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" Zinc set to go sky high as supplies deplete in medium term" by Proactive Investors, Friday March 02, 2012.

Zinc set to go sky high as supplies deplete in medium term,

Zinc's price is expected to rocket in the medium term, with several mining analysts going bullish on the metal as the market is expected to switch from surplus to deficit sometime in 2014.

The main factor that comes into play here is mine supply, with some of the biggest zinc mines in the world set to close over the coming years - the Century mine in Australia owned by China's Minmetals, which produces 500,000 tonnes a year, is due to close in early 2016, while Xstrata's (LON:XTA) Brunswick mine in Canada, which provides 220,000 tonnes a year, is due to shut in early 2013.

The loss from these plus other closures and contractions in Kazakhstan, Canada and Ireland, among others, will be almost 1.5 million tonnes.

Zinc's uses range from coatings to protect iron and steel through galvanization, to sheets for building and a range of chemical applications. The metal is used in the automotive and building and construction industries, with galvanized steel growth being the main driver of zinc demand. The total world zinc consumption was estimated to be 12.45 million tonnes in 2011.

Despite recent lowered demand forecasts from Europe, the US, and even China on the back of the country's efforts to rein in inflation and deflate its property market bubble last year, Graham Deller from CRU International still believes that the zinc market will switch from surplus to deficit at some point in 2014 as overall global demand is still expected to be on an accelerating track in the next few years with China anticipated to show healthy growth to 2016.

At some point in 2012 or 2013, Japan is also expected to get a boost in zinc demand from reconstruction in the area, after the country was hit by last year’s Tsunami.

"The price of zinc will get bid up, but no one knows by how much. It will either go up very quickly to a level that cannot be sustained, or more steadily," said Deller, the head of research for zinc, lead and precious metals at CRU International.

Since 2007, the zinc market has been in surplus, with stocks building year-on-year at a rate no one would have thought possible prior to 2007. After peaking at almost 900,000 tonnes in 2010, CRU estimates that the global zinc metal surplus fell to 350,000 tonnes last year. But Deller anticipates rapidly growing shortages after the market switches to deficit in 2014.

In a quarterly zinc January 2012 report from CRU, the research firm said: "Although we have reduced our forecast of consumption to 2016, we have trimmed our outlook for production by almost as much, with lower prices of late having already delayed the development of the new mines that are needed to replace those nearing exhaustion."

The firm forecasts a record global metal deficit of almost 800,000 tonnes in 2016, leading to an expected surge in prices as consumers will be forced to bid metal away from Chinese speculators.

Though the addition of projects such as the expected 2015 start-up of Ozernoye in Russia is expected to help moderate the fall in supply, more mines and financing for development will be needed to prevent the zinc market from developing a shortfall, which will be large enough to "rapidly deplete the stocks built in 2008-13", the report stated.

In August 2011, Wood Mackenzie forecast a loss of 1.7 million tonnes by 2015. In addition to short supply, falling zinc and lead mine grades are also expected to add to the problem of meeting zinc demand.

These forecasts have led to increased interest in zinc for traders. Open interest in London Metal Exchange zinc futures gained by 12,193 contracts to 417,146 lots in the week that ended February 23, according to exchange figures. Each contract represents 25 metric tons of the metal used to rustproof steel.

Zinc for three-month delivery, the benchmark, climbed 3.5 percent during the period.

This could mean big benefit for zinc producers like Xstrata, which plans to merge with Glencore (a $90 billion deal), along with Teck Resources and Nyrstar, which has made a string of acquisitions in recent years, and is now the largest zinc producer in the world.

Meanwhile, zinc-focused exploration plays are also set to be in focus, with their stock bound to be considered cheap when compared to a few years from now.

About Canada Zinc Metals Corp. (TSX.V : CZX ; Frankfurt: A0RAQJ)

Canada Zinc Metals is a mineral exploration company focused on unlocking the potential of a future long life mining district in British Columbia, Canada. The Company is the dominant land holder in a world class mineral belt called the Kechika Trough which hosts in excess of 80 million tonnes of base metal resources.

Canada Zinc Metals owns a total of 77,754 hectares in 236claims which extend northwestward from the **Akie property** for a distance of 140 km.

The Company has filed a NI 43-101 report supporting the estimated inferred resource of 23.6 million tonnes grading 7.6% Zn, 1.5% Pb and 13.0 g/t Ag (at a 5% Zn cut off grade) at its flagship Akie property. Using this estimate, the deposit contains **3.95 billion pounds ofzinc**, **780 million pounds oflead** and **8.95 million ounces of silver**. The deposit remains open in all directions.

Tongling Nonferrous Metals Groupand **Lundin Mining** are significant shareholders of the Company.

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