

Energia Minerals' expects to double zinc output with Italian job



by [Trevor Hoey](#)

Emerging zinc producer Energia Minerals' March-quarter activities report indicated it had started refurbishment of its Gorno project located in Italy. Zinc has come to the forefront in recent months as the base metal with the most promising near-to-medium-term outlook due to supply-demand dynamics.

One of the largest producing mines, Century, based in Queensland, will cease producing in 2015. Energia's project already has substantial infrastructure in place allowing it to move relatively quickly to production.

Analysts at Beer & Co are forecasting first production in the first quarter of calendar year 2017. The broker is projecting production of 15,000 tonnes at a commodity price of \$US2875 per tonne.

Based on the recent approximate zinc price increase of 15 per cent to \$US2300 per tonne and looking across other broker estimates this assumption appears realistic. Production is expected to double in 2017-18 to 30,000 tonnes, but management is confident it can outperform these estimates.

What also needs to be taken into account are the credits from lead and silver production which will also contribute to earnings.

In discussing the Gorno project with managing director Kim Robinson, he expressed a high degree of confidence in the project's economic viability and production profile, saying "Gorno is one of the best high-grade near-term production opportunities in the zinc industry anywhere in the world, putting Energia in the box seat to fill the significant void which currently exists on the ASX for quality zinc exposure over the next few years".

The company's share price has doubled in the past 12 months, but Beer & Co see further upside, setting their price target at 15.5¢. The broker is forecasting a net profit of \$27 million in 2016-17 representing adjusted earnings per share of 4.4¢.

Energia's share price on Monday at 2pm AEST was 4¢, down from its high of 5.3¢ on March 11.

This implies a modest price-earnings multiple of less than four relative to its forecasts for that year.

With regard to funding, Beer & Co noted Energia may not need to raise any more equity as it is expected to sell stakes in other projects. However, there would be room to raise some capital with only minimal earnings per share dilution, indicating the company would remain good value on a price-earnings basis.

<http://www.afr.com/business/mining/energia-minerals-expects-to-double-zinc-output-with-italian-job-20150504-1na7ue>