

3.4 Blackwater Gold Mine Exploration Project

Evaluation, Cover Sheet and Decision Form

Project:	Blackwater Gold Mine Exploration Project	FOR:	Approval
Applicant:	Tasman Mining Limited	PDU ID:	Commercial Information
Application type:	Main PGF	(A) Total Project Value:	\$ Commercial Information
Funding type:	Other	(B) PGF Funding Sought:	\$ Commercial Information
Entity Type:	Company	(C) PGF Funding Recommended:	\$15,000,000 (\$ Commercial Information)
Region:	West Coast	(D) Applicant Contribution:	\$ Commercial Information pledged
Tier:	2 - Sectors	(D/A) Co-contribution Rate:	Contribution = <input type="text"/> %
Sector:	Engineering		
Application summary:	<p>The project is to build a 3.3km twin decline tunnels at the former Blackwater gold mine site near Reefton on the West Coast, without encroaching on conservation land. Investigations conclude that there is likely to be at least 10 years of production life in the project. The implementation phase will employ <input type="text"/> people and <input type="text"/> people will be employed during full production. In recent years, the area has seen recent mine closures (including the OceaneaGold mine near Reefton), loss of jobs, and depopulation.</p> <p>Government funding is required for the development of the twin 3.3km decline from private land to the base of the former gold workings and completion of the drill programme to underpin a decision to mine. Private funding is difficult to raise and PGF funding will accelerate the project for the community, as well as lift confidence of private investors to back the project.</p>		

It is recommended that: this Application be supported by IAP

Support the PDU recommendation to Approve in principle \$15,000,00 (\$ Commercial Information) from the PGF fund towards the development of twin 3.3km declines to access gold bearing quartz and help inform a decision to go into production:

➤ Because:

- The project will create jobs per annum for the during the drilling phase the PGF is funding, and jobs per annum once it is in production, in a surge region.
- The project builds on a pre-existing mine operation with proven gold reserves and draws on the skills, experiences of local people and businesses. Based on cost forecasts by the applicant, it is likely that \$

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- [redacted] per annum will be spent in the region.
 - It is supported by Buller, Grey and Westland district councils, West Coast Regional Council, Development West Coast, and Ngati Waewae.
 - [redacted] Commercial Information [redacted]
 - The project is supported by the MBIE’s Energy, Resources and Markets team.
 - All consents are in place and drilling can begin once funding is secured.
- Subject to:
- Secured co-funding.
 - Commercial Information [redacted]
- Note:
- The applicant will be required in its procurement considers the social, economic, cultural and environmental outcomes to achieve by incorporating government’s broader outcome procurement objectives where possible.

Section A: Triage – Assessment against PGF eligibility criteria

Is the project:

➤ an illegal activity?	No
➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No
➤ seeking 100% funding?	No
➤ no Resource Consent	No
➤ funding required for Feasibility Studies	No
➤ project will not be underway before next election	No

Application description

Background

Blackwater Mine is located in the Buller District of the West Coast Region. This is an area with a rich history of gold mining, but which has seen a decline with a corresponding economic decline and depopulation.

The history of the Blackwater Gold Project dates back to 1905 when the main “Birthday Reef” was discovered by a small prospecting group. Mining is said to have commenced shortly afterwards in 1906 and the operation continued for 45 years up until 1951.

During this period the mine produced about 733,000 ounces of 21 tonnes of gold. It was worked from two shafts – the Blackwater Shaft and Prohibition Shaft – and mined to a depth of 800 metres across 16 levels.

The mine was still operating in profitable ore when the collapse of the Blackwater Shaft resulted in the closure of the operation. It is still considered one of the richest and most consistent gold reefs discovered anywhere in the world.

The Blackwater Mine proposal

The proposal is for Tasman Mining to construct a decline to improve geological and geotechnical confidence in the bearing of the gold reef. There is a demonstrated continuity of gold mineralisation at the mine site that could support investment of \$^{Commercial Information} in the region and creation of close to \$^{Commercial Information} in export revenue over the ^{Commer} mine life. The ^{Co mercial I} production life of the mine is considered conservative, with the likelihood that the mine could continue production beyond this period. Tasman Mining has been granted a permit to mine gold and silver from the site for a ^{Commercial Information} period.

The project proposed to be specifically funded by the PGF involves development of a 3.3km underground twin decline from private land to the base of historical workings. The previous Blackwater Mine closed in 1951 after a fault caused damage to the mine shaft, not because of the exhaustion of resource. It will also see establishment of drill chambers and drives, and completion of a drill program.

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Two parallel tunnels giving access to the top of the ore body that is the focus for the project and below the known workings of the old mine.

