



LAWRENCE ROULSTON'S RESOURCE OPPORTUNITIES

...Discovering value in natural resource stocks

The Dangers of Short Term Thinking

Editorial

Markets continue to oscillate in reaction to news headlines, with little attention to the big picture or to the longer term implications.

The early headlines about the financial situation in Greece led some to expect a complete collapse, which would trigger a domino effect through other weak European nations. Germany agreed to support the Greek debt, averting the perceived collapse of that nation's economy. The problems have not yet gone away, but investor perceptions have been tempered with a dose of reality.

Europe will continue to muddle along, with slow but positive growth. The same outlook applies to the United States. Asia is very different. Growth in China had accelerated to the point where the government saw the need to take some preemptive measures to keep things under control. Steps to prevent growth getting out of control were reported in headlines in North America as likely to slow growth, causing another wave of concern among investors.

In reality, nothing substantive has changed. Slow growth in the west, added to faster paced growth in Asia equals an overall positive growth rate. The copper price, which exceeded \$3.40 in January, briefly dropped to \$2.85 when concerns over an economic slowdown dominated the headlines. Copper is back to \$3.23.

The situation in Greece impacted the value of the euro relative to the dollar.

That apparent strength in the dollar resulted in lower investor demand for gold. As a result, the price of gold dropped under \$1,060 in early February, \$100 lower than the January high. Skittish investors reacting to headlines will continue to push the price of gold through gyrations in the near term. Over time, the trillions of newly printed dollars will again rise to the top of investor concerns.

Investors in the junior resources sector remain nervous, reacting to news in the broader markets. Even with that nervousness, companies that generate results continue to earn investor recognition. The model that we are following in this newsletter, of junior companies developing resources to supply the larger companies, remains totally intact. In this issue we update several companies that continue to add shareholder value.

Company Updates

Fjordland Exploration (FEX-TSXV)

Drilling is again underway on the Woodjam North gold-copper property located in central British Columbia. A unit of Gold Fields, the major gold producer, is funding the drilling under an earn-in joint venture agreement. The current round of drilling follows encouraging results from 14 holes by the major that were drilled late last year.

The two Woodjam properties are held by Fjordland and 40% joint venture partner Cariboo Rose Resources (CRB-TSXV). Goldfields can earn up to a 70% interest in Woodjam North by funding work through a feasibility study. That agreement provided the right of first refusal to option the adjacent Woodjam South project. When another major recently offered to option that project, Gold Fields entered into a second agreement on similar terms, and is now exploring both projects.

The drilling last year included tests of the Takom and Deerhorn zones. Of the 14 holes drilled, 9 intersected long intervals of gold-copper mineralization. The highlight was 89.5 meters of 1.16 grams per tonne gold and 0.26% copper. That grade and thickness is well within the range of values of economic mines in that region.

The current drilling is a continuation of a \$2.5 million, 12-month program begun last July. The planned 12 holes will fur-

INSIDE

1— Company Updates

6— Brief Updates

6—Initiating Coverage

8— Conferences

The last issue was
February 2010-1

ther test the Takom and Deerhorn zones and also test other target areas identified by geophysics and surface samples.

Meanwhile, Gold Fields and Fjordland are evaluating data from the Woodjam South project in anticipation of further field work. Airborne geophysical results are being integrated with surface sampling results. Of particular interest is an area of copper-gold-molybdenum mineralization referred to as the Southeast Zone.

While Gold Fields advances work on the Woodjam properties, Fjordland continues to acquire and evaluate other prospects in that mineral-rich portion of central British Columbia. The company has several projects on its own, and also pooled a number of projects with another highly competent B.C. exploration company, Serengeti (SIR-TSXV). Fjordland shareholders now have exposure to about 20 active gold-copper projects in B.C.

Gold Fields was encouraged enough by the results of the 14 holes last year to undertake another phase of drilling and to option the adjacent property. Another major offered to option the adjacent property, leading to Gold Fields exercising its first right. Yet, investors were underwhelmed with the Woodjam drill results.

It seems that this type of deposit is not well appreciated by investors. The Kerness mine, at the north end of the trend, produces 173,000 ounces of gold and 52 million pounds of copper, generating considerable profits from grades similar to those at Woodjam. The nearby Mt. Milligan deposit supports a valuation of nearly half a billion dollars for Terrane Metals (TRX-TSXV) and that deposit is also of similar grade to Woodjam.

