

# BEHRE DOLBEAR

## Global Mining News

### CHALCO CHAIRMAN: DUE DILIGENCE ONGOING ON RIO GUINEA IRON ORE

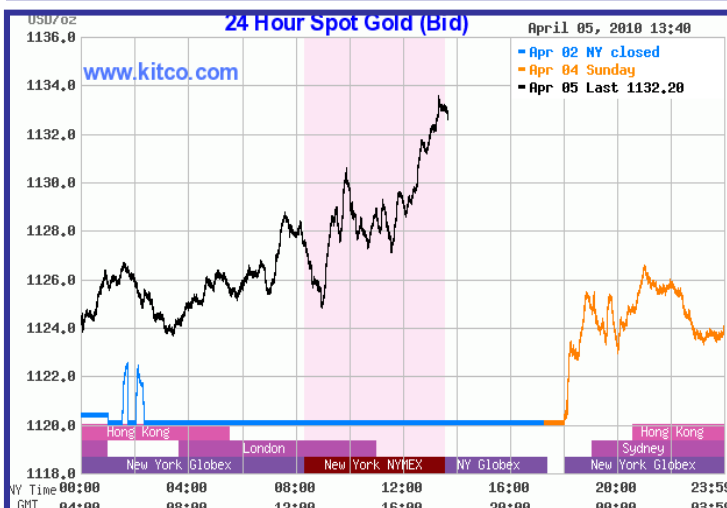
March 28, 2010 (Dow Jones) – Aluminum Corp. of China, also called Chinalco, is in the midst of conducting due diligence on its \$1.35 billion deal with Rio Tinto PLC to develop the Simandou iron ore mine in Guinea, Chinalco President Xiong Weiping said Monday.

Speaking in his capacity as chairman of Aluminum Corp. of China Ltd., Chinalco’s listed unit that’s known as Chalco, Xiong said Chinalco will decide on starting the feasibility study on the project once due diligence is completed.

On March 21 Chinalco and Rio Tinto agreed on a non-binding memorandum of understanding to set up a joint venture to develop the west African property, the first major step between the two companies to repair relations after Chinalco’s plan to invest \$19.5 billion in Rio Tinto collapsed last June.

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| USD       | APRIL 02, 2010   | MARCH 26, 2010   |
|-----------|------------------|------------------|
| GOLD      | 1,123.50         | 1,096.50         |
| SILVER    | 17.6900          | 16.8500          |
| PLATINUM  | 1,660.00         | 1,596.00         |
| PALLADIUM | 491.00           | 456.00           |
| ALUMINUM  | 1.0569           | 0.9979           |
| COPPER    | 3.5748           | 3.3976           |
| LEAD      | 0.9900           | 0.9480           |
| NICKEL    | 11.5553          | 10.7275          |
| URANIUM   | 42.00 (03/28/10) | 42.25 (03/22/10) |
| ZINC      | 1.0750           | 1.0160           |

## BMO RECKONS NICKEL AND COPPER PRICES WILL RALLY AND FIRM UP THIS YEAR

March 29, 2010 (MineWeb) – BMO Capital Markets Global Commodity Strategist Bart Melek expects nickel and copper prices to firm over the next several months as real physical supply/demand fundamentals improve.

In a note published Sunday, Melek advised, “Given the need to restock consumer inventories, the strengthening global recovery and higher stainless smelting rates should continue to rally both nickel and copper into 2010.”

“The likely shift into deficit conditions should also continue to drive LME inventories lower, likely at a faster rate than in the last several months,” he said. “The market is already reacting to this as prices tend to move 30-90 days ahead of actual inventory declines.”

Melek noted that LME nickel inventories have dropped 6.3% to a three-month low, “albeit from high levels.” BMO anticipates a fairly deep 36kt deficit this year partly due to delays at the Goro Nickel project and a strike at the Vale Inco operations.

Meanwhile copper LME stocks have declined 6.9% and “demand is projected to firm materially,” up 7% this year. Melek forecasts that the copper market is expected to be in deficit until 2011.

## CHINA’S GOLD DEMAND TO DOUBLE IN 10 YEARS – WGC

March 29, 2010 (miningweekly.com) – Chinese gold demand is likely to double in the next ten years, while demand growth would outstrip domestic supply, the World Gold Council (WGC) reported on Monday. The country’s gold demand would continue to accelerate, driven by investment and jewellery consumption, which continued to grow despite higher prices, the council said in a new report, ‘Gold in the Year of the Tiger’.

China is currently the second-largest gold consumption market and the number-one producer. Over the last five years, China’s gold demand has been growing at 13% a year. But, while gold demand is accelerating, supply growth would be “challenging” in the medium-to-long term and could decline in the future, the WGC reported. Domestic supply contributed 314 t in 2009, while demand from the jewellery and investment sectors had reached a combined total of 423 t in the same year.

The WGC also predicted that the country, which according to the US Geological Survey accounted for 4% of the total known global gold reserves, could exhaust its known gold mining reserves in six years from now.

The country’s consumption intensity, which is measured by gold demand per capita versus gross domestic product (GDP) per capita, was lagging other major markets. The country’s investment among private individuals also continues to develop rapidly, the report stated. Net retail investment in gold totalled 80.5 t at the end of 2009.

The Asian giant’s gold consumption was worth more than \$14-billion in 2009, which represented 11% of global demand, and the WGC estimated that it could be worth more than \$29-billion in ten years, using 2009 year-end prices.

## CHINA JAILS RIO TINTO STAFF FOR 7-14 YEARS

March 29, 2010 (Reuters) – A Chinese court jailed four Rio Tinto staff for seven to 14 years on Monday for taking bribes and stealing commercial secrets, a sentence Australia said was harsh. Rio Tinto said it would fire the four to distance itself from what it called “deplorable behavior” in a case that dates back to the middle of last year. It said Chinese prosecutors had unearthed “clear” proof of backhanders.

