

Retrospect of 2008 Chinese Electrolytic Manganese Industry & Circumstances and Response Measures in 2009

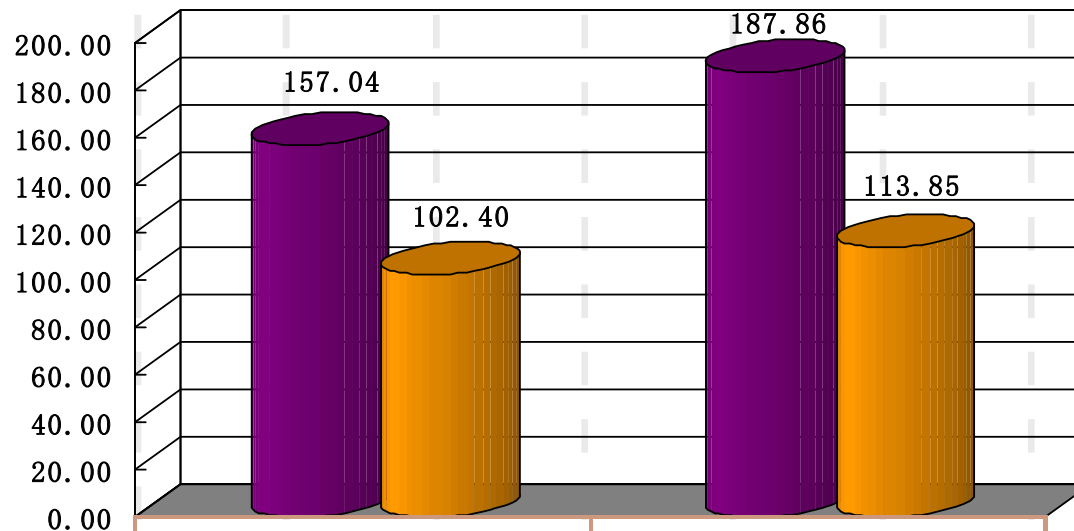
Directors of Chinese Electrolytic
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Retrospect of 2008 Chinese Electrolytic Manganese Industry

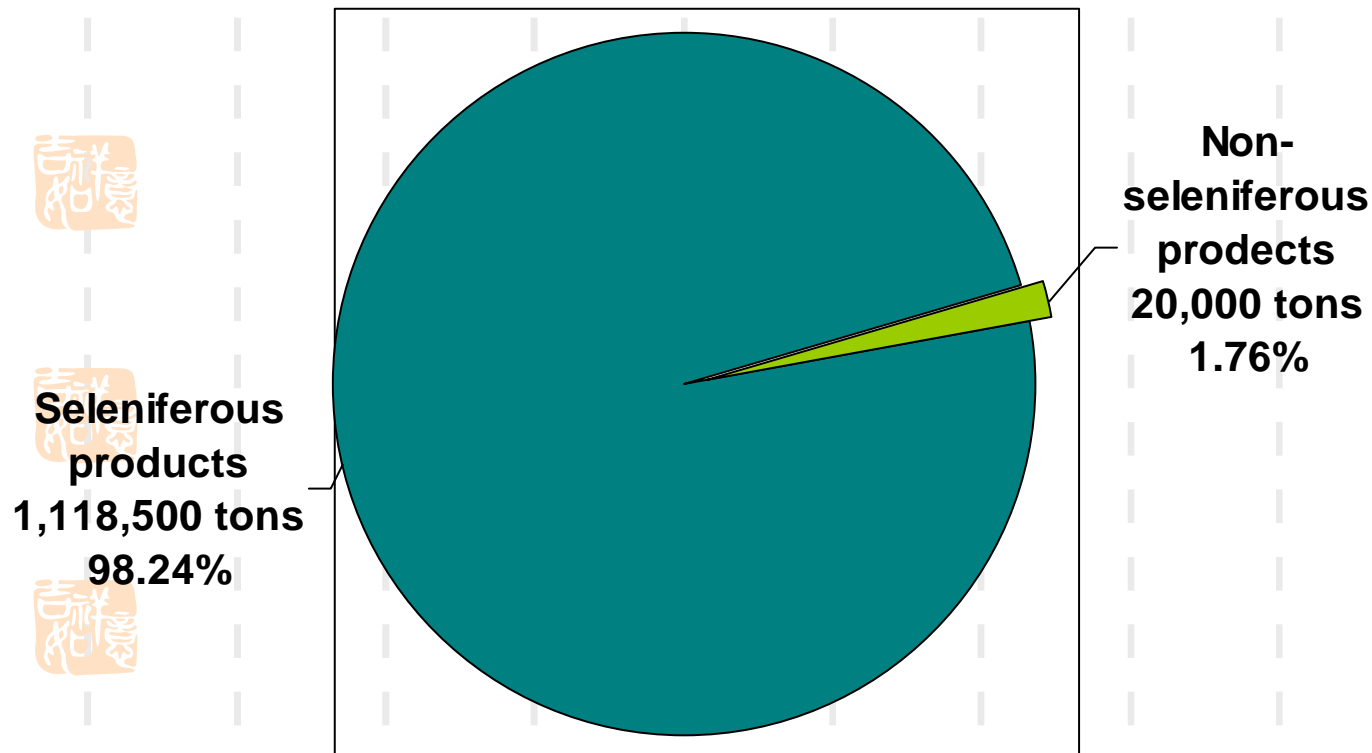
Overcome the “Three Major Disaster”, we gained bumper harvests of productivity and actual output, which increased by 19.62% and 19.62% respectively as compared with 2007. They are up to 1,878,600 tons and 1,138,500 tons, taking up more than 98.58% and 97.44% respectively all over the world.



