

Paramount Gold and Silver Reports Excellent Recoveries From Leaching of San Miguel Project Open Pit Material

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Metallurgical Tests of Material From the San Francisco Deposit Recover Up to 94% of the Gold From 1/4 Inch Crush Size

WINNEMUCCA, NEVADA -- (Marketwired - May 27, 2014) - [Paramount Gold and Silver Corp.](#) (TSX:PZG) (NYSE MKT:PZG) (FRANKFURT:P6G) (WKN:A0HGKQ) ("Paramount") announced today that a new round of metallurgical testing has confirmed that heap leaching of mid-to-lower grade open pit material from its 100%-owned San Miguel Project in Mexico is likely feasible. These results could substantially increase estimated resources, mine life and project economics in an updated Preliminary Economic Assessment (PEA) scheduled for completion during July of this year. The metallurgical testing conducted by McClelland Laboratories of Reno, Nevada (www.metttest.com), focused on gold and silver recoveries from the San Francisco and San Antonio deposits.

In a Preliminary Economic Assessment (PEA) completed last year, Metal Mining Consultants ("MMC") (www.metalminingconsultants.com) of Denver, Colorado determined that the most efficient recovery process for the abundant high-grade gold and silver material at San Miguel is a mill circuit followed by whole rock cyanide leach and a Merrill Crowe gold and silver recovery plant. A 200 mesh particle size (mill scenario) optimizes recoveries for the high-grade compared to a 1/4 to 3/4 inch crush size typical in a heap leach operation. The higher cost milling scenario requires a higher cut-off grade which excludes mid-to-lower-grade open pit material which can be mined inexpensively. As a result, the 2013 PEA does not include a significant portion of the project's global resource, particularly from the bulk-mineable San Francisco and San Antonio deposits. (For PEA details see February 28, 2013 news release).

To address this issue of the mid-to-lower-grade open pit material, Paramount last year commissioned McClelland to conduct initial cyanide bottle roll tests to evaluate the heap leach potential of different crush sizes. Gold recoveries up to 83.8% were achieved from 1/4 inch crush size material after 96 hours of cyanide leach time for San Francisco which is primarily a gold deposit with lower silver grades (see November 6, 2013 news release). McClelland was then commissioned to undertake more bottle roll tests on samples representing the different types of mineralization, at the 1/4 inch size, which is commonly used in heap leaching.

In the new program, 36 composited samples were taken representing oxide, mixed and sulfide material from the San Francisco and San Antonio deposits and subjected to cyanidation. Gold recoveries for San Francisco oxide samples ranged from 70% to 94% with an average of 81%; recoveries from partially oxidized samples ("mixed" material) ranged between 49% and 85% of the gold with an average of 64%. The oxide and mixed categories account for the majority of the open pit material in this deposit. Reagent consumption was relatively low by industry standards.

Silver recoveries from San Francisco averaged 37%, a low value which was expected given the low silver grade of this zone. On the San Antonio silver deposit, Ag recoveries ranged from 22% to 53% with averages of 38%, 39% and 37% for oxide, mixed and sulfide materials respectively. Cyanide and lime consumption were also low in these tests. Key details are found below. McClelland's report can be seen www.paramountgold.com/Projects/SanMiguel_TechnicalReports.asp

Paramount CEO Christopher Crupi noted that "these results could have a major impact on project economics which are already quite robust at current metal prices. In last year's PEA, the San Francisco and San Antonio open pits contributed just 4.2 million tonnes of material to the mine plan, containing an estimated 27,570 ounces of gold and 13.9 million ounces of silver. That was all that could meet the mill scenario cut-off grade. Mine Development Associates, who prepared our resources, estimated that at a lower cut-off grade suitable for an open pit/heap leach scenario, San Francisco and San Antonio could contribute almost ten times more to the mine plan--nearly 42 million tonnes or about 396,000 ounces of gold and 32 million ounces of silver. The new PEA expected this July should give us a more definitive answer."

