

HRA Journal

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With the markets in disarray and gold and silver one of the few bright spots, we have spent a lot of time looking at new precious metal deals. We have found one that appears to provide extraordinary discovery potential. As bad as the markets are, companies that can rapidly grow precious metals assets are still getting attention. We are still in the thick of reviewing a number of other companies and should have others to talk about soon.

There are new buyers in the gold market, though that has to be balanced against some traditional buyers backing off. While we agree that that there is a "reflation" trade to come the transition from "scared money" to "scared of inflation" money may not be a smooth one. While we can easily make the argument for higher gold prices don't expect a simple upward trajectory. Its going to be a bumpy ride some of the time so its imperative to buy smart when the market seems to have abandoned gold and trade to bring costs down when things seem too euphoric for it. Hopefully major markets find a bottom soon—that will be supportive of everything, including gold stocks.

David Coffin & Eric Coffin

Basing Warehouse Stocks?

The past week has seen declines for both copper and zinc warehouse stocks listed by the London Metals Exchange (LME). The **copper** stocks have dropped about 4% from peak levels. This process caused a price spike for copper in the first part of last week, before it consolidated as stock market indices continued making long term lows.

Without question copper is seeing renewed enthusiasm due to both resource purchases by and government restocking in China. While this is in keeping with our expectations, we think it important to recognize that neither LME declines nor red metal spot price increases are outside of normal variation for a range bound market. We like the direction, but are not yet ready to view it as a trend.

Year end numbers are still coming out, and these continue to be as depressing for base metal producers as they are for most others. Q1 results will be needed to confirm companies are mostly done sweeping clean the excesses and mistakes

built up during the boom. We think a base is building, but more hammering may be in the offing before we want to stand on it.

March is a heavy month for **bulk commodity** contracting, and there appears to be much woe on the table from buyers in advance of this. Pricing for the next 12 months of iron ore, coal and other bulk sales will create near term base points for them. The markets' mood on commodities in general will be tested by these contracts. We don't expect any joy-jumping from prices well below last year's highs, but do think they may start to generate analysis based on how much better than historic pricing (read pre 21st century) the contracts are maintaining.

Gold is continuing to consolidate in light of historic high prices in all but a couple of currencies. The lack of Western creativity on its banking sector problems seems certain to kick gold higher in due course – precious little is left of the old fixes to toss at this mess.

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INSIDE OUT

There's been bad news from all over in the past month, with some of the scariest numbers coming from Eastern Europe. The region is in the midst of a classic currency crisis. While these "quasi EU" countries are also credit crunch victims, the situation bears many similarities to the Asian Crisis of the late 1990's.

High growth rates, strong currencies relative to the Euro, and the assumption they would be Euro members in a couple of years led many in the region to € and SFR based borrowing to capture lower western and Swiss interest rates. Like many high growth areas, Eastern Europe has had large current account deficits. When exports and incoming investment slowed, local currencies therefore fell apart. That has destroyed incomes relative to the Euro denominated debts taken on, with predictable and ugly results.

We've seen many predicting the demise of the Euro and the EU thanks to issues of this sort. Its hard to see the logic there, which is akin to saying the US Dollar should have collapsed during one of the many periods when Latin America wilted under the weight of greenback denominated loans. (*Ok, it should have collapsed during the early 1980's when every money centre bank in the*

Upcoming Speaking Engagements:

Calgary, April 4-5, 2009

Calgary Resource Investment Conference.

<http://www.goldshow.ca>

Chicago, April 24-25, 2009

Chicago Resource Expo

<http://www.chicagoresourceexpo.com>

Saskatoon, May 8, 2009

SaskRocks Resource Conference

<http://www.saskrocks.ca>

New York, May 11-12, 2009

New York Hard Assets Conference

<http://www.iiconf.com>

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US was technically bankrupt thanks to Latin American debt write-offs. Everyone then agreed to look the other way for 4-5 years until the banks earned their way out of it. Wonder if that would work this time?)

Based on recent meetings and communiqués the issue is raising tensions in the EU. Member countries have talked about reaching accords and agreeing to frameworks on how to deal with potential issues. To us this sounds like not dealing with issues; bureaucratic jaw flapping isn't going to get things done in a situation like this.

Its hard to avoid the impression that most of the EU is

waiting for Germany to pick up the tab, as its done many times in the past. That certainly isn't lost on Germany itself. Chancellor Merkel is making it pretty clear that her government won't be buying all the rounds at the party this time.

The currency aspect of the Eastern European crisis should be simpler to fix, at least in theory. Right now Baltic states are half in and half out of the EU, with some of the advantages of membership like trade preference but without membership in the Euro block. That is supposed to wait until the countries meet EU standards for government debt levels and deficits. Some of the smaller states are a long way from meeting those tests. Some of the larger state that pose bigger risks are closer to being admitted.

When European voters vetoed the most recent attempt to strengthen the Euro block's financial ties, we did not agree that would blow up the Euro (it didn't), but did agree it would mark the start of more dithering and mismanagement by Eurocrats.

