



Mercenary Alert

Curis Resources Ltd: Patience and Perseverance Pays Off

A Special Alert Musing from Mickey the Mercenary Geologist

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I initiated coverage of **[Curis Resources Ltd \(CUV.T\)](#)** in late 2011 when the company was trading at 90 cents (**[Mercenary Alert, December 8, 2011](#)**). After treading water for about five months, it got hammered for the next four, and has only recently re-gained my initial buy price.

Yes folks, in hindsight I got into this one too early. Luckily I was not as greedy as other analysts and newsletter writers who jumped in when Curis Resources started trading in November 2010 or chased it during the run-up that occurred after the first analyst tour in mid-January 2011. Many of these players have since walked away and written off their losses.

Don't get me wrong; I really liked what I saw on the tour two years ago. However, I felt CUV was overbought at that time. I met with management, told them my views on the situation, and put the stock on my watch list.

From Curis' IPO at \$2.00, the stock climbed to \$2.60, then spiked to \$4.00. That spike up soon became a long ski slope down to below \$1.00. During tax-loss season in late 2011, I finally saw an opportunity, bought the stock, initiated coverage, and bought some more.

Subsequently, Curis was disparaged, bad-mouthed, pummeled, and oversold. However, my rationale for owning the stock never changed so I averaged down as it went south.

The company eventually hit a low of 34 ½ cents last summer. Now it is again trading in the 90 cent range with catalysts on the horizon. With 56.3 million shares outstanding, CUV's current market cap is roughly \$50 million and it has \$26.5 million in cash and committed funds. Here's the chart since it went public in late 2010:



Over the past year, several travails with the company’s Florence, Arizona ISR copper project caused many investors to abandon the stock. Curis endured permitting delays, organized lobbying by California land speculators opposed to development, negative publicity campaigns based on erroneous technical information, attacks from bloggers, and resultant town council opposition.

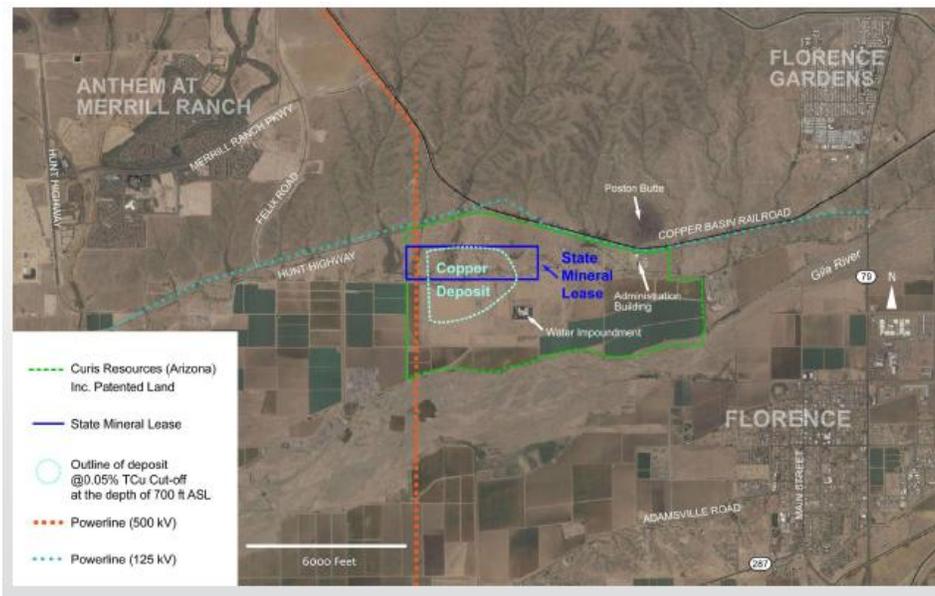
Thru it all, Curis Resources’ management team led by CEO Mike McPhie has exhibited patience and perseverance while the permitting process plays out. This strategy has paid off over the past few months with the company achieving significant milestones:

- In late September, Curis received its operating permit from the State of Arizona to proceed with construction, operation, and closure of a Phase I copper production facility.
- In mid-October, Curis updated metallurgical test results by McNulty and Associates that showed average in-situ copper recoveries of 61%. This was a significant development compared with the 49% recovery used in an October 2010 scoping study (PEA).
- In early November, Curis announced that a second tranche of \$6 million from the \$40 million bridge loan and copper off-take facility from Red Kite was released. This portion of funding is now being used for the purchase of copper processing equipment, infrastructure, and site improvements.
- In early January, Curis posted final results of the latest round of metallurgical testing. These results were extremely positive with overall in-situ recoveries averaging 69%. Preliminary modeling of mineralized blocks demonstrated that 70% overall copper recoveries can be achieved. It also announced that the pending pre-feasibility study will be based on these enhanced recoveries, and this has delayed tabling of the document.

Although I consider CUV’s 2101 PEA obsolete, it showed the project to have low capex, low operating costs, and robust economics. In a typical ISR operation, overall infrastructure and operating costs are relatively fixed, and project economics are most sensitive to copper recovery. The new Florence economic study will be based on mineable reserves at a higher base-case copper price with significantly improved copper recoveries.

Therefore, I have little doubt that Florence Copper is destined to become a very low-cost copper producer with outstanding returns.

The final piece of the puzzle, the EPA underground injection control permit, is expected in Q1 of this year. Once that is obtained, project construction will commence in force. Current company guidance indicates initial production of copper cathode should occur toward the end of Q3 of this year.



Florence Project Land Holdings and Infrastructure

Curis' Phase I development program is on State Land and consists of a 24 injection and recovery well system and SX/EW production facility that will produce copper cathode sheets. Construction is scheduled to begin immediately upon receipt of the EPA permit and its remaining cost of \$32.5 million is fully funded. The initial phase is designed to exhibit both the economic and environmental viabilities of this ISR copper project with a run time of approximately 12-14 months.

Once operating parameters are established, the company will initiate Phase 2 development consisting of several hundred injection and recovery wells with a commercial scale SX/EW plant currently designed to produce 76 million pounds of copper per year. The company anticipates permitting for the commercial development phase to be completed by the middle of 2014; that will be followed by construction with commercial production scheduled for late 2015.

Curis Resources Ltd is a core position in my speculative mining portfolio and a sponsor of this website. Therefore, my views are potentially compromised by financial involvement with the company.

That said, with top-notch management of the HDI Group, a tightly-held share structure, a flagship project that is anticipated to be robustly economic, a relatively low capex, and a present market valuation of less than 2.5 cents per pound for recoverable copper resources, Curis is significantly undervalued with respect to other companies in copper development space.

I invite you to do diligent research, see if you agree with my opinions, and determine if Curis Resources Ltd should be a part of your junior mining portfolio.

Ciao for now,

Mickey Fulp
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Acknowledgement: Michelle Lopez is the editor of MercenaryGeologist.com.

The [Mercenary Geologist Michael S. "Mickey" Fulp](http://MercenaryGeologist.com) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

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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