

BEHRE DOLBEAR

Global Mining News

INSIDE THIS ISSUE

SOUTH KOREA CONSORTIUM BUYS \$488M AUSTRALIA COAL FIELDS

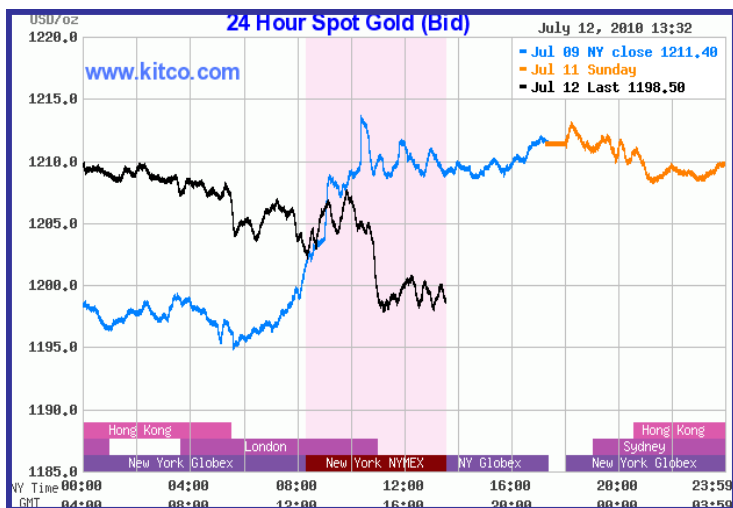
July 5, 2010 (Reuters) – A South Korean consortium led by Korea Electric Power Corp (KEPCO) has acquired five Australian coal fields worth a total of A\$580-million (\$488.2-million) from Anglo American, the state-run utility said on Monday.

Anglo American said in March that it had launched the sale of the five undeveloped, mainly export-grade thermal coal fields, including the Collingwood, Ownaview and Taroom projects in Queensland's Surat Basin and the Bylong and Sutton Forest projects in New South Wales state.

KEPCO said in a statement the acquisition included its A\$403-million purchase of a 100% stake in the Bylong, which had 420-million tons of coal in reserve and was seen producing from 2016, 7.5-million tons on average per year at 7,050 kcal/kg for 30 years.

South Korea's POSCO, the world's number four steelmaker, and Australian mine developer Cockatoo agreed to invest a combined A\$177-million in the other fields, the statement added.

South Korea Consortium Buys \$488m Australia Coal Fields	1
Berau Coal Energy Issues \$350 Million High-Yield Bond.....	2
Asian Average Stainless Steel Price Dropped in June--MEPS	2
Banpu Bids for Centennial.....	3
Rio Sees More Mergers in Australian Iron Ore Sector	3
Copper Shortage Looms for Macquarie As Codelco Sees Mine Limits.....	4
Rusal Expects \$2,400-\$2,700/T Aluminium Next Year	4
Cliffs Natural Resources to Buy Spider Resources, Acquire INR Energy.....	4
Israel's H1 Rough Diamond Exports +104% in Value	5
New Gold Shares Sag on Renewed Mexican Legal Woes.....	5
RCR 'Moderately Bearish' on Gold Price	6
Chinalco May Take Stake in Oyu Tolgoi Project	6
GFMS Says Gold Could Still Top \$1,300/Oz This Year	7
Xstrata Approves \$1.47bn Copper Mine in Peru	7
Steel Outlook 'Stable' on Strong Asia Demand: Moody's	8
Coal India to Use Planned Sovereign Fund to Buy Mines	8
China Steel Makers Seek Global Clout in Consolidation	8
LME in Talks with Singapore Exchange	9
Vale to Invest \$400m in Zambia's Konkola North Copper Project.....	10
Commodities Demand in Asia Surging on Infrastructure Boom, LME Chief Says	10
China Plans to Fix Rare Earth Prices – Report	10
China Cuts Rare Earth Export Quota 72%, May Spark Trade Dispute With U.S	11
Chinese Imports of South African Coal Resume Strongly.....	11
Vallar Raises £707m in London IPO, Eyes Coal, Iron-Ore Acquisitions.....	12
ABCs of Mining Announcement	13



USD	JULY 9, 2010	JULY 2, 2010
GOLD	1,208.75	1,254.00
SILVER	17.8700	17.9800
PLATINUM	1,527.00	1,508.00
PALLADIUM	454.00	433.00
ALUMINUM	0.8938	0.8768
COPPER	3.0302	2.9168
LEAD	0.8201	0.7874
NICKEL	8.6772	8.6704
URANIUM	41.75 (7/05/10)	41.75 (6/28/10)
ZINC	0.8346	0.8029

BERAU COAL ENERGY ISSUES \$350 MILLION HIGH-YIELD BOND

July 5, 2010 (*FinanceAsia.com*) – Indonesia's fifth largest coal producer, Berau Coal Energy, reopens Asia's high-yield market despite a looming legal dispute and a difficult market backdrop that has kept other borrowers from printing.

