

# BEHRE DOLBEAR

## Global Mining News

### NOTE:

Due to technical difficulties and the holiday in the United States, our Global Mining News has been delayed this week.

Please accept our apologies.

### CHINESE FIRM BACKS \$2.7BN GUINEA IRON-ORE INFRASTRUCTURE PROJECT

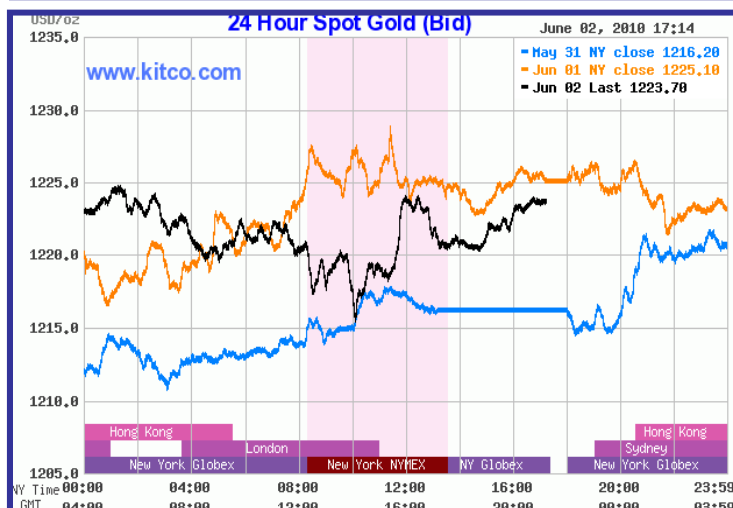
May 24, 2010 (*miningweekly.com*) – Iron-ore developer Bellzone Mining announced on Monday that the China International Fund (CIF) has agreed to fund the entire infrastructure required for its Kalia project, in Guinea, in return for the right to the mine's production.

The Hong Kong investment company would fund the rail system (including rolling stock), bulk storage facilities, port, port loading facilities, port services and power development to produce and transport 50-million tons a year of iron-ore from the Kalia project.

The \$2.7-billion infrastructure project would form the "first leg of developing a multiuser

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USD	MAY 31, 2010	MAY 21, 2010
GOLD	1,207.50	1,179.75
SILVER	18.5300	17.72
PLATINUM	1,555.00	1,492.00
PALLADIUM	471.00	419.00
ALUMINUM	0.9240	0.9031
COPPER	3.1416	3.0114
LEAD	0.8260	0.7813
NICKEL	9.7772	9.6162
URANIUM	40.75 (05/24/10)	41.50 (05/17/10)
ZINC	0.8598	0.8146

railway and port that is expected to open a number of opportunities for Guinea's mineral deposits", commented Bellzone MD Nik Zuks. Bellzone and CIF signed a binding memorandum of understanding, which determines that a new company be established to build the 286-km rail and port facilities.

CIF would pay \$40-million to Newco, which would be used to fund the feasibility study for the infrastructure required to transport and export production from the prospect. Bellzone would hold a 10% stake in the new

company, and would have priority access to the use of the infrastructure.

The iron-ore developer also agreed to form a 50:50 joint venture with CIF to finance, develop, produce, export and sell iron-ore from the Forecariah permits, held by a subsidiary of the Chinese firm in south-west Guinea. Bellzone is targeting first production from the Kalia mine in 2014, at 20-million tons a year, which would fund the ramp-up period to 50-million tons a year in 2018.

## FIRST QUANTUM SEES DRC RULING AS RETALIATION TO KOLWEZI ARBITRATION

May 24, 2010 (*miningweekly.com*) – Copper-miner First Quantum Minerals on Monday defended its mining rights for the Lonshi and Frontier copper mines, in the Democratic Republic of Congo (DRC), describing the latest challenge to its licences as an "orchestrated attack" in retaliation to its decision to start international arbitration over the cancellation of its Kolwezi project.

Chairperson and CEO Phillip Pascall said in a webcast that the company was disappointed, adding that it believed a small group of influential players were driving the legal action and that did not necessarily reflect the views of the entire DRC government.

First Quantum confirmed that its subsidiaries Comisa, which operated the Lonshi mine, and Frontier, which operated the Frontier mine, had been notified that the DRC Supreme Court of Justice on Friday annulled a letter from the former DRC Minister of Mines, dated February 5, 2000, to withdraw exploration rights held by Sodimico. The State-owned mining company wanted these rights, which were now held by Frontier and Comisa, to be reinstated to Sodimico.

Pascall highlighted that, at the time when the new Mining Code in the DRC had been promulgated, and when Comisa and Frontier had converted their mining rights, Sodimico had made no claims for these rights.

He noted that the company had previously received threats that if it went ahead with the international arbitration process with regard to the Kingamyambo Musonoi Tailings (KMT) mining project, some of its other projects could also be targeted.

After an order was issued by the government to "seal" the facilities of KMT, which held the exploitation licence for the Kolwezi project, in September last year, First Quantum decided to suspend its Kolwezi project. Pascall explained that there have been requests by some government entities that it should negotiate with a certain third party regarding the Kolwezi project.

However, he pointed out that it could not do so, as this would be in violation of its contracts with shareholders, the International Finance Corporation and South African development finance institution, the Industrial Development Corporation.

First Quantum had since commenced with the arbitration process, which it would continue to pursue despite the latest events, said Pascall, noting that there was currently no other route to resolve the dispute.

