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Pediment Gold Corp: Playing for a Perfect Day at the Plate

A Monday Morning Musing from Mickey the Mercenary Geologist

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Those who know me well know of my passion for the game of baseball. I played the game at a competitive amateur level for way too many years and “retired” a year after the mug shot on the website banner was taken. My nickname from the day I was born has been “Mickey” so of course I wore # 7 on every team I ever played for.

I am a St. Louis Cardinals fanatic, the second-best team in the history of baseball, and wear a “Birds on the Bat” tattoo on my ankle. Simply put, I bleed Cardinal Red. I presently own a ticket to the Home Run Derby and All-Star Game at Busch Stadium III in St. Louis, Missouri on July 13 and 14; that’s a week away and I’m just as excited now as I was to see my first World Series Game in the original Busch Stadium in 1964.

In the mid-1990’s, while on wintertime mapping projects in *Sonora, Mexico*, I always played *beisbol* for the local team wherever I was working. The locals called me a *beisbolista*, meaning “a ballplayer”, which is just about as good a compliment as I’ve ever had.

To honor the game that I love, I’m going to employ some parlance of America’s Pastime in the report that follows:

Regular readers of my Mercenary Musings know my opinion about gold mining in Mexico. It is simply the best place on the planet to find and develop a gold mine, *puro chuqui* in Sonoran slang. Mexico has the requisite geological setting and gold deposits, capitalistic and entrepreneurial economy, pro-mining federal and state governments, straight forward permitting requirements, excellent infrastructure, and a largely rural and low-density population outside of the major cities with well-trained and experienced workers and low labor costs.

I was first introduced to Pediment Gold Corp. (PEZ.T) in early 2005. Principals of the private company that eventually became Pediment Exploration Ltd had sublet offices from a group of junior resource companies that I was consulting for. In a meeting that I remember well, they introduced me to the idea of launching a company dedicated to exploring under shallow gravel cover (or *pediment* in geology-speak) in and around known gold mines, deposits, and significant occurrences in northern Mexico. I liked this concept and the deal from early on, and Pediment has been on my prospect list since then.

Gary Freeman, Dave Coffin, and I talked for quite a while that afternoon. Dave discussed the Sonora-Mohave Megashear, a geological suture zone known to have a plethora of small to giant gold deposits along its 500 km length from SE California to north-central Sonora. He suggested the region had significant potential for shallowly buried, economic gold deposits that had not been previously explored for or discovered. Gary reviewed the company's business plan, its principals, and the proposed share structure in detail.

Based on my extensive experience in northern Sonora, I understood because of the known gold deposits, Basin and Range-style topography, vast areas of post-mineral gravel cover, arid desert climate subject to torrential rainstorms, flash flooding, and resultant mass wasting, recent exploration advances in geology, remote sensing, geophysics, and geochemistry, and technological innovations that have allowed mining and processing of progressively lower gold grades over the past 30 years, the region was very prospective for discovery of blind economic gold deposits.

I was intrigued and felt that Pediment had a chance to hit a *grand slam* with its exploration philosophy.

In mid-2007 while retained by fellow newsletter writer Jay Taylor, I evaluated Pediment Exploration and Jay recommended it to his subscribers. Following my Mercenary Methodology, I put it in my *lineup card* and became a shareholder of PEZ, too. It became the most difficult of hits, a *triple* or *three bagger* for me in a few short months and I moved on to other investments.

But Pediment has remained either *on deck* or *in the hole* since although I wasn't a shareholder again until recently.

Pediment Gold Corp morphed from a Venture Exchange shell thru a reverse takeover and went public in October 2005. It has a well-managed share structure with 44.0 million shares outstanding and 48.0 million fully diluted, strong insider, family, and friends holdings at 18%, institutional funds control 10%, and the public stock float is about 72%. There are no outstanding warrants and 3.9 million options at exercise prices varying from 50c to \$1.60. PEZ has a market capitalization of about \$35 million and a very nice working capital position of \$14.5 million.

