

22 November, 2018

Last price: C\$0.06  
Target price: C\$0.17

### Initiating Coverage: Price Target C\$0.17/share

**Coro Mining is a Canadian quoted mining company with potentially a world class copper business on its hands. The company has recently restructured and refinanced such that investors can look forward to the delineation and development of the copper present within the 980 ha of Marimaca claims in Chile. Right now there is only a N43-101 compliant 48Mt measured and indicated resource grading 0.65% CuT, signed off in a definitive feasibility study, but we are confident that this will just get bigger and bigger. Simple geometry suggests an ore body of 285Mt in the current 12 month drilling programme. Our 12 month price target, as such, is 17c/share but have strong conviction this will grow as the company builds the resource.**

**What makes Marimaca special?** Perhaps the most striking thing is the location. Being 22km from the Port of Mejillones (60km from Antofagasta) allows access to labour, power, water etc. on a hugely advantageous basis. It implies a bottom quartile capital intensity and a highly competitive cost of production. The geology is unique for Chile's coastal cordillera in that the host rock is a highly fractured intrusive diorite that has gone through many stages of alteration. It has resulted in a thick (c.250m) layer of homogenous oxidised mineralisation (Chrysocolla, Brochantite and Wad) grading c.0.5% CuS below which there is clear supergene enrichment (with Cu grades of 2-3%). The total horizontal extension of the outcropping copper oxide mineralization currently reaches 800m but is likely to run to several kms and the intrusives range through 300m to 1000m wide.

**Balance sheet now in order....** the company has committed to spend US\$18.75 million in acquiring the Marimaca claims. Alongside this it has been facing bills for the turnaround of the marginal 5kt pa SCM Berta operation and has needed funding for exploration. This funding issue has been resolved following the completion of the C\$46.7 million financing plan. This included a US\$10 million placement to the well-respected Private Equity company Tembo Capital, who join fellow private equity specialists Greenstone Resources on the register, and a rights issue. It clears the company of all debt, covers future payments and leaves US\$10.6 million for 12 months of exploration, for which there is now a defined timetable.

**Group structure sorted.** The world class nature of Marimaca has effectively sidelined all the other assets Coro had accumulated since incorporation in Toronto in 2004. As such, the company went through a strategic review in 2018 ringfencing the troublesome SCM Berta operation and Nora plant, leaving 25% ownership of SCM Berta and 75-100% of the Marimaca land package. They have a number of other additional assets which are deemed non-core and have a book value of US\$16.6 million. However, the risk to the investment case from these assets has disappeared.

**Valuation scenarios generally point to extreme uplift in share price.** The fact that the company has already conducted a full DFS on a part of the orebody also materially derisks the investment case. It is now simply a case of resource accumulation with every tonne of copper adding, we think, US\$60 of value to the business hence every set of drill results should be catalysts (*the last set produced a 21% share price increase on the day*). On an EV/t resource basis, we believe the company is worth 17cps. The real attraction with Marimaca lies in the low capex and opex intensity of a 100ktpa heap leach c.20km from a town and major port. We believe all this will become apparent over the course of the next 12 months as the company delivers its second phase drilling programme and it will not be lost on an industry starved of high quality, large scale new copper discoveries. We note recent M&A deals in the same sphere of copper exploration and development are transacting at \$89/t equivalent to 18.8cps.

**Analyst: David Butler**

#### Summary

Last price (C\$)	0.06
Target price (C\$)	0.17
Projected return (%)	183%

#### Marimaca Project

Commodity	Copper
Status	Exploration

#### Share Data

Shares o/s (m)	1,455
52-week high/low (C\$)	0.10/0.03
3-mth avg. daily vol ('000)	594
Market cap (basic) (C\$m)	80.0
Net cash/(debt)* (C\$m)	25.1
Enterprise value (C\$m)	55.0

\*Cash at corporate level

#### Share Price Performance



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## Coro Mining – unveiling a new copper camp in Chile

The investment case for Coro is simple; it is an early stage entry into the development of what is likely to be a meaningful copper mine and could extend into a globally relevant copper camp. There is a short-term value arbitrage which we believe is a result of the lack of market understanding of the asset quality which in turn stems from a stealth policy in land acquisition. There has also been value dilution from a strategy partly centred on the marginal SCM Berta asset. Both these issues have been resolved and funding now secured to enable a 12month drilling campaign. This should then reveal the longer-term potential of the Marimaca claims and their surrounds.

Figure 1 - Location of Marimaca



Source: Coro Mining

The geology is unique for this area as summarised in the DFS:

*“The mineralization discovered at Marimaca does not fit well in either type (of deposits elsewhere in the copper belt). Even its stratiform shape following the unusual fracturing system and its monzodiorite host rock has not yet been recognized elsewhere in the Belt yet and no other copper occurrences of this type have been identified in the literature. It appears to be a new type of copper deposit that opens new exploration possibilities in the area and elsewhere in Chile.”*

There are a number of supportive incidental factors at play too including: the location of Marimaca; the geologists involved; the lack of competing projects and exploration funding generally in the industry and, what we feel is a fairly supportive case for copper pricing and the cash produced from a mine likely to operate in the bottom half of the cost curve. Moreover, the capital intensity of building a SXEW operation 22km from a major port and associated infrastructure is going to be bottom quartile if not decile. We note this is not lost on the two well respected private equity firms that are the biggest shareholders and who will have conducted extensive due diligence.

### Asset Summary – focused on exploration

Following the restructuring and refinancing this year, the company now has one major asset which is the Marimaca block of claims situated within Chile’s Coastal Cordillera (or Copperbelt). There is also a relative long tail of non-core assets, including an iron ore deposit, which are not worthless in our view.

**Marimaca.** The Marimaca project now comprises 8 blocks extending over 980 hectares on which the company has committed US\$18.8 million (plus royalties and other commitments) mainly in the last year. The key features of the property include:

- Location – 22km from port, town and infrastructure confers competitive advantage in both capex through infrastructure (no major transport, power, water, labour camp construction required) and opex.

- An unique geology with a deep (200m plus) oxide supergene blanket 300m plus wide and a potential strike over several kms – again confers competitive advantage in both capex given it will be an SXEW operation (there is a flat valley below the deposit for pads) and opex through a low strip ratio (1-1.5x) and the grade is fine as defined in the Definitive Feasibility study.
- Derisked by the completion of a 10ktpa DFS that outlined a measured and indicated resource of 47Mt at 0.65% CuT (0.48% CuS) within the central block Marimaca 1-23 (114 ha). This was conducted as a condition of ownership of the claims. Other project parameters such as recoveries (65%) and costs (US\$2.05/lb) are favourable given the project made use of an old SXEW plant 18km from the resource.

**Non-core Assets.** These include: a 25% stake in a heap leach operation SCM Berta which, in turn owns a 5ktpa SXEW plant Nora; a 2% royalty on an Argentinian copper deposit San Jorge; a 12ktpa capacity SXEW plant Ivan with a further 23,748 hectares in the Marimaca area; an iron ore deposit estimated to contain 5-10Mt 45% Fe magnetite; a copper deposit, El Jote with an estimated 10-15Mt @ 0.4 - 0.5% CuT of leachable mineralization; more acreage, 14,505 hectares, of mining claims ("Sierra Medina claims") located 30km east from Marimaca (and surrounded by active exploration programmes) previously quoted to host 12.2Mt at 1.18%CuT & 0.86%CuS at a 0.7%CuT cut off in an undefined resource category; the Llancahue project which is an early stage mineralised area 38km SW of Talca.

### Asset Valuation - the potential upside remains powerful

Any valuation of Marimaca at this stage of development is clearly going to be wide ranging. We have conducted comparative analysis on an EV/t basis as our benchmark methodology. We also ran a 100kt pa DCF scenario assuming a reasonably conservative set of parameters based around copper at US\$3/lb and looked at recent takeover multiples. For the non-core assets we have applied a mix of valuation methodologies not least a basic estimate from experience. In the company's latest balance sheet the book value for these assets were US\$16.6 million which is reasonable in our view.

The end result is shown in table below:

Figure 2 - Sum of the parts risked NAV valuation – unfunded

Coro Mining		Valuation	Comment
The Marimaca Claims	US\$m	181.2	285Mt resource @ 0.7% CuT, at a US\$60/t EV multiple. Our NPV of a 100kt pa mine is \$487m (\$3/lb Cu). M&A multiple of \$89/t eqv to 18.8cps
The Ivan Plant	US\$m	8.0	75% of book value (not accounted for in total as injected in MC 1-23 in return for 24%)
Berta facilities	US\$m	1.4	25% of book value after Greenstone convertible into SCM Berta
El Jote	US\$m	0.6	Book Value
Nora	US\$m	1.2	25% of book value after Greenstone convertible into SCM Berta
Celeste	US\$m	0.5	Crusader asset producing 1Mtpa iron ore sold for US\$2.5m in 2018
Sierra Medina	US\$m	1.4	Assigned a basic US\$10/t multiple to the unaudited 12.2Mt resource grading 1.18%CuT
Llancahue	US\$m	-	Very early stage with no exploration currently planned
2% Royalty on San Jorge	US\$m	-	Development challenges. Previous PEA outlined a 39.5kt Cu + 38Koz Au pa mine
Net Cash	US\$m	-	Assumed cash is used for exploration plan and corporate purposes
<b>Total</b>	<b>US\$m</b>	<b>194.4</b>	
	<b>C\$ cps</b>	<b>17.4</b>	

Source: Tamesis

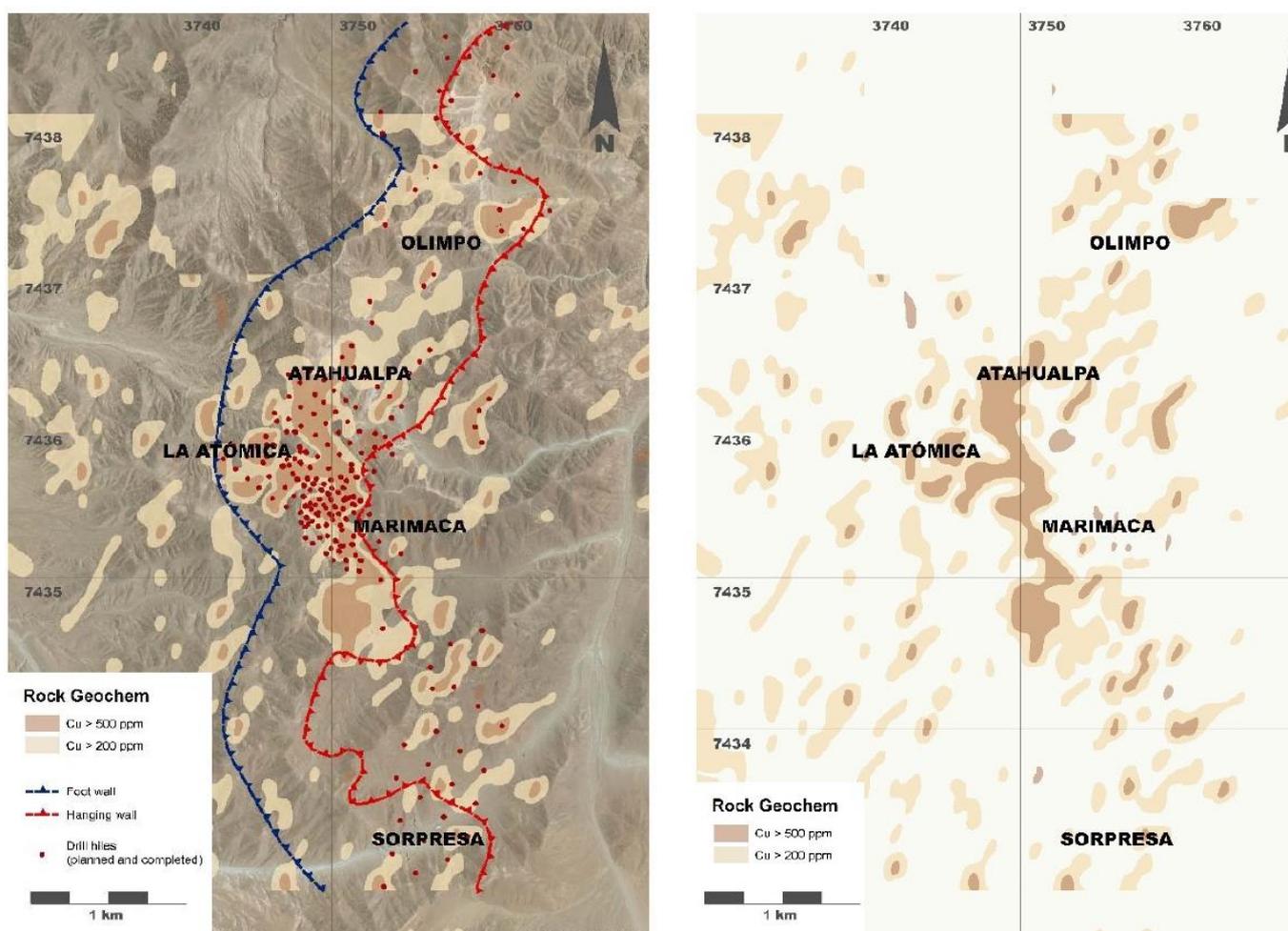
On an EV/t basis we believe the shares should be worth 17.4cps/share or US\$194.4 million in total. DCF analysis on a 100ktpa mine delivers an NPV of US\$442 million although this is unfunded and has so many uncertainties around it that we are not using it for a price guide. M&A for the sector is running at US\$89/t equivalent to 18.8cps.

