Zacks Small-Cap Research

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Mexivada Mining Corp. (V.MNV – TSX-V)

V.MNV: Zacks Co. Report – OUTPERFORM

Mexivada acquires options on three properties in Ontario and announces gold discoveries at Golden Porcupine. Optioning of properties is bolstering cash flow.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	03/06/2011
Current Price (12/21/11)	$0.06
Six- Month Target Price	**$0.10**

OUTLOOK

Mexivada is a junior gold exploration company proceeding with exploration plans at many of its properties. Management has implemented a unique financial plan of optioning properties, laying off exploration costs onto optionees while collecting substantial option payments and shares of stock, along with retaining a minority ownership in successful ventures. Management is pursuing a prospect on the Golden Porcupine property and on a recently acquired adjacent property. Also, a prospect in Hislop Township is being pursued. We maintain our Outperform rating with a target of $0.10.

SUMMARY DATA

52-Week High	**$0.18**
52-Week Low	**$0.08**
One-Year Return (%)	**-50.0**
Beta	**-0.06**
Average Daily Volume (shrs.)	**86,547**
Shares Outstanding (million)	**64.7**
Market Capitalization ($ mil.)	**3.9**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/M**
P/E using 2012 Estimate	**N/M**
P/E using 2013 Estimate	**N/M**
Zacks Rank	**3**

Risk Level	**Above Average**
Type of Stock	**Small - Value**
Industry	**Mining - Gold**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $CAD)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	0 A	0 A	0 A	0 A	0 A
2011	0 A	0 A	0 A	0 A	0 A
2012	0 E	0 E	0 E	0 E	0 E
2013	0 E	0 E	0 E	0 E	0 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	-$0.00 A	-$0.01 A	-$0.00 A	-$0.01 A	-$0.02 A
2011	-$0.01 A	-$0.01 A	-$0.01 A	-$0.05 A	-$0.07 A
2012	-$0.00 E	-$0.00 E	-$0.00 E	-$0.00 E	-$0.01 E
2013	-$0.00 E	-$0.00 E	-$0.00 E	-$0.00 E	-$0.00 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

2011 & 2012 quarterly EPS do not equal annual EPS due to rounding.

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KEY POINTS

- Mexivada is a junior gold exploration company currently proceeding with several unique properties in Canada, Nevada and Mexico.
- Management's strategy is to increase shareholder value by acquiring and exploring properties near or adjacent to proven multi-million ounce gold trends and/or significant mineral deposits. In general, the company is involved in properties with near-term, drill-ready targets, and after a phase of additional investigation and exploration (the company's core competency), management often seeks a joint venture partner to further explore and develop each property, thereby laying off significant exploration costs onto the partner and generating cash from the series of option payments. During fiscal **2011, Mexivada reported a gain on optioning mineral properties (a new line item in the Income Statement) of $1.7 million. Mexivada also received a total of 1,600,000 shares of stock** per the terms of option agreements.
- The quality of Mexivada's properties and management's strategy of joint ventures have aided the company's **access to the capital markets** in order to fund exploration costs and purchase/option additional promising properties. Management is also conservative in its expenditures and **benefits from its cash flow model** of receiving Optionees payments to help fund its own Optionor payments.
- Consult our report dated March 7, 2011 for full background information and maps of the projects.
- We maintain our Outperform rating with a target of $0.10.

OVERVIEW

Based in Vancouver, British Columbia, Mexivada (MXVDF: OTCBB and MNV: TSX-V) is a Canadian junior mineral exploration company that targets and acquires properties in Mexico, Nevada, Canada and the Republic of Congo (ROC), and then explores for gold, silver, tellurium, diamonds, uranium and other rare metals. CEO Richard R. Redfern is a Certified Professional Geologist and Qualified Person[1]. The company's primary focus is on the precious metals of gold and silver; however, management is opportunistic and also pursues tellurium, rare metal, molybdenum, diamond and uranium deposits that are situated close to existing mines.

Management's strategy is to increase shareholder value by acquiring and exploring properties that potentially could yield economically viable geologic deposits of precious metals, diamonds and/or rare metals. Management primarily targets projects in areas near or adjacent to proven multi-million ounce gold trends and the infrastructure to support both further exploration and the ultimate development of a producing mine. In general, the company is involved with properties with near-term, drill-ready targets and the potential of three-to-five million ounces of gold reserves. After a phase of additional investigation and exploration to further prepare the property (the company's core competency), management often seeks a joint venture (JV) partner to further explore and develop each property, thereby laying off significant exploration costs onto the partner and generating cash from the series of option payments.

