



Mercenary Alert: Curis Resources Ltd

Pending EPA Permit is Final Piece of the Puzzle

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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It has been way too long since I posted a Mercenary Alert on my favorite copper company, **[Curis Resources Ltd \(CUV.T\)](#)**.

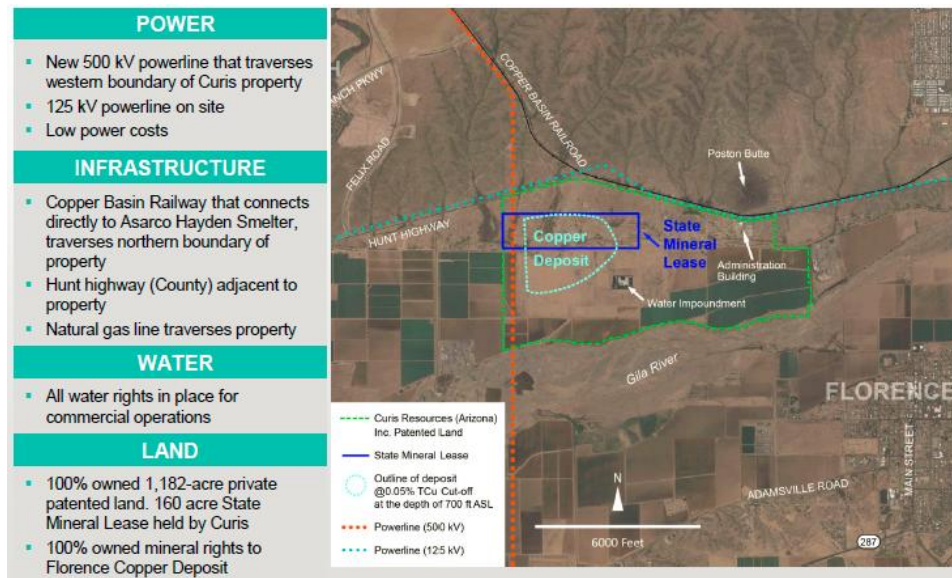
The reason is simple. The company, its dedicated shareholders (including yours truly), analysts, and financiers have been long anticipating receipt of the final permit for Phase I development of its Florence, Arizona in-situ recovery (ISR) project.

Phase I operations will consist of a production test facility comprising a 24-well ISR field and solvent extraction/electrowinning (SX/EW) system that will produce copper cathode. The goal of this development stage is to demonstrate the science, safety, and economics of in-situ copper recovery technology at Florence.

The remaining document, called an "Underground Injection Control Permit", is the final piece of the puzzle for Curis to proceed with Phase I. It has been delayed by the US Environmental Protection Agency despite repeated assurances from said bureaucracy that issuance is forthcoming in short order.

According to the company, the draft permit has been in the final stages of review for well over a year and a half. Investors, me included, are anxiously awaiting permit approval so that the company can proceed to becoming a very low-cost copper producer in the mid-term.

That said, let's get on with a company update since early 2013 (**[Mercenary Alert, January 21, 2013](#)**). Here's a map of the Florence Copper Project area illustrating its excellent infrastructure.



Florence Project Land Holdings and Infrastructure

Since my last missive, Curis Resources has accomplished the following:

- Completed a pre-feasibility study that shows the project will have high metallurgical recoveries and robust economics. The study was predicated on probable mineral reserves of 339.9 million tonnes grading 0.36% Cu at a 0.05% Cu cutoff. The base case model used a copper price of \$2.75/lb, 70% recovery, a 25-year mine life, \$1.14/lb life-of-mine total production costs, and a \$208 million initial capital expenditure. With a 7.5% discount rate, the project model gives an after-tax NPV of \$503 million, an IRR of 29%, and payback of 3.0 years.
- Received its final Aquifer Protection Permit from the State of Arizona Department of Environmental Quality (ADEQ) for the Phase I mine facility in July 2013. An appeal was then brought by outside land and water speculators who must demonstrate that the ADEQ acted arbitrarily and capriciously in issuing the technical permit. A final ruling is expected in late November.
- Successfully continued negotiations with and litigation against the Town of Florence council in its attempt to stop mine development on the company's wholly-owned private land within the town limits.

