

Dugald River to fill hole for MMR

BY BARRY FITZGERALD

Minmetals Resources chief executive Andrew Michelmore says closures are about to open space in global zinc markets. Source: *Weekend Australian*

THE Chinese owner of the Dugald River zinc-lead-silver deposit in northwest Queensland, the Hong Kong-listed and Melbourne-managed Minmetals Resources remains optimistic on a \$850 million go-ahead development decision later this year despite the recent collapse in zinc prices.

Zinc prices have fallen sharply in the past six months, with the rise in the dollar taking prices down by 21 per cent. But MMR believes strong demand growth for the galvanising metal and supply shortages following a number of big-name mine closures around the world in coming years will drive future prices higher.

MMR chief executive Andrew Michelmore said yesterday that slated mine closures would remove about 1.5 million tonnes of annual zinc metal production from the global 11-12 million tonne market in the next four to five years. "The issue is: what are the projects that are going to replace that?"

He said that Dugald River was one of the few sizeable and long-lived projects capable of filling the gap. "Where is the zinc? It is not there," Mr Michelmore said.

Last year MMR's board approved \$157m for the next phase of the project, which includes detailed engineering, metallurgical test work and the ordering of long-lead equipment before the project secures full environmental approval.

"We see the final commitment being later this year," Mr Michelmore said.

The development of Dugald River will fill a big hole for MMR to be left by the inevitable closure of its existing 500,000 tonnes-a-year Century zinc mine in northwest Queensland. Century is expected to be mined out by 2014-15 while Dugald River, 85 kilometres north of Mount Isa, is slotted to become a 200,000 tonne-a-year zinc producer with a mine life of at least 23 years. If Dugald River proceeds as planned, first zinc production would be possible in late 2014-15.

Mr Michelmore was speaking after MMR announced it had wrapped up its \$US1.31 billion bid for the Australian and Canadian-listed African copper producer Anvil Mining. Anvil has been a copper producer in the Democratic Republic of Congo in a small way but is becoming a 60,000 tonne-a-year producer of copper cathode from its Kinsevere project.

The acquisition lifts MMR copper production from mines in the DRC, Laos and Western Australia to 170,000 tonnes a year.