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Global Mining News

MINE NATIONALISATION DEBATE ABOUT INTERNAL ANC TUSSLES, NOT POLICY

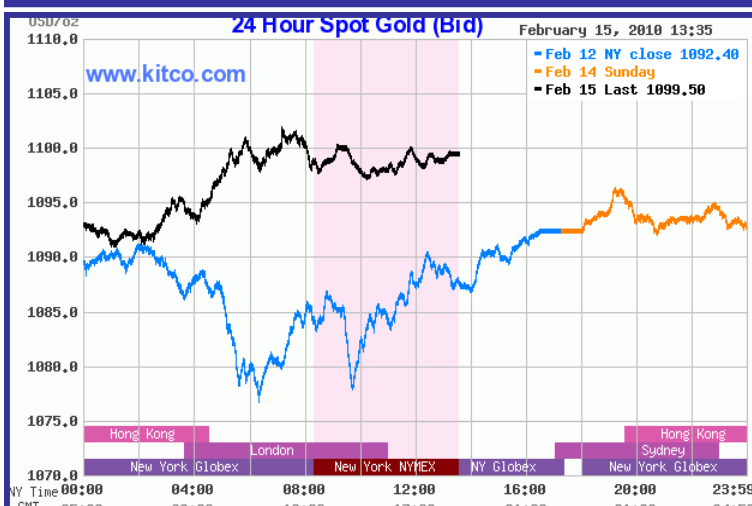
February 8, 2010 (*miningweekly.com*) – Mine nationalisation in South Africa was not an imminent policy threat, nor even a fully fledged policy consideration. But the debate could be important in helping to shape the future leadership dynamics within the governing African National Congress (ANC), Control Risks senior Southern Africa analyst Anne Fruehauf said on Monday.

Briefing the media on the international risk consultancy's annual "RiskMap 2010", Fruehauf barely referred to the prospect of nationalisation. In her formal presentation, she said only that, in the context of its hosting of the FIFA World Cup, there would probably be an attempt, during the course of the year, to downplay issues such as the debate on nationalisation, service delivery discord and the ongoing difficulties in Zimbabwe, so as to "not disrupt the big party".

"It's [the nationalisation debate] all about internal party dynamics. It's all about players positioning themselves ahead of 2012 [the ANC's next conference to elect its office bearers]," Fruehauf averred, adding that, "at this stage, it is not a concrete policy debate".

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USD	FEBRUARY 12, 2010	FEBRUARY 05, 2010
GOLD	1,082.00	1,058.00
SILVER	15.3300	15.1700
PLATINUM	1,505.00	1,475.00
PALLADIUM	416.00	395.00
ALUMINUM	0.9092	0.8841
COPPER	3.0690	2.8313
LEAD	0.9435	0.8732
NICKEL	8.3711	7.8698
URANIUM	42.50 (2/8/10)	42.50 (02/01/10)
ZINC	0.9664	0.8986

On Sunday, the league's spokesperson Floyd Shivambu wrote an article in the City Press outlining that it envisaged that nationalisation could take various forms: from 100% public ownership, through to majority ownership, or even partnership arrangements with the private sector. The opinion piece added that it could involve expropriation with or without compensation, but that it would not be a bail-out for indebted mining corporations, as some had speculated.

The Control Risks analysis appeared to be aligned with those prevailing in the mining industry. But on the whole,

executives have refrained from discussing the matter publically, preferring instead to canvass its seriousness, or otherwise, in private discussions with government at various levels.

Nevertheless, some investors have been slightly unnerved by the continuing talk of nationalisation, with JSE business development and marketing director Noah Greenhill telling Mining Weekly Online recently that such a public debate was not good for South Africa's reputation as an attractive investment destination.

SICHUAN SELLING RMB 2.04 BLN WORTH OF LEAD ZINC ORE

February 8, 2010 (China Knowledge) – Sichuan Province is offering to sell an 80% stake in Hui-Dong Lead & Zinc Mine for RMB 2.04 billion to any state-owned or state-controlled enterprise with a registered capital exceeding RMB 1 billion and net assets exceeding RMB 2 billion, sources reported.

The buyer must make a lump sum payment. Buyers that have gone into debt at any time in the past three years are not eligible.

An senior officer of the bureau of commerce in Huidong County, Liangshan, Sichuan Province, predicted that Western Mining Co Ltd, which last year inked a cooperative agreement with the local government to develop lead zinc ore in Huidong, will probably buy the asset.

Hui-Dong Lead & Zinc Mine, which was established in 1958 with a registered capital of RMB 50.92 million, had 11.56 million tons of ore as of Jan. 30, 2009, including 1.14 million tons of zinc and 88,000 tons of lead.

WORLD COPPER SHORT SUPPLY IN 2010 – TRILAND METALS

February 8, 2010 (Japan Metal Bulletin) – Triland Metals which is a ring member of London Metal Exchange expects world copper ingot would be 75,000 tonnes of short supply in 2010 due to strong demand in China.

The firm expects the 3 month future price would be averaged USD 7,700 per tonne to USD 8,200 per tonne in the

year when nonferrous metal investment continues under lower US dollar rate.

The firm forecasts primary aluminum price is averaged USD 2,000 per tonne to USD 2,300 per tonne when the oversupply is 500,000 tonnes compared with 1.8 million tonnes of oversupply in 2009.

GRUPO MEXICO PREDICTS GROWTH IN COPPER AND OTHER METALS, REVERSING UPWARD INVENTORIES TRENDS

February 8, 2010 (MineWeb) – Mexico City-based megaminer Grupo Mexico expects 2010 will be “a year of consolidation for copper and for our other metals due to the anticipated growth of the manufacturing sector worldwide, recovery in American, European, and Asian demand, and the continued Chinese consumption.”

