

# STRATEGIC METALS

*Your monthly guide to the latest information on the world's strategic metals*

## BRIC's Form Strategic Alliance

During a two-day meet in Moscow between President Dmitry Medvedev of Russia and President Luiz Inacio Lula da Silva of Brazil, the two nations signed a 'strategic partnership plan' that includes cooperation programs on agriculture, humanitarian issues, military matters, international information and communication security, and protection of intellectual property copyright. Aviation, trade and technology were also discussed. Russia has agreed to sell anti-aircraft missiles to Brazil and has also expressed an interest in assembling Brazil's Emb-145 aircraft in Russia. **In 2009, trade between the two nations dropped to \$4.6 billion from the \$6.8 billion recorded in 2008. Lula expects bilateral trade to peak at over \$10 billion this year. The leaders agreed that the two BRIC (Brazil, Russia, India, China) nations should begin using their own currencies for trade instead of using a currency that neither country produces nor controls.**

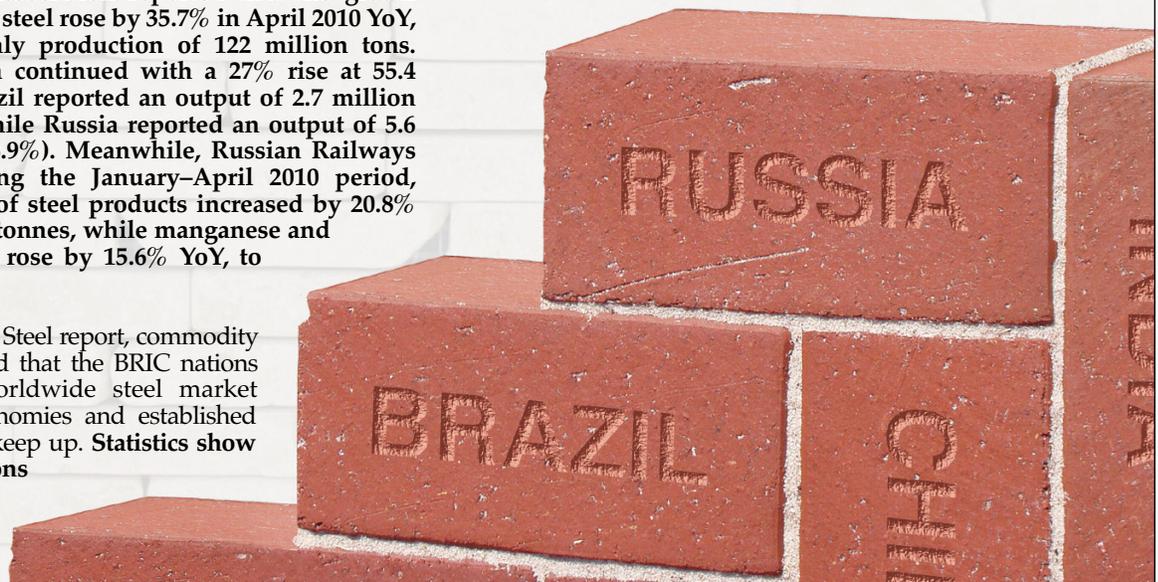
Both nations are prominent commodity nations. Russia is among the top global producers of energy and metals, while Brazil is a leading exporter of iron ore, cars, machinery, and agricultural products. To enhance their cooperation in the energy sector, Russia has offered Brazil gas liquefaction and nuclear power technology. As a first step, Russian energy giant OAO Gazprom will open an office at Rio de Janeiro later this year.

The World Steel Association reported that the global production of crude steel rose by 35.7% in April 2010 YoY, with a total monthly production of 122 million tons. China's domination continued with a 27% rise at 55.4 million tonnes. Brazil reported an output of 2.7 million tonnes (+56.6%), while Russia reported an output of 5.6 million tonnes (+28.9%). Meanwhile, Russian Railways reported that during the January–April 2010 period, railway shipments of steel products increased by 20.8% YoY to 23.7 million tonnes, while manganese and iron ore shipments rose by 15.6% YoY, to 32.4 million tonnes.

Analyzing the World Steel report, commodity trader Balli Steel said that the BRIC nations are driving the worldwide steel market while emerging economies and established markets struggle to keep up. **Statistics show that the four nations accounted for 58% of the global steel**

**production in 2009 – industrialization and economic growth in each of the four being the chief drivers. Although India is still a net importer of steel, Russia and China are now net exporters. Brazil has a more or less balanced steel trade.** CEO Nasser Alaghband of Balli Steel commented, "The BRIC countries are often referred to as emerging markets, but in terms of steel they have become the world's primary markets. This rapid growth over the past decade has largely been driven by China and has coincided with a decline in steel production from many of the more established world economies. More advanced countries are saturated with the types of infrastructure projects which generate large scale steel demand, whilst smaller emerging economies do not have the capital or access to credit required to invest."

