

Stock Data

Share Price: 8.12p
Market Cap: £16.6m
Shares in issue: 204.7m

Company Profile

Sector: Mining
Ticker: CORA
Exchange: AIM

Activities

Cora Gold is a gold exploration company with assets in Mali and Senegal. Cora's principal project is Sanankoro in the far south west of Mali. A Scoping Study was recently concluded for Sanankoro with strongly positive economic returns.

1-year share price performance



Source: [LSE](#)

Past performance is not an indication of future performance.

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Cora Gold Ltd

Gold in West Africa

Cora Gold offers exposure to a significant gold exploration and development business with a lead project at Sanankoro in Mali that should be ready for construction in 2022 followed by first production shortly after. The Company has just recommenced drilling activities at Sanankoro after a delay caused by the wet season. This current programme is intended to test a recently identified target named Dako II which has the potential to add substantial near-surface oxide resources to the project. The Company currently benefits from a healthy cash balance with Net Current Assets of US\$5m at the end of September 2020.

Scoping Study – Offers potential for attractive returns

The recent Scoping Study concluded that a gold mine at Sanankoro could deliver a highly attractive economic return at gold prices significantly below current levels. The Study was based on an initial resource of 5.0 million tonnes grading 1.6 g/t for a total of 265,000 ounces. Given the short mine life the study proposes that a low-cost mine using the Heap Leach gold recovery method is the preferred option. A financing package that would fully fund this proposed mine has been put in place, subject to the completion of a positive Definitive Feasibility Study (DFS) in 2021. In the near term, the work focus is on completion of the DFS with various components of the overall study, including an environmental and Social Impact Assessment (ESIA) report, in hand. Drilling has now restarted with the intention of adding substantially to the quantified resource.

Opportunity for a larger resource

There is significant potential for a much larger resource to be identified at Sanankoro. The international mining and geological consultancy SRK has set out a conceptual Exploration Target of between 30 Mt and 50 Mt at a grade of between 1.0 and 1.3 g/t gold. It is also noted that the 5 km total strike extent of the optimised pit shells used to constrain the Sanankoro Inferred Mineral Resource represents less than 15% of the total linear strike length of potential mineralised zones upon which the Exploration Target is based.

Term Sheet signed with Lionhead Capital

A US\$21m term sheet was signed in June 2020 with Lionhead Capital, acting as lead investor and arranger on behalf of a consortium of investors, to finance the proposed development of a mine at Sanankoro. This financing package comprises US\$6m of equity, US\$5m in the form of a Convertible Loan Note and US\$10m of debt financing. This is intended to effectively fully fund the construction of the mine, subject to confirmation of the costs set out in the Scoping Study.

Additional projects: Yanfolila and Kanieba Window

The Company's other exploration projects at Yanfolila and Kanieba Window also hold significant promise.

Investment Summary

Cora Gold offers exposure to a portfolio of gold exploration projects in Mali and Senegal, West Africa. The principal asset is the Sanankoro gold project in Mali for which a positive Scoping Study was recently completed. This study concluded that the project would generate a positive IRR of 107% using a gold price of US\$1,500 per ounce. Clearly, at current gold prices the return would be considerably larger.

We have constructed a DCF model based on the Scoping Study but adjusting for a higher base case gold price of US\$1,600 per ounce. This confirms the findings of the Study in that the Sanankoro project could be developed as a stand-alone mine based on the currently defined resource.

However, the real upside for investors lies in the potential to define a much larger resource, based on exploration targets that have already been identified and partially drilled. These would be able to support a significantly increased mine life and in addition would potentially justify the cost of construction of a Carbon in Leach gold processing plant. This brings the advantage of considerably increased gold recoveries, including the option to mine and process deeper sulphide ores, and a reduction in technical risk, though is to an extent offset by higher up-front capital costs.

