

Beijing Antaika Information Development Co., Ltd.
7th Floor, 31 Suzhou Street, Beijing, 100080
P. R. China
Tel: +86-10-62560921
Fax: +86-10-62560631
Email: cmm@antaika.com
Web: www.antaika.com

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Executive Summary

Highlights of international copper market

Pushed by global economic recovery, copper supply shortage caused by optimistic forecast for consumption and dollar's weakness, domestic and overseas copper prices continued the upward trend since the second half of 2010 to mid-February of 2011. LME copper prices reached US\$ 10,190 on Feb. 15, hitting a new historic high level. After that, Influenced by such negative factors as Europe's sovereign-debt crisis, high oil prices, North Africa unrest and nuclear radiation or nuclear pollution, investors were doubted on economic prospects. In addition, China's RRR Hikes caused tension. Copper prices temporarily lose the rising power, fluctuating between US\$ 9,000-10,000.

In Q1 2011, copper price for cash and 3 month on the LME closed at US\$9,561/t and US\$9,644/t, up by 10.7% and 11.9% respectively against last quarter, up by 33.4% and 32.9% year on year.

In Q1 2011, domestic and overseas copper prices were relatively weak, passively following the outside. With the domestic price returning to 70,000 yuan or above, purchasing enthusiasm of domestic downstream consumers was restrained. Due to the worry of high copper prices, most of consumers actively cut inventories, resulting that market demand on the spot market was weaker than expected. Meanwhile, FTZ inventory greatly increased because copper in the bonded areas warehouses was difficult to enter into domestic market due to the low price ratio. All of these formed pressure to copper prices.

In Q1 2011, copper price for cash and 3 month on the SHFE closed at 71,654yuan/t and 72,282yuan/t, up by 10.9% and 11.1% respectively against last quarter, up by 22.5% and 22.1% year on year.

Table 1 Average price of copper on LME and SHFE in Q1

	LME, US\$/t		SHFE, yuan/t	
	Cash	3-month	Cash	3-month
2007	7,117	7,088	62,211	62,057
2008	6,955	6,887	54,856	53,907
2009	5,149	5,171	41,893	41,389
2010	7,449	7,550	59,224	59,296
2010 Q1	7,232	7,259	58,489	59,213
2010 Q2	7,027	7,060	56,619	55,975
2010 Q3	7,242	7,261	57,170	56,954
2010 Q4	8,719	8,618	64,620	65,073
Jan.2011	9,555	9,534	70,726	71,599
Feb.2011	9,867	9,854	73,286	73,664
Mar.2011	9,530	9,543	70,951	71,582
2011 Q1	9,651	9,644	71,654	72,282
<i>m/m %</i>	<i>10.7</i>	<i>11.9</i>	<i>10.9</i>	<i>11.1</i>
<i>y/y %</i>	<i>33.4</i>	<i>32.9</i>	<i>22.5</i>	<i>22.1</i>

Global refined copper output and demand slightly increase

The global copper production and demand increased slightly in Q1 2011. The production of refined copper was 4608kt, up by 1.3% compared with Q1 last year, and China, Zambia, Chile, etc. countries were mainly contributed to the growth. The global consumption was 4620kt, up by 1.8% year on year. Pushed by consumption from China, Europe and America, the production would increase, but the growth would not be as fast as last year. Global refined copper supply was in shortage in Q1, and the volume was 12kt.

Table 2 Global refined copper supply & demand balance

	2009		2010				2011	
	Total	Q1	Q2	Q3	Q4	Total	Q1	
Output	18,080	4,550	4,710	4,660	4,610	18,530	4608	
Demand	17,300	4,540	4,760	4,640	4,550	18,490	4620	
Balance	780	10	-50	20	60	40	-12	

Global copper concentrate supply in surplus

The global output of copper concentrate increased by 1.1% to 3052kt and the consumption was 3024kt in Q1, but down by 0.9% against Q1 2010. There was 28kt supply surplus of copper concentrate, which was mainly effected by partial smelters shutdown of Japan. The supply surplus might make a big rally of TC/RCs. After a severe earthquake in Japan, spot TC/RCs has increased to US\$120/12cents or above from US\$80/8cents. But the surplus would be used quickly by other large smelters from Asia countries as China. Therefore copper concentrate market might be in shortage in Q2.

Table 3 Global Copper Concentrate Market Balance (kt)

	2009		2010				2011	
	Total	Q1	Q2	Q3	Q4	Total	Q1	
Output	12,142	3,020	3,080	3,130	3,120	12,350	305.2	
Demand	12,280	3,050	3,140	3,160	3,090	12,440	302.4	
Balance	-138	-30	-60	-30	30	-90	2.8	

Highlights of Chinese copper market

Suffered by such negative factors as dropped import, ever-rising crude oil prices caused by geopolitical conflicts, copper prices lost rising momentum and fluctuated at a high level on the whole.

The open interest of copper at three major Exchanges (SHFE, Comex and LME) widely decreased in Q1 2010. LME copper open interest reached the peak 316,000 lots in December of last year. After that, LME open

interest of copper fell to 292,000 lots, reduced 22,000 lots or by 7.1%.

The Chinese copper was in a low level, but higher than the same period of last year. Copper-in-concentrate output increased to 257kt, up by 11.7% year on year. Copper blister output increased to 671kt, up by 5.7% year on year. Refined copper output reached 1203Kt, up by 8.9% year on year. It is estimated that Chinese copper production will increase in Q2, as long as Yunnan Copper's Isa furnace resumed run in Feb. and Daye Nonferrous's Ausmelt furnace gradually put into production, and the partial copper-in-concentrate was transferred to Chinese market which should be loaded to Japan, due to some smelters shutdown triggered by a 9.0-magnitude earthquake.

