

# RESOURCE OPPORTUNITIES

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## Majestic Gold Corporation (MJS-TSXV)

*Extracted from the November 2004-2 Issue*

Majestic is acquiring interests in three gold exploration projects in China. Two projects in the eastern part of the country are currently producing on a small scale. I toured those two projects on a recent trip, including the underground operations.

Majestic's original Chinese project – Sawyer-dun – is located in the high mountain region of western China, on the prolific Tien Shan gold belt. Previous widely spaced drilling by the Chinese company outlined a mineralized zone capable of hosting a million-ounce-plus deposit. Further work is required to understand the size of that zone and its grade, which will get underway in the spring.

The focus is now on the two projects in Shandong province, near the Pacific Coast in north-eastern China. That region is the largest contributor to China's status as the fourth largest gold producing nation.

The company has two joint venture agreements with locally owned gold mining companies. Both deals allow Majestic to earn a 60% interest in a joint venture company that controls the existing producing mines and extensive exploration property. The local companies will retain the

cash flow from the operations until Majestic completes the earn-in requirements of \$2.5 million and \$4 million, respectively. Majestic can further increase its interest if the partners do not participate in exploration spending after the earn-in.

Work programs will begin after final approval on the deals, expected at any time. The two projects are located about 45 minutes drive from Yantai, one to the east and one to the west. The Yantai metropolitan area has a population of 6.5 million people.

Like much of the Chinese mining industry, the local company is exploring the Muping project by driving tunnels where they expect to find the mineralized zones. Workings have now been established on three levels from a shaft. The focus is on production from high-grade zones within an extensive gold mineralized system. Production totals less than 10,000 ounces per year. The present operation is labor-intensive and it is easy enough to see how even a modest amount of capital could substantially boost production.

This appears to be a large system, with plenty of scope to find additional high-grade ounces. It appears that there are multiple high-grade zones

that are structurally controlled. Drilling would define the most attractive zones and enable development of a more efficient mining plan.

The real upside value lies in completely re-thinking the approach to mining. There is a big opportunity in that the material between the higher grades zones also carries gold values. Samples from the underground workings and the limited drilling suggest the potential to mine a large volume of material as an open pit.

The first step in the exploration program will be to carry out more comprehensive and rigorous underground sampling. Next, additional drill holes will further test the potential of the bulk-mineable concept.

The mining operation at Majestic's second project, Fushan, is presently at a smaller scale than Muping. Access to the underground workings is by way of adits going in from a hillside. The gold zone is localized on a regional fault system where it appears to be intersected by a cross cutting fault. There are a number of other small gold mines operating along that major fault.

The objective of the Fushan project is to locate additional zones along the regional structure. The joint venture property covers more than 15 kilometers of the prospective zone, providing a lot of scope for additional discoveries. The company intends to carry out a geophysical (induced polarization) survey along the trend, followed by drilling.

Majestic has three advanced stage projects, each of which has the potential to evolve into substantial gold deposits. The current share price represents an attractive entry level.

*Price November 26, 2004: C\$0.57*  
*Shares outstanding: 22 million*  
*Market Cap: C\$12.5 million*  
*Shares Fully Diluted: 28.4 million*  
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