



Mariana Resources

Nov 3rd 2011

Mariana Resources is heavily undervalued, says Fox-Davies

South American gold explorer Mariana Resources (LON:MARL, TSE:MRY) is heavily undervalued compared to its peers, according to analysts at Fox-Davies.

In a note to clients today, the broker began its coverage on the stock with a buy' recommendation.

The group's shares could easily be worth 24p, said analyst Juan Alvarez. At the moment, however, Alvarez has a more conservative twelve-month price target of 12p. This target is still some 40 per cent higher than the current price of 8.5p.

"Fundamentally the company offers considerable upside to the current share price," Alvarez said.

The main focus of Mariana's exploration is the Las Calandrias project in the highly prospective Deseado Massif geological region of southern Argentina. This particular area of Patagonia has become something of a hot-spot for gold explorers in recent years.

It also has other projects in Patagonia's Deseado Massif, including the Sierra Blanca and Los Amigos exploration projects.

"The Deseado Massif has become a very hot gold exploration address in the last five years, especially since the pioneering discovery and development of AngloGold's Cerro Vanguardia deposit in the late 90s," Alvarez explained.

The analyst points out that the AngloGold mine has produced over 1.7 million ounces since 2003 and it still has 4.4 million ounces of remaining resources left.

Alvarez added: "The area also boasts other significant discoveries including the Cerro Negro epithermal gold deposit which was acquired by Goldcorp Inc from Andean Resources Ltd in December 2010 for US\$3.4 billion, the San Jose Mine, built and operated by Hochschild, and Coeur d'Alene's Mina Martha."

In July, Mariana announced a maiden gold resource for Las Calandrias. It gave the project a total NI43-101 resource of 519,000 ounces gold equivalent. The resource estimate came 20 months after Mariana declared the initial gold discovery back in 2009.

Interestingly Alvares reckons that the resource could be much larger. Thanks to the recent discovery of lower grade, but bulk tonnage ounces Mariana will almost certainly extend the resource it has already defined, Alvares said.

"Mariana has thus far only drilled approximately 20 per cent of the dome field at Las Calandrias and so there is considerable potential upside in the resource base, especially when you also consider the volcanoclastics target," he said.

"Recent scout drilling on the volcanoclastic target is yielding results which could indicate a bulk tonnage target as opposed to the narrow vein style of mineralisation more typical of the Deseado Massif. "

Price: 8.75p

Market Cap: £15.88M

1 Year Share Price Graph



Share Information

Code: MARL

Listing: AIM

Sector: General Mining - Gold

Website: www.marianaresources.com

Company Synopsis:

Mariana Resources Ltd is a Guernsey incorporated investment holding company established to acquire potentially large or high value gold and copper-gold prospects in Chile, Argentina and other selected parts of South America. The Group's strategy is to seek underexplored areas with potential for high grade polymetallic-gold epithermal/skarn mineralisation.

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Exploration work continues at Las Calandrias. Yesterday Mariana today released the results of the first 28 holes from a recently completed Phase IV drill programme.

The programme has included the exploration of new targets - La Picasa, Loma Verde, Vieja Hearnadura and El Clavo. Mariana described the results as positive.

The best intersections included 40 metres grading 1 gram per tonne, which included a 1 metre intersection with a gold grade of 10.8 grams per tonne. As well as 22.8 metres grading 1.1 grams per tonne of gold equivalent, comprising 0.6 g/t gold and 30 g/t silver.

"These encouraging results demonstrate the potential of the Calandria Sur mineral system to be expanded substantially in several directions outside the core area," chairman John Horsburgh told investors on Wednesday.

Horsburgh explained that the Calandria Sur mineralised 'footprint' now extends over circa 800 metres by 350-500 metres. It explained that the intersections of gold mineralisation are located up to 300 metres to the east and 120 metres to the north of the project's initial resource area.

Aside from the ongoing exploration work and the potential to grow resources the Fox-Davies analyst also believes that the project's position on the Deseado Massif makes Mariana a potential takeover target.

"We also believe that Mariana could present an attractive and undervalued takeover opportunity.

"The mid cap and major explorers in the region could be interested in increasing their stake in a quality resource, or consolidating the deposits in the area and the bulk-tonnage resource potential of Las Calandrias could have appeal to explorers looking to complement their narrow vein discoveries.

"Additionally, Las Calandrias is contiguous with Minera IRL's Escondido project and the opportunity exists to exploit the deposit as a single mine, either through a JV arrangement, or after a merger or acquisition."

Surmising the investment case the analyst said that Mariana is "a good buying opportunity for investors" with a relatively high risk profile.

He says the stock will appeal to investors that want exposure to a gold explorer in a relatively stable part of the world and shows promise of extending its resource base in a short period of time.

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