



## CHAPPY'S PICKS

Charts and commentary by David Chapman

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Our portfolios suffered a mild pullback this past week but overall we remain up as follows since entering August 17, 2009:

Conservative portfolio - +3.4%

Gold portfolio - +7%

Exploration portfolio - +15%

These returns are before the payment of any dividends etc.

We have maintained our hedge using the Horizons Beta Pro Inverse S&P/TSX 60 (HIX-TSX) for our conservative portfolio. Despite the recent rebound we are only off on this hedge by 7% thus far.

The stars of our junior exploration mining stock portfolio continue to be Explor Resources – up 65%, Fortuna Silver – up 42% and Animas Resources - up 43%. With rising gold and silver prices these junior plays should continue to be our best performers. They are, however, highly speculative.

Thus far pull backs in the gold stocks have been shallow making it difficult to get in. If we can gain above \$1030 for Gold and hold that past month end we may enter to buy more.

Three more of our picks are featured below.

Please note: The Author of this report is an outside director of Bullion Management Group, the manager of the BMG Bullion Fund.

Please note: The author may from time to time, be long and or short positions in the companies named within this technical market report.

Please note: Horizon BetaPro products are securities of related issuers to MGI Securities.

The conservative portfolio contains only blue chip dividend paying stocks. We have picked them for some diversity and in areas we believe will weather the recession. We are avoiding financial stocks at this time. We base all our portfolios in bullion.

**Conservative Portfolio \$100,000**  
**Portfolio entered August 17, 2009**  
**Current Value \$103,449.30**

Description	Amount	# Shares/Units	Purchase Price	Dividend Interest	Current Price Sep 9	% Gain/Loss	Stop (if required)
Cash	\$28,760.50						
BMG BullionFund	\$25,000	2,892.18	\$8.644		\$9.36	8%	
Metro Inc. MRU.A/T	\$7,021	200	\$35.10	\$0.55	\$34.93	0%	\$34
Royal Gold RGL	\$6,487.50	150	\$43.25	\$0.35	\$48.73	13%	\$40
Enbridge ENB/T	\$6,154.50	150	\$41.03	\$1.48	\$41.35	1%	\$37.50
Shoppers Drug Mart SC/T	\$6,457.50	150	\$43.05	\$0.86	\$43.85	2%	\$40
Franco Nevada FNV/T	\$7,857	300	\$26.19	\$0.29	\$28.92	10%	\$23
Crescent Point Energy CPG/T	\$6,750	200	\$33.75	\$2.76	\$36.95	9%	\$31
Horizons Beta Pro Inverse S&P/TSX 60 HIX/T	\$4,795	350	\$13.70		\$12.79	-7%	
Horizons Beta Pro Inverse Gold ETF HIG/T	-	300	\$16.93		Sold \$14.54	-14%	Loss \$717

Total Income - \$1,152.50

Golds have been one of the best performing sectors over the past decade. We believe the best is yet to come and if the current bullish patterns are realized all of these stocks should perform well. Again we are holding back some cash and we base the portfolio in bullion.

**Senior/Intermediate Gold Portfolio \$100,000**

**Portfolio entered August 17, 2009**

**Current Value \$106,982.30**

Description	Amount	# Shares/Units	Purchase Price	Dividend Interest	Current Price	% Gain/Loss	Stop (if required)
Cash	\$31,996						
BMG BullionFund	\$25,000	2,892.18	\$8.644		\$9.36	8%	
Goldcorp G/T	\$7,600	200	\$38	\$0.20	\$43.72	15%	\$32
Eldorado Gold ELD/T	\$6,930	600	\$11.55		\$12.29	6%	\$9.00
IamGold IMG/T	\$6,405	500	\$12.81	\$0.07	\$15.09	18%	\$10.50
Franco Nevada FNV/T	\$6,547.5	250	\$26.19	\$0.29	\$28.92	10%	\$23
Centerra Gold CG/T	\$6,700	1000	\$6.70		\$7.76	16%	\$5
Red Back Mining RBI/T	\$7,387.50	750	\$9.85		\$12.35	25%	\$8
Horizons Beta Pro Inverse Gold ETF HIG/T	-	600	\$16.93		Sold \$14.54	-14%	Loss \$1,434

Total Income \$147.50

All of these stocks were trading near or under \$1 when picked. They are all in either the gold/silver sector or other mining sector (primarily base metals). Some of these companies we know and follow closely and others we don't know as well but were intrigued by their charts.

