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GOLD NEWSLETTER ALERT #271

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BRAZAURO RESOURCES

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As Jim Dines is wont to say, "The early bird gets the worm, but it's the *second* mouse that gets cheese!"

And thus it often happens in gold exploration, where it's not the first to make a discovery that ends up with the greatest rewards. You see, some of the biggest discoveries across the world are "found" after local residents come across gold at the surface, and simply follow it downward using crude excavation and recovery techniques.

For example, Southwestern Resources' Boka gold project in China — one of the largest and richest finds in recent history — was first uncovered by locals who dug dozens of tunnels, following the gold mineralization into the face of a large plateau.

Typically, these miners exhaust their capability to mine the gold after penetrating no more than 10 or 20 meters into the surface. In addition, they don't have the ability to economically recover gold from lower-grade ore.

So modern exploration companies are keen on finding areas where local miners have combed over the territory. It means that gold is in the system...and it's likely of a fairly high grade.

One of the companies benefiting the most from this phenomenon is Brazauro Resources, a company that controls an enormous land position in the rapidly emerging gold frontier of Brazil.

Brazauro's flagship property is its 100%-owned TZ Gold Project (thankfully abbreviated from the proper name of Tocantinzinho). This massive, 40,500-hectare concession lies in the heart of the gold-rich Tapajos district of Brazil, right on the aptly named TZ Trend.

Pictures of the TZ Project are quite impressive, showing a deeply pockmarked landscape, scarred by the efforts of countless local "garimpeiros" miners.

Granted, these miners lacked the earth-moving capabilities and technology of Western mining companies. But they made up for it with persistence...and some fairly powerful water cannons that blasted the weathered, gold-carrying saprolite soil.

Over this ravaged landscape, Brazauro has drilled 20 deep, diamond-core drill holes to date. And the results have been remarkable.

Highlights of the drilling include Hole 4, yielding 170.2 meters at 1.84 g/t gold, Hole 11 with 174 meters of 2.41 g/t, Hole 16 with 165.4 meters of 1.65 g/t, and Hole 17 with an amazing 283.0 meters of 1.63 g/t.

Those are huge intersections, to say the least. So far, the 20 holes have outlined a resource 600 meters long by about 150 meters wide...and a remarkable 280 meters in depth. Moreover, the zone is open to the south, the east and to depth.

Drilling to date has already outlined a substantial resource at the TZ Project, one that probably encompasses a million ounces of gold, with the likelihood of increasing that total substantially. A new round of drilling is scheduled to begin shortly, likely by the time you get this letter.

But it gets even better. This is a major, emerging gold district and Brazauro has the commanding position. The TZ project is huge — large enough that the current gold zone could be duplicated numerous times over on this property alone.

In addition to the TZ Project, however, Brazauro has acquired the Mamool Project, lying directly along trend about 30 kilometers to the southeast of TZ. This 10,000-hectare property also saw tremendous garimpeiro gold production, and appears to be a near twin to the TZ Project.

Last year, Mamool was the subject of an extensive surface sampling program that included 2,400 soil auger samples and 150 channel and chip samples over a 10 kilometer by 6 kilometer area. The soil samples graded as high as 2.5 g/t and the channel samples topped out at 1.5 oz/ton.

After conducting another round of soil sampling, Brazauro will prepare Mamoa for a late-summer drilling campaign that will test three large areas of mineralization. Though less advanced than TZ, the project offers more than a little blue-sky potential to the company's project portfolio.

While TZ and Mamoa are quite exciting, Brazauro offers other advantages as well. The management team is notable, featuring Mark E. Jones as chairman and Leendert Krol as president.

Jones, a former director of Arequipa Resources (which appears to be a theme of this issue), is the founder of Crown Resource Corp. (being bought by Kinross for US\$120 million), and also serves as chairman of Solitario Resources.

Krol brings some imposing credentials to the table as well. With over 35 years of experience in mineral exploration, much of it in Latin America and Brazil, he has served as vice president of international exploration for Newmont Mining.

Bottom line: Brazauro is a well positioned, well-managed exploration play with the potential to outline a multi-million-ounce deposit on its first property...and then duplicate that success on other projects in the region.

Brazauro Resources Corp.

Recent Share Price:C\$1.06
Shares Outstanding:45.5 million
Market Cap:C\$48.2 million
Shares Outstanding
Fully Diluted:52.3 million
Market Cap
Fully Diluted:C\$55.4 million

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