The Asian high-yield markets were reopened last week with a B2/B rated \$350 million five-year issue from Berau Coal Energy. The bonds pay a coupon of 12.5% and were priced at par. The maturity date on the 144A/Reg-S senior secured notes has been set to July 8, 2015, but they are callable after three years.

Investors looked to Adaro (7.75% \$800 million, 2019), Bumi Resources (12% \$300 million, 2016), Indika Energy (9.75% \$230 million, 2016), and Bukit Makmur Mandiri Utama, or Buma, (11.75% \$315 million, 2014) as comparable bonds for this issue. When the roadshow

started on June 22 all these bonds were trading within a price range of 103.6 to 105.75 -- Adaro was offering a yield of 7%, Bumi 10.9%, Indika 8.5% and Buma 10.6 %.

On its first day of trading, the tone in the markets was not good with a weaker session across the board in Asia, partially due to the bank holiday in Hong Kong. However, by Friday, there was a more constructive pitch in the market and Berau's new 2015s were trading up. The bonds dipped slightly below par shortly after pricing but closed the first session at a bid of 100.45. On Friday it opened slightly higher at 100.60 and traded up to 101.

The proceeds from the deal are expected to be used for the refinancing of other debt plus the partial acquisition of Maple Market Company.

ASIAN AVERAGE STAINLESS STEEL PRICE DROPPED IN JUNE--MEPS

July 5, 2010 (*Kitco News*) – Asian Average stainless steel transaction values dropped in June, the first reduction since October 2009 and the dip occurred slightly earlier had been anticipated, MEPS, the U.K.-based steel consultancy said Monday.

MEPS said decreases were noted in three out of the countries researched. Lower raw material costs, coupled with reduced demand from both domestic and export customers, pushed prices down in June. Currency exchange rate movements also contributed to the reduction in the Asian average in US dollars.

“Our forecasts have been revised downwards in June due to recent falls in nickel, chromium and molybdenum costs,” MEPS said.

“Demand is likely to weaken further in the short term as customers wait for lower prices in the coming months. This

is expected to spur a cut in mill transaction values in the short term as they try to secure order volumes. Production outages are also anticipated at steelmakers across the region. This should help to limit the decreases in selling figures during the second half of 2010.”

MEPS said an increase in buying activity is envisaged for early 2011. “Improved economic conditions across the region should help to boost end-user demand,” the consultancy report said. “Trade volumes to the west are likely to expand. Consequently, stainless steel prices are forecast to rise in the first and second quarters of 2011.”

**To subscribe or unsubscribe to
Global Mining News, please contact:
newsletter@dolbear.com**

BANPU BIDS FOR CENTENNIAL

July 6, 2010 (*Wall Street Journal*) – Banpu PCL of Thailand launched a friendly takeover bid for Centennial Coal Co. on Monday, valuing the target at 2.5 billion Australian dollars (US\$2.1 billion) and sparking expectations of a resumption of deal making in Australia's mining sector.

The offer follows a reworking of the Australian government's mining-tax plan and underlines the strong interest in coal assets in the Asian-Pacific region amid expectations of rising demand and prices.

Sydney-based Centennial said its directors unanimously recommended the cash offer of A\$6.20 a share, which is a 40% premium to the company's closing share price of A\$4.42 on Friday. Banpu already holds a 19.9% stake in the Australian coal miner.

Analysts said the bid is likely to be well received by shareholders, but cautioned that approval of the deal by Australian regulators isn't assured. Banpu plans to fund 80% of the takeover with local and foreign syndicated loans and the remainder with its own capital.

Banpu Chief Financial Officer Somruedee Chaimongkol said Banpu expects to complete the tender offer in September and start realizing revenue from Centennial in the fourth quarter. She said Centennial's management expects a net profit of A\$150 million this year.

The Thai coal miner has been seeking to expand its operations to reduce its reliance on Indonesia, the source of more than 90% of its revenue last year but also a country where legal disputes often make doing business difficult. Banpu also has extended its reach into China, where it owns several power plants.

The offer will require approval by Australia's Foreign Investment Review Board, which will likely seek reassurances about the security of thermal-coal supplies for the Australian power generators that currently buy the majority of Centennial's output. The bid is subject to approval by Banpu shareholders at a meeting set to take place in August.

RIO SEES MORE MERGERS IN AUSTRALIAN IRON ORE SECTOR

July 6, 2010 (*Bloomberg*) – Rio Tinto Group, the world's third-largest mining company, expects more mergers and acquisitions in the Australian iron ore sector as China seeks to secure supplies of the steelmaking material.

Australian companies can't finance all the iron ore projects by themselves and need external funds to develop, Sam Walsh, Rio's iron ore chief executive officer, said at a briefing in Perth today.

