

Sing Hale-lujah

Chris Cann, 6 February 2014



In mid-October last year, former Wolf Minerals Ltd managing director Humphrey Hale traded his executive post for a three-month consulting contract with the tungsten developer and was looking forward to some hard-earned time off to finish the decking at his Perth home.

The day after finishing his contract at Wolf, however, he was again entrenched in tungsten – a move his wife (and decking) may not be thrilled about, but one clearly appreciated by the market and his new paymaster, Plymouth Minerals Ltd.

Hale was behind Wolf's success at the Hemerdon brownfields project in southwest England. He identified the initial opportunity, sorted permitting and, more importantly for a tungsten play, secured off-take and financing deals worth around A\$200 million (US\$178 million) to make Hemerdon the only financed tungsten development on the market.

With most of the heavy lifting done, Hale gave way to Russell Clark, an executive with more development and mining experience, but stayed on for a handover/consulting period that ended on January 15. Fellow ASX-listed tungsten company Plymouth, which bought the Morille brownfields project in Spain in October last year, announced Hale's appointment as a non-executive director on January 16.

Just how much of a coup Hale's recruitment was for Plymouth was reflected by a near-doubling of the share price to A\$0.15 within two weeks of the announcement. That market traction contrasts against most other more advanced tungsten players that lack recognised tungsten marketing and financing skills at board level. Wolf being the exception.

In a recent note on Wolf, Numis Securities analyst Cailey Barker documented the lack of successful feasibilities and financing efforts in the tungsten space, which he said had resulted in "depressed share prices" across the peer group. Breakaway Research analyst Andrew McLeod published similar thoughts last year.

Given this lack of funding success among the dozen or so tungsten hopefuls, Hale's services would have been keenly sought. His decision to go with an early-stage project is not necessarily a surprise, but it does warrant an explanation (read:

speculation).

First, Plymouth is a neat fit for Hale. Contrary to its name, the Plymouth offices are down the road from the Wolf offices in Subiaco, Perth, which maintains Hale's 10-minute drive to work. It's also possible that Hale fancied spending time in Spain over provincial Canada, outback Australia or southeast Asia.

Morille is also a more interesting prospect than many of the more mature tungsten developments, with a potentially low operating and capital cost profile combined with an opportunity to significantly grow the resource into something world-class. A million off-market shares maturing in three years with a strike price of A\$0.20 would also have played its part in attracting Hale but that kind of package would have been part of any deal.

Hale's decision is also a reflection on the coercive powers of Plymouth managing director Adrian Byass. Byass worked with Hale as a non-executive director on the Wolf board and played a key supporting role in marketing and financing at Hemerdon. With similarities between Morille and Hemerdon clear – the cost profiles are shaping up as equally attractive, key infrastructure is in place, and capacity could also be a match depending on exploration success – these two (former) geologists would fancy themselves to repeat their efforts from across the ditch.

“Adrian has the wherewithal and determination to spend investor money wisely and efficiently and he has the drive to take [a project] forward and make something special out of it,” Hale told *Mining Journal*. “I bring contacts, detailed knowledge of the tungsten market and all the players in it, and an understanding of what's required to deliver a tungsten project.

“We have a better understanding than many of where to look for capital and how to present [the company] to investors. We're confident that, if we find something of investment grade at the Morille project, then we'll be able to fund it.”

There is another potential bonus in Hale's appointment in his strong link to Wolf, the world's premier tungsten development company. Hale insists his current relationship with Wolf amounts to nothing more than “a handshake in the street”, but it is undeniable that his history with the group (and that of Byass to a lesser extent), and the fact that he remains a major Wolf shareholder, places Plymouth front and centre for a future deal, should Morille progress.

Wolf has in the past expressed its appetite to grow corporately and has said opportunities in similar geographies – the Iberian Peninsula is the only jurisdiction that fits that criteria – were preferred.

AIM-listed Ormonde Mining plc (owner of the Barruecopardo development down the road from Morille) presents the immediate opportunity, but that window is slowly closing and Wolf has stated that it will not be exploring corporate opportunities until Hemerdon is up and running.

It is possible management will show some flexibility in that position toward the latter stages of construction if a lack of news allows the shares to drift, as is often the case.

Demonstrating some corporate intent at that point could deliver immediate market value and would align roughly with when Plymouth expects to seriously consider development at Morille.

There are, of course, more immediately pressing issues for Plymouth before it needs to entertain such a scenario. Though a brownfields project with historic production, Morille is an exploration play. And unlike Hemerdon, there is not a war chest of historic drill results to go through that will deliver a maiden resource to the market without turning a rig.

Plymouth has been over the limited drill results and mapped the past-producing pits. It will combine that data with basic geochemical and geophysical surveys, along with information from the Spanish Geological Survey, to produce a near-surface programme that should confirm and extend the known mineralisation during the March quarter.

A secondary infill programme in the third quarter aims to deliver a JORC resource. The junior is targeting 4-11Mt grading 0.25-0.5% tungsten (WO_3) from historically mined areas alone, with the lack of drilling providing copious blue sky. A 10t ROM sample is currently in Perth for metallurgical testing to confirm the treatability of the ore.

Until a resource is defined and built at Morille, Hale is likely to remain in his non-executive role. But as the project needs more and more help from the corporate sphere, he should be elevated to an executive position to help differentiate Plymouth from its peer group, much as Wolf has done. That will require a greater commitment.

Thankfully for his wife, Hale has hired professionals to complete the decking.

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