



## Brent Cook's **Exploration Insights** **Turning Rocks Into Money**

### **Exploration Insights**

by Brent Cook

[www.explorationinsights.com](http://www.explorationinsights.com)

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Our good fortune in the mining sector continues. Last week saw the acquisition of Canplats by Goldcorp, and this week two of the nine exploration companies in the EI portfolio battled it out for "drill hole of the week" honors. *That's nine exploration companies in the portfolio: not 43, not 101, but nine!* San Gold announced 1,787 grams per tonne gold over 2.1 meters in a new vein discovery at Rice Lake, and Mirasol Resources drilled 1,164 grams per tonne silver over 25.4 meters in Southern Argentina. It doesn't get much better than that; maybe it's time to reflect on how much better the economic situation feels this US Thanksgiving holiday versus the last.

It's also probably worth reflecting on two truisms my ex-boss Rick Rule often repeats when he is feeling particularly smart: 1) don't confuse brains with a bull market, and 2) you never go broke taking a profit.

This year has been good to most participants in equities, metals, gold, and, depending on where you are, real estate. The outright fear we witnessed early in the year has turned to rampant speculation. We have discussed this in past issues (most recently November 1 and October 18) and presented the possibility that the massive global liquidity injections and a one-way US dollar carry trade are largely responsible for the apparent economic improvements. Our apprehension has been that if/when fear re-exerts itself we will all go down together, as speculative money rushes back to the perceived safety of the US dollar. The following Reuters headline brings this possibility home.

*"Gold prices tumbled nearly 5 percent to a one-week low below \$1,140 an ounce on Friday as investors fearing debt default in Dubai sought safety in dollars and cash."*

This week we are officially taking money off the table by selling a portion of one of our portfolio positions that is up 120%. This is not an outright sell; it's still a good company that I expect to perform well in a rising metals market. It's my portfolio management style to cull some profits with the idea of reinvesting those funds into companies offering more leverage to a discovery: higher risk and lower market cap.

### **Stock Talk**

**Mirasol Resources** (MRZ-TSX-V) pulled one of the best silver drill holes we have seen for quite some time: 25.4 meters grading 1,164 grams per tonne silver, and

0.21 grams per tonne gold. The interval included 3 meters grading 7,753 grams per tonne silver, and 1.17 grams per tonne gold. The market reacted quickly (and irrationally) nearly doubling the stock price, and adding about C\$19 million to MRZ's market capitalization before settling out at C\$1.26 per share. Although this represented a clear "trading" opportunity, it is impractical for me to suggest trades around such rapid fluctuations in this letter.

Given the results to date and what I know about the company, I anticipate MRZ will be selling at a higher price over the long run (assuming stable gold and silver prices of course). I like what we are seeing geologically and am willing to sit tight with the stock we have given we are up over 500% and sheltered from the share price fluctuations we are likely to see over the next month or two. However, at this stage I am not buying more MRZ. We have seen a good run in the stock, most recently predicated on one exceptional drill hole. The odds are against MRZ replicating this hole in 50 or 100-meter step-out holes to the north. If they do, we are onto a major silver discovery.