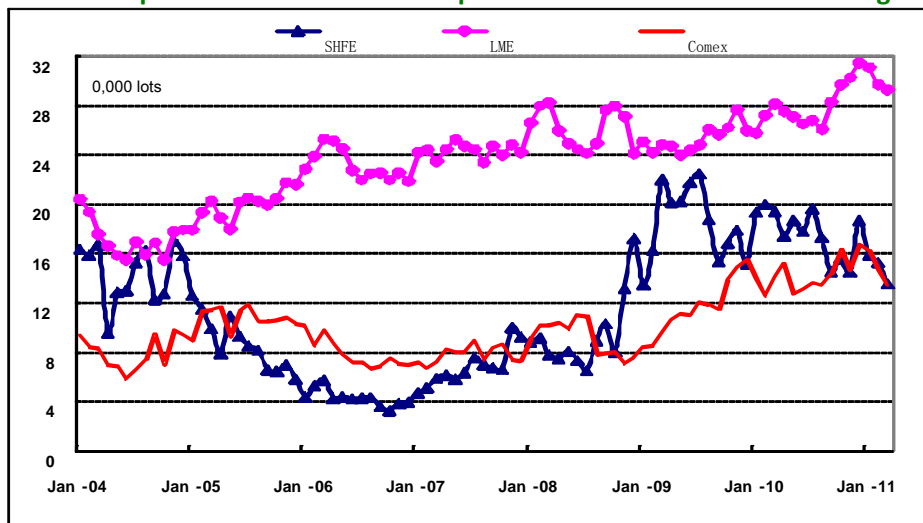
Chinese Copper Prices

Changes of open interests at major Exchanges

The open interest of copper at three major Exchanges (SHFE, Comex and LME) widely decreased in Q1 2010. LME copper open interest reached the peak 316,000 lots in December of last year. After that, LME open interest of copper fell to 292,000 lots, reduced 22,000 lots or by 7.1%. During the same period, SHFE and COMEX open interest fall back from a phase of high points, reduced 51,000 and 33,000 lots respectively, down by 27.5% and 17.8%.

During the continuously rising period of copper in Q4 2010, LME copper open interest greatly increased. But copper open interest decrease in Q1 2011, which curbed the growth of copper prices. Copper prices lost rising momentum after hitting new historic high in mid-February this year, and fluctuated between US\$9000-10000.

Chart 1 Open Interest on World's Top Three Nonferrous Metals Exchanges

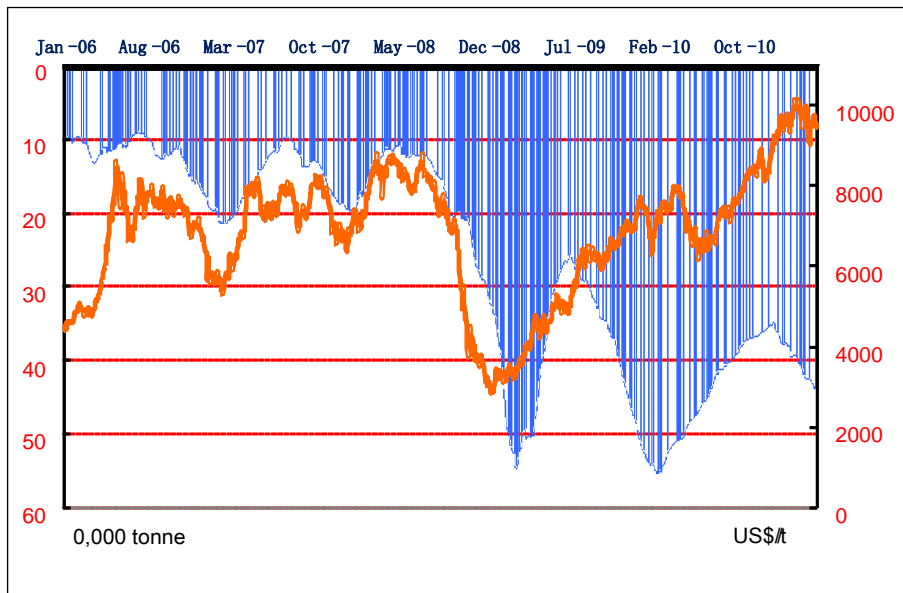


Changes of inventories in LME and SHFE

LME copper inventory increased to 440kt in late March, rising by 62kt than that of late December 2010, due to China’s copper import falling back and export ascending.

SHFE copper inventory maintained the upward trend, and increase to 158kt on March 11 from 132kt in the end of last year. After about 30kt copper in two bonded warehouses were included, SHFE copper inventory reached 177kt. Since then the copper inventory in designated bonded warehouses has not changed. But as the resuming of domestic consumption, the total inventory gradually fell.

