

# BEHRE DOLBEAR

## Global Mining News

### KINROSS COZIES UP TO RUSSIA'S TOP GOLD MINER

January 26, 2009 (*The Globe and Mail*) – Kinross Gold Corp. has nudged Russia to the forefront of its growth strategy with an agreement that could lead to the development of one of the world's largest gold deposits.

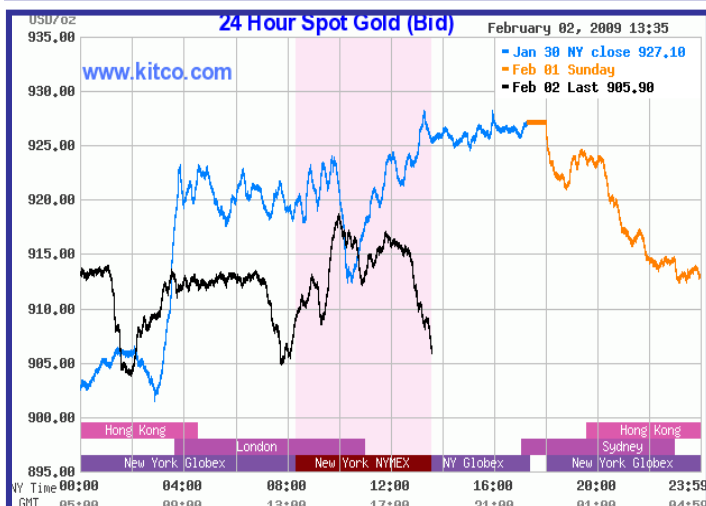
Kinross and Polyus Gold, Russia's top gold company, agreed Monday to co-operate on a "prefeasibility" study of Polyus's Nezhdaninskoye deposit in Yakutia, a republic in the northwest of Russia that is well endowed with natural resources but not infrastructure. Polyus thinks the deposit could contain 15 million ounces of gold, potentially making it the country's third-largest gold deposit.

Polyus and Kinross seem keen to work together over the long term. Polyus values Kinross's technical expertise, development skills and relatively easy access to the capital markets, which are all but shut to Russian firms as the financial crisis sweeps through the country. Toronto-listed Kinross raised \$360.5-million last week through the sale of 20.9 million shares at \$17.25.

Kinross, for its part, knows it cannot develop massive Russian projects on its own, for financial and political reasons. In Russia, large gold deposits can be declared "strategic" by the state, meaning they could not be controlled by foreign companies. Polyus, which occupies the bottom fringes of the world's top 10 gold companies, wants to break into the top five within a few

### INSIDE THIS ISSUE

Kinross Cozies Up to Russia's Top Gold Miner .....	1
Lundin Approves Hudbay Bid, but Deal Seen Collapsing .....	2
Zambia Copper Output Expected to Rebound: Minister .....	2
Australia Warms to 'White Knights' .....	3
Freeport Takes 'Decisive Actions to Respond to Weak Economic Conditions' .....	3
Analysts See Steady Tin Prices in 2009 on Indonesia's Cutbacks .....	4
Newmont Buys Out Rest of WA Mine for \$US1.1b.....	4
Philippines to Auction Mt Diwalwal Gold/Copper Prospect – Again.....	5
Xstrata Plans Rights Issue to Raise \$5.9 Billion .....	5
China Minmetals Scouts Globe for Copper Assets .....	6
Gold Price Predicted to Hit Highs Against Dollar .....	6
Stemcor to Build Iron Plant.....	7
Rio Tinto Sells More Assets – Potash and Iron Ore to Vale for \$1.6 Billion .....	7
Mineral Code Custodians Striving to Keep Industry on the Straight and Narrow .....	8
Canadian Miners Hail New Ecuador Mining Law: Natives and Environmentalists Glum.....	9
Iron Ore Market May Have Bottomed, Fortescue Predicts .....	10
Iron Ore Price May Decline 20% in 2009 .....	10
Xstrata Investors Threaten Revolt Over Glencore Deal .....	11
ABCs of Mining Announcement.....	12



USD	JANUARY 30, 2009	JANUARY 23, 2009
<b>GOLD</b>	<b>892.25</b>	<b>875.75</b>
<b>SILVER</b>	<b>11.7400</b>	<b>11.4600</b>
<b>PLATINUM</b>	<b>953.00</b>	<b>928.00</b>
<b>PALLADIUM</b>	<b>191.00</b>	<b>183.00</b>
<b>ALUMINUM</b>	<b>0.5938</b>	<b>0.5851</b>
<b>COPPER</b>	<b>1.4177</b>	<b>1.3837</b>
<b>LEAD</b>	<b>0.5194</b>	<b>0.4876</b>
<b>NICKEL</b>	<b>4.9827</b>	<b>5.0099</b>
<b>URANIUM</b>	<b>48.00 (01/26/09)</b>	<b>51.00 (1/19/09)</b>
<b>ZINC</b>	<b>0.4890</b>	<b>0.5026</b>

years and thinks it can get there faster with a little help from its Canadian friend.