Internal investigation had shown that all wrongdoing was outside company systems, it added. Canberra acknowledged there was convincing evidence of corruption, adding that ties with Beijing would not be hurt by the verdict in a trial which has been closely tied up with politics and diplomacy.

But Australian Foreign Minister Stephen Smith said he still had “serious unanswered questions” about the most controversial part of the trial, covering the stealing of commercial secrets, which was held behind closed doors. In China, the verdict could strengthen the hand of China’s largest, state-owned steel mills and sharply curtail Chinese iron ore purchases from volatile spot markets.

The court said the defendants helped obtain information from confidential strategy meetings of the China Iron and Steel Association (CISA), which represented the Chinese steel industry in negotiations with the world’s three top iron ore suppliers, Rio, BHP Billiton and Vale.

The company’s chief executive, Tom Albanese, said the miner would focus on improving ties with China now the trial was over. Rio declined to comment on the commercial secrets charges that were at the heart of most foreign investor concern about the case, saying the firm had not been able to consider the evidence.

The court said the infringement of commercial secrets caused a great loss to the Chinese industry, putting it in a disadvantageous position in iron ore prices talks. According to the court, last year over 20 Chinese steelmakers paid extra advances of 1.02-billion yuan for their iron ore imports because of the crimes committed by the four.

## MINERS FACE IPO HURDLES, MAY HAVE TO DIG ELSEWHERE

*March 29, 2010 (Reuters)* – Some mining firms chomping at the bit to list on the stock market may be forced to look elsewhere for cash by wary investors willing to back only top-notch names. Analysts said that many companies could decide to sell stakes to Chinese and other Asian firms, or agree to long-term supply agreements in exchange for up-front cash.

Miners are lining up initial public offerings (IPO) after postponing plans during the downturn but investors are questioning valuations and forecasts for metal prices. “I think the market’s continuing to be supportive for the right stories, but quite a number of groups are probably going to be disappointed in terms of their IPO aspirations,” said an investment banker who specializes in mining.

IPO activity in the mining sector plummeted during the downturn, falling from 173 listings worth \$20.3 billion in 2007 to 42 worth only \$3.4 billion last year, but has rebounded in the first quarter of 2010, according to

Thomson Reuters data. There were 17 IPOs in the first quarter raising \$4.3 billion versus seven worth \$154 million last year. More are waiting on the sidelines, some moving through the complex listing process that often takes 18 months, bankers say. Response to recent offerings has worried investment bankers.

If the IPO route fails to materialize for some companies, interest is strong enough in the long-term potential for the sector that they can woo Asian investors. China – the world’s biggest consumer of many metals including copper and iron ore – is pressing forward with its strategy to secure long-term supplies by linking financing with offtake deals.

Much of the uncertainty around the IPOs centers on metal prices, which have rebounded so much over the past 12 months that they appear to be out of kilter with fundamentals.

## SOUTH AFRICA MINING GEARS UP FOR MAJOR TALKS

*March 29, 2010 (miningmx.com)* – A mining summit between the South African government, mining companies and labour aims to prepare the sector to catch the next boom in commodity prices after it missed the last one and also address concerns about transformation, said Mineral Resources Minister Susan Shabangu.

Shabangu identified two key areas that participants will address. “The summit will focus on a growth path for the industry and transformation. The Department of Mineral Resources has conducted a review of the Mining Charter enacted in 2005 and how it has been implemented. This

review has been sent to mining companies and the Chamber of Mines for response.

Another issue, equally as important, will be power. South Africa ran short of power in 2008, causing deep-level gold mines to shut down for a week in June. Mines has subsequently reduced power consumption by 10% but there are fears that the country will run short of power over the next few years until Eskom’s build programme to add capacity is commissioned.

South Africa largely missed the last commodity boom, which came to a grinding halt with the financial crisis late in 2008 and well into 2009. Shabangu said the sector had not properly focused on reaping the benefits of the commodity boom and had instead concentrated on drafting and implementing the new mines Act and its related Mining Charter.

The three partners had realised they could work effectively together after minimising job losses at the height of the

economic crisis by setting up a task team to address the issue, she said. "We did that successfully and now our next step is to map bigger growth for the sector," she said.

Included in the summit will be hammering out a position on beneficiation, something the government is very keen to see happen to create jobs and generate more wealth for the country by exporting value-added products instead of raw materials.

## VALE, NIPPON AGREE 90 PERCENT IRON PRICE HIKE

*March 29, 2010 (Reuters)* – Brazilian mining giant Vale has approved a tentative quarterly iron ore price deal with Asian steel companies that would boost prices by 90 percent, Japan's Nikkei reported on Monday. The move could mark the first quarterly pricing deals for Vale, the world's top iron ore producer, which for years defended the decades-old benchmark system but recently said it was adopting more flexible marketing.

The hike would leave the price of ore at \$105 per tonne for Japan's Nippon Steel and South Korea's Posco, as big miners push for what could be the highest-ever price hike. Spot iron ore has doubled since September.

"Price negotiations will continue because the two sides are not in full agreement," the Nikkei news agency said, without

saying where it got the information. "They hope to resolve their differences by the end of next month, with the agreed-on price to be applied retroactively to April 1."

The world's top three miners, Vale and Anglo-Australians BHP Billiton and Rio Tinto are pushing to change the rigid benchmark system into a derivative-driven system similar to other global commodities such as oil.

Some steel mills have resisted the call to move toward spot pricing, particularly in Europe. But the acceptance by relatively conservative steel mills such as Nippon and Posco shows the growing strength of that trend.

## 16 M&A DEALS WORTH \$981 M IN MINING SPACE IN 2009: E&Y

*March 29, 2010 (Press Trust of India)* – Led by Vedanta Vedanta Group firm Sesa Goa's buyout of mining business of V S Dempo, Indian companies saw 16 M&A deals worth \$981 million in the mining space in 2009, global consultancy Ernst and Young said in a report. "Indian metal & mining companies completed 16 deals worth \$981 million in 2009, an increase of 45 per cent in deal count and 173 per cent in deal value as against 2008," E&Y said in the report titled '2009: The Year of Survival and Revival.'

