

BEHRE DOLBEAR

Global Mining News

EUROPE FEELS THE CHILL OF A FUTURE BUILT ON METAL

June 28, 2010 (Sydney Morning Herald) – The Europeans produce little of the raw materials needed to underpin a modern lifestyle. And they are worried that with the rise and rise of Asia as an economic powerhouse, and its attendant growth in raw material consumption, they might be left out in the cold. So much so that the European Commission has produced a study on the state of access to raw materials for European Union countries and where it will be in the decades ahead.

Garimpeiro's interest is in the 14 raw materials of the 41 analysed labelled as “critical”. They are critical because there are of high economic importance and have supply risks. There is a distinct flavour to these 14 materials. By and large, they are metals with high-tech applications. They tend to be niche metals, but the EC study reckons demand for a lot of them could more than triple by 2030.

What are the 14 raw metals considered to be critical for the European way of life? They are antimony, beryllium, cobalt, fluor spar, gallium, germanium, graphite, indium, magnesium, niobium, platinum group metals, rare earths,

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USD	JULY 2, 2010	JUNE 25, 2010
GOLD	1,201.50	1,254.00
SILVER	17.9800	18.6500
PLATINUM	1,508.00	1,556.00
PALLADIUM	433.00	471.00
ALUMINUM	0.8768	0.8827
COPPER	2.9168	2.9958
LEAD	0.7874	0.8174
NICKEL	8.6704	8.8451
URANIUM	41.75 (6/28/10)	40.75 (06/21/10)
ZINC	0.8029	0.8212

tantalum and tungsten. The study says: "For the critical raw materials, their high supply risk is mainly due to the fact that a high share of the worldwide production mainly comes from a handful of countries: China (antimony, fluor spar, gallium, germanium, graphite, indium, magnesium, rare earths and tungsten), Russia (platinum), the Democratic Republic of Congo (cobalt and tantalum) and Brazil (niobium and tantalum). This production

concentration, in many cases, is compounded by low substitutability and low recycling rates."

The study correctly identifies one of the most powerful forces influencing the future economic importance of raw materials - technological change.

G8 LEADERS TAKE DRC TO TASK OVER FIRST QUANTUM MINERALS EXPROPRIATION

June 28, 2010 (MineWeb) – World leaders at the G8 Meeting this past weekend expressed their concerns about the illicit exploitation of trade in natural resources including conflict minerals, reiterated their support of the Kimberley Process, and took the government of the Democratic Republic of the Congo to task.

Canadian Prime Minister Stephen Harper brought to the attention of the G8 the expropriation of First Quantum Minerals' Kolwezi Tailings copper project by the DRC government last September.

In the official G8 Muskoka Declaration issued over the weekend by the G8 nations meeting at Huntsville, Ontario, the world leaders declared, "The illicit exploitation of and trade in natural resources from the eastern Democratic Republic of the Congo has directly contributed to the instability and violence that is causing undue suffering among the people of the DRC."

"We urged the DRC to do more to end the conflict and to extend urgently the rule of law. We welcome the recent

initiatives of the private sector and the international community to work with the Congolese authorities and to enhance their due diligence to ensure that supply chains do not trade in conflict minerals," the communiqué stressed.

Although First Quantum still operates Frontier and Lonshi mines, the IFC has warned it will not make any more investments in the Congo until the situation is resolved. Canadian officials warned that they could hold up forgiveness of US\$11 billion in Congo debt if the DRC government is participating in fraud.

However, the Canadians later withdrew their opposition to the cancellation of \$1.3 billion and another \$1.6 million in DRC debt rescheduling. The finance arm of the World Bank, the IFC, has halted all investments in the DRC and has gone to international arbitration for the first time as a result of the First Quantum expropriation by the DRC government.

HINDUSTAN COPPER TO ACQUIRE MINES IN CHILE, NAMIBIA, OTHER COUNTRIES

June 28, 2010 (China Post) – Kolkata-headquartered public sector undertaking, Hindustan Copper Limited, is making a serious bid to acquire mines in Chile, Namibia and other countries to boost its production which stands at 3.2 million tons a year now. This is in addition to exploration of greenfield sites for copper and associated minerals in the country and abroad.

It proposes to invest more than millions of dollars for this exercise which also includes expansion of domestic capacity at its existing mines at Malanjkhand, Khetri and

Ghatshila. In addition it is looking at the possibility of reviving a mine in Chitradurga in Karnataka.

The company is also considering the possibility of setting up port based modern smelting and refining facilities in India and overseas.

About the foreign acquisitions, Shakeel Ahmed, chairman and managing director of HCL, told newsmen here that the negotiations for acquiring mines abroad were at a preliminary stage.