Grupo forecast that its Mining Division (which now includes U.S. copper miner Asarco) is expected to produce 720,000 tons of copper this year without

including any production from Mexico's Cananea copper mine, which remains closed because of a lengthy labor dispute.

The company reported a 14% increase in moly production last year for a total of 18,687 metric tons. Zinc production increased 3.3% in 2009 to 110,430 tons. The increase was due principally to improved ore grades at La Caridad and improved grade and recovery at Cuajone in Peru, according to Grupo.

Last year's silver production increased 8.2% to 13.3 million ounces of silver while gold production was reported at 15,088 ounces, a slight increase over 2008.

On January 29th, Grupo's board of directors also approved a \$3.9 billion capex program for the next three years. Of that, \$2.95 billion will be invested in the Mining Division, \$576 million in the Transportation Division, and \$384 million in the Infrastructure Division.

The board approved a \$2.8 billion capex program for Southern Copper Corporation (SCC) including \$1.8 billion to increase SCC's annual copper production

by 120,000 metric tons by the end of 2011 with the completion of the Peruvian Tia Maria project. The board also voted to invest \$1 billion in Mexico "if and when the company has been provided with the necessary labor and judicial conditions required for such an investment." The capex investments programmed for Asarco over the next three years are \$150 million.

CANADIAN UNION CALLS FOR ACTION AGAINST XSTRATA

February 8, 2010 (Reuters) – The Canadian Auto Workers union (CAW) is calling on the Canadian government to investigate international mining giant Xstrata's plans to close its copper and zinc metallurgical plants at Timmins Kidd in northern Ontario.

While the mine and the concentrator at the site will continue to operate, the plan to shut down the plants on May 1 will result in about 670 job cuts. Xstrata currently plans to shift production from Kidd to smelters and refineries in Quebec. The union is calling on the Canadian federal and provincial governments to investigate Xstrata's move.

"Should this investigation conclude that Xstrata has little reason to close the Timmins site, both levels of government must force Xstrata to divest their Timmins assets," said the CAW in a statement.

According to the Investment Canada Act, the government has the power to review a foreign company's investment

in Canada and determine whether it varies from the original application and still results in a "net benefit" to Canada.

If this is not the case, the federal government can take legal action against the company to remedy the situation, or even force it to sell some of its assets. The union is calling on the government to enforce a moratorium on the proposed plant closures, until the matter is fully investigated.

Earlier on Monday, Xstrata announced plans to reinstate dividends, reflecting a growing confidence in the strength of commodities demand and its own finances. CAW-represented workers at Xstrata's Sudbury mining operations only last week agreed to a new three-year labor contract, after frantic last-minute bargaining averted a possible strike.

MONGOLIA PM: KEY COAL ASSET SHOULD REMAIN WITH GOVERNMENT

February 8, 2010 (Wall Street Journal) – Mongolian Prime Minister Batbold Sukhbaatar said he wants to keep full ownership of a key coal asset in government hands, potentially restricting access to a source that had drawn strong interest from Western mining companies.

Speaking to reporters at the first Mongolia Economic Forum, Mr. Batbold said he favors keeping Tavan Tolgoi, a huge coking-coal deposit, under full government ownership. Ownership of key deposits other than Tavan Tolgoi would be decided on a "case-by-case basis," he said.

His comments confirmed speculation last week that the government was likely to back out of a plan to sell a 49%

stake in Tavan Tolgoi, opting instead for mining contracts or production-sharing arrangements.

The prime minister, who came into office in October last year, said his recommendation on Tavan Tolgoi was still under discussion. Besides Tavan Tolgoi, mineral-rich Mongolia has numerous other deposits that can be developed. The Mongolian government has so far identified 15 strategic deposits, of which it is prepared to own up to 51%.

Whatever arrangement Mongolia's government chooses to pursue has implications for mining companies keen to operate in the country, as well as for the government's own finances. Under a production-sharing agreement,

mining companies would bear the cost of developing the deposits and share revenue with the government. While the companies wouldn't own the deposits outright, the terms of an agreement can stretch 15 years or longer and can still be structured in a way that makes them attractive.

Under a contract-mining arrangement, the government itself would bear the cost of developing the project and

hire an outside company to do the extraction work. Opting solely for contract mining on Tavan Tolgoi or other projects could be a challenge given the high costs involved and the weak finances of Mongolia's government.

RECORD MINING BOND SALES TO BOOST EXPANSIONS, M&A

February 9, 2010 (Bloomberg) – Record bond sales by global mining companies such as Anglo American Plc and Vale SA have bolstered raw material producers' war chests for acquisitions, expansions and buybacks as they prepare for sustained global recovery. Mining companies last year sold \$33.3 billion in dollar bonds, the most in 10 years, according to Bloomberg data.

The decline in borrowing costs, surging cash flows and rising metals prices prompted a 28 percent surge in global mining takeovers in the second half of 2009. Vale, the world's biggest iron-ore supplier which sold \$2 billion of bonds in 2009, last month agreed to buy Bunge Ltd.'s fertilizer assets in Brazil for \$3.8 billion.

This year will be a "massive" year for bonds, Sunny Verghese, chief executive officer of Singapore-based commodity supplier Olam International Ltd., said last month. Olam raised \$1.75 billion last year through a combination of convertible bonds, term loans and equity. It's seeking to raise more longer-term funding to support acquisition and capital spending plans, Verghese said in an interview last month before the company sold S\$250 million (\$176 million) of bonds. ArcelorMittal, the

world's biggest steelmaker which sold \$1 billion of 30-year bonds in October, said in December it will buy more mines in 2010.

