

## Santana Minerals Ltd

Sector: Gold/Silver

(ASX:SMI)

**Remember Bolnisi Gold, taken over for \$900m on the back of Palmarejo? Santana Minerals is the sequel, but at a \$15m mkt cap'n**

### COMPANY STATISTICS

Share Price (24/8/16)	7¢
12 Month Range	0.6-7.8¢
Market Capitalisation	\$15.8m
Enterprise Value	\$14.8m
Shares on Issue	226.2m
Unlisted Options (Sept '17, 3¢)*	13.8m
Unlisted Options (2018-9, 8¢-27.5¢)	5.4m
Cash (estimated)	\$1m
* pre placement of 34 mill. shares at 6¢, raising \$2m, in Aug 2016	

### SHARE PRICE PERFORMANCE



### TOP SHAREHOLDERS

Permgold Pty Ltd (Seckold)	14.7%
T & S Kahler	13.8%
Primero Mining Inc	12.9%
Company 50 Pty Ltd (McDonald)	7.8%
BH Investments Pty Ltd	5.0%

### COMPANY SUMMARY

SMI is the latest ASX listed, Mexican-based exploration company to come out of the Seckold stable. Readers may remember the very successful Bolnisi Gold, which was taken over by Couer d'Alene in 2008, at a price of around \$900m. Bolnisi was developing the Palmarejo silver/gold mine, hosting 88.7 Moz of silver and 1 Moz of gold.

SMI believes the Cuitaboca project has similar potential to Palmarejo, but with differences. The ground at the southern end of the licences is being tested now, in the silver rich phase of the mineralisation. Future north in the geological sequence the gold values have been shown to be stronger.

SMI shares offer maximum leverage to a well focused exploration program designed to capitalise on a refined geological interpretation. Share price performance from this juncture will depend upon the results of the proposed drilling program.

### BOARD AND MANAGEMENT

Norm Seckold:	Non-Executive Chairman
Tony McDonald:	Managing Director
Dick Keevers:	Non-Executive Director
Jason Beckton:	Chief Geologist

### Cuitaboca Project Summary (SMI earning 80%)

Location	100 km NE of Los Mochis, Sinaloa, Mexico
Infrastructure	Good, in an established mining region with dirt road access and power to site
Geology	Low sulphidation epithermal, extensive veining and stockwork systems with bulk mining targets
Jurisdiction	Favourable to mining ventures
Work Program	16 hole RC program to commence late May '16
Target Zones	Southern Sector Mojardina Loop and Central Sector Jesus Maria Loop brecciation zones
Strike Length	Mojardina 1,000m, Jesus Maria 600m
Widths	expecting 10m +
Silver Grade	> 100 gpt ( > 3 oz pt)
Potential	80-100 Mill. oz Ag
Sampling	Widths of 2-61m at grades of 87-401 gpt Ag achieved with diamond saw sampling RC drilling confirmed grades and widths

### Positive Points

1. An experienced and very successful team with strong commercial outcomes previously in Mexico
2. Near term news flow from drilling being undertaken now
3. Strong geological merit
4. Gold silver ratio is at near records highs, suggesting there is room for silver to outperform the gold price in the near term
5. Low market capitalisation offers excellent leverage

### Exploration Timetable

Having successfully completed a 14 hole program earlier in the year, achieving a 70% success rate in the holes that confirmed the geological model, SMI is preparing the commence a second, \$1m RC drilling program in October. This is the start of the steep value accretion curve that comes from taking a prospect to position where resources can be calculated initially, and expanded upon with accelerated drill programs utilising many drill rigs.

### Exploration History

Silver and gold mineralisation has been identified at Cuitaboca for an extended period but the focus has been more on high grade narrow veins. At the NW end of the field miners were chasing 1-2m wide veins but they ignored the stockwork zones. Calling on their Palmarejo experience, the SMI geologists have taken a regional view and identified structural targets encompassing a number of veins that, when combined, offer bulk tonnage

#### Disclosure: Recent Placement

In March 2016, Far East Capital Ltd ("FEC") managed a placement for SMI, raising \$0.495m at 1.8¢ a share (27.5 mill. shares), and was paid industry standard placement fees. FEC is currently managing a \$2m placement at 6¢ a share to raise approximately \$2m.