The number of jobs for the PGF funded phase related to the development of the declines is ^{Comm} jobs, with a further ^{Commerc} jobs once full production is implemented (likely to be ^{Commercial Info}). It is likely that local suppliers and other businesses will see increased activity from the mine and the jobs it brings to the area, which has suffered from job losses and depopulation following recent mine closures.

Construction is expected to take ^{Commercial Information} to a total decline of 3300 metres, or 7500 metres of actual tunnel (accounting for both declines, regular connections between tunnels at intervals and first exploration drive). The two tunnel system will allow a main access tunnel and a return airway tunnel to ventilate the mine and provide emergency egress. These tunnels will comply with Health and Safety requirements for primary ventilation and secondary means of egress (see below for more information pertaining to safety). OceaneaGold currently operate two underground gold mines at Macraes (Otago) and Waihi (Waikato)

Tasman Mining Limited

Tasman Mining has been set up purposely to take forward the Blackwater Mine project ^{Commercial Information}

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Tasman Mining have used seed funding to complete the initial site works and infrastructure, complete the tender process for decline works, and to begin raising funding for the decline.

Mining permits and resource consents have been obtained.

Overseas Investment Office issues

Tasman Mining is considered an “overseas person” under the Overseas Investment Act 2005. Commercial Information the PGF asked for confirmation of whether Overseas Investment Office (OIO) approval was necessary for the access arrangement.

Tasman Mining has approached the OIO to discuss Blackwater and outline the issue. Their response was that access arrangements aren’t interests in land and wouldn’t require consent from the OIO.

Environmental management and safety

Tasman Mining are proposing to adhere to environmentally sustainable mining practices (outlined in further detail below). This includes careful and responsible water management, management of tailings, removing and filtering out of harmful chemicals and the use of underground backfilling. The project will not encroach on Department of Conservation (DoC) land (access to the mine will be from private land owned by Commercial Information

The proposed design of the mine and drifts meets the requirements set out in the Mining Operations and Quarrying Operations Regulations 2016. Tasman Mining will be appointing safety critical roles as stipulated within these regulations. The current management team of Tasman Mining Ltd has extensive health and safety management and sound knowledge of the gold mining industry.

Worker Health is a key focus for WorkSafe. Tasman mining is investigating the use of battery powered equipment which eliminate the use of Diesel Powered equipment underground. This technology is currently in use in mining operations. Developed by Epiroc (Atlas Copco). A full battery fleet is currently in operation at Eagle Kittii Mine in Finland.

WorkSafe are confident that Tasman Mining will meet the regulatory and Health and safety requirements throughout the project.

Co-Funding Table

Co-Funder	Status	\$ Commercial Information
Commercial Information	Pledged	\$ Commercial Information
Total		\$ Commercial Information

Overseas Investment Office

- Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) Yes

Section B: Operational Assessment Criteria (Complete for Eols and Applications)

(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)

Fund and government outcomes

Please highlight number below

Would the project:

<p>➤ create permanent jobs?</p>	<p>The number of jobs created directly through proposed PGF funding is [redacted] for the [redacted] drilling project. If this leads to full production of the mine (proposed to be [redacted] underpinned by existing research and industry knowledge, there would be [redacted] direct jobs. The roles are primarily across management, technical, maintenance and operations functions.</p> <p>Additionally, indirect jobs are likely through the drilling and production phases, which will require services and equipment supplied by local businesses.</p> <p>If the mining goes ahead it is proposed to develop tourism opportunities that build on the gold mining heritage of the area.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ deliver community benefits?</p>	<p>Free and frank opinions [redacted]</p> <p>There will also be local training opportunities through the presence of the mine and support for local suppliers and other businesses.</p> <p>There will also be opportunities to develop tourism projects linked to the gold mining history of the area in conjunction with the project.</p> <p>The average income level for jobs created by the project will be around \$ [redacted]</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ increase utilisation of and returns on Maori assets?</p>	<p>Ngati Waewae supports the project.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ enhance the sustainability of natural assets?</p>	<p>Tasman Mining has developed an approach to create an environmentally sustainable project, as follows:</p> <ul style="list-style-type: none"> • All mine and process water will be reused and/or neutralise and filtered. • Waste rock and dry tailings will be placed underground as backfill or stored in engineered and stable dumps on the surface. They will also be inert and no chemicals will remain as a waste product. • Electric and battery powered mobile machinery will be used in place of diesel equipment. • Cyanide will be destroyed and all sulphide tailings stored underground as backfill. 	<p>N/A 1 2 3 4 5</p>

