

SolGold's move into Ecuador validated by majors' interest

With this week's news that BHP, the world's largest miner, will begin exploration in Ecuador, the country's transition to a "hot" new minerals province became virtually official.

Ecuador's emergence into the global mining spotlight is a heartening validation of the strategy of our daughter company, the London-listed SolGold, which is exploring the gold-rich northern section of the prolific Andean Copper belt.

The belt is renowned as the production base for nearly half of the world's copper supply and SolGold's work on the Cascabel copper-gold project has seen its share price climb from 1.7p at the start of 2016 to a high of 46.5p in May 2017.

BHP has been awarded five concessions in Imbabura Province, its first in Ecuador. The company started talks with the country's government over a potential entry into mining and exploration projects late last year. BHP outbid SolGold on five areas SolGold applied for, undertaking exploration programs of a massive USD80 million over 4 years across project areas.

In fact, BHP's first attempt to get a foothold in Ecuador was when it tried to buy a 10% stake in SolGold last year and earn into a 70% interest in the project. But it lost out to Newcrest Mining, Australia's biggest gold miner, which paid USD22.8 million (\$30.2 million) for the stake. Last week Newcrest invested a further USD40m into SolGold for a further 4.5% equity stake, strengthening Newcrest's endorsement of SolGold's Ecuadorean asset base and its flagship Cascabel Project.

The two Australian giants clearly recognise the quality of Cascabel and Ecuador's geology, a huge endorsement of the SolGold strategy.



Ecuador has been open for business in a mining sense only since February 2015, when the government created the Ministry of Energy and Mines in what was seen as an about face. But the government is now keen to tap into Ecuador's undiscovered high-grade copper and gold prospectivity, which is becoming more tantalising as output declines at other major South American mines.

Apart from BHP, Australian iron ore heavyweights Fortescue Metals Group and Hancock Prospecting, the privately owned company of Gina Rinehart, have also met with the Ecuadorean government. Fortescue applied for ground in Ecuador late last year.

Canadian miner Lundin Gold is developing the Fruta del Norte gold project. Found in 2006, it one of the world's largest recent gold discoveries. Lundin jumped in first when the government view changed and Kincross sold its interest to Lundin.

Two major projects are being developed by Chinese companies: the large-scale Mirador copper mine, controlled by the CRRC-Tongguan consortium, and the Río Blanco copper project, operated by Hong Kong-based Junefield Mineral Resources.

Other Canadian miners active in the country are Dynasty Metals & Mining, which has the Zaruma gold project; Toachi Mining, which is developing the La Plata gold project; and Lumina Gold Corporation, which has the Cangrejos copper-gold project.

There are also high hopes for the Llorimagua copper-gold project, which is being developed in joint venture between Chilean state-owned copper mining company Codelco and the Ecuadorean national mining company Enami.

Further to the south, in Peru, Canadian miner First Quantum Minerals – which owns the Ravensthorpe nickel mine in Western Australia, along with five other mines – has the Haqira copper-gold-molybdenum project in Peru. Considered one of the world's major undeveloped copper projects, Haqira sits on the same Andean Copper belt as SolGold's Cascabel, and indeed the numerous Tier 1 deposits in Chile.



With ore quality declining in the Chilean copper regions, labour problems emerging, costs rising and the capital costs of development and water management rising, it makes sense for miners to look north along the Andean Copper belt – and that’s happening.

Ecuador is the logical place to look and the fact that only about 10% of the country has been explored only strengthens this perception. The country has revised its tax laws and is upgrading infrastructure in a bid to woo mining investment. Ecuador expects producers to make at least USD8 billion (\$10.5 billion) in investment in new mines by 2024.

As one of the first movers, SolGold has a great position in Ecuador. We couldn’t be happier with how our investment in the company – and Ecuador – is proceeding.