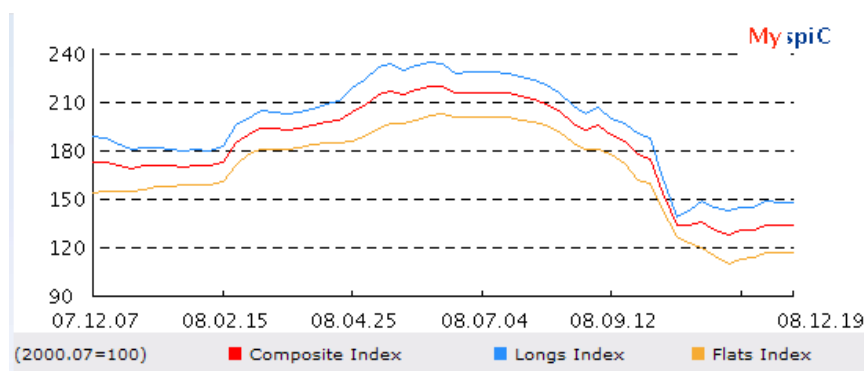


Iron Ores at China's Port Decrease

The amount of iron ore stocked at China's 19 ports dropped to 59.99 million tons as of December 19, down 19 percent from the previous month, according to MySteel. Meanwhile, prices of spot iron ores have risen periodically. Zeng Jiasheng, analyst with MySteel, attributed the current situation to steel price rise and the subsequent production resumption of a number of steel plants in recent time. Currently, CIF price of Indian powder iron ore has increased to 80 US dollars/ton, up 20 percent from early November.



Chinese domestic spot ore prices have risen correspondingly. One example is factory price of powder iron ore in Tangshan up 14 percent to 722 yuan/ton. Some analysts noted that such trend of iron ore stock drop, and price rise won't maintain long since the downstream steel market hasn't come to a real recovery.

Most steel plants that resume production currently are small and private ones, while large steel enterprises still keep output cut by 50~60 percent since they have overstocked imported iron ores under long-term agreements, according to Du Wei with Umetal.com.

Continuous iron ore price hikes put pressure on Chinese side in iron ore talks, analysts

Recent rises of prices of spot iron ores is unfavorable to the Chinese side in negotiating with foreign iron ore suppliers, said market analysts. Recently, price of powder iron ore (of 65.3 percent tenor) imported from India at Tianjin Port has increased to 630 yuan per ton, up nearly 20 percent from early November.

MyspiC (Dec 19 2000) Mysteel Price Indices of China

Chinese Steel Prices Indices	This Week	Last Week	Week-over-Week	Last Month	Month-over-Month	Last Year	Year-over-Year
Composite	133.7	133.7	0.0%	130.4	2.5%	158.3	-20.5%
Longs	147.1	147.1	0.1%	144.1	2.1%	181.7	18.7%
Flats	116.5	116.6	-0.2%	112.6	3.5%	151.2	-24.6%
E. China	133.0	133.1	-0.1%	132.3	0.5%	159.5	-21.6%
S. China	146.1	144.4	1.1%	144.1	0.1%	179.7	15.7%
N. China	123.9	123.8	-0.2%	121.6	3.5%	151.2	-21.8%
Product-Wise Indices							
Hohar	146.1	145.4	0.1%	141.5	1.1%	181.0	18.1%
HRC	130.7	129.1	1.0%	129.1	3.3%	170.1	-23.3%
Note: Index Value (July 2000 = 100)							

Analysts attribute the iron ore price rises to steel price hike, and resumption of production of small and midsize steel plants in China. Iron ore stock at China's 19 coastal ports dropped to 59.99 million tons by middle December, down 19 percent from the 74 million tons a month before. Analysts noted that the spot price rise is unfavorable to Chinese steel plants in the ongoing international iron ore supply negotiation. The price hikes of iron ore have weakened the advantage of Chinese in the negotiations. Earlier, the Chinese side had emphasized the shrinking demand in the country,

and spot prices have dropped below long-term agreement prices, base on which, it requested foreign iron ore suppliers to lower the price, at least to the level of the spot price. However, spot price of Australian iron ores is now only 12.8 percent lower than that of the long-term agreement, a great fall from the previous price difference of 20 percent.

Chinese Firm to Make \$2.6bn Investment in Liberian Iron Ore Mining

China Union intends to spend US\$2.6bn to bring the Bong iron ore deposit to production within two years, and will also recondition the capital's port and build a hydro power plant.

A Chinese firm will make the biggest ever investment in Liberia when it signs a \$2.6 billion iron ore deal in January, the West African nation says. The 25-year project to be undertaken by China Union will directly and indirectly create 18,000 jobs, and give Liberia an immediate cash boost of \$40 million on signature.

"This is the biggest investment in our country's history," Richard Tolbert, Chairman of the National Investment Commission, told Reuters late on Monday. The deal, which beat nine rival bids, will trump the world's largest

steelmaker, ArcelorMittal



which is spending \$1.5 billion in Liberia, also on iron ore. Many

firms have scaled back or postponed African mining projects as metals prices have crashed in the past six months, and most analysts believe a severe global recession will cut demand for industrial minerals for years to come. Tolbert said the timing of the Chinese investment was a vote of confidence in Liberia. "In the midst of the global financial crisis ... this is really a significant sign of the attractiveness of Liberia," Tolbert said.



