DECEMBER 2012 • Vol. 5, No. 4

MINING MARKETS

A resource for investors

A coming of age for Colombia

No-nonsense advice from Ned Goodman

The ABC's of flow-through investing

8 JUNIORS that are CHEERING investors

THE NORTHERN MINER
THE GLOBAL MINING NEWSPAPER
Complimentary
PM no. 40069240

YELLOWHEAD
MINING INC.

Focused on **Developing the Harper Creek** **Copper-Gold-Silver Deposit** in British Columbia

Total Proven and Probable Reserve of 704.4Mt @ 0.262% Cu (0.14% Cu cut-off), 0.029g/t Au and 1.14g/t Ag

Detailed Feasibility Study Results March 2012

- Estimated production over life-of-mine: 3.63 billion lbs Cu, 372,000 oz Au and 14M oz Ag contained in concentrate.
- Estimated pre-tax NPV8 $749.7 million, IRR 20.2%; based on metal prices of US$2.50/lb Cu, US$1,250/oz Au and US$20/oz Ag, and 0.86:1 US/CDN exchange rate
- Mine life 28 years at a milling rate of 70,000 tonnes/day
- Stripping ratio 0.81:1 life-of-mine
- Capital costs are estimated at C$838.95 million in Q4 2011 dollars, including contingency
- Adjacent rail, road, power and town infrastructure
- Project is 100% owned by Yellowhead Mining*
- Senior management has extensive international experience with large scale open pit copper projects
- Excellent potential to significantly expand the resource

* Subject to 3% NSR royalty capped at $2,500k, adjusted for inflation, plus a further 2.5% NSR royalty on approximately 1.5 million tonnes of ore which is expected to be mined beginning in year 16 of the mine plan.

Ronald Handford, Executive Vice President, Corporate Development
T: 604.681.1709 info@yellowheadmining.com

www.yellowheadmining.com

TSX: **YMI**
OTCQX:**YHMGF**

DECEMBER 2012 • Vol. 5, No. 4

MINING MARKETS

A resource for investors

contents

Cover: The Escandalosa zone at GoldQuest Mining's Las Tres Palmas gold project, in the Dominican Republic. *Credit: GoldQuest Mining*

letter from the editor

DEFYING THE DOWNTREND

We start off this issue with a breakdown of the junior mining market in 2012, by all accounts, a less-than-stellar year for junior miners, and for many investors.

At presstime in early December, the S&P/TSX Venture Composite Index had sunk more than 20% since January. The junior market has been on a losing streak for nearly two years now: Since hitting a peak of nearly 2,439 points in February 2011, the Venture index has dropped an incredible 51%.

In this kind of environment, only the most nimble juniors can fight the prevailing winds and pull off a rising share price. Just turn the page to see which eight juniors topped our list of the year's biggest winners.

For some insight on the investing climate that awaits us in 2013, journalist Susan Kirwin caught up with financier extraordinaire Ned Goodman. The president and chief executive of Dundee Corp. explains why commodity prices will keep rising, why a return to the gold standard makes sense, and why investors need to beware of "nonsense."

Also, we bring you a roundup of the most exciting gold players and properties in Colombia by *Northern Miner* senior staff writer Anthony Vaccaro. The coming year will be a pivotal one for the up-and-coming mining jurisdiction, which has continued to attract attention with fresh M&A activity and new discoveries.

And tax season is coming around once again. Select investors stand to gain from investing in flow-through shares, and Peter Besler, an investment advisor at MGI Securities, takes us through some strategies that could help you reduce your tax burden.

ALISHA HIYATE

ahiyate@miningmarkets.ca

THE NORTHERN MINER
THE GLOBAL MINING NEWSPAPER

Mining Markets is a quarterly publication of *The Northern Miner.*
80 Valleybrook Dr.
Toronto, Ont. M3B 2S9
Telephone: (416) 510-5135
Fax: (416) 510-5138

PUBLISHER:
Doug Donnelly

EDITOR:
Alisha Hiyate

ART DIRECTOR:
Andrea M. Smith

PRODUCTION MANAGER:
Tracey Hanson

ADVERTISING SALES

TORONTO
Joe Crofts
(416) 510-6816
Email: jcrofts@northernminer.com

Dave Chauvin
(416) 510-6824
Email: dchauvin@northernminer.com

VANCOUVER
Teri Richardson
(604) 688-9908
Email: trichardson@northernminer.com

Printed in Canada.

Issue Price: $6

microscope

8 juniors that cheered the market in 2012

In 2012, junior miners faced a dreary market. Despite a rally early in the year, from Jan. 3 to Nov. 15, the S&P-TSX Venture Composite Index fell by 19% overall. But there were some juniors who managed to defy the market downdraft and rise by more than 100% over that period. These companies gave investors something to cheer about and were thus rewarded with access to capital and the chance to build on their achievements. The top eight such juniors, listed below, display a surprising diversity in approach and commodity of focus — proving that even in times of uncertainty, the market craves a good success story.

BY ALISHA HIYATE

8 Gold Standard Ventures (GSV-V) +111%

In eighth place on our list is Gold Standard Ventures, the Nevada junior stacked with ex-**Newmont Mining** (NMC-T, NEM-N) staffers.

The company proved its Nevada expertise when it hit high-grade gold at its previously discovered North Bullion Fault zone at its Railroad project in early 2012. The intercept, 56.4 metres grading 4.26 grams gold per tonne, confirmed that North Bullion is a Carlin-type gold deposit, which means it could be a much larger and stronger system than the adjacent Rain system.

That and subsequent results, such as 124 metres of 4.05 grams gold, have sent Gold Standard shares up 111%, or 80¢ this year to $1.52 in mid-November.

And with roughly $15 million in its treasury in November, drill results will continue to flow into 2013. The company has budgeted $14 million to drill 70 holes at Railroad for 70,000 ft. (21,300 metres) from June 2012 to May 2013.

The junior has also moved to consolidate more claims in the Railroad district and in the Pinon district just south of Railroad.

7 Gold Reach Resources (GRV-V) +125%

Gold Reach Resources started off 2012 on solid footing, after **New Gold** (NGD-T) bought its Auro gold property (adjacent to New Gold's Blackwater project), in B.C., for $6 million.

The move allowed Gold Reach to plan a 20,000-metre drill program at the West Seel deposit, a late 2011 discovery at its Ootsa copper-gold-molybdenum porphyry project in northwest B.C.

Its shares were already starting to take off before it reported the completion of the first two roughly 1,000-metre holes of 2012 at West Seel, in June. Both holes ended in strong alteration with visible copper and molybdenum sulphides.

Assay results from West Seel have since returned up to 817 metres grading 0.45% copper-equivalent (from 262 metres depth) and 537 metres of 0.65% copper-equivalent (from 350 metres) and Gold Reach stock climbed 74¢ to $1.33 in mid-November.

Ootsa already contains indicated resources of 0.4% copper equivalent, plus 214.8 million inferred tonnes grading 0.33% copper equivalent.

The project is only 8 km southeast of the producing Huckleberry copper-gold-molybdenum mine, and close to infrastructure, including roads and power.

The company has more than doubled its initial drill target with over 41,500 metres drilled this year, and in November, had $2.4 million in its treasury.

6 Argex Titanium (RGX-V) +193%

With a steeply rising price for titanium dioxide (the mineral is expected to double in price from 2010 to 2015), Argex Titanium has seen its share price follow a similar trajectory. The junior has a pilot plant in Ontario that is using a patented process to extract high-purity titanium dioxide pigment — used in paint, cars, construction materials and more — from ilmenite.

Argex saw a dramatic surge early in the year, spiking just after it announced a deal with **PPG Industries** (PPG-N), a leading U.S.-based paint supplier, that would help make its titanium dioxide pigment suitable for use in PPG end products. Under the collaboration agreement, Argex will help develop and optimize PPG's technology for pigment-grade titanium dioxide for paints and coatings.

To the middle of November, Argex shares were up 81¢ to $1.23.

In the meantime, Argex is also completing a feasibility study on a full-scale titanium dioxide production plant that is due out by the second quarter of 2013.

The junior has a potential source of supply in its titanium dioxide property in Quebec, which was the study of a 2011 preliminary economic assessment. The study on the La Blanche project showed an internal rate of return of 32% and a net present value of $2.2 billion (at an 8% discount rate) with a capital cost of $801 million.

5 Diamcor Mining (DMI-V) +237%

At a time when most diamond juniors are struggling, Diamcor Mining's stock has been on a tear, rising from 38¢ to $1.28 over the year.