In June, the town council unanimously voted to settle litigation and pay \$100,000 in damages to the company after a condemnation and 30-day lockout from its office building in April 2012. Curis has since chosen to donate these funds to the town for community development.

The council's spurious zoning, regulatory, and legal actions will have no effect on Curis' plans to produce copper from State mineral land leases in the near-term. Its private holdings host a little over half of the project's recoverable copper and are scheduled for development after the State mineral lease.

- Raised \$13 million in two private placement financings with Chinese investment funds and Taseko Mines Ltd at a weighted average price of 73 cents. No warrants were issued in either financing.
- Announced the resignation of Mike McPhie as President/CEO and appointed director, former co-chairman, and veteran HDI mining engineer David Copeland to an interim position in that role. Executive Vice President Rita Maguire, a well-known expert on Western US water issues and former Arizona Department of Water Resources director, continues to manage the company's legal matters. Other key US-based technical, public relations, and administrative personnel remain in place.
- Updated its \$40 million bridge loan facility and off-take agreement with Red Kite. The revised agreement extends the loan's maturity date to May 2016, freezes the interest rate at 11%, and allows Red Kite a fully-vested right to take 19% of copper cathode production based upon its funding of \$22 million to date.

Curis Resources Ltd has ranged from a high of \$1.28 shortly after my last report to a low of 45 cents in the midst of the 2013 summer doldrums. Since this summer's low of 71 cents in late June, the stock settled consistently higher thru the month of July and is now trading in the mid-to-upper 80s on very light volumes. It has a current market capitalization of about \$65 million.



Curis has 74.8 million shares outstanding and 81.5 million fully diluted, including options issued to management, directors, and consultants and no warrants. Management and insiders control 7% and two key Saudi investors own 9.9%. Fellow HDI company Taseko Mines holds 17% and has a pro-rata right to participate in future financings. Two Chinese investment funds control 4.6% each.

Based on discussions with the Environmental Protection Agency in the early summer, company managers now think the Underground Injection Control draft permit will be delivered by late September. That said, Curis has indicated similar timelines for permit approval since I last reported in early 2013. Apparently, the permit is technically and administratively complete and there are no obvious reasons for delay. CUV

management feels the EPA is ensuring the document is absolutely appeal-proof before issuance. Their point is no doubt true, given the vocal and moneyed opposition to the project and the certainty of an appeal by outside entities. Note that the permit can only be appealed on technical grounds and a significant bond must be put up by the appellant to cover potential legal and administrative costs of the action to EPA and CUV.

However, I opine that the EPA's delay in permit approval is also politically driven; i.e., the Obama administration is pushing its anti-resource development agenda onto regulators. It seems to me that the increasingly unpopular Obama is determined to delay mining and petroleum project approvals until after the November elections. The Democrats, who are in danger of losing control of the Senate, can ill-afford to alienate their far-left environmental wing at this juncture.

Regardless, the draft is in process and it is only a matter of time before issuance. Once received and given the usual 30-day period for review and public comment, a final permit will be issued and Curis will commence development of the Phase I mine field and processing plant.

Opposition to development of CUV's private lands comes from a town council working in conjunction with outside land and water speculators. So far, these entities have lost at every juncture in the Arizona regulatory and court systems. Meanwhile, the Florence town council continues to backtrack from its previous attempts to stop mine development by implementing clearly unconstitutional and ill-advised regulations and initiating office and land condemnation actions that have been and will continue to be costly to local taxpayers. I expect that full resolution of all the remaining matters to fall into place for the company's benefit in the short- to mid-term.

The anticipated EPA permit issuance should act as a significant catalyst for the company's stock price. Perhaps savvy investors may consider initiating positions or adding on during the current low volume summer doldrums.

Please note that I am a long-term shareholder of Curis Resources, it is a core position in my stock holdings, and I intend to stay the course on the robustly economic Florence Copper project. It also pays a fee to sponsor my website so my opinions are strongly biased. That said, I encourage you to research CUV and determine if it meets your speculative criteria for a soon-to-be mining company.

It certainly meets mine.

Ciao for now,

Mickey Fulp
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Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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