MORNING NOTES
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Today's Notes by Chris Berry:

Despite the whiffs of economic uncertainty and threat of deflationary forces which are occupying the airwaves, there have been several very significant developments associated with two of the Discovery companies we cover: **American Manganese** and **Antioquia Gold**. For the sake of brevity, we've chosen to break the discussion of each down into a new format which should make the analysis easier to digest.

American Manganese (AMY:TSXV, AMYZF: OTCBB)

WHAT HAPPENED:

Yesterday, AMY announced that the pilot plant testing it began on August 18th has been a success. The pilot plant had been constructed to demonstrate the feasibility of extraction and separation of manganese from its 100% owned Artillery Peak manganese deposit in Arizona. This process had been achieved previously on a bench scale and the company's next hurdle was to prove out this process on a larger scale. When we spoke with CEO Larry Reaugh yesterday, he characterized this announcement as "a major milestone." We wholeheartedly agree, and apparently so did the markets pushing the stock up 17% on volume of 380,000 shares.

WHAT IT MEANS:

We want to be clear that this is a significant step in the evolution of AMY from an advanced exploration story to an eventual producer of electrolytic manganese (EMM). Successful pilot plant testing was the next step in AMY's plan to bring Artillery Peak back into production by mid-2014 producing 50,000 lb of EMM per year. A great 360 degree view of the scale of the plant can be seen here.

Initially, the plant was operated "on and off" to test for performance in a number of different operating scenarios and was ramped up to a continuous operation for a 72 hour period. The keys during the continuous operation were the testing of the performance of the leach and solid/liquid separation. These tests indicate recovery rates and this was the first of several positive surprises for the company. A 92.7% recovery rate was achieved which is substantially higher than that of AMY's Chinese competitors who are believed to maintain a recovery rate somewhere closer to 70%.

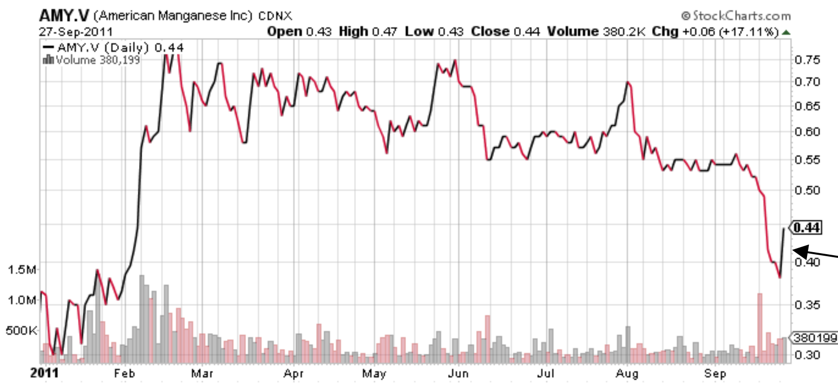
An additional success here pertains to the amount of material the pilot plant was able to process per hour. Initially, the company expected to be able to process between 3 to 5 kg of the resource per hour. The average processing rate realized during the operation of the pilot plant was 20.8 kg per hour – roughly four times larger than expected.

These successes have substantially "de-risked" some of the technical challenges on the process flow sheet.

WHAT'S NEXT:

AMY will now begin nano-filtration testing to increase recovery rates and also continue testing to gauge to total amount of water that can be reclaimed in the EMM production process. Wardrop Engineering/Tetra Tech now has enough data to complete a NI 43-101 prefeasibility study in Q4 2011 and work at the site and at the pilot plant is continuing. What is key here is the successful completion of the leaching and solid/liquid separation. The remaining steps to creating EMM (purifying a pregnant leach solution, producing manganese carbonate, and converting it to sulphate) are processes that are already understood, so when you combine the successful pilot plant test with these final steps just mentioned, we start to get a clearer view of how AMY will produce EMM. The additional testing will continue and be completed in the next six weeks according to the company.

In a research report we recently published on the company (found here), we assigned a NAV per share on Artillery Peak of $2.73. This may seem high, especially in light of the hit the company's shares have taken recently. However, the company has proven a method for producing EMM at a far cheaper overall cost than any of its competitors. AMY can still become the only producer of EMM outside of China and South Africa decreasing North American reliance on one of the most critical of metals. News like this is why we do Discovery Investing. We stand by our NAV estimate and await additional news from the company in the coming weeks and months.



Discovery in action. The market cheered AMY's success with its pilot plant at Artillery Peak.