Eventually, the porphyry gold-copper deposits in central B.C. will get the recognition they deserve. For investors with some patience, Fjordland at this price is very attractive.

Price February 24, 2010: C\$0.075
Shares Outstanding: 65 million
Shares Fully Diluted: 77 million
Market Cap: C\$4.87 million
Contact: Investor Relations
604-893-8365
www.fjordlandex.com
Last updated December 2009-1

Fronteer Development Group
 (FRG-TSX; FRG-NYSE)

Fronteer is advancing three gold projects in Nevada with the intent of evolving into a mid-tier gold producer. The three projects have a total endowment of 4.4 million ounces, with 3.7 million ounces attributable to Fronteer. All of those projects have further upside potential, as demonstrated by on-going results.

At the Long Canyon gold project in Nevada, step-out drilling 400 meters north and northeast of the main deposit intersected strong gold values in three holes spanning 400 meters across the zone. The highlight was hole LC411, which encountered 48 meters of 4.2 grams per tonne gold. Other step-out holes that encountered multi-gram values over substantial widths show that the Long Canyon deposit has considerable scope to expand beyond the 822,000 ounce resource estimate of last year. Fronteer has earned a 51% interest in the project from AuEx Ventures (XAU-TSX).

Metallurgical testing is ongoing, to fine tune the preliminary results that showed good recoveries from leaching. A preliminary economic assessment completed for Long Canyon last December suggested an open-pit heap leach scenario with a capital expenditure of \$66 million. The mine would have a production rate of 93,000 ounces of gold per year. This scenario generates a net present value of \$145 million (at a 5% discount rate) using a gold price of \$800 per ounce.

Those figures only incorporated results up to March 2009. The 30,000 meters of drilling that have occurred beyond the March estimate have pushed out the lim-

its of the deposit substantially. The additional results will be incorporated into an updated resource estimate that is expected in the first quarter of the year.

The likelihood of a much larger deposit, and considering a gold price higher than the \$800 used in the preliminary assessment, points to a substantial value for the Long Canyon deposit, well beyond the amount reflected in the current share price.

The Sandman gold project in central Nevada is being advanced by joint venture partner Newmont. Drilling over the last year focused on the Silica Ridge zone with recent assays up to 90 grams per tonne gold and 126.5 grams per tonne silver over 3.47 meters. The Southeast Pediment zone produced recent assays up to 52 grams per tonne gold over 1 meter. Those high grade zones occur within broader mineralized zones.

Four deposits have been identified so far, all of which are near surface and appear amenable to open pit mining. Recovery would likely consist of a combination of heap leaching the lower grade material and milling the higher grade material. The Sandman project is located within trucking distance of Newmont's Twin Creek mine and mill which might be used to treat the high grade Sandman ore.

Newmont plans to test 8 new targets on Sandman along a 16 kilometer trend of mineralization that follows a major structural feature. The focus to date has been on the near surface values. There is potential for outlining a larger underlying system that relates to the several surface occurrences.

In order to earn a 60% interest in the project, Newmont must spend \$23 million on exploration, and commit by June 2011 to developing and funding a mine.

Fronteer's 100% owned Northumberland gold project in central Nevada has a total of 3.2 million ounces of gold

equivalent (gold plus silver). Of that, 2.4 million ounces are measured and indicated. The mine produced nearly 300,000 ounces from an oxide heap leach operation before 1991.

About 20% of the present resource is oxide and amenable to heap leaching. The balance of the resource is refractory, meaning it will require another recovery process to extract the gold. Efforts are now focused on metallurgical test-work. The company plans to develop a decline to gain access to the lower portions of the deposit for drilling and metallurgical sampling.

Fronteer and 60% joint venture partner Teck have sold their Agi Dagi and Kirazli projects in Turkey to Alamos for \$16 million plus 1.6 million Alamos shares. Fronteer will use its share of the proceeds to advance its projects in Nevada and to complete an initial resource estimate for its Halilaga project in Turkey later this year.

