

# WORLD GOLD

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## **World Gold Explorer**

Foreign explorers find more gold in China as Tianshan, Majestic, Continental, Jinshan and Sino Gold all release resource/reserve estimates

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# Foreign Explorers Find More Gold in China

Four foreign companies active in China have recently marked significant milestones in the development of their exploration projects and a further one has expanded an existing reserve.

Two have announced resource estimates, the third has followed up a maiden resource figure with a merger with its joint venture partner, thereby expanding its land position several fold, the fourth has completed a final feasibility study and increased resources, and the final company has increased reserves at its mine under construction.

Three companies – Tianshan Goldfields Ltd, Majestic Gold Inc and Continental Minerals – are active in the far west provinces of China, another, Jinshan Gold Mines Inc, is active in Inner Mongolia, and the remaining one, Sino Gold, is developing a mine in the Golden Triangle region, to the southwest of the country.

The following table summarises the latest resource announcements:

Company	Project	Measured koz	Indicated koz	Inferred koz
Tianshan Goldfields	Gold Mountain	-	658	908
Majestic Gold	Sawayaerdun	-	606	774
	Song Jiaguo	-	-	356
Continental Minerals	Xietongmen	2,490	-	550
Jinshan Gold Mines	Chang Shan			
	Hao (217)	1,148	1,771	460

*All at 0.5 g/t gold cut-off except Xietongmen, 0.5% Cu*

### Tianshan Goldfields Ltd (TSX:TGF)

Tianshan's Gold Mountain project is located on the Tian Shan gold belt in western China, and covers a tenement area of approximately 88 km<sup>2</sup>.

In the northern section (Jinxi), Tianshan has now defined resources on three deposits at Jinxi, Yelmand and Mayituobi, based on drilling undertaken

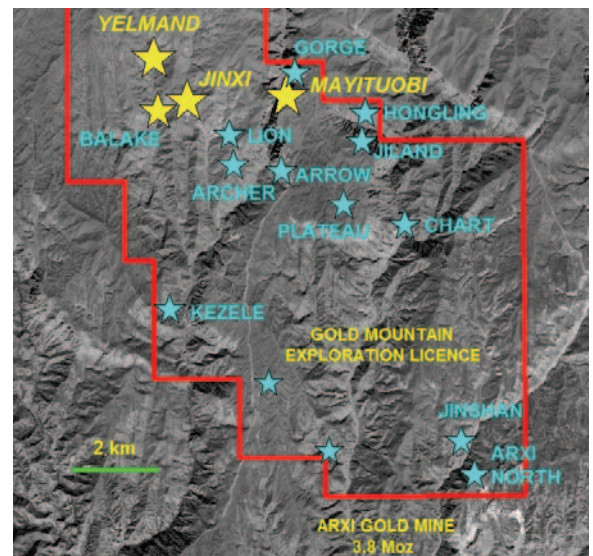
in the period between its acquisition of the property in late 2003 and the end of 2005.

The breakdown of resources, using a 0.5 g/t cut-off, is shown in the table below.

Category	Tonnes Mt	Grade g/t	Contained gold koz
<i>Yelmand</i>			
Indicated	16.9	0.8	435
Inferred	18.5	0.8	476
<i>Jinxi</i>			
Indicated	6.5	1.1	230
Inferred	11.0	0.9	318
<i>Mayituobi</i>			
Indicated	-	-	-
Inferred	7.0	1.0	220

The estimates, by Finore Pty Ltd, are based on 13,275 m of diamond drilling at Yelmand, 16,326m at Jinxi and 1,519m at Mayituobi.

Tianshan will now undertake a 40,000 m diamond and RC drilling commencing this month to test other drill targets (Lion, Archer, Arrow, Gorge, Hongling, Jiland, Plateau, Chart, Kezele and particularly, the extension of Yelmand to the south at Balake) to extend and infill the delineated deposits.



Deposits and targets at Tianshan's Golden Mountain

At Yelmand a sub-horizontal blanket of silicified breccia has an average thickness of 90 m with a maximum width of 500 m and a length of 800 m to the northwest.