The one year chart is presented below. The 52 week high of \$1.61 was a year ago as the general market malaise began to take its toll on the junior resource sector. Besides a sharp three week rally beginning in mid-September, the company fell along with the rest of the stock market reaching its yearly low of 39c in late October and other lows in mid-November to early December. Unlike most juniors though, it closed out the final three weeks of 2008 on a strong uptick that continued into early January. Since early February, PEZ has traded in a relatively tight range from 80c to \$1.05 on moderate daily volumes. Note that it has built a very substantial base over the past five months:



The management team of Pediment Gold is led by founder and CEO Gary Freeman, an ex-broker, financier, and promoter with a track record of success with junior Wealth Minerals. When the company made the transition from strictly an explorer to a potential mine developer, renowned junior gold miner Chester Millar joined the Board of Directors as Chairman. Other names of note in our business include Directors Leonard Harris, Michael Halvorson, and Andre Audet.

Mel Herdrick, an expatriated American, is the geological brains behind Pediment's Mexican gold projects. Mel has lived and worked in Hermosillo, Sonora, Mexico for many years including a long stint as country exploration manager for Phelps Dodge. Alberto Orozco, a geologist, is the general manager in Mexico. A recent addition to the team is COO Chris Babcock, one of those "mining guys", who has 17 years experience in Mexico in management, construction, development, and operation of gold mines, mostly as a partner of Chester Millar.

A note about Mel Herdrick: I had known of Mel and his work in Mexico for a number of years but we did not meet until his involvement with Pediment. Mel knows more about the gold and copper deposits of northern Mexico than any other geologist that I know. Since Mel, like me, is a big baseball fan with season tickets to the Hermosillo *Naranjeros* (Orangemen) of the Mexican Winter League, I'll stick with the *beisbol* analogies for the remainder of this musing.

So far Pediment is *hitting two for two* on my key criteria: Share structure and people. But what really makes me a *fan* is Pediment Gold's two flagship Mexican gold projects: **San Antonio** and **La Colorada**. The company has *ducks on the pond* (runners in scoring position) and a chance for a couple of *big innings* with these projects.

