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Admiral Bay drives PLD transformation

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Jack McGinn

THERE has been no shortage of excitement at orthopaedic implant business turned mineral explorer PLD Corporation since the company signed on to acquire two significant Western Australian projects in March.

And while the acquisition of the Rocky Gully nickel-copper project in WA's Fraser Range has been on the cards for quite some time, it's the concurrent deal over the Admiral Bay zinc project in the Canning Basin that has PLD managing director Matt Gauci and his team most enthusiastic.

PLD agreed to proceed with the Admiral Bay acquisition from collapsed miner Kagara in March. The project has an inferred mineral resource of 72 million tonnes at 6.7% zinc equivalent with an exploration target range of 170-250Mt at 5.3-7.5% zinc equivalent.

The resource makes Admiral Bay one of the largest undeveloped zinc projects in the world at a time when zinc supply is low, and for PLD it shapes as a company-maker.

"Admiral Bay is one of the very few zinc projects in the world that has the potential to be long life and low cost and which is located in a world-class mining jurisdiction," Gauci told *MiningNewsPremium*.

"It's a globally significant deposit which hosts 9.4 billion pounds of zinc and lead and requires a dedicated development team to manage the resource upgrade, scoping study and prefeasibility study — we are in the process of assembling that team."

Meanwhile, work continues at Rocky Gully, where the company has conducted nickel exploration since securing an option agreement to acquire 90% of the project in August 2013.

"Our secondary project Rocky Gully is an early stage exploration project which has excellent potential for discoveries," Gauci said.

"We have a dedicated exploration team currently working through a series of exciting targets for drilling, although the core focus is very much on Admiral Bay."

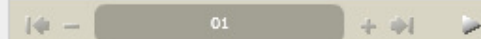
In honour of its transformation since entering the mineral exploration space in 2012, the company formerly known as Portland Orthopaedics intends to change its name once more — this time to the sector-inspired Metalicity.

Buying in

Under the terms of the Admiral Bay acquisition, PLD will pay \$500,000 in cash and issue a convertible note to the same amount with a two-year maturity term.

A 1.5% net smelter royalty will also apply, though it can be bought back at different stages of project development.

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A further \$2.5 million payment in cash or shares will be due at the third anniversary of production, and the company has agreed to spend no less than \$5 million on the project over a three year period from completion.

For Rocky Gully, PLD will pay Heron Resources \$230,000 in cash or issue 28.75 million shares for a 90% interest, having previously spent an accumulated \$110,000 to sign and extend the option agreement over the project.

The company will also acquire 100% of the Rocky Gully East project tenements from private company Third Reef for \$50,000 or 5 million shares, and will issue both a 1.5% net smelter royalty on their respective tenement sales.

In order to fund the transactions, PLD has enlisted the support of both new cornerstone investor Resource Capital Funds and Mining Finance Fund, who will provide a combined \$10.3 million in exchange for net smelter royalties and a share placement.

While funding can be difficult to come by in the current market, Gauci said the strength of Admiral Bay had resulted in strong support from financial backers.

"Funding is available to for those companies with credible management and attractive projects," he said.

"Certain base metals are clearly undersupplied and zinc is a standout. The zinc industry has suffered from a lack of exploration and development in recent years and the acquisition, financing and development of Admiral Bay is well-timed."

RCF will be allocated 9.9% of PLD shares for \$689,574 and a net smelter royalty of 1% over Admiral Bay in exchange for \$US5 million (\$A6.3 million).

MFF will pay \$2.5 million for a 0.5% net smelter royalty over Admiral Bay.

All-round value

Gauci said the nature of the transactions provided significant benefits for PLD's shareholders and business.

"The funding is non-dilutive to shareholders in that 90% of it was raised through the sale of a net smelter royalty over the Admiral project, while the cornerstone placement to RCF ensured a credible, experienced and dedicated mining finance company was added to the existing shareholder base," he said.

"Given the scale of the project, creative financing mechanisms are required and the only dilution to our existing shareholders is via the addition of RCF while the funding will add significant value to the project via a resource upgrade, scoping study and prefeasibility study."

Moving forward, Gauci said the PLD and its investors were extremely excited by the prospects presented at Admiral Bay.

"Projects of this scale, grade and quality located in world-class jurisdictions quite simply don't exist," he said.

"It would take decades and tens of millions of dollars to discover something of the order of magnitude of Admiral Bay.

"We look forward to getting a better understanding of the economics of the project and our stakeholders are certainly very excited about the value it will deliver for the company."

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