Chart 2 Inventory (left) and 3-m Copper Price (right) on LME

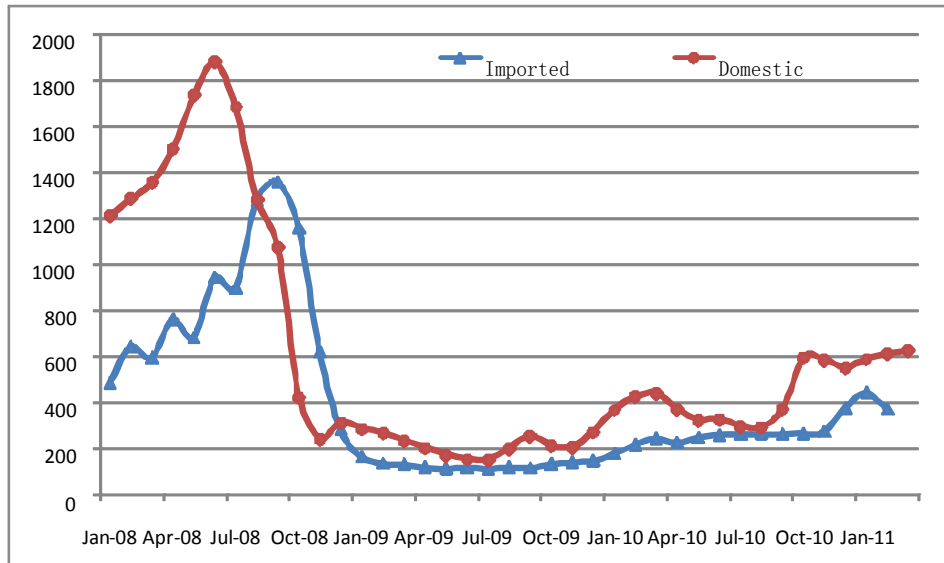


Sulfuric acid price continues to rise

In Q1 2011, domestic sulfuric acid price continued to rise. Quarterly average price was 607 yuan/t, up by 5.57% compared with that in Q4 2010, up by 48.77% against the same period of last year. Domestic sulfuric acid price rise was passively followed by foreign high raw material prices. Q1 is usually the peak season of phosphate fertilizer sales. But the export of phosphate fertilizer was restrained by China temporary high export tariff in Q1, which give pressure to sulfuric acid consumption. Domestic high inventory of sulfur gave impact on foreign sulfur. Purchasing enthusiasm of sulfuric acid production enterprises was weak, mainly relying on original inventory.

In Q2 2011, domestic sulfuric acid industry will turn better as coming of phosphate fertilizer consumption peak, Export volume of phosphate fertilizer will determine trend of domestic sulfuric acid price. Antaiko estimates Chinese sulfuric acid price will maintain at 650-700 yuan/t in Q2 2011.

Chart 3 Sulfuric Acid Price in China 2008-2011 yuan/t



Chinese Copper Material Supplies

Mining capacity

In 2011, Chinese newly-added copper concentrate production capacity was about 50-70kt/y, mainly including Huangshan (Xinjiang Hami) Nickel-Copper Mine, Tuwu (Xinjiang Hami) Mine, Duobaoshan (Heilongjiang) Copper Mine. These projects will be put into production in H2 2011, and make actual production until 2012. Chinese mining expansion projects since this year are as following:

Xinxin Mining Co., Ltd's Huangshan Cu-Ni Mine's 4,000t/d project was kicked off in June, 2010. The mine locates in Hami City, Xinjiang with 84Mt of Cu-Ni ore reserves, including 380kt of nickel content, 220kt of copper content and 32kt of cobalt content. The project with total investment of 1bln yuan will be commissioned by the end of September, 2011.

Jiangxi Copper's Dexing Copper Mine has finished 7,500t/d expansion project by the end of June. Currently Dexing Copper Mine has mining capacity of 107.5kt/d. The 7,500t/d expansion project was invested in 360mln yuan and took 10 months to be commissioned. The total project with 130kt/d capacity is expected to be finished completely in 2012 on schedule. Overall investment will reach 2.7bln yuan. After the whole project being commissioned, its mining capacity will grow to 130kt/d from current 100kt. Outputs newly added will include 41kt copper-in-concentrate, 61kg gold and 25t silver.

Chengmenshan Copper Mine's stage 2 was kicked off in December, 2009. The stage 2 with investment of 500mln yuan will be constructed for 2 years, and it can process 7000t/d of ores and produce 14.8kt/y of copper in 2012.

Jiangxi Yinshan Mining Co., Ltd's 5,000t/d project with total investment of 500mln yuan kicked off in

January, 2010.

Jiangxi Copper's Yongping Copper Mine will finish transformation from underground into open pit project in March, 2010.

Zinjin Mining Holdings Group Co., Ltd's Zinjinshan Copper Mine will establish two ore dressing plants which can process 10kt/d and 8,000t/d of ores respectively. And it will also establish a 45kt/d grinding system project. Zinjinshan Copper Mine with total investment of 500mln yuan will be commissioned in 2011.

Heilongjiang **Duobaoshan Copper-Molybdenum Mine** is invested by Heilongjiang Duobaoshan Copper Co., Ltd. (Duobaoshan Copper) with a total investment of 3.0bln yuan and planned to be finished by two stages. The first stage is going to be commissioned in 2011. After that it will be capable of processing 25kt ores per day, and producing 117,648 t copper concentrates (25% Cu) and 1,401 t molybdenum concentrates (45% Mo) per year. When the second stage being commissioned, 50kt ores can be processed per day, and outputs of copper concentrates (25% Cu) and molybdenum concentrates (45%) will reach 233,316t and 3,014 t respectively.

Tuwu Mine, in Hami, Xinjiang Autonomous Region, was started on Feb. 25, 2010. The project is planned to be finished by two stages. The first stage is open pit project and is going to be commissioned in 2011. After that it will be capable of processing 5kt ores per day in stage 1, and the processing capacity will be expanded to 10kt in stage 2. The project is invested by Xinjiang Huajin Copper Co., Ltd. under Central Asia Huajin Copper Co., Ltd..

Import of raw materials

Chinese copper import was greatly affected by the long time weak price. Major copper products import maintained the downward trend since Q4 last year, except copper blister and scrap. Of which refined copper import decreased by 21.1% to 596kt, and copper concentrate import decreased by 16.8% to 1420kt. The import of copper blister increased by 22.3% to 101kt, and copper scrap rose by 1.9% to 998kt in Q1 2011.

Copper semis export increased by 3.5% to 123kt. It is worth mentioning that copper in the bonded warehouses were exported influenced by domestic low price. Export of refined copper reached 790kt, up by 11 times, far exceeding the total export volume of refined copper in 2010.

