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# Nevada's Walker Lane a deal hotspot

The US\$370 million bid by AngloGold Ashanti to buy the 80.5% of Corvus Gold it doesn't already own is putting the Walker Lane district in Nevada, USA firmly back on the map. Should the deal go through, AngloGold would be the first gold major active in the area since 1994, when Barrick Gold wrapped up production at its Bullfrog mine a few miles to the west.



*Walker Lane M&A hotspot: view towards C-Horst (right) from Mother Lode (foreground) with Silicon (left background)*

**Gold And Silver > Site-visits** Corporate activity in Walker Lane has been bubbling for a number of years leading-up to a meaningful consolidation play. AngloGold acquired its Silicon project from Renaissance Gold in May 2020 and its exploration success there was the precursor to its Corvus bid. To the south, Coeur Mining bought Northern Empire in October 2018 for the Sterling/Crown project which for a while meant there was some competitive tension over who may possibly acquire Corvus, with the junior being the filling sandwiched between the two bigger outfits.

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**Paul Harris In Beatty And Tonopah, Nevada**

M&A has also been seen around Bullfrog, where in October 2020 the Augusta Group took over Bullfrog Gold and picked up surrounding ground from Barrick.

About 100 miles to the north, Tonopah is also seeing junior consolidation, with Blackrock Silver having consolidated half of the historical silver district, West Vault Mining having consolidated the Hasbrouck deposit and Summa Silver also putting together a large chunk of the former silver district.

Corvus president and CEO Jeffrey Pontius argued during *Mining Journal's* previous visit to the area in January 2019 that the Bare Mountains some 90 miles north-west of Las Vegas, near Beatty where its Mother Lode project is, has the potential to be a 10-million-ounce district and the bid by AngloGold adds greater credence to that belief.

Corvus owns the Mother lode deposit and the Lynnda Strip target, sandwiched between AngloGold's Merlin target, a few miles east of its Silicon deposit, and Coeur's Crown and Sterling deposits and its C-Horst discovery. Coeur's C-Horst discovery returned an intercept of 97.5m grading 1.4 grams per tonne gold which led Corvus to drill along its 300-foot wide Lynnda Strip area immediately to the north.

Its success in returning intercepts such as 185m grading 0.82g/t (including 14.6m grading 3.4g/t) resulted in AngloGold Ashanti increasing its drilling efforts in the area, and was perhaps ultimately instrumental in the major making a bid for Corvus in July.

Mother Lode has a preliminary economic assessment (PEA) outlining average annual production of 171,000oz for eight years following an initial capital expenditure of \$406 million. At the end of 2020, Coeur reported that Sterling hosted a resource of 28.9million tonnes grading 0.8g/t for 903,000oz.

With Coeur sitting on at least a million ounces at Sterling, AngloGold's work in the district may not be done and a deal to acquire Coeur's ground could materialise. Standing on the drill pad where Coeur discovered C-Horst in April 2020 underlines the logic of having a sole producer in the region. Less than 100m to the north is a drill rig on Corvus's Lynnda Strip target and a few hundred metres beyond that is another rig on AngloGold's Merlin target. Over the hill to the northwest is AngloGold's Silicon and a few hundred metres down the track to get to the C-Horst drill pad is Corvus's Mother Lode deposit, which extends onto Coeur ground.

AngloGold would need to reach a layback agreement with Coeur to fully develop Mother Lode and so in some respects, AngloGold's play for Corvus seems a tad premature given the uncertainty over if or what a subsequent deal with Coeur to acquire Crown-Sterling may look like. Corvus's water rights and its cheap stock price seem to have been powerful enough inducements to run the risk of not having a deal with Coeur.

Coeur could be a willing seller as its development dollars are currently focused on its Rochester mine in Nevada and, having bought an initial 20% stake in Victoria Gold earlier in the year, it may look to acquire the remainder of the junior producer it does not already own to obtain the Eagle mine in Yukon,

Canada. A couple of other relevant factors in the equation are that Sterling is a permitted mine and Corvus has water rights (ironically from a well on Coeur's ground).

Coeur is not a junior in need of a deal and so it can continue to add value through the drill bit to increase any potential sale price for its asset. Its exploration efforts with expansion potential at C-Horst and Daisy mean that Sterling will ultimately have a bigger resource than the current million ounces. Indeed, Coeur has doubled its exploration drilling at Sterling this year to 61,000m with a resource update likely in 2022. The company is also considering a PEA next year for the Daisy, Secret Pass, SNA and C-Horst zones of the Crown area.

Are there possibilities other than an AngloGold buyout? Coeur is unlikely to go the production route at Sterling given its objectives at Rochester and Eagle and the extreme secrecy of AngloGold regarding Silicon. Its aloofness means it is unlikely to make a comfortable joint-venture partner for Coeur. But all this is predicated on AngloGold completing a transaction with Corvus, which a month after the offer was tabled has yet to respond positively or negatively to it.

Corvus will almost certainly accept AngloGold's advances. There are no other offers on the table and Coeur is highly unlikely to make one. Corvus does not want to lose AngloGold as a suitor as that would mean it would have to spend years more exploring, derisking the project, taking it to feasibility and maybe even bringing into production, all things Corvus management does not want to do. Corvus is likely undertaking some last-minute haggling on terms before accepting the AngloGold offer.

