HRA Journal

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2005 saw its share of moaning an wailing by resource investors but the past two months have made up for things. After struggling through summer doldrums and an uncertain fall the metals markets have come roaring back, making new highs almost without exception.

The strength of the commodity price increases is finally starting to impact the major mining companies in two ways we predicted. One, its leading to expansion of P/E multiples. We called for this to happen a year ago but it really didn't take hold until the past few weeks. The second, connected, effect is that majors are starting to realize that companies they are tracking aren't likely to get cheaper going forward. Combine that with the fact that these same major have lots of pricey stock to spread around and you get one thing—takeover offers. Goldcorp-Virginia; Placer-Barrick-Goldcorp and more.

Deals like that will help recycle a lot of money and provide funding for new names going forward. The real retail crowd is just beginning to arrive. There are plenty of gains to come.

David Coffin & Eric Coffin

Out with a Bang

[*You will probably note that this month's editorial is shorter than normal - which some of you may take as a blessing. We wanted to add a company this month and as the issue was being finished the new releases that demanded updates of HRA companies just kept coming. Happily, most of them contained very good news.*

Though this is technically the final issue for 2005 we will save the market wrap ups and fearless and feckless predictions for 2006 for the next Journal issue. For those of you that won't hear from us in Dispatch or Special Delivery form we want to wish you and yours a happy, healthy and prosperous holiday season and many happy (and top quartile) returns for the year to come.

David and Eric]

We are now *certain* that gold will move past the 400s, platinum will touch 1000, and copper will surge through 2 (per lb), *this year*. Ok, we actually did predict gold would have a price starting with the number 5 before 2005 ended, though copper has been a pleasant surprise. Hindsight is like that. So now what?

It is about the numbers. In spite of energy imports and storm ravaging, the US GDP boomed through Q3. So did the Canadian economy, which grew on oil exports as much as any other factor. That and the growing realisation that supply is constrained has caused this latest surge in metal prices. And Europe is showing increased signs of life, or at least the European Central Bank seems to think so given it has just raised its overnight rate for the first time in five years.

This does not negate concern over high housing prices. In fact it the likelihood of continued interest gains in the US makes an eventual slowdown of that market all but certain.

The most impressive thing about the current run in commodities is that it happened on the back of a strong Dollar, though the greenback has been stalling of late. Most of the gains for the Dollar can be attributed to interest rate spreads. The

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monthly twenty five basis point increases the US Fed has pushed through has drawn more and more funds to the Dollar as spreads between US and foreign rates widened. This has only begun to slow in the past couple of weeks as Europe and Canada raised rates and Fed watchers tried to guess what Barnake would do.

For the short run at least we expect a continuation in Fed rate increases. It's a matter of form among central bankers that a new bank chief will continue the rate policies of his predecessor, at least for a few months. This gives the market time to adjust and also gives the new bank leader someone to blame if things goes awry.

Barnake should be easier to read than Greenspan, especially if he does formally target inflation rates. Oil prices were declared dead by most analyst last month but oil is again above $60 as this is written so the energy push on inflation rates is still in play.

All in all, commodities have reacted well because the world economy has performed. While one can make the argument that it's a house of cards predicated on Americans consuming more than they produce, that doesn't mean it will end tomorrow.

The US Dollar is still the world's reserve currency and this has been a huge boon for Americans. It's enabled them to keep borrowing at rates that are extraordinarily cheap given the fiscal and current account deficits the US "enjoys".

With rate spreads unlikely to widen much more, there may be some weakness in the Dollar. We hope there is since the cheap Yen and cheap Yuan have the potential to become real political issues. It's a measure of just how tight most commodity markets are that skyrocketing local currency prices for metals and energy haven't cut consumption significantly in either Asia or Europe.

Gold and silver prices have now broken out so decisively that it seems they will keep moving up for a while. The currency weakness outside the US just served magnify bullion gains that much more and bring more new players to the table.

Ω

Coming appearances

Vancouver Resource Investment Conference, Jan 22-23, 2006
http://www.cambridgeconferences.com/
(more to follow)

Calgary Resource Investment Conference, April 23 & 24.
http://www.cambridgeconferences.com/

Both of these conferences are likely to be huge and, as always, very informative and worth your time. Cambridge puts together the best speaker line up in the business.

