

# Precious Metal Stock Review

March 29, 2008



## METALS REVIEW



Gold had a nice rebound this week except on Friday it was taken down to the \$930 level. Gold is very oversold on all three indicators. (RSI, MACD, Slow STO). Next week we will see if the 50 day moving average can regain its role as strong support.

Gold is forming a bearish [flag](#) pattern. If broken to the downside the target is near \$880 at the 100 DMA and a strong band of support dating back to early January. \$850 is the lowest I can see the Gold price moving to on this correction but honestly I don't expect it to breach even \$900.



Silver seemed to lead Gold up this week and technically looks much better. A bearish flag pattern is developing but Silver would have to break very strong support in order to breach the pattern.

With widely reported physical Silver shortages this past week the futures (paper) price and physical prices spread has widened. In some cases an ounce of physical silver has been sold for over \$30. On eBay coins are going for between \$25 and \$30 an ounce today. 100 oz. bars are more

economical going for around \$17 oz. to start. EBay may be one of the only places retail investor will soon be able to order. Unfortunately buying quantity this way is difficult. Look for a more realistic, higher, futures price to develop soon. Silver remains on a fine edge and could explode several dollars higher at any time.



Platinum broke its downtrend line. The 50 DMA is roughly providing super support. With no fundamental change, indicators oversold and volatility providing \$100 daily price swings we could see a new high next week.

This latest correction did nothing but prove \$1,900 to be good support and a platform to work higher from. As long as fundamentals last this

market remains explosive. See below for my unchanged long term view on fundamentals.



Palladium began building its base right on support in the \$450 region. All indicators are oversold. The downtrend line is intact but will either be broken to the upside next week or remain solid.

With fundamentals as they are and \$450 looking very strong I expect a run up and if resistance at \$465 can be broken a quick run to \$500 is almost assured.



## FUNDAMETALS REVIEW

Once again I draw attention to the power problems in South Africa. In a rather disturbing [report](#) about the power crisis and general problems in South Africa it's stated;

The power cuts have hit the country's platinum, gold, manganese and high-quality export coal mines particularly hard, with no production on some days and only 40% to 60% on others.

"The shutdown of the mining industry is an extraordinary, unprecedented event," said Anton Eberhard, a leading energy expert and professor of business studies at the University of Cape Town.

"That's a powerful message, massively damaging to South Africa's reputation for new investment. Our country was built on the mines."

Although a bit long, I really enjoyed this report's candid exposure of the many issues within government in South Africa and just reiterates my view of not investing in that country. Corrupt is an understatement.

The fact that governments support [these](#) tactics to displace communities just doesn't jive with me. Although Anglo may have had the best of intentions, when you work with such a corrupt government it's hard to achieve a desirable outcome for all.

Another [report](#) this past week outlines possible incentives of up to 50% rebates for venture capital companies which could include Junior Mining and Exploration Companies. The size of the company assets must be between R30m to R50m. A public exploration company could fall into the asset range one day and one good drill hole later their market cap could exceed this limit easily. Also how can they create a mine with little to no power? I don't get this initiative and it stinks of corruption and is full of unclear rules.

Over in China Commercial Banks will soon be allowed to [trade](#) in the new futures market which opened up this past January. I don't know if

this initiative is because of low trading volumes but I do know that the Chinese like to see and hold their Gold rather than trade paper contracts.

Although with the recent public frenzy and interest in trading stocks they may take this appetite and desire for paper over to the Gold market.

The World Gold Council (WGC) has spent years promoting jewellery which is fine but they remained behind the curve in promoting investment demand, as it has been picking up over the past few years while the WGC has remained focused on jewellery. Although late to the party they issued a [release](#) this past week. Matthew Graydon, head of external relations stated "Looking at the short-term drivers, [such as] how gold can play a very strategic role in times of financial trouble, the things we're trying to get across are gold as a safe haven, an inflation hedge, and a dollar hedge".

This is great news as they have a large budget and following. I blame some of the slow pace in this Gold bull market on the WGC's lack of promotion in investment. They should have the miners best interest at heart, therefore a higher gold price. In the shrinking supply realities of today and the past few years they should have been on board much sooner.

On the shrinking supply side Newmont expects 40% lower Copper and Gold output from their Batu Hijau mine in Sumbawa, Indonesia due to lower ore grades.

In Iceland a [report](#) notes "the central bank was forced to raise interest rates to 15pc this week in an emergency move to halt the collapse of krona, which has fallen 18pc since mid- March. This report notes Iceland's current account deficit is 16% of GDP and that "countries that run current account deficits above 10pc of GDP for any length time almost always come to grief." I note that the US current account deficit is running at 7% of GDP so that is a number to keep an eye on in the future.