## Key catalysts and newsflow – a streamlined business with clear low risk catalysis ahead

Coro is focused on turning their findings so far; which is a 46.8Mt measured and indicated resource (plus 11.0Mt inferred) grading 0.65% CuT (0.48% CuS) into something far bigger. To that end they have amassed land on either side of the Marimaca tenement such that the property now extends over 980 hectares. In proving up the initial resource they have drilled 27.6km of holes and are now planning a further 45km to extend a step out campaign to the north in La Atomica – see fig 3. They will then start drilling exploratory holes in areas to the South in Sorpresa I and II. Every indication so far be it soil sampling/geochem, trenching or artisanal mining suggests the copper containing mineralogy is widespread. Hence, we expect every public release of exploration data to be catalytic and we will be getting them once a quarter for the next year. The press release with the first results from the second campaign, released on Nov 13<sup>th</sup>, sent the shares up 21%.

Note too that the company has one more step to take its stake from 51% to 75% of Marimaca Phase 1 (claims 1-23) which is to inject the Ivan plant. This is likely to take place in the next 6 months too.

Figure 3 - Surface expression of Marimaca District alteration and Geochem results



Source Coro Mining

As for the other assets they are presumably up for sale. SCM Berta is currently on care and maintenance whilst major shareholder Greenstone, with the other 75%, weighs up its options we presume. There is no money being spent on the rest of the assets so any progress with their sale will presumably be taken as a positive catalyst.

We believe it's important to realise that before the new financing, the new strategic focus and the new management, investors were being frustrated (and cash called) by the multi asset nature of

the business where it was unclear which asset took precedent and where, quite often, the assets were not performing as expected.

Of course, to our mind, there is one further option which is a logical extension of the recent corporate strategy which is to unbundle Marimaca thereby saving them the time and cost of selling the rest of the business as well as streamlining management efforts. It would assist with valuation too allowing the market to discover a price without the dilutive effects of a tail of non-core assets. We doubt management have had time to contemplate this yet but it's an idea worth considering in our view.

Figure 4 - Summary of the Marimaca Phase II drilling programme

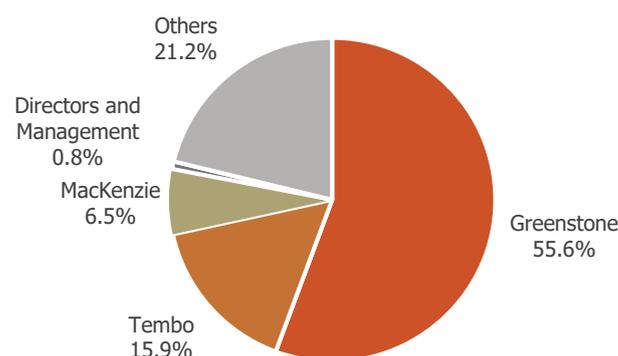
	Marimaca 1-23	La Atómica	Atahualpa	Atahualpa East	Sorpresa I	Sorpresa II	Olimpo South	Olympo North
Mapping and Sampling	-	NA	NA	Q3 '18	Q4 '18	Q4 '18	Q1 '19	Q1 '19
Access and Platforms	-	Q3 '18	Q4 '18	Q4 '18	Q4 '18	Q1 '19	Q1 '19	Q1 '19
Drilling	-	Q4 '18	Q4 '18	Q1 '19	Q1 '19	Q1 '19	Q1 '19	Q2 '19
Drilling (holes)	-	52	51	19	18	12	16	15
Drilling (metres)	-	12,000	12,310	5,300	4,200	3,000	4,400	4,150
Drilling Results	-	Q4 '18	Q1 '19	Q2 '19	Q2 '19	Q2 '19	Q2 '19	Q3 '19
Preliminary Reports	-	-	-	-	Q2 '19	Q2 '19	Q2 '19	Q3 '19
Modelling	-	Q4 '18	Q2 '19		-	-	-	-
Resource Estimate	Q2 '18	Q1 '19	Q2 '19	Q3 '19	-	-	-	-
Combined Resource Estimate	H2 '19				-	-	-	-

Source: Coro Mining

## Corporate and Capital Structure – two big PE funds now

Coro is quoted on the Toronto Stock Exchange (TSX) under the ticker COP. Following the rights issue – see fig, Coro has 1455.4m ordinary shares on issue. The register split is shown below:

Figure 3- Shareholder register



Source: Coro Mining

The register is dominated by two well-known and established private equity companies:

### Greenstone Resources

Greenstone Resources was founded in 2013 by Mike Haworth and Mark Sawyer; ex JPMorgan corporate finance and Xstrata respectively. It is a long term private equity business focussed on the metals and mining sector. The company looks to actively support rather than control and have been doing exactly that since their first investment in Coro Mining in 2015. They have provided capital in both equity and debt forms and were clearly instrumental in the recent strategic review

which has streamlined the business into a focus on the Marimaca deposit. This subscribed to their full entitlement in the recent rights issues although they were diluted from 63.5% to 55.63% by the Tembo placement.

### Tembo Capital

Tembo Capital is a mining focused private equity group focused on natural resource investments. Tembo has two funds targeting junior and mid-tier mining companies in developing markets. The group was founded in 2009 and has also taken sizable positions in Stranding Minerals (ASX: STA), Orion Minerals (ASX: ORN), Xiana Mining (TSX-V: XIA), and Toro Gold (private).

Tembo also has a strong reputation as a collaborative investor who brings a wealth of experience to the table. They have only recently arrived having taken part in the last financing both ahead in the form of a placement and in the subsequent rights issue. It should be reassuring for retail and institutional investors alike to have another private equity investor coming on board now who will have conducted deep due diligence prior to taking a stake. Moreover, it is quite rare, in our experience, to find two such high quality private equity businesses on the register of a company of this size in such a material way.

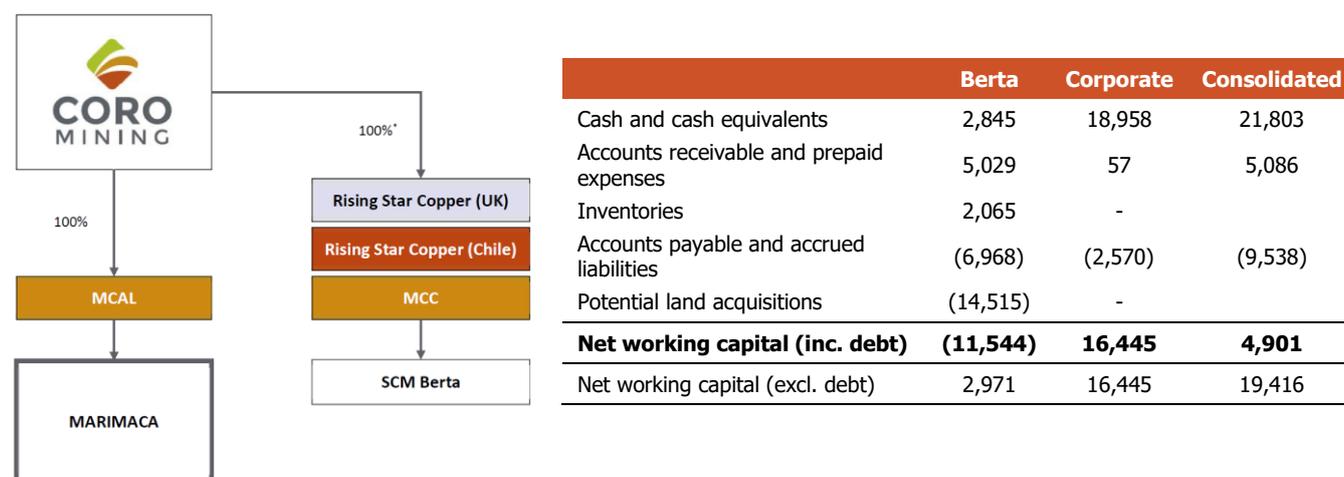
Figure 5 - Common Shares Outstanding Reconciliation pre/post financing

Date	Event	Issued	Cancelled	Total
December 31, 2017				651,929,512
August 7, 2018	Tembo Private Placement	109,733,334		
August 9, 2018	Greenstone Convertible Loan	21,883,492		
August 23, 2018	Options Exercised	250,000		
September 26, 2018	Rights Offering	671,591,957		
September 30, 2018				1,455,388,294

Source: Coro Mining

The deconsolidation of SCM Berta from Coro is effectively completed with the group structure now as shown in Fig 6 below. Coro has confirmed it will not be pursuing its option to take its stake from 25% to 50% in SCMB leaving Greenstone with the option to take up their 75% with the exercise of a US\$12 million convertible loan (expiry Dec 2018). It is worth noting for valuation purposes the deconsolidated balance sheet post the rights issue which shows the cash balance for Coro to be US\$18.96 million – see the figure below. This is the number we use for our EV/t analysis.

Figure 6 - Corporate Structure and Balance Sheet



\* Expected conversion 75% Greenstone and 25% Coro.

Source: Coro Mining

Cash burn is expected to be c.US\$16 million for next year including all exploration expenditure and administrative expenses. The company has outlined the following uses of funds from the most recent financing, in order of priority:

Figure 7 - Description of intended use of available funds in order of priority

Uses of funds (in order of priority)	US\$m
Repayment of Loans from Greenstone	11.6
Exploration work at Marimaca	10.9
Development work at Marimaca	1.5
Acquisition of Sierra Mirana Claims	7.7
Potential land acquisitions	1.3
Transaction costs and expenses	1.3
Working capital, general and admin expenses	11.7
<b>Total</b>	<b>45.9</b>

Source: Coro Mining

## Coro: a history

Coro was originally founded by Alan Stephens and Michael Philpot and was incorporated in 2004 and listed on the Toronto Stock Exchange in 2006. Both had worked at First Quantum before and wanted to repeat its success in a South American setting. The Chilean coastal belt in particular seemed ideal. Unlike the porphyry rich, high altitude interior setting for much of Chilean copper production, the coastal belt tends to yield relatively small near surface oxides deposits (in the 10s to 100Mt range) within easy reach of infrastructure. As such capex intensity tends to be low.

However, the first material project for Coro was a copper asset in Argentina, San Jorge, which the company acquired in 2006. Whilst the ore body itself was more than viable (the company produced a PEA outlining plans to produce 39kt pa of copper and 38koz pa of gold p.a.) the difficulty in permitting proved insurmountable and the company sold the asset in 2013 (bar a 2% royalty).

Meanwhile the company continued to search for assets in Chile and embarked on a number of small scale acquisitions aided and abetted by their own exploration. The company's next main asset was the Berta heap leach operation which the company discovered in 2011. The original plan was to send pregnant leach solution to the Manto Verde plant nearby. However, that contract fell through, so the company then searched for and acquired the Nora plant originally with 3kt pa capacity which the company expanded to 4.8kt p.a. This lies a challenging 54km to the north. Elsewhere it had a found or acquired a number of promising copper deposits and the Celeste iron ore property. During this period, the company continued to raise money in the equity markets principally, notably in the last two years - see table below.

Figure 8 - Coro Capital Raising History

Close Date	Units (m)	Price (C\$/sh)	Proceeds (C\$m)
20/12/2013	10.9	0.10	1.1
22/01/2014	10.2	0.10	1.0
16/06/2015	132.6	0.10	6.3
27/11/2015	39.4	0.10	1.9
09/02/2016	79.8	0.04	3.2
24/05/2016	34.0	0.10	3.4
08/07/2016	46.1	0.10	4.6
20/07/2016	19.9	0.10	2.0
23/12/2016	7.7	0.14	1.1
23/12/2016	29.8	0.14	4.2
04/04/2017	15.6	0.15	2.3
04/04/2017	59.9	0.15	9.0
20/04/2017	32.2	0.15	4.8
25/09/2017	35.9	0.13	4.7
16/10/2017	20.7	0.13	2.7
07/08/2017	109.7	0.12	13.2
26/09/2018	671.6	0.05	33.6
<b>Total</b>	<b>1356.0</b>	<b>0.10</b>	<b>52.2</b>

Source: Coro Mining

Also in 2011, the company hired Sergio Rivera. Mr Rivera, a Chilean national, had worked for Codelco for 16yrs rising to the General Manager exploration. On the way, he had discovered the Toki Cluster near Chuquicamata, Inca de Oro and other copper deposits in Chile. He and Alan

Stephens started focussing in on Marimaca and in 2014 reached an agreement on the terms of sale with the owners – a local family.

In 2016 they became aware that the nearby Ivan plant had been put up for sale by Milpo, a Peruvian mining company controlled by Votorantim. The company agreed terms of sale in 2016 and acquired the asset in mid-2017. Such was their conviction on Marimaca that they made the purchase decision on the back of only 16 holes drilled. With it came some land with clear potential but relatively underexplored.

