

# Hy Lake Gold Inc.

Vishy Karamadam - (416) 729-1363  
[vishy@ubikacorp.com](mailto:vishy@ubikacorp.com)

Industry Overview

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Tushar Handiekar - (416) 822-3722  
[tushar@ubikacorp.com](mailto:tushar@ubikacorp.com)

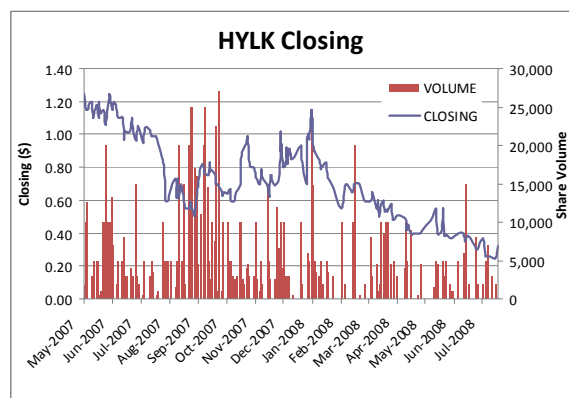
## Big M&A at Hy Lake's neighbour in Red Lake puts spotlight on potential jackpots

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

Stock Information		HYLK:CNQ		
Price Date	Last Price	52-Wk (H)	52-Wk (L)	
July 31, 2008	0.32	1.15	0.21	
	FY06A	FY07A	FY08E	
Sales (\$M)	\$0	\$0	\$0	
EBITDA / Sh (\$)	NMF	NMF	NMF	
P/Sales	0x	0x	0x	
EPS (FD)	FY06	FY07A	FY08E	
Q1	(0.00)	(0.00)	(0.05)	
Q2	(0.00)	(0.00)	(0.01)	
Q3	(0.00)	(0.02)	(0.04)E	
Q4	(0.01)	(0.02)	(0.03)E	
Total	(0.01)	(0.04)	(0.13)E	
As at Mar 31, 2008				
Cash (\$M)	\$1.34M	Sh O/S (M)	25.1M	
LT Debt (\$M)	\$0	M Cap.(\$M)	\$8.0M	
LT Debt/Total Cap.	0%	Div. / Share	\$0	
BV per share (\$)	\$0.23	Div Yield	0%	

HIGHLIGHTS

- Big M&A in the Red Lake Region:** On Thursday, July 31, 2008, Goldcorp (G:TSX) offered C\$1.47 billion for Gold Eagle Mines (GEA: TSX) to pick up the Bruce Channel gold discovery, an exploration project next to Goldcorp's flagship Red Lake operations.
- Hy Lake is Strategically located in the historic Red Lake gold camp:** Hy Lake has assembled a 12-km long package of contiguous mining properties that are strategically located over the Pipestone Bay-St. Paul Bay deformation zone, a major, NW-SE trending regional structure that hosts a number of former producing gold mines. Hy Lake properties are literally a 'next door neighbour' to Gold Eagle Mines (See map on Page 2). We consider HYLK a "pure" Red Lake gold play.
- News Significantly Positive for Hy Lake:** This M&A activity is SIGNIFICANTLY POSITIVE for Hy Lake as it brings into focus the continued potential of this region. We first highlighted Hy Lake's enormous potential in our detailed report (*Hy Lake Gold Inc: A Promising Exploration Company in Canada's Prolific Red Lake area, dated May 15, 2008*) available for FREE download at [www.ubikaresearch.com](http://www.ubikaresearch.com).
- HYLK has a strong working relationship with Goldcorp:** This arises from the joint option with Goldcorp. We expect this partnership to strengthen and deepen further over time. We believe their relationship is developing into one similar to FNX/Vale Inco and FNI/Xstrata in the Sudbury camp
- Upside Potential:** We continue to rate Hy Lake a **SPECULATIVE BUY, with a 12-month target of \$0.81 per share (a 153% return).**



Company Snapshot:

Hy Lake Gold Inc. is a CNQ exchange (HYLK) and Frankfurt (HYK) listed junior exploration company with several interests in the Red Lake region.

Its strategy is focused on leveraging the ability of its talented exploration teams to recognize geological opportunities that are adjacent to previously big finds but are overlooked. It has a close working relationship with Goldcorp (GG: 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.

