THE AUSTRALIAN

New Age Exploration, Wolf Minerals break British mining drought

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Wolf Minerals' Drakelands tungsten/tin project at Hemerdon in Devon.

There is a little patch of southwest England that might as well be part of Australia, at least from a mining and exploration perspective.

Inland from Plymouth, on the border between Devon and Cornwall, Aussie companies are doing their bit to break China's stranglehold on the strategic metal tungsten, while marking the return of metals mining to the country after 45 years.

This space has previously talked about ASX-listed Wolf Minerals being the first to break England's metals mining drought with its Drakelands tungsten/tin project at Hemerdon, near Plymouth in Devon.

It is now a $162 million company (20c a share) on the strength of Drakelands, which, outside of Chinese-controlled tungsten production, is a globally significant producer with a rated annual output of 3500 tonnes of tungsten-in-concentrate (plus a handy 460 tonnes of annual tin).

But today's interest is in another ASX-listed company targeting tungsten/tin — and a bit of copper — in England's southwest: New Age Exploration, which is neatly named given the region's ancient connection to mining.

NAE has been mentioned here previously on the strength of its Lochinvar coking coal project, up north in the border country. It was going along nicely until coking coal prices collapsed and has been put on hold pending the eventual return of better prices for the steelmaking raw material.

Disappointment on that front has driven NAE's share price down to 0.3c, giving it a market capitalisation of less than $1 million, if you don't mind. If Lochinvar was all it had, the $1m market cap would be a fair cop.

But the market cap does not do justice to NAE's Redmoor tungsten/tin/copper play in Cornwall, 40km from Wolf's Drakelands operation in Devon.

Like Drakelands, Redmoor has a long history. Suffice it to say, a review of all the available historical geological, mining and exploration data has given rise to expectations NAE could be closing in on a high-grade mining scenario, either in a stand-alone treatment plant, or in a toll treatment deal with Wolf.

On that latter point, it is worth noting mining-focused private equity fund Resource Capital Fund is a big shareholder in both companies — 35 per cent in NAE, and about 41 per cent in Wolf, where all the money has already been spent for it to become a producer. So if there is merit in the pair talking to each other about a toll treatment deal, it's "London to a brick on" RCF would want to see it happen.

Importantly, early work at Redmoor is pointing to its mix of tungsten and tin being of a much higher grade than what Wolf has at Drakelands, with some copper thrown in as part of the bargain.

Things will get more interesting for NAE later this month with the expected release of an inferred resource for two well-defined tungsten/tin lodes — Great South and Johnsons — the latter having been partly mined in the past. An "exploration target'' for NAE's entire Redmoor licence area — 12 lodes of varying degrees of confidence have been identified — is also expected.

It will give a good feel for the potential of Redmoor to eventually host a mining operation, remembering that in addition to the high-grade lodes, the project is already home to a sizeable but lower-grade inferred resource within a sheeted vein system.

As Wolf's price of late demonstrates, investor interest in tungsten has waned in recent months in response to price falls. But there hasn't been complete capitulation as with other metals.

Growth in consumption is pretty much tied to global economic growth. The hope of the few Western producers there are is that China's production moderates in response to mines being exhausted and the closure of more of its environmentally unsavoury operations, of which there are lots.

NAE is very much at the early exploration stage. But continued recovery in the tungsten price is not going to hurt its aim to become more than a $1m company.

Vimy Resources (VMY)

Not much has been said so far about nuclear power at the Paris climate talks. But there will be, if the world is serious about shifting to low-emission power solutions.

For that reason, sell-aside analysts in this market have been taking a fresh look at the unloved uranium space.

Vimy Resources has been one of the main beneficiaries, with Canaccord Genuity and Morgans initiating coverage on the West Australian uranium developer, setting share price targets of 70c and 51c respectively.

Given Vimy has been trading substantially lower than both price targets at 33c, there is little point explaining the variance.

Both targets are underpinned by the thematic that uranium — trading sideways at $US36 a pound on the spot market — could be coming in from the cold.

Canaccord Genuity said in its research note uranium was likely to emerge as a key talking point at the Paris summit.

“Despite the advances of wind, solar and hydro as clean power alternatives, we believe nuclear still offers the most functional ‘here and now’ solution.

“Reliance on nuclear power is on the increase. China, India and Russia are leading the charge on construction of new reactors, and Japan is forecast to increase reactor utilisation from 2 per cent to 62 per cent over the next five years,’’ Canaccord Genuity said.

“While spot prices have remained subdued since Fukushima, we note that some term contracts are currently being executed at between $US50-$US60 a pound, and as such, we see our forecast long-term price of $US65 a pound as not unrealistic.’’

Morgan’s reckons the next 12 months will be a defining period for Vimy as it gets cracking on its development and financing plans for its Mulga Rock project in WA’s Great Victoria Desert.