There is no simple way to deal with some Euro zone countries being better managed and fundamentally richer than others. Short of a pan European "super-state" being formed (a zero probability any time soon) that is a problem that will always exist. Adding a bunch of East

European countries to the mix might make that situation worse, but not if the best and brightest are chosen.

There are a number of countries (Hungary, Poland, the Czech Republic and Estonia, to name a few) that are in reasonable shape, other than the currency issues, and which won't have much worse government finances in 2009 than several Eurozone members. Gaining access to the Euro block would grease the wheels of public finance in these countries and immediately nullify the currency risk for local € and SFR borrowers. Currency risk is rapidly morphing into insolvency risk that could choke some major European banks.

We think its useful to look at the circumstances of Slovakia and Slovenia, two countries in the region that *are* part of the Eurobloc. Admittedly, they got in early because they had their economic houses in order. Both countries are however as export dependent as any other Eastern Europe state and yet have higher per capita incomes and triple A credit ratings. Membership in the Euro is not the only reason for that obviously, but it helped.

This economic tsunami hitting Eastern Europe hard seems likely to enlarge the Euro area more quickly. That is an idea many current members won't like and that ECB head Trichet is opposed to. Several of the countries men-

tioned above are in the "Euro waiting room" already, trying to string together two consecutive years of government debt and deficit number that meet requirements.

Europe has been behind the curve for much of this crisis. In a liquidity and solvency crisis, anything that can base the pain for large numbers of lenders and borrowers alike should be considered.

A lot of Europe's politicians are in denial because local banking rules have allowed some of Europe's largest banks to overstate the value of their loan books. They haven't been fooling the market though. The end game will have to be some dismantling of the Euro banking sector. Too many jurisdictions have bank assets are far too large in relation to their home economies, meaning they are too big for their home economies to save when things go very wrong.

Like it or not, the Euro zone needs to get bigger, quickly. That would increase the float and liquidity for the Euro, put it more firmly in growth oriented hands, and simplify the European trade equations. It remains to be seen if the region can show enough strength for the Euro to be a viable alternative to the Dollar. If Eurozone countries can't stomach Euro expansion into their own trade area, the region will be in danger of lurching from crisis to crisis.

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Minefinders (MFN-T, MFN-NYAIt)

Major Update

Fourteen years and one major bear market for precious metals since having begun the modern exploration of the Dolores site in Mexico's Chihuahua state, Minefinders officially opened the heap leach gold-silver operation two weeks ago. We congratulate Mark Bailey and Tench Page on the hand over of the site to the mining staff. There are several more milestones to achieve at Dolores over the coming year, which combined with a steady move there to full output should garner MFN price gains as a new producer. The exploration staff has kept busy on a number of other projects, and these too may add to the company's profile as the year progresses; patience has been rewarded with a rising gold price and weak Peso at just the right time.

HRA is up about 400% from its initial review of the company. Until recently Minefinders had been lagging its peers' recovery after last October's market rout, but has gained ground in the past few weeks and is currently trading with gold and silver prices but with an upward bias. While we considered MFN positioned to regain its old highs at current gold prices, as importantly it offers strong upside to gains in the price of silver. What follows is an update to summarize its recent history and lay out some parameters to keep in mind for gauging its on-going market potential. **Accumulate during gold-silver price weakness for gains on new production, and increasing cash flow over the year.**

OVERVIEW

The official opening of Dolores as an 18,000 tonne per day heap leach operation took place last month. A declaration of commercial production, as defined by debt covenants, is still to come. Though the February numbers are still pending, that may have been the operation's first cash flow positive month.

Metals extraction from heap leach is done by months of running a relatively weak solution through crushed ore. It usually takes 6-12 months to bring a gold heap leach to its full scale output, and silver typically takes longer to build to capacity than does gold. We believe some of the weakness MFN saw earlier this year related to frustration, and perhaps some misunderstanding, over timing of metals output.

Briefing Book

(amounts in \$CAD)

Minefinders Corp.

Listed: TSX:- MFL, NYAIt- MFN

Share Issue: 59 MM; 75 MM F.D.

Share Float: 50 MM

Working Capital:

\$ 20 Million, \$ 80 MM Fully Diluted

52 Week High-Low: \$13.50—3.33

Recent Price: \$7.23 (on Toronto)

3 mo Av Daily Volume: 600,000 shs.

Phone #: 1-866-687-6263

E-mail: mike@minefinders.com

Website: <http://www.minefinders.com/>

In fact, the Dolores heap is, so far, running a little better than lab projections had anticipated. There have also been a few teething problems with the size of material going to the crushing plant, but none that are atypical of a mine start up nor that have proved overly difficult to deal with.

I (David) spent the day before the official opening on a walk through of the operation. The operation is running smoothly and the normal bugs it is encountering are being ironed out as expeditiously as possible. I saw no red flags of note, and while it is still too soon to say the will definitively run to specs, there are no apparent impediments to its doing so.

Dolores is expected to average 128,000 oz of gold and 3.5 million oz of silver per annum through its first two years. Moving to that output level should garner Minefinders further share price gains at current gold and silver prices. The company will hopefully better define underground potential near term, and we continue to believe that will be mean a big addition to the valuation.

