

## A Great Investment in a Great Bull Market

By: Peter Spina, [GoldSeek.com](http://GoldSeek.com)

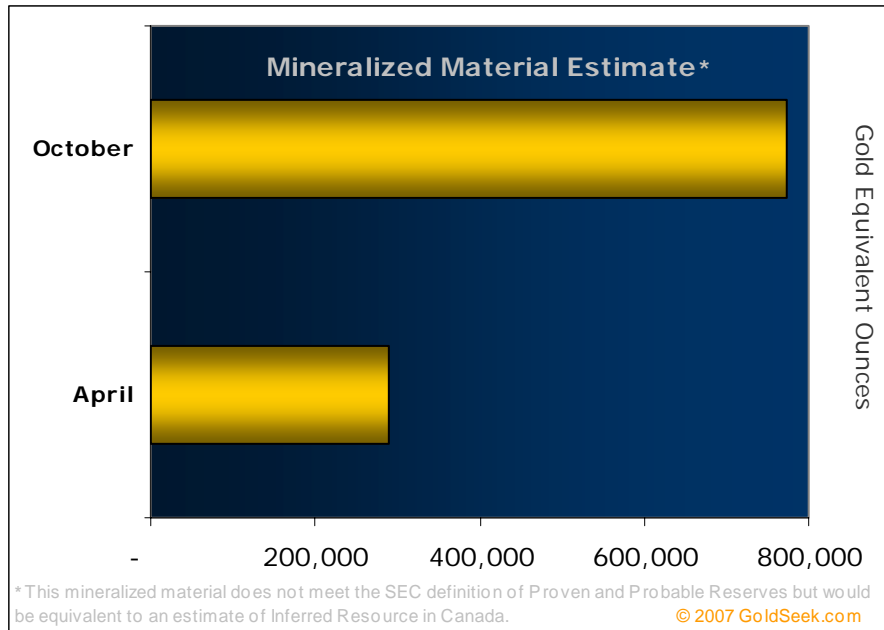
Record metal prices continue to dominate headlines as the great bull market in precious metals and resources marches forward. Gold recently broke through the \$800 milestone and silver \$15. I suspect these are *just the beginning moves* of the next major bull market leg higher. **I expect \$1,000+ gold and \$20+ silver as the next short-term targets**, by the end of 2008, if not much sooner.



During this bull phase, mining stocks are going to be revalued quickly, greatly rewarding investors who select the top mining investments. To outperform the markets you will then need an investment that will *surpass its peers*. I have selected one that is on course to join an elite group of **ultra low-cost producers**.

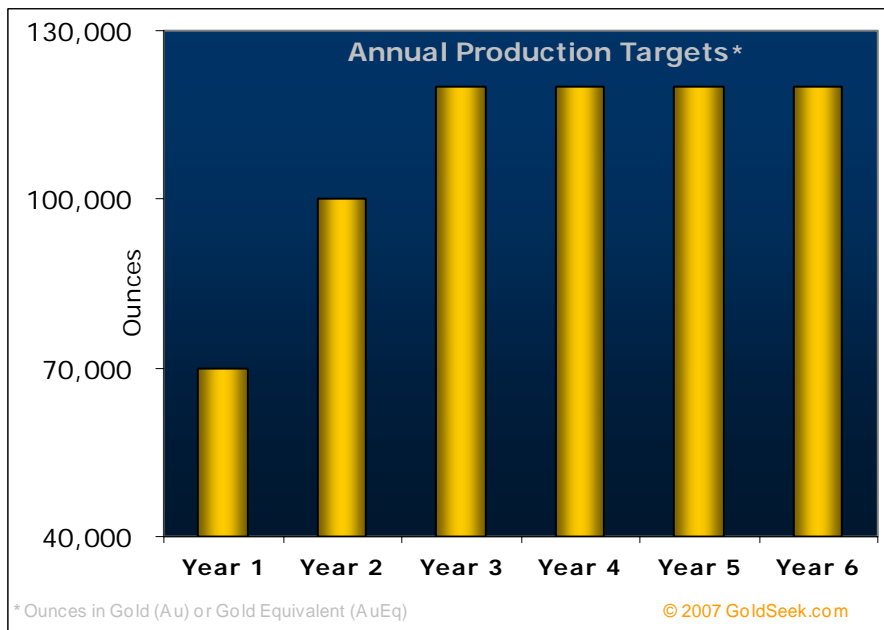
Last year I introduced you to an IPO founded by the Reid brothers; co-founders of the very successful US Gold Corp. I was very excited by the initial prospects of this **\$100/ounce** future gold producer and with over a year of progress now completed, *I believe the story is substantially more exciting today*.

