

Grenville Gold Digs into its Geological Cake at Silveria

By Christina de Wit

It looks as if Grenville Gold (TSX.V:GVG) has all the ingredients needed for success at its Silveria project in Peru. The company recently released a 43-101 report on Silveria which outlines its exploration and development plan for a potential silver-zinc-lead-copper resource. In addition to its three Peruvian properties, the company has a property in Ecuador which has a history of artisanal gold mining.

Silveria is located in Huarochiri Province, 80 km WNW of Lima. The property consists of 2,797.16 hectares in 224 concessions that cover four historical mining areas (Germania, Millotingo, Pacococha and Silveria). The area is well-serviced and there are several mills in the area, including an operable, 350 tonnes per day mill with related buildings at Millotingo. The Pacococha Mine (which eventually absorbed the Germania and Silveria operations), saw 30 years of production from high-grade mineralization. The Millotingo and Pacococha mines closed in 1992, due to weak metal prices and political turmoil.

The project is in the early phase of development, and Grenville has so far focused on consolidating the available database of historical Pacococha mine records, plans and sections into digital, 3-D format. This information will be superimposed on topographic maps to create a 3-D model that will provide a solid blueprint for underground channel sampling programs, drilling programs and a scoping study.

According to the company's NI 43-101 report, the structural picture at Silveria suggests that the general area was subjected to severe tectonic compression that produced strong fracture patterns, on a regional scale, that in part allowed for the intrusion of polymetallic mineralization within quartz sulfide veins that filled open fractures. There are approximately 33 mineralized veins in the Pacococha mining area— seven mineralized veins at Germania-Silveria and two mineralized veins at Millotingo. It is suggested that this mineralogical environment is analogous to the one found at the neighboring Coricancha mine— recently reopened by Gold Hawk Resources, which will soon reach 600 tpd production.

The property is dotted with adits left by past producers. 86,000 tonnes of mineralized rock have been identified as being accessible in the short-term. Grenville's long-term objective is to identify potential resources in the existing underground workings and then explore below this level for disseminated deposits.

Of particular interest are the tailings dams adjacent to the Millotingo mill. The company plans to sample these tailings to assess the viability of heap leaching to recover the contained silver and gold. Other potential mineral resources that have been identified are numerous small- to medium-sized mineralized surface rock dumps (not including dumps left by artisan miners for collection and sale); unmined veins in the underground mine workings, on existing production levels, and in newly developed areas both beyond and beneath the developed limits of the existing production levels; and various surface exploration targets.

34 grab samples from the rock dumps returned assay results showing anomalous to low-grade gold values in all the Pacococha and Germania mine samples, but ore-grade gold values from Millotingo mine. Silver grades are consistently high in all the dump samples, with assays ranging from 3.50 g/t to 2,220 g/t Ag. Base metal values vary between 0.007% and 3.90% Cu, 0.01% and 7.15% Pb and 0.07% to 19.70% Zn, thus pointing to a high-grade polymetallic nature of the veins from all the districts.

The company has a particularly innovative strategy to leverage its short-term costs and generate significant cash flow. In order to safely explore the old workings, workers clean out the loose, high-grade rock that was stockpiled in the stopes by previous operators. That ore is then marketed to nearby mills that are working below capacity. It costs between \$17-\$18/t to get the rock to the mill, where it sells for between \$100-120/t. According to the company's president, A. Paul Gill, "[the process is] producing 500-600 tons a week". The 43-101's provisional and preliminary long-term scenario estimate of an average on-site operating cost is US\$45 per tonne milled.

The old chestnut that states that "the best place to find a new mine is near an old one", certainly applies in this situation. Soaring copper prices make formerly producing mines (especially in Peru) worth reexamining. Management has capitalized on market interest by recently launching a far-reaching market awareness campaign, with conference appearances in Calgary, Frankfurt, Munich, Zurich, Geneva, and London.

Grenville is led by individuals with many years of successful exploration experience in key development roles on major projects. The company's chairman, Mr. Len de Melt, is a graduate of the renowned Haileybury School of Mines and was instrumental in starting and building six mines, including Gulf Oil's Rabbit Lake mine (uranium), Syncrude mine (oilsands), Denison Mines' Quintette (coal), Homestake's Golden Bear mine (gold), BHP's Ekati mine (diamonds) and Goldust's Croiner mine (gold). Mr. A. Paul Gill, the company's president, held senior positions with Norsemont Mining Inc. and is a Director of Lomiko Resources.

Grenville provides investors the opportunity to have their cake and eat it too: with properties that have a proven history and merit further exploration, a pragmatic, structured approach that lends itself to both short and long-term valuation possibilities, a current revenue stream, a comparatively tight share structure given today's market (32,694,200 fully diluted), an international promotional effort in full swing, a mining-friendly climate in Peru, and record metals prices.

If the proof is in the eating, the market is showing a healthy appetite— GVG closed at \$0.55, up \$0.05 on Wednesday.

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