The Australian government's decision last week to cut a planned tax on mining profits may trigger more takeovers of resource companies. China, the world's largest buyer of iron ore, posted economic growth of 11.9 percent in the first quarter, the fastest pace in almost three years.

"Merger and acquisition activity should now be more viable as this move by the government should alleviate some of the concerns about the longer term impact on

investment by overseas interests," Deloitte Touche Tohmatsu partner Gordon Thring said in an e-mailed statement today.

Rio is studying expanding its iron ore production to 330 million metric tons a year, Walsh said. Demand is strong and will continue growing driven by emerging nations, he said.

The London-based company is awaiting for approvals from the European Union, China, Japan and Australia for its proposed plan to combine its iron ore assets with BHP Billiton Ltd. in Western Australia's Pilbara region and is working through regulatory processes, Walsh said.

COPPER SHORTAGE LOOMS FOR MACQUARIE AS CODELCO SEES MINE LIMITS

July 5, 2010 (Bloomberg) – The world's biggest copper producers are warning of looming supply limits at the same time that growing concerns about the global economy leave investors with the largest losses in nine years.

While London Metal Exchange futures anticipate prices no higher than \$6,519.50 a metric ton through the end of 2011, or 1.2 percent more than for delivery now, 13 of 14 analysts surveyed by Bloomberg expect a shortage next year. Traders are being too bearish because lower prices may curb spending on mines and exacerbate future shortages, said Goldman Sachs Group Inc., which forecasts a price of \$8,050 in 12 months.

Copper for delivery in August is next year's most expensive contract on the LME, trading at \$6,519.50. Metal for immediate delivery costs \$6,439.75. The highest prediction for next year's average in Bloomberg's survey of analysts was \$8,157 from Bart Melek, a commodity strategist at BMO Capital Markets in Toronto.

For now, traders are focused on demand. China's growth will slow to 9.25 percent next year, from 10.1 percent in 2010, according to as many as 27 economists surveyed by Bloomberg. The country's refined-copper imports fell 8.1 percent in April and 9.7 percent in May.

Copper producers will have to develop new supplies even if demand stagnates, Quirk of Phoenix-based Freeport, the world's second-biggest copper miner, said at a conference in New York on June 4. Average ore grades fell about 26 percent in the last two decades, according to Deutsche Bank AG. Next year's shortage may be the biggest since 2004, Macquarie Bank estimates.

RUSAL EXPECTS \$2,400-\$2,700/T ALUMINIUM NEXT YEAR

July 6, 2010 (Reuters) – Russia's UC Rusal expects aluminium prices to be \$2,400/\$2,700 a tonne next year, Chief Executive Oleg Deripaska said on Tuesday.

The company, the world's largest aluminium producer, also expects a global surplus of the metal of 500,000 to 700,000 tonnes this year, he said in London. "Demand is very strong," he said. "We hope that by the middle of next year the market will be balanced."

He said increased demand and shutdowns of insufficient capacity would boost prices. LME three months aluminium futures CMAL3 were trading at about \$1,968 a tonne on Tuesday.

CLIFFS NATURAL RESOURCES TO BUY SPIDER RESOURCES, ACQUIRE INR ENERGY

July 6, 2010 (crainscleveland.com) – Cliffs Natural Resources announced nearly \$900 million of acquisitions as it said it had prevailed in its efforts to buy Canada's Spider Resources for \$125 million (Canadian), while unveiling a \$757 million acquisition of INR Energy, a coal company based in Richmond, Va.

The Canadian acquisition increases Cliffs' ownership and control of major chromite deposits in Ontario. The mineral

is an important ingredient in high-end steel made by many of Cliffs' existing ore and coal customers.

The INR deal will boost Cliffs' already considerable coal-mining holdings, which include mines in West Virginia, Alabama and Australia, and will increase the company's coal production to 9 million tons in 2011, predicted Cliffs CEO Joseph Carrabba. That production will jump to 11 million tons in 2012, after Cliffs expands INR's

production of metallurgical coal used in steel making, Mr. Carrabba said.

Perhaps more importantly, the INR purchase gives Cliffs control over more coal overall in the form of more deposits that it can mine in later years.

As for paying for the shopping spree, Cliffs will pay cash for Spider, stockholders of which have until the end of the day on July 16 to tender their shares. Cliffs gained majority ownership and control of Spider early in the day today, July 6. The larger INR acquisition will be paid for using

cash on hand and the company's existing \$600 million credit facility, Cliffs announced.

Cliffs had been chasing Spider since late May, but was initially rebuffed. Since then, however, it has twice raised its asking price, which was initially about \$86 million (Canadian).

ISRAEL'S H1 ROUGH DIAMOND EXPORTS +104% IN VALUE

July 7, 2010 (IDEX Online) – Israel exported a net of \$314.5 million worth of rough diamonds during the month, an increase of 48.1 percent year-over-year by value. By volume, net rough exports totaled 1,778,282.38 carats, a 17 percent increase.

