

MAEDEL'S

EQUITY MARKET ANALYST

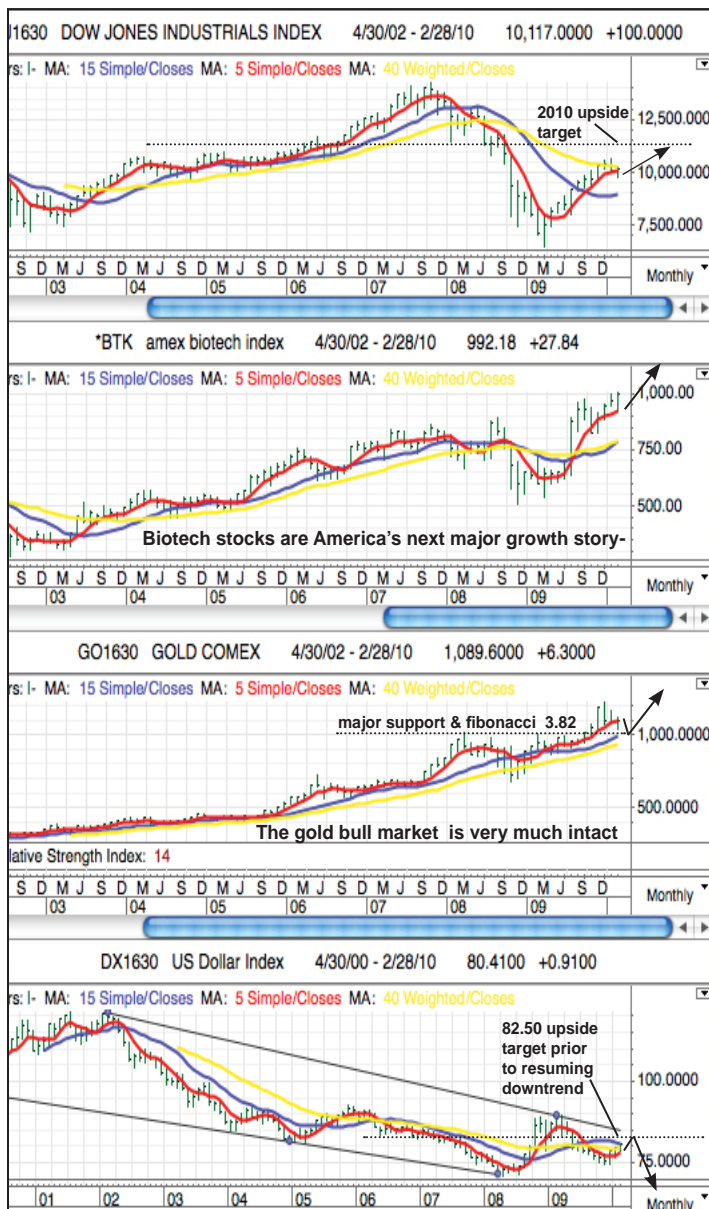
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The Forgotten Bull Markets



Editor: Neil Maedel
Uncompromising analysis
exclusive advice beginning 1987.

In the last issue we described how the developed world's leaders walked a razor's edge: on one side a demographic implosion and deflationary collapse looms. On the other an inflationary spiral, exploding debt service costs and sovereign default threatens. In this issue we focus on what has gone hand in hand with every crisis in the past century: opportunity.



Crudecalculations

- Gold's correction is nearly complete and is setting up for a major move in its multi-year bull market.
- US equities should begin moving higher but will under perform emerging markets. Biotech stocks are the clear leaders.
- Dollar rally is nearly complete expect a resumption of its down trend.
- OECD economic growth to slow by Q3 necessitating further government and central bank support

Gold Rush

Mexican gold producer **Mexoro Minerals** (OTC MXOM \$0.51) marches to its own drummer as it's shares traded at new highs despite the gold and gold sector correction, marking a bullish divergence which is confirmed by its rising On Balance Volume and RSI (see chart next page). The chart pattern Mexoro has been developed is known as a "scalping" or "rounding" bottom and it appears to be in the midst of breaking out to the upside.

Rounding bottoms are generally very reliable and thus great investment opportunities when you can find them. The 1948 classic **Technical Analysis of Stock Trends by Edwards and Magee** notes:

“Rounding bottoms occur most often in low-priced stocks in an extended, flat bottom form which usually takes months to complete... these patterns, when they occur after an extensive decline, are of outstanding importance, for they nearly always denote a change in Primary trend and an extensive advance yet to come”.

Maedel’s previously have outlined the bullish fundamental case for Mexoro Minerals. We are quite familiar with it as we advised them in their reorganization last year and continue to consult for the company

which is in the midst of changing its name to Pan American Gold fields

Simply put Mexoro is growing its gold production dramatically at its Cieneguita Mine while it advances two other “high impact projects.

The company is in the midst of a drilling program at its Sahyuacan project better known for containing the Santa Teresa mine workings, formerly one of the highest grade producers in Mexico’s Chihuahua state.

Like most mines in the state, its operations ceased at the start of the Mexican revolution around 1910. The original miners simply followed high grade gold veins that were visible to the naked eye to develop underground workings and they produced millions of ounces doing it.

Critically in those days if you could not see it, you did not mine it, meaning a breathtak-

ing amount of gold remains around many of these historic producers at grades that are wildly economic using the latest technology and gold price.

The Sahyuacan’s high grade mine workings have lain fallow since the revolution, that is until Mexoro acquired the property.

Because the gold grades required to make an economic discovery in Chihuahua are a very small fraction of the grades mined previously, a gold rush was triggered when the government opened the area up for foreign investment.

Since the area was opened up roughly 10 years ago, gold production has leapt from zero to more than 2 million ounces in 2010

Mexoro is a very good example of what is happening. Its first stab at drilling next to an old producer was at the company’s Cieneguita which is now the company’s principal growth story. So far they are mining a 1.2 million ounce resource an amount which is expected to be increased substantially.

The initial-growth is anticipated from ramping up their gold production from this year’s 1000 tpd at

3 grams gold per ton (roughly 30,000 ounces at a cash cost of around US\$350) to over 100,000 ounces.

It does not seem too much of a stretch to expect the Sahyuacan to be come their second mine, an event that should dramatically add to the company’s share price as it evolves.

Mexoro’s chairman Mario Ayub was the president of the Mexican Miners Association and has discovered and put into production 8 mines in the area. Importantly he says he has several additional Cieneguita-Sahyuacan-like plums in mind for the company. Analyst Victor Gonçalves who pens the *Equities and Economics Report* recently described Mexoro as “very very undervalued” we agree and note that it is one story that just keeps getting better.

For More Information Contact:

Christopher R. Anderson
Investor Relations
info@PanAmericanGoldFields.ca

Tel UK: 020-3-371-7844
North America: 604.628.7065



Skype:
“Anderson Financial Marketing”

