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Global Mining News

SECRET GOLD SWAP HAS SPOOKED THE MARKET

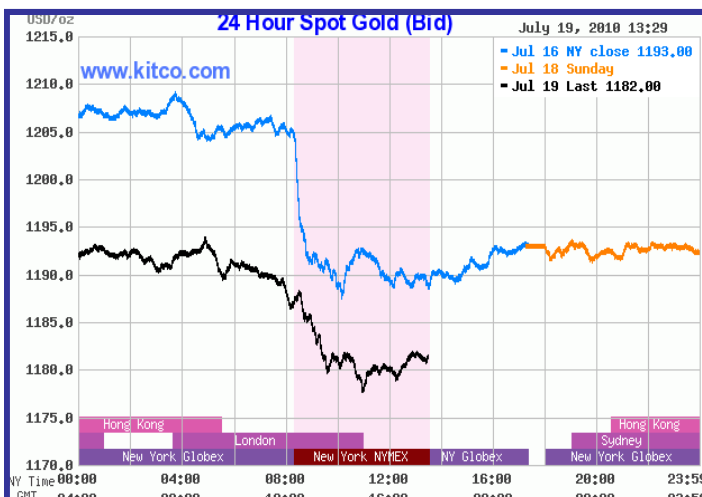
July 11, 2010 (Telegraph.co.uk) – The news that a mystery bank has just pawned the family jewels gave traders a jolt – nervous about the sudden transfer of almost 20pc of the world's annual gold production and the possibility of a sell-off. In a tiny footnote in its annual report, the bank disclosed its unusually large holding of gold, compared with nothing the year before. The disclosure was a large factor in the correction of the gold price this week, which fell below \$1,200 for the first time in more than a month.

Concerns hinged on whether the BIS could potentially sell on this vast cache of bullion in the event of a default, flooding the market with liquidity. It appears to have raised \$14bn for whoever's been doing the swapping – small fry on the currency markets, but serious liquidity in the gold market.

At first it looked like the BIS was swapping gold with a troubled central bank. After all, the institution is the central bankers' bank and its purpose to conduct transactions with national monetary authorities. Central banks in the troubled southern zone of Europe were considered the most likely perpetrators.

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USD	JULY 16, 2010	JULY 9, 2010
GOLD	1,189.25	1,208.75
SILVER	18.2500	17.8700
PLATINUM	1,512.00	1,527.00
PALLADIUM	456.00	454.00
ALUMINUM	0.9110	0.8938
COPPER	3.0164	3.0302
LEAD	0.8115	0.8201
NICKEL	8.7181	8.6772
URANIUM	41.50 (07/12/10)	41.75 (07/05/10)
ZINC	0.8165	0.8346

According to the World Gold Council, central banks in Greece, Spain and Portugal held 112.2, 281.6 and 382.5 tons of gold respectively in June – leading analysts to point fingers at Portugal, or a combination of the three. But Edel Tully, an analyst from UBS, noted that eurozone central banks would be severely limited with what they could do with the influx of extra cash – unable to transfer it straight to governments or make use of the primary bond markets.

She then listed the only other potential monetary authorities with enough gold as the US, China, Switzerland, Japan, Russia, India and Taiwan – and the International Monetary Fund. This led to musings that the counterparty was the IMF, making sense because the lender of last resort is historically prone to cash shortages and has been quietly selling off gold in the first half of the year.

However, the day after original reports about the swaps, BIS emailed a statement saying that the swaps had not been conducted with monetary authorities but purely with

commercial banks. This did nothing to quell the sense of mystery surrounding the deal or deals. It is almost inconceivable that a single commercial bank could have accumulated so much gold alone. And cynics have suggested that the whole affair still looks like a secretive European bailout that a single country wants to keep quiet.

In this case, one or more of the so-called bullion banks – which act as wholesale market-makers and include Goldman Sachs, Deutsche Bank, JP Morgan, HSBC, Barclays, UBS, Societe Generale, Mitsui and the Bank of Nova Scotia – would have agreed to act on behalf of a monetary authority.

This would add an extra layer of anonymity. "So the BIS swaps look like a tripartite transaction," writes Adrian Douglas of the Gold Anti-Trust Association. "The commercial bank or banks made a swap with a central bank or banks and then the commercial bank or banks made a swap with the BIS."

GUINEA POLL LEADER WANTS TALKS ON RESOURCE DEALS

July 11, 2010 (Reuters) – Guinea will re-negotiate minerals deals deemed unbeneficial to the West African state but not launch a wholesale sectoral review, the front-runner in the West African state's presidential election told Reuters. Former prime minister Cellou Dalein Diallo scored nearly 40 percent in the June 27 first round of a vote aimed at restoring democratic rule to Guinea after decades of repressive regimes.

"The mining sector is vital to our country and if handled properly as the Guinean people expect, it could turn Guinea into an emerging country very quickly," Diallo said in an interview at his home in the capital Conakry. "We shall try to modify them (the contracts) if necessary to ensure Guinea's interests are taken into account. Only if talks break down would we take measures such as annulling them -- we'll annul nothing from the start."

Diallo did not cite specific contracts signed in the country, which in recent months has seen a flurry of deal-making as

top mining firms manoeuvre for control of resources including iron ore and bauxite, the aluminium ore.

But he noted that contracts signed under the junta that seized power after the December 2008 death of long-time leader Lansana Conte by definition lacked legitimacy because they have not been approved by an elected parliament.

Observers say it could take years to turn around an economy shattered by decades of mismanagement. But Diallo argued an improvement could come quickly with the restart of development aid frozen after the military coup, relief on foreign debt estimated at some \$3 billion, and corruption-free leadership.

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EMAL SECURES \$737 MLN LOANS FOR SMELTER PROJECT

July 11, 2010 (Reuters) – The UAE's state-owned Emirates Aluminium (Emal) has secured loans worth around \$737 million from export credit agencies to help finance its smelter project, the company said in a statement on Sunday.

