



Ecuador back on track with Salazar leading the pack

Ecuador's mining sector has not been without trials and tribulations. But after about two years of very little money being spent in the country and the forced cessation of mining and exploration activities, one company has been granted permission to go back to work, receiving permits five months ago – **Salazar Resources Ltd.** [SRL-TSXV].

The company's President/CEO, Fredy Salazar, stated, "We are pleased to be the first mining company to be granted permission to recommence exploration activities in Ecuador. This is testament to the company's hard work and cooperation with the government of Ecuador for a sustainable and responsible mining future in the country. We feel very encouraged with the overwhelming support our project received in the surrounding communities during the recent informational meetings conducted by the government of Ecuador in accordance with the new mining law regulations."

We first introduced Salazar to our readers in April 2007. At that time, Canaccord Adams, now Canaccord Genuity, led a financing of \$1.5 million at \$1.00/share. Ecuador was hot then with the discovery of one of the most notable gold deposits in a long time – Aurelian's Fruta Del Norte deposit not far from Salazar's property. In fall 2008, Kinross Gold won shareholder approval for its \$870 million bid for Aurelian. Fruta del Norte had an inferred resource of 13.7 million ounces of gold and 22 million ounces of silver.

Salazar Resources went on to raise an additional \$10.4 million, again led by Canaccord, in the summer of 2007 at \$3.00/share. While the company made a significant discovery and updated the market regularly over the following 12 month with drill results, another force worked against

them. On Friday April 18, 2008 Ecuador's Constitutional Assembly passed a new mining mandate, ordering all activity in the country to cease until a new mining law was instituted. The following two years of inactivity resulted in many projects being let go and many people and companies left Ecuador to work in other countries.

On June 4, 2010 the Ministry of Non Renewable Natural Resources gave Salazar permission to restart all exploration activities on its Curipamba Project. The company was also granted title to its mining concessions for a period of 23 years with a renewable option of an additional 25 years.

The Curipamba Project is a new gold-rich and base metal volcanogenic massive sulphide (VMS) camp in western Ecuador, in the Western Mountain range's Macuchi Group, about a 2.5-hour drive from Ecuador's major port city, Guayaquil. There are a number of priority areas identified in the Curipamba Project area including Sesmo Sur, Las Naves Central and Piedras Blancas.

Thus far, Salazar has discovered one deposit with a resource at Curipamba (El Domo) and one additional occurrence (Sesmo Sur). The Curipamba VMS camp is one of three major hydrothermal centres discovered to date in the Ecuadorian Andes, each separated by 50-60 km. The Curipamba district is the southernmost of the three significant VMS camps in the Eocene volcanic arc of Ecuador.

Salazar was in the early stages of its Phase I drill program when the El Domo discovery was made at Curipamba. El Domo had 13 drill holes completed prior to ceasing operations due to the subsequent Mining Mandate. With this work, the company generated an initial NI 43-101 inferred resource of 4.08 million tonnes

of 3.48 grams gold/tonne, 76.33 grams silver/tonne, 2.51% copper, 4.55% zinc and 0.47% lead.

The Phase II program, announced June 15, at its Curipamba Project, is well under way with results starting to trickle in. The Phase II program, in total, includes an 18,000-metre drilling campaign and 500 line-km of geophysics. Salazar has also purchased its own drill rig which will be dedicated solely to the company's projects.

The objective of the Phase II drill program is to continue the delineation of the El Domo deposit which is open to the north, south and west, and to test other numerous surrounding anomalies with similar geophysical and geochemical signatures and consists of 10,000 metres in 59 diamond drill holes. The current program will continue the ore body delineation to the south with hole Curi-10-52 to be drilled 350 metres south of Curi-08-50 and 50 metres east of Curi-08-46, which intersected 16.3 metres of 3.59 grams gold/tonne, 114.2 grams silver/tonne, 3.42% copper, 0.83% lead and 5.52% zinc. The other 8,000 metres is in 41 drill holes on geochemical and geophysical anomalies at the Sesmo Sur, La Vaquera and Agua Santa anomalies.

Curi-10-52 was released on July 8 with 21.5 metres of 1.87 grams gold/tonne, 27.56 grams silver/tonne, 1.66% copper and 0.83% zinc, including 7.5 metres of 3.52 grams gold/tonne, 62.87 grams silver/tonne, 1.31% copper and 1.61% zinc. Curi-10-53 was also released July 13 with 7.93 metres of 3.52 grams gold/tonne, 240.35 grams silver tonne, 4.62% copper, 3.76% zinc and 0.23% lead, including 3.75 metres of 6.38 grams gold/tonne, 370 grams silver/tonne, 6.54% copper, 6.30% zinc and 0.45% lead. More drill results are expected this summer.

In addition, drill testing of 16 other

geophysical anomalies with similar characteristics as El Domo will be carried out with the objective of discovering multiple new VMS deposits, according to Salazar.

The geological environment and evidence from the Phase I drill program suggest that El Domo is a Kuroko-type VMS body that is notably rich in gold and silver. VMS deposits in districts similar to Curipamba typically occur in clusters and contain at least five to eight mineralized bodies similar to El Domo. Within each cluster, there is typically one giant deposit greater than 20 million tonnes, and normally the deposits that cluster around

volcanogenic discharge centres are spaced from two to four km apart, such as the Curipamba Project's Las Naves, Sesmo Sur and Piedras Blancas discharge centers.

In conclusion, we note that the company has \$3,000,000 in cash, and with an aggressive work program in 2010, the potential for upside is there. The latest drill results validate management's ability to potentially increase the current resource and potentially source out new discoveries. Exploration and development money is flowing back into Ecuador as the investing public gains confidence in the country once again. ■

Dennis Hoesgen and Eric Hoesgen are Investment Advisors with Canaccord Wealth Management, a division of Canaccord Genuity Corp. The information contained in this article was obtained from sources believed to be reliable; however, we do not represent that it is accurate or complete. This report is provided as a general source of information and should not be considered personal investment advice or solicitation to buy or sell securities. The views expressed are those of the authors and not necessarily those of Canaccord. Eric Hoesgen and Dennis Hoesgen can be reached at 604-643-7705 or HIP@Canaccord.com. (Member CIPF)