

# Goldletter INTERNATIONAL

*the international independent information and advice bulletin for gold and related investments*

---

September 2009

## Timmins Camp, one of the world's most prolific gold producing regions

Gold mineralization in the prolific Porcupine and Golden Highway Gold Camps is present along a 300 km stretch of the Destor Porcupine Fault Zone ("the Destor") that runs from west of Timmins, Ontario to Cadillac in Quebec. This forms part of the western Abitibi Greenstone Belt, which has been one of the world's great producing regions for a century.

The Destor is recognised as the key element defining an approximately 200-kilometre variably broad geological structural corridor. This structural corridor in return retains numerous sub-parallel to parallel splays (faults) which add local complexity and are often associated with potential economic mineralization.

The importance of the Destor is best illustrated by the number of mines, past and present, totalling 26 with over 100,000 ounces of production that can be focused along its length.

The Hollinger Mine closed in 1968 after producing 19.3 million ounces of gold, the Dome Mine produced 15.8 million ounces, while McIntyre produced 10.75 million ounces. A series of smaller mines boosted the Timmins Camps' production to 70 million ounces of gold, together with 450 million tonnes of copper-zinc ore over the past century, making it one of the most prolific mining belts in the world.

These venerable mines were nearing end of their productive lives in the mid-1950s and 1960s, and many thought mining would soon come to an end in the Timmins Camp. But the camp became an exploration hot-spot in 1964 when TexasGulf Sulphur used modern geophysical methods capable of detecting ore bodies at depth and discovered the Kid Creek volcanogenic massive sulphide (VMS) deposit north of Timmins. This discovery led to the development of a world-class mine.

Despite the illustrious track record of discovery and production, the Timmins Camp has been overlooked by investors and senior mining companies in recent decades, based on the perception that most of the region's mines have already been found.

But recent exploration programs by junior companies are proving that the Timmins Camp still offers excellent potential for significant new discoveries, particularly in areas that were only minimally explored in historic terms because of overburden cover.

Most notably, **Lake Shore Gold** and **West Timmins Mining Joint Venture** attracted industry and investor attention after reporting an 83.40 metre intersection grading 12.75 g/t gold. This represents one of the broadest, high-grade gold intercepts ever reported from the West Timmins District, an extension of the Timmins trend being underexplored relative to the eastern portion of the Destor-Porcupine Fault Zone, the major structure related to the famous gold mines accounting for most of the camp's historic gold production.



In December 2006, **Lake Shore Gold** (LSG – TSX) bought the Bell Creek Mine and 1,500 tonne per day mill from the former Porcupine Joint Venture.



Consideration for the sale consisted of Cdn\$ 7.5 million in cash and Cdn\$ 2.5 million worth of Lake shore common shares (1.66 million shares at Cdn\$ 1.51 per share).

On August 27, 2009 **Lake Shore Gold** and **West Timmins** agreed to a Business Combination under which Lake Shore Gold has agreed to acquire all of the outstanding common shares of West Timmins.

Under the terms of the agreement West Timmins shareholders will receive 0.73 of a Lake Shore Gold share per West Timmins share. The transaction values West Timmins at approximately Cdn\$ 319 million based on current shares outstanding.

Pro forma the transaction Lake Shore Gold will be owned 67% by the Company's current shareholders and 33% by the current West Timmins shareholders.

Lake Shore Gold and West Timmins Mining already had a 60-40 joint venture for the Thunder Creek Mill and Mine and the deal will allow them to consolidate Thunder Creek and Lake Shore's 100%-owned Timmins Mine and Bell Creek Mill (expected to reach production start-up in 2010) into the large-scale wholly-owned Timmins West Gold Mine Complex on the western Timmins mining trend.

With the Business Combination, a very important step is taken towards building Canada's next mid-tier gold producer.

The Timmins Mine, the Company's flagship asset, is targeting as gold output of 30,000 ounces this year.

Production is ramped up to 1,500 tonnes per day by late 2010. The shaft is designed for expansion with a capacity of 6,000 tonnes per day from 710 metres.

Lake Shore Gold is considering deepening of the shaft to the 1,200 metre level.

NI 43-101 compliant gold reserves are estimated at 830,000 ounces and gold resources are 250,000 ounces.

The Bell Creek Complex, which includes Vogel and Schumacher, has recently been refurbished and commenced operating at 800 tonnes per day.

Completion of expansion is imminent to increase throughput to 1,500 tonnes per day and expandable to 3,000 tonnes per day.

Gold resources are 808,000 ounces (non NI 43-101 compliant).



In December 2007, **Goldcorp** (TSX – G; NYSE – CG) acquired Kinross' 49% share in the Porcupine Joint Venture (100%-owned), which includes the Dome open pit mine and mill, the Hoyle Pond mine, Pamour open pit mine and a large land package of mining claims.

Additional properties in the package include the Dome underground mine, Nighthawk Lake, Hollinger, McIntyre and Hallnor, in addition to Preston and Paymaster, which are adjacent to the Dome Mine.

In 2008, Goldcorp's share of Porcupine gold production from the Dome Mill amounted to 291,000 ounces, compared with 158,400 ounces in 2007. Total cash cost increased from \$ 489 to \$ 588 per ounce.

At December 31, 2008, Proven and Probable gold reserves at Porcupine are 2.3 million ounces.

Measured and Indicated resources are 2.92 million ounces of gold and Inferred resources 0.74 million ounces of gold.

At Hoyle Pond an exploration program successfully added more than 1.5 million ounces of reserves since 2000, while the mine has produced over 1 million ounces of gold in the same period.

With existing mineral reserves, Goldcorp's Porcupine Mine has an expected mine life through to 2016.



In November 2006, **St Andrew Goldfields** (SAS - TSX) acquired from Newmont Canada the Holloway-Holt Gold Mines and exploration assets for a cash consideration of US\$ 40 million plus a sliding scale schedule of NSR royalties. NI 43-101 compliant gold reserves are: 963,000 ounces of Measured resources and 270,000 ounces of Inferred resources.

In 2009, SAS expects to produce approximately 15,000 ounces of gold from the Holloway Mine at mine cash costs between US\$ 475-500.

For 2010, gold production of approximately 85,000 ounces is estimated from the Holloway and Hislop mines and estimated production for 2011 at approximately 110,000 ounces also include the Holt Mine.



**Apollo Gold's** 100%-owned Black Fox Mine was acquired in late 2002 from the Glimmer Mine joint venture which was operated and mines by Exall Resources through 2001.

In April 2008, the Company announced the results of a bank feasibility being prepared by SRK Consulting. Highlights include: a net present value of Cdn\$ 302 million using a gold price of \$ 750 per ounce, an internal rate of return of over 62% and capital pay back of 2.0 years, gold production over 150,000 ounces annually over the life of the Project at average totals cash costs for the first three years of production estimated at \$ 326 per ounce, and 1.33 million contained ounces of gold in Probable reserves of which 730,000 ounces to be mined from open pit (4.35 million tonnes grading 5.2 g/t gold) and 600,000 ounces to be mined from underground (2.01 million tonnes grading 8.8 g/t gold).

The project development commenced in October 2008 and has been completed in May 2009. Additionally in October 2008 the expansion of the Black Fox mill commenced to increase its throughput rate from approximately 1,100 to 2,000 tonnes per day.

Ore mining at Black Fox commenced in March 2009 and the mill expansion was commissioned in April 2009. The first gold pour at Black Fox occurred in May 2009.