

Brien Lundin Says Don't Miss This Buying Opportunity

The Gold Report www.TheAURreport.com

09/15/2014

COMPANIES MENTIONED

- Aftermath Silver Ltd.
- Agnico Eagle Mines Ltd.
- Almaden Minerals Ltd.
- Asanko Gold Inc.
- Cayden Resources Inc.
- Columbus Gold Corp.
- Fission Uranium Corp.
- Inca One Resources Corp.
- Lion One Metals Ltd.
- Precipitate Gold Corp.
- Roughrider Exploration Ltd.
- Source Exploration Corp.
- Wellgreen Platinum Ltd.

Brien Lundin, founder of Jefferson Financial, producer of the New Orleans Investment Conference and *Gold Newsletter*, believes at least a small amount of the massive liquidity produced by loose monetary policy in Western economies will find its way into mining equities following a summer pullback in equity prices—but don't wait long. Lundin expects the "buying opportunity" to last for two, maybe three weeks before seasonal gold demand pushes prices higher. In this exclusive interview with [The Gold Report](#), Lundin discusses a select group of gold and precious metals equities that he expects to perform well as near-term news reaches the market.

Source: [Brian Sylvester of The Gold Report](#)

The Gold Report: On July 30, you sent out a *Gold Newsletter* alert that forecast a pullback in the midsummer bull market. The next day the Dow dropped 317 points, while the NASDAQ fell about 93 points. Since then the Dow has climbed back above 17,000, the NASDAQ above 4,600. Should investors dismiss that drop or do you believe it was akin to a tremor preceding an earthquake?

Brien Lundin: That particular call made me look like a genius at the time, but right after that drop the stock market took off and reached new highs. The stock sell-off in late July was a sign that investors were nervous because we haven't had a meaningful correction during this bull market. However, there are potential pitfalls ahead for the economy—we still have to navigate the U.S. Federal Reserve's ending of quantitative easing and its first interest rate hikes. There's nothing directly ahead that indicates a major correction will occur, yet these things happen when you're least expecting them.

"Almaden Minerals Ltd.'s Ixtaca is already a multimillion-ounce deposit that justifies development."

TGR: You've been warning investors in *Gold Newsletter* about the erosion of the foundation of the U.S. equity market. Please give our readers a few points to underpin your thesis.

BL: When I put forth that thesis, Q1/14 gross domestic product (GDP) had missed consensus estimates by 3.3%. The consensus going into that report was for 1.2% growth but it turned out to be just 0.1%—only to be subsequently revised further down to -2.1%. The miss for the consensus estimate was remarkable.

I posited that these reports had possibly captured some underlying weakness in the economy. I expected a rebound in Q2/14 because a lot of economic activity was put off due to the unusually cold winter weather. But Q2/14 GDP was over 4%. I certainly wasn't expecting anything like that, and neither was anyone else.

So, the idea of a major stock market decline stemming from a weakening U.S. economy has become more remote, at least for the time being.

TGR: What are you seeing now?

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BL: The massive amount of money created in developed economies since the 2008 credit crisis really has not resulted in significant retail price inflation. If anything, there has been disinflation in major economies, such as in Europe where the European Central Bank is now turning to quantitative easing. The real result of quantitative easing in the U.S. and loose money policy throughout the Western economies is a virtual flood of liquidity looking for places to land. It's why we have U.S. Treasuries being bid down to their lowest rates ever, while the U.S. stock market is hitting record highs. Those two asset classes should be at opposite sides of the seesaw, but there's so much money looking for a home that both are soaring simultaneously.

"We have followed [Asanko Gold Inc.](#) from its inception and still recommend it."

TGR: The Market Vectors Junior Gold Miners ETF (GDJ:NYSEArca) has been trading lower since mid-July. In fact, the Dow Jones Industrial Average has outperformed that ETF over the last month or so. Is that a buying opportunity?

BL: I think so. The timing is critical, though. While I don't see a near-term, fundamental driver to push the market higher in the very near future, there are some factors that I think will push the junior resource stocks and the metals higher this fall. So your real buying opportunity is probably over the next couple of weeks.

"Anyone looking at [Cayden Resources Inc.'s El Barqueño](#) could see how the geological model was fitting together and the clear potential for a multimillion-ounce deposit."