CORPORATE SUMMARY

Dolores is one of a series of high-grade gold-silver camps in Mexico's Sierra Madres trend that began reevaluation by North American companies in the early to mid 1990s. Based on initial results Minefinders choose to focus its work on establishing a bulk tonnage operation there, work that was sidelined for a number of years by the last resource bear market.

It was near the end of that bear market that HRA started following Minefinders. We liked the deposit, both the shallow areas now being mined and the deeper high grade potential. We were also impressed with the quality of management, which has steered the company from the start and brought a mid sized gold mine to production with surprisingly light dilution to shareholders.

This coverage is more an update than full review so we won't describe the full management contingent and Board. We do note that MFL displays an impressive level of continuity at both management and board levels with most company officers and directors holding their positions since the mid 1990s.

Since the initial exploration at Dolores Minefinders has been guided by CEO Mark Bailey and VP Exploration and Director Tench Page.

Both are geologists by training with 30 years experience in the business. It's fair to say Bailey and Page are the chief architects of MFL's success. Bailey, Page and the rest of the board insisted on careful development of the project, making sure to the greatest extent possible that Dolores would be one of those projects where everything went as planned. Management is the main reason we continue to expect surprises to be of the pleasant variety in coming months.

MFL management has always been concerned with keeping maximum leverage for shareholders and that shows in the company's financial structure. Well timed and large placements earlier this decade helped carry Dolores to production while keeping issued shares under 60 million, a fraction of the number many grassroots explorers have out these days. The last 9.2 million shares issued were a very reluctantly completed financing at \$4.35 in December. These shares become tradable in early April and could generate some selling pressure at that time.

Minefinders kept equity issues down by using debt. At mine start up MFL has US\$85 million in 4.5% notes convertible at US\$10.88/share and a \$60 million revolving credit line. Assuming gold and silver prices in the \$800 and \$12 range, Dolores should generate annual cash flows of \$70-90 million. This

should easily be enough to handle the corporate debt load.

The convertible debt matures at the end of 2011. The conversion price is almost twice the current share price, so most shareholders are unlikely to be offended by this prospect but we don't know if early conversion is an option. As noted below, the company is working out the economics of adding a conventional mill circuit to process higher grade underground ore. That may require more third party funding depending on the timing of the decision. If there has been an orderly conversion (assuming a trading price above the conversion price) such funding might be easier to obtain.

Aside from wanting to maximize shareholder leverage, the current capital structure results from management insistence that gold/silver forward sales be avoided. This is the reason the revolving line is the only major bank debt. Minefinders is a rare example of a new producer that managed to remain completely un-hedged.

Resource Base

The Dolores deposit is centered on a breccia pipe (a sub-vertically oriented mass of fragmented rock) and series of veins that cross through it. Higher grade material in the breccia and veins plus a portion of the lower grade "halo" that surrounds

them is included in the open pit reserve. The system has an over all trend length of some 4 km (2.5 miles), of which about 2.5 km is included in the current mine design. The deepest vertical extent of the current pit design is about 275 metres (900 ft), which is scheduled to have a 15 year mine life.

The proven & probable reserve base in the heap leach plan is: 2.44 million gold oz & 126.6 million silver oz, in 99.3 million tonnes at 0.77 g/t gold & 39.7 g/t silver. Metal recoveries by heap leach are estimated at 72.3% for gold and 50.8% for silver.

The reserve is from a resource totaling 3.1 gold oz & 149 million silver oz; a further 660,000 oz at lower grades is contained in an inferred resource. Some addition to the reserve might be added at higher gold-silver prices.

Operating Costs

Gold output in the first two full years is expected to be a little under 130,000 oz; silver output is to be 3 million oz in the first full year rising to 4 million oz in the second. Through the 15 year mine life 1.77 mm oz of gold and 64.4 mm oz silver would be recovered.

Cost assumptions using a US \$650/gold oz and \$13/silver oz base generated a gold-equivalent cash cost of \$297, or of \$32 per gold oz net of silver (before royalties). The

year one cash cost is estimated at US\$403 per gold-equiv. oz. There has of course been a large swing in the gold/silver ratio since last year, and significant drop in Peso that should reduce US\$ costs. In the current market, we consider the project highly sensitive to silver prices in particular.

Expansion Potential

A portion of the deposit near the old village of Dolores has not been fully drilled off due to safety concerns. The last of the families in the old village are scheduled to move in the next month or so. Once this drilling is completed, the company will be able to complete an underground mining plan that is expected to incorporate a "conventional" milling and recovery system. Though an underground plan is important in its own right, it may also shift the open pit plan by indicating that some material in the heap leach plan should go to the conventional plant. It might also shallow the pit if bulk underground mining reduced the stripping ratio from deep pit mining sufficiently.

Though conventional systems have higher costs, they also generate higher metal recoveries. A +90% recovery is indicated for both gold and silver at Dolores using a conventional plant. A positive decision to build a conventional plant for underground ore, which is likely, could include a decision to segregate

higher grade material in the pit so it could be treated by the higher recovery methods. The impact on silver output in particular could large, as quickly as a plant could be made operational.