Just a few weeks ago Gold Resource Corp. [OTCBB: GORO] announced a **166% increase** in its mineralized material estimate. Taking the April 11<sup>th</sup> gold equivalent ounces from nearly ¼ million to nearly ¾ million ounces!

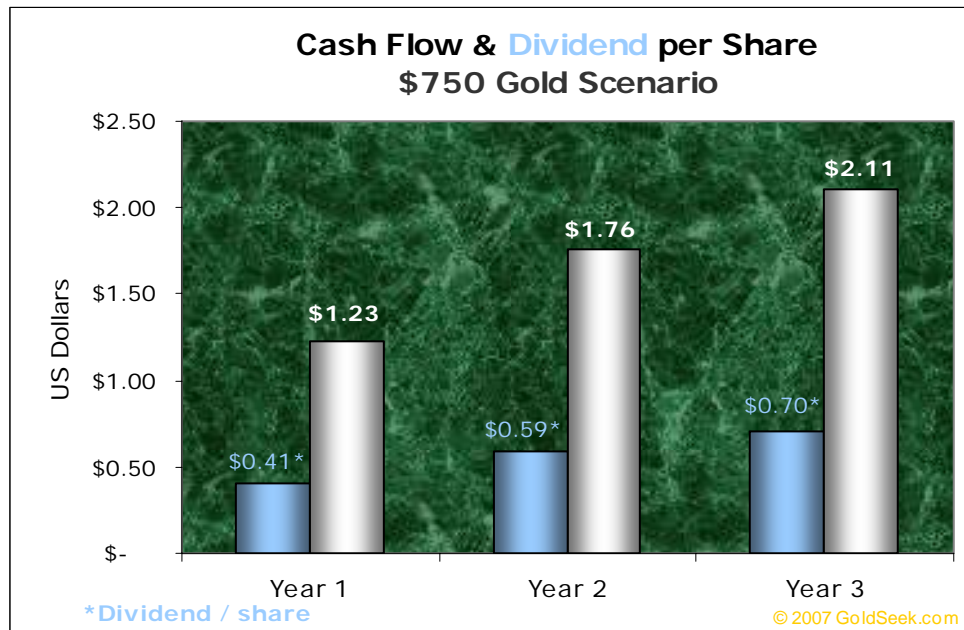


With such a substantial increase, management has increased production targets. Large increases were made in the year 2 and 3 where the goal now is for **120,000 gold equivalent ounces/year** and then sustaining that production level. The resource increase has also allowed for a **6 year mine life** target.

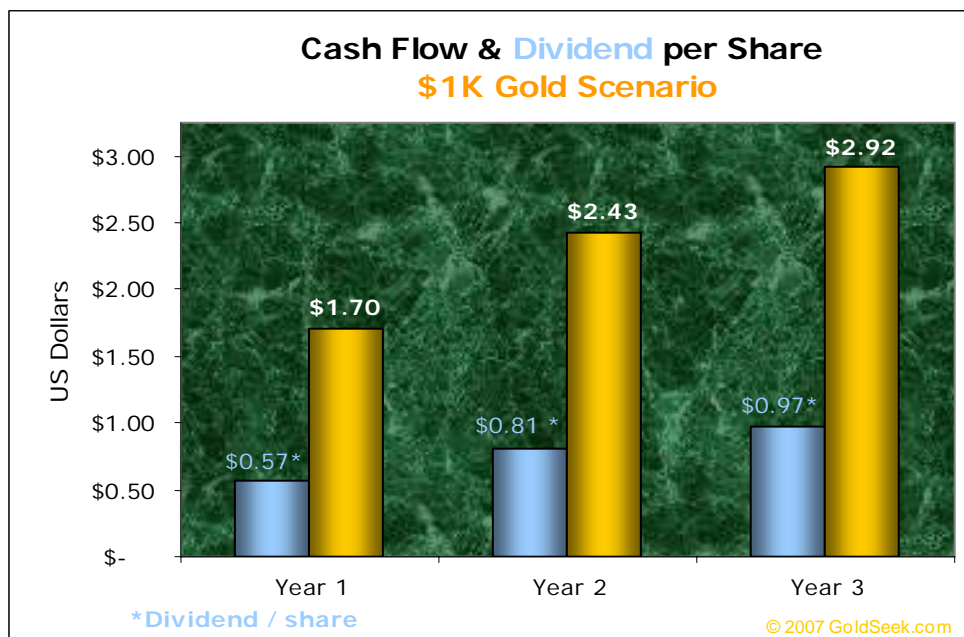
Based off recent drill holes, some with bonanza grades, I feel it would be safe to project a **1 million+ resource estimate and 10 year mine life target** is possible with continued success over the next several months as drilling and exploration continue. There is also the potential that annual production levels could be moved even higher than current targets.