The value of global mining mergers and acquisitions increased to \$41 billion in the six months ended Dec. 31, from \$32 billion in the first half, according to Bloomberg data. To be sure, while mining companies have been "hoarding cash" in the hope of picking up cheap assets, the speedy rebound in commodities after the global financial crisis meant there have been few distressed asset sales, Credit Suisse Group AG said in 2010 outlook report for Australia.

China, the biggest metal consumer, has been buying mining companies to guarantee supply and limit exposure to rising commodity prices. The nation's \$300 billion sovereign wealth fund is considering new investments in resource-related companies after making bets last year on producers in the U.S., Canada and Kazakhstan. Coal India Ltd. said in August it may invest as much as \$1.5 billion to acquire mines overseas.

CHINA BUILDS STAKES IN CANADIAN MINING COMPANIES

February 9, 2010 (Globe and Mail) – China Investment Corp., the Asian economic superpower's hulking \$200-billion (U.S.) sovereign wealth fund, has been quietly accumulating stakes in resource firms including Canada's Kinross Gold Corp. and Potash Corp. of Saskatchewan, according to a filing with securities regulators.

CIC, whose chairman is former Communist Party of China insider Lou Jiwei, has spent billions of dollars on mining and energy related investments, the filing with the U.S. Securities and Exchange Commission reveals. China is the world's largest commodity buyer and part of the

fund's mandate is to invest directly in materials producers to offset China's costs.

The regulatory disclosure also shows that CIC has turned an impressive profit on the \$1.5-billion it invested in debt-laden Teck Resources Ltd. last July. The filing shows that the stake in the Vancouver base-metals miner was worth \$3.5-billion by the end of 2009, making it CIC's largest single equity holding. The list represents the most detailed holdings information of North American equities ever revealed by the Chinese sovereign wealth fund.

CIC has become one of the world's largest and most important investors as China's economic influence has increased. The fund is allocated a portion of China's \$2.4-trillion worth of foreign exchange reserves to invest overseas.

Resources are a primary focus of the fund's holdings, the filing shows. In addition to its \$3.5-billion interest in Teck, CIC has a \$652-million stake in Brazilian iron ore and nickel giant Vale SA, a \$4.7-million interest in copper miner Freeport-McMoRan, and a \$9.1-million holding in steel producer ArcelorMittal.

A \$4.6-million stake in Toronto-based Kinross appears to be CIC's largest single exposure to a gold mining company. The fund also holds \$155-million worth of SPDR Gold Trust shares, a bullion-backed exchange-traded fund.

CIC also revealed it owns 50,000 shares of Potash Corp. worth \$5.4-million. As well, CIC disclosed holdings of \$5.1-million in U.S. natural gas producer Chesapeake Energy Corp.

POTASH DEAL CLOUDED BY PRICE SECRECY

February 9, 2010 (Globe and Mail) – Canada's fertilizer producers hailed a breakthrough agreement to sell potash to China, but the companies' secrecy about the price they obtained left investors worried about the terms of the deal.

The deal ends a year-long stretch without a single shipment from the group to the Asian country. It comes after the two sides broke off negotiations in December, as Canpotex pushed for better pricing than the annual contract signed last fall by Belarusian Potash Co. at \$350 (U.S.) per tonne. Many now believe that deal set the floor price on potash, a key fertilizer ingredient that soared to nearly \$1,000 a tonne in 2008. Potash prices have risen in recent weeks to as high as \$430.

But Canpotex declined to reveal the sale price it negotiated, leaving investors concerned the deal may not be substantially better than the Belarusian Potash (BPC) deal. Canpotex said only that it was done "at competitive

prices," and that it had agreed with Sinofert to reveal no more. That broke a long-standing tradition that has seen the China deal used as a bellwether.

Spokesmen for all three companies refused to discuss whether the price was different from the \$350 BPC deal. Last week, BPC raised its price on Brazil and Asian sales to \$410, while Mosaic has signed contracts at \$430. Analysts, however, were skeptical, arguing that potash producers have more to gain by releasing a high price, which would set a new benchmark. A low price could indicate weakness in the potash recovery.

This was also the first Canpotex deal in recent memory to sell potash on a short-term basis. Past sales have been worked around annual contracts, but China refused to accept any deal last year after the steep run in potash prices in 2008. This year it agreed to a quarterly spot price contract, which Agrium chief executive officer Mike Wilson called a step forward.

BRAZIL MAY TAX ORE EXPORTS, SEEK MORE STEEL PLANTS

February 9, 2010 (Bloomberg) – Brazil, the world's second-biggest iron-ore exporter, may start taxing shipments of the steelmaking raw material as it seeks to lure investment in domestic steel plants, Energy and Mining Minister Edison Lobao said.

Brazilian President Luiz Inacio Lula da Silva has been pushing Vale SA, the world's biggest iron-ore miner, to step up investments in steelmaking and create more jobs in the country instead of sending ore abroad for processing. The government "wants more" from Vale than the \$17 billion it plans to invest in Brazilian steelmaking through 2014, Lobao said.

"We are thinking about imposing an export tax on iron ore and removing taxes on finished" and value-added goods such as steel and steel plates, Lobao said late yesterday in an interview at his office in Brasilia. The introduction of a tax in Brazil, which provided 36 percent of global exports last year, may boost spot prices for ore and raise competition from mills in China and Japan for Australian ore.