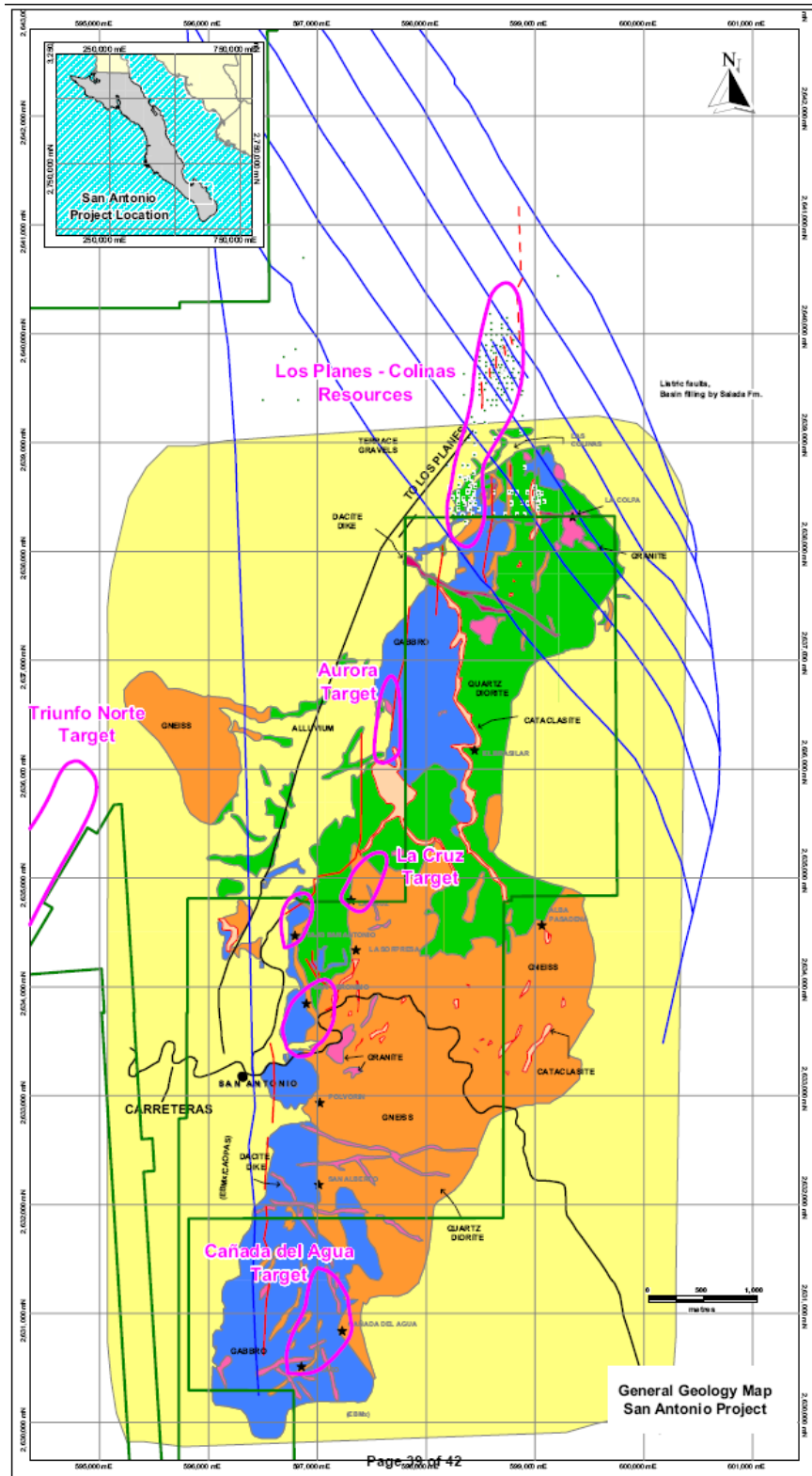


Pediment Gold's San Antonio and La Colorada Projects, Northern Mexico

We'll first take a look at San Antonio since it is the most advanced:

San Antonio Project, Baja California Sur: The project is located adjacent to the historic mining town of San Antonio and 40 km by highway southeast of the port city of La Paz. Paved and gravel roads traverse most of the project and a high voltage power line crosses it. The 100%-owned project covers nearly 49,000 ha and a 14 km trend of favorable geology. The area, fitting with Pediment's original exploration model in northern Mexico, is largely gravel-covered and prospective for Mohave-Sonora Megashear-type gold deposits.

Gold occurs in shallow dipping thrust faults, especially at flexures and where intersected by high angle feeder structures. The deposits are hosted by intermediate intrusive rocks, generally have subtle alteration envelopes, and the gold is associated with minor sulfide minerals. They are highly fractured, easily oxidized near surface, and tend to "weather down" and be hidden beneath gravel overburden. Thin pediment gravels and sand cover most of the deposit area, fitting in with the company name.



