

→ Highland Valley Copper ✓

Analysis

- Yesterday Phelps Dodge (PD) officials say they anticipate global copper fundamentals will remain "favorable" for the next several years.
- The company expects copper consumption to grow by close to 5% during 2006, which is up from Phelps Dodge April forecast of around 4%. Refined production will increase by about 5.5%, down from the previous estimate of 6%.
- Phelps Dodge notes that visible copper inventories have increased only marginally, by about 7,000 tonnes since the beginning of the year. However, when destocking of copper by the SRB in China, Phelps Dodge believes that the copper market was in deficit in the first half of the year by about 100,000 tonnes. Phelps Dodge expects a "modest deficit" in global supply/demand fundamentals for the current year.
- Once the one off sales from the SRB stockpiles are complete, apparent copper demand will increase.
- Phelps Dodge looks for prices in the third quarter to be \$3.40 a pound, with an average of \$3 a pound for the full year
- We agree and have upped our forecast accordingly to \$3.06 per pound for 2006 from \$2.84 per pound. We have increased our 2007 copper price forecast to \$2.75 per pound from \$2.50 per pound.

Other Companies

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- TeckCominco (TCK.B) is looking at options to extend the Highland Valley mine-life further to 2019 after recently taking the decision to extend it to 2013. The initial extension will be achieved by pushing back the Valley East pit wall, work on which has already commenced. The company revised up its expected production during the transition period to the new mining area in 2008 and 2009 to 124,000t and 145,000 t of contained copper respectively from a previous estimate of 114,000t and 132,000t. Production thereafter through 2013 is expected to be 165,000 tpy. The company is now studying a push-back of the Valley West pit wall. Included in the project is the prospect of an on-site refinery using proprietary hydrometallurgical processes. The feasibility on the mine life extension is due September and that on the refinery in the fourth quarter. Highland valley produced 80,500t of copper in concentrate in H106.
 - Mountain Province Diamonds Inc (MPV) reported that the Company's independent consultants, WWW International Diamond Consultants have completed a valuation of diamonds recovered from the Gahcho Kue project in Canada's Northwest Territories. Diamonds from the 5034 pipe, which represents approximately 60 percent of the Gahcho Kue indicated resource, were valued at an average price of US\$101 per carat. Using the same cut-off, diamonds from the Heame pipe were valued at an average price of US\$54 per carat and diamonds from the Tuzo pipe were valued at US\$43 per carat.
 - Agnico-Eagle Mines Limited (AGE) reported second quarter earnings of \$37.1 million, or \$0.32 per share. This compares to net earnings of \$12.8 million, or \$0.15 per share, in the second quarter of 2005. Higher metals prices drove 2006 second quarter earnings higher, offset slightly by a non-cash foreign exchange translation loss of \$6.7 million, or \$0.06 per share, and a loss of \$4.6 million, or \$0.04 per share, on zinc forward sales. Full year production forecast remains at 250,000 ounces of gold. Byproduct production of 5.0 million ounces of silver, approximately 77,000 tonnes of zinc, and 7,500 tonnes of copper is anticipated for 2006. Total cash costs for the year are expected to be significantly less than nil.
 - Blue Note Metals Inc.(BNT) has hired Paul Laframboise as Mill Manager at the Caribou and Restigouche mines. Prior to joining Blue Note, he was Mill Superintendent at Century Mining's Sigma Gold Mine in Val d'Or, Quebec. He held the same position at Arcon Mines' Galmoy zinc-lead mine in Ireland, from 2003 to 2005.

Industry

- The Yabulu nickel refinery in Australia's Queensland saw production of refined nickel slump to 4,300t in the second quarter from 7,000t in Q106 and from 8,900t in the year-earlier period Q205. Yabulu is being expanded from 31,500tpy to 76,000tpy with a target date of Q307 to coincide with first nickel-cobalt hydroxide production from the Ravensthorpe project.
- Phelps Dodge Corp. reported that Q206 net earnings slid to \$471.7 million, or \$2.32 per share, from \$678.9 million, or \$3.38 per share, in the same quarter of 2005 despite the fact that copper prices increased 65% over the same period. The poor results was the result of a copper hedging strategy which resulted in the company taking a charge of \$2.53 a share to adjust for the 2006 and 2007 copper collars and put options.
- Phelps Dodge Corp., the world's No. 1 molybdenum producer, expects molybdenum inventories to remain below normal levels and the price to remain above average, forecasting third quarter prices of \$24 per lb or better and the 2006 average of \$22 to \$26 per lb. Arthur Miele, senior vice president, also forecast molybdenum supply and demand fundamentals would stay near balanced levels for 2006, with this year's consumption in both chemical and metallurgical sectors growing above trendline rates.
- ZincOx Resources Plc will soon announce two new recycling projects and is currently looking at another zinc oxide deposit. ZincOx uses the refining technology the management developed at South African miner Anglo American's Skorpion zinc operation in Namibia. By using the new technology ZincOx wants to develop zinc oxide deposits rather than the more common sulphide deposits. Traditional smelters use sulphide concentrate as feed material.
 - In the next two months a new zinc oxide deposit will be announced.

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