The company is starting trial mining at its 70%-owned Krone-Endora project, in South Africa, and at presstime, had been planning its first diamond sale in November.

Diamcor expects to receive a mining licence that will allow it to move to 24/7 production in the first quarter of 2013, but still expects to have 10,000 carats of diamonds by year end. The alluvial operation is currently producing around 2,000-4,000 carats per month.

The project, which is 30% owned by Diamcor's black economic empowerment partner Nozala Investments, is a former De Beers project, and is located right next to the diamond giant's rich Venetia mine.

Krone-Endora has an inferred resource of 1.3 million carats in 54 million tonnes of gravel. While the company

Drilling at the North Bullion Fault Zone, at Gold Standard Ventures' Railroad gold project, in Nevada.
Credit: Gold Standard Ventures

thinkstockphotos.com

The camp at Gold Reach Resources' Ootsa copper-gold-molybdenum project, in B.C.
Credit: Gold Reach Resources

The plant at Diamcor Mining's Krone-Endora diamond project, in South Africa.
Credit: Diamcor Mining

hasn't completed an economic study yet, it does have a deep-pocketed partner in the form of **Tiffany & Co.** (TIF-N). In return for a right of first refusal to buy diamonds from the project at market prices, Tiffany has provided $9.5 million in financing.

4 Zenyatta Ventures (ZEN-V) +238%

Listed in late 2010, Zenyatta Ventures was hoping to find a nickel-copper-PGM deposit when it drilled a large airborne EM conductor on its Albany joint-venture project, in northern Ontario.

Instead, the company hit graphite — the hot commodity of early 2012.

Most graphite stocks have fallen back to earth after peaking in April, but not Zenyatta. To the middle of November, the stock was up 34.5¢ for the year to 49¢, and at presstime in late November, its shares soared to 70¢, after announcing it had acquired 100% of Albany from partner **Cliffs Natural Resources** (CLF-N).

Albany is a vein-type deposit, and has a rare, high-purity form of graphite used in steelmaking that is only mined in Sri Lanka.

Located 86 km west of Hearst, only 30 km north of the Trans-Canada Highway, and close to rail and power, the project has returned up to 170 metres grading 6.6% carbon as graphite from 44 metres depth. Initial metallurgical work has yielded 97.2% carbon.

Cliffs owns 12.7% of Zenyatta's outstanding shares but could own up to 20.5% of its shares (15.4% fully diluted) if it exercises all warrants it holds.

There was some friction between Zenyatta and the Constance Lake First Nation last year, but in July 2011, the two signed an exploration agreement covering prefeasibility activities.

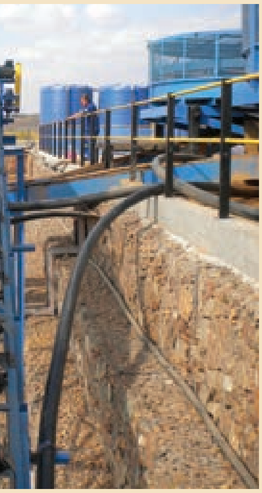
At the end of June, Zenyatta had $1.4 million in working capital.

3 Bitterroot Resources (BTT-V) +250%

While Bitterroot Resources' stock was affordable even at its highest price this year at 19¢, it qualifies as our third biggest gainer of 2012, climbing from 4¢ up to 14¢ in mid-November.

The top eight juniors of 2012

Company	Ticker symbol	Price at Jan. 1	Price at Nov. 15	Percentage rise	52-week high/low	Shares outstanding	Market cap
Argex Titanium	RGX-V	42¢	$1.23	193%	$1.26/34¢	117.3 M	$146.7 M
Bitterroot Resources	BTT-V	4¢	14¢	250%	19¢/2.5¢	113.9 M	$13.7 M
Diamcor Mining	DMI-V	38¢	$1.28	237%	$1.41/29¢	30 M	$37 M
Gold Reach Resources	GRV-V	59¢	$1.33	125%	$2.13/43.5¢	27.9 M	$35.4 M
Gold Standard Ventures	GSV-V	72¢	$1.52	111%	$3.03/66¢	83.7 M	$120.6 M
GoldQuest Mining	GQC-V	9.5¢	74¢	679%	$2.03/4¢	143.1 M	$116 M
Reservoir Minerals	RMC-V	49¢	$2.53	416%	$3.85/35¢	41.6 M	$128.5 M
Zenyatta Ventures	ZEN-V	14.5¢	49¢	238%	62¢/11.5¢	39.6 M	$26.9 M



Drilling at Zenyatta Ventures' Albany graphite project, in Ontario.
Credit: Zenyatta Ventures

Rather than a new discovery at its Upper Peninsula project in Michigan, it's the potential for a new discovery or takeover that has propelled the junior higher.

Rio Tinto (RIO-N, RIO-L) is advancing its nearby Eagle nickel-copper project to production by 2014. And it's looking for more deposits like the small, but high-grade Eagle, which hosts 3.2 million tonnes grading 3.89% nickel and 3.04% copper. The diversified major is drilling in the area — as close as 180 metres from Bitterroot's claims.

The news that sent Bitterroot stock higher in early September was simply that it had generated several new targets on its Upper Peninsula project, after conducting an aeromagnetic survey over its claims.

At the time, the company said it was exploring its funding and "industry-related" options for proceeding with exploration.

At the end of July, Bitterroot had $1.2 million in working capital.

2 Reservoir Minerals (RMC-V) +416%

Second on our list is **Reservoir Minerals** (RMC-V), a prospect generator that attracted big fish **Freeport-McMoRan Copper & Gold** (FCX-N) as a joint-venture partner at its Timok copper-gold project in Serbia.

In July, the junior announced a 266-metre intercept of 1.23% copper-equivalent (1.07% copper and 0.28 gram gold) from 598 metres depth at Timok, a high-sulphidation copper porphyry deposit only 7 km away from the massive Bor copper mine.

That hole prompted Freeport to exercise its option on the project, and the major is now fully funding exploration and can earn 75% by completing a feasibility study.

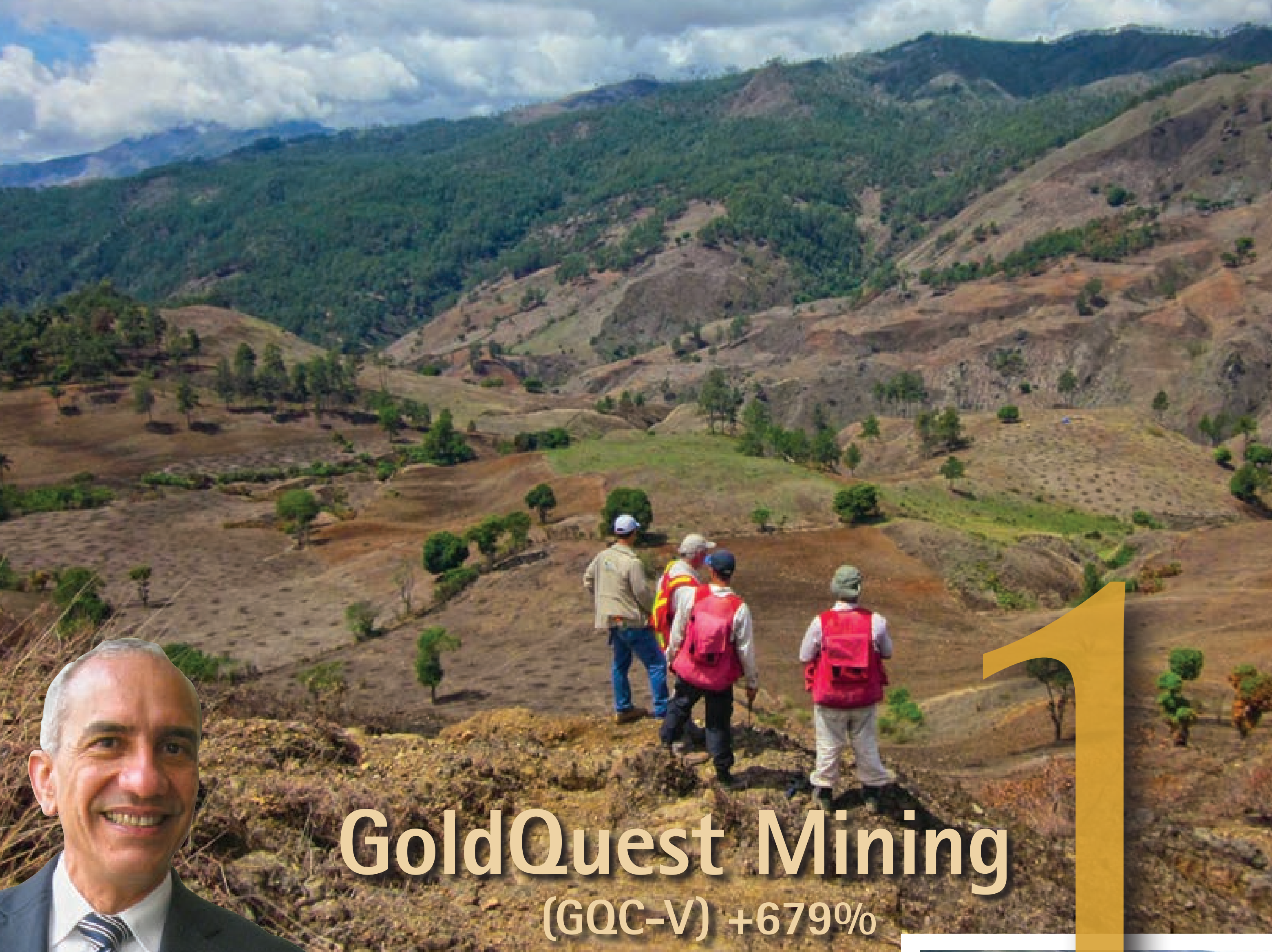
A second hole delivered an even more incredible 160 metres of 10.16% copper-equivalent (or 6.92% copper and 5.4 grams gold) from 460 metres in September.

