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Eurasian Minerals: The Early Bird Once Again Gets the Worm

A Monday Morning Musing from Mickey the Mercenary Geologist

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Three weeks ago, I posted a Mercenary Musing detailing the risks and rewards of exploration in emerging environments. I explained the qualifying criteria a company must use to make sound investment decisions in emerging market countries, and the advantages of exploring in frontier geological settings.

This is the second of a series of musings on select companies operating in emerging countries. The first was posted three months ago on Lydian International Ltd (LYD.T) and discussed its exploration success in Armenia and how quickly that success occurred ([Mercenary Musing, February 23, 2009](#)). Not all companies will get that lucky that fast, but you know the old saying about making your own luck. Lydian positioned itself as the first mover in a previously unexplored geological environment and was rewarded.

A favorite old saying of mine is *the early bird gets the worm*. Once again that has proven true, and I now give you another junior explorer who was “first in”. They have the best available ground in one of the world’s most recent emerging markets.

The company is Eurasian Minerals Inc. (EMX.V) and it is led by my friend and colleague Dave Cole. Dave is a geologist who worked briefly with me as a young pup some 21 years ago. I was consulting to Newmont Exploration out of Elko, Nevada and Dave was a Newmont junior geologist fresh out of college with a degree in geology and a minor in skiing. It didn’t take me very long to realize that he was smart, energetic, and enthusiastic and someday would make his mark in the exploration and mining business.

It was simply a matter of *when and where*.

After a recent field visit, I’m convinced that the “where” is Haiti. Only time will tell about the “when” part of this emerging environment equation.

Eurasian Minerals has been on my watch list for over a year and a half after I saw some gaudy copper-silver samples at its trade show booth. Since then, Dave Cole and I have reviewed the company’s progress every few months. This spring EMX developed their Haiti prospects to the point where they were ready for an initial analyst tour.

We scheduled a field trip in early May, and I flew out of Albuquerque for a long Sunday of travel thru Dallas and Miami with a final destination of Providenciales, Turks and Caicos. I was to meet the EMX crew and a couple of other analysts there on Sunday night.

Unfortunately, my plane was an hour late out of DFW and the connection to T and C was scheduled 40 minutes after an on-time arrival. My best option was then a mid-morning Monday flight from Miami to Port-au-Prince. I booked that flight with American Airlines, got a whopping \$15 voucher for dinner *and* breakfast, and waited nearly an hour for the hotel pickup. Jeez the hotel couldn't even give me a tube of toothpaste until the next morning, and then sent the airport shuttle off five minutes early without me. Despite this, I made my flight on time and things were looking better.

But the EMX crew was now in Cap Haitien. Arrangements had been made for someone to meet me upon arrival in the Haitian capital. But there were problems at the airport: I was delayed at customs because no one told me where we were staying in Cap Haitien. Worse yet, I was there but my bags weren't. By the time I made it thru customs, baggage carousel, lost baggage service, and immigration, the guy waiting to meet me was long gone.

I also was informed before leaving Miami that morning there would be a helicopter to meet me at the domestic airport and fly me to Cap Haitien. So I hired a taxi driver with rudimentary English and we went on a lark from the international airport to the domestic airport to the UN military base and back to the domestic airport with no sign of a helicopter anywhere and no report of anyone seeing one. Finally the driver grew tired of this wild goose chase, and dumped me off with only briefcase in hand.

Another snafu: My cell phone didn't work in Haiti. And I could tell by whimsical looks from the locals when I picked up a couple of pay phones that they never worked either so me, myself, and I had a serious debate amongst ourselves as to what to do next.

Since I knew the crew was basing out of Cap Haitien, I bought a one-way ticket in a small plane to that town on the north-central coast. While doing this, I spied a friendly-looking fellow with a British passport, a Chicago accent, and an ability to speak French doing the same thing so I struck up a conversation. Pretty soon Dan Phillips and I were pals and he graciously lent me his Haitian-based cell phone to call the travel agent in Denver. I was hoping she knew where the crew was staying in Cap Haitien. But she didn't have a clue either.

The next step in my journey was the flight to Cap Haitien, a check in my new found friend's Lonely Planet Guidebook, and a compromise with Dan to stay in the second best hotel in town. We not-so-easily negotiated a taxi and the driver got lost twice, but we eventually found the place. By this time, I was on my third call to the aforementioned travel agent and I finally convinced her to call Russell, Dave Cole's extremely efficient assistant in EMX's Littleton office. I was confident that Russell would solve my dilemma. After 30 hours of travel, I checked in and immediately jumped into a meager shower that was interrupted by a welcome phone call. It was from Dave Cole, he had spoken to Russell, the group was back early from the heli tour because of high winds, and I was found.

