

BEHRE DOLBEAR

Global Mining News

CHINA RESOURCE INDUSTRY SEES OPPORTUNITY AMID GLOBAL CRISIS: CHINALCO

January 4, 2009 (*ChinaMining*) – Some Chinese mineral giants see the global economic slowdown as a blessing in disguise. “The crisis presents a rare opportunity for our domestic companies to initiate cooperation with foreign enterprises,” said Xiao Yaqing, general manager with state-owned Aluminum Corp. of China (Chinalco), in an outlook for *Caijing Magazine’s* 2008 yearbook.

“When the time is ripe, overseas acquisitions, strategic investments and joint development could all be considered.” Statistics from the December issue of *Caijing* showed that 2008 has seen a leap in the number of overseas acquisitions by China’s metal, mining and energy companies. These include share purchases and exploration licenses.

Seven transactions were completed and three remain in progress. There were five such cases in the past three years. About 10 major nonferrous metal companies, including Chinalco, are considering further overseas mergers and acquisitions. The acquisition strategy was in line with the government’s policy to encourage state-owned companies to invest in foreign mining companies to secure mineral resources.

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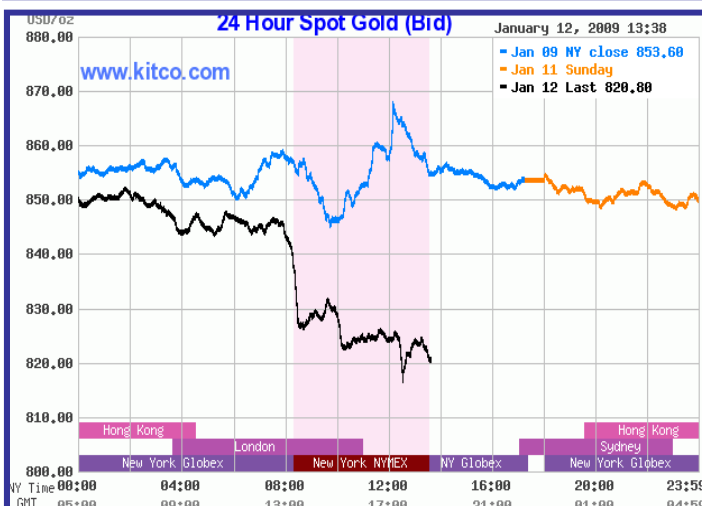
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USD	JANUARY 09, 2009	JANUARY 02, 2009
GOLD	847.25	874.50
SILVER	11.2200	11.0800
PLATINUM	988.00	926.00
PALLADIUM	196.00	185.00
ALUMINUM	0.6897	0.6768
COPPER	1.4878	1.3930
LEAD	0.5375	0.4720
NICKEL	5.1596	5.7652
URANIUM	53.00 (01/05/09)	53.00 (12/29/08)
ZINC	0.5534	0.5536

According to Xiao, China's material and energy enterprises should have a role in global resource allocation. "We have long been providing products to other countries with our own natural resources. Now it's

time to contribute to the world economy with world resources," he said.

AUSTRALIA'S NEWCASTLE THERMAL COAL PRICE SLIPS 1.7%

January 5, 2009 (Bloomberg) – Power-station coal prices at Australia's Newcastle port, a benchmark for Asia, slipped 1.7 percent last week as the number of ships waiting to load the fuel fell after higher-than-expected shipments in December.

The weekly index for power-station coal prices at the New South Wales port dropped \$1.37 to \$79.19 a metric ton in the period ended Jan. 2, according to the globalCOAL NEWC Index. The measure has risen from \$76.09 a ton on Dec. 5, the lowest in almost 14 months.

Prices have fallen about 60 percent from the \$194.79 a ton record reached in the week ended July 4 last year because of declining demand and lower crude-oil prices. Bottlenecks at Australian ports contributed to record prices last year as supplies were constrained to customers in Asia.

The number of ships waiting to load at Newcastle should fall to 19 by mid-January, from 30 at the end of December, the Hunter Valley Coal Chain Logistics Team, which coordinates coal movements to and from Newcastle, said on its Web site. The queue has fallen from 45 earlier in December, which was the most in a year.

The performance rates in December for the assembly of cargoes at Newcastle and their loading onto ships were both above target, the group said.

Xstrata Plc, the world's largest exporter of power-station coal, BHP Billiton Ltd. and Rio Tinto Group are among mining companies that ship coal through Newcastle. Zug, Switzerland-based Xstrata has been forced to accept a cut in prices for annual calendar-year contracts for the fuel with Japanese utilities, Citigroup Inc. and Merrill Lynch & Co. said Dec. 17.

Twenty-five coal ships left Newcastle in the week ended Jan. 3, one less than a week earlier, Newcastle Port Corp. said today in an e-mailed report. Sixteen of the vessels were headed for Japan, two each for South Korea and Taiwan, and one each for Mexico, China, Malaysia, France and Western Australia's Fremantle.

