

# NSGold Corp. Options the Historic Dios Padre Silver Mine Located in State of Sonora, Mexico

14.03.2011 | [CNW](#)

VANCOUVER, March 14 /[CNW](#)/ - [NSGold Corporation](#) (TSXV: NSX) has signed a binding letter of intent ("LOI") whereby it can acquire 100% ownership of the Dios Padre Property located in the Municipality of Yecora, State of Sonora, Mexico, including the historic Dios Padre Silver Mine located approximately 260 km east of Hermosillo.

## Historic Resource Estimates

The Dios Padre Silver Mine has been the subject of numerous reviews and evaluations, including Mackay & Schnellmann (1966)<sup>1</sup>, Konkin (1996)<sup>2</sup> and Free (1997)<sup>3</sup>. The historic resource estimates were summarized in a 2002 report by David A. Bending, M.Sc., P.Geol. (Geological Report and Summary of Field Examination, Dios Padre Mine - David A. Bending 2002) as follows:

Author Qualifying  
Comments Metric  
tonnes Imperial  
tons Grade  
gpt Grade  
opt Contained  
Ag Recoverable  
Ag

McKay &  
Schnellman

(1966) Used all historic data and samples

Measured Indicated and Inferred 6,000,000 6,600,000 420.0 13.01 85,841,695 74,682,274  
Potential 18,000,000 19,800,000 420.0 13.01 257,525,080 224,046,823

Konkin

(1996) Used only Silver Standard drilling and surface data

Measured Indicated and Inferred 700,000 770,000 235.0 7.51 5,782,628 5,030,886

Free

(1997) Used historic data above 450 foot level

Measured Indicated and Inferred 4,090,909 4,500,000 359.9 11.50 51,750,000 45,022,500

Potential 8,181,818 9,000,000 359.9 11.50 103,500,000 90,045,000

The available historical resource estimates for the Dios Padre Silver Mine have varied significantly as a function of the nature of the work completed in their preparation, the availability of underground sampling data, and the mining methods contemplated. The definition of a NI 43-101 compliant resource may require additional drilling, underground sampling and other work.

NSGold's Qualified Person has not done sufficient work to classify the historical estimates referred to above as current mineral resources or mineral reserves, and the company is not treating the said historical estimate as current mineral resources or mineral reserves. Accordingly, the historical estimates should not be relied upon. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

## Past Production

Approximately 500,000 tonnes of high grade enriched ore yielding 16 million ounces of silver was reported to be mined between operations directed by Jesuits beginning in the 17th century and more organized mining efforts, under L.V. Limited between 1860 and 1910 a British company, along with sporadic artisan mining by local miners. (Mackay & Schnellman, 1996).

During the mid-1960's Cia. Minera Sahuaripa acquired and installed a pilot plant for processing high grade ore from the open pit and production of concentrate at a rate of 100 tonnes per day. Based on the results of the pilot plant tests, the plant is reported to have yielded recoveries of up to 87% for silver and 80% for lead and copper. (Mackay & Schnellman, 1996). Part of this plant remains on site and would require extensive

rebuilding to be of use.

## **Geology**

The Dios Padre Property covers an area of 285 hectares on three contiguous claims and lies in the Sierra Madre Oriental in a Cretaceous volcanic stratigraphic sequence which is the host environment for significant gold and silver deposits, including those found in the nearby Sahuaripa, Mulatos, Dolores and Ocampo mining districts. The setting of these deposits varies but they all occur within this highly prospective zone. (Bending, 2002).

The Dios Padre deposit is characterized as a breccia pipe that is open to depth and would require underground mining methods at lower levels. No reliable resource data exists for this potential extension of the deposit.

## **Exploration Potential - Silver**

NSGold believes that the exploration potential of the Dios Padre Property is excellent. Two additional areas are considered to be primary targets for delineating additional silver resources:

- i) the plunge potential of the Dios Padre breccia body; and
- ii) numerous other altered and mineralized areas may be seen within the existing concessions. While very little information is available concerning the precious metals content of these mineralized areas, a systematic exploration and development program is planned to attempt to expand the resource base for an eventual project.