Fronteer is systematically advancing its gold projects in Nevada and is generating a steady flow of positive news. The company has \$160 million in cash. There is potential for considerable upside as it continues to advance its projects towards production.

Price February 24, 2010: C\$4.45
Shares Outstanding: 119 million
Shares Fully Diluted: 119 million
Market Cap: C\$529 million
Contact: Investor Relations
604-632-4677
www.fronteergroup.com
Last updated December 2009-1

Inter-Citic Minerals (ICI-TSX)

Inter-Citic has made an important gold discovery outside of their 2.8 million ounce Dachang deposit in China. The new discovery highlights the enormous exploration potential of the large land package held by the company.

A scoping study completed last year

shows that the Dachang deposit could be developed at a modest capital cost. With an average grade in excess of 3 grams per tonne, an open pit mining operation is projected to produce gold at a cash cost of \$404 per ounce.

Drilling late last year nine kilometers northwest of Dachang found similar gold values to Dachang. Hole CJV-914 returned 2.3 grams per tonne gold over 21 meters and hole CJV-923 located 750 meters to the east of CJV-923 returned 3.34 grams per tonne gold over 12 meters. The new zone is related to the same regional thrust fault that cuts the carbonate rocks for 18 kilometers on the Inter-Citic property. The drilling followed a systematic program of surface sampling, geological interpretation and trenching carried out by the company over the past year.

Other targets on the property identified by surface work are yet to be tested and provide potential for further discoveries. The Inter-Citic property holds the potential for multiple deposits on the scale of Dachang.

The present share price represents a value of less than \$30 per ounce of gold resource, a low value for a project at this stage. That value gives no credit for the enormous exploration potential.

China is now the number one gold producing nation. Several large gold mining companies are emerging within China and those companies are looking for new reserves. The scoping study results are attracting considerable interest to the Inter-Citic project. The company will almost certainly split the established resource out into a separate company, allowing a takeover of the resource while leaving the exploration upside with current shareholders. Such a move could add considerable value in the immediate future, with further gains if a takeover offer does materialize.

Price February 24, 2010: C\$1.02
Shares Outstanding: 89.3 million

Shares Fully Diluted: 98.2 million
Market Cap: C\$91 million
Contact: Investor Relations
905-479-5072
www.inter-citic.com
Last updated December 2009-1

Nautilus Minerals (NUS-TSX)

Nautilus is in advanced discussions with potential partners who want to participate in the development of a sea-floor mining operation. The company holds extensive tenements in the territorial waters of several countries in the South Pacific. A decade of work has brought the company close to beginning commercial development of the first hard-rock mining operation on the seafloor.

In fact, the company was beginning development when the financial crisis cut off their access to bank debt. Nautilus had raised over \$250 million of capital that was to serve as the equity component of the financing and was working with major companies that were to supply portions of the equipment needed.

Late last year, the company received its final environmental permits for the development of its Solwara-1 copper-gold deposit located off the coast of Papua New Guinea. With the permits in hand, the company is now working toward securing a development partner.

The Solwara-1 project will be the first underwater hard-rock mining project in the world. Gravels are routinely mined from the seafloor to recover diamonds. Nautilus has built on that technology, along with the technology that grew out of decades of sub-sea oil recovery.

Nautilus is focused on a particular type of metal deposit that forms on the seafloor. That ore is quite friable, meaning that it can be easily broken up by a continuous mining machine. The broken ore would then be drawn to the surface through a pipe, in exactly the

same manner as is presently used to mine diamonds from gravels. The ore would be transported by dedicated bulk carriers to a processing facility on shore. The recovery process would be essentially identical to land-based mines.

Interestingly, Anglo American, the leading company in sub-sea diamond mining, has invested in Nautilus and has agreed that it will only participate in hard rock mining on the seafloor through Nautilus. Four other big mining companies are also investors, with similar non-compete agreements.

The company has tested a specially-designed remote operated mining machine and they are now ready to move into full-scale commercial development.

Many investors remain skeptical about mining ore from the seafloor. They forget that the oil and gas industry, which now operates routinely beneath the sea, faced skepticism when they first moved offshore.