## IRON ORE PRICES FALL BY MORE THAN 20% IN A MONTH ON WORLD ECONOMIC AND DEBT WORRIES

May 24, 2010 (*Platts*)– Prices of seaborne iron ore imported into China have fallen by more than 20% in a month, from a peak of \$186 per metric ton (/mt) on April 20, 2010 to \$147.5/mt on Monday, May 24, 2010,

according to Platts data. Platts is a leading global energy and metals information provider and on June 2, 2008, became the first independent publisher to provide daily

price assessments for iron ore reflective of the transactable value in the spot open market.

The drop in value of this benchmark iron ore mirrors similar declines for basic raw material commodities around the globe. Steel prices are also on the retreat, Platts data shows. Hot rolled coil, the base material for the automotive and so-called white steel good industries, is also being knocked by the bearish tone in many world markets, says Francis Browne, Platts global director of steel and metals market reporting. Prices for steel coil destined to Europe and the Middle East have lost more

than \$80 per metric ton over a similar month-long period as for iron ore, with base steel material now trading at \$585/mt in the Black Sea, a price level not seen since March 25, 2010, he said.

“History shows a tight correlation between economic concerns and the down-trending financial markets to base materials prices,” explained Browne. “For example, iron ore hit a low of \$57.00 per metric ton in November 2008 at a time when the ‘credit crunch’ buffeted financial and commodity markets.”

### OYU TOLGOI COPPER-GOLD PROJECT – PRIMARY FINANCING ADVANCES

*May 24, 2010 (MineWeb)* – The European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) are considering a two-part package to provide a combined \$600 million as primary lenders for a major financing package for the massive Oyu Tolgoi copper-gold project in Mongolia.

Under the terms of a letter signed with Ivanhoe Mines, the EBRD and IFC will also help mobilize an US\$2.1 billion from commercial lenders under a “B loan” structure. In a recent news release, Ivanhoe Mines said it has also received expressions of interest from export credit agencies to provide up to US\$500 million in direct project debt financing.

With the assistance of Hatch Corporate Finance, Ivanhoe will select two major commercial banks to join EBRD and

the IRC in a group of lead arranging banks. The group would jointly structure the debt financing package, with completion targeted for the first quarter of 2011.

The IFC and EBRD financings are subject to detailed due diligence including review of environmental and social studies conducted by the Oyu Tolgoi Project, and approval of their management and boards.

The recently released Oyu Tolgoi Integrated Development Plan (IDP-10) estimated the initial capex required to achieve first production from the open-pit mine on the Southern Oyu Tolgoi deposits is US\$4.6 billion.

### GLOBAL MINING INDUSTRY ‘BACK TO BOOM’ – PWC

*May 25, 2010 (MiningWeekly.com)* – With commodity prices and mining revenues returning to record 2007 levels, the global mining industry has essentially returned “back to the boom”, a PricewaterhouseCoopers (PwC) executive said on Tuesday, highlighting that growth was largely driven by demand from the Asian powerhouse, China.

Speaking at the release of PwC’s seventh mining survey ‘Mine – Back to the Boom’ in Johannesburg, PwC mining director Hein Boegman said that the global mining industry should prepare itself for a “water-shed moment” where China would pass North America as the industry’s largest customer in the “very near” future.

China is predicting an 8% growth for the year, on the back of the economic slump, and Boegman said that it appeared that the Asian country would be a driving force behind the global mining sector, with India, Brazil and Russia following its lead.

“To accommodate the rapid development of the country’s economy and infrastructure, as well as several political promises that have to be kept by the Chinese government, the country will have to continue showing growth of between 8% and 10% and buying commodities by the heaps to support growth,” said PwC’s outgoing mining director Hugh Cameron.

Boegman noted that South Africa “luckily” had some of the world’s best iron-ore, copper, and other resources and that it would be able to supply China with quality resources going forward, but cautioned that it had to stay competitive. He pointed out that one of the main concerns for South African miners was growing costs.

A concerning topic raised in PwC’s latest survey was that the sector could lose some footing, owing to increased

government interference. Industry CEOs had expressed concern that governments facing challenging budget deficits were looking to the mining sector as a source of additional taxation.

Between the first half of 2009 and the second half of 2009, the mining industry was able to show a market capital rebound of 118% and reduce its debt levels by 21%.

## CHINA’S COPPER DEMAND MAY EXPAND 12%, WANXIANG SAYS

May 25, 2010 (Bloomberg) – Copper demand in China may gain as much as 12 percent this year and prices won’t fall much further, according to Wanxiang Resources Co.’s chief analyst.

“Consumption is still strong,” driven by continued economic growth, said Sheng Weimin from the unit of Wanxiang Group, the country’s largest auto-parts maker. Demand, including refined and scrap copper, may climb to 8.96 million metric tons, said Sheng, who’s studied metals markets for more than 15 years.

Investor concern Europe’s debt crisis may derail the global recovery and China’s measures to prevent its economy from overheating have hurt commodity prices, pushing London copper 8.6 percent lower this month. Stocks, metals and oil fell today, with Asian shares set for the lowest close since July 30.

“Prices have tumbled not because of fundamentals but because of economic uncertainties that exist outside China,” Sheng said yesterday by phone from Shanghai. Trading companies often take advantage of the price difference between London and Shanghai to buy metal from overseas in order to help fund projects, such as property investment. China has raised the deposit reserve requirement ratio for financial institutions to rein in credit.