Vedanta group firm Sesa Goa acquired majority stake in V S Dempo's mining assets for \$370 million in June 2009. Coming out of the economic crisis and liquidity crunch, such transactions were subdued in first half of 2009 as firms focused more on de-leveraging and conserving cash, it said.

"..., 2010 looks set to show a strong growth in M&A in the sector in India. ...Although the global transaction market in

2010 will remain challenging and mega deals will be scarce," the report said.

Indian power companies would look to acquire more thermal coal properties in India as well as overseas and steel firms would look to tap the coal and iron ore reserves. "A trend to watch for will be whether these companies will make outbound acquisitions this year. 2010 could be the year of Indian mining PSUs becoming multinational," said Vohra. Inbound and domestic M&A will be more consolidation focused, especially in downstream steel.

In India, the key driver for striking deals was resource security and backward integration across the supply chain, Vohra said. In Asia, China saw the biggest such deal with Yanzhou Coal Mining Co acquiring of Australia's Felix Resources for \$2.6 billion.

## BHP BILLITON IRON-ORE PRICING BREAKTHROUGH, VALE REPORTEDLY 'CLOSE' TO QUARTERLY DEAL

March 30, 2010 (*miningweekly.com*) – The world's iron-ore majors appear to be winning the battle for greater iron-ore pricing transparency. BHP Billiton CEO Marius Kloppers, who has been a vocal campaigner for shorter-term iron-ore pricing, has had a breakthrough in iron-ore sales pricing into Asia, hot on the heels of reports that the world's largest iron-ore producer Vale of Brazil is "close" to a quarterly pricing arrangement.

Vale, which defended the decades-old benchmark system, has also adopted a new marketing approach. However, South Africa's largest iron-ore producer, Kumba Iron Ore, has for long seen merit in annual benchmark pricing, but leaves the settlements to the majors, including Vale, BHP Billiton and Rio Tinto.

BHP Billiton reports that most of its iron-ore sales are now short-term, following agreements with what the company describes as "a significant number of customers throughout

Asia". These customers have moved from existing annual iron-ore contracts to a shorter-term landed price equivalent basis, BHP Billiton says, adding that the change is consistent with BHP Billiton achieving market clearing prices.

Fairfax analyst John Meyer says that iron-ore contracts are increasingly moving to shorter-term pricing and that Vale indicates that it has settled on a 90% price increase with Japanese mills at \$100/t to \$110/t.

Kloppers is in favour of pricing transparency. He told Mining Weekly Online in a video interview last year, that iron-ore pricing was heading for change as a result of steel-pricing dynamics moving towards shorter contracts. Coking coal – another steel-feed material – that BHP Billiton has been selling in China is already on a spot basis or at prices determined quarterly.

## COPPER PRICES TO REMAIN EXCEPTIONALLY LUCRATIVE – SCOTIABANK'S MOHR

March 30, 2010 (*MineWeb*) – Scotiabank economist Patricia Mohr predicted "Canadian iron ore producers will enjoy huge price gains in 2010, judging from annual contract negotiations now underway between Australian and Brazilian miners and steel makers in Asia and Europe." "Prices will be driven up by recovering steel production and iron ore demand in the G7 as well as steel mill capacity in China," Mohr forecast in an analysis published Monday.

Meanwhile, Mohr concurs with other metal analysts who are predicting that annual benchmark prices for iron ore "may shift to flexible arrangements, more closely aligned with spot prices (currently double contract levels)."

In her analysis, Mohr noted iron ore spot prices from India are 122% above the annual contract price for Hamersley Fines from Australia delivered to northern China at US\$69.62, which she suggested points "to a very large

increase in annual contract prices, once negotiations are concluded for the 2010 fiscal year."

In the meantime, given the wide gap between spot and contract prices, Vale is reporting shifting its sales to more flexible arrangements linked to spot prices. BHP Billiton also favors more flexible pricing.

Mohr observed contract prices for Teck Resources' premium-grade hard-coking coal will increase from US\$128 per tonne to US\$200 for April-to-June quarter. Mohr's research found LME copper prices "remain exceptionally lucrative, yielding a 63% profit margin over full breakeven costs (including depreciation and interest expense)." Copper demand is firm in the power sector and in electrical goods.

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**GOLD FIELDS ARRANGING \$500 MILLION LOAN REFINANCING – BANKERS**

March 30, 2010 (Reuters) – South Africa’s Gold Fields is self-arranging a loan refinancing of around \$500 million, two banking sources said on Tuesday. The financing, which launched on Monday, is being clubbed at the top level, but may be syndicated further, one of the sources said.

Gold Fields joins fellow South African miner AngloGold which is self-arranging a four-year, \$1 billion loan, a banking source told Thomson Reuters LPC on Monday.

Gold Fields last tapped the loan market in May 2009 for a one-year, \$311 million financing via Barclays and Royal

Bank of Scotland. The loan included a one-year extension option and paid a margin of 275 basis points (bps) over LIBOR, according to Thomson Reuters LPC data.

That loan refinanced a \$250 million tranche of a \$750 million deal signed in 2007. The remaining \$500 million facility on that deal matures in May 2012. The 2007 facilities paid margins of 25 bps and 30 bps over LIBOR respectively.

**BHP FORMS INDONESIA COAL VENTURE WITH ADARO ENERGY**

March 31, 2010 (miningweekly.com) – Diversified miner BHP Billiton has agreed to create a joint venture (JV) with a subsidiary PT Adaro Energy to develop its Maruwai coal project in Indonesia. The Indonesian coal company would acquire a 25% interest in the JV, while BHP would retain a 75% interest. BHP Billiton has been looking for a local partner to operate the coal mine.

“These agreements with Adaro provides a strong local partner to ensure the successful development of our world-class metallurgical coal interests in Indonesia,” said BHP president for metallurgical coal Hubie van Dalsen.

