

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE IAN'S INVESTMENT INSIGHTS



Barkerville Gold Mines (BGM/V)

I realize that I have discussed and answered questions about Barkerville several times since the company issued the following headline to its news release dated June 28, 2012 -

Barkerville Announces a NI 43-101 Compliant Indicated Resource of 10,626, 100 oz's on Cow Mtn with an NI 43-101 Compliant Geological Potential of 65-90 Million oz's Gold in an Area Encompassing 10% of its Cariboo Gold Project.

These numbers are absolutely staggering and have met with a great deal of skepticism if not outright disbelief. One geologist's newsletter even compared the resource estimate to the BreX fraud. However, investors should remember that BreX was one of the reasons that the NI 43-101 mineral resource classification reporting was introduced.

The following are excerpts from the Wikipedia definition of National Instrument 43-101:

"NI 43-101 is a mineral resource classification scheme used for public disclosure of information relating to mineral properties in Canada. The NI is a strict guideline for how public companies can disclose scientific and technical information about mineral projects on bourses supervised by the Canadian Securities Administrators."

"NI 43-101 is a national instrument for the Standards of Disclosure for Mineral Projects within Canada. The instrument is a codified set of rules and guidelines for reporting and displaying information related to mineral properties owned by, or explored by companies which report these results on stock exchanges within Canada."

"Disclosures covered by the NI 43-101 code include press releases of mineral exploration reports, reporting of resources and reserves, presentations, oral comments and websites."

"Plainly put, the purpose of the National Instrument 43-101 is to ensure that misleading, erroneous or fraudulent information relating to mineral properties is not published and promoted to investors on the stock exchanges overseen by the Canadian Securities Authority."

"The promulgation of a codified reporting scheme makes it more difficult for fraud to occur and reassures investors that projects have been assessed in a scientific and professional manner."

"The instrument requires that a 'Qualified Person' be attributed to the information. This Qualified Person, in the spirit of the National Instrument, is required to be **a reputable professional who is knowledgeable of the mineral property concerned, and who has sufficient experience and qualifications to make the statements which are made within the report.**"

Mr. Peter George is the Qualified Person acting on behalf of Barkerville Gold Mines. He has 45 years of geological experience and I am confident that he has rigorously adhered to the codified set of rules and guidelines as promulgated by NI 43-101.

In 2010, Peter George completed a NI 43-101 resource report on Rubicon Minerals. This report outlined a resource of 4 million ounces and a compliant geological potential of 13 to 16 million ounces. Much has been said about the BCSC's rejection of these numbers. A subsequent Preliminary Economic Assessment report, which was very conservative in determining the gold resource only reduced Mr. George's resource estimate by 10% to 3.6 million ounces and did not address the geological potential. At the annual meeting in 2011, a Rubicon executive commenting on the PEA said "it pretty much validates Peter George's original NI 43-101."

Mr. George was also responsible for a San Gold NI 43-191 resource estimate, which was essentially accepted without material change by the BCSC. He submitted an NI 43-101 compliant geological potential estimate of between 9 and 13.3 million gold ounces on behalf of Gold Eagle, but the report was not published because Gold Eagle was purchased by GoldCorp for \$1.5 billion (CAD), prior to the mandatory date for publication of his report.

In other words, Mr. George fully understands the scrutiny that BCSC officials will give his NI 43-101 report detailing his huge gold resource estimation and enormous geological potential for the Barkerville property. I remain comfortable that he is satisfied with his computations.

Barkerville is currently trading near \$1.10 (CAD) per share. This price is only giving credence to approximately 1.95 million ounces valued at \$60 (CAD) per ounce in the ground. In my opinion, that is a ridiculously low value and suggests that Mr. George has overestimated the resource by about 550%. So for your and my benefit I have compiled the following valuation table.

Current NI 43-101 compliant resource 10.6 million oz gold; current value = \$10.00 (CAD) per share

Reduction by %	Probability of Reduction	= No. of Ounces	Value of Ounces	Value per Fully Diluted Share
50%	15%	5.3 mil	\$80	\$3.40
25%	50%	7.95 mil	\$100	\$6.35
20%	75%	8.5 mil	\$125	\$8.50
15%	85%	9.0 mil	\$150	\$10.80
10%	95%	9.54 mil	\$175	\$13.35
0%	85%	10.6 mil	\$200	\$17.00

Remember these are my estimates, which are subjective, but I believe conservative. As you can see I have attributed values to the ounces based upon the amount that they may be reduced; the greater the number of ounces, the more, I think, that they will be valued. These estimates of gold in the ground value give no value to the compliant geological potential of 65 - 90 million ounces.

As is evident, even if the resource is cut by 50%, which I think is highly unlikely, based upon a value of \$80 (CAD) per ounce, this still translates to a value of \$3.40 (CAD), which is about three times the current share price value.

Mr. George's NI 43-101 report is due to be filed no later than August 13, 2012, where it will be available for all to peruse.

Note that this Monday, August 6th is a holiday in Canada and the stock exchanges will be closed.

I am adding another company to our 'Companies that We Like' section. It is Alliance Mining (ALM/V). This company owns 12 small, but generally contiguous properties near Prescott, Arizona. Most of the properties host small but high grade ore from past producing gold and silver mines. The properties are located within the mineral-rich epithermal belt known as the Transitional Zone.

The history of mining in this district dates back to the early Spanish settlers. Subsequently, mining in the area grew exponentially between 1920 and 1942. There were at least 3,000, mainly gold and silver, mines registered during that period. The War Powers Act in 1942 halted production of precious metals, which was diverted to the production of base metals.

After the war, most of the mines remained closed and Alliance Mining has been acquiring some of these highly prospective properties since 2002.

The company's management team is led by Chris Anderson, who is also President of Great Atlantic Resource Corp. I have told Chris that I would like to see him step down, once the Company has found an able replacement. He agrees and the Board of Directors is diligently searching for a strong and capable CEO.

The company has a miniscule market capitalization of about \$3 million (CAD). It has a limited amount of cash on hand, but is very careful about spending money. I don't see a cash crunch occurring during this year.

I understand that the company anticipates releasing news regarding the prioritization of its properties and the implementation of a drill programme on one of its most prospective properties.

Besides the highly prospective properties, I really like that the fact that management has laid out a series of measurable goals and the time by which these goals should be achieved. Insiders have been buying company shares.

I own shares in Alliance Mining.

I hope that you have all had a chance to read "[What Happened to Gold - Part 2](#)" by Alf Field, which is on the website.

I have been following Alf's gold Elliott Wave Analysis for many years and his predictions on the gold price movement have been remarkably accurate. Alf concludes his article with this paragraph - "The bottom line is that we now have a really strong probability that the correction which started at \$1,913 (U.S.) on August 23, 2011 has been completed in terms of Elliott Waves and also in terms of time elapsed. If this is correct, the gold price should soon be expressing itself in a violent upside action as it moves into the third of third wave which is still targeted to reach \$4,500 (U.S.)."

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