

1. **Redhawk Resources (RDK TSXV)**
2. **Terraco Gold (TEN TSXV)**

“Most of the easy copper and the easy jurisdictions are gone. So the porphyry in last two years has really caught attention of the people and with the techniques and mining practices we have now, actually porphyries are usually easier to permit and they can be very efficient if run properly.”

Steve Barley, Redhawk Resources

We lived in Arizona between 1973 and 1983. During that time we visited every corner of the state. Arizona was known as the state with the economy driven by the “Five C's,” copper, cattle, cotton, citrus and climate. At my employer, at the time, Honeywell, we substituted the torrid 100 degree “climate” description with “computers.” But one of the C’s was always most interesting and that was **Copper**. Tours of Morenci, Jerome and the mines of Pinal and Pima counties were always fascinating. You can see in the diagram (Figure 3) below just how prolific the copper porphyries and breccias are in the copper mining culture in Arizona. Make no mistake Arizona is about copper. More than anywhere else in the US, the growth in Arizona’s economy was based, in the 19th and 20th centuries on copper mining.

Arizona has been a major copper producer since the 19th century. In 1864 the first copper discoveries were made. By 2006 Arizona was the leading copper-producing state in the US, producing a record \$5 billion of copper. Over 60% of the newly-mined copper in the U.S. comes from Arizona. In 2006, when copper traded for an average of \$3.30 / pound, copper production generated nearly \$5 billion for Arizona's economy and \$5.5 billion in 2007. 12 active copper mines in Arizona directly employ nearly 10,000 workers, not including contactors and sub-contractors. Half of Arizona's copper is mined in Morenci. An additional nine copper mines are expected to begin production in the coming years. The Resolution Copper Project, near Superior, is expected to provide 25% of the U.S. demand for copper after it begins production. We believe that Redhawk Resource’s Copper Creek property in Pinal county, surrounded as it is by almost all the big copper producers (Figure 3), will be one of those new mines to come on stream.



Copper Stained Breccia Pipe Outcrop

A copper outcrop from the Mammoth breccia located above the American Eagle porphyry at Redhawk's Copper Creek property in Pinal County 35 miles north of Tucson.

Our Initial 10 Factor Discovery Grid Analysis

1. Because of the location of the company's property, it has the potential to be a **world class** copper/molybdenum deposit. Already the company has 3.4 billion pounds of copper equivalent resource drilled out (including moly, gold and silver credits). In the ground this resource is worth ~ \$1 per fully diluted share. The company has only explored 20% of the property. World class potential – above average.
2. The company owns 100% of the Copper Creek project of 7 square miles that has 440 drill holes and 160,000 meters of drilling to date worth \$25 million to \$30 million.
3. There is little doubt with potential of 2.4 billion pounds of copper and 51 million pounds of molybdenum that there is **immediacy** in the output (as soon as 18 months with development licenses in hand) from this mine and the **potential** for use considering demand for these metals in the emerging world is significant. The potential is that one of the bigger copper companies will try to purchase the resources being developed by Redhawk.
4. **Management** is strong – led by Joe Sandberg and Alec Peck with 40 years of experience in the world of mining exploration and development. Steve Barley is also a strong advocate of the company – a lawyer and investment banker, he has developed a buyer interest in RDK.
5. The company is not particularly well **diversified** across projects but the property it acquired in 2005 and has since developed has over 400 breccia pipe targets. Only 3 have been fully drill tested. The project, NI 43-101 resource estimate and scoping study, is adequately de-risked.
6. Factor number 6 identifies the **catalysts and super-cycles** that may create value. One such catalyst is the price of copper which has risen well above \$3 per pound and regained its value lost during the 2008 credit crisis. A global commodity Super Cycle of growth stimulated by a quality of life sub cycle now obtains. It cannot be derailed. There are more Copper Creek discoveries for Redhawk that will serve as catalysts for share price appreciation.
7. The market is viewing Redhawk as a **contrarian investment**. After all a Mature discovery company, close to production should be trading for more than \$.64 cents per share.
8. The company is **financially sound**. They recently went to the capital markets to raise \$5 million and raised \$20 million. This speaks volumes for the potential of the company and

management's credibility. The company has taken its dilution in its stock, not in the ground. The shares seem undervalued given the potential. The company could be mining breccia ore within four months of beginning the decline (breccia), which will strengthen its cash flow and **sustainability**.

