

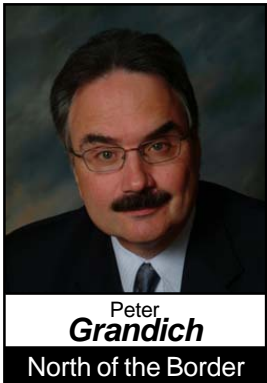
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Third Time's the Charm?



The mining industry saw its darkest days in the late 90s and at the beginning of the new millennium. If you told anyone back then that come 2008 we would be looking at a gold price of \$900-plus, they would have screamed “we’re going to be rich” -after they woke up from fainting, that is. Yes, mining and exploration shares have grown nicely higher since then, but given the tremendous rise in metal prices themselves, most shares have under-performed -especially further down the food chain into pure exploration shares. It’s been quite frustrating, especially among individual speculators, and I for one have envisioned bull markets for juniors that remain mostly fantasy.

Hindsight being 20/20, why has this happened? There are several reasons, starting with the fact that the way the financial industry does business, especially in the United States, has changed dramatically. Back in the 90s, numerous stockbrokers built their business doing commission-driven stock selection. But, between the metal prices going in the toilet, among other factors, mining share stockbrokers became dinosaurs. This has removed one of the previous buying forces.

Secondly, regulators and the compliance departments of most brokerage houses in the U.S. made it all but impossible for a broker to solicit trades on a stock that doesn’t trade on the NYSE, Amex or NASDAQ – not including the OTC BB. And if a broker/advisor wants a client to buy a penny stock, many times they have to sign a non-solicitation letter. The client says, “You want me to buy a stock but say you didn’t tell me to buy it?” Thus, American buying of junior resource stocks remains almost nil.

Regional differences have had an impact as well. While natural resources are second nature to Canadians, most Americans have zero knowledge about mining and exploration, and it seems like the U.S. brokerage industry and financial media like to keep it that way.

Then there’s the state of the mining and exploration industry, which has seen costs skyrocket, great difficulties in securing qualified labor and a world that’s far more hostile towards mining and exploration than ever before. For exploration companies, getting timely drill results is very difficult as labs are literally overrun with work.

All of these factors have played a role, but perhaps the single biggest negative impact for shares, ironically, is one of the biggest bullish factors for gold itself: Exchange Traded Funds (ETFs). Before ETFs, institutional and individual investors could either buy bullion itself or mining shares as a proxy for metals. Now, they can have direct exposure to metals prices through ETFs. While this has helped to push metals prices up, it has removed some of the previous buying pressure for mining shares.

So the big questions seem to be: Do shares finally catch up to metals performance? Or do metals prices come down to shares? Or will they meet somewhere in the middle? Since this is the third year in a row that I'm predicting a great bull run for the shares I may not be the best person to listen to – though the third time could be the charm! I do believe, however, there are tremendous values on individual bases. Some companies I favor:

ATW Ventures (ATW: TSX-V) This company owns the Burnakura Gold Mine, located in the West Yilgarn goldfields of Western Australia. Historic production on the project focused on lower grade surface oxides, which had been historically mined from 15 open pits stretching along the entire 12-km of strike length. Management believes significant potential exists to expand the low grade surface and high grade underground resources on the property, and is looking to pour first gold in mid-2008.

Donner Metals (DON: TSX-V) Donner has entered into an option and JV agreement with Xstrata Zinc Canada for the joint exploration of the Matagami Mining Camp of Quebec. Taking advantage of Xstrata's extensive historical database, the partners plan to use a combination of 3D data integration, innovative advanced technologies, new concepts and diamond drilling to explore for new deposits in this prolific mining camp. The Company's other exploration projects include the South Voisey Bay Project, located in Labrador, Newfoundland.

Eastmain Resources (ER:TSX) The company is an overnight success ten years in the making. If one company is going to the forefront on exploration success in 2008, this would be a prime candidate. In 25 years in and around the financial arena, I have never personally witnessed a company so methodical with its development. The fruits of their quest appear to be just in front of them.

Hawthorne Gold (HGC: TSX-V) This gold exploration and development company has key properties located in British Columbia, Canada, and is led by respected mining leaders Richard Barclay and Michael Beley. Now together with mining veteran Michael Redfearn and a strong board of Directors from across the mining industry, their goal is to become another successful gold company through focused exploration initiatives and the continued development of the Table Mountain, Taurus, and Frasergold mineral deposits.

Sunridge Gold (SGC: TSX-V) Sunridge Gold has been involved in the exploration and development of base and precious metals properties in Eritrea since August 2003. Very significant deposits are being developed and this company can be on the lips of many before too long.

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