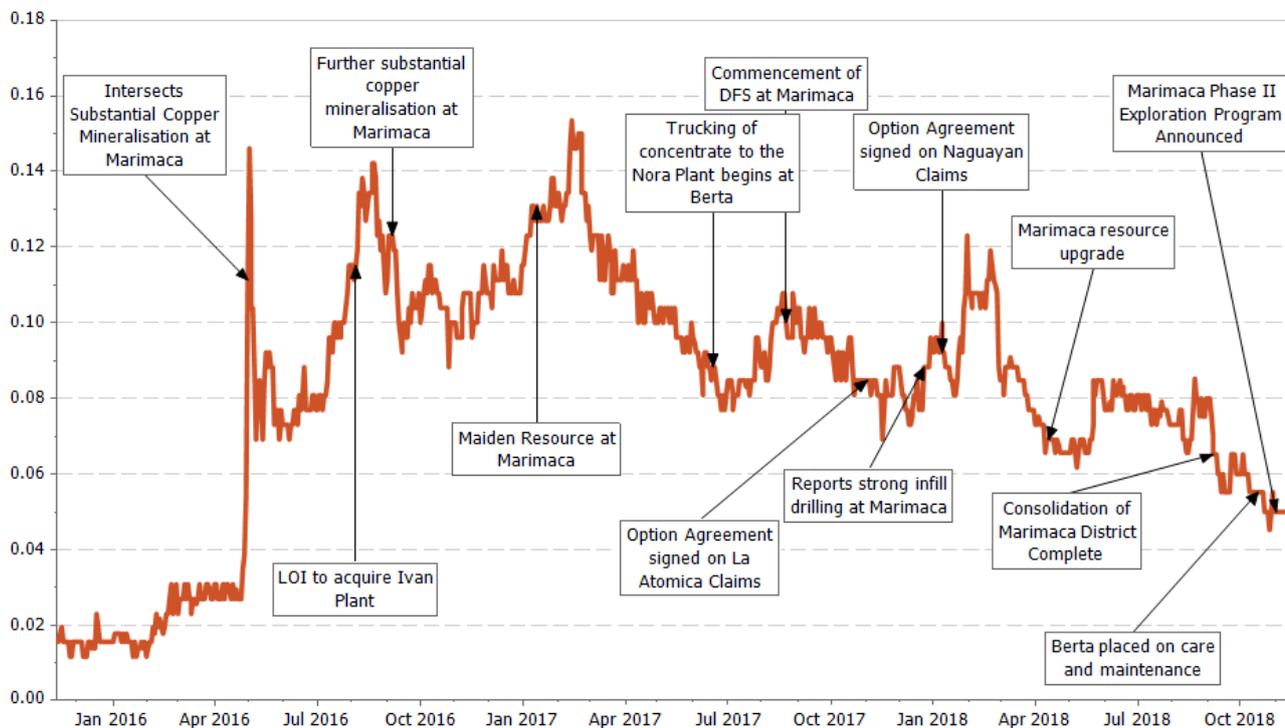
In 2017 the company hired Luis Tondo as the new CEO. Mr Tondo, a Brazilian, has spent much of his career on the Paracatu gold mine; initially owned by Rio Tinto before being sold to Kinross in 2004. He later joined the private Chilean enterprise, Minera Las Cenizas running 4 underground operations and one open pit heap leach mine that together produce 25-30kt pa of copper.

However, problems continued at SCM Berta and the company was not generating cash from it to allow exploration at Marimaca quite the reverse. So, in order to refocus on Marimaca and align itself with shareholders more closely the company restructured with the help of Greenstone leaving them in charge of the asset with a 75% stake. This paved the way for the more fundamental financing in September.

## Share Price

Generally, the share price performance in recent times has been a function of two principal drivers in our view. The copper price (and general sector appetite) was the main positive influence on the share price from early 2016 to Q1 17 and it subsequently enjoyed a sector wide rally in Q4 2017. The market sensitivity to the company's strategic success and focus on Marimaca has also been a major factor. With the company now restructured and financed for exploration we believe the chance for unexpected, company specific, share price shocks either way have diminished – it's all about the drill results.

Figure 9 - Annotated Coro Share Price Chart (C\$/share)



Source: FactSet, Coro Mining

## Board and Management

The management team of Coro has evolved alongside its strategy. As part of the company's strategic review, founder and previous CEO Alan Stephens has stepped back from an executive role to become non-executive director and a consultant on a 12 month view. Two executive appointments of note were made in April this year when the company hired a new CFO; Mr Armando Veliz who brings over 20yrs of accounting and financial experience to Coro. He runs the company's finances from the company's office in Santiago to where they sensibly moved their headquarters in May. The second appointment was that of Nicholas Bias as VP Corporate Development. As with Mr Veliz, Mr Bias has extensive experience in the sector leading the investor relations functions for a number of companies including Glencore during its IPO in 2011.

The Board of Directors now comprises:

### **Luis Albano Tondo – President, CEO & Director**

Mr Tondo is a highly experienced mining engineer with a Bachelor's degree from the Universidade Federal do Rio Grande do Sul in Brazil; an MEngSc from the University of Queensland, Australia; and an MBA from the Foundation Dom Cabral business school in Brazil. He has some 30 years of mining experience in Latin America and prior to joining Coro, spent the seven years as Chief Operating Officer at mid-tier copper and gold producers in Chile, Uruguay and Brazil, where he was responsible for operations, projects and business development activities. Prior to this, he spent five years developing multi-million dollar capital projects for Kinross Gold Corporation in Brazil and Chile, and 16 years in operations roles with Rio Tinto in Brazil. He is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Qualified Person for the purposes of NI 43-101.

### **Colin Kinley – Chairman, Independent Director**

Mr Kinley spent 26 years with Layne Christensen, as a Senior Executive responsible for Energy Operations, Specialized Drilling, Mining Technologies and Remote Site operations. For the past eight years Mr Kinley has been CEO of Kinley Exploration, a resource industry integrated project management company operating internationally. He is currently a director of Excelsior Mining, COO, founder and director of Eco Atlantic Oil and Gas, an E&P company exploring oil offshore Africa, and is founder and CEO of Jet Mining Corporation Australia.

### **Petra Decher – Independent Director**

Ms. Decher joined in April 2018, and brought additional finance strength, a strong corporate governance perspective and public reporting expertise to the Board. She has served as the Vice President, Finance and Assistant Secretary for Franco Nevada, as President and Chief Financial Officer for Geoinformatics Exploration, a Canadian and international exploration company. She currently serves as Chairwoman of Red Pine Exploration and is an Independent Director of Ascendant Resources, and until recently was the Lead Independent Director of Integra Gold before it was acquired by Eldorado Gold. Ms Decher is a Canadian Chartered Public Accountant. She holds a Diploma in Public Accountancy from McGill University and Bachelors Degree in Finance from Concordia University.

### **Tim Petterson – Independent Director**

Mr Petterson was nominated by Tembo Capital Mining GP, a strategic investor in Coro, as its appointee. Mr Petterson brings additional corporate and commercial strength to the Board due to his solid investment banking experience across the natural resources sector and involvement with Canadian junior and mid-tier mining companies. He has previously served as Head of Global Mining Research at both HSBC James Capel and ABN AMRO, having led many high-profile public offerings and financings. He currently serves as Managing Director, Mining, at Kepis & Pobe, a Vancouver based natural resources investment company. He is also a founder and Executive Chairman of Minera Cobre Corp, a Canadian private copper exploration company active in Colombia. Mr Petterson is a Mining Engineer and holds a B.Eng. (Hons) in Mining Engineering and is an Associate of the Camborne School of Mines.

### **Rod Webster – Independent Director**

Mr Webster has more than 40 years' experience in the resources industry, including over 20 years in executive positions. Mr Webster is a Fellow of both the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and he currently serves as Vice President Development of Weatherly International. Prior to that role, he was a senior executive of First Quantum Minerals, responsible for the development of the Kansanshi mine in Zambia. Mr Webster was also the founding Director and Chief Executive Officer of Western Metals.

**Michael Haworth – Director**

Mr Haworth was nominated to the Board of Directors by Greenstone Resources, a private equity fund specializing in the mining and metals sector. The Greenstone team has over 80 years of experience in the sector covering all aspects of mining project development.

**Alan Stephens – Non-Executive Director**

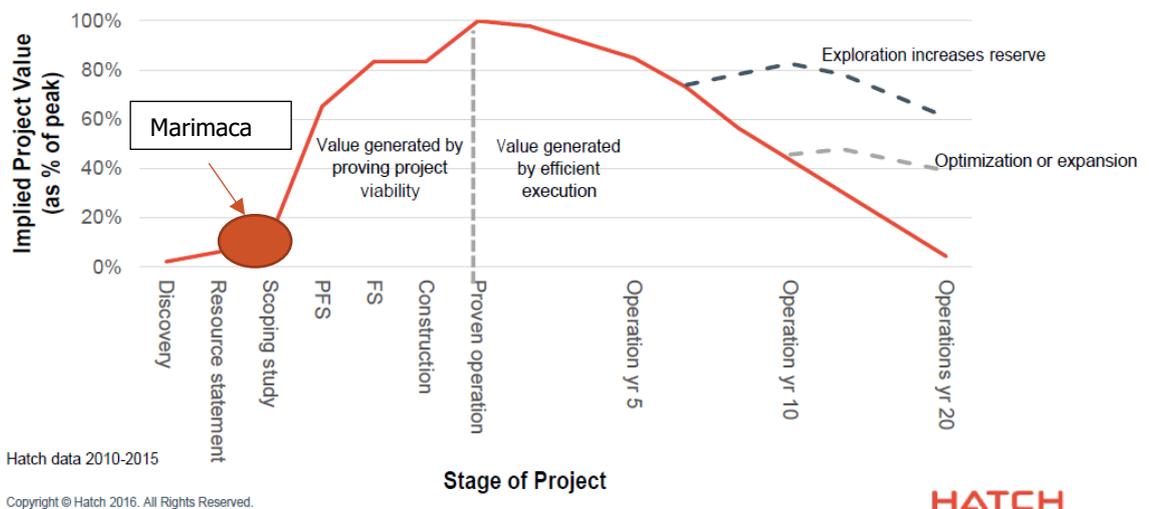
A graduate of the Royal School of Mines, Imperial College, University of London, Mr Stephens has over 40 years of international mining experience. Before co-founding Coro, Mr Stephens was Vice-President of Exploration for First Quantum Minerals, during which time he lived and worked extensively in Chile, Mexico and Brazil. Prior to First Quantum, Mr Stephens spent ten years with Cyprus Amax Minerals Company managing exploration teams in Latin America, Africa, Europe and Asia. He is a Fellow of the Society of Economic Geologists (US) and of the Institute of Materials, Minerals and Mining (UK). Mr Stephens is also a qualified person for the purposes of NI 43-101. In July 2018 Mr Stephens stepped back from his executive responsibilities as the head of exploration, however, his skills and experience have been retained as a Non-Executive Director and also as a consultant to the business.

## Valuation

We initiate with a 17c/sh target price. This represents a 3x uplift to the current share price. We see significant scope for further upside as the resource expands. Our target price is based off a 285Mt resource derived from our basic geometrical analysis and to which we have applied a US\$60/t multiple to the contained copper.

There is likely to be further value accretion as Coro transitions into a producer.

Figure 10 - Value of a Mining Stock: exploring and developing a mine



HATCH

Source: Hatch

## Comparative Analysis

Given the early stage in the evolution of Marimaca there is a lot of subjectivity in how to value it. Right now the most relevant is clearly going to be based off an EV/t comparative analysis. The closest comparators to Coro are single-asset copper exploration and development companies, targeting a bulk tonnage operation via significant resource upgrade with grades sub-1% Cu. It has been difficult to find close comparators given the relative consolidation of the copper space and the various positive attributes of the Marimaca deposit that have to be taken into account (which we look at in the next section). We have chosen 6 South American comparable companies and a further 6 companies with assets in the rest of the world as shown below.

