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Arcelor's C$5.5bn Dofasco offer beats expectations

LONDON — Arcelor's new C$71 ($61.20) per share bid for Dofasco has smashed the predictions of equity analysts and led to questioning whether the bid, which values the mill at C$5.5 billion, is justified.

"It is becoming increasingly difficult to defend the price, especially in the absence of any hard numbers coming from ThyssenKrupp or Arcelor on how exactly they plan to grow the business," said one equity research analyst in London, as the fight between the two steelmakers to take take control of the 5 million tpy Canadian mill reached new heights.

Arcelor's new bid on Monday was made to the Dofasco board as the giant steelmaker shifted away from its earlier strategy of going directly to shareholders, to whom it had offered C$63 per share last month.

The latest bid came in response to German steelmaker ThyssenKrupp's increased offer of C$68 per share on January 14. Though Dofasco's management technically supports ThyssenKrupp's bid, it has acknowledged the Arcelor bid as superior.

The research analyst in London said he believes ThyssenKrupp will match Arcelor's offer. ThyssenKrupp has until January 23 to match Arcelor's bid under the support agreement between Dofasco and ThyssenKrupp. The battle between ThyssenKrupp and Arcelor is a battle over who wants Dofasco the most, he said.

"At the current C$71 offer, after C$63 per share, it is now such a fat premium that an offer of C$72 or C$75 or C$78 — or any number you can think of — is becoming irrelevant. It is now a matter of who wants it the most," he said, adding that Dofasco was trading at C$30-35 a few months ago, when people said C$40 per share would be an attractive price.

TK must respond to offer by January 23

LONDON — ThyssenKrupp has five working days in which it can respond to Arcelor's C$71 per share offer for Dofasco by matching Arcelor's offer, according to the support agreement between Dofasco and ThyssenKrupp.

"The executive board [of ThyssenKrupp] has noted Arcelor's new offer and is examining the offer," said a ThyssenKrupp spokesman. "Bear with us and be patient. The executive board will respond when the time comes."

The support agreement was signed between Dofasco and ThyssenKrupp in November when the German steelmaker emerged as a white-knight bidder for Dofasco and an alternative to Arcelor's hostile bid for the company submitted on November 23.

The support agreement contains conditions whereby Dofasco has agreed to keep ThyssenKrupp's management informed on all talks held with Arcelor.

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Rusal forms bauxite joint venture in Guyana

LONDON — Rusal has entered into an agreement with Guyana's government under which their joint venture will buy out the state-owned Araima Bauxite company on March 30.

The move comes as the government looks to develop the country's vast bauxite resources.

Bauxite Co of Guyana (BCGI), a subsidiary of the Russian producer, will hold 90 percent of shares of the new enterprise, while Guyana's authorities will own the remaining 10 percent. It follows a Memorandum of Understanding (MoU) Rusal signed with Guyana to develop its bauxite industry in February 2004.

The government had been in talks with potential investors after it acquired the company from Alcoa for a token $1 in November 2001.

LME's Birley appointed ceo of LCH.Clearnet Ltd

LONDON — Patrick Birley is to step down as director of strategy at the London Metal Exchange to take up the position of ceo at LCH.Clearnet Ltd in early February, where he will also be responsible for risk management. He is replacing Andrew Lamb who is retiring.

His departure comes after just ten months at the LME. He was appointed as head of exchange strategy last March to replace Neil Banks.

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Copper bull run to continue

SANTIAGO — The tightness in the copper market shows no signs of letting up in 2006 as copper producers will remain unable to keep pace with robust demand, Patricio Cartagena, executive vp of Chile's state copper commission Cochilco, told MB.

Cartagena said that supply will continue to be tight in 2006 with no visible increases in production, meaning that any disruptions in output will continue to play an important role in the market.

"Undoubtedly, 2006 will be a year with the copper price trend increasing. There are collective worker agreements to be negotiated this year and there is still the focus on molybdenum production, so whatever problem causes a disruption will produce a price rise," he said.

Market fundamentals remain similar to what they were at the end of 2004 when copper producers misjudged the way the price would move. Many expected the $1.30 per lb ($2,866.5 per tonne) copper price to be the high water market and bet on it falling in 2005, but it kept on rising, finishing the year at over $2.00 per lb.

Many of the problems in 2005 still exist as 2006 starts. Copper production was almost 500,000 tonnes less than forecast in 2005, giving ample space for the price to increase. Global production was forecast at 15.69 million tonnes but only reached 15.28 million tonnes, Cartagena said.