San Antonio Project: Geology Map and Resource and Target Areas

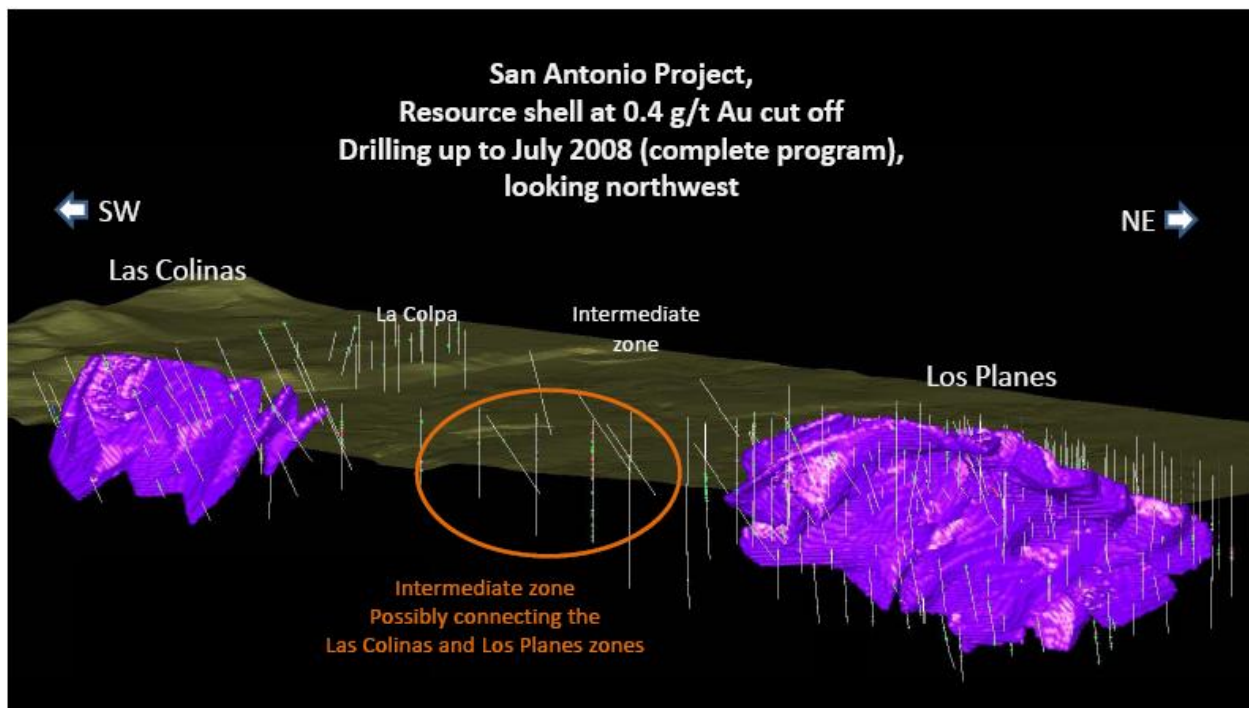
Two deposits presently are known; drilling at Las Colinas and the newly discovered Los Planes has delineated a three km long shear zone more than 200 meters thick. Surface oxidation is 25-30 m deep in the Las Colinas zone and 100 m deep in the Los Planes zone.

Echo Bay Minerals drill-tested Las Colinas gold resource in the late 1990's. Pediment has conducted 37,000 m of drilling in the area, delineating 43-101 qualified inferred resources at Las Colinas and Los Planes.

The Inferred Mineral Resource for **Los Planes** deposit is 30.6 million tonnes at an average grade of 1.32 g/t Au, or 1.30 million oz gold. The Inferred Mineral Resource for **Las Colinas** deposit is 5.6 million tonnes at an average grade of 0.83 g/t Au, for 150,000 oz gold. Both were calculated at a 0.4 g/t Au cut-off grade. Resources include 410,000 ounces of oxide material which metallurgical testing has indicated will be heap leachable.

A new resource estimate is being calculated presently for Los Planes and Las Colinas utilizing an additional 16,700 m of drilling completed in 2008.

Potential extension between Los Planes and Las Colinas zones was demonstrated by the latest drill results. These targets will be tested in an upcoming drill program along with additional close spaced delineation drilling to move inferred resources to measured and indicated categories:



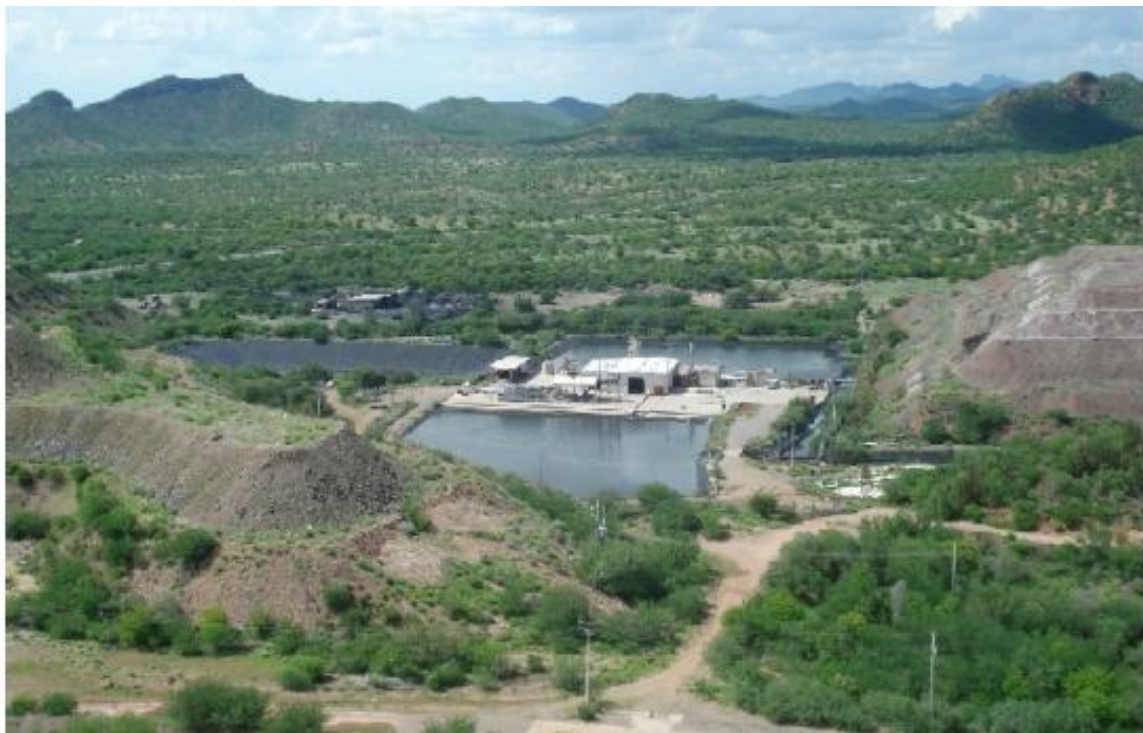
Pediment is conducting column leach metallurgical tests of oxide, mixed oxide-sulfide and sulfide zones. Results from testing of the oxidized material returned 81% gold recovery using a 3/8 inch crush with low cyanide and lime consumption. Metallurgical testing of the mixed and sulfide zones is in the works and results are anticipated soon.

Purchase of surface and water rights and permitting a bulk mining and heap leach test of 100,000 tonnes is progressing. These tasks should be completed later in 2009. If successful, permitting and construction is budgeted for next year with a goal of commercial production by Q1 2011.

La Colorada Project, Sonora: Pediment Gold Corp purchased Mina La Colorada in October 2007 for a recently re-negotiated total price of \$1.9 million subject to a 3% NSR for open pit mining and 2% NSR for underground mining with a \$300,000 buy-out on the latter. Included were 1200 ha of surface rights, water rights, and all surface mine and processing, and production facilities. Subsequently, an additional 18,000 ha of concessions were obtained. La Colorada is an epithermal gold-silver deposit hosted by volcanic and sedimentary rocks locally altered to skarn by intrusions. High grade vein swarms cut across these units with surrounding low grade stockwork halos.

