

SHANDONG CHINA

“Kingdom of Gold”



'Confucius' the great sage once said: "I was not born knowledgeable, I am devoted to antiquity and am quick to seek knowledge."

Located in China's northeast and bordering the coastline, the ***Shandong Province*** is a land steeped in history of Gold Mines, Diamonds, Sapphire, Oil, Iron, Coal & many other minerals. ***Shandong*** is the birthplace and eternal resting place of the great philosopher '***Confucius***' and a land of much splendor in the shadow of Mt Tai with the fertile delta of the Yellow River embracing its rich agriculture. ***For hundreds of years the Chinese have dubbed Shandong the Kingdom of Gold.*** With respect to the eternal yellow metal, ***Shandong Province produces 26% of China's annual gold production*** and with new exploration at greater depth may become one of the world's major gold provinces. ***"China mined over 212 tons of gold in 2004. Of that total 64.5 tons came from Shandong Province alone in 2004"***.

Situated on the confluence of the North China and the Yangtze continental blocks, Shandong is blessed with unique geological structures rich in mineral resources being diversified in each of its several tectonic units. Only now in our time are the depths of these tectonic structures beginning to be tested.

'Confucius' once said: "If work halts, as when it does only one basketful of earth short of completing a mound, it would be I who halt it. If work

advances, as when it does with one basketful of earth poured in leveling the ground, it would be I who make it proceed.”

Since its acceptance into the WTO, China has hastened to modernize mining laws (Gov't White Paper) in order to draw investment and mining expertise from the west. Historically and even today most of China's gold mines are nothing but shallow open pit operations, high-grading the easy low value surface gold. In order to maximize these known gold showings the government has encouraged foreigners to come and joint venture with existing mines, undertake new exploration and form new working relationships beneficial to local communities and infrastructure. One mine producing on a current small scale may in future with western modern equipment and technology become another of the world's larger gold deposits and this is the intent of Chinese wisdom in the deregulation and simplification of mining laws and permits.

In a report from the U.S. Embassy, China, on the quandry facing China w/ respect to illegal mining and high grading Gold deposits, they state the following brief:

Gold Mining In China: Taming The Wild West

A report from U.S. Embassy, China;

Summary. China faces a major hurdle over the next decade in sustaining economic development. Recognizing that a growing population, limited natural resources, and growing environmental degradation, will work against economic growth, the term "sustainable development" is now more frequently on the lips of Chinese leaders at all levels. Small-scale, inefficient, and unregulated enterprises or individuals exploiting natural resources cause many of China's problems. Gold mining provides a harrowing case in point. In many resource rich areas, in remote regions of western or southern China, a motley assortment of local fortune seekers, officials, police, the people's liberation army, and security forces, with no regard to the environment, mine gold and other deposits. These illegal miners will "high grade" a gold deposit, taking only the 20-30 percent of the oxidized surface that is easily processed. This practice makes the remaining ore, which requires more advanced mining and processing to extract, much less attractive to exploit. Gold obtained in this manner is frequently smuggled out of China, but what is left in the ground is no longer recoverable, resulting in a double loss of national equity. (end excerpt)

So as you may well see for China to change it's mine laws and welcome western expertise in joint ventures is not a zero sum game. They gain far greater taxable Gold revenue, stop the high grading operations, gain environmental controls, stop the widespread use of Mercury, Cyanide and overall gain control of mine permitting and working conditions. When there is work in local mines there is no incentive for the hand miners to work illegally as they earn far more by modern mine employment.

Goldfields C.E.O. Ian Cockerill in 2003 called China the World's next major gold mining province. He also believes in the potential of major gold finds in the deep complex geological mineral structures of ***Shandong Province*** and has a JV with ***Sino Gold*** of Australia in that area.

