

# TRANSAMINE

non - ferrous metals and concentrates worldwide

## MONTHLY METALS REVIEW

58<sup>th</sup> yearApril 30<sup>th</sup>, 2011

N° 721

### Overview

Visible trends of an improvement in the US labor market have given confidence in the global recovery and pushed up equities, emerging market assets and higher-yielding currencies at the expense of core government bonds and the yen. While the US dollar remained weak through out the month of April.

Emerging market stocks climbed to their highest levels since June 2008, while the additional yield demanded to own emerging-market debt over US Treasuries declined to 255bp, according to JPMorgan's EMBI+ index.

On the currency markets, the ECB expectations helped support the euro even as Portuguese government bond yields soared to records following a further sovereign credit rating downgrade

Gold and Silver prices finished strongly towards the end of April at respectively \$1530 per ounce and \$45 per ounce. Various Bid battles have been seen this month such as the Barick Gold and Equinox, following Minmetals, Lundin, and Inmet. Some developments also testified to the fact that mining and processing industry has been getting more and more influenced by national interests of the countries and environmental concerns of local population.

The CEO of the Brazilian giant Vale has been replaced from his post by the instigation of the government. Policy that has been led recently does not meet national requirement to invest more into local market and withhold from overseas acquisitions.

Recent project of merging two bourses SGX and ASX that could lead to the creation of the largest stock exchange in the Asian region with capitalization of the involved companies reaching US \$500 billion that overtakes its biggest present rival HGX valuing US \$400 billion has been doomed. The government of Australia considers it menacing national interests of the country.

In Peru the strike of the farmers delays the implementation of the project for Southern Copper Corp's Tia Maria deposit exploration.

Nevertheless, the spike in prices for the commodities,

as the E&Y report noted, has given impetus that "the number of players has mushroomed quite significantly and many are now jostling to get projects through feasibility and into production. Those that get into production first are more likely to capture the current price premiums, with the market likely to be very sensitive to future increases in supply."



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LEAD	LME CASH	LME 3 Months	STOCKS	ZINC	LME CASH	LME 3 Months	STOCKS
	\$/mt	\$/mt	(mt)		\$/mt	\$/mt	(mt)
Apr 01	2,730.5	9,532.0	437,900	Apr 01	2,341.0	2,348.0	736,075
Apr 28	2,531.0	9,390.5	463,800	Apr 28	2,221.5	2,235.5	821,850

## Lead & Zinc

In London, the Lead cash settlement price increased to US\$ 2,531.0 per tonne while the Zinc cash settlement price rose to US\$ 2,221.5 per ton on the 28<sup>th</sup> of April 2011.

It has been reported in April that as much as 50,000 tonnes of lead could soon enter London Metal Exchange-bonded warehouses in Port Klang. The backwardation has flared out recently and that gives an incentive to deliver against short positions.

In Australia, Terramine has said that it and the government joint venture partners in Western Mediterranean Zinc had agreed to meet in early May to consider a decision to mine the TalaHamza deposit at the OuedAmizour project in Algeria. The company plans to complete a feasibility study by the end of April. TalaHamza possesses probable reserves of 38.1 tonnes grading 4.78% of zinc and 1.36% of lead. Terramin anticipates processing 4 tonnes per year of ore at full production and producing 310,000 tonnes per annum of zinc concentrate (grading 53% zinc) and 60,000 tonnes per year of lead concentrate (grading 61% lead). If a decision to proceed is made soon, first production could conceivably begin in 2016.

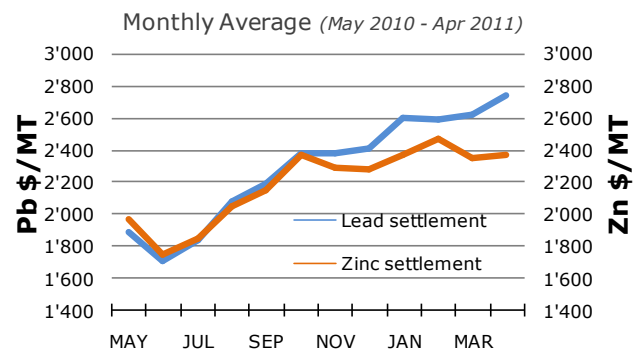
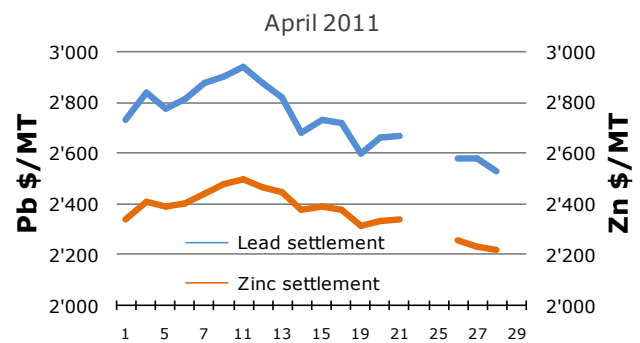
In Japan Mitsubishi Materials is planning to raise refined lead output to 2,420 tonnes per month in the first six months of the current fiscal year (April-September 2011), up 16% year-on-year from the 2,095 tonnes per month produced in the same six months of a year ago (April-September 2010). The rise is mainly in response to a pick-up in lead demand from the lead-acid battery sector due to higher sales for emergency back-up power. Mitsubishi has resumed operations at its 22,000 tonnes per year refined lead capacity Hosokura secondary lead-plant in Miyagi.

