

BEHRE DOLBEAR

Global Mining News

METAL\$ ARE IN THE PITS

April 11, 2010 (New York Post) – There is no silver lining to the activities of JPMorgan Chase and HSBC in the precious-metals market here and in London, says a 40-year veteran of the metal pits.

The banks, which do the Federal Reserve’s bidding in the metals markets, have long been the government’s lead actors in keeping down the prices of gold and silver, according to a former Goldman Sachs trader working at the London Bullion Market Association.

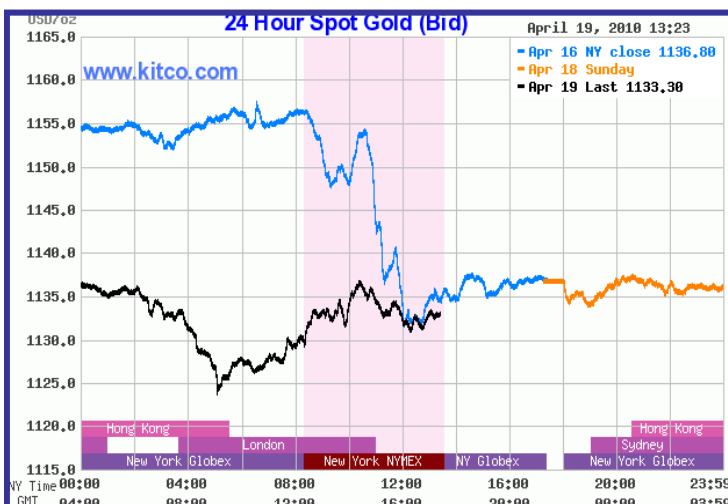
Maguire was scheduled to testify last week before the Commodities Futures Trade Commission, which is looking into the activities of large banks in the metals market, but was knocked off the list at the last moment. So, he went public.

Maguire explained JPMorgan’s role in the metals pits in both London and here, and how they can generate a profit either way the market moves. “JPMorgan acts as an agent for the Federal Reserve; they act to halt the rise of gold and silver against the US dollar. JPMorgan is insulated from potential losses [on their short positions] by the Fed and/or the US taxpayer,” Maguire said.

In the gold pits, Maguire sees HSBC betting against the precious metal’s price without having any skin in the game in the form of a naked short.

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USD	APRIL 19, 2010	APRIL 16, 2010
GOLD	1,151.50	1,152.50
SILVER	18.3500	18.3400
PLATINUM	1,708.00	1,718.00
PALLADIUM	532.00	511.00
ALUMINUM	1.1102	1.0693
COPPER	3.5859	3.5816
LEAD	1.0741	1.0342
NICKEL	12.5192	11.4305
URANIUM	41.50 (04/12/10)	41.75 (04/05/10)
ZINC	1.1288	1.0687

Also during the CFTC hearing, Jeff Christian, founder of the commodities firm CPM Group, said that the LBMA, the physical delivery market for gold and silver in the UK, has been using leverage, which is another way to depress the price of gold and silver. Christian said that the LBMA – the same market Maguire trades in – has leverage of about 100-1 on the gold bars settled on the exchange.

Despite gold's rise each of the last 10 years, Murphy (Bill Murphy, chairman of the Gold Antitrust Action committee) believes the price of gold today would be closer to \$2,300 an ounce if the price just moved with inflation. Maguire believes the price should be even higher given the fear trade that would have sent prices spiking during the financial crisis in 2008-09.

CHINA'S MARCH IRON ORE IMPORTS RISE ON STEEL DEMAND

April 12, 2010 (Bloomberg) – Iron ore imports by China, the world's biggest buyer of the raw material, rose for a second month on increasing demand from steelmakers. Imports jumped to 59.01 million metric tons last month, the Beijing-based customs office said today on its Web site. That's up from 49.38 million in February.

Prices for 62 percent iron ore have gained 40 percent this year as the global economy recovers and steel consumption gains, according to the Steel Index. Order books are full at Baoshan Iron & Steel Co., China's biggest publicly traded steelmaker, because of demand from automakers, China International Capital Corp. said March 10.

Imports of iron ore by China soared 42 percent to a record 628 million tons last year as steel production reached a high. China, the world largest steelmaker, may add 50 million tons of steel capacity this year, Angang Steel Co. Chairman Zhang Xiaogang said March 5.

Exports of steel products were 3.33 million tons in March, customs said. Total exports in first three months jumped 70 percent to 8.71 million tons, it said.

SOUTH KOREA STEEL BODY JOINS IRON ORE PRICE PROTESTS

April 12, 2010 (Reuters) – The Korea Iron & Steel Association said it has joined European and Chinese steel bodies to oppose recent raw material price increases, proposed quarterly pricing revisions, and a possible joint venture between two major iron ore miners.

“Raw material price rises will lead to steel product price increases, which will be an unavoidable cost burden for the automobile and shipbuilding industries,” South Korea's steel industry body, whose members include POSCO, said in a statement on Monday.

The South Korean and Japanese governments on Tuesday would hold their 11th steel meeting in Tokyo to discuss industry issues, including recent iron ore and coking coal price rises, a Korean government source said, without elaborating.

Eurofer, whose members include ArcelorMittal, said last month that it would ask European Union antitrust regulators to look into whether the world's No.1 iron ore supplier Vale was abusing its dominant market position.

Vale said earlier this month that it had moved most of its iron ore sales to quarterly contracts, matching a move by Anglo-Australian miner BHP Billiton and upping pressure on Rio Tinto to move off the benchmark as well. The Chinese industry body urged licensed importers to boycott the big three iron ore miners in the next two months to fight back against their “monopoly behaviour”.

Separately, the European Commission has launched a probe into whether a planned \$116 billion iron ore venture between BHP and Rio would curb competition.

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Did you know?

A telephone contains over 40 different mineral materials, a television set has about 35, and an automobile about 15.

HONG KONG A 'NATURAL CHOICE' FOR MONGOLIAN IPOS, PM SAYS

April 12, 2010 (Reuters) – Hong Kong is a natural choice for Mongolian enterprises to go public as the resources-rich country develops its vast untapped mineral wealth, the Mongolian prime minister said on Monday.

Mongolia is attracting attention from global investors after it sealed a deal in October with Ivanhoe Mines and Rio Tinto to develop the \$3-billion Oyu Tolgoi mine, one of the world's biggest untapped copper and gold deposits.

Now, Mongolia's resources companies – from coal to copper to iron ore miners – are actively seeking foreign investors and aim to list shares in markets such as Hong Kong this year. "Hong Kong is a natural choice for us because of its geographic proximity – it's the best gateway to trade destinations, such as China," Mongolian Prime Minister Sukhbaatariin Batbold said in a joint event with Hong Kong's stock exchange on Monday.

