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First Mexican has high hopes for Guadalupe



PHOTO BY SALMA TARIKH

First Mexican Gold CEO Jim Voisin (far right) and geologist Tomás Tapia Figueroa observing a driller at work at the Guadalupe gold project in Mexico.



BY SALMA
TARIKH

HERMOSILLO, MEXICO — Ongoing exploration for a cash-strapped junior is hard to do in a turbulent market, but it can reap handsome rewards. The possibility of a huge payoff has **First Mexican Gold's** (FMG-V) president and CEO Jim Voisin pushing forward the company's Guadalupe gold property in Mexico's Sonora State, in the hopes of making it the next market darling.

The project is surrounded by producing and past-producing gold mines near

the Sonora-Chihuahua border. Producers in nearby districts include **Alamos Gold's** (AGI-T) Mulatos gold mine, **Minefinders'** (MFL-T, MFN-X) Dolores gold-silver mine and **AuRico Gold's** (GAM-T, AUG-N) Ocampo gold-silver mine.

While junior **Corex Gold** (CGE-V) is First Mexican's closest neighbour, the nearest mine is Mulatos, 50 km away. Mulatos has a reserve of 2.3 million oz. from 58.4 million tonnes grading 1.27 grams gold per tonne.

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Facilities at First Mexican Gold's Guadalupe gold project in Mexico.

While giving *The Northern Miner* a tour of Guadalupe in mid-October, Voisin recalls that he came across the early stage property as the former head of another mining junior. Voisin had visited what is now First Mexican's prized property in 2006, but decided that company wasn't set to venture into northwestern Mexico.

"But I was extremely taken by the property when I was there," the 54-year-old executive says. "When I came down the mountain and looked at the guy I was with, I said, 'I'm going to take this mountain down.' And we probably will now with First Mexican.

"I knew who owned the property, so I called them and asked if they would like to sell it."

And that's how the story started. Voisin

got in touch with previous owner **International Millennium Mining** (IMI-V), and from there launched First Mexican Gold, formerly named Auric Development. First Mexican completed a reverse merger of Auric on Dec. 29, 2010.

Prior to that in January 2007, First Mexican secured a 60% option from International Millennium to earn into the original 30, 37 and 38 Hilda properties. The properties altogether are known as Guadalupe, after the concessioner Guadalupe Rocha, who named the targets after his wife Hilda.

To keep with the pattern, Voisin has subsequently dubbed every new zone after a woman, starting with labelling the project's highest-grade gold zone after his wife, Karen.

"It's pretty fun," he says with a chuckle. "I never forget the names of the zones. So I kept on with the naming of related women that Guadalupe Rocha started by naming them Hilda." His two daughters, daughter-in-law and granddaughter all have zones named after them.

In 2009 First Mexican increased its option in the Hilda properties to 80%, by agreeing to spend \$3 million on top of its previously pledged \$1 million.

Before focusing on drilling, the company locked up more ground around its original 13-sq.-km concessions. The land package has since grown to 151 sq. km. Most recently, First Mexican added to its land position by closing a joint-venture agreement with **Kootenay Gold** (KTN-V) on an adjoining property.

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The landscape at First Mexican Gold's Guadalupe gold exploration project in Sonora state, Mexico.

It also spent a significant amount of time and cash to erect a modern camp on the Guadalupe property and build 40 km of road to access the project's potentially rich targets. With most of the infrastructure in place, First Mexican is now ready to explore.

Guadalupe is about a four-hour drive 190 km east-southeast of Hermosillo, the nearest major city.

After passing a quick military checkpoint on the junction of highways 16 and 11, we veered off the highway and continued 18 km on a sparsely maintained gravel road to the property, passing the Guadalupe of Tayopa and Santa Ana villages in the Yecora district.

After a quick tour of the camp — which

can house up to 12 — we headed to assess a few of the targets. The project hosts more than 10 targets underlain by favourable Cretaceous-Tertiary andesite-rhyolite volcanic stratigraphy. These rocks are part of the Sierra Madre Occidental province, which hosts several epithermal gold-silver mines and mineral occurrences.

The three main targets the company plans to explore include the Diana, Erica and Karen zones. It also hopes to further examine the known potential at the Karen East, Bailey, Linda, Luce and Katelyn zones.

Some of these zones could host 1 million equivalent gold oz. or more, First Mexican's CEO predicts.

While the company aims to eventually

develop all of its targets, it notes that amid the current market conditions, it will make calculating an initial resource estimate at the Diana zone its top priority.

