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**BUCHANS MINERALS PARTNERS TO CREATE NEW BASE METAL COMPANY  
FOCUSED ON CONSOLIDATION AND DEVELOPMENT OF BUCHANS DISTRICT  
DEPOSITS, CENTRAL NEWFOUNDLAND**

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**Buchans Minerals Corporation (BMC-TSX-V)** ("Buchans Minerals" or the "Company") is pleased to announce that it has entered into a letter of intent (the "LOI") with SG Spirit Gold Inc. (SG-TSX-V) ("SG Spirit Gold") with respect to the proposed sale to SG Spirit Gold of 100% of the Buchans property, Tulks North property and Tulks Hill joint venture interest (collectively, the "Property"). The Property is inclusive of the Lundberg deposit, Daniels Pond deposit, and its 49% interest in the Tulks Hill deposit, all of which are located near Buchans, Newfoundland. In exchange for 100% of the Property, SG Spirit Gold will issue the number of common shares representing 50% of the issued and outstanding capital of SG Spirit Gold, warrants and a cash payment of \$2.0 million, as more fully described below (the "Transaction"). It is a condition of the Transaction that at closing SG Spirit Gold will have raised \$12.5 million pursuant to a Financing (as hereinafter defined) and will have acquired the Bobby's Pond base metal deposit from Mountain Lake Resources Inc. ("Mountain Lake"). The Transaction will transform SG Spirit Gold and merge the considerable management and financing talents of the Exploration Group ("EGM"), led by Mr. Mark Morabito, with the premiere base metal assets of Buchans Minerals. The primary goal of the new company will be the development of the Lundberg base metal deposit and consolidation and development of other base metal deposits in the area to create a mid-tier base metal producer in central Newfoundland.

Concurrent with the Transaction, Mountain Lake has entered into a letter of intent with SG Spirit Gold to sell its 100% interest in its Bobby's Pond base metal deposit, located approximately 20 kilometres southeast of the town of Buchans. Further details on the Mountain Lake transaction can be reviewed in their press release dated today.

SG Spirit Gold is a TSX Venture Exchange listed company led by EGM, a Vancouver based mining services company established by Mr. Mark Morabito. *"We have often considered the Buchans/Victoria Lake VMS belts as ripe for consolidation and believe our partnership with Buchans Minerals provides us with the cornerstone assets to achieve this. Consolidating the PEA stage Lundberg project, as a centralized anchor asset, together with the high-grade Daniels Pond and Bobby's Pond deposits and other surrounding satellite deposits, is a step towards developing a future base metals mining complex in Buchans, Newfoundland"* commented Mark Morabito.

Warren MacLeod, President & CEO of Buchans Minerals commented that *"We believe this is a great opportunity to partner with a strong team who has demonstrated their ability to finance and advance significant mineral development projects in Newfoundland & Labrador. This*

*transaction provides the appropriate vehicle to maximize the value of our base metal assets by combining them with Mountain Lake's Bobby's Pond deposit for a stronger consolidated Newfoundland base metal company. From a shareholders perspective, the transaction also provides a visible means to value Buchans Minerals according to its equity interest in SG Spirit Gold and unlock the true value of these newly consolidated projects. It's also important for shareholders to recognize that this transaction now opens the way for management to focus its efforts on developing the Company's other projects, including the Woodstock manganese project in western New Brunswick."*

### **Transaction Highlights:**

The following are the highlights of the terms and conditions of the LOI:

In consideration for the sale of 100% of the Property to SG Spirit Gold, upon closing, Buchans Minerals will receive:

- the number of common shares of SG Spirit Gold representing 50% of the issued and outstanding capital of SG Spirit Gold; following completion of the Financing (the "Payment Shares");
- the number of share purchase warrants (each whole share purchase warrant, a "Warrant") representing 1/5th of the Payment Shares. Each Warrant will entitle Buchans Minerals to acquire one common share of SG Spirit Gold at an exercise price that is a 33% discount to the issue price of common shares issued pursuant to the Financing for 36 months from the date of issuance;
- a one-time cash payment of \$2.0 million ("Upfront Payment");
- the right to nominate up to 50% of the Board of Directors of SG Spirit Gold, subject to certain conditions; and
- the right to participate in future financings of SG Spirit Gold, subject to certain conditions.

