



Three good reasons to own Newmac Resources

by Alf Stewart

After many years of trading speculative mining stocks (I bought my first one in 1977) with many wins and losses along the way, I have incorporated a few guiding principles into my decision making process, which apply to my Broker's Pick this month, which is obviously a speculative junior issuer and therefore only suitable for risk tolerant investors.

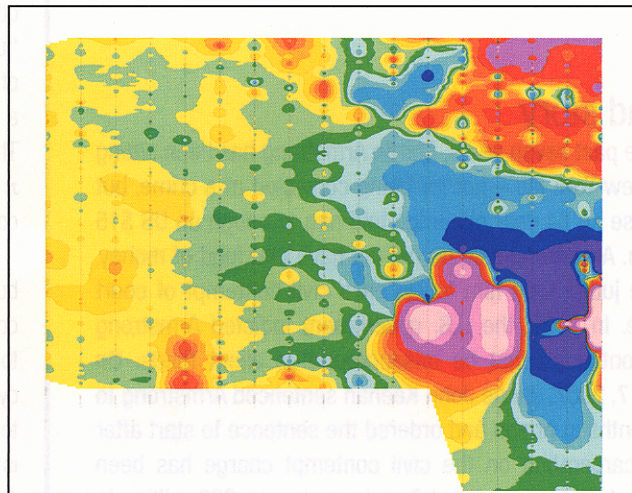
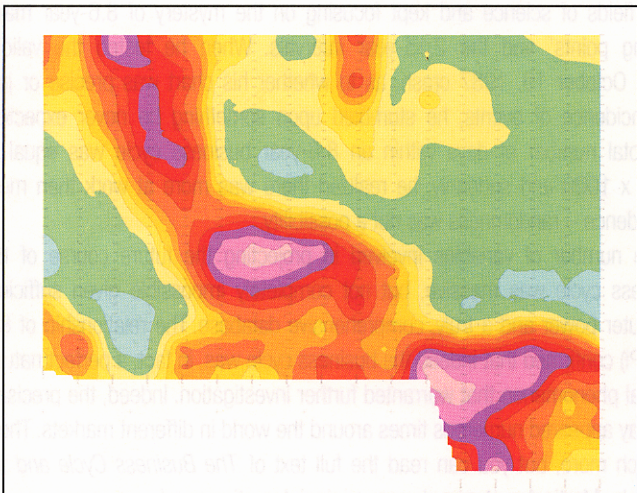
The first thing I consider is whether or not the company has indications of a deposit of significant size potential. This is what first attracted me to **Newmac Resources Inc.** [NER-TSXV], and its Crazy Fox property, but it also applies to its Bluff and Chilanko properties as well – all in British Columbia. The Crazy Fox Project is a molybdenum-tungsten property which has seen considerable work over the years, primarily for molybdenum. The property has mineralization of over 100 metres of continuous molybdenum values in drill holes, which is a first-rate indication that the property may host a deposit of significant size.

As most properties have seen work by other mining companies. I ask myself, if previous work has considered all the possibilities of economic mineralization, or whether there is a possibility for finding economic quantities of some other metal for which no exploration was conducted – my second consideration. Back in the 1960s and 1970s the prices of gold, platinum and tungsten were, at various points, much lower than they are in real terms today. Consequently, many copper properties which contain both copper and gold were only explored for copper. Nickel properties, which could be expected to hold platinum values, were only explored for nickel, and molybdenum properties which sometimes have significant tungsten associated with them, were only explored for molybdenum. The Crazy Fox has only been explored for molybdenum in the past, but Newmac has now discovered that it hosts an equally significant tungsten zone with the molybdenum, which has roughly doubled the potential value of the mineralization.

A third consideration is the overall capitalization of the company, and I ask myself, "what if the current exploration programs don't work out, can we reasonably expect the company to carry on with a new venture, or are we faced with the dreaded share consolidation spectre, from which it is difficult for investors to recover without significant loss?" In this case, Newmac has only been around as a public company for a few years, and consequently has only 12 million shares outstanding, so it could probably carry on to finance a new venture even if the current programs don't work, *without* a share consolidation.

The accompanying maps are from a geophysical survey of the Chilanko property located 170 kilometres west of Williams Lake, BC, that indicate a high magnitude response in one area and a very strong chargeability response along side the magnetic zone. What does it mean? We'll find out in a few months. We are hoping the high chargeability is indicating the presence of metals, like a porphyry copper deposit. The magnetic response is likely caused by magnetite which is a common associated mineral in several different ore deposit types. The company is planning a work program to test these zones with low cost back hoe trenching. Stay tuned. As I said in my first consideration – it could be big! ■

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The pink colour indicates the magnetic zone at Chilanko property. Maps courtesy Newmac Resources Inc.

about nine months later. "Then I started extrapolating from the December 2005 date and came up with February 2007 – a month when Armstrong's Economic Confidence Model noted a market turnaround date of February 27, 2007."

