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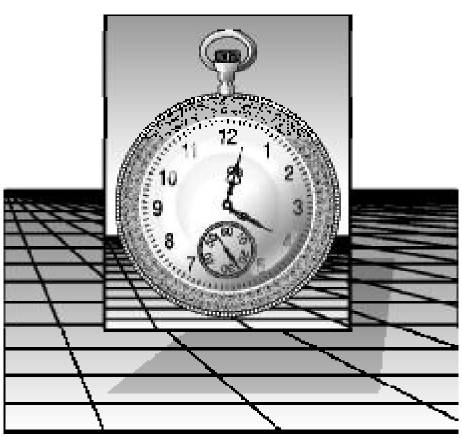

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Aunt Mimi's Bequest

If Aunt Mimi left you $50,000 in cash, what should you do with it?

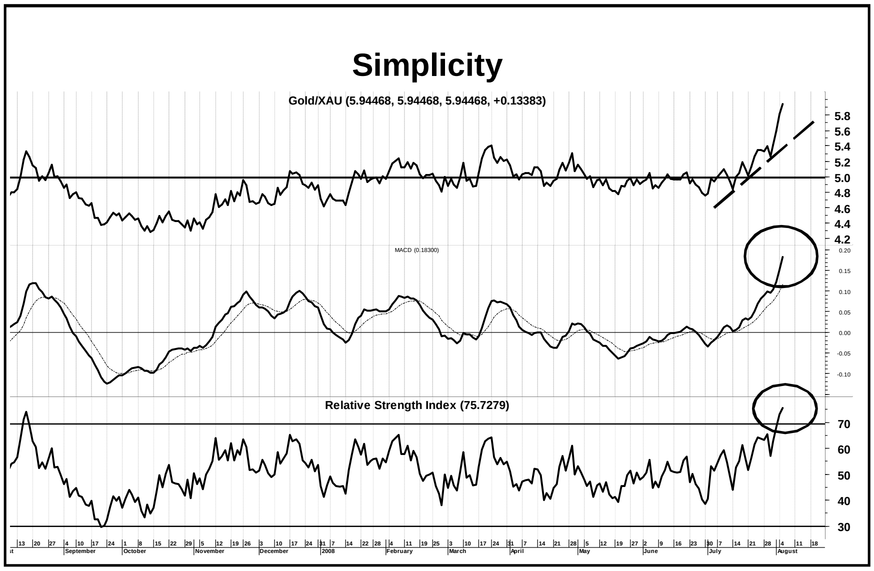
Some of the answer lies in your own individual financial circumstances, of course. Your age and station in life is part of the answer. Your state of health matters. Your bottom line net worth is important. Is $50,000 significant to your estate or not? This may determine how much risk you can afford to take. Do you have impending financial needs coming due - a balloon payment perhaps?

I tend to be a bit debt adverse. There are times when borrowing money is a good idea; but most of the time, it isn't. The fastest way to make easy money with all or part of your $50,000 is to pay off debt. If you are paying through the nose for credit card balances, paying them off is a risk free way to make 15% to 20%.

These are all prudent considerations when deciding what to do with a $50,000 windfall … but let's just assume you have cut through all of that and are only interested in investing the inheritance. Where should you go with it?

Step one is to determine the most rewarding asset class. A full 85% of investment success is simply being in the right asset class - either paper assets or hard assets. All you have to do is calculate a simple ratio between the Dow Jones Industrial Average and the price of gold to find the answer. Currently, the ratio is about 13, having moved down from a high of 43.7 at the crest of the stock market in 2000. That is when hard assets; i.e., commodities - gold, silver, crude oil, natural gas, coal, etc. - launched the current commodity bull market. This will continue until the Dow/gold ratio falls under 5. Personally, I think you will see the ratio fall to 2 before the current bear in financials and the commodity bull markets are finished.

At the core of this phenomenon is the U.S. dollar. As the value of the dollar falls against other currencies, commodity prices in U.S. dollars rise. This is especially true with gold since gold is, indeed, real money. Always was, always will be. I realize that modern economists hate this thought because that really takes most of their theoretical game away. Don't forget the Nobel Laureates at Long Term Capital Management that managed to go broke with all of their theories. As an aside, I have never understood why there is a Nobel Prize awarded in economics and not one in astrology.



