

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE
IAN'S INVESTMENT INSIGHTS



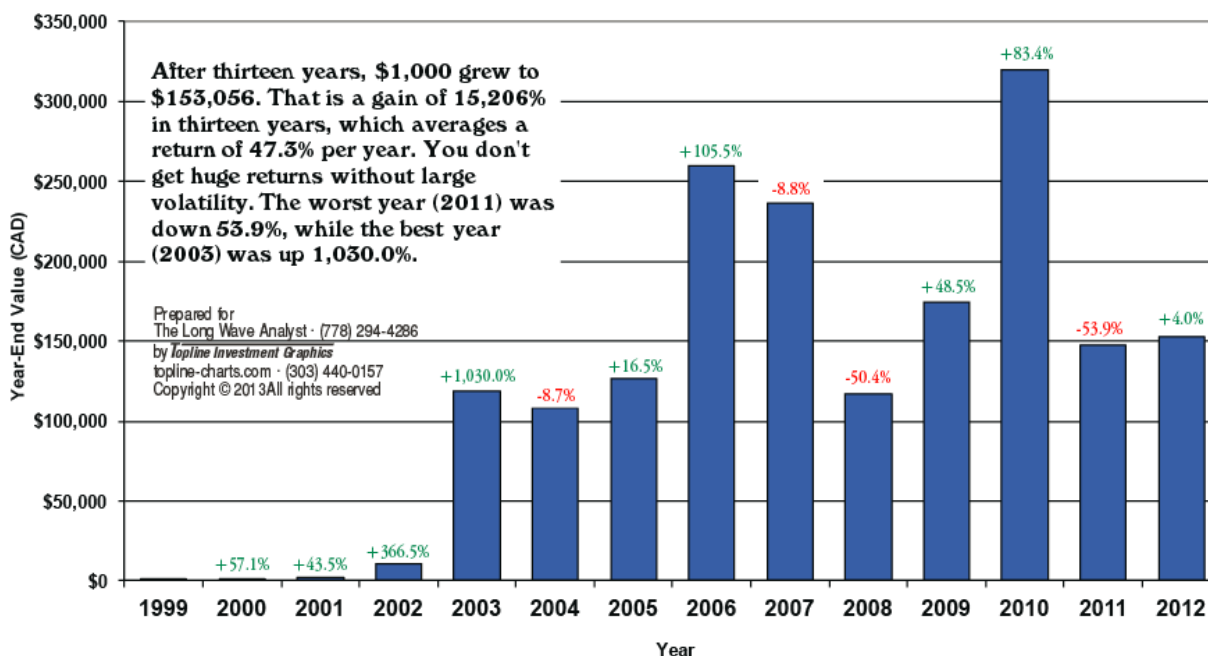
Let me begin this edition by wishing all my readers a happy and peaceful 2013.

At the beginning of this new year, I will review my investment performance for 2012; tell you the goals I am setting for my portfolio in 2013; then how I manage my account during the year to best achieve my overall investment goal.

As many of you know, my investment portfolio is entirely comprised of precious metals companies, which are mostly junior gold companies.

The first thing I do at the end of the year is evaluate my investment performance during the past year. In 2012, the value of my portfolio gained just 4%. Given the performance of the precious metals shares, and in particular the junior companies, I'm very pleased. Here's my performance in my RRSP since 1999.

Ian Gordon's RRSP
(unaudited, rebased to \$1,000 in 1999)



After I have measured my past year's performance, I set a price goal for each of the stocks in my portfolio for the coming year (2013). I am very much a goal-oriented person.

Since my entire portfolio consists of precious metals stocks, I firstly want to have confidence in my price predictions for precious metals during the coming year. I am particularly bullish on the gold and silver price this year. I have outlined my reasons for this bullishness in the Economic Winter publication "Outlook For 2013". (Outlook for 2013 will be published shortly.) I think it is very likely that both gold and silver will make new price highs during 2013; that is, above \$50 (U.S.) for silver and above \$1,920 (U.S.) for gold.

Rising precious metals prices will return investors' attention to the precious metals companies and in addition, higher prices will enhance the value of these companies' assets.

Attendant with this bullish outlook for the precious metals, I evaluate each of my holdings separately and determine what I think the stock price might reach sometime in 2013. I always look at the price chart to help me make a rational assessment.

