

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE IAN'S INVESTMENT INSIGHTS



We should be quite clear regarding why I advocate virtually all our investments should be concentrated on gold and gold equities during a long wave winter, (some silver is OK, perhaps in a ratio of 30/70 in favour of gold.)

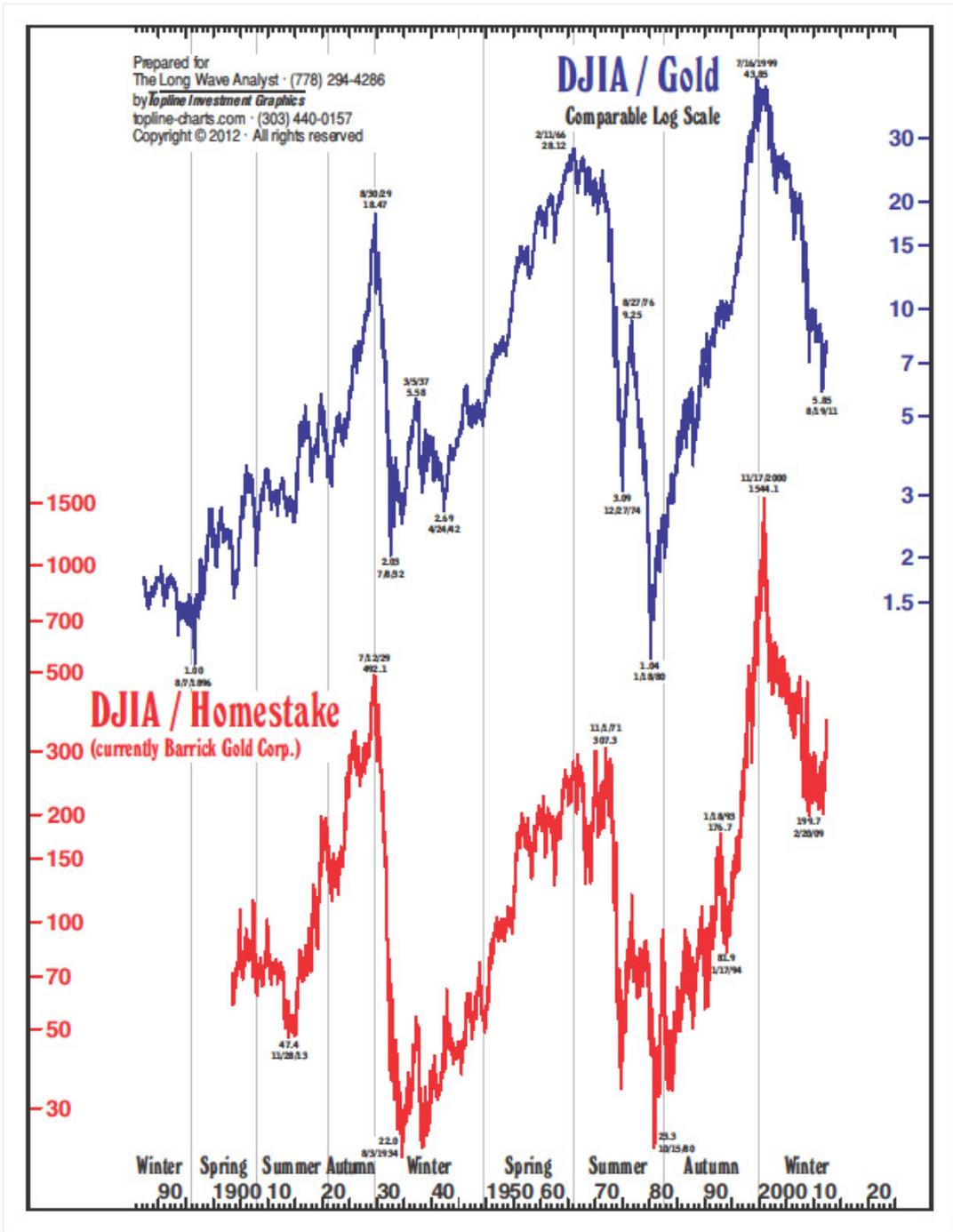
The reason is that the economic winter is a time of frightening upheaval brought about by debt collapse. Under these circumstances, gold assumes its traditional role as money.