Within an hour, Dave was there to pick me up and take me to the Mont Joli, the best hotel in town, complete with cold beers at the swimming pool and a gorgeous view of the sea. All that was lost was half of the project tour, my bags, and a few hundred dollars in expenses for an unscheduled plane flight, a couple of taxis, three meals, and an extra hotel room for that night.

Even at the time, it seemed a small price for the self-satisfaction of once again proving that I can find my way to where I'm supposed to be despite the curves that are thrown in the third world.

I'm glad you've indulged my storytelling. But you aren't reading this to learn about travel logistics and difficulties. To this end, let's briefly review the history, geographical, and environmental settings of the country of Haiti:

Columbus landed on the island of Hispaniola in present day Haiti in 1492. The Spanish exploited the country for gold and the native population was decimated by rebellion, slavery, and disease by the early 1500s. They began importing African slaves and French pirates settled the western part of the island in the 16th century. In the 1660's, Spain conquered the French. However, French farmers continued to settle in the west and established tobacco, sugar, and indigo plantations. After years of conflict, the Spanish and French finally divided the island in 1697.

A series of slave rebellions beginning in 1791 and sporadic attempts by France to re-conquer the island eventually led to independence in 1804 making Haiti the only country in the world born of a slave rebellion. During the 19th century, the country was plagued by a series of coups as the military, the elite French class, and commercial interests fought for control of the island and its people.

The United States occupied the island from 1915-1934 to protect its economic investments. From 1957-1986, the country was under control of the brutal dictatorship of the Duvalier family leading to emigration and large Haitian communities in the U.S. eastern seaboard and Quebec. The period of 1990-2004 was marked by free but disputed elections, turmoil and chaos, corruption, and coups supported by France, Canada, and the United States. A 26 nation United Nations peace-keeping force was established in 2004 and the current president was elected in 2006.

Haiti occupies the western one-third of Hispaniola and is a mountainous country about the size of Maryland. In the north there is a narrow coastal plain and the west-northwest-trending Massif du Nord which marks a plate tectonic boundary. The majority of prospective mineral deposits are located in this belt. The central region consists of two mountain ranges and two plains areas. In the south is the nation's highest mountain range forming a long west-trending peninsula and there is an arid plain with salt lakes in the southeast.



Haiti on the Western Side of the Island of Hispaniola

Haiti is the poorest country in the Americas with average GDP of less than \$800. Eighty per cent of the 9.0 million people live in poverty and 54% in abject poverty, with two-thirds subsisting as farmers. The population is 95% black and 80% Catholic with an estimated 50% practicing voodoo. It is burdened by rapid population growth of over 2%. The official language is French, Haitian Creole is the generally spoken language, many in the eastern border region speak Spanish, and English often is spoken by those with business interests. The literacy rate is 53% with essentially no public school system.

Haiti suffers from high inflation, limited infrastructure, a lack of private investment because of security issues, and a severe trade deficit. There is a large Haitian diaspora: 25% of GDP is from foreign remittances and these are double the total exports. There is little industrial development other than a small but growing textile manufacturing industry supported by the United States that comprises 50% of total export value. Agricultural exports consisting of mangoes, coffee, and cocoa comprise the rest. Foreign aid contributes 30-40 % to the government budget.

Massive deforestation plagued Haiti in the 20th century with only 2% of virgin forest remaining due to the burning of wood and charcoal for fuel. Deforestation has led to desertification and subsequent severe erosion as the island is subject to periodic hurricanes and massive flooding most recently in late summer of 2008. Since it is on a plate tectonic boundary, it is in a tectonically active area.

In a recent editorial in the Globe and Mail, Canada's equivalent of US Today, Paul Collier, Professor at Oxford University and author of "The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It" makes a compelling case for increased foreign aid to Haiti. He notes that Haiti has stabilized and is occupied by a UN peacekeeping force including 9000 Brazilians, the USA has provided Haitian exporters with privileged market access, and Canada is the second largest aid donor to the country. According to Collier, lack of infrastructure is inhibiting economic growth and he makes the

case that should be addressed with foreign aid. Once infrastructure is funded and built by foreign governments and world financial institutions, risk is mitigated by their guarantees and private capital investment will follow. This government and private funding combination is the model that is presently being implemented in Haiti.

