Tonogold Resources Inc. - Strategy Update

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LA JOLLA, CA / ACCESSWIRE / January 8, 2015 / Tonogold Resources Inc. (OTC: TNGL) wishes to advise the market with regard to its strategy in light of the current low iron ore price environment.

Background

Since completing the acquisition of Mil-Ler, the owner of the NevMex Iron Ore project in Mexico, Tonogold has been developing and formulating various strategies in light of the current weak environment for iron ore. The NevMex project has remained on care-and-maintenance during this period, at minimal holding cost and in doing so we are not suffering from operating losses being incurred by other producers as a result of the low iron ore price.

The NevMex iron ore project is located 40kms north of Hermosillo (the capital of Sonora, Northern Mexico). The ore is predominantly magnetite and utilizes a simple two-stage crushing and dry magnetic separation process that produced approx. 30,000 tonnes of iron ore per month containing 58% Fe. Total costs (including shipping to China) are about $55/t.

The current price for 58% Fe is approximately $63/t[1] to which an off-take discount of 18% ($11/t) was applied, mainly due to high sulfur levels (about 0.7%) in the final product.

Tonogold's strategy has been reviewed and it has been decided that delaying re-commencement of production, until we see signs of a price correction and/or confirmation of our ability to produce a higher quality product with increased margins, would be in the best interests of the Company.

We strongly believe that the current low iron ore price is not sustainable in the long run and that at a long-term sustainable price the NevMex project would generate positive net margins of at least $10/t, which exclude the benefit of any project optimization initiatives that we believe, can be achieved.

Optimization strategies

We are currently assessing a number of project optimization strategies including those that could provide significant benefits from milling and wet magnetic separation. In this regard, we have recently conducted, through an independent laboratory in Hermosillo, initial test-work on the 58% Fe product previously produced from the NevMex project. This test-work highlighted that by grinding the product to around 150 microns followed by wet magnetic separation, about 96% of the iron could be successfully recovered within 82% of the mass, resulting in a high-grade product containing +68% Fe being achieved. The current price for a 68% Fe product is around $90/t1 (i.e. $30/t higher than for a 58% Fe product).

Additional test-work is now planned to include further grind size/recovery optimization work as well as sulfur reduction with the objective of eliminating the sulfur penalty previously imposed. In addition, we have identified and are assessing various commercial opportunities (both organically and externally) that would enable us to produce a high-grade premium product in the medium-term.

Site Activities

Site activities have recently re-commenced whereby we are mining approximately 250,000 cubic meters of overburden (waste), over an expected 9-month period, crushing the material and selling the product as road base under contract with a local road contractor. The net proceeds from the sale of the road base will more than cover all site costs over this period, resulting in a zero-cost waste removal program and, at the same time, expose more of the ore body in advance of a subsequent production decision.

Gold

Our strategy with regard to our gold properties in Nevada has not changed and we continue to assess and pursue various opportunities (including sale, joint venture etc.) in order to realize the value of these assets in the near-term.

Capital Raising

In light of the new strategy and the current market conditions, we no longer need to raise $10 million previously contemplated which has therefore been deferred. However a smaller raising (of between $1.0 to 1.5 million) to Accredited Investors to fund the work program pursuant to the new strategy is now planned.

Iron Ore price

Current iron ore price ($71/t for 62% Fe CFR Qingdao basis) is trading below long-term levels necessary to provide economic supply/demand equilibrium. Various short/medium term issues have exacerbated the situation, including:

- Higher global production triggered by the rapid consumption and price increases in China during two periods; 2004-2008 and again in 2010-2012. China has accounted for 95% of the global demand increase since the year 2000.[2]

- As a result of the perceived continued growth of Chinese steel consumption, considerable over-investment has been focused on the sector. More than 60% of Chinese domestic iron production (more than 300 million tonnes) and nearly half of global supply, (more than 800 million tonnes) is currently unprofitable.[3]

- Large debt burdens, required to finance the infrastructure associated with many of the world's largest operations require those operations to sustain production even in a loss making price environment; advantaged producers are those with low Capital Expenditure per tonne of annual capacity which are not burdened by debt[3], such as Tonogold.

- Cumulative cost curve for iron ore confirms that the current price cannot be sustained in the long run, with few producers, outside the four largest, remaining profitable in today's environment.

CEO Comments

Tonogold's CEO, Mark Ashley, stated: "Although the current weakness in the global iron ore price is having a significant negative impact on the profitability of iron ore producers and, as result, their share prices, we have positioned ourselves such that we are effectively protected from the current price weakness."

He added, "Our revised strategy ensures that the inherent value of our iron ore assets are maintained, to be realized once we confirm the commercial viability of producing a high-grade premium product with significantly higher margins and/or the inevitable recovery in the iron ore price."

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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[1] Based on 62% Fe Fines, CFR Qingdao Port of $71/t at January 8th, 2015

[2] Wood Mackenzie: Iron Ore: Readjusting Capital Investment to the New Reality, Nov 2014

[3] CRU Metals: Africa, a growing heavyweight in iron ore supply, June 2014