

Molybdenum Markets

Molybdenum Prices 2003-2007

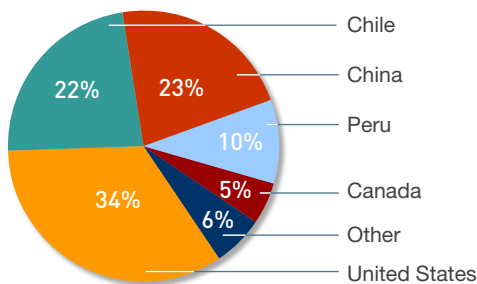
US\$/lb Molybdenum Oxide (free market drummed molybdenum oxide)



Molybdenum is used primarily as an alloying agent to enhance the strength, toughness and corrosion resistance of steels employed in harsh or high-temperature environments. Examples include jet and turbine engines, nuclear power plants, oil and gas pipelines, chemical storage facilities, offshore drilling rigs, building exteriors, and tools. Molybdenum is an important alloy in high-quality stainless steel and is also used in specialty lubricants and as a catalyst for the removal of sulfur in petroleum as part of the



World Molybdenum Production



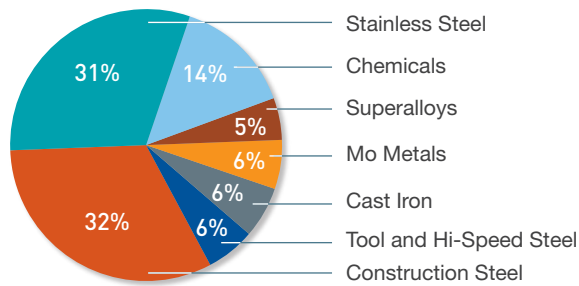
Source: U.S. Geological Survey

oil refining process. In most cases, it is difficult to substitute other elements for molybdenum.

World demand for molybdenum has increased in recent years as a result of enhanced energy investment and global economic growth, especially as generated by the rapidly expanding Chinese economy. In addition, steel manufacturers have favoured greater use of molybdenum in some alloys in order to improve performance.

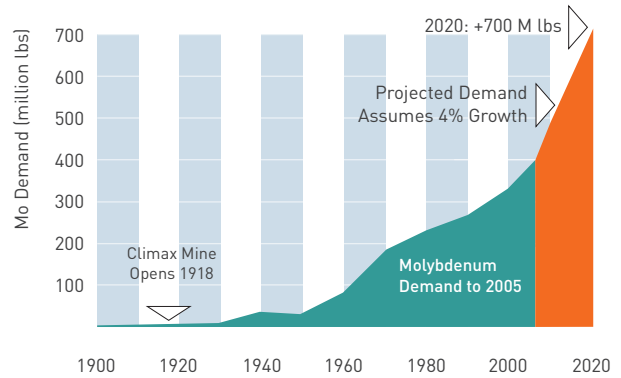
Mine closures for environmental and safety reasons caused a reduction of molybdenum production in China in 2005 and tightened world supply. Although the situation has

Industrial Demand for Molybdenum



Source: International Molybdenum Association (IMO) 2006

World Molybdenum Demand



been eased somewhat by increased production of molybdenum as a by-product at some copper mines, supply is forecast to remain tight for the next several years. While some copper and primary molybdenum mines outside of China are expected to increase molybdenum production, others will incur a decline; there is not expected to be a major increase in total supply from new or existing mines until at least 2010. In the meantime, China, even though it has substantial molybdenum resources, has adopted export controls and an export tax on molybdenum in order to manage exports to the world market.

The price of molybdenum, which averaged US\$4.50 per pound between 1994 and 2004, peaked at about US\$40 per pound in June 2005 and has since moderated somewhat, although it remained historically high at approximately US\$25 per pound in 2006. The expected trends in supply and demand suggest a positive outlook for the price of molybdenum. Barring a world recession, demand for molybdenum is expected to continue to grow and, in the absence of substantial new supply coming from China, the molybdenum price is expected to remain relatively strong in the near-term future.