

First-mover Geopacific ready to roll in Cambodia

The opportunity to change the destiny, for the better, of an entire country does not come along too often for junior Australian exploration and mining companies.

BUT IT HAS AND DOES happen, and the examples are clear. Oxiana built the Sepon copper-gold project in Laos, Paladin Energy built the Kayelekera uranium mine in Malawi and Base Resources more recently developed the Kwale mineral sands project in Kenya.

The common denominator in all of these is that this trio of countries had no history or tradition of mining – and the projects that were developed there all became both company makers and nation builders.

Another common theme is that all three countries – Laos, Malawi and Kenya – had all been regarded as too underdeveloped or risky in which to invest big chunks of capital. But the companies that went there substantially disproved overblown perceptions of risk, and were able to manage the risks which did, in fact, exist.

Fast forward to 2016 and there is another Australian junior about to step into a jurisdiction about which out-dated perceptions of high risk still exist.

The country is Cambodia, the company is Geopacific Resources and the commodity is copper (with some really nice sweet spots of gold).

Whether Geopacific will have such

a dramatically positive effect on the fortunes of this previously troubled South East Asian country remains to be seen. But managing director Ron Heeks is quite determined to carefully lay the building blocks to achieve this kind of win-win outcome for his shareholders and host country Cambodia.

There is no big bang, billion-dollar entry planned by Geopacific, and the company has already been on the ground there for the past three years. It has invested \$10 million in exploration there, both through holes in the ground and the intellectual firepower of geologists and geoscientists who have applied their minds to understanding of the copper and gold deposits.

It has paid off, with the company now in an advanced stage of producing a scoping study and releasing its maiden resource for Kou Sa, which is a few kilometres off the sealed road to Siem Reap, a bustling city and tourist gateway to the ancient temples of Angkor Wat.

“There are two things we are running in conjunction at the moment and that is defining the low-hanging fruit – the near-surface, high-grade mineralisation – that will get us to the point where we can start a small to medium-sized operation; and then when this happens, we can continue looking at the big picture. We believe there are some big drivers in the system, we need to understand what they are and unless you are incredibly lucky, this takes a while to work up.

“This is especially so when you are working in a large area; 158 square kilometres is not massive, but it is still pretty big. It takes an hour to get from one side to the other on our ground.

“We like the idea of doing a small, starter project as we are in a new country, we are testing the system. So we want something to show the world that it works, and then if you get on to a bigger [geological] system, you are expanding rather than starting from scratch.

“There is not much doubt that we will be the first mining operation in country. It could be a fine line with Renaissance. (Renaissance Minerals has gold exploration projects in eastern Cambodia.)

Heeks makes a point of stressing the infrastructure with which the Kou Sa project is blessed. “Everything is so easy here. We’re on mains power, we’ve got comms, we are on a bitumen road and three hours from the airport at Siem Reap. All of these things make doing business just so much easier and cost effective.”

“One of the drivers to get into production sooner rather than later is that it allows us to do ongoing exploration without going back to the market continuously and diluting our shareholders,” said Heeks

Right now, the focus is on the 150 and 160 prospects, which the company believes will deliver ore to help develop a 20,000 tonnes per annum operation which could run for at least seven years. While this is going on, the intention is to explore the other prospects in the licence area and other prospects which have been applied for. Gravity and IP surveys, along with scout drilling are all part of this exploration armoury, along with the people running it.

And Heeks has assembled quite a team. Apart from seasoned geologist and project builder Heeks, there is Prayogo Hargyono, who is the exploration manager for Cambodia, Steve Whitehead (exploration manager, Perth), Gerard McNeill (consultant geophysicist) and Scott Munro and Dr Greg Cameron (consultant geologists). Hargyono has worked with Heeks for the past 17 years on a variety of projects and there have been others that Geopacific has called on share their views on the mineralisation. Heeks is open to all ideas in the effort to fully understand what is going on at depth at Kou Sa.