In an interview last week, Evgeni Ivanov, Polyus's 42-year-old CEO, said he would welcome Kinross as a partner in the Nezhdaninskoye deposit, whose development costs could be \$1-billion or more. "Kinross has a very positive record in Russia," he said. "They have been successful in managing Russian risk and we have a good relationship with Tye."

In the prefeasibility study, Kinross and Polyus would examine existing technical data for six months, then decide whether to launch a full development plan, an effort that would take 18 months. At that point, they

would have to commit to the project or walk away. If they go ahead, the first gold would come out of the ground in 2013. The mine would be owned 51 per cent by Polyus, 49 per cent by Kinross.

If Kinross does join forces with Polyus, it would be forming a partnership with a company with vast undeveloped reserves, a voracious appetite for development capital, and a difficult ownership structure. Mr. Ivanov said their differences have had no day-to-day effect on the company, but have the potential to make life difficult at the board level.

## LUNDIN APPROVES HUSBAY BID, BUT DEAL SEEN COLLAPSING

January 26, 2009 (Reuters) – Shareholders of Lundin Mining approved a takeover offer by HudBay Minerals on Monday, but the vote looks to be for naught as the market and analysts concluded the deal will collapse at the hands of HudBay's investors. Shareholders of Lundin voted 99.7 percent in favor of the friendly all-stock takeover, which at Monday's prices valued Lundin at about C\$710 million (\$582 million).

The companies had hoped to close the takeover by January 28, but an Ontario Securities Commission ruling last week that HudBay must allow its shareholders to vote on the plan has made it increasingly likely the deal won't go through.

SRM and Corriente Master Fund have launched a proxy battle to replace HudBay's board, while 1.5 percent shareholder Jaguar Financial launched the OSC challenge that led to the ruling that HudBay must hold a shareholder meeting. The OSC decision directs HudBay to allow its shareholders to vote on the 153 million shares it will issue to pay for Lundin, an amount that has

become a bone of contention as it would double HudBay's issued shares. The offer values each Lundin share at 0.3919 of a HudBay share, or C\$1.86 at Monday's prices.

HudBay has already complied with shareholder requests to hold a meeting in March to consider turfing the board, and SRM and Corriente were to appear in court on Monday to try to force HudBay to move the meeting up before the Lundin deal closes.

Opponents of the plan have painted it as a reverse takeover by cash-strapped Lundin, which wants access to HudBay's strong balance sheet, and whose shareholders would control about half the combined company.

HudBay has said the deal would strengthen its operations by adding Lundin's mostly Europe-based mines, and its 24.75 percent stake in the massive Tenke-Fungurume copper-cobalt deposit in the Democratic Republic of Congo.

## ZAMBIA COPPER OUTPUT EXPECTED TO REBOUND: MINISTER

January 26, 2009 (Reuters) – Zambia's copper production will rebound despite setbacks last year that forced the suspension of exploration projects as some mines halted operations, mines minister Maxwell Mwale said. Mwale said low global copper prices – following the global financial crisis – inadequate power supplies and apprehension by investors over higher mineral taxes

introduced last April, had caused miners to suspend exploration projects.

However, he was hopeful that a recovery of copper prices would trigger a revival of the sector. "The low copper prices on the international market that have come as a result of the global financial crisis are a temporary

phenomenon,” Mwale said. “The measures being taken by the USA, European and other countries against the financial crisis promise a rebound of (copper) prices.”

Zambia is yet to release final copper production figures for last year, but industry analysts say the country will not achieve the targeted 600,000 tonnes of copper cathode forecast in January 2008.

Mwale said Zambia’s government had cut fuel prices last month to mitigate the effects of the global financial crunch on mining firms. It had also asked foreign mining firms to identify high cost areas and report to the government so it could decide on measures that would assist in cutting output costs.

Mwale said the harsh financial environment had caused suspension of operations of the country’s largest cobalt producer, Chambishi Metals Plc, and the closure of

Baluba copper mine, a unit of Luanshya Copper Mine (LCM), which also suspended its \$354 million Mulyashi copper project.

He said 3,072 local miners had lost jobs in 2008 at LCM, Chambishi Metals and Bwana Mkubwa, which also halted operations in 2008 after the Congolese government banned the export of copper ore to Bwana Mkubwa from the Lonsi mine in the Democratic Republic of Congo (DRC).