Figure 11 - EV/t comparison

Company Name	Market Cap	EV	Project	Location	Tonnes (m)	Cu % Equiv	Cu kt Equiv	EV/t resource
<b>South America</b>								
NGEx Resources	172.7	173.5	Los Helados / Josemaria	Chile/Argentina	3,331.1	0.44%	14,694	11.81
Regulus Resources	94.0	91.9	AntiKori	Peru	294.8	0.91%	2,693	34.12
Los Andes Copper	41.3	35.3	Vizcachitas	Chile	1,356.0	0.42%	5,668	6.23
Panoro Minerals	45.0	72.8	Antilla	Peru	1,104.7	0.43%	4,751	15.33
Hot Chili	9.3	27.6	Productora	Chile	236.6	0.60%	1,418	19.46
Solgold	877.3	427.3	Cascabel	Ecuador	918.0	0.65%	6,011	71.10
<b>Rest of the World</b>								
Polymet Mining	260.2	437.4	NorthMet	USA	1,050.5	0.24%	2,551	171.49
Western Copper	55.8	92.9	Casino	Canada	2,753.0	0.38%	10,533	8.82
Rex Minerals	16.2	14.2	Hillside	Australia	337.0	0.69%	2,320	6.14
Nevada Copper	195.9	226.1	Pumpkin Hollow	USA	596.6	0.65%	3,868	58.45

Excelsior Minerals	156.0	161.8	Gunnison	USA	961.6	0.27%	2,585	62.58
Xanadu Mines	58.8	112.8	Kharmagtai	Mongolia	203.0	0.55%	1,122	100.57
Mod Resources	61.7	48.7	T3	Botswana	60.2	0.98%	590	82.55
Coro Mining	60.7	20.8	Marimaca	Chile	57.8	0.62%	357	58.32

Source: FactSet, Company Filings

The highest implied EV/t in South America is Solgold (LSE/TSX: SOLG), who are developing the Cascabel porphyry deposit in Ecuador and have BHP Billiton (ASX/LSE: BHP/BLT and Newcrest Mining (ASX: NCM) as shareholders. In terms of global comparable companies there is a much larger range, that is driven by the individual project development stage and potential permitting and fundraising challenges. Polymet Mining (TSX: POM), Nevada Copper (TSX: NCU) and Excelsior Mining (TSX: MIN) have received final permits for their NorthMet, Pumpkin Hollow, and Gunnerson projects in the USA, and Xanadu Mines (XAM: ASX) looks to have discovered a large potential block cave minable deposit adjacent to their Kharmagtai project in Mongolia. MOD Resources (ASX: MOD), with its impending listing in London, is also a close comparator in our view

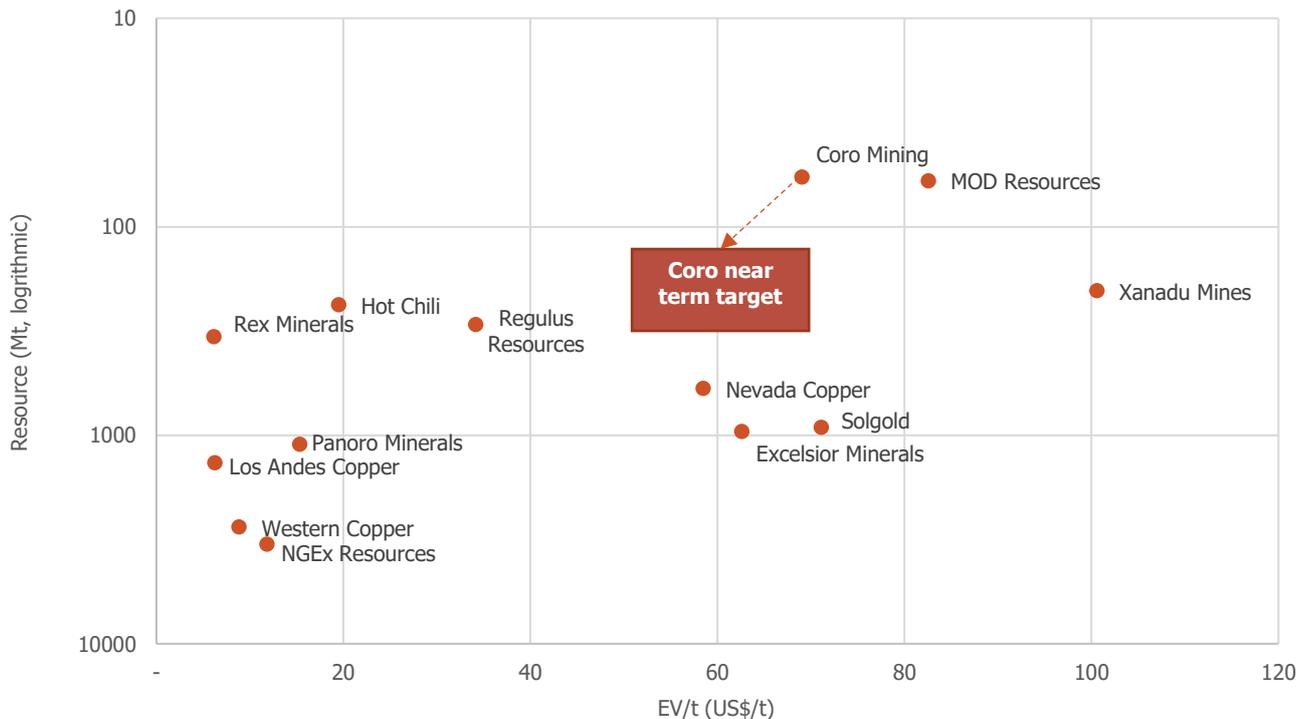
Figure 12 - EV/t comparison summary

	South America (ex-Coro)	Global
<b>Average</b>	<b>26.3</b>	<b>57.0</b>
High	71.1	171.5
Low	6.2	6.1
Median	17.4	58.5

Source: FactSet

We have plotted size of resource versus EV/t below but there will be wide range of other factors affecting the multiple including buildability, grade and location. Coro scores highly on all these parameters so we believe it is, if anything, conservative to use US\$60 EV/t.

Figure 13 - EV/t comparison



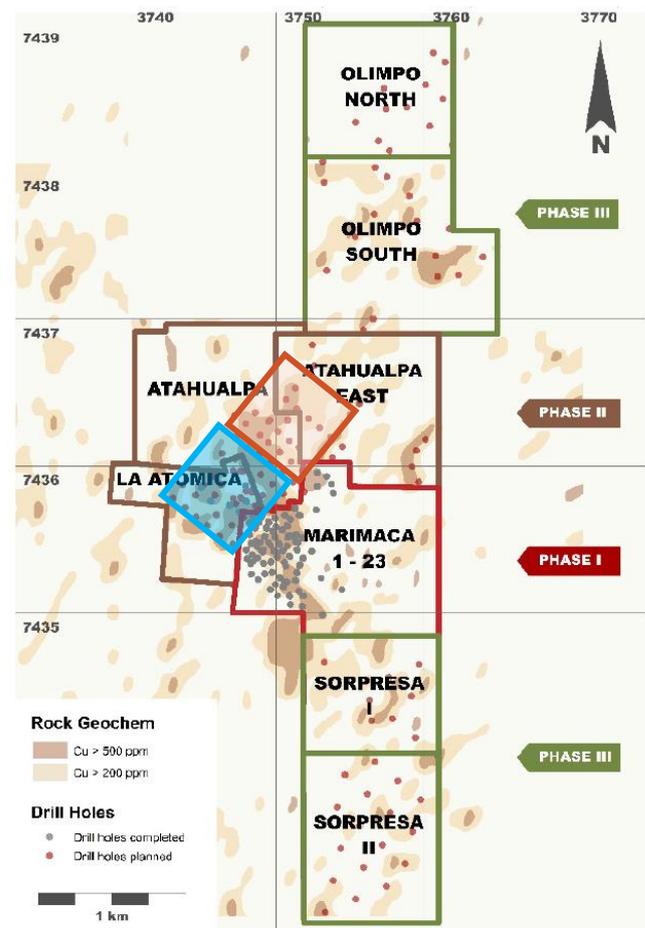
Source: Company Filings, FactSet

The fundamental conundrum to valuation discovery is obviously the size of the resource. We have conducted a basic geometric analysis of the resource potential – see fig 14 below. This is based off the current 45,000m drilling programme launched post the fund raising and assumes that it is going to hit similar mineralization as at Marimaca 1-23. Whilst we admit this is a somewhat bold assertion it has thus far proven to be the case and all signs on surface suggest its continuation. Moreover, as the chart on the right shows, the 650m<sup>2</sup> surface expression we come up with – the blue box – is still a relative small fraction of the property area. We are also ignoring the potential of the sulphides which drilling suggests should be more than economical.

Figure 14 - Marimaca Drilling campaign

### Conceptual Drill Campaign

Budget	US\$m	10.6
Metres drilled	m	45000
Hole depth	m	250
Overburden	m	0
Number of holes	x	180
Spacing	m	50
Width	m	650.0
Length	m	650.0
Depth	m	250
Target Resource	bcm	105,625,000
SG	x	2.7
Target Resource	t	285,187,500
Target Grade	% Cu	0.70%
Target Resource	t Cu	1,996,313
Existing Resource	t Cu	356,907
Total New Resource	t Cu	2,353,220
EV/t multiple		60
<b>Implied Valuation</b>	<b>US\$m</b>	<b>181.2</b>
<b>Implied Value per share</b>	<b>C\$/share</b>	<b>0.162</b>



Source: Coro Mining, Tamesis

Whilst this is clearly an imprecise estimate, it demonstrates the district size potential of Marimaca. The US\$10.6 million drilling program could delineate a target resource of c.285Mt, (approximately half of the resource tonnage of the nearby Mantos Blancos mine). At our chosen figure of 60 EV/t, adjusting for non-core Coro assets, delivers a valuation for Marimaca of US\$181 million or 16.2 cps, a 2.7x multiple of the current share price with no further dilution on a 12m basis.

### Inputs for future DCF Analysis reveals the competitive advantage of the project

We also examined Marimara by looking at the key inputs on a discount cashflow model, looking a 100kt pa operation mining a conceptual 240Mt resource over 14 years. In order to establish an NPV, we have to consider the various parameters from here on that will drive the valuation.

However all of the parameters: capex, opex, LoM, sustaining capital, time to construct, as well as production levels are so variable and subjective that we wouldn't suggest using them to derive a PT but act as more of a guide. What this exercise does reveal though is the competitive advantages of the Marimaca project as we discuss overleaf.

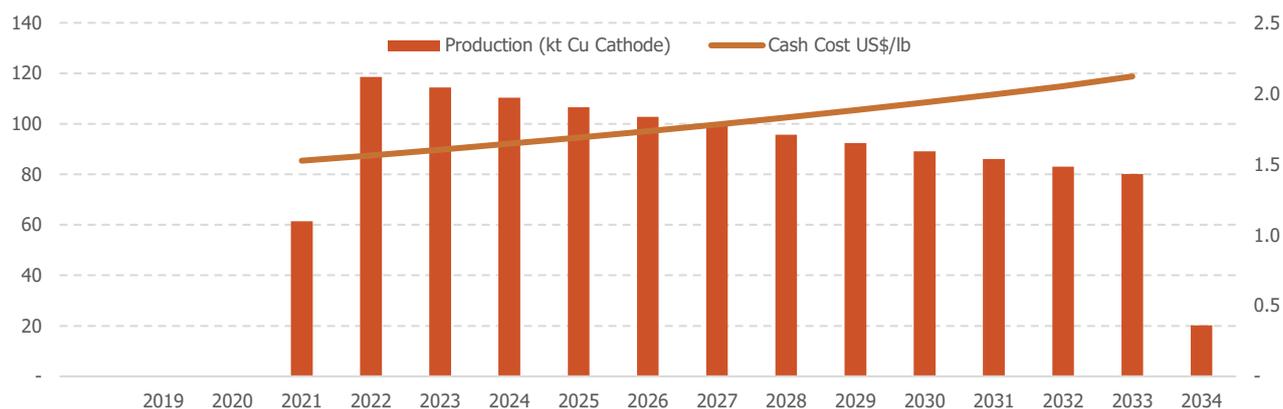
The net result is an unfunded NPV of US\$487 million. At steady state it produces an average of US\$290m EBITDA p.a for the first seven years.

We would also note that the company has already completed a definitive feasibility study for a 10kt pa operation at Marimaca, using a US\$3/lb copper price, valuing it at US\$114 million or 90% more than its current market value.

## Production

We have considered an operation producing on average 100kt copper cathode pa over a 14 year mine life 100Mt at a grade of 0.75% CuT (at 70% recovery) which we suspect will prove to be conservative.

Figure 15 - Conceptual Marimaca Production Scenario

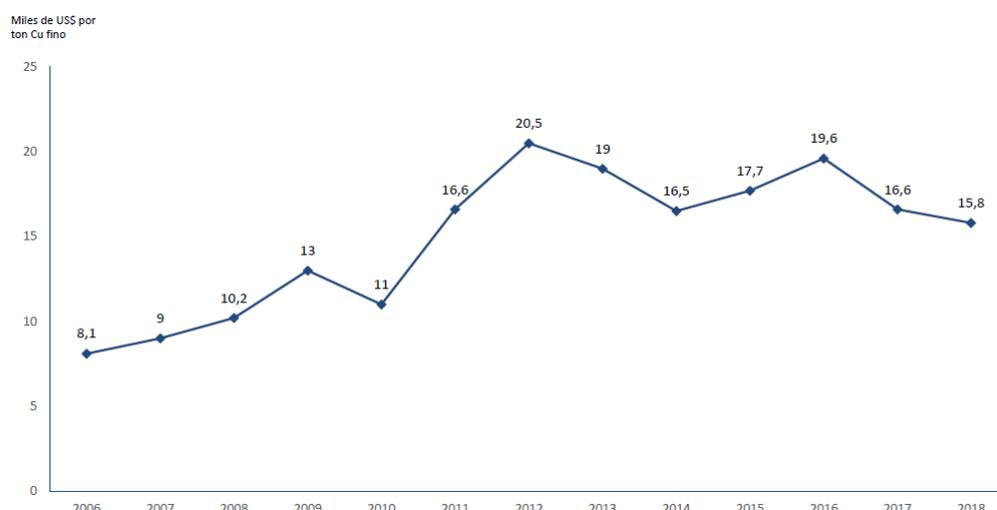


Source: Tamesis

## Capex

As the chart below shows capex intensity in Chile is running at around US\$16,000/t. However, we believe the most recent completed mine construction in Chile for an SXEW plant was the Antucoya mine operated by Antofagasta (LSE: ANTO) in 2014 for capital expenditure of c.US\$1.9 billion, of which US\$0.5 billion was incurred before the project was suspended in 2012. At target production of 85kt Cu, capital intensity of over US\$22,000/t makes it one of the most capital-intensive builds in the industry. We note the capital bill was inflated by the need to have a pumping operation to provide seawater for the leach, a sulphur burning plant, and the size of mill needed give the low grade (0.27% CuT). Moreover it was being paid for during a hugely inflationary background for the sector.