	In 2007	In 2008
■ Productivity (10 thousand tons)	157.04	187.86
■ Actual output (10 thousand tons)	102.40	113.85

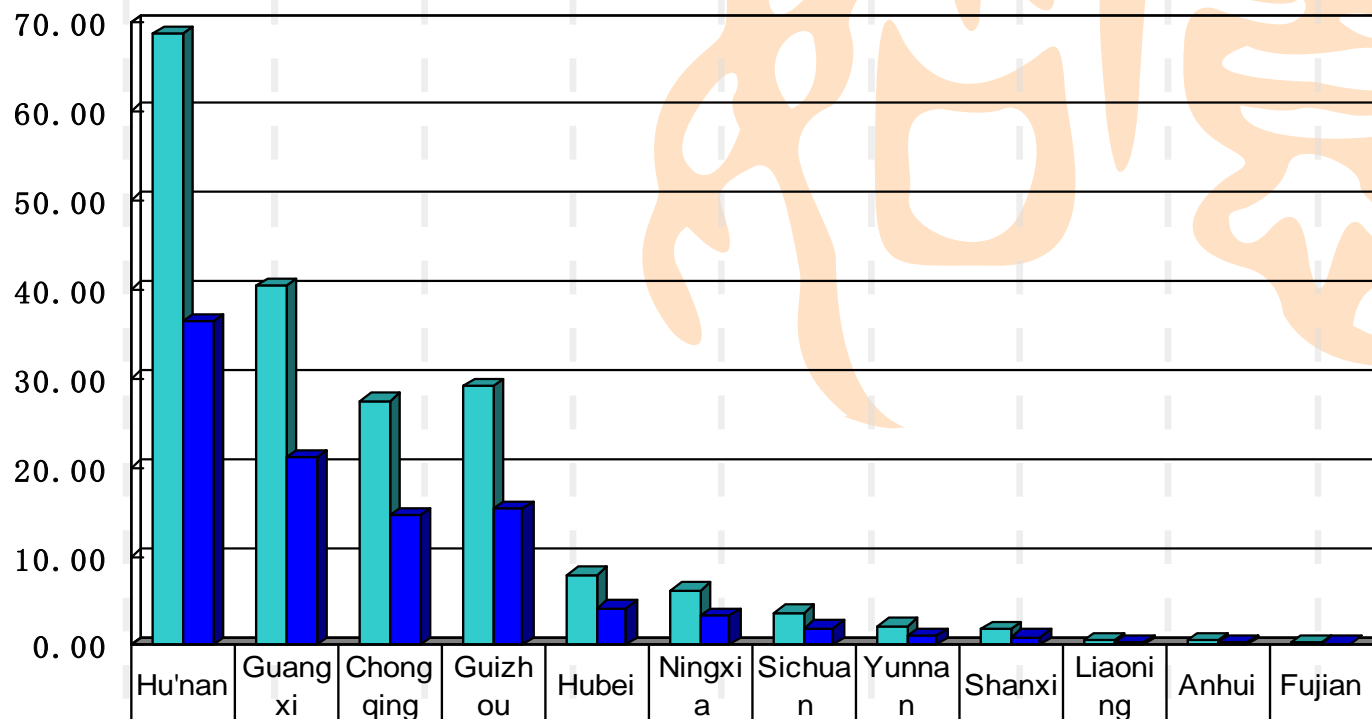
Retrospect

In 1,138,500 tons of all products, seleniferous products take up 98.24% to 1,118,500 tons.



