

## **Sumitomo Corp to buy Bolivia mine from Apex Silver**

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By Miho Yoshikawa

TOKYO, Nov 17 (Reuters) - Sumitomo Corp, Japan's third-biggest trading house, said it has reached a basic agreement to buy Apex Silver Mines Ltd's interest in a Bolivian mine in a deal worth \$22.5 million.

The purchase of the San Cristobal mine comes amid a plunge in Apex shares and falling metals prices, and analysts said such tumbling stock prices could create other takeover opportunities in the global mining sector.

Sumitomo already has a 35 percent interest in the mine, which produces zinc as well as silver and lead, while U.S.-based Apex holds the remaining 65 percent.

"(Zinc) prices are currently weak ... but this is a medium- to long-term project and from that point of view we think it is competitive," a spokesman at Sumitomo said.

He said he could not provide an exact date for a final agreement, but said it could come by the year-end or the March fiscal year-end.

The San Cristobal mine, which began commercial production in August 2007, has an average annual output of 525 tonnes of silver, 225,000 tonnes of zinc and 82,000 tonnes of lead.

It has a mining lifespan of 16 years, with confirmed reserves of 14,000 tonnes of silver, 3.8 million tonnes of zinc and 1.3 million tonnes of lead, Sumitomo said in a news release.

Apex will continue to manage the mine following its sale.

Jeffrey G. Clevenger, Apex's president and chief executive officer, said: "We are pleased that Apex Silver will continue to partner with Sumitomo at this world-class mine, and we look forward to a comprehensive resolution of the issues that the company has faced as a result of the current volatility in the commodity and financial markets."

Apex shares closed on Friday at 70 cents, down dramatically from last year's close at \$15.24.

Zinc has been hit hard by the economic downturn, as poor demand from galvanised steel makers has forced mines to curb output or shelve projects. Analysts say half the world's zinc mines are operating at a loss.

Slumping metals prices have added to mining firms' difficulties.

The global price of zinc, an anti-corrosive metal, has dropped about 70 percent since hitting a record high in late 2006. It is currently trading around \$1,200 a tonne.

Analysts say other Japanese trading firms could make similar moves in the mining sector as share price declines cause deterioration in cash flows, although activity will be focused around smaller firms.

Yasuhiro Narita, an analyst at Nomura Securities Co, said Japan's trading houses would also need to team up with an operator as they themselves do not have the expertise to run a mine.

"(Japanese trading firms) won't be moving on their own, but will join hands with an operator," Narita said.

Japan's top five trading firms generate up to 70 percent of their profits from investments in copper, coal, iron ore mines and oil fields around the globe.