JMSR
Junior Mining Stock Report
A technical overview and forecast of the junior mining sector

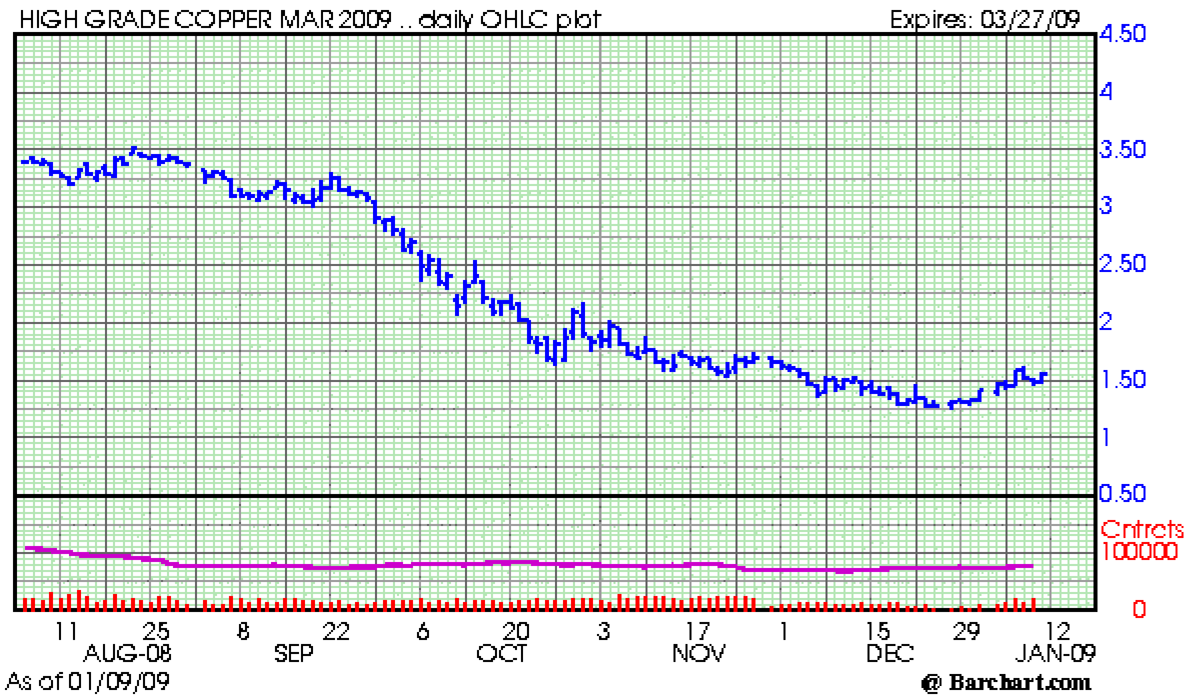
January 2009

Outlook 2009: Mining stocks continue the recovery

The recovery in the metals mining stocks of recent weeks has been impressive, especially against the background of lagging broad market share prices and bearish economic headlines. The XAU Gold Silver Index has already rallied some 45% off its October lows, achieving its latest high (closing basis) at 123.85 on Dec. 31. The gold and silver mining stocks were among the very few major sectors to have a halfway decent fourth quarter and finished 2008 on an up note.

There are a couple flies in the ointment, however (aren't there always?) Copper and silver prices have lagged the recent recovery in the gold price from the time of the October low was made in the 6-year cycle. The reasons are clear: gold benefited from the effects of heightened concerns over the credit crisis as frightened investors flocked to the safe havens of gold and Treasuries. Silver, and especially copper, have lagged as they are more sensitive to the demands of global industry and don't enjoy gold's safe haven status. To provide some historical context, in the previous recession and bear market in 2002, the gold price was making higher highs several months before the copper and silver prices were on the upswing.

We can't expect a vibrant or extended junior mining stock recovery until investors' fears over the credit crisis lift – even if only temporarily. Yet a temporary lifting of fear is what we expect in 2009 when the full effects of the U.S., England's and China's coordinated efforts at economic stimulation will eventually felt. This will remove the obstacles standing in the way of a copper and silver price recovery. It will also further accelerate demand for gold and in turn will lead to a resurgent activity in the area junior mining exploration.



Thus far the effects of the bailout actions of Washington have been miniscule as far as the economy has been concerned. Rescue efforts take time to have an impact, however, as the experience of 2001-2002 taught us. Based on recent history the effects of the bailout should be visible by no later than mid-2009. Mining stocks in general have already begun anticipating a turnaround in activity based on the October-January rally, making the gold mining stock sector the relative strength leader among the major investment sectors. The XAU Gold Silver Index is currently one of the few major indices above its 90-day moving average, which we use to define the intermediate term trend/bias.

