

\$77m injection for zinc mine

Luke Forrestal

Commodities trader Glencore International has agreed to a \$US72 million (\$77 million) deal to take a controlling stake in Blackthorn Resources' Perkoa zinc project in Burkina Faso, marking the likely revival of another mining development stalled by the financial crisis.

The \$150 million Perkoa mine was half built when slumping zinc prices and a lack of funding opportunities forced Sydney-based Blackthorn, formerly known as AIM Resources, to suspend construction in July 2008.

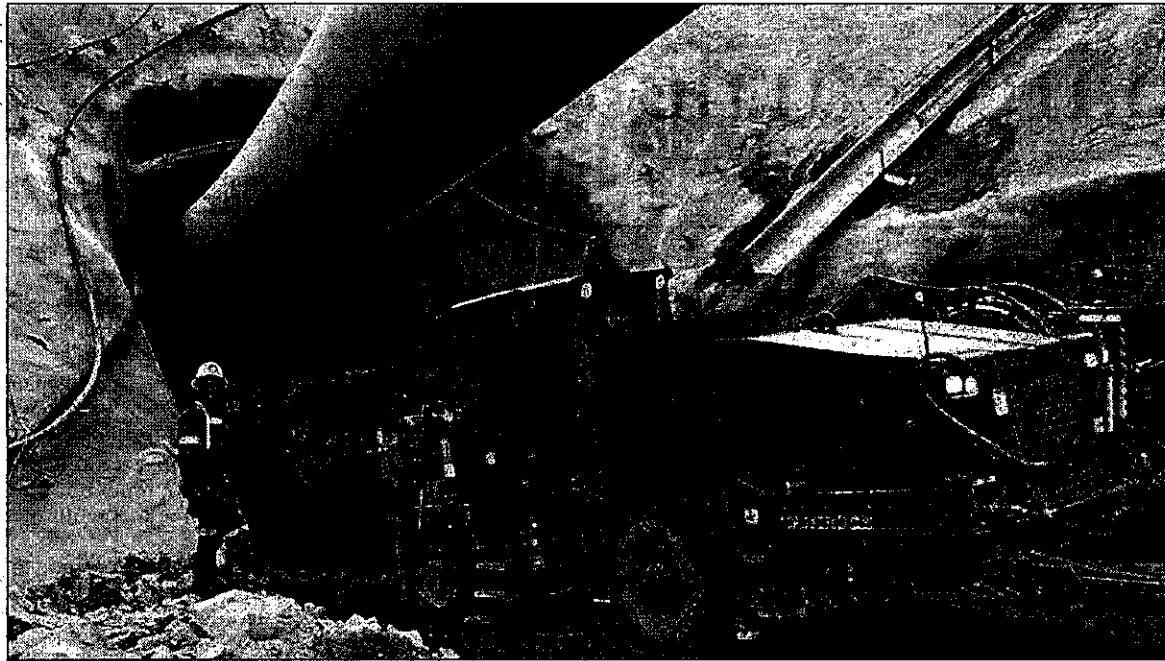
Under the agreement announced yesterday, which is non-binding, Glencore will provide or procure funding to complete the project in exchange for a 50.1 per cent stake.

Glencore will also take over as joint-venture manager and be entitled to buy all the concentrate produced by Perkoa not contracted to other customers.

The *Australian Financial Review* reported in November that more than \$16 billion worth of mining projects shelved during the financial crisis were back on the agenda thanks to the recovery in commodity prices and financial markets. This figure is likely to have increased.

The zinc industry, in particular, has seen a return to activity as the spot price of the metal almost doubled over the past year from \$US1300 a tonne to about \$US2550 a tonne.

Meridian Minerals is seeking to re-establish the Lennard Shelf mine in Western Australia mothballed by Teck Cominco and Xstrata in 2008, and CBH Resources and Perilya plan to ramp up production after scaling back operations in the crisis.



Back in action . . . Glencore will take over as joint-venture manager at the reanimated Perkoa project.

KEY POINTS

- The zinc industry has revived as spot prices have almost doubled in the past year.
- Glencore will provide funding in return for a 50.1 per cent stake.

Blackthorn managing director Scott Lowe told the *AFR* yesterday that confidence in the zinc and broader base metals sectors was growing, with analysts including Barclays, Credit Suisse and Royal Bank of Scotland issuing "rather positive forecasts for where the zinc

price will end up in 2011. For zinc, copper and base metals in general, we're confident that things will continue to be strong".

He said Glencore had "all the right attributes" for a joint-venture partner, and was likely to help drive reductions in operating and capital costs at Perkoa.

The deal does not require Blackthorn to raise equity, meaning shareholders preserve their current interest in the company's other projects.

Chief among these is the Mumbwa copper-gold project in Zambia, an exploration joint venture with BHP Billiton.

Mumbwa will become Black-

thorn's main focus if Glencore takes over the operation of Perkoa.

Although a binding agreement has yet to be reached with Glencore, Blackthorn expects to be in a position to call a shareholder vote to approve the transaction in the second quarter of the year.

The deal will leave Blackthorn with a 39.9 per cent interest in Perkoa. The government of Burkina Faso will own the remaining 10 per cent.

The mine is expected to produce about 170,000 tonnes of saleable concentrate a year.

Shares in Blackthorn climbed 10¢, or almost 13 per cent, yesterday to close at 88¢.

News Corp exec goes

Alasdair MacLeod, son-in-law of media tycoon Rupert Murdoch, will leave his position as managing director of News Corp's Nationwide News unit this month, the company announced. Nationwide News publishes *The Australian*, *The Daily Telegraph*, *The Sunday Telegraph*, *mX* and *Sportsman*. Mr MacLeod, who is married to Mr Murdoch's eldest daughter Prudence, joined News Corp in 1989. The company did not say why he was leaving or what he would do.

Staff reporter

Mount Gibson move

Iron ore exporter Mount Gibson Iron has restarted an expansion project at its Extension Hill operation in Western Australia. The project will generate 3 million tonnes of iron ore to be sold to major shareholder Shougang and its affiliate APAC Resources by June 2011.

Ayesha de Kretser

GUD profit edges up

GUD Holdings, local manufacturer of Sunbeam appliances, expects its earnings before interest and tax for the first half of financial year 2010 to be 10 per cent higher than the previous corresponding period, in which it posted EBIT of \$32.6 million.

Luke Forrestal

Credit rating lower

Fitch Ratings agency has downgraded BlueScope Steel's credit profile from BBB+ to BBB, with a stable outlook. The decision to downgrade the steel maker came after assessing the size, scale and geographic diversification of BlueScope's operating profile relative to its international peers.

Ayesha de Kretser

Nentune contract