

A straightforward path to production

By Richard Roberts, [18 August 2008](#)



WORD has it that Sacha Baron Cohen and his team randomly chose Kazakhstan as the birthplace of the comic character Borat because, as one of the hit movie's producers said, they "thought it would not be that easy to check up about". That view could now be changing, which is to the advantage of companies such as Central Asia Resources.

Central Asia managing director Jason Stirbinskis may pretend to still get a kick out of Borat/Kazakhstan jokes – "I've heard them all", he says – but he and others are quick to jump to the landlocked central Asian country's defence. "Post-Soviet Kazakhstan is reinventing itself as a uniquely prosperous and modern Eurasian nation," says Lonely Planet. Stirbinskis agrees and adds the geology is not bad either.

Central Asia's chief executive since February this year, when he replaced mining engineer Kevin Malaxos (now head of South Australian iron explorer Centrex), Stirbinskis says he was familiar with the company and its prospects through his previous job as general manager of METS, an engineering firm specialising in metallurgical consulting and greenfields project studies for junior miners.

Now he is driving the metallurgical testwork, the feasibility study and the junior company.

On that score, don't expect Stirbinskis to go off looking for a phosphate or coal project to "add value" to Central Asia's share price. He's got 18 months to get up a bankable feasibility study on a significant gold project in Kazakhstan and \$A12 million to do it, and that's what he is focused on delivering and believes he has a mandate from the company's top shareholders to do.

The project is 95%-owned Altyn-Tas, near the seven million ounce Akbakai gold deposit and mine in south-east Kazakhstan. The resource goal is a further 1.5Moz to add to the 800,000oz Central

Asia has outlined at Altyn-Tas and the smaller Uenke Bulak project east of Almaty. If the company's exploration run rate to date can be maintained, and the Altyn-Tas JV areas are as prospective as Stirbinskis believes, the extra 1.5Moz could cost about \$A7 million.

"We've spent \$A3.5 million and come up with 800,000oz," he said. "We've just signed a 20,000m drilling contract with a local diamond drilling contractor who we've used him all along and are very happy with. So we're about to spend \$A7 million more, which doesn't mean we're necessarily going to find double the current 800,000oz but it's double the effort we've put in so far."

Most of the money will be spent at the Altyntas (287,000oz inferred), Kepken (294,000oz inferred) and Kengir (127,000oz indicated/inferred) properties, which make up the Altyn-Tas project. All seen to be potentially big, low-grade gold deposits until fairly recently – with Kengir mineralisation showing characteristics of a gold-copper porphyry system and Altyntas throwing up some shallow, bonanza grade drill intercepts this year that outshone some earlier solid hits. These may contribute to a significant reworking of the site's resource numbers at some stage.

"There is a limitation on how fast we can move at Altyntas and that's the nature of the mineralogy," Stirbinskis said.

"We can't do very wide spaced drilling because it [the gold mineralisation] appears, disappears and appears again, so we've really got to tickle these things and trace them out. We're diamond drilling, which is still relatively expensive [RC rigs are virtually non-existent in Kazakhstan], so we need assays to know where to put the next line and that means we'll be moving the rigs around while we're waiting for data.

"When we inherited Altyntas we knew we had some interesting old [Soviet era] data. Our technical director suspected, and found evidence from geochemistry, that we might see some interesting stuff and we did when we got drill intersections such as 30m at 5.5gpt and 40m at 2.5gpt, including 12m at just under 5gpt, with geochemistry results suggesting more of this mineralisation along strike.

"Then we got something really exciting – 43m at 19.3gpt including 16m at 50gpt and, from 8m below the surface, we have 4m at 141gpt. The rig is just back there now and we're dropping a hole in right next to it. We assayed that five times just to make sure. But we're going to twin that hole now and go right next to it and see what we come up with."

Central Asia has the ongoing drilling at Altyntas and Kepken, plus metallurgical samples from the Altyn-Tas JV properties on their way to AMMTEC in Western Australia, and could have "commercial

licences" for all three by the end of the year. The company will also start a geophysics program at Kengir next month to help better target later, deeper drilling. Central Asia already has Uenke Bulak recognised as a commercial discovery under the Kazakhstan permitting system, and is assessing the feasibility of a small standalone gold-silver play (gold equivalent grade about 4.5gpt) to enable it to cut its operational teeth and establish a mining team in-country.

"At the moment it [Kengir] has 127,000oz, near surface, only about 20km from Akbakai and about the same distance from whatever we do at Altyntas. So our thinking is that this will just be a satellite feed to one or the other," said Stirbinskis, who noted the local operator of the Akbakai flotation/CIP plant was running out of ore at the established mine.

"The geology is that of a copper-gold porphyry and we've found malachite and azurite in core samples – ignored by the Soviets previously because they had a strict brief just to find the gold – so what we think we're sitting on here is actually the gold cap of a copper-gold porphyry. It's real blue sky stuff at the moment, but if we find this is a copper-gold porphyry it fundamentally changes the project because we'd probably be looking at an underground mine to access the copper and digging through the near-surface gold mineralisation to get to it."