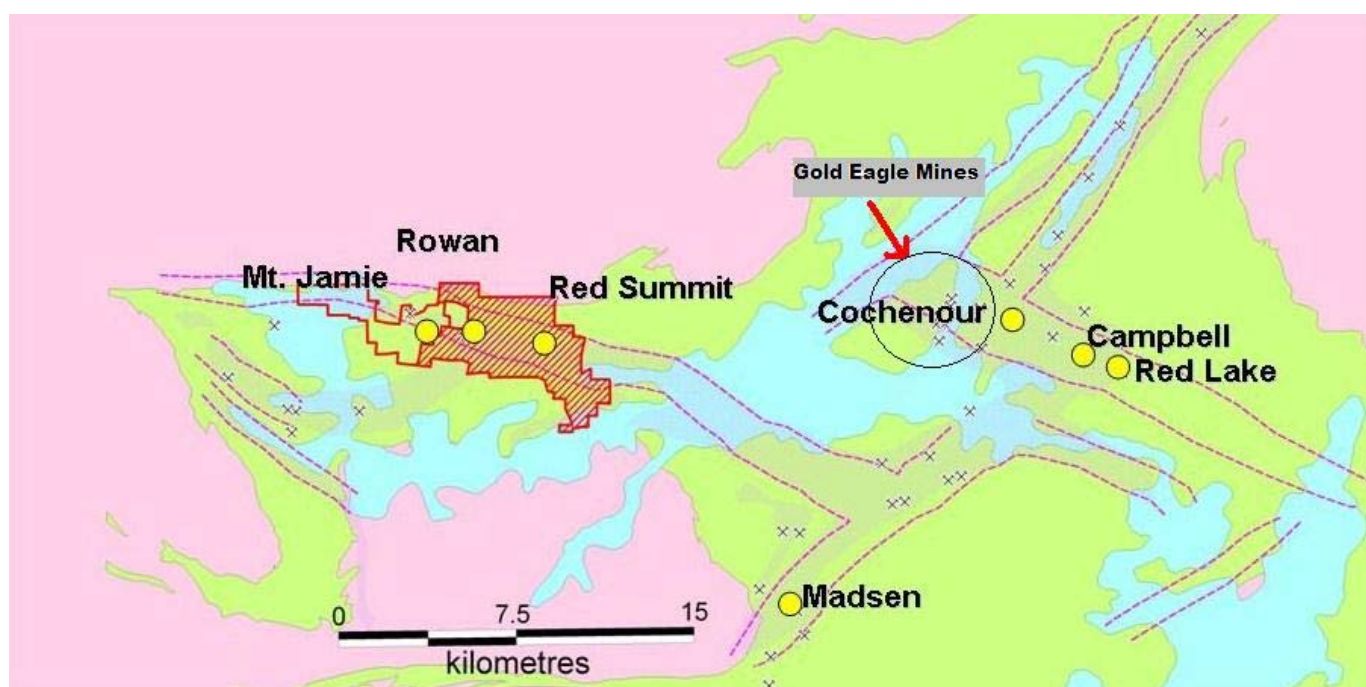


## Big M&A at Hy Lake's neighbour, Gold Eagle Mines

Goldcorp (G: TSX) offered C\$1.47 billion (yes, billion!) to Gold Eagle Mines (GEA: TSX) on July 31, 2008, for its Bruce Channel gold discovery. Gold Eagle is essentially a Hy Lake neighbour in the prolific gold mining camp of Red Lake.

Hy Lake Gold Inc. (HYLK: CNQ) has assembled six significant property packages, (which host three past producing gold mines), on the west Red Lake Trend, totalling approximately 3,000 hectares. The properties now include a 12-km long continuous strike length on the Pipestone-Bay- St. Paul Bay deformation zone

(See the map below for details):



Source: Company Reports and Ubika Research

Goldcorp became interested in GEA's Bruce Channel Discovery (BCD) because of its potential, after GEA continued to strike good grades and widths in this property. The Bruce Channel Discovery property is immediately southwest of Goldcorp's past-producing Cochenour-Willans mine and will enable the company to capitalize on its extensive exploration and operations infrastructure, including its employees, in the Red Lake district.

We also note that BCD does not have an established resource, as the depth of the deposit has made drilling difficult.

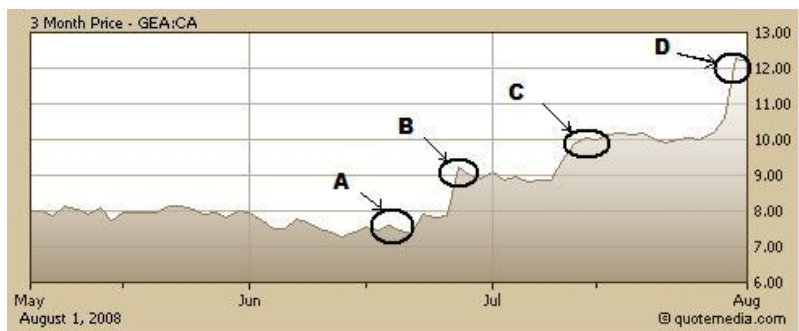
In comparison, Hy Lake's properties offer a 12-km long contiguous strike length on the Pipestone Bay- St. Paul Bay deformation zone. HYLK's property portfolio also hosts three past producing mines on this deformation zone which also covers the Madsen mine owned by Claude Resources (CRJ: TSX) further south-east to HYLK properties.

