



>: May 4 2008 Precious Metal Stock Review

Sunday, May 4, 2008 / Warren Bevan

I must apologize for the missing charts and links. This is my weekly newsletter so to receive links and charts please sign up at www.preciousmetalstockreview.com

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Warren,

www.preciousmetalstockreview.com 4 May 2008

Metals review

Gold was taken to the woodshed this past week. Support at \$875 was broken and caused a sharp run to the major multi-decade support area of \$850. I don't see Gold going any lower but if it does it still does not signal an end to the bull market. We need to see many other things fall into place for that to happen. Right now the fundamentals for the metals to go higher are better than ever and improve weekly.

RSI, MACD and slow STO are in buy territory as they only get to these lows at major bottoms. Check my charts and indicators section for a longer term Gold chart and to see the history of these indicators.

Short term Gold must hold \$850 or run the risk of running to \$825. The 200 day MA should provide good support there along with chart support.

Don't worry, technically this is healthy action and the multi-decade high of \$850 should be tested and hold to signal an ongoing bull. While some people see the breakout as never to be tested, in my experience, more times than not the price will come back and test that area before resuming higher with a large degree of force. So you can trade it that way if you are shorter term and technically inclined. I have been buying this week.

Silver had a down week as well and touched strong support at \$16. The indicators are very oversold but not yet extreme and could actually benefit from coming down further. Next support is the moderate area of \$15.50 then stronger support at \$15.00.

Platinum was down but very constructive as no real support was broken and it closed the week above the \$1,900 area where support is building. Thursday's gap down was filled quickly on Friday which bodes well for continued upside strength.

The fundamental just got a whole lot better this week and the only way a major decline will happen in Platinum is if production jumps a large degree in short order. It's not going to happen, see below for more on stunning fundamental acknowledgements.

the upside and the fact that it resolved itself so quickly and in a good technical manner bodes well.

\$425 is resistance then \$450 and \$475. The indicators are healthy and could even stand to go a bit lower. They could come down further and that would give Palladium a downside target of the January gap region of \$375.

Either way we look at it the Metals will be higher this time next year.

Fundamentals Review

I always like to start with the bad news and finish with the good. This week was no exception in the bad news arena.

Bloomberg reports up to half of Alt-A borrowers will soon owe more on their house than they are worth. This puts some \$800 billion of debt at risk. What would you do if you couldn't afford your new higher payments and found out your house is now worth less than the mortgage you are paying off? From the story;

"If they have home equity left, borrowers are hesitant to default, even if in trouble," the analysts wrote. "If the house is worth more than the loan, why default and leave money for the bank? Better to sell the house instead."

If this logic is followed expect a ton more homes to flood the market and drive prices down further and in turn exacerbate the problem even more.

US foreclosures have more than doubled in Q1 2008 year over year.

"Almost 650,000 properties were in some stage of foreclosure during the quarter, or 1 in every 194 U.S. households, Irvine, California-based RealtyTrac Inc., a seller of foreclosure data, said today in a statement. The number was 112 percent above a year ago. Nevada, California and Arizona had the highest rates."

The largest mortgage lender in the UK, HBOS, is looking to dilute their shares by issuing \$8 billion worth which equals two new shares for every five already issued, to supplement depleted capital as a result of write downs and a worsening housing market. That's approaching a 50% dilution and in view of worsening conditions would scare me if I were a shareholder. A great quote, although very optimistic in my view, from the story;

"Chief Executive Officer Andy Hornby said today he expects home prices to fall in both 2008 and 2009 by less than 10 percent and is planning for a more challenging environment ahead." HBOS wrote down an additional 2.8 billion pounds on mortgage-related losses and will reduce its dividend this year, the Edinburgh-based bank said in a statement.

Citigroup sold twice as much stock as planned to shore up the balance sheet after continuing losses. They raised \$4.5 billion at a slight discount to the closing price on that day. That totals \$41.5 billion raised over the past five months, or \$8.3 billion a month, or over \$276 million a day. An analyst was dismayed that Citigroup raised such a small amount as said:

"Citi needs to raise an additional \$10-\$15 billion or sell several hundreds of billions worth of assets in order to truly shore up its capital position."

