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# West Vault happy to sit on Hasbrouck

West Vault Mining has something of a dream project for any aspiring junior gold miner or existing producer seeking growth: its permitted Hasbrouck open pit oxide heap leach project near Tonopah in Nevada, USA.



*Sandy McVey discusses West Vault Mining's Hasbrouck project in Nevada, USA*

**Gold And Silver > Site-visits** The company has a highly profitable project on its hands, with a post-tax internal rate of return in excess of 100% at a US\$2,000 per ounce gold price and a low initial capex of about \$50 million for a production rate of about 71,000 ounces a year for eight years. With a 1-million-ounce gold resource and 762,000oz reserve at the Three Hills and Hasbrouck deposits as well as 10.6Moz of silver reserves, phase one would be exploitation of Three Hills to the west of Tonopah, followed by Hasbrouck.

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Yet the company has no immediate plans to bring Hasbrouck into production, neither is it in any hurry to sell. Instead, with some \$6 million in its treasury, which is enough to cover the company's burn rate for about six years, its principal owner and chair Peter Palmedo, president of Sun Valley Gold, is content to wait until the gold price rises significantly and pulls up its share price to better reflect the project's value. The company says each \$1 in stock value represents about \$17 of saleable gold at a \$1,800/oz gold price.

"Our main owner believes that too many companies rush into production at commodity prices that are too low and squander the potential to generate substantial returns to shareholders. Why produce at a gold price that will only

give shareholders marginal returns? Peter believes that gold in the ground is worth more than gold being mined at low gold prices as mining represents cost and risk," COO Sandy McVey told *Mining Journal* during a site visit.

Other derisking factors include water and power. West vault's ground includes a historic 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 they couldn't stay ahead of pumping it. We would put in two wells nearby and they would provide water for our project," said McVey.



However, as many people holding water rights in the region do not use them, the company has contracted to lease 800-acre feet per year of water for 20 years from an existing water rights holder.

Proximity to Tonopah means there is grid power nearby which is projected to increasingly be supplied from renewable energy sources. "The local power grid has a mix of sources and is currently 27% green power. The state has a target of 50% green by 2030 and 100% by 2050, through a combination of solar, wind and geothermal," said McVey.

A clear outcome of West Vault's approach is that the company is not currently investing in exploration despite the Hasbrouck pit having potential to go deeper and the mountain immediately to the east of the Hasbrouck deposit having strong surface gold showings. Palmedo's view is that exploration is a cost with no guarantee of success and is ultimately dilutive to existing shareholders.

The Hasbrouck and Three Hills deposits have an average grade of 0.6 grams per tonne, which is higher than the production grade of most open pit heap leach oxide projects in Nevada. Key to their strong economics is that the deposits

have little pre-strip and a low stripping ratio of 1:1 that can be exploited by run-of-mine extraction with 76% gold recovery via heap leaching. The rock is very fractured and most of the gold sits on the faces of the joints and cracks in the rocks.

## Critical mass

West Vault is not alone in waiting for a higher gold price to deliver the value it is looking for and the proximity of another such company could provide other opportunities to enhance value and stimulate a takeout.

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 which has little interest in becoming a producer and 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.



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