

**GOVERNMENT OF INDIA
MINISTRY OF MINES**

No. 3/1/2010-CDN

New Delhi, the July, 2010

Subject: - Monthly Summary for the Cabinet for the month of June, 2010.

1. Performance of Non-ferrous Metal Sector:

(a) Aluminium:

Global Scenario:

Aluminium prices are likely to come under further pressure in third quarter of 2010, as demand slow down during the northern hemisphere summer and assuming supply continues to build. As per analysts, lower aluminium prices in third quarter of 2010 and rise in power costs could force production cuts and restore some sense of balance. Even with the current heap of excess metal, analysts doubt whether aluminium prices would stay low long enough to cut the surplus down.

Domestic Scenario:

National Aluminium Company Limited (NALCO) produced 35,315 MT, sold 33,859 MT in domestic market and exported 8,032 MT of aluminium metal in June, 2010.

Production of aluminium metal in the public sector unit, namely, National Aluminium Company Ltd. (NALCO) and private sector units, namely, Bharat Aluminium Company Limited (BALCO) {which has 49% Central Government equity}, Hindustan Aluminium Company Ltd.(HINDALCO), Madras Aluminium Company Ltd.(MALCO) and Vedanta Aluminium Company Ltd. (VAL) in the country, during the month of **June**, 2010 was as follows:-

(Unit: Tonnes)

Name of the Company	Existing Capacity	June, 2010		Cumulative Production Target	Cumulative Production	
		Production Target	Production Actual*	April-June, 2010 *	April-June, 2010 *	April-June, 2009
NALCO	435000	35755	35315	108455	111663	104776
BALCO	245000**	21363	20806	64605	63340	71521
HINDALCO	500000	46905	45778	142885	140013	135128
MALCO	38000	0	0	0	0@	0@
VAL	250000	Trial run	24242	Trial run	76788	58604 #
Total:	1468000	104023	126141	315945	391804	370029

National Aluminium Company Limited sold 3,833 Tonnes of Alumina / Hydrate and exported 8,032 tonnes of Aluminium during the month of **June, 2010**.

@ - Madras Aluminium Company Limited has temporarily shut down its smelter operations since December, 2008.

- Vedanta Aluminium Limited (VAL) has commissioned its Smelter at Jharsuguda from April, 2008 which is presently under trial production.

* * BALCO has closed down its old smelter of 1 lakh tonne per annum capacity and hence the present installed capacity of the company is 2,45,000 tonne.

* Provisional

(b) Copper:

The details relating to global and national scenario of Copper during the Month of June, 2010 are given below:

The size of Indian Copper Industry (consumption of refined copper per annum) is around five lakh tones, which as percentage of world copper market is three percent. Sterlite Industries, Hindalco, Hindustan Copper, and Jhagadia Copper are major producers of refined copper in India. India has emerged as net exporter of copper from the status of net importer on account of rise in production.

Copper: Preliminary Data for 1st Quarter 2010

The International Copper Study Group (ICSG) released preliminary data for 1st quarter 2010 world copper supply and demand in its June 2010 Copper Bulletin. The Bulletin is available for sale upon request.

According to the preliminary ICSG data, the apparent refined copper balance for the first quarter 2010, including revisions to data previously presented, indicates an essentially balanced market: a production deficit of around 110,000 tonnes in March 2010 essentially offset a production surplus from the first two months of the year. A strong increase in usage in March in major consuming countries led to the refined copper production deficit. When making seasonal adjustments for world refined production and usage, March 2010 showed a production deficit of around 70,000 tonnes and 1st quarter 2010 a surplus of about 100,000 tonnes.

World refined copper usage in March 2010 grew by 13.4% compared with that in March 2009 owing mainly to an 11% increase in China* and the EU respectively, a 94% increase in Japan, and a 14% increase in the United States. During the 1st quarter, the combined usage in these four regions increased by around 7% compared with usage in the 1st quarter of 2009. Although these year-on-year growth rates are strong, with the exception of China usage in the EU, USA and Japan is still below pre-crisis levels (below 1st quarter 2008 levels by 23%, 24% and 14%, respectively). World total refined copper usage grew by around 8.5% (360,000 tonnes) in the 1st quarter of 2010 compared with that in the 1st quarter of 2009.

