



Val d'Or

This city is celebrating its 75th birthday this year. However, though 75, it is by far, not the oldest thing in the area. This bustling city of 35,000 people has street names such as, Sigma and Lamaque. Sound familiar? It is because these are the streets that originally housed the workers for these respective mines, which were established around the same time. In effect, Val d'Or grew as a consequence of the vast amount of work being done in the area. Seventy-five years later, little has changed about this town. The 117 highway has head frame after head frame, spanning some 30+ kilometers. The gold mining companies, Agnico Eagle, Richmond, Aurizon, Century Mining and several others, define the "skyline" of this town. I have been covering several companies in the Val d'Or area for the past few years, actually my entire career as a newsletter writer, and I continue to marvel as to how much gold has poured from the Abitibi belt over the past 80 years (over 170 million ounces), and how much gold continues to be found and produced today.

Quebec is considered the best place in the world to mine, according to the *Fraser Institute's Survey of Mining Companies 2009/2010*.

"Mining executives say Quebec remains an international standout for investment because stable government policies offer them the certainty that reduces risk for long-term projects," said Fred McMahon, coordinator of the survey and the Institute's vice-president of International Policy Research.

The Toronto-based think-tank asked 670 mining executives and managers to rate the government policies and mineral endowment of 72 mining jurisdictions around the globe. Respondents ranked Quebec particularly high for its government policies, giving the province a score of 96.7, out of a possible 100, on the survey's policy potential index.

Many of the proverbial "elephant" deposits have been found in this very mature mining camp, such as, Osisko (over 10 million ounces) and Century Mining's Lamaque gold mine, which historically produced 9.4 million ounces gold over the past 80 years at a grade of approximately 5.4 g/t, from both the Sigma and Lamaque operations combined. It also proves that elephants have a long life as Century's gold mine maintains approximately 6 million ounces of gold in their NI 43-101 mineral resource estimate, which was completed in June 2009. Projects like Century's Lamaque gold mine also show that you do not need to venture into politically unstable or unsafe parts of the world to get these types of deposits. You only need to look in your own back yard.





I went on this trip to Val d'Or during the week of the G20 Summit, and arrived just as the 5.5 magnitude earthquake hit just outside of Ottawa, which thankfully was not felt by most people in the city. I made this journey with a specific goal, to review three mining companies at three different stages:

1. **NioGold Mining** (V.NOX), which is currently defining a significant gold deposit;
2. **Alexandria Minerals** (V.AZX), the company that has a good deposit that can enhance the mine life of an already existing mill;
and
3. **Century Mining** (V.CMM), an emerging gold producer, which commenced production in April 2010 and is now in the process of ramping up operations.

I visited all of these companies' projects and field offices, and I liked what I saw. Each of these companies will offer significant shareholder value through the execution of their business plans.

NioGold Mining Corp.

I started my day off with visiting the office of **NioGold** (V.NOX). This company has been around for several years and has enjoyed large degrees of success in the field. The most recent of these successes was the release of their NI 43-101, which showed a total of 959,000 ounces of gold in the indicated, as well as, the inferred categories on their Marban Block and Norlartic-Kierens deposits. This is just about the 1 million mark, but Chairman Mike Iverson and President Rock Lefrancois have something much bigger in mind. To date, the company has put down over 45,000 meters of drilling and extensive historic data compilation to determine this. Where there is some major upside is in the spots where the company has widely spaced drill holes. Based on the information we have so far, the million ounces is reasonably homogeneous and consistent in the ground. There are many holes that were drilled that the spacing between them was wider that permitted in order to get included in the 43-101 and thus could not be included. In discussions with the company, it is clear that they are looking for something much bigger at Marban Block and Norlartic-Kierens. One thing is clear though, what is at Marban Block is now known, and though they are confident that there are more ounces to be found there, they are also looking to make that next big discovery. Based on their land holdings, their expertise and the planned 100,000 meter drill program the company has, I would be very surprised if the company does not make a significant new discovery in the near term. NioGold has a very good and competent team on the field. An examination of the field maps shows that there is significant potential all over the NioGold property package.

They also have a very good and competent team corporately. Recently, Simon Ridgway joined the advisory board of the company. This is VERY significant, as this man is known for making very good





strategic deals in his lifetime. This addition, to me, sounds the bell that the company is looking to add significant shareholder value.

