

China Mining News Hit



Steel Mills Pulls Out of Chilean Iron Ore Mine Talks in “Buyers

Market”

A group of major Chinese steel mills has ended talks on buying Chilean Iron Ore Company as ore supplies considered ample. Shandong Iron and Steel Group and other big Chinese steel mills are no longer interested in buying a Chilean iron ore miner they have held talks with, as a slumping economy has left ore supplies ample, company sources said on Friday.

Chilean iron ore firm Sociedad Contractual Minera Hierro Paposo had approached potential Chinese buyers, including the state-owned parent of Wuhan Iron and Steel (600005.SS), eyeing a deal worth hundreds of millions of dollars, industry sources have said. "We are no longer interested in the offer. The market is not very good now and ore prices have been falling," a Shandong Steel source with direct knowledge of the deal told Reuters. "The tide has turned now. It's a buyers' market." Wuhan Steel has more attractive options for access to resources in Australia and Canada, where weaker local currencies offer lower purchase costs, and is unlikely to put money into the Chilean project, an official in the company's investment section said.

Pangang signs framework agreement to offtake iron ore from Yueda

Mining

CHINA - State-owned steelmaker Panzhihua Iron and Steel Group Corp. (Pangang) and Hong Kong-listed Yueda Mining Holdings Ltd. have signed a long-term iron ore offtake framework agreement, Yueda Mining announced on Nov. 23. Pangang has pledged to offtake a minimum of 200,000 tons of high-grade iron ore concentrate per annum from Yueda Mining's wholly-owned subsidiary, Techong Ruitu Mining and Technology Co. Ltd., for a 10-year period starting from Jan. 1, 2009, although after Pangang's new facility in Sichuan Province's Xichang City is commissioned, the minimum annual purchase volume will be lifted to 300,000 tons. In addition, Pangang has also been granted priority purchases of metal resources other than iron ore concentrate from Techong Mining. Pangang and Yueda Mining will further negotiate specific offtake volumes and prices. Techong Mining completed an expansion project at its selecting facility in September 2008, which doubled its selecting capacity to 2,000 tons of iron ore per day. The company produced 61,543 tons of iron ore concentrate during the first half of 2008, up 17.7 percent year-on-year.



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CHINESE Nickel Group Jinchuan Will Lift its Stake in Albidon to 18% Following A Combined \$US10 Million Placement and Debt Conversion Arrangement.

Albidon will raise \$US5 million through a subscription agreement which will see the issue of more than 19 million shares at A40c each. Meanwhile the company has also entered a \$US5 million debt conversion arrangement with Jinchuan through the issue of 10 million shares at 78c or US50c. The two transactions will give Jinchuan the right to nominate a representative to the Albidon board and give it an 18% holding in the company's issued capital. The latest financial arrangements build on Albidon's United Kingdom-based fundraising activity.



The Australia-listed company has also entered into two subscription agreements with funds managed by "a large UK-based equity fund", to raise \$US4 million. Albidon will also benefit from the proceeds of its recent hedge book closure. The \$US9 million in equity funds raised and the remaining \$7 million cash from the hedge proceeds will go towards working capital during commissioning of the Munali nickel project, Albidon said.

2010 still the target for expansion: FMG

FORTEESCUE Metals Group still plans to reach its scaled-back 80 million tonne per annum iron ore production rate in the first half of 2010, but the company has admitted the changing conditions in China have taken their toll. Speaking today at the Metals Bulletin Iron Ore Conference in Perth, FMG executive director Graham Rowley said the company was anticipating a turnaround in iron ore demand next year and still expected to reach 80Mtpa by the first half of 2010.

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Rowley told delegates he would expect the Chinese fiscal stimulus package to take hold in the second quarter of next year as the country's spending on its railway infrastructure kicked in. He said FMG was already seeing some evidence of a turnaround with some customers now asking for more iron ore, but signs were still mixed. "We do need China, and we need it to demonstrate clearly that it isn't just talking about money for infrastructure," he said.

As for FMG's much-scrutinized expansion plans, Rowley said the company's decision to slow down its growth to 80Mtpa – a step down from previous plans to move to 160Mtpa – was taken as financing options for the expansion very quickly dissipated or "became so expensive as to become irrational". Add in the deterioration of the iron ore market, the falling spot price and the general economic climate, and Rowley said the company's decision to slow down its expansion plans was the best approach. "We had to look at the 80 million tonnes and say no, not by the end of [2009] but we expect, and that is still of our target, to be in the 80 million tonne area by the first half of next year," he said. Rowley said as of yesterday FMG had exported some 11.6Mt of iron ore worth \$US895 million. Additionally, he admitted China had become "product selective" about its iron ore.

