


 The logo features a large, stylized white 'R' on a yellow background to the left of the text 'LAWRENCE ROULSTON'S RESOURCE OPPORTUNITIES' in bold black letters on a yellow background.

...Discovering value in natural resource stocks

Turning Point

Editorial

After months of relentless pain, the junior resource markets have finally begun to bounce off the bottom. I am not suggesting that the markets will suddenly bounce back and losses will be erased. But, there is no doubt that the mood in the markets is different now than it was late last year or even during the first couple of weeks of January.

Friday, January 20, 2012 marked the turning point in this phase of the resource market. Normally, a turning point shows up after some weeks on and you trend. Some analysts will look back and point to the low on a longer-term chart. This turning point was quite tangible.

We have to be careful not to get caught up by the euphoria that often accompanies mining investment conferences. The Vancouver Resource Investment Conference on January 22 and 23 was the biggest ever, both in terms of attendees and number of exhibitors. The combined effect of the promoters from 600 companies pitching their story simultaneously can affect the mood of any city, and undoubtedly impacted Vancouver.

As an indicator, we must remember that many or most of the exhibit booths were reserved and paid for early last year, back when companies had money and thought they could raise more. Exhibit booth space is more of a lagging indicator than a leading indicator.

The really interesting statistic was the number of attendees: 11,000 people

attended the show over the two days. That is a record attendance for that show, and likely the highest figure for any mining investment conference. Attendees came from all parts of the world.

Immediately after the investment conference, the mining folks moved along the waterfront to the Cordilleran Roundup, a big mining industry conference. The geologists and many of the promoters stayed in town, extending the upbeat mood.

But, those two conferences were incidental to the turning point in the markets. On January 20, for the first time in ages, there was more green on the stock price screens than red. The highlight was Calibre Mining (CXB-TSXV), which announced drill results from one of their projects in Nicaragua. (Calibre is updated in this issue.) The results were clearly favorable, but would have been largely ignored a few weeks ago. On Friday, January 20, CXB traded 25 million shares and doubled in price to \$0.37. The following Monday, it traded as high as \$0.54 on continued high volume. Last fall, you could have bought

Calibre under a dime.

Calibre is a great story. But, the real story here is that there is an enormous amount of money that is sitting on the sidelines, waiting for the right time to invest. At least some of that money is now moving.

It is not just the Calibre drill results that underlie the change in mood. The gold price has resumed its upward progression, which always has a big impact on the market.

Let us step back for a moment to look at the big picture to understand why the smart money is again investing in resource companies.

First, the situation in the euro zone has stabilized. The first half trillion euros of cheap loans handed out by the European Central Bank halted the slide in confidence. Another half trillion euro tranche has convinced investors that European leaders will do what it takes to stabilize the situation. Injecting massive amounts of new money into the economy is an approach that worked well to turn around the situation in America.

The recent announcement that 25 of the 27 members of the European Union have agreed to a treaty that would impose limits on debt has added further confidence that a catastrophe will be at least postponed.

More significant than another toothless treaty is the recognition that Germany

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has prevailed over the more indolent European nations to at least try to fix the structural problems in their economies. That signals that Germany is now more likely to go along with stronger measures to support euro zone debt.

The US is now on a sustained path to recovery. The problems are still enormous, but unemployment is falling and consumer confidence is growing. The economy is expanding, albeit slower than anybody would like. The pace of growth is now enough to displace the chorus of commentators proclaiming that the US is “slipping back into recession”. Companies are profitable and sitting on record amounts of cash.

With the US in slow-motion recovery mode, and threats of a European collapse fading from the headlines, attention is now turning to China. The growth rate, having fallen below 9% (8.9% in the latest quarter), has renewed calls that the Chinese economy is about to collapse.

Most people have already forgotten last July, when the media told us that the American financial system would collapse if US government debt was downgraded. That debt was downgraded, with barely a ripple in the markets.

In case anybody has not noticed, the media has a very large bias to the negative. It is easy to use anecdotes as a basis to contrive convincing-sounding arguments. The media, and many commentators, do exactly that on a regular basis.

It is far more meaningful to make an objective assessment based on the complete story. Many of the people producing the commentary are not aware that internal consumption is now far more important to the Chinese economy than exports. The slowdown in Europe is a commonly cited reason for the pending collapse of China. Let us remember: Europe is not stopping, it is merely growing at a slower pace.

