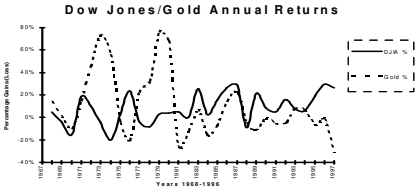
J Taylor's **WWW.MININGSTOCKS.COM**

Gold



Energy & Tech Stocks

Weekly Hotline Message ***(Now in our 30th Year)*** **July 1, 2011**

New Buy Recommendation

Columbus Gold Corporation

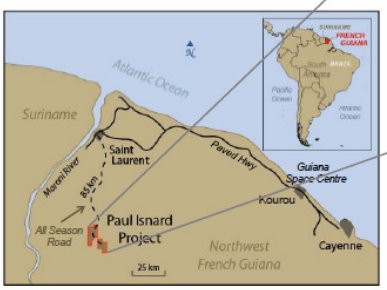
Business: Developing multimillion-oz. gold deposit in French Guiana and applies project generator model to 26 properties in Nevada

Traded TSX	CGT
U.S. OTC:	CBGDF
Shares Outstanding (1)	89,047,841
Price 7/1/11:	US$0.83
Market Capitalization:	$67 Million
Cash (Approximate):	$4.5 Million
Gold Resource (43-101 Inferred)	1.9 Million Oz.
Progress Rating:	A3
Telephone:	604-634-0970
Web Site:	www.columbusgoldcorp.com

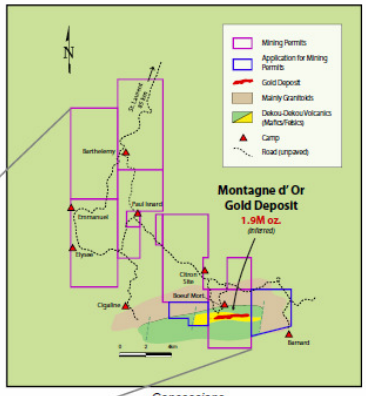
(1) Includes stock issued for acquisition of French Guiana property

In early June, I hosted some fourteen *Face the Analyst Videos*, which are or soon will be available at www.JayTaylorMedia.com. My video business along with my radio show (which can also be accessed at that same address) provides a forum for me to seek out companies that appear to have extraordinary potential for major gains during the bull market of a lifetime for gold mining stocks. Columbus Gold Corp. is one of the companies I interviewed that I think has a very high probability of providing extraordinary returns in spades for investors who buy these shares at under US$1.00. I say that, not only because the company's flagship property in French Guyana has the potential to host 4 million to 10 million oz. of gold or more. But I say that also because this company has, as a project generator, some 26 properties in Nevada, any one of which could also host many millions of ounces of gold.

- Population 217,000 (Cayenne 120,000)
- All season forest road to a paved highway.
- 115 km from deposit to port.
- 65 person full service camp with Internet at Citron.
- 500 meter airstrip onsite at camp.



French Guiana



Concessions

Citron Mining Camp

I'll say a bit more about Nevada in a few minutes, but the main focus of this company and the property that I think

is quite likely to catapult this into a big winner is the company's Paul Isnard Project in French Guiana. To start with, the company has an NI 43-101 resource of 1.9 million ounces of gold on this property. I believe it is highly likely that by the end of this year's drill program, something closer to a 4-million-ounce gold resource, accessible via open-pit mining will be outlined in early 2012. Moreover, 4 million oz. may very well be just the start of a major gold deposit here.

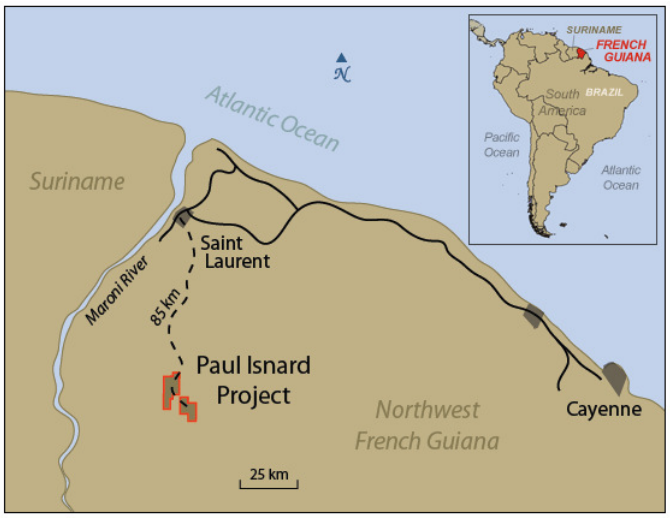
I believe the company reaching the 4-million-oz. mark is likely based simply on its program for 2011, which includes infill drilling and drilling to a depth of 200 meters and only within the existing envelope from which the 1.9-million-oz. resource has been calculated. The envelope that hosts the existing 1.9 million ounces is shown in the small red area in the map above. But here is why I say 4 million ounces may be just the beginning of a much larger gold resource on the Paul Isnard Project:

- Note the yellow areas to the east and west of the red envelope shown above. A couple of holes have been drilled outside of the envelope in the yellow anomalous areas and they recorded very strong grades. For example, one hole about 600 meters to the east graded 31.94 grams gold/tonne over 3.5 meters and one to the west graded in the 2.5 gram range. These assays suggest continuity 1,500 meters to the west and 1,000 meters to the east.
- A parallel zone of mineralization (not shown on the map) was found by drilling and an assay from that structure graded in the 11- to 12-gram/tonne-range suggesting more gold mineralization beyond what is suggested by the red and yellow spaces on the map above.
- Dozens of untested gold anomalies have been discovered throughout the property claim areas shown above which could contain open deposits.
- Depth extension also holds promise longer term for underground mining. We say that because the geological structures that host this kind of deposit are oftentimes much deeper than they are long. Keep in mind the multimillion-oz. potential for this property that we have mentioned above is down to a depth of 200 meters, which provides dimensions amenable to open-pit mining, assuming, of course, grades and continuity noted above.

Columbus Gold's Earn-In Agreement

Columbus Gold is on an accelerated path to first earn 51% in the Paul Isnard Project and then later to acquire 100%. To earn its 51%, it has issued a French company that owns the property, namely, Auplata, 30,276,266 shares of its stock. In addition, to earn its 51%, the company needs to spend $7 million on exploration and development over two years. In my video interview with company president, Robert Giustra, he indicated Columbus Gold will complete that obligation by the end of this year. To earn a 100% interest in this project, the company will have to deliver a bankable feasibility study within four years.

The company's drill program this year will encompass infill drilling as well as drilling to a depth of 200 meters, compared to prior drilling that extended to only 100 meters. Drilling by a Quebec company is expected to start in August 2011. The program calls for 15,000 meters in approximately 50 holes.



Possible Economics

It's too early to be able to speak definitively about the economics of this project, because a considerable amount of additional work will need to be carried out before anything definitive can be suggested. But that should not stop investors from asking the question on an ongoing basis as they try to handicap the risk/reward tradeoff. Regarding possible economics, let me make a couple of observations that I think bode well for this company and its project:

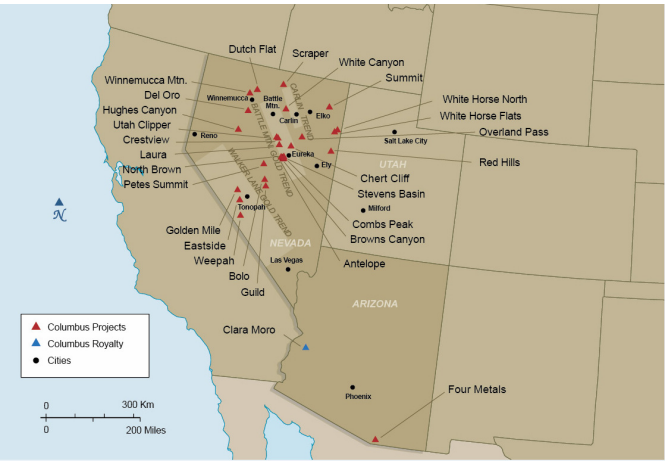
- An average grade of 1.6 grams gold per tonne these days for an open-pit mine is a pretty good grade,

given current gold prices. Of course, we will want to see if it holds up over a larger deposit, and also we will want to have a sense of mining dilution to determine what the mill head grades will be.

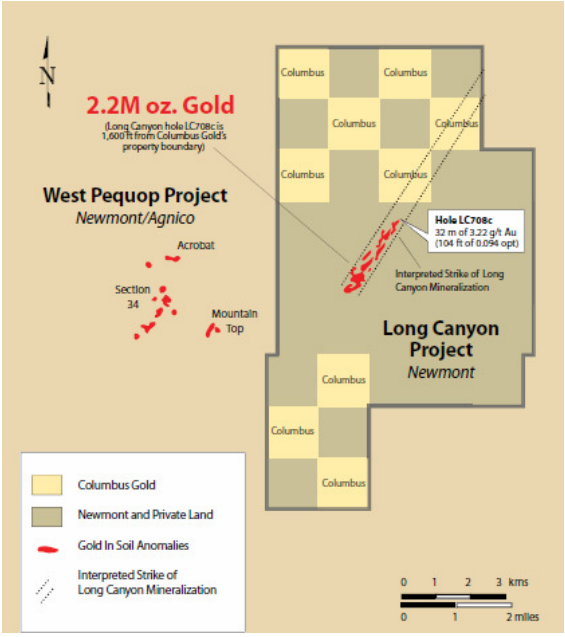
- Although this project is in the South American jungle, access is very good. From the capital city of Cayenne, a very well maintained paved road is available to St. Laurent. From there a very well maintained forest road is available. Obviously, water is not a problem.
- With regard to regulatory issues, after some problems a few years back in this French country, the government has now provided a well defined description of which areas of the country can be mined via open pit and underground as well. Not only is the Paul Isnard Project located in an area where open-pit mining can take place, but also, Columbus Gold has allied itself with the Auplata SA, a French company that knows its way around the French regulatory infrastructure. In addition, part of the deal with Auplata requires that company to purchase $2.9 million worth of Columbus Gold shares, to ensure a "skin in the game" concern for Auplata. With this purchase, Auplata will have a 49% equity ownership of Columbus Gold.