It is worth pointing out that the great majority of the exploration at Sanankoro prior to the involvement of Cora was done by large gold mining companies (Randgold, Gold Fields) that were looking for very large (>3 million ounces) gold deposits by means of widely spaced drilling. This is a different style of exploration to that which is more typical of smaller companies for which a much smaller project could still be of economic interest. As a result, whilst the upside potential has been demonstrated, large areas within the project still need significant infill drilling before they can be brought into the defined resource and mine plan. This is highlighted by the SRK Exploration Target of between 30 Mt and 50 Mt at a grade of between 1.0 and 1.3 g/t gold. SRK also noted that the 5 km total strike extent of the optimised pit shells used to constrain the Sanankoro Inferred Mineral Resource represents less than 15% of the total linear strike length of potential mineralised zones upon which the Exploration Target is based.

Further upside lies in the exploration potential of the other licences – the Yanfolila area could initially generate mineable deposits that could feed into Hummingbird's Yanfolila mine whereas the Kenieba Window targets could initially feed into other gold processing plants in the immediate vicinity. Both targets also have the potential for the discovery of stand-alone gold mining projects.

Valuation

We have used DCF methodology to value Cora's principal asset and have added a nominal amount for the other exploration projects. At this point in time we have not allocated a specific valuation to the inherent option generated by the exploration upside at Sanankoro, but it should be borne in mind by potential investors.

We have assumed that the exploration assets that are not included within the Sanankoro DCF are worth a total of US\$5m. We consider that this is justified, given that the licence areas are large, that recent drilling has been highly successful and that the areas have been extensively mined by artisanal workers.

- We are using a base case gold price of US\$1,600 per ounce.
- We have used an 8% discount rate for our base case DCF valuation.
- We are using an exchange rate of US\$1.30 to GBP1.00.

Summary of valuation of Cora's assets (unrisked)

	US\$m	£m	Pence/share
Sanankoro	39.2	30.1	14.7
Exploration	5.0	3.8	1.9
Balance sheet	5.0	3.8	1.9
Total	49.2	37.8	18.5

Source: TPI

It should be noted that the valuation above is on an unrisked basis. At this stage in the evaluation and development of Sanankoro, we recognise that significant risk exists. Some factors to be considered are summarised here though we do not consider this list to be comprehensive:

- **Project execution risk.** The Scoping Study was only intended to be a "first pass" to see whether the project was worth pursuing to the next stage. This risk will be significantly reduced with the completion next year of the Definitive Feasibility Study.
- **Permitting risk.** The project is not currently permitted for development, with significant work still needed. Having said that, Mali is economically dependent on maintaining its gold mining industry and has been generally co-operative in issuing permits for gold mines when required.
- **Political risk.** Even before the current COVID 19 outbreak Mali was considered by the UK Foreign and Commonwealth Office to be divided into a zone to the north and east in which it advised against all travel and a zone to the south and west in which it advised against all but essential travel. The risk is linked closely to the spread of Islamic terrorism in West Africa. The area around Sanankoro is relatively safe with several significant gold mines operating without significant security issues. In addition, the Malian military recently overthrew the President in a coup. So far, this has had no significant impact on mining operations there.
- **Technical risk.** The present plan is to construct a Heap Leach mine. There are several examples of Heap Leach operations performing significantly below expectations, principally because of unrealised geological factors resulting in reduced recovery rates.

Sanankoro project valuation

We have constructed a DCF model for the Sanankoro project, based on the recent Scoping Study. The principal inputs are as follows:

- Mineable Resource 4.25 million tonnes grading an average of 1.45 g/t
- Process capacity 1.5 million tonnes per year
- Gold recovery 70%
- Average cash operating cost US\$878/oz
- Sunk capex for tax US\$8.2m
- Tax is applied at 30% after allowances and a 3% royalty is applicable.

