

||| MINING

Canadian firms find opportunity in Mongolia

Entrée reports encouraging assay results, while Erdene strikes strategic alliance

BY WENDY STUECK
MINING REPORTER, VANCOUVER

The Mongolian mining rush is creating busy times for Canadian resource companies, two of which reported developments in their exploration programs yesterday.

Vancouver-based **Entrée Gold Inc.**, whose land holdings surround the area where Ivanhoe Mines Ltd. is developing the big Oyu Tolgoi copper-gold deposit, released encouraging assay results yesterday from a drill hole just north of the Oyu Tolgoi deposit.

And Halifax-based **Erdene Gold Inc.** announced that it has struck a strategic alliance with Erdenet Mining Corp., a Mongolian-Russian joint venture that has been running a huge copper mine in northern Mongolia since 1978.

While Erdene and Entrée are busy in different parts of the country — Erdene in the north and Entrée in the South Gobi desert — both companies are part of a land and exploration rush that has made Mongolia one of the busier destinations on the global mining scene.

The country is attracting resource investment for its promising geology, a government keen on resource development and the appeal of a built-in customer, metals-hungry China, right next door.

Much of the current activity followed exploration success by Vancouver-based Ivanhoe Mines Ltd., which began drilling on the Oyu Tolgoi site in 2000.

Ivanhoe has said it expects to begin mining copper and gold from open pit deposits at Oyu Tolgoi in 2007, and to begin underground mining of a higher-grade section a few years later.

Entrée staked its first Mongolian properties in 2002, and has been

working in the country since. Last November, Entrée struck a deal with Ivanhoe that gives Ivanhoe the right to earn up to an 80-per-cent interest in part of Entrée's Lookout Hill property by spending \$35-million (U.S.) on the project and financing Entrée's share of any subsequent project costs.

Entrée said yesterday that assay results from a hole known as Copper Flats contained significant amounts of copper and gold, with one 322-metre interval containing 4.59 per cent copper and 1.07 grams a tonne of gold. President Greg Crowe said the results are significant because they suggest that the richest part of Ivanhoe's Oyu Tolgoi deposit extends on to Entrée's property.

Erdene, meanwhile, was trumpeting its deal with Erdenet, which will see the Mongolian-Russian company pay for exploration and could see the parties co-operate on developing future discoveries.

"For us, it's huge," said Erdene chief executive officer Peter Akerley, adding that his company's exploration site is about 300 metres away from Erdenet's existing mine.

If exploration turns up viable deposits, it would be relatively cheap and easy to bring them into production using existing infrastructure that serves the current mine, Mr. Akerley said.

"We're looking at a situation where rapid cash flow is a possibility," he said.

The cost of turning Oyu Tolgoi into a mine is expected to hit at least \$1-billion and there has been widespread speculation that Ivanhoe would partner with another mining company to build the project.

To date, however, Ivanhoe has retained ownership of 100 per cent of the project.