



NORTHERN NEIGHBORS

Compiled by Shane Lasley



ATAC RESOURCES LTD.

At the Nadaleen trend, located about 90 kilometers (55 miles) east of Tiger, Atac Resources Ltd. is carrying out rotary air blast drilling to follow up on the 2015 discovery hole at the Orion target, which returned 3.79 grams per metric ton gold over 47.24 meters. This hole bottomed in gold mineralization with the last interval grading 2.56 g/t gold over 1.52 meters.

Atac finds additional oxide gold mineralization adjacent to Tiger

Atac Resources Ltd. Aug. 10 posted results from exploration of the Rau trend located at the western end of its huge Rackla Gold project in Yukon Territory. Follow-up prospecting, mapping and soil sampling has expanded the Airstrip gold anomaly to 11.5 square kilometers (2,840 acres). Discovered in 2015, about 4,000 meters south of the Tiger gold deposit, Airstrip is the largest gold-in-soil anomaly in the Rau Trend. The initial evaluation program also included seven shallow rotary air blast drill holes at two priority anomalies identified at Airstrip. Near-surface gold mineralization was encountered at both of these targets, including one 13.7-meter intercept of 1.43 grams per metric ton gold in hole ASR-16-006. Atac said the first-pass drill results are very encouraging at Airstrip and warrant further drilling. The company also completed detailed prospecting at a previously underexplored gold-in-soil anomaly situated 125 meters from the southeastern limit of the proposed Tiger deposit pit. Ten out of 21 oxide float composite grab samples collected over a 150-meter-long area upslope of the east end of the Tiger deposit, returned values greater than one g/t gold with the most notable sample returning 18.3 g/t. The company says follow-up trenching and diamond drilling is warranted to determine if this mineralization could complement the current Tiger Deposit oxide mineral resource outlined in a preliminary economic assessment published in May. "The recently identified oxide mineralization is a major development as this new area has potential to add oxide gold ounces directly adjacent to the eastern end of the proposed Tiger Deposit open-pit," said Atac President and CEO Graham Downs. "This in addition to the fact that we were able to encounter gold in three of our very first scout holes drilled at the Airstrip anomaly is very significant and a testament to the extensive mineralizing system that exists within the Rau Trend." The company is also carrying out RAB drilling 90 kilometers (55 miles) east of Tiger, at the Orion Carlin-type gold discovery within the Nadaleen trend of the Rackla property.

A bonanza of gold discoveries at Plateau South, drilling begins

Goldstrike Resources Ltd. Aug. 10 said drilling is underway at its Plateau South gold property in the Yukon Territory. The drilling started in the Goldstack zone, a seven-meter-wide gold-bearing outcrop where drilling in 2015 cut 17.5 meters averaging 13.5 grams per metric ton gold. The zone is part of the Yellow Giant Trend, a 29-kilometer- (18

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METALS MARKETS

Soaring zinc prices?

Shrinking supplies seems to overcome gravity of slowing base metals demand

By SHANE LASLEY

Mining News

Caught between an updraft caused by dwindling supply and the gravity of slowing growth in global demand, zinc prices seem to have reached a cruising altitude above US\$1 per pound.

Recent closures of two large zinc mines – Century in Australia and Lisheen in Ireland – wiped out more than 600,000 metric tons of the world's annual supply of the galvanizing metal.

Analysts expected these looming supply deficits to send zinc prices soaring well above US\$1/lb. in 2015. While the metal did climb to US\$1.10/lb. in May, lackluster global economic growth muting the demand for commodities in general instead dragged the price to seven-year lows.

With zinc prices falling below US70 cents/lb. late in 2015, Glencore PLC slowed its output, removing another 500,000 metric tons from the global supply.

"The main reason for the reduction is to preserve the value of Glencore's reserves in the ground at a time of low zinc and lead prices, which do not correctly value the scarce nature of our resources," the Switzerland-based company explained.

In the July 26 edition of its commodity prices index, Scotiabank said the 8 percent drop in zinc supply resulting from the two large mine closures and Glencore's curtailment sets zinc apart from its contemporaries.

"The base metals narrative remains split between demand-driven stories surrounding beleaguered contenders like copper and the supply-centric focus in outperforming metals like zinc and, more recently, nickel," the Canadian bank penned in the report.

Adding, "Zinc remains the bullish story within the base metals group."

This tale of zinc prices rising 41 percent since the beginning of the year is a good read for Teck Resources Ltd., operator of the Red Dog zinc mine in Northwest Alaska, and Hecla Mining Company, which enjoys considerable by-product credits from zinc recovered at its Greens Creek silver mine on the state's Southeast Panhandle.

Starving market

CRU, a global analyst and consultant focused on mining, metals, fertilizers, believes the supply-side shortage will continue to push zinc prices higher.

In a report published at the end of July, CRU Head of Zinc Research Graham Deller wrote, "With concentrate stocks now almost exhausted, metal inventories will fall sharply soon, and further significant price increases look likely through the course of next year."

The world's best-known stockpile of zinc is already being eroded. Inventories in the London Metal Exchange warehouse have dropped from about 480,000 metric tons in January to below 440,000 metric tons, or about 12 days of global demand.

Most analysts are predicting that more clandestine zinc inventories will find their way to market as prices rise.

"While it is possible that further inventories are delivered to the major exchanges from hitherto less

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—Scotiabank

visible locations, it is inevitable that we eventually see an impact on refined (zinc) supplies and the current rally is likely the market preemptively getting ahead of this tightness," Scotiabank penned in its July commodities index.

Scotiabank and CRU see the current market imbalance eroding both the known and less visible stockpiles of zinc.

Deller said, "The key question in the zinc market is no longer whether, but is now when will the market run out of metal?"

Scotiabank sees this depletion of stocks happening sooner rather than later.

In its annual Global Outlook report published in early July, the bank forecast zinc prices to average US\$1.25/lb. in 2017.

"Prices are expected to rise over the coming years until sufficient supply can be incentivized back onto a starved market," the bank penned in the comprehensive economic report.

Welcome news

Rising zinc prices is welcome news to Teck Resources and NANA Regional Corp., owners of the Red Dog Mine in Northwest Alaska.

Red Dog is on track to produce about 570,000 metric tons (1.26 million lbs.) of zinc in 2016. Accounting for roughly 5 percent of the world's supply, this arctic operation supplies nearly as much zinc to global markets as did the recently closed Century and Lisheen mines combined.

Teck is the operator at Red Dog and NANA, the Alaska Native regional corporation that owns the land where the zinc-rich mine is located, is 30 percent owner of the operation. NANA's ownership increases by 5 percent every five years and is set to climb again in 2017.

In its second-quarter 2016 report, Teck noted that on top of the deficit brought on by the closure and suspension of several large mines, demand for zinc is expected to grow at about three percent per annum during the next two years.

"While the commodity cycle continues to be challenging, we are starting to see some positive changes in the direction of zinc and steelmaking coal prices," said Teck President and CEO Don Lindsay.

While zinc is the primary metal produced at Red Dog, it also is an important tertiary metal at Hecla's Greens Creek Mine near Juneau.

Thanks to zinc, along with lead and gold, the cost to produce an ounce of silver at this Southeast Alaska operation totaled just US\$4.61 through the first half of 2016. The ongoing upward trend in gold prices and zinc sitting above US\$1/lb. should help drive the already low production costs at Greens Creek even lower. ●