

(DJ) 01/15 09:03AM DJ LME

Minor Metals Contracts Won't Impact Long-Term Prices-Execs

By Katrina Bishop
Of DOW JONES NEWSWIRES
January 15, 2010 9:03am

LONDON (Dow Jones)--The launch of molybdenum and cobalt futures contracts on the London Metals Exchange Feb. 22 won't have an impact long-term prices of the metals, mining executives told Dow Jones Newswires.

Supply and demand will instead determine the price of cobalt and molybdenum, and overcome any potential price volatility created as a result of the contracts, Canadian based mining companies Puget Ventures (PVS.V) and Mosquito Consolidated Gold Mines (MSQ.V) said in separate interviews late Thursday.

"The big impact on cobalt prices will come from the demand side," said Erin Chutter, the President of Puget. "The contract may lead to more speculation on cobalt, but we do not see it being a big driver or stifler of price."

Puget hopes to start producing cobalt at its Werner West primary cobalt mine in Ontario, Canada within two years.

Brian McClay, President and Chief Executive of Mosquito, which owns the largest untapped open-pit molybdenum deposit in the world, said the price of molybdenum will be dictated by supply and demand, not the LME.

"The contracts will have a limited effect, and are not going to dominate the market," he said. "Molybdenum is consumed by highly specialized groups, and so it won't have the speculative attraction of gold and silver."

Mosquito hopes to start large-scale production at its CUMO molybdenum deposit within six years.

However, both mining companies said the LME contracts will increase interest in the metals.

"Trading on the LME will provide a great deal more attention to cobalt, and more investing interest," said Chutter, adding that this is a positive for a small company like Puget.

McClay meanwhile said the clarity and transparency the contracts will bring to the molybdenum industry is a "good thing."

Both Chutter and McClay said their companies would be likely to use the futures contracts as a risk management tool when they start producing the metals.

Cobalt is widely used for electroplating and in lithium-ion batteries, while molybdenum, a byproduct of copper mining, is used in high-strength steel alloys.

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01-15-10 0903ET

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