

Dynamics of copper production in Uzbekistan for 9 months of 2006 and tendencies in world markets

The largest manufacturer of nonferrous metals in Uzbekistan is Almalik mining industrial complex (AMIC), responsible for manufacture more than 95 % of copper in the country. The charter capital of the enterprise makes more than 90 billion UZS. Its structure includes 3 mines of the open mountain works, 2 managements and 1 mine of underground works, 4 concentrating factories and 2 metallurgical factories.

According to Russian IATS "Mineral", on results of 2004 the general stocks of copper AMIC made nearby 20 million tons or 1,8 % from universal, and the confirmed stocks were equaled 12 million tons or 1,9 % from universal stocks.

The Raw-material base for conducting copper-gold and molybdenum works are deposits Kalmakyr and to the Sari-Cheku, ore on which is relatively easy to work out and the level of extraction of copper makes about 80 %.

Lead and zinc extraction is carried out on the basis of deposit Uch-Kulach on which works can be spent both opened, and underground way.

For nine months 2006 the volume of extraction and processing of copper ore has made nearby 20 million tons and by the end of year 27 million tons can reach the order.

Dynamics of manufacture of copper at JSC "Almalik MIC"

In the recent press, it was informed about decrease in total amounts of manufacture of the refined copper on 11,8% for 9 months of 2006 in comparison with the similar period of the last year - up to 70,31 thousand tons (for 9 months 2005 the volume of manufacture of the refined copper was made with 79,75 thousand tons). However, on the specified data of the industrial complex, the given decrease is connected only with reduction of volumes of manufacture of copper from the raw material delivered on conditions of tolling. The volume of manufacture from own raw materials, oppositely shows stable growth. So, for 9 months of 2006 it has been made on own raw material nearby 66,6 thousand tons, that on 0,8 % or 522 tons it is more, than for the similar period of the last year. The principal cause of decrease in volumes of manufacture of copper on conditions of tolling is connected with the general deficiency of raw material in the world market and the termination in this connection, deliveries to processing of a copper concentrate to conditions of tolling on JSC "AMIC" from the beginning of this year. So, for January-September of 2006, the volume of manufacture of copper on conditions of tolling has made only 3 660 tons, developed basically on the rests of stocks of raw material of the last year while in the past to year for 9 months 13 623 tons tolling copper have been produced.

Table 1: Production of copper at AMIC, (in thousand tons)

	2001	2002	2003	2004	2005	9M2005	9M2006
Ore copper	97,3	80	80	82,8	103,5		
Purified	75	75	75	84,9	115	79,75*	70,31*
<i>Including:</i>							
from own raw materials	-	-	-	-	-	66,1*	66,6*
in tolling conditions	5	5	0	5	-	13,6*	3,7*
Cathodic	5	5	0	5	-		

Source: «Aerogeologiya», IAC «Mineral» and OJSC «AGMK» (*)

Besides nonferrous metals on AMIC the sulfuric acid is made and extraction and melt of precious metals - gold (20%) and silver (90%) is carried out. Manufacture of a sulfuric acid for three quarters 2006 has grown on 2,2%, gold - on 10,5%, silver - 7,1%. Manufacture of metal zinc on AMIC for 9 months of 2006 has increased in comparison with January-September of the last year on 9,5%.

The review of the world market of nonferrous metals

In present to year the market of nonferrous metals experiences significant "rise". However, on many analysts and experts of the market, consider a sharp rise in prices on copper speculative and expect inevitable correction in 2007.

Primary factors which resulted high growth in the world market considered roughly a growing demand for metals, first of all from China, and also significant volumes of speculative investments in the market for commodity futures, that is connected with reorientation of a part of investors from difficultly predicted market of dollar tools (deposits, actions and bonds) on more profitable market of metals. This is not strange; in fact this market has appeared even more attractive, than the market of oil. So, by calculations of experts of the World bank, for last four years of the price for metals have grown on the average on 180%, while on oil - on 157%, while for the first half-year 2006 exchange quotations on nonferrous metals have flied up on 50-75%.

In the market the opportunity of "leaving" speculative "hot money" which in addition it has been enclosed on the market from the middle of 2005 nearby 3 billion US dollar refers to as the main reason of instability.

The majority of analysts converge in forecasting forthcoming correction of the prices and giving of a significant role of China in growth of volumes of demand for metals, however, their estimations differ on scale. Below optimistic and pessimistic variants of development of long-term price dynamics of the market of nonferrous metals are resulted.

