

BMC targets 20-year mine life for globally significant Yukon zinc VMS project

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Market Intelligence



BMC (UK) Ltd.'s Kudz Ze Kayah exploration camp in Canada's Yukon Territory.

Source: BMC (UK) Ltd.

Private company BMC (UK) Ltd. and a major UK fund believe the project life of the Kudz Ze Kayah polymetallic asset in Canada's Yukon territory may double, but it will be a globally significant zinc and silver project even before that happens.

In July 2019, BMC pegged a net present value of US\$527 million for the project, discounted at 7%, based on a 15.7-million-tonne probable reserve at 5.8% zinc, 1.7% lead, 0.9% copper, 138 g/t silver and 1.3 g/t gold for 915,000 tonnes of zinc, 265,700 tonnes of lead, 135,800 tonnes of copper, 666,000 ounces of gold and 69.5 million ounces of silver.



**BMC (UK) Ltd. CEO
Scott Donaldson**

Source: BMC (UK) Ltd.

However, BMC's Australia-based CEO Scott Donaldson is confident that the targeting work currently being done to expand the resource immediately around the mine will extend the project's life, and have set themselves the target of achieving 20 years.

BMC has done very little exploration in the five years it has had the project, and in the decade before that there was none.

The project's previous mine permit from 1998 did not take into account the ore body extension BMC found with extensional drilling in 2015 and 2016, did not include modern technology like a water treatment plant, and included a wet tailings facility in the valley floor.

About 80% of BMC's resource is open-pittable, which significantly lowers costs, with an ore body that starts 8 meters from surface that is rare for a volcanogenic massive sulfide, or VMS, deposit.

The draft report for the project's new permit is now out for public consultation and a number of First Nations groups are reviewing all available data, which should be done in the current half. Mine and water re-permitting should be done within about 18 months, depending on COVID-19 impacts.

The project will generate around 100,000 tonnes per annum of zinc metal in concentrate, which Donaldson said makes it significant from a zinc perspective. The total zinc market is about 14.5 Mt of metal. Kudz Ze Kayah is also expected to produce about 7 Moz of silver as a byproduct, which will make it one of North America's largest silver producers.