The company is pursuing a large number of projects: 3 in Canada (**Golden Porcupine**, **Rypan** and **Hislop**), 5 in Nevada (**Goldstorm**, **Gold Jackpot**, **Poker Flats**, **Jefferson** and **Ziggurat**), 2 in Mexico (**Yécora** and **AuroTellurio** in the State of Sonora) and 1 in the Republic of the Congo (composed of the **Malambani Permit**). Management believes Golden Porcupine, Gold Jackpot, Goldstorm and ROC are potentially world class gold deposit projects (multi-million ounce Au potential). Mexivada retains controlling ownership of Rypan (100%), Hislop (100%), Golden Porcupine (80%) and in the Mexican property of Yécora (100%). The properties under joint ventures are Goldstorm (up to 75% potential ownership by West Kirkland), Republic of Congo (up to 70% by Zamarat), Ziggurat (up to 75% to Spartan

[1] A "Qualified Person" is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development, or mineral project assessment, or any combination of these; and is a member or licensee in good standing of a professional association.

Gold and Sphere Resources), Poker Flats (up to 75% to Spartan Gold and Sphere Resources), Gold Jackpot (up to 75% to Sphere Resources), Jefferson (up to 90% by Trilogy Mining) and AuroTellurio (up to 80% to California Gold). Mexivada prefers a collegial relationship with its Optionees to better share the geological and historically available information about specific properties, along with background knowledge about analogous formations with proven deposits.

Junior gold companies with successful projects are potential targets for larger producers, which are seeking acquisitions for growth. Mexivada could become an attractive acquisition candidate for a major gold production company.

The company has been very successful in obtaining capital through private equity fund raising. In fiscal 2011, Mexivada has raised $1.86 million from private placements of common stock and the exercise of warrants. In the prior fiscal year, the company netted $1.02 from the issuance of stock. Since exploration programs are capital-intensive, sources of cash are necessary to continue exploration programs. The company has accessed the capital markets several times since its Initial Public Offering (IPO) at C$0.50 per share on November 30, 2005, when Mexivada became a publicly traded company on the TSX Venture Exchange. In addition, management attempts to match cash inflows from Optionee payments with cash outflows for its own Optionor payments. The Canadian dollar is the functional currency of the company.

RECENT NEWS

Purchase of Rypan claims - Ontario

In mid-September, Mexivada entered into an option agreement to purchase a 100% interest in 4 claims (known as the Rypan claims) adjacent to its Golden Porcupine property in Deloro Township, Ontario. The fault systems and quartz veining on the Golden Porcupine property may extend into these claims, formerly associated with Rypan Porcupine gold mines. Mexivada conducted core drilling on these claims in late 2011, and three drill holes have been completed. Mineralized drill intercepts were encountered, but specific assays have not yet been reported. If the mineralization extends to the veining extends to in the Clorinda structural zone on Mexivada's Golden Porcupine property, the lateral extent of the system may extend over 1.1 kilometers (see Golden Porcupine recent news below). Flow-through cash funds in Mexivada's treasury funded the drilling program.

In order to earn a 100% interest in the four Rypan claims, Mexivada must compensate Ranger Exploration (P. C. Robert and W.T. Kornik) with $25,000 and 500,000 shares of Mexivada stock upon signed (already paid and issued, respectively) and structured payments of $25,000 in cash and 500,000 shares of Mexivada stock by the first anniversary of the agreement. Ranger Exploration retained a 2% net smelter returns royalties (NSR).

***Fire assay confirms gold discovery at Golden Porcupine* Property - Timmins, Ontario**

Mexivada completed 12-hole core drilling program (Phase 1) at its Golden Porcupine property near Timmins, Ontario. Earlier this year, Mexivada conducted sampling based on a new enzyme leach geochemical survey of B-horizon soils in the southeastern part of the property that showed anomalous areas of gold, arsenic, antimony and molybdenum. Starting in mid-September, Mexivada began advancing the exploration of its Golden Porcupine property through a Phase 1 drilling program. Having funded a 5,000+ meter NQ (47.6 mm inside diameter) core drilling program with flow-through cash funds already in Mexivada's treasury, drilling intercepted multiple zones of gold mineralization in excess of 1.0 g/t Au, which have been confirmed by fire assay.