China’s imports of refined copper were 1.06 million tons in the first four months of this year, according to customs data. That’s similar to last year’s level, which was boosted by state stockpiling and stimulus spending, according to Sheng.

## CHINA BECOMES NET ALUMINUM EXPORTER FOR FIRST TIME SINCE 2008

May 25, 2010 (Bloomberg) – China, the world’s largest aluminum producer and user, in April exported more of the metal than it imported for the first time since the end of 2008 as supply outpaced demand.

Outbound shipments rose to 48,546 metric tons, exceeding imports of 28,987 tons, according to data from the Beijing-based Customs General Administration. Foreign shipments totaled 2,212 tons in March and 118 tons in April 2009.

China’s aluminum production capacity will expand 20 percent this year, Neil Buxton, managing director at London-based researcher GFMS Metals Consulting, said May 21. Stockpiles monitored by the Shanghai Futures Exchange have climbed almost 65 percent this year to a

record 489,495 tons. Output of aluminum will exceed consumption by 1.5 million tons this year, according to a Royal Bank of Scotland Group Plc forecast. That would be a fourth consecutive year of oversupply.

Chinese exports of the metal will probably remain elevated even after some output cuts linked to higher local power prices, Buxton said. Rising physical premiums in Europe, Japan and the U.S. gave Chinese exporters an incentive to sell more metal overseas, he said.

European premiums paid for aluminum jumped to \$105 a ton in Rotterdam, the highest in at least a decade, according to London-based researcher CRU. In the U.S. Midwest, the premium advanced to the highest since 2005.

## CHINA SEALS AFRICAN PLATINUM DEAL

May 25 2010 (*Financial Times*) – China is set to commit \$877m into South Africa's platinum industry, in a deal that marks one of its biggest ever African projects outside the energy sector. According to a term sheet signed last week, Jinchuan Group, a state-owned mining company from the far-west of China, would pay \$227m for a 51 per cent stake in Wesizwe, a South African junior mining company.

The Chinese would then invest a further \$650m in project finance, in order to develop the flagship Frischgewaagd-Ledig project, near Rustenburg, west of Pretoria.

"This is a very significant strategic play because it gives China its first direct access to platinum," said Martyn Davies, chief executive of Frontier Advisory, a Johannesburg company that worked with Wesizwe on the deal.

"The value of the stake is particularly important because of the structure of the world's platinum market, with the bulk

of international output bought and sold as part of long-term contracts, with only about 10 per cent of the metal available on the open market," Mr Davies said.

China Africa Development Fund, formed by the China Development Bank in 2007 to support the country's drive into Africa, is working with state-owned Jinchuan on the equity part of the deal. The CDB itself is preparing to provide the project finance to develop the mine.

The deal is subject to approval by the board of both companies. Mr Davies said that discussions around the deal had been taking place over the last year and a half or so. Turbulence within Wesizwe, prompted by a failed attempt by former directors to take over the company, delayed an agreement, however.

## FLUOR WINS CONTRACT FOR HUGE SAUDI ARABIAN JOINT VENTURE ALUMINIUM PROJECT

May 25, 2010 (*im-mining.com*) – Fluor has won a series of contracts from the joint venture comprising Saudi Arabian Mining Co., also known as Ma'aden, and Alcoa, to provide program management consultancy (PMC) and EPCM services for a number of projects related to the development of the integrated Ras Az'Zawr aluminium complex. The estimated \$10.8 billion project will include a bauxite mine (3.6 Mt/y capacity at Al Ba'itha), alumina refinery (1.63 Mt/y capacity), aluminium smelter (671,180 t/y capacity) and rolling mill (417,220 t capacity).

In the second quarter of 2010, Fluor expects to book some \$3 billion covering four separate scopes of work for the

complex. "The mining and metals sector continues to be a bright spot for Fluor and the commencement of this significant project in a key region of the world is another sign of the strengthening global economic recovery," said David Seaton, Fluor's COO.

Fluor will execute the engineering for the Ras Az'Zawr projects from its offices in Al Khobar, Saudi Arabia; New Delhi, India; and Greenville, South Carolina; with support from other global Fluor locations.

## PWC: MINERS MISSED OPPORTUNITY FOR ACQUISITIONS

May 25, 2010 (*Mining Journal*) – PricewaterhouseCoopers says the lack of significant mining industry transactions in 2009 indicates a "potential missed opportunity" for companies that had the financial resources to do deals. "It was a very short window of opportunity, but it was open,"

said the financial services firm in the latest edition of its annual survey, entitled: Back to the Boom.

The survey of the world's top 40 mining companies shows that balance sheets were strengthened through a combined

US\$103 billion in debt and equity financing last year. “It is notable that through the global economic crisis none of these major companies were subject to bankruptcy or voluntary administration provisions. This was largely due to their ability to remove their debt overhang, strengthening commodity markets over the year and the positive impact of government stimulus packages around the world,” said the report.

Cash flows did decline, although US\$74 billion was still re-invested on plant and equipment. “However, despite approximately US\$200 billion of capital expenditure over

the past three years, production remained flat across most commodities, with companies shutting down higher cost operations in response to market conditions, and longer-term assets remaining under construction,” said PwC.