Table 4 Import and Export of Copper Raw Materials in 2010-2011 (kt)

		2009		2010				2011				
				Q1	Q2	Q3	Q4	Jan.	Feb.	Mar.	Q1	m/m%
Refined	Import	3,185	2,921	755	801	734	631	246	158	192	596	-21.1
	Export	73	39	6	12	5	15	23	19	37	79	1,133.4
Blister	Import	228	399	82	89	112	115	44	23	34	101	22.3
	Export	0	0	0	0	0	0	0	0	0	0	-
Semis	Import	824	911	216	252	230	212	72	52	75	199	-7.5
	Export	455	509	119	145	128	116	46	29	48	123	3.5
Concentrate.	Import	6,132	6,467	1,707	1,632	1,623	1,505	571	398	451	1,420	-16.8

	Export	0	0	0	0	0	0	0	0	0	0	-
scraps	Import	3,998	4,364	979	1,052	1,185	1,148	365	246	387	998	1.9
	Export	2	2	0	1	1	0	0	0	0	0	-

Source: Customs, Antaiko

Calculated by net import copper concentrate, most of copper products decrease in Q1, except copper blister increased 18kt and scrap increased 5kt. Refined copper import decreased 232kt. Copper concentrate decreased 78kt, copper semis 18kt and copper alloys 8kt. The net import of copper concentrates decreased by 18.5% in Q1 2011.

Table 5 Net Import of Copper Products in 2010-2011 (kt)

	2010 Q1	2011Q1	Change	y/y%
Refined copper	749	517	-232	-31.0
Copper blister	82	101	18	22.4
Copper alloy	13	5	-8	-60.7
Copper semis	87	68	-18	-21.1
Copper con.	461	383	-78	-16.8
Copper scraps	294	299	5	1.9
Chinese total	1,685	1,374	-312	-18.5

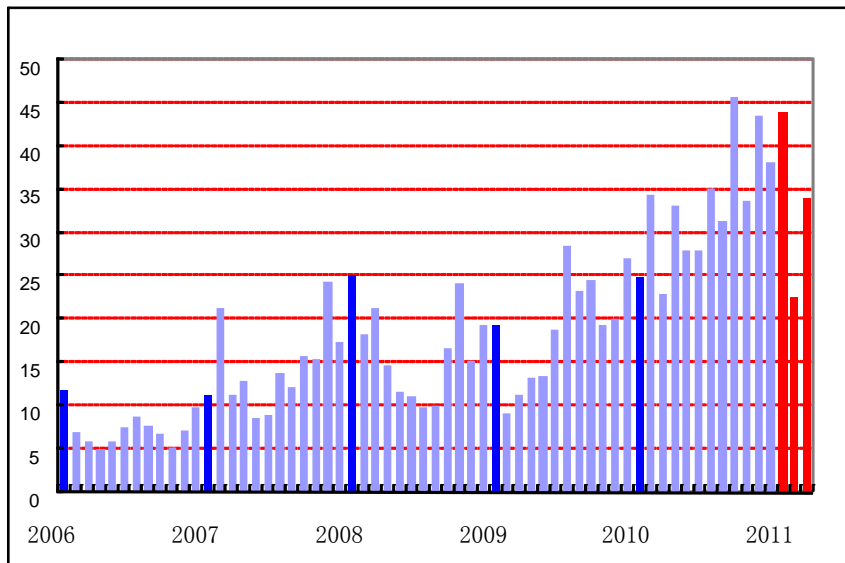
Source: the Customs

Note: all data are pure metal content, calculated in accordance with Alloy (75%), Semis (90%), Concentrate (28%) and Scraps (30%)

Copper blister

Affected by a weaker copper price, copper blister declined greatly to 22.7kt in Feb., the lowest level since November, 2009. But copper blister import increased to 34kt in March. Copper blister import reached 100.6kt in Q1 2011, up by 22.3% year on year. Zambia is mainly contributed to the import increase. The import from Zambia reached 35.8kt in Q1 2011, up by 36.11% year on year, which accounted for 35.6% of the total domestic import.

Chart 4 Monthly import of copper blister in 2006-2011 (kt)



The table below gives a list of main destinations for copper blister import during January to March (the seat of domestic smelters and refineries). Of which import of Yingtan, Jiangxi and Kunming, Yunnan increased to 32.0kt and 14.8kt in Jan.-Mar. respectively, dramatically up by 191.9% and 255.1% y-o-y. Accumulative import of the above two areas accounted for 46.6% of the domestic total import. Import of Jinchang, Gansu, which Jinchuan Group located in, decreased by 59.0% to 9.08kt.

Table 6 Main Destinations for Imported Copper Blister in Jan.-Mar. tonne

Destinations	Import	Y/Y %
Yingtan, Jiangxi	32,044	191.9
Kunming, Yunnan	14,795	255.1
Dongying, Shandong	12,964	45.2
Jinchang, Gansu	9,079	-59.0
Tianjin economic development zone	6,209	-
Guangzhou, Guangdong	5,312	-
Tongling, Anhui	3,622	-49.0
Yingkou, Liaoning	3,111	9194.5
Waigaoqiao, Shanghai	2,545	147.3
Jinshan, Shanghai	2,302	-44.3
Chinese total	100,564	22.3

Source: the Customs

Copper scraps

Affected by move of domestic value added tax refund, import of copper scraps maintained at a relatively low level. Copper scraps import was 998kt in Q1 2011, up by 1.9% year on year.