Nova Uranium Corp (NUC-V)

New Coverage

Twice in the past year and a half we completed a review of the uranium sector and began to write up exploration stories only to see sector stocks double in a few days and our horns pulled in. The uranium market has had its own cycle, but like other metals is in a supply deficit after *35* years of low prices. It is dominated by a few producers who sell a specialised product on long-term contracts, to energy producers who, unlike others of their ilk, view the fuel purchase as minor part of costs. Now, with concerns about the radioactivity of uranium use being overridden by greenhouse gas concerns, we consider uranium to be in a long term bull market. We are watching a number of stories in different areas. Odds are you will see other companies added as the market cycles and there individual exploration cycles mesh to create good speculative opportunities. In the meantime, we are introducing Nova, which is a little off the beaten track in terms of both geography and geology. It main project is located in an area with very good access and the grades discovered to date are high enough to be potentially mineable and low enough to be unthreatening. The next few months will be spent extending past sampling in large surface exposure of uranium bearing rock as well as drilling new target areas and bulk sampling to confirm the best historic grades. Though a little unusual the appeal of the project for us lies in the relative simplicity of moving it forward and the fact that the potential for very large numbers in terms of "pounds in place" . If the proves up the 100 million pound plus potential it appears to have the market is likely to ascribe a value to it far above the $8 million it currently carries.

Spec buy ahead of bulk sampling of the Nova zone and sampling of other nearby zones.

Corporate History

Nova is a new company that was listed specifically to focus on the Mont Laurier project that is outlined below. For that reason it has an uncommonly simple share structure.

Nova's four principals incorporated Nova in October 2004 and created a control position through the issuance of five million founder's shares. These shares are subject to timed release from escrow over a period of three years.

NUC was funded prior to listing with a unit placement of flow-through (at $0.25) and common (at $0.10) shares. The units were structured so that all purchasers bought both flow through and common share with an effective average price of $0.16. This placement totaled just under 3.5 million units. The shares from this placement were pooled and are released in 20% increments. 700,000 shares become tradable on the 26th of December, January and February. The November release, just passed, did not seem to have much impact on the market but it's worth noting these dates as potential accumulation opportunities.

NUC went public on October 26, with an IPO of 6 million shares plus a full over-allotment of 900,000 shares @ $0.50, raising just under $3.5 million. This amount should be sufficient to take Nova through the first year of exploration and there is no immediate need to go back to the market.

The only dilutive securities are management and employee options and one year broker warrants, all priced at $0.50. One of the unusual aspects of Nova's share structure is that no warrants have been issued for any of its placements. There is little overhang on the stock.

Since listing NUC has turned over 3.8 million shares at an average price of $0.53, representing close to half the current tradable float.

MANAGEMENT & BOARD

Nova was created by Don Moore and Neil Briggs, who serve as the President and Director respectively. Moore is a well-known promoter who has created a number of successful exploration companies, among them Rupert Resources and NDT Ventures. He loves to promote and we know him to be good at it. Briggs, a geologist by training, joins Moore in most of his ventures. He has a strong exploration background with precious and base metal experience in most parts of Canada and a number of foreign locales. They are joined on the board by Joseph Ovsenek who is both a lawyer and geologist who serves as senior VP of Silver Standard Resources.

PROJECT SUMMARY

The Mont Laurier uranium project is located 200 km (125 miles)northwest of Montreal, which is close enough to be within good infrastructure, but remote enough to garner little concern. Quebec is at any rate a very good jurisdiction for mining, including encouragement in the form of refunds for exploration expenses and tax incentives for development. The system of nuclear reactors and related infrastructure in neighbouring Ontario would be a natural market for a mine's product if one were developed.

The original claims in the group are being earned in from a local prospector for a total $75,000 and 1.25 million shares over three years, plus a 2% royalty that can be reduced to 0.5% for a total cost of $1.75 million. Though there has been limited work on the project since the early 70s U boom, there is enough data from that period to indicate a strong potential to outline a bulk tonnage resource here.

Briefing Book

Nova Uranium Corp.

Listed: **TSX Venture - NUC**

Share Issue:
15.7 MM; 17.6 MM FD

Share Float: **10 MM**

Working Capital **$3.5 million**

*6 Week High-Low: **$0.64-0.38**
Recent Price: **$0.59**
3 mo Av Daily Volume: **37,000**
*since IPO @ $0.50

Phone #: 1-800-398-5645
e-mail: info@novauranium.com
Website:
http://www.novauranium.com/

