

# Santa Fe Gold Provides Update on Merger with International Goldfields Ltd and on Precious Metals Projects in New Mexico

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[Santa Fe Gold Corporation](#) (OTCBB: SFEG) today provided an update on the status of the merger with [International Goldfields Ltd](#) (IGS: ASX) and on Santa Fe's precious metals projects located in New Mexico, including the Summit Mine, the Lordsburg Exploration Project, the Mogollon Gold-Silver Project and the Ortiz Gold Project.

## **Merger with International Goldfields Ltd (IGS: ASX)**

In October 2012 Santa Fe signed a Heads of Agreement to merge with International Goldfields. Perceived benefits of the merger include enhancement of the combined company's cash position, listing of the company's stock on a senior US exchange as well as continued listing on the ASX, and an expanded portfolio of properties combining Santa Fe's production and near-production properties in New Mexico with IGS' exploration properties in Brazil and West Africa. In connection with the proposed merger, IGS advanced \$4.0 million to Santa Fe in the form of a convertible note.

The parties expect to finalize the definitive merger agreement shortly. IGS already has obtained shareholder approval for the merger. Santa Fe would obtain shareholder approval in conjunction with a Form F-4 Registration Statement to be filed with the US Securities and Exchange Commission, which would cover securities to be issued pursuant to the transaction. Currently Santa Fe estimates the merger could close in the second quarter of 2013. Additional details will be provided upon the announcement of the definitive merger agreement.

## **Summit Mine**

The Summit operation achieved an important milestone for Santa Fe upon reaching commercial production in the second quarter of calendar 2012. The Company has been making regular shipments of two high quality products, including gold-silver concentrates and gold-silver bearing silica flux material. The concentrates have been sold to a German smelter and the silica flux to two Arizona smelters. In 2013 sales of both concentrates and silica flux material are anticipated to continue.

Metal production has increased since commercial production began. However, the mine has not yet reached the goal of sustained production of 10,000 tons per month due to continued problems with underground equipment and issues with trucking of ore from the mine to the mill. The mill processed an average of 7,700 tons of ore per month for the six months ended December 2012. Management is addressing the equipment and trucking issues with the objective of attaining the target rate of 10,000 tons per month on a sustained basis.

The mill processed ore containing an estimated 4,230 ounces of gold and 225,401 ounces of silver for the six months ended December 2012. In general grades of gold and silver increased during the six month period, from an average of 0.087 ounces per ton gold and 4.355 ounces per ton silver in the September quarter, to 0.096 ounces per ton gold and 5.447 ounces per ton silver in the December quarter.

An important priority in 2013 will be to optimize the performance of the mine, with the objective of meeting or exceeding targets of production for both tons and grades. Cost control and other measures also will be implemented to increase efficiency.

Detailed production statistics will be reported on a regular basis in Santa Fe's 10-Q quarterly reports.

Ore is continuing to be sourced from several areas in the upper part of the mine. A drift is being driven downward with the objective of reaching the main body of higher grade ore in mid-2013. Revenues are expected to increase during 2013 as monthly tonnage rates increase and the higher grade ore is reached mid-year. Management estimates that during the second half of calendar 2013, annualized revenues could increase to approximately \$35 million from the current annualized rate of around \$20 million.

In November 2012 extraordinarily high 'bonanza' gold and silver grades over minable widths were encountered near the northern edge of known mineralization in the upper part of the mine. These high grades appear to be localized but nevertheless are expected to make a positive impact on metal production. Several hundred tons of relatively high grade ore were extracted for special handling and shipment to an Arizona smelter. The downward extent of the high grade ore has not yet been determined. Drifting to the north is continuing to extend the northern limit of mineralization at the mine.

### **Lordsburg Mill**

The Lordsburg flotation mill constitutes a long term strategic asset with flexibility to handle various ore types and has significant extra processing capacity. In addition to the Summit mine, the Company plans to place a strong emphasis on developing new sources of ore for the mill and thereby build Santa Fe's production profile.

### **Lordsburg Exploration Program**

In mid-January 2013 the Company began a drilling program to test several gold-copper targets near the Lordsburg Mill in the Lordsburg Mining District. Initially a 6,000 ft diamond core drilling program is planned. The objective of the drilling program is the discovery of additional ore for processing through the Lordsburg Mill. If new ore can be delineated, it could be placed into production relatively quickly. Additional information on the drilling program will be provided in the near future.

### **Mogollon Gold-Silver Project**

In October 2012 Santa Fe concluded an option agreement with [Columbus Silver Corporation](#) to purchase the Mogollon Project, which has substantial recorded production of silver and gold. The Company has made option payments totaling \$750,000 toward required payments of \$4.5 million through 2014.

The Mogollon Project is within trucking distance of the Lordsburg Mill and fits Santa Fe's strategic objectives very well. The project contains drilled resources of high grade gold-silver mineralization. Mogollon appears to have excellent potential for the development of one or more high grade mines and Santa Fe has assigned a high priority to advancing the project toward production. Drilling is planned in the second quarter of calendar 2013 to be followed with an underground exploration and development program. If this program is successful, production might begin as early as 2015.

