

The final step that will confirm the bull?

Gold and silver both moved to new yearly highs in the last two weeks, but then closed where they started with only a fractional change in prices. Our group of stocks closed the period up again with a cumulative gain of 74.2% since our last annual review. If you followed our advice in mid-August, you now have between 75%-100% (up from 50%) of your portfolio invested in mining stocks and you are up very significantly since then. Can this continue? What to do next?

Since last February high, we have claimed that gold (and silver) would spend the year in a trading range. Although we still think that the trading range scenario might continue for several months, the recent breakout above US\$365 and then US\$376, followed by last week test of the February high at US\$382, could be the start of the last step needed to confirm this bull market: *a strong rally that would move gold above the 1996 high of \$US 414.*

As we suggested in our last issue, September is usually a strong month for precious metals. So far, the metals are performing as they have done in the past. But this *must* continue. We want and need to see them move higher. They cannot retreat too much if we want this rally to remain healthy and eventually confirm the bull market. Although the seasonal factors are positive and will remain for weeks to come, we must alert you to the fact that all large cap and mid-tiers gold stocks are in overbought territory as measured by the most popular indexes like the XAU and HUI. As well, the large commercial traders are short gold like they never have been. Both these indicators are bearish but they could remain like that for several months before the market has a correction. Remember how long the last high tech bubble last! Relatively speaking, the precious metals market sector is still very much at the bottom.

So, will the contrarian view prevail and will the metals explode upward causing big surprises and most likely a short squeeze in the bear camp or will it retreat as the currently very high bullish sentiment is suggesting? That is an answer we can't give you. We think nobody can. Still you will find many bullish fundamental analysts who are calling for a big move to \$430 in October and \$500 by year end.

Also, as you know we follow a few technical analysts as well, and we read at least one Elliott Wave practitioner that is bullish, [David Bensimon at Polar Pacific](#), who is calling for the same \$430 and \$500 targets (and this guy has been good in the past). Even [Robert Prechter's team](#) is suggesting that gold should reach US\$395-\$410 before the final bear market leg starts and carries gold to his long time forecast of US\$200. So who should we believe? For sure, technical analysis is useful and should help you identify support and resistance levels. Our work is now telling us to remain in the market as long as gold stays

Your guide to profits in junior stocks!

Published since 1996.

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Prices at 16:00 EST - 09/12/2003

XAU:	92,34	+	1,47	%
S&P\$C-Au	200,18	-	1,14	%
GoldGrams:	12,05	-	0,08	%
Gold(oz)	375,0	-	0,08	%
Silver:	5,18	+	0,97	%
Platinum:	697,00	-	0,71	%
Palladium:	213,0	+	9,23	%
Copper:	0,815	+	3,15	%
Zinc:	0,37	+	1,29	%
Nickel:	4,49	+	3,94	%

above US\$370. If gold moves below this level, we will scale down our investments and come back to a 50-75% invested position. The next threshold is US\$350-\$360 range which we consider a very important level as it is where the intermediate (US\$360.00)\$ and long term moving averages (US\$350) are at the moment. This range supports the current trend. If we move below, it will really be a bad sign and we will likely have moved to a near 25% invested portfolio.

In that environment, the best we can do is to continue to monitor our favorites on a case by case basis.

We have changed the rating on a few stocks as follows.

1) **Comittee Bay:** has doubled since our introduction. We downgraded it to a hold. We still like the company especially with the very good drill results they published a few weeks ago. But their gold properties are in Nunavut and we are told that no futher work will take place before next spring.

2) **Cumberland Resources:** now a buy-hold instead of a buy. We loved the stock, but it is now up more than 36% in the last month. More news are coming in the weeks ahead.

3) **GLR Resources:** a new addition to our list of favorite asset plays which we rate a buy (See below).

4) **International Northair:** climbed a notch to buy-hold as they announced a \$2M financing to allow a major exploration program on El Tesoro. They should be drilling this fall.