Zambia raised mineral royalty to 3.0 percent from 0.6 percent, corporate tax to 30 percent from 25 percent and introduced windfall tax at 25 percent and profit variable tax at 15 percent on income above eight percent, prompting protests from the foreign mining firms operating in the country.

## AUSTRALIA WARMS TO ‘WHITE KNIGHTS’

*January 27, 2009 (Financial Times)* – China is being welcomed as a saviour for a growing number of cash-strapped junior Australian mining companies, in a reversal of the wary reception that greeted many of the country’s state-backed enterprises during the mining boom years.

Chinese enterprises have in recent weeks provided or agreed to back equity fund raisings for a handful of companies, including Gindalbie Metals, which is set to receive A\$162m (\$107m) via a share placement to AnSteel, the Chinese steel group. It has also won conditional approval from China Development Bank to borrow up to \$1.2bn for a Western Australian iron ore project. The deals highlight China’s desire to secure its long-term resource supplies, and the country’s role as a “white knight” in an era when it is difficult for fledgling miners to secure funds for large projects.

Analysts have also suggested Canberra is showing a greater willingness to approve deals quickly. This is in

contrast to last year when the Foreign Investment Review Board sat on a spate of Chinese investments in the resources sector as it fine-tuned its thinking on “national interest” considerations when investments were made by state-owned enterprises.

James Philips, a partner at law firm Minter Ellison who last year advised MidWest Corp before it was acquired by Sinosteel for A\$1.36bn, said the market had changed from one where mining groups sought to extract the best possible price to a situation where they are looking for financial support. Peter Vaughan, a partner at Blake Dawson, said there were a growing number of opportunities to step in and prop up mining projects. He said that last year miners had been in a much stronger position, but the tables had turned in favour of the Chinese after sharp falls in commodity prices and weaker global demand for resources.

## FREEMPORT TAKES ‘DECISIVE ACTIONS TO RESPOND TO WEAK ECONOMIC CONDITIONS’

*January 27, 2009 (MineWeb)* – Freeport-McMoRan Copper & Gold plans to reduce its copper production 9% and cut molybdenum output 25% in the year ahead, as

well as halve its capital expenditure budget to \$1.3 billion this year. In a conference call with analysts Monday to

discuss financial results, Freeport President and CEO Richard Adkerson said the company plans to cut copper production 17% and moly output 40% in 2010.

The company has also canceled \$650 million in equipment orders and suspended payment of its dividend, he explained. Freeport is aiming for a 26% reduction in estimated 2009 unit site production and delivery costs. The exploration budget has been reduced from \$248 million last year to \$75 million for 2009.

Despite the cutbacks, Adkerson told analysts that discussions between the DRC Council of Ministers and Freeport-McMoRan officials are progressing with the possibility that the massive Tenke Fungurume copper and cobalt project will begin commercial production in the second half of this year.

Adkerson said the company's near-term focus "will be on protecting liquidity while preserving large mineral resources and growth options." He noted that the

company has more than replaced its 2008 copper and moly production with copper reserve replacement totaling more than 3-times copper production while moly reserve replacement was seven-times Freeport's moly production last year.

The company has also taken a pre-tax writedown of \$17.6 million and an after-tax writedown of nearly \$13.1 million of leach stockpiles and other inventories and year-end mine plans. A number of operating plans are being revised by Freeport, especially at North American copper operations.

Meanwhile, moly production has been reduced 25% at the Henderson mine in Colorado, while the moly circuit at Cerro Verde has been curtailed. The Climax moly project restart has been deferred. Adkerson explained that Freeport is curtailing high-cut copper volumes and reducing moly volumes in response to market balance.

## ANALYSTS SEE STEADY TIN PRICES IN 2009 ON INDONESIA'S CUTBACKS

*January 28, 2009 (Platts)* – Tin prices should hold up well this year, analysts from Barclays Capital predicted Wednesday, with a big chunk of the metal under the control of one source, Indonesia, and that country talking production cutbacks.

"Tin prices have held up better than any of the other metals over the past two years and looking forward, we do not see much in the way of severe price declines," the analysts said. "This is important to note, as it reduces the diversity of tin's production base, thus handing the country a rather unique monopolistic role in influencing prices," the added.

If Indonesia goes forward with its cutback plans, the country "could singlehandedly stabilize prices and set the stage for a significant rebound in 2010." The analysts noted that, like lead, LME tin stocks have been dropping dramatically this year and despite recent rises, tin inventories are still roughly 43% lower than at the start of 2008 and about 25% off the peak levels seen in 2002.