Another important factor is that China has \$3 trillion of foreign currency re-

serves, ample firepower to provide a shot of stimulus, if needed.

Overriding all of the global factors influencing investment decisions are two very important themes. Firstly, financial uncertainty will hang over the markets for a very long time. Secondly, the massive amount of stimulus money and bailout money being pumped into the various economies around the world will, in due course, be reflected in declining currency values.

Both of those themes point to precious metals as an important investment strategy. Gold is a secure store of wealth and a hedge against currency devaluation/inflation. Investors commonly measure the euro in dollar terms and the dollar in euro terms. Unless you view the currencies from a stable platform, such as gold, it is hard to recognize that both of those currencies, and many others, are simultaneously declining in value.

There is a pretty strong consensus that the gold price, as measured in dollar terms, will continue its decade long rise. Also, it will almost certainly rise further in real terms.

The decades-long linkage between the gold price and the value of gold equities was shattered last year. Investors bought gold for security and fled from the risk associated with equities. Gold is up 30% over the past year, while gold equities, nearly universally, declined significantly in price. Gold producers are making big profits and amassing large amounts of cash. That cash will be deployed to replace depleted mines and to expand production.

Late last year, we saw two of the gold juniors that we follow taken over by larger companies at premium prices. As fears abate that the global financial system will collapse, the mining industry will ramp up the merger and acquisition activity.

When you look at the valuations of companies with a strong management teams and well-defined resources, you can take

some comfort that there is not a great deal of risk to the downside. There is a growing consensus that a recovery in the juniors is inevitable. I believe it is now underway.

The rebound will not be even. Companies that deliver results – such as Calibre – will be rewarded. Companies where management is hoarding cash to protect salaries will not attract a great deal of investor interest until the recovery is much further advanced. Companies with little cash will struggle.

Some people will tell you that companies are unable to raise money in the present market and may not be able to raise money for some time. That is not true. Any company with a credible team and a reasonably good property will find money, if they look hard enough. The challenge will be to sell shares at a price that does not unduly penalize the existing shareholders.

The story in the resource market has been largely focused on gold. The story for silver is quite similar. Base metals and other metals such as uranium are still out of favor and therefore offer enormous value.

Remember, one of the biggest success stories last year was Hathon Uranium. Two very large companies bid against one another to gain access to that company's uranium deposit. Within a few months, the share price tripled.

From the current price levels, for high quality juniors, the return potential is enormous. More than ever, investors will need to be selective. A few companies will deliver outstanding returns, while other companies will continue to wither. We remain committed to being an effective part of the selection process.

Company Updates

Calibre Mining (CXB: TSXV)

Calibre and its joint venture partner have made an impressive new gold discovery

in Nicaragua. The first three holes confirmed the surface indications and point to a sizable gold-copper porphyry system.

The Primavera discovery is one part of an extensive exploration program being conducted by Calibre in Nicaragua. The company has a large property position in which it retains a 100% interest as well as two projects on which joint venture partners are funding work to earn interests.

Calibre's wholly-owned properties host inferred resources with a total of over 800,000 ounces of gold and 4 million ounces of silver, with plenty of scope to reach a multiple of those numbers. The company has an experienced management and geological team with a successful track record.

The Primavera project is being funded by B2Gold (BTO-TSX) under an earn in agreement by which it can earn up to 65% of specified projects on the extensive property position. Reaching that level involves designating a project area and then funding that project through a prefeasibility study. B2Gold produced 145,000 ounces of gold last year from its two mines in Nicaragua, making them an ideal partner for this project.

The three drill holes at Primavera represented the first drilling on the target, following favorable results from trenching and other surface work. The first hole, to a total depth of 277 meters, carried mineralization throughout that averaged 0.50 grams per tonne gold and 0.21% copper.

The second hole carried 262 meters at 0.78 g/t and 0.30% copper. The third hole produced 124 meters at 0.65 g/t and 0.27% copper. The overall average across the three drill holes is 0.76 g/t and 0.3% copper (1.23% gold equivalent). Those grades compare very favorably to numerous other large gold-copper porphyry deposits, both in production and under development.