Summary of Five Years of DCF Model – Sanankoro Project

		2022	2023	2024	2025	2026
Revenue	oz	0	39,160	48,950	48,950	1,632
	US\$m	0	62.7	78.3	78.3	2.6
Cash cost	US\$m	0	(34.1)	(41.4)	(45.6)	(0.7)
Op profit	US\$m	0	28.6	36.9	32.7	1.9
Royalty	US\$m	0	(1.9)	(2.3)	(2.3)	(0.1)
Capex	US\$m	(20.6)	(0.5)	(0.5)	(0.5)	0
Tax	US\$m	0	0	(9.4)	(9.0)	(0.5)
Cash flow	US\$m	(20.6)	26.2	24.6	20.9	1.3

Source: TPI

Valuation of Sanankoro Project using a Range of Discount Rates

DCF discount rate	US\$m	£m	Pence/share
0%	52.4	40.3	19.7
5%	43.6	33.5	16.4
8%	39.2	30.1	14.7
10%	36.5	28.1	13.7
15%	30.7	23.6	11.5

Source: TPI

Please note that TPI's valuation is based on financial modelling and there is no guarantee that such a valuation will ever be realised, therefore please do not base investment decisions on this valuation alone.

Background

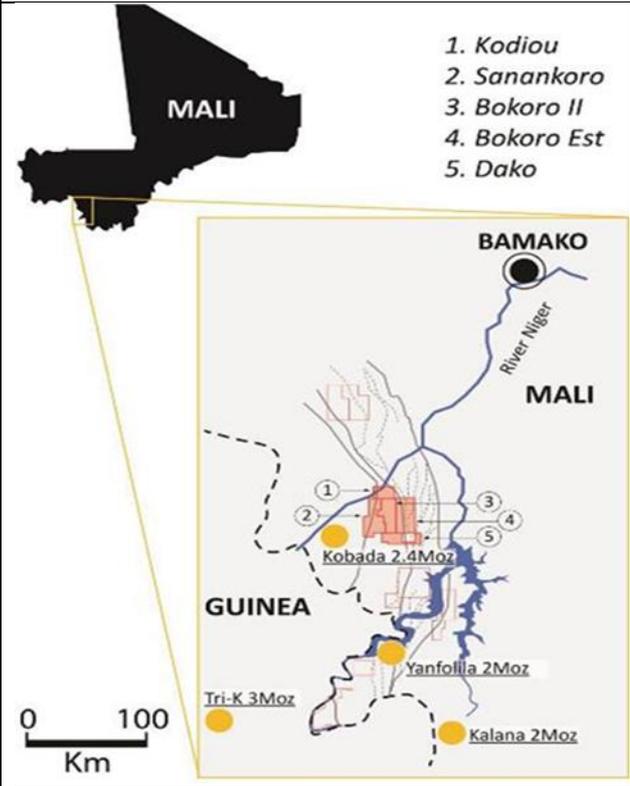
Cora Gold was originally established as a private company in March 2012 with an initial focus on exploring for gold in Mali. The targeted projects were hosted within two gold belts; the Kenieba Window and the Yanfolila Gold Belt. The company compiled a portfolio of gold exploration permits by means of establishing joint ventures with local partners.

Cora subsequently diversified its portfolio by merging with Kola Gold, a private company that had gold exploration assets in the Republic of Congo (Brazzaville). This was followed by a deal with Hummingbird Resources to amalgamate some of Hummingbird's non-core assets in Mali and Senegal into Kola. Subsequently, Kola elected to split the company into two entities with Kola holding the assets in the Republic of Congo and Cora holding the assets in Mali and Senegal.

Cora Gold emerged with a portfolio of gold exploration assets in Mali and Senegal and with Hummingbird as its largest shareholder. The Company was admitted to trading on the London Stock Exchange's AIM Market in October 2017. Subsequent transactions and fund raises have meant that Hummingbird is no longer the dominant shareholder though it retains a significant position.

Sanankoro - Mali

The Sanankoro gold project is situated within the Yanfolila Gold Belt of Southern Mali, some 110 km to the southwest of the capital, Bamako. The project comprises six contiguous permits covering an area of 438.87 km². The site is accessible by vehicle from Bamako with the first 130 km on tarred roads and a laterite road for the remaining 30 km to the project site.

