

Under the Cover(s) With Pediment Gold

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As a general rule, the most successful man in life
is the man who has the best information

Mexico's precious metal's mining started in earnest with the conquest of the Aztecs by the Spanish Conquistadors in 1521. What Cortez found when he landed on the Mexican coast at Vera Cruz was much more than the Spanish could ever have dreamed of. Montezuma was ruling an advanced Aztec Empire that was already mining metals, and whose predecessors had been mining since at least 950 AD. The natives had accumulated untold treasuries unlike anything Spain's Conquistadors had ever seen.

In a very short time Cortez defeated Montezuma. The Aztecs were reduced to being mere laborers filling the galleon holds headed for Spain. Over the 300 years of Spanish rule, Mexico produced hundreds of millions of ounces of gold and silver. Then in 1810 Mexico revolted and during the ensuing War of Independence the mining industry was virtually shut down.

The mining law of 1961 required majority Mexican ownership and management of all mining companies. Within ten years, most companies had been Mexicanised - the government granted new concessions only to Mexican owned enterprises. The state vastly expanded its involvement in mining during the 1970s. The 1975 mining law restricted foreign companies to 34% participation in mining concessions on national reserves and in exploitation of certain minerals. Then in 1992 mining laws were changed in anticipation of the North American Free Trade Agreement (NAFTA). The new laws allowed 100% foreign ownership of Mexican mines.

And mining in Mexico can now be described as perhaps "better than ever." A select few fortunate companies, like Vancouver based Pediment Gold Corp PEZ:TSX, have been able to negotiate deals to re-open Mexico's most significant historical mines (La Colorada), confirm and expand past resources and quickly move towards possible production in a very short time frame. Most of these mines and projects are close to all necessary forms of infrastructure.

High commodity prices combined with modern mining methods and the expertise of Canadian mining professionals means that tremendous expansion of reserves across a wider range of grades is possible. An even more select group of junior mining companies operating in Mexico are managed by proven mining professionals with a lifetime's experience working in Mexico at the junior level. Pediment falls into this category.

In Mexico the best place to find gold and silver is at a former gold and silver mine, where modern engineering, geological modeling and drilling techniques were never implemented. And with 85% of Mexico said to be mineralized there are considerable

areas yet to be explored utilizing modern exploration practices which means there is enormous potential for discovery of new, potentially economic, ore bodies (San Antonio).

Pediment Gold Corp. scaled back its exploration expenditures after the global credit and equity markets imploded. Management went into preservation mode and has done an excellent job of safekeeping the treasury (they were intelligent enough to raise a lot of money when their share price was much much higher than present) while doing all the low-cost things they could to keep their two leading projects, San Antonio and La Colorada, moving forward.

The company's president and CEO Gary Freeman, states: "We are excited to greatly increase the work schedule at San Antonio and our La Colorada project. The company has preserved its cash and is fully funded with \$14-million in the bank. Pediment has an extremely strong share structure and no debt. We feel its time to show the market just how strong our projects and team are."

Since Pediment was formed in 2005 the company has moved one project from grass roots exploration to a post discovery resource definition stage play (San Antonio with a 43-101 compatible Measured & Indicated resource of 1.53 million ozs of gold), secured the El Triunfo Project adjacent to San Antonio and acquired the former past producing La Colorada project with a non 43-101 compliant resource of close to 600,000 ozs of gold.

Pediment's \$14 million in cash makes up almost one third of its current market capitalization. The company's share price has been base building in the + - .80 range for many months and has just recently started to move up.

Country risk

Mexico is a mining friendly nation with stable political and financial systems. Mexico has an exceptionally long mining history, excellent infrastructure and sensible, rational environmental policies. Mining rights are protected in the Mexican constitution and Mexico is a signatory to NAFTA which provides significant protection to Canadian mining companies working in Mexico.

Mexico has:

- The requisite geological setting
- Capitalistic and entrepreneurial economy
- Pro-mining federal and state governments
- A largely rural low-density population outside of the major cities
- Well-trained and experienced workers
- Low labor costs.