## Company and Project History

SMI dates back to May 2103, when it was a spin-out from Cerro Resources NL, with two Mexican exploration projects. The first, in Jalisco State, was the Espiritu Santo project. The second was the Namiquipa silver/lead/zinc project in Chihuahua State. Primero Mining Corp was a 19.9% shareholder, subscribing \$4m.

Unfortunately a drilling program on Espiritu Santo in late 2013 failed to deliver sufficient encouragement, so that project was dropped. A similar fate befell the Namiquipa project. Results of a six holes drilled caused that licence area to be reduced by approximately 50%. It is now low priority and it is unlikely to be pursued.

In July 2014, SMI announced an agreement whereby it could earn 80% of the Cuitaboca Project, in the State of Sinaloa, Mexico. The cost was an upfront payment of A \$100,000 and a commitment to meet 100% of the expenditure. In order to complete the entitlement to 80% equity, SMI is required to pay option fees totalling US \$3.5m over an extended time. A balance of US\$3.1m remains to be paid. Norm Seckold was one of the vendors.

A \$1.95m entitlement issue on the terms of 1 for 2 at 4¢ share was successfully undertaken to support the initiative. A subsequent SPP was undertaken in October 2015, with shares costing 1.3¢ each; \$481,000 was raised. A \$0.495m placement was completed on March, at 1.8¢, managed by FEC.

### Cuitaboca Ag/Au Project, Mexico

Cuitaboca is located approximately 100 km NE of the city of Los Mochis, with access via a 30 km dirt road from the village of Agua Caliente de Cebada.

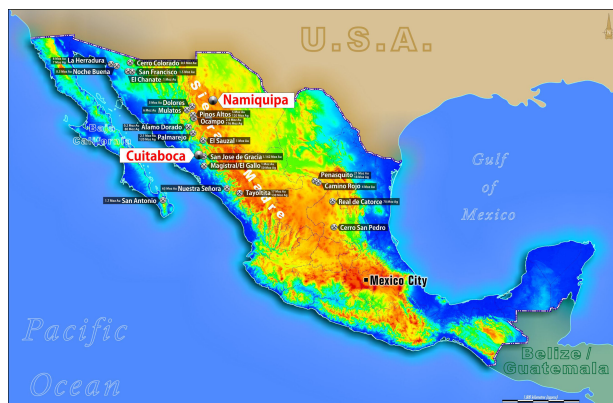


Figure 1: Location Map. Source Santana Minerals Ltd

The project covers silver/gold rich polymetallic mineralization in known NW-SE trending vein structures within an interpreted low sulphidation epithermal system in an area of 5,100 ha held under eight contiguous Mining Concessions.

### Local Geology

Cuitaboca lies in the foothills dominated mostly by andesite flows and tuffs of the lower volcanic group, with minor rhyolites of the upper volcanic group at higher elevations. Au-Ag rich polymetallic mineralisation is hosted in the lower volcanic group andesites.

The Cuitaboca – Pinos Altos area shows at least six well-known veins with sulphide mineralisation carrying high grade silver and low grade lead, zinc and copper. Outcrops vary from 100 to 500m long with observable thicknesses from 0.5m to 4m wide. The main structures are the La Lupita, Los Sapos and Chapotal veins in the northern part and the Mojardina, Santa Eduwiges, Jesus Maria and Colateral veins in the south.

### Historical Exploration

2004 – 2008: During this period First Silver Reserve, Inc and First Majestic Silver Corp undertook mapping,

sampling and other activities at Cuitaboca. This included cutting a 26km road access to reach two of the veins in the system: Colateral-Jesus Maria and the Mojardina veins. A 100m long underground crosscut (adit) was developed from the side of the hill to access the Colateral vein, from which a 110m long exploration drive was completed along the vein. The veins were sampled every 3m.

