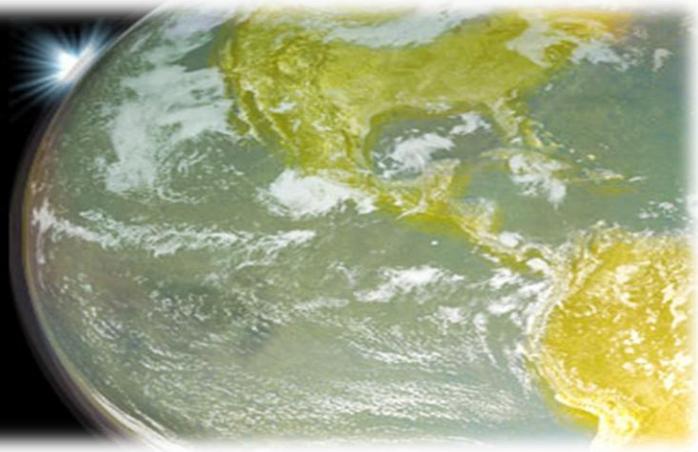


Precious Metal Stock Review



www.preciousmetalstockreview.com

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I certainly didn't expect such a mauling this past week. I have included longer term three year charts in the Metals Review section so we can more easily keep the big picture in sight. This is nothing more than a slight blip and as you will see the long term charts are extremely healthy.

Now we must have patience and accumulate while we can. It's a fire sale out there for now and we must take advantage now before the spectacular gains begin in earnest.

Metals review



Gold came down heavily over the week but is holding its nice uptrend from the early part of April. The 50 day MA is a long ways away and as it has in the past should provide very solid support. It is moving up very quickly and looks set to breach the \$900 mark by the end of the month.

RSI is hovering around the all important 50 mark so Gold is still well into a bull market according to this indicator. The slow STO bounced from an extreme oversold region just below 20 and looks good. Every time this mark is hit a significant rally imminently awaits for those who can handle the volatility.



Silver came off nearly \$2 this week. It is a gas leak awaiting a spark. Paper players are holding the price down as the physical market remains in tight supply.

Technically speaking Silver remains very oversold and looks to a possible range trade. But fundamentally it is explosive and more so by the day.

Slow STO is signalling a large move upwards as is the RSI.



Platinum fell over 7% in the week but is holding a solid uptrend on the longer term chart. All three indicators are signalling a further consolidation pattern. It appears a cup and handle formation is in the works and should culminate in a breakout move upwards in the next two months. If true expect a range trade between \$2,000 and \$2,200. When the upper limit is breached the move could be at least \$500 higher.



Palladium is one of my favourite picks right now especially after falling nearly 5% this week. It is very near good support at the 50 day MA. I am looking for Palladium to lead the other metals up on this next upleg so keep an eye for the other to follow after it begins moving up.

While not perfect, there is a massive triangle formation. They are known to be one of the most explosive patterns. The three indicators here are pointing to more consolidation which is healthy and the time to pick your spots and accumulate.

Fundamentals Review

Kodak, Huntsman and Dow Chemical are increasing prices by at least 20% on most products as input costs continue to soar. Airlines are also increasing prices and charging for extra bags as fuel prices soar. Yesterday was the 22nd straight day gasoline prices have risen, setting new records daily.

Ninety percent of the 70,000 Miners in Mexico belonging to the mining union have reportedly laid down equipment to strike for a one day protest. It's over a disputed re-election of the union leader Napoleon Gomez.

Newmont expects to increase output by 12% in Ghana this year. Their Ahafo mine should produce 500,000 ounces of Gold this year. However rising costs are expected to go to between \$485 and \$520 this year from \$396 last year.

On a side note Casey's "The Room" has reported their sources say some new mining law or significant change will be enacted within the next month or so. I don't like to go on rumours but they are a well respected and connected group and this tidbit is definitely something to keep a wary eye on in the near term.

More on rising production costs in this story. They state the rising costs of Newmont mentioned above as well as Kinross's costs rising 44% in the first quarter. Also mentioned was the rising costs leading to a halt at NovaGold and Teck Cominco's Galore Creek project. I am working on a story about this as I have some contacts that worked there and have quite a different tale to tell regarding cost overruns.

China is a huge and very underexplored country which in certain cases may be worth the geopolitical risk. Having the right connected board members is a crucial key to the puzzle. In the last hour of the Financial Sense news show, mentioned and linked below, there is an interview with Silvercorp which highlights some of the very good aspects of working in China if done right.