"We can do at least half a million ounces [of gold equivalent] on Diana," Voisin reckons. "Then people can start to take us more seriously. But I think that will be just a scratch on the surface."

The junior anticipates putting out the resource estimate on Diana by next year's third quarter to garner the market's attention, and in turn lift its share price.

The company's shares last closed at a 52-week low of 10¢ and reached a 71¢ high on Jan. 21. As of this December, it

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had 37.9 million shares outstanding.

While the property requires a lot more drilling, Voisin says Guadalupe has already received some interest from two majors. The company is looking to get some help to speed up the property's development.

"I'd like to get some assistance," Voisin admits, who believes the company and its neighbour Corex are sitting on a large, copper-gold porphyry. "Whatever it is, it's big. It would take us two or three years to figure it out. If we can get a major it will reduce that time, and they can come in and put the dots together."

But he adds a lot of thought will go into who First Mexican will partner with.

"I am being a bit like a princess at the ball," he says, cracking a smile. "This type of property doesn't come along every day. So I want to be very careful about who I dance with."

In the meantime, the company has been working alone on its sizeable land position.

In early November it brought a second drill rig to complete 1,200 metres, or five holes, on its high-priority targets.

Two of those holes will test the western extent of the Diana zone. The company completed three holes on the zone early this year as part of an eight-hole program, which delineated 400 metres along the eastern extension.

The holes intersected 0.77 gram gold and 105 grams silver over 16 metres, 0.47 gram gold and 135 grams silver over 29 metres and 0.42 gram gold and 86 grams silver over 49 metres.

Near the end of October, the company said fieldwork indicated that the Diana zone could extend another 500 metres to the west for a total of 950 metres. The zone is thought to be almost vertical, with fractured brecciated structure from 30 metres to 40 metres in width.

First Mexican is confident it can prove

up an economic, bulk-mineable, low-dilution gold-silver deposit at Diana, a target it discovered through prospecting and surface sampling in 2010.

"Diana is a miner's dream," Voisin says, while driving to the zone sitting on the Hilda 38 concession, "because it's right on the crest of the mountain. You couldn't ask for it to be any sweeter or easier to mine."

If all goes as planned, the company aims to start a resource drilling program in mid-January, which should take four to six months to complete. The program will drill 30 holes in Diana's eastern flank.

"We have designed this next drilling campaign at Diana zone on fifty-metre spacing, as we believe proving up continuity over Diana's eastern flank in this manner can represent a large resource target," Voisin said in a press release.

Elsewhere on the property, First Mexican believes Karen East is a vent associated with the mineralization that it intersected earlier this year at the Karen zone, which is 300 metres west and downhill from Karen East.

In late November, the company said it aimed to test the Karen zone's vertical extent and strike with three more holes.

As part of a small program conducted from January to February this year, the explorer had drilled five holes into Karen, of which three hit significant mineralization. Highlight hole 11-05 cut 33 metres of 4.27 grams gold, 395 grams silver and 1.24% copper per tonne.

During mid-2009, before the company went public this year, it intersected the best intercept to date at Karen. Starting at surface, hole 9-03 cut 38 metres grading 6.51 grams gold and 678 grams silver.

Karen was used as the company's main zone to take it public. First Mexican debuted on the TSX Venture Exchange at 35¢ a share in early January, raising \$2.16 million.

The junior also anticipates testing its Linda zone, along with the northern portion of the Erica and Bailey zones. The Bailey zone hasn't seen any drilling yet, while Erica received a few pokes but failed to produce significant results.

"Our problem is that we have lots of targets, and we need more money," Voisin says. "We have so much property we haven't touched."

At Linda, the company recently completed surface sampling and geologic mapping to start drilling.

"Linda is very sexy, it's very vuggy," Voisin says. He adds it has taken the company some time to figure out how best to drill Linda because it has a large leach cap.

The company drilled its first hole at Linda in early December, and will drill another in 2012.

With a string of targets lined up for drilling, the junior recently announced a non-brokered private placement to help fund ongoing exploration.

First Mexican is preparing to sell 2.5 million units at 12¢ apiece to raise \$300,000.

Each unit will consist of one share and half a warrant, whereas each whole warrant can be exercised at 15¢ for two years.

While First Mexican is slowly working away, the company hopes the effort it puts into Guadalupe will help propel it into the spotlight.

"Anything that is real takes time. You do little steps. First you walk — then you run," Voisin says, who is confident that with the right mix of diligence, rich targets and more funds, First Mexican could become the next big thing.

The Beatles played in a basement pub for years before becoming an overnight success, he says, adding that "we could become an overnight success. Come out of nowhere. It happens."