International SPECULATOR

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Seasons of Gold

Dear Reader,

Long-term subscribers are already aware of a resource market phenomenon broadly referred to as the "quiet season," but which we here at Casey Research tend to view as the "Shopping Season."

You also might call it summer.

As you can see in **Chart A**, which summarizes gold's monthly price moves over the past 30 years, the yellow metal typically shows weakness from February to April, rallies in May, then heads down for summer. In August, gold typically begins to rebound and moves up pretty much for the rest of the year. Of course, this is an average pattern, not an invariable one. In 10 years out of the last 30, gold dropped in the fourth quarter.

Even so, the long-term data suggest the average pattern is worth paying attention to.

But will the pattern hold up in the current bull market? The historical data is sparse, in that gold has traded freely only since Nixon closed the gold window on August 15, 1971. That triggered gold's only secular bull market so far, from $35 in August 1971 to $850 in January 1980. For the moment, let's discount that market's first big leg, to Dec 1974 (when gold reached $200), as catch-up for decades of currency inflation. The best analogy to our current circumstance is the period from August 1976, when the metal bottomed at $103, to gold's peak in 1980. The chart for that 5-year bull market fits the long-term pattern quite well.

But Why?

Why should gold bullion have a seasonal pattern? There are several reasons, among the more important being the jewelry market, which accounts for about three quarters of the gold sold each year.

What we see for the fourth quarter of each is the impact of the gift-giving tradition associated with the druid Winter Solstice, now known as Christmas. Layered on top of that is the Indian festival season of Diwali, which kicks off in November and continues through the first leg of the traditional wedding season in December.

In **Chart A** (on next page), you'll see noticeable spikes in both January and September, months when Indian manufacturers typically restock inventories to meet the demands of the two Indian wedding seasons. The first, mentioned above, starts in November and ends in December. The second starts in late March and runs through into early May.

Can Indian jewelry buying be a major driver of gold market seasonality? Probably. Don't forget that gold, viewed as an industrial commodity, has been in a primary supply deficit since 1990; more has been used than produced, and the world

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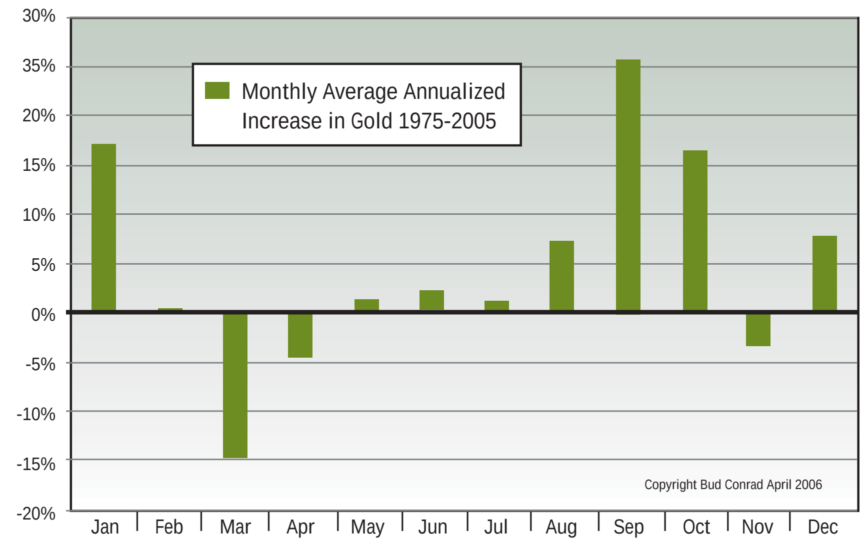
PRICES

April 3, 2006

Gold	$589.40
Silver	$11.73
Platinum	$1067.00
Copper	$2.55
Nickel	$7.14
Zinc	$1.24
Uranium	$40.50
DJIA	11,238.35
Nikkei	17,059.66
30-Year Bond	4.54%
Oil (bbl)	$67.53
Euro	$1.2123
Yen	$0.0085
Canadian $	$0.8542

Chart A: Gold Rises More in the Second Half of the Year



has been living out of inventory. Now Western central banks are slowing their ill-advised selling, and people in China, Russia, the Mideast and India will be buying in size. Further, in 2005, investment in gold ETFs and similar financial products showed a 53% increase, to 203 tonnes. And things are barely starting to warm up.

Given the tight supply and growing demand, this is a market where prices are very much set on the margin, which is where India plays a role. As you are no doubt aware, India traditionally has an affinity for gold, expressed most emphatically in wedding rituals. The stylish Indian bride wears pounds—not ounces, but pounds—of gold on her wedding day.

The propensity to lavish gold on blushing brides has kept pace with the country's rapidly rising wealth (its GDP growth has been better than 6% annually since the early nineties and is expected to top 8.1% in 2006). Economic success has fostered an entire new Indian middle class and middle-class wannabes with new-found wealth to be stashed and neighbors to be impressed. That adds an important new dimension to the gold market, helped along by a trend for Indian banks to aggressively market loans specifically for the purpose of buying gold during the wedding season.

In fact, in 2005 Indian gold jewelry sales rose by 25 percent, and now that country takes credit for about 23% of the world's consumer gold sales. The U.S., at #2, takes down just 12%.

Jewelry buying is nice and certainly contributes to gold's seasonality. But remember, what's really going to supercharge the market is buying by central banks and the public, as they increasingly realize that the dollars they're sitting on are melting.

The Gold Stocks

The summer dip in gold, needless to say, doesn't help gold stocks. And it's amplified by the habits of Canadian brokers, who deal with their relatively short northern summer by taking relatively long summer vacations. That means fewer stories being breathlessly told to listeners with cash.

Even worse, the brokers—wanting to keep their clients safe while they themselves lounge at lakeside cabins—begin telling clients in March to sell and sit aside during the summer months, which sucks more air out of the market. Of course it's not just the gold stocks; there's a lot of wisdom to the old saw "Sell in May, go away". It's worth noting, however, that here we are in April and we see little sign of gold stock weakness—suggesting that there is either less selling going on or more buying from new-to-sector investors… or, likely, both.

And the people who do the actual exploration generally are busiest in the summer, typically working in remote areas of the Northern Hemisphere largely inaccessible in the winter. The absence of explorers from their offices translates into a dearth of news, made worse by the fact that even if there were news, the companies would want to hold on to it until it would do them some good—i.e. when there are brokers actually sitting at their desks.

To recap, in the summer gold bullion prices soften, resource brokers stop working the phones, and explorers head out to kick rocks and go incommunicado. There's a news slowdown, low trading volumes and a flat to declining market for resource equities from about April 1 to about August 1, give or take a month.

And it is during that quiet period that we happily focus on shopping for our favorite stocks.

Or at least, that's the way it is supposed to work.

The Crystal Ball

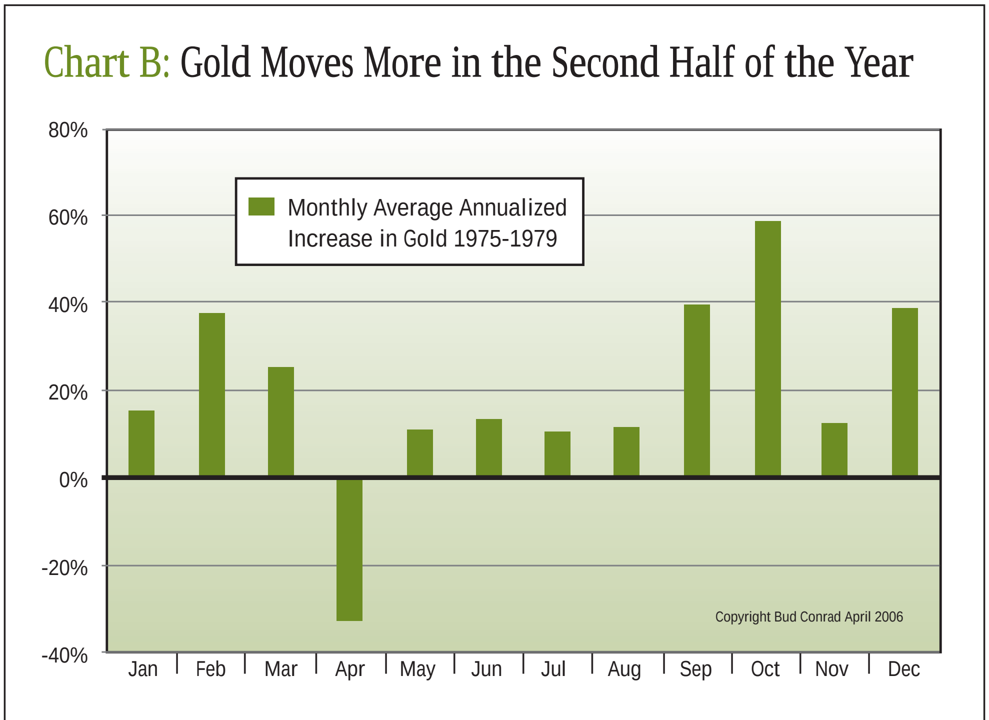
I'm not going to tell you that things are going to be different this year. But only because the person who tells you "this time is different" is usually wrong and often walks into a disaster.

