

# PEA Results for San Albino OP/UG Gold Deposit Indicates All-In Sustaining Cash Costs of US\$460/oz Gold & Average Grade of 8.02 g/t AuEq

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Vancouver, BC / TheNewswire / March 16, 2015 / [Golden Reign Resources Ltd.](#) (TSX-V: GRR) (the "Company" or "Golden Reign") is pleased to report key information from a Preliminary Economic Assessment ("PEA") for its San Albino Gold Deposit located on its 100% owned San Albino-Murra Property, Nueva Segovia, Nicaragua. The PEA study was prepared by P&E Mining Consultants Inc. ("P&E") and is based upon an updated mineral resource estimate, open pit and underground mine plan and a 250 tonnes per day process plant. All figures are quoted in US dollars. The NI 43-101 technical report associated with the PEA will be filed on SEDAR within 45 days of this news release.

PEA Highlights	Under
No Gold	Gold
Stream	Stream
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Financial Highlights (@ US\$1,250/oz gold price):	
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After-tax and royalties Internal Rate of Return (IRR)	37.5%
47.8%	
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After-tax Net Present Value (NPV)	
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@ 5% discount	\$ 105.8 M
\$ 129.0 M	
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@ 8% discount	\$ 63.3 M
\$ 80.0 M	
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@ 10% discount	\$ 46.4 M
\$ 60.3 M	
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Payback period	2.2 years
1.7 years	
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Life of Mine (LOM) After-tax Free Cash Flow (FCF)	\$ 291.6 M
\$ 338.6 M	
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Average annual After-tax FCF	\$ 9.4 M
\$ 10.9 M	
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Mine Plan Highlights:	
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Initial capital expenditures,	\$ 13.9 M
\$13.9 M	
including \$2.3 million contingency	
(20%)	
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Average mined diluted grade	8.02 g/t
AuEq 8.02 g/t AuEq	
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Production Highlights (250 tpd plant):	
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All-in sustaining cost AuEq	\$ 460
\$462	
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Cash costs AuEq	\$ 424
\$426	
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LOM gold production AuEq	676,800 oz
676,800 oz	
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Average annual gold payable production AuEq	21,800 oz
21,800 oz	
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Kim Evans, Golden Reign President and CEO, states, "Our San Albino Gold Deposit is a low tonnage,

high-margin gold project with a robust estimated average mined grade of 8.02 g/t gold equivalent. Our strategy, which is now well advanced to being realized, is to establish a financeable, low cost, profitable cornerstone operation at San Albino - an area that represents only 2% of our landholdings - with the aim of self-funding exploration and growing our operations in a non-diluting manner, through free cash flow. Golden Reign's vision is to replicate the success of the San Albino mine development throughout our highly prospective 138 sqkm land package."

### Project Sensitivities

Due to its high-grade nature, the project shows strong resilience to variances in gold prices, thus mitigating risk. The table below shows gold price sensitivities for the range of US\$800 to US\$1,500 per ounce of gold.

Gold price sensitivity (after-tax US\$M)								
US\$/oz	\$800	\$1,000	\$1,150	\$1,200	\$1,250	\$1,300	\$1,350	
NPV 5% discount (\$US M)	\$41.1	\$69.6	\$90.9	\$98.0	\$105.8	\$113.7	\$121.5	\$145.1
IRR (%)	20.3%	28.7%	34.1%	35.8%	37.5%	39.1%	40.7%	45.3%
Payback (years)	3.8	2.8	2.4	2.3	2.2	2.1	2.0	1.8

