

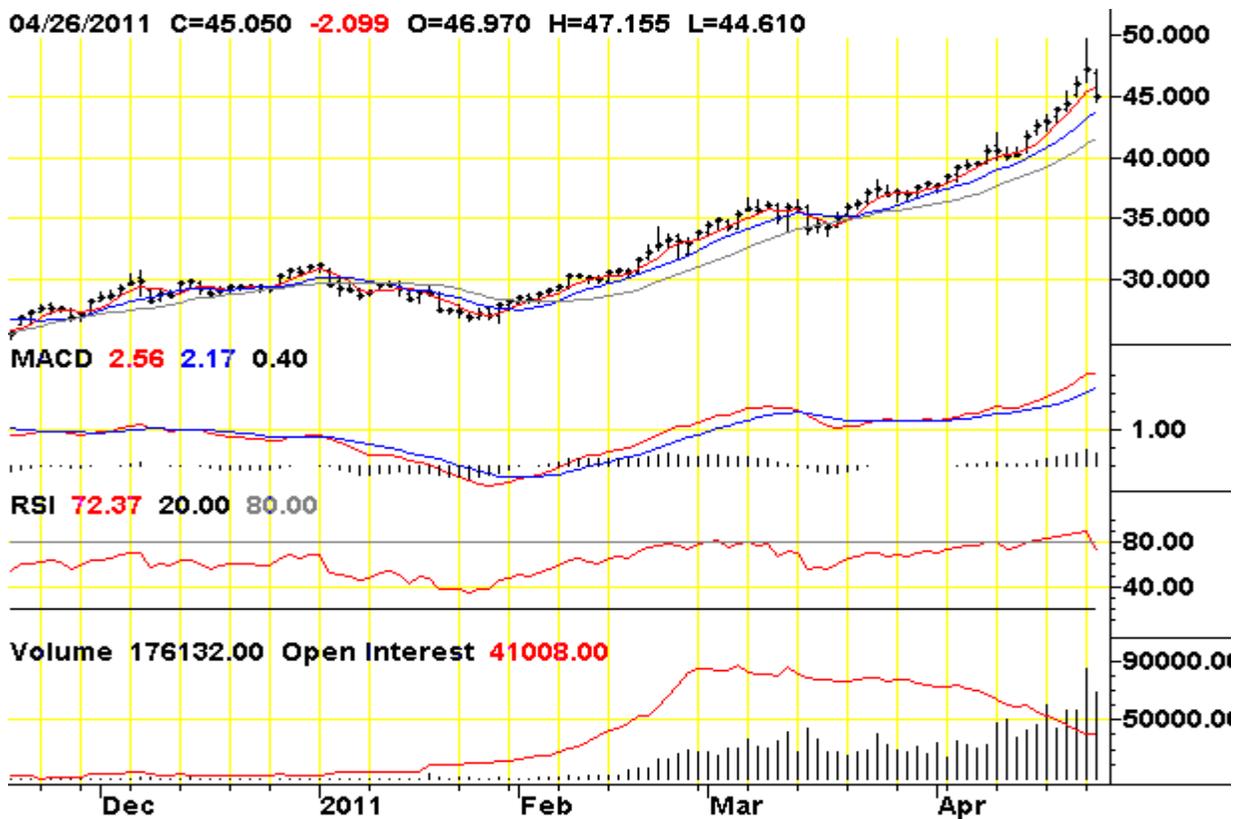
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Silver

Just before the weekend I commented that I expected the current silver run to peak between last Thursdays price and \$50 and it happened in a hurry. Silver hit \$49.82 on Comex on Monday with a violent fight between the bulls and bears. You can see the higher volume than normal on this May Comex Silver chart. Other Comex months also seen higher volume.

I think this is a near term capitulation and once again, a sell off triggered by first on April 21 (before the long weekend) the historically anti-precious metals editorial staff of the London Financial Times ran an article titled "Silver Surge Prompts Conspiracy Theorists."

After silver prices had temporarily risen to over \$49 per ounce Monday during Asian trading and opened up strong early on Comex, they were beaten down again to about \$47 in a flood of newly opened short positions. Then at the close of business Monday, the Comex performance bond committee, yet again for the 8th time, significantly raised silver margin requirements. This caused a wave of selling which of course was mostly profit taking.



I don't think the long term bull market in silver is over because we have still not seen a significant reduction in the short position or a short squeeze and supply/demand fundamentals remain strong. However we are certainly due for a major correction and or consolidation. A retracement to \$30 - \$35 per ounce would not be surprising. One also has to wonder how much and how fast will scrap silver come on the market at these prices and there is still piles of it, whether old tea pots, plates, silver ware etc.

We should still hold our physical silver for now, but I am suggesting profits in some silver stocks and Gold stocks

I am selling Pan American – PAA \$33.64
Hecla – HL \$9.09
First Majestic – FR \$19.75
Silvercrest – SVL \$1.60
Rio Alto – RIO \$1.76
Barrick - ABX \$47.62
Goldcorp - G \$51.44
IAMGold – IMG \$18.85 just fell through the \$19 stop/loss

We have huge gains in all these stocks except Barrick from the buy price, but believe it or not with strong gold and silver prices all these stocks except First Majestic, IAMGold and Goldcorp are down on the year.

