
Noranda production result for Q3 2009

Monday, 16 Nov, 2009

The Noranda Income Fund reported a net loss of USD 1.3 million for the Q3 of 2009 compared to net earnings of USD 10.2 million in the same quarter a year ago.

In the Q3 of 2009, zinc metal production was 51,871 tonnes, compared to 63,676 tonnes in the Q3 of 2008. Production was negatively impacted by the 20% reduction in production that remained in effect during the quarter. The reduction in output was due to weak sulphuric acid sales and the lack of sulphuric acid storage capacity at the plant and at third party storage facilities.

On September 28th 2009, however, the Fund reported that it would return to full capacity at the beginning of October because of improved market conditions for sulphuric acid. Production in the first nine months of 2009 was 163,013 tonnes compared to 195,091 tonnes in the same period of 2008.

The target for production is subject to various risks and uncertainties. The assumptions for them can be found in the "Forward looking Information" below.

1. Recoveries

Recoveries for the third quarter of 2009 were 96.9% compared to the 97.7% for the Q3 of 2008. The Fund pays for 96% of the zinc in the concentrate it purchases; therefore any recovery over 96% results in metal recovery revenue for the Fund.

2. Sales

Zinc metal is used in a wide range of industries. Its major use, which accounts for 50% of the total zinc metal consumption in North America, is in the production of galvanized steel.

Customer demand in the third quarter improved considerably due to stronger order levels from the automotive and construction sectors and the need to replenish inventories that were depleted during the H1 of the year. Q3 2009 sales increased by 30% to 65,793 tonnes from 50,591 tonnes in the previous quarter and they compared favorably to sales of 65,459 tonnes in the Q3 of 2008.

Sales in the January to September of 2009 totaled 178,632 tonnes compared to 201,463 tonnes in the same period of 2008.

The Fund recently increased its zinc slab casting capacity to provide for more commercial flexibility. Annual capacity on the existing slab line was increased 30% to 100,000 tonnes. A second slab line was commissioned in the third quarter, adding a further 80,000 tonnes to 100,000 tonnes of annual slab capacity.

With both lines running since the beginning of the Q3 and improved demand from our customers, almost 14,000 tonnes of the forecasted 17,000 tonne inventory reduction scheduled for the H2 of 2009 were completed in the Q3. Since the beginning of the year, inventories were reduced by 15,619 tonnes. The Fund will continue to pursue spot sales opportunities to reduce inventories over the remainder of the year.

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