The first three holes span a footprint of

about 330 meters x 150 meters. That area represents a small fraction of the geological system as suggested by geophysical results and surface sampling. Importantly, all of the holes ended in strong mineralization, indicating the system continues to further depth. In fact, the third hole was halted for the Christmas break well before target depth. Drilling is again underway, with the first priority to deepen hole #3.

The drilling rig now on site is not capable of going much deeper than the first two holes, so will focus on testing the upper portion of the system. Over the next few weeks, B2Gold intends to transfer four or five drills from another of its projects in Nicaragua. At least one of those rigs will be capable of going deeper.

The objective over the coming months is to delineate the deposit. If results from further drilling are anything like the first three holes, this project could take shape quickly. It has scope to evolve into a large deposit. Two deposits in similar geological settings in nearby Panama have multi-million ounce gold resources, along with billions of pounds of copper. Of course, there is no assurance that Primavera will match those other deposits, but it is highly significant that it is in a geological setting that is permissive of large deposits.

Meanwhile, work is continuing on the Calibre's other projects. Exploration is underway on the Rosita D concession, which hosts an historic open pit mine that produced 300 million pounds of copper and 178,000 ounces of gold. The work is funded by another junior under an earn in agreement.

Calibre's wholly-owned Cerro de Aeropuerto project has an inferred resource of 707,000 ounces of gold and 3.1 million ounces of silver. That deposit is open in all directions. The historic La Luz mine, just 500 meters north, produced 2.7 million ounces of gold.

Previous work on another wholly-owned Calibre project, Riscos de Oro, tested a

small portion of an extensive vein system, outlining a small gold-silver resource. Surface work has encountered a series of gold-bearing veins extending for seven kilometers. The trend outlined by Calibre is comparable in size and geologically similar to the nearby Bonanza district, which so far has produced 2.8 million ounces of gold. Drilling last summer by Calibre at Riscos de Oro encountered numerous high-grade gold-silver intervals, the highlight of which was 10.6 meters at 7.7 g/t gold and 212 g/t silver.

The Calibre share price had a big run on news of the Primavera discovery. The market seems to be stabilizing near the present level. The present share price is well supported by the existing resource. Further moves to the upside are dependent on results from the upcoming drilling.

Considering the geological nature of the Primavera system, the results already in hand and the high quality geological team, it is a good bet that we will see more results like those already published. The value of a large gold-copper system in that location would be a multiple of the current value of the company.

*Price January 31, 2012: C\$0.51
Shares Outstanding: 166 million
Shares Fully Diluted: 194 million
Market Cap: C\$84.6 million
Contact: Investor Relations
604-681-9944
www.calibremining.com
Last updated December 2011-1*

Cap-Ex Ventures (CEV-TSXV)

Cap-Ex Ventures has entered into a strategic alliance with the highly successful mining group Forbes and Manhattan. Among a number of successes, that group managed Consolidated Thomson Iron Mines from grassroots exploration to a sale last year to a large iron company for \$4.9 billion. That company's iron project was in the Labrador Trough, the same region as the Cap-Ex projects. The new president of Cap-Ex – Francois

Laurin – was the CFO of Consolidated Thomson.

Another new appointment to the Cap-Ex board brings 15 years experience with Iron Ore Company of Canada, now a subsidiary of Rio Tinto. IOC dominated the Labrador Trough for half a century.

Drilling continues to expand Cap-Ex's already substantial iron ore deposit. The latest results from Block 103 include 204 meters at 30.9% iron. Three other holes carried from 128 to 194 meters of 30% iron. All of those holes ended in mineralization, suggesting the deposit is still open to depth. Further drill assays are pending.

The company plans an aggressive drilling program this year. They have just raised \$10 million at \$0.85 per unit. That money will fund a considerable amount of drilling. As the deposit takes shape, the value of the company should escalate, especially with the new management group, which has had such tremendous success with a similar project.

The ultimate value of the project will be dependent on the availability of infrastructure to transport the iron ore. At this time, there is no clarity with regard to infrastructure. Regardless of the near-term infrastructure situation, an iron deposit of the size and quality of that presently being outlined by Cap-Ex will have a value far in excess of the current share price of this company.

