



Oracle Mining Corp.

OMN-TSX: \$1.19

Target Price: n/a

Recommendation: **Not Covered**

COMPANY BULLETIN

December 9, 2011



Oracle Ridge site visit

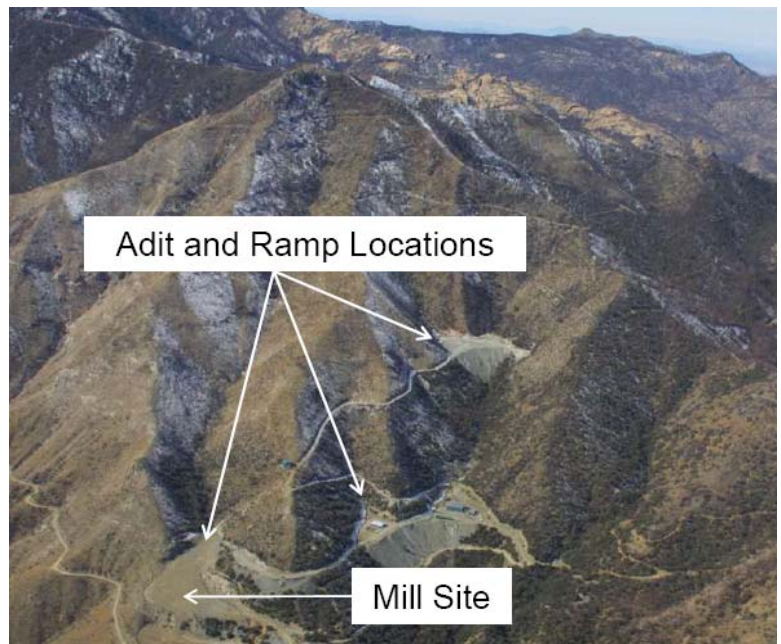
On December 6, 2011, we met with Oracle Management in Tucson, Arizona and went on a site visit to the Company's Oracle Ridge mine approximately 15 miles north-east of Tucson.

Company overview

Oracle's principal asset is its 100%-owned, past-producing Oracle Ridge copper-silver-gold mine that was shut down in 1996. Oracle (formerly Goldhawk Resources Inc.) acquired the mine in September 2011 and is currently refurbishing and re-permitting the site with a goal of reaching commercial production by Q2/13.

The Oracle Ridge property consists of 56 patented mining claims covering 927 acres, including Marble Mountain, in the Old Hat Mining District in northern Pima County, Arizona. There is good infrastructure in the area, with three gravel roads leading to the site, one of which is capable of transporting construction equipment and materials. Exhibit 1 shows an aerial view of the Oracle Ridge property.

Exhibit 1 - Oracle Ridge mine



Source: Company presentation

The Oracle Ridge mine operated from 1991 to 1996 before being shut down due to low copper prices and operating difficulties. There are currently approximately 11 miles of underground development; however, the milling operation on surface was sold, dismantled and removed. As such, Management is estimating that between US\$45 million and US\$50 million will be required to build a new 2,000 short ton per day (stpd) mill and re-establish the mining operation.

There are currently no NI 43-101-compliant resources for the ore deposits. However, in 1994, Mintec prepared a reserve estimation based on 534 drill holes representing 163,622 feet of surface and underground exploration drilling. This drilling resulted in 6,848 copper assays that were used to estimate the historic proven and probable reserves of 8.1 million tons grading 2.3% Cu and the possible reserves of 16.6 million tons grading 2.3% Cu. There were significantly fewer silver and gold assays recorded – 3,510 and 2,150, respectively – and these metals weren't included in the Mintec estimate. As well, mining carried on until 1996, so potentially several hundred thousand tons of the above reserves were extracted.

Oracle has approximately 31.4 million shares, 2.8 million options and warrants outstanding, and a market capitalization of \$37.4 million based on the December 8 closing share price of \$1.19. As of the end of October 2011, the Company had approximately US\$12 million in cash.

Site visit and discussions with Management

In Tuscon, we met with Mr. Victor Rozon, Vice President – Operations; Mr. Bruce Riederer, Project Manager; and Mr. Luis Saenz, Chief Geologist. Following our meeting, we toured the Oracle Ridge mine property. Highlights of our visit and these discussions include the following.