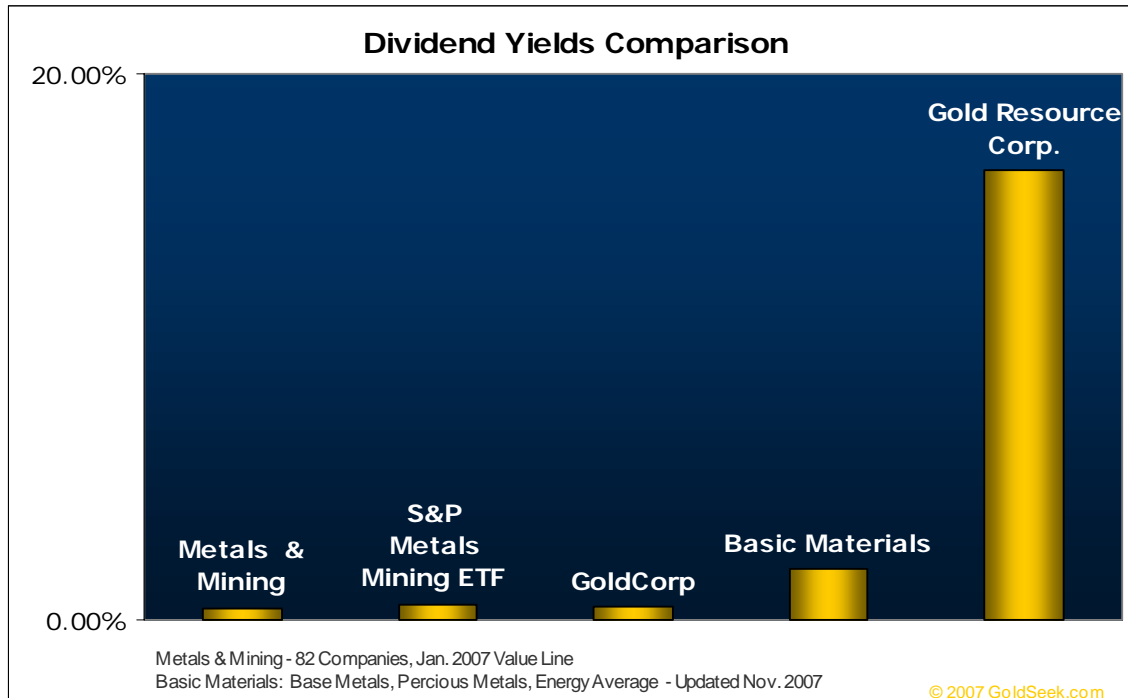
Ultimately Gold Resource Corp. comes down to a **low cost emerging producer**. Not many companies can compete in the category of "low-cost producers" and even fewer will be able to show potential cash flow and dividends per share like Gold Resource Corp. is targeting!



Assuming a totally diluted share structure of 37M and a \$750 gold scenario, by year 3 the cash flow could be well over \$2 per share! A 1/3 dividend payout is targeted and therefore 70 cents a year is possible. That would **equate to a 16.5% dividend yield** at today's stock price!



Now with gold heading for \$1,000/ounce and higher, the likely '\$1k Gold Scenario' is even more lucrative. Cash flow immediately would run to \$1.70/share during the 1<sup>st</sup> year of production with it reaching nearly **\$3/share in year 3!** Take again the 1/3 **dividend payout and nearly \$1/share is possible!** That takes the **dividend yield to 23.5%** at today's stock price!!



A note on dividend yields. Today's **average S&P 500 Dividend yield average is just around 1 ¾%**. Most production metal and mining companies, that even do pay dividends, are averaging well under 1%. The copper sector has among the highest dividend yields, under the basic materials classification, with the average sector (per Yahoo Finance's calculations) at just around 3%.