When completed, the \$5.7 billion project would be the world's largest single-site aluminium smelter complex at Al Taweelha in Abu Dhabi. Emal is a 50-50 joint venture between Dubai Aluminium Company Limited (Dubal) and Mubadala Development Company (Mubadala), Abu Dhabi's investment vehicle.

The loan agreement was signed with three export credit agencies, Export-Import Bank of the United States (U.S. Ex-Im), Euler Hermes Kreditversicherungs-AG (Hermes) and the Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE), Emal said.

U.S. Ex-Im will provide \$317 million, Hermes \$220 million, and COFACE \$200 million, the statement said. Each credit facility has a 14-year repayment period. Emal expects the first phase of the project to produce 700,000 tonnes of aluminium per year (tpy) by the end of this year after starting up in January.

Emal would boost capacity to 1.4 million tpy with the second phase, which it expects to complete in 2013-2014. The expansion also involves the construction of a power plant, with capacity to produce 2,000 megawatts for the first phase of the expansion.

NALCO CLOSE TO BUYOUTS IN CHILE, NAMIBIA, INDONESIA

July 12, 2010 (Economic Times - India) – State-owned Nalco on Monday said it has identified mineral assets in Chile, Namibia and Indonesia, and is in the process of floating separate ventures in the foreign countries to buy out the reserves.

"We have zeroed down on three mining reserves. One each in Chile, Namibia and Indonesia. We are considering floating special purpose vehicles in the countries concerned for acquisition," Nalco director (Finance) BL Bagra said.

To secure raw material to run its diversified portfolio, the aluminium manufacturer has been scouting for bauxite, coal, uranium and copper reserves outside India.

"In Chile, we have identified a bauxite mine; in Namibia, a copper mine and in Indonesia, a coal block. For copper resources, we are looking to go jointly with Hindustan Copper," he added. For uranium assets overseas, the company can go with Nuclear Power Corporation of India Ltd, with whom it already has a joint venture to set up nuclear power plants.

He said the company is in process of selecting advisers for such acquisitions. The adviser, likely to be selected by August, would be expected to help in scouting mineral reserves overseas for Nalco as well as finalising such deals.

"The acquisition will be funded through debt and equity, possibly in the ratio of 2:1. Nalco has cash reserves of Rs 4,400 crore," Bagra added.

Nalco is already working on setting up a five-lakh-tonne smelter and an integrated 1,250 MW power plant in Indonesia, a project which will cost about \$3.9 billion. The company will import required alumina to run the smelter from its India operations. The company is looking for captive coal block to run the plant as well.

Besides three countries, he said that the company is scouting for resources in Mongolia, Ukraine, Uzbekistan, Senegal, Surinam, Zambia, Congo, but "things are at a very nascent stage."

ANGLO AMERICAN SHOULD BE BROKEN UP, SAYS BOA MERRILL

July 12, 2010 (*Telegraph.co.uk*) – Despite Anglo's best efforts to dilute its exposure in the country so the market does not derate its other assets, the environment there is "getting worse", according to a note from analysts at Bank of America Merrill Lynch.

Anglo's shares dipped after the analysts suggested that the metals producer be split into two London-listed vehicles, one South African and the other an international operation.

"Since listing in London, Anglo has tried various avenues to dilute its South African exposures down to levels to achieve a rerating," the analysts said in a note. "We think Anglo's international assets including Chilean copper, Colombian and Australian coal and Brazilian iron ore could trade at improved multiples."

The analysts were optimistic about the group's Minas Rios iron project in Brazil and its copper expansion projects in South America. But they warned that despite the euphoria surrounding the World Cup, problems in South Africa

included power rationing, the recent granting of a share of a mining license, and other socially-related issues.

While Anglo had made purchases in other products, such as paper, to dilute its exposure, this was a route to "underperformance" and had since been abandoned in favour of refocusing on core mining assets, analysts said.

Nonetheless Anglo was seen to be investing "disproportionately" outside South Africa, where it makes up almost 10pc of the benchmark stock index. Anglo's international business could have an enterprise value of some \$34bn (£22.6bn), it was speculated, with 'Anglo South Africa' – remaining a "major player in the global metals and mining space" – given a value of \$30bn.

INDIA'S GROWING APPETITE FOR URANIUM

July 13 2010 (*MineWeb*) – India is keen to shore up its uranium stockpile. Even as several state-owned firms identify mineral assets and are in the midst of floating separate ventures in foreign countries to buy out uranium reserves to feed the country's voracious appetite for power and to maintain energy security, the Asian major's civil nuclear plants are set to benefit from imports from friendly countries.

Russia, which holds about a tenth of the world's uranium reserves, is aiming to be a major supplier to the Indian nuclear power industry. The two countries have decided to work on the creation of a joint venture for geological exploration and production of uranium.

Currently, India produces only about 450 metric tonnes of uranium. Given the recent announcements of construction of new nuclear power plants, which is second only to China, India is keen to source regular supplies at low prices. The country's annual uranium requirement is expected to jump by an additional 1,500-2,000 tonnes. Analysts have said that India's nuclear market is set to grow to around \$40 billion by 2020.

A newswire agency report had indicated that worldwide demand for uranium was eroding stockpiles and would result in prices rising to \$55 a pound next year. Adam Schatzker, a metals analyst at RBC in Toronto, and Max Layton, at Macquarie Bank Ltd in London, had also forecast that uranium prices were set to climb to \$56.25 next year, and \$60 in five years.

Seeking to buy uranium, government officials in India recently had several meetings with their business counterparts in Canada and Australia. The previous Liberal government in Australia had received international standard safeguard agreements from India and thus had cleared the way for uranium sales. However, this year, major uranium exporter Australia, has refused to sell uranium to India unless it signs the Nuclear Non-Proliferation Treaty. Despite the setback, several other countries are eager to breast the tape.