**Junior Exploration Mining Stock  
Portfolio Entered August 17, 2009  
Current Value \$114,950.00**

Description	Amount	# Shares/Units	Purchase Price	Current Price	% Gain/Loss	Stop (if required)
Cash	\$26,300					
St. Andrews Gold SAS/T	\$4,200	10,000	\$0.42	\$0.46	10%	
Timmins Gold TMN/V	\$7,300	10,000	\$0.70	\$0.71	-3%	
Explor Resources EXS/V	\$6,750	25,000	\$0.46	\$0.45	65%	
Animas Resources ANI/V	\$8,400	10,000	\$1.12	\$1.20	43%	
ECU Silver ECU/T	\$5,000	10,000	\$0.62	\$0.57	14%	
Creston Moly CMS/V	\$5,000	25,000	\$0.24	\$0.25	23%	
Bravo Ventures BVG/V	\$5,500	10,000	\$0.57	\$0.48	-14%	
Fortuna Silver Mines FVI/V	\$10,500	10,000	\$1.50	\$1.49	42%	
Ontex resources ONT/V	\$5,250	15,000	\$0.40	\$0.39	11%	
Soltoro SOL/V	\$6700	20,000	\$0.41	\$0.43	27%	
Titanium Corp. TIC/V	\$9,100	10,000	\$0.81	\$0.80	-12%	

## Chappy's Picks



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

Crescent Point Energy (CPG-TSX) is a former income trust that reconverted back to a straight corporate structure. CPG holds a portfolio of oil and gas properties and continues to pay royalties as they did when they were an income trust. In that respect they continue as an open ended investment trust. CPG currently pays \$2.76 for a yield of 7.4%.

CPG currently has 17 years of drilling inventory in order to maintain production, reserves and dividends. CPG is one of the preminent investment trusts in Canada with a market cap of \$5.5 billion and a steady dividend paying history since its inception in 2001.

As with many others CPG had a hard fall during the financial meltdown of 2007-2008. To date they have recouped some 80% of that collapse. CPG is in a very nice bull channel and we note there are few signs of any topping pattern. Note how volume has been maintained even as CPG moves higher. Recently there have been some sharper short term corrections but overall the uptrend has been maintained. Sharp short term corrections followed by higher prices and higher lows are a sign of a strong bullish uptrend.



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Eldorado Gold (ELD-TSX) is one of Canada's preeminent gold mining companies. Eldorado holds properties in Brazil, Turkey, China and Greece. Its mine in Western Turkey contains 5.5 million ounces of gold and began production in 2006 and now approaches production of 200 thousand ounces annually. A mine in China produces another 100 thousand plus ounces annually. Eldorado holds 7.6 million ounces of proven and probable reserves from 11.8 million of measured and indicated and 4.2 million ounces of inferred resources. Their aim to be producing over 800 thousand ounces annually by 2013. ELD's market cap is \$4.7 billion.

Eldorado has completely recovered the 2007-2008 financial meltdown collapse. Indeed the highs seen in July 2008 acted as solid support from March through June 2009 a very positive sign. Since then Eldorado has resumed the uptrend that started out of the lows seen in October 2008. If there is a note of caution it is that the chart formation has the appearance of an ascending wedge triangle. Ascending wedge triangles are ultimately bearish. The jagged rise though from the October 2008 lows and even from the June 2009 lows is a sign of strength. The last low on the daily charts is at \$10.75 so aggressive investors may wish to put a stop at that level. Intermediate longer term investors can use the June 2009 lows at \$8.80 as a stop.



Charts created using Omega TradeStation 2000i. Chart data supplied by Dial Data.

Soltoro Ltd. (SOL-TSXV) is an exploration company operating in Mexico. Soltoro holds +50,000 hectares of land in Jalisco state including the historical La Tortuga mine that has yielded gold-silver-lead in the past. This is carried through its Mexican subsidiary Soltoro S.A. de C.V. operating out of Guadalajara.

Shares outstanding are only 24.9 million which helps explain some of the thin trading that characterizes Soltoro. Note how it fell from over 80 ¢ in November 2007 to under 10 ¢ by October 2008 on very low volume. But rising volume has taken Soltoro to its current levels near 40 ¢. We do appear to be forming another consolidation pattern which we view as positive if a new bull market is getting underway. Investors could accumulate Soltoro down to the 200 day MA near 25 ¢.

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