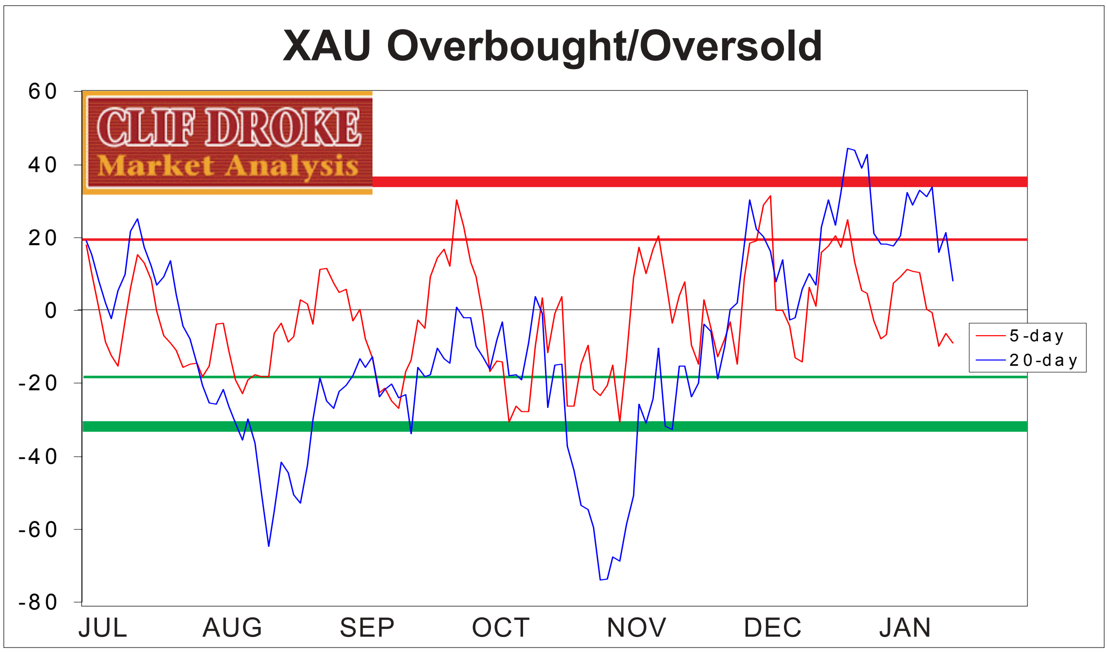
On Oct. 31, shortly after the bear market low for the gold stocks, the Financial Times newspaper published the following headline: "Junior metal mines put to sleep in hope of better days." The article explained that with expectations of a global manufacturing slowdown, many juniors lack sufficient cash reserves or diversification to withstand economic downturns without taking "draconian measures."

This is typical of a major interim bottom, for at bottoms drastic measures are always seen among mining firms, particularly the junior exploration groups that lack the cash to survive prolonged recessions. Yet the market is always forward looking and typically discounts the end to a recession by 6-9 months. This is why mining stocks are often the first to reverse and commence new bull markets following a major bear market – it's because the market foresees the increased demand for metals a few months down the road.

With the Kress 6-year cycle bottom behind us, and with the gold price showing resilience and the XAU showing relative strength, the prospects are good for a continued recovery in the mining sector in the months ahead.

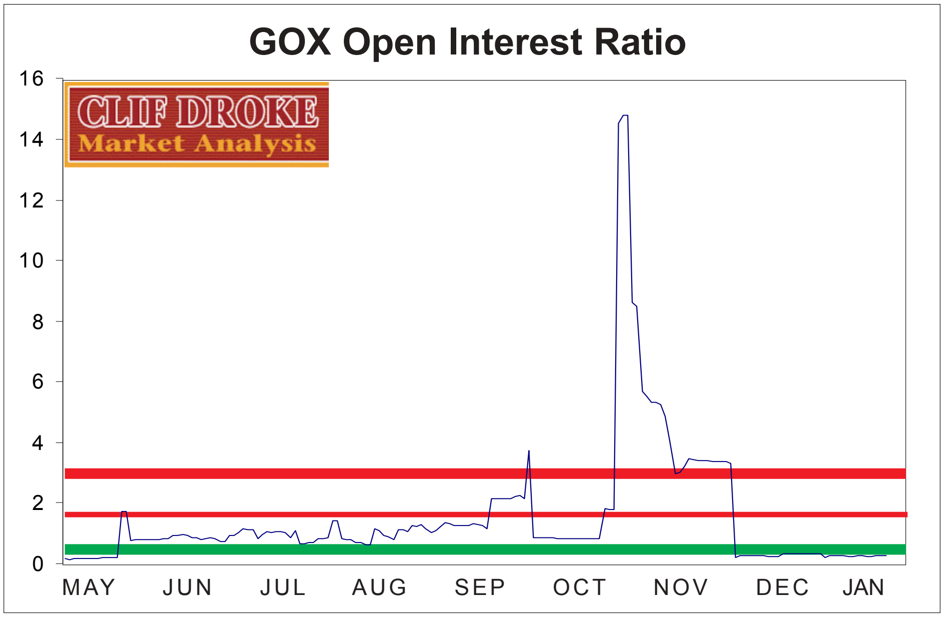
Until recently, the junior mines had mostly lagged the recovery in the major and mid-tier gold producers. However, the junior mining stocks have been the prime movers and shakers starting in December. Of the 45 actively traded gold stocks on my list, eight of them made new highs early this week and almost all of these were juniors. Even Golden Star Resources (GSS), which was spurned by investors in 2008 and punished more than was probably necessary, has been on the up-and-up for the first time in weeks. So has perennial laggard Northern Dynasty (NAK) as both GSS and NAK made it above their dominant interim 90-day moving averages for the first time in almost a year.

