

# P. ZIHLMANN INVESTMENT • MANAGEMENT AG

Your independent **Swiss** asset manager

## THE TIMELESS PRECIOUS METAL FUND

THE SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND

UC RESOURCES LTD. (TSXV: UC) FOLLOW-UP NO 4 / January 30, 2007

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<u>UC RESOURCES LTD: RETURN ON CAD 10,000 INVESTMENT</u>					
<u>Purchase Date</u>	<u>No. of Shares</u>	<u>Purchase Price</u>	<u>Cost (CAD)</u>	<u>Price Today</u>	<u>Value Today</u>
January 26, 2006	55'000	0.18	9'900.00		
<b>Total</b>	<b>55'000</b>	<b>0.18</b>	<b>9'900.00</b>	<b>0.58</b>	<b>31'900.00</b>
<b>Profit</b>					<b>22'000.00</b>
<b>Profit (in %)</b>					<b>222%</b>



<u>SHARES OUTSTANDING / FULLY DILUTED</u>	<u>MARKET CAP</u>
69.8 million / 96.3 million	CAD 42.3 Million
<u>52 WEEK LOW / HIGH</u>	<u>AVERAGE TSXV</u>
CAD 0.175 to 0.85	423,300 (200-day)
<u>RECOMMENDATION</u>	<u>RISK RATING</u>
BUY	HIGH

## **EXPLORATION FOR GOLD AND SILVER AND PRODUCTION IN MEXICO**

### **Business Summary**

UC Resources Ltd. is a producer of Gold and Silver in Mexico. The Company's goal is to combine both cash flow from production along with a significant exploration upside from its mining assets. This approach is a reflection of the strategic business acumen of **Richard J. Hamelin**, President & CEO. His first career was in the mines of Timmins, Ontario, allowing him to understand both international finance and mining. Richard J. Hamelin resides in Torreón, Mexico.

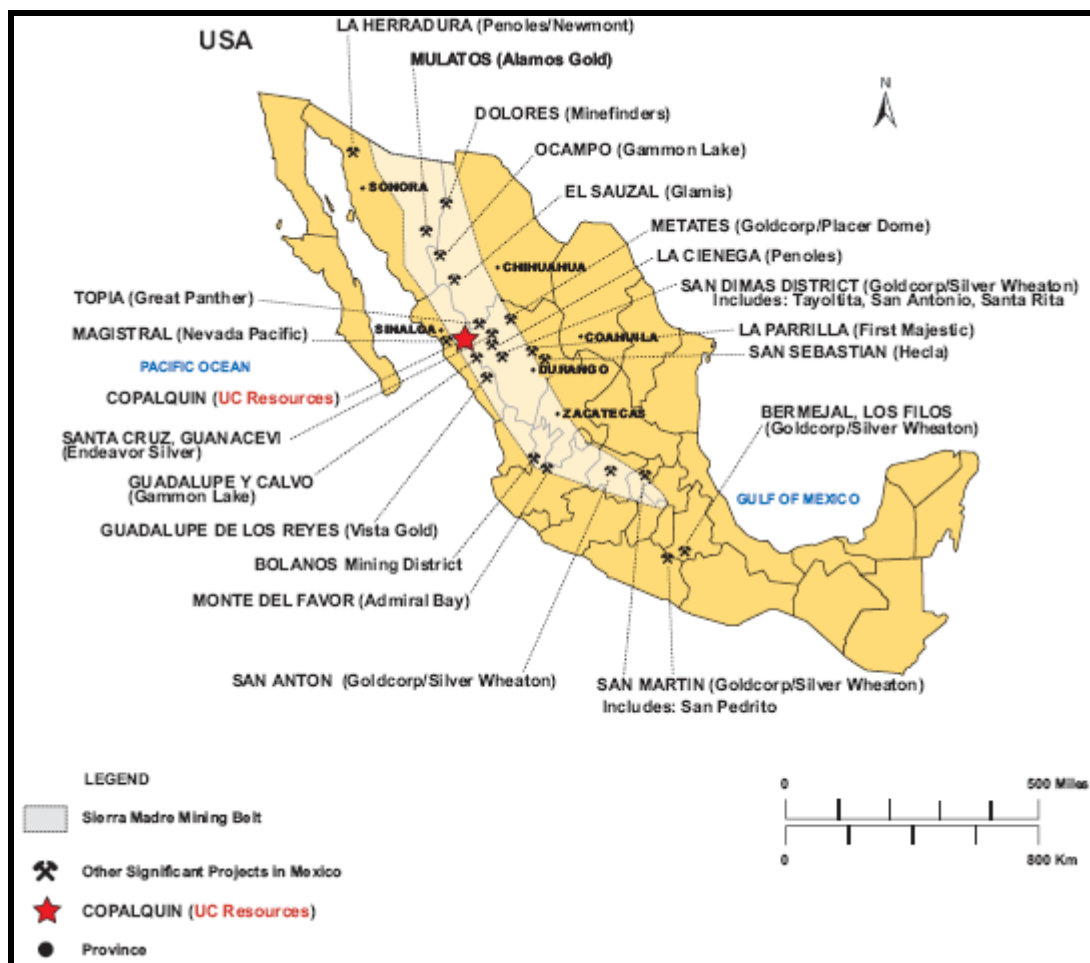
UC Resources has made several significant corporate achievements of recent and is aggressively moving ahead with its 100% interest in the 152,000 hectare (1,500 sq km's) historically productive **Gold and Silver Copalquin Project in NW Durango**, Mexico. The Copalquin Mining District is reputed to have produced at least 250,000 ounces Gold and 11 million ounces Silver.

