



## Stronghold Metals Inc. (Z.V)

Initial Report – September 12, 2011

Stronghold Metals Inc. is a Canadian mining exploration Company focused on the discovery and development of gold, copper and other metals properties in South America. The Company's flagship property, Eagle Mountain in Guyana, has a NI 43-101 compliant resource estimate of 733,500 ounces of gold based on 179 drill holes totaling 24,203 meters. Moreover, the resource has the potential of being doubled in the next few quarters when results from ongoing drillings, totaling 15,000 meters, show that gold is also found next to the currently known ore zones. First analytical results from step-out drill holes indicate exactly that. Additional assay results are expected over the coming weeks and months.

Stronghold has an Enterprise Value per Resource of 30.44, while six of its peers trade at an average EV/Resource of 72.09. The Company has solid financial partners, including Sprott Asset Management and a well-balanced management team comprised of experienced geo-scientists and financiers. Based on these arguments, we initiate coverage of Stronghold Metals Inc. with a buy recommendation and an initial price target of \$0.90 or 2.25 times higher than today's stock price.



### Investment Highlights

- ✓ Stronghold's management team and Board of Directors are comprised of experienced geo-scientists and financiers. A mining Company needs both. People that have the knowledge to increase the resource of a property and people that have the ability to raise sufficient amounts of money to keep the projects going.

- ✓ The Company's two most recent private placements, totaling \$7.3 million, gave Stronghold a solid financial base for the advancement of the Eagle Mountain project, to search for potential acquisitions and for general working capital. These placements were heavily oversubscribed and several major institutional investors, including Sprott Asset Management, participated.

- ✓ On September 7, 2011, Stronghold entered into a Letter of Intent with Mowasi Gold Corp. to acquire a 95% interest in an area of approximately 8,300 hectares, contiguous to Eagle Mountain. Although the concessions are at an early exploration stage, alluvial mining activities indicate a high probability of finding gold on the property. This is another opportunity to expand the resource estimate of the Eagle Mountain/Mowasi area. An additional advantage is that future ore from both properties can be processed by one mill.



Market Data	
Price	C\$0.40
Sector	Metals & Mining
52-Week Price Range	C\$0.26 - C\$0.65
Shares Issued (m)	63.45
Market Cap (m)	C\$25.4
Listings	Z.V (TSX Venture) SDMTF (OTCQX) E9X.F (Frankfurt)
Website	<a href="http://www.strongholdmetals.com">http://www.strongholdmetals.com</a>

## The Company

Stronghold Metals Inc. is a Canadian mining exploration Company focused on the discovery and development of gold, copper and other metals properties in South America. Stronghold's management team and Board of Directors are comprised of experienced geo-scientists and financiers who have a proven track record of bringing mines into production.

The Company was incorporated under the laws of the province of British Columbia on October 16, 2003 under the name Carat Exploration Inc. Effective April 12, 2010, the Company changed its name to Stronghold Metals Inc. and is listed on the TSX Venture Exchange with ticker symbol Z.

The Company is currently focusing all its resources on its flagship property, the Eagle Mountain Project in Guyana, which has an NI 43-101 compliant resource estimate of 733,500 ounces of gold. Stronghold aims to expand that number with a 15,000 meters drill program that is currently being conducted.

## Eagle Mountain

### Introduction

In September of 2010, Stronghold Metals entered into an agreement with Omai Gold Mines Ltd., a subsidiary of IAMGOLD Corporation (NYSE: IAG), under which the Company was granted the right to acquire up to 100% in the Eagle Mountain Gold Property, including its entire infrastructure and technical team, located in Guyana, South America. The property covers an area of approximately 5050 Ha (12,480 acres) in central Guyana, approximately 200km southwest of the capital Georgetown.

In October 2009, an internal technical report by IAMGOLD produced an in-house Inferred Mineral Resources estimate of 733,500 ounces of gold (using a 0.5 g/t Au cut-off grade). This estimate was based on 197 drill holes, totaling 24,203 meters which were drilled between 1947 and 2009.

Six mineralized zones have been identified to date: the Saddle, Zion, Kilroy, Millionaire, NZ1 and NZ2 zones, which can be distinguished based on visual characteristics and average grade. These six zones, 300 hectares in size, host the current mineral resource estimate. Knowing that the entire property is 5,050 hectares, it's obvious there exists

tremendous upside potential for new discoveries and resource expansion.

### GUYANA



The Republic of Guyana, previously known as British Guiana, is a sovereign state on the northern coast of South America. The country has been a British colony for over 200 years. It achieved independence from the United Kingdom on 26 May 1966, and became a Republic on 23 February 1970. English is the official language and its legal system is based on the British law.