Batbold said the government would also press ahead with its initiative to privatise many of the country's assets and

companies, including coal producers and power plants, with an eye toward creating 'national champions'. The landlocked country's firms are in need of foreign investment and expertise as they ramp up development, he said.

Mongolia also plans to raise \$1-billion-plus via a global bond sale in the fourth quarter this year to fund major development projects in areas such as mining and infrastructure. Still, despite the current momentum, Mongolia's development trajectory has seen its fair share of turbulence.

Earlier this year, the country's leaders said they wanted to cancel an auction for a 49% slice of the world's biggest untapped coking coal mine Tavan Tolgoi, which had drawn bids from Russia, China and Japan. It hopes to strike a deal with a global miner to develop the deposit on a contract basis, without a significant equity holding in the project.

CPM GROUP RELEASES 2010 VANADIUM MARKET OUTLOOK

April 12, 2010 (Press Release) – CPM Group has released its 2010 Vanadium Market Outlook. Over the 10-year projection period, strong demand and upward pressure on the cost curve are forecast to keep vanadium prices around the high levels seen over the previous decade. This is the main conclusion of the CPM Group update of its vanadium market research.

Vanadium supply disruptions and above-trend demand growth earlier had pushed ferrovandium prices up roughly eight-fold from an annual average of \$7.73 per kg in 2002 to \$61.94 in 2008. The financial crisis and recession of 2008 and 2009 severely weakened global steel production and demand; in response to this vanadium prices fell to a

monthly low of \$18.96 in May 2009. Since then, ferrovandium prices have risen to an average of \$32.44, in March 2010, as global steel demand and output recovered.

The CPM Group report concludes that vanadium demand stands to benefit from the emerging recovery and restocking efforts in the steel sector. In addition to the cyclical economic shifts currently taking place, high strength, low weight metallurgical products are increasingly being demanded as development projects require superior material performance in non-ideal environments. Increased utilization of alloyed steels and titanium alloys will likely have a bullish effect on the vanadium market over the coming decade.

COAL INDIA NEAR DEAL ON AUSTRALIAN MINES

April 12, 2010 (Sydney Morning Herald) – Coal India Limited says it is in the advanced stages of negotiations for a \$US1 billion (\$1.1 billion) deal with Peabody Energy that would give the giant Indian miner a stake in four Australian coalmines, along with other international assets.

Phalguni Guha, chief general manager of Coal India's foreign-venture arm, Coal Videsh, told BusinessDay he

expected the deal with Peabody to be finalised in the next "few months" but declined to reveal where the Australian mines were located. The deal could include assets in the United States and Indonesia as well as Australia, Mr Guha said. Mines that produce both thermal coal and metallurgical coal suitable for steel production are involved.

State-owned Coal India, which is already the world's biggest coal producer, says it is in the first stages of developing a "global footprint."

"About six months back we invited expressions of interest from companies willing to establish linkages with Coal India Limited," Mr Guha said. "Based on that, we got a number of offers and we selected some of them and invited them to come to India to make a presentation on what structure they had in mind and what they wanted to offer Coal India." Industry sources say several major international miners responded to Coal India's invitation to form "strategic partnerships" including Rio Tinto, Hancock, Anglo Coal Australia and Xstrata.

Mr Guha said the company had "a lot of money" and would explore other opportunities in Australia once the Peabody deal was signed. It is also believed to be on the lookout for opportunities in Indonesia, the US and South Africa.

Coal India's board has reportedly approved a war chest of up to \$2 billion, and more could be made available if attractive deals emerge. It is looking at three alliance models: equity in existing mines, pure offtake deals and joint ventures to develop new mines.

SINOPEC TO PAY \$4.65 BILLION IN OIL SANDS DEAL

April 12, 2010 (Reuters) – China's state-owned Sinopec plans to buy ConocoPhillips' stake in the huge Syncrude project in Canada's oil sands for \$4.65 billion, marking one of the Asian country's largest investments ever in North America.

ConocoPhillips, the U.S.-based oil major, said on Monday it will sell its 9.03 percent interest in the Syncrude Canada Ltd project to China's top refiner in a deal set to close in the third quarter. The acquisition is not the first investment by a Chinese company in Canada's oil sands but it is the largest.

It underlines a resurgence in interest in the vast but difficult-to-extract energy resource located in the province of Alberta. Investment in the oil sands has jumped since crude prices shot past \$80 a barrel with the global economic recovery gaining traction.

The price "is more than the market was expecting – they were expecting about \$4 billion," said Phil Skolnick, an analyst with Genuity Capital Markets. "It just shows that the Chinese are a different kind of buyer." Indeed, the state companies can take a longer-term view of major investments

in sectors such as energy, where they have outbid many domestic players in recently years, having no need to tap public markets for financing.

For ConocoPhillips, the deal is part of a two-year, \$10 billion disposition program. When it first said it was putting the stake on the block last October, analysts pegged the value at \$3.6 billion to \$4 billion.

Sinopec already has an oil sands stake. Last April, it bought an additional 10 percent interest in Total's planned Northern Lights project for an undisclosed sum. Also in 2009, PetroChina acquired a majority stake in leases held by Athabasca Oil Sands Corp for \$1.9 billion.

Sinopec's latest deal requires approvals from governments in Canada and China. Canada recently subjected deals involving foreign state-owned enterprises to more regulatory scrutiny, but has not rejected any oil sands transactions. Analysts said they do not see regulators blocking the deal, especially with Sinopec buying a minority stake in Syncrude.

GLOBAL COAL GROWTH OPPORTUNITIES UNDER EVALUATION – ANGLO THERMAL COAL

April 12, 2010 (miningweekly.com) – South Africa-dominated Anglo American Thermal Coal – now a business unit separate to Anglo's Australia-dominated metallurgical coal unit – is evaluating global growth opportunities in thermal coal.

Anglo American Thermal Coal CEO Norman Mbazima told Mining Weekly Online on Monday that the opportunities

under evaluation are in the major areas of export coal, namely Indonesia, Australia and Colombia.

The company has ten coal mines in South Africa and two projects, one the new \$1.7-billion New Largo project that will supply Eskom's new Kusile power station with 14-million tons of energy coal a year, and the second the

\$505-million Zibulo, which will supply 3.3-million tons of coal a year to Eskom and export another 3.3-million tons.