Retrospect

Distribution Situation of 2008 Chinese Electrolytic Manganese Industry



Productivity (10 thousand tons/year)	68.61	40.30	27.50	29.10	8.00	6.20	3.70	2.20	1.80	0.60	0.55	0.40
The proportion of the total (%)	36.30	21.18	14.55	15.40	4.23	3.28	1.95	1.16	0.95	0.31	0.29	0.21

Retrospect

Chinese main production counties of Electrolytic Manganese

No.	County	Productivity (10 thousand t/year)	Output (10 thousand tons)
1	Chongqing Xiushan	121900	153629
2	Hunan Huahuan	196000	138803
3	Hunan Luxi	110100	94715
4	Guizhou Songtao	123000	90910
5	Hunan Baojing	108000	82138
6	Guangxi Daxin	90000	53000
7	Guangxi Jingxi	110000	44700

2008 Chinese TOP10 Electrolytic Manganese Enterprises

No.	Name of enterprise	Productivity (10 thousand t/year)	Output (10 thousand tons)
1	CITIC Dameng	120000	71300
2	Ningxia Tianyuan	62000	18000
3	Hubei Hongxin	56000	35000
4	Chongqing Tianxiong	50000	44985
5	Guizhou Jinrui	40000	26725
6	Chongqing Wuling	35000	33000
7	Guangxi Xinyuan	35000	19500
8	Western Hu'nan Mining	30000	25845
9	Hu'nan Xinwei	30000	24517
10	Guangxi Tianhongxin	30000	20000

Retrospect

Export of 2008 Chinese Electrolytic Manganese

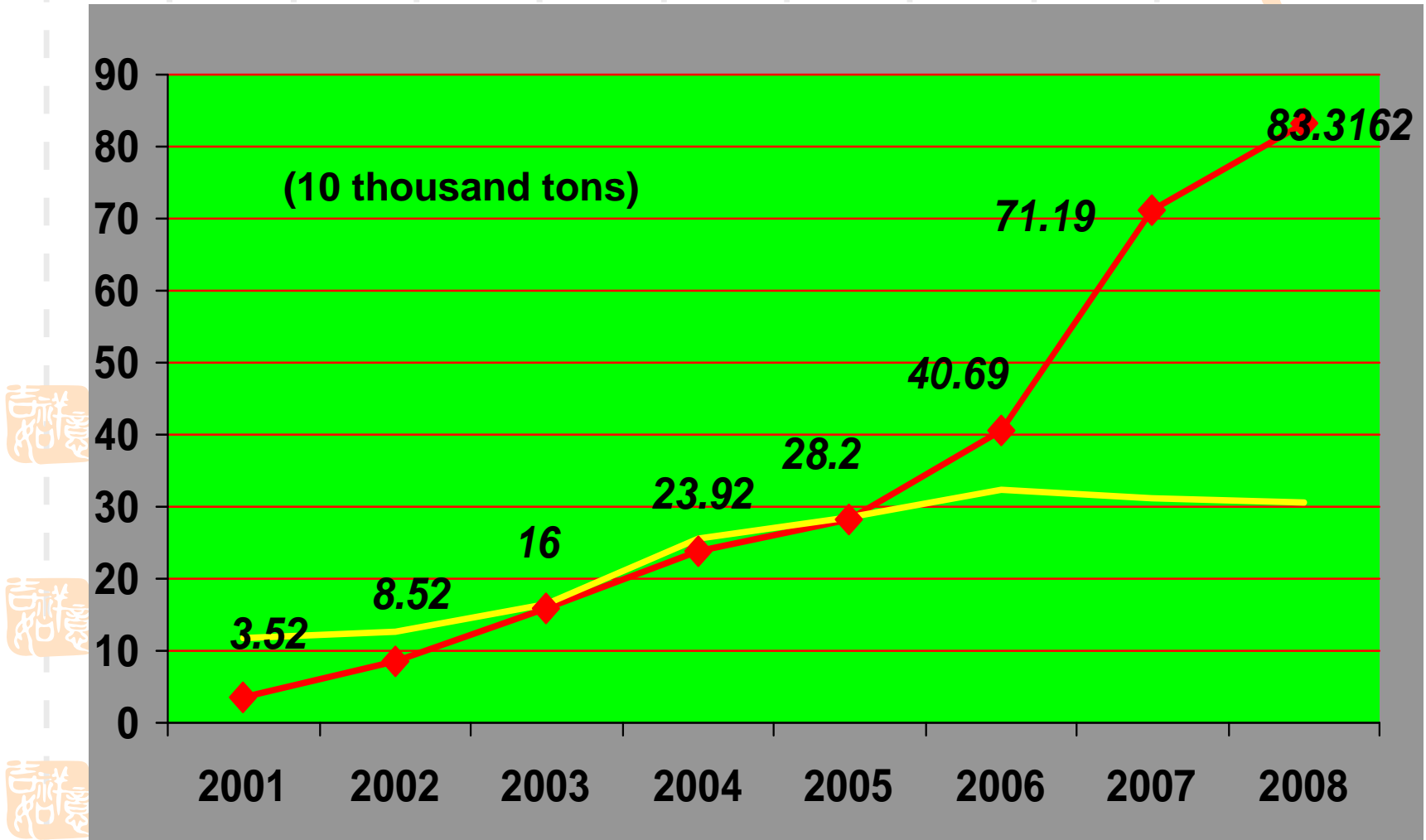
Total export is 305,338 tons, among them, electrolytic manganese flake is 240,541 tons, decreased by 14.66% as compared with 2007; while Manganese Briquette is 64,797 tons, increased by 71.66% as compared with 2007. TOP10 export enterprises are as follows:



Retrospect

Manganese Sheet		Manganese Briquette	
1	CITIC Dameng	1	Changsha Shengrong
2	Xiangxi Minmetals	2	Hoesch Metallurgi (Langfang) Co.
3	Shanxi Yiwang	3	Shenzhen Chongyu
4	Hunan Tianxiong	4	Hunan High Broad New Material
5	Hunan Zhenxing	5	Changsha Renchuan
6	Xiangxi Chuangxing	6	Hunan Sanxin
7	Guangxi Start	7	Shenzhen Rafah
8	Pingxiang Huatie	8	Hunan Coran
9	Guangxi Tianhongxin	9	Harbin Yinda
10	Chongqing Tianxiong	10	Pingxia Huatie

Domestic Apparent Consumption of Chinese Electrolytic Manganese During 2001-2008



Retrospection



In 2008, through the expansion, merger and the other variety of ways, there appeared a lot of large-scaled enterprises which production capacity was over 50,000 tons. Guangxi CITIC Dameng's production capacity has reached 120,000 tons; after the annexation of Changyang Mengte, Hubei Hongxin Group's production capacity is close to 60,000 tons; Ningxia Tianyuan's capacity is over 60,000 tons; the capacity of Tianxiong Group is stabilized at 50,000 tons.



Retrospection



- Guangxi Dameng is waiting for the new factory construction, while also be working with some business to discuss the reorganization and co-operation. It will be formed more than 150,000 tons of production capacity by the end of this year, and it will further consolidate the status of the world's largest enterprise electrolytic manganese.
- Hubei Hongxin Group is also negotiating the acquisition and share of two electrolytic manganese production enterprises so that it can achieve the production capacity of more than 100,000 tons.
- Guizhou Sanhe Manganese Industry's production capacity will reach 50,000 tons in this year.
- After Jinrui purchased the Guizhou Jinfeng Manganese Industry, its production capacity had reached 40,000 tons, and also planed to expanded to 60,000 tons.

