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Global Mining News

NO PLAN TO CURB INDIA IRON ORE EXPORTS NOW: OFFICIAL

July 19, 2010 (Reuters) – India has no plans to curb iron ore exports, a senior government official said on Monday, easing concerns of an imminent hike in export duty. "At the moment there is no such formal proposal," said the official, who is close to formulating policies in the mining sector and who declined to be named.

"After the last hike (in April), there is nothing on the table." Steel Minister Virbhadra Singh said last Friday India's export tax on iron ore should be raised to at least 20 percent, as more of the non-renewable resource should be conserved for domestic steelmakers.

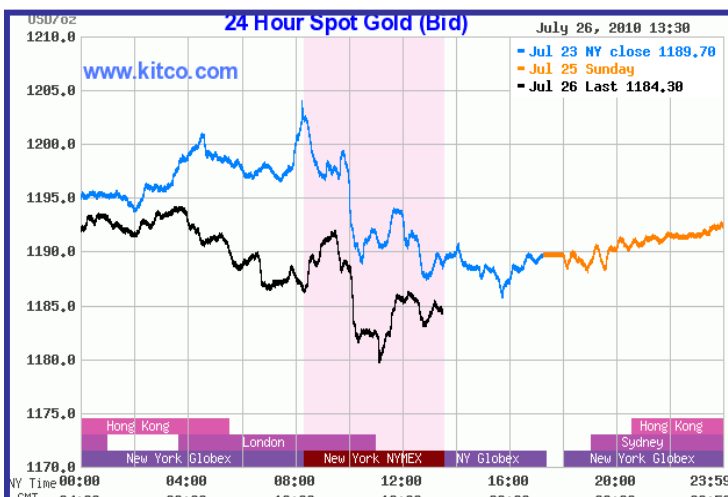
However, an iron ore analyst with a foreign institutional investor said the possibility of a hike in iron ore export taxes in future could not be ruled out. The analyst said iron ore fines could also be subject to an upward revision, although the government is unlikely to cease exports altogether.

India's steel industry has been lobbying for curbs on iron ore exports so that more of the resource is available to them at low prices. India last raised the export duty on iron ore lumps in April to 15 per cent from 10 percent. Last December, it introduced a 5 per cent export duty on iron ore fines.

The government official said curbs on iron ore fines, the powdery byproduct of mining iron ore lumps, was not feasible due to a lack of demand in the domestic market.

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USD	JULY 23, 2010	JULY 16, 2010
GOLD	1,190.50	1,189.25
SILVER	18.1700	18.2500
PLATINUM	1,541.00	1,512.00
PALLADIUM	460.00	456.00
ALUMINUM	0.9110	0.9110
COPPER	3.1729	3.0164
LEAD	0.8757	0.8115
NICKEL	9.2442	8.7181
URANIUM	41.75 (07/19/10)	41.50 (07/12/10)
ZINC	0.8577	0.8165

Over 70 per cent of India's iron ore exports comprise fines that are mostly bought by China, which has the technology to blend it with high-grade ores procured from Australia and Brazil. "We feel if there is a complete ban there may

not be full utilisation of the fines and that could lead to other problems," the official said.

PINERA TO INSIST ON NEW CHILE MINING ROYALTY - REPORT

July 19, 2010 (Reuters) – Chilean President Sebastian Pinera vowed to keep working to revamp mining royalties after Congress rejected a government plan to do so, according to an interview published in El Mercurio newspaper on Sunday.

Earlier this month, lawmakers rejected a royalties reform aimed at raising up to \$1 billion to help pay for rebuilding after a massive earthquake. "I hope to be able to find fertile ground for reaching an agreement on the royalty issue, because I feel the mining industry is enjoying an extraordinary boom in prices and profits these days," Pinera was quoted as saying. The mining sector "has to contribute more to the country's reconstruction and development," the president said.

Pinera took office in March in the world's largest copper-producing country, forcing the center-left Concertacion coalition out of power after 20 years. But it was the center-left that rejected his plan to temporarily increase mining royalties, saying such a reform should be permanent.

Pinera described their opposition to the government proposal as "incomprehensible."

Although global miners such as BHP Billiton and Xstrata were spared paying higher taxes immediately, they could face tougher terms once their royalty contracts expire and need extending by Congress. Most current royalty contracts expire in 2017.

The government had wanted to raise royalties by replacing the current fixed rate for a sliding rate that varies depending on the companies' margins in exchange for extending a tax freeze for eight years. Pinera will likely be forced to tap copper boom savings held abroad or issue more debt to plug the financing gap, which the government has warned could pressure the peso currenc

IVANHOE ADDS MORE LENDERS FOR MONGOLIA PROJECT

July 19, 2010 (The Canadian Press) – Ivanhoe Mines Ltd. has added three more lenders – including Export Development Canada – to a group arranging a debt financing package worth up to \$2-billion for the Oyu Tolgoi copper and gold mining project in Mongolia.