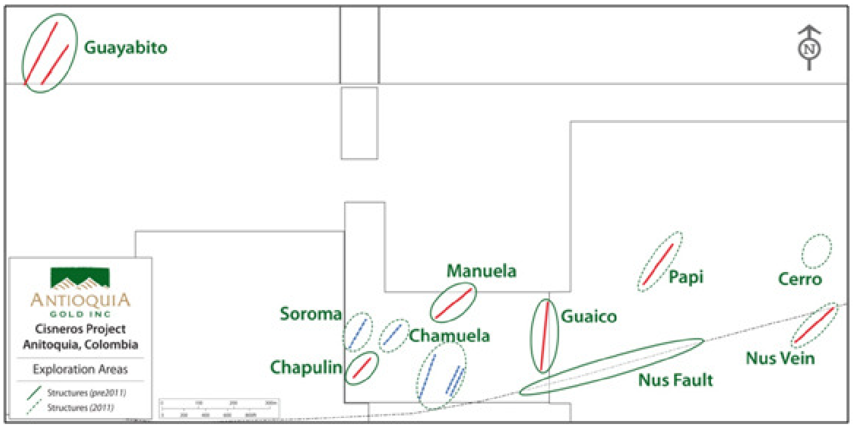
Antioquia Gold (AGD:TSXV, AGDXF:OTCQX)

WHAT HAPPENED:

1. Expansion of the Cisneros property with discovery of five new vein systems.
2. Announcement of high grade gold intersections at the Papi and Guayabito vein structures.
3. Announcement of a JV with Trident Gold to further exploration on two projects in Colombia.

WHAT IT MEANS:

Each of these announcements is significant in and of themselves, but they all play nicely into the strategic plan AGD has been executing during its time in Colombia. The company has now completed its 15,000 m drill program for 2011 which brings the total amount of drilling to over 29,000 m in 140 holes on the Cisneros property. The five new vein systems further our belief that the Cisneros project hosts multiple high grade gold deposits. For reference, Cisneros is 5,630 hectares (ha) in size and comprises a relatively small piece of the company's roughly 37,000 total ha package in Colombia. Shown below (in blue) are the new deposits the company intends to further explore.



Source: Antioquia Gold

Also of note are recent high grade gold intercepts the company has announced at its Papi vein structure (see map above). The company said:

"***The Company has extended the high-grade gold mineralization at the Papi Vein Structure at its Cisneros Project, Colombia. Drill hole PAP11-007 intersected 22.25 g/t Au over 3.1 metres, including 34.31 g/t Au over 2.0m and also including 135.6 g/t Au over 0.5 metres.***

This summer two (2) additional drill holes (PAP11-006 and PAP11-007, amounting to 442.3 m drilling) were drilled to test the up plunge extension of mineralization previously encountered in drill holes PAP11-001 through PAP11-005. The Papi Vein Structure is a north-east striking, steeply dipping vein structure that has now been confirmed over a strike length of 200 metres and remains open along strike and to depth."

Of significance here is that last sentence concerning the nature of the structure which has been confirmed over a 200 meter strike length and remains open along strike and depth. This implies further Discovery potential for the company.

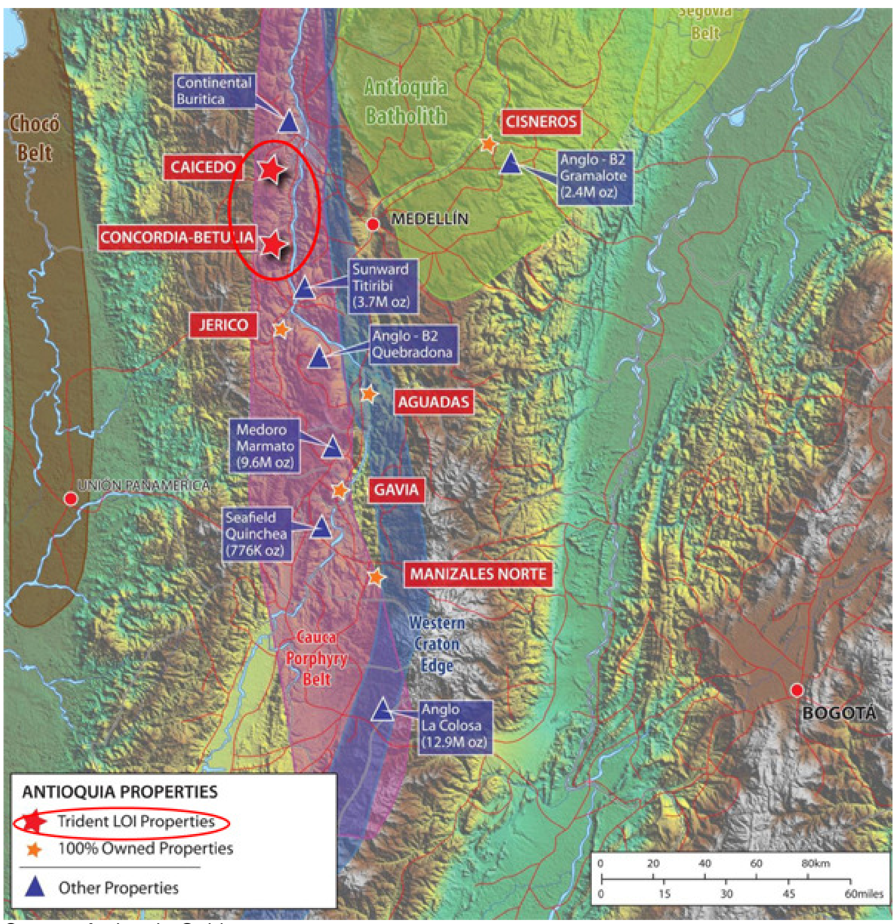
Additionally, high grade intercepts were announced by AGD at the Guyabito structure (which extended the strike length and the depth. Of the drill results the company said:

"Highlights of the 2011 Guayabito drilling include 16.21 g/t Au over 4.0 metres, including 112.3g/t over 0.5m (drill hole GYB11-052) and 2.21 g/t Au over 27.2 metres (drill hole GYB11-057)."

More detail on the drill results can be found here, but these results speak to one thing and that is consistency amongst the existing structures the company is continuing to define and the additional structures they are uncovering. Better understanding of these structures will help the company define the host structures and also aid the company in its next phase of exploration which is the construction of underground exploration tunnels. AGD will begin construction of two tunnels – one to explore the Guayabito structure and another for the Guaico structure now into 2012. These tunnels can aid in understanding the metallurgy of the deposit as well as taking bulk samples and learning how rocks in a given structure "behave". AGD will be leveraging the expertise of its Peruvian strategic partner, Desafio, in the construction of these tunnels.

Finally, with over 35,000 ha of property in Colombia, for AGD to methodically explore its holdings in their entirety, either more money or additional partners are required. Last week, the company chose the latter and decided upon a "divide and conquer" strategy by signing a non-binding letter of intent with Trident Gold Corp, a private gold exploration company focused on early stage plays in Colombia.

The two companies still need to finalize and sign a JV agreement, but the initial terms of the deal are for Trident to acquire 60% of the Caicedo and Concordia-Betulia properties by spending $3 million over a 21 month period. See the map below to get an idea of where these properties are located.



Source: Antioquia Gold

Companies such as Continental Gold (Measured & Indicated 630,000 oz Au and Inferred 2,500,000 oz Au) and Sunward Resources (Indicated 2,200,000 oz Au and Inferred

6,080,000 oz Au) have demonstrated the potential that this area holds for substantial gold discovery.

We think AGD was extremely shrewd to “give something up” here. By partnering with a company which has as its focus building a portfolio of gold properties in Colombia, AGD has given itself a number of options. In our opinion, this JV could lead to any number of outcomes including a spin out of these assets, ultimately benefitting AGD shareholders.

WHAT’S NEXT:

With respect to the LOI signed with Trident, we expect to see a JV agreement in place in the near future as both companies are working on the deal now. On AGD’s Cisneros property, the company will initiate a tunneling program to further define the grade of the deposit and the continuity of various host structures. AGD has publicly stated that their goal is to put this deposit into production with a small 350 – 500 tpd underground gold operation (roughly 25,000 oz Au per year by our estimates). The cash flow generated here can in turn help fund further exploration and potentially expand production, though this is a decision to be made in the future. Though some might “pass” on a company announcing plans for a small-scale production decision, we would much rather see a plan put forth which starts small and leaves upside than a plan which promises gargantuan tonnage and leaves the distinct possibility of under-delivering. We’ve seen this most recently in the rare earth space. We assume the Colombian government is more comfortable permitting a small-scale operation as well as the largest projects the government has permitted are in coal.

Many Discovery companies fail either due to market conditions, poor management decision-making, or just plain bad luck. AGD has suffered along with much of the junior space in 2011, but we see these recent news releases as sound strategic execution helping the company to build momentum and its reputation as a junior that can deliver on its promises.

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