

Amarillo Updates Pre-Feasibility Study on the Mara Rosa Project

12.09.2018 | [GlobeNewswire](#)

TORONTO, Sept. 12, 2018 - [Amarillo Gold Corp.](#) ("Amarillo" or the "Company") (TSX.V: AGC) (OTCQB: AGCBF) is pleased to announce results of the updated Pre-Feasibility Study ("2018 PFS") for the Posse gold deposit at its 100% owned Mara Rosa Project (the "Project").

Highlights:

- After tax internal rate of return (IRR) of 51% at US\$1,300/oz gold (Au)
- After tax net present value (NPV5%) of US\$244 million at US\$1,300/oz Au and a USD/BRL exchange rate of 3.60 (US\$198M at US\$1,200/oz)
- After tax project payback of 2.6 years at US\$1,300/oz Au
- Average annual gold production 144,000 oz over first 4 years
- Average life of mine (LOM) production 123,000 oz per year over 8 years, and total production of 985,000 ounces after 91% recovery
- LOM cash operating cost of US\$545/oz Au, and all-in sustaining cost (AISC*) of US\$655/oz Au
- Upfront capital expenditure of US\$123M
- Updated Proven and Probable Reserves of 1,087,000 oz - 23.8 million tonnes (Mt) @ 1.42 g/t Au
 - Proven 513,000 oz - 9.6 Mt @ 1.65 g/t Au, and
 - Probable 574,000 oz - 14.2 Mt @ 1.26 g/t Au

*Note: * AISC: Total cash operating cost + Royalties + Transportation & Refining + Sustaining Capital + Closure + Corporate G & A*

Mike Mutchler, CEO of Amarillo Gold commented "We are very excited to have the Mara Rosa Project reviewed and optimized with the help of Whittle Consulting and their Enterprise Optimization techniques. As anticipated, despite an increase in royalties, we have been able to improve the project economics by approximately 10% from the prior study when compared at the same gold price. In addition to the scheduling opportunities identified in the Whittle study, we have been able to reduce the capex from \$148M to \$123M based on declines in the Brazilian Real. See Table 1 below for a comparison at different gold prices and discount rates. Following the ongoing 10K meter exploration drilling program we will update the mineral resource and re-run the Whittle optimizer model to generate an optimal project for the Feasibility Study starting early next year."

Table 1: Project Sensitivity to Gold Price

Au price	US\$/oz	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400	\$1,500
IRR	%	23	% 33	% 42	% 51	% 59	% 68
Payback Period	Years	4.2	3.3	2.8	2.6	2.4	2.3
NPV _{0%} (After Tax)	US\$M	138	202	263	324	386	447
NPV _{5%} (After Tax)	US\$M	91	144	194	244	295	345
NPV _{7.5%} (After Tax)	US\$M	73	121	167	213	259	305
NPV _{10%} (After Tax)	US\$M	57	101	143	185	228	270

SRK Consulting (Australasia) Pty Ltd (SRK) was retained by Amarillo to review and update the 2011 PFS and the 2017 PFS Update for the Project, which is located in the municipality of Mara Rosa in the state of Goias, Brazil, 360 km to the north of the state capital Goiania. The Project consists of an open pit mine and related processing facilities for approximately 24 million tonnes of ore at a rate of 2.5 - 3.0 million tonnes per year (Mtpa).

The 2011 PFS for the Project was originally prepared by Coffey Consultoria e Serviços Ltda (Coffey). The

2017 PFS Update was prepared and led by SRK Consultores do Brasil Ltda in collaboration with ONIX Engineering & Consulting, both based in Belo Horizonte, Brazil. Both reports are filed on SEDAR and are available on our website www.amarillogold.com. The resource statement was supplied by Australian Exploration Field Services (AEFS) out of Bendigo, Australia. Both ONIX and AEFS were involved in the 2011 and 2017 studies. This updated 2018 PFS replaces and supersedes the 2016 mineral resource estimate and the reserves and economic model used in the 2011 and 2017 studies.

The main alterations that serve as justification for this update are:

- Incorporates the scheduling opportunities and alternative grinding size options identified in a Whittle Consulting Enterprise Optimization Study
- Updates the 2016 mineral resource estimate to correct a topography misalignment between the historical open pit mine floor and in-pit dump
- Updates the gold price to \$1,300/oz
- Updates Plant Capex and Opex to reflect a local exchange rate of R\$3.60 to the US dollar.