*At the current share price, if even the low-end targets are reached - from the perspective of a dividend payout only - one could see a share justification of \$20+/share. Take the \$1/share potential dividend and 2% yield assumption; the share price valuation would be at \$50. There are many criteria that go into the valuation of a mining share price. I wanted to use the dividend valuations perspective to show what possible share valuations could be possible under these circumstances.*

With such terrific projects in Oaxaca, Mexico the next question moves on to management. Gold Resource Corp. was founded by **Bill and David Reid**, who co-founded **US Gold Corp. (UXG)** since its inception in 1977 until late 2005, when **Rob McEwen** - founder of Goldcorp (NYSE: GG) - purchased 1/3 of US Gold Corp. which resulted in an approximately **2,300% increase** in US Gold's share price. During their time at US Gold Corp., the Reid's "built or participated" in **6 producing mines**.

With that covered, the next focus is on the development of the mine. One of the most significant steps towards permitting in Mexico is the local Ejido (agrarian community) agreements. Back in October Gold Resource Corp. received approval from

the local San Pedro Totolapam Ejido to allow for mine development at its El Aguila Project. This all important step prepares them for the Federal Mining Permit.

But before mine development can commence in earnest, additional funding is necessary for its construction and commissioning. In the near future, Gold Resource Corp. will undergo funding of upwards of \$25M+. With current share price levels, it appears we are going to reach around 37M outstanding shares fully diluted making this one of the best share-structured emerging producers!



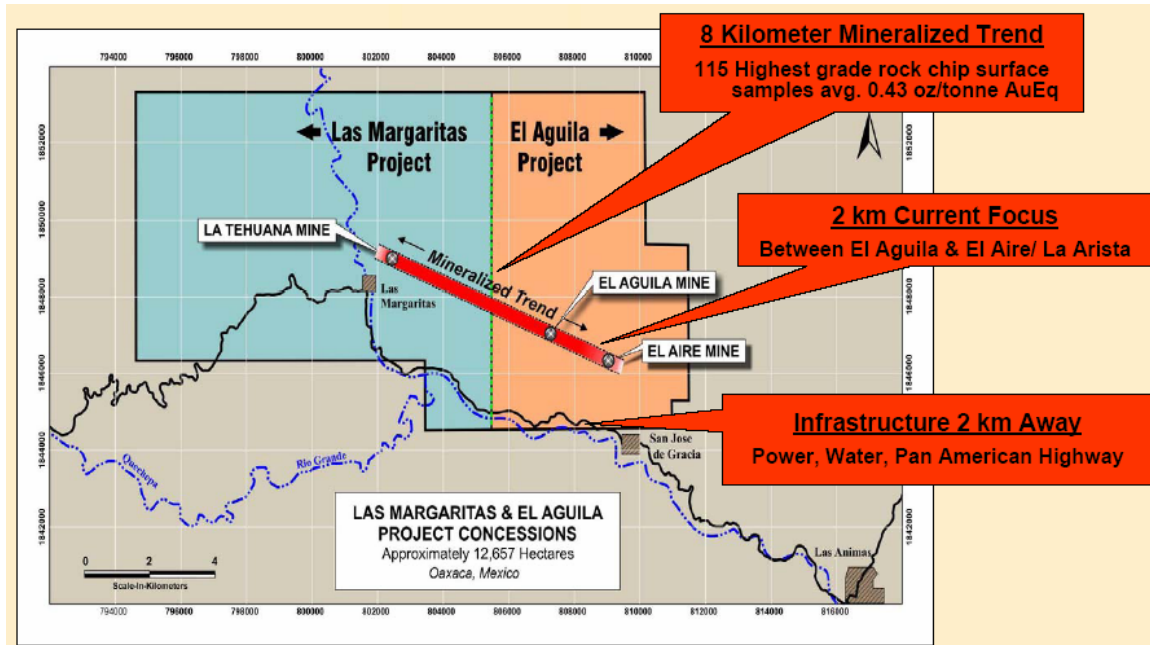
Once funded, Gold Resource Corp. is set to be in production in about a year from now. The company has set a strategy of using 1/3 of future cash flow to further develop the company, therefore **maximizing shareholder value by minimizing share dilution**. Some of this capital is likely to be used in the development of other projects in Oaxaca, Mexico.

