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18 METRES @ 4.5 G/T GOLD IN GINGER RIDGE DISCOVERY HOLE

Precipitate Gold (PRG-V; up 1.5 cents on 296k shares at 0.225).

First, my usual caveat about PRG. I founded the company along with Scott Gibson and my late brother David. I continue to be one of the larger shareholders and very close to the company. I don't pretend objectivity though I try and be as honest as I can in my opinions. For all those reasons I don't rate the stock but most of you know of my relationship and when Precipitate puts out news I tend to let you hear about it. Well, PRG put out news today that is highly significant; arguably, it's a game-changer. Even in the lousy market we're in, it should be enough to rerate the stock and get a lot more people taking it seriously. By the time you read this I'll be on a plane on my way to Yellowknife so these comments will have to do for now though I will respond to any subscriber emails when I can.

I haven't visited Ginger Ridge yet. Fortunately, I was able to get good pictures from the VP of Exploration, Michael Moore, to give you a feel for things. This is a discovery hole. I want to congratulate Mike and CEO, Jeff Wilson, for working so hard to make this happen. Precipitate's board of Directors (Adrian Fleming (chair), Darryl Cardy, Gary Freeman and Quinton Hennigh, along with Jeff) have also done a great job guiding the company and being there for Jeff and Mike as the company reviewed literally scores of projects over the past couple of years. I can tell you from personal experience that Quinton and Adrian have always been great about answering my stupid questions – I'm not sure when either of them sleeps.

Precipitate reported on its maiden six hole drill program today and it definitely did not disappoint. Hole 5 was the highlight. **It intercepted 18 metres grading 4.54 g/t gold including 5 metres grading 13.4 g/t gold starting at 84 metres. The hole also included a shallower, lower grade intercept of 21.15 metres grading 0.62 g/t gold, 3.9 g/t silver and 0.12% copper and a deeper intercept with 13 metres of anomalous gold.** This is a very good drill hole that indicates Precipitate has made a bona fide new discovery at Ginger Ridge. It's being classified as a gold rich volcanogenic massive sulphide occurrence.

Before I go further, I want to add that this program was designed to try and test several ideas which is always tricky with a small program. You don't have many metres to work with so you're forced to move on, even if you think you might be close to something. Such hard choices are the lot of the field geologist and it's doubly difficult with a "gold" project where you won't see grades in the core. You only find out later when the assay lab reports. In the case of Ginger Ridge, PRG was obviously trying to hit a gold zone but also placed holes in the hope they would answer some structural questions, gold intercept or not. Specifically, a couple of early holes were positioned to clip the sediment contact to the east and the

thrust fault between the Tiroo and younger limestones to the west of the main area of interest. As it happens, neither was intercepted. In a "big picture" sense that is a good thing since it means the volume of favorable volcanic rocks is larger but it didn't make figuring things out any easier. One thing that changed because of the drill program is the dip of the Tiroo volcanics at Ginger Ridge is now assumed to be to the southwest. That is significant as it means the early hole under the existing trenches may have been drilled under the dip of the zone sampled in the surface exposures. In any case, the last two holes of the program have completely shifted the focus to a new area.

The most important holes were, of course, the last two drilled. Amazing how often that happens. Holes 5 and 6 were targeted near some of the highest chargeability readings but also because mapping right before the drilling started identified a rhyolite dome. Rhyolite is a light volcanic rock that often marks the top or periphery of a mineralized hydrothermal system.

The picture on the right shows a rhyolite flow dome that marks the topographic high near holes 5 and 6. Keep this flow dome and the rhyolite in mind when you look at the cross section of an idealized gold-rich VMS system on the next page.

Hole 5 contains a lot of very impressive looking core. The picture on the right is an example of it, from the upper (lower grade) massive sulphide intercept. "Massive" is an apt description in this case. The picture doesn't do it justice. The sulphides are very fine grained and compose almost 100% of the rock, along with silicification.

Note that the bedding that can be seen in the picture is mostly at steep angles or perpendicular to the core axis. This is important since it implies the hole drilled through plane of the VMS body. In other words, the true thickness should be close to the reported drill intervals. This was not drilled down dip.

The large figure on the top of the next page is an idealized cross section through a "gold-rich" VMS system. VMS deposits are many and varied and have been divided into several sub-categories by various authors. "Gold rich" is defined as a deposit where the gold grade in grams is greater than the base metal (copper + zinc + lead) grade in percent. That is certainly the case in the single drill hole we



Figure 1 No Virginia, it's not the world's scariest cow pie (though there are plenty of those on the ridge too) it's a "flow dome" that marks the topographic high of the rhyolite dome at Ginger Ridge. About 60 metres NE of the collar location of holes 5 and 6