Take Over Potential?

Potential buyers are watching to see if the +50% silver recovery by heap leach will be achieved; typically this type of operation is doing well to recover 30% of the silver. A firmer outlining of the underground potential would also get noted, and since an underground operation could be concurrent with the pit mining it could add a lot of value. The company is not looking for a suitor at this share price, but potential to grow production are what the market will be gauging if it is to price in a take-over premium ahead of MFL moving to a firmer bottom line and underground mining.

Other projects could also help to build this premium. The small Bolero deposit in Sonora could add around 30,000 oz of gold output on a short run basis. The real upside may come from Minefinders' exploration background. Crews are at work looking for the next Dolores in the Sierra Madres belt, and as importantly will be actively evaluating projects elsewhere. The potential to either shift from a one to a multi-mine company or the excitement of resource expansion from discovery will garner gains in this market.

East Asia Minerals (EAS-V, EAI AF– Qbb)

New Coverage

East Asia caught our attention when it successfully sold a number of Mongolian uranium exploration projects in 2007. We had watched for a much lower entry price after the company divvied out most of these proceeds, but the price held well due to respect for this management group and the start of work on its Indonesian gold projects. The credit crisis has now created lower price levels we hoped for despite significant advance on several of its Indonesia projects in the intervening period.

Two of the gold projects, Abong and Sanghie, should have initial 43-101 resource calculations done in the next few months. What really attracted us to the company again however is the earlier stage but very impressive Miwah gold project. Miwah is similar in form and scale to Pierina in Peru before its drill testing, and is likewise also in a reemerging gold district. East Asia plans a large definition drill program at Miwah starting in Q2/Q3 and this is a project that could very rapidly grow a large gold resource. The company also has a number of good porphyry targets and retains several advanced uranium projects in Mongolia. Although EAS is a young company, management has already proven they know how to build and sell a resource and they have several projects with the potential to repeat that success, and then some. The company has sufficient funds to kick off these programs, though not yet enough to complete a large resource definition.

Buy in this range for in place gold resources at Abong and Sanghie, but most importantly for the outsized exploration and asset growth potential of the Miwah project.

OVERVIEW

East Asia Minerals made a very well timed entry into a couple of areas of Indonesia and picked up several projects with very good resource expansion potential. This is not the first time this group has entered part of Asia ahead of the crowd.

EAS was also in Mongolia early, acquiring both copper and uranium projects before the region became hot. Mongolia has not been kind to most foreign mining companies, but EAS was one of the winners by selling its interests in a number of uranium projects to Areva at a tidy profit. EAS still has a dozen uranium projects in Mongolia but it's the project base in Indonesia that interests us.

The Miwah project in Sumatra should see a large drill program starting in Q2.

Briefing Book

(amounts in \$CAD)

East Asia Minerals.

Listed: TSXV:- EAS, Qbb-EAI AF

Share Issue: 55.6 MM; 61 MM F.D.

Share Float: 50 MM

Working Capital:

\$4.5 Million, \$ 8.7 MM Fully Diluted

52 Week High-Low: \$1.90—0.12

Recent Price: \$0.43

3 mo Av Daily Volume: 220,000 shs.

Phone #: 1-416-792-8734

E-mail: info@eaminerals.com

Website: <http://www.eaminerals.com/>

Based on existing data this project has the potential for rapid resource growth, in the 3-6 million oz category. It is a project that, even in this difficult environment, can excite the market.

This project is underpinned by last year's testing at two

other Indonesian gold projects. These should generate cumulative gold resources well above the company's current valuation once qualified calculations are completed for them later this year, and neither is yet drilled off. The re-emergence of Indonesia as an important mining region is well under way, and East Asia is very well positioned to benefit from that.

CORPORATE SUMMARY

East Asia began its life as a public company in March of 2005 when it merged with publically trading Walloper Gold in a RTO transaction. 7.1 million shares were issued to acquire EAS, and financed with a placement of 11.3 million units at \$0.45. East Asia started with high grade copper oxide exploration in Mongolia, but soon started adding uranium pro-

jects as that sector heated up. The combination of pounds in the ground uranium assets and high grade drill results from the copper projects generated a lot of market attention. EAS used this to its advantage, completing a brokered placement of 12.6 million units at \$1.25 in October of 2005.

While the bulk of the exploration news in 2006 came from the Mongolian copper exploration, EAS continued to actively add uranium projects there. Uranium exploration began in earnest later in 2006. While the uranium projects were being explored EAS was also entering Indonesia. The bulk of the Indonesian project set that is the focus of this review was acquired in early 2007.

HRA stayed away from the Mongolian uranium boom. We considered the government simply too erratic. Many of the companies involved have run into trouble, but East Asia hasn't been one of them. Thanks to a project buyout by Areva, EAS is the most successful explorer to date in that region.

EAS acquired properties covering extensions of a roll front uranium deposit being explored by a subsidiary of Areva. Early work confirmed Ooshiin Govi appeared to be a direct extension of Areva's mineralization. That was enough for Areva, to pay EAS C\$83 million for it and several other projects. The

Ooshiin Govi transaction closed in September 2007. Most all of the sales proceeds were distributed to shareholders as a special \$1.30 dividend. The dividend and corporate taxes payable consumed most of the funds from Areva.