The monthly Newcastle thermal coal price index fell 14 percent to \$78.18 ton in December, from \$91.36 the previous month, according to globalCOAL. It was the lowest since October 2007. The January Newcastle coal futures contract closed Jan. 2 at \$74.35 a ton, down 1.7 percent, on London's ICE Futures Europe exchange.

The volume of coal transported to Newcastle for export rose 8 percent last year to 91.4 million tons, while the volume loaded onto ships advanced 7.5 percent to 92 million tons, the Hunter Valley Coal Chain Logistics Team said in its end- December report.

SUMITOMO MINING CUTS H2 COPPER OUTPUT

January 5, 2009 (Reuters) – Sumitomo Metal Mining Co Ltd, Japan's second-largest copper smelter, said it has cut its copper production plan by 7 percent for the six months to March as the economic slump eats into demand for the metal. The company now plans to produce 201,000 tonnes of copper in October-March, down from 215,000 tonnes it planned in April.

"We have decided to reduce output in January-March due to the sharp decline in nonferrous metals demand as a

result of the deterioration in the real economy," the company said in a statement. A senior Sumitomo Metal Mining official had told Reuters in December that the company planned to cut copper output in the January-March quarter due to weakening demand. Sumitomo Metal Mining will also curb output of nickel, which has been hit by poor demand for semiconductors as well as lower production of automobiles.

It will cut zinc output as well due to a sharp decline in exports, and the company said it has decided to move forward to March maintenance checks that it had originally planned to undertake in April. It will now

conduct maintenance checks at its Harima Smelter, which produces zinc and lead, for about 23 days in March.

CHINA DROPS TAXES ON COPPER, COBALT AND NICKEL CONCENTRATE IMPORTS

January 5, 2009 (Reuters) – China will allow tax-free imports of copper, nickel and cobalt concentrate from Feb. 1, as long as the finished products are re-exported, a statement on the Ministry of Commerce’s website said, reversing a two-year old policy of taxing these flows. China will allow duty-free exports of refined copper, unwrought nickel, semi-finished aluminium products such as profiles, rods, bars and billets, and cobalt powder.

The move could increase China’s exports of copper and nickel and imports of primary aluminium, traders said. The policy will allow smelters such as Jiangxi Copper to import concentrates duty-free as long as they export the finished product.

Copper concentrate imports are currently subject to a 17 percent value-added tax, and exports of refined copper

are taxed at 10 percent. Pan Qifang, Jiangxi Copper’s spokesman, said the policy would allow the firm to hedge imports of concentrate on the London Metal Exchange and to export refined copper if LME prices were higher than domestic market.

The duty-free policy would also reduce the cost of financing imports, which may boost small smelters’ operations, he added. The policy on exports of semi-finished aluminium products could increase imports of primary aluminium ingots for the manufacturing of such duty-free exports, traders and smelter officials said. Exports of such products are also expected to rise.

ESKOM SAYS SMELTER SHUTDOWNS CAUSED LARGE TUMBLE IN POWER DEMAND

January 5, 2009 (Platts) – South African utility company Eskom said Monday that the shutdown of smelters through the credit crunch has caused power demand by the country’s biggest users to tumble – but the national power generator still can’t say when full power will be given back to the mines.

It’s nearly a year since Eskom declared a “force majeure” and cut power to the mines by 50%, which is not enough to maintain refrigeration and pumping.

Fani Zulu, a spokesman for Eskom, said demand for power in December 2008 was down by 1,500 MW – the output of a large coal-fired power station – compared to December 2007. “The fall has been caused by the problems on world markets and the credit crunch, which has forced many companies to close their smelters. They are the big users of electricity,” he said.

Zulu said talks were continuing with the mining industry over power and that the mines had managed to identify power savings of up to 3%. When asked by Platts when

the mines were likely to get full power back, Zulu replied: “I cannot put a date on it. All I can say is that we are in negotiations and in a constant effort to build our capacity.”

Dick Kruger, an economist at the Chamber of Mines, confirmed that there had been a huge drop in the demand for electricity in December because of cut backs in the production of steel, ferrochrome, manganese and platinum. “I don’t think this is going to make any immediate difference to the mines. What I would rather see is Eskom taking advantage of this break to prepare and make sure everything is ready for peak winter demand in a few months time,” he said. Adding, “when the steel and the manganese demand starts to pick up again, we do not want to be caught flat footed.”

Eskom has also unveiled plans to start building 50 windmills, this year, to generate 100 MW of power. Zulu said: “This will not only help us build our power

generating capacity, but also reduce Eskom's carbon footprint. But as for the mines, it is unlikely to generate enough power to make much difference." Eskom said last year it was going to double its spending to Rand

343 billion (\$36.2 billion) over the next five years to build new power plants and transmission lines.