*Price January 31, 2012: C\$0.91
Shares Outstanding: 56 million
Shares Fully Diluted: 84 million
Market Cap: C\$50.9 million
Contact: Investor Relations
604-669-2279
www.cap-ex.ca
Last updated December 2011-1*

Geologix Explorations (GIX-TSX)

Geologix reported results of a further 17 holes from the resource expansion and infill drilling program at its wholly-owned Tepal gold-copper property in

Mexico. The program encompassed 160 holes, 96 of which have yet to be reported.

The latest holes encountered a higher-grade system at depth in the southeast portion of the South zone. The highlight was hole TEP-11-026 which intersected 188 metres of 1.04 g/t gold and 0.40% copper to a drill depth of 498 meters, extending the mineralization approximately 200 metres below the bottom of the model pit used in the April 2011 preliminary economic assessment. That zone remains open in several directions.

Those results are extremely significant, as they point to the potential for a substantial addition to the total tonnes, as well as identifying an area with grades well above the deposit average.

The company is also reviewing the potential on its extensive property position. They recently conducted an airborne geophysical survey over the property. With the resource area as a model, they should be able to quickly identify other prospective areas.

On receipt of the balance of the assays, the results will be incorporated into an updated resource estimate. The previous estimate shows 1.6 million ounces of gold and 725 million pounds of copper, with about half of that at the indicated category. The in-fill drilling should upgrade more resource to the measured and indicated categories, with potential for an expansion to the size. Work on the prefeasibility study is continuing.

At the present share price, the company is valued at only \$25 per ounce of total gold resource, giving no credit to the substantial copper resource and the expansion potential. In addition to the generally unfavorable market conditions, the Geologix share price was held back by perceptions that the deposit lacks grade and expansion potential. These latest results put aside those perspectives. The company is following through with their strategy of advancing engineering work in tandem with drilling to upgrade and expand resources.

By mid-year, the company will have an updated resource estimate and substantial progress toward a prefeasibility study. Those developments, and an improving market, should see the share price recover strongly from the current level.

*Price January 31, 2012: \$C0.30 Shares
Outstanding: 135 million
Shares Fully Diluted: 144 million
Market Cap: C\$40.5 million
Contact: Investor Relations
604-694-1742
www.geologix.ca
Last updated December 2011-1*

Golden Valley Mines (GZZ-TSXV)

Golden Valley's subsidiary Abitibi Royalties (RZZ-TSXV) reported a resource estimate for its Jeffrey gold zone, which is part of Osisko's Malartic mine. That mine is now in operation, and produced 80,000 ounces in the latest quarter as it continues to ramp up to full production. RZZ holds a 30% carried interest in the claims that encompass the Jeffrey zone, as well as a 2% royalty in two other claims contiguous to the Osisko operation. Osisko conducted an internal resource estimate for the Jeffrey zone, and Golden Valley commissioned an independent audit. The figures show an indicated resource of 5.8 million tonnes at 0.7 g/t for 131,000 ounces plus 1.7 million inferred ounces at 0.58 g/t for 33,000 ounces.

The Jeffrey zone is 550 meters east of the projected limit of the open pit. The intervening interval, called the Barnat Extension, is presently being drilled. A portion of the main deposit, the Mammoth zone, also extends onto the joint venture property and drilling is also underway on that zone. The interest of RZZ is a 30% carried interest. That means that the junior will receive 30% of the net profits from any ore produced off the joint venture property, without a deduction for capital costs.

The resource figures for the Jeffrey zone were perhaps at the low end of investor

expectations. The additional potential from the Barnat Extension and the Mammoth zone still provides upside for RZZ, and therefore for Golden Valley, which owns 66% of the shares of RZZ.

Golden Valley is continuing with its regional exploration program throughout the Abitibi greenstone belt of Ontario and Quebec as well as other projects in Canada and Sierra Leone. The company has roughly 150 distinct exploration projects in Canada. The geological team identifies and acquires prospective properties and then carries out initial field work, often including a couple of drill holes. They then seek joint venture partners to fund further work. To that end, they just announced joint venture funding on another dozen projects. The RZZ projects and other projects that were spun out to two other companies last year all came from this grass roots approach. The Golden Valley share price has an underpinning of value in the Abitibi Royalty shares and the upside potential of a large number of exploration projects.

