

## TISCO eyes overseas chrome resources



Taiyuan Iron and Steel (Group) Co. Ltd. (TISCO), China's largest stainless steel mill, recently set up a joint venture with domestic alloy producer Shanxi Jinzhong Wanbang Gongmao Co. Ltd. and Turkish chrome miner CVK Mineral Mining Inc. to jointly explore chrome resources in Turkey, a

TISCO employee told Interfax on March 17. TISCO holds a controlling stake of 37.2 percent in the joint venture company, which will supply chrome for TISCO's stainless steel production, the employee, who wished to remain anonymous, said. He refused to provide further details. The company plans to produce 1.8 million tons of stainless steel in 2009. TISCO's stainless steel product exports accounted for 41.2 percent of China's stainless steel product exports in 2008.

## Zijin Mining Group seeking chance of overseas resources



Zijin Mining Group, a major gold producer in China, is seeking chance to acquire overseas resources, according to Chen Jinghe, board director

of the Chinese gold miner. "We will try to take 1-2 years to make progress in acquiring resources, striving to have proven gold reserves break through 1,000 tons," said Chen at a national gold meeting held in Fuzhou, east China's Fujian province. This means the miner would turn to more aggressive strategy compared to its past years. Chen said the global financial crisis has created opportunity in the overseas acquisition with the competitive edge of foreign companies having been weakened. In 2008, Zijin Mining Group raked in 3.0 billion yuan of net profits and mined 27.71 tons of gold.

## China sets to raise tax rebate for steel exports

It is reported that in order to boost steel exports, the China Iron & Steel Association proposed to raise the export tax rebate of part of steel products, from which currently 0% to 5% rebate up to 13% to 17%. It is said the policies to raise the tax rebate will enter into force since April 1st, or begin on May 1st. Facing the iron



and steel production overcapacity, coupled with export volumes declining, in order to save steel mills,

CISA submitted the proposal to the Ministry of Finance to raise the export tax rebate of part of steel products improve. Among them, the tax rebate of cold-rolled, galvanized products, and alloy steel should change from 5% currently to 17% the tax rebate of hot-rolled products and steel plate should change from 0 currently to 13%.

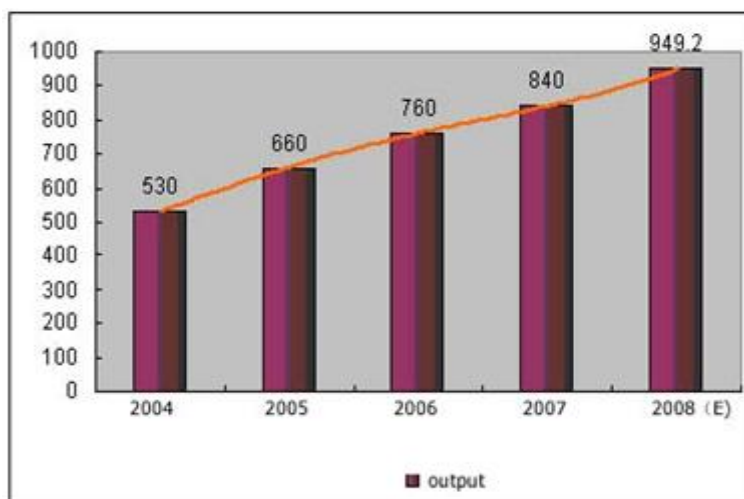
### *China's steel exporters face grim export conditions*

China's steel exports could contract 80 percent by volume this year, more than the previously forecast 50 percent, a senior domestic industry expert told an industry conference Wednesday. Shan the China Steel Industry Association, secretary-general of Shanghai, said steel exporters faced a "grim" situation as the world economy remained weak. Customs statistics have shown a big drop in steel exports, which fell 9.6 percent month-on-month to 1.56 million



### *China's coal imports keep rising*

Chinese power generators are anticipated to continue to rely on imported coal until agreement signed with domestic coal suppliers. The prolonged talks on signing electricity-coal contracts between Chinese coal suppliers and power generators have forced Chinese power generators to turn to overseas coal market in the past month. Data from the General Administration of Customs show China's coal imports in February hit a new high of 4.88 million tons, a surge of 63 percent on month and 73 percent on year, partly because many power plants in coastal region stepped up coal imports for feedstock. Zhejiang



Merchants Securities believes that Chinese generators' bulk imports is actually a move to exert pressures on domestic coal suppliers that insist on selling coal at dearer price. "Overseas coal price is still cheaper than the domestic price even if taking into shipping costs," said Zai Ruoyu, general manager of Datang Group, one of China's five power giants. Zhejiang Merchants Securities anticipates that the bulk imports would extend to March and may not take a brake until the signing of electricity-coal contracts. Chinese coal suppliers should have signed agreement with Chinese electricity generators on the coal supply at the beginning of this year, but failed due to divergence on price.