The Indonesian coal project (ICP) covers seven coal contracts of work located in East and Central Kalimantan. Undeveloped metallurgical and thermal coal resources are estimated at around 774-million tons. Adaro is Indonesia’s second-largest thermal coal producer and has operations near the ICP.

BHP said in a statement that the completion of the transaction was subject to approvals from the Indonesian government.

**RIO TINTO AND IVANHOE FINALISE MONGOLIA INVESTMENT AGREEMENT**

March 31, 2010 (miningweekly.com) – Global mining giant Rio Tinto and partner Ivanhoe Mines have finalised an investment agreement with the Mongolian government for the development of the Oyu Tolgoi copper/gold project. “The agreement has taken full and binding effect,” Rio Tinto said in a statement.

Rio Tinto and Ivanhoe would now start the development phase of the 450,000 t/y-copper project, which is expected to start production in 2013. Ivanhoe estimated that total investment over the next four years to build and commission the initial mining complex would be some \$4-billion.

Building a coal-powered electricity generating plant for Oyu Tolgoi would require an additional capital commitment, Rio Tinto said. Rio Tinto CEO for copper, Andrew Harding, said that the completion of the investment agreement with the government of Mongolia underlined a key milestone for

the Oyu Tolgoi deposit. Under the terms of the investment agreement, the government of Mongolia would own 34% of OT LLC, the licence holder of the Oyu Tolgoi project.

Rio Tinto said that key terms of the agreement include: a stable operational and tax environment, provisions dealing with the government’s equity participation and financing arrangements. Rio Tinto currently owns 98.6-million shares of Ivanhoe Mines representing 22.4% of Ivanhoe Mines.

Pursuant to certain existing contractual arrangements between Rio and Ivanhoe, Rio had the right at any time to exercise its share purchase warrants and/or convert its convertible loan into shares of Ivanhoe. Rio Tinto also has, among other things, the right to acquire additional securities so as to maintain its proportional equity interest in Ivanhoe, and the right to acquire additional Ivanhoe securities in certain other circumstances and subject to certain limits.

## MACARTHUR COAL REJECTS A\$3.3BN PEABODY BID

March 31, 2010 (*miningweekly.com*) – The board of ASX-listed coal producer Macarthur Coal has advised its shareholders to reject a A\$3.3-billion takeover offer by the US-based Peabody Energy Corporation. Macarthur, which halted trading on Wednesday, said Peabody had offered to acquire all its shares for a cash consideration of A\$13 a share.

In a statement on Wednesday morning, Peabody confirmed the non-binding proposal, and said it was “disappointed” by the response of the MacArthur board. Peabody, which mines steam and metallurgical coal in the US and Australia, said there was a “strong strategic rationale” for a combination of Macarthur’s operating assets and project pipeline with Peabody’s growing Australian operations.

But Macarthur chairperson Keith DeLacy said that Peabody’s proposal was “highly conditional” and did not fully value Macarthur and its growth prospects. The Peabody offer also represented an “inadequate” premium to Macarthur’s recent trading prices.

Under the proposal, Macarthur’s three largest shareholders would be offered the alternative of retaining their existing interest in Macarthur. The three shareholders – CITIC Resources Holdings, ArcelorMittal SA and POSCO – collectively own about 47.4% of the company.

The proposal contemplates a scheme of arrangement being put by Macarthur to its shareholders for approval, which would result in Macarthur being privatised and operated and controlled by Peabody. Peabody’s proposal is also conditional on Macarthur’s current offer to acquire Gloucester Coal and the associated Noble transactions not proceeding.

Peabody, meanwhile, said it remains open to talks with Macarthur and will continue discussions that it has begun with the Australian firm’s three biggest shareholders.

## INDUSTRY BODIES PRESS EU TO ACT ON IRON-ORE PRICES

March 31, 2010 (*Reuters*) – European industry bodies urged European Union regulators on Wednesday to prevent unfair competition and excessive pricing of iron ore, saying it could hamper economic recovery in Europe.

Steel industry body Eurofer and European auto manufacturers association ACEA said they were concerned by increases in the price of iron ore following an announcement by top global producers Vale and BHP Billiton of changes in their pricing models.

Italy’s Mechanical Industries Federation ANIMA joined in the Eurofer calls for strong common action to oppose what it called “unjustified increases in commodities prices” and urged Rome to support the local steel industry – the second biggest in Europe – by cutting taxes on investments and lowering power prices.

Eurofer said in a letter to EU antitrust authorities that control of almost three quarters of the world market by three companies had resulted in unbalanced pricing power and a high degree of market concentration.

The European Commission said it was not planning a new investigation following the complaint from Eurofer, but said the content of the letter would be useful in its on-going probe into a planned iron ore joint-venture between BHP and Rio Tinto.

Eurofer said a proposal by BHP and Rio Tinto to merge their Australian iron ore assets into a joint venture would intensify concentration in the sector, with iron ore supply being dominated by only two companies.

### *Did you know?*

Vermiculite, mica-like minerals that expand or exfoliate when heated to between 1,400 and 2,000 degrees, expand due to the expansion of water as it changes to steam between the layers.

### *Did you know?*

Clays are used in water treatment to selectively absorb organic contaminants and to remove paint residue from water used in industrial processes.

## PERU MINING CHAMBER URGES TAX AGENCY TO ‘CLEAR THE AIR’

*March 31, 2010 (Reuters)* – The head of Peru’s influential mining chamber urged the government’s tax agency to clear the air about allegations, brought by labor unions, that companies underreported profits during the 2006-2008 commodities boom. The claims, made by Peru’s national confederation of mining unions and first reported by Reuters last week, mark the latest in a fractious relationship between companies and workers in Peru, a leading global minerals exporter whose mining sector has suffered a series of strikes over the past two years.

Peruvian law stipulates that mining companies share 8 percent of their profits with workers, but unions allege they did not get a fair slice of earnings that soared during the most recent commodities boom.