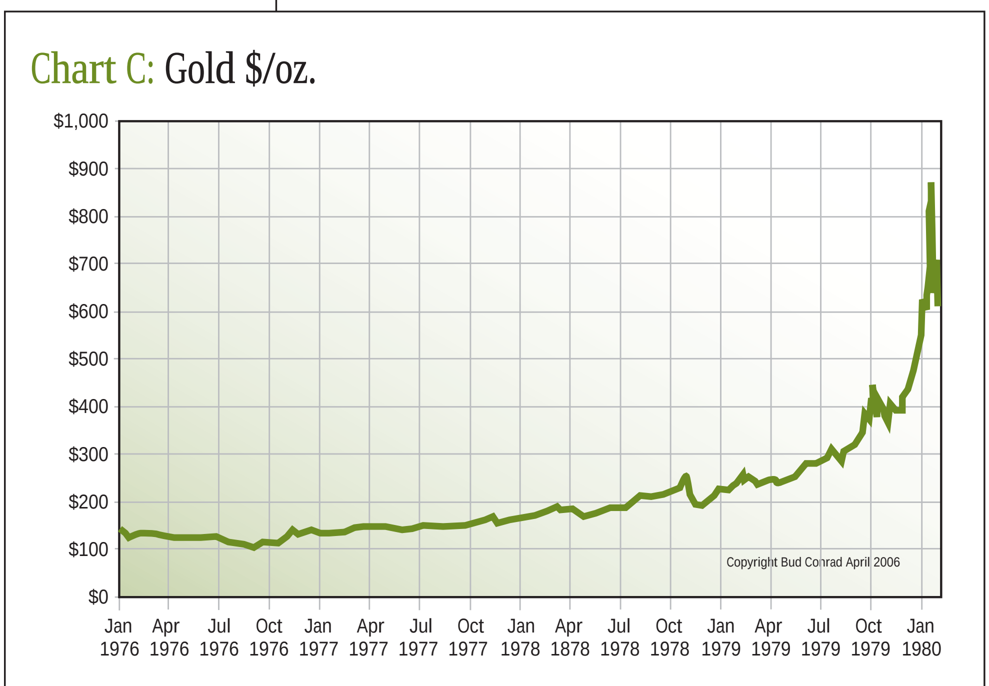
However, when pondering gold's seasonality, it's better not to focus on just the long-term pattern shown in **Chart A** or even the five-year average pattern in **Chart B** at top right. They show what's normal—not what's inevitable.

Instead, focus more on **Chart C** at lower right, which paints a straightforward portrait of gold's daily price action from January 1975 through January 1980. While the seasonal pattern generally holds up, the trend is clearly for higher lows and higher highs throughout.

That is, in our view, the track we are currently on. While gold's price reflects the long-term seasonal pattern, the pattern is overlaid on a strong upward trend.

And lest you have any doubt, I am convinced we are now in the gold (and silver) bull market for the record books, a bull market that will surprise even me with its strength. And that's saying something.





In the way of evidence that this year is going to surprise and delight, simply look at gold's price action so far. Instead of the seasonal slump following January, gold has powered ahead and partied on in 2006 and is now trading at over $580, a 12% increase since the first of the year.

Based on traditional patterns alone, Bud Conrad, who assembled **Chart D** (next page), projects that gold could be headed to $700 this year. He calculates how fast gold was rising over the 1976 to 1979 period and applies that to the price at the start of this year to see how high gold might rise. The dotted line shows the projection from history, and the solid line shows the actual so far this year. Needless to say, we are off to a great start.

I think this could be conservative, and breaking even $750 by year-end wouldn't surprise me. As bad as things were in the late 1970s, the last secular bull market for gold, they are much, much worse now, by pretty much every measure. Whether the level of debt, the size of the entrenched and philosophically unsound bureaucracy,

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the Current Account Deficit, the Forever War raging on a nearly global basis, the entrenched and worsening problems with entitlement programs, the trillions of perilously perched derivatives… The list, unfortunately, goes on.

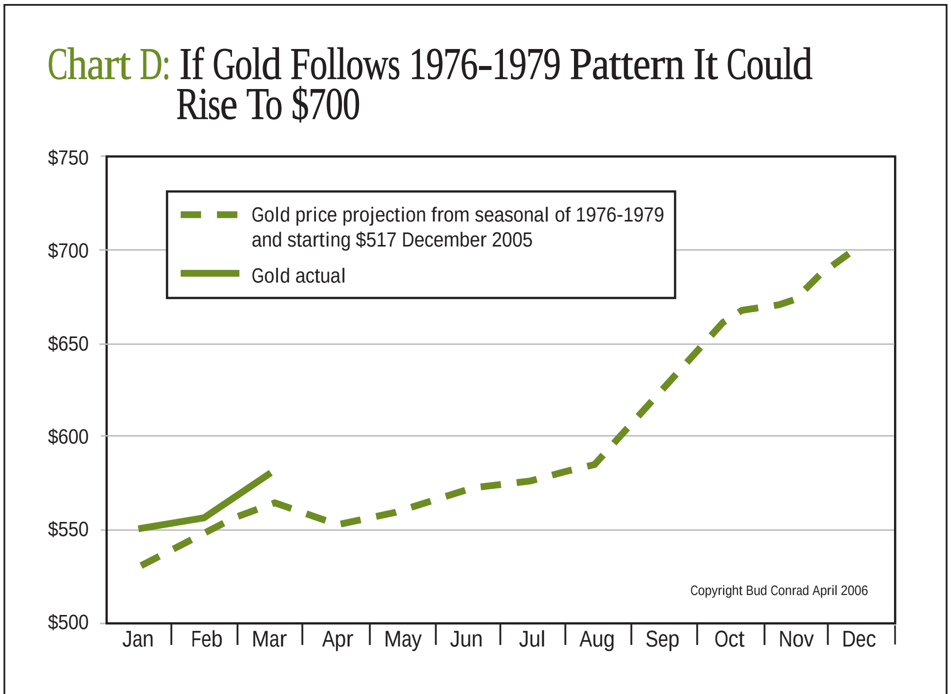

Chart D shows how the market could behave if the price replays the trend of the bull market of the late 1970s. You can use it as a baseline, something to watch as a way of gauging just how wild things are getting in gold and—by extension—gold stocks, over the coming year.

How We Play It

I doubt we'll see much of the traditional pullback this summer. But if it occurs, don't hesitate to use it to back up the truck for your favorite stocks. To help you in that regard, in this issue we offer up our quarterly Buy, Sell and Hold updates on all the stocks we are following on your behalf—now enhanced with our indications of "Best Buys." And don't neglect adding to your hoard of physical gold coins.

Looking over the stocks, I have to say that there has never been, in my experience at least, a better slate of junior explorers to choose from.

That's thanks to many factors, including improvements in technology, the general lack of exploration over the last 30 years and the opening up of the ex-communist block to foreign investment. Toss in strong metals prices and talented management teams, and you have all the ingredients for significant discoveries.

While it's too early to tell whether we'll get a mega-discovery—of 10 million ounces or more—the odds hugely favor a number of 1- to 3-million-ounce discoveries being made. As discussed at some length in IS XXVI, No. 12, December 2005, "How High Will Your Gold Shares Go?", the combination of much higher gold and silver prices, big discoveries and the near certainty of a collapsing dollar, will create an uber-bull… a once-in-a-lifetime chance to make life-changing profits quickly.

I know you may find it hard to believe, but by the time this thing is over, your $.50 cent stocks will be trading for $5.00, and your $2.00 stocks, for $20. Or more. It's going to be at least as wild as the Internet market was in the late '90s.

Given that view, it's hard to see a summer pullback for gold, should there be one, in anything other than a positive light.

You can keep your powder dry for the next little while and look to pick stocks for less during dips. Or you can just keep buying, riding the tides and ignoring the dips altogether. That's the approach I'll be taking… show me a good company, run by good people, working a good project and selling at the right price, and I'm a buyer… though at this time of year, being patient to let the market come to you probably makes the most sense.

If there was one misstep you could make at this point, it would be to get scared off by the inevitable volatility and step aside until it gets "safe" to come back in. Too often that results in missing major up-moves. Trying to pick the tops or bottoms of any market is a fool's game.

A final thought: This market trend is solidly in motion. While it may periodically scare you as much as it thrills you, at no point doubt that it is your friend. Treat it accordingly and it will treat you well. In fact, even better than you can currently imagine.

Doug

New Company Recommendation

Fronteer Development Group Inc.

T.FRG, AMEX.FRG,
www.fronteergroup.com

Price	Share: C$4.96	MCap: C$247.5 million	On: 3/31/06
History	Rec: new co.	Gain: new co.	52-Week: C$1.75-C$5.19
Shares	SO: 49,904,927	FD: 59,417,882	As of: 3/28/06
Warrants	UnEx: 6,002,455	C$1.65 - C$3.00	Exp: 3/31/06 - 2/17/07
Options	Open: 3,510,500	C$0.11 - C$4.32	Exp: 5/08/06 - 6/07/11
Cash	C$15.3 million	Burn: C$1 million/mo	As of: 3/28/06

BUY ON WEAKNESS—FRG is a company we recommended back in 2003, but sold when its flagship properties in Ontario and the Canadian NWT didn't seem to be headed in the right direction. We have been considering reentering the play for some time but always thought, "well, that's a great story, but it's gotten a little ahead of itself." Yet every time we held back, FRG took another positive step developing its projects, and their share price moved up.

So, having met with management and seen their very aggressive plans for 2006, we've concluded that FRG is not likely to settle back and give us a substantially better entry point. Even at current prices, there is very real potential for a double within 12 months. It is only because the share price has been so hot in recent days that we are saying to buy on weakness—with exciting uranium and gold projects and plenty of cash to develop them, we don't expect FRG to show lot of weakness anytime soon. Let's run through the 7 Ps.

People and Promotion

FRG is run by the very bright and charismatic Mark O'Dea, a winner of the Goldcorp Challenge (see our interview with Rob McEwen in the February issue of the IS for details). That means Mark studied Goldcorp's data and picked drill targets that Goldcorp ended up testing—actually finding gold that contributed to the mine's economic resource base.

Mark has chastised us for complimenting him on his promotional abilities in our comments on other companies FRG has partnered with. Given that some people view "promotion" as a bad thing, we suppose that's a legitimate complaint. However, we view Promotion as an important—often critical—P among the 7 Ps. Share prices for many companies with great projects have languished because they just haven't gotten their stories out. In the current, undeniably frothy (but not yet manic) market, Mark's demonstrated ability to get the story out on the very legitimate projects he's working on will serve shareholders well. Which, needless to say, is a good thing.

In addition to Mark's genuine technical prowess, FRG has several more top technical people, most notably Dr. Rick Valenta and Ian Cunningham-Dunlop, who have decades of exploration experience with majors and juniors in Canada and around the world. This is a serious company, with real projects and the talent to develop them.

Property

FRG has three project areas in western Turkey, two in Mexico and three in Canada, counting its 50.2% controlling stake in newly minted Aurora Energy (T.AXU). The Mexican projects and the new Yukon uranium play are earlier stage—it's good to keep projects moving through the pipeline—so it is mostly FRG's gold prospects in Turkey and AXU's uranium in Labrador's Central Mineral Belt (CMB) that should provide fireworks this summer.

