LATIN AMERICA SPOTLIGHT

Marimaca flexes its development muscle

Last year's DFS confirmed a $US587 million capex to develop the Marimaca oxide deposit

Marimaca Copper Corp chief executive Hayden Locke doesn't need to think twice when asked to nominate the biggest milestone achieved by the Chile-focused developer in the past year.

Since listing on the ASX last April – also a major accomplishment for any resources company – Marimaca has undertaken two sizeable capital raisings, completed a DFS on its flagship project and proven up a new copper discovery in its burgeoning exploration portfolio.

From Locke's perspective, all of those pale in comparison to receiving the environmental approval for the Marimaca oxide deposit (MOD) in the low coastal cordillera of Chile's Antofagasta region.

"Considering the risks in the mining industry, for me, getting your environmental approval is probably the biggest and most important de-risking milestone for any mining company," he told **Paydirt**.

"I don't think the market and investors necessarily put as high a value on it as us, perhaps they were just expecting us to get it, but there's no way to make your shareholders money if you don't have your approvals.

"The DFS, it's not perfect in terms of what we delivered, but it certainly shows that we have a very robust and cash-generative project that has a fantastic return on investor capital. Similarly, listing on the ASX is a fairly well trodden path that, if you have a competent legal team with you, should be achievable. Environmental approvals, because we've seen a lot of companies not get their approvals, that goes straight to the top for me."

Locke admitted there was some trepidation the company's submission might be rejected because of the non-traditional regulatory route it chose to pursue to obtain environmental approval for MOD.

"Our strategy was very different in the Chilean context, where we decided to design our project specifically for the environmental aspects, and then pause the DFS to fit with what we thought could be approved," he explained.

"We also took a reasonably aggressive approach in that we believed that our project should be permitted under this route in Chile. There was a less onerous route that we could be permitted under in Chile and it was our view that we should be able to achieve that, so we saw our biggest risk was being told, 'no, you're incorrect in your assessment, please resubmit under this other permitting route', which would require slightly more work.

"The way we mitigated that was we just prepared for that eventuality. We were completely prepared for the Government to tell us to go down this other permitting route. We went in with the view that our analysis was correct and we had done enough work, which we now know was the one for us."

Marimaca was one of the standout new performers on the ASX last year, even if its shares did not start trading until almost six months after its official admission to the bourse.

An ASX listing was seen as the optimal pathway for private equity fund Greenstone Resources to sell down its majority shareholding in Marimaca. The TSX remains the Vancouver-headquartered company's primary exchange.

Unfortunately for Marimaca, US President Donald Trump spoiled the listing party by announcing sweeping tariffs on foreign imports just hours before the company was gearing up to ring the trademark bell at ASX on the morning of April 2.

"Our original strategy was that we wanted to flag that we were listing, not raise any capital because we didn't really know any Australian investors and it takes a while to build up credibility and trust with them," Locke said.

"We were delayed a little bit by some administrative items from the ASX in getting our IPO away and then literally the day we should have started trading, therefore giving us the opportunity to raise some capital, 'Liberation Day' occurred in the US, the whole market went into shutdown and the opportunity was lost."

Marimaca shares would eventually burst out of the blocks in early September upon launching an $80 million placement to investors in Australia and select other jurisdictions, excluding Canada.

Another raising, this time a global offering of $C409 million ($423 million), was completed in late February. The Australian component of the brokered placement totalled about $157 million.

Despite Marimaca being included in the ASX All Ordinaries index last month, Locke conceded the company had yet to attain the desired liquidity levels from its Australian holding but remained confident the move down under would soon begin to bear fruit.

"We're more than 10 times better than we were [after raising the first $80 million] but it's still not where we want to be," he said.

"Two or three years ago, that number [$C409 million] was more than our whole

market cap. We would never have been able to achieve that without the ASX. So, for me, it has been completely worthwhile.