Figure 16 - Chilean Capital Intensity (US\$'000 per annual produced tonne)



Source: Consejo Minero

The location and available infrastructure at Marimaca, and the fact that it will process ore through a heap-leach SXEW process suggests capital intensity significantly lower than US\$16,000/t. Some

of the bigger ticket items facing the large, typically porphyritic, project further inland simply do not exist:

- No major power plant/transmission is required;
- No camp for the workforce (no fly in fly out type shift patterns either which affects opex);
- No major transport systems such as roads, railways, pipelines for concentrate;
- No sulphuric acid plant, acid can be imported from the port of Mejillones
- No desalination plant. Water can simply be piped 22km from Mejillones – it is likely it will come from one of the thermos-electric plants as is the case with Sierra Gorda (the licensing for extraction of seawater straight from the ocean is a lengthier process requiring approval from the Navy). Seawater is fine for SXEW vs a sulphide float and concentration plant.
- No tailings dam.
- The earthworks for the heap leach will be relatively straightforward as there is a flat valley next to Marimaca.

As such we assume US\$8000/t capital intensity at Marimaca.

### **Unit Costs**

Investors will look at the DFS and note that the 10kt p.a. scenario assumes a unit cost of US\$2.05/lb. However, this was small scale and utilised the Ivan plant 18km away to which pregnant leach solution would have to be trucked. We believe a large scale project producing 100kt pa plus from a deposit grading c.0.75% CuT is going to be in the bottom quartile. We note the following natural potential cost advantages of this project:

- The ore body outcrops with disseminated mineralogy and is relatively wide implying a low strip ratio (1-1.5).
- One of the key findings from the DFS showed that the ore is readily amenable to leaching with recoveries of 65+% days. Acid consumption ratio is an acceptable 6.7:1 – the local acid price is reasonable (we note the DCF assumes US\$80/t) although availability can be an issue from time to time than can send the spot price higher.
- As discussed there is an available workforce in Mejillones and Antofagasta. The premia companies pay for remote labour is not an issue here.
- Power is available straight from the grid at a very competitive 5.5c/kwh

Basically, most major components of the cost base are competitive and we assume a cash cost of US\$1.65/lb.

### **Construction timing**

Obviously, this is determined by how big it's going to be but for a 100kt pa operations we would assume 40 months from now. This includes another year of drilling, the preparation of the DFS and then we estimate 24 months construction with licensing running alongside.

### **Other Financial Assumptions**

Other assumptions are more straightforward. Chile is clearly one of the best countries in the world in which to build a mine so we would see country risk as low and feel a 7% discount rate appropriate. We are using an industry standard US\$3/lb long term copper price. We discuss the tax regime in more detail later in the note. Royalties are a sliding scale of 5 to 14% plus there is a local royalty. We also assume 75% of costs in US dollars and 25% in Chilean pesos.

### **Funding**

Clearly the valuation would be impacted by any equity dilution as part of project financing. We would expect the next financing will be based on the decision to build, at a higher share price reflecting the increased resource.

### M&A – maybe the most likely outcome in the end

Of course, the most likely catalyst and crystallization of the value of Coro is going to be a takeover. Perhaps due to the dearth of decent projects globally and the reluctance of mid to large companies to spend money on growth outside their organisations (as well as having their own project pipelines) there are relatively limited M&A comparatives from which to draw. However we have assembled a table below:

Figure 17 - Pre-production Global Copper M&A history

Date	Target	Asset	Acquirer	Consideration (US\$m)	%	Cu Resources (kt, equiv)	US\$/t Cu equiv
Oct-2018	Solgold	Cascabel	BHP Billiton	50	5.1%	6,011	163.1
Sep-2018	Solgold	Cascabel	BHP Billiton	35	6.1%	6,011	95.5
Aug-2018	Baimskaya	Baimskaya	KAZ Minerals	900	100.0%	14,081	63.9
Jul-2018	Novagold	Galore Creek	Newmont	275	50.0%	3,425	160.6
May-2015	Ivanhoe Mines	Kamoa	Zijin	412	49.5%	24,160	34.5
Jun-2014	Lumina Copper	Taca Taca	First Quantum	383	100.0%	16,062	23.9
Feb-2014	Augusta	Rosemont	Hudbay	372	100.0%	4,478	83.2
<b>Average</b>				<b>347</b>		<b>10,604</b>	<b>89.2</b>

Source: FactSet, Company Filings

On a US\$ per resource tonne, we calculate an average acquisition multiple of US\$89.2/t. Applying this multiple to our research target of 285Mt for 2,353kt contained copper implies a transaction value of US\$210 million, or 18.8 cps.

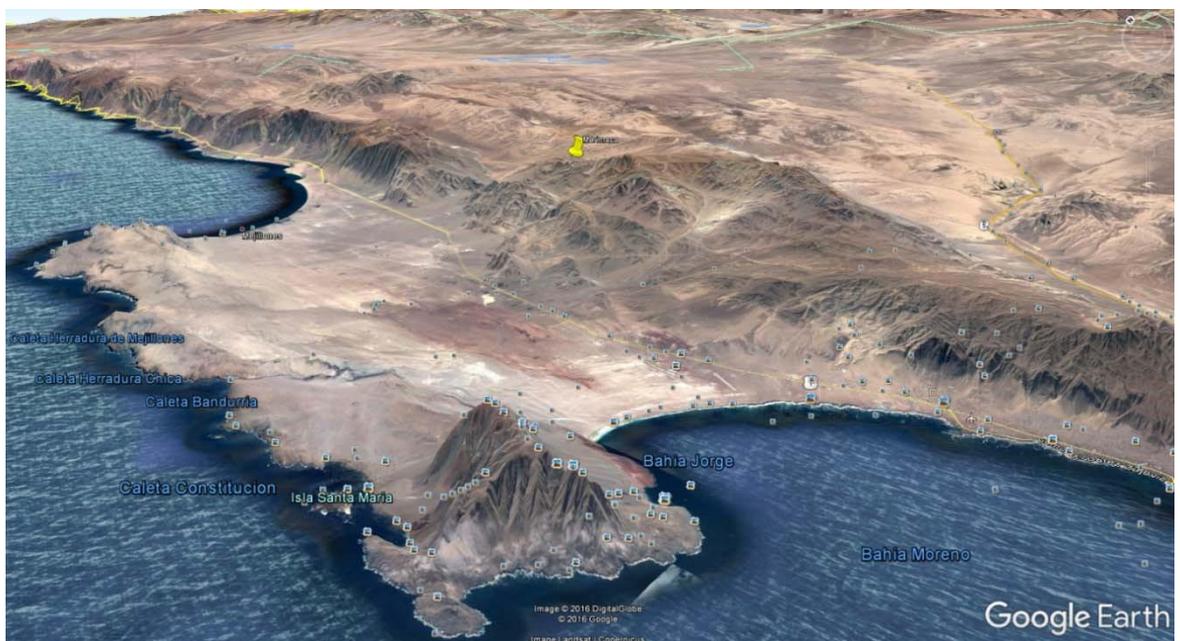
Clearly all of these projects are of a size to attract large cap mining companies. Coro targeting a resource of more than 2Mt contained copper would approach the level where there would be interest from potential suitors.

## Asset Overview

### Location – hard to think of anywhere more perfect.

Anyone visiting the Marimaca site cannot fail but be impressed by the proximity of the deposit to infrastructure. It is c.60km North of Antofagasta (44km North of the Cerro Moreno International Airport) most of which is along a highway of good quality. It is a c.20 minute drive from the Port of Mejillones which is a town of 10,000 inhabitants and growing. Importantly, on the outskirts, there are five thermoelectric power plant and the most important sulphuric acid terminal in the north of the country. The acid terminal supplies many of the mines in the hinterland of the country and we imagine Marimaca will become a customer. A major power line runs 14km from the site. Moreover the thermoelectric plants have water as a “waste product”. Given this is all in Chile which is still by far the biggest producer of copper by country we find it hard to think of a better location anywhere else in the world.

Figure 18 - 3D Location of Marimaca,



Source: Google Earth

### Unexpected Geology

Chilean geology is in some ways quite simple. Its evolution is dominated by the effects of east-directed subduction of the Pacific ocean floor beneath the South American continent. This subduction is the force that generated the Andes whose primary uplift dates back to a Miocene (23 to 5Ma) event but whose emergence continues today. The pre-Andean geology, including the Coastal Cordillera and the Palaeozoic igneous and metamorphic rocks, was also largely formed during east-directed subduction episodes, though in the latter case of a rather different character, with the accretion of forearc and distal oceanic deposits, and even small exotic terranes. The long-lived reworking of crustal material, especially where the continental crust is thickest, in a stable subduction environment is a major factor in the formation of the mineral wealth and at work at Marimaca.

The northern and central parts of the country can be quite neatly divided into three north-south zones; the Coastal Cordillera, the Central Depression and then the Main Cordillera in which sits the Andes and Altiplano – see fig below.

Figure 19 - Countrywide and Regional Geology

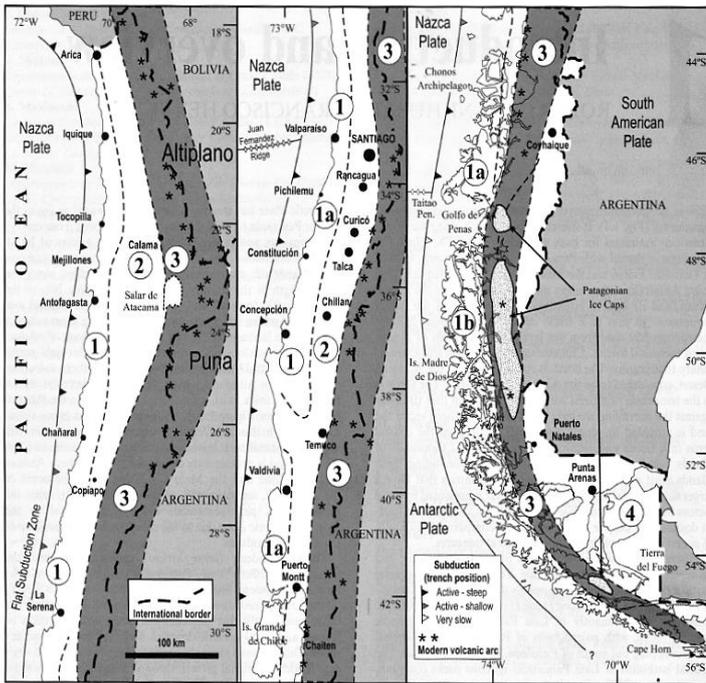
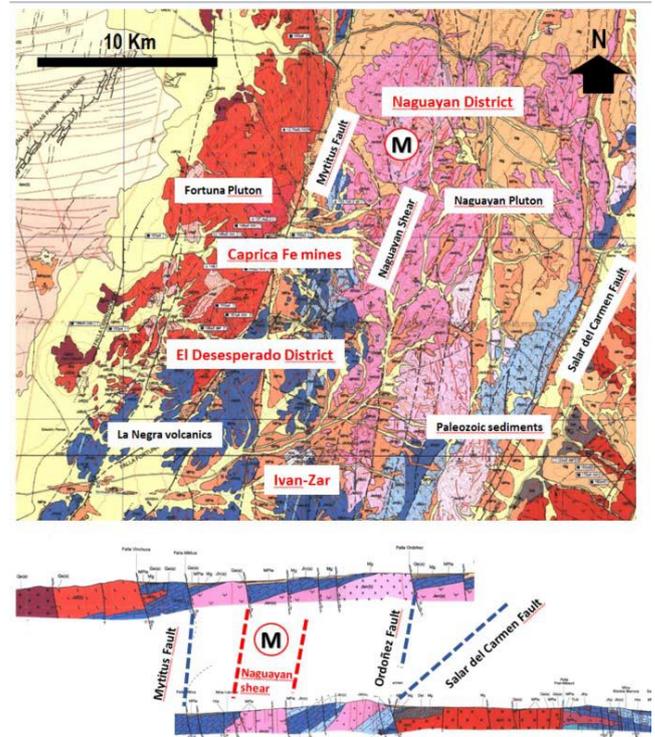


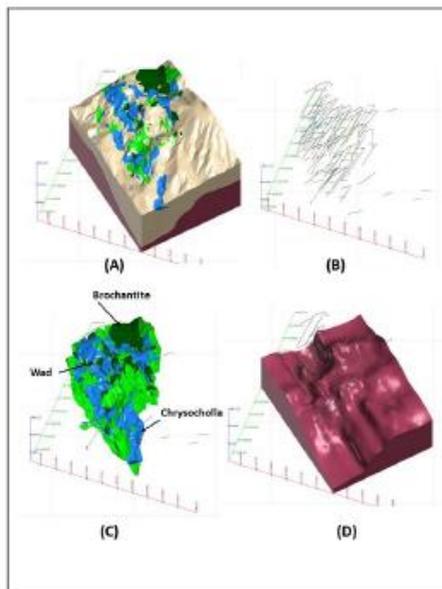
Fig. 1.1. Sketch map of Chile, showing the main topographical zones: 1. Coastal Zone; 2. Central Depression; 3. Main Cordillera; 4. Magallanes Basin. Active and dormant volcanoes, and the generalized location of eastward-dipping subduction zones are schematically illustrated. See text for further explanation.



Source: "The Geology of Chile", ed. Teresa Moreno and Ed Gibbins. 43-101 Coro.

Marimaca sits in the Coastal Cordillera and a particular section known as the Coastal Copper Belt due to the numerous copper deposits recognised as "manto-type" or IOCG type. They are generally hosted in volcanic complexes and are stratabound often with hydrothermal breccia feeder structures that contain economic mineralization. As a result, they tend to be flat lying and often relatively thin.