The part about needing to sell "hundreds of billion worth of assets" is a nice admission that many of the assets on the book have no or possible up to 5% value remaining. It's been speculated by highly respected sources for a long time now that many of these assets will approach zero. It seems as if this slip implies it has happened much quicker than the mainstream media is willing to admit or report. This story above is full of juicy tidbits and worth a read.

Deutsche Bank, Germany's biggest bank, reported its first loss in five years. The losses were on asset backed securities and loans for leveraged buyouts write downs. The loss was \$4.2 billion.

RBS is cutting about 7,000 jobs as a result of the ongoing, worsening crisis. That's 25% of their workforce. RBS is Britain's second largest bank.

As I've expected the Federal Reserve has boosted their Term Auction Facility (TAF) 50% from \$50 billion to \$75 billion. And the Fed has expanded the range of assets they will accept as collateral on any lending through this facility. Look for this to increase further in the not too distant future.

down to 2%. Now that itâ€™s there I donâ€™t expect any movements for the summer at least. The Fed is running out of bullets and I expect them to come out with further creative solutions soon and save anymore rate cuts for emergency use only.

Countrywideâ€™s debt rating was cut to junk today by Standard & Poorâ€™s. I am in shock that Ambac hasnâ€™t followed yet, but donâ€™t worry they will.

All this news of continued capital raisings, jobs slashed and now the Fed raising their loan cap sure doesnâ€™t point to an end to this dilemma in my view, but then again I guess you canâ€™t argue with the market, which keeps these stocks propped up on any sniff of bad news.

To finish off the bailout/write-down/capital raising/job cuts/mortgage delinquencies etc... scene, I point to the Bank of Englandâ€™s move to keep the public in the dark on their credit crunch easing plans. A quick quote from the story, ask yourself if you feel safe in any bank in England now, or the world for that matter.

â€œFeroocious and unprecedented secrecy means taxpayers will never know the names of the banks that have been supported through the special liquidity scheme, which was unveiled by Bank Governor Mervyn King last week.â€•

On the geopolitical risk side this week was action packed. In the very risky Venezuela Crystallex was denied an exploration permit on its Las Cristinas mine which fuelled the talk of nationalization once again. In stark contrast to their approval in January regarding their environmental impact study theyâ€™ve now been shut down when only needing a mine construction permit. Talk about getting a company to do everything for you and then shafting them. There is no doubt this huge project will proceed, but who owns and operates it is still very much up in the air.

Further to this Crystallex stated they were unsure how to proceed and are seeking clarification on whether this means they will be denied the right to open the mine. Company spokesman Richard Marshall said; "This letter seems to suggest a complete policy change in position relating to this region.â€•

While anyone investing in this sector is feeling the pain shareholders of Crystallex are near the end of their pain threshold as the stock dropped 60% on the news. The high over \$6 in 2006 is a far cry from the \$0.86 print on this day.

Cornerstone Capital, a Newmont partner has said :

â€œCornerstone, a Canadian mining exploration company, said it provided a notice of force majeure due to the mining mandate issued by Ecuador's Constituent Assembly on April 18, which placed a moratorium on exploration and mineral development activities for up to 180 days.â€•

â€œIn addition, Cornerstone also provided notice of force majeure on the Shyri Project in south-central Ecuador.â€•

The shares of Cornerstone rallied 8% to \$0.25 on Thursday.

Aurelian has laid off most of its Ecuadorian staff and had to halt all drilling.

Iamgold is reviewing its investment budget in Ecuador and deciding on whether to lay off its 120 employees who are working on the Quimsacocha project there.

Corriente Resources is awaiting further instruction and clarification from Ecuadorian officials before they decide what to do with their 150 employees there.

Dynasty Metals & Mining is also awaiting further clarification before deciding what to do with their 350 employees.