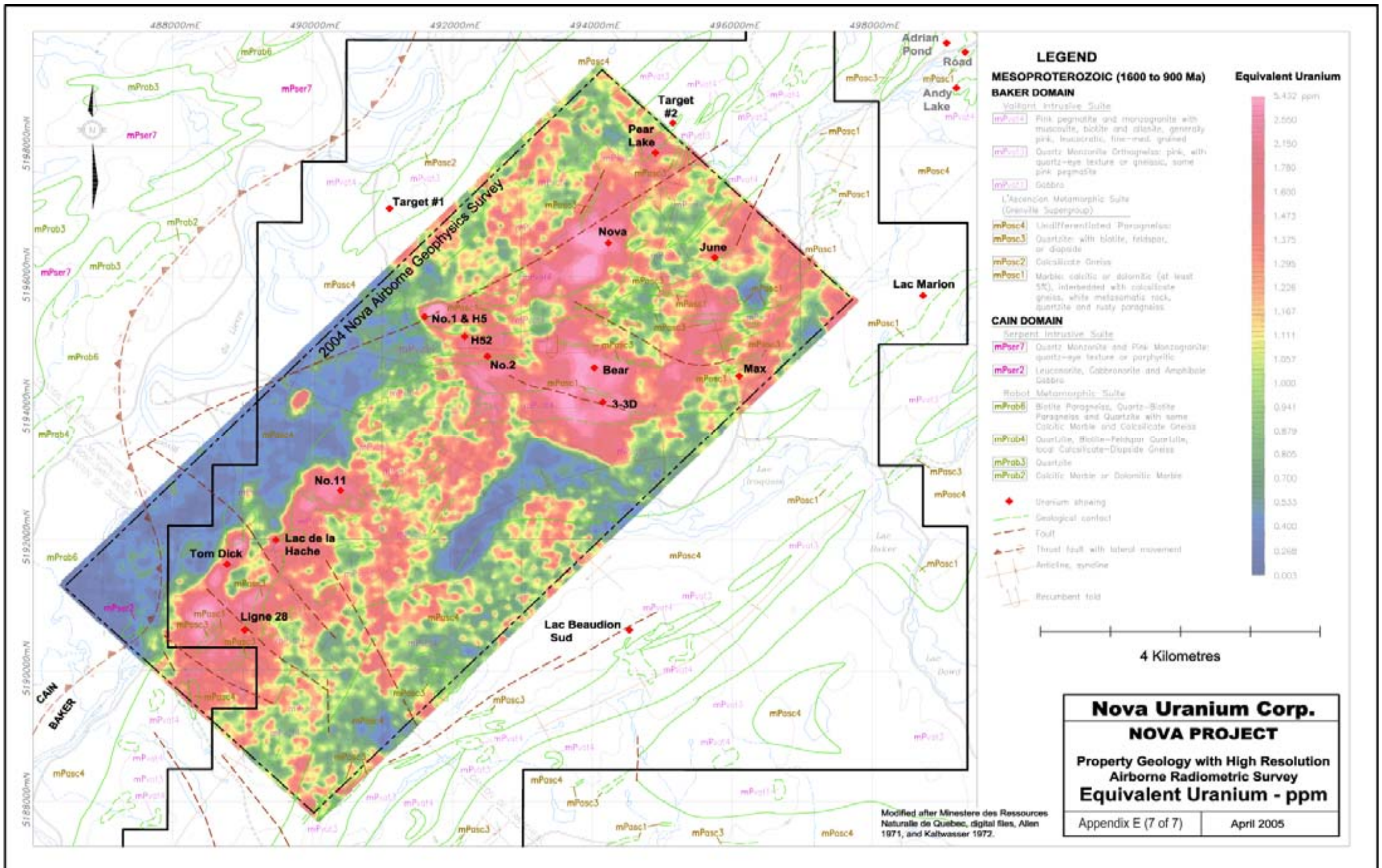
History and Setting

A portion of the project was held and explored for U by Canadian Johns Manville through 1978. This included testing with 275 generally small diameter drill holes, but most of the detail from this is not availible. They farmed out the ground to SOQUEM, the Quebec government's exploration company, who dropped it in 1982. Much of the known detail stems from the transferee period and from government and academic reporting.

To recognise the project's potential it is important to to realise how the understanding of it evolved. The uranium is hosted in a suite of rocks that is rougly 1 to 1.5 billion years old and have undergone extensive metamorphism that confused some of the early focus. In a nutshell, the main U hosting rock units are alternating white and dark-reddish layers that dip at 20° to 30° from horizontal.

The white layers were thought to have been created from solidifying magma, and similar to uranium hosts in other areas. These layers were the early focus of work, generating broadly dispersed uranium results in the near but sub 1 lb/ton range (0.05%, or 1/2 of a kilo per tonne).

Later work indicated these white layers are actually in



part quartzite, essentially a beach sand compressed into sandstone then later reformed (metamorphosed) by deep burrial and stress, within a paragneiss sequence. Paragneiss is rock originally formed from sediment that has been metamorphosed into a banded sequence that mimics rock similarly reformed from magmatic sources.