Two areas drilled were an open pit style gold target area known as **Big Bif** and a gold-hosted vein (Dome Mine-Delnite Mine style) in and adjacent to fault structures known as the **Clorinda** shear/vein system.

Trenching was also conducted to expose additional rock outcrops and to gain more exposures. The Big Bif area is defined by elevated gold geochemical anomalies revealed by ground magnetic and induced polarization (IP) surveys. Two drill holes tested the Big Bif target area in late September. Mineralized zones were intercepted, but specific assay results have not yet been reported. Mexivada discovered a new zone of quartz vein systems in the Clorinda structural zone near the Deloro fault sector. Stripping has confirmed that the quartz veining extends 120 meters in length and up to 15 meters in width. Management interprets the length to be at least 700 meters in strike and, if the veining extends to the mineralization intersected in the Rypan drill hole, the lateral extent of the system may extend over 1.1 kilometers. If the fault systems and quartz veining on the Golden Porcupine property extend into the Rypan claims, the Clorinda structural zone would be the largest quartz vein system discovery south of the main Destor-Porcupine fault made at Timmins in the last 75 years.

Mexivada options two mineral properties in Hislop Township - Ontario

In September 2011, Mexivada entered into option agreements to acquire 100% interests in two mineral properties located in Hislop Township near Matheson, Ontario (east of Timmins and west of Kirkland Lake). The two mineral properties are composed of an 8-unit claim group **4251933** and a 4-unit claim group 4255022. On September 20, 2011, Mexivada entered into an agreement to acquire a **100% interest of the 4251933 property** from 2205730 Ontario, Inc. for **200,000 shares of Mexivada** common stock (issued in November) and a 2% net smelter return royalty (NSR). Mexivada may purchase the NSR for $1,000,000. On September 26, 2011, Mexivada entered into an option agreement to acquire a **100% interest in the 4255022 property** from Pierre C. Robert of Timmins, Ontario, Inc. for the following staged payments: $50,000 and 1,000,000 common shares at TSX-V approval (paid and issued, respectively), $100,000 and 1,000,000 shares by October 31, 2012; $200,000 and 1,000,000 shares by October 31, 2013 and $500,000 and 1,000,000 shares by October 31, 2014. The property is subject to a 2% NSR, which Mexivada can purchase 1% for $1,000,000.

Management is pursuing the 8-unit claim group 4251933 due to its proximity (175 meters) to 11 recent holes drilled in a tight pattern by St. Andrew Goldfields (SAS: TO) that discovered gold mineralization. A magnetometer-very-low-frequency (VLF) survey conducted by Katrine Exploration of Kirkland Lake, found a north-south magnetic low, indicating a northerly-trending water-filled fault zone. A drill rig was contracted from Laframboise Drilling for a 2,000+ meter program using flow-through cash funds in Mexivada's treasury. One drill hole is complete, a second in progress and a third planned. A small batch of rush samples (from the first drill hole) assayed in excess of 1.0 g/t Au. The second drill hole has intersected multiple zones of mineralization, which have not been assayed but have been visually interpreted.

Also, Mexivada conducted a magnetometry plus VLF survey on the 4255022 property. The survey defined a 147 Zone-type gold target. Mexivada is testing the target with a drill program funded with flow-through funds in Mexivada's treasury.

Goldstorm property - Nevada

West Kirkland Mining (WKM: TSX-V) appears not to have conducted any physical work or drilling on the Goldstorm property in 2011; therefore, this month (December) **West Kirkland will be liable for a $50,000 drilling clause penalty fee**, along with the $75,000 annual scheduled lease payment and 150,000 WKM shares, if the lease on the property is to continue in force. The option agreement was signed on December 21, 2009 whereby West Kirkland could earn up to a 75% interest in the Goldstorm property by paying annual cash lease fees and issuing annual allotments of shares of WKM stock, along with drilling at least 2,000 meters of core drill holes by December 31, 2011. According to West Kirkland Mining’s mid-year report (as of June 30, 2011), only two holes totaling 813.57 meters were drilled on the property in 2010 and “further drilling is being contemplated at this time.” Mexivada has not received any geological data pertaining to these drill holes and has not been informed of plans for any further work in 2011 by West Kirkland Mining.