Reservoir's stock has responded to the discovery, rocketing 416% this year, from 49¢ in January to $2.53 in mid-November.

Still to come are results from another 10 holes being drilled at Timok.

In October, Reservoir had $19.8 million in its treasury to acquire new projects or advance its several other wholly owned properties in Serbia, or its 90%-owned interest in the early-stage Bibemi gold project in Cameroon.

Continued on page 8



1

GoldQuest Mining

(GQC-V) +679%

And in first place, is GoldQuest Mining, the Dominican Republic-focused junior that made the grassroots Romero gold-copper discovery at its Las Tres Palmas project this year.

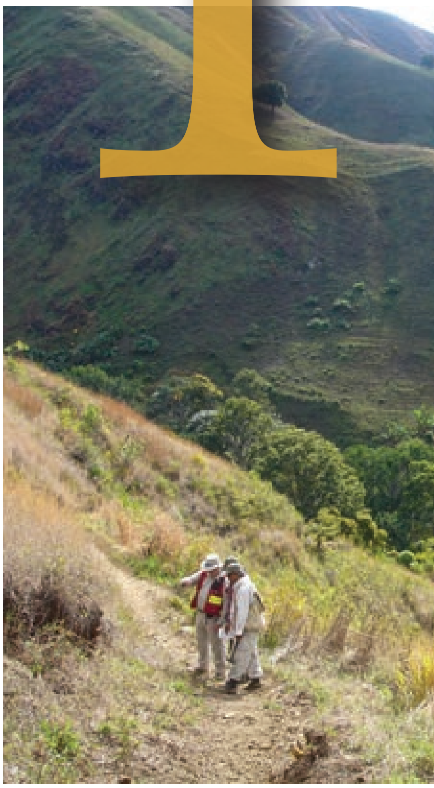
When the company released the results of the discovery hole at Romero in May, it was trading at under 10¢ and had less than $500,000 in the bank.

But the hole, which cut a near-surface 231 metres of 2.4 grams gold per tonne (including 160 metres at 2.9 grams gold and 0.62% copper), and others like it, allowed the junior to raise money and continue drilling.

Since the discovery hole, GoldQuest has delivered additional intercepts of up to 258 metres of 4.5 grams gold and 1.3% copper (from 120 metres).

The junior, which has been working away in the DR for just over a decade, has been rewarded with a whopping 679% gain this year, up 64.5¢ in mid-November from 9.5¢ at the beginning of the year (it traded as high as $2.03 in August).

While more recent holes have disappointed the market, sending the stock down to around 50¢ at the end of November, after closing $6.6-million and $15-million bought-deal private placements in June and August, the company is fully funded for the next year of exploration with



$19 million in the treasury.

With that cash, GoldQuest plans to continue drilling Romero, where it currently has three portable drill rigs at work.

"What we want to do is try to define how big it is to the east and west," Espaillat said in an interview in late November. "And we are going to find that out very quickly."

To help it do that, GoldQuest is bringing in a fourth drill rig to the project in January.

So far, Romero extends for about 400 metres from the northwest to southeast and to 400 to 500 metres at depth (and still open), with a higher-grade mineralized corridor measuring around 100 metres wide. The company describes the mineralization as intermediate sulphidation epithermal in style.

Once the company gets a better idea of the geometry of the deposit, which Espaillat anticipates could be as soon as mid-2013, it will consider putting a resource estimate together.

By late November, GoldQuest had drilled 23 holes at Romero, which is located in the country's west end, close to the Haitian border.

The Las Tres Palmas project extends for about 50 km north-south and is about 5-10 km wide. The land was staked based on the geologic environment (volcanic rocks) and the results of stream-sediment sampling that turned up gold and copper anomalies.

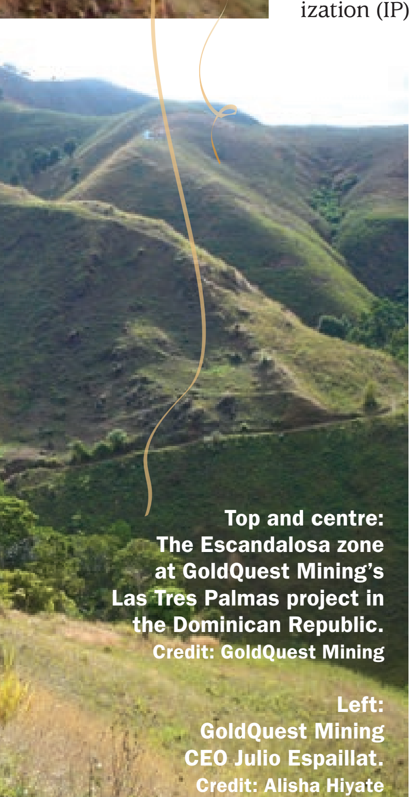
Romero was a blind discovery identified by an induced-polarization (IP) survey at Las Tres Palmas that Espaillat initiated shortly after joining the company in early 2011. He says only 20% of the IP anomaly has been tested so far.

Romero is at the north end of the Las Tres Palmas trend, where Goldquest has identified several deposits, including La Escandalosa Sur, which hosts 4.86 million inferred tonnes grading 2.6 grams gold.

The company also needs to follow up on other anomalies identified by the 2011 IP survey, and will start a deeper IP survey in December. While the initial survey penetrated to 280 metres depth, this one will go to 500 metres.

"What we want to do is maximize the drilling return, in other words, if we have better evidence of the geophysics, the target will be more valid, it will warrant drilling," says Espaillat, a mining engineer and geologist who also has a master's degree in finance.

Espaillat served as vice-president exploration for GlobeStar Mining — which was bought for its Cerro Maimon mine in the DR in 2010 by Australia's **Perilya** (PEM-A) for $186 million — and as an exploration manager for Falconbridge. MM



Top and centre: The Escandalosa zone at GoldQuest Mining's Las Tres Palmas project in the Dominican Republic.
Credit: GoldQuest Mining

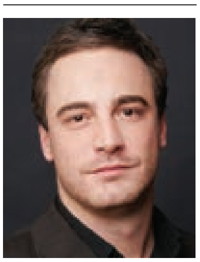
Left: GoldQuest Mining CEO Julio Espaillat.
Credit: Alisha Hiyate

area play

The coreshack at Sunward Resources' Titribi gold-copper project, in Colombia.
Credit: Sunward Resources

COLOMBIA enters *crucial* make-or-break *stage*

A roundup of the players and properties to watch in 2013



BY ANTHONY VACCARO
Special to Mining Markets

It's safe to say that some of the initial fervour around mineral exploration in Colombia has cooled recently.

The explanation is twofold.

First, on the macro side of things, the theme for big money over the last year has been a flight to safety, with dividend-paying miners in the developed world, rather than miner developers in emerging markets like Colombia, being the preferred destination for capital.

On the micro side, Colombia has rattled investors by creating an impression of uncertainty around environmental issues, with the status of one of the country's pre-eminent gold projects, **Eco Oro Minerals**' (EOM-T) Angostura, still up in the air because parts of it rest in the high-altitude paramo ecosystem that the government aims to protect.