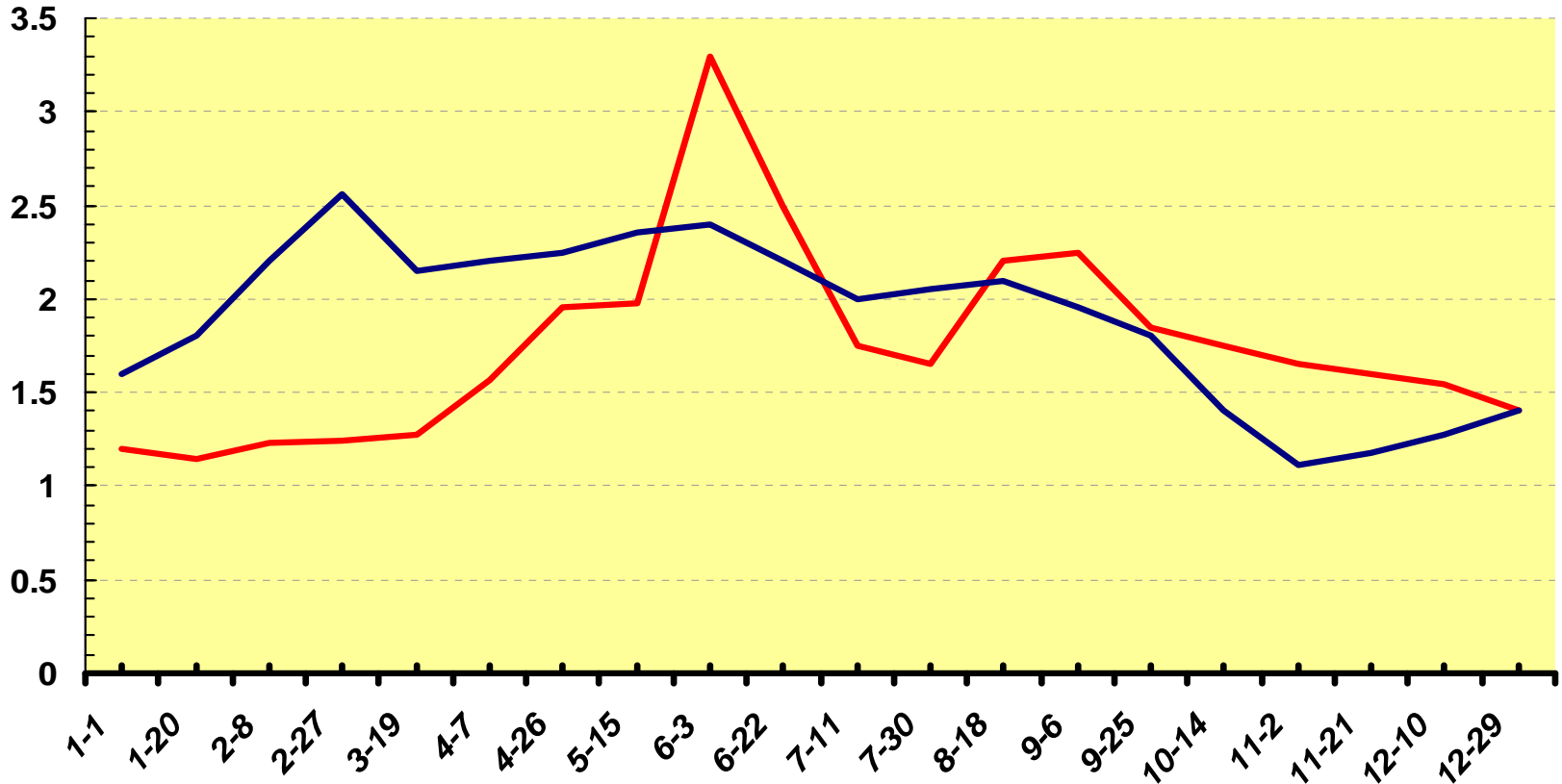


Chinese Electrolytic Manganese Prices during 2007-2008



— 2007 — 2008

Price(10 thousand/t)

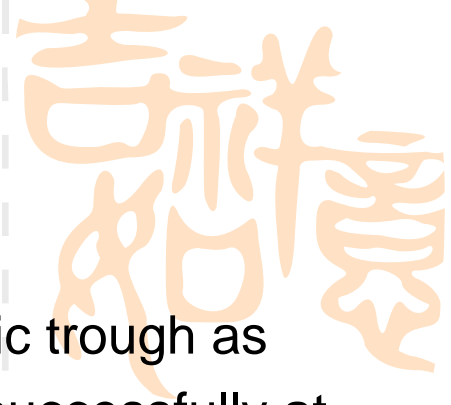


Retrospection

Energy Conservation, Consumption Declining and Environmental Protection achieve the new progress:

- -Most enterprises pay more attention to energy conservation, consumption declining and environmental protection than ever, and the energy-consuming of advanced enterprises can be stabilized at 6000 +100 KW.h / t for a long term.
- -Low cost, high efficiency, oxidation ore complex reductant research have made a breakthrough, and it provides a feasible effective way to the use of the large number of low-grade oxide ores for our country. It will significantly reduce the production cost of electrolytic manganese and expand the raw materials.