It's the only state of the Commonwealth of Nations on mainland South America.

The main economic activities in Guyana are agriculture, bauxite and gold mining, timber and fishing. Guyana has a supportive regime for mining, as it is dependent on mining revenues. Consequently, numerous companies have active operations in Guyana, for example First Bauxite (TSX: FBX), GMV Minerals (TSX: GMV), Guyana Goldfields (TO: GUY), Sandspring Resources (TSX: SSP) and U308 Corp (TSX: UWE) to name a few.

The Eagle Mountain Gold Property represents a rare opportunity for Stronghold because it was able to acquire an already advanced project with an entire technical team on site.

Although there's already a substantial resource estimate of 733,500 ounces of gold for Eagle Mountain, it's the very strong potential to expand this resource that makes the property, and thus Stronghold Metals, even more attractive.

## History

Alluvial gold has been exploited in the Eagle Mountain area since at least 1884. Dredging operations were carried out by the Minnehaha Development Company and the British Guiana Consolidated Gold Company in the Mahdia and Minnehaha Rivers up to 1948. Total production from the general area is estimated at over 1 million ounces of gold from alluvial and eluvial sources.

The first commercial exploration work around Eagle Mountain was conducted by Anaconda British Guiana Mines Ltd. during 1947 and 1948. Anaconda's activities included geological mapping, diamond drilling (57 holes), tunneling and shaft sinking.

During the 1960s and 1970s, the Guyana Geology and Mines Commission, a government body, completed a soil sampling program and drilled 23 diamond drill holes to investigate the gold potential of the area. Unfortunately, those results are unreliable due to poor sample preparation techniques. Consequently, this data has not been included in the current mineral resource model.

In the late 1980s Golden Star Resources (AMEX: GGS) carried out the first systematic exploration work after it obtained the Eagle Mountain license. The company conducted mapping, soil sampling, auger sampling and surface geophysics between 1988 and 1990. From 1997 it completed deep augering, trenching, diamond drilling (1285 meters in 21 holes) and a preliminary 3D model.

After Golden Star Resources had entered into a joint venture agreement with Cambior Inc., in 1998, they transferred the project license to Omai Gold Mines Ltd., which became part of IAMGOLD Corporation in 2006. This is when exploration work resumed in full.

Omai Gold designed drilling programs to expand and further delineate the known gold resources. A total of 46 diamond drill holes for 8,059 meters were completed and the results led to significant advances in the understanding of the mineralization styles at Eagle Mountain.

Late 2010, Omai Gold Mines Ltd entered into an agreement with Stronghold Metals, under which Stronghold could acquire a 95% stake in Omai Gold, the owner of the Eagle Mountain project. The remaining 5% of Omai Gold Mines is owned by the Government of Guyana.

## IAMGOLD Agreement

Stronghold and Omai Gold entered into an Earn-In and Joint Venture Agreement dated September 29, 2010 whereby Stronghold may earn increasing interests in the property based on a combination of cash payments, share issuances and work expenditures.

Milestone Date	Minimum Exploration Expenditure	Cash Payment to Omai	Stronghold Shares to Omai	Interest for Stronghold
<b>Subtotal until Oct. 2011</b>	<b>\$1.5 M</b>	<b>\$1.5 M</b>	<b>4 M</b>	<b>25%</b>
By Oct. 2012	\$2.0 M	\$1.0 M	2 M	
<b>Subtotal until Oct. 2012</b>	<b>\$3.5 M</b>	<b>\$2.5 M</b>	<b>6 M</b>	<b>50%</b>
By Apr. 2013		\$1.0 M		100%
Granting Mining License		\$7.5		
<b>GRAND TOTAL</b>	<b>\$3.5 M</b>	<b>\$11.0 M</b>	<b>6 M</b>	<b>100%</b>
<b>Summary of earn-in and JV terms. (All money figures in US\$ dollars) Source: Company Filings</b>				

To earn its first 25% equity interest in the Eagle Mountain property, Stronghold has to incur exploration expenditures of not less than US\$1.5 million, issue an aggregate of 4 million common shares and pay US\$1.5 million cash to Omai Gold.

Stronghold then has the option to fund an additional US\$2 million (for a total of US\$3.5 million) in expenditures, issue an additional 2 million common shares (for a total of 6 million) and pay an additional US\$1 million (for a total of US\$2.5 million) to Omai Gold, all by October 31, 2012 to earn a 50% equity interest in the property.

After earning a 50% interest in the Property, Stronghold has the right to acquire the remaining 50% interest within six months by paying Omai an additional million USD in cash.

Finally, provided that Stronghold becomes the registered and beneficial owner of at least a 50% interest in the property, upon the grant by the government of Guyana of a mining license for Eagle

Mountain, Stronghold will pay Omai Gold an additional US\$7.5 million in cash.

