

Herencia's new MD ready to run the next leg at Patricia

[Jamie Nimmo](#)



Given what he has seen to date, new MD Graeme Sloan believes the company has just scratched the surface of the Patricia anomaly.

Taking a project from a small exploration start-up to a producing mine may not sound like much fun, but mining engineers relish the challenge.

Graeme Sloan, Herencia Resources' (LON:HER) new managing director, has signed on to do just that – to take the Paguanta zinc-silver-lead project in northern Chile to the next level.

And the mining engineer comes with an excellent background in surface and underground mining.

He was previously managing director of Perseverance Gold and most recently Tanami Gold (ASX:TAM), which has a market cap of almost A\$200 million and a 45-50,000 ounces per annum unhedged production base in Western Australia.

Departing MD Mike Bohm has no qualms about handing over the baton to Sloan, with whom he believes the company is in good hands.

“He’s been involved with the industry for a long time and has a lot of mining experience – more than I have – so we’re lucky to have him and we’re looking forward to him taking it to the next phase,” he said.

Bohm is stepping down for family reasons, but will be sticking with the company as a non-executive director on the board.

Bohm’s wife also has a 2.3 per cent interest in Herencia, which shows his faith in the cause.

In fact, Bohm rates Chile’s mining credentials so highly that he insists there’s no better place to be in the business.

“If I had to build a mine tomorrow, Chile would be the first country that I’d want to pick. It’s a terrific resource country,” he insists.

“Not only that, it’s a country that understands mining, and it’s got the network you need.”

Interestingly, on his first visit to Chile, Sloan was struck by how similar the country was to Western Australia in the late 1970s and early ‘80s, where there were a large number of small miners that consolidated shortly after.

“It’s frighteningly similar to how it was in Western Australia where there were numerous small miners that consolidated over time,” Sloan said.

“In Chile you have the very large miners like Codelco, Rio Tinto and BHP Billiton, and then mostly the very few small miners [there are a few medium miners], and therein lies the opportunity for Herencia which is well placed to take advantage of these opportunities should it prove worthwhile for shareholders.”

Management knows the country well, its idiosyncrasies and how the system works. This expertise is invaluable when it comes to being offered new projects.

“One of the things about Chile, if you’re a new company and you go down there, is you will get thrown a thousand copper projects,” Bohm added.

“And sorting out the wheat from the chaff is quite a task. The beauty about our team is that they’re locals so they know quickly what projects are good what are not.”

Bohm is keen to talk about the recent resource upgrade.

Less than a month ago, Herencia told investors it had more than trebled the measured and indicated resources at its Patricia prospect located in the Paguanta licence area.

At a 2 per cent zinc cut-off, Patricia is now estimated to contain a JORC compliant 4.53 Mt at 3.7 per cent zinc, 1.3 per cent lead, 83 grams per tonne of silver and 0.2 grams of gold, which was a “great result” for the company.

Mineralisation at the zinc-lead-silver project remains open at depth and along strike with potential for the discovery of further mineralised veins.

And given the recent high silver grades received from shallow depths, Sloan thinks it would be foolish not to consider open pit mining.

“To be able to include an open pit into the Patricia Feasibility study would be a real bonus for the company and shareholders given the obvious advantages of open pit mining,” he said.

Sloan lists some of the advantages of an open pit: “A possible reduction in start-up capital and lower mining costs; greater access to ore and improved geological control that could result in additional ore; a number of infrastructure item could utilise waste material from the pit thus saving costs; and of course we could access the underground ore from the base of the open pit resulting in lower development capital.”

Something he is very excited about is the potential to expand the footprint of the Patricia deposit given the largely untested nature of the anomaly.

So far, only a fraction of the Patricia anomaly has been tested and where it has been drilled, over 90 per cent of holes have been successful in intersecting mineralisation.

“We’ve drilled an estimated 20 per cent of the known surface area of the Patricia anomaly as it sits to date and only to a depth around 250 metres.

“All of the main Patricia veins remain open along strike and down dip which augurs well for the potential for additional ore with further drilling.”

Given what he has seen to date, Sloan believes the company has just scratched the surface of the Patricia anomaly.

“With such a terrific drill strike rate and the fact that we have only drilled to a depth around 250 metres, we believe there’s certainly significant upside there.”

Clearly Patricia is the game-changer. But the company is also starting to look at the next step at the Guamanga prospect, another project in Chile, copper-gold this time, in which it has a 51 per cent stake.

The timing of bringing new projects into production over the next few years couldn’t be better for Herencia, especially given the zinc crunch which is predicted to be just round the corner.

Right now, large stockpiles, weak prices and the gloomy economic climate are casting a shadow over the zinc market.

But with demand rising and a number of large mines set to shut down over the next two or three years, Bohm says the company can take advantage of this, eyeing what he sees as the window of opportunity in 2014-18, when he and others expect the zinc price to strengthen.

“Our view is not what we’re going to be doing in one or two months, our view is what opportunities we’ve got when that 2014-2018 window comes along because we want to take advantage of it,” he said.

With the feasibility study underway at Patricia and a raising successfully completed, the building blocks are in place to take Herencia to the next level.

“We are well-positioned for the next leg and my role is to build on all the good work that’s been done to date,” Sloan said.