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ZincOx Moves From Strength To Strength With Shaimarden and Tsumeb.

Andrew Woollett and his crew at ZincOx Resources, which listed on AIM at the turn of the year, have had a busy few weeks culminating in a deal and an update on its Tsumeb slag project in Namibia. First the deal, which is the acquisition of the the Shaimarden zinc oxide deposit, in Kazakhstan for which it is going to pay the Irish listed company Ennex International US\$250,000 plus a production royalty of US\$20 per tonne of zinc recovered from the deposit with the option to buy out the royalty agreement for US\$6 million within four years of completion.

This may look a bit of a steal given that Shaimarden is one of the richest zinc deposits in the world, contains a mineable reserve of 4.3 million tonnes of ore at a zinc grade of 20.9%. But it has hung like a weight around the neck of little Ennex and prevented it making any other corporate moves virtually since it was acquired in 1997. This weight got heavier as the zinc price fell and the queue of possible joint venture partners dried up and eventually Ennex diversified into oil and gas in order to generate sufficient cash flow to survive.

Christian Schaffalitzky, the managing director of Ennex, is clearly delighted with the deal as his shareholders maintain an interest in Shaimarden through the royalties, and he can now drive the company on to pastures new. He reckons that royalty income of around US\$13.5 million could accrue if Shaimarden goes to plan. Andrew Woollett is also pretty pleased and describes Shaimarden as “an exceptional deposit as it is not only high grade but can be mined by open pit. The processing equipment we will be using has not previously been applied to this deposit and the tests we have undertaken have given excellent results in terms of recovery, grade and operating costs.” The best deals, as one of the Rothschild family is supposed to have said, are where both parties end up happy.

ZincOx has already carried out a pre-feasibility study at Shaimarden which examined the production of 30,000 tonnes per annum of premium quality zinc oxide concentrate in the first three years rising to 60,000 tonnes from year four for a further 12 years. Based on a zinc price of US\$1,000 per tonne, the feasibility study concluded the project has a pre-tax net present value, at a 10% discount rate, of US\$63 million and an internal rate of return of 25%. Initial capital costs for a 30,000 tonne production level, using mining contractors, are expected to be US\$39 million. Cash operating costs are expected to be US\$168/tonne of zinc in concentrate, placing the operation not only among the lowest in the world, but also with the ability to generate positive returns even at today's depressed zinc price. Small wonder Mr Woollett is happy.

Credit should also go to Christian Schaffalitzky who never gave up on the project and spent US\$5 million on work which proved vital to ZincOx's pre-feasibility study. This included data from the existing 107 drill holes which were utilised to determine reserves according to the JORC code. The study also looked into geo-technical and hydro-geological issues and an open pit designed with Whittle optimisation and a detailed schedule for the mining of waste and ore. Metallurgical test work on samples from the drill cores showed that a high grade oxide concentrate can be produced by fuming which is vital as zinc fuming is a widely used process and new equipment has been developed

very recently which has a lower operating cost and greater efficiency.

The product from Shaimarden will therefore be high grade and very pure which makes it particularly attractive to conventional electrolytic zinc, and they may be lucky enough to get their hands on it by the end of 2004 as collection of a 300 tonne sample of ore and the development of an open pit for mining has already started. The sample will be used for pilot testing in the bankable feasibility study which should be completed by the middle of next year. This will then be followed by detailed plant design and engineering works in preparation for construction.

While all this has been going on Korea Zinc, one of the world's largest zinc producers, has been carrying out a technical study assessing the potential for the recovery of zinc and other metals from the Tsumeb slag . This company has acknowledged expertise in the use of Ausmelt technology and was testing its efficacy on the 2.9 million tones of slag at Tsumeb which accumulated as a result of lead smelting operations from 1963 to 1996. The conclusion was that the slag may be processed to produce oxide "fume" in which zinc, lead, germanium, gallium and indium will be concentrated. This concentrate will then be sold for further refining.

Over the coming months work will concentrate on the confirmation of reserves, the acquisition of a representative bulk sample and preliminary testwork on the new fuming equipment. This testwork will enable the new equipment to be compared with Ausmelt and the most attractive process will then be piloted at a large scale. Looks as if the ZincOx team have plenty on their plate and the resulting newsflow should focus the interest of investors on the company.