



Our best stock picks for 2009

Well, we are through the first quarter of 2009 with three left to go. Most of you have been asking yourselves or your investment advisor a series of questions that look somewhat like this: Where should I be investing my money? Should I be taking on more or less risk in my portfolio this year? What could I have done differently in the last two years? What are the smart people buying?

In all cases, the answer is somewhat the same. As an investor in the current market environment, you should be looking at good companies with depressed valuations or stock prices. So what is classified as a good company and how does one choose between one company and another?

First, you want to identify which sectors excite you the most. Gold and gold producing equities have been favoured in the current environment for their safety as people have moved out of riskier assets and stocks. Gold will have a great year, in our opinion, but will likely have to consolidate at the current level of about US \$900/oz. for some time before it can re-test and possibly push through that much talked about US \$1,000/oz. threshold.

So, what other sectors look promising? We think other commodities like silver, uranium, potash, copper, and oil/gas should not be ignored in 2009. Therefore, we have picked one company from each to look at this year.

Silver: **Silver Standard Resources Inc.** [SSO-TSX; SSRI-NASDAQ] has the largest published in-ground silver resources of any publicly-traded silver company and a pipeline of projects in Argentina, Peru, Mexico, Canada, Chile, the United States and Australia. They are making the transition to production with aggressive development on core properties and the construction of the Pirquitas Mine in northern Argentina. Pirquitas will be one the largest open pit silver mines in the world, with average annual

silver production of 10.9 million ounces, and with significant contributions from tin and zinc. Silver Standard also recently announced a significant resource increase in the Snowfield deposit located 2.5 kilometres south of the Treaty Creek property and adjacent to the Mitchell deposit in northwest British Columbia. The Snowfield/Sulphurets Project now totals 19.1 million ounces of gold, 1.96 billion pounds of copper and over 63 million ounces of silver.

The combined projects in this area host a collective resource of approximately 62 million ounces of gold, 12.5 billion pounds of copper, 127 million ounces of silver, and 148 million pounds of molybdenum, making it one of the largest undeveloped gold-copper projects in the world.

Uranium: We like **Uracan Resources Ltd.** [URC-TSXV]. Uracan boasts excellent management team with a track record of success and putting mines into production. They have outlined three NI 43-101 compliant inferred resources (Double S, Middle Zone and TJ Zone) of 40.7 million pounds U_3O_8 , averaging 0.012% U_3O_8 , based on a cut-off of 0.009% U_3O_8 at its 100%-optioned North Shore uranium property, located on the north shore of the St. Lawrence Seaway in eastern Québec, Canada.

Their 100%-owned Pipewrench Lake property is located in the Wollaston Domain in Saskatchewan, approximately 120 kilometres south of the Athabasca Basin, one of the most prolific uranium producing areas of the world.

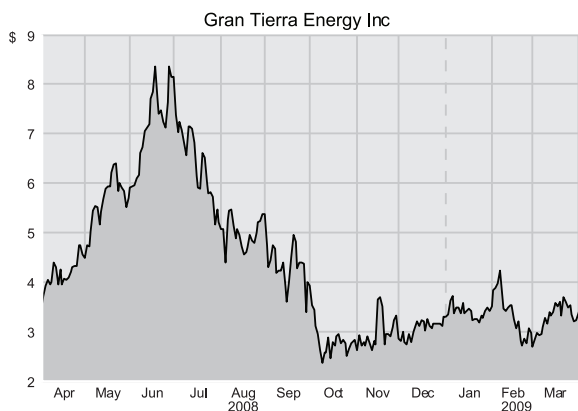
Potash: We like **Potash One Inc.** [KCL-TSX], which recently announced a business combination with Potash North. They require up to \$15 million in order to complete all feasibility studies on their Legacy Project and would have required a financing by mid-2009.

The Legacy Project is an advanced-stage solution mining potash project in Saskatchewan immediately adjacent to

Mosaic's Belle Plaine potash solution mine, the largest potash solution mine in the world. The Technical Report has estimated that the indicated and inferred mineral resource for the Patience Lake and Belle Plaine potential solution mining intervals are: indicated resources: 36.8 million tonnes of K_2O and inferred resources: 360.4 million tonnes of K_2O . Canaccord's research team recently maintained a speculative buy rating, and adjusted the target to \$2.10 from \$2.05.

