

"Mining is my main preoccupation – it is the only thing that I know anything about" – *Harry Dobson*

A diversified portfolio

HARRY Dobson is known in Europe for his successful stable of 40 racehorses. In Ireland, where his horses are stabled and trained, they say he has made a fortune from astute property purchase and development in the Dublin area.

In England, and elsewhere in the world where Manchester United has a following, he is famous for paying £21 million for a 6.5% stake in the football club – then selling for an estimated £30 million profit.

The Manchester United episode raised his profile to such an extent that the London *Sunday Times* newspaper decided to include Mr Dobson in its 'Rich List', suggesting he was the UK's 96th wealthiest person, worth about £470 million. Mr Dobson says the newspaper did not consult him about this, and he describes it as "Fantasy Island stuff".

However, in Canada Mr Dobson is mainly recognised as someone who has become expert at reviving old mines. For example, his American Pacific company, formed in partnership with Brian Hinchcliffe, acquired the El Mochito zinc-silver mine in Honduras for US\$5 million, restarted production and the company was sold only three years later for US\$100 million.

Today, Mr Dobson has stakes in, or is on the board of, several mining and oil and gas companies. Among other things, he is chairman of Kirkland Lake Gold, which owns what once appeared to be a moribund mining camp but has now been brought back to life. The company is well into a C\$21 million exploration drilling campaign, one of Canada's biggest.

And, on April 10, Mr Dobson moved in with a new management team to become chairman of Belvedere Resources, a Toronto-listed junior that is exploring for a variety of minerals in Finland.

This prompts two questions: why is such a busy man giving so much attention to an apparently modest company like Belvedere? And, given all his other commitments, where does mining figure in the overall picture?

He says, without hesitation: "Mining is my main preoccupation – it is the only thing that I know anything about. The other stuff I do because I get good advice from good people. I've done terribly well from property, but I don't know much about it."

He says the Manchester United involvement was simply a classic case of investing in a sector that was out of fashion and with share prices reflecting that. "And Manchester was the only [UK football] club



Rarely photographed:
Harry Dobson at the
racecourse

making a profit."

As for Belvedere, Mr Dobson says he has been a shareholder from its inception and the company has been "muddling around" in Finland for over ten years, sending geologists in shortly after the country began to open up exploration and mining projects to foreign investors.

Now Belvedere has some interesting prospects and "market conditions will allow us to be more aggressive. The time is ripe to raise some finance. And me going on the board will cheer up the geologists."

In any case, says Mr Dobson: "Most of the fun is in the exploration and development end of the business – the high-risk end of the industry. I'm not very good at production. When I was dealing with production, nine out of ten of the faxes I received were about problems. It's natural to want to be at the fun end. So, when we (Messrs Dobson and Hinchcliffe) get to where we want to be – before production – we tend to sell on."

Mr Dobson, now 58, is a Scottish farmer's son. He didn't go to university.

"I was not bright enough," he suggests in typical self-deprecating style, although his subsequent career shows this is hardly the case. He joined the Voluntary Service Overseas (VSO) organisation, and during his first posting – to the Solomon Islands – gained an interest in mining.

After finishing his VSO tour, he moved to Australia during a mining boom. He worked out in the bush organising field crews. He says that, as he came from a farming family, "I knew a fair bit about soils and could do proper sampling, and could run field crews".

He was working for a consultancy that did some stockbroking on the side. He was asked one day to

help out the brokers and, he says – after carefully thinking about what he should say on the record – "it made a big impression on me".

He moved to Canada as a broker, and for many years he wore two hats, working partly as a mining company executive and partly as a partner in a broking firm. When he was 30, he and some partners bought Yorkton Securities and turned it into a mining-broking house.

He recalls: "Yorkton were pretty good mining brokers, although obviously it was no Wood Gundy. We raised a lot of capital for some very risky mining ventures."

He founded Breakwater Resources, now one of North America's biggest zinc producers. For this venture, Mr Dobson was joined by Bob Hunter (later of Hunter Dickinson fame).

"He was a highly successful insurance salesman at the time and, like all insurance salesman, wanted to do something else. He wanted to help us, so he became chairman. We used to say we made him chairman because he was the only one of us that owned a three-piece suit," says Mr Dobson. "He was also a most diligent, disciplined and hard-working chairman."

Breakwater gave Mr Dobson his first experience of putting a mine into production. It was not an entirely happy one.

Breakwater intended to build its tailings facility in stages, but the US Corps of Engineers insisted that a tailings dam be constructed in one continuous lift. That added US\$30 million to the cost.