The company said Monday that the agreement also includes Paris-based BNP Paribas and London-based Standard Chartered, and marks a key step in the process of securing a financing package for the property. Previously, both the European Bank for Reconstruction and Development and the International Finance Corp. had agreed to involvement in the project.

Ivanhoe Mines said it expects the financing to close in the first quarter of 2011. Under the agreement, the IFC and

EBRD could provide as much as \$600-million (U.S.) combined, while EDC has considered offering as much as \$500-million. In total, Ivanhoe said it needs about \$4.6 billion to pay for initial capital costs.

The company did not provide details on other lenders, and said that it's in discussions about other financing options for the rest of its capital requirements. "The five financial institutions have indicated that they are prepared to consider providing limited recourse loans that would total more than \$2-billion," said Ivanhoe's executive chairman officer Robert Friedland in a release.

ANGLOGOLD ASHANTI GET ENVIRONMENTAL BOOST FOR TROPICANA GOLD MINE

July 19, 2010 (Platts) – Western Australia's Environmental Protection Authority has recommended AngloGold Ashanti's A\$700 million (\$608 million) Tropicana open-cut gold mine project receive formal environmental approval. The EPA has recommended the state's Minister for Environment Donna Faragher approve the project, the authority said in a statement Monday. The project would then require federal ministerial approval before construction could commence.

The Tropicana a 70:30 joint venture between AngloGold Ashanti and local resource developer Independence Group NL comprises 13,000 sq km of tenements located approximately 330 km east northeast of Kalgoorlie on the western edge of the Great Victoria Desert. Results of a bankable feasibility study are expected in the December

quarter, according to IGO. The project has a certified resource of 75.3 million mt at a grading of 2.07 grams/mt for 5.01 million oz of gold, IGO said.

EPA Chairman Paul Vogel commended the JV for the measures it had undertaken to advance the environmental assessment process. "A number of conservation-significant fauna have been recorded in the area, however the EPA considers that the proposal is unlikely to have a significant impact and the risk of fauna mortality due to open pipeline trenches during construction of the water pipeline and communications link can be managed," Vogel said in a statement.

BARCLAYS PREDICTS HIGHER PRICES FOR COPPER, TIN AND LEAD

July 20, 2010 (MineWeb) – Barclays Capital Commodities Research suggests "there is a clear fundamental signal for even higher prices" for copper, tin and lead, while Barclays analysts downgraded their price expectations for aluminum and zinc.

"In precious metals, we expect many of the dynamics that are currently in play to continue to take centre stage in 2011," Barclays analysts forecast in their most recent edition of Metals Magnifier. Barclays expect the implied physical gold balance to improve this year and next as mine supply grows at a slower pace, but scrap supply eases from its record 2009 high.

Meanwhile, silver prices continue to ride on the positive sentiment towards gold. Barclays continues to expect a market surplus in silver this year and next, "driven by both an increase in mine output and scrap supply."

In their analysis, Barclays said they expect many of the fundamental trends for platinum in 2010 to continue into next year, "setting the scene for another year in deficit; however, the most significant swing could come from ETP flows, which we forecast to slow yet remain positive next year." Barclays analysts said palladium was the weakest performing precious metal in June.

"Copper mine production growth is likely to struggle, which suggests there will have to be large draws in metals inventories to keep up with even a modest rate of demand growth," they forecast. "As such we see the potential for copper prices to reach a new record high."

Meanwhile, lead mine supply looks tight going into next year, "so without another large jump in secondary production, which we see as doubtful, refined production growth will be constrained," the analysts predicted.

"The outlook for aluminum prices is relatively benign with excess smelting capacity, and ample raw material supply pointing to strong production growth, while costs will provide downside support," they advised.

Barclays downgraded its price expectations for zinc next on the basis of stronger refined production. They also see "short-term softness for nickel as stainless demand wanes, but this will be temporary as the supply-demand balance improves through 2011. Mine supply growth looks likely to be weak since we are not optimistic about high pressure acid leach projects."

CHINA'S ZIRCON DEMAND BACK AT PRECRISIS LEVELS – ILUKA

July 20, 2010 (*miningweekly.com*) – ASX-listed Iluka Resources almost doubled its interim sales revenue as demand for mineral sands picked up. Mineral sand sales jumped to A\$378.4-million, or 98%, in the half-year ended June 30, compared with the first six months of 2009.

The recovery in the demand for zircon reflected a rebound in Chinese demand, to preglobal economic crisis levels, as well as a recovery in European and a robust North American demand. Iluka is the world's largest supplier of zircon and holds a 35% market share in China.

