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Argentine aspiration

BILL HUMPHRIES will never forget his first sight of the Esquel gold deposit in Argentina. To reach it took a 40-hour journey involving two flights, followed by a car ride, and for the last part of the trip he was on horseback. At the end of it, "I saw the biggest vein I had ever seen," he recalls. It was about 600m long, 15m high and 12m wide.

And there was another vein of similar size very close by. In London Mr Humphries had some samples he had brought back with him analysed. The results showed the gold content to be between 28g/t and 200g/t.

That was in late 1998. In January the following year, Mr Humphries became chief executive of Brancote Holdings, the AIM-listed company that owned Esquel. At that time, Brancote had a market value of about £2.2 million (US\$4.36 million). In July 2002, Brancote was taken over by Meridian Gold, which paid £230 million in shares – solely to get its hands on Esquel.

Mr Humphries, who together with Brancote's chairman Richard Prickett, had spent a year negotiating the sale, emerged personally with about £3 million.

Then the team that managed Brancote – Mr Humphries, Mr Prickett and members of the Miguens-Bemberg family, a local industrial dynasty – started again, exploring for gold in the Patagonian region of Argentina. Mr Humphries says: "I'm hoping to make a once-in-a-lifetime discovery twice."

Notorious Dr Fong

CHRYSLIS Resources Ltd, which hopes to list on the Australian Stock Exchange on April 18, has attracted more than the usual amount of attention by appointing Neale Fong as its executive chairman. Dr Fong joined the junior very shortly after resigning as Western Australia's director general of health.

His resignation, after three and a half years in the job, saw him join a long list of people who have become casualties of the State's Corruption and Crime Commission (CCC) inquiries into the lobbying activities of former premier Brian Burke and former minister Julian Grill. After examining 33 emails between Mr Burke and Dr Fong, the CCC suggested that Health Minister Jim McGinty take disciplinary action against Dr Fong.

Charismatic and very bright, Dr Fong had previously gained some notoriety because he was Western Australia's highest-paid public servant. And there were also media comments about his luxurious offices. Dr Fong denied any wrongdoing in his contacts with Mr Burke and said he decided to resign because of intense media attention to his family and himself.

Among his other interests Dr Fong has been a director of the Western Australian Football Commission for nine years and its chairman for the past six. According to the prospectus, Chrysalis will pay him A\$100,000 (US\$90,376) a year, well short of the A\$565,000 he collected at the Health Department.



AIM-listed Patagonia Gold is based in Argentina

But so far progress hasn't been smooth for Mr Humphries and Patagonia Gold (PGD), where he is managing director. PGD was focusing on the historic Huemules gold mine – 35km to the west of the city of Esquel – which it acquired in 2005 and planned to bring back into production quickly to take advantage of the soaring gold price.

But early in 2006 the Government of the Province of Chubut in Patagonia announced a ban for up to three years on virtually all mining and exploration activities in an exclusion zone. This exclusion area not only included the Huemules mine but also 85% of PGD's exploration properties.

Mr Humphries and his team moved quickly to reduce the damage by suspending all activities in Chubut and moving to the pro-mining Argentinean provinces of San Juan and Santa Cruz. PGD made a £14 million impairment charge in its 2006 accounts because of its withdrawal from Chubut.

PGD then was involved in a selective tendering process and due diligence work for several months before, in February 2007, acquiring Barrick Gold's entire exploration property portfolio in the Santa Cruz province.

Mr Humphries says eight companies competed for the Santa Cruz properties. Apart from a cash payment of US\$800,000, the deal also involved Barrick taking what was then a 10% stake in PGD as well as having the right to buy back into any discovery containing 2Moz or more of gold. "And its not unreasonable to expect that we might find something like that," says Mr Humphries.

Although listed on London's AIM, PGD could be thought of as an Argentinean company because the Miguens-Bemberg family owns about 49%.

Meanwhile, Meridian has had a torrid time after buying Brancote and Esquel. Its plans for an open-pit mine and heap leaching with cyanide upset local people and in March 2003 some 80% of the residents

of Esquel town, 7km from the project and one of the most important tourist centres in the Chubut mountain range, voted against the mine. Meridian stopped all development, with no idea when it might re-start the project – leaving the 3Moz of gold at Esquel untouched. In 2006, Meridian took a US\$378.9 million impairment charge with respect to the project. Then, at the end of last year, Meridian was taken over by Yamana Gold Inc.

Mr Humphries says Brancote offered to help Meridian after the takeover was completed. "If you work in a foreign country you need a local partner – particularly in Argentina. We suggested, for example, that Meridian should sell 10% of the project to Carlos Miguens so he could give them his full support." But Meridian went its own way.

Mr Humphries, now 66, was born in Hastings in England. Aged 19 he emigrated to Perth in Western Australia, where his grandmother was living. Three days after his arrival he was taken on as a trainee district officer by the Public Works Department. It sent him 150km out into the bush, where he spent the next 19 years.

By 1979 he had no chance of further promotion unless he moved to Perth: "I didn't want to leave the bush and neither did my sons." Western Australia was booming so Mr Humphries set up his own survey and design company which expanded rapidly. He started his own mining company and went into the construction business with a fleet of articulated dump trucks. But the business folded after the 1989-92 deep recession in the industry.