Part of this decrease is explained by copper producers that changed their mine plans to produce more molybdenum to take advantage of the $30 per lb molybdenum price, which meant lower copper grades. "It is difficult to put a figure on how much this took from copper production. It would be a guess," he said.

Chile's election result could benefit Codelco

SANTIAGO — Michelle Bachelet has won a narrow victory to become Chile's first woman president.

The mining industry can largely expect business as usual under Bachelet, but state copper company Codelco could benefit from two key changes that could make it easier to obtain capital for expansion.

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Codelco said to be worth up to $27.5bn

SANTIAGO — Chile's state copper company Codelco is worth between $24.5 billion and $27.5 billion, according to investment bank Goldman Sachs.

"This makes Codelco one of the ten biggest companies in Latin America," said Codelco's executive president Juan Villarzú.

Mitsubishi explores bauxite opportunities

LONDON & SINGAPORE — Japan's Mitsubishi Corp has begun exploring for bauxite in Guinea, and may consider building an alumina refinery in the West African state if the results are encouraging, a company official said.

The Japanese trading house has begun initial exploration work at the Batafong and Lelouma districts in Guinea, its first exposure to the bauxite business.

"We are now investigating the cost of the project and we are also finding out how big the reserve of the mine is. This will take three years to complete," said the official.

Output from the mine may be supplied to Mitsubishi's refineries in Australia and Mozambique and possibly sold to other alumina producers, he said.

Anglo American recruits financial heavyweights

LONDON — Mining giant Anglo American has recruited several heavyweight financial advisers to carry out its restructuring programme, which could generate £7 billion from the sale of non core divisions, according to a report.

It has appointed investment bank UBS to sell or demerge paper and packaging division Mondi into a separate company worth around £3 billion, while investment bank Goldman Sachs will dispose of a proportion of its 51-percent stake in AngloGold Ashanti, the world's third largest gold producer, said the UK's *Sunday Times* newspaper, without citing sources.

North American gold miners Newmont Mining and Barrick Gold have been suggested as possible buyers of the AngloGold stake.

Force majeure at Minera Mexico

NEW YORK — Grupo Mexico SA de CV has confirmed a declaration of force majeure at subsidiary Industrial Minera Mexico SA de CV in the wake of a production outage at the zinc refinery in San Luis Potosi, Mexico.

LME Stocks (tonnes)

Copper	fell	525 to	101,850
Tin	fell	120 to	16,740
Lead	rose	2,000 to	49,875
Zinc	fell	1,750 to	384,350
Aluminium	rose	1,125 to	657,000
Aluminium Alloy	fell	540 to	50,640
Nickel	rose	138 to	36,354
NASAAC	fell	20 to	130,940

Comex Gold Feb	closed
Comex Silver Mar	closed
Nymex Platinum Apr	closed
Nymex Palladium Mar	closed

London Precious Metals

Gold am	$559.40 per oz
Spot Silver midday	919.00 cents per oz
Platinum am	$1042.00 per oz
Palladium am	$283.00 per oz

Barclays Bank

$/£	1.7693 - 1.7694
$/£ 3 months	1.7695 - 1.7697
$/€	1.2133 - 1.2134
£/Yen	203.02 - 203.07

Al and Ni slip at LME as traders shift to Cu

LONDON — Aluminium and nickel slipped from pre-market levels on the London Metal Exchange (LME) on Monday, as funds shifted their attention to copper.

Aluminium for delivery in three months fell from $2,412 per tonne to an official of $2,409.5/10 per tonne.

LME aluminium stocks rose a net 1,125 tonnes to a total of 657,000 tonnes. 1,500 tonnes went into the warehouses in Busan, South Korea, while Singapore received 500 tonnes.

Nickel dipped $70 to change hands at $14,725/30 per tonne, basis three months, after LME nickel inventories increased by 138 tonnes to 36,354 tonnes.

Copper gained $2 to a three-month official of $4,616/17 per tonne compared with the previous final kerb price of $4,615 per tonne.

BHP Billiton makes first cobalt sales of the year...

LONDON — BHP Billiton has made the first sales of cobalt for the year, some $3 cheaper than in November when it last booked business.

The company reported on its website three sales of high-grade cobalt on January 13 totalling 20 tonnes at $14.05 per lb in North America.

It last sold cobalt at $17 on November 29, when the market was convulsed by supply concerns following the malfunction at Falconbridge's Nikkelverk refinery in Norway, which processes BHP's concentrates.

BHP's sales come at a quiet moment, as consumers delay returning to the market in the expectation that prices will dip.

"It's pretty quiet, there is very little business," said a producer. "Consumers don't have any pressure to buy.