SIGNATURE BONUS

Before its civil war from 1989-2003, Liberia was the world's fifth largest producer of iron ore, and foreign investment in the mineral is a centerpiece of President Ellen Johnson-Sirleaf's strategy of economic rebuilding. China Union intends to bring the Bong deposit, to the north-west of capital Monrovia, to production within two years, and will also recondition the capital's port and build a hydro power plant to supply the city, Tolbert said. He did not give details of the overall size of the Bong deposit.

Part of the deal is a \$40 million signature bonus to be paid to the government, Tolbert said. "This amount will go into the government treasury for development purposes," he said.

A \$300 million signature bonus paid by China National Petroleum Corp to Niger for an oil deal earlier this year drew criticism from rights groups, who said there was insufficient transparency on how it would be spent. President Johnson-Sirleaf has promised zero tolerance of corruption. In September, Liberia disqualified two companies from bidding for another mining project on grounds of previous "acts of violation" by the firms.

As well as iron ore, Liberia aims to develop offshore oil. Anadarko Petroleum, Hong Kong Tongtai Petroleum, Repsol and Woodside have signed exploration deals.

Baosteel raises Feb steels prices by 100~300 yuan/t

China's top steel maker Baosteel Group, the parent company of Shanghai-listed Baosteel (600019.SH), recently raised the February steels prices by 100 yuan/ton to 300 yuan/ton.

Specifically, prices of hot-rolled products are up by 100~200 yuan per ton, cold-rolled by 300 yuan per ton, galvanized and hot zinc-plating products by 340 yuan and 250 yuan per ton respectively, and color coated products by 450 yuan per ton. Other large steel enterprises such as Angang (000898.SZ) are also raising steel prices by a small margin.



This round of price hike is based on the recovering confidence on domestic steel market, and the steel plants are aiming to reduce losses with this move, said Xu Xiangchun, director of MySteel.com. Xu estimated the factory prices, although having increased, are still lower than costs, due to the previous heavy expenses on inventories of raw materials. Xu also warned the upward trend will probably come to an end in the next February or March, but it is still hard to predict the follow-up market demand.

Usually, the first quarter is a slack time for the steel industry. Experts expect most Chinese steel plants to suffer from financial deficit in the fourth quarter, except those with products of core competitiveness, such as Wuhan Iron and Steel Corp. and Xinxing Ductile Iron Pipe Co., Ltd.

Wugang to invest 180 mln Au dollars for 50 pct shares of Australian iron ore mine

Wuhan Iron and Steel Corp., parent of Wugang, will invest 180 million Australian dollars (or 127 million US dollars) to jointly exploit iron ore resources in south-central Australia with the local company Centrex Metals Ltd. (CXM).



The two sides have recently signed a framework agreement, under which the two will set up a joint venture and each holds 50 percent shares. The joint venture will exploit 11 iron ore areas in Eyre Peninsula, with an estimated deposit of 2 billion tons. Besides, CXM will sell 15 percent shares to Wugang at a price of 0.25 Australian dollars per share.

As a result, Wugang will become the second largest shareholder of CXM and owns a seat on the latter's board. Under the agreement, the two sides will jointly build a deepwater port 60 kilometers away from the mine area, for exporting products. According to Wugang's general manager Deng Qilin, Wugang will form an annual steel production capacity of 50 million tons in the next few years, but the company only yields 4.5 million tons of iron ores per year, far from its annual demand of 80 million tons. Deng also said, Wugang will accelerate its pace in building iron ore bases at abroad in the next few years. Australian CXM, a local listing iron ore producer, is mainly engaged in production of hematite and magnetite, with a licensed exploration area of over 2000 square kilometers.

Mainland, Taiwan Steel Sectors Urged to Boost

Cooperation Amid Financial Crisis

Steel firms from the Chinese mainland and Taiwan were urged on Sunday to beef up their cooperation to cope with the global financial crisis.

Xu Lejiang, chairman of the mainland's Baosteel Group Co., said steel was one of the worst-hit sectors by the global economic recession, and companies from across the Taiwan Straits should have effective cooperation in raw material, market, technology and products for joint development. Xu made the remarks at the 4th Cross-Straits Economic, Trade and Cultural Forum, which concluded here Sunday. Steel firms from the mainland and Taiwan should focus on merger and equity participation, joint investment, as well as market and raw material cooperation, he said.

China Steelmakers Raise Jan Hot-rolled Prices-paper



Several Chinese steelmakers have raised their January prices for hot-rolled steel products, the official Shanghai Securities News reported on Tuesday. Angang Steel Co, Beijing Shougang Co 000959.SZ and Shagang Group are among those that have raised prices, it said, although it did not mention price moves by the industry leader, Baoshan Iron & Steel Co. It said Angang's pricing for January included a 350 yuan (\$51.10) a tonne price increase for low-carbon hot-rolled steel, while its cold-rolled steel price was raised by 230 yuan a tonne.

It quoted analysts as saying that traders had not started to build stocks for the winter but sentiment remained dull and there did not seem to be strong momentum for price rises.

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