In February, Peruvian precious metals miner Buenaventura said it was being investigated by the tax agency, Sunat, but

that it expected a favorable resolution and had paid all taxes as required. Then, last week, an official at the tax agency who declined to be identified said other mining companies were under investigation in addition to Buenaventura.

Luis Castillo, director of Peru’s national confederation of mining unions, has asked the country’s Labor Ministry and Sunat to review the books of all companies in the sector.

Officials at several global companies with mines in Peru, including Freeport and Xstrata, called Castillo’s complaints baseless, saying they fully comply with tax and accounting standards. “We are a listed company that follows all the rules of Conasev (Peru’s securities regulator) and Sunat to report profits and share them with workers,” said Raul Vera, general manager of Shougang Hierro Peru, an iron ore mine.

## JAMAICA’S WINDALCO SHUTS DOWN PERMANENTLY

*March 31, 2010 (Reuters)* – The West Indies Alumina Co., whose majority shareholder is UC Rusal, laid off its remaining workers on Wednesday and said it would close its two refineries in Jamaica, labor leaders said. The Jamaican company, known as Winalco, has a production capacity of 1.2 million tonnes of alumina annually. It halted bauxite mining and suspended operations at its Kirkvine and Ewarton refineries a year ago due to a worldwide downturn in demand for aluminum.

Winalco said at the time that the suspension would last at least a year, and cut its workforce of 1,119 to 762, keeping the latter group on the payroll with reduced hours and wages. Winalco began laying off those workers on Wednesday and said it would cease operations after the sector failed to

rebound from the effects of the global recession and falling world alumina prices.

Jamaica’s government did not immediately respond to the decision, which dealt another severe blow to the Caribbean island’s mining industry. With the closure of Winalco, Jamaica has only two companies operating in the bauxite and alumina sector. Aluminum is made from alumina, which is produced from bauxite ore.

Jamalco, owned by Alcoa Inc and the Jamaican government, is still producing both bauxite and alumina. Noranda Bauxite, previously known as St. Ann Bauxite, exports crude bauxite only. It is owned by privately held Noranda Aluminum Holding Corp and the Jamaican government.

## FIRST QUANTUM IN THE CONGO GRINDHOUSE

*March 31, 2010 (MineWeb)* – First Quantum, one of the world’s top 10 copper miners, has announced that it “believes” that a Democratic Republic of Congo appeal court has upheld a USD 12bn “damages” claim against First Quantum, in favour of the DRC government, State-owned mining company La Générale des carrières et des mines (Gécamines), and CAMI, the DRC mining registry.

The matter concerns Kolwezi tailings, formally known as the Kingamyambo Musonoi Tailings SARL, or KMT, where

First Quantum, in a September 2009 announcement, confirmed suspension of work at the 75%-complete project, after it was shuttered by government agents.

It has now also emerged that First Quantum has been hit by fresh columns of assault; a DRC company called Sodimico (Societe de Developpement Industriel et minier du Congo) has also now sued, claiming that it had mining titles that were “wrongfully canceled” and given to the First Quantum

subsidiary that operates Lonshi and Frontier, both in the DRC.

The Commercial Court of Lubumbashi, capital of Katanga Province, housing the DRC copperbelts, imposed a fine of USD 57m against First Quantum's subsidiary for "wrongful use of proprietary information in its Lonshi mining operations".

It is hardly a secret among those closely following this story that there are but two individual hustlers behind the assaults

on First Quantum, which has been targeted for nothing else but following the highest corporate governance standards required by any country in the world.

The likelihood of First Quantum bucking under the pressure is zero. In the background, beyond the two hustlers whose names have not been mentioned, there are many other smaller vermin looking to pick up assets on the cheap in the Congo.

## CIC REQUEST FOR ADDITIONAL FUNDING CUT IN HALF TO \$100 BILLION

*April 1, 2010 (AsianInvestor.net)* – The Ministry of Finance has asked China Investment Corporation to re-apply for its second dollop of seeding, but for half its originally requested amount. China Investment Corporation has revised downward the amount of new financing from the government.

Press reports in mainland China report the CIC is now requesting \$100 billion of new assets from the Ministry of Finance. Apparently its initial request, for \$200 billion, was rejected by the Ministry. The new request is expected to be forwarded to the State Council for final approval.

The CIC was originally set up three years ago with \$200 billion of seed capital from the government, with a mandate to seek investment returns on China's foreign-reserve surplus, which stood at \$2.3 trillion at the end of 2009.

CIC has been very active of late across the spectrum of long-only and alternative asset classes, and it continues to move

aggressively in order to put China's reserves into return-generating exposures.

Last year it returned 17% on its international portfolios, a very good return for an organisation of its size. This may explain why CIC officials expected their original request for another \$200 billion would have been approved.

However, of the CIC's initial \$200 billion, about half has gone to domestic investments. He says it's reasonable to expect that, should 2010 prove another successful year for international investments, the CIC can ask for bigger allotments in 2011. But it needs to prove it can allocate big amounts in a short period of time, without taking unnecessary short-term risks.

Z-Ben notes that a parallel request from Central Huijin for \$50 billion has also been downsized and may be converted into a RMB190 billion (\$28 billion) bond issue, rather than a state grant.

## LIHIR REJECTS A\$9.2BN NEWCREST OFFER, APPOINTS CEO

*April 1, 2010 (miningweekly.com)* – Australian gold producer Lihir has rejected a A\$9.2-billion takeover offer from larger rival Newcrest Mining, saying that the deal undervalued the company. The combination of the two companies would create the world's fourth-largest gold company, with a portfolio of low-cost, long-life, high-margin assets, Newcrest said in its proposal.

Australia's number-one gold producer is offering one of its own shares for every nine Lihir shares, as well as A\$0.225 cash per share. The offer represented a 35% premium to Newcrest's and Lihir's closing share prices on February 12, the last trading day prior to Newcrest's approach in February, and a 31% premium based on Newcrest's and Lihir's one-month volume-weighted average price to

March 29. Lihir shareholders would own about 35% of the combined organisation.

