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www.northernminer.com

MAY 11-17, 2009 VOL. 95, NO. 11 • SINCE 1915

Marcona returns solid numbers for Chariot

BY ANTHONY VACCARO

The desert along the south Peruvian coast, host to Chariot Resources' Marcona copper project.

After a long wait, **Chariot Resources** (CHD-T, CHDSF-O) has finally released a feasibility study on its Mina Justa copper project, located on its Marcona property in Peru, and the results are solid.

Most impressive are the low cash costs outlined in the study. With silver credits, Chariot will be able to produce copper for total cash costs of just US88¢ per lb., offering it plenty of protection if copper prices remain volatile going forward.

"We are insulated from operating cost fluctuation and sensitive to rise in copper price," Ulli Rath, Chariot's chief executive, said on a conference call.

The study calculated Chariot's 70% share of the after-tax net present value (NPV) of the project at $280.7 million, along with an after-tax internal rate of return (IRR) of 15%. It used a discount rate of 8% and a copper price of US$2 per lb. The payback period is estimated at five years and the mine life at 11.5 years.

Chariot has two Korean partners at Marcona that own 30% of the project and have offtake agreements on production.

To emphasize the resilience of the project to various cost environments, Rath said the study shows that even with copper prices as low as US$1.52 per lb., the project would still have an NPV of zero and an IRR of 8%.

Fuelling those returns is a deposit that hosts indicated resources of 337 million tonnes grading 0.76% copper

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for 5.7 billion lbs. copper, at a cutoff grade of 0.3% copper.

Probable reserves (included in resources) stand at 163 million tonnes grading 0.8% copper.

In the inferred category, the company has another 64.6 million tonnes with an average grade of 0.82% copper for 1.1 billion lbs. copper.

With the economics of the project proven up, Chariot will turn to devising a plan for financing it.

Towards that end, Rath said he would take a grassroots approach first.

"I will meet with shareholders in May and will solicit their input as a first step," he said.

While the commercial banks are tight with credit, governmental institutions are still quite strong and willing to lend, Rath added.

Importantly for the company, the release of the study gives the market tangible numbers with which to revalue the company.

When combined with the company's cash in hand, Rath says the project values its fully diluted shares at 86¢ apiece — a good chunk of change higher than their price at presstime, at 24¢.

If funding can be secured and the project goes ahead, ore would be mined at a 2.46:1 strip ratio and then make its way to one of two processing facilities.

Oxide ore will go through a VAT leaching process, while sulphides will be put through a conventional flotation concentrator. VAT leaching would go on for 10 years, producing 110 million lbs. copper per year for a total of 1.1 billion lbs. copper; the concentrator would turn out an estimated 1.3 billion lbs. copper and would also be responsible for generating the silver credits.

Combined, the two processing facilities would produce 245 million lbs. copper per year with 93% recovery rates for copper and 60% for silver.

Building it all will take estimated all-in capital costs of US$744 million.

That cost, however, wouldn't be borne up front. With oxide ore being mined first, the plan would be to build the oxide processing facility first, so initial capital costs for infrastructure, the mining pit and the first processing facility would be US$576 million.