

Selwyn Project poised to meet surge in zinc demand to arise from supply shortfall

Selwyn Resources Ltd., the Vancouver, B.C.-based junior that owns the giant zinc-lead property also called Selwyn in the eastern Yukon and southwestern Northwest Territories, says the project is perfectly poised to meet future market demand.

Though zinc prices are currently depressed, prospects for a long-term shortfall in zinc supply beginning in 2010 continue to strengthen. Expecting this shortfall, Selwyn's managers are considering various options for advancing development and production of the Selwyn Project, including initially mining high-grade areas of the property.

Selwyn said perhaps the key determinant of the supply balance for zinc will be whether mines having cash operating costs higher than current low zinc prices and shut down. As the cash cost curve indicates, significant production could be lost during a prolonged period of low zinc prices.

The initial response to low zinc prices (Lennard Shelf, Balmat and Endeavor, CBH) has removed about 120,000 metric tons of future annual production and more cuts are likely, according to market analysts.

The second key supply determinant will be decisions on those projects in the development process, and several recent announcements of sales or curtailment of projects suggest that the zinc supply will encounter further challenges.

Another cloud on the horizon is the development of a new environmental coalition that is trying to block the diversion of the McArthur River for the new super pit at Xstrata's Mt. Isa Mines operations in Australia. At possible risk is 275,000 metric tons of zinc mine production that could see disruptions, the analysts said. One message is clear. Most analysts are in agreement that post 2011, zinc supply will be in shortfall and higher prices are on the way as the parade of closures of large zinc mines occurs, according to Selwyn Resources.

—ROSE RAGSDALE