Chart 5 Monthly import of copper scraps in 2006-2011

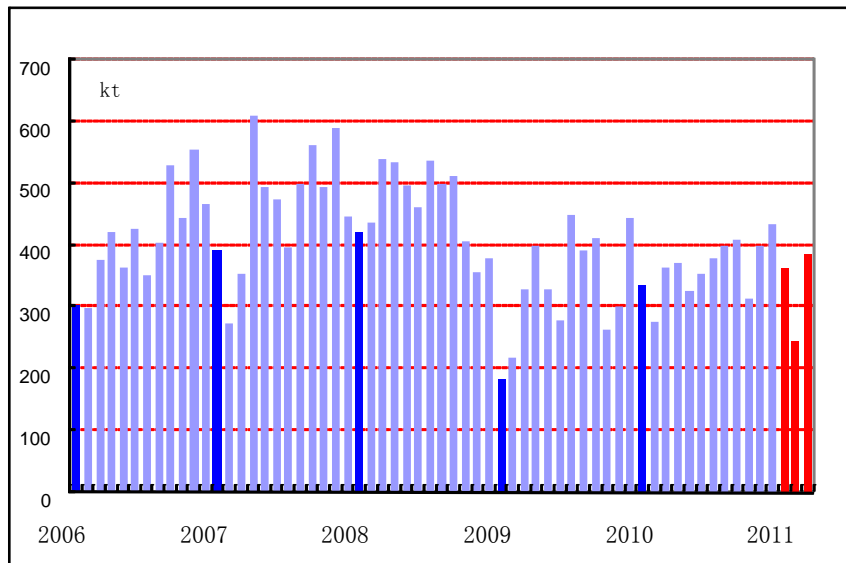


Table below showed that copper scraps import of Ningbo and Taizhou, Zhejiang slightly increased, but still ranking in the forefront. Copper scraps import of Zhaoqing, Nanhai, Foshan of Guangdong and Jinghai, Tianjin increase by more than 20% year on year.

Table 7 Main Destinations for Imported Copper scraps in Jan.-Mar. tonne

Destination	Import	Chn YoY %
Ningbo, Zhejiang	168,777	4.8
Taizhou, Zhejiang	148,067	5.8
Zhaoqing, Guangdong	103,744	32.9
Nanhai, Guangdong	100,756	24.3
Jinghai, Tianjin	97,621	21.3
Foshan, Guangdong	95,719	97.4
Qingyuan, Guangdong	86,789	-3.5
Guangzhou, Guangdong	30,231	-59.7
Other cities, Hebei	29,826	-30.4
Dongying Shandong	19,275	344.3
Chinese total	997,701	1.9

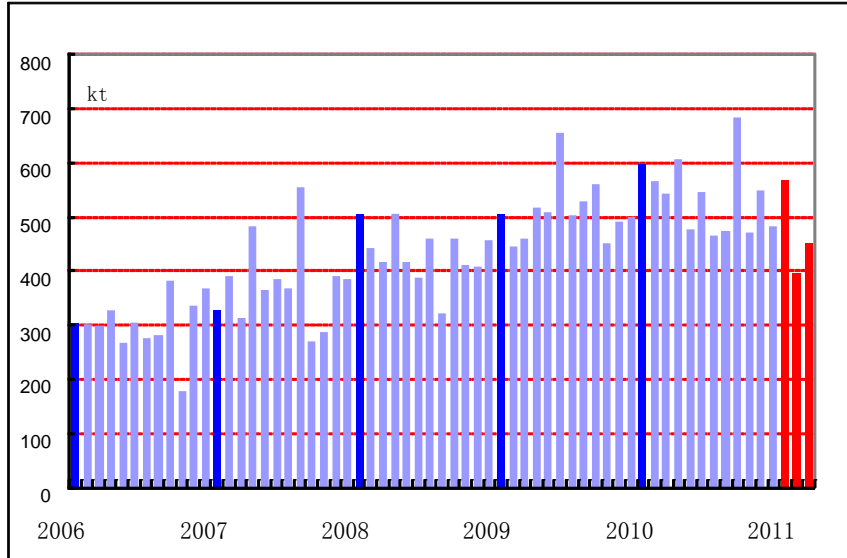
Source: the Customs

Copper concentrate

Copper concentrate import reached 398kt in Feb. 2011, the lowest since August 2008, down by 173kt or 30.3% against last month, down by 29.7% y-o-y. Copper concentrate import decreased by 16.8% y-o-y in Q1 2011. The main reasons were that negotiation of TC/RC was delayed and domestic inventory was relatively

abundant.

Chart 6 Monthly import of copper concentrates in 2006-2011



The following chart shows a list of main destinations for import of refined copper. Import of Tongling, Anhui decreased by 20.6% year on year to 322.22kt in Jan.-Mar.. Import of Jinchang, Gansu fell by 27.1% to 208.09kt, becoming the main areas of import decline. In addition, import of Liaocheng, Shandong and Kunming, Yunnan greatly decreased.

Table 8 Import of Refined Copper by Destination in Jan.-Mar. tonne

Destinations	Import	Chn YoY %
Tongling, Anhui	322,217	-20.6
Yingtai, Jiangxi	208,089	-0.8
Jingchang, Gansu	208,080	-27.1
Liaocheng, Shandong	151,979	-6.2
Chifeng, Inner Mongolia	121,908	-2.0
Dongying, Shandong	92,738	-15.3
Yantai, Shandong	76,772	128.3
Huangshi, Hubei	57,577	45.9
Kunming, Yunnan	33,581	-81.7
Baiyin, Gansu	27,881	-31.4
Chinese total	1,420,005	-16.8

Source: the Customs

Chinese Refined Copper Production

Chinese copper output growth fall

The Chinese copper was in a low level, but higher than the same period of last year. Copper-in-concentrate output increased to 257kt, up by 11.7% year on year. Copper blister output increased to 671kt, up by 5.7% year on year. Refined copper output reached 1203kt, up by 8.9% year on year. It is estimated that Chinese copper production will increase in Q2, as long as Yunnan Copper's Isa furnace resumed run in Feb. and Daye Nonferrous's Ausmelt furnace gradually put into production, and the partial copper-in-concentrate was transferred to China market.

