

# Orsu Metals Corporation: Grant of Exclusive Right to Explore the East Balkhash 2 Licence Area in Kazakhstan

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## Highlights

- Orsu has been granted the exclusive right to form a joint venture and to explore the East Balkhash 2 license area in Kazakhstan, host to a 30 km long Dzharyk-Taisogan cluster of copper-polymetallic occurrences.
- Historical exploration works at the Taisogan prospect identified concealed porphyry style copper mineralization over an area of 3.5x0.5 km, with grades of 0.28% to 0.35% Cu over 93 to 208 m intercepted in Soviet vertical drillholes C-67 and C-70. The Taisogan prospect is accompanied by several copper-polymetallic occurrences, with most historic drilling at the Dzharyk IV prospect which outcrops over 500m and another 500m concealed under younger cover based on geophysical data.
- Soviet era drilling intercepted three intervals in one hole (N10):
  - 7m grading 1.3% Cu (from 87 to 94m),
  - 12m grading 4.1% Cu (from 98 to 110m) and,
  - 21m grading 5.8% Cu (from 114 to 135m).
- The by-product mineralization recorded in historic drill data includes silver (with grades ranging from 20 g/t to 100 g/t), lead and zinc (ranging from 0.1% - 0.2%).
- Recent drilling at the Dzharyk IV prospect in 2011 by Asem Tas has intercepted a breccia system with:
  - 35.1m grading 0.98% Cu, 20.21 g/t Ag and 0.2 g/t Au (Hole 2 from 19m depth); and,
  - 20.9m grading 0.46% Cu, 47.57 g/t Ag and 0.29 g/t Au (Hole 6 from 28m depth).

[Orsu Metals Corporation](#) ("Orsu" or the "Company"), the dual listed (TSX:OSU)(AIM:OSU) London-based base and precious metals exploration and development company today announces that it has entered into an exclusivity agreement to jointly explore the East Balkhash 2 licence area in Kazakhstan ("Balkhash Project") with Asem Tas-N LLC ("Asem Tas"), a privately owned Kazakh registered company and owner of the subsoil use contract for the Balkhash Project (the "Agreement").

## Summary of the Agreement

A summary of the key terms of the Agreement with Asem Tas to jointly explore the East Balkhash 2 licence area in Kazakhstan is set out below:

1. Orsu is granted the exclusive right for a period of 175 days, ending in April 2013, subject to extension by mutual agreement of the parties (the "Exclusivity Period"), to explore and participate in the Balkhash Project.
2. During the Exclusivity Period, Orsu will provide funding for exploration works at the Balkhash Project in the amount of approximately \$0.77 million during the remainder of 2012 and \$0.13 million in 2013 in accordance with a contractual working programme to be agreed by both parties ("Initial Working Programme").
3. Orsu may terminate its funding at any point before the earlier of the effective transfer of the exploration licence or the end of the Exclusivity Period. Where the approval of the relevant authorities for the transfer of the license is not received due to a breach by Asem Tas, or the Kazakh Government exercises its pre-emptive right to acquire the license during the transfer process, Asem Tas is required to refund Orsu for its expenditure in connection with the Initial Working Programme.
4. During the Exclusivity Period, Orsu will conduct technical, legal and financial due diligence of the Balkhash Project, including geophysical works and verification drilling of exploration targets. The technical due diligence will include further exploration and inspection works to be performed jointly by Asem Tas and Orsu.
5. Upon completion of the due diligence to the satisfaction of Orsu, Asem Tas will apply to transfer the

exploration licence to a newly formed Kazakh legal entity jointly owned by Orsu and Asem Tas ("Joint Venture Company"), which will be a subsidiary of Orsu, with Orsu holding an effective interest of 55%. A transfer of the exploration licence to the Joint Venture Company will be conditional upon obtaining a formal waiver of the Kazakh Government's pre-emptive right.

6. On effective transfer of the exploration licence, Orsu has agreed to pay Asem Tas:

a. up to \$1.5 million to compensate Asem Tas for historical exploration costs incurred prior to 2012 (excluding any costs funded by Orsu) on effective transfer of the exploration licence,

b. \$20 per tonne of economically extractable copper equivalent, up to a maximum of \$10 million, less any amount paid under a. above, on or before completion of a positive preliminary economic assessment study, and

c. \$20 per additional tonne of economically extractable copper equivalent, up to a maximum of \$15 million, less any amounts paid under a. and b. above, on completion of a positive definitive feasibility study.

7. Orsu will finance the works until completion of the definitive feasibility study and Orsu will be responsible for debt financing of the project.

8. Under the terms of the agreement, Orsu will have the right to buy-out all or part of the interest of Asem Tas in the Joint Venture Company, for cash or shares, at a price determined by an independent expert.