Price January 31, 2012: \$C0.255

Shares Outstanding: 73 million

Shares Fully Diluted: 80 million

Market Cap: C\$18.6 million

Contact: Investor Relations

819-824-2808

www.goldenvalleymines.com

Last updated December 2011-1

Sandspring Resources (SSP-TSX)

Sandspring completed an updated resource estimate and an updated preliminary economic assessment (PEA) for its Toroparu gold-copper deposit in Guyana. The studies continue to confirm that Toroparu is a large and very attractive deposit with favorable economics and further upside potential.

The PEA anticipates a 14 year mine life, followed by a further eight years to process low grade ore that would be stockpiled during the mining phase. The mine is projected to produce an average of 285,000 ounces of gold annually dur-

ing the 14 year mine life, together with substantial by-product copper. The after-tax net present value, discounted at 5%, for the base case is estimated at \$540 million. The PEA estimate, using the current \$1700 gold price, brings the net present value to \$1.5 billion.

The PEA figures incorporate the terms of a recently completed royalty and tax agreement with the Guyana government. There was a period of uncertainty last year while the agreement was being worked out during which investors were reluctant to get involved in Sandspring or other Guyana companies. The present deal is in line with many other mining-friendly nations and should restore investor confidence in the political situation in the country.

The updated estimates outline a measured and indicated resource of 241 million tonnes at 0.78 g/t gold and 0.08% copper, containing 6.0 million ounces of gold and 420 million pounds of copper. A further inferred resource adds a further 4.0 million ounces of gold and 169 million pounds of copper at somewhat lower grades.

The Toroparu project has considerable upside potential beyond the PEA figures. Results of drilling conducted from September through December were not incorporated into the resource estimate and PEA. The drilling produced favorable results that point to an expansion of the resource. Importantly, areas that lack sufficient drilling density are treated as waste rock in the PEA. The in-fill drilling suggests that some of the material now treated as waste will be converted to resource and mined under subsequent mine plans. That is extremely significant, as it converts a cost item into our revenue item.

Another important enhancement might be realized as the Guyana government develops further hydroelectric capacity in that region, offering the potential for low-cost power to displace the diesel-generated power in the PEA. Various other optimization studies are ongoing,

with potential to further improve the economics. For example, metallurgical testing is continuing in order to improve metal recoveries. Silver has not been considered to date. Assay work is underway in order to determine the average silver grade in the deposit and incorporate silver into future studies.

The most significant variable in the economic assessment is the gold price. The study uses a three-year trailing average of \$1255, which appears quite conservative in the context of the present price and the ten year trend. Just nudging the gold price to \$1400 adds 60% to the after-tax net present value. At \$2000 gold, the net present value would be \$2.2 billion, more than four times the base case value.

At the current share price, the company trades at a steep discount to even the base case PEA estimates. Allowing for the potential upsides and further project optimization along with a higher gold price than used in the PEA, the company is very undervalued. Further news from the project and growing investor awareness should see the share price move closer to alignment with the project valuation.

Price January 31, 2012: C\$1.27

Shares Outstanding: 108 million

Shares Fully Diluted: 121 million

Market Cap: C\$137 million

Contact: Investor Relations

416-792-7139

www.sandspringresources.com

Last updated December 2011-4

Smash Minerals (SSH-TSXV)

Smash is merging with another junior, Prosperity Goldfields (PPG-TSXV). Both companies have gold exploration projects in northern Canada that were drilled last summer. The merger creates a company with gold projects in Yukon and Nunavut, an exceptional geological team and \$8 million of working capital. Next summer, they plan drill programs on both projects to follow-up encourag-

ing results from the earlier drilling.

Shareholders of Smash will receive one share of Prosperity Goldfields for each 1.6 Smash share. The management team will feature Adrian Fleming as CEO. Adrian is a successful geologist who has been involved in several important discoveries. His most recent success was the Underworld discovery that kicked off the Yukon gold rush. Dr. Quinton Hennigh also has a successful exploration career, culminating in Prosperity's gold discovery last summer.

Prosperity's wholly-owned Kiyuk Lake project covers 430 square kilometers, located just north of Manitoba in southern Nunavut. Drilling last summer encountered significant gold values at three separate targets. Results include 30.5 meters at 4.9 grams per tonne of gold, starting near surface. Another target produced 64 meters at 2.8 g/t. Those results from an initial drill program are better than the first year discovery results on the Underworld project, attracting the attention of Adrian Fleming.