Mine Development Associates ("MDA") (www.mda.com) is preparing an updated resource estimate for the revised PEA which will incorporate the results of over 30 exploration and infill core holes drilled within the

resource areas since their last estimate prepared in September, 2012. The new estimate is expected to be completed during June, 2014.

The new metallurgical test results are summarized as follows:

Area	Sample ID	Oxidation	Lithology	Au Recovery %	Ag Recovery %	NaCN kg/T	Lime Kg/T
SAN FRANCISCO	METSFco-14-001	OXIDES	Dacite	70%	34%	<0.05	4.8
SAN FRANCISCO	METSFco-14-005	OXIDES	Dacite	76%	19%	<0.05	1.8
SAN FRANCISCO	METSFco-14-007	OXIDES	Dacite	77%	38%	<0.05	1.3
SAN FRANCISCO	METSFco-14-004	OXIDES	Dacite	78%	22%	<0.05	1.2
SAN FRANCISCO	METSFco-14-002	OXIDES	Lithic Tuff	94%	59%	<0.05	1.4
SAN FRANCISCO	METSFco-14-006	OXIDES	Dacite	92%	12%	<0.05	1.5
SAN FRANCISCO	METSFco-14-003	OXIDES	Dacite	80%	46%	<0.05	2.5
SAN FRANCISCO	METSFco-14-009	MIXED	Lithic Tuff	70%	28%	0.15	1.8
SAN FRANCISCO	METSFco-14-008	MIXED	Lithic Tuff	85%	49%	0.13	1.8
SAN FRANCISCO	METSFco-14-010	MIXED	Dacite	52%	34%	0.11	1.3
SAN FRANCISCO	METSFco-14-011	MIXED	Dacite	73%	38%	0.09	1.3
SAN FRANCISCO	METSFco-14-017	MIXED	Lithic Tuff	59%	41%	0.14	1.8
SAN FRANCISCO	METSFco-14-018	MIXED	Lithic Tuff	49%	42%	0.15	1.2
SAN FRANCISCO	METSFco-14-016	SULPHIDES	Lithic Tuff	56%	35%	1.37	2.1
SAN FRANCISCO	METSFco-14-014	SULPHIDES	Lithic Tuff	44%	42%	0.8	1.6
SAN FRANCISCO	METSFco-14-015	SULPHIDES	Hydrothermal Breccia	30%	47%	0.06	1.4
SAN FRANCISCO	METSFco-14-012	SULPHIDES	Lithic Tuff	33%	33%	0.16	1.1
SAN FRANCISCO	METSFco-14-013	SULPHIDES	Lithic Tuff	47%	48%	0.15	1.7
SAN ANTONIO	METSA-14-001	OXIDES	Andesite		37%	0.28	12.4
SAN ANTONIO	METSA-14-002	OXIDES	Andesite		34%	0.6	7.1
SAN ANTONIO	METSA-14-003	OXIDES	Andesite		28%	0.31	5.8
SAN ANTONIO	METSA-14-004	OXIDES	Andesite		47%	0.53	10.1
SAN ANTONIO	METSA-14-005	OXIDES	Andesite		54%	0.36	4.7
SAN ANTONIO	METSA-14-006	OXIDES	Andesite		30%	0.37	1.6
SAN ANTONIO	METSA-14-007	MIXED	Volcanic Sediments		52%	0.58	3.3
SAN ANTONIO	METSA-14-008	MIXED	Andesite		48%	0.12	2.6
SAN ANTONIO	METSA-14-009	MIXED	Volcanic Sediments		22%	0.15	2.4
SAN ANTONIO	METSA-14-010	MIXED	Andesite		37%	0.32	6.5
SAN ANTONIO	METSA-14-011	MIXED	Andesite		44%	1.03	2.7
SAN ANTONIO	METSA-14-012	MIXED	Volcanic Sediments		27%	0.23	2.8
SAN ANTONIO	METSA-14-013	SULPHIDES	Andesite		27%	0.29	2.3
SAN ANTONIO	METSA-14-014	SULPHIDES	Andesite		35%	0.22	1.6
SAN ANTONIO	METSA-14-015	SULPHIDES	Andesite		35%	0.48	1.6
SAN ANTONIO	METSA-14-016	SULPHIDES	Volcanic Sediments		43%	0.45	2.6
SAN ANTONIO	METSA-14-017	SULPHIDES	Hydrothermal Breccia		48%	0.52	1.6
SAN ANTONIO	METSA-14-018	SULPHIDES	Volcanic Sediments		35%	0.37	2.9