* (China's apparent copper usage is based only on reported data (production + net trade +/- SHFE stock changes +/- industry stock changes, if reported) and does not take into account changes in

unreported stocks [State Reserve Bureau (SRB), producer, consumer and merchant/trader], which may be significant during periods of stocking or de-stocking).

World mine production in the 1st quarter of 2010 grew by a modest 0.7% (30,000 tonnes) compared with that in the same quarter of 2009. Concentrate production grew by 0.5% while solvent extraction-electro winning (SX-EW) grew by 1.6%. Production was still affected by lower output in the United States, Peru and Indonesia, where aggregated production decreased by 9%. Production in Chile, the world's biggest producer, increased by a modest 2.8% considering that production in the 1st quarter 2009 was lower (-3.2%) than production in the 1st quarter 2008. Mine production capacity utilization rates in the 1st quarter 2010 were around 76% and reflected continued intentional cutbacks and operational constraints that reduced output.

During the first quarter of 2010, world refined production increased by 5% (220,000 tonnes) compared with production in the same quarter of 2009: primary production increased by 1.3%, while secondary production (from scrap) increased by 28%. Note that the large relative increase in secondary refined copper production reflects in part the tight scrap market that existed in early 2009. Refined production increased by 33% in Africa, 14% in Asia and 7% in Europe, but decreased in the Americas by 2% and in Oceania by 35%. The refined production capacity utilization rate in the 1st quarter of 2010 increased to 79% from 77% in the 1st quarter of 2009 and reflects the recovery from temporary cuts in early 2009.

The average LME cash price for May 2010 was US\$ 6,837.68 per tonne, down from the April 2010 average of US\$7,745.08 per tonne. The 2010 high and low copper prices through the end of May were US\$7,950.50 and US\$6,242.00 per tonne, respectively, and the average was US\$7,266.19 per tonne. As of the end of May 2010, copper stocks held at the major metal exchanges (LME, COMEX, SHFE) totaled 725,616 tonnes, an increase of 37,925 tonnes from stocks held at the end of December 2009. Compared with the April levels, stocks were up at COMEX warehouses but down at the LME and SHFE.

Factors Influencing Copper Markets

- Copper prices in India are fixed on the basis of the rates that rule on LME and Rupee & US Dollar exchange rate.
- Economic growth of the major consuming countries such as China, USA, Japan, Germany, India etc.
- Growth and development in the Infrastructure, Real-estate, Telecom and Electrical Industry.

Price Outlook

- The average LME price in June'10 was US\$ 6499/MT compared to average LME of US\$ 6838/MT of May'10.
- In June'10 stock of copper at LME exchange has decreased. The opening stock of June'10 was 476625 MT while closing stock was 451100 MT.

Overall Performance of Hindustan Copper Limited:

During the month of June, 2010 production of Metal in Concentrate, Cathode and CC Wire Rod was 100%, 74% and 64% of the target respectively. The sales performance was lower than the target fixed. The sales achievement during the month of June, 2010 was 81% of the target. The Company has earned net profit (after tax) of Rs. 6.96 crore against the target of Rs. 14.28 crore.

The Physical and Financial performance of Hindustan Copper Limited are given as under:-

Name of The Company	Installed Capacity	Target of Year	Target in month (June, 2010)	Actual in month (June, 2010)	Cumulative target upto the month (April-June, 2010)	Actual upto the month (April-June, 2010)	Cumulative upto previous year in same month (April- June, 2009)
PHYSICAL PERFORMANCE							
COPPER CATHODES: (MT)							
Own	49500	*17500	1450	100	4400	2161	3956
Tolled	-	-	-	979	-	979	1239
Total	49500	17500	1450	1079	4400	3140	5195
FINANCIAL PERFORMANCE (Rs. Crore)							
Turnover		1050.00	86.20	62.14	266.71	245.83	359.49
Gross Margin		290.00	23.35	12.28	74.95	55.99	8.75
Net profit/(Loss) before tax (PBT)		269.36	21.63	10.42	69.81	50.56	2.22
Net profit/(Loss) after tax (PAT)		177.80	14.28	6.96	46.08	33.77	0.23

* Only ICC plant of capacity 18500 MT is in operation. KCC plant of capacity 31000 MT is not in operation on economic consideration.

