



# Low-risk development meets exploration upside

Marimaca's namesake project in Chile is reducing risk and growing the opportunity

**M**arimaca Copper (TSX:MARI / ASX:MC2) delighted shareholders recently with more market-moving news from its growing land position adjacent to its namesake copper development in Chile's prolific Antofagasta region.

The latest results come from a five-hole step-out reconnaissance campaign to test the outer limits of what is shaping up as a broad mineralised horizon across the Sierra de Medina project area. Best results included 32m grading 0.81% Cu from 470m, and 10m grading 1.17% Cu from 482m within mineralised intercepts of around 50m.

In a developing hypothesis, Sierra de Medina, some 25km from the flagship Marimaca Oxide Deposit (MOD) development project,

represents a large manto system, with both near-surface oxides and deeper sulphide potential, similar to Capstone Copper's (TSX:CS) nearby Mantos Blancos operation, which has been pumping out metal since 1960, or Antofagasta's (LSE:ANTO) 250 million tonne (grading 1.26% Cu) Cachorro discovery. While the near-surface oxides at Pampa Medina are already accretive, the deeper sulphide horizon presents a transformational growth opportunity.

Marimaca bought the Pampa Medina and Madrugador projects late last year, primarily to feed their respective oxide resources into the MOD development down the line. However, along with the recently defined Pampa West project area, and then Antofagasta's nearby Sierra Valenzuela project, Marimaca's exploration team has





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Marimaca Copper president and chief executive – Hayden Locke

been able to aggregate a regional data set for the first time to establish a 5km by 4km mineralised envelope over the Sierra de Medina area.

“This is pretty common in exploration – major regional systems broken up between various groups,” various groups,” Marimaca chief executive Hayden Locke explained. “When you get a chance to bring these packages together you grab it because you’re hoping, but not expecting, something like what we’ve revealed across Sierra de Medina takes shape.

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The market agreed, adding over 10% to the share price of the company in the days following the announcement. More is likely to follow as Marimaca continues to invest to find a second, and materially larger, copper deposit than its flagship development.

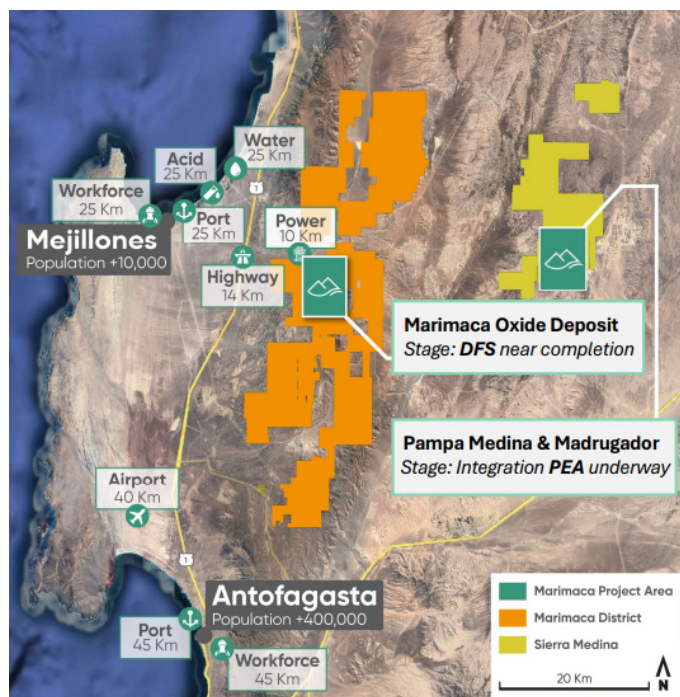
It’s just the latest uptick in value for Marimaca, which has spent the past 12 months de-risking its development story through permitting milestones, technical progress on the definitive feasibility study, and a broadening of the delivery team; alongside the regional consolidation that has led to its emerging exploration play.

Over that period, the market has rewarded Locke and his team’s efforts with a 50% share-price improvement.

#### **Still a low-risk copper story, for now**

One of the other outcomes delivered by the step-out campaign, and strategically important for the development story, was the improved understanding of the Pampa Norte extension area identified late last year, which is shaping as a potential source of additional leachable oxide to feed the MOD development.

