. The big mining companies haven't made large job cuts in the country, he said.

CHINA MAY LIFT RESTRICTIONS ON COPPER CONCENTRATE PROCESSING TRADE

December 25, 2008 (ChinaDaily) – China is likely to scrap the 17-percent value-added tax (VAT) and 10-percent export tariff on exports of copper concentrate for the processing trade, Caijing Magazine reported. Processing trade refers to the business activity of importing raw materials and components from abroad and re-exporting finished products after processing.

Zhao Bo, deputy director with China Association of Nonferrous Metals Industry, was quoted by the magazine

as saying the regulation has been completed and is expected to be released in 2009. At the start of 2006, the country imposed restrictions on processing trade on certain high-polluting, high energy consuming and resource-intensive products, including copper concentrate.

CHINA TO BUY 300,000T OF ALUMINUM FOR RESERVE IN JAN AT 12,350 YUAN/T

December 26, 2008 (ChinaMining) – Chinese State Reserve Bureau (SRB) decided Thursday to purchase and stock 300,000 tons of electrolytic aluminum at a price of 12,350 yuan per ton in January 2009. Altogether eight state-owned aluminum enterprises are engaged in this purchase, among which, China's biggest aluminum producer Chinalco, the parent of Chalco, covers the

largest share of 150,000 tons. Yunnan Aluminum Corp. and Shanxi Guan Aluminum Corp. are also on the list.

The purchase price, 12,350 yuan per ton, is 10 percent higher than the current market price, said analyst Heng Kun with Essence Securities.

Recently, production cost of electrolytic aluminum has dropped to an average of 12,000~13,000 yuan per ton, due to the significant fall in alumina price and decline in power price. Analysts noted that the purchase will help relieve pressure on aluminum enterprises and reduce their losses, but it is hard to give a substantial boost to the market price.

Accordingly, total purchase plan of SRB amounts to one million tons, while the social and enterprise inventories are estimated to be 1~1.5 million tons.

RUSSIA CONSIDERS MERGING MAJOR POTASH AND PHOSPHATE COMPANIES

December 26, 2008 (Reuters) – The Russian government is mulling the creation of a state-run holding from several fertilizer producers, sources told Interfax on Friday, indicating that the Kremlin could be preparing a move into another key sector. Industry and government sources told the Russian news agency that the government may merge potash makers Uralkali and Silvinit and phosphate mineral apatite producer Apatit.

“The idea under consideration is to buy controlling stakes (in three companies), merge them and appoint government officials,” Interfax quoted a government source as saying.

The report highlights the confusion surrounding Uralkali, which earlier today appeared close to resolving a dispute over a controversial mine flood that threatened its future. Uralkali said it had offered to pay about 3 billion roubles (\$105.9 million) in additional compensation for damages stemming from the 2006 flood.

“Our company has offered voluntary compensation... related to clearing up the aftermath of the accident as well as costs to construct two railway by-pass routes,” Uralkali President Anatoly Lebedev said.

Lebedev also said that his company has not been approached by anyone regarding a merger and that Uralkali has not sought any financial support from the government. Renaissance Capital analyst Marina Alexeenkova said she saw no strong argument for such a consolidation. “These companies have good cash generation and they can survive without government help.”

In a separate statement, Russia’s Natural Resources Ministry confirmed Uralkali’s offer and said that rival Silvinit, which uses the same rail line, repeated an earlier offer to pay 1 billion roubles.

CHINA’S COAL PRICE TO FALL SHARPLY IN 2009, EXPERTS

December 26, 2008 (ChinaMining) – China’s coal price in 2009 is likely to fall back to the level at the end of 2007 for due the supply exceeding market demand, according to coal industry experts. Liang Dunshi, deputy secretary with China Coal Transportation Association, said that coal price grew 13~22 percent in 2004-2007, promoted by the increase in market demand and production cost; and jumped 100 percent in the first half of 2008 because of hiking oil and coal prices worldwide.