MPH Ventures announced they will no longer be proceeding with their option agreement in Ecuador as a result of recent governmental policy changes. Lateegra Gold was their partner and now looks stuck up a creek without a paddle...I mean partner.

Although statements have been made reinforcing the idea that responsible mining will be permitted there, itâ€™s still too early to say whether they will turn face again.

Four Gold deposits are up for auction in Siberia with estimated reserves of 60 tons. It will be interesting to see who picks these up as well as who shows interest in them. So far Polyus Zoloto and Severstal have submitted bids.

The contrarian in me comes out strong when I start to see stories like this. All you need to read is the title; â€œCalling It Quits on Gold, Platinum - It's Time to Go Financials!â€•

This story is telling as the Indians look for value and still love the metals. Just remember how many people live in these regions and try to understand how deeply their love for Gold is. You can watch their premiums over time and see they play it right, buying on weakness not strength which is the way to play the metals. Most people get too emotional and do the opposite and in turn lose their shirts.

â€œJewellery makers from India to Indonesia have stopped purchases after bullion dived to its lowest level in three months, pushing up premiums

for gold bars in Southeast Asia.

De Beers was lucky enough to discover a treasure filled shipwreck from the Columbus era this week of Namibia. Those coins will go for a pretty penny when they go to auction.

Gold Fields had to suspend work at some South Deep operation after nine workers were killed at the 3,000 meter level. This highlights one of the many extreme risks of mining at such depths. Accidents are common and protests are becoming more prevalent as a result. This all leads to more money being spent on safety and reduced output. South Africa is plagued with issues these days.

This headline says it all. I have the upmost respect for Mr. Jim Sinclair and you can bet his money is not to be squandered.

“Tanzanian Royalty Chairman to Proceed With 5th Tranche and Provide C\$1,725,000 Private Placement.”

We rarely get a story of increased production but last year Nevada did increase production...well on the surface anyhow. If we dig into the numbers we see the dollar value was \$5.4 billion in 2007 and \$4.9 billion in 2006. Gold made up the largest amount of metals mined but declined in 2007 to 6 million ounces from 6.3 million ounces in 2006. Headlines rule the world these days and many people don't go past them. As you can see this headline; “Nevada mine production up to \$5.4 billion” is a direct attack on the true market forces within the Gold arena and just highlights the fact that you must dig very deep to get answers which certain forces do not want to be found. Supply and demand equal the truth.

The Platinum supply story continues to unfold. The headline says it all;

“'Enormously tight' market could see platinum price breach peak of \$3 308/oz in early March” Investec

Also from the story a couple of estimates for this years very much uncertain Platinum production;

“Investec's forecasts were that there would be a supply deficit of 400 000 oz of the white metal this year, but other market watchers were calling for a deficit of as much as 600 000 oz, Gail Daniel stated.”

Mining in Zimbabwe has decreased some 61% March vs. February. The story blames the fact that the miners haven't been getting paid by the Reserve Bank. Apparently they are supposed to receive pay allocated 35% in local currencies and 65% in US dollars.

Peter Barnes the CEO of Silver Wheaton expects the price of Silver to reach \$30 an ounce in the next few years. This is a very conservative and safe estimate in my opinion and I am calling for at least the all-time high around \$50 to take place within a year and a half.

Stocks Review

This week revealed some truly spectacular results and I will go through some of them but since there are so many I will not be going into much depth since it's sunny and the weekend here and I just want to get out of the office a little this week. It's been a long winter here!

Exeter Resources tabled some good results this week. While not high grade 1.0 g/t and 0.38% copper the 719m length is beyond impressive. This result was achieved at their Caspiche gold/copper project in the Maricunga Belt. Also on the belt are the majestic Cerro Casale (22.9 million ounces Gold) and Refugio (5.4 million ounces Gold). If you consider the Cerro Casale resource is at 0.69 g/t and Refugio is 0.76 g/t you can see that the potential is real for a mine to be developed and at an even higher grade potentially than these other huge resources. This bears watching and investigating further.