In addition, SG Spirit Gold will be required to incur cumulative expenditures of at least \$7.5 million in connection with the development of the Property within a period of 24 months from the date of the definitive agreement to be entered by the parties upon completion of satisfactory due diligence pursuant to the LOI (the "Definitive Agreement").

Conditions precedent to the closing of the Transaction include:

- satisfactory completion of customary due diligence within 21 days of execution of the LOI;
- entering into the Definitive Agreement;
- SG Spirit Gold raising gross proceeds of at least \$12.5 million pursuant to a subscription receipt financing within 110 days of the date of the LOI (the "Financing");
- SG Spirit Gold completing a consolidation of its outstanding common shares on the basis of one post-consolidation share for every two pre-consolidation shares;
- SG Spirit Gold and Mountain Lake entering into a definitive agreement relating to the acquisition of Bobby's Pond deposit by SG Spirit Gold; and
- all necessary board, shareholder and regulatory approvals, including the approval of the TSX Venture Exchange ("TSX-V"), being received.

NCP Northland Capital Partners Inc. ("NCP") having acted as the Company's financial advisor and will be paid by Buchans Minerals a success fee of 5% of the Upfront Payment. In addition, NCP will be entitled to receive from SG Spirit Gold an amount of common shares of SG Spirit Gold equal to 5% of the Payment Shares and an amount of Warrants equal to 5% of the Warrants issued to Buchans Minerals, subject to the approval of the TSX-V.

Full details of the Transaction will be included in the Definitive Agreements and Management Information Circular to be filed with the regulatory authorities and mailed to Buchans Minerals' shareholders in accordance with applicable securities laws. It is anticipated that a special meeting of shareholders of Buchans Minerals to approve the Transaction will be held in February 2012. The Transaction is being conducted entirely at arm's length.

Following completion of the Transaction, SG Spirit Gold will be a fully financed, development focused Newfoundland base metals company whose primary objective will be the consolidation and advancement of a Buchans centred base metal complex. SG Spirit Gold will have multiple VMS deposits hosting National Instrument 43-101 ("NI 43-101") defined resources and several advanced stage exploration projects, including the development stage Lundberg project and advanced exploration stage Daniels Pond, Tulks Hill and Bobby's Pond deposits. Following the Financing, should all the warrants within SG Spirit Gold be exercised (including those owned by Buchans Minerals), the Company's interest in SG Spirit Gold will be 45% on a fully diluted basis. SG Spirit Gold intends to undergo a name change in connection with the Transaction to reflect its new focus.

### **Lundberg Preliminary Economic Assessment ("PEA") Highlights:**

The development stage Lundberg Project has a positive PEA completed by Wardrop Engineering, a Tetra Tech Company (see Buchans Minerals press release dated August 12<sup>th</sup>, 2011 for full details) which highlights are identified below. Its important to recognize that the PEA is based on processing only the Lundberg resource and does **not** include the Daniels Pond, Bobbys Pond or Tulks Hill resources. As SG Spirit Gold moves towards completing a pre-feasibility study on the Property, they will evaluate the Daniels Pond, Bobbys Pond and possibly Tulks Hill as possible satellite deposits contributing to the central Lundberg processing facility.

- Pre-tax IRR of 43.94% and an NPV at a 6% discount rate of \$217.8 million on total life of mine ("LOM") cash-flow of \$471.5 million.
- Average operating costs for the first five years of the project are \$24.53 per tonne on net revenue of \$61.76 per tonne. This translates to a revenue to cost ratio of 2.5:1. For the 10 year LOM the average operating costs are \$23.79 per tonne on net revenue of \$52.95 per tonne for a revenue to cost ratio of 2.2:1.
- Payback for the project is estimated at 1.4 years on initial capital of \$119.6 million and sustaining capital of \$32.4 million for total capital expenditures of \$152.0 million. Capital estimates includes \$10.2 million indirect costs, \$3.8 million owners costs and \$19.1 million contingency.
- Average throughput of 5,000 tonnes per day, with a stripping ratio of 3.06 to 1, producing separate zinc, copper and lead concentrates with silver credits in both the lead concentrate and to a lesser degree the copper concentrate.
- Average annual production of metal in the concentrate is estimated to be 27.1 million pounds of zinc (Zn), 5.5 million pounds of copper (Cu), 16.3 million pounds of lead (Pb) and 164.1 thousand ounces of silver (Ag).

