

# FINANCIAL POST

## Swapping Kinross for Cliffs?

Barry Critchley, Financial Post • Wednesday, Dec. 8, 2010

Estrella Gold Corp., which defines itself as a prospect generator focused on gold in Latin America, is expected to announce Wednesday that it has signed an exploration alliance with Cliffs Natural Resources Exploration Inc. to explore for iron oxide, copper and gold deposits in Peru.

Through that alliance, Cliffs -- whose parent has a market cap of more than US\$10-billion -- is required to spend \$400,000 a year on exploration in order to gain a 50% share. Estrella, which used to be known as Canadian Shield Resources, will be the operator. Under certain circumstances -- including either spending a certain amount on exploration or the delivery of a pre-feasibility study -- Cliffs can gain an 80% stake.

The exploration alliance comes about one year after Estrella walked away from a possible transaction with Kinross Gold Corp. In July 2009, Estrella signed a letter of intent with Kinross that required Kinross to spend US\$500,000 over the next year. Estrella was to be the operator. Four months later, the two parted ways because Estrella -- which by that time had a new president, Keith Laskowski--thought it could do better for its shareholders. Mr. Laskowski was aware of Estrella's ownership of a key asset, the Regional Andean Gold Exploration database, because he put it together for a previous employer. Known as RAGE, the database was acquired by Estrella in 2004.

"The new deal is way better for our shareholders because with the Kinross deal, we would have been diluted into oblivion and could have ended up with a 2% royalty. Here we will have a 20% interest," Mr. Laskowski said.

The exploration alliance with Cliffs is the second Estrella has inked in the past two days. On Monday, it signed a joint venture with Cliffs for exploration of an iron oxide copper gold project, also in Peru. On that deal, Cliffs is required to spend \$500,000 a year but can earn a 50% stake if it spends \$2-million over two years.

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