



VANE MINERALS



Vane Minerals: Bright people, right projects, right place ...right time?

By Ian McLelland.

Vital statistics

Date:	23rd Aug 06
Epic:	VML
Shares Issued:	146.14 million
Share Price:	9.5p
Market Cap:	£13.88 million
1 Year Range:	17.75-8.75
Sector:	Precious Metals
News:	Latest
Website:	http://www.vaneminerals.com
Other Articles:	VML

On paper, Vane Minerals (Vane) is the closest thing to a perfect mining junior. Since listing in June 2004 the company has not (not even once) come back to the market to raise additional funds, instead Vane put the Diablito Gold-Silver Project in Mexico into production. This is a small operation, which is running at its targeted mining rate of 1500 tonnes per month generating US\$450,000 in revenues and US\$220,000 of income per month. Cash costs per tonne are US\$134, right in the middle of the guidance originally given by Vane of \$110-150 per tonne. Diablito currently has a mine life of 5 years but there is scope for expansion. Vane is also looking at acquiring a flotation mill to reduce costs and give the bottom line a boost - a flotation mill could easily be paid for from current cash flow. Vane's timing couldn't have been much better for Diablito - gold and silver prices have appreciated considerably since 2004. From the start Vane stated it's intention to build a self-funding exploration company - and they have done exactly that!

While Diablito provides cash flow, Vane's unique deal with copper-gold mining giant Freeport-McMoRan provides plenty of blue sky. Freeport 'quit' the rest the world to focus on Indonesia and Vane has the right to cherry-pick Freeport's huge exploration database (around 7000 files) for prospects anywhere in the world except Indonesia. Freeport-McMoRan (www.fcx.com) is the world's lowest-cost copper producer and one of the world's largest producers of copper and gold. For some decades it has focused on developing and operating its humongously elephantine high-grade copper Grasberg Mine in Indonesia. Vane was able to get its hands on this deal because a significant chunk of Vane's senior management are former Freeport senior geologists and Freeport is planning to focus exclusively on Grasberg for the next couple of hundred years or so.

Just to labour the point about geology talent, its time for a Vane Minerals geologists quiz (there is only one trick question)

Which Vane Minerals Geologist ...

1 was leader of the team that exposed BRE-Xs multi-billion dollar gold scam?

2 developed a statistically based method of porphyry copper prospecting which led to the discovery of the Escondida (very big) mine, and the Santa Cruz(high grade) deposit?

3 explored in Spain and re-interpreted geophysical and drilling data, which resulting in new discoveries in the Spanish Pyrite Belt?

4 was credited by Freeport for the discovery of the giant Mount Keith nickel deposit and the Iroco gold deposit in Bolivia and also directed the exploration program which resulted in the discovery of the El Pilar oxide copper deposit?

5 made a cameo appearance on a Monty Python show as 'Mr Geology'?

(Answers - in this order; Steven Van Nort, Clark Arnold, Alan Edwards, Frank Nelson and 'None of the above'.)

It is the combination of very experienced management and access to a vast database of exploration information which puts Vane in an enviable position compared to most small cap mining companies, but Vane has no plans to get into production big-time. The Vane plan is to make a living from the senior geology team's 'elephant' hunting skills – find deposits, drill deposits, prove deposits and sell them on for an equity stake and/or royalty stake.

The most notable project, thus far, which Vane has picked up from Freeport's database is Guadalcazar – a hydrothermal gold system also located in Mexico. By-passing all of the technical jargon, Guadalcazar is essentially a magma formation - a big one. The volcanic magma covers a 6km x 1km area. The key factor isn't the area where the magma flowed however, as this only carries sub-economic gold grades. The trick is to find where the magma welled up through the earth's crust – 'the feeder zone'. Vane has drilled a number of holes already, but has yet to find the feeder. However, looking at a map of where Vane has drilled and where they intend to drill next, shows they are homing in on a particular region, as results from previous drill intersects are clearly pointing the company towards one area. With any luck Vane will hit the sweet spot and that spot will contain economic grades of gold. An additional 5 holes, drilled each to a depth of 150m, is currently underway at Guadalcazar – results are expected back in a 'month or so'.

Outside the deal with Freeport, Vane has also been active in acquiring uranium licences in the US. Nearly all of Vane's projects are located in the Colorado Plateau Uranium District, which actually reaches across Utah, Colorado, New Mexico, Nevada and Arizona and is best described as 'the area surrounding the Grand Canyon'. Vane could easily pull off some sort of deal over the uranium part of its portfolio with a North American player – and this would be in keeping with the Vane ethos.

What makes the Colorado Plateau so attractive for uranium is three fold.

- The area is highly prospective for uranium
- A historical uranium industry in the area means that moving new discoveries or brownfield sites back into production is far more likely to happen
- There are two uranium mills nearby. One controlled by U.S. Energy and the other by the International Uranium Corporation, and both mills are being put back into operation – either mill could take feed from third parties like Vane.

Nothing is for certain, but considering the portfolio of assets and Vane's management, the chances of success for Vane are far better than they are for most exploration companies.

London hasn't warmed to Vane Minerals yet - will you?