SPOT, CONTRACT DISPARITY TO PLACE PRESSURE ON IRON-ORE PRICES FROM Q4

June 29, 2010 (*miningweekly.com*) – Contract iron-ore prices were likely to fall during the fourth quarter of this year and remain flat, or decline slightly, during 2011/12, equity research company Resource Capital Research (RCR) reported. However, third quarter prices were likely to be higher, with the three-month contract price expected to reach up to \$160/t, which was above current spot prices for imports into China.

RCR argued that this differential would place further pressure on the contract system and would add impetus to those asserting that contract pricing in the iron-ore market should be abandoned in favour of spot pricing – a proposition supported by BHP Billiton.

"The iron-ore market is in a period of transition, in terms of pricing," said RCR iron-ore analyst, Dr Trent Allen. He noted that iron-ore producers began arguing strongly for more flexible pricing during the second half of 2009, when

there was a growing discontent between booming spot prices and the lower annual contract price, which was set during the global financial crisis.

"The miners got their way in the current quarter, in which a three-month contract price was set, at almost double last year's annual price. The contracts are now being indexed to an average spot price for the previous quarter." Allen said that the third quarter contract price would be higher, as it reflected the high second-quarter spot prices, including the all-time high spot price reached in April, of \$186.5/t.

RCR said in its report that the iron-ore market was relatively secure, owing to the strong outlook for steel. Taking a long-term view, real prices were above trend on a 50-year scale, which suggested a long-term price of \$44 /t as new iron-ore supply shifted the cost curve back towards the trend, RCR said.

PHILIPPINE OPENPIT BAN RISKS XSTRATA PROJECT

June 29, 2010 (*Reuters*) – The outgoing governor of a southern Philippine province on Tuesday approved a ban on openpit mining in the area, jeopardising a \$5.2 -billion Tampakan copper/gold project majority owned by global miner Xstrata that is due to start up in 2016.

"That will be challenged in court by Sagittarius Mines," Ramon Paje, the new mining minister, told Reuters. Paje added that lawyers of Xstrata's Philippine affiliate Sagittarius believe that the ban could contradict a national law.

The new governor, Arthur Pinggoy, said last week he will order a review of the legality of the ban, giving miners like Xstrata time to defend their projects. "I've signed it and it takes effect after publication," Daisy Avance-Fuentes said, referring to the environment code proposed by the local legislative assembly, which bans open pit mining. The governor had previously signalled that she would likely approve the ban.

Sagittarius described the decision as "disappointing," and reiterated that its studies have identified open pit mining as the "safest and only economic extraction method given the configuration of the deposit and the geology of the region."

Last week, China's Zijin Mining dropped a takeover offer for Australia's Indophil Resources, which owns about a third of the Tampakan mine in the southern Mindanao island, over the threat of a ban. Avance-Fuentes said the Philippine mining law does not explicitly allow openpit mining, a method she believes would harm a major river that irrigates farms and could therefore displace villagers.

"The Mining Act of 1995 implies that by promoting mining, all methods are allowed. But what we are saying is if the national law does not specifically prohibit, any interpretation should be in favour of devolution of powers," Avance-Fuentes said, who supported the national mining law when she was a lawmaker.

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SAUDI MAADEN APPROVES \$4.5 BLN FUNDING FOR ALCOA JV

June 29, 2010 (Reuters) – State-controlled Saudi Arabian Mining Co (Maaden) said its board had agreed on a \$4.5 billion financing plan for the first phase of a joint aluminium plant with U.S. firm Alcoa.

The financing will be provided by a group of local and foreign banks, as well as Saudi Arabia's Public Investment Fund and the Industrial Investment Fund, the Saudi firm said. It gave no details of the terms of the deal.

"This will cover 60 percent of the cost for the first phase of the project, while the rest of the financing will be made by

the partners (Maaden and Alcoa)," said a Maaden statement posted on the Saudi bourse website.

The joint venture started work on the \$10 billion complex, which it said will be the world's largest fully integrated aluminium complex, earlier this month. The complex will include a bauxite mine and an alumina refinery, aluminium smelter and rolling mill at Ras Al-Zour.

The smelter and the rolling mill are expected to begin operations in 2013, while the mine and refinery are expected to come on stream the following year.

CHINESE HUNGER FOR COPPER DRIVES GLOBAL DEMAND

June 29, 2010 (commodityonline.com) – Chinese import data for unwrought copper and copper products in May 2010 were steady, putting immediate fears of a Chinese slowdown to rest. The refined copper element was 9.2 % lower month-on-month at 279,690t (17% lower year-on-year).

Consensus estimates had expected imports to be slightly higher, but the month-on-month or year-on-year fall was not as bad as we expected. Indeed, in the first five months of 2010, China imported more than 1.9 Mt of unwrought copper and copper products, 8% higher than the same period in 2009 and 65% and 46% up on 2008 and 2007, respectively. Refined copper imports in this five-month period were 1.34 Mt, down 4% from 2009, but much higher than in previous years.

