

# The Circuit

Volume 24, Issue 1  
December 2006



## The Year in Review

I don't know if anyone remembers but in the December 2005 Circuit we indicated how the rise in the cost of copper, from \$1.45 per pound to \$2.15 per pound, was almost cataclysmic in proportion and beyond anything that anyone could have foreseen.

Thankfully it did not lead to the widespread chaos and mayhem in 2005, as the pundits predicted. That was saved for this year!!

When everyone thought, or hoped, that the metal would stabilize, it did the exact opposite. It continued to rise to reach a summit of \$4.07 per pound US. The increase alone was sufficient to halt many projects in their tracks with the wire and cable portions increasing 30% to 50% over previous quotations. Manufacturers were offering quotes that were valid until the end of the business day the quote was issued on or to a maximum of fifteen days. Contractors were also caught in the whirlpool as many did not include copper escalation clauses in their bids for jobs.

At the same time, the demand for wire and cable soared exponentially. Deliveries for many manufacturers went from 5 or 6 weeks to 14 weeks and more, depending on the type of material required.

The increase in copper also had the beneficial effect of increasing everyone's sales figures. Those astute enough to have good inventories of material found they could sell it at replacement cost levels - without argument.

ShawFlex also had its share of challenges during the year. Demand for wire and cable kept us very busy throughout the year. Work centers were simply swamped with work and some had difficulty maintaining the pace. To counter these situations, ShawFlex recently added a new extrusion line and a new cabling line to augment our existing capabilities. These new work centers are now up and running allowing us to offer lead times back to the normal of 5 to 7 weeks.

What's in store for next year? (If we at The Circuit knew that, most of our time would be spent buying stocks.) We can, however, tell you this... We will not rest on our laurels and watch as the market unfolds. New challenges and, for that matter, challengers, are making certain we stay in tune with and on top of our market. With our partners across Canada, and our added capacity, we anticipate a successful 2007.

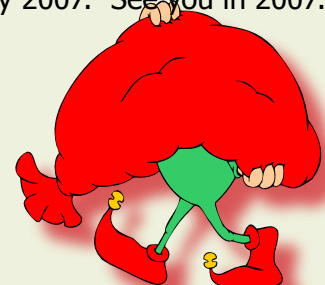
On behalf of everyone at ShawFlex, please have a safe and happy holiday season.

ShawFlex will be closed from noon on 22 December 2006, reopening 02 January 2007. See you in 2007.



**SHAWFLEX**

A SHAWCOR COMPANY





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## The Brain Teaser

The response to the last puzzle was... um... overwhelming. Just when we thought we would catch most of you dozing, in come all the answers... correct answers.

With the holiday season upon us, we will give everyone a break and not have the puzzle this month. Truth be told, it's more so we can recover from the shellacking we received. But be warned... the Brain Teaser will be back and we hope you take some time during the holidays to brush up on quantum mechanics.

## Across the Country

### Western Droppings

The upstream portion Northern Lights Oil-sands project is expected to cost \$4.4 billion and will be built in large modules shipped from Asia, Synenco Energy Inc. announced. The cost estimate could vary between more than 30% and less than 10% of that number, said Synenco.

Earlier estimates were for the mining, extraction and upgrading to cost \$5.3 billion and for the upgrader alone to cost \$3.6 billion.

"There is no question that costs affecting capital-intensive Oilsands projects have changed dramatically in just a few months - largely due to resource shortages - and our projects's cost estimates have also risen," Todd Newton, president and CEO, said in a news release.

Synenco plans to release a revised capital expenditure estimate for the downstream portion of Northern Lights in 2007 once current engineering and planning have been done.

The project's extraction plant and associated facilities will be built in modules of up to 2,000 tons or about 12 times the size of those traditionally used in the Oilsands, and will be shipped to northern Alberta from Asia via the Pacific Ocean, the Mackenzie River, Slave Lake and the Athabasca River. A primary logistics firm has been hired to contract out the transportation.



### Central Crumbs

GreenField Ethanol, Incorporated has broken ground on a new fuel ethanol plant that will be located in Hensall, Ontario. Plans call for the construction of a 52.8 million-gallon (200 million-liter) per year ethanol plant that will process 20 million bushels annually of local corn into the renewable fuel.

The company is providing its own ethanol process technology and will self-perform construction management functions and the selection of sub-contractors. Preliminary site work and pre-construction activity is expected to take two to three months to complete and construction is anticipated to be in full swing early in 2007. The plant is scheduled to be fully operational by mid-2008.

Costs to construct the Hensall plant are approximately \$72 million and the company is also planning to build another plant of the same size in Johnstown, Ontario, starting construction sometime during the 2007 calendar year. Hensall is located roughly 100 miles West of Toronto.

### Eastern Tidbits

With the upswing in the value of metals such as gold, silver, copper and zinc, mining companies are once again showing signs of exuberance. The industry has endured several years of disinterest from the markets and investors however that is about to change. Several crystal ball gazers have predicted that gold will reach \$800 per ounce by 2008 and the increases in zinc and copper have a direct impact on the wire and cable industry. Copper is expected to stay well above the \$2.00 US per pound, in the long term.

Mining companies are ready to invest significant amounts to upgrade existing mines. The investments include road access and in some cases, landing strips.



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