This satellite image shows just how well endowed this area is and as you can see Caspiche is sandwiched between the other two resources. This photo really gets my blood pumping.

Some more highlights of the recent program include:

“Results for drill hole CSD-016 include the following:

- 626.75 metres ("m") (2,054 feet ("ft")) at a grade of 1.08 grams per tonne ("g/t") (0.032 ounces per ton ("oz/ton")) gold and 0.43% copper, from a depth of 165m (541 ft), in the sulphide-bearing porphyry zone, including:

- 384m (1,260 ft) at a grade of 1.34 g/t (0.039 oz/ton) gold and 0.50% copper from a depth of 213m.

beneath 73m (240 ft) of surface gravels.

Drill hole CSD-016 was drilled 200 metres (656 ft) northeast of CSD-014 and 200 metres southwest of CSD-15 (see drill hole diagram below). CSD-016 intercepted quartz-sulphide stockwork mineralization and potassic alteration to a final depth of 791.75m (2,598 ft), the depth capacity of the rig. The final 2.75m (9 ft) of drill core recovered from the hole assayed 0.74 g/t (0.021 oz/ton) gold and 0.35% copper.

Results have also been received for the previously unreported bottom 369.3m (1,212 ft) of drill core from hole CSD-015. With the new assays included, the entire 887.35m (2,911 ft) interval returned a grade of 0.62 g/t (0.018 oz/ton) gold and 0.27% copper, from a depth of 114m (374 ft) in the sulphide-bearing porphyry zone. This interval includes 152m (499 ft) at a grade of 0.93 g/t (0.027 oz/ton) gold and 0.30% copper from a depth of 456m (1,496 ft) (previously reported).

Drilling is ongoing so expect more results of this calibre over the summer.

Stock looks good at these levels and shouldn't fall much below the 50 day MA. \$4.00 is strong support and the indicators are in pretty good shape for a bounce. Keep an eye on this stock as this is just news on one of their promising projects.

Tyhee Development Corp. extended the Big Sky property by intersecting some good grades at very low depths. The WK shear zone extends over 250 meters and to a depth of 60 meters. Some highlights include;

From To Thickness Gold Grade

DDH (metres) (metres) (metres) (gpt)

B003(1) 37.7 38.5 0.8 4.64

B004(1) 33.3 35.5 2.2 3.46

Incl 34.8 35.5 0.7 8.69

And 48.0 49.2 1.2 0.51

B005 71.4 76.3 4.9 0.64

Incl 71.4 72.8 1.4 1.18

And 96.8 98.0 1.2 5.87

B006 83.8 85.0 1.2 1.35

B008 31.6 34.9 3.3 2.09

Incl 32.3 33.6 1.3 4.78

B013 36.0 38.0 2.0 1.62

The three year chart is a screaming buy at these levels. This stock should provide an easy double this year from here. There are some truly strong hands tied closely to this company who influence management to make the right choices.

Keegan Resources Inc. continues to hit the bulls' eye with 73 meters of 3.23 g/t Gold. They are operating this project in Ghana, a country quite high on my list of safe jurisdictions. They have reported;

In response to recent speculation, Keegan is pleased to report that there have been no changes to Ghanaian Mining Laws with respect to

government royalties or ownership interests. Keegan's contacts high within the Mineral Commission of Ghana, the chief mining regulatory body in Ghana, have reported to Keegan that they are unaware of any current or future plans to revise the law. Keegan has full mining leases for both the Esaase and Jeni Concessions, which jointly make up the Esaase Project. Under the current law the government retains a 10% ownership and a 3.5% Net Smelter Royalty. Keegan has been informed that the Minerals Commission does not anticipate any changes in that regard at this time.â€•

The three year chart has come down quite a lot as of late but looks strong at these levels although some time may be needed to build a base. But with these types of companies the shares can move any day without warning as the shares moved almost \$1 this past week making new shareholders very happy. Strong volume accompanied this move up and it looks as if the 25 day MA is bested we could see a move to \$5 very quickly.

