Even Ian Gordon Thinks Hyperinflation is Possible Now

No one with the possible exception of Robert Prechter has been a more consistent deflationist than Ian Gordon. Indeed, both Prechter and Gordon were on my radio show to discuss why the Dow will head below 1,000. On gold however, Gordon opposed Prechter’s view of a much lower gold price. Gordon talked of $4,000 gold and 1,000 Dow, which you can listen to here: http://ow.ly/wSywQ. On April 29, 2014 Ian appeared on my show again and this time he surprised me a bit because he expressed the view that we could in fact face a hyperinflationary depression if the dollar collapse comes sooner rather than later. While he still sees deflation as the more likely outcome given the enormous amount of debt held by the U.S. and the western world, he now believes the odds are increasing that the world’s reserve currency—the dollar—could be the first of all existing fraudulent fiat currencies to be thrown into the dustbin of history where it will be utterly worthless. Listen here: http://ow.ly/wSzUK.

James Rickards agrees with Ian that we are getting closer to a possible dollar decline as he said on my April 22nd radio show (listen to here http://ow.ly/wSMwl) even though he also said that the underlying dynamics are clearly deflationary. While he, as an advisor to the U.S. Defense Department, leans more toward inflation than Ian does, Rickards is educating policy makers of the danger to our nation of an impending war against the dollar. He understands the fraudulent nature of our currency, which is backed by nothing, and warns that given U.S. military superiority, financial weapons of mass destruction against the Dollar will be used as the Anglo-American Empire seeks to encroach on Russian sovereignty. Now, on a weekly basis, at www.JayTalorMedia.com we learn the truth about the Ukraine with Daniel McAdams of the Ron Paul Institute for Peace and Prosperity. And I also speak with David Jensen about the impact on the gold and financial markets of the American foreign policy.

Regarding the Ukraine, Daniel talks constantly about how the U.S. has no respect for democracies and how NGOs sponsored by the U.S. taxpayer and rich fascists like George Soros have fermented a revolution to overthrow Yanukovych against the will the Ukrainian people just as John Perkins has mentioned many times on my radio show over the past few years; with Russia’s own sovereignty now being threatened by NATO to have its pockets picked by the forced use of a fraudulent U.S. dollar. But the BRICS know the dollar is the Achilles heel of America. And so, the dollar is being targeted as a means of stopping NATO.

The signs of an imminent assault on the dollar are everywhere. That is the topic David and I talk about every week at JayTaylorMedia.com. The price of gold has been manipulated and held in check by relentless phony paper market selling in London and New York as a means of keeping people manipulated into buying expensive financial products that are created out of thin air. But the BRICS are fighting back by setting up exchanges for honest, physical exchange of petroleum and gold as well as establishing electronic currency payment systems of their own since NATO countries have forced non-compliant countries out of the SWIFT system. That way they can escape the theft and imprisonment of the U.S. dollar based financial system.

Now, even Europe is warming to China having just agreed to a free exchange of Euro and Yuan. The Russians and Chinese are preparing for a day of dollar reckoning by adding huge amounts of gold to their coffers. With the Fed having to print 70% of the dollars to buy U.S. debt, the handwriting is on the wall. Either the U.S. will have to raise rates to defend the dollar and throw the global economy into a deflationary depression that will make the 1930s look like child’s play, or the dollar will head toward its intrinsic value of zero and we enter hyperinflation. Neither scenario is in any way desirable. But it should be far less problematic for individuals who have done what Brazil, Russia, India, China and South Africa are in the process of doing, namely opting out of the bankrupt dollar system into what is likely to become a new Petro Gold system in the not too distant future.

Ximen Mining Corp.

**Business:** Gold and silver mine exploration in southern British Colombia

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<td>Phone Number: 605-488-3900</td>
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<tr>
<td>Web Site (under construction): <a href="http://www.ximenminingcorp.com">www.ximenminingcorp.com</a></td>
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In addition to having a strong management team, so much of success for mine exploration and development companies comes from being at the right place at the right time. From what I can see, the stars are lining up perfectly for this newly established mining company to build what could turn into a very sizeable mining hub in southern B.C. While there are always risks in any mining deal, not the least of which is the price of the metals, all the elements seem to be falling into place to potentially make this an outstanding new mine exploration company and very soon a new gold and silver producer in southern B.C.

The company is focused on epithermal gold deposits in southern B.C., and a highly regarded exploration geologist, who has been a consultant to the company, soon will likely be announced to head the company’s geological team. This person is largely responsible for two very outstanding high-grade deposits that may soon be put into production by way of custom milling at a mill by a well-known company that is running out of ore. And this geologist was in fact commissioned by that major to hunt down good deposits in southern B.C. from which gold ore could be sourced for this mill.

With a couple of really good, advanced-stage high-grade targets, namely, the **Gold Drop Project** near Greenwood, B.C. and the **Brett Gold Project**, near Vernon, B.C., the company is starting to pull together an experienced management team that has been in business for a while and should serve Ximen well.

While both the Gold Drop and Brett Gold projects have the potential to enter into custom milling arrangements in the near future, there appears to be a very good chance this company may acquire a fully operational mill from Huldra Silver Inc., who is in bankruptcy. Ximen is in the process of carrying out its due diligence regarding this asset to make sure it is worthwhile to pay off an $11.2-million debt owed by Huldra to a creditor. I expect a review of the company’s mill will suggest it is worth it to Ximen to assume that debt. If so and if Ximen acquires that mill, I think the company has a very good chance of becoming a very attractive gold and silver mining hub in south-central B.C. with substantial growth prospects. Essentially, the mill, which cost $20 million, is essentially brand new and the land on which it stands was purchased for $8.3 million. The mill is permitted for 75,000 tons per year, and a mine there is also permitted for 75,000 tons per year. The mine also has underground workings, so high-grade ore can presumably be pulled out of that mine in fairly short order.

