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Minera Alamos reimagines strategy at Los Verdes

By Matt Keevil

VANCOUVER — Junior **Minera Alamos** (TSXV: MAI; US-OTC: VGMTF) is attracting renewed investor interest following a strategic shift at its wholly-owned Los Verdes copper-molybdenum property 200 km due southeast of Hermosillo, Mexico. In response to weak capital markets the company has taken a step back and designed a much smaller start-up operation at the project, which it says could result in a materially lower development cost and a quicker path to cash flow.

Photo: Drilling at Minera Alamos

Minera's original plan was encapsulated in a preliminary economic assessment (PEA) released in 2012 that modeled a 3,000-tonnes-per-day operation with a US$92-million capital requirement. The operation would have produced around 19,000 dry tonnes of copper concentrate and 2,000 dry tonnes of high-grade moly concentrate annually, and generated a net present value of US$113 million at a 5% discount rate, along with a 34% internal rate of return.

"The project has been around for quite a while, and we've spent a fair amount of time on mine planning. Unfortunately, it proved pretty much impossible to finance that 'last mile' given current market conditions," explained CEO Chris Frostad during an interview. "We still believe it was a strong project design with reasonable capital requirement, but as lovely as all that was it didn't fly. So we shook up the box and ended up saying: 'What would it look like if we went in with a smaller operation?'"

The company's new project design cuts throughput down to around 400 tonnes per day, and would carry an estimated development cost of between US$8 million and US$10 million. An additional investment of around US$8 million would be considered in the third year of operations to roughly double processing capacity to capture value from any potential growth in resource potential.

And Los Verdes in-situ copper equivalent resources haven't changed since the original PEA. The project hosts 7.7 million measured-and-indicated tonnes grading 0.64% copper, 0.12% moly, and 4.74 grams silver per tonne.

Mineralization at Los Verdes is of magmatic-hydrothermal origin, consisting originally of sulfide minerals — principally chalcopyrite, pyrite, and molybdenite — apparently related to granodiorites. Weathering near the surface has converted some of the mineralization to an oxide facies (principally ferromolybdite plus iron oxides).

The first step for Minera was outlining a higher-grade starter pit that could fuel its smaller operation during the early years. The company ended up with a measured-and-indicated resource at its South deposit that contains 3.9 million tonnes of 1.9% copper equivalent.

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"After that we started exploring the upside of ore sorting since our team has used it in the past and had good results. We're essentially adding a new element to our concentration circuit, and it's a technology that's been used for years in recyclables and food industries. In our case it involves crushing the rock, running it down a conveyor, and scanning it with x-rays to separate out the lower-grade material. We optimize that for cut-off based on our recovery, and that allows us to double the grade," Frostad continued.

"When we started running numbers, things got really intriguing. For the amount of capital we'd be investing up front, the adjusted earnings per year were kind of crazy. We can get into production in around eighteen months, and that's an attractive timeline to cash flow," he added.

The company is targeting earnings before interest, taxes, depreciation, and amortization (EBITDA) of between US$10 million and US$12 million during its first year of operation, and a minimum mine life of eight years. Preliminary testing on the ore-sorting technology has yielded grade increases of 100% and recoveries of up to 90% of valuable metals. And the new strategy has certainly appeared to appeal to potential investors, as the company has raised roughly $3.5 million via private placements since early June.

Minera has issued around 35 million units priced at 10¢ per unit, which each consist of one share and one purchase warrant priced at 10¢ for four years. Major investors include merchant banks Norvista Capital and IBK Capital, which own 16% and 26% in the company, respectively.

Photo: Darren Koningen (President) and Miguel Cardona (VP Exploration) - Minera Alamos

"The financing ended up being structured in that way because, to be frank, it started to snowball. As we talked to more people, we picked up a lot of interest and built that momentum. We closed the first round, and opened it up for a few more folks we wanted to get involved. I think a large part of the attraction was also our technical team. We have a strong group of engineers and metallurgists who have been building mines in Mexico for quite some time," Frostad explained.

The next step for Minera is an updated PEA on the smaller mine plan. The company is currently drilling around 1,400 metres at its North deposit in hopes of incorporating it into the study to extend Los Verdes life. North currently hosts a non-compliant resource at the past-producing Beunavista mine that totals around 1.1 million tonnes of 0.52% copper and 0.12% moly.

"The mine life issue is really why we're drilling right now. We bought the North area a few years back, which historically had better results during private mining. It had similar grades, a cleaner concentrate, and it was easier to access," Frostad elaborated. "And that area is actually open so there's a potential to add more mill feed, and there's also a promising induced-polarization (IP) anomaly south of there that is actually more intense than both the past-producing deposits."

Minera has traded within a 52-week window of 6¢ and 38¢, and closed at 10¢ per share at the time of writing. The company maintains 42.5 million shares outstanding for a $4.25 million press time market capitalization.▪

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