Another major advantage of this deal is that Stronghold was able to take over the entire IAMGOLD infrastructure and team that was working on the Eagle Mountain project, including Anne Casselman, a very experienced geologist who's been working on the project for the past 7 years. Stronghold today has 5 full time employees and 15 contract employees in Guyana.

The Company also established a wholly owned subsidiary in Guyana: Stronghold Guyana Inc. in the capital city of Georgetown, where logistics and administration is conducted.

## Resource Estimate

In October 2009, an internal technical report by IAMGOLD produced an Inferred Mineral Resources estimate of 733,500 ounces of gold (using a 0.5 g/t Au cut-off grade). This estimate was based on 197 drill holes, totaling 24,203 meters which were drilled between 1947 and 2009. Although the report was prepared following NI 43-101 standards, it was not independent as it was prepared in-house.

Mineralized Zone	Tonnes (000)	Grade (g per tonne)	Contained ounces
Millionaire	7,817	1.18	296,500
Zion	2,989	1.56	150,100
Kilroy	4,540	1.29	187,700
Saddle	790	1.20	30,400
NZ2	1,410	1.09	49,500
NZ3	413	1.45	19,300
<b>Total</b>	<b>17,959</b>	<b>1.27</b>	<b>733,500</b>

**IAMGOLD Eagle Mountain inferred mineral resource estimate from October 2009, using a cut-off grade of 0.5 g/tonne and a minimum zone thickness of 3 meters. Source: Company Filings.**

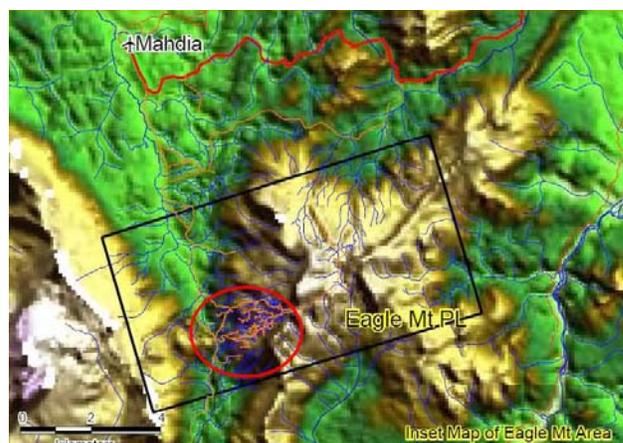
After Stronghold signed the agreement with Omai Gold it immediately contacted A.C.A. Howe International to prepare an independent resource audit of the Eagle Mountain mineral resource produced by IAMGOLD. Howe's geologists reviewed the project information and data provided by Stronghold and IAMGOLD, including the drill hole database. Additionally, they visited the site and reviewed sampling procedures and security.

Based on all this work, Howe's re-tabulation compared very well with IAMGOLD's October 2009 inferred mineral resource estimate. The difference

was insignificant at less than 1% and was attributed to differences in rounding of values. Therefore, Howe found IAMGOLD's October 2009 Eagle Mountain mineral resource estimate reasonably accurate and NI 43-101 compliant.

## Mineralization

Gold mineralization is associated with a distinctive chlorite – silica – actinolite – epidote – sulphide (mainly pyrite) ± biotite alteration assemblage and minor quartz veining. Individual zones vary in thickness up to twenty-five meters, and are separated from each other by one to forty meters of barren rock that can be distinguished based on minor variations in trace element chemistry.



**Map of the Eagle Mountain area. The black rectangle delineates the entire property and the red circle shows where the currently known mineralized zones are situated.**

Most known gold mineralization is hosted within the granitoid in association with four low-angle shear zones named Saddle, Zion, Kilroy and Millionaire. These generally dip 20-40 degrees to the southwest, and locally may bifurcate and merge. The four mineralized shear zones, in addition to two related minor shear zones (NZ1 and NZ2), host the current mineral resource estimate. Each zone can be distinguished based on visual characteristics and average grade.

The Saddle and Millionaire zones are very similar and although spatially separated, it is possible that they are the same zone. The Saddle zone is the topographically highest mineralized zone. It remains open in all other directions. The Saddle zone has only been intersected in five drill holes and has an average grade and thickness of 1.2g/t Au over 10 meters.

With exception to the minor NZ1 and NZ2 zones, defined in IAMGOLD's mineral resource estimate, Millionaire is the topographically lowest known mineralized zone in the deposit. It's the largest zone and contains the most ounces. The veins are usually 5-10 meters thick and have an average grade of 1.3g/t Au. Millionaire potentially extends laterally to the southeast.

