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Mirasol Resources Ltd. (MRZ-V)

New Journal Review

Mirasol has been a project generator in the emerging southern Patagonia gold-silver district. Having watched that district grow through the past decade from one to four mines, and counting, we have also watched progress by MRZ but not focused on its work because of its focus on the farm-out model rather than in-house discovery. Mirasol does have a discovery, in its Joaquin project that is farmed out to Coeur d'Alene Mines (CDE-N, CDM-T). Testing has resumed there, and while MRZ has seen some lift recently we don't think the market fully appreciates this has gone from a bulk tonnage target to a high-grade silver discovery akin to other mine makers in Argentina. With a C\$15 million market cap, Mirasol is trading well below the value of its retained 30% if this project grows to mineable dimensions. Upside is in scale potential and rising precious metal prices.

On top of this Mirasol holds a number of other projects and continues to generate new targets in southern Argentina, and is doing generative work in parts of Chile with large scale gold-silver-copper potential. Even were Joaquin not to work out, there is a lot of other potential in what has become one of the more important new gold-silver districts for mid tier deposits.

Accumulate in this range for drill results from Argentina and/or news on new JV deals.

OVERVIEW

Since listing almost five years ago Mirasol has stayed true to its project generator business model. While this meant it was dependent on others for major news flow, it allowed the company to scale back expenditures and hang on to the bulk of its treasury. This made for relatively light trading volume, but also meant no cheap placement stock weighed on its market.

The company's strong technical team kept working through the market melt-down, focused on earlier stage work with smaller

Briefing Book

(amounts in \$CAD)

Mirasol Resources Ltd.

Listed: TSXV: MRZ
Qbb: MRZLF
F : M8R

Share Issue: 29 MM; 32MM F.D.
Share Float: 18 MM
Working Capital:
\$ 3.5 Million, \$ 5 MM Fully Diluted

52 Week High-Low: \$0.55- 0.04
Recent Price: \$0.50
3 mo Av Daily Volume: 50,000 shs.

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<http://www.mirasolresources.com>

price tags. This has not led to a flurry of news, at least

not yet, but we think it should result in a series of new joint venture agreements. If gold and silver continue the new up leg in price they just began, plenty of companies will want projects that can generate precious metal results, and will be willing to pay up to get them. Coeur D'Alene Mines is drilling two MRZ projects that have delivered some good results. Reporting is expected in the next few weeks. It will take news to really move the share price higher, but with a \$10 million enterprise value the risk/reward balance looks quite good to us.

CORPORATE SUMMARY

Mirasol was formed in 2003 and listed in May of 2005 with an IPO of 5 million shares at \$0.35, and with attached warrants exercisable at 50 or 70 cents. Pre listing, the company funded itself with a private placement of 2.95 million shares at 20 cents with half warrants exercisable at \$0.30. The founder's share position consisted of 3 million shares issued for the Sasha project.

Improving fortunes for resource companies and news from the projects kept MRZ on an upwards trajectory through much of 2005 and 2006. Most of the warrants listed above were exercised

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during this period. The company also completed an additional placement of 5 million units (1 share and 1/2 warrant exercisable at \$0.75) at \$0.50.

The company's last financing of 2MM units at \$1.00 took place in May of 2007. There was a small amount of additional warrant exercise, but all outstanding warrants have now expired. The only dilutive securities outstanding now are employee options.

While the company has not financed in two and a half years they are still in a comfortable position, with \$3.5 million in cash at the end of June. Based on the company's recent burn rate this would last well into next year.

MRZ's share price was decimated like all juniors were, but it has staged a comeback thanks to good drill results from the Coeur JV projects and heavy accumula-

tion by third party investors including at least one well known Vancouver resource broker. Roughly 11 million shares are either held by management or two outside reporting investors. For that reason we don't expect MRZ to be a high volume trader. Share price moves on reporting could be rapid.

MANAGEMENT

Mirasol was founded and continues to be run by a group of geologists with broad international experience gained working for major companies. President **Mary Little** ran projects and country offices for Newmont, Amax and WMC prior to forming Mirasol. Co founders **Timothy Heenan** and **Stephen Nano** are also geologists, both with extensive work experience in South America working for Newcrest and MIM. Heenan, who is credited with several discoveries in the Patagonia region that is a focus for Mirasol, serves as Explora-

tion Manager and a Director. Nano is the company's VP Exploration. The board is rounded by outside directors **Nick NeMare**, a Chartered Accountant active in a number of junior resource companies, and **Douglas Silver** who is Chairman and CEO of International Royalty Corp.