Anglo's ten South African thermal mines produce 59.2-million tons of coal a year, 16-million tons of which is exported. Last year 30% of Anglo's South African thermal coal exports – some 4.9-million tons – were to India, where mega power stations are being erected on the east and west coasts. The coal to power these stations will not come from India itself, but mainly from Indonesia, Australia and Colombia.

However, Indonesian coal wetness and low calorific value presents opportunities for South African coal exports to India. The logistics for coal exports from Australia are

favourable, except for the mine to port segment. Colombia has coal of excellent quality, but distance from the Asian markets is a disadvantage and most of Colombia's coal is exported to America and Europe.

This left South Africa as a swing supplier, to Europe, its traditional market, or to India, but like Australia, South Africa's logisticals are also constraining from mine to port.

China, which consumes more than three billion tons of coal a year, last year imported a relatively low 50-million tons, and suppliers to the seaborne market are wary of China having excess coal, which could result in China exporting greater volumes of coal and disrupting the seaborne market of 600-million tons a year.

RUSAL TO RESTORE MOTHBALLED CAPACITY AS DEMAND GROWS

April 13, 2010 (FinanceAsia.com) – United Company Rusal said yesterday that it has decided to restart its alumina refinery in Jamaica, which was mothballed in 2009 as part of efforts to reduce costs during the credit crisis, as it expects to see “considerable growth” in demand for aluminium this year. The move will increase the company's alumina production by 321,000 tonnes in 2010 and boost its annual capacity by 650,000 tonnes.

Overall, Rusal plans to increase alumina production by 800,000 tonnes this year and add 100,000 tonnes of aluminium production to meet the increasing appetite for the metal. The decision to bring the Jamaica plant back online, which is subject to approval from the company's international lenders, was announced as the Russian aluminium producer reported a net profit of \$821 million for 2009 – its first set of results since its \$2.24 billion initial public offering and subsequent listings in Hong Kong and Paris in January.

Analysts noted that the net profit isn't particularly meaningful given a number of unusual and nonrecurring charges in 2009, but the fact that it is ahead of guidance is a positive signal and also indicates that the group's cost reduction programme is working. The cash operating cost per tonne fell by 23% to an average \$1,471 per tonne in 2009 as expenses were cut across the board.

Revenues fell by 48% to \$8.165 billion, mainly because of lower aluminium prices and sales volumes, with the latter weighed down both by the drop in demand and the company's decision to idle part of its capacity. Adjusted Ebitda from its aluminium operations, excluding the 25% stake in Norilsk Nickel, fell 83% to \$596 million, although analysts at Bank of America Merrill Lynch noted that Rusal distinguished itself from aluminium peers such as Norsk Hydro and Aluminum Corp of China, by returning to profitability in the second half of 2009.

KHAN SHARES PLUNGE ON REPORT LICENCES INVALIDATED

April 13, 2010 (miningweekly.com) – Shares in Canada's Khan Resources dropped by almost a third on Tuesday morning, after the company said it received notification from the Mongolian Nuclear Energy Agency (NEA) that a uranium-mining licence and exploration licence for the company's operations in the country have been invalidated.

The mining licence is held by 58%-owned Khan subsidiary Central Asian Uranium Company (CAUC), and the exploration licence belonged to Khan Mongolia. Both

permits were supposedly invalidated with effect from October 8, 2009, Khan said, adding that it would fight the cancellations “through all available means”.

While Khan is the biggest shareholder in CAUC, which owns the Dornod uranium project, the Mongolian and Russian governments each own 21% to make up the balance. There has been speculation for some time that Mongolia and Russia plan to develop the project together, after squeezing out the junior company.

“We view the NEA decision to invalidate the Dornod licences as without any legitimate or legal foundation and may be politically motivated,” CEO Martin Quick said.

CAUC’s licences were suspended in July last year, after an April site visit by officials, for violations that included alleged failure to register its deposit reserves as required. The company said it had met with officials on several occasions to respond to alleged violations that emerged from the April visit, and eventually, including after a legal action

challenging the suspension of the licences, had the suspension lifted in January this year.

Also in July, Mongolia passed a new nuclear energy law, which required all holders of uranium licenses to apply to re-register their permits under the new legislation. The company was told that all uranium licenses in Mongolia had been declared invalid as a result, until they were registered under the new law.

CHINA FIRM TO INVEST \$600M IN ZAMBIA COPPER

April 13, 2010 (Reuters) — China Nonferrous Metal Mining (CNMC) plans to invest \$600 million in Zambia between 2010 and 2011, encouraged by the country’s abundant mineral resources and political stability, company president Luo Tao said.

Luo said the money would be used to buy new mining equipment, develop a new copper mine, expand an existing copper mine and smelter facility, develop a tax-free economic zone and expand a copper processing plant. Luo said \$300 million would go to the Luanshya copper mine, which CNMC took over last year, and most of that money would be spent on developing the Mulyashi copper project.

According to official data, CNMC plans to start developing the Mulyashi copper mine this year after approving a

feasibility study and production is expected to begin in 2012 with output projected at about 60,000 tonnes of copper a year.

“The other \$300 million will be invested in projects such as the planned expansion of the Chambishi copper smelter in the Zambia-China economic zone,” he said. Luo said CNMC had over the last 12 years invested \$1 billion in Zambia and would spend \$5 million on feasibility studies to establish whether it was viable to recover the residue copper in the Mufulira tailings dams.

CNMC would invest more in Zambia because of its rich mineral resources and political stability, Luo said.

COPPER CONSUMPTION IN CHINA TO GROW 14%, CRU PREDICTS

April 13, 2010 (Bloomberg) — Copper consumption in China, the world’s largest consumer of the metal used in appliances and automobiles, may gain 14 percent this year as the economy extends a recovery, according to CRU International Ltd.

Consumption reached 5.94 million metric tons in 2009, expanding by more than 20 percent, Grace Qu, a consultant in Beijing at the London-based research and forecasting company, said in an interview. A possible revaluation of the yuan this year wouldn’t have a major impact, Qu said yesterday.

CRU’s forecast is more bullish than Xstrata Plc’s, which said last week copper usage in the world’s fastest growing major economy may grow as much as 10 percent

this year, supporting global growth of 3 percent. Prices more than doubled in 2009 on stimulus spending and state stockpiling in China.

Imports of copper and products by China jumped to 1.07 million tons in the first quarter of 2010, according to customs data. That’s 14 percent more than the 936,970 tons in the same period of last year and 51 percent more than the first quarter of 2008, according to Bloomberg calculations.

Inventories tallied by the Shanghai Futures Exchange have surged more than nine times in the past year and stood at 169,538 tons last week, the highest level since at least 2003. China’s copper imports last year gained to a record.

