Columbus Gold (CGT-V)

Columbus is a young company, but one with a good pedigree. In May, not the easiest month in which to complete an exploration company IPO, Columbus was oversubscribed in spite of coming to market with a 85 cent price tag and no definitive discovery yet under its belt. That was because, though CGT does not have a discovery, the geologists who put together and manage its portfolio of Nevada projects have many. We've been watching it since it first listed, having been introduced to it before the IPO. It started out with a large suite of projects, several of which are seeing work by Columbus or by JV partners in the next couple of months. The company has more than enough funds to carry it through the winter and there should be enough news coming now to help buoy the stock going into the fall. Although some of the company's listing projects are far enough north to be difficult to work in winter, Columbus does have several projects in Arizona as well as some new ground in less snowy parts of Nevada to occupy itself. This alleviates concerns about news flow and explains some of the timing of this review.

Although the stock has traded fairly well, this should be considered a Drill Spec or Portfolio Spec. There is enough market support for it to be a comfortable buy in the current range, but a discovery will be required for a real breakout performance.

Accumulate as a multi project Nevada exploration speculation.

OVERVIEW

Columbus Gold Corp (CGT) has been public for a little less than four months but it came to market with a clear plan that it continues to diligently pursue.

CGT was formed in 2003 and was financed largely by insiders until 2005. Most of the shares issued for early funding and project acquisition are subject to escrow and/or pooling agreements. In all about 4.7 million shares are subject to escrow provisions and will be released in six equal installments starting in November and then every six months thereafter.

The bulk of the prelisting funds were raised in 2004 and 2005 at prices ranging from $0.30 to $0.75. The company came to market in May of this year with an IPO of $5 million consisting of 5.9 million shares @ $0.85 with attached 18 month warrants to acquire additional shares at $1.25. These warrants along with about 2 million management options at $0.85 are the dilutive securities, and would add $7.3 million to the treasury if fully exercised.

Since listing CGT has traded about 4.5 million shares at an average price of $0.91. This is not huge volume, but the news flow is only beginning now. The stock held up well through a rough summer market, and we think the stock is now ready to lift with the with the gold price to at least the warrants level.

The work that management has been doing to tell CGT's story should bear fruit if and when superior exploration results begin to arrive from the drill bit.

Briefing Book

Columbus Gold Corp.

Listed: **TSX.V: CGT**

Share Issue: **20 MM; 28 MM FD**
Share Float: **13 MM**

Working Capital:
$4.5 MM, $12 MM Fully Diluted

52 Week High-Low: **$1.25– 0.76**
Recent Price: **$0.90**

3 mo Av Daily Volume: **51,500**

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CORPORATE & MANAGEMENT

CGT's has a good mix of market and technical talent that should be able to move things forward at a good pace. Though not "management" in the strict sense, the principals of Cordex (see the Projects section) are an important draw. But we'll deal with only the board here.

Much of the early funding (and hence the control block) came from or through Chairman Kenneth Judge. Judge is a lawyer based in Monaco who has long been active in building and/or restructuring resource companies.

The day to day management of the company is handled by Robert Giustra who is a market side executive with experience with institutional sales at a number of Canadian brokerage houses followed by a stint as co-founder of the Institutional Group which raised over $80 million for early stage companies, most of them resource oriented.

Technical direction comes from John Prochnau, a mining engineer and geologist who's career includes the discovery and development of the Alligator Ridge gold mine in Nevada and management of a number of private exploration syndicates. He is probably best known as one of the founders of Brancote Holdings Plc which discovered and developed the 3.8 million ounce Esquel deposit in Argentina before being taken over by Meridian Gold for US$368 million.

The board of directors is rounded out by Gil Atzmon who has varied experience with a number of resource explorers, having degrees in both geography and energy resources. In addition to his technical side Atzmon has finance side experience as both a fund manager and investment banker.