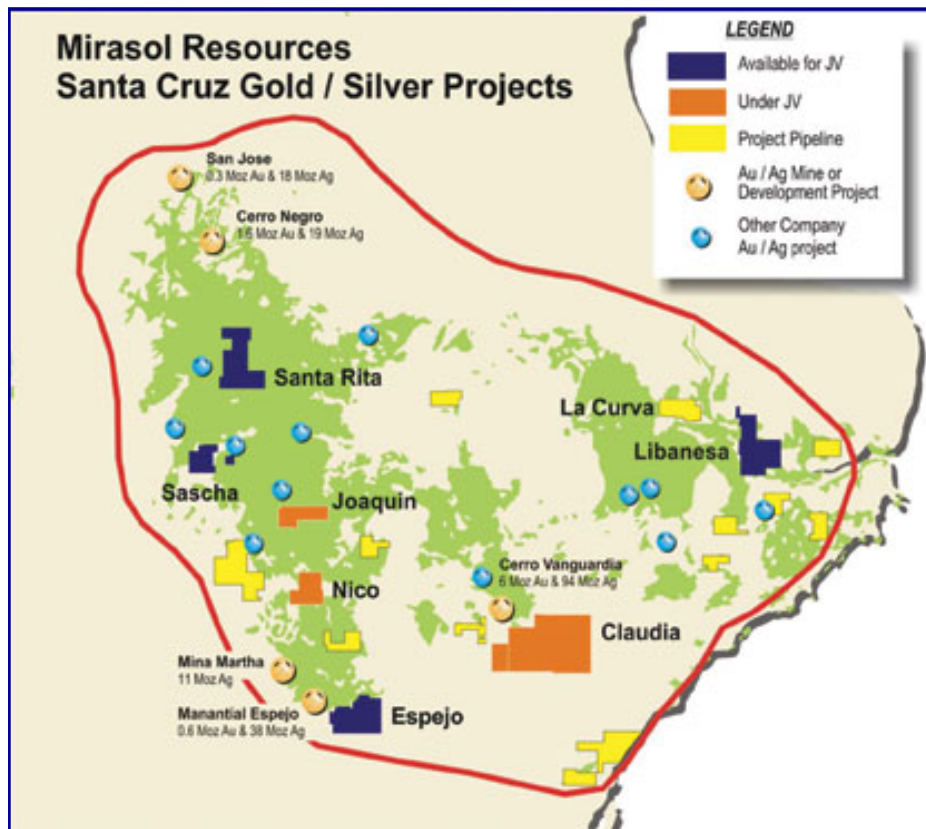
PROJECT SUMMARY

Regional Potential

Argentina's southern most Santa Cruz province was recognized as an important centre for gold-silver deposits of the epithermal (shallowly emplaced) type only with the discovery of AngloGold's Cerro Vanguardia gold mine that opened in late 1998.

There are now four operating mines in the province, and a fifth in development. The region falls outside of some parameters for this deposit type, so despite multiple discoveries a set piece model for locating new ones is still a work in progress.

The textbook for this deposit type is based on the Pacific Rim where the friction of tectonic plates grinding together creates the heat engines that generate these deposits. Santa Cruz was created by spreading of the Atlantic sea floor, and its epithermal deposits relate to upwelling magma that generated this. There is still conjecture on just how this works in detail. However, there always seems to be evidence of the process where erosion of younger sedi-



ments exposes the Jurassic period when this deposit creation took place.

Most mineralization is controlled by regional fissures with northwesterly trends. These may contain alteration and mineralization that is 10s of metres thick, which can be targets for bulk type deposits were they are open to surface. However, it has been narrower portions of high-grade material in these systems that sparks the most interest. Recent more high-grade results in several of its projects is what sparks our interest in Mirasol.

Joaquin

This project was staked by MRZ and is located more or less along regional trend, though quite a distance south, of the Cerro Negro de-

posit and the Hochschild/Minera Andes San Jose mine. It is closer to the Mina Martha mine of farm-in partner Coeur d'Alene, and about 10 km from a secondary highway linking the mine area to the northeastern Santa Cruz.

Coeur can earn up to a 61% interest for funding the project through to bankable feasibility, at which point Mirasol may elect to fund 39% or be carried through development and retain a 29% interest. The initial 51% requires US\$6 million of work over four years from November 2006. Coeur shows the project as an integral part of its Martha operation.

