

Top team tackles Central Asia gold

Perth-based gold explorer Central Asia Resources is close to proving up initial resource estimates for a number of prospects as it moves towards its goal of controlling a million plus ounces of gold in Kazakhstan. By **Charles Amery**

Only listed on the Australian Securities Exchange in July last year, Central Asia Resources has a majority interest in two significant joint ventures in the former Soviet republic covering more than 3200 square kilometres.

Since signing a memorandum of understanding (MOU) in June 2006 the company has undertaken a concentrated drill program to validate the historical data and test extensions of the previously interpreted mineralisation.

Previous Russian geology, exploration and limited mining, which only targeted large tonnage, high-grade deposits, resulted in Russian classified and unclassified resource estimates for a number of prospect areas.

These previous resource estimates are not

able to be classified under the JORC code, but have provided the company with extensive drill target information and have allowed it to focus on the most prospective areas.

Central Asia has carried out a program of infill drilling to gain the additional sample material to do quality control checks and reduce drillhole spacing, both reasons the previous resource estimates have been unable to meet JORC code requirements.

For 18 months the primary focus of the company has been to achieve robust resource estimates that can be JORC classified, and to declare commercial discoveries under Kazakhstan mining laws as a prerequisite to gold production.

These goals are in sight, with company executives aiming to release the first

resource estimates for up to three of its seven prospect areas – Kepken, Kengir and Altyntas – in the first quarter of 2008; to fast track the commercial discovery process in at least two areas; and to be on the ground mining by the end of 2008.

However that first mining production is likely to come from another discovery area from the second of the company joint ventures, the Boguty project and its Uenke-Bulak prospect, which has an inferred resource of 124,875 tonnes at 3.9 grams of gold per tonne for 15,559 ounces and 246gpt silver for 988,328oz.

This prospect is in an epithermal setting within the northern section of the Tien Shan metallagenic belt, which hosts a number of multi-million ounce gold prospects.

While the company remains strongly focused on the highly prospective and continually developing Kepken prospect, Uenke-Bulak has become a priority target with its opportunity for early development, low-cost production and the potential to provide early cash flow – using the latest in modular processing plant technology.

Kazakhstan has a lot of what executive director and company secretary Angela Dent describes as micro-sites, previously uneconomic, but in the current climate with gold fetching about \$US800/oz, new technology providing 80-90% recovery rates and low capital and operating expenditure, now very much on the economic radar.

The Boguty project is one of them.

Considered not big enough to stand alone, Central Asia believes this, together with the potential to acquire several other such micro sites, can prove economical using the latest in Gecko modular plants where it can quickly move from one production site to the next.

This would create cash flow while



A Central Asia Resource drill rig at Kengir.

continuing to develop and expand the high potential gold resource at Kepken where it is looking at a possible heap leach mining project commencing in about mid-2009.

The Uenke-Bulak deposit at the Boguty prospect has become the catalyst for what is now a developing business model for micro site acquisition, exploration and mine development using a modular and mobile plant, processing ore via crushing, grinding, gravity concentration and flotation.

"There seem to be a lot of micro sites in Kazakhstan, so with that and our country knowledge it could become quite a profitable exercise and we would be ahead of the rest of the pack," Dent told **RESOURCESTOCKS**.

"You can build a plant for \$5-6 million ready to go compared to \$25 million for a traditional plant of similar capacity, so it is feasible that Boguty becomes the first project. It is certainly an opportunity for us and a potential early cash flow."

While only listing mid-2007, Central Asia has been working "flat out" on its properties since signing the MOU.

It initially acquired a 25% interest in Golden Eagle Investment Resources, which holds the shares in the two Kazakhstan JVs – Altyntas and Buguty-Palm – then moved through an initial public offering to ASX listing to increase this to a 60% holding.

"We put cash into Golden Eagle. There were no payments to the vendors, it all went into the company and into the ground where it is still going," Dent said.