Although EAS did not retain much of the sales proceeds, earlier fund raising was sufficient to carry the company. Warrants from the two placements noted above plus options were exercised during 2007 and 2008, bringing in \$20 million. The company has not completed a financing since 2005 and has no warrant overhang. At the end of the last quarter EAS had roughly \$5 million. This is relatively low for this management group. With a substantial 2009 exploration budget outlined more will be needed, but this with existing results is more than enough to justify a higher price in a still healthy gold market.

MANAGEMENT

East Asia depth in both its board and management team, with an emphasis on technical and exploration backgrounds. CEO **Michael Hawkins** a geologist by training has over 25 years of experience in the exploration business, primarily in the Asia-Pacific region. Prior to helping form EAS, he was AngloGold Ashanti's country manager in Mongolia, chief geologist for Highland Pacific and ran a successful international drilling company.

COO **Lionel Martin**, also a geologist, spent many years with Noranda where he was the exploration manager for the Australasia region and seven years with Cameco. VP Exploration **David Royle** has over thirty years experience running exploration and development programs around the Pacific Rim, both in Asia and South America.

The Company's other Board members are perhaps better known to North American resource investors. Chairman **Darryn Pylot** brings management and financing experience to the board and is also Chairman and CEO of Capstone and Silverstone Resources. **John Gingerich** was formerly Noranda's Director of Research and expert on remote sensing and exploration program design. **Jack Marr**, who rounds out the Board, is a Vancouver based geologist and former Regional Manager for Kennecott who has served on the boards and helped form numerous juniors.

Country Summary

EAS works in two countries but we will forgo summarizing Mongolia for now.

For a decade Indonesia has undergone major change towards a less centralized political organization. This sped up after the Boxing Day Tsunami in 2005 devastated northern Sumatra where the most persistent and violent opposition had been to a Java centric government cre-

ated by Dutch withdrawal in the 1960s. The need to rebuild in Aceh has ended that insurgency, and aided the broader reduction of hard-line policy from the central government in Jakarta.

East Asia recognized this shift and moved to acquire ground in Aceh with the aid of already established partnerships in order to acquire ground through "KP" tenure that must be held by locals. By so doing EAS established arguably the strongest exploration package in the country, including projects that had previously been unworkable due to political tension.

A new mining law, for which regulations are still pending, further aids the potential for foreign investment. Exploration grants that automatically shift to exploitation tenure, typical of modern mining tenure, will replace much of the current unwieldy system. The current *KP* claims that can be directly owned only by locals, and the *SIIP* "temporary" permits that hold foreign tenure for long periods prior to formalizing Contracts of Work (COW) with specific requirements, are to be exchanged for the new exploration grants. Whether existing COW, the backbone of foreign held mineral holdings, will similarly be folded into the new system is not yet clear. Regardless, this new law should greatly enhance foreign investment in the country's highly prospective geology.

Project Summary

The EAS Indonesian portfolio is a large set of epithermal gold (silver) targets that may contain both bulk tonnage or high-grade zones, and bulk tonnage porphyry style copper-gold zones. Most of these are on northern Sumatra. The Sanghie project on the island of the same name to the north of Sulawesi being the one notable exception to the focus in Aceh we will briefly outline. The company plans to test a number of its porphyry style targets near term, but that is not our current focus.

It has been and will be epithermal zones targeted primarily for bulk tonnage deposits that will provide market focus. Extensive drill programs last year at Sanghie and at Abong in Aceh should result in initial resource estimates later this year. These estimates could of themselves generate a base well above the current EAS valuation. But it is upcoming testing at the Miwah project that we expect to generate the most interest.

Miwah gold - Aceh prov.

This KP in a relatively remote part of Aceh contains a very extensive exposure of silica flooded and altered rock.

This silica flooding that carried gold and minor silver into the zone is resistant to weathering, which has aided in exposing the zone to surface. Of particular note is that the Miwah Bluff includes a 150-300 meter vertical exposure of this material.

Combining this with a 1000 by 300 metre area of exposure means about 100 million tonnes of material is "sticking out of the ground."

EAS has taken some 2,400 surface samples of this material that returned an average 1.2 g/t gold, which confirms results of historic work on the surface exposure. The historic work also included 13 short core holes that confirm the 3rd dimension with results of up to 71 metres of 1.42 g/t gold. These holes were however drilled parallel to the trend of the higher grade structures within the zone, and so did not properly sample it.

Based on just the exposed and sampled material, this is already a large zone with a 3 million gold oz profile at good bulk tonnage grades, which is very much open to expansion. There is ample evidence higher grade starter zones should be generated by drilling across the structural trend. This could potentially be one of the largest epithermal zones outlined in this cycle. On top of that, EAS has located a second zone of similar scale, and two other target areas within this project.

Were it not for the extreme risk aversion generated by the credit crisis, Miwah alone would have the company trading at a much higher price based on just the existing data. As it stands we do think there will be price gains on a drill start here.