Exploration spend fell 23% from 2008 levels, with focus moving towards more mature and brownfields exploration projects. The seventh edition of the report also included potash companies for the first time, with two producers of the commodity making it into the top 15 list of miners by value.

## NEW LISTING RULES FOR HONG KONG

*May 25, 2010 (Mining Journal)* – The Hong Kong Exchanges and Clearing Ltd has announced new rules for the listing of exploration and mining companies on the Hong Kong Stock Exchange.

The new rules, which take effect on June 3, are centred on a rewriting of Chapter 18 of the listing guidelines. The changes make it easier for companies that have not yet achieved cash flow to undertake an initial public offering,

and several financial and legal organisations in Hong Kong have said they expect a flurry of IPOs.

Under the new rules a company must establish that its primary activity is exploration/extraction of natural resources, demonstrate that it owns a portfolio of resources/reserves to the appropriate standard, and has executives and managers with sufficient experience.

### EDITOR'S NOTE

Behre Dolbear was pleased to have acted as the sole technical advisor for the Hong Kong Exchange regarding the new listing rules affecting mining companies.

## DEMAND FOR IRON-ORE, COPPER TO DOUBLE IN 15 YEARS – RIO TINTO

*May 26, 2010 (miningweekly.com)* – Diversified mining giant Rio Tinto said on Wednesday that it expected demand for iron-ore, aluminium and copper to double over the next 15 years, driven by industrialisation and urbanisation.

CEO Tom Albanese said in a copy of a speech delivered at the company's annual general meeting that the group also expected a “substantial” increase in the demand for energy products. Albanese noted that by 2030, the additional supply required would be equivalent to replicating the iron-ore output of Australia's Pilbara region every five years, adding another aluminium production complex the size of Canada's Saguenay every nine months, and developing

another copper mine the size of Escondida in Chile each year.

Future energy requirements were such that an entire coal supply chain the size of Hunter Valley, in Australia's New South Wales, needed to be created each year, as well as a uranium mine the size of Ranger, in Northern Territory, every four years. Albanese also said that Rio Tinto would look outside Australia to grow its iron-ore production.

The group would also evaluate options to expand current capacity in the Pilbara from 220-million tons a year to 280-million tons by 2013, and to 330-million tons by 2015, but Albanese said that Australia's tax reform had made the

evaluation “more complex”. The company was also continuing to progress the Orissa iron-ore project in India.

Albanese noted that the company’s copper division increased its stake in the Oyu Tolgoi project, in Mongolia, through additional investment in the majority owner, Ivanhoe Mines. The investment agreement with the government of Mongolia recently came into effect, and construction work has now begun.

More recently, Rio completed the permitting of its Eagle nickel project in Michigan. Eagle, which was discovered

by the company’s exploration team, was one of several geological prospects in a large regional land position with “great exploration potential”. He added that during that second half of last year, the company flagged that its capital budget for 2010 would be between \$5-billion and \$6-billion.

However, he added that over the past few months, as the company has seen the demand outlook improve significantly, it has started to approve new capital expenditure for growth projects on a case-by-case basis.

## RIO CHAIRMAN SAYS AUSTRALIA’S ECONOMIC REPUTATION COULD BE DESTROYED

*May 26, 2010 (Mining Journal)* – Rio Tinto chairman Jan du Plessis has warned that Australia’s “excellent reputation” in the global economy is under threat due to the government’s proposed resources super profits tax.

Speaking at the company’s annual general meeting in Melbourne, Mr du Plessis said: “Applying this tax retrospectively is a dangerous prospect and has the potential to destroy Australia’s hitherto excellent reputation in the global economy.”

“I don’t say these words lightly, and I am very keen to work with the government to get the right policy outcome for the industry and the nation.” Mr du Plessis’s said that retrospective taxation raises sovereign risk and would

increase the cost of investing in the country for the next generation.

The chairman’s comments were reinforced at the AGM by Rio Tinto chief executive Tom Albanese, who said the company was “looking for fairness on consultation”. “This means a thorough and proper dialogue on the key issues of retrospectivity, immediate capital write-down, the 40% tax rate and the 6% rate of return,” he said.

Mr Albanese explained that the company supported “genuine tax reform,” but was concerned the proposed tax would “erode Australia’s competitiveness, severely curtail investment and limit jobs growth”.

## SOUTH AFRICA’S MALEMA SEEKS MINE NATIONALISATION IN 2012

*May 26, 2010 (Reuters)* – Julius Malema, the outspoken youth leader of South Africa’s ruling ANC, said nationalisation of mines was being discussed by the party’s top decision-making organ and could be adopted as policy in 2012.

Despite repeated assurances from President Jacob Zuma and the ruling party ANC that nationalisation was not government policy, Malema said the topic was under discussion by the ANC’s National Executive Committee. Malema said the government’s proposed state-owned mining company would precede nationalisation in the country.

Mineral Resources Minister Susan Shabangu has said nationalisation of South Africa’s mines was not government policy and unlikely to be adopted any time

soon, but rather than grabbing mines, the country would run a state-owned firm focused on strategic minerals such as coal and uranium.

The ruling ANC’s militant Youth League has repeatedly called for the nationalisation of mines, worrying some investors in Africa’s biggest economy – the world’s biggest platinum producer and the world’s number four gold producer. Malema’s latest comments are likely to raise fresh concern in South Africa’s mining industry, a key sector of the economy, where investors are recovering from a global recession, a power crunch, high electricity tariffs and falling output.