They reported tin's trading range for 2009 at \$9,000-\$15,000 and the price average at \$11,500-\$12,092, while for 2010, the metal's trading range was set at \$10,500-\$19,500 and the price average at \$15,000-\$13,500.

## NEWMONT BUYS OUT REST OF WA MINE FOR \$US1.1B

*January 28, 2009 (AAP)* – Newmont Mining Corp will become the sole owner of the Boddington gold mine in Western Australia with the acquisition of AngloGold Ashanti Ltd's stake for \$US1.1 billion (\$1.66 billion). The world's second largest gold company plans to raise about \$US1.2 billion through public offerings of common stock and convertible notes to fund its purchase of the 33.33% stake.

Newmont boosted its stake in Boddington to 66.6% in early 2006 after acquiring Newcrest Mining Ltd's 22.2%

interest in the project for \$225 million. The Boddington operation is a large open pit mine about 130 kilometres southeast of Perth and is expected to start first production in mid-2009.

The project has suffered a series of cost blowouts since construction was approved in February 2006, with Newmont initially estimating a capital cost contribution for its majority stake between \$US900 million to \$US1 billion. The company said on Wednesday capital

costs for Boddington were expected to be between \$US2.6 billion and \$US2.9 billion on a 100% basis.

Newmont said it expects to incur an additional \$US250 million (\$A376.9 million) of capital expenditure in 2009 as a result in its increased ownership of Boddington. AngloGold Ashanti, Africa's largest gold producer, said the sale would strengthen the company's balance sheet and allow for the early repayment of a \$US1 billion bridge facility.

Boddington has a mine life in excess of 20 years and is expected to produce about one million ounces of gold per year for the first five years of life, before easing to about 850,000 ounces annually. Meanwhile, Newmont has forecast gold sales of between 5.2 million ounces to 5.5 million ounces this year due to the start-up and increased ownership of Boddington, and increased sales from the Yanacocha mine in Peru and Batu Hijau in Indonesia.

## PHILIPPINES TO AUCTION MT DIWALWAL GOLD/COPPER PROSPECT – AGAIN

January 28, 2009 (Reuters) – The Philippines plans to hold another bidding round on March 31 for a potential gold and copper mine on Mount Diwalwal in the southern Mindanao region, after the first auction in December failed, a senior government official said on Tuesday. State agency Philippine Mining Development Corp has relaxed the bid terms for the contract to develop the Upper Ulip-Paraiso property, a 1,620-hectare site near the gold rush area on Mt Diwalwal which has attracted many small-scale miners. “We’re trying to test the market with these very liberal contract terms,” Jaime de Veyra, vice president and head of the bidding committee, told Reuters.

Officials have said potential bidders at last month's auction may have found the terms too steep, given the lack of an estimate on the site's reserves. The 25-year contract will go to the bidder who offers the highest commitment fee – which the government has slashed to

\$500,000 from \$1.5 million during the Dec. 3 auction – for the first year of operations.

The winning bidder will also have to pay a total \$5 million in additional commitment fees over the next four years, said de Veyra. These fees can be deducted from the 5 percent royalty on gross sales from the mine due to the government, he added. Six foreign and local groups, including the Philippine unit of Britain's Metals Exploration Plc which prequalified for the December auction, are automatically included in the second bidding, the official said.

The southeast Asian nation sits atop an estimated \$1 trillion worth of mineral wealth but only \$1.7 billion has flowed in since 2004, when the Supreme Court cleared a law allowing foreigners to own 100 percent of large-scale mining projects.

## XSTRATA PLANS RIGHTS ISSUE TO RAISE \$5.9 BILLION

January 29, 2009 (Reuters) – Mining group Xstrata Plc plans to raise about \$5.9 billion by issuing new shares to pay off some of a heavy debt burden that had worried investors. The prospect of a heavily discounted two-for-one rights issue that will boost the number of shares by two-thirds sent Xstrata's shares diving. Analyst Michael Rawlinson at Liberum Capital said the firm decided to act even though it did not have any debt repayments due until 2011 and was only in danger of violating debt covenants next year.

Xstrata, the world's fifth-biggest diversified mining group by market value, said it planned to issue 1.96 billion new shares at 2.10 pounds a share, a

66 percent discount to Wednesday's closing price. “The primary objective of the rights issue ... is to ensure that Xstrata remains financially robust during current challenging market conditions and going forward, given the lack of visibility into near-term economic conditions,” Chief Executive Mick Davis said.