Aurora

Aurora's energy play is quite interesting on its own, but we figure, why buy AXU when you can buy FRG, gain an indirect interest in AXU, and get exposure to two hot commodities: gold and uranium?

In a nutshell, the AXU story is this: FRG and Altius Minerals (V.ALS) had a 50/50 exploration partnership on the CMB, which they spun out as Aurora, initially a jointly owned private company. FRG received majority ownership of Aurora in exchange for taking the lead on exploration and expenditures on the CMB, especially on the development of the historic Michelin uranium deposit. When Aurora went public, Altius cashed out about half of its shares (still holding 20% or so of the issued and outstanding), leaving FRG with just over 50% of AXU's 60 million shares, which are trading at about C$4.15 as of this writing. That's worth about C$111 million to FRG—almost 45% of FRG's market cap.

The IPO brought Aurora almost C$25 million, which will fund an ambitious exploration program lined up for this summer. Aurora's CMB exploration licenses now cover the Michelin, Rainbow, Nash, Gear and Inda uranium deposits as well as several highly prospective explo-

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ration targets. A resource estimate for Michelin prepared by Roscoe Postle Associates (released last February) estimated the deposit to contain 22.2 million pounds (at 2.48 lbs per ton) of U3O8 in the Measured and Indicated category and 13.4 million pounds (at 3.25 lbs per ton) of U3O8 in the Inferred category. AXU plans at least 40,000 meters of drilling this season, focusing on infill drilling, depth extension and new targets in the district. Recent discoveries at Jacques Lake and Otter Lake will also be followed up. Management's goal this year is to show that the CMB has the potential to host more than 200 million pounds of U3O8, including more than 85 million pounds at Michelin.

We've been skeptical of Michelin. It's average grade, but runs deep in hard rock—with potential First Nations issues—which will make extraction an ordeal. However, it does start at surface, with grade and thickness improving with depth. FRG believes the project may be amenable to open-pit mining up to a depth of 250 meters and large-tonnage underground mining thereafter, with ore recovery at cash costs of $15-20 per pound. Not bad at all at current uranium prices if they succeed at proving up the tonnage they are hoping for. At the higher end of their grade spectrum, they are looking at what is currently $130 rock—well worth going underground for, with more "waste" becoming "ore" as the price of uranium rises.

Better yet, looking at the radiometric surveys of the area, several of AXU's targets have even bigger footprints than Michelin. No one can say what the probability is, but it's possible that the company could end up with half a dozen Michelins when all is said and done.

Gold in Turkey

FRG has several projects in Turkey, the two most prospective being Agi Dagi and Kirazli, both under option from Teck Cominco. In late January 2006, FRG announced a new resource estimate from Giroux Consultants. Agi Dagi was pegged at 217,000 Indicated ounces of gold at 0.86 g/t and 1,043,000 Inferred ounces at 0.93 g/t, mostly in oxides, at a 0.5 g/t cutoff. There are significant silver credits. Kirazli had 244,000 Indicated ounces (1.4 g/t Au) and 563,000 Inferred ounces (0.98 g/t Au), with five-to-three more sulphides than oxides. All together, that's over 2 million ounces of gold. Mark plans to spend C$5 to 7 million this year drilling these targets, with the goal of increasing the resources to 3.5 million ounces of gold.

Agi Dagi is a large target area, 8 square kilometers. Two main gold zones have been defined on the property, the Baba zone on the southeast end and the Deli zone on the northeast end. They are three kilometers apart, on opposite sides of a mountain that is basically an exposed silica cap—under which, Mark suspects, more gold zones may be waiting. If so, this could turn into a multi-million-ounce deposit. FRG has mobilized six drill rigs to the project and will begin testing that hypothesis as soon as they can get them turning.

The target area at Kirazli is a smaller mountain, covering 2 km2, but is slightly higher grade than Agi Dagi and is open to lateral extension and at depth. Late last year, one drill intercepted 5.7 g/t gold over 43 meters.

Both properties are close to and have grades comparable to Eldorado's Kisladag mine, which is now nearing production. If that comparison holds up, these deposits should produce gold at less than $250 per ounce.

More Blue Sky

In addition to the above, there's big blue sky potential in a 2,000 km2 Yukon property, known as Wernecke Breccias. FRG picked up the Wernecke properties from Newmont, which drilled it for gold and copper but didn't test for uranium. However, the radiometrics and geochemistry show good potential for U3O8. Mark says that this part of the Yukon might have been physically connected to southern Australia when the extraordinary uranium-copper-gold-silver Olympic Dam Deposit was formed, before the then-global mega-continent broke up 1.6 billion years ago. FRG has its plate full but thinks so highly of this target that the company has budgeted C$3 million for exploration this year. Another Olympic Dam is a long shot, but even identifying its little brother would send FRG's share price to the moon.

Politics

FRG's projects are in relatively stable, pro-mining countries: Canada, Turkey and Mexico. Mexico is a pretty well-understood region with known and predictable ways of doing business. Turkey wants to enter the EU and hence has strong motivation not to rock the foreign investment boat.

The most likely source of potential trouble is Labrador, where there may be opposition on the part of First Nations to uranium mining and where, even in the best of circumstances, permitting is a long and laborious process. Considering this highly regulated commodity's permitting difficulties and the high capital expenditures necessary to put these very remote deposits into production, CMB uranium ore may never see the light of day. On the other hand, there aren't a lot of jobs up there for the First Nations locals, so they could become a powerful source of political support.

But those are questions for another day. Right now, we're not talking about permitting or building a mine, just finding economic uranium. It seems very likely to us that there will be a lot of exciting news from the discovery phase and that AXU and FRG will see substantial share price gains in the near to mid-term, based on the CMB alone.

Paper and Phinancing

The fate of AXU will directly impact that of FRG. In this context, it's very encouraging that Altius was able to sell 17 million shares, half of its very large position, without trashing AXU's share price. As of this writing, it's up almost 20%.

On FRG's own paper, some recently expiring warrants don't seem to have affected the share price, and there are no restricted shares about to come free trading. Current shareholders are faced with a reasonable amount of dilution, based on current paper, and both FRG and AXU are well cashed up. We should see substantially higher share prices (and hence less dilution) by the time either company goes back to the trough for more financing. FRG gets a clean bill of financial health.

Price

Based on the C$111 million the market is giving Aurora and, say, US$50 for FRG's mix of Indicated and Inferred ounces (we'll give them a bit more value because of their relatively low production cost and low political risk, so that works out to about C$115 million), plus a little more thrown in for FRG's other projects, we'd say the company is fairly valued at its current market cap. However, Mark plans to use the drills increase the ounces of gold in Turkey by 75% and quadruple the number of pounds of uranium in the Michelin project to 85 million pounds—and that's just for starters.

So, even though paying the current C$4.96 will probably work out fine—this is definitely a Buy recommendation—we would tend towards patient buying with this one. Place orders below market and see if anyone currently exercising warrants takes the bait. Or see if gold takes one step back after its recent two steps forward, and then place a stink bid. If FRG goes back under C$5 without bad news, back up the truck. You should have time over the coming weeks to look for relative weakness. ■

Company Updates — Buy, Sell, Hold

We have been stepping up our efforts to give you prompt comment on all major company developments on the *Our Stocks* page of our web site. We are also working on improvements to that page, to make it easier for you to keep track of company news and statistics. So, instead of recapping all of what's happened since last quarter (which would duplicate work already on *Our Stocks*), we're going to concentrate on looking forward and updating our recommendations. That's what most subscribers tell us they really want from these quarterly editions: "What should I do next?"

For more details about what has happened with individual companies in the past quarter, please visit the Our Stocks page and click on the name of the company to see the latest news on the company and/or use the search/find function of your web browser to search the page for all references to the company you are interested in. (This is one of the things we're working on making easier.) For more background on each company, you can also click on the *International Speculator* **Archives** link on the Publications page of our site, and look up the issue for the date given in the new "History" line in the company stat tables.

Finally, due to space constraints, we have not included below the updates on the companies on which our recommendations have not changed greatly. These include: ALS, ASX, AMM, ATN, CGP, IBX, JIN, NAU, QC, SLW, SSO & TNK. Updates on these companies are available on our web site, in the web version of this newsletter.

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Anatolia Minerals Development

BEST BUY

T.ANO, PK.ALIAF,
www.anatolia-minerals.com

Price	Share: C$3.84	MCap: C$223.6 million	On: 3/31/06
History	Rec: C$0.48, 8/01	Gain: 700%	52-week: C$1.09-C$3.86
Shares	SO: 58,246,465	FD: 70,237,752	As of: 3/24/06
Warrants	UnEx: 8,034,964	C$1.75 - C$2.65	Exp: 12/15/06-11/03/07
Options	Open: 3,956,323	US$0.15-US$1.66	Exp: 11/14/06-12/16/10
Cash	Est. US$14M	Burn: US$750,000/mo	As of: 3/24/06

BUY ON WEAKNESS—Anatolia was long one of our most undervalued plays (recommended back in September of 2001 at C$0.48), hovering at a couple hundred percent of our recommended price for some years before taking off this year to where we are now at around 700% gains. Why? Well, first they outlined a multi-million-ounce deposit in one of their several prospective projects in pro-mining Turkey, and now it looks like the economics are coming together. In other words, the market is starting to realize what we've long been telling subscribers: ANO really does have the goods.

The company plans to complete a Bankable Feasibility Study (BFS) on the oxide portion of the 5.4-million-0ounce Çöpler project this month, which should give the company another solid boost. After that, they likely will wrap up a scoping study on the sulphide portion of Çöpler. Work is already underway on permitting, with an Environmental Impact Assessment being the first major component, hopefully to be completed this summer. There will be some technical work, including drilling, for optimization purposes, but not much exploration at Çöpler this season; the main newsmakers will be hurdles passed on the road to production—or takeover.

Meanwhile, mining giant Rio Tinto (RTZ) just assumed management of its JV with Anatolia on the Walnut Creek (formerly Kizilviran) copper porphyry project. RTZ has wasted no time and has already started moving people on site, freeing up ANO personnel to concentrate on Çöpler and ANO's other projects. ANO is now completely carried on Walnut Creek until RTZ spends US$10 million in the ground, pays US$1.5 million to ANO and produces a scoping study. RTZ has budgeted US$2.7 million for Walnut Creek exploration this year. Being a major, RTZ won't have to report as frequently as ANO did, but when we do get news from Walnut Creek, it should detail major developments.