### Scalability

Although a 250 tpd production scenario is the basis for the San Albino Gold Deposit PEA, a sensitivity analysis for scenarios of 350 tpd and 500 tpd were also reviewed. The results show improved economics at higher production rates, inclusive of the gold stream arrangement, based on factored operating costs and capital expenditures, as follows:

tpd	500 tpd	350	250
		tpd	(base
			case)
After-tax NPV 5% discount (\$US M)	\$	\$	\$
105.8 M	174.6	144.4	
	M	M	
After-tax IRR (%)	54.3%	46.5%	37.5%
Payback (years)	1.7	1.8	2.2
years	years	years	
Initial capital	\$ 21.1 M	\$ 17.0 M	\$ 13.9
M			
expenditures (with 20%			
contingency)			
All-in sustaining costs AuEq	\$ 391/oz	\$ 418/oz	\$
460/oz			
Cash costs AuEq	\$ 355/oz	\$ 383/oz	\$
424/oz			
Average annual gold payable production AuEq	42,300	30,800	21,800
oz	oz	oz	
Average annual After-tax Free Cash Flow	\$ 19.4 M	\$ 13.8 M	\$ 9.4
M			
Life of Mine	16 years	22 years	31
years			

## Open-Pit Mining

The PEA production plan contemplates four separate open pits - West Pit (Phases I & II), SW Pit, NE Pit and Central Pit - to be developed and mined over approximately eleven years.

The optimized pit and resulting design has an overall wall slope of 45°, a cut-off grade of 1.46 g/t AuEq for oxide material and 1.40 g/t AuEq for fresh rock, and a life of mine average strip ratio of 5.2:1.

Grade	Contained	Mill Feed Contained	Au Grade	Ag Grade	AuEq	Gold
		(diluted)	(g/t)	(g/t)	(g/t)	(ounces)
Silver	AuEq		diluted)*	diluted)*	diluted)*	
(ounces)	(ounces)					
Indicated	566.5	6.84	12.68	6.99	124,500	
231,000	127,300					
Inferred	354.0	7.00	11.47	7.14	79,700	
130,500	81,300					

\* the dilution grade is estimated to be 1.07 g/t Au and 4.3 g/t Ag applied to all pits, with in-pit dilution tonnage ranging from 27-46% depending on the lens width, and an ore loss factor of 3% for all pits.

### Mill Feed Source and Head Grade (Au)

The following chart illustrates the open-pit mill feed supply by year and anticipated head grade. The head grade peaks near the end of the open-pit schedule in years 9 to 11 as the West Pit deepens into the high grade fresh rock mineralization (>12 g/t Au).

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### Underground Mining

As the gold zones become deeper and open pit strip ratios increase, underground mining methods will be applied. There is a 3-year transition period (years 10 through 12) during which open-pit operations taper off and underground production ramps up. From year 13 onwards, production is solely from underground operations.

The envisioned underground mining operation has a vertical depth of 315 metres, extending 900 metres along strike and 800 metres down dip, comprising 30 potentially mineable blocks - representing the bulk of the mill feed tonnage (67%).

Grade	Contained	Mill Feed Contained	Au Grade	Ag Grade	AuEq	Gold
		(diluted)	(g/t)	(g/t)	(g/t)	(ounces)
Silver	AuEq		diluted)*	diluted)*	diluted)*	
(ounces)	(ounces)					
Indicated	31.1	9.12	10.94	9.26	9,100	
11,000	9,300					
Inferred	1,820.4	8.33	12.63	8.49	487,700	
739,300	496,600					

\* the dilution grade is estimated to be 0.68 g/t Au and 2.5 g/t Ag on underground dilution of 20% with underground recovery estimated at 76.5% for stopes, and zero dilution and 100% recovery in development drives.

At an average true thickness of 2.6 metres, the deposit has a general dip angle of 25 degrees which does not allow for the use of in-stope trackless equipment. The primary mining method is envisaged to be steep panel mining using jacklegs and slushers.

The highest head grades are expected to be achieved after year 20, when the underground mining operations encounter deeper higher grade zones.

Life-of-Mine Head Grades

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The PEA is a conceptual study of the potential viability of mineral resources. The potential mill feed tonnages utilized in the PEA contain both Indicated and Inferred resources. The reader is cautioned that Inferred Resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves, and there is no certainty that value from such Resources will be realized either in whole or in part. As the Company does not intend to complete a Pre-Feasibility or Feasibility Study prior to potentially commencing small scale production at the San Albino Gold Deposit there is an increased risk that the economic and technical aspects of the PEA may not be realized.

**Mineral Resources**

P&E has prepared an updated mineral resource estimate for the San Albino Gold Deposit, which has been used as the basis for the PEA and will be included in the NI 43-101 technical report.