Shareholder value for NioGold comes in the following fashion, which was announced July 6th, 2010: The company entered into an option and joint venture agreement with Aurizon Mines Ltd in the Marban Block property, which I feel is a sweetheart deal. For a 50% interest in Marban Block, Aurizon must incur expenditures of CND\$20 million over 3 years, with a firm commitment to spend CND\$5 million within the first year. Aurizon must also complete an updated NI 43-101 resource estimate and make a resource payment equal to the sum of CND\$30 (or CND\$40 if the price of gold is above US\$1560 per ounce) at the time of payment. This would be on half the resource, as the option is for half the resource. Aurizon can earn an extra 10% by delivering a feasibility study. They can earn in an additional 5%, for a total of 65%, by arranging project financing for capital expenditures to place the project into commercial production. NioGold will be the operator until Aurizon has earned their 50%, and after that it will be Aurizon. WOW! This has given the company CND\$20 million dilution free dollars plus a payment of CND\$30 or \$40 dollars per ounce that NioGold retains. This has significantly added value to the company with a minimum factor of at least two.

Alexandria Minerals Corp.

The next part of my trip took me to the field offices of **Alexandria Minerals** (V.AZX). This field office is very well located on the western entrance of Val D'or. Alexandria Minerals has recently completed a deal with Agnico Eagle; whereby, Agnico Eagle purchased 10 percent of the company for a 1.8 million dollar equity investment at 20 cents per share. This investment is a little deceiving on the surface, as it looks like Agnico is valuing Alexandria at 20 cents per share, but if we peel the layers away, we will notice that Agnico's Goldex concentrating facility is very close to Alexandria's Orenada deposit. In effect, the Orenada deposit is a shear-zone hosted deposit, with a similar grade as Agnico's Goldex mine. Given this bit of information, it has become clear that Agnico Eagle made this investment in Alexandria Minerals because it is interested in its Orenada deposit, effectively evaluating the deposit at 20 cents and not the company itself. To date the company has identified more than 750,000 ounces at Orenada between all the categories of mineral confidence (900 including Sleepy). This part of the story is very well known, it's the new stuff that can get very exciting.

Alexandria has recently started drilling its Akasaba project, located not too far from the Century Mining Mine, to the east of the town of Val D'or. The Akasaba project had a past producing mine on it that produced around 40,000 ounces of gold in the 1960's. The mine went down to a depth of about 90 meters. Louvem Mines estimated that there were a further 40,000+ ounces at the project (255,000 tonnes grading 6.3 g/t). This is a historic resource and, thus, can't be fully relied upon. These grades are, however, consistent with some of the deposits in the area. The project has several lenses that are not very wide, but high grade such as 56.57 g/t Au over 1.2 m, 39.62 g/t Au over 4.5 m, and 18.12 g/t





Au over 9.8 m. If there can be enough tonnes within all the lenses (a through d), then this will become interesting. However, what made this interesting already is the 45 degree angle hole Alexandria's geologists, Jared and Emilie, came up with that intersected mineralization around 50 meters below the lowest mine workings. This intersection was around 86 meters of 1.97 g/t. What this shows is that mineable grade continues below the known mine workings. Clearly, the company has dedicated drilling to follow up on this. While I was on site, we visited the drill that is doing that work, and, as I understand it, the company is stepping back 50 meters and drilling at the same angle to see if they intersect the same mineralization again. If the drill results come back positive, this could be a game changer of the Akasaba project, and for the company, as it could open the doors to a new mine.

Once at the field office, we went to the Akasaba project, which was a relatively short truck ride away. We toured the outcropping zones that had much work completed on them already. Many of the trenches had yielded over 1 g/t over nice lengths, and, in one spot, high grade native copper had been seen and sampled. This is very encouraging information.

In terms of assay turnaround time, the company has opted to use a different lab. The lab they are using is in Sudbury and has a turnaround time of about 2 weeks. The company is also adding a second drill to the project. This is a very exciting time for the company and its shareholders, as Eric Owens, the president, actively seeks to add value beyond the 20 cents per share that Agnico has valued the Orenada deposit.

Century Mining Corp.

The last company reviewed on my trip to Val d'Or was **Century Mining Corp** (V.CMM). This was probably the most interesting (and fun) of the three tours, as I had the opportunity to suit up and get underground to watch this operation first hand and in action.

