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Q&A

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Manuka takes punt on Australian silver market

By [Angie East](#)

- > Silver moving into stronger commodity cycle
- > Limited pure-play opportunities in Australia
- > Manuka likely to evolve into base metals player



Manuka CEO Nick Lindsay

In recent times there has not been much of a focus on silver in Australia, with opportunities limited in the country and not much deal activity happening.

However, private equity-backed [Manuka Resources Ltd.](#) was formed in 2016 to acquire the 52-million-ounce [Manuka](#) silver mine in the Cobar Basin of New South Wales and has now launched an [IPO](#) of up to A\$13.0 million in a bid to become an ASX-listed silver play.

The company is aiming to generate early cash flow from the processing of stockpiled silver ore starting in October and eventually become a 1.5-million-ounce-per-annum producer.

S&P Global Market Intelligence sat down with CEO Nick Lindsay in Perth to find out more about Manuka's IPO and the silver opportunities in Australia. The following is an edited transcript of that interview.

S&P: What prompted Manuka to launch an IPO now?

Lindsay: Manuka was acquired by private equity group ResCap Investments and they believe the silver price is starting to move into a much stronger commodity cycle. So for them it was a matter of timing and they decided this was the time to list the company.

What level of investor interest do you think you will have for the IPO and how confident are you of raising the A\$10 million to A\$13 million?

We've had strong investor interest. We'll raise the A\$10 million easily and probably get the A\$13 million.

There isn't a lot of silver deals being done or a lot of focus on the precious metal in Australia. Why did Manuka decide silver was a good market to be in?

ResCap saw it as an opportunity. They saw the opportunity to acquire these assets for a good price from the receivers of Black Oak Minerals. So it was more opportunistic rather than a long-term planning exercise, but they were precious metal-focused.

Does Manuka have any plans to add to its portfolio?

No, we already have a substantial portfolio. We have a mine, we have a very big exploration footprint in the Cobar Basin and for the immediate term, the next two years at least, we're going to be very preoccupied with getting everything going.

I've learnt over the years that you need to stick with what you're doing before you start branching out. So we're not looking elsewhere. Obviously if something turns up we can still be opportunistic about things, but we have no plans.

Is diversification an option?

Manuka is an oxide silver project, so it's a finite resource in terms of the fact that it's a weathered counterpart of a much bigger resource in the limestones underneath, which is a lead-zinc-silver deposit.

We don't know if it's a big thing or a little thing and our exploration leases are more Cobar-type. So we're looking more at lead-zinc-silver type deposits. I expect that over a period of time, not immediately and not in the short-term, but say on a four, five or six-year horizon, we'll probably evolve to become more of a base metals producer.

What opportunities do you see in the Australian market for silver players?

There are a lot of small stranded deposits around. I'm not sure the opportunities in Australia compete internationally at this stage. Australia is a big silver producer, but it is tied up with base metals, principally lead and zinc. So you've seen players like [Cannington](#), [Broken Hill](#) and [Endeavor](#) all produce large amounts of silver, but as a byproduct.

That's what I mean when I say we will evolve more into base metals — it's not that we're stepping away from silver, it's that we see the silver opportunities more tied to base metals as we exhaust the oxide opportunities.

What potential does the Cobar Basin hold?

We think the Cobar Basin has a lot of potential. It has for a long time been a significant mineral province in Australia, especially New South Wales. There are world class mines in the basin — the Endeavor mine, [Cobar](#), which is a copper-gold mine, and the [Peak](#) mine has always been a steady gold producer.

There are also some old historical gold and zinc mines through the area. Pico, CRA and others did a lot of exploration work in the seventies, eighties and nineties and there's a lot of identified geophysical targets that have not been tested yet. We see quite a lot of opportunity to develop that basin.

What work are you currently doing at the Manuka mine?

At the moment we're going into a phase of deferred maintenance, which means replacing rubber seals and conveyor belts, gensets need to be serviced and we need to replace PVC liners in water reservoirs. That's the sort of work we need to do to get the plant up and running. There's no new CapEx required.

We also need to do an uplift on the tailings dam to increase its capacity. Again that is a sustaining capital item, it's not new capital. We've allowed ourselves four months to do all this work.

We have 500,000 tonnes of silver ore on the ROM pad ready to be shoveled into the crusher. We'll have the stockpile to run off for nine months. In the meantime, we will be doing a very proactive program of exploration work and geological work.

This time next year we need to start opening up the pits and doing some cutbacks to expose more ore, we need to do an infill drilling program so that we can raise the inferred into measured and indicated, we need to do metallurgical test work to de-risk the process, and all that feeds into a mine plan which will allow us to start production in a timely manner next year.

The Manuka project has had operating issues in the past. What is your plan to overcome these issues and how is the company better positioned to achieve trouble-free production?

We have all the operating records, we've done an analysis on everything that's been done on this project and we believe that Black Oak had resolved all the issues. They put in a much bigger mill and they optimized the process for silver and gold.

The original issues have been fixed, and what we're looking at now is optimizing and debottlenecking and we'll be bringing in some smart people to actually look at how this whole plant operates and look at ways of improving on its operation.

When is Manuka aiming to hit its annual production target of 1.5 million ounces?

About 12 months after start-up. So we will be running the stockpiles, which will give us an opportunity to de-risk the plant process and then the mine.