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My Top Mining Stock for July Is IDM Mining (Vancouver: IDM) – Mike Swanson



(A photo of the Red Mountain Project being developed by IDM Mining)

For the past few years I have been writing and saying that one day gold would go into a new bull market and go up more than anyone can imagine. I invested early in the cycle and it's tough to invest early before a bull market really starts. When you get in too early you are going to get some losses, but when things turns the gains off of the bottom are incredible.

A big problem is that when a bull market begins few people believe that it is happening and the longer the bear market was that preceded the new bull market the fewer and fewer people are out there that can believe that the new bull market is real when it comes.

So what you get at the beginning are really only smart money insiders buying while the masses remain asleep and the financial media ignores what is going on.

Over the past few months I have been banging the drum on the new gold bull market. I released a course called the Total Gold Trading Program to help people get involved in it using ETF's in my model rebalancing system and with individual stocks.

Last month in my June issue of this newsletter I showed how George Soros had made massive bets on gold and mining stocks in the first quarter of this year. The media put out stories saying that he is a giant short seller betting on a stock market crash due to the fact that he also bought giant put positions that represented 10% of his portfolio. Due to the billions of money he has these positions may represent the single biggest put option position owned by a single individual.

The fact of the matter though is that this did not really represent a giant bet to profit from a stock market crash. What Soros really did is hedge his long positions by buying the puts. He simply protected himself from a potential stock market drop, which is a very wise thing to do with the state of the financial markets right now.

In reality what Soros is betting on is rising gold prices and a bull market in mining stocks. He is now one of the biggest shareholders in Barrick gold after putting several hundred million dollars into the stock in the first few months of the year. He also put close to 10% of his money into GLD call options. It's a massive bet on gold that makes the guys on CNBC's "Fast Money" look like small fries. A lot of people hate Soros because of his politics, but no one can deny that few people are as successful in the markets as he is.

If Soros was really trying to profit from a stock market crash he would have sold a lot of his long positions. Instead he merely hedged them. People who just went off what stories in the financial media said about Soros would have no real understanding of what he was really doing.

I fear that CNBC and much of the financial media simply does not want people to get into gold or understand the power of gold. Many reporters and journalists are simply biased against it, because they have a belief that if gold goes up that it must be bad for the stock market and they do not want to consider that anything could go wrong with the stock market.

So on Monday morning last week when the market was gapping down before the open I turned on CNBC and heard Jim Cramer say that he rather own Cisco than gold. I laughed at that, because no matter what Cisco or the stock market does gold is in a bull market now and the gains that have come and are only going to grow in mining stocks are going to be massive.

This year people in the stock market are making no money while gold and mining stocks are going up and up. This is where the money is to be made!



People are starting to catch on to this fact. Yes there have been lots of gold bears out there that kept calling for crashes or pullbacks as gold went higher this year and many people listened to them, because they saw so many failed rallies during the bear market years of the past. Some said that the \$1,200 level for gold could never be broken and then it was. And then they said \$1,300 could not be breached and then it was. And now today instead of resistance the \$1,300 an ounce level for gold is support and gold stocks are going up and up in a stairway to heaven type of market rally. Such rallies typically last 12 months and sometimes even longer and they convert doubters into bulls. And so now people are starting to believe in gold again. Most bull markets typically last from 3 to 5 years so I think we are still very early in the bull cycle for gold, silver, and mining stocks. And yes silver just went through \$19.00 a few days ago. It's all happening.

What I am doing is holding core positions in two ETF's related to gold and mining stocks in my various accounts and then buying some individual mining stock positions around them that I think can go up more than the ETF's will.

Now I'm not really interested in buying the big cap mining stocks such as Newmont Mining or Goldcorp and so forth, because I already own them in the ETF's. What I'm looking to do is buy a basket of small cap junior mining and exploration stocks. I own three right now and am looking to buy a dozen more or so and hopefully hold the bulk of the shares for the next few years.

Small cap mining stocks are very speculative, but the right ones in bull markets go up much more than the big cap stocks do. These are stocks that can go from pennies to one dollar over a few years.

What happens is that these exploration companies raise money through selling shares and use that money to buy the rights to mine properties and then drill on them to see if they can find minable deposits. If they strike gold they then raise more money to mine the gold or get into a partnership deal with a larger company to do it with or simply get bought out by a major producer.

The majors need to buy such companies to keep their production going. The other kind of small cap mining company is a company that buys a property that can be put into production and raises the money to put that mine into production. These type of stocks become incredible growth stories and often perform the best in a metals bull market. In fact this is how stocks such as Yamana gold actually got started. Some of my best investments have been in these type of stocks.

