

Jay Taylor's Gold & Technology Stocks

December 29th, 2005

Stock Pick Of The Week Golden Goliath Resources Ltd. GNG on TSX.V

So much of what drives the shares of these little gold mining stocks at a time when 99.9% of the mainstream is still totally disinterested in the gold-mining sector comes down to promotion and market connections. Higher prices do not automatically follow positive developments, although when the price of gold finally rises up toward \$1,000 per ounce and perhaps well beyond, there will be a rush into the gold shares like nothing we have seen in recent times, because the supply of gold and gold shares is so limited relative to the oceans of paper money created in recent years. When even a small percentage of the overall population begins to realize gold-mining shares are about the only game in town, we will see what Doug Casey has been predicting, which is a bull market for these penny mining stocks that will make the great Internet mania of the 1990s look tame by comparison.

Of course, we don't buy junior gold stocks on the basis that they will all fly when the sector gets hot. We look for companies with fundamentally sound projects, and **Golden Goliath** has not just one but six exciting silver-gold targets and a very promising lead, zinc, and silver target that lies outside of the silver-gold belt known as the Sierra Madre Occidental Mountain Range. The company's properties are located within a historic Spanish mining district, known as Uruachic, which lies directly in the center of the Sierra Madre trend that extends several hundred kilometers long. Golden Goliath also holds a seventh property in Mexico that is a lead, zinc, and silver target that lies outside of the Sierra Madre in central Chihuahua State.

At present, the main focus of the company is the Las Bolas-Los Hilos Property from which, the company announced on July 20, that its underground rehabilitation program on the Las Bolas Tunnel was progressing well and that it had hoisted some very high-grade samples to the surface from these underground workings, not unlike some of the exciting assays reported previously. Last summer we reported to you some very impressive assays from trench samples and a sample taken from a dump adjacent to the Arbolito Shaft and also around the portal of the Las Bolas Adit. The assay we speak of graded over 2,000 ounces of silver per tonne.

Although past mining has taken place on this property and despite the fact that Uruachic lies at the center of a hugely prolific silver-gold district, it wasn't until February 2004 that the first-ever drill program was conducted on the Las Bolas Property. But that is one reason why this is such an exciting project. Never before has it been systematically explored and developed. Incredible mineral value has simply attracted miners with primitive equipment and exploration techniques.

The company's Hilos Property provides a sense for the dimensions in question on this project. Note the vertical extent of some 560 meters gold mineralization. The schematic of Las Bolas-Los extends from the Mina Los Hilos (west) to the Mina Los Mantos old workings at the bottom of the mountain. The 2004 drill program included

over 3,000 meters of reverse circulation drilling that targeted the down dip extension of mineralization seen and sampled in the old underground workings.

Drilling was also completed on geophysical and geochemical targets extending along the 1,000-meter trend from the Los Hilos Gold Mine to the Gambusino and other silver mine workings. Results included a 50-foot drill intercept that averaged 326.6 gm silver/tonne as well as a 115-foot section in a newly opened old mine tunnel that averaged 315.5 gm silver/tonne with 0.14 gm gold/tonne. These two sections form the newly outlined Frijolar Zone, which has many more old and as yet unopened workings along strike. Assay results for the remaining 13 holes are expected in early March.

2004 assays confirm the high-grade silver and gold mineralization in the Gambusino and other old workings located on the western side of the property. A total of 70 chip samples taken from underground at the old Gambusino Mine averaged 267.52 gm silver (8.6 ounces) per tonne and 0.22 gm gold per tonne. At the El Corazon workings, 15 chip samples averaged 25 gm silver and 1.25 gm gold per tonne, and 12 chip samples from the Guadalupeana tunnel averaged 16.23 gm silver and 1.43 gm gold per tonne. Mineralization appears to be hosted in shear zones as well as in the adjacent breccias and lapilli tuffs.