CHINA 2010 COKING COAL IMPORTS SEEN UP 47%

April 13, 2010 (Reuters) – China’s imports of steelmaking material coking coal is expected to jump about 47% from a year earlier to 50-million tons in 2010, a senior executive of the country’s top coking coal producer said on Tuesday.

China’s consumption of coking coal is expected to grow 11% this year to about 600-million tons, Shen Jinming, deputy general manager of the Shanxi Coking Coal Group, told a Coaltrans conference.

China’s massive steel sector grew increasingly hungry for imported coking coal, but the country lacks sufficient supplies of quality coking coal. In 2009, coking coal imports

jumped four-fold from a year earlier to more than 34 million tonnes. The country’s coking coal production, meanwhile, is likely to grow 9% this year from last year’s 500-million tons, compared with a modest 5% gain in 2009, Shen added.

Shanxi Coking Coal Group has obtained 15-billion tons of coal reserves in the industry consolidation campaign in Shanxi Province, nearly doubling its coal reserve to 30.5-billion tons, Shen said. The group’s annual production capacity reached 120-million tons after acquiring 173 small mines, he added.

RUSSIAN RESOURCE ALIGNMENT

April 13, 2010 (Mining Journal) – A consultation document has been published on the alignment of minerals reporting in Russia with codes elsewhere. The draft handbook has been published by the Committee for Mineral Reserves International Reporting Standards (CRIRSCO) and the Russian Federal Government State Commission on Mineral Reserves (FGU GKZ).

The GKZ-CRIRSCO handbook contains guidelines on alignment of Russian minerals reporting standards and the CRIRSCO template. CRIRSCO incorporates the leading western minerals-reporting codes: JORC (Australasia), SAMREC (SouthAfrica), CIM (Canada), SME (US), Comisión Minera (Chile) and the Pan-European Reserves and Resources Reporting Committee (PERC).

PERC has been managing the CRIRSCO-GKZ working group on harmonisation of Russian and international

minerals-reporting systems. The deadline for submissions to the consultation process is end-May, and publication of a final version is provisionally planned for the end of July.

The purpose of the guidelines is to provide the user with a method by which mineral resource and reserve estimates prepared by Russian companies (in accordance with the Russian Federation classification system) can be reported in accordance with the reporting standards of countries within the CRIRSCO ‘family’.

Any mineral resource or reserve estimates published under the CRIRSCO framework must be signed off by a ‘Competent Person’. This is equally true for any estimates converted from the Russian classification.

TANZANIA TO START MINING URANIUM

April 13, 2010 (wsj.com) – Tanzania is set to start mining uranium next year as government seeks to diversify a mining sector that is over-reliant on gold, a government official said Monday.

A government committee put in place last year is finalizing work on a new legal framework for the exploitation of uranium, which has been discovered in central and southern regions of the country, an official at the ministry of Energy and Minerals Development said.

“A uranium mining law will be put in place this year,” the official said, adding that the ministry has received much interest from international investors and that development of uranium projects could start by mid-2011. Energy and Minerals Minister William Ngeleja announced last December that geologists had identified uranium at 20 sites in the country.

The first uranium mines are expected to be opened near the Mkuju river in the Ruvuma Region and at Manyoni and

Bahi Districts in the central region. Australia-based Mantra Resources Ltd. and Uranex NL have exploration licenses for uranium and are awaiting the new mining law before they can start mine-site development.

At least 53.9 million pounds of uranium oxide have been confirmed at two sites in the Central and Southern regions,

according to government data. Tanzania has also said it wants to exploit its uranium to produce nuclear power for domestic and regional use. The country is currently facing a power deficit blamed on inadequate generation from hydroelectric power stations.

COMMODITIES MAY GAIN 10% A YEAR, CREDIT AGRICOLE SAYS

April 13, 2010 (Bloomberg) – Commodities may gain 10 percent a year this decade, outperforming the Standard & Poor's 500 Index of stocks, according to Credit Agricole SA. Raw materials will generate stronger returns than the annual 3.4 percent from 2000 to 2009, Jean-Francois Perrin, asset allocation analyst at Credit Agricole Corporate & Investment Bank, told reporters in London today. At the same time, though, the risk of losses will increase, he said.

The Dow Jones-UBS Commodity Index Total Return gained 19 percent last year as oil, sugar and copper climbed. The gauge slid 36 percent in the prior year as the world financial crisis cut into demand for raw materials.

“Commodities could be more risky because they’re starting now at a point that’s not so undervalued as in 2000,” Perrin said. “While commodities are fairly priced, we think there are so many constraints on supply in the long run they will likely increase.”

Raw materials as represented by the Dow Jones-UBS gauge will be as risky as the S&P 500 through 2020 and riskier than nine other benchmarks including the MSCI BRIC Index of shares, Credit Agricole estimates. The MSCI index of shares in Brazil, Russia, India and China will rise 11 percent a year through 2020, compared with gains of 6.5 percent a year for the S&P 500, the bank said.

GANGS AND LOCALS ATTACK BUSINESSES IN KYRGYZSTAN

April 13, 2010 (Reuters) – Western mining companies and local businesses in Kyrgyzstan appealed for help on Tuesday, saying gangs of armed criminals were threatening their assets following a week of chaos in the Central Asian country.

John Schloderer, country exploration manager with the South African mining company Gold Fields, said groups of villagers had seized a camp housing its geologists in the northwest, prompting the company to evacuate its staff. “I thought we had a good relationship with the village. Their reaction during this crisis was a surprise,” he told reporters. “We keep asking what they want. I don’t know what they want.”

Gold Fields owns licences for gold and copper deposits in the Talas region of northwest Kyrgyzstan through its joint venture with the London-based Orsu Metals. Lacking the major natural resources of its richer Central Asian neighbours, Kyrgyzstan is nonetheless home to a handful of foreign companies investing in its mining and banking sectors.

Kyrgyzstan’s association of mining companies, which includes several local and foreign firms, has appealed for help to the interim leaders, saying raids and threats against their operations are taking place around the country.

BOLIVIA TELLS JINDAL TO STICK TO CONTRACT OR GO

April 13, 2010 (Reuters) – Bolivia warned India’s steelmaker Jindal on Tuesday to stick to terms of a multibillion-dollar contract it signed to develop the El Mutun iron deposit or withdraw from the project. Relations between Jindal Steel and Power and the Bolivian

government have been rocky for weeks. Bolivia’s mining ministry has accused the company of seeking significant changes in the deal.