**The Gold Drop Project**

**Greenwood, B.C.**

This high-grade underground mine is located 75 kilometers from the Kinross Buckhorn Mill that is in need of mill feed. That 2,000-tonne-per-day mill is reportedly running at half capacity and the mine there will run out of ore in 1½ years. The property has the potential to host a high-grade underground mine and/or an open-pit operation. It has excellent infrastructure with power, water, and road access just 9 kilometers from the town of Greenwood, B.C.
There has not been any significant geological work done on this property since 1980, despite the fact that it has been considered one of the most promising prospects in B.C. since then. The reason it has not been explored is because until recently, its private owner simply mined this jewel box of high visible grade material containing in excess of 2 ounces per ton! Some underground mining has taken place in the past but very little comprehensive geological work has been carried out since 1980. So an initial budget of just $200,000 for Phase I work has been earmarked for this year. It will be comprised of mapping, soil geochemistry, and excavator trenching work that would include sampling and possibly bulk sampling and stripping of veins. Phase 2 will include drilling a bulk sampling program targeting three 2,500-tonne bulk samples at the Amandy, Gold Drop, and North Star adits to test the effectiveness of various methods for identifying geological contacts and structures that may be important controls.

More recently, the North Star Adit was re-timbered and water was pumped out from some 850 ft. into the decline. High-grade material around 2 ounces per ton was taken from very low sulfide material from select portions of the underground workings. Based on Phase I work, diamond drilling and additional trenching/stripping/bulk sampling will be carried out.

Given what is known now about the geology of this project, it is highly prospective for hosting high-grade vein material for shallow underground mining. A couple of geologists who have studied this property think it contains a very big gold system with structures running for several kilometers in length and 300 meters wide. Now that it has been released from legal dispute and no longer fractionally owned, a serious exploration program can be initiated. But the point for now is that this mine may provide high-grade which if milled at the Kinross facility may generate some cash flow for the company can grow organically.

**The Brett Gold Project**

**Vernon, B.C.**

The stock chart above displays a flat line price action for this company’s shares until the early days of January. Then despite the fact that as of this writing the company has done zero promotion and in fact doesn’t even have a Web site, the stocks started to move from its flat line position at $0.25 to over $1.00. The main reason for this price action, even though the story has not been publicized, is the Brett Gold Project, which is highly regarded by local inhabitants of south-central B.C. It is their awareness of the Brett Gold Project’s potential that caused them to buy the stock as Ximen was being structured and capital being raised for its development.

The property is located approximately 29 km’s west of Vernon in south-central British Columbia on the west side of Okanagan Lake. Vernon is approximately 400 km’s northeast of the city of Vancouver. Access to the property is via paved road around the north end of Okanagan Lake and down the west side of the lake to Whitman Creek (approx. 29 km’s). From there, gravel-logging road extends to the gate.
at the entrance to the claims, at kilometer 19.2. The main mine road into the property can be accessed by 2-wheel drive vehicle approximately 3 kilometers to the mine adit and is in excellent condition. Above the adit elevation a 4-wheel drive vehicle is recommended.

As exciting as the Gold Drop Property is, the Brett is the company’s flagship property. Past work did result in a bulk sample of 291 tonnes, from which 27.74 g/t gold and 63.7 g/t silver were produced. That was mineralization taken from the RW Vein at surface down to 15 meters. (See illustration below left.) Some drilling was carried out, but past exploration only served to provide a glimpse of this property’s potential greatness.

Most of the work done thus far is along the main shear zone that has been traced for 1,300 meters, but the evidence of widespread epithermal alteration suggests the potential for a large deposit exists here. Indeed, between 15 and 20 gold-bearing shear zones have been traced at surface, and only $750,000 was spent on this property over the past 10 years. Prior to the institution of 43-101 regulation, resource calculations were made on this property. The gold mineralization is characterized by low sulphidation and simple metallurgy and good recoveries are anticipated based on work carried out to date. The project is in a logging area, so with this area not being a pristine wilderness, it may minimize environmental concerns during future permitting and project advancement. Also, the property is permitted for drilling and trenching so the company won’t have to wait for permits before it can start working on the project.

The illustration on the previous page displays the surface area from which the high-grade sample noted above was taken and it also shows the area of high-grade bonanza gold. Also displayed is the adit that is in place, from which production can be mined presumably fairly soon.

And as with the Gold Drop Project, the Brett Gold is also located in the vicinity of the Kinross Buckhorn Mill so that, given the high-grades hosted on this property, the thinking is that some production may come from this property in the near term. But while short-term production via custom milling may lie in the near term, this company’s project as noted above may well have the potential to host a multimillion-oz. deposit. Insufficient drilling has been done on these to define the extent of these mineralized zones or shoots pictured above. In addition there are several other shear zones observed on surface that appear to be trending northwest, located roughly 50 to 60 meters apart that can be along strike for at least 1,200 meters and occur over at least 1 kilometer in an east-west direction. Indications are that there are 15 to 20 of these structures.

Given a high correlation of soil geochemistry with gold mineralization, it appears likely that soil sampling may be very valuable in the company’s exploration efforts. A total of 4,659 soil samples over an area of 15 square kilometers were taken in 2004. Those samples showed that extensive gold anomalies cover a central portion of the area to the northeast of the main work area. In other words, this truly does seem to be a huge system that is begging to be explored.
But again, as with the Gold Drop Prospect, what makes this appealing to me in this still-depressed gold mining market in which it is difficult to raise capital for exploration is the prospects of generating some capital from early custom milling gold production. Keeping a nice tight share structure for early investors is a very important aspect of longer-term success.

Possible Huldra Silver Mill & Mine Acquisition

So far, I have talked about custom milling, which is in the near-term plans of the company. Given the exciting exploration potential of both properties discussed above and the company’s still low market cap, I think this stock is worth purchasing on that basis alone. However, if the company is successful in acquiring the Huldra Silver assets, it could be in the process of establishing a mining hub that could establish synergies, making this company far more valuable. High-grade ore could be trucked to the Huldra Mill located 10 kilometers northeast of Merritt, B.C., from the Brett Gold Property near Vernon, B.C., and from the Gold Drop Property near Greenwood, B.C. (near Trail, B.C.).

In addition to the mill, the Huldra Silver assets include Treasure Mountain Project, which is located 29 kilometers northeast of Hope, B.C., and 70 minutes from the mill. Both the mill and mine are permitted for 75,000 tonnes per year of production.

I can’t be sure Ximen will be able to secure the Huldra Silver assets out of bankruptcy but it seems they should have a good chance to do so. Given the backing this company has, along with the prospects of establishing a southern BC mining hub, they also have well established shareholders and a strong management team with new members coming on board very soon. At this point, Ximen seems to be the most logical company to acquire these assets and the most palatable for existing stakeholders. So I believe the odds favor Ximen, but you never know for sure.