If you were to ask me about project negatives, I would have to say it will be the project's reliance on diesel fuel. Obviously if fuel prices spike to extremely high levels, it could impact the economics of the project. I am also speculating that to the extent skilled workers are required and unavailable domestically, importing labor could be problematic. However, open-pit projects are not labor intensive, so labor issues should not be significant.

Nevada Project Generation Prospects



Project	Drill Holes Planned *	Meters (Feet) *
Weepah	15	2,392 (7,895)
Eastside	20	3,048 (10,000)
Petes Summit	12	1,500 (5,000)
Browns Canyon	15	2,300 (7,500)
Summit **	3	1,980 (6,500)
Guild **	21	3,600 (11,810)
Overland Pass **	24	6,100 (20,000)
Stevens Basin **	20	4,000 (13,100)
Golden Mile **	6	900 (3,000)
Utah Clipper/Crestview **	1	700 (2,300)
White Horse Flats **	11	2,000 (6,560)
Four Metals *(Arizona)* **	4	3,050 (10,000)
TOTALS	152	31,570 (103,665)



Columbus Gold started out as a project generator company. But following the 2008 decline in the markets, there was close to zero interest in early-stage exploration properties. That's when management set out to find the Paul Isnard Project. But the project generator model was not abandoned. To the contrary, this part of the company's business continues to look extremely positive to me.

In total, Columbus Gold holds 26 properties in Nevada and a couple in Arizona, 13 of which now have joint venture partners who are spending their money to earn into them. The chart above on your right shows the amount of drilling to be carried out in 2011 on various properties in Nevada and Arizona. The companies with ** next to their names will be drilled by joint venture partners. In 2011, a total of 103,665 ft. of drilling in 152 holes is scheduled. The total amount to be spent this year is $5.4 million, of which $3.2 million will be funded by joint venture partners.

While most of these properties are early-stage projects, it may not take all that long to generate some additional value for the company. One property in particular, that being the Summit Property located in northeastern Nevada, looks exciting to your editor. Joint venture partner Agnico-Eagle is slated to spend 750,000 this year to drill that property. It has to spend $3 million to earn a 51% interest. If it carries out a bankable feasibility study, it will earn a 70% interest, leaving Columbus Gold with a 30% interest. Given its status as a major gold producer, we can assume if Agnico-Eagle carries out a feasibility study, this will be a multimillion-oz. deposit, leaving Columbus Gold shareholders with considerable value.

What are the chances of something good happening for Columbus Gold on this property this year? It's hard to handicap that, but in my view, with drilling on Newmont's Long Canyon Property's gold mineralized trend heading northeastward straight toward the Columbus Gold boundary, I like the chances. The last hole drilled on this trend is just 1,600 ft. from the Columbus Gold boundary.

The point here is that Columbus Gold (along with its joint venture partners) has many chances in Nevada to come up with one or more significant gold discoveries at the same time its flagship property in French Guiana should, in my view, at least double the number of open-pit ounces there. Of course, in not being a pure project generator model, Columbus Gold runs the risk of shareholder dilution to fund French Guiana project exploration. But given the nature of that deposit, the risks of fruitless exploration appear to be very low, bordering on the edge of zero.

Exploration activities are managed by Cordex, which is owned and operated by Andy Wallace, who has a long and successful history of gold discovery and mine development.

SUMMARY & CONCLUSION

In your editor's view, it is highly likely this company will be reporting something close to or exceeding a 4-million-ounce open-pit gold deposit early in 2012 from its Paul Isnard Project. Drill results should start to come in later this year, with drilling slated to commence in August. A second drill is slated to be added shortly thereafter. I believe the odds favor something much larger than 4 million ounces ultimately being outlined here. Of course, the drills will have to yield results consistent with past drill results to prove my educated speculation. Relatively high grades for open-pit mining, combined with easy access and seemingly minimal infrastructure concerns, would appear, at this early stage, to bode well for the property. In my view, The upside resource potential would seem to be well beyond 4 million ounces, assuming continuity to both the east and west.If so, valuations should rise dramatically.

Longer term, in Nevada, Columbus also would seem to have a very bright future. With numerous properties being drilled this year, it is entirely possible the longer term for Nevada to kick in value may not be all that much "longer term."

Of course there are always risks. With the company needing to fund exploration on its Paul Isnard Project, not to mention funding $2.2 million on its wholly owned Nevada properties in 2011, the risk of dilution is always present. However, given the high probability of proving up a substantially larger deposit in French Guiana from this year's drill program, I am not overly concerned about dilution as I am with many other companies on my list. I would strongly suggest purchase of these shares up to an allocation of 5% of your portfolio, with a goal of seeing at least a double in these shares by year end.