Mexico is the number two producer of Silver in the world, and remains a most favourable environment for mining and investment. Copalquin is located in the heart of Mexico's prolific Sierra Madre Mining belt and is the flagship property.

### **Coplaquin Property**

Copalquin is a very attractive exploration target for gold and silver:

- The geology and exploration results are indicative of a **potential huge, open pit system** (typical of epithermal type systems). Some of the largest gold producers in the world are, in fact, open pit mines, with low grade ore.
- The epithermal system also contains high-grade vein-type deposits, which potentially can be mined with an underground mine, or recovered as part of a large open-pit mine.
- **Copalquin has historical production and previous producing mines, allowing leveraged exploration.** Looking for high-grade gold and silver near previous producing mines, such as the La Soledad mine, resulted in the discovery of a mineralized zone with an average of 1.4 ounces per tonne of gold and 50 ounces per tonne of silver.
- The system is on trend with other major discoveries along the Sierra Madre's of Mexico, which is one of the world's most prolific gold and silver mining belts.
- Mexico has a most favorable business and regulatory environment for mining and investment.



64,000 hectares have been expanded to 152,000 hectares.

The Phase 3 Exploration Drilling program is underway, designed to delineate the down dip extent of the historic La Soledad gold mineralized zone and to identify additional high priority drill targets within the regionally extensive epithermal system that has been identified at Copalquin.

**The goal is to prove up a resource that would be suitable for a large scale, open pit mining operation.**

## La Yesca Project

consists of a 600 hectare mining concession which includes two previous producing gold - silver mines. The project also includes a modern milling facility designed to process two hundred (200) tonnes of feed per day. Approximately two hundred twenty five thousand and seven hundred fifty (225,750) tonnes of tailings from the historic mine workings in the project area are available to be processed. **The tailings qualify as an inferred resource under NI43-101 compliancy rules.**

To date, all of the components of the mill have been installed and are running well. Minor adjustments are necessary, and will continue to be made over the course of the next few days in an effort to fine-tune all of the various aspects of the mill.

UC Resources immediate exploration focus for the build-out of the La Yesca project will **be the La Colorado mine**. This is a significant exploration asset located on the adjacent Xora concession with an inferred mineral resource of 11,730 tonnes grading 0.70 g/t gold and 619 g/t silver. La Colorado mine was a past producing gold and silver mine, tonnage mined is unknown. Lower grade gold and silver found immediately east of the La Colorado mine opening suggests that a zone of bulk mineable material may exist on the property, within which there may be additional high grade mineralization similar to the La Colorado vein.

The La Yesca mining district is underlain by Tertiary age andesite and rhyolite volcanic rocks that are part of the prolific Sierra Madre Occidental mining belt, which hosts numerous epithermal gold and silver mines and mineral occurrences. In the immediate La Yesca district there are at least 16 known gold and silver mineral discoveries, of which five are reportedly past producing mines. UC Resources is committed to a long-term plan for the district, and intends to significantly expand its land holdings. Management plans on using some of the funds generated by the tailings processing project will be directed to exploration of this project.

## Highlights

- The past producing La Colorado mine has **yielded historical silver grades between 128.4 and 555.3 g/t.**
- Inferred mineral resources of approximately 225,750 tonnes of tailings with a grade of 2.0 g/t gold and 220 g/t of silver.
- A modern mill with the design capacity of processing 200 tonnes of feed per day. Once the mill modifications are complete, an estimated 80% recovery rate for both gold and silver should be achieved (historical recovery rates are 80% for gold and 50% for silver).
- Tailings processing project has a low operating and recovery cost.
- Geology is typical of other epithermal discoveries in the Sierra Madres.

## Recent News: Production and Exploration News

UC Resources announced **that it has started its La Yesca Project processing plant** with the purpose of testing all of the plant's components. The plant has been operating for a period of one week as part of the initial commissioning process, leading up to the initial production rate start-up scheduled for early next week.

