

Gold Newsletter

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That '70s Show

A slowing economy, spiraling inflation, soaring oil prices and tensions in the Middle East are sparking bad memories of stagflation.

Once again, the Fed seems powerless to do anything about it. But at least this time, they're essentially admitting it.

By Brien Lundin

By this time of year, we should be mired in the midst of a summertime slowdown...and contemplating our frozen cocktails instead of the markets. Instead, we're confronted by a seemingly endless parade of violent price swings, economic intrigue and political posturing.

It's not a pretty sight. Yet, as much as I'd like to, I cannot look away.

Yes, these markets might make more sense if we simply channeled Seinfeld. Because, at least in the short term, it's all about nothing.

Record-high energy prices, rising inflation, falling home values and a declining dollar have the politicians railing against so-called "speculators," promising bailouts and generally looking for the next available microphone...all while the Federal Reserve pounds its collective chest over its newfound vigilance toward inflation.

But, in the end, they can't do anything about any of it.

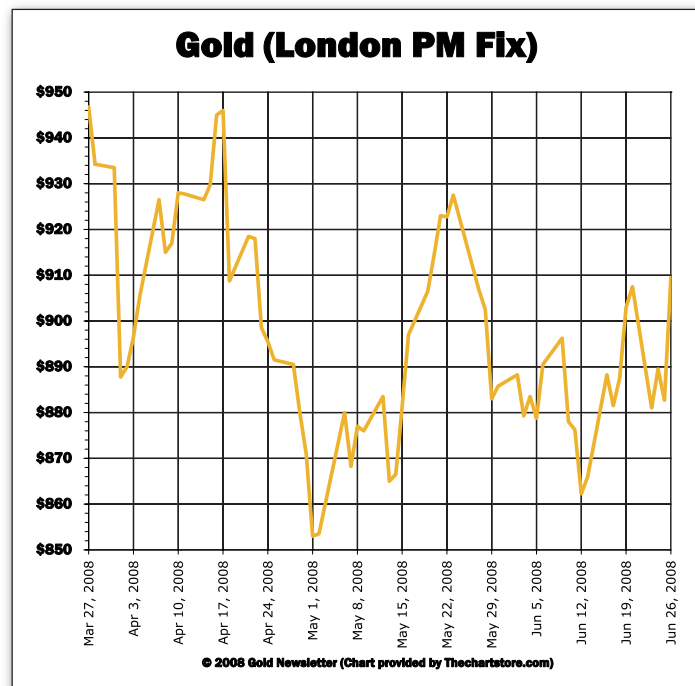
The politicians are being educated, with simple words and big, colorful pictures, as to how the futures markets

really work, how they provide vital liquidity to the markets, how overregulation will simply send speculators and their money to offshore exchanges, and how hedge fund donations support their political campaigns.

The Federal Reserve, meanwhile, is talking tough...but essentially admitting that it's in a trick box from which there is no easy escape.

Consider, for example, the policy statement accompanying the Federal Open Market Committee's most recent no-action on interest rates. They noted two situations weighing on the economy — tight credit and the housing contraction — that could be best addressed by an accommodative monetary stance. And they noted just one — high energy prices — that could be combated by a tighter monetary policy.

In short, they're damned if they do and damned if they don't. The Fed can



talk a big anti-inflationary game, but it's precluded from taking substantive action while the economic data remains so weak, while the stock market is balanced on the edge of an abyss, and while national elections loom so close.

It would seem that the markets would be stuck in a holding pattern. And so they were — until the Fed opened its mouth, and investors realized what they were really saying.

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INSIDE:

15 Potpourri

all these projects, thanks to a recently closed private placement for 11,001,000 units at C\$0.25 per unit. Each unit comes with a common share and half-warrant, redeemable on a whole-warrant basis for C\$0.50 by May 26, 2009 and for C\$0.75 by May 26, 2010.

Between the exploration work at Bluff and Divide, the Galiuro acquisition and this recent financing, Millrock has all the makings of a significant player in the junior sector over the next few years. Priced to move, the company's share price (and tight capital structure) makes it a highly leveraged way to play the boom in commodities.

To sum up, I've been very bullish on Millrock as a long-term play. Now, with drills about to turn on Bluff and other properties, we may start to realize the company's potential sooner than I expected. And, with a low price and tight structure, the stock is positioned to move on any significant news.

In today's somnolent market, there's no need to chase the stock, but smart investors will patiently build a position near the current levels.

Millrock Resources Inc.

