

BEHRE DOLBEAR

Global Mining News

GRUPO MEXICO WINS FIGHT TO REGAIN CONTROL OF ASARCO

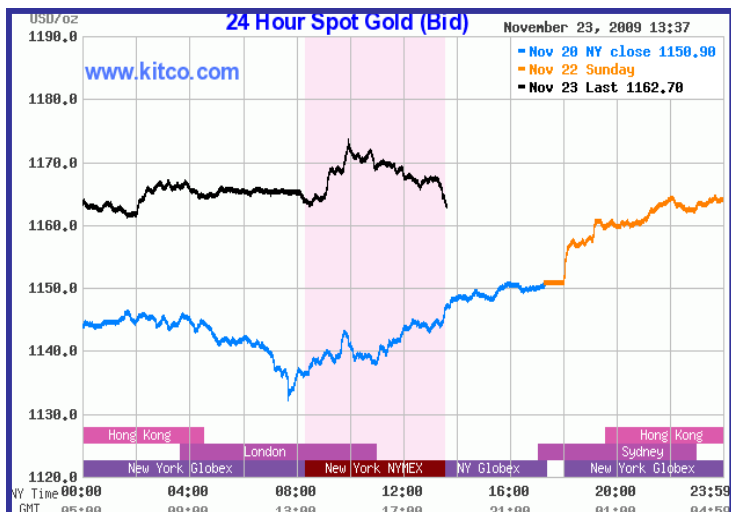
November 15, 2009 (Bloomberg) – Grupo Mexico SAB can regain control of its bankrupt US copper miner, a judge in Texas ruled in rejecting a competing offer from Sterlite Industries (India) Ltd. US District Judge Andrew Hanen in Brownsville, Texas ruled that Grupo Mexico’s proposal to pay about US\$2.5 billion to Asarco LLC’s creditors “is both feasible and confirmable.” The decision means that, barring a successful appeal by Sterlite, Grupo Mexico should be able to take back control of the Tucson, Arizona-based copper miner.

Grupo Mexico and Sterlite each promised to spend more than US\$2.5 billion to guarantee that Asarco’s creditors are repaid in full. In ruling in favor of Grupo Mexico, Hanen agreed with a lower-court opinion from the bankruptcy judge that oversaw Asarco’s case for five years.

The plan calls for Grupo Mexico to contribute US\$2.2 billion in cash to Asarco to pay creditors. An additional payment of about US\$1.4 billion will be made by Asarco, Grupo Mexico said in a statement today. Asarco will issue a one-year note for

INSIDE THIS ISSUE

Grupo Mexico Wins Fight to Regain Control of Asarco	1
Goldcorp to Buy Junior Canplats for C\$238m	2
Silver Prices to Hit New Highs in 2010.....	2
Anglo American Zinc Assets Garner Strong Chinese Interest.....	3
China to Sustain Steel Output Growth for 5 Years, Analyst Says	3
Johnson Matthey Bullish on Platinum, Palladium, Sees Deficits	3
Mauritius Becomes Latest Nation to Buy Gold.....	4
European Steelmakers Urge EU to Reject Rio/BHP JV	4
Resource Project Spending Climbs 40%	5
Manila Freezes Intex’s Permit for \$2.4bn Nickel Project.....	5
Rio/BHP	6
Soros Fund Buys More and More Potashcorp Shares.....	6
Peru Port Operators May Invest \$3 Billion in 4 Years	7
Iron Ore Price Negotiations – Miners Looking Good as Spot Prices Soar.....	7
BHP Billiton is Cautious on World Economic Outlook	8
Royalties Go Up in West Africa.....	8
China Becomes Rare Earth Heavyweight.....	8
Record Aussie Exploration Spend.....	9
Glencore Fires Up to Recapture Prodeco Coal.....	9
Zimbabwe, China Sign \$8 Billion Investment Accord, Herald Says.....	10
Russia May Buy into RUSAL IPO for \$20 Bln Valuation	10
Ore Demand Will Be Met, Says Kloppers.....	10
Rio Tinto Unit Cloud Peak IPO Prices Below Range, US Coal Unit	11
Central Banks Net Gold Buyers for the Second Quarter in Succession – WGC.....	11
Polyus Gold Cancels Share Sale.....	12
Southern Copper Pushes Back Start of Peru Project.....	12
Supply Concerns Pushing Zinc’s Outperformance.....	13
IMF May Start Gold Sales in Q1-VM	13
Steep Potash Sales Decline Sends Saskatchewan Officials Scrambling for Revenue.....	14
Welcome Announcement for Ragu Sagi	15
ABCs of Mining Announcement.....	16



USD	NOVEMBER 20, 2009	NOVEMBER 13, 2009
GOLD	1,140.00	1,104.00
SILVER	18.1800	17.3225
PLATINUM	1,435.00	1,359.00
PALLADIUM	360.00	354.00
ALUMINUM	0.8972	0.8634
COPPER	3.0531	2.9484
LEAD	1.0473	1.0165
NICKEL	7.5569	7.3414
URANIUM	44.00 (11/16/09)	45.50 (11/09/09)
ZINC	0.9963	0.9689

US\$280 million to pay asbestos creditors and forgive US\$161 million worth of Asarco tax obligations to Americas Mining Corp, a Grupo Mexico unit.

The plan will be funded with US\$1.4 billion of financing from “internationally recognized financial institutions” to

Americas Mining Corp and US\$800 million from Grupo Mexico, the company said. Americas Mining Corp will post a US\$2.2 billion cash deposit to close the plan, Grupo Mexico said.