PROJECT SUMMARY

Nevada

Nevada requires little introduction to anyone with more then an a nodding acquaintance with the gold sector. Though dubbed the "Silver State", Nevada by itself makes the USA the third largest gold producing country in the world. Most of this 7 million oz per annum output is from the northern half of the state.

The famed Carlin belt, and now the similar Battle Mountain belt, are the chief contributors to this bonanza. A history of looking kindly on the sector is a major aid to this sustained mining boom, but would be of little use had the geological bounty not been in place to begin with.

Two geological factors, in addition to an obviously large gold source, account for much of Nevada's prominence in the gold sector. The first was that 400-500 million years ago Nevada was the flat coastal area of what is now the Pacific, and large sections of both impure limestone and what would become cherty rock layers were being laid down on it.

As the continental mountain forming process got underway these rocks were sheared and thrust on top of each other, creating a thick series of juxtaposed units with sections of fairly impervious cherty layers stacked on top of readily inundated limy layers that would become the deposit hosts.

The second factor had its beginnings almost 100 million years ago and continues to this day, though much of the gold deposit creation is focused in a period of about 25-40 million years ago. During this late Cretaceous and Tertiary period Nevada has literally been torn apart by plate tectonic forces working off the California coast. This has created fault bounded basins known as grabens; the "pull-apart basin" described for the Condor project in August is one such graben feature.

The friction of these great plates grinding against each other generates heat that in turn creates magma. Nevada's grabens are a natural conduits for this magma and hot fluids generated by it to move to surface. When hydrothermal fluids contact limy units they can absorb gold and other metals in the fluids. Where the limy units

are overlain by an impervious cherts, ponding of the fluids against the cherty layers cause the fluids to circulate within the limy units.

This combination of massive hydrothermal flows contacting good metal host units that are capped by less permeable rock to aid the development of larger scale deposits is not unique to Nevada. But at a regional scale in Nevada there is more fluids flow into a much better then average combination of cap rock/host. And as importantly the 70s gold boom took place when economic geology was just coming into its own, and the US was a leader in developing these understandings. This point is important to our liking Columbus.

The great wealth in northern Nevada has kept geologists busy seeking out areas where the "Lower Plate" limy units can be found below cherty "Upper Plate" units. Plate here refers to the distinct units separated by the regional scale shear zones, the most famous of which is the Roberts Mountain Thrust.

There is now considerable work and expense focused on looking for this relationship below thick accumulations of valley fill in the deep basins near mining areas. This is elephant hunting. But the work is analogous to pushing a drinking straw through the roof of a 100 story building in order to find the dozen floor tiles in the lobby that allow you to build another building of similar scale. We are at this point generally more happy to wait for someone to shout "eureka" even though we know the buy-in will be more costly when that happens.

Cordex Exploration Co.

Cordex is a small group of geologists that since the original Carlin trend finds has worked privately to research, stake and test claims in JV with companies that included predecessors to or eventual merge partners with Barrick, Placer Dome, Glamis Gold and Homestake. These have been on a retained royalty basis. Cordex was founded by John Livermore in 1969, who handed its manger's job to Andy Wallace in 1985, and has been one of the most successful private mine finders in the USA. The original Cordex dissolved when Rayrock Mines folded into Glamis Gold in 1999.

The Cordex partners have since reorganized under the old name, and signed a three year agreement that runs to early 2008 to act exclusively for Columbus at acquisition level. Cordex retains 1-2% royalties, but also has operator status of the exploration work and ongoing management fees to sweeten the picture.

Columbus in a nutshell is the Cordex group going public. The portfolio it has put together includes targets in the northern elephant hunting ground. Some of these are deep, but CGT can farm them out to those with longer straws. The balance in southern Nevada and in Arizona require shorter straws to test and can therefore sustain the company's market. These southern projects also offer a year round flow of results.

Nevada JVs

Three projects have been farmed out to Agnico Eagle Mines (AEM -T, N). AEM can earn 51% for spending US$6.5 million over 7 years that can then be increased to 75% for completing feasibility studies and arranging development financing. This is part of a fairly aggressive move by AEM away from its Canadian roots into Nevada that has been focused on establishing good working relationships with explorers.

