

## Atico Mining Corp. (TSXV:ATY)

### Strike Over, Shovels In, Drills Turning

### Exploration Update

(Currency is CAD\$ unless noted otherwise)

Closing Price		\$0.27
Consensus NAVPS		\$0.82
52 Week Low / High	\$0.23 /	\$0.64
Consensus P/NAV		0.33x
<b>CAPITALIZATION</b>	<b>Basic</b>	<b>Diluted</b>
Shares Outstanding (M)	98.5	105.70
Market Capitalization (\$MM)		\$26.6
Enterprise Value (\$MM)		\$27.6
Last Reported Quarter Cash (\$MM)		\$5.8
Total Debt (\$MM)		\$6.8

#### STOCK CHART



#### RELATIVE PERFORMANCE



RELATIVE VALUATION	EV/EBITDA	P/NAV
Peer Group Average*	3.9x	0.58x
Atico Mining Corporation	1.4x	0.33x

\*Capital IQ Consensus

#### MAJOR SHAREHOLDERS

Management (21.17%), Konwave AG (4.44%)

DISCLOSURE CODE: 1,2,3,4

(Please refer to the disclosures listed on the back page)

Source: RCKS, Company Information, Capital IQ

#### Company Description

Atico Mining Corporation engages in the acquisition, exploration, and development of copper and gold projects in Latin America. The company also explores for silver deposits. Its principal project is the El Roble mine, which covers an area of 6,679 hectares located in Choco, Colombia. The company was incorporated in 2010 and is headquartered in Vancouver, Canada.

#### Impact: Positive

Atico has announced the end of its labor-strike and is resuming all regular activities including production and exploration drilling. This should allow the company, to get back to generating FCF from operations and testing the exploration potential of El Roble. **Our fundamental view is unchanged, we believe Atico is a low-cost producer with exploration upside that should generate significant free cash flow providing the capital required for growth.**

#### Highlights:

- **Back to work – operations and exploration resumes.** While the disruption was longer than expected, we expect the strong operating momentum the company had prior to the disruption to resume during Q2. Additionally, the company is now able to resume exploration efforts on its high-potential targets. We view exploration success as one potential avenue for Atico to expand its production profile.
- **Guidance for 2019 adjusted.** Due to a shutdown for nearly 70 days, the company has issued updated guidance for 2019 (Figure 1). New guidance is outlined as 17-18M lbs Cu, 9-9.7k oz Au at US\$1.55-1.60/lb Cu. We note that prior to the strike, Atico was on pace to meet its original guidance. Despite losing ~20% of the year to the shutdown, adjusted guidance only represents a 14% and 9% decrease for copper and gold production, respectively as well as a 3% increase of cash costs.
- **Drilling key for growth.** Along with operations being shutdown, the company also had to pause its aggressive exploration program. The El Roble mine, is effectively a single VMS deposit; however, VMS deposits typically occur in clusters so there should be more to find. Generative work over the last several years has identified a number of targets on its 3,600ha land package and the company has planned its most aggressive regional exploration program for 2019. Exploration success should drive a further increase in production.

#### Valuation:

**Thesis unchanged, steady ops and exploration should deliver re-rating.** Assuming its regular operating run-rate, our preliminary estimates suggest that Atico trades 1.4x-1.7x EBITDA or at an 15-19% FCF yield. When you consider that other base metal producers trade at 3.9x EBITDA, Atico's strong balance sheet and exceptional exploration upside significant re-rating is expected. **Upcoming Catalysts** include 1) exploration update (Q2/19), 2) 2018 financial results (April 2019), 3) Q1 financial results (May 2019), and 4) Q2 operating and financial results (Q3/19).

**Figure 1: Updates Guidance**

2019 Adjusted Production and Cost Guidance	Previous	New
Copper (000s pounds)	20,000 - 21,000	17,000 - 18,000
Gold (ounces)	10,200 - 10,700	9,000 - 9,700
C1 Cash Cost (\$US)	\$1.50 - \$1.55	\$1.55 - \$1.60

Source: Company Reports

**Figure 2: Company Comparables**

Company	Ticker	Price (C\$/sh)	YTD Perf.	Shares (M)	Mkt. Cap C\$M	Cash C\$M	Debt C\$M	EV C\$M	EV/EBITDA 2019E	Consensus P/NAV	
<b>Atico Mining Corporation*</b>	<b>TSXV:ATY</b>	<b>\$0.27</b>	<b>-5%</b>	<b>99</b>	<b>\$27</b>	<b>\$6</b>	<b>\$7</b>	<b>\$28</b>	<b>1.38x</b>	<b>0.33x</b>	
Capstone Mining Corp.	TSX:CS	\$0.68	11%	404	\$275	\$88	\$299	\$486	2.85x	0.44x	
Copper Mountain Mining Corporati	TSX:CMMC	\$1.06	47%	190	\$201	\$52	\$265	\$414	4.16x	0.44x	
Dundee Precious Metals Inc.	TSX:DPM	\$4.10	14%	180	\$740	\$23	\$64	\$780	4.01x	0.61x	
Hudbay Minerals Inc.	TSX:HBM	\$8.90	38%	261	\$2,325	\$703	\$1,440	\$3,062	4.36x	0.73x	
Lundin Mining Corporation	TSX:LUN	\$7.33	30%	738	\$5,412	\$982	\$101	\$4,532	4.27x	0.74x	
Taseko Mines Limited	TSX:TKO	\$0.94	45%	246	\$231	\$49	\$355	\$537	5.46x	0.46x	
Trevali Mining Corporation	TSX:TV	\$0.35	-16%	818	\$286	\$89	\$181	\$378	2.07x	0.60x	
									<b>Median</b>	4.16x	0.60x
									<b>Average</b>	3.88x	0.58x

Source: RCKS Estimates

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Company Name	Ticker Symbol	Disclosures
Atico Mining Corp	TSXV:ATY	1,2,3,4

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