Table 9 Chinese Smelting/Refining Production in 2009-2011 (kt)

	2009		2010			2011					Y/Y%
	Total	Q1	Q2	Q3	Q4	Total	Jan.	Feb.	Mar.	Q1	
Cu-in-conc.	945	230	290	289	330	1,140	77	77	102	257	11.7
Operation rate%	78.8	76.7	88.1	85.8	94.4	86.2	66.4	66.4	87.4	73.4	-
Blister	2,627	635	670	633	679	2,617	220	214	237	671	5.7
Operation rate%	84.8	78.4	81.2	73.4	78.7	77.9	73.5	71.5	79.2	74.8	-
Refined copper	4,123	1,105	1,151	1,144	1,178	4,578	395	398	410	1,203	8.9
Operation rate%	78.5	83.6	83.9	83.4	85.8	84.1	78.0	78.6	80.9	79.1	-

Source: Antaiko;

In Q1 2011, Chinese main regions for copper concentrate production had more growth. Output in Jiangxi, Yunnan, Inner Mongolia and Gansu realized double-digit growth, but relatively small growth in Anhui. The output decline in Sichuan, Xinjiang, Hubei and Qinghai slowed down the total growth of copper concentrate production.

Table 10 Chinese main regions for copper concentrate production in Jan-Mar (kt)

Destinations	Import	Chn YoY %
Jiangxi	59	12.7
Yunnan	43	16.9
Anhui	30	4.1
Inner Mongolia	30	16.8
Gansu	23	14.3
Sichuan	18	-4.3
Xinjiang	16	-18.6
Hubei	12	-10.8
Shanxi	8	-2.4
Shanxi	6	5.5
Chinese total	267	10.5

Source: CNIA, the national output is estimated by Antaiko

According to producers' output statistics from Antaiko, refined copper outputs of YCC and Jinchuan Copper

decreased dramatically in Q1. Of other large producers, the outputs of JCC and TLYS increased by two digits, up by 18.8% and 11.1% year on year to 260kt and 223kt respectively. Moreover, Daye Nonferrous and Fangyuan Nonferrous increased by 32.4% and 22.4% year on year respectively. The output of major refined copper producers was listed on the table below.

Table 11 Output of Major Copper Producers in 2009-2011 (kt)

	2009		2010			2011			Q1	Y-o-Y %	
	Total	Q1	Q2	Q3	Q4	Total	Jan.	Feb.			Mar.
Jiangxi Copper Corporation	802	219	233	235	214	902	82	92	86	260	18.8
Tongling Nonferrous Metals Group Co., Ltd.	719	201	212	178	222	812	78	70	75	223	11.1
Yunnan Copper Co., Ltd.	289	83	92	72	77	325	20	21	27	68	-18.6
Jinchuan Group Limited	364	100	87	101	95	382	31	28	31	90	-9.6
Daye Nonferrous Metals Co., Ltd.	270	65	81	79	92	317	27	28	31	86	32.4
Dongying Fangyuan Nonferrous Metals Co.	197	45	53	54	55	207	15	21	19	55	22.4
Yantai Penghui Copper Co., Ltd.	114	28	26	23	24	101	9	10	10	29	3.3
Jinsheng Nonferrous Metals Co., Ltd.	38	21	19	17	18	75	5	5	6	16	-24.2
Zhongtiaoshan Nonferrous Metals Co., Ltd.	65	23	19	18	19	79	8	7	9	24	3.0
Baiyin Nonferrous Metals Co., Ltd.	50	20	24	18	27	89	9	9	8	26	33.2
Shanghai Dachang Copper Co., Ltd	30	9	8	8	9	33	3	4	4	11	27.3
Shanghai Xinye	59	16	17	15	18	67	5	6	6	17	3.6

Copper Co., Ltd.												
Huludao Nonferrous Metals Group Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	-
Zhujiang Copper Co., Ltd.	30	10	10	12	9	38	3	1	2	6	-17.8	
Sub-total	3,056	837	881	831	879	3,428	298	301	313	911	8.9	
Chinese total	4,123	1,105	1,151	1,144	1,178	4,578	395	398	410	1,203	8.9	

Source: Antaiko

The latest change in Chinese copper smelting/refining capacity

According to Antaiko's statistics, Chinese copper smelting and refining capacity reached 3.47mlntpy and 5.98mlntpy by the end of 2010. The added copper smelting capacity in 2011 will be 600ktpy, and the added copper refining capacity will be 950ktpy. Chinese copper smelting and refining capacity will reach 4.07mlntpy and 6.93mlntpy by the end of 2011.

Western Mining's 100kt copper refining copper project with 2.28 billion yuan estimated investment.

Daye Nonferrous Metals Co., Ltd's Ausmelt Furnace will be put into trial run in December, and be put into production in Q1 this year. But because of supporting the oxygen system construction lags behind, the current production capacity has not been vastly used.

Shandong Xiangguang Copper Company's second stage has been commissioned. It is estimated docking engineer of stag 1 and stage 2 will be finished in the first half year, and put into production in Q3. There are 200ktpy smelting capacity upgrading system, and 400kt refining capacity upgrading system.

Zinjin Mining Holdings Group Co., Ltd's 200ktpy copper smelting/refining capacity project is estimated to be put into production in H2 2011.

Baiyin Nonferrous Metals Co., Ltd's 100ktpy electrolytic project of stage 2 will be put into trial production in March 2011. No. 2 silver furnace is expected to be finished within this year, with 60kt copper smelting upgrading capacity.

Jinchuan Group's 200kt copper electrolytic refining project will be completed by the end of 2011, and put into production in early 2012

Table 12 China's copper smelting/refining capacity change/forecast (kt)