GOLDCORP TO BUY JUNIOR CANPLATS FOR C\$238M

November 16, 2009 (*miningweekly.com*) – Canada’s second-biggest gold-miner, Goldcorp, has agreed to buy explorer Canplats Resources, which owns the Camino Rojo project, 50 km from Goldcorp’s big new Penasquito mine, in Mexico. The move is part of a plan to create a “network” of low-cost satellite mines around the huge Penasquito operation, Goldcorp CEO Chuck Jeannes said on Monday.

By acquiring Camino Rojo, the gold-miner will also increase its land holdings in the district to more than 4,600 km², he said. Goldcorp will pay 0.074 of its own shares for every Canplats share, in a friendly plan of arrangement transaction. Current Canplats shareholders will also get a 90.1% interest in a new exploration

company that will be formed to hold Canplats’ exploration properties in Mexico, other than the flagship Camino Rojo asset. Goldcorp will retain the other 9.9% in the new company.

Including the shares in the new exploration firm, the combined price being offered per Canplats share is estimated at around C\$3.60, which represents a premium of about 41% based on closing prices on Friday. There is a lot of potential for synergies between Camino Rojo and Penasquito, which shipped its first lead and zinc concentrates this month, he said. The acquisition has the backing of both Goldcorp’s and Canplats’ boards, but will still need approval by shareholders owning at least two-thirds of Canplats’ issued and outstanding shares.

SILVER PRICES TO HIT NEW HIGHS IN 2010

November 16, 2009 (*BNWNews.ca*) – Silver may yet outshine gold in 2010 as spot prices for the white metal respond to the prospect of a surge in industrial demand. With a little additional help from investment demand, silver may even rally into the \$25 an ounce range. So says Chintan Parikh, a commodity analyst at the CPM Group - a leading New York-based commodities research, consulting, asset management and investment banking organization. “Prices may spike as high as \$25,” he says. At the very least, it should breach its most recent high, which was set at \$20.79 in the spring of 2008, he adds.

Parikh says much of this impetus for higher prices is being driven by the fact that traditional industrial end users of silver, such as the ever-burgeoning global electronics industry, have in recent weeks begun to replenish severely depleted inventories.

In fact, silver inventories became so run-down during the financial crisis that it may take up to six months to fully rebuild them to normal levels. Parikh also notes that demand from the industrial sector tends to be quite price inelastic, meaning that buyers have few options other than to pay prevailing prices.

Another key driver for 2010 will be the advent of new market places for silver, including pent-up demand for silver-zinc batteries in ‘smart’ automobiles and an array of portable electronic devices, Parikh says.

GFMS, a renowned London precious-metals consulting firm, concurs that overall fabrication demand (which also includes the photography, jewelry silverware sectors) is expected to rebound to “normal levels” in 2010. And the emergence of key new markets for silver is sure to help power this recovery, according to Neil Meader, research director at GFMS.

However, the restocking of inventories for more of silver’s traditional uses will likely be the most powerful demand driver in the near-term, Meader suggests. It may even help propel silver prices into new territory to the extent that “a peak (in prices) could occur late this year or early next year.” All of this is music to the ears of silver miners, who are already ramping up production to satisfy newly resurgent industrial demand for silver.

ANGLO AMERICAN ZINC ASSETS GARNER STRONG CHINESE INTEREST

November 16, 2009 (*Mineweb.com*) – Reports out of China say China Minmetals is expected to buy a stake in Hunan Nonferrous Group and is also interested in acquiring Anglo American's zinc assets. In June China Minmetals paid US\$1.4 billion to acquire the world's second largest zinc producer, Australia's OZ Minerals.

Zhao Cuiqing, head of the lead and zinc department at the China Nonferrous Metals Industry Association, told a conference Saturday the provincial government of Hunan is strongly supporting Minmetals' proposed to buy a stake in the Hunan Nonferrous Group.

Zhao said she did not know the size of the stake under consideration or how long it would take to complete the acquisition. China Daily reported today that several Chinese metal firms including Minmetals want to acquire

Anglo American's zinc assets. Last month Anglo announced it will divest a number of its non-core assets including its portfolio of zinc properties. The assets include the Skorpion mine in Namibia and Lisheen mine in Ireland, and the Black Mountain mine and Gamsberg Project in South Africa.

China Daily quoted a China Minmetals source who "admitted the company was keen on acquiring Anglo America's zinc assets," but refused to divulge any further details due to confidentiality concerns. Zhongjin Lingnan Nonfermet Co. and Teck Resources-in which sovereign wealth fund China Investment Corp. owns a 17% stake – are also in talks to acquire Anglo's zinc assets, according to the source.

CHINA TO SUSTAIN STEEL OUTPUT GROWTH FOR 5 YEARS, ANALYST SAYS

November 16, 2009 (*Bloomberg*) – Steel production growth in China will hold above an annual 10 percent for the next five years, Chinese research group Steelhome.cn said. "Steel production in China will increase at the current pace in the next five years at least," President Wu Wenzhang said in an interview in London today. "A robust economy will continue to spur domestic demand, like it did in the past 10 years." Growth this year is an annual 14 percent, he said.

While steelmakers outside China cut output and jobs because of the global crisis, production in the country reached records in the four months through August as the state committed about \$586 billion in spending to buoy the economy. China increased imports of iron ore, used to make steel, to a record this year.

Contract iron ore prices may jump 14 percent next year to the second-highest on record, a Bloomberg survey of 11 analysts said. "Prices are still going up as demand from emerging countries will continue to surge," Wu said. "We are likely to see a 10 percent rise in 2010," he said at the Metal Bulletin Steel Success Strategies Conference in London.

China is seeking to increase iron ore supplies from Russia, Ukraine, South Africa and North Korea to about 15 percent of the total, from less than 10 percent now, Wu said. That would give China more bargaining power with producers including Rio Tinto Group, BHP Billiton Ltd. and Vale SA, which currently account for about 70 percent of iron ore shipped to the nation, he said.