The Zion zone occurs immediately below the Saddle zone and is very distinctive. The zone averages 1.56 g/t Au over 15-20 m in thickness, although significantly higher grades have been intersected locally.

The Kilroy zone finally, averages 1.0 g/t over 12-15 meters, although much higher grade domains have been delineated as well.

## New Drilling Phase

Mid April 2011, Stronghold commenced a new diamond drilling program designed to both increase the size of the gold resource and to move a significant part of that resource from an inferred to an indicated category. At least 120 holes will be drilled over a 6 to 8 months period for a total of 15,000 meters.

The program has the following objectives:

- Twin some historic holes. This is a technique where a hole is drilled in close vicinity of an already existing hole to verify the results of the original hole. In this case, historic holes will be twinned from which there is no or unreliable data. These are mainly Anaconda holes dating from the 1940s. With success, that gold mineralization can be brought into the mineral resource estimate;
- Infill drilling where not enough drilling has been conducted in the past. This is done both to bring some parts of the property, where they already know there's gold present, into compliance and to upgrade the inferred resources to indicated resources;
- Expansion drilling outside the already known ore zone. These are called 'aggressive holes'. The first results from these holes are very promising (see below); and
- **Exploration drilling. Currently, all work has been performed on the north-west side of Eagle Mountain. Alluvial miners, however, have found gold on the other side of the hill (about 100 meters high) as well. So there's a possibility that the ore**

**zones continue underneath the hill all the way to the other side. If current drilling results actually confirm gold presence there, it moves the Company into another category, as it would likely double the projects current resource estimate.**

To date, 32 drill holes totaling just over 5,000 meters have been completed and drill core results from 11 complete holes have been received from ACME Analytical Laboratories Ltd. It's very encouraging to note that all 11 holes, including two aggressive holes, have gold intersections of good economic grade. Also interesting is that the Zion zone was intersected at wider widths than previously noted and has been confirmed as having a greater lateral extent in areas outside the known mineralized zones.

Hole Number	From (Meters)	To (meters)	Interval (meters)	Gold Grade (g/t)
EMD11-44	19.5	21.0	1.5	12.3
EMD11-45	7.5	15.0	8.5	3.0
EMD11-47	5.6	17.2	11.6	1.7
EMD11-49	13.0	20.5	7.5	1.6
EMD11-50	0.0	2.0	2.0	1.34
EMD11-55	22.5	27.0	5.5	1.3
EMD11-56	15.0	26.0	11.0	3.95
EMD11-59	24.0	29.0	6.0	1.3
EMD11-60	9.0	13.5	4.5	1.73
EMD11-61	24.0	30.0	7.5	1.51
	10.0	12.0	2.0	1.31
	15.0	17.5	2.5	1.14
EMD11-63	21.5	27.6	6.1	1.07
	140.8	142.9	2.1	19.79

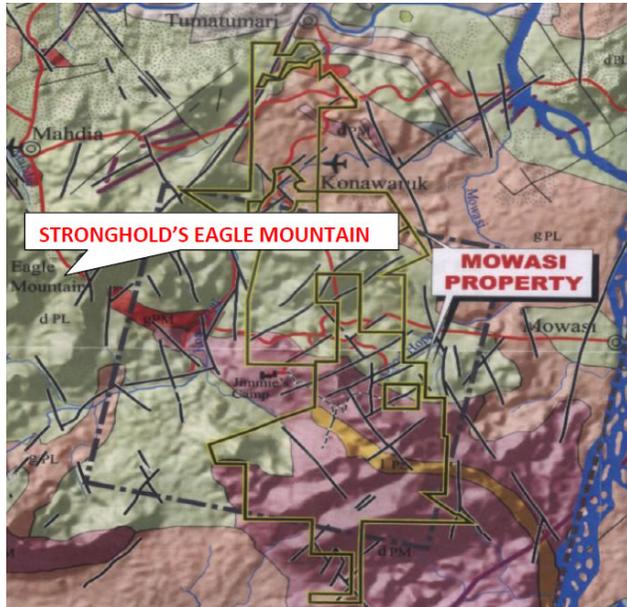
**Significant drill intercepts from the first 11 holes received back from the lab. The two rows in blue are step-out drill holes. Source: Company press release.**

In order to speed up the drilling process, the Company added a second drilling rig. Because the terrain at Eagle Mountain is mountainous and access to all of the planned drill sites is challenging, a man portable rig was chosen to do the job. This will allow Stronghold to access these areas with the minimum environmental impact.

## Expansion

A few days ago, Stronghold entered into a Letter of Intent with Mowasi Gold Corp. whereby Stronghold can acquire a 95% interest in 23 prospecting permits and 8 mining permits covering an area of approximately 8,300 hectares, contiguous to Eagle Mountain.

