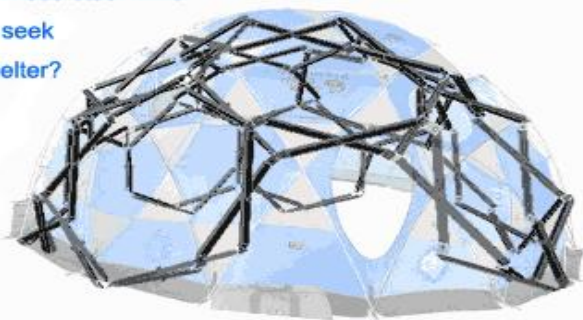


China to cap steel output at 460m tons in 2009

China plans to cap its crude steel output at 460 million tons in 2009 and at around 500 million tons in 2010 as it pushes the world's biggest steel industry to get into shape.

The country also plans to close steelmaking capacity of 25 million tons and iron-making capacity of 72 million tons in the next three years, the country's top planning body said in a strategy plan on Monday. The plan, posted on the website of the National Development and Reform Commission, confirmed a Reuter's report of Feb 18.

Chinese steel firms
to seek
shelter?

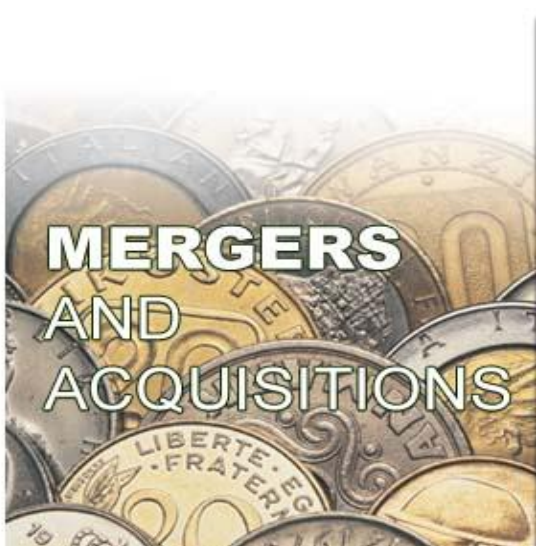


Global demand for steel has slumped in the fallout from the economic crisis, forcing Chinese steel firms to seek shelter in construction projects backed by a \$586 billion State stimulus package. But by doing so, they are putting themselves at the mercy of government ambitions for belt-tightening.

The plan urged steel mills to consolidate so that the top five mills jointly account for more than 45 percent of the nation's total capacity, while facilities located in coastal areas amount to more than 40 percent of the country's capacity. That move aims to cut pollution in major cities, the plan said. China's 20th-century steel boom left thousands of blast furnaces in every corner of the country, and this decade's double-digit economic growth years turbo-charged the rush into steel. Analysts have said that the relocation would also help to decrease operating costs for the mills. Shanghai-headquartered Baosteel Group will take over the 10th-biggest mill, Baotou, while the country's No 4 Anben Iron and Steel, based in the northeastern province of Liaoning, will merge with Panzhihua, a top mill in western China, the detailed plan said. Steel firms in the northern city of Tianjin will be consolidated locally, while Taiyuan Iron and Steel, China's top stainless steel maker and parent of Taigang, will take over small rivals in home Shanxi province, the plan said. The country will concentrate on encouraging consolidations among mills in different regions as some such moves processed slowly and partially due to their respective government assets monitors, analysts have said. The consolidation drive could support steel firms' profitability since China has a massive amount of excess capacity, with last year's 500 million tons of production overshadowed by more than 600 million tons of annual capacity.



China steel industry stimulus plan to promote M&A



Chinese government released on March 20 the Three-Year Stimulus Plan for Steel Industry, which focuses on promoting enterprise merger & acquisition, eliminating backward production capacities and controlling overall output. The plan calls for fostering several steel giants each with annual production capacity of over 50 million tons by 2011, including Baosteel Group Corp., Anben Iron and Steel Group and Wuhan Iron and Steel Group Corp. Further, the top five steel makers of the country are

expected to possess 45 percent of the nation's total steel production capacity.

