



# Coppermoly on a roll in PNG

EMERGING from a major restructure which has streamlined ownership, revitalised management and refocused its board of directors, Papua New Guinea-focused copper explorer Coppermoly, is poised to enter an important new chapter in its development.

Coppermoly is now in the midst of a critically important exploration drilling program at its prospective Nakru tenement on the island of New Britain off the northern coast of PNG.

It does so armed with comprehensive data from some A\$35 million in exploration spending carried out both independently and in conjunction with former joint venture partner Barrick Gold Corporation over recent years.

The anticipated results are expected to trigger further drilling, aimed at delivering a significant increase in overall resources which may lead to a possible upgrade to some of Coppermoly's extensive inferred resources to the indicated category.

This could enable scoping studies to start at the end of 2014, underpinning a transition to the development phase.

Coppermoly managing director Maurice Gannon said the company was at a crossroads in its development.

"We are very excited about this latest drilling campaign," he said.

"It follows a period of major change and consolidation for Coppermoly, during which we simplified our corporate and organisational structures, clarified our strategy and narrowed our immediate focus to our PNG assets, initially aimed at a major value-adding program on Nakru.

"If the campaign delivers the results we anticipate, it will lead to further exploration to lift the resource and begin development studies, providing a real opportunity to deliver some outstanding returns for our shareholders," he said.

## NAKRU PROJECT

The Nakru project is situated in the middle of New Britain, easily accessible from the provincial capital of Kimbe.

Kimbe has well developed infrastructure, including a deep water port, jet airport and heliport, diesel and bio-fuel power station and hospital. Coppermoly recently arranged for eight electrical beds to be installed at the

Kimbe Base Hospital, and puts a lot of effort into its community affairs initiatives.

The company has been established in Kimbe since 2008 and enjoys strong support from the local community. It draws its exploration workforce almost entirely from local villagers and PNG nationals, and has strong regional leadership based in Kimbe.

The Nakru project has been focused on the Nakru 1 deposit - a high grade, open-pit table copper deposit, with an inferred resource of 38 million tonnes, grading 0.61% copper, 0.28% gold and 1.8 grams per tonne silver, based on a cut-off grade of 0.2% copper. At a 0.5% cut-off grade, the resource is 21.6 million tonnes at an impressive 0.81% copper, 0.39 g/t gold and 1.81 g/t silver.

The deposit remains open laterally and at depth, and lies adjacent to another clearly defined, potentially higher grade target area at Nakru 2, located about one kilometre to the west, and the focus of the current four hole drilling campaign. Only three holes previously have been drilled at Nakru 2, each delivering very encouraging results, including one intercept of 51.7 metres at 1.21% copper (6.7 metres at 3.8% copper).

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Coppermoly staff assess samples at the Nakru project. Image courtesy Coppermoly

Surface sampling carried out at Nakru 2 late last year delivered some very high assay results, including one rock chip which returned 24% copper.

"We have been looking forward to drilling

Nakru 2 for a long time because we have always been very excited by its prospectivity," Mr Gannon said.

"But we wanted to do the necessary work to define our targets as precisely as possible

to ensure that our drilling delivered results."

The drilling campaign involves four holes for a total of 600 metres, at a cost of around just \$200,000.

Mr Gannon said the entire management team was very cost conscious.

"Our exploration activities are very cost effective. We ensure we operate safely, but in a no-frills fashion, using our own equipment, with local labour, and operating from our Kimbe base," he said.

The current priority is to increase the total Nakru resource to between 60 million and 100 million tonnes at a grade of 1% copper equivalent, to provide the base for revision of our earlier scoping studies.

Mr Gannon said the long-term objective was a highly profitable mine, but in the near-term it was to prove the value of the assets.

#### OTHER TENEMENTS

In addition to Nakru, Coppermoly has interests in a number of promising tenements, the main ones being Simuku, Makmak and Talelumas.

Of these, Simuku, which is around 40 kilometres to the north west of Nakru, is a large copper-molybdenum porphyry system with a four square kilometre strike and greater than 800 metre depth. It is the most advanced prospect, with an inferred resource

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declared of 200 million tonnes at 0.47% copper equivalent (+Mo, Au, Ag). It contains some 700,000 tonnes of copper, 12,000 tonnes of molybdenum, 400,000 ounces of gold and 13 million ounces of silver.

Talelumas sits on the northern boundary of Simuku and has displayed excellent geochemistry, but has yet to be drilled.

Makmak, south west of Nakru, has provided some interesting magnetic geophysical anomalies, in addition to visible gold and copper in surface samples. Coppermoly has already identified a location, the Pulding Prospect, which it intends to drill for copper mineralisation.

While the development focus will be on Nakru in the current year, as it is the highest grade and most advanced project, work will also be done simultaneously to progress the other tenements with a view to providing a suite of development options and a project pipeline for the future.

#### CORPORATE CHANGES

Barrick spent more than A\$25 million over the period from 2010 to the end of 2013, undertaking exploration on Coppermoly's Nakru, Simuku and Talelumas tenements through a farm-in agreement which ultimately delivered it a 72% interest in each.

Its exploration work included extensive drilling as well as geophysics, geochemistry and field work across the tenements which helped to define the mineralisation.

Following the global financial crisis and correction in global gold prices, Barrick reviewed its exploration portfolio and announced in June 2012 that it was looking to sell its interests in the New Britain tenements. Eager to seize the opportunity to regain control of the properties, Coppermoly commenced negotiations which ultimately led to the announcement in June of 2013 that it had struck an agreement with Barrick to buy back its interests in staged payments over five years, for a total outlay of A\$5 million.

The first stage of the buyback was completed in October last year, and Coppermoly has now regained 51% and control of the tenements for a cash outlay of A\$680,000. Further instalments are scheduled for August of this year (A\$1.331 million) with a final payment of A\$3 million due by July 2018, or at the time of release a feasibility study on any of the exploration licences, if that occurs earlier.

"We went all out to reacquire the Barrick interests because we know these are very valuable assets, and that was demonstrated through the results that Barrick achieved and the results we've obtained both before and after Barrick," Mr Gannon said.

"The projects did not fit the profile that Barrick was looking for, as the world's largest gold company, but they certainly fit our criteria and can deliver major value to shareholders."

To fund the re-acquisition, new supportive shareholders were introduced to the register who are fully supportive of the new management team, which was reinvigorated in January of 2013 through the elevation of Mr Gannon to the MD's role.

He previously had served as an executive deeply engaged in all aspects of the business, including operations, chief financial officer and company secretary. He's been with Coppermoly since it was first floated and has some 25 years' experience in general and financial management and in earth sciences.

More recently, he has stepped into the role of interim chairman while the company restructured its board, paring director numbers to back to three.

"Additional directors will be brought on board in the future as we need to bring in additional skills as we advance our assets and progress the company," Mr Gannon said.

"In the meantime, we continue to be very cost conscious at all levels of the organisation, with as much of our available capital as possible going into exploration.

"We're looking forward to a great few years ahead." ●

*This article was provided to the Annual Papua New Guinea Industry Overview 2014 by Coppermoly at the Editor's invitation.*




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