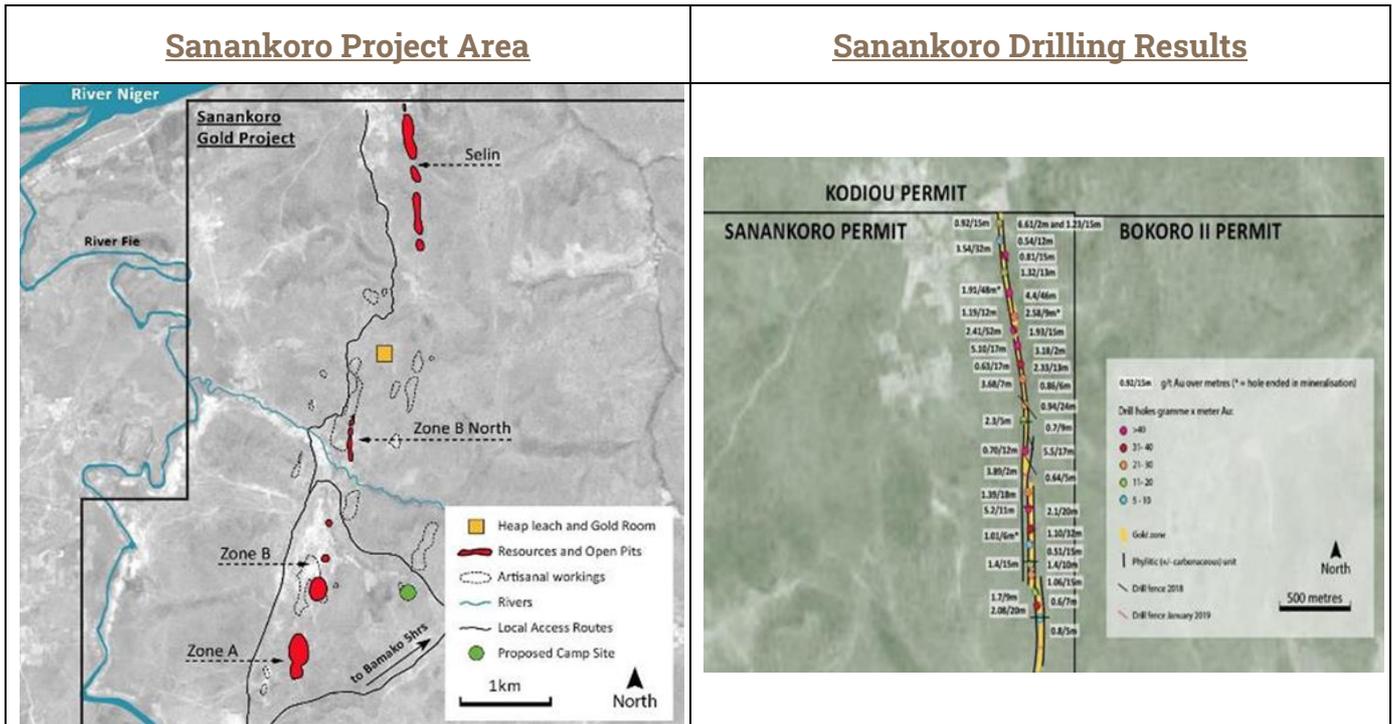
<u>Sanankoro Project Location</u>	<u>Artisanal Workings at Sanankoro</u>
	

Source: Cora Gold

The Sanankoro project is located within a relatively dry region of semi-desert. The wet season runs from April to October with occasional torrential rain that can lead to local infrastructure damage. The remainder of the year is hot, dry and dusty with temperatures rising to 40°C. The area is characterised by undulating terrain with isolated patches of savannah woodland though much has been cleared for subsistence farming. Some areas have been significantly affected by artisanal mining, including most of the area that would be needed for the development of a mine and associated infrastructure. Largely because of the previous artisanal mining, no significant environmental issues have been identified.

Medium to large wildlife in the area is rarely encountered, mostly as a result of hunting and general disturbance associated with farming and alluvial mining. Local streams and rivers are for the most part seasonal with groundwater being the main source for drinking and domestic water. The local population density is low, limited by the absence of infrastructure and the marginal quality of the agricultural land. However, there are some small settlements within the immediate proximity of the planned mine and it is likely that a limited resettlement programme may be required.

