

CASTILLIAN RESOURCES

A KNACK FOR DISCOVERY



A KNACK FOR DISCOVERY

After a significant gold discovery at Hope Brook in Newfoundland, Castillian Resources is forging ahead with an aggressive drilling programme to extend the resource and take the project forward to the preliminary economic assessment stage. CEO Dr Bill Pearson talks to Gay Sutton about the project's prospects

Aerial view of former
minesite at Hope Brook



In minerals exploration, some people seem to have a knack for spotting huge potential where others see nothing. Dr Bill Pearson, CEO and president of junior exploration company Castillian Resources, has the knack.

Recent discoveries at the old Hope Brook mine on the southern coastline of Newfoundland, Canada, prove that. Producing 758,000 ounces of gold per annum for 10 years from 1987, Hope Brook was closed down in 1997 and then largely ignored.

“When I saw it, I could see it was a big system with lots of gold, but it was suffering from a number of misconceptions,” explained Pearson. “It had been a significant past producer at a time when gold was only \$400 an ounce. But contrary to popular belief, the site was not exhausted. No exploration had been done there since the 80s, so it offered great potential.”

Pearson has a reputation for finding old mines that everyone else believes are exhausted, bringing in new ideas and a new approach, and developing a productive mine. Ten years ago as VP of Desert Sun Mining Corporation he identified and extended the resources at Jacobina in Brazil. “There were a lot of doubting Thomases who said the mine was low-grade and everything had been found,” he said. “Today, it’s producing 140,000 ounces per annum for Yamana Gold who acquired it from us in April 2006 for \$735 million. It’s now their core operation.” It was a similar story in Nicaragua with assets now handsomely producing for B2Gold.

Since acquiring Hope Brook, Pearson has established the mine camp and brought together a very strong technical and practical team. “I believe that bringing together the right team is what separates the wheat from the chaff in the mining business,” he said. An intensive 16 month programme of exploration has established the first NI 43-101 resource for the site. Two resources have been identified. One is around the old mine and shows lower grade resources nearer the surface which can be accessed by open pit mining techniques

and a higher grade element at depth. The other resource is deeper underground and lies around 1km to the south west in what is known as the 240 Zone.

The figures for these discoveries are impressive. “We have established 290,000 ounces indicated and 740,000 of inferred based on good drilling and technical work. These results have put us on the map,” he said. “So Hope Brook has been like a phoenix rising from the ashes, and I believe this is only the beginning.”

Hope Brook has a number of significant

“WE’RE RIGHT ON THE OCEAN AND IT’S ICE FREE THROUGHOUT THE YEAR, SO WE CAN BRING EVERYTHING IN BY BOAT”

operational and financial advantages which will become increasingly obvious as exploration and mine development progress. Although the original mine buildings are gone, all the key elements of infrastructure are in place. Unusual for most gold exploration prospects, the national power line runs right

across the property providing reliable power at reasonable cost. Meanwhile, work on the existing tailings ponds shows that they’re in good shape for future use.

Logistically, the site is also very well endowed. There is a good internal network of roads across the property, and although these do not link up with any external highways, this is not a problem. “We’re right on the ocean and it’s ice free throughout the year, so we can bring everything in by boat,” Pearson said. “Newfoundland’s main shipping port, Port aux Basques, is also just a short 30km sea journey to the east.” For transferring personnel and perishable supplies the site has its own airstrip, and Castillian has already built its mining camp.

“Perhaps our biggest asset is that we have access to a fantastic local labour force of people who have a wide range of skills,” he continued. “All these benefits will greatly reduce our capital investment requirements and operating costs, and this will become very apparent as we progress through the preliminary assessment, prefeasibility and feasibility studies.”

With more than 8 kilometres of underexplored mineralized structure on the property, Castillian has recommenced the drilling programme and plans to complete a fairly aggressive 5,000 metres of drilling during the year.



Hope Brook Camp, Winter 2011

The preliminary geophysics is very promising and indicates there is likely to be a continuation of the mineralisation between the old mine and 240 zones. Meanwhile, grab samples taken 200 metres north east of the old mine have returned 168.9 g of gold. So the plan is to drill between the two zones to link them up, and then extend the resources at either end giving a continuously explored area some 3.3km in length. "If we have

success with this, then we believe we'll have the potential for a very good open pittable resource that we can follow underground in later years, sustaining a significant mine with a life of more than 10 years," Pearson said.

In coming years, the drilling programme will continue with a view to exploring the extent of the resource along the 8km mineralised system. Meanwhile, the company

"WE HAVE ACCESS TO A FANTASTIC LOCAL LABOUR FORCE OF PEOPLE WITH A WIDE RANGE OF SKILLS"



The preliminary geophysics is very promising



Drilling at Hope Brook

is beginning the technical work in preparation for the preliminary economic assessment (PEA) which it hopes to begin in 2013.

Castillian is a member of the Forbes & Manhattan Group of companies and listed on the Canadian TSX Venture exchange, the US OTCQX and the Frankfurt Stock Exchange. Currently financed to the tune of some \$3 million, it is in the process of making some significant internal changes to prepare for future investment needs and ensure that the entire corporate drive can be focused on Hope Brook. Firstly, with 330 million shares currently issued, Castillian is proposing a 5 to 1 consolidation reducing the issue to just 66 million shares. Secondly, it is looking to restructure its portfolio of assets. While retaining a promising property in

the Yukon's rapidly emerging gold belt – a project that will ensure a future pipeline – the plan is to either sell off or joint venture the gold, copper and nickel projects in Bolivia and Brazil.

"Once the consolidation is completed, we'll be highly leveraged," Pearson said. "So this is going to be a very interesting year. We have tremendous potential for a really good mine here, and nothing I've seen has diminished my belief. So I believe it's not a matter of if we can extend our results here, it's a question of when." **BE**

For more information about Castillian Resources visit: www.castillian.ca



CASTILLIAN RESOURCES

65 Queen St. W., Suite 815 PO Box 75
Toronto, Ontario Canada M5H 2M5

T 416-309-2957
www.castillian.ca

Produced by:

ACHIEVING BUSINESS EXCELLENCE ONLINE

BE Business Excellence

www.bus-ex.com