From this review, it is obvious there is substantial geopolitical risk in Haiti. But the geology is just *so damn good*. I'll have more on that later but first let's take a closer look at Eurasian Minerals Inc:

Eurasian Minerals was founded in November 2003 with the reverse takeover of a former Alberta Stock Exchange shell. It is a prospect generator that follows the joint venture model by turning its early reconnaissance exploration successes to partner companies at the initial or early drill stage. EMX originally was focused on properties in Serbia and Turkey, soon added Kyrgyzstan to the list, and later became involved in Haiti.

Since founding Eurasian has successfully monetized properties in Serbia and Turkey that no longer remain core assets in the exploration portfolio:

In late 2006 EMX sold its Serbian interests to a start-up junior for a combination of cash, shares, work commitment, and NSR. In Turkey, it had a JV deal with Barrick Gold in the past and currently has a property ventured to Chesser Resources, a royalty agreement with a small Turkish miner on two base metal properties, and a joint venture on three properties with Centerra Gold, a mid-tier gold producer.

In Kyrgyzstan EMX has drilled 11 core holes on its Orgatash project with encouraging results including 42 m of 1.48 g/t Au and 45 m of 1.18 g/t Au. It currently is assessing strategies for continuing exploration. The company recently acquired a past producing gold mine in the historic, giant Golden Quadrilateral district of Romania with an estimated 50 million ounces of production since Roman times.

EMX's foray into Haiti is led by Keith Laskowski, geologist and country manager. For years, I've heard many good things about him. In fact, I worked with his younger brother Randy at Newmont 21 years ago when I met Dave Cole. But Keith and I had never crossed paths until a month ago.

Keith Laskowski headed Newmont's effort in the region as Caribbean Exploration Manager in the mid-1990's. When Haiti once again went to hell-in-a-hand-basket, Newmont pulled the plug. But like all good geologists, Keith recognized the geological potential and knew all the best prospects. After years of political turmoil, a multi-nation UN peace-keeping force was embedded in Haiti in mid-2004, a free election was held in 2006, and foreign investment has started making its way back into the country.

Keith contacted Dave about making a run at Haiti in early 2006. Dave in his usual enthusiastic manner said, "*Go for it!*" They made the necessary political and business connections, acquired the best ground in stages from 2006 to 2009, and entered into a strategic alliance Newmont last year.

Eurasian Minerals has made a major exploration play in Haiti controlling mineral rights on 30 concessions, roughly 282,000 ha: That's over 10% of the country's land mass. They presently have three flagship properties in the country: La Miel, Treuil, and Grand Bois.

The Newmont strategic alliance required that they buy 1.7 million EMX units for \$3.5 million, and they initially contribute \$750,000 and EMX \$250,000 for regional exploration. Once Eurasian Minerals spends \$200,000 exploring a concession, it can be offered to Newmont as a designated project. NEM has 120 days to accept or decline. If they decline, Eurasian owns the property 100% and can advance or deal it with no further interest on Newmont's part. If they accept, NEM must spend \$10 million over the next six

years to earn a 70% interest. Once earned, EMX has three options: Fund their 30% interest; be carried to production with a 25% interest; or withdraw with a retained 3.5% NSR. Prior to this strategic alliance, La Miel and La Mine projects were joint ventured to Newmont with the same basic agreements and options but on 65-35% bases with \$30 million and \$20 million work commitments respectively and feasibility study requirements.

In addition to its projects, Eurasian's share structure grabs my attention. For a six year old company, it has a low number of outstanding shares at 28.5 million and fully diluted at 34.7 million. Included are 2.1 million warrants currently out of the money at \$2.00 expiring in October of this year, 1.3 million warrants at \$2.50 expiring in April 2010, and 2.8 million options at \$1.00-1.81 with expiries from August 2009 to May 2014. Insider and tightly held shares comprise 54% with the four largest shareholders the Rule Family Trust, Newmont Mining, the Lundin Family, and Dave Cole. Institutional funds hold about 14%. Public stock float is estimated to be nine million shares or about 32% of total outstanding.

