

Local partnerships essential for mining in Asia

by Robert L. Wallack

Recent mining law reforms are bringing bright prospects for **Vatic Ventures Corp.**'s [VCV.H-TSXV; V8V-FSE] potash discoveries in Thailand and for **Southern Arc Minerals Inc.**'s [SA-TSXV; SOACF-OTC] gold, silver and copper exploration in Japan and investment properties for Indonesia. National and local partnerships are paramount to these two mining companies in order to overcome challenges and spread the benefits to the local communities as they seek to capture domestic and export markets. Vatic executives have deep experiences in Thailand's Korat Plateau for potash resources as does Southern Arc Minerals for their island gold prospecting in Japan. Vatic Ventures' Saksrithai potash project is located in Thailand's northeast corner province of Nakhon Ratchasima which is the largest province in Thailand with a population of 2.7 million and located 270 km from Bangkok.

In 1973, the Department of Mineral Resources of Thailand along with the United States Geological Survey evaluated the potash potential and conducted drill programs that indicated the extent of the evaporate deposits underlying the Khorat Plateau. Thailand expected to rapidly develop a potash industry and several companies applied for concessions, but most did not conclude agreements. Among them were: Duval Corporation, CRA/**Rio Tinto Exploration Ltd.**, BHP-UTAH, Placer Dome and Agrico Chemical Corporation. The only two projects that survived these early potash challenges were the Asean Project at Bamnet Narong and Asia Pacific's Udon Thani Project, where the Canadian company replaced Agrico in the Thai Agrico Concession Agreement and found a joint venture with Metro Company, Thailand.

Dr. Gerald D. Wright, CEO and Director, described in a recent interview with *Resource World* that the Udon Thani and Bamnet Narong projects were at the bankable feasibility stage by around 2000, but the licensing of the projects became protracted and progress stalled.

"There has been much opposition to major mining projects in the country and much care and patience has been exercised in addressing environmental issues and the public consultation process," he said.

However, the economic benefit to the Thai government resulted in strong support to the potash industry's development. In 2014, the Thai Ministry of Industry set up a special steering committee to promote the development of the country's potash resources. Recently, mining licenses approved for two projects were: Thai Kali Co. and Asean Potash Mining Co. which are under construction and a license is pending for a third: the former Asia Pacific Project.

Additionally, the government granted a limited number of potash exploration licenses (SPAs), including those acquired by Saksrithai Development Co. Ltd., but it is uncertain whether any further licenses will be granted in the foreseeable future, according to Dr. Wright.

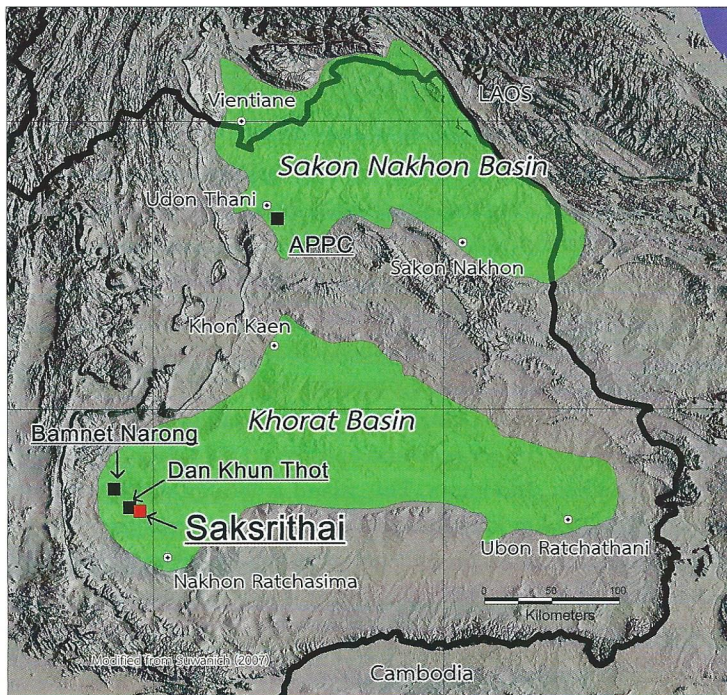
In January 2017, Vatic acquired 80% of the issued and outstanding shares of Saksrithai Development Co. Ltd., a Thai company which holds two contiguous Special Prospecting Licenses (SPLs) covering an area of 32 km² for the exploration of potash. Saksrithai is a private company incorporated under the laws of the Kingdom of Thailand and the licenses are located in the province of Nakhon Ratchasima. Vatic's Saksrithai Project area is located in the southwestern part of the Plateau, adjacent to the Thai Kali Company's Don Khun Thod Project and in close proximity to the Bamnet Narong Project, both under construction.

