

# P. ZIHLMANN INVESTMENT • MANAGEMENT AG

Your independent **Swiss** asset manager

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## GOLD RESOURCE CORP. (OTC BB:GORO) FOLLOW-UP N° 5 / FEBRUARY 17, 2010

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[Chart 1 year](#)

<a href="#">GOLD RESOURCE CORP: RETURN ON USD 20,000 INVESTMENT</a>					
<u>Purchase Date</u>	<u>No. of Shares</u>	<u>Purchase Price</u>	<u>Cost (CAD)</u>	<u>Price Today</u>	<u>Value Today</u>
October 5, 2007	2'700	3.80	10'260.00		
October 26, 2008	4'600	2.20	10'120.00		
<b>Total</b>	<b>7'300</b>	<b>2.79</b>	<b>20'380.00</b>	<b>10.62</b>	<b>77'526.00</b>
<b>Profit</b>					<b>57'146.00</b>
<b>Profit (in %)</b>					<b>280%</b>



<a href="#">SHARES OUTSTANDING / FULLY DILUTED</a>	<a href="#">MARKET CAP</a>
48,050,284 / 51,845,284	USD 499.2 Million
<a href="#">52 WEEK LOW / HIGH</a>	<a href="#">TSXV</a>
USD 3.36 to 11.60	143,800 (200-day)
<a href="#">RECOMMENDATION</a>	<a href="#">RISK RATING</a>
BUY	HIGH

## A 1,624,000 OUNCE GOLD (AUEQ) RESOURCE IN OAXACA, MEXICO

### Business Summary

Gold Resource Corporation's objective is to create shareholder value by establishing production and generating superior financial performance through the development of gold and silver projects that feature **low operating costs and produce high returns on capital**. Management's commitment to shareholder value is reflected in the disciplined approach it has taken to the Company's capital structure, its focus on rapid project execution and its goal of meaningful dividend distributions.

GRC's initial exploration efforts have been focused on the **El Aguila project**, a property featuring **high-grade gold and silver mineralization located in Oaxaca, Mexico**. Recent discoveries indicate the project is well suited for GRC's performance targets.

An independent scoping study indicated cash production costs of approximately \$100 per ounce of gold, and an annual return-on-capital of greater than 100%, indicating a capital payback of less than one year.

Management has established an aggressive schedule for the **El Aguila project**, initially targeting **production mid-2009**. In actual fact, GRC began producing in **January 2010**, delivering on what was still a quite tight schedule.

Three additional project opportunities have been established in relatively close proximity to El Aguila: the **Las Margaritas silver property**, the **El Rey gold property**, and the **Solaga silver property**. Collectively, they provide the Company with a pipeline of potential projects that would expand and diversify the Company's precious metal production profile. The Company plans to have four high-grade properties feeding one mill.

**Why Mexico?**

Mexico is one of the world's leading venues for mineral potential and has a 500-year history of mining. The Fraser Institute's 2004/2005 Mining Survey ranked Mexico fifth out of 64 worldwide venues in current mineral potential. Additionally, Mexico ranked eighth in the same survey for composite policy and mineral potential.