Nautilus, over the past decade, has done extensive research that lead to them securing rights to the most favorable subsea locations. Nautilus formed alliances with the leading service firms that are subsea technology specialists. That work led to development of unique seafloor sampling and geophysics techniques. They also worked with an underwater drilling firm to develop a specialized drill to test the ore deposits. That work has led to the identification of numerous highly prospective locations. They then outlined enough resources to support development of several mining operations.

Exploration is ongoing in the territorial waters off Papua New Guinea and it has generated a large inventory of high-grade copper-gold-zinc-silver zones beyond Solwara-1. Most recently the company announced the discovery of five new systems labeled Solwara 12, 13, 14, 16 and 18 with copper grades

up to 32.4% and zinc grades up to 52.6% from grab samples. Follow-up work is underway to test the area.

Seafloor mining will have some huge advantages over land-based mines. Most importantly, the infrastructure to develop a particular ore body will be small in relation to a land-based mine. The ship-mounted operation can be readily moved to another ore body once the first is depleted. With a central processing facility on shore, several mines can be operated at once to supply the plant.

At this time, the company is valued at little more than the value of its cash. Nautilus is on the path to become the leading company in the emerging area of seafloor mining. An announcement of a partner to help fund the development of Solwara-1 would be an important catalyst to the advancement of the project and recognition of value.

*Price February 24, 2010: C\$2.02
Shares Outstanding: 155 million
Shares Fully Diluted: 173 million
Market Cap: C\$313 million
Contact: Investor Relations
+1 -416-551-1100
www.nautilusminerals.com
Last updated December 2009-1*

Silvercorp Metals (SVM-TSX)

Silvercorp has acquired a silver development project in Canada, which will provide geographic diversification and another platform for further growth. The company achieved record silver production in the latest quarter from its Ying mine in China, with a new mill just coming on stream that will further boost silver output. Development is also underway at the GC project, also in China. Silvercorp already ranks among the larger mid-tier silver producers, with considerable growth projected in the near future from its existing and newly acquired projects.

Silvercorp has agreed with Silver Stan-

dard Resources (SSRI-Nasdaq) to purchase the Silvertip silver-lead-zinc project in northern British Columbia. Silver Standard acquired the project in 2002, as part of that company's program of buying silver assets when the silver price was down. The project will cost Silvercorp C\$15 million which can be paid in up to 50% shares and the remainder in cash. The deal is expected to close before the end of February.

The property had been worked since the 1950s, with the last exploration conducted in 2002. With the metal prices down at that time, the last operator chose to focus on its operating mine, selling Silvertip to Silver Standard which simply held the project as part of its billion ounce silver resource holdings.

The Silvertip project is located 25 kilometers by road from the Alaska Highway near the Yukon border. Previous work included 2,400 meters of underground development and 71,000 meters of underground and surface drilling in 791 holes. A resource estimate was conducted on the property in 1997. Drilling since then identified the high grade "65 Zone", but that was not previously incorporated into the estimates.

Silvercorp, as part of its due diligence exercise, compiled all the data from the property. Results from the "65 Zone" were worked into an updated compliant resource estimate. The Silvertip property now has an indicated resource estimate of 2.3 million tonnes grading 365 grams per tonne silver, 0.5 grams per tonne gold and 16% lead and zinc, representing 26 million ounces of contained silver (plus 800 million pounds of lead and zinc). An inferred resource adds another 5 million ounces of silver at similar grades.

Silvercorp's geological interpretation concluded that "the Silvertip resource identified to date is considered to be only the distal portion of a CRD [carbonate replacement deposit], indicating considerable tonnage may be

added through a concerted exploration effort.” There is considerable scope for finding more of the geological system on the 216 square kilometer property. Silver systems of this nature tend to be much larger than the resource identified to date. The present resource represents a project of modest interest, with the major appeal coming from the exploration potential.

Silvercorp plans to apply immediately for a small scale mining permit that would allow it to mine at a rate of 75,000 tonnes per year. Once permitted they would begin mining using the existing workings, initially targeting the high grade pockets where greater than 1000 grams per tonne silver equivalent have been outlined. They would then use the cash flow to fund further exploration and development on the property. That is a similar approach to that used successfully by Silvercorp at its Ying project in China.

