Lawrence Roulston's
RESOURCE OPPORTUNITIES

Goldex Resources
(GDX-TSXV)

The following editorial is extracted from the December 2011-2 Issue

Initiating Coverage

Goldex has several gold projects in the Americas, including a high-grade deposit with near-term production potential.

The highly successful geological team has been involved in numerous discoveries, leading to 12 producing gold mines. Larry Kornze, vp exploration, headed Barrick's exploration program for the Americas and was involved in several important discoveries. Other members of the geological team and board of directors bring an impressive track record of exploration success.

The flagship El Pato project in Guatemala has an historic inferred resource of 430,000 ounces of gold with a grade of 7 grams per tonne. (That estimate is based on historic work and may not be compliant with present standards.) There is considerable potential to expand the resource as well as further exploration potential on the 245 square kilometer property.

Guatemala has endured a certain amount of political turmoil. At a time like this, when investors are particularly sensitive to risk, the company is getting very little credit for a substantial deposit. Goldcorp operates the Marlin mine in Guatemala, which is projected to produce 400,000 ounces of gold this year. The cash cost of production last year was $319 per ounce. While investors may be hesitant about Guatemala, the mining industry is fully aware of the gold potential in that country.

Goldex plans further drilling early in the new year to confirm the historic resource. Results from recent work by the company suggest the potential for a much larger deposit than was outlined by the historic work. A Goldex drill hole that steps out to the north encountered 30 meters with an average grade of 5 g/t. Further drilling is planned in that area. A new zone – El Sauce – is located 1 km to the west along the mineralized corridor that hosts the historic resource. Surface samples carried up to 96 g/t in a geological setting similar to the resource area. Another newly discovered zone has been tested with surface trenching which averaged 28.5 g/t.

Goldex management is evaluating the potential to fast track the current resource to production at the same time as it continues to evaluate the new discoveries and explore other target zones.

La Chorrera, located just south of El Pato, hosts another zone of hydrothermal alteration that extends for 5 kilometers. Surface sampling has found base metal values in that zone. A property just to the south recently turned up high grade gold and

(Continued on page 2)

silver values in a similar setting. This project is still at an early stage, but the results to date, in that setting, suggests the potential to host a large gold-silver system.

The company's Mexican project – El Arco – is located in the rich gold and silver belt of Durango state. Several large deposits are located nearby in similar geological settings. Gold and silver values have been encountered at surface in an extensive system of veins.

The geological interpretation holds that the veins will carry higher values at depth. Considering the credentials and the successful track record of the geological team making that assessment, this project has a great deal more merit than most early stage exploration plays. The company has other exploration projects and a team that will undoubtedly continue to turn up opportunities.

Goldex has a very low value for the ounces already outlined (albeit in a non-compliant resource). The company gets little credit for the potential to greatly expand that resource as well as the potential for new discoveries.

The only concern with regard to this company is the bloated share structure and the need for further cash. A financing now underway anticipates raising C$1.5 million in a unit offering (share and full warrant) priced at C$0.05 with a C$.10 warrant good for a year.

With a gold resource already outlined, this company should be among the first to attract investor attention as market sentiment turns. The new money is intended in part to fund initial exploration drilling at El Arco. Most importantly, further drilling at El Pato is intended to confirm (and hopefully expand) the historic resource. Results from either program that fall in line with expectations could lead to a big bump in the share price, regardless of the market.

Share Price December 13, 2011: C$0.045
Shares Outstanding: 96 million
Shares Full Diluted: 145.5 million
Market Cap: C$4.32 million
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