HLYK is currently in the process of updating and expanding its significantly large 63,000 ounces @ 0.41oz/t pre-NI 43-101 resource estimate at Rowan Lake as well as 40,000 ounces @ \$0.50 oz/t NI 43-101 compliant estimate of Mount Jamie.

**For full details on the potential of Hy Lake, please refer to our recently released full report “Hy Lake Gold Inc: A Promising Exploration Company in Canada’s Prolific Red Lake area,” dated May 15, 2008, available for FREE download on our website [www.ubikaresearch.com](http://www.ubikaresearch.com).**

**What is the real premium offered?**

The offer values each Gold Eagle share at C\$12.62, a 19 % premium to Wednesday's (July 30) closing price. Note that, GEA stock has had a significant run prior to this announcement owing to Agnico Eagle Mine’s (AEM: TSX) acquisition of a minority stake of 5% in GEA in mid-July 2008, raising the speculation that Goldcorp’s bid was imminent since GEA is in Goldcorp’s backyard. The three-month chart of GEA in the run-up to this announcement shown below tells the story very well.



- A: June 18, 2008 - GEA announces continued intersection of significant grades and width at Bruce Channel Discovery
- B: June 26, 2008 - Agnico Eagle Mines (AEM: TSX) makes a strategic investment of 5% in GEA
- C: July 16, 2008 - GEA announces expansion of Bruce Channel Discovery
- D: July 31, 2008 - Goldcorp announces C\$1.47 Bn acquisition of GEA

Considering this, we estimate that Goldcorp paid a premium of 58% (or \$4.62 per share) over the pre- AEM announcement price of approximately C\$8.00 for each GEA share.

This could be set as a benchmark for the future acquisition by Goldcorp of any mining exploration companies in the Red Lake region that show the potential in line with that of the BCD.

**Goldcorp’s intentions bodes well for Hy Lake**

In the conference call held with regards to its acquisition of GEA and its Q2 results, Kevin McArthur, Goldcorp’s CEO, said *"This transaction secures for Goldcorp full control of 8 kilometres of strike length in the heart of the world's richest high grade gold district."*

He also pointed out that *"This adds a number of high-grade gold ounces in our own backyard... We are the natural partner to develop the Bruce Channel project with the geographic footprint preferred by our community."*

*"This adds a number of high-grade gold ounces in our own backyard,"* Goldcorp Chief Executive Kevin McArthur said on GEA acquisition conference call.

## Conclusion

Ubika Research continues to believe, as is evident from Mr. McArthur's statements, 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 M&A, coupled with the fact that Goldcorp has a joint option in HYLK's properties with a back-in right, and the fact that Hy Lake enjoys a close working relationship with Goldcorp, bodes well for HYLK investors.

In the short-run, we believe that this M&A activity will shed light on the Red Lake region and the neighbouring properties, including HYLK.

In the long run, we continue to believe that the Hy Lake holds significant potential for gold discovery in its properties and expect Hy Lake to press-on with its 2008 drilling program to establish and expand the resource base to make it fully NI 43-101 compliant. Continuing successful drill results will bring attention to bear on the stock as its potential becomes more and more obvious.

*We therefore, rate Hy Lake a SPECULATIVE BUY with a 12-month target of \$ 0.81 per share. Currently trading at \$0.32 per share, HYLK offers a substantial return of 153%.*

## Risk Factors

**Future Production:** As with other mining ventures, there is a likelihood 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 will need to raise additional capital for its expenditure program planned for 2008. There may be likelihood of softness in capital markets if the commodity prices are not sustained.

**Regulatory Risk:** Change in government regulation and adverse discussions with the 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 an equal risk to Hy Lake as it is to other companies in the industry.

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

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We serve our clients through our following offices:

## Toronto Office

130 Spadina Ave, Suite 606,  
Toronto, Ontario M5V 2L4  
T: 647-722-6258  
F: 647-477-5350

## Vancouver Office

925 West Georgia St, Suite 900,  
Vancouver, BC V6C 3L2  
T: 604-484-5761  
F. 604-484-5760