

MINES & RESOURCES

ENTREPRENEURSHIP

Bears don't scare O'Dea when going for gold

Executive with a knack for finding funding adds mine builder to his list of accomplishments

JAMES KWANTES

VANCOUVER SUN

Vancouver geologist Mark O'Dea was working as a consultant in the mining industry in 2000 when opportunity knocked.

Rob McEwen, the founder and then-chief executive of Goldcorp, had hit a roadblock in his quest to find the gold he suspected lay hidden on the company's Red Lake, Ont., property. Inspired by the open-source software movement, McEwen posted all the geological data for the property online and offered more than \$500,000 US in prize money to the geologist who could find the treasure.

"I had familiarity with the belt, and I kind of went all-in," O'Dea recalled.

The young geologist delved into the data for about two months, full-time, and submitted his entry.

A year later, while prospecting for copper and gold in India — and suffering from a nasty bout of dysentery — O'Dea got word he'd placed second, he recalled with a laugh. He won \$80,000 US for his efforts.

"It was the richest I ever felt," O'Dea said during a recent interview at his downtown Vancouver office.

Fast-forward 13 years, and O'Dea is at the helm of a cashed-up mining group, Oxygen Capital, advancing gold projects in Nevada, Turkey, Burkina Faso and Ontario.

His latest exploration play, Laurentian Goldfields, feels a bit like full circle — Laurentian's flagship project is in the Red Lake district and McEwen is one of the company's largest shareholders.

The same year O'Dea picked up "silver" for giving McEwen golden geological intel, he founded Fronterer Gold — a \$1-million shell company at the time — to explore for precious metals in Turkey, Nevada and Newfoundland and Labrador. Fronterer found uranium — not copper or gold — in the latter jurisdiction, where he'd worked for the Geological Survey of Canada as a university student, and spun the project out into



JASON PAYNE/PNG

Mark O'Dea's mining group, Oxygen Capital, is advancing gold projects in Nevada, Turkey, Burkina Faso and Ontario.

Aurora Energy Services.

The 2008 financial crisis hammered commodity markets and the junior mining sector, but O'Dea and his team persevered. Aurora was sold to Paladin Energy in 2010 for \$260 million.

But O'Dea's big score came a year later when he sold Fronterer Gold and its Long Canyon, Nev., project to Newmont Mining for \$2.3 billion.

That transaction was key to the formation of Oxygen Capital, a fully integrated mining house with skill sets that span the full spectrum of the mining continuum from exploration to development to construction and operations.

Call it O'Dea 2.0.

The idea, he said, is to leverage skills and expertise on a team made up of geologists and

others from the Fronterer team as well as new talent. Large mining companies were stung by a "bigger is better" mentality that led to cost overruns and billion-dollar write-downs, and are no longer opening the vault to acquire junior mining companies and their projects.

"We felt we had an ability to access capital and capture opportunities that were either under the radar or deeply undervalued and in need of a fresh start," O'Dea explained.

The two cornerstone companies in the group are Pilot Gold, spun out as part of the Fronterer deal with exploration projects in Nevada and Turkey, and True Gold Mining, which is developing a high-grade gold mine in Burkina Faso. O'Dea and partner Don McInnes also recently sold a controlling interest in a

privately held northern Quebec nickel project to Royal Nickel in exchange for shares — "It looks like we're in the first inning of a bull market in nickel."

As a kid who worked on his grandfather's cod boat off the coast of St. John's, N.L., O'Dea grew up exposed to the elements. He now lives in Deep Cove with his wife and three young children, and navigates the storms of the junior mining sector from his West Coast base.

And it's been a stormy few years. When O'Dea sold Fronterer Gold in February 2011, the mining bull market had returned, albeit briefly, and the bellwether S&P/TSX Venture Exchange was trading above 2,300. The Venture is now barely above 1,000 as cash-starved junior mining companies eye a marijuana pivot and risk-averse investors

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MARK O'DEA
MINING EXECUTIVE

chase yields or returns in high-flying tech, biotech and financial stocks.

