



KITCO CASEY EXPLORERS LEAGUE DISPATCH JULY 1, 2005

A membership organization dedicated to following the careers of the world's most successful resource explorers and developers

» Explore the Americas with John Prochnau

Since John Prochnau's induction into the X-League, we haven't heard a lot from him. But periods of quiet don't necessarily mean inactivity. Sometimes they're just the calm before the storm.

In this case, the storm is a series of up-and-coming ventures that John has put together, just now breaking upon the markets.

Faithful X-League readers will recall the story of one of John's best-known ventures: Brancote Holdings. Begun in 1992, the company pioneered the lucrative "generative model" of exploration. That is, bringing in promising, low-cost properties and then lining up major mining firms to foot the bill for exploring and developing the projects with Brancote maintaining a minority but significant interest in anything found. John's approach to removing much of the risk from the high-risk business of mining.

At one point, the company held more than 50 properties around the globe, all fully funded by industry partners. With that many lottery tickets, it was only a matter of time until the big prize came in. And it did, with major discoveries such as Argentina's Esquel, a 4.3-million-ounce gold find. On the back of such projects, Brancote was sold to Meridian Gold in 2002 for more than US\$300 million.

Now John is doing it again.

The vehicle this time around is Hidefield Gold (AIM: HIF), formed and listed on London's AIM exchange in late 2000. Following John's departure from Brancote in 1999, he personally went hunting around the world for prospective properties. Back then, there were plenty of good projects to choose from; the mining industry was depressed and deposits were practically given away as companies struggled to cut costs.

The result was that John accumulated a portfolio of prime ground, which he rolled into Hidefield. He then used the company as a base from which to create a stable of subsidiary firms to carry out work on the properties. As he told us, "Rather than farming them out per the Brancote model, we've concentrated on getting Hidefield's assets into subsidiary companies that will be totally self-funding and independently managed. That's why you now see this array of small companies I'm associated with."

Piper Capital Inc. (V.PCL)

One of John's most recent projects, Piper Capital, is a new acquisition. As he puts it, "Opportunity in the case of Piper presented itself in the form of a struggling company that, in my view, had a great asset."

That asset is the Golden Zone gold property in Alaska's productive Tintina Gold Belt. Intrigued by the project since the early 1990s, and seeing that Piper was underfunded and struggling to stay afloat, John helped finance the company both directly through Hidefield and by tapping his institutional contacts.

This intervention gave Piper new life, not to mention \$1.5 million with which to carry out initial work at Golden Zone. In exchange, Hidefield gained the right to take 50% of the project, in addition to a direct 16% stake in Piper itself. John's institutional friends also took a significant portion of the company. "We have roughly 50% of the capital under Hidefield's wing," he told us. "For what we consider a fairly small investment, we got control of Piper and the option to take a 50% direct stake in the project. We then used the cost of our equity to finance the due diligence required to assess that option."

With John's help, Piper has now commenced a 9000-foot drilling program on the GZ Breccia Deposit at Golden Zone. The work is aimed at expanding an existing resource of 284,000 ounces gold. He believes the drilling could raise the resource to 500,000 ounces with an ultimate expectation of 1 million ounces in the GZ Breccia.

Adding further upside are several prospective targets located near the known ore body, which John notes have the right stuff geologically to yield some "very large deposits" of the same style as the Donlin Creek mine--a 25-million-ounce deposit also located within the Tintina Gold Belt.

Two holes have been completed at Golden Zone and results should be forthcoming soon. As he told us, "While I naturally believe Hidefield and all our associate companies offer great opportunity, if you're looking for direct, near-term project results within the group, I'd look at Piper."

Alto Ventures (V.ATV)

Alto is the chosen vehicle for John's Canadian properties, focused on gold in Ontario, Quebec and Manitoba.

One of the company's most advanced properties is the Despinassy gold deposit, which lies just northwest of famed Quebec mining town Val d'Or in the prolific Abitibi Gold Province. ATV has defined several targets here, with recent drilling returning 7.8 meters assaying 2.34 g/t gold, including 1 meter of 12.17 g/t.

