

# HIGH GRADE

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Tony Polglase see p18.

**Quote of the Week:** "It's also clear after speaking to our very best Chinese contacts that Beijing is highly concerned about the commodity situation and wants a higher degree of certainty of supply. Our contacts continue to suggest that a raid on BHP is being planned in the next two months, just as the press has been suggesting. Do not discount the possibility of this is our strong view." – Southern Cross Equities

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## Building in Brazil

By Michael Quinn, 21 April 2008



THE severe skills shortage means having an operationally experienced, practical and well-connected executive heading a company focused on a region reportedly chock-full of development opportunities is an alluring mix. The trifecta in this case is Cornishman Tony Polglase, Avanco Resources, and Brazil.

Avanco, a December 2007 IPO, is aiming to initially build a copper business in the Carajas region of Brazil, beginning with a likely small-scale mine it hopes to bring into production late in 2009. While that doesn't give managing director Polglase much time, dilly dallying doesn't seem the style of man who has proven to be a high achiever since putting himself through university as a mature age student in the early 1990s.

Reputable metallurgical consultants for Avanco's project(s) in Brazil were being sourced in the copper heartland of Santiago earlier this month, and drilling of prospects with previous copper hits began in January ahead of a resource calculation due mid-June.

The Carajas copper project parameters are a bit of a work in progress at this relatively early stage, but the concept pursued by Avanco involves the company proving its operational bona fides with a profitable, small-scale project ahead of sinking its teeth into something more substantial. Based on what has been seen to date at Antes South and Antes North (part of the Rio Verde property in the Carajas), Polglase believes an operation of up to one million tonnes per annum producing about 6000tpa of copper cathode could be possible from a heap leach, or, perhaps more likely, vat leach, operation. However, again, it's early days, and in any case, this first-up project is essentially a stepping stone.

"Avanco is not about this property," Polglase said. "It is about the next one that we pick up, (hopefully) a 30Mt or 50Mt size project."

Being a proven operator is seen as the key.

“Let’s find something that we can do quite easily as a small company (including funding), make it happen quite quickly and in doing so show that we are professional, that we know how to do business in Brazil, and that we’ve got really good people,” Polglase said.

“I’m good at building mines and operating them and that should bring Avanco business. There are a whole plethora of opportunities around [in Brazil] and the best way to demonstrate our abilities is to be focused on something I know we can deliver. Something involving low risk, low capital, where operational risks can be mitigated.”

According to Polglase, Australian-listed gold miner Troy Resources is a good example of what can be done in Brazil – “my understanding is they’re very well respected in Brazil” – as compared to the poor track record of many western juniors over the years in the South American country.

As well as continuing the hunt for bigger projects in its own right, Polglase is hopeful the company might get an opportunity at some stage with a project deemed too small by one of the majors. They include Vale, Xstrata, Codelco and Teck Cominco.

“There’s a lot of nervousness amongst majors about getting involved with a junior, because if it does go pear shaped, it could reflect badly on the individual and the [major] company,” Polglase said.

One thing is for sure, Polglase should be able to handle any challenges thrown up in Brazil. A metallurgical engineer by profession, his career to date has seen him operating in some “interesting” locales around the globe.

They have included the Bakyrchik gold mine in Kazakhstan and the very isolated Pervenets gold mine in Siberia (near the famed Sukhoi Log), while other names in his CV include Neves Corvo in Portugal – which has given him a great head-start in Brazil of being fluent in the national language – the Olympias project in Greece, Ghana’s famed Ashanti Goldfields, the Magellan mine near Wiluna (in Western Australia), and the Lichkvaz project in Armenia.

Mining is in the family with his great grandfather famous Cornish mine captain Jim Polglase, while the current Polglase’s practical nature was no doubt honed by his early days as a fitter and welder. Polglase subsequently put himself through the Camborne School of Mines as a

mature age student where he graduated with Bachelor of Engineering 1<sup>st</sup> Class Honours degree in Minerals Processing and was awarded the Martyn Costello prize for best thesis.

