

Today's Notes:

1. Terraco reports Gold

Terraco Finds More Gold at Almaden

Terraco Gold (TEN TSXV C\$.34) reported excellent drill results from its first two holes last Wednesday morning from its Almaden site in Washington County, Idaho. In early May I visited the site with CEO Todd Hilditch, Chief Geologist Charlie Sulfrian and Advisor Dr. Ken Snyder. Bob Moriarty was also on the trip, quite a group.

Below I show a picture of the drill on this property. This property was originally a mercury mine. It was discovered in 1936 and mined for mercury till 1972. In the intervening years gold exploration took place with a total of 700 + shallow mostly reverse circulation holes being drilled.



Aside from two very prospective properties, The Moonlight, near Lovelock Nevada, and the Almaden (with ~ 1 million ounces of gold measured, indicated and inferred) the Terraco management team has a significant track record of value creation.

Dr. Snyder discovered the Templemore Lead-Zinc Deposit in the Republic of Ireland and the Rex Grande gold vein in Nevada, which became known as the Ken Snyder Mine and is currently in production with Newmont Mining.

Mr. Sulfrian had extensive experience in Barrick's Goldstrike Mine. In 1982, his work led to the discovery of the Post Oxide Deposit and in 1984 he co-discovered the Deep Post Deposit.

Todd Hilditch, Terraco's CEO, has over 15 years' experience in the natural resource sector and has held the position of President, CEO and Director of Salares Lithium Inc. (TSX.V: LIT) which merged with Talison Lithium Inc (TSX: TLH) to become the world's largest producing lithium company in a \$340 million merger. Todd clearly has his sights set on a similar value creation process with Terraco Gold.

There is a lot of recent history here at Almaden as well. Homestake initiated exploration at Almaden as a gold property in 1979. Six other companies explored the property until it was acquired by Freegold in 1995. Prior to Freegold's involvement, 678 rotary, reverse circulation, and core holes totaling over 133,000-foot of drilling had identified gold mineralization in the Main and North zones; an additional 55 holes were drilled in the nearby Cove Creek and Stinking Water Basin areas.

Freegold optioned the property in 1995 and in the next two years conducted geologic mapping, prepared new geologic cross sections, and carried out a metallurgical program that included the drilling of 10 large-diameter core holes and the collection of bulk samples from surface trenches. A historical feasibility study was completed for Freegold by Watts, Griffis, and McOuat Limited in 1997; work on the property was suspended due to the declining gold price.

In late 2005, recognizing the potential for higher-grade feeder-zone mineralization, Freegold commissioned Freeman and Graham to prepare a NI 43-101 technical report and review the 1997 historical feasibility study. Freegold initiated reverse

circulation and core drilling in 2006 to expand and infill the resource described in the 2006 Freeman and Graham technical report and to bring greater detail to the geologic model. This work culminated in the new resource estimate.



Figure 1: Hole 3 at Almaden

In early May I toured Terraco's Almaden property. It is about 1 hour north of Boise and 13 miles east of the town of Weiser, Idaho. There were two rigs drilling, one shown above on hole number 3.

Earlier this year Terraco exchanged 45 million shares (~\$20 million) to buy Almaden's approximate 1 million ounces of measured / indicated gold resource. That's about 20 dollars per ounce in the ground. Not bad for an open-pittable outcropping ore body that could yield 500,000 to 700,000 ounces of gold production at a cost of \$450 to \$600 per ounce. Remember that because this is an outcropping ore body development costs per ounce should be reasonable.

But this is not the prize. Messrs.' Hilditch, Snyder, Sulfrian and on site Geologist Bill Snoddy believe there is a high grade feeder zone deeper that has not yet been discovered. That is the goal of this exploration. Last week the company reported results on its first two holes and they were quite exciting.

The results are shown below.

Drill Highlights include:

- Hole 1: TAL-751C intersected 53.3 m ("metres") averaging 1.083 gpt ("grams per tonne") gold (175 feet averaging 0.032 opt ("Troy ounces per short ton") gold). This intercept includes the following:
 - - 27.4 m averaging 1.595 gpt gold (90 feet of 0.047 opt gold)
 - 12.2 m averaging 2.225 gpt gold (40 feet of 0.065 opt gold)
- Hole2: TAL-752C intersected 85.4 meters averaging 0.840 gpt gold (280 ft @ 0.025 opt gold)
- Additional gold mineralization deeper in Hole TAL-752C of 7.6 m averaging 0.513 gpt gold (25 feet averaging 0.015 opt gold), from 160.0 to 167.6 meters (525 to 550 feet deep) **supports management's concept of opportunity at depth.**



Figure 2: Example of Core from Hole 1 –TAL 751C

Here's the significance. The results are significantly higher grade than the historically reported .7 grams per tonne. Hole # 1 graded 1.08 grams over 53 meters with an interval 12.2 meters averaging 2.25 grams. Hole # 2 graded .84 grams across the entire 85.4 meters.

We realize these results represent only two holes, and the first two holes at that, but these holes were widely separated (about 200 to 300 meters) though drilled in the known resource area. There is another historical hole at the Stinking Water Basin that has yielded 1 + gram results as well. These new results imply that the current resource (approx. 1 million ounces) could be understated by 25% to 40%.

That has yet to be determined in a proper 43-101 and after more drilling. Hole 2 also discovered gold at a deeper level, 160 to 167 meters, in itself a significant new finding. This team has begun to uncover the secrets of Almaden.

The upside rests on two issues. First the full extent of the property is largely unexplored. We think it is possible that the surrounding properties could contain up to 3 to 5 million ounces of near surface gold.

Second, one senior geologist who saw the company's release said regarding the results,

"I saw the Almaden drill results. The gold grade in the sinter is significant. They need to keep looking for the feeder. The silica sinter at Cerro Blanco, Guatemala was almost barren with only spotty values, the crater fill breccia under it had low gold, and then at depth off to one side is the +1 ounce auriferous quartz vein, the feeder zone."

It may require significantly more drilling to find the feeder zone but it does appear that as the drilling program at Almaden proceeds the current resource will be expanded. Time will tell, of course, but once the share overhang on this stock is worked off the share price should respond. This seems like a good buying opportunity. I am a buyer of Terraco Gold shares.

Congratulations to the Terraco team on this early success.

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