Copper: We like **Quadra Mining Ltd.** [QUA-TSX]. Despite the current weak copper price environment, we like Quadra based on the company's very strong balance sheet (with no debt), and significant leverage to an eventual recovery in metal prices. In January, Quadra released an updated mine plan for its flagship Robinson Mine in Nevada. For 2009, copper production guidance was increased by 7.7% while cash operating costs were lowered by \$0.10/lb., which will allow the Robinson Mine to continue operating in the current weak copper price environment for some time. Canaccord viewed the impact as positive and reiterated their buy rating with an increased 12-month target price of \$6.00 per share (from \$5.00) based on higher estimates.

Oil and Gas: We reiterate our support for **Gran Tierra Energy Inc.** [GTE-TSX]. The company currently holds interests in producing and prospective properties in Colombia, Argentina and Peru. This is another company with excellent management, no debt, plenty of cash flow, and a growth strategy that will potentially take them from 15,000 boepd (barrels of oil equivalent per day) in Q1 to 20,000–25,000 boepd by end of Q4. That's a production increase of over 30% this year. Oil prices are at their lowest in years as well, so if you are bullish on crude prices, there is plenty of room for growth just on the price of oil alone, that's with or without any production increases.



These companies have several commonalities. They have excellent technical and corporate teams managing the company. They have proven assets with a growth or cash flow strategy to increase market cap and shareholder value. And maybe most importantly, they have depressed stock prices trading well below their highs of 2007/2008. Please do not hesitate to contact us if you want further information on any of the above companies. ■

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Timing the market No.2

by Ellsworth Dickson

In the May Issue 2007 of *Resource World* I wrote an article about Nick Nicolaas who, by plugging current events into Martin Armstrong's conceptual Economic Confidence Model, developed an uncanny accuracy in pinpointing turning points on the stock market.

Nick Nicolaas, President/CEO of Mining Interactive, who also writes a newsletter and alerts, *From the Desk of Nick Nicolaas* (FDNN), says that the turnaround dates in Armstrong's model basically are flags identifying specific dates which have proven to be right on since 1985 when he first started to pay attention to the model.

"These flags are not always impending doom dates, but they have proven to be dates indicating major events," said Nicolaas. "When the stock market crashed on October 27, 1987, right on the date 1987.8 (.8 x 365 days) as indicated in the Armstrong model, the model got my attention and I have followed it ever since. To try and predict what *might* happen, I assemble current economic information obtained from individuals who base their opinions on thorough research, critical thinking, and fact-based analysis. These include Ian Woods, a disciple of Ian Notley's Yelton Fical Inc., Doug Casey and his team, James Dines, Richard Russell, Joe Granville and technical analysts such as Adam Hamilton, Roger Wiegand and others. It is important to try and interpret what these turn-around date flags may mean and how they may impact our economic health."

In his FDNN Alert #43 of March 17, 2008 (archived at www.mininginteractive.com), Nicolaas warned that based upon the Martin Armstrong turn-around date of March 22, 2008 (2008.225) the Ides of March were once again upon us and that they, once again, would change everything

He said, "We warned our readers that the financial tsunami was starting to crest and they should be light in the financial markets and that for the long term they should be in commodity-based investments and particularly gold and silver which certainly was the right call for 2008."

So what will the April 22, 2009 turnaround date bring? Nicolaas, states, "We feel that the first financial tsunami last fall will now be followed by a second wave starting April 20 and, I for one, will be out of the financial markets and stay long on commodity-based investments (hard assets) with emphasis on gold, silver, uranium, oil and gas. The second shoe is about to drop and we expect that it will be the credit default swaps. There are between \$500 to 700 trillion of those, and who can stop those from tumbling? We are staying with our investments, but if the commodities are caught in the financial downturn as well, then we have some cash to take advantage to average down which should allow us to smile by Christmas." ■