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Nevada Copper gets Pumpkin finance

Nevada Copper (CN:NCU) has entered into arrangements for a US\$378 million construction financing and recapitalisation package to move its Pumpkin Hollow copper project in Yerington, Nevada, into production in 2019.



The headframe at Pumpkin Hollow could start seeing some production action next year

Pumpkin Hollow, which is the only fully-permitted copper project of scale in the US, according to Nevada Copper, comprises two proposed copper operations including a near-production, high-grade underground mine with an existing production-size shaft and infrastructure and a large-scale openpit project.

The new financing package to be provided by Triple Flag Mining Finance Bermuda, Pala Investments, Red Kite Mine Finance, Concord Resources and several institutional equity investors will fund the underground project, which requires an estimated \$182 million in pre-production capital, extension drilling and optimisation works for the open pit project.

The financing includes a \$70 million precious metals stream on the underground project from Triple Flag, an \$80 million senior secured loan from Red Kite, a \$53 million convertible debt facility by Red Kite and Pala, a \$25 million working capital facility to be arranged by Concord, a \$90 million equity commitment from various equity investors including Pala, and a \$60 million equity backstop from Pala.



In late 2017, Nevada Copper announced a new prefeasibility study for the high-grade underground mine and said it would look at pursuing a "staged-development plan" for the larger openpit deposit.

The May 2015 PFS saw Yerington as a 70,000 tonnes per day integrated underground/openpit operation with a \$1 billion initial price tag yielding an after-tax internal rate of return of 15.6%. The new PFS envisaged a tidier 5,000tpd operation expected to produce average annual output of 50 million pounds (22,675t) at a grade of 1.59% copper, and 1.74% copper equivalent, over a 13-year mine life that bumped up the IRR to 25.2%.

The two orebodies that make up the underground deposit hold a proven and probable reserve of 758.9Mlb of contained copper, 153,000 ounces of contained gold and 3.3 million ounces of contained silver.

Nevada Copper actually began construction on the underground mine in 2012, before it had the land package in place to consider going after the lower-grade 4.2 billion pound copper reserve of the openpit. Already built are a 1,900-foot (579m) shaft and 600 feet of lateral development, and the site has existing power, water and road access.

Prior to the financing announcement, Nevada Copper had been largely kept afloat with infusions from Pala and Red Kite, leaving Pala holding 47% of its stock and a majority stake on a diluted basis. The Yerington build will be led by former Pala executive Phillip Day as COO.

"This construction financing package positions the company to move forward ... with the aim of realising first production from Pumpkin Hollow in 2019 and the optimisation of the openpit in 2018. ... I now look forward to seeing Nevada Copper make swift progress with project development, including the near-term appointment of EPC and mining contractors, securing of long-lead items for the underground project, resource extension drilling for the openpit project, and realising the full value of this strategic asset," chairman Evgenij Iorich said.

The precious metals stream will see Triple Flag receive 90% of gold and silver production from the underground project with Nevada Copper receiving 10% of the spot price for each ounce of gold and silver delivered. Nevada Copper can reduce this production amount to 55% in March 2020 by making a payment of \$36 million.

Nevada Copper plans to complete a private placement equity offering before the end of January to raise at least \$90 million after fees through the issuance of up to 256 million shares priced.

Pala has agreed to take \$40 million, and backstop \$30 million more. Other investors have agreed to take \$22 million with Triple Flag agreeing to take \$10 million.

Following closing of the equity offering, it will make an additional offering to increase the net proceeds to at least \$150 million on terms yet to be determined.

The Red Kite debt restructuring reduces its indebtedness to Red Kite to \$80 million, from \$136 million, by way of a prepayment of about \$42 million from the equity offering proceeds and conversion of another \$15 million of debt into stock. The \$80 million of remaining debt will consist of two tranches of \$40 million each.

Some \$38.2 million of outstanding debt under the Pala convertible loan will be converted into around 98.6 million shares. With its participation in the equity offering, Pala will own an estimated 54.8% of Nevada Copper.