Figure 20 - 3D Interpretation of Marimaca Claims 1-23 Ore Body



Where, (A) Mineralization model from surface (B) Drill hole location (C) Copper oxide zones (D) Top of dominant sulfide contour (bottom of oxide zone)

Source: Marimaca 43-101

Marimaca is different. The wall rocks in Marimaca are intrusives from the “Naguayán Stock” – see Fig 19, an equal-granular monzodiorite that grades to diorite in part cut by monzodiorite porphyries and by various systems of dacitic and dioritic dikes (NE, NS NW and WNW orientation). A sub-parallel, planar, pervasive and persistent structural elongated NS zone is the most important structural feature of Marimaca. This feature can be followed in at district scale and is informally named as Naguayán Banded Fracture Zone (NBFZ) giving to the rock an appearance of “pseudo-stratification”, composed by cent-decamic subparallel fractures that show different types of penetration, filling, spacing and persistence – see Fig 20 above which is the interpretation from the DFS.

The supergene blanket geometry hosted by the NBFZ make this deposit very different to all those described to date in the Coastal Range region. It has an average vertical thickness of 280m and is the result of overlapping processes of accumulative secondary leaching, enrichment and oxidation, in a column of rock affected by various structure systems and long geomorphological and paleoclimatic processes. There is a reasonable continuity in the distribution of the copper oxide and its grade distribution. The mineralisation of brochantite, chrysocolla and wads occurs in the disseminations and impregnations of fractures in the parallel band system with a NS orientation but also in diagonal fault systems with a NE and NW orientation.

Another important factor at Marimaca is the presence of supergene enrichment and oxidation that contributed to an increased grade for the deposit. The primary sulfide associations have low pyrite content but it is estimated that its abundance in the hanging wall or red cap, permitted the generation of enough acid to have generated the supergene system, aided and abetted by the condition of low reactivity of the country rock. The “redcap” is a very notable feature visually on surface and extends for c.10kms on Coro owned property. Some of the Phase II and III drilling will seek to confirm this feature as a matter for the mineralisation.

As the technical report for the recent DFS states:

*“The mineralization discovered at Marimaca does not fit well in either type (of deposits elsewhere in the belt). Even its stratiform shape following the unusual fracturing system and its monzodiorite host rock has not yet been recognized elsewhere in the Belt yet and no other copper occurrences of this type have been identified in the literature. It appears to be a new type of copper deposit that opens new exploration possibilities in the area and elsewhere in Chile.”*

So to summarise the key features:

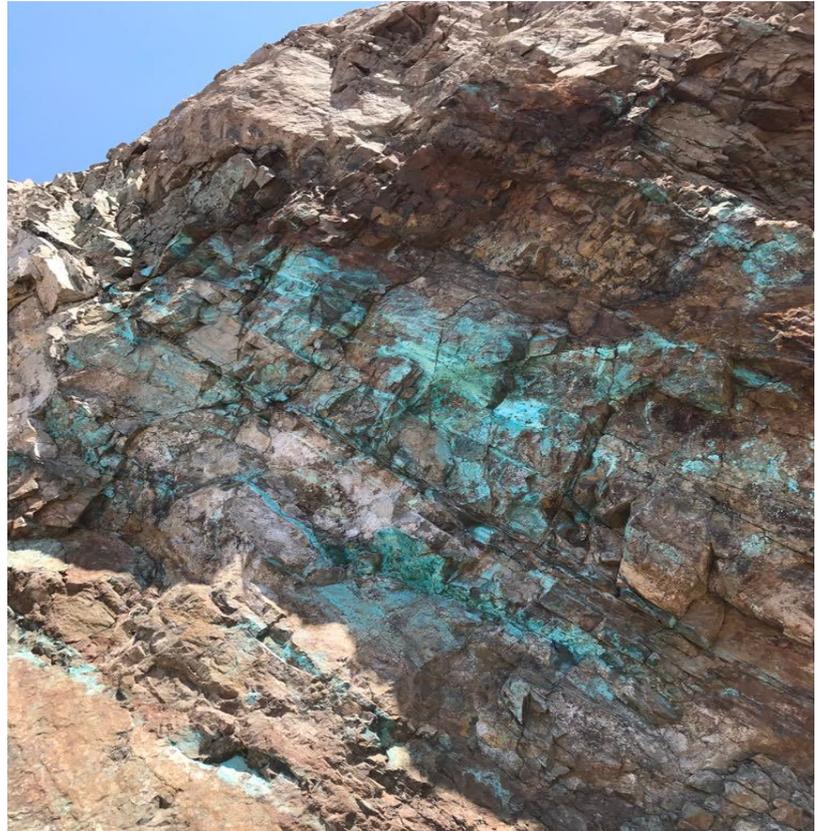
1. Marimaca is different. It is hosted by intrusives whereas the rest of the deposits along the coastal cordillera are volcanic hosted. Brittle structural deformation has provided a permeability trap at Marimaca whereas favourable stratigraphic host units provide porosity traps in the volcanic hosted deposits elsewhere
2. It has an homogenous deep oxidation horizon extending down 250m. The width of the intrusives vary with drilling so far indicating a range of 300m to 1000m – see fig 26.
3. There appears to have been several stages of alteration that has lifted the grade of the oxidised mineral below which there is further supergene enrichment and below that primary copper sulphides.
4. It appears to be marked by this “red cap” of iron rich diorite. This extends for c.10km on the property owned by Coro.

Or put more simply again: this is a potentially world class deposit, its amenable to a large-scale heap leach operation with a low strip ratio and has further potential at depth to mine the sulphides.

## **Exploration and ownership history – all very recent**

We suspect one of the main reasons that Marimaca has only recently surfaced is that it has not fitted the pattern of other deposits in the Coastal Cordillera and we suspect there was a belief that the copper being found was not from ore sources big enough to support commercial mining. That said, there are sporadic reports, with the first published in 1962, with some detail of the geology and estimation of resource and grade. Moreover and more importantly artisanal operations have been in place for decades opening up small pits and caverns with visible mineralisation (see photos below). Generally, the copper grades from these workings have been between 1-2%.

Figure 21 - An example of artisanal mining



Source: Tamesis

The exploration activities of Coro Mining have been run by Sergio Rivera since he was appointed to the company in November 2011. He began to focus the company on Marimaca in 2014 and Coro signed an earn in agreement in 2014 with the owners SCM Compania Minera Constanza. It was under his guidance that the first 15 RC holes intercepted significant intervals of copper oxides in April 2016 and as such he can legitimately lay claim to another copper deposit discovery (as VP of Exploration at Codelco his team had discovered a number of ore bodies including La American and Cerro Negro as well as playing a key role in the discovery of the Toki Cluster of porphyry copper deposits) .

However it was the 44 hole complementary program started in August 2016 that really started to gain the attention of management and shareholders alike with intercepts including 190m @ 0.8% CuT and 330m @ 0.8%. In January 2017 the company published its Maiden NI 43-101 Resource and from there it continued to update the resource estimates at fairly regular intervals. Its latest resource estimate for Marimaca is shown in the table below

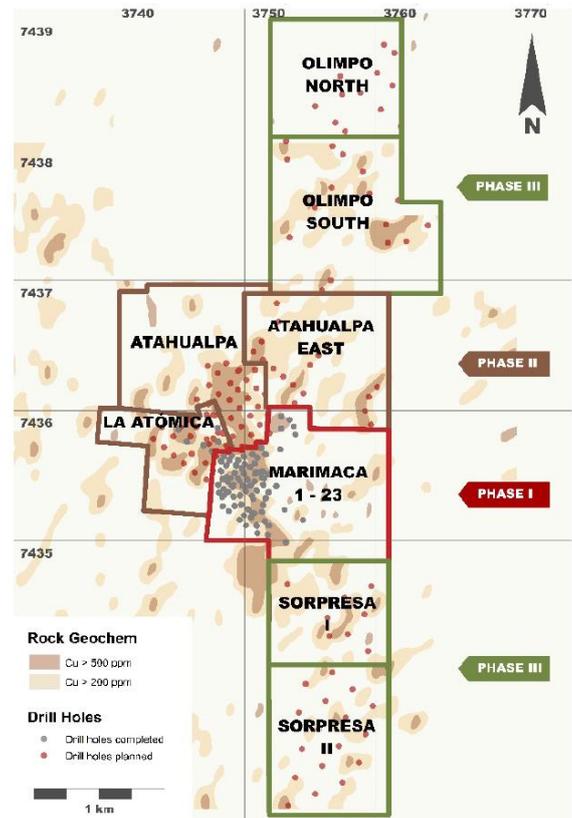
Figure 22 - Resource Table

Cut Off	Measured			Indicated			Meas. + Ind			Inferred		
	Tonnage kt	CuT %	CuS %									
>1	4,443	1.44	0.94	3,357	1.43	0.83	7,800	1.44	0.89	793	1.25	0.51
0.9	5,476	1.35	0.90	4,235	1.33	0.80	9,711	1.34	0.85	1,024	1.18	0.51
0.8	6,768	1.26	0.85	5,382	1.23	0.76	12,150	1.24	0.81	1,327	1.10	0.51
0.7	8,459	1.15	0.79	6,884	1.12	0.71	15,343	1.14	0.76	1,741	1.02	0.51
0.6	10,660	1.05	0.73	8,938	1.01	0.66	19,598	1.03	0.70	2,447	0.91	0.49
0.5	13,077	0.96	0.67	11,718	0.90	0.60	24,795	0.93	0.64	3,665	0.79	0.45
0.4	15,799	0.87	0.61	15,015	0.80	0.54	30,814	0.84	0.58	5,421	0.68	0.40
0.3	18,615	0.79	0.56	18,800	0.71	0.48	37,415	0.75	0.52	7,714	0.58	0.34
0.25	20,314	0.75	0.52	20,993	0.67	0.45	41,307	0.71	0.48	9,265	0.53	0.31
0.2	22,407	0.70	0.49	24,347	0.61	0.39	46,754	0.65	0.44	11,043	0.48	0.28
0.1	26,074	0.62	0.43	32,544	0.49	0.32	58,618	0.55	0.37	17,252	0.36	0.21
>0	26,493	0.61	0.42	33,258	0.48	0.31	59,751	0.54	0.36	18,085	0.35	0.20

Source: Coro Mining

Management recognised however that they did not want to advertise the presence of a major ore body too loudly to neighbouring landowners as it would create instant price inflation for further claims which they then focussed on acquiring. In August 2017 they announced the signature on a binding letter of intent to acquire La Atomica. In October they signed a binding letter of intent on the Naguayan Claim Block. In January 2018 they obtained a promise to purchase and sell agreement with a local Chilean company to acquire a 379 ha package on mining claims (the SM and Sorpresa claims) immediately adjoining its Marimaca property. Their current ownership map is shown below:

Figure 23 - The Marimaca Claims



Source: Coro Mining

Within each claim there is a set of financial requirements which we summarise in the table below:

Figure 24 - Description of Marimaca

Claim	Ownership	1st Payment	2nd Payment	3rd Payment	4th Payment	5th payment	Total	Royalty	Other
Marimaca	75%	\$60,000 (paid)	\$125,000 (paid)					No royalty. 25% equity interest with a 15% interest free carried to commercial production and a 10% participating interest that is subject to dilution	Coro can acquire a further 24% interest by obtaining project finance or contributing the Ivan plant. It will do the latter
La Atomica	100%	\$100,000 (paid)	\$0.5m (Oct 2018)	\$1.0m (Oct 2019)	\$4.0m (Oct 2020)		\$6.0m	1.5% NSR (with option to buy back 0.5% out of the 1.5% for \$2m at any time)	
Sierra Miranda	100%	\$100,000 (paid)	\$5.9m (paid)				\$6.0m	2% NSR	
Naguayan Claims	100%	\$200,000 (paid)	\$200,000 (Jan 2019)	\$700,000 (Jan 2020)	\$1.75m (Jan 2020)	\$3.55m	\$6.5m	1.5% NSR (with option to buy back 0.5% out of the 1.5% for \$2m at any time)	
El Jote	25%	\$320,000 (paid)	\$125,000 (paid May 2018)	\$125,000 (paid Aug 2018)	\$2.43m (Aug 2019)		\$3.0m	1.5% NSR which can be purchased for \$1.5m at any time	The payment figure are for 100% of El Jote by SCM Berta (Coro now only owns 25% of SCM Berta)

Source: Tamesis

***We think though it is important not to consider the claims separately but as a whole with the 980 ha land position now 100% owned other than what is now a the relatively small area of the Marimaca 1 -23 claims where the ownership is effectively 75%.***

### Looking Ahead

As soon as management had secured the Atomica land package they proceeded to conduct step out drilling. In January this year the company reported it had put down 12 RC holes on the La Atomica claim and 7 to the NE of the existing resource on the Marimaca claim. The mineralized holes contained multiple intersections of oxides similar in grade and thickness to Marimaca, highlighted by 140m @ 0.46%TCT from surface, with some mixed and remnant enriched mineralization at depth, including 72m @ 1.34%CuT. Topographic constraints resulted in two of the holes being drilled in a sub-optimal orientation with respect to the known structure. This step out drilling has confirmed the potential for additional resources in an area of approximately 300 x 300m at La Atomica and it remains open over a further similar area to the NW, where inspection of underground workings has confirmed the presence of mineralization.