Speaking of other projects, ANO and JV partner Aldridge Minerals (V.AGM) announced an independent resource for the Yenipazar polymetallic prospect in central Turkey last January. The Inferred estimate came in at 4.7 million tonnes grading 1.66 g/t Au, 35.6 g/t Ag, 0.45 % Cu, 1.44 % Pb and 1.64 % Zn. That adds up to about 833,000 oz of gold equivalent. Yenipazar is vulnerable to weakening base metals prices but is a sideshow for ANO, albeit a good one with decent grades and mineralization still open along strike. AGM is earning a 65% interest by spending C$6 million in work and cash payments to ANO, so it's a no-lose situation for us as ANO shareholders. Management believes they can increase this resource and upgrade a substantial portion of it to the Indicated category with just one RC drill rig working on 40-meter spacings. That work should be nearly complete by now. The next news from ANO may indeed come from Yenipazar, but that's in AGM's hands.

The main show, however, remains Çöpler. We expect steady progress and corresponding share price gains, though there may be a preproduction slump if all the hard work coming up translates into a news blackout. However, apart from possible big gains from a sharp increase in the price of gold, we're not expecting anything particularly spectacular from ANO at this point. So, if you've made substantial gains on ANO and now like something with more immediate upside (and would not incur short-term capital gains taxes), you could be forgiven for looking at ANO as a source of cash at this stage. On the other hand, if you're looking for a relatively "safe' development play, ANO offers a lot of downside protection—over 5 million ounces of it. If you're not long already and want some ANO in your portfolio, there's no need to chase this one; it's not likely that a press release is about to send the shares through the ceiling. Place orders under market or look to accumulate shares on the dips that will inevitably occur between press releases.

Brazauro Resources

V.BZO, www.brazauroresources.com

Price	Share: C$1.36	MCap: C$71.9 million	On: 3/31/06
History	Rec: C$1.30, 12/04	Gain: 4.6%	52-week: C$0.80-C$2.50
Shares	SO: 52,937,145 FD:	63,391,788	As of: 3/28/06
Warrants	UnEx: 2,500,000	C$3.80	Exp: 08/2/06
Options	Open: 7,954,643	C$0.18 - C$2.00	Exp: 2/05/10 - 8/4/10
Cash	US$7 million	Burn: C$250,000/mo	As of: 3/28/06

HOLD OR SELL (BUT WATCH FOR BUYING OPPORTUNITY)—BZO has been struggling lately, not because they didn't find enough gold, but because they did. That prompted what appear to be unscrupulous opportunists to file a claim on Mining License 196, covering the eastern portion of BZO's flagship TZ project in Brazil. Management assures us that the claim has no merit and that BZO will prevail in court, but the legal process could tie things up for a long time. So they made a legal end-run and applied for an underlying mining license, which would give BZO clear, indisputable rights to the whole area.

They explained this to us in mid-February and said the problem should take about 30 days to clear up. That optimistic outcome has not yet come to pass, though the company remains convinced that things will be cleared up within another week or two. Meanwhile, BZO has drill rigs on TZ now, preparing to drill the uncontested NW area and some wildcat targets. The company is working on a 43-101-compliant resource calculation for TZ, which is the biggest discovery in the Tapajós gold district in recent years. We're not sure what that calculation will show, but the thick intercepts could add up to substantial tonnage. It may take a while to prove, but there does seem to be multi-million-ounce potential. Not surprisingly, BZO reports confidentiality agreements with six interested companies.

In spite of the potential, with the legal challenges overhanging, we would not buy today. If BZO announces that they have turned back the title challenge and the share price doesn't jump immediately, it could make for a good buying opportunity. On the other hand, if another week or two go by with no resolution of the claim issue, it might mean that the easy fix didn't work and a protracted legal battle is coming. In that case, even though BZO may eventually prevail, we'd recommend selling in order to redeploy your funds into faster-moving plays. We'll comment on the *Our Stocks* page of our web site as appropriate, but you shouldn't wait to hear from us; if the problem is not solved by mid-month, begin easing out of your position.

Continental Minerals Corp.

V.KMK, www.hdgold.com/kmk/Home.asp

Price	Share: C$1.54	MCap: C$67.2 million	On: 3/31/06
History	Rec: C$1.85, 10/05	Loss: 16.7%	52-week: C$0.94 - C$2.10
Shares	SO: 43,668,185	FD: 57,854,786	As of: 11/30/05
Warrants	UnEx: 9,350,000	C$0.50 & C$1.05	Exp: 12/31/05 & 7/12/06
Options	Open: 4,836,601	W.avg. C$0.87	Exp: avg. 0.77 years
Cash	C$4,559,556	Burn: C$676,070/mo.	As of: 9/30/05

SELL ON NEWS (GENTLY)—KMK has, in classic Hunter Dickinson style, thrown a lot of drills and money at the Xietongmen deposit and has demonstrated its multi-million-ounce potential in near-record time. The current Measured resource, at a 0.5% CuEq cut-off, is 106.3 million tonnes, grading 0.49% Cu (1.15B lbs) and 0.73 g/t Au (2.5M oz). There's also an Inferred resource of 28.8 million tonnes of 0.43% Cu (273M lbs) and 0.59 g/t Au (0.55M oz). The deposit remains open in all directions. Delineation drilling, using six rigs, should be getting underway as we go to press.

So, why the Sell? Because when a company's share price can't gain much ground after it discovers millions of ounces of gold even while the price of gold is hitting record levels, something is wrong. We're not sure what this is—perhaps we underestimated the "Richard Gere" factor (people won't buy KMK no matter what they find, believing international activists will prevent the development of a mining project in Tibet). As starved for resources as China is, we believe they will develop Xietongmen one way or another. But that's a bit down the road, and if the market won't give KMK any credit until then, we're not going to keep our cash idling while things get worked out.

There's no hurry, no need to rush to the exits, no Achilles heel suddenly struck with a poison arrow. This is just a tactical decision on our part. With six rigs turning on this highly predictable ore body, we're not selling today, but waiting for the next positive press release to generate some volume, and then selling into that. Watch for a good price, but don't wait for a Sell signal from us. You just got it.

Eagle Plains Resources

V.EPL, PK.EGPLF, www.eagleplains.ca

Price	Share: C$1.24	MCap: C$57.2 million	On: 3/31/06
History	Rec: C$0.67, 12/04	Gain: 85.1%	52-week: C$0.53 - C$1.31
Shares	SO: 46,139,501	FD: 52,496,715	As of: 3/31/06
Warrants	UnEx: 5,022,868	C$1.00	Exp: 12/19/07
Options	Open: 1,334,346	C$0.10 - C$0.75	Exp: W.avg 1.5 - 5 yrs
Cash	C$7.2M Burn:	C$250,000/mo	As of: 3/27/06

BUY—EPL is one of our most prolific project generators, boasting a very competent exploration team and about three dozen projects in its pipeline. Up until recently, the company's main attention-getting asset has been its Copper Canyon copper-gold project immediately adjacent to NovaGold's massive Galore Creek

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project. That project, along with two others, is about to be spun out into a new company, Copper Canyon Resources. Not all spin-outs work well, but with NovaGold having just ponied up another C$1 million in JV payments to EPL for Copper Canyon, it's looking good. This change will force the market to evaluate the rest of what EPL has to offer, and the valuation of EPL and Copper Canyon Resources is likely to add up to more than what the market is giving EPL now.

That's been the story for some time, with the company advancing solid zinc, moly and gypsum projects in the shadow of Copper Canyon. And then, just a few days ago, EPL announced that it has joined in the Athabasca land rush, looking for high-grade uranium in its newly staked Eagle lake property. Normally, we're quite skeptical of Johnny Come Latelies arriving years after the fast and smart players have locked up all the best land. So we asked EPL president Tim Termuende why anyone should take the company's late entry into this game seriously, and he replied that he didn't believe the opportunity himself, at first. He said he was talking with his father, a seasoned explorer with decades of experience, who "always remembered one lake that 'screamed' uranium."

The location is in the general area of the southwest to northeast structural trend along the east side of the Athabasca Basin, home of the world's highest-grade uranium deposits. Tim was sure that if the prospect was hot, it would be taken—but it appears that no other junior had access to the data Tim's father still had in his personal files… and sure enough, the land was available (and since Tim staked it, EPL faces no property payments to previous operators or prospectors). But even supposing that this is a legitimate sleeper, we were skeptical that this play would amount to much anytime soon; uranium exploration is notoriously difficult and lengthy. Tim's answer: with his father's data, EPL has some drill-ready targets—jumping the company years ahead of the curve—and should be able to define more this summer. EPL is gearing up now; work is slated to start in June.

Given that uranium has seen a 470.4% gain over its $7.10 low in 2001 (vs. gold's 127.2% gain over its $255.95 2001 low), it's no surprise that the market rewarded EPL with about a 30% jump in share price on release of this news. Even if gold corrects sharply tomorrow, EPL should suffer less, now that it is also a player in the red-hot energy business. *International Speculator* subscribers who bought upon our C$0.67 recommendation in December 2004 are close to a double now and could well see that goal reached in the days ahead. However, with the impending spin-out of Copper Canyon, which will see all EPL shareholders get one whole share of Copper Canyon Resources for each share of EPL they own, we would not take any profits, at least not until after the split.

Despite that impending reality, the recent strong increase in EPL's share price over the last few days seems to favor a pullback, even if only a mild one. Even though Copper Canyon has an estimated 2.86 million ounces of gold, 37.9 million ounces of silver and 1.16 billion pounds of copper (at a 0.35% copper equivalent cutoff grade)—so far—NovaGold does not appear to need Copper Canyon to make the economics of its Galore Creek project work, and so it may be a while before Copper Canyon sees full-scale development. Also, many of EPL's other most promising projects are base metals plays, which we continue to feel cautious about in general, and the market is giving EPL a lot of credit for its new uranium play before any work has been done to validate it. In short, while EPL has a lot of pokers in the fire that could send its share price through the roof, it also has exposure to a lot of developments that could send it through the floor. That's nothing unusual for a speculation on a junior explorer, but a risk one should always be mindful of.