SHORTAGE OF LEAD SEES 40 PERCENT METAL PRICE RISE IN CHINA IN PAST MONTH

January 6, 2009 (Reuters) – Chinese prices of spot lead, used in batteries, have risen 40 percent in the past month, buoyed by reduced supply and stronger winter demand for automobile batteries, industry officials and traders said on Tuesday. The rise in China, which consumes a third of the world's lead, exceeded a 16 percent rise the same month on the London Metal Exchange MPB3, where the metal price was \$1,122 on Tuesday.

It marks a turnaround after Chinese prices lost nearly half their value between last September and early December on reduced demand triggered by the global financial crisis that spurred Chinese lead smelters to cut production. "Many small smelters have shut down," said a sales manager at Yuguang Gold and Lead, the country's top producer of lead. "And battery makers are buying more lead." Battery makers had cut lead purchases in the fourth quarter of last year because of volatile prices and had used up their stocks of the metal, he added.

But battery demand may wane and the price may fall after the Chinese New Year as car sales fall, amid the weaker domestic economy, the manager said. Xinling Refining in Lingbao city in Henan province shut its sole 100,000-tonne-a-year lead plant in early December because of low prices, a company director said.

Smelter officials said supply of lead concentrate had fallen as mines in northern provinces closed operations in the winter. In the southwestern China's Yunnan province, small lead mines have also cut production on safety checks by local authorities. The Yunnan government plans to support local lead smelters by offering to buy up to 150,000 tonnes of lead it will use to collateralise bank loans this year. The plan is expected to hold up lead stocks for a year and to cut supply to the spot market in China.

BASE-METALS DEMAND COULD PICK UP IN H2 – FITCH

January 6, 2009 (MiningWeekly) – Although growth in the global base-metals sector was expected to slow over the next 12 months, ratings agency Fitch Ratings stated that improvement in credit availability and implementation of fiscal stimulus programmes could result in stronger demand in the second half of 2009. In its newly released base-metals outlook report, Fitch stated that earnings were expected to decline in 2009 from the robust 2008 levels, however, runoff of working capital and active management of capital budgets should partially offset the impact on free cash flow.

Fitch Ratings director Monica Bonar said that demand from China and developing nations had previously driven strong growth in base-metals consumptions, but that growth would slow for at least the next 12 months. However, the recently announced Chinese stimulus should improve metals demand, as the country accounted

for 20% to 35% of the world's consumption of base metals. The agency noted in particular the \$586-billion infrastructure spend announced by the Chinese government in November, aimed particularly at reconstruction in the Sichuan province.

Producers have been taking production off-line and slowing expansion spending, but not enough to increase prices. In some cases, spot prices were lower than the marginal cost of production. The desire to conserve cash, resulted in a focus on working capital management, and Fitch expected destocking to take some time in this lower demand environment.

She noted that metal prices have fallen sharply and that production and capital expenditure cutbacks were being

considered or announced. Capital spending for the base-metals sector might have reached a peak in 2008, and Fitch said it was expecting capital expenditure to fall between 5% and 15% this year, followed by a more severe decline of 35% to 40% in 2010, on the back of

weaker earnings and cash flow. A significant number of mining project delays, mine shutdowns and cutbacks were evident in the last six months of 2008.

FREEPORT TO PAY MITSUBISHI 70 PERCENT MORE FOR COPPER TC/RC

January 6, 2009 (Reuters) – Mitsubishi Materials Corp said it had won a roughly 70 percent hike in copper processing fees from Freeport-McMoran Copper & Gold, in what is believed to be the first fee rise won by a Japanese copper smelter for 2009. Japan's copper smelters have been pressing for hikes as raw material supply is likely to surpass demand, and Mitsubishi Materials said it is aiming for even bigger rises from other major miners such as BHP Billiton Ltd/Plc as conditions have deteriorated since the Freeport agreement.

A company official declined to provide exact prices in the agreement with Freeport which was reached late last year, but said they were close to prices quoted in industry reports. Reports have said 2009 processing fees between Mitsubishi Materials and Freeport were set at \$75 a tonne and 7.5 cents a pound, compared to estimates of \$45 and 4.5 cents for 2008. It was the first agreement Mitsubishi Materials has reached with a miner for a 2009 contract on treatment and refining charges (tc/rc).

The hike comes against a backdrop of plunging global demand for the industrial metal used extensively in the power and construction industries, which combined with

growing inventories pushed down copper prices by more than 50 percent in 2008. "Demand for copper both at home and overseas has plummeted, and this has led to a surplus in concentrate," the Mitsubishi Materials official said. He said he had mixed feelings about the fee hike as it stemmed from falling demand.

The collapse in demand has forced Japan's two top copper smelters to curb output, with Pan Pacific cutting production by 10 percent in January-March compared to a year earlier, while Sumitomo Metal plans a 7 percent reduction in the six months to March. Talks with other major miners are due to begin later this month. An industry source said, however, that the first processing fees agreed between a smelter and a miner typically become the benchmark for term contracts for that period, and that this year was unlikely to prove to be an exception.