**El Aguila Project**

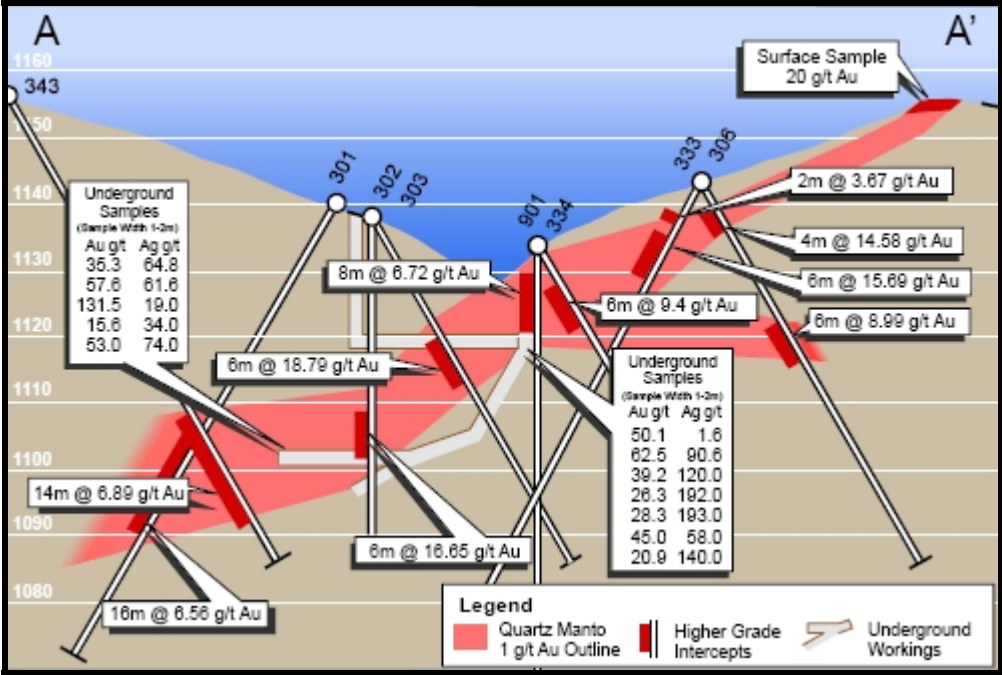
**Exploration: El Aguila cross section**

The El Aguila Project, located **120 kilometers southeast of the capital city of Oaxaca, Mexico**, is a **significant, newly discovered high-grade gold and silver system**. The property has yielded several exceptional gold and silver surface samples, including a 36 grams-per-ton (g/t) gold sample and a 3,100 g/t silver sample. \*

The first drill hole initiated from the area of these surface samples resulted in the discovery of 16 meters of mineralization at 6.56 g/t of gold. Subsequent drilling identified a shallow, sub-horizontal

mineralized zone (manto) with an inferred grade of 7.43 g/t of gold and 63 g/t of silver. The Company believes the discovery can be mined via an economical, shallow open pit.

The second round of drilling confirmed and expanded this initial mineralization and established the possibility of additional vein mineralization at El Aire, located 2 kilometers south east from El Aguila along the same important structural corridor, with the best intercept of 4 meters of 1.9 g/t of gold and 755 g/t of silver.



Management believes this limited, early work on one very small portion of the property is an encouraging indicator, as there are numerous additional areas along this important structural corridor where high-grade surface samples exist, such as Turkey Hill (up to 20.9 g/t of gold), Cerro Colorado (up to 18.9 g/t of gold) and Andesite Hill, where the highest-grade surface samples of both gold (35.2 g/t) & silver (3,170 g/t) occur.

**The gold and silver mineralization at the El Aguila Project is of classic low-sulfidation, epithermal character. These types of deposits form some of the richest, most sought-after deposits in the world.**

