

News

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Mount Burgess Can Now See Light At The End Of A Long Zinc-Plated Tunnel

By Our Man in Oz

Higher potential rates of metal recovery, an expanding resource base, and sheer persistence have combined to deliver some of the best news to have come out of Mount Burgess Mining for years. The company's Kihabe zinc project in Botswana has moved out of the "pending" category, and into a category marked "economically attractive". More work is required, but the development has triggered fresh interest in the company from investors, possible partners, and financiers. Helping add to interest is the burst of deal-making in the zinc sector, including the recent move by Glencore to take a large interest in the mothballed Perkoa project of Blackthorn Resources, and Nyrstar's attempt to snatch control of CBH Resources.

It's the combination of deal flow, and the growing interest in zinc to feed China's appetite for the metal, which has prompted some expert observers to tip zinc as one of the likely top performing metals for 2010. If that's right then Mount Burgess could enjoy a long-overdue re-rating on the Australian stock market, not that its veteran chairman, Nigel Forrester, is letting the good news get him over-excited. "Conditions are certainly better than they were a year ago", Nigel said when Minesite caught up with him in his Perth office. "But, they could hardly have got worse, could they".

Interest in Mount Burgess and the latest upgrade at Kihabe, has even caused Nigel to dust off his file marked South Africa's Mining Indaba. Until a few weeks ago he had no plans to attend Africa's top mining conference in Cape Town. It's different today, thanks to news from the project, the rising level of interest in zinc, and signs that the Indaba gabfest might be another of those turning points for the mining world in light of the seemingly unstoppable rate of growth in China.

"It might be a good time to start re-telling the Kihabe story because we have been fielding an increasing number of inquiries from zinc buyers and investors", Nigel said. "None of them have been tyre-kickers. All seem to be genuinely interested in a new source of metal."

What's kick-started this renewed interest in Kihabe was a report from ProMet Engineers as to how best to squeeze the maximum amount of zinc from the orebody. The original scoping study into the project assumed 64 per cent zinc recovery and 67.5 per cent lead recovery. ProMet now says that with the addition of a finer-grinding circuit, controlled

potential sulphidisation in the flotation circuit, and atmospheric acid leaching of the zinc flotation cells, recoveries for both zinc and lead can be lifted above 90 per cent.

Release of the upgraded ProMet report just before Christmas can now be seen as the official re-start of interest, with the company's share price jumping from A1.5 cents to A2.3 cents. In simple monetary terms that looks somewhat lowly, but on a percentage basis it represents a rise of 53 per cent, which is good, no matter how low the starting price. Since then, [Mt Burgess](#) has ticked over, slipping back to around A1.7 cents, but it's probably set for another burst of interest as investors absorb an even more optimistic report filed at the ASX last week.

In his latest comment Nigel went as far as saying that: "it is now clear that under current conditions it is likely that the project will be economically attractive". The wording of his statement is cautious, but if nothing else over a lifetime in the mining game, Nigel has learned to never over-promise and then under-deliver. He acknowledges that the fresh approach to processing Kihabe's ore will require additional back-room work to incorporate the suggested changes, as well as taking account of an expanding resource base in the emerging Nxuu zinc deposit located just seven kilometres from Kihabe. With the inclusion of Nxuu's material the combined open cut resource at both deposits stands at 29.9 million tonnes using a cut-off mine grade of 2.62% zinc.

So, where does the fresh ore calculation and latest advice from ProMet leave Mount Burgess and Kihabe now? "Put it like this, were we to be mining today the project would be making money", Nigel said. "But the big hurdle obviously is getting it to the point where we can arrange finance and in this sort of market that's still quite an onerous task. We still have a lot of work to do, but the trend does seem to be positive, and as we work through the numbers we'll move into a bankable feasibility study."

All the options about raising money to fund the bankable study, or negotiating a partnership in a way similar to the one negotiated by Blackthorn with Glencore, are still open. "Everything is possible," said Nigel. "That Blackthorn deal was very good news, and when you combine it with China's continued growth, people are starting to see that it will not be long before people need more metals."

Inquiries from potential investors in Kihabe can be seen as one of the most positive signs that [Mt Burgess](#) is getting closer to a development commitment. "Last year, there wasn't even a phone call", Nigel said. "Over the past few months we've been getting a steady stream of inquiry, all from people in the industry."

Adding to the increased level of interest is an encouraging level of zinc exploration success which, oddly enough, came from a search for diamonds. What happened is that Mount Burgess identified a number of magnetic targets which looked like kimberlites, but found they were of a rock type associated with zinc mineralisation. Boiled down, what that means is that exploration is expanding the potential resource base in the greater Kihabe area, a development which could further enhance interest in the project and the company.