It has been reported that Dowa Mining has said that it resumed operations at its 200,000 tonnes per year Akita (Iijima) zinc smelter on the 6<sup>th</sup> of April.

Bass Metals has reported its first concentrate production at its Hellyer operation in Tasmania. It processed 40,917 tonnes of ore and produced 2,501 tonnes of zinc

concentrate grading 48% zinc, 761 tonnes of lead concentrate grading 52% lead, and 148 tonnes of its copper-precious metal concentrate. Hellyer will produce 25,000 tonnes of zinc and 10,000 tonnes of lead in concentrate at full production.

LME Lead stocks rose to 463,800 tonnes and zinc stocks to 821,850 tonnes.



<b>COPPER</b>	LME CASH \$/mt	LME 3 Months \$/mt	COMEX Cents/Lb
Apr 01	9,336.0	9,352.0	424.65 (04/04)
Apr 28	9,370.5	9,390.5	422.80 (27/04)

## Copper

In London, the Copper settlement price rose to US\$ 9,370.5 a tonne with a contango of US\$ 20 on the 28<sup>th</sup> of April 2011.

In April there has appeared some nervousness in the copper market as investors began to doubt the strength of demand from China. The price of the red metal, a crucial element in the global economy that is found in almost every building and electrical circuit, has slipped a bit this month ending around \$9,350 for April.

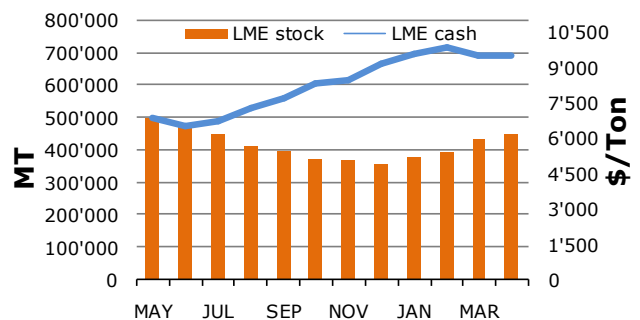
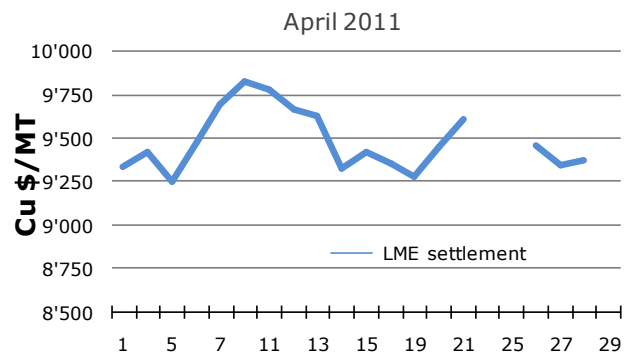
News from the domain of mining pits reports Rio Tinto announcing in its first quarter report that copper concentrates output at Escondida was 153,100 tonnes for the quarter, down 20% year over year. The company stated that the reduction is due to lower than expected ore grades. The average copper ore grade was 1.15%, compared to 1.29% in the first quarter of 2010.

Japan's companies have gradually but determinedly recovering from the devastating consequences of the seism. Mitsubishi Materials Co., announced that it plans to resume partial operations of its Onahama smelter and refinery in the middle of July. The facility produced 219,000 tonnes of blister copper in 2010 but it has been closed since the disaster and the company declared force majeure on copper-in-concentrates supply contracts on 21st March. Given this announcement, we expect the smelter to produce around 109,000 tonnes of blister in 2011.