Liang explained that the current global financial recession has decreased market demand for coal and squeezed out bubbles in coal prices. In addition, China’s large coking enterprises have sufficient coal inventory and steel plants already have reduced production.

Zhang Shun, analyst with Bohai Securities, said that China’s coal price would be faced with such pressure in 2009 as unfavourable macroeconomic fundamental situation, the downbeat course of coal price, excessive coal production capacity, and the increase in production cost.

According to Huang Teng, negotiation expert in international coal price, coal industry cycle usually lags one year behind the economic cycle. Therefore, the government policy is expected to take positive effect on promoting economic growth in the second half of 2009. He predicted that the coal price adjustment would last till 2010.

Zhang Xiaoxia, analyst with Guohai Securities, said that coal price is not likely to fallback to the level of a decade ago considering the increasing policy and human resource costs in coal industry and rising intangible value of coal resources.

Although shrinking coal demand in domestic market at present is quite similar with situation in 1998, China will not face the extreme coal oversupply this time. In 1998, small coalmines, which took half of national coal output,

heavily cut coal price after decreasing demand. However, at present, coal enterprises in China have taken actions to suspend production to prevent further decline in coal price.

Insiders generally hold that coal price in 2009 will continue to decrease, at least to the level at the end of 2007, and the slump coal price probably will last till 2010 if overall economic situation postpone recovery.

GLENCORE LAYS OFF HUNDREDS IN BOLIVIA

December 26, 2008 (Reuters) – Workers at the Bolivian subsidiary of Swiss commodities trader Glencore say the company has sacked about 600 of them because it is facing financial trouble, state-run news agency ABI said on Friday. Glencore is the 100-percent owner of Sinchi Wayra, which produces mainly zinc concentrate but also some lead and employs some 3,500 people in its five mines, according to the company's website.

The head of the workers' union at Sinchi Wayra's Bolivar mine, Rene Velasquez, told ABI that about 600 people have been laid off. "Sinchi Wayra is talking about falling mineral prices, but it's just a pretext to fire 50 percent of workers, because (in fact) it's about to go bankrupt," said Velasquez. It was not clear whether he was referring to 50 percent of workers at the Bolivar mine or at the company as a whole.

La Paz daily La Prensa said that Sinchi Wayra has laid off some 1,300 workers, citing the National Federation of Mining Unions. High-ranking mining officials recently told Reuters that negotiations with Glencore over compensation for Vinto were going well and that the Bolivian government expected to reach an agreement soon. Morales' government has said in the past that it wants to become a majority shareholder in three Sinchi Wayra mines.

Mining is the second source of foreign revenue for impoverished Bolivia after natural gas. In the first nine months of 2008 Bolivia produced \$1.6 billion worth of minerals, roughly 60 percent more than in the same period last year, according to the mining ministry.

MOSCOW INSTALLS FORMER KREMLIN STAFFER ALEXANDER VOLOSHIN AT NORILSK NICKEL

December 27, 2008 (TimesOnline) – Further evidence emerged yesterday that the Kremlin is increasing its control over the Russian economy as a former insider was appointed to run one of the country's biggest companies. Alexander Voloshin, former chief of staff to Presidents Vladimir Putin and Boris Yeltsin, was appointed as chairman of Norilsk Nickel at an extraordinary meeting in Moscow.

Norilsk is the world's largest producer of nickel and is regarded as one of the most strategically important resource companies in Russia. Oleg Deripaska, the billionaire oligarch, bought a 25 per cent stake in Norilsk this year but had to seek a bailout from the Kremlin after

failing to refinance \$4.5 billion (£3 billion) of debt that he took on to buy the shares.

This stake is now being held as collateral by VEB, the state-owned bank, and the Government has appointed Mr Voloshin to the company's board. Mr Voloshin said: "I don't consider myself a state representative because today private shareholders voted for me, but since I've been working for the state for a long time, they are close to my heart."