The Treasure Mountain Mine - The Treasure Mountain Mine is a high-grade silver/lead/zinc vein hosted deposit that currently has over 4,000 meters of underground development on four levels, over a vertical strike of 295 meters. Huldra has been underground mining since May 2012 under a 75,000 tonne per year small mines permit and previously mined a 10,000 tonne bulk sample. Exploration activities are presently focused on expanding the underground resource and defining additional mineralized structures on the mine property.

Merritt Mill, which is brand new and cost $20 million, is a 200 tonne per day (scalable to 500 tonne per day) crushing, grinding and flotation mill located a trucking distance of approximately 70 minutes from the Treasure Mountain Mine. The Company’s first lead/silver and zinc/silver concentrates were produced and shipped in November 2012. Commercial production was announced as of March 2013.
The Merritt Mill is located on real property, mineral claims, and mineral leases that formerly comprised the historic Craigmont copper-iron mine. Huldra Silver purchased the property, claims and leases in May 2011 for the purpose of constructing the Merritt Mill for $8.3 million.

**MANAGEMENT**

Management is headed by Christopher R. Anderson - Position: President and CEO, Director who brings over 25 years of business experience with an emphasis on strategic planning, communications, and creative marketing. For a complete list of the technical and business team behind Ximen, please visit the company’s website.

**THE BOTTOM LINE**

The addition of this company to our list is justified on the basis of the following:

- The potential to derive some funding from custom milling on at least two gold mining projects currently owned by Ximen
- Major exploration potential and mining possibility on both projects
- Deep pocket financiers who are behind structuring this deal
- The anticipated addition to the management’s team of some highly skilled mining professionals who are very familiar with this company’s assets
- The likely acquisition of the Huldra Silver assets from bankruptcy at a fraction of the initial cost and the proximity of that company’s mine and mill to the two existing mines owned by Ximen
- A still very low market cap

In addition to all the normal risks inherent in any mining company’s operations, the management team as noted above at this time is light on the technical side. Based on my understanding, highly qualified personnel will soon be added and this company should be heading aggressively toward advancing their various projects vigorously this summer. And we should know before the end of May if the company is able to acquire the Huldra assets. If management is not bolstered along the lines I anticipate and/or if the company is unable to acquire the Huldra assets, that would cause me to rethink this recommendation. However, given the two gold mining projects the company now owns, combined with its market cap of around $13 million, I do not see a significant amount of downside at this point in time, assuming of course as I do that we are still in the secular bull market of a lifetime for gold and gold mining stocks.

**New Buy Recommendation (2014-05-02)**

**Avino Silver & Gold Mines**

Business: Mining silver and gold near Durango Mexico.

Traded TSX &NYSE: ASM
Initial Recommendation 5/2/14: $1.81
Price 05/15/14: $1.66
Shares Outstanding: 32,226,260
Market Cap: $53.4 million
Working Capital at 12/31/13: $5,950,740
2013 EPS $0.03
Cash Cost/Silver Oz. $10.16
Silver Equivalent Resource oz 54.3 million
Progress Rating: A1
Phone: 604-682-3701
Website: [www.Avino.com](http://www.Avino.com)

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1 $0.03 per ounce was before a $0.06 payment of a deferred tax liability. 2 All in sustaining costs ranged from a low of $6.86 during Q3 to a high of $14.74 during Q1 and totaled $14.39 during 2013. Resource ounces are displayed as follows:
One Vancouver’s legendary mine investor and CEO’s and a long time friend of mine, Louis Wolfin, is the founder of this company. It must now be approaching 30 years that Louis first told me the story of Avino Silver & Gold Mines. But with the first 20 of those 30 years being bear market years for precious metals, he struggled to retain possession of Avino’s legendary silver mine. Thankfully, Lou has survived a serious illness to witness his son David manage this company as its long awaited pay day has arrived. Avino made money last year and with its capacity expected to triple by year end, the truly good days for Avino Silver and Gold Mines appear to lie ahead. David has blossomed into a very capable CEO who is not only blessed with a strong management team, having over 200 years of mining and management experience, but is also a great delegator who relies on the talents of the miners in a bottoms up approach.

Profits during 2013 came from the **The San Gonzalo Mine** which is made up of just one of countless veins on the **Avino Property**. This mine produced 751,462 silver-equivalent ounces in 2013. Actual silver ounces produced during the year were 602,233 as well as a total of 2,473 gold ounces were produced. The mine and mill operated 349 days during the year. The average silver grade put through the mill was 288 g/t and the average gold grade processed was 1.34 g/t. Recovery rates were 83% for silver and 73% for gold. Its cash cost per ounce of production was $9.78. 2,473 ounces of gold were produced from which revenues were factored into the cash cost of silver production, and used to reduce it. The mine has a measured and indicated resource of 3.7 million silver-equivalent ounces and 10.5 million silver-equivalent ounces in the inferred category.

As with most smaller underground mines, resource numbers are generally not as huge as with bulk mineable surface mines given the cost of drilling at depth. But grades are generally higher and these underground mines often extend to great depths. Still with just 250 tones per day processed from this mine, operating 349 days, Avino made a profit from this operation by processing a mere 87,250 tons in 2013. With 1,379,099 tons in all resource categories, the company has enough material to operate for another 15.8 years at the current mining and milling rate.

A cross section of the san Gonzalo Mine is illustrated on your left. The brownish areas represent areas of production in recent years. The lighter yellow areas represent blocks to be mined now and the green areas represent areas of resource estimates from which those 1,379,099 tons have been calculated. As you can see the deposit is open at depth below the green area. There is no immediate need for the company to spend much of its resources to expand its resource in this mine. But this mine provides cash flow to help the company triple its mill throughput by the end of this year. Production from the Gonzalo Mine reached over 250,000 ounces during Q1 of this year and is projected to reach one million ounces.
During 2014, the location of the San Gonzalo mine is shown in the illustration below as is the Avino Mine located southwest of the San Gonzalo Mine. The Avino Mine will begin adding to this company's production virtually as this letter is going to press.

### 2014 Production Growth

With a second 250-ton-per-day circuit opened in April of last year, the company began to process stockpiled ore from the Avino Mine. Production from this stockpile will continue until the underground mine is completely dewatered which I understand is now nearly complete. In 2013, 143,778-equivalent silver ounces were produced from this stockpiled material with the cash cost per ounce at $11.78.