Initially, Stronghold can earn a 49% interest in the concessions by expending at least \$1 million USD on explorations on the property, and by paying \$100,000 USD and issuing 250,000 common shares of Stronghold to Mowasi.



**Regional Geology of the Mowasi and Eagle Mountain areas.**

After acquiring the 49% interest, Stronghold has 90 days to acquire an additional 46% interest in the concessions (total 95%) by issuing two million common shares of Stronghold and paying the sum of \$1 million USD to Mowasi.

So in order to obtain the 95% interest, Stronghold has to expend in total, 1 million USD on the Mowasi property, pay \$1.1 million USD and issue 2.25 million common shares to Mowasi Gold Corp, all within a 21 months period.

A NI 43-101 compliant technical report was completed for the area in 2010. It included limited geological mapping, a structural analysis utilizing the Shuttle Radar Topography Mission data to provide a shaded topographic relief map and some limited geochemical sampling.

Although the Mowasi concessions are at an early exploration stage, this acquisition represents a good opportunity to increase the Company's gold resources in the proximity of the Eagle Mountain project. Interesting to note is that intense alluvial mining activities in the area have shown that the concessions are highly prospective for gold.

Another technical team than the one active at Eagle Mountain will carry out the exploration work, but will also be supervised by Anne Casselman.

**Alluvial mining activities indicate a high probability of finding gold on the property. This is another opportunity to expand the resource estimate of the Eagle Mountain/Mowasi area. An additional advantage is that, since Mowasi is contiguous to Eagle Mountain, future ore from both properties can be processed by one mill.**

## Upcoming Events

During the next 12 months, Stronghold plans to:

- Conduct a LiDAR survey on Eagle Mountain, which may show the Company's geologists where there are gold bearing structures for future planning and drill programs;
- Carry out additional metallurgical work, consisting of gravity, cyanide and flotation test work; and
- Initiate an environmental baseline study.

All of this information, along with the drill results from the ongoing campaign, should produce a preliminary economic assessment report by the middle of 2012.

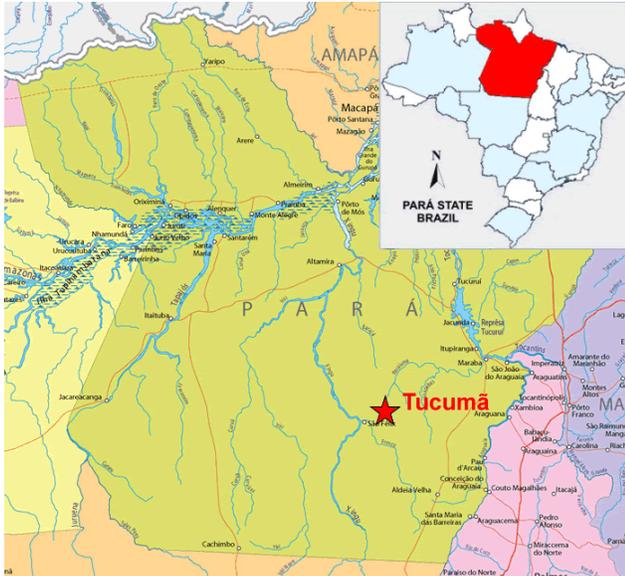
## Other Properties

### Tucumã

The Tucumã Property is located in the State of Para, Brazil. It's wholly owned by Stronghold Metals Inc. and consists of 6 mining concessions comprising a land package of 11,456 hectares. The project is located close to infrastructure, only 12 km from the town of Tucumã. Stronghold obtained the property in June 2010 when it acquired Mineração Vale do Sonho Ltda., a private Brazilian Company that held the mineral concession. In exchange, Stronghold issued 1,500,000 common shares and 750,000 non transferable share purchase warrants to the former owners of do Sonho. Each warrant entitles the warrant holder to acquire an additional common share in the capital of Stronghold at a price of \$0.75 per common share until June 16, 2012.

From 1995 to 2006, the property has been subject to exploration programs by several different companies that included soil and rock geochemistry, airborne and ground geophysical surveys, RC and diamond drilling. Initial diamond drill testing of this extensive

gold anomaly was conducted in 1997. Historical discovery hole T97-11b tested the Filomena gold anomaly and returned 6.3 grams per tonne gold from 54.32 m to 63.44 meters (9.12 meters) in saprolite, and a further intersection from 120.06 m to 134.82 m grading 6.399 grams per tonne gold.



**The Tucumã gold/copper property is located in the State of Para, Brazil and covers a total area of approximately 11,456 hectares.**

Next to the Filomena zone, several other areas of gold and copper/gold occurrences of the IOCG ("Iron Oxide Copper Gold") type were identified from these exploration programs and drilling campaigns.