NI 43-101 Disclosure

Exploration activities at San Miguel are being conducted by Paramount Gold de Mexico S.A de C.V personnel under the supervision of Glen van Treek, Exploration Vice President of the Company and Bill Threlkeld, a Qualified Person as defined by National Instrument 43-101, who have both reviewed and approved this press release. An ongoing quality control/quality assurance protocol is being employed for the program including blank, duplicate and reference standards in every batch of assays. Cross-check analyses are being conducted at a second external laboratory on 10% of the samples. Samples are being assayed at ALS Chemex and Acme Laboratories, Vancouver, B.C., using fire assay atomic absorption methods for gold and aqua regia digestion ICP methods for other elements.

San Miguel Project PEA

The PEA was prepared by MMC incorporating a resource model developed by MDA. The PEA confirms that the San Miguel Project represents an unusually robust economic opportunity to develop a low cost mine in the prolific Sierra Madre belt in Mexico. In their analysis, MMC proposed a 4,000 tonnes per day mill fed by open pits and underground mines, resulting in a projected 14 year operation with total metal production of

803,000 ounces of gold and 43.2 million ounces of silver (1,637,000 ounces of gold equivalent at the base case gold-to-silver price ratio of 51.7 to 1).

Start-up capital costs including working capital are estimated at \$243 million. Sustaining capital costs over the project's life are projected to be an additional \$227 million. With \$70.3 million in contingencies, total life-of-mine capital costs are estimated at \$540 million. Projected life-of-mine average cash operating costs are \$512 per ounce of equivalent gold recovered. The total cost of production (including cash operating costs and total capital and contingency costs over the life of the mine) is estimated at US\$842 per ounce of gold equivalent, which compares favorably with current producers in the region. At a gold price of \$1500 per ounce and a silver price of \$29 per ounce (the 3 year trailing average of gold and silver prices at the end of January 2013), the San Miguel PEA estimated a \$1.1 billion pre-tax net cash flow, a \$707 million pre-tax net present value at a 5% discount rate and a highly accretive internal rate of return of 33.2%.

Note that the PEA incorporates inferred mineral resources which are considered to be too geologically speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and, as such, do not have demonstrated economic viability. There can be no certainty that the estimates contained in the PEA will be realized.

Sleeper PEA

The PEA also prepared by Metal MMC, was released on July 30, 2012. The PEA specifies a development scenario for Sleeper consisting of a large-scale open pit mining operation with a heap leach processing plant handling both oxide and sulphide material, producing a gold-silver dore. The base case scenario incorporates an 81,000 tonnes per day operation (approximately 30 million tonnes per year throughput), resulting in a projected 17 year operation with average annual production of 172,000 ounces of gold and 263,000 ounces of silver. Projected life-of-mine average cash operating costs are US\$767 per ounce of equivalent gold recovered. Start-up capital costs for this project scenario are estimated at US\$346 million. Sustaining capital costs over the project's life are estimated at an additional \$278 million. Total capital cost contingencies over the project life are estimated at an additional \$64 million, bringing the total life of mine capital costs to \$688 million. The total cost of equivalent gold production (including cash operating costs and total capital and contingency costs over the life of the mine) is estimated at US\$996 per ounce.

At a gold price of US\$1,384 per ounce and a silver price of \$26.33 per ounce (the 3 year trailing average of gold and silver prices as at July 3, 2012), the Sleeper base case has a US\$1.2 billion pre-tax net cash flow, a US\$695 million net present value at a 5% discount rate and an internal rate of return (IRR) of 26.8%. At lower metal prices, Sleeper still shows excellent economic performance. At US\$1,200 gold and US\$20 silver, the estimated total pre-tax net cash flow equals US\$603 million and the net present value at a 5% discount rate is a healthy \$295 million with an internal rate of return of 15%.