But Lihir chairperson Ross Garnaut said that the offer undervalued the company, both in terms of its existing business and growth potential. Garnaut also said that the board believed that Lihir was undervalued in the marketplace, and that it had made management changes to rebuild market confidence and correct the valuation shortfall.

Newcrest chairperson Don Mercer said that while the company believed the logic of the combination of the two companies was "compelling", it was not a "must do" transaction for Newcrest.

## GLENCORE REFINANCES \$7BN OF BORROWINGS

April 1, 2010 (*UK.Finance.Yahoo.com*) – Swiss-based Glencore International, the world's largest commodities trader, said it had refinanced almost \$7bn (£4.6bn) of debt to reduce interest costs. The employee-owned group, which owns 34.4pc of miner Xstrata, is planning a stock market listing. In December, Glencore sold \$2bn of convertible bonds, which it said at the time was “part of its overall strategy of moving towards public equity markets”. A flotation of the secretive group is expected within the next two years.

After commodity markets plunged at the end of 2008, concerns were raised about the group's liquidity, driving up the cost of insuring against its debt. Fears were further stoked when the company could not find the cash to participate in Xstrata's rights issue and maintain its stake. Instead, a

controversial asset swap deal was arranged, which involved Glencore selling its Prodeco coal mine in Columbia to Xstrata so the trader could maintain its stake in the group.

Glencore is said to be using the rebound in commodity markets and an improvement in lending markets to cut the interest payments on its debt to 150 to 200 basis points over the London interbank offered rate (Libor). The previous interest rate was believed to be in the order of 225 basis points over Libor.

Glencore also plans to make a number of asset disposals in the next three to six months, with the aim of raising \$1bn. The funds will be used to buy the Prodeco mine back from Xstrata after it took up an option to purchase it earlier this month.

## GROWING CHINESE, INDIAN AUTO MARKET TO HELP PUSH PRICE OF RHODIUM

April 1, 2010 (*Kitco News*) – Demand for rhodium, a key element in catalytic converters, is expected to increase as automobile markets in China and emerging countries continue their rapid growth. Ford Motor Co., announced today that its first-quarter sales in China leapt 84% from a year and that sales reached a record 153,362. It also said that March sales for India more than tripled from the previous month.

Last week's announcement that Volvo was bought by China's Zhejiang Geely Holding Group was a further signal that the Asian auto market is expanding rather than slowing. In the United States auto sales will probably be 10 to 15 per cent higher than they were last year. When you sell a car pretty much anywhere in the world you need a catalyst on in, so that means more platinum, palladium and rhodium.

China vehicle sales surged 25 per cent in February after the government cut taxes on some models, helping the country

extend its lead as the world's largest auto market this year. Sales of cars, commercial vehicles and SUVs rose to 942,900 units, while sales of all vehicles including trucks and buses rose 46 per cent year-on-year to 1.21 million, according to the government-affiliated China Association of Automobile Manufacturers.

India's motor vehicle sales have also been rising rapidly – topping 2.5 million in 2009 – and are expected to rise another 10 to 15 per cent in 2010. Indian car sales touched their highest-ever monthly number in February as cheaper loans drove purchases. February's growth follows a 32 per cent on-year rise in January and a 40% increase in December, according to the Society of Indian Automobile Manufacturers.

## COPPER HITS 20-MONTH HIGH, DEMAND SIGNALS BUILD

April 1, 2010 (*Reuters*) – Copper climbed on Thursday to its highest level in 20 months, as strong manufacturing data in Asia, Europe and the United States bolstered demand prospects on the first day of the second quarter. Copper for May delivery on the New York Mercantile Exchange's COMEX division settled up 3.05 cents at \$3.5840 per lb. May copper peaked at \$3.6060 per lb, a high for the second-

position contract on a continuation basis since early August 2008.

On the London Metal Exchange, benchmark copper ended at \$7,885 a tonne from \$7,780 at Wednesday's close.

Taken together, the data pointed to a “synchronized global industrial recovery”, said Bart Melek, Global Commodity

Strategist with BMO Nesbitt Burns in Toronto. Falling LME inventories have helped sentiment in recent weeks, with copper stockpiles shedding another 1,875 tonnes on Thursday to 512,450 tonnes, having hit 6-1/2 year highs at 555,075 in mid-February.

Aluminum was untraded at the close, but bid at \$2,351 versus \$2,323 on Wednesday. Earlier on Thursday it touched

\$2,366 a tonne, the highest since mid-January. LME stocks of aluminum, used in transport and packaging, are down more than 46,000 tonnes to 4.59 million tonnes, since a record high above 4.64 million tonne on Jan 21. A large portion of those aluminum stocks are tied up in finance deals, to release cash for producers and to earn banks higher returns than in money markets.

## WORLD GOLD COUNCIL AND ICBC ENTER INTO STRATEGIC PARTNERSHIP TO PROMOTE CHINA'S GOLD MARKET

*April 1, 2010 (PRNewswire)* – World Gold Council (“WGC”) and Industrial and Commercial Bank of China (“ICBC”) have signed a memorandum of understanding (MOU) for strategic cooperation within China’s gold market. This agreement will enhance the exchange of market information between WGC and ICBC to promote domestic demand for gold, encourage investment into China’s gold market, as well as jointly develop and market new gold investment products within the country.

Under the terms of the MOU, WGC and ICBC will share their resources and international gold market data to provide personnel training, research, and product development, as well as trade analysis. ICBC will also offer integrated

services in gold investment and trading through its investment channels and client resources.

Both parties will explore and jointly develop new gold investment products tailored to the Chinese market, and conduct surveys and studies on the domestic retail gold investment market, facilitating financial innovation and product diversity. In addition, WGC and ICBC Precious Metals Business Department(s) will set up an ICBC/WGC Gold Business Strategy Board to discuss and plan strategies for their cooperation, as well as an Action Team to oversee the implementation of the decisions and initiatives adopted by the Strategic Group.