Table 2: Optimistic version of long-run price dynamics of market for nonferrous metals, USD/ton

	2006	2007	2008	2009	2010	Long-run	Average
Copper (Cu)	6 938	3 921	3 878	4 279	4 180	3 520	4453
Nickel (Ni)	16 694	14 938	12 267	11 476	11 200	10 000	12763
Zinc (Zn)	3 125	2 189	1 768	1 488	1 400	1 200	1862
Lead (Pb)	1 188	786	716	661	650	600	767
Tin (Sn)	8 183	6 200	9 063	6 173	6 100	5 800	6420
Aluminium (Al)	2 626	2 332	2 173	2 061	2 035	1 760	2165

Source: „Big Business“

Table 3: Pessimistic version of long-run price dynamics of market for nonferrous metals, USD/ton

	2006	2007	2008	2009	2010	Long-run	Average
Copper (Cu)	5 486	3 921	3 173	3 501	3 420	2 880	3 730
Nickel (Ni)	16 231	13 580	11 040	10 328	10 080	9 000	11 710
Zinc (Zn)	2 720	2 189	1 768	1 400	1 200	1 200	1 746
Lead (Pb)	1 087	786	716	600	580	500	712
Tin (Sn)	7 451	6 200	6 063	6 000	5 300	5 000	6 002
Aluminium (Al)	2 490	1 908	1 778	1 687	1 600	1 400	1 810

Source: „Big Business“

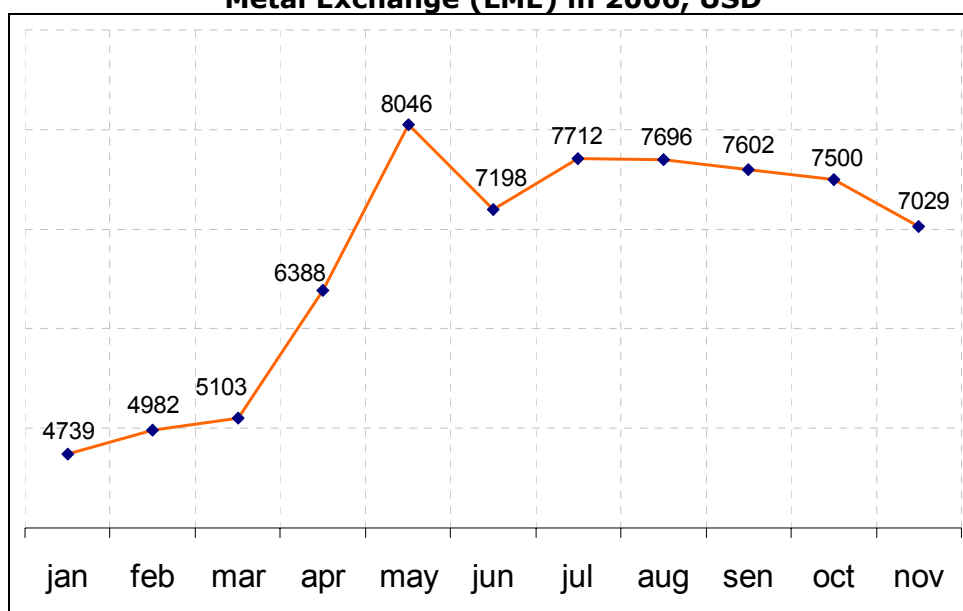


The review of the world market of copper

The Basic tendencies

The World market for copper has shown unstable growth and if in the past year the price reached up to 3,5 thousand USD/ton in current 2006 price exceeded 8 thousand USD/ton.

Schedule 1: The Monthly average prices for copper refined at the London Metal Exchange (LME) in 2006, USD



Source: LME

The major factor of growth became increasing volumes of demand from the countries of the Asian region (demand only from China grow in one on 12-15% annually) in which projects in the field of power and electronics roughly developed, manufactures having significant metal consumption. It has led to formation of deficiency in this market. if in 2001 volumes of manufacture exceeded demand almost by 1 million ton that allowed to support exchange stocks at a 6-week level by 2004 deficiency was exceeded with 800 thousand tons, and stocks were reduced up to a 2-week level. During the period of time 2005, the deficiency was a little reduced - to 393 thousand tons, and at the present moment, due to more active growth of manufacture excess of the offer over demand on 0,1 thousand tons is predicted.

World reserves

On the beginning 2005, world general stocks of copper in 95 countries in which bowels reserves of copper are revealed, are estimated, by estimation of experts, in 1122,7 million tons, and the confirmed stocks making 57% from general, - in 636,8 million tons.

