Tonogold Resources, Inc. Secures Option on Producing Iron Ore Mining Entity in Mexico

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LA JOLLA, Calif., Oct. 18, 2013 (GLOBE NEWSWIRE) -- Tonogold Resources Inc. (OTC:TNGL) is pleased to announce that it has today entered into an exclusive option agreement with Mil-Ler Resources and Energy SA ("MIL-LER") a private Mexican mining and exploration company to acquire up to 34% equity interest in MIL-LER in two tranches of $5 million each for a total investment of up to $10 million.

MIL-LER is currently owned by two groups, each having 50% ownership, the first being a small group of US investors led by Travis Miller who first acquired the land package and who has lived in Hermosillo for three years and manages the project, and the other 50% by two Mexican individuals who control a large Mexican construction company.

MIL-LER owns mineral rights over approximately 135 square miles (350 square kilometers) 40 kilometers north of Hermosillo (the capital of Sonora), Mexico. Exploration drilling over a small area of the total claims during 2011 confirmed the presence of iron ore mineralization. MIL-LER commenced a small scale operation in January 2013 and is currently mining ore (both hematite and magnetite) which is beneficiated via a simple two stage crushing and dry magnetic separation process producing approximately 15,000 tonnes of iron ore product which is transported by road to main port at Guaymas (180 kilometers from site) where the product is shipped and sold to China under an off-take agreement.

The final iron ore product containing approximately 59% iron, contains certain impurities (as a result of the simple processing method) and a fixed penalty of 18% is applied to the spot price by the Chinese buyer pursuant to the off-take agreement. MIL-LER is paid 95% once product has been loaded on the ship at Guaymas with the remaining 5% being paid on arrival in China. At the current spot price of iron ore, MIL-LER receives approximately $100 per tonne after penalties.

Total costs (including shipping) are estimated to be running at around US$60 per dry tonne of final product, which are internationally competitive, providing a US$40 per tonne of final product cash margin.

The processing facility is capable of producing at least 50,000 tonnes of final product per month. Additional mining equipment has been recently acquired by MIL-LER which is expected to arrive on site and be operational in the next few weeks. This will enable production to be doubled from the current levels, to around 30,000 tonnes of final product per month by early next year.

Significant cost benefits accrue to the project mainly from the low wage cost, which in Mexico is about $20,000 per person per annum. It is estimated that a saving of over $30 per tonne of final product is achieved compared to a similar operation in Australia (the world's second largest producer of Iron ore). Shipping costs are about $20 per tonne higher than Australia due to the latter's favorable proximity to China. Overall, net cost savings compensate for the higher product penalty.

MIL-LER produces power from diesel generators as adequate grid power isn't available for the operations. However MIL-LER has secured access to a property some 20 kilometers from the mining site that has main grid power and a main rail line just 20 meters from the property boundary that currently rails concentrates from Arizona to the port of Guaymas. This property also has significant water. Detailed metallurgical test work and an economic/financial assessment will be required to confirm the feasibility of establishing an additional beneficiation facility to improve the quality of the final product. It is currently expected that the additional beneficiation process is likely to substantially increase the price received (by reducing the impurities) but is also expected to reduce costs as a result of railing the final product to the port of Guaymas compared to trucking.

Aero-Magnetic surveys flown by the government highlight significant magnetic anomalies over the company's property which, although have yet to be drill tested, are coincidental with substantial iron ore outcropping.

Travis Miller, President of Mil-Ler said that "our objectives of significantly increasing our production from their current levels and improving our margins coupled with our debt free strategy highlighted the benefits of bringing in an industry partner that can not only provide capital but also offers the benefits of further strengthening our financial and mining experience and expertise."

The agreement reached today between Tonogold and MIL-LER provides for the following:

- Tonogold has been granted an exclusive free 6 week option (the "Initial Option") extendable (if necessary) at Tonogold's election by a further 30 days (at a cost to Tonogold of $50,000) to subscribe for new shares in MIL-LER that would result in Tonogold having a 17% interest in MIL-LER by investing $5 million. Tonogold would nominate one director to MIL-LER's board (which currently totals 4).
- In the event that Tonogold exercises the Initial Option, it will be granted (at a cost to Tonogold of $100,000) a second 6 month option (the "Second Option") to subscribe for additional shares in MIL-LER such that if exercised would provide Tonogold with a 34% equity interest in MIL-LER on a diluted basis. To exercise the Second Option, Tonogold will invest a further $5 million into MIL-LER. Tonogold would nominate an additional director to MIL-LER's board.
- As part of the Second Option, Tonogold granted MIL-LER has the right to have $1 million of the Second Option subscription satisfied by the issue of 20 million shares in Tonogold to MIL-LER.

All funds and/or shares provided under this agreement will go directly into MIL-LER (and not to its current shareholders). Funds received by MIL-LER from the Initial Option will be used to undertake a significant drilling program to test and prove up some priority targets already identified. Funds will also be assigned to commence detailed metallurgical test work, to be carried out in Australia (to include ore characterization, optimal grind size, gravity and magnetic separation).

Funds from the Second Option together with funds generated from current operations will be focused on upgrading the processing facilities, further exploration/evaluation and establishing new opportunities in the region.

Tonogold believes that the project has the potential to substantially increase production and increase margins to approximately $70 per tonne in the medium term.

An investment by Tonogold of $10 million for a 34% equity interest implies a value for MIL-LER of $29 million (which includes the $10 million cash to be invested) and therefore a value for the project of just $19 million. An investment in MIL-LER would result in Tonogold owning a strategic interest in a producing, debt free company with significant assets and substantial growth potential.

MIL-LER has made two shipments so far this year, with a third scheduled to leave port in the next few days.

MIL-LER acquired its mining fleet and process plant via its own equity and is debt free.

No formal NI 43-101 compliant reserves or resources have been calculated for the project at this stage.

A PowerPoint presentation on the project is available from Tonogold's website which provides further information and data as it relates to this transaction, the project, its location and the iron ore industry in general.

Tonogold will be seeking to undertake a capital raising program immediately to raise approximately $6 million required in order to exercise the Initial Option and to provide additional working capital in order for Tonogold to assess other opportunities, which it continues to actively pursue. It is also Tonogold's intention to become a fully reporting entity concurrent with the capital raising. Tonogold will make the details of the capital raising available to the market as soon as practical.

[Tonogold Resources Inc.]() is a minerals exploration company based in La Jolla, California. For more information on the company visit their website www.tonogold.com.

Safe Harbor Statement

This press release contains certain forward-looking information about Tonogold Resources, Inc. ("Tonogold") which is intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts. Words such as "expect(s)," "feel(s)," "believe(s)," "will," "may," "anticipate(s)," and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; and statements regarding future performance. Such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Tonogold Resources Inc. that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include: our lack of operating revenue and earnings history, our need for additional capital to pursue our business strategy, some of our managers lack formal training in the mining business, the grade and quantity of minerals in our projects may not be economic, we do not have fee title to our properties, but derive our rights through leases and the Mining Law, changes to the Mining Law may increase the cost of doing business, we are a non-reporting company and as such do not make periodic filings with the Securities and Exchange Commission, we trade on the Pink Sheets and there can be no assurances that a liquid market will develop in our securities, mining is subject to extensive environmental regulations and can create substantial environmental liabilities, gold, silver and other metals are commodities which have substantial price fluctuations, a drop in prices could adversely affect future profitability and capital raising efforts, and mining can be dangerous and present operational hazards for employees and contractors. Readers are cautioned not to place undue reliance on these forward-looking statements. Tonogold does not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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