So, even though the trend is down in the past three months (on a month-on-month basis) imports clearly remain very high compared with any time during or before the

recession. Falling Shanghai warehouse stocks paint a different picture, dipping from a high of 189,441t in early May to 139,332t in the week ending 11 June.

This implies that real consumption is strong and soaking up these stocks and by extension it accounts for the lion's share of China's copper imports.

There is also the reduced level of copper scrap supply to consider. Semi-fabricators short on scrap have had to turn to refined copper as a substitute, which also partly explains why China's refined copper imports have been so high over the past 18 months.

China's copper scrap imports in May were down 14% month-on-month; however over the first five months of 2010 they were up 14.5%, to 1.67 Mt, from the same period in 2009.

STRONG FUNDAMENTALS POSITIVE FOR PLATINUM GROUP METALS – CPM

June 29, 2010 (MineWeb) – A combination of constrained supplies, rising fabrication and increased investor interest in PGMs is expected to drive these metals prices higher in the near future, New York metals consultants CPM said in a presentation Tuesday. In CPM's Platinum Group Metals Yearbook 2010, the analysts expect platinum demand to benefit from the global economic recovery this year.

Investors purchasing platinum for its safe haven attributions are likely to be outnumbered by those purchasing the metal for its tight market balance. Platinum ETF investment holdings are forecast to continue to rise this year.

CPM forecasts that global platinum mine production may rise 5.6% this year to 6,658,461 ounces. CPM projects that

total newly refined platinum supplies will rise 5.5% from 7,043,000 ounces last year to 7,468,461 ounces this year.

Secondary platinum recovery, which fell 25% last year to 750,000 ounces, is forecast to increase 8% this year to 810,000 ounces due to the present improvement in platinum prices and pick up in the auto sector.

In their analysis, CPM noted investor interest in platinum futures remained high in 2009 and early this year. Commodity funds and other institutional investors held large net long positions throughout last year.

Total palladium supply reached 7.6 million ounces last year, the third consecutive year that total palladium supply declined. This year total supply is expected to increase 8.2% to 8,265,706 ounces, according to CPM's forecasts.

Newly refined total rhodium supply was up 4% at 1,006,217 ounces in 2009. Total supply of newly refined rhodium is projected by CPM to increase 4.8% to 1,054,820 ounces this year.

CORPORATE CHALLENGES

June 29, 2010 (Mining Journal) – The management of costs has been replaced by the allocation of capital as the greatest strategic business risk for mining and metals companies. In its latest Business Risks report, Ernst & Young notes there has been a "surge in risk rankings for capital allocation, skills shortages and resource nationalism".

The accounting firm's global mining and metals leader, Mike Elliott, says "capital allocation is creating complex global challenges for businesses in the sector". Ranked only 17th in E&Y's ranking last year, the allocation of capital has become more challenging because of commodity-price volatility, a changing appetite for risk and a shortage of capital.

Mr Elliott told Mining Journal that last year's ranking was dominated by costs, consolidation and access to capital, this year's issues are centred on supply-side factors

following the quick recovery in the sector. He notes that skilled labour shortages and insufficient infrastructure are again key issues across the sector.

Meanwhile, resource nationalism was another significant mover on the risk rankings, up from ninth position last year to fourth position as governments "seek to replenish their depleted treasuries".

The E&Y report concludes that many mineral-rich countries are seeking to extract greater economic rent for the right to exploit resources. Quebec, India and China have all increased royalty rates in recent months.

E&Y's strategic business risks in mining sector: 1. Capital allocation; 2. Skills shortage; 3. Cost management; 4. Resource nationalism; 5. Social licence; 6. Infrastructure access; 7. Energy supplies; 8. Access to capital; 9. Price/currency volatility; 10. Climate change.

KAZAKHGOLD LAUNCHES \$450M DAMAGES CLAIM AGAINST FORMER OWNERS

June 29, 2010 (Reuters) – KazakhGold and parent firm Polyus Gold launched legal proceeding against former owners of the Kazakh miner, seeking over \$450-million in damages.

In a statement on Tuesday, KazakhGold said proceedings were started in London against five members of the Assaubayev family who were former directors of KazakhGold. Proceedings were also launched against Gold Lion Holdings and Hawkinson Capital.

"The claimants allege that the former director defendants, among other things, breached their fiduciary duties to, and service contracts with, KazakhGold by misappropriating funds intended for capital expenditures," the statement said.

Gold Lion was the main shareholder in the Kazakh firm until Polyus bought a 50.1% stake in 2009. KazakhGold is now in a reverse takeover process with Polyus.

TOP EU COURT BACKS DEAL TO DROP CASE VS DE BEERS

June 29, 2010 (Reuters) – Europe's top court backed on Tuesday an EU regulatory decision to drop an antitrust case against De Beers four years ago, saying the European Commission had not erred in accepting the diamond producer's commitments.