Thick mineralization averaging 180m @ 0.58%CuT was intersected from surface in one of the scout holes drilled some 300m NE of the Marimaca resource, indicating that the deposit continues in this direction. A second hole intersected 42m @ 1.82%CuT at depth as mixed and primary mineralization in the area immediately NE of the resource. See announcement on 22<sup>nd</sup> January 2018 for further details.

### Marimaca Phase II

Coro has recently released the details of its Marimaca Phase II US\$10.6 million exploration program. This is expected to run for c.12 months at the end of which they will look to release a new resource or rather a resource extension beyond Marimaca – see table below for details

Figure 25 - Summary of drilling programme

	Marimaca 1-23	La Atómica	Atahualpa	Atahualpa East	Sorpresa I	Sorpresa II	Olimpo South	Olympo North
Mapping and Sampling	-	NA	NA	Q3 '18	Q4 '18	Q4 '18	Q1 '19	Q1 '19
Access and Platforms	-	Q3 '18	Q4 '18	Q4 '18	Q4 '18	Q1 '19	Q1 '19	Q1 '19
Drilling	-	Q4 '18	Q4 '18	Q1 '19	Q1 '19	Q1 '19	Q1 '19	Q2 '19
Drilling (holes)	-	52	51	19	18	12	16	15
Drilling (metres)	-	12,000	12,310	5,300	4,200	3,000	4,400	4,150
Drilling Results	-	Q4 '18	Q1 '19	Q2 '19	Q2 '19	Q2 '19	Q2 '19	Q3 '19
Preliminary Reports	-	-	-	-	Q2 '19	Q2 '19	Q2 '19	Q3 '19
Modelling	-	Q4 '18	Q2 '19		-	-	-	-
Resource Estimate	Q2 '18	Q1 '19	Q2 '19	Q3 '19	-	-	-	-
Combined Resource Estimate	H2 '19				-	-	-	-

Source: Coro Mining

The main objective of Phase II is to test the extension of Marimaca-style copper mineralization in the adjacent La Atómica and Atahualpa claims. Interpreting results from initial geological mapping and sampling of historic underground workings, in addition to 16 drill holes already completed by the Company, suggests that even with some different and particular geological features, the claims contain copper oxide and sulphide mineralization similar to that established at the Phase I Marimaca 1-23 Claim. At La Atómica in particular, some differences in mineralization are noted and may be explained by a lateral migration of supergenic mineralizing fluids from the higher grade centers located in Marimaca. At Atahualpa, it is believed that the geology is more comparable to Marimaca. At Atahualpa the underground workings extend for approximately 600 metres from the Marimaca boundary, with attractive brochantite mineralization being observed, comparable to the higher grade copper seen at Marimaca.

The Company believes that the Marimaca mineralization is structurally controlled and extends north-south along the district. This is illustrated below, where the blue and red lines represent the foot and hanging walls limits, and the shaded areas the geochemical signature for potential copper mineralization at surface.

Figure 26 - Surface expression of Marimaca District alteration and Geochem results

Figure 4: Marimaca District Alteration

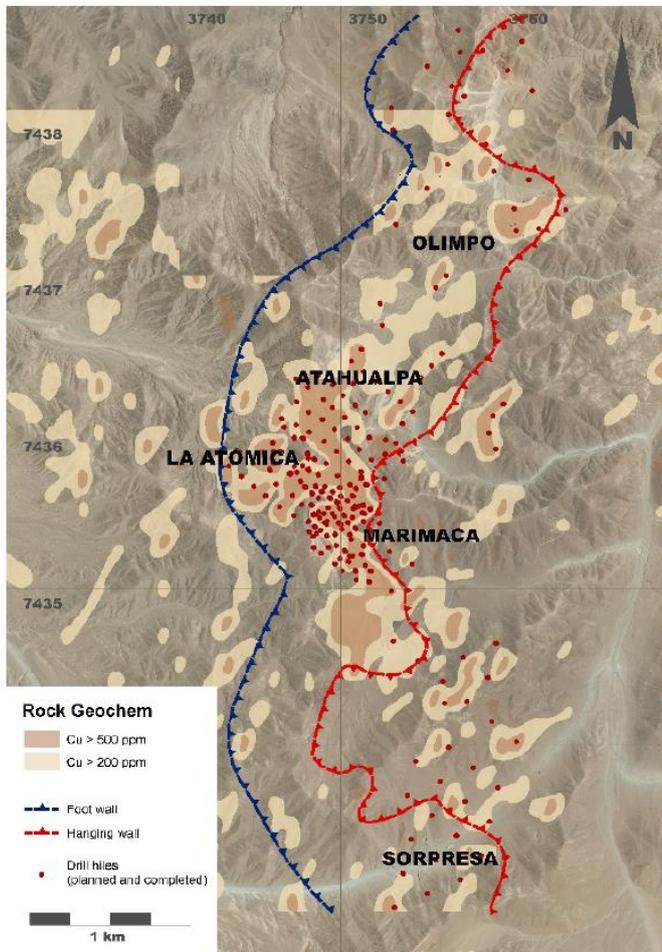
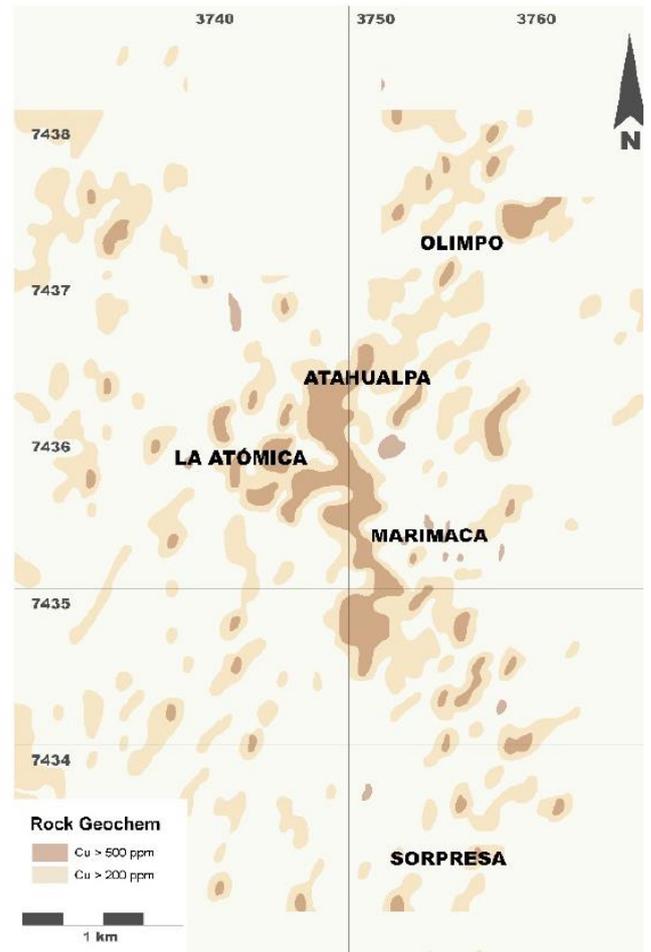


Figure 5: Marimaca District Rock Geochemistry



Source: Coro Mining

**Sure Enough...**

It's great when a plan comes together. The first 28 of 52 drill holes planned at La Atómica, which is the first part of the Phase 2 drilling programme, have confirmed the presence of copper oxide mineralization, in addition to the presence of secondary enriched copper sulphide mineralization at depth. Results included a 202m hole from surface with continuous oxide mineralization averaging 0.74% including 16m, from 98m to 114m, averaging 2.72% CuT, and 12 metres, from 138 to 150 metres, at 2.24% CuT. The company believes the horizontal extension of the outcropping copper oxide mineralization from Marimaca to La Atómica now reaches 800 metres in the north-west direction, with the opportunity for further extension. Having said that, from what we can tell the band of copper mineralization appears to be bending in a NE direction into Atahualpa. The company will complete the remaining holes at La Atómica, with an announcement by the end of 2018, before moving to Atahualpa.

We believe a construction decision should be made Q4 2019/Q1 2020. We have discussed in detail the main considerations in and around building a mine in the valuation section. All of them centre around the extreme competitive advantages of the location.

## Mining in Chile

As one might imagine from a country that produces by far the most copper in the world, the ease of doing business in the sector is high. The country has quite rightly tightened up on environmental licensing in recent years and it is a straightforward process if you follow the rules. A mining or exploitation licenses requires normally takes about a year to procure.

## Easy to do business

Coro ranks highly on the Transparency International Business environmenta rankings and the Corruption Perception Index:

Figure 27 - Business environment rankings 2014-2018

Country	Position
Singapore	1
Switzerland	2
Hong Kong	3
Australia	5
US	7
Germany	12
<b>Chile</b>	<b>13</b>
Netherlands	16
UK	22
France	24
Spain	25
Japan	27
Argentina	70

Source: Economist Intelligence Unit. (Selected economies)

Figure 28 - Corruption Perceptions Index 2016

Country	Position
Denmark	1
New Zealand	2
Finland	3
Sweden	4
Norway	5
Germany	10
UK	10
Austria	17
US	18
France	23
<b>Chile</b>	<b>24</b>
Spain	41
Brazil	79
Colombia	90
Argentina	95
Peru	101
Mexico	123

Source: Transparency International

Source: PWC, Transparency International

For smaller companies the tricky bit is often obtaining the claims from the land holders for obvious reasons and it has been an expensive business for Coro Mining. However, as one might expect, mining is by far the biggest target for foreign direct investment.

It's also interesting to note to the fairly rapid decline in copper grades being mined in Chile. The chart on the right below shows the average copper grade declining through 2017.

Figure 29 - FDI into Chile (LHS), Declining Copper Grades (RHS)



Source: Central Bank of Chile

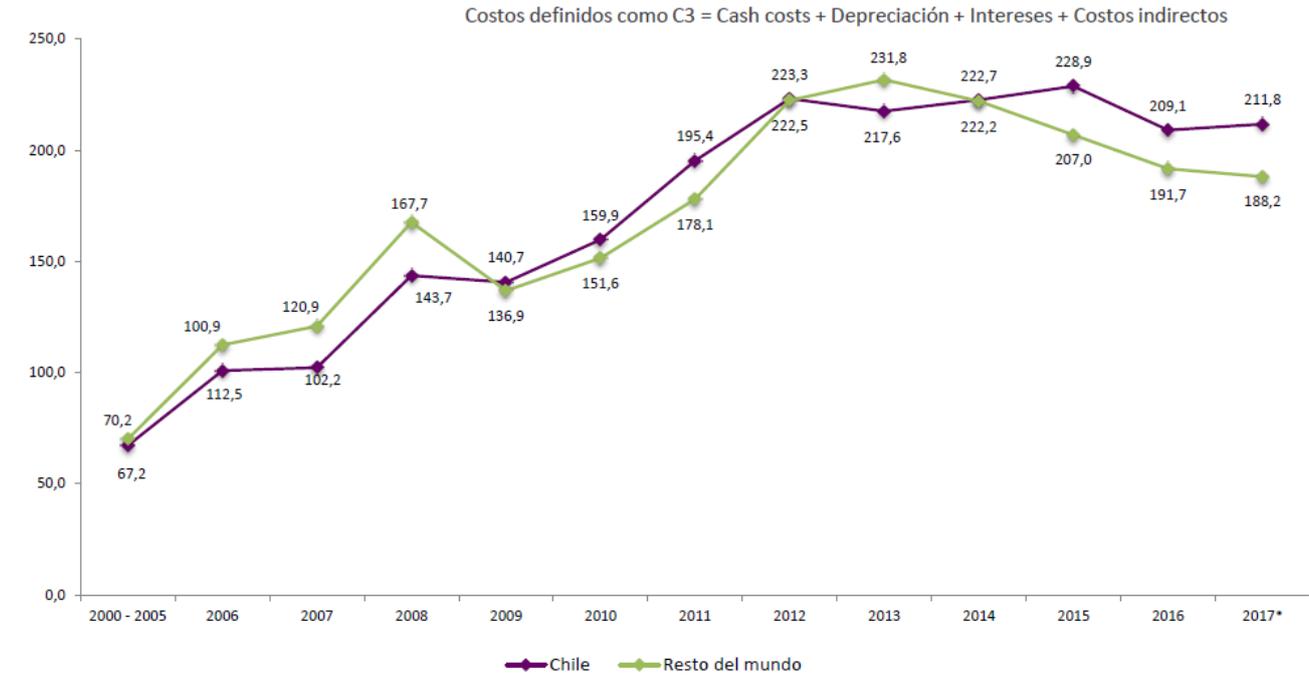


Source: Consejo Minero

## But not necessarily cheap

As we discuss earlier in the document, mining copper in Chile is not necessarily low cost. Many of the mining projects are several 100kms from the coast in remote locations requiring large scale infrastructure. Power, labour and water costs are all no less than mid-tier on the curves albeit certainly labour tends to fluctuate with the copper price.