Lula is trying to expand Brazil's steel industry to bolster the manufacturing industry and ensure domestic supply of the metal as state-controlled oil company Petroleo Brasileiro SA prepares to expand output and purchase new drilling platforms, rigs and ships.

The government may create tax incentives to lift fertilizer output, Lobao said. The government is also studying a

new tax system for the mining industry that may include higher royalties, Lobao said, without giving details.

CHALCO, GIIG TO DEVELOP \$1 BILLION MALAYSIAN SMELTER

February 9, 2010 (Bloomberg) – Aluminum Corp. of China Ltd. agreed to jointly develop and operate a \$1 billion smelter with billionaire Syed Mokhtar Al-Bukhary in Malaysia's eastern Sarawak state where a \$2.4 billion hydroelectric dam is nearing completion.

Aluminum Corp., of Chalco, will form a joint venture with Syed Mokhtar's GIIG Holdings Sdn. to build the aluminum smelter, which will have an initial annual production capacity of 330,000 metric tons. This may rise to 1.25 million tons, GIIG director Shahrir Shariff told reporters at a signing ceremony in Putrajaya, near Kuala Lumpur, today.

China agreed to help Malaysia build up its infrastructure during President Hu Jintao's trip to the Southeast Asian nation in November. "The implementation of the project would exploit Chalco's technical and market advantages, make use of local energy resources and promote economic growth in Sarawak," said Zhang Chenzhong, vice president of the Chinese company, in a statement.

Sarawak's Bakun hydroelectric dam is expected to begin supplying power either this year or next, providing the smelter with a convenient energy source.

CONGO SAYS TO ACCEPT LEGAL RULING ON FIRST QUANTUM

February 9, 2010 (Reuters) – Democratic Republic of Congo pledged on Tuesday to accept the outcome of international arbitration in a dispute with Canada's First Quantum Minerals over the Kolwezi copper and cobalt tailings project.

First Quantum, which holds a 65 percent stake in the \$550 million project, announced this month it would seek arbitration after Congo last August cancelled its permit and then ordered it to close the project down.

"First Quantum has every right to seek arbitration," Planning Minister Olivier Kamitatu said in an interview on the margins of a business conference in Kinshasa.

"The Democratic Republic of Congo respects the law. You can't on the one hand say you will improve transparency on natural resources ... the other say you don't respect a legal ruling, so we will behave coherently," he told Reuters.

The case has unnerved potential investors in Congo and is being closely watched abroad. President Joseph Kabila is anxious to boost weak economic growth by attracting private sector investment and Kamitatu, leader of a minority coalition party, is in charge of the drive to improve business conditions in Congo.

XSTRATA CHIEF MICK DAVIS CALLS HALT TO GROWTH THROUGH TAKEOVERS

February 9, 2010 (TimesOnLine) – Mick Davis, chief executive of Xstrata, broke the hearts of investment bankers and lawyers across the City yesterday when he put the brakes on the mining company's aggressive deal-making. Mr Davis believes that Xstrata now has a sufficiently attractive internal pipeline for it to concentrate on organic growth.

Xstrata, therefore, will accelerate capital expenditure on development projects and expects to double its production over the next three years. Mr Davis said: "Everyone thinks we are deal junkies. The market expects us to grow by acquisition every year, but these deals are becoming very expensive. Our project pipeline is ready to deliver a different type of growth."

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The company will spend \$14 billion (£9 billion) by 2013 to bring new mines onstream, compared with \$9 billion spent on organic growth during the past eight years. Mr Davis also cheered investors yesterday by restoring Xstrata's dividend, saying that he was encouraged by the prospects of recovering demand for commodities in China. The company will pay a 0.08 cent per share final

dividend in May — a yield four times higher than most analysts had expected.

Although Mr Davis wants Xstrata to concentrate on organic growth, he did admit that the company would pursue deals if they became available.

MINING HEADING TOWARDS LARGER-SCALE PROJECTS – BHP BILLITON

February 10, 2010 (miningweekly.com) – The mining industry is heading towards larger-scale projects, says BHP Billiton CEO Marius Kloppers. Kloppers says, in response to Macquarie mining analyst Sam Catalano that BHP Billiton's own focus is on tier-one assets and that largeness is an integral part of tier-one mines.

Catalano had noted that BHP Billiton's capital expenditure (capex) guide listed several very large projects in the future options section and asked whether it was only in the big-investment mega projects that effective returns could be generated.

Kloppers says that BHP Billiton, in trying to run a simple portfolio of large assets, is striving to get rid of its portfolio of smaller assets. He had to field several probing analysts' questions on the seeming 63% increase

of the value of the company's capex programme from \$12.8-billion this year to \$20.8-billion in 2011, but the South African CEO explained that the \$20.8-billion included Rio Tinto's \$5.8-billion equal contribution to its proposed Australian iron-ore joint venture (JV) with BHP Billiton.

Kloppers points out, however, that all the capex that has been approved and which is in execution is within budget and on schedule and can thus be "crossed off" as a contributor to potential cost inflation.

But the bigger BHP Billiton message that Kloppers wants people to note is the progressive nature of company's project approach, in which capex is neither slashed during downturns nor excessively increased during upturns.

CHINA INDICTS RIO STAFF FOR BRIBERY, COMMERCIAL SECRETS

February 10, 2010 (Reuters) – China has indicted four employees of Anglo-Australian mining giant Rio Tinto on charges of bribery and stealing business secrets, opening the way to a trial in a case that has tested ties with Australia. The four who are set to stand trial in Shanghai include Australian citizen Stern Hu, state news agency Xinhua said.