All of the liquidity that I referred to earlier has to go somewhere. There's a broad consensus that gold is going lower and a lot of money is shorting gold. At some point over the next month or so—at the first sign that gold is not going lower—we're going to see some short positions get covered, and that ocean of money is going to start sloshing into gold and silver. At that point

we should also see stronger seasonal demand for gold and that also will help power the gold equities market forward.

TGR: One company that you follow in *Gold Newsletter*, [Cayden Resources Inc.](#) (CYD:TSX.V; CDKNF:OTCQX), recently received a takeover bid from [Agnico Eagle Mines Ltd.](#) (AEM:TSX; AEM:NYSE). The cash and share deal values Cayden at about CA\$209 million, a 45% premium to Cayden's share price on the day the bid was made. What stands out in that transaction?

BL: A lot of people were surprised by that transaction because Cayden does not yet have a resource estimate for El Barqueño, nor even all the necessary permits to drill the targets it had found through surface sampling. It's a very early-stage takeout bid, but as we've been reporting in *Gold Newsletter*, anyone looking at El Barqueño could see how the geological model was fitting together and the clear potential for a multimillion-ounce deposit.

Cayden also has a great land position with the Morelos Sur project, which is next to [Goldcorp Inc.'s](#) (G:TSX; GG:NYSE) Los Filos mine. That gives Cayden a lot of leverage, and thus the bid by Agnico Eagle could be just the first volley in a bidding war. It's quite possible that Goldcorp will make a counterbid to acquire the important land next to Los Filos.

"[Columbus Gold Corp.'s Paul Isnard](#) project has a clear path toward production at this point, and it's all paid for."

TGR: Keegan Resources. Cayden Resources. Both juniors received takeover bids. Should investors follow Ivan Bebek and his team to the next company?

BL: Absolutely. Bebek and his team had Keegan, which became [Asanko Gold Inc. \(AKG:TSX; AKG:NYSE.MKT\)](#). We have followed Asanko in *Gold Newsletter* from its inception and still recommend it. That team now has another winner with Cayden and already has other things in the works. I'm not certain what that venture would be but it would really behoove investors to jump on board once this team gets moving on it.

TGR: What are some other junior gold names you're following in *Gold Newsletter*?

BL: I like [Almaden Minerals Ltd. \(AMM:TSX; AAU:NYSE\)](#). The company recently published a revised preliminary economic assessment (PEA) on its Tuligtic project in Mexico that improves its net present value and rate of return, while lowering capital costs—which are still about \$400 million (\$400M), but that's much better than before. Almaden is now focusing on drilling some targets outside the resource zone. It's an intriguing exploration area around the current resource. The project has a long way to go up the value curve as it works more on the economics and toward feasibility.

["Fission Uranium Corp. is really a bet on higher uranium prices."](#)

TGR: Almaden just raised more money to drill other targets on Tuligtic but it spent a lot of money trying to find the high-grade core of the Ixtaca deposit, which really hasn't been found yet. Now it's going to

focus on other targets. How should investors read that?

BL: The other targets where Almaden is drilling are areas where it has already done some exploration drilling. Almaden is attempting to expand its resource, but Ixtaca is already a multimillion-ounce deposit that justifies development. What the company doesn't have right now is a market where these kinds of achievements are rewarded. When the market turns around, the major producers will cherry pick the best of these deposits at reasonable prices. There aren't many at the top of the list but I think Almaden is going to be there. Companies that control these projects will be taken out at significant premiums to their current levels. Cayden may just be the first shoe to drop as these larger companies become more aggressive before the market takes off again.

TGR: What are some others?

BL: I also like [Columbus Gold Corp. \(CGT:TSX.V; CBGDF:OTCQX\)](#). It is about to get a third drill turning on its Montagne d'Or deposit, part of the Paul Isnard project in French Guiana. Joint-venture partner Nordgold N.V. (NORD:LSE) is funding all of the exploration up to \$30M or a bankable feasibility study to earn 50.1% of the project. The drill results have been great. One recent hole hit 33.5 meters of 3.15 g/t Au. Essentially, the company is expanding the resource even as they're infill drilling.

Columbus also raised some money that will help it advance a great suite of exploration projects in Nevada. It's a company that is going to keep turning out news for the foreseeable future and is a great buy for a long-term investor looking for real value.

TGR: In May, Columbus announced that its PEA on the Paul Isnard project in

French Guiana overstated the grade and ounces contained in the deposit. Nonetheless, a few days later, Nordgold made its scheduled \$4.2M payment to Columbus to continue its earn-in. The share price is now about \$0.40. What's next?