Property	Interest	Status	Resources	Highlights
El Aguila	100%	Production Targeted 2008	Au, Ag w/ Pb, Zn, Cu credits	3 high-grade deposits, multiple targets
El Rey	100%	Drill Exploration	Au, Ag	133 g/t 1 m drill intercept
Las Margaritas	100%	Exploration	Ag, Au	1395 g/t Ag rock chip surface sample, historical Ag district
Solaga	100%	Exploration	Ag, Au	15,000 g/t Ag selective sample

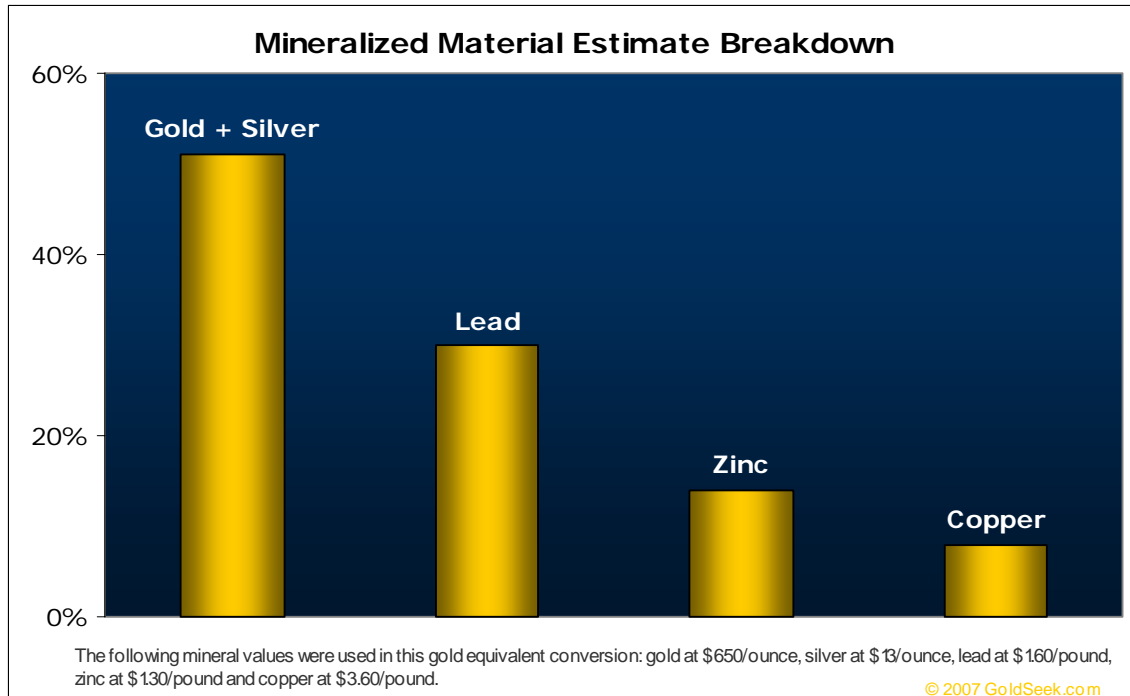
Gold Resource Corp. has the potential for a total of 4 high-grade projects all of which could be feeding one mill. The El Rey project, most notably, released drill results in the past few weeks which included **132.5 g/t gold over a 1 meter intercept!** It appears that a high-grade gold vein has been intersected and further

drill exploration programs looks to outline this potential new gold structure. Stay tuned.

Yet the excitement of the other 3 projects should not take our focus off the immediate prize. **El Aguila** is a property with 3 known high-grade deposits with multiple targets. **Production is targeted in the 2<sup>nd</sup> half of 2008.** The **\$100 production cost** will allow for **CAPEX payback of just 6 months.**