That same work has also indicated that in some of the early work drilling under-represented the uranium grade, and more importantly that the dark layers, previously ignored, contain uranium at higher grades. These darker layers include some of the paragneiss, but also granitic dykes or sills, sheets of coarsly crystalline rock, a rock type that often contains some uranium. Recognising that the darker layers, paragneiss and "pink pegmatites", contain uranium is the basis for the current work program.

After recognizing that the pink pegmatite held values, and that the drilling was understating the uranium grade, a series of bulk samples were taken. Based on comparing these to previous results, a small resource was outlined in an engineering study in 1985.

This totalled 3 million tonnes of 0.119%, or 2.4 lb/t, U_3O_8. This is a little over 7 million pounds of U_3O_8 in a small portion of this large project area.

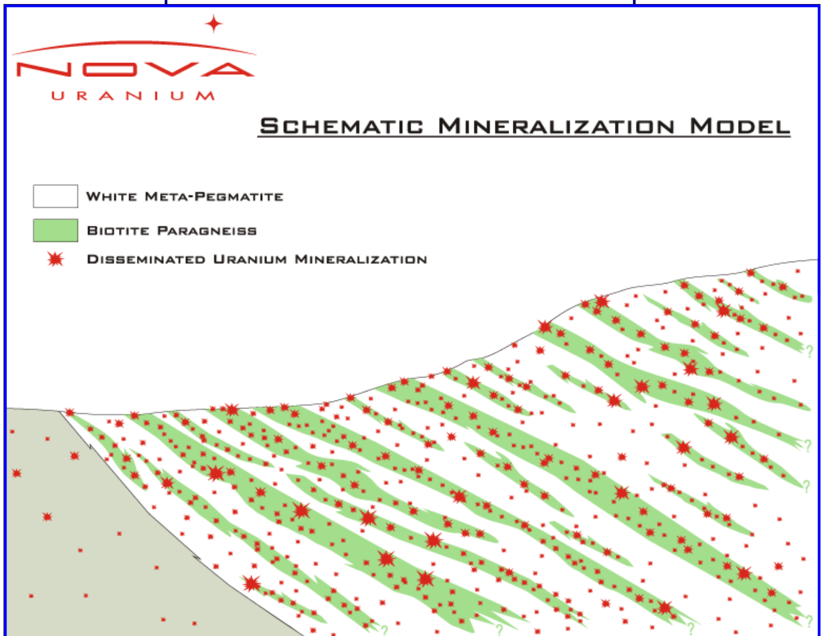
At a uranium price of US$35 per pound, a 2.4 lb/t uranium grade has the same in situ value as a bulk tonnage, oxide gold zone running 5 g/t (at $500/oz). A 1 million oz gold deposit of this type can generate a strong net at 1.5 g/t. At current prices it would have the same in-situ value as a 15 million pound uranium deposit. In practice a larger deposit would be needed to really entice a development decision. We think Nova has the scope for this, in a region that has a limited history of uranium exploration.

Scope and Potential

The Mont Laurier holdings contiain a primary trend length of some 12-15 km that is part of a larger regional anomaly. There is reason to think Nova's holdings are the better part of this trend, but we also consider it important that the broader anomaly offers a larger potential. This could bring in other explorers to help tell the story, and helps with attracting major players.

The regional anomaly is from a government airborne radiometrics survey. The survey measured gassing of radioactive potassium, thorium and uranium. Potassium is measured since it is an alteration product associated with hydrothermal fluids that create many metal deposits. It is the uranium and thorium, and their relationship to each other, that is important here. The map on the previous page shows the Uranum anomalies generated by Nova's own airborne survey flown last year. They appear as red and pink in the map and as the scalebar shows even the anomalies within the project area itself are very large.

The regional anomaly is defined by high thorium readings. Thorium is used in some reactors, but is here being used as a guide to locating uranium since it is much more abundant then is U. The thorium anomaly could key into uranium deposits at depth.



The area that Nova has acquired is however one of high uranium anomalies. This conforms with their model of locating readily pittable mineralization. They have picked up a 30 km long anomaly typical of a uranium source near surface. This winter's work will focus on known mineralization in the primary trend, but there will be plenty of new ground to look at next summer.

Within the primary trend there are over 20 known occurances of uranium mineralization. These include the West zone where the 7.2 million pounds at 2.4 lb/t was extrapolated by previous bulk sampling. There are also a number of other area where testing of "white" zones indicated lower grade resources.