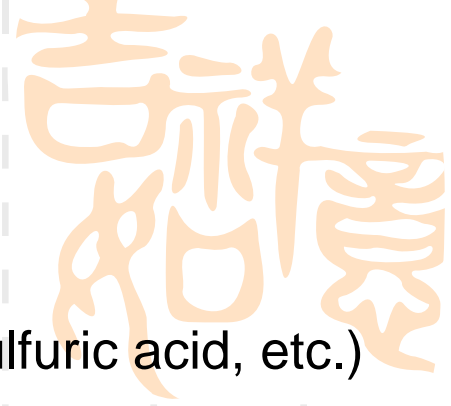
Retrospection



- The production of new engineering plastics electrolytic trough as well as all the pipelines and chutes have been used successfully at two factories. The energy-saving is obvious, and the further improvements can be extended to the whole industry.
- -The selenium additives of electrolyte has been successful after three years of industrial experiments .
- -The use of slag has several ongoing industrial experimentations, and it will be expected to receive good results in this year or next year.



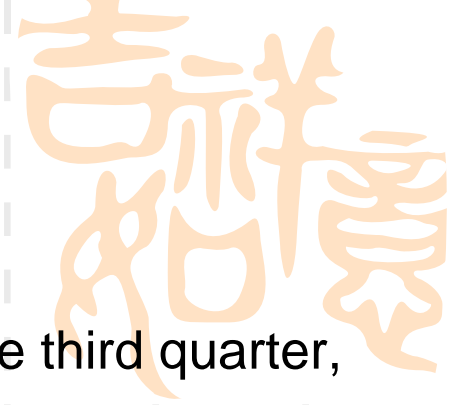
Main Problems



- In 2008, the supply of main raw materials (ore and sulfuric acid, etc.) was intense, especially the sulfate sulfur impacted by international prices which rose sharply, used to be 2,000 Yuan / t, nearly five times to 2007. It affected the electrolytic manganese production cost, and made electrolytic manganese price fluctuations to a certain extent .
- -It is no fundamental changes for the small and dispersed enterprises, and the ability to resist risks is low.



Main Problems



- Impacted by the international financial crisis, since the third quarter, the foreign markets have shrunk, the exports having reduced sharply, and the sales prices have significantly descended. The lowest price used to be 11,000 Yuan / t, and almost the entire industry was deficit.
- It is more and more prominent of the contradictions between the continuous expansion of production capacity and the changing market. The price movements is frequent because of that.
- Energy conservation, consumption declining, environmental protection and other problems need to study further, and that can be completely resolved.



Situation and Countermeasures In 2009

The Current Situation of Electrolytic Manganese Industry

- The current global "financial crisis" is still further intensified, the economies of developed countries will be plunged into totally recession. The external demand of Chinese electrolytic manganese has shrunk seriously, and exports greatly reduced. Exports in January this year is 1.2797 million tons (manganese metal flake, manganese briquette), only the 45.92% for the same period last year.
- The domestic market is not optimistic. One is about the 200 series stainless steel market shrinking from February, and the output had declined by nearly 30 percent compared with the same period last year. In 2009, the prospects for the global steel market is also worrying. Chinese steel industry will also be possibly stagnated or even declined. The other is foreign rich manganese ores prices declining sharply, and it provides the high-quality and low-priced raw materials for the middle-carbon and low-carbon ferromanganese production. There was nearly 300,000 tons electrolytic manganese metal flakes used in the production of low-carbon ferromanganese in 2008, and it would be difficult to reproduce the event like this.

