

Tungsten prices poised for further lift-off

A new specialist study into world tungsten supply and demand predicts increasing demand which is not likely to be matched by new mine supply until at least 2009.

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In September 2007 specialist Australian tungsten and tungsten/molybdenum explorer and aspiring mine operator, Vital Metals, commissioned independent specialist metal marketing consultants, GBRM Ltd, to conduct a comprehensive update of the world-wide market for primary tungsten production in the form of ores, concentrates and intermediate products such as ammonium para-tungstate (APT). This study is intended to be used in the feasibility study for the Watershed scheelite (calcium tungstate) project and as an overall update of the original tungsten market study prepared by the same group and published in the Vital Metals Prospectus in 2005.

This completed new study, the company says, "would appear to be the most up-to-date and comprehensive review of the tungsten market situation available in the world at this time. The investigation includes a new look at the current and developing uses of tungsten, new technologies, a detailed look at existing and new planned production within China, which still dominates world production, new deposits and planned new mines outside of China, production and production cost trends and a detailed look at the global supply/demand equation in coming years.

"The result is a 50-page document, which presents a full picture of the future outlook for tungsten from a primary production view.

"The principal conclusions of the study are:

1. Over the five years to end 2012, global consumption of tungsten metal is expected to increase from its current level of approximately 81,200 t (including 59,800 t of new primary production - the balance being re-cycled scrap) to 109,328 t; thereby requiring almost 82,000 t of primary output - an increase of some 22,000 t of 'new' production.
2. While there has been a significant increase in exploration and mine development activity outside China in recent times, no major new production, apart from the restart of the CanTung mine in 2005, has actually been realised and is unlikely to occur until at least late 2009.
3. Rapid increases in mine development and operating costs is increasingly indicating that a further advance in price structures is necessary before new mine developments will actually be achieved.
4. China has not only curtailed its domestic mining programs but has now become a significant importer of tungsten concentrates and tungsten scrap.
5. The forecast is for global prices for APT (ammonium paratungstate - most tungsten concentrates are processed chemically to APT) to reach and even exceed \$300/metric tonne unit - a 25% increase over the current pricing level.
6. Almost no tungsten concentrates are currently produced in US dollars, so that even if the US dollar continues to decline, the global market price for concentrates and APT will adjust to reflect this change.

The study goes on to conclude "A strong escalation in prices has already occurred over the past three years. However with producers struggling to meet demand, global mining costs continuing to increase, and the Chinese Government likely to impose tighter production quotas and higher export tariffs to maintain reserves, further global price escalation appears certain."

The summary pages from this report will be available in the next few days on the Vital Metals website at http://www.vitalmetals.com.au/metal_markets/tungsten.phtml.

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