For the first six months of the year, net exports totaled \$1.624 billion. By volume, exports reached 10,315,356.22 carats. This was a 104 percent increase by value and a 74.9 percent increase by volume.

Net rough diamond imports for June increased 41.9 percent to \$356 million. By volume, however, imports only rose 13.9 percent. During the first half of the year, Israel imported \$1.8 billion worth of rough diamonds. In terms of volume, this represents a substantial 90.5 percent rise over 2009's import tally.

NEW GOLD SHARES SAG ON RENEWED MEXICAN LEGAL WOES

July 7, 2010 (Reuters) – New Gold said on Wednesday that a Mexican court had denied its appeal of a federal ruling that had revoked the environmental permit at its Cerro San Pedro mine. The Toronto-based junior gold producer won an injunction in December against the original ruling, which had forced it to suspend operations at the site in central Mexico. The injunction allowed New Gold to resume full production at the mine in 2010.

However, the latest district court ruling could again force the company to halt production at Cerro San Pedro, which accounts for almost 30 percent of its annual gold output. New Gold said it is not yet aware of all the implications of the latest ruling, as it has yet to receive the court's full decision on the matter.

Upon reviewing the district court's ruling, New Gold plans to launch an appeal with a Collegiate Appeals Court in Mexico City. It may also consider asking the Mexican Supreme Court to hear the case. If the latest ruling orders regulators to again halt operations at the site, New Gold intends to request for a new injunction that would allow it to continue to operate while it appeals the decision, said a company spokesman.

New Gold also said it is in ongoing talks with regulators to ensure uninterrupted operations at the mine, which is expected to produce about 100,000 ounces of gold in 2010 at a total cash cost of C\$390 to C\$410 an ounce.

Channel Tunnels

The undersea Channel tunnels are an average of 50m below the seabed.

Sterling Silver

Sterling silver is the standard of quality for articles containing 92.5% silver and 7.5% copper (and/or other alloys).

RCR 'MODERATELY BEARISH' ON GOLD PRICE

July 7, 2010 (*miningweekly.com*) – The gold price is likely to trade below \$1,200/oz for the remainder of the year, an analyst at Sydney-based Resource Capital Research (RCR) predicted on Tuesday. “We are moderately bearish on gold and expect trading mostly in the \$1,150/oz to \$1,200/oz band for the balance of 2010,” said RCR senior analyst Tony Parry. He is forecasting an average price of \$1,175/oz over the next five months.

Gold has continued to set new records in the June quarter, hitting an all-time high of \$1,256.80/oz on June 18, driven by the words “crisis” and “banks” associated with the European debt fears. “Take away the crisis mentality, and gold looks precarious,” Parry noted. But, with further crisis momentum, the precious metal could continue to set more records, he pointed out.

RCR noted that since the start of 2008, gold has outperformed other major asset classes, appreciating by 49% while equity markets, the oil price, copper price were still in negative territory over that period.

The researcher also stated that gold shares have significantly out-performed relative to overall global equity markets, but apart from the US gold index stocks, have actually underperformed relative to the US dollar gold price, owing to currency appreciation in Australia and Canada.

In the June quarter, the gold shares surged during a period of falling equity markets, and fared better than the US dollar gold price, partly owing to currency depreciation. The laggards have been the Australian gold shares, most likely affected by the resources super profits tax debate, which was recently resolved. On that basis, Australian gold now looks oversold, RCR noted.

In the 12 months to June, the Australian gold index was up by 30%, Canadian gold share index up by 22 % and the South African index up by only 11 %.

CHINALCO MAY TAKE STAKE IN OYU TOLGOI PROJECT

July 7, 2010 (*Reuters*) – Global miner Rio Tinto's biggest shareholder, China's Chinalco, is considering buying a stake in the massive Oyu Tolgoi copper-gold project in Mongolia, according to a regulatory filing.

Oyu Tolgoi is billed as one of the world's biggest undeveloped mine deposits and is expected to cost \$4.6 billion to build. Rio said it was interested in converting its stake in partner Ivanhoe Mines, which discovered the deposit, into direct ownership of the mine project, Rio reported in a filing to the US Securities and Exchange Commission.

The filing confirms what Chinalco -- which has a 9 percent stake in Rio -- told Reuters on Tuesday about its interest in investing in Oyu Tolgoi. Rio is in charge of building and operating the mine but its holding in the deposit is indirect, through Ivanhoe.

Rio has been holding talks with Ivanhoe about "the potential conversion of its ... equity stake in the company into a direct ownership interest in the Oyu Tolgoi copper and gold mineral development project," the filing said.

On June 29, Rio paid \$393-million to exercise warrants and increase its stake in Ivanhoe to 29.6 percent. The end result of talks could be a two-way or three-way agreement between Ivanhoe, Rio and Chinalco, it added.