The purpose of the long wave winter season is to cleanse the economy of debt. At present, this purpose of deleveraging is not being fulfilled. Virtually all governments are resisting debt reduction by absurdly creating even more debt. The American federal government is adding to its debt by approximately \$1.3 trillion (U.S.) per annum. When Barack Obama assumed the presidency in January 2008 total Federal debt was \$10.7 trillion (U.S.). That debt is now honing in on \$16 trillion (U.S.). Eventually, however, much of this and all other debt (state, municipal, corporate and consumer) will be considerably diminished, not only in the United States, but also, in virtually all capitalist countries. The process is going to be very painful, somewhat akin to what is now being experienced in Greece and Spain. The situation in these countries will only get worse as their economies essentially grind to a halt. But it is only a question of time before all countries, following in the footsteps of Greece, Spain and Ireland, experience the ramifications of debt overload.

The trouble is that every country is in more or less the same boat, so there is no viable safe-haven currency. Yes, I know that investors are flocking to the Swiss franc, or German bunds, or even the hopelessly indebted U.S. dollar and British pound. However, the fact remains these are still fiat paper currencies backed by oodles of debt.

An investment portfolio comprised entirely of precious metals and precious metals companies' shares would, I know, be considered extremely high risk by the majority of investment counselors and certainly is not a strategy that any of them would recommend; 5% gold might be the absolute limit that these advisors would countenance in any investment portfolio. However, they've been brainwashed into believing that investing in the general stock market is a lifetime pursuit, which for those of us who know and follow the Long Wave principle, is clearly rubbish. They don't understand that the stock market and gold and gold stocks always have an inverse price relationship to one another over the longer term. This inverse price relationship is apparent during the long wave seasons.

The stock market does well in spring, during the economic re-birth (1949, DJIA 161 points to 1966 DJIA 995 points) and in autumn, which is always the speculative season of the cycle when stocks enjoy a huge bull market (1982, DJIA 777 points to 2000, DJIA 11,750 points). Nearing the end of these stock bull seasons the Dow/Gold and the Dow gold stock (Homestake Mining) price relationship reaches a peak. The price of gold does well in the inflationary summer and the deflationary winter and it is during these seasons that the price relationships reach significant lows. This is portrayed on the following chart. Now that we are clearly enduring the winter of the long wave, we can comfortably predict that the Dow/Gold/Homestake (Barrick) ratios will reach extreme lows. We are already on record for predicting that the Dow/Gold ratio will fall to 0.25 to 1 (Dow 1,000 points, Gold \$4,000 (U.S.) per ounce).



Listed below are my share holdings held in my RRSP account.

COMPANY	SYMBOL	AV. COST	CURRENT PRICE AS OF June 28, 2012
Andean Gold	AAU/V	\$0.109	\$0.05
Alliance Mining	ALM/V	\$0.139	\$0.08
Barkerville Gold	BGM/V	\$1.213	\$0.84
Colibri Resources	CBI/V	\$0.187	\$0.08
Freegold Ventures	FVL/T	\$0.55	\$0.58
Golden Goliath	GNG/V	\$0.26	\$0.145
Gold Resources	GORO/A	\$29.098	\$25.78US
North. Freegold	NFR/V	\$0.302	\$0.13
PC Gold	PKL/V	\$0.682	\$0.21
Temex Res.	TME/V	\$0.326	\$0.155
Terraco Gold	TEN/V	\$0.205	\$0.15
Dir DLY Gold MNR Bull ETF	NUGT/A	\$10.758	\$10.65US

The purpose of my revealing the holdings in my investment portfolio is because I want you to see what positions I have in my RRSP account and how I manage it.

Over the past few months I have sold several stocks mostly at substantial losses, because I wanted to concentrate the majority of my portfolio in companies with gold or silver assets already defined in the ground. These sales allowed me to increase my positions in what I consider to be my core holdings and also to add two new positions-Gold Resource GORO/A and Dir DLY Gold Miner Bull ETF (NUGT/A).

I have recently added to my positions in Terraco Gold and Freegold Ventures as well.

Gold Resource Corp. GORO/A

This company is a low cost gold/silver producer in Oaxaca State, Mexico. Estimated production this year is 140,000 ounces gold equivalent. The company anticipates that annual production will increase to 200,000 ounces by next year. There are only 53 million shares outstanding. In the first quarter of 2012, the company reported record production of 30,528 gold equivalent ounces at a cash cost of \$191 (U.S.) per ounce to produce record net income of \$16.1 million (U.S.) or \$0.30 (U.S.) per share. The company has a gold silver treasury valued at \$5.6 million (U.S.) and pays a monthly dividend of \$0.06 (U.S.), which may be paid in gold or silver.

See website at www.Goldresourcecorp.com

Direxion Daily Gold Miners Bull ETF (NUGT/A).