The Faced Situation



- Only when the rich manganese ore price rising again or electrolytic manganese cost reduced sharply to the corresponding value, this part of market can be back again. Therefore, analysing from the current global economic crisis situation, in 2008, in order to maintain the momentum of development of Chinese electrolytic manganese, the facing situation was quite grim. Chinese electrolytic manganese industry may be able to enter a high-yield, low demand, low production of low-economic operational phase. The price will remain at low-price for a long time, and low-level enterprises will face the washing out of the market.



Response Measures



- In 2009, in order to let Chinese electrolytic manganese industry get through the global "economic crisis" smoothly, the key one is "limiting the production and stabilizing the price." It should adjust the scale of production continuously according to the changes in the market. In principle, it should not occur the industry-wide losses. Since the last ten days of February, electrolytic manganese prices have fallen sharply. To March 10, the price has dropped 1,500 Yuan / t, below 12,000 Yuan / t, and more than 50% of companies have chosen to stop production. With prices down, there will be more enterprises choosing a temporary shutdown.



Response Measures

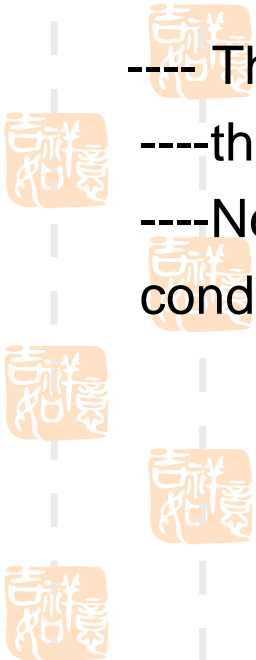


- Actively promote the scientific research results such as the mature new technology, new equipment, new materials, etc. And achieve the goal of "energy conservation, consumption decreasing, environmental protection," and dramatically reduce the production costs. The main contents are the following aspects:

---- The new techniques and reagents of low-grade oxide ore restore;

----the new deferrization technology such as hydrogen peroxide;

----New engineering plastics electrolytic trough, new plate, conductive copper and electric leak-proof measures;



Response Measures



- --Actively be engaged in large-scale electrolytic tank and ancillary facilities study, significantly improving technical and economic indicators and decreasing producing-used water, and provide a strong guarantee of zero emission wastewater.
- --To further refine and improve non-chromium passivation agents and new generation of additive selenium of performance and process conditions.
- --On the base of the comparison of many programs on the utilization of waste residue, promote advanced technology, economic and rational program.



Response Measures



- Continue to improve industry concentration, encouraging qualified enterprises merging and holding small enterprises, and try best to make the productive capacity of ten enterprises surpass 50,000 tons and three enterprises surpassing 100,000 tons.
- ----Make good use of two types of manganese ore resources. One is domestic and foreign manganese ore resources, the other is the internal manganese oxide and manganese carbonate resources. Then it can reduce the internal stress of manganese carbonate resources. At the same time, it needs to promote the poor manganese ore of mechanical enrichment technology and equipment, and strive to improve refining ore grade.



Response Measures



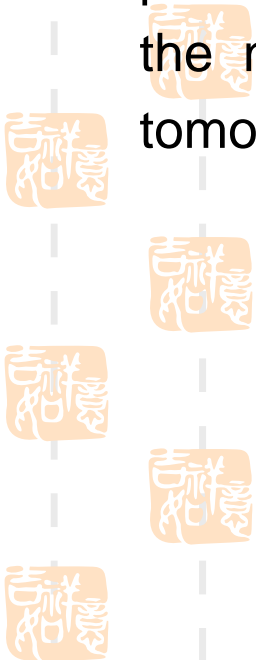
- Strengthen the information exchange and sales network establishment — under the dull market situation, it is important to establish a fast and accurate information and sales network. In the past few years, it has been established several information network, and effectively promoted the global electrolytic manganese trade. In this aspect, HME has done more job. In order to make the electrolytic manganese industry ride out the global economic crisis smoothly, it hopes that the representatives can give your ideas to consummate and improve the use of the HME and Huacheng electronic trading platform at the electrolytic manganese trade process.



Response Measures



- Strengthen the global cooperation to tide over the crisis . China is the biggest electrolytic manganese producing and exporting country, but in order to establish a stable market, we are willing to strengthen the cooperation with the global manganese ore producers and electrolytic manganese manufacturers, especially the negotiation and cooperation with MMC. Let us create a better tomorrow of the electrolytic manganese together.



吉祥

Thank you !

