

# I'm gonna eat a worm

Bob Moriarty  
September 24, 2006

*Everybody hates me, nobody loves me, I'm gonna eat a worm.*

We happen to be at the end of a brutal correction for gold and silver. I wouldn't be at all surprised by a retest of the yearly lows but we are seeing the type of capitulation we see when investors have given up. There are two areas of extreme. Investors rush from being wildly optimistic to horribly pessimistic. It's a cycle which repeats itself again and again. The surest way to make money is to buy when no one wants the juniors. Sell when everyone wants them. Today we have stocks dropping in large single digits and often double digits on scarce volume. Today is the time to buy.

I'm going to make some short comments on a few of the stocks I follow closely. That is not to say these are the stocks you should buy or these are the only stocks you should buy. It's a buyer's market and the market is at a stage where you can throw money at it and be fairly assured of having higher prices in the future. It's a fairly low risk buy point.

Adanac Moly (AUA-V \$1.14 Canadian, 56 million shares outstanding) The most advanced big moly project. Sitting on hundreds of millions of pounds of **moly** and is 18 months away from production. The Capex on production is slightly over \$400 million but with \$28.50 moly, one of these days someone is going to figure out they need a big moly project and step up to the plate.

Apogee Minerals APE-V \$.79 Canadian, 42 million shares outstanding) got whacked earlier this year when Bolivia President Evo Morales started talking about nationalization of the gas industry in Bolivia. I believe the market overacted. APE has been coming out with extraordinary drill results. If you like **silver/lead/zinc** stories, APE is worth looking at. Could be an easy five-bagger. Well cashed up.

Canaco Resources (CAN-V \$.69 Canadian, 27.6 million shares outstanding) **Gold** grassroots exploration story in Tanzania. If I told you how much I like their Morogoro project, I'd have to shoot you. This is my biggest position of all in any stock. I'm going to Tanzania in a month and I'll tell you the story after I see drill results. If they hit it will be out of the ball park. If they don't, they have lots more great properties. It's a cheap lottery ticket. Tiny market cap, giant potential. If I said more, you wouldn't believe me any way. Believe the drill results.

Cash Minerals (CHX-V \$1.57 Canadian, 68 million shares outstanding) Look for some eye popping assays in **copper** and **uranium** from the Yukon. I visited them a year ago and again two months ago and the progress knocked me over. Big potential, wonderful progress. Grass roots but they have the best geo in the Yukon. Maybe in the universe.

Copper Canyon Resources (CPY-V \$1.14 Canadian, 48.3 million shares outstanding) **Copper** exploration, part of NovaGold-Barrick story. Spun off from Eagle Plains. Lots and lots and lots of copper. Takeover candidate or buyout from NovaGold.



Fortuna Silver Mines (FVI-V \$1.60 Canadian, 44 million shares outstanding) **Silver** production in Mexico and nearby **silver/lead/zinc** production in Peru. I love this company. It belongs to the Simon Ridgway stable. He is the best in the business. Easy five-bagger.

Full Metal Minerals (FMM-V \$2.29 Canadian, 29.6 million shares outstanding) Advanced **gold** exploration in Alaska, advanced **copper** exploration in Alaska, grass roots **uranium** exploration in Alaska. All the lack of political risk associated with operating in the US but all the mineral potential of the best in the world. 1st class management in both promotion and technical. Young guys which is a real advantage and either the best properties in Alaska or tied for the best properties. They have so many lottery tickets that they aren't going to win one prize but 3-4 prizes. Company is an easy slam-dunk five bagger.

Galantas Gold (GAL-V \$.245 Canadian, 157.8 million shares outstanding) **Gold** ultra-near-term production story in Northern Ireland. 2nd dumbest management in the mining business. The dumbest and worst at communication is Excellon, EXN and they went from \$.20 in December of 2005 to \$1.42 in April. If Excellon can overcome abject stupidity, so can Galantas. Too many shares outstanding, hopeless at communication but they are going to surprise even me by getting into production at a higher grade than anyone imagines. I can't help but wonder how they would do if they were managed like a real company.

Goldbelt Resources (GLD-V \$1.03 Canadian, 51.3 million shares outstanding) **Gold** near-production story in Burkina Faso. They expect to be in production in 4th quarter 2007. Near surface oxide gold, brilliant management. Look for them to end up controlling gold production in Burkina Faso. This is the time to buy. 74% of the company is in the hands of major institutions and management. Really tightly held. Another Desert Sun with half the number of shares. Ten-bagger from here.

Great Panther Resources (GPR-V \$1.70 Canadian, 65.1 million shares outstanding) **Silver** production story in Mexico. The least political risk of any primary silver producer in the world, targeting 5 million ounces of production for 2007. Great management. Controls a mining district which once produced 1/3 of the silver being produced in the world at the time. Easy five-bagger.

Horizon Industries (HRZ-V \$.30 Canadian, 17.0 million shares outstanding) **Natural Gas** production, Natural Gas exploration in Texas. They just brought one NG well on line which is worth as much as the market values the entire company. Bringing on an additional two wells any time. Drilling another well in 6-8 weeks. I really like management and this is our 2nd largest position in an energy company. No downside, lots of upside. I like that.

International Tower Hill (ITH-V \$3.10 Canadian, 30.4 million shares outstanding) **Gold** advanced and grass roots exploration in Alaska. Entered into a JV with AngloGold with AU tossing in nine major properties in Alaska. Brilliant management, brilliant projects being fast tracked. 24 million shares out of the 30 million becoming free trading on Dec 5. Great buy at a price. My top gold exploration play.