More than 100 Russian oligarchs are seeking bailouts from the Kremlin after taking on too much debt during the country's commodities boom of the past five years. In

return for the bailout money, the Kremlin is demanding greater control of their companies, prompting fears that the Government is attempting to renationalise parts of the economy or reduce the power of the oligarchs.

The appointment of Mr Voloshin will, however, help to end a feud between Mr Deripaska and Vladimir Potanin, who also owns about 25 per cent of Norilsk. The two billionaires have been vying for control of Norilsk all year but the Kremlin's intervention effectively ends that battle.

The appointment of Mr Voloshin came as Russia devalued its currency, the rouble, for the eighth time this month. Meanwhile, in Ukraine, the parliament voted to dismiss the central bank chief after a collapse in the national currency. Volodymyr Stelmakh had been accused of corruption and incompetence by members of parliament. Mr Stelmakh denies the accusations and he is not expected to be dismissed by the Ukrainian President.



**To subscribe or unsubscribe to
Global Mining News, please contact:
newsletter@dolbear.com**

Did You Know?

Bauxite – Guinea boasts around a third of all known reserves of bauxite, the ore used to make aluminium. Its projected 2008 output of 20.1 million tonnes accounts for

more than 10% of world production.

Guinea's diamond reserves are estimated at over 25 million carats, not including as yet unmapped kimberlite fields.

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
Prospectors and Developers Association of Canada Meeting (PDAC)**

The two-day program will be geared toward individuals who wish to learn more about the mining industry and those needing a refresher on mining fundamentals and the business of mining.

Agenda for the course is:

- The State of the Mining Industry
- Bankable Feasibility Studies and the Due Diligence Process
- Mineral Exploration: A Process that Creates Wealth
- Resource and Reserve Classification Systems and NI 43-101 Reports
- 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

Email: newsletter@dolbear.com

Please look for more details in our upcoming newsletters.



Beijing
Behre Dolbear Asia, Inc.
 Tel: +86.10.6397.8580
 Fax: +86.10.6397.8580
 beijing@dolbear.com



Denver
Behre Dolbear Group Inc.
Behre Dolbear & Company, Inc.
Behre Dolbear Capital, Inc.
Behre Dolbear Management Consulting, Inc.
 Tel: +1.303.620.0020
 Fax: +1.303.620.0024
 denver@dolbear.com



Guadalajara
Behre Dolbear de Mexico, SA de CV
 Tel: +52.33.3610.2113
 Fax: +52.33.3610.2112
 bsolanor@prodigy.net.mx
 mexico@dolbear.com



Hong Kong
Behre Dolbear Group Inc.
 Tel: +852.9039.0288
 hongkong@dolbear.com



Johannesburg
Digby Wells & Associates (Pty) Ltd.
 Tel: +27.11.789.9495
 Fax: +27.11.789.9498
 info@digbywells.co.za



London
Behre Dolbear International Ltd.
 Tel: +44 (0) 1233.650405
 Fax: +44 (0) 1233.666828
 london@dolbear.com



New York
Behre Dolbear & Company (USA), Inc.
Behre Dolbear Capital, Inc.
 Tel: +1.212.684.4150
 Fax: +1.212.684.4438
 newyork@dolbear.com



Santiago
Behre Dolbear Chile y Cia Ltda.
 Tel: +56.2.243.0947
 Fax: +56.2.243.0022
 santiago@dolbear.com



Sydney
Behre Dolbear Australia Pty Limited
 Tel: +61.2.9954.4988
 Fax: +61.2.9929.2549
 sydney@dolbear.com



Toronto
Behre Dolbear & Company, Ltd.
 Tel: +1.416.369.9011
 Fax: +1.416.369.0449
 toronto@dolbear.com



Vancouver
Behre Dolbear & Company, Ltd.
 Tel: +1.604.646.4666
 Fax: +1.604.687.1327
 vancouver@dolbear.com

BEHRE DOLBEAR

founded 1911 MINERALS INDUSTRY ADVISORS

We **Know** The **Business** Of **Mining**

www.dolbear.com