

Sale of Hackett River bodes well for zinc miner

by Sara Wilson

Northern News Services

Hackett River, Nunavut

The recent sale of the Hackett River project will see a worldwide leader in zinc mining claim stake to a portion of Nunavut.

Vancouver-based exploration company Sabina Gold and Silver has sold its stake in the "world-class asset" to Xstrata Zinc, a Swiss company hoping to capitalize on the project's anticipated reserves.

The Hackett River property comprises nine mineral leases totalling 12,250 hectares in addition to the Wish-

bone area, which comprises 132 mineral claims covering 107,227 hectares.

The decision to sell the project was an effort for Sabina to focus its attention and capital resources on gold-producing ventures.

"We're a junior exploration company with what we believe are world-class assets. Hackett River is major project that will produce concentrate so you're going to need infrastructure," said Nicole Hoeller, director

of investor relations, and corporate secretary for Sabina.

"We thought for the value of our shareholders, in the more immediate term and in the long term was in the gold side and we certainly couldn't take both projects ahead at the same time."

Sabina went looking for a viable partner to take over the operations at Hackett River, ensuring the venture would start production with the resources the project requires.

Mining giant takes over Nunavut project

"We embarked on a strategic process with BMO (Bank of Montreal) Capital Markets looking for a partner, Xstrata Zinc was very interested in the project and they are trying to increase their Canadian profile here, and enhance their Canadian operations," Hoeller said. "They were the most aggressive when it came to looking at Hackett."

the next four years to push it toward development," Hoeller said. "If they don't then we can buy the project back for what they've put into the ground."



Santiago Zaldumbide

In addition to the cash injection, Xstrata will grant a silver royalty to Sabina to acquire the properties. "What that does is give us an initial cash infusion of \$50 million but it also leaves us exposed to the upside in silver price," Hoeller said.

"(Because) we have a 22-and-a-half per cent royalty on the 190 million ounces of silver that they produce and 12-and-a-half per cent on all

The sale of the Canadian commodity extraction project to a non-Canadian company was handled properly, according to Hoeller and was open to all Canadian companies that showed interest.

"Well this is the Canadian division of Xstrata. We did have to get competition act compliance which we received so they're weren't any issues with that," Hoeller said.

"We all think it's a good thing for Nunavut because you've got another major company in there, certainly a company that is the biggest zinc company in the world, that has the means, the technical resources and the financial resources to push a big project like Hackett River forward sooner."

The project, which is still in its infancy, has had both companies invest in exploration studies, leading to a condition of sale, that the project will see a financial injection in the coming years.

"They have to spend \$50 million on the project over

the silver thereafter. That definitely comes to us as cash flow at no cost or we could use that royalty and we can sell it to raise money to finance Back River or we can use it as collateral as bank debt."

"The prospective Hackett River and Wishbone exploration properties are early stage opportunities that could provide additional mined zinc production to complement our Canadian operations," said Santiago Zaldumbide, chief executive and executive director Xstrata Zinc, said in a press release.

"This transaction is aligned with our commitment to continuously seek value-enhancing projects for Xstrata Zinc, the world's leading integrated producer of zinc, and provides us with entry into a highly prospective region."

fact file

Company: Xstrata

Location: Western Kitikmeot region

Estimated reserves: The project would produce concentrates of 182.8 million ounces of silver, 4.8 billion pounds of zinc, 311 million pounds of copper and 300,00 ounces of gold over 16 years.

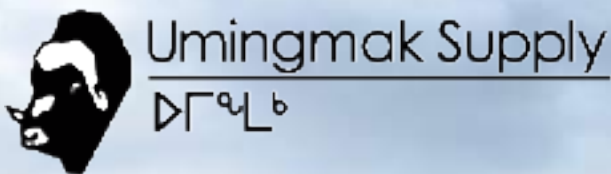
Conditions of sale: Xstrata needs to spend \$50 million on the project over four years, with silver royalties of 22.5 per cent on 19 million ounces of silver.

About Xstrata: Headquartered in Madrid, Spain, Xstrata's zinc and lead operations and exploration projects are located in Australia, Canada, Germany, Peru, Spain and the United Kingdom.

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