

B.C. Gold Mine and Molybdenum Mill a Dynamic Duo for Discovery Ventures

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VANCOUVER, British Columbia, June 5, 2014 (GLOBE NEWSWIRE) -- Gold and metal prices remain volatile as leading economic indicators point to a stronger U.S. economy and a more robust greenback in the months ahead. Although analysts "remain bearish" on gold, "the uncertain outlook in Ukraine may continue to delay this move lower," said a May 13th report issued by Goldman Sachs. Gold imports by India are also expected to rise, helping to support prices.

In British Columbia's historically mineral-rich Kootenay Region, Vancouver-based [Discovery Ventures Inc.](#) (TSX-V:DVN), is focused firmly on the future, and the significant resource potential that the area still holds.

With its two premier projects – the Willa gold, copper and silver mine just south of Silverton, B.C., and the Max Mine and Mill near Trout Lake, B.C. – the company is convinced it has a winning combination that should offer significant rewards for years to come – including an exceptional internal rate of return for the Willa Mine estimated at more than 400 per cent. "That's almost unheard of," president and CEO Akash Patel said in an exclusive interview with the Financial Press. "We've found something I don't think I'll encounter again in my career."

Built in 2008 by [Roca Mines Inc.](#), the Max Mill and Mine ran profitably as a molybdenum mining and processing operation until 2011. Roca was a market darling, having a market capitalization of over \$400 million and reaching a share price of over \$5. When the molybdenum price collapsed, the mine became uneconomical and went on care and maintenance in November 2011.

Discovery saw a solution to Roca's unprofitable molybdenum operation in utilizing Roca's Max Mill to process the ores from the Willa Mine. When Discovery Ventures announced its \$5.5 million agreement to acquire the mill and mine last November, the price for molybdenum – used primarily as a metal alloy in the production of steel – stood at approximately \$8 per pound. Although it is now hovering around \$14 per pound, the world has yet to take notice as the commodities market is still highly undervalued.

Despite the uncertainty of the world view on the commodities market, the Willa Mine and the Max Mine and Mill – taken together – remain an extremely attractive proposition as described in a recently announced Preliminary Economic Assessment (PEA), which described the economic dynamics of Discovery's combined Willa/Max Mine operation. The Max project is made up of 59 mineral claims covering 5,489 hectares and certain under-surface rights in British Columbia's Revelstoke mining division. It already features 43/101 resource compliance. And based on previous exploration done in the late 1970s and early 1980s through a joint venture between Newmont Mines Ltd. and Esso Minerals Canada Ltd., the property is still estimated to contain 43 million tons of intact molybdenum resource. The acquisition of the Max Mill will include a \$50 million tax loss, which Patel notes could be one of the project's most attractive attributes since it will allow the company to generate revenues tax-free for more than four years.

Nestled on the mineral-rich Slocan Mineral belt, the Willa Mine is strategically located 135 highway kilometres from the Max Mill and has a defined resource of approximately 1 million tons of gold, copper and silver. Discovery Ventures completed its \$3 million acquisition of the mine in February 2013. Exploration on the property dates back as far as 1893, and in more recent times involved industry-leading companies such as BP Minerals America (now Kennecott Utah Copper Corp., part of Rio Tinto Group), [Noranda Inc.](#) (now [Xstrata](#)), Rio Algom (now [BHP Billiton](#)) and Cominco (now [Teck Resources Ltd.](#)). The Willa deposit has been dormant since 2005, which was the last attempt to put it in production. But at \$350-per-ounce gold prices, it could not achieve an acceptable economic IRR. With gold now in the +\$1200 range, and helped by a lower Canadian dollar, the economics of the proposed operation are nothing short of stunning.

In its recently released PEA, Discovery proposes that the Willa Mine and Max Mill – a combination it calls "Willa Max" – will process ore at a rate of 500 tons a day of gold ore with copper and silver byproducts, with no significant alterations to the mill required. Over the first four years of the Willa Mine's operation, Discovery's PEA estimates total base revenue of \$164 million – or about \$41 million annually – and a remarkable internal rate of return of 412 per cent. "The reason we have that staggering rate of return is because over \$100 million has already been spent on these properties by previous operators," said Patel. "To put a 500 ton per day mine in production for less than \$15 million is unheard of in this business."

Over the past two decades, mining firms have spent \$18 million developing and defining the property's

resources. With the Max Mill included, the total investment in the two properties in recent years amounts to an impressive +\$100 million – all acquired by Discovery Ventures for a relatively modest \$8.5 million. Even more startling is that the work completed to date would have a replacement cost well in excess of that \$100 million.

Discovery's experience stands in stark contrast to a recent transaction by Vancouver-based [Klondex Mines Ltd.](#), which paid \$85 million (U.S.) in February to a subsidiary of [Newmont Mining Corp.](#) for the Midas gold and silver mine and mill complex in Nevada. According to a Klondex news release last April, the \$85 million purchase price does not include the \$49.6 million in capital costs presented in their PEA. Discovery Ventures, by comparison, incorporated the cost of the Max mill into its evaluation. Klondex's acquisition of the Midas facility is essentially a 600 ton per day mill with a depleted gold mine (\$85 million), whereas Discovery's assets include one of Canada's two fully permitted and developed molybdenum mines with extensive mine life, a 500 ton per day mill, and as close to a "ready to mine" economic gold mine as exists in Western Canada (\$9 million).

Klondex also faces other financial commitments not factored into its PEA for Midas. Klondex stock is currently valued at \$1.82 per share, compared with Discovery Venture's stock price of 15 cents per share. "We feel that as we advance to production that the market will recognize the economic dynamics of our asset base and the under-valued opportunity that exists today," said Discovery chief financial officer Ken Phillippe. "For \$5.5 million we are getting the Max Mill and Mine and the \$50 million tax loss."

[Discovery Ventures](#) is driven by a team with solid mining experience. Patel, an accountant by training, has more than 10 years of investing and corporate tax experience and sits on the board of [WestKam Gold Corp.](#) Phillippe, a chartered accountant, has served as a senior financial executive with a variety of resource companies, including [Columbia Goldfields Ltd.](#), Amazon Goldsands Ltd., and Constitution Mining Corp. As a senior executive with Amax, then a Fortune 500 mining firm, company director Walter "Del" Marting was a production supervisor at what was then the world's premier molybdenum operation, the Climax mine. Amax was the world's largest molybdenum miner. He rose to the position of vice-president of Amax. Mr. Marting is a Yale University graduate and has an MBA from Harvard. He was a member of the US Navy's Seal Team 2 and later acquired and operated California's famed 16-1 Gold Mine.

Production for Willa-Max is expected to begin by the end of 2014 or early 2015, said Patel, and will require an investment of approximately \$12 million. Although the Max mill is currently permitted for molybdenum processing, an amendment is required for Discovery to process material from the Willa Mine. This process has been initiated with all required permits anticipated to be in place by early fall 2014. The company will hold off on molybdenum mining until the world prices stabilize at over \$15 per pound. It expects to produce gold for under \$781 per ounce, or roughly half the current price. "Ultimately, we feel that these could be two of British Columbia's premier mines, and we have the team to do this," said Patel. "The stars certainly are starting to line up with the marriage of these two operations."

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