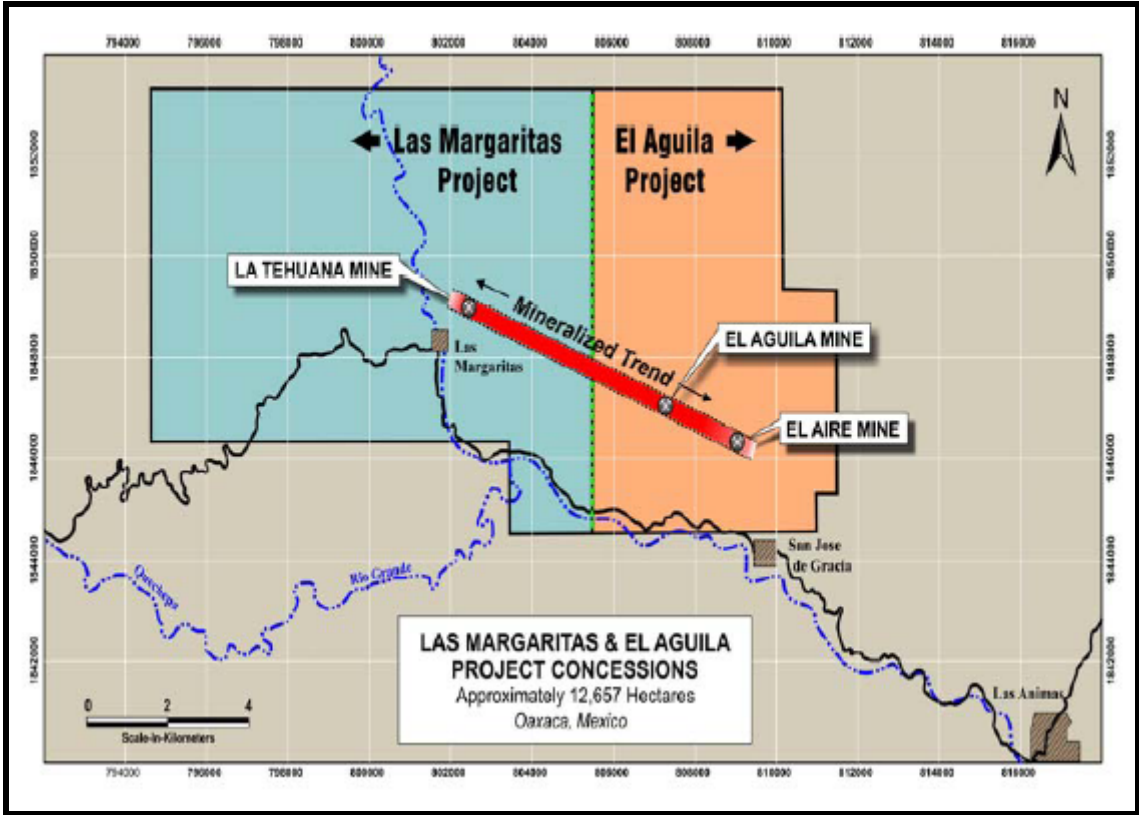
An exploration program designed to expand the known mineralization and test the many additional targets of high-grade surface samples over 4 kilometers is underway. Management's objective is to define sufficient mineralization to justify mine development at El Aguila.

**Las Margaritas Project**

Las Margaritas is a high-grade silver property in which GRC holds a 100% interest. It comprises the four northwest kilometers of the important N 70 W structural corridor, which is an extension of the El Aguila system. In addition, Las Margaritas occupies ground within an inferred caldera (collapsed volcanic center).

Historical records from a 1905 Mexican Government-authorized report titled **The Mines of Mexico** described the Las Margaritas mining district as, **"...the place in which has been found some of the richest ores in Mexico, some of the ores having reached the value of 18,000 ounces to the ton, and ores are frequently found which assay 4,000 and 5,000 ounces to the ton."**

Though mineralization at these levels is rare, the important point is that the Las Margaritas property shows indications of potentially significant silver mineralization. Surface samples taken by GRC have yielded silver mineralization as high as 1,200 g/t.



**El Rey Project**

El Rey is a high-grade gold property in which GRC has a 100% interest. While the site has been mined previously, very little information is known about the property. GRC has taken two selective grab samples from the dump material around the original shaft. **The two samples assayed 80 and 85 g/t of gold, indicating that the samples are of potential vein material.**

GRC intends to explore this property as a potential high-grade gold vein. If it were mined, material could be trucked to the prospective El Aguila mill for processing.

El Rey is in the early stages of exploration.

**Solaga Project**

Solaga is a high-grade silver property in which GRC holds a 100% interest. The 400 hectare property was previously mined in the 1980's. **Initial high-grade selective sampling ran 15 kilo's (15,000 grams / ton or 488 oz/ton or 1.5%) silver per ton.**

GRC intends to explore this property as a potential high-grade silver vein. If it were mined, material could be trucked to the prospective El Aguila mill for processing.

Solaga is in the early stages of exploration.

**Recent News: GOLD RESOURCE CORPORATION PRODUCES FIRST CONCENTRATES FROM EL AGUILA MILL**

Gold Resource Corporation announced first concentrate production at its El Aguila

Project Mill, located in Oaxaca, Mexico.

