

An Overview of the Molybdenum Market

Supply

- The global molybdenum market - with demand of around 211,000 tonnes in 2010 - could move into a deficit next year from this year's expected surplus because of underinvestment in new production
- The financial crisis, which starved funds from the industry, has delayed the development of many projects that were striving to come online by 2012
- Since molybdenum metal has unique chemical properties, there are almost no alternatives in its applications and so demand is relatively inelastic to change in prices;
- China became a net importer in 2009 because of a stock build-up across many metals.
- When the market is projected to be in deficit China's stocks will provide relief but stock flows from China may not be sufficient to meet rising global demand.
- China is also considering categorising molybdenum as a national resource and imposing a stricter quota on exports,
- Meanwhile, projects sidelined during the financial crisis could take at least two more years to come online.

Demand

Demand for molybdenum is expected to grow at 4.3%py up to 2014, driven primarily by 8%py growth in China. The principal growth engines will be:

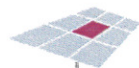
- increased use of stainless and other steels containing molybdenum in process, power and desalination plants
- the drive to reduce carbon dioxide emissions from coal-fired power station, which will require plants running at higher temperatures resulting in greater demand for high end molybdenum-bearing steels
- use of duplex stainless steel sheet containing in bulk storage silos and tanks
- greater use of Advanced High Strength Steels (AHSS) in pipelines and motor vehicle components
- increasing use in drill rods and bits used to access oil and gas reserves thousands of metres underground
- growth in nuclear power generation and replacement of components in existing nuclear power stations. Each reactor project will require about 400,000 lbs of molybdenum and in China there are 100 planned nuclear power plants in the works over the next few years (= 40 Mlbs.) and in the US there is 1 plant under construction, 6 planned and waiting for loan guarantees, and 24 proposed plants.
- Research into the use of molybdenum in nanotechnology is showing that it can significantly increase the efficiency of coal power plants as well as dramatically increase computing speed of microprocessors.

Price

- Higher prices were forecast for last year than actually happened because the LME was supposed to have an impact on speculative investment but it hasn't happened
- Molybdenum will average \$21.75 per pound (\$47,850 per tonne) in 2011 thanks to continued strong demand and looming supply constraints
- Molybdenum is forecast to reach \$0lb in 2014

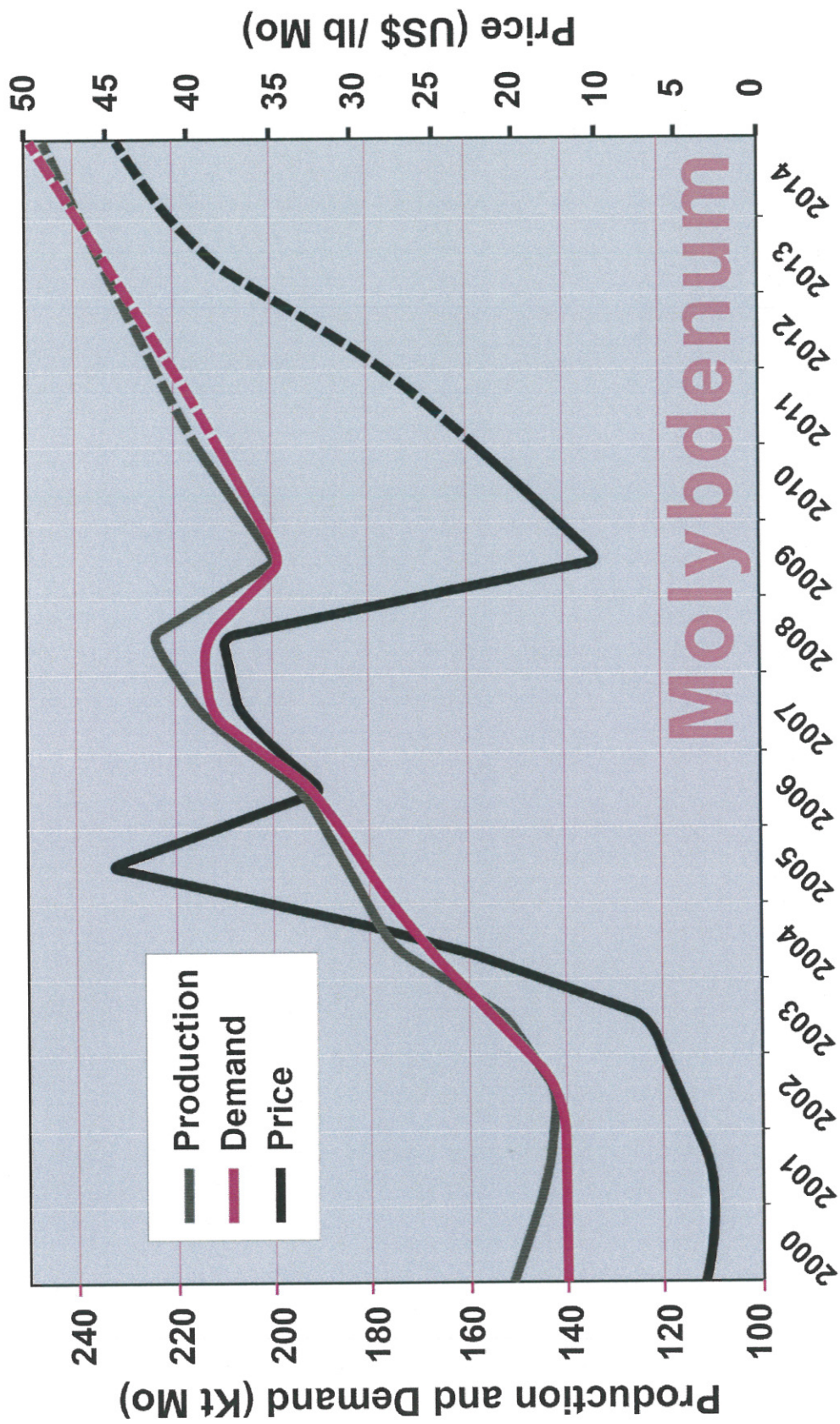
Sources include:

- Moly Investing News
- Fast Markets
- CPM Group
- Roskill Information Services



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Mo Production Graph



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