Mineral Resource Estimate

Recent pit and mine optimization work on the Posse project conducted by Whittle Consulting has indicated that some material will be economic to mine at a cut-off grade of 0.216 g/t Au. Accordingly, the cut-off grade used for the Mineral Resource Estimate has been lowered to 0.2 g/t Au to ensure that all blocks which may be bought into mineral reserves are included in the resource.

Table 2: Mineral Resource Estimate

Category	Tonnes (Mt)	Grade Au (g/t)	Ounces Au (oz)
Measured Mineral Resource	12	1.40	560,000
Indicated Mineral Resource	19	1.20	710,000
Total of Measured and Indicated Mineral Resource	31	1.30	1,270,000
Inferred Mineral Resource	11	0.92	330,000

Table 2 Notes:

- 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.
- Due to rounding numbers may not sum.

Mineral Reserve Estimate

The Mineral Resource Model was diluted into a Mining Model utilising the following parameters:

- Ore Loss of 3%
- Dilution of ore of 3%, dilutive material grading 0.16 g/t
- A variable cut-off grade was utilized based on the grind-throughput-recovery (GTR) of the Mill.

The Reserve Model assumes highly selective mining in the mineralized zones.

Table 3: Mineral Reserve Estimate

Ore Reserve	Diluted Tonnes (Mt Dry)	Diluted Grade (g/t)	Contained Au (oz)	Estimated Au Recovery (%)	Recoverable Au (oz)
Proven	9.6	1.65	513,000	90.4	464,000
Probable	14.2	1.26	574,000	90.8	521,000
Total Mineral Reserve	23.8	1.42	1,087,000	90.6	985,000

Table 3 Notes:

- Mineral Reserves stated above are contained within and are not additional to the Mineral Resource.
- Due to rounding numbers may not sum.

Project Overview

The PFS proposes a single open pit mined by conventional shovel and truck methods at a nominal ore mining rate of 2.5 to 3 Mtpa for approximately eight years. A total of 139 Mt of material will be mined to produce 24 Mt of ore (strip ratio of 4.8: 1). The project will employ contract mining with conventional open-pit mining using drill and blast, hydraulic excavators, haul trucks, and auxiliary mobile equipment to support the mining operation.

The processing plant will consist of a conventional crushing circuit (including tertiary crushing) followed by primary and then secondary milling in closed circuit with cyclones. The final pulp at a P80 of 45 µm is pre-oxidized in agitation tanks using oxygen gas from a PSA oxygen plant at a high pH of 12 for a total of 12 hours to oxidize tellurides to enable successful cyanidation of the gold. The pulp is contacted with cyanide and activated carbon in a typical CIL circuit of six agitated tanks for a total of 24 hours.

Loaded carbon is extracted daily from the CIL circuit and processed in a typical Zadra style elution circuit at up to 140° C with a 4 tonne capacity. The eluted solution is passed continuously to the electrowinning cells until efficient desorption has been achieved. At intervals the gold is removed from the cells and smelted into Doré bars for refining and sale. The activated carbon is regenerated in a gas fired rotating kiln before being sent back to the CIL circuit.

The tails from the CIL circuit is thickened to recover some of the solution before the thickened pulp is subjected to detoxification with SO₂/air and a copper sulphate catalyst to destroy free cyanide before being pumped to a tailings storage facility (TSF). The supernatant from the TSF is recirculated to the plant under conditions of zero discharge.

The Project benefits from good infrastructure development with the planned mine-site layout facilitating a compact design with pit-proximal process plant, TSF and waste dump. There is a railway within 1.5 km of the pit, a major national highway 11 km away and Mara Rosa, a small town of 12,000 people, 5 km away. A 4 km gravel road connects the deposit to a recently asphalted state highway. Electrical power for the project operations will be provided by installing a 64 km long, 138 kV power line. The present 64 kV power line does not contain enough excess capacity to be used during construction period.

Filing of the Updated Report

SRK will provide the NI 43-101 2018 PFS update report which will be filed on SEDAR and Amarillo's website shortly.