9. At present we do not know enough to answer the question of stakeholder relations. However our interviews with management have been impressive. We think management is serious about establishing **relationships with both retail and institutional** investors and will keep them well informed.
10. This is a company with which investors should be prepared to be **patient**. However we sense that value creation will be quick and probably occur through a monetization event. There are a number of interested suitors for this company.

In my due diligence most industry experts were positive on Redhawk's Copper Creek property. One senior independent geologist commented on Redhawk's Copper Creek properties,

"It is an interesting project in a world class mineral district. The Copper grades are above average. The near surface breccia pipes are small and they plan underground development. I guess it all depends on mining cost versus copper price. If copper stays high, they may do well. In the long run, the larger tonnage deep mineralization will be a winner. There is just not enough copper around to satisfy world demand for the next 20 years. They have a large land position and there may be more discoveries lurking in the bushes. They may be bought out at any time by Rio Tinto or Freeport."

What About Copper?

The following chart speaks for itself. We have watched copper climb from the market bottom of \$1.27 in late December 2008 to \$4.63 in early 2011. We believe that a commodity super cycle is driving global demand. Copper may be slightly overbought at this stage of the cycle but China, in particular, is importing gold (\$1479 / ounce), silver (\$43/ounce and Molybdenum (\$17 per ounce) as well as copper. The first three minerals are secondary products contained in Copper Creek's ores. Cost push inflation is the order of the day in the world as the US Federal Reserve devalues the dollar. Redhawk has chosen conservative pricing forecasts for these metals. Further we do not believe that true value for molybdenum, gold and silver have been adequately discounted into the company's persuasive net present valuation of \$350 million at a 7.5% discount rate.

Figure 1: Three Year Copper Price



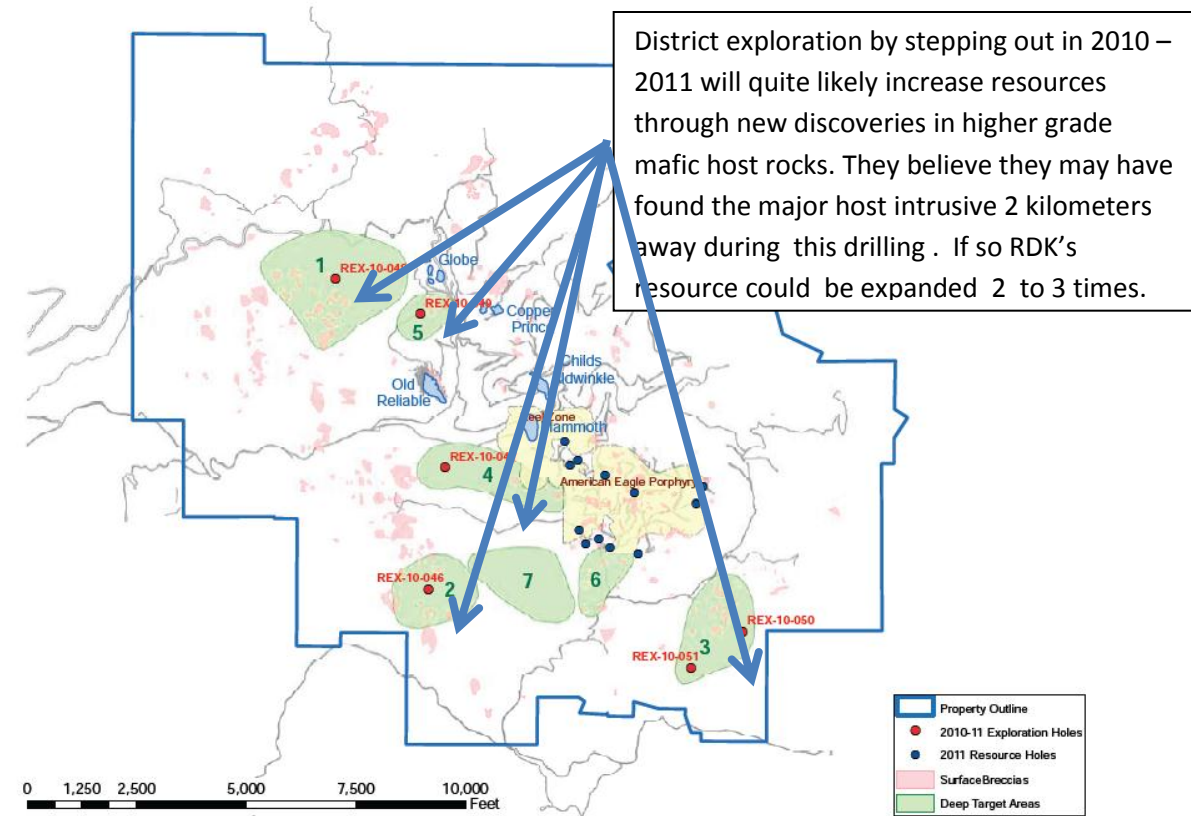
Figure 2: Price Chart for Redhawk Resources