The important point will be determining how much grade enhancement the darker layers add to each area. It is possible that areas where this higher grade material is dominant will be located. There have been results as high 14 lb/t, though not as yet at scale. A "high-grade" area could act as a starter pit to a larger resource.

Our take is that this project contains a large uranium resource, so the question at hand is that of quality. The oxidised material from surface to the water table will be the initial focus, but since the uranium at depth is also likely in oxide forms bulk potential extends below this.

If the project moves the 100 million pound scale, with a significant area of higher grade material, it could become a serious contender as a new uranium production camp. For the moment, we consider the project strong enough that there is a lot of upside just by the company playing catch-up to its peer group. The scale of the surface exposures should allow for plenty of impressively long trenches.

Trenching results from bulk testing of several areas is pending, and drill is to begin early next year. **Ω**

Updates

Whew, what a month! As the updates below will show, a lot of HRA companies have been very busy and in a very good way. Anta, Wolfden, Goldcorp, Primary Metals and last but definitely not least Virginia Gold have all put in outstanding performances. Best of all the sort of deal making we're seeing now is often a sign that the real fun is about to start. Retail investors (aside from clever people like yourselves) are still not all over the sector but with deals like Virginia and Barrick/Placer/Goldcorp making news they shouldn't be long in arriving.

Atna Resource Ltd. (ATN-T, *closing @ $1.65*) took a big jump on release of results from the new Ogee zone, and is now

up 330% from the initial Journal price of $0.44 in September-04. It's easy to understand this month's excitement given the spectacular nature of the first underground hole into Ogee. **Hole UGOG-004 intersected 147 feet grading 0.97 oz/ton gold**. Not surprisingly, the market went nuts on receipt of this news, driving ATN's share price up by 75% on five million shares. Atna was at pains to point out that the drill hole cut the Ogee zone obliquely so this is not a true width. The best guess is that the zone is about 60 feet thick but that is hardly something to complain about. ATN has drilled three other holes into Ogee so there should be more results this month. Hard on the heels of the drill announcement Atna completed a bought deal financing of 5.2MM Special Warrants at $1.35 to raise $7 million. There is an over allotment clause allowing the brokers to place another 2.25 million units and it's safe to assume that will happen, bringing the financing to $10 million. Drilling problems have continued at Range Front and ATN will concentrate on surface drilling it. Results so far have been in line with expectations but it's Ogee everyone will be watching. David's "back of the bar napkin" calculation for Ogee is about 250,000 ounces and a few drill holes could quickly add to that if they look anything like the first one.

Spec Buy on Weakness
http://www.atna.com
Contact: *1-800-789-2862*

Bear Creek Mining (BCM-V, *closing @ $4.99*) is up over 600% since July and somewhat more then that from the initial Journal article in mid-03. BCM recently re-

leased bottle roll test results indicating 95% recovery of silver from the upper, oxide zone at Corani and 75% in the mixed oxide-sulphide zone below this. These are very strong results for silver and validate the basic concept of heap leaching a bulk silver zone. BCM also released two sets of drill results this month; the latest as this issue was being completed. The new results were significant, not only because they continued to extend mineralization under post mineral cover at the north end of Corani Este but because they indicate more new zones. Drilling at Este (holes 29 and 29A) indicate thickness is still increasing here, with an intersection of **104 m @ 3 oz/ton silver in hole 29 and 162m @ 5.2 oz/ton silver in hole 29A.** Mineralized outcrops have been found 200 metres north of the collar location for 29, indicating at least this much strike potential in that direction.

Initial trench results for the "La Curva" zone returned 84M @ 1.1 oz/ton silver. Though lower than the average at Corani this is still a good result in a new area that contains a large IP anomaly similar to the one underlying Corani and Corani Este. This, along with new trenching west of Corani points to much larger overall tonnage potential for the zones.

David visited Corani in early November and sent out an SD that weekend confirming our speculative buy outlook. We are comfortable that both zones can be developed readily and concurrently. Though testing is needed to extend the strong bottle roll results and estimate important cost considerations like acid consumption, visually the core looks does not look like there will large problems with solution consumption. High-grade material adjacent to faults is strong enough to potentially support underground operations. And there are still a number of untested targets.

In brief, this is a very large silver resource that has clear potential to get much larger still and with silver having crested the $8/oz level BCM continues to trade well below the reasonable expectation for its recoverable resource.

Speculative Buy on weakness

http://www.bearcreekmining.com
Contact: *604-685-6269*

European Minerals Corp (EPM-T, closing @$0.88) has come close to it's 52 week high, thanks to the first couple of meaningful news releases in a long time. EPM announced this month that they have concluded most of the major agreements required to move the Varvarinskoye gold/copper deposit toward production. Specifically, EPM announced it has concluded an agreement with Investec Bank of South Africa for a US$75 million loan package. The loans have an eight year term with semi annual payments starting 24 months after first drawdown (next month) and carry an interest rate of LIBOR plus 2.3% after the project reaches completion.