On the other hand, if the price were to retreat back below a dollar in advance of the spin-out, without company-specific bad news—say, on a significant correction in one of the many commodities EPL is now working on—we'd look to back up the truck.

Eurasian Minerals

V.EMX, PK.ESMNF, www.eurasianminerals.com

Price	Share: C$1.23	MCap: C$28.2 million	On: 3/31/06
History	Rec: C$0.68, 6/04	Gain: 80.9%	52-week: C$1.04 - C$1.88
Shares	SO: 22,911,848	FD: 29,105,448	As of: 1/5/06
Warrants	UnEx: 4,749,500	C$1.50 - C$2	Exp: 3/12/06 - 11/2/07
Options	Open: 1,341,100	C$0.30 - C$1.35	Exp: 11/24/08 - 12/21/10
Cash	C$4.4M	Burn: C$297,413/mo	As of: 12/31/05

HOLD—After a terrific start, Eurasian Minerals seems to have gotten bogged down. This very active project generator quickly acquired a large number of highly prospective projects in underexplored parts of the world with great geology, but for various reasons seems to be having trouble doing the things it says it will do, or in the time it says it will do them. In part, that's just the

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Nevada Plays

One of the most notable events in the junior exploration arena in the last quarter was the announcement that Rob McEwen is indeed attempting to consolidate a major portion of the Cortez Trend in Nevada under the umbrella of his U.S. Gold (predicted in *IS* XXVII, No.2, February 2006).

Yes, he's going for it. He'll attempt to form an exploration company with the land position and exploration budget of a major—but the managerial fleetness of foot of a competent junior—in one of the most geologically prospective and politically friendly mining regions in the world. This sent the stocks of the four friendly takeover targets soaring: Coral Gold (V.CGR), Nevada Pacific Gold (V.NPG), Tone Resources (V.TNS) and White Knight Resources (V.WKR). And it didn't hurt the share price of other companies working in the area. While we correctly identified the four likely targets for consolidation, we were only recommending one formally when McEwen made his move: WKR. Our specific comments on WKR are below.

Naturally, one of the big questions on the minds of many speculators is: "Is McEwen done, or is he still shopping?" In a recent phone interview, McEwen wouldn't rule anything out. He did say, however, that he had his hands pretty full with the five-way merger already on the table, so we don't expect any new M&A activity in the very near future—certainly not before the current round plays to its conclusion.

How long will that take? Well, it's hard to say for certain, but it is McEwen's main focus, and there's no reason it has to take more than a couple of months, although it could drag on or parts of the deal could fall through. Some readers have been asking why the share prices of the four target companies haven't risen to the prices McEwen's U.S. Gold offered for them. Part of the answer is that, though the general terms of the offers have been announced, a formal circular with the details has not been published, so serious arbitrage hasn't started yet. Another part may be that speculators who've been around for a while may remember that McEwen—ever the tough negotiator—has been known to pull offers off the table if he finds counter-offers or other responses to be unreasonable (or unprofitable).

Be that as it may, the price gaps will probably close when the circular goes out in the next week or two. If you believe McEwen will succeed, there's a chance to make some modest but quick returns by betting on the closing of the gaps between current prices and McEwen's bids by taking a position in one or more of the targeted companies. Of the four, WKR appears most "undervalued," selling at C$2.31, though McEwen's bid, in USGL shares, is currently worth C$3.74—a gap which, if closed, would yield a quick return of 61.9%. But this strategy carries some risk—which is precisely why there is a gap.

U.S. Gold

OTCBB.USGL, www.usgold.com

Price	Share: US$9.08	MCap: US$460 million	On: 3/31/06
History	Rec: US$5.25, 2/06	Gain: 73% 52-week:	US$0.30-US$9.08
Shares	SO: 50.7 million	FD: 60 million	As of: 3/06
Warrants	Un Exp: 8.35 million	US$10	Exp: 2/22/11
Options	1.1 million	US$2.12	Exp: 11/14/15
Cash	US$34 million*	Burn: TBD	As of: 3/06

*Same amount in escrow, pending TSX listing

HOLD—Meanwhile, back at the ranch in Nevada, McEwen isn't waiting for the M&A dust to settle before getting going. He says they have high-priority targets on the land they already control and are seeking drill rigs so USGL can start exploring as soon as they have their permits, which they are also working on. USGL has enough cash on hand for two years of full-bore exploration and will have twice as much as soon as the TSX listing escrow is lifted. We anticipate a high rate of news flow this summer and all year. The TSX listing should also be good for the share price and volume.

There has been a lot of talk about USGL getting ahead of itself, and there's no question that's true. Assuming the current mergers are completed, USGL will still be an exploration play—with nothing yet that looks like an economic deposit—in a post-merger company with about a $750 million market cap (at current prices). Why should anyone buy at today's price?

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Well, maybe they shouldn't. For one, we are already up 73% on our recommendation of USGL in February's *International Speculator*. Any time a stock moves that far that fast, the odds for a correction go way up. In addition, the current negotiations are very complicated, and a lot could go wrong. In our view, White Knight is particularly important among the takeover targets, and failure to close that deal could jeopardize everything McEwen is trying to do. On the other hand, McEwen is seriously focused on pulling off his Nevada consolidation and, given his track record, a bet on his success will likely pay off. Positive announcements on the ground and from the boardroom, coupled with the TSX listing and, eventually, an AMEX listing—both of which will go a long way in allowing McEwen to fully leverage his large institutional investor following—could easily move this stock yet higher. So we're holding on for our double, but doing so with the full knowledge that the play has a lot more risk at this level. (Given the importance of McEwen in this equation, if he were hit by a truck, USGL would, overnight, be trading at a fraction of today's price.) We'll see soon enough how all the mergers work out and reevaluate our recommendation then.

White Knight Resources

V.WKR, PK.WITNF,
www.whiteknightres.com

Price	Share: C$2.31	MCap: C$136.8 million	On: 3/31/06
History	Rec: C$1.30, 8/05	Gain: 77.7%	52-week: C$0.55-C$2.33
Shares	SO: 59,239,972	FD: 66,004,972	As of: 2/28/06
Warrants	UnEx: 1,500,000	C$2.50	Exp: 12/20/06
Options	Open: 5,265,000	C$0.10 - C$1.91	Exp: 5/14/06 - 12/31/10
Cash	Equiv. C$14.2mm	Burn: C$59,800/mo	As of: 2/28/06

HOLD—WKR is an excellent company doing all the right things to find gold in its projects, through the efforts of an outstanding technical team in the field. However, WKR's market cap is now more a function of USGL's share price than a market valuation of what the company actually has, and USGL's share price is vulnerable. We wouldn't sell, though anyone sitting on high returns could be forgiven for taking profits—we're now up 75% on our recommendation in this newsletter—but wouldn't buy at today's prices. As with USGL, we're holding until we see how the merger goes.

Bravo Venture Group

V.BVG, PK.BVGIF, Frankfurt: B6I,
www.bravoventuregroup.com

Price	Share: C$0.95	MCap: C$59.9 million	On: 3/31/06
History	Rec: C$0.39, 8/05	Gain: 169.2%	52-week: C$0.235-C$1.98
Shares	SO: 63.1 million	FD: 72.1 million	As of: 3/13/06
Warrants	UnEx: 3,418,350	C$0.20 - C$0.70	Exp: 3/31/06 - 1/27/08
Options	Open: 5,525,000	C$0.12 - C$1.44	Exp: 11/4/05 - 1/31/11
Cash	C$4 million Burn:	C$175,000/mo	As of: 3/13/06

TAKE PROFITS (but be prepared to BUY ON WEAKNESS)—BVG is a quality company with several excellent prospects. Unfortunately, the market has come to place a lot of value on one particular play, South Lone Mountain, and that one is on hold while JV partner Barrick (which just went through its own record-setting merger) sorts things out. That could take another couple of months, and when things do start up again, the partners will have to solve some interesting geological puzzles. Figuring out where the gold mineralization is coming from won't be easy, so, with the market placing so much emphasis on this play, we view this project as high risk.

Fortunately, at BVG's Homestake Ridge project, the company has already identified a high-grade gold zone that looks like it could easily be economic—if there's enough tonnage. To find out, the company just raised C$1.5 million in flow-through funds and plans to drill about 3,500 meters this summer. The goal is to test along strike (about 1 km) and down dip, below the area where the company hit a 9.8-meter interval of 5.3 g/t gold, 479.7 g/t silver and 1% combined zinc and lead. There are also possible parallel zones to investigate.

BVG and its other JV partners are also planning work on BVG's other Nevada properties, as well as its Alaska gold play, so there should be a decent flow of news and probably—knowing this team—new deals announced.

We would be remiss not to mention the company's very effective promotion campaign in Germany, a campaign that created millions in daily volume and drove the share price to almost C$2 last January. Many, if not most, of those frenzied buyers are now well under water. If Bravo doesn't come up with the goods as promised, it could trigger an exodus and additional downward pressure.

Consequently, even though BVG has come off considerably from recent highs, we cannot recommend it as a Buy until South Lone Mountain is straightened out. And, being up well over 100%, we continue to recommend that anyone who has not yet recovered their initial investment do so and ride this train to wherever it goes for free. On the other hand, if the shares were to lose ground steadily without bad news—say, back down to the 50-cent range—we would have to think hard about backing up the truck. Especially given that McEwen is lurking in the background and, at the right price, would likely find Bravo and its huge Cortez Trend land position—one of the largest outside of the majors—irresistible.

BEST BUY

Miranda Gold

V.MAD, OTC.MRDDF, Frankfurt:MRG, www.mirandagold.com

Price	Share: C$1.73	MCap: C$60.8 million	On: 3/31/06
History	Rec: 8/05	Gain: 143.7%	52-week: C$0.58-C$2.20
Shares	SO: 35,172,000	FD: 41,631,010	As of: 3/06
Warrants	UnEx: 3,617,000	C$0.70 - C$1.15	Exp: 11/23/06 - 10/4/07
Options	Open: 4,020,000	C$0.14 - C$1.18?	Exp: 12/14/06 - 10/18/10?
Cash	C$5.3 million	Burn: C$100,000/mo.	As of: 11/30/05

BUY—To make a long story short (for details, follow the link below to see our IS write-up and the news commentary), Miranda is probably the most reasonably priced and active Cortez Trend explorer we're following. The price has already corrected from its peak over C$2 last January, and the company has a very busy season ahead of it, both conducting its own exploration and seeing work done by several major JV partners. These include: Agnico-Eagle, BPV and CONO projects; Newcrest Resources, Redlich project; Barrick, Horse Mountain property and Red Hill project; Newmont, Red Canyon property; Golden Aria, Coal Canyon property; the Cortez Joint Venture at Fuse East; and Buckhorn Venture at Fuse West.