BL: It's obvious that Nordgold didn't see that hiccup with the resource estimate as an issue. Some of the grades were "smeared" across areas where there wasn't enough drilling density to support those grades. As the companies continue infill drilling at much tighter drill spacing, they are bringing Inferred ounces into the Indicated category. The deposit is growing because a lot of those ounces were never included in any previous resource estimate. The resource will probably end up significantly larger than it was before that little hiccup. It has a clear path toward production at this point, and it's all paid for.

"I don't really see any big roadblocks as [Lion One Metals Ltd.](#) advances [Tuvatu toward production.](#)"

One other company I like in the gold space is [Precipitate Gold Corp. \(PRG:TSX.V\)](#). The company is drilling its project in the Dominican Republic that's adjacent to GoldQuest Mining Corp.'s (GQC:TSX.V) Romero discovery. Precipitate has found some great surface gold anomalies from trenching and is drilling below these trenches. We expect some results fairly soon. That's an exploration play that has a lot of potential in the very near term.

TGR: In your newsletter you call Precipitate a "buy" yet the 12-month price charts for Precipitate and GoldQuest look quite similar. Why a "buy" for one and not the other?

BL: The charts may look similar, but the market values certainly aren't. Precipitate is a buy right now precisely because GoldQuest had made a discovery, and Precipitate has yet to. Thus, the upside potential is very large for Precipitate at this point.

TGR: It's a good sign that you're once again adding companies to *Gold Newsletter* and placing some of them on your buy list. Please tell us about some recent additions.

"The upside potential is very large for [Precipitate Gold Corp.](#) at this point."

BL: One is [Lion One Metals Ltd. \(LIO:TSX.V; LOMLF:OTCQX; LY1:FSE\)](#). We had previously recommended the company, but it went relatively dormant as the market went into its multi-year malaise.

Lion One is headed by noted mining financier Wally Berukoff and it was rejuvenated when it became apparent that Berukoff was going to move the company's Tuvatu gold project forward. Berukoff is a proven entrepreneur in the resource industry and his decision to once again advance the company caused me to put it back on our recommended list. Lion One has a clear path to production. The capital cost to build a mine is going to be \$40M or less and I don't think raising that amount will pose a problem for that group, even in this market. That's a company looking to take advantage of the next up cycle.

TGR: Is \$40M all Lion One needs to build a mine in Fiji?

BL: That's all it needs in capital. It will obviously need some permits but a good bit of that work was done while the company had supposedly gone quiet. Fiji is generally pro-mining and many locals are looking for work, so I don't really see any big roadblocks as Lion One advances Tuvatu toward production.

TGR: What are some others that you've added?

BL: An interesting company I recommended recently is [Inca One Resources Corp. \(IO:TSX.V\)](#). Illegal mining in Peru has created an environmental catastrophe, so the government is clamping down on illegal miners and forcing them to process their ore at approved facilities. Inca One is taking advantage of the new laws by building milling facilities, buying ore from the miners and making a markup on that ore. The business model is eminently scalable.

When the company reaches a production rate of about 100 tonnes per day, which it should shortly, it expects to deliver free cash flow of about \$9M per year. This concept can be applied throughout Peru. It's a huge market so, although there are competitors, there's more than enough artisanal gold production in Peru to accommodate them all. Inca One has great management, a great business model and it should remain ahead of the pack. It's not the type of company that will be leveraged to the price of gold because its margins will remain fairly constant.

"[Roughrider Exploration Ltd.](#) is an interesting new uranium exploration play that I think could make some waves soon."

TGR: How does it actually work?

BL: The miner delivers the ore, the ore gets tested and the miner is paid once the test result is in. The miner can take it or leave it at that point but if he takes it, he gets a cash payment and doesn't feel that he's been misled or cheated if the recovery rate is lower than expected. I think that transparency will help Inca One get more business from local miners than other companies in the same business.

TGR: We have talked a lot about gold companies. What are some other junior resource companies that you're following?

BL: I like [Wellgreen Platinum Ltd. \(WG:TSX.V; WGPF:OTCPK\)](#). The Wellgreen deposit in the Yukon is absolutely enormous. The challenge is how to develop it at a reasonable capital expense. The plan is to attack the higher-grade zones first to achieve a quicker payback on capital as development ramps up. The deposit is so large that it is essentially a strategic deposit that some larger company will own at some point. A smaller company like Wellgreen can only keep advancing it toward production. The next PEA will go a long way toward convincing the market that this is a viable, highly economic deposit.