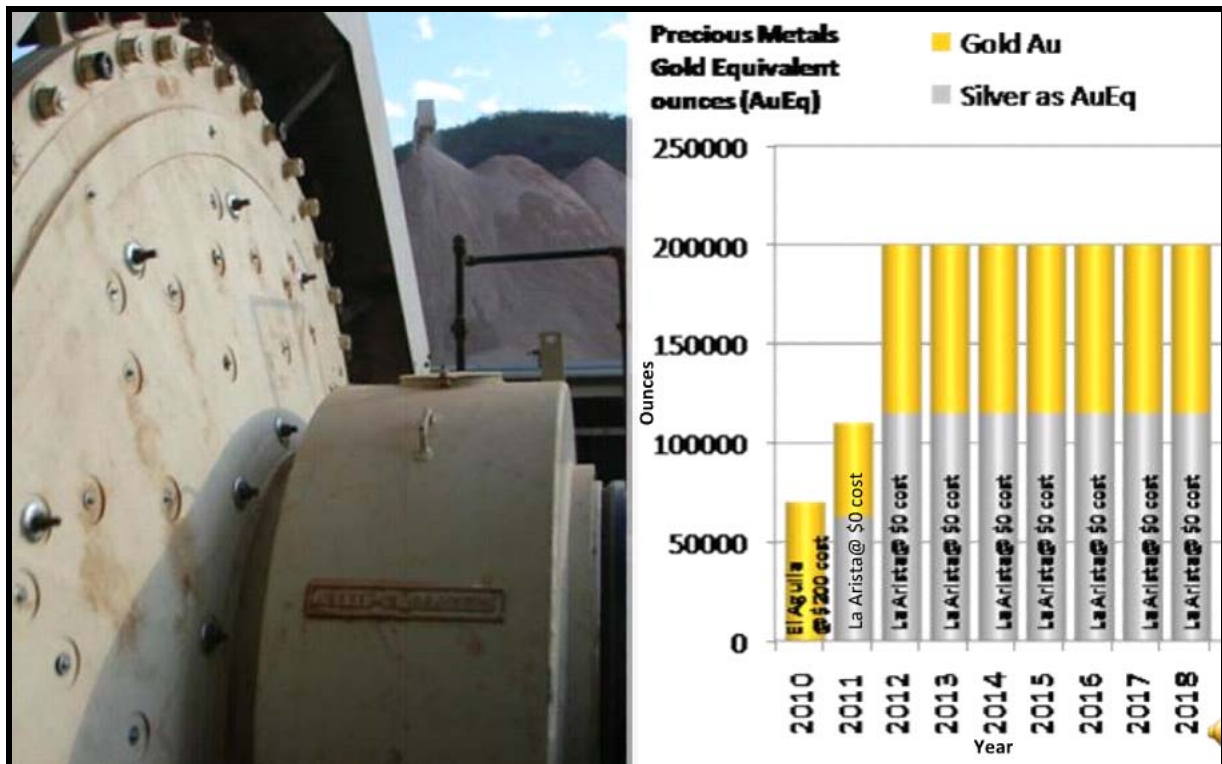
Gold Resource Corporation's El Aguila mill startup on January 25, 2009 has led to the first concentrates produced from the mill's initial flotation circuit on February 2, 2010 from the Company's El Aguila open pit gold and silver ore.

**William W. Reid, President of Gold Resource Corporation stated, "We are very pleased with successful concentrate production from our El Aguila mill. I want to thank all our El Aguila Project management team and employees, Lyntek's engineering and construction management team and all the contractors for their excellent work in achieving this milestone. We also want to thank Hochschild Mining for their continued financial and technical support. Gold Resource is fortunate to have put together such a talented and excellent team for the El Aguila Project".**

Mr. Reid continued, "We will now be in this initial start-up mode through the month of February as we continue operator training as well as flotation circuit optimization. **We target achieving "Commercial Production" sometime in March.** Commercial Production is declared when the mill throughput and mill recoveries are at least 80% of the mill design. During this optimization period we will be running lower grade ore. First quarter results will reflect this optimization and lower production rate as we ramp up to Commercial Production."

Mr. Reid stated, "This is a good time to have a new mine coming on line as we are in unprecedented times in the gold market. We see 2010 as one of increasing shareholder value as we ramp up production, generate increasing cash flows, continue to explore the exceptional potential of this high-grade mineralized system and accelerate development of our second and largest mine, the Arista underground gold-silver deposit with significant copper-lead-zinc credits."