Folded into the mix is the status of artisanal miners, an especially touchy subject not only as the government tries to balance artisanal miners' prosperity against environmental degradation and the fact that many small-scale mines are suspected to be supplying funds, willingly or not, to armed illegal groups like the FARC.

Such challenges have been reflected in the Fraser Institute's survey of mining companies for 2012, which saw Colombia's score fall to 38 from 51.2 the year previous. Colombia now ranks 64th in the world, just below Tanzania and above Argentina's Santa Cruz province.

Investors are watching President Juan Manuel Santos closely, as he will preside over a new mining code expected to come into effect in 2013. He has big shoes to fill as his predecessor, Alvaro Uribe, is credited with ushering in an era of relative security that paved the way for the inflows of foreign capital that made Colombia the talk of the mining world just a few years ago.

The code should be implemented at a crucial time as many onlookers expect 2013 to be a key year in the evolution of mining in the country as some near-term development projects begin the push to see if a modern profitable gold mine can be brought into operation in Colombia. Broadly speaking, Colombia's significant gold properties can be found in one of three zones. Most prominent in terms of junior activity is the Middle (Mid) Cauca Belt, which hosts large-scale projects such as **AngloGold Ashanti**'s (AU-N AGG-A) La Colosa project in the south. Just north of La Colosa lies **Batero Gold**'s (BAT-V) Quinchia project, followed by **Gran Colombia Gold**'s (GCM-T) Marmato, **Sunward Resources**' (SWD-T) Titiribi, and **Continental Gold**'s (CNL-T) Buritica at the northern end of the belt.

To the east of the Mid Cauca is the Antioquian Batholith, which hosts AngloGold and **B2 Gold**'s (BTO-T) Gramalote, Gran Colombia's Segovia mine and **Red Eagle Mining**'s (RD-V) Santa Rosa.

Further east towards the Venezuelan border lies the California District in the Santander department, which hosts the world-class La Bodega and the aforementioned Angostura.

La Bodega was, of course, discovered by Ventana Gold, which was then taken out by Eike Batista's EBX Group for $1.5 billion. The Brazilian billionaire has continued his Colombia buying spree with recent takeovers of juniors Galway Resources and Calvista Gold.

Sunward Resources (SWD-T)

Sunward Resources owns the Titiribi project, 70 km southwest of Medellin in the Mid-Cauca belt of Antioquia Department.

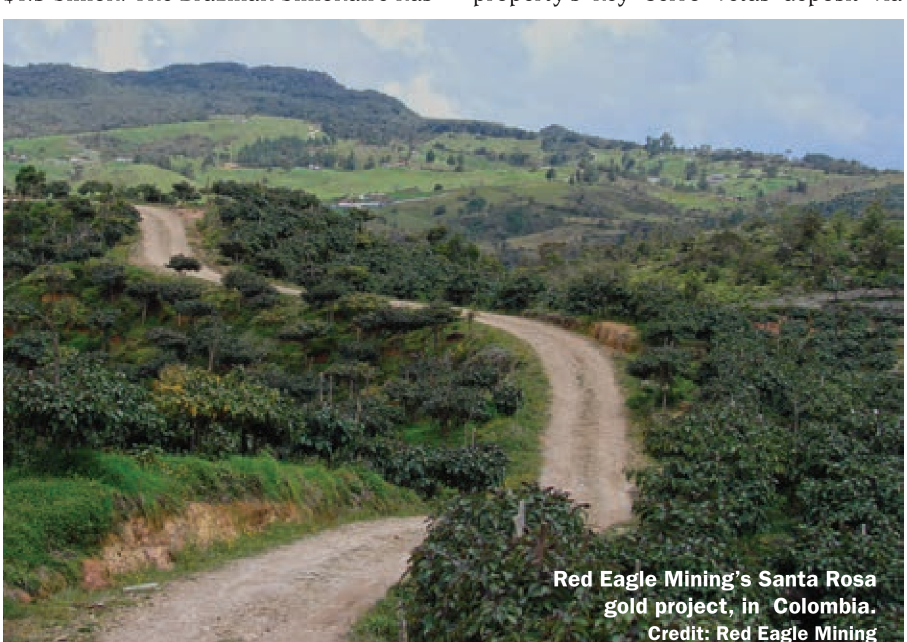
With measured and indicated resources at 4.58 million oz. gold contained in 275.4 million tonnes grading 0.52 gram gold and inferred resources at 6.4 million oz. gold in 359.6 million tonnes grading 0.56 gram gold, the Titribi story has been largely about scale.

(The project also contains 615 million lbs. copper at a grade of 0.17% copper in measured and indicated resources and 389 million lbs. copper at 0.09% copper in inferred resources.)

Now, management is focusing in on getting all that tonnage into production.

"At this stage, the plan is to move up the value chain and to start to remove risk and uncertainty," says Colin Andrew, CEO of Sunward.

The company wants to ensure that development costs at Titribi are reasonable, and to keep things manageable, it's looking at mining the shallow part of the property's key Cerro Vetas deposit via



Red Eagle Mining's Santa Rosa gold project, in Colombia.
Credit: Red Eagle Mining

a 200-metre-deep open pit that would be roughly circular in shape, with the edges being made up of a topographical high.

That high ridge around the edge is a key point as it makes a large hole in the ground more palatable, since mining would be visible from the surrounding communities.

Sunward signalled to the world that its ambitions are greater than the average junior when it managed to raise $51.3 million in a private placement two years ago. The key investor in that financing was the Electrum Group — a private company founded by Thomas Kaplan that holds stakes in a vast suite of mining projects around the world.

Electrum Group's president, Igor Levental, says Titiribi's size potential caught the company's attention.

"The endowment was 3.7 million ounces inferred, plus copper when we arrived," he says. "But in the setting it is in, we felt it should grow substantially."

Levental, who also serves on Sunward's board, emphasizes that Sunward not only has the scale to drive a profitable mine in the future, but also the right people to get it there.

The board includes Gil Leathley, the former chief operating officer of Homestake Mining; Greg Lang, the former president of Barrick Gold North America; and Ricardo Duarte, who was Colombia's chief trade negotiator under the Uribe government, and presided over Canada's free-trade agreement with Colombia.

"We have a really strong board and the project is growing," Levental says. "We're comfortable with the area. We did our due diligence on the district and its history. Geopolitical issues are very important to us, and we've found that Colombia has been a rewarding place to operate in."

Solvista Gold (SVV-V)

Still within the Mid-Cauca belt, about 30 km south from Titiribi and 10 km north of Gran Colombia Gold's world-class Marmato project, is Solvista Gold's early stage Caramanta project.

Solvista Gold's Guadalupe project, in Colombia.
Credit: Solvista Gold

Other companies to watch:

B2 Gold (BTO-T)

Many Colombia watchers believe that AngloGold Ashanti and B2 Gold's Gramalote property, 80 km northeast of Medellin, will be the first significant modern gold mine in the country.

B2 Gold has a 49% stake in Gramalote, while operator AngloGold has 51%.

As of April 2012, the deposit hosts 2.54 million measured and indicated oz. gold in 97.1 million tonnes grading 0.81 gram gold, plus 1.4 million inferred oz. in 95.6 million tonnes grading 0.44 gram gold.

The companies are spending $36.9 million in 2012 at Gramalote on a pro rata basis. A prefeasibility study is slated for the first quarter of 2013, with a feasibility study scheduled to be completed in early 2014.

The partners are targeting an open-pit mine that would produce between 300,000 and 400,000 oz. per year starting in 2016.

Batero Gold (BAT-V)

Batero Gold is evaluating cost-effective mining scenarios at La Cumbre, one of three porphyry deposits at its Batero-Quinchia project in the Mid-Cauca belt. It's looking at starting a staged development of La Cumbre with a leach processing circuit and a starter pit exploiting near-surface, higher-grade oxidized gold mineralization.

La Cumbre hosts a total of 2.3 million indicated oz. gold in 131 million tonnes grading 0.56 gram gold, and 700,000 inferred oz. gold in 39 million tonnes grading 0.52 gram gold.

The company has secured a $20-million private placement with a private Peruvian miner to advance the project, more than 70% of which remains unexplored.

Seafield Resources (SFF-V)

Batero neighbour Seafield Resources' holds the Quinchía gold project in the Mid-Cauca belt. The project hosts two deposits, Miraflores and Dosquebradas that together host 3 million oz. gold.