Recent Share Price:C\$0.32
 Shares Outstanding:30.0 million
 Market Cap:C\$9.6 million
 Shares Outstanding
 Fully Diluted:41.6 million
 Market Cap
 Fully Diluted:C\$13.3 million

NORTHERN FREEGOLD RESOURCES

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"Eureka" moments do not come along all that often in mineral exploration, so when they do, we need to celebrate them.

And a "Eureka" moment is exactly what Northern Freegold had in early June when it announced assays from

the first hole to come back from the 25,000-meter, four-rig program it is conducting on its Freegold Mountain Project in the Yukon.

Hole 68 returned a remarkable 10.41 g/t (0.30 oz/ton) of gold over 37.80 meters, including a shockingly high-grade interval of 100.69 g/t (2.94 oz/ton) over 3.25 meters. At today's prices, that latter interval translates into \$2,600/tonne rock!

The hole was designed to test the eastern extent of the mineralization uncovered by last year's drilling on Freegold Mountain's Nucleus Zone. Geologists sited it 50 meters east of Hole 58 (75.0 meters of 4.26 g/t gold) and 100 meters east of Hole 41 (72.0 meters of 2.5 g/t gold).

Currently, the company has two drill rigs plying Nucleus and looking to extend its footprint further east. So far, the company has completed 2,950 meters of drilling in 14 holes.

In short, drilling to the east has apparently progressed into a high-grade zone in what was previously considered a lower-grade, bulk-tonnage project. Of the holes so far completed in this year's program, five are stepping out about another 120 meters along this high-grade trend. Because the grades have been increasing to the east, there is much excitement over these next few holes... and the results could come out any day now.

While there is obviously an important exploration component to this year's drill campaign, the company does expect to establish an NI 43-101 compliant resource at Nucleus by its conclusion.

Elsewhere on the property, a third drill rig is testing the Tinta Zone, an intrusion-hosted, high-grade poly-

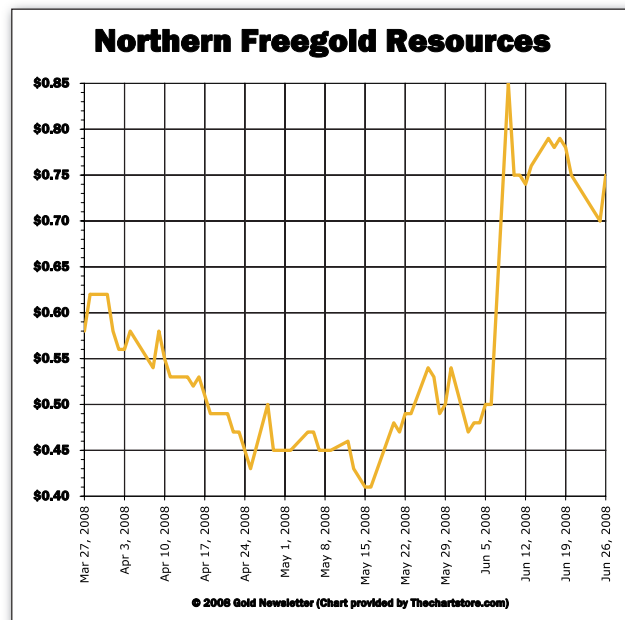
metallic vein system that extends over 3.5 kilometers in length. The drilling will attempt to confirm and expand on the historical results at Tinta. If successful, this effort will lead to an NI 43-101 compliant resource estimate here as well.

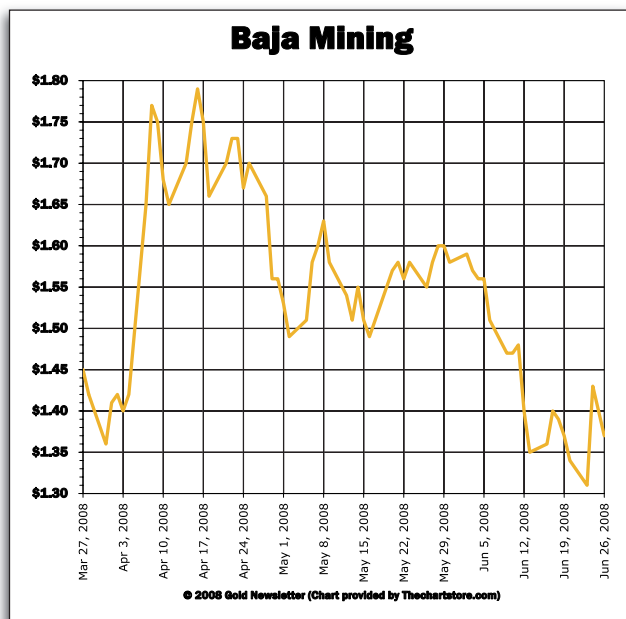
The fourth rig is testing the Goldy Zone by following upon last year's 53-meter intersection of 3.6 g/t gold. To date, the company has drilled 950 meters in six holes. Upon completion of this program, NFR will move the drill to test the porphyry-style mineralization at the project's Stoddart Zone and the gold-silver-copper mineralization at the Ridge Zone.

