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**Mercenary Alert: My Favorite Tungsten Explorer**

**A Special Alert Musing from Mickey the Mercenary Geologist**

**For Subscribers Only**

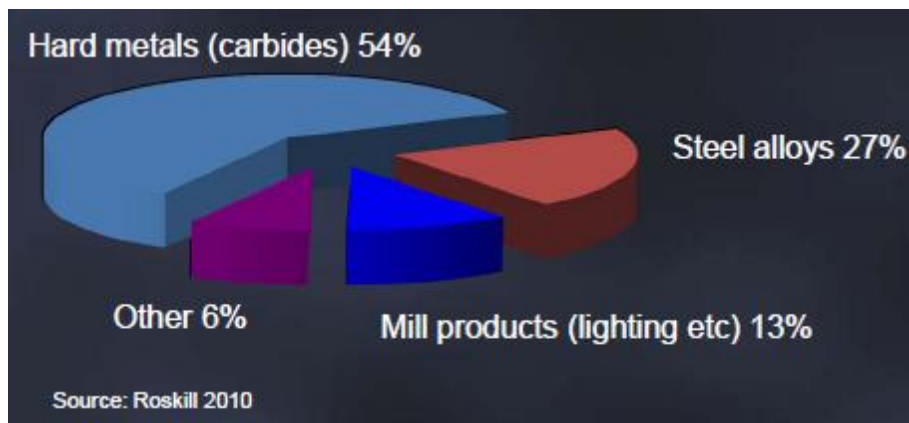
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It's no secret that I like the supply and demand fundamentals of tungsten, a specialty or minor metal. I think the tungsten market is a sector where a successful junior explorer can progress to development and profitable mining without incurring substantial third party risk. This is one of my key criteria for the specialty metals game ([Mercenary Musing, August 6, 2012](#)).

Tungsten (W) is number 74 on the periodic table and is an extremely hard, heavy, gray-white metal. It has the highest melting point of any element (3422 C), the highest tensile strength, and a density very similar to gold (19.3 g/cc). Tungsten is thermally and chemically stable, an excellent conductor, and environmentally benign.

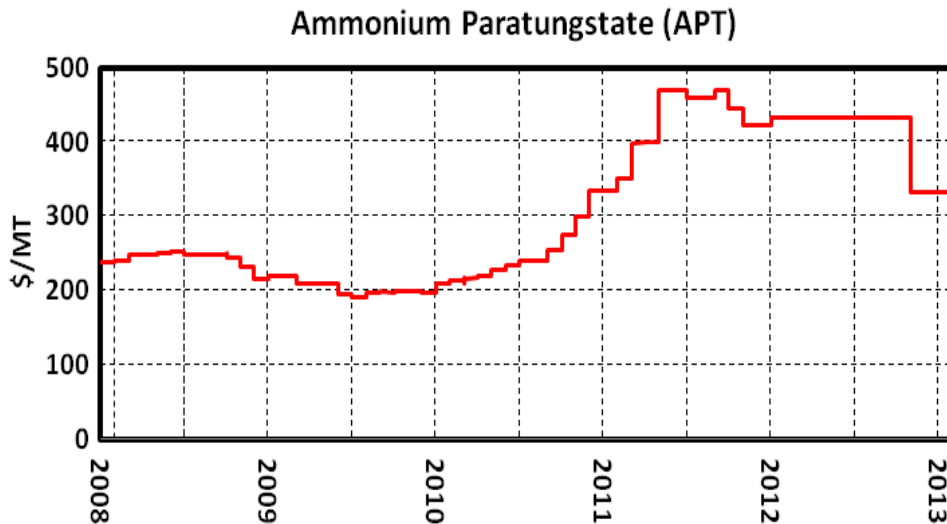
Tungsten is used mainly as tungsten carbide (alloyed with carbon) for drilling and cutting tools and also in steel and superalloys. Minor uses include lighting, electronics, catalysts, and armaments:



According to the USGS, world production of tungsten totaled about 73,000 tonnes in 2012. Production was dominated by China at over 85% with the remainder produced by other countries including Russia, Canada, Portugal, Bolivia, and Austria. The USA, Europe and Japan consume 55% of world tungsten, but produce only about 5%.

Tungsten has been in a delicate supply-demand balance for the past several years and demand is forecast to grow by 5-8% annually between 2013 and 2016. The metal is projected to remain in deficit for the next few years as China cuts exports to the West to supply increasing domestic demand.