John told us that he's heading up to Despinassy immediately to "closet himself" with the data the company has gathered to this point. He hopes then to evaluate where the project is at and how to focus the company's activities going forward.

As John summed up on Alto, "It has very solid projects. Three really good projects with well-established resource bases and upside potential, and one very good, evolving project in what I consider one of eastern Canada's most productive yet underexplored greenstone belts--Geraldton-Beardmore in western Ontario.

Latin American Minerals (V.LAT)

As the name suggests, LAT is a southern hemisphere explorer, focused on Argentina. John maintains a small direct stake in the company through Hidefield, with a majority of the rest being controlled by cooperative, long - time co-investors including an influential Argentine-European business group.

The company recently acquired a portfolio of Argentinean properties from Golden China, formerly APAC Minerals, a company that decided to shift their project focus from South America to the Far East. Thus, they were extremely motivated to sell their assets in Argentina--exactly the kind of opportunity that John has spent his career capitalizing on.

The company's principal property is Los Menucos in Rio Negro province. The project appears to be a typical X-Leaguer "go big or go home" play: nearly 100,000 hectares of mineral claims containing several partially delineated, near - surface gold occurrences and extensive untested showings.

John believes that the shallow, low-grade disseminated mineralization on the property can quickly be converted into a resource of several hundred thousand ounces. Drilling will take place this winter, aimed first at doing just that, and then expanding the deposit.

Columbus Gold

Although currently unlisted, Columbus is one of John's most prospective ventures. The company was the recipient of Hidefield's American assets, most of which lie in the proven gold fields of Nevada.

Perhaps most valuable, Columbus has forged a partnership with Cordex Exploration, headed by mining legends John Livermore and Andy Wallace. These two men, whom John calls "the premier gold finders in Nevada," have been active in the state for 40 years, discovering many of the region's biggest deposits including the famous Carlin mine, which launched the modern Nevada gold era and made the state the third - largest producer in the world.

Together, Columbus and Cordex are working on a variety of projects, the leading one being the Utah Clipper. The project is certainly located in the right zip code: immediately north of the 12-million-ounce Pipeline deposit, and within the Cortez trend, a geologic structure that has produced some of the largest finds in Nevada.

As John explained, the area is highly prospective, although exploring here requires considerable skill--and cash--due to the fact that ores are found at depths in excess of 2,000 feet. He believes, however, that the potential reward here more than justifies the risk. "The likelihood of finding a classical Carlin-Pipeline-style orebody on those claims," he noted, "is probably about as good as you can get."

Work is still early stage, with mainly geochemical and geophysical surveys planned for the summer. But once drill targets are identified, the story could be a big one. Institutional investors think so. They've already jumped into Columbus to the tune of C\$2.5 million, which means the company will hit the ground running with plenty of cash.

And the wider investing public may soon get their chance to buy. John reports that the infrastructure is now in place to take the company public and that a listing should be forthcoming sometime in the fall. Keep an eye out.

The One-Stop Prochnau Shop

All of these companies look prospective, but there is perhaps a better way to bet on John's considerable exploration talent than just buying any particular one.

As mentioned, Hidefield Gold, the parent to all of these offspring, maintains interests in each and every company--36% of Alto, 28% of Columbus, 16% of Piper and 7% of Latin American. Thus, Hidefield provides a way to gain leverage to all of John's ventures at once.

Of course, buying Hidefield requires a broker with access to overseas markets, but for those with such a facility it may be worth going this far afield.

The company even distributes news releases from its subsidiaries to John's followers in the investment community, acting as an invaluable "guardian angel"--one that has the ear of deep-pocketed buyers. John also acts as a deal broker for these companies, continually assessing new projects that might fit his stable.

As John summed up, "My role in all of these companies is to figure out where the potential for building real value lies, and to keep them steered toward that objective."

X-League Resources

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