

THE NORTHERN MINER

GLOBAL MINING NEWS • SINCE 1915

DECEMBER 19-25, 2016 / VOL. 102 ISSUE 45 / WWW.NORTHERNMINER.COM

Northern Vertex advances Moss with a little help from its friends

FINANCING | Junior secures US\$20 million from Sprott, construction finished by mid-2017



Northern Vertex Mining's Moss gold project in northwestern Arizona. NORTHERN VERTEX MINING

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Money doesn't seem to be a problem these days for junior **Northern Vertex Mining** (TSXV: NEE), which is building a US\$33-million open-pit mine complex at its Moss gold project in northwestern Arizona,

and expects to pour its first gold in late 2017.

In fact, Northern Vertex is sitting on US\$10 million in cash, after recently closing a US\$7.4-million convertible debenture offering and securing a US\$20-million senior secured credit facility from Sprott Private Resource Lending. Another US\$8.5 million is under negotiation for financing equipment.

Kenneth Berry, Northern Vertex's president and CEO, says the company is already placing

orders for some of the equipment — like the crusher, conveyors and agglomeration unit — which should be delivered in March or April of next year, with construction completed in June or July 2017. It is also putting together its Merrill-Crowe facility, which will produce doré bars at site.

"We're ramping everything to go into construction over the next six or seven months," says Berry, who cofounded the company. "M3

is our EPCM contractor and David Stone, who is our construction manager, is working closely with M3 and Golder Associates, and they're in the final stages of the engineering. In conjunction with that, we also have the earthworks, which will start up in the first couple of weeks of December. So there's lots of activity underway."

One of the reasons Northern Vertex isn't short of money is because it de-risked the project by test-mining for over a year and a half, beginning in 2013, and produced 4,000 oz. gold and 20,000 oz. silver, Berry says.

During that period, Northern Vertex loaded over 110,000 metric tonnes on to a heap-leach pad and validated gold recoveries of 82% to doré and 84% to solution.

"I don't know of any other groups in the last five years that have done a test mining facility such as ours," Berry says. "It's something that removed a lot of risk for this next phase of commercial production, so when Sprott and other financial groups looked at our project, they recognized that we had really de-risked it, because of course heap-leach projects, when they're in the startup phase, have difficulties establishing the recoveries — and we've actually proved them out in a mining situation."

He adds that test mining the project was first supported by board members like James McDonald, one of the founders of **Alamos Gold** (TSX: AGI; NYSE: AGI), and Gordon Ulrich, the CEO of Luscar Ltd., when the company had 11 producing mines. "These guys have seen where some projects have stumbled from the beginning, so we wanted to de-risk, and the process plant gave us better access to capital and a better feasibility study."

This feasibility study, completed in June 2015, outlined a five-year mine life at a projected mining rate of 5,000 tonnes per day. Life-of-mine production is estimated at 173,490 oz. gold and 1.53 million oz. silver, or 42,000 equivalent oz. gold per year. All-in-sustaining costs are an estimated US\$624 per equivalent oz. gold, with an after-tax net present value at a 5% discount rate of US\$55.25 million, and a 44.3% post-tax internal rate of return based on US\$1,250 per oz. gold and US\$20 per oz. silver.

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Moss is an epithermal, brecciated, low-sulphidation quartz-calcite vein and stockwork system that extends over a 1,400-metre strike length, and has been tested to 370 metres deep.

But Berry and his team say the property has a lot of exploration upside, and have already identified four high-priority targets that it hopes to test soon. It is mobilizing a drill rig to site, and Berry expects to drill targets over the next couple of months.

Moss' Western Extension begins 550 metres

east of the pit and extends a kilometre. On the western point of the target, one drill hole returned 98 metres of half a gram gold per tonne and another returned a 26-metre intercept of 0.45 gram gold. "Those are above our cut-off, so they're encouraging," Berry says. "That would be a priority because there's potential to add resources."

Two other targets, Old Timer West and Old Timer East, are high grade and lie 800 metres north of the Moss pit resource. They have numerous old workings — such as little adits or shafts — and the company has taken hundreds of samples on surface, and each of them has run for at least a couple hundred metres, Berry says.

About 1.5 km south of Moss is the fourth target, West Oatman, which Berry describes as "almost a Moss look-alike."

He says that "we've sampled it over an 80-by-300-metre area and we've got lots of mineralization at surface, and it runs for 2.5 km on surface. You can see it when you stand on the property, sticking out of the ground for over two kilometres."

Of the 143 samples it has taken at West Oatman, the average grade was 0.6 gram gold per tonne, but included samples that ran up to 8 grams gold per tonne.

Berry estimates that the company spent \$1 million on exploration this year, primarily on surface sampling and mapping.

"The priority has always been to move Moss into production, so exploration is just something we've started to focus on," he says. "Now that we've got our production team in place, we want to demonstrate that there's an ability to add ounces to this deposit." TNM