Calico Amends Preliminary Economic Assessment on the Grassy Mountain Project

14.07.2015 | The Newswire

- Study Predicts 10 Year Operation Averaging 53,000 Ozs of Au and82,000 Ozs of Ag Produced Annually

- Estimated Pre-Tax 5% NPV of US$144.2 Million and IRR of 32.6% at $1,300 Gold and $17.50 Silver

Vancouver, July 14, 2015 - Calico Resources Corp. (TSX-V: CKB) ("Calico" or the "Company") announced today that as a result of a review by the British Columbia Securities Commission (the "BCSC") of the Company's February 27, 2015 preliminary economic assessment (the "PEA"), the Company will file today an amended technical report entitled "Amended Preliminary Economic Assessment, Calico Resources Corp. Grassy Mountain Project, Malheur County, Oregon, USA" (the "Amended PEA"). The Amended PEA was prepared by Metal Mining Consultants Inc. ("MMC") using resource and geologic information developed by Hardrock Consulting, LLC.

The economic aspects of the Amended PEA remain unchanged from the original PEA. All of the deficiencies identified during the BCSC review were addressed and corrected in the Amended PEA. The key deficiencies identified by the BCSC were related to the disclosure of the mineral resources for the Grassy Mountain Project.

Mineral Resources

The project's base case is an underground model but the original PEA disclosed estimated global resources that were not relevant to the resources used in the PEA. Further, the PEA disclosed lower grade resources that were not open pit-constrained, which may have included resources that might not have been able to demonstrate reasonable prospects for eventual economic extraction. It was also unclear in the PEA that underground resources were not included in the global resource estimate. To correct these disclosure issues, Calico's independent consultants have re-estimated the project's mineral resources in a way that more clearly demonstrates reasonable prospects for eventual economic extraction.

Underground resources for the Grassy Mountain Project are reported in the Amended PEA at a gold cutoff grade of 0.065 opt, as opposed to a grade of 0.079 opt in the PEA, and are constrained within the designed underground stopes that were used in the PEA. In order to demonstrate the reasonable prospects of eventual economic extraction of lower grade mineralization by open pit methods, mineral resources were also constrained within an $800 pit optimization boundary. To ensure that there was no double counting of underground and open pit mineral resources, the underground resources were removed from consideration of the determination of the pit limits and treated as un-mineralized backfill. The resulting mineral resource estimate, constrained by the pit, is now estimated at gold cutoff grade of 0.005 opt as opposed to the previous disclosure at 0.012 opt. Calico believes it is in the best interest of its shareholders to disclose this new resource estimate as it clarifies previous disclosure.

Mineral resources are estimated as follows:

Measured					
	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground (0.065 opt cog)	3,157.2	0.155	490.5	0.263	828.9
Open Pit (0.005 opt cog)	52,644.6	0.020	1,027.1	0.072	3,783.6
Indicated					
	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground (0.065 opt cog)	88.3	0.149	13.2	0.163	14.4
Open Pit (0.005 opt cog)	12,802.8	0.010	121.9	0.027	349.8
Measured plus Indicated					
	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground (0.065 opt cog)	3,245.5	0.155	503.7	0.260	843.2

Open Pit (0.005 opt cog)	65,447.4	0.018	1,149.0	0.063	4,133.3
Inferred					
	Tons (000s)	Au opt	Ounces Au (000s)	Ag opt	Ounces Ag (000s)
Underground (0.065 opt cog)	0.0	0.000	0.0	0.000	0.0
Open Pit (0.005 opt cog)	221.3	0.007	1.5	0.010	2.2

Economic Projections

MMC has concluded that the most attractive development scenario for the Grassy Mountain Project consists of an underground mining operation with a processing plant handling mineralized material, producing a gold-silver dore. A milling base case scenario was developed for the Grassy Mountain Project with production of 365,000 tons per year, resulting in a projected nine year operation with estimated average annual production of 53,000 ounces of gold and 82,000 ounces of silver. Projected life of mine average cash operating costs are US$578 per ounce of gold recovered, net of silver byproduct credits. Start-up capital costs for this project scenario are projected to be US$120 million plus sustaining capital of $24.1 million. The total cost of gold production (including cash operating costs and total capital and contingency costs over the life of the mine) is estimated at US$880 per ounce.