Japan's largest smelter and refiner, Pan Pacific Copper Co (PPC), said that the company expects to resume operations at the Hitachi plant in late April while the Sagami and Tamano plants are now operating at full capacity.

Chinese imports of refined copper and copper products rose by 29% to 304,299 tonnes in March, up from 235,469 tonnes in the previous month.

LME stocks have slightly increased to 463,800 tonnes this month.



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TIN	LME CASH \$/mt	LME 3 Months \$/mt	KLTM CASH \$/mt	LME STOCKS (mt)
Apr 01	31,355	31,360	31,600	18,700
Apr 28	32,275	32,325	32,500 (29/04)	20,795

## Tin

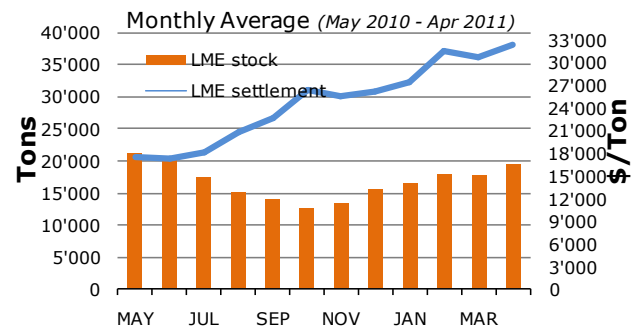
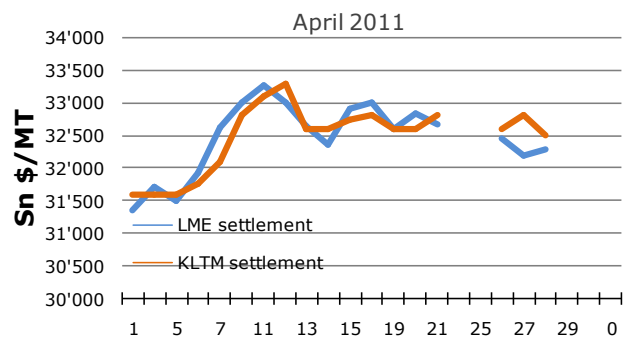
In London, the tin settlement price increased to US\$ 32,275 per tonne with a contango of US\$ 50 on the 28<sup>th</sup> of April 2011.

April provisional data released by the Indonesian Trade Ministry indicated that there has been a sharp rise in exports since February, despite reports earlier in the week that bad weather and police raids were hampering small-scale mining activity. The tonnage of tin checked prior to export by surveyors appointed by the ministry rose 37.6% year on year to 9,051 tonnes in March. This was the highest monthly total since May 2009. The rolling twelvemonth volume is 95,082 tonnes according to ITRI's records.

Provisional data released today by the Chinese National Bureau of Statistics showed that refined tin production continued to recover in April. April production was reported at 12,472 tonnes, up 8.5% year-on-year. This is the first month this year that output has been higher than in 2008. Cumulative production in January-April, at 32,970 tonnes, is still 20.4% lower than in the first four months of 2008.

The increase in production reflects improved demand and raw materials availability compared to most of the first quarter, although capacity usage at solder companies and other consumers is still estimated to be no more than 70 – 80% (versus 40 – 50% in January-February).

LME tin inventories increased to 20,795 tons at the end of the month.



<b>GOLD</b>	PM FIXING London \$/Oz	<b>SILVER</b>	FIXING London \$/Oz
Apr 01	1,418.0	Apr 01	37.63
Apr 28	1,535.5	Apr 28	48.70

## Gold & Silver

In London, the Gold P.M fixing rose to US\$ 1,535.5 per ounce on 28<sup>th</sup> of April 2011 (MTD: +6.7%, YTD: +30%), while Silver climbed to US\$ 48.70 per ounce (MTD: +28.6%, YTD: +161%).

Gold and silver prices have reached record high prices this month on the back of a weak US dollar, protective investment reallocations, and speculative short-term trades.