“All mineral rights should be transferred to the state-owned mining company... where the state will hold a minimum of 60 percent shares, and for the remainder of

the 40 percent, the private corporations should pay royalties and tax,” Malema said.

Malema said the state-owned mining company’s progress should be measured by its ability to create jobs, maximise

the country’s economic gain and uplifting poor mining towns.

## MALEMA CALLS FOR MORATORIUM ON MINING LICENCES

May 26, 2010 (*MiningWeekly.com*) – ANC Youth League president Julius Malema has urged an immediate moratorium on the issuing of mining licences to prevent private companies from “looting” mines before they were nationalised, which he said was inevitable.

He confidently predicted that placing all mining rights and resources in state hands would become ruling party policy in 2012, contradicting reassurances from President Jacob Zuma that nationalisation was not on the ANC’s agenda.

Malema, who described the ANCYL as “the body of opinion that drives ANC policy”, said the government was obliged to nationalise mining to make up for the state’s lack of revenue and to enable it to address the plight of the poor. He stressed that he was not calling for existing mining licences to be revoked.

However, he said a moratorium was necessary to prevent mining houses from “hoarding” licences and maximising their operations and profits in anticipation of a policy change. Denouncing capitalism as “evil”, Malema said that once South Africa’s minerals were in state hands, private companies would be invited to mine them in partnership with the government, but would not be allowed to own more than 40% of any venture. He warned

mining companies that they should not expect to turn a profit of more than 10%, adding that if this were to scare them off, Chinese investors would rush to take their place.

“That partner must come with an added value to the state, we must look at what are you bringing and how will this benefit our people. That 40% must include all the BEE (black-economic empowerment) policies we are speaking about. A 40% partner must have BEE, must have women, must have disabled, must have youth, must then pay tax, must then pay royalties. So that private ownership leaves with the very minimum out of this because we want the profit made out of these minerals to remain in South Africa, benefiting the people of South Africa.

“And at the end you leave with what? Maybe 10%, 5%. We are not for maximising profit for personal accumulation of individuals. We are for the whole resources spent on South Africans.”

His views were questioned by opposition MPs, but were warmly welcomed by those from the ANC, who said Parliament should move swiftly to make the resolution to create a State-owned mining company taken at the ANC’s Polokwane conference in 2007 a reality.

## COAL MINERS BID A\$4.85BN FOR QUEENSLAND RAIL NETWORK

May 26, 2010 (*miningweekly.com*) – A group of coal miners on Wednesday made a cash offer of A\$4.85-billion to buy the Queensland Rail (QR) coal track network. Nick Greiner, the chairperson of the Queensland Coal Industry Rail Group (QCIRG), said that the fully funded offer made by the 13 coal producers, including BHP Billiton and Rio Tinto, represented a substantial premium to what was likely to be achieved under the government’s proposed initial public offering.

“Our offer is able to be settled with the government prior to the IPO, and will not be dependent on volatile equity markets, removing major risk for the state while also providing early settlement,” Greiner said. In March, the

Queensland government announced plans to sell QR’s coal, freight and infrastructure servicing businesses through a A\$3-billion IPO by the end of the year, while it would retain ownership of the passenger service business and assets. But miners argued that a privatisation model was not in the interest of the coal sector, as it could potentially limit investment in new rail capacity needed to grow the sector.

Greiner said that the QCIRG had considered the alternative model under the IPO and associated regulation and legislation, and believed that it did not represent an optimal basis for assuring the future of the state’s major export industry.

The group has secured an acquisition facility of A\$1.35-billion, as well as having committed to a capital expenditure facility in excess of A\$2.05-billion to fund the current QR capital plan and catch-up maintenance. The

Queensland Resources Council (QRC) on Wednesday stated that the offer by QCIRG “ticks all the boxes” for the state government and taxpayers.

### GHANA APPLIES NEW MINING LEVY WITH EXCEPTIONS

*May 26, 2010 (Reuters)* – Ghana, Africa’s number two gold producer after South Africa, has increased mining royalties while granting exemptions to a number of leading firms for now, sector officials said on Wednesday. The government shocked investors last November when it unveiled a plan to boost revenues from the mining sector by doubling a 3 percent levy on minerals to six percent.

Ghana Chamber of Mines CEO Joyce Aryee confirmed that royalties payable had risen to 5 percent as of March 19 this year but said the hike would not immediately affect AngloGold Ashanti and US-based Newmont.

“Ghana does not have all the infrastructure in place ... so the government signed such stability agreements with the mines to promote their investment and also to ensure that too many goal posts will not be changed too quickly,” Aryee told Reuters on the sidelines of a conference in Accra. However, officials said the stability agreement was being reviewed to determine whether the exemptions could be adjusted.

Ghana produced 2.9-million ounces of gold in 2009, according to chamber of mines data, an 11.5 percent increase on the 2008 figure of 2.6-million. Gold prices ended 2009 around \$1,100, well up on the end-2008 level of \$930.

Ghana has provided mining licences to some 16 companies but only half are in active operation, including Newmont, AngloGold Ashanti and South Africa’s Gold Fields. A senior official of Gold Fields told Reuters the company had been discussing a draft of stability agreement in the past, similar to those signed by Newmont and AngloGold Ashanti, but it was yet to be signed.

Anglogold Ashanti said the increase in mining royalties showed the value of its stability agreement.