As the dollar falls, gold rises. That is cast in stone. Currently, our short term work is long the dollar, but we have an upside target of 74.50 basis the September futures. Keep in mind that normally the dollar will turn south in August, and it will remain weak into year end, and vice versa for gold.

Longer term, the dollar is doomed by enormous government promises concerning unfunded liabilities in Social Security, Medicare, mortgage guarantees over $4.5 trillion, and impossible pension promises. Recently, Richard Fisher, chairman of the Dallas Fed, noted that our Medicaid programs have total unfunded liabilities of $85 trillion. Toss in Medicare and Social Security, and the tab is $99 trillion. The list goes on, of course - war spending, etc. Where will this absurd amount of money come from? Foreigners are lending some to us for the time being, and there are always Bernanke's helicopters. You can ignore Cramer's rants about deflation.

The next administration - if Democratic - will try to stem the tide by raising taxes in every way they can. The effect will only be to dampen an already weak economy and exacerbate current conditions. Net-net, the dollar will continue to suffer, and commodities - gold in particular – will rise to new highs. Eventually, the government will have to replace the dollar with a "new dollar."

Gold looks like it's in a panic capitulation of the correction that began last March. I have been forecasting one last dip into lows in early August when seasonal and cyclical lows are due - see the June mid-monthly letter. As it is, that process is coming in on schedule. Simplicity is setting up the greatest buy in years. The index is at an extreme of 5.94, MACD is overbought, and RSI is finally over 70. The last tumbler is for the index to break its up trend. In the past, Simplicity has been over 5.00 only 15% of the time, and the XAU has averaged an annual gain of 89% following readings over 5.00. We're approaching 6.00. There may be more weakness short term, but this is the picture of a mega-buying opportunity in gold, not unlike that in oil in January 2007 after it corrected from $82.00 to $50.00. Everyone said the commodity bull market was over back then too.

We sold **ASA** (ASA-NYSE-$67.31) on our sell stop at $73.95. The reasons for the stop were outlined in the July monthly letter. I think this money is better utilized from here on with the other majors on our list.

Goldcorp (GG-NYSE-$32.55) reported a $9 million loss for the quarter, but this was primarily due to non-cash accounting adjustments concerning foreign currencies and future income tax liabilities. On the more positive side, they are going to purchase Gold Eagle and consolidate their Red Lake property. The price tag is $1.5 billion. Goldcorp is the lowest production cost, multi-million ounce producer in the world. I continue to recommend purchase up to $40.00. I have been buying this one, and I think it is a bargain at current levels.

One of the others on the list that I like is **Kinross** (KGC-NYSE-$16.60). Kinross just completed a buyout agreement with **Aurelian Resources** (ARU-TSX). The news brought Kinross down to $17.42 on July 30. It seems that the acquiring firm always takes a hit when buying another company. Typically, the Street thinks the price is too high, but Aurelian is a world class property. There is still an opportunity for competing bids which, if accepted, would entitle Kinross to C$42 million in compensation. Such an offer would likely come from the likes of Barrick or Newmont, but there is no indication at this time there will be such an offer.

The Aurelian property known as the Fruta del Norte deposit is in Ecuador where there has been a mining ban in place since April. This is pending a new minerals law that is being drafted. The new law will set royalty payments and establish social and environmental rules. The ban is expected to be lifted during the fourth quarter. The move on Kinross's part is "bold," but Aurelian needs Kinross's expertise and financial backing in bringing projects of this size and quality to production. This is something Kinross has been very successful at doing, even in politically risky places.

All told, this is certainly a bold move for Kinross, but the property is exquisite. From a technical vantage point, \$18.00 is a very good price for Kinross. I was able to purchase some at \$18.00 last month, and I am going to see if some short term, negative momentum here might allow me to snag some more at \$14.00. Putting in buy orders at \$14.00 is a bold move, but it's also a steal if my orders get filled.

Yamana (AUY-NYSE-\$10.72) is also a good bet anywhere under \$14.00. If you want a deep price, shoot for \$10.00; but I think the gold correction is coming to an end, and that may be a little too deep. Don't overlook **Central Fund of Canada** (CEF-AMEX-\$12.13). Our downside price is \$12.05, and it is getting close.

If ETF's are your style, the **Spider Gold Trust** (GLD-NYSE-\$86.08) and **Market Vectors ETF** (GDX-AMEX-\$38.59) are buys at \$83.00 and under \$42.10, respectively. I can't come up with a better buy price for GLD, so I will let \$83.00 stand for now. If there are any changes necessary, I will announce them in the online updates.