If found guilty, the Rio employees could face up to seven years in jail on the commercial secrets charge, and up to 20 years on the bribery charge, said Zhang Peihong, a lawyer for one of the accused Chinese nationals.

The indictments will open another chapter in the case that has unnerved mining companies and foreign investors in

China, worried about navigating risks of doing business in the world's third biggest economy, where state power is never far from the negotiating table.

In the Rio case, the Shanghai procuratorate, or prosecutor, said the four did heavy damage to Chinese steelmakers and were seeking to benefit "others", who it did not name. In past statements, Rio has said its four employees did no wrong.

The case has cast a cloud over already contentious iron ore price negotiations between China and Rio, fellow Australian miner BHP Billiton and Brazil's Vale as well as government-to-government ties.

CHINA'S 2009 COAL IMPORTS TRIPLE

February 10, 2010 (*Xinhua*) – The volume of China's coal imports more than tripled in 2009 from a year earlier as the country's economic stimulus package boosted demand. China's coal imports jumped 2.1 fold to 130 million tonnes in 2009 from a year earlier, with the average price being \$84 per tonne, the General Administration of Customs (GAC) said Wednesday in a statement on its website.

GAC attributed the surge to higher domestic coal prices and a supply shortage caused by the increase in demand

after the economic stimulus package came into effect, which pushed up demand for high-quality coking coal in the steel, cement and chemical industries.

Domestic coal prices rose higher in fall and winter, boosted by increasing demand for heating, GAC said. The country's coal exports stood at 22.4 million tonnes last year, down 50.7 percent year on year. The exports totaled \$2.38 billion in value, a year-on-year decrease of 54.7 percent, according to GAC.

MUST SHARE BUSINESSES, ZIMBABWE TELLS WHITES

February 10, 2010 (*FinancialPost.com*) – White-owned companies in Zimbabwe will be forced to hand control to black businessmen under laws reminiscent of those that led to the seizure of the country's farms. The regulations demand that companies, including foreign firms, transfer at least 51% of ownership to "indigenous" Zimbabweans.

Thousands of businesses, including the operations of Barclays bank, Standard Chartered bank and mining company Rio Tinto, will be affected. They must submit their plans to comply by March 1. Owners who fail to comply will face jail sentences.

The regulations were passed by President Robert Mugabe's Zimbabwean African National Unity–Patriotic Front party before the 2008 election in which the opposition Movement for Democratic Change won control of the legislature. The rules were put on hold until supplementary regulations were drawn up by the government, which quietly published them last week. While companies have five years to comply, the effects will be felt long before then.

Indigenous Zimbabweans are defined as anyone who was "disadvantaged by unfair discrimination on the grounds of his or her race and any descendant of such person" before independence in 1980.

It means white Zimbabweans are excluded and the position of Zimbabwean Asians is open to question. Whites are barred from some sectors altogether, including agriculture, retail and transport, as well as barbers and beauty parlours.

Harare's business community was left in shock by the development. "This is absolute madness," said one banker. Nick Cobban, a spokesman for Rio Tinto, described the regulations as "draconian and unworkable."

It is not clear exactly how the 51% stake is supposed to be acquired. The law has plunged Zimbabwe's coalition government into crisis.

RIO MAY SPEND UP TO \$6BN IN 2010

February 11, 2010 (*miningweekly.com*) – Diversified miner Rio Tinto plans to spend at least \$5-billion on capital expenditure during 2010, with the potential for a further \$1-billion for new investments.

"Following the recapitalisation of the balance sheet, we are bringing forward some of our premier growth options through a disciplined programme of investment. For 2010, we expect our capital expenditure to be at least \$5-billion with potential for this to rise to \$6-billion," said

CEO Tom Albanese in the company's 2009 annual results.

Around \$1.1-billion would be spent on the expansion of Rio's Pilbara iron-ore mines and infrastructure capacity, in order to take it beyond its current 220-million ton a year capacity.

A further \$0.3-billion would be spent on the expansion of the Yarwun aluminium refiner, to take it from 1.4-million

tons a year, to 3.4-million tons a year. The miner would also spend around \$0.4-billion on the Kestrel coking coal expansion project, which was scheduled to start producing coal during 2012.

In addition to these capital projects, the group said that it would continue to fund a number of major evaluation projects in 2010. Studies would also continue into the expansion of iron-ore production capacity in the Pilbara to 330-million tons a year by 2015.

Albanese stated that during the year under review, the group delivered “exceptional” operational performance, either meeting or exceeding its production targets, and its rigorous cost reduction programme, which delivered \$2.6-billion in savings, beating its target one year in advance.

Rio also embarked on a wholesale transformation of its aluminium business, which put it back into profit in the second half of the year. Production cutbacks were maintained throughout the year with the group’s annual aluminium run rate 9% lower by the end of the year.

Progress on asset divestments has continued apace with \$7.2-billion announced in 2009, of which \$5.7-billion has since completed, including \$1.95-billion from the sale of the majority of the Alcan Packaging businesses which was completed earlier this month. The bulk of the programme was begun two years ago, and was now complete, with total receipts of \$8.8-billion received to date of the \$10.3-billion of agreed sales.

CAMECO RE-ENTERS UNDERGROUND DEVELOPMENT AT CIGAR LAKE

February 11, 2010 (Press Release) – Cameco Corporation announced today that crews safely re-entered the main working level of the Cigar Lake mine, 480 metres below surface, on February 10, 2010.