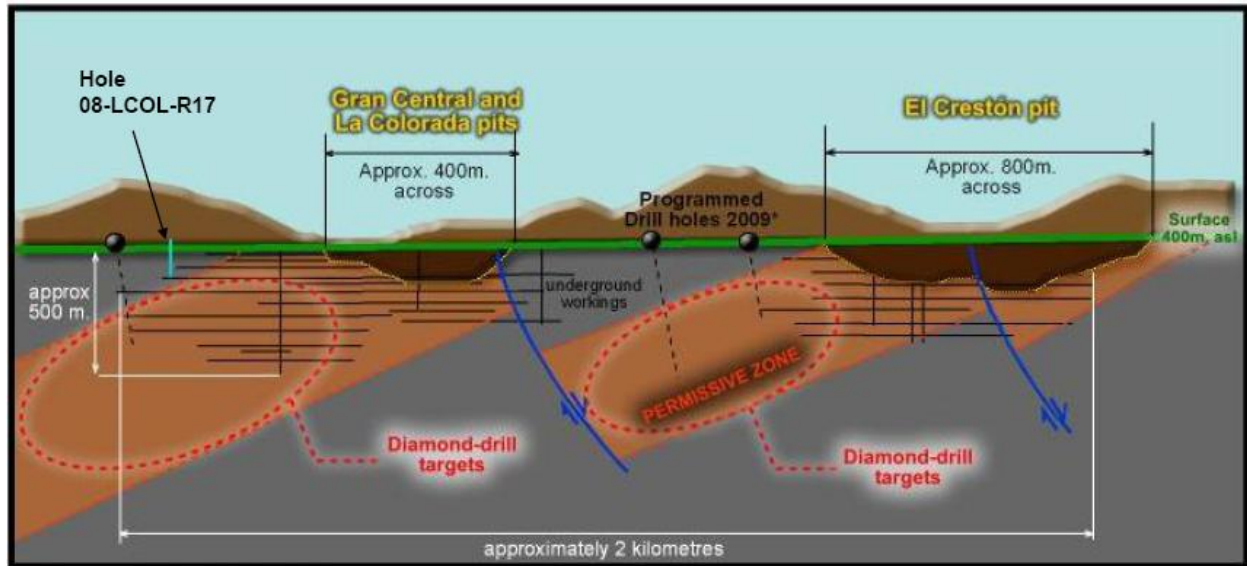
Historic mining dates from 1876-1914 with an estimated 3.5 million ounces gold produced from high grade underground mines. Eldorado Gold and a private miner produced about 300,000 ounces gold from 1993-2002. Historic resources from their delineation drilling and a 4000 m RC drill campaign by PEZ in 2008 total over 735,000 ounces gold in three areas within and adjacent to the old pits. Silver content of the ores was substantial but was not recorded in past production. Exploration potential for high grade gold-silver deposits is deemed excellent by Pediment geologists.

Folks, with total production and resources more than 4.5 million ounces gold, that qualifies as a giant gold-silver mine in my book. There just aren't that many of those lying around with remaining in-pit and underground resources and compelling targets ready for drill testing.



View of Mina La Colorada showing processing plant, heap leach pads, and mine dumps.

Pediment has big plans for La Colorada for the second half of 2009 with a program including 8000 m of delineation and exploration drilling, surface sampling, assessment of the old processing facility, bulk tests of the existing leach pads and stockpiles, and submission of a production permit application. Recently RC drilling has commenced on targets based on sampling results on the pit benches. High grade core drill targets are shown below:



Long Section Showing Surface and Underground Workings and Drill Targets

Management's goal is to achieve initial gold production at La Colorada by the end of Q2 2010.

In these uncertain economic times, cash flow is king and Pediment is on track for gold production and cash flow in the near to mid-term with its two flagship projects.

Well folks, it's the *seventh inning stretch* and time to sing that old song and take a look at my *scorecard*. I have Pediment Gold Corp. going a *perfect three for three for the game* with share structure, people, and projects.

Bear in mind though I have known and followed these two projects since the early 1990's, I have yet to set foot on the ground of either project. The required field visit and evaluation will be done in the early fall when PEZ will have drill results from La Colorada, updated metallurgical work and drills turning to the right at San Antonio, and it won't be 45C in the shade in La Paz and Hermosillo with threat of a *rain-out* via typhoon or monsoonal cloudburst.

Another musing will follow then to update my readers on the progress of this very interesting company. Just consider this a four to five month *rain delay*; we'll see if they can make it a *perfect day at the plate*, perhaps hitting a couple of *home runs* on continued success in developing San Antonio and La Colorada toward producing mines and positive cash flow.

Also realize that I am a shareholder of Pediment Gold Corp. and it is a sponsor of my website. I've got plenty of bets on this game; you might say that I'm a fan and cheering them on.

Please do your own due diligence. Yes, sports fans, this junior resource investing is a game we play but it sure ain't *baseball*.

The stakes are much much higher.

Ciao for now,

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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 over 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, coal, uranium, and water in North and South America and China.

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 for public and private companies, investment funds, newsletter and website writers, private investors, and investment brokers.

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