Silver also looks good. It should have decent support at \$16.50 basis December futures, which is not all that far from where we are. Consider some **Silver Standard Resources** (SSRI-OTC-\$27.25) at \$28.00 or better, and **Silver Wheaton** (SLW-NYSE-10.52) is a buy up to \$14.00. If you would like to place a deep bid on Silver Wheaton, put an order in at \$10.00, but that may be a long shot.

Aunt Mimi's inheritance money would do well in a variety of these issues. Be sure to keep some money for a few energy plays as well. If there's a need for income, consider **Gabelli Global** (GGN-NYSE-\$25.45) up to \$28.00. The key is to diversify and keep your portfolios balanced. As for exact percentages, that is too much of an individual aspect for me to responsibly dictate. See Page 5 of the Welcome Letter for more on this.

I think the crude oil correction will end this month. Crude is very oversold here, and my indicators are beginning to turn positive again. Fundamentally, nothing has changed. The planet is running out of easy to obtain, cheap crude oil. Exporting countries are growing internally with a commensurate growth in energy needs. They will be exporting less in the future and will be keeping more production for their domestic use.

Iran is the world's fifth largest exporter. Their internal consumption will equal their exports by 2015. That is only six years from now. They are likely at peak production. They want the bomb, but nuclear power would extend their exports and revenues. Furthermore, the ability to control who gets their exports and who doesn't equates to tremendous political power. In the future, those left with the ability to export in a world dependent on their product will not only see Iran's wealth increase, but also their power to intimidate and persuade.

I have mentioned Mexico and their announced reduction in exports to the U.S. The next supplier we should be worried about is Nigeria. Between inept management and civil war, they may all but cease their exports soon. Even Saudi Arabia is about to become a net importer of natural gas. They have developed their infrastructure to the extent that they, too, are consuming increasing amounts of electricity.

Crude oil is going higher because it is becoming more scarce, because the purchasing power of the dollar is declining, and because the rest of the world is joining the party and wants a higher standard of living. As Dr. John Christy at the University of Alabama so aptly said, “Energy demand will grow because it makes life less brutal and less short.”

There is an outside chance that crude will fall to $108.00. A more realistic down side might be $115.00; but crude is so prone to adverse news, forecasting downside prices is difficult. Surprises will be bullish.

You should be able to pick up some **Blackrock Global Energy** (BGR-NYSE-$29.13) and **Baytex Energy** (BTE-NYSE-$28.65) at $30.00 or less. These are both nice income generators.

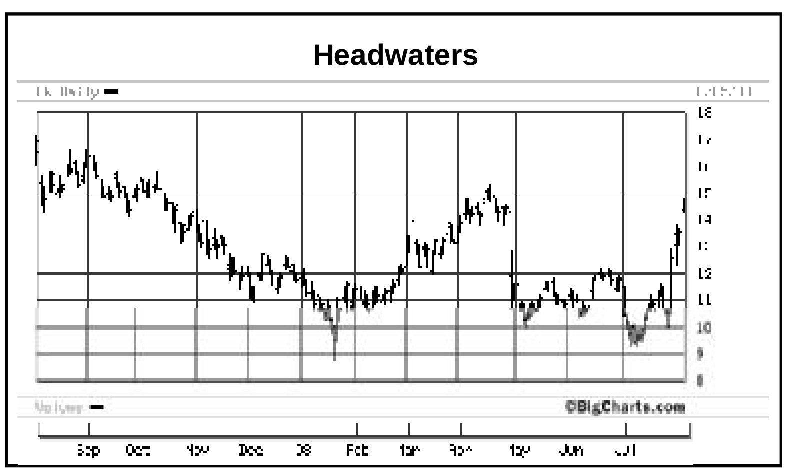
Too many people are still taking energy for granted. In fact, remaining supplies need to be measured in decades - not in centuries - available. Even uranium has only decades of supply. Americans tend to think in the short term while others (Islam) think in terms of multiple lifetimes. Decades are short term. There is one exception, and that is coal. We do, indeed, have centuries in coal supplies.