	2011	2012	2013	Project type and description
Smelting capacity	407	472	547	
Gansu Baiyin Nonferrous Metals Co., Ltd	6		20	Upgrading projects
Shandong Xiangguang Copper Company	20			The second stage of expansion projects
Yunnan Tin Group (Holding) Co., Ltd		10		New
Daye Nonferrous Metals Company	12			Upgrading projects, completion in Dec. 2010
Dongying Fangyuan Nonferrous Metals Group Co., Ltd		20		Expansion
Zijin Mining Group Co., Ltd	20			Expansion
Xinjiang Wuxin Copper Co., Ltd		10		Expansion
Yantai Penghui Copper Industry Co., Ltd.			20	Reconstruction project in other place
Western Mining			10	New 100ktpy copper smelting project in Xining, Qinghai province.
Shanxi Zhongtiaoshan Nonferrous Metals Group Co., Ltd			15	Upgrading projects
Tongling Nonferrous Metals Group Holdings Co., Ltd.		25		"double flash" project, Replace Osborne matt furnace
Sichuan Kangxi Copper Co., Ltd	2			Upgrading project by two stages, to increase to 50ktpy capacity from 30kpy in stage 1
Minmetals nonferrous (Hunan)			10	New project with 200ktpy capacity; stage1 with 100ktpy capacity to be commissioned in 2013.
Total	60	65	75	
Refining capacity	693	813	923	
Qingyuan (Yunnan Copper) Nonferrous Metals Co., Ltd	10		10	Copper scraps as raw materials
Jiangxi Copper Corporation	5			Technical redevelopment project
Gansu Baiyin Nonferrous Metals Co., Ltd	10		20	Upgrading projects
Shandong Xiangguang Copper Company	40			The second stage expansion(of which 200kt with copper scraps as raw materials)
Zijin Mining Group Co., Ltd	20			New

Yunnan (Holding) Co., Ltd	Tin Group		10		New
Western Investment (Tianjin) Co., Ltd	Mining		20		Copper scraps as raw materials
Dongying Nonferrous Metals Co., Ltd	Fangyuan		20		The second stage expansion project
Xinjiang Co., Ltd	Wuxin Copper		10		New
Jinchuan Group Limited			20		Newly built in headquarters
Yantai Industry Co., Ltd.	Penghui Copper			20	Reconstruction project in other place
Shanxi Nonferrous Metals Co., Ltd	Zhongtiaoshan			20	Upgrading projects
Guangxi Metals Group Co., Ltd.	Nonferrous			30	New built copper scraps refining project
Shandong Copper Group Co., Ltd	Jinsheng	10			Reconstruction project in other place
Tongling Metals Co., Ltd.	Nonferrous Group Holdings		40		"double flash" project
Minmetals nonferrous	(Hunan)			10	New project with 200ktpy capacity; stage1 with 100ktpy capacity to be commissioned in 2013.
Total		95	100	110	

Source: Antaiko

Consumption

Copper products output keeps rapid growth

According to the latest statistics from National Bureau of Statistics of China (NBS), most of copper used products increased by double digits, but the growth rates were narrower than last year. Output growth of household air conditioner kept strong in Q1, and reached 48.4%. As long as the investment of rural grid transform started off in Q4 2010, transformer output increased by 4.3% year on year, but down 3.5% in Q1 2010 against 2009. Power cable output growth was 27.6% year on year compared with 19.4% in Q1 2010.

According to the statistics from China Electricity Council, total investment of electric power construction reached 102.1 billion yuan during January to March, up by 11.7% y-o-y. Of which power source construction investment was 61.2 billion yuan, up by 27.5% y-o-y and power grid investment was 40.9 billion yuan, down by 5.8% y-o-y. This showed that the government made more investment in power source construction than

power grid construction, pushed by hydropower, nuclear power and wind power great investment. It is expected that power grid investment will keep this uptrend after Q2.

It is worth mentioning that real estate industry rebounded in Q1, Investment, new commenced area, completion area, sales area, etc. increased by more than 14% year-on-year, of which building completion area and sales area increased by 15.4% (residential area 14.8%) and 14.9% (residential area 14.3%) year-on-year respectively, compared with 12.0% (residential area 9.8%) and 35.8% (residential area 34.2%) last year. seen from the above datum, completion area picked up after about one year delay, reflected by regulatory policy norms in the real estate market. Overall, copper consumption in real estate industry in 2011 should be better than 2010.

Antaiko estimated that copper consumption reached 1700kt in Q1 2011, slightly down 2.3% against that in Q4 2010, but up by 5.6% y-o-y.

Table 13 Output of Main Downstream Products in 2009-2011

Products	Unit	2009		2010		2010		2011	
		Annual	Annual	y/y%	Jan-Mar	y/y%	Jan-Mar	y/y%	
Autos	Mln units	13.8	18.3	32.4	4.6	73.2	5.1	10.3	
Power generating	Mln kw	119.9	129.9	7.9	21.8	6.7	33.4	44.7	
AC motor	Mln kw	187.1	232.1	26.1	46.6	28.2	55.9	17.2	
Household refrigerator	Mln units	59.3	73.0	23.1	16.0	27.4	18.4	20.9	
Household ice-box	Mln units	12.6	17.1	23.5	3.7	40.4	4.1	6.0	
Air conditioner	Mln units	80.8	109.0	34.9	23.8	30.0	35.4	48.4	
Transformer	Mln KVA	1,264.9	1,346.3	3.0	288.6	-3.5	301.5	4.3	
Power cable	Mln Km	21.4	27.1	26.5	4.9	19.4	6.2	27.6	
Telecommunication cable	Mln double km	58.3	51.9	-2.4	12.6	-9.5	11.6	-10.4	
Power generation	Bln Kwh	3,650.6	4,206.5	13.2	948.9	20.8	1,065.1	13.4	
Copper semis investment	Mt	8.9	10.1	13.6	2.1	22.5	Na	Na	
Power source	Bln yuan	371.13	364.10	-1.9	48.0	6.9	61.2	27.5	
Power grid	Bln yuan	384.71	341.00	-11.4	43.4	-8.1	40.9	-5.8	

Source: the Customs; copper semis from CNIA;