Rio has also discussed the mine project with the European Bank for Reconstruction and Development and the International Finance Corp, the finance arm of the World Bank, the filing said.

Did You Know

White gold was originally developed to imitate platinum, and is usually an alloy containing 25% nickel and zinc. If stamped 18 karat, it would be 75% pure gold.

GFMS SAYS GOLD COULD STILL TOP \$1,300/OZ THIS YEAR

July 7, 2010 (*miningweekly.com*) – Precious metals consultancy GFMS said on Wednesday, that the price of gold could still rise above the \$1,300/oz mark in the second half of the year, driven by strong growth in investment demand.

The higher price would be aided by physical markets adjusting to higher price levels, as indicated by the rebound in fabrication demand and the drop in global scrap supply in the first half of the year, in spite of considerably higher average US dollar gold prices, said GFMS chairperson Philip Klapwijk.

However, the consultancy cautioned that there was still scope for downside over the next few months if investment demand temporarily faltered, although in the absence of a major change in the economic outlook, it was felt that gold would be "well supported" at prices between \$1,150/oz and \$1,200/oz.

Klapwijk commented that even though progress to \$1,300/ oz was dependent on even higher inflows from

investors, economic conditions still seemed to favour such growth in investment over the balance of the year and would probably continue to do so well into 2011.

Klapwijk also noted that it should be borne in mind that, especially with inflation low in all the major economies and given the tough fiscal measures now being introduced in many countries, any serious tightening of monetary policy in the US and Europe would quickly transform the outlook for investment and the gold price, even if that possibility currently appeared rather "remote".

GFMS expected an increase in the supply of gold in 2010 owing to the International Monetary Fund programme boosting overall official gold sales and further growth in mine production, which together would offset a marginal drop in global scrap supply. Klapwijk said that the market would, therefore, remain in a substantial surplus in 2010.

XSTRATA APPROVES \$1.47BN COPPER MINE IN PERU

July 7, 2010 (*miningweekly.com*) – Diversified miner Xstrata has approved \$1.47-billion in capital expenditure to develop the Antapaccay copper project, in southern Peru, which forms part of the group's overall strategy to grow its copper output by 50% to just under 1.5-million tons a year by 2014.

The announcement came only a day after the Peruvian authorities approved the environmental- and social-impact studies for the project, which would be developed as a low-cost, brownfield expansion to the existing nearby Tintaya copper mine. Production at the new mine was expected to start in the second half of 2012, at about the same time that the Tintaya mine was expected to reach the end of its life-of-mine.

The Antapaccay project would use some of the existing infrastructure from the Tintaya complex, and would produce about 160,000 t/y of copper-in-concentrate over the first six years of its estimated minimum 20-year mine life.

Xstrata Copper CEO Charlie Sartain noted in a conference call on Wednesday, that the new project would

substantially increase the life of the Tintaya-Antapaccay mine area, while also improving the operating costs for the operation. It would cost Xstrata about \$0.90/lb in operating costs at the new mine, compared with the current operating costs of \$1.40/lb at the Tintaya mine.

A new modern 70,000-t/d concentrator would be established at the new mine, while the Tintaya openpit would be used to store tailings from Antapaccay.

The construction phase, which would start in the third quarter of this year, would create about 3,000 direct jobs, while Xstrata expected the operation itself to create permanent employment for 1,100 workers. This would create an additional 100 jobs, compared with the current Tintaya workforce, which was expected to migrate to the new operation.

STEEL OUTLOOK 'STABLE' ON STRONG ASIA DEMAND: MOODY'S

July 7, 2010 (*TheHinduBusinessLine.com*) – Steel industry in the Asia-Pacific region has “a stable outlook” over the next one and a half years with China, the world's largest steel consumer — and to a lesser extent India — continuing to be the linchpins driving demand, says Moody's investors service.

In its sectoral analysis on Asia's steel sector released on Wednesday, it said despite a considerable year-on-year slowdown in demand growth due to monetary and fiscal tightening, China's industry-wide utilisation is likely to remain firm over the near to medium term in view of the likely slowdown in capacity growth.

It contends that India's domestic steel demand remains robust, with apparent demand this year growing in the mid-teens, led by strong demand for autos and engineering services. The outlook for the domestic operating environment is positive, Moody's said adding that it expects strong momentum in demand over the medium

term, driven by robust growth in infrastructure, autos and construction and constrains on additional supply; occurring by 2011.

According to Moody's, the doubling of average contracted prices for iron ore and met coal, coupled with the replacement of annual contracts with quarterly pricing based on spot markets, could push up the costs of steel production by a third, a mark-up that some steel manufacturers would find hard to pass on in full to their buyers. Besides, as in 2008, the higher input costs will increase working capital deficits significantly.

It further said steel companies are transitioning from annual contracts to quarterly agreements to match the new, higher volatility in pricing of their input costs.