Nicolaas wrote about this in his newsletter on February 18, 2007 in an article entitled "The bull stops here" and again on February 25 when he wrote a sequel. "I found it interesting that on February 26 Alan Greenspan said the U.S. may be looking at a recession," notes Nicolaas. "The next day world stock markets cratered."

Nicolaas is of the view that, although, we are seeing stock markets currently rebounding, this year will be an extremely volatile one. "I think the current rise in the Dow is a 'dead cat bounce' and it will eventually head lower. If you look at 1929 market crash, it was followed by a rise in stocks. People felt better – until it turned south again. At that time, there was only one good company to invest in – Homestake Mining – and that stock went through the roof. I expect the same thing to happen again," says Nicolaas.

He thinks there will be more selling pressure in May or June followed by a summer rally, and then more pressure on the Dow later in the year. "From there on in, commodity-based stocks will be off to the races," says Nicolaas. He believes that investments in mining stocks are the place to be – and that includes most metals – but especially gold and silver stocks. In spite of this year's volatility, next year investors will be very happy, says Nicolaas.

"In the interim, we may see a panic. It's always hard to buy when so many are running for the exits," says Nicolaas, "but we are in a secular, long-term bull market for resource stocks that could last another five to 10 years, so now is the time to get positioned. In my opinion, we are approaching the buying opportunity of a lifetime." ■

A sad story

For the past seven years, Martin Armstrong has been sitting in a New York jail – not for being convicted of a crime, but because an 84 year old judge told him to cough up US \$15 million. Armstrong said he did not have that kind of money, so the judge sent him to jail on a civil contempt of court charge. In 1999, the U.S. government indicted Armstrong and contended that he misappropriated client funds. On April 17, 2007, Judge John Keenan sentenced Armstrong to 60 months in prison and ordered the sentence to start after his incarceration on the civil contempt charge has been resolved. He also ordered Armstrong to pay \$80 million in restitution to investors.

Martin Armstrong's Economic Confidence Model

Martin Armstrong's discovery of a global business cycle during the early 1970s was not intentional. He began studying the various debates over the existence of a business cycle and studied Kondratieff and his vision of great waves of economic activity as well as others who argued that such oscillations were purely random. Over the years he studied history, learning that all civilization rose and fell with no apparent exceptions. Although Kondratieff's work was indeed interesting, Armstrong was not convinced that a business cycle was actually definable because there still was not enough data. On the other hand, it seemed that the random theory crowd was somehow threatened by the notion that the business cycle might be definable. After all, if the business cycle could be defined, then perhaps man's intervention would not be successful. Could there be a large degree of self-interest by someone in discouraging any attempt to define the business cycle?

Armstrong began with the very basic naïve approach of simply adding up all the financial panics between 1683 and 1907 and dividing 224 years by the number of panics being 26 yielding 8.6 years. Although not very valid at first, it did allow for a greater amount of data to be tested compared to merely three waves described by Kondratieff.

The more he tested this 8.6-year average, the more accurate it seemed to be and the contemporary accounts of events around these dates reinforced this idea. It soon became clear that there were issues of intensity and shifts in public confidence. During some periods, society seemed to distrust government and, after a good boom bust cycle, sentiment shifted as people ran into the arms of government for solutions. Politics seemed to "ebb and flow" in harmony with the business cycle. Destroy an economy and someone like Hitler can easily rise to power.

The issue of intensity seemed to revolve around periods of 51.6 years, which was in reality a group of six individual business cycles of 8.6 years in length. Using 1929.75 as a reference point, he was able to project, forward in time, major and minor turning points. In 1976, one of these 8.6-year turning points was quickly approaching (1977.05) and, for the first time, he began to use this model expecting a significant turn in the economy back toward inflation. To his amazement, inflation exploded right on cue as gold rallied from US \$103 to US \$875 by January 1980.

Armstrong kept on perfecting his Economic Confidence Model with other fields of science and kept focusing on the mystery of 8.6-year major 'turning points' and the 2.15-year intervals. When he tested the validity of the October 19, 1987 crash, as to whether his chart was precise or just a coincidence of events, he stumbled upon something he never expected. The total number of days within an 8.6-year business cycle was equal to π (Pi) x 1000 and suddenly, he realized there was more at work than mere coincidence – randomness was not a possibility.

The number of variables involved in projecting the future course of the business cycle was massive, but not completely impossible given sufficient computer power and a truly, comprehensive database. The relationship of 8.6 to π (Pi) confirmed that indeed the business cycle was, in fact, a perfect natural cyclical phenomenon that warranted further investigation. Indeed, the precision to a day appeared numerous times around the world in different markets. There is much more, but you can read the full text of *The Business Cycle and the Future* by Martin Armstrong at www.mininginteractive.com/