Ziggurat and Poker Flats properties - Nevada

Mexivada received 800,000 shares of Sphere Resources (SPH: TSX-V) as part of the restructured option agreements for the Ziggurat and Poker Flats properties in Nevada.

AuroTellurio (Chuchu Estrella Property) - Mexico

On August 8, 2011, Mexivada optioned up to 80% of its AuroTellurio properties (La Viuda and La Viuda-1) to California Gold Corp. (CLGL: OTCBB) for annual cash payments and shares of California Gold common stock to Mexivada over the next four years. **Mexivada received the initial payment of $10,000 and 250,000 restricted shares at closing.** In addition, California Gold must invest $3,000,000 on exploration of the property.

Fiscal 2011 year-end results

On November 23, 2011, Mexivada reported results for the fiscal year ending June 30, 2011. The company reported a loss for the year of $3,632,670 versus a loss of $861,052 during fiscal 2010 primarily due to a write-off of $2,965,785 (the acquisition costs and exploration expenditures) related to the Republic of the Congo property, a $962,500 impairment on marketable securities and an unrealized loss on fair value adjustment of $599,716 on the shares and warrants of Spartan Gold, which were partially offset by a $1,702,666 gain on mineral property options for the Ziggurat and Poker Flats properties. Professional fees increased 123% to $247,755 from $111,210 in fiscal 2010 due increased in legal fees related to properties and an increase in preparing the annual audited financial statements. Also stock-based compensation (a non-cash expense) increased 29.4% to $270,450 compared to $209,075 in the prior fiscal year.

During the fiscal year, drilling and exploration expenditures of $672,270 were undertaken in the Republic of Congo ($378,249), Nevada ($142,893), Mexico ($117,457) and Canada ($33,671). As of June 30, 2011, working capital was $1,117,569, including cash of $737,234. Working capital increased 465% from $198,437 at the end of fiscal 2010, primarily due to $1,861,289 received from three private placements and the exercise of warrants. Management believes that the company has sufficient cash on hand to fund operating expenses through fiscal 2012; however, additional capital must be raised to conduct further exploration on its properties.

Private Placement completed

On December 16, 2011, Mexivada Mining announced the closing of a non-brokered **private placement** of 7,000,000 flow-through units (at $0.10 per flow-through unit) raising **net proceeds of $665,000**. MineralFields Group, a mining fund that offers tax-advantaged super flow-through limited partnerships to investors throughout Canada, purchased the entire offering. Each flow-through unit consists of one flow-through common share and one non-flow-through share purchase two-year warrant exercisable at $0.15 per share during the first year and $0.20 during the second year. Mexivada will to use the proceeds to explore its Canadian properties.

Republic of the Congo Property (the Malambani Research Permit)

Despite continuing its exploration program on the Malambani permit, Zamarat Mining Ltd. (Mexivada's optionee partner) abruptly halted work and left the country in late July. Recent contact with the management of Zamarat Mining indicates that exploration work may recommence and that the research permits held by Compagnie Miniere du Chaillu (68% owned by Mexivada and 32% owned by Zamarat Mining) will be renewed with the Ministry of Mines and Geology in Brazzaville. Zamarat Mining must pay $100,000 to Mexivada by December 31, 2011 in order to keep its option agreement with Mexivada in good standing. Since Zamarat Mining was incommunicative with Mexivada at the time of filing its year-end results for fiscal 2011, Mexivada wrote-off the (abandoned) Republic of the Congo property ($14,400

in mineral property costs and $2,965,785 of deferred exploration costs) and recorded contingent claims of $300,000.

Through its subsidiary, Compagnie Miniere du Chaillu, Mexivada controls 5 exclusive Permis des Recherches (PR) concessions for diamonds and gold & connected substances, and one prospecting permit for gold at Moussondji. Collectively, these concessions and permit are known as the Malambani Research Permit, a six-year permit effective September 12, 2006, renewable annually and extendable for two additional two-year periods before the company must apply for a mining exploitation permit.

In January 2011, Mexivada optioned up to 70% of its Republic of the Congo properties to Zamarat Mining Ltd. for structured payments of $175,000 between January 28, 2011 and December 31, 2012, of which $100,000 must be paid before the end of 2011. In addition, Zamarat must invest $4.5 million in exploration and development expenditures by December 31, 2013.