At a gold price of US$1,300 per ounce and a silver price of $17.50 per ounce, the base case has a US$202.9 million pre-tax net cash flow, a US$144.2 million net present value at a 5% discount rate and an internal rate of return of 32.6%. At US$1,500 gold and US$20 silver, the total pre-tax net cash flow increases by 47.5% over the base case to US$299.2 million, the net present value at 5% increases to US$221.9 million and the internal rate of return improves to 45.1%.

The PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources, that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves have not yet demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

Base Case Assumptions

Gold Price (USD$)	$1,300
Silver Price (USD$)	$17.50
Mill Processing Rate (tons per day)	1,000
Average Annual Gold Production (ounces)	53,000
Average Annual Silver Production (ounces)	82,000
Peak Annual Gold Production (ounces)	69,000
Peak Annual Silver Production (ounces)	118,000
Pre-Production Capital Costs (USD$)	$119.6 M
LOM Sustaining Capital (USD$)	$24.1 M
Pre-Production Period (years)	1
Production Life (years)	9
Cash Cost per Au Ounce (USD$)	$578
Cash Costs and Sustaining Cost per Au Ounce (USD$)	$880
BEFORE-TAX ECONOMIC RESULTS	
Life of Mine NPV at 5% Discount Rate (USD$)	$144.2 M
Internal Rate of Return	32.6%
Payback Period (years)	2.5
AFTER-TAX ECONOMIC RESULTS	
Life of Mine NPV at 5% Discount Rate (USD$)	$107.7 M
Internal Rate of Return	27.1%
Payback Period (years)	2.7

PEA Overview

The PEA was prepared as an underground mining operation accessed by a production decline with a processing plant handling mineralized material. Mineralization will be accessed by LHDs and underground haulage trucks. The mining method employed will be underhand cut and fill, using fill material comprised of mined waste and cemented tailings. Material would then be transported to the milling facility, including three-stage crushing to facilitate precious metals recovery. Treatment will by conventional gravity concentration followed by cyanide leaching (CIL) of the gravity tails. Metal would be recovered onsite and sold as gold-silver dore.

Mine Planning

To facilitate the estimation of mineable material for the PEA, HRC re-blocked the model to incorporate a smaller block size suitable for underground mine planning and mining dilution appropriate for cut and fill operations. The resource estimate is based on a 3D geologic model constructed using geologic and assay data from 219 exploration drill holes by previous owners and 17 holes drilled by Calico. The model incorporates 17,440 composites used in the estimation of gold and 13,683 samples used in the estimation of silver. Block grades were estimated using an Ordinary Kriging interpolation method in Micromine modeling software.

A PEA provides a basis to estimate project operating and capital costs and establish a projection of the potential mineable resource including measured, indicated and inferred categories as permitted under National Instrument 43-101. However, due to drilling density and metallurgical test work that has been conducted at Grassy Mountain, inferred resources were excluded from the PEA and all reported resources are in the measured and indicated categories. The underground design utilized estimates of operating costs typical of operating underground mines and mill processing facilities in northern Nevada. Estimates of metallurgical recovery are based on test work performed on samples from Grassy Mountain drill core. The ultimate mineralized envelope was determined using a gold price of $1,300 per ounce. Underground diluted resources used for production scheduling, at a 0.065 gold ounces per ton cut off grade (2.0 Au g/t) are as follows:

Classification	Mineralized Material (000 Tonnes)	Gold Grade (oz/t)	Gold Grade (g/t)	Gold Ounces (000s)	Silve
Measured Indicated	2,846 86	0.157 0.149	5.4 5.1	490 14	0.26
Measured & Indicated	2,932	0.155	5.3	504	0.25

Metallurgy

Resource Development Inc. (RDi) has completed positive bench-scale metallurgical testing for the Grassy Mountain Project. A technically sound and economically viable processing strategy has been developed by RDi for production of gold and silver based on representative samples of drill core from the Grassy Mountain Project. Tests indicate that recoveries of 97.0% gold and 84.6% silver are achievable utilizing a conventional gravity process followed by carbon-in-leach (CIL) cyanidation of the gravity tailings. For the purpose of this study, recoveries of 95% gold and 84% silver were used.

