Pre-construction work gets under way at Nevada Copper’s promising Pumpkin Hollow

VANCOUVER (miningweekly.com) – The proponent of what will probably be North America’s next new copper mine development, Nevada Copper, has signed a pre-works agreement with Cementation USA and secured key long-lead time items, further derisking the restart of construction of the company’s fully permitted and shovel-ready Pumpkin Hollow underground project, it announced on Thursday.

These activities are expected to allow the company to rapidly advance the restart of construction of its 5 000 t/d underground project, targeting first copper production in 2019.

Mining industry veteran Matthew Gili, who recently took the reins as company president and CEO, tells Mining Weekly Online that the company’s strategy is clear: to build and operate the Pumpkin Hollow underground and openpit copper projects.

“All the heavy lifting has been completed regarding land swaps and securing all the mining claims on private land and we are now laser-focused on getting the underground phase under construction, slated for first production late in 2019,” he says.

Following an eventful 27-year career as a mining engineer, Gili came to Nevada Copper directly from Barrick Gold, where he served as executive GM for the Cortez District, in Nevada and, more recently, as CTO and senior VP for operations. He has played critical roles in the development and operation of mines for Hecla Mining, Rio Tinto and Palabora Mining. He has also acted as COO for the giant Oyu Tolgoi mine, in Mongolia, giving him pedigree to oversee the execution of the company’s development plans.

“I received a very clear mandate from the board: To build an Americas-focused midtier copper producer.
“We want to build and operate the Pumpkin Hollow underground project, this provides significant free cash flow generation that also unlocks the potential to efficiently fund the globally significant openpit project and, from there, consider further strategies as to how to achieve and leverage our midtier status. We have a clear line of sight to our development goals, while making sure that the ongoing optimisation study on the openpit project remains on schedule to target a low-capex start-up in the medium term” he notes.

The $182-million underground project has already entered the execution stage, in 2013, but was halted when funds dried up around 2015. A 2017 technical report on the underground project calculated a net present value (NPV), at a 5% discount, of $301-million, and a 25% internal rate of return, based on copper prices ranging between $2.62/lb to $3.20/lb. Since that time, the tax rate in the US has decreased from 35% to 21%, and copper prices have increased materially.

Following a 15-month construction period, the project is expected to produce 60-million pounds of copper in the first five years of operations, including 9 000 oz of gold and 173 000 oz silver. Over the entire 13.5-year mine life, yearly output will average 50-million pounds of copper, as well as 8 000 oz of gold and 150 000 oz of silver. The underground operation is expected to generate yearly free cash flow of $80-million a year over the initial five-year period.

The mine plan is based on total reserves of 23.9-million tonnes grading 1.74% copper equivalent, with the grade averaging 2.01% copper over the initial five years of production. Importantly, the underground has a significant further defined resources that have the potential to substantially extend the underground mine life.

MILESTONES IN-HAND
Key construction milestones have already been completed before progress was halted in 2015. There is already in place a concrete-lined production-sized shaft, and nearly 200 m of lateral underground development, with significant above-ground work completed that includes the head frame and hoist.

The company announced that procurement of the critical long-lead items has started, including the semi-autogenous grinding mill and ball mill for the plant; a letter of intent (LoI) signed with Caterpillar Financial Services for a lease on certain Caterpillar and Elphinstone underground mining equipment; and an LoI signed with Epiroc, an Atlas Copco company, for the lease of certain underground mining equipment.

Nevada Copper expects to sign binding agreements and place deposits on critical path items to ensure their availability and to lock in costs. The company also in January put in place a risk sharing contract with Sedgman Engineering, which pairs the engineering, procurement and construction contract with an underground mining contract.

Cementation USA was previously engaged by the company in 2013 to start shaft sinking and underground development, and will be similarly engaged once more. Nevada Copper has also started further site preparation and pre-works on its underground project, including transitioning infrastructure from care and maintenance to active status.

The company enjoys the financial backing of its largest shareholder Pala Investments, to deliver a project financing package for the construction of the underground project, together with existing and new investors. The board expects to reach a development decision in the current quarter.

OPENPIT OPTIONALITY
The larger five-billion-pound openpit copper project is also fully permitted, adding to Pumpkin Hollow’s optionality, but it is currently undergoing re-evaluation with a view to reduce the capital intensity and look at a smaller, staged approach, while aiming to maintain the NPV of the project, Gili says.

The existing feasibility study produced by Nevada Copper in 2015 outlined a 23-year mine life for a 70 000 t/d operation. The initial capital component is currently north of $1-billion, with an NPV of $1.2-billion at
consensus metal prices. However, the new team engaged Golder Associates earlier this year to assist with the optimization work that has been ongoing with the target of defining a staged-capex openpit project.

“With my background of running the Cortez mine for three years, we’re applying some lessons learned from the gold industry to our copper projects,” Gili says, noting that the company is looking at high-grading scenarios in order to arrive at the best mine plan.

He also notes that the entire Pumpkin Hollow project retains significant exploration upside, since only selective exploration was undertaken until all land swaps and negotiations were settled. This provides significant life extension potential for the projects.

Gili expects the rising tide for electric vehicles will only add to the already compelling fundamentals for the conductive metal, as increased urbanisation, coupled with growing industrial demands and new demands such as the establishment of new EV charging networks, make a material impact on the demand side.

He notes market winds in his sails, as copper supply built during the last cycle has been worked through, with few new projects ready to fill the gap. Following a period of major underinvestment, the industry will require about $100-billion in capital outlays over the next decade to meet growing demand, according to him.

Gili notes that, against this fundamentally strengthening backdrop, the Pumpkin Hollow project’s location in mining-friendly Nevada and the fully permitted status uplifts its importance in the current price cycle.