In 2000, a mapping program identified a total of 29 old pits, adits, and shafts hosted in brecciated andesitic volcanic and rhyolitic rocks. Seven adits that had been sealed for over 100 years were opened and 220 samples taken. An area of intense interest is around the Arbolito Shaft area, as well as at the Flor Del Trigo Mine, about five kilometers to the east. Hole B04-3, returned a 40-foot section that ran 154.13 grams silver per tonne and 3.22 grams gold per tonne, including a 10-foot section running 515.5 grams silver per tonne, with 11.1 grams gold per tonne. These values were in oxide mineralization, and the company believes that the extremely high-grade sulfide mineralization lies farther at depth.

On September 28, Paul Sorbara reported the following very solid assays from the company's underground rehabilitation program:

■ Las Bolas Station 37: A total of 84 samples were collected along the 65-degree-trending vein/structure. Seventy-four samples were chips across specific widths, and the remaining 10 samples were classified as select grabs. The 74 samples represent 110 meters of strike length and averaged 1.44 meters in width, and yielded an average grade of 1.216 grams per tonne gold and 164 grams per tonne silver. Six of the 74 samples assayed 8.56, 4.59, 8.25, 5.68, 18.21, and 17.43 grams per tonne gold, and eight of the samples assayed 898, 1,087, 510, 645, 589, 721, 545, and 824 grams per tonne silver.

■ Las Bolas Station B19 to Gambusino Station GA12: A total of 49 select grab samples were collected along a raise and adjacent drifts. The 49 select grab samples, which appear to have been collected within a chaotic breccia believed to be a collapsed breccia or colluvium, averaged 0.464 gram per tonne gold and 327 grams per tonne silver.

■ Las Bolas Station 30: A total of 23 samples were collected along the raise and workings. Of these, 19 samples were collected along 15 meters of strike length along the 65-degree-trending vein/structure and averaged 1.31 meters in width and yielded an average grade of 0.420 gram per tonne gold and 16.25 grams per tonne silver.

■ Las Bolas at the eastern end of the rehabilitated adit: A total of five samples were collected along the 12-meter vein/structure. The five samples collected averaged 1.24 meters in width and a grade of 0.108 gram per tonne gold and 41.08 grams per tonne silver.

A diamond drilling program of approximately 1,500 meters has been planned to test beneath the significant intersection in B04-3, below the Arbolito Shaft, which returned a 40-foot interval grading 154.13 grams per tonne silver and 3.22 grams per tonne gold, including a 10-foot section grading 515.5 grams per tonne silver and 11.1 grams per tonne gold. This intersection is deemed to be important because it is

close to the dump beside the old Arbolito Shaft where a previously collected grab sample of sulfide mineralization returned an assay of 71,817 grams per tonne silver (2,082 troy ounces per ton) and 2.83 grams per tonne gold. The source of this sulfide mineralization, which is the company's primary target, is unknown but believed to occur at depth along the Arbolito-Papacho vein/structure.

There are numerous other targets as well, as the company goes elephant hunting in what is truly the land of elephant-sized silver-gold deposits. The company is planning a follow-up drill program in early 2006 to further test the potential of the Las Bolas system. Previous drilling in 2004 included a 10-foot section running 515.5 gm silver/tonne with 11.1 gm gold/tonne. The company will also drill on the nearby Nopalera Property, after the mapping and sampling program in 2004 uncovered some highly anomalous values and identified a number of potential drill targets. Our hope is that the company is sufficiently successful in its drilling efforts in 2006 to be able to upgrade Golden Goliath to a "B" progress rating-in other words, to be able to see a deposit with at least some early glimpse of economic viability. If that happens and if the price of silver and gold continues to rise, it is hard to see how this stock will not sell at a dramatically higher price this time next year.

True, this stock has been anything but exciting and so my first impression is to look for ways to get rid of it in favor of some greener grass on the other side of the fence. But when I start to look at the fundamental exploration prospects for just this one property of seven in total, I have to quickly change my thinking because unless I am missing something here, this company's Las Bolas-Los Hilos looks as close to a sure thing as you will find among "C" progress companies. And also given prospective grades and dimensions of silver-gold bearing mineralized zones, we might also be looking at a very rich and very large silver-gold deposit. We are not sure this stock will run away from you right away. But then again it might if/when we start to see new money enter the gold mining sector.

At some point I have to think investors are going to snap up this penny silver-gold play with a vengeance that will richly reward our patience, hence our selection of Golden Goliath as our Stock Pick of the Week