Prior to re-entry, the mine was fully dewatered and the main shaft refurbished including installation of the ladderway, replacement of electrical and mechanical components, and extension of the in-shaft pumping system. The workings at the 420 metre level, where the last inflow occurred, have been inspected and secured.

Safe access to the 480 metre level has been established and work to inspect, assess and secure the underground

development has begun. This work will be followed by restoration of underground mine systems and infrastructure in preparation for resumed construction activities.

“Resuming work underground is a key milestone for the Cigar Lake project,” said Cameco’s president and CEO Jerry Grandey. Work to secure the underground is expected to be complete before October 2010 depending upon the condition of the mine.

RIO MAY RE-ENTER POTASH BUSINESS, SEEKS RESOURCES

February 11, 2010 (Bloomberg) – Rio Tinto Group, which last year sold its potassium project to Vale SA, may re-enter the potash business, Chief Executive Officer Tom Albanese said. The company is looking for exploitable resources, Albanese told reporters in London, where the world’s third-largest mining company is based.

“Potassium is part of the future of the agriculture world,” Albanese said. “I’ve tasked our geologists to find the next potash basins.” The process may take “some time,” he added.

Rio sold its Potasio Rio Colorado potash project in Argentina to Vale SA, the world’s biggest iron-ore miner,

for \$850 million in January last year. Since then Vale has expanded its potash unit and BHP Billiton Ltd., the world’s biggest mining company, last month agreed to buy Canada’s Athabasca Potash Inc. for about C\$341 million (\$319 million).

“Vale saw the benefits in having resources that would be useful for the Brazilian agricultural sector and offered us a price that our shareholders felt more than fair,” Albanese said, commenting on the reason for selling the Argentine assets.

VALE TO BUY KEY MOSAIC FERTILIZER ASSETS IN BRAZIL

February 11, 2010 (Reuters) – Brazilian mining giant Vale obtained an option on Thursday to acquire the bulk of Mosaic's fertilizer interests in Brazil, a move that will further expand its asset base in the sector.

In a deal that could rake in more than \$1 billion for Mosaic when completed, the U.S. fertilizer maker has given Vale an option to buy its Cubatao operations, along with its stakes in Brazilian companies Fosfertil and Fertifos.

Vale has already moved to expand its fertilizer operations in a big way. Last month, it said it would pay \$3.8 billion to buy some of Bunge Ltd's fertilizer assets in Brazil, including Bunge's stakes in both Fosfertil and Fertifos.

Norway's Yara International, the world's largest nitrogen fertilizer producer, also agreed last month to sell its stake in Fertifos, along with other phosphate assets to Vale. Fertifos, with a 56.2 percent stake, is the controlling shareholder in Fosfertil. Once Vale closes its deals with Bunge, Yara and Mosaic it will become the controlling stakeholder in both Fosfertil and its parent Fertifos.

This deal is the latest sign of the growing importance of the global fertilizer business, which has seen a spate of merger and acquisition activity in recent months. Mosaic said the proposed deal is subject to Vale closing its deal with Bunge.

BRAZIL VALE SAYS DEMAND FOR IRON ORE AT PRECRISIS LEVELS

February 11, 2010 (Dow Jones) – Brazil miner Vale SA said Thursday that it was unable to keep up with demand for its iron ore. Chief Financial Officer Fabio Barbosa told analysts Thursday that Vale was having difficulty supplying its customers as demand returned to its levels seen before the global economic crisis. Barbosa said Vale had supply constraints owing to its own operational problems.

In Vale's fourth quarter earnings statement released late Wednesday, the company iron ore shipments fell 6.2% to 68.41 million metric tons in the fourth quarter from the third quarter. Eduardo Bartolomeu, head of logistics at Vale, said Thursday that the problems at Carajas were being overcome and these would not be a big issue ahead.

However, Bartolomeu said there were better prospects for logistics at Vale's southern system, based in Minas Gerais State. Bartolomeu said the port of Tubarao, which serves most of the southern system had been completely overhauled and was ready to increase throughput. Barbosa also said ramping up output after cutting supplies at the height of the global economic took time.

Barbosa pointed out that sales of iron ore to China leapt to a record level of 140.4 million metric tons in 2009, up from 91.4 million tons in 2008. Barbosa said the company would only be able to add 10 million metric tons to its iron ore mining capacity in 2010.

PERU REACHES SECOND POSITION IN GLOBAL COPPER OUTPUT

February 11, 2010 (Mining-Technology.com) – Peru became the second largest global copper producer in 2009, displacing the US, with a total output of 1.273 million metric tons. Peru's National Association of Mining, Oil and Energy said the country's copper production last year beat the US, which stood at 1.19 million tonnes.

Chile reached the top spot in global copper output last year with 5.41 million tonnes, according to Xinhua. In

2009 the mining sector invested \$2.2bn in projects, boosting metal export receipts to \$16bn, which constituted 60% of the country's total exports, according to the association's figures.

Peru is the biggest silver producer in the world, the second biggest zinc producer, the third biggest for tin output, the fourth biggest in lead production and sixth biggest in gold output.

ANGLO BACKS DE BEERS \$1 BILLION CASH CALL

February 11, 2010 (*TimesOnline.co.uk*) – De Beers, the world's top diamond producer, has secured the backing of its shareholders, Anglo American, the Oppenheimer family and the Government of Botswana to refinance the struggling miner with a \$1 billion (£639 million) rights issue.

The cash call follows a dire year for the diamond miner and merchant which suffered a collapse in sales as the recession battered the luxury goods market. De Beers revenues plunged from \$6.8 billion in 2008 to \$3.8 billion last year, forcing the company to take drastic action, including laying off almost a quarter of its workforce.