The project contains a series of mineralized trends in which lower grade material surrounds discrete, narrow

quartz vein or breccia deposits of higher grade. The San Jose deposits we have talked about in the past are similar in having focused precious metal veins within a much thicker package of fissure filling, which is evidence that metal was deposited during a brief interval within a much longer period of hydrothermal fluids flow. What's different is metal is more confined to narrow veins at San Jose, but is dispersed into the surrounding rock at Joaquin.

The difference may simply be higher porosity in the Joaquin fissures, at least near surface. Regardless, the broader zones at surface prompted initial testing for shallow, bulk tonnage potential. Both La Morocha and La Negra zones have returned a series of 15-30 metre, and up to 50 m, thick sections with grades in 50 to 150 g/t silver range and lesser gold values. Testing to date has focused on the section from surface to about 100 metres depth.

Considerable trend is still to be tested and there is room for a viable, near surface situation, especially given Coeur has a background of producing silver from this grade range. What has our interest are sections of narrow high-grade within this.

In initial Le Negra testing the high-grade results included 2.3 metres of 514 g/t silver & 2.6 g/t gold, and 1.1 m of 337 g/t silver & 2.06 g/t gold in one section; and 1.8 m of

505 g/t silver & 2.9 g/t gold in a second. Follow up work returned **7.5 m of 704 g/t silver & 0.13 g/t gold**; 2 m of 520 g/t silver & 0.25 g/t gold; and 1.1 m of 314 g/t silver & 2.9 g/t gold.

Initial La Morocha testing did not show the same indications of +\$300 rock that emphasizes narrow high-grade potential. However the follow up work did cut multiple narrow sections of +500 g/t silver, and a section of **9.4 metres of 501 g/t silver & 0.14 g/t gold** in a "deeper" intersection (at 110 metres). There also appears to be a marked increase in grade with depth that is improving the zone as a bulk target, and may speak to improved narrow vein potential as well.

The third round of drill testing is under way. This round should better outline the project's bulk potential and that by itself could auger gains for MRZ. It would further evidence of high-grade potential that is mostly likely to shift the stock to a new level.

Nico

This more grass roots project was farmed out to Coeur earlier this year. Initial surface sampling returned up to 8.5 g/t gold and 324 g/t silver. The project lies about half way between the Martha mine and Joaquin. Notable at this point is that it, and potentially Joaquin, might generate higher grade zones that could be trucked to Martha for processing. That would be plan B, but is worth keep-

ing in mind.

Santa Rita

Between Cerro Negra and Joaquin, this project has thick outcropping veins that have returned up to 1 metre of 645 g/t silver & 1.3 g/t gold, and 3 metres of 407 g/t silver & 0.8 g/t gold. An 18 metre thickness returned 80 g/t silver & 0.8 g/t gold. The project is in the right place.

Sasha

This 100% held project is also in the western part of the province which has most of the mine development. It contains a series of vein trends typical of the district. The Sasha Main vein has been traced on surface for 1.4 km, and there is a 1.7 km continuation indicated by geophysics. Surface sampling has returned up to 160 g/t (4.7 oz/ton) gold and 780 g/t silver. Two other unparallel trends are indicated by a combination of geochemical and geophysical surveys and surface traces.

Sasha has the feel of San Jose prior to its being drill tested. This is a project to keep an eye on.

La Curva and area

This project and a number of smaller holdings are located in the eastern side of the Province, near coastal infrastructure and the Cerro Moro discovery of Exeter Resources. In addition to alteration and veining typical of the region, the project contains what appears to be a

"felsic dome". Therefore, unlike most in Santa Cruz, this project has potential to host a large scale bulk tonnage deposit. That potential would be considered a plum by senior producers who are less interested vein systems.

The "dome" could also have been a heat engine for creating high grade deposits more typical of the region, and +8 g/t gold results have been returned from surface sampling. We expect Curva to generate strong interest.

Claudia

This large holding in the southern part of the province had been farmed out to Minera Hochschild, which dropped it in June after testing with 25 core and 26 reverse circulation drill holes. This work returned five intervals between 118 and 217 g/t silver. Mirasol indicates there are still untested targets. It is directly on trend from the Cerro Vangaurdia deposits, which could bring more gold focused players to the table to look at the untested targets. Evidence that at least portions of Claudia surface

are at the top of the Jurassic aged mineralizing system may aid this cause.

In addition to these Mirasol is doing generative work in elsewhere in Patagonia, and in Chile. While the near term basis for being in the stock is the new drilling testing at Joaquin, we expect progress on other holdings to enhance the valuation going forward. In a rising precious metals market, this is simply a good spot to be putting holes in the ground.



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