A word on the short-term outlook is in order here: The speculative juniors are usually the last to participate in a broad PM stock rally and they are once again true to form with their latest run-up. The rapid rally in the more speculative junior mining stocks served as a heads-up that the first leg of the gold/silver share broad market recovery was ending. Since then the gold/silver stocks have been internally correcting after reaching an "overbought" status in late December/early January. Once the 20-day price oscillator for the XAU pulls back into oversold territory and we get a clear indication the correction is over, we'll look to buy some of the gold/silver and junior mining stocks that sold down the most in the current correction. As of Friday, Jan. 9, the 5-day price oscillator for the XAU has already fallen into oversold territory with the 20-day oscillator not far behind.



The CBOE Gold Index (GOX) open interest ratio tells us whether the smart money options traders are net bullish or bearish the mining stocks. From the May rally high in the PM shares until Thursday, Nov. 20, the GOX ratio was almost continually bearish above the 0.70 level. That's six consecutive months of bearish readings in the GOX ratio, with the ratio spiking to an extreme high in October. Yet beginning on Friday, Nov. 21, the ratio fell to its lowest level in over six months at 0.19. The last time this ratio read 0.19 consistently was during the May rally in the gold stocks. More recently the GOX ratio has shown a consistent daily reading of 0.25, which is still a good reading.

Despite the lateral consolidation/correction now underway, the main intermediate term trend is still up and insider buying indicators still show the "smart money" is bullish on the gold stock group. This means that regardless of whether the gold stocks as a group pull back some more in coming days, or whether the market pushes higher into a technically "overbought" condition, the dominant interim uptrend should continue into the first quarter of 2009.



Mining Stock Musical Chairs

Something to watch out for in the weeks and months ahead: "mining stock musical chairs," a.k.a. "pump and dump." When the mining stock bull market begins to accelerate and the crowd starts jumping aboard, the promoters of junior mining stock "pump and dump" type scams will come out of the woodwork.

You'll likely begin receiving "junk mail" and promotional e-mails hyping some "low cost, low debt, high profit potential" exploration company which will be described in glowing terms as the "opportunity of a lifetime" or a "ground floor bargain."

Be very careful of these promotions as they are in most cases paid advertisements from firms that have already purchased hundreds of thousands of shares in the stock being touted. Once the promotional is released to the public at large, the promoters quickly sell their stake as the initial rush of public buying causes the stock's price to surge, often as much as 300% or greater. Then, just a few days later, the stock reverses its rally and crashes, leaving hundreds of investors in the dust starting at a loss, or break-even at best.

Here are some examples of exploration stock "pumps" that I received in the mail over the last two years. One junior mining stock advisor touted a stock known as Universal Energy Corp. near the height of the oil stock craze in 2007. He wrote, "Mark my words…In 3 months time this $1.25 stock could be selling for $10, $15, even $20! It could be the surest 15 to 1 stock in years!"

The result? The stock topped out at $2.50 within a couple of weeks of the promotion and then fell to $0.70 just one month later. From there it continued its decline over the next several months and now trades at a whopping $0.0001/share.

Here's another promotion for a natural resource stock during the summer of 2007. From this resource stock newsletter publisher came the following promo: "Sun Cal Energy (SCEY) is under $4.25 and on its way to $55." The promotional was eight pages in length and contained full color maps and graphics as part of the pitch. Did Sun Cal ever make it to $55? Shortly after the promo hit the mail the stock went into a free-fall and recently hit an all-time low of $0.03.

Unfortunately this sort of tactic has always been especially common among the low-priced junior mining stocks, particularly the penny mining issues that trade on the TSXV and the NASDAQ OTC BB. The junior mining stocks have always attracted their share of exploiters.

Last spring another resource newsletter promoted a company called Linear Metals in a mass mailing campaign. Shortly after the promotional materials were mailed out, the stock's price plummeted from approximately $0.85/share and kept declining until it reached its current share price of $0.05.

The best advice I can offer to prevent getting caught up in a pump-and-dump campaign is to avoid trading in stocks whose average daily trading volume is less than, say, 50,000 shares. As a rule you should also avoid any stock trading less than $0.10/share unless you can prove there's a very good reason why the company is valued that low. Certainly you should avoid taking a plunge in any stock that goes several days with miniscule trading volume then suddenly shows a burst of trading interest in the form of a high volume spike.

It's also important to watch for stocks that have been trading in a lateral base with low volume for a period of three months or more, followed by a sudden surge in trading activity. Such stocks can sometimes be profitable turnaround trades, that is, if you're nimble enough to take profits soon after the breakout rally. Stocks that have been basing for several months and then start rallying over a period of weeks before they are widely touted are often "pump and dump" stocks, so be sure and examine the stock's price and volume history whenever you receive those promotional campaigns in the mail.

