

Reprinted with Permission From:

HRA - Special Delivery

#506 – 26 February 2013

Exhibit A

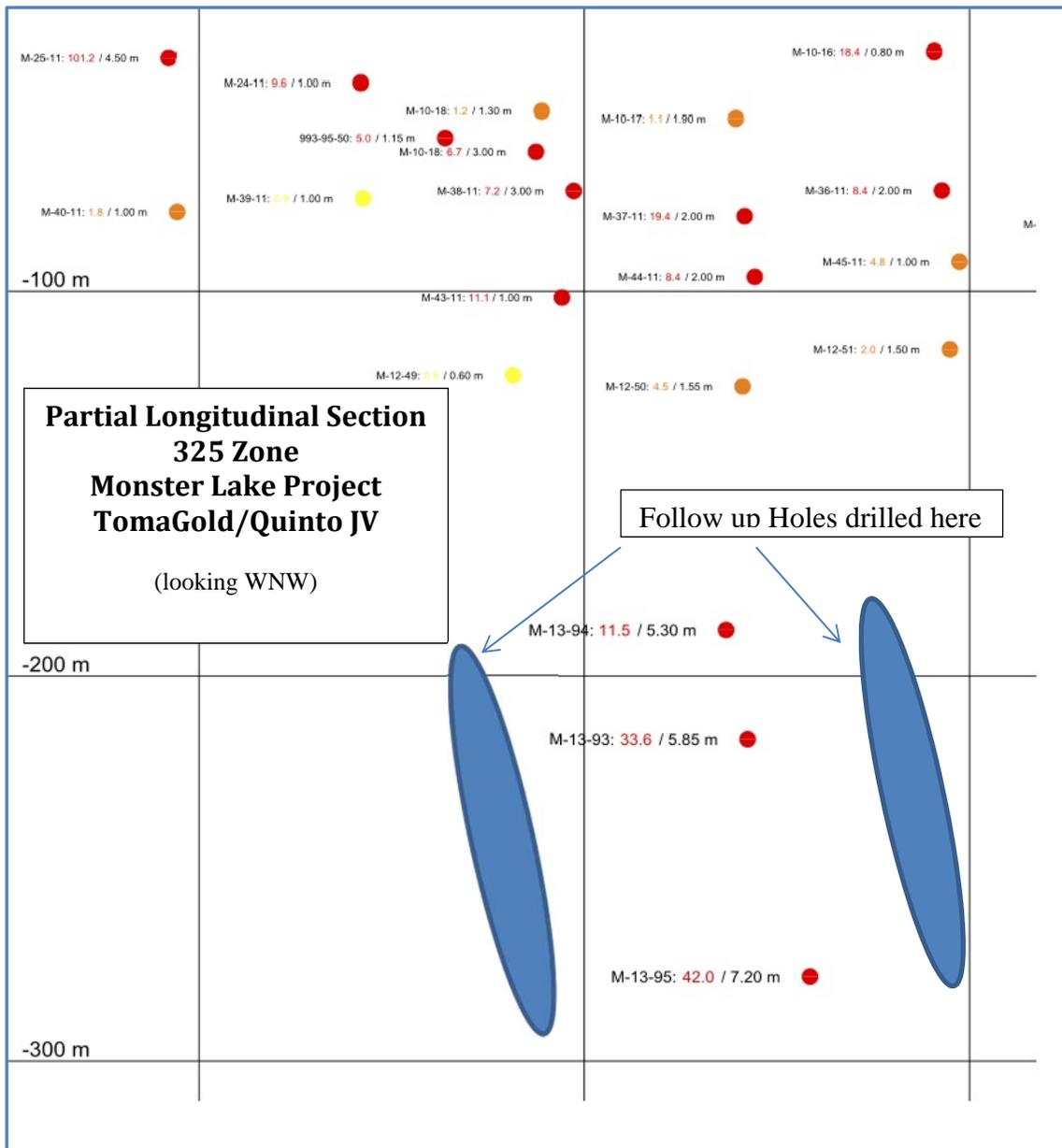
Since the start of the year I've said that one of the important drivers for an upswing in the Juniors would be discoveries. That sounds like wishful thinking but it's a comment based on living through several cycles in the Junior resource space. Often as not it's a spate of discoveries that finally starts to turn the market around after a long funk. When things have been negative for as long as they are currently traders become total disbelievers. You can marshal whatever arguments you want for a rally but traders will not believe it. They have been beaten down too many times to get excited about anything

Discoveries are different. Traders won't believe in them either but eventually some company puts out results that capture the market's attention and then imagination. They generate enough buying volume to overwhelm tired sellers and the stock finds a new level and sticks. Exploration odds being what they are most of these stories don't work out either but some of the time they will. They will generate market value growth in the hundreds of percent for the companies involved that allows lucky early shareholders liquidity and profits and other traders and example of success – something many haven't seen for a long time. It also gives bored traders something to trade. Don't underestimate the motivational value of boredom. One good discovery story will not change the market. It will take several, probably many to get traders to the point where they start to believe that every up move is not a spike, that sometimes values hold and that there is such a thing, sometimes, as upward momentum. When enough traders believe and act on it you get a quite different market backdrop and set of trading conditions. It's called a bull market.

I'm watching for potential new discovery stories and one arrived last week. Unfortunately, it arrived when I was semi incommunicado in a ski resort. It wasn't until late Friday I was able to talk to one of the companies and I still don't have as much data in hand as I'd like to. I haven't traded either of the stocks below though I may do so in the next few days. I'm presenting the companies here as a sort of "Exhibit A" – a discovery story that has bucked the trend, at least so far. Whether it keeps doing that will obviously depend on drill results yet to come, but I'll go into that further below.