OPTION CASH FLOW MODEL

The management of Mexivada is employing a **unique financial cash flow plan**. By optioning certain properties, Mexivada benefits from a series of substantial cash option payments and shares of stock issued by the optionees. In addition, the optionees are required to commit to considerable exploration costs and sometimes the delivery a mining pre-feasibility study and/or a NI 43-101. If the project is successful, Mexivada retains a minority ownership position. If unsuccessful, Mexivada benefits from option payments, the receipt of shares of stock, further exploration of the property and the retention of 100% ownership in the mining rights.

MEXIVADA Properties: Cashflow Projections

(Cash in $ US)

PROPERTY LOCALITY STATUS Anniversary Date Percent Calendar Quarters		Cash Inflows by Quarter	Cash Outflows by Quarter	Cash Flows Net by Quarter	Exploration Costs (outflows)	Cum Cashflow	Cum Shares of Sparton Gold (SPAG)	Cum Shares of Sphere Resources (SPH)	Goldstorm Cum Shares of West Kirkland Mining (WKM)	Chuchu-Estrella Cum Shares of California Gold (CLGL)
	2009	10,000	0	10,000	0	10,000	0	0	0	0
1Q	2010	80,000	0	80,000	0	90,000	0	0	50,000	0
2Q		15,000	0	15,000	0	105,000	0	0	50,000	0
3Q		0	0	0	0	105,000	0	0	50,000	0
4Q		125,000	(25,000)	100,000	0	230,000	0	0	50,000	0
1Q	2011	(10,000)	(70,000)	(80,000)	0	220,000	0	0	50,000	0
2Q		215,000	0	215,000	0	435,000	1,650,000	800,000	50,000	250,000
3Q		0	0	0	0	435,000	1,900,000	1,100,000	50,000	250,000
4Q		75,000	(75,000)	0	(250,000)	260,000	1,900,000	1,100,000	200,000	250,000
1Q	2012	65,000	(70,000)	(5,000)	0	325,000	1,900,000	2,600,000	200,000	250,000
2Q		95,000	0	95,000	0	420,000	1,900,000	2,600,000	200,000	500,000
3Q		0	0	0	0	420,000	1,900,000	2,600,000	200,000	500,000
4Q		100,000	(125,000)	(25,000)	(250,000)	270,000	1,900,000	2,600,000	200,000	500,000
1Q	2013	60,000	0	60,000	0	330,000	1,900,000	3,600,000	200,000	500,000
2Q		75,000	0	75,000	0	405,000	1,900,000	3,600,000	200,000	800,000
3Q		0	0	0	0	405,000	1,900,000	3,600,000	200,000	800,000
4Q		0	(200,000)	(200,000)	(300,000)	105,000	1,900,000	3,600,000	450,000	800,000

FINANCIAL POSITION

At fiscal year-end 2011 (June 30, 2011), Mexivada had $1,557,234 in cash and marketable securities, no long-term debt, and $3,005,316 in shareholders' equity. Compared to fiscal 2010, cash and marketable securities increased 213%; however shareholders' equity decreased 34.3%. The company's cash requirements for exploratory drilling programs (deferred exploration costs) and additions to minerals properties are funded by the sale of securities. In fiscal 2010, private placements in October 2009 and June 2010 netted the company $836,425, and warrant exercises provided $146,543. During fiscal 2011, three private placements in December 2010 and May 2011 and the exercise of warrants raised $1,861,289.

VALUATION

As a junior gold exploration company, Mexivada cannot be valued on a revenue, earnings, book value or cash flow basis. Management's strategy is to increase the value of each of its properties through value-added investigation and exploration (the company's core competency), including but not limited to geological mapping, geophysical surveys, geochemical analysis, field sampling, excavator trenching, exploratory drilling, analyzing historical work on the property, and especially referencing analogous geologic formations. Armed with new information, management attempts to option the properties to other parties who will further explore and ultimately mine the property, from which Mexivada retains a portion of future revenues and some equity interest to participate in the property's development and any potential new discoveries. More sophisticated methodologies based on market capitalization-to-reserves, average ore value per tonne, per-ounce costs or cash profit margins per ounce produced also are not germane. Therefore, an alternative valuation technique based on book value is the only appropriate alternative, especially in comparison to junior gold companies employing a similar exploration-discovery stage strategy to Mexivada's.

