

Gold Newsletter

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• I haven't mentioned **Nayarit Gold** (NYG.V; NYRTE.PK; C\$0.64) in this newsletter for some time because the pace of news was glacial. The reason the stock remained on our recommended list was the fact that Fred George — the driving force behind Gammon Gold — was a big supporter and investor. In fact, the last time I covered the company was in May 2007, when a proxy fight brought in new management that apparently had the backing of Fred. Not to mention close connections. President and CEO Colin Sutherland, who was appointed in June 2007, previously served as Chief Financial Officer of Gammon when it placed the Ocampo mine into production.

Today, I regard Nayarit as one of our better buys under C\$0.90, based solely on its exceptional exploration properties. I doubt that upcoming news will do anything to shake my belief, as the new management team seems to be making progress based the recent spate of news on good drill results and a major property consolidation. And the news may even warm up the market.

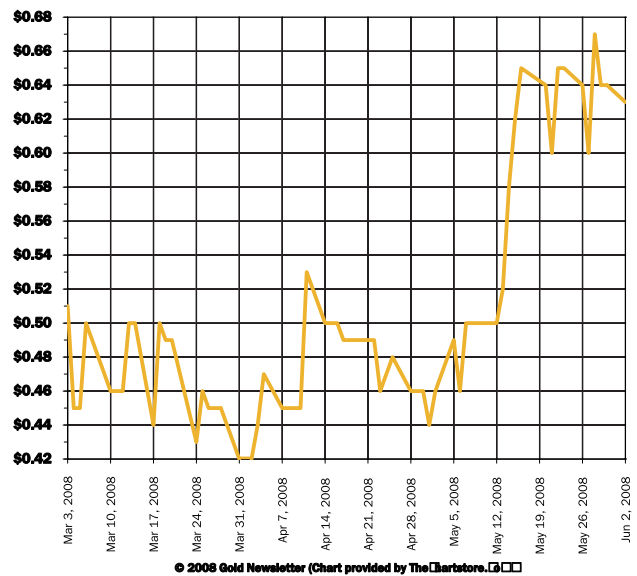
At its Orion concession, Nayarit recently sparked memories of Gammon's early days as it added several concessions, further consolidating the district and bringing its land package to more than 110,000 hectares. There is no shortage of targets here. Orion boasts at least 19 known silver and gold zones, of which 10 are reportedly past producing mines.

The newly acquired ground

contains the historic Francisco mine, located one kilometer west of the Animas discovery zone. This operation mined two parallel east-west striking vein structures at depths of only 100 meters in a limited area. The acquisition also covers the past-producing Pantaleon mine about one kilometer east of Animas. Mapping suggests that the structure hosting the Pantaleon mineralization is a continuation of the Animas zone presently being drilled by Nayarit.

Animas hosts two parallel structures, the Del Norte and Animas veins, part of a larger system of veins and stockwork that extend on surface onto the newly acquired concessions, which add two kilometers of strike length. NYG is testing this structure with an ongoing, phase II drilling program. Recent results include Hole OR-08-55, which intersected the Del Norte vein between 158 and 179 meters and bottomed in stockwork veining. Only some of the core has been assayed so far, a 13-meter interval between 159 and 172 meter that returned 3.7 g/t gold and 178 g/t silver. Hole OR-

Nayarit Gold



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08-59 intersected 48.35 meters of 2.74 g/t gold and 218 g/t silver from a depth of 177.65 meters, including a high-grade intercept of 3.0 meters of 23.78 g/t gold and 2,040 g/t silver.

Nayarit also reported excellent results on two holes drilled to test the depth of the mineralization. Hole OR-08-57 returned 4.75 meters of 3.38 g/t gold and 50 g/t silver, and Hole OR-08-56 returned 43.50 meters of 0.37 g/t gold and 40.5 g/t silver. The intercept in Hole OR-08-57 is approximately 279 meters below the drill collar, making it one of the deepest holes to intersect mineralization. The system is still open to depth and along strike.

The premise of my recommendation has always been that

(Continued...)

Nayarit was a good analog to Gammon. In other words, a consolidation of fractured mineral holdings in Mexico into one large property that could benefit from modern exploration methods and deep drilling.

It seems that this is precisely what's happening now at Nayarit. So it's a good thing I didn't give up on them the many times I considered doing so. It's a buy at current levels, for investors who can look at it as a long-term play. ▲

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