The Ying mine in China continues to operate smoothly. Financial results from the quarter ended December 31st, 2009 showed net earnings of \$12.4 million and earnings per share of \$0.08 per share. The company achieved record production of 1.22 million ounces of silver and 16.2 million pounds of lead in the quarter. Production is primarily coming from the Ying Mine with 86,068 tonnes of ore mined in total representing a 6% increase from the same quarter last year. Silvercorp continued to pay out a \$0.02 per share quarterly dividend to shareholders.

Silvercorp plans to begin milling stockpiled ore at its new mill this quarter. The new mill is expected to reach levels of 1,200 to 1,500 tonnes per day, once it is ramped up to full production. This will be in addition to its existing 1,000 tonne per day mill. The company’s production projections suggest the company could produce 5.3 million ounces of silver, 83.7 million pounds of lead and 10.3 million pounds of zinc in its 2011 fiscal year.

At the GC project in the Guangdong province in China, environmental permitting has taken longer than expected due to regulatory changes in the region. The new regulations are expected to be sorted out in mid-2010 and in the meantime Silvercorp is moving forward with a full feasibility study for the project. The company has considerable underground development in place so that production could ramp up quickly.

Silvercorp has cash and equivalents of \$87.8 million, as reported in its last financial statements. The company has been looking for acquisitions as a means of growth and geographic diversification outside of China for some time now. The Silvertip project provides exploration upside and a platform on which to build further North American production.

Silvercorp offers outstanding leverage to a rising silver price. In addition, the company has considerable scope for growth in production, from its present mine and from the two development projects. An aggressive management team and a strong cash position put them in a good position to make further acquisitions that could accelerate the growth.

Price February 24, 2010: C\$6.62
Shares Outstanding: 161 million
Shares Fully Diluted: 166 million
Market Cap: C\$1 billion
Contact: Investor Relations
604-669-9397
www.silvercorpmetals.com
Last updated December 2009-1

Virginia Mines (VGQ-TSX)

A recently reported increase in the gold resource at Eleonore has important implications for Virginia. The total resource at the Quebec deposit has increased from 5.3 million ounces to 9.4 million ounces of gold, according to the latest resource estimate from Goldcorp. A predecessor company to Virginia discovered the deposit and sold it to Goldcorp in 2006 for US\$420 million. Virginia retains a royalty on production

from the Eleonore deposit.

The royalty agreement entitles Virginia to a 2% royalty on the first 3 million ounces of gold produced. The royalty rate increase by 0.25% on top of the 2% for each million ounces produced beyond the first 3 million. In addition, the basic royalty payment is boosted 10% if the price of gold remains over \$500 per ounce, to a limit of 3.5%. The Eleonore mine is expected to begin production in 2015. In the meantime, Virginia is already receiving an advance royalty of C\$100,000 per month.

The same management and geological team that discovered Eleonore is presently working on several other projects in northern Quebec, including an extensive property immediately adjacent to the Goldcorp property.

Over the next six months, 16,000 meters of drilling is planned on Virginia’s properties. Much of the funding will be provided by joint venture partners. The projects include follow up work to known gold discoveries and tests of new targets.

In addition to several gold projects, Virginia holds a 100% interest in the Coulon project in north-central Quebec. Coulon hosts an indicated resource of 3,675,000 tonnes at an average grade of 3.61% zinc, 1.27% copper plus lead, silver and gold plus an inferred resource of 10,058,000 tonnes at similar grades. That deposit is located near electricity, infrastructure and roads. It seems a likely target for a sale or spin-out.

Virginia has one of the best exploration teams in the business, with a total focus on northern Quebec, where they have considerable expertise. The company’s \$40 million in cash and the value of the Eleonore royalty represent a large portion of its current market value. The company is being given little credit for its Coulon project and the exploration upside potential of further discoveries on its gold properties.

Price February 24, 2010: C\$5.74

Shares Outstanding: 29 million
Shares Fully Diluted: 31 million
Market Cap: C\$166 million
Contact: Investor Relations
418-694-9832
www.virginia.qc.ca
Last updated December 2009-2

Brief Updates:

Copper Ridge Resources (KRR-TSXV; C\$0.235) announced that its joint venture partner REC Minerals plans to conduct a 2,000 meter drill program at its Yukon Olympic property northeast of Dawson city in the Yukon. The target is an iron-oxide-copper-gold prospect that has geological similarities to the immense Olympic Dam deposit in Australia. The drill program will commence in June.

