

# Sierra Madre to Acquire the La Guitarra Silver-Gold Mine in Mexico from First Majestic Silver Corp

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VANCOUVER, May 25, 2022 - [Sierra Madre Gold and Silver Ltd.](#) (TSXV:SM)(OTCQB:SMDRF) ("Sierra Madre" or the "Company") is pleased to announce that it has signed an arm's length definitive agreement dated May 25, 2022 (the "Definitive Agreement") with First Majestic Silver Corp. ("First Majestic") to acquire a 100% interest in the 39,714-hectare La Guitarra Silver-Gold Property ("La Guitarra") in the Temascaltepec mining district, Mexico (the "Transaction").

## Highlights:

- La Guitarra is a high-grade, past-producing underground mine with an on-site process facility that operated up to August, 2018
- Historical Measured and Indicated Mineral Resources of approximately 7.45 million ounces ("oz") of silver-equivalent ("AgEq") and Historical Inferred Mineral Resources of approximately 10.02 million oz AgEq, based on 128,671 metres of drilling[1]
- Functional and expandable 500 tonnes per day crushing grinding and flotation facility
- Fully permitted for underground mining
- Currently on care and maintenance, available for prompt restart
- Exploration potential over 15 kilometres of known structures that are untested
- Positive community relations with local stakeholders
- First Majestic to become Strategic and Largest Shareholder of Sierra Madre

[1] See below under the heading "Notes for Historical Mineral Resources".

La Guitarra is in the southeast end of the Mexican Silver Belt with an underground mine operating up until August 2018 at the site. Past production was in the order of 1 million to 1.5 million AgEq ounces annually between 2015 and 2018. Current infrastructure includes two underground centres (La Guitarra and Coloso), the 500 tonnes per day ("t/d") flotation mill, permitted tailings facility, multiple work buildings, equipment, and related infrastructure.

Sierra Madre will acquire all of the issued and outstanding shares of La Guitarra Compania Minera S.A. de C.V. ("Subco"), a wholly-owned subsidiary of First Majestic incorporated under the laws of Mexico that holds a 100% interest in La Guitarra. In exchange, Sierra Madre will issue to First Majestic 69,063,076 Sierra Madre common shares ("Consideration Shares") at a deemed price of \$0.65, having an aggregate value of US\$35 million.

Alex Langer, Sierra Madre's President and Chief Executive Officer commented, "We are thrilled to announce this transformative acquisition of the fully permitted La Guitarra Mine. The underground mine and 500 t/d mill will advance Sierra Madre towards its goal of become a mid-tier precious metals company. Greg Liller, our COO, Luis Saenz, our Director of Exploration and Development and other members of the team operated the La Guitarra mine under prior ownership from 2006 to 2009. We intend to provide more details on our planned work program in the coming months and will announce additions to our team shortly.

Upon completion of this transaction, First Majestic will become our largest shareholder. We would like to thank First Majestic for entrusting us with this opportunity, and look forward to welcoming them as our largest shareholder and their guidance on the development of La Guitarra. Upon closing of the Transaction, Sierra Madre will hold three exciting precious metal projects in Mexico -La Guitarra, Tepic and La Tigra."

Greg Liller, Sierra Madre's Executive Chairman and Chief Operating Officer commented, "Based on my

experience with running the La Guitarra mine and overseeing the district's first large-scale exploration program, I have always believed La Guitarra is one of the largest undeveloped silver opportunities in Mexico. The eastern portion of the district was host to large high-grade mines that were significant producers during the Spanish colonial period. This area has only seen limited modern drilling and exploration even though it is host to hundreds of old mines, prospects, workings and veins. Luis Saenz, our Director of Exploration and Development, has assembled an experienced team to further develop La Guitarra.

First Majestic has done an excellent job in maintaining all permits and preparing development plans necessary for restarting operations. This includes a fully permitted new tailings facility with a 5.8 million tonne capacity. The underground development along with the milling and processing facility has been well maintained. The historic and modern exploration data, executing studies on restarting operations, and completed metallurgical test work on reprocessing the existing tailings have also been completed. This database will allow the Company to proceed with a three-pronged approach to restarting production at La Guitarra:

1. a district scale exploration and mine development program,
2. completing National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") compliant resource and reserve estimations for areas of the mine active when operations were suspended, and
3. reprocessing the existing tailings."

## La Guitarra

The La Guitarra property is in the Temascaltepec mining district, 130 km southwest of Mexico City, with road access. The property hosts two underground centres that are on care and maintenance - La Guitarra and Coloso - and three past-producing zones (the Nazareno, Mina de Agua and El Rincón areas).