The Sanankoro area was first identified as being prospective for gold in the early 2000s following the identification of artisanal mining activity. The area was initially licenced by Randgold which went on to complete a regional soil and termite mound sampling programme. This was followed by a limited programme of shallow RAB drilling to test the potential for immediate sub-surface mineralisation. Randgold subsequently dropped the licences which were then picked up by Gold Fields Ltd.



Source: Cora Gold

Gold Fields followed on with a major infill soil sampling programme and a substantial drilling programme. This concluded that a significant gold anomaly was present but presumably it did not fit Gold Fields' corporate criteria. Gold Fields dropped the property in 2012, following which it was taken on by Hummingbird Resources. Hummingbird was fully focused on developing its Yanfolila gold mine and consequently little work was done at Sanankoro.

Cora Gold was spun out of Hummingbird in late 2017, incorporating Sanankoro as its lead project. Cora immediately recommenced exploration work at the project, including an additional termite mound sampling programme, remote sensing using IP, a series of bulk density tests and a major drilling programme. Cora completed a total of 264 drillholes across the project area on lines spaced at 60m to 120m. These included a combination of RC, AC, RAB and diamond core holes. The combined length of all of these holes was 23,100 metres which suggests an average depth of 87.5m.

The combined drilling total completed for the project by its various owners currently comprises 78,500m of which 18,200m intersected mineralisation of potential interest. The great majority of the work was primarily targeted at shallow oxide mineralisation though a few holes have also tested deeper sulphide mineralisation.

Drilling at Sanankoro has now restarted after a break caused by travel restrictions as a result of the COVID-19 pandemic. The current programme is intended to test the recently discovered Dako II target, some 7 km south of the currently defined resource at Sanankoro. Initial exploration at Dako II had identified a target with a strike length of 1.5 km though artisanal workings and soil sampling extend the potential length to over 4 km. The present drilling programme includes 18 air-core holes with a total length of 1,520 metres.

Geology

Sanankoro, and indeed Cora's other projects, all lie within the West African Craton, an Archean gold belt that hosts all of West Africa's gold mines and exploration projects. Gold deposits within the region are structurally controlled and are typically associated with shear zones, granitic domes and regional antiforms.

The Sanankoro property is underlain by a Paleoproterozoic Birimian volcano-sedimentary formation that trends NNE-SSW, controlled by regional scale shear zones. The formations comprise intercalated units of weakly metamorphosed feldspathic sandstones, siltstones and phyllites, often with a carbonaceous component.

Drilling at Sanankoro – November 2010



Source: Cora Gold

The gold mineralisation at Sanankoro occurs within a large gold anomaly of approximately 4.5 km by 7.5 km. The anomaly can be broadly correlated with extensive artisanal mining activity. At least three different sets of mineralised quartz veins occur. These include a prominent N-S/NNE-SSW striking set that appears to dip steeply to the east and is the principal focus of artisanal exploitation; a less prominent oblique E-W striking sub-vertical set; and a subordinate less continuous sub-horizontal set. As presently defined by drilling, gold mineralisation within the area is contained within a large mineralised corridor composed of three sub-parallel, broadly N-S striking structures known as Bokoro, Sanankoro and Selin. The first two zones can be traced from the north to the south of the Sanankoro permit over a distance of some 15km, whereas the Selin zone can be traced from the north for a distance of about 10km before it merges with the Sanankoro zone.

Deep tropical weathering in the region has liberated and in parts re-mobilised the primary gold. The weathering profile consists of a thin hardcap layer that extends to depths of up to 20m (with an average depth of 5m), a deep saprolite that varies in depth from 10m to 120m (with an average depth of 50m) and a thin transitional saprock layer at the base of the saprolite.

International mining and geological consultants SRK were commissioned to conduct an initial Resource Statement for the project as part of the recently completed Scoping Study. In order to determine the mineralisation that fell within the area showing "reasonable prospects for economic extraction" by open pit mining, a pit optimisation analysis was completed on the estimated block model, based on reasonable mining assumptions. The Mineral Resource has been restricted to blocks that fell inside of the resulting pit shell. This is based on a gold price of US\$1,700/oz and a cut-off grade of 0.4g/t for oxide material and 0.5g/t for sulphide material. The Resource Statement is summarised in the following table.