Copper fees have either fallen or remained unchanged since mid-year fees for the 2005/06 period due to tight concentrate supplies, which increased competition over raw materials among smelters.

DEMAND IS UNTARNISHED FOR GOLD, SAYS HAMBRO

January 6, 2009 (Financial Times) – In his wood-panelled office overlooking St James's Park, Peter Hambro opens a cabinet of curiosities. From it he takes a gold coin he says was minted in the area of Belgium "shortly after the year zero [AD]". "This coin," he says, "buys the same amount of bread today as it did 2,000 years ago." Alongside it he lays promissory notes owned by his grandfather, including ones written in gothic script by defunct governments. He points to a pre-war £10 note. "That's worth about 50p now," he says. "The others are worthless."

Mr Hambro, chairman of the Russia-focused goldminer Peter Hambro Mining, is as confident as ever that gold is a long-term storer of value. He is not alone. The price of gold, which closed at \$851 an ounce on Monday, has held up since mid-September, when the prices of industrial metals started a downward plunge. People want real gold, Mr Hambro says. "It is the physical market driving the price."

But his optimism on price is mixed with deep worries about the global economy. Consumers' hoarding of gold

bars is fine for the company's prospects, he says, but it also recognises that consumers are fearful and desperate. Even Mr Hambro, a 63-year-old City patrician, is at a loss in the current economy. But he scoffs at the idea of

holding it in sterling. "As long as there is demand for gold, we're fine", he says. "But I don't see how people can get out of this mess."

ZAMBIA BUDGET TO DISCUSS COPPER MINE WINDFALL TAX

January 7, 2009 (Reuters) – Zambia's Finance Minister Situmbeko Musokotwane told Reuters on Wednesday he will raise the issue of a 25 percent windfall tax on copper mine operators in the national budget. The Chamber of Zambia Copper Mines, which represents the interests of foreign mining investors, has submitted proposals to Musokotwane proposing the controversial windfall tax to be scrapped and the 15 percent profit variable tax zero rated.

Musokotwane confirmed receiving some proposals from the mines but declined to offer further details. A document obtained by Reuters comprising proposals for cutting taxes showed that the copper mines also want the mineral royalty rate to be graduated according to the copper prices. The mining firms suggested that corporate tax be cut to 25 percent from 30 percent. The mine owners also want the government to suspend 25 percent excise duty on diesel and to waive road levy on diesel imported for use in the mines.

Zambia last April introduced the 25 percent windfall tax and 15 percent profit variable tax on income above eight percent. The country also raised mineral royalty to 3 percent from 0.6 percent and corporate tax to 30 percent from 25 percent. The taxes caused controversy with some mining firms threatening to take legal action, saying the government had abrogated development agreements it signed with the firms to maintain low taxes.

Industry experts say mining firms have told the government that they were facing serious operational difficulties due to the higher taxes, high electricity tariffs and fuel prices and low global metals prices. Musokotwane said the setbacks seen in Zambia's mining sector, which forced Luanshya Copper Mine to halt cobalt and copper operations, were temporary and that Zambia would still attract more investments in mining in the future.

BOFA-MERRILL LYNCH RESUME MINING/METALS COVERAGE IN BEARISH TONE

January 7, 2009 (Platts) – Bank of America/Merrill Lynch Research resumed its coverage this week of metals and mining equities in the US market "with a negative fundamental bias," according to a January 5 report shared with Platts Wednesday.

"As global growth slows in 2009, we see all metals markets in surplus and believe cost curves will continue to trend lower," wrote analyst Kuni Chen. "The global capacity response has been swift in steel but has lagged in other nonferrous sectors. The outlook for 2009 is very challenging with earnings for some companies likely to be at or below break even levels, given the sharp correction in commodity prices," he added.

Chen noted that global infrastructure stimulus programs may be "a slight positive," but should be more than offset by sharp declines in private construction spending. The analyst, like some others, has virtually written off 2009

for metals. "In our view, demand/pricing trends should start to gradually improve in 2010-11," Chen said.

He forecasts the price of steel hot-rolled coil in the US to decline 30% to \$600/st in 2009 from an average of about \$850/st in 2008. "Steel appears somewhat better positioned as global capacity cuts are approaching 30%," Chen suggested, adding, "The Merrill Lynch commodities team is forecasting 26% and 44% declines in aluminum and copper prices, respectively. Titanium prices should also decline 19% as a result of continued aerospace production delays and a bloated supply chain."

"In our opinion, no one sub-sector within metals looks attractive at this time," Chen writes. He acknowledges, however, that metals and mining balance sheets are generally well positioned for a downturn.

