Nothing dull about zinc if supply falls

One of the largest producing zinc mines, Century, based in Queensland, will cease producing in 2015. **Tony Walters**

by **Trevor Sykes**

Zinc was the hot tip at the Resources Investment Symposium held in Broken Hill last week.

Probably a natural call given that Broken Hill is home to the greatest silver-lead-zinc mine the world has ever known.

In its 130-year life Broken Hill has produced total of 50 million tonnes of lead and zinc combined plus 100 million ounces of silver. It has been mined almost continuously over that time and still has a long life ahead at deeper levels and in exploiting remnant ore.

In his opening address at the symposium, Emeritus Professor Ian Plimer of the University of Melbourne noted that the market for mining shares had been slow and sluggish for the past four years.

He said: "This market will turn around when there is a fundamental commodity shortage and I think that commodity will be zinc. I think we will go into shortage in the first quarter of next year."

It was a big call, because as far as investors are concerned, zinc is the least sexy of all the major metals.

At various times, investors have been excited about diamonds, gold, copper, oil and nickel, but some minerals just don't seem capable of arousing them. Mineral sands are a good example. Australia is rich in them, but the market is never much better than lukewarm.

Nevertheless, history and sentiment may be overtaken by what is happening in the physical market for zinc. On such statistics as are available, demand for zinc has been outstripping supply for several years and a shortfall may be beginning right now.

Zinc has two main uses. The first is galvanising iron and steel to prolong its life. The old galvanised iron used in fences and roofs was capable of lasting half a century or more in a dry climate. The second main use was in the zinc oxide creams we use to block sunburn. Zinc oxide is also used in tyres to hold the rubber together and ensure longer life.

NO ALTERNATIVE

No economic alternative has yet been found for zinc in any of these functions, which means its use is slowly increasing with world population. Matt Gauci, the managing director of PLD Corporation, told the symposium that world consumption of zinc metal had been rising by 3.7 per cent a year between 2012 and 2014 and was expected to rise to 4.5 per cent between now and 2020.

He said zinc stocks were in deficit by 2.1 per cent and about 3 million tonnes of zinc concentrate a year were needed to meet the expected demand.

Very few big zinc mines have been found anywhere on the globe in the past four decades. Instead, two mines which accounted for about 4 per cent of production – Century in Queensland and Lisheen in Ireland – are closing. Gauci said that indicated a possible gap of 5 to 10 per cent in the zinc market and corresponding upward pressure on prices.

Gauci has a vested interest in higher prices, because PLD has the big Admiral Bay zinc deposit some 150 kilometres south of Broome. PLD claims Admiral Bay is the largest undeveloped zinc deposit in Australia, with 72 million tonnes averaging 6.7 per cent zinc equivalent (it also contains lead and silver).

PLD bought Admiral Bay from the liquidators of Kagara Zinc and has not yet completed its feasibility study of the deposit. That means Admiral Bay is not going to be producing for some time yet, maybe a few years. That doesn't worry Gauci, who believes that his predicted rise in the zinc price could last for some time due to the lack of alternative supply coming on stream.

So the outlook for zinc is good, but beware because the predictions are largely based on prices and inventories recorded on the London Metals Exchange, which can be liable to significant manipulation. But if the price starts heading north seriously any time soon, that would be a signal to find yourself a good zinc company.