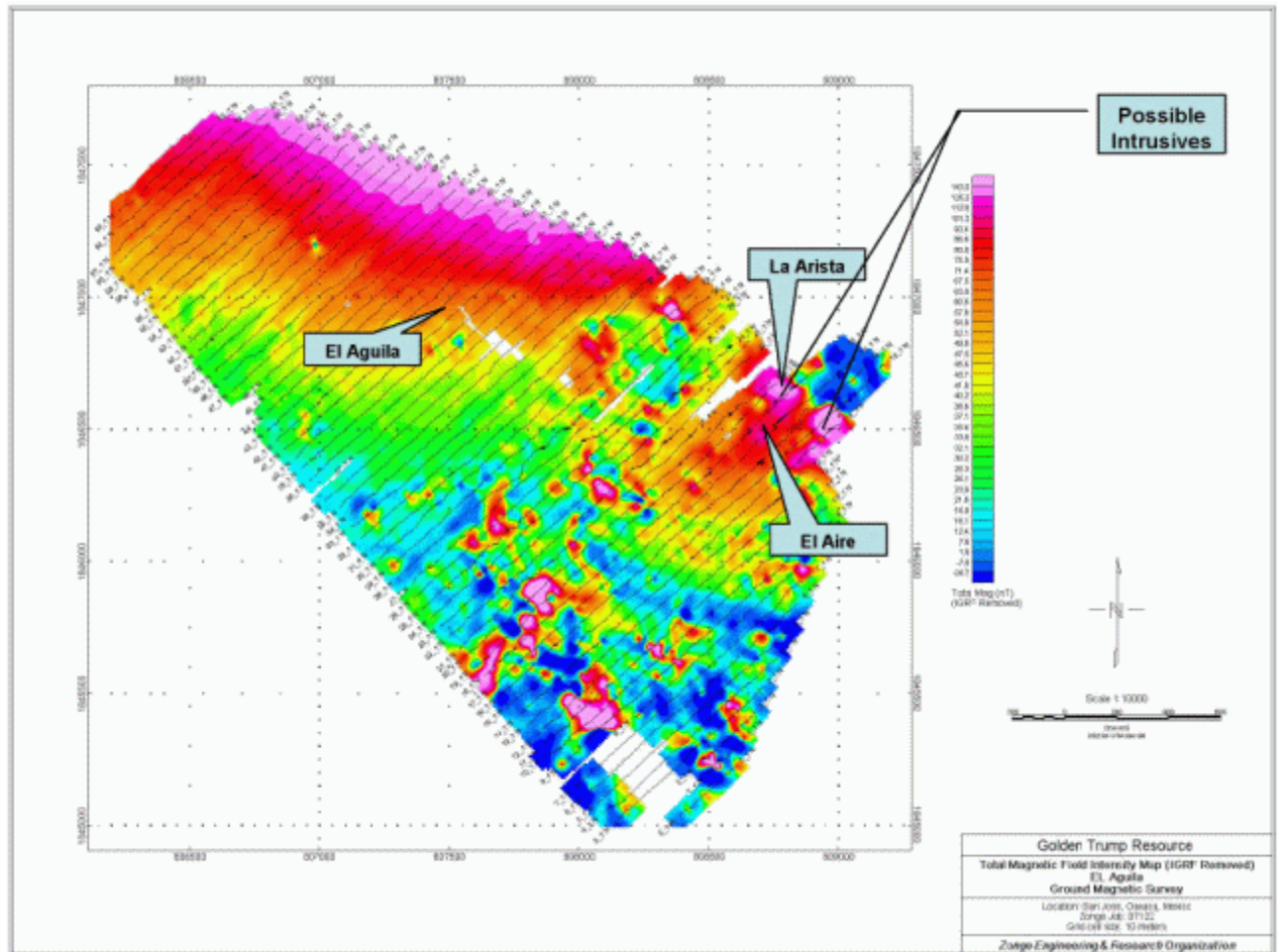


The current focus at the El Aguila project is on the 2km out of an 8km mineralized trend. The El Aguila mine will be an open-pit, with mostly gold production. The following years will bring attention into El Aire / La Arista, where high levels of precious metals and base metals will be mined.



The breakdown of the gold equivalent number is provided above (please note the conversion values which were used for the calculations). As the system grows, more base metals are also being added to the growing precious metals resource estimate. High grade levels of lead, zinc and copper are being encountered with the majority of high grade resources coming from precious metals (gold & silver). Pursuant to industry practices, Gold Resource Corp.'s base metals will be used as credits against costs of precious metals production.





Map above: Intrusives are potentially large bodies of crystallized igneous rock formed from magma that has forced its way up through subsurface rock units. Intrusives potentially generate the source of and / or the plumbing system for certain mineral deposits.

**Latest News:** During compilation of this report Gold Resource Corp. announced that they:

"Recently completed a geomagnetic survey over an approximate 2 kilometer area of its El Aguila Project. The geomagnetic survey ... indicates several anomalies. Two significant anomalies occur in the La Arista area. The first anomaly in the La Arista area is located over the highest grades and most extensive widths of mineralization drilled to date (See map).