JOHNSON MATTHEY BULLISH ON PLATINUM, PALLADIUM, SEES DEFICITS

November 17, 2009 (*miningweekly.com*) – Platinum researcher Johnson Matthey on Tuesday presented a bullish outlook for both platinum and palladium and spoke of deficits being on the way for both metals. Johnson Matthey precious metals marketing director

Mark Bedford told Mining Weekly Online that both the autocatalyst and industrial markets were poised to improve in 2010 and forecast a platinum price of from \$1,280/oz and \$1,550/oz for the next six months.

He conceded that the company's \$390/oz palladium price forecast was already close to the point of being overtaken. Johnson Matthey principal marketing analyst Alison Cowley added that, although there was a potential for supply to increase, that potential was relatively limited.

Bedford said that there was a great deal of investor sentiment in favour of palladium, because of the expectation that Russian State stocks would diminish to a minimum in the next two to five years.

This year's industrial demand was down by almost as much as auto demand, partly owing to the recession, but also because of market cyclicality. "We can see some of that cyclical demand coming back as well. We have put our bottom platinum price forecast at \$1,280/oz and top forecast at \$1,550/oz for the next six months," he told

Mining Weekly Online. Johnson Matthey set a price range of from \$290/oz to \$390/oz for palladium, which was already rising beyond \$370/oz while Johnson Matthey was in the process of delivering its Platinum 2009 Interim Review globally to media and analysts.

Johnson Matthey said that the platinum market was poised to move into a small surplus of 140,000 oz in 2009. While the amount of ore mined and the weight of platinum produced in concentrate were set to fall this year, changes in pipeline stocks in South Africa and the sale of some additional refined metal meant that the amount of platinum supplied to the market would actually increase very slightly. By contrast, the overall net 2009 demand for platinum was set to decrease by 4.4%.

MAURITIUS BECOMES LATEST NATION TO BUY GOLD

November 17, 2009 (Financial Times) – Mauritius has become the latest nation to buy gold from the International Monetary Fund, purchasing two tonnes of the precious metal. In spite of the small size of the transaction announced on Tuesday, it confirms the fresh appetite for gold among central banks fearful about a long-term decline in the value of the US dollar, the world's main reserve currency.

The IMF said in a statement that Mauritius' central bank bought gold at market prevailing prices on November 11 for about \$71.1m in total. According to data from the London Bullion Market Association, gold was quoted on the afternoon "fixing" that day at \$1,115.25 a troy ounce, a record high at that time.

"This transaction is part of the total sales of 403.3 tonnes approved by the executive board in September 2009, and it adds to the 200 tonnes already sold to the Reserve Bank

of India," the Washington-based IMF said. "The fund is standing ready for an initial period to sell gold directly to central banks and other official holder that may be interested in such sales", it added.

Traders are betting that other central banks, particularly China or Brazil, and sovereign wealth fund from the oil-rich Middle East countries could buy IMF gold. China surprised the market earlier this year when it revealed that its gold reserves had nearly doubled over five years as Beijing bought secretly from local miners.

Before the transaction, Mauritius – a tiny nation made up of islands in the Indian Ocean more than 1,000 kilometres off the east coast of Africa – held 1.9 tonnes of bullion – 3.2 per cent of its total official foreign reserves – according to data from the mining industry-backed World Gold Council. The purchase more than doubles the reserves to 3.9 tonnes.

EUROPEAN STEELMAKERS URGE EU TO REJECT RIO/BHP JV

November 17, 2009 (businessspectator.com.au) –

Europe's steel industry has voiced strong opposition to a planned \$116 billion iron ore joint venture by global miners Rio Tinto and BHP Billiton, and has called on European regulators to oppose the deal.

Eurofer, the main lobby group for European steel makers, said in a statement on its Web site this week that it wanted the European Commission to study the venture, which would combine the Australian iron ore operations of the two companies. Eurofer said the joint venture

would pose as much of a competitive threat as BHP Billiton's original proposal, aborted a year ago, for a full takeover of Rio Tinto. Meanwhile, analysts believe the likelihood of BHP making another attempt to take over rival Rio Tinto soon after a bid ban expires later this month is low.

The stance of European regulators on a planned iron ore joint venture between the two companies will be key to whether BHP revives its takeover bid for Rio, Liberum Capital said in a note on Tuesday. Liberum said the

chance of a renewed bid over the next 12 months was less than 30 per cent, but action by the European Commission might spur BHP to think again.

A key reason BHP dropped its bid was that the Commission had required heavy divestments to allow the second and third biggest iron ore producers to join together, Liberum said. Selling off units would have been very difficult during the downturn.

RESOURCE PROJECT SPENDING CLIMBS 40%

November 18, 2009 (Reuters) – Spending on resource projects in Australia rose 40 per cent to \$112 billion over the last six months, helped by development of a big offshore gas field and growing global demand for minerals, government data released on Wednesday showed.

Higher prices for everything from copper to zinc to iron ore was encouraging miners and oil companies to dig deeper and faster to recapture markets lost during last year's global financial crisis, according to the Australian Bureau of Agricultural and Resource Economics.

Energy-related projects under development overall account for around 72 per cent, or \$81.1 billion, of the outlay, followed by iron ore mines with 15 per cent or \$16.8 billion, the bureau said in a six-monthly report.

Zinc prices and copper prices have doubled since January. RBC Capital Markets this week forecast a 20 per cent rise in iron ore prices next year, reversing a 33 per cent decrease this year. Spending is spread across 74 advanced projects, defined as being under construction or committed, of which 38 are energy projects, 31 are minerals projects and five are mineral processing projects.

The increase in large part is due to the \$43 billion price tag placed by partners Chevron, Shell and ExxonMobil to develop the Gorgon gas field off Australia's western coast to supply Asia with liquified natural gas.