HOLDINGS	SYMBOL	MARKET CAP	PRICE 31/12/2011	PRICE 31/12/2012	PROJECTED PRICE 2013
DIREXION GOLD MINERS EFT	NUGT/A		—	\$11.00 US	\$40.00 US
ALLIANCE MINING	ALM/V	\$2.1M	\$0.12	\$0.075	\$0.30
ASTORIUS	ASQ/V	\$0.8M	—	\$0.08	\$0.30
ANDEANGOLD	AAU/V	\$4.0M	\$0.055	\$0.08	\$0.40
BARKERVILLE GOLD ***	BGM/V	\$132M	\$0.83	\$1.22	\$5.50 - \$17.50
COLIBRI RESOURCES	CBI/V	\$2.5M	\$0.125	\$0.05	\$0.125
FREGOLD VENTURES **	FVL/T	\$5.0M	\$0.68	\$0.69	\$1.75
GOLDEN CARIBOO	GCC'H/V	\$2.5M	—	\$0.25	\$1.40
NORTHERN FREGOLD *	NFR/V	\$13M	\$0.22	\$0.105	\$0.35
PC GOLD	PKL/V	\$5.0M	\$0.25	\$0.10	\$0.25
TEMEX RESOURCES **	TME/V	\$42M	\$0.20	\$0.265	\$1.40
TERRACO GOLD	TEN/V	\$2.2M	\$0.25	\$0.175	\$0.50

* Possible Takeover Target

** Higher Probability Takeover Target

*** High Probability Takeover Target

My target price for Direxion Daily Gold Miners 3X Bull (NUGT/A) is \$40. The following is how I reached this price target. In September 2011, the gold price reached its record high of \$1,920 (U.S.). In the same month the HUI Gold Bugs Index reached its record high of 526 points and NUGT/A also made its record high of \$43.65 (U.S.). If, as I anticipate, gold reaches a new record high during this coming year it stands to reason that gold stocks should do the same which should pull NUGT/A up to record price high as well.

Let's take a look at Temex Resources, which is one of my largest holdings, and see how I reached a price target of \$1.40 for this company. Temex has a gold resource of 1.8 million ounces on its Juby property and a further 600,000 ounces to its credit on its Whitney project. I expect both projects will be moving forward very strongly during 2013, since the Company has plenty of cash. It is likely that the current gold ounces could be increased by as much as 80% in 2013 or in excess of 4 million ounces. Attributing a paltry value of \$60 (U.S.) per ounce in the ground to 4 million ounces would imply a Temex value of \$240,000,000 (U.S.) or \$1.50 per share.

I want to show you how I arrived at a price target for a company that is not included in my largest holdings: in this case, I have chosen Alliance Mining (ALM/V). Alliance has no defined resources and only a relatively short chart history and that makes picking a price target

more difficult and requires almost an intuitive feel for how the company might perform. I own 14% of the issued and outstanding shares of Alliance Mining, which should tell you that I obviously believe that the Company has a great future.

Alliance Mining has assembled a portfolio of properties just south of Prescott, Arizona. Historically, this has been Arizona's richest gold mining district and at one time, prior to the onset of the Second World War, the district hosted more than 3,000 operating mines. Alliance Mining's properties are all situated within a 25 mile radius and contain several of these past producing mines. This property package is one of the largest owned by any junior company in that region. In 2013, the company expects to commence drilling the most prospective properties identified by airborne geophysics. I expect that these results will prove favourable.

In a major coup at the end of October 2012, Alliance Mining acquired 22 mineral claims totaling almost 50 square kilometres in the Uruachic district in Chihuahua State, Mexico from a private Canadian company. Readers should know that this district is where Golden Goliath's properties are situated. It is an exciting gold region, where several majors, including Agnico Eagle and Penoles, are actively exploring and where Orisyvo has made a major gold discovery. The private company was required to spend up to \$200,000 (CAD) on exploration by the end of 2012 to keep the properties in good standing. It was unable to raise the money and Alliance Mining stepped in to undertake the work commitments and thereby acquire the properties on very favourable terms. These properties were in the hands of the private company for at least 15 years and well before the Uruachic district became the exciting gold camp that it is today. As I said, this is a major acquisition on the part of Alliance Mining and one which I suspect would have been coveted by several major mining companies.