The global hike in Molybdenum prices has helped certain companies recover from the 2008–09 economic crises when prices fell from \$33 per pound to an abysmal \$8 per pound. The rebounding steel demand from Asia has brought the price up to about \$17. Molybdenum prices have seen sharp rises and falls throughout the year. Global electrolytic manganese prices have increased by 22% YoY from \$2,375 per metric tonne in May 2009 to \$2,900 per metric tonne in May 2010. Magnesium prices show a smaller growth of 8% YoY from \$2,675 per metric tonne to \$2,900 per metric tonne.



To sign-up and receive this report via e-mail each month, visit [www.CriticalStrategicMetals.com](http://www.CriticalStrategicMetals.com)

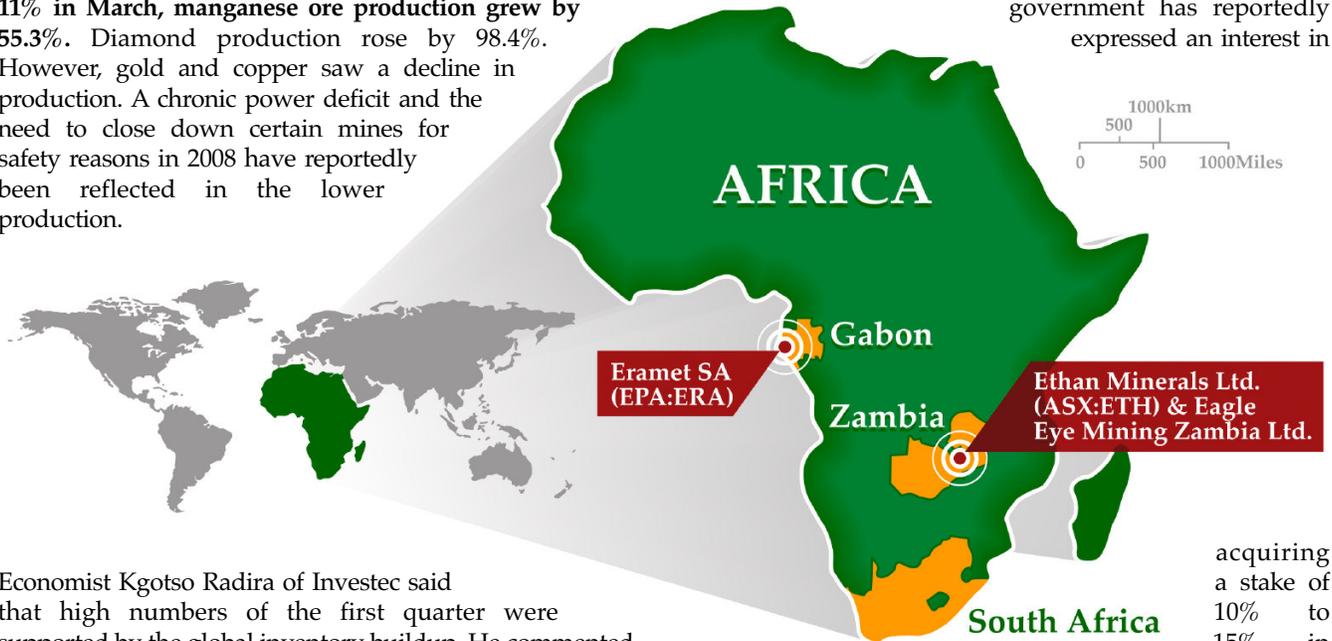
# STRATEGIC METALS

*Your monthly guide to the latest information on the world's strategic metals*

## Strategic Metals Shine in Africa

South Africa has over 80% of the world's manganese resources and it accounts for about 15% of the global production each year. Statistics South Africa (Stats SA) reported that March 2010 saw the nation's mining industry record the highest growth since March 2004. While the total mining industry recorded a year-on-year growth of 11% in March, manganese ore production grew by 55.3%. Diamond production rose by 98.4%. However, gold and copper saw a decline in production. A chronic power deficit and the need to close down certain mines for safety reasons in 2008 have reportedly been reflected in the lower production.

Gabon is the second largest producer of manganese in the world and 95% of its production is utilized by the global steel industry. Ogooue Mining Company Division (COMILOG), a subsidiary of French miner Eramet SA (EPA:ERA), has been operating the Gabon's Moanda manganese mine since 1962. The Gabon government has reportedly expressed an interest in



Economist Kgotso Radira of Investec said that high numbers of the first quarter were supported by the global inventory buildup. He commented, "Mining production outlook for South Africa remains positive with commodity prices rising, but rand strength remains a major risk for growth in the country."

