

Andina defines high-grade zones at Volcan

A 20,200-metre drill program at the Volcan gold project in Chile has highlighted zones of higher-grade gold within the 10-millionoz. deposit and outlined a new area called Ojo de Agua East for owner Andina Minerals (ADM-V). It provides much-needed good news while the company works to answer the project's metallurgical problems.

Andina has already defined five deposits at Volcan. Three are grouped together at the south end of the property in the Dorato area, known as the West, Central and East deposits, while two others called Andrea and Florencia sit 6 km to the northeast in the Ojo de Agua area. The new zone tested by drills for the first time in Andina's latest program lies east of Andrea and Florencia, within Ojo de Agua.

Final drill results from Dorato West support the presence of a higher-grade zone within the larger deposit. Hole 843 cut 138 metres grading 1.52 grams gold per tonne, starting from surface, followed by 60 metres of 0.68 gram gold at 192 metres depth and 126 metres of 0.62 gram gold at 292 metres depth.

Hole 843 was collared 50 metres away from hole 821, which in March returned the best intercept at Volcan to date: 242 metres grading 1.43 grams gold, including 178 metres of 1.77 grams gold.

Other recent results from Dorato West include 120 metres of 0.53 gram gold starting from surface in hole 823, 96 metres of 1.18 grams gold from 326 metres down hole 846, and 96 metres of 0.84 gram gold starting 204 metres down hole 844. Hole 828 returned three intercepts between 46 and 338 metres depth: 26 metres of 0.66 gram gold, 28 metres of 0.58 gram gold and 74 metres of 0.84 gram gold. And hole 837 cut 142 metres of 0.42 gram gold from 28 metres depth followed by 148 metres of 0.32 gram gold from 206 metres.

And in a previous set of results also from Dorato West, hole 813 cut 300 metres from surface at 0.53 gram gold, hole 819 hit 336 metres from surface at 0.43 gram gold, and hole 821 returned 242 metres at 1.43 grams gold, starting at 102 metres depth and ending in mineralization. Other intriguing intercepts included 42 metres of 1.21 grams gold, 250 metres of 1.05 grams gold, 114 metres of 0.8 gram gold, 86 metres of 1.22 grams gold and 156 metres of 1.05 grams gold.

Andina is currently working to update the resource model for Volcan, driven by the recognition of higher-grade, near-surface zones at the Dorato deposits, which could enhance the project's economics. The company expects to release an updated estimate by the end of September.

The updated resource model will also incorporate the new Ojo de Agua East zone, which sits on land that Andina acquired from Barrick Gold (ABX-T, ABX-N) last year. By the end of 2009, prospecting and trenching had outlined a 250-by 600-metre zone of strongly anomalous gold roughly 1 km east of the Florence and Andrea deposits. Based on promising trenching results, Andina moved drills to the area early this year.

The first hole did not reach the target depth but did encounter a 2-metre vein interval grading 4 grams gold at 126 metres depth. Hole 2 returned 60 metres of 0.5 gram gold from surface. Then hole 3 intersected 336 metres of 0.52 gram gold, starting at surface and including 70 metres of 1.2 grams gold.

Andina says mineralization at Ojo de Agua East is similar to that at the other Volcan deposits but the exposures are higher in the system, which means gold is centered at the contacts of the intrusions.

At present, the three Dorato area deposits host 492.5 million measured and indicated tonnes grading 0.62 gram gold plus 36.8 million inferred tonnes averaging 0.65 gram gold. At Ojo de Agua, inferred resources total 18.6 million tonnes at 0.85 gram gold.

In early 2009, Andina planned a preliminary economic assessment (PEA) of Andina with a completion date of early 2010. However, a few metallurgical stumbling blocks have prompted Andina to assess several possible processing scenarios, delaying the study.

Initial metallurgical studies indicated the potential to recover 70% of the gold using heap leaching. However, to achieve that level of recovery required crush sizes that are incompatible with other aspects of the projects, namely leach-pad stability and reasonable capital and operating costs. When the company increased the crush size to 6-8 mm, instead of 2-3 mm, gold recoveries dropped from 57- 77% to 57-60%. Andina says considerable work remains to optimize a heap-leach process but that it is also considering other options.

One alternative is to use conventional coarse crushing and heap leaching for low-grade material but process higher-grade ore through milling and carbon-in- leach or flotation techniques. Another option is to use coarse milling to maximize leach recoveries, with or without a flotation circuit prior.

The PEA is also investigating the potential for underground operations in addition to open-pit mining. The resources currently defined sit within pit shells, but Andina says a preliminary study suggested the project hosted up to 1 million additional ounces of gold, at a 0.7-gram gold cutoff grade, which might be mineable using sub-level caving.

The Volcan project is 120 km east of Copiapo in Chile's Region III.

Andina's share price took a hit in late February, when news of the metallurgical setbacks was announced, losing 55¢ in a few days to reach the \$1.35 level. Since then it has dropped further, closing recently at a new 52-week low of \$1.05. Its 52-week high is \$2.18.

At the end of March, Andina had \$38.4 million in cash and equivalents. The company has 109 million shares outstanding (130 million fully diluted).

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