So, how do we put a potential value during 2013 for Alliance Mining shares? We don't have the benefit of a long term price chart to establish previous high prices, which might become potential targets, so we have to anticipate what kind of positive news flow the company is able to generate during the year. We expect that the drill results will be positive. We also must anticipate how many prospective investors the company is able to reach. The greater the number of investors who learn about the company's exciting story, the greater the amount of buying that can be drawn into the stock. Given the exciting potential for this company, I have set a price goal of \$0.30 (CAD) per share during 2013.

Let's look at Golden Cariboo (GCC'H/V), which appears to be forecasting a significant upward price move from two different perspectives. In addition to its mining property assets, Golden Cariboo owns 2 million shares of Barkerville Gold. Most of you will know that I am very bullish on Barkerville, because I believe the company has a very large deposit as outlined by Peter George in his NI 43-101.

That report must be vetted by Snowden and we are awaiting Snowden's report. It is difficult for me to envisage that the report will differ significantly from the Peter George's original NI 43-101 numbers, which uncapped were a total of 12 plus million ounces indicated and inferred and capped 7.5 million ounces with an average grade of about 4 grams per tonne. By themselves, these numbers constitute a very large initial deposit in just one area on Cow Mountain alone. Peter George estimated that the combined gold potential on Barkerville, Island and Cow Mountains is 40 to 90 million ounces.

Even if the Snowden report reduces Mr. George's resource numbers and the grade by 20% and the potential numbers by 50%, the numbers are still very large – 9.6 million ounces uncapped indicated and inferred and 6 million ounces capped indicated and inferred, grading an average of 3 gms/t. Under my assumptions, the potential resource would be reduced to 20 – 45 million ounces.

What is Barkerville worth if the numbers I have assumed are reasonably close to the numbers which Snowden will publish? I calculate 6 million ounces and the very large potential ounces are likely worth a share trading value of \$100 (U.S.) per ounce (\$600,000,000 U.S.), which when divided by the number of Barkerville shares equates to a value of \$5.55 (CAD) per share. Thus, Golden Cariboo's Barkerville shareholdings would equate to \$11,000,000 (CAD) or \$1.00 (CAD) plus per share.

These very large resource numbers would likely make Barkerville a takeover target. Given some recent history of gold company takeovers, the potential takeover price would likely be between \$300 (U.S.) to \$400 (U.S.) per ounce or \$1.8 billion (CAD) to \$2.4 billion (CAD), which is equal to \$13.10 (CAD) to \$17.50 (CAD) per share. Value to Golden Cariboo would be \$26.2 million (CAD) - \$35 million (CAD) or \$2.38 (CAD) per share - \$3.18 (CAD) per share.

The Monthly price chart of Golden Cariboo indicates a major price move to the upside is in the offing. This is determined by the pinching Bollinger bands. The closeness of the bands are indicative of a basing pattern that has been taking place over several weeks or months. The move out of the pattern is generally explosive, as I shall demonstrate to you below. There is never any advance indication regarding when the breakout will occur. In this monthly chart for Golden Cariboo, the pinching Bollinger bands have been ongoing since February 2010.

I might add that the Monthly chart of Barkerville Gold shows a similar pinching Bollinger band pattern, which has been ongoing since April 2007 and that's a very long time. We should expect that an explosive upside price move is coming shortly in both Golden Cariboo and Barkerville Gold Mines.

Golden Cariboo (GCC'H/V) Monthly chart



Source: Thomson Reuters

Below is an example of a breakout following a period of pinching Bollinger bands. This example is from the weekly chart of Freegold Ventures (FVL/T). I own a reasonably large number of shares in this company and I am more than content with my position.

Freegold Ventures (FVL/T) Weekly chart



Source: Thomson Reuters

The Bollinger bands began converging in the first week of April 2009 and the breakout out from \$0.055 (CAD) occurred in early September 2010 (1.5 years). At that time, the share price closed at \$0.33 (CAD) for a 600% gain. During the week of April 8, 2011 or 7 months after the breakout the share price hit a high of \$1.35 (CAD), which represented a 2,450% gain.