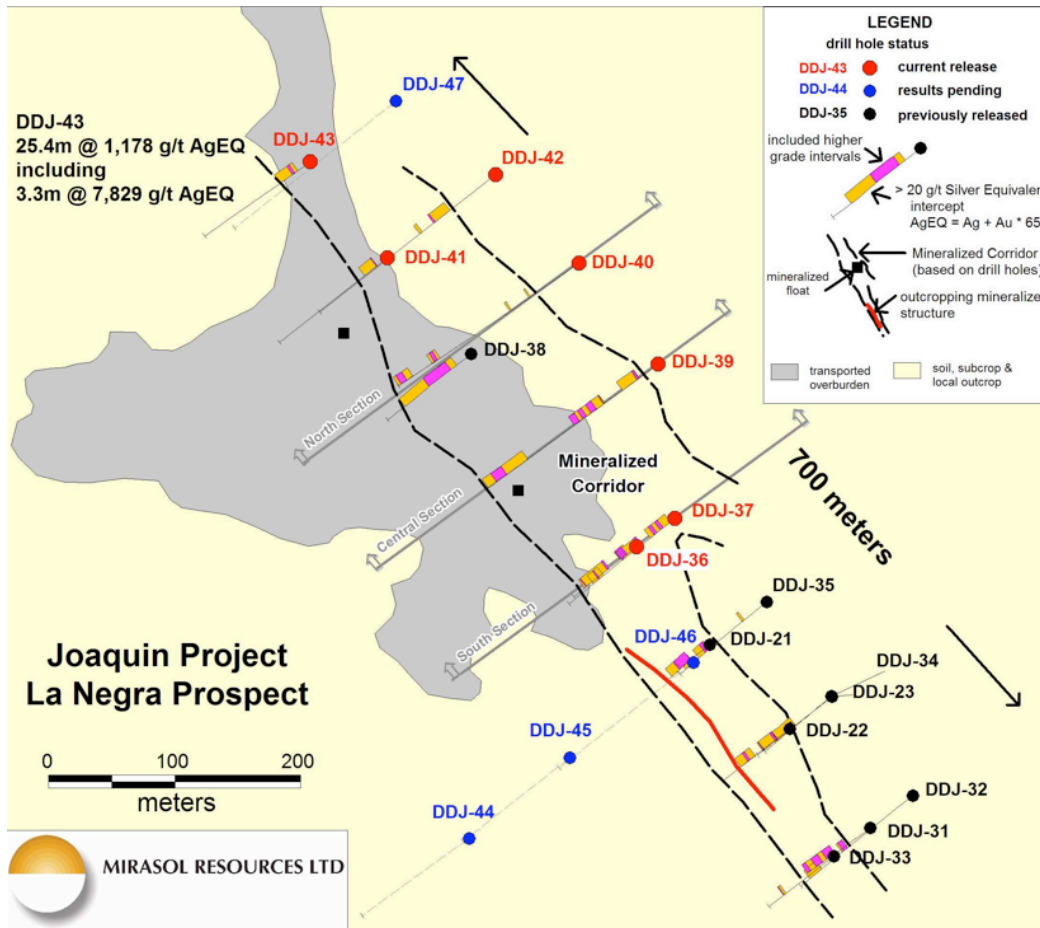
Of the remaining four holes from this drill program at La Negra, one tested the structure directly below the high grade interval. The results from that remaining hole (DH-47) could be equally impressive but it will not tell us about mineralization along trend. I also anticipate Mirasol will be financing soon; we can re-evaluate the stock price at that stage.

The favorable geologic setting and mineral potential of the Joaquin property in southern Argentina prompted our initial purchase of Mirasol. For a more thorough review of Mirasol see the July 18, 2009 issue. A key point made in that letter was that:

*"although these results by themselves are only encouraging, the thing to keep in mind is that they seem to be indicating an increasing grade at depth combined with a broad lower grade near surface zone. If further drilling confirms and extends this concept at depth and along trend the mineralization becomes a very attractive asset to Coeur."*

So far so good.

The Joaquin property is a virgin discovery by Mirasol and hosts a number of individual gold and silver prospects, most importantly so far: La Negra, La Morocha and La Morena. Drill results released this week from La Negra expand upon previous drilling by joint venture partner Coeur (CDE.NYSE). Mineralization has now been documented in 15 drill holes over a 700-meter long "mineralized corridor" that is up to 200 meters wide (Fig. 1 below). The corridor is defined by argillic alteration (clay), minor silica, sulfides (oxidized to ~100 meters), barite, and broader zones of low grade silver mineralization (20 g/t Ag plus) with narrow zones of higher grade mineralization. Drill hole #43 (25.4m grading 1,164 g/t Ag) occurs at the very northern end of the known (drilled) corridor and is a clear standout, compared to drill results to the south.

