

New Chile recipe secret to Tesoro success

by Dominic Piper

In an era when gold explorers are encouraged to stick to the shadows of the headframe, Tesoro Gold Ltd stands apart, its multimillion-ounce El Zorro asset sitting in the sunshine of the Chilean coastal plains.

The ASX-listed company has surprised many in the global exploration community, and not only because the 62.5mt @ 1.01 g/t gold for 2.028 moz project is looking robust enough to be a standalone development.

Explorers in Chile are often faced with limited development options, the propensity for low-grade, capital-intensive copper deposits at extreme altitudes leading most to hope for a white knight to arrive with the billions of dollars required to build such projects.



The biggest surprise at El Zorro has not been the rapid delineation of resource ounces but the nature of the mineralisation, intrusive-related gold in a country synonymous with copper-rich porphyries

Tesoro's El Zorro project is very different. An intrusive-related gold system (IRGS), the project's Ternera deposit is a first-of-its-kind in Chile – a high-grade, gold-only deposit located at sea-level on the coastal belt of the South American country.

"It is probably the best place on the planet to build a gold project," managing director Zeff Reeves tells **GMJ**. "Chile is a major mining jurisdiction and the project is located close to power, water and the coast."

That Tesoro finds itself in Region IV of Chile, a considerable distance from the major copper centres, is no mistake. The founders were keen on Latin America and Chile in particular but wanted a project which they could build themselves.

"The company was put together by a group of mine builders, so from the start we set out to define something that we could bring into production," Reeves explains. "For a junior starting from scratch, we always felt it was a challenging proposition to develop a porphyry deposit which attracts a plus-\$US1 billion capex. We wanted to focus on gold, not copper, and replicate the West Australian model and scale of gold projects."

The company took a measured approach to greenfields exploration, building the geological picture over several years.

"We started with first principles exploration, mapping and sampling and once we understood the geochemical signature of the deposit we could see the wider opportunity," Reeves says.

Once Ternera was identified as an IRGS, the decision was taken to go public, with Tesoro listing on the ASX in 2020.

"Even in those days, we didn't realise how big it would become, but because no one had ever known IRGS deposits in Chile before, the whole belt suddenly opened up to us," Reeves said.

The subsequent five years have continued to deliver on the early promise. A maiden resource was declared in 2021 and a positive scoping study in April 2023 which showed the then 1.3 moz project could host an eight-year, 93,000 ozpa operation based on a \$US1,750/oz.

Nearly three years on, Tesoro's understanding of the deposit, the district and the economics have shifted again.

The company drilled 20,000m in FY25 and is drilling another 20,000m in FY26.

"The objective is still to keep growing the resource," Reeves said. "It is open in all directions so we have plenty of opportunity. By May 2025, we had achieved the initial goal by adding 600,000oz and we have five rigs on site now with plans to increase the resource again ahead of a PFS in 2026."

"The resource came about as a result of a lot relogging and reinterpretation work. That has all paid off because it has hung together bigger than anticipated and the quality is more robust."

The PFS will be a refined version of the June 2025 updated scoping study which demonstrated the ability of Ternera to host a 3 mtpa operation producing 111,000 ozpa gold over the first nine years of a 14.5-year mine life. Capex was estimated at \$US247.9 million and AISC at \$US1,216/oz, delivering a NPV of \$US663 million, IRR of 51.3% and life-of-mine free cash flow of \$US1.23 billion, based on a \$US2,750/oz gold price.

"There were some really good outcomes from the scoping study, including that the 110,000 ozpa is from a single open pit, which is a fairly unique proposition in today's gold sector," Reeves says. "The capex is also very low relative to other projects of this size, which is largely thanks to the project location and the



Zeff Reeves

relative proximity to power, water and the coast."

The PFS is unlikely to deviate much from the scoping study, with Reeves eager to enact the strategy it brought to Chile in the first place.

"It will be a conventional project, nothing different to what you would see in WA," he says. "It will be a 3 mtpa CIL plant and you could take a WA metallurgist and he'd know exactly where everything is in the plant, it will look identical to something you would see in the Eastern Goldfields. However, by Chilean standards it is one of the most significant gold-only projects ever found."

