



Expanding: Kagara Zinc.

Kagara plans strike on explorer

Felicity Williams Resources

BASE metal miner Kagara Zinc is eyeing zinc and copper explorer Copper Strike as a potential takeover target.

BusinessDaily can reveal that Kagara representatives visited Copper Strike's operations in northern Queensland this week to assess the possibility of an acquisition.

It is understood that Kagara's executive chairman, Kim Robinson, has been interested in Copper Strike for some time.

Perth-based Kagara and Melbourne-based Copper Strike both

have operations located between Cairns and Townsville.

Copper Strike estimates that its four projects — Einasleigh, Chloe, Jackson and Kaiser Bill — have a value of around \$150 million.

It initially focused on developing its Einasleigh copper project and Kaiser Bill resource but the potential of its Chloe/Jackson zinc discovery has broadened its focus.

Kagara produces zinc and copper concentrates in the Mt Garnet-Chillagoe area, with three base metal processing facilities and a fourth under construction.

The company is aiming for annual production of 100,000 tonnes of zinc

and 45,000 tonnes of copper by 2009-10. Shaw Research has estimated the value of Copper Strike's Chloe deposit alone at around \$100 million.

"Whilst tonnage so far is small, the grade is reasonable, and the metallurgical test work to date indicates good recoveries," it said in a note to clients dated November 7.

"The real upside to the company, as we see it, would be the establishment of additional resources at Chloe, or nearby, with the aim of proving up between 5 million tonnes and 10 million tonnes at similar grades."

Tolhurst Research attached a "buy" recommendation with a

"high" risk rating to Copper Strike shares, citing the company's "continued excellent exploration results from both Chloe and Jackson" in a note to clients dated October 9.

Copper Strike is undertaking a \$5.2 million rights issue to fund feasibility studies.

Teck Cominco has a pre-emptive right to 51 per cent stake of any Copper Strike discoveries on the proviso it funds the feasibility studies, but the Vancouver-based miner decided against taking up the offer.

Kagara shares closed 7¢ higher yesterday at \$6.21. Copper Strike was down 2¢ to 45¢.