The production of copper cathode in the organized sector by the public sector unit, Hindustan Copper Ltd. (HCL), and private sector units, Hindalco Industries Ltd. (HINDALCO), (Unit: Birla Copper) and Sterlite Industries (India) Ltd. (SIL) in the country, during the month of **June, 2010** was as follows:

(Unit: Tonnes)

Name of the Company	Installed Capacity (Annual)	June, 2010		Cumulative Production Target	Cumulative Production	
		Production Target	Production Actual		April-June, 2010	April- June, 2010
HCL	49500	1450	100	4400	2161	3956
HINDALCO	500000	**	30584	**	76309	79782
SIL	400000	22317	23134	86694	77112	78189
Total:	949500	23767	53818	91094	155582	161927

** (Depends upon various economic factors)

(c) Zinc & Lead:

India has approximately 4.3% share in the total zinc smelter capacity in the Asia Pacific region. Hindustan Zinc Limited achieved record annual production during the year ending March, 2010 of mined metal production at 768,620 tonnes, refined metal production at 650,038 tonnes and silver production at 176,381 kilograms

The company is also increasing its lead production from the current 85000 tonne per year to 1.85 lakh tonne. Today HZL's total reserves and resources stand at 232.3 million tonne containing 27.5 million tonne of zinc-lead.

Production of primary zinc in Hindustan Zinc Limited (HZL) (in which Government of India holds equity of 29.54%) and the private sector unit, Binani Zinc Limited (BZL) and lead in Hindustan Zinc Limited (HZL) and private sector unit, Indian Lead Limited (ILL) in the country during **June, 2010** was as follows:-

(Unit: Tonnes)

Name of the Company	Existing Capacity	June, 2010		Cumulative Production Target*	Cumulative Production	
		Production Target	Production Actual*		April- June, 2010	April- June, 2010 *
<u>Zinc</u>						
HZL	879000	67352	55336	197168	164519	139315
BZL	38000	3075	2515	9327	8220	10279
Total:	917000	70427	57851	206495	172739	149594
<u>Lead</u>						
HZL	93000	6728	4875	19397	14144	15218
ILL***	24000	-	-	-	-	-
Total:	117000	6728	4875	19397	14144	15218

* Provisional

** Actual figures provided by the company. (i.e. Finally reconciled figures).

*** Both plants of ILL at Thane and Kolkata are reported to be gearing up for production.

(d) Gold:

The only gold producing mine in India is Hutti Gold Mines Limited (HGML). It has reserves of approximately 600 tons and produces on an average 3 tons of gold a year. Gold is also produced as a by-product in copper smelting. India may import 500-550 tonnes of gold in 2010. Deccan Gold Mines Ltd expects to start gold production by end-2010. The company is targeting 4 tonnes of gold production annually.

After closure of Bharat Gold Mines Ltd. (BGML) #, Hutti Gold Mines Company Ltd. (HGMCL) is the only unit processing gold from ore stage. Hindustan Copper Ltd. (HCL), a public sector undertaking, and Hindalco Industries Ltd. (HINDALCO), in private sector, produce gold as a by-product, while processing copper. The production of gold by these units during **June, 2010** was as follows:

(Unit: Tonnes)

Name of the Company	June, 2010		Cumulative Production Target	Cumulative Production	
	Production Target	Production Actual		April- June, 2010@	April- June, 2009^
HGMCL	0.239000	0.144000	0.696000	0.474000	0.445000
HCL	--	--	--	--	--
HINDALCO	*	0.781000	*	2.116000	1.660000
Total:	0.239000	0.925000	0.696000	2.590000	2.105000

#BGML: The Company stands closed w. e.f. 1.3.2001 under Section 25 (O) of I. D. Act, 1947.

* Depends upon various economic factors.

@ Provisional Figure

^ Actual Figure by the company.

Hutti Gold Mines Company Ltd. (HGMCL) has intimated that the gold production for the month of **June, 2010** is less than the target due to more emphasis given for development works in the mine, preparatory works under progress and low grade ore mined and milled keeping spurt with the gold prices.

Financial performance furnished by HGMCL is given below:-

1. The gold sales during the month was 204.8444 kgs. The sales realization amounts to Rs. 3811.60 lakhs at an average selling price of Rs.1860.74 per gram.
2. The cumulative gold sales is 571.05 kgs. and the sales realization amount to Rs.10123.63 lakhs.

