

ValGold's Targets of Convenience Pay Off, Drilling Ongoing at Mochila

By Doug Hadfield

When ValGold's team of more than thirty exploration experts first hit the field in northern Venezuela a year ago, the company planned to prove up a reasonable sized resource just north of Crystallex's Tomi Mine. Assay results from 2007, coupled with historical drill results from previous property owners, now suggest that ValGold has completed the first big step in achieving that goal.

The geology of this area is an ideal host for large gold deposits, as was evidenced by the property's two former operators, including Gold Fields, who were the first to use systemic drilling at ValGold's Incredible 3 concession. This summer, ValGold repeated the former owners' success, with drill results reported from the company's "targets of convenience" just last week.

In a conversation with VP of Exploration Tom Pollock and Investor Relations Officer Jeff Stuart, the two explained the significance of expanding the known limits of Los Patos. They showed me several maps detailing the geological and geochemical aspects of what they suspect may be an initial resource in the order of 200,000 ounces of gold.

"Notice that Los Patos is on the Los Chivos shear zone in Incredible 3," Stuart pointed out that these formations are just north of Crystallex's Tomi Mine, which ships its ore to its nearby 1,350 tonne per day mill, too. The drill holes completed by ValGold this summer are in an orderly, grid-like pattern. Distributed in a heavy line across one map, red patches indicate anomalous areas of soil geochemistry high in gold content (between 400 and 800 ppb).

"Next, look along the shear zone to the west. You'll notice that Gold Fields only poked a few holes here and there, very short holes too, right in the center of the strongest surface geochem, no matter what the underlying geology suggested. They were just drilling a hole or two and hoping to get lucky."

The failure of Gold Fields to find a viable resource at Los Patos is a classic gold exploration tale of late 1990's: The price of gold plunged and the value of foresight – the project had some excellent grades – was not enough to forestall termination. It was too pricey a venture to continue. However, Gold Fields did establish much in the way of useful geological footprint of the area.

The Los Patos gold occurrence was ValGold's first target this summer. When measured against the potential of the company's other targets in Venezuela and Guyana, the Los Patos gold occurrence was considered an appealing target, but also one of convenience. The company chose Los Patos to start its South American drill programs because of excellent mineral potential, but also open terrain, easy access, and close proximity to a number of operating mines and mills. With drills, personnel, and infrastructure in place, Los Patos was an ideal warm-up for ValGold's aggressive exploration program in the Guyana Shield.

The results didn't really show a lot we didn't already know," Stuart said. "They did give [the stock] some volume, and the knowledge that we have a deposit that hasn't reached its limit."

Stuart says that most of the check assays are pending on ValGold's Los Patos drill program, and that the company is so far pleased with the results. "A lot of people never find an economic deposit. Since it's our first drill program here we're really happy. The next step will be to announce an indicated resource. In the meantime, we've just begun drilling on one of many occurrences at the Mochilla Lineament, which is our primary target in Venezuela. Our business plan is on track and we have many loyal investors who love our story, so things are looking great."

"Let me put it this way," Stuart said. "We had two brokers with many years of mining investment experience in our offices this morning wanting to finance us. They looked deep into our data set and stopped us halfway through our pitch to say they wanted the next financing in its entirety. So, yes, we're really happy."

Los Patos is located within the Lo Incredible 3 concession approximately 20 km northeast of the town of El Callao and 4.5 km northeast of Crystallex's Tomi gold mine, which in 2006 produced 41,638 ounces at a cost of \$175 per ounce. It is one of several gold occurrences found along the east-west striking, 6.8 km long, Los Chivos Shear Zone, all of which is 100% owned by ValGold.

Previous drilling by Gold Fields at Los Patos penetrated a 160 metre-long mineralized zone which varies from 8m to 27m in width and which has a weighted average grade of 1.03 g/T Au.. The 19 trenches excavated in this area, each 40 metres apart, returned grades of 52 metres at 1.81 g/t Au and 32 metres at 1.16 g/t Au, for example. From 1994 to 1999, 151 diamond drills holes totaling 15,431 metres were used to test and further define targets.

The new round of diamond drill holes completed last July consisted of 35 holes for a total accumulated length of core of 9,318 meters. Twenty-eight of the boreholes targeted the main Los Patos gold zones; the remaining seven tested three satellite zones within the concession. These holes outlined up to five parallel zones of mineralization which when averaged with the intervening lower grade material gave zones up to 58.0 metres wide assaying 1.27 g/t gold, almost 100% true width. Assays included 4.75 g/t gold over 17.0 metres and 3.98 g/t gold over 36.0 metres in holes LI307-07 and LI307-11. The gold zone here remains open in all directions.

To the south of the La Increible concessions is the Mochila Layered Complex, which has the potential to host a much larger ore body. These properties are in an isolated tropical jungle area about 30 km west of the major Grand Sabana Highway that connects the towns around southeast Venezuela with Brazil. Access is best served by using either helicopter or river boats.

Tom Pollock, who is ValGold's VP of Exploration, told me that the Mochila exploration program is going to be much more exciting than the potential economic resource the company is hoping to define at Los Patos.

"This is a big structure, with many gold occurrences that we know of – they're almost everywhere," he said. "Nearby is Las Cristinas, with proven and probable reserves of 17 million ounces of gold, measured and indicated of 21 million ounces of gold... it's huge. The geology is right here."

Pollock and Stuart agreed that little exploration work has been done in the area, which explains the dearth of existing data for Mochila. "The Chicanán concessions cover some 750 square kilometers, with gold occurrences discovered on each concession. There hasn't been a large one found yet because it hasn't seen the exploration – all the indicators are there, it just needs the work."

Stuart added, "The reason no gold has been found is simple: Only 200 m have been drilled so far."

ValGold's drill program on Mochila started in mid-September. The company plans an initial minimum 5,000-metre drill program consisting of approximately 15 to 20 holes. Drilling will focus along the upper contact of the middle gabbro unit and along the Mochila Lineament particularly where there are gold soil anomalies and/or artisanal workings. The total length of these two linear features is in excess of 7,000 metres. The company expects the first phase of drilling to take approximately two months to complete with assays in hand by the end of the year.

"It's a very large area with many number of strong gold soil anomalies that have never seen drilling," Stuart noted.

Strong targets and an excellent exploration team may mean early success, but ValGold's Mochilla program is about depth: It is best for investors to look at the Mochilla Lineament as having multiple strong targets that may take a few years to explore, drill, and define.

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