

# Hy Lake Gold Inc.

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**Industry Overview**

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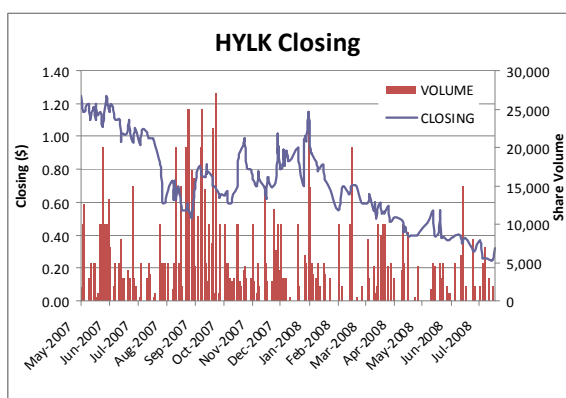
**RATING: SPEC. BUY (No CHANGE)**  
**TARGET (12M): \$0.81 (No CHANGE)**

***An active & successful year of drilling during 2008 positions Hy Lake Gold for future growth.***

Stock Information		Ticker: CNSX-HYL	
Price Date	Last Price	52-Wk (H)	52-Wk (L)
Feb 25, 2009	0.14	0.70	0.01
	<b>FY06A</b>	<b>FY07A</b>	<b>FY08E</b>
<b>Sales (\$M)</b>	\$0	\$0	\$0
<b>EBITDA / Sh (\$)</b>	NMF	NMF	NMF
<b>P/Sales</b>	0x	0x	0x
<b>EPS (FD)</b>	<b>FY06</b>	<b>FY07A</b>	<b>FY08</b>
<b>Q1</b>	(0.00)	(0.00)	(0.00)
<b>Q2</b>	(0.00)	(0.00)	(0.00)
<b>Q3</b>	(0.00)	(0.02)	(0.00)
<b>Q4</b>	(0.01)	(0.02)	(0.02)
<b>Total</b>	(0.01)	(0.04)	(0.02)
<b>As at Sep 30, 2008</b>			
<b>Cash (\$M)</b>	\$0.56M	<b>Sh O/S (M)</b>	23.9M
<b>LT Debt (\$M)</b>	\$0	<b>M Cap.(\$M)</b>	\$3.3M
<b>LT Debt/Total Cap.</b>	0%	<b>Div. / Share</b>	\$0
<b>BV per share (\$)</b>	\$0.24	<b>Div Yield</b>	0%

**HIGHLIGHTS**

- **Promising drilling results at Rowan:** The final drilling results from the 2008 exploration program at the Rowan Property, optioned from Red Lake Gold Mines (Goldcorp), have been promising. Additional drilling is planned during 2009 to target the extension of the Rowan Mine veins.
- **Historic Red Lake gold camp is primed for more M&A activities:** The Red Lake Mining District is the backyard of Goldcorp, which recently snapped up Gold Eagle Mines for Cdn\$1.47 billion. With gold prices climbing ever higher, more senior producers are looking to expand resources by acquiring promising juniors. Hy Lake Gold has assembled a 12 km long package of high-potential, contiguous mining properties in the west Red Lake area, which bodes very well for a possible future takeover.
- **Relationship with Goldcorp:** This arises from the joint option with Red Lake Gold Mines on the Rowan property. Hy Lake Gold is ahead in meeting its spending commitment to earn its 60% rights at Rowan, as operator, and is working closely with Goldcorp to develop its Red Lake gold exploration assets.
- **Strengthening the board:** Recently, the company appointed two new directors who have significant experience in areas of finance and corporate development and have worked extensively with junior resource companies in the past.
- **Upside potential:** We continue to rate Hy Lake Gold a **SPECULATIVE BUY**, with a 12-month target of \$0.81 per share.



**Company Snapshot:**

Hy Lake Gold Inc. is a CNSX (HYL) and Frankfurt (HYK) listed junior exploration company with several interests in the Red Lake Mining District, including three past producing mines. Its strategy is focused on leveraging the ability of its talented management and exploration teams to recognize geological opportunities that are adjacent to previous big finds but are overlooked. It has a close working relationship with Red Lake Gold Mines (Goldcorp, G:TSX) which is a great asset. The properties now include a 12 km long continuous strike length on the Pipestone Bay - St Paul Bay deformation zone.

*All figures are in C\$, unless otherwise noted.*



## Executive Summary

Hy Lake Gold has assembled a 12 km long package of contiguous mining properties in Red Lake, Ontario Canada that are strategically located over the Pipestone Bay - St. Paul Bay deformation zone, a major northwest-to-southeast trending regional structure which hosts a number of former producing gold mines. We first highlighted Hy Lake Gold's enormous potential in our detailed report in May 2008 and a subsequent update available free of charge on our website [www.ubikaresearch.com](http://www.ubikaresearch.com). Since then, the company has continued to focus on further strengthening its working relationship with Goldcorp and has pursued very focused drilling programs at its Red Lake, Ontario properties. It has been ahead in meeting its commitments with Goldcorp to earn its 60% rights, as operator, at their Rowan Property and believes that it has fulfilled all the commitments required to earn 100% ownership rights at the Red Summit Property optioned from Claude Resources Inc. in February of 2008.