On top of all this, Miranda was one of the early birds on the Cortez Trend, so its properties are among the best prospects in the area. The company also has a top-notch technical crew. Consequently, if McEwen and U.S. Gold were to go shopping again after the current mergers are completed, we'd guess that Miranda would top the short list of possible acquisitions. Independently of this, Miranda remains one of the hottest speculations on the Cortez Trend—definitely worth a shot if you are a new subscriber.

However, we don't expect any spectacular news in the coming days, and the share price has shown some weakness. That may be due to the exercise and subsequent sale of a couple of million relatively cheap warrants. If so, that could keep the buying opportunity going for a couple of weeks. So we'd recommend trying a low bid first; if that doesn't work, try to buy at market (with maybe a 5% limit on the order). Miranda should work out fine, but if you take your time and buy smart, your gains will be that much greater. (Or your losses will be that much less—a possibility speculators should always keep in mind.) ■

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way the dice tumble. For example, there's a water issue at one of the companies highest-profile projects, Sisorta, in Turkey, but it turns out that the local villagers were drinking unsafe water before EMX arrived on the scene. The company is doing more than its "fair share" to rectify this, building a freshwater pipeline at its own expense. This will likely generate a lot of goodwill locally, but it has halted progress on the project for the time being, and after the first four drill holes in the interrupted exploration program failed to find any economic grades, JV partner Barrick dropped the project.

Meanwhile, the company has reported very encouraging surface work on several early-stage projects, but we've heard nothing of the fate of the company's flagship Kuru Tegerek project for some time. This is EMX's Kyrgyzstan gold project with a half million 43-101-compliant ounces of gold already defined.

Because we know management has assembled a very competent team, and because the company has actual assets and a huge amount of blue sky now selling for much less than a lot of its peers with nothing but dreams, we're holding to see if the log-jam breaks up over the next quarter. If the company starts producing the results it should be capable of, the growth in share price could be explosive. But if nothing much is happening by this fall, we'll probably be looking for an exit—if we don't do so sooner upon some sort of bad news. On the other hand, if you have another pick you

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feel confident will move quickly and need a source of cash, we are currently up more than 80% on EMX, and no one could blame you for moving your chips to a new bet.

First Majestic Resources

V.FR, PK.FMJRF, www.firstmajestic.com

Price	Share: C$3.92	MCap: C$121.8 million	On: 3/31/06
History	Rec: C$1.85, 2/05	Gain: 111.9%	52-week: C$1.65 - C$4.49
Shares	SO: 31,071,091	FD: 40,316,296	As of: 2/03/06
Warrants	UnEx: 6,360,205	C$2.05 - C$2.60	Exp: 05/06 - 12/07
Options	Open: 2,885,000	C$0.60 - C$2.45	Exp: 4/1/06 - 12/16/08
Cash	C$12.5 million	Burn: C$276,371/mo	As of: 12/31/05

BUY ON WEAKNESS—FR is getting a lot of credit for getting its La Parilla silver mine in Mexico into operation and pouring its first bars of silver at a time when silver itself is riding high. And credit is the right word, as the company sold $762,233 worth of silver in 2005, but it cost them $1,033,024 to produce it. Management says they should be producing silver for about $5.25/oz this year at La Parilla, reporting that recoveries are up, even though the plant is still only producing at 200 tonnes per day (tpd). When asked why they haven't gone to 400 tpd as planned, they said they got an excellent deal on two used 400 tpd ball mills and are building two completely new lines that will jump them straight to 800 tpd. They had to get more surface area from the local village government, which they have now negotiated.

The company should have plenty of money to do it with, having just arranged a bought deal financing for C$20 million, with an over-allotment for another C$8 million with Sprott Securities. This takes the form of 5 million special warrants at C$4.00, each of which entitles the holder to one common share and one-half of one share purchase warrant, with a whole warrant at C$5.00 for 18 months.

What will the company do with C$28 million?

1. Keep drilling the Dios Padre project, on which management says they are close to a production decision.
2. Keep drilling La Parilla, on which a new resource estimate is imminent. Management says they are finding more ore at depth, and they expect the new resource will show a considerable increase. FR has budgeted US$6 million for continued drilling on La Parilla alone.
3. Drill Chalchihuites. This is where FR is looking for a deep connection between several old historical mines. If they can find tonnage at depth, this could add a lot of ounces to the company's resources.

In short, FR appeared to be charging up the slope toward its goal of becoming a mid-tier silver producer. It has several projects with the size and grade potential necessary, and now has all the money it should need to prove its case.

While optimistic about FR, we suggest holding off on additional purchases in the hope of picking your shares up for less. That's because a big financing such as they have just concluded can often set a share price back, and FR's is proving to be no exception. The company also seems almost reluctant to promote itself, issuing news less frequently than we'd like. To which concern management replies: "We're not an exploration company, so we don't put out drill results. We'll publish a new resource when we're ready." As they seem to have survived previous bouts of news drought, this seems to work for them, but it does tend to provide buying opportunities in between news releases. Also, with a large batch of warrants priced at C$2.05 due to expire next month, we may see additional selling pressure. At this point, anything under C$3.50 looks likely to be a great deal.

Fortress Minerals

V.FST, PK.FTMNF, www.fortressminerals.com

Price	Share: C$1.59	MCap: C$110.2 million	On: 3/31/06
History	Rec: C$1.30, 3/06	Gain: 22.3%	52-week: C$0.48 - C$1.71
Shares	SO: 69,306,038	FD: 72,666,038	As of: 3/24/06
Warrants	UnEx: 1,500,000	C$0.60	Exp: 9/1/06
Options	Open: 1,860,000	C$0.20 - C$0.72	Exp: 3/1/09 - 12/15/09
Cash	Est. C$2.2 million	Burn: C$400,000/mo	As of: 3/06

BUY ON SPEC—Fortress Minerals is a new recommendation from the just released *Toronto Retirement Plan* special report whose full text is available on the Casey Research web site. Nothing much has changed since publishing that report last week, except that FST's share price has gained ground. At this point, with drills turning and news more imminent every day, it's pure speculation if you buy at today's prices. Normally, we don't encourage people to bet on a drill play, but with this premium management team, that wouldn't be as bad an idea as it would normally. Hopefully, however, most subscribers have already taken action.

BEST BUY

Greystar Resources

T.GSL, PK.GYSLF, www.greystarresources.com

Price	Share: C$11	MCap: C$350 million	On: 3/31/06
History:	Rec: C$5.50, 7/05	Gain: 100%	52-week: C$3.70 - C$11.26
Shares	SO: 37,739,868	FD: 43,169,618*	As of: 11/10/05
Warrants	UnEx: 427,500	C$2.50 & C$3.35	Exp: 6/3/06 & 11/18/06
Options	Open: 4,202,250	C$1.00 - C$9? ((?))	Exp: 12/15/05 - 1/11? ((?))
Cash	C$39,670,656	Burn: C$1.85M/mo.	As of: 9/30/05

*Includes an 800,000-unit convertible debenture at C$2.50, expiring on 6/15/06

BUY ON WEAKNESS—GSL continues making progress outlining its huge Angostura deposit, now boasting over 10 million ounces of gold. The last round of drilling included 9.3 g/t gold over 12 meters in a 100-meter step-out hole. The elephant is starting to look like a monster.

Management says they are working on a scoping study, which will include a new resource calculation. That calculation is going to be based on some 40,000 meters of additional drilling since the last one. With intercepts like the one above included, we expect a very significant increase in the project's already world-class resource.

Meanwhile, it's full-speed ahead on the ground, with 12 drills turning (7 on the surface and 5 underground). The complex metallurgical testing program is progressing as well (complex due to the vein-swarm nature of the deposit).

Furthermore, the elections for Colombia's legislature in March came out very favorably for the current president, who stands for reelection in May. This is good news as the man is very pro-business and appears to be doing an amazing job of restoring order to this drug war-torn country. He enjoys a high degree of support and is viewed as likely to win.

All of this is very bullish, so why "Buy on Weakness"? As with several other recommendations like this, there is nothing wrong with the play, it has just shot up considerably recently, and it seems to us that speculators not yet long or wanting to add to their positions could simply buy at a better price than today's. But with everything this company has going for it, a double, even from C$11, does not seem at all unlikely.

IAMGOLD

T.IMG, AMEX.IAG, www.iamgold.com

Price	Share: C$10.05	MCap: C$1.35 billion	On: 3/31/06
History	Rec: C$2.40, 12/98	Gain: 318.8%	52-week: CV$6.68 - C$11.17
Shares	SO: 147,618,794	FD: 151,726,036	As of: 12/22/05
Warrants	UnEx: N/A	N/A	N/A
Options	Open: 4,107,242	W. avg. $6.59	Exp: 4 - 9 yrs
Cash	$137 million	Rev: $10.8 million/mo	As of: 12/31/05

ACCUMULATE—We continue liking IMG for being a competent, profitable, mid-tier gold producer, with plenty of exploration potential. The latter comes from the company's new elephant deposit in Ecuador, Quimsacocha, where management reports they should have a scoping study ready by the end of Q206. In addition, they are hard at work on other emerging prospects, including the promising Buck Reef.

The Quimsacocha scoping study should produce some attention-getting numbers. The latest drill results showed that "Strong mineralization exists for at least 500 meters beyond the initial one-kilometer resource area." The deposit is open in all directions. At 750 meters south of the existing resource, the mineralization still exists, with lower gold values but increasing silver grades. Best results included 84 meters grading 2.1 g/t gold and 12.3 g/t silver, 83.5 meters at 1.8 g/t gold and 21.4 g/t silver, and 18.5 meters of 0.6 g/t Au and 519.5 g/t Ag. Metallurgical testing results are expected out any day now.