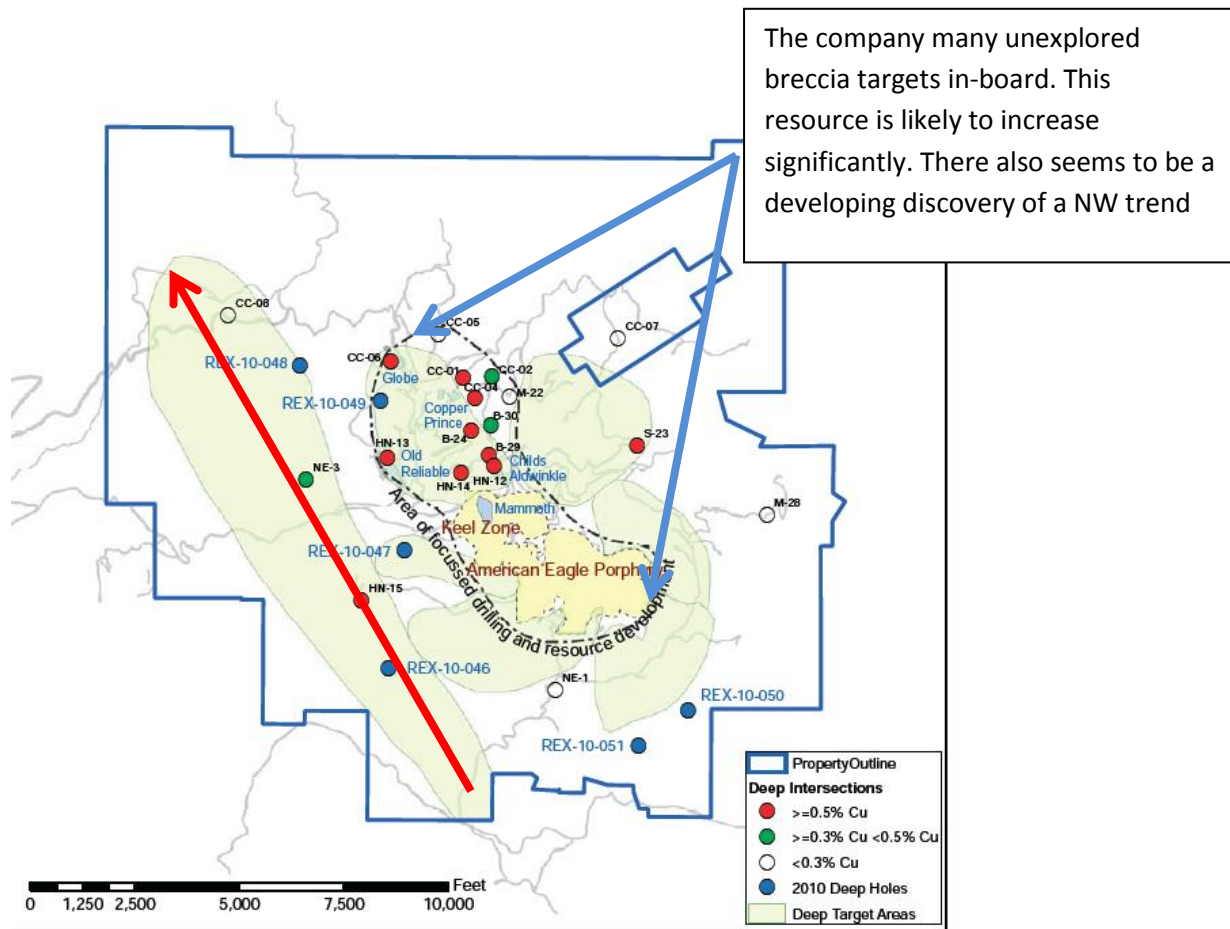
Redhawk's Two-Tier Resource Expansion Strategy

