

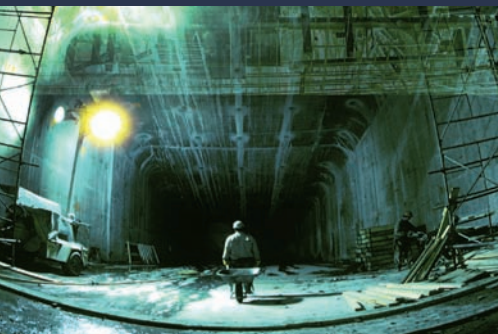
MEXICO MINING

RICHES WITHIN REACH

NEW DEVELOPMENTS TAP HIDDEN WEALTH

Juan Campuzano, the recently appointed Mexican trade commissioner in Toronto, speaks in a soft voice with a soothing message for those contemplating investments in the mining industry in his country. “There are great opportunities in Mexico,” he says. “We have laws in place to protect foreign investments and their companies; deep infrastructure projects are being developed; Mexico is a large and growing market, on top of being a trade gateway to Latin-American countries, Europe and Asia. In fact, many of the Canadian companies that I have spoken with view Mexico as a benchmark for promoting foreign investment.”

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Campuzano is, of course, anything but an impartial observer, but even by the most rigorous yardsticks used to measure these things, Mexico stacks up well as a place to invest. In the 2007/2008 Fraser Institute mining survey, the country ranked 24th out of 68 jurisdictions around the world and was rated number two in Latin America behind Chile. “Mexico gets extremely favourable comments from people who work there,” says Fred McMahon, the institute’s director of globalization studies.

The overall ranking is a composite based on a range of criteria, including legal and regulatory regimes, taxation, treatment of foreign companies and mineral potential. On the latter, mineral potential given current regulations and land-use restrictions, Mexico ranked number one. The Latin American nation has a history of gold and silver mining that pre-dates the arrival of the Spanish conquistadors in the early 1500s. Yet only 15% of Mexico’s land surface has been explored while approximately 60% possesses the geological conditions typically associated with mineral deposits.

Much of Mexico remains untapped for two reasons. For centuries, the country’s foreign investments laws were restrictive, if not outright hostile toward outside companies. That changed after Mexico signed the North American Free Trade Agreement in the early 1990s and began bringing its mining legislation into line with Canada and the U.S.

Domestic capital markets have also limited the mining industry. Small, private companies involved in high-risk exploration ventures have had

difficulty securing necessary capital in Mexico. Many have found opportunities elsewhere – often in Toronto, where TSX enjoys an international reputation for funding such projects. Campuzano adds, “Most of the foreign direct investment in the Mexican mining industry is Canadian owned, and the mission of the ProMexico offices in Canada is, among other things, to develop and strengthen relationships with key Canadian companies in the mining and financial sectors.”

They have been active in all phases of the industry – exploration, development and production. They have explored known deposits, found new ore bodies, added to proven reserves and built new mines. And many have come back with glowing reports. “Mexico has a favorable taxation policy, a knowledgeable community and encourages foreign participation,” says one exploration company manager quoted by the Fraser Institute.

The vice president of a producer company with less than U.S.\$50 million revenue adds: “Mexican [policy] cuts through red tape ... The government understands exploration and its importance.”

In 2007, Mexico launched a five-year infrastructure renewal program that will benefit the entire economy, including the mining industry. By 2012, the national government expects to build nearly 2,200 kilometres of new roads, five ports and three airports while other facilities for air and marine transport will be expanded and modernized.

“Infrastructure is tremendously important for the mining industry,” says McMahon. “A huge percentage of the cost of mineral production can be in transportation.” ■

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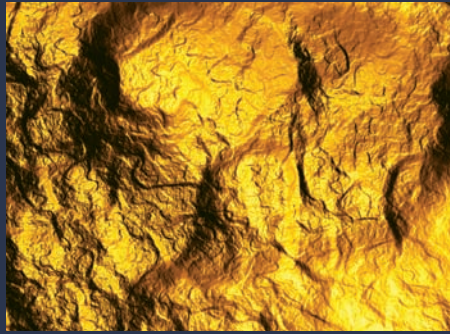
FUN AND SUN IN MEXICO

Why not mix business with pleasure?

Mexico is rich in minerals, but it’s also blessed with fascinating culture, historical sites, awe-inspiring museums, and, of course, some of the best beaches and resorts in the world, most of which are also well equipped for business meetings and conventions.

Whatever your interest might be, from the Zócalo and the ancient floating gardens at the historic heart of Mexico City to the sands of Acapulco, there is something for everyone in every part of Mexico.

Getting there is easy. Air Canada operates numerous scheduled and charter flights. But you have many options. Mexicana operates 47 flights weekly to Mexico City from five Canadian cities – Toronto, Montreal, Vancouver, Calgary and Edmonton. Aero Mexico will begin one flight daily, Saturday and Sunday included, from Toronto to Mexico City on March 3 and a similar service from Montreal will begin in April. ■



MEXICAN MINING OFFICIALS TO ATTEND PDAC CONVENTION

A delegation from Camimex, the mining chamber of Mexico, will attend Toronto's world-renowned mining convention, trade show and investors exchange in March.