To date, all of the components of the mill have been installed and are running well. Minor adjustments are necessary, and will continue to be made over the course of the next few days in an effort to fine-tune all of the various aspects of the mill.

It is expected that the initial start up will be set at a feed rate of 50 tpd and be ramped up to the design capabilities of 200 tpd over the course of the next few weeks.

UC Resources immediate exploration focus for the build-out of the La Yesca Project is the La Colorado mine (gold occurrence-former gold and silver producer). **This gold occurrence is**

**considered by management to be a significant exploration asset located on the adjacent (to the aforementioned former production property) Xora concession with an inferred mineral resource of 11,730 tonnes grading 0.70 g/t gold and 619 g/t silver** (this resource estimate is from available government documentation as disclosed in the NI 43-101 report on file).

The La Colorada mine was a past producing gold and silver mine (circa 1700 by Spanish mining interests), and actual tonnage mined is unknown. Lower grade gold and silver found immediately east of the La Colorada mine opening suggests that a zone of bulk mineable material may exist on the property, within which there may be additional mineralization occurrences that are similar to the La Colorada vein. This type of target prompted a reconnaissance style of follow-up. Some of the historical mine workings were recently (January 9-13 2007) visited by UC Resources exploration personnel. Sampling of some of the occurrences that could be easily accessed was completed. Recent sampling at the La Colorada mine included the selection of 5 representative samples of the exposed un-mined vein material from near surface to 50 meters inside the old mine as accessed from the main portal. The exposed un-mined vein, as it was left, varied from 0.45 meter to 6.0 meters wide, and samples were selected from along the 50 meter length at approximately 10 meter intervals. The assay results varied between 0.1 g/t to 1.05 g/t Au and 29 g/t to 952 g/t Ag. The arithmetic average of the assay results was 0.46 g/t Au and 279.2 g/t Ag. A representative sample from the nearby mine dump was 0.6 g/t Au and 301 g/t Ag, being similar in grade to the in situ vein material from the old mine.

## **Fundamental Considerations**

### **Production of Gold and Silver at La Yesca and Mar**

Production generates cash flow. Once UC is generating cash flow, a series of benefits are expected to occur:

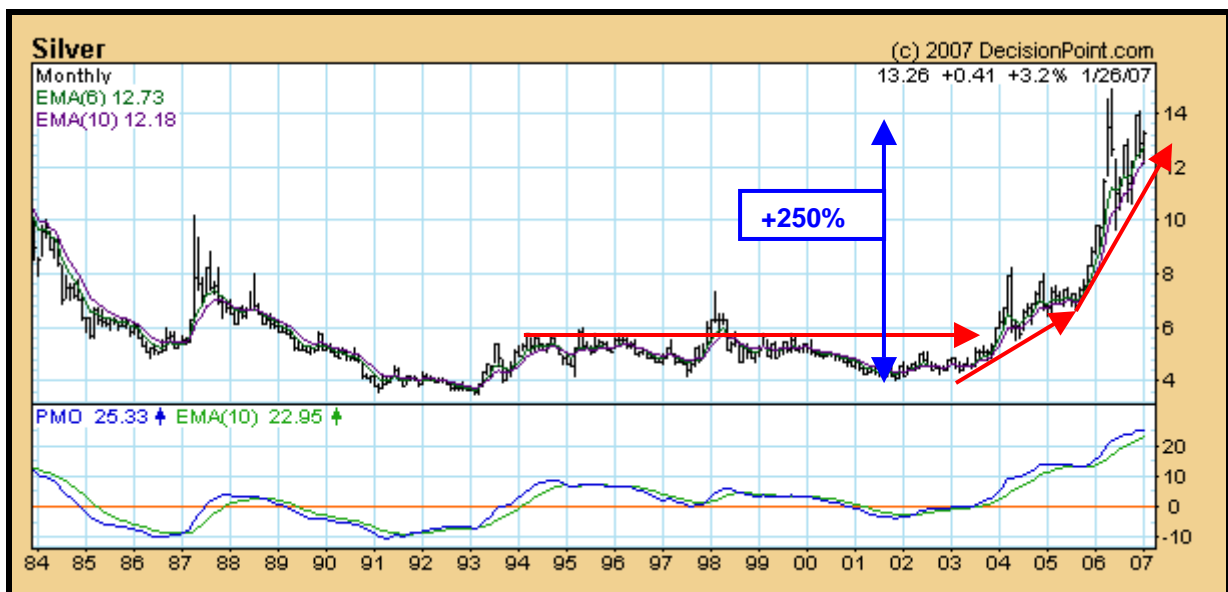
- Increased shareholder value.
- The company will have the capacity for debt financing, leveraging Return on Equity.
- Exploration and acquisition can be funded from debt and free cash flow, reducing or eliminating the need for additional equity raises and the concomitant dilution.
- More institutional ownership, as many institutions have a mandate to invest only in producers.