MANILA FREEZES INTEX'S PERMIT FOR \$2.4BN NICKEL PROJECT

November 18, 2009 (Reuters) – The Philippine government on Wednesday suspended a mining permit given last month to the \$2.4-billion nickel project of Norwegian firm Intex Resources ASA following opposition from local communities.

"I have directed the Environmental Management Bureau to immediately suspend the environmental compliance certificate of Mindoro Nickel Project until such time that a genuine public consultation shall have been undertaken involving the concerned local government units, the Church and other interested groups," Environment and Natural Resources Secretary Lito Atienza said in a statement.

The provincial government of Mindoro, an island in the central Philippines, said there was no consultation between the government, Intex and the local communities on the mining project, which residents say sits on a watershed.

About two dozen people, including members of a tribal community, priests, local officials and some residents began a hunger strike in front of the environment ministry from Tuesday to force the government to revoke the mining permit. The mine has estimated reserves of more than 2 million tonnes of nickel. Intex secured its mining permit on Oct. 14.

The Philippine government had scrapped a permit for the same nickel project in 2001 after finding out that the mine site was located on a watershed. The Southeast Asian country is targeting its mining sector, one of the world's largest and most lucrative in the early 1970s, to attract up to \$14.5-billion in investments by 2013.

But only around \$2.4-billion has flowed in since 2004 due to communist insurgencies, disputes with communities and local partners and opposition from the Catholic Church.

RIO/BHP

November 18, 2009 (Financial Times) – Tom Albanese's justification for scrapping Rio Tinto's tie-up with Chinalco was that the world changed. The chief executive was right: Rio's London shares were up about 38 per cent between the deal's announcement in February's pit of despair and the point of walking away in June.

But since replacing that deal with a planned iron ore production joint venture with BHP Billiton – along with a mega rights issue – the shares are up another 44 per cent. The price of protecting Rio's five-year debt from default, which more than halved while it toyed with Chinalco, has fallen another 70 per cent. Should Rio turn tail again?

Rhetoric on both sides suggests the venture is very much on; they aim to produce a binding agreement within three weeks. But if resolve were weakening in the Rio camp, it would be entirely understandable. With leverage shrinking and capital spending rising – including in the Pilbara

– pooling its highest-growth, highest-returning assets with BHP's inferior portfolio does not seem as smart as it did five months ago.

All along, Rio's stated priority has been to cover the \$20bn Alcan debt due this year and next: the \$15.2bn from the rights issue, asset sales of \$4bn, and another \$4.5bn from selling bonds and axing the interim dividend has given Rio ample headroom – without any "equalisation payments" from BHP.

With at least \$10bn of synergies to be carved up between the two, shareholders – about two-thirds of whom own both stocks – would need some convincing to allow the JV to lapse. But BHP could raise earnings per share next year by a tenth simply by buying back shares, on Citi estimates.

SOROS FUND BUYS MORE AND MORE POTASHCORP SHARES

November 18, 2009 (Mineweb.com) – Billionaire investor George Soros' Soros Fund Management substantially raised its shares in PotashCorp as well as invested in gold ETFs during the third quarter. In Form 13F documents filed with the SEC, Soros Fund raised its PotashCorp from 1.98 million shares to 2.95 million shares with a fair market value of \$266.4 million.

The fund's gold equity holdings include Great Basin Gold as Soros increased its holdings in the company from 2.03 million shares to 3 million shares during the third quarter with a fair market value of \$4.56 million.

Soros' NovaGold holdings stayed the same at 2.62 million shares with a fair market value of \$13.4 million. However, the fund's Yamana Gold holdings fell from 607,500 shares with a fair market value of \$5.4 million in the second quarter to 25,000 shares in the third quarter at a fair market value of \$268,000.

Soros also slightly increased its Allied Nevada Gold Corp holdings from 2.3 million shares with a fair market value of \$18.8 million during the second quarter to 2.6 million shares with a fair market value of \$25.2 million during the third quarter. Allied Nevada is the operator of the recently reopened Hycroft Mine near Winnemucca Nevada.

While Soros fund also favored gold ETFs during the third quarter including SPDR Gold Trust and Market Vectors ETF, the ETFs holdings paled in contrast to the amount of shares held and fair market value of equity holdings in gold mining companies.

The fund's holdings weren't confined to gold as Soros also reported it held 100,000 shares in South Africa's Platinum Group Metals Ltd with a fair market value of \$126,000 during the third quarter.

PERU PORT OPERATORS MAY INVEST \$3 BILLION IN 4 YEARS

November 18, 2009 (*Bloomberg*) – Peru's port operators may invest \$3 billion in expansion projects over the next four years as shipments of metals, natural gas and coffee rise, said Frank Boyle, president of the country's port authority.

Companies including Dubai-based DP World Ltd., Brazil's Vale SA and a unit of Porto, Portugal-based Mota-Engil SGPS SA are investing \$1.45 billion to expand facilities in Callao, the Andean nation's main port, and installations on the northern coast, Boyle said yesterday in an interview in Lima. An additional \$1.55 billion in projects are planned, he said.

Port expansions are part of a government drive to line up \$60 billion in infrastructure investments to modernize aging ports and cut shipping costs that are the highest in

Latin America, according to exporter group Adex. Peru's exports, which totaled \$31 billion last year, have jumped fourfold since 2001.

DP World will complete a \$460 million upgrade of Callao's Muelle Sur pier by April 2010 and proposed a \$600 million expansion of the Muelle Norte pier at Callao, Boyle said.

Companies with mining, petrochemical and cement plant projects including Deerfield, Illinois-based CF Industries Holdings Inc., Aluminum Corp. of China and Cementos Pacasmayo SAA plan to invest \$900 million to expand ports such as Marcona on the south coast and Bayovar to the north.

