



## **Guanajuato, Mexico: More Ore**

- ***Great Panther Resources Ltd. (GPR)***
- ***CEO Archer & team fulfill colonial heritage***
- ***Part I of IV***

**Ticker Trax™: Stockhouse Exclusive**

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**GUANAJUATO, Mexico** – Enough already has been said and written about this World Heritage city and its massive contributions to the world's silver wealth, most of it shipped to Spain.

What has not been said about the silver still remaining beneath this colonial city after 400 years of mining will be said – but only when **Robert Archer** and his **Great Panther Resources** team begin reopening more of their historic Guanajuato Mine Complex's two dozen shafts.

“There's a tremendous amount of undrilled rock, even after all these years,” says Mr. Archer, a Canadian Scot who assembled Great Panther with a veteran Mexico miner and native, Francisco Ramos

Sanchez, in February 2004. “We have 25 shafts, only three operational.”

The CEO is speaking to us at the 460-meter level of the **Cata Shaft**. We are all dripping in sweat. Mr. Archer and his almost entirely Mexican team are seeing some 1,000-gram grades of silver in the quartz-structured resource down here.



“Cata is running 350 grams silver and 1 ½ gold overall, much better than we have seen or said thus far,” Great Panther’s chief operating officer, **Charles Brown**, chimes in.

Several of us, including more than one independent geologist and a handful of wizened silver analysts, run our hands across the walls of a carved-out hollow just above the new *Cata Clavo* resource, a 150-meter-by-100-meter rectangle of what might turn into a font of future and intense profits. Free silver in the mostly quartz and calcite-laden rock appears abundant. Electrum, an alloy of natural gold and silver, is also visible to (*my*) hungry eyes.

Nearly all of those on this midsummer tour underground, including geologist Brent Cook, writer Bob Moriarty and a handful of select commodities bankers, fund managers and analysts from BMO, Dundee and elsewhere, appear duly impressed. A few, including me, want to bring these rocks home now. Mr. Brown and Mr. Archer look comfortably restrained in their body language, having already been exposed to rock fever these hundreds of meters below surface.

Great Panther’s Guanajuato operations, including a remarkably retooled mill that is working metallurgical wonders on its ore, is a gamer in this reporter’s view. The company, a primary silver producer, also operates **Topia Mine** in Durango State, another silver district farther north from Guanajuato along Mexico’s rich and sprawling Sierra Madre.

This report is **Part I** of four parts. We have too much to say about the city and state of Guanajuato and its two most promising mining companies to pack it all in here. Our profile of this magical place is not the final word on **Great Panther Resources**, which has topped two million ounces of yearly silver production, slashed operating costs and become profitable in a span of less than five years. The situation, as they say, is evolving.

*Great Panther's Cata Clavo alone has 5.3 million silver equivalent ounces, according to a fresh and 43-101 compliant estimate. "I think this may be going on for a long time, like generations," says **Carlos Castro Villalobos**, who ranks as one of the top managers of **Great Panther's Guanajuato Complex**.*

The complex's entire strike length is 4.2 kilometers in length -- or many, many football fields. Atop these plentiful hills, we feel we almost can touch the storybook town of Guanajuato in the distance.

Mr. Archer and his team, including longtime Mexico mining engineer **Francisco Ramos Sanchez**, rescued the bankrupt Guanajuato cooperative that has mined these shafts for generations. That was in December 2005, and cost Great Panther some \$7 million, even as other Canadian companies were searching for entry across the mining-friendly Mexican border.

### **Great Panther: More Ore**

- 15% gain in Mexico mines' April thru June 2009 output to 499,845 silver equivalent ounces.
- 45% decline in cash operating cost per silver ounce (net of by-product credits) to US\$5.73 for that same three months from the year-ago quarter.
- Free cash (EBITDA) of \$1.1 million for the three months and \$2.1 million for the six months closing June 30, 2009.
- Molybdenum deposit at Mapimi Project. (*I consider this big.*)
- Shares (\$100 million Canadian market worth) sell on a market cap. Vs. production scale for about half to one-quarter the level of junior Mexico silver miners First Majestic, Fortuna Silver and Endeavour Silver.
- Considers its cash cost for producing an ounce of silver, approaching low \$6 range (net of byproduct credits), to be among the lowest or even *the lowest* of Mexico silver producers.
- Estimates it will more than double earnings from mining operations at its 3 locations to \$11 million this year from \$4.3 million.