We think that Redhawk has several attractive options for value creation. There is no doubt in my mind that this company can achieve production of 3,000 to 5,000 tons of ore per day from its near surface resources within the next 18 to 24 months. The stars are aligning for this scenario. By the same token this course of action might also result in a takeout by a major copper producer or a foreign company. One look around the neighborhood and we see producers with smelters. Figure 3 shows that BHP, RTZ, Asarco and Freeport have significant mines and smelter facilities within 50 to 100 miles of Redhawk's properties. Asarco has the Ray mine and the Hayden smelter very close by. We believe that Asarco, in particular, may have need for feed for its smelter. This could be a very positive arrangement for Redhawk's shareholders as it would decrease capex for the company. As usual, Chinese copper processors may be also interested. They are building smelter infrastructure and will need copper feed as well. In the meantime Redhawk continues to drill and explore its properties and expand its copper / moly resource.

Redhawk management has a **two tier exploration strategy** to increase their current NI 43-101 resource. We think they will be successful in this effort. First, they are extending their search to new targets outside the current resource area. To date they have promising results as shown below with more drilling planned for 2011. These are porphyry targets as well as breccia's. The suspected breccia targets are colored in pink. You can see that there are many targets. They have drilled 5 holes to date and will have drilled 7 holes outboard of their 43-101 resource this year. Their results are very interesting.



The second objective of the company's exploration and development program is exploration in-board, within the area bounded by the checked line in the following diagram. 99% of the drilling has been within this area. This is the current and historical area of focused drilling and resource development in which the 43-101 resource of 3.4 billion pounds of copper equivalent is located. They will begin to explore the district as shown above.



There also appears to be a mineralized trend (red arrow above) developing with this exploration program that moves to the northwest. Redhawk may be just beginning to discover copper and molybdenum resources.

Production Game Plan - Cash Flow Sooner is Better

The company plans to develop a decline (4 by 5 meters) into the Mammoth breccia to mine higher grade (2%) copper in the near future. RDK will be able to access the breccia within 4 months of beginning the decline, development mining 2,500 tons per day till they get down to the breccia.

They will then initiate cash flows that will enable them to continue to access the Keel Zone and American Eagle porphyries. Redhawk should then be able to mine 10,000 to 12,000 tons of ore per day plus another 3,000 tons from a previously developed breccia called the Old Reliable. The scoping study indicates that 10,000 to 12,000 tons per day is a smaller and therefore conservative scenario.