Sanankoro Resource Statement – December 2019

Weathering	Classification	Tonnes (Mt)	Grade (g/t)	Contained Gold (oz)
Oxide	Measured	-	-	-
	Indicated	-	-	-
	Inferred	4.5	1.6	233,000
	Total	4.5	1.6	233,000
Sulphide	Measured	-	-	-
	Indicated	-	-	-
	Inferred	0.5	1.8	32,000
	Total	0.5	1.8	32,000
Oxide and Sulphide	Measured	-	-	-
	Indicated	-	-	-
	Inferred	5.0	1.6	265,000
	Total	5.0	1.6	265,000

Source: SRK Resource Statement – December 2019

In addition to the Resource Statement, SRK also came up with a conceptual Exploration Target for the project. This is heavily qualified but currently stands at between 30 Mt and 50 Mt at a grade of between 1.0 and 1.3 g/t gold. It is also noted that the 5 km total strike extent of the optimised pit shells used to constrain the Sanankoro Inferred Mineral Resource represents less than 15% of the total linear strike length of potential mineralised zones upon which the Exploration Target is based.

Mining and Processing

Sanankoro will be mined using conventional open pit methods. However, in the event that some of the higher-grade ore shoots within the sulphide mineralisation extend below the bottom of the eventual open pit economic limits, it is possible that these may be mined from underground.

At present, the Company envisages mining the deposits using several relatively small open pits, reflecting the linear nature of the mineralisation. The proposed mine would use relatively small items of mobile mining equipment as this will enable improved selectivity of the mineralised material and thereby reducing waste dilution into the gold recovery process. The great majority of the oxidised ore is expected to be free digging, though deeper and less weathered sulphides may require some blasting.

The Scoping Study investigated two process routes for gold recovery. The first was heap leaching, whereby the crushed ore would be agglomerated with cement and placed on a HDPE plastic liner and then irrigated with cyanide solution. The resultant gold-bearing solution would then be processed in a conventional gold recovery plant to recover gold doré. The second was a conventional Carbon in Leach (CIL) gold plant where the ore would be crushed and ground before being leached with cyanide solution within leach tanks. The resultant solution would then be further processed as per the heap leach recovery circuit.

Heap Leach is considerably cheaper in terms of capex but offers significantly lower gold recoveries (<70%) and carries an increased project risk as there is a significant risk of failure when scaling up from laboratory test-work to a full-scale plant. In essence, heap leaching is particularly sensitive to variations in the ore types as some are naturally more suited to the process than others. In particular, the presence of any significant quantity of clay can considerably reduce recoveries. In contrast, CIL plants offer consistently high gold recoveries (90-95%) with low technical risk but are substantially more expensive to build and operate. Practical experience suggests that CIL is usually the preferred route if the defined orebody is large enough to justify the additional capex.

At this stage in the development of the project, Cora has selected a base case using heap leaching but is conducting further test work. If the project proves to be significantly larger in terms of mineable resource than is presently indicated then normally preference would move towards using a CIL plant.

Recent metallurgical testwork relating to the CIL process has shown that Sanankoro oxide ore has an exceptionally rapid leach time with 94.1% overall recoveries of which an average of 44% was recovered by gravity. More than 90% of the leach recovery occurred within four hours. This suggests that a CIL plant at Sanankoro has the potential for reduced capex and operating costs as compared to the results given within the scoping study.

By the nature of the process, heap leaching would not require a tailings storage facility though one would be needed if the CIL option was to be selected. However, given the generally dry and flat nature of the local terrain and the high stability of the region in seismic terms, construction and operation of a tailings storage facility would not be a significant risk. A provisional site for such a facility has already been selected.

Power for the mine would have to be generated on site, most likely using diesel generators though solar power is also an option. Power from the nearby hydroelectric plant is already being fully utilised elsewhere within Mali, not least in supplying the capital, Bamako. Process water is readily available, in part from the nearby rivers and in part from aquifers. However, water management will be a key issue for the project.