Kirkland Lake Gold came out with great results 1,200 feet from their South Mine Complex, including 10.99 ounces of gold per ton or 377 grams per tonne over an estimated 2.8 feet true. This could prove very fruitful if indeed the mineralization extends all the way to this spectacular intercept. They are operating this project in Canada and continue to prove themselves as a company.

While they are not a small company per say anymore they do represent a good safe investment relative to some others at these levels in my opinion. With exploration results like these there is a good chance they will continue to extend the zone and increase resources. At these levels itâ€™s a near sure thing to gain some very attractive returns over the medium term.

If the 200 day MA can hold it should be off to the races. The RSI and MACD have not been at these low levels ever over the past three years and the Slow STO is a levels where the stock has put in a bottom ad rallied very sharply not too long after.

Yukon Nevada Gold Corp. intersected some impressive widths and mineralization within their Smith Mine in Jerrit Canyon, Nevada. This is one zone in a larger mine area. The high grade extensions found here bode well for increases to resources. This table from December 2007 shows the Smith and other zones in the Jerrit Canyon resource.

PROVEN PROBABLE TOTAL

	K tons	oz/st	K oz	K tons	oz/st	K oz	K tons	oz/st	K oz
Smith	92.5	0.304	28.1	861.6	0.280	241.4	954.1	0.282	269.5
SSX	513.7	0.221	113.4	386.3	0.232	89.7	900.0	0.226	203.0
Saval	11.4	0.200	2.3	108.8	0.250	27.2	120.2	0.246	29.5
Starvation	- - -	571.6	0.282	161.3	571.6	0.282	161.3		
Wright Window	- - -	32.6	0.227	7.4	32.6	0.226	7.4		
Sub Total	617.6	0.233	143.7	1,961.0	0.269	527.0	2,578.6	0.260	670.7

Stockpiles 35.9 0.173 6.2 540.8 0.075 40.4 576.7 0.081 46.6

TOTAL 653.4 0.229 149.9 2,501.8 0.227 567.4 3,155.2 0.227 717.3

With continued high grade results like these and a plan to begin producing up to 100,000 ounces per year this stock should do well in this high gold

price environment.

Yukon Nevada also just closed a private placement, raising over \$20 million.

The stock has been range bound for the past year and is at the bottom of that range which looks to be a good entry point. There is good support at \$1.25 and the indicators are saying the same thing. As with many of these stocks it looks like a good deal of money can and will be made in the near future.

Seabridge Gold released a mineral resource estimate and said the BC government has begun a review of the 100% owned Kerr-Sulphurets-Mitchell (KSM) deposit in beautiful BC, near the deepwater port of Stewart. They state; "The environmental assessment review and permitting and licensing process are scheduled to be completed within three years".

The resource table is very impressive and reinforces just how massive this deposit is;

KSM Mineral Resource Estimates at 0.50 g/t Equivalent Gold Cutoff Grade

Zone Indicated Mineral Resources Inferred Mineral Resources

Tonnes

(000) Gold

(g/t) Copper

(%) Gold

Ounces

(000) Copper

Pounds

(millions) Tonnes

(000) Gold

(g/t) Copper

(%) Gold

Ounces

(000) Copper

Pounds

(millions)

Mitchell 734,163 0.69 0.18 16,287 2,913 667,421 0.62 0.15 13,304 2,206

Kerr 206,272 0.25 0.45 1,651 2,037 51,387 0.21 0.45 352 506

these levels seeing that it has already hit \$40.

With continued resource delineation the stock will continue to rise. Although they are nearing the slow and arduous task of permitting, planning then construction which tends to not be the most exciting period for mining stocks. I love the area and I love the company but the ten-bagger potential may be over for a while.

I am involved in a smaller play sandwiched between the Seabridge concession and the Silver Standard resource. The area is proving to be a very prospective mineralized belt and I like to look for new small plays and have found one. Like they say the best place to look for a mine is near an old one. The company I am involved with has several old mines with bonanza grades on the property and continued drilling will soon tell the tale. I expect a massive deposit to be delineated over time. But patience is paramount.

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