The Panther, as I call the company, saved 400 or more full-time and contract jobs for a town and region that depends largely on mining and tourism for income. In the process, Great Panther's band of Mexican miners, led by their 53-year-old Canadian CEO, has fostered trust with this festive and proud town of 150,000 residents and with influential ministry chiefs in Mexico City.

On the local front, I rate just as important as recovery rates, output, grades and resource estimates (*see inset sidebar*) this simple observation: Mr. Archer's willingness to award incentives and smiles



for rapid and clean mining among workers whose families have lived and mined these tunnels for generations is priceless. Morale underground is *muy bueno*. I even heard what is probably the equivalent of North American hip-hop making the rounds of workers.

On the national front, in-house lobbyist and governmental affairs officer **Sergio Rios Martinez** works Mexico City with verve and deft. Mr. Rios, who has governmental and diplomatic experience in Europe and once acted as a trade commissioner to North America, has what the Mexicans call *palanca*, or pull. Mexico as a nation is fiercely proud of its silver mining heritage. Mr. Rios knows

that.

The week we were in Guanajuato, mining officials were consulting Mr. Rios not just about activities in Guanajuato, **Topia** and Great Panther's **Mapimi site**, but also about other Canada-controlled companies that are fast claiming, modifying or increasing their stakes in these and other districts (*Paramount Gold, Candente Resource Corp., Oremex, ECU Silver, among others of interest*).

A job is a job is a job, whether it starts in Vancouver, Toronto, Guanajuato or Mexico City.

“You must understand that aside from all the talk of grades and ore and tonnage, that Mexico, and especially Guanajuato State, are quite

dependent on silver,” Señor Rios tells me one evening over a glass of fresh chilled milk. Outside our restaurant, the skies are not blue but churning gray, the night’s clouds spilling their guts in the most powerful and wondrous thunderstorm I have witnessed since my teaching days many years ago in Medellin, Colombia. “The Canadian companies here, Great Panther, Endeavour, Gammon, are as important to our livelihoods as our (120-year-old) **Industrias Peñoles.**”

Mr. Rios, with the invaluable assistance of **Francisco Ramos Sanchez** and that gentleman’s lifetime of Mexico mining connections, might hold an advantage over other Canada-operated entities searching for properties. Networks in any country count for something, even if those connections are tallied by analysts non-quantifiable “goodwill hunting.”



It is fair to point out that next-door neighbor Bradford Cooke’s **Endeavour Silver** ([AMEX: EXK](#) and [TSX: T.EDR](#)), is also active in Guanajuato and other locations in Mexico. I would not have visited Guanajuato, which is within striking distance of Mexico City and Houston by air, had I not been granted access to Endeavour’s mining operations. After all, Endeavour Silver also is a **Ticker Trax Planetary Prospect**, one of eight such investments that we believe belong front and center in a silver-leaning portfolio of natural resources (gold, silver, molybdenum) and specialty life sciences (anti-virals).

Each of these two silver producers deserves its own space in our reporting – even if they are, in many ways, believers in the same mining ethic that made this part of Mexico fabulously wealthy for centuries. [Guanajuato](#)’s output over the centuries has been pegged at some one billion ounces of silver, or enough of the precious and industrial metal to keep more than one Spanish Queen and King on their respective thrones. (*We will discuss Endeavour in Parts III and IV of this Guanajuato report in coming weeks.*)

**Endeavour Silver** (EXK and EDR) and **Great Panther Silver** ([TSX: T.GPR](#)) are racing to lower per-ounce cash costs for producing silver. They are, how shall we say, cordial when their principals meet at the local *cantinas* here ... yet ferociously competitive underground

-- in a silver mining district that one day could re-establish itself as the planet's most luscious, with grades of silver and some gold that are off the scale for large amounts of easily processed and shippable ore.