Eight members of the mining chamber

will attend the Prospectors & Developers Association of Canada gathering on March 1-4, 2009, at the Metro Toronto Convention Centre.

The participants will be Camimex president Xavier García de Quevedo, who

is also president of Grupo México, the largest mining company in the country; Camimex director general Sergio Almazán; Manley Guarducci of Minas de Oro Nacional and vice-president and chief operating officer of parent company Alamos Gold; Amador Osoria, president of the Association of Mining Engineers, Metallurgists and Geologists of Mexico; Keith Neumeyer, CEO of First Majestic Silver Corp.; Ramón Dávila, chief operating officer of First Majestic Silver; Armando Sánchez of Industrias Peñoles; and Salvador García, director general of Luismin, a subsidiary of Goldcorp Inc.

Last year, more than 20,000 delegates from 108 countries attended the PDAC convention, with foreign attendees accounting for 25% of the total. The trade show featured 609 booths including 56 government exhibitors, while the investors exchange featured 603 booths from 587 companies.

For more information on the Mexican delegation, contact Julia Dawn Ptaszyk at julia.ptasznyk@promexico.gob.mx or Adriana Villasenor at adriana.villasenor@promexico.gob.mx. For more information on PDAC, visit www.pdac.ca. ■

Mexico Mining Riches Within Reach

CANADIAN MINERS DRILL DEEP

Ottawa-based Paramount Gold and Silver Corp. has spent three years and some \$20 million drilling on a 100,000-hectare property in the Mexican state of Chihuahua and company president Christopher Crupi couldn't be happier with the results.

The exploration program has uncovered a resource equivalent to 2.6 million ounces of gold and silver, and that's after tapping only 2% of the company's land. Last fall's stock market crash and the downturn in the world economy has forced Paramount to hit the brakes temporarily, but Crupi hopes further exploration will disclose resources in the range of five to 10 million ounces and eventually lead to a production deal with a major mining company.

"We've done very well in Mexico," adds Crupi. "It's a great place to do business. They have an excellent supply of labour with very good skills. And the government goes out of its way to encourage foreign investment."

Furthermore, despite its 500-year history of mineral extraction, Mexico remains relatively unexplored using modern technology and techniques due to restrictive mining and investment laws that were only updated in the early 1990s. The government's new open-for-business approach has created an exploration bonanza, led largely by TSX-listed companies, and the discovery of significant new ore bodies.

Toronto-based Virgin Metals Inc. has spent several years drilling for molybdenum and copper at two sites in the mountainous state of Sonora in northwestern Mexico. President and CEO Chris Davie says exploration program has disclosed

high-grade molybdenum and copper at the company's Los Verdes property and could immediately support a small scale mining operation and eventually a larger scale operation. Virgin's larger Cuatro Hermanos site contains massive tonnage. Drilling to date has outlined several hundred million tonnes of copper/ molybdenum mineralization over only about 30% of the known mineralization. As well grades so far are modest, about 0.4% copper equivalent. The size and extent of mineralization are such that it would probably require major financial muscle for future exploration." ■

BEAT WINTER - AND THE TAX MAN

Here's a timely tip for companies looking to get more bang for their buck when planning a corporate meeting or convention. Book your next event in Mexico. Since Jan. 1, 2004, the Mexican government has waived its value-added tax of 10% in border zones and 15% in the rest of the country in order to attract foreign companies.

Zero VAT applies to accommodations, transportation to and from hotels, meals and beverages consumed as a group at an event venue and a number of other services such as telephone charges and Internet access.

The program is meant to stimulate the tourism sector, which represents 5.5% of the wages and salaries of Mexican workers. It can also stretch a corporate event budget by 10% to 15%, making the program a win for the host country and for corporate visitors. ■

MEXICO'S CANADIAN CONNECTION

Mexico's mining industry has an ally in Canada and it's called Toronto Stock Exchange (TSX) – the world's number one market for financing mineral companies (i.e. mineral exploration, development projects and producers).

TSX and its kid brother –TSX Venture Exchange – list 55% of the world's publicly traded mining companies. Collectively, they raise more money and handle more transactions – almost 3,000 in 2008 – than any other exchange.

TSX has played a pivotal role in financing Mexico's exploration boom over the past decade and junior mining companies have been front and centre. As Koyanagi explains, small, private Mexican companies may assemble a promising portfolio of properties but have great difficulty raising money for exploration on the Mexican stock exchange, which is dominated by big companies and institutions.

Hence, many have sold their portfolios to Canadian firms, or entered partnerships with them, and the Canadians then raise the exploration capital through TSX and TSX Venture. Currently, 197 companies listed on TSX or TSX Venture have projects in Mexico, far more than any other Latin American country.

Recently, TSX has been courting Mexican companies and encouraging them to raise money directly. "We're starting to develop strong ties," says Koyanagi. "We're saying to them: 'Come to Toronto and list your company.'" ■

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