Abong gold - Aceh prov.

This is one of the two epithermal gold systems East Asia partially drilled off last year. The main focus is a silica flooded layer of 10-15 metres thickness that follows the contact between limestone and an overlying mudstone. It appears that the mudstone was resistant to the flooding and helped to channel it along the contact.

The blanket shaped deposit has been traced for 2,000 metres (6,000 ft) of strike and up to 800 metres of breadth, and it remains open to further on strike expansion. It is exposed in a sink hole that cuts through it, but is otherwise hidden by the mudstone and had to be traced by shallow drill holes.

The 130 core holes completed last year returned an average 13 metres of 1.7 g/t gold (42 ft @ 0.05 oz/ton). Stronger results included sections of up to 14 m of 6.3 g/t gold. There is upwards of several million oz of potential in this layer. Further work is needed to determine how the gold could be extracted given a relatively high strip ratio and hence what cost base to use in better defining it, but this is already a substantial resource. There is also a still theoretical potential to locate high-grade within structures that channeled the fluids into the contact area.

Sanghie gold - Sanghie

This project covers the southern half of Sanghie Is-

land; the northern half of the island is an active volcano. The tenure is held within a suspended COW (granted to 3rd party and now inactive operator) for which further clarity will be needed once the new mining regulations are in place.

This is the second epithermal system that was drill tested last year. A program of 79 shallow core holes focused on portions of the Binebase-Bawone corridor. Better results included 95 metres of 2.15 g/t gold; 125 m of 1.67 g/t gold; and, 46 m of 4 g/t gold & 188 g/t silver. There is 1200 metres of untested potential between the two focus areas for expansion testing after an initial resource estimate has been completed.

In addition, high-grade results have been returned in surface results from a number of other targets within this system. Highlights from two of these targets include 14 m of 34.8 (46 ft of 1 oz/ton) gold, and 7.8 m of 15.6 g/t gold & 195 g/t silver. This is a very robust addition to the main focus area in Northern Sumatra.

Copper-gold - Aceh

EAS has so far lined up seven porphyry style copper-gold targets in northern Sumatra, and plans initial testing into a number of them as part of the upcoming work program. This work will be essentially the first large scale test in this portion of a regional sys-

tem that has generated some of the worlds largest gold systems of this type.

The large bulk-tonnage mines this deposit type can generate will be increasingly important to the gold majors trying to replace 5 million plus oz of annual output. As the copper price stabilizes, it will take increasing interest in this portion of the EAS portfolio. For now the higher gold grades in the epithermal systems will be to the fore.

Various— Mongolia

East Asia holds a number of uranium projects with historic resource estimates, plus phosphate and copper targets, in Mongolia. Though these will not be an immediate focus, they continue to be important parts of the portfolio. EAS is after all one of the few foreign explores to have been successful in Mongolia, using a returns-on-investment criteria. That criteria, and the need for expanded bulk tonnage resources that the phosphate projects may represent, will be of increasing importance to markets going forward.

EAS has been successful by being opportunistic with acquisition, and both realistic and insistent about disposal of assets. As the severe risk aversion generated by the credit crunch further dissipates, a respect for the company's portfolio building skills will of itself help rebuild its market capitalization.



Updates

Even a resurgent (some of the time) gold price didn't leave many places to hide. Traders were quick to leave at the first sign of setbacks and only companies that were thought capable of delivering short term joy saw any real traction. This is not surprising given major markets were nothing short of horrible this month. We would like to tell you we know the market will bottom soon. We think it may, if only based on the extreme bearish sentiment. Whether that turn is just a bear market rally or a "real" bottom remains to be seen. The world's financial system has a lot of write offs to deliver and the sooner the better. Until people start believing there won't be more bad news at every turn they will be afraid to spend and afraid to hire. The only good news is the precious metals are one of the few bright spots and there is a chance that base metals will turn sooner than feared by many. Hold tight and stay tuned.

Diamonds North Resources (DDN-V; \$0.105) put out results from its mini bulk samples. The best results from the Tukto pipes came in at about 0.1 carat/tonne or about one tenth of the value the market was hoping for and most of the stones were very small. The results from the Quaavik pipes were lower still and DDN indicated it plans no further work on any of these pipes. Diamonds North will be returning to the property later in the year to test a large number (up to 100) targets in search of pipes that live up to indicator mineral geochemistry that looked so promising. We don't think the area is a write off and think looking for pipes that match the strong indicator mineral trains is a worthwhile objective. That said, traders have been shaken by this disaster and its unlikely they will trust anything short of new mini-bulk results from the project area after this. DDN is funded for this summer's testing and, if they get new kimberlite with high counts, will have to finance again to complete mini bulk samples on new targets. We don't see much point in selling into the gloom. Diamonds North has strong technical management and should see better (if not a lot better) pricing as the summer testing nears. ***Hold to see if the price drifts upwards as summer testing nears.***
<http://www.diamondsnorthresources.com>

Goldsource Mines (GXS-V; \$1.85) released three sets of results in short order

heading into the PDAC conference and they seem to have turned the play around. The results summarized drilling to date at three different areas. There were some impressive thicknesses intercepted but the best results overall were in the last release. This release reported a number of new holes in the "Pasqua sub-basin", located north of the bulk of last year's drilling, near hole 5. These six holes were step outs large enough to be significant, up to 1.5 kilometres to the south-east of hole 5. The holes intersected up to 56.2 metres of dull to bright coal, usually in two seams separated by partings. The narrowest intercept was 26 metres and all holes intercepted coal. These holes are the first full set over a larger (roughly 1.5 by 1 km) area to show good coal thicknesses in all holes. These holes are in an area considered, for now at least, a separate sub basin from most of the earlier holes reported so far.