POSCO PLANS TO RAISE \$1.7 BILLION AFTER PROFIT ALMOST TRIPLES

July 13, 2010 (*Bloomberg*) – Posco, Asia's third-largest steelmaker, plans to raise 2 trillion won (\$1.7 billion) to help fund acquisitions and investments after second-quarter profit almost tripled on demand from car and appliance makers.

Posco, part-owned by Warren Buffett's Berkshire Hathaway Inc., and its rivals benefited as a global economic recovery spurred demand for steel used in cars and appliances. Global steel demand is expected to grow 12 percent, while demand in South Korea may grow 16 percent, the company said.

The company plans to raise funds in the second half this year, President Choi Jong Tae told investors today, without elaborating. Posco aims to invest 10.4 trillion won this year, up from a previous estimate of 9 trillion won and 4.9 trillion won last year.

Posco plans to sign a final contract to buy a controlling stake in South Korean trader Daewoo International Corp. by September, Choi said. The mill will conduct a feasibility study with Steel Authority of India Ltd. as early as this month for a venture in India, Posco said. The project will initially produce 3 million tons of steel a year. The mill increased prices by as much as 32 percent this year to offset higher costs of iron ore and coal.

Raw material costs may fall in the fourth quarter, Posco said today. Iron ore prices for the July contracts climbed about 26 percent from the April contracts and coal prices for the same period rose as much as 12.5 percent, the mill said.

CHINESE TO INVEST \$1.5BN IN WEST AFRICAN IRON-ORE PROJECT

July 13, 2010 (*miningweekly.com*) – Aim-listed iron-ore and base-metals-miner African Minerals said on Tuesday that it had entered into a \$1.5-billion strategic investment understanding with Chinese steel company Shandong Iron & Steel Group (SISG) to fund its flagship iron-ore Tonkolili project in Sierra Leone.

African Minerals executive chairperson Frank Timis said it would use the funds for the construction of infrastructure and mine operations at the project, including a shift from a combined haul-road and rail system to an all-rail transport and logistics system.

In addition to the refurbishment of the existing 74-km Cape gauge rail line between Pepel and Lunsar, the company now planned the construction of a 122-km rail line an extension rail to the Tonkolili project.

Resources which were already mobilised and engaged in clearing of the haul road route, would be used to enable a rapid migration from haul road construction to the construction of the rail extension. Completion of the rail extension was expected by the third quarter of 2011.

"With the availability of the SISG funding and the ability to shift to this all-rail system, we have increased the project's phase-one production target from eight-million tons a year, to ten-million tons a year, expected to be achieved by the fourth quarter of 2011," said Timis. It also

paved the way for a faster ramp-up of phase two, where production capacity would be boosted to 25-million tons a year by the fourth quarter of 2012.

Funding by SISG would be provided in a three-stage subscription agreement in exchange for a long-term supply of iron-ore and a 25% interest in the Tonkolili project. The offtake agreement would be for a total of up to ten-million tons a year of iron-ore at discounted prices.

African Minerals would receive the first-stage funding injection of \$800-million by the end of September, after which, the schedule for further funding would be determined. SISG plans to increase its steel output to 20 million tons a year by 2015.

GERMANY'S SÜD-CHEMIE WILL BUILD LITHIUM IRON PHOSPHATE PLANT IN QUEBEC

July 13, 2010 (*MineWeb*) – Munich-based specialty chemical company Süd-Chemie AG, announced Monday it is investing EUR 60 million (US\$75.6mn) to develop and construct the world's largest lithium iron phosphate production plant in Candiac, Quebec.

The plant aims to use a new high-quality production process for lithium iron phosphate (LFP), a high performance energy storage material used in batteries for electric drive vehicles and other applications.

Commercial production for delivery is planned to start in 2012 to achieve a rate of 2,500 tons per year, the volume that will allow for the annual production of 50,000 all-electric automobiles, or alternatively, up to 500,000 vehicles with hybrid drives, Süd-Chemie said in a news release.

Süd-Chemie said it is already using the process at its facility in Moosburg, Germany, which currently manufactures up to 300 tons of LFP annually.

The LFP process "has great potential in high-performance storage batteries e.g. for stabilizing peak supply or for storing photovoltaic electricity." The process is now used in power tools, starter batteries for passenger vehicles, and electric scooters in Europe, Asia and North America."

The LFP announcement adds to the electric vehicle technology development activity already taking place in Quebec, including how it can integrate with Quebec's power grid. Canada's largest utility company, Hydro-Quebec is working with Mitsubishi Motors Sales of Canada to launch Canada's largest all-electric vehicle pilot project this fall. The project, which is planned at Cdn \$4.5 million, will test the performance of up to 50 all-electric Mitsubishi i-MiEV cars.

CHINA'S STEEL OUTPUT MAY HIT NEW HIGH IN 2010

July 13, 2010 (*Xinhua*) – China's steel output in 2010 might hit a new high of 620 to 630 million tons, a 10 percent increase year-on-year, Minister of Industry and Information Technology Li Yizhong forecast at a forum Monday.

From January to May this year, China's fixed asset investment in its steel industry grew by 13.8 percent year-on-year to stand at 135.6 billion yuan (\$20 billion), Li said. Also, steel output is expected to be continually increased due to newly built steel projects, he said.

China, however, will not approve any new steel construction before the end of 2011, as the growing steel production capacity makes it more difficult for the country to save energy and reduce emissions, Li added.

JAPAN COPPER SMELTERS FACE RECORD LOW PROCESS FEES

July 13, 2010 (*Reuters*) – Japanese smelters are bracing for their toughest negotiations in at least a decade over mid-year copper processing fees, as spot copper treatment and refining charges remain weak on tight supplies.

"The mid-year contract should settle at \$40 (a tonne) and 4 (cents/lb), maybe \$39 and 3.9 (cents). That's the lowest since at least 2001. There is a structural problem in the copper market -- too few concentrates and too many

smelters," said Grace Qu, copper specialist at CRU Consulting in Beijing.