Part Profits in

Minefinders – MFL \$15.21 sell between 1/3 and 1/2 positions
NewGold – NGD \$10.19 sell between 1/3 and 1/2
Dundee – DPM \$8.98 sell 1/3 to 1/2
Richmont – RIC \$8.37 sell at least 1/3, we have seen a huge run here in last 2 months
B2Gold – BTO \$3.17 sell 1/3 to 1/2
Nevada Copper – NCU \$5.73 sell 1/3 to 1/2
Extor Gold – XG \$8.78 sell 1/3 to 1/2

All these stocks have seen huge moves and we should book profits. You should also take some part profits in any ETFs including Central Fund, CEF.A \$23

I am sure you have heard lots that the gold stocks are not performing as good as the physical metal, gold - and this is true at times, like now. However, long and medium term that is not true. I think the bottom of the 2008 market crash is a good place to measure the recent bull move. Since the bottom in 2008 the HUI has gone from 150 to 600 up 300% and the XAU 65 to 230 up 254% . Gold from \$710 to recent \$1505 is only up 112%.

However Silver \$9.00 to \$46 up 410% has seen a better move, but many silver stocks on our list have done way better like Avino, First Majestic and Hecla.

However, the stock performance should be way better then what it has been. Whether it is government intervention or hedge funds long gold and shorting stocks, it does not matter. The

fact is the major gold stocks are not performing as they should. That is another reason I am suggesting a lot of sells above. I intend to focus on more junior gold producers that are under the radar of these forces. Besides, we have been doing much better with those smaller ones already on the list, so proves the point.

Canaco Resources
Entry Price \$0.25

TSXV: CAN

Recent Price \$8.68
Opinion - hold

CAN soared on news that it planned to monetize its Ethiopian project. The company said it intends to spin out its 70% interest in the Harvest copper-gold-silver VMS project in Ethiopia into a new subsidiary company. The move will allow the new company to focus on developing its Harvest Project, which comprises six exploration concessions covering 277 square km in the Tigray region of Ethiopia, while Canaco will continue to develop its Handeni gold project in Tanzania. The transaction will include the transfer of Canaco's interest in Harvest Project, to a new subsidiary which will be called Tigray, along with 18 months working capital and sufficient funds to conduct the recommended first phase drill program (~\$4 million). Canaco President and CEO Andrew Lee Smith noted, "*Based on the due diligence drilling completed in 2010, we are confident the Harvest Project hosts potential for the discovery of large, near-surface, gold-enriched polymetallic VMS.*"

Prior to completing the acquisition of the Harvest Project, Canaco drilled 12 holes on the Terakimiti prospect as part of a due diligence program, 11 of which returned significant mineralized intercepts. The highlight hole (hole 10HTD003) returned 52.1 metres grading 4.10% Cu, 1.55 g/t Au and 25.97 g/t Ag, starting at a depth of 45.6 metres, including 23.7 metres at 7.30% copper, 1.88 g/t Au and 21.88 g/t Ag. Canaco intends to distribute 100% of the common shares of Tigray it receives to Canaco shareholders on a pro rata basis and expects Tigray to apply for listing on the TSX Venture Exchange on completion of the transaction, anticipated to close by the end of June 2011.

We have already booked some profits but should continue to hold the rest of our position to get the spin out shares.

<http://www.canaco.ca>

Extorre Gold Mines
Entry Price \$1.00

TSX : XG

Recent Price \$8.78
Opinion – take part profits

Extorre shot up on impressive initial drill results from the recently-discovered Zoe Vein at its high-grade Cerro Moro gold-silver project in Argentina. While Zoe remains very early stage, the company is suggesting it has discovered a high-grade Ag-Au zone 2.5 km east of the last known significant Escondida mineralization (the Martina shoot).

Assays have been released from 3 of 21 diamond drill holes completed to date at Zoe. The Zoe target occurs on an E-W dilation zone and has been tested now over about 500 m of strike and remains open over about 2 km. Mineralization is blind starting at 80 m depth. The highlight hole MD1204 intersected

4.84 m at 64.6 g/t Au and 7,530 g/t silver (215.2 g/t AuEq, using 50:1)
including 1.36 m at 227.3 g/t gold + 25,428 g/t silver (735.86 g/t AuEq, using 50:1).

Intercepts are believed to be within 10-15% of true width. While these intersections are impressive, more importantly additional drilling has visually intersected similar mineralization along strike. This suggests that drilling has just entered the mineralized zone and that mineralization continues at depth. Mathew Williams, Extorre Exploration Manager, commented, "*We have made another blind discovery of spectacular mineralization.*" He went on to say, "*The dramatic increase in gold and silver grades in diamond drill hole MD1196, a 40-m step-back of the discovery hole MD1191, coupled with the bonanza gold and silver grades encountered in MD1204, a 40-m step-out, support our decision to concentrate 50% of our drill rigs and team on defining the Zoe discovery.*"

The company is now defining the discovery with two drill rigs. One rig is performing 160-m step-outs, while the other drilling at 80-m centres. Plans are to include Zoe in the next Q3 resource update.

We are up huge on this stock in the past 6 months

[-http://www.extorre.com](http://www.extorre.com)

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