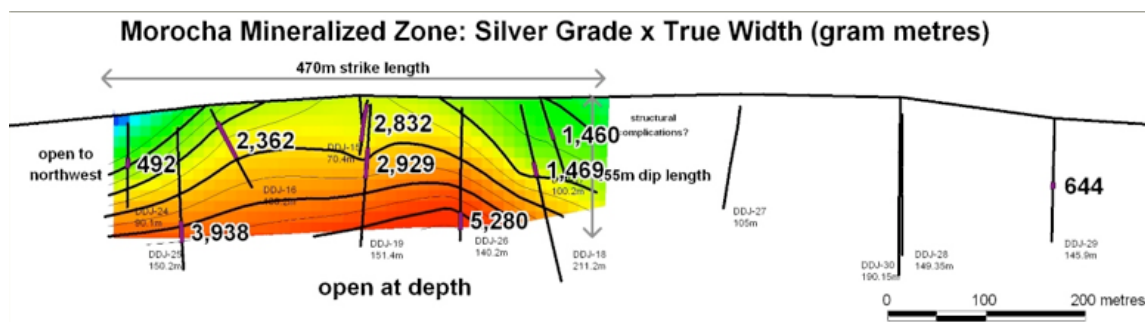


(Fig. 1- La Negra drill plan)

At this stage we know very little about how the results from DHJ-43 fit into or relate to the rest of the mineralization. Although I would like to think that this exceptional grade and thickness could be extended further along trend, I think it is unlikely, given the results from drilling to the south. It is possible that the drill went down a narrow high grade zone within the corridor: time will tell. The drill plan shows that results are pending from an additional four holes, one of which (DHJ-47) undercuts DHJ-43, and should provide at least some indication of depth to this very high grade intersection.

The style of mineralization and alteration at La Negra is somewhat unusual compared to most of the other epithermal veins in Patagonia of which I am aware. The mineralization occurs within a corridor that is comprised of some quartz/silica, but for the most part is clay and broken rock. The result is that the mineralization weathers more easily than the host rock and is therefore recessive. Meaning that much of the mineralization at La Negra and across the entire property is not exposed, but lies under shallow cover of rubble, silt, mud, and sand. This opens the entire property up to the possibility of considerably more mineralization than has been located so far. Drill holes DDJ-44 and 45, located off the mineralized corridor, would appear to be testing this theory. Coeur has been (or will be) conducting geophysical programs across the property that should lead to the identification of additional targets.

Coeur has moved the drill rig to the Morocha prospect and will begin testing it along strike and to depth. The Morocha structure has been traced by drilling over ~870 meters and to a depth of 105 meters. The results show a classic epithermal system with increasing grade and metal content at depth (Fig. 2). We should expect that deeper drilling will encounter bonanza grade silver mineralization. Typically, the high grade bonanza zone in an epithermal system has a vertical extent of several hundred meters.



(Fig. 2- Morocha long section illustrating increasing silver (red) content with depth)

In summary, the potential for both low grade open pitable mineralization and high grade open pitable and underground mineralization has been proven at Joaquin. We also recognize the strong probability that additional (and potentially better) mineralized veins and structures will be discovered on the property. Joaquin is Coeur's number one exploration property and, given their already established presence in the Santa Cruz province, we can expect them to aggressively explore this property.

The terms of the joint venture agreement require Coeur to invest US \$6 million in exploration over four years, and to make cash payments to Mirasol in order to earn 51% of the project. They have an option to increase interest to 61% by completing a feasibility study, and to further increase interest to 71% by funding Mirasol's percentage of development costs. At present, Coeur is in the initial earn-in stage and has not yet earned its 51% interest. It is also worth pointing out that the Santa Cruz province has created an "Area of Special Interest for Mining" that appears to include the Joaquin property.

#### *Other stuff*

I will be bouncing around Colombia all of next week and it is unlikely we will get a letter out. If there are any significant developments for companies in our portfolio I will endeavor to comment.

That's the way I see it.

*Brent owns shares in Mirasol and San Gold.*

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