"This may last into the longer term. The deficit is likely to continue to widen to at least the end of 2012," she added, noting that mining firm BHP Billiton had proposed a fee of \$37.5 and 3.75 cents, while smelters were holding out for \$43.5 and 4.35 cents.

In January the two sides settles full-year fees at \$46.50 per tonne and 4.65 cents per pound. "It will be set at \$39, a record low, as spot is virtually zero," said an analyst at a foreign securities in Tokyo. That would be the lowest price since at least 2001, according to analysts.

Despite the lower fees, Japan's major copper smelters have not changed their plans to boost production in the first half of the financial year that began on April 1 after they cut capacity by about 10 percent last year. But analyst Gayle

Berry at Barclays Capital said the lower fees could result in some producers scaling back output.

But the industry is finding ways to cut its dependence on the big miners and avoid having to undercut each other to guarantee raw materials by buying into overseas projects to secure offtake.

PHILIPPINES LOOKING FOR OPEN-PIT MINING COMPROMISE

July 13, 2010 (Reuters) – The Philippines will try to allay the fears of its local officials and push forward mining projects, including a \$5.2-billion gold-copper prospect operated by Xstrata Plc, being threatened by a provincial ban on open-pit mining, a mining official said on Tuesday.

Last month, the outgoing governor of South Cotabato signed a law banning open-pit mining in the area, throwing into doubt the Tampakan project, which is considered Southeast Asia's largest undeveloped copper-gold prospect.

"The instruction from Noynoy is that we should attain a compromise," Ramon Jesus Paje, mining secretary, told reporters, referring to President Benigno Aquino III. "The president has already given us that mandate. It is very important for us."

Tampakan, operated by Sagittarius Mines Inc, the Philippine affiliate of Xstrata Plc, is estimated to contain 13.5 million tonnes of copper and 15.8 million ounces of gold at a 0.3 percent cut-off grade.

On Monday, Aquino said consultations were underway to find a "meeting of minds" over the local government's safety and environmental concerns and the jobs, investment and related spending the mining projects would bring to the economy.

"At the end of the day, it's the local government whose voice will be loudest as far as I'm concerned," Aquino said. "They will be the ones who suffer if there's a disaster. But I will work towards getting them to meet on a common ground that will allay the fears and also afford us the benefits of this investment."

Paje said the government wanted to resolve the issue through negotiations, but it could not stop mine operators challenging the legality of the local law in court.

COMMODITY-SHIPPING RATES DROP FOR 34TH DAY IN A ROW, LED BY LARGER VESSELS

July 14, 2010 (Bloomberg) – The Baltic Dry Index, a measure of commodity-shipping costs, fell for the 34th consecutive day, the longest decline in almost nine years, as rates plunged to hire larger iron ore carriers.

Rents for capesize ships that haul iron ore to make steel fell 17 percent, the most since October 2008. Steel prices in China, the biggest iron-ore consumer, are likely to drop 10 percent for the rest of the year, JPMorgan Chase & Co. said in a note on July 12.

"Iron ore buying has really fallen off," Peter Norfolk, research director at Freight Investor Services Ltd. in London, said by phone today. A "rapid increase in steel production has led to oversupply. It's not taken long for increased steel output to overrun demand."

The Baltic Dry Index of rates on international trade routes fell 81 points, or 4.5 percent, to 1,709 points, according to the London-based Baltic Exchange. Rates have dropped

everyday starting May 27, the longest retreat since Aug. 15, 2001.

Chinese prices for 25 millimeter (1 inch) rebar, a steel product used to reinforce concrete, have fallen 2.6 percent this month while iron-ore stockpiles rose 4.8 percent, according to data from Antaika Information Development Co. Material is selling under contract at \$145 to \$150 a metric ton in the current three-month period, according to Arctic Securities ASA. That compares to a spot price of \$117.60.

Capesize rents fell to \$12,278 a day, the lowest since January 2009. Operating expenses for the vessels, once financing is taken out, are about \$7,000 a day, according to

Guy Campbell, head of dry-bulk at London-based Clarkson Plc, the world's biggest shipbroker.

Daily rates for smaller panamax, which compete for coal and iron-ore cargoes and also transport grains, gained 1.7 percent to \$15,941. Supramaxes fell 2.5 percent and handysizes lost 1.6 percent, according to the exchange.

CHINA COPPER MINE SPILL UNREPORTED FOR DAYS

July 14, 2010 (Reuters) – A poisonous wastewater leak at a copper mine owned by Zijin Mining Group Co, China's largest gold producer, was not made public for over a week, the official Xinhua agency and domestic media said on Wednesday.

The company suspended trading of its shares on Monday after news broke about the spill of wastewater containing acidic copper from its Zijinshan Copper Mine, into the Ting river in the southeastern province of Fujian.

But the contamination began much earlier, on the afternoon of July 3, Xinhua said, without explaining why the public was initially kept in the dark about the spill, which went on for nearly 24 hours.

Thousands of fish -- a total 1.89 million kilograms -- were killed by the 9,100 cubic metres of waste water that escaped from a mine containment tank, Xinhua reported.

Nearby water plants stopped taking supplies from the river between the morning of July 4 and July 5, it added.

Lan Fuyan, deputy head of the local county government, said that water samples taken at eight monitoring stations showed that by July 8 the river met national safety standards.

Xinhua did not say if checks were made after the July 5 resumption of water flow to the plants and the July 8 all-clear. Though water from the river has been declared safe to drink, the 60,000 people affected by the spill are still wary, because the river is a chemical blue colour and the water smells unpleasant, Xinhua said.

NTPC SEEKS COAL MINES ABROAD TO SOURCE 67% OF IMPORTS - INDIA

July 14, 2010 (Bloomberg) – NTPC Ltd., Asia's second-biggest electricity generator by market value, is seeking to buy coal mines overseas that may help source as much as 67 percent of the company's current imports of the fuel.