Mining Stocks

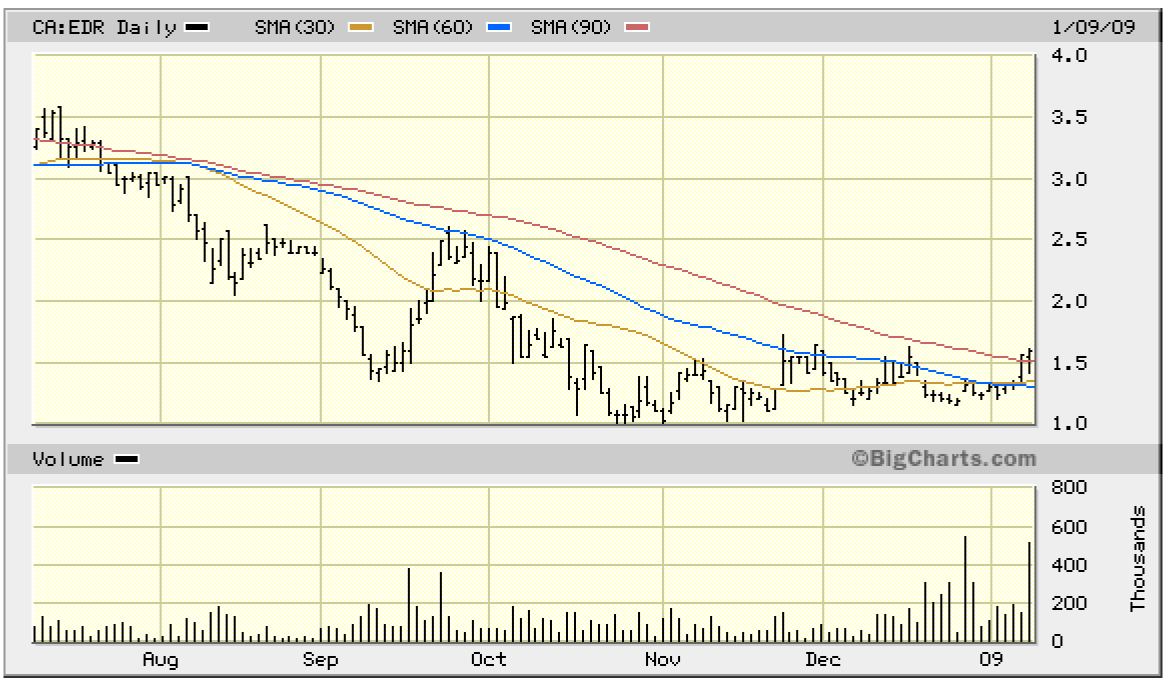
Allied Nevada (ANV, 3.92) gave a speculator's buy signal on Oct. 31 in closing above its 15-day moving average after making its low for the year on Oct. 27 at 1.65. Traders should take a little profit in ANV at this time if you haven't already. In the early December update I wrote that the next move above the 3.00 level should accelerate ANV and entice more buyers to enter the market. The breakout above this pivotal resistance succeeded in bringing more buying interest to the table and ANV recently peaked at 5.40. The immediate term buy signal is still valid as long as ANV remains above the 3.50

level o a closing basis.

Traders who purchased Central Fund of Canada (CEF, 10.27) in mid-to-late October when the CEF ratio flashed a buy signal were instructed to take some profit in CEF once the stock made it above the 10.00 level and closed above the 60-day moving average resistance. The 60-day MA currently intersects at about 9.50 in the daily chart, which is now a key near term support. Maintain remaining long position in CEF down to 9.50 on a closing basis.

Coeur d'Alene (CDE, 0.96) sent a speculative buy signal on Nov. 24 in closing above its 15-day moving average for the first time since September. Take some profit if you haven't already as CDE is currently testing its major intermediate term resistance at the 90-day moving average (currently intersecting the 1.00 level). Aggressive traders can purchase some CDE on short term weakness down to the 0.70 level (stop). Existing traders, be quick to exit if the 0.70 is violated on a closing basis.

Endeavor Silver Corp. (EDR:TSX, 1.59) recently closed above the dominant interim 90-day moving average after establishing a technical base above the 1.00 level in October. Traders can purchase a small position in EDR as I anticipate a gradual turnaround in the first half of 2009. In company news, EDR recently announced that exploration drilling in late 2008 at the Guanacevi Mines project in Durango State, Mexico, was successful in extending high grade silver mineralization in the Alex Breccia mineralized zone for a total of 150 meters along strike and more than 200 meters vertically below the shallow historic mine workings. High grade silver-gold-lead-zinc mineralization at Alex Breccia has been intersected in sixteen drill holes (eight drill holes previously reported) along the Santa Cruz vein and two related splays. For details visit the company's web site at www.edrsilver.com.