It appears the latest geophysical filtering technique GXS is using to target holes is working, given the higher hit/ miss ratio they again seem to have. The two main areas reported on, assuming continuity between holes, are starting to show some potential for significant tonnage. There are still three drills turning, and the weather has turned cold again (which is good for a winter program). GXS expects to at least complete the planned holes before things warm up too

much. While it's too early to call it a trend, the drill pattern used around hole 5 implies the sub basin is northwest-southeast elongated. North and west of holes 2 and 5 is drier land, so summer drilling might be possible there if warranted.

It is too early to say they have sufficient coal to make a mine, but its moving that way again. Targeting has improved, so tonnage potential should be better understood near term. The stock is trading much better, though its not seeing gains like last year. Volumes are higher however and the small float may help generate larger price swings later. ***Buy on weakness for the renewed push to add tonnage at Border, but use large upward price moves to trade down your holding costs if the stock spikes.***
<http://www.goldsourcemines.com>

Hathor Exploration Ltd. (HAT-V, HTHXF-Qbb; \$2.12 on V) announced the first holes from its winter program, which did not impress the market. There were some very good intersections, including a highlight of **15 metres grading 12% in hole MWNE-09-56**. Traders were disappointed that while 9 of 11 infill holes intersected the zone several of them had peak values below 1%. HAT is a victim of its own success; its now expected that they will deliver extraordinary results every hole. While we would have liked to see blockbuster grades in every hole these systems tend to be variable over even short distances and its not realistic to expect every hole to contain 10% plus uranium grades. The stock gave back some price after the release though the horrible market undoubtedly contributed and the volumes have been strong so there are still plenty of buyers. Most of the intersections reported are likely to be considered economic and several of the holes that missed were testing other targets.

HAT has also begun a farm in of the Henday project belonging to **Forum Uranium (FDC-V; \$0.07)**. This project, located about 15 km northwest of HAT's Roughrider discovery, is one of the more pregnant looking in this

district. As some subscribers know already, we have had our eye on this project for quite a while. This farm-in signals that Hathor is not planning to wait for suitors to come to it. Spending of \$3.5 million over three years to earn 60% is already in the HAT treasury, with FDC also taking 150,000 HAT shares and operator status though the earn-in to round out the deal. Whether this winter's program will proceed beyond the required \$500,000 of geophysics is an open question, but establishing the right kind of targets will aid both companies even if it doesn't. There are plenty of holes still to come from Roughrider, including ones testing the level above the unconformity that we are all so curious about. **We are maintaining a speculative buy outlook on HAT at this price level.**

<http://www.hathor.ca>

Latin American Minerals (LAT-V; \$0.19) has put out some very strong surface results from its Itapoty diamond project in Paraguay. Relatively large stones of up to 0.5 carats have been pulled from 21 of its stream sediment samples, which should at least indicate they are closing in on the source of these. Stones of this size are unusual in this type of sampling. If they locate kimberlite bodies of scale, the market is likely to get more interested in the play. They have the probable source area "narrowed down" to 180 square kilometre area that is being surveyed with magnetometer to generate targets. LAT has a large number of different projects but it seems to be working to focus its efforts and the market has responded with higher volumes as traders average down higher prices positions. The diamond project won't add a lot of value until source rock with good grades is discovered but it may be time to average costs down on LAT.

Accumulate on weakness to average down holding costs and for further announcements from the field.

<http://www.latinamericanminerals.com>

MBMI Resources (MBR-V; \$0.05) MBR has been a train wreck since the markets fell

apart last year, as has every company involved with nickel. The share price dropped to the pennies and has been flat lining for several months. There appears to be a bit of light at the end of the tunnel however, and its interesting news both for MBR and at a more general level. The company announced it has finalized agreements for four DSO shipments. Two lower grade shipments totaling 70,000 wet tonnes to China will be completed in the next few weeks, based on ship availability. Two higher grade shipments totaling 55,000 wet tonnes will go to Japan probably in Q3. While sales prices will be only a fraction of their levels a couple of years ago MBR should still make good margins due to the low mining costs.

They should make enough money on the first couple of shipments to get most of the way along getting the Dinigit Island DSO operation up and running. MBR does not own Dinigit; it has a life of mine sales and marketing agreement in return for providing start up capital. MBR gets its money back first and then receives 70% of the net. Because Dinigit has Philippine owners its tenure is an MPSA that does not have the production limits MBR's own projects still do. They are still working on the FTAA for Alpha, but getting Dinigit ready sounds sensible given the glacial pace of the FTAA approval process. MBMI is not out of the woods but if they have Dinigit ready and can arrange more sales later in the year they could make it through the worse of the great contraction in one piece.