It is my understanding that this second 250-ton-per-day circuit will continue to operate until the company completes the refurbishment of the third milling circuit, which will add another 1,000 tones per day to Avino’s milling capacity. Management is projecting a year-end date for the completion of this refurbishment and thus the ability to process 1,500 tones per day of ore from the Avino and the San Gonzalo Mine.

The Avino Mine certainly provides a sufficient resource to justify this expansion. It has 23.8 million silver-equivalent ounces of Measured and Indicated material and 16.3 million silver-equivalent ounces of Inferred material. This mine produced an average of 1.8 million silver-equivalent ounces per year during the 1998 to 2001 time frame. It was shut down in 2001 due to low silver prices. Management expects this mine to produce at levels comparable to those of the 1998 to 2001 time frame.

With 7.5 million tons of material, this mine also has a significant life span, not to mention the fact that the deposit is open at depth and laterally on either side of the area to be mined, shown as the yellow areas in the illustration above. In addition, I would call your attention to the numerous known mineralized veins shown in the Avino claim areas in the map on the prior page. Assuming favorable economics, there is likely to be enough silver-gold-copper mineralization on the Avino property to keep this mining operating for many years into the future.
**Oxide Tailings Project** - Left over from prior mining and milling, an oxide resource from past tailings is expected to contribute another 1.4 million silver equivalent ounces per year over a five year mine life starting in 2017. The process will use a heap leach/Merrill-Crowe process. Drilling, metallurgical testing and permitting are expected to take place in 2015, construction in 2016 and production in 2017.

By 2017 the investors can look forward to possible annual production of 4.2 million equivalent silver ounces with the company producing at the rate of 2.8 million ounces annually starting in the second half of this year. With cash costs of around $10 per ounce and all-in sustaining costs at around $14, Avino should be on its way to enjoying some very substantial profits and upside for shareholders, especially once the bull market in precious metals reasserts itself.

**MANAGEMENT**

The management team is headed by **David Wolfin, President & CEO, Director** who brings 26 years of experience in mining and finance. For a complete listing of the Avino technical and business team, please visit the company’s website at [www.avino.com](http://www.avino.com).

**THE BOTTOM LINE**

Avino seems to be on its way toward organic growth which is good news for existing shareholders. With only 32.2 million shares outstanding, earnings per share can climb dramatically as production expands and as higher silver prices begin to re-emerge as I expect them to in the second half of 2014. Given the fundamental operating progress this company is making, it strikes me that NOW is a very opportune time to pick up some Avino shares. Keep in mind that management took a $0.06 per share hit in earnings in 2013 to pay deferred taxes related to a recent tax hike by the Mexican government. Otherwise EPS with limited but growing production in 2013 would have been $0.09. I’m expecting much higher EPS moving into the future and a return in this company’s share price well beyond the March high of $2.75. And, if we get a resumption of the gold and silver bull market in the second half of this year, those returns should be soon incoming.

**New Buy Recommendation (2014-05-02)**

**Cornerstone Capital Resources Inc.**

**Business:** Project Generator, exploring and development as project generator in Chile and Ecuador. Holds 15% carried on world-class Cascabel Cu-Au discovery.

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<tr>
<td>Website:</td>
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*On April 9, 2014 CGP raised an additional C$4 million from issuance of 26,666,677 units @ 15 cents in a private placement.*
OVERVIEW

The shares of Cornerstone Capital have the potential to become phenomenally profitable overnight if the world begins to view Ecuadorian risk on less onerous terms. I say that because it looks to me as if the company’s Cascabel Gold-Copper Porphyry Deposit in Ecuador is on the verge of becoming a major world-class gold-copper deposit. While there is no doubt an element of political risk attached to buying these shares beyond what I would like, my view that Ecuadorian political risk will soon be seen by investors in a more favorable light and, combined with an apparent world-class discovery, leads me to include Cornerstone in my project generator portfolio.

The Cascabel Project

The Cascabel Project is located approximately 190 km north of Quito and 20 km south of the Colombian border. It is accessible by a 196 km paved road all the way from Quito. It takes about three hours to make the drive. Electric power is available and an oil refinery and important industrial port exist in Esmeraldas City, 222 km from the site. The project is blessed with abundant water and its climate is sub-tropical.

The property was acquired by Cornerstone in 2011 and in 2012 on the basis of a multi-elements stream sediment survey carried out previously by a BGS survey. SolGold Plc, an Australian exploration company, signed a LOL to earn up to 85% of the project, which it has subsequently achieved. Environmental permits for drilling were granted in August 2013 and Phase 1 drilling began in September. The results have been nothing short of spectacular the best example being the following headline dated March 24, 2014:

*Cornerstone Cap drills 688 m of 0.92% Cu, 0.9 g/t Au at Cascabel*
The most spectacular hole thus far was Hole #5, which has thus far intersected 1,305 meters grading 0.62% copper and 0.54 g/t gold. I say “thus far” because as you can see from the 3D magnetic diagram on your left, the extension of Hole 5 is in progress. Results are anticipated later this month.

Note from the illustration above that Hole #1 was a steeper-angle hole that intersected what is now believed to be the lower-grade marginal material. But even this “lower grade” scored 0.39% copper and 0.48 g/t gold. The 3D magnetic illustration above serves to demonstrate that the model that Cornerstone and its partner are working with has the potential to host an absolute monster gold and copper deposit. For starters, Hole 5 shown above (which is open at depth and more results will soon be forthcoming) has to be one of the best holes any company anywhere on the face of the earth pulled in 2013. But what I want to emphasize here is that if the company’s model is correct and if it is mineralized over the areas suggested by this model, this will be a massively large deposit. And at current metals prices of around $3 for copper and $1,300 for gold, the in-situ value per ton of rock is around $100.

I would also like to call your attention to the higher-grade portion in the model. The extent of gold (red) and copper (green) mineralization is illustrated by the green bars to the right and red bars to the left of the two drill holes shown above and to your left. So it is anticipated that there exists an upside down horseshoe-like higher-grade structure. If that turns out to be true, pounds of copper hosted here will be absolutely massive.

To put the extent of this high-grade section in perspective, the illustration on your left shows the CN Tower in Toronto, relative to the higher-grade section of Drill Hole #5. The CN Tower is 553 meters high, whereas the entire Hole #5 is, so far, more than twice that size.

It is also important to note that the Cascabel is in an area along the Miocene Mineral Belt in Ecuador where other monster mines have been located.