The two year chart shows the company has traded in a range from about \$2.25-\$2.50 cents during the peak of the market in mid-2007 and in February and March of 2008 to a low of 51c during tax loss selling and the bottom of the junior resource market in mid- November to mid-December 2008. Starting in January, it has rallied along with most other juniors focused on advanced gold projects and has built a very strong chart in the past six months. In the past 30 days the stock has run from a low of \$1.09 to as high as \$1.74 which matches the 52 week high. Current trading is in the \$1.35 - \$1.50 range. The company has a market capitalization of about \$40 million, current working capital of \$8 million, and \$1.5 million in marketable securities.



Two Year Chart for Eurasian Minerals (EMX.V)

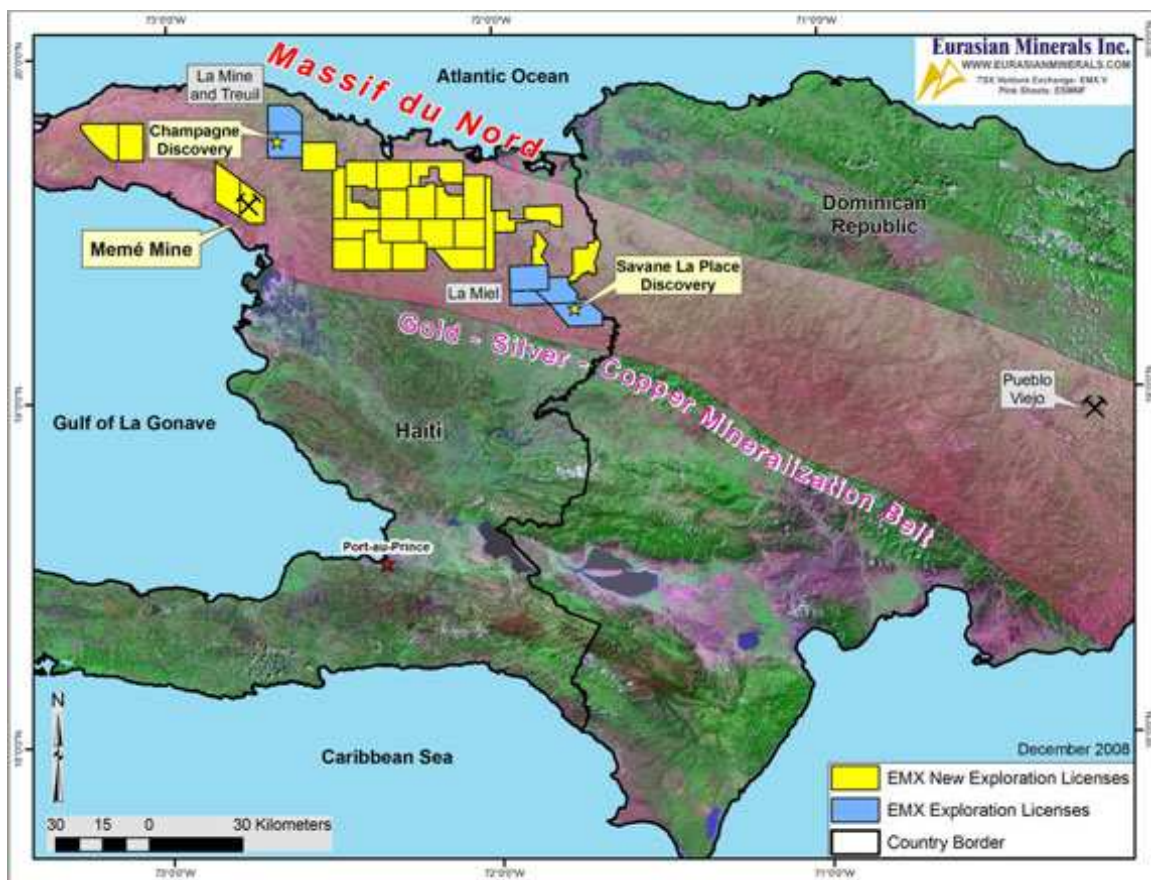
The people at Eurasian Minerals are top-notch. I mentioned CEO Dave Cole, and Haiti Country Manager Keith Laskowski. The Board of Directors includes Michael Winn, a geologist and analyst with a track record of success in the junior resource sector, Brian Bayley, the CEO of Quest Capital, and recent

addition Steve Enders, an experienced geologist who was President of Phelps Dodge Exploration and VP-Worldwide Exploration for Newmont Mining. Other names of note are major investors Rick Rule and Lukas Lundin.