But O'Dea's Oxygen companies have stood out for their ability to finance projects in one of the worst bear markets in decades, raising about \$130 million over the past 12 months. A "ruthless" focus on the best projects has been key, O'Dea said.

"You really want to focus your efforts on the highest-probability projects, the ones that really look and smell and feel like they have the potential to be mines one day," he said.

Mining major Teck Resources is the joint venture partner on Pilot Gold's two Turkey projects as well as an 11.5 per cent shareholder of True Gold Mining. True Gold has also attracted investment from a rather unorthodox source — Liberty Metals & Mining, the mining fund of Boston-based insurance giant Liberty Mutual, True Gold's largest shareholder with a 19.5 per cent stake.

"Finding unconventional pools of capital has been a big focus of our groups over the last year, with the traditional resource funds under such heavy redemptions and with not a lot of powder to invest in new deals," O'Dea said.

O'Dea was a bit of a globetrotter even before he got into mining — a mountain bike trip through New Zealand and Australia ended with a PhD from Monash University in Melbourne, and almost led to a job in academia.

His wanderlust has also led to mining opportunities in remote corners of the globe. On May 22, True Gold held a groundbreaking ceremony at its Karma mine project in Burkina Faso. The high-grade, low-cost mine will be a series of shallow open pits that should provide 400 direct jobs over a minimum 8½-year mine life. The country could certainly use the economic boost — it's ranked 177 out of 182 on the United Nations Human Development Index, which measures life expectancy, education and income.

Pilot Gold has also been active on the exploration and acquisition fronts. It recently purchased Cadillac Mining and its small gold project in western Utah, and announced the discovery of a new copper-gold porphyry at one of its Turkey projects.

A falling gold price has been part of O'Dea's challenge — the precious metal has plummeted to \$1,300 from highs above \$1,900 in late 2011. He believes gold will eventually surpass that mark, but won't predict the timing.

"Inflation's ultimately going to come, interest rates are going to go up and we're going to see a reversion back to the monetary connection that gold has in people's psyche," O'Dea said. "People are going to want to protect their capital and own real assets, and gold's a real asset."

Selective investing in the unloved junior mining sector during a bear market can pay dividends for investors with patience, O'Dea contends.

"Investors need to give the resource sector another shot here, they really do. There are great returns to be made, when you look at how beat up and undervalued it is. There's really deep value in the sector right now."

While he's doing deals on the Pacific coast, the busy mining mogul stays connected to his Atlantic roots through a just-completed summer cottage he built with his family on St. Mary's Bay on Newfoundland's Avalon Peninsula.

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ZAMBIA

First Quantum puts brakes on spending

Tax dispute 'creates a bit of uncertainty'

MATTHEW HILL

BLOOMBERG

LUSAKA — First Quantum Minerals Ltd., Zambia's biggest copper producer, said it has slowed down or postponed more than \$1 billion US of capital spending in the country because of a tax dispute with the government.

"There's a pervading atmosphere which creates a bit of uncertainty," operations director Matt Pascall said in an interview in Lusaka, Zambia's capital. "Certainty is absolutely the critical thing that's required if we're going to look at any form of investment."

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MATT PASCALL
FIRST QUANTUM,
OPERATIONS DIRECTOR

to curb tax avoidance by requiring mining companies to present certificates from the countries that import its metal.

The agreement runs until June 30, 2016.

"It is only a first step to rebuild our businesses," Lonmin CEO Ben Magara told reporters in Johannesburg, speaking on behalf of all the producers.

"It is not necessarily a time of celebration. Clearly there are no winners in this strike."

The stoppage by at least 70,000 miners cost the companies \$2.4 billion in revenue and workers more than \$1 billion in wages since Jan. 23, according to the producers. The deadlock pushed South Africa's economy into contraction in the first three months of this year as mining production plunged.

The lowest-paid underground worker's current basic salary

SOUTH AFRICA

Five-month strike ends after union, three platinum miners sign deal that provides wage increases

ANDRE JANSE VAN VUUREN AND PAUL BURKHARDT
BLOOMBERG

JOHANNESBURG — The three largest platinum companies and the main union at their South African mines signed a deal to end a crippling five-month strike after the labour group's members accepted pay proposals from producers.