### Fundamental Considerations



## Operating Cash Flow (OCF)

OCF = (gold price - cash cost/ounce) x annual gold production = OCF

OCF Multiple = 11.3 (average from 15 producing gold stocks December 2009)

### GRC's hypothetical share price using OCF & 11.3 multiple

Gold Price Estimate	\$950 / ounce
Cash Cost / ounce (Yr3)	\$0
Ounces Targeted AuEq* (Precious Metal)	200,000 oz's
Operating Cash Flow (OCF)	= \$ 190,000,000
OCF Multiple (11.3) = Market Cap	= \$ 2,147,000,000
Shares Fully Diluted (51.8M)	~ \$ 41 / Share

## Top Dividend Payers

Company	Dividend	Yield	Share Price
Agnico Eagle	\$0.18	0.3%	\$54.37
Barrick	\$0.40	1.0%	\$40.52
Goldcorp	\$0.18	0.5%	\$39.95
Kinross	\$0.10	1.0%	\$18.53
Newmont	\$0.40	1.0%	\$47.81
Yamana	\$0.04	0.3%	\$11.68
Royal Gold	\$0.36	1.0%	\$48.23
Gold Resource*	\$1.00*		??

COMMERCIAL PRODUCTION WILL START IN MARCH 2010. FIRST YEAR PRODUCTION IS EXPECTED TO REACH 77,000 GOLD EQUIVALENT OUNCES AND WILL INCREASE TO 200,000 IN THE THIRD YEAR. CASH COST IS EXPECTED TO BE \$0 PER OUNCE OF GOLD EQUIVALENT, SO THE SHARE PRICE STILL HAS A SUBSTANTIAL UPSIDE POTENTIAL.

