

What Is Chen Buying? What Is Chen Selling?

Letter # 616
August 31, 2011

Update:

I'd like to congratulate **Golden Minerals Company (AUMN)** management on closing the deal to buy **ECU Silver Mining Inc. (ECU.to)**. As we know, the stock was hit hard probably due to ECU shareholders trying to get out. ECU has been under-performing the silver stock for a long time, I feel it does have some very good values there. As some earlier subscribers may know, I picked up AUMN when it was still in the pink sheet at around 4 dollar and took the ride all the way. Actually I personally purchased a few shares of GDMN at 2+, but I was very hesitating to put a pink stock on my letter.

Until I saw the massive insider purchases before I made up my mind to load up the stock and put it in my letter. As you can see the insider purchases history of AUMN, the management was buying all the way up, recently as high as 18.5, which is much higher than the current stock price.

I also want to point out that I am very hesitating to put small cap or micro cap stocks in my letter, unless I feel it is a compelling story that I can hold for at least 6-12 months. Sometimes I just buy the stock myself without putting in my letter.

When I met with the AUMN management in 2009, the stock was still in pink sheet and company just came out of the bankruptcy. What impressed me was their strong desire to build a mine. Their message was, give me a chance, I will build you a world class mine. They are mine builder with very good experience. Now they have a chance to turn ECU around. They have the capital and the expertise. ECU has huge resource in silver, totaling 400+million oz(silver eq) with potential "over 1 billion oz of silver". Seldom you can find this kind of deposit in the world. If AUMN can make it work, the upside could far exceed the current market cap.

I added a few more shares of AUMN after the merger was completed. As I said before, 11-12 dollar seems to have some strong support and I felt the downside is limited here. There could be more ECU shareholder/warrant holders to get out, so the stock could consolidate here. However, the key milestone is the ECU mine. If they can get it working, the upside is huge with silver at 40 dollar. But you will need a lot of patience with the stock.

Regards,

Chen

What Is Chen Buying? What Is Chen Selling?

Letter # 613

August 29, 2011

Update:

I had an excellent visit of **Pretium Resources Inc. (PVG.to)** and **Romios Gold Resources, Inc (RG.v)** last week. My first stop was at Brucejack I have seen impressive cores from the recent drilling. As you can see from the press release, they are hitting high grade interception almost everywhere. A few reports came out last week from analysts who visited the property last week and there will be more to come. As an investor, I think the most important aspects are:

1. The company seems to be able to find the tend that contain high grade zone. The geologist I talked to believe these high grade zone are "hundreds of meters" in strike. They believe they have a Red Lake like district in their hands.
2. Expect continuing drilling results till Q4. They will likely have a resource update in Q4, when we should see substantial resource increase. They will likely to update the Pre-feasibility soon after that, probably in Q1 2012. I was told they are planning to get into production in "12-18 months". I think it is very aggressive. They are building a road into the property. I think that will greatly help. So far everything is by helicopter.
3. The visitors I met in the trip are not only analysts from major firms, but large fund managers, even a senior editor from one of the most influential investment newspaper. I think the Pretium story is gradually getting out, the next 6-12 months will be very exciting.

Next stop I visited Romios gold. This is a very interesting project that neighbors Galore Creek, the partner of Nova Gold and Teck. I had the opportunity to take a helicopter tour of its major properties. Romios released a PR on 8/16, "Romios Intersects Significant Sulphide Mineralization Along Deep Geophysical Targets on Trek". I urge investors to read it carefully. The management believe that they could have a great discovery in their hands. The new zone described in the PR could be very high grade zone that they can go underground first. Remember the IRR of Galore Creek is only 7%(or 14% with the current metal prices) with 5 billion capex. The potential new discovery is right next to the mill side and it could change the picture of Galore Creek completely.

<http://finance.yahoo.com/news/Drilling-Update-Romios-ccn-3415612135.html?x=0&v=1>

The results is due in September, I am looking forward to the release. I also visited and impressed by other properties of Romios Gold. Like the Dirk and Newmont Lake. These properties, according to geologists from Canadian government, can be the next Galore Creek by themselves. I looked the properties from the helicopter and gathered many samples after landing on them. They are big and have great potential. I feel the immediate impact to the stock

price is the drilling results of Trek. If the results are as good as the company was hoping for, we could see rapid appreciation of the stock price as Teck and Nova have no choice but to take over Romios or buy the property from Romios. I am looking forward to the drilling results, which could come in September.

On the separate note, **Augen Gold Corporation (GLD.v)** CEO Mason resigned last week. It seems to me that TRR has succeeded in the hostile take over. The take over price is around 35c, right where the stock is, despite of the 42c mentioned in the PR because TRR stock price has dropped a lot. I intend to unload my GLD share, which is about where I bought despite of recent gold crash. And use the cash to buy other stocks.

This morning *AuRico Gold Inc. (AUQ)* announced to buy *Northgate Minerals Corp. (NXG)* at a good premium. I'd like to congratulate NXG shareholders, I know some of my friends are. I was presented about NXG a few times recently, however, I decided to stick with my **OceanaGold Corporation (OGC.to)**, **Golden Star Resources, Ltd. (GSS)** and **Jaguar Mining Inc. (JAG)** instead. It looks like the M&A is heating up. OGC.to, GSS and JAG even **Coeur d'Alene Mines Corporation (CDE)** as well as near term producers like Colossus Minerals, Inc. (CSI.to) are excellent targets as long as the management have an open mind.