The company's zircon sales volumes for the first six months of 2010, had increased nearly fourfold to 205,400 t, while rutile sales volumes were up threefold to 101,600 t. The zircon sales to date exceeded the production at around 163,200 t, and have led to a drawdown of inventory as well as the sale of the final product from the now defunct Western Australian mining operations.

Production from the newly ramped-up Murray Basin stage two, and the Jacinth-Ambrosia projects did not contribute towards the sales volumes, as the projects only came on

stream towards the end of the June quarter. Iluka noted that zircon production for the six months to June, was 1% lower at 163,200 t, while rutile production was 60.9% higher for the half-year, topping 102,200 t.

Synthetic rutile production during the interim period decreased to 173,900 t, which reflected the decision to idle two synthetic kilns during 2009. However, the mineral-sands miner noted that an improved throughput at the Western Australian synthetic kiln enabled higher-than-forecasted production during the first half of the year.

Looking ahead, Iluka noted that the constrained supply of both zircon and high-grade titanium dioxide products would exert a "significant" influence upon market dynamics, as macromarket demand for mineral sands was shaped by global and regional growth patterns.

PEABODY'S 2Q PROFITS SOAR WITH ASIAN DEMAND STRONG

July 20, 2010 (*Associated Press*) – Peabody Energy's second-quarter profit more than doubled, the miner said Tuesday, easily topping most expectations thanks to strong demand for the high-margin Australian coal that Asia needs to feed its booming steel industry. The world's biggest private-sector coal producer also offered a rosy outlook for the rest of this year, saying it would capitalize on rising volumes and strong pricing.

Peabody, which fuels roughly one-tenth of all U.S. electricity generation and more than 2 percent worldwide, said its net income rose to \$206.2 million, or 76 cents per share, in the April-June period. That's up from \$79.2 million, or 29 cents a share, a year earlier. Like other miners, Peabody has pushed aggressively to broaden production in Australia – home to sizable reserves of metallurgical coal that is used to make steel.

Peabody's earnings are closely watched because the company usually is the first of the sector's big players to report each quarter, giving analysts a snapshot of the

industry's health, including its outlook for demand for thermal coal used in electricity generation. And the industry's fate continues to point to China.

On Tuesday, the International Energy Agency said China had overtaken the United States as the world's top energy consumer, a position that the United States has held for a century. China immediately called the report unreliable, but the nation's economic growth and the energy required to fuel that growth has been astonishing.

The IEA report suggested China's energy consumption has more than doubled in less than a decade, driven by manufacturing and steel production. More Chinese consumers are wired to the grid, able to afford air conditioners and buying electronics that in past have been out of economic reach.

COMMODITIES DEMAND STAYS ROBUST ON ASIAN GROWTH

July 20, 2010 (*miningweekly.com*) – Despite the global economic crisis and its impact on the mining sector, the world was still experiencing a commodity supercycle, with continued strong materials demand and intensive growth in emerging economies, especially in China and India, South African Chamber of Mines chief economist Roger Baxter said on Tuesday.

He told delegates at an IHS Global Insight conference in Johannesburg that the demand for commodities would continue to grow as these emerging economies, as well as many African economies, urbanise and industrialise, which was unlikely to come to an end in the short-to-medium term.

China and India were likely to spend up to \$20-trillion on infrastructural projects over the next decade, projects for which they would require commodities. Simultaneously, there were still constraints in the commodity mining supply pipeline, including the approval of permits, a lack of skills, power constraints and rising input prices, among other things.

Africa could be the next major minerals frontier, with the on site mineral resources in South Africa alone amounting

to about \$2.5-trillion, or R18-trillion, Baxter pointed out. However, to take advantage of this potential, many African governments would still have to do a lot of work to improve the attractiveness of their mineral policies, said Baxter.

Meanwhile, IHS Global Insight Steel Service director John Anton, warned miners which supply product to the steelmaking industry, that they should not base new investment decisions on the prices achieved in the first half of this year.

Mining companies should rather base their investment decisions for new mines and operations against the prices achieved between 2004 and 2007, as commodity prices would likely be sustained at these levels going forward.

Anton further pointed out that the underlying fundamentals for the steel industry were still strong, with steel consumption expected to increase by about 40% by 2020. This would require more investment in iron-ore, copper and aluminium supply, he said.

CHINA URGES US NOT TO POLITICISE STEEL PROJECT

July 21, 2010 (*South China Morning Post*) – The Chinese government has stepped up its criticism of efforts by US lawmakers to block Anshan Iron & Steel's (Angang) proposed investment in a steel project in America, branding them protectionist. Yao Jian, a spokesman for China's Ministry of Commerce, said politicising a normal commercial deal was tantamount to protectionism.