COAL INDIA TO USE PLANNED SOVEREIGN FUND TO BUY MINES

July 8, 2010 (*Bloomberg*) – Coal India Ltd., the world's largest producer, may use a proposed sovereign fund to buy mines abroad that can supply the equivalent of 8 percent of domestic output as energy demand rises, a government official said.

India may bring in at least 50 million metric tons of coal from abroad in 2017 to bolster local production that's projected to reach 647 million tons, Alok Perti, additional secretary to the coal ministry, said in an interview in New Delhi yesterday.

State-owned Coal India joins the oil ministry in seeking funds carved out of the nation's \$277 billion foreign-exchange reserves to bid for energy assets. China, with \$2.4 trillion of reserves and a \$300 billion sovereign fund, has spent about four times as much as India on overseas

energy acquisitions in the past year as Asia's two fastest-growing major economies jostle for global resources.

China has spent at least \$21 billion on overseas resources in the past year compared with India's \$5.18 billion, including \$2.18 billion by Oil & Natural Gas Corp. and other state-run oil companies for a field in Venezuela and Reliance Industries Ltd.'s purchases of shale-gas acreages in the U.S.

The planned sovereign fund is meant for all energy companies, Perti said, adding that the finance ministry hasn't decided on its size.

CHINA STEEL MAKERS SEEK GLOBAL CLOUT IN CONSOLIDATION

July 8, 2010 (*Reuters*) – China's drive to consolidate its fragmented steel sector is set to forge a handful of global giants, turning up the heat on top producers including

ArcelorMittal and enabling it play hardball with material suppliers such as Rio Tinto.

Explosive expansion in the past few years has made China the top producer in the \$500 billion global steel industry, with the nation now accounting for about half the world's total output after ramping up production to fuel its rapid growth.

But that massive output is spread over some 3,000 steel mills, from state-owned giants like Baoshan Iron and Steel, to much smaller private backyard smelters, prompting the government to mount a new push for consolidation.

Chinese mills still lag global peers in product diversity -- an issue consolidation will help by allowing them to spend more on product development to pursue big western customers now served by global giants such as ArcelorMittal, Nippon Steel and South Korea's POSCO, he added.

After a previous consolidation drive largely stalled earlier in the decade, Beijing in June issued a new policy document aimed at putting more than 60 percent of domestic capacity in its top 10 mills by 2015, up from

44 percent in 2009. Analysts say the new consolidation should benefit market leaders like Baosteel, Angang Steel and Wuhan Iron and Steel as the restructuring will see the current market leaders driving consolidation, cutting costs and tapping fresh markets.

One area where they could benefit is on iron ore pricing, an area where most of the cards are now controlled by the world's top three suppliers, Brazil's Vale and Australia's BHP Billiton and Rio Tinto, which collectively control two-thirds of the \$88 billion global seaborne iron ore trade. Despite its size, China's fragmented steel industry plays a following role on global ore prices, which since the breakdown of long-term contracts, now largely follow spot prices.

Did You Know

In the space program, gold's ability to reflect infrared radiation helps shield astronauts, sensitive electronic equipment, circuitry, and protect the tether that secures astronauts on spacewalks.

LME IN TALKS WITH SINGAPORE EXCHANGE

July 8, 2010 (Reuters) – The London Metal Exchange is in talks with the Singapore Exchange (SGX) on cooperating in Asia, it said on Thursday, but was coy about the scope and whether iron ore collaboration was on the cards.

Analysts speculated that one of the areas the two might want to join forces in was iron ore. The SGX has a successful cleared iron ore swaps business, while the LME is revamping steel contracts that have only really taken off in Europe.

Martin Abbott, the LME's chief executive, said that the SGX was the most successful venue offering cleared iron ore swaps, but added: "We would not get in to a marketplace unless there is some value we can add."

"We are not going to compete with someone offering clearing services. We are a little bit conservative in that we

have tended to stick to trading in products that can be physically delivered. For us to trade into a published index would be a major move." He added that the exchange would want to see a very solid over-the-counter market with widespread participants based on a rock-solid index.

Earlier on Thursday the LME announced the official launch of its Singapore office, its first outside London, and plans to cooperate with SGX. "As part of its greater focus on Asia, the LME is keen to identify new contracts and alliances in the region," it said in a release, adding that hedging and investing in LME contracts has increased greatly in Asia due to industrialisation and emerging markets in the region.

VALE TO INVEST \$400M IN ZAMBIA'S KONKOLA NORTH COPPER PROJECT

July 8, 2010 (Reuters) – Brazilian firm Vale plans to invest \$400-million in Zambia's Konkola North copper project, expected to start producing copper by 2013, executive director Eduardo Ledsham said on Thursday.

Ledsham said while visiting Zambia, Africa's largest copper producer, that the Konkola North project, Vale's joint-venture project with African Rainbow Minerals was the first of other projects Vale planned to develop in Africa.