De Beers, the world's leading diamond producer, agreed in 2006 to phase out rough gem purchases from Russian state-owned diamond miner Alrosa over the next two years in an effort to ease concerns that the transactions could stifle competition.

The Commission, the 27-country European Union's antitrust watchdog, had launched legal proceedings against the two companies over their five-year agreement in 2002 under which Alrosa was to supply stones to De Beers.

"The court concludes that the Commission did not make an error of law or a manifest error of assessment or breach the

principle of proportionality in adopting its decision," the EU's Court of Justice (ECJ) said.

It dismissed a 2007 ruling by the General Court, Europe's second-highest, that annulled the regulatory decision. The Commission had appealed to the ECJ against the lower court's ruling. "The General Court infringed the discretion enjoyed by the Commission in connection with the acceptance of commitments," the ECJ said, backing a recommendation by a court adviser in September last year. The Commission welcomed the verdict.

Antitrust lawyers said the ECJ ruling was a reminder of how much discretion the Commission had in accepting company pledges.

RIO TINTO INCREASES STAKE IN IVANHOE TO 29.6%

June 30, 2010 (miningweekly.com) – Diversified resources group Rio Tinto will increase its stake in TSX-listed Ivanhoe Mines, its partner on the Oyu Tolgoi project in Mongolia, to 29.6% for an investment of \$393 -million. It will exercise warrants to acquire more than 46 -million shares in the Vancouver-based company, which will increase its stake by 7.2%.

Rio Tinto said that the uptake of the warrants would provide Ivanhoe with sufficient funds to continue the development of the Oyu Tolgoi copper and gold project, as currently scheduled. Rio Tinto CEO for copper Andrew Harding commented that the group's further investment in Ivanhoe underlined its confidence in the quality of the Oyu Tolgoi deposit, and the project's priority in the Rio Tinto portfolio. The Oyu Tolgoi project is expected to start production in 2013, with a five-year ramp-up to full production.

Average production from Oyu Tolgoi is forecast at some 1.2-billion pounds of copper and 650,000 oz of gold a year, in the first ten years of operations.

The initial capital cost required to achieve production from the openpit mine on the Southern Oyu deposits was estimated to be \$4.6-billion. This amount includes \$1.1 billion to be spent advancing underground development at the Hugo North deposit in preparation for the start of block-cave mining following the start of production from the openpit.

The letter providing a two-part package consisting of up to \$300-million each from the EBRD and IFC, as part of a group of primary lenders, in limited-recourse project financing, and the mobilisation of a further \$1.2 -billion from commercial lenders under a "B loan" structure.

Ivanhoe also has received expressions of interest from export credit agencies to provide up to \$500 -million in direct project debt financing.

SUMITOMO TO BUY STAKE IN BRAZILIAN IRON ORE FIRM FOR \$1.93 BILLION

June 30, 2010 (*Wall Street Journal*) – Sumitomo Corp. will acquire a 30% stake in a recently created iron ore unit of Brazilian steelmaker Usiminas Siderurgicas de Minas Gerais, Usiminas said Wednesday in a statement. Sumitomo will pay \$1.93 billion for the acquisition, which will be made through a subscription of shares of the iron ore division. The unit will be called Mineracao Usiminas S.A.

In February, Usiminas announced its intention to separate its iron ore operations from its steel business. Under Mineracao Usiminas, the company placed its mining in a separate company. Usiminas also created a separate

company for its logistic arm, called Usiminas Participacoes e Logisticas S.A.

Usiminas is Brazil's leading flat-steel maker with more than 50% of the local market for hot-rolled coils. It also supplies thick steel plates to the naval industry. Usiminas is controlled by a group of shareholders that includes Japanese steelmaker Nippon Steel Corp., industrial conglomerate Votorantim Participacoes and construction firm Camargo Correa.

FOREIGN FIRMS EYE \$2 BLN OMAN COAL POWER PLANT DEAL

June 30, 2010 (*Reuters*) – International firms are eyeing a \$2 billion contract to build Oman's first coal-fired electricity generation plant, an official at the Public Authority for Electricity and Water said on Tuesday. The government has appointed Worsely Parsons and KPMG as technical and financial advisors for the 1,000 megawatt power station project which will be built at Duqm in central Oman.

"The foreign firms showing interest prior to the tender announcement are Larsen & Toubro, Sembcorp and Marubeni Corporation," the official told Reuters. The tender is expected in the third quarter of this year, he added.

Last year, Oman said it would privatise existing power stations and invest about \$8 billion in new power projects

to diversify away from its oil-based economy. Oman is developing five projects aimed to boost electricity generation, demands on which are increasing about 15 percent annually.