In mid-May, Angang, China's fourth-largest steel group, announced plans to invest in privately owned US company, Steel Development Corp (SDC). But Angang's proposed investment raised a storm in the US, and in early July a group of 50 US lawmakers called for an investigation into whether the Chinese investment in the US steel sector should be blocked on national security grounds.

Angang has the option to hold as much as a 20 percent stake in SDC, a start-up firm that is building what the company calls a state-of-the-art facility melting steel scrap for new production in Amory, Mississippi. Industry sources

estimate the cost of the plant at between US\$150 million and US\$175 million.

Angang has been very clear about the reasons for its interest in the project. "It is in line with Angang's overseas expansion strategy and the ambition to be involved in global competition in terms of high-end technology," Li Xinchuang, president of the China Metallurgical Industry Planning & Research Institute, said.

Ironically, the Mississippi state government has said it will offer subsidies to the new Amory steel plant. SDC said less than 20 per cent of its total investment came from Angang. Since the new facility will produce less than three-tenths of one per cent of the total US market for concrete reinforcing bar steel, "the promotion of national security fears due to the Angang investment is, at best, difficult to rationalise", SDC said.

CHINA BUYING THE GLOBAL STRATEGIC METALS FARM

July 21, 2010 (*MineWeb*) – Not so many years ago, the U.S. used to hold a vast strategic metals stockpile to make sure supplies were available for the country's defence programmes. But with the end of the Cold War and as global tensions seemingly reduced, this was no longer felt to be necessary and, at the instigation of Congress in 1992, the stockpile has now largely been run down. Much political capital has been made of the \$7 billion of sales from the stockpile over the years and a stockpile disposal program continues to this day. But perhaps the full stockpile concept should be re-examined given a potential long-term threat to supplies posed, in particular, by Chinese control of an ever-increasing proportion of global supplies of metals and minerals?

To an extent this fear of lack of access to key supplies has been brought home by Chinese control of the rare earths element sector where an earlier aggressive sales initiative by the Chinese effectively drove non-Chinese producers out of business leaving the country in control of around 90% of global production.

Given that virtually all Chinese companies are controlled by the state, and the state has this huge surplus of what they see as a declining asset - the U.S. dollar - there is an enormous push from the top to move some of this huge surplus of U.S. dollars into solid assets. And the global mining sector is the Asian giant's biggest target as it not only can give it a stranglehold on key, potentially-appreciating assets (against the U.S. dollar at least), but can also secure supplies for its ever increasing manufacturing sector.

But China may not be the only threat to global metals and minerals supplies. India currently has a population of

around 1.2 billion and may soon overtake China as the world's most populous country. It is already beginning to tie down global supplies of strategic metals and minerals, but as it doesn't have China's financial clout is very much in second place in this respect.

China has no reason to rock the boat at the moment. It is doing very well thank you as it controls ever more of the world's supplies and takes manufacturing away from the world's former leaders. The U.S. owes its world dominance to its success as an industrial power as a wealth generator, but this position is now rapidly being eroded in favour of the Chinese.

Of course the ultimate outcome will be that China, given it continues to follow its current path, will become totally dominant as an industrial nation leaving the former leader, the U.S., trailing in its wake as the U.S. in its turn did with the old European industrial economies.

So, maybe the U.S. should return to stockpiling key metals and materials as it did during the Cold War - but to meet the China challenge in this respect, the stockpiles would need to be bigger, and even more comprehensive than in the past, and it is doubtful if any U.S. Administration nowadays has either the will, or the money, to do this. The world order is changing and there seems little the West can do about this but hope China uses its seemingly inevitable ultimate dominance for the global good.

AUSTRALIA A PROBLEM CHILD FOR INVESTORS DUE TO TAX

July 21, 2010 (*Reuters*) – The conditions look ripe -- debt markets are up, companies' valuations soft -- but foreign private equity firms eyeing deals in Australia may now have to put their plans on ice as general elections loom and a controversial tax on profits remains unresolved.

"Australia is one of a few Asian countries that are now considered problem children for foreign investors," because of the uncertainty over the tax regime, said Mark O'Reilly,

a senior partner at PriceWaterhouse Coopers, who advises buyout firms on tax issues. "Private equity managers looking to invest funds in Australia are in a bit of a state of limbo in relation to what is an appropriate structure and tax outcome," he said.

Foreign buyout firms, and the pension funds and sovereign wealth funds that invest in them, risk being taxed at a much higher rate on profits made in Australia after the tax office

issued two draft rulings in December. One proposed taxing gains from asset sales as income at the 30 percent company tax rate, instead of classifying them as capital gains, which are tax-exempt.

