



Daily News Thursday, May 28, 2009

ZAZU LIKES LIK

Vancouver - Is 4.6 billion pounds of zinc enough for you?

It was for Zazu Metals (ZAZ-T) investors - on news that Zazu's Lik project in Alaska hosts that much zinc as well as 1.5 billion lbs. lead and 41 million oz. silver the company's share price doubled.

The north-south striking Lik, which is a stratiform massive sulphide zinc-lead-silver deposit that dips shallowly to the west, is divided into two by the Main Break Fault. To the south of the fault the Lik deposit is at or near surface; to the north it is down-blocked roughly 150 metres.

Lik South, which is an open-pittable zone that strikes 1.1 km and stretches to 600 metres width, now hosts 18.7 million indicated tonnes grading 8.08% zinc, 2.62% lead, and 52.8 grams silver per tonne. Inferred resources at Lik South add 1.23 million tonnes averaging 6.8% zinc, 2.12% lead, and 35 grams silver. Those resources were calculated using a cut-off grade of 5% combined lead-zinc and fit within a wireframe pit shell.

Lik North is a deeper resource that would be mined through an underground operation with access from the bottom of the Lik South pit. The northern zone has seen less drilling and so its resource is still all in the inferred category: 5.18 million tonnes grading 9.65% zinc, 3.25% lead, and 50.7 grams silver.

"It's a very real resource," says Gil Atzmon, the chairman and CEO of Zazu. "The fact that they put the resource in a virtual pit, the fact that the tonnage doesn't change much with different cut-off grades, that tells you there's an enormous amount of continuity and regularity to the resource.

"Bottom line - it is now, in my opinion, one of if not the best undeveloped zinc properties in the western world."

Investors were certainly pleased with the resource: Zazu's share price gained 107%, adding 15¢ to reach 29¢ on 2.3 million shares traded.

Mineralization at Lik is hosted in irregular, stratiform lenses. The sulphide mineralogy is simple, comprising pyrite, marcasite, sphalerite, and galena. Initial metallurgical studies last year indicated standard sequential lead-zinc flotation produced good recoveries: an 87% zinc recovery gave a concentrate grading 52% and an 81% lead recovery resulted in a 57% concentrate. Interestingly, tests showed that lower lead recoveries, more along the lines of 70%, gave concentrate grades closer to 70%, a more marketable product.

With a resource estimate now in hand, Zazu immediately initiated a preliminary economic analysis of the project that Atzmon hopes to complete by the end of the year. The company is not planning any further drilling this summer, even though Lik South remains open to the south, west, and at depth and Lik North hosts some unexplored geophysical targets.

Lik is in northwest Alaska, 22 km from Teck Resources' (TCK.B-T, TCK-N) Red Dog zinc-lead mine. Concentrate from Red Dog is trucked along an Alaskan state toll road to the DeLong Mountains port facility. Atzmon says that, if Zazu decides to develop a mine at Lik, the state would likely pay to build a road connecting the property to the Red Dog road and Zazu would pay a toll to use the road. Similarly, the port facility is already at capacity with Red Dog concentrate and would need to be expanded; the state would likely fund that work as well, again in exchange for a usage toll. One of Zazu's foci this year is to analyze the port requirements and road options.

Access to the property at present is by air only. Because the winter brings strong winds and moderate snowfall, exploration work can only be conducted from June through September. The company will also continue its environmental baseline studies, in preparation for future mine permit applications. Atzmon says they have not yet identified any "red flags" on that front.

"One of the benefits we have there is that there's already an operating mine in the area," he says. "That always makes it easier."

And Native land claims are all settled in the state of Alaska; the Lik property is not on Native-owned land. Nevertheless Atzmon says Zazu has been working to develop a relationship with the natives in the area.

Lik is not a new discovery. In the 1970s and 1980s several companies worked the property, drilling 135 holes by 1992. The work had defined a sizeable resource but, for various reasons, interest waned and the property was left idle.

In 2007 Zazu moved in, buying ownership of half of the property from GCO, a wholly-owned subsidiary of International Paper, for US\$20 million and a 2% net proceeds interest on Zazu's half. Teck held, and still holds, the other 50% of Lik.

But, stemming from the original agreement between Teck and the company from whom GCO bought its Lik interest, Zazu has the right to increase its interest in Lik to 80% by spending approximately US\$40 million on exploration or development by 2018. The amount is inexact because it varies with inflation. If Zazu earns the additional 30%, Teck then has the option to retain a 20% participating interest or to convert its interest into a 2% net smelter return.

Regardless of its ownership level - 50% or 80% - Zazu will continue as operator of the project. To date the company has spent just over US\$5 million at Lik. The 2007 exploration program comprised only 11 holes but in 2008 the company punched 58 holes into the ground, which cost US\$4.5 million.

At the end of March the company has just under \$4 million in cash and equivalents. The company has a 52-week trading range of 4¢ to 65¢ and has 31 million shares outstanding.

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