

# Lead, zinc markets post surplus in 1st half

NEW YORK — The world lead market had a 50,000-tonne surplus in the first half of 2010, while the global zinc market had a 176,000-tonne surplus in the same period, according to preliminary figures from the International Lead and Zinc Study Group (ILZSG).

World lead inventories increased by 44,000 tonnes in the first six months of the year, the ILZSG said, as mine output grew 12 percent to 2 million tonnes from 1.8 million tonnes in the same period last year, boosted by production increases in Australia, China and Mexico.

The first half of 2010 saw a nearly 1-percent increase in refined lead production to 4.3 million tonnes from 4.25 million tonnes a year earlier as higher output in Canada, China, Germany and Japan more than offset a reduction in Australia, Italy and South Korea.

Lead usage in the January-June period inched up to 4.2 million tonnes from 4.17 million tonnes in the first six months of 2009.

Global lead mine production in June grew 5.5 percent to 387,900 tonnes from 367,600 tonnes in May, while refined lead

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output increased 5.1 percent to 763,300 tonnes from 726,000 tonnes in the same comparison. Global lead metal usage rose 5.8 percent to 752,100 tonnes in June from 710,600 tonnes in May.

"We tend to have a bullish view on lead because the market is nicely exposed to

the growing Chinese auto sector," a base metals analyst in London said.

Meanwhile, global zinc inventories grew by 210,000 tonnes in the first half of the year compared with the same period last year, with the market likely to post a larger surplus by year-end, analysts said.

"Warehousing deals in zinc and aluminum have had a big impact on whether apparent consumption turns out to be a surplus or a deficit," another base metals analyst said. "We're probably heading for a bigger surplus than the first-half ILZSG numbers indicate."

Zinc mine output in the first six months of the year grew 14 percent to 6 million tonnes from 5.3 million tonnes in the same period of 2009 as mines in Australia, China, India, Mexico and Namibia ramped up their output.

Metal production in the January-June period increased 17 percent to 6.2 million tonnes from 5.3 million tonnes, while world zinc usage jumped 20 percent to 6.1 million tonnes from 5.1 million tonnes in the first six months of 2009.

First-half growth in world refined zinc usage was helped by a 14-percent increase in Chinese apparent demand, as well as a 32-percent rise in Europe, a 37-percent increase in Japan and a 78-percent jump in Korea.

World zinc mine production in June grew 2.1 percent to 1.1 million tonnes from 1.08 million tonnes in May. Zinc metal production fell 3 percent to 1.06 million tonnes from 1.09 million tonnes in the same comparison, while zinc metal usage was largely unchanged at around 1.06 million tonnes.

# Adex inks financing deal, looks for offtake partners

NEW YORK — Canadian junior Adex Mining Inc. has signed a private placement agreement, securing funds to build its tin-indium project in Mount Pleasant, New Brunswick.

The Toronto-based company, which owns what it calls North America's largest tin resource at a former Billiton mining site in southern New Brunswick, has inked a Canadian \$62-million (\$58.48-million) deal with Great Harvest Canadian Investment Co. Ltd. that ensures Adex has enough funds to develop the North Zone part of the mine.

While Adex needs a total of C\$200 million (\$188.63 million) to develop the entire Mount Pleasant property, the tin- and indium-rich North Zone requires only C\$70 million (\$66.03 million) and Adex has enough

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cash on hand to cover the difference, president and chief executive officer J. Errol Farr told AMM.

"We now have the full financing package for the development of the

North Zone," Farr said, noting that Adex will develop the tungsten-molybdenum Fire Tower Zone, which requires the remaining C\$130 million (\$122.6 million), once the North Zone is in production.

The agreement calls for Great Harvest to buy 40 million Adex shares at C12 cents per share and receive an equal number of warrants exercisable at C18 cents per warrant within 30 days of receiving the definitive feasibility study. Great Harvest must then arrange C\$50 million (\$47.17 million) in loan financing and in exchange may purchase 60 million common shares at market value.

With project financing secured, Adex may have an easier time finding offtake partners for the metals the mine will produce. Adex previously sought to sign an offtake agreement that included a financing arrangement (AMM, July 23), but having a separate financing partner means the company has more leeway when selecting a physical partner.

"We've eliminated the financial risk with respect to raising the capital; that's a big step forward to dealing with an offtake partner," Farr said, noting that although the company is hoping to find just one offtake partner for each metal, "it's entirely possible that we will have two or more offtakers for some of the metals."

Adex hopes to complete the definitive feasibility study by early next year, with a production decision due around February, Farr said. Adex's preliminary economic assessment shows the site's North Zone could produce 3,200 tonnes of tin per year, or around 1 percent of global supply, for about 12 years, while indium production would total around 40 tonnes per year, or roughly 10 percent of global supply. The mine also would produce around 4,000 tonnes of zinc per year.

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# Court overturns US Mag ruling

NEW YORK — A federal appeals court has ruled in favor of the U.S. Environmental Protection Agency in a waste disposal case against US Magnesium LLC's Rowley, Utah, facility.

The Denver court's ruling overturns a previous decision to the original 2001 suit—one the company originally won in 2007 when it alleged that the EPA had changed its interpretation of the disposal law without public notice.

Salt Lake City-based US Magnesium and the EPA didn't return calls seeking comment on the implications of the ruling, but the original 2001 complaint sought injunctive relief and civil penalties of up to \$25,000 a day for each day of violation before Jan. 30, 1997, and up to \$27,500 for each day of violation after that date, according to court documents.

## MARKET PRICES

Prices are in cents per pound except as otherwise noted.

AMM Free Market	August 24	Revised	Prior Price
Copper cathode	328.95-329.95	08/24/10	334.15-335.15
Zinc	93.34-94.34	08/24/10	95.32-96.32
Aluminum	98.54-98.94	08/24/10	98.77-99.17
Lead	94.25-96.75	08/24/10	95.66-98.16
Nickel, melting	1,014.00-1,049.00	08/24/10	1,036.45-1,071.45
Nickel, plating	1,064.00-1,089.00	08/24/10	1,086.45-1,111.45
Tin (\$/tonne)	21,000-21,120	08/24/10	21,245-21,365
Comex copper settlement	323.95	08/24/10	329.15
No. 2 copper scrap	296.00*	08/23/10	296.00*
Silver, Handy and Harman (¢/troy oz)	1,843.00	08/24/10	1,799.00

\* Nominal for spot sales