Following the fund raising, Xstrata's net debt would fall to around \$12.6 billion from \$16.3 billion at the end of 2008, while gearing would decline to less than 30 percent from 40 percent. The rights issue is fully underwritten by Xstrata's main shareholder, Glencore, as well as investment banks Deutsche Bank and JP Morgan. The

issue was linked to a deal for Xstrata to buy the Prodeco coal mine in Colombia from Glencore for \$2 billion.

Swiss-based commodities trader Glencore wanted to maintain its 35 percent stake in Xstrata, so a solution was found so it effectively did not have to pay cash for it, Davis told Reuters in an interview. Xstrata, which built itself with a string of acquisitions, was not looking at further mergers or takeovers during the global downturn, Davis said. At the right time, Xstrata would look at opportunities made possible by the collapse in metals prices and company valuations, he added. China, whose

huge appetite for metals had driven the commodities boom, was likely to remain subdued at least through this year, Davis said.

Xstrata said it was also taking other measures in the face of the global downturn, including improved working capital management, which released about \$1 billion in cash in the second half of last year, and cutting capital spending by \$3 billion for 2009.

## CHINA MINMETALS SCOUTS GLOBE FOR COPPER ASSETS

*January 29, 2009 (South China Morning Post)* – China Minmetals Corp, the mainland's largest metals trader, and its Hong Kong arm are on the prowl for acquisitions of more than US\$1 billion to help fuel the nation's demand for raw materials. Undeterred by the economic slowdown, sources said the companies were "going after bigger and better deals in copper". "Minmetals is still pursuing deals of a few hundred million dollars but they are also looking at billion dollar-plus transactions," said a source.

Copper assets owned by Australia's distressed OZ Minerals, which also produces zinc, lead, gold and silver, would fit well into Minmetals' portfolio, market observers said. Creditor banks have given the company until February 27 to sort out US\$560 million in refinancing. The search for assets could also extend to Africa and Europe. Zambia's president said earlier this month that Chinese and Indian firms had expressed interest in the country's Luanshya copper mines, which were forced to close last month.

Minmetals along with India's Tata Steel and others were competing for a stake of up to 49.99 percent in iron ore development projects in Ukraine owned by Swiss-based Ferrexpo late last year, according to sources, but nothing has come of the deal thus far. The stake was expected to go for between US\$500 million and US\$700 million, but extreme volatility in equity markets made agreeing on value and completing deals difficult last year.

Fears of reduced demand for natural resources caused a collapse in prices that had been hitting highs never before seen. The contract price has been flat this year on hopes China's 4 trillion yuan (HK\$4.53 trillion) stimulus package will help bring demand back.

China's copper demand growth, however, is expected to remain at a weak 4.1 percent this year, according to a Morgan Stanley research report last week. Chinese resources companies have had some recent success in bringing more of the materials required to fuel the economy back home.

## GOLD PRICE PREDICTED TO HIT HIGHS AGAINST DOLLAR

*January 29, 2009 (Mining Journal)* – The gold price is likely to hit new highs in dollar terms, as there is serious concern about the US currency, the chairman of Barrick Gold Corp, said on Thursday. He said there was even a possibility, although not a likelihood, that central banks including China's might start to switch from dollar holdings to gold, which could cause the metal's price to treble.

"Gold is at record levels in every currency except dollars. Even within dollar terms it is within a few percentage points of an all-time high at a time when all the other major commodities are falling," Peter Munk told Reuters at the World Economic Forum meeting in Davos.

“Whether it’s the currency effect or a reaction to a feeling of uncertainty, gold in my opinion is more likely to go up than down,” the chairman and founder of the world’s largest gold mining company, said.

Gold has been one of the best-performing assets of recent months, rising in value by nearly 17% since late October even as the price of other commodities such as oil and copper has dropped sharply. Investors have bought heavily into physical bullion in the form of coins and bars and physically backed assets such as exchange traded funds as a safe store of value at a time of increased volatility in other asset prices.

Mr Munk said downward pressure on the dollar, partly due to massive US spending to stimulate the economy,

would increase gold’s attractions as an investment even further. “My personal feeling is that with the rescue packages calling for trillions, not billions ... the value of the (US) currency has to go down.” said Mr Munk.

He added that his company did not now hedge its output – meaning using derivatives to insure against a fall in price – and relied on the price climbing. In the past its successful hedging allowed it to make key acquisitions. He said there was a possibility central banks, including that of major dollar asset holder China, might start buying gold.

### STEMCOR TO BUILD IRON PLANT

*January 30, 2009 (Metal Bulletin)* – Stemcor Holdings Ltd. has kicked off construction of its 4-million-tonne-per-year pellet plant in Orissa, India, which is expected to be commissioned in mid-2010. The 14.6-billion-rupee (\$298-million) project – a pellet plant, a 143-mile slurry pipeline and a 5-million-tonne-per-year beneficiation plant – will be “one of the lowest-cost producers of iron ore pellets,” said Matthew Stock, Stemcor India’s managing director.