The second important geomagnetic anomaly in this area is located about 200 meters south east from the first anomaly (See map) and in an area **not yet explored.**"

**"Not yet explored,"** is just another indication that we have *tremendous resource growth potential* at the El Aguila project alone. But **read Gold Resource Corporation's president Bill Reid's comments below** and one can see the potential that this system is growing into a monstrous system:



"We continue to be impressed with the La Arista area as to the width and high-grade nature of the mineralization. Additional deeper high-grade intercepts in essentially the bottom of Hole #7083 indicate we have **not yet found the vertical limits to the mineralization**. In addition, it bodes well that the recent geophysical survey indicates two significant geomagnetic highs in this area that **potentially indicate that this mineralization has an extent and depth much greater than we previously anticipated**. These distinctive geophysical anomalies may represent igneous intrusives at depth that could play a role in the source and distribution of the mineralization."

**"Drilling, and now geomagnetics, continues to bolster our belief that the El Aguila Project is a potentially very large, robust and high-grade epithermal system."** - Bill Reid, President G.R.C.

I feel confident that continued progress will yield tremendous expansion of resources for Gold Resource Corp. I believe last year's drilling/exploration progress in bringing shareholders a much larger resource will lead the way to next year's successful construction and commencement of mining of this high grade project. As the company expands and builds the mine and as it continues to define the size and scope of the resources, I would believe there is a good possibility **Gold Resource Corp. could eventually see a multi-million ounce+ gold equivalent resource.**

If the company successfully enters into production and meets their targets, there is little from stopping this company to turning into an **"ATM on steroids"**. Usually a company has a main feature or two which makes its story exciting, Gold Resource Corp. has many. Some of which include:

- 🔨 **\$100 Production Costs** – Emerging low cost producer
- 🔨 **Excellent share structure:** Projected 37M shares fully diluted
- 🔨 **1/3 dividend payout targeted**
- 🔨 **4 High Potential Projects**
- 🔨 **Rapidly Expanding Mineralized Material Estimates**
- 🔨 **Focusing on projects with *less than 1 year CAPEX payback***
- 🔨 **Management** - have placed 6 mines into production
- 🔨 **No debt**
- 🔨 **Sub \$150M market capitalization**

Last year I needed confirmation to feel confident in my \$5-10 share price estimate. Should Gold Resource Corp. stay on track and meet their targets, using current assumptions, ***I could easily see a \$10-20 price with much more upside through additional discoveries.*** We have a lot of good indications to lead us to believe that the potential of this system could be much larger. Therefore I do believe there remains a **much larger upside potential than \$20** with current and future metal price trends.



That **level of risk/reward is one which continues to make this one of my top holdings.** It is a story I am excited to follow into year two and onwards. Please take some more time and learn more about Gold Resource Corp. and further your research. The company remains under the radar screen of many metal investors. I believe that opportunity may not last too much longer.

- Peter Spina, Founder of [GoldSeek.com](http://www.GoldSeek.com)

Please note: I am a shareholder of Gold Resource Corp. and the company is an advertiser on a website I am the proprietor of, GoldSeek.com.

## For further research and information:

### Past Gold Resource Corp. Reports:

- o **November, 2006:** <http://news.goldseek.com/PeterSpina/1163510603.php>
- o **January, 2007 Update:** <http://news.goldseek.com/PeterSpina/1169579532.php>

### Gold Resource Corp Resources:

- o **GoldSeek.com Goldcast Presentation:**  
<http://www.goldseek.com/goldcasts/GORO/>
- o **GoldSeek.com Radio Gold Nugget Interview: Bill Reid:**  
<http://radio.goldseek.com/billreidgoldnugget.php>
- **Symbol:** OTCBB: GORO
- **Website:** <http://www.goldresourcecorp.com/>
- **Contact the Company Directly: 303-320-7708**
- **Review SEC Filings:** <http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=1160791>
- **Quote:** <http://finance.yahoo.com/q?s=goro.ob>

**Peter Spina's Free E-Mail List:** [www.GoldSeek.com/email](http://www.GoldSeek.com/email)

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### **Additional Research & Reports:**

[www.goldforecaster.com](http://www.goldforecaster.com)

[www.silverforecaster.com](http://www.silverforecaster.com)

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