Zone	Classification	Cut-off AuEq	grade (ounces)	Tonnes	Au (g/t)	Au (ounces)	Ag (g/t)	Ag
	Indicated	0.75	2.00	494,000	6.21	98,700	12.7	
	Inferred	0.75	2.00	328,000	4.95	52,300	9.6	
	Indicated	0.75	2.00	184,000	9.17	54,200	11.8	69,600
	Inferred	0.75	2.00	2,739,000	8.35	735,500	13.1	
	Total Indicated	0.75	2.00	678,000	7.01	152,900	12.5	
	Inferred	0.75	2.00	3,067,000	7.99	787,800	12.7	

Mineral Resource Estimate Notes and Parameters:

- 1) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves;
- 2) The mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.
- 3) The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title,

taxation, socio-political, marketing, or other relevant issues, although the Company is not aware of any such issues;

4) The quantity and grade of reported Inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category;

5) Metal prices were based on a two year trailing average as of September 30, 2014. The gold price was US\$1,404/oz and the silver price was \$23.47/oz.

6) Gold Equivalent was calculated on the basis of 1 gram gold = 71 grams silver.

The 2015 mineral resource estimate update categorizes resources as either In-Pit (open-pittable) or Out-of-Pit (underground).

### In-Pit Resources

Zone	Classification	Cut-off	Tonnes	Au	Au	Ag	Ag	
Au Eq	AuEq	grade AuEq	(g/t)	(ounces)	(g/t)	(ounces)	(g/t)	(ounces)
Oxide	Indicated	0.75	485,000	6.26	97,700	12.9	200,700	
6.40	99,900							
	Inferred	0.75	313,000	5.05	50,900	9.5	95,600	
5.16	51,900							
Fresh	Indicated	0.75	171,000	9.59	52,700	12.2	67,000	
9.77	53,700							
	Inferred	0.75	567,000	7.74	141,100	10.82	197,700	
7.90	144,000							
Total	Indicated	0.75	656,000	7.13	150,400	12.7	267,700	
7.28	153,600							
	Inferred	0.75	880,000	6.78	192,000	10.4	293,300	
6.93	195,900							

At present, over 40% of the In-Pit resources fall within the Indicated category - 153,600 AuEq ounces averaging 7.28 g/t AuEq.

The updated resource calculation employs a higher cut-off grade (previously 0.23 g/t AuEq cut-off) resulting in 4 separate, smaller open pits.

With additional shallow in-fill drilling and trenching of the inter-lying areas, there is potential to increase open-pittable resources and mine fewer, larger open-pits.

The near-surface San Albino Gold Deposit remains open along strike in both directions and down dip.

### Out-of-Pit Resources

Zone	Classification	Cut-off	Tonnes	Au	Au	Ag	Ag	
Au Eq	AuEq	grade AuEq	(g/t)	(ounces)	(g/t)	(ounces)	(g/t)	(ounces)
Oxide	Indicated	2.0	9,000	3.36	1,000	5.3		
1,500	3.41	1,000						
Inferred	2.0	15,000	2.89	1,400	11.8			
5,800	3.02	1,500						
Fresh	Indicated	2.0	13,000	3.57	1,500	6.4		
2,700	3.66	1,500						
Inferred	2.0	2,172,000	8.51	594,400	13.7			
955,200	8.72	608,700						
Total	Indicated	2.0	22,000	3.48	2,500	5.9		
4,200	3.56	2,500						
Inferred	2.0	2,187,000	8.47	595,800	13.7			
961,000	8.68	610,200						

## Mitigating Risk

Golden Reign continues to actively work to mitigate the risk associated with developing the San Albino Gold Deposit by:

- focusing on a high margin development scenario, with low-tonnage, high-grade material and a modest initial capital investment requirement
- completing substantial, advanced metallurgical test work for the PEA, where simple gravity concentration tests returned excellent gold recoveries and overall recoveries for the oxide zone were 91% for gold, 59% for silver and fresh (sulphide) zone were 95% for gold and 91% for silver
- utilizing existing infrastructure - the project is easily accessible via good year-round roads, it has multiple on-site water sources, the national power grid passes directly through the property, its gentle topography is very amenable to the planned mining operations
- continuing to nurture and develop strong community relations
- maintaining good relationships with the Nicaraguan government and its agencies
- planning the expansion of potential resources through additional shallow drilling and trenching
- securing funding for the development and construction of the San Albino mine under a Gold Streaming Arrangement with [Marlin Gold Mining Ltd.](#)