Century Mining has, so far, delivered on major milestones that they have promised. Let's take a step back in time, just for a second. On January 1, 2010, it was a snowy day, and, with the wind chill, it registered -34 in Val d'Or. The Lamaque mine, which shut down its open pit operations in July 2008, was frozen solid, not a single car sat in the parking lot, no lights on, and the only thing visible was a lock on the gate. What happened since then is actually quite remarkable in the mining industry, with the mine opening ahead of schedule - yes let me say that again - it poured gold as promised in the second quarter of 2010, and actually in the first month of the second quarter, April 30, 2010. The company received the financing required to put the mine into production on December 31, 2009, and on January 1, 2010 started





mobilizing to site. Fifty-nine days later, on March 1, they were underground mining, and 59 days after that, they poured their first gold bar.

In the past six months, they have had operational hiccups, where electricity to the site was delayed by 3-4 weeks, their new low profile equipment arrived a couple of weeks late, and they completed extra work on the stabilization of the Bedard Dyke portal access, but, as I have seen in many startups, these hiccups come with the nature of the mining game.

There are some interesting operational highlights that the company has worked through that are actually quite positive and unique, and they will likely be beneficial going forward as the operation comes on full stream. First of all, the company was completing their pre-development work on the mine, which normally means moving a bunch of waste that is not mineralized to get to the mineralized zone. In the case of Century Mining, they did that, but discovered that portions of this development work ended up being mineralized. It's not in the resource base grading around 4.5 g/t Au, but its turning out grading around 1.5 g/t Au. They have categorized this material as "mineralized development", and with a highly efficient mill that can put through 0.5 g/t material profitably, this waste, or mineralized development, becomes extra gold at the end of the circuit. At the early stages of opening a mine, having the option of putting additional tonnage through, even though at a lower grade, effectively turns a liability, or waste, into income out of the mill for them.

Another interesting point is that a couple of the recently mined stopes have continued to yield significant tonnage above and beyond what the resource calculations identified. For example, in one stope they mined an additional 9,950 tonnes that the area should of hosted because mineralized vein just kept going. I see this likely occurring in many more mining areas throughout the mine, as, historically, these veins have been traced for hundreds of meters and in some places up to two kilometers.

When I first visited the Lamaque operation in early 2010, I was cautiously optimistic, but very curious as to how the head grade from underground would turn out. Historically, the mined grade of the Sigma and Lamaque mines was around the 5.4 g/t range. The mine plan for Lamaque in 2010 is estimating an approximate head grade of 4.75 g/t from underground. This is 12% lower than the 9.4 million ounces that was produced over the last 80 years. Based on what I have seen, this leaves upside in potentially higher grades than estimated in the mine plan. Historical production also used pretty crude mining methods, including a majority of mining done with jacklegs and slushers. Remember, a slusher drags the rock from the face of the stope to where it can be loaded by mechanized equipment, such as a scooptram. The productivity is also very low, and noting the operation of a slusher, sometimes a large amount of the





gold bearing material is left in the stope, as the cleaning out of the area is not as efficient as using a scooptram.

The gold at Lamaque is hosted in a variety of mineralized and faulted zones known as flat veins, north and south dippers, shear veins, mineralized dykes and plugs. As indicated earlier, some of these flat veins can continue for hundreds of meters, and range in thickness from a few inches to two feet, but were are very high grade. The north and south dippers, which are actually from an anticline structure from dips south into the Lamaque mine and dips north into the Sigma workings, can range up to a couple meters wide, and again at grades much higher than the anticipated head grade of 4.75 g/t. The shear zones are like the flats, but are near vertical in their dip or 75-85 degrees, and can range up to two meters in width. The dykes can range up to 15 meters in width, and again like the shear zones, dip near vertical or 80-85 degrees. Finally, the mighty 'plugs', can be 170 meters in diameter or bigger, and are seen throughout the structurally-controlled, geological environment within Century's property. For example, as I noted in an earlier write-up, the main plug at Sigma produced 80% of the ounces at the mine, and one miner made his underground trek into the same stoping complex for 27 years.

Mining in an environment like Lamaque/Sigma is all about controlling dilution and minimizing the waste material to the mill. The operational and technical team currently is seeing the expected grade at the face of the stope ranging from 4.5 g/t up to 7.0 g/t (some places a lot higher), and now is focused on getting as much of this material into the mill as possible, without leaving it in the stope or bringing too much mineralized development out with it.