Anglo American Platinum, Impala Platinum Holdings and Lonmin each signed three-year agreements Tuesday with the Association of Mineworkers and Construction Union, they said. Employees are expected to return to work Wednesday, they said.

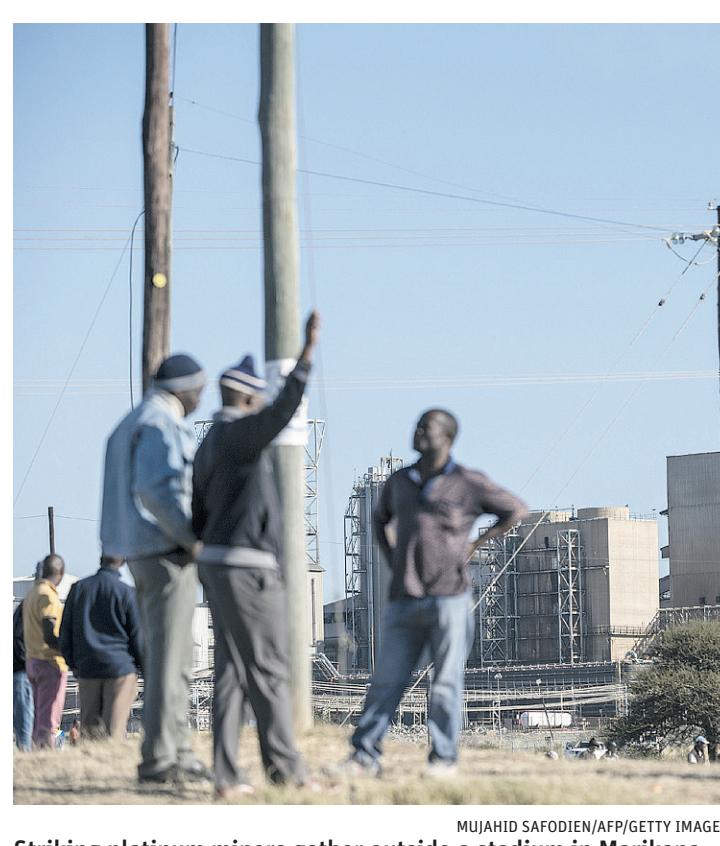
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Striking platinum miners gather outside a stadium in Marikana, South Africa, earlier this month to hear details of a proposed deal. The workers accepted the three-year agreement.

of about \$500 Cdn will be as much as 40 per cent higher next month as increases for the first and second year of the agreement come into effect.

The deal includes monthly raises of \$101 in basic pay for the lowest-paid employees in the first two years of the agreement, the producers said. Lonmin will apply the same raise in

the third year, while at Impala and Amplats, as Anglo Platinum is known, it will be \$96. Those adjustments are on current pay of about \$504 to \$605 a month. South Africa's inflation rate was 6.6 per cent in May.

The increases equal 20 per cent at Amplats and 18 per cent for Impala and Lonmin for the first year.

The total labour cost to Amplats will climb an average 8.4 per cent a year for the duration of the agreement. The other companies didn't indicate the costs.

The deal will be applied from July of last year at Amplats and Impala and from October at Lonmin. Workers won't receive backdated payments for the period they've been on strike.

Accommodation allowances will increase to \$202 a month and stay there for the duration of the deal, from \$197 now at Lonmin and \$187 at Impala. At Amplats, it will rise by six per cent annually.

Palladium for immediate delivery advanced 0.7 per cent to \$828.28 US an ounce in London. Platinum, used not just in jewelry but in vehicle emissions-reduction devices, gained one per cent to \$1,470.25 US an ounce. South Africa accounts for about 70 per cent of all the platinum mined globally.

The union's original demand was that basic monthly wages of the lowest-paid workers be more than doubled to \$1,261. The union then relaxed the date by which this could be reached. Some workers will be earning this figure within three years, union president Joseph Mathunjwa said.

The union will still aim at achieving that as a basic wage by 2017, Mathunjwa told reporters. "We will work towards their liberation of these slave-wage salaries."