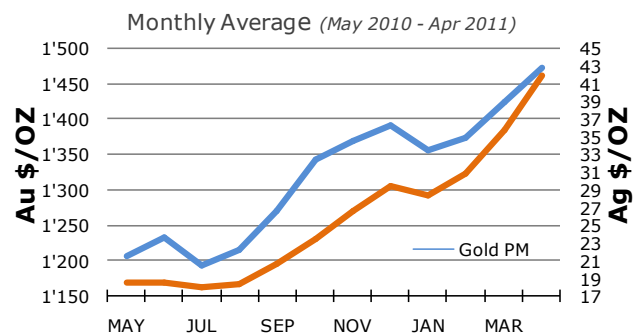
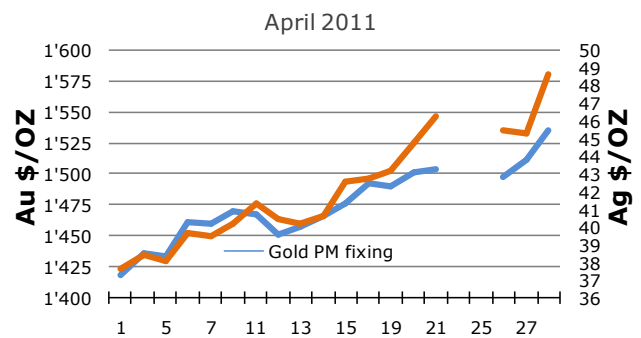
It is reported that the main driver for gold's and silver's outperformance was the move by Standard & Poor's to downgrade the outlook for the US government's credit rating to "negative" from "stable".

The rally in yellow metal prices are supposed further to run, says a leading precious metals consultancy, which predicts waves of investor buying will take gold prices to as much as \$1,600 a troy ounce by the end of the year.

According to some analysts the grey metal will reach \$50 an ounce this year. Soaring of the price is explained by the amount of money entered the market thanks to investors. However there are warnings expressed saying as when you see prices moving up so fast you have to be careful. There's no convincing economic reason for why this is happening. It is still a market with a very large surplus.

The industry recourses inform that Gold One International Ltd, the South African gold miner, has announced the acquisition of Rand Uranium Ltd for US \$250 million. Rand Uranium produced 163,000 ounces of gold at a cost of fully US \$1,222 per ounce in 2010. The company has a total underground resource of 10.36 metric ounces of gold at a grade of 3.54 grams per tonne, with nearly 2 metric ounces in the reserve category. There is a surface resource of 3.1 metric ounces at 0.3 grams per tonne.

On the background of this quarter total gold production lowering Australian copper and gold miner Oz Minerals said in April it is on track to achieve its forecast gold output of more than 185,000 ounces.



NICKEL	LME CASH	COBALT	Cobalt min 99.8%	Cobalt min 99.3%
	London US\$/LB		London US\$/LB	London US\$/LB
Apr 01	11.59	Apr 01	18.000	16,950
Apr 28	12.07	Apr 28	18.275 (27/04)	16,825 (27/04)

## Nickel & Cobalt

In London, Nickel increased by 4% to US\$ 26,328.89 per tonne, on the 28<sup>th</sup> of April 2011, while cobalt min. 99.3% traded at US\$ 16.825 per pound.

The facility represents a joint venture between China Nonferrous Metal Mining Co (CNMC) and Chinese stainless steel producer, TISCO. The design capacity of the smelter is 85,000 tonnes per year of ferronickel, equivalent to 20,000-22,000 tonnes per year of contained nickel. Commissioning will take place in the second half of 2011.

In Russia Norilsk Nickel is planning to invest around US\$60m (1.8b roubles) on prospecting activities in 2011. Norilsk Nickel has also announced that it plans to invest R2.7bn (\$97m) in exploring copper-nickel deposits in the Voronezh Region of central Russia. It hopes to construct ore mining and processing, though not metallurgical production plants. The plants will be designed to produce copper-nickel pellets (sulphide concentrate) with an annual ore production of at least 2 million tonnes with possible expansion to 5 million tonnes in the future. New smelting technologies designed to avoid roasting – carbonyl nickel pelleting and briquetting - currently being implemented at the Zapolyarny plant in Murmansk will be used to further process the pellets.

Japan's Pacific Metals Co. announced that it plans to start operations at its 44,000 tonnes per year Hachinohe nickel plant in northeast Japan in the middle of June.

Spike in nickel prices which had been doubled between April 2009 and April 2010 and have remained relatively stable ever since at around \$25,000-\$26,000 a tonne brought back to life numerous nickel projects. The favorable situation on the market allowed Australia's Albion Ltd., to reactivate Munali nickel mine in Zambia to produce 56,000 tonnes of nickel concentrate this year.

Finnish miner Talvivaara, which plans to enlarge its production capacity by 2012 up to 50,000 tonnes of nickel, forecasts prices stay around current levels on average for the year due to ramp-up problems for several major operators.

LME nickel stocks slightly rose to 117,774 tons in April.