To do that, they search out new technology, rethink the historical operations, and focus on controlling grade. A month ago, Century Mining brought in low profile scooptrams and jumbo drills from South Africa. This type of equipment has never seen operation in a North American mine at any other company. These vehicles are only five feet high. Even I tower over them. The small size of these machines allows them to operate in smaller spaces, thus moving less dirt/waste, which means higher grade out of the mine. When underground, I watched this new equipment in action. Talk about productivity.

The company is getting their team trained on how to use these new pieces of equipment to increase productivity and also how to minimize dilution. Their team is now focused on adjusting blasting patterns and loading of the holes, to ensure minimal over breakage on the blasted round. Positive results have started to be seen over the last month, and higher grades are being seen out of the mine and into the mill. This type of operation requires time, as more stopes are opened, and production from the room and pillar flats increases. I understand they have a couple more low profile pieces of equipment on order. This





seems like a logical purchase decision from what I have seen. This addition of modern technology, combined with rethinking the operation, should increase efficiencies by a very nice factor.

Of the three zones to be mined and operated in 2010, the room and pillar flats are just the beginning and the lowest productive of the three. Next in line is the Bedard Dyke, which was opened up the same day I arrived at the mine site, and finally is the North Wall zone to which they are currently drifting over to. The Bedard Dyke will be a very welcomed addition to the mill, as it will be a long-hole, open stope stoping complex, and is expected to grade higher than the flats. The face of the Bedard Dyke portal, prior to its first blast, graded 37 g/t Au, and recent drilling showed intersections close to 100 g/t Au. The daily tonnage expected from the Bedard Dyke will be significantly higher than the flats, as it is the meat and gravy of the future of the operation. The Goldex Mine (Agnico-Eagle), down the road a few kilometers, is mining below 5,500 feet with a head grade of only 2.8 g/t Au, but is moving a lot of ore via their long-hole stopes, and at a low mining cost. I can see the Bedard Dyke lowering their operating costs at Lamaque going forward.

An interesting point is that the development work required to access the Bedard Dyke will be right through this high grade vein before they access the underground to extract their 20,000 tonne bulk sample. Obviously, this material will be crushed and sent to the mill, as it has plenty of visible gold, as well as, massive chalcopyrite widely disseminated all through the veins. Once the sample is removed and tested, the mine will look to receive the next permit to mine the zone.

In terms of the current mill operation, it is operational and processing about 700 tonnes per day (tpd), with tonnage from underground reaching peaks of 700 to 750 tpd. The mill can be cranked up to adjust for higher tonnage on any given day, as they have put through 1,100 tpd on certain days during the ramp up of the facility. As in any normal startup and commissioning of an operation, this number is progressively increasing and will do so until they hit their daily tonnage requirements. A good thing is their 2010 requirement is only needed to average 1200 tpd, and in 2011 just over 2000 tpd. With a facility that can process 3000-3400 tpd, they have lots of extra capacity to ensure they don't operate too close and max out.

I believe Century Mining is on its way to putting an excellent mine into operation, and, over time, is well positioned to add significant shareholder value. I focused only on the Lamaque operation for this update, but they have operated their San Juan gold mine in Peru from which they have consistently delivered above expectation results.

In Conclusion





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EQUITIES & ECONOMICS

REPORT

I talked about 3 companies in the area. There are many more. Some are in great shape, such as Agnico-Eagle, Osisko Mining and Cartier Resources, and others, such as Northern Star Mining, are not. One thing is for sure, the companies that I did visit are at different stages of development, but all are well positioned to further develop their assets and eventually add value for their shareholders. Val d'Or has a rich mining history, and it is a mature mining camp in a safe and stable jurisdiction, known as the best place to be for mining. Based on what I have seen on this trip throughout the area, even though there has been over 170 million ounces of gold found in this camp, there are many more ounces to be found, and companies such as NioGold and Alexandria should continue to find more of them. Century Mining is an emerging, mid-tier producer with strong financial backing. They have 6 million ounces of gold, but they are probably sitting on many more than that, so that mine will be around for many years to come.

Going forward, I expect the price of gold to continue its rise to over US\$1500 per ounce by the end of the year. This will spur more deals in this camp and more ounces will become economic.

