

Latin American Miners – A Tale of Two Listings

It's now nearly twenty years since, when living and operating as a stockbroker in Buenos Aires, I tried to convince the late, lamented Minera Andes to list itself on the Argentine stock exchange and diversify its investor base to include emerging market players rather than just mining investors.

Since that time, the only development that has managed to tempt anglophone mining managements out of their comfort zone was the launch of the Lima Venture Exchange, which is an offshoot of Peru's principal trading platform the Lima Bolsa. The Lima Venture appears to have gone somewhat by the wayside and been merged into the main listings of miners. This would make sense as some of the companies listed are veteran producers rather than "venture" in any way. Southern Copper is an NYSE-listed company that is enormous.



The latest initiative of the traditionally parochial stock exchanges in the region is the grouping of Colombia, Mexico and Peru through the Latin American Integrated Market (MILA), a program that integrates the capital markets of these countries, providing for cross-listings and more harmonized settlement procedures. The goal here is not necessarily to attract non-Latin listings but to encourage investment across borders by Latin investors in Latin stocks. However, it's obvious that a corollary of this is that foreign miners that get listed on one of these exchanges then get to access an investor base that encompasses all the member markets.

Noticeably the Brazilians have remained aloof and the BOVESPA is one of the continent's biggest disappointments at cultivating mining listings. Then there is Argentina which as

I know from experience, up close and personal, has a Mercado de Valores with zero vision and an aloofness that had it scorn an alliance with the Swiss Stock Exchange several years back!

In March 2014, TSXV and the Santiago Stock Exchange entered into an agreement to create a streamlined dual listing process to provide companies with access to public venture capital markets in both Chile and Canada. Under this agreement, companies listed on TSXV may choose to list on the new market without incurring any additional listing costs or regulatory burden. SSEV interest in this agreement arises from its desire to get involved in capital formation for small and medium enterprises in the mining sector.

Southern Silver Exploration Corporation (TSX.V:SSV)

It was with some surprise that we saw that Southern Silver had listed its shares for trading on the Santiago Stock Exchange with the ticker: SSVCL. The company is a precious and base metal exploration and development company with a focus on mineral deposits in north-central Mexico and the southern USA. Its main properties are the Cerro Las Minitas silver-lead-zinc project located in Durango, Mexico and the Oro porphyry copper-gold project located in southern New Mexico, USA. The intriguing thing here is that the company is listing in a country where it does NOT have its main properties. Clearly the temptation is the vast horde of cash the Chilean pension funds (the AFPs) have and for which the AFPs have scant choice now that they have bought up most of the float of listed companies on the Santiago Bolsa.

The company's logic is that a dual listing on the Chilean market will allow it to connect to the markets that make up the Latin American Integrated Market (MILA). It hopes the new listing will give a higher profile in regional capital markets to its flagship project, the gold, silver and polymetallic Cerro Las Minitas mineral property located in Durango, Mexico where initial results from an on-going +10,000 metre core

drilling program, has identified a new high-grade gold, silver discovery and extended previously known mineralized zones.

It is interesting to note here that we have urged companies to “go local” but in this case the Canadian company is listing in a country which is far from Mexico where its main focus lies. This might imply that it is using the TSXV deal with the Santiago Exchange, to get access to MILA, with the real goal being more action in its shares on the Mexican Bolsa. Then again, maybe we are attributing the company with too much cunning!

And Minera IRL....

It is now over half-a decade since we last covered Minera IRL. This primarily AIM-listed entity (MIRL.L & TSX:IRL) was a pioneer in pushing onto the trading lists of the nascent Lima Venture Exchange and we trumpeted it as a test-case of what could happen. At many points the volume in Lima was greater than in its home market and Lima became the “tail that wagged the dog”.

The company operates the Corihuarmi Gold Mine in the high Andes of central Peru, which has been in continuous production since the first quarter of 2008. There is an active exploration ongoing that is intended to extend the life of the mine.

It now however styles the Ollachea project as its flagship property. This is an advanced gold development project located in southern Peru. An Optimization Study of the 2012 Definitive Feasibility Study was completed in the second quarter of 2014 which worked on the premise of a viable underground mining operation. Minera IRL has been granted all of the significant environment, social and construction approval needed to build the Ollachea Gold Mine.



Then things started going wrong. In May, the company's respected founder and boss, Courtney Chamberlain died and the company installed an executive chairman, Daryl Hodges, and an interim chief executive, Diego Benavides.

Shortly after, Hodges gave a speech regarding Ollachea that the Peruvian locals did not like and the community turned against the company and blocked the mine.

Hodges was then ousted as chairman by shareholders.

London's Evening Standard recently reported that allegations of impropriety about Benavides had led to an internal investigation and the company is now has now begun dismissing him. Apparently, the company has admitted that this process may take several months under local law as it fights to regain control of its Peruvian subsidiaries.

The company requested a suspended of its shares on the 21st of September and has filed a criminal complaint against Benavides in Peru. He promptly turned around and sued his former board colleagues. Then the CFO, Brad Boland resigned on the 1st of October.

This is a sorry tale indeed. It appears like someone is needed to ride to the rescue and start knocking heads together. Not exactly the most shining example any more of secondary listings but then again we cannot blame the Lima Bolsa for the can of worms this story has turned into!

Conclusion

There is no universal panacea to what ails the mining space at the current time but it is interesting to note that not all companies are deer in the headlights and are exploring ideas outside the box. Thus far only secondary listings in Peru have gained traction, but now Chile has been added to the mix and the new regional marketplace place, resulting from the MILA

initiative, should be a temptation to the many Canadian miners with Mexican projects to up their local exposure and tap the large pools of capital in the hands of individual investors “down south”.

We suspect that as metals prices recover and financing improves in other markets, Canadian miners will find that Toronto/Vancouver are still shallow ponds and then the attractions of secondary listings (or shifting main listings) in London, Latin America or even Frankfurt will start to exert a siren call upon miners looking to escape the cycle of financing misery they have been in since 2011.