



# 2010 Performance Review and our 2011 HIP TOP 10

## LOOKING BACK

It has been a great year for junior resource companies and commodities. The TSX Composite Index closed at 11,545.69 on December 14, 2009, the same day we selected our 2010 Top 10 list of companies. As we write this, on November 29, 2010, the TSX Composite Index closed at 12,895.65. This represents a gain of 11.69%. For the same period, the TSX Venture Index is up 43.91%, while the DOW Jones comes in a distant third at approximately 5.25%.

Gold and silver were top performers this year with gains of 25% to US \$1,370/oz for gold and 60% to over US \$27/oz for silver. Copper moved up 19% to US \$3.75/lb and crude oil is up 7.5% to \$86/Bbl. Clearly, the place to have been invested, in 2010, was the junior resource sector. The TSX Venture Index, heavily weighted in junior resource companies, aggressively outperformed all other indices. We think 2011 will be another big year for junior resource stocks but let's first review how our 2010 Top 10 list of stocks performed as published a year ago in *Resource World* magazine.

As of today's stock prices, our 2010 Top 10 list is up over 126%! This portfolio of stocks represents a rate of return that beats the TSX by almost 115%, the TSXV by over 82%, and the DOW by over 120%. **Batero Gold Corp.** was also one of our top picks for 2010, but did not make our published list as we did not officially launch this company until mid January 2010. However, we felt it necessary to point out the qualifying transaction took place in 2010, at \$0.50/unit (half warrant at \$0.75/share) and closed today at \$2.74/share, representing a 448% rate of return on the share and 581% if you include the warrant.

2010 was also an active year for merger

and acquisition (M&A) transactions. A shift to hard assets, declining ore reserves levels, premium valuations/multiples, excess free cash flow, low interest rates, growth opportunities, and market euphoria are all related to the recent strength of M&A activity in the mining sector. With every deal, whether it is cash, shares, or a combination of the two, shareholders of the acquired company often re-deploy capital from proceeds on the closing of the acquisition. In some cases, this can represent a significant investment looking for a new home. We think a lot of this new capital will potentially go into gold equities considering the current market climate.

## LOOKING FORWARD

Similar to 2010, other key drivers in the markets for 2011, in our opinion, will continue to be metals demand, economic growth from the BRICs economies, and a weak US dollar, which will benefit gold prices and moderate North American economic expansion.

We believe US monetary policy will continue to ease, giving the gold market potential for future new highs while keep-

ing pressure on the greenback. The Bank of Japan as well as the Reserve Bank of Australia announced this year they are adopting more stimulative monetary policies, which only supports the notion of US monetary policy easing.

While a few of the above companies show up again on our 2011 Top 10 list, we are adding several new companies we think will also outperform the market in 2011. While most of the stocks on our 2010 Top 10 will remain in our own portfolios, to some degree, the target for our Top 10 list, for any year, is to identify companies we think will outperform the indices.

The main criteria that we take into consideration, when selecting companies, is their quality of management and how active their exploration/development programs are. We have selected them through careful and diligent research that we have sourced from many reports including our analyst research at Canaccord Wealth Management. The research that we have access to, from our analysts at Canaccord, is very insightful and played a significant role in our choosing some of the companies below. If you would like access to the

### 2010 TOP PICKS

Company	Symbol	Buy	Last	Change	Percentage
Colossus Minerals Inc.	CSI	5.11	8.20	3.09	60.47%
Copper Mountain Mining Corp.	CUM	1.78	4.88	3.10	174.16%
Exeter Resources Corp.	XRC	6.42	11.52	5.10	79.44%
Exeter price above includes 1:1 spin off of XG (last at \$5.98)					
Hathor Exploration Ltd.	HAT	1.70	3.13	1.43	84.12%
Premier Gold Mines Ltd.	PG	3.56	6.70	3.14	88.20%
Salazar Resources Ltd.	SRL	1.03	1.34	0.31	30.10%
Canaco Resources Inc.	CAN	0.485	3.97	3.485	718.56%
Volcanic Metals Corp.	VOL	0.30	0.195	-0.105	-35.00%
Gran Tierra Energy Inc.	GTE	6.04	7.68	1.64	27.16%
Pediment Gold Corp.	PEZ	1.42	1.91	0.49	34.51%
AVERAGE					126.17%

Canaccord research, please contact us at Hoesgen Investment Partners (HIP@canaccord.com). *Please note we cannot send any of our research publications to residents of the US.*

Here is our Top 10 list for 2011 in no particular order:

**Batero Gold Corp.** [BAT-TSXV] \$2.55

**North Country Gold Corp.**

[NCG-TSXV] \$1.17

**Colonial Coal International Corp.** [CAD-TSXV] \$1.35

**Carpathian Gold Inc.** [CPN-TSX] \$0.58

**Volcanic Metals Corp.** [VOL-TSXV] \$0.195

**Cliffmont Resources Ltd.**

[CMO-TSXV] \$0.65

**Tahoe Resources Inc.** [THO-TSX] 11.65\*

**Premier Gold Mines Ltd.** [PG-TSX] 6.64\*

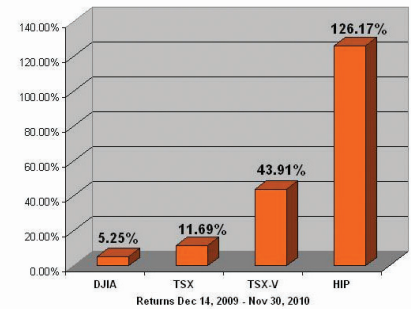
**Hathor Exploration Ltd.** [HAT-TSXV] \$3.15\*

**New Hana Mining** (to be announced) \$0.25

Those that are in bold are new, while

the others have been re-added from the 2010 list. We feel the above companies will potentially represent above average returns in 2011 based on their current and upcoming work programs. Since we do not have room to discuss each company listed above in detail, please feel free to call or email us for more information. The companies listed with an asterisk \* are rated by Canaccord Genuity with recent research coverage available. We feel that others on this list may also have research coverage coming in 2011. In closing, we want to wish everyone a Happy New Year, Happy Holidays, and Happy Investing in 2011! ■

*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*



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