### **About the East Balkhash 2 licence area**

The East Balkhash 2 licence covers an area of approximately 6,000 km<sup>2</sup> in the Eastern Kazakhstan Administrative Region (Fig. 1). It is located immediately west of the Aktogay-Aidarly porphyry copper deposits, which are owned by Kazakhmys PLC (source: Kazakhmys Annual Report 2012). According to the results of a pre-feasibility study released by Kazakhmys, the Aktogay deposit has an estimated oxide mineral resource containing 119 million tonnes of mineralization grading 0.37% copper and a sulphide mineral resource of 1,148 million tonnes of mineralization grading 0.38% copper. Overall, the deposit is estimated to contain nearly 5 million tonnes of copper along with molybdenum and silver by-products. In addition, based on mineral resource estimates released by Kazakhmys PLC, the Aidarly porphyry copper deposit, located some 4 km northwest from Aktogay, contains 1,529 million tonnes of mineralisation with 0.38% copper in the Measured and Indicated categories, indicating that it comprises 5.8 million tonnes of copper along with molybdenum and silver by-products. Based on the results of the pre-feasibility study of the Aktogay deposit and the mineral resource estimates for the Aidarly deposit released by Kazakhmys PLC, in aggregate the two adjacent deposits contain an estimated 11 million tonnes of copper along with molybdenum and silver by-products. The feasibility study for Aktogay is expected by the end of 2012, with anticipated first production in 2016.

Based on Orsu's review of the information made available, the geology of the Balkhash Project Area is principally similar to the Aktogay-Aidarly deposits area. It comprises Carboniferous to Permian volcano-sedimentary and intrusive sequences, part of the Balkhash-Yili magmatic arc that hosts Aktogay-Aidarly, Sayak, and Kounrad copper deposits located within 50 to 200 km distance from the Balkhash Project Area. The magmatic arc assemblages are overlain by Triassic to Jurassic lacustrine and Cenozoic sedimentary basin and alluvial sequences, covering approximately 50 percent of the Balkhash Project Area, which comprises numerous copper occurrences, discovered and partially drill tested in the 1970s and 1980s. No exploration activity was undertaken since the middle 1980s until 2008. No approved historical Soviet or JORC-compliant mineral resources exist for mineral prospects within the Balkhash Project Area.

Asem Tas registered a subsoil use contract with the Government of Kazakhstan on 10 November 2008 under which it has the right to explore for copper until the end of 2014. The exploration stage can be extended for four years until 2018. From 2008 to date, Asem Tas undertook exploration activity, including prospecting, geochemical sampling, geophysical surveys and trenching. This was supplemented by scout exploration drilling by Asem Tas in 2011 to early 2012, totalling 1,522 m.

To view Figure 1, please visit the following link:  
[http://media3.marketwire.com/docs/Figure1\\_Orsu.pdf](http://media3.marketwire.com/docs/Figure1_Orsu.pdf).

Based on the historical results and further exploration works completed by Asem Tas, and a site visit by Orsu, management believes that the Dzharyk-Taisogan cluster of copper-polymetallic occurrences, striking for 30 km west-northwest and located in the southwest of the license area (Fig. 1), may be considered as the most advanced prospects within the Balkhash Project. The Taisogan prospect is completely concealed under

20 to 45m of Quaternary alluvial sediments. Historical drilling at the Taisogan prospect was widely spaced, with individual vertical holes located 400 to 500m apart. Several holes intercepted porphyry style mineralization, which has been interpreted to occupy an area of 3.5 x 0.5km based on a combination of drilling and magnetic survey data. The most significant mineralization was intercepted in Soviet holes C-67 and C-70, which were drilled to depths of 288m and 223m respectively. Depending on the applied cutoff grade, the average grade of copper mineralization in these two holes varies from 0.28% to 0.35% over 93 to 208m of vertical thickness, with hypogene sulfide (chalcopyrite and pyrite) and supergene oxide and sulfide enrichment mineralization (malachite and chalcocite). Historical assay data indicates the presence of molybdenum and silver, with some occurrences of gold. No additional exploration drilling has been performed within the Taisogan prospect since Soviet times. (source: Asem Tas)

The Taisogan prospect is accompanied on its northern periphery by several mineral occurrences within 2 to 5 km distance, called Dzharyk I to Dzharyk VIII, which were tested by scout exploration holes in the 1970s. Most of these occurrences are of copper-polymetallic nature. At the most drilled Dzharyk IV prospect is the outcropping linear breccia system, outcropping over some 500 m in the northeastern direction. The breccia bodies consist of angular volcanic and intrusive rocks cemented by epidote-chlorite-quartz-calcite aggregate. The massive to disseminated sulfides are pyrite, chalcopyrite, sphalerite, galena, chalcocite, and rare bornite. Magnetic and electric survey data indicate that this system may continue for another 500m to the southwest. Soviet era drilling (14 holes totaling 2,861 m) and drilling by Asem Tas (10 holes totaling 1,522 m) at the Dzharyk IV prospect returned several intercepts with potentially economic mineralization. The best Soviet hole N10 has intercepted three intervals: 7 m grading 1.3% Cu (from 87 to 94 m), 12 m grading 4.1% Cu (from 98 to 110 m), and 21 m grading 5.8% Cu (from 114 to 135 m). The assays have revealed presence of silver (20 to 100 g/t), lead and zinc (0.1-0.2%). It should be noted that core from Soviet drilling has not been preserved and the Company only has access to the results disclosed in this new release. The Company will have to make its own appraisal of these results.