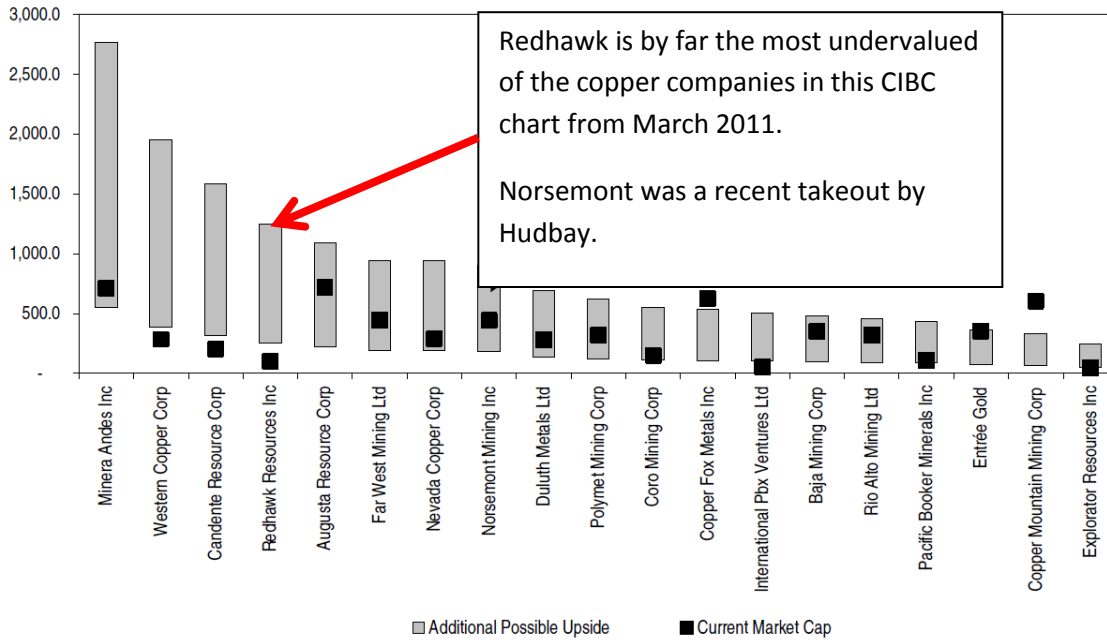
The copper concentrate (cons) produced should be excellent and therefore Redhawk should be able to sell its cons easily. The cons will be in the 35% to 40% range. In addition, based on metallurgy tests, they believe their recoveries will be excellent - 90% in copper, 90% moly and silver. Once in full operation the company believes it will produce 30,000 to 35000 metric tons copper per year. I think they have a real chance at this level of production and that it is relatively near term in the scheme of bringing a mine online. Management seems to have considered all the possibilities. There is nothing to suggest today that the project will not work well.

Figure 3: Copper Creek and Surrounding Mines



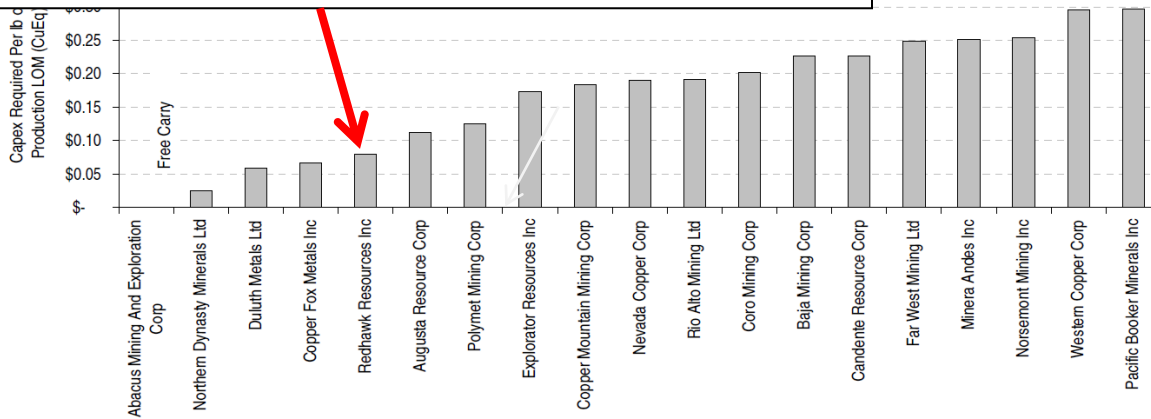
Two final charts are worth examining. These are taken from a report published by CIBC in March on the junior copper universe. In the first chart you can see that RDK has the fourth highest upside potential of 19 juniors surveyed by CIBC. Please note however that it is by far the most undervalued company (based upon market cap) in the universe given its potential upside. This is called risk / reward in Discovery Investing and we like the profile very much.

Potential Upside Based on \$.05/lb. - \$.20/lb. of recoverable copper – Source CIBC



The second chart, also from CIBC shows the fourth lowest Capex per pound of copper in the universe. The two profiles make quite a combination in my view. Please have a look at Redhawk and please perform your own due diligence.

