

# Silver puts Macmin in first place

This Queensland-based miner is prepared for any future trends of the current metals cycle as it carefully selects the style and type of projects that it develops. By **Wally Graham**



*Macmin Silver managing director Denis O'Neill.*



Macmin Silver is a unique entity within the Australian mining community in that it is the only silver-focused developer in the country.

All other silver production in Australia results as a by-product to the production of other base metals.

“Macmin is what we call a primary silver developer,” managing director Denis O’Neill told *RESOURCESTOCKS*.

“Our peer group of companies is really in North America and worldwide there is only a relatively small pool of companies that are actually focused purely on silver.

“We have quite a large international following because we are 100% leveraged to the price of silver, as that is our major point of revenue, it is not a by-product.”

Macmin originally listed on the Australian Stock Exchange in 1993. The company is also listed on the Frankfurt, Berlin and Stuttgart bourses as well as Xetra. Approximately 40% of Macmin’s shareholder base is located in Germany.

Macmin has captured the attention of investors in Europe, in particular Germany and Switzerland, two countries that have a history of following Canadian juniors who have been in the position of having identified a resource to the point of putting it into production, a similar position to what Macmin is currently in.

“We are listed in Frankfurt, Berlin and Stuttgart and we have quite a following in Europe,” O’Neill said.

“A lot of the investors in Europe focus on new developers and new miners, as they have a fondness for precious metals, so we get a lot of interest out of that part of the world too because we focus on silver and we have a silver asset that we are developing.”

The silver asset Macmin is developing is its Twin Hills Mine at Texas in southern Queensland. Texas is about 400km southwest of Brisbane where the mining operation sits about 10km outside the town of about 1000 people, many of whom work at the mine.

The Texas district was a major mining district in southeast Queensland in the late 1800s where the Silver Spur mine produced approximately 100,000 tonnes of ore and recovered approximately 2 million ounces of silver. The Silver Spur Mining Lease is still considered to hold potential to yield further silver ore and/or zinc ore. Silver mineralisation was first drilled by CRA Exploration in the early 1980s at Twin Hills but at the time it was not considered to have sufficient size potential for mining. The style of silver mineralisation at Twin Hills was not recognised by earlier prospectors or explorers, which suggests that the entire Texas silver district could host several silver deposits similar to Twin Hills. Macmin commenced exploration in 1994 and defined further silver mineralisation of comparable grade to the CRA Exploration



*Electrowinning plant with cells for producing silver powder.*

intersection at both Twin Hills and Mt Gunyan.

In 1996-97, as a farm-out to Hunter Exploration, further mineralisation including grades of over 1000 grams per tonne silver were drilled. Macmin purchased Hunter's 50% equity in 1998 and funded pre-feasibility and feasibility studies, including extensive drilling, on the Twin Hills mineralisation that was completed in 2000.

Macmin has now commenced mining at Twin Hills and the final stages of commissioning are well underway, with the first silver being produced at the site at the end of March this year.

"The silver being produced at Twin Hills can then be sold on to end users or it could also be refined to produce silver bars," O'Neill said.

"Silver is a metal that has two focuses: it is an investment, similar to what gold is but it is also a major industrial metal these days, quite a significant percentage of it is actually consumed for industrial purposes.

"At the Twin Hills silver mine, we are targeting production of around 2.5 million ounces of silver per year with a cash operating cost of around \$A8 per ounce.

"The current silver price is around \$A16-\$A17 per ounce, so there is quite a healthy margin over our production costs."

The Twin Hills silver deposit is a disseminated silver deposit, which means the silver is scattered throughout the rocks providing envelopes of progressively lower grade mineralisation surrounding the higher grade areas.

This mineralisation is very promising for Macmin, as it will enable it to extend the mine operation. As the silver price goes up, it allows the company to lower the cut-off grades that it utilises in the pit, which will therefore put more and more silver onto the heaps.

Macmin is currently in the process of ramping up the operation to get it up to an annualised production rate of about 2.5Moz of silver.

"We have four years of reserves, but these are inside a larger indicated resource, so we are very hopeful

that the mine life will be extended beyond the current four years,” O’Neill said.

“We also have a tremendously positive outlook for the silver price in the coming years.”

This outlook is well founded, given that worldwide inventories of silver, which were strong in the early part of the 1990s, have now been considerably run down through industry demand and the fact that very few new mines were brought into production in that period due to production costs being higher than the then low price of silver.

With inventories down to the vicinity of 200-300Moz, the price of silver has increased, stimulating production. Having a mine up and operating as the price of silver is in a positive motion places Macmin in an excellent position.

“We have a number of other silver prospects within 5-6km of the current Twin Hills mining lease, which have various levels of exploration targeted at them and they will be the source of further exploration over the next couple of years,” O’Neill said.

“One prospect that we have done a fair bit of work on is called Mt Gunyan and that is situated about 2km from Twin Hills.

“We have started a very active drilling program on that prospect this year in order to firm up our indicated resources with the aim that it would then support the Twin Hills operation with feed in three to four years time.

“Macmin is committed to searching for other potential silver resources throughout Queensland and to that end, in August 2006 we acquired 100% of two mining leases on the Tally Ho project, approximately 50km southwest of Mackay.

“We started drilling at Tally Ho last year and came up with some very exciting intersections of silver-zinc-copper. We are continuing to drill on the Tally Ho silver project with the aim of firming up the resource by the end of this year.

“Tally Ho is an exciting project in that we have silver values that are similar to that at Twin Hills. We have excellent zinc and copper credits, which basically indicate the metal value could be two to three times that of what we are finding at Twin Hills.”

Tally Ho is more than a follow-up project to the Texas area for Macmin. It is a genuine feature of an overall corporate strategy the company is now pursuing of looking for near-surface, open-cuttable silver resources that have proximity to current infrastructure.

Macmin is pursuing these projects as a long-term strategy for the company, as it feels that low cost operations based near infrastructure can then support lower metals prices than are present today.

“For those investors who focus on silver, we have the best exposure in Australia,” O’Neill said.

“Our corporate strategy is to put the mine at Twin Hills into production and we will then leverage that technical expertise to locate new silver provinces in Queensland.”

**RS**

macmin silver  
at a glance



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Market Capitalisation

\$159 million (at press time)

Major Shareholders [Annual Report 2006]

ANZ Nominees Limited  
Cash Income A/C 42.38%  
Westpac Custodian Nominees Ltd  
1.48%  
Bynoe Harbour Pearl Co Pty Ltd 1.36%  
HSBC Custody Nominees (Australia)  
Pty Ltd 1.25%