



Favourable Initial Assays From La Plata Drill Holes; Q2 Production Results Pending

Event

Atico Mining announced assay results from six (6) initial drill holes from the La Plata VMS project in Ecuador.

Impact

Positive. The drill results support the thesis that the South Block at La Mina is open at depth and the stockwork mineralization at the edges of the known VMS deposit carries favourable grades. As a result, there is good potential for increased tonnage.

Analysis

- **The 2020 La Plata drill program: summary** – ATY plans to complete a 2020 exploration program that includes 11,000 meters of diamond drilling to achieve four (4) key goals – 1) infill the South and North blocks, 2) upgrade the known mineralized resources from the Inferred category, 3) increase the resource base of the known VMS blocks, and 4) advance the metallurgical testing (geotechnical). All of these initiatives will contribute to the completion of a planned 2021 feasibility study.
- **Putting the new drill results into context** – The La Plata project as currently defined consists of two VMS blocks – the North Block, which hosts 0.9 mm tonnes and has generally higher base metal grades, and the South Block which hosts 1.1 mm tonnes and has generally higher precious metal grades. The South Block has been interpreted as being faulted and dropped down relative to the North Block, which is closer to surface. The first six (6) drill holes were primarily aimed at testing the depth extent of the South Block with a goal of potentially growing the tonnage of the block and testing the grades in the stockwork mineralization at the edges of, and in proximity to, the VMS deposits. Based on these early results, all six (6) holes hit mineralization outside of the known resource and three (3) of the holes (summarized below) hit mineralization hosting higher precious metal grades relative to the average Inferred resource grade. This provides some evidence that the volume of mineralization has the potential to grow and grades were generally better than expected in the stockwork mineralization.
- **Better intersections:**
 - **CMLP-20-98** – 9.65 m of 3.27 g/t gold, 83.50 g/t silver, 0.28% copper and 1.42% zinc
 - **CMLP-20-100** – 8.89 m of 7.19 g/t gold, 117.78 g/t silver, 0.12% copper and 2.06% zinc
 - **CMLP-20-103** – 14.48 m of 4.65 g/t gold, 103.39 g/t silver, 0.58% copper and 5.85% zinc
- **Q2/20 production update imminent** – We expect that Q2/20 production data from the producing El Roble copper-gold mine in Colombia will be released sometime between July 15th and July 22nd, and intend to publish a Q2 Preview Action Note post the release reviewing our financial estimates, commodity price assumptions, and valuation.
- **Maintain BUY, C\$0.65 TP** – While encouraging, today's press release as a standalone does not result in any revisions to our valuation for La Plata, which is still anchored by the prior Toachi PEA completed in Apr/19. Our 12-month target is based on a 50/50 weighting of a 0.9x multiple to NAVPS and 3.5x FY20E/21E EV/EBITDA. **Note that our estimates and valuation are based somewhat on a lower copper price deck and we will revise our forecasts in our Q2 Preview Action Note.**

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