



Barry FitzGerald: Kalamazoo has a way to run, but history and a \$20m headstart beckons at Castlemaine

Mining & Resources

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'Grimpeiro' columnist Barry FitzGerald has covered the resources industry for 35 years.

Kalamazoo Resources' (ASX:KZR) executive chairman and major shareholder Luke Reinehr reckons **Kirkland Lake's stunning success at the Fosterville mine** highlights that the potential to discover world-class, high-grade underground deposits still exists in Victoria.

"And I would suggest that if you want to discover the next Fosterville, the high-grade Castlemaine goldfield is a very good place to start," Reinehr told investors and industry-types at the Melbourne Mining Club's Cutting Edge series on Tuesday night.

Reinehr would say that. He and his brother control 45% of Kalamazoo and more to the point, Kalamazoo secured control of the historic Castlemaine goldfield last year after Singapore's LionGold walked away to focus on its Ballarat gold mine.

High-grade Victorian gold opportunities are very much in demand following the success of Canada's Kirkland Lake at Fosterville near Bendigo where gold reserves have just been increased to 2.72 million ounces at spectacular grade of 31 grams a tonne.

Fosterville is also a historic goldfield which in the modern era, struggled to turn a dollar from the mining of a series of open pits. But all that changed when the super-rich Swan Zone was discovered at depth in 2016.

Kalamazoo's Castlemaine project area is 45km to the south-west of the Fosterville mine. Reinehr's call that Castlemaine is a good a place to find another Fosterville was not pie in the sky sort of stuff, given the geological similarities.

Castlemaine also ranks as the third biggest goldfield in Victoria behind Bendigo and Ballarat with a production history of 5.6m oz. But unlike Bendigo and Ballarat, most of Castlemaine's production came from rich alluvial workings.

Finding the hard rock source of the alluvials has been the exploration mantra of the goldfield in the modern era. Success could theoretically swing the hard rock-to-alluvial ratio to the Bendigo or Ballarat ratio, which would imply something special.

But there are lots of "ifs" and "buts" in all that and Kalamazoo has lots of work to do before it can get close to achieving its stated ambition of confirming the presence at depth of bedrock sources of gold grading better than 10g/t.

Cashed up

A couple of things are in its favour. First, the average historic drill hole depth in the goldfield is only 137m whereas future drill holes are likely to be punching down to depths of 500m plus.

Then there is the benefit of the information that can be gleaned by Kalamazoo from a massive database and drill cores kindly left behind by the departing LionGold from almost 20 years of work in the field. Reinehr says it probably has a \$20m replacement value.

Finally, Kalamazoo is well funded for the Castlemaine push courtesy of its recent \$7m sale of its Snake Well gold project in Western Australia's Murchison district to the privately-owned Adaman Resources.

Up to \$4m of the consideration can be taken as drilling services from Mitchell Services, enabling Kalamazoo to "fast track" its drilling program. Having said that, Reinehr made clear that Kalamazoo intends being a good neighbour in Castlemaine by ensuring local community support before drilling proceeds.

As a result, first drilling will not be until the second half of this year. It is likely to be in a less sensitive pine plantation location where drilling by LionGold in 2008 returned some high-grade hits.

Kalamazoo last traded at 10c a share for a market value of about \$9m. That means it has the smallest market value of the bunch of ASX-explorers that have Victoria's high-grade gold potential in their sights.

While the Castlemaine goldfield is now its main focus, Kalamazoo also has worthwhile gold and copper exploration assets in Western Australia