PDAC: Special attention for Moly, Tungsten and Cobalt

March 4, 2008 Jonathan Ratner, Financial Post Trading Desk

Specialty metals like molybdenum, tungsten and cobalt are definitely getting their share of attention these days -- and rising prices reflect this interest. In fact, at PDAC many of these metals are all some attendees talk about.

Molybdenum, which is often referred to as "moly," is used to strengthen steel and is a catalyst in petroleum refining. In the days of US$100 a barrel oil, you can see where the high level of interest comes from.

Thompson Creek Metals Co. is one of the largest publicly-traded pure moly companies. It has four properties -- two in British Columbia, one in Idaho and another in Pennsylvania -- and reports a measured and indicated resource of 1 billion pounds of moly.

In a presentation to PDAC on Tuesday, COO Ken Collison said one of the benefits of being a primary producer (most moly is produced as a by-product of copper mining) is that primary producers tend to produce a cleaner end-product.

Responding to a question about the potential for additional reserves at its 75%-owned Endako project in B.C, Mr. Collison said the company is beginning to look beyond the existing property.

Another moly company is Adanac Molybdenum Corp., which is developing the Ruby Creek project. It expects to be in production by late 2009 or early 2010.

Larry W. Reaugh, the company's executive chair told PDAC that industry-wide capacity issues will impact medium-term supply. He also pointed to a similarity in price movements for oil and moly, attributing this to the "intense" use of moly by the oil industry. So if the demand for oil rises, the demand for moly will too, he added.

Next up is cobalt with Formation Capital Corp., which has two cobalt properties in Idaho. Company spokesperson Rick Honsinger said it is trying to become the sole primary cobalt producer in the Western Hemisphere.

Like other specialty metals, the price of cobalt has soared in recent months -- rising roughly 100% since August 2007 and is now above US$50 per pound.

Adding a dose of humour to his presentation, Mr. Honsinger said there are two options when seeking permitting in the world -- "difficult and impossible." The U.S. has chosen to be difficult.

Cobalt's primary uses include jet engines, turbine blades, rechargeable batteries and solar panels. And it is also stockpiled by the U.S., Mr. Honsinger said. The company expects cobalt consumption to outstrip supply through 2012, which should support prices. Another key point he noted was that the U.S. is a primary producer, but has no domestic supply.

The company also has stakes in two joint venture uranium projects in the Athabasca Basin with Cameco and Areva.

Another specialty metal that may get less attention is tungsten. North American Tungsten Corp.'s chairman and CEO, Stephen Leahy, highlighted the fact that China currently produces 85% of global supply. North American Tungsten produces 4% and there has been no exploration in the western world for several decades, he added. Why is it attractive? It is the hardest material on earth next to diamonds, and the highest melting point. Tungsten typically has been used as an additive for steel, but its uses have been expanding recently. It has also become a key

compound in high-end industrial cutting tools and mining equipment, which demonstrates its importance in terms of global industrial economic activity.

And with China's consumption doubling over the past decade and their 62% control of the global resource base, the tungsten market is part of an intriguing political dynamic.

But North American Tungsten boasts that its 100%-owned Mactung development near the Yukon-NWT border is the biggest high-grade deposit in the world. It also has the producing Cantung project nearby, which was restarted in 2005.

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