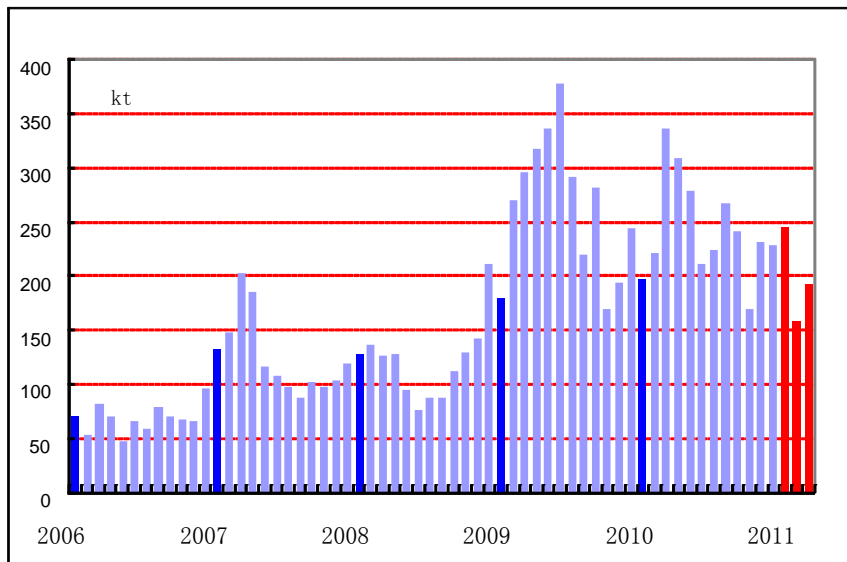
Note: y/y% of transformer, power cable and telecommunication cable were calculated from datum of this year and last year; others were directly from the Customs.

Import and Export of Copper

Chinese refined copper import declined to 158kt in February, the lowest since November, 2008. Import of refined copper reached to 192kt in March. In respect of statistics from trade method, refined copper import of general trade decreased to 171kt by 60.1% in Q1 2011, but import of entrepot trade through warehouses in bonded zones increased to 268kt by 91.9%. Huge of inventory in the bonded warehouse were mainly caused by the on-going weak copper prices.

Export of refined copper greatly increased this year. Refined copper export was 79.1kt, up by 11 times. Of which exports of entrepot trade through warehouses in bonded zones were 56.9kt, and feeding processing trade exports were 13.3kt.

Chart 7 Monthly Import of Refined Copper 2006-2011



The following chart showed that during January to March, refined copper import of the first 10 main areas in china was 396kt, which accounted for 66.5% of total refined copper import. Of which the top 3 areas are in Shanghai's bonded warehouses, which reflected all domestic refined copper import existed strong speculativeness and domestic real demand declined.

Table 14 Main Destinations for Imported refined copper in Jan.-Mar. tonne

Destinations	import	Y-O-Y%
Logistics Park of Shanghai Waigaoqiao Bonded Zone	111,315	152.7
Yangshan Bonded Zone	72,202	92.2
Waigaoqiao, Shanghai	51,071	1.9
Putuo, Shanghai	37,021	-40.9
Ningbo, Zhejiang	29,872	-19.9

Dongying, Shandong	28,613	42.0
Guangzhou Economic Development Zone	23,421	8.7
Dongguang, Guangdong	17,240	22.8
Haidian district, Beijing	14,161	23.1
Yinxing, Jiangsu	11,554	-45.1
Chinese total	595,963	-21.1

Source: Antaiko

Market Balance and Price Outlook

Supply and demand of copper concentrate

The output and consumption of copper concentrate kept in relatively low level in Q1 2011, but still a little up against the same period of last year. There was 53kt shortage of copper concentrate supply, due to larger reduction of imports in February and March. As the partial copper concentrate, which should be loaded to Japan, was transferred to Chinese market, the import of copper concentrate will increase in the second quarter. It is expected the supply of domestic copper concentrate will be surplus in Q2 2011, although consumption of Daye Nonferrous and Yunnan Copper will be lifted as the design capacity achieved in Q2.

Table 15 China Copper Concentrate Market Balance (kt)

	2009	2010					2011			
	Total	Q1	Q2	Q3	Q4	total	Jan.	Feb.	Mar.	Q1
Output	945	230	290	289	330	1,140	77	77	102	257
Import	1,717	461	441	438	406	1,746	154	107	122	383
Supply	2,569	667	705	702	711	2,785	223	178	216	618
Demand	2,627	635	670	633	679	2,617	220	214	237	671
Balance	-58	32	35	69	32	168	3	-36	-21	-53

Source: Antaiko

Supply and demand of refined copper

In Q1 2011, the output of refined copper maintained the rising trend and the export greatly increased, but the import of refined copper declined. Meanwhile, refined copper consumption increased by about 6% year on year, but down by 2% than that in Q4 2010. The refined copper supply was a few excess in Q1, due to the weak consumption in the first two months. The supply surplus mainly happened in January. It is expected that the market will gradually turn into shortage from surplus, as rising consumption after March.

Although domestic copper refined supply was basically in equilibrium in Q1, traders widely cut inventory, to avoid risk brought by greatly fluctuating prices. Meanwhile, import copper was curbed because domestic copper price was weak. The copper stock increased about 300kt in Q1. In a sense, this is a kind of inventory

transfer.

Table 16 China Refined Copper Market Balance (kt)

	2009		2010				2011			
	Total	Q1	Q2	Q3	Q4	Total	Jan.	Feb.	Mar.	Q1
Output	4,123	1,105	1,151	1,144	1,178	4,578	395	398	410	1,203
Import	3,184	754	801	734	631	2,921	246	158	192	596
Export	73	6	12	4	15	37	23	19	37	79
Consumption	6,100	1,610	1,790	1,660	1,740	6,800	570	530	600	1,700
Balance	1,134	243	151	214	53	661	48	7	-35	20

Source: Antaika

Price outlook

Suffered by such negative factors as dropped import, ever-rising crude oil prices caused by geopolitical conflicts, copper prices lost rising momentum and fluctuated at a high level on the whole. It is estimated that copper import will be more active in Q2 than that in Q1, as long as copper consumption gradually rise and inventory in the bonded warehouses are delivered. But the import might be restricted by financial import restriction. The peak copper consumption in western countries will also push copper demand. Antaika estimates that sideways trend will be changed in Q2 and copper prices will rise to US\$10,000 or above.