"What little business there has been so far this year has been mainly in Asia," he added.

Sales of low-grade cobalt remain equally slack, although steady and Norilsk continues to sell at $11.70 per lb, unchanged from last year.

... and nears decision on Philippine nickel investment

SINGAPORE — BHP Billiton expects to make a decision on whether to invest in the Adlay nickel project in Surigao del Norte, the Philippines, in the first quarter of this year, a company spokeswoman said.

The Adlay project is in the final phase of a feasibility study. The project is estimated to have reserves of 6 million tonnes of ore with a nickel grade of 1.6 percent and a production capacity of 5,000 tpy, according to the *Manila Bulletin*. The ore will be shipped to the Yabulu refinery in Townsville, Australia, the report said.

FeMo prices back up after holiday slump

PITTSBURGH — Ferro-molybdenum prices in North America have begun to recover after a free-fall over the holiday period and first week of 2006.

Market participants said prices have rebounded to a range of $23-24 per lb from close to $20 in the first week of the year. Higher prices out of China were cited as the reason for the turnaround.

"The Chinese either go all in or come all out," one trader said. "The market has come up a little. It was a little overdone on the downside. The spread between ferro-moly and molybdenum oxide had got to where there was parity, or even to the stage where oxide was above ferro-moly. That wasn't going to be sustainable."

Plastics expected to climb at LME

LONDON — Polypropylene (PP) for delivery in February, March and April all rose by $10 in the official session on the London Metal Exchange on Monday. February traded at $1,130/40 per tonne, March traded at $1,145/55 per tonne, and April traded at $1,160/70 per tonne.

"At the moment, prices are just moving sideways, but most traders expect things to pick up over the rest of this month. Chinese New Year could take a bit of volume out of the market but the market generally expects more seasonal demand," a plastics trader said.

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Platinum surges to hit all-time high

LONDON — Precious metal prices continued to surge on Monday, with platinum hitting an all-time high and gold reaching fresh 27-year highs, on renewed fund buying.

After breaking through the psychologically important $550 per oz mark on Friday afternoon, gold rose a further $13.5 to trade at $561.75 per oz in the afternoon fix in London from the Friday afternoon fix of $548.25 per oz.

In the morning fix on Monday, the yellow metal traded at $559.40 per oz.

The latest buying frenzy has been driven by US funds on Comex.

"Such a strong move may prompt some short covering," commented Numis precious metals analyst John Meyer.

"The funds may be encouraged by rumours that the Chinese central bank may have already amassed over 1,000 tonnes of gold reserve holdings, some way ahead of the 600 tonnes announced in June last year," he said.

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Inco extends deadline for Falconbridge shares

NEW YORK — Inco has again extended the date of its offer to acquire all the common shares of Falconbridge, whose shareholders now have until February 28 to tender their shares. The offer was previously extended to January 27.

"This latest extension is intended to provide additional time to obtain the required regulatory clearances for this transaction from the US Dept of Justice and the competition authorities in Europe and Canada," Toronto-based Inco said.

Krall claims victory in fight for Lueshe control

LONDON — Somikivu, a Congolese company majority-owned by Germany's Gesellschaft für Elektrometallurgie (GfE), has lost its fight to own the exploration and mining rights for the Lueshe pyrochlore mine in the Democratic Republic of Congo, leaving the mine in the hands of Krall Metal Congo.

In a decree issued on December 28, the Ministry of Mines said that Krall Metal Congo is confirmed as the legitimate owner of the mining rights to the Lueshe concession in the Buito territory in the province of North Kivu in the east of the country.

The ruling leaves the mine under the control of Krall and paves the way for production to resume there. The notice also said that all other previous rulings on the matter of the mine's ownership are null and void.

In its heyday, the Lueshe mine produced around 1,200 tpy of pyrochlore, the feedstock for ferro-niobium.

The fight between Krall, owned by Austrian businessman Michael Krall, and Somikivu to control the mine has been long and bitter. Krall has claimed he has the mining rights while Somikivu and Karl Heinz Albers, who ran the mine for Somikivu, have continued to contest ownership (MB Jan 6).

Flat response to Mittal Steel's Krivorozhstal rise

LONDON — Traders say Mittal Steel's pre-Christmas attempt to raise prices on products from Krivorozhstal has fallen flat as export markets are pushed down by traditional holidays.

The owner of Ukraine's biggest rebar and wire rod producer, followed up the clinching of its $4.8 billion purchase last year by telling customers it would be seeking price rises of up to $25 per tonne on its products.