Book value of a junior gold exploration company represents the equity capital that has been raised to acquire the minerals rights on properties and to conduct exploration programs. An amalgamation of information is encapsulated within the raised capital total, including the quality of the properties (both in terms of mineral potential and political stability) and the exploration results from introductory geochemical surveys to assay results from drilling programs. Therefore, book value captures the complex valuation potential of the company's base gold resource value potential by sophisticated investors, most with expert knowledge of a junior gold exploration companies in the exploration phase with no stated revenues. Hence, we find the use of book value is a valid and appropriate metric by which to determine a junior gold exploration company's valuation.

Kaminak (KAM: TSXV) **and Pelangio** (PX: TSXV) **appear similar to Mexivada**. Kaminak and Pelangio operate in the exploration-discovery stage, focusing on the acquisition and exploration of gold properties. Both companies have not reached the gold production phase, and hence, do not yet generate revenues. Also, Kaminak and Pelangio initiate exploratory drilling programs after conducting geochemical analysis of their properties. Therefore, Kaminak and Pelangio should be analyzed as benchmarks for the valuation of a junior gold company without a resource calculation.

In late October 2009, Kaminak announced results from a trenching program of 11.72 g/t over ten meters from one trench and 8.56 g/t over 15m from the other trench. Prior to the discovery 2010, Kaminak's stock traded in a range between 1.4 and 2.2 times book value. After the announcement, the stock rallied to 3.2 times book value. Thereafter, stock steadily expanded its valuation to 3.7 times book. In late May 2010, the results of a successful drilling program (17.1 g/t over 15.5 meters) were announced, and the

stock rallied to 7.1 times book value; in August 2010, after additional announced discoveries (15.9 and 21.3 g/t over 5 and 8 meters, respectively), the stock rallied further to 16.1 times book.

The valuation of Pelangio is more complex than Kaminak case, since Pelangio has two flagship properties (Manfo and Obuasi). In addition, Pelangio operates in Ghana instead of the Yukon Territory of Canada. Nevertheless, due to the announcements in the fourth quarter of 2010 concerning the successful drilling program on the Manfo property, Pelangio's stock began trading between 2.0 and 3.2 times book (C$0.75 and C$1.25). Currently, Pelangio is trading at 1.24 times book value

After the initial speculative flurry after the company's IPO in late 2005, Mexivada's stock has traded in a relatively consistent range between 0.8 and 1.7 times book value. With management's commitment to an exploration program in Ontario, we expect Mexivada's stock to trade between 1.4 and 2.2 times book (C$0.08 and C$0.12). Since our last report, Mexivada's book value has declined 53% to $3,005,316, primarily due to a write-off of $2,965,785 (the acquisition costs and exploration expenditures) related to the Republic of the Congo property. **Therefore, our intermediate-term single-point target is $0.10, based on a 1.7 times book value valuation.**

The stocks of junior gold companies have a unique trading profile. The stocks tend to mark time, trading sideways-to-down, during an incubation phase until a discovery from a drilling program is announced. Significant positive results are the stimulus for upside gaps in stock's price in a mark-up phase as the new information is discounted by first-movers. Generally, the price appreciation continues, albeit at a slower pace, usually on heavy volume until the newly created demand instigated by the announcement of the discovery is fulfilled. After the initial rally, another period of time of sideways-to-down action occurs. Often the stock retraces some, or sometimes all, of the prior price-appreciation during this digestion phase. If and when a subsequent discovery is announced from a follow-on drilling program, another mark-up phase is set in motion.

FINANCIAL STATEMENTS

Mexivada Mining Corp.

Consolidated Statements of Operations and Retained Earnings

(in $ CAD)