This ETF is 300% of the NYSE Arca Gold Miners Index. Since I am now bullish on gold mining shares, I have added this ETF to my portfolio. Over the next two years or so, I believe that the HUI can attain new high levels; in which case, so will this ETF. The record high price for NUGT/A is \$43.65 (U.S.). Given our bullish expectations for the prices of gold company shares, at the very least, this suggests a fourfold increase in our investment.



Barkerville, Temex and PCGold comprise a significant portion of the total value of my portfolio, with Barkerville valued approximately equal to the combined Temex and PCGold values. “Wow”, you might be saying “isn’t that very risky?” Obviously, I don’t think so. I believe that any one of these three stocks can be a big winner; by that I mean a potential ten-bagger (a tenfold price increase). I have realized several ten baggers in my stock portfolio since 2000, but none in the past five years or so. Now I think there is a good chance of obtaining another such spectacular performance this year.

In this case, I think it is Barkerville Gold Mines that will do the trick. I hope you all read the Barkerville news release dated Friday, June 28, 2012 (now on the website). I have always been of a mind that the Barkerville deposit would be very large, but this release shows that the deposit is far bigger than I could have imagined. I had considered that the new NI 43-101 might show at best an inferred/indicated deposit of 3 million ounces, but 10.6 million ounces in an indicated category, at an average grade of 5.28g/t and a compliant geological potential of 65 to 90 million ounces was way beyond my wildest dreams. Since the publication of this resource estimate, many are skeptical about its veracity, some going so far as to denounce Peter George’s estimate as fraudulent. These geologists are disparaging the compliant NI 43-101 resource without the benefit of Mr. George’s report, which has yet to be published. From our perspective, we see no reason to disbelieve the number, although we expect that once the B.C. Securities Commission has studied the report, the resource estimate will be reduced. Mr. George’s compliant resource determination on behalf of Rubicon Minerals in 2010 was reduced by 10% following B.C. Securities Commission scrutiny of his report. Knowing that the B.C. Securities Commission would be reviewing the data, Mr. George and Barkerville would not have released such a large resource calculation without having absolute confidence in the projected numbers.

This has to grasp the attention of the major gold mining companies. So what’s it worth?

Not that long ago, Newmont paid Fronteer Gold \$2.3 billion (U.S.) or \$400 (U.S.) per ounce in the ground for its Nevada properties. In 2011, New Gold purchased Richfield’s gold deposit, situated not the far from Barkerville, but grading about 1g/t for about \$150 (U.S.) per ounce in the ground. On these comparisons, considering the size, the grade and the overall size potential the Barkerville deposit should receive a value at something better than \$200 (U.S.) per ounce or about \$17 (CAD) per fully diluted share.

If the Barkerville share price was to rise to \$10 (CAD) per share, without any price increase or decrease in my other stock holdings, the value of my portfolio would increase by ten times. That’s why I like big positions in stocks I consider most likely to give significant price gains.

Of course, these big positions can badly hurt your portfolio when prices are falling. Less than two months ago, Barkerville traded at a low of \$0.31 (CAD), Temex at \$0.10 (CAD) and PCGold at \$0.16 (CAD). The value of my portfolio looked absolutely horrible at that time. From those lows, Barkerville is currently trading up almost 300%, Temex up 60% and PCGold up 50%.

At the current price of \$1.22 (CAD) for Barkerville you are buying 10.6 million ounces in the ground for \$12.30 (U.S.); for Temex’s 1.8 million ounces you are paying \$11 (U.S.) per ounce and for PCGold’s 1.2 million ounces you are paying \$13 (U.S.) per oz.

With the exception of Gold Resource Corp, the 3 times gold stocks ETF, Alliance Mining and Barkerville Gold Mines, all my holdings are listed in the 'Companies That We Like' section on the website. We will again be including Barkerville in this list and may well add Alliance Mining, which has expressed an interest in coming onto the website. I note that I have been remiss in not outlining the reasons for why I like some of the companies that are posted on the Long Wave website; this will be rectified in the coming weeks. I would urge you to view these companies' websites to see for yourselves why I have invested in them.

Obviously, my portfolio shows my absolute confidence in the Long Wave principle and the fact that gold and gold shares will glitter just as they did in the previous Long Wave winter.

Please feel free to e-mail me your questions.

P. S.

Andean Gold has just announced a financing. The news release detailing the financing terms are on the website. If you are interested in perhaps participating and are an accredited investor please speak to your investment advisor or contact the company directly Tony Ciali, President at 1.609.865.2782 or email: tciali@andeangoldltd.com

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“Those who cannot remember the past are condemned to repeat it.” Santayana