- The PEA is based on Inferred Mineral Resources, which are not Mineral Reserves and do not have demonstrated economic viability. Inferred Mineral Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is therefore no certainty that the conclusions of the PEA will be realized.

<b>Item</b>	<b>Unit</b>	<b>Base Case</b>
Exchange Rate	Value of CND\$	US\$0.988
Zinc resource grade	%	1.63
Copper resource grade	%	0.40
Lead resource grade	%	0.69
Silver resource grade	g/t	5.96
Zinc concentrate grade	%	53.04
Copper concentrate grade	%	24.08
Lead concentrate grade	%	73.92
Zinc process recovery	%	66.16
Copper process recovery	%	89.33
Lead process recovery	%	78.67
Metal Price - Zinc	US\$/lb	1.22
Metal Price – Copper	US\$/lb	3.62
Metal Price – Lead	US\$/lb	1.10
Metal Price - Silver	US\$/oz	22.74
Net Smelter Royalty	%	3
Operating Costs – Mining	CAN\$/tonne milled	9.23
Operating Costs – Processing	CAN\$/tonne milled	12.53
Operating Costs – G&A	CAN\$/tonne milled	2.03
Total Operating Costs	CAN\$/tonne milled	23.79
Total Capital	CAN\$ million	152.0
Life of Mine Cash Flow	CAN\$ million	471.5
<b>Pre-Tax IRR</b>	<b>%</b>	<b>43.94</b>
<b>Pre-Tax NPV @ 6%</b>	<b>CAN\$ million</b>	<b>217.8</b>
Pre-Tax NPV @ 8%	CAN\$ million	186.4
Life of Mine	Years	10
Payback Period	Years	1.4

### Summary of National Instrument 43-101 Resources:

<b><sup>1</sup> Lundberg &amp; Engine House (100% BMC) 1% Combined Zn+Pb+Cu Cut-Off</b>						
<b>Category</b>	<b>Tonnes</b>	<b>% Zn</b>	<b>% Pb</b>	<b>% Cu</b>	<b>Ag g/t</b>	<b>Au g/t</b>
<b>Inferred</b>	22,210,000	<b>1.62</b>	<b>0.69</b>	<b>0.38</b>	<b>5.81</b>	-
<b><sup>2</sup> Daniels Pond (100% BMC) 2.0% Zn Cut-Off</b>						

	Tonnes	% Zn	% Pb	% Cu	Ag g/t	Au g/t
<b>Indicated</b>	929,000	5.13	2.50	0.34	101.40	0.63
<b>Inferred</b>	332,000	4.61	2.13	0.30	85.86	0.53
<b><sup>3</sup> Tulks Hill (~49% BMC) 1.1% Cu Equivalent Cut-Off (combined resource estimates above &amp; below Adit)</b>						
	Tonnes	% Zn	% Pb	% Cu	Ag g/t	Au g/t
<b>Indicated</b>	431,000	3.97	1.61	0.89	35.09	1.17
<b><sup>4</sup> Bobby's Pond (100% Mountain Lake Resources) 1.1% Cu Equivalent Cut-Off</b>						
	Tonnes	% Zn	% Pb	% Cu	Ag g/t	Au g/t
<b>Indicated</b>	1,095,000	4.61	0.44	0.86	16.6	0.2
<b>Inferred</b>	1,177,000	3.75	0.27	0.95	10.95	0.06

<sup>1</sup> *Lundberg Deposit Mineral Resource Estimate. Preliminary Economic Assessment on the Lundberg and Engine House Deposits, Newfoundland, Canada. Prepared for Buchans Minerals Corporation by Daniel Coley, P.Eng., Daniel Gagnon, P.Eng., Mike McLaughlin, P.Eng., Peter Webster, P.Geo., Doug Ramsey, R.P. Bio. (BC), Tetra Tech Wardrop. Effective Date: August 11, 2011. Resource Estimate modified from an Inferred Mineral Resource Estimate disclosed in: Technical Report on the Mineral Resource Estimate for the Lundberg and Engine House deposits Buchans Area, Newfoundland, Canada. Prepared for Buchans Minerals Corporation by Peter C. Webster, B.Sc., P.Geo., P. James F. Barr, B.Sc., Mercator Geological Services Limited. Effective Date: November 3, 2008.*

