# Tonogold Resources Secures Option to Acquire 51% of Mil-ler Resources and Energy SA

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LA JOLLA, Calif., Feb. 19, 2014 (GLOBE NEWSWIRE) -- Tonogold Resources Inc. (OTC:TNGL) wishes to provide the market with an update with regard to the agreement that was reached with Mil-ler Resources and Energy SA ("**Mil-ler**"), a private Mexican company and owner of the Nevmex Iron Ore project in Mexico, details of which were announced late last year. The principal terms of the agreement provided Tonogold with the exclusive right to subscribe for 51,515 new shares in Mil-ler (increasing Mil-ler's issued capital to 151,515 shares) representing a 34% equity interest in Mil-ler by investing $10 million in two tranches of $5 million each.

Subsequently, Tonogold announced a proposed Private Placement Offering of 120 million new shares in Tonogold at 5-cents per share to raise $6 million (before costs), in order to fund the initial investment in Mil-ler.

Tonogold believes that having the ability to take a controlling interest (+50%) in Mil-ler will substantially enhance the investor appeal of Tonogold.

**New Agreements**

Tonogold, Mil-ler and Mil-ler's current shareholders initiated discussions in this regard, and as a result Tonogold is pleased to advise the following:

1. Mil-ler has formally agreed to extend the term of the original option such that:

a. Tonogold's ability to elect to invest the initial $5 million (to secure a 17% interest in Mil-ler) has been extended to March 28$^{th}$ 2014 (requiring the payment of $50,000 before February 28$^{th}$ 2014).

b. Tonogold's right to invest a further $5 million to bring it's interest in Mil-ler to 34% will expire 6 months from the date that the initial option is exercised (the "**Second Option**").

2. The current shareholders in Mil-ler have today executed an agreement with Tonogold that provides Tonogold with an exclusive right (not obligation) to acquire from them, 25,758 existing Mil-ler shares ("**Existing Shares**"), representing 17% of Mil-ler's enlarged issued capital, which if acquired, would result in Tonogold owning 77,273 Mil-ler shares (i.e. 51% equity interest). The principal terms of this agreement provide for the following:

a. Tonogold's right to acquire the Existing Shares shall expire on the same day that the Second Option expires as described in paragraph 1b above (just over 7 months from now).

b. In the event that Tonogold elects to acquire the Existing Shares, the consideration payable shall be $6.0 million cash plus 59 million Tonogold shares. The number of Tonogold shares to be issued is subject to an adjustment formula in the event that Tonogold's share price is above 10-cents per share at the time of the election. Further details are provided in Schedule 1 below.

**Investment opportunity**

Three strong and significant magnetic anomalies (shown as the darker areas in the diagram) have recently been identified on tenements held by Mil-ler. At least one of these anomalies is coincidental with major iron ore outcropping. Each anomaly is over 5 kms (3.1 miles) long and up to 2 km (1.2 miles) - each having the potential to transform this project into a world-class iron ore producer.

A diagram accompanying this release is available at
http://media.globenewswire.com/cache/11159/file/24752.pdf

The initial $5 million investment contemplated by Tonogold will be used to fund a 4 month, major drill program to test one of these anomalies.

The diagram shows the three strong and significant magnetic signature over tenements held by Mil-Ler (covering some 350 square kilometers - 135 square miles) as well as the more subtle anomalies over the two open pits that represent the current mining activities (Ponderosa and Fito). *Note the darker shading highlights high magnetic signatures.*

Ponderosa and Fito, were drilled in 2011 on a 25 by 25 meter pattern over an area of approximately 130,000 square meters, and is the basis of a mine plan that will provide 550,000 tonnes of ore per year, which after beneficiation will yield ~360,000 tonnes pa of final Iron Ore product which is shipped and sold to China.

A ground geophysical program will be undertaken followed by a drill program to test one of the three major anomalies immediately following Tonogold's initial $5 million investment in Mil-ler. Drilling will be mainly core (diamond), employing 3-4 rigs for approximately 43,000 meters (~450 holes) down to a depth of around 100 meters on an initial grid pattern of 100 meters by 100 meters covering an area 5.0 kilometers by 0.9 kilometers. The area covered by this forthcoming drill program, (4,500,000 square meters), is some 33 times larger than that which hosts the deposits currently being mined, providing an order-of-magnitude of the potential for a quantum increase in iron ore production in the future.

**Comments**

Tonogold's CEO Mr. Ashley said, "*Tonogold's decision to increase its investment in Mil-Ler from 17% to 51% will be made with the benefit of the results from the major drill program which is expected to confirm the magnitude of one of the three major magnetic anomalies and the ability to transform this project, and in turn, Tonogold, into a substantial profitable iron ore producer.*" He added that he remains totally committed and extremely excited with the potential that this opportunity provides, and offered his appreciation for the commitment and flexibility of the management and shareholders of Mil-Ler in aiding Tonogold's participation.

