

Gold Newsletter

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• **Rye Patch Gold** (RPM.V; C\$0.20), and its shareholders, took a big hit in early April when Homestake Mining Company of California (a subsidiary of Barrick Gold) exercised its pre-emptive right to acquire Centerra Gold's interest in the Ren gold property, thereby short-circuiting RPM's plans to buy the interest for \$42 million.

The purchase would have given Rye Patch about 1.4 million ounces of undeveloped gold resource, at a purchase price of around \$30 per ounce. There were still significant development hurdles to come with the property, and the company was going to have to undergo heavy dilution to raise the remaining funds needed to buy it, but the market took the news of the deal's cancellation quite badly.

The stock quickly lost 29% of its value on heavy volume, and shareholders were left to wonder where the company would head next to achieve its goal of a 10-million-ounce gold resource. The company already boasts a resource of around 3.3 million gold-equiva-

lent ounces on its Wilco and Jessup properties, and its Lincoln Hill project has shown great promise, with a resource estimate expected within 30-45 days.

Recent drilling at Wilco had hoped to locate a potential high-grade gold feeder system within its North Basin target. And while recent drilling couldn't be termed a success in this regard, the data has helped Rye Patch's geologists to better understand the system and narrow their search.

But what about new projects to replace the promise of Ren? Rye Patch's management team has already demonstrated that they're aggressive, and Ren wasn't the only project they had looked at. I expect them to move down their list of projects, and work toward another big deal over the coming months.

As readers will remember, I recommended this company before the Ren deal, and now the company is much better financed than ever before. Given their current resources, the growth potential from these projects and the likeli-

hood of another deal on the horizon, it's a buy near current levels. ▲

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