In an interview with local radio network Erbol, Mining Minister Jose Pimentel said Jindal must adhere to the terms of the contract signed in mid 2007 or call off the deal. The future of the contract “depends on Jindal ... If Jindal decides to rescind the contract, well, we have to take that risk,” said Pimentel, adding the contract will not be changed because the leftist government of President Evo Morales “categorically rejected” Jindal’s proposal.

Sergio Alandia, head of El Mutun Iron and Steel Co, a state-run unit charged with overseeing the El Mutun project, said Jindal still wants to invest \$2.1 billion in El Mutun but would like to reduce its production targets. He said Jindal wants to produce 40 percent less steel and around 20 percent less iron a year than initially agreed.

The 40-year contract gives Jindal the right to mine about half the El Mutun site, which is believed to contain one of

the world’s largest iron ore reserves, though they are said to be of medium-grade quality. “(They should have invested) some \$600 million in two years, but they did not even hand in their investment plan ... They have not paid the exploitation royalties,” Pimentel said.

The head of the Jindal’s unit in the Andean country, Arvind Sharma, told Reuters late last month that the company is committed to investing \$2.1 billion in the project and that relations with the Bolivian government had improved “after certain confusions” about the contract. The project will allow Bolivia to develop a steel-making industry for the first time and is the biggest proposed investment in a single project in Bolivian history.

RIO SHAREHOLDERS TIPPED TO DITCH DEAL WITH BHP

April 14, 2010 (The Age-Australia) – Is Rio Tinto softening the market up before walking away from the highly controversial \$US116 billion (\$125 billion) iron ore joint venture with BHP Billiton? That is the question being asked as at least four analysts in as many days have joined sceptics betting on the failure of the marketing joint venture.

Rio has refused to comment on the cumulative pessimism from analysts on the venture but is sure to attract questions on it at its annual meeting in London tomorrow and a meeting of shareholders here next week.

Rising iron ore prices and regulatory delays have made the deal far less attractive to Rio shareholders than it was when it was struck last June. That is partly because the more time BHP has to expand its iron ore production, something Rio has largely completed, the less it will have to contribute by

way of an equalisation payment – designed to leave both parties with 50 per cent of the venture.

As part of the deal, and before it became apparent that iron ore prices were about to take off, a figure of \$US5.8 billion was agreed to be paid by BHP to Rio to compensate for its greater contribution to the venture. The Citi analyst Clarke Wilkins said as it stood the deal looked to favour BHP shareholders – but only marginally. The chances of the joint venture being consummated had “declined to well below 50 per cent in our view”.

Deutsche Bank said there was enough opposition from Rio shareholders to vote down the deal. The \$US5.8 billion equalisation payment could be reduced to \$US3.6 billion due to additional earnings potential from Rio assets after raising iron ore price estimates last week, the bank said.

MINES FACE HIGH LONG-TERM SUSTAINABLE COSTS – GFMS

April 14, 2010 (MineWeb) – This year’s Gold Survey from GFMS Ltd shows that China was again the world’s largest mine producer of gold in 2009, with output of 324 tonnes, an increase of 11% over the previous year. South Africa, for so long the giant of the industry, ranked third behind Australia; while Australian output increased marginally to 223 tonnes, South African output fell again to 220t after 234t the previous year.

The majority of the other major producers also registered increases, with the notable exception of the United States, which saw a fall from 234t to 219t. Overall world mine production increased by 163 tonnes to a total of 2,572 tonnes, thus reversing three previous years of production declines.

Global cash costs of production are estimated at \$478/ounce for 2009, a 3% increase on the previous year. Input cost inflation continued to exert upward pressure on costs although this was offset to a degree by exchange rate movements in the first half of the year, along with lower fuel costs. On the other side of the coin were lower grades and higher strip ratios. All-in costs are estimated at more than \$700 per ounce, while GFMS believes that the “true”, fully-loaded sustainable long term cost of production (not allowing for return to shareholders) was substantially higher than this.

As well as a global average all-in cost breakdown chart, the Survey contains a fascinating chart that strips out the different variables in a cost model and quantifies them for the differential between 2008 and 2009. Some of these variables increased and some fell, and the distillation of the model results in an increase of \$14/ounce to \$478/ounce for total cash costs in 2009 over 2008.

Elements that helped to keep dollar cash costs down were weaker currencies in many producer currencies, notably the Ghanaian cedi, the Russian rouble, and the Mexican and Argentinean pesos. Australia and South Africa were also marginal beneficiaries. Falling fuel prices also helped to reduce production costs, as did by-product credits at primary gold mines.

The survey suggest that roughly 12% of the mines analysed had all-in costs last year that were above the annual average gold price – but these operations only accounted for 6% of global gold production. The figure generated for 2009 is high enough, as the Survey puts it, to be “a sobering thought when one remembers that this figure does not allow for any return to shareholders”.

WHAT'S DRIVING GOLD – AND WHERE WILL IT GO NEXT?

April 14, 2010 (MineWeb) – This year’s Denver Gold Group European forum was effectively launched by Frank Holmes with his opening keynote on What’s driving gold? He expressed his views to a packed and mostly receptive audience of bankers, financiers, analysts and even some media, in this invitation-only now-annual event in Europe. Holmes, while on the bullish side of the gold investment spectrum, gave a pretty well balanced account of the way he sees the gold market as having arrived where it is today, and what may well happen moving forward in the near-term.

He sees a major change in the global politico/economic spectrum as being a key driver going ahead. While the G7 countries have dominated the world’s financial markets up until now, it is what Holmes terms the E7 nations – China, India, Brazil, Indonesia, Mexico, Russia and Pakistan which will come to dominate because of their enormous populations and GDP growth potential with the natural tendency of poorer countries to grow faster than rich ones. This growth tendency will continue for at least the next 10 years with a major effect on consumer spending and investment from which gold will likely benefit.

Money supply – and the huge growth in it, particularly in North America and Europe is another determining factor, with the currency risk aspects of this benefiting gold as an alternative – and while interest rates remain low, holding

U.S. T-bills, or cash, no longer generates any serious interest, but still carries credit, inflation, foreign exchange and political risk whereas, arguably, gold does not to the same extent.

With increasing liberalisation of gold markets in Asia we have been seeing a growth in individual demand in China, while Indian demand is, and always has been, more price sensitive, but nonetheless moving upwards overall, but in steps. He also feels Emerging economies will increasingly switch their Central Bank assets to gold as they see the continuing effects of what is, in essence, competitive devaluations of western currencies.

