HRA - *Special Delivery*

#433 – December 7, 2010

A stock we haven't had reason to comment on for some time came off a halt on Friday after news that deserves some elaboration. Columbus Gold **(CGT-V, up 8 cents this morning 2.1 million at $0.57)** announced an agreement to acquire the Paul Isnard project in French Guyana. The deal brings in a significant gold asset and is a staged change of control that will require shareholder approval. The release references a 2008 estimate of an Inferred resource of 2 million gold oz within 33.2 million tonnes averaging 1.69 g/t gold. A 2004 estimate for had suggested a global resource of 4 million oz at 1 g/t gold, which is an order of magnitude estimate in keeping with the later study. That 2008 study was based on just the better defined portion of the resource assuming a 3,500 t/day conventional operation at a US $900/oz gold price and a $/€ exchange rate of 1.57. Since then the US$ gold price has had a 67% gain and the Euro is currently 18% weaker than the base case. Given the base case was most sensitive to metal price changes, that in and of itself is a big improvement. There should be room for an expanded production scenario at these prices. The deposit is a series of long but relatively narrow zones and subzones, so anything that reduces the waste requirement such as including lower grades in an ore class or operating a larger scale plant would help bring costs down. Regardless, it's a big resource for a company with an implied $60 million *post*-deal valuation at current prices.

The deal requires a staged issuance that gives the vendors 49% of CGT's outstanding shares plus $7 million of work and completion of a feasibility study to earn 100%, though this too is staged so that CGT would earn control before the feasibility study was in hand. There currently is at least one royalty equal to $100 per oz on the first 2 million oz of output that varies by $10 per oz for each $100 change in the gold price. This is a hefty royalty in percentage terms, but one that is manageable as an operating charge so long as gold continues to shine. After taking into account dilution needed for the deal terms, this still leaves the company with a lot of upside. This changes Columbus from a Nevada farm out hopeful to a significant assets holder, and that is a good place to be in this market. However the company hasn't been active for the past several years and does also plan to step up the Nevada exploration that originally got our interest. This morning it announced farm-in partner Sniper Resources Ltd (SIP-V) had begun testing the Guild project where a shallow Carlin-type target has returned 30 samples averaging 1.9 g/t gold along a 180 metre strike length. Adding this speculative appeal to acquisition of an established resource has been enough for the Columbus market to break through overhanging sellers. Our CGT outlook would be buy in this range for its leverage to the current gold price as the company markets its new status. http://www.columbusgoldcorp.com/

Regards for now – David Coffin and Eric Coffin

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