



## Developing a pipeline of projects

By Harry Norman

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### ***Developing a project pipeline is a wise move for a company that is contemplating the possibility of developing copper porphyry projects***

If you think of Kalimantan Gold (KLG) as a company that is just hanging around waiting for its big brother - joint venture partner, Oxiana - to finish deep drilling three copper porphyry targets in Central Kalimantan – think again! KLG has a bundle of eleven gold prospects in East Kalimantan, with high-grade veins that outcrop at surface, which the company is drilling itself. It has also just signed a Head of Agreement on an 80% earn-in deal on a bunch of coal prospects. Developing a project pipeline is a wise move for a company that is contemplating the possibility of developing copper porphyry projects because, even if the targets just drilled come up trumps, it will be years before any of them will be operating mines. Typically, when commercial, porphyries are high investment, large, low-grade, long-lived mines with long lead in times ...and eventually, high returns.



The Indonesian portion of the island of Borneo is called "Kalimantan", and the economy of Kalimantan is largely based on natural resources. The province of East Kalimantan led the way with coal mining, which has been going on for a century, and it also has a well-developed oil industry. Indonesia is well endowed with mineral resources and the Grasberg mine is the third largest for copper, and the largest for gold, in the world. Freeport-McMoRan, who operates the Grasberg mine, is the largest single taxpayer to the Indonesian government.

KLG has a joint venture in Central Kalimantan with one of Australia's most successful mid-tier mining houses - Oxiana Mining. ASX listed Oxiana, has a track record of successfully developing 'difficult projects' – which means Oxiana is no stranger to projects that others regard as technically difficult, in parts of the world that might be regarded as



politically sensitive. So, Oxiana coming along and spending US\$2.5 million on deep drilling some of KLG's projects in the jungle is an endorsement of both the technical credibility of the projects, and KLG's ability to manage its social licence. Way back in the days when Kalimantan Gold was listed only on the Toronto Venture Exchange (TSX-V: KLG) it had selected three of its porphyry copper gold prospects, Baroi, Beruang and Mansur, which were in need of drilling deeper than the 300 metre limit on the company's in house kit. In 2006, just before the company listed on AIM (AIM: KLG) and before Oxiana was on the horizon, the company filed a competent person's report on these targets. In this report, SRK Consultants opined that the "Baroi, Beruang and Mansur prospects ... mineralisation shows similarities with that which occurs in similar arc-related settings in Indonesia and the south-west Pacific, which are known to host economically significant copper deposits."

Oxiana signed up to a joint venture on these three prospects, which are a small part of a 941 square kilometre land holding or "contact of work", where KLG has recently moved to increase its stake from 75% to 100% with an all share agreement. Oxiana agreed to spend US \$2.5 million over 12-18 months and drill at least 12 deep holes. If after the first 12 holes Oxiana decides it wants to continue, it can earn up to 40% by completion of a pre-feasibility study and a 66.67% stake by completing a bankable feasibility study.

In April, Oxiana started drilling at Beruang, and in July announced there had been "encouraging early indications" from five drill cores. All the holes had intersected "variably altered and mineralised volcanic units", with results from the first hole showing 44 metres of 0.6% copper (from 16.6 metres below surface) and 41.7 metres at 0.5% copper (from 147 metres below surface). Oxiana has now drilled targets at Baroi and Mansur, and Beruang has just announced it has completed 6,000 metres of drilling and spent the US\$2.5 million required by the terms of the joint venture. So we now wait on the balance of the assay results from Oxiana's drilling and their decision on the joint venture.



KLG's 100% owned, 5000 hectare epithermal gold prospect Jalai-Mewet, in East Kalimantan, was previously drilled by Ivanhoe Mines (then called "Indochina Goldfields") before its focus shifted to developing a giant copper mine in Mongolia. On acquisition, KLG's exploration team started by identifying the 26 drill holes and trenches left by Indochina, who had discovered eleven gold veins and produced drilling results which included 1.7 metres at 11.1 grams per tonne (g/t) gold and 4.5 metres at 6.4 g/t gold.

KLG has been scout drilling at Jalai-Mewet since April this year, and recently reported on sixteen scout holes that have been drilled and assayed. The drilling extended the Mewet vein by 1,200 metres and, at the Sembawang Vein, drilling revealed gold mineralisation as far as 800 metres along strike from Ivanhoe's drilling. Highlights included 1.50 metres at 13.44 g/t gold and 20.6 g/t silver, and 4.75 metres at 10.43 g/t gold and 14.6 g/t silver at Sembawang. All mineralisation was found near surface and a series of new, deeper mineralised targets for drilling was identified for the next phase of the drilling programme. Rahman Connolly, CEO of KLG, explained that the company is keen to start drilling deeper below the holes recently drilled as the Ivanhoe data indicated that the vein structures tend to widen and become more consistent at depth. Meanwhile, further scout drilling is scheduled to extend the gold mineralisation strike and identify targets for deeper drilling. The assumption is that the eleven vein low sulphidation gold system at



Mewet is controlled by a fault, and when that is identified it will help build a model of the way gold has been distributed throughout the vein system, making further drilling and development easier and more economical. A commercially viable low sulphidation gold deposit would be good news for KGC as the lead-time to getting into production could be relatively quick and the technology required to process the ore would be comparatively low tech.

Back in May, Rahman Connelly told Proactive that he expected to pick up one or two other prospects where a resource had been identified. Low and behold, a couple of weeks ago, KLG announced that it has signed an agreement with an Indonesian business (Jhoswa Group) to earn an interest in some coal prospects in East Kalimantan. Indonesia is a world hot spot for coal production, which over the last ten years has quadrupled to 200 million tonnes per annum. East Kalimantan produces 90% of Indonesia's coal output and is home to four of Kalimantan's six biggest coal producers. Kalimantan's coal resources are estimated at around 35 billion tonnes, most of which is thought to be suitable for the burgeoning Asian power generation market. Under the terms of the proposed joint venture, KGC will create a coal mining subsidiary company, PT PMA, which will sign a mining services agreement on a prospect-by-prospect basis and fund all of the costs of establishing a commercially viable coal resource. KGC would then be entitled to 80% of all proceeds from coal sales, less agreed expenses, with 5% of each project being allocated, as a royalty, to a specialist consultancy, PT GMT, which will act as project manager. (The prefix "PT" is the Indonesian equivalent to "Ltd".)



Kalimantan Gold Corporation is developing a pipeline of projects with different timescales to commerciality and lots of potential newsflow. If all goes well, the coal prospects will lead the pack, followed by epithermal gold, with the long term copper porphyries bringing up the rear. Meanwhile, we wait on news from Oxiana about the drill results for good old Baroi, Beruang and Mansur.