Geology and exploration

- The Company has completed 28 drill holes as part of validating the historic resources at the mine. Of these, 8 were “twin” drill holes next to historic drill holes for which assays were documented, and 20 drill holes were new in order to fill in gaps of spatial and geologic understanding of the ore deposits, as well as provide additional silver and gold assays. There is good correlation between the copper grades for the “twinned” and historic drill holes. There are currently three drill rigs operating at the site and the next round of drill holes are expected to be completed by the end of next week.
- The results of this drilling will be used to prepare a NI 43-101-compliant resource estimate for the mine. The major hurdle in completing this new estimate has been receiving assay results, which to date have been received for only 22 drill holes. Assay turnaround time is currently approximately six weeks, and the results from the current drilling may not be included in the new estimates, depending on timing. Management expects to publish its new copper resource estimates in early 2012.
- All of the drilling is currently being done from surface; however, in order to reach new areas to delineate additional mineralization, at least 700 feet of drilling is required before the ore zones are reached. Surface drilling will continue in the short term as long as weather permits. However, by next February or March, Management expects to be able to begin drilling from underground after sufficient rehabilitation bolting and screening has been completed on the 6400 Level and ramp linking has been completed to the 5900 Level.



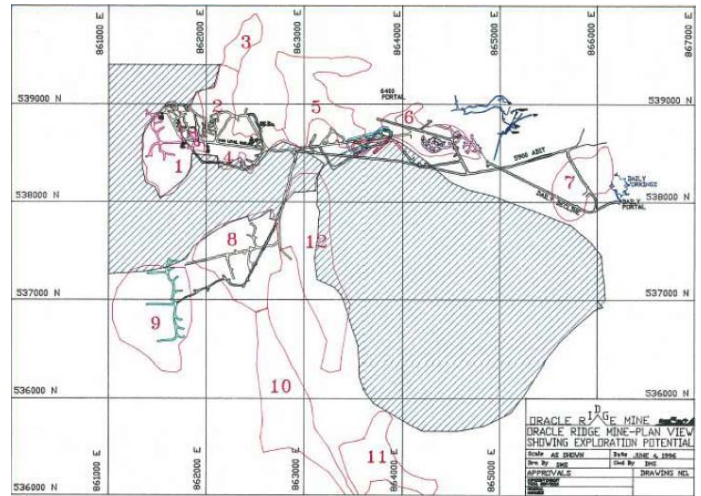
- There has been a significant amount of underground sampling along the drifts and cross-cuts, with samples every five feet within the known ore zones and every two-and-a-half feet at the perimeters. Exhibit 2 shows a marked sampling location underground. The new drilling and sampling data has been combined with all of the historic information to produce the new 3-D mine model. Exhibit 3 shows a plan view of the underground workings and Exhibit 4 shows the five orebodies that were mined historically. The Company is also doing surface sampling and mapping, but this work is weather-dependent and will likely only be finished next March.

Exhibit 2: Underground sampling location



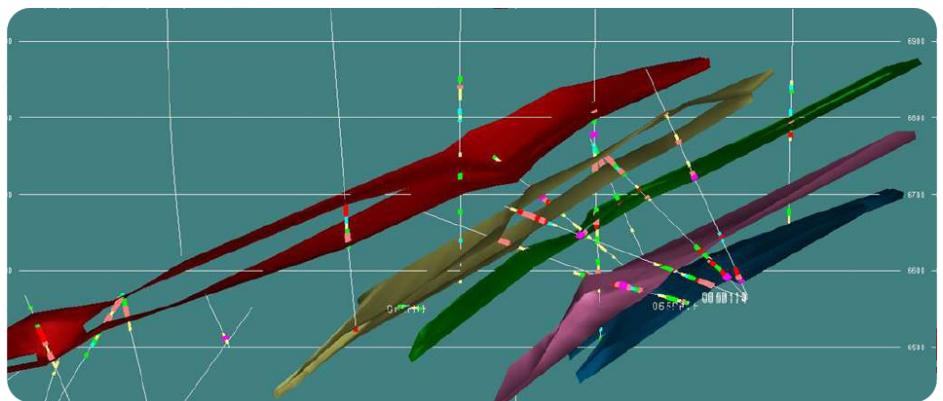
Source: Octagon Capital Corp.