### NEWMONT INDONESIA NEEDS \$3BN TO DEVELOP ELANG COPPER

*May 26, 2010 (Reuters)* – Newmont’s Indonesia unit needs \$3-billion to develop the Elang copper reserve, which has estimated sufficient reserves for production until 2060, the firm’s president director said on Wednesday.

PT Newmont Nusa Tenggara plans to develop four mines including Elang after 2017 in Sumbawa island in eastern Indonesia, where it already operates the Batu Hijau copper and gold mine, Martiono Hadianto told a parliament hearing.

“Elang mine has more reserves than Batu Hijau. If we want to develop it, we need \$3-billion for investment,”

Hadianto said. “For investment it’s normally mixed finance of loan and equity,” he added.

Southeast Asia’s largest economy has struggled to lure foreign investment into mining in recent years, compounded by some politicians taking a nationalist line on resource exploitation and also because of uncertainty over regulations tied to a new mining law passed in 2008.

Indonesia’s copper output is expected to increase to 1,016,949 t in 2010 from 868,171 T in 2009, while gold production this year is forecast to reach 115,998 kg from 105,404 kg last year.

### RE-SOURCING CHINA’S RESOURCES

*May 26, 2010 (FinanceAsia)* – There’s a reason for all those grins you may be seeing in China’s resource industry these days. Beijing has built a resources strategy on the premise that the market is a fickle supplier and the best

way to ensure the world’s fastest-growing economy gets the resources it needs is to secure its own supply chain from the earth’s crust on up.

In Australia, Prime Minister Kevin Rudd proposed this month a 40% tax on the “excess profits” of that country’s miners. The predictable result: Miners are warning that if the measure passes they’ll invest less in Australia, with worrying implications for supply. The paranoiacs in China worried about hostile Western governments strategically switching off the resources spigot.

Fortunately from China’s perspective, the threat turns out to be not as severe as you might think. In the short term, Chinese steelmakers have particular reason to rejoice, because Mr. Rudd has just made common cause with them against his country’s own mines.

China never believed BHP Billiton CEO Marius Kloppers when he said things like “Commercial market mechanisms will ensure that developing nations’ [read: China’s] raw material demand is met, that suppliers obtain sufficient investment to meet the demand and that new deposits of raw materials are discovered.” To credit that argument would force the admission that China’s own chronically

overheated demand was pushing up iron-ore (and, by extension, other mineral) prices. More convenient to complain that oligopolistic miners were profiteering off the weak negotiating position of a fragmented Chinese customer base.

Over the longer term, Australia’s customers face a nontrivial risk of pinched investment and stagnating supply. But even this isn’t an unremittingly gloomy picture for China. Perhaps this finally will be China’s chance to wear down the political opposition to its resource investments in countries like, say, Australia—and get them at a good price.

They have not invested in resources in Africa, Central Asia, Latin America or elsewhere because it was excessively profitable. They do it to guarantee supply, and because they have ample spare cash to spend. For them, low valuation brought about by policy risk can be an opportunity, not a warning.

## BHPB COMPLETES SALE OF INDONESIAN COAL STAKE FOR US\$335 MILLION

*May 27, 2010 (Mining Journal)* – PT Adaro Energy TBK has confirmed the purchase of a 25% interest in the Indonesian Coal Project (ICP) from BHP Billiton for US\$335 million. BHPB retains the remaining 75% equity.

“We are delighted to have received government approval and now formed the ICP joint venture,” said Garibaldi Boy Thohir, Adaro Energy’s president director. ICP (Maruwai) is based on a metallurgical coal deposit in central and east

Kalimantan which comprises eight companies holding seven Coal Contracts of Work (COWs).

Previous reports indicate that the project hosts 774Mt of undeveloped metallurgical and thermal coal resources. Hubie van Dalsen, BHPB’s president of metallurgical coal said that the company is progressing studies to identify development opportunities across the seven COWs, which will now be known as the IndoMet Coal project.”

## ZIMBABWE BANS DIAMOND EXPORTS, RIO AFFECTED

*May 27, 2010 (Reuters)* – Zimbabwe has banned all diamond exports, including those from a Rio Tinto unit, until gemstones from its controversial Marange fields are certified by industry regulators, the mines minister said on Thursday. Obert Mpofu accused Western countries of using the Kimberley Process Certification Scheme, which regulates the global diamond trade, to ban Zimbabwe from benefiting from diamonds.

“It is true that the government has, with immediate effect, suspended all diamond exports,” Mpofu told Reuters. He said the ban affected Rio Tinto’s Murowa mine, which produced 124,000 ct last year, and privately owned River Ranch, both of which are certified by the Kimberley Process.

Zimbabwe has been waiting for the certification of its Marange diamonds, and on Thursday the Kimberley Process monitor, Abbey Chikane, said he would recommend Zimbabwe be allowed to export the precious stones.

Chikane told reporters Zimbabwe’s lawmakers wanted the army to remain in Marange until security was improved in the area, but added the army may need training to meet industry standards. Rights groups accuse Zimbabwe’s security forces of widespread atrocities in the poorly secured diamond fields in the eastern part of the country, and have been pushing for a ban on the stones.

Mpofu said the West, which has been critical of President Robert Mugabe's continued rule and has withheld funding for Zimbabwe's unity government, was lobbying for the continued ban of Marange diamonds. Mpofu said earlier

Zimbabwe would "ensure we will sell our diamonds, with or without the Kimberley Process."