Fording Coal (FDG-NYSE-$85.75) is being purchased by **Teck Cominco Limited** (TCK-TSE) in a cash and stock swap deal. Those of you who hold Fording and tender your shares will receive $82.00 U.S. in cash and .245 shares of a Teck Cominco Class B subordinate voting share for each of your Fording units. It is my understanding that these class B voting shares will be created in the deal, and they do not currently trade.

There are going to be some complicated tax ramifications if you tender your shares in the buyout and do not simply sell them first. For example, of the $82.00, $3.00 is a final distribution. I assume that will not qualify for capital gains treatment. Unit holders that are not Canadian residents will also be subject to the 15% Canadian withholding tax on the full amount of the proceeds. The deal is subject to approval by unit holders, listing approval for the new shares, regulatory approvals, etc., so who knows? Nevertheless, I don’t anticipate any problems, and I expect the merger will go through.

Whether you should tender or sell is always difficult to determine. You should definitely review the tax ramifications with your tax counsel if you plan to tender. The deal is slated to close in late October 2008, so there is some time before this will become final. You can Google “Fording Coal” for further information and details. **My recommendation -** first of all, you should put a sell stop under your positions at $70.00 in the event that something unforeseen goes wrong with the deal. Next, if it were my stock, I would sell it at $95.00 or better.

Another of our buy-and-hold stocks got a shot in the arm – **Headwaters** (HW-NYSE-$14.64). They reported strong earnings, and the stock jumped $2.53 (25%) on the news. Their clean coal technology business is doing very well - well enough to offset down turns in their construction-related products business. Perhaps the most exciting news is that the U.S. Air Force is certifying their aircraft to use synthetic fuel made from coal. Malmstrom Air Force base, which is here in Montana, is going to be home to a massive new facility to process



Montana coal to liquid "oil" that can then be processed accordingly. Headwaters is a big player in this technology, and they have tremendous long term potential. Subscribers had ample opportunity to buy at our downside buy price of $10.00 last month. You should now hang on and maintain the sell stop we have had in place at $8.95. However, you shouldn't chase current strength, and I am putting it on hold for the time being.

Incidentally, take a good look at the chart on Page 4 of Headwaters. That is what the precious metals charts will look like once this correction is over. There may be some basing similar to the consolidation of Headwaters around $10.00 and then a sudden move higher. At that point, it will be too late for bargains.

Alliance Resources (ARLP-OTC-$45.09) is still on our list, but I am keeping the buy price at $39.85. Alliance is a good place for some of your Fording money when the time comes. However, I an investigating some new coal companies in hopes of finding something I can recommend in the near future. It would be nice to diversify some of the Fording proceeds.

When all the debate over alternative energy is said and done, coal is the best energy option we have going for us. America has over 150 to 200 years of coal reserves and the talent to exploit it. This beats wind, ethanol, oil shale (which isn't really oil at all), solar, hydrogen, and all the other "pie in the sky" ideas out there. We have the coal and the ability to process it with less impact on the environment than the impact of conventional oil.

Synfuel will not have an immediate impact, of course. Crude prices will still move to new highs - likely by the end of the year. If you are looking for an upside expectation, $160.00 a barrel is not out of the question. However, $160.00 is a tipping point in the grand scheme of things - especially in terms of the U.S. economy. It is a struggle, but the economy can cope with $140.00 a barrel. On the other hand, $160.00 is where push comes to shove and the economy begins to seriously cave in under the weight of high energy prices. I still don't expect a prolonged recession to affect *world* demand for energy in the face of declining supplies. The price in U.S. dollars will continue to rise. Having available supplies at any price will be the issue.

The Bakken will not bail us out. First of all, it is very sketchy how much oil is actually there - and of that, how much is recoverable with today's technology, and how soon. The drilling is very difficult. You can drill a dry hole in one place and get a gusher almost next door. The field requires horizontal drilling, which is tricky and expensive. There is oil there, for sure; but to date, the only guys getting filthy rich are the folks that own the mineral rights and those selling the leases. The permits are going for big money; but another side of this is that if a company gets a drilling permit, they are immediately able to report increased "probable reserves" before they even begin drilling. It's just more hanky-panky with the numbers.

I think the best bet at this point is to invest in the service companies. There is going to be a lot of drilling in the Bakken over the next several years, and all that activity is dependent on the likes of **Schlumberger** (SLB-NYSE-$95.91) and **Baker Hughes** (BHI-NYSE-79.50). They are buys on further weakness at $80.75 and $70.50 or better, respectively.