The technical teams must be given all credit for EMX' success with respected regional exploration managers in Haiti, Kyrgyzstan, Turkey, and Eastern Europe supervising native geologists, geotechnicians, and local labor. I have seen first-hand that they have a crack field team in Haiti led by Keith and Dr. Dominique Boisson.

Now let's delve into the geological setting of Haiti and what makes it a favorable location for major ore deposits:

Northern Haiti is located on the boundary between the Caribbean and North American tectonic plates. In the neighboring country of the Dominican Republic, that same tectonic boundary hosts the Pueblo Viejo deposit with over 20 million ounces of gold reserves and significant copper and silver. The Massif du Nord of Haiti is highly prospective for copper-gold porphyry-skarn, volcanogenic massive sulfide, epithermal gold, and metamorphic copper-silver-gold veins. The country hosts past-producing bauxite, copper and limestone deposits but currently has no mining industry.



Eurasian Minerals Landholdings in the Massif du Nord Metallogenic Belt

From 1972 to 1985, the United Nations Development Program conducted regional geological studies and exploration programs in order to assist Haiti's economy. The UN discovered and documented many gold

and copper occurrences, including gold mineralization at EMX's La Mine, Gran Savanne, and Gran Bois properties, and copper-silver mineralization at Treuil.

I missed the first day of the tour to one of the flagship projects, La Miel, because of the aforementioned travel (mis-)adventures. However, I got a project review from Keith Laskowski and an assessment from fellow geo-analyst Brent Cook.

La Miel is located on the border with the D.R. and with similar geology and alteration to Pueblo Viejo. It is a high sulfidation epithermal system covering 325 sq km with silicified, brecciated felsic tuffs and shallow intrusives and gold-copper-silver-barite mineralization.

There are four main target areas: Savanne La Place, Grand Savanne, La Croix, and Morne Bazile. Seven trenches at the Savane La Place main zone all ran ore-grade gold over impressive widths with the best at 243 m of 1.71 g/t gold. Newmont has established a field camp there and will start drilling soon.

