

Can-do spirit sees Kanmantoo through

PUBLISHED : 0 HOURS 34 MINUTES AGO

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South Australia's former Minister for Mineral Resources Development Paul Holloway on a tour of the Kanmantoo Copper Mines. Photos: James Knowler

DAN HALL

Hillgrove Resources' Kanmantoo copper project very nearly didn't happen.

In July 2010 chief executive Drew Simonsen stood before a crowd of doubting faces at the Kanmantoo mine site, some 50 kilometres from Adelaide.

He had been with the company as acting managing director for less than a month after former managing director David Archer resigned for personal reasons.

"We stood outside and there were a few questions about whether we were going to get financing and whether the project was going to go ahead," Mr Simonsen said.

"What I saw in front of me at that time was a number of uncertain people."

Just seven months later construction at the site is progressing, the mine is fully funded through development and early production and the company has secured an offtake agreement with JPMorgan metals.

Feasibility studies have identified the potential for 21,000 tonnes of copper concentrate production per year, with around 9000 ounces of gold credits.

The mine had a chequered history before Hillgrove Resources bought the rights to the property in 2004.

First mining at Kanmantoo began in 1846 and continued to 1874 when a collapse in world copper prices forced the mine to close.

Prospecting continued in the area until the late 1960s when exploration by Kanmantoo Mines, a joint venture between Broken Hill North, Broken Hill South and EZ Industries, led to the discovery of the main deposit at Kanmantoo and commencement of open pit mining in 1970.

The mine operated for the six years before low copper prices, industrial disputes and high costs forced the operation to close.

An open pit around 120m deep has lain dormant for some 40 years, and the site's former processing plant buildings were used by neighbours as a fertiliser manufacturing facility after the site was closed.

In April 2004 Hillgrove exercised the option to acquire the rights to the land.

A subsequent definitive feasibility study was undertaken by Lycopodium in 2007, but there were community concerns surrounding the amount of water that would be taken from the Murray River.

At the time the region's farmers were suffering under an almost debilitating drought, and the mine would take another 750 megalitres out of the Murray River each year.

The local council meanwhile was having trouble renewing its licence to put effluent water into Mount Barker Creek.

Hillgrove management saw a solution to their water problems.

Water for the mines processing operations would be taken Mt Barker effluent ponds after treatment, offering an acceptable solution to the Mt Barker Council and the Environmental Protection Agency (EPA).

"It overcomes a problem for the Mt Barker Council, because they were in serious trouble with the EPA about extending their licence to put that effluent water into Mt Barker Creek," Hillgrove Resources chairman Dean Brown said.

Water pipelines have been extended on to the nearby town of Callington, where water will be irrigated on school and recreational ovals.

While the water problem was somewhat simple to fix, financing was not as easy.

Mr Simonsen stepped in as acting chief executive on June 28 and was appointed as managing director by the board on August 13.

For six months Mr Simonsen fought to secure \$50 million in finance to fund development.

Barclays Bank and Macquarie Bank finally signing a letter of commitment for loan facility agreements totalling \$50 million. The formal agreement wasn't signed until December 1, 2010.

Simonsen also pushed forward with a \$65 million capital raising in the face of fierce opposition from shareholders.

The \$65 million placement, fully underwritten by JPMorgan and Wilson HTM Investment Group, closed oversubscribed "with strong demand from new and existing institutional shareholders".

Simonsen says the move was part of a broader strategy to gain access to funding in the future.

The move towards a 50-50 institutional-to-retail mix means that raising funds can be done relatively easily, Simonsen said.

Project financing totalling about \$120 million will now be used to fund Kanmantoo through to production, ongoing exploration activities in Hillgrove's Indonesian projects and for other general corporate expenses.



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