	<ul style="list-style-type: none"> • One of the important aspects of the project is the twin decline, which is proposed as a more environmentally sustainable option than continuing to drill from above. • The project does not disturb DOC owned land, with the surface infrastructure being on privately owned land and all mining operations being 700 metres below ground level. • The twin tunnels remove the need for ventilation shafts, allowing for sufficient ventilation and no disturbance of DoC owned land. • Overall, there will be a maximum area of 60 hectares of land disturbance. • Upon cessation of mining, the mine will be rehabilitated and made ready for forestation and grazing. 	
<p>➤ mitigate climate change effects, or assist with the lowering of emissions?</p>	<p>N/A</p>	<p>N/A 1 2 3 4 5</p>
<p>Additionality</p>		
<p>Would the project:</p>		
<p>➤ add value by building on what is already there, without duplicating effort?</p>	<p>The project seeks to redevelop the former Blackwater Mine which operated from 1908-1951, with a completely new mine below the old one. The previous mine working was abandoned following damage sustained to the mine shaft after an accident in 1951.</p> <p>If the decision to mine is positive the ^{Commercial} new jobs over a ^{Commercial Informa} period would enhance economic and social benefits in the local community and region, bolstering local suppliers and other businesses, and helping to deliver the aspirational economic and social targets of the West Coast Development Plan. It also builds on the mining history and expertise in the region.</p> <p>Tasman Mining will continue investing in further exploration in the immediate vicinity of the Birthday reef (where Blackwater Mine is located), starting at about \$ ^{Commercial Informatio} per annum and increasing as discoveries are made.</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ be a catalyst for productivity potential in the region?</p>	<p>Investment will drive further private investment and interest in the region, increasing growth opportunities, acting as a catalyst for increased productivity in the region through bringing more skilled people and commercial activity into the region. Reefton’s tourism offering is centred around its mining history, and the project will add to this story.</p>	<p>N/A 1 2 3 4 5</p>

Connected to regional stakeholders and frameworks		
Does the project:		
➤ align with regional priorities, such as frameworks, or regional plans?	The project aligns with both the Tai Poutini West Coast Economic Development Strategy and West Coast Minerals Strategy and aims to work within and support the Buller District plan and West Coast Regional Land and Water Plan.	N/A 1 2 3 4 5
➤ have the support of local governance groups (councils, iwi and hapu)?	<p>The project has the support of Buller District Council, West Coast Regional Council, Grey District Council, Westland District Council, Development West Coast, and Ngati Waewae (Arahura Holding Ltd). Letters of support are attached. Withheld - Commercial Information</p> <p>The Councils and Development West Coast consider that the project would have a significant flow on effect in the local economy and for the local community.</p>	N/A 1 2 3 4 5
Governance, risk and project execution		
Does the application show:		
➤ robust project management and governance systems?	<p>Tasman Mining has key personnel with relevant experience in mining operations in leading New Zealand and international mining companies.</p> <p>Governance arrangements do not appear to be advanced, but the experience the company and key personal have indicates it is likely to have a robust management and governance structure in place. They are adaptable to structuring in a way that meets government reporting requirements and regular updates and discussions with key stakeholders.</p> <p style="text-align: center;">Commercial Information</p>	N/A 1 2 3 4 5
➤ plans for future ownership and operational management?	<p>Tasman Mining is a new company focused around delivering the Blackwater Mine project, a ten year project.</p> <p>The company is seeking investors in addition to government funding through the PGF, Commercial Information</p>	N/A 1 2 3 4 5
➤ how the project will be delivered and	A milestone approach to releasing funding for the project has	N/A 1 2 3 4 5

<p>managed?</p>	<p>been proposed.</p> <p>It is proposed to have a government presence in setting the criteria, and a government role within the ongoing governance structure to provide further oversight for the investment.</p> <p>Procurement is focused on using regional businesses and employing local people as much as possible.</p>	
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Section C: Risk Management Evaluation

<p>Does this application demonstrate consideration of the following risks?</p>			<p>Yes</p>
<p>Type of risk</p>	<p>Risk description</p>	<p>Mitigations</p>	<p>Risk Rating</p>
<p><input checked="" type="checkbox"/> Project risk</p>	<p>Is the project feasible? Can it be delivered on time, on budget and to specification?</p>	<p>Proactive discussions and supporting data to ensure the local workforce has the necessary skills in time for the project.</p>	<p>Low</p>
<p><input checked="" type="checkbox"/> Project Risk</p>	<p>Go/No Go decision on completion of the inclines could put the equity stake at risk.</p>	<p>Expertise involved to-date; historical data and PEA indicate that the resource is likely to be present to lead to production.</p> <p>Commercial Information [Redacted]</p>	<p>Low</p>
<p><input checked="" type="checkbox"/> Operational risk</p>	<p>Will the project or asset operate to specification, to budget, and achieve the forecast revenue?</p> <p>Mine safety</p>	<p>The project deliverable of building the decline and quantifying the opportunity is, relative to such projects, simple and being overseen by experienced professionals from the mining sector. Expectations related to progress and cost has been set accordingly, and an appropriate contingency put in place.</p> <p>MBIE Energy Resources & Markets advise that the</p>	<p>Low</p>

project plans and processes meet all safety requirements

Section D: Funding and financial analysis

Please highlight number

below

Does the application show:

➤ How strong is the financial position of the applicant organisation?

