

Kincora Copper rolls over Origo debt, eyes new transactions

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Kincora Copper has rolled over its debt to major shareholder Origo

It's taken a while, but Kincora Copper (CVE:KCC) has at last managed to roll over the C\$2.5mln convertible note that had been due for repayment in July of this year.

C\$2.5mln is no mean sum for a junior exploration company with no production to pull together in a hostile market like this, and investors weren't unduly surprised when Kincora announced towards the end of July that the debt would be issued in shares rather than cash.

Negotiations about the precise form that deal would take rumbled on into the northern hemisphere autumn, with Kincora stating in an August corporate update that discussions with Origo, the holder of the loan note, were continuing.

For many small companies the spectre of a C\$2.5mln debt looming over them with ever greater intensity when equity finance is sparse indeed might have seemed alarming.

Kincora's case was slightly different.

The debt is owed to Origo Partners (LON:OPP), a closed-ended investment fund based out of London, and whom Kincora has described all along as "very supportive."

It helps that Origo doesn't just hold Kincora debt, but is also a major shareholder too.

Under those circumstances although the debt repayment is important, it isn't Origo's over-riding concern – that still remains the success of the company.

Nonetheless, a deal has to be right for both parties and although there was willingness for a discussion of full conversion earlier in the summer, Origo and Kincora have instead now opted for a roll-over of the debt until October of next year, with the added benefit to Origo of an 8.7% coupon and its choice of payment in either cash or shares.

Origo will also retain the right to convert in the event that Kincora undertakes an equity placing of more than C\$500,000, and on equal terms.

The deal frees up Kincora to focus more fully on its Mongolian copper tenements, the Bronze Fox project and the Tourmaline Hill project.

With the debt issue unresolved and the equity markets uncertain the company has understandably been reluctant to commit to any major drill campaign in the current season, but sampling and mapping work remains ongoing with a view to the clearer definition of drill targets for future campaigns.

There's also the possibility that Kincora could look up now, as chief executive Sam Spring stated earlier today.

“The replacement note reiterates Origo’s backing of management and Kincora’s strategy which includes continued work on our existing prospects, potentially expanding our footprint and pursuing more advanced opportunities that would not otherwise be available at other points of the commodity cycle,” he said.

Origo said something similar in its most recent update to market, noting that Kincora “is assessing a range of corporate transactions.”

What these might be remains to be seen, but as a former mining analyst Spring is no stranger to running the rule over new mining projects.

Kincora isn't Origo's only investment in Mongolia, so it mightn't be too surprising if a deal was sought and eventually done in-country. But we shall wait and see.

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