How big could this deposit be, relative to some other monsters? There is no way of knowing but geologists believe it has the potential to be comparable in scale to the 1.9-billion-tonne Tujuh Bukit Gold-Copper Project in Indonesia, which hosts 19 billion pounds of copper and 28 million ounces of gold. Of course, we are not telling you to bet on anything of that extent. But neither are we ruling it out, especially after reading the company’s May 2 press release in which Cornerstone’s president, Brooke Macdonald, noted, “New geological information provided by hole 6 (the first hole to be drilled in the Phase 2 exploration program) and reprocessing of the magnetic data are helping us to refine the overall exploration model at Alpala and, more importantly, clearly demonstrate the enormous size potential of this porphyry target. It is important to note that while Alpala is the most advanced target at Cascabel, it is only one of several targets still to be fully explored and drill tested on this 50-square-kilometre concession.”

Well, I’d say, forget other targets for now. The Alpala, which is where the deep high-grade hole was pulled, is shaping up to indeed promise an extraordinary discovery. Keep in mind that the footprint of the Alpala is at least as large as the Tujuh Bukit Gold-Copper Project, but that 1.9-billion-tonne, 28-million-ounce deposit extends to a “mere” 1,200 meters. Hole 5 is already extended to over 1,300 ft, but now based on new geological information, the model is extended to 3.2 kilometers along strike. When results from the extension of Hole 5 are reported, we will know something more about the extent of mineralization to depth. But the lateral extent of this model, based on the magnetic anomaly, is now 3.2 kilometers in length.

As noted in the press release, “The new modeling is revealing a deeper and much more magnetic westward extension to these eastern anomalies. The new deeper 3D model allows the company to see previously unrecognized but more intense
magnetic anomalies to the west and northwest of hole 5. Very significantly, the high-grade porphyry copper-gold mineralization in hole 5, which occurred in association with magnetite and high magnetic susceptibility readings in drill core, now correlate well with the refined magnetic model.”

Again it is important to note that these are still early days in this discovery. Amazingly, from the initial stream sediments anomaly to the discovery hole was a mere 22 months. But with each hole that is drilled now, we begin to learn a lot more about the potential of just this one porphyry—the Alpala Porphyry—located on the company’s 50-square-kilometer property. In just a couple of weeks we should learn a bit more, when Hole #6 assays are reported. That hole was drilled to 1,401.5 meters and is more than 300 meters northwest of Hole 5. Although we don’t know the assays yet, I believe the project geologists must have seen what they liked in the drill core because it was only after they observed that core from hole that they put out the May 2 press release that talked about a massively larger model.

Hole #7 will be located between holes #5 and #6 to confirm continuity of mineralization and to provide other geological intelligence. But these holes will bring important information as will metallurgical testing expected to be carried out on Hole 5 in the near term. With good continuity it’s hard to see how this stock could remain at its current level of around $0.10. Also, we want to keep up with metallurgical results. Plans are to run met tests on material from Hole 5.

**Other Properties -** I’ve spent most of my energy talking about the Cascabel because, even with a 15% interest, it has the potential to be a “company maker.” But Cornerstone has a number of other properties of interest in Ecuador and Chile.

**Ecuador**

**The Macará Property** – Newmont Mining is funding 100% on this property in a strategic alliance with Cornerstone. This property, which is located on the Ecuador/Peru border, has never been explored in the past, due to military controls. A considerable amount of surface work, including 581 stream sediments, 473 BLEG samples, and more than 2,000 rock samples and 96 soil samples have been collected. Sixteen highly prospective areas have been defined and are to be followed up.

**Vetas Grandes (Gold-Silver)** has had extensive surface sampling, trenching, and geophysical surveys carried out on this 100% owned property. There are several large 3-meter to 7-meter-long quartz vein/vein breccias/stockwork striking east-northeast over 1.4 km. This drill-ready prospect has the potential to host significant epithermal low-sulfidation to intermediate-sulfidation style gold-silver mineralization and could be part of a new mineral district.

**Bella Maria (Gold-Copper)** – Abundant free gold in stream sediment and panned samples has been observed over the entire 100%-owned property. Four mineralized prospects have been identified. Newmont drilled 13 holes on porphyry gold type mineralized zones. Seven holes cut greater than 70 meters of 0.5 g/t gold. This has excellent potential to host significant porphyry and structurally-controlled gold and copper mineralization.
Caña Brava (Gold-Silver-Copper) – This 100%-owned property hosts high-sulfidation epithermal gold-silver zones defined by extensive hydrothermal breccias and silica ribs developed within an argillic alteration litocap. The West Zone covers an area measuring 2.5 km by 2 km and is coincident with a 3 km by 1 km multi-element soil geochemical anomaly. And an East Zone measuring 1.75 km by 1 km shows similar high-sulfidation mineralization and is open in most directions. And there is a possibility of a possible porphyry gold-copper target beneath the Caña Brava breccia and lithocaps.

Chile

The Miocene (Gold-Silver-Copper) – This 100%-owned property is located in the Maricunga and El Indio “elephant country” belts. Management believes they may have a new mineralized district. In 2011 and 2012 anomalous precious and base metals zones associated to epithermal altered zones. This property is located on strike of the newly discovered epithermal Titan and Atlas Au-Ag prospects discovered by another project generator on our list, namely, Marisol Resources.

Ecuador Political Risk

If the company’s flagship property were located in Canada or the U.S., this Cornerstone’s 15% interest might make this a $1.00 stock, even in this miserable market environment. Although it is still early days and much remains to be learned about the Cascabel Project, in my opinion it is the perception of political risk in Ecuador that has kept the price of Cornerstone so subdued. Based on information I have received from Cornerstone’s president, I think Ecuador may turn out to be more akin to Brazil in its relationship with the Anglo-American empire than like more militantly anti-U.S. countries Venezuela or Bolivia.

Here are some important points to keep in mind that I think bode well for Ecuador country risk.

- Ecuador uses U.S. dollars. Keep in mind, as I have pointed out in the past, so-called “rogue nations” get that label when they choose not to use dollars. There are no exchange controls or price controls. The country exports $500,000 of oil per day with another 14 years of production at current rates. One reason President Correa has begun championing the mining sector is that he is looking beyond that timeframe for Ecuador. Correa is an unapologetic champion of the mining industry and has been quoted telling environmentalists and NGOs who oppose mining that they should come to the meetings on the back of a donkey and leave their car keys at home, as without mining they would have no car to drive.
- Correa has reportedly pushed his minister of mines to structure mining law that will make Ecuador competitive with Mexico, Peru, and Chile and then recommended changes to make Ecuador more competitive. The firm of Wood MacKenzie has reportedly been retained for this purpose and is supposedly making a presentation to President Correa sometime in mid May.