Mart Resources Inc. (MMT.v) released excellent earning report for Q2 this morning. It earned 5c and 12c in cashflow last quarter. You can have a taste of the earning power in the coming quarters when it has much higher production. That's why I am holding tight my MMT shares.

Prophecy Platinum Corp (NKL.v) has been doing extremely well in the past week despite of correction in gold. I think it is either due to continuing purchases by Sprott and other institution traders or shorts getting squeezed. I talked to the management briefly in Vancouver and visited their brand new office. They are very optimistic about the coming drilling results as well as **Prophecy Coal Corp. (PCY.v)**. Many important results could start to flow for PCY. As I mentioned in my recent interview on the gold report, PCY valuation is funny if you consider it holds 45% of NKL.v.

<http://www.theaureport.com/pub/na/10703>

What a wild ride of gold! It seems that every time I am on the road there are some major events in the market. That's why I don't like to travel much. I think the 200 dollar drop of gold and 100+ rebound probably shaken out a lot of day traders and weak hands. Even Gartman reduced his gold position by 67%. I am also glad to see my gold miners are doing quite well, far outperforming gold. Even my recent purchase of platinum did well, only down 100 while gold was down 200 dollars. As we know, the end of August is traditional the start of gold year end rally. I am very optimistic for gold and gold miners for the rest of the year.

Regards,

Chen

What Is Chen Buying? What Is Chen Selling? Letter # 612

August 23, 2011

Update:

Pretium Resources Inc. (PVG.to) just released very nice results from its recent drilling campaign. Many drill holes intercepted 100 g/ton or more in gold, some even over 1000g/ton. It is hard to put the whole picture together when you reading the data on the press release. I am excited to have the opportunity to visit the site and see it first hand when I travel to BC later this week.

Regards,

Chen

What Is Chen Buying? What Is Chen Selling? Letter # 601

August 10, 2011

Update:

I just came back from my **Prophecy Platinum Corp (NKL.v)** visit almost midnight yesterday(Tuesday) what a ride! I am sorry that I missed the excitement. The stock market came back in the last hour on Tuesday. It looks like program buying to me. In the mean time gold was hit, looks like program kicked in to buy stock market and sell gold. Gold stocks started to break out on Tuesday. This is the pattern I saw many times, especially in 2007 and 2008. When the market sold off, gold stocks were sold down with the general market. As soon as the market started to stabilize a little bit, gold stocks lead the general market to break out first. The difference this time is that there was no or little corrections in gold. I guess investors learned their lessons this time. After all the TARP, bailouts and QEs, people are not stupid, won't be fooled for the third time.

I had a very good visit of nkl.v. Not only I was impressed the scale of the project, the spectacular drill results, I was very impressed by the people. I had lengthy discussions with its chairman John Lee, the legendary resource investor. A few years back John was an investor, just like you and me. Out of frustrations that resource companies kept disappointing their own shareholders, he started to run his own resource company. He has Rob McEwen, the Gold Corp founder as he adviser and sincerely focused on shareholder value. We discussed privately how many times companies screwed up, as recently as SWC, that completely trashed shareholder value. His strategy is very simple, sell the company in 12 months to majors to seek quick return. How much? We joked about one billion or more. His vision is try to reach a takeover target as soon as possible with minimum dilution. At that time, every shareholder, including himself, will be richly rewarded. **Prophecy Coal Corp (PCY.v)** will also benefit since its 45% ownership of NKL, it would receive a lot of funding from the sale.

I was also impressed by the visitors of the trip. I met two well regarded investment bankers representing big Chinese mining companies, a family member of one of the world richest person representing south America mining interest, well known analysts from top firms like Raymond James, Canacood, RBC, Haywood and BMO etc. I feel nkl will likely do a PP with a strategic investor first.

On the plane, I sat next to Dr Larry Hulbert, the geologist who researched Wellgreen 20 years ago. He is not associated with NKL but knows the property inside out. He told me that he believes Wellgreen has the potential to become the next Norilsk, the world largest PGM, nickel and copper mine. He told me the age of rock is very similar, the discovery process is similar. Norilsk found low grade material first, then the high grade. He pointed out that higher grade zones most likely to be found to the east, in the Burwash claim. I am glad to see in the first step out to the east towards Burwash, hole 184(results pending), they already intercepted massive sulphide. It seems to verify Dr. Hulbert theory.

In conclusion, I had a very good visit of NKL.v. The company will need to raise some money, will need to strategize to focus on the best way to demonstrate the value of Wellgreen. I heard they are now focus on detailed drilling and scoping study on the high grade area first. That looks like a good approach. I feel it is safer to put my investment with John Lee, who really care about shareholder value vs companies that keep screwing their shareholders.

As for the market, I feel our time has come. As soon as we see some stabilization of the market, which we will eventually, we should see huge rally in gold stocks. Tuesday is the proof, when many of my stocks up double digits. They are giving back some gains today, but only a little. Traders have huge cash on the sideline doing nothing, if not gradually leaking value. Fed is going to keep interest rate low till 2013 I don't think traders want to keep their cash burning till then. I started to compile the list of stocks that could have NKL.v type of moves in the second half of the year. I will gradually introduce them in future letters. You want to position yourself ahead of the trades not behind them. So fasten your seat belt and keep your eyes wild open. This is the time that traders should be very alert for opportunities.

Regards,

Chen