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## Top in the Dollar?

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I'm a contrarian. When everyone loves gold, I hate it. When everyone hates the dollar, I love it. I [called for a top in gold](#) and silver and by inference, a bottom in the dollar, at the end of November 2009. I was immediately battered to death with criticism, threats and a public keelhauling by one of the manipulation crowd. The level of venom made it obvious to me that I was right. And of course, I was.

I won't get bombarded this time, I'm telling people what they want to hear. And that's a shame because people's reactions are what tell me when I am right or not. I see the dollar getting toppy.

Gold has been interesting. It was really getting carried away and was a classic example of irrational exuberance by the 1st of December and screaming to correct but very few people saw it. The permabulls were calling it a Commercial Signal Failure. I don't know what that means and I suspect they don't either. They just made it up. They call it a Commercial Signal Failure every time gold hits a top. But they were screaming "Buy, buy." I'd love to know how much money they lost their followers this time.

All markets, bear or bull, have regular corrections. Gold and silver are no exceptions. Gold had a perfectly normal and predictable correction. Gold is no more manipulated than any other financial market. Gold shares peaked in early December at the same time as gold. Gold shares are still exceptionally cheap in historical terms given that the POG is still very high. Any gold company that can't make a lot of money at \$1100 gold needs to be raising moose.

I think a top in the dollar is at hand. I'm not even sure it's correct to say the dollar went up, in reality, the Euro went down. But as many problems as the Euro has, the British Pound and US dollar are going to crater as well. It's just that in the race to the bottom, the Euro has on a temporary basis been going down faster.

I think gold has pretty much finished its correction, the permabulls are all muttering to themselves about manipulation. That's always a good sign for gold. Gold shares are historically cheap, as cheap as they were in 2001 and 2002 with far lower prices for gold and silver. The number of visitors to our site is a great reflection of just how interested people are in gold. Our numbers are the lowest in 18 months. People don't value gold right now.

I went to PDAC a few weeks ago. I dread going to any of the gold shows. There are simply too many stories to keep track of. I know less when I leave than when I arrived but it does give me a chance to get a feel for what ordinary investors are doing. For the first time in 9 years, I saw ordinary new investors and I got a sense that the gold market is changing.

For one thing, I'll predict a lot of consolidation in the next year. There is a lot of money floating around looking for a safe haven and what could be safer than gold? I think the big news will be takeovers; lots of them and that will put a floor under the price of metals shares.

But the public is interested and I think will be buying in a big way. While I think there is a great risk of another deflationary default on an international basis, I don't see there being a lot of risk in gold and silver shares. They have already been walloped.

I saw a few companies that really interested me. I bought shares in the ones I liked and some are or will be advertisers so I'll make the traditional disclaimer. Your profits are not shared with me and neither should your losses. Take some responsibility for your own investment decisions. I'm human and my opinions are as biased any anyone else.

One of the real stories was that of **Arco Resources** (ARR-V) located in Oaxaca Mexico near [the San Jose mine of Fortuna Silver](#). The management of Arco was associated with the San Jose mine and they know the area well.

I think of Arco as a concept stock. The stock has a clean history; it only came public three years ago but failed to get traction. The company management is very experienced in the Oaxaca area and have picked up what they believe are the best projects around the area, many have had prior production.

I wish they hadn't had to do a financing at \$.05 recently as the existing shareholders got whacked but I was a buyer on the open market at \$.05 when I heard the story and I was a participant in the PP. Arco has enough money in the kitty to give drilling a serious go. If they hit what they and I hope they hit, the stock will run. But in the \$.05-\$.06 area it's a cheap lottery ticket with a lot of potential.

If you are a believer in owing a US based project, **Premium Exploration** (PEM-V) should be on your target list. They have a minable resource in Idaho with 531,000 ounces of gold in the inferred category already at Friday-Petsite and another 100,000 ounces at Buffalo Gulch (great name). The project is on a major regional structure some 28 km long with a lot of blue sky potential.