Smash's Whiskey project produced drill results that were geologically significant, but fell short of investor expectations. The share price fell hard along with all of the Yukon exploration companies last fall.

The Kiyuk discovery has not yet attracted the attention it deserves, in part because it is not in a "hot" region like the Yukon. In reality, there is a lot going on in that region. A little further north, Agnico-Eagle (AEM:TSX) is producing gold at their Meadowbank mine, which has reserves of 3.5 million ounces of gold at 3.2 grams per tonne. That company is conducting a feasibility study at a second project in the area, Meliadine. AREVA, a major French energy company, is conducting a pre-feasibility study at its Kiggavik-Sissons uranium project in that region.

By next summer, I expect southern Nunavut to be getting a great deal more investor attention. The geological team of

the merged Prosperity, directing a well-funded exploration program that follows up on the results already achieved at Kiyuk will certainly merit attention. More results like those already in hand will confirm the highly prospective nature of this region and of Kiyuk's Prosperity discovery.

The Smash share price is quiet at present, with the field season still months away and corporate efforts directed to consummating the merger. This is a good time for investors to be accumulating shares of Smash.

*Price January 31, 2012: C\$0.39
Shares Outstanding: 24 million
Shares Fully Diluted: 27 million
Market Cap: C\$9.36 million
Contact: Investor Relations
604-662-3380
www.smashminerals.com
Last updated December 2011-1*

Brief Updates

Cedar Mountain (TSXV:CED; C\$0.18) has entered into an option agreement to earn 100% interest in the Graphite Creek project, 65 kilometers north of Nome, Alaska. Earlier work has identified a large area that contains large-flake graphite. Quoting from the company's website: "The price of large-flake graphite has tripled over the last five years due to reductions in dependable supply and increased demand. Future increases in demand of large-flake graphite are expected from the emerging market of lithium-ion batteries. Lithium ion batteries are more powerful than traditional batteries and they are composed of 20 to 30 times more graphite than lithium. Electric and hybrid automobile batteries consume approximately 80 kilograms of graphite per vehicle. It is projected that the graphite demand for electric and hybrid automobile industry by 2020 will exceed the total of all graphite produced today. Initial testing at Graphite Creek identified a high proportion of coarse crystalline large-flake graphite ranging from 76.5% to 93.6%."

Those market projections sound realistic, but that is a big step away from Cedar Mountain shareholders benefiting from that market. Enough earlier work has been completed to suggest the presence of a large deposit with favorable grade. The first season will focus on further delineating the deposit. Aside from the presence in the ground of substantial graphite, there are several important issues to be addressed, including:

1. Can the project be developed on favorable economic terms in that location?
2. Metallurgy: Can the ore be processed economically in order to extract a salable product?
3. Are there other large graphite projects that might impact the market before this project is developed?

While those are important outstanding issues, the present share price reflects only a tiny portion of the potential value of the project as it moves toward development.

Last updated December 2011-3

Goldex Resources (TSXV:GDX; C\$0.075) is now drilling at its El Arco gold-silver project in the Sierra Madre region of Mexico in Durango state. The drilling follows surface work that outlined extensive veins that carry gold-silver values. The proposed 4,000 meter first phase program will be the first drilling conducted on the project. There are several large gold-silver deposits in the region. Goldex vice-president of exploration, Larry Kornze, was formerly the regional manager of Mexico and Central America for Barrick.

Funding for the drilling came by way of a five cent unit offering that raised C\$1.5 million. While highly dilutive, the company was able to secure funding in a bad market and is now drilling at El Arco.

Work is also continuing on the flagship El Pato property in Guatemala where earlier work identified extensive gold-

bearing veins. Plans are progressing to begin small-scale production on the near-surface parts of the veins, utilizing nearby infrastructure. A clearer picture of the near-term production scenario would add considerable value to the shares. Success at El Arco would be a huge bonus.