After acquiring the property, Stronghold initiated a phase 1 drill program consisting of 6 diamond drill holes. Five holes (1,105 m of drilling) tested the Filomena target area, including the area around historic discovery hole T97-11b. The 6<sup>th</sup> hole tested another high-priority gold target on the property, named the Augusto area.

Highlights of the drill results include 7.90m at 3.28 g/t Au along hole T2010-3A over the Filomena target and 7.00m at 1.32 g/t Au along hole T2010-4B over the Augusto target.

Early August 2011, Stronghold entered into a Letter of Intent (LOI) with Kensington Court Ventures Inc. (TSX: KCT.P), a Capital Pool Company listed on the TSX Venture Exchange, to sell all of the issued and outstanding shares of Stronghold's Brazilian subsidiary, Mineracao Vale Do Sonho Ltda.

Under the terms of the agreement, Stronghold will receive as consideration for the sale:

- 16,300,000 common shares of Kensington; and
- A two percent net smelter royalty on all production from the Tucumã property.

Upon completion of the transaction, Stronghold will own approximately 52.3% of the Kensington's issued and outstanding shares on a non-diluted basis.

Because Kensington is a Capital Pool Company and trading has been halted in its shares since this transaction was announced, it's hard to put a value on Stronghold's 52.3% stake. What is interesting to note is that in conjunction with this transaction, Kensington also announced a brokered private placement to raise gross proceeds of \$2,000,000 by the issuance of 8,000,000 units at a purchase price of \$0.25 per unit. Each unit will consist of one common share and one-half of one common share purchase warrant. Each full warrant will entitle the holder to acquire an additional common share of Kensington at an exercise price of \$0.35 per common share. So the \$0.25 offer price may give an indication of Kensington's stock price once it starts trading again. 16.3 million shares at \$0.25, would add more than \$4 million to Stronghold's balance sheet.

## Combarbala

Finally, Stronghold has a 100% interest in the Combarbala property in Chile. On August 31, 2009, it acquired the 33 mineral claims property from BHP Billiton (NYSE: BHP) by agreeing to pay BHP Billiton a 2% net smelter royalty. No exploration work has been conducted since.

## Financials

### Third Quarter and Nine Months 2011 Results

Since Stronghold has no properties generating revenues yet, the Company is still losing money. In the third quarter, ended May 31, 2011, Stronghold recorded a net loss of \$363,788. For the first nine months of fiscal year 2011 the loss was \$1,154,794.

We expect the losses to increase during the following quarters as drilling and other exploration expenses at Eagle Mountain will rise.

## Balance Sheet as Of May 31, 2011

On May 31, 2011, Stronghold had a cash position of \$1,376,070. To add to its treasury, the Company closed a private placement for gross proceeds of \$3,353,000 on July 28, 2011. These proceeds give Stronghold a solid financial base for the advancement of the Eagle Mountain project, to search for potential acquisitions and for general working capital.

It's reassuring to know that this private placement, as well as the previous one in December of 2010, was heavily oversubscribed. It's even more reassuring to know that several major institutional investors, including Sprott Asset Management, participated.

	05/31/11
Cash and Cash Equivalents	1,376,070
Prepaid Expenses and Deposits	244,667
Resource Properties	4,390,981
<b>Total Assets</b>	<b>6,345,445</b>
Accounts Payable & Accrued Liabilities	115,941
<b>Total Liabilities</b>	<b>404,346</b>
Total Stockholder Equity	5,941,099
<b>Most important balance sheet data for the period ending May 31, 2011. Note that the cash position doesn't include funds from the August placement. Source: Company Filings</b>	

Also noteworthy is that when the sale of Mineracao Vale Do Sonho Ltda. to Kensington Court Ventures is completed, it will significantly strengthen Stronghold's balance sheet as it will become the majority shareholder of Kensington.

## Outlook & Valuation

We always look for a Company with both a strong, well-balanced management team and a stock price with lots of upside potential. We've found such a Company with Stronghold Metals.

Stronghold's management team and Board of Directors are comprised of experienced geoscientists and financiers. A mining Company needs both, people that have the knowledge to increase the resource of a property and people that have the ability to raise sufficient amounts of money to keep the projects going.

The agreement with IAMGOLD is a perfect example of the ability of Stronghold's management. Next to the financial terms, IAMGOLD undoubtedly performed a thorough due diligence on who was behind Stronghold Metals. The fact that the billion dollar company IAMGOLD wanted to do business with a relatively small player like Stronghold says enough.

