

# Precious Metal Stock Review

March 21, 2008



## METALS REVIEW



It finally happened. Gold came crashing down from Sunday nights high of \$1,032 to nearly touch \$900. BUY BUY BUY!!!

When in a bull market such as this one with so much further to run this is the buying opportunity we have been waiting for, if you had the patience to wait. On this 9 month chart you can clearly see this run began in August.

The trend line which coincides with the 50 day moving average has been violated. There is strong support at \$900. If that barrier is broken it could run down to the \$950 to \$965 region but I would expect it to be swift with a strong turnaround.

We needed this correction. For Gold to maintain its steady ascent, fast sharp corrections are healthy and show we are nowhere near the top since there was no excess speculation going on. How long it can last is anyone's guess but with the worsening financial news daily I wouldn't bet on it lasting too long. Although I do expect a couple more runs at \$1,000 before it can best it for good. Let's see what this long weekend can throw at us for bad news.



Silver looks to have been painted as a double top at \$21.50. A double top is a great technical signal. But in a bull market it tends to be less reliable. Back in November another artistic attempt to paint a double top only served to prove strong support in the end.



The [NYMEX](#) increased margins to decrease speculative activity and flush out some not so well capitalized hands. NYMEX seems to be behind the curve and I expect them to lower margin requirements next week. The [TOCOM](#) dropped their margin increase from a week earlier.

A quick and not so perfect head and shoulders pattern appears to have been violated. As overbought Platinum was only two weeks ago it is that oversold now. I don't know if this is the bottom but I do know Platinum remains in a long term bull market and this is nothing more than another great buying opportunity. Platinum closed right about on its 50 day moving average so I expect some support there below that support is between \$1,750 and \$1,800.



Palladium was affected by the NYMEX and TOCOM margin changes. Again a weird head and shoulders pattern looks to have been violated. On Friday Palladium bounced sharply off strong support in the \$425 region and was stopped by now resistance at \$450. Although not quite as oversold as Platinum on the indicators it is a good time to step into the market in stages here.



## FUNDAMETALS REVIEW

This week's bailout of the Wall Street elite i.e. Bear Sterns has is most frustrating. The fact that JP Morgan can possibly get such a large company for such a bargain while leaving Bears Sterns' shareholders with nothing is discouraging to say the least. Here is an [interview](#) with Mr. Jim Rogers one of the most precinct men I have known. I listen to him whenever I can he is a great visionary hence a billionaire!

I just don't get it. Why will the government let small businesses fail and not large? It's not free or for in the USA! JP Morgan has the most [derivative](#) exposure and by potentially taking over Bear Sterns for less than their \$1.2 Billion building they have even more. Even if some \$30 Billion is protected by the Federal Reserve that will be far less than is needed.

JP Morgan's [notional](#) value on [page](#) 28 is 91:1 against their total assets. If you or I were to run a business with them ratios we would be in jail for a long time. It's a great report and if you have some time to pour over the numbers you can discover some really disturbing facts.

It may be even worse than stated. These big banks hold the derivatives they thought were good and would not fail and sold the bad ones. It's only a matter of time before we discover who is holding that bag. I expect some major geopolitical conflicts to arise from this pawning of bad assets.

There was incredible volatility in the financials this past week and I expect it to continue. By the time this is over we will have multiple bankruptcy and defaults. We had some hedge funds go under this week as well.

On Sunday of this past week after the JP Morgan Bear Sterns deal was announced I watched all the long night markets around the world crater. Then all day the Canadian and Mexican markets followed. Low and behold the Dow ended up on the day. The president's working group or plunge protection team met that day. I wonder if they propped up the market. I've NEVER seen it done quite so blatantly. Heads will roll one day and it couldn't happen to a better bunch of guys. Already there are law suits being filed and many [questions](#) to answer before a deal can go through with Bear Sterns and JP Morgan.

In South Africa the power problems [subsided](#) a bit this past week with two generators coming back online. The persistent rain is closing coal mines and making the stockpiled coal hard to handle so that is compounding the problem.

The problem is lack of infrastructure development and disproportionate power sales. Many people saw this coming and it is not a quick fix so expect this to continue for possibly years. Now they want to charge the innocent public up to 53% more for [power](#). I don't expect electricity purchasers, especially large ones to accept this quietly when many have been lobbying Eskom for years to upgrade their power infrastructure.

Although not a Precious Metal per say, I have been bullish on Uranium for years and do have some exposure to it in my portfolio. [This](#) is the Nuclear Reactors under construction, operable, proposed and planned throughout the world.

Also the demand number is shown for this year and is 64,615 tonnes. The market based production is 35,659 tonnes according to [page](#) 25 from the International Atomic Energy Agency's "Analysis of Uranium Supply to 2050". It's a long report and much based on assumptions with wide margins from high to low scenarios, but this year's supply and demand is clear and

presents a huge shortfall. It's easy to make money in the medium to longer term by just finding supply and demand mismatches.

Everything I point out and write about is bullish for Precious Metals. This just scratches the surface of reasons why they are the place to park your money for the next few years at least.