The company is trying to fast-track production at Miraflores, which hosts 1.9 million measured and indicated oz. gold in 77.8 million tonnes grading 0.8 gram gold per tonne. A preliminary economic assessment indicated positive economics for Miraflores with an internal rate of return of 50% and a net present value of $249 million.

Regional exploration programs are under way to identify more drill targets within Seafield's concession, 80% of which remains unexplored.

CB Gold (CBJ-V)

CB Gold operates in the Vetas Mining District, in Santander province. The Vetas gold project is located 10 km south of the California Mining District, which contains the Angostura and La Bodega deposits. Recent drill results at Vetas include 8.25 metres of 31.35 grams gold per tonne.

Work at Red Eagle Mining's Santa Rosa gold project.
Credit: Red Eagle Mining

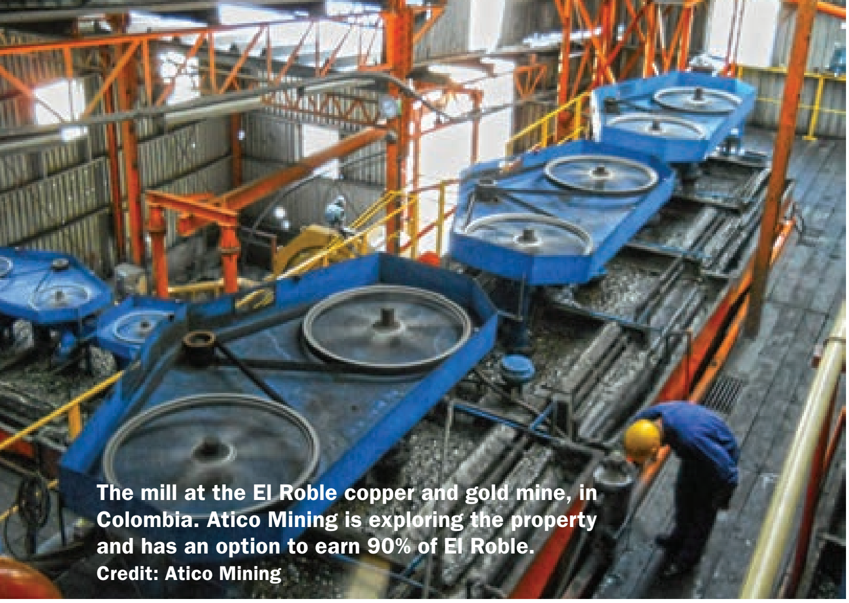
At presstime, only results from three drill holes had been released, but the market has shown enthusiasm for the idea that the company could be on to the next big copper and gold porphyry find in the region. Solvista shares began September trading for 44¢, but as drill results came out, the stock closed as high as $1.16 during the month.

The early success comes as less of a surprise when it's considered that the company was born out of Grupo de Bullet's assets. Bullet was founded and presided over by Bob Allen, an early mover in Colombia's gold exploration space who has been able to lock up a great deal of prospective ground. Bullet currently has a 28% stake in Solvista.

Solvista listed on the TSX Venture Exchange in May 2011 and started drilling first at its Guadalupe property. It wasn't until June 2012 that drilling at Caramanta began, but when the property returned porphyry style mineralization in an intercept of 149.7 metres grading 2.1 grams gold, it became the focus. The company now plans to spend 80% of its exploration budget at Caramanta.

Just eight days after the discovery hole was released came results from the third hole at the project. That hole returned an intercept of 133.7 metres grading 1.54 grams gold equivalent and another of 191.3 metres grading 1.04 grams gold equivalent.

Solvista is in the midst of an 8,000-metre program, with one


The mill at the El Roble copper and gold mine, in Colombia. Atico Mining is exploring the property and has an option to earn 90% of El Roble.
Credit: Atico Mining

of the two drill rigs turning at the property targeting the area around the El Reten discovery, while the second tests satellite targets farther afield.

Results from the broader exploration targets are expected early next year, and in the meantime, Solvista will focus on delineating the known zone.

With $6.5 million in cash, Solvista CEO Miller O'Prey estimates those funds will last into mid-2013, or to the end of the year, if necessary.

Up to $13 million in new funds could come from the exercise of warrants that expire in April and May at a strike price of $1.10. The junior's shares have recently traded between 75¢ and 85¢.

While O'Prey says the geology of Caramanta may differ from its more renowned neighbours, the end game is similar: "It will end up with a big hole in the ground," he says.

As for the regulatory environment in the country, O'Prey is pragmatic in his outlook.

"The government at the highest levels has made it clear that mining is one of five motors of economic development," he says. "But there's still a lot of learning to be done in mid to lower levels of the bureaucracy. It takes a lot to make the wheels turn, but that's just the growing pains of an emerging industry."

Red Eagle Mining (RD-V)

East of the Mid-Cauca is the Antioquian Batholith, where Red Eagle Mining's Santa Rosa project lies, roughly 70 km north of Medellin.

Acquired from a Colombian who owns small-scale mines around the country, the property certainly had historic credentials. It hosted a mine 400 years ago that produced an estimated 30 million tonnes of ore, says Red Eagle CEO Ian Slater.

"There aren't many properties left in the world that were once Colonial-era mines that are not modern mines today," Slater says.

The property has been worked by artisanal miners since (as evidenced by the more than 500 adits Red Eagle has found on the property), but the former land owner legalized all the workers, hired them and then moved them to another property when Red Eagle purchased the land.

Perhaps the diminished risk on the artisanal relations side helped Red Eagle on the financing front. The company raised eyebrows earlier this year when it managed to raise over $20 million in a private placement at a time when few juniors were able to scare up a few pennies from equity markets.

Slater says Red Eagle's financing success was due to the quality of its project.

"We've drilled 23,000 metres already and a lot of those holes came back with spectacular results," he says. "We had four holes hit high grade with over five to seven metres of 30 to 40 grams (gold) and we have a clear plan to get into production."

With the financing, Red Eagle is funded right through feasibility.

The company expects to have a maiden resource by the end of 2012 and a preliminary economic assessment by the end of the first quarter of 2013, after which it will start the permitting process.

While no formal studies have been completed yet, Red Eagle is considering initially building an open-pit mine with a 2-million-tonne-per-year carbon-in-leach plant. The projected capex would be under $100 million, and the open pit could be expanded to include an underground operation, depending on the results of a recently started fourth phase of drilling.

The 17,000-metre drill program is aimed at in-

Selected miners in Colombia

Company	Ticker symbol	Share price (Dec. 3 close)	52-week high/low	Shares outstanding	Market cap
AngloGold Ashanti	AU-N	US$30.03	US$47.26/US$29.58	385.3 M	US$11.6 B
Atico Mining	ATY-V	69¢	80¢/40¢	39.8 M	$26.2 M
B2 Gold	BTO-T	$3.42	$4.55/$2.64	393.1 M	$1.3 B
Batero Gold	BAT-V	42.5¢	$2.90/37¢	63 M	$27.7 M
CB Gold	CBJ-V	89¢	$1.43/70¢	147.9 M	$121.3 M
Colombian Mines	CMJ-V	41.5¢	60¢/22.5¢	35.4 M	$14.7 M
Continental Gold	CNL-T	$9.15	$10.03/$5.35	116.7 M	$1 B
Gran Colombia Gold	GCM-T	37¢	63¢/28¢	382 M	$137.5 M
Red Eagle Mining	RD-V	48¢	85¢/27¢	58.5 M	$28 M
Seafield Resources	SFF-V	11¢	24.5¢/9.5¢	190.8 M	$21 M
Solvista Gold	SVV-V	79¢	$1.29/19¢	55.3 M	$44.8 M
Sunward Resources	SWD-T	$1.14	$2.41/$1.01	143.3 M	$154.8 M

creasing the quality of the forthcoming resource estimate and extending the resource at depth. It will test the deposit to 500 metres depth, twice the depth of previous drilling.

Previous drill highlights include: 39.7 metres grading 1.59 grams gold; 58.9 metres at 1 gram; and 66.9 metres at 3.06 grams.

While those intercepts are promising, Slater is most excited by the scale of the project, as there are veins throughout the ground, with the economic concentrations occurring in the shear zones.

Red Eagle has only tested one shear zone so far — San Ramon, a 1.8-km-long shear zone in the eastern half of the property, where the previous owner had mined high-grade veins.

A projected open pit at San Ramon overlays a mineralized zone that is 20-30 metres wide and open at depth.

Red Eagle hopes to start construction of a modern gold mine in 2014.