The utility based in New Delhi will use part of its \$3 billion in cash reserves and also raise debt to fund the purchase of mines in Australia, Indonesia and Mozambique that can supply as much as 10 million metric tons of coal a year, Chairman R.S. Sharma said by telephone today.

Indian energy companies are seeking to acquire assets across the world as demand from its 1.2 billion people rises and companies build more factories. State-owned Coal India Ltd., the world's largest producer, may buy mines abroad to supply the equivalent of 8 percent of domestic output, according to Alok Perti, additional secretary to the coal ministry.

"Imports are rising at 10 percent every year and it makes sense to have our own mines overseas from where we can

bring good quality coal," Sharma said. "We shouldn't have any problems funding these acquisitions." NTPC imports about 15 million tons of coal every year, he said.

Power-station coal prices at Australia's Newcastle port, an Asian benchmark, fell 1.3 percent to \$97.06 a metric ton in the week ended July 9. That's a 15 percent increase from \$84.75 in the week ended Jan. 1.

Coal demand in India, Asia's third-largest energy consumer, may double from 2008 to 2015 to exceed 1 billion tons, Wood Mackenzie said on July 1. India's

annual coal output of 535 million tons will fall short of demand from power generators by as much as 80 million tons by next year, Perti said in an interview July 7. India proposes to add 78,000 megawatts of electricity-generating capacity in the five years to March 2012 and 100,000 megawatts in the following five years.

BILLIONAIRE SLIM DIGS FOR GOLD IN MEXICO AS METAL'S PRICE GAINS

July 15, 2010 (Bloomberg) – Slim's mining outfit Grupo Frisco, a division of holding company Grupo Carso SAB, plans to open more mines this year and acquired one this month after ramping up gold production more than ninefold in 2009. That increase helped boost Carso's profits as gold spot prices leaped 24 percent for the year.

Slim, who has been in the mining business for more than two decades, is leaning on commodities for growth as Carso's other units await improvements in Mexican construction and consumer spending.

The mining division's sales rose 58 percent last year to 4.5 billion pesos (\$351.8 million), a larger increase than the companywide gains at any of Slim's publicly traded holdings except the financial services business, Grupo Financiero Inbursa SAB. Mexico's economy shrank 6.5 percent in the same period.

While Carso always looks for attractive mining projects, it's not currently in talks for purchases, said an executive with Grupo Condumex, the unit that includes Frisco mining. The company doesn't disclose its production targets, said the executive, who declined to be named, citing company policy.

While Grupo Frisco trails rivals including Goldcorp Inc. and Fresnillo Plc in gold production, the Carso unit is growing. After two years of declines, the company mined 97,492 ounces of gold in 2009, compared with 10,496 ounces in 2008.

IFM SEES NO FALL IN FERROCHROME Q4 CONTRACTS PRICE

July 15, 2010 (Reuters) – An end to de-stocking coupled with rising demand will ensure ferrochrome contract prices do not fall below current levels for the fourth quarter, South African producer International Ferro Metals (IFM) said on Thursday.

Earlier this month, ferrochrome producers in South Africa, the world's largest producer, agreed to a less-than-expected fall of 4% in the third-quarter contract price to \$1.30 a lb. "We are happy with the price," IFM chief executive David Kovarsky told Reuters. "At the moment we're going through a de-stocking cycle but it doesn't reflect end consumption."

"By the end of this quarter we'll start seeing a revival in demand as stainless steel production starts increasing," he

added. The ferrochrome sector made sweeping cuts to production last year when demand and prices tumbled during the global downturn.

Ferrochrome, used in stainless steel to prevent corrosion, is traded at about \$1.18 a lb on the European spot market, well below levels above \$2.50 a lb in April last year. "We are seeing a contraction in global steel production globally, particularly in China and Europe," he added.

Kovarsky said IFM sells its ferrochrome through both contracts and into the European spot market, mainly to consumers in Europe and the United States.

IVANHOE STRUGGLES TO ESCAPE RIO TINTO GRIP

July 15, 2010 (Sydney Morning Herald) – The previously friendly strategic alliance between Rio Tinto and Canada's Ivanhoe Mines continues to sour.

Ivanhoe, led by the billionaire mining entrepreneur Robert Friedland, has been manoeuvring to convince the market that Rio's grip on the company - and by extension its 66 percent-owned \$US5 billion (\$5.7 billion) Oyu Tolgoi copper and gold project in Mongolia - is not as tight as Rio might like.

Ivanhoe's latest move is to flag the removal of restrictions to it issuing more than 5 per cent of its shares to one or more third-party "strategic investors", including major mining companies other than Rio.

Rio already has its foot on 29.6 per cent of Ivanhoe, an investment that began in 2006 and has cost \$US1.73 billion. It has agreements with Ivanhoe to move to

an eventual 46.7 per cent for a total investment of \$US2.5 billion.

But Ivanhoe - a \$C8.3 billion (\$9 billion) company which also owns 81 per cent of the ASX-listed Ivanhoe Australia - has set out to "consider all available options as part of its objective of realising maximum value for Ivanhoe shareholders".

In addition to lifting the restrictions on share placements to strategic investors, Ivanhoe has already secured approval from minority shareholders to install a shareholders' rights plan - also known as a poison pill - which aims to protect "all shareholders" from coercive or creeping takeovers.

Rio believes its contractual rights have been breached and has taken the matter to arbitration.

SIGNS OF RECOVERY IN DIAMOND MARKET

July 15, 2010 (Sydney Morning Herald) – The diamond sector is beginning to emerge from a rough patch, with production of the world's most popular gem increasing on the back of improved market conditions. Mining giant Rio Tinto Ltd last year scaled back its diamond mining in Western Australia and Canada in response to the economic slow down, but output is now on the rise.