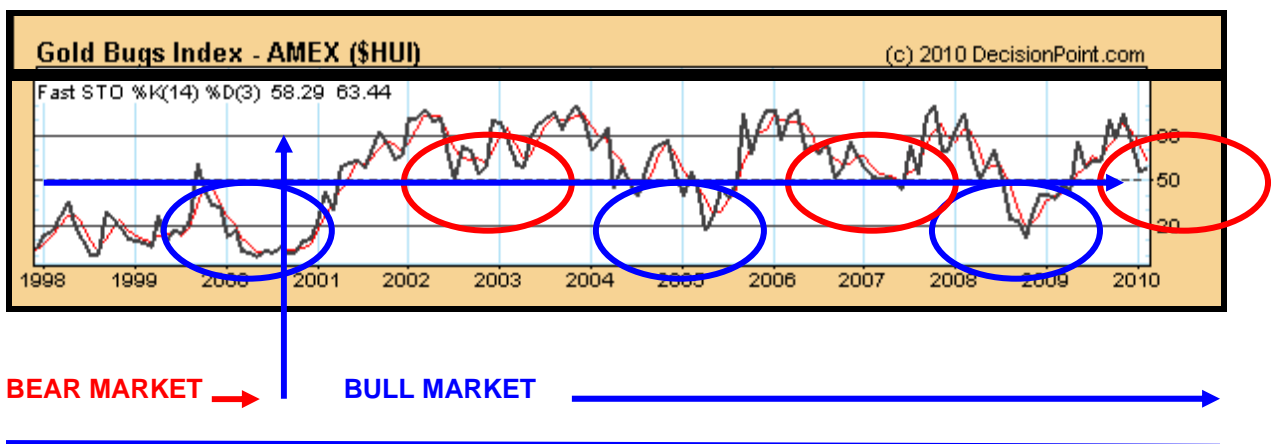
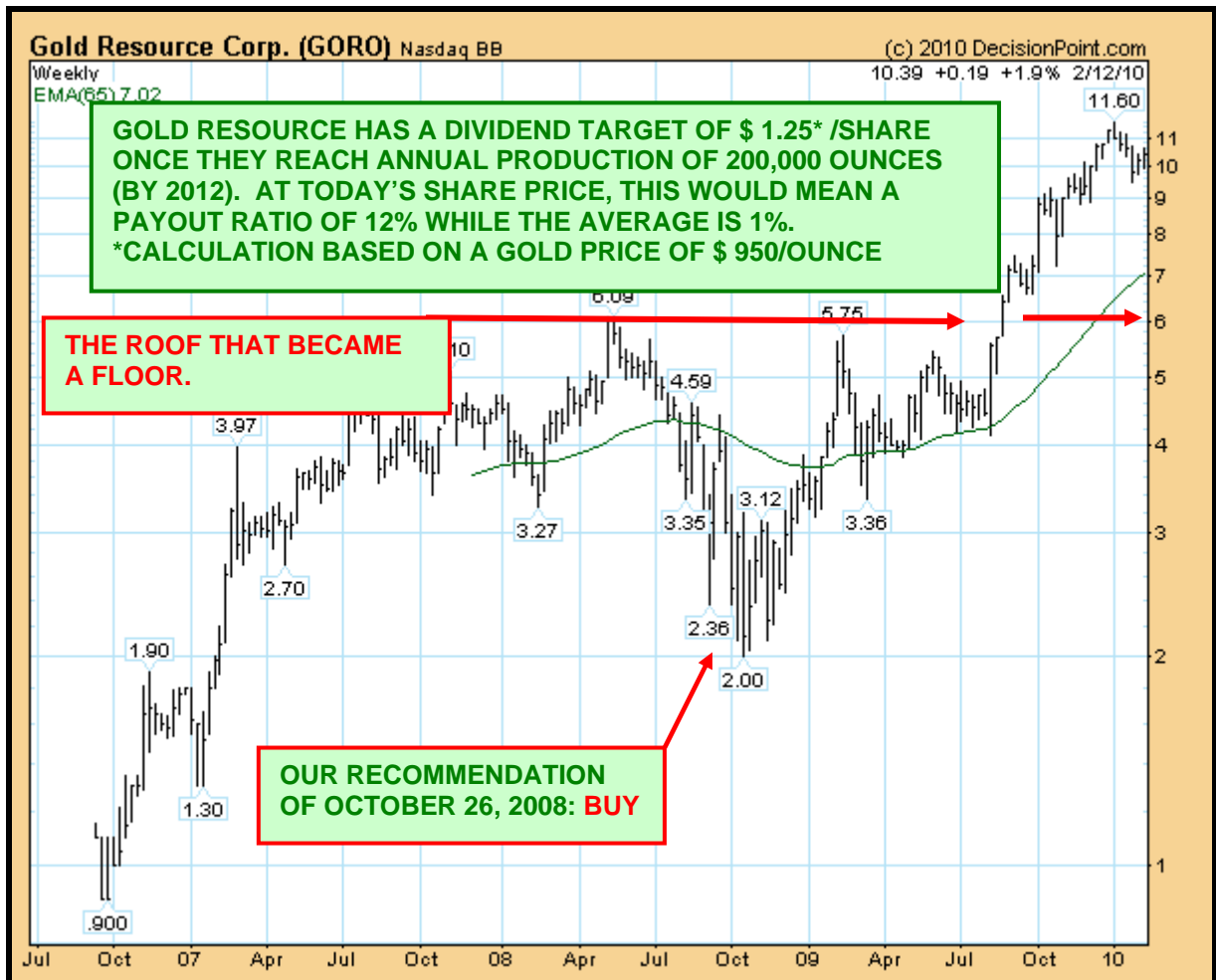
THE DIVIDEND PAYOUT RATIO OF MAJOR GOLD-PRODUCERS AVERAGES 1%. ONCE GOLD RESOURCE STARTS PAYING OUT ITS TRAGETED DIVIDEND OF \$ 1.25/SHARE, THE SHARE PRICE SHOULD RISE TO A MULTIPLE OF WHAT IT IS TODAY. A 2% PAYOUT RATIO SUGGESTS A SHARE PRICE OF \$ 60.

THE EXCITING EXPLORATION POTENTIAL COULD ADD FURTHER VALUE.