I met with management of PEM in Toronto and I like the project and the management a lot. The company is well cashed up, they are drilling in elephant country and if you perceive the US as being a safe climate to invest in, you won't find many companies with this kind of blue sky and such a small market cap. It's a medium priced lottery ticket.

If you are a long time reader of 321gold and can remember back to when I wrote about Pebble many years ago, when I went to Toronto, I came across the next Pebble. The company is called **Kiska Metals** (KSK-V). Kiska did a deal with Rio Tinto on a giant block of land 90 miles NW of Anchorage. They have 527 square km of Alaska State mining claims and a 50-person camp.

The deposit is a gold-rich, copper porphyry. Within the main Whistler zone, they have 5.75 million ounce AU equivalent resource in inferred and indicated combined. It's a district and they have new gold discoveries 23 km south and 17 km east south east of Whistler. With a \$48 million dollar market cap, you are buying gold in the ground for less than \$10 an ounce and their discovery costs are less than \$4 an ounce.

Kiska has a one time back-in deal with Rio that should be triggered in the 1st half of 2010. Rio can back in by repaying double Kiska's expenditures and agrees to fund the project through pre-feasibility to earn 51% and can earn another 9% by funding and advancing to a production decision.

In either case, Kiska wins big. I was the first guy to write up Northern Dynasty and this is another giant porphyry target. I was impressed with the management of Kiska, the company is funded for a major drill program and a lot of uncertainty will be removed once Rio announces their decision. The stock is very very cheap right now and is a perpetual call on both gold and copper.

The last stock of this report is by far the most interesting because it is so unusual. **First Bauxite** (FBX-V) was founded by Ioannis (Yannis) Tsisos, veteran of 18 years with BHP Billiton. While at BHP, Yannis looked at hundred of different projects and completed more than 50 JV agreements with various companies on behalf of BHP.

Mr. Tsitos saw an opportunity in a high-grade refractory bauxite only found in a few places on earth. China controls the market and allows only a small amount of this special bauxite to be exported every year. Russia, India and Brazil produce the high-grade bauxite but only produce enough for their own demand. First Bauxite has their projects located in Guyana.

If you are familiar with minerals, you may recognize the name bauxite. It is the mineral used to produce aluminum. However, the refractory bauxite deposit located by First Bauxite is used as a flux in the production of steel, cement, glass and furnaces. It's far more valuable than ordinary aluminum ore.

Where ordinary bauxite is valued at about \$35-\$50 a ton, what is termed Refractory Calcined Bauxite (RASC bauxite) is worth \$400-\$500 a ton. That's the same as having a half ounce gold grade or 30 ounce silver.

FBX plans for early stage production of 100,000 tons per year bauxite. They expect to complete the feasibility study in the 1st quarter and begin production as early as Q2/2011 with a production cost of less than \$200 per metric ton. FBX anticipates revenue of over \$26 million in 2011.

First Bauxite is a great example of someone understanding the economics of mineral production. The company has picked a highly profitable niche market with little competition. Management really impressed me. The company is selling at a potential 1.5 times next year earning. Naturally there will be dilution to finance production but this is one of the most attractive juniors I saw at PDAC.

Obviously I have not gone into great detail on any of these companies. I don't want to bore readers silly and the companies have done a pretty good job of telling their stories on their websites. I encourage any potential investors to look into the company closely before investing but I liked them a lot.

### **Arco Resources**

ARR-V \$.06 (Mar 29, 2010)

ARRXF-PK 96 million shares fully diluted

Arco Resources [website](#)

### **Premium Exploration**

PEM-V \$.335 (Mar 29, 2010)

61.8 million shares

Premium Exploration [website](#)

### **Kiska Metals**

KSK-V \$.85 (Mar 29, 2010)

KSKTF-PK 56.6 million shares  
Kiska Metals [website](#)

**First Bauxite Corporation**

FBX-V \$1.25 (Mar 29, 2010)  
FIBCF-PK 45.3 million shares  
First Bauxite [website](#)

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