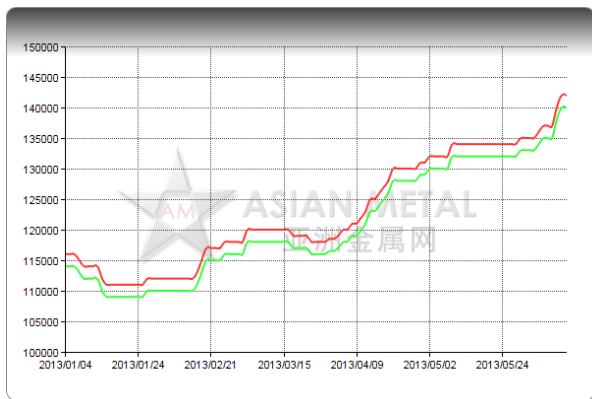
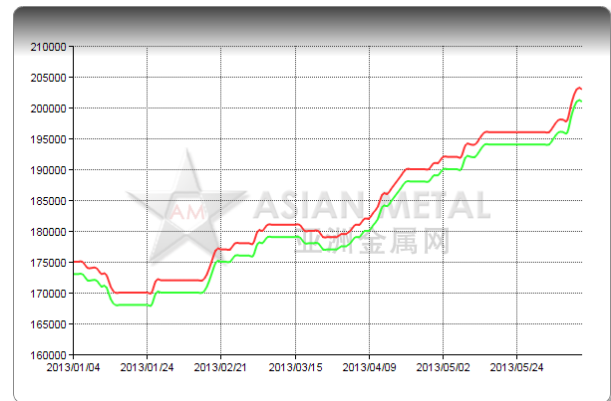


Puzzlement of increasing tungsten concentrate prices

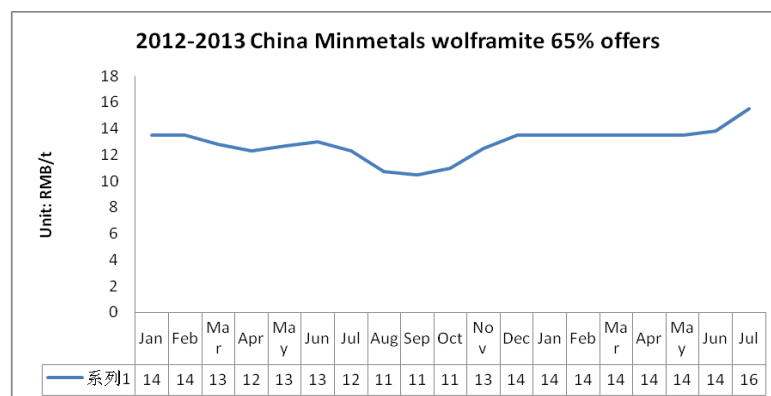
Generally, if the products prices keep increasing, it is a good news for most of the market participants. But the market does not move up with the increasing prices at this time. Chinese tungsten concentrate prices continued to go up into Q2, but most of the market participants were puzzled.



Tungsten concentrate prices from 2013-1-1 to 2013-6-15 (RMB/t)



APT prices from 2013-1-1 to 2013-6-15 (RMB/t)



Chinese tungsten concentrate prices moved up continuously from the second half of March as some companies pushed up the prices further. But the demand from the downstream markets did not recover, and the market was quiet. Actually, China Minmetals have purchased tungsten concentrate prices at the end of last year. Chinese Minmetals offers for wolframite 65% were at RMB135,000/t (USD339/mtu) in December 2012, while

the spot prices were only at RMB116,000-119,000/t (USD291-299/mtu). However, owing to many kinds of the reasons, the tungsten concentrate prices did not be pushed up in 2012.

After Chinese Spring Festival, China Minmetals held offers for wolframite 65% firm at RMB135,000/t (USD339/mtu) until May. In the middle of the May, the tungsten concentrate price eased slightly, and then China Minmetals published the second offers in May, which increased to around RMB138,000/t (USD346/mtu). Later, China Minmetals Non-ferrous metal Co., Ltd announced the offers for wolframite 65% at RMB155,000/t (USD384/mtu), and the offers for scheelite 65% at RMB154,000/t (USD382/mtu) in June, which increased by around RMB17,000/t (USD42.2/mtu) compared with those of in second half of May. According to the market participants, some deals for wolframite 65% are concluded at RMB155,000/t (USD389/mtu) at present, and some offers are higher in the spot market.

Chinese tungsten concentrate price move up gradually, but the downstream markets are unfavorable. According to the formula, the APT price = (tungsten concentrate price * 1.45) + 11,000. In early March, the wolframite 65% prices were at RMB118,000-120,000/t (USD217-221/mtu), and the APT prices should be at RMB182,000-185,000/t (USD336-341/mtu), but the prices were only at RMB179,000-181,000/t (USD330-334/mtu) in the spot market, and some offers were even lower. Later, as China Minmetals pushed up the tungsten concentrate prices further, the APT prices were always at below the production cost. Although the APT prices moved up accordingly into April, the increasing speed was slow. This is one of the puzzlements of increasing tungsten concentrate prices.

With the increasing tungsten concentrate prices, the downstream tungsten powder and cemented carbide markets are unfavorable. As the tungsten concentrate and APT prices move up, the tungsten powder factories raise offers. But the demand from the downstream cemented carbide market remains soft, and the consumption is small. The trading is thin in the spot market. Moreover, under the current APT prices, the tungsten powder prices are lower than the production cost. The tungsten powder factories are running with difficulties. Furthermore, most of the downstream factories hold some stocks, which could be consumed in around two months. Therefore, the customers are inactive in making deals. However, cemented carbide factories intend to maintain regular customers, so they have to hold offers stable even though the production cost moves up continuously with the increasing raw materials prices.

Now, some companies keep purchasing the materials in the spot market. The tungsten concentrate and APT prices show uptrend, and tungsten powder prices will follow up in the future. Moreover, if the tungsten prices remain at high level after several months, the downstream enterprises and overseas customers will accept the increasing offers. However, whether the market could move up further or not is unclear as it still depends on the supply and demand in the spot market.