

14 August 2020

Kristie Batten

Ashburton acquisition puts Kalamazoo 'on the map' in WA

KALAMAZOO Resources is keen to get on the ground and start exploring its newly acquired Ashburton gold project in Western Australia's Pilbara region.



14 August 2020

Kristie Batten

Long before Kalamazoo even listed in early 2017, the company held ground in the vicinity of Northern Star Resources' Paulsens mine and neighbouring Ashburton project.

The two companies had a good relationship back then and Kalamazoo used to stay in Northern Star's Ashburton camp during exploration programs.

Northern Star acquired the Ashburton project from Sipa Resources in 2011 for a royalty and the replacement of environmental bonds worth \$445,000.

The project is just 5km from what was then the company's only operating mine, Paulsens.

Ashburton was promoted as Northern Star's second 100,000oz per annum operation until its acquisition of larger operations in WA from Barrick Gold and Newmont.

Northern Star halted expenditure on Ashburton in 2013 and Paulsens was put on care and maintenance in 2017.

Kalamazoo approached Northern Star in March about Ashburton.

Northern Star had long deemed the project non-core but still recognised the exploration potential.

Kalamazoo director Paul Adams told *MNN* Northern Star had been fantastic and was committed to doing a deal that worked for both parties.

Under the transaction announced in June, Kalamazoo will pay Northern Star A\$5 million when the first 250,000 tonnes of ore is mined and a 2% net smelter royalty on the first 250,000 ounces of gold produced, and a 0.75% royalty thereafter.

The 2% NSR is worth \$12.5 million at a spot price of \$2500 an ounce.

Adams said the low up-front cost allowed Kalamazoo to direct funds into the ground.

"We'd love to be drilling by the end of the year," he said.

Ashburton has an existing resource of 1.66 million ounces of gold at 2.4 grams per tonne, of which just over 1Moz is sulphide and the remainder oxide.

"Our main focus is to make it bigger. The second is to discover new deposits," Adams said.

The 1.08Moz Mt Olympus and the 399,000oz Peake resources remain open in all directions.

There are modest resources at three other prospects, Waugh, Zeus and Romulus.

"There's half a dozen areas we've identified that are undrilled or barely drilled," Adams said.



Kalamazoo director Paul Adams and Northern Star senior development geologist Brook Ekers at Ashburton

The project produced 350,000oz of gold at 3.3gpt gold between 1998 and 2004, but the plant was sold in 2006.

Newcrest Mining spent more than \$20 million on the project under a farm-in with Sipa Resources, but withdrew in 2009, and Sipa sold the project to Northern Star in 2011.

Northern Star added 668,000oz in resources between 2011 and 2013, which underpins the company's belief that rapid resource growth is possible.

Adams says the company hopes it can get to 2-3Moz within 12-18 months.

"If we can get to that, it starts to give us some development options," he said.

Northern Star completed some economic studies on the project, when the gold price was just \$1300/oz, which Kalamazoo plans to review, using a gold price of \$2200-2500/oz, still below today's price of over \$2700/oz.

Adams said Kalamazoo would keep an open mind on development options and would complete a "detailed and wide-ranging" metallurgical testwork program.

Last week Kalamazoo appointed former Northern Star senior exploration geologist Matthew Rolfe, and 2010 AMEC Prospector of the Year Dr Margy Hawke to its WA technical team.

Hawke was involved in the discovery of the DeGrussa copper mine, while Rolfe has a deep understanding of the project after overseeing the Pilbara region for Northern Star.

Adams said both had lots of targets and ideas for the project.

"Importantly, we've got a bit of a head start because Matt brings all that expertise with him," he said.

"Both recognise the opportunity with the project to do something worthwhile."

Perth-based Adams, who was the managing director of Spectrum Metals until its takeover by Ramelius Resources earlier this year, is overseeing work on Ashburton given travel restrictions.

Kalamazoo chairman and Luke Reinehr is based in Melbourne, close to the company's Victorian projects, where the company has had some early exploration success.

"We've expanded our Victorian landholding aggressively over the past 18 months," Adams said.

Late last year, the company announced a high-grade hit of 1.4m at 261.3 grams per tonne gold from 100.3m, including 0.17m at 1916gpt, from the maiden drilling at its Castlemaine gold project, 45km from the Fosterville mine.

Those results attracted an \$8 million investment from Canada's Novo Resources Corp and billionaire resources investor Eric Sprott, which each hold about 8%.

"They recognised that [hit] was Fosterville-style," Adams said.

Novo president Dr Quinton Hennigh joined Kalamazoo's technical advisory committee.

The company is working in collaboration with CSIRO on a major soil geochemistry program across its Victorian projects.

Adams said Kalamazoo had also put in a competitive bid for the Victorian government's land release near Fosterville, the results of which have been delayed due to COVID-19.

Back in WA, Kalamazoo is also planning to drill the Sisters gold project, 50km to the southwest of De Grey Mining's Hemi discovery, in the next two months.

Kalamazoo is well-funded with cash of \$8.9 million at the end of June, and could receive up to a further \$23 million via the exercise of options.

The stock started the year at 28c and is now 66c, valuing the company at \$86 million.