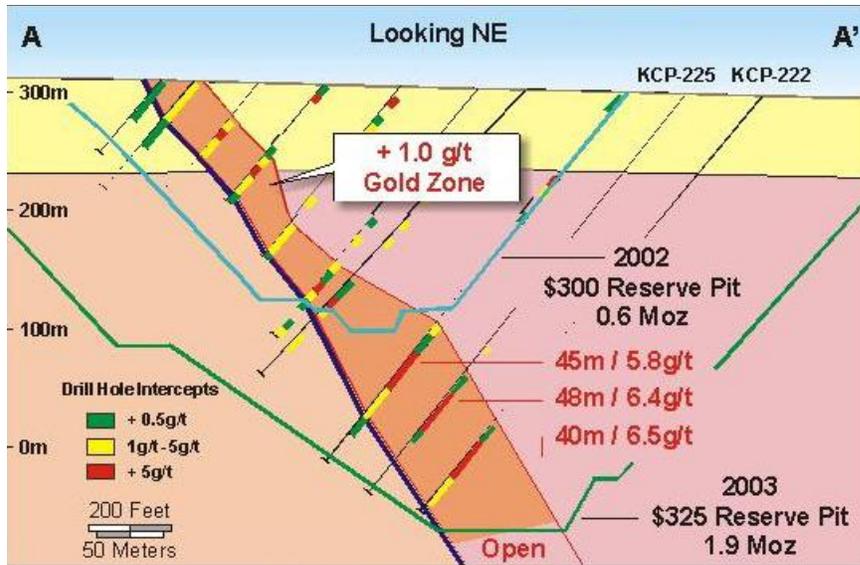
## **STOCKS REVIEW**

The stocks below are not recommendations, nor do I necessarily hold them, although I may. Please do your due diligence if a stock catches your eye. Feel free to contact me at [newsletter@preciousmetalstockreview.com](mailto:newsletter@preciousmetalstockreview.com) if you have any questions, concerns, comments or recommendations.

Keegan resources have begun drilling their interesting Asumura project in Ghana close to their Esaase project which hosts around 1.5 million ounces of inferred resources already. Both projects are some 65 km from Newmont's 12.2 million ounce Ahafo project. They are in good company and on a good proven trend in a safe emerging Gold producing country. China is investing heavily in Africa these days to secure strategic materials and commodities as well as many other countries waking up to the huge potential there.



Keegan Resources is one of not too many stocks which have not languished as of late. The series of higher highs and higher lows is very encouraging. Decent volume permits large positions to be taken without moving the stock too much. Although I don't like to use technical analysis with smaller stocks as they can be manipulated to form bearish chart patterns to easily Keegan has descent volume and looks to be forming a reverse head and shoulders pattern.



This map is from a NI 43-101 [report](#) in late 2005 and shows clearly the potential from a few previously drilled holes. This is a known rich Gold bearing area with over 180,000 oz. of placer Gold recovered throughout the years.

**Highlights of the project are:**

- Located 65 km South of Ahafo (18 M oz @ 2 g/t Au) on same belt boundary structure.
- Airborne magnetic imaging indicates that the major structures which host Newmont's Ahafo deposit converge through the Asumura property on a target area known as the Bia fault.
- 280 square km property. (Holds 100% Exploration License)
- Identified bulk mineable targets on three major faults using regional airborne magnetic imaging, geochemistry, IP and reconnaissance drilling.
- Currently drilling.

It's never quick to delineate a project but Keegan may have a chance. Good area, good country with fast tracking a possibility. Let's see what the drill turns up.

Globex Mining released great [results](#) on Wednesday. The Blackcliff property is in Quebec one of my favourite areas for exploration companies to work. Companies can effectively explore for 50% of the normal cost due to a 50% tax refund to promote mining and exploration efforts in the province.



The stock is having trouble getting past strong resistance around \$3 but if results like this persist and money begins to trickle back into the Junior and Exploration sector it will soon be support.

Back in 1988 an NI 43-101 compliant resource of 222,433 Tonnes grading 7.06 g/t Au were reported. This could be a great deposit if grades and widths like this continue.

According to C2C and Animiki, numerous shallow mineralized intersections of significant grade and/or thickness were encountered including the following:

HOLE	FROM (m)	TO (m)	WIDTH (m)	GRADE (g/t au)
BK-07-07	74.5	80.4	5.9	3.46
BK-07-09	70.8	78.2	7.4	5.89
BK-07-11	70.2	72.8	2.6	10.84
BK-07-32	56.7	63.0	6.3	5.03

Noront Resources, a stock I do really like because of its properties but even more so because of its large [shareholders](#). These people and companies are not stupid and invest in relatively sure things. Although nothing is for sure in this world, especially mining, following people such as this is a relatively sure way to at least not lose money but more likely to make a bundle.



What a beautiful chart. Noront went from \$0.15 under two years ago to \$5.30 today. Wait until the party really warms up, these types of gains will become commonplace and much more spectacular especially in solid stocks like these.

Noront's Windfall Lake Property in Quebec under provincial regulation had to drill a hole for hydrological testing purposes and hit near surface grades of 3.22 meters at 143.30 g/t. That's over four ounces per tonne. At \$900 gold that's over \$2700 per tonne. Good luck finding any mining operation anywhere, mining anything, getting that much per tonne.

Eastmain Resources is beginning to [drill](#) their Eleonore South joint venture project. It will be run by Eastmain but funded by their joint venture and very astute partner Goldcorp. Apparently there is a theme today as this project is also in Quebec. C'est la vie. Oui Oui!



Eastmain has, in my opinion underperformed the market and is just beginning to be valued properly. They have well over 1 million ounces delineated already with, I believe, much more to come. The truth machine i.e. drill; will let us know in a few months if this is true.

Although the stock has run up as of late I think it is about time. We may see a pullback but at these levels it is much undervalued in my opinion. I love their website and their sheer amount of projects in a proven area with

great partners. Please head over to <http://www.eastmain.com/index.php> for an in-depth review of the company. As a shortcut or further due diligence head to <http://www.sedar.com/> and read their latest management's discussion and analysis (MD&A). Ok I will do the work for you, it's found [here](#).

I guess I'll wrap it up here and enjoy the long weekend. I hope you enjoy yours wherever you are. Have a great week ahead as well.

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