The government also urges related apartments to adjust steel import and export tax rates by the end of this month. Particularly, it hopes to increase the export rebate rates for some steel products, so as to improve the current grim export situation. In January and February, the country exported 3.69 million tons of crude steel, down 51.8 percent on year. Besides, the plan forecasts China's crude steel output would drop 8 percent to 460 million tons in 2009, and domestic apparent consumption would cut by 5 percent to 430 million tons. However, Shan Shanghua, secretary general of China Iron & Steel Association, expects the overall output might be less than the expectation.

China's Henan plans to reserve 0.5M t of electrolytic aluminum

Central China's Henan Province, the country's largest electrolytic aluminum production base, announced Tuesday that it plans to build up 500,000 tons of electrolytic aluminum reserves to help local related enterprises recover production capacity and relieve their operating pressure. Vice governor of the province Li Ke said the local government will also organize local leading electrolytic aluminum enterprises to ink contracts for direct electricity supply in a bid to cut their production cost. The local government stipulates that the electrolytic aluminum firms favored by reserves and direct electricity supply shall resume production capacity before the end of March. Otherwise, the preferential policies will be removed from them. Henan boasts No. 1 in terms of electrolytic aluminum output in China, with a market share of about 25 percent in the national total. However, the first two months this year saw its electrolytic aluminum price stand at a low level and almost 40 percent of its electrolytic aluminum capacity suspended.



Coal price maintains stable in China

China's coal price is expected to keep a fluctuation range around 10 percent in 2009 despite the possibility of big seasonal and regional changes, predicted Han Zhenguo, analyst with Haitong Securities. According to statistics, by March 6, the average coal price in domestic market remained relatively stable at 614.51 yuan per ton, up 1 percent on month and 11 percent on year.



Power coal price at Qinhuangdao Port stays unchanged at 558 yuan per ton last week. Coking coal price remained at 910 yuan per ton, while, coke price decreased by 100 yuan per ton or 5.7 percent on week to 1,650 yuan per ton on March 16. Han Yong, analyst with China International Capital Corp. Ltd holds that domestic coal market has shown some positive signs to support the stability of coal price, including declining coal inventory,

surging coal transportation volume at ports and slight increase in coal transportation price in coastal area. Besides, Han Zhenguo predicted that contractual coal price for 2009 is not likely to drop due to overgrowing production cost of coal enterprises.

Two Canadian oil and gas companies announce merger

Two of Canada's oil and gas companies on Monday announced plans to weather the current economic storm by merging into a new company with a combined market capitalization of 43.3 billion Canadian dollars.

Suncor Energy Inc. and Petro-Canada will merge into one of the country's largest oil and gas companies, which will operate and trade under the Suncor name with existing Suncor shareholders holding 60 percent stake in the venture. "This merger creates a made-in-Canada energy leader with the assets, cost structure and financial strength to compete globally," said Rick George, president and chief executive officer of Suncor. He will assume the same role in



the merged entity. The new company will have a resource base of approximately 7.5 billion barrels of oil in proved or probable reserves and an estimated resource base of about 19 billion barrels more. The deal, which is subject to regulatory and shareholder approval, is slated to close in the third quarter of 2009. Suncor and Petro-Canada are among the many Canadian energy firms to put off building massive oilsands projects due to plunging commodity prices and rattled financial markets.

Analysts say a fully integrated oilsands project, in which the oil is both extracted and processed, need oil prices of anywhere from 75 U.S. dollars to 100 U.S. dollars per barrel to be economically viable.

Crude prices were trading at more than 52 U.S. dollars early Monday, but have been much lower in recent months. Shares of Mineral Deposits closed at 75 Canadian cents Thursday on the Toronto Stock Exchange.

BOC grants 650 million yuan loan to multi-metal mines in Tibet

The state-controlled Bank of China (BOC) has granted 650 million yuan (95.17 million U.S. dollars) of credit loans to a local company for exploiting multi-metal mines in Tibet Autonomous Region, the bank said Monday.



The Huatailong mining company, based in the regional capital Lhasa, will use the money to develop multi-metal mines in Gyama village. The amount of the loan is by far the largest in Tibet this year. Huatailong mining company is a subsidiary under the China National Gold Group Corporation, a large scale state-owned enterprise and the sole Chinese member of the World Gold Council. Statistics show the BOC branch in

Tibet has issued more than 4 billion yuan of credit loans since last year to support projects such as the section of the Qinghai-Tibet railway linking Xining and Golmud, and a mineral water enterprise, Tibet Glacier Mineral Water.

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