2. Survey and Exploration of Minerals:

Mineral Exploration Corporation Ltd. (MECL)

Physical and Financial performance of MECL during **June, 2010** was as follows:

(Unit: Metres)

Name of the Company	Annual Target as per MoU	June, 2010		Cumulative Production Target	Cumulative Production	
		Production Target	Production Actual*	April- June, 2010	April- June, 2010*	April- June, 2009#
PHYSICAL PERFORMANCE						
Drilling (m)	275000	20000	19129	60000	57035	60002
Development Mining (m)	7500	580	658	1690	1875	1384
FINANCIAL PERFORMANCE						
(Rs. in Lakhs)						
Gross Revenue	14200	1059	1022	3159	3026	2832
Gross Margin	3008	194	198	564	581	504
Depreciation Write Off (DRE)	452	30	30	90	90	90
Net Profit/Loss (Before Tax)	2556	164	168	474	491	414
Net Profit/Loss (After Tax)	1687	108	111	312	323	270

* Provisional Figures

Final reconciled figures

- i) The shortfall in the drilling is due to adverse law and order problem in the State of Jharkhand and Chattisgarh. Further, work has also hampered due to non availability of forest entry permission in the State of Chattisgarh.

3. Geological Survey of India:

- (a) **Mineral Investigation:** - During the month of **June, 2010**, **276.75** sq. km large scale mapping, **1.77** sq km detailed mapping and **3811.21** m of drilling, were carried out against monthly targets of **125.55** sq. km, **1.4080** sq km and **5663.84** m, respectively.

(b) **Regional Geological Mapping: - 30.00** sq km systematic geological mapping (on 1:50,000 scale) was carried out against monthly target of **07.50** sq km and **353.00** sq km specialized thematic mapping was carried out against monthly target of **352.00** sq km.

(c) **GSI Portal:-** GSI's portal is now operational at www.portal.gsi.gov.in and data available includes map metadata and reports and spatial data. The following improvements were made in the portal design during the month a) A section for Indian Geology was created; b) Detailed information dossier for Diamond and Iron Ore uploaded and c) Draft annual programme of GSI for Field Season 2009-10 uploaded. The following elements of data were added to the Portal during the month; a) Case studies of different regions were uploaded, b) Minutes of all Committees of Central Geological Programming Board [CGPB] were uploaded, c) Contents of Indian Journal of Geoscience (formerly Indian Minerals) were uploaded and d) In the intranet of GSI, legacy GSI and extended abstracts, web data of unpublished reports, 1: 50 K Geological maps data are being uploaded.

4. Production of Minerals:

The total value of mineral production covering metalli-ferrous and industrial minerals, but excluding fuel minerals, minor minerals and atomic minerals, in **June, 2010** is estimated at Rs **3166** crore as against Rs. **2445** crore for **June, 2009**.

5. Progress Report on Implementation of the Projects approved by the Cabinet, as on 30.06.2010.

Expansion of NALCO's Aluminium Smelter

The Government had approved NALCO's second phase expansion of the capacity of Bauxite Mine from 48,00,000 TPY to 63,00,000 TPY, Alumina Refinery from 15,75,000 TPY to 21,00,000 TPY, Aluminium Smelter from 3,45,000 TPY to 4,60,000 TPY and Captive Power Plant (CPP) from 960 MW to 1200 MW in November, 2004 at an investment cost of Rs. 4091.51 crores.

The status as on 30.06.2010 of implementation of the above projects as intimated by NALCO is enclosed.

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Status of Implementation of NALCO's second phase expansion of Bauxite Mine, Alumina Refinery and Aluminium Smelter (As on 30.06.2010)

- Revised project cost: Rs 4,402 crore .
- Financial Commitment Rs. 15 crore during FY 10-11 and cumulatively: Rs. 4,162 Crore.
- Capital expenditure of Rs 129 crore FY 10-11 (April-June) and cumulatively Rs. 3,782 crore upto June'10.

OVERALL PHYSICAL PROGRESS:

(in %)

S. No.	PROJECT SEGMENT	June, 2010		CUMULATIVE UP TO June, 2010	
		SCHEDULE	ACTUAL	SCHEDULE	ACTUAL
1	Mines & Alumina	--	0.2	100	95.5
2	Smelter	--	0.03	100	99.2
3	CPP	--	0.12	100	97.32