

THE LONGWAVE ECONOMIC AND FINANCIAL CYCLE
IAN'S INVESTMENT INSIGHTS



Monthly Investment Portfolio Review

At the end of every month, I review the performance of my investment portfolio and so should you. In February my holdings gained 12.87%. Year to date (January and February, 2014) my investment portfolio has appreciated by 46%. That is a good start, but you may remember that I have set a price appreciation target of 365% for the year. If you want to refresh your memory regarding how I arrived at that goal you should read the January 3, 2014 edition of 'Ian's Investment Insights'.

On the last trading day of February, Barkerville Gold Mines announced a \$10million (CAD) financing at \$0.50, but with no warrant. This negatively impacted the share price and reduced my investment portfolio performance for the month of February quite substantially, because as you know Barkerville Gold Mines is the largest holding in my portfolio.

Now our business and my portfolio are all affected by the proposed dilution. I know that many of you will also be facing such a dilution of your investment in Barkerville shares and I duly recognize that many of you are not happy with that situation.

However, in my view, the company was facing a cash crunch. During the BCSC Cease Trade Order that lasted fourteen months, the company was unable to raise funds, but continued to operate. This meant that the company was draining cash and once the Cease Trade Order was lifted, Barkerville was in debt to several private creditors. While Eric Sprott's \$15 million (CAD) loan helped alleviate some of the more critical outstanding debts, the company has continued to spend money. Barkerville requires working capital to pay salaries and wages, the rent, etc. The company has been following Snowden's advice in re-assaying core using metallic screening and using the same method to assay core, which was never assayed. The assay results using the metallic screening method have been very good, but sending core to the lab to be assayed costs money. The company has prepared the QR mill for production and hired mill workers in anticipation of resuming production very shortly. The Bonanza Ledge mine has been cleared and it too is ready for production. This should be an extremely profitable new mine. Anyway, what I am trying to say here is that the company is spending lots of money and requires this financing to pay for all of this and retire some debt. This is a good financing in that it comes with no warrants attached.

Exploration companies must keep raising capital, thereby diluting shareholders, in order to continue exploration. If they are lucky, some companies may have important exploration success early in the exploration process, which means that the share price of these successful companies will rise, making raising capital less dilutive. However, most exploration companies keep burning money in an effort to find success.

Barkerville has a significant advantage over most exploration companies in that it owns an operating mill about 100 kilometers from the property. The company is permitted for small scale production from the Bonanza Ledge mine, which is situated on Barkerville Mountain. Barkerville's past and somewhat spotty production came from what ore remained at the QR mine site. Bonanza Ledge production should provide a steady cash flow from production, which is scheduled to commence within the month.

In the Special Edition of Ian's Investment Insights entitled 'The Natural Behavioral Patterns of Economic Cycles within the Investment Markets' published in November 2013, on the basis of my analysis I projected the price of gold and the price of the HUI at the end of the 4th long term bullish phase of the cycle and the intermediate bullish and bearish price moves en route to that long term bullish phase price peak. In that edition, I used the both the gold price low and HUI price low at the end of June 2013 as the basis for determining the onset of the bullish phase of the 4th. long term cycle and the intermediate price highs and lows during this long term bullish phase. Clearly, I was wrong in determining that the June gold price lows would hold when I wrote this piece in November; rather both the price of gold and the price of the HUI registered new lows at the end of December 2013. It is from these prices and from this date that we can determine the ongoing price movements during this 4th. long term bullish phase.

"In the previous two long term gold price cycles, the average duration of each bullish intermediate advance has been 59 weeks with an average price gain of 59% and the average duration of each countertrend price correction has been 7.5 weeks with an average price loss of 14.75%.. I realize that using averages will not be that precise, but it will at least give us some guidance regarding how prices will advance over the next three plus years to the objective gold price high of \$3,300(U.S.) per ounce. I am only using the two previous long term cycles to make my projections, because I used these two cycles to determine my gold price projection of \$3,300(U.S.) per ounce at the end of the bullish phase at the end of the 4th long term cycle". See Page 9 of the November 2013 Special Edition.