## NOW SOVEREIGN WEALTH FUND TEMASEK INVESTS HEAVILY IN INMET TO FUND BIG PANAMA COPPER PROJECT

*April 1, 2010 (MineWeb)* – For the second time in two days, state-owned Singapore investment company Temasek Holdings has made a substantial investment in the mining industry, this time in Toronto’s Inmet Mining to the tune of C\$500 million (US\$493.4 million) in subscription receipts which will be used to fund the massive Cobre Panama copper project.

Last week Temasek said it was seeking mining investments in Africa and Mongolia. By March 30<sup>th</sup>, the US\$123 billion fund agreed to buy US\$100 million of convertible debt in the South African platinum miner Platmin Ltd.

On Wednesday Temasek closed another deal, this time for C\$500 in subscription receipts that will be used for the

development of the US\$4.32 billion Cobre Panama project. Ellington Investments, a Temasek subsidiary, has agreed to buy 9.26 million subscription receipts at a price of Cdn\$54.0049 each. The closing of the private placement is anticipated by the end of this month. The receipts can be exchanged for up to 14.16% of Inmet’s common shares.

Meanwhile, Korea’s LS-Nikko holds a 20% stake in the project, while Inmet retains an 80% stake. Temasek has agreed not to hold more than 19.9% of Inmet common shares.

## CHINA'S IRON ORE RESERVES ESTIMATED AT MORE THAN 200 MILLION (SIC) TONS

April 2, 2010 (*People's Daily Online*) – China has found 112 potential iron ore prospecting areas that are believed to house over 200 billion tons of iron ore reserves, according to a report on mineral resource surveys in 2009 issued by the China Geological Survey under the Ministry of Land and Resources.

The report shows that there are two potential prospecting areas each with over 10 billion tons of iron ore reserves, two areas with 5 billion to 10 billion tons, two areas with 3 billion to 5 billion tons and 16 areas with 1 billion to 3 billion tons.

These areas are mainly distributed in Anshan and Benxi in Liaoning, eastern Hebei, Panzhihua in Sichuan, western Shandong, southwestern Fujian, Wuyang and Xincui in Henan, Lucong in Anhui and the Tianshan area in Xinjiang.

Of those areas surveyed, it is estimated that 44 potential prospecting areas have reserves totaling 51 billion tons in

Anshan and Benxi, Liaoning, where there are about 15 billion tons of proven iron ore resources. There are 229 areas with potential reserves totaling more than 20 billion tons in eastern Hebei, where there are currently more than 6 billion tons of proven iron ore resources.

There are an additional 19 areas with potential reserves totaling over 19 billion tons in Panzhihua, Sichuan, where there are already more than 10 billion tons of proven iron ore resources.

The potential iron ore prospecting areas with large amounts of potential reserves "C Anshan and Benxi in Liaoning, eastern Hebei and Panzhihua in Sichuan and other regions "C have been incorporated into the overall prospecting plans of mineral resources security projects.

## MITTAL STOKES ROW OVER RAW MATERIAL COSTS

April 2, 2010 (*China Daily*) – Lakshmi Mittal, chief executive officer of ArcelorMittal, the world's biggest steelmaker, stoked a row over how global prices are set by telling consumers that raw-material costs may push steel rates up 21 percent. Benchmark European hot-rolled coil prices will rise by \$150 a metric ton in the second quarter, he said.

Steelmakers are passing on costs after Vale SA, the largest iron-ore producer, scrapped a four-decade system of setting annual prices and boosted prices for Japanese steelmakers as much as 90 percent. Carmakers, the biggest users of steel, are crying foul. The European Automobile Manufacturers' Association, which represents companies including Volkswagen AG, PSA Peugeot Citroen and Fiat SpA, said members want European Union regulators to "tackle distortive developments" caused by the changes from mining companies.

Benchmark hot-rolled coil currently costs about \$700 a ton, based on Metal Bulletin data. The coiled steel is used by firms from Toyota Motor Corp, the world's biggest

carmaker, to Royal Philips Electronics NV, the largest lighting company.

Eurofer, a group representing steelmakers in Europe, said a shift to shorter contracts for iron ore at higher rates may boost costs for their customers by as much as a third. Producers will attempt to counter those swings by forcing automakers to abandon annual supply contracts, making changes in car prices more extreme, Moffat said. European auto businesses are "very concerned" about the increase in the price of iron ore, industry association ACEA said in a statement.

Without higher prices, profit margins at steelmakers, still recovering from the worst slump in demand in six decades, will be squeezed after Brazil's Vale won a benchmark 90 percent increase for iron ore from Sumitomo Metal Industries Co for the quarter starting on Thursday, and BHP Billiton Ltd, the world's biggest mining company, said it will sell most of its output to Asian mills on shorter-term contracts.

## CHINA'S STEEL BODY LOOKING TO REDUCE THE NUMBER OF IRON ORE IMPORTERS

April 2, 2010 (Reuters) – The China Iron and Steel Association is drawing up measures to reduce the number of traders allowed to import iron ore, an industry source said on Friday. “CISA is currently discussing the measures with the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC) and details will emerge later,” a source at CCCMC said.

CISA will also implement an “agent system” aimed at making sure that import volumes are in accordance with the actual needs of steel mills and preventing traders from engaging in reselling. A new “auditing system” will also allow ports to refuse entry for low-quality imported ores.

At the Friday meeting, CISA chairman Shan Shnghua urged licensed importers to boycott the big three iron ore miners in the next two months in order to fight back against their “monopoly behaviour”, according to a report by the 21<sup>st</sup> Century Business Herald. He said that China’s domestic ore production would be enough to keep China’s mills

running for two months, and port stockpiles could also be used.