"Our goal is to start implementation of the project in September this year and begin production by 2013. The capital required is around \$400-million which we will invest in two and half years," Ledsham said during a

business meeting in Lusaka. "We (will be) starting with 50,000 t of copper per year before going to 100,000 t in the second phase when we expand the mine by 2015," Ledsham said

Ledsham said the Konkola North underground mine would employ about 1,500 people once its development started. He said Vale was also involved in exploration works and planned to invest in Nickel mining in Zambia after completing the copper mine.

COMMODITIES DEMAND IN ASIA SURGING ON INFRASTRUCTURE BOOM, LME CHIEF SAYS

July 9, 2010 (Bloomberg) – Growth in demand for commodities including metals in Asia is surging as nations ramp up infrastructure spending, according to the head of the London Metal Exchange, the biggest marketplace for industrial metals.

"Everywhere we look in this region, we see growth," Martin Abbott, chief executive officer of the LME, said in an interview on Bloomberg Television in Singapore today. "All of the numbers are so impressive," Abbott said.

Asian nations including China are leading the global economy out of recession, boosting demand for metals such as copper, nickel and tin. The LME has announced talks with Singapore Exchange Ltd. on cooperation, and plans more metal warehouses in the world's fastest growing region. "We are recognizing that the growth in Asia is not cyclical, it is structural, and more and more of the business that we transact is going to be derived in this region," Abbott said.

"When you look at what's happening throughout Asia, I think we're looking at a long-term story of infrastructure build, industrial build and GDP growth," Abbott said, citing expansions in Indonesia, Vietnam and Malaysia.

The International Monetary Fund yesterday raised its forecast for global growth to 4.6 percent this year, reflecting a stronger-than-expected first half. The lender increased the 2010 growth forecasts for China to 10.5 percent and for India to 9.4 percent for the year to March.

China's economy expanded 9.1 percent last year, boosted by an unprecedented 9.59 trillion yuan (\$1.4 trillion) of credit extended by banks in 2009 and a 4 trillion yuan, two-year fiscal stimulus plan. The nation is the world's largest metals user.

CHINA PLANS TO FIX RARE EARTH PRICES – REPORT

July 8, 2010 (Reuters) BEIJING – China's central government plans to publish monthly prices for rare earth metals to avoid producers engaging in "cut-throat competition", China Daily reported on Thursday. China dominates production with 95% of global supply of the group of metals, a crucial ingredient in the motor magnets

used in hard disk drives, CD ROMS and DVDs and electric cars.

The newspaper, citing industry sources, said the plan for a unified pricing mechanism covering Jiangxi, Fujian, Guangdong, Hunan and Guangxi provinces is expected to

be implemented as early as this month. The five areas will establish a unified transportation and sales system and are expected to consolidate production into 3-5 conglomerates in the long term.

"In the long run, steps will be taken to heighten the influence of domestic miners on the price of the minerals in the global market," China Daily quoted an unnamed source as saying. In the first five months of the year, China exported 18,786 t, three times as much as in the same period of 2009.

China has already put limits on rare earth production and stopped issuing new exploration licences until June 30, 2011. It also launched a crackdown on illegal rare earth mining last month to stamp out unauthorised supplies. Its leading producer has also been given permission to set up a strategic reserve in the northern region of Inner Mongolia.

CHINA CUTS RARE EARTH EXPORT QUOTA 72%, MAY SPARK TRADE DISPUTE WITH U.S.

July 9, 2010 (Bloomberg) – China, the world's largest rare-earths producer, cut export quotas for the minerals needed to make hybrid cars and televisions by 72 percent for the second half, raising the possibility of a trade dispute with the U.S. Shipments will be capped at 7,976 metric tons, down from 28,417 tons for the same period a year ago, according to data from the Ministry of Commerce yesterday.

The U.S. is looking at building a trade case on the restrictions, industry representatives said last month.

"The rare earths industry officials have realized that, after many years of continued growth in exports, the industry didn't receive due profit returns," Liu Aisheng, director of the Chinese Society of Rare Earth, said in an interview by phone from Beijing.

"Reduced supply from China will trigger other rare earth producers to boost production to fill the gap," said Liu of the Chinese rare earth society. Still, the policy will force some privately owned Chinese producers to shut down as they are not authorized exporters, he added.

The U.S. has asked business groups and unions to provide evidence that China is hoarding rare earths for a case that may be filed at the World Trade Organization, according to industry representatives who asked not to be identified.

CHINESE IMPORTS OF SOUTH AFRICAN COAL RESUME STRONGLY

July 9, 2010 (Reuters) – Chinese utilities on the south west coast are still actively seeking South African and Colombian prompt coal cargoes despite ramping up imports during June, producers and traders said. Falling freight rates to under \$16 a ton from South Africa's Richards Bay to Chinese ports have made South African coal a competitive import into China again, they said.