On other market fundamentals Holmes sees the official sector continuing to reduce net sales of gold for the foreseeable future, with investment demand continuing to rise – particularly via gold ETFs – and he notes that this sector has remained pretty strong even during gold price corrections which suggests much more solid holdings in these assets. He feels mine production will remain under pressure as grades fall and costs of new project development rise, with a dearth of new mega gold projects ahead.

Overall therefore a positive outlook for gold moving ahead – particularly while the global economic situation remains fluid.

ZIMBABWE SUSPENDS FOREIGN OWNERSHIP RULES PENDING REVIEW

April 14, 2010 (Reuters) – Zimbabwe’s unity government has suspended and will review rules forcing foreign-owned firms in Zimbabwe to sell a majority stake to local people, a spokesman for Prime Minister Morgan Tsvangirai said on Tuesday.

Under the regulations, which took effect on March 1, foreign-owned companies, including banks and mines, had 45 days to submit proposals on how they planned to sell 51 percent of the shares in local subsidiaries to black Zimbabweans within five years. The deadline for submitting proposals was Thursday April 15.

There was no immediate comment from President Robert Mugabe’s officials, who have been leading the

empowerment drive despite warnings that this would discourage foreign investment at a time when the new administration is trying to attract funds to revive an economy that has suffered from a decade of decline.

The government says Zimbabwe needs at least \$10 billion to rebuild an economy that shrank by about 40 percent in 10 years and is struggling with dilapidated infrastructure. Analysts say foreign donors are withholding substantial aid while waiting for democratic reforms and the full implementation of the power-sharing agreement.

ON THE LINE WITH GOLD PRICE FORECAST. YEAR-END \$1226 PREDICTED

April 15, 2010 (MineWeb) – It has become almost traditional now at the Denver Gold Group’s annual Zurich gold forum for specialist gold analyst, Dr Martin Murenbeeld, Chief Economist of Dundee Wealth Economics of Toronto to put his forecasting on the line at a special ‘gold breakfast’ presentation. A couple of years ago he was just about spot on with his weighted average, last year he was slightly on the conservative side – but got the overall trend right. This year he is forecasting, on the weighted average basis, an average price of \$1170 and a year end figure of \$1226. And the overall verdict – ‘bullish – tempered by some concerns’

Murenbeeld’s predictions are always backed up with some extensive analysis. He looks not only at the bull points, but also pointing out some of the risks. Indeed this year’s analysis comes up with nine bullish reasons why he thinks the price will rise, all illustrated with supporting charts.

On the bearish side there were six points which he felt could bring the price back, rather than continue its rise, although overall he was very much anticipating a further increase.

SOUTH AFRICA FACES POWER SHORTFALL IN 2018-MINISTER

April 15, 2010 (Reuters) – South Africa faces another energy shortfall in 2018 as power utility Eskom ramps up power generation to double capacity to 80,000 MW by 2025, Public Enterprises Minister Barbara Hogan said on Thursday.

Eskom, struggling to fund a massive 461 billion rand (\$62.86 billion) new generation capacity, earlier this month secured a controversial \$3.75 billion World Bank loan to build a new coal-fired plant and boost flagging power supply. “In 2018, Eskom and the country is going to be facing constraints on energy supply,” Hogan told reporters

ahead of her budget vote speech to parliament. She said unless energy consumption levels were brought down, there would be power shortages in 2011-12.

Eskom’s ability to raise funds has been hampered by long-term pricing agreements it entered into decades ago with mining giant BHP Billiton. However, Hogan said she was encouraged that Eskom was in advanced talks to renegotiate these special pricing agreements for power supplies to BHP aluminium smelters in South Africa and Mozambique.

QUEBEC WINS GOLD AGAIN AS TOP MINING DESTINATION

April 15, 2010 (*miningweekly.com*) – Mining industry executives have rated Quebec as the world's most attractive jurisdiction for mineral exploration and development for the third straight year, according to the Fraser Institute's annual Survey of Mining Companies.

Finland is the top international jurisdiction, ranked third overall, after Quebec and Canada's New Brunswick province, and another Canadian jurisdiction, Alberta, is in fourth place, the think tank said on Thursday.

Other jurisdictions in the top ten include Nevada at number five; Chile, the only Latin American country ranked among the top ten, at number seven; and South Australia, the highest-ranked Australian jurisdiction, at number ten. However, the survey painted a very different picture of two other Canadian mining provinces: Ontario and British Columbia. Executives cited "multiple layers of regulation, little coordination between various government agencies, and uncertainty around aboriginal land claims", the Fraser Institute said.

Ontario is now ranked 22nd overall, down from its 10th place finish last year, while British Columbia is even further back at 38th, dropping 14 places from the 24th spot in 2009.

After the top ten, other highly ranked non-Canadian jurisdictions include Sweden (12th overall), Wyoming

(13th), Utah (15th), and Alaska (18th). Among Australian states, South Australia is followed by the Northern Territory in 14th, West Australia in 19th, and New South Wales in 20th. Chile is the top-ranked Latin American nation in seventh spot overall. It is followed by Mexico (28th), Peru (39th), and Brazil (40th).

The bottom ten scores belong to Venezuela, Ecuador, the Philippines, Zimbabwe, Democratic Republic of Congo, Mongolia, Bolivia, Honduras, Guatemala, and California. "Respondents say California's staunchly environmentalist policies create a strong deterrent to investment by interfering with mining practices that are proven to be clean and responsible.

"Unfortunately, the rest of the worst-ranked jurisdictions are developing nations that urgently need the new jobs and economic prosperity mining can create," McMahan said. "In order to attract mining investment, jurisdictions must uphold the rule of law and respect negotiated contracts and property rights."

Companies participating in the survey reported exploration spending of \$2.9-billion in 2009 and of \$3.6-billion in 2008.

RIO TINTO UPS IRON ORE OUTLOOK AFTER STRONG Q1

April 15, 2010 (*Reuters*) – Global miner Rio Tinto slightly raised its production guidance for iron ore after posting a 39 percent jump in first-quarter output on Thursday, driven by Chinese demand and recovery in the West.

But it also reported a sharper-than-expected 16 percent fall in copper production at a time when the metal's price is forecast to show strong gains, raising some concerns among analysts and possibly leading to downgrades to full-year forecasts.

Rio Tinto edged 0.06 percent down in a firmer overall market. Peter O'Connor, global head of mining research for Bank of America Merrill Lynch, believes the Anglo-Australian miner can meet its iron ore target, but is concerned about the copper shortfall.

Rio Tinto said it expected to produce about 234 million tonnes of iron ore this year from mines in Australia and Canada, including mining partners' interests, a slight upgrade from previous guidance of 230 million tonnes. Rio Tinto also said capital expenditure would be at least \$5 billion this year, with potential for a further \$1 billion, as it looks to develop more iron ore and copper mines. Rio Tinto's aluminium production fell 1 percent in the quarter from a year earlier.