Mr. Travis Miller, the CEO and 50% shareholder in Mil-Ler stated, "*I am confident that the strength, experience and commitment of Tonogold's management team will provide the necessary complimentary skills and disciplines required to optimize and unlock the significant value that we have already identified this project undoubtedly holds and to ensure a smooth transition to becoming a major iron ore producer.*"

Tonogold expects that the re-structured arrangement will enable the successful completion of the capital raising expeditiously.

**Further information on Mil-ler**

- Production from the Ponderosa and Fito open pits commenced early 2013 and ramped up to a rate of 180,000 tonnes pa of final iron ore product grading around 57% Iron (Fe) by mid 2013.
- Mil-ler owns its own mining fleet and process facility, which was originally funded from shareholder equity and more recently from funds generated from operation. Toward the end of 2013, Mil-ler acquired additional mining equipment that will enable production to double to 360,000 tpa of final iron ore product in early 2014.

- Mining fleet owned by Mil-ler includes:
  -- 5 x Caterpillar Excavators
  -- 2 x Caterpillar front-end loaders
  -- 5 x 40 tonne trucks (2 Caterpillar and 2 Volvo)
  -- 2 x Caterpillar Bulldozers
  -- Grader, water truck, light towers
- Mil-ler's un-audited balance sheet at December 31st 2013 highlights:
  -- Current assets of $0.6 million
  -- Net book value of Mining fleet and Process facilities - $3.4 million
  -- Net book value (other assets) - $0.3 million
  -- Current Liabilities - $0.2 million
  -- Long Term Assets and Long term liabilities – Zero
  -- Equity - $4.1 million
  -- *Note. Exploration and capital development costs are written off in the year that they are incurred.*

- Mil-ler is debt free
- Additional mining fleet was delivered at the end of 2013 and early 2014. Mining activities have been focused on advanced pre-strip in preparation for both open pits to be able to sustain a mining rate supporting the planned 360,000 tonnes per annum of final iron ore product.
- In-situ iron grade of ~45% is upgraded to ~57% in the final product via a simple beneficiation process that involves 2-stage crushing followed by dry magnetic separation. Recovery of iron is estimated at 84% with 65% of tonnage recovered.
- Mil-ler made three shipments to China during 2013, totaling 80,000 WMT of Iron Ore at an average grade of 57% Fe, and received about $100 per tonne (gross). Costs of around $61/t include mining, processing, road transport to the Port of Guaymas, port fees and cost of shipping to China.

Schedule 1

**<u>Consideration for the Existing Shares</u>**

1. If the 30-day volume weighted average share price for Tonogold shares ("**30-day VWAP**") at the time of Tonogold's election to acquire the Existing Shares is 10-cents or less, the number of Tonogold shares to be issued to satisfy the share component of the consideration will be 59 million.

2. If the 30-day VWAP of Tonogold's shares is above 10-cents per share at the time of Tonogold's election to acquire the Existing Shares, the number of Tonogold shares to be issued to satisfy the share component of the consideration will be the adjusted share component valuation (as described in 3 below) divided by the 30-day VWAP of Tonogold's shares.

3. The value of the share component of the consideration payable in respect of the Existing Shares will increase by $0.77 million (from a base of $5.9 million) for each 1-cent increase above 10-cents per share calculated by using the 30-day volume weighted average share price for Tonogold at the time of Tonogold's election to acquire the Existing Shares. This formula is designed to provide the current owners of the Existing Shares a share of the implied increase value of Mil-ler as reflected in Tonogold's share price.

*The table below provides an illustration of the consideration payable (Cash and Tonogold shares) over various 30-day VWAP of Tonogold's shares in the event that Tonogold elects to exercise the Share Option.*

| 30-day | Consideration of the Existing Shares | | | No. of |
|---|---|---|---|---|
| VWAP | Total | Cash | Shares | TNGL |
| TNGL ($/sh) | $M's | $M's | $M's | shares |
| $0.05 | $8.95 | $6.00 | $2.95 | 59,000,000 |
| $0.06 | $9.54 | $6.00 | $3.54 | 59,000,000 |
| $0.07 | $10.13 | $6.00 | $4.13 | 59,000,000 |
| $0.08 | $10.72 | $6.00 | $4.72 | 59,000,000 |
| $0.09 | $11.31 | $6.00 | $5.31 | 59,000,000 |
| $0.10 | $11.90 | $6.00 | $5.90 | 59,000,000 |

| | | | | |
|---|---|---|---|---|
| $0.11 | $12.67 | $6.00 | $6.67 | 60,636,364 |
| $0.12 | $13.44 | $6.00 | $7.44 | 62,000,000 |
| $0.13 | $14.21 | $6.00 | $8.21 | 63,153,846 |
| $0.14 | $14.98 | $6.00 | $8.98 | 64,142,857 |
| $0.15 | $15.75 | $6.00 | $9.75 | 65,000,000 |

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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