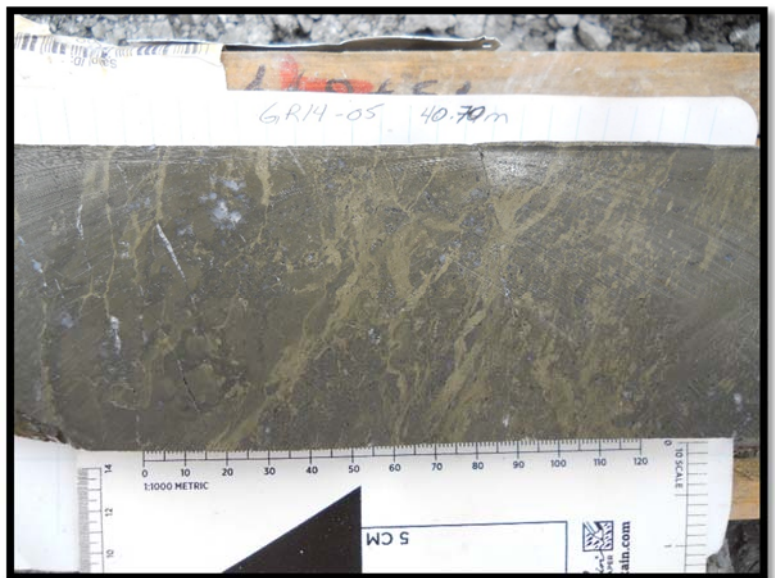
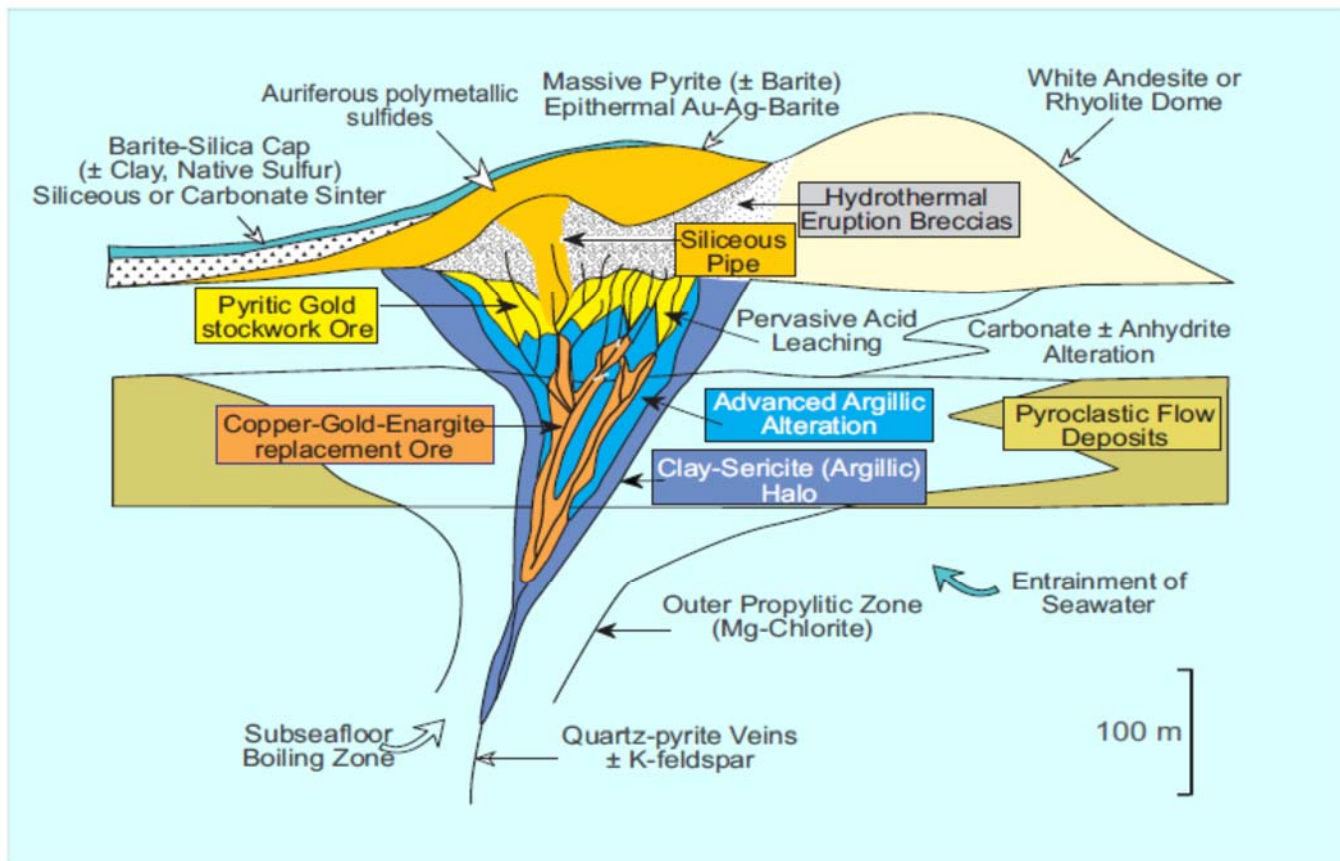


