Excellent economics and growing Chinese demand make Carlisle Goldfields a golden opportunity

Today, Carlisle Goldfields Limited ('Carlisle', TSX: CGJ | OTCQX: CGJCF) announced that Canadian Orebodies Inc. ("Orebodies") that it will exercise its Put Right in the agreement concerning an option it was granted by Carlisle last November 12 to acquire a 10% interest in the Farley Lake Mine Project near Lynn Lake, Manitoba. Therefore, Carlisle has now retaken full ownership in the Farley Lake Mine Project. Orebodies's contribution last fall allowed Carlisle to start the infill drilling program at the Project, which is perhaps the gold mining company's main asset. Drilling at Farley Lake commenced in December 2013. Carlisle controls about 20,000 hectares of land on the Lynn Lake Greenstone Belt and five deposits.

Carlisle completed a preliminary economic assessment (PEA) for the Farley Lake project on April 15, showing intersections of 20.3g/t gold at over 6.0m of depth, which is higher than expected. The PEA covers two of the five deposits being explored by Carlisle and it suggests the project will be characterized by very favorable economics including a 34% internal rate of return and a very significant asset value of about CAD$ 250 million. Moreover, the mine itself has the potential to produce 145,000 ounces per year at an average grade of 2.2 grams, which makes it one of the highest grade open pit deposits in North America.

China’s appetite for gold has been one of the main factors that have raised its market value in recent months. China, which has overtaken India as the world’s largest consumer of gold in 2013, expects its demand for gold to grow by at least 20% by 2017, according to forecasts by World Gold Council (WGC). One of the reasons is that does everything to encourage its citizens to keep their savings in the form of physical gold and precious metals. The Chinese are particularly fond of gold jewelry for weddings (40% of jewelry demand) and for holidays such as New Year. The WGC believes that consumption of gold jewelry should increase from some 669 tons in 2013 to 780 tons in 2017.

The WGC, again based on Chinese reports, predicts that physical demand for gold (jewelry, coins and ingots, industrial uses) in China is expected to reach at least 1350 tons at the end of 2017. This represents an increase of almost 20% compared to the record level of consumption in 2013, which the WGC estimated at 1,132 tons. Chinese gold consumption has experienced staggering growth recently, tripling since 2003. Demand for gold in China was particularly boosted by the emergence in 2004 of the prohibition on private individuals to hold gold bullion. Last year, China overtook India as the world’s largest buyer of gold, accounting for 26 % of global private demand. Moreover, the WGC used fairly conservative economic assumptions (average growth rate of 6% over the 2014-2017 period), which means that Chinese gold demand could increase in larger proportions.

Carlisle has also used conservative estimates. The economic model for the PEA assumed a gold price of USD$ 1,100/ounce rather than the current USD$ 1,300/ounce level, following Barrick Gold’s lead – which restated their entire reserve base at the Moody’s USD$ 1,100. The surprising and very favorable result is that even at that discounted price of USD$ 1,100, Carlisle still came up with a 34% internal rate of return, notwithstanding the WGC predictions about Chinese gold demand. Such excellent economics should enable Carlisle to continue through non-equity financing and today’s announcement is the first step in that direction.