

Coro Mining: Proving to be “one of the best” in the copper class

For any parent whose children have become aficionados of McDonald’s Happy Meals the words “collect the set” bring on a feeling of dread. However looking at Coro Mining Corp. (TSX: COP) the effect is opposite. Here is a company that rebounded from a bad experience in Argentina by “collecting the set” of bits and bobs in the Chilean copper sphere to create a rising copper producer, essentially on a shoestring in a dire market. As a result it now has a smartly rising output in a very much healthier copper market and has a major financial backer that lets it get on with it.

By “collecting the set” we mean Coro’s ability to acquire previously mined resources in Chile and snap up redundant processing kit then put these together and reach production. It has done this once with Berta, and is now on the second go around with Marimaca.

The Market Awakes

In May of 2016 this little-known Chilean copper wannabe, with its Berta project, started moving suddenly skywards when the market suddenly awoke to the possibilities and the reality of production and boosted the stock, in mid-April, by over 300% in a matter of days.



The micro-mining focus at Coro meshes with our belief that small is beautiful and cheap is not a pejorative. Initially the company came to our attention in 2015 due to its SCM Berta project (65% held with the balance held by a Chilean engineering group, ProPipe) and the associated remediation and

refurbishment of the Nora SXEW plant, located 5kms north of the town of Diego de Almagro in the III Region of Chile.



SCMB – the Foundation Stone

SCMB (Sociedad Contractual Minera Berta S.A.) owns the Berta copper deposit, the Nora SXEW processing plant, and has an option to acquire 100% of the nearby Salvadora exploration project. The Nora facility was acquired in September 2014 from the receivers of the previous owners for approximately US\$3.3mn. The remediation was required to lift the Nora plant suspension order.

Since early 2016, the Nora plant has been treating material from a variety of dumps from the surrounding district, but as of August, it has been exclusively processing material derived from test mining of high grade material selectively mined from shallow pits at the Berta deposit itself. As such, the operation has not yet reached commercial production, with delays in receiving operating permits for the Berta site contributing to its inability to do so. These are finally expected to be received early in Q1 2017 and SCMB will now proceed to install crushing and leaching facilities at the Berta site. This will enable concentrated pregnant leach solution (“PLS”) to be trucked to Nora which will be expanded to 5,000 tpa cathode capacity. The installation should be completed by March 2017.

The Berta PEA

SCMB completed a PEA on the Berta Deposit as an open-pit mine in June 2015 and planned to truck high-grade material from Berta to Nora for the first eleven months of operation. Concurrently, the Nora plant capacity is being expanded from 3,000 tpa to 5,000 tpa of copper cathode and a crushing circuit, agglomerator and leach pads are being installed at

Berta with transport of PLS, water and raffinate between Berta and Nora via a pipeline.

The Updated PEA was announced in mid-June 2015 and the estimated resource was:

- In-pit Measured and Indicated Resources of 17.6mn tonnes at 0.37%CuT at a cutoff grade of 0.1%CuT
- Measured Resources 14.1mn tonnes at 0.38% CuT
- Indicated Resources 3.5mn tonnes at 0.29% Cut

Elaborating further it said that there was:

- High-grade trucking material 0.4mn tonnes @ 0.83% CuT for 2.7k tonnes of copper cathode production
- Heap leach material 6.8mn tonnes @ 0.56%CuT for 29.5k tonnes copper cathode production
- Dump leach material 5.9mn tonnes @ 0.20%CuT for 5.3k tonnes of copper cathode production
- Total copper production of 37.8k tonnes of copper cathode production
- Waste of 5.3mn tonnes
- Life of mine strip ratio of 0.54:1
- Mine Life of 8 years

Berta is nobody's idea of a super-pit. It is a throwback to the times when mines were smaller and made money. The management team is following all the steps that miners did in that by-gone age. There is no real reason why it should not work again in current times.

Production Ramp-up

In the trailing twelve months SCMB has produced 1,349 tonnes of copper cathode and has not yet classified this as commercial production. The current capacity of the plant is around 250 tpm, but it has only been operating at around 52% due to start up and commissioning activities in Q1 2016 and less than expected production from non-Berta dump material in

Q2 2016 due to recovery issues. The Nora plant has not yet met break-even thresholds, but this improved in Q3 2016 when SCMB shifted to production from Berta material.



The expansion of the Nora plant from 3,000 to 5,000 tpa of copper cathode is substantially complete and the Coro's management decided to accelerate the installation of the Berta leach pads and crusher in order to capitalize on the currently favourable capital cost environment and to reduce the operating costs of processing Berta materials.