Goldrea Resources Corp is currently very active in ***Rushan, Shandong Province*** in a JV with ***Shandong Daye Mining Co.*** Other mining companies from Canada are actively working in China such as ***Placer Dome, APAC Minerals, SW Resources, Energold, Pacific Minerals, Minco Mining & Metals, Ivanhoe Mines, TVI Pacific & Alcan*** among others like ***Sino Gold*** based in Australia. These aforementioned companies are now drilling Gold/Copper projects in various areas of China to depths never explored by local mining exploration and achieving impressive results. ***Goldrea*** for example has found Ore grade Gold at over 600 m and still open at depth. This is the type of benefit the Chinese Gov't wants to see and why they have literally rolled out the "Red Carpet" so to speak. Still with all we view in terms of rapid change in China, there are those who refuse to invest in mining companies with ventures there. I would say those who deny the obvious are missing new and Golden opportunities in those companies with the vision and foresight to expand into China's so called 'Wild West' of exploration.

Over my many years I have seen with my own eyes and travels in prospecting wild places, how in remote areas the local people of ***Ghana West Africa*** and the indigineous villagers of the remote ***Bolivian Andes*** on the ***Mojos River***, already knew long (even generations) ago where the Gold bearing regions and streams were located. ***In Ghana I've seen underground mines worked by Spanish slavers that still yield up Gold for villagers today.*** One of the chief Geologists of Placer Dome was there with me in 1993. That area may become another Ashanti someday, who can say. ***In Bolivia I've crawled and prospected caves mined by the Inca***

slaves 700 years ago, and still hand mined by Boliviano natives today.

The remoteness of many of these places obviously means it will be along time before any major exploration takes place or mines are found and built. My point here is that ***in China we have infrastructure and this same type of local knowledge to work from.*** Roads and power in many cases and yet an almost 1890's Gold rush days work force and methodology. People working with picks, shovels and home made Gold pans and recovery systems. People actually dying from the indiscriminate and untrained use of Mercury and Cyanide. ***Time heralds change in any political regime regardless of subjugation. It is human nature to break the bonds and shackles of all repression.*** Change is coming and this is the China I see, not the age old restrictive closed door land ruled by Chairman Mao. Like old Dylan said ***"The Times They Are A'Changin"***

One very salient aspect of Chinese reasoning other than gaining western expertise to maximize gold mining potential in China is the fact that N American mining companies invest equity in joint venture companies, they invest in local infrastructure, they pay taxes and they provide employment at a local level. ***In China as in all Asian nations the people are most industrious and hard working.*** Unlike here in the west where we look to our employer for days off for leisure, they in turn look to their employer for extra days and hours of work. When the husband brings home a paycheck for a period of time, soon his wife or sons have a family business to complement their income. Now I do not know if it was Confucius or not who said: "A bird in the hand is worth two in the bush" but it applies to the forward thinking of China's new approach to JV mining with our established mine exploration companies of the west.

In a paper on ***Mining in China*** which ***Placer Dome*** created they stated the following.
(Excerpt)

Western Business Approach.

Do business

Become friends

Eastern Business Approach.

Become friends

Do business

In China my task is to have friends. It is my friend's task to bring me the project I need.

In China you will find your best friend and your worst enemy, your task is to make sure they are not the same person.

In China everything is possible or impossible, it is up to you. (end)

Current large Gold mines in China produce 30,000 to 70,000 oz of Au p/yr. China envisions mines that produce 300,000 to 400,000 oz or more p/yr. With modern western mining exploration practices and extensive drill testing they will in all probability have a few in due course. From the sheer vastness of China's boundaries, to the hard working industriousness of its people, and the immeasurable wealth of untapped minerals, ***China is exactly the place for the world's next great gold discoveries to be made.***

So, if from my writing you have gained some insight into the potential and security of foreign mining companies venturing into the land of the ***Golden Dragon*** and more specifically ***Shandong Province 'The Kingdom of Gold'*** then you will realize why ***China has in recent months and years revised over 2500 mining laws and regulations, and why China is destined to play a very large part in the world's gold mining future.***

'Confucius' also said: "When three men walk together, there is always something I can learn. Choose to follow what is good in them and correct what is not good."

Thanks For Reading.

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