Those who wonder if the Chinese stimulus efforts are all smoke and mirrors should be somewhat comforted by MBR's situation. Management said that buyers simply vaporized for several months but that began to get enquiries again a few weeks ago. No one is calling it a trend but this is the first area where we are hearing about buyers coming back. Let's hope its not the last.

Hold or accumulate to average down for further news on potential sales and advancements at Dinigit and Alpha.

<http://www.mbmresources.com>

Minera Andes (MAI-T, MNEAF-Qbb; \$0.66 on T) has now completed the two tranches of placement by Robert McEwen, at \$1 per unit, that were needed to satisfy both the cash call by partner Hochschild and its bridge loan facility. By pushing the placement price to \$1, McEwen has both increased the upside potential for the stock and pushed the attempted takeover by Hochschild to the sidelines. Even if there more capital items were generated that could garner a cash call (and we don't know what they might be), MAI is much better positioned to deal with them than it was last December.

MAI still needs to complete pay-down of the development costs from cash flow, but there was enough excess working capital in the McEwen placement to allow some further exploration after allowing for corporate needs. We expect the company's share price to move towards its free cash flow potential through the balance of the year; we also view MAI as a strong buy for gains to either gold or silver prices.

Our outlook at current prices is buy for its gold-silver output.

<http://www.minandes.com/>

Reservoir Capital (REO-V; \$0.25) has been granted the first two of its run-of-river power generation licenses in Serbia. The Serbian government has also adopted European provisions for above market rates for "green" power, of €0.11 to 0.13 per kwh, and these are more than adequate to create the operating net needed to move the projects forward. The next milestone in this process will be a funding mechanism to bring the projects through debt capable feasibility studies.

REO saw some buying on the grant of licenses. A funding mechanism for the next stage should firm up its price, and HRA will maintain an accumulate outlook while this process continues. Though we don't expect the mineral projects that first brought us to the stock will impact its market this year, we continue to view it as a good alternate holding on our list.

Accumulate on weakness as a long term "green power" play.
<http://www.reservoircapitalcorp.com>

Virginia Mines (VGQ-T; \$3.88) will begin to receive advanced royalty payments next month from the sale of Eleanore. These will be US\$100,000 per month, which roughly equates to an output rate of 60,000 oz per annum at current gold prices. Goldcorp's most recent estimate for the project brings its resource to over 5 million gold oz. Though development plans have not been outlined, a resource of this scale (were it all to be part of a mine plan) would typically optimize to a scale about five times that of the royalty payment. Whether the project can support the 3 Kt/day operation needed to do this is still an open question.

The impact of the advanced payments would be mostly psychological since exploration success is still the key to Virginia's future. But anyone who looks at map of northern Quebec can see there is still a lot of ground for the company to cover, and its project portfolio will look that much more interesting as the metals sector picks up.

For the moment we will maintain an accumulate outlook on VGQ below the current range.

<http://www.virginia.qc.ca/>

Wescan Goldfields (WGF-V; \$0.19) was one of two "other" names in the eastern Saskatchewan coal play we talked about in the "area play" coverage last summer that we expected to move in conjunction with main player Goldsource. Now that the play looks like it is back on and Wescan has permits in hand, it is worth keeping an eye on for further developments, and we will shift its outlook to speculative buy on weakness—IF GXS itself is getting traction in the market.

<http://www.wescangoldfields.com/>

Updates, After Profits Taking

Bear Creek Mining (BCM-V; \$1.72)

Rio Tinto, the vendor of the Corani project, agreed to extend the payment dates for the remaining buy out of the project. BCM was to have made \$15 and \$25 million payments at the end of September and December this year. The new payment schedule calls for payments of \$5 and \$10 million at the end of 2009 and 2010 and final payments of \$10 million on September 30 2011 and \$15 million on June 30, 2012. Bear Creek now expects to be able to take both Corani and Santa Ana through prefeasibility by the end of this year without having to finance again. This should allow the stock to gain with silver prices without the fear of large potential dilution in the short term.

Hold for higher silver and, hopefully, base metal prices.

<http://www.bearcreekmining.com>

MAG Silver (MAG-T, MVG-NYAlt:

\$5.41 on T) saw its share price move to the mid \$7 range before the pullback in gold and silver prices reversed things. The stock suffered a more serious blow this week, when the independent engineering group that performed the 43-101 calculations for Juanicipio announced that a computation error had been made. MAG released a set of updated corrected figures that were both lower grade and smaller than the original calculation. The revised calculation places Indicated and Inferred resources at 189 million ounces of silver, rather than the previously reported 266 million ounces, at grades about 100g/t lower. While this still makes Juanicipio one of the premier high grade silver discoveries of the past few decades it didn't go over well in the midst of collapsing equity markets. MAG is now priced again near a level to be "in play" in terms of Fresnillo's US \$4.54 offer, though the parties are no longer even pretending to cooperate. We expect MAG will keep pushing to have the bid annulled. Stay tuned.

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