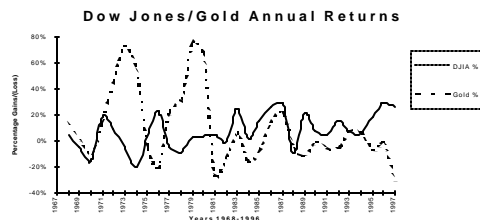




Gold & Technology Stocks



Weekly Hotline Message

(Now in our 25th Year)

May 5, 2006

Coronado Resources Begins to Move



Coronado Resources Ltd. (TSX-CRD-\$1.80) – This company is developing a high-grade underground gold mine in Montana. Thus far it appears to be a small deposit with about 450,000 tons of ore grading 0.32 oz. per ton being identified thus far. That sums up to 144,000 ounces of gold. Reportedly, management believes it can get this project into production with an expenditure of less than \$2 million.

To be sure, this is a mini-sized gold mine by today's standards. However, given the fact that custom milling is available and the small number of shares this company has outstanding, it could nonetheless be significant, relative to the company's current market cap. At \$670 gold, the project could generate \$82 million. How much will it cost CRD to produce? This is really just a guess, but given its relatively high-grade, and what is most surely a low-energy-cost project, I'm going to speculate that a cost of under \$250 per ounce is in the realm of reasonable. It might be quite a bit lower but this is a conservative guess on my part. With gold selling at \$670, that would leave a margin of \$61.2 million.

The company recently raised C\$1.8 million by issuing 1.25 million units at C\$1.44. Each unit contains one share and one share purchase warrant at C\$1.80 per unit. Coronado can raise an additional C\$2.25 million if the 1.25 million warrants are exercised. With the stock already in the money, let's assume the warrants are exercised, such the company is left with 8,275,000 shares outstanding. Dividing \$61.2 million by 8.3million leaves us a hypothetical "earnings" figure of \$7.46 per share from this "little," high-grade deposit that is know to exist as part of a likely larger deposit yet to be outlined. We realize we are shooting form the hip here to a great extent, but one must start somewhere in trying to evaluate the value of these shares. We could be off by a wide margin, but our attempt is to estimate a conservative profit potential with the hope of better news to come.

More Gold Potential + Copper

The 144,000 ounces is based on exploration work carried on to date. However, a geological summary report to 43-101 standards was completed in August 2005. The writer concluded that, "targets with relatively high grades of gold and copper exist within contact zones at the Madison Gold Property." The

report recommends exploring for continuation of excellent gold and copper grades seen in some holes and notes that many holes ended in gold or copper mineralization without determining the limits of the zone.

A drill program was undertaken in the fall of 2005 to expand the high-grade gold and copper zones vertically and horizontally. Moreover, we expect an updated resource report not only on the gold but also on some very high-grade copper intersections that were reported on February 15. In fact, this company reported some incredibly high copper values. Most extreme was 60.33% over 13.5 ft. in Hole CO5-6, which graded 41.06% over 27 ft. and 60.33% over 13.5 ft.

For sure, these high grades are not representative of the deposit as a whole, but this copper surprise does have the potential to add significant value for shareholders. How large is this copper deposit? Obviously more work needs to be carried out to determine what if any commercial value the copper has. Unlike the gold deposit, which can be mined and then custom milled, copper production may require the construction of a mill. If so, we could be talking about significant capital expenditures. Is there enough copper here to justify a mill? Time will tell, but when you get grades of copper north of 2% to 4%, and with copper selling at \$3 per pound, the amount of metal required to make the project economic would be lower than under less favorable conditions. At 2% copper, and with copper selling at \$3 per pound, the ore in the ground would be worth about \$120 per ton. At 4%, it would obviously be worth \$240 before production expenses are deducted.

Management

This company is headed by Eugene Larabie, an engineer with a rich history in underground mining in Northern and Southern B.C., the Yukon, and Northwestern Territories.

In Northern British Columbia, he was responsible for all construction pertaining to bringing an underground mine into production. He worked for Teck Corp. at Beaverdell, B.C., at an underground silver mine and with union cooperation was able to reduce the working force of 80 by 20% and increase production by 20%.

In 1980, he became manager of Dankoe Mines Ltd., where he increased production 10% and grew to the president/director role, where he remained until 1988. Since then he has been a director and president of numerous public companies and personally formed more than 12 public companies.

As president of Curion Venture Corp., a Canadian small-cap stock, he entered into a joint venture for 20% to explore for gold in Honduras. The joint venture was successful in bringing a gold property to feasibility and was sold to Glamis Gold, which is presently operating the mine very successfully.

Larabie formed Laroth Engineering Ltd., a mining consulting and contracting company working in mining exploration and underground mining in several Asian countries as well as Central America, the U.S., and Canada.

SUMMARY

In other words, Coronado is headed by a man who has been an achiever in the past. A Vancouver-based investment advisor who writes a premium priced newsletter for bank trading desks and senior mining companies and who also has a background in mining brought the Coronado story to my attention. This man, who knows this management and this company well, said this would likely be Mr. Larabie's "last hurrah!"

If you like the big, open-pit projects that you can prove up millions of ounces of gold before production commences, then this story may not be for you. But if you like the small, high-grade underground mines that often have mine lives significantly longer than can be established early in a project, and if you find the low energy cost aspect of a high-grade underground mine appealing, compared to high-energy-cost, low-grade, open-pit projects, you might find Coronado appealing. Frankly, I'm indifferent to either kind of project. What I'm interested in is price to value, and from what I see, Coronado should have more room to run on the upside as it expands its gold deposit and begins generating positive cash flow. Larabie has done it before. Chances are, he can do it again.

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