This report explains the potential found in China. They are already the number one Gold producer and that is just official stats which account for most but not all of their production. A prominent geologist Andre Gauthier says; *"I think there will be two or three big mines discovered in the next five years in China, easily," and "The potential is tremendous, especially in western China."*

China's official output was 275 tonnes and unofficial is estimated to be 170 tonnes. If this is close then they are by far the largest producer and may have been for many years already. A lot of this unofficial Gold is being bought by the central bank there with just a tiny portion of the US dollars they receive in mass quantity, daily.

China is expected to produce 300 tonnes this year of official Gold according to Hou Huimin, deputy director of China Gold Association.

Miner de-hedging is on pace to reach 10 million ounces this year. So far 4.1 million ounces have been de-hedged according to GFMS.

Eskom reports the power crisis will last for years in a recent presentation in Johannesburg. If power prices are raised they think that will help ease the crisis as consumers will reduce power utilization but the underlying factors remain. This is perhaps the most significant fundamental reason why PGM (platinum group metals) prices will remain very high and the markets in tight supply. It is a lesser factor for Gold but will definitely contribute to a shrinking supply.

Miners are being forced to take on more geopolitical risk in search of the next great deposit. Merger and acquisitions are also taking place in more risky jurisdictions since that's where the minerals are. If a major can let a junior develop the project for them and essentially take out some risk, it is worth paying a premium for in the end.

Goldcorp is guaranteeing a \$40 million credit facility for construction of the Mt Milligan project by Terrane Metals of which Goldcorp is a 58% owner.

Riverside Resources was pleased to receive an approving nod by Kinross this week. Kinross took part in a private placement to acquire a 7% stake in the company. Riverside is still an exploration company who has some appealing prospects.

Speaking of Kinross, they just produced their first Gold bar from the large Kupol mine in the far eastern Russia. The mine is 75% Kinross owned and 25% is owned by the state. Kinross expects to produce between 365,000 and 390,000 as their share per year with stellar cash costs of US \$235 to \$245. While I am not a huge fan of Russia Bema, now Kinross seems to have done a great job by including the state as owners and being very respectful and conscious of the working environment. Much of Bema's old management now runs B2 Gold and while a large portion is focused in Columbia they have demonstrated an uncanny ability to explore and develop in some more questionable geographic location. Management is so very important.

Mitsui Mining is working on a new catalytic converter which uses mainly Silver. They hope to begin production in 2011/2012. The technology works best with diesel engines so demand for Palladium which works best in gasoline engines will not be diminished by this new and still far away product. This reiterates my long held belief that Palladium and Silver will outperform Gold and Platinum, but they will all continue to do extraordinarily well.

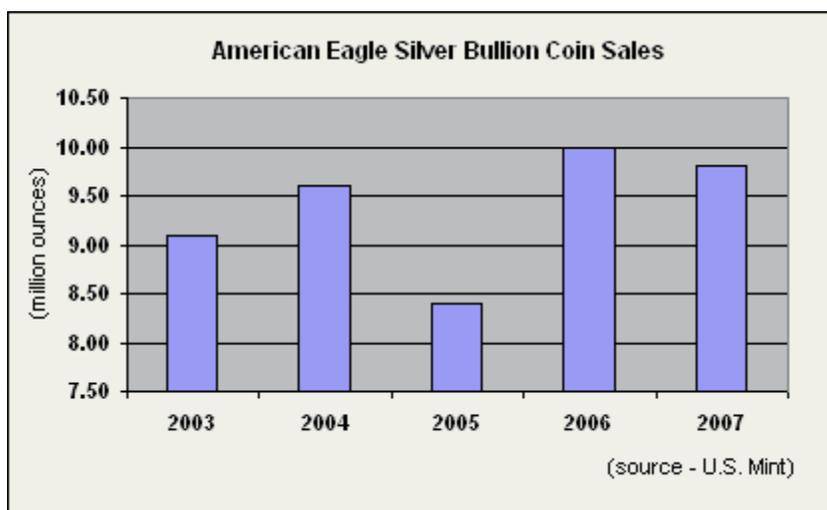
DRD Gold shutdown its Blyvoor mine as 3,300 workers went on strike illegally after two workers were arrested in connection with an assault and murder investigation neither of whom were DRD employees. It is unclear how output will be affected but production fell 6% in the first quarter due to the Eskom situation.

Crystallex was denied a legal rebuttal in connection with the recent work stoppage order. They have 15 days to appeal this denial. The company says they have several legal roads

to follow both within Venezuela and outside. This situation is sketchy and one I would rather be far away from. Shareholders must be outraged but on the other hand should have seen the signs long ago.