It would add to other likely satellite oxide deposits at Pampa Medina, Madrugador, and a handful near-mine.



Additional resources from Madrugador and Pampa Medina will complement oxide resources already known to inject upside to MOD in the future.



Management is planning to release a DFS that can incorporate additional resources in the future.

These will change the MOD economics in the medium term, even if they don't factor into a reshaped DFS.

When Marimaca announced the completion of the Pampa Medina acquisition alone, back-of-the envelope calculations suggested a potential expansion from a 50,000 tonne per annum cathode operation as defined by a 2020 preliminary economic assessment to some 75,000tpa based on the additional 40 million tonnes (>0.7% Cu) of indicated and inferred resources. Madrugador has some 13.5Mt at more than 0.65% Cu.

Marimaca appointed Stantec to run a separate PEA on the integration of oxide resources from Pampa Medina into the MOD development. Detailed analysis to tie in other known oxide satellites will be a three-year process.

Marimaca management sees no need to wait on those studies and is rather looking to get copper from the MOD project into the market as fast as pragmatically possible.

That means work on the DFS will be simply updated to ensure processing infrastructure can easily take additional

future feed. That document is expected to be published towards the middle of this year.

It is not difficult to imagine what the DFS will look like based on the PEA, which outlined a 12-year operation with all-in sustaining costs of US\$1.29/lb based on an open-pit mine extracting leachable ore for a conventional SX-EW processing circuit. The up-front cost to build the mine was scoped at US\$285 million.

That operation would have an NPV (8%) of US\$524 million and an IRR of 33.5% using a US\$3.15/lb copper price.

A flood of water has passed under the bridge since the PEA was published. Inflation has meant the capex is now likely to land above the US\$500 million mark, with operating costs also needing an upward adjustment.

However, on the other side of the ledger, the copper price has moved significantly in Marimaca's favour, and at time of writing was more than 50% more valuable at US\$4.75/lb. It's also worth noting the oxide resources from Pampa Medina are

higher grade and equally recoverable, implying their introduction will push down operating costs.

Detailed design and engineering then ordering long-lead items will follow the DFS ahead of construction in the second quarter of next year.

Financing will need to run in parallel and those conversations have started. Marimaca has meanwhile listed on the ASX, which should help improve liquidity and help to broaden the pool of capital available to them.

According to the latest quarterly, there is more than US\$14 million in the bank, which allows Marimaca to complete all current activities.

Permitting regularly plays the villain in mine development timelines, but the market has reason for confidence in the Marimaca delivery schedule.

The development was accepted into the Declaración de Impacto Ambiental (DIA) pathway in February. The DIA is the less onerous avenue toward an environmental permit available to projects with limited





▲ The exploration opportunity has been supported by an expanded exploration team.

environmental impact. Qualification reflects the realities of operating in the Atacama Desert, but also signifies Marimaca's efforts to build a mine of the future by, among other things, using recycled sea water, avoiding community land, and limiting the impact on flora and fauna.

Though Locke rightly stopped short of committing to a permitting timeline, he hoped to have an approved DIA in hand by Christmas.

#### **A tale of two opportunities**

Success on both the project development and greenfield exploration fronts has presented Locke and his team with a challenge: How to balance the disparate goals of preparing a project for construction and pursuing greenfield exploration glory.

Along with the technical and supporting white-collar positions Marimaca has added on the ground and in the office to keep up with advancing the MOD development, the exploration team has also evolved.

The geologists responsible for discovering and defining MOD, lead by vice president of exploration, Sergio Rivera, have been reallocated to wrap their arms around the potentially world-class Sierra de Medina manto project. Dedicated project geologists have been employed to complete necessary tasks for the MOD development.

"Sergio is a Rolls Royce in terms of greenfield exploration in Chile; you don't leave him parked in a development project," Locke said. "We released him for the Sierra de Medina assignment in the second half of last year and the results speak for themselves."

The company is valued at C\$535 million as a developer and will undoubtedly be re-rated and spurred on further by a new class of investor when it graduates to a 50,000tpa producer. Another uplift will likely follow when it integrates the high-grade Pampa Medina oxide.

Exploration for a manto giant and potential development funded by operating



cash flows would add the kind of tantalising upside the market adores.

Based on the track record of Locke and his team, investors should see the desired results delivered in line with expectations. ■