All holes were drilled by Asem Tas at 75 degrees dip. It is estimated that the true width of the reported intervals varies from 10 to 20m. The core, drilled by Asem Tas, was initially assayed using emission spectrometry technique by GeoAnalitika laboratory, based in Almaty, Kazakhstan, which is independent of both Orsu and Asem Tas. All samples, which showed more than 0.1% Cu, were then assayed using chemical and atomic absorption techniques. However, Asem Tas has to date only been able to assay some core using chemical and atomic absorption techniques. In particular, drilling by Asem Tas at Dzharyk IV has intercepted: 35.1 m grading 0.98% Cu, 20.21 g/t Ag and 0.2 g/t Au (Hole 2 from 19 m depth) and 20.9 m grading 0.46% Cu, 47.57 g/t Ag and 0.29 g/t Au (Hole 6 from 28 m depth). The Company only has access to the results from Asem Tas that are disclosed in this news release and will seek to verify these results as part of its due diligence.

As part of Initial Working Programme, Orsu plans to completely re-log and re-assay the core drilled by Asem Tas. In addition, the Initial Working Programme includes an electric geophysical survey of the Dzharyk-Taisogan cluster and approximately 2,000 m of core drilling to assess the first priority targets within the cluster.

Dr Sergey V Kurzin, Executive Chairman of Orsu, commented: "The agreement to jointly explore the East Balkhash 2 license area provides the Company with a framework to participate in this early stage project in one of the largest exploration areas in Kazakhstan with excellent potential to complement the Company's strategic focus on copper projects in Eastern Kazakhstan. This agreement demonstrates management's commitment to implement its strategy of developing Karchiga in parallel with identifying good quality exploration opportunities, which may increase the Company's resource base, in the strategically important region of Eastern Kazakhstan."

#### **Notes to Editors:**

1. Dr Alexander Yakubchuk, Chief Operating Officer for Orsu and a qualified person as such term is defined in National Instrument 43-101 and for the purposes of the AIM Guidance Note for Mining, Oil & Gas Companies, has reviewed the contents of this press release.
2. All \$ figures are United States Dollars unless otherwise indicated.

#### **FORWARD-LOOKING INFORMATION**

This press release contains forward-looking information which is not comprised of historical facts. Forward-looking information involves risks, uncertainties and other factors that could cause actual events, results, performance and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward-looking information contained or referred to in this press release

includes, but may not be limited to, the expected exploration activities by the Company related to, and the general development of, the Balkhash Project area, the anticipated funding of exploration and other costs by Orsu, management's expectations relating to the potential and quality of the Balkhash Project and the potential increase in the Company's resource base, and the estimates and forecasts relating the Aktogay deposit.

Factors that could cause actual results to differ materially from those described in such forward-looking information include, but are not limited to, uncertainties in the interpretation of drill and test results, risks normally incidental to exploration and development of mineral properties, the possibility that future exploration, development and/or mining results will not be consistent with expectations, the Company's inability to raise additional finance as and when needed, the Company's inability to obtain, maintain, renew and/or extend required licences, permits, authorizations and/or approvals from the appropriate regulatory authorities (including an inability to obtain the waiver of the Kazakhstan Government's pre-emptive right in connection with the Balkhash Project licence transfer application) and other risks relating to the regulatory framework in Kazakhstan, adverse changes in the political environment in Kazakhstan and the laws governing the Company, its subsidiaries and their respective business activities, uncertainties in the assumptions used, and the methodologies employed in, the technical information referred to herein, uncertainties in mineral resource estimates, adverse changes in commodities prices, as well as certain other risks set out in the Company's public documents, including its annual information form dated March 30, 2012, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The forward-looking information in this press release reflects the current expectations, assumptions and/or beliefs of the Company based on information currently available to the Company. In connection with the forward-looking information contained in this press release, the Company has made assumptions about; the Company's business, the economy and the mineral resources development and extraction industry in general; the Company's ability to raise required additional financing; the ability to obtain, maintain, renew and/or extend required permits, licenses, authorizations and/or approvals from the appropriate regulatory authorities (including in connection with the Balkhash Project licence transfer application); and the ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet demands. The Company has also assumed that no significant events occur outside of the Company's normal course of business. Although the Company believes that the assumptions inherent in the forward-looking information are reasonable, forward-looking information is not a guarantee of future performance and accordingly undue reliance should not be put on such information due to the inherent uncertainty therein.

Any forward-looking information speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise.

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