CENTRAL AFRICAN TO RESTART CONGO COPPER, COBALT OUTPUT IN APRIL

January 7, 2009 (Bloomberg) – Central African Mining & Exploration Co. expects to resume copper and cobalt production in Democratic Republic of Congo in April as prices rebound, said Laurent Decalion, chief executive officer of its Boss Mining Sprl unit. Central African, known as Camec, halted mining in November as demand slumped, pushing its shares to a five-year low. Most mining companies in Congo's southern Katanga province, which boasts a third of the world's cobalt reserves and 4 percent of all copper, closed late last year after prices crashed. "You can see the copper price is

slowly going up," Decalion said today from Kakanda, 150 kilometers (93 miles) northwest of the Katangan capital, Lubumbashi. "The cobalt price is also getting better. The world needs copper and cobalt."

Copper has rallied 10 percent since December on the London Metal Exchange, its best start to the year since at least 1987. Cobalt, used in jet engines and batteries, has climbed 35 percent in the past month, according to prices from Metal Bulletin.

GOLDCORP PLANS FOR 50 PCT OUTPUT JUMP OVER 5 YRS

January 8, 2009 (Reuters) – Goldcorp Inc said on Thursday that it has matched its 2008 gold production forecast and plans for a 50-percent jump in output over the next five years. The company, which has operations in Canada and throughout Latin America, anticipates 2009 production of about 2.3 million ounces of gold at a cost of \$365 to \$400 per ounce.

Output gains at most mines are expected to be offset by significant planned declines at Alumbrera in Argentina and El Sauzal in Mexico. Goldcorp plans to spend about \$1.4 billion in 2009, with \$95 million of that to be spent on exploration, \$530 million on the Penasquito project in Mexico, and \$430 million on the Pueblo Viejo project in the Dominican Republic.

Goldcorp said it produced 692,000 ounces of gold in the fourth quarter, and 2008 output exceeded 2.3 million ounces at a cash cost of about \$300 an ounce. Year-end financial statements are expected to be released on Feb. 19.

The Vancouver, British Columbia-based mining company sees gold production increasing to 2.6 million ounces in 2010, 2.9 million ounces in 2011, 3.2 million ounces in 2012, and 3.5 million ounces in 2013. Fellow miner Kinross Gold Corp said on Wednesday that it plans to spend \$460 million this year, boosting production by 32 percent to as much as 2.5 million ounces.

CHINESE GOVERNMENT MAY NOT PURCHASE STEEL FOR RESERVE

January 8, 2009 (ChinaMining) – The previously proposed steel reserve scheme may not be adopted by the Chinese government for different voices, said a source close to the National Development and Reform Commission (NDRC), quoted by Shanghai Securities News. The source said none of NDRC, Finance Ministry and China Iron and Steel Association (CISA) approves that scheme. "The reserve scheme was not even mentioned at the January 5 seminar which was about how to invigorate China's steel industry," said CISA general secretary Shan Shanghua.

Currently, there are over 1,000 steel plants in China, some 100 of which are large and midsize ones, altogether generating around 500 million tons of steel products annually, with over 20 kinds of major products.

Under such a situation, it is quite difficult to determine the total reserve quantity, varieties as well as the target enterprises. Moreover, the proposed reserve quantity of 5 million tons would cost Finance Ministry some 20 billion yuan, which is too much for many to accept.

Some steel traders say they expect the market demand recovery more than the national reserve policy.

Actually, China's steel market already shows a sign of warming up at present. Price of hot-rolled sheets and rolls has risen to 3,500~3,700 yuan per ton from the lowest point of 2,800 yuan per ton in October 2008.

China's steel industry has seen a high-speed increase in investment and construction of new production capacity. Production capacity of crude steel is estimated to exceed 60 million tons by the end of 2008.

PHILIPPINES TARGETS MORE MINING INVESTMENT

January 8, 2009 (Mining Journal) – The Philippines is hoping to attract up to US\$1 billion in investments into its mining sector this year after missing that same target in 2008, a senior official said on Thursday. “We’re looking at probably US\$800 million to US\$1 billion. I think that’s reasonable,” Horacio Ramos, head of the mines and geosciences bureau, told reporters.

Mining investments last year totalled around US\$630 million, about the same as 2007, as some mining companies, struggling to get credit amid the global financial gloom, opted to shelve their projects, said Mr. Ramos.

Australia-based OceanaGold last month said it was putting on hold its Didipio gold and copper project in the northern Nueva Vizcaya province due to funding difficulties. Junior mining companies are having a hard

time raising funds for their projects, he said, adding that big names such as Xstrata and BHP Billiton, that have projects in the Philippines, should do better.

Mr Ramos said he is still hopeful that investments into the mining sector, among the world's biggest and most lucrative in the 1970s, would reach between US\$10 billion and US\$13 billion by 2013.

Legal uncertainties, disputes with local partners, communist insurgencies and opposition from the Catholic Church have stunted the flow of investments into Philippine mining. The south-east Asian nation has attracted almost US\$2 billion since 2004 when the Supreme Court cleared a law allowing foreigners to own 100% of largescale mining projects.