Samples sent to Australia for metallurgical testing are expected to help shed more light on any development synergies between the existing gold resource at Kengir and Altyntas but also "give us the relevant background that we would need before starting a conversation with" potential local toll processors of the Kengir material.

Stirbinskis said potential existed to extend to known mineralisation along strike and at depth at all the Altyn-Tas properties, which were generally flat-lying and easy to drill.

"People tend to think of Kazakhstan as being full of snow and mountains, but where we are it's actually dead flat. That's at Altyn-Tas and Uenke Bulak. There are mountains in some regions but a lot of it looks like you're exploring in Western Australia. The big difference between [Kazakhstan] and WA is the level of exploration – it's like WA maybe 30-40 years ago," he said.

Beyond some landscape misconceptions, Stirbinskis said Australian investors generally grouped "The Stans" together, when Kazakhstan showed more of a cultural leaning toward the West than other former Soviet territories and had other defining features. "People see it as a bit of a backwater but it's not. There's \$US40b worth of foreign investment in the country already. I've not heard of any major issues. Kazakhstan has a triple B minus investment grade rating – it was the first of the former Soviet Union countries to get that S&P rating. GDP's been growing at 5% and

upwards per annum, and most of that is coming out of activity spurred by foreign investment in the country.

"They're a sophisticated, entrepreneurial, well educated people."

And no, they didn't drink horse urine. "They have this fermented, slightly alcoholic horse milk, common in the region, which I would opt out of if given the option. I have had horse stomach sausage, which they can keep too," Stirbinskis said.

Policies and procedures were fair and "completely logical, but they are thorough and you need to understand them".

"They've got some very good social policies which the foreign investors comply with ... like employing locals ahead of expats, and social contribution taxes and the like.

"We're obviously going to have to embrace more permitting as we go forward, so we've got environmental permitting and other permits. I would say compared to other countries that it would be quicker, but I've got to find that out. We have a JV partner in the country and that's proved extremely valuable. I don't know if it's essential to have a JV partner but [ours] knows the systems and manages that side of things for us and it's been fantastic."

Stirbinskis said while Australian investor appreciation of the appeal and charms of Kazakhstan was developing, he had enjoyed strong support out of London.

"There are quite a few companies already on [London's] AIM with activities in Kazakhstan," he said. "We just raised \$A13 million [May 2008] and \$A12 million of that came out of London, and that was only a few months ago while all of this [equities volatility] was going on. We also have some investment out of Hong Kong and mainland Europe as well."

Stirbinskis said he thought it "very possible" the London market support could translate into backing for a dual listing of ASX-listed Central Asia, but that wasn't "a conversation we need to have right now".

"Nearly 85% of our book is held by our top 20 investors and those investors are holding our stock for the long term. That group is basically saying, yes this is a horrible time but you've got great stuff; we're not worried about where the share price is heading for now.

"Of course, other investors are jittery. It doesn't take much for people to act. We've just had the [Russian] military activity in Georgia and I'm sure that our share price right now has some

association with what is going in Georgia even though it's completely irrelevant and there are a unique set of circumstances that you can't really apply to Kazakhstan.

"A while ago we announced some fantastic results and I rang a few brokers and one of them said, look Jason you could have invented a cure for cancer today and your share price wouldn't have moved. Congratulations on keeping your share price where it is."

Given the cash it has in the bank, Central Asia's current market capitalisation of about \$A15.4 million ascribes barely any value to its gold resources. Despite the market malaise, Stirbinskis says his first job at the helm of a public company is "pushing all the right buttons for me".

WA born and bred, he got his geology degree from the University of WA and later earned a diploma of education at Edith Cowan University and an MBA at Murdoch. Mainly working as a consultant, he oversaw a number of significant IT, financial system implementation and recruitment programs in the banking and mining industries, including delivering greenfields gold and coal projects in New South Wales, Queensland and WA.

The geology background, MBA, finance sector exposure and project delivery skills made him well equipped to take on a junior resource company executive management role, it was pointed out to Stirbinskis before he took the position as METS general manager. After some contact with Central Asia during his stint with METS, the CEO's job came up and he took it.

"I had some familiarity with the former Soviet Union," Stirbinskis said. "My father is from Lithuania and I've been there several times. I've travelled through Russia, so I kind of knew culturally what I was getting into. And from the geology perspective it was pretty straightforward. So it seemed like a very good entry point into the managing director type function.

"It's the best job I've ever had.

"I know that my top shareholders are looking to me to ultimately generate a BFS as being one of the obvious paths to getting the returns they're looking for. Another is being potentially acquired down the track. So they're just saying keep on pushing through and get the job done. I've got \$A12 million and 18 months to do something substantial and that's what I'm focusing on."