The company's aim is to identify large tonnage, open pittable, heap leachable gold resources in the disseminated near-surface silicious blankets.

Gold Mountain is believed to be a massive epithermal target, with high sulphidation mineralisation resembling Newmont Mining's Yanacocha mine, in Peru, and Barrick Gold's Llaganas Norte mine, also in Peru.

The company is also hoping to identify the high grade feeder breccia and vein systems to support a conventional mill and the company has intersected higher grade gold values from holes drilled at Jinxi.

The property consists of two licence sections, Gold Mountain North (Jinxi), and Gold Mountain South (Jinshan) and under a simplification of its earn-in structure late last year the company can now earn a maximum of 70% in Gold Mountain North and 80% in Gold Mountain South, through the payment of US\$4.5 million.

Tianshan raised A\$5.6 million in September 2005 through a placement and debt facility with Macquarie Bank and last month raised gross proceeds of A\$2.75 through a placement of 11 million shares, leaving it currently with A\$5.5 million in the bank.

Tianshan is controlled by Perth-based resources investment house, Mineral Securities Ltd, run by ex-Aquarius Platinum managing director, Keith Liddell. MinSec holds a 10% interest in Tianshan.

In preparation for an AIM listing later this year, David Evans has been appointed managing director of Tianshan, meaning that Keith Liddell moves aside to become non-executive chairman, and Mark Ashley, former managing director of LionOre Australia, has joined the board as a non-executive director.



Location of Majestic's Sawayaerdun project on the Tian Shan gold belt.

**Majestic Gold Inc (TSXV:MJS)**

Majestic is another company exploring on the Tian Shan gold belt.

Majestic has received an independent NI 43-101 resource estimate for Zone IV, one of the four gold zones currently targeted (out of over 20 identified) at its Sawayaerdun project, in Xinjiang, in the far west of China.

Although tonnages and grade vary, the estimate basically confirms the previous work undertaken by Majestic's Chinese partner who tested the Zone IV at depth in 16 adits and 11 drill holes and reported a total Inferred resource of 1.4 Moz of gold contained (see table below).

Category	Tonnes Mt	Grade g/t	Contained gold koz
<b>2006 Estimate</b>			
Indicated	18.0	1.16	606
Inferred	24.4	1.09	774
<b>Previous Chinese Estimate</b>			
Inferred	26.0	1.75	1,455

The resource determination is the culmination of an exploration programme that commenced in 2004 and included almost 9,000 m of drilling in 46 holes and 20 trenches along a 2,000 m stretch of the 4,000 m long surface tracing of Zone IV.

Drilling indicated that the mineralisation in this zone has an average width of 25 m and has been projected to depths 275 m below surface.

The geology at Sawayaerdun consists of Silurian and Devonian aged carbon-bearing and carbonaceous sandstones and phyllites. Gold mineralization is hosted mainly in late-Carboniferous psamitic rocks that are in fault contact with Devonian carbonates.

Interpretation of previous exploration data suggests that Sawayaerdun has similar geological characteristics and gold occurrences to the major gold operations further west along the Tian Shan belt at Muruntau, in Uzbekistan, and Kumtor, in Kyrgyzstan.

Majestic's plans for Zone IV in 2006 include expansion of the resource, bulk sampling, and detailed metallurgical testing all leading to a scoping study. The aim is to define an open pit operation serving a CIL plant, despite the low grade as the ore is mostly unoxidised sulphides.

The company will also continue work on Zone I, where it has just completed four holes along a 400 m strike length which intersected values of up to 2.3 g/t and thicknesses of up to 21 m to 100 m in depth. The highest grades were found in hole SWD-05-48, which intersected 2.31 g/t gold over 8.6m from a depth of 76 m.

Majestic has the right to earn a 90% interest in the Sawayaerdun project, in terms of a November 2003 joint venture agreement with Xinjiang Bureau of Geology and Mineral Resources, by funding a minimum of US\$2 million in exploration over four years. The company has C\$3 million in its treasury at present.

The company is also active in two gold projects at the other side of the country in the largest gold producing province of Shandong and has just released its first resource estimate at Song Jiaguo, part of the Muping project.