### 2008 Drilling Programs

Hy Lake Gold conducted extensive drilling programs during 2008 at its Red Lake projects, including the Rowan Property, optioned from Goldcorp, and the Red Summit Mine Property that it acquired from Claude Resources Inc. The drilling programs targeted gold mineralization associated with the favourable Red Lake geology both along strike and below the historic Rowan Mine and Red Summit Mine workings and along the Pipestone Bay - St. Paul Bay Deformation Zone. This phase of drilling at the Rowan and Red Summit properties consisted of 15 holes totalling 6342 metres. The initial and final drill results at the Rowan Property were promising. Hy Lake Gold intersected 1.0 metres of 14.52 grams of gold per tonne from drilling at the Rowan Property, which now has a strike length of at least 800 metres. The final drill results from Red Summit are expected soon.

### Corporate Development

The company appointed two new directors who have significant experience in areas of finance and corporate development and have worked extensively with junior resource companies before. These appointments will further strengthen the board and will help the company meet its objective of developing its significant gold exploration assets.

### Liquidity and Financial Resources

Despite the tight capital market conditions, the company has been able to raise the necessary capital to pursue high-priority drilling programs. It raised Cdn\$0.75 million in a non-brokered private placement from MineralFields Group in September 2008. We believe that the company will need to access the capital markets again to continue with drilling programs in 2009 and feel reasonably confident that the company will be able to raise the necessary capital to meet its objectives.

### Outlook for 2009

We believe that the prime focus of the Hy Lake Gold in 2009 will be to consolidate all data related to past drillings at its various Red Lake properties to develop a regional geological and exploration model in collaboration with Goldcorp. This will

help the company to develop and pursue more focused drilling programs at its three past producing mine properties to extend and expand the current resource base. The company will continue to work towards establishing a firm claim that there is a contiguous stretch of strike zone between its three mine properties, which will bolster its prospects of becoming a junior exploration company with sizable gold exploration assets and brighten its prospects for future production and/or M&A transactions.

## Conclusion

We continue to believe that Hy Lake Gold is well positioned to benefit from its close relationship with Goldcorp and has tremendous potential to develop gold exploration assets to a significant size with the drilling programs planned during 2009 and beyond.

Ubika Research continues to believe that Goldcorp will favour properties that will add to its resource base and those that are in the well known backyards of its largest mine. This, added to the fact that Goldcorp has a joint option in Hy Lake Gold's properties with two back-in rights, and the fact that Hy Lake Gold enjoys a close working relationship with Goldcorp, bodes well for the investors of Hy Lake Gold.

We therefore rate Hy Lake Gold a SPECULATIVE BUY with a 12-month target of Cdn\$0.81 per share.

## Risk Factors

**Future Production:** As with other mining ventures, there is a possibility of future drilling results not showing the anticipated estimates.

**Commodity Price Risk:** Volatility in gold prices will impact the value of precious metal in the ground and therefore the fair value of the company.

**Capital Raising:** Hy Lake Gold will need to raise additional capital for its expenditure program planned for 2009. Due to current tight capital market conditions, it could take longer to raise such financing, which can adversely impact the company's prospects.

**Regulatory Risk:** Changes in government regulation and unfavourable outcomes of discussions with First Nations could have an impact on the company's share price.

**Personnel Risk:** Considering the current state of the resource industry, it is a challenge to add or retain good talent. We consider this as much of a risk to Hy Lake Gold as it is to other companies in the industry.

**NOTES**

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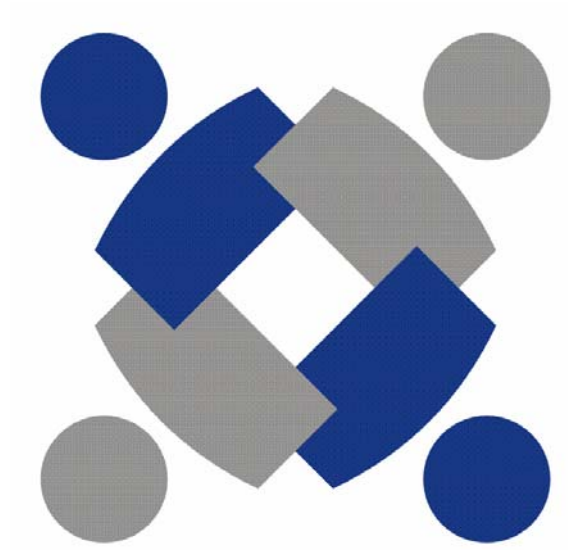
**Note: Ubika Research has NOT visited various mining sites to do any independent physical assessment**

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