Project financing

A US\$21m term sheet was signed in June 2020 with Lionhead Capital, acting as lead investor and arranger on behalf of a consortium of investors, to finance the proposed development of a mine at Sanankoro. This financing package comprises US\$6m of equity, US\$5m in the form of a Convertible Loan Note and US\$10m of debt financing. This is intended to effectively fully fund the construction of the mine, subject to confirmation of the costs set out in the Scoping Study.

The deal is conditional on completion of a positive Definitive Feasibility Study (DFS) by the end of 2021. In effect, this deal gives Cora funding security in the event that the DFS confirms that Heap Leach is the preferred gold recovery route. However, if the confirmed resource increases significantly in size then Cora still has the option of going for a conventional Carbon in Leach plant. The project financing would then need to be scaled up accordingly.

Other Projects

Yanfolila – Mali

The Yanfolila gold project is situated within the Yanfolila Gold Belt of Southern Mali in the area immediately surrounding the Yanfolila gold mine operated by Hummingbird Resources. The project comprises the Tekeledougou, Farassaba III, Tagan, Siekorole, and Winza permits covering a total area of 387.68 km².

The Farassaba III, Tagan and Siekorole permits were transferred from Hummingbird Resources to Cora as part of the enabling transaction in 2017. They have been subjected to regional-type exploration by previous holders Gold Fields, including extensive soil geochemistry and some limited reconnaissance exploration drilling.

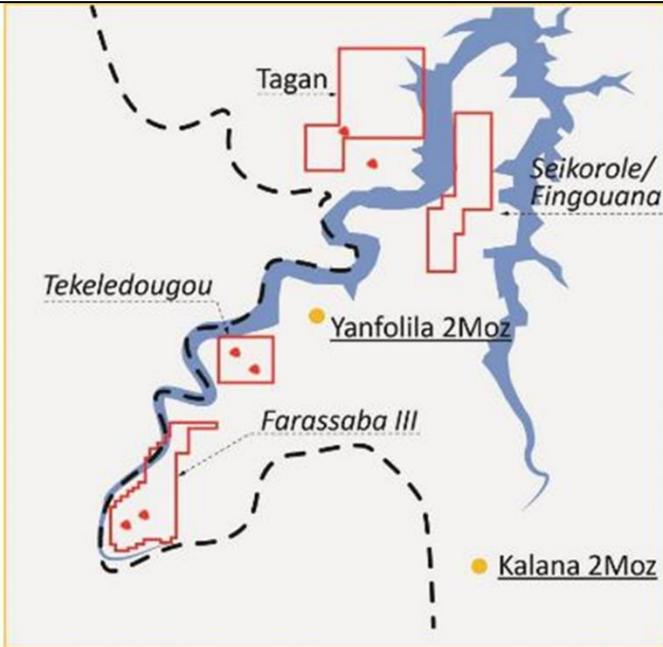
Recent work by Cora has so far focused primarily on the Tekeledougou permit which lies about 6 km from the Yanfolila Gold Mine at its nearest point. This work has reported some highly attractive gold intercepts, including 56m grading 2.2 g/t gold, 17m grading 6.8 g/t and 1m grading 35.7 g/t, but there is still a lot of work required before a potential resource could be defined.

Kenieba Window – Mali and Senegal

The Kenieba Window project is situated in Western Mali and eastern Senegal, some 6.5 km south west of AngloGold Ashanti's 14 million ounce Sadiola gold mine and close to several other significant gold mines. Within Mali the project comprises four permits covering a total area of 328 km² with a further 260 km² in Senegal.

The permit areas have been subjected to some relatively early-stage prospecting, mostly consisting of soil, termite mound and rock-chip sampling and geological mapping. However, there has been some initial drilling with encouraging results.