Production increased 13% from the second quarter to ~65% of design capacity, helped by processing predominantly Berta ore rather than third party ore. With the installation of leach facilities at Berta, which is planned for completion by March, the company should be able to declare commercial production and ramp up to its design capacity of ~400 tpm.

The goal while copper prices were languishing was to reduce opex. It should be remembered that the copper price pick-up is largely a Q4 phenomenon. The weak copper price in most of 2016 was offset by declining oil and acid prices and the favourable Chilean peso exchange rate movements. The company has been helped in reducing capex by the enhanced equipment availability and lower pricing caused by a near cessation of new mining projects in Chile and elsewhere.

Drilling has further defined the higher grade cores of the Berta Sur and Central deposits as highlighted by oxide intersections of 56m @ 0.73%CuT from surface in BD-02 and 60m @ 1.09%CuT from 10m depth in BD-05, respectively. It will be interesting to see how this pit and mine develop as mining progresses.



Marimaca – Hot on the Heels of Berta

Coro is earning a 75% interest in the Marimaca project located 22km E of the port of Mejillones in the II Region of Chile. This project is essentially a repeat of the experience at Berta. Buy a past producing mine and acquire some recently used equipment and bolt together a production plan.

The Marimaca deposit is hosted by Jurassic age coarse grained dioritic rocks. Primary mineralization at Marimaca consists of hairline to centimetric veinlets of chalcopyrite-magnetite with accompanying strong potassic alteration; very little disseminated sulphides have been noted. Subsequent deep oxidation and remobilization has taken place and the deposit is now an oxidised enrichment blanket with the distribution and grade of copper mineralization controlled by fracture density.

The Marimaca Deal

Coro has the right to earn a 75% interest in the property as follows;

- 51% interest earned in Marimaca with a \$125k payment together with completion of a NI43-101 resource estimate and engineering study that demonstrates the technical and economic feasibility of producing a minimum of 1.5k tpa Cu cathode by August 6th 2018 at Coro's cost
- Additional 24% interest in Marimaca earned by Coro upon obtaining financing for the project construction
- The owner's interest will comprise a 15% interest free carry to commencement of commercial production and a 10% participating interest subject to dilution. The owners at their election may request Coro to loan them the equity portion corresponding to their 10% interest, if any, recoverable by Coro from 100% of the project's free cash flow after debt repayments

The Strategy

At Marimaca the strategy is to use a second-hand SXEW plant to

kickstart production. The initial Marimaca NI43-101 resource estimate is being completed by NCL Ingenieria y Construccion SA in Santiago and is expected to be released in January 2017.

To this end, in August 2016 Coro signed a non-binding Letter of Intent to acquire Minera Rayrock Ltda from the Peruvian miner, Minera Milpo. Rayrock is the owner of the Ivan SXEW plant (pictured below) located around 18km to the south of Marimaca. This plant has installed capacity of 12k tpa copper cathode and operated from 1995 until 2012, but this is now on care & maintenance. The transaction also brought along the associated water rights and environmental and operating permits, some of which require updating.



The Rayrock Deal

The total purchase price is \$6.5m of which \$0.25m was paid to ensure exclusivity. Coro has now completed its due diligence on Rayrock and anticipates closing the transaction in the near future.

The Rayrock deal also brings along the 38,283 hectares of mineral claims that it owns. Milpo retains a 2% NSR on all production from the Rayrock mineral claims. Coro may acquire half the NSR for US\$2mn at any time and will have a right of first refusal over the NSR.

Ownership

Coro is 54% held by Greenstone Resources, a friendly private equity group investing in companies with small to medium sized projects approaching production. They have been immensely supportive of strategy and advancing funds for the company to move ahead when bargain buys have become available.

Conclusion

It is still early days at Coro but the product is flowing and it's already putting together the components of project number two and beyond. Fortunately the copper price is coming to the party as well. We can see the copper price breaking through the \$3 per lb level in 2017 though would be dubious of it sustaining a move beyond \$3.50. In any of those circumstances Coro is a winner.

Coro also benefits from scarcity value with the potential access to Chilean copper mining in smaller scale names being really only Coro and Amerigo Resources (which reprocesses tailings exclusively). In an age of copper giants (most of which are not adding capacity) the copper producing junior is a rare beast.

Despite the ravings of gold bulls promoting their favorite moose pasture do-nothing junior, this market is still intensely focused on production, production, production. Added to that copper has become sexy again due to its virtues as an Infrastructure Metal in the Age of Trump. Coro scores on both of those fronts with an over-arching parsimony in its project acquisitions and development which is always admirable in our estimation.

In the age of the microminers, Coro is proving itself to be one of the Best in Class.