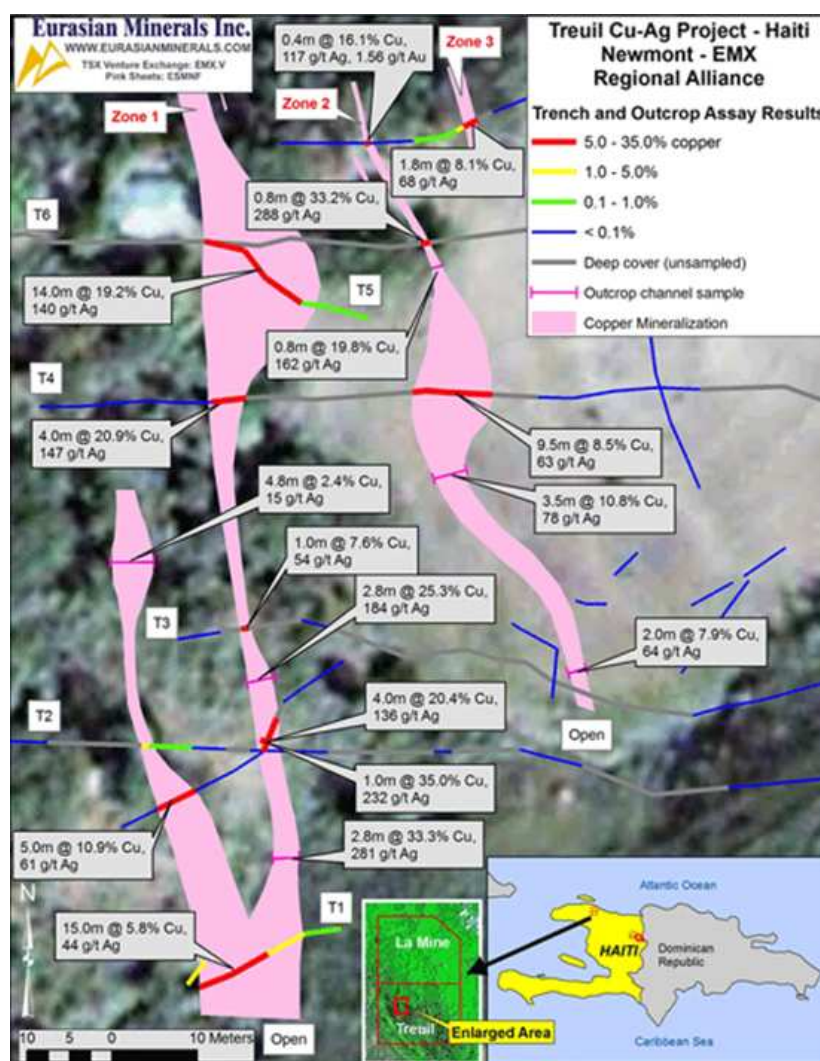


EMX' Discovery Team: Savane La Place, La Miel Designated Project
Keith Laskowski and Dr. Dominique Boisson: Standing, First and Third from Left

I joined the team for the second day of helicopter touring. We flew to the Treuil project west of Cap Haitien for an office session with EMX geologists Peter Mitchell and Freddy Marino. They are working on target scale mapping and sampling out of a remote, mobile tent camp with local support. Although the terrain is difficult, logistics are not particularly so with road access within ten kilometers.

EMX controls 88 sq km of highly prospective copper-bornite-silver mineralization. Host rocks are strongly deformed andesite phyllites with low metamorphic grade albite-chlorite-epidote alteration. Mineralization occurs in relatively narrow veins within a six by three kilometer zone and the geology closely resembles the famous Kennicott district of Alaska. For those unfamiliar, this is the mining camp where mighty Kennecott Mining, now part of mining giant Rio Tinto, got its start.

Unfortunately we were unable to land on the prospects themselves because of pilot inexperience. At present, three main zones have been discovered with the most advanced being the Champagne prospect. Sampling and trench results are shown below:



Treuil Project: Champagne Prospect Trench Results

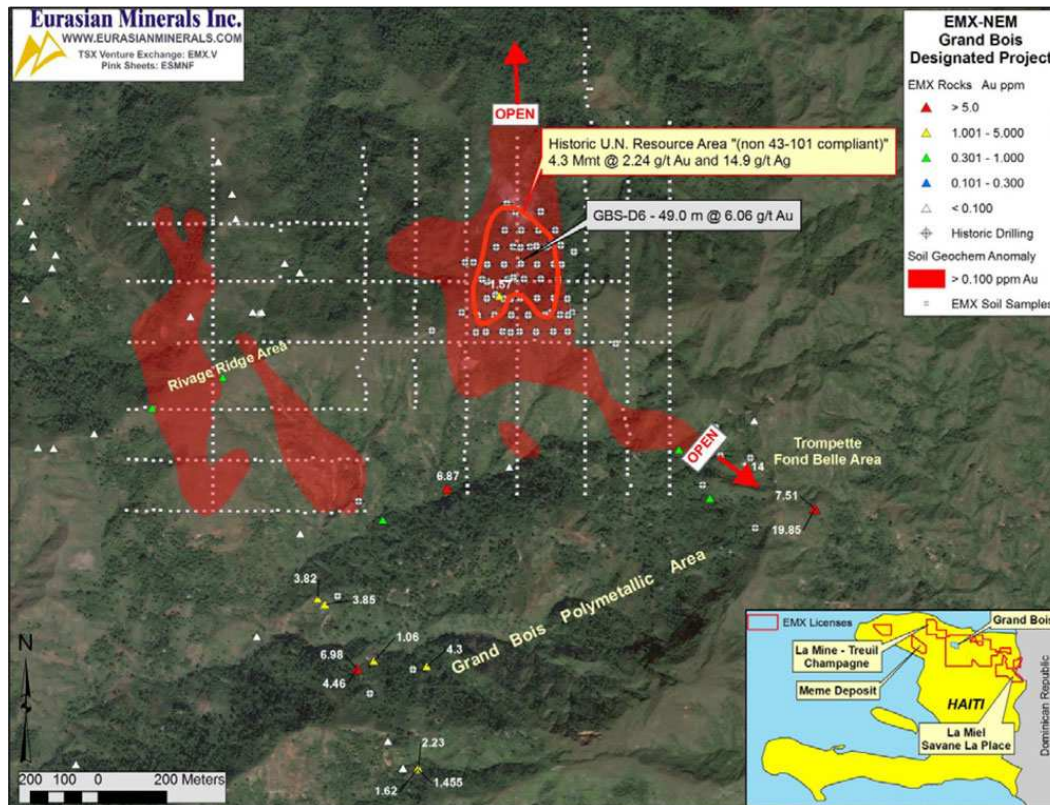
To the north of Treuil is the La Mine project which has gold-copper-silver prospects, Colombo with known gold occurrences, and La Porte, a porphyry copper-gold target. EMX recently has offered La Mine, Treuil, and Colombo to Newmont as designated projects.