5) **QGX:** announced great results but moved too high and too fast. They do not yet have a decent resource. So we suggest taking profits.

6) **Silvercrest:** still our favorite junior silver stock. They announced last week a significant discovery at the El Ocote silver project located in western Honduras S.A. The surface exploration program, in preparation for a planned 10-hole drill program, has identified a major extension to the El Ocote breccia pipe. The implication of this discovery is that the current resource could possibly expand to as much as 50 or 100 millions ounces of silver from the current 16 millions ounces. The current exploration program encountered high silver values averaging near 6 ounces per ton (200g/t) silver. The extension, named Rosita, continues for 1000 meters while the current resource is located in a 90m x 160m structure. El Ocote is only one of 4 silver properties SVL owns. With the drill program just ahead, we are upgrading SVL to a buy on weakness, although we are not sure if weakness will materialized. The stock was up 6.5% last friday despite silver dropping from \$5.30 to \$5.18 and all other silver stocks also dropping significantly from their highs

UP 74.2%: Performance Since Last Annual Review or since Recommendation

Stocks	Cur	Var%	Rating	Cat
Gold Stocks		66,7		
Altius Minerals	2,70	63,6	H	S
Anatolia	1,09	39,7	H	A
Aquiline Resources	0,94	347,6	HB	A
Black Hawk Mining	0,24	77,8	HB	P
Cambior	3,78	71,8	H	P
Candente	0,75	50,0	H	S
Chesapeake Gold	3,20	3,2	B	A
Comittee Bay	0,90	100,0	H-	S
Cumberland	4,07	56,5	BH-	A
Eldorado	3,22	89,4	HB	P
First Point	0,23	-8,0	H	S
Gabriel	3,44	-15,7	H	A
Glamis	18,06	12,5	HB	P
GLR Resources	0,58	0,58	B+	A
Gold Ore Resources	0,59	18,0	B	S
Golden Goliath	0,23	15,0	SH	S
Iamgold	8,30	21,9	HB	P
International Northair	0,70	1,4	BH+	S
Metallic Ventures	5,40	63,6	H	A
Moydown	1,49	125,8	H	A
Novagold	4,85	4,8	H	A
QGX	2,95	126,9	HS-	S
Radius Explorations	1,59	367,6	HS	S
Richmont	6,04	9,0	BH	P
St Jude	1,34	25,2	H	A
Gold & Silver Stocks		86,3		
Kimber Resources	0,75	87,5	H	A
Minefinders	10,91	74,6	H	A
Wheaton River	2,56	96,9	BH	P
Silver Stocks		85,4		
Cardero	1,28	-9,9	SH	S
First Silver	1,37	41,2	HB	P
Ima Explorations	2,19	356,3	SH	S
Pan American Silver	14,44	26,4	H	P
Silver Standard	11,10	37,9	H	A
SilverCrest	1,15	173,8	BH+	A
Tumi Ressources	0,67	-28,0	H	A
Base & Precious Metals Stocks		86,4		
Canico Ressources	11,99	152,4	BH	A
Entree Gold	0,80	63,3	HB-	S
Intrepid Minerals	0,63	31,3	H	S
Ivanhoe Mines	6,62	117,3	H-	P
Southwestern Res	14,24	102,0	SH	A
Western Copper	5,19	52,6	H	A

The table contains our list of recommendations with their current price, performance since our last annual review (12/02) or since initial recommendation if made after annual review. We also include our rating opinion and category.

Rating: **B:** Buy
(From best to worst, last reviewed Aug. 3rd) **BH:** Buy on weakness or hold
HB: Hold, buy on better news or metal prices
H: Hold
HS: Hold or take some partial profits
SH: Sell on strenght or hold at best
S: Sell
+ or -: Indicates a change in the rating

Category: **P-** Producer **S-** Explorer-Speculation
A- Explorer-Asset Play (\$ and/or resources)

of the day.