Also the private placements, which are discussed above, are a good indication of the strength of the Company. The two most recent placements have been closed with relative ease. Among the investors is Sprott Asset Management, one of the most respected names in the precious metals investment industry. Sprott AM now controls almost 5% of Stronghold's shares.

**Finally, we have the excellent outlook for the Eagle Mountain project. Its current resource estimate of 733,500 ounces of gold can be doubled in the next few quarters when results from ongoing drillings show that gold is also found underneath the hill and on the other side of it. First analytical results from aggressive drill holes indicate exactly that.**

## Peer Comparison

To determine Stronghold's fair value, we've calculated its Enterprise Value per Resource and compared it with six other companies. These peer companies have gold properties with an NI 43-101 compliant resource estimate.

### ENTERPRISE VALUE/RESOURCE

The enterprise value is the value that the market puts on a company's physical assets in the ground.

In order to calculate this, you need to determine the market capitalization of the company, subtract all financial assets like cash, cash equivalents, investments, etc. and add all debts and other amounts due. This is the Enterprise Value (EV).

In order to get the EV/Resource, you need to divide the Enterprise Value by the total resource estimate in ounces, of all the company's properties as stated in NI 43-101 compliant reports.

Guyana Goldfields Inc. (TO: GUY) is an exploration stage company, engaged in the acquisition, exploration and development of gold deposits in the Guiana Shield of South America. The company owns a 100% interest in the Aurora gold project located in Guyana.

Keegan Resources Inc. (TO: KGN) is a natural resource company, engaged in the acquisition and exploration of gold deposits in West Africa. It owns the Asumura gold property and the Esaase gold project, both located in the southwestern part of Ghana.

Kimber Resources Inc. (TO: KBR) owns a 100% interest in the Monterde gold/silver property located in the Sierra Madre, Mexico. Kimber Resources has a NI 43-101 resource estimate for Monterde.

Lydian International Limited (TO: LYD) operates as a mineral exploration and development company focusing on Eastern Europe. The company's principal property is the Amulsar gold project in central Armenia.

Oromin Explorations Ltd. (TO: OLE) holds interest in the OJVG gold property located in the Republic of Senegal in West Africa; and the Santa Rosa oil and gas property located in the Republic of Argentina in South America.

Stroud Resources Ltd. (TSX: SDR) is a mineral exploration company active in Mexico and Canada. The company primarily holds interest in the Santo Domingo epithermal silver-gold project located in central Mexico. It also holds interests in the Hislop and Leckie/Penrose gold projects in northern Ontario.

Company	Stock Price	EV (M)	Total Au Oz (M)	EV/Resource
Guyana	8.34	624.37	6.68	<b>93.54</b>
Keegan	7.60	352.07	4.79	<b>73.50</b>
Kimber	1.71	128.74	1.27	<b>101.65</b>
Lydian	2.42	220.40	2.50	<b>88.16</b>
Oromin	0.94	115.79	3.49	<b>33.14</b>
Stroud	0.13	21.62	0.51	<b>42.56</b>
Average				<b>72.09</b>
<b>Stronghold</b>	<b>0.38</b>	<b>22.33</b>	<b>0.73</b>	<b>30.44</b>

**Enterprise Value/Resource comparison. Source: Filings from each company and Smallcaps.us calculations.**

Note: we used the 30-day average closing price to balance out the volatility of the stock price.

## Valuation

The table above clearly shows that Stronghold Metals is undervalued compared with its peers.

The market assigns an EV/Resource between 33.14 dollar per ounce and 101.65 dollar per ounce for the six peers. Stronghold's EV/Resource is 30.44 dollar per ounce, while the average EV/Resource for the six peers is 72.09 dollar per ounce, or 2.25 times higher.

**Based on these calculations, the Company's solid financial position and the high potential for expanding the Eagle Mountain resource, we initiate coverage of Stronghold Metals Inc. with a buy recommendation and an initial price target of \$0.90 or 2.25 times higher than today's stock price.**

## Share Data

As of July 28, 2011 there were 63,451,290 common shares issued and outstanding and 5,285,000 stock options outstanding with exercise prices ranging between \$0.38 and \$0.40 per option and expiration dates from April 30, 2012 through to May 31, 2016.

Type of Securities	Number of Securities
Common shares	63,451,290
Options	5,285,000
Warrants	11,172,300

**Outstanding shares, warrants and options for Esperanza Resources Corp. as of July 28, 2011.**

The Company has 11,172,300 common share purchase warrants outstanding with exercise prices between \$0.55 and \$0.75 per warrant. These warrants expire from December 14, 2011 through July 28, 2013.