According to the China Securities Journal, the association plans to tear up the import licenses of trading companies that imported less than 1 million tonnes of iron ore in 2009. An inspection of stockpiles building up at major Chinese ports got underway earlier this month to check quality and ascertain which traders were buying merely to speculate on soaring prices.

After its long struggle to impose “discipline” on China’s wayward iron and steel sector last year, it remains unclear how CISA will enforce the new measures, which are described as “sectoral” and therefore unlikely to involve the government. Since last year, CISA has vowed to substantially reduce the number of licensed importers and impose strict “guidance prices” for iron ore, but it has not had the clout to implement its plans.

## CHINA WIDENS STERN HU BRIBERY NET

April 3, 2010 (The Australian) – China has promised to go after every steel industry executive named as paying a bribe or handing over trade secrets to Stern Hu and his jailed Rio Tinto colleagues – including two previously unnamed executives from the mining giant.

However, Will Malaney, the Singapore-based Rio executive who led the company’s negotiations with China over iron ore prices last year, appears unlikely to be targeted. The widening of the case against at least 19 other Chinese nationals, including the billionaire Du Shuanghua, weakens the argument that the arrest of Hu and his colleagues was politically driven as revenge for Rio reneging on its \$US19.5 billion alliance with state-owned Chinalco.

Instead, it suggests that Beijing is more serious about sending a message to its hundreds of private steel mills to obey the government as it forces consolidation of its 1100 steelmakers into five or six major corporations.

To date, only Tan Yixin, a steel mill executive found to have handed trade secrets to Hu, has been charged and sentenced for his role. However, the verdict says all executives named

in the proceedings as having paid bribes or provided trade secrets will “be dealt with in a separate case”.

That means Mr Du, a steel magnate who is one of China’s richest men, could be prosecuted for handing \$US9 million to Wang. If Mr Du is prosecuted, it will be one of the country’s biggest bribery cases involving a businessman. Wang, who claimed the money from one of Mr Du’s companies was a loan, is the only one of the four Rio executives to have indicated he will appeal. The others have one more week to decide.

The warning in the verdict means two other Rio Tinto employees – Shanghai sales manager Li De and chief representative of Rio subsidiary Hamersley (China) Wang Lizhong – could also face charges. The two men work out of Rio’s Singapore office, where its Asian iron ore sales and marketing headquarters is based. Mr Malaney also operated out of Singapore. He was named by title in the verdict as the recipient of commercial information deemed secret by the court.

## GERMAN WATCHDOG GIVES BHP AND RIO MORE TIME

April 3, 2010 (*The Australian*) – Germany’s Federal Cartel Office has extended the deadline of its investigation into the planned iron ore joint venture between miners BHP Billiton and Rio Tinto at the companies’ request. Such anti-trust investigations in Germany are frequently extended at the request of the companies in question.

The requests are usually an indication that the companies intend to submit more data to the regulator and in some cases make concessions to ensure they receive anti-trust approval for their plans. That the cartel office has launched an in-depth probe, however, is an indication the regulator has serious concerns about the joint venture’s impact on competition. The deadline for the probe was May 25.

BHP and Rio Tinto declined to comment to Dow Jones Newswires on the probe, though Rio Tinto said it would continue to co-operate fully with anti-trust authorities. Steelmakers around the world have repeatedly called on

competition authorities and national and international authorities to take action against the planned joint venture. The director general of the World Steel Association, Ian Christmas, said the proposed joint venture was of great concern for steel producers.

ArcelorMittal, the world’s largest steelmaker by volume, has also previously said the joint venture between Rio and BHP could hurt its business. Rio and BHP are the second and third-largest producers of iron ore in the world, respectively, after Vale of Brazil.

The joint venture plan, which the two miners expect to generate more than \$US10 billion (\$10.9bn) in synergies, comes as miners are negotiating iron ore contracts with steelmakers. The miners are pushing for – and achieving – a switch to quarterly supply deals from the existing annual benchmarking price system, and significant price increases.

## BHP TREADS SOFTLY ON IRON ORE PRICE REVOLUTION

April 3, 2010 (*The Australian*) – Marius Kloppers wasn’t out there boasting. That would not have been politic in dealing with already agitated Chinese authorities and clients or European regulators considering BHP Billiton’s proposed \$US116 billion (\$126bn) iron ore joint venture with Rio Tinto.

BHP simply noted that it had reached agreement with a “significant number of customers throughout Asia” – the majority by volume – to move iron ore contracts from annual price negotiations to a shorter-term basis.

Beneath the careful language is a revolution that is likely to have an enormous and long-term impact on the national economy, the future profits of iron ore producers, and quite possibly the diplomatic relationship between China and Australia.

In simple terms, BHP’s announcement signals the breakdown of more than four decades of the benchmark system, a method of setting prices for one year that usually involved annual acrimonious, protracted and secretive negotiations between producer and customer.

Instead, iron ore prices will initially change each quarter according to the average market price of the previous three months, with ever greater amounts being priced at the current, or spot, level.

This compares with the jump of about 40 per cent that the Chinese steel mills were suggesting as an interim benchmark price. The world’s biggest iron ore producer, Vale, has also managed increases of about 90 per cent so far with its Japanese customers for April to June.

Vale has agreed to a price of \$US105 a tonne with Japan’s Nippon Steel and South Korea’s Posco, compared with the current benchmark, which expired on Wednesday, of about \$US62 a tonne.

According to Lloyd’s List, adding freight costs would take the “landed” cost of iron ore from Brazil to China to \$US129.19 a tonne. “The landed cost from Australia would be cheaper at \$US115.13, representing a substantial advantage for Rio Tinto and BHP Billiton,” the specialist shipping news agency wrote this week.

From now on, in theory, the market will become a more transparent and responsive arbiter of prices and Chinese buyers would therefore be less inclined to be resentful of individual companies’ behaviour, and by extension the Australian government. This view is not shared by Chinese authorities and buyers, which are extremely unhappy with the shift away from benchmark pricing.



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