

The Absurd Value of Minco Gold: Take Advantage of a 60%+ Arbitrage Opportunity

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**All dollar amounts in this article are Canadian*

Minco Gold Corporation

Market Capitalization: \$31,820,000

Shares Outstanding: 43,000,000

Fully Diluted: 46,930,000

- Options: 3,350,000 at average exercise price of \$1.65
- Warrants: 580,000 at average exercise price of \$2.00

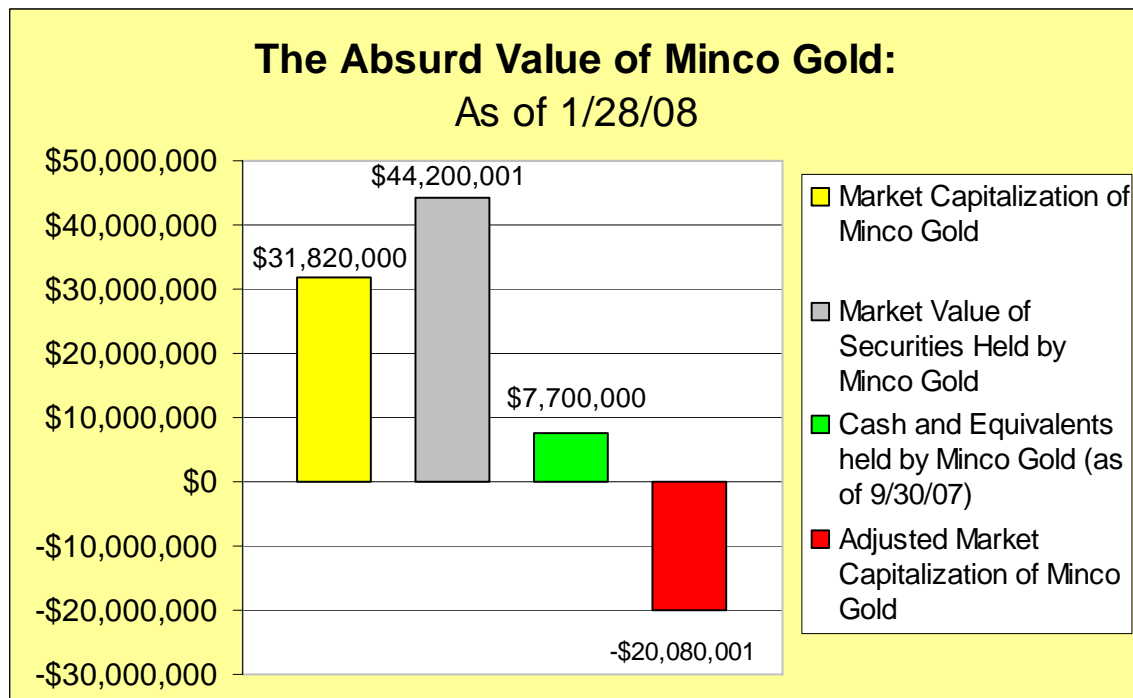
Insider Ownership: ~3%

Cash, Equivalents, and Marketable Securities: \$54,200,000 (est. 1/28/08)

- Includes 13 million shares of Minco Silver

Debt: \$0

Website: <http://www.mincogold.com/s/Home.asp>



Currently, Minco Gold (MGH – AMEX, MMM.TO – Toronto Exchange) is trading at a steep discount to its subsidiary company, Minco Silver (MSV.TO – Toronto Exchange). Frankly, the situation is absurd. Why anyone would be buying Minco Silver in the open market when they have the opportunity to buy Minco Gold we have not the slightest idea. If anyone reading this essay owns Minco Silver but not Minco Gold, we hope that after

reading this essay you'll agree that you are much more likely to register greater profits during 2008 if you swap positions. For those who already own Minco Gold, we hope you'll come to understand that now is no time to sell. For those who own neither, we hope you'll find Minco Gold to be a compelling investment and consider establishing a position before the broader market wakes up to its own gross inefficiency. In other words, go long Minco Gold and go short Minco Silver.

The purpose of this write-up is not to argue the merits or risks of either company. All of that is totally irrelevant, and can be left up to the individual reader to decide once this opportunity has passed. What we are going to present to you is a pure arbitrage play. In finance, arbitrage is the simultaneous purchase and sale of the same security in different markets to profit from unequal prices. Technically, this isn't perfect arbitrage, but close enough since Minco Gold is essentially a play on Minco Silver with some added leverage.

Minco Silver is a subsidiary company of Minco Gold, and Minco Gold currently owns 13 million shares of Minco Silver. These 13 million shares are currently worth well in excess of Minco Gold's current market capitalization to the tune of over \$13 million. With a market capitalization of only about \$33 million, this is very significant. In a rational market, you would expect that Minco Gold would at least trade for what its share of Minco Silver is worth. After all, Minco Gold is far from a dead company, with several large drill programs planned for 2008, near term production plans, and a significant gold deposit sitting right on top of Minco Silver's large and steadily advancing Fuwan silver development project in China. Under these circumstances, we would consider it a surprising gift were we able to purchase Minco Gold at essentially a market value of zero. How could you not resist such an offer? But the story gets even better.

Minco Gold also has a pile of cash, roughly \$7.7 million as of the latest financial statements for the period ending September 30, 2007. With Minco Gold having just recently sold 1 million shares of Minco Silver (Minco Gold still owns 13 million shares) at \$3.25/share, we estimate that their current cash hoard now stands at about \$10 million. Even if we are overly conservative and ignore the proceeds from the recent sale of Minco Silver shares (as we did in the above chart), or in other words, we assume that Minco Gold's burn rate was especially high this past quarter, the adjusted market capitalization of Minco Gold after accounting for cash and its ownership interest in Minco Silver is still amazingly, about *negative* \$20 million! This is equivalent to a roughly 63% arbitrage opportunity, where one should go long Minco Gold and go short Minco Silver. That is, one would need to buy Minco Gold and sell Minco Silver to take maximum advantage of this opportunity.

Of course, this 63% arbitrage opportunity assumes that Minco Gold is an otherwise worthless company. While we suppose it is possible that some might make that argument, a 63% return with negligible risk is still nothing to complain about. And if it turns out that the cynics are wrong and Minco Gold does indeed have value beyond its cash and securities values, say an estimated \$10-\$20 million, then this suddenly becomes

a potential 100%+ arbitrage opportunity. To say that such opportunities are rare would be an understatement.

Please don't forget to visit our website, www.resourcefortunes.com and sample our premium newsletter service for 30 days for just \$2.99, <http://www.resourcefortunes.com/payment.htm>. Besides our in-depth monthly premium newsletter which runs about 60 pages and includes my fundamental analysis along with [Roy Marten's phenomenal technical analysis](#), we present subscribers with excellent trading tools in our "fundamentals" excel file. One such tool tracks the adjusted market capitalization of Minco Gold and essentially tells subscribers in real-time when they ought to consider exiting their position if trading solely for arbitrage purposes.

Feel free to send any feedback about this article to dzurbuchen@resourcefortunes.com

*I currently own 6,800 shares of Minco Gold. While it may not seem like it, for a junior in college living in a house with 5 roommates, that is a lot of shares. So yes, I do stand to profit from you bidding up the price. But this is no shameless pump. The fundamentals are readily visible. I am simply arguing that the market is not acting efficiently, as so often seems to be the case in the junior mining sector.