A resource estimate was completed at the Clear Lake zinc-lead-silver property located 225 kilometers north of Whitehorse in the Yukon that outlined an inferred resource of 7.65 million tonnes grading 7.6% zinc, 1.08% lead and 22 grams per tonne silver. Copper Ridge has the option to earn a 100% interest in Clear Lake by making US\$160,000 in payments and issuing 500,000 shares over 5 years. Several other Yukon projects will see further work this year, with joint venture partners funding part of that work.

Copper Ridge completed a 15 to 1 share roll-back last fall that converted it 179 million shares outstanding to 11.9 million shares outstanding. While the company has a very strong team of geologists that are completing work on its projects, the rate of results has not been fast enough to hold investor interest. Investors were further put-off by the acquisition of an interest in the Duke Island project. While the target is enormous, it will require an expensive exploration project. Copper Ridge has considerable exploration potential, but it may require a great deal of investor patience. *Last updated December 2009-1*

Encanto Potash Corp (EPO-TSXV;

C\$0.225) reported results from drill holes on two of its potash properties in Saskatchewan. The first hole at the Muskowekwan property returned 25.2% K₂O (39.9% cent KCl) over 3.6 metres in one bed and 25.5% K₂O (40.4% KCl) over 2.4 metres in the second bed. Those values are in line with producing mines in the area. The third potash bed returned 5.3 metres at a lower grade of 12.4% K₂O (19.6% KCl).

The drill results at Muskowekwan support the values from oil wells on nearby properties and seismic surveys that traced the beds onto the Encanto property. At Encanto's Ochapowace property, a similar approach was followed. The first drill hole there confirmed the presence of two potash beds, but encountered lower grades, likely less than required for commercial development.

Last year, Encanto acquired interests in several prospective potash projects in Saskatchewan, which is the most important producing region in the world. One of the properties was acquired in a swap for shares that also gave the other company an earn-in right in return for spending C\$6.5 million. Encanto has bought out that interest in return for shares and now holds the properties exclusively.

Investors are still waiting to get a clear signal as to the next step for the company. Now that they have supportive drill results, they should move quickly through the next steps, which would be more detailed drilling and a development plan.

Last updated December 2009-2

Keegan Resources (KGN-TSX; C\$5.52) released further results from step-out drilling at its Esaase gold project in Ghana, West Africa. Assays include 25 meters of 2.5 grams per tonne gold from a near surface zone. In addition, 23 holes drilled 1 kilometer north of the existing resource returned assays over 10 grams per tonne gold over a one meter interval.

The Esaase deposit hosts 2 million ounces of indicated gold and 1.5 million

ounces of inferred gold. The ongoing drilling over the last year shows the potential to expand this resource considerably. Keegan plans to incorporate the recent results into an updated resource estimate. The company also plans to conduct drilling at its Asumura project, also in Ghana.

Keegan has a strong cash position which will allow it to rapidly delineate the resource at Esaase. The company is being valued primarily on its resources at Esaase. Growth potential on the flagship deposit and the potential on the second project offer considerable upside potential from exploration success.

Last updated December 2009-2

Sandspring Resources (SSP-TSXV; C\$1.63) is again drilling on its Toroparu gold deposit in Guyana, South America. A resource estimate last year outlined 2.3 million ounces of gold and 269 million pounds of copper in a combined indicated and inferred resource estimate. A 15,000 meter drill program after that estimate was intended to upgrade and expand the resource at Toroparu. Favorable results suggest that both objectives were met. Compilation of last year's results into an updated resource estimate, together with further drill results should see the value of the company continue to increase. The company clearly has a large geological system with scope to host a deposit much larger than presently outlined.

Last updated December 2009-1

Initiating Coverage

Calibre Mining Corp.
(CXB-TSXV)

Calibre holds an extensive and highly prospective gold exploration property. Historic work has outlined a significant gold-copper occurrence and there are numerous untested targets that were identified by earlier work. A joint venture partner is funding an aggressive exploration program intended to advance the known deposit and test several target areas. The company has a strong man-

agement and geological team that is capable of advancing the project quickly.

