

## **Junior Mining Companies Rising from the Ashes of a Four Year Fire Sale**

As 2010 ended, so did a 10 year bull cycle for commodities. That end, however, did not arrive with bells and whistles but evolved into a slow and painful downward march for junior mining companies; a march that has left most in an irreparable state.

Since early 2011 the collective market value of the 1,200 mining companies on the TSX Venture Exchange has fallen by a staggering 80%. If you remove the top 100 companies, that number approaches 90%. Nearly 25% of those companies have a market value of less than \$500,000; an amount equal to the annual overhead costs of a public company. Unable to raise capital and with debts piling up, these crippled companies are now faced with the need to not only survive, but to find a value propositions capable of attracting investors back to the table.

Case in point, Minera Alamos Inc.; a TSXV listed junior mining company with copper projects in Sonora Mexico. A year and a half ago the company could not raise the financing necessary to advance its flagship project, owed a maturing \$1,500,000 debt and had ever increasing bills to pay. Today, the company recently raised over \$3.5 million in financing, is debt free and expects to be in production in the next 18 months generating up to \$1 million per month in EDITDA. This change in situation required a drastic rethinking of how to unlock the value of its assets.

The initial sale of a non-core asset eased the immediate pain, but the real opportunity came when the company re-sized the project plan and incorporated some new technologies to the mix. Minera Alamos was able to reduce the construction cost of the project by 90%, reduce the time to production by ½ and reduce production costs to ¼ of the original projections. The result was a new investment with a payback of less than a year, a rate of return in the triple digits and the ability to continue to generate cash for decades to come – even at low copper prices.

## **Rock Sorting in the Mining Process**

### **A New Use for a Mature Technology**

The food industry is a global business that processes billions of potatoes and vegetables every year. How does this industry process this wide variation of raw material while managing consistency in product quality, taste, texture? French fries, chips, potato producers worldwide rely on specialized equipment to sort and grade the raw material from farm to fork.

Each day, municipalities manage tonnes of recyclable material using similar technologies to sort packaging material from paper from glass from wood from metal allowing for efficient reuse and recycling.

Now this technology is finding a new home in mining. Regardless of whether a company is processing and mining diamonds, gold, limestone, or coal, sorting sensors recognize the target material on the basis of typical characteristics, such as color, atomic density, transparency or conductivity. The valuable mineral-bearing rock is selectively expelled using a precise pulse of pressurized air from the high-performance nozzle system, regardless of whether it's a small diamond or a heavy lump of ore.

The mining industry consumes 2%-3% of the world's energy. That's the same amount of energy used by the entire airline industry. Sensor-based sorters can reduce that energy consumption by 15%, as well as reduce the amount of water used by three to four cubic meters per ton of ore.

Minera Alamos Inc. is now utilizing this technology to completely restructure the economics of its business. By sorting out low grade material, the company is able to cut its production costs in half resulting in astounding returns and the ability to withstand fluctuating metal prices.

## **Mining and Social Responsibility in Mexico**

Over the past few years, there has been considerable media coverage on the history and current challenges of Canada's First Nations People. Canadian mining companies, however, have long worked alongside these communities in the development of their, typically, remote resource projects.

Canadian companies developing mining projects in Mexico have been able to take that local experience and put it to good use there where they work in close to proximity to the that country's aboriginal populations. Although the governing rules of engagement differ, the overarching responsibilities remain the same.

There are two forms of historic or "Agrarian" communal land holders in Mexico. The first, the "Ejido" appeared after the Mexican Revolution in the mid of 1910's based on the historical Aztecs communal land "Calpulli". The land was given to landless farmers by the Government up until the 1960's. The second form called "Community" is a historic settlement of people with common customs and traditions who have occupied their State recognized lands for many years.

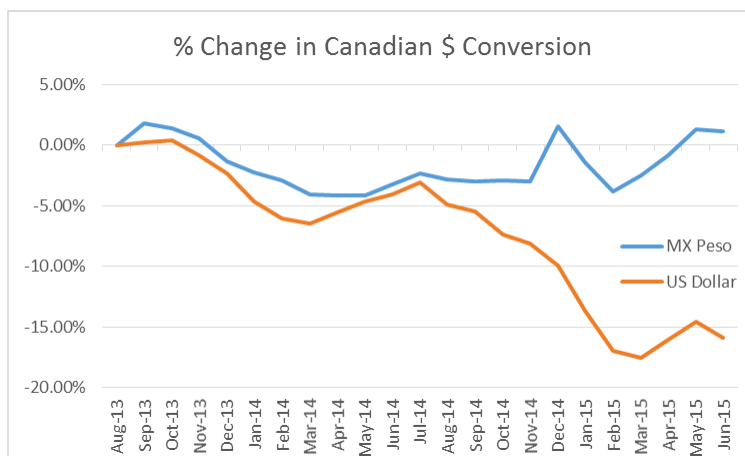
Minera Alamos Inc. is developing its Los Verdes copper project just north of the town of Santa Anna, an Agrarian Communal land of approximately 200 individuals in the state of Sonora Mexico. In addition to financially compensating the community for the use of their land, Minera Alamos supports Santa Anna in many more ways.

When the company's mine begins production, it hopes to lean heavily on the local work force providing them with opportunities difficult to obtain in this somewhat remote location. Until then, Minera Alamos pays the salary of the community's local physician, rents storage facilities and employs local security personnel.

## Canadians Mining in Mexico Hedging US Fluctuations

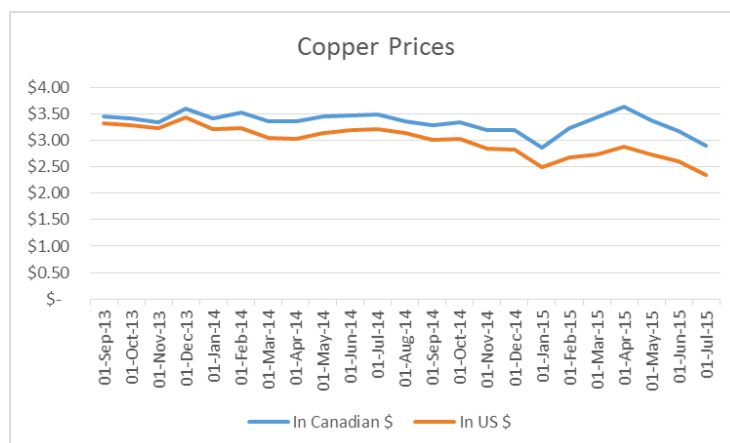
Over the past 2 years the Canadian dollar has fallen over 15% against the US. In addition, commodity prices have suffered ongoing downward pressure hitting 5-10 year lows in recent weeks. If you are a Canadian mining company, however, operating in Mexico you may just find that the pain may not be nearly as great.

If your expenses are primarily in Mexican pesos or in Canadian Dollars, the swings in the US dollar may not affect you as significantly as one may expect.



While the overall economic gloom of a falling Canadian dollar may concern some, The Canadian dollar and Mexican Peso have remained fairly constant.

Further, if you are dealing in a commodity such as copper, the downward pressure on prices can be mistakenly greater if viewed only in US dollars.



Companies such as Minera Alamos Inc. – a TSXV listed copper development company – is enjoying significantly greater stability in its models due to the elimination of the US dollar from the mix.