After a detour back to the Cap Haitien airport to re-fuel, we flew to the third of EMX' current Haiti flagships, Grand Bois. It covers an area of 50 sq km and is located 28 kilometers southwest of the port adjacent to National Highway #1 that connects Cap Haitien and the capital city of Port-au-Prince.

Grand Bois is the most advanced of Eurasian's projects with 88 historic drill holes by Kennecott, Penarroya, the United Nations, and KWG Resources from 1975-1997. The United Nations defined a historic resource of 4.3 million tonnes averaging 2.24 g/t Au and 14.92 g/t Ag at a 0.5 g/t Au cut-off. The

deposit is a tabular body mineralized, oxidized volcanic rock and is roughly circular in outline with current dimensions of 300 m x 350 m x 20 m.

It is a high sulfidation epithermal deposit that occupies a prominent ridgeline so a potential open pit would have low strip ratio. Preliminary metallurgical tests indicate high recoveries can be expected in a typical heap leach process. There is ample room for expansion of gold ounces by using a lower cut-off grade, a higher rock density due to the barite content of the deposit, and with successful exploration outside the current resource. Joint venture partner Newmont is currently laying out delineation and exploration drill holes.



Grand Boix Designated Project: Drilling and Historic Resource

I've briefly covered Eurasian's three flagship properties but suffice to say, other reconnaissance exploration successes are likely to follow with 27 other projects and the best of the best in country. Recently they acquired another potential flagship project, the past producing La Meme copper-gold mine in NW Haiti with production of two million tonnes grading 2.0% Cu and a UN historic resource of 1.5 million tonnes grading 2.0% copper and 2.0 g/t Au. That, my friends, is high-grade and every good geologist knows that grade is king.

Eurasian Minerals Inc is a high risk speculative stock play. The share structure, people, and projects all meet my Mercenary criteria for investment. There is ample cash in the bank and the company follows the prospect generator-joint venture model so burn rate is relatively low. The wild card in this deck is the country of Haiti with a traumatic and unstable past for centuries and continuing into the past few years. Now there is a concerted effort by the international community on the military, social, and economic fronts to stabilize and develop a modern economy in the country.

But as I said earlier: The geology is just so damn good. Eurasian Minerals and Newmont have assessed the risks and the rewards and made the decision to invest in Haiti. I did the same, became a shareholder of the company, and am biased. I look at EMX as a long-term investment in my portfolio. You must do your own due diligence and make your own investment decisions.

After a long day in the helicopter, we made the usual third world congested and tortuous drive from the airport thru “downtown” Cap Haitien, over hill and dale, and down to our resort hotel on a gorgeous beach west of the city. Fresh lobster was eaten that evening, the 15 year old Barbancourt Reserve served over ice and lime flowed for hours, and the midnight swim included a brief torrential rainstorm. Dave doesn’t remember much of the evening, but I will attest a good time was had by all.

Too early the next morning, we backtracked to the airport, and caught a brief flight north to the resort capital of Providenciales in Turks and Caicos. My bags, now missing for three days, awaited me at the ticket counter, and with clean socks and underwear, it was all good. A relaxing day on the beach and at the bar allowed me to collect my thoughts, review the projects with Dave Cole and Scott Close, EMX’ IR director, and organize this report.

The next morning we were off on a successful charter fishing boat for small (well that’s what we caught) yellowfin tuna:



Gwen Preston of the Northern Miner and Yours Truly Display: “What’s for Dinner”.

And on the very next, I flew to New York, exchanged field gear and beach attire for a business suit, and prepared for two days examining prospective companies at the New York Hard Assets Investment Conference.

Such is a life of travel for The Mercenary Geologist. Hey, sometimes I must remind myself that I actually get paid to go on adventures and work in the outback parts of the world. All in all, it's pretty hard to beat.

At the show in NYC, I found an exciting company which you will hear about in the coming weeks. Does this theme sound familiar: *Advanced exploration of a high sulfidation gold deposit in an emerging environment?*

Stay tuned.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [**Mercenary Geologist Michael S. “Mickey” Fulp**](#) is a Certified Professional [Geologist](#) with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

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