## **Base Metal Potential**

Between 1946 and 1947 two diamond drill holes were drilled by the Cananea Copper Company (Anaconda) (Mackay & Schnellman, 1996) with total depth combined 490 meters reported. Copper mineralization was seen from the top to the bottom of each of the drill holes indicating the potential for an underlying porphyry system. No silver assays were reported (Bending, 2002)

The mineral resources are reported to contain 3.08% lead and 0.55% copper along with recoverable amounts of gold according to Mackay & Schnellman (1966), who commented in their report, "Recovery and payment from the smelter for gold and copper are significant, but the amounts in ore are such that evaluation of samples for gold is not possible and for copper is extremely difficult, other than as an overall figure." Based upon historic reports and past production payments NSGold considers the potential for copper and gold to be an opportunity that remains to be properly defined and have not taken them into consideration in our preliminary assessment of the property.

## **Letter of Intent**

Under the terms of the LOI, NSGold can acquire a 100% undivided interest in the Dios Padre Property from Cia Minera Pena Blanca SA de CV by making cash payments totaling US\$6 million over a 5-year period and issuing an aggregate of 1,250,000 common shares to the vendor in five equal tranches over the same 5-year period.

NSGold has structured the transaction such that the company need only pay US\$65,000 until the completion of satisfactory due diligence relating to the Dios Padre Silver Mine. The balance of the cash payments and the first equity issuance will only be triggered upon the signature of a definitive agreement.

The Dios Padre Property is subject to a 3% net smelter return royalty in favor of the vendor, two-thirds of which may be repurchased by NSGold at any time prior to the commencement of commercial production by the payment of US\$2 million.

The acquisition is subject to completion of satisfactory due diligence relating to the Dios Padre Silver Mine, the entering into of a definitive agreement and the obtaining of applicable regulatory approvals, including that of the TSX Venture Exchange.

## **NSGold's Exploration and Development Plan**

NSGold's objective is to move as quickly as possible in completing its due diligence review of the Dios Padre Property and, if satisfied, entering into a definitive agreement, followed by the preparation of an up-to-date NI 43-101 compliant technical report on the property within the next 60 days. Based upon the recommendations of technical report, NSGold would then prove up and increase the historical resources of the Dios Padre Silver Mine with the ultimate intention of returning the mine to production.

**Hans van Hoof, Chairman and Chief Executive Officer of NSGold commented:**

"I believe that the Dios Padre acquisition is a great development for the company, one which will more than complement our solid Mooseland project. I would like to congratulate the NSGold team for its diligent work in identifying and securing this transaction for the company and I look forward to us bringing it to a successful conclusion. As the largest shareholder, with over 30% ownership, I'm extremely pleased with the way this deal has been structured. The staged payments allow us to use our existing cash position to be immediately put to work on advancing the Dios Padre project to the benefit of all our shareholders."

**Mooseland Gold Project - Drilling Update**

The majority of assay results have been received from all drill holes, however, results from core selected to be analyzed by the "screen for metallics" method have been delayed due to high volumes at the lab. Assay results from the first 10 drill holes on the West Zone have been previously reported. It is expected that results from the remaining three holes drilled on the West Zone, and from the thirteen holes drilled on the East Zone, will be received this month.

Given the extra time it has taken to receive all of the analytical results, NSGold has instructed its mining consultant, MineTech International Limited of Halifax, N.S., to proceed separately with the updated resource estimation for the West Zone followed by the updated resource estimation for the East Zone at such time as the East Zone results have all been received and compiled.

**Qualified Person**

Perry MacKinnon P. Geo., Chief Geologist, for NSGold, a qualified person as defined by National Instrument 43-101 has reviewed the information provided in this news release.

**About NSGold**

NSGold Corporation is a mineral exploration company actively exploring for gold in Nova Scotia, Canada. NSGold's flagship property is the Mooseland Gold Project. NSGold's shares are listed on the TSX Venture Exchange under the symbol NSX.

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

- 1 Mackay and Schnellmann Ltd. (1966): "No. 6637: Evaluation of Dios Padre Mine Project".
- 2 Konkin, K.J. (1996): "Phase I Diamond Drill Hole Report, Dios Padre Project, Sonora, Mexico".
- 3 Free, Bernhard, Ph.D (1997): "The Dios Padre Silver Mine, Sahuaripa Mining District, Yecora, Sonora, Mexico".

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