COAL STOCKPILE AT QINHUANGDAO PORT HAS PLUNGED 45.2 PCT FROM PEAK

January 8, 2009 (ChinaMining) – Coal stockpile at Qinhuangdao Port, China's major coal port, had plunged by 45.2 percent from the peak of 9.23 million tons on Nov. 16, 2008 to 5.04 million tons on Jan. 6, 2009, Li Dongxin, researcher with Qinhuangdao Shipping Coal Trading Centre, believed that the fallback of coal inventory at Qinhuangdao Port was the result of less coal arriving at the port via Tatong-Qinhuangdao railway but more coal leaving the port. However, there is no sign of big rally in power plants' demand for coal. Besides, coal price at Qinhuangdao Port rose by 10 yuan per ton in average.

Chen Liang, senior analyst with Pingan Securities held that China's power plants quickly piled up coal stocks in a bid to cope with production cut of coal enterprises,

which led to the decrease of coal inventory and coal price rebound at Qinhuangdao Port since December of 2008.

According to statistics, by Jan. 3, 2009, coal kept in stock by North China Power Grid surged 57 percent and that by South China power grid increased 8.75 million tons. The coal consumption in state-owned power plants rose by 15 percent in December of 2008 month on month for the seasonal factor, but declined by 13 percent on year, indicating power plants' weakening demand for coal, said Chen Liang.

He noted that after the peak season of heating, high level of power coal inventory would impose great pressure on spot power coal price. However, Wang Shuai, chief

analyst with Orient Securities holds optimistic view that the coal price rebound in the past 2-3 weeks has shown the bottom of coal price, which would make the performances of coal enterprises in 2009 predictable.

Meanwhile, the strong rebounding momentum for international oil price will also give a boost to an increase in coal price.

CODELCO PLANS \$12 BILLION SPENDING AMID GLOBAL SLUMP

January 8, 2009 (Bloomberg) – Codelco, the world's largest copper mining company, will invest \$12 billion in the next five years to boost production as metal prices gain, Chilean Mining Minister Santiago Gonzalez said.

There will be a "slight" price increase in the next few years on speculation that global economic growth will rebound, he told reporters today in Santiago. Still, worldwide usage of the metal will remain flat in that period, said Gonzalez, who also is chairman of state-owned Codelco.

Codelco, which owns about a fifth of the world's copper deposits, plans to pump \$2 billion into expanding this year as it tries to halt a four-year drop in output at century-old mines. Output slid 6.6 percent in 2007 to 1.67 million metric tons, and dropped 11 percent in the first 10 months of 2008 from the year earlier, according to the Chilean Copper Commission.

Codelco needs "these investments to increase efficiency and reduce costs," Juan Jose Ponce, an analyst at brokerage Larrain Vial SA in Santiago, said today in a telephone interview. Metals producers such as Cia. Vale do Rio Doce and Xstrata Plc are scaling back after prices tumbled. Copper has dropped 65 percent from a record in May as global economic growth stalls.

The Chilean Copper Commission, a state-run research group, said yesterday that the price of the metal will

average \$1.60 a pound this year and \$1.50 a pound next year, when global stockpiles will more than double. Production by mines worldwide will grow this year and next, according to the group.

Some companies are delaying projects in Chile, the world's largest supplier of the metal, because of concern that demand may weaken, said Francisco Costabal, president of Chile's Mining Council, an industry group. Costabal also is chief executive of BHP Billiton Ltd.'s Spence copper mine in Chile.

Codelco will be able to tap \$1 billion in funds from the Chilean government this year for investment, Gonzalez said. Chilean President Michelle Bachelet announced the financing plan this week as part of a \$4 billion package aimed at reviving the economy's growth after demand for the nation's exports weakened. The \$1 billion requires approval by Congress, which should act "as soon as possible," Gonzalez said today.

Codelco hands over almost all of its profit to the government, contributing \$22.5 billion to fiscal coffers since 2006, when Bachelet took office. Until this week, the government had allowed Codelco to hold back \$1.2 billion since 2007 to pay for its projects, according to the company.

SPROTT MOLYBDENUM FUND FOLDS UP ON FALLING PRICES

January 9, 2009 (Reuters via COMTEX) – Sprott Molybdenum Participation Corp said on Friday it will liquidate itself and distribute assets to shareholders in the face of plummeting prices and demand for molybdenum, a rare metal used as a steel-hardening agent.

Launched less than two years ago by Canadian resource guru Eric Sprott, the fund said its net assets were valued at C\$1.75 per share on Jan. 7, of which C\$1.51 per share was in cash and short-term securities. Sprott said in December that it was considering strategic alternatives to

make best use of its cash position because its shares were trading at a discount to net asset value.