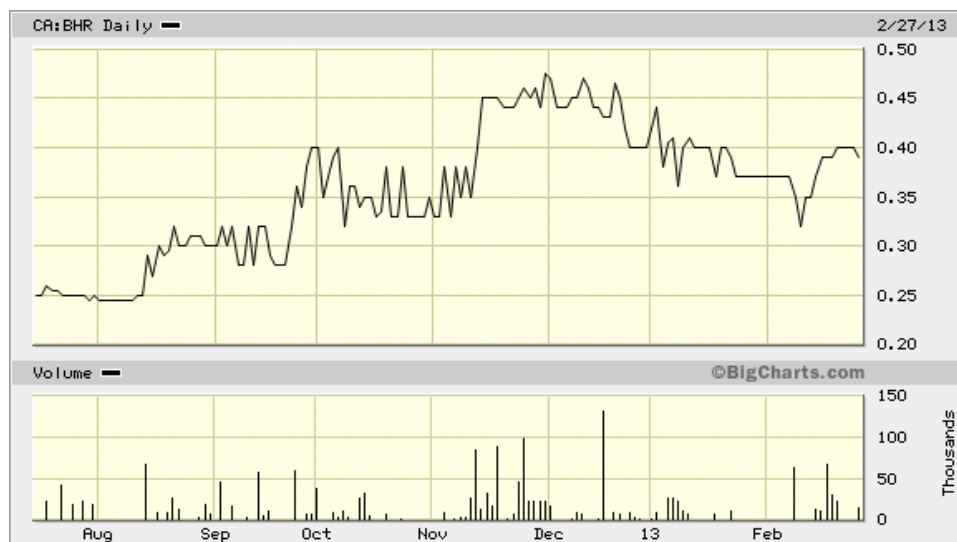
Here's a chart of ammonium paratungstate prices (aka APT, the most commonly marketed product) over the past five years. Prices have ranged from a low of \$190 per metric tonne in mid-2009 to a high of \$470 in mid-2011 and are currently in the low \$300 range:



For a primer on tungsten supply and demand fundamentals, I suggest listening to this edition of my bi-weekly commodities show ([Mercenary Musings Radio, April 27, 2011](#)).

As this interview illustrates, I have been on the tungsten bandwagon for a couple of years now. It has taken lots of look-sees and due diligence, but I recently found a company that meets my strict criteria for speculation of share structure, people, and projects. And the winner is:

**[Blackheath Resources, Inc \(BHR.V\)](#)**. Blackheath is a recently-listed Portuguese tungsten explorer that went public in mid-2012. Here's its chart since IPO last July at 25 cents:



The chart shows that throughout its short trading history, Blackheath Resources has had low liquidity; some would say it “trades by appointment only”. Because BHR is a new company, it stands to reason that a tightly-held share structure is the reason for its low trading volume.

Indeed, that is the case. Including a recently oversubscribed 35 cent financing with a committed group of strategic investors (including yours truly), Blackheath has 17.6 million shares outstanding and 24.1 million fully diluted. There are 269,000 warrants at 25 cents and 5.1 million at 50 cents with expiries of January 2014 and February 2016 respectively, and 1.1 million options at 35 cents issued to insiders and consultants. With a current price of 39 cents, the company’s market capitalization is less than \$7 million.

Management, insiders, family, and friends control approximately 26% of outstanding shares, all currently escrowed. Recent financiers collectively own 29%, and these holdings are restricted from trading until late June. BHR’s current cash position is \$2.0 million and with its burn rate and exploration budget, we can anticipate an equity financing in late 2013 or early 2014.

Blackheath Resources Inc is focused on the exploration and development of tungsten projects in Portugal. BHR’s management has previous expertise in the Portuguese tungsten sector with Primary Metals Inc. This company sold the Panasqueira mine to Sojitz Inc in 2007, rewarding its shareholders handsomely with an all-cash buy-out.

Blackheath’s team is headed by Jim Robertson, engineer and CEO/President. I have known Jim for about 15 years thru his previous involvement with successful junior resource explorers. Other key personnel include Director and CFO Kerry Spong; Director, Jonathan Carter, who headed Primary Metals and has years of experience in tungsten marketing and sales; Director Merfyn Roberts, investment fund and portfolio manager; and Director Marshall Farris, who specializes in corporate communications and finance.

BHR’s three tungsten projects are located in northern Portugal’s tungsten-tin belt:

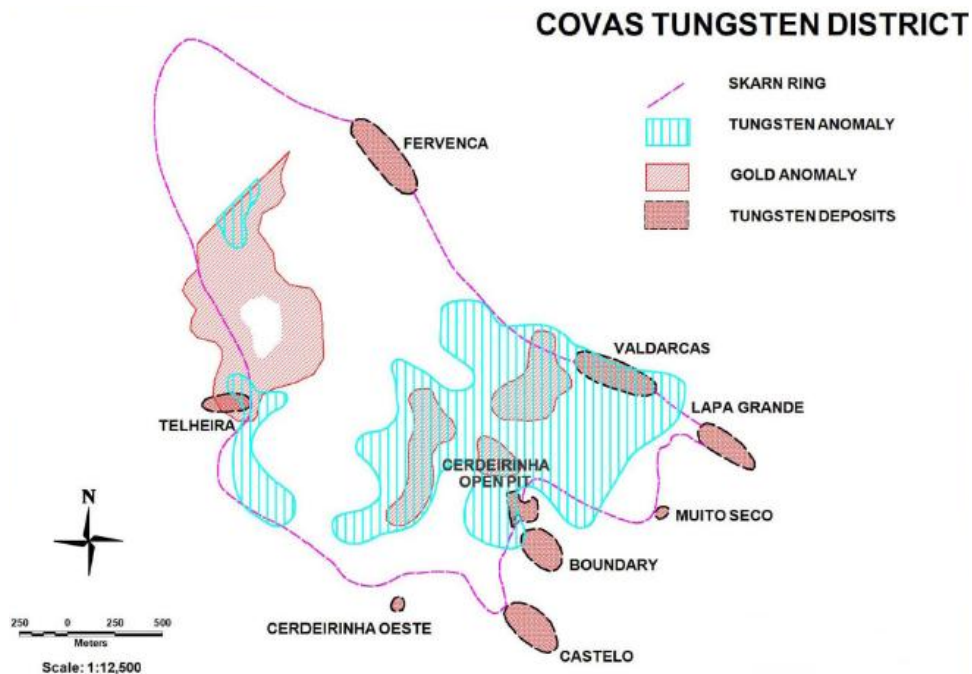


**Blackheath Resources’ Tungsten Projects in Northern Portugal**

Blackheath has a joint venture agreement with [Avrupa Minerals Ltd \(AVU.V\)](#) on the past-producing Covas tungsten mine located north of Braga, Portugal and can earn up to 85% thru work expenditures only with no cash or share payments.

Between 1951 and 1974, underground and open pit production at Covas was 366,000 tonnes at 0.61%  $WO_3$ . Exploration and drilling by Union Carbide and other companies from 1974 to 1980 defined eight skarn deposits around the Covas Dome. Union Carbide calculated historic resources totaling 923,000 tonnes at 0.78%  $WO_3$  in these deposits. Given current tungsten prices, they have a gross metal value of about \$250 million.

The Covas deposits are wide-open for expansion with recently discovered scheelite occurrences coincident with geophysical anomalies around the skarn ring. There is additional potential for porphyry-style tungsten deposits within the central dome that has not been explored. Previous work by Avrupa also identified gold targets within this intrusive complex.



### **Tungsten Deposits and W-Au Targets at the Covas Project**

Please note that Avrupa Minerals Ltd is also a sponsor of my website; as part of my due diligence, I toured its Covas tungsten project in the summer of 2011. We visited this open-cut in which stratabound tungsten was previously mined from flat-lying skarn beds:



### **Cerdeirinha Tungsten Mine**

In December, BHR completed an initial 1600 meter exploration program in 15 shallow drill holes at Covas. It has announced impressive intercepts from the first two holes, including 2.11%  $WO_3$  over 8.0 meters and 0.71%  $WO_3$  over 4.1 meters. Complete assay results are expected soon and once data is compiled and interpreted, Blackheath will commission another drill campaign.

The company also has option agreements to earn 100% interest in the past-producing Bejanca tungsten-tin and Borralha tungsten mines. Borralha is Portugal's second largest historical tungsten producer next to the previously mentioned Panasqueira mine. These two mines are wolframite-quartz vein deposits that produced tungsten from the early 1900s until they were shut down in 1985 due to a depressed tungsten price. Following data compilation and target generation, Blackheath plans to drill the deposits in 2013.

In addition, the company has a stated goal of acquiring additional tungsten exploration and development projects in Portugal.

I have high hopes for BHR's 2013 drill programs and think that truth-tell success could be a strong catalyst for a higher share price. Based on its tight share structure, management's previous success in the sector, and its past-producing projects in geologically and geopolitically favorable northern Portugal, I think the company has a legitimate chance of becoming a significant player in tungsten space in the mid-term.

I urge you to do your own research and determine if Blackheath Resources Inc merits your hard-earned speculative dollars. Since the stock is tightly held and liquidity is low, I personally would not chase the stock on the uptick. Be aware that the holding period on 5.1 million shares issued at 35 cents will expire in mid-June. That event could result in significant selling into the market and ultimately result in better liquidity.

Also realize I have my own money in this stock and the company is a paying website sponsor. These financial considerations make my opinions about the company very biased.

Ciao for now,

Mickey Fulp  
Mercenary Geologist



**Acknowledgement:** Michelle Lopez is the editor of [MercenaryGeologist.com](http://MercenaryGeologist.com).

The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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