

Zinc 102: Produce More Soon, or Zinc Prices to the Moon!

The use of zinc is widespread, and its demand has increased significantly over the past 30 years. A steady 4% annual increase in consumption has replaced the historic norm of 2%. As countries like China and India continue to expand, creating huge new demand for raw materials, the price of zinc is likely to continue climbing. The 5 year price of zinc can be found here, showing the price to have nearly doubled since January of 2003:

http://www.kitcometals.com/charts/zinc_historical_large.html.

Yet, even after this doubling, it is still only 4 cents above the average zinc price for the past 40 years, a price which has moved as high as \$1.70, a level which might soon be approached once again. See the [40 year Zinc Chart](#).

Zinc's primary use is in the galvanizing process of steel. The largest markets for galvanized steel are the housing and automobile industries. As the commercial and residential construction sector continues to grow due to the modernization of peoples all over the world, the increasing demand for zinc is a matter of fact. Zinc is found in microwave and cellular towers, steel beams, studs, floor joints, trusses, and galvanized electric circuits. Die cast zinc parts are found in automobiles, computers, tools and all types of appliances. As an alloy of lead, copper, tin, lead, aluminum, or magnesium, zinc also plays a role in the electrical and consumer product industries. But that's not all folks, zinc is also used in manufacturing of batteries, rubber goods, cosmetics, chemicals, and pharmaceuticals. Furthermore, since zinc is an essential nutrient for all living things, it is often used in vitamin supplements, animal feed, and fertilizers.

But what would all this demand mean for the future of Metalline Mining if it weren't for the lack of supply? See [14 year Zinc Inventory Levels](#).

CRU International has recently forecast that 2.5 million tons of new annual zinc mine production must be attained by the year 2007 in order to fill in the supply/demand gap. Because few of the large zinc mines are at this moment committed to production due to the low market price of zinc, it is highly unlikely that this demand will be met in time.

It takes 10-15 years for newly discovered zinc deposits to reach the production stage, and very few discoveries have been made in the past 10 years. Of those few who have the possibility of becoming producers by 2010, higher zinc prices are required to speed up the process, since it will confirm the bull market, satisfy feasibility requirements, and allow for a much easier financing of the capital intensive mines.

Currently the LME zinc inventory is about 540,000 tons, down about 250,000 tons since its peak in April of 2004. If inventory levels continue to decline, the price must increase to curb the excess

demand. The chart of LME warehouse levels for zinc can be found here:

http://www.kitcometals.com/charts/zinc_historical_large.html.

Do to this outstanding technical data, it may happen that before Metalline Mining Company ever begins building their mine, or perhaps while in the midst of it, that they will be sought out and bought out by a large mining company desiring to expand it's own capacity*. In such a case, it can only be speculated what the share price offered would be. But based upon the earlier value calculations, a conservative estimate would lie between \$5-15 a share.

*After further discussion with company President, Merlin Bingham, I do not think it is likely Metalline will sell its property rights. A more likely outcome would be a Joint Venture in mining operations if it proves hard for Metalline to raise the capital necessary for the construction of the proposed mine. But if zinc prices continue to rise, I do not see this as a problem. I believe that Metalline Mining desires to carry on the project themselves, and that it is committed to do so as far as it is possible.

The *Silver Bonus*

*By 1999, Metalline Mining had collected over 5000 samples of the polymetallic mineralization north of the Sierra Mojada Fault in the Polymetallic Manto region. On average these samples contained 300 grams of silver per metric ton (10 ounces silver per metric ton), 0.6% copper, 5.5% zinc and 2.2% lead. Some such samples, however, showed levels as high as 341 ounces of silver per tonne! Copper grades also ranged as high as 4%. These results indicate that the Polymetallic Manto is full of high grade copper and silver deposits.

In the end, only time will tell whether in 3-4 years Metalline Mines stock price will have ascended well beyond \$10/share, or have long since been bought out for a similar price. Wisdom is indeed proved right by her children, and the Metalline management team has done an outstanding job of putting things in order. The right place at the right time. Remember, "Opportunities always look bigger going than coming."

For more information about Metalline Mining, just visit the company's web site at <http://www.metalin.com>, or contact Merlin Bingham, President of Metalline Mining:

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