Heeks is quite emphatic that Cambodia is the best of the developing districts in which he has worked.



From left, Geopacific managing director Ron Heeks on site at Kou Sa with Patrick Chang (mining analyst, Argonaut) and exploration manager Steven Whitehead



Drill rigs hammering away at Kou Sa while Geopacific finalises its scoping study for what could be Cambodia's first copper-gold project

He can say this with authority as he and his fellow board colleagues and management have, between them, built eight mines across six countries and three different commodities.

Heeks was one of the key people leading the enormously successful development of the Nzema gold mine in Ghana's Southern Ashanti belt, which entailed the re-siting the entire Salman village, which was home to several thousand Ghanaian people.

Heeks is clearly sensitive to the foreign direct investor's social licence to operate and applies considerable attention to making sure his company engages, and does the right things, as it begins this partnership with local communities.

No better placed can this sensitivity be than in a country like Cambodia, where terrible things have happened in its recent history. Now the country, with a new wave of largely foreign-trained government officials coming through, is determined things are going to not change for worse again.

Heeks expresses his delight at the level of official support Geopacific has had over its three years in Cambodia. He is able to back this up with many examples.

One of these examples is the swift approval for a 5km mine road which will go to the project area. It took just eight weeks, from referral from central government in Phnom Penh back to regional government, and then for their surveyors to come out to give approval for the road to be built.

However robust the results of the Kou Sa scoping study currently underway might prove to be, one thing is for sure. As first movers into this delightful, but mining-naïve country, what Geopacific does – and how it manages the challenges which will undoubtedly arise – will be closely watched.

Heeks said that the scoping study would focus largely on the main drivers which are import and export duties, the fiscal regime of the country, transport costs and smelting costs for copper concentrates.

"We know that a plant will roughly be around the \$40 million mark and we are still undergoing metallurgical testwork. But how much the plant will cost does not actually affect the project one way or the other. The big drivers are these other costs. [Project manager] Glen Zamudio is working on that, he is part engineer part banker so he comes at it from a totally different perspective. It is more about what the operating costs and the fiscal regime are, rather than the price of a plant.

"We want to show people that a small project can be as financially rewarding as a huge project. And, for us, this is important as we are more likely to be raising \$70 million rather than \$200 million. I think many people are going back to that sort of model," said Heeks, who points out that it is more about the quality of the asset than its size.

"Because our start-up will be on the high-grade copper and gold, the payback will be very short. And that will help us get into cashflow in a low-cost operating environment. At the 150 prospect we are getting excellent recoveries on gold, up to 95% and this is because it is associated with telluride and this is usually a problem because it is refractory – but because we are producing a concentrate it does not matter, and the telluride is floating really well."

Subject to all sorts of conditions as these things always have, this small, staged development could be in production as early as 2017, while the geological team continues to find that source of mineralisation which is able to pump mineralised fluids into 40 metres of host rock at prospect 160.

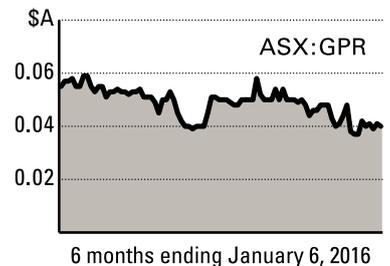
The discovery of what lies beneath – its grade and the number of tonnes – is what could change Kou Sa from a starter project to a company making one. And it could also mean the birth of an entirely new industry for this developing country which sits so close to the legendary Ring of Fire. **RS**



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– RON HEEKS
MANAGING DIRECTOR
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GEOPACIFIC RESOURCES AT A GLANCE



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QUOTED SHARES ON ISSUE

791.5 million

MAJOR SHAREHOLDERS

Resource Capital Funds (RCF) 41%
Tembo capital 25%
Ingalls and Snyder 4%
Seaman's Capital 2%
Directors 4%
Top 20 84%