A one-time market darling, the fund purchased shares of both molybdenum miners and the physical metal. Prices for molybdenum, which ran up sharply in 2003 and 2004, have fallen more than 50 percent since mid-September. Producer stocks have also been hammered. Shares in Thompson Creek Metals, the world's top pure producer

of molybdenum, have shed about two-thirds of their value over the past 12 months. Adanac Molybdenum Corp stock has plunged from 89 Canadian cents a year ago to 3 Canadian cents.

Sprott said it has not yet determined the timing of its distribution plan.

CHINA WORKS OUT LONG-TERM PLAN ON MINERAL RESOURCES RESERVE

January 9, 2009 (ChinaMining) – Chinese Ministry of Land and Resources released Wednesday the “2008-2015 National Plan for Mineral Resources,” which is mainly about policies on reserves of minerals. The Plan requires related supervisors to determine which abundant minerals to be kept as reserves in accordance with the demand-and-supply status of the market and long-term strategy for the country’s mineral resources.

Ju Jianhua, deputy director of the Planning Department of Ministry of Land and Resources, said it is a good timing

to start reserving mineral resources under the present economic and market circumstances.

Currently, China generates about 500 million tons of tailing wastes every year. In addition, total recovery rate of mineral resources in China is only 30 percent, and utilization ratio of associated resources besides the major minerals is estimated at 35 percent, both about 20 percentage points lower than the global advanced level.

CHINA MILLS SEEK 40 PCT CUT IN IRON ORE PRICES

January 9, 2009 (Reuters) – China’s steel producers will demand price cuts of around 40 percent for Brazilian and Australian iron ore to be delivered starting April, the official Shanghai Securities News said on Friday. “The bottom line for Chinese steel mills is for iron ore prices to drop to the levels between 2007 and 2008, meaning Brazilian miners must cut iron ore price by at least 39 percent and their Australian counterparts by at least 45 percent,” the newspaper said, quoting unnamed industry sources.

Negotiations informally began late last year but have stepped up with China’s steel mills likely to push for an early settlement because of signs of a recovery in prices. “It’s early days and they’re probably being opportunistic on the back of the iron ore price weakness pre-Christmas,” said James Wilson, an analyst at Perth stockbroking firm DJ Carmichael.

“They’re trying to lock in prices while they can but I think they will find they won’t be able to do that. I don’t see a 45 percent reduction happening.” Spot iron ore prices plunged 70 percent from highs, or nearly \$200 per tonne, last February to \$60 a tonne in October but have since recovered to about \$80 a tonne.

The recovery has been linked to expected improved demand for steel in China due to the government’s \$586 billion stimulus package heavy on large

infrastructure projects to boost the economy. “All of that points to a positive industry,” said Wilson. His firm expects a 20 percent plus cut in benchmark contract prices which last year rose 80 percent for iron ore fines.

Goldman Sachs JBWere analyst Malcolm Southwood in a research report this week forecast a 30 percent fall in prices as steel mills around the world had cut back production. He said the iron ore market would remain in notional oversupply in 2009, making cuts in contract prices inevitable.

Analysts and traders have warned that the current price recovery in steel may end soon as key buyers such as automakers halt production due to shrinking demand. “So far, what is absent is a significant recovery in end-use steel consumption. Steel traders are buying again after having destocked heavily and are speculating on a short-term price recovery,” said Jim Lennon at Macquarie in a note to clients. “As supplies of iron ore recover (from Brazil, Australia and India), this may also cap iron ore spot prices.”

CHINA, PRIVATE EQUITY EYE RIO TINTO UNITS

January 9, 2009 (*Globe Investor*) – A Chinese company and private equity firms are among the groups expected to submit final bids for Rio Tinto's borates and talc units, according to sources close to the matter, in a deal potentially worth over \$1-billion (U.S.). Final offers for Rio Tinto's borates and talc units, which the mining giant is selling to help pay down nearly \$40-billion in debt, are due within a week, according to the sources.

The world's No. 2 miner – which is axing 14,000 jobs and cutting capital spending by more than half – is seeking buyers for a host of core and non-core assets after bigger rival BHP Billiton ended its \$66-billion hostile takeover bid in November. “What I've heard is that final bids are imminent, perhaps by the end of next week,” said one source familiar with the process. A sale of the units is expected by analysts to fetch around \$1.2-billion – with borates the far more valuable unit at around \$1-billion, analysts say.

One analyst told Reuters in November that French industrial minerals group Imerys could bid for the units. British newspaper *The Independent* reported in November that Canada's Teck Cominco Ltd. and buyout firms First Reserve, Apollo Global Management, and CVC Capital are among other potential bidders. While a successful auction would be a boost to Rio, it would put just a small dent its massive debt load. Investment bank Dresdner Kleinwort is running the sale process.

Analysts at several banks say aluminum giant Chinalco is likely to be among Chinese bidders for Rio's assets. The company, the parent of Chalco, already owns part of Rio and has said it plans to lift its stake to 14.99 per cent. A New York-based banker told Reuters on Thursday that up to three private equity firms were bidding, but declined to identify them due to the sensitive nature of the deal.