Figure 2 Drill core from hole 5 at a downhole depth of 40.7 metres within the upper massive sulphide horizon. Note that the bedding is almost perpendicular to the core axis.



currently have to work with. VMS systems have distinct metal zonation, indeed that zonation is a type characteristic for the model. It's quite possible Ginger Ridge will fit into one of the other VMS pigeon holes by the time there are a large enough number of holes for some sort of global grade average. For now though I work with what we have and assume it's the gold-rich variety. Like all VMS, the gold rich variety come in a very wide range of sizes. There are a number of them in Canada, including several famous ones. The Bousquet 1 and 2 deposits (aka, Agnico-Eagle and La Ronde) and the Horne mine which gave Agnico-Eagle and Noranda, respectively, their start and the more recent and locally famous Eskay Creek deposit are all examples of the gold-rich VMS class.

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The diagram above shows this deposit type has many distinct parts and that's before potential movement by faulting or folding to make things even more complicated. Based on the grades and intervals in hole 5 my guess (and I strongly stress both the word "my" and "guess") is that the upper VMS intercept is in the auriferous polymetallic sulphides and the higher grade zone in the pyritic gold stockwork that forms part of the feeder zone, probably close to the right edge near/under the rhyolite dome. Hole 6 is off to the edge under the rhyolite dome. Keep in mind that until the drill program was completed it was assumed

the volcanic package dipped to the northeast rather than southwest. With a southwestern dip, hole 6 should have been drilled in the opposite direction. It's still unknown where the drill hole is in relation to the centre of the system really though the working assumption is that the center is probably to the N or NW. That will presumably have higher copper grades in the feeder zone while the whole system may have zones where more zinc and lead accumulated. It's way too early to guess what the size potential is or where the exact centre might be. I do note that the highest chargeability (so far) is 70 meters north of hole 5. That is the northernmost line of the current IP survey and its wide open to the north.

Based on existing IP readings and surface geochemistry (soil and rock) the target looks to be about 600 metres long, running from line 12 to line 6 on the existing grid. Currently there is IP coverage only on line 12 and line 10. The first order of business will be to complete more IP to extend the grid to the north and probably add infill lines as well. Mike Moore is having studies done on the core to determine the clay minerals and more precise mineralogy in holes 5 and 6. This may help determine where in the VMS system these holes are and help vector future drilling.

All this aside, the discovery hole and existing IP gives PRG a pretty good idea where to start in terms of phase two drilling. The drill rig is still on site at Ginger Ridge but it's raining hard there right now. It would be beneficial to get the IP done first and that should wait until the seasonal rains slack off at the end of the month. The rains often come in the form of thunder showers. Walking around carrying several km of copper wire and metal probes on a ridge in a thunderstorm is not the best idea ever, even if you're a die-hard Ben Franklin fan.

I want to note one final thing about the IP before moving on. The "Insight" array used for the survey is the same one that has been used by Goldquest on the adjacent project. It's hard to fault it since it generated a discovery. One thing to note however is the algorithms used to generate the sections tend to create vertically oriented artifacts. If you look at the IP sections all the chargeability anomalies seem to have a near vertical "dip". The IP is really measuring the strength of the chargeability at the top of the conductor and it's the strength that is important – the vertical dip is an artifact of the processing software. Again, don't assume hole 5 is drilled down dip or that that PRG has that strong a handle on the dip at this point. More holes are required for that.

Planning and studies to maximize the efficiency of the targeting during Phase II will have PRG plenty busy. The current target of 600 metres is fairly large for a VMS zone. One important characteristic of VMS material is its high specific gravity. You can pack a lot of tonnes into a small space. 18 metres of massive sulphide material can carry twice as many tonnes (and therefore ounce or pounds of contained metal) as an equivalent length of, say, porphyry.



Figure 3 Drilling at Ginger Ridge.



Figure 4 Special Delivery - Dominican Style. Drill core on its way to the logging facility at the base of the ridge.

Another very important characteristic of the VMS model is that these zones rarely ever occur alone. VMS deposits tend to form in camps over broad areas that can contain many individual zones and deposits. Unigold (UGD-V) defines some of its zones north of Goldquest as VMS and some think that Goldquest's Romero zone may be part (probably the feeder zone) of a VMS system too. Precipitate added several new concession areas in the past couple of months. There is a lot more favorable geology on PRG's ground that needs to be looked at in light of this discovery. While Ginger Ridge is obviously the priority, PRG now has a model to guide it for early stage work across newer concessions in search of more targets.

This is a great start to a new discovery. The gold grades are very good and it's likely areas with higher copper and/or zinc will also be found as exploration advances. The market needs new discoveries and Precipitate has provided one. As always there is no rating on the stock due to my relationship with the company but if you can't figure out which side of the trade I would be on after all this you really weren't paying attention.

www.precipitategold.com

*Regards for now;
Eric Coffin*

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