Redhawk ranks highly based upon capex required per pound of copper production, a positive in our Discovery Grid: Source CIBC

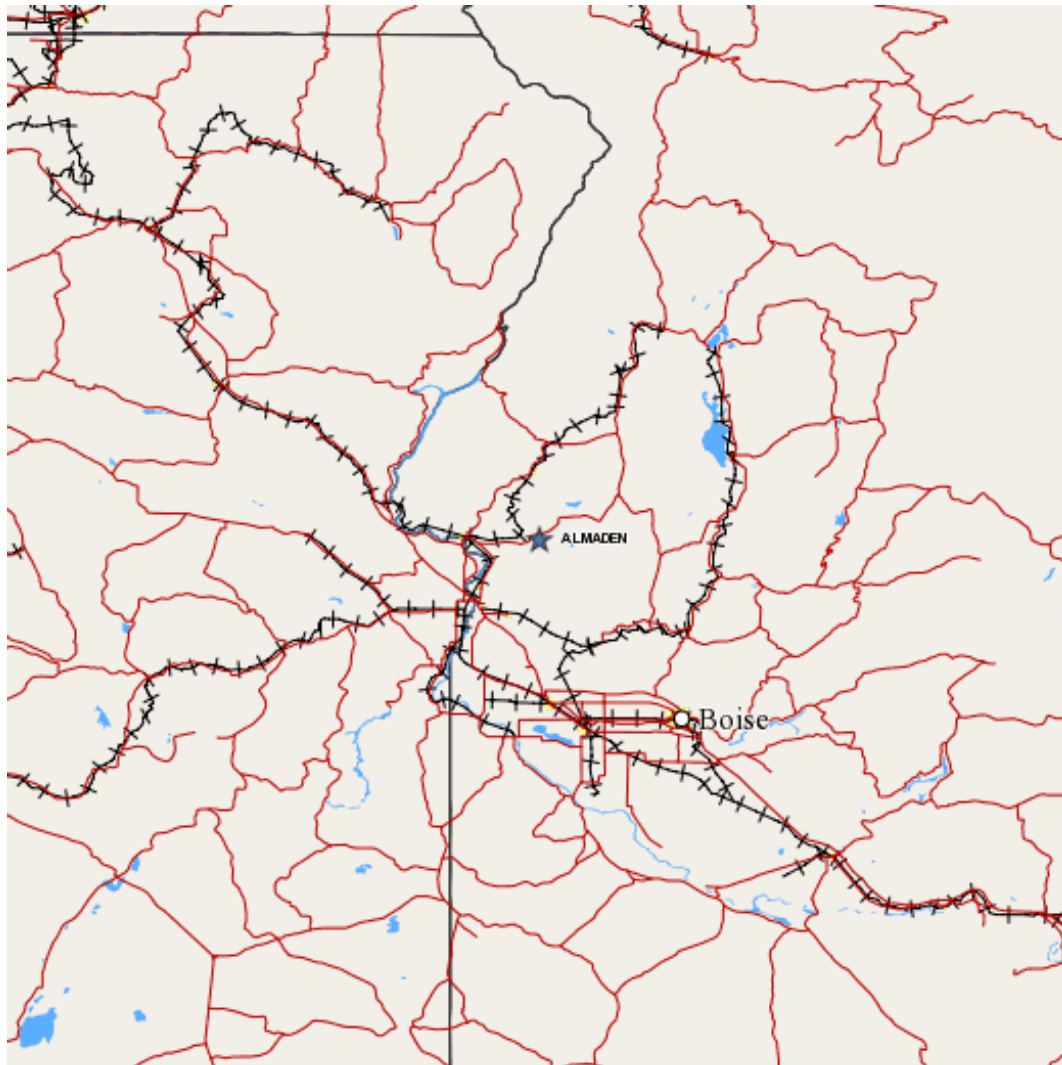


Source: Company reports.

2. Terraco Gold (TEN TSXV)

One of our favorites (and a company whose stock we own and who we advise) is Terraco Gold. This company is run by CEO Todd Hilditch. Just an update today but two drills are turning on the company's newly acquired Almaden property in Idaho. This resource was first discovered in 1934 and has been successively mined for quicksilver and then explored for gold since about 1980. Due to lower gold prices the property was never put into production. However \$1400 gold makes a big difference in so many ways. Terraco Geologist Charles Sulfrian is on site and we expect to see results soon. This is perhaps the most important catalyst in Discovery Investing.

