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Nevada Copper tweaks Pumpkin Hollow scoping study

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Nevada Copper (NCU-T) has updated a March 2008 preliminary economic assessment on its Pumpkin Hollow copper project near Yerington, Nev., incorporating a high-grade underground scenario with a much lower capex, to be included in a mid-2010 prefeasibility study.

Giulio Bonifacio, Nevada Copper's president and CEO, says the 60,000-ton-per-day, \$780-million open-pit operation that last year's study looked at didn't tell the whole story.

"One of the messages that got lost in the marketplace was that... there is an ability for us to go forward on a stand-alone underground case," Bonifacio said in an interview.

He says Nevada Copper is still focused on the larger open-pit scenario — it has reduced capital costs by 25% — but has more options for its development path.

The base case of the new study looked at a 7,500-ton-per-day operation costing US\$192 million that would include a small high-grade starter pit during the first three years of the total 14-year mine life.

In total, the company would mine 34 million tons grading 1.88% copper at a cash cost of US\$1.06 per lb. Copper sold would total nearly 1.1 billion lbs.

The study compared copper prices of US\$2 per lb., US\$2.50 per lb. and US\$3 per lb., for which all had capital costs of US\$192 million.

Under the US\$2.50-per-lb. copper scenario, the internal rate of return is 44% and the net present value (NPV) is US\$498 million at an 8% discount. The payback period for capital costs would be 2.4 years.

An alternative case was also given that

doesn't include the open pit and would cost US\$162 million to develop. This time the mine life would be two years shorter at 12 years and production would gradually increase from 2,500 tons per day to 7,500 tons per day by the start of year four.

The company would mine 26 million tons grading 1.95% copper, selling a total of 853 million lbs. of copper. Cash costs would be US\$1.03 per lb.

Using a US\$2.50-per-lb. copper price, the IRR is 42%, the NPV is US\$414 million at an 8% discount and the payback period would be 2.6 years.

The March 2008 study looked at a 60,000-ton-per-day, open-pit and underground operation with an NPV of US\$552 million at US\$1.75 per lb. copper or US\$1.7 billion at US\$3 per lb. copper using an 8% discount rate. Capital costs for this much larger-scale project were estimated at US\$780 million.

"We have a level of flexibility in terms of how we want to take it forward," Bonifacio says. "We could arguably look at the underground case first with capex below US\$200 million, and good payback (under three years) — and then move toward the larger scenario."

Bonifacio says the company will make a decision as it goes through the prefeasibility study.

"It is going to be, in our view, a large operation, but how we take it forward, do we do it on a staged process or do we just start in on it as a big scenario, is something we have to determine."

Funding options will play a large role in this, Bonifacio says.

A few other companies have made some significant investments in Nevada Copper.

In October, **Capstone Mining** (CS-T) bought a 10% stake for \$11.3 million through a private placement. Nevada Copper issued 4.5 million units at \$2.50 apiece with each unit consisting of one share and half a warrant. A whole warrant is exercisable at \$3 for two years and would bring Nevada Copper another \$6.8 million.

As a part of the deal, Nevada Copper will allow Capstone a seat on its board of directors if it ups its interest to 19%. Nevada Copper also granted Capstone a pre-emptive right to participate in future share offerings so it can maintain its 11.1% ownership.

Capstone has agreed to a non-aggression clause whereby it won't attempt to acquire more than 20% of the company without board approval from Nevada Copper, unless a third party makes an offer.

The project is located about an hour and a half southeast of Reno on a 22-sq.-mile land package. The site is accessible by paved roads and is close to rail and power infrastructure.

It's an iron oxide copper-gold deposit within a district rich in porphyry copper deposits — the district mineral inventory is said to be more than 24 million lbs. of copper.

The latest resource was released in a technical report in August 2009.

Measured and indicated resources stand at nearly 488 million tons grading 0.58% copper for 5.6 billion lbs. copper, plus 983,000 oz. gold and 33.8 million oz. silver (at a 0.2% copper cutoff).

Inferred resources are 441 million tons grading 0.42% copper for 3.7 billion lbs. copper plus 468,000 oz. gold and 21.2 million oz. silver (at a 0.2% copper cutoff).