Both these companies, working essentially many of the same major *Veta Madre* and other veins across and beneath these hills, appear to share a common goal: to become mid-tier producers of silver (at least five million ounces a year) as fast as they can. The two Mexico miners each have reported dramatic increases in silver grades and respective gold production down Mexico way ... and lower costs.

At Great Panther's **Cata processing plant**, we (*I speak here as both the member of a special tour group and as a shareholder*) are seeing dramatic increases in grams of gold and silver per tonne of processed ore. The sludge heaped into a corner of the plant, this concentrate that derives from silver sulfides, selenides and some *electrum* in quartz-calcite veins, then loaded onto trucks for delivery to smelter, is on some days yielding as much as 19 kilos of silver per tonne and 100 grams of gold – up from a second-quarter average of about 13 kg silver and 70 grams gold. A silver/gold recovery rate in the mid-80 percent range is up nicely from 63 percent just several months ago.

“By slowing down the plant,” says Brent Cook, an independent geologist, writer and investor, “taking care to crush the rock more consistently, and pulling higher-grade ore from the ground, they are improving the quality of their tonnage. It's a good story.”

**Armando Aguilar Vasquez**, the plant's manager for two years now, was a regular fixture at the Cata site for at least 15 years, with the old and now defunct cooperative that mined the central and eastern blocks of the Guanajuato Mine Complex.

This summer, Armando has made headway with equipment improvements and replacements, including tertiary crushers, magnets, ball mills and flotation circuits. Patrolling the plant like a proud Papa, Armando's name is one you might find in a fleeting press release. But he won't be showing up in an all-star PDAC/Toronto line-up of chemistry wizards. Too bad, because one day, as his fine-tuning of the machinery and the chemicals here accelerates, Armando Aguilar Vasquez's work will be honored among silver aficionados and

shareholders across North America. Trust me on that one – I pray this does not strike subscribers as grandiose.

When I pull him aside for a minute, Armando tells me the plant easily can step up processing to 800 tonnes of ore per day from its present 600 tonnes. Full capacity is 1,100 or so tonnes, he says.



Thanks to Armando and his team (including mine managers **Carlos Castro Villalobos**, **Sergio Montoya Martinez** and others), and thanks to Armando's metallurgical meddling with chemical reagents in an on-site lab, **Great Panther** is experiencing dramatic rises in the quality of its ore concentrates. The improvement is (*in my layman's eyes it is mind-blowing*) one segment of what Robert Archer says is a Mexico-wide theme of applying technology, capital improvements and common sense to generations-old mining practices.

"Much of what we bought in (December) 2005 was run down," Mr. Archer says about this plant and the operating mine shafts of Valenciana, Cata and Rayas. "This is a snapshot of what has happened across the country, families and communities with deep roots and respect for mining but no capital, and that means no new equipment." (**Photo:** CEO Robert Archer prepares to go down under.)

Allow me, in this conclusion to **Part I** of our **Guanajuato Tour**, to present bullet points, straight from this reporter's torn and sweat-stained notebook:

-- **The cash cost** of processing the ore is falling like a rock – to about \$18 per tonne when we visited in July 2009.

-- **Mr. Archer's** power-minded employees run the plant on the four days that are cheapest in terms of electricity expenses: Thursday through Sunday.

-- **Armando and Carlos** at the plant tell me new cyclones expected later this year could “pump” the ore concentrate to all-time levels of silver/gold per tonne. I’d be happy to see the concentrate being loaded onto massive trucks here merely stay in that 15-kilo to 20-kilo per tonne range most days.

-- **Great Panther’s VP** of exploration, **Robert F. Brown**, says the company hopes to show potent, focused and long-lived resource estimates, not just at Guanajuato, but at Topia and Mapimi.