Atico Mining (ATY-V)

Staying with the Antiquoan Batholith, but flying under the radar, is Atico Mining, which has an option to acquire the El Roble mine.

The company began its Colombian odyssey when Jorge Ganoza, CEO of **Fortuna Silver Mines** (FVI-T) heard about a small operating mine in Colombia near Medellin back in 2010.

Trafigura and a Mexican group were negotiating with a private owner for El Roble, but when the two sides couldn't come to terms, Ganoza's team stepped in and struck an option agreement on the property in early 2011.

That agreement outlines a two-year staged payment, including a \$2.25-million payment that has already been made. The next step, which would trigger the option and give Atico a 90% stake in El Roble, is a lump sum payment of \$14 million.

The deal expires in January, but can be extended one more year for \$1.2 million. Atico, which has about \$4 million in cash, plans to use its right of extension so it can finish up its current exploration program. The company has completed half of an 11,000-metre drill program that is expected to wrap up in April.

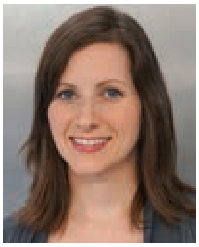
In the meantime, El Roble continues to produce copper and gold concentrate. The underground mine has been operating for the past 22 years with a flotation mill that has a capacity of 400 tonnes per day. Throughput is currently 360 tonnes per day with mining going down to the 2,000 level, which is

Continued on page 22

insight

Ned Goodman at Laurentian University, in Sudbury, Ont., which recently created the Goodman School of Mines after a donation from the philanthropist. He also founded the Goodman Institute, an integrated MBA in Investment Management and CFA program at Concordia University in Montreal.
Credit: Laurentian University

NED GOODMAN LOOKS AHEAD TO 2013



Interview by SUSAN KIRWIN

As we say goodbye to 2012, *Mining Markets* sought the advice of one of the mining industry's most seasoned investors to find out what 2013 and beyond might have in store. Toronto-based journalist Susan Kirwin sat down with Ned Goodman, president, CEO, and founder of Dundee Corp., in a boardroom on the 21st floor of the Dundee Place tower in downtown Toronto on Nov. 19.

With 50 years of experience in the mining industry, the geologist and financier still visits the odd mining project to "kick the tires," and was in Sierra Leone just a few months ago. Goodman, a self-described optimist, explains why commodity prices will keep rising, why a return to the gold standard makes sense, and offers some tough-love advice for would-be investors.

MINING MARKETS: *What's your outlook for the mining industry in 2013 — what commodities do you think will do well and where will you invest your money?*

NED GOODMAN: My commodity would be gold. My view is that the world is basically in a pretty desperate situation except that the world population is increasing and the population of the world is far more knowledgeable about what is going on in the world so people are asking for more.

Clearly, something's got to happen that will take Europe out of the mess that it's in and something that would take the United States out of the mess that it's in.

One of the things that I see is that the commodity markets will be a lot better than most people think. There are forecasts that say the middle class of the world will grow, they will all want to drive cars on highways and have houses with flush toilets. So I have a long-term perspective that the mining industry will be fine: it's not easy to raise the money to do it but the demand will be there for commodity products.

MM: *Would you say you are more positive longer-term, but that 2013 could be similar to 2012?*

NG: You can never predict what's going to happen the next day or week or month or year, but you can say that the industry has reason to be hopeful, especially since major companies are all pulling back, saying, "It's tough times, therefore we aren't going to do any exploration."

When that happens, if you bet against these guys, you usually win, because they are just scared for their jobs more than anything else. They will ramp up again when the time comes. It's an opportunity, it's a buying time and we'll come out of this quite comfortably, I think. It's not stopping me from providing funding to junior mining companies around the world who have major discoveries because the product is going to be required just to keep the world in one piece.

MM: *Are there any other metals that you prefer to invest in?*

NG: My biggest interest is gold. Precious metals. I do think that gold will take on a monetization, probably a lot sooner than most of my competitors or anyone else you are going to talk to. I think it's happening even while we talk. Gold is money and will become money, and all inflationary paths in the world lead to gold. We are going to have an inflationary problem and we also have problems with wars and stuff like that, and gold is not going to fix that, we are still going to have problems but I'm an optimistic person, I'm not a negative person.

MM: *I hear the positivity … but it is very negative out there.*

NG: Everybody's negative, and it's not hard to be negative, just read the newspaper, watch TV, talk to anybody in the brokerage industry. It's negative and I say that's not a bad time to think about things being positive because we are not going to let the world go to hell. I think that all the financial crises, all the financial problems of Europe, United States, the fiscal cliff and all that kind of nonsense will get better if the major currencies of the world are properly backed so that people have confidence in them. The dollar is the reserve currency of the world, the euro is the wannabe and the remninbi is the one that deserves it the most. China is the smartest country in the world, it's the largest producer of gold and will end up being the largest holder of gold.

MM: *Are you worried about growth in China slowing down?*

NG: China is not stopping to grow, they can't afford to. If China stops growing, they are going to have a revolution. They've got to keep moving people from the farms to the cities. If they do that, they are going to be building places for people to live and they are going to be building highways for their bicycles and cars so I don't see China slowing at all.

MM: *Are we still in the commodities supercycle?*

NG: We are still in it, we are just in a slowdown in a major cycle. The major cycle came into existence because of the emerging markets of the world. They are the ones that are still growing and that hasn't stopped; if anything, it's built up.

MM: *Why is gold is your commodity of choice?*

NG: It's my commodity of choice because it's the only thing that can really turn the world around. All roads today are leading to deleveraging of debt. . . therefore we either have to print money, which the world does not like to do because that is an inflationary event, or fix the U.S. dollar or any currency so that it has a stable value. To me, the easiest thing is to go back on the gold standard and I think we are not too far away from that occurring. When that occurs, if the banks that are in trouble get the gold from the countries they live in, and the price of gold goes up, then the banks will be put on side without having to do equity issues. It will be like magic money; more magic than the money that gets printed.

MM: *If we went back on the gold standard, how high would the price of gold go?*

NG: I don't know, it's a dart-throwing contest. It's going to have to go much higher. The inflation-adjusted number is at a minimum US$2,500 an ounce and more likely US$10,000-13,000 an ounce. It doesn't really matter when it goes on the gold standard; the higher it goes the better off it is. If the United States, which holds the majority of the world's gold, (not all of it is theirs), and suddenly has this gold at US$10,000 an ounce instead of US$1,700 an ounce, they are no longer worried about the fiscal cliff, they've got all the collateral they need. That's the only solution I see short of going into a very devastating deflationary period.

MM: *Who do you see initiating a return to the gold standard?*

NG: The International Monetary Fund — it's an organization of which every country in the world is a member and the United States has a super vote and they can make whatever they want to happen, happen.

MM: *Do you think there will be a drastic fix like that?*

NG: Well, a drastic fix would be to go back on the gold standard with a very big number yes, because nobody gets hurt. Will you get hurt if the price of gold goes to US$10,000 an ounce? Do you know anybody who will be hurt? Most of the gold in the world today is owned by central bankers and the odd nut that puts it away in his basement.

MM: *Do you own physical gold?*

NG: I buy gold stocks, I don't own gold. I don't even have a ring. This is not a prediction. My prediction is that something has to happen. There are many doors to go through; we can do what the United States is doing, continue to print money, but that's very inflationary. The easiest way out is to inflate the system with a currency that has some value.

MM: *Junior mining companies have had a tough time raising money over the last year. Is that going to continue?*

NG: It's been a little tougher but there have been a lot of nice discoveries made by the junior companies. We fund them, the world has opened up for them because all of the senior companies have chickened out and don't want to spend money anymore, which means there is room for junior companies to make discoveries.

It's harder to find money to make it happen, but they are out there working and things are happening.

MM: *Is having a huge slowdown in exploration slowing down the process for finding new deposits?*

NG: That is constantly happening because it's been more difficult to find money. You've got **BHP Billiton** (BHP-N, BLT-L), it's come out saying it's not spending money. You've got **Rio Tinto** (RIO-N, RIO-L) not spending money. You've got all these big, big mining companies pulling back and that means two things: Increased productivity is not going to be there, which means prices should go higher; and junior companies should have a better opportunity.

With what's going on in the world, commodities are going to cost more, not less. They are harder to find, it's harder to raise the money to find them. Prices of commodities are going up so commodities in the ground, already found and ready to go, are very valuable.

MM: *Is it a good time for investors, then?*

NG: I never know when it's a good time for investors. It's a good time for investors whenever you make a discovery. If you don't look, you don't find.