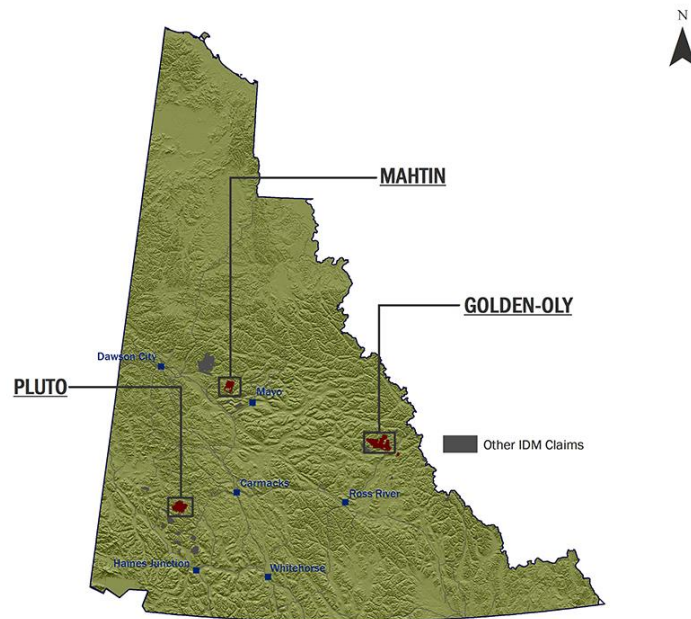
You can buy these stocks right on the open market and you can find some opportunities to invest directly in the companies in unbrokered private placements. These have the benefit of coming with warrants attached to them as a bonus, which work as long-term stock options. These are the type of investments I am looking to make in mining stocks and did with IDM Mining in April. I own 140,000 shares of it that I bought for 9 cents a share with a warrant attached to it. I passed the idea on to members of my private Power Investor group so I think it very likely that a few of them bought it too and that others simply bought the stock directly through their broker on the stock market like you normally would do, because the drawback to a private placement like this in Canada is that you have a four month trading restriction on the shares. So I own shares that I cannot sell until the end of August. After that I can if I decide to do so. Anyone though who bought this stock back in April has experienced a very fun ride up as it has doubled since then. It was trading at 11 cents at the end of that month and closed at 22 cents on Friday, but I believe more gains are to come. This is just what is happening with many mining stocks now.

The thing is we are very early in the bull cycle in terms of time and many small cap mining stocks are still at very low valuations. In bull markets the pure exploration stocks tend to have market caps in the \$25-\$30 million range and it is easy to find many with market caps below \$5 million now. Which are the good ones and which are not takes some studying to do and it is my belief that the emerging junior miners will reach market caps much bigger than the \$25-30 million range as this bull market plays out.

When it comes to small cap mining stocks there are three critical things to look for. You need a good property and a management team that has had a record of successful past ventures. And you also need the stock to get start to get some attention. That shows up in volume, price activity, and signs of investor interest. Word needs to get out and spread.



IDM Mining owns a 100% interest in the Red Mountain Gold project which is in northwest British Columbia. It has conducted a NI 43-101 study that estimates low cost under \$600 an ounce gold mining production is possible on this project. The projection is that 55,500 ounces of gold per year can be mined on this property at an operating cost of less than \$550 an ounce and 170,000 ounces of silver with a mine life of five years. Exploration activities have shown a measured and indicated resource of 441,500 ounces of gold. However the company is poised to carry out more exploration activity to boost resources estimates and the value of the property. It also has purchased claim to an entire portfolio of exploration properties in the Yukon as you can see here on the next page.



The company is in the permitting and final feasibility process to mine at the Red Mount Gold project and looks to have that complete this year with a final decision on whether to commence the mining construction to be made early in 2017.

It is worth noting that the President and CEO of the company is Rob McLeod, who has become a bit of a legend in the mining world for being involved in some big deals during the last bull cycle. He founded and was VP of Exploration for Underworld, which got bought out by Kinross for \$140 million after its exploration activities found a \$1.4 million ounce gold deposit on the White gold deposit in the Yukon. He knows something about that area. He was also VP and CEO of Full Metal Minerals for a period of time.

There is a whole team of people on the board of directors and others involved with it so I am not going to go through all of them. But I want to point out one that got my attention and that is Shobana Thaya who is handling investor relations and marketing for IDM Mining. She is the principal for Vertex Strategies, which has helped spread investor awareness for companies such as Carpathian Gold and Premier Gold Mines, which is trading with a market cap of over \$700 million dollars with multiple mine development projects. Vertex signed a contract last month to provide services to IDM Mining for up to a year.

Today IDM Mining is trading with a market cap of roughly \$46 million when you factor in the trading price and total shares issued and outstanding. One thing to think about with mining stocks is how much rising gold prices can impact the bottom line. If you take IDM Mining the estimates for an operating cost of \$516 per ounce of gold and \$455 an ounce if you include the silver by-product.

Let's just take the \$516 figure. If gold is trading at \$1,200 an ounce that makes for a profit of \$684 an ounce. If gold is trading at \$1,330 an ounce the profit is now \$814 an ounce. That's a 19% increase on a 10.8% increase in the price of gold. This is why you are seeing gold stocks rise so much faster than the price of gold itself and why I expect to see even bigger price jumps to come in many small cap mining and exploration stocks.

IDM Mining trades as IDM on the Canadian TSXV exchange. One last note many commodities are turning up with gold and silver. Copper is busting out of a stage one base. Coffee just did it last week too. Some commodities though like wheat are lagging. We are still early in the commodity bull cycle. Gold and silver tend to lead the way in a commodity bull cycle and then other commodities one by one follow into new bull markets. This does not all happen at once and oil and energy tend to go into new bull markets last. I am interested in one day investing in energy stocks, but I think that time will be well into the future. Mining stocks are going to remain the superior trade in my view. I do own the JO coffee ETF and it looks ready to run!

Disclaimer:

Michael Swanson the author of this reports owns 140,000 shares and 70,000 share warrants in IDM Mining that he can sell or exercise at any time after August 28, 2016 if he were to choose to do so.

You may get the impression from watching the financial media that all stocks go up forever. This is not true and in fact the majority of stocks end up going to zero eventually. All investments in stocks carry risk and go up and down from time to time and sometimes for no discernable reason at all. There is no such thing as free money. It takes work and risk to make money in the financial markets.

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