In addition to the loan, EPM signed a concentrate sales agreement and a turn key construction agreement for the process plant at Varvarinskoye. Note that the concentrate agreement merely specifies terms of delivery and payment—its not a hedging agreement. European Minerals has already done much of the ground preparation at the site and we think the 2007 start-up date could prove to be conservative.

None of the above announcements had as much market impact as the later announcement that EPM has signed a gold hedging agreement for approximately 443,000 ounces of gold at an eye popping price of US$574 an ounce. This represents 50% of the estimated gold production during the period of the loans mentioned above and was a requirement of the loan agreement. Normally, any sort of hedging agreement is dimly viewed by investors but it's hard to complain when they are done at this sort of price. Varvarinskoye is expected to produce 145,000 ounces of gold and 18 million pounds of copper from a resource base of 2.34 million ounces of gold and 269MM pounds of copper. These resource numbers were calculated at $375 gold and$1.00 copper. EPM plans to update the resource calculation early in 2006 using more current prices that should result in a large increase in resources.

EPM has been a frustrating story to follow at times but the project itself has always looked good. While there has to be some discounting for political risk due to the Kazakhstan location this is a project that will throw off huge amounts of cash once it gets going. It's not uncommon to see share prices double through the mine construction period which EPM is now entering. Given that, and if you don't mind the wait, EPM should be a rewarding stock to accumulate now that the countdown to production has begun.
Accumulate
http://www.europeanminerals.com/
Contact: 1-866-448-0780

Eurozinc Mining *(EZM-T, closing @ $1.08)* has finally breached its 52 week high as we predicted a couple of months back that it would. The main culprit for that is the copper price of course. We've been more bullish than most but we're looking downright timid against a market that doesn't seem to want to drop below $2.00 a pound. A number of traders are predicting a short term high in the range of $5,000/tonne ($2.27/lb). This number seemed crazy a few weeks ago but it may get there. Our concerns about China demand haven't changed, but the broadening of economic expansions in Japan and Europe has eased them somewhat.

EZM's case for a higher share price will be helped by exploration results it's generating both within and adjacent to the Neves Corvo ore bodies as well as from offsite exploration. 46,000 metres of expansion, in-fill and exploration drilling are planned and should continue to deliver results through most of next year. The latest set of results was delivered just before this issue was completed and they were spectacular. Drilling at Zambujal, one of five Neves Corvo ore bodies, intersected very high grade copper in a number of holes with results like **30m @ 14.68% copper and 11.9% zinc in hole FZ313 and 34m @ 15.28% copper and 6.5% zinc in hole FZ322**. These numbers were highlights but still outstanding and some of the other high grade results came from areas where earlier surface drilling indicated narrower widths and lower grades. Zambujal will account for 10% of the tonnage mined in the next decade and if these results are widespread this zone could moved the recoverable grade up by 0.5-1%. That may seem minor but it would be enough to add $10-20 million to the bottom line annually at current copper prices.

David is visiting Neves Corvo as this is written so we should have a trip report out on the area soon. We do want to end the update by adding one thing however. EZM has the ability to generate huge profits in this cycle but the price is being held back by the fact that its pricing still doesn't allow many institutions to buy it. This would be easily solved with a share consolidation and if you're an owner of EZM it would be worth your while to strenuously point this out to management. We have.
Accumulate on Copper Price weakness
http://www.eurozinc.com
Contact: *1-866-571-6463*

Everton Resources (EVR-V, closing @ $0.49) was one of the obvious beneficiaries of the Virginia takeover news (see below). Everton and partner **Azimut Exploration (AZM-V**) released some initial sampling results from their projects near Eleonore. The highlight of that sampling was a number of good gold results (up to 29 g/t gold) in grab samples taken along 1.7 km of strike length from a metasedimentary gneiss with up to 3% sulphides. While this is hardly a "Roberto look-alike" yet and 12 km from the Virginia discovery anyone with good results near VIA will be getting more attention this winter. The partners are still analyzing data and expect to be back in the project in January. Everton is also awaiting results from the adjacent Loma el Mate and

Cuance concessions in the Dominican Republic which were drilled by EVR and partners Globestar Mining (GMI-V) and Linear Gold (LRR-V). Drilling is following up coincident IP, soil and rock sampling results targeting gold and copper. Everton has been a sideways trader for the past few months but good news could quickly change that.
Accumulate
http://www.evertonresources.com
1-800-778-0263