His backing at board level is significant. Geologist and venture capitalist Mathew Wood chairs a company whose non execs Colin Jones (a former project manager of Neves Corvo and currently a principal consultant globally for Rio Tinto) and Wayne Phillips (the technical director in South America for large gold miner Kinross) have very strong in-country experience – particularly Phillips, who has been a resident since the 1970s. At the coalface, Polglase said he sought out one of the best geologists in Brazil and was recommended the very professional, and well known, Antonio Madalosso.

Elsewhere, geologist-lawyer Luis Azevedo provides land, legal and regulatory advice, and was the source of projects Polglase assessed during Avanco's gestation – on the advice of Phillips. (He also suggested Madalosso.)

In terms of funding, Avanco had \$A3.8 million at the start of 2008, enough for the current resource drilling. On project funding, it would seem Polglase is unlikely in the first instance of Avanco's growth, to utilise debt.

"The number of hurdles you have to jump, the qualification you have to go through to get your hands on the funding can be so rigorous that it can cost you a lot of money and time, and put enormous strain on individuals," he said. "And it doesn't take risks out of the project, in fact it just introduces another risk."

Undoubtedly his scepticism is owed to a recent experience.

"When I was with the Magellan project we considered some debt financing with a couple of Australian banks," Polglase said. "And they picked up on an issue with the resource. It was something to do with the method of kriging. And this went on for three months, and the whole project was in the balance because someone from [a geological consultancy] couldn't sign off on this exercise because there was some kriging factor he was unhappy with. Now I'm sure technically he was quite right, but before his exercise started and after his exercise finished, nothing changed ... it was his view on it. And yet the bank would have not moved on that one issue. All the other risks were the same, and at the end we got funds through the Sentient Group, bypassing the need for a bank."

Polglase doesn't make any bones about the fact that the corporate side of the resources business is currently not one of his greater strengths (though his chairman Wood is said to be strong on this score, and Avanco has been one of the outstanding IPOs over the past few, tough, months). But building and operating mines is, which must be very reassuring for shareholders in this day and age.

## REGENERATION

### 60 seconds with Tony Polglase



**HIGHGRADE:** The three most influential people on your career?

**Tony Polglase:** Ken Sangster, ex Rio Tinto, Outokumpu, Ivernia and now retired. Ken spent his whole life travelling the world and supporting the industry with one vision in mind – to build and commission new mines. The late Victor Phillips, senior lecturer at the Camborne School of Mines. He was inspirational in my time at the school, and gave me a thirst for

Tony Polglase (right) ... Brazil has a "fast, dynamic business environment, where there is great potential for realisation of mining projects".

hydrometallurgy in mining projects. My wife Miki (Michelle). Through 30 years of travel and overseas work her support has been infinite. Nothing would have happened in my life without her participation in my career.

**HG:** Three people you'd like to be trapped down a mine with?

**TP:** The late Howard Mankee, one of the best Cornish mine captains; the late Alfie Brae, an original steam winder driver and a most experienced shaftman and mine mechanic; Willy Uren, no better concentrating shaking table operator has ever lived.

**HG:** Best thing about Brazil?

**TP:** Fast, dynamic business environment, where there is great potential for realisation of mining projects.

**HG:** Worst thing about Brazil?

**TP:** The legacy of many juniors who did little.

**HG:** Challenges for the mining industry?

**TP:** Skills shortage. The concept of dedicated mining schools needs to be re-established and rekindled. The resources industry is very different from many others and having it alongside the more tame and conventional disciplines is probably not good. Specialist skills need to be fostered in specialist mining schools. A "one size fits all" education system does not inspire potential mining engineers into the business.

**HG:** Favourite book?

**TP:** History of Longitude.

**HG:** Movie?

**TP:** Zulu

**HG:** Album?

**TP:** Hotel California

**HG:** Hobbies outside of profession?

**TP:** Carpentry; restoration of old houses.

## COMMENT

### Newcrest wins praise for deal

By Michael Quinn, 21 April 2008

UNLIKE the usual situation where the acquirer is typically panned for paying too much, there is nary a negative voice to be heard in respect of Newcrest Mining's deal with Harmony Gold in Papua New Guinea. Which seems somewhat odd, especially if, as has been reported, the