Based on capital economic considerations, a mill is planned to process 1,000 tons per day. A small tailing pond is planned for early production.

Capital Costs

Capital costs were developed based on scaling costs from similar facilities for production rates and from design basis assumptions including an owner operated mining fleet. The estimated life of mine capital costs for the base case are summarized as follows:

Life of Mine Estimated Capital Costs

Description	US$(millions)
Underground Development	$18.2
Mill Construction	$48.2
EPCM	$7.8
Contingency	$14.2
Owner's Costs	$5.0
In-directs includes Sustaining EPCM	$24.3
Working Capital (2 months of Operating Costs)	$2.2

Continue to Develop Underground	$23.8
Total	$143.7

Operating Costs

Operating cost assumptions were based on the Cost Mine Indexes updated 2014 underground mining operations using conventional processing facilities in northern Nevada. Process cost estimates for key consumables are based on the available metallurgical test data, power consumption data and prevailing costs for key materials in similar Nevada mining operations. Operating cost assumptions per ton of material processed are summarized as follows:

Unit Operating Costs

Cost Category	US$'s (Per Ton Processed)
Mining Cost	$39.86
Mill Processing	$17.61
General and Administrative	$5.00
Reclamation	$1.54
Total	$64.01

Economic Analysis MMC chose prices of US$1,300 for gold and US$17.50 for silver as the base case economic scenario as these prices approximate the trailing three year averages for gold and silver. The base case, lower price case and higher price case economic results for the metal price assumptions are as follows: Projected Economic Results (US$)

	Base Case	Lower Price Case	Higher Price Case
Gold Price per Ounce Silver Price per Ounce	$1,300 $17.50	$1,100 $15.00	$1,500 $20.00
Pre-tax Net Cash Flow	$202.9 million	$106.5 million	$299.2 million
Pre-tax NPV @ 5% Discount Rate	$144.2 million	$66.5 million	$221.9 million
Pre-tax Internal Rate of Return	32.6%	19.0%	45.1%
Operating Costs per Ounce of Gold produced (Life-of-Mine)	$578	$580	$577
Total Costs per Ounce of Gold Produced (Includes all Capital)	$880	$882	$879
After-tax Net Cash Flow	$157.0 million	$89.6 million	$224.5 million
After-tax NPV @ 5% Discount Rate	$107.7 million	$52.8 million	$162.6 million
After-tax Internal Rate of Return	27.1%	16.4%	37.4%

Note: The PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources, that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves have not yet demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

Infrastructure

There are currently no facilities of any kind at the Grassy Mountain Project. The project is easily accessible from Vale, Oregon (22 miles) along the existing Twin Springs Road. As designed the project will operate using diesel generated power. An option for the transition to line-power is currently being studied. Sufficient processing water is available including vested water rights. Logistical support is available in the nearby communities of Vale, Nyssa and Ontario, Oregon. Mining personnel and other resources for operations at the Grassy Mountain Project are expected to be available from the local communities as well as Boise, Idaho and Northern Nevada.

Opportunities

MMC has recommended a geotechnical drilling program to allow better understanding of the rock mechanics for the project. It is expected that improved geotechnical information could suggest that roof and pillar strengths are higher than the test-work conducted 25 years ago by previous operators which could result in lower projected mining costs. Lower mining costs equate to lower cut-off grades which could increase the resources available for potential production and a higher NPV.

The Grassy Mountain Project also contains numerous exploration targets of a similar style of mineralization that should be further evaluated in order to determine economic viability.

Additional Technical Disclosure Matters

The Company has disclosed the results of its PEA in news releases and investor materials available on its website. In certain of these news releases and investor materials, the Company did not include proximate cautionary language required by NI 43-101.