“We conceived the (Brahmani Pellet Plant Ltd. project) before the boom in iron ore prices, and our financial projections are based on a pellet price of \$67 per tonne,

which is still well below the current spot price,” he said. “We expect demand for pellets in India to grow, as there are many steel projects in the construction phase without captive iron ore mines or pellet plants.”

Pellet prices currently are in a range of \$100 to \$110 per tonne, c.f.r. main Chinese port. When completed, the Brahmani plant is expected to export 1 million tonnes of pellets annually and sell the rest in the domestic market. It will produce both direct-reduced iron and blast furnace-grade pellet, depending on demand.

### RIO TINTO SELLS MORE ASSETS – POTASH AND IRON ORE TO VALE FOR \$1.6 BILLION

*January 30, 2009 (MineWeb)* – Top mining company, Rio Tinto, which has been caught with a huge debt position following its take-over of Alcan at just the wrong time, has announced definitive agreements for the sale of some more non-core assets – to Brazilian rival Vale – for a total of \$1.6 billion. Rio is committed to reducing its massive debt, currently estimated at nearly \$40 billion, by \$10 billion in the current calendar year.

The sale is of the Potasio Rio Colorado (PRC) potash project in Argentina, and the Corumbá iron ore mine in Brazil and the associated river logistics operations in Paraguay. Rio says that completion of the Corumbá transaction remains subject to receipt of the relevant

regulatory approvals, whilst no approvals are required in order to complete the potash transaction. The sale also includes the undeveloped Regina Potash in Canada which is a large 1,200km<sup>2</sup> property east of the Belle Plaine mine in Saskatchewan. The project is currently at early evaluation stage and is located close to existing infrastructure.

During 2008, Rio Tinto realised almost US\$3 billion from asset sales, comprising the Greens Creek mine in Alaska for US\$750 million, its interest in the Cortez operation in Nevada for US\$1.695 billion and the Kintyre uranium project in Western Australia for US\$495 million.

In January 2009, the Group announced the divestment of its interest in the Ningxia aluminum smelter in China for US\$125 million. Even so it still has a long way to go before it can reduce its debt commitments to a more reasonable level, but with evidence that finance availability for high quality assets is beginning to become available again, then perhaps the company may be able to get itself into a better position without a dilutive rights issue which has been the subject of some speculation since a recent statement to shareholders – see Rio Tinto hints at potentially dilutive capital issue – market writes down stock.

The potash transaction, comprising PRC and the Regina exploration asset in Canada, is targeting completion and receipt of the cash proceeds in February. The Corumbá transaction will complete when appropriate consents are received, and completion is expected in the second half of 2009. The sales proceeds are allocated US\$850 million to the potash assets and US\$750 million to the Corumbá assets.

## MINERAL CODE CUSTODIANS STRIVING TO KEEP INDUSTRY ON THE STRAIGHT AND NARROW

*January 30, 2009 (Mining Weekly)* – The custodians of the world's minerals reporting standards are striving to keep the industry on the straight and narrow. There is a growing convergence of standards globally and an effort is being made to prevent companies from making exaggerated claims about their mineral assets.

Developing and maintaining standards for the reporting of mineral reserves, mineral resources, and exploration results are important, says Committee for Mineral Reserves International Reporting Standards (CrirSCO) chairperson Niall Weatherstone. With an increasingly globalised mining industry, the commodity wealth of countries attracting strong political attention and the impact that minerals have on the financial, accounting and investment communities, the need for common terminology and understanding across country boundaries and language barriers has never been greater, he adds.

On the flip side, there is a strong and growing presence of a healthy international body of reporting organisations, including those of Canada, the US, Europe, Australia and Chile. South Africa is playing its part, last year releasing the revised edition of the South African Mineral Resources and Mineral Reserves Code (Samrec) and the South African Mineral Asset Valuation (Samval) code, which collectively became the South African Mineral Codes (Samcode).

Samrec sets out minimum standards, recommendations and guidelines for the public reporting of exploration results, mineral resources and mineral reserves, while Samval is a set of minimum standards, recommendations and guidelines for the valuation of mineral assets. Since the turn of the century, Samrec has played an integral role

in the mining industry and has been incorporated into the JSE rules.

In Canada and Australia, codes are closely linked to regulatory requirements and thus have a significant element of compliance required by the securities exchanges. In South Africa, possible penalties range from being struck off the membership list of a professional body to statutory fines and even jail. In the US, the situation is different in that the controlling body, the Securities Exchange Commission has its own reporting requirements that are not aligned with international codes. However, the US is represented on CrirSCO and has its own reporting guidelines that are compatible with international best practice and many American companies will choose to follow these, says Weatherstone.