If you would like a shot at a Canadian trust involved in the area, consider **Crescent Point Energy Trust** (CPGUN-TSX-C$33.80). Buy it at C$30.20 or less Canadian. In my estimation, the Bakken is a pretty dicey play, but Crescent Point will give you a decent yield of about 9% if purchased at C$30.20.

So, there are some ideas for your inheritance from Aunt Mimi. I can strongly recommend that you avoid financial assets (stocks and bonds) unless they are advantaged by higher commodity prices. You will know the water is safe to buy the stock market when the Dow/gold ratio falls under 5. Until then, stick with tangibles.

Recommended Stocks For Buy And Hold

Note: You can get quotes on Canadian stocks in Canadian dollars by using the symbols we have listed at www.bigcharts.com. Thus, if you want a quote for Peyto Energy, go to www.bigcharts.com and type in CA:PEYUN. You can approximate the price in U.S. dollars by multiplying the Canadian dollar quote by 1.01. You should buy at or below the posted downside buy price. The downside buy price does not imply that this level will necessarily be reached, but that this is the maximum price we recommend that you pay for the issue. Changes since our last posting are in bold letters.

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 8/05/08	Downside Buy Price	Div 7/01/08	Target-T Stop-S	Web Site
					U.S. $				
Agnico-Eagle	AEM	NYSE	1/10/2007	36.00	48.65	60.00	0.35%		agnico-eagle.com
Alliance Res	**ARLP**	**OTC**	9/29/2004	27.98	45.09	**39.85**	5.79%		arlp.com
Apache Corp	APA	NYSE	3/5/2007	68.00	106.88	HOLD	0.57%		apachecorp.com
ASA (1)	**ASA**	**NYSE**	7/28/2008	**Sold on stop**		**at $73.95**			asaltd.com
Baker Hughes	**BHI**	**NYSE**	2/5/2008	64.63	79.50	**70.50**	0.76%		bakerhughes.com
Baytex Energy	**BTE**	**NYSE**	5/18/2004	9.00	28.65	**30.00**	10.48%		www.baytex.ab.ca
Blackrock	**BGR**	**NYSE**	8/3/2005	25.99	29.13	**30.00**	5.12%		blackrock.com
Central Fnd. Of Can.	CEF	AMEX	Buy at	12.05	12.13	12.05	0.08%		centralfund.com
Fording Coal (5)	**FDG**	**NYSE**	11/16/2004	22.74	85.75	**HOLD**	11.62%	**S=70, T=95**	fording.ca
Frontline Ltd. (1)	FRO	NYSE	1/4/2007	31.00	56.11	HOLD	4.46%		frontline.bm
Frontier Oil	**FTO**	**NYSE**	8/3/2005	14.38	19.01	**HOLD**	1.23%		frontieroil.com
Gabelli Glb. Gld.	GGN	AMEX	1/3/2005	22.10	25.45	28.00	6.70%		gabelli.com
Goldcorp	GG	NYSE	7/24/2008	40.00	32.55	40.00	0.53%		goldcorp.com
Headwaters	**HW**	**NYSE**	3/10/2006	36.30	14.64	**HOLD**	n/a	S = 8.95	headwaters.com
Kinder Morgan LP	KMP	NYSE	6/8/2007	52.50	55.00	HOLD	7.16%	S = 48.40	kindermorgan.com
Kinross Gold (2)	**KGC**	**NYSE**	6/6/2002	2.39	16.60	**18.00**	0.48%		kinross.com
Kinross Gold	**KGC**	**NYSE**	1/4/2007	11.00	16.60	**18.00**	0.48%		kinross.com
Mkt. Vectors, ETF	GDX	AMEX	9/11/2006	37.00	38.59	42.10	7.54%		n/a
Pimco Com. Fund	PCRAX		3/2/2005	13.97	16.97	17.00	6.02%		pimcofunds.com
Schlumberger	**SLB**	**NYSE**	1/18/2008	75.00	95.91	**80.75**	0.88%		nat.bm
Ship Finance (3)	SFL	NYSE	3/6/2007	0.00##	26.71	HOLD	8.39%		www.shipfinance.org
Silver Standard	SSRI	OTC	1/4/2007	30.00	27.25	28.00	n/a		silverstandard.com
Silver Wheaton	**SLW**	**NYSE**	3/10/2006	8.40	10.52	**14.00**	n/a		silverwheaton.com
Spdr Gold Trust	GLD	NYSE	9/11/2006	58.85	86.08	83.00	n/a		n/a
TIPS iShares ETF	TIP	NYSE	5/28/2008	106.00	105.08	106.00	10.63%		n/a
Transocean (4)	**RIG**	**NYSE**	1/4/2007	75.00	133.18	**120.00**	n/a		deepwater.com
Yamana	AUY	NYSE	4/14/2005	2.90	10.72	14.00	1.09%		yamana.com
Valero	VLO	NYSE	4/26/2005	36.63	32.14	**HOLD**	1.87%		valero.com
					Canadian Dollars				
Altius Minerals	CA:ALS	TSX	8/9/2007	17.88	6.84	HOLD	n/a		altiusminerals.com
ARC Energy	CA:AET.UN	TSX	Buy at	25.85	28.11	25.85	n/a		arcresources.com
Crescent Point En.	**CA:CPG.UN**	**TSX**	**Buy at**	**30.20**	33.80	**30.20**	8.33%		arcresources.com
Peyto Energy	CA:PEY.UN	TSX	7/18/2003	8.75	16.52	HOLD	10.91%		peyto.com
Silvercorp Metals	CA:SVM	TSX	1/21/2008	8.00	4.35	8.00	3.39%		silvercorp.ca