Tasman Mining has total assets of \$^{Commercial Information} as at 31 August 2019. With current liabilities totalling \$^{Commercial Information} it leaves a total equity of \$^{Commercial Information}

^{Commercial Information}

^{Commercial Information}

In principle PGF funding ^{Commercial Information} would give private investors the confidence to invest in the Blackwater Mine project, thus making the release of PGF funding viable.

N/A 1 2 3 4 5

➤ How does the scale of the project compare to their overall business?

Tasman Mining was founded specifically to carry out the Blackwater project. ^{Commercial Information}

^{Commercial Information}

N/A 1 2 3 4 5

➤ Why is Crown funding being sought rather than commercially-available funding?

^{Commercial Information} Government investment will provide confidence for further private investment. It also allows for greater returns for the Government as an investor, potentially further building on the economic returns for the region.

N/A 1 2 3 4 5

➤ What does the independent financial analysis/business case indicate?

A preliminary economic assessment (PEA) was undertaken by ^{Commercial Information} This inferred that the mineral resource is sufficient to deliver a ^{Commercial Information} mine life after ^{Commercial Information} of pre-production, achieving gold recovery of ^{Commercial Information}. Tasman Mining have confidence that this analysis, coupled with the information known about the historical mine located directly

N/A 1 2 3 4 5

	<p>above the inferred resources, shows that the project is technically and economically feasible.</p> <p>MBIE Energy Resources & Markets have confirmed that this PEA, whilst indicating an inferred resource, nevertheless provides a robust indication of the likely resource available and economic and technical viability of the project. The permit granted to Tasman Mining was made on the basis of this inferred resource.</p> <p>Additionally, the following experts in the mining sector have verified the project:</p> <p>Commercial Information</p>	
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>Tasman Mining requested \$Commercial Information. We propose that the following PGF funding model be applied to the application:</p> <ul style="list-style-type: none"> \$15 million total with: Commercial Information <p>It is proposed that this funding would be agreed in principle and made available contingent on certain conditions being met, Commercial Information</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>The PEA identified that there are readily available markets for the production output. Gold markets are considered mature, and can handle variation in the gold price relative to the Commercial Information trailing average.</p> <p>Commercial Information</p>	<p>N/A 1 2 3 4 5</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>Commercial Information</p> <p>Procurement will have a focus on utilising local businesses as much as possible (OceaneaGold only recently closed their Reefton mine to the north) and a strategy to ensure locals are trained and employed as much as possible will be put in place.</p>	<p>N/A 1 2 3 4 5</p>
<p>Summary of funding and financial analysis:</p>	<p>The case for the project, both in terms of its need and the environment to support it, as well as meeting PGF objectives, is in our view, established. This has been independently verified by the PEA, experts in the mining sector, and MBIE Energy and Resource Markets. We have also viewed Tasman Mining’s financial position and consider it solid. The low level of assets means that an agreement to fund should be made in principle, Commercial Information</p>	<p>N/A 1 2 3 4 5</p>

	<p>Commercial Information the experience involved in the project, provides confidence in the ability of Tasman Mining to scale up the operation.</p>	
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Funding arrangements

The project has the flexibility to adopt a milestone payment plan, with funding released at agreed reporting and deliverables.

Proposed Term Sheet Summary (noting full term sheet will be developed post decision)

\$ Commercial Information
 \$ Commercial Information

Consultation from partner agencies undertaken or implications

MBIE Energy Resource Markets supports the application on the basis that evidence for an inferred resource is strong, and the management of Tasman Mining has suitable experience in the sector, Commercial Information

MFAT will be engaged on any trade policy matters.

Conflicts of interest and T&Cs

Initial due diligence undertaken and no matters of concern or conflicts of interest identified.

Summary statement of Peer Review undertaken

The following Peer Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A peer review by an Investment Director has taken place and included the following to the satisfaction of the peer reviewer:
 - a. An evaluation against the PGF criteria;
 - b. Financial analysis;
 - c. A risk assessment, highlighting any relevant or key risks;
 - d. Conflicts of interest have been noted and accepted and the peer reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Peer Review has been completed

Yes

Supporting proposal:

Yes

Appendices:

Yes – Applications and supporting letters are as annexes [Withheld - Commercial Information](#)

Author of paper:

JH, Senior Policy Adviser, AM, Investment Director, PDU Investment Team