In February 2017, Vatic commenced the first phase of the exploration program. The information from the seismic survey is now being assessed and this will form the major input in planning the initial drilling program. Dr. Wright explained that "Vatic commenced a community information program in the project area and is commencing an environmental baseline study with other programs to include: a regional geological review and survey, satellite data interpretation, area mapping and preliminary transportation and marketing studies."

Dr. Wright was co-founder of the Crew Group of Companies and has over 30 years of experience in the minerals exploration and development industry in Asia, North America, Europe and Africa.

"I have significant experience and knowledge of the global potash industry and in particular, the potash resources underlying Thailand's Khorat Plateau. I served as Chief Executive Officer of Asia Pacific Resources Ltd. for 12 years and was directly responsible for the acquisition, financing and development of that company's Udon Thani Project, Asia's most significant commercial potash discovery to date. In addition, Nasim Tyab, President and Director, was a member of the corporate development team for the Udon Thani Project. Vatic is the only Canadian-listed company now involved in the Thai potash industry.

Vatic is partnering with the local community and other stakeholders, especially in light of recent government initiatives. A *Bangkok Post* article on June 13th stated that the Mineral Resources Management and Policy Commission appointed a number of sub-committees to draw up plans to regulate and manage use of mineral resources and make sure that use and develop-



The Vatican Ventures Saksrithai Potash Project is located in Thailand's northeast corner province of Nakhon Ratchasima. Map courtesy Vatican Ventures Corp.

ment plans...such as potash...were in compliance with a new mining law. These sub-panels take into consideration the health and environmental concerns raised by the local communities. Therefore, Vatican is including the interests of the local stakeholders in the overall project planning. Dr. Wright stated, "The project will embrace social and environmental impact standards per the Equator Principles and is engaged in discussions with landowners and community leaders."

Potash (potassium chloride or KCl) is a potassium salt and an essential plant nutrient; one of the three required fertilizers, (the other two are nitrogen and phosphate) for crops such as rice, wheat and palm oil. Over 90% of potash production is used in the manufacture of mineral fertilizers. "There is no natural substitute for potash," said Wright.

The major producing countries are Canada, Russia, Belarus, Israel, China and Germany which combine for some 90% of world production with an annual world potash production of 60 million tonnes KCl and annual growth rate of 2.4%. Asia currently consumes 28 million tonnes KCl per year of which China produces 5 million tonnes, domestically. China and India combine for over 70% of total consumption in the region.

Vatican's marketing plan targets Thailand, Malaysia, Indonesia and Vietnam consuming some 75% of the regional balance. These four have current demand of 5 million tonnes KCl per year at a 4-5% per year growth rate. Rice and palm oil cultivation account for some 70% of potash usage in the Southeast Asia region.

In fact, Indonesia and Malaysia are the world's largest producers of palm oil while Thailand and Vietnam are leading producers of

rice. "Proximity to these growing markets combined with convenient and flexible transportation options provide significant cost advantages of up to \$60 per tonne over Canadian and European suppliers to the region," said Wright. He can only speculate about the project potash reserve and production capacity, but a "reasonable development target" may be a production level of one million tonnes KCl per annum for a minimum life of 20 years.

Wright is very optimistic about the basic infrastructure for the project in Thailand. This includes electrical power (from the Thai regional authority and from a hydropower plant), roads, rail, and ports. "These will reduce capital costs normally associated with major project developments," he said. The domestic and Malaysian market will be served by road, but most product will reach markets by river ports and the Laem Chabang seaport for export to regional markets. Moreover, the project is several kilometres from the railroad network connecting the main north eastern to Bangkok and beyond. This railroad is a single line, narrow gauge rail which will be upgraded to a double-track standard gauge system by a China-Thailand project and will offer logistical and economic benefits.

Southern Arc Minerals is experiencing similar mining law reforms in Japan and Indonesia. In 2012, Japan's mining laws changed to re-activate the mining industry. Since the 1970s, Japan conducted little active mineral exploration leaving a shortage of geologists, drillers and drilling contractors employing modern techniques in drilling operations. However, Japan has a long history of mining and hosts 5 million plus-once gold deposits. Southern Arc Minerals saw this renaissance of mining in Japan and acted.

Southern Arc moved quickly to review historical data and identify key exploration targets. They were the first foreign exploration company to apply for prospecting rights. In 2015, Southern Arc applied for 80 prospecting rights covering 27,153 hectares over eight distinct projects in Japan through its wholly-owned Japanese subsidiary Southern Arc Minerals Japan KK. In September 2016, the company sold its Japanese focused subsidiary to Sky Ridge Resources Ltd. Sky Ridge changed its name to **Japan Gold Corp.** and commenced trading on the TSX Venture Exchange under the symbol "JG". Southern Arc now holds a 42.57% interest in Japan Gold. Japan Gold expanded its project portfolio to 57, 337 hectares comprising of 173 prospecting rights applications accepted across 11 separate projects. To date, prospecting rights went to 32 applications.

