

RESOURCE OPPORTUNITIES

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Interim Update

The Rising Gold Price Has Triggered A Gold Exploration Boom In Canada.

A year ago, investors paid little attention to the junior gold explorers. That is beginning to change, and in some cases quite dramatically. Companies involved in the exploration areas that are now considered hot have already enjoyed big increases in share prices over the past few months. The action is only just getting underway, with potential for a lot of excitement over the coming months.

The exploration boom was kicked off with exploration funding made available through the "flow-through" program. For anybody not aware of flow-through shares, this is a program that allows exploration companies to flow through to investors the tax write-offs that they incur by spending money on exploration in Canada. In effect, investors in flow-through shares get a tax write-off equal or greater than the amount of money invested. The lure of a gold discovery wasn't enough incentive to get investors to part with their money over the past few years, but the added bonus of the tax write-off provided the funding to kick-start an exploration cycle in Canada.

There is also a growing awareness that for the past several years the gold producers have been mining gold at a much faster rate than they have been replacing reserves. One estimate suggests that less than a quarter of production over the past few years has been replaced with new discoveries. The major companies have long since learned that the most effective way to explore for new gold deposits is to put money in the hands of the junior companies. (If you had the skills to find a billion dollar gold deposit, wouldn't you prefer to work for a company in which you have a big ownership, instead of merely collecting a salary from a big company?)

Most of the major gold producers around the world are now funding junior company joint venture exploration programs. Much of that spending is happening in Canada. The result is a full-blown exploration boom that is

now quietly spreading from one mining camp to another across the country.

The first hot area was the Red Lake camp in Ontario. Goldcorp's mine at Red Lake is one of the richest gold mines in the world and generated the highest level of earnings per share of any gold producer in North America last year. Mining companies from around the world, including giant AngloGold of South Africa, have locked up every acre of ground in the original Red Lake district.

The Birch-Uchi belt, located just east of the Red Lake District, is believed to be part of the same geological system as Red Lake. That area is also beginning to get serious attention, with both juniors and majors quickly grabbing up the prospective ground.

Another intriguing area play is going on in central Newfoundland, in an area known as the Botwood Basin. More than 2,000 square kilometers has been staked in the past few weeks. That staking frenzy grew out of a B.Sc. geology thesis written a few years ago. Few people took that paper seriously at the time. However, the author of the paper, now the president of **Altius Minerals** (ALS-CDNX), recently found a major company believer and kicked off a staking frenzy. The Altius geological team convinced Barrick that central Newfoundland hosts what appears to be an analog of Nevada's Carlin trend, the second biggest depository of gold in the world. (The July issue of Resource Opportunities recounts my visit to the region and my belief that a major company would inevitably recognize the potential of this region.) With staking still underway, we haven't heard a lot of news yet, but news will begin to flow as work gets underway in the coming weeks.

Altius has a big property position in the region and the backing of Barrick. They also have numerous other high potential projects in Newfoundland. The stock price is way up since my commentary last summer, but this company still has a long ways to go.

Candente Resources (DNT-cDNX) has just become involved in the Canadian gold exploration play. The company recently announced that it has optioned the Linear property in the Botwood Basin of Newfoundland. The Candente geological team sees the same sort of potential on the recently acquired ground as Barrick sees on their nearby property.

The Linear property was drilled a couple of years ago with some high grade intersections, but no consistency. I thought at the time that the area being drilled was peripheral to the main event. The Candente acquisition was made after a review of the property by Larry Kornze, Candente's director of business development. Mr. Kornze is a highly regarded authority on this type of geology. He recently retired from Barrick, where he was exploration manager and played a major role in several discoveries for the major. Mr. Kornze is very familiar with the geology of the gold producing regions of Nevada and Peru and recognized the geological similarities in central Newfoundland.

Candente has previously focused on Peru, and has several very attractive projects underway in that gold-rich country. The move into Newfoundland is based on the geological similarities and the potential for large-scale discoveries in that region. The property is well positioned, with gold already identified on surface and in previous drilling.

I'm guessing that the Candente property position will continue to expand now that they have established a base in Newfoundland. The announcement involves a property that was acquired by way of an option and required an immediate public disclosure.

This Newfoundland venture adds another very significant dimension to what is already a tremendous exploration company. Even though the Candente share price has more than doubled since my first recommendation last November, the company remains one of my favorite gold explorers. It's worth buying at this price, as I believe that the company will begin to attract a lot more investor interest as more people become aware of the significance of the Newfoundland gold exploration play, as well as its projects in Peru.

The level of investor interest in junior gold explorers

is quietly building. So far, most of the exploration is at an early stage. Results will begin to flow as geologists get into the field in the springtime, and that means that the momentum could quickly build on itself. Investors should move quickly to get positions before the rush.

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