I approach each of my separate holdings in a similar fashion in an effort to reach a viable price objective.

If all of these price targets are reached and taking into account the overall weighting by stock position in my portfolio and using a \$5 (CAD) price limit for Barkerville, my portfolio will increase in value by 400% during 2013. That's a very large rate of return, I know, but I have achieved two and half times better than that in 2003. To reach such a high goal, everything must be aligned; the price of gold and silver must move close to or beyond their previous record levels; precious metal shares, particularly those in the junior ranks must regain investment favour; and these companies must achieve exploration success which garners the attention of the overall market.

I tend to take big positions in companies that I believe have the best chance of making me the biggest price gains. In this portfolio of 12 different companies, 4 companies comprise 80% of the portfolio's value. Many of you will consider this to be a very high risk strategy, but I don't think it is, since it has stood me in good stead several times in the past.

In 2002, when this portfolio was of significantly less value, I purchased shares in one gold company which accounted for 85% of the value of the entire portfolio. This company had great gold in the ground assets, which in my opinion weren't being recognized in the market. To make a long story short, I was able to sell this position within eighteen months at ten times what I had paid for it. You can see what kind of impact this strategy had on my portfolio performance by reviewing my portfolio performance chart shown above (2003).

I prominently display price goals for my stock positions and I use visualization to bring these goals into fruition. (Read Creative Visualization by Shakti Gawain)

Managing My Investment Account

I am not obsessed when it comes to managing my investment account, but I do monitor prices on a daily basis. I read all the news releases issued by the companies and I generally talk to the company president reasonably frequently.

I am not afraid to take losses, especially if I can see that there might be a better opportunity for that money invested in either an existing stock position or in stock that is new to my portfolio.

For example, at the beginning of 2012 I owned shares in 20 different companies. During 2012, I sold 8 of those 20 positions to currently start 2013 with just 12. I am, therefore, very active in trying to achieve the best returns in my portfolio. If that means selling a stock to add to an existing position, because I believe that gives me a better chance of making a better return, so be it. Let me give you an example:

On June 28, 2012 Barkerville Gold Mines headlined the following in conjunction with its News Release 12-17: "Barkerville Announces a NI43 101 Compliant Indicated Resource of 10,626,100 oz's Gold on Cow Mtn. with a NI 43-101 Compliant Geological Potential of 65-90 Million oz's Gold in an Area Encompassing Approximately 10% of its Cariboo Gold Project." That's huge. At the time I was already a reasonably large shareholder, having followed the project since 2001. I have always believed that the property had the potential to host multi-million ounces of gold. Anyway, the news release was followed by a great deal of skepticism if not outright disbelief, which capped the stock price at a level significantly below its implied value. Thus, I started to liquidate some of my other stock positions and used the money to materially add to my existing Barkerville position.

My overall strategy is to buy a stock only if I can see that the price might be able to double within 10 months. Now that doesn't mean that every stock that I buy has doubled in value within ten months. Indeed, over that past few years I have experienced relatively few doubles, but that hasn't changed my strategy. I hold any stock even if it hasn't doubled in price within the ten months, as long as I can continue to see the reasons that I initially recognized for the potential price double are still evident. Once I get a double, I ask myself whether the stock's price can double again within the following ten months. If the answer is 'Yes' then I hold my position. I don't sell half of the position to eliminate the cost of the remaining 50% of the position. Why? Because I'm trying to capture as much capital gain as I can.

Here's an example: previously in this letter I referenced a stock which I purchased in 2002, that amounted to a 1,000% gain in 18 months. Now if I had sold out half my position after a 100% gain, my overall profit would have been reduced by half.

I don't put in stop losses, because gold shares and particularly the junior shares are very volatile. It wouldn't have been easy to live with myself if I had been stopped out of what subsequently increased in value by 1,000%.

By the end of 2013, I doubt that I will have exactly the same stocks in the portfolio with which I began the year. Managing an investment portfolio is an ongoing process of evaluation of management and projects, not only of the existing stock positions, but also, of prospective companies.

I hope that 2013 will prove a successful year of investing for all my readers.

Written by: Ian A. Gordon

Ian A. Gordon, The Long Wave Analyst www.longwavegroup.com

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