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Initial Resource Estimate From Soho Resources Should Kick Start Investor Interest in the Company

By Charles Wyatt

Canadian-listed [Soho Resources](#) has now come out with its initial resource estimate for its Tahuehueto polymetallic project in the Sierra Madre Mountains of northwestern Mexico. The company has had this project since 1997, but those with long memories will remember that the Bre-X scandal put a downer on junior mining companies at that time and metal prices did not start to recover until 2002. Ralph Shearing, the chief executive, who is a shrewd mining man decided not to push ahead while those conditions pertained, and his company has only been going flat out on the project for the last two years. In fact in 2004 the company even took a close look at an oil project before the decision was taken that mining should be the focus.

Tahuehueto is typical of a classic Mexican epithermal vein system that hosts multiple large scale structures strongly mineralized in gold, silver, lead, zinc and copper. It's said to be very similar to the La Cienega mine which is operated by Penoles, the leading Mexican mining company. It also has similarities with the geology of the San Dimas district owned by Luismin Mines, a subsidiary of Goldcorp, where historic production has amounted to more than nine million ounces of gold and 750 million ounces of silver. Tahuehueto hosts large vein structures on over six kilometres of strike length, and already boasts over 6,400 metres of underground workings. Ralph's plan is to work up the mineralization within the known structures while exploring for new structures.

Towards the end of last year Soho set two drill rigs to work on the El Creston, the Cinco de Mayo-Santiago, and the El Rey structures with a view to producing this new resource estimate. So far, only the upper portion of the three structures is represented. Inevitably, in times like these, Ralph had to put up with delays from the consultants before they came up with the figures. Now there are four drills working and there is still a lot more work to be done as Tahuehueto is known to host at least 12 mineralised zones. At this stage it's only an inferred resource, but by the time the next estimate is given towards the end of the year a significant proportion should have been promoted into the indicated category. Soho will then be in a position to move on to a scoping or pre-feasibility study.

The current estimate comprises 6.4 million tonnes grading 1.34 grammes per tonne gold to give 276,000 ounces. There's also 6.429 million ounces of silver at a grade of 31 grammes per tonne. The copper grade is 0.24%, giving for 33.5 million pounds, while lead runs at at 0.78% to give 110.5 million pounds, and zinc at 1.43% to give 201.1 million pounds. Ralph Shearing makes two interesting points. The first is that the precious and base metals are fairly evenly balanced, which means that Soho presents an each-way bet across the whole lot. Second, he says that at present metal prices a tonne of his ore is worth US\$125, while the Mexicans are mining and treating similar ore for around US\$50 per tonne elsewhere. The conclusion has to be that there is a healthy profit to be made and that's what he's after. He's closely supported by Hall Stewart, the vice president of exploration who has had played a role in the discovery of more than seven million ounces of gold-equivalent in Mexico over the past ten years, so he knows what he is dealing with.

The reaction from the market to these figures was a disappointment, but that is the experience of most junior mining companies at the moment. Maybe investors have not picked up on all the encouraging news. The metallurgical testwork carried out by a Mexican governmental organisation between 1986 and 1991, for example looks encouraging. No tests were made on copper recovery, but 81.1 per cent of gold was recovered to lead concentrate, 87.6 per cent of silver and 97.2 per cent of the lead itself. A further 4.2 per cent of gold was recovered to zinc concentrate, 6.7 per cent of silver and 86.1 per cent of zinc.

The company is now drilling along strike and down dip from the near-surface parts of these structures on which the estimate is based. It appears from exploration carried out by Penoles on underground workings that grades should improve with depth. An additional 41 holes have been drilled and core samples have been delivered to the labs. The Good Lord only knows how long the labs will take, but there should be an interesting newsflow of assay results this year, which will help to focus the attention of investors on the company - once they stop looking over their shoulders at the US economy, the dollar and the sub prime mortgage scandal. In the meantime they can rest assured that Soho has a very promising project in a prolific area on the Sierra Madre Occidental mineral belt and that its resource is going to increase a whole lot more.