.7) **Ivanhoe Mines:** reached \$7.25 last week up 138% from our entry point last April. We think the stock could still move higher but it is such a large market cap that further gains will hard to obtain. Unless a new discovery is made, many analysts believe that it is now fairly valued. We would switch to Canico which we believe is still undervalued.

Another stock that we suggested to you a few months ago even if we do not follow it on a regular basis, is CDE. Coeur D'alene has done extremely well and is up 178% in the last two months. We would take profits.

Now, here is where you might re-allocated some of your profits.

GLR Resources
(GRS.T, \$0.58; GLRAF.BB US\$0.365)
([Clear here for GLR Website](#)).

GLR Resources (previously known as Greater Lenora Resources Corp) is a member of the Kasner Group (together with RJK Explorations of which it holds 835,000 shares). With 16.7 millions shares outstanding, GLR Resources has a market value of \$C9,6 millions. There are some 1.9 millions options outstanding to purchase stocks at a price averaging \$0.43. All options are currently *in-the-money* and would bring \$825,000 to the treasury of the company.

On August 26th 2003, GRL Resources entered into a memorandum of agreement with Applegarth & Co. (APL), a London-based investment banking firm, to act as GLR's financial advisers to assist GLR in financing its operations. GLR has agreed to issue 500,000 common shares to APL in consideration of this service. APL has undertaken to procure financing of at least \$5-million. APL will receive a commission of 10 per cent of the gross proceeds raised payable in common shares valued at the offering price of the financing. The \$5-million can be drawn down on as needed basis to keep share dilution to a minimum. APL will also transfer to GLR its controlling interest in an OTC Bulletin Board delisted public shell company for one million warrants of GLR, each warrant entitling the holder to purchase one common share for a period of one year at 35 cents.

On September 2nd 2003, Peter Grandich joined the GLR team in charge of public relations. Mr. Grandich is the managing member of Grandich Publications LLC and editor of the Grandich Newsletter, a stock market and economic commentary first published in 1984. He appears regularly at major investment conferences and on national TV and

radio. We think Mr. Grandich is a person of excellent reputation in the precious metal market.

These two recent news and the recent rise in the price of the stock are certainly not enough to justify buying this company. But there is something that got us excited and that we think will excite you as well: GRS's mineral assets. GLR own several interesting properties in Saskatchewan, Canada. One of them has a story that you will like.

The Goldfields Project.

In the 1995-1996, Greater Lenora completed exploration drilling, reserves calculations, metallurgical testing and feasibility study on two open pits deposits, the Box and Athena, part of the large Goldfields project. The resources were in excess of one million ounces of gold with the mineable reserves standing at between 750,000 and 890,000 ounces depending on which mining scenario was adopted. Several studies and business plans have been proposed over the years, but so far, none have been implemented due to the collapse in gold prices from \$414 in 1996 to \$252 in 1999-2001. The two deposits are not simple easy heap leaching gold deposits but they can still produced gold at a cost of US\$215. A gold price of US\$350 was needed to show a decent rate or return. At US\$ 350, the project has a net asset value of \$1.38 per share. Obviously this NAV goes up as the price of gold increases above this level. When we look at all our favorites, we find no companies that sells at such a deep discount to net asset value.

The current plan calls for minimum production of at least 50,000 ounces of gold for a minimum of 10 years. The company needs \$C16 millions to bring the deposit to production. With gold now firmly above \$350 with excellent possibility of reaching much higher prices in the years ahead, GLR Resources has an asset that is very cheaply priced by the market and that provides very high leverage to further increases in the price of gold. Of course, would gold move back down below \$340-\$350 for a prolonged period of time, GLR would again be faced with new delays in obtaining financing and bringing the deposits to full production.

GRS stock price averaged near \$0.40 in the last 4 years with a high of \$0.83 in July 2001. At GRS's current stock price, we think the leverage is exceptional and the risk is limited. We are adding GLR resources to our list of asset plays with a buy rating. The stock being tightly held, interested investors should be buying with limit orders. Market orders could bring you some unpleasant surprises.

The next issue of the Ormetal Report will be published on **September 28th, 2003.**