Accordingly, investors are cautioned that the PEA is considered preliminary in nature and includes mineral resources, including inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. Mineral resources that are not mineral reserves have not yet demonstrated economic viability. Due to the uncertainty that may be attached to mineral resources, it cannot be assumed that all or any part of a mineral resource will be upgraded to mineral reserves. Therefore, there is no certainty that the results concluded in the PEA will be realized.

Authors and Qualified Persons

The Amended PEA was prepared by or under the supervision of Scott E. Wilson, CPG, of MMC, who is an independent "Qualified Person" (as defined under National Instrument 43-101). Mr. Wilson has read and confirmed that this news release fairly and accurately reflects the contents of the Technical Report.

Michael F. McGinnis, Calico's Project Manager/Exploration, is the Company's designated Qualified Person for this news release within the meaning of National Instrument 43-101 and has reviewed and validated that the information contained in this news release is consistent with that provided by the Qualified Persons responsible for the Amended PEA.

About Calico

Calico owns a 100% interest in the advanced stage Grassy Mountain gold project in Oregon. Please see the Company's website at www.calicoresources.com for more information.

On behalf of the Board,

Paul A. Parisotto
President & CEO

For further details on the Grassy Mountain Project, please view the Technical Report which will be filed under Calico's Issuer Profile on SEDAR (www.sedar.com) and available at Calico's website (www.calicoresources.com). The author of the Technical Report is independent of Calico and is a "Qualified Person" as defined by National Instrument 43-101.

The mineral resource estimates referenced in this press release use the terms "Measured Mineral Resources", "Indicated Mineral Resources" and "Inferred Mineral Resources." While these terms are defined in and required by Canadian regulations (under National Instrument 43-101), these terms are not recognized by the U.S. Securities and Exchange Commission ("SEC"). "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant "reserves" as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Calico is not an SEC registered company.

The PEA is preliminary in nature and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves, once economic considerations are applied.

Except for the statements of historical fact contained herein, certain of the statements and information in this press release constitute "forward-looking statements" or "forward-looking information". Any statements or information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "believes", "plans", "estimates", "intends", "targets", "goals", "forecasts", "objectives", "potential" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements or information.

Forward-looking statements or information relate to the Company's anticipated content and cost of exploration programs, anticipated timing and results of exploration programs, planned exploration and development programs, the potential for a production decision to be made, the potential commencement of any development of a mine at the Grassy Mountain Project following a production decision, and the potential for any mining or production at the Grassy Mountain Project. These statements relate to analysis and other information that are based on expectations of future performance as set out in the PEA, including gold and silver production and planned work programs. In addition, forward looking statements relate to, among other things: Calico's strategies and plans; the attractiveness of the Grassy Mountain Project as a development option for gold producers; the exploration potential at the Grassy Mountain Project; development scenarios at the Grassy Mountain Project; the Company's expectations with respect to a sales process; timing of receipt of permits and regulatory approvals; the sufficiency of the Company's capital to finance the Company's operations; geological interpretations and potential mineral recovery processes.

Forward-looking statements or information are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements or information, including, without limitation, risks relating to: uncertainty as to actual capital costs, operating costs, production and economic returns, and uncertainty that development activities will result in a profitable mining operation at the Grassy Mountain Project, fluctuations in the spot and forward price of gold or certain other commodities; changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Company may carry on business in the future; the uncertainties involved in interpreting geological data; business opportunities that may be presented to, or pursued by, the Company; operating or technical difficulties in connection with mining activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; risks related to mineral resource estimates being based on interpretations and assumptions which may result in less mineral production under actual conditions than is currently estimated and to diminishing quantities or grades of mineral resources as the Grassy Mountain Project is mined; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks).

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements or information. The Company's forward looking statements and information are based on beliefs, expectations, and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on forward looking statements or information.
The information in this news release addresses the PEA, and is not intended to be an exhaustive review of all matters or developments that may affect the Company. It should be read in conjunction with all other disclosure documents of the Company.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.