Chinese mills were now looking for low alumina products and also for fines products because lump was seen as too expensive, Rowley explained, and FMG was meeting this demand. "We have an ability to put our ore into the marketplace at about 1.9 per cent – for example, at 1.9 per cent a steel mill will take 20 per cent of your material in a blend, if you go to 2.2 per cent they'll only take 12 per cent of your material in a blend," he explained. While FMG was meeting these requirements, Rowley said producing only fines was limiting compared to a process producing both lump and fines. "You tend to overload the circuits of your processing plant and you tend to be somewhat more selective with your mining which means you tend to be a little less efficient," he said.

However, this arrangement was preferable to trying to sell ore into the spot market and Rowley said there were "no stockpiles" at FMG's wharf, indicating the company was pursuing the correct approach.

Ironclad inks MOU with Chinese steel maker

EMERGING iron ore play Ironclad Mining has inked a memorandum of understanding with a Chinese steel maker over development of its South Australian iron projects. Adelaide-based Ironclad signed the MOU Wuhan Iron and Steel Corporation of China (WISCO), the fifth-largest

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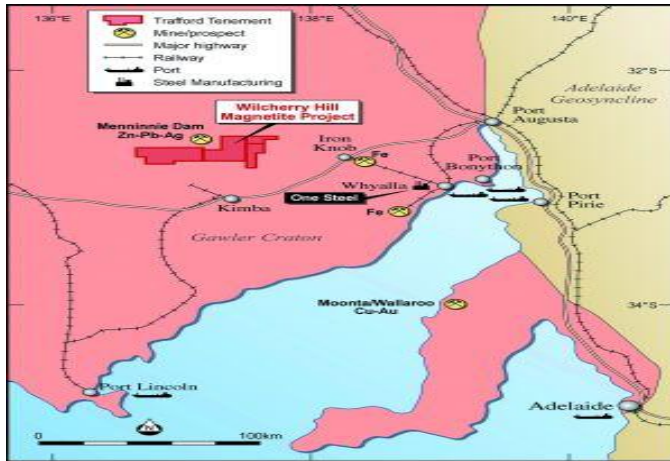
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steel maker in China.

Under the terms of the MOU, the Chinese company would fully fund development of the Eyre Peninsula projects through to completion of a bankable feasibility study.



On completion of a successful study, Ironclad and WISCO would enter an equal joint venture with each party equally contributing to further development costs. The news gave shares in Ironclad Mining a boost of more than 50%, with stocks in the resource play jumping from 13c to 20c in intra-morning trading. Ironclad's move towards joint venture status with WISCO follows the withdrawal in Sep by OZ

mineral from its JV agreement with Trafford Resources – of which Ironclad is a subsidiary – at the Wilcherry Hill project. Trafford holds a 50% stake in IronClad and a 20% free-carried interest in the Wilcherry Hill iron ore project, Ironclad described the MOU as a “very significant step” in the development of the company’s South Australian iron resources. The understanding builds on the SA government’s recent decision to approve the study into the development of an iron ore export facility at nearby Port Bonython.

Ironclad said the parties would proceed to a binding heads of agreement, after WISCO had completed due diligence at Wilcherry Hill and Hercules, expected by year-end. Ironclad director Ian Finch welcomed the development with WISCO and brushed off talk of a Chinese slowdown.

“Having just come back from China I feel very comfortable with all of that. We were actually getting, and still are getting, large amounts of interest,” he told MiningNews.net. “They’re still very clearly interested in putting their foot on, shall we say, the non big three type of deposits that they possibly can. “Providing that it goes the way we think it will go ... it’s really assured us of a clear future.”

China's gold output expected to reach 285-300 tons in 2008

China's gold output in 2008 is anticipated to hit 285-300 tons, according to Zhang Bingham, vice director of the China Gold Association.

China has accelerated gold production since 2003 with annual growth at 6.5 percent, said Zhang, and China's gold output in 2007, at 270.49 tons, for the first time ranks first in the world. The gold reserves have also increased year with the newly added reserves exceeding 650 tons in 2006 and

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hitting 700 tons in 2007. The number of gold enterprises, however, has shrunk to 700 from 1,211 at the beginning of 2003 due to the industrial integration.

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