For the years ending June 30	2007	2008	2009	2010	2011	2012 E
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**
Amortization	37,585	62,987	50,199	30,000	14,436	14,436
Consulting fees	119,022	103,754	108,166	32,554	34,531	34,531
Foreign exchange	3,611	(37,111)	2,018	31,901	(82,506)	0
Management fees	131,125	134,084	192,284	172,909	118,721	145,815
Office, rent and Misc.	147,409	137,825	175,348	53,514	75,298	92,000
Professional fees	66,025	139,639	101,479	111,210	247,755	179,483
Property investigation costs	0	0	57,996	19,940	0	0
Shareholder communications	123,840	194,796	123,240	150,840	141,594	146,217
Stock-based compensation	215,612	347,430	168,487	209,075	270,450	239,763
Transfer agent and filing fees	27,831	24,783	22,098	25,201	42,710	33,956
Travel and related costs	56,541	76,760	64,221	24,027	56,493	60,165
Total Expenses	**928,601**	**1,184,947**	**1,065,536**	**861,171**	**919,482**	**946,365**
Loss from operations	**(928,601)**	**(1,184,947)**	**(1,065,536)**	**(861,171)**	**(919,482)**	**(946,365)**
Write-off of mineral properties	(13,840)	(185,015)	(175,060)	0	(14,400)	0
Write-off of deferred exploration costs	(4,297)	(1,546,766)	(1,305,303)	0	(2,965,785)	0
Write-off of equipment				0	(43,556)	0
Gain (loss) on disposal of equipment	0	0	0	(2,299)	0	0
Gain (loss) on disposal of marketable securities	0	0	0	(2,670)	0	0
Impairment of marketable securities				0	(962,500)	0
Unrealized gain (loss) - fair value on warrants				0	(599,716)	0
Gain on optioning of mineral properties				0	1,702,666	260,000
Recovery of mineral properties & def. expl. costs	0	0	0	5,088	0	0
Interest income	91,967	60,265	9,526	0	0	0
Other items	**73,830**	**(1,671,516)**	**(1,470,837)**	**119**	**(2,883,291)**	**260,000**
Income (loss) before income taxes	(854,771)	(2,856,463)	(2,536,373)	(861,052)	(3,802,773)	(686,365)
Future income taxes	0	0	0	0	170,103	
Net income for the year	**(854,771)**	**(2,856,463)**	**(2,536,373)**	**(861,052)**	**(3,632,670)**	**(686,365)**
Net income per common share (diluted)	**(0.04)**	**(0.10)**	**(0.08)**	**(0.02)**	**(0.07)**	**(0.01)**
Weighted average common shares outstanding - diluted	23,537,219	29,264,426	31,388,434	36,747,300	49,161,707	65,979,064

Mexivada Mining Corp.

Consolidated Statements of Operations and Retained Earnings

(in $ CAD)

For the years ending June 30	2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	2011	1Q E 2012	2Q E 2012	3Q E 2012	4Q E 2012	2012 E
Revenue:	**0**	**0**	**0**	**0**	**0**	**0**					**0**
Amortization	30,000	5,530	5,530	5,530	(2,154)	14,436	3,609	3,609	3,609	3,609	14,436
Consulting fees	32,554	1,485	16,657	3,000	13,389	34,531	8,633	8,633	8,633	8,633	34,531
Foreign exchange	31,901	(773)	(26,957)	37,725	(92,501)	(82,506)	0	0	0	0	0
Management fees	172,909	39,017	38,085	37,177	4,442	118,721	36,454	36,454	36,454	36,454	145,815
Office, rent and Misc.	53,514	11,580	6,859	7,943	48,916	75,298	20,000	22,000	24,000	26,000	92,000
Professional fees	111,210	43,903	62,925	94,649	46,278	247,755	44,871	44,871	44,871	44,871	179,483
Property investigation costs	19,940	0	0	0	0	0	0	0	0	0	0
Shareholder communications	150,840	66,510	9,140	24,283	41,661	141,594	36,554	36,554	36,554	36,554	146,217
Stock-based compensation	209,075	61,258	125,710	113,149	(29,667)	270,450	59,941	59,941	59,941	59,941	239,763
Transfer agent and filing fees	25,201	2,296	14,731	15,006	10,677	42,710	8,489	8,489	8,489	8,489	33,956
Travel and related costs	24,027	17,564	8,666	2,503	27,760	56,493	10,065	10,065	10,065	10,065	60,165
Total Expenses	**861,171**	**248,370**	**261,346**	**340,965**	**68,801**	**919,482**	**228,615**	**230,615**	**232,615**	**234,615**	**946,365**
Loss from operations	**(861,171)**	**(248,370)**	**(261,346)**	**(340,965)**	**(68,801)**	**(919,482)**	**(228,615)**	**(230,615)**	**(232,615)**	**(234,615)**	**(946,365)**
Write-off of mineral properties	0	0	0	0	(14,400)	(14,400)	0	0	0	0	0
Write-off of deferred exploration costs	0	0	0	0	(2,965,785)	(2,965,785)	0	0	0	0	0
Write-off of equipment	0	0	0	0	(43,556)	(43,556)	0	0	0	0	0
Gain (loss) on disposal of equipment	(2,299)	0	0	0	0	0	0	0	0	0	0
Gain (loss) on disposal of marketable securities	(2,670)	0	0	0	0	0	0	0	0	0	0
Impairment of marketable securities	0	0	0	0	(962,500)	(962,500)	0	0	0	0	0
Unrealized gain (loss) - fair value on warrants	0	0	0	0	(599,716)	(599,716)	0	0	0	0	0
Gain on optioning of mineral properties	0	0	10,287	0	1,692,379	1,702,666	65,000	95,000	0	100,000	260,000
Recovery of mineral properties & def. expl. costs	5,088	0	0	0	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0	0	0	0	0
Other items	**119**	**0**	**10,287**	**0**	**(2,893,578)**	**(2,883,291)**	**65,000**	**95,000**	**0**	**100,000**	**260,000**
Income (loss) before income taxes	(861,052)	(248,370)	(251,059)	(340,965)	(2,962,379)	(3,802,773)	(163,615)	(135,615)	(232,615)	(134,615)	(686,365)
Future income taxes	0	0	0	0	170,103	170,103					
Net income for the year	**(861,052)**	**(248,370)**	**(251,059)**	**(340,965)**	**(2,792,276)**	**(3,632,670)**	**(163,615)**	**(135,615)**	**(232,615)**	**(134,615)**	**(686,365)**
Net income per common share (diluted)	**(0.02)**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.05)**	**(0.07)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**
Weighted average common shares outstanding - diluted	36,747,300	42,672,534	44,191,123	52,054,105	57,729,064	49,161,707	64,729,064	64,729,064	64,729,064	69,729,064	65,979,064