EXPERTS SAY NEW SOUTH AFRICA COAL EXPORT FACILITY UNLIKELY TO BE SUSTAINABLE

January 9, 2009 (*Mining Weekly*) – The prospects for a consortium proposing to build a new ten-million ton a year coal export terminal adjacent to South Africa's Richards Bay Coal Terminal (RBCT) did not look good, an analyst said this week. Newswire Reuters in December reported that a consortium was planning to build the new export terminal, which would be privately owned and which would provide junior miners that were not able to export through the RBCT with export access. The article quoted sources as saying that too few black economic-empowerment (BEE) coal producers had been granted export access under the RBCT Phase V expansion.

However, Standard Bank analyst Manqoba Madinane questioned whether demand for coal was strong enough to support another export terminal. He said that demand from Europe, which was currently under financial pressure, was in a period of “excessive” weakness, and that it might not normalise in the short-to-medium term. Further, demand from China, which was the world's second-largest thermal coal consumer, was also experiencing a lot of weakness.

But, in the longer term, another export terminal could be justified to support a competitive environment, if there would be a shortfall in capacity or a reluctance of the

larger players to share allocation, Wood Mackenzie vice-president for consulting in Africa Dirk Fourie said. This, Fourie added, would only be possible if international demand justified additional volumes, and if other potential competitive countries did not take up these additional opportunities.

The RBCT already had a capacity of about 76-million tons a year and was planning to increase this to about 91-million tons a year. However, in 2008, only about 61-million tons a year was exported through the world's largest single-export terminal. Madinane attributed the below-capacity exports to Transnet Freight Rail's (TFR's) infrastructure constraints. Madinane and Fourie both noted that rail capacity could be problematic for the new consortium, as TFR's ability to transport the volumes of coal was already being questioned.

Nevertheless, he added that TFR was confident that it would have no difficulty in terms of transporting coal if proper planning was done, as all of South Africa's coal generally came from 42 origins, but travelled on the same route.

INVESTEC CUTS PLATINUM FORECAST ON SOFT DEMAND OUTLOOK

January 9, 2009 (Reuters) – South African investment bank and asset manager Investec cut its 2009 and 2010 price forecasts for platinum, palladium and rhodium, citing a downturn in demand from industrial users such as carmakers. “The platinum price has rallied in the last few weeks, but a weak rhodium price and strengthening rand mean the platinum group metal basket price remains low and a number of mines are still losing money,” said Investec analyst Rebecca O’Dwyer in a research note.

“We see downside risk to the platinum price in the near-term, particularly if vehicle sales continue to decline in the first few months of 2009.”

The bank said it now sees platinum prices at \$970 an ounce in 2009 and \$1 350 an ounce in 2010, down from previous forecasts of \$1 350 and \$1 675 an ounce

respectively. It expects palladium prices of \$220 an ounce in 2009, down from a previous forecast of \$318, and sees the metal at \$250 in 2010, against \$350 previously. Investec also slashed its rhodium price estimate for 2009 to \$1,350 an ounce from \$5,625, and for 2010 to \$2,250 from \$6 425.

However, the bank left its long-term forecasts for platinum and palladium unchanged at \$1 300 and \$350 an ounce respectively. The bank said this reflected its view that while 2009 will be “a difficult year for vehicle sales,... on a longer term perspective, the fundamentals for platinum group metals demand remain very attractive.”

COKING COAL CUTS HIT QUEENSLAND’S MINES

January 10, 2009 (The Australian) – Signalling further pain for Queensland’s coking coal miners, Canada’s Teck Cominco, the world’s second-biggest coal exporter, will slice up to 20 per cent of its production of the commodity due to slowing global steel production. With analysts saying more cuts will be needed to balance an expected global surplus, the move shines the spotlight on BHP Billiton, whose Queensland and Illawarra mines make it by far the world’s biggest coking coal exporter.

BHP has been quiet on whether it will have to cut coking coal production, so far not joining other Queensland miners Rio Tinto, Peabody, Macarthur Coal and Xstrata in slicing production. “We expect that major steel production cuts will carry on over through the first half of 2009 and the impact will be that demand for global seaborne traded coking coal in 2009 will be about 7 per cent lower than 2008,” said Credit Suisse analyst Ralph Profiti. “It is clear to us that producer response will be inevitable.”

This week, Rio Tinto and Peabody announced coking coal production cuts from their Queensland mines, joining Xstrata and Macarthur Coal, which made similar announcements a month earlier. Rio said it would also cut 50 contractors’ jobs, and more are expected as part of its plans to cull 14,000 workers around the globe.

Teck Cominco said it would limit production from its Canadian mines to 20 million tonnes, down from a 2008 sales target of between 23 million and 25 million tonnes. The miner is also cutting 1400 of its workers from around the globe. Until last month, Queensland’s mines had been relatively insulated from nearly 5000 job cuts being seen at base metals and iron ore mines in Western Australia and NSW.



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