The tonnage, price and origin of coal imports into China has been one of the most closely-watched signals in the coal market this year because Chinese buying has been the overriding price support.

The arbitrage window for South African coal into China has re-opened, as the latest Richards Bay export figures

show: China took 720,000 t from Richards Bay during June, up from zero in April and May. Producers including Anglo Coal, BHP Billiton and Xstrata have been moving coal from Richards Bay to China for most of 2010.

Traders have been the most active buyers of spot South African coal during the past few weeks, with a view to placing cargoes in China or India, utilities and producers said. Both Chinese and Indian buyers have been seeking delivered prices of just above \$100 a ton, traders said.

China is the world's largest coal producer but cannot move enough coal quickly or cheaply enough from northern mines to southern coastal power plants to meet power

demand. When imports are cheaper than domestic Chinese delivered prices, end-users import heavily.

China's imports could rise by over 70% in 2010 to 170 million-tons due to power demand growth in the key coastal regions, the IEA and coal analysts said in May.

China's power generation hit a record high of 12.9 -billion kWh on July 5, Xinhua quoted China's energy chief as saying on Thursday .

VALLAR RAISES £707M IN LONDON IPO, EYES COAL, IRON-ORE ACQUISITIONS

July 9, 2010 (miningweekly.com) – Mining investment firm Vallar has raised £707.2-million in an initial public offering (IPO) on the LSE, exceeding its £600-million target. Shares in the company, which was planning to establish itself as a midtier mining house, was expected to start trading on the LSE on July 14.

The Jersey-incorporated company, which was being led by co-founders Nathaniel Rothschild and James Campbell, would use the proceeds of the IPO to initially acquire a single major business or significant operational asset in the global metals, mining and resources sector.

In June, when the company first indicated its plans to list on the LSE, it highlighted that it would focus on regions and commodities where it could leverage the experience of its management team. At the time, Vallar said that it believed that a number of quality acquisition opportunities would be available as the commodities sector enters a phase of streamlining, following significant consolidation activity in recent years.

It was looking to acquire assets in the Americas, Russia, Eastern Europe and Australia and would focus on commodities such as base-metals, coking coal, iron-ore and

thermal coal, as well as potentially gold, silver, uranium and associated byproducts.

While Vallar was hoping to acquire full ownership of any acquisition asset, it said that it would also consider acquiring a controlling stake in any asset where it would have sufficient influence over the target to implement its strategic plans.

The company would focus on three types of opportunities, the first of which would be a stable producing asset where the owner has an identifiable issue, such as requiring additional management or operational expertise, which the Vallar team could provide.

It would also consider acquiring a business that requires a capital injection and operational expertise to execute a significant expansion plan; or an opportunity where it could work towards simplifying a complex and diverse group through application of corporate finance and structuring expertise.



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:

- | | |
|---|---|
| → 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

You may sign up by calling (303) 620-0020. Email: newsletter@dolbear.com



Beijing
Behre Dolbear Asia, Inc.
 Tel: +86.10.6563.7065
 Fax: +86.10.6563.7999
 beijing@dolbear.com



Denver
Behre Dolbear Group Inc.
Behre Dolbear & Company, Inc.
Behre Dolbear Capital, Inc.
Anderson & Schwab, Inc.
Behre Dolbear Environmental Services Inc.
 Tel: +1.303.620.0020
 Fax: +1.303.620.0024
 denver@dolbear.com



Guadalajara
Behre Dolbear de Mexico, SA de CV
 Tel: +52.33.3610.2113
 Fax: +52.33.3610.2112
 mexico@dolbear.com



Hong Kong
Behre Dolbear Group Inc.
 Tel: +852.9039.0288
 hongkong@dolbear.com



London
Behre Dolbear International, Ltd.
Behre Dolbear Engineering Services Ltd.
 Tel: +44 (0) 1233.650405
 Fax: +44 (0) 1233.666828
 london@dolbear.com



New York
Behre Dolbear & Company (USA), Inc.
Behre Dolbear Capital, Inc.
 Tel: +1.212.684.4150
 Fax: +1.212.684.4438
 newyork@dolbear.com



Santiago
Behre Dolbear Chile y Cia Ltda.
 Tel: +56.2.243.0947
 Fax: +56.2.243.0022
 santiago@dolbear.com



Sydney
Behre Dolbear Australia Pty Limited
 Tel: +61.2.9954.4988
 Fax: +61.2.9929.2549
 sydney@dolbear.com



Toronto
Behre Dolbear & Company, Ltd.
 Tel: +1.416.369.9011
 Fax: +1.416.369.0449
 toronto@dolbear.com



Vancouver
Behre Dolbear & Company, Ltd.
 Tel: +1.604.646.4666
 Fax: +1.604.687.1327
 vancouver@dolbear.com

BEHRE DOLBEAR

founded 1911 MINERALS INDUSTRY ADVISORS

We **Know** The **Business** Of **Mining**

www.dolbear.com