Compounding the problem in Zimbabwe, miners are being paid in local worthless currency or they can wait “eternally” to be paid in foreign currency. Miners have in some cases not been paid since October 2007 and are at the end of their financial ropes. This will lead to even more Gold moving through the black market and will lead to the central bank receiving effectively no Gold.

The Silver Institute has written a letter found here, concerning the inability of the mint to fully supply demand for Silver American Eagles, hence rationing delivery to some 13 major dealers nationwide. Here’s a nice chart exhibiting demand for the beautiful coin. So far the first five months of this year have seen 7.2 million ounces sold. If this pace continues this chart will have to be expanded upward at least 50%.



I highly recommend you take an hour or so and listen to last weekend’s financial sense radio program linked here. It’s the May 24th show and the third hour with Eric King. Eric and Jim Puplava discuss the major short position put on by the big Canadian banks. They tell how you can watch for this occurrence and also talk about how to take advantage of it.

Stocks Review

Marathon PGM Corporation hit some good mineralization recently on their ore fault, north zone property in Manitoba Canada. The mineralization was over impressive widths and contained very good Platinum, Palladium Copper, Zinc and Nickel grades. They have intersected a tabular type zone 30m thick and traced for 120m and it's open down dip. This could be a significant zone.

Highlights:

- 53m intersection of Ni-Cu-PGM mineralization grading 0.82% Ni, 0.25% Cu and 1.15g/t PGM and Au in a sulphide lens within hole MP0810 is the widest grade intercept drilled to date at OFNZ
- 7.6m intersection of Zn-Ag-Cu mineralization grading 1.61% Zn, 61.0g/t Ag and 1.31% Cu is continuation of Zn-Ag-Cu zones as previously reported
- MF0810 is in between holes MF0808 and historic hole 89-17 which confirms a down dip dimension of mineralization for 130m
- drilling intersected lenses Zn-Ag-Cu mineralization in basal contact with granites, extending strike length of Zn-Ag-Cu zones
- the NI43-101 compliant OFNZ resource estimate will be completed in Q3/Q4



Technically the stock is quite sold out but has a nasty downtrend in place. There is definitely support in this region but I would be looking begin accumulating at the \$3.00 mark if I were so inclined.

Kirkland Lake Gold hit some better than bonanza grades in the South Mine Complex which hosts at least 15 mineralized zones. The intercepts are very close to current mine workings and infrastructure. Best grades were 43.37 ounces of Gold over 10.4 feet in new zone in SMC, including 344.4 ounces over one Foot.

The concession area has historically produced over 22 million ounces and as they say the best place to look for Gold is near an old mine. Located in Ontario, Canada it is very safe and as a historic mining area should be able to proceed much more quickly than a greenstone exploration venture.

The highlights of this recent drilling include:

- Drill Hole 53-1071 intersected the new zone at the 5300 foot elevation and assayed 43.37 ounces of gold per ton (opt) over 10.4 feet, including 26.45 opt over 3.3 feet, 344.4 opt over 1.0 feet, 3.41 opt over 2.1 feet and 5.54 opt over 2.0 feet. A second zone located

nine feet further down the hole assayed 1.05 opt over 4.8 feet. The true width of the zone cannot be calculated until section drilling is completed to ascertain the dip.

- The new zone is characterised by quartz veining and flooding mineralized with visible gold and coarse tellurides. A controlling break structure marks the foot wall contact of the zone.

- The new zone is initially interpreted to be a hanging wall zone to the New South Zone, likely roughly parallel in geometry. It occurs approximately 90 feet above the New South Zone and approximately 40 feet above the LK Zone. The LK Zone was discovered by the Company in 2004 with drill hole 45-911A assaying 102.46 opt over a core length of 1.5 feet (see the Company's press release dated September 20, 2004). The latest intersection is located approximately 150 south of the 5304 New South Zone drift and at the same elevation as the drift.

- Drill hole 53-1070 intersected 15.32 opt over 2.3 feet and an additional new zone was intersected 40 feet further down the hole and assayed 15.13 opt over 1.0 feet. The first intersection appears to correlate with the 43.37 opt over 10.4 feet in Hole 53-1071. (see figure 1: http://media3.marketwire.com/docs/kirklandmap_figure1.pdf)



Technically the stock is going to have a major point of resistance in the near future as it butts against the 100 day MA. It still looks like a bargain at these levels especially if they can continue to hit such bonanza grades.

The indicators are pointing to continued strength. MACD remains extremely low and bodes well for a strong continuation up. The RSI is close to moving above 50 and that will attract some attention by momentum based traders.

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