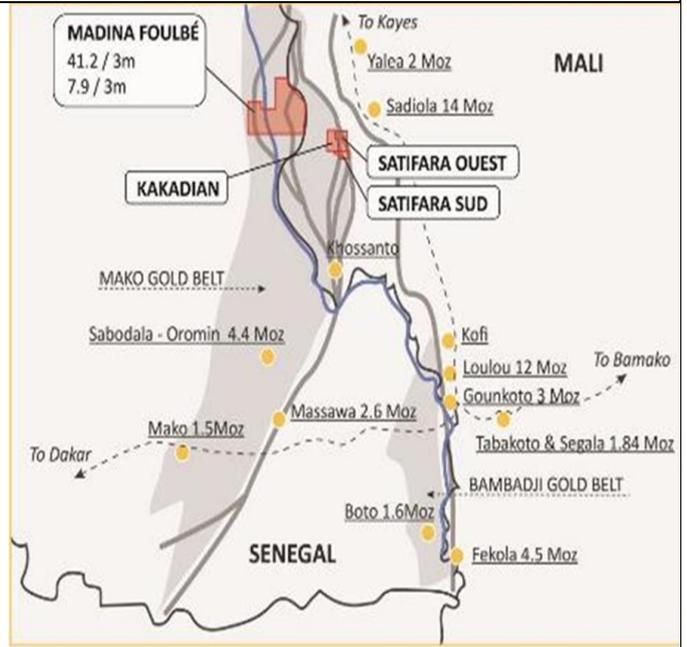
Yanfolila Project Location



0 5
Km

● Drill ready targets

Kenieba Window Project Location



0 40
Km

Permit Boundary
Major Structures

● Gold Deposits
41.2 / 3m = g/t Au over metres
(Using 1 g/t Au lower cut off, SRK 2017)

Source: Cora Gold

Directors and Management

Bert Monro

Chief Executive Officer & Director

In January 2020 Bert was appointed CEO & re-appointed a director of Cora, having previously stepped down from being a non-executive director in mid-2019 to fill a newly created position of Business Development. Until December 2019, Bert was Head of Business Development at Hummingbird Resources plc ('Hummingbird'; AIM:HUM), a substantial shareholder in Cora, where he had worked for over a decade. Hummingbird has over 6Moz of gold resources in West Africa & an operational gold mine in Mali.

Ed Bowie

Independent Non-Executive Director & Chairman

Ed has over 23 years' experience within the wider natural resources industry. He started his career with SAMAX Gold in Tanzania before going on to work in equity research & corporate finance roles, & then serving as fund manager for Altus Capital Limited's two mining funds. More recently he served as Head of Business Development at London-listed Amara Mining plc, managing the process that led to the company's acquisition.

David Pelham

Non-Executive Director

David is a mineral geologist with over 35 years global exploration experience. He has overseen the discovery & early evaluation of the +6 Moz Chirano Gold Mine in Ghana, as well as Hummingbird's 4.2 Moz Dugbe gold deposit in Liberia. He has been closely involved with a number of major discoveries of gold, copper-cobalt, coal, iron ore, chrome & uranium. These new discoveries add up to over 100 Moz of gold equivalent. David is also a non-executive director of Oriole Resources plc (AIM:ORR).

Paul Quirk

Non-Executive Director

Paul has over 10 years' operational experience in the Republic of Congo, having worked as Country Manager of MPD Congo SA (Zanaga Iron Ore Company) which listed on AIM in 2010. He started his own logistics company in the Congo, Fortis Logistique. Paul co-founded Lionhead Capital Partners ('Lionhead'), a principal investment firm that invests private capital into attractive long-term opportunities. Paul is currently the head of resources strategy & a partner at Lionhead.

Norm Bailie

Head of Exploration

Norm has over 29 years' experience in gold mining & exploration. Prior to joining Cora in 2020 he was Group Exploration Manager for Centamin plc (LSE:CEY), the FTSE 250 gold mining company. Norm boasts a wealth of exploration experience across Africa having held various senior positions with junior explorers, mid-tier & major mining companies, independent private funds & consultancies. Norm has a proven track record of over 30Moz in resource discovery & driven successful exploration growth at a number of major African mines.

Craig Banfield

Chief Financial Officer & Company Secretary

Craig is a Fellow of The Institute of Chartered Accountants in England & Wales & has been involved in the administration, financing & financial control of both private & public mineral exploration companies since 1994, the majority of which has been with African focused groups.

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