Traders told MB January deals for export of rebar had averaged at $370-375 per tonne fob Black Sea since the beginning of the year, up only slightly from around $360-365 in mid-December and roughly in line with reported deals on wire rod.

"The market has just not accepted it. There was not much buying interest at those prices," said a western-Europe based trader.

Wire rod orders were reported at $365-375 fob Black Sea, in line with mid-December orders for January.

"[Krivorozhstal] is a big player, but the market is just not strong enough to support these rises," said the trader.

Many observers had predicted that Mittal Steel, having paid an enormous amount for the plant, would try to push through price rises. But the holiday season, including the Muslim Eid festival in the Middle East, has suppressed demand.

Another trader based in western Europe said the Euromed agreement liberalising EU exports to Algeria since September last year had also dealt a blow to a prime market for Ukrainian long products.

Domestic prices for EU rebar move upwards

LONDON — Domestic prices for EU rebar rose significantly last week when construction companies resumed operations and producers attempted to recoup profits lost to high scrap prices and poor volumes of business before Christmas.

Many consumers were caught off guard by the increases, having hoped for a downward movement, and were forced to buy at the higher levels in order to replenish inventories, according to one trader.

"The market has emerged quite aggressively from the uncertainty of last week," he said. "No one really knew what was going on."

EU-origin rebar is trading at between €360 and €380 per tonne delivered to domestic customers, although some smaller orders were reported to have sold at as high as €385 per tonne delivered.

Sales before the Christmas holiday period were limited, and prices were as low as €340-350 per tonne delivered to domestic customer.

Aricom to take $9m option in Russian mines

LONDON — Aricom, an ilmenite miner on London's junior AIM exchange, which owns mineral deposits in Russia's far east, intends to buy a $9 million option to acquire a 50 percent share in the Kimkanskoye and Sutarskoye iron ore deposits in the same region.

The purchase is intended to take advantage of continued strong Chinese demand.

The deposits, first identified in the 1950s and 1960s are estimated to contain total reserves of 550 million tonnes of iron ore with an average Fe content of 33-35.7 percent. Aricom believes the mine could be capable of producing a capacity of 6 million tpy of concentrate and could start production by 2010.

The Kimkanskoye and Sutarskoye deposits are in Russia's Jewish Autonomous Region, which borders China and are 4 and 10km respectively from the Trans-Siberian railway.

The option to acquire the 50 percent interest would last 24 months for a maximum additional payment of $61 million.

The vendor of the 50 percent stake is LLC Expokom, a company in which UK gold mining entrepreneur Peter Hambro and his Russian business partner Pavel Maslovsky have interests. The sale would boost Hambro's and Maslovsky's stake in Aricom to more than 50 percent.

Asia-Pacific industries promise 'cleaner' manufacturing

LONDON — The steel industries of six countries in the Asia-Pacific region will begin the "development and deployment" of more advanced manufacturing processes to reduce their environmental impact, according to a release by the Australian Department of Foreign Affairs and Trade.

The plan is part of the Asia-Pacific Partnership on Clean Development and Climate agreement signed in July 2005 between the USA, China, Japan, India, South Korea and Australia.

The plan was announced at the conclusion of a meeting between government officials on January 12 that also saw the establishment of a multi-million dollar fund designed to promote new technologies.

The nations involved are responsible for more than half of global energy use and emissions of greenhouse gases and the partnership has been pioneered as an alternative to the Kyoto protocol, which necessitates a measured and enforced programme of emissions reductions.

Arcelor tightens its grip on Acesita

RIO DE JANEIRO — Arcelor will make a public offer to acquire the remaining common shares in circulation of Brazilian stainless steelmaker Acesita, as well as one third of Acesita's preferred stock, the group announced.

The move heightens the possibility of Arcelor restructuring or reshuffling its stainless assets worldwide in light of China's rapid increase in its stainless production capacity.

Announcement of the share purchase offer follows Arcelor's completion on January 6 of the purchase of 4.05 percent of Acesita's overall capital and 12.13 percent of its voting capital from pension fund Sistel for 137 million Reais ($59 million), according to an accord previously set up between parties. The price paid for the ordinary shares was 45.08 Reais per share.

The latest purchase gives Arcelor 75.75 percent of Acesita's voting capital, up from 27.68 percent in early 2005.

Arcelor now also holds 96.87 percent of the shares in the so-called Acesita control group, as well as 40 percent of the steelmaker's overall capital.

Xstrata signs premium coking coal deal at $120

SYDNEY — Xstrata has signed a deal to sell its premium Australian Oakey Creek coking coal at $120 per tonne for 2006, according to analysts.

