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Earthquakes, Tsunamis and Meltdowns

By James West

The world is supposed to end in 2012, according to the Mayans, not 2011. But 2011 is looking like the better bet for complete annihilation of the human race.

As a result of market performance today, we're going to assume that the resilience of global markets led by the Japanese is clear indication that there will be a resumption of a bull market atmosphere regardless of what happens in Japan and the Middle East.

Is it time to get out of uranium? And what about copper, iron ore, rare earths, lithium, oil and gas, zinc, lead and diamonds? For the time being, I think its time to get a seat on the sidelines for these commodities until a trend towards resolution of the various problems in the east emerges. The monetary metals – gold and silver – are going to plunge near term, but they should be the first to receive speculative interest when it recovers, and I think the prices of the metals themselves will remain very strong through this downturn.

If this is the kick in the stomach for the global economy that its starting to look like today, its time to head for the hills. Last downturn, the U.S. dollar outperformed, and as perverse as it seems, that pattern is likely to re-emerge in the next week.

The earthquake that plunged the Japanese people into a state of complete and total loss on Friday also seems to have illustrated a rather good point for the anti-nuclear energy crowd. When it comes to the earth's more energetic natural events, how do you make a nuclear reactor safe? Unless you can dangle them in the air from something not attached to the ground, it looks like we're going to have to rethink our enthusiasm for terrestrial nuclear installations. I'm wondering how this



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is going to affect the price of uranium long term, since its earthquake prone zones like China and Japan who seem to be embracing that technology most. The most horrible reality about the situation in Japan is that if one or more of those reactors goes into full meltdown, the entire human race could be affected. I for one have abandoned any notion that nuclear power is safe, and think everyone needs to educate themselves on this issue to make sure government gets the message. With 23 nuclear power plants under construction in China alone at a cost of \$10 billion a piece, there is ample budget to abandon nuclear and finish development of the huge array of alternative energy technologies based on sunlight, wind, biosource and hydrogen.

U.S. Energy Secretary Stephen Chu says he doesn't see any reason to halt the licensing process for nuclear power stations in the United States and supports it as the best non-contaminating energy alternative to hydrocarbons. Dear American readers: please ask Mr. Chu to open his eyes. Three major nuclear incidents in 25 years makes it obvious that his position is erroneous.

Germany has already closed 7 of its oldest reactors for 3 months...possibly permanently, if anti-nuclear activists have their way. Uranium juniors could get wiped out in the weeks ahead if the problems at Japan's nuclear facilities become full fledged disasters. A complete core meltdown has repercussions for the entire world, as substantial amounts of radioactive steam released into the atmosphere could make Chernobyl look like a tea party.

Reflecting on the price of uranium is an involuntary thought that arose, and no it was not in place of the agony I'm sure a lot of families there are suffering presently. Our thoughts (my family's) are certainly with them.

Here in Lima, Perú, the most egregious effect of the tsunamis that emigrated here was some minor flooding from a maximum surge of only 1.1 metres in height that made its way no more than 200 metres inland at one point, inflicting mild damage on a private tennis club. Boo-hoo. Nothing compared to the at least 10,000 souls thought to have perished among the Japanese archipelago. But enough to make the experience a little more acutely felt than in Toronto, where I was when it began.

Markets are toppling globally this week in reaction to the rising tide of horrible news in Japan, and expanding instability in the middle east. If ever there was a eerie sense of foreboding, it is now. Its hard at this point to console one's self with the knowledge that while stocks plunge, there is a future point that is going to be the best buying opportunity we'll see this year.

Investors who wait and sell on weakness will lock in losses. If the investment is solid, there's no need to go to cash and back again when the smoke clears. If there's anything to be learned from the panic selling at 2008 in retrospect, it is that you can save yourself a lot of commission if you just let the sold investments ride the wave face downward. At the bottom awaits the opportunity to average down all positions, and acquire new ones in missed opportunities that will be bargains soon.

In the best position are those companies that have just closed major bought deal financings. They are free to turn off the TV and go drill some holes while Chicken Little's by the millions go running pell mell into the stampede where they get slaughtered. 'Steady as she goes' needs to be the philosophy here. Don't panic.

That being said, there are lot of factors to suggest that this panic-induced crash



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unfolding as I write could be the onset of a major financial meltdown that exceeds in magnitude and duration that of 2008. It is a direct outcome of U.S. monetary whoring that the volatility of major corrections are going to be of higher intensity and more frequent. There are more artificial assets to sell than ever before. The derivatives market continues to be the favorite wand of Wall Street wizards who roll over short positions in perpetuity, obscuring them forever behind their private garden wall, where over \$600 trillion in unreconciled transactions await their day in the sun.

The Middle East

Soldiers descended on the Shiite Muslim protesters camps and laid a good beating on them to protect the Sunni government. Libyan leader Gaddafi is slowly but surely gaining ground on the popular uprising there as the west judiciously elects to keep its military nose out of the region. The reason for that is simple, how can it aid the protesters in Libya while supporting the oppressive dictatorships it supports in Bahrain, Saudi Arabia, and elsewhere.

The turmoil is good business for the west.

Seafield Update

Many of you, as I, have been, are wondering what-the-fuke is going on with Seafield?

According to country manager Ian Park, with whom I met for the first time in Toronto during the PDAC, further results are expected to be positive from Dosquebradas on the Quinchia project. A series of awfully dilutive financings have made it profitable for a lot of people to sell stock at any price over 20 cents, and that just goes to show that if you take your money from nickel-dimers, you get nickel and dime minded exits galore. But great deposits tend to outlast lousy shareholders, and Dosquebradas will be no different.

The company has over \$15 million in the bank now, and they're now just waiting for the weak sisters to get out of the way before a new era in the company becomes apparent. At this point, averaging down is one strategy. Selling out is another option for those too impatient to wait. But I am still comfortable in the stock despite the share price weakness, and would even go so far as to suggest that these low levels are an excellent buying opportunity.

Golden Hope Mines Update

Another good company with lousy shareholders, Golden Hope suffers from negative press from the National Inquirer of the resource industry, Canada Stockwatch (currently the defendant in two libel suits by TSX listed companies), and newsletter writer Brent Cook (he told subscribers to sell Colossus at \$0.40....its now trading in the \$7 - 8 range.). So fools with an audience can do immense damage.

The company continues to methodically execute on its strategy of attempting to find the limits of the mineralized band that thus far extends along a potential 20 kilometres of strike - a strategy being emulated by Bowmore Exploration Ltd. (TSX.V:BOW), a TSX company with directors and management in common with Osisko Mining Corp. (TSX:OSK)

It is worth noting that Osisko had a very hard time finding believers in its story on the Canadian Malartic mine potential. The stock bumped along below \$0.50 from the period of 2002 to 2006 as people essentially laughed at CEO Sean Roosen and company. Similar stories are to be found throughout the history of mine and resource development. Frank J. Callaghan, who I met with on his Barkerville Gold story, himself the model of tenacity and a serial target of bad press. For all these folks, vindication comes in the form of success.