"We're committed to continuing to grow our liquidity on the ASX and on the TSX so that we can become a true dual-listed company and get all the benefits associated with that, primarily around the depth of capital pool that we want to tap as we make that next step of going into a development scenario."

Marimaca is now suitably cashed up to begin pre-construction decision engineering workstreams and early site works at MOD. Last year's DFS, which marginally preceded the $80 million placement to Australian investors, confirmed the project as one of the lowest capital cost ($US587 million) and intensity ($US11,700/t) copper developments globally.

Based on a nominal 50,000 tpa copper cathode production target and a long-term copper price of $US4.30/lb, MOD is forecast to generate a post-tax NPV of $US709 million and IRR of 31% with payback achieved inside 2.5 years.

An estimated strip ratio of just 0.8:1 over the 13-year mine life contributes significantly to the low C1 cash cost of $US1.45/lb and AISC of $US1.97/lb over the first five years of steady-state production.

Locke said while most of the DFS outcomes were in line with expectations, he was disappointed with the higher sustaining capex figure of $US529 million over the life-of-mine.

"It was due to a mixture of leadership on our side and some decisions from our engineering partner, just in terms of the scale of the opportunity," he said.

"To give you one example; we have a piece of infrastructure where the spent ore goes after you've leached it but that was designed to be 40% larger than it needed to be. It was also designed like another heap leach pad – we're not leaching it – but unfortunately we didn't catch a bunch of those over-designs until it was too late in the piece and that caused the sustaining capex to go up quite significantly.

"We think there's a few things we can work through as we move into this next phase, but in the end it didn't impact the project economics, which is very pleasing. We think we have a very defendable number now from which to launch this project."

While FID on MOD is not likely until the end of the year, Marimaca has begun recruiting key personnel for its build team, headlined by former Teck Resources Ltd executive Joshua Watson as project director.

Watson's extensive resume also includes delivering multibillion dollar projects for Barrick Mining Corp, Vale SA and Rio Tinto Ltd, including four years at the Oyu Tolgoi complex in Mongolia.

"This is really a small project for Josh," Locke joked. "It's a very big project for me, but for him it's a very small project.

"It will be a great project for him to run from a standing start because there will be a lot of work building out the team below him and getting all the infrastructure in place. He's been working with us for the last couple of months, he's a great fit for the team and has already shown he has the right mindset for a small company where you need those people who are decisive and can live with those decisions. Equally, if you make the wrong decision, don't panic, change course and roll with the punches. He brings exactly that kind of mentality."

Marimaca also confirmed last month head of corporate development and strategy Nico Cookson would transition to the role of president. Locke flagged further board and management changes were on the cards as MOD inched closer to development and eventual mining operations.

"We are going through, as described by our board, a watershed moment that requires us to change the whole DNA of the company because it's a very different thing to build a mine than it is to be an exploration company and talking about building a mine," he said.

The transition to development at MOD won't stop Marimaca from seeking out more discoveries across its growing ground package in the Sierra de Medina region.

A 30,000m drilling programme remains ongoing at Pampa Medina, described by vice-president of exploration Sergio Rivera as a potential Tier-1 copper sulphide discovery.

"Sergio has made six new discoveries in the last 10 years, one of which is now the most significant oxide resource in Chile in the last two decades," Locke said.

"This is one of the most successful explorationists in Chile. I asked him what our reason for drilling at Pampa Medina was and he said, 'because it's a Tier-1 opportunity'.

"In our mind, Tier-1 is something that will deliver more than 100,000 tpa of copper production, either as copper cathode or copper in concentrate, for more than 20 years, so that gives you an idea of the scale of the opportunity that we're chasing there, but we won't know whether it's going to be that without drilling it.

"As it currently stands, the drilling is certainly proving Sergio's thesis to be correct, in a remarkably continuous way over an enormous area."

Locke said the company hoped to delineate an inferred resource at Pampa Medina by the middle of next year.

– Michael Washbourne

Marimaca is targeting FID on its namesake copper project in Chile by the end of the year