Figure 30 - Cash Costs (LHS) and Capital Intensity (RHS)



Source: Consejo Minero

## Other Assets

The company has accumulated a long tail of assets since its inception in 2005. These include the following:

### SCM Berta. (25% ownership)

The Berta Deposit is a near surface, copper oxide deposit, with mineralization, as defined by drilling, mapping and geochemistry, occurring in three principal areas; Berta Sur, Berta Central and Berta Norte. It is associated with sub-vertical, elongate, porphyry intrusive bodies and related hydrothermal and intrusive breccias, emplaced into a tonalite stock. Oxidation extends from surface to depths of 50m to 100m. Berta Sur comprises a single, coherent body of mineralization that has not been previously mined, while Berta Central comprises several smaller breccia bodies, located immediately north of Berta Sur, which were the focus for previous small scale artisanal copper oxide production. A resource estimate has been completed for Berta Sur and Central, and potential for additional copper oxide resources is present elsewhere on the property and in the surrounding district. The current resource size is 17.6Mt grading 0.23% CuS and strip ratio of 0.5x.

The company has a heap leaching operation at site but no SXEW plant (they had an agreement to use a plant at Mantoverde which collapsed). Coro had been trucking PLS solution to their Nora plant 54km to the North. However, this was difficult to get right operationally, and the combined operations did not break even prompting the recent strategic review which effectively ringfenced the business. Coro's stake has fallen to 25% with Greenstone owning the remaining 75%. As announced on 16 October 2018 the operations have been put on care and maintenance for now. It was clear from our site visit in January that the best solution would be to build an SXEW plant next to the heap leach but that would require an investment of US\$5+ million. We will continue to watch this space because we can't imagine Greenstone will sit on the asset in its present state for long.

The company agreed to buy Berta for US\$6 million in June 2011 and subsequently announced a US\$15 million debt facility in June 2014 with US\$7 million allocated to the installation of the heap leach circuit along with crusher, agglomerator, pads etc..

### The Nora Plant (25% ownership)

The Nora plant was built in 2009 and comprises a 750ktpy crushing circuit and a 3ktpy SXEW plant with associated heap leach pads, spent ore stockpiles, piping, PLS ponds etc., together with certain mining properties and surface rights. The spent ore stockpile from the previous period of operation contains potentially recoverable copper and the company had also identified some dump material within trucking distance of the plant, both of which will be evaluated as potential feed for the plant in early 2015 while Berta is being developed. Nora is located in an emerging district of major IOCG copper projects, approximately 11km from Capstone's Santo Domingo Cu-Fe-Au flotation project and 10km from Copec's Diego de Almagro Cu leach + Cu-Au flotation project, both of which are in the permitting stage.

The company completed the acquisition of Nora out of receivership in 2015 with the company spending a total of US\$6.25 million in the purchase and subsequent upgrade in capacity from 3kt pa to 5kt pa.

### El Jote

In May 2016, SCMB optioned El Joté (formerly called "Salvadora") a copper project located ~ 30km NW of the Nora Plant and 58 km NE of the port of Chañaral in the III Region of Chile. Under the terms of the agreement, SCMB may acquire a 100% interest in the property by completing the following option payment schedule totalling US\$3.0 million; US\$320,000 on or before May 2016 (paid); US\$250,000 on or before May 2018 (paid US\$125,000) and US\$2.43 million on or before May 2019. The final payment may be made in eight equal instalments of US\$0.3 million plus interest at LIBOR, and SCMB may start production with the first instalment payment. A 1.5% NSR is payable, which can be purchased for US\$1.5 million at any time.

No independent resource estimate has been completed on the property but, based on the existing drilling, we see good potential for 10-15Mt @ 0.4 - 0.5% CuT of leachable mineralization, with a low strip ratio.

## The Ivan Plant and Surrounding License

As Marimaca became more interesting and the likelihood of production grew, Coro scouted for nearby production facilities. In 2016 they entered into an agreement to buy the 12kt pa Ivan plant from Milpo, a subsidiary of Milpo, for US\$6.5 million. The plant, 18km from Marimaca, came with a claim block, measuring 23,748 hectares and covering most of the ground between Marimaca and Ivan, and a mineral resource – see table below. It has significant exploration potential for both Marimaca style mineralization as well as for additional mineralization of the type mined previously by Milpo, both of which Coro will be pursuing.

The Ivan claims host the following mineral resources, as quoted in the Milpo 2015 annual report;

Figure 31 - The resource surrounding Ivan

Ivan		Resources at end 2015		
At 0.7%CuT cutoff				
Category	Mt	%CuT	%CuS	
Measured	7.62	1.35	0.55	
Indicated	10.64	1.30	0.36	
<b>Measured + Indicated</b>	<b>18.26</b>	<b>1.32</b>	<b>0.44</b>	
Inferred	6.58	1.05	0.35	

Source: Coro

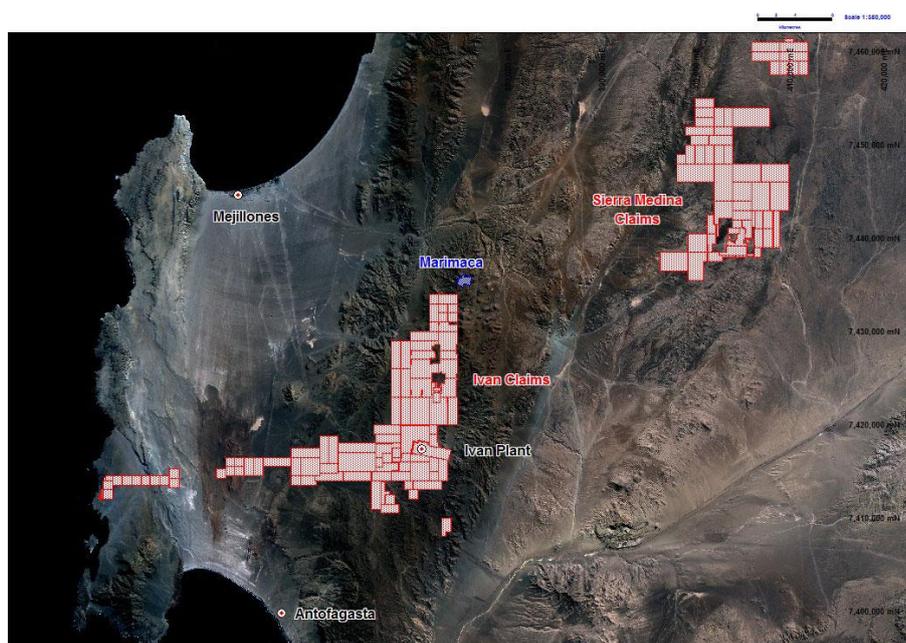
The Ivan plant is almost certainly going to be injected into the Marimaca 1-23 claim to trigger the 75% ownership level from the original option agreement so is effectively owned 75% by Coro.

## Sierra Medina

Rayrock also owned 14,505 hectares of mining claims (“Sierra Medina claims”) located some 42km north east from Ivan and 30km east from Marimaca (Figure 1). The Sierra Medina claims are quoted in the Milpo 2015 annual report to host 12.2Mt at 1.18%CuT & 0.86%CuS at a 0.7%CuT cutoff and in an undefined resource category, as at December 2013.

It should be noted that Antofagasta has been drilling in this area for some time now and have recently made some interesting discoveries including the discovery at Cachorro in the same North-East trending belt of “manto-type” deposits.

Figure 32 - Ivan and Sierra Medina Claims,



Source: Coro mining

## **Celeste Property, Chile**

The 100% owned Celeste Sur iron ore project is located 55km NE of the port of Chañaral, in the III Region of Chile. The Celeste property is comprised of a number of concessions covering ~2,800 hectares and was acquired by Coro in 2010 for the issuance of 150,000 common shares and the assumption of a 2.5% copper royalty (how much is this?) . Celeste is contiguous with and along strike to the northeast from the ENAMI owned Cerro Negro iron oxide copper gold type deposit. Small scale artisanal copper mining activity has been carried out in the Celeste area since the early 1900s. In the period 1994 to 2002, Cominco, (later Teck Resources), Phelps Dodge and Atna conducted exploration at the Celeste Property, including the drilling of 18 RC holes for 4,161m and 16 RC holes for a total of 3,650m. No resource estimates have been completed on the property. In September 2014, Coro announced it had received encouraging results from initial mapping, surface sampling, and test work of its 100% owned Celeste Sur iron ore project, located 55km NE of the port of Chañaral, in the III Region of Chile. Preliminary internal evaluation indicated that potential exists for a resource of 5-10Mt at ~45% Fe at Celeste Sur, which should be capable of sustaining a ~600ktpy Fe concentrate operation based on a simple, low cost, dry crushing and magnetic separation process route, enhanced by its proximity to a port with existing concentrate handling facilities. The declining iron ore price in 2014 resulted in the Company deferring any further evaluation of the Celeste Property.

## **Llancahue Property, Chile**

The Llancahue project is 100% owned by Coro and is located 38km south west of the City Of Talca in the VII Region of central Chile, at an elevation of less than 200m above sea level. In November 2014, Minera Peñoles de Chile Ltda, a subsidiary of Mexican mining company, Industrias Peñoles SAB de CV entered in an option to acquire a 70% interest in the project. Coro announced the termination of this option agreement in October 2016

## **San Jorge, Argentina**

This was the original asset the founders of Coro pursued as the company maker. The deposit contained a measured and indicated resource of 58Mt (total resource 194Mt) grading 0.59% CuT with gold credits and the company had delivered a PEA outlining the production of 39,500t of copper and 39,000oz of gold p.a. However licensing of the project in the Mendoza province of Argentina proved impossible and the company sold it on and all that is left now is a 2% royalty.

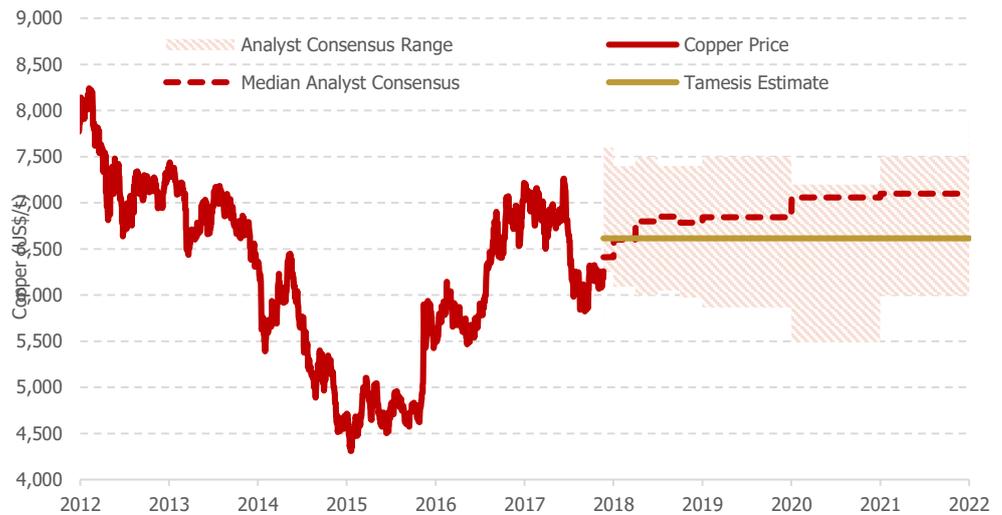
## Financials

Some of the basic inputs for modelling the cashflow of Coro.

### Copper Price

We have used a copper price of US\$3/lb (US\$6,613/t) for our analysis. This is in line with recent price performance, within the currency analyst consensus and below the median consensus in the near term.

Figure 33 - Chilean Royalty Schedule

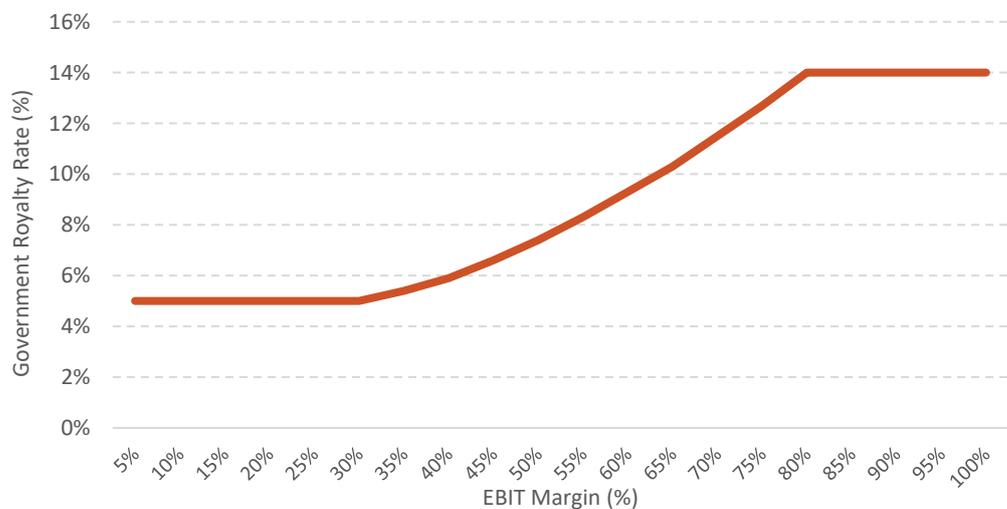


Source: FactSet

### Royalties

Chile raised mining royalties following the 2010 earthquake to a sliding scale of 0% to 14% based on profitability. Small mining firms producing less than 12kt refined Cu per year are exempt and there is a lower threshold of 0.5% to 4.5% for output of up to 50ktpa Cu. These deductions are made at the operating profit level.

Figure 34 - Chilean Royalty Schedule



Source: Coro Mining

**Tax**

The general corporate tax rate in Chile is 24%, however profits distributed to non-Chilean investors are subject to an additional tax to increase the effective rate to 35%.

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