## CHINA TO OFFER US\$15-BLN LOAN TO BOLIVIAN IRON ORE MINE

May 27, 2010 (*China Knowledge*) – The Chinese government has proposed to extend up to US\$15 billion in loan to a large scale iron ore mining project in Bolivia, sources reported. China also intends to set up a joint venture to jointly develop the mine, according to the report.

However, a spokesman at Bolivian government said that the talks with China are still in the preliminary stage. Bolivia is also considering the related proposals raised by enterprises from Korea, Russia and Venezuela, the spokesman added.

According to the spokesman, Sergio Alandia, president of Bolivia's state-owned steel firm ESM, will hold talks with a Korean delegation including Hyundai Steel Co this week.

Bolivia's local newspaper, La Razon, reported yesterday citing Alandia as saying that China is facilitating an iron ore supply agreement with Bolivia and suggests China Development Bank Corp to offer loans to the above iron ore.

## BHP SEEKS 10% HIKE IN COKING COAL PRICE

May 27, 2010 (*Reuters*) – Global miner BHP Billiton has requested a more than 10% rise in the price of coking coal for the July-September quarter, said Sumitomo Metal Industries, Japan's third-biggest steelmaker. The price hike to about \$225/t would represent a 75% rise from a year earlier for the key ingredient used in steelmaking.

A Sumitomo Metal spokesman said negotiations are still going on. Media also reported on Thursday that Nippon Steel aims to raise domestic sheet steel prices for distributors for July shipments by 10,000 yen a ton, up about 10% to 15%, following a 15,000 yen rise in April, to offset high raw materials costs.

After fierce resistance, Japanese steelmakers agreed in March to pay BHP \$200/t for hard coking coal for the three months to June. The deal with BHP, which controls a fifth of the seaborne coking coal trade to Japan, came as surging demand in China had caused short supply. While China's steel market has softened amid concerns over

government measures to curb a real estate bubble, Citigroup forecasts hard coking coal prices will peak at \$300/t later this year.

For iron ore, the other key steelmaking ingredient, Japanese steelmakers recently formally agreed with Australian and Brazilian miners to a near doubling of prices for April-June. Russia's Interfax this month reported Vale, the world's top iron ore miner, is asking Chinese steel mills to pay \$160/t for July-September, up 23% from the previous quarter.

Since they agreed to spot market-based pricing for coal and iron ore earlier this year, Japanese mills have been in talks with major customers such as Toyota Motor Corporation to shorten their contract terms to three months from the traditional one year. Mills aim to raise domestic prices for such big manufacturers by 15,000 yen to 20,000 yen a ton, media said.

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### *Aluminum Alloy*

A typical 747 uses about 66 tons of aluminum alloy, according to Boeing. The company has delivered at least 1,416 of the jets in its history.

## GFMS SEES HIGHER SILVER DEMAND LIFTING 2010 PRICE

May 27, 2010 (Reuters) – Rising investor demand and a recovery in industrial demand starting late 2009 were key factors in a strong recovery for silver prices last year, and will continue to drive prices up in 2010, according to World Silver Survey 2010 released Thursday by the Silver Institute.

Compiled by London-based metals research company GFMS Ltd, the annual report said silver's price will add to its gains this year as Europe struggles with a sovereign debt crisis that threatens to undermine a fragile global economy. Price gains were also driven by fabrication demand that has been increasing as 2010 progresses, Philip Klapwijk, executive chairman of GFMS, told Reuters in an interview.

At a briefing later on Thursday, Klapwijk told investors that GFMS looks for an upside breakout in the white metal's price, "with a fair chance that 2008's London high at \$20.92 (per ounce) will be exceeded in 2010."

Nearer term, the executive said GFMS's forecast calls for a range between \$16.40 to \$19.50 through July, noting that the range so far in 2010 has spanned \$15.14 to \$19.64, basis the London fix. GFMS expects silver prices to remain volatile in 2010 as they broadly shadow gold prices.

The GFMS report expects flat supply in 2010 and solid gains in fabrication demand, which should buoy prices this year. "If we look at supply, we expect some increase this year from mine production to another record high level. Although, growth will not be that strong, but there will be some growth. We are expecting against that, though, a fall in silver recycling, due to continued decline in photographic demand," said Klapwijk.

## WHAT RECESSION? MINING EQUIPMENT IS SOLD OUT UNTIL NEXT YEAR

May 27, 2010 (Money.cnn.com) – Metal prices have made spectacular rebounds since the start of the year on growing optimism about the world economy. It's not even midway through 2010 and Caterpillar has sold out of some of its largest mining vehicles because of rising commodity prices, and is now taking orders for 2011 delivery.

But the upward momentum has suddenly slowed. Though metals recovered some of their value this week, prices have generally dropped for the past several weeks due to uncertainties over the yuan in China and sovereign debt in Greece and throughout Europe.

These dips might seem to suggest the recent metal frenzy is short-lived, but that's not entirely the case. Given the recent volatility of commodities and the markets in general, the choppy numbers are more likely to be just be a technical hiccup.

Prices certainly could fall further through September and possibly through the end of the year. But in the long-run, a

few factors – chiefly growing economies in East Asia and parts of Latin America – will likely help metal prices onto a more steady upward path.