The La Guitarra site includes current mining and processing permits, an operating license, a water use permit, an Environmental Impact Authorization ("EIA") for La Guitarra and Coloso mines and exploration permits for the Nazareno, Tlacotal, Trancas, La Guitarra NW, Temascaltepec and San Simon projects. As disclosed in the Annual Information Form of First Majestic for the year ended December 31, 2021 dated March 31, 2022, available for review on First Majestic's profile at [www.SEDAR.com](http://www.SEDAR.com), the site hosts Historical Measured and Indicated Resources of 701,000 tonnes grading 227 g/t silver and 1.22 g/t gold (330 g/t AgEq), for a total of approximately 7.45 million AgEq oz. Historical Inferred Resources stand at approximately 1.04 million tonnes grading 240 g/t silver and 0.71 g/t gold (299 g/t AgEq), adding approximately 10.02 million oz of AgEq.

From 2012 to 2018, First Majestic completed approximately 128,671 metres of drilling in 689 diamond drill holes.

Over 100 epithermal veins at La Guitarra are contained in five main vein systems. These systems make up a belt that covers over 15 km of strike and is an estimated 4 km wide.

## Notes for Historical Mineral Resource Estimates:

1. The Historical Mineral Resources for La Guitarra have an effective date of December 31, 2020. The historical estimates were prepared by First Majestic internal "Qualified Persons" (as defined in NI 43-101) who have the appropriate relevant qualifications and experience in geology and resource estimation. The information provided was compiled by David Rowe, CPG, Internal Qualified Person for First Majestic, and reviewed by Ramon Mendoza Reyes, P.Eng., Internal QP for First Majestic. Sample data was collected through a cut-off date of December 31, 2020. Metal prices considered were USD\$22.50/oz Ag and USD\$1,850/oz Au.
2. The Historical Mineral Resources were reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM (2014 edition) (the "CIM Standards"). All tonnage information has been rounded to reflect the relative uncertainty in the estimates; therefore, there may be small differences in the totals.
3. In accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101") the La Guitarra Historical Mineral Resource Estimates use the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource", having the same meanings ascribed to those terms as in the CIM Standards.

4. As these mineral resource estimates pre-date the Company's agreement to acquire La Guitarra, the Company is treating them as "historical estimates" under NI 43-101, but they remain relevant as the most recent mineral resource estimates for La Guitarra. No more recent estimates or data are available to Sierra Madre.
5. Further drilling and resource modelling would be required to upgrade or verify these historical estimates as current mineral resources for the respective assets and accordingly, they should be relied upon only as a historical resource estimate of First Majestic, which pre-dates the Company's agreement to acquire La Guitarra.
6. Mr. Gregory Smith, P. Geo., a director of Sierra Madre, is a "Qualified Person" as defined by NI 43-101 and has reviewed and approved the technical data and information contained in this news release. However, a "Qualified Person" under NI 43-101 has not done sufficient work to classify the historical estimates as current Mineral Resources. Accordingly, a Qualified Person of the Company has not independently verified the Mineral Resources nor the other information contained herein, and the Company is not treating the historical estimates as current Mineral Resources.
7. Mineral Resources that are not mineral reserves do not have economic viability. Numbers may not add due to rounding.

#### Acquisition Terms:

- 69,063,076 Consideration Shares to be issued by Sierra Madre
- First Majestic may distribute all Consideration Shares in excess of a 19.9% issued and outstanding Sierra Madre holding (on a non-diluted basis) pro-rata to its shareholders ("Excess Shares").
- After closing, First Majestic will have a participation right to maintain its pro-rata interest in Sierra Madre (to a maximum of 19.9%) in any future Sierra Madre share issues, subject to customary exceptions.
- The Consideration Shares held by First Majestic will be subject to the following contractual resale restrictions, in addition to any securities laws resale restrictions or TSX Venture Exchange ("Exchange") policies:
  - 25% subject to a 6-month resale restriction;
  - 25% subject to a 12-month resale restriction;
  - 25% subject to an 18-month resale restriction;
  - 25% subject to a 24-month resale restriction.
- The resale restrictions above will not apply to the Excess Shares but will be subject to customary carve-outs in the event of a takeover bid or merger or acquisition transaction involving the common shares of Sierra Madre.
- At closing, Subco will grant First Majestic a 2% net smelter return (the "NSR") royalty on all mineral production from La Guitarra. Subco will have the right to buy back 1% of the NSR royalty at a price of US\$2,000,000 at any time during the term of the royalty.

#### Private Placement

Concurrent with or prior to the closing of the Transaction, Sierra Madre intends to complete a private placement to raise gross aggregate proceeds of up to C\$10 million (the "Private Placement"). Further details regarding the Private Placement will be announced once final terms of the Private Placement have been determined.

#### Reverse Takeover

The Transaction and the Private Placement together will constitute a Reverse Takeover or RTO (as defined in the policies of the Exchange). The Transaction and the Private Placement will be therefore, among other things, subject to shareholder approval in accordance with the policies of the Exchange. The Transaction and Private Placement will constitute an Arm's Length Transaction (as defined in the policies of the Exchange).