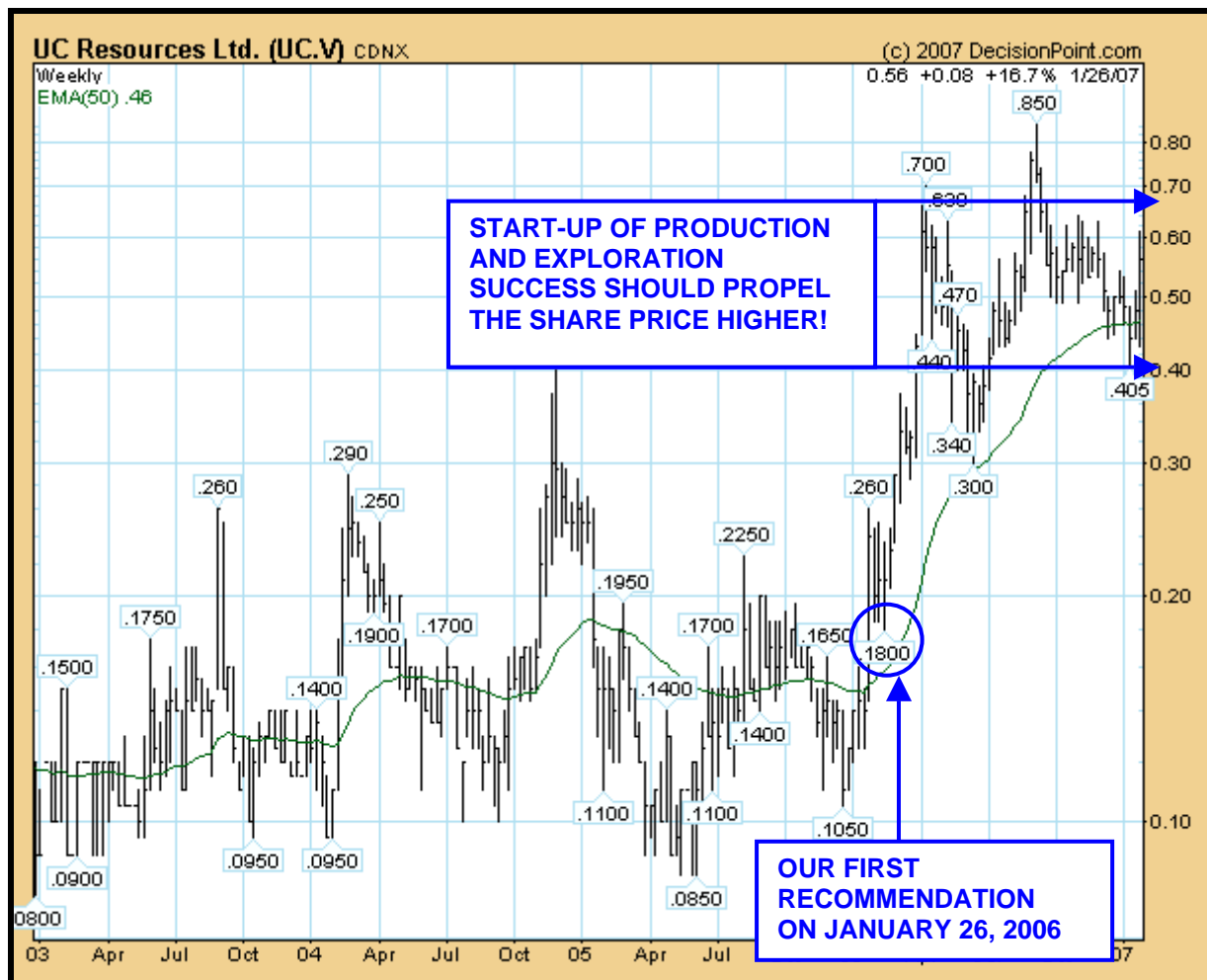
### **Exploration of Gold and Silver at Copalquin**

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- **The system is on trend with other major discoveries along the Sierra Madre's of Mexico, which is one of the world's most prolific gold and silver mining belts.**
- Mexico has a most favorable business and regulatory environment for mining and investment.

# Technical Considerations





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**THE TIMELESS PRECIOUS METAL FUND & SIERRA MADRE GOLD & SILVER VENTURE FUND**  
 are a shareholder in the company and will benefit from any increase in the company's share price.

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 Disclosure: The author has not been paid to write this article, nor has he received any other inducement to do so. The author is a shareholder in the company and will benefit from any increase in the company's share price.

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