Last updated December 2011-2

Midlands Minerals (TSXV:MEX; C\$0.045) is resuming exploration on its Sian gold project in Ghana. The company recently signed a memorandum of understanding with the Obo traditional council clarifying terms under which Midlands will continue to explore the property. The new president, Craig Pearman, just came on board last month and has been getting up to speed on the project. Midlands has several other gold projects in Ghana and Tanzania. According to the company's recently updated website: "Midlands' top priority project is the fully permitted Sian/Praso Gold Project in Ghana, which is located just 30 kilometres northeast of Newmont Mining's +8.7 million ounce Akyem gold deposit on the Ashanti Gold Belt in Ghana. Midlands is aiming for a multimillion ounce gold deposit on the Sian/Praso Project." The results of work to date suggest that aim is within the realm of possibility. The share price is still depressed from the highly dilutive financing last fall. There is a lot of upside potential as the exploration program delivers results and the new president makes his presence felt in the investment community.

Last updated December 2011-3

Newstrike Capital (TSXV:NES; C\$2.90) reported the final assays from the 2011 drill program on its Ana Paula project in the Guerero Gold Belt of Mexico. The results continue to push out the limits of deposits that already have the scope for multi-million ounces of gold. Beginning with several holes drilled by a previous operator, the Newstrike geological team has now discovered several extensive zones of gold mineralization. The drilling last year was focused largely on testing new targets and probing the extent of the discoveries. All of the zones re-

main open laterally and to depth. The potential size and grade of the gold mineralization as so far outlined by the drilling are consistent with other large deposits nearby. The district is host to Torex Gold's advanced-stage Morelos deposit (3.9 million ounces) and to Goldcorp's producing Los Filos project, with 11 million ounces of reserves and resources. Los Filos is enormously profitable, producing gold at a rate of 330,000 ounces annually at a cash cost of under \$500. It is important to note that the average ore grade at Los Filos last year was 0.74 grams per tonne. Newstrike has an enormous land position around Ana Paula on which there are indications of other gold deposits.

The results from drilling at Ana Paula point to a deposit of similar character to Los Filos in terms of geological setting, grade and proximity to surface. Further drilling is required to determine the size and grade. At October 31, 2011, Newstrike had working capital of \$18 million, adequate to continue an aggressive drilling program leading to a resource estimate. A formal resource estimate would add enormous value to the company, which is now being valued on the basis of informal projections of size and grade.

Last updated December 2011-1

Revolution Resources (TSXV:RV; C\$0.43) continues to define and expand near-surface gold mineralization at its Champion Hills project in North Carolina. Drilling has focused on the Loflin and Jones-Keystone deposits, which have potential to be sizable. Those deposits are in a similar setting to the Haile deposit of Romarco, which is currently in the permitting phase. Haile is further south in the Carolina slate belt.

Revolution is also drilling on its recently acquired Mexican properties which span 400,000 hectares. Quoting from the company's website: "The properties cover two distinct districts situated in regions which host current and past-producing mines. The immediate focus is at Universo, where Revolution currently has three core drills on-site testing multi-

ple gold-silver targets. Universo is located on trend with Goldcorp's Penasquito and Camino Rojo deposits (17.8 million ounces Au and 882 million ounces Ag, and four million ounces Au and 68.3 million ounces Ag, respectively), and New Gold's Cerro San Pedro (3.7 million ounces Au and 129.8 million ounces Ag)." Universo was previously drilled by Kennecott, with the highlight being 21 meters of 11.7 g/t gold and 37 g/t silver.

Any favorable results from the Revolution drilling at Universo would be extremely significant in view of the enormous endowment of gold and silver on nearby properties. The share price has begun to gain some traction with drilling underway. In view of the developing story on the Carolina project, and the huge potential in the Mexican projects, the current share price is still a buying opportunity.

Last updated December 2011-4

Strongbow Exploration (TSXV:SBW; C\$0.15) reported results from its initial drill program on its Shovelnose gold property in southwestern British Columbia. Gold mineralization was encountered in all seven of the holes, which were funded by an earn-in partner. The values were geologically significant, but not at a level that would attract investor interest. The partners plan follow-up work over the summer, including geophysics, surface sampling and further drilling. The widespread gold values and the presence of a large alteration system suggest the presence of a large geological system that might host gold. Work is continuing on the company's major focus, the gold project in the Carolina slate belt, as well as several other gold and base metal projects in Canada. A major mining company is funding work on one of those projects. The company has a highly-experienced geological team and several high-potential projects. Favorable results on any of those projects would have a big impact on the valuation.

Last updated December 2011-2