The tax office was ready to issue final rulings in May, but put that on hold until a government review was completed. The review is unlikely to be finished before the

August 21 election. Tax experts said it could be six months before a new government revisits the tax proposals.

A spokesman for Assistant Treasurer Nick Sherry, whose office was conducting the review, said the government was still consulting on the impact of the tax office rulings.

RUSSIA'S EN+GROUP, RENOVA WANT TO DEVELOP MONGOLIAN COAL DEPOSIT

July 21, 2010 (RIA Novosti) – "We support new suggestions from the consortium to the working group of the Mongolian government on the integrated development of the deposit," Levitin said in a statement. Tavan-Tolgoi is one of the largest coal deposits in the world, with reserves of nearly 6.5 billion tons of coal, including 40 percent of high-calorie coke-coal.

The Mongolian government wants to privatize Erdenes-Tavantolgoi company, the Tavan-Tolgoi developer, by selling 30 percent to foreign investors, 10 percent to households and a further 10 percent to Mongolian businessmen at a nominal value. Half of the shares will stay with the government.

In 2009, the Mongolian government transferred 50 percent of Ulan-Bator Railway (UBR) shares to RZhD for a five-

year trust management. UBR's priority project is the construction of a 1,100 kilometer railway link between Tavan-Tolgoi and the Russian border.

Levitin said that the railroad would help transfer coal from the deposit to Russia's sea ports in the Far East. In February, the Mongolian government cancelled an auction to sell 49 percent of Tavan-Tolgoi and decided to retain full control over the deposit.

Auction bidders included BHP Billiton, India's Jindal, Brazil's Vale, U.S. Peabody, China's Shenhua, and a consortium of South Korea's COPEC and Russian-Mongolian Infrastructure Development company.

FOCUS: 'EDUCATED' COPPER MAY BE LOOKING AT DIFFERENT GLOBAL DEMAND PICTURE

July 22, 2010 (Kitco News) – Copper futures prices are trading at their highest levels in two months in London and New York, with tightening spreads, a lower dollar and falling warehouse stocks lifting prices.

The strength in copper is fanning across all base metals, from aluminum to zinc. Analysts cited several reasons for the gains: global demand recovery, a fall in mine supplies and to an extent, arbitrage between different exchanges. Generally positive earnings reports by miners and the overall equities market is also giving copper prices a lift.

"Dr. Copper" appears to be telling the world the economy is growing. Barclays Capital said the recovery in global demand is one of the drivers of price strength, even though the pace of demand recovery has slowed. The bank said in a research note Thursday that demand volumes for most metals are back above pre-downturn levels.

The market is talking about the amount of arbitrage happening between the various base metals futures exchanges, which is leading to backwardation – where the nearby prices are higher than deferred. A sharp backwardation on the Shanghai exchange for copper has led to Chinese buying of LME copper, which is lifting Asian warrant premiums and is probably why there's a rise in deliveries out of Asian LME warehouses, the bank said.

Stocks of base metals in approved warehouses are falling in general, but before investors try to extrapolate strong demand for copper to all base metals, Barclays points out they're not all made of the same stuff.

Barclays is bullish on copper longer-term. They have an average price in 2011 of \$7,753 compared to an average of \$6,752 in 2010.

GLOBAL X FUNDS TO UNVEIL WORLD'S FIRST LITHIUM ETF

July 22, 2010 (Reuters) – Global X Funds said Thursday it will unveil on Friday the world's first lithium exchange-traded fund in shares of the largest and most liquid lithium battery producing and mining and refining companies.

"The Global X Lithium ETF is an efficient way to invest in what we refer to as a "green" commodity because of its direct correlation to the renewable energy market such as electric cars and energy storage," said Bruno del Ama, CEO of Global X Funds in a press release.

Lithium is expected to be in increasing demand as carmakers look to costly but more efficient lithium-ion batteries to power hybrid and electric vehicles. The new lithium ETF will trade under the ticker symbol on the New York Stock Exchange.

It is based on the Solactive Global Lithium Index, which is designed to reflect the performance of the largest and most liquid lithium battery producing and mining and refining companies in the world. The ETF consists of 20 different companies, with a market capitalization of \$29.8 billion.

As of July 13, 51 percent of the index was made up of lithium battery manufacturers, with the rest comprised of lithium mining and refining companies. The top three holding were lithium producers SQM from Chile, FMC Corp and Rockwood Holdings from the United States.

WUHAN IRON & STEEL SNAPS UP VENEZUELAN ORE

July 22, 2010 (english.peopledaily.com.cn) – Wuhan Iron & Steel Group, China's third-biggest steelmaker, will buy iron ore from Venezuela at a long-term contract price this year, paving the way for a "China Price" separate from what the big three global miners are charging.