IRON ORE PRICE NEGOTIATIONS - MINERS LOOKING GOOD AS SPOT PRICES SOAR

November 18, 2009 (*theaustralian.com.au*) – China continued demand for steel has sent iron ore spot prices back to nearly USD 100 a tonne and led Credit Suisse to follow other forecasters in boosting iron ore and coking coal forecasts. The bank says the price increases will help add about 20% to the bottom lines of BHP Billiton and Rio Tinto and strip that much from Australia biggest steel-maker, Bluescope.

In an upgrade that has lagged those of many other forecasters, Credit Suisse analysts said they now expected BHP and Rio to secure 15% gains in 2010 iron ore contract prices in talks expected to resume soon and 26% the following year.

The bank had previously been forecasting little change in both years from the current contract and provisional prices of about USD 60 a tonne before freight. This year freight iron ore talks with China were never settled with provisional prices paid by Chinese mills after Rio iron ore executive Mr Stern Hu and three other staff were detained.

According to Metal Bulletin pricing, iron ore spot prices into China, which include freight costs have climbed steadily higher since early September hitting a two month high of USD 99.50 a tonne this week. Mr Paul McTaggart Credit Suisse analyst said. "We see benchmark price upgrades coming for iron ore and metallurgical coal on strong steel production which should improve further when the world recovery kicks in."

He said that "The iron ore and coking coal supply side froze some infrastructure development with the onslaught of the global financial crisis and will now be hard-pressed to meet demand until new developments reach completion in 2012."

BHP BILLITON IS CAUTIOUS ON WORLD ECONOMIC OUTLOOK

November 18, 2009 (*Bloomberg*) – BHP Billiton Ltd., the world's largest mining company, remains "cautious" on the global economy in the short- to medium-term, Chief Executive Office Marius Kloppers said today. Restocking in developed economies has been "somewhat slow to start and has actually been quite lethargic to date," the 47-year-old executive said in a speech to the Lowy Institute in Sydney. Kloppers on Oct. 29 said there were signs of restocking in major economies as steel output outside of China rises. U.S. industrial production rose less than economists forecast in October, restrained by reductions in the making of autos and business equipment, a report from the Fed showed yesterday. Long-term commodity growth will be driven by China and India, Kloppers said today.

"Notwithstanding the short-term uncertainty in markets, the long-term growth prospects for resources are strong with demand growth driven by developing countries, in

particular China and India," Kloppers said today, echoing comments made by his Chairman Don Argus on Oct. 22.

BHP reported record first-quarter production of iron ore as steel demand rebounds. Steel companies are resuming output at mills in China, the largest consumer of iron ore, Europe and the U.S. as economies recover. China accounted for \$9.9 billion, or 20 percent, of BHP's sales in the year ended June 30.

The Reuters/Jefferies CRB Index, which tracks 19 raw materials, dropped 36 percent last year, the biggest annual decline since at least 1957. The measure has gained 21 percent this year on signs of economic recovery.

ROYALTIES GO UP IN WEST AFRICA

November 19, 2009 (*Mining Journal*) – The government of Sierra Leone has passed a new mining act increasing royalties for diamond and precious metal producers, while Ghana has announced that it also plans to increase royalties.

Sierra Leone's new mining law will increase diamond royalties to 6.5% and gold and precious metal royalties to

5%, as well as requiring mining companies to spend 0.1% of annual revenues on community projects.

Ghana, Africa's second largest gold producer, said it also plans to increase royalties to 5% to increase government revenues and help it to increase government spending by 20% next year.

CHINA BECOMES RARE EARTH HEAVYWEIGHT

November 19, 2009 (*ChinaMining.org*) – China is now the world's largest producer, exporter, and consumer of rare earth resources. According to statistics from Chinese Ministry of Industry and Information Technology (MIIT), China boasts 83.63 million metric tonnes of discovered rare earth reserves, 55 percent of the world's total.

In 2008, China produced 125,000 tonnes of rare earth minerals, and 135,000 tonnes of rare earth products via smelting and separation. Meanwhile, the world altogether

consumed around 130,000 tonnes, 70,000 tonnes of which originated from China.

"China now is capable of producing over 400 kinds of rare earth products under nearly 1,000 different specifications," said Wang Caifeng, vice head of the MIIT's raw materials department at the China Rare Earth Society's 30th anniversary conference held in Beijing over Tuesday and Wednesday.

In the corresponding period, China exported 34,600 tonnes of rare earth products to 45 countries and regions, valuing 561 million US dollars. “However, China’s rare earth industry is also facing some serious problems, despite all of its achievements,” Wang added. Included are highly wasteful exploration techniques, severe environmental pollution, and relatively inefficient technology applications.

Wang expected that by 2015 demand for rare earth products would reach 210,000 tonnes globally and 138,000 tonnes domestically.

RECORD AUSSIE EXPLORATION SPEND

November 19, 2009 (Mining Journal) – Exploration spending on Australian projects during the fiscal year to end-June was the highest on record, and more than double the average over the past 30 years. The rate of growth in spending, however, was at its lowest since 2003-04. The Australian Bureau of Agricultural and Resource Economics (ABARE) said the slowing growth reflected “a sharp decline in prices of most commodities”.

The record A\$6 billion (US\$5.5 billion) spent included A\$3.8 billion for petroleum exploration, which rose by 26%, while exploration for coal also rose by 27% to nearly A\$300 million. The amount spent on uranium exploration fell by 20%, partially attributed by ABARE to a declining price during the period.

Excepting iron-ore exploration, the expenditure for all

other major commodities fell during the period. Iron-ore exploration rose by 30% to A\$589 million, but base-metals spend fell by 34% to about A\$519 million, and that for gold declined by 26% to A\$438 million. The organisation attributed the fall to declining prices and lack of access to capital.