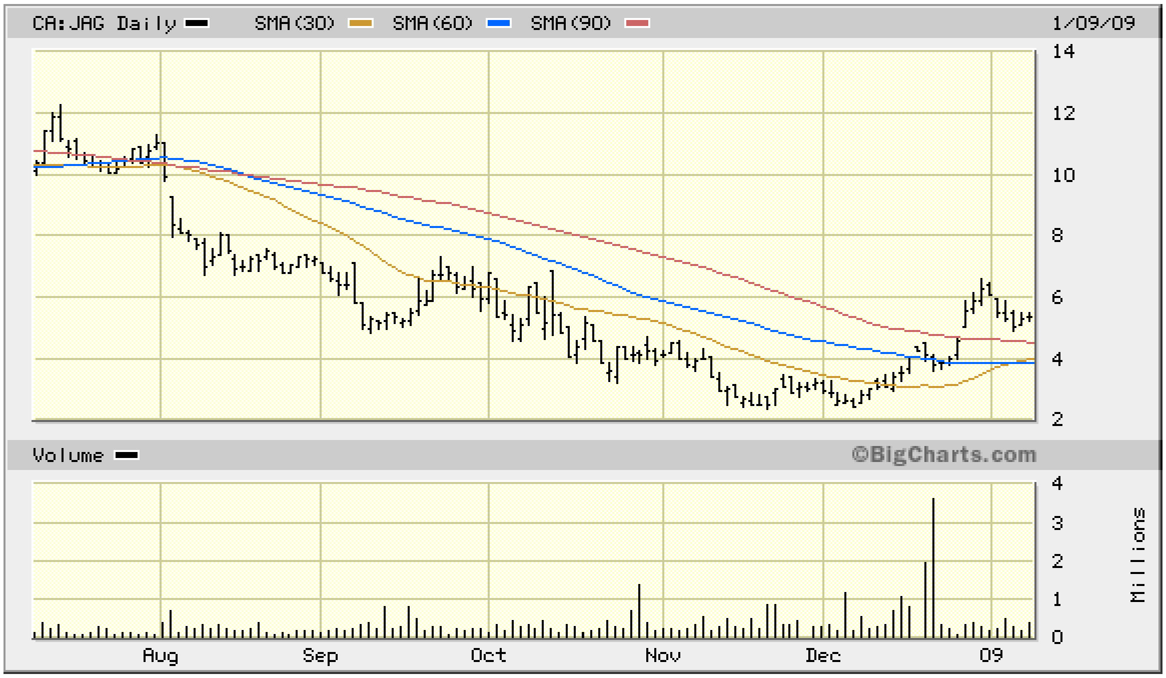


Traders who bought Golden Star Resources (GSS, 1.27) after the close above the 30-day moving average in December should book some profit after its recent upside run. Expect to see some struggle with resistance between the 1.50-1.65 area in the near term. Conservative traders should wait for the next pullback before buying GSS. The stock recently confirmed an interim bottom by closing above its 90-day moving average.

Hecla Mining (HL, 2.55) had been a prime laggard among the silver stocks in refusing to break above the 15-day MA until recently. As discussed in the Dec. 3 report, now that HL has confirmed its immediate term low, a test of the nearest benchmark resistance at 3.20 was expected. This is where the dominant intermediate term 90-day trend line intersects in the daily chart. A breakout above the 90-day moving average will confirm that interim bear market low for HL. I'm not advising any new positions in HL due to its relative weakness until it closes above the 90-day MA.

Our recently favored stock Ivanhoe Mines (IVN, 3.18) was up 20% on Tuesday, Jan. 6, to join the new highs list; it gave back all but 6% of those gains on Wednesday, Jan. 7, however, as pressure from the 90-day moving average resistance proved too strong for IVN to overcome. Take some more profit in IVN if you haven't done so already. On the next test of the interim resistance at the 4.00 level where the 90-day trend line intersects, I expect IVN to succeed in eventually overcoming this level. Accordingly, traders can use current weakness to purchase a small position in IVN down to approximately the 2.50 level where the 30-day and 60-day MAs converge.

A couple of months ago we placed Jaguar Mining (JAG:TSX, 5.38) in our list of prime turnaround candidates. Since bottoming in November, JAG has established an interim bottom and has recently overcome its dominant interim 90-day moving average, showing the stock to be in a good technical position entering the New Year. Take some profit in JAG at this time as the stock is cooling down after overheating following the run-up in December. Key short-term support for JAG is around the 4.00 level where the 30-day and 60-day moving averages converge in the daily chart. I expect JAG to continue its intermediate term recovery once it has worked off its excess heat from the latest rally. As discussed previously, JAG is one of the top turnaround candidates for the first half of 2009. Jaguar is currently producing gold at its Sabará, Turmalina and Paciência mines and processing facilities. Construction of the Caeté Project underground mine and plant is on hold pending an assessment of market conditions.



Northern Dynasty Minerals (NAK, 4.09) closed above its 15-day moving average on Oct. 28 to send a speculative buy signal. It proceeded to rally $2.50/share to in early January before correcting 5% on Jan. 7. As long as NAK finds support above the 3.40 level where the 90-day moving average intersects, the term buy signal is still valid. Traders can use weakness to lightly purchase some NAK here, stopping out if the 3.40 level is violated on a closing basis. NAK is showing relative strength and is one of the strongest leaders on the actively traded list of exploration companies. Its emerging bull market should therefore be able remain intact.