Total consumption up to June 2009 reached 3,600 megawatts, 16 percent more than the same period in 2008, year on year, according to the Public Authority for Electricity.

TOP GOLD ETF NOW HOLDS MORE THAN \$50 BN IN PHYSICAL GOLD

June 30, 2010 (*MineWeb*) – State Street Global Advisors, and World Gold Trust Services, a wholly-owned subsidiary of the World Gold Council (WGC), have announced that assets in the world's largest gold ETF, the SPDR Gold Trust have surpassed US \$50 billion as nervous investors have continued to put their trust in gold as they see the global economic situation possibly deteriorating further. Fears of a double dip recession, which now seems more and more

likely, have been driving some really big money into the gold ETF.

SPDR Gold Shares (GLD) was launched in November 2004 by World Gold Trust Services and State Street to satisfy the growing need among investors for an exchange traded fund backed by physical gold. As of June 25, 2010, assets under management in the trust totalled more than

\$53 billion, making it the second largest ETF by assets in the world.

The rise in value of the SPDR Gold Trust to around \$53 billion at the latest gold price valuation has been due to both the rise in its physical gold holding to 1,320.44 tonnes and the continuing growth in the gold price.

SPDR Gold Trust's gold inventory puts its holdings higher than those of all but five Central Banks (if one includes the

IMF) - The U.S., Germany, the IMF, Italy and France. Notably the SPDR holding is now some 266 tonnes more than China's official holding of 1,054.1 tonnes, having passed the Chinese official figure in mid-March last year. Of course many believe Chinese reserves may be far higher with additional gold being held outside the officially reported figure.

CHINA MCC: AFGHAN COPPER MINE TO START OUTPUT IN 2013

June 30, 2010 (Reuters) – An Afghanistan copper mine joint venture between Metallurgical Corp of China (MCC) and Jiangxi Copper is expected to start production of copper concentrates in 2013, an MCC executive said on Wednesday.

This is two year's later than the end-2011 startup date stated in September by MCC president Shen Heting, but in line with a timetable given in March by Jiangxi. The first phase of the Aynak copper mining project would have a designed annual capacity of 200,000 tonnes of copper in concentrate, said Zeng Tao, sales manager at MCC Tongsin Resources Ltd, the copper and zinc unit of the listed MCC.

"(Production) would take two to three years to reach the designed capacity," Zeng told reporters on the sidelines of a lead and zinc trade summit in Chengdu city in the western

province of Sichuan. He said the annual capacity would be expanded to 500,000 tonnes of copper in the second phase, higher than previous capacity stated at 320,000 tonnes, but did not provide a timeframe for completion.

MCC was also considering building a smelter at the site, he said, adding the firm was negotiating with the local government on details, including the size.

The Aynak mine, regarded as one of the major copper ore bodies in the world with proven reserves of 9 million tonnes of copper, is 75 percent owned by MCC and 25 percent by Jiangxi Copper, the top copper producer in China, the world's biggest consumer of the metal.

RIO TINTO SIGNS AGREEMENT ON MINING IN KAZAKHSTAN

June 30, 2010 (Reuters) – Global miner Rio Tinto signed an agreement on Wednesday with Kazakh state company Tau-Ken Samruk on joint prospecting and mining in the Central Asian state. Rio Tinto said in June it would be forced to look at investing outside Australia if Canberra pushes ahead with a 40% tax on so-called super profits.

Tau-Ken Samruk is the metals and mining arm of Kazakh state investment company Samruk-Kazyna. The chairman of Tau-Ken Samruk, Bolat Svyatov, said the project would produce copper, gold, bauxites, iron-ore and other metals.

The Kazakh side would supply rights and permissions, while Rio Tinto will contribute technology to the joint

venture created on a parity basis, Tau-Ken Samruk said. "Rio Tinto's arrival in Kazakhstan is very positive for us, moreover since investment in exploration has been cut in the past few years," Kazakhstan's vice minister for industry, Albert Rau, said after the signing ceremony.

Investment in Kazakhstan's mining industry was hit hard by falling commodity prices last year. The country's miners also tend to work Soviet-era sites rather than opening new fields.

CHALCO QUILTS AUSTRALIA PROJECT IN RIO'S BACKYARD

July 1, 2010 (Reuters) – Aluminum Corp of China has terminated a \$2.5-billion agreement to develop a bauxite and alumina operation in Australia, opening the door for Rio Tinto, Xstrata, Alcoa and other miners to resubmit proposals.

Rio Tinto, the world's biggest aluminium producer, is seen as having the most to gain by securing Chalco's leaseholds on the vast Aurukun bauxite deposits in Queensland state, which neighbour its own Weipa bauxite mines that feed two alumina refineries undergoing expansion work.