The price of iron ore from Corp Venezolana de Guayana (CVG) for 2010 will be \$20 per ton lower than what Vale is charging in the third quarter, saving at least 400 million yuan (\$59 million) for Wuhan Steel this year, the company said in a statement on its website on Wednesday.

"This is the first-ever contract under the 'China Price' and we hope to apply this to other countries to diversify our resource supplies," said Bai Fang, Wuhan Steel's spokesman. "The iron ore is 65 percent ore content, and we expect this year's imports from CVG will surpass last year," he said. The average cost of ore arriving at Wuhan Steel's plants was 668 yuan (\$99) per dry ton in 2009, lower than the spot market price, Wuhan Steel said.

Wuhan Steel has been seeking to invest in more overseas iron ore assets to cut reliance on expensive imports. "We aim to be self-sufficient in iron ore supplies in three to five years," Deng Qilin, chairman of Wuhan Steel, said in March.

The Wuhan-based company acquired a 21.52 percent stake in Brazilian iron ore mining company, MMX Mineracao e Metalicos SA, for \$400 million last year.

The company also received approval from the Australian government for a A\$271 million (\$249 million) investment in Centrex Metals Ltd in November, and for a 60 percent stake in the iron ore rights of five Centrex projects in South Australia that could contain up to 2 billion tons of resources.

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GOVERNMENT PLACES STRESS ON 'NATIONAL INTEREST' AS INTERIM IRON-ORE DEAL IS ANNOUNCED - SOUTH AFRICA

July 22, 2010 (*miningweekly.com*) – The South African government moved on Thursday to further shift the emphasis in the ongoing dispute between Kumba Iron Ore (KIO) and ArcelorMittal South Africa (AMSA) beyond the realm of corporate and legal rights, to one that was also sensitive to South Africa's national interests.

The State's bid to influence the tone of the discussion began in earnest last Friday, when Trade and Industry Minister Dr Rob Davies made a public offer to mediate in the escalating conflict - this after AMSA threatened to shut capacity and retrench up to 4,000 of its 10,000 workers should KIO proceed with a pay-and-take pricing model as from August 1.

However, Engineering News Online understands that government and the governing African National Congress have, for some time, been considering ways to intervene, particularly owing to the fact that the dispute had the potential to undermine government policies in the area of minerals beneficiation and industrialisation.

That opportunity arose when the tussle threatened to spill over beyond the steel industry at the very moment when government had reached internal alignment around its developmental goals in the area of steel pricing - a process that seemingly was given impetus by public disquiet over the Department of Mineral Resources (DMR) decision to

grant prospecting rights at Sishen to a little-known, yet well-connected, resources company.

In a statement issued jointly by Davies, Shabangu and Patel on Thursday, government moved to reinforce its position, which was reportedly also canvassed at the Cabinet *lekgotla*, by noting that an interim pricing resolution between AMSA and KIO had not resolved "critical issues arising from the dispute".

AMSA would pay a fixed \$50/t of iron-ore delivered to Saldanha Steel, and \$70/t for iron-ore delivered to AMSA's inland plants. AMSA would be entitled to purchase a maximum of 520 000 t/m, with a maximum of 125 000 t/m for Saldanha Steel. Any additional tonnage would be procured at the prevailing spot price, based on export parity prices.

Mining Weekly Online understands that government will consider attaching conditions to the eventual granting the Sishen mineral rights, insisting that the iron-ore is used to support a competitive steel industry, which, in turn, passes these benefits on to steel consumers. Also under consideration, is the imposition of export taxes on locally-mined iron-ore to further encourage beneficiation.

SAUDI ARABIA IRON-ORE MINE TO COST \$1.9BN – LONDON MINING

July 22, 2010 (*miningweekly.com*) – Aim-listed London Mining and its joint-venture (JV) partner in the Wadi Sawawin iron-ore project, in Saudi Arabia, National Mining Company (NMC), would, over the next six to 12 months, jointly seek funding of \$1.9-billion in capital expenditure (capex) required to build the project.

The iron-ore miner announced on Thursday that an updated bankable feasibility study (BFS) had shown that the project could be developed at \$100-million less than the previously anticipated \$2-billion. This reduction in project capex and an increase in the long-term price forecasts for the mine's product had positively influenced its internal rate of return (IRR) to in excess of 13%.

The JV partners were planning to develop the openpit project into a five-million-ton a year iron-ore mining and

pelletising operation to produce direct reduction (DR) pellets for use by DR iron (DRI) steel plants in Saudi Arabia.

Further, the BFS had also shown the potential to further improve the project's IRR through a third-party provision of power, desalination and port facilities, as well as through an expansion of the project to ten-million tons a year. The project's IRR could increase to 15%, if the power and desalination plant infrastructure, which was forecast in the BFS to cost about R300-million, were provided by a third party.