If this sounds like a sprawling campaign, that's because it is. After all, the Freegold Mountain Project spans over 64 square miles and encompasses numerous mineralized zones with historical resource estimates.

And let's not forget, the company also has an intriguing gold-silver project in its Burro Creek property in northwestern Arizona. Results from the latest eight diamond drill holes from Burro Creek indicate that this project has potential as an open-pit, epithermal gold deposit. Highlights

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from the latest batch of assays include Hole 38 (168.3 feet of 0.94 g/t gold and 56.10 g/t silver).

Said company CEO Bill Harris of the Burro Creek results: “(They)...are confirming historical results and reflect Northern Freegold’s goal of developing resources and building reserves.”

Right now, though, the company’s focus will certainly (and rightfully) be on expanding the Nucleus Zone. Expecting more holes like Hole 68 may be expecting too much, but given the consistency so far to the trend at Nucleus, I wouldn’t be surprised if more long intersections of high-grade gold came our way. And, if that happens, this will get very exciting.

Regardless, though, Northern Freegold is already a fair value at the current price, which has come back a bit after the news broke, making it a buy at the current level.

Northern Freegold Resources Ltd.

Recent Share Price:C\$0.80
 Shares Outstanding:45.8 million
 Market Cap:C\$36.6 million
 Shares Outstanding Fully Diluted:71.3 million
 Market Cap Fully Diluted:C\$57.0 million

BRIEF NOTES

- **Animas Resources** (ANI.TO; ANIMF.PK; C\$1.46) came out with news this month detailing drilling plans for the claims it has consolidated within Sonora State Mexico’s Santa Teresa Mining District.

About the time you receive this letter, Animas will have begun an initial 4,500-meter drilling program (part of a larger, 10,000-meter campaign) that will test offsets of known mineralization at its Santa

Gertrudis gold project and will verify resources indicated by historical data left by previous operators.

Santa Gertrudis, as you’ll remember from previous updates, went through a series of owners from the late ’80s through the late ’90s and generated 564,000 ounces of gold from an open-pit, heap-leach operation. The nearby Amelia Mine (now part of Animas’ Santa Teresa holdings) produced one million tonnes of gold at an average grade of 2.88 g/t.

An intensive round of initial exploration work by Animas has identified six main project areas for initial evaluation at Santa Gertrudis. A critical finding from this effort was the discovery that the known gold deposits within the Santa Teresa district “are contained within larger, kilometer-sized pyritic zones...(a) fact (which) implies that although the known historic gold deposits may have been relatively small, the mineral system itself is quite large, strong and possibly deep-seated.”

Animas has designed its drilling program to simultaneously prove up significant surface gold resources left behind by previous operators and to locate the potentially high-grade feeder zones that created those surface resources.

In other words, the company will likely be able to post a sizable, NI 43-101 compliant resource while it explores for a potential “mother lode” at depth. With respect to this latter effort, Animas has already uncovered “pre-mineral thrust faults” that jibe with its district-wide mineralization model.

Bottom line: This company’s Santa Teresa holdings have the potential to evolve into a major new gold mining district and the current drilling program is Animas’ opening salvo in its efforts to make that possibility a reality. Moreover, because many of the first holes will be extensions to known mineralization, I expect some nice results from the very beginning.

We could see the first assays from this program before you receive our August letter. (So, our Alert subscribers should be...alert!) Since I expect those results to be market movers for Animas’ share price, I recommend that you build — or add to — your position beforehand.

- The transaction with the Korean Consortium that **Baja Mining** (BAJ.TO; BAJFF.PK; C\$1.40) announced in April has closed in escrow.

The deal, which will give Baja a US\$435 million cash infusion, would allow the company to move forward with capital construction on its El Boleo polymetallic project in Baja California, Mexico.

However, as Baja notes in its press release, “completion of the transaction is subject to a number of conditions, including approvals by the Korean government, the boards of certain members of the Korean Consortium, approval by the Mexican competition commission, receipt of acceptable bank commitments and other conditions.”

In the meantime, the company has arranged a C\$10 million “standby bridge financing” with Endeavour Mining Capital just in case it needs additional capital to keep the project