In what promised to be Chalco's first investment in Australia, it was awarded a permit to mine bauxite at Aurukun as long as it also built a refinery to turn the bauxite into alumina. That was something Chalco became increasingly reluctant to do as cost estimates rose and commodities demand waned, finally terminating the agreement by letting a June 30 deadline to submit a feasibility study to the government lapse.

Questions over the estimated \$2.5-billion price tag on the project given its relatively low grades, increases in input costs such as steel and fuel, as well as a strong Australian dollar had done little to deter initial interest from sector heavyweights.

Chalco and Queensland Premier Anna Bligh both have agreed to continue discussions on the exploration of Aurukun bauxite resources and other means of investment, but did not provide any detail on the forms these might take.

Expansion work at Rio's Yarwun alumina refinery will be completed in the second half of 2012 under a revised schedule, lifting production capacity to 3.4 -million tons a year from 1.4-million now. There is room for another two-million-tons-a-year increase, requiring even more bauxite.

CHINA CONSIDERING EXPORT TAXES TO DISCOURAGE INEFFICIENT PRODUCTION

July 1, 2010 (Reuters) – China, which helped its heavy industry survive the financial crisis by lowering barriers to exports, is now considering hitting the same exports with a tax to discourage rampant production that uses too much energy.

Fan Jianping, a top government analyst, said China is likely to impose export taxes on steel and base metals and their products in the next five years and classify them as industries serving domestic consumption. The goal would be to limit production capacity and to cut energy use and carbon emissions.

That would be a U-turn in China's treatment of its swollen steel sector, by far the world's biggest, and its inefficient aluminium producers, who struggle to match leading firms such as Rio Tinto on production costs.

Last week the government said it would cut and scrap some rebates on exports of steel and most base metals and semi-finished products made from those metals from July 15, lessening state help for the first time since the financial crisis triggered China's huge stimulus plan 18 months ago.

Fan said the government believed the rebate cuts would cause little pain since the companies involved had made

huge profits in the first five months of the year, and the cuts, which signalled a tougher stance on phasing out outdated production facilities, would continue.

While unfettered steel production ballooned, China had much more success cutting back on another huge industry, coal. By closing small coal mines in hope of improving efficiency and safety, China has turned into a net importer of the fuel since the start of 2009, a massive boon to the global coal market and a fillip for shippers suffering from the economic slowdown.

It also helped cut down on exports by imposing a 10 percent export tax on coal at the end of 2008, and almost entirely turned off the flow of coke, a steelmaking ingredient, with a 40 percent export tax at the same time.

Fan said the new export tax policy was part of efforts to limit capacity of high-energy and high-emission industries for which coal and coke are needed, and would be included in China's next five-year plan, which runs from 2011 to 2015.

ALARM BELLS AS INDIAN GOLD IMPORTS DROP 75% IN JUNE

July 1, 2010 (MineWeb) – The alarm bells have been ringing loud and clear. Gold imports to India, the world's largest consumer and importer of the yellow metal, have drastically slid by around 75% this June, as compared to the corresponding month of the previous year. Imports in June 2009 were 29.9 tonnes.

The scenario is not expected to change much in July, with imports expected to halve from the 28.4 tonnes brought into the country last July 2009. Traders insist that imports may tumble as much as 36% this year, given the slump in demand from investors.

Incidentally, rural India accounts for 65% of the total gold buying in the country. Precious metals comprises a large part of the savings in the region, given that more than 60 % of rural India has limited access to banking facilities. Farmers sell their gold trinkets to buy seeds and fertilisers for the ensuing Kharif crop sowing season, Kothari added, potentially crimping demand for imported bars.

Overall demand for the precious metal has dampened not

just with the arrival of the monsoon. High price has been another bugbear. The front-month gold futures on the Multi Commodity Exchange of India struck an all-time high of 19,198 rupees (\$416) per 10 gram on June 8, recording a 32% annual rise.

Moreover, gold prices in the Metroes are within striking distance of their all-time high. Spot gold prices in Zaveri Bazaar in Mumbai, the country's main bullion market, are hovering around record levels of 19,000 rupees (around \$412) per 10 gram, from an average of 14,800 rupees (\$321.04) recorded last July, eroding demand from the world's largest consumer.

All around inflation too, has put paid to the demand from investors in India, who prefer to let prices subside before they start buying again. With 70% of the country's gold accounted for by investors, price-sensitive buyers have been keeping away from the market.

CHINA MAY FACE COAL SHORTFALL OF 200 MILLION TONS BY 2015, OIL & GAS SAYS

July 2, 2010 (Bloomberg) – China, the world's biggest user and producer of coal, may face a shortfall of 200 million metric tons of the fuel by 2015, according to China Oil, Gas & Petrochemicals published by the official Xinhua News Agency.

Coal demand may rise to a record 3.8 billion tons by 2015 as domestic coal output reaches 3.6 billion tons, according to estimates by China OGP in its latest issue. The newsletter didn't specify where it got the information.