The settlement is in line with last year's price and marginally above most analysts' expectations of a small decrease in hard coking coal prices this year.

"This is not the benchmark price — we will have to wait for the likes of BHP to settle for that — but it is a good indication of where the market is likely to go," said an analyst in Sydney.

Xstrata officials were unavailable for comment on the deal, which reports said was agreed with a South American steelmaker.

The Oakey Creek coking coal is good quality, although not quite as good as BHP's high grade Goonyella coal, which has traditionally been used as the benchmark price.

"Last year BHP moved away from a Goonyella price to a general coking coal price, which allowed it to raise the price of some of its lower grade ores in a tight market," said an analyst from Citibank.

BHP may revert to a Goonyella price this year because the market is less tight and it risks pulling down the price of its premium product by bringing all the products under a single banner, he added.

BHP's coking coal team is in Japan this week to try to agree the 2006 benchmark price for its coking coal. Most analysts believe that while high-quality material may maintain last year's $120 per tonne price tag, the lower grade semi-soft and PCI coking coals will lose up to 40 percent of their value because of oversupply.

KIOCL tenders for 1m tonnes fines supply

MUMBAI — Deprived of its captive feed with the closure of its mining operations from December 31, India's Kudremukh Iron Ore Co Ltd (KIOCL) has floated a tender for the purchase of 1 million tonnes of iron ore fines at a minimum grade of 65 percent, acceptable to 64 percent with penalty, to feed its pellet plant in Mangalore.

When mining was stopped, in accordance with Supreme Court orders late last year, KIOCL had around 280,000 tonnes of concentrates at the Mangalore site, which should see it through for a month, the company claimed. National Mineral Development Corporation (NMDC) has agreed to supply some 3.6 million tonnes of fines over a year, but KIOCL needs more as it wants to produce 3.5 million tpy of pellets.

The major problem KIOCL now faces is the handling of 10,000-15,000 tonnes of iron ore fines that it will receive daily by rail and road. Though its railway siding is ready, it does not have a mechanised handling system to unload the wagons or load the trucks and most of the jobs will have to be done manually.

Hengyang moves to produce blooms for seamless pipe ouput

SINGAPORE — China's Hunan Hengyang Steel Tube Group has commissioned an electric arc furnace and continuous caster to supply round blooms for its seamless pipe production.

The 100-tonne electric arc furnace and the 4-strand continuous caster were supplied by Danieli and commissioned in November, according to an official at Hengyang, a subsidiary of the Hunan Valin Iron & Steel Group.

The 12-metre-radius caster is designed to produce about 600,000 tpy of 220 mm, 280mm and 330mm diameter round blooms in a wide range of quality and special steels for the production of high-quality seamless tubes.

"The caster is still under trial production, and we expect to produce 400,000 tonnes of blooms this year," said the Hengyang official.

June date set for Taigang's 1.5 million tpy stainless project

SINGAPORE — China's largest stainless producer, Taiyuan Iron & Steel (Taigang), plans to commission its 1.5 million tpy hot rolling expansion project in June.

The project will double the company's stainless production capacity to almost 3 million tpy, but will not run at full capacity until 2007, according to a company official.

He declined to predict how much the expansion project would produce this year, saying only that Taigang's stainless hot rolled coil output will increase sharply. Taigang currently produces about 70,000-80,000 tpm of 300- and 400-series stainless finished products, including hot rolled and cold rolled coil and sections.

Taigang, based in northern Shanxi province, produced 925,500 tonnes of stainless crude steel and about 900,000 tonnes of finished products in 2005.

Deal no closer as iron ore talks resume in Japan

SYDNEY — Iron ore suppliers and Japanese steelmakers will resume benchmark price talks this week, with no indication of any progress since the first round of negotiations ended last month.

"The two sides are meeting this week in Japan and appear to be no closer to reaching an [iron ore price] agreement than they were pre-Christmas," said an analyst in Melbourne. "It is still early days and we might have some movement by the end of the week."

Japanese steelmakers have indicated they may be willing to accept a rollover in iron ore prices, but the Chinese are still publicly demanding a cut in prices, the analyst said.

"It looks like the first settlement could occur in Japan, but there is a real possibility that there will be a separate settlement in China," he added.

BHP's coking coal and iron ore negotiators are in Japan at the same time, leading to speculation that the Australian miner will try to temper the impact of an increase in ore prices with a cut in the coking coal benchmark.

"BHP is uniquely placed to offer some sort of trade-off between coking coal and ore prices, which is something that the Japanese may be interested in, but the Chinese would not," said an analyst at Citibank.