Mining development expenditure during the period rose by 30% to A\$35.7 billion, which ABARE said was about three and a half times the average real spend since 1980-81. In the six months to October this year, ABARE recorded completion of five mining projects at a capital cost totalling A\$904 million, of which the largest was the US\$350 million, 8Mt/y expansion of Hope Downs, the iron-ore joint venture between Rio Tinto and Hancock Prospecting Pty Ltd.

GLENCORE FIRES UP TO RECAPTURE PRODECO COAL

November 19, 2009 (Financial Times) – The financial position of Glencore, the privately owned commodities trader, continued to improve in the third quarter, giving it more firepower to repurchase prized coal assets from Xstrata, an affiliated mining company, without threatening its credit rating.

Glencore’s balance of cash and undrawn credit rose to \$4bn by the end of September as net profits also rose and net debt fell, according to credit analysts who saw quarterly financial data Glencore disclosed to its bond holders. Glencore, the world’s largest commodities trader dealing in everything from oil to soyabeans, was forced to sell its Prodeco coal operations in Colombia to Xstrata in January, when the commodities bust squeezed both companies. Selling Prodeco for \$2bn allowed Glencore to subscribe to the rights issue of Xstrata, the London-listed global miner in which Glencore owns a 34 per cent stake.

Since then, Prodeco has been crucial to Xstrata’s financial recovery. The assets singlehandedly lifted Xstrata’s production of coal, its most profitable commodity, in the company’s first half and third quarter. Glencore can exercise a call option to buy back Prodeco for \$2.25bn before March 4. But before its third-quarter earnings report concerns lingered that a buyback, even if affordable, was not in the interest of improving Glencore’s credit rating.

Its low investment grade credit rating is key to the company – which is structured as a private partnership – raising funds.

ZIMBABWE, CHINA SIGN \$8 BILLION INVESTMENT ACCORD, HERALD SAYS

November 19, 2009 (Bloomberg) – Zimbabwe's government and a Chinese joint venture signed an \$8 billion accord that will result in investment in the southern African country's mining, energy and housing industries, the Herald reported.

China Sonangol, a Chinese-Angolan venture, may invest in gold and platinum refining, oil and gas exploration, fuel procurement and distribution, and housing development, the Harare-based newspaper said, citing

Misheck Sibanda, chief secretary in the presidency. The deal is the largest since Zimbabwe formed a power-sharing government in February, it said.

A "significant" amount of the \$8 billion is already being held by domestic financial institutions involved in the deals, the newspaper said.

RUSSIA MAY BUY INTO RUSAL IPO FOR \$20 BLN VALUATION

November 19, 2009 (Reuters) – Russia may buy into a share issue planned by UC RUSAL at a price valuing the aluminium group at around \$20 billion, a government source said on Thursday, signalling more state support for the firm's indebted owner.

The source, speaking on condition of anonymity, told Reuters that state banking agent VEB was prepared to buy up to 3 percent of RUSAL, which plans to float shares this year or next, for between 14 billion and 18 billion roubles (\$488-627 million).

The purchase would support UC RUSAL and its indebted owner, industrial magnate Oleg Deripaska, as the company strives to complete Russia's biggest ever debt restructuring deal before raising up to \$2 billion in a Hong Kong and Paris stock listing.

UC RUSAL plans to float a tenth of its stock but sources close to the proposed listing say the world's largest aluminium producer must first settle a long-sought deal to

restructure debts of \$7.4 billion with more than 70 international banks. The IPO should help pay down RUSAL's mammoth debt pile, which exceeds \$16 billion. Sources have said the firm is targeting Chinese firms as cornerstone investors in its IPO as talks drag with Western lenders.

The price quoted by the source would value UC RUSAL at between \$16.3 billion and \$20.9 billion. Alcoa, the U.S. aluminium giant, is currently valued at \$13.4 billion.

Some bankers said on Thursday that these valuations were too high, but others said UC RUSAL could secure a higher price. Four investment banking sources participating in the IPO process, however, gave separate appraisals of the company's potential valuation at between \$20 billion and \$25 billion.

ORE DEMAND WILL BE MET, SAYS KLOPPERS

November 19, 2009 (Financial Times) – The big mining houses have the capacity to meet the world's rising demand for fuels and ores in the coming decades, said BHP Billiton's chief executive, as he played down fears expressed by industrialising nations over "resources security". But Marius Kloppers also underlined the scale of demand expected from fast-developing nations when he said that China alone may require five times as much iron ore in the next 15 years as it had in the past 15.

BHP, the world's biggest mining group, and Rio Tinto, its Anglo-Australian rival, are working to a December 5 deadline to agree an iron ore joint venture production company that would pool the groups' operations in Western Australia's Pilbara region. The venture, which would dominate the global iron ore industry, is opposed by steelmakers in China, Japan and Europe, which say

that it would restrict competition. The European Commission is expected to be the most significant regulatory obstacle to the joint venture.

Mr Kloppers said that, between now and 2025, China may require 18bn- 25bn tonnes of iron ore to make steel compared with about 5bn tonnes in the past 15 years.

Japan's economic rise provided a lesson to other countries because it, too, had had fears about securing its natural resources needs said Mr Kloppers. Australia's mining sector is expected to benefit materially from rising demand from Asia, led by China.

RIO TINTO UNIT CLOUD PEAK IPO PRICES BELOW RANGE, US COAL UNIT

November 19, 2009 (Reuters) – U.S. coal miner Cloud Peak Energy Inc, a unit of Rio Tinto Plc, priced shares in its initial public offering below expectations on concerns the flotation was designed to help its parent's balance sheet rather than fund its own growth. Gillette, Wyoming-based Cloud Peak sold 30.6 million shares at \$15 each, raising about \$459 million. But Cloud Peak had expected to price them between \$16 and \$18, according to a regulatory filing.