Share Structure & Treasury

PEZ has a well-managed share structure with 44.0 million shares outstanding and 48.0 million fully diluted. Insiders, family, and friends hold 18% of its shares with another 10% being held by various institutions.

There are no outstanding warrants; Pediment has 3.9 million options at exercise prices varying from 50c to \$1.60.

Projects

Pediment has focused its efforts on its two main projects – the San Antonio gold project in Baja California Sur and the La Colorada gold-silver project in Sonora State, western Mexico.

San Antonio

The company's principle focus is on the San Antonio project. The San Antonio project is located on the Baja Peninsula, adjacent to the historic mining town of San Antonio and 40 km southeast from the port city of La Paz. The project area is well accessed by good paved roads and a high voltage power line crosses through it. The 100%-owned project covers 48,715 ha and 14 km (about 9 miles) of favorable geological trend.

At present two deposits, Las Colinas and Los Planes have been discovered along 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. Recent (2008 program) holes drilled into the 600 meters that lie between the two deposits intersected gold mineralization suggesting possible continuous mineralization between the two discoveries.

Negotiations for purchase of long-term agreements pertaining to surface and water rights are ongoing. Once the negotiations are successfully concluded the permitting for a bulk mining and heap leach test of 100,000 tonnes can begin. This large scale testing will be done in order to obtain specific economic data as well as a better understanding of the metallurgy of the deposit. If successful, permitting and construction are the next step.

San Antonio's existing resource consists of three different mineralized zones: an oxide zone, a mixed zone of oxide and sulphide material and a sulphide zone. Metallurgical column leach testing, as part of the ongoing work initiatives, produced very favorable gold recoveries from the oxide and mixed portions (81% and 72 % respectively) of the ore body. Pediment is planning further metallurgical tests on the sulphide zone where initial recoveries were 47%.

San Antonio has considerable blue sky potential for additional growth. Firstly there's the potential for the Los Planes and Las Colinas deposits to connect and secondly there's the El Triunfo Project. The El Triunfo trend is a seven-kilometer-long series of historic high-grade gold and silver (along with lead and zinc) vein mines that were mined in the late 1800s to early 1900's. So while the near-term focus of the company is an open pittable

oxide gold deposit at San Antonio, in the longer term there would appear to be opportunities from higher-grade underground targets.

La Colorada

The La Colorada project is located adjacent to the town of La Colorada and about 40 km southeast by paved Highway from the city of Hermosillo. The project was last in production in the 1990's (Eldorado Gold) and before that it operated between 1867-1914. The La Colorada mine was once the largest mine in Mexico and produced over 3 million oz of gold as well as silver from underground material.

Eldorado did the last formal resource estimate for the open pit project in 2000 and it totaled 550,000 oz.

PEZ purchased La Colorada in October 2007. 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.

The Company is in the middle of a drill program to evaluate areas of near surface gold mineralization for its open pit heap leach potential, as well as explore extensions of vein-type, higher grade gold mineralization. Drill results are pending.

Pediment plans to restart open-pit heap-leach production. But while near-term production is anticipated from lower-grade, near-surface oxides, the big upside could be the high-grade gold veins underneath the old pit and adjacent areas.

Management

<http://www.pedimentgold.com/s/ManagementandDirectors.asp>

<http://www.pedimentgold.com/s/AdvisoryBoard.asp>

Conclusion

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 at its two flagship projects.

Higher gold prices and a steady news flow (regarding exploration, drilling results and working towards production) from its two main projects should drive Pediment's share price higher. Given its current gold resource and potential for expansion Pediment would seem to be strongly leveraged to future rises in the price of gold. I think Pediment Gold Corp. is worth watching and should be on every investor's radar screen.

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Bio - Richard is host of www.aheadoftheherd.com and invests in the junior resource sector. His articles have been published on over 60 websites including - Wall Street Journal, 321Gold, Kitco, USA Today, SafeHaven, Stockhouse, Casey Research, The Gold/Energy Reports, Gold-Eagle, Market Oracle and Financial Sense.

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