Mr Dobson, speaking from memory, reckons that getting Breakwater's first mine into production cost double the predicted US\$100 million. Fortunately, this took place when the Hemlo gold discoveries in Canada had lifted interest in mining again, and Breakwater was able to raise the money it needed.

Breakwater produced a gold concentrate which went to J Aron, the trading arm of the Goldman Sachs investment bank. Mr Hinchcliffe was working for Aron at that time, and Mr Dobson recalls the trader was making more profit from the gold concentrate than Breakwater – because Breakwater had gone so far over its construction budget.

A few years later, in 1986, when the opportunity to buy El Mochito mine in Honduras came up, Messrs Dobson and Hinchcliffe teamed up to establish American Pacific.

El Mochito, which had produced a zinc-silver concentrate, had been put on care and maintenance by Amax which had paid off the 3,000 employees. The US-based major wanted to get El Mochito off its books.

Messrs Dobson and Hinchcliffe agreed to buy the mine on certain conditions. One was that they could persuade the Honduran Government to change its policy, and permit part of the US dollar proceeds from sales of concentrate to remain outside Hondu-



ras so that American Pacific could make a dollar profit.

They also wanted the government to agree El Mochito could be a non-unionised operation. After tortuous discussions, the government agreed. The mine, after all, contributed a big chunk of Honduras's GDP.

Mr Dobson says "then we got a bit lucky with the zinc price". It had been predicted that El Mochito would make about US\$5 million annual profit, based on the zinc price at the time, which was relatively low. And the mine was restarted with 1,600 – rather than 3,000 – people.

"The zinc price rose, and the mine was throwing off US\$30-40 million. We felt, well, this has got to go."

American Pacific, which had spent US\$15 million to acquire El Mochito, was sold after three years to Breakwater for US\$100 million.

Next, Mr Dobson became involved in Canada's biggest and most frantic staking rush, following the first discovery – in 1991 – of diamonds in the Northwest Territories. He reckons he raised up to US\$450 million for that diamond hunt as he and his partners staked around 5 million ha.

"It was a monumental punt, because we didn't have a clue about diamond exploration. We simply grabbed as much land as possible."

There was no map staking at that time. Ground had to be physically staked. Like others in the land-grab, Mr Dobson's companies, Mountain Province Diamonds and Lytton Minerals, used helicopters to get staking done as quickly as possible. Mr Dobson points out that GPS (global positioning by satellite) had just been introduced in the mining industry. "We couldn't have done what we did without that."

Apart from the expense of staking by helicopter, companies had to spend US\$2-4 an acre (0.405 ha) in the first year on exploration work.

"We needed US\$30-40 million just to keep steady." Joint ventures were set up with Rio Tinto, De Beers and, less successfully, BHP Billiton. And Mr Dobson points out that so far, nearly 15 years later, there still has been no return on that investment.

However, Mountain Province, where Mr Dobson remains a director, reckons its 44%-owned Gahcho Kué project will become one of Canada's major diamond mines, producing 3 Mct/y for 15 years. And Tahera Diamond Corp, formed through the merger of Lytton and New Indigo Resources, expects to bring Canada's third diamond mine, Jericho, into production shortly.

Mr Dobson teamed up with Mr Hinchcliffe again in 2004 to buy from Kinross Gold what is now called Kirkland Lake Gold (KLG) for US\$5 million plus the assumption of a US\$2 million environmental bond plus a royalty agreement. Mr Hinchcliffe is president of KLG.

Mr Dobson says: "Kinross had done all the work. They put together five mines [previously operated separately], something people had been trying to do for 80 years." However, with the gold price at about US\$270/oz, Kinross had been forced to raise money.

"We did our numbers [for the Kirkland Lake properties] on US\$280/oz, and we always saw it as an exploration thing – but with enough reserves to get back into production."

Shares in KLG – helped by a rising gold price, clear indications that the C\$21 million exploration programme is bearing fruit and declaration of a first-ever profit for the third quarter (to January 31, 2006) – have virtually doubled, from C\$3.55/share last November to C\$7/share.

There's not such a happy story at Rambler Metals and Mining, where Mr Dobson is also chairman. Rambler, which has a copper project in Newfoundland, has seen its share price slump from £0.50/share to £0.30/share since it listed on London's AIM market in June.

Mr Dobson says candidly: "I would be very angry with [Rambler's] performance up to now if I was an institutional investor. We made a mess of it in the first 12 months, but we are now getting our act together."

Another company Mr Dobson chairs, Borders & Southern Petroleum, describes him on its website rather grandly as someone involved in "various merchant-banking and venture-capital activities in North America and Europe, and chairman of a number of resource companies".

In contrast, Mr Dobson, in his typical fashion, describes himself as "a broken-down mining broker".

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