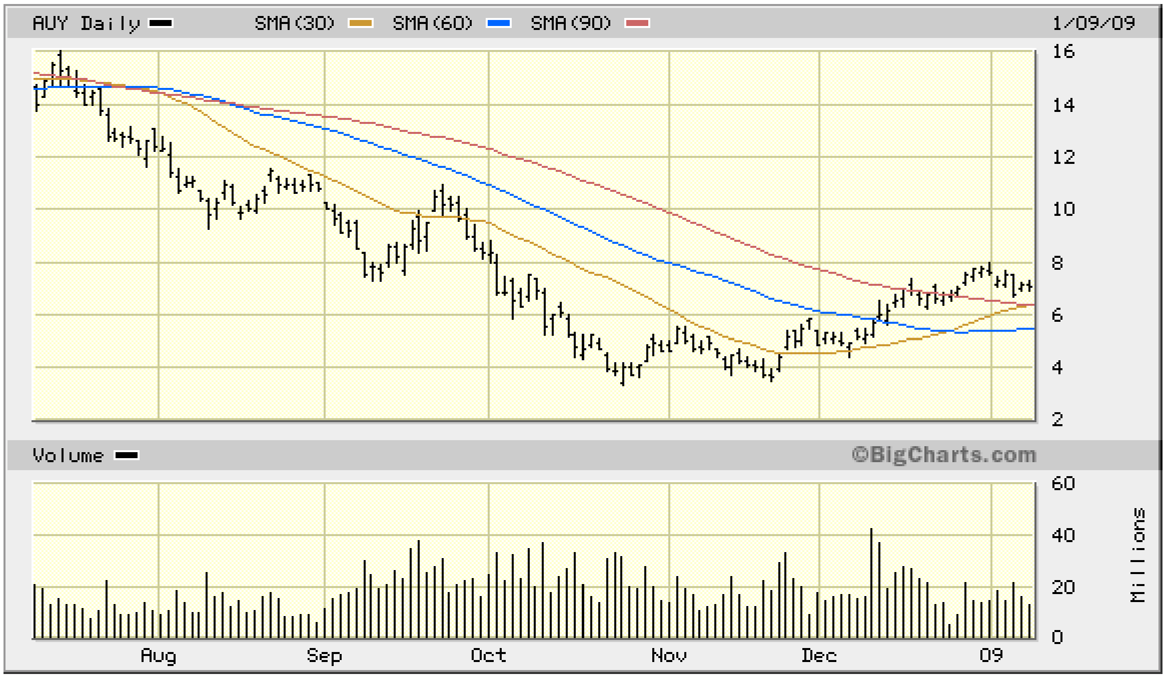
Polymet Mining (PLM, 0.81) is a serious resource mine headquartered in Minnesota. According to one source, it has been a rave excitement among some insightful locals for the past four years. Polymet is finally nearing fruition and has spent $10M + on E.I.S. It is expected to create 400 jobs in the midst of a recession when they commence construction. They have a real $50M credit facility and currently trade at about 80 cents. The stock was $3 + during its peak anticipation phase, but now the reality is here almost here and a turnaround looks to be in order for PLM. PLM can be lightly purchased down to the 0.50 area by interim traders with a buy and hold approach in anticipation of a 2009 turnaround. Some patience is required here and this trade isn't for the faint of heart.

It's been a while since we've had a look at our old friend Quaterra Mining (QMM, 0.78) so let's see what has happened in the interim. We sold QMM several months ago and after a steep decline during the July-October sell off, QMM bottomed out around the 0.50 level and has spent the better part of the past three months building a technical base above this benchmark. Is it time to buy QMM again? QMM might be good for a speculative purchase on pullback weakness from here but I won't formally add it to our recommend stocks for purchase until it closes above its dominant interim 90-day moving average and gets above $1.00/share. This hasn't been accomplished yet as you can see in the chart. QMM is showing a bit of weakness as of this writing after rallying from $0.50 to its recent high of 0.85, just under the 90-day MA's influence. This is a major resistance so we might have to wait until later January or February before QMM breaks out above the 90-day MA. We'll update QMM once this technically important event occurs.

Tanzanian Royalty Exploration (TRE, 3.50) was one of the stocks mentioned earlier this fall as a turnaround candidate for the next cyclical bull market in the mining stock sector. TRE has already begun its turnaround since breaking out above its 15-day moving average in late October and has since climbed above the 30-day, 60-day and 90-day moving average in trending fashion entering the New Year. In the previous report I wrote that a close above the 90-day moving average at the 3.05 level would confirm an intermediate term bottom and the end of the bear market for TRE. This being accomplished, traders who bought the buy signal issued in October should take some profit at this time. Aggressive traders can also use weakness in TRE to purchase a new long position down to the 2.90 level (stop) where the 60-day moving average converges with the 90-day MA to form a technical pivot and benchmark support.

Taseko Mining (TGB, 0.98) is basing after its 2008 bear market and is close to fulfilling our minimum requirement for an interim bottom, viz. a 3-month lateral consolidation above its late October low. The 0.50 level looks like a solid base of support and aggressive-minded traders could probably buy a little TGB on pullback weakness from here. TGB broke out on high volume above its 30-day and 60-day moving averages, which is technically a good sign; however, I advise conservative traders to wait before purchasing a new position in TGB as we want to see at least three solid months of consolidation before making any serious commitments in this stock. We'll update TGB's position later this month and hopefully we'll have a clear signal by then. In company news, Taseko has spent $250 million on capital projects relating to its Gibraltar open pit copper mine in British Columbia. Taseko is also developing one of the largest open pit gold/copper deposits in North America, the Prosperity project, which has 4.5 million recoverable ounces of gold and 2 billion recoverable pounds of copper. Assuming the coordinated bailout efforts of the major economies, notably the U.S. and China, succeeds this year, the copper price should recover in reflection of this and this in turn would be expected to have an uplifting effect on TGB's stock price.