Two of the projects, Utah Clipper and Crestview, cover +2000 ha (+5000 acres) of deep target adjacent Barrick's (formerly PDG) Pipeline mines complex in the Battle Mountain trend. This trend is a favoured locale for gold testing in the state. The third project is the 100 ha (267 acre) Laura project near the Cortez Hills mine in the same trend.

A fourth project, the 900 ha (2,400 acre) Dutch Flat in the northern part of the gold district has been optioned to Piedmont Mining (PIED-pink sheets). PIED is a company with a long history that is re-establishing itself now that the sector allows its revival.

It can earn an initial 51% for spending $2 million over five years. This project has a history of testing for bulk tonnage gold that did not emphasis possible high-grade mining, a situation typical of Nevada.

Another Battle Mountain Trend project, Chert Cliffs, has been leased to a private group, has a small 1.3 g/t (0.04 oz/ton) resource that is open to expansion.

Other Nevada Projects

The **Golden Mile** project is 150 ha (380 acres) in the western Walker Lane trend. About 3,500 oz was recovered here in the 30s from skarn averaging 12 g/t (0.35 oz/ton). Skarn is an alteration of limey units different from most Nevada mines, but has generated multi million oz output at McCoy and Fortitude in Nevada as well other locations.

Skarn deposits can have high grade, but tend be variable in both grade and thickness. At Golden Mile CGT has generated **9.1 metres of 13.8 g/t** (30 ft of 0.4 oz/ton) gold and 7.6 m of 4.2 g/t gold this year in 2 of 11 completed drill holes. This is a good start for this deposit type. Follow up drilling is planned to better establish the potential.

CGT's other wholly owned projects typify the kind of grassroots work that can lead to "discovery". They are off of Nevada's main ore generating trends, but contain geology of the type that made Nevada world class.

The more northerly **Linka** and **Pete's Summit** projects contain an aggregate 10 km (6 miles) trend of altered Robert's Mountain limestone. The Robert's Mountain formation, often located beneath chert superimposed on it by the Robert's Mountain Thrust, is host to about 3/4 of northern Nevada's 200 million oz gold output. Preliminary sampling returned low gold values up to 0.4 g/t plus elevated arsenic, antimony and mercury values typical of ore areas.

The southerly Guild and Bolo project closer to Tonopah also contain limy units that have been altered in a fashion typical of ore districts. There has been past drilling at both projects that indicated gold grade of interest, but not scale. There are ore generating units at shallow depth that have not been tested.

This sort of geology being explored by people who have generated ore bodies within during past efforts is an event waiting to happen. If decent grade-thickness is located by work on any of these projects, the market will take immediate note.

Arizona — The company currently has four projects in Arizona. Several have histories, but all are at early phases from a CGT perspective. It is a mixed bag including an established copper resource at Four Metals, a past high-grade producer at Silver District, and grass roots gold and silver-gold respectively at Clara and Clanton Hills.

Four Metals has been farmed out to Black Pearl Minerals (BLK-V). Its higher grade resource area contains 7.5 mm tonnes of 0.83% copper, and there is another 24 mm tonnes of lower grade. This is worth evaluation as a small scale oxide producer at current prices.

Silver District has a historic resource of 17,500 oz at 4.6 oz/ton (158 g/t) silver. Work will be done to look for high-grade at depth, and possibly to assess base metals potential. **Clanton Hills** has returned 2-7 oz/ton (up to 240 g/t) silver and up to 0.17 g/t gold in outcropping breccia bodies. Decent numbers to get started, but still early in its evaluation.

The **Clara** gold project contains a detachment fault target that has seen limited past work. This type of deposit can yield very high gold grades on a flat lying structure, plus a halo of lower grade outward from there. It is in that difficult to sample class of deposit that we have noted before is likely to generate some of this cycles successes from hitherto fore "too tough" deposit models. We will watch its advance with interest.

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