Rio Tinto also holds a 30 percent stake in Chile's Escondida copper mine. Its share of Escondida's mined copper output fell 7 percent in the first quarter, while refined copper production dropped 20 percent, owing to some safety-related downtime.

PERU, LATIN AMERICA NEED TO ADDRESS UNCERTAINTY IN MINING REGULATIONS

April 15, 2010 (*Business News Americas*) – Peru and other Latin American countries need to address the lack of certainty among mining companies with regards to their regulatory regimes for exploration projects, the VP of international research and director of the Centre for Trade and Globalization Studies at Canada's Fraser Institute, Fred McMahon, told BNamericas.

“Uncertainty means that good projects that would create jobs and prosperity can be killed by political pressure or opponents gaming the system while a bad project with big political support can get the go ahead,” he said.

A recently published study by the Fraser Institute, co-authored by McMahon, found that mining company executives and exploration managers ranked five Latin American countries – Venezuela, Ecuador, Bolivia,

Honduras and Guatemala – in the bottom 10 of an index measuring how attractive companies perceive a jurisdiction's policy climate. Chile was the only country in Latin America to rank in the top 10 of 72 jurisdictions, while Mexico was placed 28 and Peru 39, down from 30 in last year's survey.

McMahon said Peru's drop was due to factors within the country, rather than improvements in mining regulations elsewhere. He said mining companies are particularly concerned about the country's labor regulations and employment agreements, which ranked 57 in the survey.

However, the survey found that Peru's current mineral potential is still seen positively by companies. Peru ranked 12 in that category, behind Chile and Mexico, which were second and fifth, respectively.

NICKEL MARKET MAY SWING TO DEFICIT FOR FIRST TIME IN FOUR YEARS

April 15, 2010 (*Bloomberg*) – The nickel market may swing into a deficit for the first time in four years as the global economy recovers from its worst postwar recession, fueling demand for stainless steel, said Sumitomo Metal Mining Co., the biggest producer in Japan.

Global demand will probably exceed supply by 36,000 metric tons in 2010, the first deficit since 2006, Akira Nozaki, general manager at the Tokyo-based company's nickel sales and raw material division, said today in an interview. The market had a surplus last year of 27,000 tons.

Nickel jumped 50 percent in the past nine weeks to the highest level in almost two years and more than doubled in the past 12 months on increased demand for stainless steel in homes and buildings, and the food and chemical industries. The economy in China, the biggest user, may have grown 11.7 percent in the first quarter, the fastest pace in almost three years, according to the median estimate in a Bloomberg survey of 24 economists.

Global production of nickel may increase 7 percent to 1.37 mln tons this year from 1.28 mln in 2009, while consumption may advance 13 percent to 1.41 mln tons from 1.25 mln tons, Nozaki said. About two-thirds of global nickel production is used in stainless steel. China Demand : Nickel demand in China may increase 12 percent to 480,000 tons from 430,000 tons in 2009, while output may grow 13 percent to 270,000 tons from 240,000 tons, Nozaki said.

Global stainless steel production may rise 14 percent to 28.5 mln tons this year from 25.1 mln tons, while China's output is expected to expand 13 percent to 9.9 mln tons from 8.8 mln tons, he said.

Nickel consumption in Japan may expand 17 percent to 135,000 tons this year from last year's 115,000 tons, the lowest level since 1983, he said. Japan's exports, including refined ingot and ferronickel may decline to 80,000 tons from 82,000 tons, he said.

Did you know?

Vanadium is used mainly as an alloy in a wide range of specialty steels and titanium alloys to provide greater strength, toughness, and wear-resistance.

Did you know?

Vanadium production is concentrated in three countries where supply disruptions have been regular. China, South Africa, and Russia account for roughly 90% of global

CHINA PROBES BHP, RIO, VALE ON IRON ORE PRACTICES

April 15, 2010 (Bloomberg) – China, the world’s largest consumer of iron ore, said it is investigating the possibility that BHP Billiton Ltd., Vale SA and Rio Tinto Group may be monopolizing supplies of the steelmaking ingredient. “The commerce ministry’s anti-trust bureau is currently studying the issue” as steelmakers elsewhere, including the European Union, have all raised anti-trust concerns, the ministry’s spokesman Yao Jian said at a press conference today.

The probe comes after The World Steel Association called on authorities globally to examine the iron ore market after

Brazil’s Vale broke with a 40-year custom of selling on annual contracts and won a 90 percent price increase from Japanese mills. China sent four Rio workers, including Australian Stern Hu, to prison in March for infringement of commercial secrets that it said led to the failure of price talks last year.

“We’ll need to watch out for the details,” said Yukino Yamada, a senior strategist at Daiwa Institute of Research in Tokyo. “Such a move raises concerns that the settlement of price contracts between China and the miners will be delayed.”

CHINA MINING INDUSTRY MADE \$50 BILLION WORTH OF OVERSEAS M&A

April 16, 2010 (People’s Daily Online) – The Chinese mining industry has carried out overseas mergers and acquisitions worth more than 50 billion U.S. dollars in the last decade, according to statistics from Ernst & Young.

In 2008 and 2009, the industry’s mergers and acquisitions totaled 40 billion U.S. dollars, which accounts for 80 percent

of the total number in the past 10 years. Data shows that the global mining and metal industry had 60 billion US dollars in trading volume for 2009 while China accounted for 27 percent of the gross.

POSCO TO SPEND \$5 BILLION ON MINES TO SECURE SUPPLIES

April 16, 2010 (Bloomberg) – Posco, Asia’s third-biggest steelmaker, plans to invest about \$5 billion on overseas mines, joining rival mills scouring the globe for supplies as raw-material costs jumped.

The South Korean steelmaker wants to boost its self-sufficiency rate for raw materials to 70 percent from about 18 percent, spokesman Choi Doo Jin said by phone today, confirming remarks by Chief Executive Officer Chung Joon Yang in a Korea Economic Daily report. The expenditure is for the long-term, Choi said, without giving details.

Posco joins ArcelorMittal, the largest steelmaker, and Japan’s Nippon Steel Corp. in seeking to own coal and iron ore mines as costs surge as much as 90 percent. China yesterday said it will investigate BHP Billiton Ltd., Rio Tinto Group and Vale SA for possible monopolistic practices on iron ore supplies.