De Beers has been in talks with its bankers to renew facilities including a \$3 billion credit, half of which falls

due in March. The banking syndicate has now agreed terms thanks to the support of De Beers's three shareholders — Anglo, which owns 45 per cent, the Oppenheimer family which has 40 per cent and Botswana, with 15 per cent.

De Beers said it remained cautious about the outlook for 2010, despite strength in Chinese and Indian markets. De Beers slashed rough diamond production by shutting mines and reducing activity as the recession bit in the first half of last year, in order to prevent stockpiles of uncut diamonds from depressing the market.

MINING DEALS EXPECTED TO PICK UP IN 2010

February 12, 2010 (*Reuters*) – Merger and acquisition activity in the mining sector is likely to pick up pace in 2010 as producers shift their focus from cutting costs to driving growth in a recovering global economy, according to a report released yesterday.

In the fourth quarter of 2009, 32 takeovers involving mining companies were announced, up from 21 in the third quarter and 17 each in the first and second quarters, the PriceWaterhouseCoopers report said. Total deal value

in the fourth quarter reached \$4.9-billion, up from \$3.7-billion in the third quarter. Deal value in the second quarter was \$63-billion, due to the announcement of a \$58-billion iron ore joint venture between BHP Billiton Ltd. and Rio Tinto Group.

PAKISTAN SNUBS MINERS OVER GOLD CONTRACTS

February 12, 2010 (*FinancialTimes.com*) – A large copper and gold mining project in south-western Pakistan will be developed by the provincial government rather than Canada's Barrick Gold and the Chilean miner Antofagasta, according to the local chief minister.

Nawab Muhammad Aslam Khan Raisani, chief minister of Baluchistan, told the Financial Times a new public sector company would take over extraction and processing at the remote Reko Diq site, which had promised to be one of the largest foreign direct investments in Pakistan.

"We will not extend any further contracts either to the existing companies or to anyone else," said Mr Raisani. "They [the two companies] only have an exploration licence which does not cover extraction."

The two companies bought a 75 per cent interest in the Reko Diq project from an Australian miner in 2006, with Baluchistan retaining 25 per cent. The current provincial government, backed by the national authorities, set aside the concession, arguing it was against the interests of Pakistanis.

Speaking for the joint-venture partners, Vincent Borg of Barrick said: "We haven't received any notification. We believe we've satisfied the terms of the licence."

Development costs at Reko Diq are estimated at \$3bn. Provincial officials expressed confidence that the local government could secure bank loans to finance development. Foreign investors have lost their appetite for Pakistan because of insecurity.

GLOBAL IRON ORE PRICE NEGOTIATIONS – NEWS AND ANALYSIS

February 12, 2010 (Platts.com) – This time of year, the news flow from the global iron ore market doesn't get much better. The posturing. The official statements. The anonymous comments and the attributable ones. In an attempt to sort through the latest developments, consider the recent story lines – and backdrops — swirling around the high-level annual contract pricing negotiations:

-- The Big Three global iron ore miners--Brazil's Vale and Anglo-Australians BHP Billiton and Rio Tinto -- are seemingly making money hand-over-fist.

-- On the other side, Chinese steel mills--which produce more than a third of the world's steel, making the country the biggest consumer of iron on the planet--are lamenting leaner profits for 2009, and even losses for several of them.

-- Miners were reportedly this close to a deal for a 40% provisional price hike in 2010-2011 annual contract pricing of iron ore--and some think an 80% increase is possible compared to 2009-2010.

-- The China Iron and Steel Association (CISA) is openly criticizing the media for irresponsibility--and some western analysts tend to agree.

-- Vale said Thursday it was open to spot-market trading, which it said now accounts for 50% of the seaborne trade.

Miners were reportedly nearing a deal for a 40% "provisional" price hike in the 2010-2011 talks. According to a mining executive familiar with the annual negotiations, the 40% price increase was discussed with the five biggest Chinese steel mills individually and an agreement was thought to have

The same mining company executive pointed out that seeking a 40% hike was indeed only a provisional arrangement and that if there were an annual price agreement at all, it would have to be a price hike on the order of 80% for the 2010-2011 delivery period.

A 40% increase over the 2009-2010 benchmark price means Australian iron ore fines would be \$1.358/dry metric ton unit, or \$84/dry mt FOB Australia for 62% Fe. From Brazil, this would equate to a new price of \$1.258/dmt unit, or \$83/dmt FOB Ponta da Madeira for 66% Fe Carajas fines.

NOW INDIA MOVING TO TIE UP STRATEGIC GLOBAL MINERALS SUPPLIES

February 12, 2010 (MineWeb) – Some say that the British invented bureaucracy and the Indians perfected it! Certainly dealings with Indian government departments seem to take forever amidst mounds of paperwork.

But now the Indian government recognises that its usually slow movement in completing deals potentially sets it at a disadvantage to countries like China where state organisations have learnt to move quickly and decisively. This has been seen particularly in tying up access to global mineral resources which the China sees as vital for the years ahead with its rapidly growing internal development.

India is a country which faces many of the same problems as China, but is a few years behind in terms of internal growth but, like China, its GDP is growing at an enormous rate in comparison with the West, where economies are, at best, static for the moment.

Thus the Indian government is reportedly moving to fast track deals to secure future supplies for its ever-growing industrial base. According to a report in today's Hindustan Times The Prime Minister's Office (PMO) has

decided that the country's state-owned corporations need to be supported in aggressively pursuing the acquisition of strategic mineral resources through a dedicated fund – and it has set a 30-day deadline for such plans to be in place.