China became a net coal importer for the first time in 2009 after buying 125.8 million tons of the fuel when global prices were lower than the cost of domestic grades. The country's increased coal consumption last year helped support global demand, which otherwise "would have tanked," David Price, editor of McCloskey Coal U.K., said in February.

Renewable sources for electricity including hydro, wind, solar and nuclear power are expected to provide energy equivalent to 346 million tons of coal, or 30 percent of total demand, by 2015, China OGP said, citing forecasts by the China Electricity Council. By 2050, coal dependence may fall to between 35 percent and 40 percent of China's energy mix, it said.

China's installed power capacity may rise to 1.26 billion kilowatts by 2015, with 68 percent coming from thermal power, 20 percent from hydropower, 2 percent from nuclear, 6 percent from new energy and 4 percent from gas turbine, China OGP said.

BHP, XSTRATA, RIO'S AUSTRALIAN TAX WIN MAY REVIVE MINING

July 2, 2010 (Bloomberg) – BHP Billiton Ltd. and Rio Tinto Group may join Xstrata Plc in reviving investment plans in Australia after forcing the government to water down a new tax on mining profits in the world's biggest exporter of coal and iron ore.

Prime Minister Julia Gillard agreed to cut the planned tax to 30 percent from 40 percent and raise the levy's trigger level, a week after ousting Kevin Rudd as the nation's leader to defuse a dispute that's damped the government's election prospects.

Xstrata, which resumed work today on a copper project in Queensland state, BHP and Rio led the campaign against the initial tax proposal, which Moody's Investors Service estimated would have cut mining-company earnings by almost a third. Marius Kloppers, chief executive officer of BHP, said the new tax is a "material improvement" after earlier saying projects were difficult to approve under the original Rudd proposal.

Gillard's compromise minerals tax will now only apply to coal and iron ore mines and affect 320 companies instead of the 2,500 under Rudd's proposal. The book-value hurdle will kick in at the higher level of the 10-year government bond rate, currently about 5 percent, plus 7 percent, compared with just the long-term bond rate under the previous plan.

Projects also will be entitled to a 25 percent extraction allowance that reduces taxable profits, and mining

companies will be allowed to use the market value of a mine instead of the book value for the purposes of the tax.

To be sure, the new tax is still flawed and discriminates against coal, iron ore and energy miners, Western Australia Premier Colin Barnett said in an interview on ABC Radio today. The new proposal provides a "reasonable framework" for further talks, said Andrew Forrest, CEO of Fortescue, which has put \$15 billion projects on hold because of the tax.

The levy won't apply to minerals such as gold, copper and nickel and small miners with resource profits below A\$50 million a year.

Morgan Stanley estimated the initial levy plan would have cost the mining industry A\$85 billion in its first 10 years, while UBS AG had forecast the tax may reduce Rio's earnings by 21 percent and earnings at BHP by 17 percent in 2013.

"The new effective marginal tax rate works out to be 45 percent," said Mike Elliott, Sydney-based global mining and metals sector leader for Ernst & Young LLP. That compares with 56.8 percent under the initial plan and BHP's current effective tax rate of 43.5 percent, he said.

LONG TERM COPPER LOOKING GOOD AS CHINA, INDIA DRIVE DEMAND - SOCGEN

July 2, 2010 (MineWeb) – - Copper prices fell 17% in the second quarter of 2010. And, the consensus is that much of the fall can be attributed to investor worries about the extent of the recovery currently underway in the US and Europe as well as concerns about a slowdown in growth out of China.

Speaking to Reuters earlier this week, Peter Buchanan, commodities analyst and senior economist at CIBC in Toronto said, "Data touched three of investors' major concerns yesterday, namely the outlook in China, the U.S. consumer, and also the euro zone pressure as well,"

But, if one considers that OECD copper consumption has been falling over the last five years and that currently

China is consuming as much as 40% of total global base metals production, is there cause to suggest that the US and, in particular, Europe are becoming less and less relevant as demand side players in the copper market?

David Wilson, director of metals research at Société Générale believes so. Indeed, he told Mineweb that when looking at the prospects for copper over the next five or so years, "China is the key, and India and, to a lesser extent Latin America." And, he maintains that the concerns about the slowdown in Chinese growth have been massively overdone.

According to Wilson, the big reason for the jump in copper prices last year was as a result of investors looking through

the current economic malaise to what is likely to be a significant supply squeeze. Over the very short term, prices are likely to move sideways, albeit with significant volatility, he says.

"We believe that copper prices are likely to average around \$8,000 per tonne in the first quarter of 2011 as growth in

China continues and as it becomes increasingly apparent that the OECD has less and less impact on the fortunes of the copper price."