### **Ortiz Gold Project**

The Ortiz Gold Project contains substantial undeveloped gold deposits that provide important upside to Santa Fe's long term future. The project has been estimated to contain 2.0 million ounces of gold based on work in the 1980's and early 1990's. Previous drilling was focused on two deposits estimated to contain approximately 1.0 million ounces of gold within open pit designs. A Canadian standard NI 43-101 technical report is being prepared on these two deposits and will be completed in the near future. This report will be followed by a Preliminary Economic Assessment to be completed later in 2013. The two deposits appear to hold promising potential for economic development.

Currently the Company is conducting technical and baseline environmental studies in preparation for possible permitting and mining. Permitting will require a minimum of two years before development can proceed. If development efforts are successful, management believes the Ortiz project has the potential to be a 'company maker' for Santa Fe.

### **Comments by President and CEO Pierce Carson**

Pierce Carson, President and CEO stated, "Some time ago we established Santa Fe's goal of becoming a substantial precious metals producer, with production sourced from low cost mines. In pursuit of that goal, we have acquired quality precious metals properties in New Mexico and also have assembled a first rate management and operating team."

"In mid-2012 we were proud to report an important milestone when the Summit gold-silver mine achieved commercial production. That milestone marked Santa Fe's successful transition from an exploration to a producing company. Shareholders can expect to see tangible evidence of continued progress in 2013.

Carson concluded, 'Santa Fe's focus on production sets us apart from many junior explorers. With

one mine already in production and a second and third in the pipeline, Santa Fe represents an exciting growth story. Despite the current difficult financial markets, management is committed to executing our strategy for growth and we are confident the future is bright."

## About Santa Fe Gold

[Santa Fe Gold](#) is a U.S.-based mining and exploration enterprise focused on acquiring and developing gold, silver, copper and industrial mineral properties. Santa Fe controls: (i) the Summit mine and Lordsburg mill in southwestern New Mexico, which began commercial production in 2012; (ii) a substantial land position near the Lordsburg mill, comprising the core of the Lordsburg Mining District; (iii) the Mogollon gold-silver project, within trucking distance of the Lordsburg mill; (iv) the Ortiz gold property in north-central New Mexico; (v) the Black Canyon mica deposit near Phoenix, Arizona; and (vi) a deposit of micaceous iron oxide (MIO) in western Arizona. Santa Fe Gold intends to build a portfolio of high-quality, diversified mineral assets with an emphasis on precious metals.

To learn more about Santa Fe Gold, visit [www.santafegoldcorp.com](http://www.santafegoldcorp.com).

## **FORWARD-LOOKING AND CAUTIONARY STATEMENTS - SAFE HARBOR**

*This press release contains forward-looking statements, including with respect to the negotiation, implementation and effects of a proposed business combination between [Santa Fe Gold Corporation](#) ('Santa Fe') and International Goldfields Limited ('IGS'), that may result from the Heads of Agreement. Those statements and statements made in this release that are not historical in nature, including those related to future benefits, increases in shareholder value, synergies, improved liquidity and profitability, constitute forward-looking statements within the meaning of the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as 'expects', 'projects', 'plans', 'will', 'may', 'anticipates', 'believes', 'should', 'intends', 'estimates', and other words of similar meaning. These statements are based on current plans, estimates and projections, and, therefore, you should not place undue reliance on them. These statements are subject to risks and uncertainties that cannot be predicted or quantified, and our actual results may differ materially from those expressed or implied by such forward-looking statements. For Santa Fe, these statements are subject to the following risks and uncertainties: difficulties, delays, unexpected costs or the inability to reach definitive documents with respect to, or consummate, the proposed business combination with IGS and other transactions referred to in this press release and those described in the documents we file with the U.S. Securities and Exchange Commission, and risks associated with the inherent uncertainty of future financial results, and additional capital financing requirements. All forward-looking statements included in this release are made as of the date of this press release, and Santa Fe assumes no obligation to update any such forward-looking statements.*

## **STATEMENT REGARDING ADDITIONAL INFORMATION THAT MAY BECOME AVAILABLE**

*If a transaction is to be proposed to the stockholders of Santa Fe and IGS, Santa Fe and IGS would file with the Securities and Exchange Commission and distribute a Registration Statement on Form F-4 covering securities to be issued in the transaction. Santa Fe shareholders would receive a prospectus and proxy/consent solicitation statement in connection with such transaction. The final terms of the prospective merger of Santa Fe and IGS remain subject to change and would only be reflected in a binding definitive agreement that remains to be negotiated between the companies. Santa Fe stockholders would be urged to read these and any other related documents the corporation may issue. If and when these documents are filed, they can be obtained for free at the SEC's website, [www.sec.gov](http://www.sec.gov).*

*Additional information on how to obtain these documents from Santa Fe would be made available to stockholders if and when a transaction is to occur. IGS would provide disclosure and arrange for solicitation of the votes of its shareholders in accordance with Australian regulations following execution of a binding agreement. Such documents are not currently available.*

*This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. Santa Fe, its directors and executive officers, may be deemed to be participants in the solicitation of proxies or consents from Santa Fe's stockholders in connection with any transaction that might be proposed to such stockholders. Information about the directors and executive officers of Santa Fe and their ownership of IGS and Santa Fe stock will be included in the prospectuses and proxy/consent*

*solicitation statements if and when they become available.*

**Santa Fe Gold Corp.**

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