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Mining Magazine



Flotation

Where is flotation heading next? From reagents to new cell designs and coarse flotation, *MM* tracks the trends

Bulk handling

Growing congestion on US railroads is side-lining coal and fuelling concern among power producers and miners. *MM* reports on the situation

Software

Learn about the current market for business-management software and how it can be used to gain a competitive advantage



KOMATSU

World domination...

Same old dream. Undoubtedly the juiciest nugget of gossip this month is Glencore's reported attempt to take over Rio Tinto; a move that would've created a US\$160 billion natural-resources giant and the world's biggest mining group had it been successful.

The companies went on record on October 7, to end speculation surrounding the purported deal, but which actually fuelled the media maelstrom even further.

In its media statement, Glencore confirmed that it had put in an "informal telephone call" to Rio back in July to gauge the company's interest in a potential merger. Some say billionaire Glencore chief executive Ivan Glasenberg put in the call personally. I can just imagine how that discussion went:

Glasenberg: "So iron ore's still looking pitiful, Jan, and Walsh's contract is up next year. Fancy joining the Glencore family and taking over the world?"

Jan du Plessis [Rio Tinto chairman]: "Well, the Xstrata acquisition took 15 months..."

Glasenberg: "How does GlenRio sound, no wait, GlenTinto!"

Du Plessis: "Er... let me have a word with the board and get back to you." [dialling tone]

Glasenberg: [Bond-villain style laugh]

Let's be frank, we've all joked about how that conversation played out!

Seriously though, Rio's board of directors rejected the offer in August, stating that the "combination was not in the shareholders' best interests", and according to both parties no further contact has been made – although rumour goes that Glencore even went as far as to sound out Chinalco, Rio's biggest shareholder with a 9.8% stake. Chinalco got involved in 2008 as Rio sought to block a US\$127 million takeover from that other, slightly more benign mining behemoth, BHP Billiton. Chinalco paid £60 a share, almost double Rio's current share price. So unless Glencore comes back with a pretty hefty raise on its offer, I suspect that an acquisition is probably not on the cards just yet.

In its statement, Glencore also acknowledged that it is now subject to Rule 2.8 of the City Code, so won't be able to make a further bid for Rio for at least six months; a point that analysts say could be got around if the company wanted. Glencore could go hostile but, again, many feel that the premium involved would be a stretch too far for its own shareholders.

Either way, if Glencore decides to look elsewhere, there is certainly no shortage of reasonably priced assets available at the moment. When prices are low, businesses can go one of two ways: they can sit tight, cut costs and consolidate while waiting for the markets to look up, or if well positioned, they can take advantage of the situation and snap up some bargains.

Glasenberg is clearly looking to do the latter; after purchasing oil producer Caracal Energy in April, there has been talk of Glencore also taking on BHP's troubled Nickel West business.

At the Melbourne Mining Club London dinner in June, keynote speaker Mark Cutifani, chief executive of Anglo American, noted that of the top five mining companies, the only leader who wasn't in the room was Glasenberg. "Probably plotting his next takeover!" he mused. At the time we all laughed, but in hindsight, his comment probably wasn't far off the mark.

"So iron ore's still looking pitiful, Jan, and Walsh's contract is up next year. Fancy joining the Glencore family and taking over the world?"

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News	2
Features	
Mine of the month: Ghaghoo	10
Column: Futurecasting	14
Flotation	17
Open-pit mining	28
Snapshot	40
Bulk handling	42
Industrial minerals	52
Software	57
Flashback & contacts	63
Classified advertising	64

Next month

- Explosives & blasting
- Underground drilling
- Tailings management
- Training, simulators & skills development
- Dust control
- Buyers' guide

COVER

The Komatsu PC5500 is the most reliable shovel when it comes to operating in rough environmental conditions. Whether in the arctic regions of North America, the mountains of South America or the hot deserts of Australia, the Komatsu PC5500 is unrivaled in its performance. Delivering productivity, efficiency and ease of operation, the 29m³ (38yd³) hydraulic shovel is designed to perfectly match dump trucks ranging from 180 tonnes to 250 tonnes, such as the Komatsu 860E.

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