It is also worth remembering that in Corvus, AngloGold is acquiring not one but two multi-million-ounce deposits. North Bullfrog has a PEA contemplating production of 147,000oz/y gold and 400,000oz/y silver for an initial seven-year period from an open pit operation run-of-mine, heap leach operation following a \$167 million initial capital investment.

North Bullfrog opens the possibility of AngloGold making a much larger play in the Walker Lane. It has an October 2020 measured and indicated resource of 2.1Moz gold and 10.3Moz silver, and the mineral inventory of the Bullfrog area increased by another 1Moz in July when Augusta Gold announced a maiden resource for its Bullfrog project of which some 85% was measured and indicated.

Augusta Gold, backed by Richard Warke's Augusta Group, seems to be making itself a compelling target for AngloGold as well, while it deciphers how to potentially find gold under the geological cover in the region. The primary

structural control for mineralisation in the Bullfrog area is a north-south trending fault corridor, called the Contact Fault, which proceeds from the Bullfrog pit in the south up into the North Bullfrog area explored by Corvus.



*Multiple rigs drilling at Blackrock Silver's Tonopah West project in Nevada, USA*

## Tonopah

But it is not just the area around Beatty seeing some love. A little less than 100 miles north of Beatty is Tonopah, another historical mining town and the location of the last great silver mining district to be developed in Nevada after the white metal was discovered in 1900. Through 1921, an estimated 138Moz of silver were produced from the district at grades of up to 1,384g/t, seeing Tonopah become a sizable town, with production later amounting to some 178Moz. Several of the original buildings have been preserved and restored such as the Mizpah Hotel which contains many artefacts from the silver rush years a century before.

Blackrock Gold benefitted from Ely Gold spending a decade piecing together a number of claims from family estates. Much of Blackrock's ground was held since 1929 under one owner, and as the old time miners drifted along the veins they were mining, the area has essentially never been drilled, until now. These patented claims meant Blackrock did not have to wait to get drilling permits and they also came with a plethora of historical information including hand-drawn mine maps and sections from the early twentieth century which indicated where the old timers had developed unmined levels with high-grade ore to help target initial drilling. The company says it has the largest silver exploration programme underway in the USA with 50,000m of drilling already completed in 2021 as it works towards a maiden resource towards the end of the year or early in 2022.

Also near Tonopah, West Vault Mining's Hasbrouck oxide heap leach project is a clear contender for production and possible acquisition given it received a record of decision from the Bureau of Land Management, the final major permitting step to allow construction. The company believes Hasbrouck would yield an after-tax IRR of 106% at current gold prices from production of 71,000oz a year for eight years following an initial capex of \$46 million.

While West Vault has something of a dream project for any aspiring junior gold miner or existing producer seeking growth it has no immediate plans to bring Hasbrouck into production. The company is looking to sell but is content to wait until the gold price rises significantly and pulls up its share price to better reflect the project's value.

There is a tantalising consolidation play here as well as Hasbrouck is just 17 miles from Waterton Global Resource Management's Gemfield project to the south, which is also fully permitted and shovel-ready. According to a 2019 Waterton news release, Gemfield has a pit-constrained measured and indicated resource in excess of 1.5Moz at an average grade greater than 1g/t, which could sustain production of 125,000oz/y, albeit with a more modest IRR of 35%. Waterton is a private equity firm that also has little interest in becoming a producer. An asset combination could result in great value being generated for both companies through gaining greater critical mass. Waterton has shown it is willing to let assets go as it seeks to monetise the various gold assets it spent years accumulating in Nevada. In July 2020, it sold its 25% stake in Hasbrouck to West Vault for \$10 million and one million shares. A month later, Waterton announced the sale of its Getchell project to Premier Gold Mines (now i-80 Gold) for \$50 million in cash and stock.

## Got Pah?

*Pah* means water source or spring in the Shoshone and Paiute native languages, a critical resource in southern Nevada where its presence is evident in the regional flora where bursts of green occasionally pierce the yellow-brown range. Access to water has always been critical in the state, a fact recognised in many place names such as Tonopah and Pahrump as well as Indian Springs, Goodsprings and Spring Valley.

Water is critical for mining and is likely to be a critical factor for future mine development and therefore potential M&A activity. This is highlighted by the broader regional context: the Lake Mead reservoir which provides water to Las Vegas and northern Arizona is at its lowest level since it was built in the 1930s leading the federal Bureau of Reclamation to declare a tier one water shortage in August, a declaration which triggered cuts in releases of water allocations from Lake Mead and Lake Powell to Nevada, Arizona and Mexico.

This context may partially explain why AngloGold made its bid for Corvus without also having reached a takeout or JV agreement with Coeur for its nearby deposits. Corvus has built up its water rights including buying ranches to obtain their water rights. In this practice the junior is in good company as Nevada Gold Mines, the Barrick-Newmont joint venture, operates 11 ranches in Elko, Eureka, Lander and Humboldt counties which include some 680,000 acres of private lands, to secure water rights.

Water is less of an issue around Tonopah where historical mines intersected the water table. The groundwater contains arsenic and other heavy metals which means it is unfit for human consumption and therefore available for future mining projects. West Vault's ground includes a historical shaft sunk to a depth of about 1,000ft in the early 1900s which hit water at 800ft depth. "This shaft and another about 3,000ft to the east are hydraulically connected and they were getting about 1,000 gallons per minute of water each and the couldn't stay ahead of pumping it. We would put in two wells nearby and they would provide water for our project," COO Sandy McVey told *Mining Journal*.



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