Chairman Doug Forster is a geologist with over three decades of experience in the mining industry including considerable success. President Robert Brown is another geologist, who previously worked as an exploration manager for Barrick Gold and was also involved with Barrick's junior resource company partners. His experience includes a stint as a mining analyst at a securities firm. These gentlemen are backed by a board of directors with extensive mining industry experience.

Last year, Calibre acquired a 100% interest in properties covering 710 square kilometers, representing most of the Borosi gold-copper district in north-eastern Nicaragua. The district hosts several former producing gold and copper mines. It is estimated that over 5 million ounces of gold and 310 million pounds of copper were produced in the district.

Several small gold mines have operated in the area since the early 1900s. In the 1960s and 1970, a large mining company operated a copper mine. Several companies conducted exploration programs on various portions of the present property package. Two historic resources were outlined, with a total of more than a million ounces of gold and 328 million pounds of copper (non-compliant) at La Luz and Rosita.

Mid-tier gold producer Yamana held the property briefly following a corporate takeover in 2006 that was intended to acquire a producing mine. Over the next two years, Yamana conducted work aimed at advancing the known mineralized zones. A drill program on the Siuna property identified additional gold mineralization located east of the La Luz pit area called Cerro Potosi. Yamana drilled 5 holes for a total of 1,465 meters at Cerro Potosi and determined that the area hosted significant gold-copper skarn mineralization. Assays were up to 7.75 grams per tonne gold over 7.3 me-

ters. Yamana also conducted a small drill program in an area called the Cerro Aeropuerto.

Yamana's efforts were directed to areas where they hoped to quickly outline a resource that could be mined in the near term. When that didn't immediately pan out, they sold the property to Calibre in a deal that makes Yamana one of the biggest shareholders in the company.

Once in control of the extensive property, Calibre wasted no time in bringing in a partner to help fund the exploration. B2Gold (BTO-TSX) presently operates two gold mines in Nicaragua and is intent on expanding its production in the country. B2 has committed to fund a minimum program of C\$2.5 million before July. They can earn 51% by spending a total of C\$8 million by July 2012. That interest can be increased to 65% in a "designated project area" within the overall property by funding a prefeasibility study. Calibre is presently the operator.

Gaining B2Gold as a partner provides benefits that go well beyond providing funding. That company is well established in the country, which will bring operational advantages. Furthermore, B2 is comfortable with working in Nicaragua, which should provide comfort to investors who may not be familiar with the current situation in that country that has had a turbulent past.

Drilling is expected to begin next month, as soon as a drill can be mobilized to the site. The initial target is the Riscos de Oro vein, which was previously worked from both underground and open pit. Drilling will test the vein below the level of previous mining and also laterally to the area mined. Historical drill intercepts on that vein outside of the area of the workings include 9.4 grams per tonnes gold and 160 grams per tonnes silver over 6.2 meters. The drilling over the next few weeks will also test a parallel feature 800 meters northwest. Trenching, geophysics and surface sampling have identified an area believed to be

another vein.

The Eastern Epithermal Camp is an area of special interest where Calibre is conducting work on a number of untested grassroots exploration targets. The company is especially interested in the low-sulfidation vein potential of the area. Initial soil and surface samples have returned promising results, with the identification of an anomalous gold in soil trend and assays up to 3.5 grams per tonne gold over 12 meters from trenching.

Calibre and B2Gold have been working to compile the large database of information from the extensive work that has been completed in the district. For the first time, geologists are seeing the district on a comprehensive basis, which will allow them to gain a full understanding of the mineralization across the district. Since last September, the companies have conducted surface mapping, trenching and sampling programs along with soil geochemical work on a number of the properties. Trenching continues and drilling is about to get underway in an initial 6,000 meter drill program to test six targets. Further drilling is anticipated to follow up results of the first phase and to test other targets that are still being outlined by the trenching and other work.

In summary, Calibre is building on a strong base of earlier work that has already identified more than a million ounces of gold. With a partner funding an aggressive exploration program, the project should move forward quickly. The company is getting little credit for the results already in hand. Exploration success could see the share price move significantly higher.

*Price February 24, 2010: C\$0.16
Shares Outstanding: 114 million
Shares Fully Diluted: 182 million
Market Cap: C\$18.24 million
Contact: Investor Relations
604-681-9944
www.calibremining.com*