Yamana Gold (AUY, 7.03) gave a speculator's buy signal on Nov. 24 by closing above its 15-day moving average after making its low for the year at 3.60 on Nov. 20. Aggressive traders were instructed to purchase some AUY shares in early December; take some profit after the latest advance to the 8.00 level. AUY also confirmed a major bottom by breaking out above the 60-day and 90-day moving averages in December. The sub-dominant intermediate term 60-day moving average intersects the 5.50 level which serves as key support for AUY. Maintain existing long position in AUY down to the 60-day MA on a closing basis. Aggressive traders can use a pullback to purchase a new position in AUY.



A look at Victoria Gold Corp.

Victoria Gold Corp. (VIT:TSX-V) is an emerging gold exploration company based in Toronto, Canada that is moving quickly to further define an important new Carlin type gold discovery in the foothills of north central Nevada.

Victoria's well positioned management and big box partners (Newmont and Kinross) give Victoria a clear advantage in this tight capital marketplace, and could allow them to emerge as a very strong player as the dust settles from last year's bear market.

The company's newly discovered Helen zone, which is located approx. 2,000 yards north west of the historic Cove Pit mine (historic production of 2.3 m oz gold and 100 m oz silver) has produced high mineral value drill intercepts including 62 meters of 12.6 gram/ton gold, and according to the company could be the most significant gold discovery in Nevada in the last 20 years.

Victoria Gold Corp. controls 8 high quality gold exploration targets in Nevada on approx. 50,000 hectares.

I recently spoke to Victoria's CEO, Chad Williams, and the company's chief geologist, Dr. Raul Madrid, to find out more about the company. Below is a transcript of the interview.

Q: I'm told you have a unique systematic method for finding gold. Can you tell me about this?

Madrid: We use something I call Structural Systematics. It's actually a composite of 19 methods I've devised over the years to establish a means to predict where these gold systems are. It's predicated on gold systems being Carlin-type or epithermal and that the highest grade gold are normally associated with tectonic fault fracture joint systems….You'll see that they have clear spacing in the fractures and faults within the systems. Those spacings are a function of a logarithmic equation. You can see it in any Landsat photo you've ever seen. You'll see closer spacing as you get closer to the fault. I've established two equations and geometric construction and can predict where structural systems are and confirm where gold is in relation to the structure.

Structural Systematics is also predicated on mapping as many as 40 Carlin-type systems and many epithermal systems that aren't Carlin-type. It starts not with a concept but with a series of detailed mapping techniques that allow us to focus n the structure. We focus on systems that carry gold and on those gold concentrations that would justify drilling, at say the Helen Zone, at 200 feet. The methods allow us to make the decision as to whether it will be cost beneficial to drill those depths. Once the parameters are defined and meet certain criteria we can proceed. We don't drill at 2,000 feet without two intersecting structural systems and both must have 50-55 meter width. In the Helen Zone the NW structure is 105 meters wide and NS is 80 meters wide. Both fulfill the criterion of being greater than 55 meters.

Williams: We can also vector in on areas that high advantage prior to drilling. It increases our chances of success and lowers our dollar cost ($5/oz.) while seniors are typically finding gold at closer to $50/oz. Theories are one thing but the truth and the way we make money is it gets manifested in fact.

Q: I understand you've found a significant new discovery at the Helen Zone in Nevada. Please elaborate.

Madrid: We basically started our drilling in late 2006. By May 2007 we ran out of money. Bema was managing Victoria at that time – they ended up selling out to Kinross and money wasn't forthcoming. It was only when Chad and the board of directors came into play after July 31, 2007 did we start drilling again. To that point we had holes in NW1, 2 and NW4 completed then NW5 and current we have results NW13A (we lost a hole early on and we had to re-drill). We currently have 13 holes. To establish the geometry of the system I need to have 15 holes minimum to make sure the geometry is credible. We drill not to explore but to confirm what the structural method indicates and we simply confirm how much gold is there. In the case of Helen we have some significantly higher sub-intervals with good grades. Those kinds of things can't be done unless you have all your work done in advance. It's a clear method that the structural system works.

Q: What other activity do you have going on right now?

Madrid: We've stopped drilling for the holidays and we intend to begin hole 14-15 after the New Year. We go to Jan. 7 drilling before they come back onto the property. Then we will assess the property but we can drill all year round as we did last year. The issues for the Helen Zone exists in terms of drilling and how much it costs. With 13A we've been able to implement new fluid and drilling techniques so we can get down to the footwall zones.

Williams: Thus far we're the only mining group using this technique.

Q: Raul, tell us a little of your background as a geologist.

Madrid: I started with U.S. Geological Survey using these methods. My job was to establish methods by which Carlin-type exploration can be facilitated. I was indirectly involved in a number of seminal type systems found in Nevada. I don't claim discoveries simply because they're a combination of financing and technical work. No one person can claim a discovery. I do claim these methods I've applied, however. For instance, I told Barrick, "I'll give you the results but I won't tell you the methods."

There are a total of around 13 of these things in which I've established criteria in being able to predict where they are. You sometimes make your luck by being careful what you do. My biggest claim to fame is that I the work honestly and objectively and my results are based on hard work….Meko, Gensis, Carlin, Marmoto, Bootstrap. Newmont has some of my maps in cold storage. You've got to have a team; you can't do it alone and it includes finance as well as marketing.

Q: What about you, Chad?