## *China's power enterprises buy imported coal in Feb*

China's power enterprises purchased a larger amount of imported coal in February to guarantee normal power generation since China's coal and power enterprises haven't achieve agreement on contractual coal price while international coal price keeps decreasing. According to customs statistics, China imported 4.88 million tons of coal in February of 2009, up 73 percent on year and 63 percent on month from 2.99 million tons in January. Analysts predicted that overseas coal purchase would keep growing



until China's five power giants achieve contracts with domestic coal enterprises. The surge of imported coal purchase is only temporary because the imported coal will go up and lose its price edge when the world economy recovers, analysts noted. The expanding international financial crisis

has greatly cut coal demand, directly leading to big divergence between overseas and domestic coal prices, which attracted domestic power enterprises to buy imported coal. Zhai Ruoyu, general manager with China Datang Corporation clearly stated that the overseas coal price is still lower than domestic coal price plus shipping fee. An analyst with Zheshang Securities noted that the purpose of domestic power enterprises to purchase imported coal is to form pressure on domestic coal price. However, it seemed that domestic coal enterprises didn't receive much impact from this. As a large coal producing country, China has 90 percent of its coal demand fed by domestic coal enterprises.

## *CISA appeals for anti-dumping investigation*

China Iron & Steel Association (CISA) calls for competent government apartments to conduct anti-dumping investigation and adjust the export rebate policy, so as to curb excessive steel imports into China and back the country's steel export. In February, China's steel import totaled 1.09 million tons, up 25 percent on month and down 13 percent on year, while export hit a 52-month low to 1.56 million tons, down 62 percent on year. According to CISA, Chinese major steel makers' steel exports for March and April are estimated to be 299,100 tons and 129,600 tons, respectively, indicating China would become a net importer in the following months if the imports keep



at the level of February. CISA anticipates that China's steel exports in 2009 may see a nosedive of 80 percent, much worse than the earlier forecast of 50-percent decrease. Analyst Zhang Ping with Umetal.com noted that imports of low-grade steel products are nibbling the already shrinking market shares of domestic steel plants.

## *CIBC stands pat on \$950 gold this year, \$1050 in 2010*



CIBC World Markets says Kinross takes top honors in adding total ounces per share last year, while Agnico-Eagle did the best at finding gold ounces. CIBC

World Markets says it is maintaining its forecast of \$950/oz gold this year and \$1050/oz for 2010. In a recent analysis, CIBC metals analysts Barry Cooper, Cosmos Chiu and Brain Quest declared, "Strength in gold is coming from investment demand that is unprecedented." They suggested that gold ETF



demand "is offsetting any fabrication slumps that are occurring due to decreased discretionary spending on luxury goods."

CIBC estimated that more than 70 million ounces of new gold resources were added to portfolios last year at an average cost of \$110/oz, based on both acquisition and exploration.

"Kinross in our opinion takes top honor in adding total ounces

per share whereas Centerra has an unsuccessful outing losing ounces in excess of its depletion rate," the analysts said. "On pure exploration success, we think that Agnico-Eagle did the best at finding ounces at a rate of \$12.50 each." In their analysis, CIBC reviewed a collection of mature minds from the

past five years and found that the cost of "keeping the lights on" has increased more than 75%. While open pit operations appeared to be topping out at \$120 to \$130/oz for year, "underground mines continue to see sustaining cost creep of about \$20/oz/year and now

sit at \$160/oz." Barrick has both the highest and lowest capex mines, according to CIBC's study. As of March 16, CIBC upgraded Barrick and Pan American Silver to Sector Outperformer, while El Dorado fell from Sector Outperformer to Sector Performer. "Kinross remains



our top pick overall." CIBC also favors Yamana, Goldcorp, Franco Nevada and Silver Wheaton for a combination of value, growth and safety. While noting that prices for precious metals stocks have not kept pace with the earnings power offered by the \$100/oz gold prices, CIBC, nevertheless, forecast earnings increases of 46% against share prices that are only up 16% from the fourth-quarter 2008 average, "implying improving results may not be priced in."