Countries such as China, India and Russia have a legacy of centrally controlled economies where government systems are often very prescriptive. This worked while countries were internally focused, but difficulties began when they emerged into the international trading arena. For example, companies from Russia listing on the London Stock Exchange have to comply with Western systems designed to inform the financial and investing communities rather than governments. Similarly, in the West, the responsibility for public reports on reserves lies with the competent person, a concept that did not exist in government-centric countries.

The systems are gradually beginning to come together and CrirSCO is at the forefront of efforts to align reporting definitions by “mapping” the CrirSCO system to those of

countries such as Russia and China, and in Africa, in countries such as Tanzania and Zambia. The short-term aim is to make the systems mutually understandable rather than making wholesale changes to either, while the long-term goal might be to see them merge completely. However, codes are linked to regulatory bodies in countries of origin, and thus it is difficult to see a world code being developed that would have the same regulatory basis.

The main challenge, it appears, is to simply retain what can truly be described as an international reporting standard against a background of changes in the industry and increasing regulatory and other requirements. An international standard is particularly valuable when dealing with international organisations such as the International Accounting Standards Board or the United Nations.

## CANADIAN MINERS HAIL NEW ECUADOR MINING LAW: NATIVES AND ENVIRONMENTALISTS GLUM

*January 30, 2009 (The Canadian Press)* – A new mining law in Ecuador has been welcomed as “a solid foundation and framework for the growth of a responsible mining industry” by Kinross Gold Corp., which plans to spend tens of millions of dollars in the South American country this year. However, native and environmental groups are reported to be outraged by the law pushed through by President Rafael Correa.

The law ratified Monday by the National Assembly – a temporary legislature in place until a new congress is elected under a new constitution in April – places no limits on the number of mining concessions held by a single company, with concessions limited to 25 years but renewable. It also imposes a government royalty of not less than five per cent on sales. The provisions “are consistent with the company’s expectations,” Kinross stated.

Last April, Ecuador revoked about four-fifths of its mining concessions, knocking down the share prices of foreign companies active in the country. Kinross, which acquired the Fruta del Norte prospect in southeastern Ecuador with its takeover of Aurelian Resources last year, said late Thursday it will spend \$25 million “to upgrade mineral resources and support a pre-feasibility study.”

Kinross had previously said that, “assuming successful passage of new legislation in support of responsible

mining,” it planned to spend US\$45 million in 2009 on infill drilling, project evaluation, environmental permitting “and implementation of an expanded community relations and corporate responsibility program.”

Another Canadian-based miner, Iamgold Corp. noted that companies will need to arrange individual permits from the government, and “this process is expected to be concurrent with the development of mining and environmental regulations.” It added that “upon signing a satisfactory exploitation contract, Iamgold will proceed with the remaining studies and a final feasibility study for Quimsacocha,” which is expected to cost US\$14 million over one year.

However, Comunicaciones Aliadas, a left-leaning non-profit Latin American information group based in Lima, Peru, reports that indigenous, peasant and environmental organizations, many formerly supportive of Correa, have marched against the law. It quotes the Confederation of Indigenous Nationalities of Ecuador as saying the law favours transnational mining companies, and says the umbrella native group plans a civil-disobedience campaign to prevent projects in areas where indigenous communities live. Correa has called opponents of the law “fundamentalists” who would leave Ecuador as a country of “beggars sitting on a sack of gold.”

### PLEASE NOTE:

Behre Dolbear uses original press releases and does not make corrections, such as spelling or grammar, due to copyright laws. Behre Dolbear does abridge the original press releases for size.

## IRON ORE MARKET MAY HAVE BOTTOMED, FORTESCUE PREDICTS

January 30, 2009 (Bloomberg) – The iron ore market may have bottomed as demand from Chinese steelmakers recovers, driving prices for the raw material higher, according to Fortescue Metals Group Ltd, Australia's third-biggest producer. "We are starting to see some evidence that the bottom of the depressed state has been reached," Graeme Rowley, executive director of public policy and corporate affairs, said today.

"We are seeing a comeback in the prices." The economy in China, the world's biggest iron ore user, expanded at the slowest pace in seven years in the fourth quarter as the global recession hurt export demand and steelmakers cut output. The government has unveiled a 4 trillion yuan (US\$585 billion) stimulus package to counter the slump.

"The worst is behind us but it's too early to say demand is recovering," said Song Jae Hak, an analyst at Woori Investment & Securities Co. in Seoul. "We have order books full all the way through to March," Rowley told journalists. Fortescue received an average price of A\$96.63 (US\$62.60) a metric ton for ore in the December quarter, up 9% from the September quarter.