## Management

### ➤ Ioannis (Yannis) Tsitos - President, CEO & Director

Mr. Tsitos, MSc., has over 25 years experience in the Mining Industry, from which he spent 19 years with BHP Billiton group, where he had the title of New Business Manager for Minerals Exploration. Mr. Tsitos holds a B.Sc degree in Physics from the University of Athens and a Master's degree in Applied Geophysics and Geology from the University of Birmingham, U.K.

Mr. Tsitos brings to the Company a wealth of knowledge and extensive experience in the mining sector focused on exploration and development for a wide spectrum of commodities, from gold, base metals, nickel and diamonds to bulk minerals such as bauxite, coal and iron ore. He has been instrumental in the identification, negotiation and execution of more than 50 exploration agreements with juniors, majors, as well as with state exploration and mining companies.

➤ **Demetreus (Jim) Heras - Chairman & Director**

Mr. Heras has been a director and executive of several private and public companies during his 45 year career and has raised over \$100 million dollars in financings. In the mid-nineties he was Director and Chairman of the Board of St. Philips Resources Inc., and negotiated the agreement with Royal Oak Mines on the Kemess copper-gold deposit (which later became a mine) in British Columbia and the final acquisition of St. Philips Resources by Royal Oak Mines. From April 1993 to 2000 he was Director and President of Highgrade Ventures Ltd. (subsequently this company was named Brasilca Mining Corp.).

➤ **Albert Wu - CFO**

Mr. Wu is a certified Management Accountant and he received his Bachelor of Commerce Degree in 1969 and his MBA in 1971, both from the Chinese University of Hong Kong. In the last 25 years, Mr. Wu has been working with public companies in providing accounting and management services on a part-time basis. He is currently the CFO of Stronghold Metals, First Bauxite Corporation, Silver Lake Resources Ltd., Urastar Energy Inc. and Pacific Imperial Mines Inc., all of which are public companies listed on the TSX Venture Exchange.

➤ **Art Freeze - Director**

Mr. Freeze has 43 years of experience as an exploration and production geologist, spanning grass-roots exploration through to supervision of underground development programs. He has held consulting, supervising and management positions with major companies including: Cominco Ltd., Pasminco Ltd., Echo Bay Mines Ltd. and Pan American Silver Corp. Also, between 2002 and 2008, he was employed as principal Consulting Geologist to Goldcorp Inc., Silver Wheaton Corp., and New Gold Inc. Mr. Freeze has extensive international experience in North, Central and South America, Spain, several of the former Soviet Republics and North Korea.

➤ **Geoff Hampson - Director**

Mr. Hampson is Director and previous CEO of Live Current Media Inc., an internet commerce and media company based in Vancouver, British Columbia. He is the founder Director and previous CEO of Corelink Data Center, LLC, a Chicago based provider of co-location and outsourced internet infrastructure solutions. He has served as Chief Executive Officer and Chairman of the Board of Fibrox Technologies Ltd., a producer of synthetic mineral fibre, since February 1994. Mr. Hampson was the President, Chief Executive Officer and a director of Peer 1 Network Enterprises Inc., an internet infrastructure company based in Vancouver, British Columbia, from July 2002 to December 2005.

➤ **Luiz Bizzi - Director**

Dr. Bizzi is a Brazilian/Italian professional geologist and Certified Investment Analyst with over 25 years experience in minerals exploration and business development in South America. Dr. Bizzi has worked for BHP Billiton as Exploration Manager for South America and for De Beers / Anglo American as Technical Director for South America. Additionally, he's been Vice President of Exploration for MBAC Fertilizers, Director of Geology and Mineral Resources at CPRM, the Brazilian Geological Survey, and Senior Consultant at BNDES, the Brazilian Development Bank.

➤ **Claudio Gianascio - Director**

Mr. Gianascio is an owner and director of Green Park Corporation LLP, a London based financial advisory firm. Formerly he was Chief Executive Officer and Chairman of the Board of Givigest Fiduciaria S.A., a Swiss financial services company he co-founded. Prior to co-founding Givigest Fiduciaria S.A., he was employed within the banking and financial industries by Union Bank of Switzerland, manufacturers Hanover (Suisse) S.A. and Chemical Bank (Suisse) S.A. Mr. Gianascio holds a Masters Degree in Economics from the University of Geneva, Switzerland.

➤ **Paul McGuigan - Director**

Mr. McGuigan is a Professional Geoscientist registered with the Association of Engineers and Geoscientists of British Columbia. He has 35 years of international experience in management of mineral exploration and mining operations. His deposit expertise includes the exploration and/or discovery of significant volcanogenic massive sulphide, epithermal gold, IOCG and porphyry Cu-Au prospects and deposits. Currently, Mr. McGuigan is the Managing Director of Cambria Geosciences Inc.



## TSX Venture Exchange: Z

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