"Our main drilling has been at Kepken, Kengir and Altyntas which we think are the most prospective. All our tenements now have 12 months to run as exploration licenses, so it is important we concentrate on areas we believe are most prospective.

"The biggest issue is that every time we stick holes in the prospects to find the end we find new extensions, but it's a nice problem to have.

"We are looking at releasing JORC-compliant resources for Kepken, Kengir and Altyntas in the first quarter of 2008 and especially with Kepken, this will really be an initial resource estimate.

"When we listed we were looking at Kepken as a heap leach project and our first project. It is now looking like a bigger heap leach project and we are looking at it as our second project, not the first, and 18 to 24 months out rather than 12."

Diamond drilling at the Kepken prospect recently identified further extensions east of the previously identified mineralised zones with results including 1.7m grading 2.43gpt from 96.8m and 1.12gpt from 31.7m in one hole and 1.5m grading 1.60gpt from 59.4m from another.

Kengir, which hosted a small open pit in the 1980s producing about 9600oz of gold,

has an inferred resource of 1.4 million tonnes at 1.71gpt gold for 77,000oz.

Recent Central Asia drilling has identified two new mineralised zones and results included 6.3m at 4.08gpt from 138.5m.

The Altyntas prospect contains an historical Russian C2 classified resource and drilling to date has identified increased widths of the mineralised zone.

CEO Kevin Malaxos said 2008 would see an increased drill program on the major prospect areas with three drills currently in operation.

While there were inferred resources at Kengir and Uenke Bulak, the rest was conceptual unclassified and Russian resources.

"Although we have excellent targets we shall continue drilling to increase the tonnage and resource category. We want to be on the ground mining by the end of 2008 and processing in early 2009," Malaxos said.

Drill availability and onsite geologists have kept the exploration program progressing and developing, and the company is overcoming the problem of earlier delays in drill core assaying by setting up a sample prep lab in the country so it will do all its own sample crushing and grinding, and just sending the pulp away for assay.

While delays in getting drill assay results has been frustrating for Central Asia Resources, operating in Kazakhstan – a landlocked country about the size of Western Australia with a 15 million population – certainly has not.

Unlike the rugged mountainous terrain of the bordering Kyrgyz Republic its exploration areas are drill-friendly steppe with low scrub, easily accessible and easily workable.

"The infrastructure is great and the power network impressive. Rail crisscrosses the country and there is a good public road system," Malaxos said.

Dent added that there were also no environmental issues – "there's nothing to disturb" – and no native title issues – "nobody lives out there".

"There is not the government red tape there is in Australia. There has been a stable government with one president since Kazakhstan broke with the Soviet Union in 1991 and the mining and tax laws are well established," she said.

"It is a great place to be working and the country very much encourages the mining industry."

Added to these benefits is one other vital and highly significant ingredient in the operations – local knowledge with Kazakhstan-experienced personnel and a formidable and professional team.

This includes executive director Dr Waldemar Mueller, a Kazakhstan geologist,

who spent more than three decades in geological exploration and mineral economics in Kazakhstan, Russia and Georgia and is highly familiar with the gold fields, Kazakhstan's mining business and operational practices.

Director Stephen Ross also has extensive experience in Kazakhstan where he lived for a year while assessing projects for acquisition throughout the former Soviet Union and Russia.

Add to this a Kazak-born data base geologist in Perth and consultant metallurgist with experience in Kazakhstan and Gecko processing equipment, and the Central Asia team is well qualified for its operations in the republic where it will appoint both locally qualified and expat managers as it moves towards gold production.

And to Angela Dent it is the team that is truly what the company is about.

"It is very much about a team. We are building a great team who have individual expertise and experience, and we are working together to make this happen. This team includes our JV partners who we also have a really good working relationship with." **RS**

central asia resources at a glance



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Market Capitalisation

\$5.7 million (at press time)

Major Shareholders

Foster West Securities 8.36%

Kiintas Mining Management 7.9%

Roman Resources Management 7.9%

Goldenwire Investments 7.2%