Mexivada Mining Corp.

Consolidated Balance Sheets
(in $ CAD)

For the years ending June 30	2007	2008	2009	2010	2011	2012 E
ASSETS						
Cash and cash equivalents	126,248	582,699	45,247	449,085	737,234	900,000
Short-term investments	1,800,000	625,000	10,000	0	600,000	13,925
Marketable securities	0	0	6,000	49,000	220,000	170,000
Warrants	0	0	0	0	104,722	104,722
Receivable	40,748	14,287	1,711	10,277	51,356	15,000
Prepaid expenses	220,395	22,820	863	850	5,268	3,215
Current Assets	2,187,391	1,244,806	63,821	509,212	1,718,580	1,206,862
Reclamation bond	27,988	66,818	66,818	30,285	30,285	30,285
Equipment	178,377	178,738	128,539	73,740	15,748	17,629
Deferred exploration costs	3,007,048	4,722,722	3,894,022	4,146,172	1,599,827	2,217,997
Mineral properties	356,268	327,318	205,248	127,966	241,887	325,000
Total Assets	**5,757,072**	**6,540,402**	**4,358,448**	**4,887,375**	**3,606,327**	**3,797,773**
LIABILITIES						
Accounts payable and accrued liabilities	142,397	146,831	106,336	131,937	463,260	100,000
Advances from related parties	45,105	0	55,977	178,838	137,751	97,516
Current Liabilities	187,502	146,831	162,313	310,775	601,011	197,516
Future income taxes	0	0	0	0	0	0
Share capital	6,785,535	9,778,176	10,332,726	11,357,169	13,085,969	14,382,569
Share subcriptions received in advance	0	375,100	0	0	0	0
Contributed surplus	698,508	1,011,231	1,179,718	1,388,792	1,713,816	1,957,584
Retained earnings (deficit)	(1,914,473)	(4,770,936)	(7,307,309)	(8,168,361)	(11,801,031)	(12,747,396)
Accumulated other comprehensive income	0	0	(9,000)	(1,000)	6,562	7,500
SHAREHOLDERS' EQUITY	5,569,570	6,393,571	4,196,135	4,576,600	3,005,316	3,600,257
Total Liabilities and Equity	**5,757,072**	**6,540,402**	**4,358,448**	**4,887,375**	**3,606,327**	**3,797,773**

HISTORICAL ZACKS RECOMMENDATIONS



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