**Ivory Energy** (IV-V \$.57 Canadian, 31.9 million shares) **Oil/Natural Gas** production in Western Canada. It's a Greg Hall company. When he calls and says send a check, I send a check. Peak oil is real and if you don't have any energy stocks, you are going to be caught at the airport when your ship comes in. The race is not to the swiftest, nor the battle to the brave but that is the way to bet. There is no better management in energy which I am aware and the company is an easy 10 bagger.

Jinshan Gold Mines (JIN-V \$1.31 Canadian, 129.5 million shares outstanding) **Gold** near-term production story in China. Look for production 1st quarter 2007. Another Desert Sun story. Lots of China potential. Too many shares outstanding to be a five-bagger but high potential for a buyout from a major at three+ bagger.

Landmark Minerals (LML-V \$.43 Canadian, 5.1 million shares outstanding) **Uranium** exploration arm for Simon Ridgway. With a \$2 million dollar market cap, cash in the bank and a price at the low of the year, where would you expect this company to go?

NovaGold (NG-T \$17.46 Canadian, 91.4 million shares outstanding) Advanced **gold** near term production in Alaska, advanced gold exploration Alaska, advanced **gold/copper/silver** exploration in BC. This has been the best trading stock in Canada for five years. If you bought every year when they got cheap and sold when they got expensive you could make 100% a year. Best management in Canada, maybe in mining anywhere. Barrick is attempting a takeover at \$14.50 a share but Jeff Gannon has a better chance of being elected Pope than Barrick has of taking over NovaGold at that price. Try doubling your price, Barrick, and a few people might start thinking about it. Barrick taking over NG is like turning wine into water.

Olympus Pacific Minerals (OYM-T \$.365 Canadian, 164.5 million shares outstanding) **Gold** production story in Vietnam. In production now, adding ounces and another mill soon. If you like higher gold, you have to like low-cost in production stories. They should do a roll back. Nobody makes any money with 165 million shares outstanding but managers hate roll backs and avoid them even when it hurts them. If this was a \$5 stock, every fund would want some.

Pinnacle Mines (PNL-V \$.90 Canadian, 19.5 million shares) **Gold/silver/lead/zinc** advanced exploration in Northern BC at Silver Coin property. Will complete 20,000 meters of drilling this year. Keeps adding resources. China potential. Good management.

Roxmark Mines (RMKL-C \$.16, Canadian, 115 million shares outstanding) **Moly** production story in Ontario, **gold** past production, advanced-exploration-for-gold story. Way too many shares outstanding. Who wants to finance at \$.13? Wrong exchange. Hopeless at telling their story. But a good story and in production on moly at \$28.50 a pound which should bring in enough money to advance some really nice past production gold projects.

Running Fox Resources (RUN-V \$.55 Canadian 29.8 million shares outstanding) **Natural Gas** production, Natural Gas exploration, gold exploration, oil field service business. They stand to show \$7+ million in revenue and \$1 million or so in profit. Yes, that's right folks, I said PROFIT. I know it's an unusual term but some people know what it means. Gold potential kicker but the real story is the natural gas exploration potential and oil field services. Should be an easy five-bagger. Any increase in NG prices and they will pole vault higher. Really leveraged to NG.

Silvercorp Metals (SVM-T \$12.59 Canadian, 48.2 million shares outstanding) Ultra-high grade **silver/lead/zinc** story in China, brilliant management, brilliant directors. I love China. I love the China story. Zinc is in shorter supply than copper or nickel. If you only own one silver/lead/zinc company this should be it. But trade the stock. I visited the company earlier this year and loved the story but the stock was near \$21 and was ahead of itself. It's back to way underpriced. Expect them to make a boatload of money (PROFIT) this year. I expect SVM to be the leading China miner for a long long time. When they get expensive, sell. When they get cheap, buy. They are cheap.

Tagish Lake Gold (TLG-V \$.25 Canadian, 67.7 million shares outstanding) **Gold** near-term production story located in the Yukon. They have two mines and a mill. It won't cost much to get back into production. They have spent a ton of money this year in development costs to drive a drift but look for continuous release of gold assays now they can drill underground. Easy five-bagger. Production in 18-24 months.

YGC Resources (YGC-T \$1.55 Canadian 56.5 million shares outstanding) **Gold** near-term production story located in the Yukon. 1.8 million ounces of gold resources, look for eye-popping increase in 43-101 any day now based on 20,000 meters of drilling this year. Should be back in production in 2008. Has a mill, doesn't need to spend much to get into production. Their biggest problem is learning to communicate effectively what they have. Until then buying them is as easy as falling off a bike. Slam dunk for five-bagger and the biggest danger is a major taking them over soon. Fully cashed up into production. Desert Sun story with half the shares and five times the gold. This is my number 1 gold pick.

Wealth Minerals (WML-V \$1.38 Canadian, 19.5 million shares outstanding) **Uranium** grassroots exploration in Argentina, **gold** grassroots exploration in BC. Lots of potential, selling near the low of the year. Five-bagger if they hit on either uranium or gold.

We own most of the stocks mentioned and many are advertisers. They may or may not be the best companies to be buying today but they are the companies I know best. We have an opinion and it's biased and you should take that into account.

There is a chart which I have mentioned before and I find it quite helpful when picking entry and exit points in gold shares. It's not perfect but it gives low risk entries and certainly tells you when shares are getting expensive.

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Source: <http://www.321gold.com/editorials/moriarty/moriarty092406.html>