Chung told shareholders on Feb. 26 he will pursue investments in overseas mines more “aggressively” to secure iron ore and coal. He agreed to buy as much as a 15 percent stake in the Roy Hill iron ore project in Australia this year.

Brazil’s Vale, the largest iron ore supplier, last month broke a 40-year custom of selling products at fixed annual contracts and won a 90 percent price increase from Japanese steelmakers for quarterly contracts started April 1.

Posco and other Korean steelmakers are “seriously concerned” that price increases by raw-material suppliers may hurt a global economic recovery, the Korea Iron & Steel Association said on April 12.

PERU SEEKS INVESTORS FOR NEW COPPER SMELTER, MINING GROUP SAYS

April 16, 2010 (Bloomberg) – Peru is seeking investors to build a copper smelter on the northern coast to process ore from mining companies such as Anglo American Plc and Rio Tinto Group, an industry association said.

The Andean nation will need extra smelting capacity as new mines are expected to double Peru's annual copper output of 1.2 million metric tons within a decade, Hans Flury, head of the National Society of Mining, Petroleum and Energy, said yesterday in an interview at the group's Lima office. Flury, 58, declined to say which companies may build the smelter.

“New smelters will happen in Peru because freight is so expensive for concentrates,” said Flury, who is also Southern Copper Corp.'s legal manager and a former mining

minister in Peru. “We're optimistic a smelter will be built to process copper from northern mines like Rio Blanco and Michiquillay.”

Southern Copper and Doe Run Peru own the only two copper smelters currently operating in Peru, the world's second-largest producer of the metal after Chile. The government plans to approve environmental-impact studies for at least six copper mines by the first quarter of 2011, including projects being developed by Anglo American, Xstrata Plc and Aluminum Corp. of China, Deputy Mining Minister Fernando Gala said April 12. Investments in the mines will total \$13 billion.

NIGER GOVERNMENT SAYS WILL SCRAP MINE DEALS IF NO BENEFIT

April 16, 2010 (Reuters) – Niger's military rulers will examine the country's mining contracts and invalidate those that do not benefit Niger, it said on Friday. “If a signed convention in the extractive industry is not advantageous for our country, there is no question of accepting it,” said government spokesman Mahaman Laouali Dan Dah.

Several contracts, including those with French nuclear energy group Areva and China National Petroleum Corp. were signed under President Mamadou Tandja, who was overthrown by soldiers in the northwest African nation in February.

The military group, which calls itself the Supreme Council for the Restoration of Democracy and appointed a

transitional government last month – though it has not yet named a date for elections – has made anti-corruption a cornerstone of its appeal in the country, one of the world's poorest despite its uranium mines and oil deposits.

“We are moving to consolidate our partnerships, but if for example we find that there are people who have bought permits then done nothing, we will not hesitate to take the decisions which that demands,” Dah Dah said. Earlier this month, the government sacked 20 top officials working for state-owned companies, including those involved in representing the country's uranium and oil interests.

CHILE MINISTER: ROYALTY TO BE BASED ON COPPER PRICES

April 16, 2010 (Dow Jones Commodities News) – The modifications to the copper royalty tax that Chilean President Sebastian Pinera announced earlier Friday will be based on copper prices and miners' margins, Mining Minister Laurence Golborne said. Pinera announced the government will have to spend \$8.43 billion over the next four years for its share of the earthquake-reconstruction efforts.

To finance the \$8.43 reconstruction plan, the government will issue local and foreign debt, redistribute the 2010 fiscal

budget, drawn down from one of the country's sovereign wealth funds, use funds from the reserved copper law, sell non-essential state assets and implement a series of tax reforms, including the changes to the royalty. Chile currently has \$11 billion, the windfall of state copper exports, in one of its sovereign wealth funds.

The reserved copper law receives funds from state copper giant Corporacion Nacional del Cobre's sales to finance defense procurement. In the past two years, Codelco, as the miner is known, has contributed over \$2 billion to the

reserved copper law fund. Speaking at joint press conference, Finance Minister Felipe Larrain said the government hopes miners will voluntarily switch to the announced royalty tax changes.

The finance minister also released further details of a 10-year sovereign bond issue on international markets, which the government is planning. Larrain said the government seeks to issue about \$1 billion in the

international bond. It will be the first time Chile taps markets overseas in seven years. In recent years, it has been issuing all its sovereign debt on the local market to avoid strengthening the Chilean peso in relation to the dollar.

Earlier Friday, Pinera announced a series of tax reforms including the temporary hike of the so-called "first category" corporate tax to 20% in 2011, from its current 17%. In 2012, it will retreat to 18.5% before returning to 17% in 2013.

INDONESIA'S ADARO EYES \$1.5 BILLION COAL RAILWAY

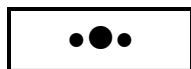
April 17, 2010 (Reuters) – PT Adaro Energy Tbk, Indonesia's biggest coal producer by market value, has signed up to bid for a tender for a \$1.5 billion railway project to transport coal in Kalimantan, a government official said on Saturday. The 185-kilometre coal railway will connect Puruk Cahu to Bangkuang in Central Kalimantan, said Dedy Supriadi Priatna, deputy for infrastructure at the National Planning and Development Agency.

It is the first of four railway projects planned for Central Kalimantan that will eventually stretch about 1,829 kms of rail line across the province to link coal mines and ports. "There are several investors that have already purchased the

pre-qualification documents of the project," Priatna said on the sidelines of the Infrastructure Asia 2010 conference. "They are from China, India, Russia and also Indonesia."

Priatna said that the three biggest investors that plan to bid in the tender are Itochu Corp, China Harbour Engineering Co. and PT Jasa Power Indonesia, a subsidiary of Adaro Energy. "They will face a screening process by a government committee to see their capability to work on the project before we decide which company will get the project," he added.

Priatna said that the project is expected to be completed in 2012.



SOMETHING TO PONDER

China is rich in mineral resources, and all the world's known minerals can be found here. To date, geologists have confirmed reserves of 153 different minerals, putting China third in the world in total reserves. The reserves of the major mineral resources, such as coal, iron, copper, aluminum, stibium, molybdenum, manganese, tin, lead, zinc and mercury, are in the world's front rank. China's coal reserves total 1,007.1 billion tons, mainly distributed in north China, with Shanxi Province

and the Inner Mongolia Autonomous Region taking the lead. China's 46.35 billion tons of iron ore are mainly distributed in northeast, north and southwest China. The country also abounds in petroleum, natural gas, oil shale, phosphorus and sulphur. Petroleum reserves are mainly found in the northwest, northeast and north China, as well as in the continental shelves of east China. The national reserves of rare earth metals far exceed the combined total for the rest of the world.



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