Primary Metals (PMI-V, closing at $3.18) has gained almost 400% since our July intro to Journal subscribers. Based on the continued strength of the tungsten market and the release of good second quarter results we expect the gains to continue. PMI announced that it earned CAD$2.26 million or $0.21 per share in the July-September quarter. Results were affected by Dollar strength against the Euro and some non cash expenses but PMI still managed to top Q1 earnings by a cent. The quarter also included some planned downtime which was used for equipment upgrades. Primary will continue to bring new

underground equipment online through the balance of this year and plans some mill upgrades that could boost recoveries by 3-4% early in the new year. Tungsten prices continue to hover around US$260 per Metric Tonne Unit and while there is a chance they will moderate a bit there are still few obvious sources of new supply coming on line. PMI still has the potential to increase production by 20%+ as improvements are completed and it still trading with a forward P/E of just over 4.

David is visiting the Panasqueira tungsten mine along with Eurozinc's Neves Corvo operation so he's sure to have a trip report out on the project soon.
Buy on weakness
http://www.primarymetals.ca
Contact: *1-866-684-4209*

Silver Wheaton (*SLW-T, closing @ $6.29*) has now more than tripled from the price it was added to the HRA list at when it was spun out from Wheaton River (now Goldcorp) last year. It's a good example of why there are so many companies trying to lay claim to the status of a pure silver producer. The market likes silver producers and there are few around which is why companies like SLW can command P/E ratios in the range of 25. The recent price moves for silver which is outpacing gold have not hurt either nor has the company's well-timed purchase of 15% of Bear Creek Mining (see) and Silver Wheaton's subsequent status as the obvious dance partner for BCM. At this stage, SLW is trading as a silver hedge and large increases in the share price from here (other than mirroring silver) will require it to lay out its growth strategy. It should find that easier to do now that it has arranged a bought deal financing of $75 million at $6.40 which the underwriters have the option of increasing to $90 million. This would give SLW an acquisition war chest of $120 million and a market value above $1 billion. With those tools to work with it just might slip something under the tree this year.
Accumulate on silver price weakness as a silver hedge.
http://www.silverwheaton.com
Contact*: 1-800-380-6867*

Virginia Gold Mines (VIA-T, *closing at $10.30*) is now up about 900% since it originally released the first trench results at Eleonore. As everyone probably knows by now, Virginia management has accepted a friendly takeover offer by **Goldcorp (G-T, GG-N)**. The text that follows was sent out after news of the takeover broke on December 5th. The bottom line is that if you are impressed with the management of Virginia (and you should be) or you have decided to take the plunge on Goldcorp or already hold it the smartest way to get both is to buy VIA before the transaction is approved. That gets you both Goldcorp stock and shares in "New Virginia" (see below) at a price that looks extremely cheap.

[TEXT FROM SPECIAL DELIVERY # 254 FOLLOWS] Well, we've always said those **Goldcorp (G-T, GG-N, closing @ $23.58)** guys were smart and they've proven it in spades today. This morning, **Virginia Gold (VIA-T, trading $10.30, up $2.00 on 4.2 million shares**) announced that Virginia has agreed to a plan of arrangement whereby Goldcorp will purchase all the issued and outstanding shares of Virginia. It's actually a complex deal so we'll start by laying out the specifics below before commenting on it.

- Virginia shareholders will receive 0.40 Goldcorp shares and 0.50 "New Virginia" shares for each share tendered.
- "New Virginia" will hold all of Virginia's Non-Eleonore area assets and substantially all of Virginia's current assets and cash.
- New Virginia will also get a sliding scale Net Smelter Return of 2% on Eleonore.

So is it a good deal? It's hard to complain when VIA shareholders are offered $9.60 worth of Goldcorp stock and half a share in a company that will have VIA's other projects, its management and exploration team and about $1.50 in current assets. In addition to that it will have an Eleonore royalty, the value of which should not be underestimated. Eleonore going into production is a gimmie and with the grades it carries and the size we think it will achieve a production rate of up to half a million ounces a year is not out of the question. That would generate something like $10 million a year at current prices. Once the full potential of Eleonore is known that NSR could be sold for upwards of $50 million.

Virginia is currently trading at $10.30, an 8% premium on the value of the Goldcorp stock alone and a 3% premium on the value of the Goldcorp stock plus the cash per Virginia share that New Virginia will hold. Clearly, based on this trading, the market is assuming there will be no second bidder. Should there be? Well, the complexity of the transaction makes it tough for a third party to come in unless it wants to engineer something similar and just offer more up front. That move is made more difficult by a lock up agreement and a break-up fee of 4% of VIA's market cap. A second, successful, bidder would have to write Goldcorp a cheque for $60 million at today's prices, which seems pretty excessive to us.

