

# ASX RELEASE

27 MAY, 2011

## RED OCTOBER SIGNS MOU GIVING IT AN EXCLUSIVE DEALING PERIOD IN RELATION TO A MAJOR COPPER PROJECT IN CENTRAL ASIAN REPUBLIC OF KAZAKHSTAN

### Highlights

- **Red October has been granted an exclusive dealing period giving it a right to negotiate terms to acquire up to a 70% interest in the advanced Tesiktas Copper Project ("Yellowstone") in Kazakhstan**
- **Yellowstone is in close proximity to China and key support and logistics infrastructure**
- **Significant historical drilling has been carried out on Yellowstone**
- **JORC compliant resource expected to be announced by end of June 2011**

RED OCTOBER RESOURCES LIMITED (ASX-ROS) ("RED OCTOBER" OR "THE COMPANY") today announced it has signed a legally binding Memorandum of Understanding to potentially acquire up to a 70% shareholding in Kazakhstan based company, ULY-TAU K Limited Liability Partnership ("**UTK**"), owner of the substantial Tesiktas Copper project near Balkash in Central Kazakhstan ("**Yellowstone**").

### Registered Office

Level 8, 225 St Georges Terrace, Perth WA 6000

Telephone: +61 8 9486 4699 Facsimile: +61 8 9486 4799 Email: [admin@redoctober.net.au](mailto:admin@redoctober.net.au)

UTK holds 100% of the proprietary and legal rights to the Yellowstone Copper project, an advanced copper project located within a major copper belt, approximately 45km north of Balkhash lake in the Karaganda region, of Kazakhstan (see Figure 1 below). Yellowstone is located in close proximity to key infrastructure such as high voltage power lines, water and a rail link capable of transporting copper concentrate to China.

“Red October is delighted to have identified such a world class copper project at this early stage of our development. Our immediate priority is to establish a JORC-compliant resource for Yellowstone by the end of June and progress metallurgical test work”, said Ross Smith, Red October’s Managing Director.

“Based on the extensive previous diamond drilling campaigns at Yellowstone, we believe this may be a company making asset. Yellowstone is very close to China where much of the equipment is likely to be sourced at lower cost and there is good local infrastructure which should further help keep costs down,” Mr Smith said.

“While our focus is on the prolific gold potential in Kazakhstan, we consider ourselves fortunate to have come across an opportunity such as this that was simply too good to ignore. This is without a doubt a decisive step toward our goal of delivering shareholder value by aggressively acquiring a portfolio of world-class precious and base metals projects in Kazakhstan,” Mr Smith added.

### **Key Transaction terms**

- Red October to pay a \$US250,000 option fee that will provide the Company with a 3 month exclusive period (**Exclusivity Period**) to conduct due diligence on the Project and negotiate a formal joint venture agreement in relation to the Project (**Formal Agreement**).
- The MOU contemplates that, under the Formal Agreement, Red October will have the right to purchase a minimum 10% of the Project for US\$14m and up to 70% of the project for US\$1.5m per percentage point acquired.

#### **Registered Office**

Level 8, 225 St Georges Terrace, Perth WA 6000

Telephone: +61 8 9486 4699 Facsimile: +61 8 9486 4799 Email: [admin@redoctober.net.au](mailto:admin@redoctober.net.au)

During the Exclusivity Period, Red October has the right to (at its own expense):

- 1) fund conversion of the historical exploration data to JORC category,
- 2) carry out confirmation drilling to assist in JORC resource category,
- 3) carry out independent metallurgical studies to confirm process flow-sheet, and
- 4) carry out desk top pre-feasibility study to produce a NPV for development of the Project.

Prior to the expiry of the Exclusivity Period, the parties will negotiate the Formal Agreement and set out a development program for the Project.

Should the parties successfully negotiate and enter into the Formal Agreement, Red October will be required to make payment for the agreed stake in UTK within 30 days of the expiry of the Exclusivity Period.

### **Overview of Yellowstone Copper Project**

Yellowstone is located in a rich copper producing area of Kazakhstan near the Sayak and Akbastou copper mines, owned by Kazakhmys PLC, a global leader in copper production, and number one producer in Kazakhstan.

Yellowstone is comprised of 4 discrete zones of chalcopyrite mineralisation of which two have Russian-style mineralisation reported on them (non-JORC). The Company is not yet in a position to report this mineralisation to the market and during the Exclusivity Period will aim to convert this data to JORC Code guidelines standard. The host rock is granitic and there is pyrite associated with the mineralisation. There is an oxide zone down to about 25m.

The Company is in the process of awarding a contract to a leading international geological and mine engineering consultancy to review historical data and undertake an exploration program with a view to providing a JORC resource by the end of June. It is expected the exploration program will involve a down-hole survey of the 700 existing diamond drill holes down to a vertical depth of 500m and an audit of the substantial drill core along with spot assay checks.

Existing metallurgical data indicates typical recoveries and high concentrate grades that are in high demand in China.

Yellowstone is located in close proximity to a 110 kV power line and water supply.

#### **Registered Office**

Level 8, 225 St Georges Terrace, Perth WA 6000

Telephone: +61 8 9486 4699 Facsimile: +61 8 9486 4799 Email: [admin@redoctober.net.au](mailto:admin@redoctober.net.au)



Figure 1: Location Map: Yellowstone Copper Project

### About Red October Resources Ltd:

Red October Resources Limited is an Australian-based exploration company established to acquire, explore, evaluate and exploit global mineral resource projects. The Company seeks to maximise shareholder returns by actively evaluating new acquisitions and joint venture exploration opportunities in the resources sector.

In addition to progressing exploration and development of the Company's Pardoo Nickel Project in Western Australia, the Company is continuing with its aim of securing a portfolio of world-class precious and base metals projects in Kazakhstan.

### Registered Office

Level 8, 225 St Georges Terrace, Perth WA 6000

Telephone: +61 8 9486 4699 Facsimile: +61 8 9486 4799 Email: [admin@redoctober.net.au](mailto:admin@redoctober.net.au)

For more information please visit the company website at [www.redoctober.net.au](http://www.redoctober.net.au)

## CONTACT

Ross Smith  
Managing Director  
Red October Resources  
Tel: +61 8 9481 2277

## MEDIA CONTACT

David Brook / Tony Dawe  
Professional Public Relations  
Tel: +61 8 9388 0944



## Registered Office

Level 8, 225 St Georges Terrace, Perth WA 6000  
Telephone: +61 8 9486 4699 Facsimile: +61 8 9486 4799 Email: [admin@redoctober.net.au](mailto:admin@redoctober.net.au)