

07 May 2020

Haydn Black

Kalamazoo confident in Castlemaine

WHILE its first drilling program in Victoria's Castlemaine goldfield didn't quite return the results hoped for, Kalamazoo Resources' executive chairman Luke Reinehr doesn't consider it a setback, given the Mustang prospect was simply the easiest drilling opportunity testing a fraction of company's sprawling holdings.



There is some 80,000m of core at Castlemaine.

The maiden drilling wasn't a wash-out by any means, Reinehr told the NWR Virtual Resources Conference today.

It hit high-grade or anomalous gold in all 14 holes and attracted the attention of both Novo Resources' Dr Quinton Hennigh and gold bull Eric Sprott, who each put in A\$4 million earlier this year, increasing Kalamazoo's cash and receivables to \$11.5 million.

"They see the similarities with Fosterville, and if there is another Fosterville in the Bendigo camp they want to be involved in it," Reinehr said.

There is a good chance for the next big discovery to be hosted in the overlooked Castlemaine goldfield, which Kalamazoo owns 100%.

Castlemaine was one of the world's richest shallow alluvial goldfields, where the hard rock source remains elusive, and where for various reasons there was almost no exploration effort for a century.

Some 5.6 million ounces was recovered from the Castlemaine goldfield, making it the third largest field in Victoria behind the 22Moz Bendigo and 11Moz Ballarat fields.

Victoria's troubled modern exploration history belies an average grade of some 15 grams per tonne, far higher than Western Australia's goldfields.

In recent years perceptions were overturned thanks to fresh eyes, with Kirkland Lake Gold taking the problematic, low-grade Fosterville and transforming it into a low-cost operation with some of the richest mineralisation in the world, an opportunity originally spotted by Hennigh.

That sparked a new Victorian gold rush, and Kalamazoo was quick to get in on the action, picking up Castlemaine, an area more difficult to explore because it is covered by national parks and state forests.

Difficult to explore, but not impossible, Reinehr said.

"It is in a national park that was created by alluvial mining, so there are additional hoops to jump through, and we can't mine in the top 100m," he said.

"So, any mining would be underground, and that has determined our strategy of looking for 1Moz deposits grading greater than 10gpt."

Kalamazoo's areas have the faulting that is key for controlling mineralisation, and unlike those successful explorers to the north, the Castlemaine leases have little to no cover.

They are also littered with thousands of workings and shafts - all following the structures.

Since moving into the area less than 18 months ago, Kalamazoo has focused on target generation, defining 10 priority areas.

Mustang was the first drilled purely because it was within an accessible softwood plantation, in areas with grades exceeding 300gpt recorded.

The drilling was unable to locate the continuity of grade and widths needed, so the company is moving on.

"It's a brutal assessment, but we have over 30km of strike we need to test, so if it doesn't meet criteria, we move to the next one," Reinehr said.

"We are just getting started."

Key targets include Wattle Gully, which was mined to 400m historically, but could be a replica of Fosterville, where grades averaging 340gpt have been seen over multiple stacked lodes to 800m deep.

Wattle Gully has a similar splay fault structure.

Kalamazoo is now integrating all its data, including soil sampling and studies with CSIRO, and expects that work to be complete within about six weeks, with the aim of securing permitting for drilling in the September quarter.

Kalamazoo also has the South Muckleford project, about 10-20km to the west, that covers part of the 2Moz Maldon goldfield, historically the seventh largest producer in the state; and the earlier stage Tarnagulla project to the north.

It continues to secure projects, including Queens, adjacent to GBM Resources Bell Topper Hill project, where Novo recently farmed in, and it has its eyes on two relinquished Kirkland Lake areas around Fosterville that are being offered by the state government under competitive tender.

Shares in Kalamazoo have traded between 9.5c and 78.5c over the past year and were steady at 46.5c today.