Also, should the mine output double to ten-million tons a year, the project IRR would improve to 18%. The iron-ore miner had initially expected to be able to secure funding for

the project by the end of this year, with production to start in the second half of 2013.

Further, it said that NMC planned to raise the financing through a combination of local sources, commercial debt

and the provision of offtake arrangements in exchange for an equity stake.

COPPER CAPS BIGGEST WEEKLY GAIN IN FIVE MONTHS ON DROP IN WORLD STOCKPILES

July 23, 2010 (Bloomberg) – Copper rose for a fifth straight day, capping the biggest weekly gain since February, as shrinking inventories signaled an improved outlook for demand.

Stockpiles tracked by the London Metal Exchange have dropped for 22 straight weeks, the longest slide since 2004. Bookings to remove metal from warehouses increased 15 percent this week, the most in two months. Inventories also contracted in China, the world's biggest user of the metal.

“Supply dynamics look quite tight over the next couple of years, so we'd expect to see a growing deficit eating progressively into current stock levels,” said Nic Brown, an analyst at Natixis Commodity Markets Ltd. in London.

The metal also gained this week as equities rallied, signaling rising optimism for global growth. The MSCI

Word Index of shares was up 1.9 percent this week through yesterday. “The falling inventories have been the driving force for prices,” said Wayne Atwell, a managing director at Casimir Capital in New York.

Copper has dropped 4.8 percent this year on concern that growth will slow, limiting demand for metal, because of China's moves to cool its economy, Europe's sovereign-debt crisis and high U.S. unemployment. “After the recent bounce, there may yet be some setbacks, but we would see any corrections as good buying opportunities,” Brown of Natixis said.

PERU SAYS DOE RUN FAILED TO SUBMIT GUARANTEES

July 23, 2010 (Reuters) – Peru's mining ministry said on Friday that Doe Run Peru has failed to submit proof it has financial guarantees that will allow it to reopen its sprawling metals smelter. The La Oroya plant has been shut for the past year, ever since the company slipped into financial difficulty and could not longer buy minerals to put through its furnaces.

The government had told the unit of U.S. based holding company Renco to provide evidence on Thursday showing

it has the necessary financing lined up to meet a July 27 deadline to restart operations and resume a stalled environmental cleanup program.

President Alan Garcia's administration has threatened to liquidate the plant if the deadline is not met. But Garcia would face political fallout if the plant is permanently shut as it employs thousands of people.

Did You Know:

Gold helps save lives on the nation's roads. More than 30 million automobiles are equipped with air bag systems that have gold-coated electrical contacts to ensure that the system will work flawlessly for the life of the car.

GRUPO MEXICO PLANS TO UNITE SOUTHERN COPPER, ASARCO

July 23, 2010 (Reuters) – Mexico's Grupo Mexico said on Friday it planned to combine its Arizona-based miner Asarco with its Latin American mining operation to cut costs, after pulling the U.S. miner out of bankruptcy last year.

Combining Asarco with Southern Copper would increase savings between the two units and give Southern Copper shareholders exposure to Asarco's growth potential, Grupo Mexico said in a regulatory filing. Grupo Mexico owns all of Asarco and 80 percent of Southern Copper. The plan assigns a \$6 billion value to Asarco.

Santander analyst Victoria Santaella wrote in a note to clients that Southern Copper's minority shareholders may not benefit from combining Asarco and Southern Copper, one of the world's biggest copper producers. "We believe that this is negative for Southern Copper's stockholders ... as the price of the transaction is very high, and the combination dilutes the good assets of Southern Copper with Asarco's mediocre assets," Santaella wrote.

Grupo Mexico paid more than \$2.5 billion to regain control of Asarco last year after the company, which Grupo Mexico originally acquired in 1999, went bankrupt due to environmental claims. Under the plan, Southern Copper shareholders would trade in their stock for shares in Americas Mining Corporation (AMC), a Grupo Mexico subsidiary controlling Asarco.

After the merger, Southern Copper's minority shareholders would have a 17-percent stake in AMC and the rest would be owned by Grupo Mexico. Packaging Asarco with Grupo Mexico's other mining assets in a publicly listed company sheds the first light on the value of Asarco after its bankruptcy saga, analysts said.

Santander's Santaella said she valued Asarco at around \$3.4 billion. Mexico City-based Ixe brokerage analyst Rodrigo Heredia put Asarco's value at about \$5 billion.

CHINA'S DOMESTIC IRON-ORE PRODUCTION RISES TO RECORD IN JUNE, HSBC SAYS

July 23, 2010 (Bloomberg) – Iron ore production in China, the world's largest consumer of the commodity, rose to a daily record last month, helping steelmakers cut imports, according to HSBC Holdings Plc.