2013: Corbett and Menzies Consulting Pty Ltd (CMC) geologists were engaged by Minera Cuitaboca S.A. de C.V. (Project Company) to map, evaluate and prioritise drill targets for each of the known Ag-Au-Pb-Zn bearing epithermal quartz veins in the Cuitaboca area and to determine stratigraphic and/or structural controls to mineralisation as an aid to the definition of drill targets to test for blind ore shoots. In doing so they reviewed historic project data, looked at regional and local operations and, with the assistance of local Mexico based field geologists, mapped and undertook sample verification where possible. Outcomes of the CMC works include recommendations for an early drill program focusing on the Colateral vein at depth to test the mineralisation in the competent andesite and Jesus Maria vein below old workings to seek to identify ore shoots. Additionally the La Lupita vein requires follow-up mapping before a drill program would be set.

## Exploration Undertaken by Santana

Late in 2014, SMI commenced a five hole diamond drilling program. The first three holes all intersected two mineralised veins in the Colateral Structure, achieving encouraging intercepts of;

- 1.7m at 0.28g/t Au + 178g/t Ag, 2.1% Pb, 1.16% Zn
- 1.1m @ 0.56g/t Au + 168g/t Ag, 6.11% Pb, 5.8% Zn
- 0.9m @ 1.88g/t Au + 78g/t Ag, 1.26% Pb, 4.4% Zn

When combined with historical data these holes indicated the presence of mineralised veins having a known strike length of 900-1,000m with a down dip continuity of 150m from surface, open at depth and along strike.

The subsequent two holes were drilled at Jesus Maria. One of them returned 1.73m at 351g/t Ag, 0.21% Pb and 0.62% Zn from 293m depth. Geologic mapping indicated the vein was contiguous between these two locations and remained open at each end, which confirmed the potential to explore for wider developments of vein hosted Ag-rich polymetallic mineralisation within this significant strike length.

Following on from these results SMI took undertook more regional work in a mining concession-wide program consisting of geological mapping, rock chip sample collection, stream sediment sampling and soil sample orientation. The geological mapping and the collection of 93 rock chip samples delineated nine discreet WNW-ESE to NW-SE oriented low sulphidation polymetallic epithermal Ag-Au veins which occur at regular intervals over the 25km length of the Cuitaboca mining concessions. Veins at surface are typically 0.2 to 1.8m wide, host argentite, galena, and sphalerite, with minor chalcopryrite and report elevated Ag, Au, Pb, and Zn.

In the northern zone of the Cuitaboca mining concessions the highest grades were reported from the La Lupita – El Pinal prospects where the vein has a strike length exceeding 3km, and from the newly identified La Piedrita and Blanca Esthela prospects. In a previous program higher grade gold was identified in the La Lupita vein and gold has again been identified in this area. In the southern zone of the Cuitaboca mining concessions the La Mojardina/Santa Eduwiges prospect hosts two polymetallic epithermal Ag-Au veins, up to 1m wide having an identified 400+m strike, that reported an average grade of 0.09g/t Au, 678g/t Ag, 0.56% Pb, 3.8% Zn over 0.9m, from 6 samples.

## A Change of Thinking

Being cognisant that narrow veins and economic tonnages often don't go hand in hand, and calling on previous experience in this type of mineralised systems, the SML geologists changed tack and began looking for favourable locations for wider than previously recognised vein mineralisation which can occur on change in direction (flexures) of host structures. These areas were the focus of a first pass diamond saw trench program completed in November/December 2015, when the following promising assays were recorded;

- 8m at 114g/t Ag
- 3m at 401g/t Ag
- 9m at 313g/t Ag
- 2m at 301g/t Ag
- 4m at 241g/t Ag
- 3m at 87g/t Ag
- 3m at 105g/t Ag
- 5m at 138g/t Ag
- 3m at 196g/t Ag
- 6m at 0.27 g/t Au and 123 g/t Ag

Another round of diamond saw sampling was undertaken in February 2016, in the Southern and Central Sectors. The Mojardina Loop returned excellent assays that confirmed the potential over a 1km strike with results including;

- 61m at 61g/t Ag
- 37m at 51g/t Ag
- 8m at 119g/t Ag
- 5m at 60g/t Ag
- 12m at 60g/t Ag
- 12m at 71g/t Ag
- 12m at 102g/t Ag

Additionally, the Central Sector provided assays of:

- 12m at 110g/t Ag
- 3m at 89 g/t Ag

The change in thinking has quickly paid dividends. In the Southern Sector, the Mojardina Loop now extends the N-S strike length over 1km and is at least 200m in width. Wider intercepts are speculated to be returned from drilling below these surface results. In the Central Sector at the Jesus Maria/Manguito zone the stockwork extends over the N-S strike length with 400m of >10m width grading over 100g/t Ag.