<sup>2</sup> *Daniels Pond Deposit Mineral Resource Estimate. Technical Report on the Daniels Pond Deposit and Property Holdings of Royal Roads Corp. Red Indian Lake Area, Newfoundland, Canada. Prepared for Royal Roads Corp. by Peter C. Webster, B.Sc., P.Geo., P. James F. Barr, B.Sc., and Raphael Cavalcanti de Albuquerque, B.Sc., Mercator Geological Services Limited. Effective Date: April 29th, 2008.*

<sup>3</sup> *Tulks Hill Deposit Mineral Resource Estimate. Technical Report on the Tulks Hill Cu-Zn Project, Newfoundland Canada. Prepared for the Tulks Hill Joint Venture between Prominex Resources Corp (Operator) and Buchans River Limited, by Hrayr Agnerian, M.Sc. (Applied), P.Geo., Scott Wilson Roscoe Postle Associates Inc. Effective Date: July 22, 2008. Resource estimate uses a minimum 2 metre horizontal thickness of mineralization and is a sum of mineral resources within the T3 Lens of the Tulks Hill Deposit located above and below an existing adit.*

<sup>4</sup> *Bobby's Pond Deposit Mineral Resource Estimate. Technical Report on the Bobby's Pond Cu-Zn Deposit, Newfoundland and Labrador, Canada. Prepared for Mountain Lake Resources Inc., by Hrayr Agnerian, M.Sc. (Applied), P.Geo., Scott Wilson Roscoe Postle Associates Inc. Effective Date: July 31, 2008.*

### **Qualified Person:**

Paul Moore, M.Sc., P.Geo., (NL), Buchans Minerals' Vice President of Exploration, is acting as Qualified Person in compliance with NI 43-101 with respect to this release and has reviewed the contents for accuracy.

### **About Buchans Minerals:**

Buchans Minerals is an Atlantic Canada based resource company that has been focused on exploring and developing base metal properties in the historic Buchans mining camp in central Newfoundland, Canada. Should shareholders approve the Transaction, the Company's focus will then shift to exploration and development of its other projects, including its 100% owned Woodstock manganese project in western New Brunswick, Canada.

### **About SG Spirit Gold:**

SG Spirit Gold is a Vancouver based resource company in the business of acquiring and advancing Canadian mineral properties prospective for precious metals and base metals. SG Spirit Gold's management team and Board have extensive experience and success in the resource industry.

### **About the Exploration Group**

EGM is a Canadian company that provides administrative, management, geological, regulatory, tax, corporate development and investor relations services to mining companies throughout North America. EGM specializes in identifying, funding, developing and managing resource-based opportunities, with a special interest on the junior mining sector. With an office that is fully Sarbanes-Oxley compliant, EGM is vertically integrated with in-house geology, legal and corporate finance departments. EGM is focused on enhancing value to its growing portfolio of noteworthy public mining companies including SG Spirit Gold Inc., Alderon Iron Ore Corp., Crosshair Energy Corporation, Excelsior Mining Corp, Logan Resources Ltd. and Ridgmont Iron Ore Corp.

### **Cautionary Statement:**

Completion of the Transaction is subject to a number of conditions, including the TSX-V acceptance and shareholder approval. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the Management Information Circular to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. The TSX-V has in no way passed upon the merits of the Transaction and has neither approved nor disapproved the contents of this press release.

### **Forward Looking Statements:**

Information set forth in this news release may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the terms of the Transaction, the Financing and the potential of the properties, including the details

of the Lundberg PEA are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of our common share price and volume and the additional risks identified the management discussion and analysis section of our interim and most recent annual financial statement or other reports and filings with the TSX-V and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and Buchans Minerals undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.

Neither the TSX-V nor its Regulation Services Provider (as that term is defined in the policies of the TSX-V) accepts responsibility for the adequacy or accuracy of this release, and no securities regulatory authority has either approved or disapproved of the contents of this release.

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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