Things have been going well on the M&A front as well, with IMG's acquisition of Gallery Gold just completed. This resulted in IMG gaining a listing on the Australian Stock Exchange and will add to IMG's annual production figures. Interestingly enough, it was some of the talent that came with the deal that management seemed most excited about in a recent phone conversation. As firm believers in People as the first of the 7 Ps, we view this as very good news.

IMG is big enough that it will take a lot to move the share price in a short period of time, so we're not expecting anything explosive from the company. However, unlike most of the companies we follow, this one makes money instead of burning it and has demonstrated both operational and financial savvy—and a very important ability to survive setbacks. With its large market cap and U.S. listing, it is also one of only a handful of gold companies that can attract the large institutional

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money that will begin flowing into this sector as people come to understand that gold's rally is for real. Consequently, we see IMG as a relatively low-risk way to play gold, while also picking up some additional exploration leverage. No need to rush out and buy it today, but it is one we recommend everyone add to their portfolio on the dips.

Lundin Mining

T.LUN, PK.LUNFF, SSE:LUMI, www.lundinmining.com

Price	Share: C$28.10	MCap: C$1.14 billion	On: 3/31/06
History	Rec: C$11.45,	2/05 Gain: 145.4%	52-week: C$9.49-C$28.24
Shares	SO: 40,693,831	FD: 41,406,331	As of: 3/24/05
Warrants	UnEx: none		
Options	Open: 712,500	C$7.75-C$21.18	Exp: 7/8/06 - 2/14/08
Cash	US$74.4 million	Net Inc: US$0.59mm/mo	As of: 12/31/05

BUY ON WEAKNESS—It's hard to believe we were considering selling LUN a year ago, news on expected M&A deals being slow to come. We held on largely because management is perhaps the most respected team in Vancouver, with companies that have made money for us and our subscribers time after time. We're glad we placed our trust in the team, as we've since seen this stock—which was pricey to begin with—more than double.

LUN continues operating very profitably, exploring successfully, and making new deals. The company just announced a new resource at its Zinkgruvan mine in Sweden, which included proven and probable mineral reserves of 8,161,000 tonnes, grading 9.7% zinc, 4.7% lead and 98 g/t silver. At the Galmoy mine in Ireland, LUN reported 3,553,000 tonnes grading 14.7% zinc, 4.1% lead and 26 g/t silver. We understand that exploration is going well at the Norbotten project in northern Sweden, with drill results and a resource calculation pending. Interestingly enough, the "really big deal" we keep expecting (the Lundins having put their name on this company) hasn't happened yet, so the big upside may still be ahead.

In the final analysis, Lukas Lundin, the driving force behind LUN wants to turn LUN into a major. That makes for a lot of room for growth in a relatively safe, money-making business. We're not sure we'll see a double in 12 months from here, but there's nothing wrong with the solid double-digit returns we expect to see—especially when your downside risk remains far less than pure exploration stocks of the burning match variety.

Our recommendation is only "Buy on Weakness" because the stock has been on quite a tear of late. That could mean that there is a deal imminent and that word is leaking out, but from our conversations with management, we think it's mostly just effective promotion in Scandinavia as well as in North America. Still, there are plenty of things that could knock LUN back, from weakness in some of its commodity prices to political trouble in some of the areas where it has projects (Iran). We'd try placing stink bids in the low $20s and leaving them on the table for a while, even absent bad news, you might get lucky.

Minera Andes

V.MAI, OTCBB:MNEAF, www.minandes.com

Price	Share: C$1.51	MCap: C$185.7 million	On: 3/31/06
History	Rec: C$0.88, 3/06	Gain: 71.6%	52-week: C$0.335-C$1.63
Shares	SO: 122,997,326	FD: 171,792,307	As of: 2/06
Warrants	UnEx: 42,204,981	C$0.50 - C$0.91	Exp. 12/14/06-3/22/10
Options	Open: 6,590,000	C$0.31 - C$0.61	Exp. 6/27/07-3/21/13
Cash	C$5.5 million- C$4mm in debt	Burn: C$5mm/mo	*2/06

*Includes mine construction.

BUY ON WEAKNESS—MAI is another recent pick where the story has not changed much. On a fundamental level, it's a relatively low-risk play with near-term production and lots of exploration potential in Argentina. Making headlines, however, the company announced a formal production green light on March 28. We still consider it a good buy, for all the reasons given last month, but the stock did jump quite a bit on the news, so it just makes sense to try to get in below current market, if you can.

NovaGold

T.NG, AMEX.NG, www.novagold.net

Price	Share: C$17.81	MCap: C$1.6 billion	On: 3/31/06
History	Rec: C$8.38, 11/05	Gain: 112.5%	52-week: C$8.13-C$18.15
Shares	SO: 87,936,000	FD: 102,156,000	As of: 2/8/06
Warrants	UnEx: 6,943,000	W. avg. C$9.48	Avg. life: 2.37 years
Options	Open: 7,277,000	W. avg. C$5.53	Avg. life: 8.35 years
Cash	US$185 million	Burn: C$8.3mm/mo.	As of: 3/06

BUY—NG has lived up to our hopes in short order, thanks both to strong price of gold recently as well as the solid progress the company continues making on the

Peruvian Play Updates

A single factor affecting our Peruvian plays overrides all others. It's worth emphasizing, but not repeating, so we're covering our two *International Speculator* picks with primary properties in Peru in this section. (Readers who also subscribe to our CIA service may want to apply the discussion to *CIA*'s Peruvian picks.)

The factor in question, of course, is the Peruvian presidential election, slated for 6 days from now (April 9, 2006). The bad news is that the flaming socialist, "I wanna be badder than Chavez" candidate, Ollanta Humala, is leading in the polls. That may be the good news, too—it's hard to tell. Our sources in Peru tell us that as the election draws closer, Humala's rhetoric gets more and more vitriolic every day. If you believed everything he said, it would seem that he's prepared to nationalize everything and completely destroy the Peruvian economy. But he's a politician, clearly doing more of what has worked for him thus far… at least in public. We're told that behind closed doors with Peruvian business leaders, he's much more reassuring.

Around here, we're skeptical about anything he says—as we are of Lourdes Flores, his supposedly right-wing opponent who spouts many of the same positions. Even so, Humala has no track record as a reference point, and there's no way to tell which special interests he might be beholden to. He might just be smart enough to say whatever will get him elected and then practice the usual variety of Latin American crony capitalism that has enriched so many of his predecessors. Or he could actually believe what he says and trash the Peruvian economy so thoroughly it could take generations to recover.

Given the unknown and the unknowable, the election itself is meaningless to speculators, at least for predicting what policy changes might lie ahead for the Peruvian mining industry. However, Humala's rhetoric is scary enough that there's a good chance companies with primary assets in Peru will take a hit if he comes out on top. The way things work in Peru, there would probably be a run-off election, with an outcome too close to call. So, if anything bad is going to happen, we would probably have at least the time until the run-off to adjust our portfolios—but the market may not understand that and may react as though nationalization were imminent if Humala is the victor in the first round.

If that happens, and if you have an appetite for high-stakes speculation, you'd want to buy with both hands what everyone else is selling. If Humala turns out to be a tempest in a tea pot, you could pick up substantial positions in some very high-quality plays at fire sale prices. Of course, if you guess wrong, your positions will likely go up in flames.

Consequently, we are switching both Fortuna Silver Mines (V.FVI) and Bear Creek Mining (V.BCM) to a HOLD/TAKE PROFITS. If you are anywhere near a double, or better, it certainly makes sense in the face of increased political risk to recover at least your initial investment now. You can always increase your position again later, possibly at lower prices. For our part, we're going to recover our initial investments and then hold. Then we'll continue monitoring the situation on the ground in Peru closely, hoping for an opportunity to reload if the market overreacts on the downside. Both of these are great companies with outstanding projects, so we definitely want to keep as many of our chips on the table as possible.

ground. That progress includes adding 3 million ounces of gold to the Donlin Creek project, almost 60,000 meters of drilling completed at Galore creek, with excellent intercepts such as 102 meters of 2.69% Copper Equivalent (CuEq)(1) or 4.43 g/t Gold Equivalent (AuEq), and getting the final stages of permitting underway at the Rock Creek project, which is still on schedule for construction to start this year.

Given that NG tends to track gold closely, and our expectations for higher gold prices this year, it's a safe bet NG is headed higher still. The company has plenty of money with which to pursue its ambitious agenda and continue generating eye-opening results. On the other hand, moving a project—let alone three—into production is fraught with opportunities for things to go wrong. Permitting delays in Alaska could knock the stock back, as could other operational setbacks, such as the rumor reported by the Vancouver Sun last month that the company may be having difficulty getting power as planned from the provincial electrical grid. At the end of the day, however, there are multiple ways to win with NG, so while we're not sure we see another double from here, we're not worried. If you're sitting on a double or better and want to recover your initial investment, that would be the cautious thing to do. We are holding to see what happens next and would recommend that anyone looking to get into the play now look for retreats in

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the share price before buying—a significant correction in the price of gold could easily send NG back to C$14 before it heads back up again.

PGM Ventures

V.PPG, www.pgm-ventures.com

Price	Share: C$0.70	MCap: C$56.2 million	On: 3/31/06
History	Rec: C$0.90, 3/05	Loss: 22.2%	52-week: C$0.52-C$0.90
Shares	SO: 77,302,754*	FD: 104,273,510	As of: 12/16/05
Warrants	UnEx: 20,515,756	C$0.57 - C$0.72	Exp: 9/3/06 - 2/2/07
Options	Open: 6,455,000	W. avg. C$0.60	Exp: 7/16/06 - 3/16/08
Cash	C$3,087,784	Burn: C$568,000/mo	As of: 9/30/05

*There have been two financings since this number was accurate, and probably some paper exercised, but current data has not yet been published

HOLD or SELL—PGM continues to keep us twisting on a hook; will this project go or not? We're convinced the Aguas Tenidas deposit is viable, on a mineral basis. However, we're concerned about management's ability to pull it off. While the company does seem to basically do what it says it will do, everything seems to take longer than anticipated, and there seems to be a steady flow of unpleasant surprises. For example, though we anticipated a fair bit of dilution before the first batch of concentrate is produced, the number of back-to-back financings (the latest consisting of 9.25 million shares at 70 cents—fortunately, with no warrants) before the construction financing itself is announced is getting old.

