

# **EAST ASIA MINERALS**

## **ACCESS TO INDONESIA**






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*East Asia Minerals has come through the rapids and is now headed into smoother waters: the Vancouver based mineral exploration company has located major gold and silver deposits in Indonesia and has cleared the route to develop them*

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One year can make a big difference: when Ed Rochette, accepted his current role as chairman of East Asia Minerals (EAS) his burden seemed heavy. Today it is a lot lighter. Let us recap. When Rochette came in as the chairman of the company in 2010 he was alarmed by the heavy burn rate of capital. When he saw that \$2.5 million a month was being spent and the share price had fallen dramatically he decided to take on the role of CEO and set about the task of making sense out of this fundamentally sound mining company, with its potentially world class gold deposits in Indonesia as well as some uranium and phosphate assets in Mongolia. He stopped all drilling activities and cut staff levels by 60 percent. With the management team's efforts thereafter focused on resolving the permitting impasse the Indonesian operations had reached, the shareholders and the market were expected to respond positively. Once he was able to reduce the monthly burn rate down to \$400,000 by the end of 2011, he was able to raise \$13 million in a private placement.

By the time the third quarter of 2012 had arrived things were looking up and the situation then was captured in the *Business Excellence* article that we published in October. Basically EAS was by then focused strongly on Indonesia, where Rochette was spending most of his time. The two main projects the company has there are located far apart from one another. One is on the small island of Sangihe at the north-eastern tip of the Indonesian archipelago in Sulawesi

province, while the larger Miwah project is in the province of Aceh in westernmost Sumatra, the largest of Indonesia's 17,000-odd islands. However both projects promise to yield richly, with Sangihe currently estimated to contain nearly a million ounces of gold plus eleven million of silver and Miwah thought to have more than three million ounces of gold and almost nine million of silver. These are truly potential world class deposits even without taking their considerable development upside potential into consideration.

Through the efforts of the strengthened management team that Rochette has brought on, work at Sangihe has been progressing smoothly, with a 4,600 metre drilling programme that started in late 2012, bang on Rochette's predicted schedule and directed towards increasing the inferred reserve. "Look out for the preliminary results from that drilling programme," he advises. "We will be announcing those during the last week in February." The work is being carried out under the eye of Frank Rocca, appointed VP of Exploration in September 2012 and a key member of the strong team now being built. That team will be further cemented shortly with the appointment of a new COO to replace Dave Anthony, whose move to the Board of Directors was announced at Christmas.



Local ship transporting relief supplies to earthquake victims across Sangihe Harbour

Miwah presented more problems, as we noted last year. While Sangihe has been permitted under Indonesia's pre-2009 Contract of Work (CoW) system with a 27-year licence, the work at Miwah is governed by an eight-year exploration IUP, the local licensing format that was adopted by the government more recently.

The IUPs at Miwah were due to expire at the end of 2012. Had it not been possible

to renew them there would be a danger not only that the concession would revert to the government but that all of the data and IP that had been accrued would be forfeit. Closer spaced drilling is needed to confirm

the findings and upgrade the resource from 'inferred' to 'indicated'. Additionally, Miwah is what is called an 'open' resource which means that drilling outside the area already explored could add significantly to the ore body that has already been defined.

It was a delicate situation, and retaining the good will of the authorities at all levels was crucial. Fortunately Ed Rochette is a lawyer with one of the best records in the industry

**4,600M**  
.....  
Current drilling  
programme at Sangihe

when it comes to securing operating licences and negotiating terms. Even so, had he not had the invaluable support of his management team coupled with the local partner, the strategic advisors and the officials in Aceh, the

result might have been different.

There was cause for celebration when on 8 January 2013 EAS was able to announce that it had obtained agreements, signed by the elected Bupati, or Regent of Pidie confirming his verbal assent to renewing the licences for an additional two years until 30 November, 2014. "This signed extension was the result of a sustained effort by the Company over the past year," said Rochette. "The tenure

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issues at Miwah are now behind us. We can immediately re-start our exploration programme for the project and our team can move forward to seek removal of the surface use restrictions imposed by the Ministry of Forestry.”

The deforestation of Indonesia, which since 1900 has lost millions of hectares of some of the world’s most diverse rain forest in the world, is a matter of global importance.

However the main threat has been the paper and pulp industry, plantation agriculture and logging. The strict regulations that have been rightly introduced are aimed at saving the remaining trees and wildlife habitat for posterity. But mining has a light footprint compared with other industries: drilling requires very few trees to be removed and any mining project comes with a robust rehabilitation plan. Compared to the palm oil



A collection of recent core samples



EAS management team at ceremony for donation of supplies for earthquake victims. (Left to right) Mike McAllister-Manager IR, Dave Anthony-Chief Operating Officer, Edward Rochette-Chairman & CEO

plantations that change the landscape for all time, mining is environmentally sustainable.

Nevertheless permission for any surface disturbance activity in the areas classified as “protected forest” has to be obtained from the Ministry of Forestry, and this process can easily take two years. Ed Rochette is sympathetic with the principles behind the regulations, however it is as much in the Indonesian government’s interest to facilitate the development of a major gold mine as of any of EAS’s other stakeholders involved with the project. “We believe we may have been able to identify a way forward, working with the government officials, that will bring the

time-scale well below six months,” he says diplomatically. “The new drilling programme, which has already started in areas without surface restrictions, will confirm the viability of this project, and it should also demonstrate significant extension to the resource.”

As well as contributing positively to Indonesia’s GDP, EAS’s activities will benefit local communities. “I am a great believer in making the local people ambassadors for the company right from the start,” he says. “If you get them on your side before something happens or someone organises a protest it is a lot better than having to make amends after the event.” This is an extension of the

person-to-person principle that was crucial in resolving the tenure problems and is well illustrated at Sangihe where at Christmas 300 children and their parents were given a dinner hosted by EAS, the first time any overseas company has done this on that island.

Now a clean water scheme has been initiated for villagers living near the operation, and 42 local jobs have been created. Already 500 bags of cement have been given to villagers to help them repair houses damaged in a recent earthquake. Equipment has been purchased for the local medical clinic; sports equipment has been obtained for the local team; fertiliser has been purchased and distributed for local farmers; and other community engagement projects are currently being implemented which are geared towards local content objectives. Miwah will benefit in a similar way as the project matures.

East Asia Minerals is no longer a turnaround case, but a lean company, well organised and financed, with an aggressive exploration, acquisition and growth strategy. Monthly expenditure has been maintained at around \$400,000, and the company had \$10 million in the bank at the end of last year. Above all, it has achieved 90 percent of the goals that Ed Rochette set out for himself and East Asia Minerals just a year ago. The next challenge is “to grow the company”, a goal that the management team, along with its strategic advisors, are currently working on. **BE**

For more information about  
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