The projected gold price of \$3,300 (U.S.) remains the same, because the gold price essentially made a double bottom in December 2013 ending the bearish phase of the 3rd. long term cycle. It is only the timing that has been changed from the original publication. Here is the amended price and time projection:

Projected 4 th. long term cycle bullish phase gold price movements:

1st. intermediate cycle price high \$1,880 (U.S.) by February/2015

1st. intermediate price correction \$1,600 (U.S.) by April/May/2015

2nd. intermediate cycle price high \$2,550 (U.S.) by June/July/2016

2nd. intermediate price correction \$2,175 (U.S.) by Aug/Sept/ 2016

3rd. intermediate cycle and 4th. long term cycle high \$3,300 (U.S.) by Oct/Nov/2017

My projection for the price of gold stocks as measured by the price of the HUI (Gold Bugs Index) was also predicated by the notion that the HUI bottomed in late June 2013. In fact HUI low was reached on December 20, 2013 at 189.18. Thus, the 4th. long term cycle, and its bullish phase, for the prices of precious metals stocks started from that date.

I set the projected high at the end of the 4th. long term cycle bullish phase for the HUI at 30% of the projected price for gold at the conclusion of the 4th. long term cycle bullish phase and that has not changed. That HUI price peak is estimated to be \$990.00 (U.S.).

So let's see how we get there:

1st. intermediate cycle price high \$365.00 (U.S.) by February/ 2015

1st. intermediate price correction \$335.00 (U.S.) by April/May 2015

2nd. intermediate cycle price high \$600.00 (U.S.) by June/July 2016

2nd. intermediate price correction \$550.00 (U.S.) by Aug/Sept 2016

3rd. intermediate cycle and 4th long term cycle high \$990.00 (U.S.) by Oct/Nov 2017.

These are price projections based upon the intermediate and long term cycle price movements made since the onset of the secular precious metals bull market (1999-2001), during which time we have experienced three long term cycle price movements. Within each of these three completed long term cycles, there have been 8 complete intermediate price movements.

While we have used past price movements to arrive at these price projections, we offer a caveat that they might not be fulfilled in the case of a collapse of fiat paper currencies as we have projected in our latest Economic Winter essay entitled "The Death of Paper Money".

If such a calamity does occur, the price projections which we have outlined will be surpassed by a considerable margin.

Anyway, just to keep it simple, all the evidence suggests that the 4th. long term bullish cycle for precious metals and precious metals stocks is now underway and has been in this mode since late December 2013. The price of gold in the past 2.5 months has increased by almost \$200 (U.S.) per ounce, or by 17%. Over the same period, the price of the HUI has increased by 38%; and the TSX Venture Exchange is up 19%.

During the 3rd. long term cycle precious metals bullish phase, between late 2008 and mid 2011, the TSX Venture Exchange increased in value by 360% and many Venture Exchange stocks performed far better than that. My guess is, however, that the majority of investors arrived late to that bull market. I predict, with confidence, that is the way it will be during this developing 4th. long term cycle bullish phase, which I have earmarked to peak in late 2017.

Most investors are crowd followers and the crowd is always invested late in a long term bull market and always cuts its losses late in a long term bear market. I am not a crowd follower, hence, I am 100% invested in this developing precious metals bull market.

I will end this 'Insights' by warning the central bank induced bullish phase in the general stock market is either at an end, or close to the end. The S & P made a new high in March at 1,883.57, which is 15.5 points above the previous monthly high made in February. At the end of February the S & P closed at 1,859.45 points. For the monthly key point reversal price top to be activated, the S & P will have to close below that February closing level. The S & P closed Friday March 14th. at 1,831.14 points, this is significantly below the 1,859.45 price level. Pay particular attention to the S & P closing price level on March 31st. I am confident, after evaluating the daily S & P chart, that we will see the reversal top at the end of March. Even if that does not happen, I am convinced that we are close to the beginnings of a vicious general stock bear market, which the 'Powers that Be' will be powerless to contain.

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