(1) Frontline dividend based on regular payment of $0.625 per quarter. Extras have been paid, bringing the dividend on the past 12 months' payments to 13.38%. (2) On 2/27/07, Kinross acquired by exchange for Bema, originally purchased at $1.06 on 6/6/02. (3) Ship Finance Intl. was acquired as a spinoff from Frontline on 3/6/07. (6) Transocean merged with Global Santa Fe on 11/27/07, receiving .6996 shares in the new Transocean plus $33.03 in cash.

Buy And Hold Junior Gold & Silver Stocks - The Option Alternative

Company	Symbol	Exchange	Initial Recom. Date and	Price	Price 8/05/08	Downside Buy Price	Div	Target-T/ Stop-S	Web Site
					U.S. $				
Coeur d'Alene	CDE	NYSE	9/2/2003	3.19	2.36	3.35	n/a		coeur.com
Endeavor Silver	EXK	AMEX	7/26/2007	4.60	2.66	3.00	n/a		edrsilver.com
Great Basin Gold	GBN	AMEX	12/21/2007	2.45	2.98	3.25	n/a		greatbasingold.com
Nova Gold	NG	AMEX	2/29/2008	11.50	6.99	7.50	n/a		novagold.com
Taseko Mines	TGB	AMEX	7/24/2006	2.40	3.22	4.50	n/a		tasekomines.com
US Gold Corp	UXG	AMEX	9/9/2005	1.70	1.28	HOLD	n/a		usgold.com
					Canadian Dollars				
Everton Res.	CA:EVR	TSX	1/4/2007	1.30	0.25	HOLD	n/a		evertonresources.com
Golden Valley	CA:GZZ	TSX	2/20/2007	0.50	0.31	HOLD	n/a		goldenvalleymines.com
Laramide Res.	CA:LAM	TSX	3/16/2006	5.20	3.01	HOLD	n/a		laramide.com
Mega Uranium	CA:MGA	TSX	5/1/2007	6.75	1.34	3.00	n/a		megauranium.com
UTS Energy	CA:UTS	TSX	5/15/2006	6.50	4.41	HOLD	n/a		uts.ca
Minera Andes	CA:MAI	TSX	9/11/2006	1.20	1.05	1.20	n/a		minandes.com

C$ Denotes Canadian dollar. Quotes for Canadian stocks can be obtained on the U.S. OTC Bulletin Board (pink sheets) with the following symbols. I want to caution you, however, that OTCBB quotes are not always current. They can be a day or more old at times. You should take the quote in Canadian dollars (as described above) times .99 to see if the OTC quote looks correct. You can access these OTCBB quotes by using www.barchart.com.
Peyto Energy-PEYUF Laramide-LMRXF UTS Energy-UEYCF Minera Andes - MNEAF

Target-T A price in this column preceded by "T" represents the price at which you should liquidate the position and take profits. Stop-S A price in this column preceded by "S" represents the price at which you should place a sell/stop. Do not short on the target price or the stop price. There will not always be a target or stop price listed. For a further definition of a sell/stop, see the Welcome Letter.