## RC Drilling Results from June Qtr 2016

### Mojardina 'Loop'– Southern Sector

- 10m @ 64 g/t Ag from 6m (RC16CT-01)
- 14m @ 76 g/t Ag from 0m; and
  - 22m @ 34 g/t Ag and 0.77% Zn from 69m (RC16CT-02)\*
- 83m @ 97 g/t Ag from 0m,
  - including: 16m @ 91 g/t Ag from 0m; and
  - 25m @ 222 g/t Ag from 47m (RC16CT-03)
- 67m @ 66 g/t Ag from 31m,
  - including: 7m @ 325 g/t Ag from 31m;
  - including: 2m @ 1,034 g/t Ag from 33m;
  - and 12m @ 104 g/t Ag from 79m (RC16CT-04)
- 51m @ 42 g/t Ag and 0.23% Zn from 21m,
  - including: 11m @ 72 g/t Ag from 21m; and
  - 23m @ 50 g/t Ag and 0.97% Zn from 49m (RC16CT-05)
- 11m @ 50 g/t Ag from 106m, and
  - 18m @ 32 g/t Ag and 0.31% Zn from 139m (RC16CT-06)
- 2m @ 120 g/t Ag from 113m, and
  - 23m @ 1.1% Zn, 0.13 g/t Au and 0.42% Pb from 173m (RC16CT-07)
- 6m @ 96g/t Ag from 0m, and
  - 8m @ 127g/t Ag from 32m, and
  - 9m @ 78g/t Ag from 81m (RC16CT-08)
- 7m @ 48g/t Ag from 52m, and
  - 5m @ 50 g/t Ag and 1.26% Zn from 111m (RC16CT-09)
- 3m @ 119g/t Ag and 2.5% Zn, 0.87% Pb from 52m,
  - and 10m @ 0.63% Zn from 113m (RC16CT-10)
- 9m @ 53g/t Ag from 2m (RC16CT-14)

Drill results highlight the significant potential of the Mojardina prospect, where multiple zones of silver rich mineralisation have been identified. Drilling has indicated that the geometry of the mineralisation is not complex (dipping planar bodies).

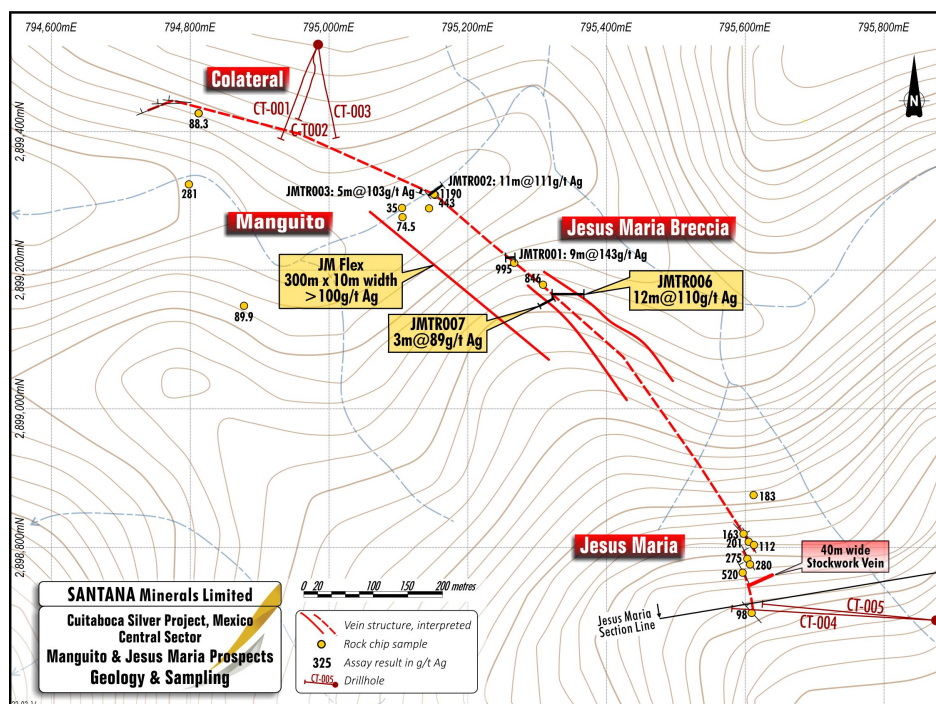


Figure2: Sampling results at the Jesus Maria Prospect. Source Santana Minerals Ltd