Exhibit 3: Oracle Ridge mine plan view



Source: Company presentation

Exhibit 4: 3-D View of Oracle Ridge orebodies



Source: Company presentation

- Of the five skarn orebodies shown in Exhibit 4, the top one is in the Escabrosa limestone unit, the middle two are in the Martin Formation of inter-bedded limestone, dolomites and siltstones, and the bottom two are in the Abrigo Formation dolomites. These stacked lenses dip at between 35° and 40°, and were emplaced along the conformable Leatherwood Granodiorite intrusive and within faults and shear zones that intersect this intrusive body. The primary copper mineralization is comprised of bornite, chalcopyrite and chalcocite,



with very little oxidization due to weathering. The silver is mainly associated with the bornite and chalcocite while the gold is associated with the chalcopyrite. Exhibit 5 shows oxidized ore in a drift on the 6400 Level and Exhibit 6 shows massive bornite in drill core.

Exhibit 5: Oxidized ore on 6400 Level



Source: Octagon Capital Corp.

Exhibit 6: Massive bornite in drill core



Source: Octagon Capital Corp.

Mining

- Exhibit 3 shows the 12 Zones that have either been mined historically or sampled and prepared for mining prior to the mine being shut. The shaded areas in between represent potential extensions of these mining areas; however, these were never drilled from surface, mainly due to inaccessibility due to the mountainous terrain. The historic drilling was concentrated on Zones 1-6 and 8 and 9. The main contact with the Leatherwood intrusive is in the Abrigo Formation, but it peaks in the Escabrosa limestone in the centre of the mine between Zones 4 and 8. When sufficient rehabilitation bolting and screening has been completed in Zones 1 and 9, the area in between will be drilled to delineate potential skarn mineralization in the Escabrosa/intrusive contact zone.
- It isn't clear how much of the ore zones have been mined out. Historic production records are incomplete and a significant amount of underground stope development was completed in 1995 and 1996 ahead of the planned increase in mining to 2,000 stpd from 800 stpd. Most of the old stopes are located in Zones 1, 2, 4, 6 and 7. Zones 8 and 9 were prepared for mining but it doesn't appear that they ever went into production. Assuming mining continued at approximately 800 stpd between 1995 and the mine closure in April 1996, it is likely that approximately 300,000 tons of the historic reserves estimated by Minproc at the end of 1994 were extracted. There is a significant stockpile of run-of-mine ore on surface near the 6400 Level portal, as shown in Exhibit 7; however, this material is likely highly oxidized and would only serve as mill feed during commissioning.



Exhibit 7: Surface ore stockpile

Source: Octagon Capital Corp.

- Management is planning on re-starting production at 2,000 stpd. The new mill will be matched to this capacity, but will have the flexibility to increase throughput to 3,000 stpd in future. As well, once more metallurgical testing has been completed, the potential for sorting ore from waste ahead of milling, either through dense media separation or other techniques, will be evaluated. As such, it appears that Oracle Ridge could potentially become a significantly larger copper producer compared to its past operation.
- The mining methods used previously were mainly sub-level long-hole stoping and cut-and-fill in some areas. Management indicated that sub-level long-hole stoping will likely be used in the re-started operation, as it is more mechanized and less labour-intensive than cut-and-fill. Exhibit 8 shows the main access drift on the 6400 Level and Exhibit 9 shows the opening to a mined-out stope. The old underground workings appeared in excellent condition, with little apparent ground failure over the years. Nonetheless, the Company is currently rehabilitating areas of the mine as deemed necessary by installing rock bolts and mesh screens. As well, the restoration of the underground mine infrastructure has begun. Exhibit 10 shows a drill at the 6400 Level portal drilling a hole that will be used to connect new electrical wiring down to the lower working areas. Management estimated that this hole will be approximately 400 feet long and the alternative would have been to string approximately 2,600 feet of wiring along the existing network of drifts and ramps.
- Exhibit 11 shows the old mine maintenance building and mine dry building. There is very little of the original mine surface infrastructure remaining, and the current mine office is located a short distance down the hill near the 5900 Level portal, shown in Exhibit 12. There is currently sufficient power at the site for the mine office, and Management is presently