VEDANTA FACES BAUXITE MINING SETBACK IN INDIA

July 2, 2010 (MineWeb) – Indian global diversified miner Vedanta Resources Plc's bauxite mining project in the Indian state of Orissa has come under fire, yet again. Plans by the London-listed firm to mine bauxite in Niyamgiri to feed its alumina refinery in Lanjigarh area of eastern Orissa's Kalahandi district could be irrevocably delayed, given the strong stance of the Indian government's Union Ministry of Environment and Forests.

The ministry has set up a new committee to investigate the alleged violation of forest rights of tribal people living there, as well as the impact on wildlife. Moreover, with the Indian government set to contemplate a new law for mines, which will ensure that local people get to share in the mining profits, Vedanta's mining project, already behind schedule for the last two years, could get further delayed.

The meeting to consider the new law, scheduled for July 22, is set to discuss the issue, and contemplate a 26 % shareholding for those who lose their land for the sake of mining. The new law will also enable the government with more powers to curb illegal mining. However, since the proposed law will have to go through several processes

before it passes muster and becomes a bill - it has to go through the Cabinet, and get the approval of the Parliamentary Committee - the delay could put a spanner in the works for Vedanta.

The company has also said that it has invested \$22 million in development in the region, for providing nutrition to children and infrastructure, and that once mining begins, will invest a further 5% of profits in community-based projects every year.

The company has faced several roadblocks already. Though India's Supreme Court approved the project in August 2008, the firm has since been waiting for an environmental clearance. The new committee has been given 30 days to ascertain the impact of the project on the livelihood, culture and material welfare of the Dongria Kondhs, a notified primitive tribal group, and on the local wildlife and biodiversity.

CHINA'S MIXED MESSAGES ON GOLD

July 3, 2010 (MineWeb) – It had been banned for decades - gold buying in China. But the Chinese government underwent a volte face last year, and urged the public to own physical gold, while China's gold reserves managed to breach 1,054 tonnes by the end of 2009.

While this immediately lifted the country to the world's fifth largest in terms of reserve volume, behind the US, Germany, Italy and France, the Chinese government appears to have gone to town recently to highlight its disinterest in gold.

China's State Administration of Foreign Exchange, better known as SAFE, reportedly said that "the gold market is

too small, illiquid and volatile to be considered suitable for asset allocation." But, the Chinese administration's attempt to downplay the role of gold should be seen in the context of the fact that the country has nearly doubled its gold holdings over the past seven years - most of it very surreptitiously. For some time now, China has been doing its best to corner world gold supplies.

The government has also been urging citizens to put aside at least 5% of their savings in both gold and silver. Predictably, Chinese demand for gold bars and jewellery has soared. Retail investment demand in China rose 57 % in the first quarter of 2010 from the same period a year ago,

while jewellery demand increased 11%, according to a report by the World Gold Council.

Add to all this the recent statement by Hou Huimin, vice general secretary of the China Gold Association, who has advocated tripling China's gold reserves to 5,000 metric tons, which is over \$211 billion worth at today's prices. Clearly, China is ensuring that it will continue to have a major say in the price of gold on the global market.

Another subject of intense debate with investors is the exact composition of China's \$2.4 trillion of reserves. Most of them aver that even a slight shift in portfolio, would

immediately move markets and destabilise the price of gold. China holds just 1.6% of its currency reserves in gold, compared to 70% by the United States and Germany's 66%, according to a report by Credit Suisse.

In the midst of all this, one thing is for sure - China's announcement last year it had transferred gold holdings from the SAFE books to the People's Bank of China, letting the figures be officially known in the country's monetary reserve numbers.



BEHRE DOLBEAR PRESENTS A 2-DAY SEMINAR ON THE

“ABCs OF MINING”

Foreign Correspondents Club

North Block, 2 Lower Albert Road, Central

Hong Kong

September 1 and 2, 2010

The two-day program will be geared toward individuals who wish to learn more about the mining industry and those needing a refresher on mining fundamentals and the business of mining.

Agenda for the course is:

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|---|---|
| → The State of the Mining Industry | → Mineral Processing Methods |
| → Review of HKSE Chapter 18 rules | → Smelting |
| → Bankable Feasibility Studies and the Due Diligence Process | → Environmental and Sustainability: The Social License to Operate |
| → Mineral Exploration: A Process that Creates Wealth | → Minerals Marketing |
| → Resource and Reserve Classification Systems and NI 43-101 Reports | → Global Risks Inherent in Mining |
| → Open Pit: Mining Methods and Costs | → Iron Ore |
| → The World of Underground Mining | → Coal |
| | → The Valuation of Mineral Properties |
| | → Mining Acquisitions |

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

- Payment received **before** July 1, 2010: US\$1,000
- Payment received **before** August 1, 2010: US\$1,250
- Payment received **after** August 1, 2010: US\$1,500

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