The common shares of the Company will remain halted pending further filings with the Exchange. Sierra Madre may seek waivers or exemptions from certain requirements of the Exchange in connection with the Transaction, including the requirement to obtain a sponsor for the Transaction. However, there can be no assurance that any waivers will be obtained. If a waiver from the Sponsorship requirement is not obtained, a sponsor will be identified at a later date.

Upon completion of the Transaction, First Majestic will become an insider of the Company.

Completion of the Transaction and Private Placement are subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained.

There can be no assurance that the Transaction or Private Placement will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Sierra Madre should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.

#### About Sierra Madre

[Sierra Madre Gold and Silver Ltd.](#) is a mineral exploration company, currently focused on the acquisition, exploration and development of the Tepic and La Tigra Properties in Nayarit, Mexico. The Company has an experienced management team with a proven track record of wealth creation in Mexico through project discovery, advancement, and monetization. Sierra Madre's key objective is to advance exploration on the Tepic and La Tigra Properties to determine whether they contain commercially exploitable deposits of precious or base metals.

On behalf of the board of directors of [Sierra Madre Gold and Silver Ltd.](#),

"Alexander Langer"  
Alexander Langer  
President, Chief Executive Officer and Director

Contact:

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#### Sierra Madre Gold and Silver Best Practice

Sierra Madre is committed to best practice standards for all exploration and sampling activities. The Company's exploration programs have been conducted following CIM Exploration Best Practice Guidelines which are incorporated by reference in NI 43-101. Analytical quality assurance and quality control procedures include the systematic insertion of blanks, standards and duplicates into the sample strings. Samples are placed in sealed bags and shipped directly to Bureau Veritas Lab located in Durango, Mexico or ALS Chemex in Guadalajara, Mexico for 30 gram gold fire assay, Aqua Regia digestion for silver and multi-element analyses by four acid digestion.

#### Cautionary Note

Neither the 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 news release.

This press release contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities legislation. The forward-looking statements herein are made as of the date of this press release only, and the Company does not assume any obligation to update or revise them to reflect new information, estimates or opinions, future events or results or otherwise, except as required by applicable law. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budgets", "scheduled", "estimates", "forecasts", "predicts", "projects",

"intends", "targets", "aims", "anticipates" or "believes" or variations (including negative variations) of such words and phrases or may be identified by statements to the effect that certain actions "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information in this press release includes, but is not limited to, statements with respect to the Company's acquisition of La Guitarra (by way of the acquisition of Subco) on the terms set out in the Definitive Agreement (or at all), the completion of the Private Placement on the terms anticipated by the Company (or at all), First Majestic's distribution of the Excess Shares, the Company's plan to prepare a technical report on La Guitarra, the ability of the Company to obtain requisite corporate and regulatory approvals, including but not limited to the approval of the Exchange, for the Transaction and the Private Placement, the Company's plans and expectations with respect to La Guitarra, the ability of the Company, upon closing of the Transaction, to incorporate La Guitarra into the business of the Company, and the ability of the Company to achieve its goal of becoming a mid-tier precious metals company.

In making the forward-looking statements included in this news release, the Company has applied several material assumptions, including that the Company's financial condition and development plans do not change as a result of unforeseen events and that future metal prices and the demand and market outlook for metals will remain stable or improve. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company's actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein, including, but not limited to, the risk that the Company is not able to complete the acquisition of La Guitarra (by way of the acquisition of Subco) on the terms set out in the Definitive Agreement (or at all), the risk that the Company is unable to complete the Private Placement on the terms anticipated by the Company (or at all), the risk that the Company is unable to obtain requisite corporate and regulatory approvals, including but not limited to the approval of the TSX Venture Exchange and shareholder approval, the risk that the Company will be unable to incorporate La Guitarra into the business of the Company, the risk that the Company is unable to achieve its goal of becoming a mid-tier precious metals company, the risk that the assumptions referred to above prove not to be valid or reliable, market conditions and volatility and global economic conditions including increased volatility and potentially negative capital raising conditions resulting from the continued or escalation of the COVID-19 pandemic, risk of delay and/or cessation in planned work or changes in the Company's financial condition and development plans; risks associated with the interpretation of data (including in respect of third party mineralized material) regarding the geology, grade and continuity of mineral deposits, the uncertainty of the geology, grade and continuity of mineral deposits and the risk of unexpected variations in mineral resources, grade and/or recovery rates; risks related to gold, silver and other commodity price fluctuations; employee relations; relationships with and claims by local communities and indigenous populations; availability and increasing costs associated with mining inputs and labour, the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits and the presence of laws and regulations that may impose restrictions on mining; risks relating to environmental regulation and liability; the possibility that results will not be consistent with the Company's expectations, and the general risk factors related to exploration and development as are set out under the heading "Risk Factors" in the Company's final long form non-offering prospectus dated March 31, 2021 available for review on the Company's profile at [www.sedar.com](http://www.sedar.com).

Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.

SOURCE: Sierra Madre Gold and Silver

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