Technical Considerations



**THE OUTPERFORMANCE OF GOLD-SHARES COMPARED TO THE PRICE OF GOLD IS EVIDENT – IN THE LONG-TERM.**



**MELTDOWNS SIMILAR TO THOSE EXPERIENCED IN 2005 AND 2008 ARE UNLIKELY AT THIS STAGE.**

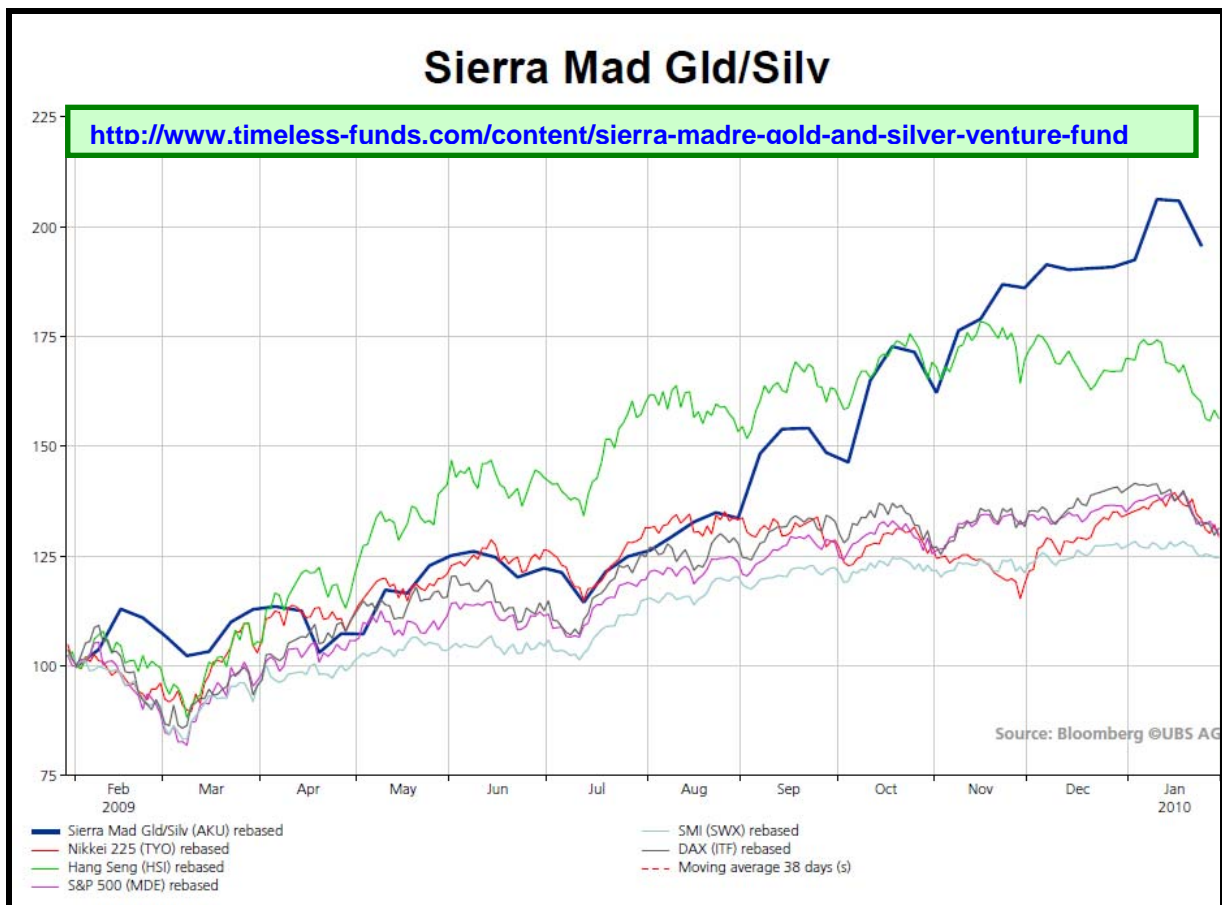
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**THE TIMELESS PRECIOUS METAL FUND**  
**THE SIERRA MADRE GOLD & SILVER VENTURE FUND**

are shareholders in the company and will benefit from any increase in the company's share price.



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**Disclosure:**

**The author has not been paid to write this article, nor has he received any other inducement to do so.**

**Disclaimer:**

The author's objective in writing this article is to invoke an interest on the part of potential investors in this stock to the point where they are encouraged to conduct their own further diligent research. Neither the information nor the opinions expressed should be construed as a solicitation to buy or sell this stock.

**Investors are recommended to obtain the advice of a qualified investment advisor before entering into any transactions in the stock - or to use their own brains.**

**In our opinion, the best approach is to buy a diversified portfolio of stocks as represented in THE TIMELESS PRECIOUS METAL FUND or THE SIERRA MADRE GOLD & SILVER VENTURE CAPITAL FUND instead of shares of only a small number of companies.**

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