Ecuador has had the most stable government in the country’s history, and Correa was elected for a second time and has held office now for seven years. When Correa first took office, some of his leftist advisors persuaded him to put in very onerous windfall profits taxes and a 5% to 8% NSR. That killed the goose that could lay the golden egg and Kinross walked away. But President Correa, who has a doctorate in economics from the University of Illinois, understands enough about economics to know you can’t destroy profits or your economy will die. It seems to me the markets will likely be pleasantly surprised by a new mining law in the near future.

MANAGEMENT

Cornerstone’s management is headed by H. Brooke Macdonald, B. Bus., L.L.B. (member New York Bar)Director, President & CEO - Mr. Macdonald has over 23 years experience in the mining industry, specializing in the legal aspects of exploration and mine development with an emphasis on Latin America. For a complete listing of the business and technical team behind Cornerstone, please visit the company’s website at www.cornerstoneresources.com

THE BOTTOM LINE - Perceived political risk makes it possible to buy shares in a company with a 15% claim on what looks like a possible world-class copper-gold deposit for a bargain-basement price. Indeed there are no guarantees on either the political or exploration risks. But if you share my positive views for a positive outcome on both fronts, Cornerstone could easily become a 10-bagger, especially in an improved gold market environment. Of course, on a cautionary note, it is also possible that the past actions of this government may cause major mining companies to hesitate making the kind of long-term capital commitment that a world-class deposit would require. One possible candidate that
would be well equipped to take the Cascabel into production still has a presence in Ecuador. That company is Newmont, which is a strategic partner of Cornerstone. In my view, it would make sense for speculative investors to allocate up to 5% of their portfolios to Cornerstone Capital shares in anticipation of positive outcomes on both the political and exploration fronts.

New Buy Recommendation (2014-05-02)

**Integra Gold Corp.**

**Business:** Exploration, development, and near gold production in Val d’Or, Quebec

- Traded Toronto: ICG
- US OTC: ICGQF
- Shares Outstanding: 134,981,358
- Price 5/9/14: $0.20
- Price 5/15/14: $0.19
- Market Cap: $25.6 million
- Gold Resource (ounces)\(^1\): 1,049,990
- Cash: $4 million
- Progress Rating: A2
- Telephone: 604-629-0891
- Web Site: [www.integragold.com](http://www.integragold.com)

\(^1\)Following is a breakdown of Integra’s current 43-101 resource

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<th>3.0 g/t Cutoff</th>
<th>Indicated Resources</th>
<th>Inferred Resources</th>
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<td></td>
<td>Tonnage (Metric tonnes)</td>
<td>Grade (g/t Au)</td>
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<tr>
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<td>Triangle</td>
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<td>No. 4 Plug</td>
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<td>Parallel</td>
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<td>No. 6 Vein</td>
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<tr>
<td>Sixteen Zone</td>
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<tr>
<td>Total</td>
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Successful investors make money by finding imperfections in the market place. A former management team spread way too thin missed an opportunity to advance Integra Gold’s Lamaque Property in the heart of Val d’Or to early production. Integra Gold Corp. is focused like a laser on moving this project into production, using available custom milling opportunities on this underground mine.

Integra Gold’s property limits are shown in yellow in the illustration on your left. It lies on the edge of Val d’Or, and in fact a small portion of its property is on the end of the Val d’Or airport. Not only does the company enjoy a 32% exploration tax rebate from the Quebec government, but low cost power and all necessary infrastructure are in place, not to mention the availability of skilled underground miners, to provide an advantage that many if not most other mining projects do not enjoy.
The table at the top of this page displays the current 43-101 resource using a 3.0 gram cutoff. The average grade for all this material would be around 0.25 oz/ton. If a 5.0 gram cutoff is applied, the grade for all the material would increase from approximately 0.35 oz/ton. An ability to high grade the mineralized zones may be feasible, as was done in the past at the Lamaque Mine with grades in the 8 to 12 gram range. When a bulk mining approach was applied, grades were around 6.3 grams/ton.

On April 29 the company announced a preliminary economic assessment (PEA) for its Lamaque Project using custom milling. A custom milling option, which was calculated to cost $45/ton, was built into the cash cost of $665/oz. and the all-in cost of $805/oz. The results reveal robust economics for the project, as you can see on your left.

While a mine life of just 4.25 years is relatively short, it should be noted that these vertical high-grade vein structures are typically mineralized to very great depths and in many instances result in mine lives many times longer than initially anticipated. The cost of drilling to extensive depths is simply prohibitive, so these mining operations tend to drill from underground as the mining progresses at depth. The Lamaque Mine, where ore was taken from a neighboring vertical plug, produced 3.7 million ounces over many years but never had more than a three-year ore supply in front of its operation.

That said, management hopes to expand its mine life considerably further this year by virtue of its current exploration program, which is to involve a minimum of 45,000 meters of drill core. Approximately half of the drilling is for step out and the remainder infill drilling to upgrade the existing resource. As reported on April 22, a total of 22,117 meters has been drilled, of which 3,900 meters drilled from 10 holes were reported as shown on your left. What these numbers represent is more of the same high grades and similar widths that are factored into the existing resource numbers set out above.

Always of great importance are metallurgical recoveries. Phase 3 metallurgical tests revealed 97.8% recoveries using a combination of gravity and carbon-in-leach (CIL) cyanidation. Since management is at this time considering early production using nearby custom milling, the recovery process tested was consistent with existing milling infrastructure in the area.

On a non technical note, but equally important to the overall success of a project, is management’s pro-active community relations approach. Although Val d’Or is very much a pro-mining town within one of the most pro-mining jurisdictions in the world, it is most important to keep good will with the community, particularly given the fact that mining will take place virtually on the boundaries of the city. Of course with this being an underground mine, surface disturbance is limited.
The following illustration provides an idea of the orientation of the gold-bearing structures on the Lamaque Mine. Entry into the mine is by ramp.