The latest is that all the permits have been applied for and management expects to be able to announce a construction financing deal within a week or two, and to start building the new mill in June. If that happens, great; our patience will have paid off. If the financing isn't announced when promised, however, we will have to think about selling. While doing so might cause us to have breakfast foods on our face should the project subsequently take off, there are so many other exciting plays out there that, should the company continue to fall short of expectations, we are going to have a hard time leaving our cash in PGM for much longer. We'll publish an updated recommendation on the Our Stocks page of our web site, as soon as the construction financing is announced—or fails to be announced on time. If you don't want to wait until then, no one here would blame you for taking a modest tax loss now and redeploying your capital.

Radius Gold

V.RDU, PK.RDUFF, www.radiusgold.com

Price	Share: C$0.84	MCap: C$44.8 million	On: 3/31/06
History	Rec: C$1.01, 2/03	Loss: 16.8%	52-week: C$0.495-C$1.50
Shares	SO: 53,310,988	FD: 58,479,320	As of: 2/22/06
Warrants	UnEx: none		
Options	Est.Open: 5,168,332	C$0.68 - C$2.03*	Exp: 4/15/06 - 2/22/11
Cash	C$ 12 million	Burn: C$240,000/mo	As of: 3/06

*50,000 at C$1 exp 4/15/06

HOLD or SELL—The story here is basically unchanged from our last recommendation; we're waiting to see what happens when JV partner Meridian Gold completes its second round of drilling on RDU's flagship Natividad property (formerly El Pavon). That drilling should get underway any day now, but results are probably not less than a month into the future.

We're glad to see that RDU has bounced back from its unfortunate step off a cliff last summer, when the first round of drilling on Natividad produced disappointing results. In spite of the fact that the gold could still well be there—epithermal systems like this are notoriously hard to drill—we were down by almost 50% after that news came out. We have now recovered most of that lost ground, so folks who are nervous about this next round of drilling can be forgiven for recovering their cash, while most of it is back on the table. For our part, we're holding. We know this team is highly competent, and believe that, given the past disappointment, the gains could be spectacular if they hit pay dirt this summer.

Regalito Copper Corp.

T.RLO, AMEX:RLO, www.regalitocopper.com

Price	Price: C$6.88	MCap: C$150.8 million	On: 3/31/06
History	Rec: C$6.75	Gain: 1.9%	52-week: C$5.10-C$7.72

SELL—On March 14, 2006, Regalito announced that it signed an agreement with Pan Pacific Copper Co. Ltd., for an offer on all of the issued and outstanding shares of Regalito for a cash payment of US$6.00 per share. Pan Pacific's offer:

- Values Regalito at approximately US$137 million on a fully diluted basis

Own This Stock

BEST BUY

Vista Gold

T.VGZ, AMEX.VGZ, www.vistagold.com

Price	Share: C$6.66	MCap: C$140 million	On: 3/31/06
History	Rec: C$4.43, 3/04	Gain (Peak): 50.3% (56.9%)	52-week: C$3.45-C$6.95
Shares	SO: 21,036,518	FD: 29,592,499	As of: 2/2/06
Warrants	UnEx: 7,680,356	W. avg. $3.57	Exp: 2/07 - 2/08
Options	Open: 875,625	$3.05 - $4.76	Exp: 02/06 - 9/10
Cash	US$8 million	Burn: C$375,000/mo	As of: 12/31/05

BUY—Vista Gold is our favorite gold land-bank, a company over which we think the stars are aligning in 2006. There are several **BEST BUYs** highlighted in this issue—this one may be *the* **BEST BUY**. Consequently, we're placing it here in this box, so it won't get missed down there near the end of the alphabet. This does NOT mean you should go out and pay more than you have to for this stock. There is no recently completed drill program on which assays are pending. It's simply a matter of the fundamentals lining up, and so we recommend looking for opportunities to buy at a good price over the next week or two.

In brief, the company has 14.8 million ounces of gold in a dozen projects, mostly bought on the cheap when gold was under $300. Now that gold has risen over $500 and stayed there (on its way still higher, we believe), Vista has updated Bankable Feasibility Studies on two of its projects: the Hycroft Mine in Nevada and Paredones Amarillos in Mexico.

After buying out a killer underlying royalty on the permitted and bonded Hycroft mine, this asset is just about ready to go, with 663,000 ounces of gold in Proven and Probable reserves. US$18 to 20 million in capital expenditures would generate a 70% Internal Rate of Return (IRR) at $550 gold, yielding an Net Present Value (with a 5% discount) of $52 million on this one property alone. And we're told there's a lot of blue sky potential on the property.

At Paredones Amarillos, the company has 2,022,000 oz of gold resources, including 1.58 million oz in reserves. Initial capital of $98 million (for a 11,000 tpd plant) would achieve an operating cost of $292 per ounce. At $550 gold, IRR is 24% and NPV5% is $144 million.

And that's just the beginning. Management says the company is now moving to a higher gear and wants to develop the—until recently— latent potential in its portfolio aggressively.

To do this, some financing might be necessary. In that case, you'll want to see if the company goes for a non-brokered deal, which would allow retail participation. With Vista's formerly uneconomic assets starting to turn economic, however, they may be able to negotiate a brokered deal that gets them on the road faster—or they may turn around and sell one of their projects for enough cash to advance several of the others.

Another move that might make sense, now that the Hycroft mine is looking viable again, is for the company to do a spin off of the more than 50 Nevada properties that Vista picked up when it bought F.W. Lewis, Inc., the company that owned the Net Smelter Royalty on Hycroft. Management can't comment on such possibilities, but given McEwen's success—at least from a share price perspective, of consolidating a large package of Nevada properties—others have got to be considering the possibilities.

We'll just have to see.

Meanwhile Vista currently gives shareholders ownership of 0.7 ounces of gold in the ground per share, many of them in the top-dollar Proven and Probable categories. And yet the market is only valuing the company at about $9.5 per ounce—well below the comparables. This situation can't last. Don't do anything rash, but be sure to pick up some VGZ over the next week or two—try to get your shares for less than C$6.50, but even if you had to pay the current market price, you should be a very happy camper a year from now.

- Represents a 17% premium to Regalito's closing price on Monday, March 13, 2006
- Represents a 12% premium to Regalito's average closing price for the month of Feb. 13 to March 13, 2006

The transaction is to be effected by way of a takeover bid. The takeover bid circular is to be mailed to shareholders no later than mid-April, 2006, and subject to achievement of a minimum tender condition of 66-2/3%, the transaction is expected to close in May 2006.

The board of directors of Regalito has unanimously approved the transaction.

As we commented on the Our Stocks page when this news broke, the above offer may be "fair", but we were, frankly, hoping for more. On the other hand, if we're right about a coming correction in base metals prices, RLO is probably wise to take what it can get. At this point, you can hold on to your shares and wait for Pan Pacific to cash you out, or if

(continues …)

you need a source of cash sooner, you could go ahead and sell gently into the market of people looking to make some bucks on the arbitrage.

We'd like to note, however, that RLO is a spin-out of Lumina Copper, which we recommended at C$6.40 in March of 2004. Lumina split into four companies, RLO, which we held; Lumina Resources (T.LUR) and Northern Peru Copper (T.NOC), which we sold; and one Global Copper. The latter is still private and we recommended selling when it starts trading, which should be soon. You may want to keep Global as a "free Ross Beaty play" as it might pan out for you. Being bearish on base metals, we still plan to sell into the volume created by the IPO

Sanu Resources

V.SNU, PK.SNULF, www.sanuresources.com

Price	Share: C$0.72	MCap: C$12.7 million	On: 3/31/06
History	Rec: CV$0.75, 1/05	Loss: 4%	52-week: C$0.23-C$1.10
Shares	SO: 17,659,019	FD: 25,657,019	As of: 2/22/06
Warrants	UnEx: 6,720,000*	C$0.75 - C$0.90	Exp: 3/4/06 - 4/6/07
Options	Open: 1,278,000	C$0.55 & C$0.60	Exp: 3/12/09 - 2/17/10
Cash	C$134,854 Burn:	C$323,750/mo.	As of: 12/31/05

*4.22 million expired on 3/4/06, probably in the money at the time.

HOLD or SELL—Sanu, a junior explorer with projects in Africa, was pushed to the edge of oblivion in 2004 and 2005. First, the government of Eritrea, where SNU had its flagship project (a possible extension of Nevsun Resources' world-class Bisha deposit) gave all the mining companies a serious setback when it froze all exploration activity for several months. SNU and the others saw their share prices plummet, to recover slowly as the political risk seemed to subside. But then the first round of drilling on SNU's Eritrean concession didn't find the hoped-for high-grade extension of Bisha. At that point we were ready to sell, but the share price had been knocked so low (down to the 20-cent range), there just didn't seem to be any point. We're glad we held as the company has since acquired new projects in Burkina Faso and hit promising massive sulphide intercepts (54 meters of 1.24% copper) on its Hambok Eritrean concession.

Now we're just about even, and the company still has a long road to travel. On the one hand, getting out now while the getting is good is a perfectly rational decision. On the other hand, it's hard to find a junior with a competent team and interesting prospects this cheap. Yet, be clear that you should not hold it, or buy it, unless you are an aggressive speculator by temperament and playing with money you are comfortable losing—or having sit idle for some time yet to come. With that caveat, this management team has shown it can survive very hard knocks, and we know they are busy competently pursuing prospective targets in a mineral-rich part of the world.

END NOTES & QUOTE

There are two bonus articles in the online version of this newsletter. One is an obituary for Harry Browne, famed libertarian investment advisor, and the other a commentary on the political spectrum in our society. We encourage you to read both.

If you find yourself interested in the ideas Harry stood for, or the questions presented in our commentary on the political spectrum, you'll find a lot of related ideas worth thinking about in *Liberty* magazine, which we highly recommend. You should have found a flyer for *Liberty* folded into this newsletter.

Also, due to how long this issue has already turned out to be, we're not including the lengthy review and commentary on "V for Vendetta" we had on tap. Suffice it to say that we liked the movie very much and do highly recommend it. Instead of the review, we'll leave you with one more quote, which pretty much sums up the most important point:

"Ideas are bulletproof."

—V