Category	Tonnes Mt	Grade g/t	Contained gold koz
<b>2006 Estimate</b>			
Inferred	14.4	0.77	356
<i>Cut-off 0.5 g/t</i>			

Gold mineralization is hosted by a series of steeply dipping, sub parallel north-northeast trending fault zones within upper Cretaceous conglomerates overlying Proterozoic granitic rocks.

Gold is associated with pyrite and occurs as cementation material, and as fine sulphide veins within breccias in the fault zones.

Majestic reports evidence of coarse gold in conjunction with controlling structures, which has led to something of a 'nugget effect' and possible underestimation of gold content.

John Zimmerman, head of exploration for Majestic Gold has confirmed that the immediate goal will be to characterize each of these controlling structures in detail.

"This will allow the higher grades on these structures to be modelled separately with a significantly higher cut-off, leading to an increased grade overall and more contained ounces in the resource block," he said.

### Continental Minerals Corp (TSXV:KMK)

The third company is Vancouver-based **Continental Minerals**, part of the Hunter Dickinson group, which is exploring on the Xietongmen property, in Tibet.

Continental has made impressive progress since reaching an option agreement with the property owners in late 2004. It invested in the project with just two holes and an adit, all of which showed gold and copper intersections. It has now ploughed over US\$8 million into the project, almost fulfilling its requirements to increase its interest from 50% to 60%, and in February was able to release the first resource on the property.

Last month Continental and its joint venture partner, Great China Mining Inc, agreed to merge thus, not only giving Continental 100% ownership of the Xietongmen property, but also a further three surrounding properties covering an area of 109 km<sup>2</sup>.

The Xietongmen property hosts disseminated and quartz-stockwork gold and copper mineralisation which geochemical surveys have outlined over a 4 km long alteration zone.

In 2005, the company completed 62 diamond drill holes, for 21,000 m, all of which intersected broad copper/gold mineralisation and were terminated in mineralisation.

The maiden resource estimate from this work is outlined in the table below:

Category	Tonnes Mt	Gold Grade g/t	Contained gold koz	Copper grade %	Contained copper Mlb
Measured	106.3	0.73	2,490	0.91	1,148
Inferred	28.8	0.59	550	0.43	273

*Based on a 0.5% copper cut-off*

The company drilled on a 50 m by 50 m grid and thus has been able to define 75% of the resources in the Measured category, so moving these ounces into reserves should be a relatively easy task.

Already the company has talked about parameters for an open pit with the immediate aim this year of increasing the size of the deposit to around the 200 Mt level, which would support a 40 kt/d operation for 15 years. Co-Chairman, Ron Thiessen, believes this is an appropriate size for a province such as Tibet at this stage of its development. Output could be of the order of 250 koz/y gold and 75 kt/y copper.

Although the project is at a similar elevation to the likes of Yanacocha and Pascua-Lama in the Andes, the terrain is benign, there is no vegetation and little rainfall, although there is an adequate water supply through a nearby river.

Importantly, two hydro-electric power stations are nearby (50 km) in the town of Rikaze (which also has cement works), a major highway, that runs to the capital Lhasa 260 km north east, passes within a few hundred metres of the proposed mine site and a new rail link is being built at Lhasa that will open up routes for concentrates to China's smelters to the north and west of the country.

Continental currently has seven drill rigs on site at Xietongmen undertaking the planned 2006 programme of 40,000 m. In early April the company presented in London and president and chief executive Gerald Panneton told the Association of Mining Analysts that the company should be in a position to update the resource figure by the end of June.

The merger deal with Great China Mining offers shareholders a 27% premium to the closing price the day before the deal was announced and values the company at US\$68 million.

### Jinshan Gold Mines Inc (TSXV:JIN)

Jinshan has just completed a final feasibility study on its CSH (217) project in Inner Mongolia. The feasibility study is based on an expanded resource estimate but the mine parameters remain as for the earlier pre-feasibility study released in September last year.

The latest estimate Measured and Indicated resource figure of 2.92 Moz of contained gold is 34% (745,000 oz) higher than the earlier figure after an extensive infill drilling programme.