Daily output reached 3.4 million metric tons last month, HSBC analysts led by Daniel Kang said in a report dated July 21. That's equivalent to an annualized output of 384 million tons of concentrate with 63 percent iron content, compared with last year's 238 million tons, the report said.

China is ramping up domestic production to help cut its reliance on imports from Vale SA, BHP Billiton Ltd. and Rio Tinto Group, which account for three quarters of global trade. The domestic iron ore industry is profitable if prices exceed 1,000 yuan (\$148) a ton, HSBC said.

Iron ore prices at Tangshan, Hebei province, have risen for seven of the past eight days. Prices are up 13 percent to 1,130 yuan a ton from the 1,000 yuan a ton price reached on July 2, a four-month low, according to Beijing Antaika Information Development Co. The price is for ore with 66 percent content.

China's Ministry of Land and Resources has set a target of 1,100 million tons of domestic ore production by 2015, up 25 percent from 875 million tons last year, HSBC said. China Vanadium Titano-Magnetite Mining Co., the second-largest operator of iron ore mines in Sichuan province, rose 11.2 percent, the biggest gain since its listing last October, to close at HK\$2.77 in Hong Kong trading.

RUSSIA SAID TO CONSIDER BUYING NORILSK NICKEL STAKE AMID OWNERSHIP BATTLE

July 23, 2010 (*Bloomberg*) – Russia is considering buying a stake in OAO GMK Norilsk Nickel, the country's biggest mining company, amid an ownership battle between two of its largest shareholders, three people familiar with the matter said.

The government has approached Norilsk shareholders about buying a stake in the Moscow-based company, said the people, who declined to be identified because the talks are private. Oleg Deripaska, the biggest shareholder in United Co. Rusal, has discussed selling Rusal's 25 percent stake to state-owned companies, one of the people said. Two of the people said talks concern other shareholders' stakes, not Rusal's.

President Dmitry Medvedev held talks in January 2009 with Deripaska and Vladimir Potanin, whose Interros Holding Co. owns 25 percent of Norilsk, on proposals to create a merged commodity producer from six Russian companies. The plan was abandoned a month later. Deripaska and Potanin are now involved in a dispute over the composition of Norilsk's board.

"Quite a lot of people in government would like for Norilsk to evolve into a national mining champion," said Chris

Weafer, chief strategist with UralSib Capital LLC. "We're getting to the point where that decision has to be taken, and this agitation is reflected in the shareholder dispute. The state must choose by 2012 or call it off."

Maxim Sokov, Rusal's head of strategy, said the Norilsk stake is a strategic asset and there are no plans to sell it. "We strongly believe that the only reason the government could decide to look at buying a stake in Norilsk Nickel is because of the potential damage to the company being caused by past and possible future backstage deals between Interros and management of Norilsk Nickel," Sokov said in an e-mail.

Interros denied any plans to sell its stake in Norilsk. "We never considered that issue because we've been investing in this company quite heavily," Andrei Bugrov, managing director of Interros, said by phone July 21.

Vladimir Zhukov, an analyst with Nomura International Plc in Moscow, said Rusal may sell its Norilsk stake if it receives a good price. Rusal is trying to repay \$12 billion of debt.

WHITE HOUSE URGES OTHERS TO REVEAL MINING PAYMENTS

July 23, 2010 (*Reuters*) – New U.S legislation that forces gas, oil and mining companies to disclose payments to foreign governments should become a global standard for more corporate transparency, the White House said on Friday.

The Wall Street Reform and Consumer Protection Act, signed into law by President Barack Obama this week, includes a little-known provision that requires energy and mining firms registered with the U.S. Securities and Exchange Commission to reveal their tax and revenue payments to foreign governments.

The White House drew attention to its importance in a statement on Friday saying it would work with other countries to adopt similar rules to halt back-room deals that cost taxpayers in lost royalties. Across Africa and elsewhere, natural resource wealth has failed to translate into better living conditions for millions of people, while

trade in "blood" diamonds has been blamed for fueling wars.

Development and anti-poverty groups have hailed the provision as a major step for increasing the transparency of transactions between international mining and oil companies and governments in resource-rich poor countries. Development groups have long called for governments in developed countries to take steps to stop the billions of dollars that go missing each year through corruption in oil, gas and mining revenues.

The legislation also requires companies whose products contain rare earth minerals such as coltan and wolframite to file an annual report with the SEC to declare if they are sourcing their supply chain from the Democratic Republic of Congo and surrounding countries.

BEHRE DOLBEAR PRESENTS A 2-DAY SEMINAR ON THE

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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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| → Mineral Exploration: A Process that Creates Wealth | → Environmental and Sustainability |
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| → 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

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