More than half of stocks of copper is concentrated in America (53,0% of the general and 43,0% confirmed) and over 21,1% in Asia. Exclusive ones (more than 175 million tons) stocks possess to Chile and the USA (in the sum of 27,4% world). In eight countries, including China, Kazakhstan, Peru, Indonesia, Poland, Panama, Zambia and Russia, 33% of world reserves are concentrated. The share of stocks of copper of Uzbekistan makes about 2% from universal. Among the countries of Asia, the second

large on stocks of this metal of continent, the Republic Uzbekistan stands on important 4th place (8,3% of all confirmed stocks of Asia) after China, Kazakhstan and Indonesia.

Table 4: Ascertained resources and reserves of copper for 01.01.2005. (thousand tons)

	Resources	Total reserves	Share in the world in %	Confirmed reserves	Share in the world in %
Total in the world:	1 602 528	1 122 714	100	636 878	100
America	661 816	589 643	52,5	273 631	43,0
Asia including:	352 012	237 438	21,1	144 559	22,7
Uzbekistan	25 000	20 000	1,8	12 000	1,9
Europe	191 141	160 341	14,3	110 607	17,4
Africa	161 309	82 380	7,3	57 208	9,0
Australia	85 000	52 912	4,7	50 873	8,0

Source: «Aerogeologiya», IAC «Mineral»

Production

Among the CIS countries, position of leaders on manufacture of the refined copper is kept in the same parity, as their position on volume of stocks in the world. Among the four of leaders, in 2005, only Kazakhstan has shown reducing dynamics of volumes of manufacture by 6,9%, other countries have continued growth of volumes of manufacture in comparison with the last year. During the same period of time Uzbekistan has increased the manufacture to 35,5 %, while Russia to 9.7 %.

Table 5: Production of purified copper in CIS countries, (thousand tons)

	2001	2002	2003	2004	2005	2006 (forecast)
Total in the world:	15 628.1	15 397.2	15 251.13	15 873	16 578.4	18 000
Russia	877.7	769.3	818	919	1 008	n/a
Kazakhstan	421.8	453	432.4	445.2	414.1	n/a
Uzbekistan	75	75	75	84.9	115	n/a
The Ukraine		2.5	16.8	5.5	13.6	n/a

Source: «Aerogeologiya», IAC «Mineral»

Consumption

The largest consumers of copper traditionally are highly industrialized and also fast-growing countries located at Asian regions: the Europe (28%), America (21%), Asia (49%). It is necessary to note especially, that Asian continues are increasing the annual volumes of consumption of copper due to the basic consumer - China. Only for last 10 years the volume of import of copper in China has increased in 5 times. In 2006-2007 growth due to expansion of available manufactures - nearby 845 thousand t (India - 265 thousand t, Japan - 188 thousand t, Chile - 152 thousand) also is expected. In the long term introduction is planned for 2008 in build new capacities total development nearby 700 thousand t from which nearby 400 thousand t is necessary to China.

Table 6: The use of purified copper in the world (thousand tons)

	2001	2002	2003	2004	2005	2006 (forecast)
Europe:	4736,6	4686,6	4870,5	4693,4	4648,7	n/a
Germany	1103,1	1036	1036	1100,2	1117,6	n/a
Russia	223,8	210	422,4	557,5	792	n/a
The Ukraine	3	3	6	15,7	24	n/a
Asia	6023,4	6865,3	7290,0	8019,2	8346,3	n/a
China	2210,5	2684,4	3083,7	3363,9	3740,0	n/a
Japan	1144,7	1163,9	1202,3	1278,6	1226,7	n/a
South Korea	848,5	936,3	900,5	939,5	852,6	n/a
Africa	135,4	145,7	139,3	159,7	163,3	n/a
America	3862,8	3449,2	3448,9	3770,4	3578,5	n/a
USA	2620	2370	2290	2460	2270	n/a
Australia	173,3	189,3	184,3	168,6	154,9	n/a
Total in the world	14 931.5	15 336.1	15 933	16 811.3	16 891.7	17 900

Source: «Aerogeologiya», IAC «Mineral»

General information about JSC "AMIC"

Full name	Joint Stock Company "Almalik Mining Industrial Complex"
Legal address	Uzbekistan 702 400 Tashkent region, Almalic Amir Temur street, 53 Tel NO.: +998 (71) 120-2060 +998 (71) 614-1403 Fax: +998 (71) 120-2033 +998 (71) 613-3377 E-mail: info@AMIC.uz Web address: http://www.AMIC.uz
Main products	Purified copper, cadmium, metallically zinc, sulphuric acid, gold, silver
Chief Executive Officer	Sanakulov Kuvandik Sanakulovich
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