evaluating two options for bringing the power infrastructure to the site to support the mining and milling operations. One option involves accessing the existing power infrastructure in San Manuel and burying a 25 kV power line beside the existing Black Hills gravel road to the site. The other option would be to access the TEP substation in Saddlebrook just outside of Tuscon. Diesel power generation isn't being considered for the operation. The Company doesn't control the actual construction of this new power infrastructure, but has to make an application to the Arizona state authority. Management expects the timing of the construction of the required power infrastructure shouldn't be an issue with respect to its expected construction and production schedules.

Exhibit 8: Main access drift on 6400 Level



Source: Octagon Capital Corp.

Exhibit 9: Old stope opening



Source: Octagon Capital Corp.

Exhibit 10: Drill preparing mine infrastructure



Source: Octagon Capital Corp.

Exhibit 11: Old mine maintenance and dry buildings



Source: Octagon Capital Corp.



Exhibit 12: 5900 Level portal

Source: Octagon Capital Corp.

Milling and tailings storage

- When operation ceased in 1996, the mill buildings were sold and dismantled and the site cleared, as shown in Exhibit 13. This site will be used for the new mill buildings. Management is planning to install the primary crusher underground in order to reduce the environmental impact. The new mill will use conventional semi-autogenous grinding, a ball mill and conventional flotation circuit to produce a copper concentrate with silver and gold credits. Initial metallurgical test work on some of the drill-core samples has indicated that the ore displays medium grindability. The hardness of the ore had previously been identified as a cause for the poor operating performance of the previous milling operation, but this test work indicates these problems may have been in other areas of the operation.
- The copper concentrate and tailings will be pumped as separate slurries to the tailings impoundment facility that will be located approximately three miles from the mill. Exhibit 14 shows the old tailings storage area in the centre and Exhibit 15 shows a portion of the old tailings pipeline. The copper concentrate will be filtered and dried and shipped to customers. The tailings will be de-watered and dry-stacked in the impoundment area to conserve water, and all of the recovered water will be pumped back to the mill. Management will also evaluate eventually utilizing paste backfill in the underground operations to reduce the amount of tailings stored on surface. The old tailings storage area was unlined and contains approximately 1 million tons of material. Management plans to build a new tailings impoundment facility that is lined and reclaim all of the historic tailings to improve the environmental profile of the mine.



Exhibit 13: Old Mill Site



Source: Octagon Capital Corp.

Exhibit 14: Old Tailings Storage Area



Source: Octagon Capital Corp.

Exhibit 15: Old Tailings Pipeline



Source: Octagon Capital Corp.



Permitting

- Management indicated that there were three main permits required in order to restart operations: an air quality permit (AQP) from Pima County, an aquifer protection permit (APP) from the State of Arizona and an Environmental Assessment (EA) from the U.S. Forestry Service.
- The AQP is currently under review by the County, and Management expects to get questions in early 2012. The review period is expected to take between 90 to 120 days, and should be complete by Q2/12.
- The State is currently evaluating bids from third-party consultants to do the preparatory work for the APP. Oracle will pay for this work, and Management expects that there is a six-month timeframe for completing this process.
- Although all of the old environmental assessment work for the old mining operations has lapsed, it is still on the books of the U.S. Forestry Service. All of the mining claims are patented, and the Company leases all of the surface rights for the mine infrastructure. However, the right-of-way for the tailings pipeline will have to be renewed. This corridor runs for approximately two-and-a-half miles through Federal land, and the old pipeline bed remains in place. As such, Management doesn't expect that there will be significant issues with the new EA for the project.
- In aggregate, Management expects that all three permits should be in place by next July. In anticipation of this timing, the Company will look to start placing long lead-time orders in January for critical equipment for the mill and mine. There is also strong community support for the jobs and taxes that the new operation will provide locally, which Management believes will help expedite the permitting process.





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