One of the key elements in the proposal too, is that the country's normally slow procedures will be circumvented by setting up the centralised body with rapid strategic and decision making powers.

The significance of the Indian move should not be underestimated. Indian growth is currently matching that of China and with the two Asian potential megapowers with enormous populations taking ever increasing volumes of raw materials from the global supply, the pressure on resources can only increase dramatically.

According to the report, India is also beginning to try and use diplomatic pressures to help secure supplies with the External Affairs Ministry tasked with a strategy to help acquire them, particularly in Africa which is seen as key area of potential supply with resources frequently directly controlled by government.

HAYWOOD UPS PRECIOUS METALS FORECASTS, ANTICIPATES STRENGTH IN BASE METALS

February 12, 2010 (MineWeb) – Despite a significant correction in metals prices in recent weeks, Canada's Haywood Securities remains so bullish on gold and silver, it has readjusted its precious metals forecasts upward.

Haywood metals analysts increased their 2010 forecasts from \$1,000 per ounce to \$1,120/oz for gold, and from \$15.25/oz to \$17.75/oz for silver. Long-term forecasts for gold were increased from \$825/oz to \$850/oz while silver was upped from \$12.75/oz to \$13.50/oz.

In the meantime, Haywood has “adjusted our price deck to reflect the impressive rebound in base metals prices as well as improving fundamentals going forward,” the analysts noted. “We expect strength in all the base metals over the next 1 to 3 years as the economic recovery leads to increased demand—likely in excess of existing production capacity.”

Haywood also anticipates platinum prices to head higher through 2010 to \$1,550 per ounce and to \$1,800/oz in 2011. Meanwhile, the analysts predict that palladium's price is expected to rise sharply throughout this year. Haywood forecasts a \$450/oz price for this year and \$550/oz for 2011. Haywood adjusted its rhodium price forecast from \$1,650/oz to \$3,200/oz this year and from \$1,000/oz to \$4,500/oz in 2011. The long-term rhodium price was increased from \$1,200 oz. to \$3,000 oz, which now commences in 2017.

Although China was the only source of increased copper demand last year, improving economic activity is expected to lead to growth in global copper demand through 2010. “In the short term, we expect copper prices to remain near current levels, and have forecast a 2010E copper price of US\$3.05 per pound,” the analysts forecast.

“We are forecasting a decline in copper prices after 2011,

reaching as long-term estimate of US\$2.25 per pound in +2014 as new mine production comes on line,” they predicted. “However, we continue to believe future mine production will depend largely on lower grade mines, which will redefine the industry's coal regime.”

In their analysis, Haywood noted the zinc price increased 114% last year, ending the year at US\$1.15/lb, “a price at which many marginal Chinese producers are profitable.”

“In the short term, we expect zinc prices to remain near current levels, and have forecast a 2010E zinc price of US\$0.95 per pound, followed by US\$1.05 per pound zinc price in 2011, and US\$1.10 per pound zinc price in 2012,” the analysts predicted. “We are forecasting that zinc prices will decline after 2012, reaching our long-term forecast of US\$0.95 per pound in +2014.”

Meanwhile, Haywood noted the lead market should be roughly balanced this year, with a deficit in 2011 as lead demand continues to grow in China. “We are forecasting a 2010E lead price of US\$0.95 per pound. We also expect the lead price to increase to US\$1.10 per pound by 2012, then decline to our long-term forecast of US\$0.95 per pound in +2014.”

The analysts also forecast that nickel prices will decline to US\$7.75/lb in 2011, and reach Haywood's long-term forecast of US\$7.50/lb in +2012.

Haywood suggests Chinese pig iron will continued to keep the market saturated. Meanwhile technology continues to lower the amount of nickel used in stainless steel. “Year to date, molybdenum has averaged US\$14.25 per pound, in line with our 2010E forecast price of US\$15.00 per pound,” they added. “We expect that molybdenum prices will increase to US\$20.00 per pound in 2011, declining to a long-term estimate of US\$15.00 per pound in +2013.”

MINING SECTOR M&A TO PICK UP SPEED IN 2010 – PwC

February 12, 2010 (Reuters) – Merger and acquisition activity in the mining sector is likely to pick up pace in 2010 as producers shift their focus from cutting costs to driving growth in a recovering global economy, according to a report released on Thursday.

In the fourth quarter of 2009, 32 takeovers involving mining companies were announced, up from 21 in the third quarter and 17 each in the first and second quarters, the PricewaterhouseCoopers (PwC) report said.

Total deal value in the fourth quarter reached \$4.9 billion,

up from \$3.7 billion in the third quarter. Deal value in the second quarter was \$63 billion, due to the announcement of a \$58 billion iron ore joint venture between BHP Billiton and Rio Tinto.

The pace of deals should pick up in 2010, while the average size of deals -- which bottomed in the fourth quarter -- should also grow, albeit slowly, PwC said. Helping drive the rebound is a year-over-year gain in metals prices. Credit markets are also returning to normal after nearly freezing up more than a year ago.

2010 RANKING OF COUNTRIES FOR MINING INVESTMENT – WHERE “NOT TO INVEST”

**Behre Dolbear is pleased
to announce that our
annual report on the
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for Mining Investment or
Where “Not to Invest”
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Toronto, ON, Canada

Agenda:

8:00 am - 8:30 am Registration and Breakfast
8:30 am - 10:00 am Presentation and Q&A

Please [register](#) by March 4, 2010.

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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.

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