The report also notes that the contagion could spread across Eastern Europe and the Mediterranean as Iceland is usually a precursor to those

regions. Looking at the current account deficits in some of those countries we see that “Latvia is at 25pc, Bulgaria 19pc, Georgia 18pc, Estonia 16pc, Lithuania 14pc, Romania 14pc and Serbia 13pc”. Expect investment demand for commodities and safe havens to pick up in the not too distant future from those regions.

The [TOCOM](#) lifted margin requirements on Silver effective March 28<sup>th</sup>.

The AMEX 5th Annual Precious and Base Metals Investor Conference was held this week and featured some great, but short, presentations from large to small Metals Companies. If you would like a quick review or are doing some due diligence you can access this conference and presentations [here](#).



# 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.

Metals and Minerals Digest published a review this week of Yale Resources. Their high grade project consists of up to 8 kilos of Silver per tonne and numerous other high grade intercepts. Their Urique project is located in the historic and proven Sierra Madre Gold Belt and borders Goldcorp's El Sauzal Mine (2.1M oz Au) to the south and Kimber Resources' Monterde Mine (0.8M oz Au, 45M Ag) to the north.



Technically Yale looks like a mess. Being a small cap, that is alright. Being that all Junior and Exploration Stocks are so undervalued as of late and this one is up from \$0.05 to \$0.19 in three months and has formed a bullish flag on the weekly chart, their drilling this spring could surprise on the upside if grades continue.

Andean Resources looks to be on to something with their latest drill [results](#) including 18.6 g/t gold and 159 g/t silver over 14m. At 700m now and 8m to 10m width the vein contains a lot of metal and is still open. Some more results include:

The following holes were drilled up to 200 meters along strike to the west of the existing Eureka West resource:

- **EDD-769: 33.5m of 21.6 g/t gold and 618 g/t silver from 279.2m**
- **ERC-801: 16m of 11.3 g/t gold and 188 g/t silver from 312m**
- **EDD-803: 20.5m of 20.7 g/t gold and 506 g/t silver from 199.6m**
- **ERC-806: 11m of 6.7 g/t gold and 82 g/t silver from 384m**
- **EDD-807: 5m of 7.6 g/t gold and 50 g/t silver from 318m**
- **ERC-808: 8m of 38.0 g/t gold and 696 g/t silver from 335m**
- **EDD-810: 16.7m of 41.9 g/t gold and pending silver assays from 292m**

They are in Argentina which is one of my favourite jurisdictions. Andean also did some infill drilling in their NI 43-101 compliant resource of 624,000 oz. Results there were great at:

- ERC-768: 5m of 6.3 g/t gold and 34 g/t silver from 159m; on the eastern end of the resource
- ERC-770: 4m of 5.5 g/t gold and 28 g/t silver from 88m; on the upper-eastern end of the resource
- EDD-805: 3m of 6.5 g/t gold and 67 g/t silver from 130m; on the eastern extent of the resource
- **EDD-771: 12.3m of 8.9 g/t gold and 81 g/t silver from 196.8m**
- **EDD-802: 18.9m of 12.5 g/t gold and 424 g/t silver from 160m**
- **EDD-809: 15m of 51.5 g/t gold and 1099 g/t silver from 157m; and 2m of 23.9 g/t gold and 710 g/t silver from 184m and 8m of 16 g/t gold and 91 g/t silver from 229m**

Expect an updated NI 43-101 resource update by the end of the month. This one should really show its potential especially once the Junior and Exploration Stocks begin to finally move.



Technically Andean remains high but well supported in this region. With a market cap of \$564 million that's over \$900 an ounce of Gold. That seems a bit high to me but with continued exploration success it could become more realistic in the near future.

Andean is raising about \$42 million dollars and it is expected to close on or before April 16<sup>th</sup> 2008. I will be interested to see who participates in this financing as that can really tell the tale.

B2 Gold is a new company made up of the old management from Bema Gold which was taken over by Kinross. I made a killing on Bema and I love the management. I thought it was quite overvalued on the IPO and it

has come down to more attractive valuations as of late. Also I am not a huge fan of Russia or Columbia which is where they are exploring. So my bias towards management is offset by property exposure. They have begun drilling on possible extensions to the old Bema, Kupol mine. I am curious to see how the drilling goes and will be watching.



Technically the stock is closer to what I believe to be fairly valued. I would not touch this one yet even if you like it. That is a scary downtrend that may not be resolved until the stock is much lower. I will wrap it up short today as the sun is shining finally and it's warm enough to go for a spin on my motorcycle. Have a great weekend.

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