The unique nature of the deposit also means there is a yet-to-be-quantified regional opportunity.

"We're in the enviable position that the rocks stick out the ground, which is why we have defined a clear 30km gold corridor," Reeves says. "The nature of the tenement system in Chile makes it challenging to get a foothold on an entire belt but because no one had ever explored for IRGS, no one had pegged this belt."

The untapped nature of the Chilean coastal belt has also allowed Tesoro to continue its considered approach to exploration.

"We've always approached things with open eyes, giving the exploration team a lot of freedom, nothing is a stupid idea," Reeves says of the approach. "We have had some help from experts to refine the exploration model and we have drilled 130,000m into Ternera and we have a good understanding on the controls on mineralisation."

Although still a junior, Tesoro has approached much of its exploration work with a big-company mentality, building the entire model from the ground up rather than chasing headline-making resource numbers.

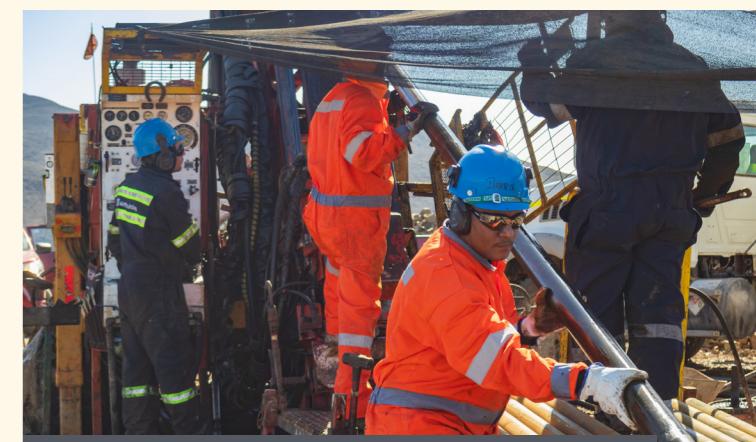
"Because this project is so unique for Chile, we have been keen to understand it in order to find more gold along the belt," Reeves says. "We have done a lot of academic work an exploration company wouldn't normally do. We are sponsoring a PhD research project and one of the consultants we have used is Dr Nick Oliver, who was a Professor of Mining at James Cook University. I've always felt it is good to get experts in early because it gets the technical team up the curve on

geochemistry and geology things."

"It has opened our eyes to the broader potential and armed our team with additional knowledge it can apply to the district. My view is always to get as many smart people involved as soon as possible, then push the data to figure out why something is happening in the system and build up the exploration model."

The wealth of information has also attracted attention from others. Gold Fields Ltd holds 13% of the company and is keeping a keen eye on progress at El Zorro. However, Reeves doesn't expect the South African gold major to move on his company any time soon.

"Gold Fields has been highly supportive of the technical work but would concede that our team is further up the curve than theirs in understanding these systems which have multimillion-ounce potential," he says. "So, they are keen for us to continue and to roll out the regional work aggressively."



Tesoro has drilled more than 130,000m since latching onto the Ternera deposit in 2020

The regional campaign is likely to be a major focus in 2026. The company has more than 50 targets along the defined 30km-long gold corridor, with a top 10 identified for priority testing during a 15,000m drilling programme in the next 12 months.

"When you look at analogous IRGS districts around the world, Tintina in particular, you see clusters of deposits and it is starting to look like we will have at least more than two significant deposits," Reeves says. "By this time next year, we could be talking about a new deposit having been defined."

It appears increasingly likely the market will be along for that ride. The share price put on more than 200% over the course of 2025 and Reeves is confident the run will continue this year.

"The market has been up and down since we listed in 2020 to say the least, so it has not been easy," he says. "But the last 12 months we are starting to see the market recognition, although I'd still argue we are undervalued versus our Australian peers."

"We have had some long-term supportive shareholders who understand what we set out to do and that we are a company which always does what it says it will. We have built our own momentum and we're entering a wave now which will see steady value creation over the next 12 months."