Rio Tinto saw the market turmoil as a good opportunity for it to shut processing facilities at its Argyle diamond mine, about 2,500km north-east of Perth, for maintenance in the second quarter of 2009, reducing diamond production. It also slowed down an underground expansion of Argyle, resulting in lower workforce numbers.

On Wednesday Rio Tinto said it had resumed normal production at Argyle, where output in the second quarter of

2010 jumped 538 per cent to 2.6 million carats compared to the same period in 2009. Rio Tinto last year scaled back operations at its Diavik mine in Canada, but reported on Wednesday a 13 per cent increase in production at the project to 967,000 carats.

De Beers chairman Nicky Oppenheimer had invoked the adage "never waste a good crisis", viewing the global financial crisis as an opportunity to re-think and reorganise the business. Mr Oppenheimer earlier this year said he believed the long-term fundamentals of the diamond industry were promising amid growing demand from Chinese and Indian markets while known supplies were diminishing.

REKODIQ COPPER GOLD PROJECT TO GENERATE \$8BN

July 15, 2010 (Dawn.com) – The exploration and development of mega project of Rekodiq Copper Gold Mines in Balochistan shall generate revenue of about \$3.5 billion for the federal government and \$4.5 billion for Balochistan over the life of the mine, which is 40 years.

This information was provided to Prime Minister Yousuf Raza Gilani by a delegation of consortium of mineral exploring companies led by Aron Regent, president and CEO of Barrick Gold Corporation and Antofagasta

Minerals S.A. of Chile in a meeting at the PM secretariat here.

The PM was further briefed that the project would generate mass scale employment of about 6,500 skilled and unskilled workers, transfer of technology, promotion of downstream industries, establishment of new township in the region and would place the country on the world minerals map.

Prime Minister Yousuf Raza Gilani reiterated the government's determination to explore all possible opportunities to attract investment as well as to utilise the natural resources of the country for the economic prosperity of the people.

He informed the delegation, which intends to invest in exploration and development of Rekodiq Copper-Gold Mines project in Balochistan, that the federal government has decided in principle to fully support the consortium and expects the project would be launched at the earliest.

The prime minister directed the ministries of finance, petroleum and natural resources to hold further discussions with the consortium and to coordinate with the government of Balochistan to finalise the details. The initial investment of the consortium, which included a Canadian and a Chilean firm, would be \$200 million, which could reach up to \$4 billion as per the progress on the project.

ROYAL GOLD AGREES TO ACQUIRE 25% GOLD STREAM ON THE MT. MILLIGAN PROJECT

July 15, 2010 (FinancialPost) – Royal Gold, Inc. today announced it has agreed to acquire 25% of the payable gold produced from the Mt. Milligan copper-gold project in British Columbia from Thompson Creek Metals Company or its affiliate concurrent with the closing of Thompson Creek's proposed acquisition of Terrane Metals Corp.

Royal Gold will provide \$226.5 million at closing of Thompson Creek's acquisition of Terrane and thereafter \$85.0 million over the construction period of the Mt. Milligan project. In addition, Royal Gold will pay Thompson Creek a cash payment equal to the lesser of \$400 or the prevailing market price for each payable ounce of gold until 550,000 ounces have been delivered to Royal Gold and the lesser of \$450 or the prevailing market price for each additional ounce thereafter. Royal Gold will fund this transaction with cash on hand.

Under the Plan of Arrangement between Terrane and Thompson Creek, holders of Terrane shares will receive C\$0.90 in cash and 0.052 Thompson Creek common shares per Terrane share. The consideration implies an offer value of C\$1.41 per Terrane share based on Thompson Creek's closing price on the Toronto Stock Exchange of

C\$9.90 per share on July 14, 2010, representing a premium of 21 % to Terrane's closing price of C\$1.17 per share on the same day.

The consideration also represents a premium of approximately 35% based on the volume weighted average trading prices of Thompson Creek and Terrane on the TSX and TSX Venture, respectively, for the 20 trading days ended July 14, 2010. The total value of the consideration offered to the shareholders of Terrane is approximately C\$654 million. The transaction has been unanimously approved by the boards of directors of both companies.

Goldcorp Inc., which owns 52% of Terrane's fully diluted shares (including preference shares), has agreed to convert its preference shares into common shares and vote in favor of the Arrangement. In addition, certain officers and directors holding approximately 1.0% common shares in aggregate have entered into support agreements.

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.

CHINA BECOMES BIGGEST CONSUMER OF TUNGSTEN, MOLY AND VANADIUM

July 15, 2010 (www.steelhome.com.cn) – With rapid development of steel and ferroalloy industries, China has become the world largest consumer of tungsten, molybdenum and vanadium.

In the year 2009, China produced 50,000 tonnes tungsten concentrates ore, around 80 percent of world's turnout; produced 73,000 tonnes molybdenum concentrates ore, around 38.5 percent of world's total; produced 30,000 tonnes vanadium ore, that is 32 percent of world's total. Keeping a healthy development of tungsten, molybdenum and vanadium industries has great significance for global non-ferrous industry. Chinese government levies 10-15 percent tariff on moly-chemicals exports.

Industry experts predict that China's tungsten output will hit 51,500 tonnes in 2010, up 1.6 percent year on year. Despite of overcapacity in China's tungsten industry, enterprises continue expanding capacity in a bid to seek for bigger profit.

In 2009, China witnessed an increment of 25,000 tonnes at least in ammonium paratungstate (APT) capacity. This year, APT production will hit 130,000 tonnes, up 8.3 percent year on year.

During the first four months of 2010, China imported 8325 tonnes molybdenum, down 33 percent year on year; the export shipments during the same period realized 6251 tonnes, increasing 1.8 fold over one year earlier.