-- **Allow me** to close with Mr. Archer, the CEO: “We have a *Veta Madre* that is 60 to 80 meters wide here, and quite a few kilometers in length. Even after all these centuries, there is a tremendous amount of undrilled rock. You have to remember that the cooperative that worked these mines was doing the best it could. But it would pull out these big blocks of quartz in wholesale fashion. That made for terrible head grades. Grade control around here,” Mr. Archer says, as he leads a group of us sharply up-ramp from the *Cata Clavo* resource, threatening our hamstrings and flooding our sweat glands, “is critical.”

Those who want more facts can view Great Panther’s technical reports, maps and bullet points about Guanajuato (and its other properties) – all of the material presented [at this link](#) in a manner far more exhaustive than I can deliver. (*I apologize in advance for any leaps in logic or mislabeled names and will correct anything as it is needed.*)

**That is all for now.** Please stay tuned for **Part II**, amidst other **Ticker Trax** bulletins about our 8 Planetary Prospects.

## **Ticker Trax™ Track Record**

**Ticker Trax** subscribers are seeing their wealth mount since we pointed to our first Planetary Prospect, **Central Fund of Canada**, in November 2008. The secular themes that have benefited our portfolio of 8 thus far include rising prices for gold and silver, revived interest in Mexico and its producing silver miners and (*sadly*) the

threat of continued influenza outbreaks and possible epidemics/pandemics across the globe.

-- **Great Panther Resources (GPR):** Targeted at 48 cents a share Canadian, shares of the **Guanajuato** silver producer sell for 55 cents at present. Great Panther is searching for acquisitions in Mexico. *Please see previous coverage in our [password-secure archives](#).*

-- **Central Fund of Canada (CEF and CEF.A):** Targeted at \$10.80 or so in December 2008, shares of the silver and gold repository sell for about \$12.20. U.S. Central Fund goes back to 1961 and is operated by the Spicer family of Canada.

-- **Great Basin Gold (GBG):** Targeted at \$1.40 U.S. in January 2009 and affirmed again in March at \$1.20, shares of the South Africa and Nevada imminent producer of gold sell for \$1.30 a share at present. I will be attending Ferdi Dippenaar's Great Basin Nevada tour in September.

-- **BioCryst Pharmaceuticals (BCRX):** Targeted at \$1.70 U.S. in December 2008 and affirmed again at \$1.40, shares of the drug discovery company (influenza, leukemia, psoriasis, cardiac arrest, auto-immune diseases) sell for \$10 at present. I expect EXTREME TRADING of **BIOCRYS** SHARES for the remainder of THIS YEAR. We here at home now own 62,000 shares.

-- **Endeavour Silver (EXK and EDR):** Targeted at \$1.45 U.S. in February 2009, the shares sell for about \$2. I believe the company's managers are poised to deliver rapid production growth at Guanajuato and other locations in Mexico.

-- **Avanti Mining (AVT):** Targeted at 15 cents a share Canadian, the shares at present sell for 16 cents or so in thin trading. The Denver company is tiny and extremely speculative. Avanti is developing a

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As stated earlier, my family and I own shares of all 8 **Planetary Prospects**, including **Great Panther Resources**.

**molybdenum property** in British Columbia. I'll see it next week with my own eyes.

-- **Candente Resource Corp. (DNT)**: CEO Joey Freeze is splitting the company into two entities: copper in Peru and gold/silver in Mexico at El Oro and in Peru. The second company, Candente Gold, has yet to emerge as a public company. We targeted DNT three months ago at 40 cents a share Canadian. The shares now sell for 50 cents. **Candente Gold** has received conditional listing approval for its common shares from the Toronto Stock Exchange. The approval is subject to a successful financing of \$5.7 million Canadian. Candente Gold, when it starts trading, will be our 9th Planetary Prospect.

-- **Endeavour Financial (EDV)**: Neil Woodyer and consultant Frank Giustra are attempting to transform this Vancouver merchant bank into a ticket for individual investors to join the Big Banquet Hall of sovereign funds and international banks. The bank is trying to arrange a \$400 million partnership for engineering gold company mergers. We targeted the shares two months ago at \$1.30 each Canadian, and they sell for about \$1.40 now. (*Please see password-secure [Ticker Trax archives for more](#). Also: [Stockhouse article](#).)*

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