The declines of recent weeks have much to do with China's policy measures to ease inflation and cool growth. The government has passed tightening measures to temper inflation, including raising minimum mortgage rates and tightening controls on purchases of second and third properties.

In a global research report last week, Bank of America Merrill Lynch remained cautious on base metals, especially for the third quarter. Industrial metals also took a hit following Greece's debt crisis. Concerns arose that other sovereigns with shaky finances, like Spain and Portugal, would be unable to access lending facilities.

## GOLD A 'GOOD CHOICE' FOR BOOSTING GLOBAL USE OF YUAN

May 28, 2010 (*Bloomberg*) – China's trade in yuan-denominated gold investment products moves the currency closer toward global acceptance and the country should develop more of them, a central bank official said.

Pricing commodities in the currency "helps China's goal to internationalize the yuan," Wang Zhenying, deputy director-general of the Department of Financial Management at the Shanghai office of the People's Bank of China, said today.

Gold consumption in China, the world's biggest producer, may double within the next 10 years as supplies fail to keep pace with demand from investors and the jewelry industry, the World Gold Council said in March. "We agree that yuan-denominated gold trading will help enhance the yuan's global status," Chen Shiyong, general manager of financial markets at Industrial Bank Co., said

in interview today. "We also would like to be part of the efforts to increase gold investment products available to the public."

The trading volume of the gold contract on the Shanghai Futures Exchange fell 12 percent last year, compared with an almost fourfold advance for copper, 92 percent increase in rubber and 39 percent gain for aluminum, according to bourse data. Bullion prices have gained 11 percent in this year as the global recession and spiraling European debt crisis spurred demand for haven assets. Gold for immediate delivery was little changed at \$1,214.30 an ounce at 5:53 p.m. in Shanghai. The metal reached a record \$1,249.40 an ounce on May 14.

Gold accounts for 1.6 percent of The People's Bank of China's \$2.4 trillion total reserves, according to the World Gold Council.

## GLOBAL IRON AIMS FOR A\$230 MILLION RAISING

May 28, 2010 (*Mining Journal*) – Australian iron-ore explorer Global Iron Ltd intends to raise A\$230 million (US\$196.4 million) ahead of a listing on the National Stock Exchange (NSX), the country's smaller exchange based in New South Wales. The company plans to offer 418 million shares at A\$0.55 with the offer set to close on June 11, 2010.

Global said the funds raised from the placement would be used to explore two prospective oil and gas exploration blocks off the coast of Liberia, West Africa. The exploration blocks would be gained through the acquisition of African Petroleum Corp, a transaction that has caused a stir with the Australian Stock Exchange (ASX) where Global is listed.

Global is in the midst of a series of appeals with the ASX, which has said it won't readmit the company to the exchange if it proceeds with the acquisition of African Petroleum. The company's most recent appeal was turned down on May 10, and a date has not yet been set for the next hearing.

Shareholders of Global will meet next month to vote on the acquisition of African Petroleum, the placement and the listing of the company on the NSX, and the possible delisting of the company from the ASX if the next appeal is unsuccessful.

## ZIMBABWE ANXIOUS TO RECLAIM MINING GLORY, BUT OBSTACLES REMAIN

May 28, 2010 (*miningweekly.com*) – Once viewed as 'The Bread Basket of Africa', Zimbabwe has had a significant fall from grace since early 2000, when hyperinflation, political instability and the total collapse of the economy deterred investors previously upbeat on opportunities in the country.

One of the industries that formed the backbone of the Zimbabwe economy in its heyday was mining; however, it

took the brunt of the developments that contributed to the country's collapse as an African powerhouse. As a result, many of the existing mines in the country have not seen significant investment since the early 1990s. Many of these mines have not produced any ore since the rise of hyperinflation in the county and have been placed on care and maintenance for some years.

However, the dark cloud that seemingly looms large over the Zimbabwe mining industry does have a silver lining as plans have been initiated to bring the industry back to its former glory. Africa-focused financial advisory firm Utho Capital reports that if one has to look at the mining industry and how it has progressed since the beginning of 2009, companies will see that the Zimbabwe landscape has opened up significantly.

Utho Capital CEO Andrew Mari says that, in 2009, Zimbabwe gold and platinum production was minimal as

investors still harboured negative feelings and pessimism about the investment environment. “Already this year, gold production is set to double over the comparative 2009 period from 4.5 t to 9 t and platinum production is also up considerably. There are also several exploration projects being carried out,” says Mari. However, he acknowledges that significant challenges still exist.

### MUGABE SAYS ZIMBABWE WON’T EXPROPRIATE MINES

May 28, 2010 (Reuters) – Zimbabwe’s President Robert Mugabe said on Friday the government would not expropriate mines and was refining a controversial local ownership law to enable miners to expand their operations.

The government early this year published rules forcing foreign-owned firms, including mines and banks, to cede 51% shares to locals, a move which divided the coalition administration and spooked investors.

“The implementation of the empowerment initiative will take cognisance of the need to promote growth of the mining industry,” Mugabe told an annual mining conference. “Accordingly, mechanisms are being refined to ensure that investors find it attractive to expand current operations and bring in new investment into the country.”



#### *Did you know?*

Until 1886, aluminum was considered a rare metal and a chemical curiosity.

Researchers in the U.S. and France independently discovered the continuous electrolytic reduction process, which is used to make aluminum metal from the aluminum ore, bauxite.



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