Almost all of the proceeds will go to Rio Tinto Plc and the Anglo-Australian miner will retain a 48.3 percent stake in Cloud Peak. Rio Tinto is saddled with debt stemming from its 2007 acquisition of Canadian aluminum

maker Alcan and attempted to take Cloud Peak public last year, but postponed the IPO, citing difficult market conditions at the time.

Analysts expressed concerns last week that the IPO was overpriced relative to Cloud Peak's peers and because of uncertainty in the coal markets. Cloud Peak is the third largest U.S. producer of coal and owns surface mines in Wyoming and Montana.

A number of the largest IPOs this year have been carve-outs of already publicly traded companies seeking to build up cash reserves.

CENTRAL BANKS NET GOLD BUYERS FOR THE SECOND QUARTER IN SUCCESSION – WGC

November 20, 2009 (MineWeb) – The latest “Gold Demand Trends” publication from the World Gold Council (WGC), using figures compiled by independent research experts GFMS Ltd., shows that whichever way you cut it, gold demand in the third quarter of this year was down against Q3 2008. As the WGC points out, however, the third quarter of 2008 was “exceptionally strong”. In fact, at more than 1,200 tonnes, total fabrication, bar & coin and “other” retail investment, plus ETFs etc, exceeded 1,200 tonnes in the third quarter of 2008, the highest quarter since the start of 2005 and probably the highest quarter ever.

The WGC notes that in dollar terms, identifiable gold demand, at \$24.7 billion, was up by 15% from the second quarter, “as gold's long-term store of value and wealth preservation qualities continued to attract investors and consumers”. Demand in most regions were down year-

on-year, with the exception once again of Greater China, which registered growth of 10% over Q3 2008 to record gold consumer demand of a record 120 tonnes. An interesting element here was the strong growth in the 24-carat market.

Indian demand continued to improve. India regained pole position in the market for jewellery demand, pushing China back into second place, while investment demand levels in the two countries were more or less even.

The shifts in demand also need to be put into perspective in terms of the balance between identifiable supply and demand. The market has been in a surplus of supply over demand in each quarter so far this year. Although demand in Q1 was more than 1,000 tonnes, scrap supply was also at a massive high (and probably only constrained by available refinery capacity) and this

component has been contracting since, with the third quarter rate of return back to “normal” levels. The “surplus” in the market in Q3 was just 31 tonnes (4% of demand), so the market was more or less in balance.

Meanwhile the official sector was a net purchaser of gold in the third quarter, although the figures are low, at five tonnes in Q2 and 15 tonnes in Q3. The underlying trend

is “expected to remain intact” as central banks, like private investors, continue to look for diversifiers, especially with respect to the dollar.

POLYUS GOLD CANCELS SHARE SALE

November 20, 2009 (Reuters) – Polyus Gold, Russia’s top gold miner, said on Friday its two main owners had decided not to sell a 5% stake in the company “due to market conditions”. Earlier a market source told Reuters that the sale had been cancelled after failing to collect enough bids from investors.

“The deal did not take place because of a weak market and very aggressive pricing. There was demand for around \$400 million but they were aiming for roughly \$530 million,” the source said, on condition of anonymity. “The shareholders did not want to sell less than 5%.”

On Thursday, Polyus said its main shareholders, Mikhail Prokhorov and Suleiman Kerimov, were prepared to sell up to a total of 5% of the company in the form of shares and/or American depository receipts.

Banking sources told Reuters on Monday Prokhorov and Kerimov could sell up to 10 percent of Polyus’s shares between them after the company’s shares more than doubled in value since the start of the year.

SOUTHERN COPPER PUSHES BACK START OF PERU PROJECT

November 20, 2009 (Reuters) – Southern Copper said on Friday its Tia Maria copper project would likely start production by the end of 2011, roughly six months later than previously predicted. Tia Maria, which is expected to cost nearly \$1 billion, has come under criticism from nearby communities that are worried the development will put local water supplies at risk.

In August, protesters disrupted a meeting the company called to explain its project, throwing chairs and tables. The government has asked Southern Copper to provide additional details on the development’s expected impact.

“We will finish construction on the project in 2011 and the expectation is that production could start before the

end of 2011,” Oscar Gonzalez, head of Southern Copper, told Reuters in the southern city of Arequipa, which is hosting a business summit this week. Once operational, Tia Maria is forecast to churn out some 120,000 tonnes of copper per year.

Southern Copper, one of the world’s largest copper producers and a unit of Grupo Mexico, had previously said the project was slated to start production in the second quarter of 2011.

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

SUPPLY CONCERNS PUSHING ZINC'S OUTPERFORMANCE

November 20, 2009 (Reuters) – Shanghai zinc futures hit their highest level in 18 months on Friday and LME prices jumped more than 2%, outpacing gains in other base metals, on speculative buying fuelled by supply concerns. Australia's Century zinc mine, which produces a third of the country's zinc output, was due to run out of concentrate at its shipping port earlier this week, prompting buyers to look for alternative sources.

A potential squeeze in zinc concentrate supply and higher power costs in China may force some smelters to cut production, a trader in Singapore said. China will raise power prices for non-residential users by around 5.4% from Friday, its first increase since July 2008, to compensate grid firms that lost out from a state cap on prices.

Analysts estimated the power tariff increase to lift production cost for zinc smelters by 100 yuan per tonne, for aluminium by about 400 yuan, and for copper by around 20 yuan. But zinc prices far outpaced gains in

aluminium and copper on Friday, lending more credence to talk that traders were merely driving prices higher. Third month Shanghai zinc rallied 250 yuan to touch a high of 18,120 yuan a tonne, before easing to 17,990 yuan by 0332 GMT, up 120 yuan.

Everybody in China is trying to double their stocks, be it fuel or metals, and the scrap supply for most base metals still has not come up to the normal level because industrial production is still lagging," said the Singapore-based trader. But some analysts believe prices have run farther than fundamentals can justify, pointing to rising metals inventories and patchy global economic data.

