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## Quaterra Resources looks for another Penasquito in Mexico

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Thomas Patton wants to find another Penasquito-type deposit in Mexico and the chief executive of **Quaterra Resources** (QTA-V, QMM-X) thinks he's got the team and the money to do it.

Patton was chief executive of Western Silver between 1998 and 2006 when the company's exploration team discovered the massive Penasquito silver-gold-lead-zinc deposit in Zacatecas. Subsequently Glamis Gold bought Western Silver for US\$1.2 billion before it was gobbled up five months later in a merger with **Goldcorp** (G-T, GG-N).

Today Penasquito is Goldcorp's flagship asset with proven and probable reserves of 17.8 million oz. gold and 1.07 billion oz. silver. But the exploration team that acquired, explored and developed the deposit at Western Silver now works for Quaterra under the leadership of senior geologist Thomas Turner, the former manager of Mexican exploration at Western Silver. The team also includes Joseph Inman, a consultant on geophysics at Western Silver and now at Quaterra.

Earlier this year Quaterra inked a deal with Goldcorp in which the gold major will give the junior US\$10 million over the next two years to do generative exploration work along the Mexican silver belt or Faja de Plata, where Penasquito was found.

"They saw us as a team that knows what Penasquito looks like," Patton said in an interview during a recent trip to Toronto. "They're a great partner and we think we can find another one. I'm not sure we'll find another Penasquito. But we could find a Penasquito-type. And that's about as good as it gets."

In exchange for the cash (US\$4 million in 2010 and US\$6 million in 2011), Goldcorp has the right to acquire an interest in any mining properties held by or acquired by Quaterra. Goldcorp can acquire up to 65% in any property by spending an additional US\$2 million over a two-year period on advanced exploration on that property and by completing a feasibility study.

The framework agreement includes twelve properties covering more than 1,528 sq. km of ground. Quaterra believes some of its properties such as Sierra Sabino and Onix have Penasquito-type potential and has selected Sierra Sabino as its first advanced project. Sierra Sabino is about 120 km south of the Penasquito mine in western San Luis Potosi.

The deal with Goldcorp excludes Quaterra's Nieves property, however, which is about 96.5 km north of **Fresnillo's** (FRES-L) producing Fresnillo gold and silver mine. Patton believes Nieves has the potential to become an open-pittable silver mine.

"We thought it was a smallish high-grade prospect," Patton says, noting that Western Silver acquired the project from Kennecott in 2001. "It wasn't until Western Silver was taken over by Glamis that we started looking at it closely."

Currently Nieves has an indicated resource of 2.9 million tons averaging 110.2 grams silver per ton for 10.26 million oz. silver at a 60-gram silver per ton cutoff grade. The deposit has 2.3 million tons averaging 96.6 grams silver per ton for a further 7 million oz. silver.

An updated resource estimate is due out in the next four to six weeks, however, and Patton admits he's excited about the property's prospects. "Open-pittable silver mines are hard to come by," he says. "They're not rare but they're not all that common."

Outside Mexico Quaterra is putting together a portfolio of copper assets in the United States, specifically in the Yerington copper mining district of northwestern Nevada, 80.5 km southeast of Reno. (Other companies active in this area are **Entrée Gold** (ETG-T, EGI-X) at Ann Mason and **Nevada Copper** (NCU-T) at Pumpkin Hollow.)

Its largest block of claims is at its 100%-owned MacArthur project, a stand-alone, fully stripped copper oxide deposit. Quaterra completed a resource estimate at MacArthur in January 2009 that demonstrated a measured and indicated resource of 57 million tons averaging 0.24% total copper for 274 million lbs. contained copper and an inferred resource of 76 million tons averaging 0.28% total copper for 429 million lbs. contained copper.

So far Quaterra has failed to find the porphyry center that it believes to be the primary copper source for the secondary mineralization despite 100,000 metres of drilling. Instead, some of the best intercepts have been found at the outermost margins of the drilled area. "We still haven't found the edge of the copper resource," Patton says.

In addition to MacArthur, Quaterra has signed joint-venture agreements with Freeport-McMoRan Exploration Corp., a division of **Freeport-McMoRan Copper & Gold** (FCX-N) for two projects involving funding of about US\$8 million. Freeport has an option to acquire 70% of Quaterra's SW Tintic copper project in Utah and the same option on Quaterra's Peg Leg project in Arizona.

Under the agreements, Freeport can earn 70% in Tintic by spending US\$5 million over four years and has agreed to fund Quaterra through to a bankable feasibility study or to convert its interest into a 1% NSR if a feasibility study is not completed.

Tintic is about 96.5 km south of Salt Lake City. Quaterra believes Tintic is part of a large silver-rich base metal zone related to the periphery of a major undiscovered porphyry system.

The Tintic property also includes the Southwest Tintic copper deposit that was discovered by **Bear Creek Mining** (BCM-V) in the early 1970s.

Freeport's option to acquire a 70% interest in Quaterra's Peg Leg copper project hinges on its ability to spend US\$3 million by Dec. 31, 2012. Further development will be done on a 70/30 basis. Peg Leg is 20 miles east of the Poston Butte copper deposit and 12 miles south of the Ray porphyry copper deposit.

Quaterra is also debating whether it will pick up the Yerington copper mine for US\$500,000 in cash, US\$250,000 in shares, and a 2% NSR royalty capped at US\$7.5 million from Arimetco.

Quaterra received approval of the U.S. court to acquire the property in May 2007, but has been carefully reviewing the opportunity based on its existing environmental liabilities.

"It's a potential superfund site," Patton explained.

Previous owners did not analyze Yerington for moly or gold, he adds. "Some of the copper is very shallow, some of it very deep. Any time you have that much copper you want to be exploring the area."