Fortescue joins Australia's Atlas Iron Ltd and Taiwan's China Steel Corp in forecasting a rebound. Atlas said last month the market may have reached bottom as China's stimulus package spurred a recovery in "real demand," while China Steel said it expected an improvement from the second quarter. China imported 6.2% more of the steelmaking ingredient in December than November, while stockpiles as of Jan 9 were 22% below a September record, according to the nation's customs.

The Baltic Dry Index, a measure of shipping costs for commodities, rose for an eighth day yesterday on stronger demand for capsize vessels to haul iron ore. Fortescue may ship 17.6Mt of iron ore in the six months to June 30, it said today in a statement to the Australian stock exchange. Shipments in the three months to Dec 31 were 6.3Mt, down 8.7% from the previous quarter on a planned shutdown. It began producing ore in May.

## IRON ORE PRICE MAY DECLINE 20% IN 2009

January 30, 2009 (Business Standard – India) – Iron ore prices are likely to decline by 15-20 per cent this year on falling demand from global steel producers because of production cut, according to the latest Fitch Ratings report.

After four years of continuous price hikes, the price of steelmaking raw material declined from the peak of \$145 per tonne in July to \$65 per tonne by December on China's disinterest on revamping closed steel mills after the Beijing Olympics. Although, China has already started working on these mini steel mills, the action is inadequate to help raise Indian iron ore prices.

This is in contrast with Indian miners' observation as they were expecting a better price this year after the lull of 2008. Last year, about 42 mini steel mills in and around Shanghai were forced to suspend production because of a preventive measure for the Olympic Games preparation in September.

But, these steel mills delayed resumption because of global economic slowdown that resulted into lower steel demand. These mills are gradually coming into stream

which is likely to revive iron ore demand from India, an exporter said.

With the downside risks partly offset by the production cuts by major steel producers, the demand for steelmaking raw materials is likely to decline heavily this year. However, any upturn in demand from China and infrastructure spending in India may boost domestic iron ore and steel demand, the report added. In 2008, the highs seen by iron ore prices in most of 2008 were a function of the convergence of a number of factors related to demand and supply, freight and foreign exchange that are now unwinding and leaving iron ore exposed to potentially significant falls. Given the steel inventory is piling up on fewer construction and infrastructure activities, the existing capacities will be under tremendous pressure despite limited capacity additions coming up in 2009.

Fitch believes steel demand in India would improve following the aggressive expansion of Central Bank liquidity provisions since early September, in combination with major fiscal injections into the US and

European banking systems, as well as major stimulus packages announced for China and expected for the US.

Steel demand slowed in major consumer regions like China and other Asian markets on global economic slowdown. This has also resulted into a huge inventory pile-ups which, with declining exports diverting supply to

domestic markets, are likely to put domestic prices under more pressure. The report further said that the capacity utilisation levels will be under pressure despite limited capacity additions coming up in 2009.

## XSTRATA INVESTORS THREATEN REVOLT OVER GLENCORE DEAL

January 30, 2009 (SHARECAST) – Leading shareholders in Xstrata are threatening to vote against a \$6 bn (£4.2bn) rights issue after the Anglo-Swiss miner signed a separate “sweetheart” deal with its largest investor. The heavily discounted issue will see shareholders offered two new shares priced at 210p for every existing share – a 66% reduction on Wednesday’s share price. However, Glencore, the Swiss commodities trader that owns 34.5% of Xstrata, will effectively dodge the rights issue, reports the Times.

Rio Tinto on Friday struck a surprise deal to sell assets in Argentina, Brazil and Paraguay for US\$1.6bn in a move that will help the indebted Anglo-Australian mining group achieve its target of reducing borrowings by US\$10bn in 2009. The assets – including a potash project in Argentina, and the Corumbá iron ore mine in Brazil

plus its associated river logistics operations in Paraguay – are being acquired by Vale, the Brazilian mining group, reports the FT.

Some of Britain’s most powerful fund managers are setting aside billions of pounds to fund cash calls from sound companies hamstrung by a lack of bank lending. Investment bankers say that they have been inundated with calls from Britain’s biggest institutional investors over the past few weeks offering billions of pounds to fund the right recapitalisation deals. The institutional investors, corporate brokers say, are insisting that they be shown deals before private equity funds that are also waiting to snap up bargains, reports the Times.



**To subscribe or unsubscribe to  
Global Mining News, please contact:  
[newsletter@dolbear.com](mailto:newsletter@dolbear.com)**

**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](mailto: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