2006 Estimate			
	Tonnes (Mt)	Grade (g/t)	Contained gold k/oz
Measured	42.0	0.85	1,148
Indicated	68.0	0.81	1,771
Inferred	18.3	0.78	460
2005 Estimate			
	Mt	g/t	koz
Measured	17.8	0.84	481
Indicated	65.0	0.81	1,693
Inferred	36.5	0.89	1,040

*All at a cut-off of 0.5 g/t gold*

Despite this increase, Jinshan has opted to keep the scale of the mine the same as in the pre-feasibility study and in the mining permit application, that is, at 117 koz/y and has extended the life of the mine by 2 years.

Chief executive Jay Chmelaukas explained to *World Gold Analyst* that the rationale was to get the mine into production as early as possible to benefit from the high gold price and start to get a cash-flow. Any change in the scope of the mine would require revised approval from The Ministry of Land and Resources (MOLAR) in Beijing and delay the permitting process, which is already behind the schedule anticipated in last September's pre-feasibility study. At the time, Jinshan expected MOLAR approvals in the current quarter but this had now been pushed out to the third quarter.

The feasibility study envisages a 20,000 t/d open pit, heap leach mine producing 117,000 oz/y from oxide and sulphide ore for the first nine years at a total cash cost of US\$253/oz, up from US\$232/oz in the earlier study. Thereafter the company would recover roughly 30,000 oz/y for two years from residual leaching.

Based on startup capital investment of US\$32 million and a gold price of US\$425/oz the project generates a pre-tax IRR of 32%.

Jinshan has great potential to expand the resource base with very little additional work as it has already carried out extensive exploration on the adjacent SW Zone. In fact, of the 20 diamond drill holes in 2005, nine were located in the Southwest Zone and all intersected good grades and widths.

Jinshan has earned a 96.5% interest in the CSH (217) gold project and the Ningxia Nuclear Industry Geological Exploration Institute has the remaining 3.5% carried interest.

CSH 217 is a project that Jay Chmelauskas views as a company-starter rather than a company-maker. Once the project is cashflow positive, Jinshan will concentrate more on its other main project at Dadiangou gold property, in Gansu Province.

### Sino Gold (TSX:SGX)

Sino Gold is currently constructing China's largest new gold mine at Jinfeng, in Guizhou Province, with construction on schedule for gold production in the December quarter this year.

In February, the company increased the resource estimate for the project to 25.3 Mt averaging 5.0 g/t gold (4.04 Moz contained gold), including a Measured and Indicated resource totalling 21.2 Moz at 4.9 g/t gold (3.32 Moz contained gold), which represents a 40% increase of 956,000 oz.

The company has now confirmed a 38% increase in reserves since the previous (August 2004) estimate of 2.1 Moz.

Details of the new estimate are shown below.

The ore reserves comprise 1.04 Moz contained in the planned open pit and 1.83 Moz contained in the

Category	Tonnes Mt	Grade g/t	Contained gold koz
2006 Estimate			
Proved	11.1	5.6	1,997
Probable	5.3	5.1	872
Total	16.4	5.4	2,869

Based on a cut-off of 1.5 g/t for open pit and 2.7/2.9 g/t for underground ore.

underground mine, with the majority of the increase in the underground reserve.

The reserve increase was due in the main to conversion of Inferred resources at the Rongban deposit, just to the northwest of the main F3 mineralisation, and to an increase in the gold price used to calculate reserves from US\$350/oz to US\$425/oz.

Drilling is continuing at Rongban to infill remaining Inferred resources, and to extend the deposit to the northwest and at depth downward.

Australian engineering firm, Ausenco Ltd, has completed a scoping study for a Phase 2 expansion of 50%, to 1.8 Mt/y, through an underground mine taking gold production up to 300 koz/y.

Sino Gold has an existing mine at Jianchaling, now in its final stages of depletion, and has a 436,000 oz Inferred resource at the White Mountain project.

The following chart clearly shows that the market is valuing Sino Gold's ounces in the ground much higher than the other companies', presumably because of its near-producer status.