Qualified Persons

The principal Qualified Person for this news release is Anthony Stepcich, FAusIMM(CP), of SRK (Australasia), Perth, Australia who prepared in part and has supervised the preparation of, or approved the scientific and technical disclosure in this news release. Keith Whitehouse, MAusIMM CP(Geo), of Australian Exploration Field Services of Bendigo, Australia, prepared the resource statement in this news release. Frank Baker, Amarillo's Project Manager and a Qualified Person, was responsible for the project components process, plant, and infrastructure, based on work by ONIX Engineering. Mike Mutchler, President and Chief Executive Officer of the Company and a Qualified Person, has reviewed and approved the scientific and technical disclosure in this news release.

An updated presentation reflecting these results has been posted to the Company's website.

Amarillo Gold Upcoming Marketing and Investor Conferences

- Marketing in New York, September 13-14, 2018. One-on-One's, Lunch and Dinner are available.
- Marketing in Denver, September 19, 2018. One-on-One's, Lunch are available.
- Precious Metals Summit 2018, September 20-22, Beaver Creek, Colorado at Park Hyatt Hotel.
- Marketing in Calgary, September 26, 2018. One-on-One's and Lunch are available.
- Marketing in Vancouver, September 27, 2018. One-on-One's, Lunch and Dinner are available.
- Metals Investor Conference 2018, September 28-29, Vancouver at the Rosewood Hotel.

Interested parties that wish to schedule a meeting, or who would like more information please contact Karen Mate, Director of Communications at (416) 230-6454, or email: karen.mate@amarillogold.com. Please visit the Company's website at www.amarillogold.com for the presentation.

ABOUT AMARILLO

Amarillo is developing an open pit gold resource at its Mara Rosa Project in the mining friendly jurisdiction of Goias State in Brazil. The Mara Rosa Project was awarded its main (LP) permit which provides the social and environment permission to mine. Amarillo is progressing toward obtaining an installation permit (LI). Based on the NI 43-101 2018 PFS update to be filed shortly, the Posse Deposit at the Mara Rosa Project contains estimated 513,000 ounces of gold in the Proven category from 9.6 Mt at 1.65 g/t Au, and 574,000 ounces gold in the Probable category from 14.2 Mt at 1.26 g/t Au, for total estimated Reserves of 1,087,000 ounces from 23.8 Mt at 1.42 g/t Au. In addition to the Mara Rosa Project, Amarillo has an advanced exploration project with excellent grades at Lavras do Sul, Brazil. A Mineral Resource Estimate Study (NI 43-101 technical report) for Lavras do Sul was filed on SEDAR on October 4, 2010. The Lavras do Sul Project is an advanced exploration stage property (190 sq. km.) comprising of more than 22 prospects centered on historic gold workings. The initial resource estimate at the Butia prospect reported 215,000 ounces of gold in the Indicated category from 6.4 Mt at 1.05 g/t Au, and 308,000 ounces of gold in the Inferred category from 12.9 Mt at 0.74 g/t Au using a 0.3 g/t cut-off grade. Both projects have excellent nearby infrastructure.

For further information, please contact:

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FORWARD LOOKING STATEMENTS:

This news release contains Forward Looking Statements regarding the Company's current expectations regarding future events, including with respect to the Company's business, operations and condition, and management's objectives, strategies, beliefs and intentions. Various factors may prevent or delay our plans, including but not limited to, the trading price of the Common Shares, the ability of the Company to obtain approvals from the TSX-V in respect of the transactions contemplated hereby, contractor availability and performance, weather, access, mineral prices, and success and failure of the exploration and development carried out at various stages of the program. Permission from the Government and community is also required to proceed with future mining production. Readers should review the Company's ongoing quarterly and annual filings, as well as any other additional documentation comprising the Company's public disclosure record, for additional information on risks and uncertainties relating to these forward-looking statements. Readers should also review the risk factors applicable to junior mining exploration companies generally to better understand the variety of risks that can affect the Company. The Company undertakes no obligation to update publicly or otherwise revise any Forward Looking Statements whether as a result of new information or future events or otherwise, except as may be required by law.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/308251--Amarillo-Updates-Pre-Feasibility-Study-on-the-Mara-Rosa-Project.html>

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