## The Next Step - Drilling to Confirm the Bulk Tonnage Potential

Following the successful placement in March, SMI is now well-funded into a 20-25 RC hole drilling program to test for bulk mineralisation across the brecciated stock work zones. The program is costed at A\$1m and it is due to start in October.

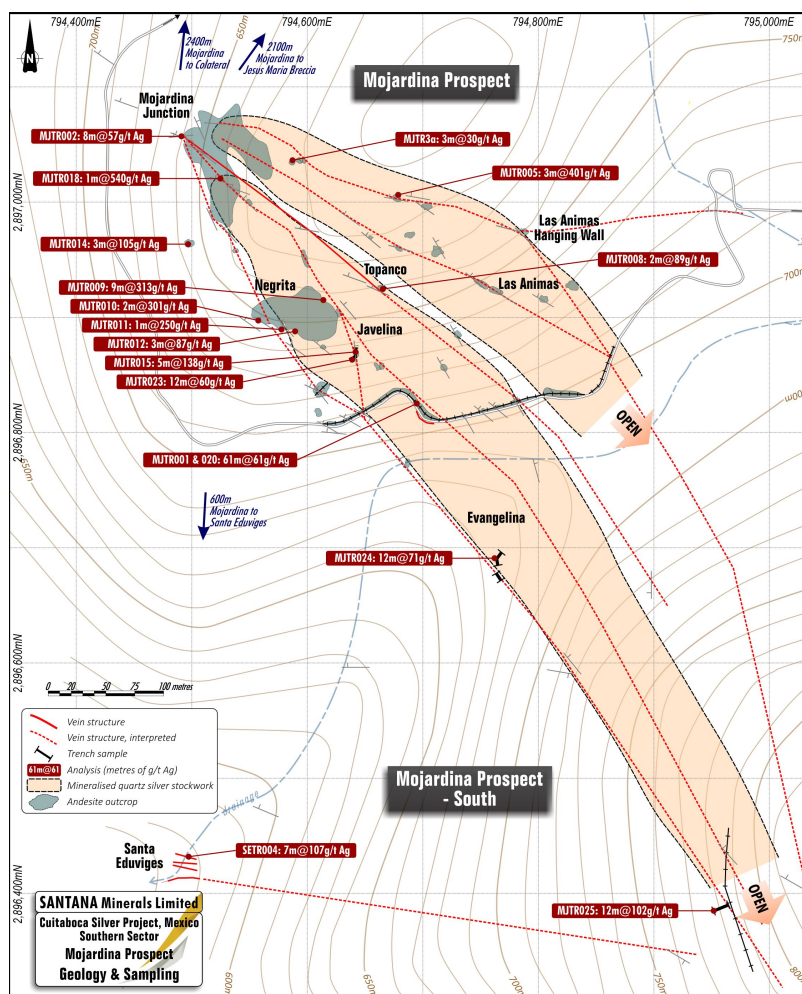


Figure 3: Sampling results at the Mojardina Prospect. Source: Santana Minerals Ltd

## Recent Silver Price Chart and the Gold/Silver Ratio Chart



Figure 4: Source Bloomberg

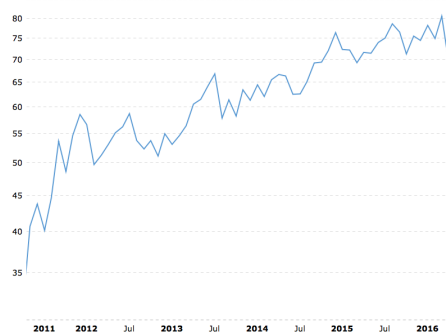


Figure 5: Gold/Silver Price Ratio. Source: Kitco  
[www.macrotrends.net/1441/gold-to-silver-ratio](http://www.macrotrends.net/1441/gold-to-silver-ratio)

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