MM: *Are investors too cautious these days?*

NG: You can never be too cautious. Investors for the most part don't know what they are doing, so they should be cautious all the time. They should be cautious about what they read in the newspaper, your article, on TV, all that nonsense. They should do their own work and figure things out. MM

— THE AUTHOR IS AN ASSOCIATE PRODUCER AT BUSINESS NEWS NETWORK AND A FORMER STAFF WRITER FOR THE NORTHERN MINER.

advice

Getting the MOST out of FLOW-THROUGH INVESTING

thinkstockphotos.com

BY PETER BESLER

Special to Mining Markets

Flow-through shares have been extremely popular investment vehicles for countless Canadian investors over the past 25 years. They have provided over $10 billion in exploration finance to Canadian resource companies and have become a critical component of the development of Canada's Far North. Both federal and provincial governments recognize the significant benefits of flow-through and strongly support the concept.

For many investors, investing in flow-through is an annual ritual for the purpose of reducing income tax payable. The concept is simple: A resource company that requires capital to undertake exploration for resources in Canada passes on their Canadian Exploration Expense (CEE) to investors through the issuance of flow-through shares. The tax deductions related to the exploration or development of their resources "flow-through" to the investors. The investing public can participate through a flow-through share offering or a limited partnership offering.

Investors will typically be able to claim 100% of the value of the investment they make against their taxes for that year. From a tax-deduction perspective, the investor receives a similar tax benefit as making an RRSP contribution (a reduction of line 236 on their tax return). However, flow-through must be purchased and held outside a registered plan. Investors may choose to invest in either individual flow-through shares or professionally managed

TABLE 1: BENEFITS OF FLOW-THROUGH

An Ontario investor earns $150,000 annually (marginal tax rate = 46.41%, effective tax rate = 33.16%) and invests $20,000 into a flow-through limited partnership in Year 1. After 2 years the value of the investment remains unchanged and it is then sold.

	INVEST IN LP	DO NOTHING
EARNED INCOME	$20,000	$20,000
INVESTMENT IN LP	$20,000	–
INCOME TAX PAYABLE	–	$9,282
YEAR 2 SALE PROCEEDS	$20,000	–
CAPITAL GAINS TAX PAYABLE	$3,316	–
AFTER-TAX PROCEEDS	**$16,684**	**$10,718**

units of a flow-through limited partnership. Most limited partnerships require that investors hold their units for 18 to 24 months, while individual flow-through shares usually have a four-month escrow period. In addition, it is important to note that when the flow-through is sold, a zero cost base is applied in calculating the capital gain. Table 1 shows the benefits of flow-through for an Ontario investor in the top marginal bracket (see Table 1).

Flow-through investing is most appropriate for high-income investors. Through the initial tax deduction and the impact of capital gains tax when the investment is sold, investors gain almost 30% downside protection on the value of their investment. When the assets are eventually sold, the 50% inclusion rate on capital gains will mean a tax hit of 23%, assuming the investor remains in the same tax bracket and the value of the flow-through does not change.

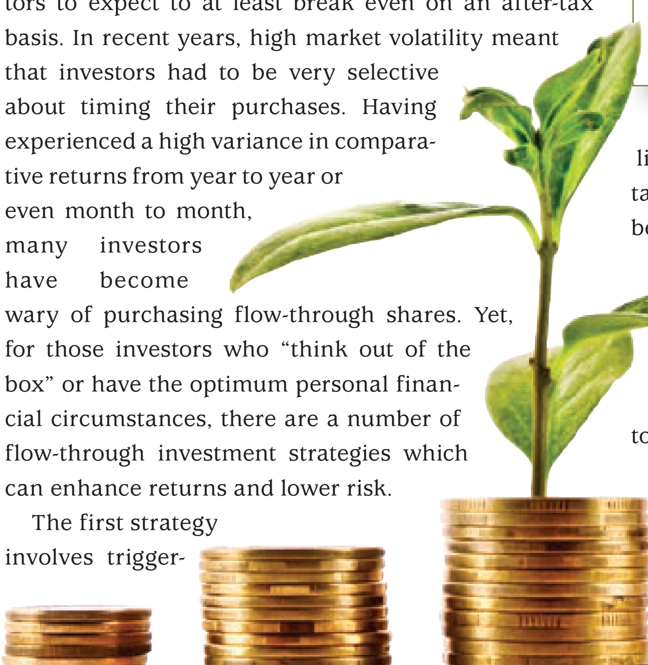
In the past, when market volatility was much lower, the 30% downside protection was sufficient for investors to expect to at least break even on an after-tax basis. In recent years, high market volatility meant that investors had to be very selective about timing their purchases. Having experienced a high variance in comparative returns from year to year or even month to month, many investors have become wary of purchasing flow-through shares. Yet, for those investors who "think out of the box" or have the optimum personal financial circumstances, there are a number of flow-through investment strategies which can enhance returns and lower risk.

The first strategy involves triggering sufficient capital losses on securities that have declined in value within a portfolio and then investing the proceeds of the sale into flow-though shares or into a flow-through limited partnership. The losses may be carried forward up to three years and used when the flow-through is sold. Since the adjusted cost base of flow-through is normally zero, the capital losses carried forward must be sufficient to offset the entire proceeds of the sale of the flow-through. In that case, the amount of tax owing upon the sale of the flow-through is nil. This strategy is attractive for investors who realize losses on other speculative natural resource securities in their portfolio. If those losing securities are sold, triggering the loss, and the proceeds are immediately used to purchase flow-through, then portfolio risk may not increase significantly as the money is essentially moving sideways. Table 2 illustrates how an Ontario investor in the top marginal tax bracket would be able to shelter 100% of $20,000 in income (see Table 2).

TABLE 2: UTILIZING CAPITAL LOSSES

An Ontario investor at the top marginal tax rate (46.41%) sells losing investments realizing capital losses during year 1 totalling $20,000. Also in year 1, the investor purchases $20,000 of flow-through LP using the proceeds of his tax loss selling. Finally, the investor sells the flow-through LP for the same value upon maturity in year 3 and then applies the year 1 tax losses carried forward. Effectively, the net result for the investor is 100% sheltering of $20,000 in income.

	INVEST IN LP	DO NOTHING
YEAR 1 EARNED INCOME	$20,000	$20,000
YEAR 1 INVEST IN LP	$20,000	–
YEAR 1 INCOME TAX PAYABLE	–	$9,282
YEAR 3 SALE PROCEEDS	$20,000	–
CAPITAL GAINS TRIGGERED	$20,000	–
YEAR 1 LOSS CARRY FORWARD	($20,000)	–
CAPITAL GAINS TAX PAYABLE	–	–
AFTER-TAX PROCEEDS	**$20,000**	**$10,718**



A second strategy involves using a flow-through limited partnership together with an RRSP to reduce tax payable on a capital gain. Again, investors who benefit the most from this strategy would be those who are in the top tax bracket and that may have a large capital gain from the sale of securities or other investments such as real estate. Also, the investor must have sufficient contribution room within their RRSP to optimize their return. Table 3 is a simplified illustration showing how an investor who realizes a capital gain of $200,000 may use flow-through together with their RRSP to nearly eliminate capital gains tax payable (see Table 3):

The third strategy utilizes the shorter hold peri-

thinkstockphotos.com

od of four months, associated with individual flow-through shares, to obtain multiple tax deductions in the same year from the same initial investment. The strategy involves selling the maturing flow-through shares and then immediately reinvesting the proceeds into another flow-through share issue. When the investor begins this process by investing in March, the first deduction occurs. Then four months later, in July, the shares may be sold and the proceeds reinvested. This will trigger a capital gain from selling the first shares and another deduction as a result of the second purchase. After another four months, in November, the second investment may be sold and the proceeds reinvested in a 3rd flow-though issue. This will trigger another capital gain from selling the second shares and another deduction from the third purchase. Table 4 illustrates this high-frequency rollover strategy designed to compound a single investment into three deductions for a particular tax year. The result is that $20,000 in pre-tax income is compounded into $33,923 in the pocket of the investor (see Table 4).

The same-year triple compounding rollover strategy can produce remarkable returns if it can be implemented. However, finding the appropriate flow-through shares at precisely the correct time is a low probability for most investors. Yet, for those who wish to alter the strategy, and invest twice rather than three times in the same year, the probabilities increase significantly. For investors who begin the strategy early in the year, it is quite possible to find a second suitable flow-through issue, after the four-month hold period, prior to the end of the calendar year. The final result is two deductions from only one out-of-pocket investment.