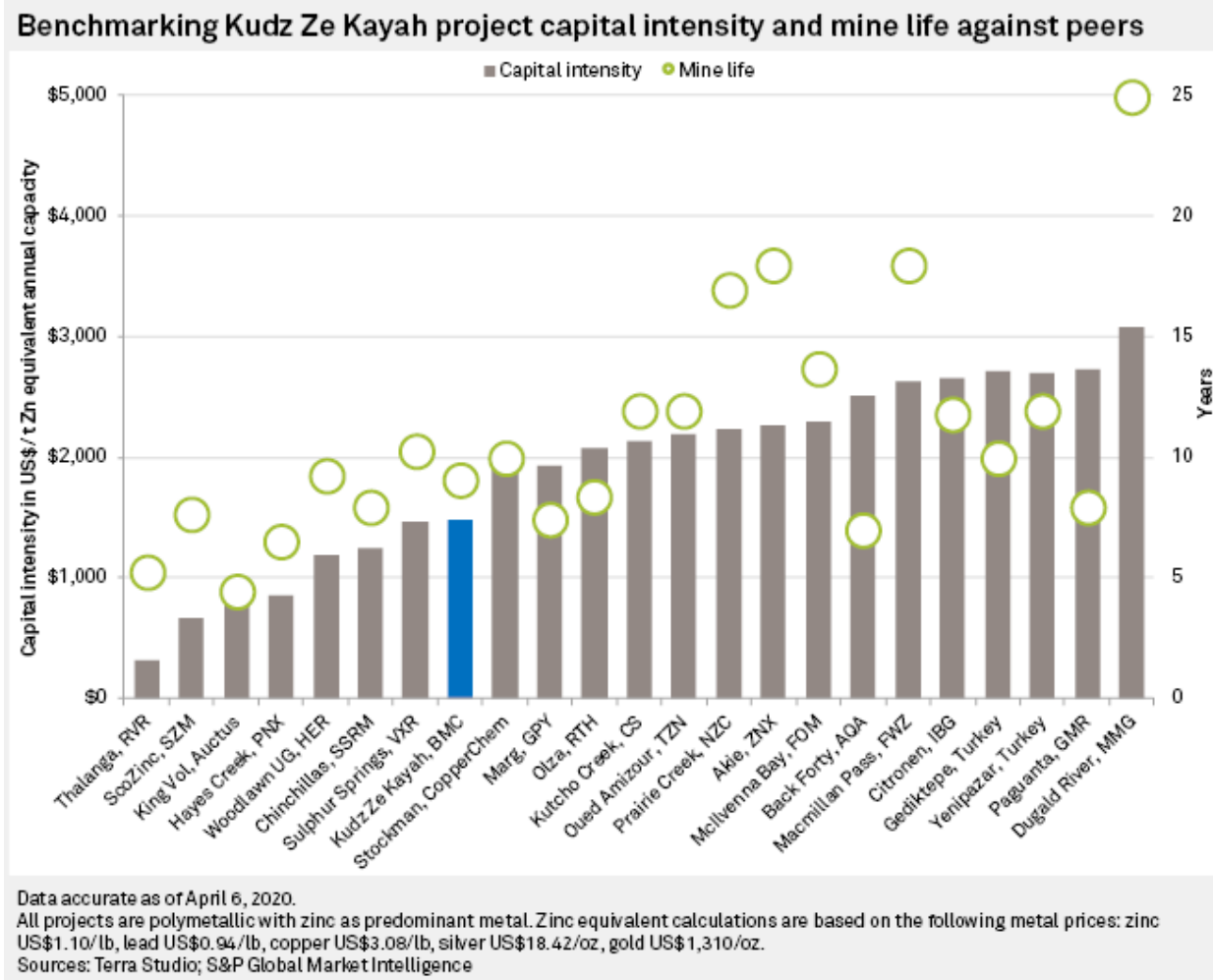
Investors' view

UK-based fund adviser Global Natural Resource Investments, or GNRI, shares Donaldson's view of BMC potentially nearly doubling Kudz Ze Kayah's life.

GNRI, which was formed by a management buyout of the former Barclays Natural Resource Investments private equity business from Barclays Bank PLC in October 2015, has committed more than US\$3 billion worth of equity in mining, oil and gas and associated services and power investments.

The various funds GNRI advises are BMC's major investors. GNRI retains three seats on BMC's six-person board of directors, including the firm's Managing Director Dave Ellis, who said in an email interview that Kudz Ze Kayah has the potential for a project life of over 15 years, "and this is before considering the discovery of new lenses."

The chart below, created by analysis from Australia-based independent analyst Jean-Francois Bertincourt's Terra Studio and S&P Global Market Intelligence data, shows the project's current status among its peers with zinc as the dominant commodity.



Bertincourt said in a recent note that the Finlayson Lake District — in the Yukon-Tanana terrane that underlies much of central Yukon and parts of Alaska and British Columbia to the west of the Selwyn Basin — hosts numerous volcanic-hosted base metal sulfide deposits that collectively contain more than 50 Mt of base and precious metal-rich sulfide mineralization.

The region also contains economically significant VMS deposits. However, he emphasized that while VMS typically present the best grades among polymetallic deposits, they can be limited in size and are most often mined underground.

Even at its current 15.7 Mt ore reserve, Bertincourt said Kudz Ze Kayah has both the size and a "valuable combination of base and precious metal grades," while being close to surface and amenable to open pit mining.

He said in an interview that, as an ex-resources sector banker with BNP Paribas SA in Sydney, Australia, and Societe Generale Corporate and Investment Banking in Paris, France, he views the project as "highly financeable," particularly being in the Yukon.

Ellis said that while VMS metallurgy can be more complicated than a porphyry, for example, "there is nothing unconventional here, and we have backed a management team that have demonstrated significant success with other VMS deposits."

"There are a number of positive trade-offs that come with this metallurgical complexity, not least the high grade nature of the ore body (we do not know of many open pit mines of this scale that have a value per tonne as high as this) and the likelihood of other lenses being discovered," Ellis said.

Donaldson, along with BMC's chairman Gary Comb and executive director Neil Martin, were all part of the team that led Jabiru Metals in developing the Jaguar zinc-dominated polymetallic project in Western Australia before being taken over

by IGO Ltd. in 2011.

In this light, GNRI sees Kudz Ze Kayah as being a "major player" in the zinc and silver markets, even before the impact of the gold, copper and lead production credits are factored in. This ensures it is in line with GNRI's investment rule that its projects will have strong margins at every point in the commodity price cycle.

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