Current vanadium (V205) capacity in China is around 90,000 tonnes a year, covering around 61 percent of world's total capacity. In the first half year, China's vanadium price averaged CNY 99,000 tonnes, up 8.8 percent year on year. On the rise of steel production, vanadium demand will moderately grow up in the second half year. The cost will underpin vanadium price.

IRON ORE TUMBLES ON STEEL CUTBACKS

July 15, 2010 (*FinancialTimes*) – Investors searching for signs of a double-dip recession could do worse than look at iron ore. Prices have tumbled by more than a third in three months, as Chinese steelmakers have scaled down production.

While prices for other commodities have stabilised after sharp falls in May, as concerns about a renewed slump rose, the price of iron ore, central to the global economy because of its use as a raw material for steel, has continued to fall.

Oil and copper, for instance, have recovered from recent lows, but spot benchmark iron ore – 62 per cent iron content – has dropped 18 per cent in the past three weeks and 36 per cent from its April peak. At the same time, the Baltic Dry Index of freight costs, regarded by some as a barometer of the global economy when it plunged in 2008, has fallen 60 per cent in less than two months.

The main reason for the plunge in iron ore is that record output by Chinese steelmakers flooded the market with steel this year. China's economy, too, has been cooling as Beijing has sought to curb inflation. That has pushed steel prices down and squeezed the margins of steelmakers, many of whom are paying contracted iron ore prices significantly higher than the spot price.

Seasonal factors, such as a traditional manufacturing slowdown in China during summer rains, have exacerbated the effects of oversupply. Government measures to cool economic growth and the removal of an export rebate have hit steel production. A recent Steel Business Briefing survey showed that half of the mills surveyed expected to cut production this quarter, albeit by less than 5 percent. Figures published yesterday showed crude steel output for June, on a daily average basis, fell 1 per cent from May.

Analysts point out that apparent consumption of steel year-on-year in June was negative, in spite of the fact that end-user industries – car manufacturing and white goods, for example – rose at double-digit rates during the same period.

Indeed, in recent days, spot iron ore has stopped falling and is trading at about \$118 a tonne, close to the cost of production for some miners, while traders report increased activity on the market. Prices may come under pressure this year as some new production comes onstream, but if Chinese demand continues to rise, analysts believe the market will remain tight for years.

KOMATSU PLANS TO DOUBLE OUTPUT ON DEMAND FROM ASIA

July 16, 2010 (*Bloomberg*) – Komatsu Ltd., the world's second-largest construction-equipment maker, plans to double production this financial year to meet demand from China and Indonesia.

About 85,000 building and mining machines will probably be manufactured in the year ending March 31, compared with 44,000 a year earlier, Executive Officer Masahiro Uegaki said in an interview at the company's Tokyo headquarters. That's 60 percent higher than its outlook released in April.

Komatsu, which raised its first-half profit forecast 41 percent this month, is relying on growth in Asia and the U.S. to combat Caterpillar Inc., its larger rival. China, Komatsu's largest market, yesterday reported the fastest drop in industrial-production growth since 2008.

Komatsu set up a buying department in China in April, sending more than 20 executives and managers from Japan

to fend off competition from Caterpillar, Japan's Hitachi Construction Machinery Co. and China's Sany Heavy Industry Co.

The company raised its estimate for global steel buying for this fiscal year to about 99,000 metric tons a month from 57,000 tons, Uegaki said. About 48,000 tons of steel will be consumed in Japan every month, he said.

Komatsu buys steel from local suppliers for use in the exterior and arms of excavators sold in China, Uegaki said. Komatsu's suppliers include Nippon Steel Corp. and JFE Holdings Inc., Japan's two largest steelmakers, and Baosteel Group Corp., China's second-largest mill.

LAFARGE SELLS 11.2% STAKE IN MALAYSIAN CEMENT UNIT

July 16, 2010 (*FinanceAsia*) – France-based construction materials producer Lafarge has sold an 11.2% stake in its Malaysian subsidiary, Lafarge Malayan Cement, as part of a wider divestment programme this year. The deal, which was completed through a block trade after the market closed yesterday, was flagged as a possibility earlier this month and was preceded by a roadshow.

Lafarge offered 95.2 million shares at a price between M\$6.18 and M\$6.37 apiece, which represented a discount between 1.7% and 4.6% versus yesterday's close of M\$6.48. The final price was fixed below the mid-point at M\$6.24 for a discount of 3.7% and a total deal size of M\$594 million (\$185 million).

A source said there was good demand from long-only international investors, complemented by a few well-known Malaysian accounts. Investors were excited about the transaction partly as a liquidity event, which helped to keep the discount tight.

The deal was at least two times covered and attracted more than 25 investors, according to the source. About 95% of the demand was said to have come from long-only funds and was well diversified between Asia, Europe and the US. Aside from Malaysia, the company also visited Hong Kong, Singapore, London, Scotland and the US on the roadshow.

The company operates three integrated cement plants in Malaysia with a combined annual capacity of 13 million tonnes of cement and 8 million tonnes of clinker. Lafarge is divesting part of its assets to replenish its balance sheet following the financial crisis and after spending Eur8.8 billion to buy Egypt-based Orascom Cement in early 2008.

VALE STARTS PRODUCTION AT MAJOR PERUVIAN PHOSPHATES MINE

July 16, 2010 (*MiningWeekly*) – Brazilian diversified mining giant Vale has revealed that, following a test period, it has started production at its Bayóvar phosphates mine, in Sechura province, Department of Piura, in northern Peru, some four weeks ahead of the mine's formal commissioning on August 5.

Bayóvar, which required investments of about \$566 million, is Vale's first foray into the international phosphates market. It is a greenfields project and involved the construction not only of the mine itself and its associated phosphates concentration plant, but also of a conveyor belt system, a 32 km road and a maritime terminal.

The mine's annual production capacity is 3.9-million tons of phosphate rock, and most of its production will be exported to Brazil, to meet that country's growing demand. Vale's homeland imports some 90% of the potash and 53 % of the phosphates needed to manufacture fertilisers locally. It is forecast that some 25-million tons of fertilisers will be sold in Brazil this year.