As of now, the company has limited its drilling to about 600 meters, which is illustrated by the black line extending across the three vertical gold-bearing structures pictured above. Management believes it can significantly increase its resource numbers with the existing drill program from the two high-priority targets shown above.

The 2014 Drill Program

As noted above, the company plans to drill a minimum of 45,000 meters this year. This includes 24,000-metre definition program at the Triangle zone, definition drilling at the Fortune zone (8,000 metres), exploration drilling at plug No. 5 (5,000 metres) and mine No. 3 targets (6,000 metres), and geotechnical drilling at Parallel, Triangle and Fortune (2,000 metres). The plug No. 5 and mine No. 3 targets are not currently included in the Lamaque project's total resource and pending the outcome of the proposed drill programs the company may conduct resource estimation on these targets in the latter part of 2014.

Custom Milling or Not?

Obviously custom milling is not ideal even if you are able to secure a reasonable cost. When markets get hot and more ore is available, usually the companies owning the mills fill the mills with their own ore before they custom mill for others. At some point if there a sufficiently large resource outlined on the Lamaque Site, a mill could be built. There is also the possibility that a mill across town at the Sigma Mine, which is now in bankruptcy court, could become available. If that facility could become available at the right price, that would obviously be a plus for Integra. On the other hand, if enough high-grade ounces can be outlined here, Integra could conceivably become a takeover target.

Near-Term Catalysts

We are now in May, which means the 24,000 meters of drilling has been concluded. From this point on, you can see the company’s planned activities, which should add value and hopefully, with a little cooperation from the gold markets, help drive these shares higher. The point I think is important to note is that advanced planning is taking place on establishing this mine, and by the end of this year, we should see significantly higher resource numbers that should add value to this company’s shares.
MANAGEMENT - The management of Integra Gold Corp is headed by Stephen de Jong, BComm., CEO, President, Director - Mr. de Jong has held several senior management and advisory positions in publically listed Canadian mineral exploration companies successfully leading their recapitalization and restructuring programs. Please visit the company’s website at www.integragold.com for a complete listing of the business and technical talent behind this company.

THE BOTTOM LINE - Assuming the gold bull market is on the verge of a return during the second half of this year, as I believe, Integra Gold is setting itself up to richly reward investors who enter these shares at their current price. Its management team has the technical and business talent so necessary for success. It is located in Val d’Or, Quebec, with all its infrastructure, labor, tax, and regulatory advantages that make Quebec one of the best mining jurisdictions in the world, and indications thus far suggest that a custom milling operation should be highly profitable. Of course as noted, custom milling is not ideal. The best outcome for shareholders would be if Integra could acquire the Sigma Mill at a reasonable price.

It may be noteworthy that the mill and old mine have not had any takers from bankruptcy for a protracted period of time, which may suggest the economic prospects of the mine itself are not very highly regarded. In the event the mill cannot be acquired at a reasonable price to meet Integra’s needs, other producers in the area may well bid for Integra at an acceptable price. The prospects for that or other events offering investors a strong return should be improved with drilling results as they become available toward the end of this year, along with other catalysts noted above. With a total resource of over 1 million ounces and growing, combined with all of the above-noted advantages, entering this stock with a market cap of under US$30 million looks highly attractive to me, especially if you believe, as I do, that we are about to enter the next major stage of this gold bull market of a lifetime.


ALLIED NEVADA GOLD CORP.

Business: Gold and silver producer in Nevada.

Traded NYSE: ANV
Toronto: ANV
Shares Outstanding: 104,043,169
Recommendation 3/15/13: $18.20
Price 5/15/14: $3.23
Market Cap: $336 million
Gold Reserves (oz.): 11,875,000
Silver Reserves (oz.): 509,559,000
Gold-Equivalent Reserves (oz.): 20,793,000
2013 EPS: $0.01
2012 EPS: $0.52
Progress Rating: A1
Web Site: http://www.alliednevada.com/

Talk about high flyers coming back down to earth. Near the peak of the gold price in 2011, this stock exceeded $45 per share only to fall to $3 and change more recently. While I believe political risks for gold mines are on the rise—yes, even in Nevada, where a corrupt senator named Harry Reid is involved in confiscating property of U.S. and Nevada citizens in self-serving deals with the Chinese (some think, to keep China from dumping dollars)—if anything like traditional property rights for Americans continues to exist, Allied Nevada Gold Corp. (ANV) should be a very big winner in years to come, especially if I am right in thinking the gold markets will start to get hot during the second half of this year.

There were some good reasons for ANV shares to rise dramatically during 2011 and 2012. The earnings from its open-pit heap-leach project were highly prosperous in 2011 and 2012. But the really big upside was justified also in future plans to produce massive
amounts of gold and silver from low-grade sulfide material from a massive milling operation. As the price of gold declined and skepticism set in (perhaps from major investors who missed the move higher?), the stock price took a hit, as the chart above indicates.

It’s possible the skeptics will yet turn out to be right. But this week, the company published the results of an independent pre-feasibility study of the company’s Hycroft sulfide mining project based on $1,300 gold and $21.67 silver, and the results were quite strong, showing a 5% discounted NPV of $1.7 billion and a 26.5% IRR.

At present, the life of mine stretches from this year through 2033. The project is projected to process 934 million tons of ore with an average grade of 0.011 g/t gold and 0.5 g/t silver over a 20-year mine life. Life-of-mine recoveries are estimated to be 69% for gold and 72% for silver. During that timeframe, the mine is expected to produce 7,366,000 ounces of gold and 328,606,000 ounces of silver. At $1,300 gold and $21.67 silver, per-ton revenue is projected to be $17.88 per ton and total operating costs are projected to be $11.68 per ton, leaving an operating profit margin of $6.20, or $5.8 billion over the 20-year mine life. Taking out the initial expansion capital of $1.32 per ton leaves you with a per-ton profit margin of $4.88 for a life-of-mine pretax profit of $4.56 billion.

One very successful investor/analyst I know told me a year or so ago that he just doesn’t think they can move that much dirt and make money and that the margins are just too thin. Again, I think this very smart guy could be right. I also think he may have missed the move up in the price of the stock and may have shorted it on the way down. Whatever the case, we know the company can make and is making money on its oxide resource and that the latest independent economic study is aligned with prior economic work. So I am basing my view of this company on the basis of this public information.