Williams: My background is that I was a gold mining analyst for about 13 years. As a gold analyst I was either the first or one of a very few to be associated with several major stories, including Barrick and several other major high-fliers when they traded near major lows. This was back in the '90s and early 2000s. However, the economic context and the potential is more favorable today than when it was $250/oz. because of what's going on in the U.S. [regarding the credit crisis]. I think it's very obvious that Raul is a very special geologist and I always knew he was in a league of his own. To make a long story short I can prove I've got a good eye for undervalued gold assets. We paid $4 million in stock for 1.2 million ounces in resources for Gateway. We also have Big Springs [the most advanced project which Victoria acquired from Gateway Gold Corp.] and Santa Fe, concerning which the Gateway guys released some very good results in September. We've got two company building assets in Gateway and now we own them. We now have 17 properties.

Q: What are your plans for the Helen Zone in 2009?

Williams: Our plans have not yet been finalized because for 2009 it's subject to the amount of money we're able to raise. We've raised it, however, and the deal should close soon. Our budget is a function of how much money we have. Our plan is to finish holes 14 and 15. We plan to deepen the holes where we didn't drill deep enough. We've changed the techniques we use to drill and we believe we can deepen the troublesome holes. We'd love to drill the Santa Fe property. Using Raul's techniques we can vector in on the right area at a much higher grade. Then we plan to drill on Big Springs. You can't drill in the winter – it's going to be a late spring/summer drilling due to snow. The others we can drill year round. That's about a $1 ½ to $2 million budget. We do continue adding value and drilling and it's very key for us. We're also in discussions with our drill contractor to reduce drill rates so we can drill more holes. Cove, Santa Fe, and Big Springs are our top priorities. Mill Canyon and Summit are the next two priorities. The numbers are quite substantial. We're also hopeful we'll be signing up a very good mining engineer to initiate and complete scoping studies on Helen Zone and potentially on Big Springs and 1-2 other properties with resources. We're bringing this company from the exploration stage to production stage through technical studies which aren't expensive and don't take much time. This will assure investors we can produce cash flow in 2010, either with our existing properties or through additional properties we may or may not acquire. If we are able to go into production in early 2010 we'll be there way ahead of other guys. We're moving quietly but very quickly to production stage. We don't need a mill, we don't need a shaft and permitting should be rather benign.

Q: Have you closed on the shares acquisition of Gateway Gold?

Williams: The Gateway deal should close momentarily.

Q: What future is there for a junior resource company in light of the recent credit turmoil and surrounding economic difficulties?

Williams: The future is there's a tremendous future for exploration stage companies. $700 million is our cash balance – we have access to that as evidenced in the finance we're doing right now, and which Kinross has bought 1/3 of. We're part of the Kinross family and we're looking for opportunities that could be appealing to KGC. Here's our criteria: It's going to be small; it will be gold focused; it will be in a low political risk jurisdiction; it will have a feasibility study on it; and it will be an asset that has synergies where value can be added by the partners. The management teams on the other side must be motivated to do deals; we don't want an unresponsive management to deal with. We've looked at hundreds of opportunities and we've only done one deal. I think we could return double or triple to our shareholders with our one deal – we aren't deal crazy. But we have to continue looking at opportunities. We're where we want to be in light of very difficult economic circumstances (in terms of cash balance). We have great things in our properties internally that we've working on. We're exactly where we want to be. If the space ever becomes available we're going to be the stock to go to. We're building a house brick by brick and we have to be careful. It's the inertia principle – you keep pushing it and eventually the wheel will turn on its own. If the gold market continues to be this good the momentum will go our way.

Q: Where do you see the price of gold in the coming months? Are you optimistic of a gold price recovery?

Williams: One of the best pieces of research I did as an analyst that went back over 30 years that plotted the gold price in U.S. dollars versus Fed Funds rate. It's the only chart you need to know for predicting the gold price. Gold does it's best when the Fed stops easing. Inflationary expectations are at their highest. The stock market is at its lowest. We're getting close to that point [where gold advances] and I'm very comfortable. There's a linear relationship with a magnitude of gold price increases and of Fed easing. There's a positive correlation – the more they depress the spring the more it bounces back. There's also a linear relationship with the time of easing. The longer they ease the longer it builds up inflationary expectations. How high can gold go? The answer is well over $1,000 given the amount of easing they've done. Not $1,500, not $2,000, but well over $1,000. I can tell you what to expect if you can tell me how low and for how long the Fed easing will last. That's what the model predicts. It's always different this time. It's a very high R2. It's just a question of plugging in the dates.

Q: Your stock is currently listed on the TSX Venture exchange under the symbol VIT. Does Victoria have any other listings and is it listed in the U.S.?

Williams: We have a pink sheet listing. We're thinking about the U.S. but currently we have no plans. We may go to the Toronto Stock Exchange. Our assets are located in the U.S. and we have an office in the U.S. The stock will appeal to investors in general and our goal in 2009 is to market and get more broader exposure and more ownership among U.S. retail accounts.

[Disclosure: This interview is not to be construed as a buy recommendation for Victoria Gold Corp. It is intended solely for educational and research purposes and is part of an ongoing dialogue between the Junior Mining Stock Report and various exploration stage companies that utilize unique and innovative approaches to metals mining and exploration. Investors should do their own due diligence before investing in any junior mining and exploration company. The editor received no payment or compensation in any form for this interview, nor does the editor own shares in Victoria Gold Corp.]

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