Southern Arc's leadership team has long recognized Japan's prospects for gold, silver and copper. Japan Gold's executive team and Board of Directors have decades of technical and business experiences and a proven record of growing companies. The team includes geologists and advisors with experience exploring and operating in Japan. "Japan Gold is focusing on areas with historical government drilling holes showing prospective results and historical mines and workings many of which stopped in ore during World War II and never re-opened," according to John Proust, Chairman and CEO and Dr. Mike Andrews, President and COO.

Erdene Resource finds more Mongolian gold

Erdene Resource Development Corp. [ERD-TSX] reported more drill results from its 100%-owned Bayan Khundii gold project, southwest Mongolia. "We are now at the midpoint of the initial 2017 drill campaign in the Bayan Khundii region and thus far have defined several new areas that will require definition drilling, particularly west and east of Striker, the Northeast Zone, and importantly north and west of Midfield. It is very encouraging to continue to intersect broad zones of gold mineralization along the margins of the established 1.3-kilometre-by-500-metre mineralized trend," said Peter Akerley, President and CEO. "As we continue to expand outward from that area in Q3 we will be testing six new target areas up to one kilometre from the original discovery at Striker Zone. In addition, as drilling progresses through Q3, we will move into the untested 3.5-kilometre-long gold-in-soil anomaly that continues north to Altan Arrow and ultimately return to drilling at our Altan Nar Project, 16 kilometres to the northwest."

HIGHLIGHTS

- Successful step-out drilling and geophysics leads to an expanded target area
- Drilling west of Striker and Midfield zones returned multiple, high-grade, 1-metre intervals 10-22 g/t gold
- Drilling up to 150 metres west of Striker returned multiple gold mineralized intersections including 28 metres of 1.4 g/t gold
- Drilling west of Midfield Zone returns 36 metres of 1.1 g/t gold
- Q3 drilling of five untested targets and continued definition of new targets north and east of Midfield and Striker zones with closer-spaced drilling

Drilling confirmed continuity of mineralization at the Midfield Zone and returned 17 metres of 8.2 g/t gold within 131 metres of 1.8 g/t gold. Drilling confirms strong mineralization between Striker and Midfield zones and returned 24 metres of 6.5 g/t gold. Bayan Khundii drill results to continue throughout Q3 2017. ■

Japan Gold has a partnership with **Sumiko Resources Exploration and Development Co. Ltd.** (SRED) a wholly-owned subsidiary of **Sumitomo Metal Mining Co. Ltd.** to manage and operate its drilling program in Japan. Since 1963, SRED is very experienced in Japan, especially at the Hishikari Mine which is one of the world's highest grade gold mines. "Japan Gold purchased three diamond core drill rigs that will be operated by SRED to mitigate the risk of a potential shortage of diamond core drill rigs in Japan," said Proust and Andrews.

Further south in Asia, Southern Arc has investment properties for gold on the West Lombok property that covers a 13-km long by 7-km wide structural corridor of mineralization and alteration hosting porphyry copper-gold and epithermal gold deposits on the island of Lombok, Indonesia. This island is located on the central part of the 3,940-km long Sunda-Banda Arc and hosts the world-class Batu Hijau Mine on the neighboring island of Sumbawa. "Other than artisanal production, there is not yet any commercial mines developed on the island of Lombok," according to Proust and Andrews.

In order to work on the island, Southern Arc announced on December 8, 2014 that they entered a binding agreement with PT Genesis Sumber Energi (PT GSE) to advance the West Lombok Project. This investment proposal stipulates that PT GSE can earn a 25% interest in the subsidiary if they fund and receive government approvals for an environmental impact study and feasibility study for a small-scale underground mine less than 100 metres deep as well as processing plants and to receive approvals to convert the exploration (IUP) permit to an exploitation permit on West Lombok for a 20-year tenure. "PT GSE has not yet completed those requirements," said Proust and Andrews.

The exploitation permit will enable Southern Arc to begin an Integrated Service and Support Agreement (ISS) with PT for the artisanal mining. Profits will be distributed as follows: 25% to Southern Arc, 65% to PT GSE and 10% to the local government. If they dig deeper, then profits will be split 65% to Southern Arc, 25% to PT and 10% to the local government. Associated costs will be assumed by PT GSE for field work, administrative, financial, environmental and technical reporting to the government agencies for permits. "Indonesia costs will be reduced to about US \$20,000 per month to allow the company to protect its treasury," said Proust and Andrews.

The West Lombok IUP permit was extended once already and Southern Arc applied for a further one-year "suspension" (as it is called) until January 2018 and is awaiting response from the Indonesia Department of Mines. The suspension (actually an extension) of the expiry of the IUP is to allow PT to complete the environmental impact study and feasibility study required to convert the IUP into an exploitation permit granted by the Indonesia Department of Mines.

Proust and Andrews concluded by stating, "The main challenges of working in this area relate to managing the expectations of local governments and the local people and are typical in newly developing countries with immature mining laws." ■