Zambia has enormous reserves of copper-cobalt ore, manganese, nickel, lead-zinc, iron ore, gold and uranium. The government has, over the years, implemented many policies and introduced many incentives to attract both domestic and foreign investment in the sector. On that note, **Australia's Ethan Minerals Limited (ASX:ETH) recently signed a joint venture agreement with Eagle Eye Mining Zambia Limited to develop manganese prospects in Zambia. The first prospect to be explored in the Mkushi district includes five known prospects covering 77 square kilometers.**

acquiring a stake of 10% to 15% in Eramet SA. **African nations are increasingly keen to reclaim their mineral wealth from foreign companies. The South African government has, in fact, imposed regulations that ensure increased domestic ownership on mining ventures.**

Susan Shabangu, South Africa's Mineral Resources Minister, announced recently that the nation's new mineral beneficiation strategy would soon be presented to the Cabinet for approval. The strategy is aimed at processing the nation's ores in domestic facilities instead of continuing to export the ores, and thereby leverage long-term benefits from the nation's natural resources. Shabangu said that there were future possibilities of mining magnesium and rare earth metals in South Africa.

To sign-up and receive this report via e-mail each month, visit [www.CriticalStrategicMetals.com](http://www.CriticalStrategicMetals.com)

# STRATEGIC METALS

Your monthly guide to the latest information on the world's strategic metals

## The Critical Crystal Ball

### On-going Influences on Prices for Molybdenum, Manganese & Magnesium

In April 2010, India successfully traced manganese nodules at the poly metallic nodule (PMN) site in the Central Indian Ocean Basin (CIOB) by using ROSUB 6000, the remotely operable vehicle (ROV) developed at India's National Institute of Ocean Technology (NIOT) in Tamil Nadu. The ROV is a part of the technologies being developed to observe and explore deep-sea mineral wealth. The UN's International Sea Bed Authority (ISBA) has allotted India 7,500 square kilometers in the CIOB to harness PMN nodules of cobalt, copper, manganese, and nickel. PMN nodules are located at depths of about 6,000 meters and according to estimates, the total resources available are a massive 380 million metric tons.

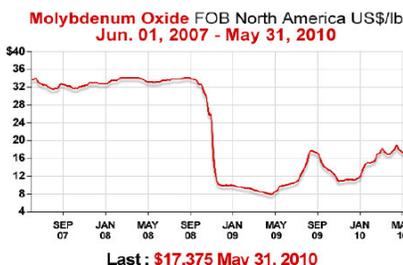
Research workers at the University of California-Berkeley are currently working on the idea of extracting hydrogen gas from fresh and seawater more efficiently and economically by using a new molybdenum-oxo complex based proton reduction catalyst. The new catalyst costs about 70 times less than the currently used platinum catalyst. If successful, hydrogen, which is essential for promoting renewable energy prospects, would be more easily sourced from seawater – the most abundant source of hydrogen on earth.

Automobile manufacturers favor magnesium because of its lightweight structure and ease of recycling that makes it a 'green' material. Manufacturers already have plans to increase the magnesium content in automobiles from 11-13 pounds to 99-353 pounds. According to the National Resources Defense Council (NRDC), the reduced weight would mean a 1% boost in fuel efficiency, which in turn would translate to a saving of 100,000 barrels of oil per day.

According to Alan Clark of commodities consulting company Clark & Maron, magnesium will be more broadly used in the automotive industry. Although China's supply base is very strong now, he forecasts a larger supply base outside China in future. Other countries will win over China largely in terms of process efficiency, technology advances, supply demand balance, and government and legislation.

One such example of upcoming manganese production efficiency is American Manganese Inc. (TSX.V:AMY) who recently announced a patent application for their process design to produce Electrolytic Manganese at Artillery Peak Arizona. The overall process, based on a unique application of commercially available processing equipment is deemed to be very robust, energy efficient, uses minimal water and in addition to production of electrolytic manganese metal will also produce a clean, saleable anhydrous sodium sulphate by-product.

Moly Mines Limited (ASX:MOL) announced in early May that its largest shareholder Hanlong Mining from China would invest about \$5 billion in Australia. Hanlong plans to focus on the resources industry and was considering investing in related infrastructure development. Hanlong has also committed a \$500 million loan facility by September 2010 to develop Moly Mines' Spinifex Ridge molybdenum project. The project, when launched, would be the world's largest molybdenum project in 25 years. That being said, Australia's proposed mining tax is expected to have a detrimental effect on future investment in resources.



To sign-up and receive this report via e-mail each month, visit [www.CriticalStrategicMetals.com](http://www.CriticalStrategicMetals.com)

The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this report. This news report may contain certain "Forward-Looking Statements" within the meaning of Section 21E of the United States Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact, included herein are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.