The tax savings on flow-though can be very significant. Yet investors should be selective on which flow-through products they buy. Whether an investor chooses individual flow-through shares or limited partnership units, it is always prudent to consult a professional financial advisor who is experienced with these types of investments. When selecting a limited partnership, seek out managers who have a history of getting good returns. Look for a long track record of mostly positive returns. Consider if the portfolio will be invested entirely in mining, or energy or a mix. Speak with an advisor to see which approach is best for you.

Before buying a flow-through limited partnership, investors should examine its fee structure. Most pay a sales commission to advisors (usually about 3-6% of the original investment), plus upfront or ongoing management fees and/or performance bonuses. Other partnerships charge a small annual management fee (1%) or none at all, and then charge a management incentive bonus between 10% and 50% of the profits in excess of a certain return on the portfolio. Based on provincial securities laws, some investors may not qualify to buy flow-through shares or certain limited partnerships. A financial advisor can clarify if an investor meets the criteria.

Still, flow-through shares are not for everyone. The resource sector is cyclical by nature, and exploration is risky. Investors need the fortitude to tolerate the volatility. However, those investors who apply well-planned strategies may experience attractive investment returns. MM

— THE AUTHOR IS AN INVESTMENT ADVISOR WITH MGI SECURITIES INC. IN TORONTO. HE CAN BE REACHED AT 416-594-2257 OR PBESLER@MGISECURITIES.COM.

TABLE 3: REDUCING CAPITAL GAINS TAX

In year 1, an Ontario investor at the top marginal tax rate (46.41%) sells an investment triggering a $200,000 capital gain and then invests only $100,000 of the proceeds into a flow-through LP. For each of the 2 years following maturity, assuming the LP value remains the same, the maximum amount of LP shares are contributed to the investor's RRSP then the remaining units are sold in the final year. For the investor in this example, the capital gains tax is nearly eliminated.

	INVEST IN LP	DO NOTHING
YR 1 CAPITAL GAIN (50% TAXABLE)	$20,000	$20,000
YR 1 INVESTMENT IN LP	($100,000)	–
YR 1 TAX PAYABLE	–	($46,410)
YR 3 RSP CONTRIBUTION LP UNITS	$23,820	–
YR 3 NET TAX SAVINGS	$5,527	–
YR 4 RSP CONTRIBUTION LP UNITS	$24,270	–
YR 4 NET TAX SAVINGS	$5,631	–
YR 5 REMAINING LP UNITS SOLD	$51,910	–
YR 5 TAX PAYABLE	$12,046	–
TOTAL TAX PAID	**($888)**	**($46,410)**

TABLE 4: SAME-YEAR TRIPLE COMPOUNDING ROLLOVER STRATEGY

In March, an Ontario investor at the top marginal tax rate (46.41%) invests $20,000 into flow-through shares. In July, the shares can be sold and the proceeds reinvested in other flow-through shares. In November, the second flow-through shares can be sold and the proceeds invested in a third flow-through issue. Assuming the value of the flow-through shares remains the same, the investor will realize 3 deductions totalling $60,000 within the same tax year from only one initial investment of $20,000. The investor will save $18,564 in taxes during the year and still have $20,000 remaining in flow-through shares. These shares can be sold the following year netting an additional $15,359 after the final capital gains tax is paid. The investor is able to convert $20,000 of pre-tax income into $33,923 in his pocket.

MONTH	OUT OF POCKET PURCHASE	REINVESTMENT OF MATURING SHARES	TAX DEDUCTION	TAX SAVINGS	CAPITAL GAINS TAX	NET TAX SAVINGS
MARCH	$20,000	–	$20,000	$9,282	–	$9,282
JULY	–	$20,000	$20,000	$9,282	$4,641	$4,641
NOVEMBER	–	$20,000	$20,000	$9,282	$4,641	$4,641
TOTAL	**$20,000**		**$60,000**	**$27,846**	**$9,282**	**$18,564**

Continued from page 15

230 metres below the surface. Ganoza says roughly 1.5 million tonnes of high-grade ore has been mined to date.

Atico believes that the volcanogenic massive sulphides being mined in the upper zone extend in the same direction at depth. If it does display such symmetry (as VMS deposits are known to), El Roble could have another 1.5 million tonnes of mineworthy material.

Bolstering Atico's hypothesis are drill results that have intersected mineralization 230 metres below the 2,000 level.

Highlights from the drill program include: 40 metres grading 6.5% copper and 17 grams gold; 40 metres of 6.5% copper and 1.8 grams gold; and 18 metres at 10% copper and close to 2 grams gold.

While those grades are impressive, Atico hopes to find other deposits on the 60-sq.-km property as well. "VMS deposits usually happen in clusters and we see potential for other finds around El Roble," Ganoza says.

Another growth driver at the property is increased efficiency at the current mine. While no National Instrument 43-101-compliant resource has been completed on the deposit, the owners claim to have another year's worth of reserves.

A historical estimate done by Kennecott outlined 1.2 million tonnes grading 4.8% copper and 3.2 grams gold. The current operation, however, has been milling at an average head grade of just 2.5% copper and 2.5 grams gold per tonne.

"The fact that the average grade is lower than the historical resource is due to dilution," Ganoza says. "They are using very unsophisticated mining techniques."

But while the mining may be lacking, Ganoza says the mill is ready to go.

"The majority of capex will go into the mine to bring it up to standard," he says.

Atico expects that will cost $4-5 million — roughly the same amount the current mine is expected to generate in free cash flow this year. MM

new listings

NEW & NOTABLE

Bluefire Mining (BFM-V)
Projects: K-9 (SEDEX base metals), in B.C.

Brades Resource (BRA-V)
Projects: BRC (copper-gold), in B.C.

Navy Resources (NVY-V)
Projects: Vulcan (lead-zinc-silver), in B.C.

Parkside Resources (PKS-V)
Projects: Forester Lake (gold), in Ontario

Patrone Gold (AUR-V)
(spinout of Unity Energy)
Projects: Dickens Lake (gold), in Saskatchewan

Red Moon Potash (RMK-V)
(spinoff of Venture-listed Vulcan Minerals)
Projects: St. George (potash), in Newfoundland

Rheingold Exploration (RGE-V)
Projects: Pattullo (gold), in Ontario

Rouge Resources (ROU-V)
Projects: Dotted Lake and Lampson Lake (gold), in Ontario

Trigold Resources (TGD-V)
Projects: Copper King-Cotton Belt (polymetallic), in B.C.

Universal Ventures (UN-V)
Projects: TIB (copper-gold), in B.C.

Vela Minerals (VLA-V)
Projects: Rossland (polymetallic), in B.C.

Virginia Energy Resources (VUI-V) (spinout of merger of Virginia Uranium and VA Uranium Holdings to Anthem Resources)
Projects: Coles Hill (uranium) in Virginia

Wolfden Resources (WLF-V)
Projects: Clarence Stream (gold), in N.B.

advertisers' index

MINING MARKETS


SunWard Resources
Rebuilding Colombia's Largest Gold-Copper Mining District
100% owned Titiribi Project
3,919 ha property position
Well-developed infrastructure
Sound financial position

100% Owned Titiribi Project Resources			
	GOLD	GOLD EQ	COPPER
Measured & Indicated	4.58 million ounces*	6.28 million ounces**	615.4 million pounds*
Inferred	6.44 million ounces*	7.51 million ounces**	388.5 million pounds*

* The Company's core asset is the Titiribi project, which an NI 43-101 compliant Measured & Indicated Mineral Resource of 4.58 million ounces gold (within 275.4 Mt grading 0.52 grams/tonne gold). Within this Resource 167.2 Mt contains 0.50 grams/tonne gold and 0.17% copper (using a 0.3 grams/tonne gold cut-off). Additional Inferred Mineral Resources contain 6.44 million ounces gold (within 359.6 Mt grading 0.56 grams/tonne gold). Within this Resource 205.2 Mt contain 0.51 grams/tonne gold and 0.09% copper (using a 0.3 grams/tonne gold cut-off). For more information, please see the Company's press release dated June 4, 2012 as published on SEDAR and on the Company's website. ** Equivalent ounces calculated using $3.07 copper/pound, $1,114 gold per ounce representing approximate 3-year moving averages.
Suite 880, 1090 West Georgia St.
Vancouver, BC, Canada, V6E 3V7
+1 604-568-7617
TSX: SWD
OTCQX: SNWRF
www.sunwardresources.com