Longer term, this company has a lot more going for it than even the above-noted prefeasibility study suggests. Its gold and silver reserve is quantified in the tables on your left and below. Reserves of 11.875 million ounces of gold and 509.6 million ounces of silver and a gold equivalent of 20.793 million ounces just the reserve for the Hycroft Project! But now, cast your eyes to the left and you can see an even bigger picture. Here we are looking at another 12.4 million oz. of gold and another 360.1 million ounces of silver. That amounts to a gold-equivalent resource of 18.7 million ounces.

Also adding to that is a total of 628.3 million ton grading 0.01 oz/t gold and a gold-equivalent grade of 0.015 oz/ton. That amounts to another 6,282,000 ounces of gold and 9,423,000 gold-equivalent ounces. I know the regulatory folks don’t like us adding apples, pears, and oranges together. But if we describe that as a bowl of fruit with “x pieces” contained in the bowl, it is not a lie. So what we can say about the numbers above is that so far, a total of 30,589 ounces of gold and 42.9 million gold-equivalent ounces can be counted on the Hycroft Mine in Nevada. THE BOTTOM LINE - If you are looking for a leveraged play on gold and also what should become one of the largest silver producers in the world, then ANV may offer fantastic upside when the secular gold bear market finishes and we get back to the most fantastic gold bull market of our lives. For now there are doubts in the minds of many mining professionals about this company’s ability to make money with such a massive low-grade milling operation, as proposed in the prefeasibility study. The study suggests it can. Of course the feasibility study will drill down in more detail and there could be hiccups along the way. But your editor takes comfort from the first quarter results. Gold production grew from 38,019 oz. in Q1 2013 to 60,114 oz. in Q1-2014. Silver production increased from 188,000 oz. to 412,506 oz.

April 2014 Sale of Veris Gold, Southern Silver and Goldrich + Sale of Next Gen Metals

Much as I would like to hang on to Veris Gold, the problem is there are so many companies to cover. I am going to recommend a sale of Veris Gold at this point in time with a recommendation to apply the proceeds of that sale to buy Kirkland Lake Gold because I think that is another leverage play that I think is closer to turning things into a positive direction. Of course there are various other stocks on my list that I think are very much worthy of replacing Veris Gold.
Two companies that concern me more however are Homestake Resources and Southern Silver. Homestake has a deal more so with Agnico-Eagle on its Homestake Ridge gold project in north western B.C. in which Agnico can earn a 65% interest by spending $25.3 million over 6 years. I believe Homestake will find a way to keep the lights on through this difficult time. It has too much upside potential for me to ditch this company now and it still has less than 40 million shares outstanding. Southern Silver on the other hand has nearly 170 million shares outstanding and a share price of $0.015. I hate to sell a stock like this when it is down by so much, but sometimes you just have to lick your wounds and move on to greener pastures. So that is what I am recommending you do. Take an early tax loss against what I think/hope will be a very positive second half of 2014 for gold and silver mining stocks. There are certainly plenty of great alternatives on our list, so I’m going to recommend a sale of this stock. Goldrich Mining was sold on April 25th at $0.07 for a 5.7% gain after I learned that the company’s joint-venture partner will not be producing gold in this year’s short summer season. No need to hold this “dead money” stock, but may look to buy it back next spring. The company’s producer/partner will expand production facilities this year, but will hold off on production until the summer of 2015. I continue to think this company has great longer term exploration potential. But I’m 67 years old so what does “long term” mean? Sell Next Gen Metals – As a libertarian and based on very profound medical virtues of marijuana, I picked this stock in March. Soon thereafter, Canadian courts delayed the move to license growers of the plant. Given my view that the gold and gold shares are very near a launch to much higher levels and the advent of a marijuana bull market is further away, sell this stock and apply cash proceeds to any number of very promising gold share issues. We should be within a few weeks of the bottom for gold if we are not already there.

PORTFOLIO SCORECARD

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<th>Security</th>
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<th>Company Activity/Comments</th>
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J Taylor’s Average Gain (Loss) on Progress A1 Gold Stocks - 17.60% 23.07%
### J Taylor’s Average Gain (Loss) on Progress A2, A3, A4 Gold Stocks

| Security | Exch Ticker | Can | US | Company Activity/Comments | Price 1/1/14 | Initial Date | Initial Price | Price 5/1/14 | 2014 Gain % | Overall Gain | Buy Hold |
|----------|-------------|-----|----|---------------------------|---------------|-------------|---------------|--------------|--------------|--------------|------------|----------|
| Cormark Gold Corp. | CGK | | | Development in western Canada | 0.17 | 7/31/14 | 0.17 | 0.17 | 0.17 | 0.17 | 0.17 |
| Prodigy Gold Corp. | PDPQ | | | Exploration & Development in Ontario | 0.08 | 3/31/14 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Solvista Gold Corp. | SSVF | | | Development in Ontario | 0.11 | 3/27/14 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |
| Xion Mining Corp. | XMM | | | Exploration & Development in Colorado | 0.11 | 4/2/14 | 0.11 | 0.11 | 0.11 | 0.11 | 0.11 |

### Energy & Tech Stocks

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<td>Processing and marketing of ore concentrates</td>
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### Precious Metals & Hedging Funds

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<th>Security</th>
<th>Exch Ticker</th>
<th>Can</th>
<th>US</th>
<th>Company Activity/Comments</th>
<th>Price 1/1/14</th>
<th>Initial Date</th>
<th>Initial Price</th>
<th>Price 5/1/14</th>
<th>2014 Gain %</th>
<th>Overall Gain</th>
<th>Buy Hold</th>
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<td>Gold</td>
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<td>TBF</td>
<td>ETF long 20+ Year U.S. Treasury Bond</td>
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### CHART EXPLANATION
Exch. = American; New = Toronto; O = OTC/BULLETIN BOARD/Pink Sheets; T = Canadian Exchanges
P=PROGRESS RATING – A1 = Currently Operating, A2=Not in operation but with pre-feasibility or feasibility study in hand; A3 = No feasibility study but indications of a commercially viable mineral deposit. A4= A mineral resource not yet delineated but based on size of mineral bearing structures and early geological work, potential for outlining an ore body appears good.

### 2014 CLOSED POSITIONS:
- Petaquilla -68%, Southern Silver -95.6%, Veris Gold -81.96%, Goldenrich +5.7% Sandstorm Warrants -39.8%, & Next Gen Metals -61.8%.

### J Taylor’s Gold, Energy & Tech Stocks

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