Shanghai copper stocks are likely to drop by between 1,000 and 2,000 tonnes when the figures are released later on Friday, traders said. "I think some material may have been transferred to LME warehouses in Korea or Singapore, given that Shanghai prices are lower than on LME," said another Shanghai dealer.

IMF MAY START GOLD SALES IN Q1-VM

November 20, 2009 (miningweekly.com) – Unless another central bank steps in to buy what remains of the gold earmarked for sale by the International Monetary Fund (IMF), the fund will likely begin on-market gold sales in the first quarter of 2010, suggests VM Group analyst Matthew Turner. However, after India surprised the market with its purchase of 200 t of the yellow metal from the IMF, it is still possible that the fund could find another official sector buyer for the remaining 203.3 t it plans to sell, he commented in VM Group's Yellow Book, a twice-yearly report on the gold market, published with BNP Paribas and Fortis.

If the IMF does not find an official sector buyer, the fund has said that it will inform the market before sales begin, and that it will provide regular updates. "In our view, the most likely outcome is that the IMF will begin on-market gold sales in the first quarter of 2010 and will sell regularly each week at an annual rate of 200 t/y, meaning its sales will take about a year," Turner writes.

If the IMF does go the market route, it will likely be the only major seller under the new Central Bank Gold Agreement, as the signatories have announced only "the tiniest" of gold sales plans.

The new, or third, CBGA sets the annual ceiling for gold sales by signatories at 400 t, compared with the \$500 t/y in the previous agreement. However, Turner comments that the upper limit can be "rather notional", as evidenced by the final year of the previous agreement, when VM Group estimates total sales were just 157 t, "far short of the 500 t maximum and by far the smallest annual total sold since the CBGA was first launched in late September 1999." In fact, sales were even slower in the last six months of the year, at just 28.4 t, or fewer than five tons a month.

STEEP POTASH SALES DECLINE SENDS SASKATCHEWAN OFFICIALS SCRAMBLING FOR REVENUE

November 20, 2009 (MineWeb) – Saskatchewan Finance Minister Rod Gantfoer said the province's potash industry has experienced the lowest sales volume levels in 37 years with potash revenue plummeting from C\$1.8 billion to C\$109 million.

The loss has been partially offset by a projected increase in oil revenue of \$379.7 million, \$192.8 million and federal transfers of \$169.8 million. Saskatchewan was expecting \$1.9 billion in potash revenue when it projected its 2009-10 budget in March. By August, the Finance Ministry has dropped that estimate to \$637.6 million.

During his mid-year financial update, Gantfoer told reporters, "I said when I tabled the budget that the one thing that was going to keep me awake was potash. I didn't think it would end up turning it's a bit of a

nightmare." Gantfoer projected 2009 potash sales of 4.4 million tonnes, the smallest production amount in decades. Next year the province expects potash sales to increase to 10 million tonnes.

Meanwhile, the government said it will end up with a \$424 million surplus this year, but had to take \$564 million from its rainy day fund, known as the Growth and Financial Security Fund. The province is also taking \$560 million in cash from the sale last year of the Saskferco fertilizer plant. The province received \$750 million for its 49% share, with the money earmarked for debt reduction and infrastructure.



SOMETHING TO PONDER

Did you know that in Pre-Columbian times, indigenous people in North America mined turquoise, jet, opal, copper, silver, coal, obsidian and other igneous rocks, asbestos, salt, and sodium sulfate, as well as other minerals? Turquoise, jet, opal, copper, and silver were mined mostly for decorative use. Coal was mined for

fuel. Obsidian and other igneous rocks were mined to make projectile points, mortars and pestles, grinding stones, stone axes, and other tools. Clay and asbestos were mined to make pottery; salt was used as a preservative and for flavoring; and sodium sulfate was used as a purgative.

MR. RAJU S. SAGI

Behre Dolbear International, Ltd., is pleased to announce that Mr. Raju S. Sagi has joined the firm as an Associate.

Mr. Sagi is a geologist, with a special expertise in the technical and business aspects of the coal industry. Mr. Sagi's experience in the coal industry includes a position as Vice President – Coal Division for SGS Supervision Services Inc.; and Coal Marketing Analyst and Chief Geologist – Coal Division for Denison Mines Limited. He also served as Supervising Engineer for Iron Ore Company of Canada.

Presently based in Visakhapatnam, India, Mr. Sagi has worked diligently as Director of **Nexus Consulting & Advisory Services Private Limited** to represent overseas corporations who have business interests with companies based in India or who would like to develop new markets in India. In this capacity, Mr. Sagi facilitated a strategic alliance between New Millennium Capital Corporation and Tata Steel Global Minerals Holdings Pte., Ltd. for New Millennium's iron ore project in Canada.

Mr. Sagi holds a bachelors degree in geology, mathematics, and physics as well as a master's degree in applied geology from **Andhra** University in India. He has also completed post-graduate studies in geology at the University of Alberta, Edmonton, Canada.

Mr. Sagi can be contacted through Behre Dolbear International Ltd., in Ashford, Kent, United Kingdom, at +44(0) 1233-650405, on his mobile telephone at +91-9440872286, or india@dolbear.com.

BEHRE DOLBEAR PRESENTS A 2-DAY SEMINAR ON THE

“ABCs OF MINING”

**InterContinental Hotel
Toronto**

March 4-5, 2010

**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

Registration includes coffee breaks, lunches, and a cocktail reception the first night. Attendance is limited to the first 60 respondents. No refunds after February 1, 2010.

- Payment received before December 1, 2009: US\$1,000
- Payment received before February 1, 2010: US\$1,250
- Payment received after February 1, 2010: US\$1,500

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



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