## Gold Streaming Arrangement

In July 2014, Golden Reign completed a Gold Streaming Arrangement (the "Arrangement") with [Marlin Gold Mining Ltd.](#) ("Marlin") (TSX-V: MLN) at the Company's San Albino Gold Deposit (refer to Company news release dated July 11, 2014). The Arrangement covers solely the San Albino Gold Deposit, a 3.5 square kilometre area within the Company's highly prospective 138 square kilometre landholding

For a purchase price of US\$15.0 million Marlin's wholly-owned subsidiary, Sailfish Royalty Corp. ("Sailfish")

will be entitled to purchase 40% of gold production from the San Albino Gold Deposit, comprising a total 3.5 square kilometres, at US\$700 per troy ounce<sup>1</sup> until Sailfish recovers US\$19.6 million<sup>2</sup>. Thereafter, Sailfish will be entitled to purchase 20% of gold production at US\$700 per troy ounce<sup>3</sup>. Prior to commercial production, Sailfish will be entitled to receive an 8% semi-annual coupon payment on the purchase price from Golden Reign.

*1 Subject to a 1% per year cost escalation beginning three years from commercial production.*

*2 Golden Reign will be required to make minimum monthly payments of US\$282,800 per month when commercial production commences. Golden Reign, at its sole discretion, may increase the amount of gold delivered and/or cash payments made to Sailfish in order to accelerate repayment and reduce the payment stream percentage.*

*3 Subject to a 1% per year cost escalation beginning three years from commercial production, plus 50% of the price differential above US\$1,200 per troy ounce subject to certain adjustments.*

Under the 250tpd PEA scenario, Sailfish may purchase a maximum of 27,878 ounces of gold at an average price of US\$703 per ounce (or a combination of gold ounces and cash) in repayment of the US\$19.6 million. Thereafter, Sailfish may purchase an additional 119,020 gold ounces at an average price of US\$852 per ounce. Total potential gold stream revenues from Sailfish are estimated at US\$121 million, representing 22.3% of total gold production. Golden Reign retains 77.7% (513,151 ounces) of its gold production and over 90% of its revenue, valued at US\$1,250 per ounce, which is estimated at US\$639 Million plus 100% of the silver ounces produced which, valued at US\$19.50 per silver ounce, is an estimated US\$20.4 Million that will be applied as a by-product credit.

### **Qualified Person**

The technical information contained in this new release is based upon information prepared and approved by Messrs. Eugene Puritch, P.Eng., and Andrew Bradfield, P.Eng., of P&E Mining Consultants Inc., who are each an independent qualified person as defined by NI 43-101.

John M. Kowalchuk, P.Geo., a geologist and Company qualified person (as defined under NI 43-101) has read and approved the technical information contained in this news release on behalf of the Company.

On behalf of the Board,

"Kim Evans"  
Kim Evans, CGA, President & CEO

### **About Golden Reign:**

[Golden Reign Resources Ltd.](#) is a publicly listed (TSX-V: GRR) mineral exploration company engaged in exploring the San Albino-Murra Property and the El Jicaro Property, both of which are located in Nueva Segovia, Nicaragua.

The Company's prime objective is to bring its high-grade San Albino Gold Deposit into production quickly and efficiently, building cash flow to further advance a number of its other highly prospective exploration targets.

The Company's land package comprises 13,771 hectares (138 km<sup>2</sup>) of highly prospective ground. Hundreds of historical mines and workings exist within the Corona de Oro Gold Belt, which is approximately 3 kilometres wide by 20 kilometres long and spans the entirety of the Company's land package.

For additional information please visit our website at [www.goldenreign.com](http://www.goldenreign.com) and SEDAR [www.sedar.com](http://www.sedar.com).

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