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Siburan Resources to Mine Tungsten in New Zealand; China Dominates Market

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WELLINGTON--Siburan Resources Ltd. (SBU.AU), a minnow in the mining world, is moving ahead with a plan to mine **tungsten** in New Zealand in an effort that could place it among the largest producers of the metal in a market dominated by China.

Headquartered in Australia, Siburan Resources has completed a preliminary study at an 837-square-kilometer prospect on the rugged west coast of New Zealand's South Island, and it is ready to start mining the metal on an aggressive schedule.

"If we hit the jackpot...we could have ore coming out and be stockpiling in 12 to 18 months," Managing Director Noel Ong told The Wall Street Journal by telephone, adding that the company doesn't expect to start exporting for at least three years.

Tungsten, which has the highest melting point of all metallic elements, is used in a variety of consumer electronic products, from light bulbs to mobile phones. Due to its hardness, it is also used as a coating for tools.

Around 85% of the metal is produced in Chinese mines. Prices rose sharply over the last decade on the back of strong demand. Although it has come off peaks as end users built up buffer stocks, **tungsten** is still selling at sharply higher prices than it was 10 years ago: Ammonium paratungstate, an intermediate compound produced in the process of separating **tungsten** from ore, is trading around \$350 a metric ton unit, up from lows of around \$75/mtu in 2003.

China is the world's largest **tungsten** user, consuming more than half the metal it produces, according to the U.S. Geological Survey. Its appetite for **tungsten** and other industrial metals diminished somewhat amid the recent economic slowdown, but over the long term, its demand will continue to grow, helping to support prices, albeit at a slower pace than over the past decade, CPM Group, a commodities research and management firm, said in a note.

Siburan Resources isn't the only emerging player in the market. CPM Group economist Amit Gandhi said **tungsten** demand will largely be met by new mines in Vietnam, the United Kingdom and South Korea.

"There is not enough supply to shift China's balance of power but [the new mines] will add to significantly to out-of-China supply," Mr. Gandhi said.

Siburan Resources needs to produce around 2,000 tons of **tungsten** a year for it to be profitable, Mr. Ong said. Production at this level would put New Zealand on par with Canada as the third-largest producer, trailing China and Russia, based on 2011 figures from the USGS.

The company's study found that area has a "large low-grade deposit" of **tungsten**, with a "very encouraging" average grade in the top 100 meters of one of the sites studied.

Siburan Resources was listed in Australia in 2010 with a portfolio of gold and uranium projects, according to its website. Its exploration permit is in an area that was historically mined for gold. Higher values for **tungsten** prompted the company to take a second look at the prospect.

"There are lots of customers outside China that will jump at the product," Mr. Ong said.

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