TomaGold Resources (LOT-V; off 2 cents on 748k shares at \$0.215) and Quinto Real Capital (QIT-V; even on 97k shares at \$0.63) announced drill results from their Monster Lake project located SW of Chibougamau in Quebec. Monster Lake hosts gold in quartz sulphide veins that are contained in and related to a shear zone in basalt. It has seen quite a bit of drilling over the years by several companies. The known zones stretch over a 4 km area. Like most of these systems the veins contain lower grades of gold with occasional shoots of higher grade material. The historic drilling on the project was all in shallow holes. Only a handful of the 100 plus drill holes had pierce points more than 100 metres deep and none were deeper than 125 metres. TomaGold decided that the way to go was to drill deeper on the assumption the mineralization would get thicker and stronger to depth. I've looked at the Tomagold website and it's not clear *why* they made this assumption but based on last week's results they appear to be correct – at least for that set of holes.

The JV partners drilled three holes at increasingly steeper angles from the same drill set up. In order of increasing depth the following gold results were obtained: **Hole 94 -11.5 g/t over 5.3 metres at a depth of 187 metres; Hole 93 – 33.6 g/t over 5.85 metres at a depth of 217 metres; Hole 95 – 42 g/t over 7.2 metres at a depth of 278 metres.** In the case of these holes the zone did indeed get thicker and richer. All three holes are good but the two deeper ones are particularly impressive. The partial section on the following page shows the location of these holes and earlier holes above them.



The excerpted section above shows that the new holes are indeed fairly large step outs. The holes were shifted slightly to the north-northeast as they moved down dip. Whether this was because the holes deviated or because there was reason to assume mineralization would rake that way isn't known. The new holes are substantially better than those above them but there is no geological detail here so it's still unknown if there is some change that could be used to target later drilling. The blue ovals show the approximate areas of follow up drilling. Three holes are planned on sections 50 metres on each side of the high grade holes. The first trio of holes is in the lab and the second is being completed. TomaGold expects results from the next trio of holes within a few days. Obviously, this release could have a large impact on both of the partners share prices.

Quinto is earning into the project. It must spend \$6 million over four years in order to earn a 50% interest. It can increase that to 70% by spending an additional \$4 million by the seventh year of the agreement. Quinto has 10.8 million shares outstanding, of which 3 million are subject to escrow restrictions and a further 2.65 million have hold periods that end in mid-April. The float is small and it shows. QIT has traded up from 10 to 60 cents in the last few sessions on relatively light volume of 2.4 million shares. By contrast, LOT has doubled during the same period on 12.8 million shares volume.

The deposit type being explored typically has higher grade shoots that often have a strong vertical component and these shoots can have long dip lengths (they can go a long way down). In order to have any real size we'll want to see some strike length as well so the next two sets of holes are critical. TomaGold had a another huge price spike almost a year ago when it reported an intercept of 5.7 metres grading 237 g/t gold from the Annie zone at Monster Lake. That turned out to be a one hole wonder. Zone 325 has already produced three good holes but the Annie hole and the quick fall back in price should keep traders from getting too excited until there is follow up.

At current pricing LOT has a market value of about \$13 million versus \$7 million for QIT. Quinto is the partner that must provide the money but the next couple of sets of holes live up to last week's release I think financing will get a lot easier. The downside is smaller on LOT and it's much more liquid but if this turns into something real the potential gains should be quite a bit larger with QIT.

I'm still deciding whether to trade the next set of holes or wait until after they are out. The risk would be lower after the next drill release but I would be paying a lot more if the next set of holes is as good as the first. I don't think we have long to wait for the next results – the end of this week or early next week is the likely time frame. In this weak market the selloff from a poor set of holes would be large. This is a straight up play on drill results and even on a good set of results the smart move will be to try and trade some stock out (whether bought before or after the release) to bring the average cost right down before the third set of results.

Both stocks have moved a lot and momentum moves tend to have 3-4 day durations. Failing a strong market day or gold price it would be rational to expect both stocks to ease back a little in the next couple of days. This is a binary trade so you need to have your eyes open going in and be watching closely for the next release. Even if it feels too risky a trade for you its worth following just to see it LOT/QIV manage their own little bull market.

Regards for now – Eric Coffin

HRA - *Special Delivery* is an independent publication produced and distributed by Stockwork Consulting Ltd, which is committed to providing timely and factual analysis of junior mining and other venture capital companies. Companies are chosen on the basis of a speculative potential for significant upside gains resulting from asset-base expansion. These are generally high-risk securities, and opinions contained herein are time and market sensitive. No statement or expression of opinion, or any other matter herein, directly or indirectly, is an offer, solicitation or recommendation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable we in no way represent or guarantee the accuracy thereof, nor of the statements made herein. We do not receive or request compensation in any form in order to feature companies in this publication. We may, or may not, own securities and/or options to acquire securities of the companies mentioned herein. This document is protected by the copyright laws of Canada and the U.S. and may not be reproduced in any form for other than personal use without the prior written consent of the publisher. This document may be quoted, in context, provided proper credit is given.

**Published by Stockwork Consulting Ltd. Box 85909, Phoenix AZ, 85071. hra@publishers-mgmt.com
<http://www.hraadvisory.com/contact.html> Subscriptions/Customer Service 1-877-528-3958**