In case you have forgotten, or are not aware of the Terraco story, the Almaden prospect holds almost 1 million ounces of open pittable gold. 887 holes and over 60,000 meters of drilling have been completed – quite a value in itself.



The interesting issue is that none of the companies that have explored the property (Homestake, Amax, Western Standard Minerals, Northern Freegold, Tiomin) have endeavoured to drill deeper holes to find the vein source of the gold discovered on the surface. That will be the job of such eminent geologists and scientists as Charles Sulfrian, Ken Snyder and Todd Hilditch – all with impeccable track records. Presently the shares are a value trading at \$.33 to \$.34 on the TSXV. The Stinking water hole may be the key to unraveling the issue of where the engine is located. Todd Hilditch said,

“Terraco’s initial goals at Almaden, since the acquisition in January, were to review historic drill and exploration data and to prepare for a significantly deeper drill program than previously conducted. Utilizing the existing data, we delineated new drill targets and designed a core program to move Terraco toward confirmation of known, near-surface gold mineralization as well as the discovery of new high-grade gold in veins at depth. The core drilling program currently underway is the first step in realizing the true potential of the Almaden project. Terraco is confident that its geological team led by Charles Sulfrian, Vice President, Exploration, and Dr. Ken Snyder, lead consulting geologist, will be able to accomplish the Company’s goals.”

Here is the real reason to consider Terraco.. The news release reports this AM that, *“A review of prior drilling at the Almaden project revealed gold intercepts that were much higher grade than the average grade of gold (0.020 ounce per ton (“opt”)) contained in the measured plus indicated resource. The gold mineralization in these higher grade intercepts appears to be associated with veins and structurally complex zones, thus supporting the interpretation that high-grade “feeder” veins may be discovered at depth. A few of these historic intercepts include :*

<i>Drill Hole</i>	<i>Interval (ft)</i>	<i>avg grade opt</i>	<i>From (ft)</i>	<i>To (ft)</i>	<i>Interval (m)</i>	<i>avg grade gpT</i>	<i>From (m)</i>	<i>To (m)</i>
<i>SW-40</i>	<i>139</i>	<i>0.063</i>	<i>90.5</i>	<i>229.5</i>	<i>42.4</i>	<i>2.17</i>	<i>27.6</i>	<i>70.0</i>
<i>incl</i>	<i>46.7</i>	<i>0.134</i>	<i>100.3</i>	<i>147.0</i>	<i>14.2</i>	<i>4.60</i>	<i>30.6</i>	<i>44.8</i>
<i>incl</i>	<i>12.3</i>	<i>0.336</i>	<i>100.3</i>	<i>112.6</i>	<i>3.7</i>	<i>11.53</i>	<i>30.6</i>	<i>34.3</i>
<i>614</i>	<i>155</i>	<i>0.068</i>	<i>15</i>	<i>170</i>	<i>47.2</i>	<i>2.32</i>	<i>4.6</i>	<i>51.8</i>
<i>incl</i>	<i>55</i>	<i>0.135</i>	<i>50</i>	<i>105</i>	<i>16.8</i>	<i>4.62</i>	<i>15.2</i>	<i>32.0</i>
<i>incl</i>	<i>25</i>	<i>0.202</i>	<i>75</i>	<i>100</i>	<i>7.6</i>	<i>6.93</i>	<i>22.9</i>	<i>30.5</i>
<i>562</i>	<i>115</i>	<i>0.075</i>	<i>5</i>	<i>120</i>	<i>35.1</i>	<i>2.57</i>	<i>1.5</i>	<i>36.6</i>
<i>incl</i>	<i>65</i>	<i>0.093</i>	<i>15</i>	<i>80</i>	<i>19.8</i>	<i>3.18</i>	<i>4.6</i>	<i>24.4</i>

Please remember that the company's Moonlight prospect in Nevada will also be drilled this year. Both properties are highly prospective for gold and the Moonlight for high grade silver as well.