Vale describes Bayóvar's phosphates as being of world-class quality and states that the project helps "strengthen the company's position as a major player in the fertiliser industry". Bayóvar is actually owned and operated by Vale subsidiary MVM Resources, and, early this month, Vale announced that it had sold minority stakes in MVM (and thus Bayóvar) to two other companies. These are The Mosaic Company (Mosaic), listed on the New York Stock Exchange (NYSE), and Japanese multinational Mitsui.

Mosaic bought 35% of the total capital MVM for \$385 million and Mitsui acquired 25% for \$275-million. Vale thus holds 40% of MVM's total capital and is the biggest shareholder, but has 51% of the voting shares and so controls the company and the mine. These deals give Bayóvar, Vale stated, access to technical expertise, guaranteed off-take of its output, and improved product distribution.

COPPER-MAJOR MARKET DEVELOPMENTS IN JUNE

July 16, 2010 (*Reuters*) – Global copper prices may head lower as inventories rise in line with slowing demand over the northern hemisphere summer, but the market's fairly robust fundamentals will limit the downside, analysts say.

"Stocks will rise in the summer. There's no enthusiasm on the upside and rallies will be sold into," independent consultant Angus MacMillan said. "We could see a break on the downside, but I don't think it will be long lasting," said Credit Agricole analyst Robin Bhar, adding that a lot of the bad news was already in the price. He said prices might fall to \$6,000 or slightly below there for a time.

Neil Buxton, managing director of GFMS Consulting, still saw reasons to be bullish about copper's prospects, particularly due to shortfalls in mine supply. But he said there was some concern that refined output in China was rising more quickly than expected, which could curb future Chinese imports of the metal.

Buxton said he expected the copper market to be in a 161,000 tonnes surplus this year.

POSCO ACQUIRES 24.5% STAKE IN AUSTRALIAN IRON ORE

July 16, 2010 (*Arirang.co.kr - Korea*) – POSCO the world's third-largest steel maker is set to acquire a 24.5 percent stake in Australian premium iron ore for 162 million US dollars.

POSCO whose board approved the acquisition plan Friday has earmarked around 830 million dollars this year for purchasing mines around the world to secure a stable supply of iron and coal.

The investment will be made in Pilbara located in western Australia and is expected to boost POSCO's iron ore self-sufficiency to 34 percent from 18 percent and supply around 10 million tons of the commodity starting in 2014. Last year POSCO overtook Nippon Steel to rank as

the world's number three steel maker following ArcelorMittal and Baosteel and plans to double its raw material self-sufficiency to 50 percent by 2014.

FITCH PREDICT NEAR-TERM BASE METALS DOWNSIDE, BUT SECTOR OUTLOOK STABLE

July 16, 2010 (MineWeb) – A special Fitch Ratings report released Thursday foresees a likelihood of slowing global metals demand beginning in the third quarter and continuing into the beginning of next year. Fitch expects global metals demand to be more dependent on growth in developed economies in the next recovery phase.

The industries critical to base metals consumption—construction, automotive, and capital goods—remain weak in most industrialized regions. "Fitch expects volatility, with the bias toward improving prices from current levels and margin expansion over the next 12-18 months in supply-constrained or supply disciplined markets," Fitch analysts predict. "The rating outlook for the sector is stable," the analysts forecast. "First-half results should strengthen but third- and fourth-quarter results could show reasonable weakness."

Fitch expects copper consumption to grow an annual average of 2.0%-2.5% over the next 24 months. In the U.S. copper consumption is expected to grow 3%-5% annually over the next 18 months despite years of declines. Copper production from mines is forecast to be up 3% in 2010 and result in fairly balanced markets, according to Fitch.

Fitch predicts that aluminum demand and supply will continue to show a persistent surplus. As global demand

declined 3.5% to 36.1 million metric tons last year production fell 6.7% to 36.6 million mt, creating a surplus of 587,000 mt of aluminum for the year.

Fitch expects stainless steel production to continue to grow, but to remain below 2006 levels for the next 18 months. The analysts note that 20% of nickel mine capacity was idled by mid-2009. Meanwhile mine supply is further constrained by "grade declines and increasing cost at aging sulfide deposits."

"Fitch believes the nickel market will be fairly balanced over the next 18-24 months with supply disruptions resulting in stock draws," the analysts said. "While current prices are above the marginal cost of nickel production (estimated at \$6.50/lb), producers may need long-term prices in excess of \$7.50/lb to bring on new laterite production."

Fitch expects excess zinc capacity to persist for the next 24 months "but supply discipline to result in fairly balanced markets, with any strength in demand to result in increased production." "Longer-term, low investment rates may result in capacity tightness and prices will need to incentivize development," the analysts advised.

ZINC-MAJOR MARKET DEVELOPMENTS IN JUNE

July 17, 2010 (Reuters) – The fundamentals of the global zinc market remain poor and prices will fall further to reflect this, some analysts say. "The fundamentals are awful and as we move through the summer I see more downside potential for prices," said independent consultant Angus MacMillan. He expected prices to fall to \$1,600 a tonne, and possibly further to \$1,500, where he anticipated good support.

Giles Lloyd of industry consultants CRU Group said he expected \$1,500 to act as a floor to prices, with declines to

that level prompting sizeable production cuts, particularly at high cost mines in China. Previously, CRU had thought prices could fall as far as \$1,100 before that would happen.

But Neil Buxton, managing director of GFMS Consulting, was less certain that prices would fall further. Nevertheless he still expected inventories to accumulate further on rising production and uninspiring demand.

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. Presenters will be senior Behre Dolbear staff from a number of global offices.

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

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 August 1, 2010: US\$1,250
- Payment received after August 1, 2010: US\$1,500

You may sign up by writing Jody Courtney at JodyCourtney@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

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