TGR: Perhaps a few more companies?

BL: [Fission Uranium Corp. \(FCU:TSX.V\)](#) continues to plough ahead with drilling on one of the world's richest uranium deposits. The company has been boring the market with one stellar drill result after another so the price has actually slid some over the summer. This is a great buying opportunity.

"[Source Exploration Corp.](#) has been getting very impressive grades from its [Las Minas gold project.](#)"

TGR: New drill results have expanded the high-grade R780E zone on its Patterson Lake South property in Saskatchewan. In fact, all of the drill holes so far have hit uranium mineralization. Is this still a standalone company if spot uranium was at

\$50/lb?

BL: Absolutely not. Fission is really a bet on higher uranium prices. The uranium story is inevitable, just not necessarily imminent. We keep waiting for these supply-

demand factors to impact the uranium price and they will eventually. Once that happens Fission is going to be one of the first companies taken out. As it stands now, it's just a great value play. We talk about all of these separate mineralized zones, but all these zones are going to connect in one very large deposit. It's worth every bit and more of what the company is selling for right now. People should just buy it, hold it and wait for a takeout scenario.

TGR: Do you want to discuss another uranium explorer?

BL: There's an interesting new uranium exploration play—[Roughrider Exploration Ltd. \(REL:TSX.V\)](#)—that I think could make some waves soon. As you'll remember, Hathor was a huge success with its Roughrider uranium discovery in the Athabasca Basin. The name isn't a coincidence. Roughrider Exploration is being advanced with the help of Dale Wallster, the geologist who discovered the original Roughrider property and vended it into Hathor. Now this new venture is exploring its extensive land position on trend from the original Hathor discovery. It's a new recommendation of mine, and I'm excited about the upside if the company can find even a sniff of a new discovery.

TGR: One last company?

BL: I'll give you two that I'm looking closely at, but have yet to recommend in *Gold Newsletter*.

One, [Aftermath Silver Ltd. \(AAG:TSX.V\)](#), has a very interesting, high-grade silver deposit that could be brought into production very quickly. The company still has to raise the necessary funds, which is tough to do in the current market. But once silver begins to rebound, that won't be hard at all, and this will be an extremely leveraged play on silver

Another is [Source Exploration Corp. \(SOP:TSX.V\)](#). The company has been getting very impressive grades from its Las Minas gold project in Mexico, and the mineralization is looking like it's holding together very well. As I say, I haven't recommended the company yet, but I'm watching it closely. The drill results have been quite remarkable.

TGR: Every year your company, Jefferson Financial, puts on the New Orleans Investment Conference. This year the show celebrates its 40th anniversary from October 22–25. The headline event is a panel discussion with former Fed Chairman Alan Greenspan, legendary investor [Porter Stansberry](#) and [Marc Faber](#), publisher of the *Gloom, Boom & Doom* newsletter. What can investors learn from this?

BL: On the Greenspan panel we're going to pointedly ask him about the Fed and the Treasury's role in manipulating the gold price and how that occurs, if it occurs. He no longer has any reason to obscure the truth. There will also be a moderated Q&A with Greenspan where he'll take questions from the audience. Those two panels with Greenspan are going to make headlines, if not history. He has a fascinating story. Greenspan was one of the most ardent and eloquent goldbugs in the 1960s. He was a close follower of Ayn Rand and some of his writings on gold still stand today as among the best ever produced on the role of gold in protecting citizens from currency depreciation.

The rest of our lineup includes Dr. Charles Krauthammer, Peter Schiff, [Rick Rule](#) and [Doug Casey](#). People come back year after year because they get to meet these experts and talk with them. They get stock recommendations and strategies that they'll never get anywhere else. It's always a dynamic event.

TGR: Thank you for talking with us, Brien.

With a career spanning three decades in the investment markets, [Brien Lundin](#) serves as president and CEO of Jefferson Financial, a highly regarded publisher of market analyses and producer of investment-oriented events. Under the Jefferson Financial umbrella, Lundin publishes and edits Gold Newsletter, a cornerstone of precious metals advisories since 1971. He also hosts the New Orleans Investment Conference, the oldest and most respected investment event of its kind.

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