HRA - *Special Delivery*

#452 – 9 May 2011

After big pullbacks through last week, most commodity prices are bouncing today, thanks to renewed downward drift in the US Dollar Index and some risk on trade after a positive jobs number for the US. It's too early to say whether this is just a bounce, given it's May, but some of the markets that were looking scarily frothy like silver (and, arguably, oil) have been brought back to earth a bit which is a good thing. We're not sure oil will be able to stay below a 100 handle but if it does it will be a big help for numerous economies that don't need high energy costs to struggle with on top of everything else. Two HRA list companies released highly anticipated resource numbers this morning but only one of those is giving traders any pleasure.

East Asia Minerals (EAS-V; *trading down $1.08 cents at $3.80 on 1.6MM shares*) released a disappointing initial resource for the Miwah project this morning and the market is punishing the stock for it. The initial calculation gave an **Inferred Resource of 103.9 million tonnes grading 0.98 g/t gold and 2.68 g/t silver yielding a gold equivalent 3.28 million ounces using a 0.2 g/t cut off and gold and silver prices of $1185 and $20 per ounce respectively**. This is obviously less than we, and the market had hoped for. The news release was a terse one that did not include a lot of details. One thing omitted was the "top cut" of 20 g/t on the high grade areas and 1.7 g/t on the low grade areas that came out of the resource estimation algorithm (inverse Kriging). The average gold grade is lower than we would have expected. More infill drilling may change that though we expect the company will focus on step out rather than infill drilling in order to show Miwah can keep growing. The company noted that Miwah is still open in most directions and that there are already holes outside the resource block in several of these areas. Two drills are currently working north of the resource area to push the zone closer to Moon River. While it's quite possible infill drilling alone can have a positive impact the market will be in a "show me" mood after this resource estimate. The current valuation of sub $300 million for a company with 4 million plus ounces (between Miwah and Sangihe) is not high. There is definitely some selling in anger as we write this, so there may be a bounce from this morning's levels. Once the market settles it will take some strong holes outside the current resource block or settlement of the forestry tenure issue to really lift the stock. The timing of the latter in particular is unknowable so we'll have to wait for the dust to settle and volumes to drop off as disappointed traders exit. We won't insult anyone's intelligence by pretending we're pleased by the resource number, though it doesn't take away from management's achievement in the finding the ounces they have to date on a project that is still likely to grow. http://www.eastasiaminerals.com/

Mirasol (MRZ-V; *trading up 32 cents on 40k at $5.51*) delivered a resource estimate put together by partner Coeur d'Alene for the Joaquin project. The estimate outlines almost 48 million silver oz in the oxide portion within 6.78 Mt @ 77.7 g/t silver Indicated plus 11.12 Mt @ 88.6 g/t silver Inferred. There is nearly 20 million more oz in the sulphide part of the system at about 200 g/t silver. The estimate banks about 20 million oz to the MRZ account dependant on how the deal moves forward. This is not the MRZ main event and though Mirasol is trading up this morning it is doing so on light volume and a mainly due to the bounce in the silver price. Joaquin helps give MRZ a value base but its continued results and resource development at Virginia that will really define the company's value going forward.
http://www.mirasolresources.com/s/Home.asp

Silver Wheaton (SLW-T, N; *trading up 73 cents on 8 million at $36.55 on N*) put out its Q1 results this morning, the bottom line of which was a US $0.36 per share earnings number. It is notable that sales in Q1 were substantially lower than attributable production, so there has been potential to lock in some decent additional gains during the silver price spike this quarter. We will have a bit more to say in the Journal, but we think the SLV consolidation ahead of and along with silver's price puts it in a comfortable price range to trade in line with silver. http://www.silverwheaton.com/

Channel (CHU-V; closing Friday up 5.5 cents on 381K*485K at $0.29*) put out more results from its Tanlouka gold project in Burkina Faso, and they further the cause of assets building by the company. Better results from the main Mankarga 5 zone included **48 m of 2.72 g/**t and **60 m of 1.15 g/t gold**. There was a high-grade hit of 2 m at 15.6 g/t gold, but unless core drilling shows the RC rig has been smearing the results this continues to look like a shallow system that will generate a simple to deal with pit situation. Politics in Burkina Faso dampened enthusiasm for the results as the country's lower ranking police force decided it was time to fire off a few rounds in favour of a pay raise. This group has now said it will cease its protests, but not before six people in Ouagadougou have been killed by the mayhem.

All the reports we have gotten confirm that none of this has been aimed at the gold mining sector and that it has been able to function without disruptions. As with the rising tide of food inflation protests in poorer parts of the world this appears to be a case of blaming and attempting to change the domestic system. That may continue to rankle markets for a while yet, but from what we are hearing the best course right now is to wait out events. On Friday CHU announced closing its $7 million financing at 34 cents, which should help it to settle in at current levels. Though we don't have fresh news about the disruptions in Burkina Faso it may still be a bit soon for the squeamish to wade too fully into this market. We do think this is a low enough level for the stock that we are putting it back at accumulate with the caveat that politics could be hard its price. If the politics have settled in CHU can gain ground on further good results. http://www.channelresources.ca/

Roxgold (ROG-V*; up Friday4.5 cents on 508K at $0.51*) has delivered preliminary results from the Bissa West project, also being farmed in **from Riverstone (RVS-V; *off Friday 1cent on 403K at $0.60*)**, that indicate another potential to outline a gold resource. The best results were 12 m of 5.46 g/t and 20 m of 2.2 g in at shallow depths in separate holes. These are in keeping with the region and are good first round results to work from. The release also noted that RAB drill samples from around the Yaramoko discovery are headed for the lab, and these the most likely source of near term speculative interest for both companies. As with the CHU release these results came as concern over Burkina Faso politics was picking up again. For both ROG and for RVS it is a matter of waiting to see how that pans out, but this release does add to potential and should be recognised if tensions subside. As noted before, Riverstone is the safer of this pair for the time being, though ROG may be more leveraged should perceptions on the country turn to the good we think that RVS has as much to gain from current price levels on that kind of good news. http://www.riverstoneresources.com/ http://www.roxgold.com/

Regards for now – David Coffin and Eric Coffin

Published by Stockwork Consulting Ltd. Box 85909, Phoenix AZ, 85071. hra@publishers-mgmt.com
http://www.hraadvisory.com/contact.html ***Subscriptions/Customer Service*** **1-877-528-3958**