

- The main driver of this bull market has been the enormous change in China's net trade for refined zinc. In 2005, China consumed 2,950,000 tonnes of primary zinc, compared to 2,155,000 tonnes in 2003 and 2,490,000 tonnes in 2004. In 2005, China imported 392,000 tonnes of zinc, a 65% increase over 2004.
- Over half of zinc consumption is used in galvanizing steel. The galvanized steel market is being driven by strong demand, mainly from Asia. Galvanized steel prices have been increasing globally. Over the last 3 months, galvanized steel is up in Europe by 10%, up in US went by about \$100 per tonne to US\$700 per tonne, and up in Asia from \$550 per tonne to \$690 per tonne.
- Demand and strength in prices are encouraging galvanized steel producers to increase production, with this, increasing further zinc consumption. Further expansions in galvanized steel capacity are taking place. Near to 3 million tonnes per year of hot dip galvanizing capacity is added by top Japanese producers (mostly in Japan, but also in China). In China, hot-dipped galvanizing capacity is due to increase by 5 million tonne per year in 2006 to more than 20 million tonnes per year.
- The outlook for zinc remains strong and we continue to forecast zinc prices to top \$1.50 per pound by mid year.

Other Companies

- First Quantum Minerals Ltd. (FM) has extended its formal Offer to acquire all of the outstanding shares of Adastra Minerals Inc. (AAA) to April 18, 2006. Approximately 26.0 million or 30.1% of Adastra's common shares, on a fully diluted basis, were tendered to this Offer prior to 5:00 pm (Toronto time) on March 31, 2006. As the minimum tender condition under the formal Offer of at least 50.1% was not satisfied, First Quantum has not taken up any of the common shares deposited under the Offer.
- Fortuna Silver Mines Inc. (FVI) is on track to produce the first silver at its 100% owned Caylloma mine in Peru, with milling of ore expected to start by the third quarter of 2006. Production for the first year of operations is projected to be 1.9-million ounces of silver.
- Pine Valley Mining Corporation (PVM) announces increased coal reserves at its Willow Creek mine. The revised reserve represents an increase of more than 35% in saleable product coal to 14.798 million tonnes ("Mt") compared to 10.859 Mt previously reported. Of the increase in reported saleable product, 3.679 Mt relate to coking coal and 0.26 Mt to PCI taking the total for each type of saleable product coal to 7.722 Mt and 7.076 Mt respectively.
- Ivanhoe Mines Ltd. (IVN) reported its financial results for the year ended December 31, 2005. In 2005, the Company recorded a net loss of \$89.8 million (or \$0.29 per share), compared to a net loss of \$94.5 million (or \$0.34 per share) in 2004. The \$4.7 million decrease in net loss between the years is mainly due to a \$35.9 million increase in income and a gain on sale from discontinued operations, less an increase of approximately \$29.0 million in exploration expense. Based on current estimates, the starting date for commercial production from the Oyu Tolgoi Project is anticipated in mid-2008. Phase one is expected to reach a full production capacity of 70,000 tonnes per day at the beginning of 2009. Full production capacity of 140,000 tonnes per day is expected seven years later.

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Industry

- Chinese steel mills are unlikely to come to a quick agreement on 2006 iron ore prices, after their rejection this week of a 24 percent price hike sought by Brazil's Companhia Vale do Rio Doce, one of their top three suppliers. The Chinese steel industry is no longer insisting that the benchmark iron ore price drop in the year beginning April 1 and there are indications that they will accept a small price increase. China imported 51.40 million tonnes of iron ore in the first two months of this year, up 31.7 percent year-on-year.
- Peru's nationalist presidential candidate Ollanta Humala said that any government he leads will review contracts with mining companies to ensure they are paying their taxes. In mid-2004, Congress passed a law creating royalties of 1% on mining company sales up to \$60 million, 2% on sales from \$60 million to \$120 million, and 3% on sales more than \$120 million. Funds generated by the royalty tax go directly to the region in which the mining project is located. Companies that have tax stability agreements don't currently have to pay the royalties. Companies with stability agreements are Phelps Dodge Corp. (PD), Minera Yanacocha SRL, operated by Newmont Mining Corp. (NEM), and Antamina.
- BHP Billiton (BHP) has warned that its US\$1.34 billion Ravensthorpe nickel development in Western Australia may suffer another cost hike later this year. BHP is in a "constant battle" to contain costs at Ravensthorpe because of a shortage of skilled workers and rising materials charges.