GLOBAL BUSINESS REPORTS

INDUSTRY EXPLORATIONS

PERU MINING 2018

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Steve Zuker

CEO
PUCARA RESOURCES

How did you decide to form Pucara?
I was given the opportunity to purchase the grassroots assets Esperanza Resources had in Peru, where I had built a structure since 2005. We had to find joint venture partners to get through the difficult years of the market. In 2015, we raised C$2 million through Resource Capital Funds (RCF), a private equity group. They bought 20% of the company's equity. In 2017 Sandstorm Gold bought royalties on seven of our properties in exchange for C$1 million. They also acquired a 4% stake in the company.

With your recent C$4.2 million financing, will you do your own drilling?
Our current joint venture partners are Nexa, who are drilling 4,000 meters on our Guadalupe VMS copper-zinc project, and Iamgold, who are exploring the Los Tambos project. Beyond that, RCF and Sandstorm want to see us drill, so Pucara is now following a "Hybrid Exploration" model whereby we will generate projects, but we will also drill some of them. This year we plan to drill our Lourdes and Pacaska gold projects. We will probably spend C$750,000 at Lourdes, followed by another C$250,000 on geophysics at Pacaska. Then, by the end of the year we could spend C$2 million on a second phase of drilling at Lourdes and a first phase drilling at Pacaska. We plan to list the company on the Toronto Stock Exchange in the fall, so, with good results and improving market conditions, we should be able to raise more money and continue exploration.

Were you able to grab interesting properties when exploration went down?
There was a lot of ground available. We identified some good targets and now we control more than 300 square km, mostly in the Ayacucho and Cusco regions. We are one of the few juniors doing grassroots exploration. Besides Lourdes and Pacaska, we are working on six more projects, none of which have ever been drilled. Of these, we want to sign joint ventures at our 100%-held Capricho and Paco Orco projects. Capricho is a porphyry copper prospect, and Paco Orco is a carbonate replacement deposit (CRD) target. At Pucara we want to stay focused on high-sulphidation, bulk-minable gold projects (over 1 million ounces), so we prefer to sign joint ventures on the base metals projects. ■

Andrew Thomson

President and CEO
PALAMINA

Could you develop on your current gold exploration activities?
Palamina has staked and acquired more than 70,000 hectares in the Puno Orogenic Gold Belt in Peru ('POGB'). There is a modern day gold rush underway in south-eastern Peru by informal miners, yet little to no modern day systematic exploration is underway. At Madre de Dios and La Rinconada you have more than 700 square kilometers being exploited by informal miners, which suggests that this area has the potential to host many world class gold deposits. To date, we have secured five district-scale gold projects within the POGB. The two that stand out are our Coasa and Gaban properties.

What is the geology looking like?
At Gaban we have already identified slate shear zones very similar to the mineralized shear zones at Minera IRL's Ollachea where gold occurs in quartz and the metallurgy is very straightforward with greater than 85% recoveries. Much of the gold in the POGB is associated with pyrrhotite and can be located through magnetic survey, so we are planning to fly the Gaban project area to identify the best targets. The other project, Coasa, is near the top of the Andean divide. In that district, Lupaka drilled off a significant gold resource at Crucero, which Goldmining recently purchased. We are expanding our land position in the area and our next move there is also to run magnetics, locate the best mineralized structure(s), then go drilling.

What are the advantages and challenges of working in Peru?
Companies in Canada are reporting drill rates as low as C$65 per meter while in Peru the rate is between US$120 and US$180/meter for similar terrain. Setting aside the highly prospective geology, where Peru is my favorite in the world right now, the country needs to reduce its drill costs. It also needs to reduce the red tape, because it takes a long time to get anything done and operating public companies is much more expensive. If the country does not facilitate putting money at the end of the drill bit, they cannot have the success we are seeing in places like neighboring Ecuador. On the positive side, Peru has an established mining tradition and is well organized. Palamina has a team with 35 years of experience in the orogenic gold belt alone, in a country replete with senior mining companies producing a large quantity of metal, which I cannot buy or sell to in Ecuador. ■

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drilling campaigns. The team has set aside around C$3 million for its Lourdes and Pacaska gold projects this year. "During the downturn, there was a lot of ground available and very few companies were picking up exploration opportunities", related Steve Zuker, CEO of Pucara Resources. "Today, we control more than 300 square km, mostly in central and southern Peru, in Ayacucho and Cusco. We are one of the few juniors doing grassroots exploration."

Pucara is focused on high-sulfidation, bulk-minable gold projects, so it is open for joint ventures on its base metals projects. "We are seeing interest from mid-tier and major companies that are becoming more aggressive – this is new in the market. The BHPs and Rio Tintos are still in Peru but they definitely prefer projects that are more advanced," said Zuker.

Another company with a similar focus on project generation, and that also plans its own drilling campaigns this year, is Condor Resources. Beyond its agreements with Chakana Copper and local mining companies, Condor wants to advance its Pucamayo, Andrea and Huiñac Punta projects. A year ago, Condor did a hybrid financing with Sandstorm involving both shares and royalties at Condor's early stage properties. "Pucamayo is our more advanced project, both from a technical and a permitting perspective," declared Ever Márquez, VP exploration at Condor. "It is an epithermal gold project and next to it we have identified a porphyry copper-gold area."

Finally, Miramont Resources, a company formed last year, has two main projects of focus: Cerro Hermoso, a gold, copper and poly-metallic breccia type prospect in Puno, where the company is permitting an initial 5,000-meter drill program; and Lukkacha, a porphyry copper project situated in Tacna, 55 km from Southern's Toquepala mine. Being a foreign company, for the latter project Miramont requires a special approval from the central government due to the fact that Lukkacha sits within 50 km of the Chilean border.

Bill Pincus, president and CEO of Miramont, gave his impressions about the current state of the exploration market: "In the last decade, a lot of larger companies overpaid for projects and the cycle went down, which in turn caused companies to become very conservative. The effects of this can still be seen; certainly in the copper space there is a dearth of good exploration and new development projects for the large producers."

Lyle Davis

President and CEO
CONDOR RESOURCES

Could we have a summary of Condor's latest corporate developments?

Condor is a project generator and an explorer, with a focus on precious and base metals exclusively in Peru. We have projects that are being actively worked by third parties, but we also plan to carry out our own drilling campaign this year at Pucamayo, and have started the permitting process for our Huiñac Punta and Andrea projects.

How is the market evolving in terms of access to financing?

A year ago, we did a hybrid financing with Sandstorm, whereby they became an important shareholder and also acquired small royalties in half a dozen of our early stage properties. This was important because, from a reputation point of view, having Sandstorm on board is like having the Good Housekeeping stamp of approval. Certainly, institutional investment is coming back, but the retail side has not picked up yet. In any case, today two thirds of the financing for junior exploration is coming from bigger, established mining companies, so the model seems to be that the majors are using the juniors as their exploration teams. At Condor, we have to raise our corporate profile to have better access to financing. The retail market does not recognize us as a project generator but the mining companies do, including both small and larger mining companies.

What is Condor's competitive edge?

We have a solid reputation in the mining community in Peru and Chakana is a great example of that: David Kelley was in charge of the exploration programs for MMG, and his first pick after forming Chakana was the Soledad project that Condor generated. Most of Condor's properties are not the obvious projects out there. We have a lot of experience exploring in this belt and that is our competitive advantage. We can identify opportunities where others do not, in areas that have never been drilled. Pucamayo and Ocros, for instance, were not easy opportunities to identify, yet they offer enormous potential. That is our expertise as a project generator.