He then gained a quarry manager's certificate and became a mine superintendent for Plutonic Gold for 18 months. In 1996, an old contact, Cliff Harding, then with General Gold of Australia, asked Mr Humphries to move to Gold Mines of Sardinia as mine manager. "The executives were having difficulty doing a feasibility study." He became general



manager and got the feasibility study completed. Construction of the mine on the island of Sardinia started in November 1996 and the first gold came from the heap leach in June and from the processing plant in August the following year; the project was completed on time and under budget.

After his contract with GMS ended he then went into semi-retirement and was living in a medieval village near Rome when another banker, Bob Catto of Williams de Broë, telephoned him. He wanted Mr Humphries to do due diligence on Brancote. So on December 26 1998, he set off from Europe to Buenos Aires on the first stage of that epic journey that would give him his first view of the Esquel deposit, which had been introduced to Brancote by the Miguens-Bemberg family.

Back in London, Mr Prickett and Mr Catto invited Mr Humphries to become Brancote's managing director. "My first job was to get the long suffering shareholders to put up more money in a rights issue." With money in the bank, Brancote was able to explore Esquel and proved 1Moz of resources every year for the next three years.

This did not go unnoticed and eight companies showed interest in acquiring Brancote, including Barrick and Homestake. Nearly all the negotiations about the sale were handled by Mr Humphries and Mr Prickett. But towards the end they were helped by a lawyer provided by Kerry Packer, the late Australian entrepreneur, who had a 17.5% stake in Brancote.

All the assets apart from Esquel were hived off, some into a new company set up by Messrs Humphries and Prickett and another Brancote director,

David Dare, called HPD Exploration, and some went to Landore Resources, now an AIM-quoted company.

While negotiations over Brancote were still going on, Carlos Miguens asked Mr Humphries to help set up a new gold exploration company, which they called Patagonia Gold. In 2003, HPD completed the acquisition of Patagonia Gold and changed its name to reflect this. That deal gave the Argentinean family its big stake in PGD. And two of its members, Carlos Miguens and Gonzalo Tanoira, joined the board.

In 2003, Mr Prickett stepped back from the PGD chairmanship to become a non-executive director. This made room for Sir John Craven, also chairman of Lonmin, to take over as Patagonia's chairman. He is a friend of the Miguens-Bemberg family and has many contacts in South America.

Mr Humphries hasn't given up on the Huemules project. He says: "We still own it and it's a very good project. But if we go ahead it will have to be with the agreement of the people of Esquel."

Fortunately, recent drilling results on the newly acquired Santa Cruz properties have been very positive. For example, Patagonia reported on March 18 that drilling on the Cap-Oeste mineralised structure, located on the El Tranquilo property, continued to intersect bonanza-grade gold and silver, including a hole with 2.8m at 115.94g/t Au and 1,875g/t Ag.

Meanwhile, Mr Humphries has been showing his faith in PGD's prospects by maintaining his holding in the company at 2.58% whenever it raises more money. So far, Mr Humphries has invested over £100,000 to maintain his percentage stake.

Brancote's Bill Humphries is hoping to strike it lucky in South America



GOLD DAY

20:20
INVESTOR SERIES

Gold Day agenda

GOLD DAY

Wednesday, 23rd April 2008
FULL DAY EVENT

Gold closed 2007 at a seven-week high of US\$843/oz on speculative buying driven by the weaker US dollar and rising tension in Pakistan. The gold price has subsequently gone on to breach the all-time record (in nominal terms) of US\$850/oz achieved in January 1980.

Gold has risen now for seven years, and a late surge last year saw an increase of over one-third in 2007, its highest annual increase since 1979. However, with gold being measured in terms of the declining US dollar, other countries have not seen the same level of improvement.

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All you need to do is pre-register, by emailing Natalie Wootton at natalie.wootton@mining-journal.com or by visiting our website at www.2020series.com

To present at one of the 20:20 days, contact Eliza Gee on +44 (0) 20 7216 6071 or eliza.gee@mining-journal.com for more details.

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|-------|--------------------------------------------------------------------------------------------------------------|-------|--------------------------------------------------------------------------------------------|
| 08:45 | Registration | 12:30 | Session 7 Mr Vassilios Carellas, Managing Director Kryso Resources Plc |
| 09:15 | Expert Speaker Mr Ross Norman, The Bullion Desk, BaseMetals.com & MinorMetals.com | 12:55 | Session 8 Mr Steve Manz, President CEO Freemgold Ventures Limited |
| 09:30 | Session 1 Serabi Mining Plc | 13:20 | Networking Lunch |
| 09:55 | Session 2 Speaker to be announced. EMED Mining | 14:20 | Session 9 Mr David Cass, VP of Exploration Radius Gold Inc |
| 10:20 | Session 3 Mr Richard Johnson, CEO Allied Gold Limited | 14:45 | Session 10 Mr Paul Atherley, Managing Director Leyshon Resources |
| 10:45 | Session 4 Mr Rahman Connelly, CEO Kalimantan Gold Corporation Ltd | 15:10 | Session 11 Mr David Twist African Precious Minerals |
| 11:10 | Coffee Break | 15:35 | Session 12 Mr Alan Carter, President & CEO Magellan Minerals Limited |
| 11:40 | Session 5 Mr Christopher Palmer-Tomkinson, CEO Chaarat Gold Holdings Ltd | 15:55 | Session 13 Company to be announced |
| 12:05 | Session 6 Jan Nelson, CEO Pan African Resources | 16:20 | Session 14 Company to be announced |
| | | 16:45 | Networking Drinks & Canapes |

PLATINUM AND PALLADIUM DAY

Please note the date for this event has moved from May 13th to Friday 16th May and is an afternoon event