Goldcorp's timing was brilliant, coming when two of the obvious potential bidders (Barrick and Placer) are in the middle of their own take over saga. That saga includes Goldcorp as well and it's quite possible the partnership between Barrick and Goldcorp on the Placer bid keeps them out of the running anyway. Newmont has long stated it's preference for open pit operations, though deposits like Eleonore just don't come along very often and that prejudice seems very much misplaced in this case. There are some other international players like Anglo and Goldfields who may be interested, time will tell.

So now what? The apparent complexity of the transaction probably means many will happily just take their money off the table. The deal is a win-win of sorts for HRA since we follow both Goldcorp and Virginia. For anyone with any doubts (and we know there are some) we think Goldcorp is getting a very good deal. Yes, there is no 43-101 yet but that's just details. Few people seriously following the Eleonore story think there is less than 5 million ounces there and possibly a lot more. Even assuming "only" five million ounces Goldcorp is paying about $90 an ounce. That's cheap in a world of $500 gold for a project of this quality.

The friendly nature of the transaction clearly has traders thinking there will be no one else coming to the table given how VIA is trading today. That doesn't

mean there is no arbitrage to be had, however. Virginia's current pricing means a buyer of the stock today will be getting $9.60 worth of Goldcorp stock and one half of a "New Virginia" share that is being valued at $1.40 by the market. Assuming 25 million New Virginia shares out after the transaction the value the new company's cash holdings should be something like $1.30 per share. In other words, VIA's management, its other projects (which may or may not include a large number of other projects in the general area of Eleonore) and a 2% NSR on Eleonore are being valued at $0.10 per share or $2.5 million. Anyone who thinks that's pricey hasn't been following this story. Buying now means, effectively, buying Goldcorp and buying the talents of Virginia's management in a new vehicle. As long as you're not averse to holding Goldcorp – and like we said at the top, it's run by smart fellows so what's not to like? – getting VIA-2 for $1.40 per share is a steal. For that reason alone we expect to see arbitrage buying and think it makes eminent sense to hold VIA through the transaction. If you do decide to take your money off the table this tax year you should very seriously consider shopping for shares of the New Virginia once it starts trading.
Buy.
http://www.virginia.qc.ca/en/
Contact: *1 800-476-1853*

Wolfden Resources (WLF-T, *closing @ $3.49*). One has to ask—Do these Goldcorp guys ever sleep? As if the Placer/Barrick and Virginia deals were not enough to keep them busy Goldcorp also announced a major investment in Wolfden this month.

We've been calling for accumulation of this one through the summer in the mid $2 range and wondering if we weren't kidding ourselves so its nice to see our judgment backed up by the likes of Goldcorp. In short, WLF announced that Goldcorp has agreed to purchase 6 million Wolfden shares (3 million common and 3 million flow through) for$3.60 per share for a total investment of $21.8 million. The placement will give Goldcorp just under 10% of Wolfden. The companies have further agreed to pursue "mutually beneficial" acquisitions together and Goldcorp has agreed to help identify and secure funding to put High Lake polymetallic project into production.

Obviously, getting a placement this large at a 20% premium to market at the time didn't do Wolfden's stock any harm. It might have come as a surprise to Goldcorp followers however since High Lake is a copper deposit first. Goldcorp's management, late of Wheaton River, has done all it could to bury its highly profitable copper production at Alumbrera to make itself a "pure" gold play.

What's in it for Goldcorp? Partially its simply a value play, given Wolfden's assets but we suspect that WLF's gold projects in Red Lake will loom large. One of those projects, East Bay, is a 50% JV with Placer which Goldcorp will presumably take over if the Placer/Goldcorp/Barrick deal goes through. The other is the Bonanza/Folonsbee project which Wolfden now holds outright and which continues to generate strong gold results. By all accounts, Placers Campbell Red Lake mill has excess capacity and two gold zones owned by a friendly company that could easily be trucked to the Placer mill would be a win for both WLF and G. Goldcorp has also been thinking about increasing the size of the Goldcorp mill. Don't be surprised if there is more to be revealed of this story if Goldcorp is successful in snagging Placer's Red Lake assets. In the meantime there are plenty of holes coming from Follansbee and the Goldcorp announcement ensures there will be a lot more eyeballs on them.
Accumulate
http://www.wolfdenresources,com
Contact: *1-807-346-1668*

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