About Paramount

[Paramount](#) is a U.S.-based exploration and development company with multi-million ounce advanced stage precious metals projects in northern Mexico (San Miguel) and Nevada (Sleeper). Fully-funded exploration and engineering programs are now in progress at these two core projects which are expected to generate substantial additional value for our shareholders.

The San Miguel Project consists of over 142,000 hectares (over 353,000 acres) in the Palmarejo District of northwest Mexico, making Paramount the largest claim holder in this rapidly growing precious metals mining camp. The San Miguel Project is ideally situated near established, low cost production where the infrastructure already exists for early, cost-effective exploitation. A PEA for San Miguel was completed and announced on February 28, 2013.

The Sleeper Gold Project is located off a main highway about 25 miles from the town of Winnemucca. In 2010, Paramount acquired a 100% interest in the project including the original Sleeper high-grade open pit mine operated by Amax Gold from 1986 to 1996 as well as staked and purchased lands now totaling 2,570 claims and covering about 47,500 acres which stretch south down trend to Newmont's Sandman project. This acquisition is consistent with the Company's strategy of district-scale exploration near infrastructure in established mining camps. A PEA was completed for Sleeper and announced on July 30, 2012.

Summary of PZG's Estimated NI 43-101 Compliant Resources

MEASURED RESOURCES

PROJECT	Tonnes	Au g/T	Au Ounces	Ag g/T	Ag Ounces
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San Miguel	2,899,000	0.73	67,000	57.0	5,262,000
Sleeper	217,483,000	0.36	2,493,000	4.09	28,583,000
Total			2,560,000		33,845,000
INDICATED RESOURCES					
PROJECT	Tonnes	Au g/T	Au Ounces	Ag g/T	Ag Ounces
San Miguel	21,018,000	0.85	571,000	72.0	48,297,000
Sleeper	109,480,000	0.28	985,000	3.42	12,024,00
Total			1,556,000		60,321,000
INFERRED RESOURCES					
PROJECT	Tonnes	Au g/T	Au Ounces	Ag g/T	Ag Ounces
San Miguel	37,470,000	0.69	830,000	38.00	46,243,000
Sleeper	223,924,000	0.27	1,972,000	2.84	20,459,000
Total			2,802,000		66,702,000

For details on these resource estimates please see the following news releases: San Miguel Resource Estimate, September 5, 2012; and Sleeper Resource Estimate, July 30, 2012.

Cautionary Note to U.S. Investors Concerning Estimates of Indicated and Inferred Resources

This news release uses the terms "measured and indicated resources" and "inferred resources". We advise U.S. investors that while these terms are defined in, and permitted by, Canadian regulations, these terms are not defined terms under SEC Industry Guide 7 and not normally permitted to be used in reports and registration statements filed with the SEC. "Inferred resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of a feasibility study or prefeasibility studies, except in rare cases. 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 this category will ever be converted into reserves. U.S. investors are cautioned not to assume that any part or all of an inferred resource exists or is economically or legally minable.

[b]Safe Harbor for Forward-Looking Statements:[/b]

This release and related documents may include "forward-looking statements" including, but not limited to, statements related to the interpretation of drilling results and potential mineralization, future exploration work at the San Miguel Project and the expected results of this work, estimates of resources including expected volumes and grades and the economic projections included in the project's PEA and the results of metallurgical testing. Forward-looking statements are statements that are not historical fact and are subject to a variety of risks and uncertainties which could cause actual events to differ materially from those reflected in the forward-looking statements including fluctuations in the price of gold, inability to complete drill programs on time and on budget, and future financing ability. Paramount's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Words such as "believes," "plans," "anticipates," "expects," "estimates" and similar expressions should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including, but not limited to: uncertainties involving interpretation of drilling results, environmental matters, lack of ability to obtain required permitting, equipment breakdown or disruptions, and the other factors described in Paramount's Annual Report on Form 10-K for the year ended June 30, 2013 and its most recent quarterly reports filed with the SEC.

Except as required by applicable law, Paramount disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this document.

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